



## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

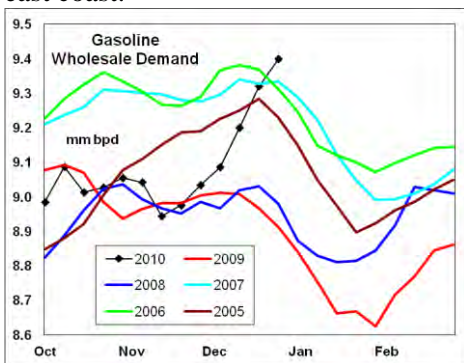
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Thursday, December 30, 2010



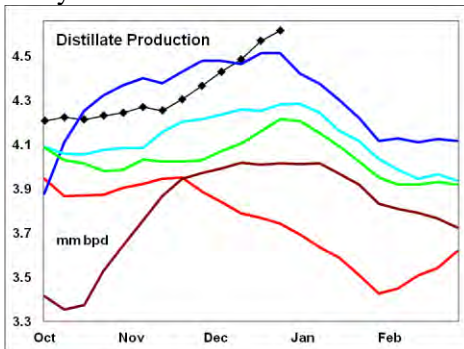
#### Major Fundamental Trends<sup>1</sup>

Gasoline wholesale demand jumped to 9.4 million bpd last week; dramatically above levels of the last quarter and the last 2-years for this period. Independent retail usage estimates do not reflect this surge. Factors that likely contributed to the jump were downstream supply chain stock building ahead of the: a) Christmas holiday weekend and b) storms on the east coast.



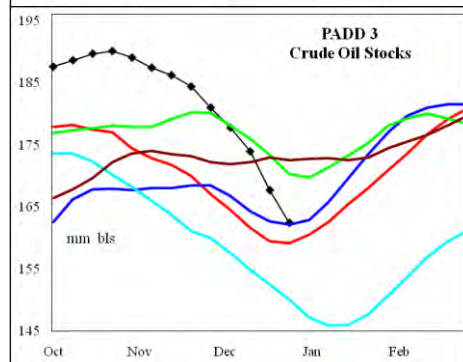
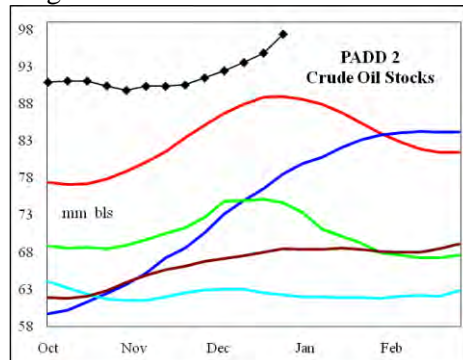
Gasoline supplies remain extremely tight on the East Coast with stock levels in New England falling to all time lows on disruption in barge receipts and low imports.

Refiners are maximizing distillate output at the expense of jet fuel and residual fuel oil; with production in PADD 3 up +31% over last year and at all time highs. Planned winter quarter maintenance on the Gulf appears relatively light, so that high output is likely to continue.



The imbalance between crude oil supplies in PADDs 2 and 3 extended

last week with stock levels in the Midwest up +3 million barrels to new all time record high while stocks fell -4.9 million barrels in the Gulf to a level that matched the 5-year mid range.



**Demand** for gasoline jumped +0.2 million bpd to 5-year highs for the period.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +2.9%; distillate up +4.9%; jet fuel up +0.1% while residual fuel oil increased +18%.

**Stocks forward coverage:** Gasoline demand coverage fell on a -2.3 million barrel draw in stocks and higher demand. Coverage levels were near 2008, and below a year ago.

Distillate coverage saw a marginal increase on a +0.2 million barrel stock build and lower demand. Coverage levels were near last years' record high.

Jet fuel coverage remains above the 5-year range on weak demand and stock levels at 5-year highs for the period.

**Refinery utilization** rates were unchanged on a +3,000 bpd increase in crude oil runs last week. Runs for the

latest 4-wk period were +1.1 million bpd above a year ago.

Gasoline yield % on crude oil runs decreased last week on a -176,000 bpd drop in production versus a +3,000 bpd increase in crude runs. Yield % was below each of the last 2-years.

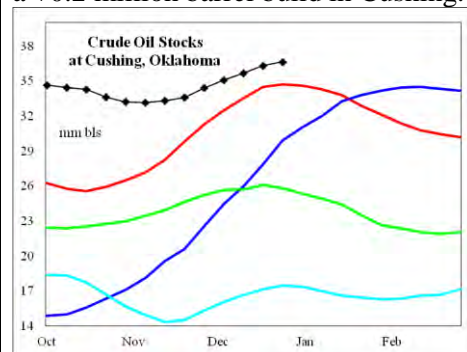
Distillate yield % on crude oil runs increased with production up +27,000 bpd compared to flat crude oil runs. Yield % was near the 5-year high for the period.

Jet fuel yield % on crude oil runs was nearly unchanged on a -6,000 bpd drop in production for the week.

**Petroleum Imports** of gasoline were sharply lower on the week while crude oil and other products were marginally higher or lower week-on-week.

During the latest 4-wk period crude oil imports increased +0.7 million bpd over last year; distillate imports were unchanged; finished gasoline imports decreased -79,000 bpd, gasoline blend stock imports increased +130,000 bpd; jet fuel imports were -9,000 bpd lower, while residual fuel oil imports increased +117,000 bpd.

**Crude Oil** imports increased +0.1 million bpd last week, although high crude run rates led to a -1.2 million barrel stock draw. Stocks fell -4.9 million barrels on the Gulf while in PADD 2 stocks increased +3 million barrels to a new record level; including a +0.2 million barrel build in Cushing.



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



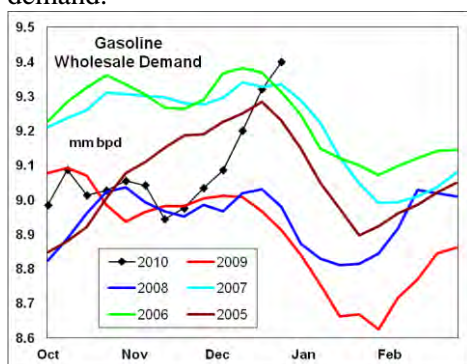
## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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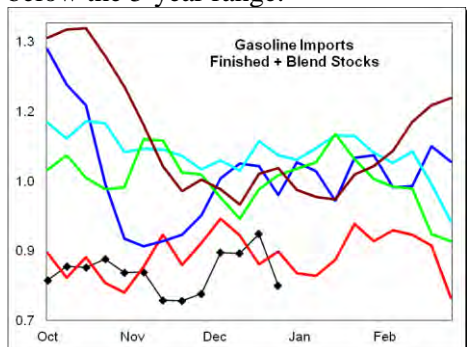
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#### Product Supply-Demand Trends

**Gasoline** demand jumped +186,000 bpd last week, with the latest 4-wk average +260,000 bpd above last year. Demand appears significantly overstated compared to levels of 2008/2009 and independently reported retail usage. A surge in stock building by the downstream supply chain ahead of the a) Christmas weekend, and b) storms on the East Coast, may have contributed to the spike in apparent demand.



Production fell -176,000 bpd on the week (including a -138,000 bpd EIA adjustment at the U.S. level); with output matching the prior 5-year high. Imports fell -232,000 bpd to a level below the 5-year range.

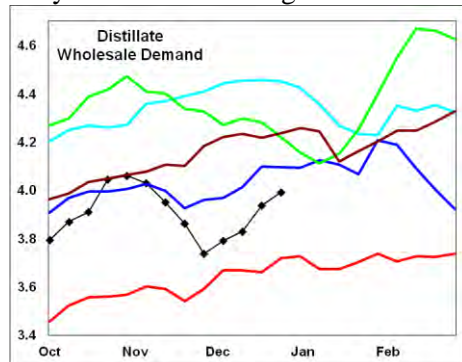


Stocks saw a -2.3 million barrel counter seasonal draw.

*Expect a sharp seasonal drop in demand and continued high production to drive seasonal stock builds in the near term. Low imports may keep supplies relatively tight on the East Coast.*

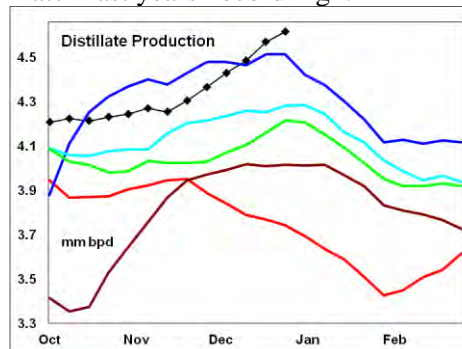
**Distillate** demand declined -58,000 bpd on the week, with the 4-wk average +180,000 bpd above last year. During the last 6-wks demand has averaged above the lows of 2009 but still under

the years of 2005 through 2008.



Supply increased +51,000 bpd on the week, with output climbing to a fresh 5-year high.

Stocks increased +0.2 million barrels on the week; including a -2.1 million barrel draw in PADD 1 and builds in PADDs 2 and 3. Stock levels match last years' record high.



*Demand has recovered from the lows of early December, but remains well below pre recession rates (including higher exports).*

*Production continues to hit new all time highs as refiners maximize output; displacing jet fuel and residual fuel oil output. Stock levels match 5-year highs set last year.*

*Production should trend lower during the next quarter as refiners on the Gulf and West Coast begin winter maintenance.*

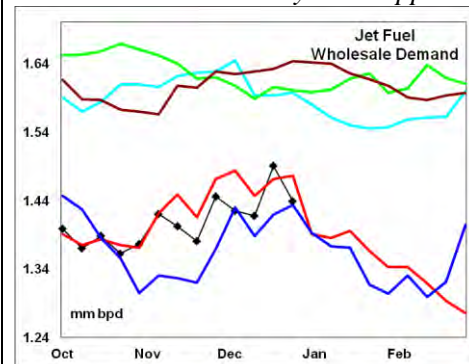
**Jet Fuel** demand increased +42,000 bpd last week, with the latest 4-wk average unchanged compared to a year ago.

Demand levels remain comparable to the recession years of 2008 and 2009, with an improving economy not yet reflected in higher demand.

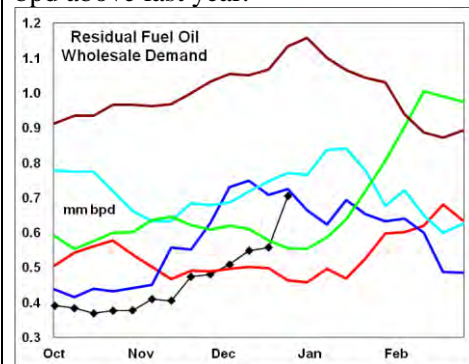
Supply declined -25,000 bpd last

week, on lower imports and production. Stocks decreased -0.3 million barrels on the week, with the level matching the 5-year high.

*Jet fuel demand remains lackluster, matching the extremely low levels of the last 2-years. The industry has constrained production and imports in an effort to limit stock levels, which match historic highs. The market remains very well supplied.*



**Residual fuel oil** demand, including exports, increased +218,000 bpd last week, with the 4-wk average +88,000 bpd above last year.



Supply (production + imports) fell -83,000 bpd on the week, the result of a sharp drop in production. The latest 4-wk average supply was -43,000 bpd below a year ago. Stocks declined -1 million barrels on the week; with levels above four of the last 5-years.

*Sharply lower production was partially offset by a surge in imports last week. Higher seasonal demand should lead to a improvement in the supply balance during the 1st quarter. The key Gulf region market remains very well supplied with stock levels +13% above the prior 5-year high.*





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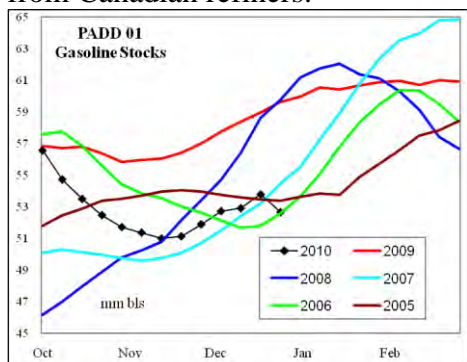
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#### PADD Supply Trends

**PADD 1** refinery crude oil runs decreased -76,000 bpd last week, with the level below the historic range. Crude oil imports increased +53,000 bpd, a level still below the historic range. Crude stocks jumped +1.6 million barrels, with the level -23% below a year ago.

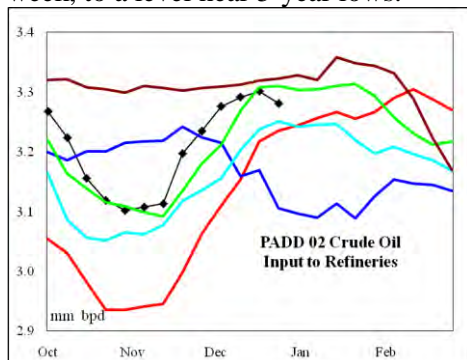
Gasoline production increased +94,000 bpd, offset by a -132,000 bpd drop in imports. Exceptional demand led to a -1.7 million barrel stock draw.

Stock levels match 5-year lows, with New England at all time lows; due in part to disruption of receipts from Canadian refiners.



Distillate supply decreased -41,000 bpd on the week, due to lower imports. Stocks declined -2.1 million barrels, to a level -4.7 million barrels below the historic high.

Jet fuel supply decreased -11,000 bpd for the week. Supplies were at record lows for this time of year. Stocks fell -1.2 million barrels last week, to a level near 5-year lows.



**PADD 2** crude oil refinery runs declined -29,000 bpd on the week, to a

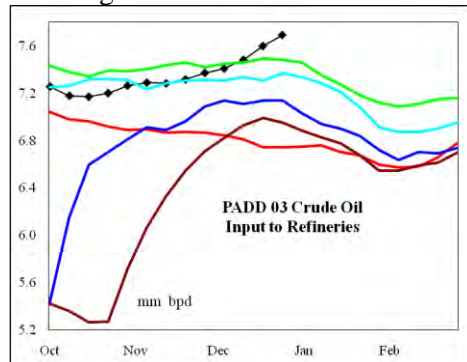
level above the mid range. Imports decreased -147,000 bpd on the week. Stocks climbed +3 million barrels, including a +0.2 million barrels build in Cushing. Midwest stock levels are +8.4 million barrels above the prior record high.

Gasoline production increased +19,000 bpd, with the level matching the 5-year mid range. Stocks fell -1 million barrels to a level near historic lows.

Distillate production increased +44,000 bpd on the week, to a level that matched the 5-year high. Stocks increased +0.9 million barrels to a level near historic highs.

Jet fuel production declined -6,000 bpd on the week, to a level above the mid range. Stock levels matched 5-year highs.

**PADD 3** crude oil runs increased +123,000 bpd last week, with the latest 4-wk average +758,000 bpd above a year ago. Crude imports increased +0.1 million bpd on the week; with the latest 4-wk average +0.6 million bpd above last year. Stocks declined -4.9 million barrels to a level at the 5-year mid range.



Gasoline production fell -150,000 bpd on the week. Stocks declined -0.5 million barrels, a level +5.4 million barrels above the prior record high.

Distillate production increased +8,000 bpd on the week, with the latest 4-wk average +31% above a year ago. Stocks increased +1.5 million barrels, to a level +4.2 million barrels above last years' record high.

Jet fuel production declined -36,000 bpd last week, to the low end of

the historic range. Stock levels were +15% above the prior record high.

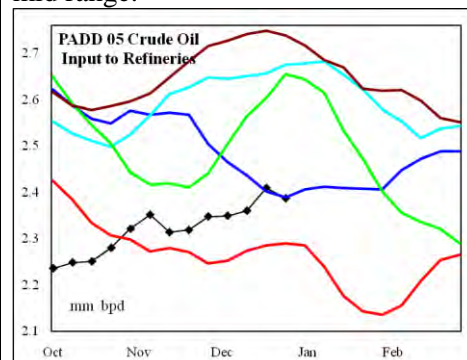
Residual fuel oil supply fell -131,000 bpd on lower production and imports. Stocks fell -1.2 million barrels on the week, +13% above last years' record high.

**PADD 4** refinery crude runs decreased -1,000 bpd on the week, to a level below four of the last 5-years. Crude oil stocks matched the 5-year high.

Gasoline production increased +19,000 bpd on the week, to a level above the mid range. Stock levels remain above the historic range.

Distillate production increased +11,000 bpd last week, a level above four of the last 5-years. Stock levels are +12% above the prior record high.

**PADD 5** crude oil refinery runs decreased 15,000 bpd on the week, with the latest 4-wk average +124,000 bpd above last year. Crude imports were nearly unchanged on the week, with stocks declining -0.6 million barrels. Stock levels were above the mid range.



Gasoline production decreased -20,000 bpd last week, to a level near the 5-year high for the week. Stocks increased +1.1 million barrels with the level near the historic high.

Distillate production decreased -33,000 bpd to a level below the mid range. Stocks increased +0.2 million barrels to a fresh 5-year high for the period.

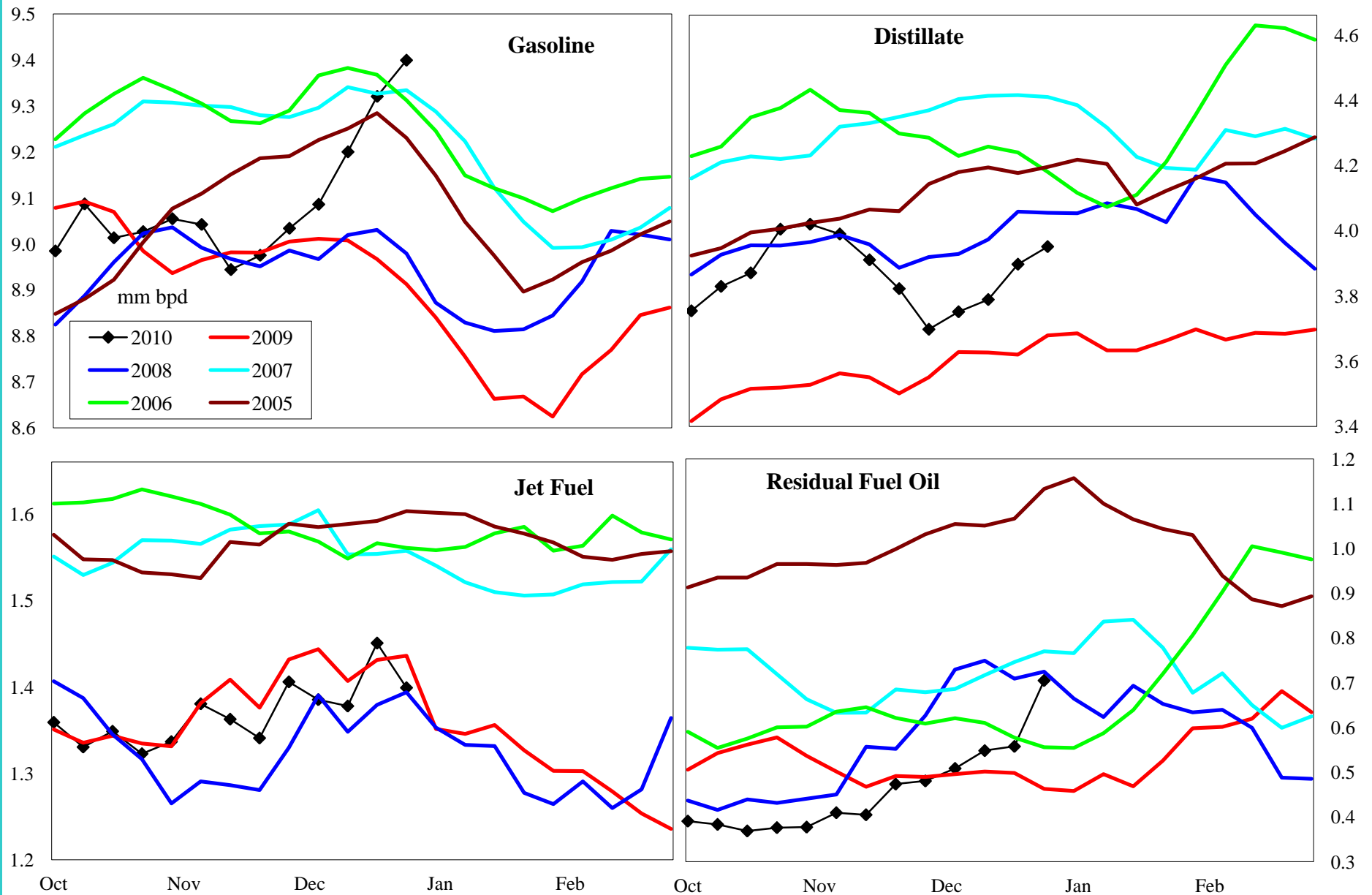

**FUNDAMENTAL  
PETROLEUM  
TRENDS**


# PETROLEUM: Graph Link and Weekly Summary

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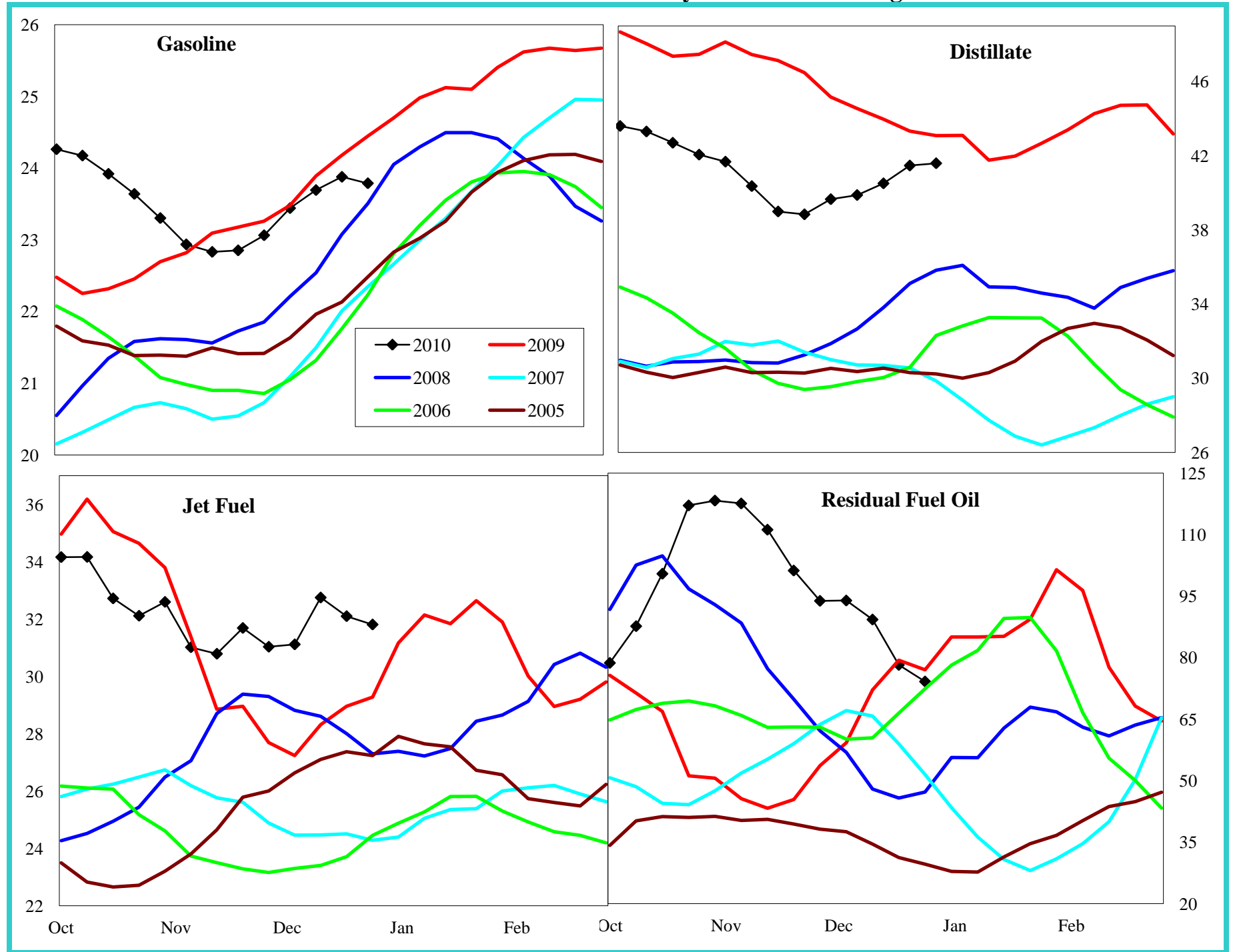
Fundamental Trends	<a href="#">Wholesale Demand</a>	<a href="#">Stocks Days Fwd Coverage</a>		<a href="#">Refinery Utilization Product Yield %</a>			<a href="#">Imports</a>
Supply/Demand Trends	24-Dec-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<a href="#">Crude Oil</a>	Stocks	-1,258	1,604	3,027	-4,855	-442	-592
	Imports	72	53	-147	101	45	22
	Input	3	-76	-29	123	-1	-15
	% Utilization	0.10					
<a href="#">Gasoline</a>	Stocks	-2,316	-1,747	-1,049	-456	-141	1,077
	Production	-176	94	19	-150	19	-20
	Imports	-232	-132	3	-80	0	-23
	Supplied	186					
<a href="#">Distillate</a>	Stocks	243	-2,103	915	1,468	-240	205
	Production	27	-3	44	8	11	-33
	Imports	34	-38	22	52	-2	0
	Supplied	-58					
<a href="#">Jet Fuel</a>	Stocks	-308	-1,150	85	205	-2	555
	Production	-6	-3	-6	-36	0	39
	Imports	-19	-8	0	0	0	-11
	Supplied	42					
<a href="#">Residual Fuel Oil</a>	Stocks	-974	411	1	-1,245	-4	-136
	Production	-155	15	-8	-94	-2	-66
	Imports	72	185	0	-37	0	-76
	Supplied	218					

# United States Wholesale Petroleum Demand

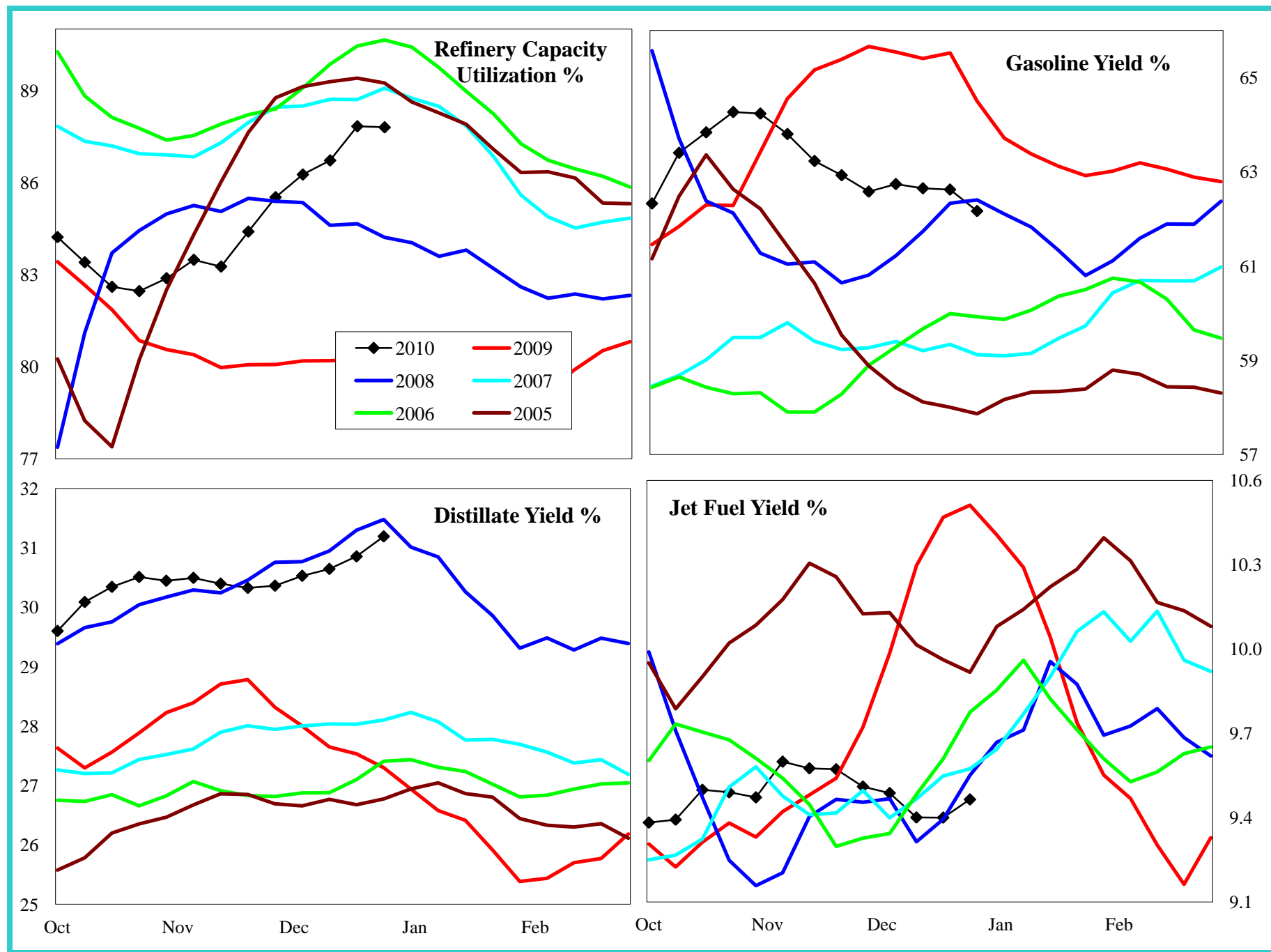


	000 bpd change from prior year				% change from prior year				
	4wk avg	Nov	Oct	Jan	4wk avg	Nov	Oct	Sep	
<b>Gasoline</b>	260	49	94	252	2.9	0.6	1.0	2.8	
<b>Distillate</b>	180	133	476	330	4.9	3.7	13.0	9.3	
<b>Jet Fuel</b>	2	46	-16	37	0.1	3.4	-1.2	2.6	
<b>Resid</b>	88	35	-110	230	17.7	7.9	-22.2	67.6	

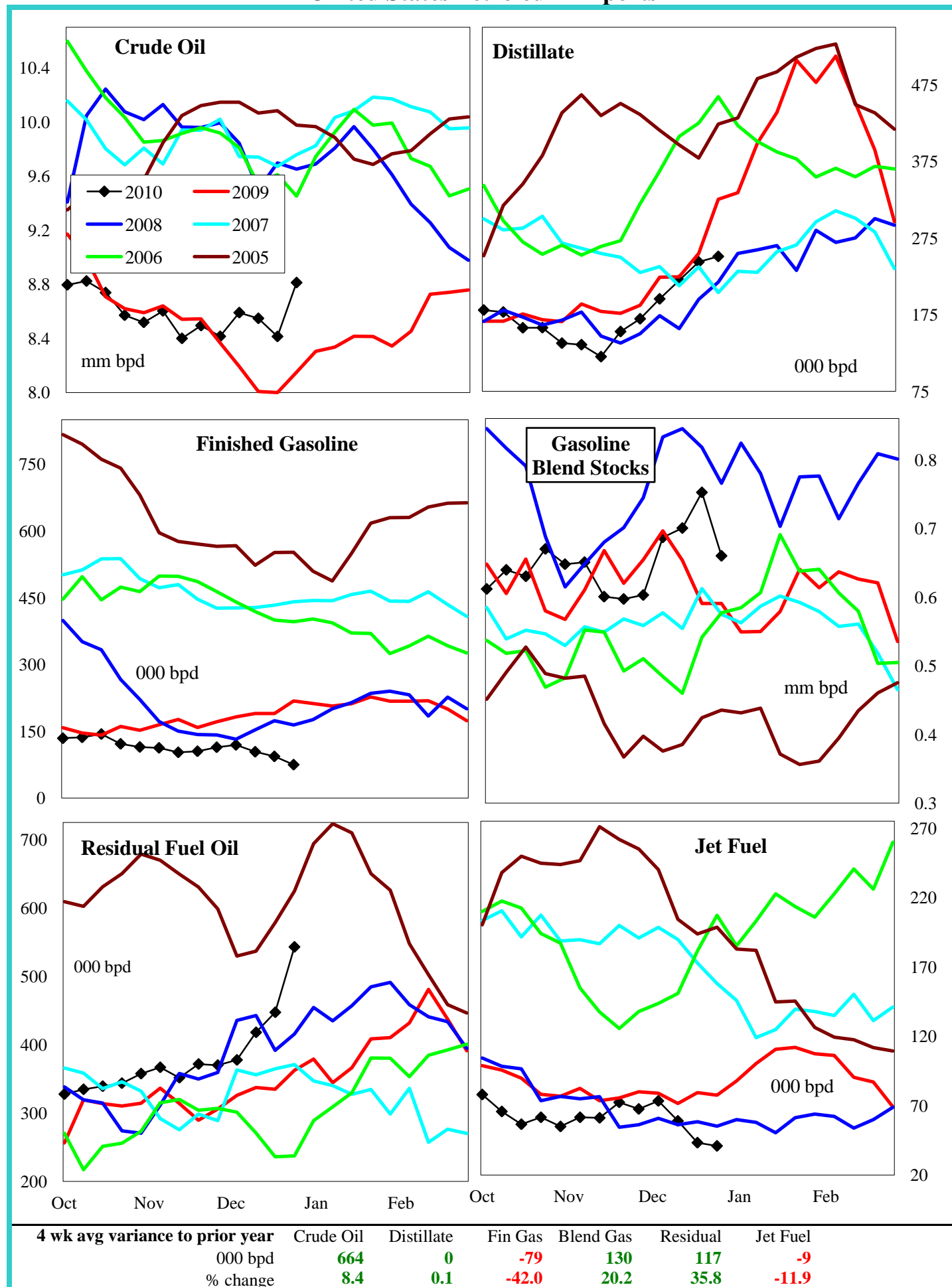
# United States Product Stocks: Days Forward Coverage



## United States Refinery Percent Utilization Rate and Product Yields

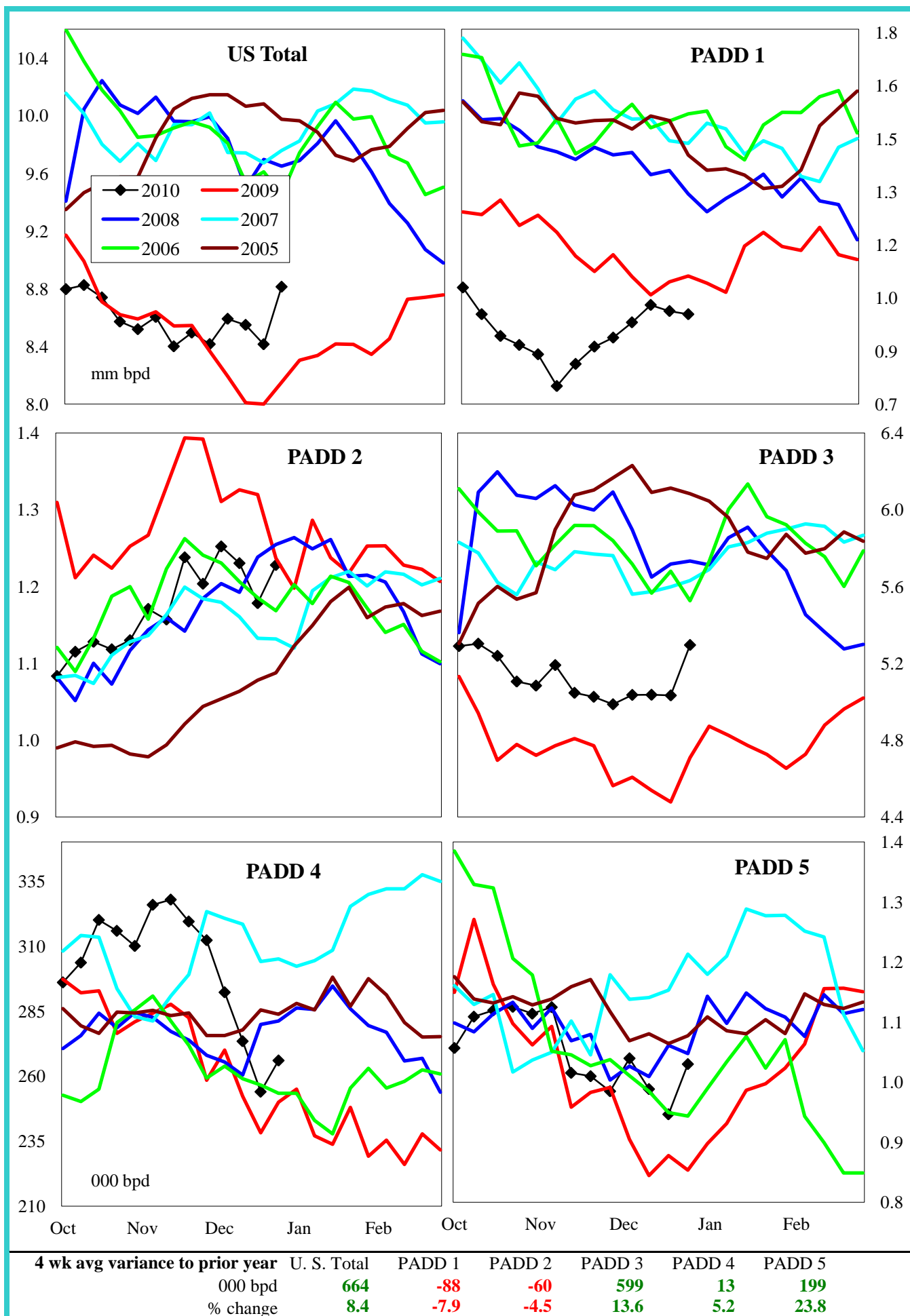


# United States Petroleum Imports

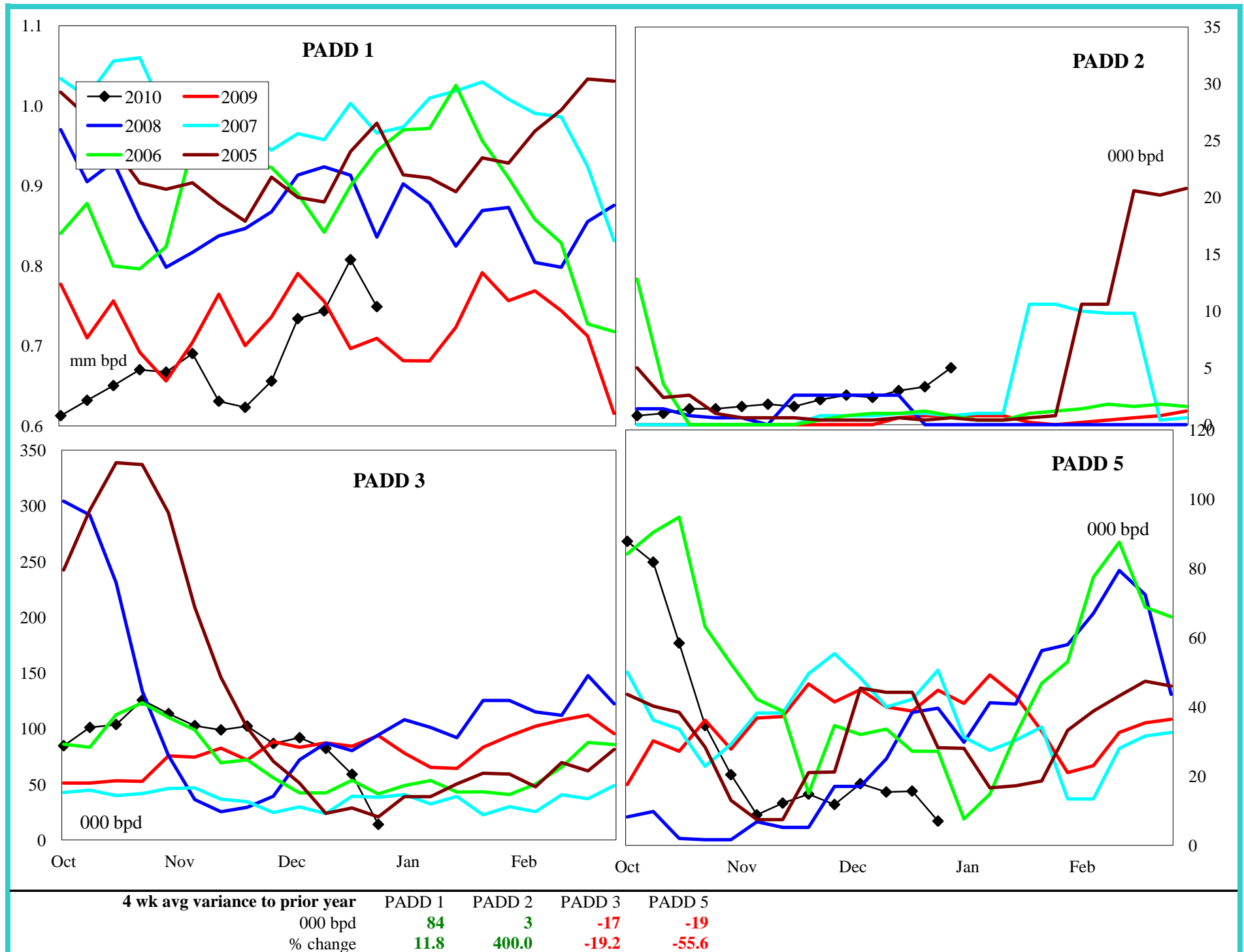




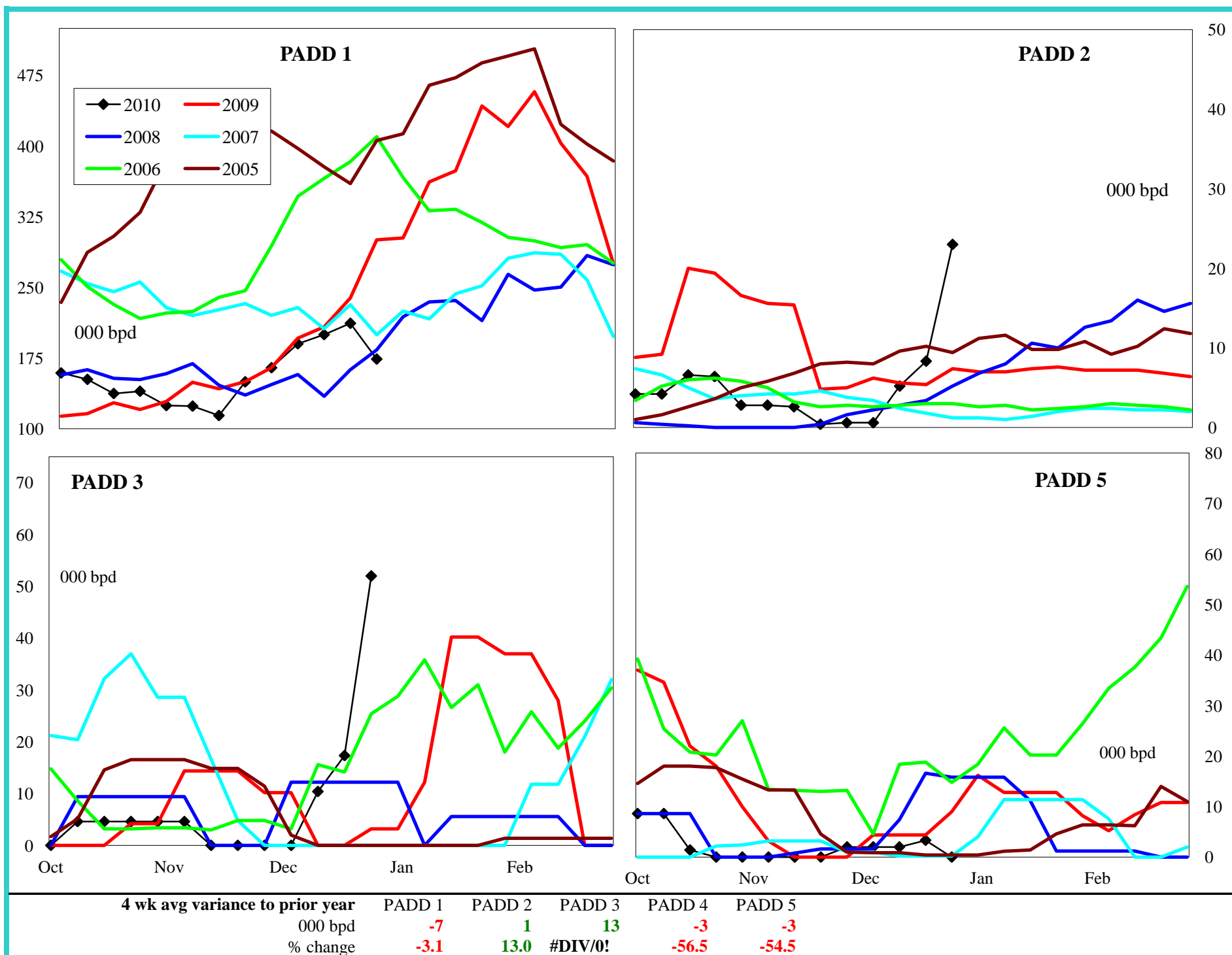
## Crude Oil Imports by PADD



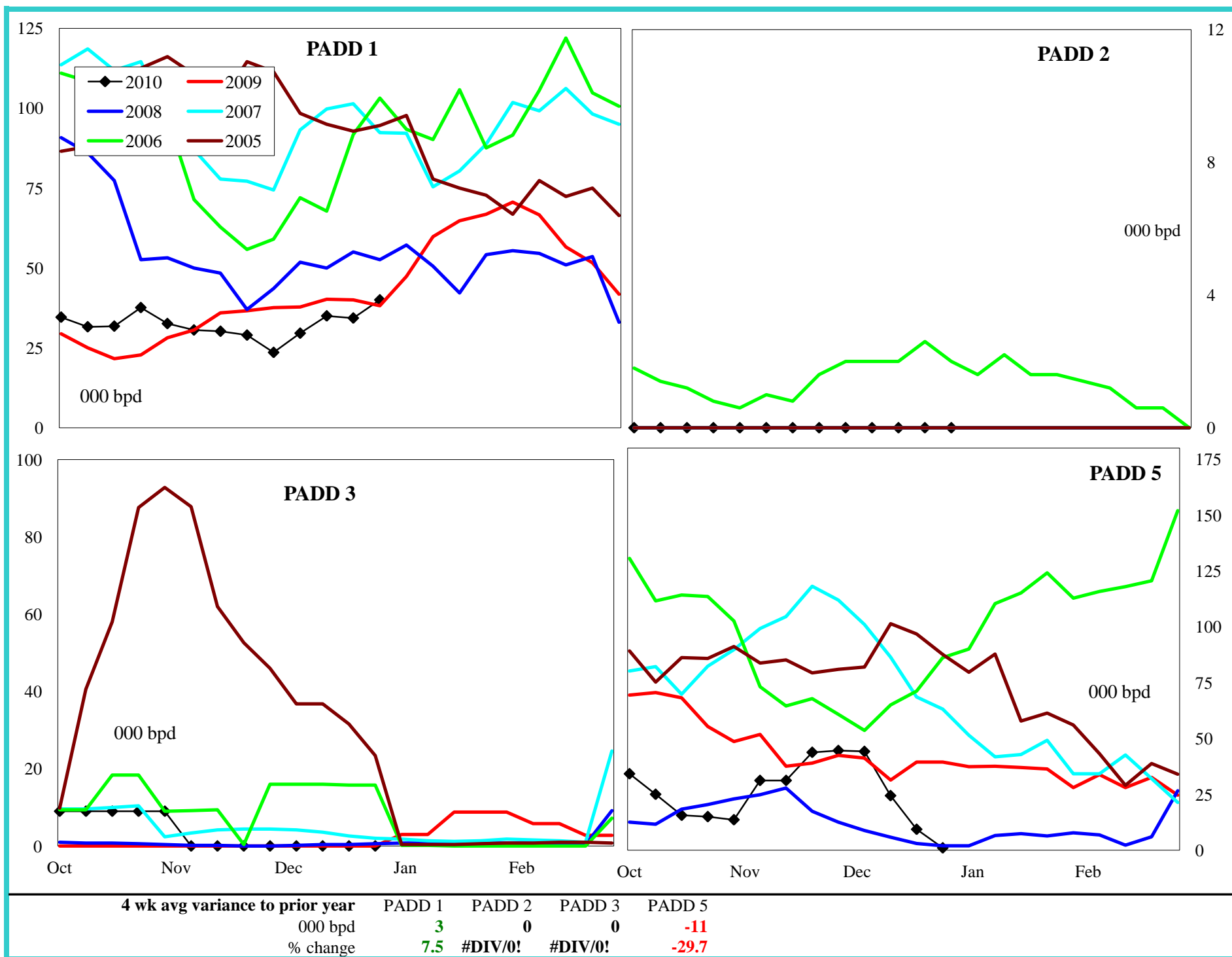
# Gasoline Imports by PADD (Finished + Blend Stocks)



# Distillate Imports by PADD

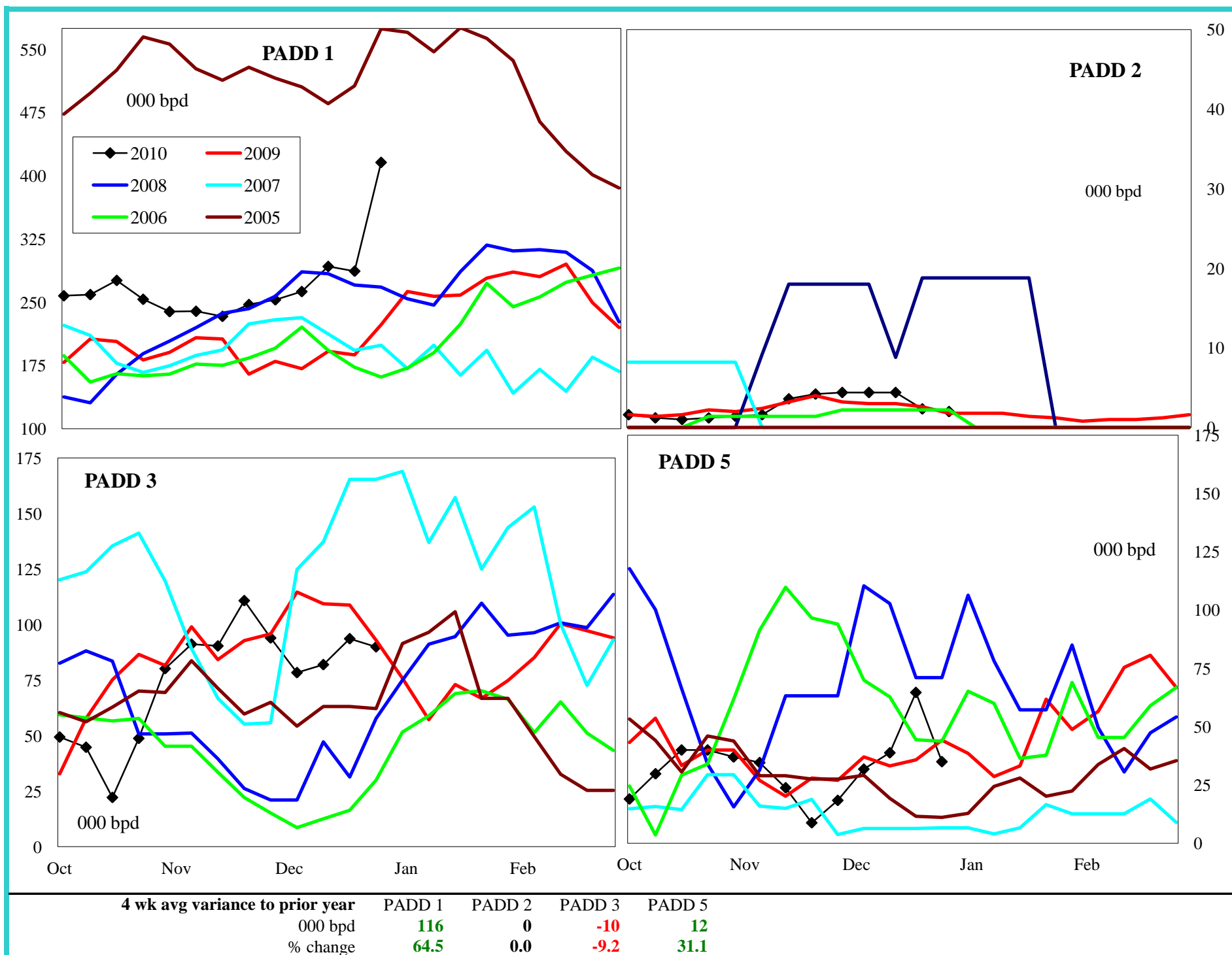


# Jet Fuel Imports by PADD

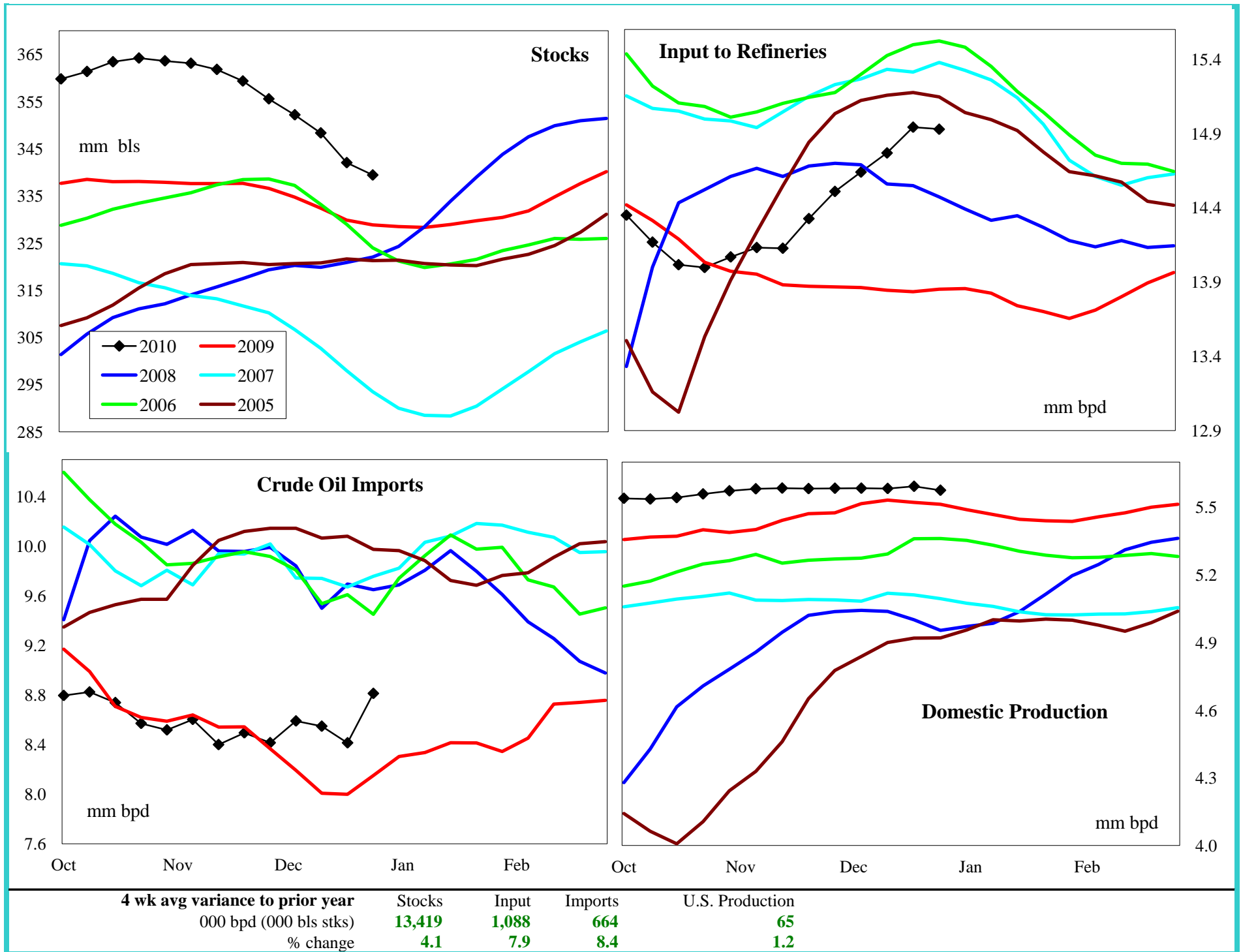




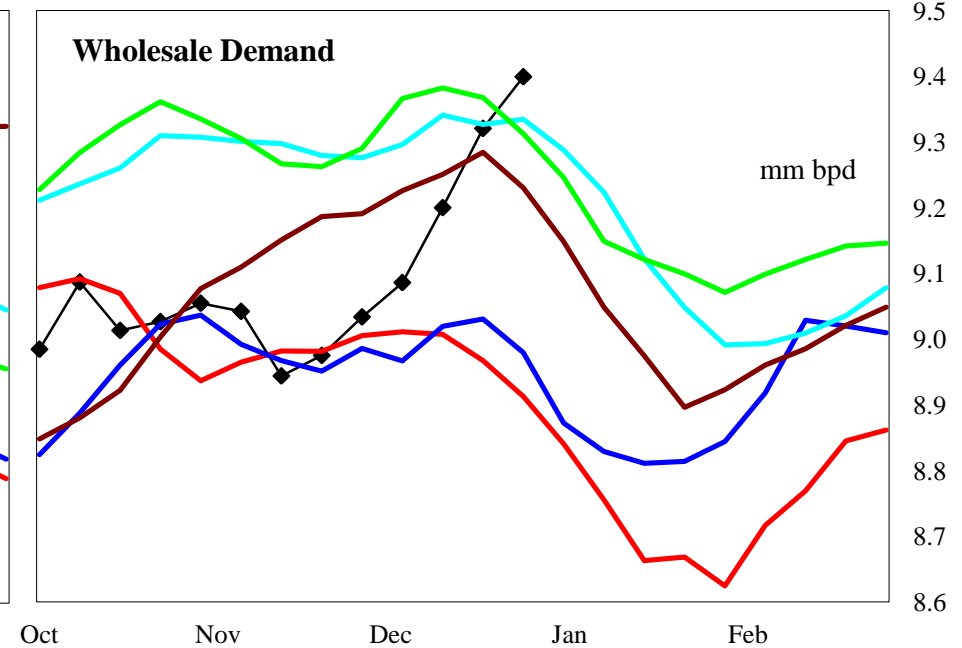
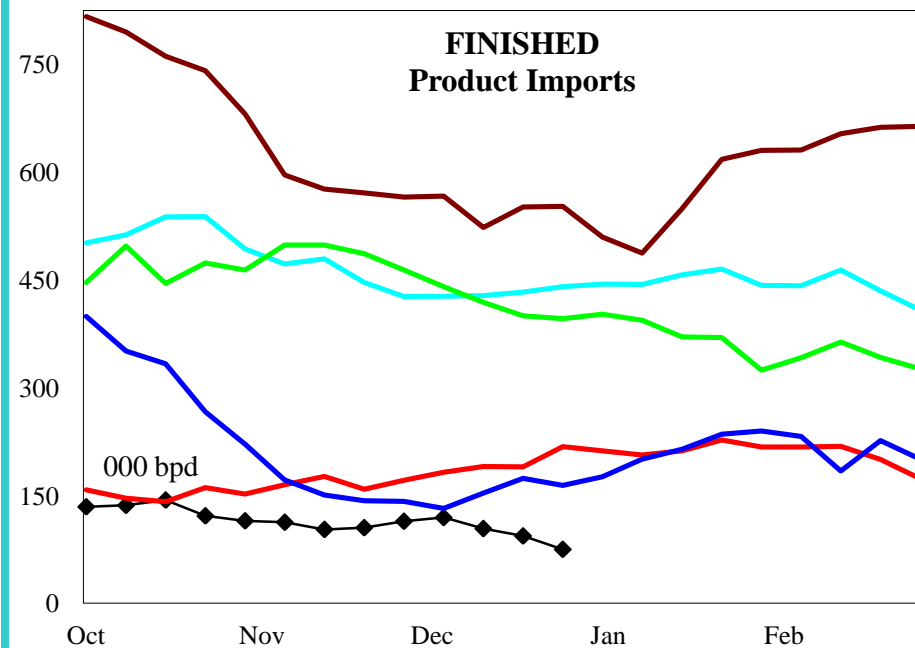
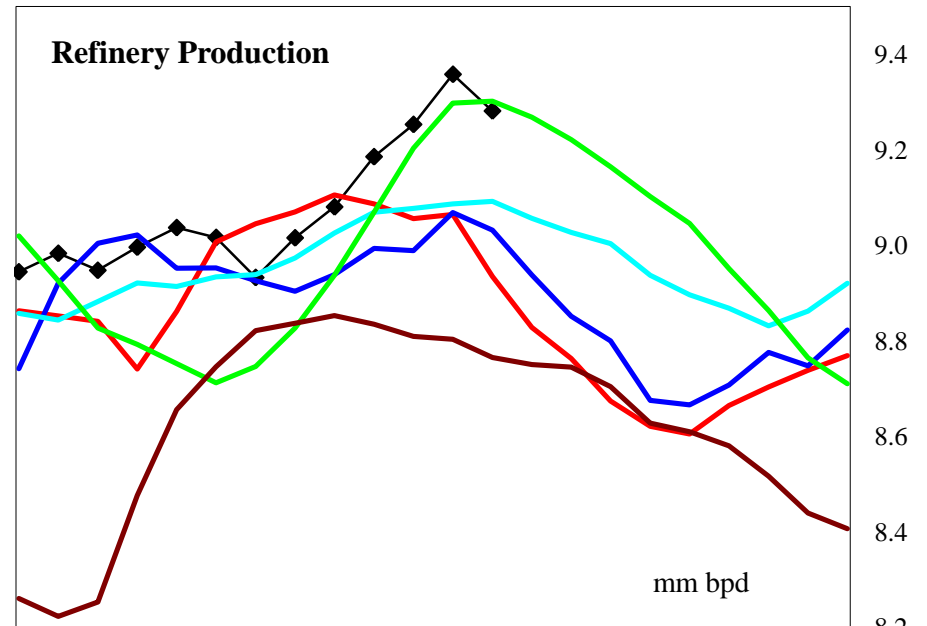
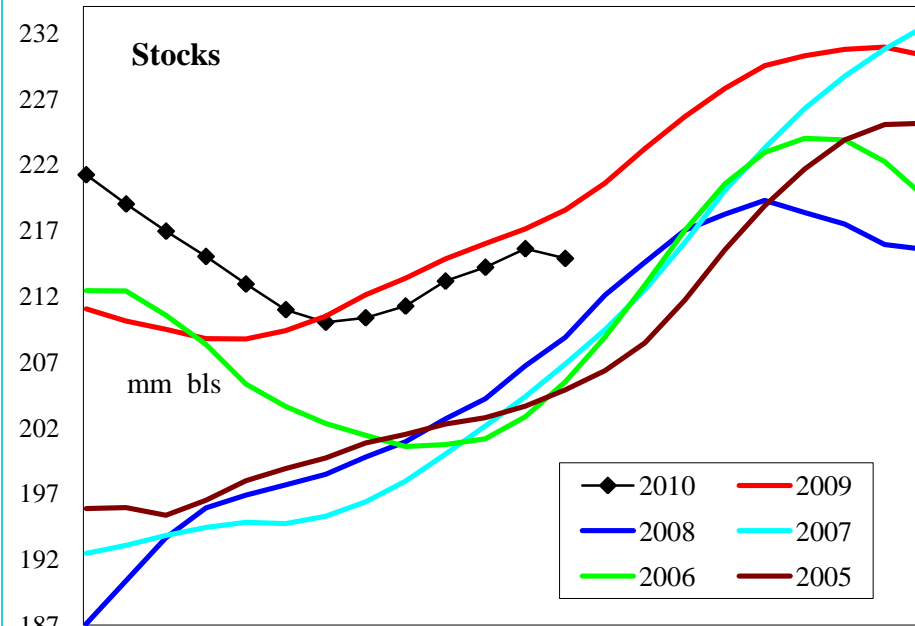
## Residual Fuel Oil Imports by PADD



# United States Crude Oil Supply and Demand Balance



# United States Gasoline Supply and Demand Balance



**4 wk avg variance to prior year**

000 bpd (000 bbls stks)

% change

Stocks

Production

Fin Impt Blend Impt Demand=>

-1,107

305

-79

130

-0.5

3.4

-42.0

20.2

4wk avg

260

2.9

Nov

49

0.6

Oct

94

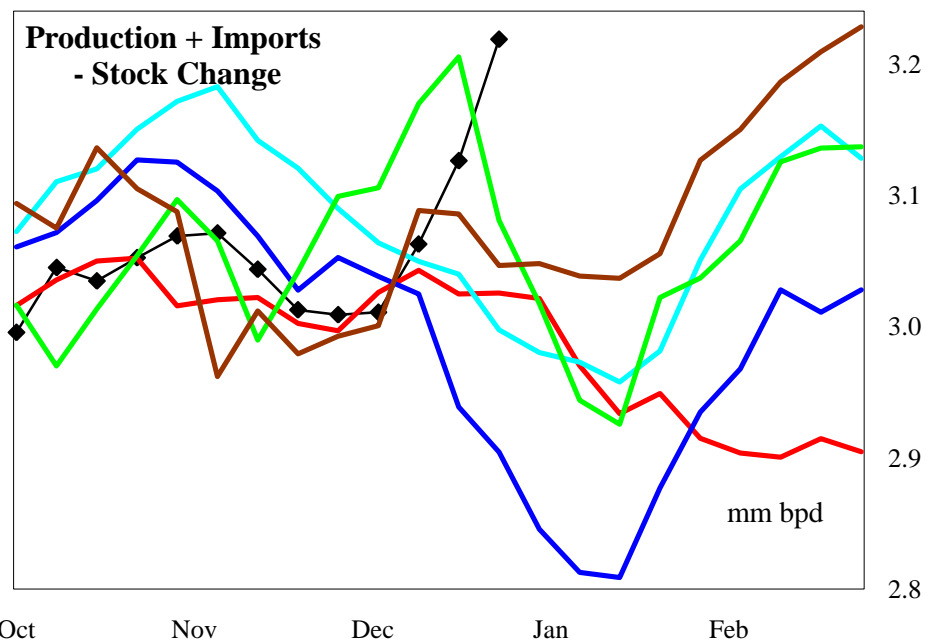
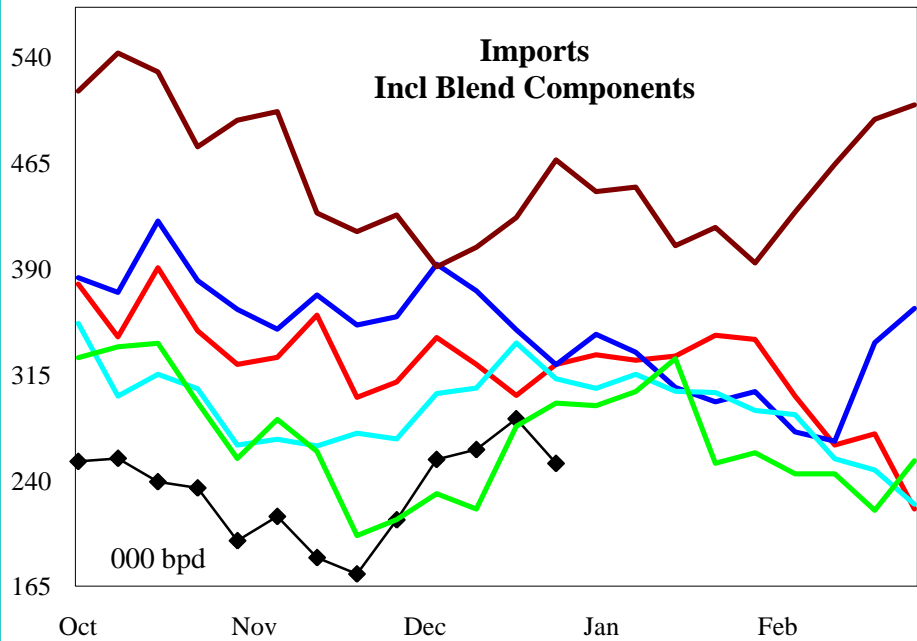
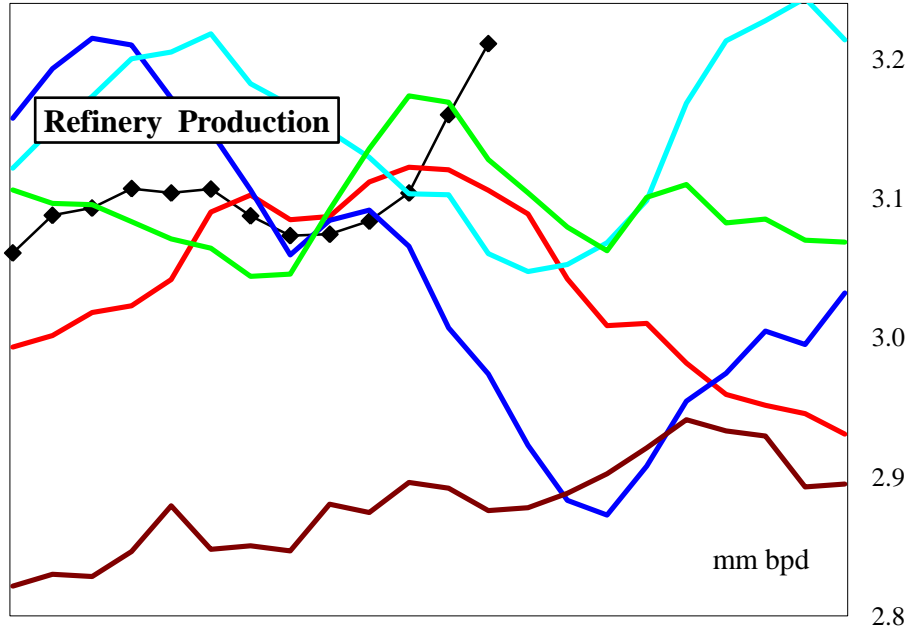
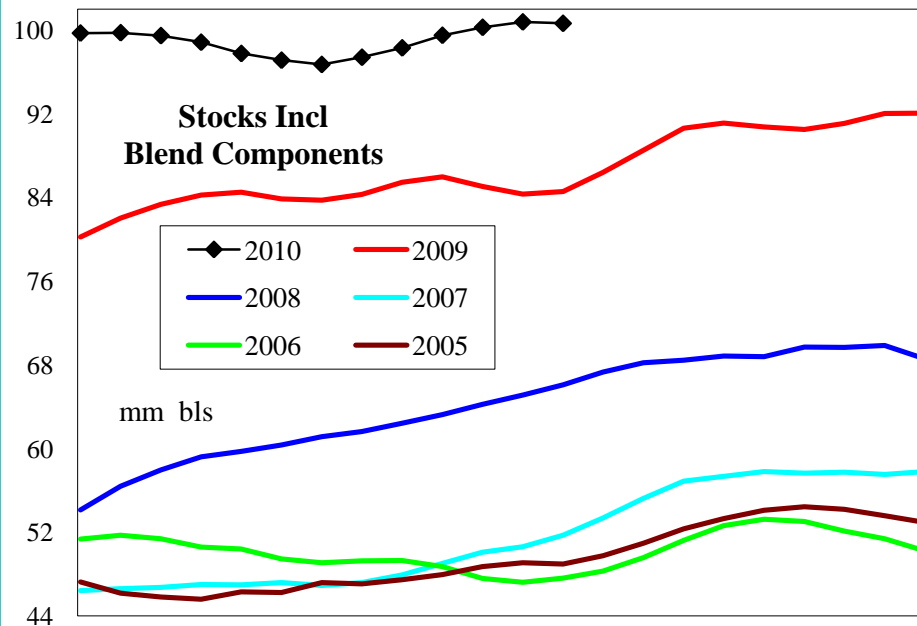
1.0

Sep

252

2.8

# United States Reformulated Gasoline Supply

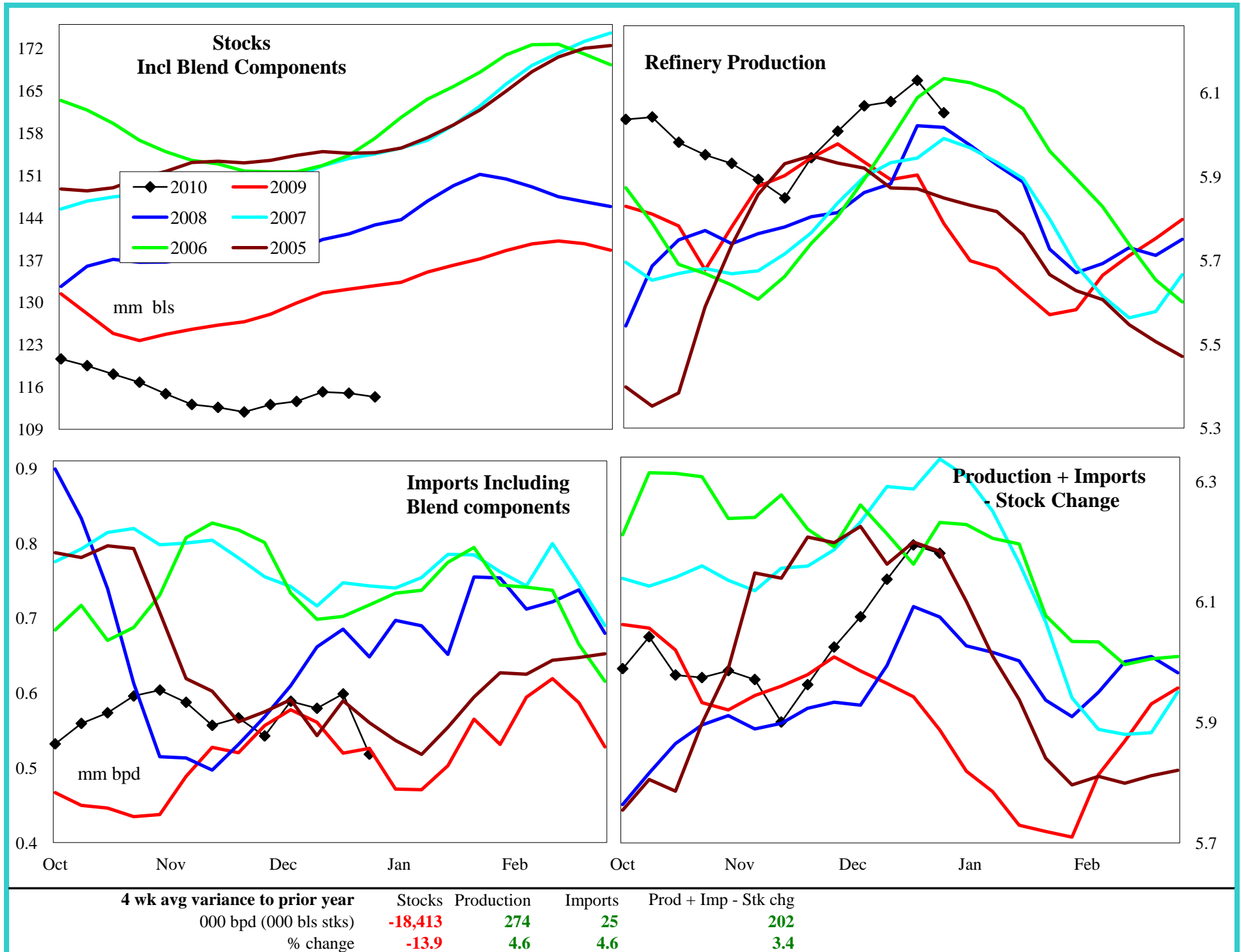


**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

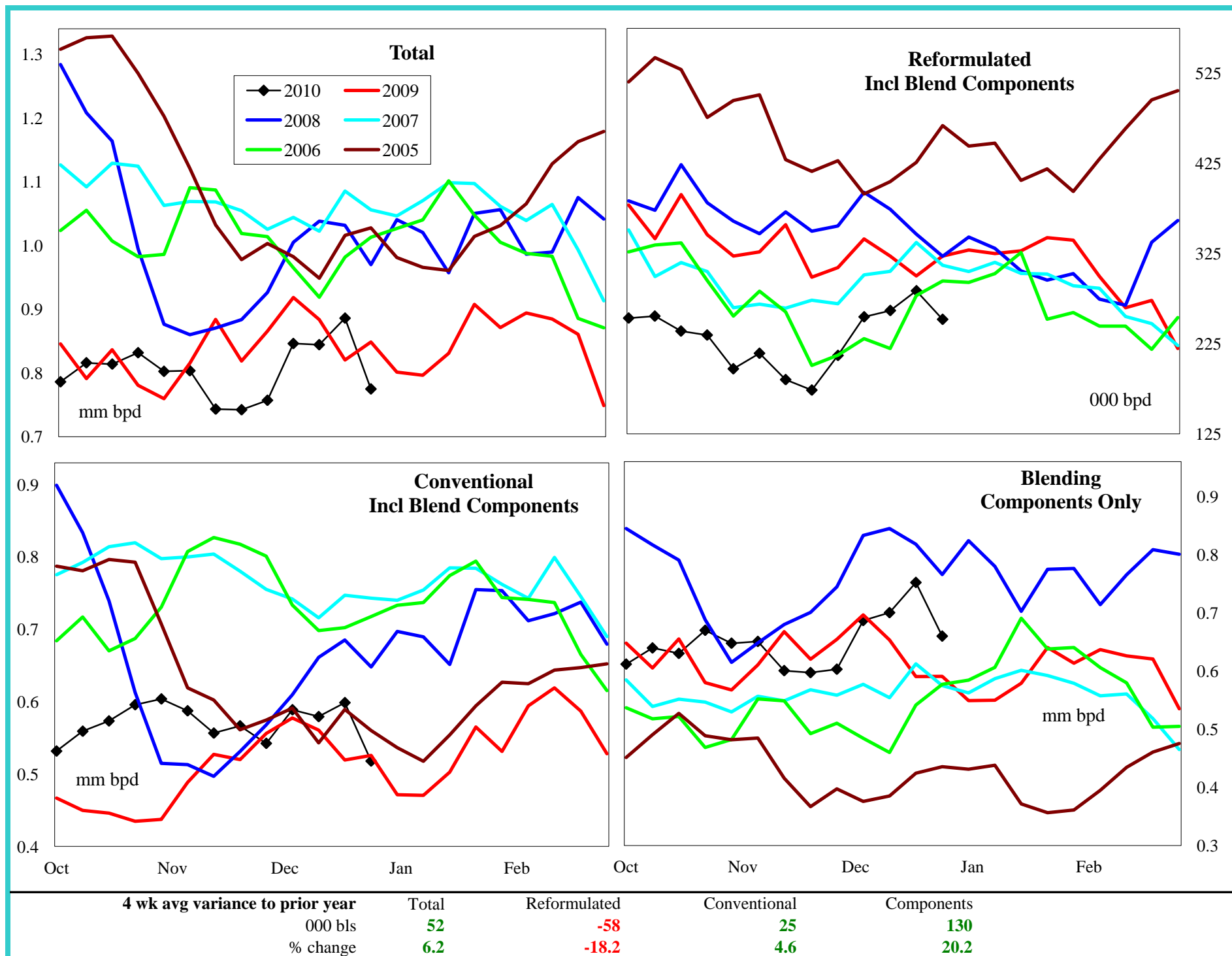
Stocks	Production	Imports	Prod + Imp - Stk chg
16,092	-6	-58	75
19.0	-0.2	-18.2	2.5



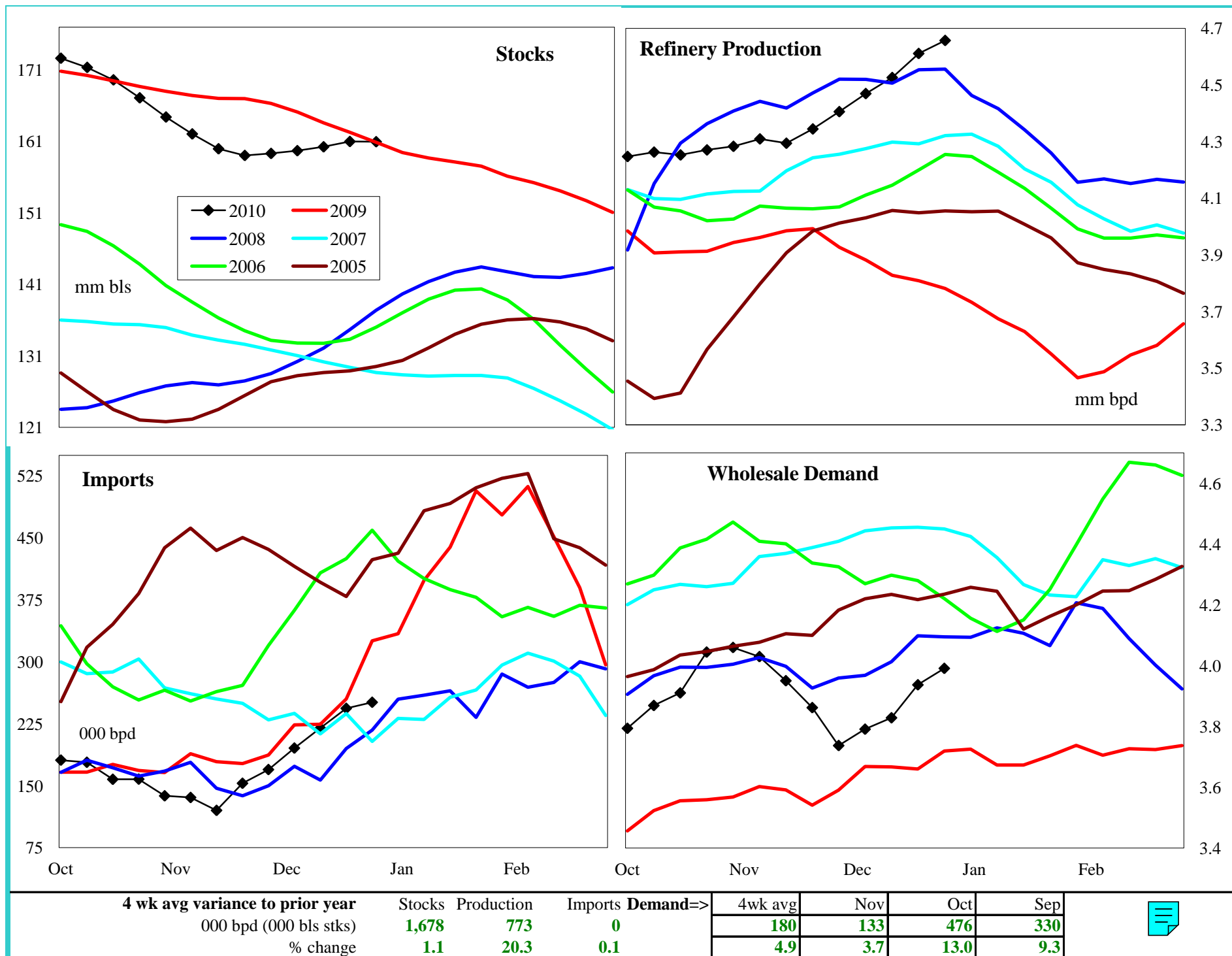
# United States Conventional Gasoline Supply



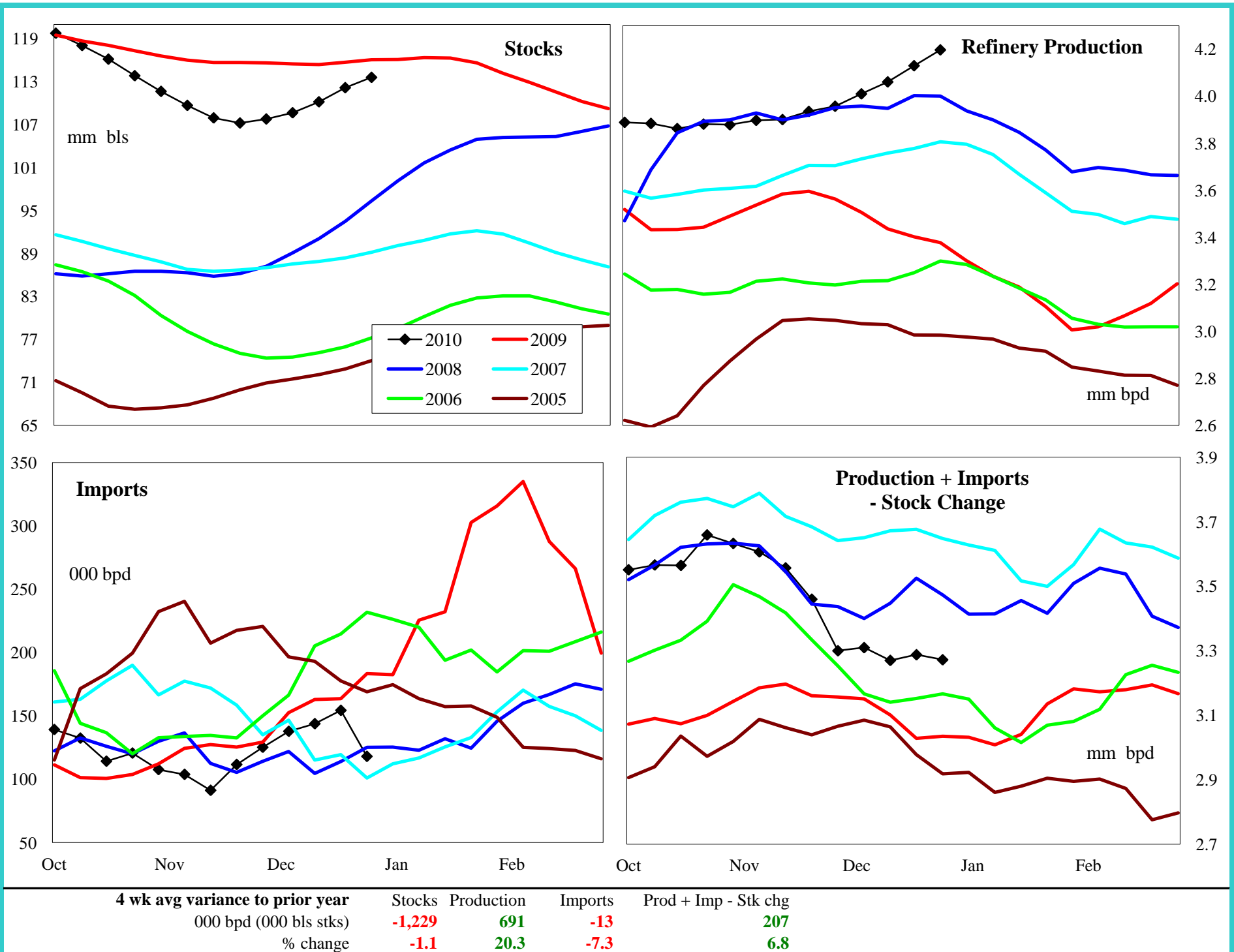
# United States Gasoline Imports by Type



# United States Distillate Supply and Demand Balance

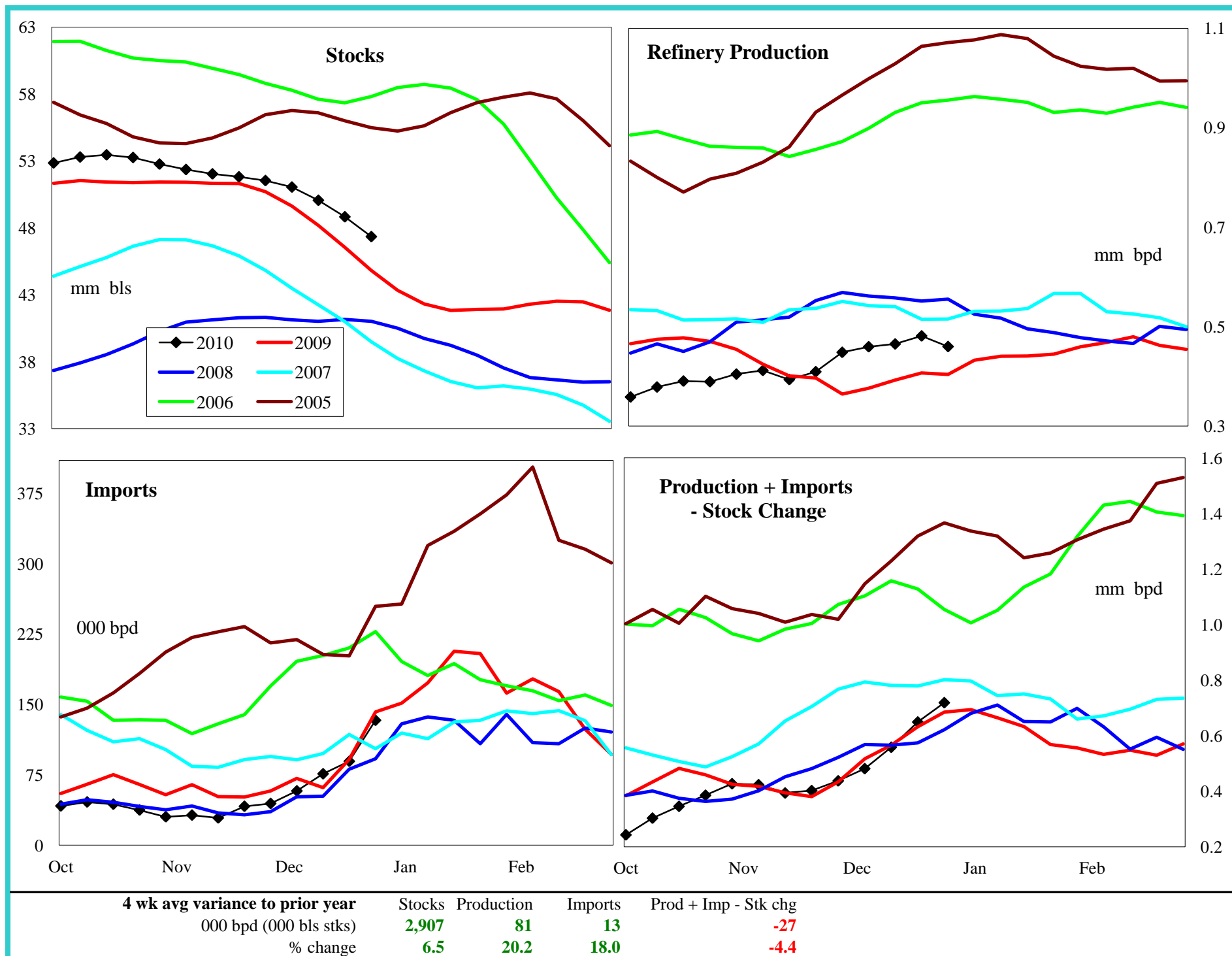


# United States Low Sulfur Distillate Supply

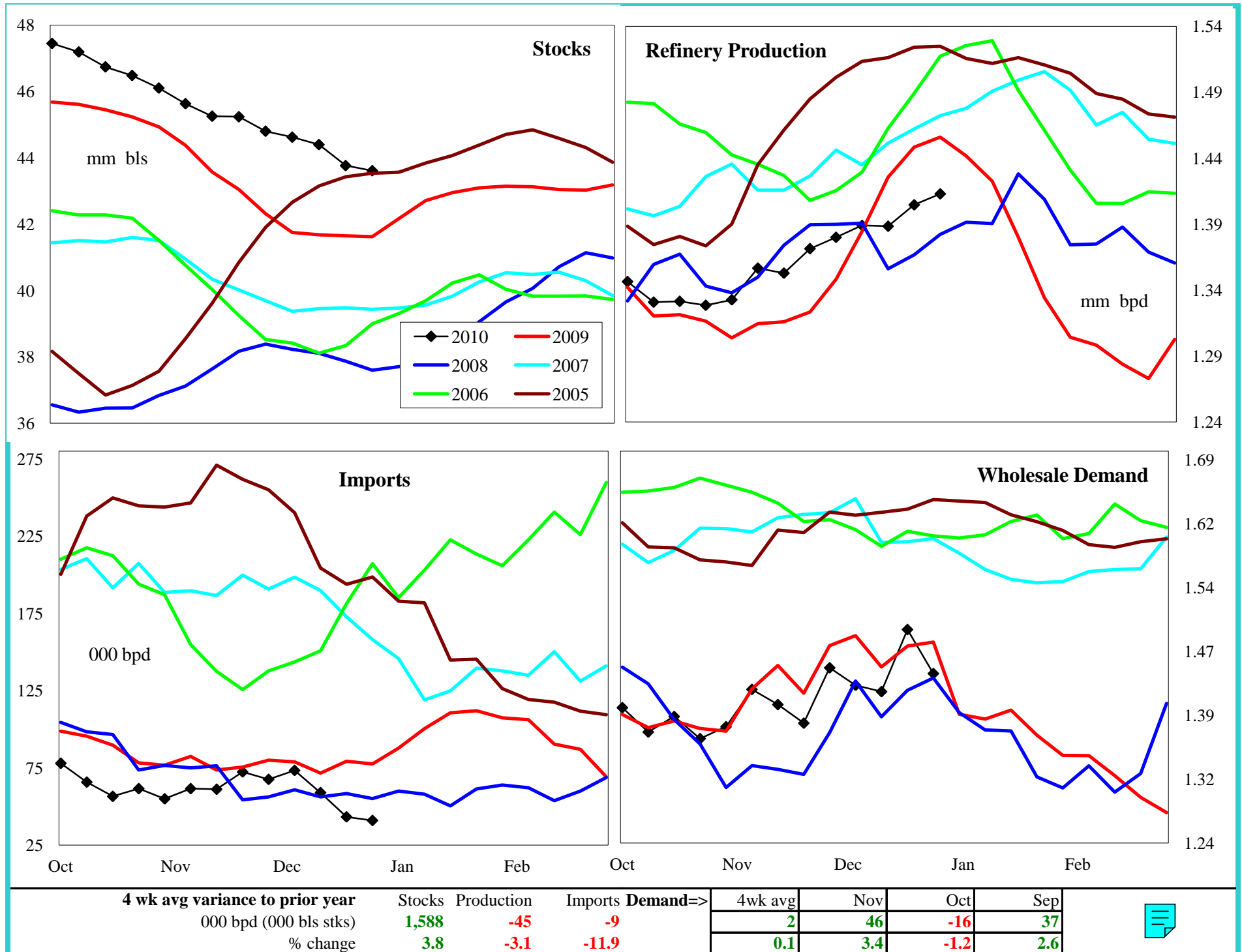




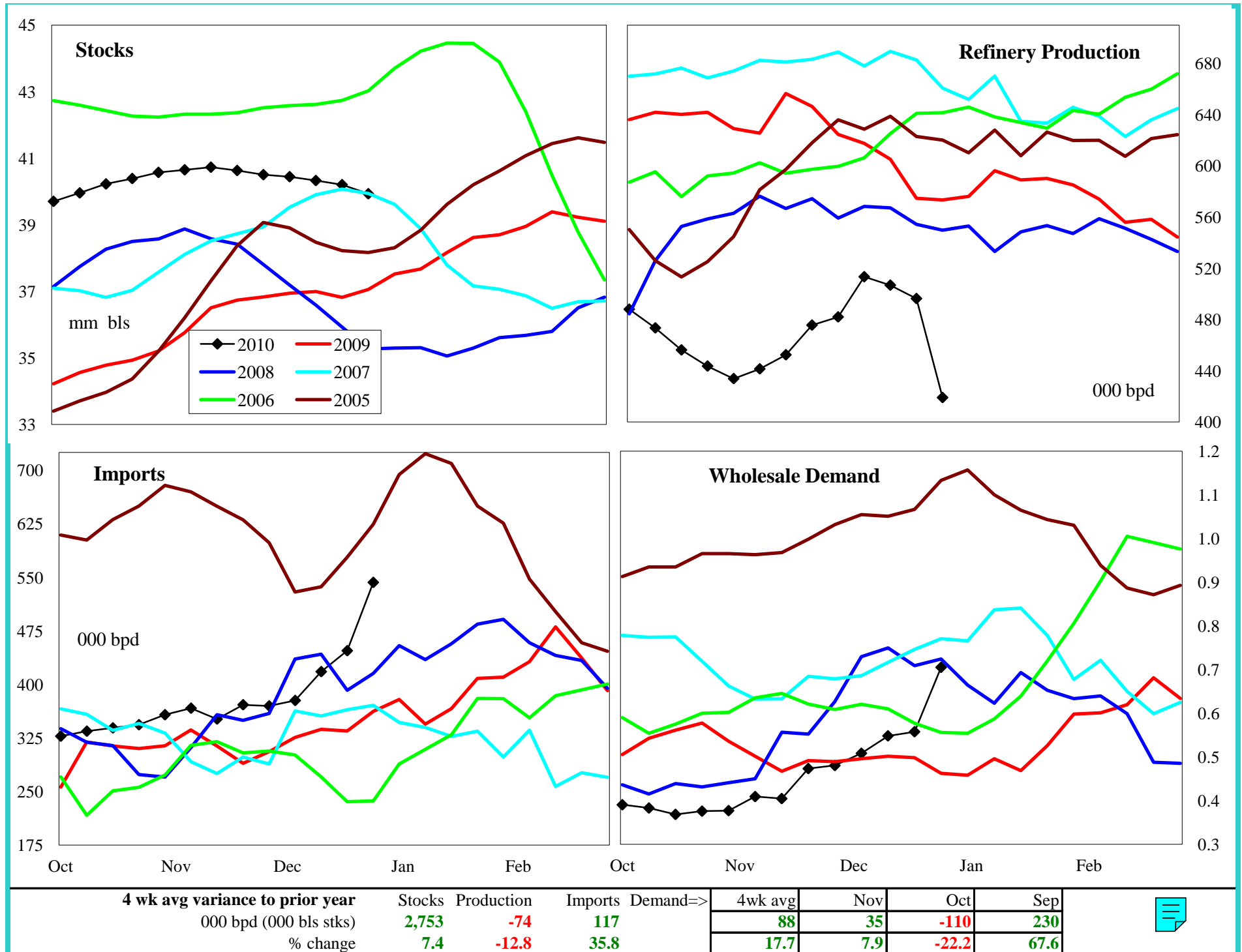
# United States High Sulfur Distillate Supply



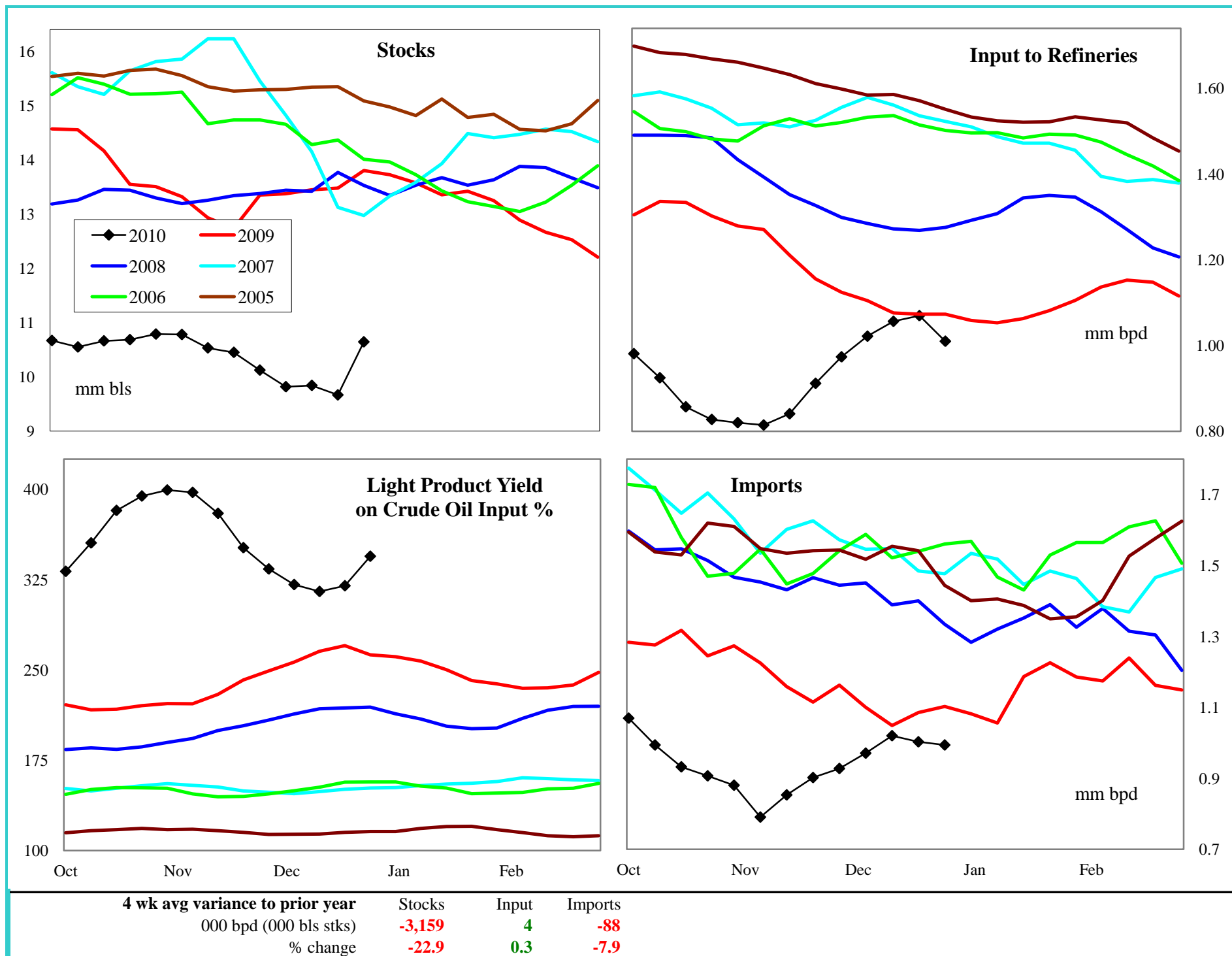
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance

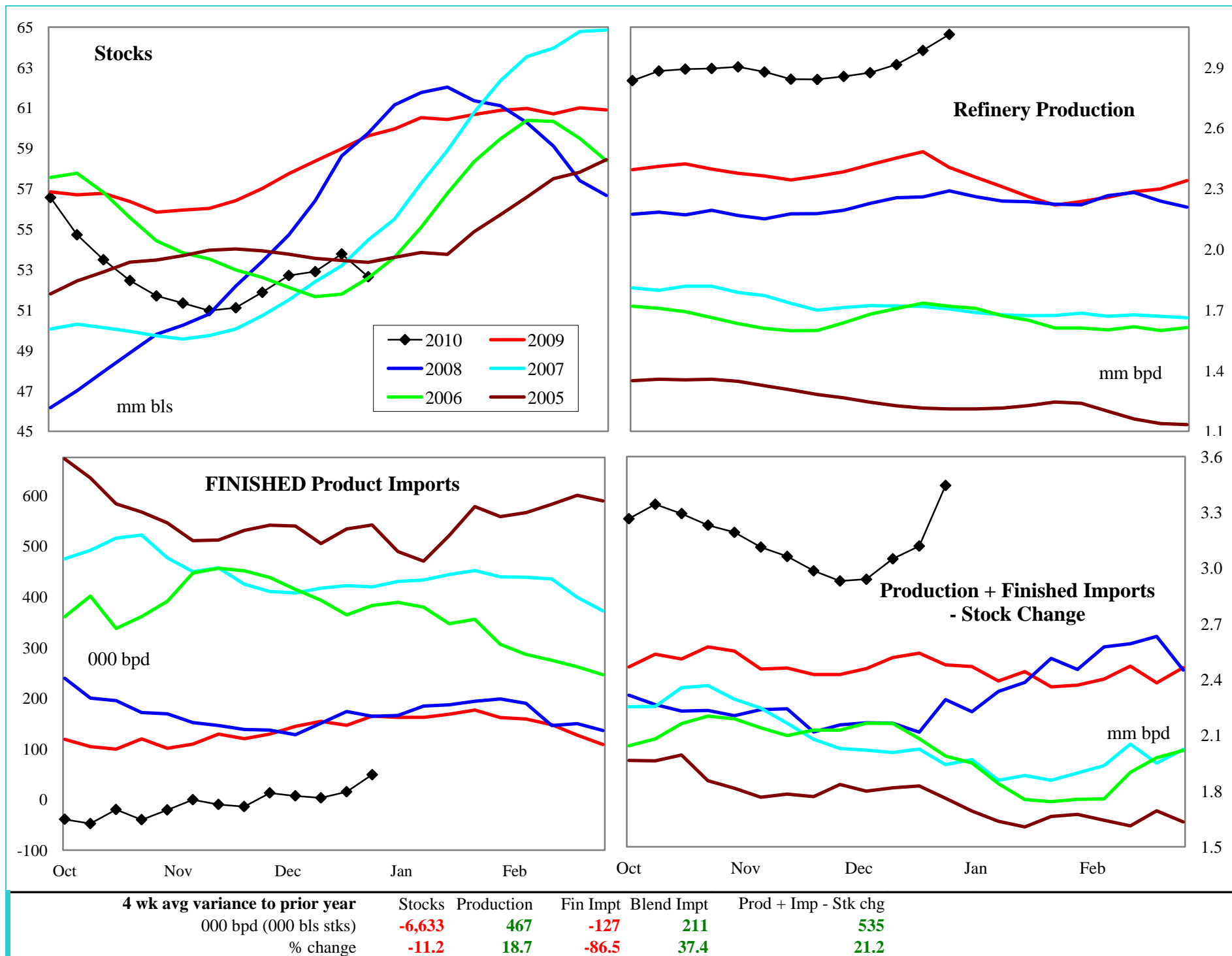


# PADD 1 Crude Oil Supply and Refining

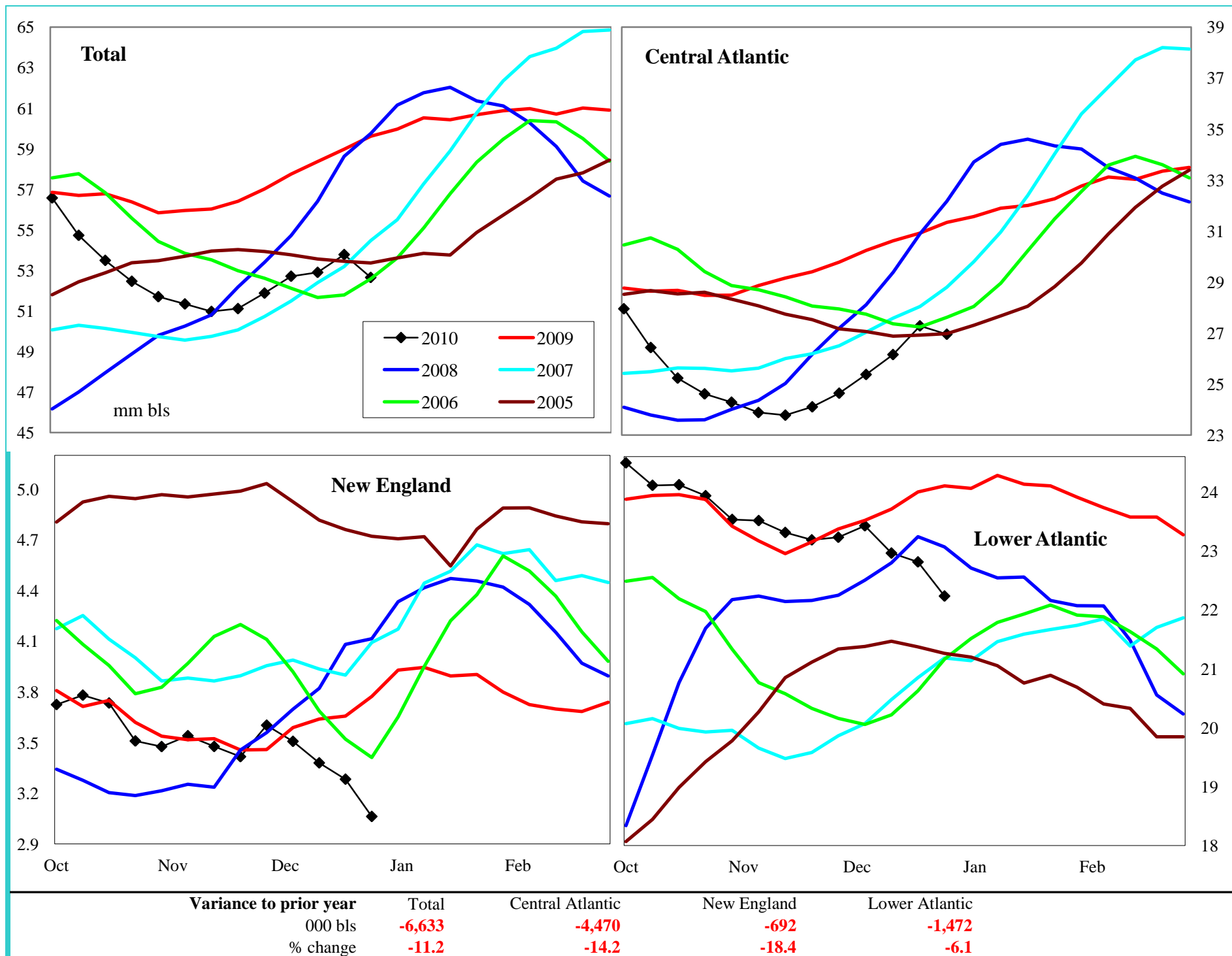




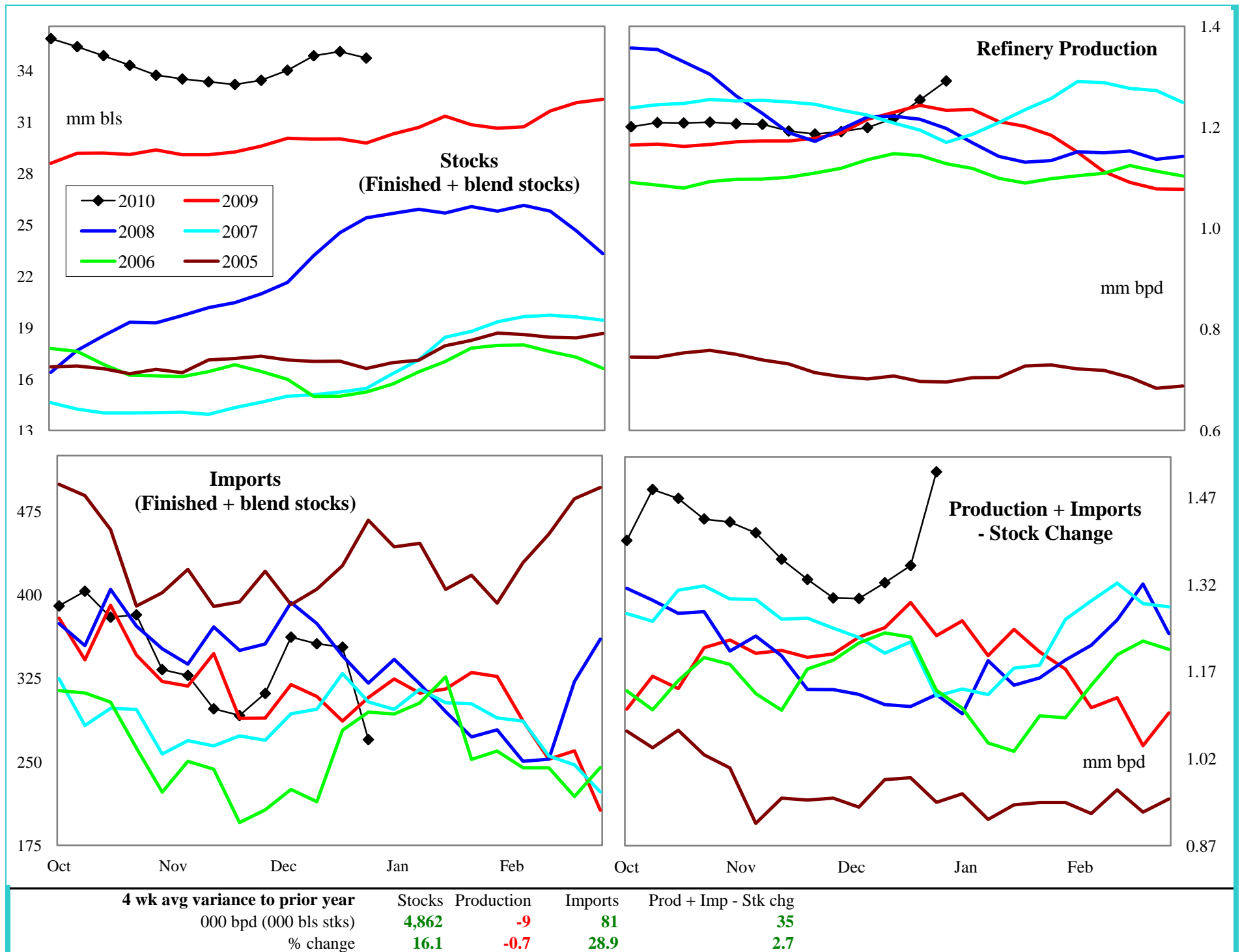
# PADD 1 Gasoline Supply



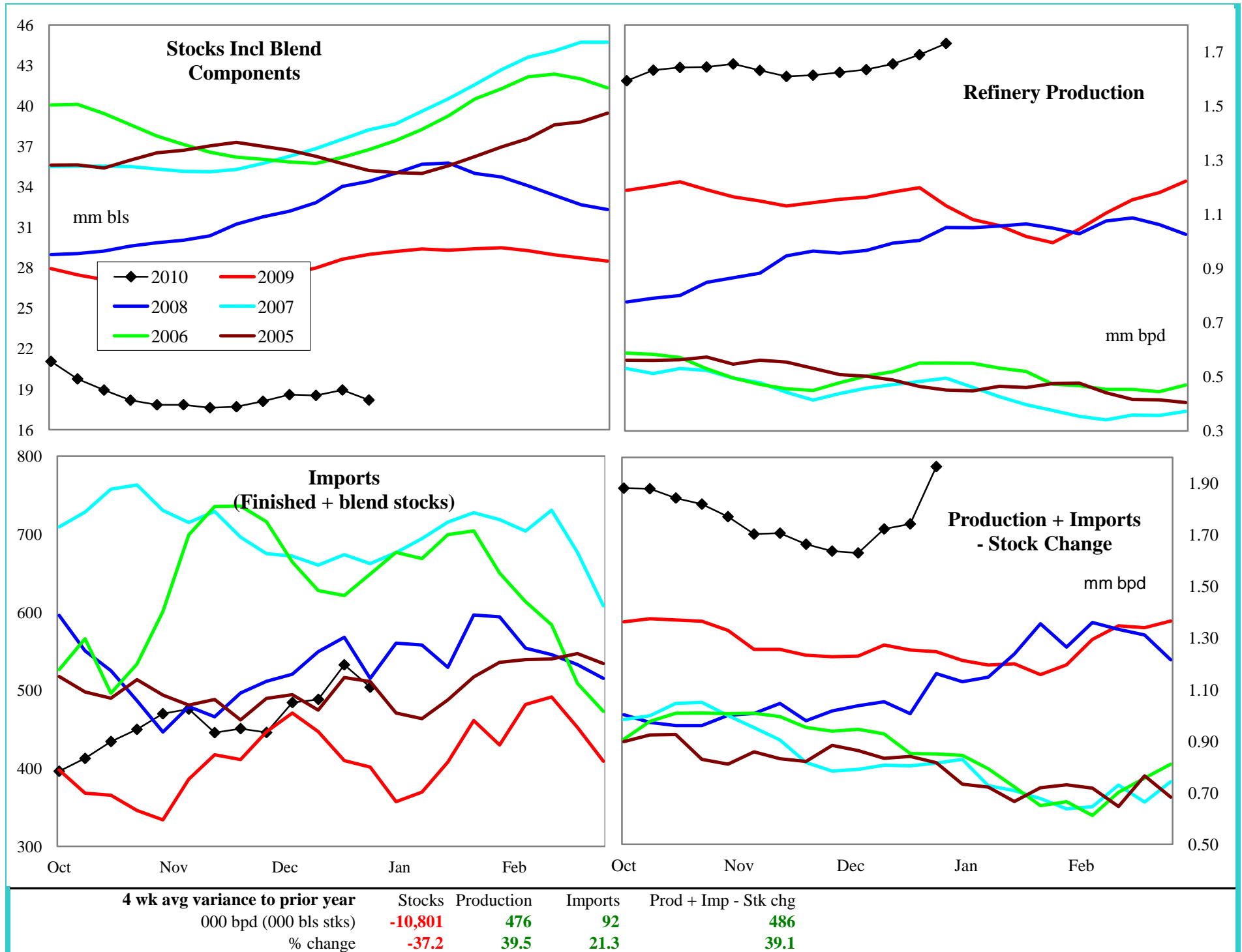
# PADD 1 Gasoline Stocks by Region



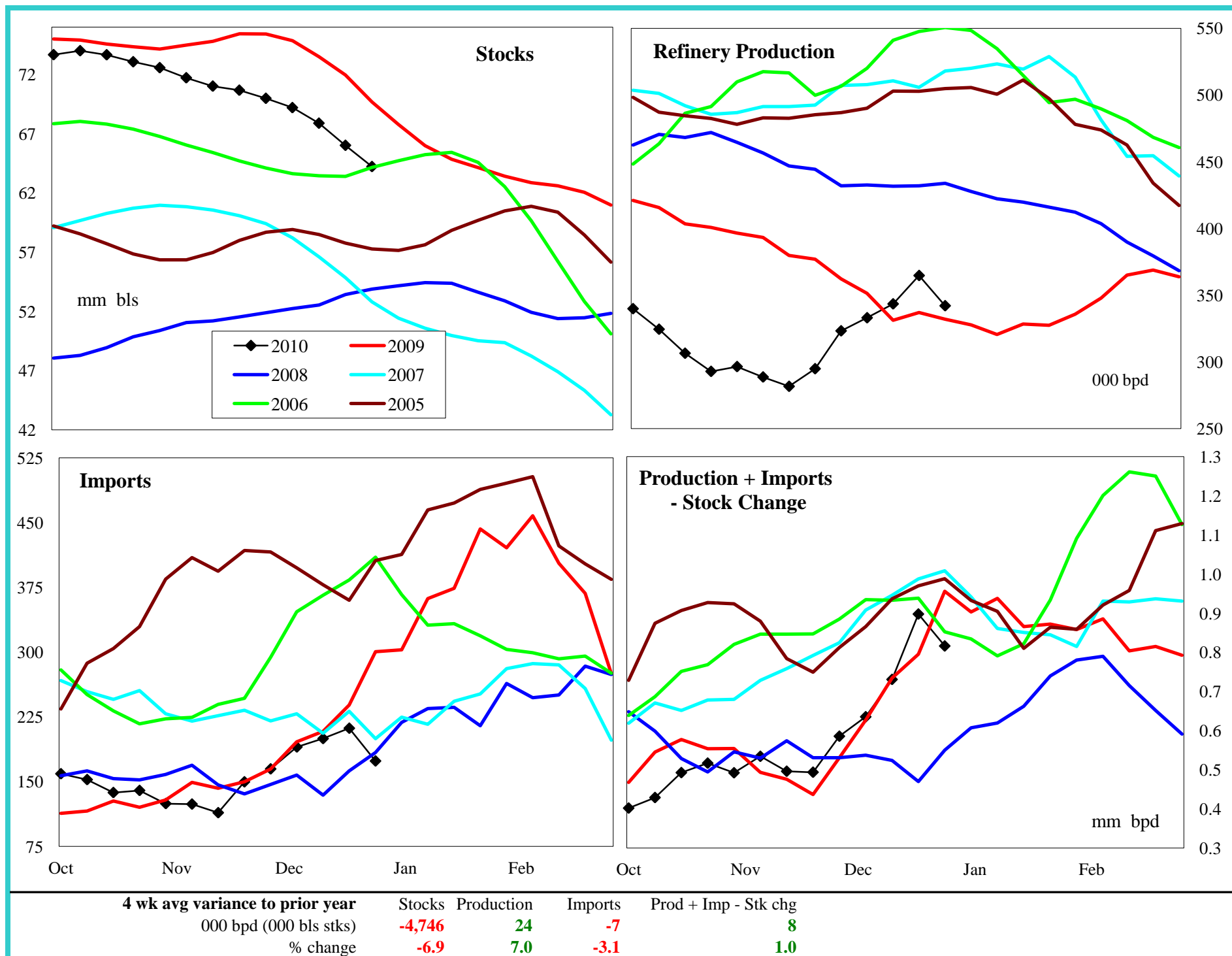
# PADD 1 Reformulated Gasoline Supply



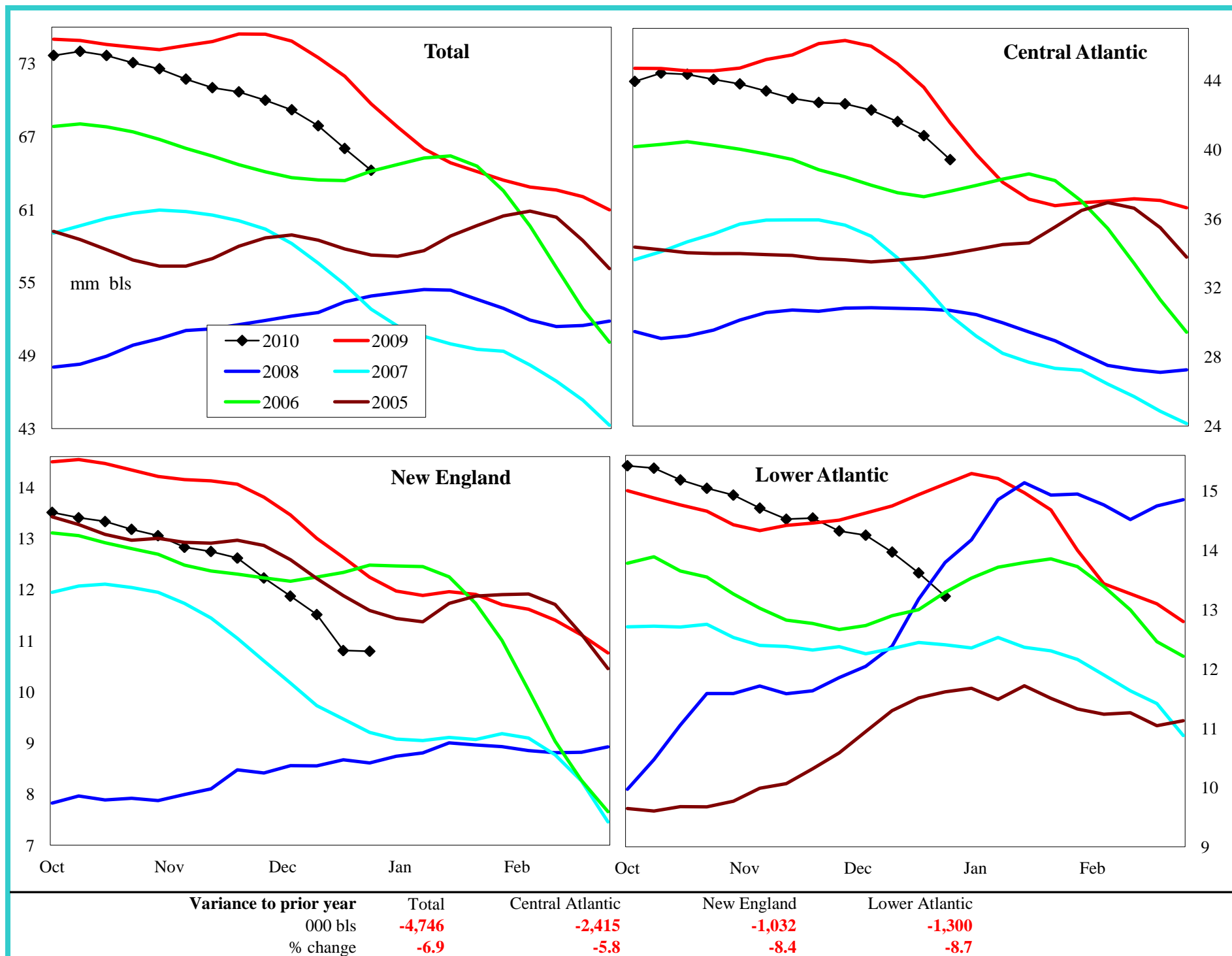
# PADD 1 Conventional Gasoline Supply



# PADD 1 Distillate Supply

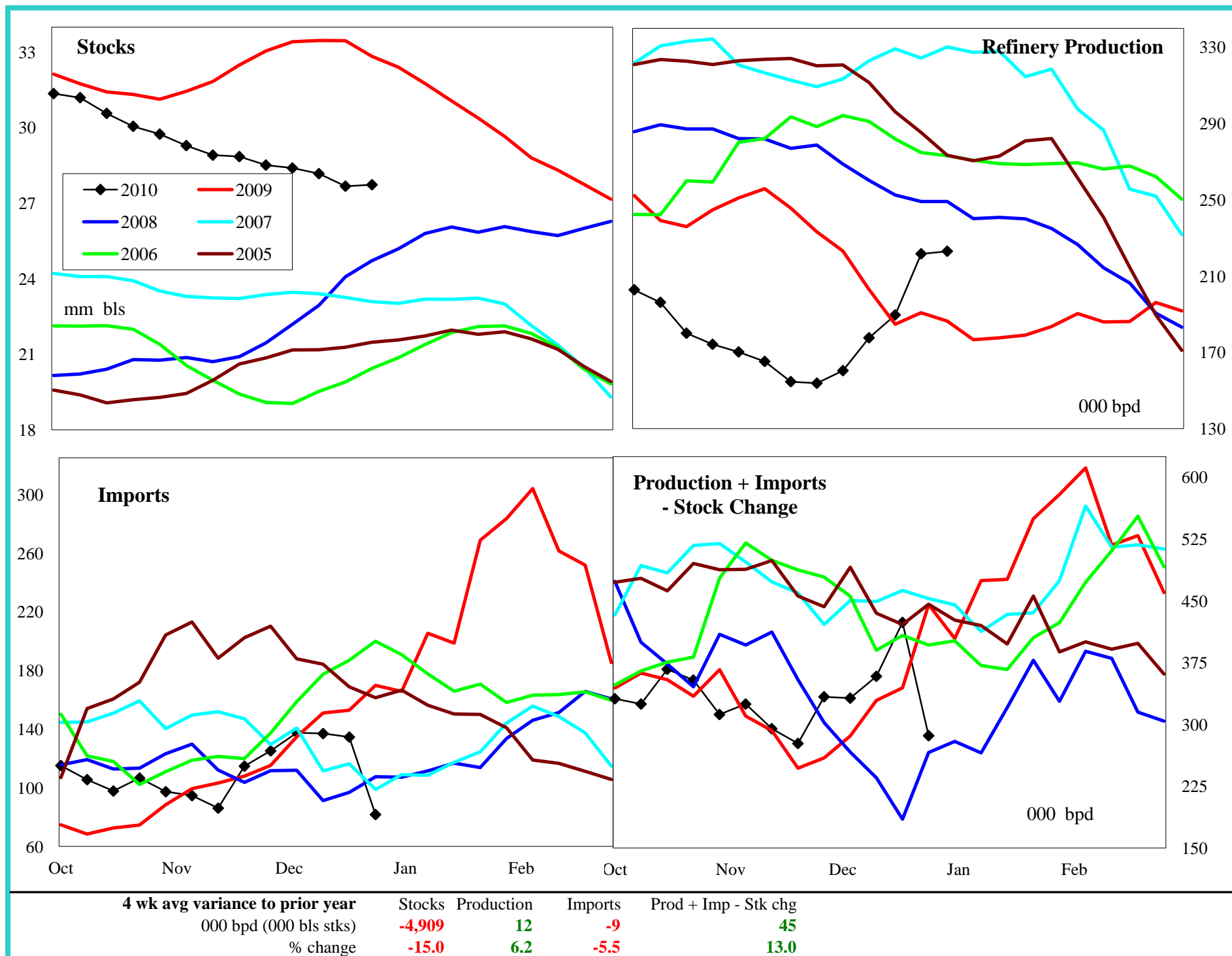


# PADD 1 Distillate Stocks by Region

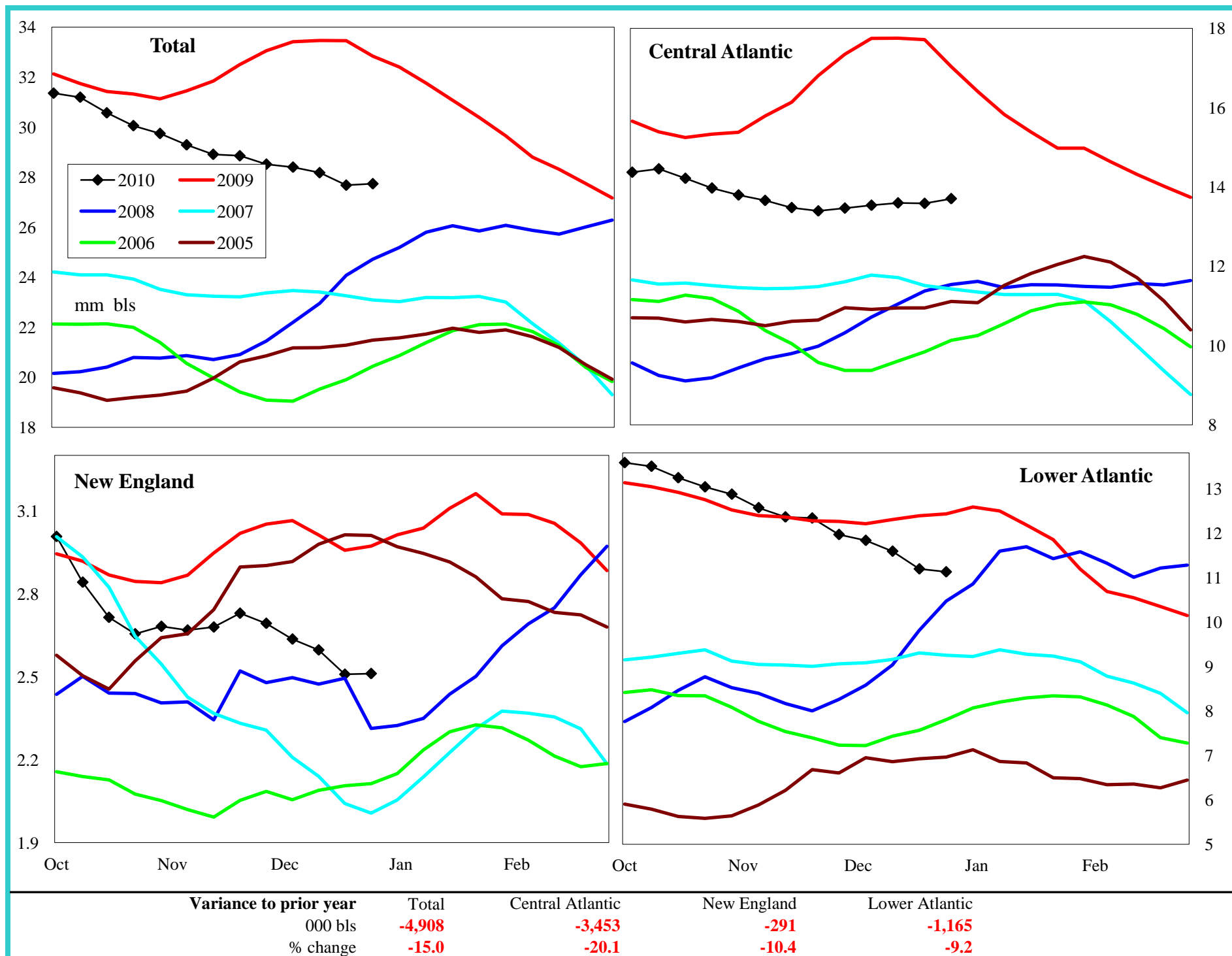




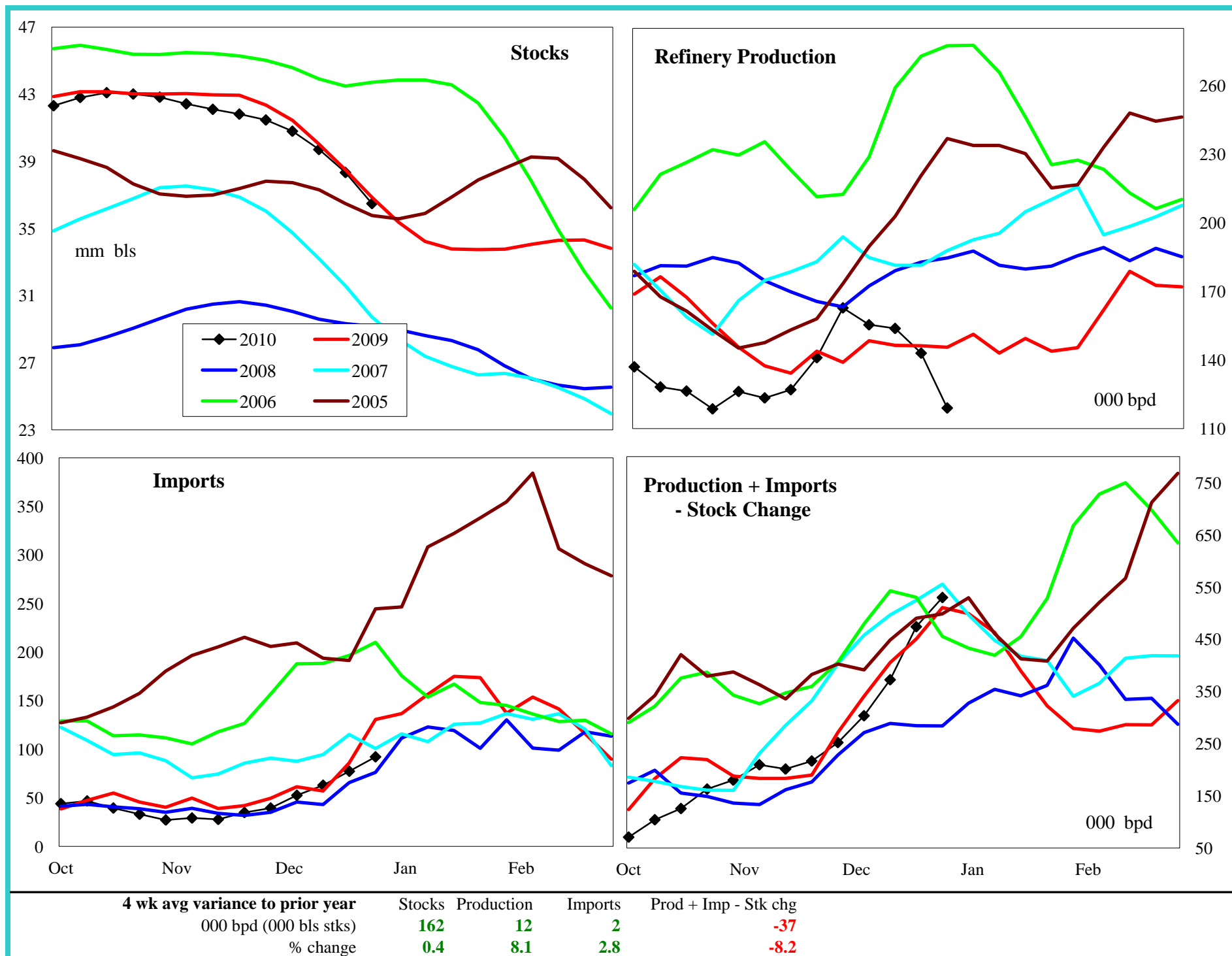
# PADD 1 Low Sulfur Distillate Supply



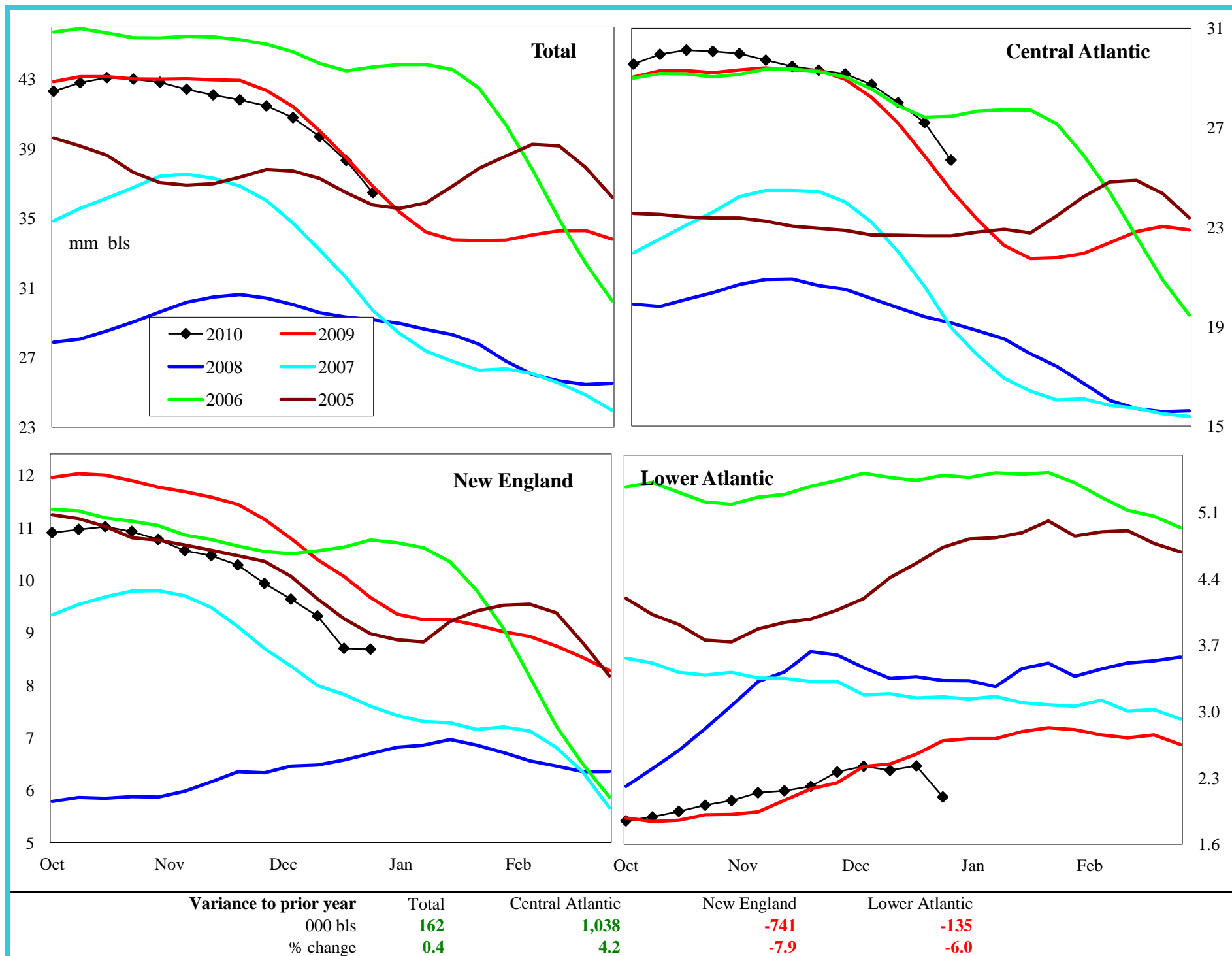
# PADD 1 Low Sulfur Distillate Stocks by Region



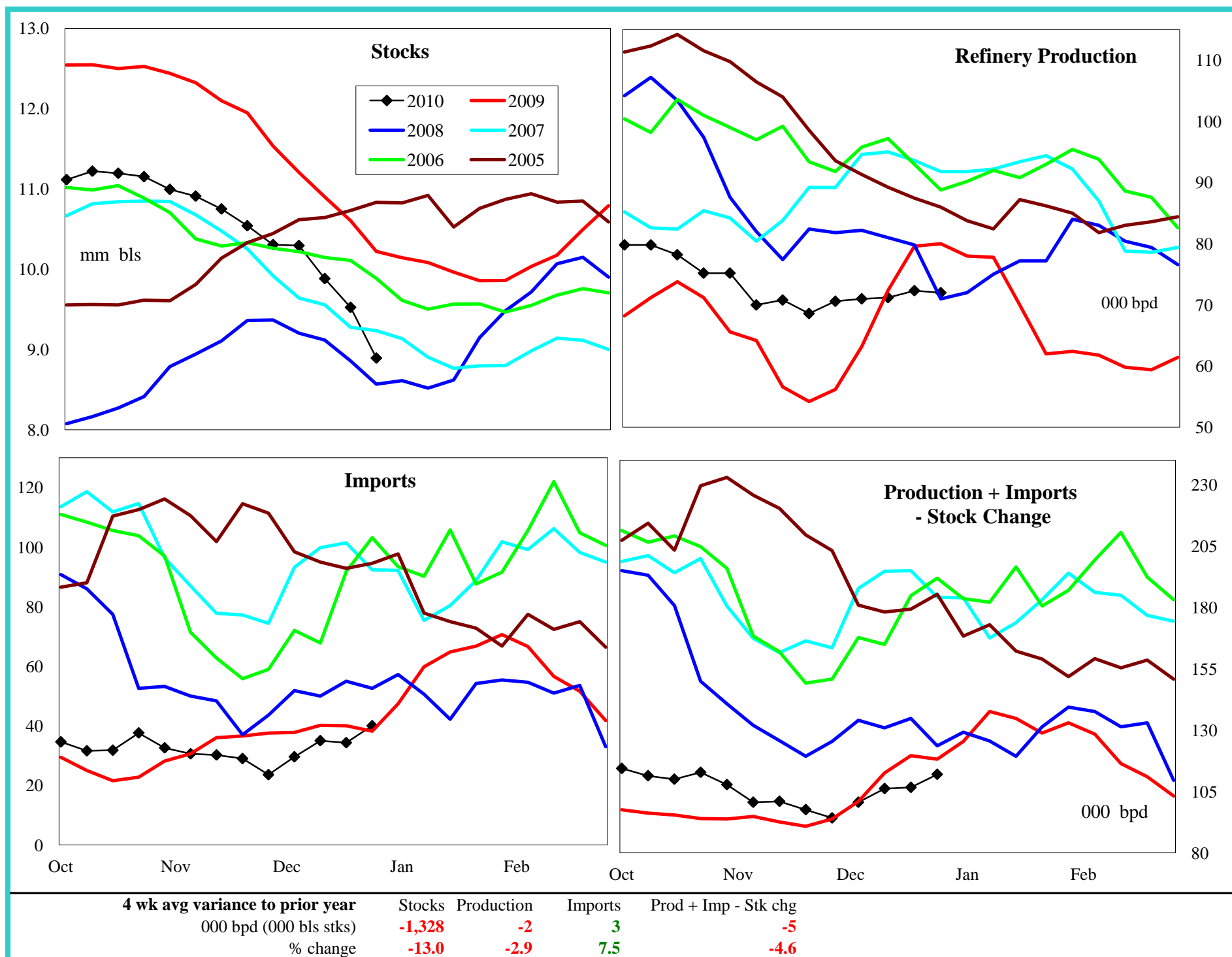
# PADD 1 High Sulfur Distillate Supply



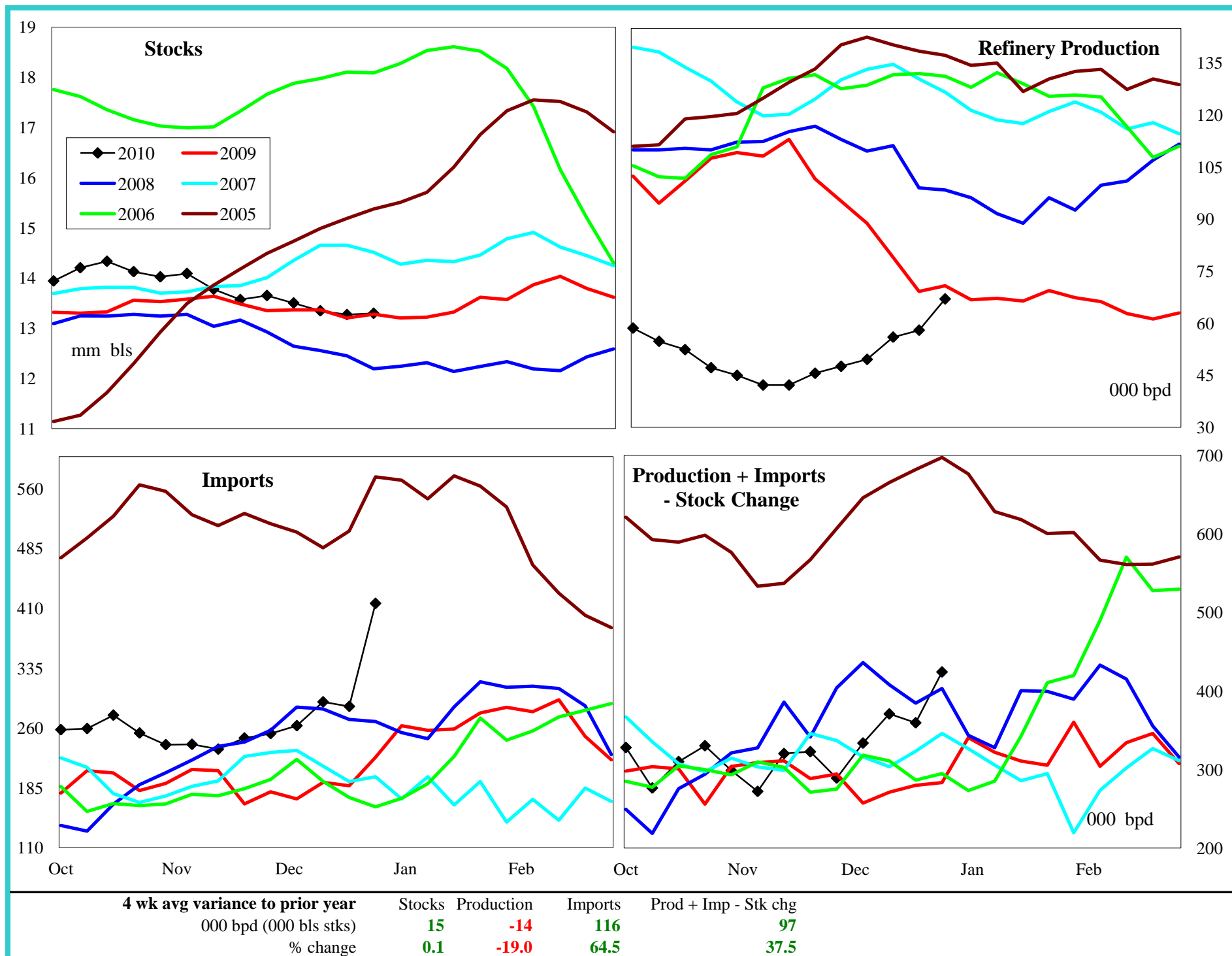
# PADD 1 High Sulfur Distillate Stocks by Region



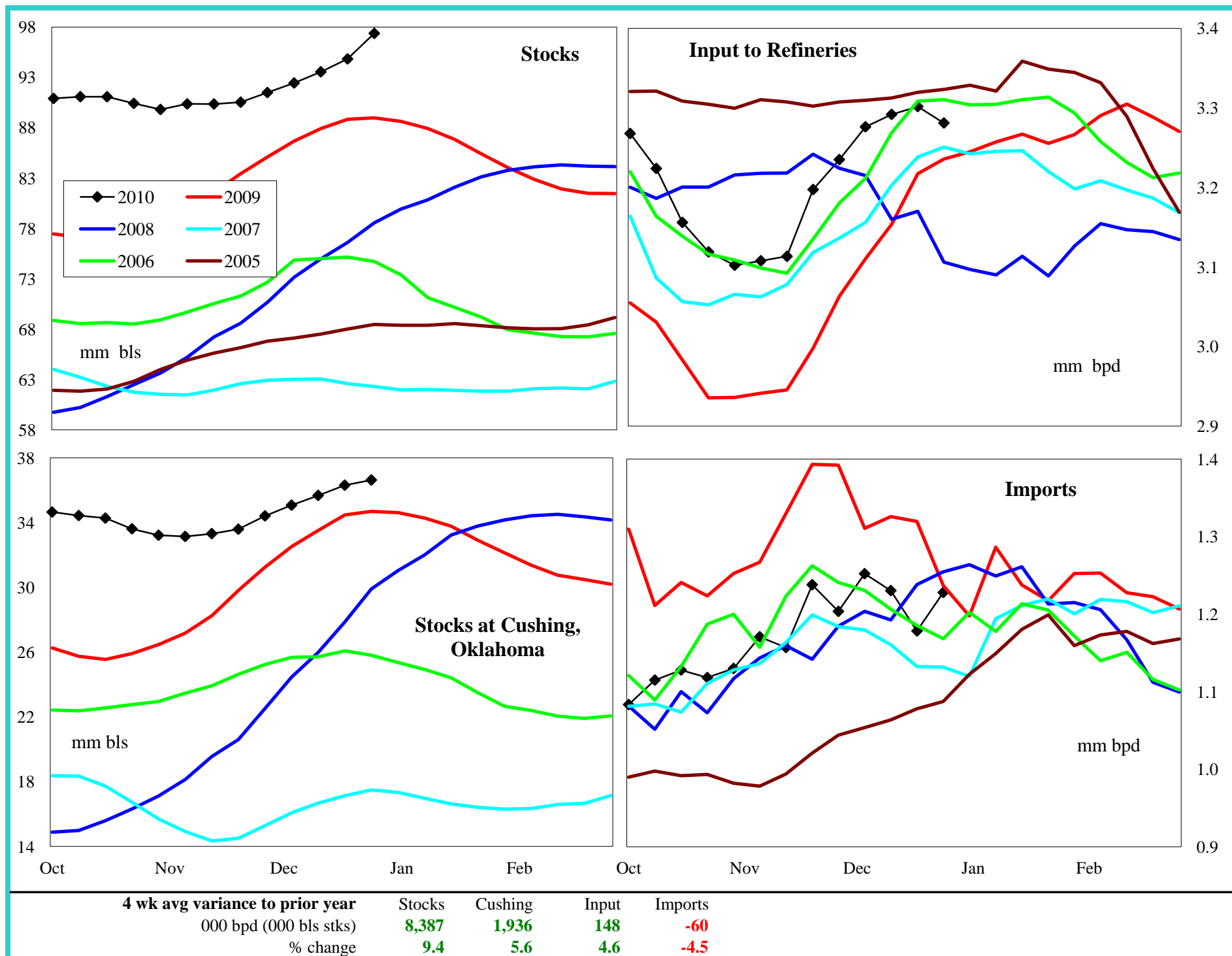
# PADD 1 Jet Fuel Supply



# PADD 1 Residual Fuel Oil Supply

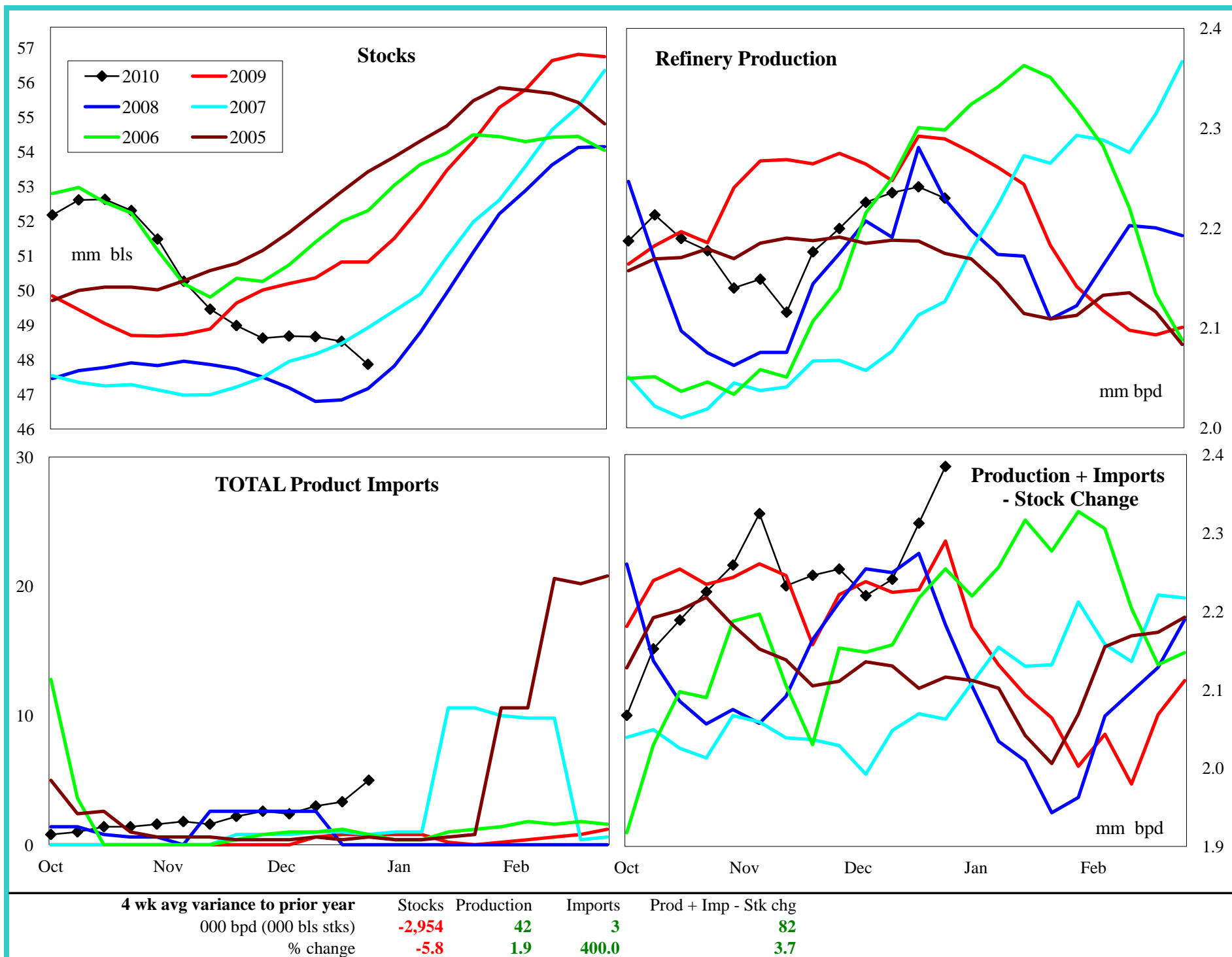


# PADD 2 Crude Oil Supply and Refining

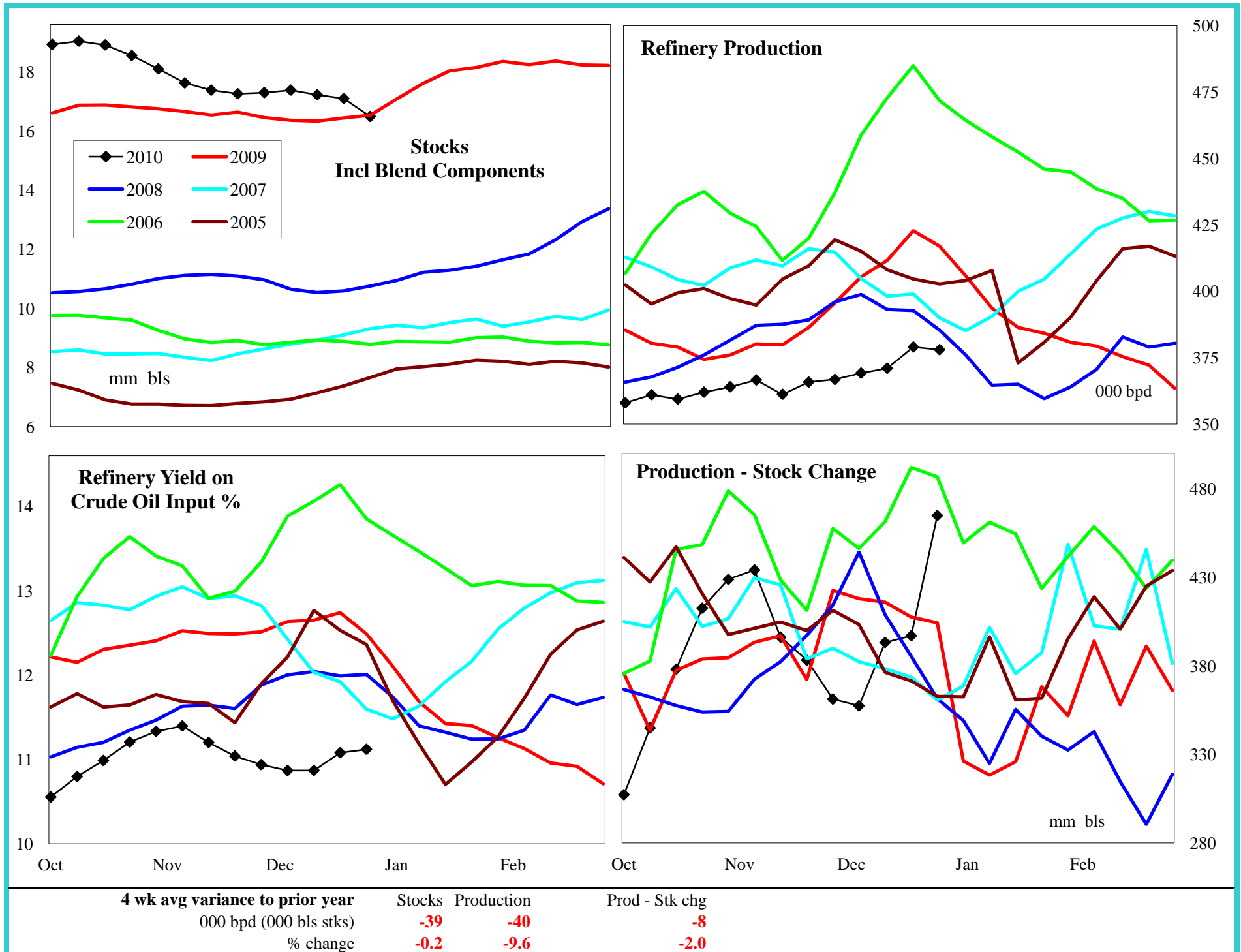




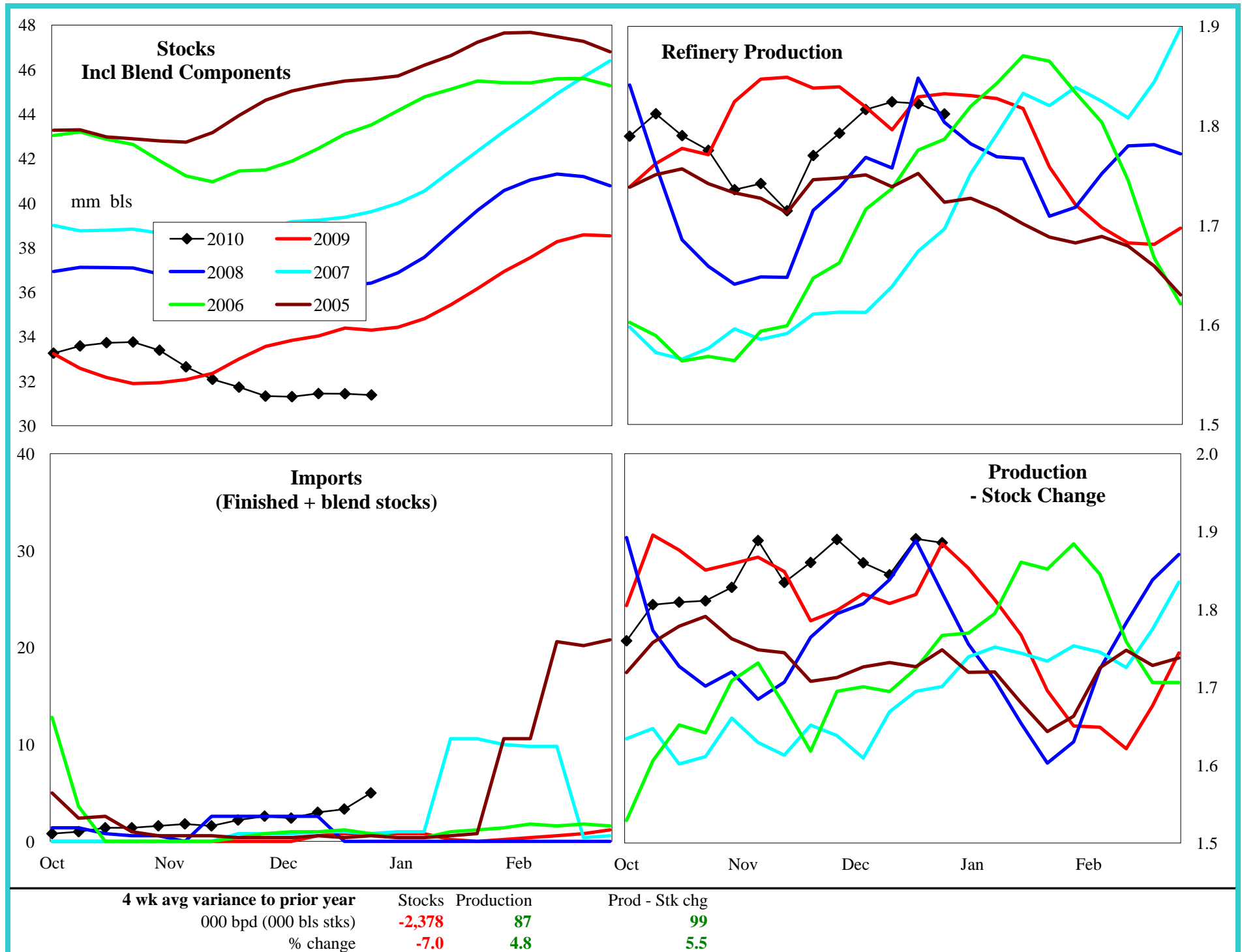
# PADD 2 Gasoline Supply



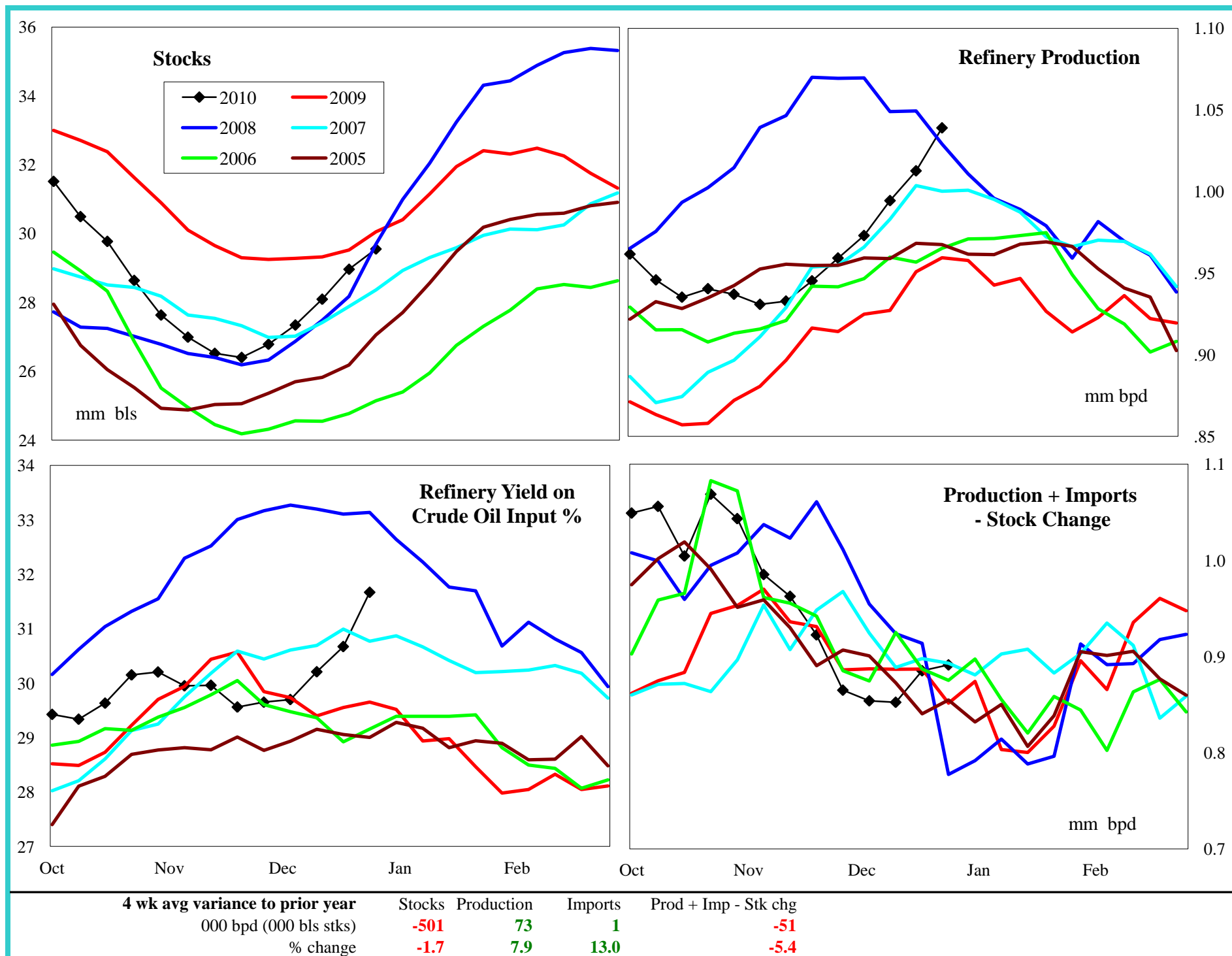
# PADD 2 Reformulated Gasoline Supply



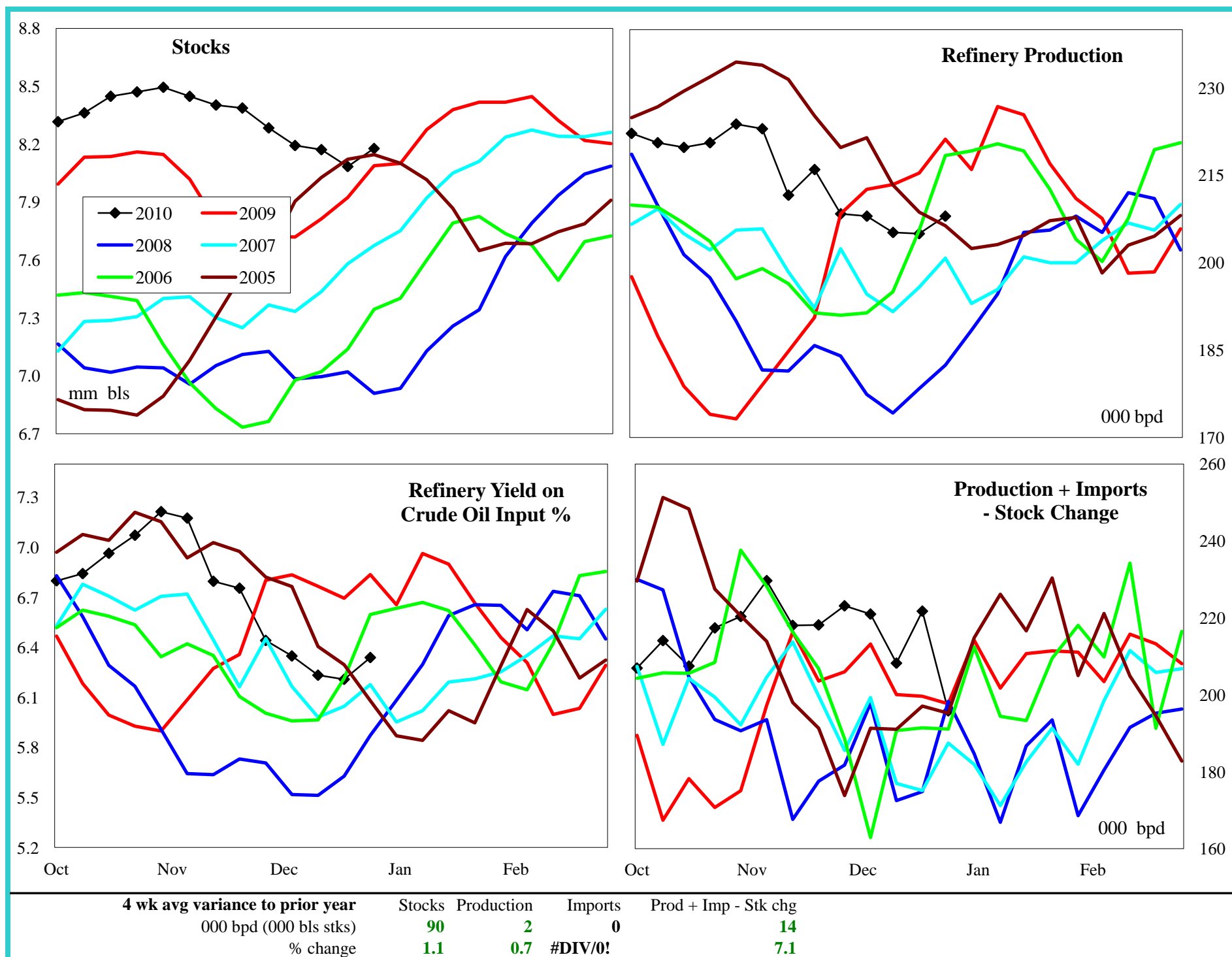
# PADD 2 Conventional Gasoline Supply



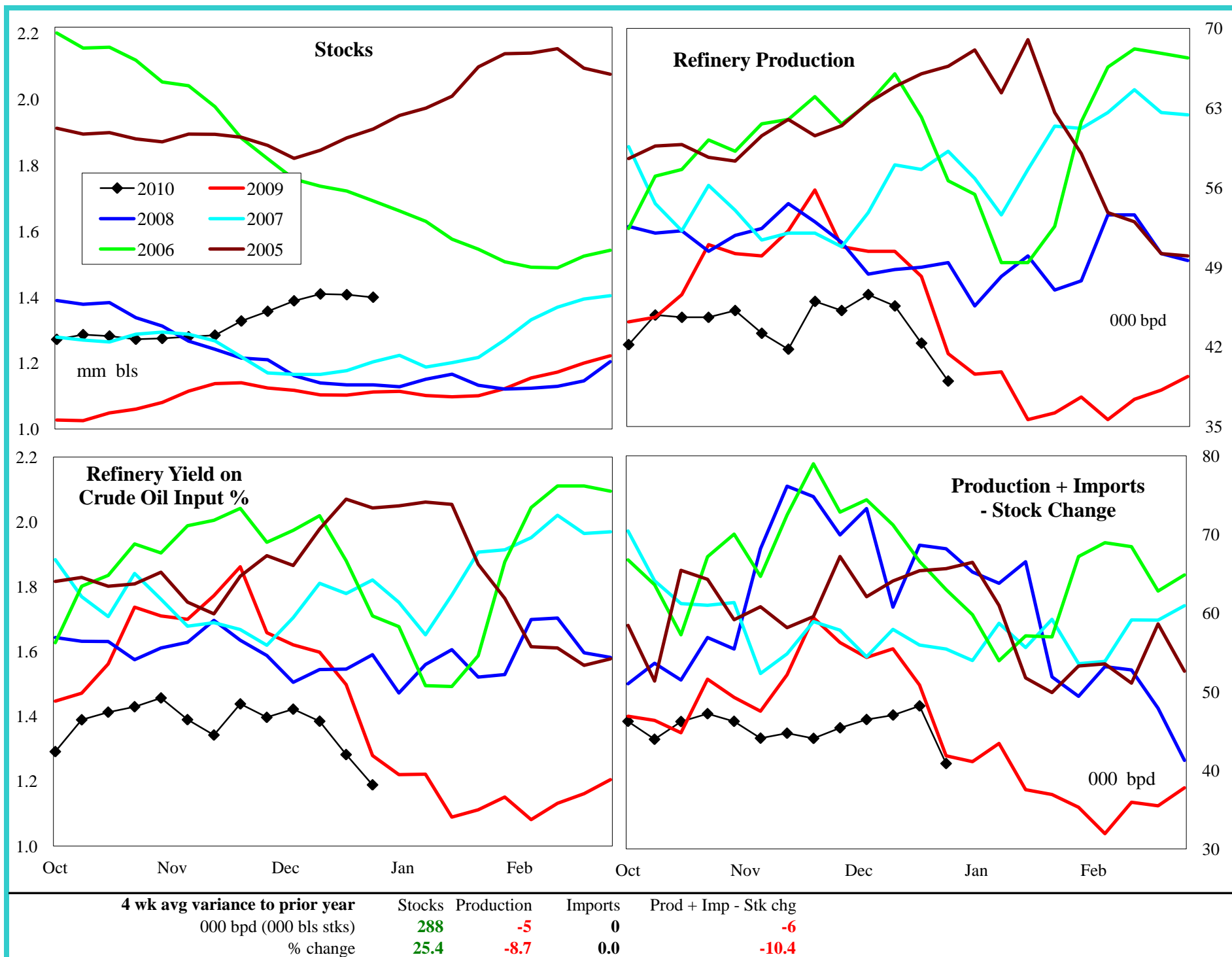
# PADD 2 Distillate Supply



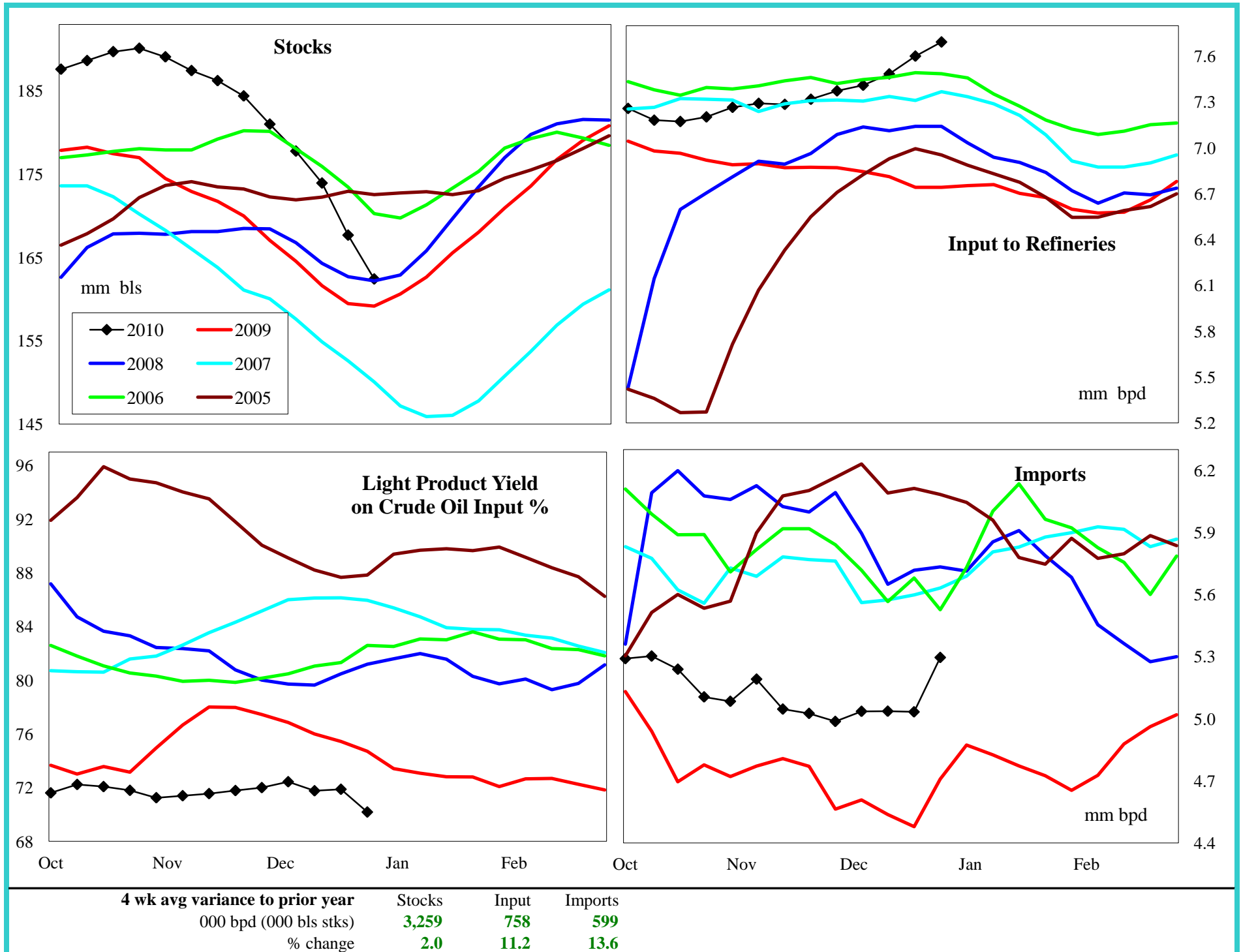
# PADD 2 Jet Fuel Supply



# PADD 2 Residual Fuel Oil Supply

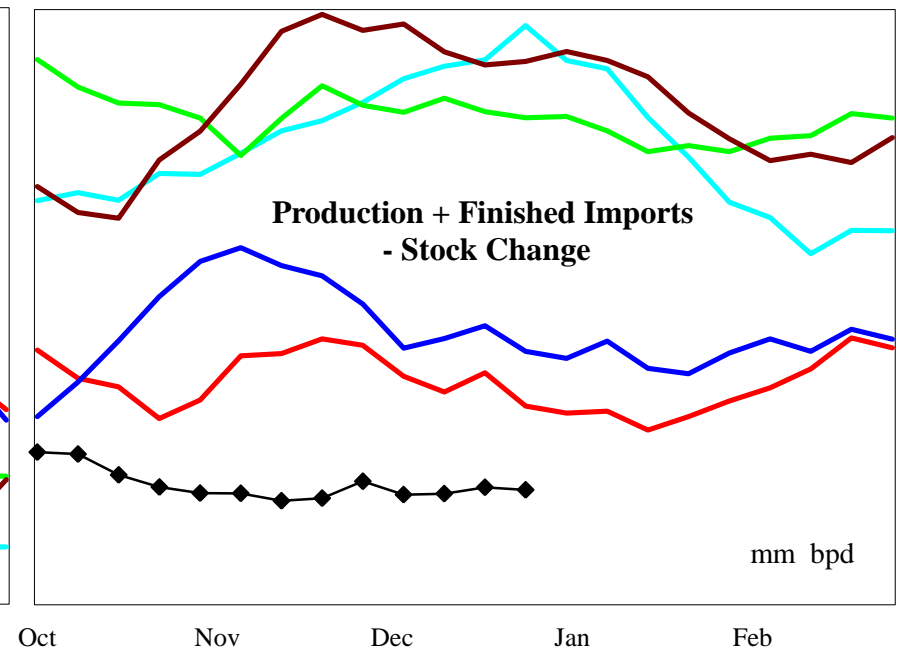
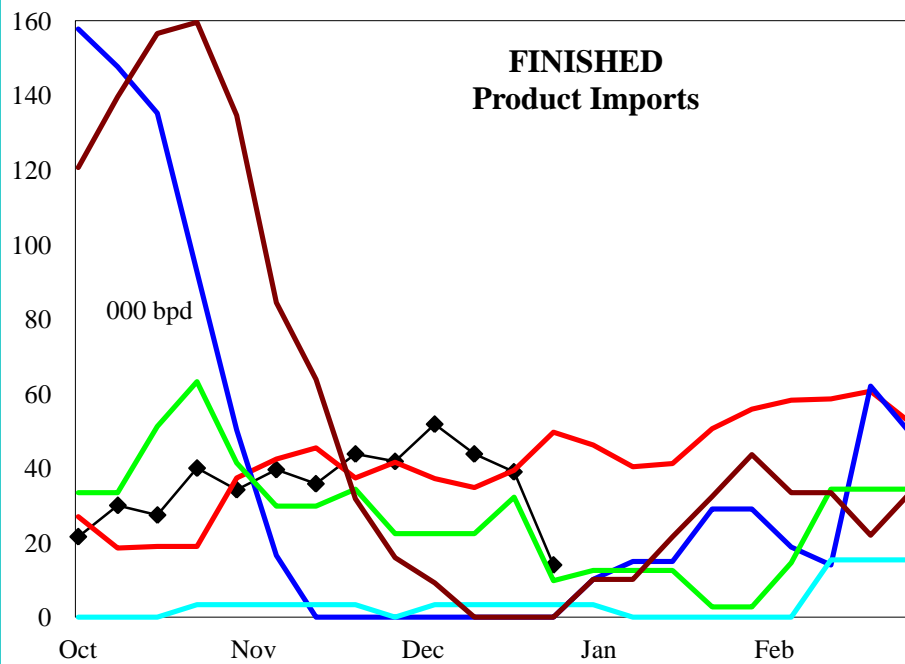
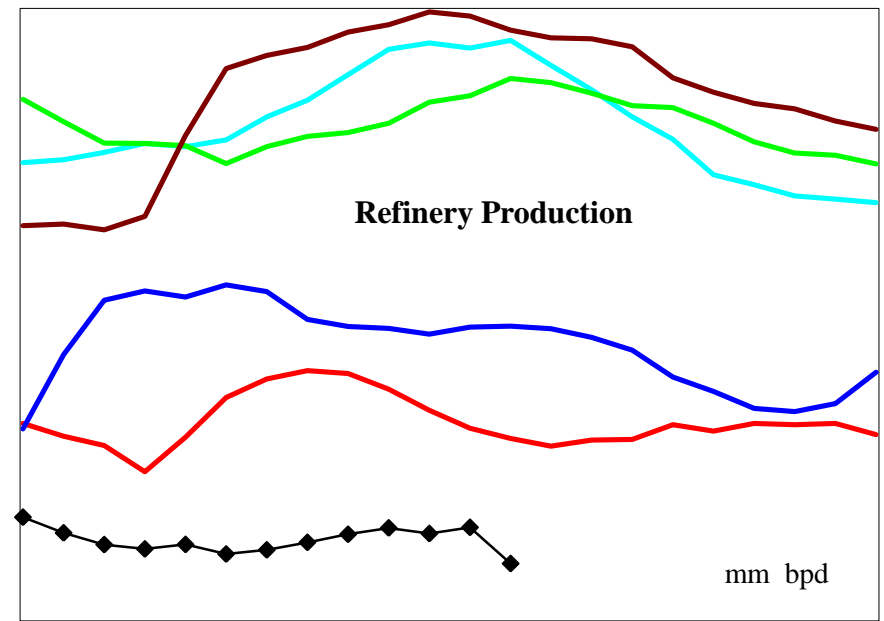
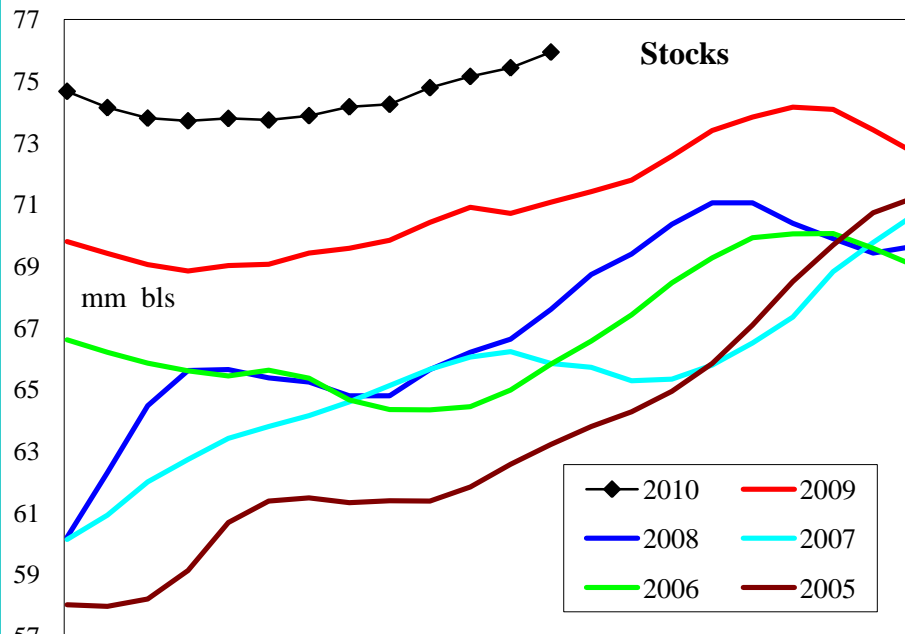


# PADD 3 Crude Oil Supply and Refining





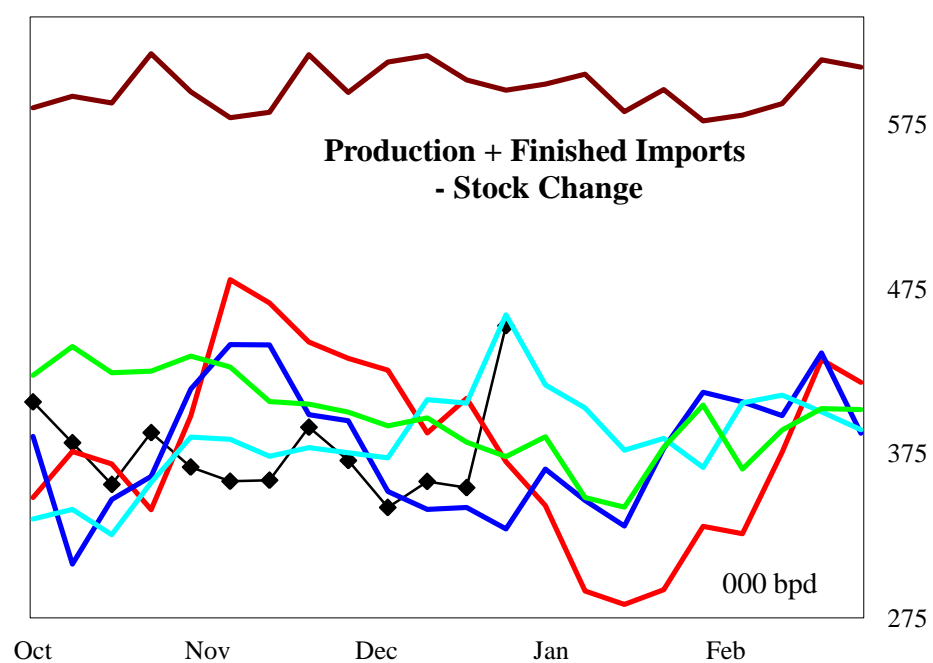
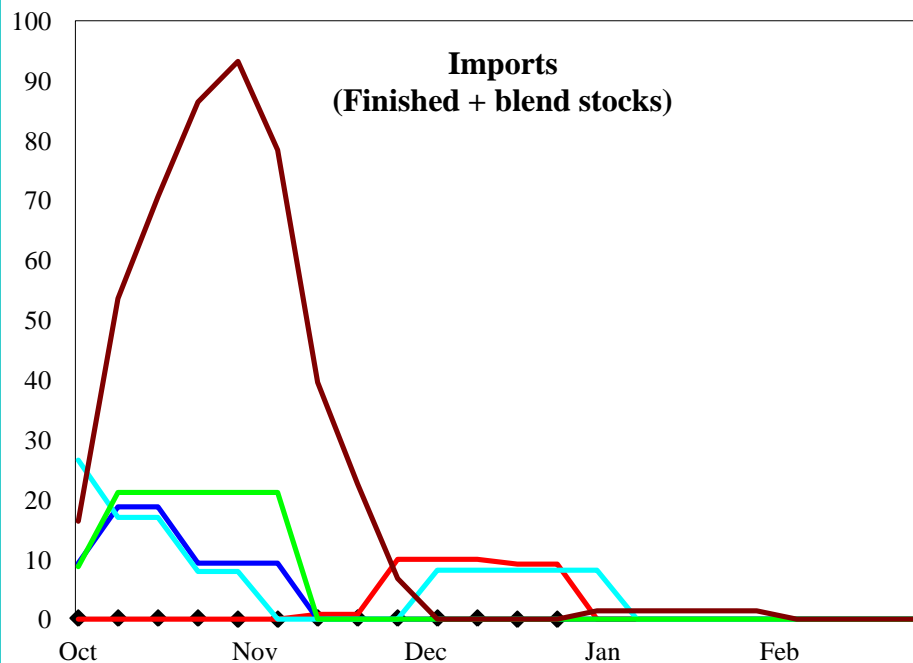
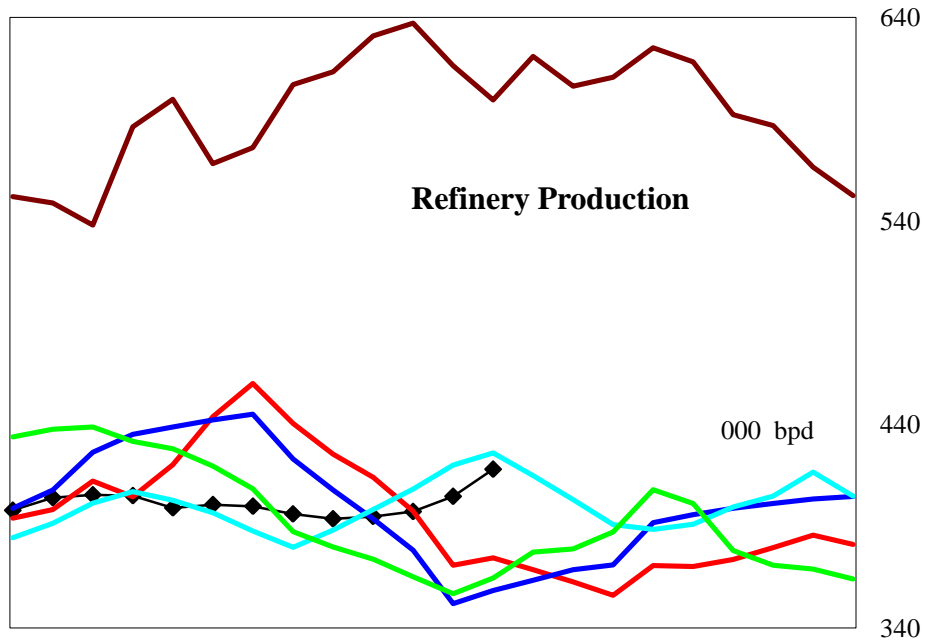
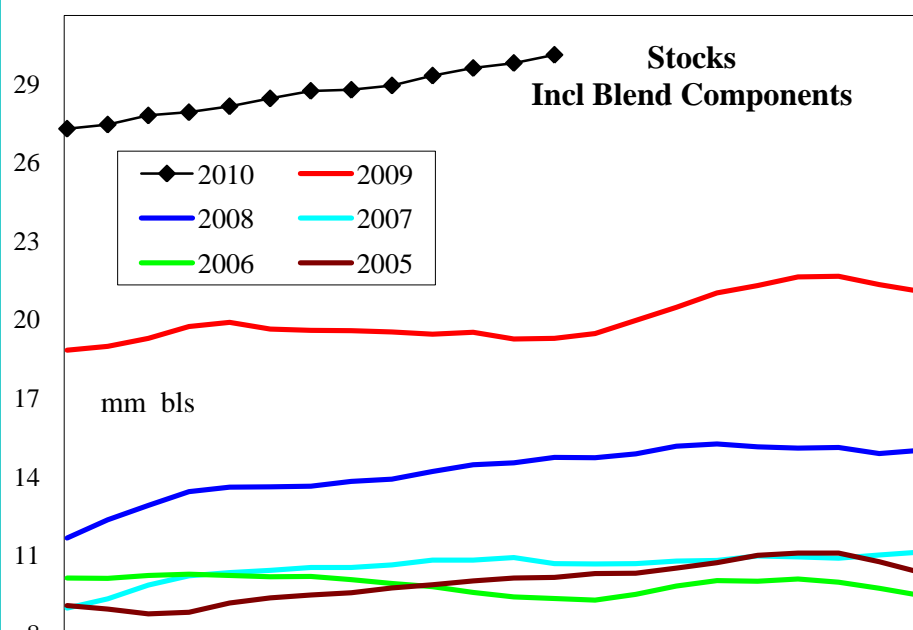
# PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
5,381	-281	4	-21	-353
7.6	-11.1	11.0	-43.7	-13.7

# PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

10,851

17

-12

-23

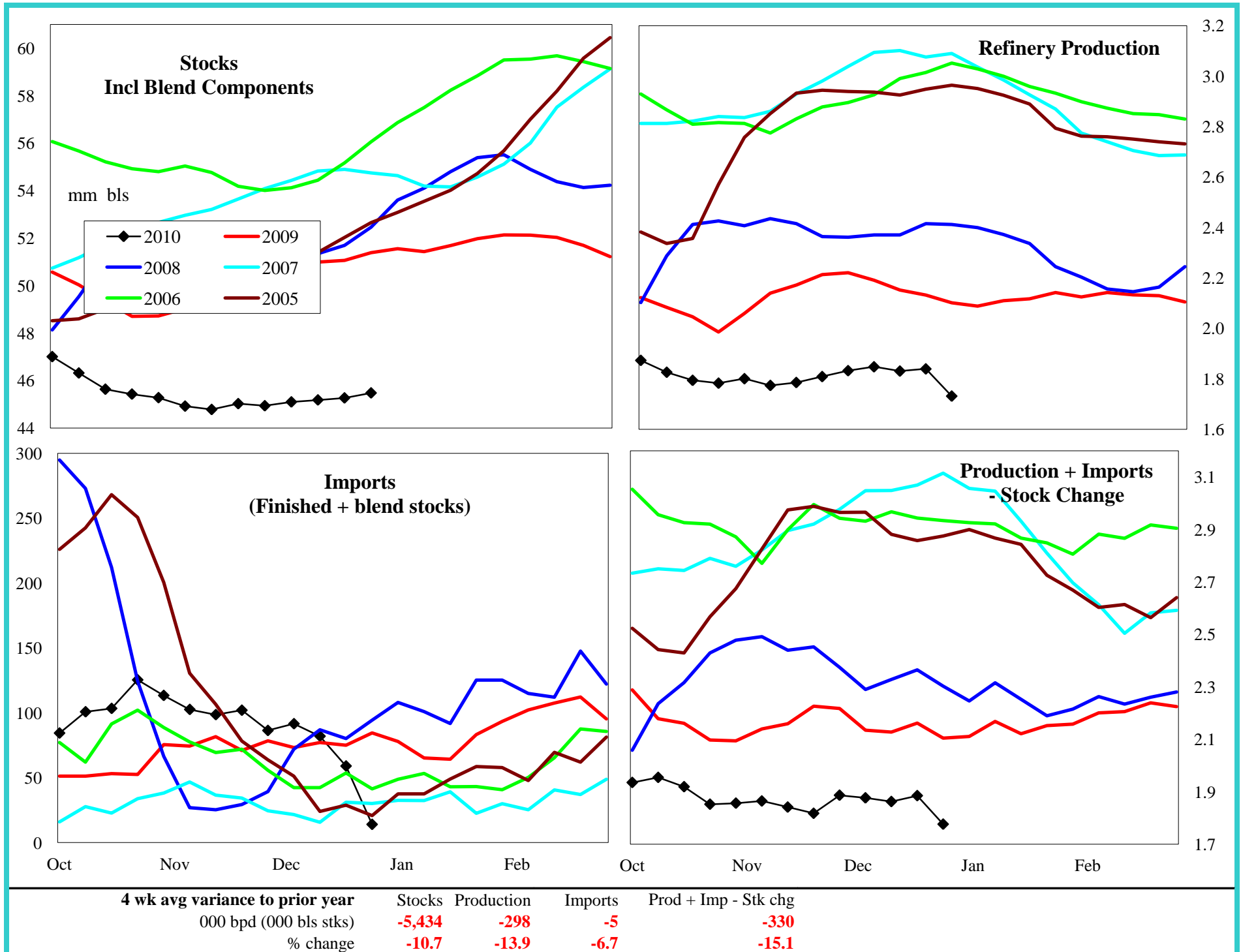
55.2

4.5

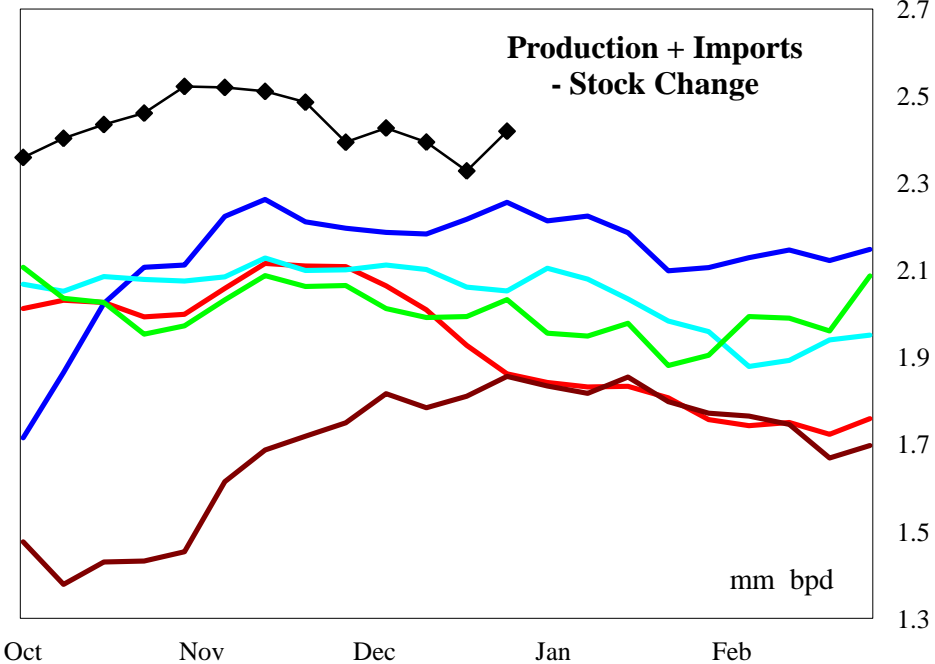
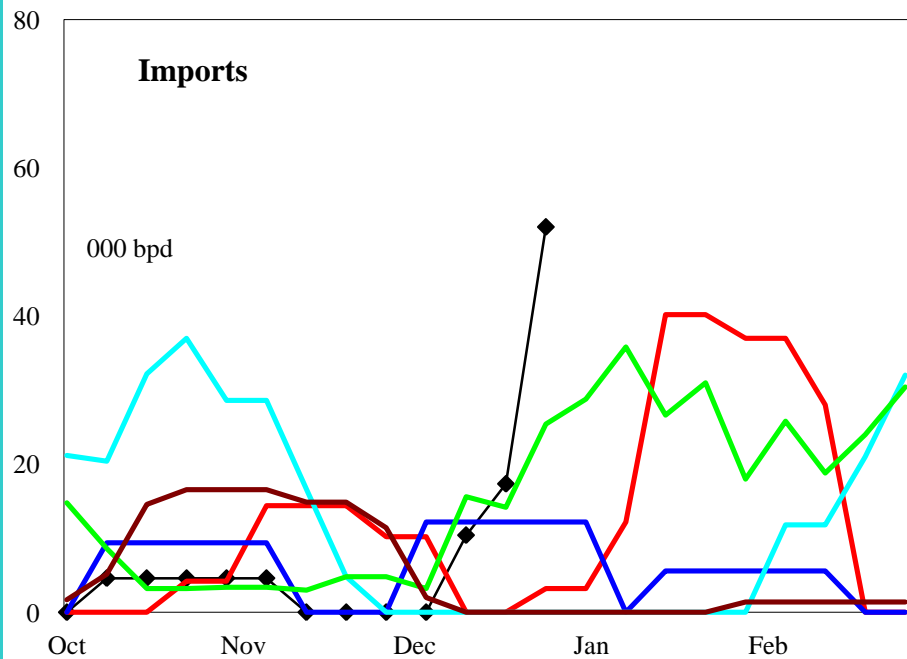
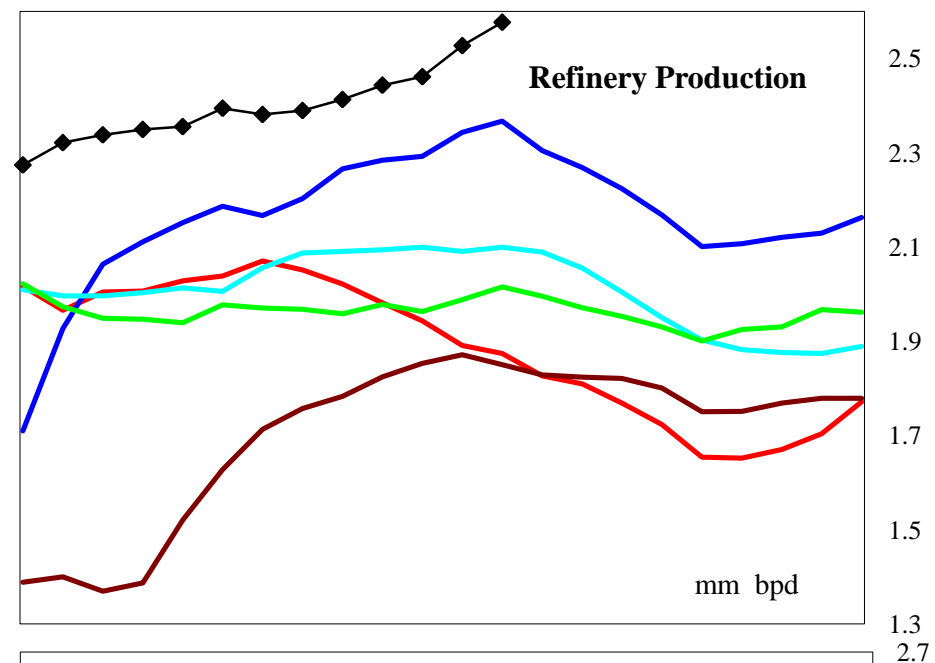
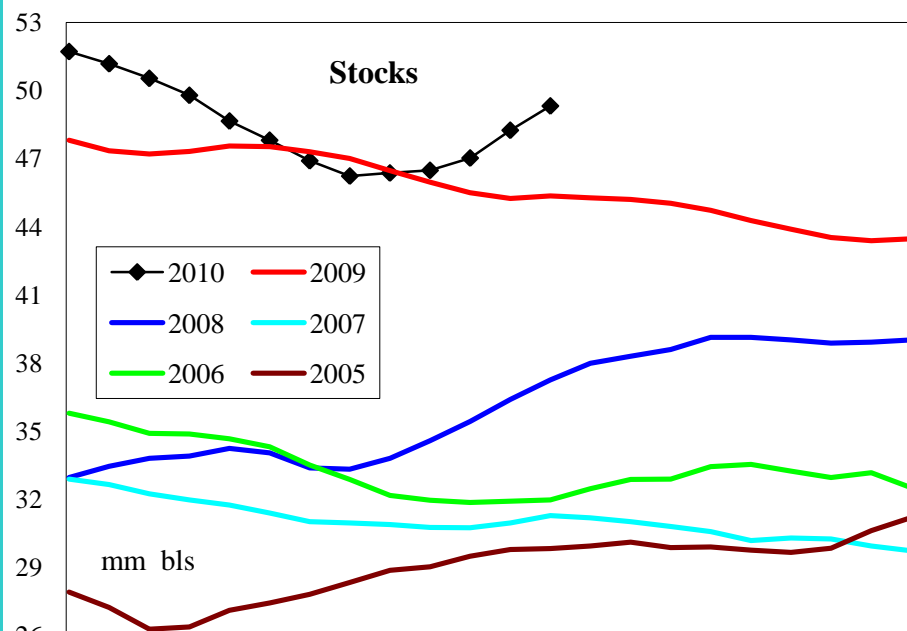
-100.0

-5.7

# PADD 3 Conventional Gasoline Supply



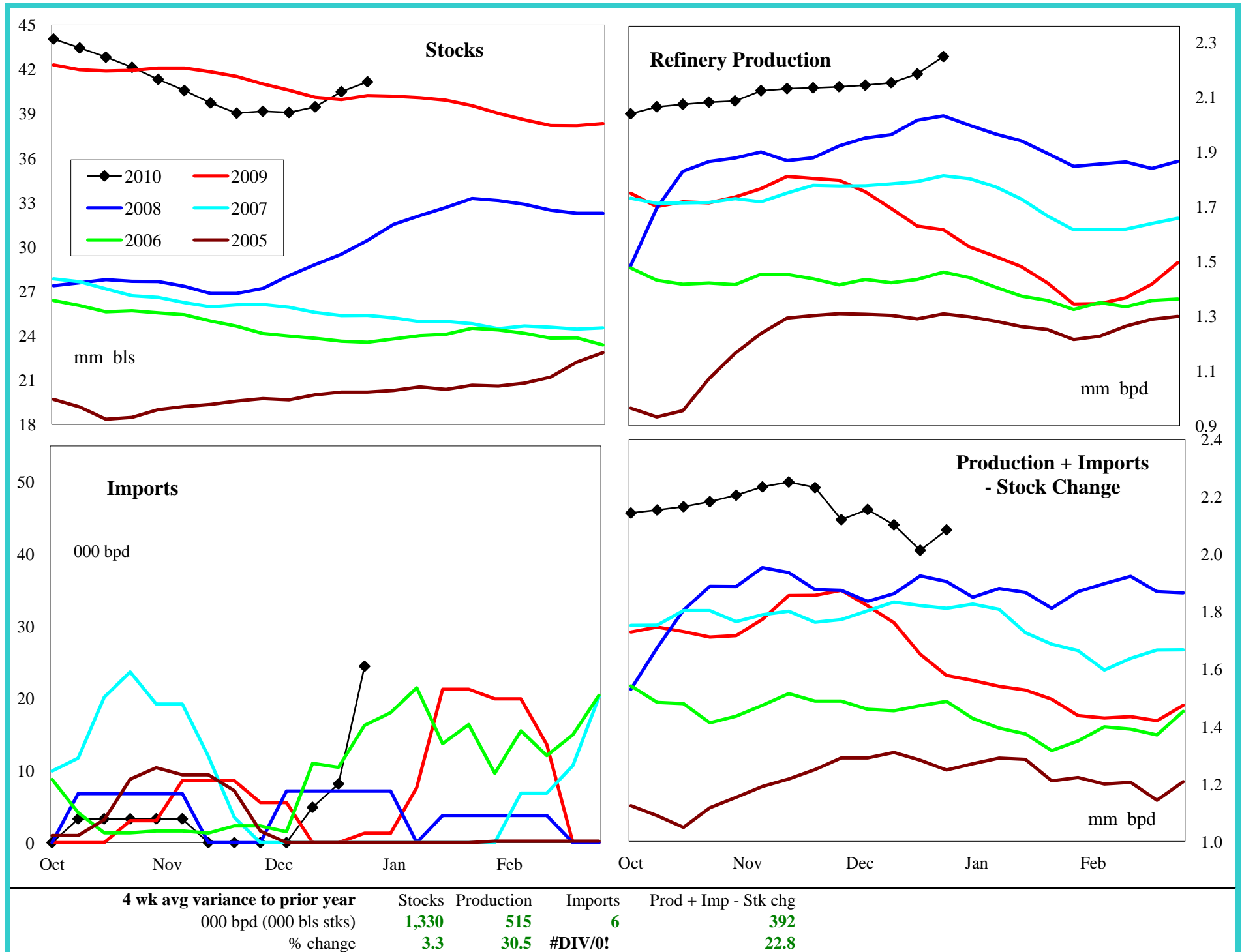
# PADD 3 Distillate Supply



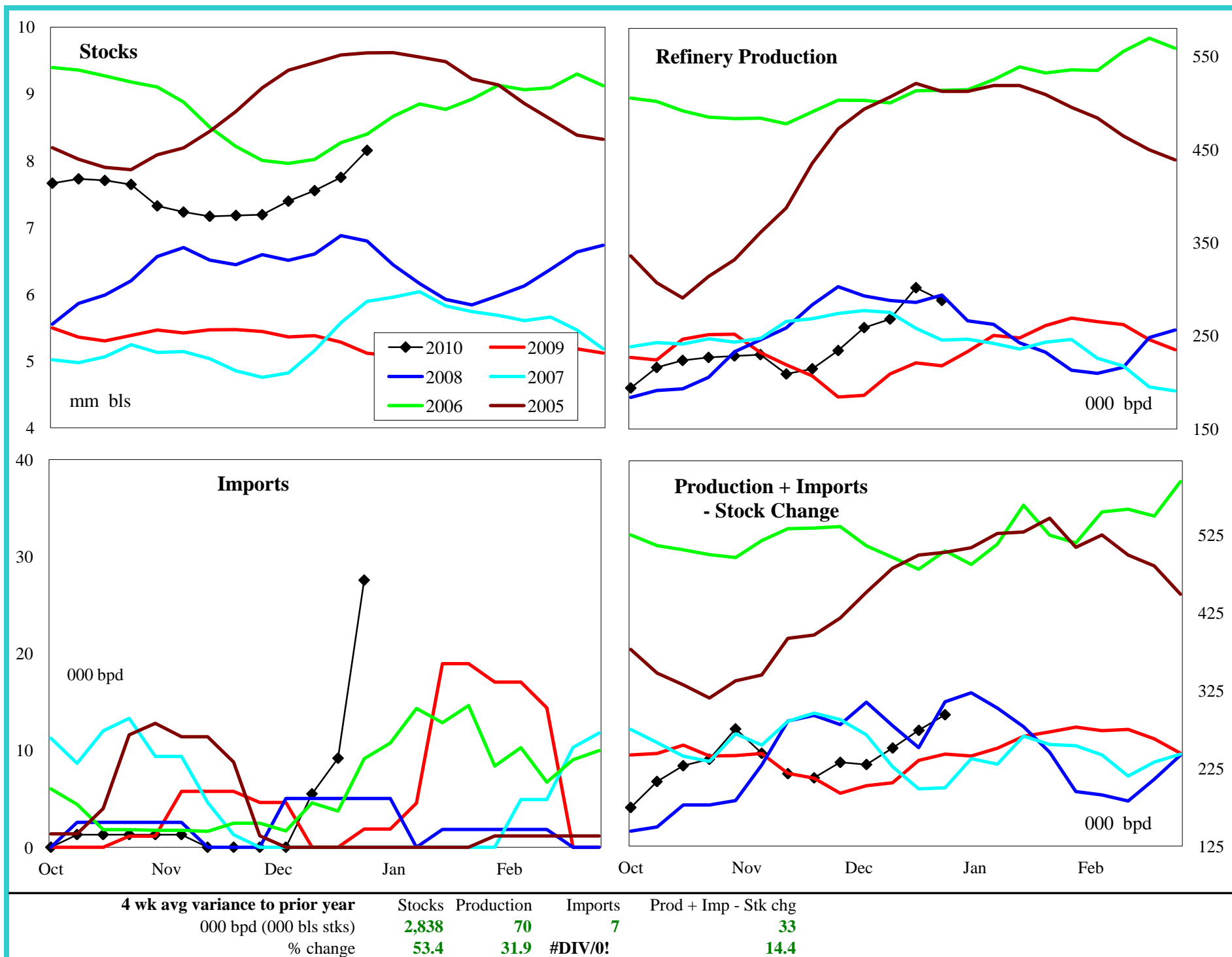
**4 wk avg variance to prior year**  
000 bpd (000 bls stks)  
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
4,168	585	13	424
9.2	30.7	#DIV/0!	21.8

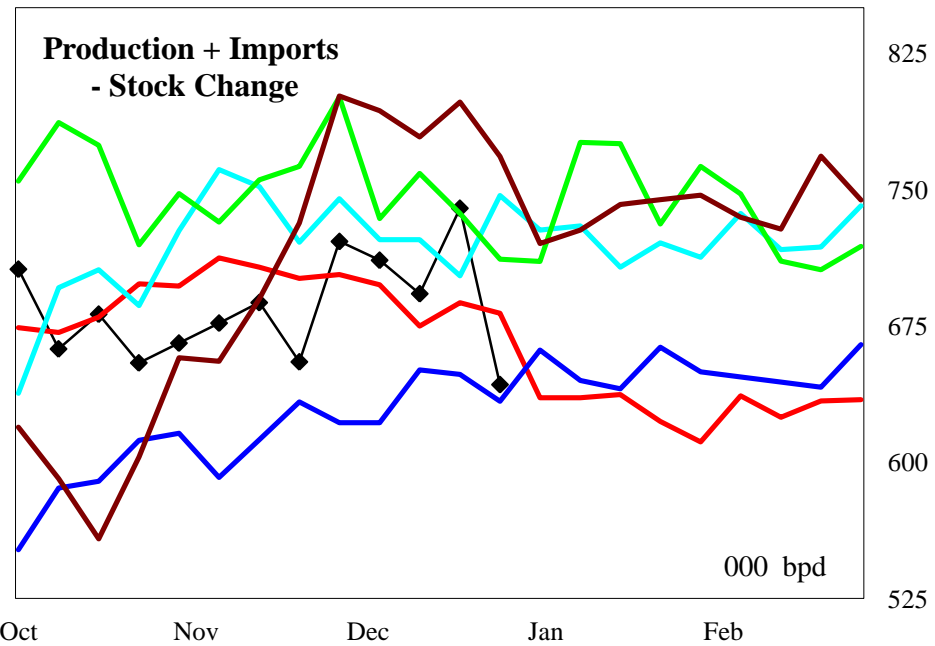
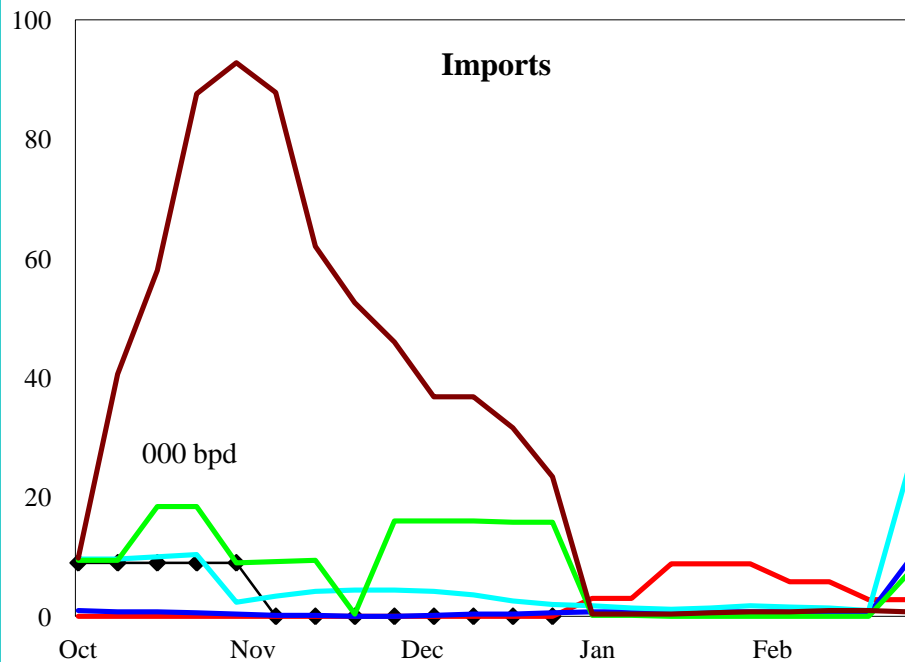
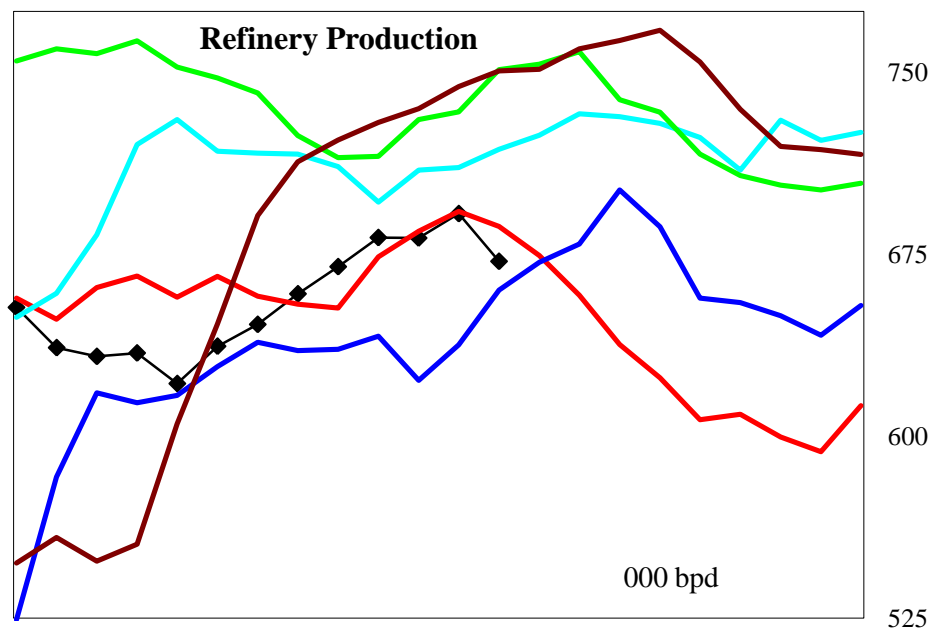
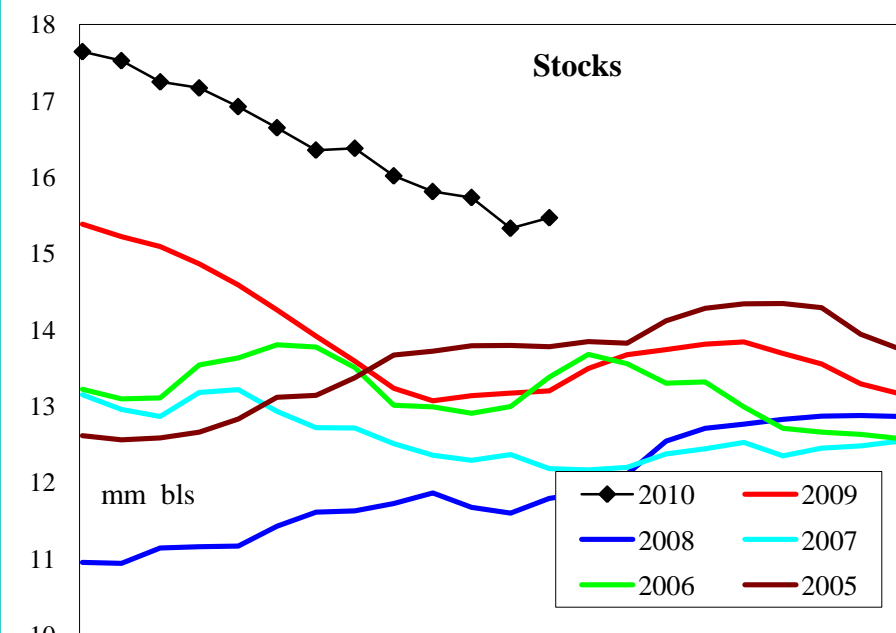
# PADD 3 Low Sulfur Distillate Supply



# 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

2,267

17.2

Production

-16

-2.2

Imports

0

#DIV/0!

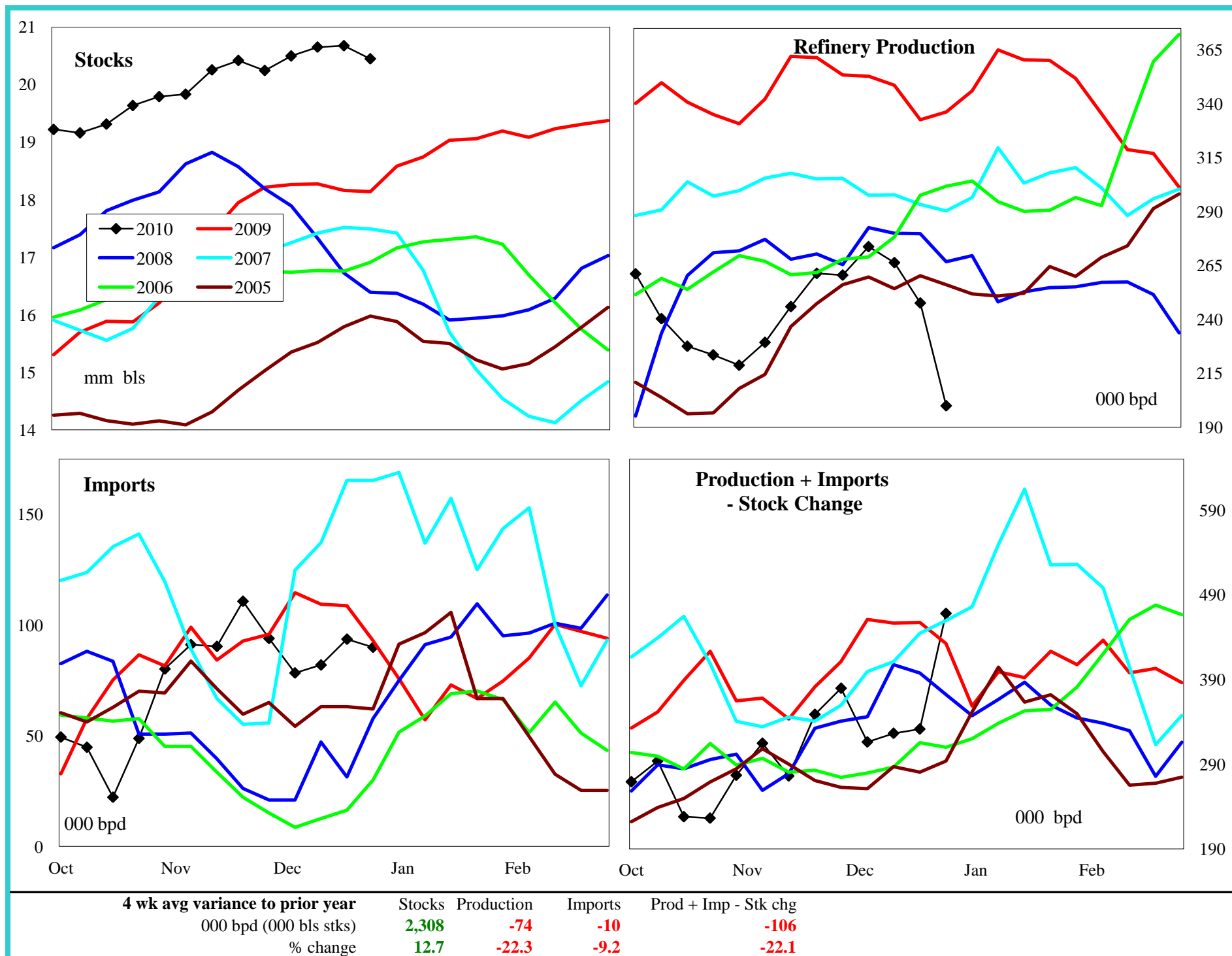
Prod + Imp - Stk chg

31

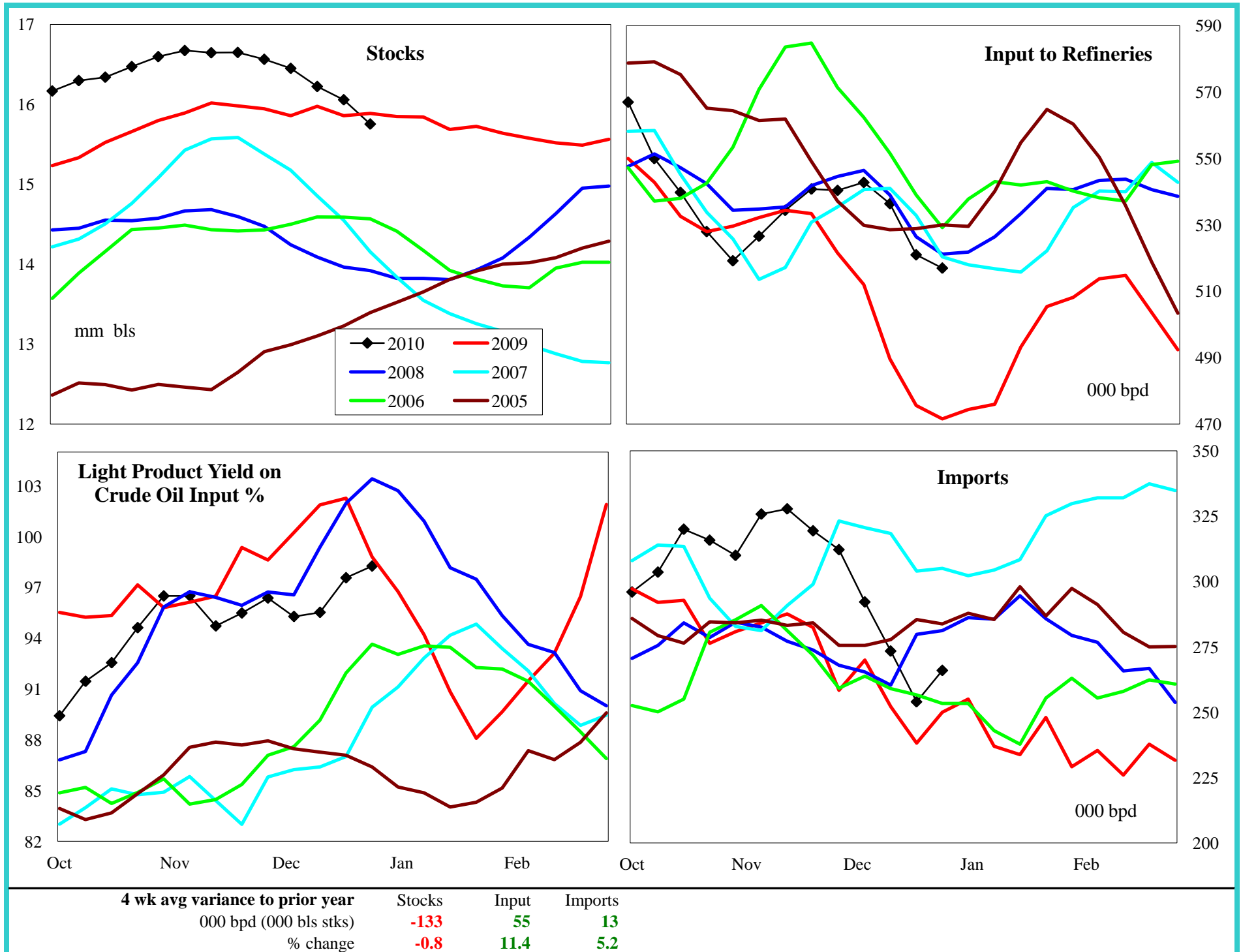
4.6



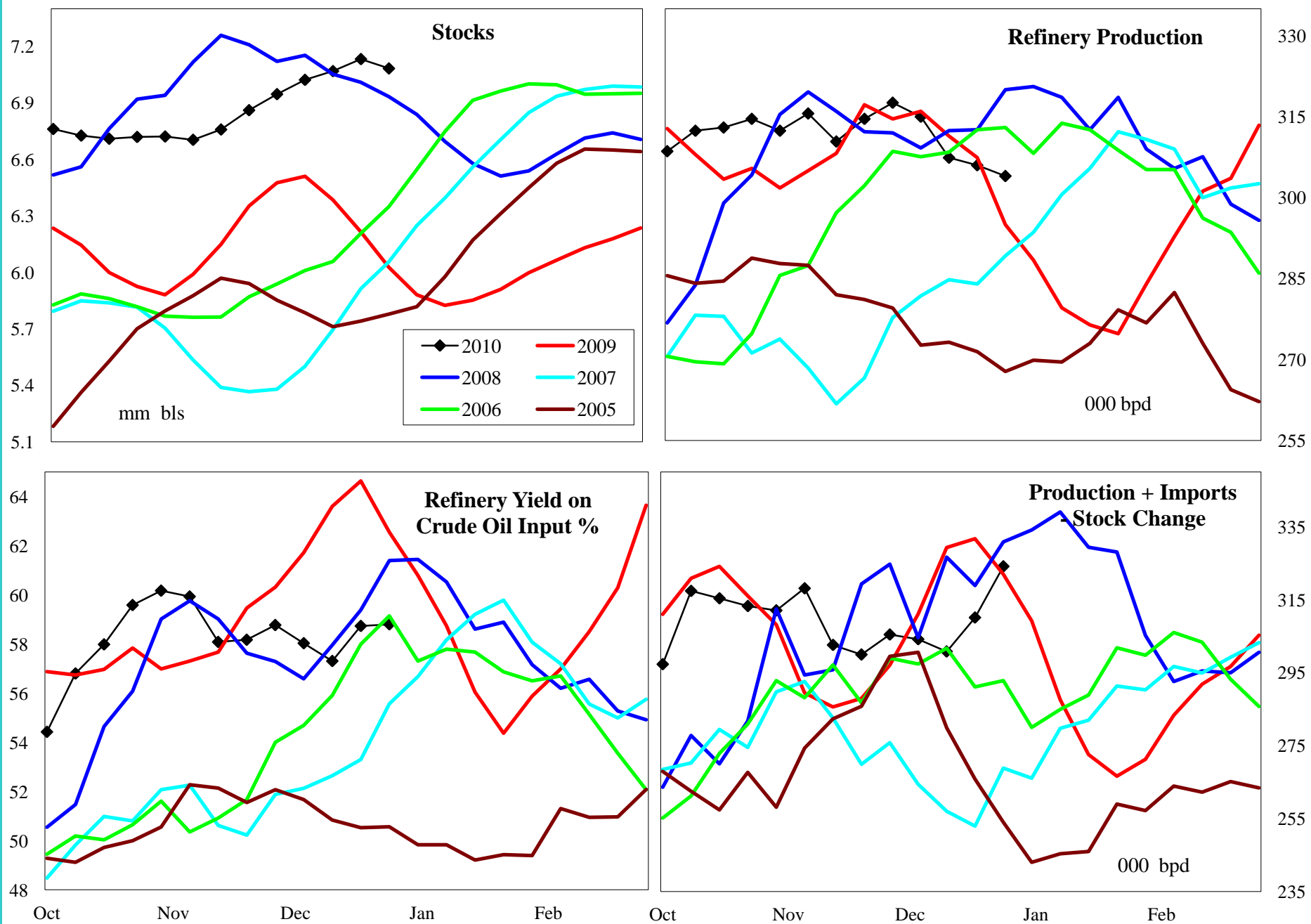
# PADD 3 Residual Fuel Oil Supply



# 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

**1,057**

**-6**

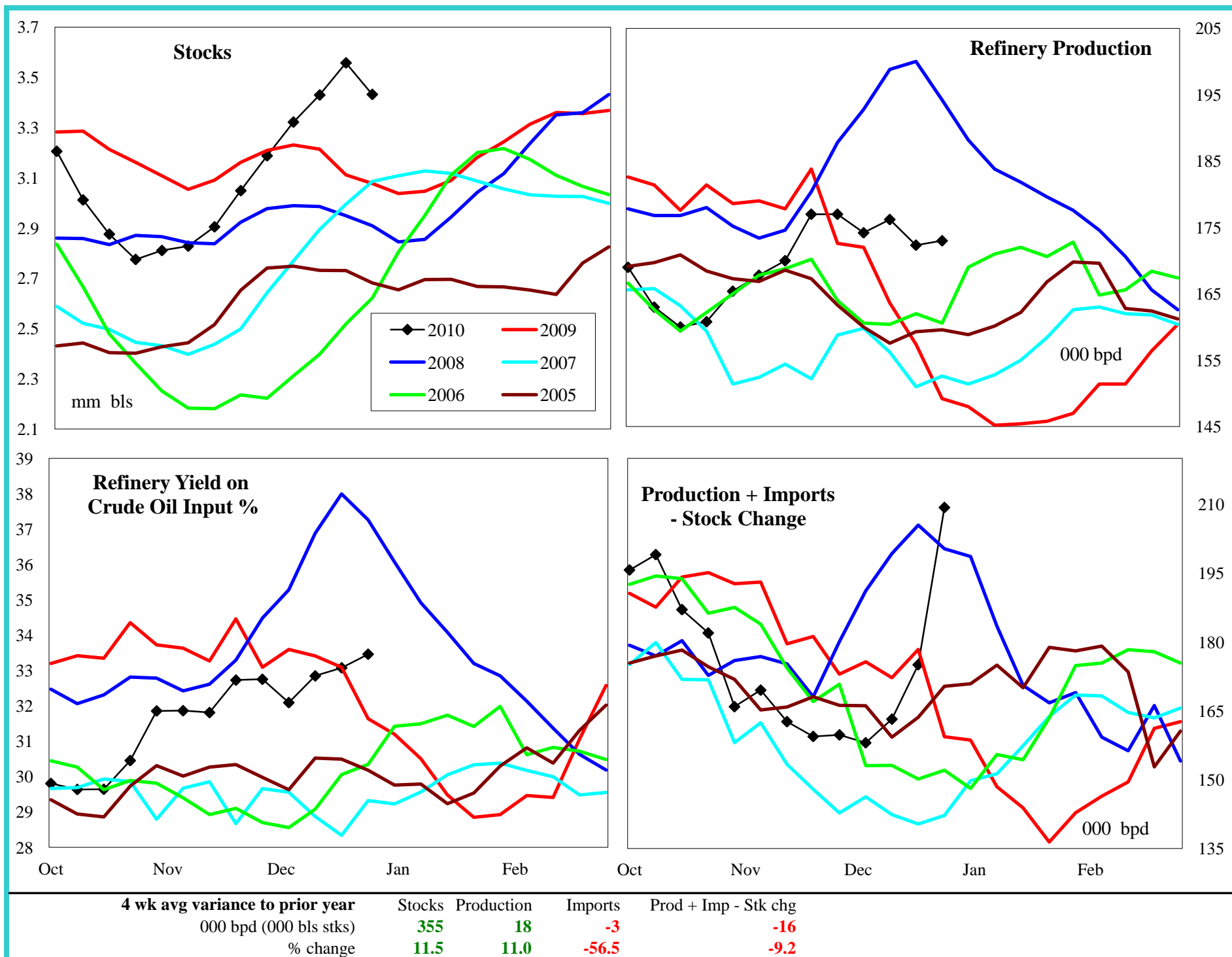
**-44**

**17.5**

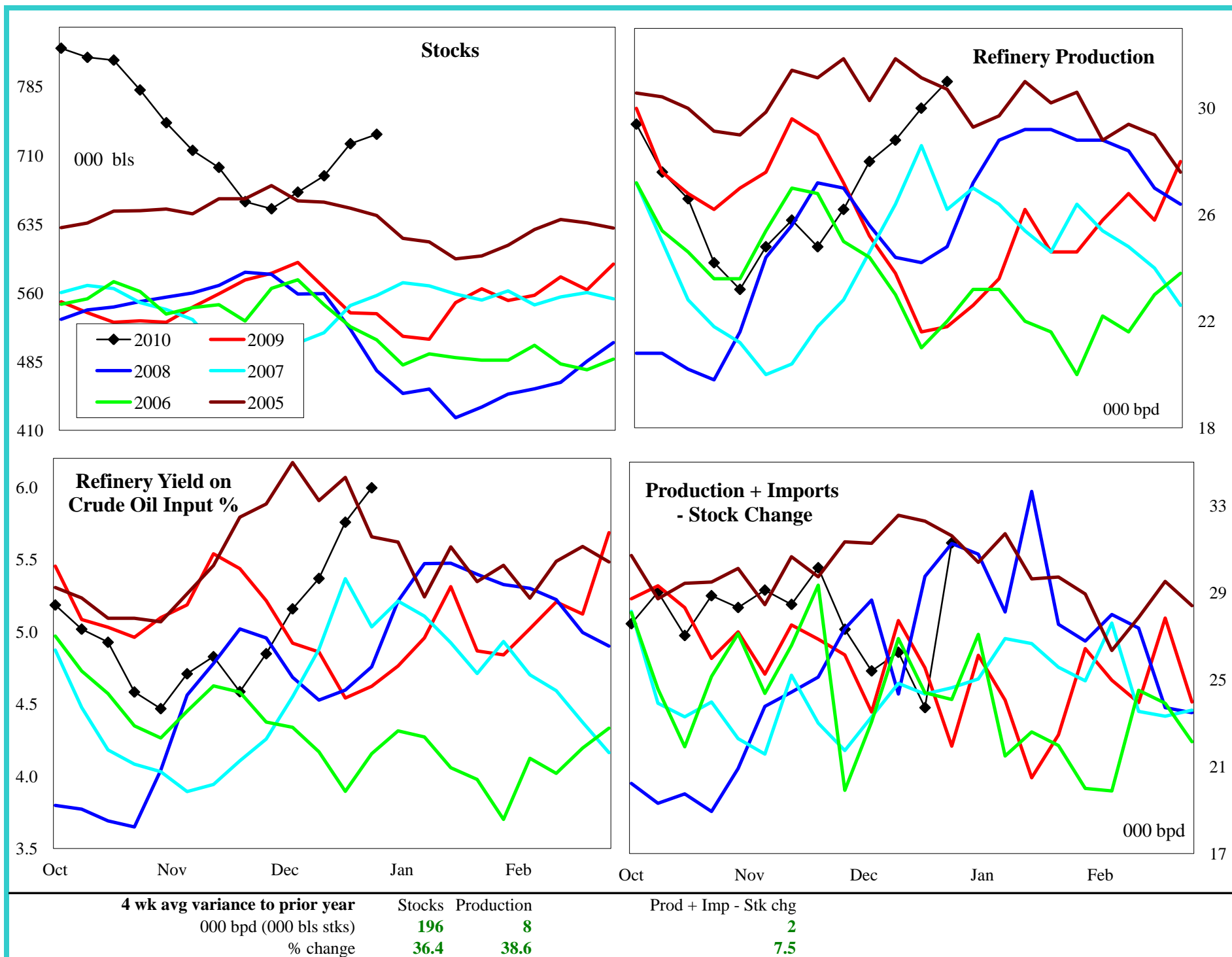
**-2.0**

**-13.0**

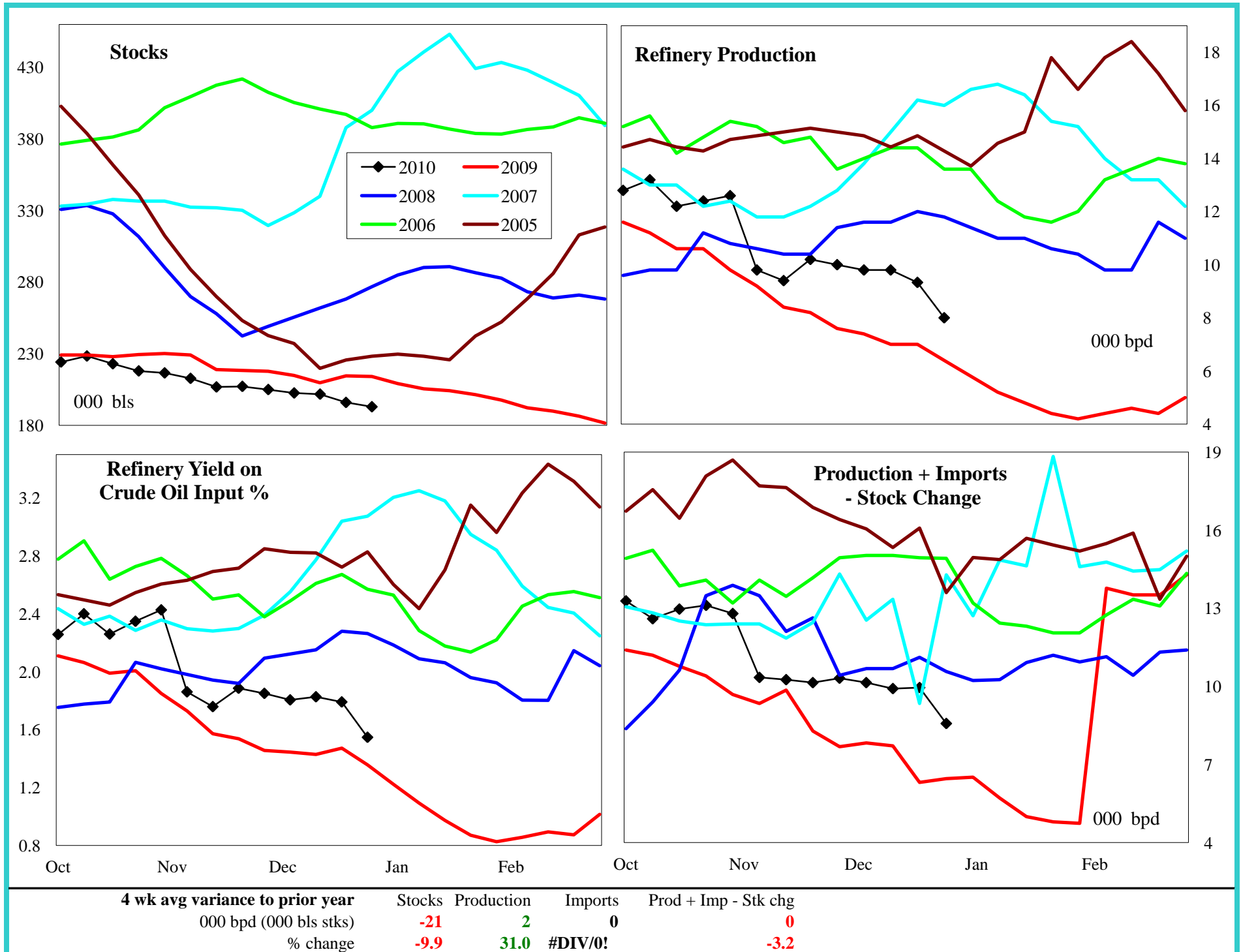
# PADD 4 Distillate Supply



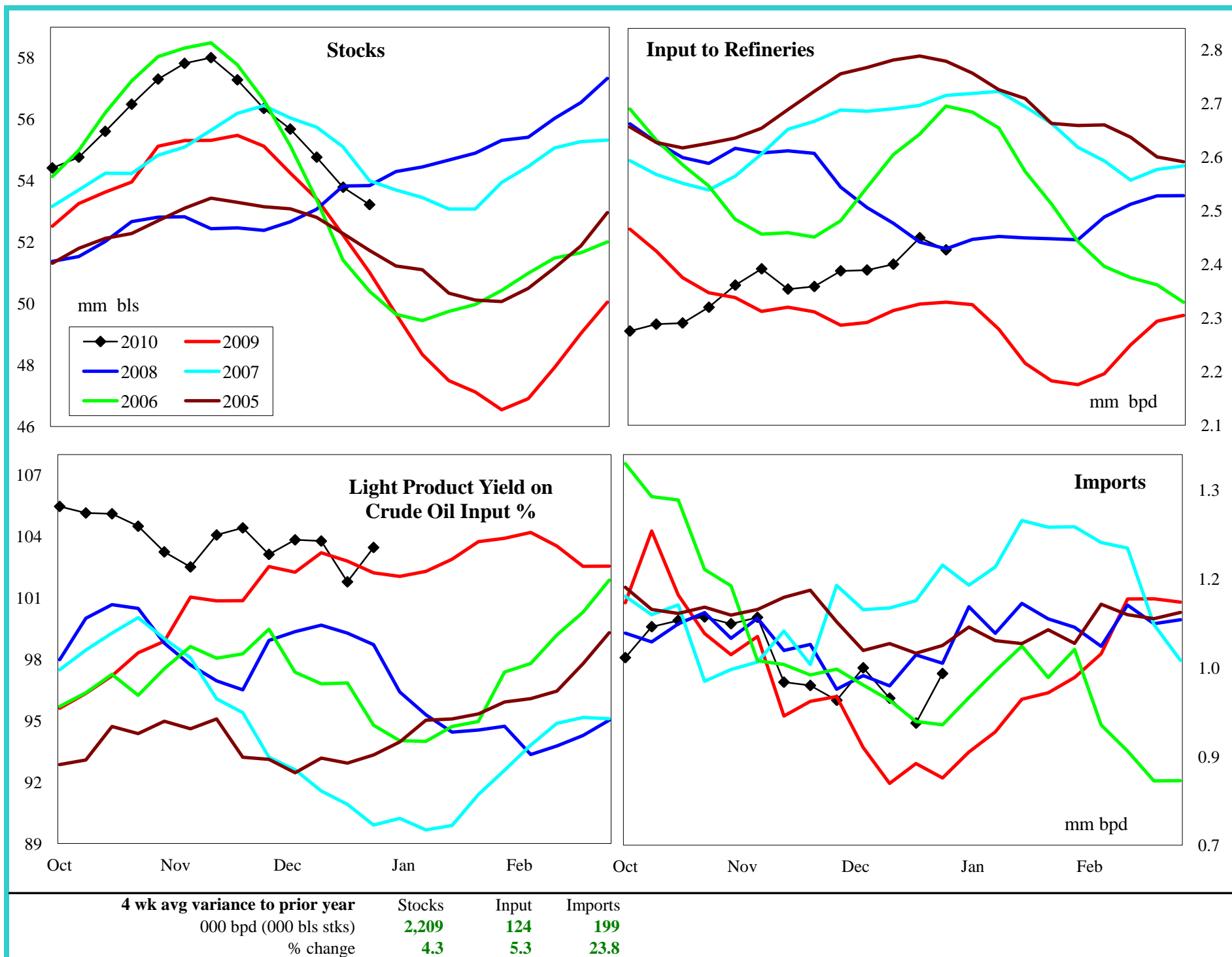
# PADD 4 Jet Fuel Supply



# PADD 4 Residual Fuel Oil Supply

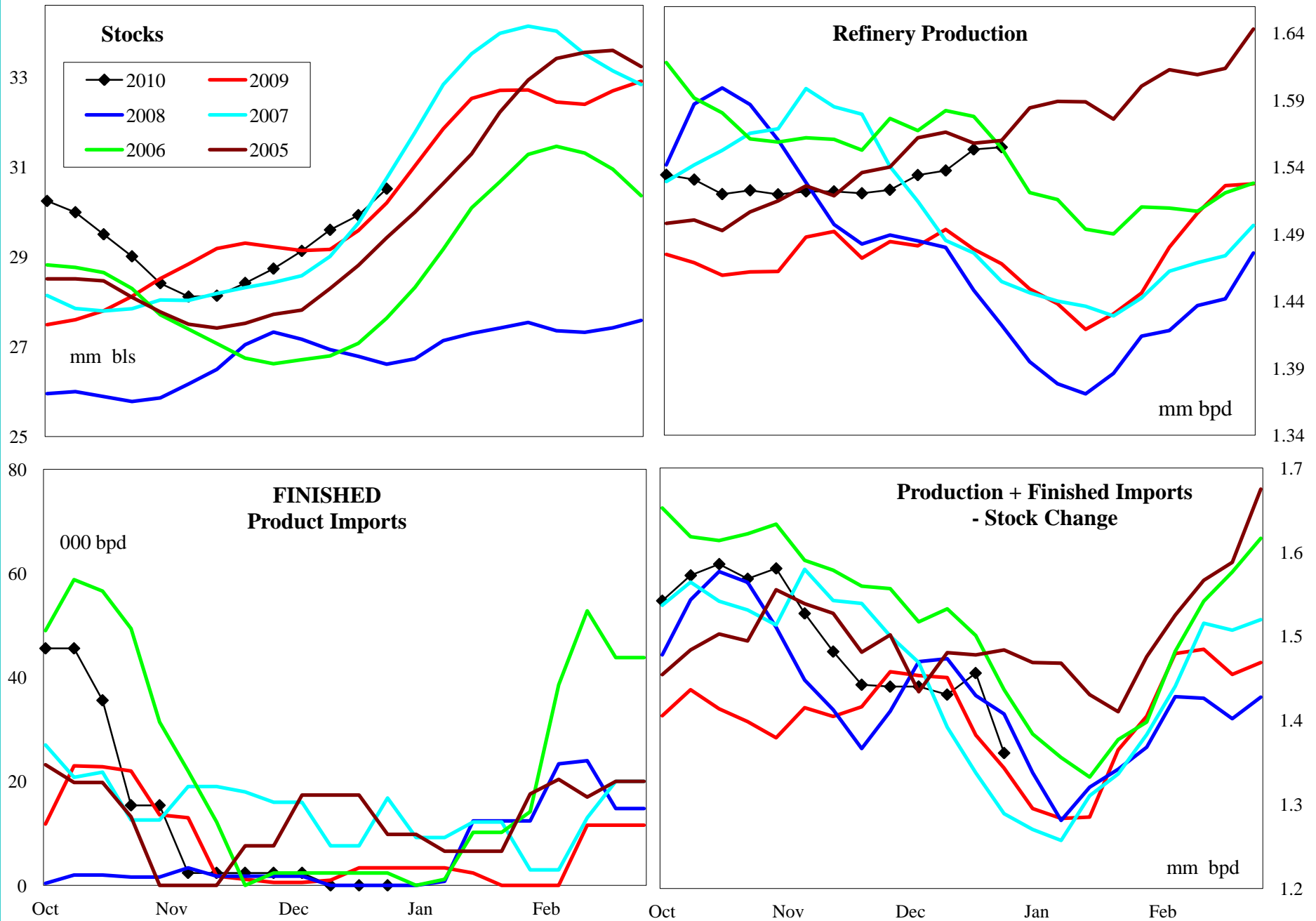


# PADD 5 Crude Oil Supply and Refining





# PADD 5 Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**1,365**

**4.6**

Production

**48**

**3.2**

Fin Impt Blend Impt

**-1**

**-100.0**

**-18**

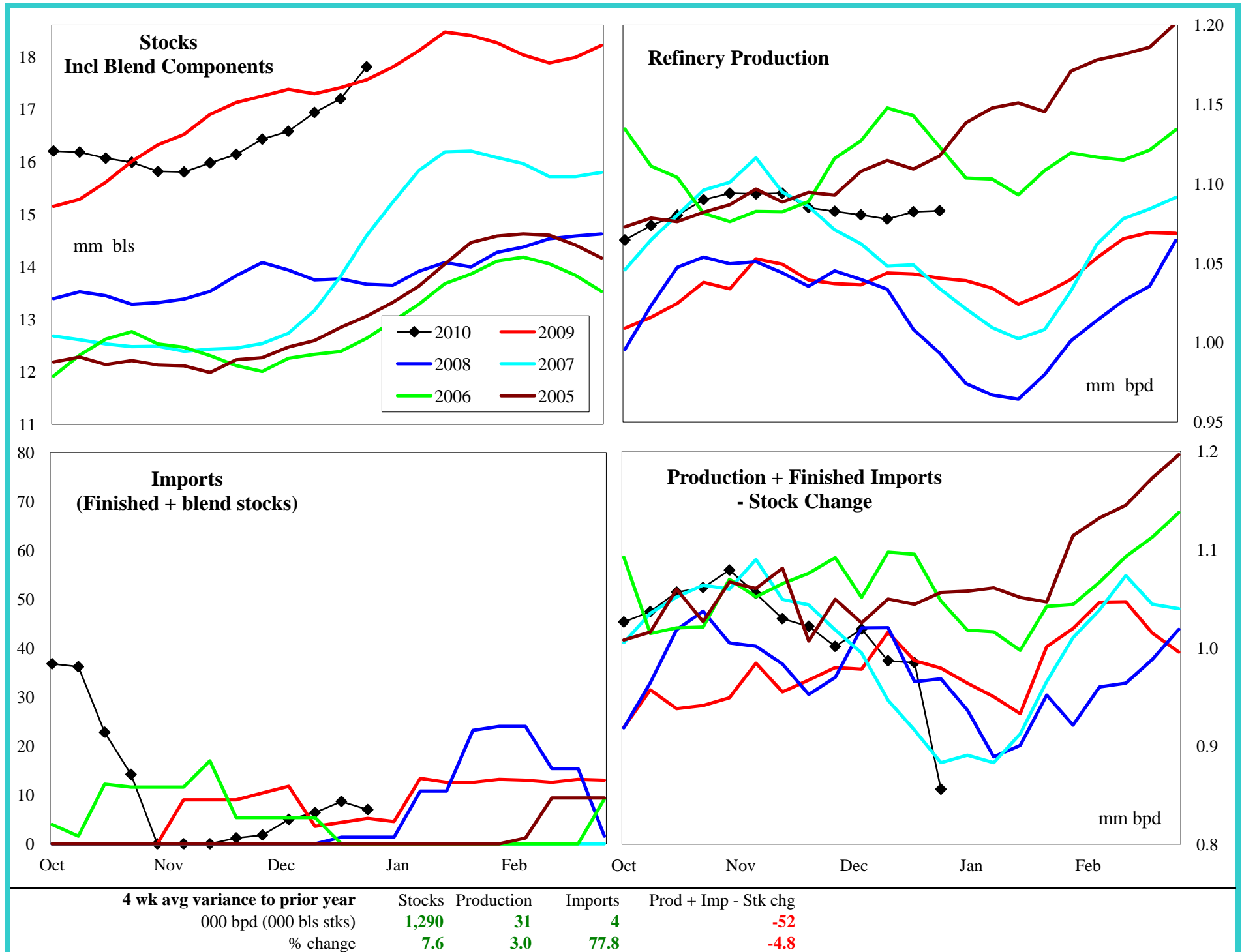
**-53.8**

Prod + Imp - Stk chg

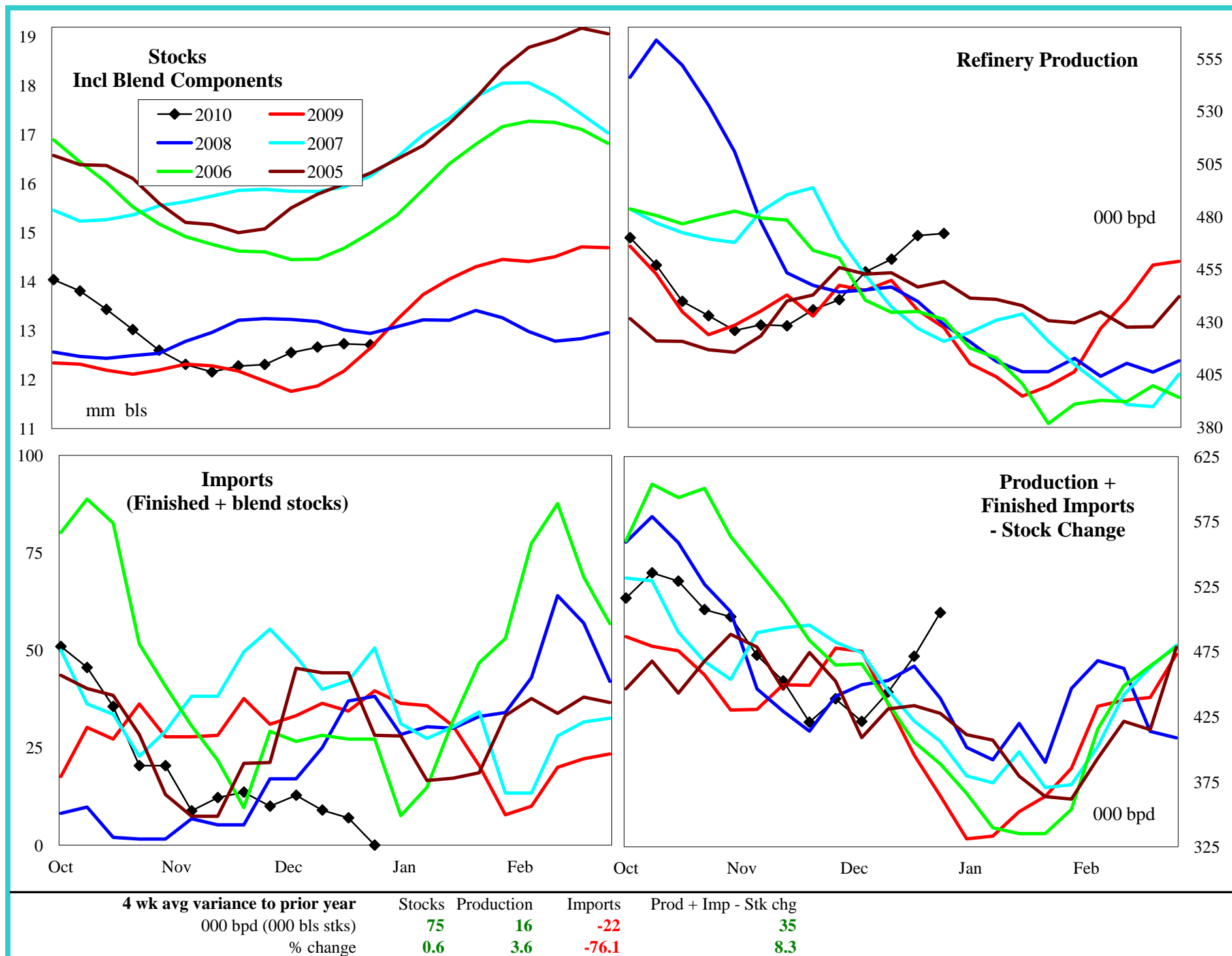
**-18**

**-1.2**

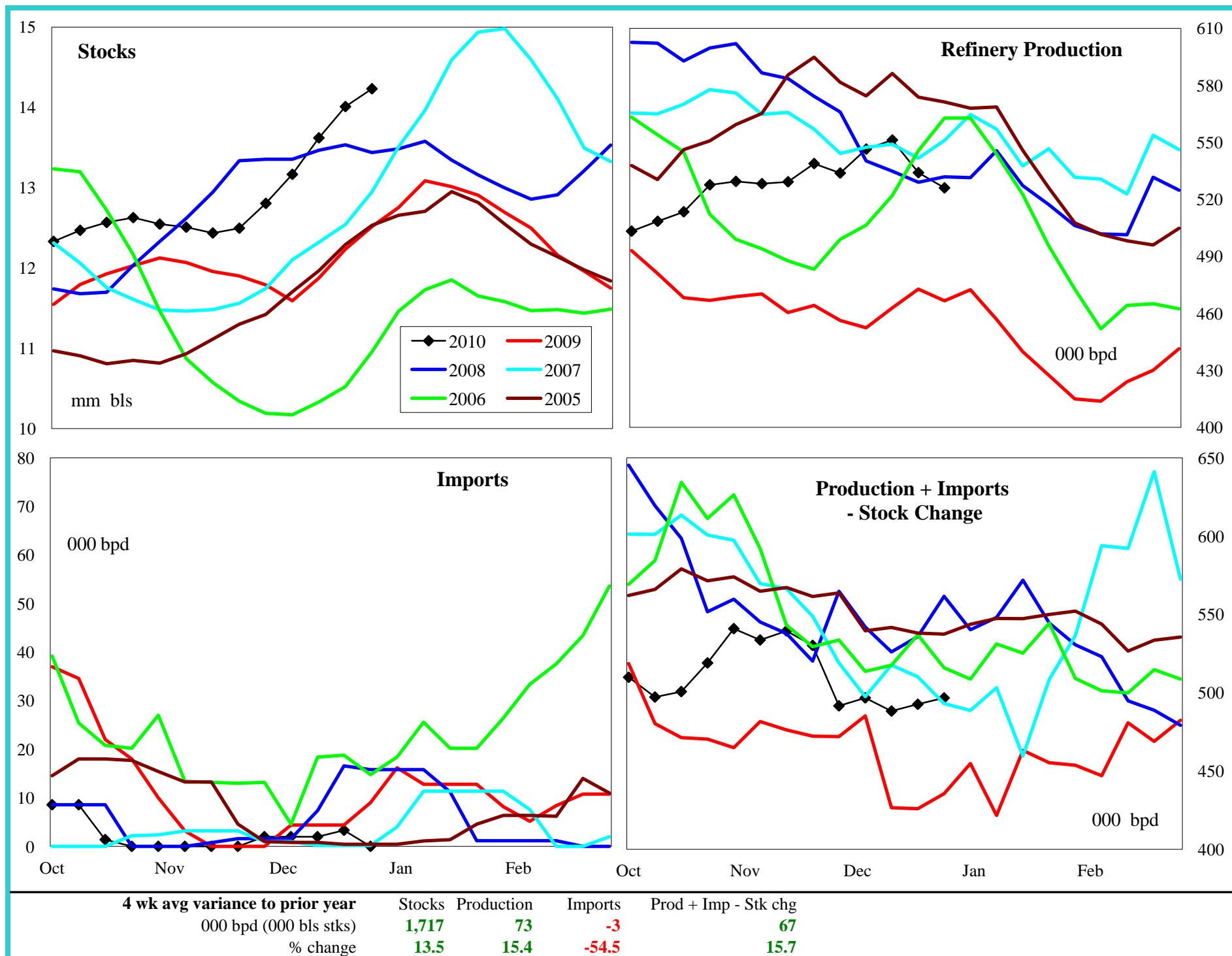
# PADD 5 Reformulated Gasoline Supply



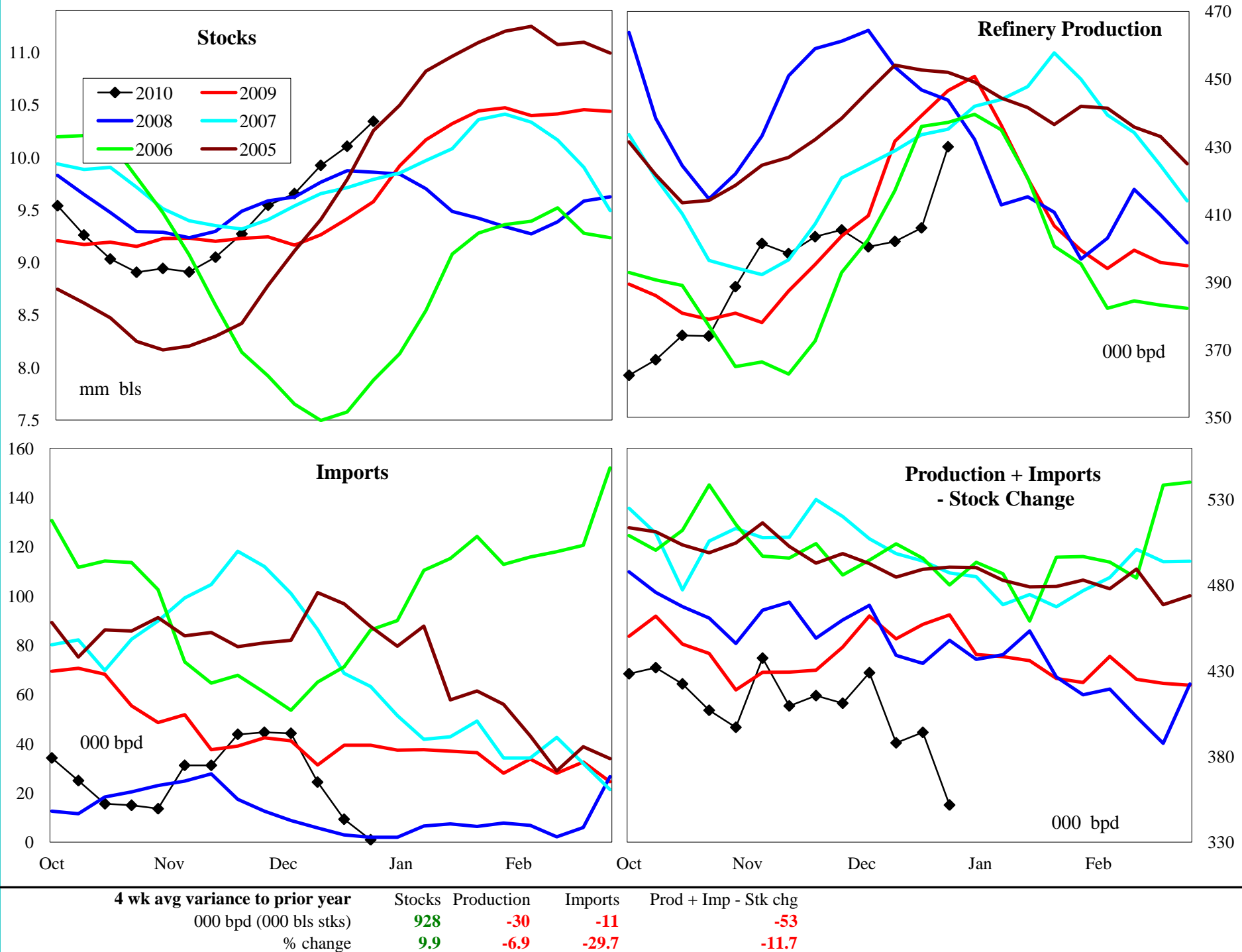
# PADD 5 Conventional Gasoline Supply



# PADD 5 Distillate Supply



# PADD 5 Jet Fuel Supply



# PADD 5 Residual Fuel Oil Supply

