



**FUNDAMENTAL
PETROLEUM
TRENDS**

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

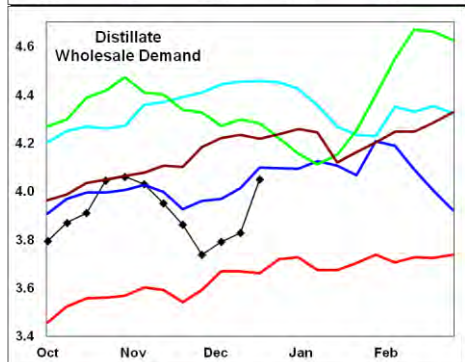
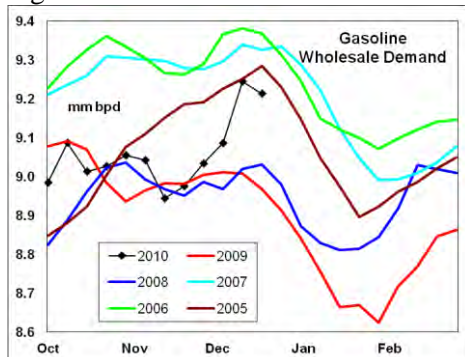
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, December 22,

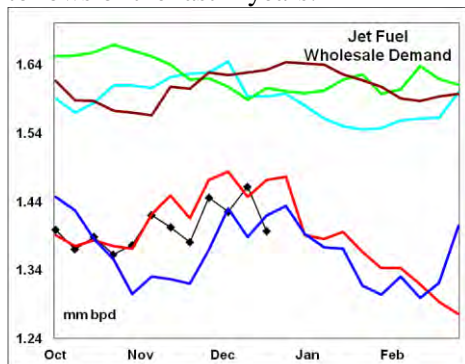


Major Fundamental Trends¹

Gasoline and distillate demand show improvement compared to year ago levels, with gasoline significantly above the last 2-years and heating degree days in the northeast +30% above normal driving distillate demand higher.

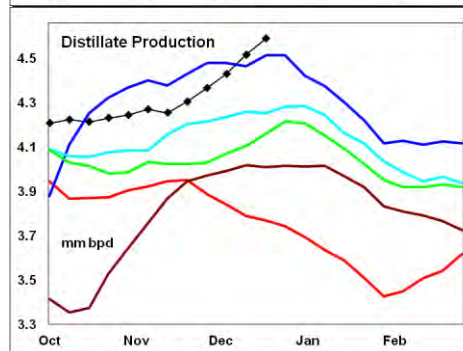
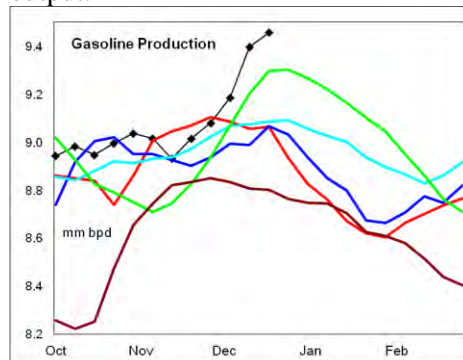


Jet fuel demand fell -239,000 bpd last week, with 4-wk averages comparable to lows of the last 2-years.



Even though crude oil runs remain well below 5-year highs for this time of year production of both distillate and gasoline are at new 5-year highs. A jump in gasoline blend stock imports

contributed to increased gasoline output while lower jet and residual production underlie the rise in distillate output.



Regional crude oil supplies show a significant imbalance. PADD 2, including Cushing, continue to build stocks, which have reached record highs. Concurrently, the Gulf has seen a -25 million barrel draw during the last 60-days, driving levels to just above the 5-year mid range.

Demand for gasoline and jet fuel fell last week while unusually high heating degree days in the northeast lifted distillate demand.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +1.8%; distillate up +3.2%; jet fuel down -3.5% while residual fuel oil increased +2.5%.

Stocks forward coverage: Gasoline demand coverage increased on a +2.4 million barrel build in stocks and lower demand. Coverage matched last years' record high.

Distillate coverage declined on -0.6 million barrel stock draw and higher weekly demand. The coverage level was below last years' record high.

Jet fuel coverage remains extremely high on record stock levels for the period and very low demand.

Refinery utilization rates decreased on a -48,000 bpd drop in crude oil runs; although thru put continued well above rates of the last 2-years. Crude oil runs for the latest 4-wk period were +893,000 bpd above last year.

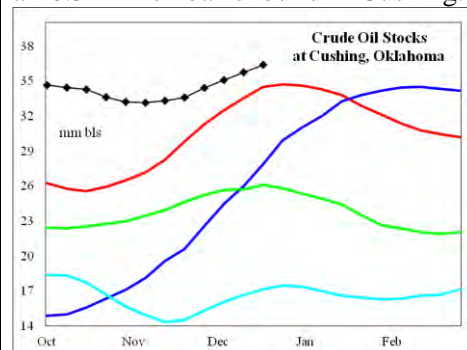
Gasoline yield % on crude oil runs increased last week on a +122,000 bpd rise in production versus a +48,000 bpd increase in crude runs. Yield % was well below last years' record.

Distillate yield % on crude oil runs increased with production up +84,000 bpd compared to the modest rise in crude oil runs. Yield % was near the 5-year high for the period.

Jet fuel yield % on crude oil runs increased on a +37,000 bpd rise in output.

Petroleum Imports were higher on the week for crude oil and all products except distillate.

During the latest 4-wk period crude oil imports increased +0.5 million bpd to last year; distillate imports declined -9,000 bpd; finished gasoline imports decreased -82,000 bpd, gasoline blend stock imports increased +27,000 bpd; jet fuel imports were -10,000 bpd lower, while residual fuel oil imports increased +62,000 bpd. **Crude Oil** imports increased +1.1 million bpd last week, although high crude run rates led to a -5.3 million barrel stock draw. Stocks fell -6.1 million barrels on the Gulf while in PADD 2 stocks increased +1.6 million barrels to a new record level; including a +0.5 million barrel build in Cushing.



¹ Source is latest EIA Weekly Statistics



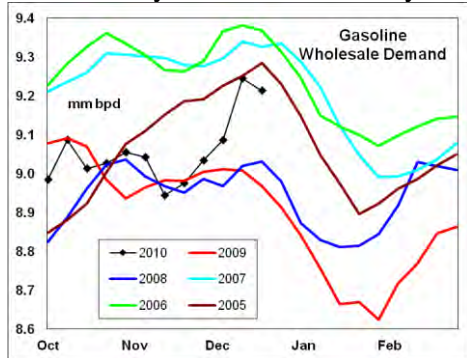
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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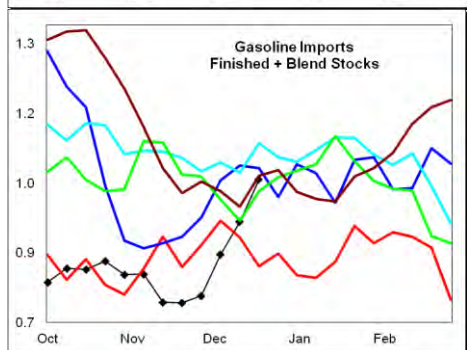
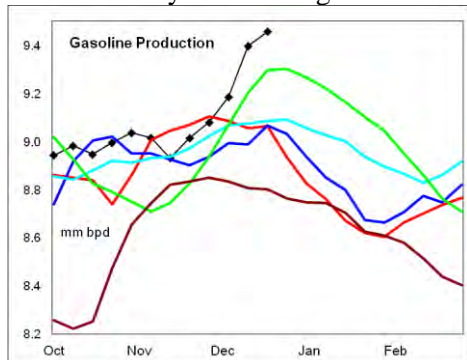
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Product Supply-Demand Trends

Gasoline demand declined -136,000 bpd last week, with the latest 4-wk average +159,000 bpd above last year. The latest 3-wk period represents a significant uptick in demand compared to the last 2-years for this time of year.



Production increased +122,000 bpd on the week (including a +126,000 bpd EIA adjustment at the U.S. level); with output above prior 5-year high. Imports increased +131,000 bpd to a level at the 5-year mid range.



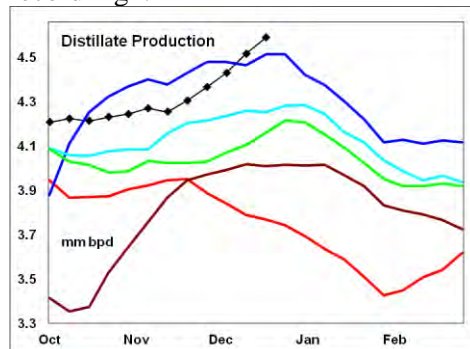
Stocks increased +2.4 million barrels on the week, with the build concentrated in PADD 3.

Seasonal stock builds should continue on high production and a sharp drop in near term demand. Expect price weakness compared to the overall energy complex.

Distillate demand increased +278,000 bpd on the week, with the 4-wk average +118,000 bpd above last year. A spike in heating degree days on the East Coast underlies the recent upturn in demand.

Supply increased +38,000 bpd on the week, with output climbing to a new 5-year high.

Stocks declined -0.6 million barrels on the week, including a -1.2 million barrel draw in PADD 1. Stock levels were comparable to last years' record high.



Demand has seen modest recovery during the last 2-wks as heating degree days in the northeast spiked +30% above normal.

Production has reached new 5-year highs for this time of year. Stock levels match 5-year highs set last year.

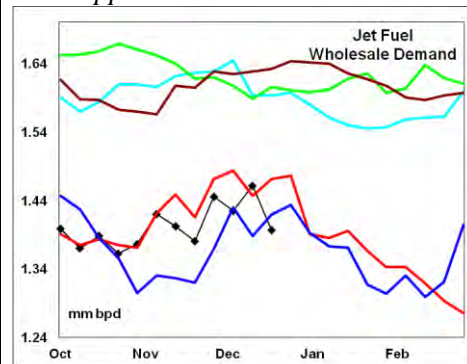
The supply balance should improve further over the next 30-days, when Gulf and West Coast refineries began winter maintenance.

Jet Fuel demand reversed most of the prior week spike, falling -239,000 bpd on the week. The latest 4-wk average demand was -52,000 bpd below a year ago.

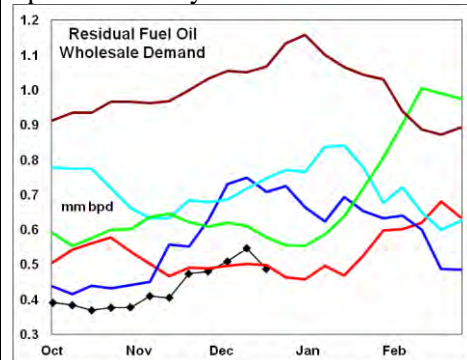
Supply increased +68,000 bpd last week, on higher production and imports. Stocks increased +0.2 million barrels on the week, with the level slightly above the 5-year high.

Jet fuel demand has failed to recover from the lows experienced during the recent recession. Both production and imports have been reduced to balance supply and demand, so that the recent seasonal decline in stocks is in line with prior

years, although stock levels remain elevated. The market remains very well supplied.



Residual fuel oil demand, including exports, increased +6,000 bpd last week, with the 4-wk average +12,000 bpd above last year.



Supply (production + imports) increased +221,000 bpd on the week, the result of higher production and imports. The latest 4-wk average was -18,000 bpd below a year ago. Stocks increased +1.1 million barrels on the week; with levels above four of the last 5-years.

Increased production and imports have lifted stock levels while demand remains at historic lows. Stock levels are +19% above the prior record highs in the Gulf region; the primary residual market. The market remains extremely well supplied.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

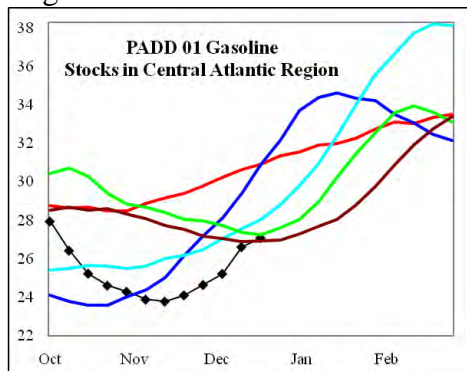
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PADD Supply Trends

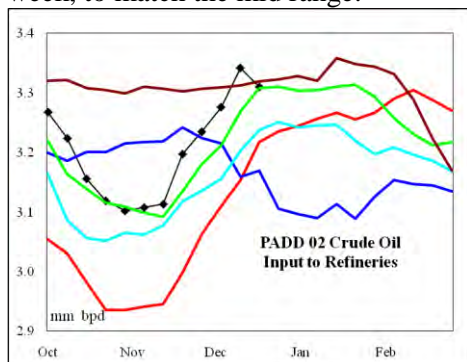
PADD 1 refinery crude oil runs decreased -27,000 bpd last week, with the level still at the highest rate of the last quarter. Crude oil imports decreased -133,000 bpd to a level below the historic range. Stock levels fell below 9 million barrels, a new record low.

Gasoline production increased +50,000 bpd, with imports also higher by +88,000 bpd. The increase in supply and higher receipts from the Gulf lifted stocks +1.1 million barrels. Stock levels are above the mid range; although levels remain very low in the New England and Central Atlantic Regions.



Distillate supply fell -100,000 bpd on the week, with both imports and production lower. Stocks declined -1.2 million barrels, -5.5 million barrels below last years' record high.

Jet fuel supply increased +38,000 bpd on higher imports. Stocks increased +0.4 million barrels last week, to match the mid range.



PADD 2 crude oil refinery runs declined -4,000 bpd on the week, to a

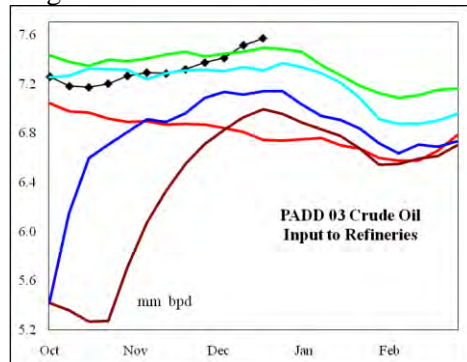
level that matched the 5-year high. Imports reversed the prior week drop, up +443,000 bpd on the week. Stocks increased +1.6 million barrels, reaching a new season record high, including a +0.5 million barrel build in Cushing.

Gasoline production decreased -72,000 bpd, with the level falling below the mid range. Stocks were nearly unchanged on the week, with the level well below the mid range.

Distillate production decreased -9,000 bpd on the week, to a level at the mid range of the last 3-years. Stocks were nearly unchanged at a level above four of the last 5-years.

Jet fuel production increased +21,000 bpd on the week, to a level near historic highs. Stock levels matched 5-year highs.

PADD 3 crude oil runs increased +31,000 bpd last week, with the latest 4-wk average +606,000 bpd above a year ago. Crude imports increased +0.6 million bpd on the week; with the latest 4-wk average +0.5 million bpd above last year. Stocks declined -6.1 million barrels to a level above the mid range.



Gasoline production increased +17,000 bpd on the week. Stocks increased +2.4 million barrels, + 4.6 million barrels above the prior record high level.

Distillate production increased +133,000 bpd on the week, with the latest 4-wk average +24% above a year ago. Stocks increased +0.3 million barrels, to a level +2.6 million barrels above last years' record high.

Jet fuel production increased

+13,000 bpd last week, to the 5-year mid range level. Stock levels were +1.5 million barrels above the prior record high.

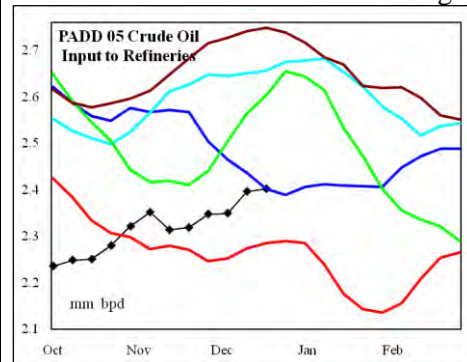
Residual fuel oil supply fell increased +108,000 bpd on higher production and imports. Stocks jumped +1.8 million barrels on the week, +19% above last years' record high.

PADD 4 refinery crude runs decreased -10,000 bpd on the week, to a level below four of the last 5-years. Crude oil stocks remain above the historic range.

Gasoline production fell -44,000 bpd on the week, to the lowest level of the past quarter. Stock levels increased to a new 5-ear high.

Distillate production decreased -20,000 bpd last week, a level above the mid range. Stock levels are +18% above the prior 5-year high.

PADD 5 crude oil refinery runs decreased -38,000 bpd on the week, with the latest 4-wk average +103,000 bpd above last year. Crude imports increased +207,000 bpd on the week with stocks down -0.5 million barrels. Stock levels were above the mid range.



Gasoline production increased +45,000 bpd last week, to match the historic high for this time of year. Stocks decreased -0.4 million barrels with the level at the upper end of the 5-year range.

Distillate production increased +42,000 bpd to a level near historic highs for the period. Stocks increased +0.3 million barrels to a new 5-year high for the period.

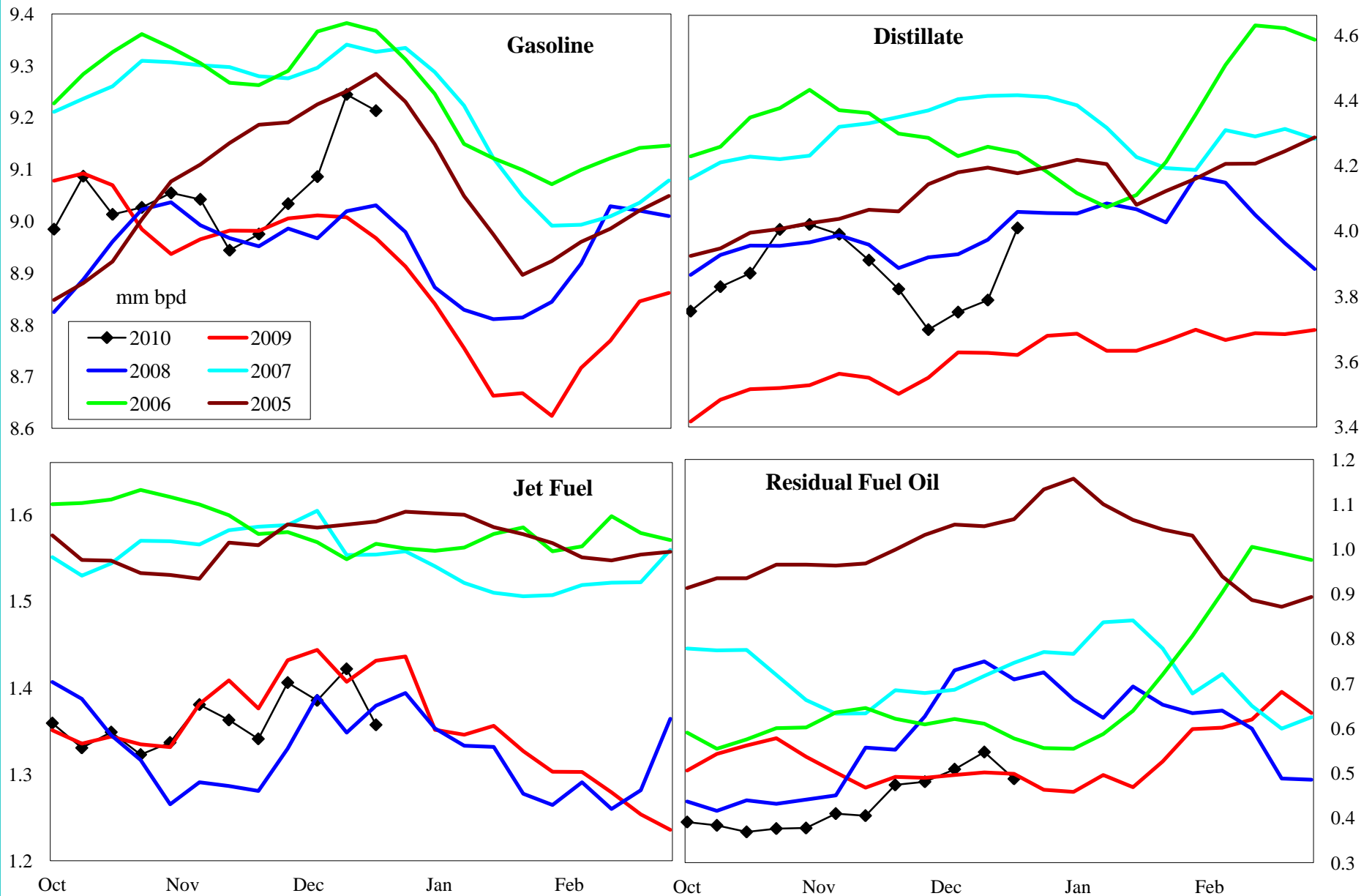

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PETROLEUM: Graph Link and Weekly Summary

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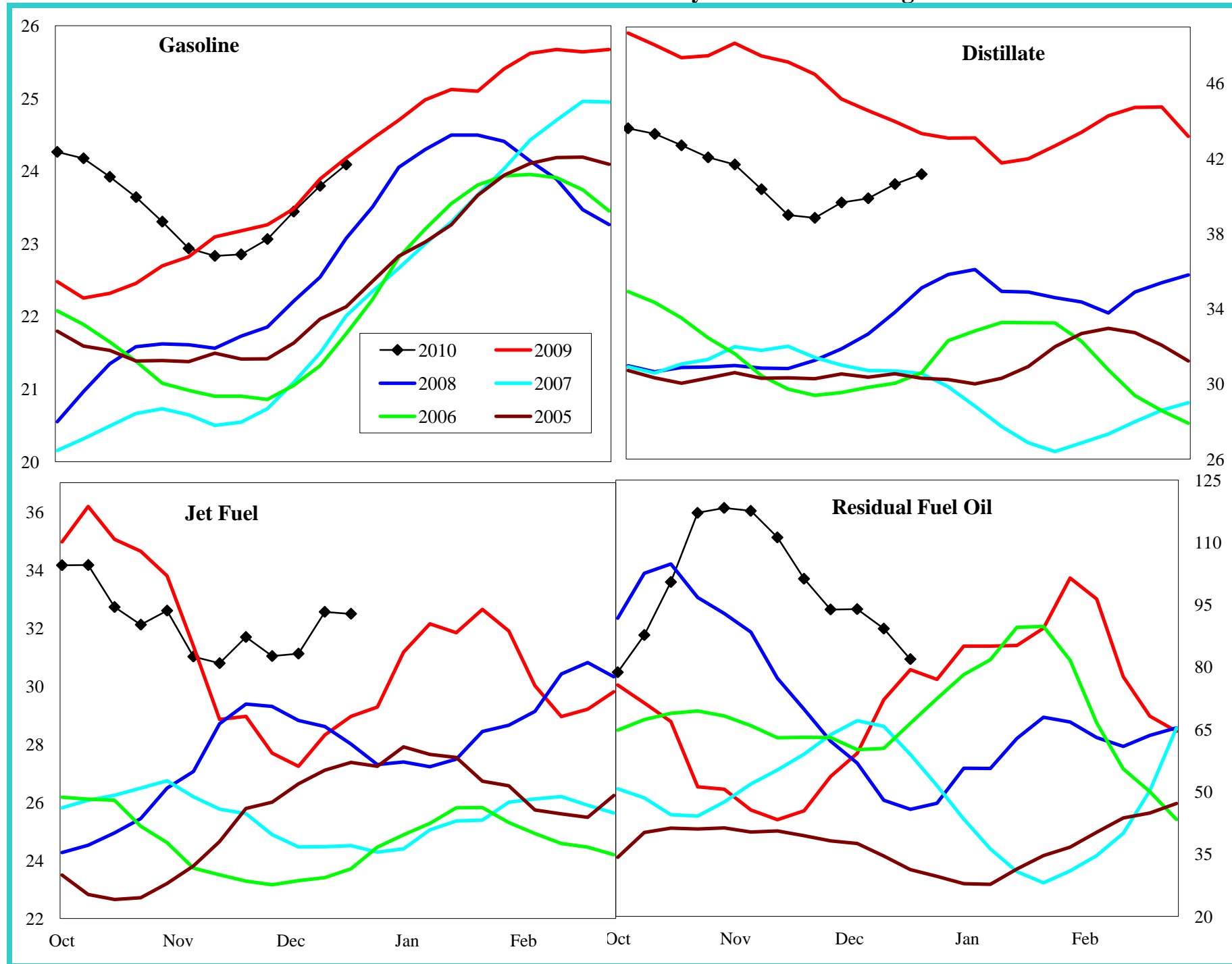
Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %			Imports	
Supply/Demand Trends	17-Dec-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-5,333	-274	1,554	-6,075	-29	-510
	Imports	1,051	-133	443	587	-54	207
	Input	-48	-27	-4	31	-10	-38
	% Utilization	-0.30					
Gasoline	Stocks	2,400	112	107	2,436	133	-388
	Production	122	50	-72	17	-44	45
	Imports	131	88	-1	25	0	20
	Supplied	-136					
Distillate	Stocks	-589	-1,170	-61	281	104	256
	Production	84	-62	-9	133	-20	42
	Imports	-46	-38	0	0	2	-10
	Supplied	278					
Jet Fuel	Stocks	158	406	110	4	35	-398
	Production	37	5	21	13	3	-6
	Imports	31	33	0	0	0	-3
	Supplied	-239					
Residual Fuel Oil	Stocks	1,133	-742	-25	1,809	-1	91
	Production	78	-3	6	45	0	31
	Imports	143	17	-1	63	0	63
	Supplied	6					

United States Wholesale Petroleum Demand

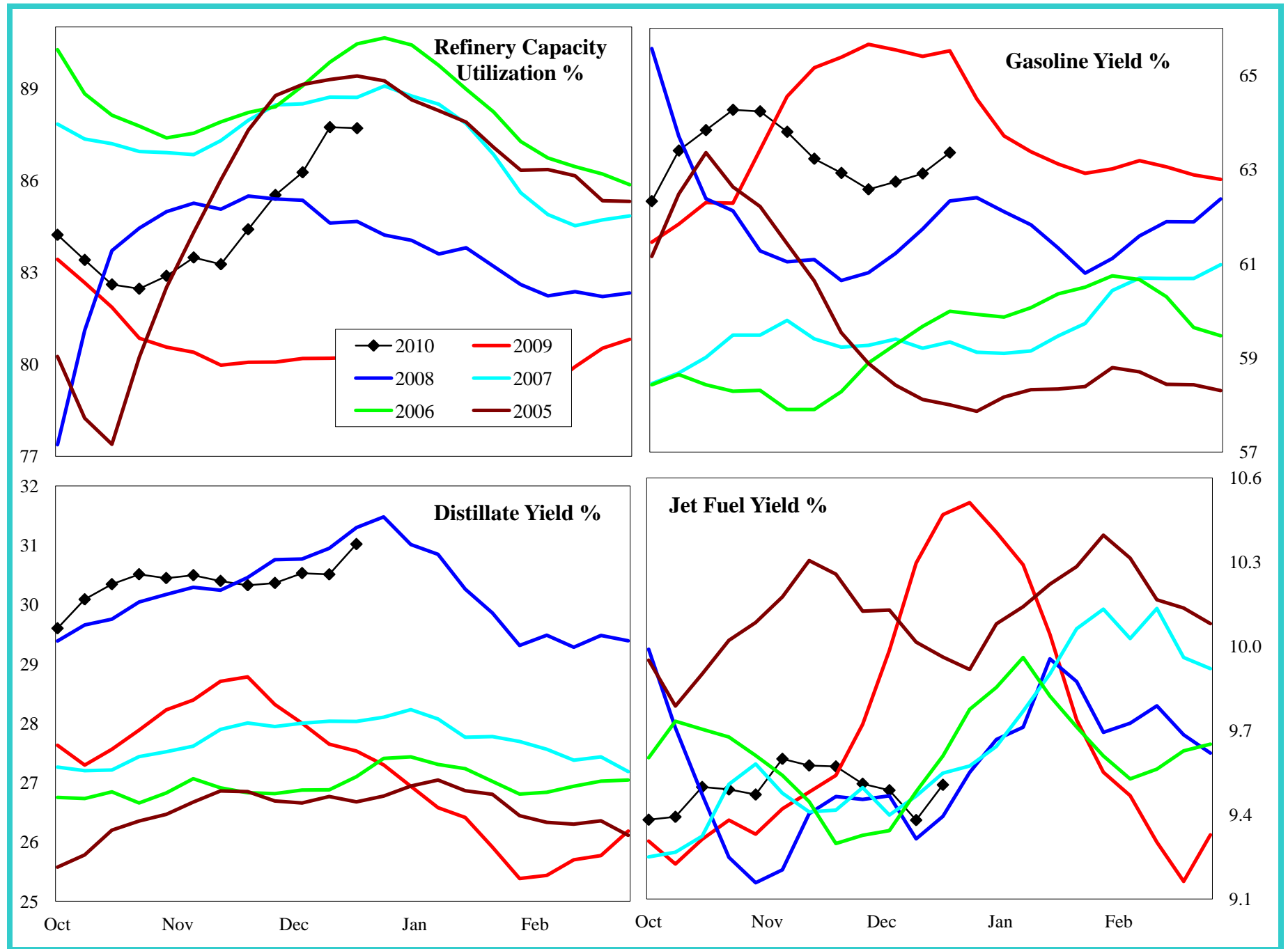


	000 bpd change from prior year				% change from prior year				
	4wk avg	Nov	Oct	Jan	4wk avg	Nov	Oct	Sep	
Gasoline	159	49	94	252	1.8	0.6	1.0	2.8	
Distillate	118	133	476	330	3.2	3.7	13.0	9.3	
Jet Fuel	-52	46	-16	37	-3.5	3.4	-1.2	2.6	
Resid	12	35	-110	230	2.5	7.9	-22.2	67.6	

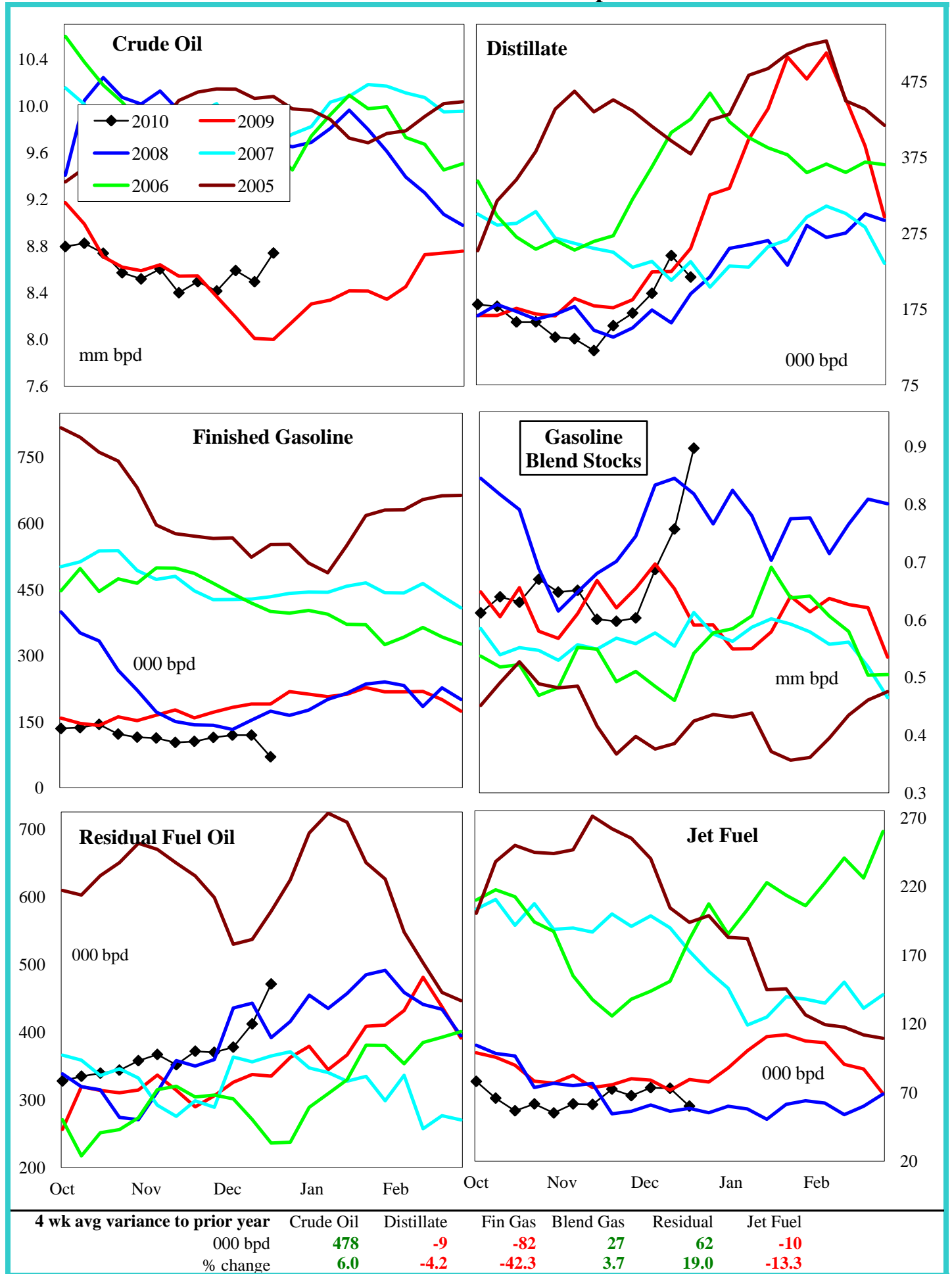
United States Product Stocks: Days Forward Coverage



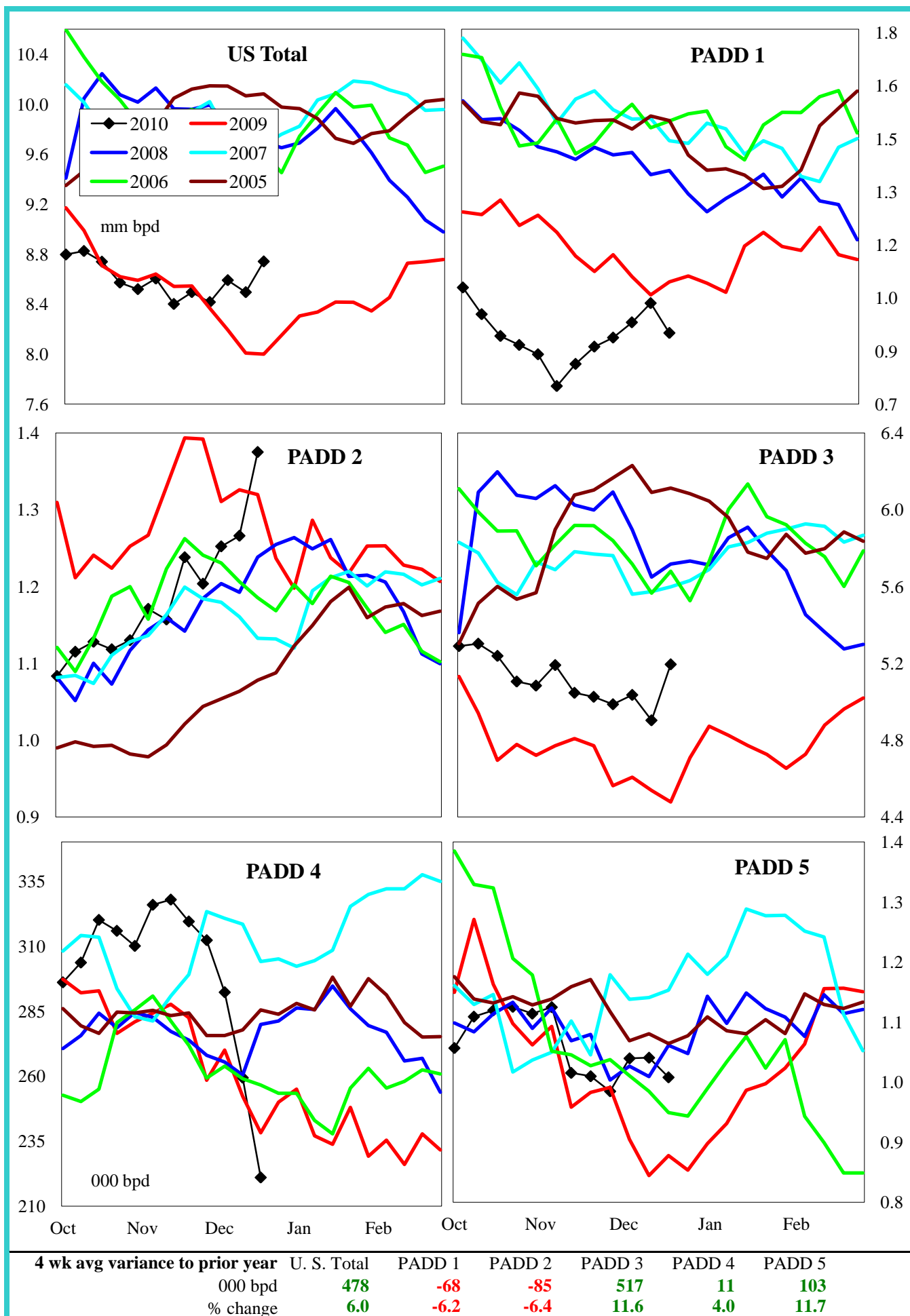
United States Refinery Percent Utilization Rate and Product Yields



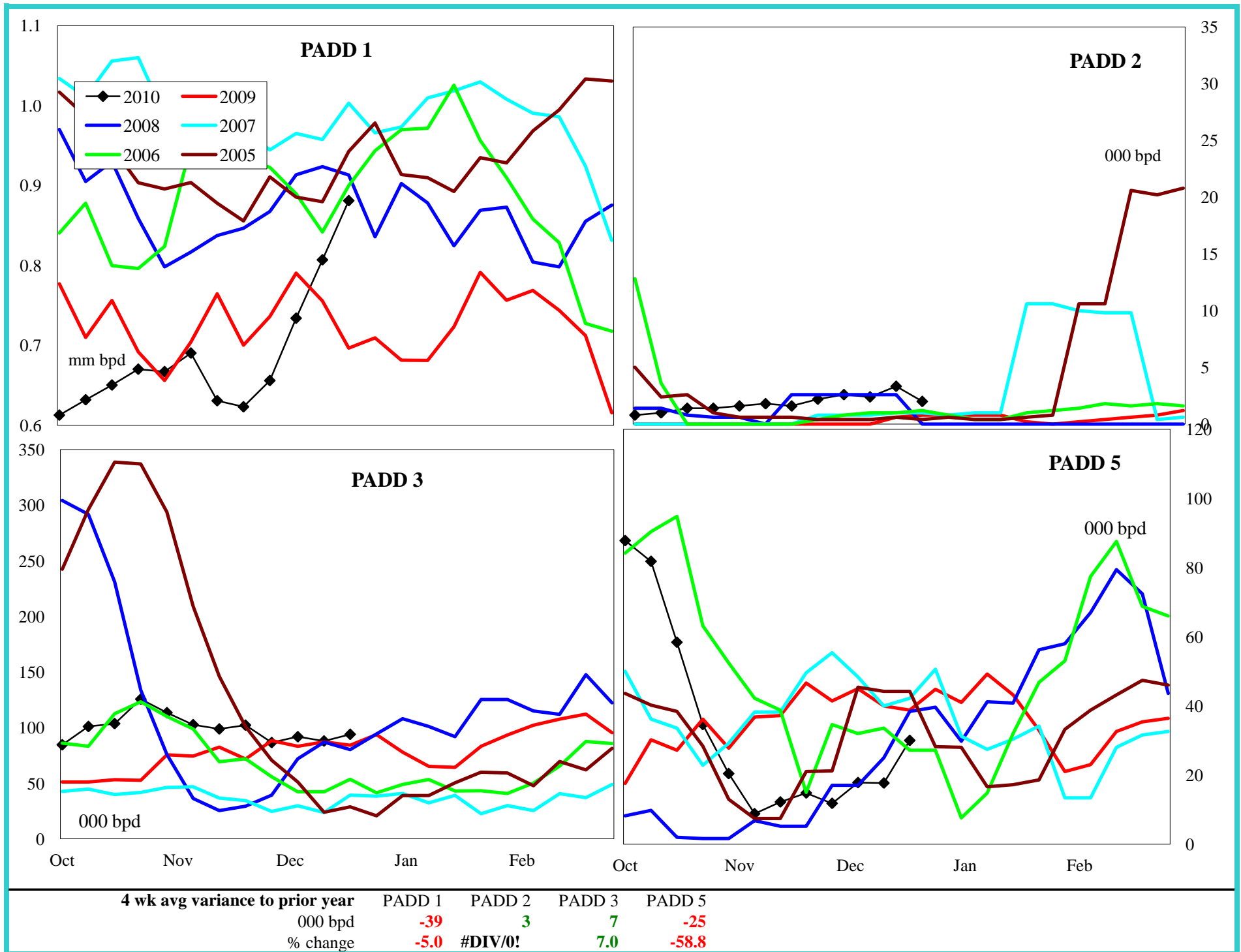
United States Petroleum Imports



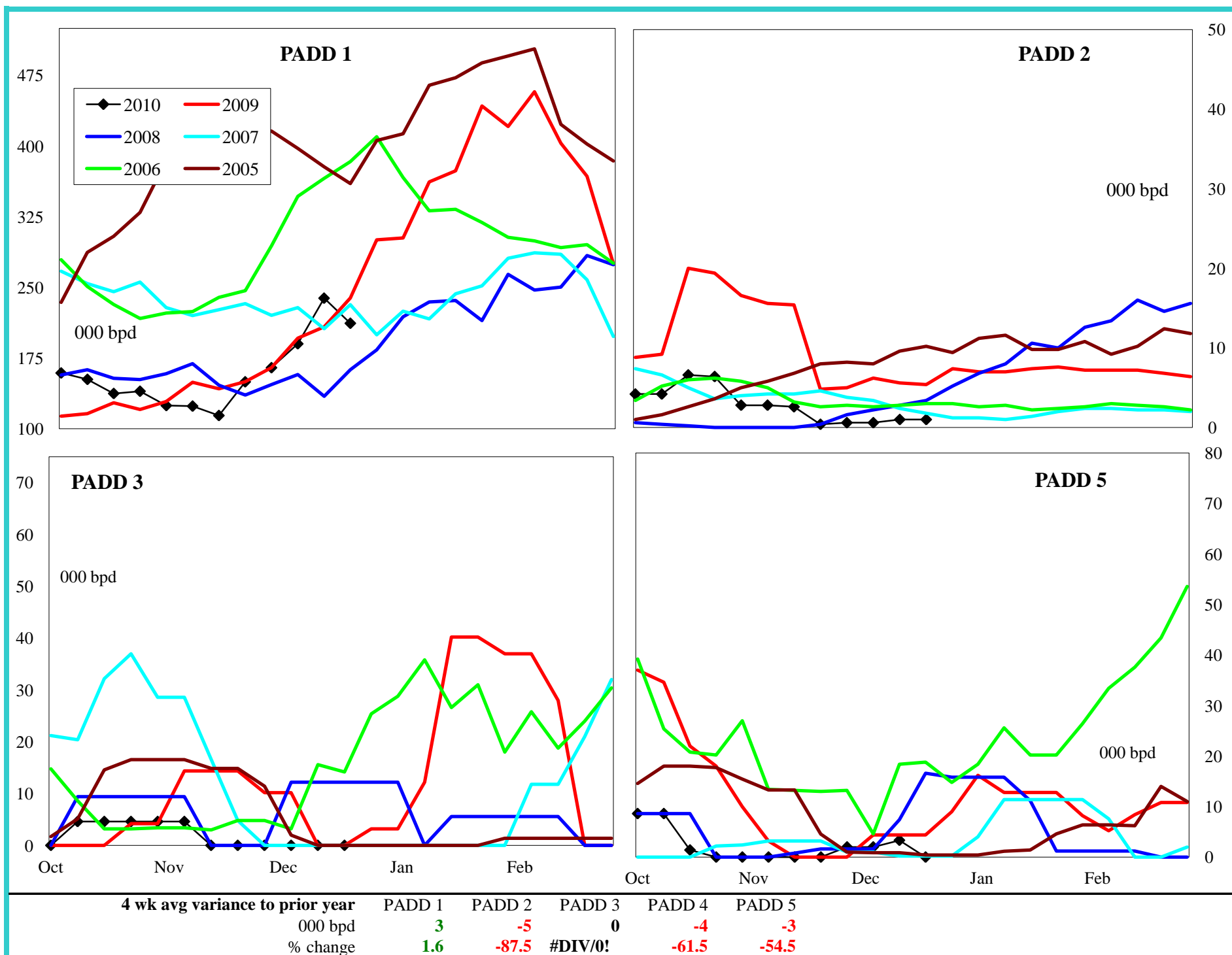
Crude Oil Imports by PADD



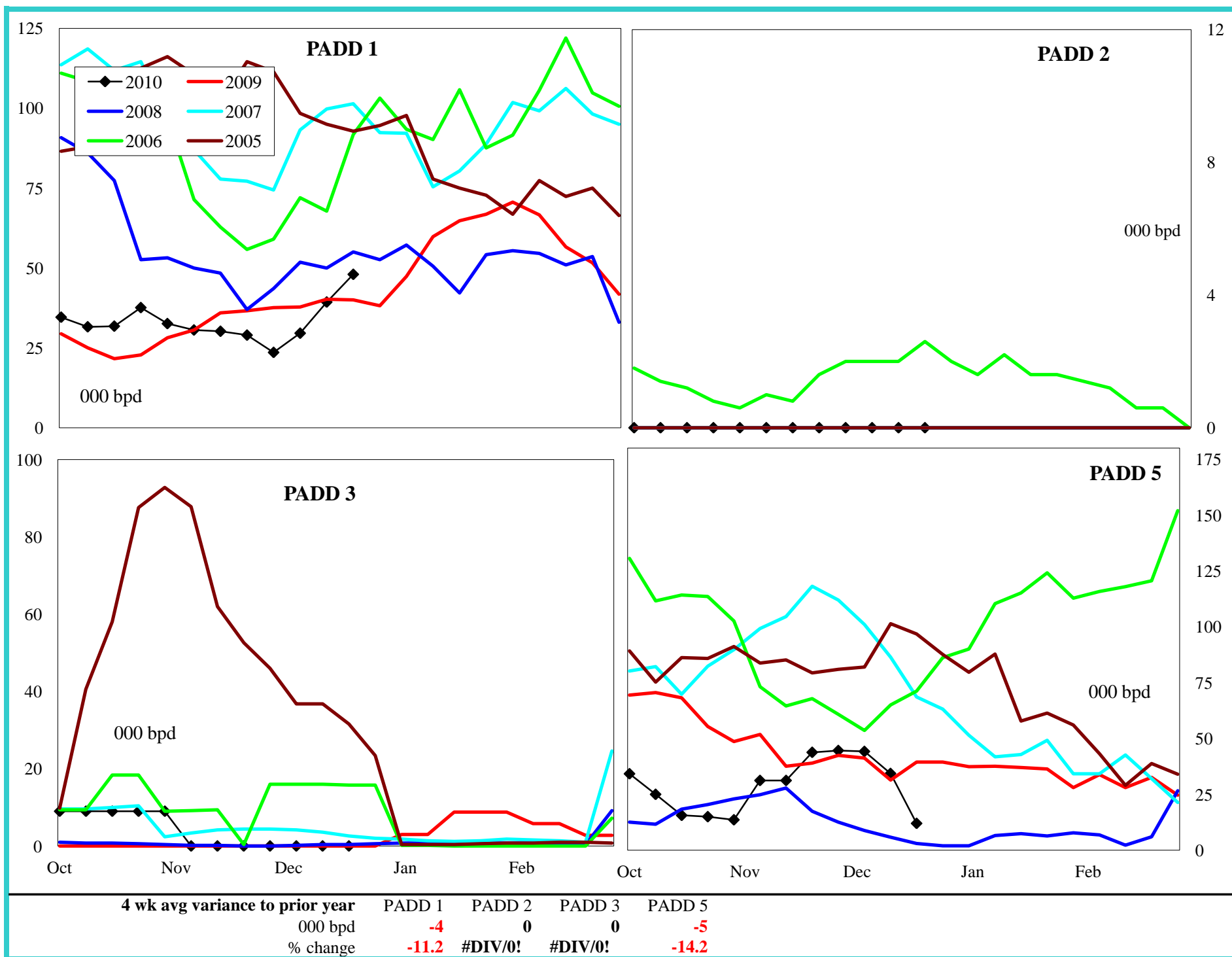
Gasoline Imports by PADD (Finished + Blend Stocks)



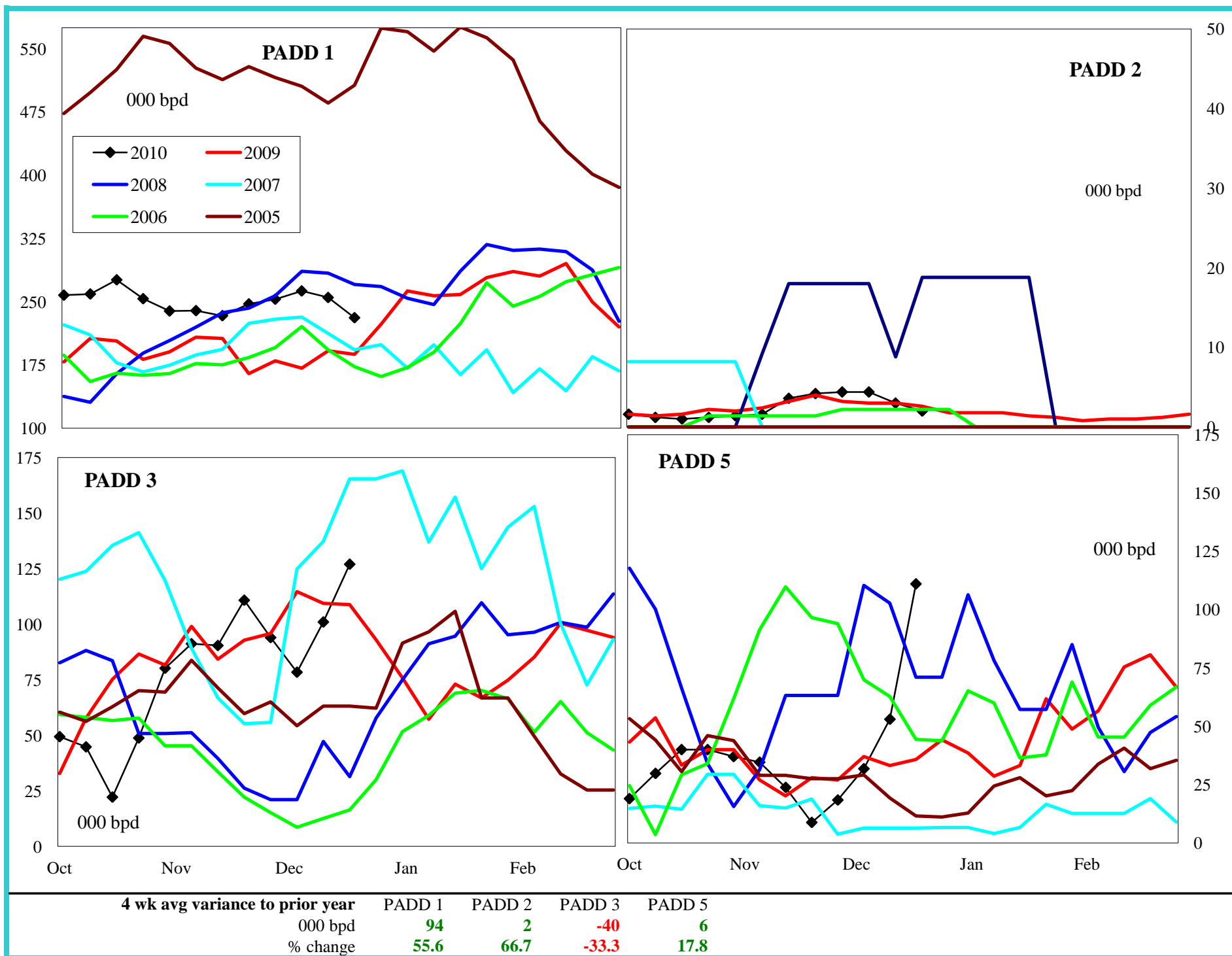
Distillate Imports by PADD



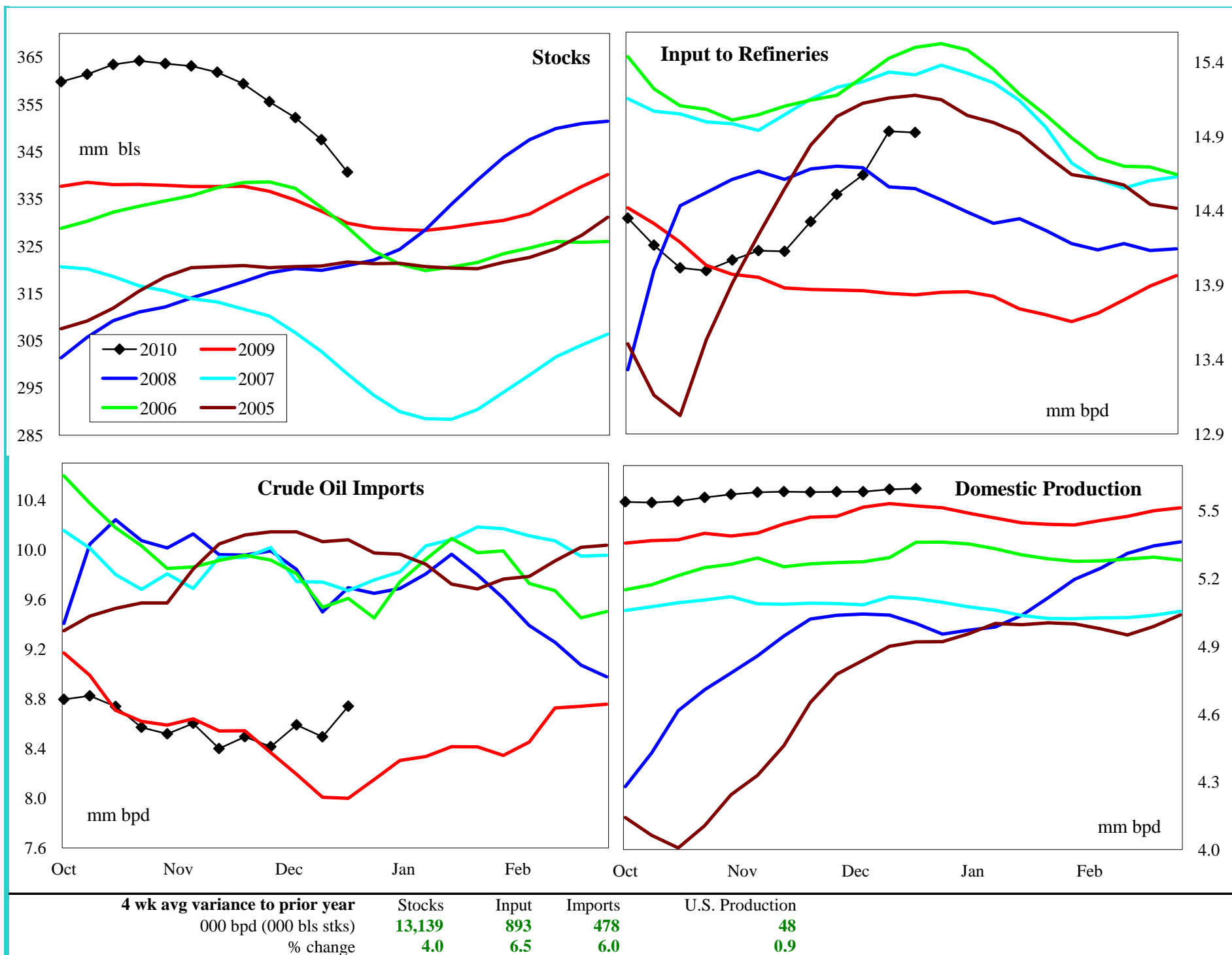
Jet Fuel Imports by PADD



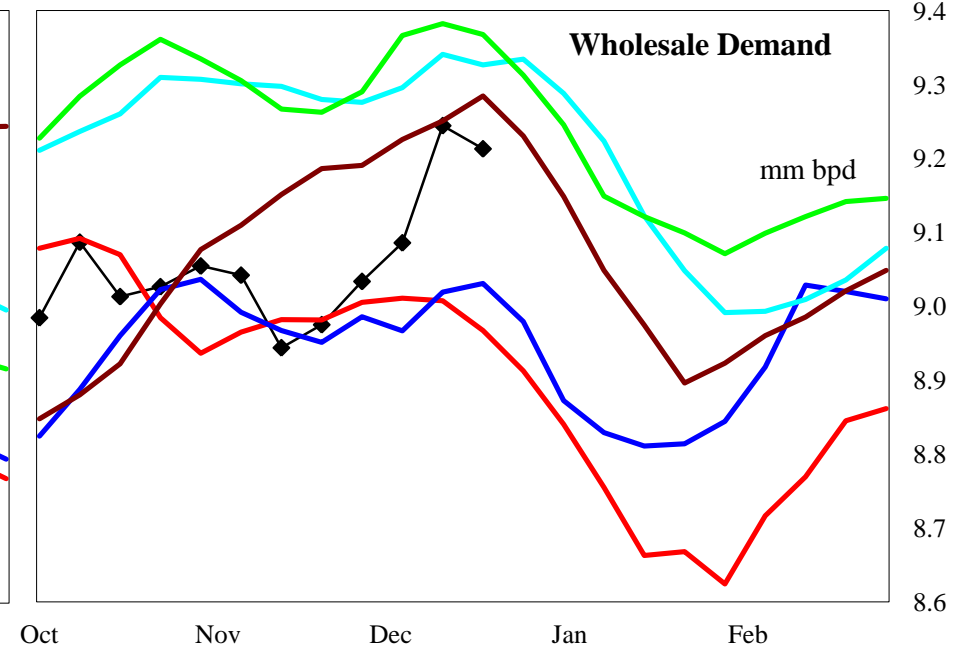
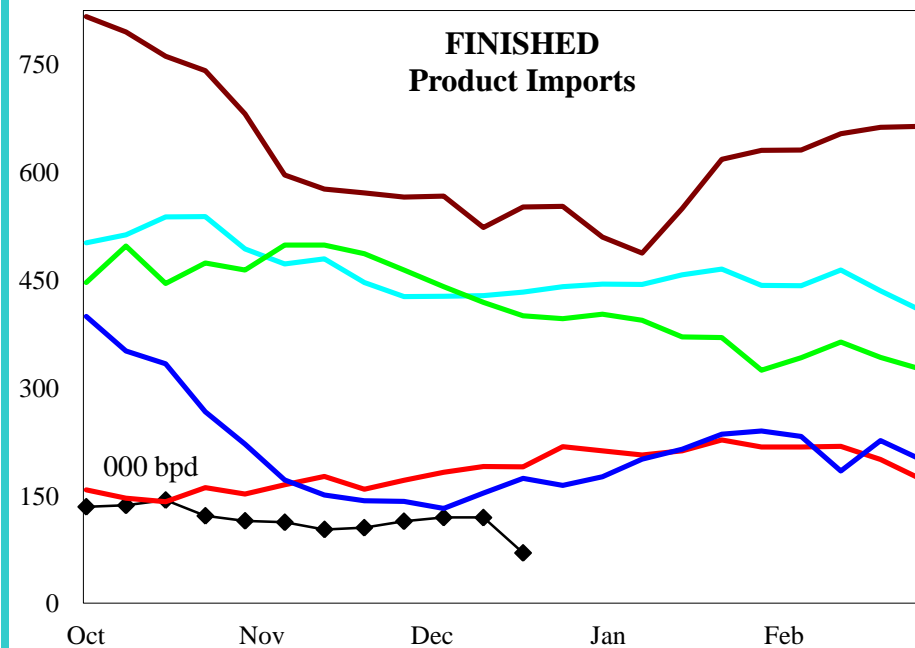
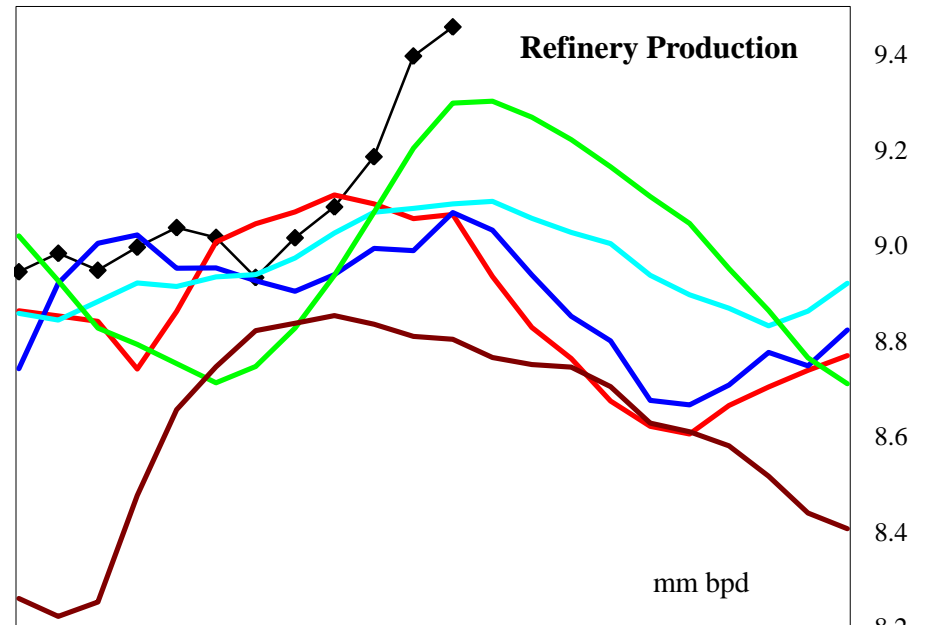
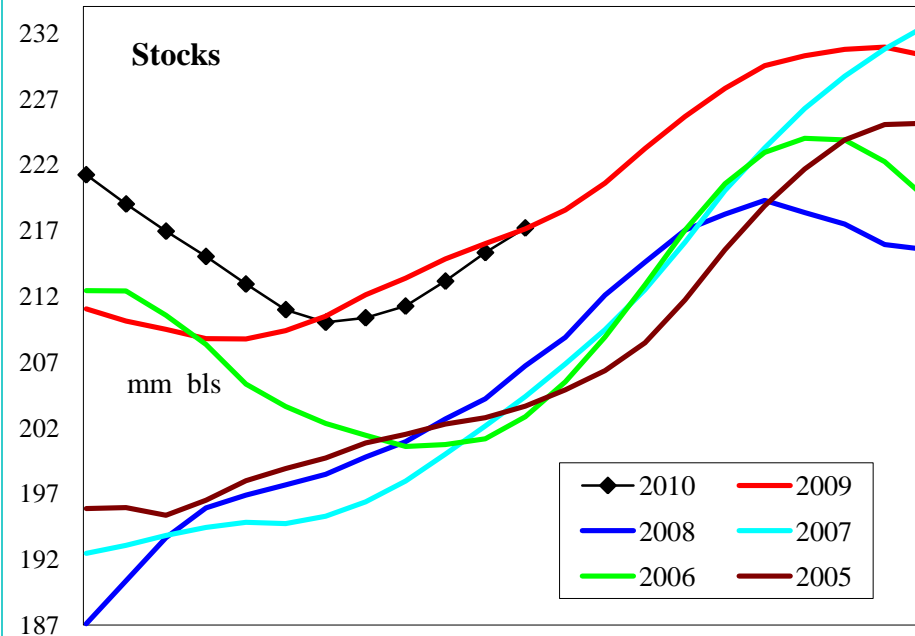
Residual Fuel Oil Imports by PADD



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 bls stks)

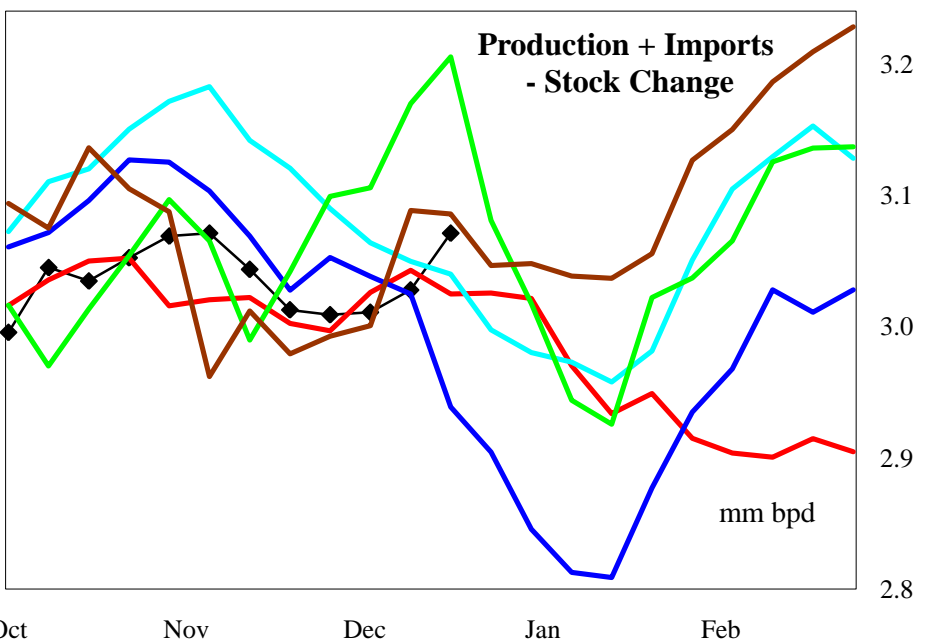
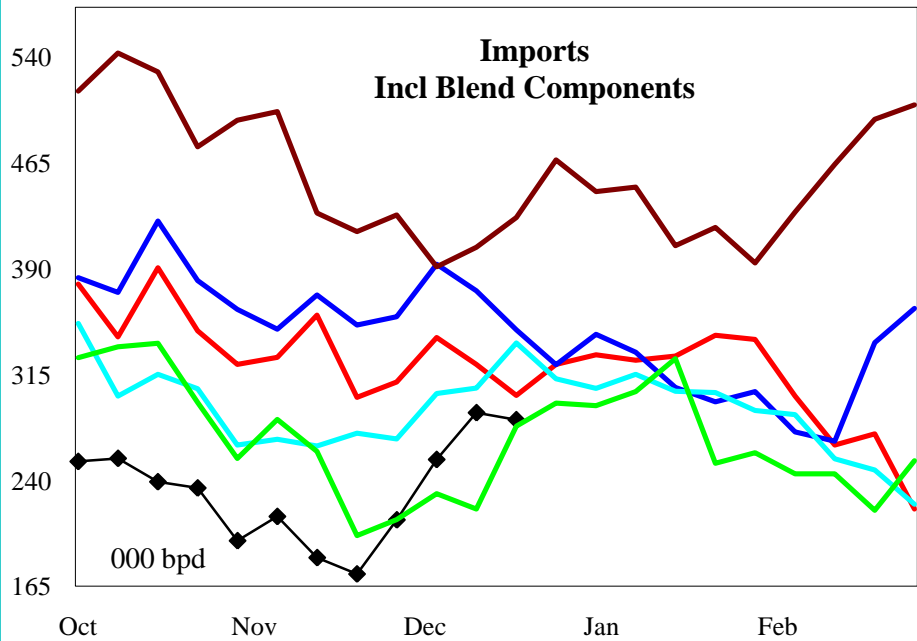
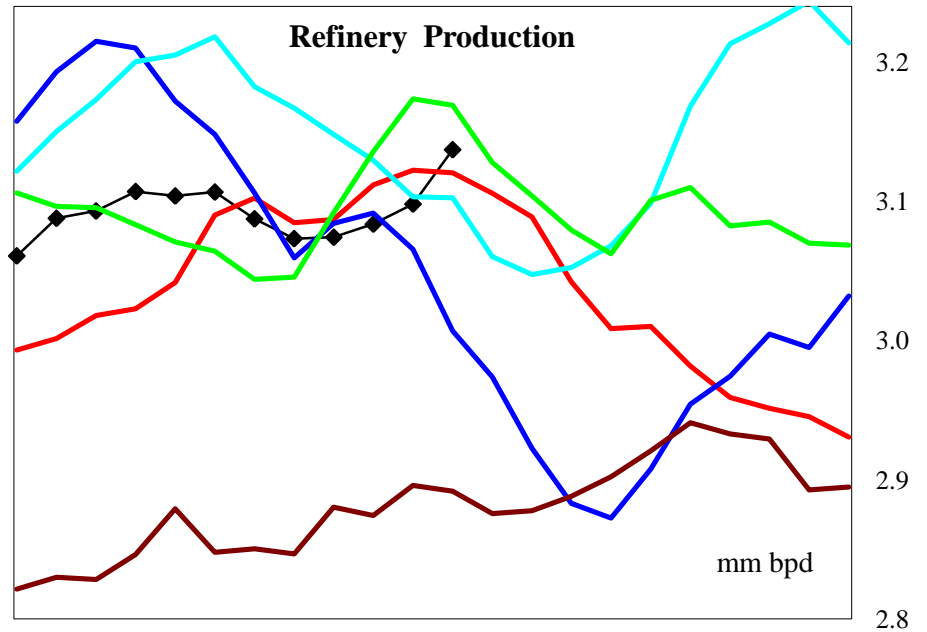
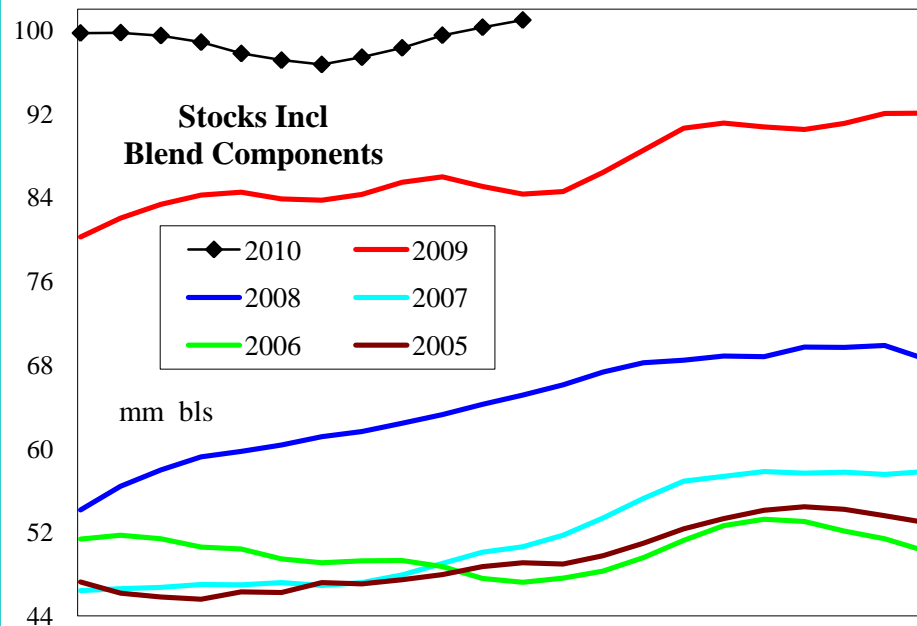
% change

Stocks	Production	Fin Impt	Blend Impt	Demand=>
843	184	-82	27	
0.4	2.0	-42.3	3.7	

4wk avg	Nov	Oct	Sep
159	49	94	252
1.8	0.6	1.0	2.8



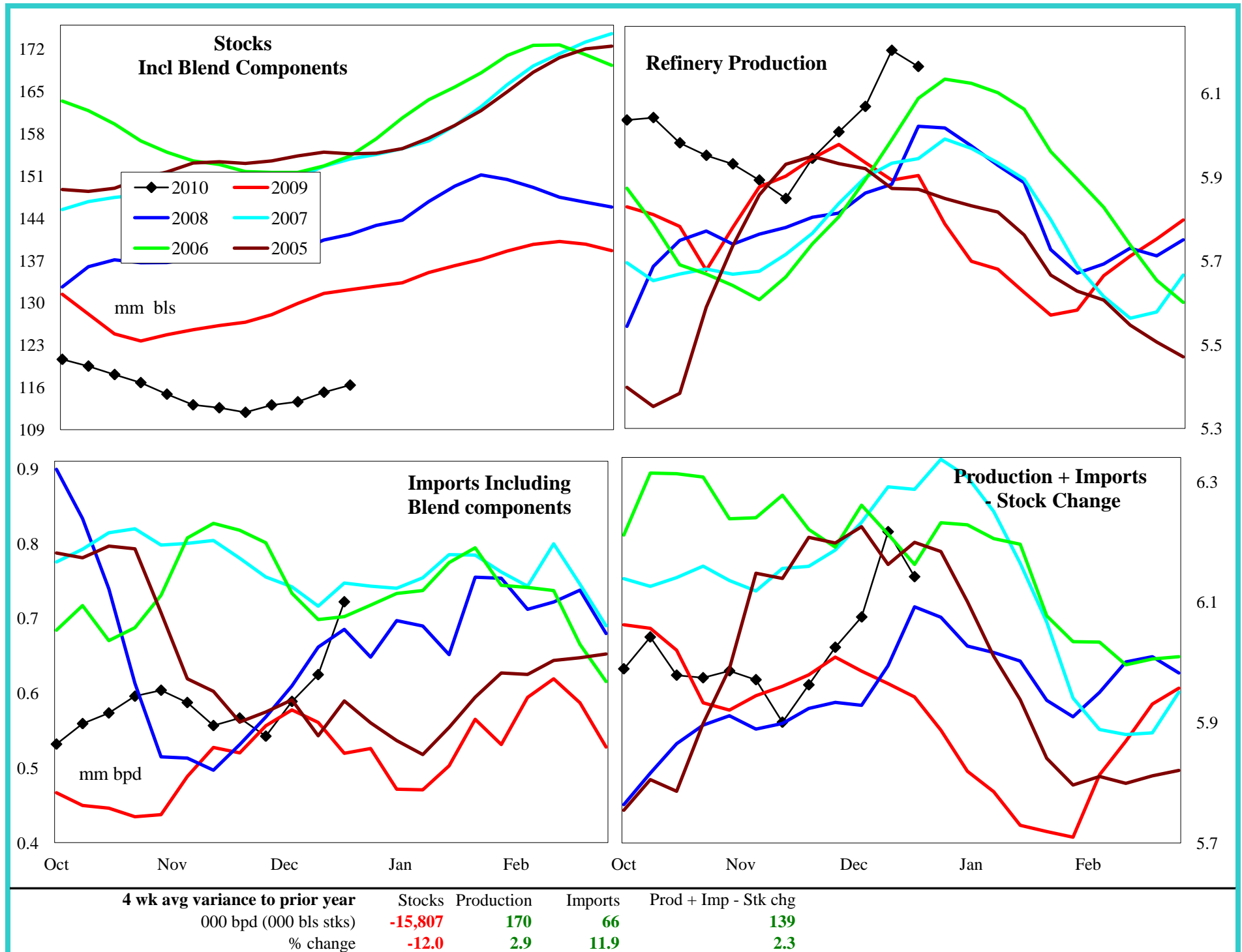
United States Reformulated Gasoline Supply



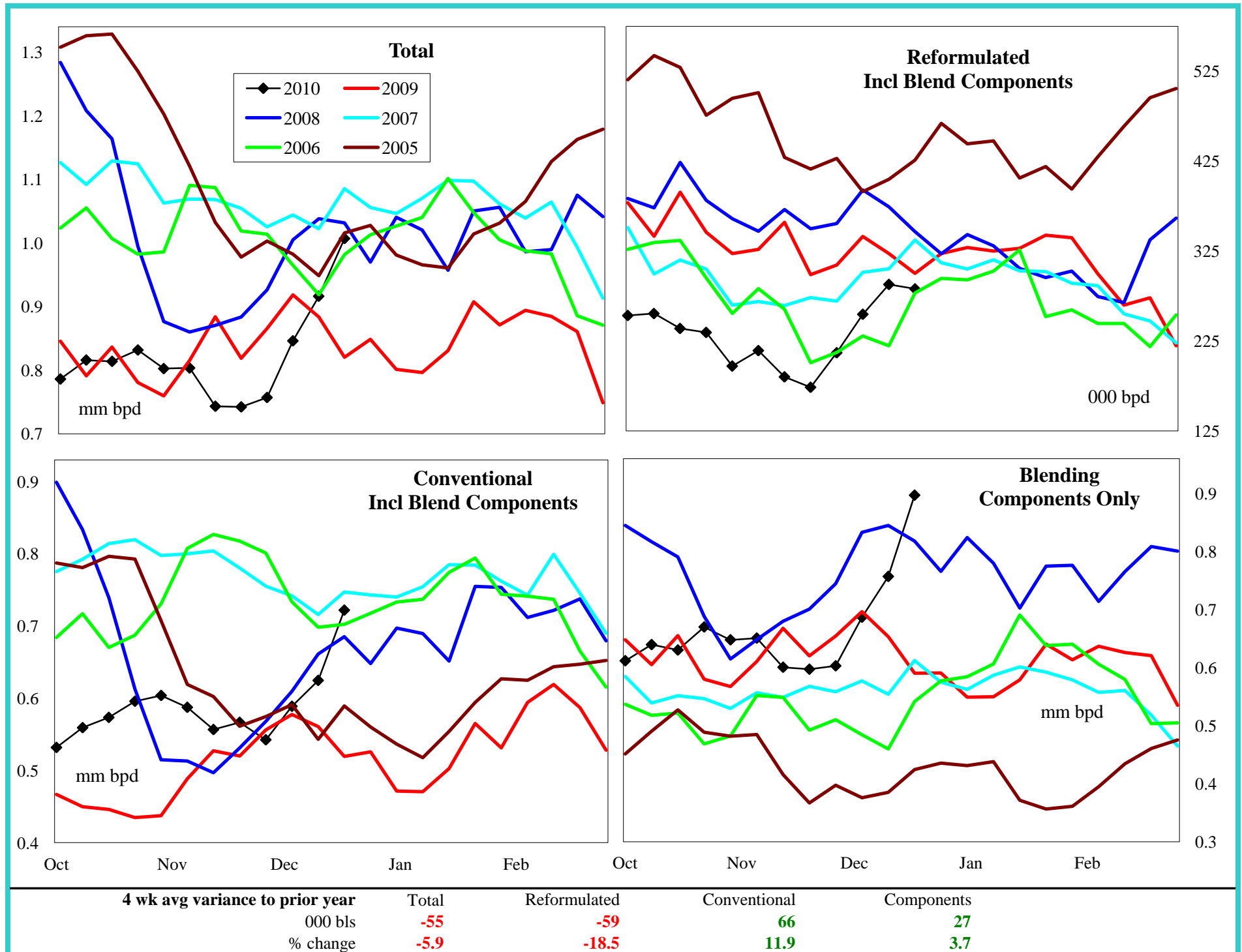
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
16,641	-30	-59	7
19.7	-0.9	-18.5	0.2

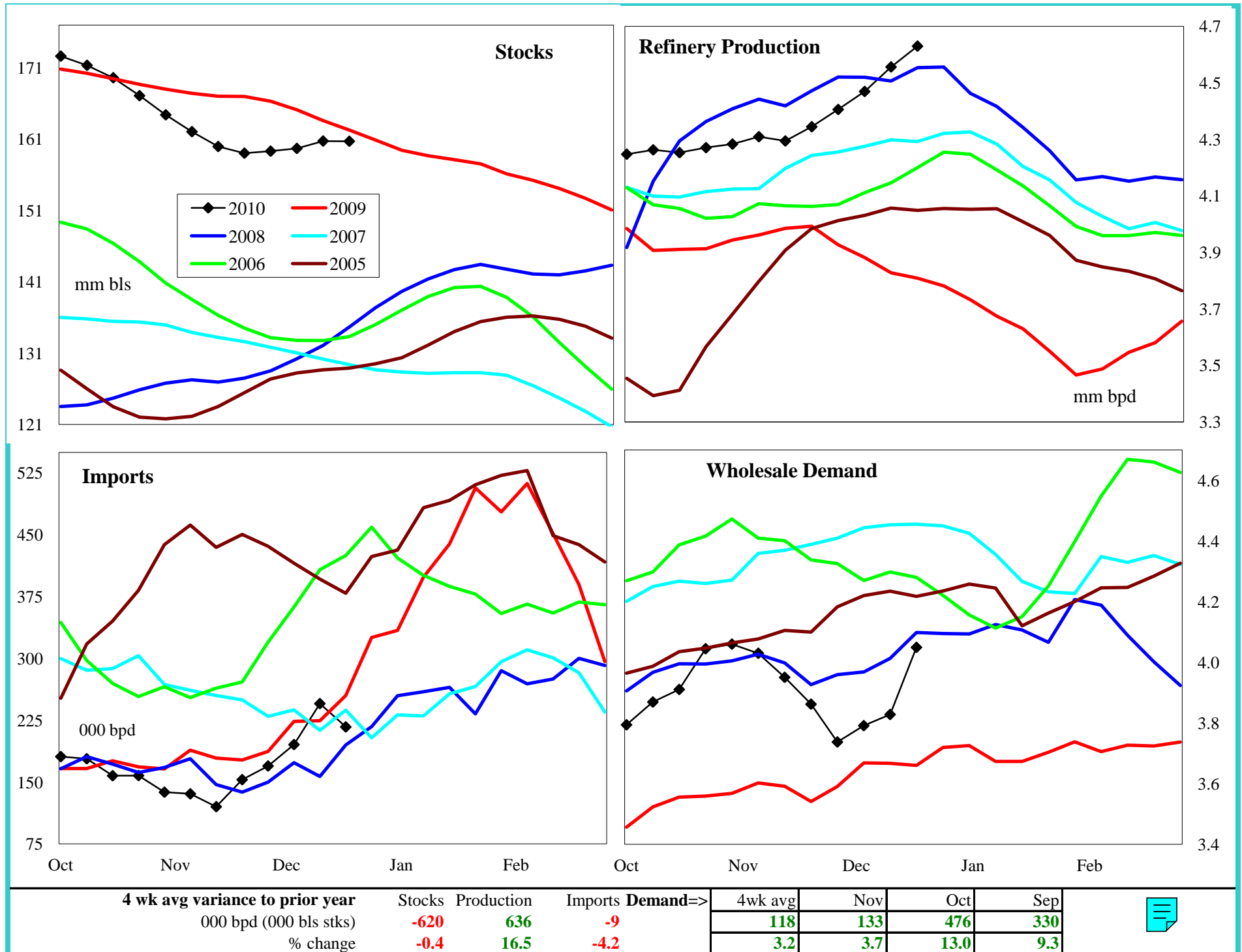
United States Conventional Gasoline Supply



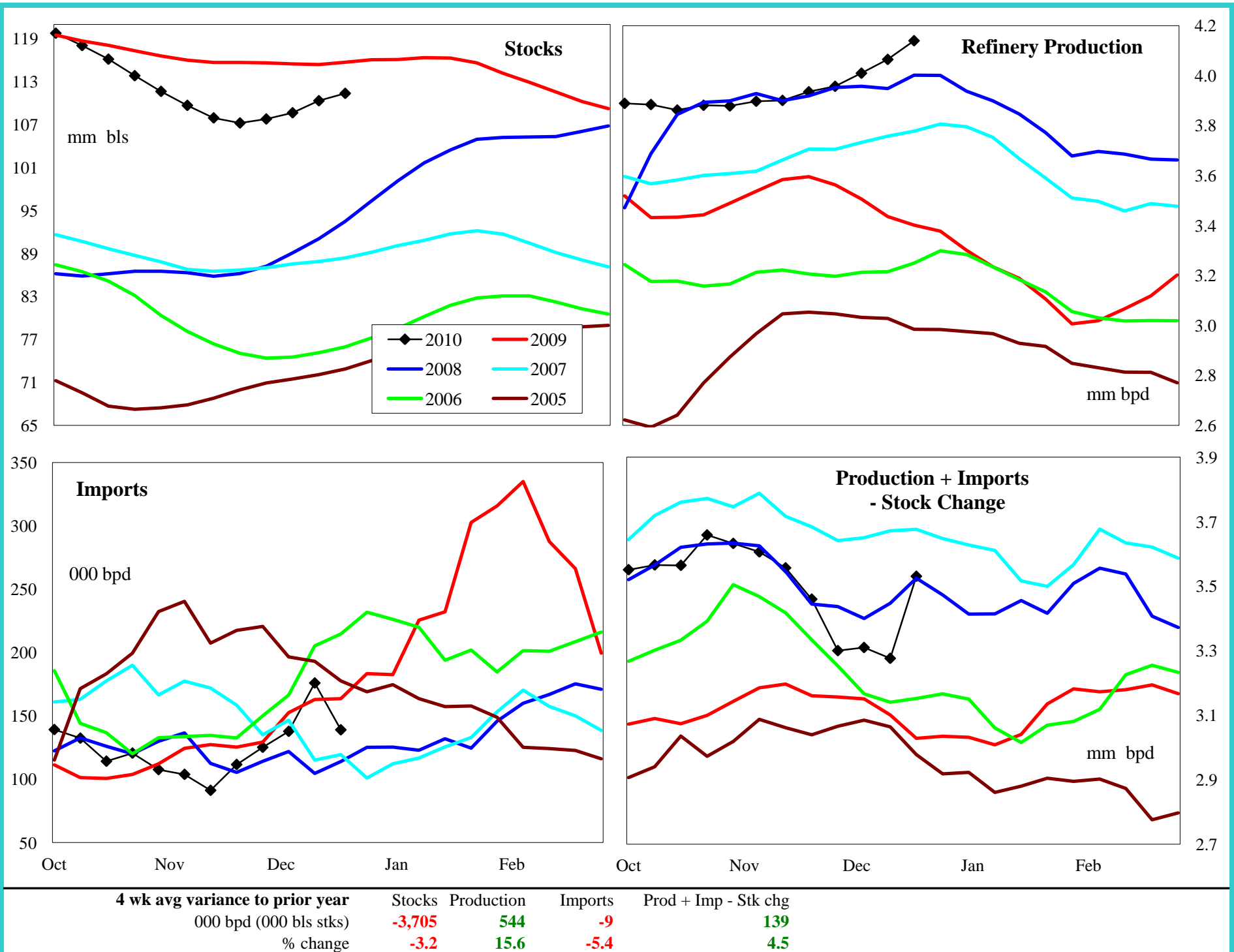
United States Gasoline Imports by Type



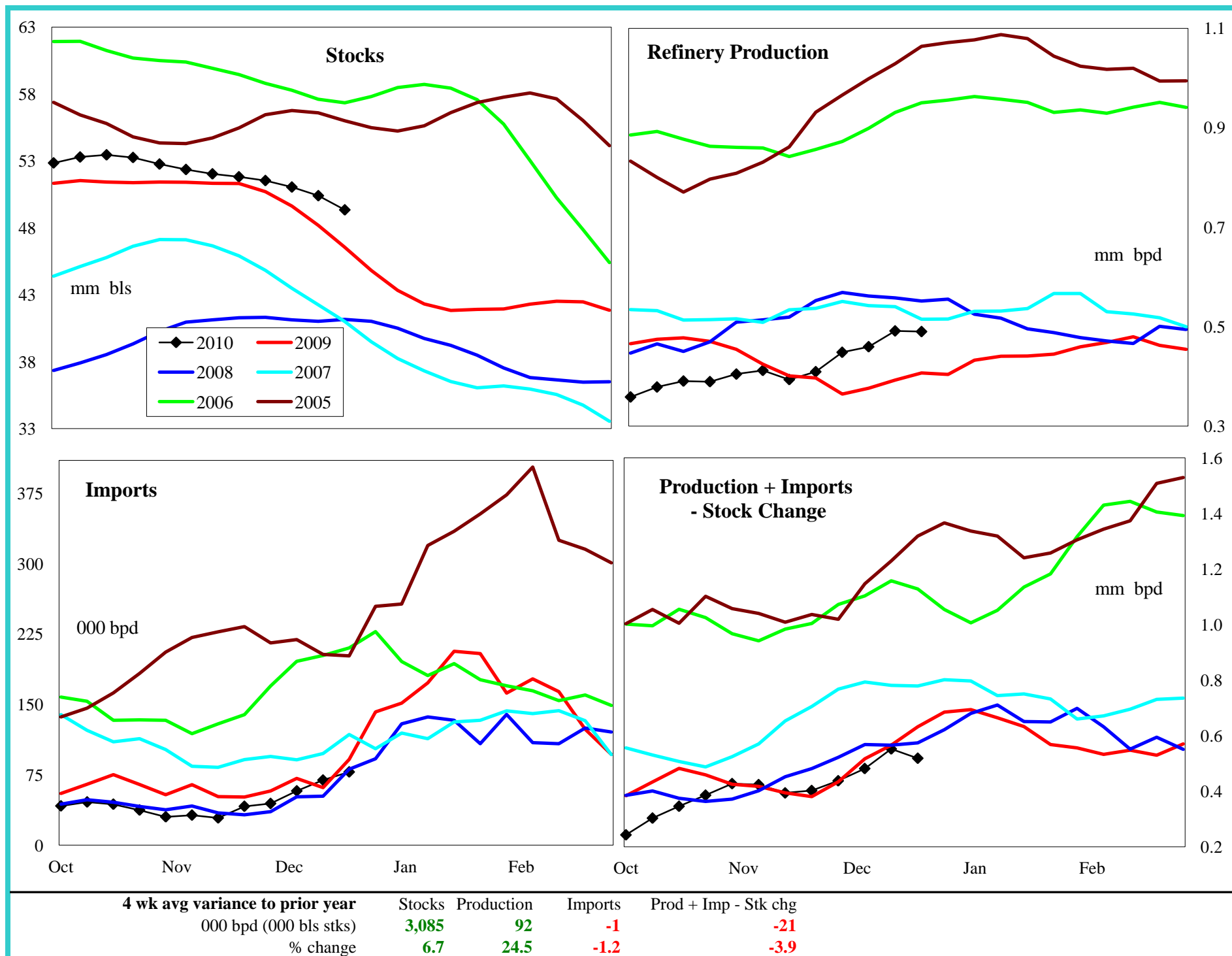
United States Distillate Supply and Demand Balance



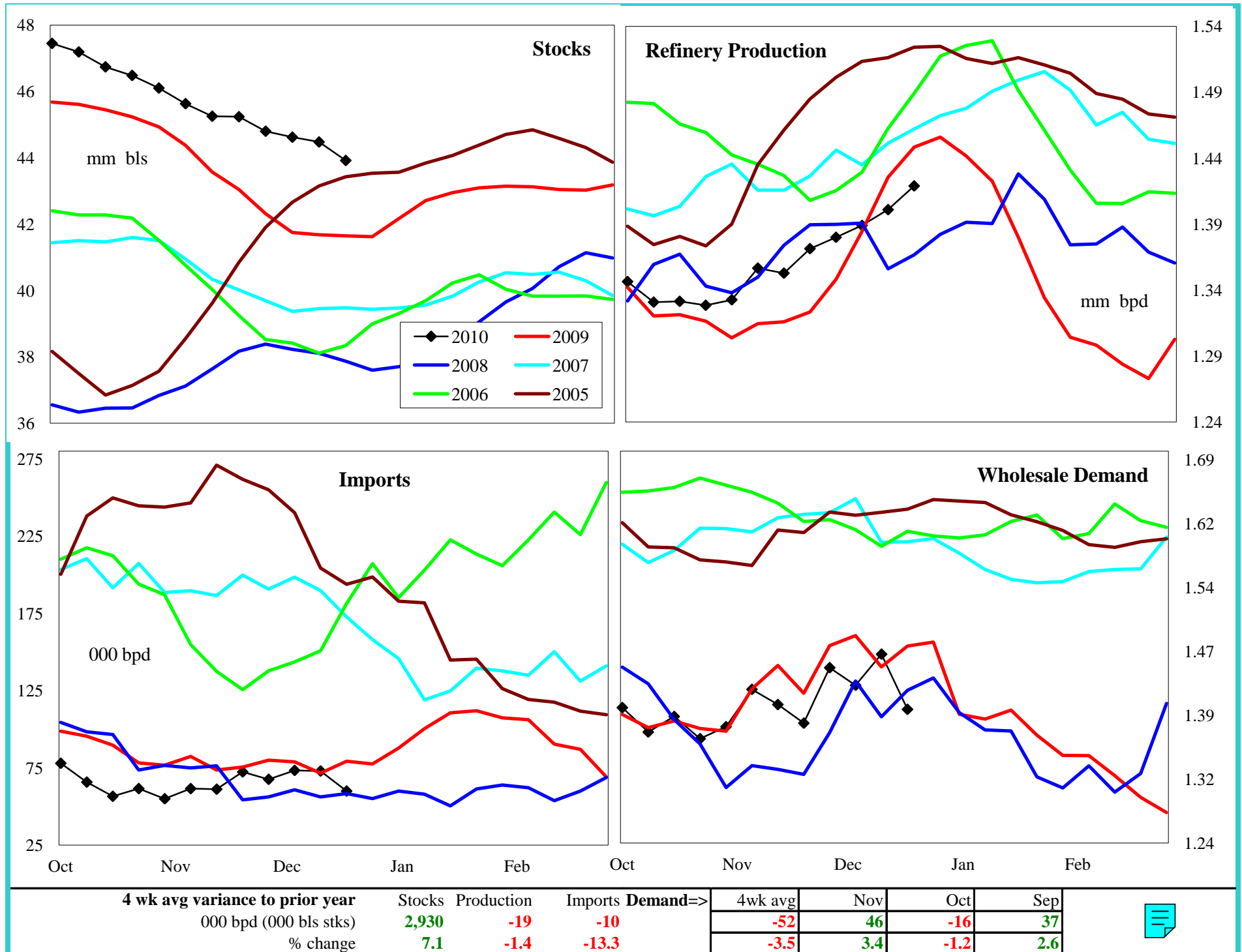
United States Low Sulfur Distillate Supply



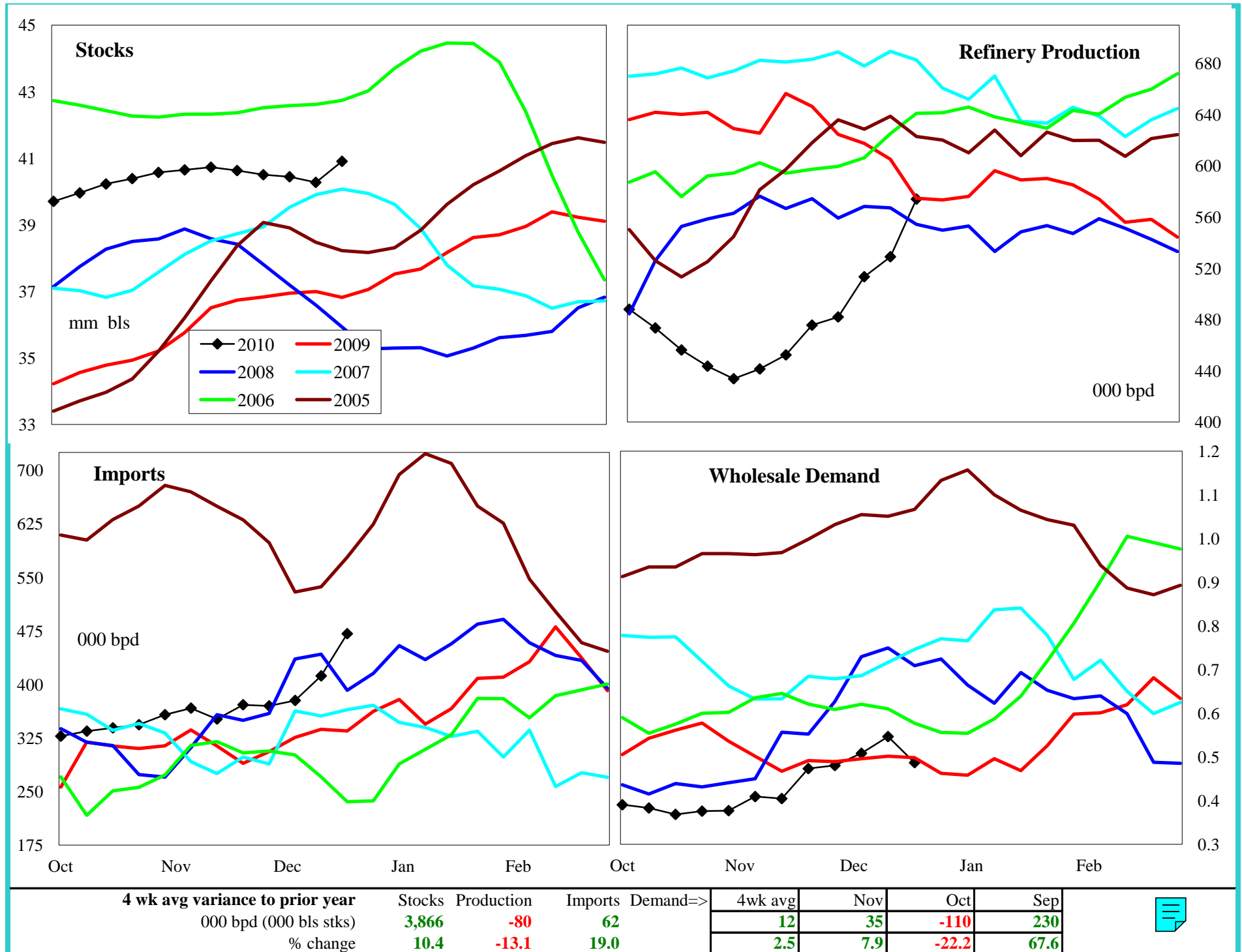
United States High Sulfur Distillate Supply



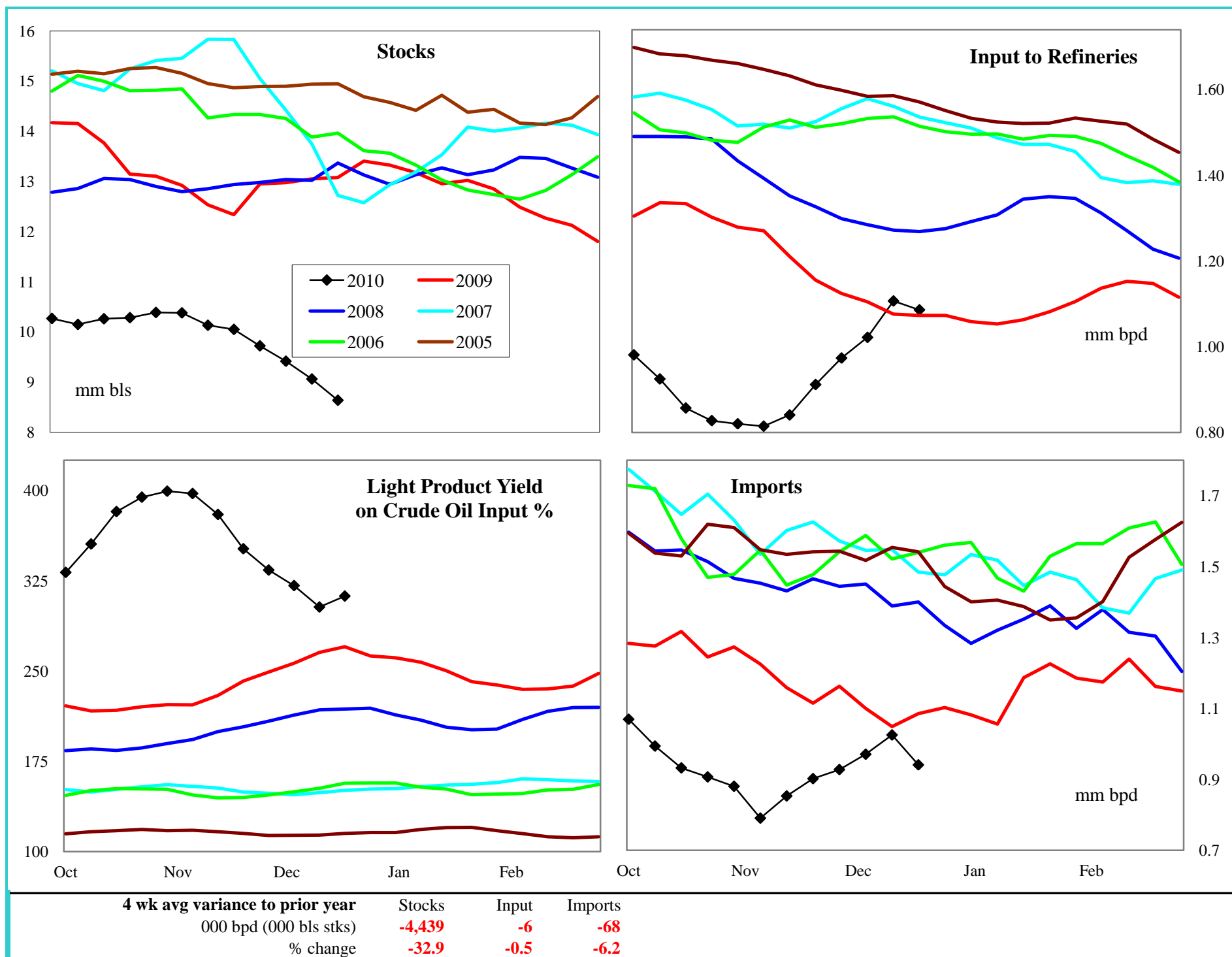
United States Jet Fuel Supply and Demand Balance



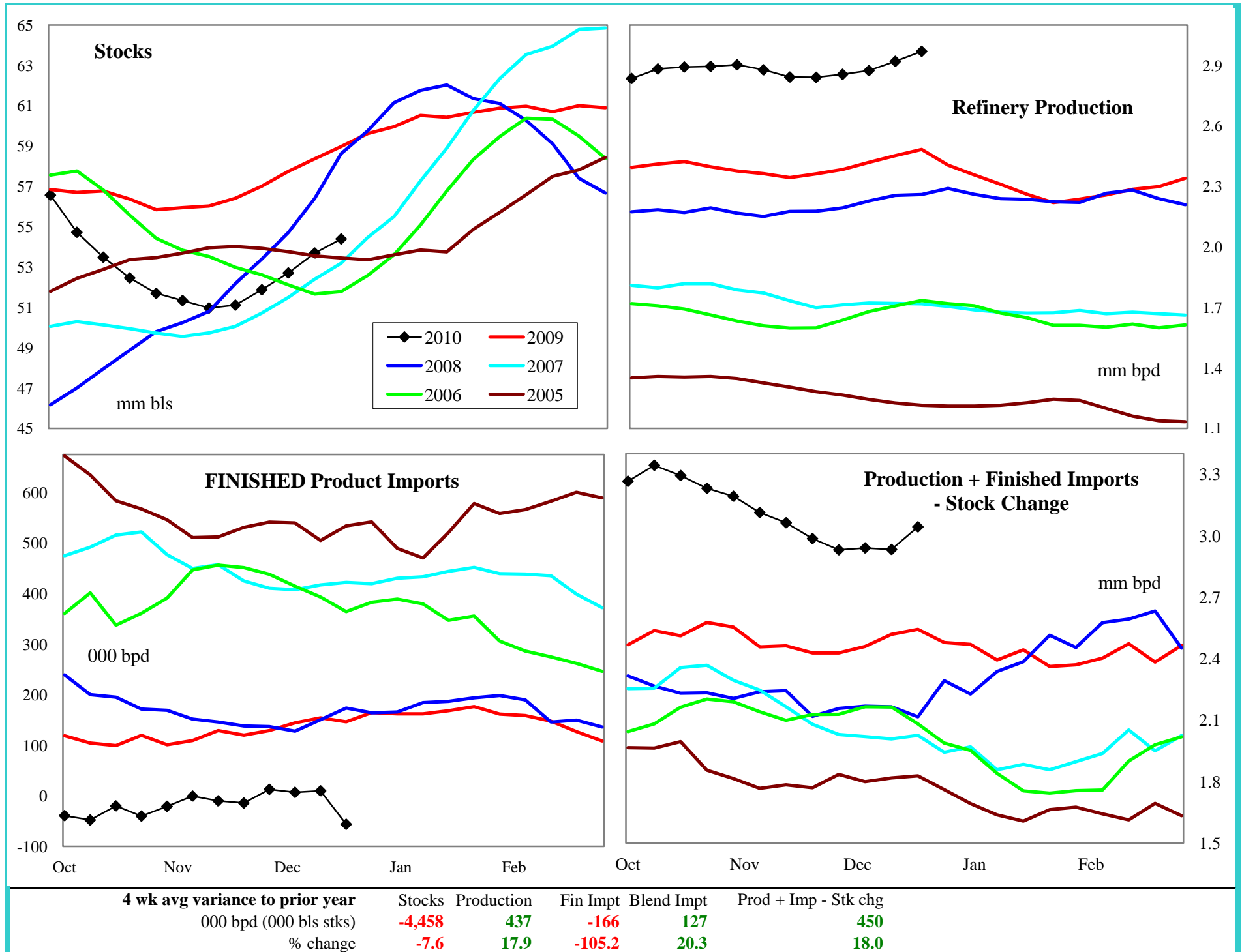
United States Residual Fuel Oil Supply and Demand Balance



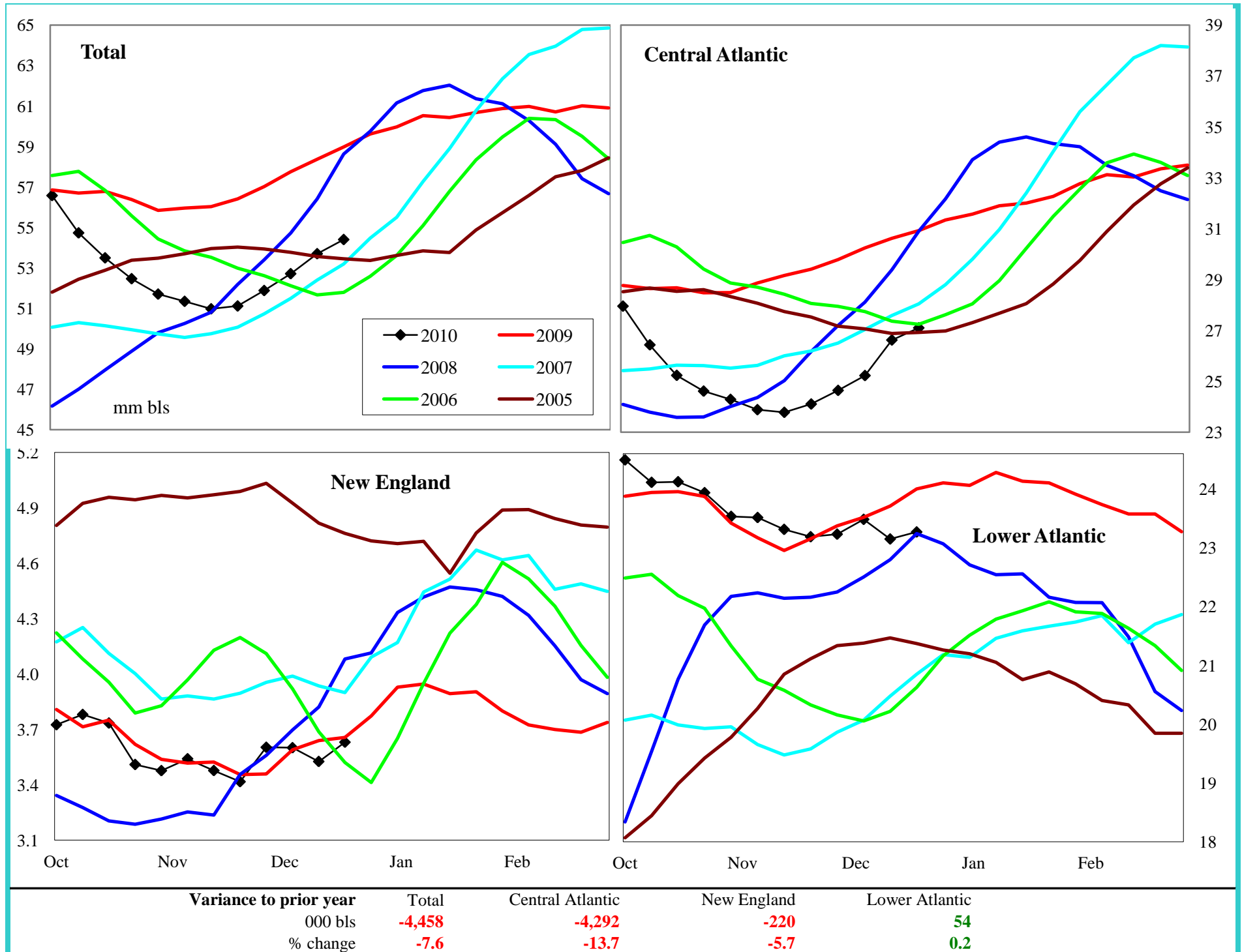
PADD 1 Crude Oil Supply and Refining



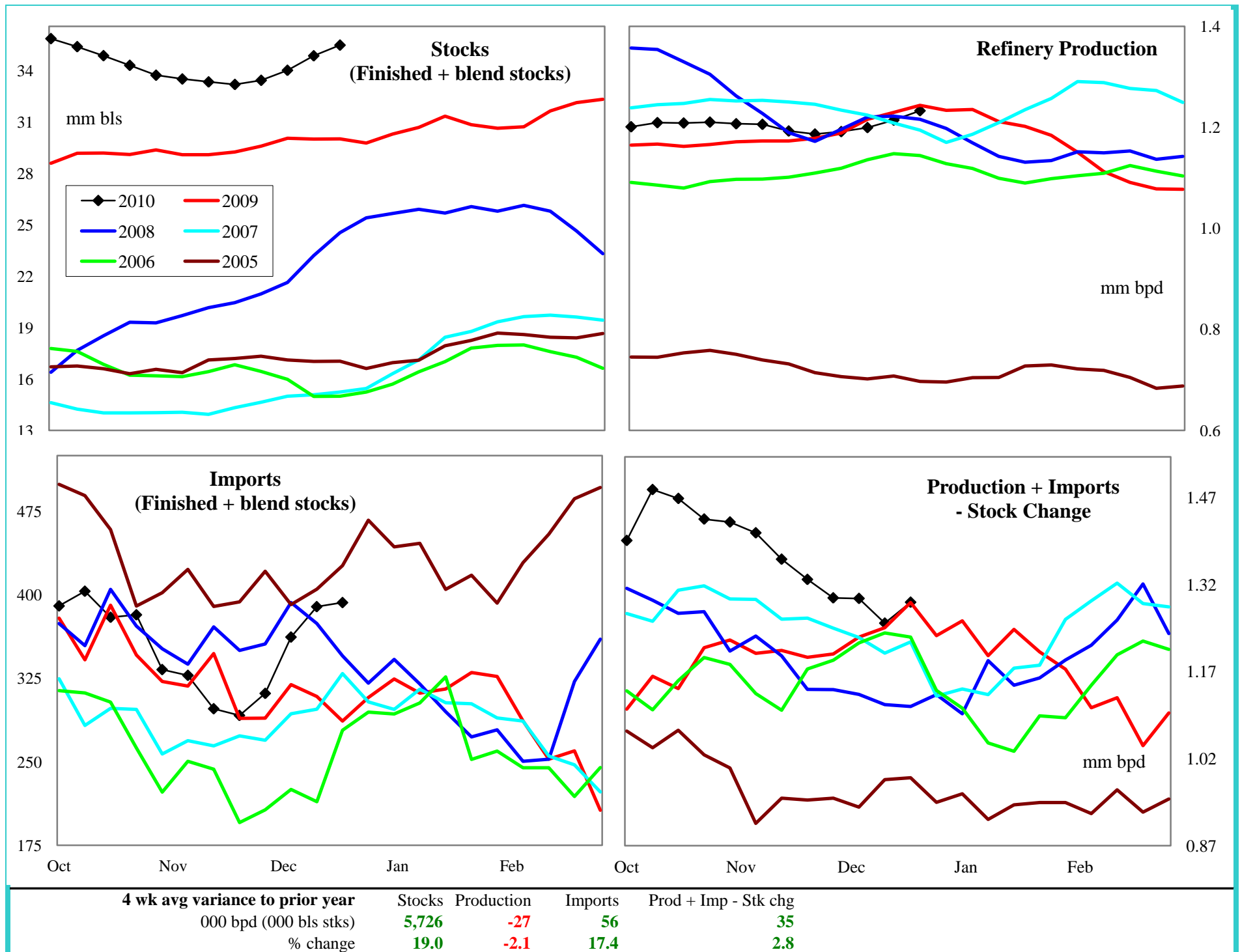
PADD 1 Gasoline Supply



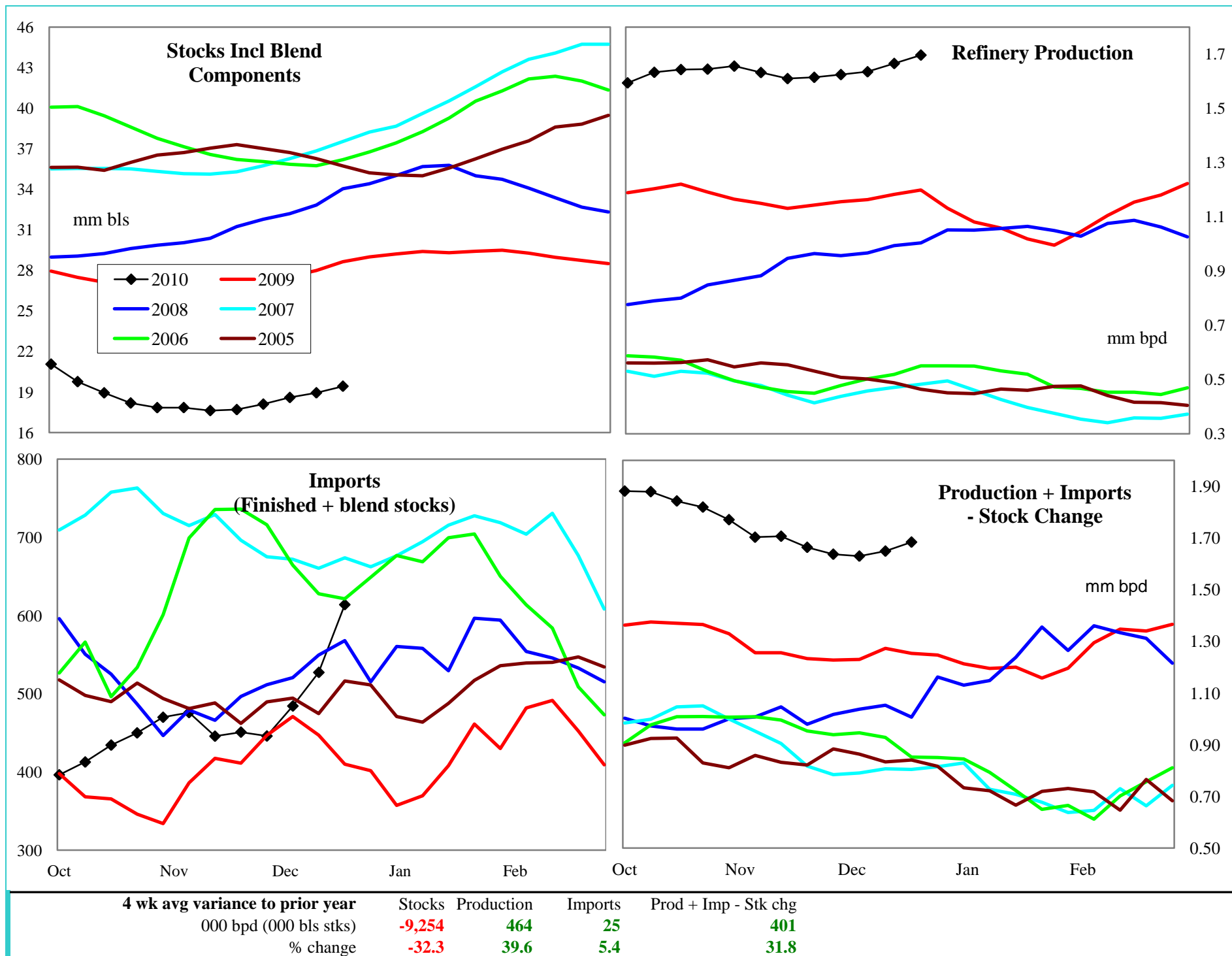
PADD 1 Gasoline Stocks by Region



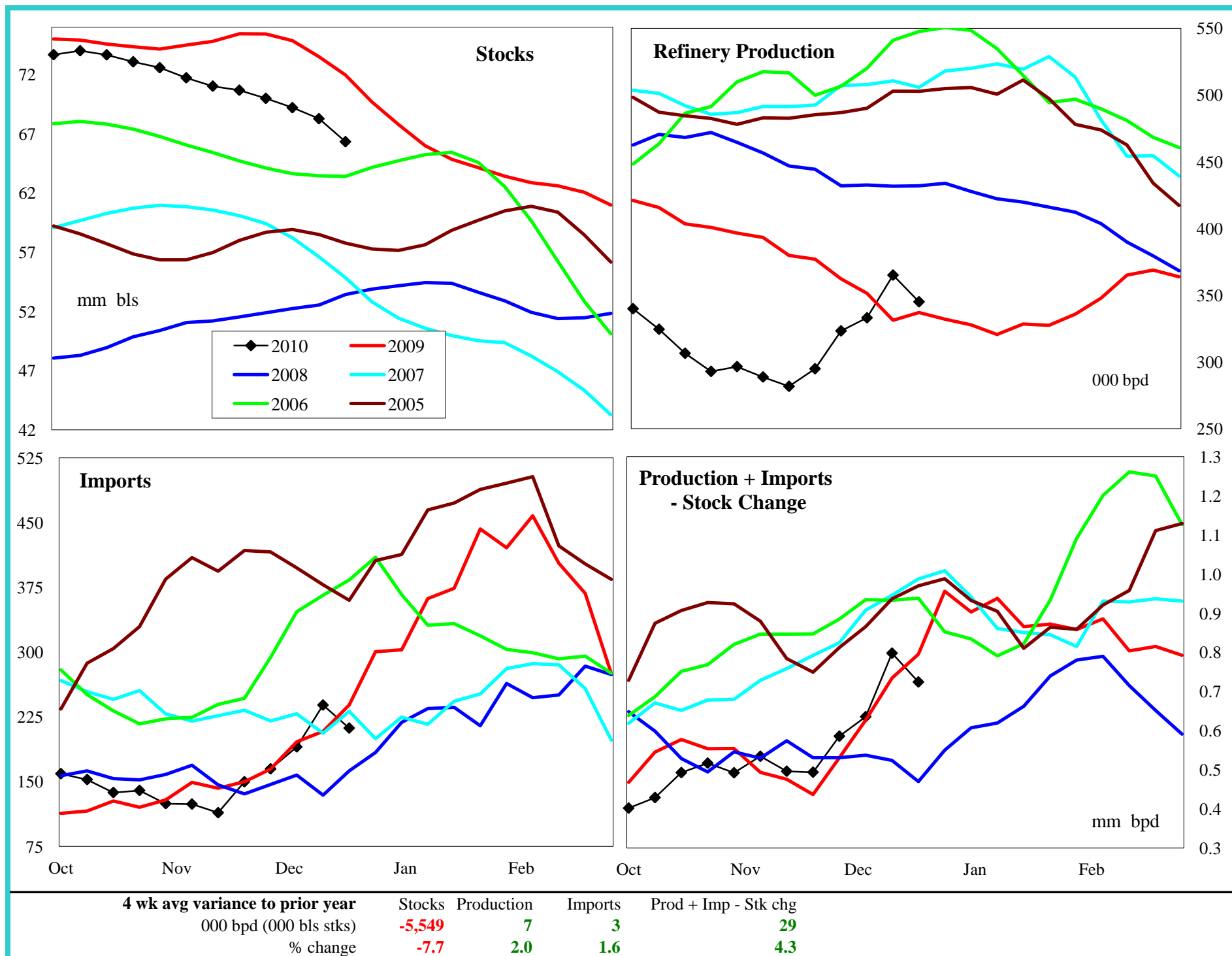
PADD 1 Reformulated Gasoline Supply



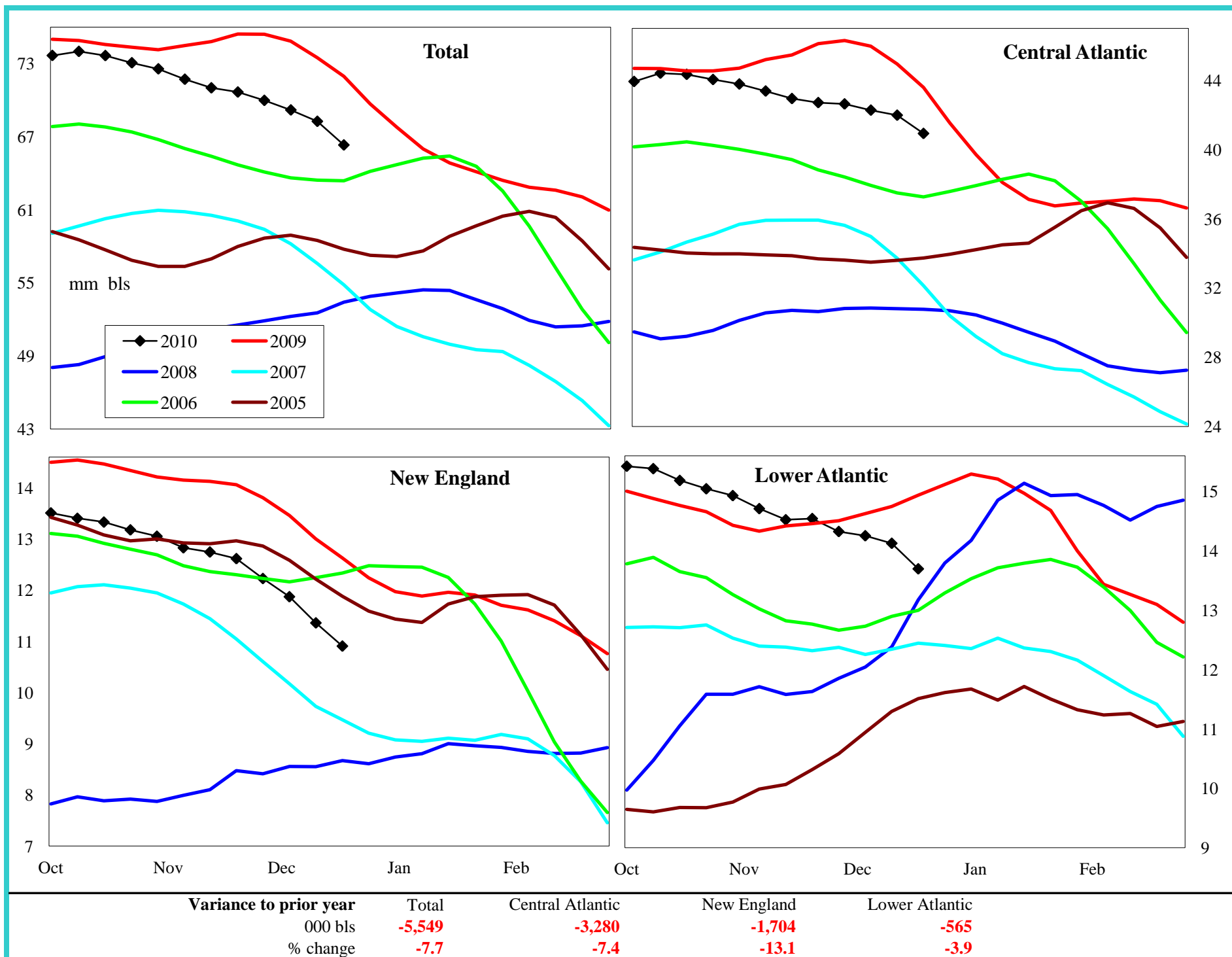
PADD 1 Conventional Gasoline Supply



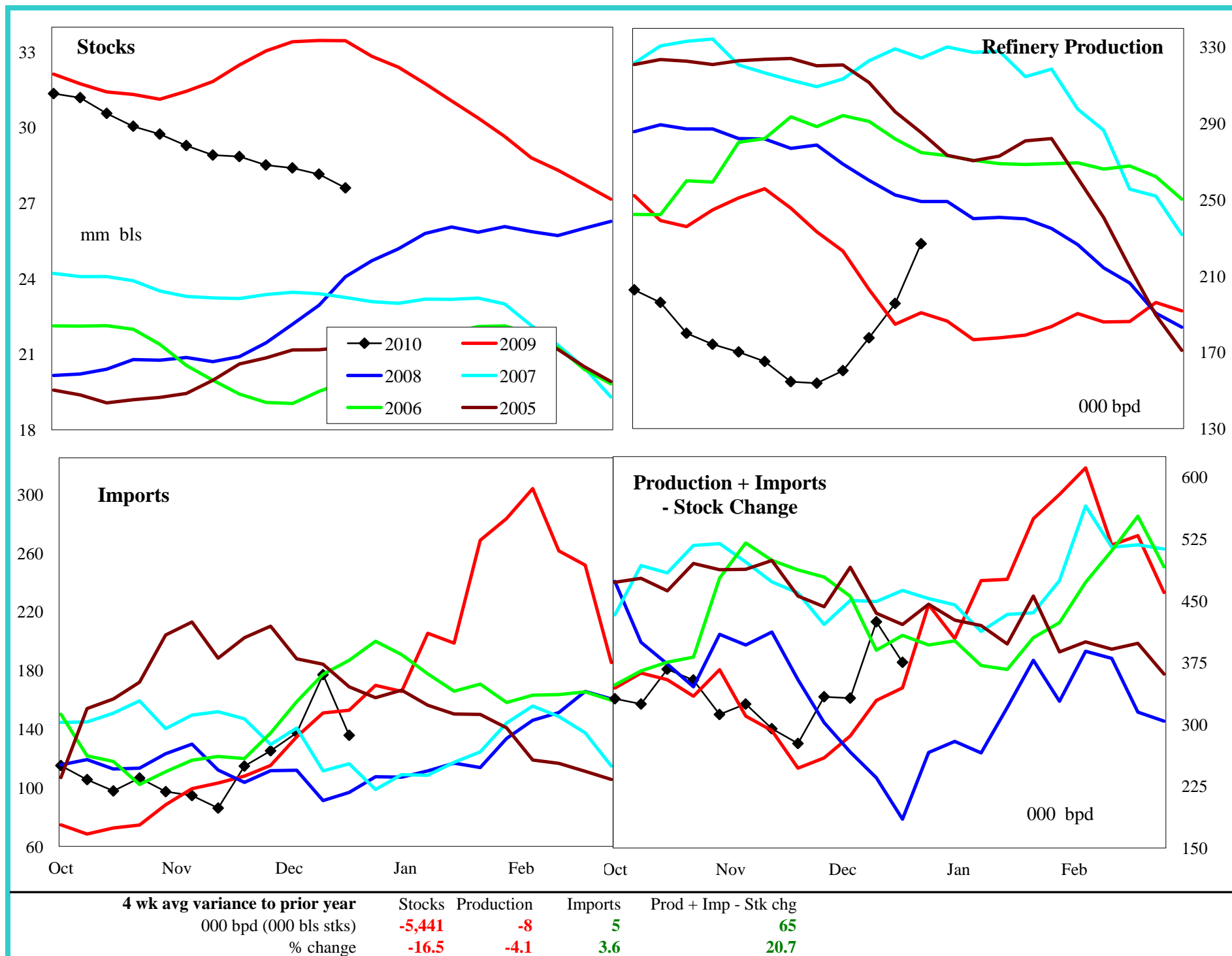
PADD 1 Distillate Supply



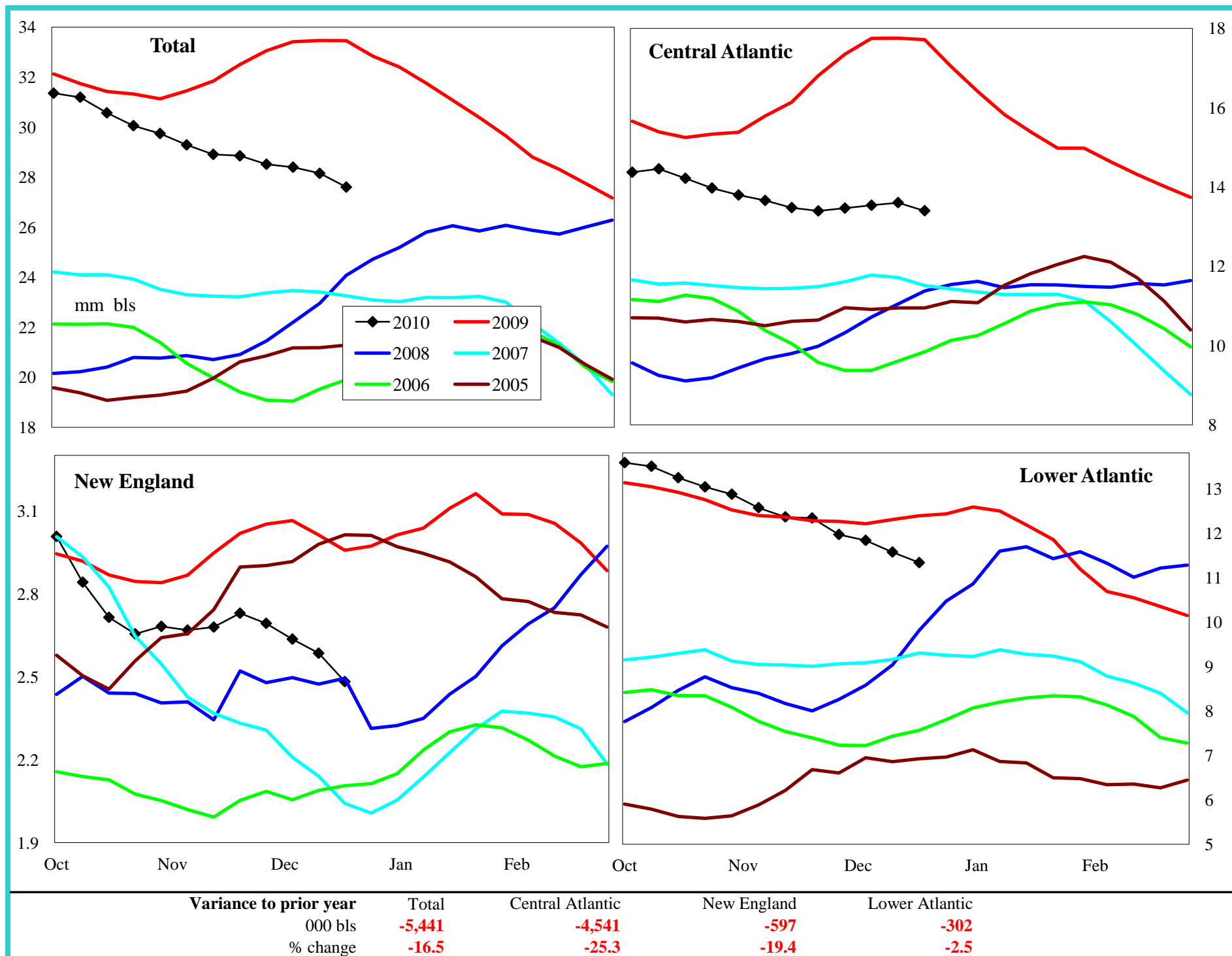
PADD 1 Distillate Stocks by Region



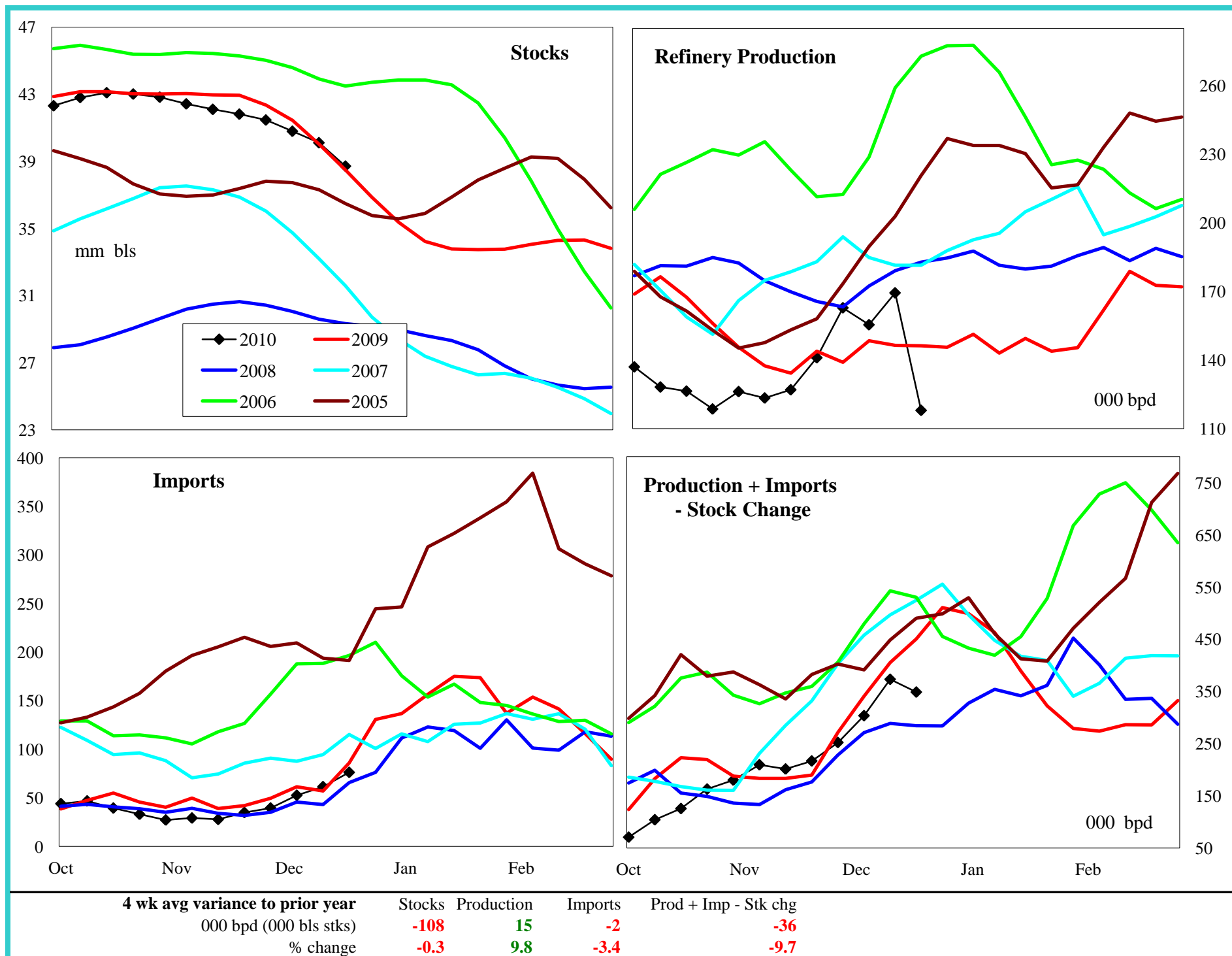
PADD 1 Low Sulfur Distillate Supply



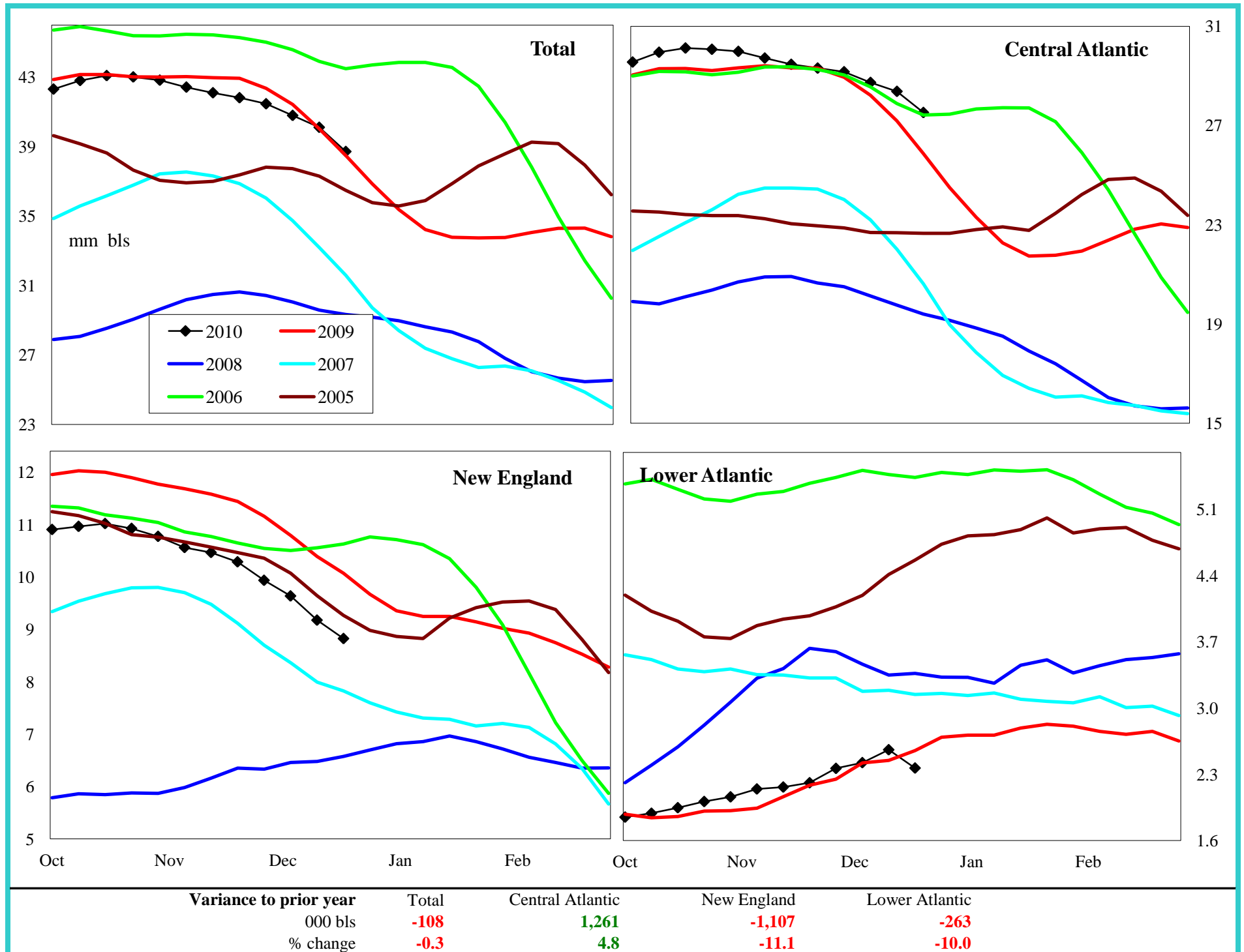
PADD 1 Low Sulfur Distillate Stocks by Region



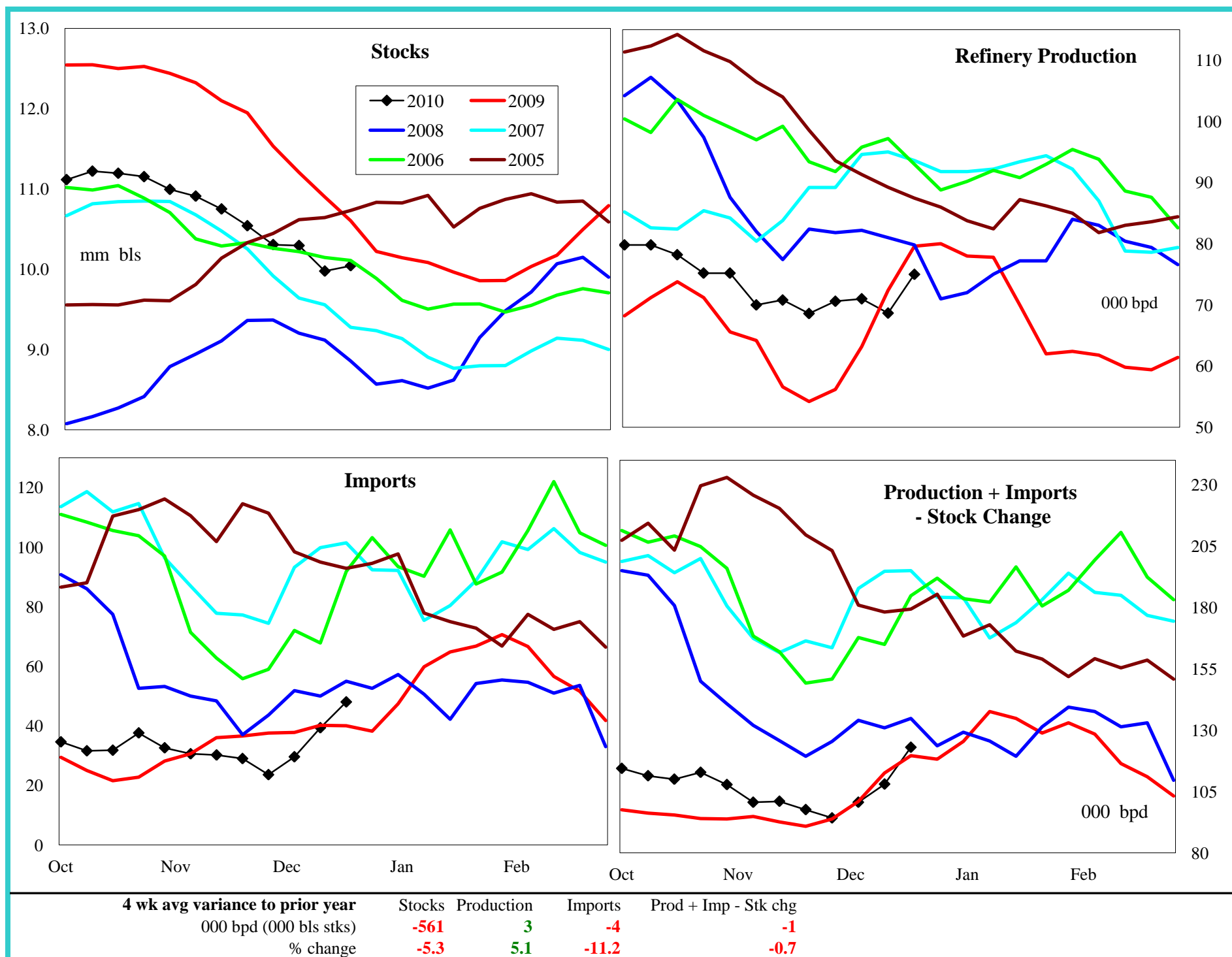
PADD 1 High Sulfur Distillate Supply



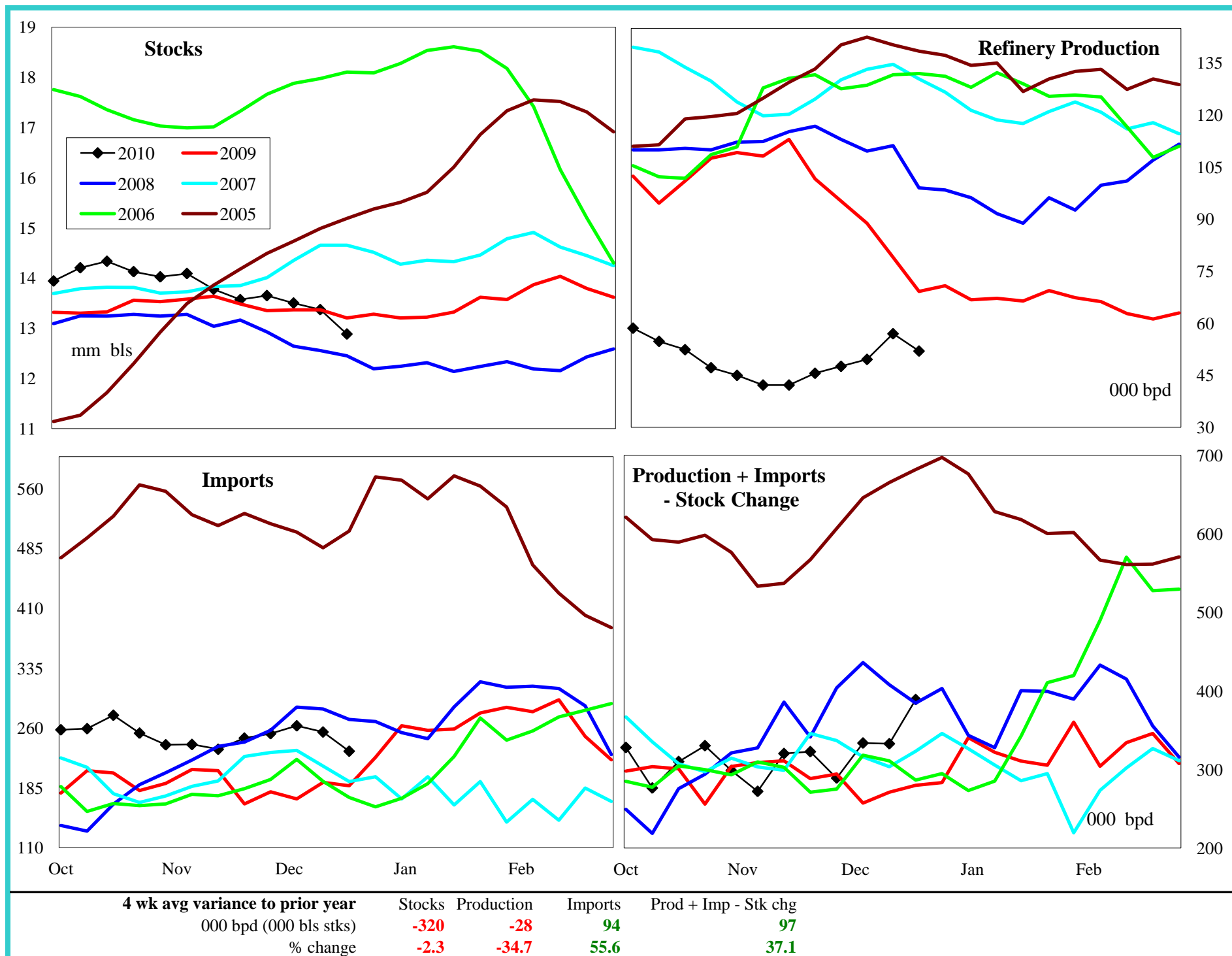
PADD 1 High Sulfur Distillate Stocks by Region



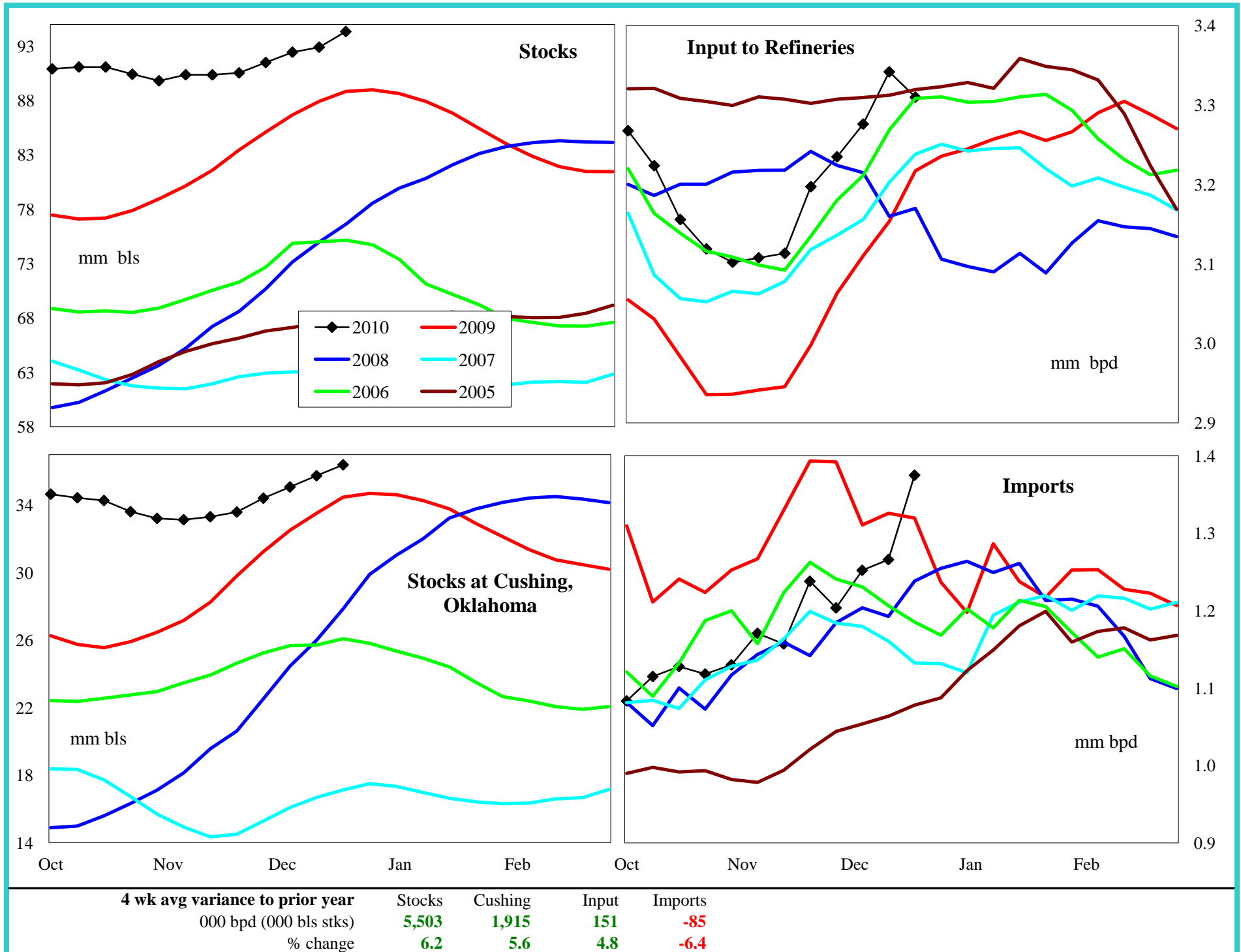
PADD 1 Jet Fuel Supply



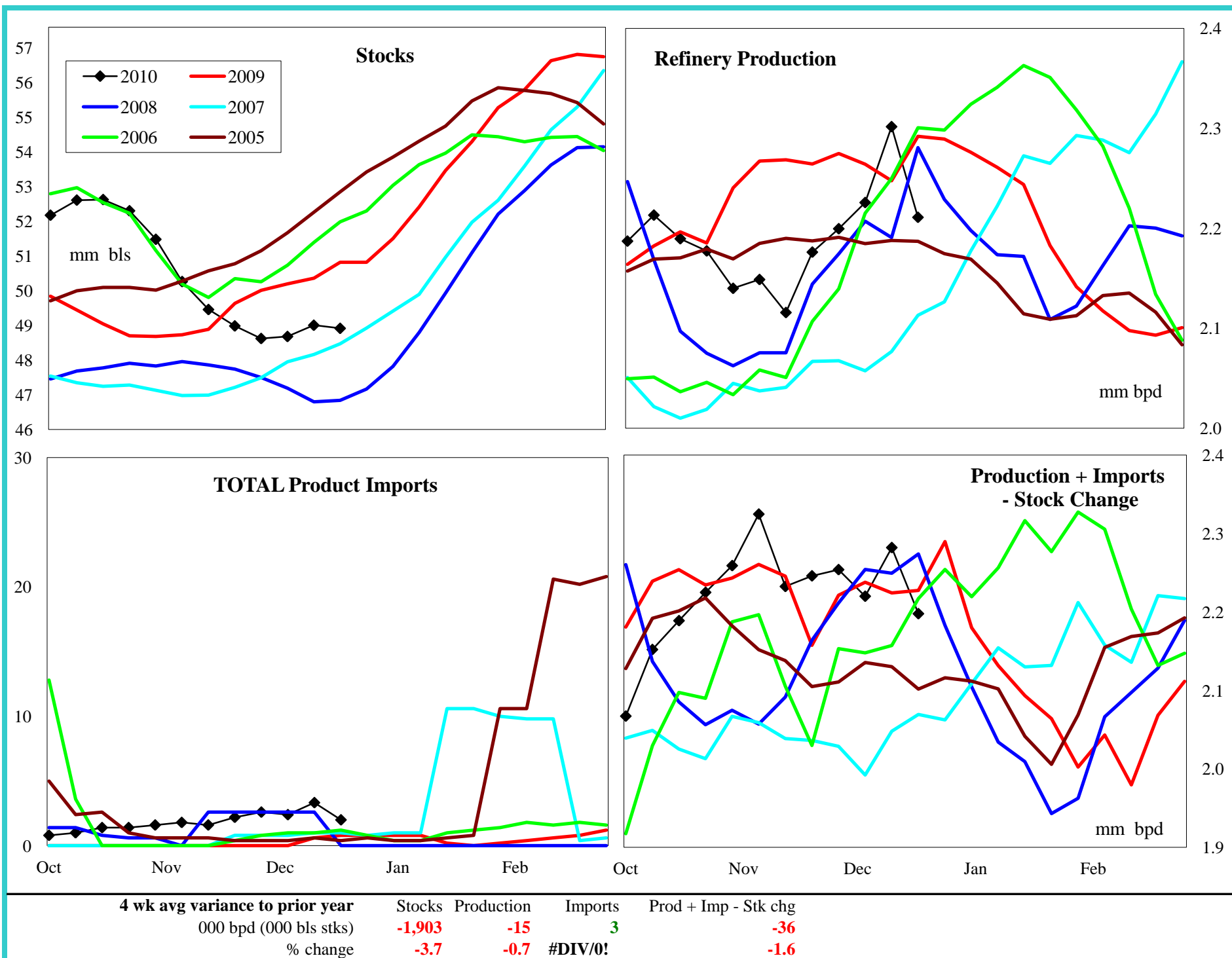
PADD 1 Residual Fuel Oil Supply



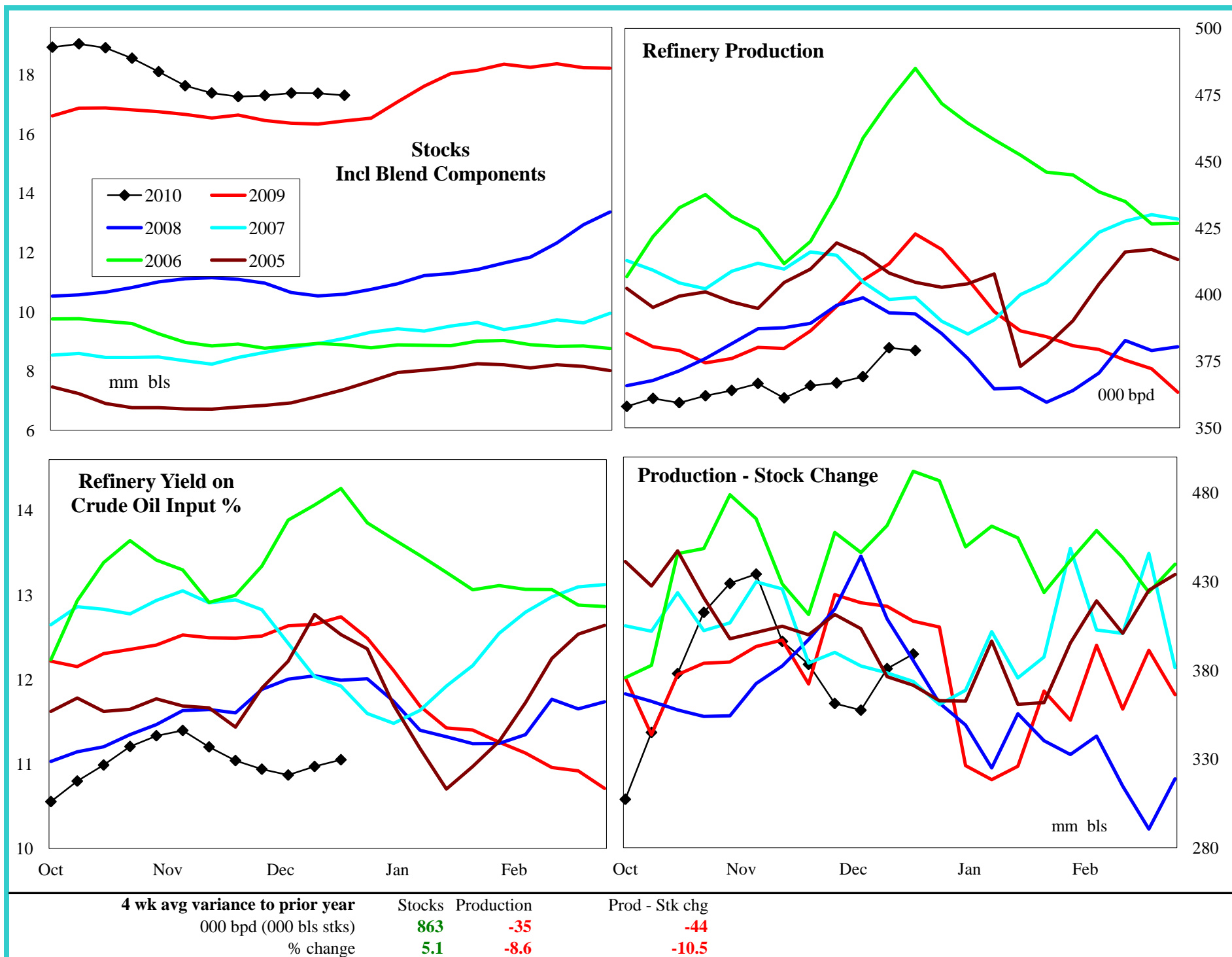
PADD 2 Crude Oil Supply and Refining



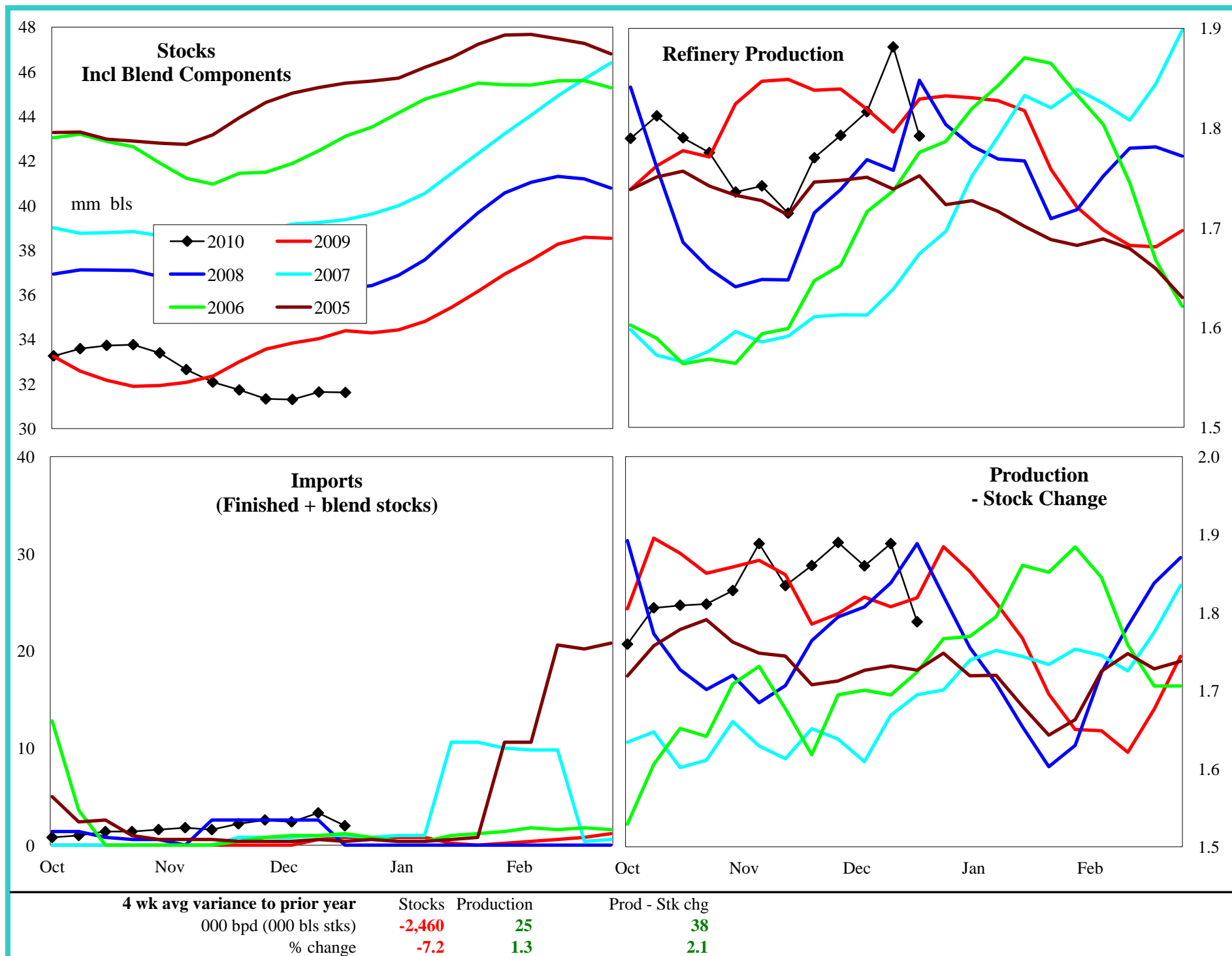
PADD 2 Gasoline Supply



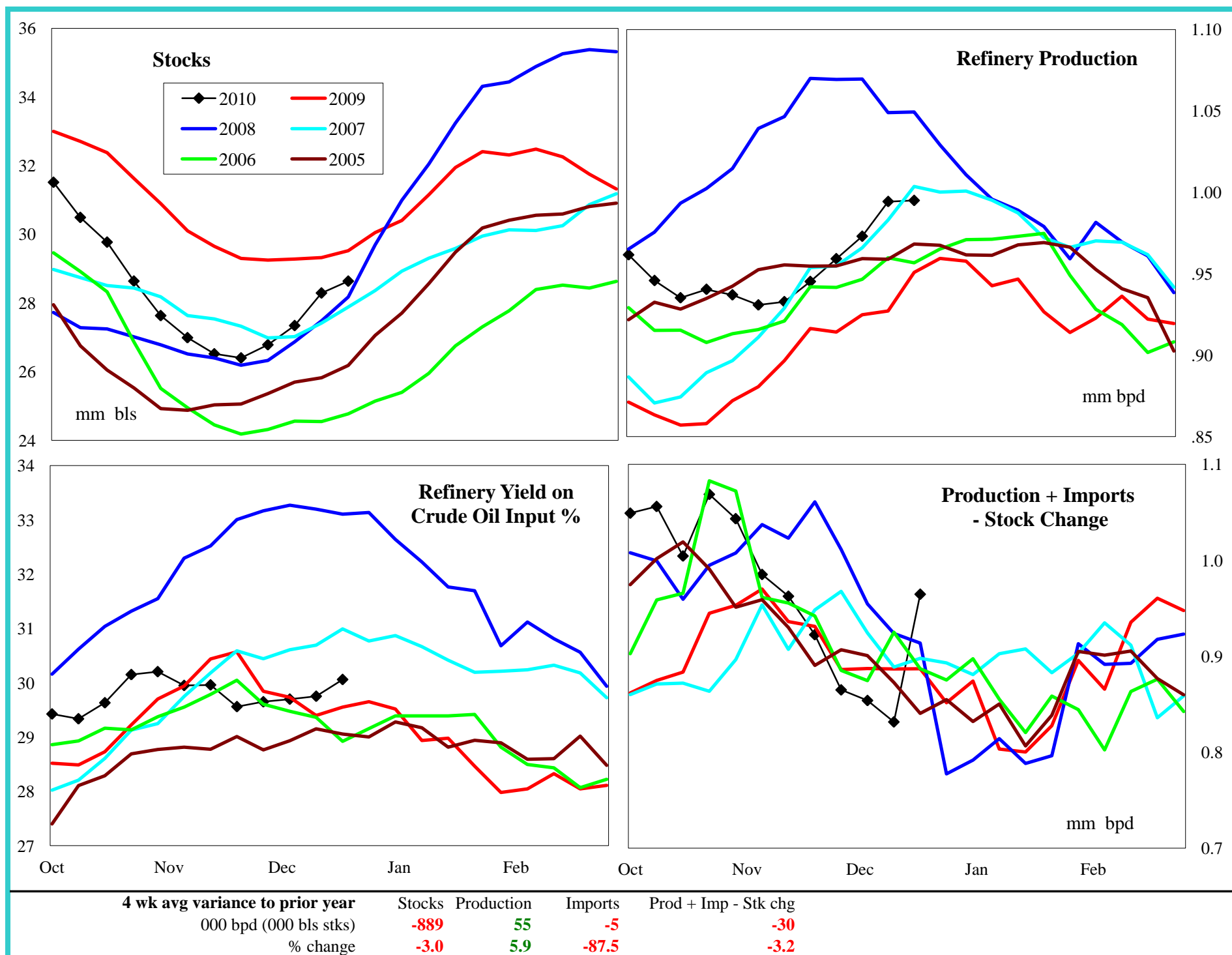
PADD 2 Reformulated Gasoline Supply



PADD 2 Conventional Gasoline Supply



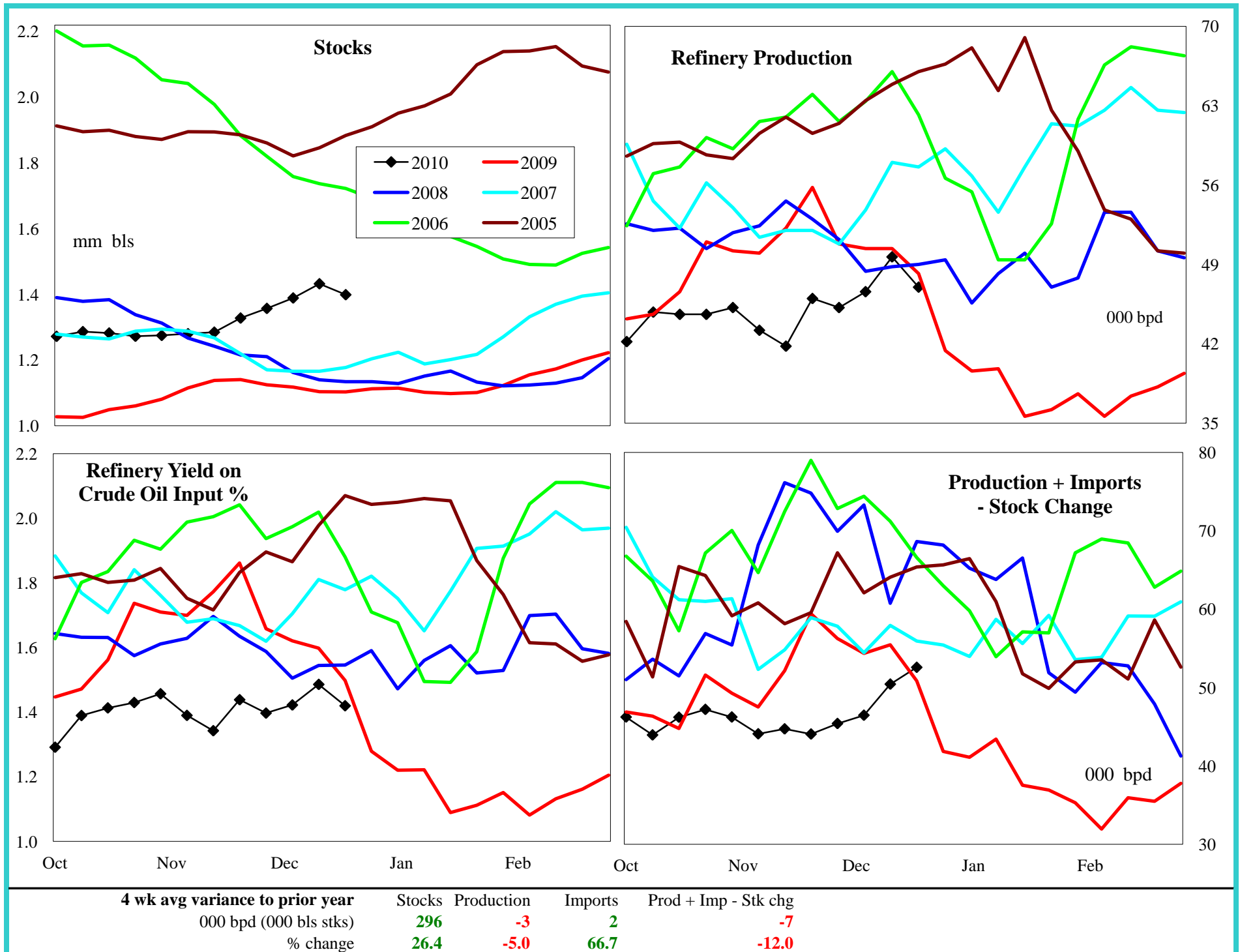
PADD 2 Distillate Supply



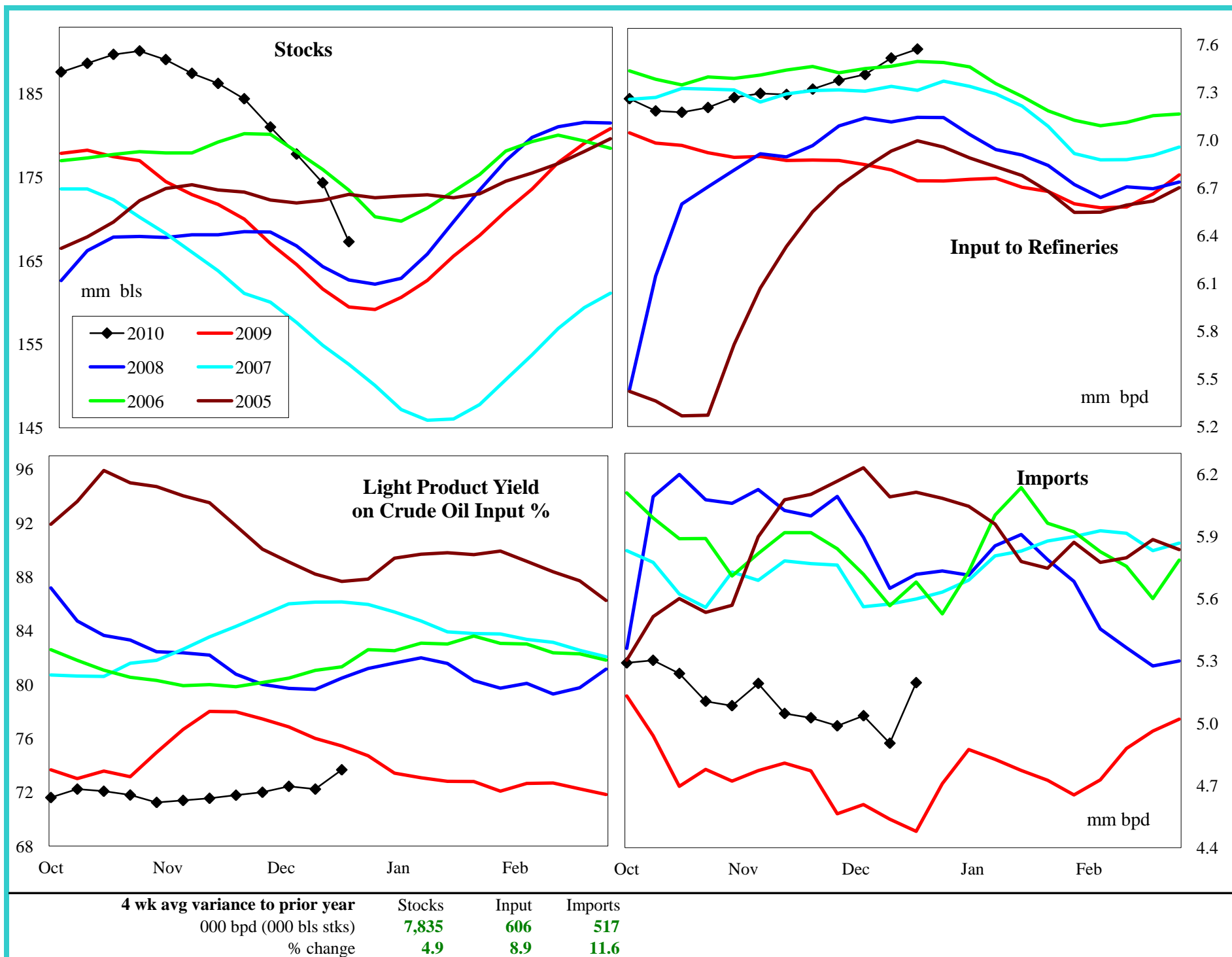
PADD 2 Jet Fuel Supply



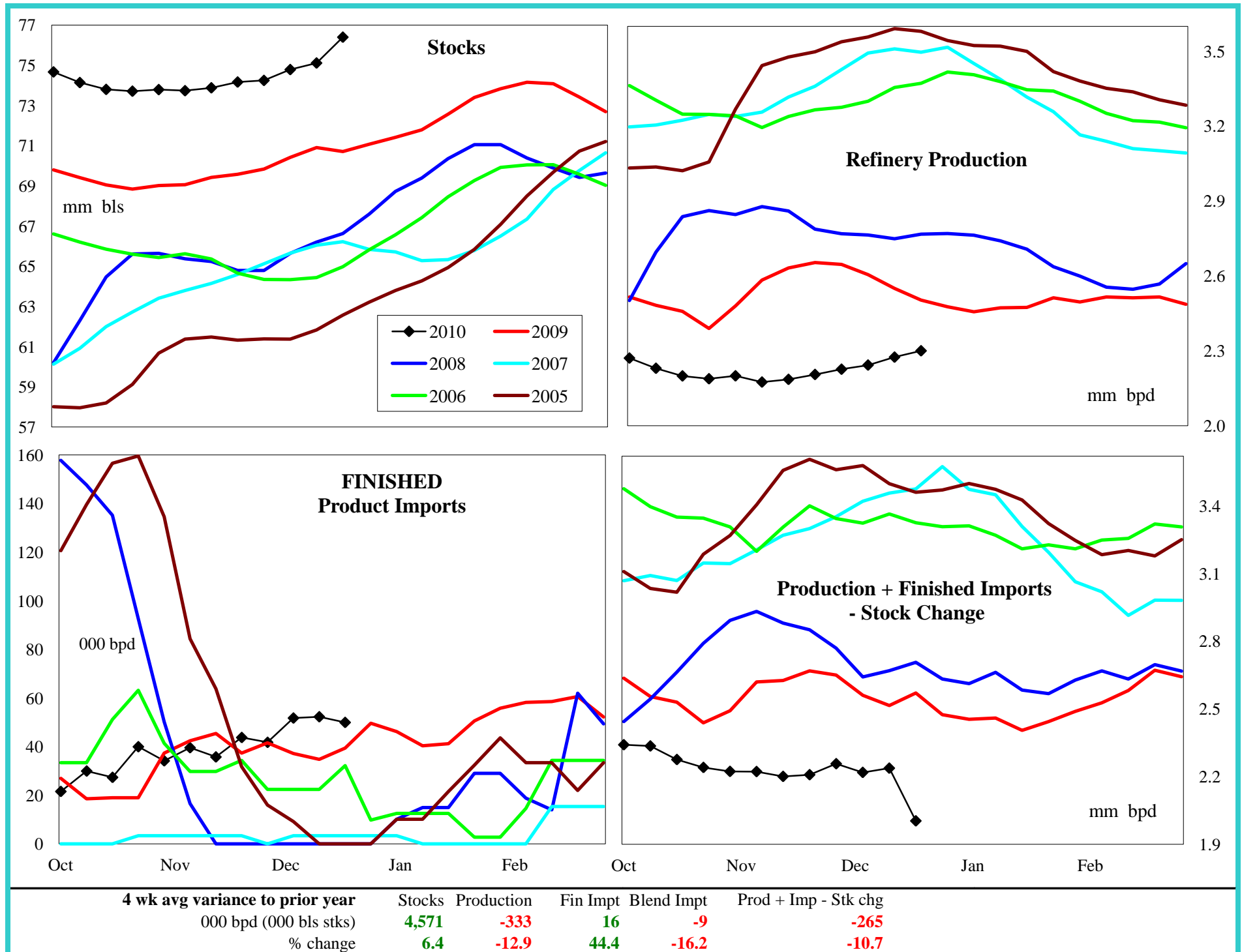
PADD 2 Residual Fuel Oil Supply



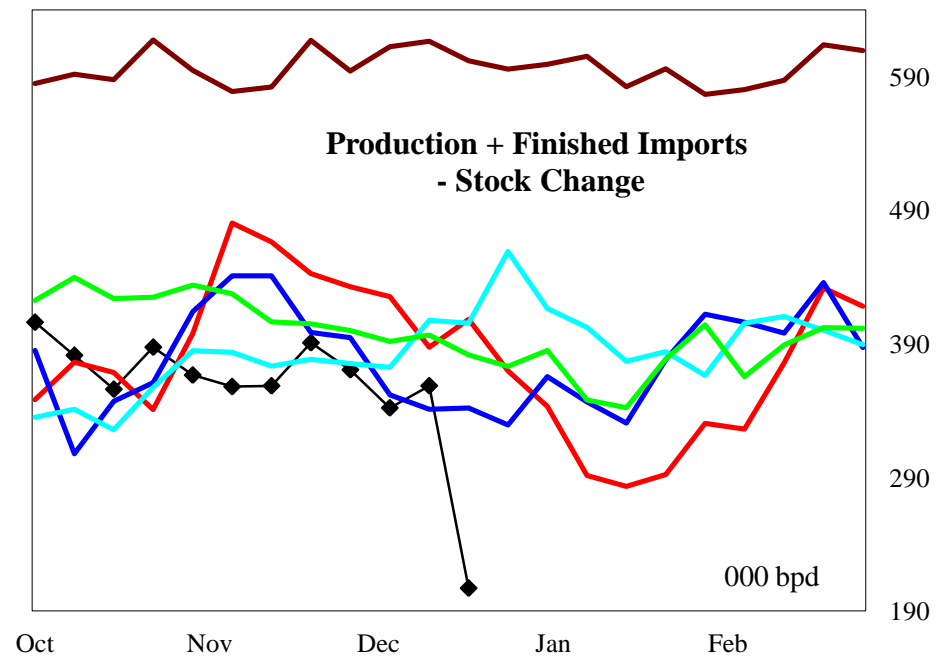
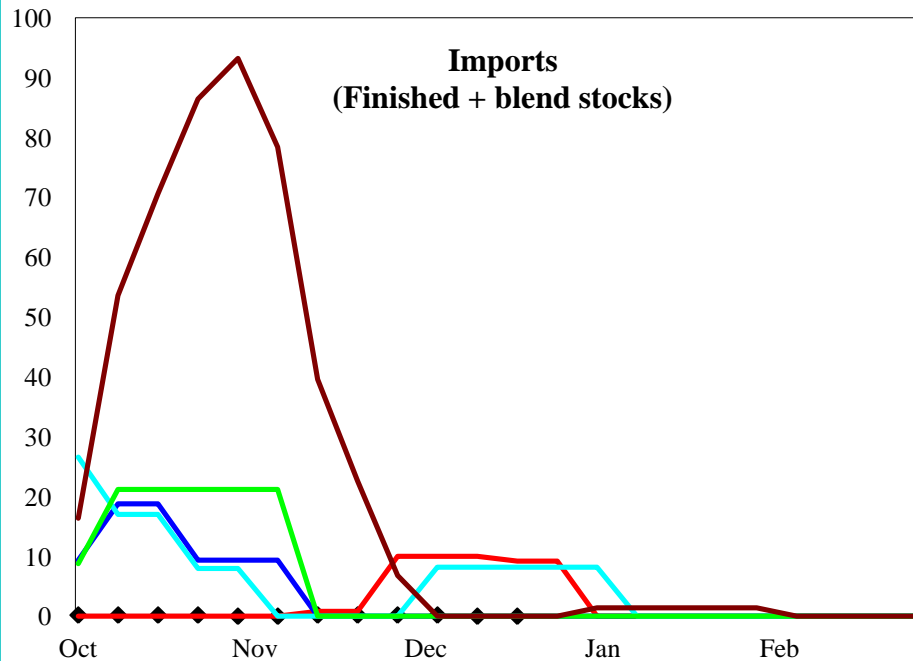
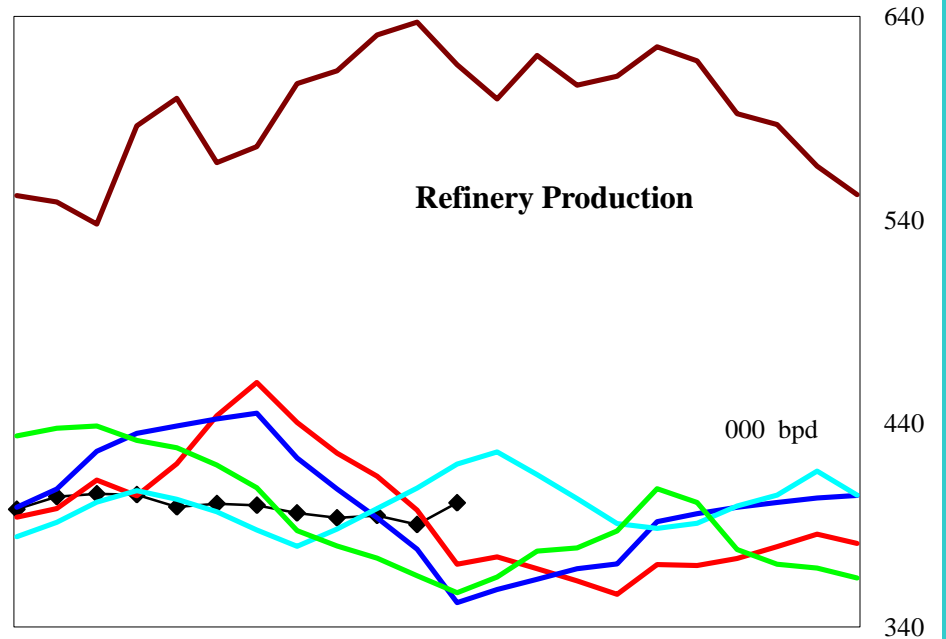
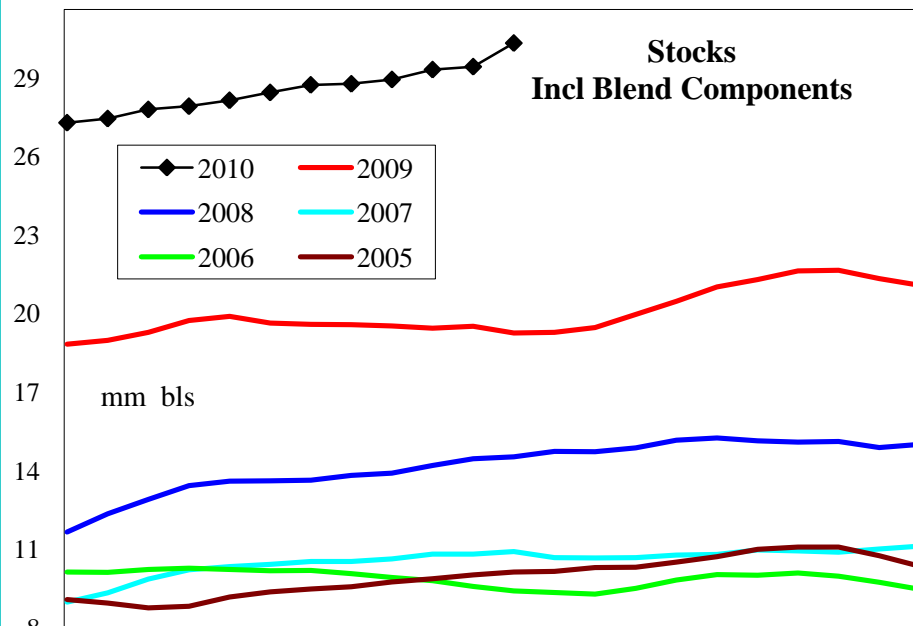
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

11,354

58.6

Production

-6

-1.6

Imports

-12

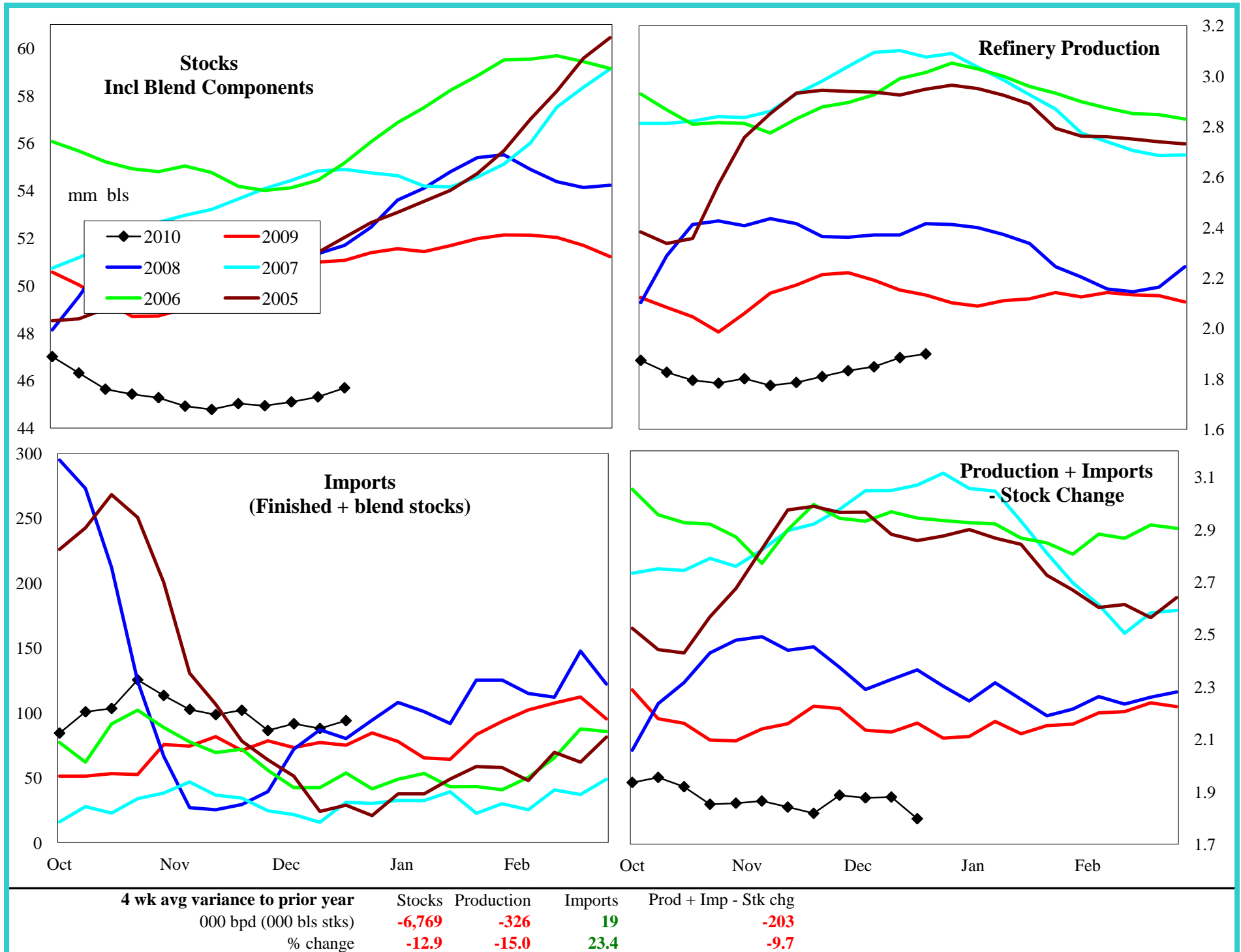
-98.0

Prod + Imp - Stk chg

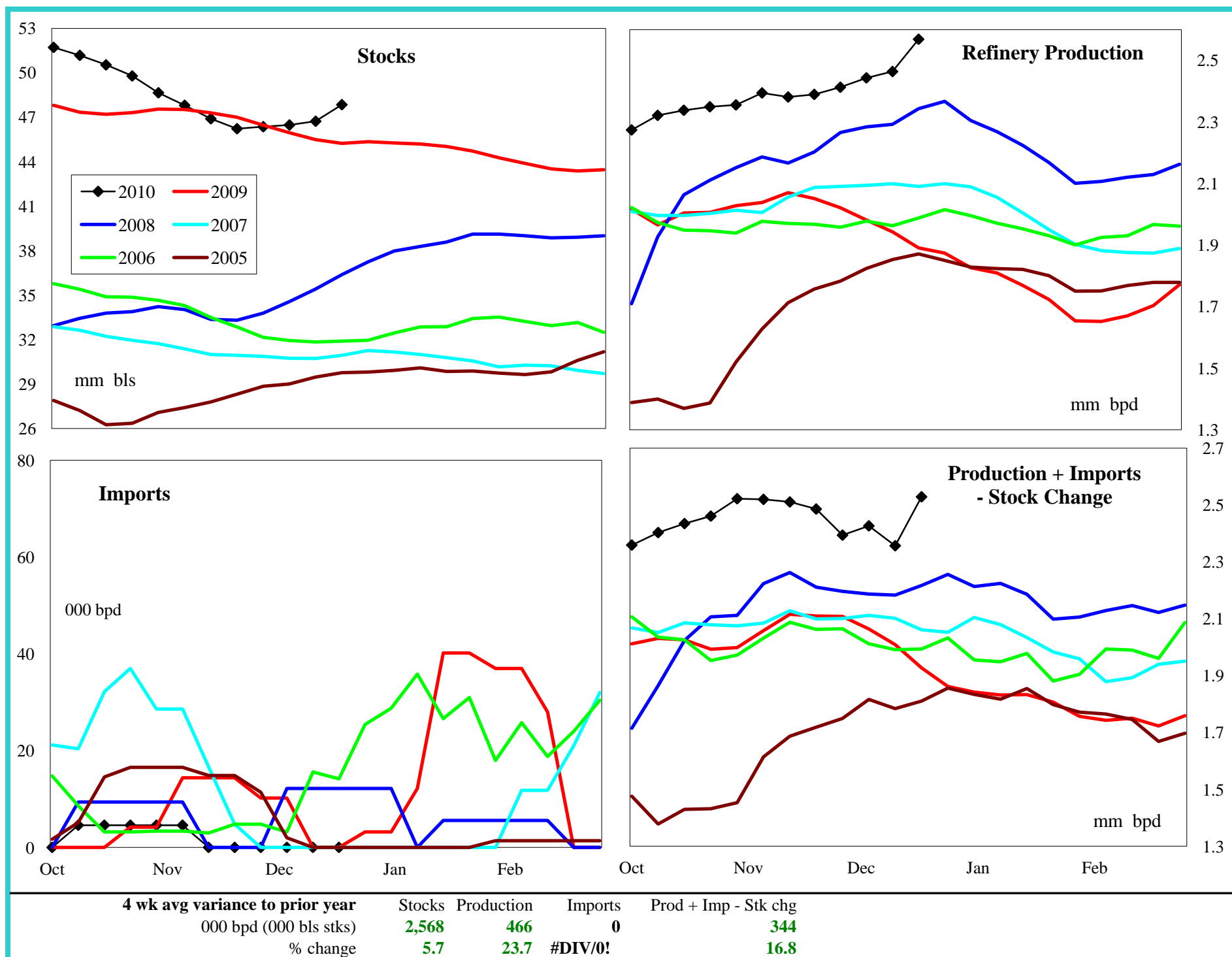
-62

-15.6

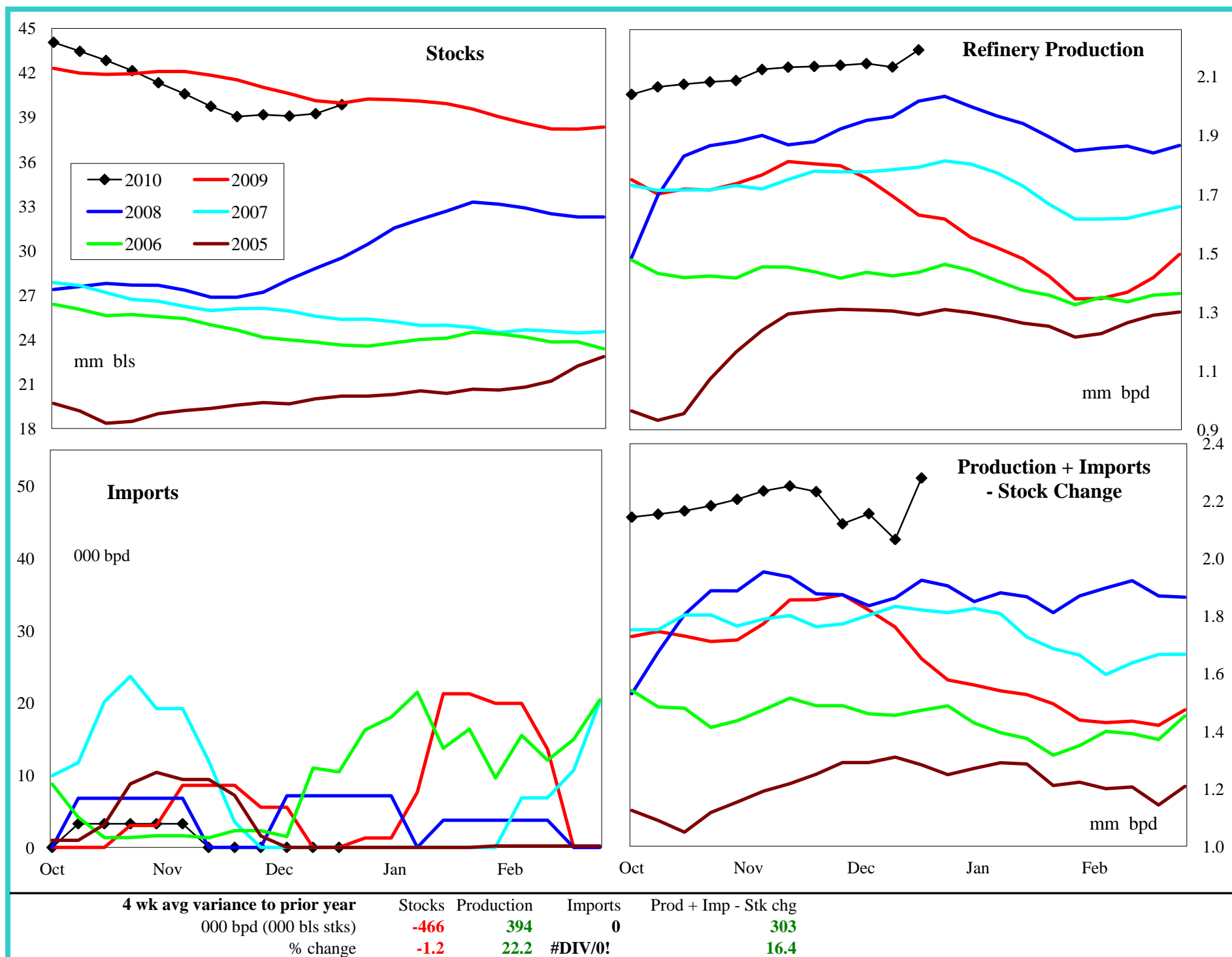
PADD 3 Conventional Gasoline Supply



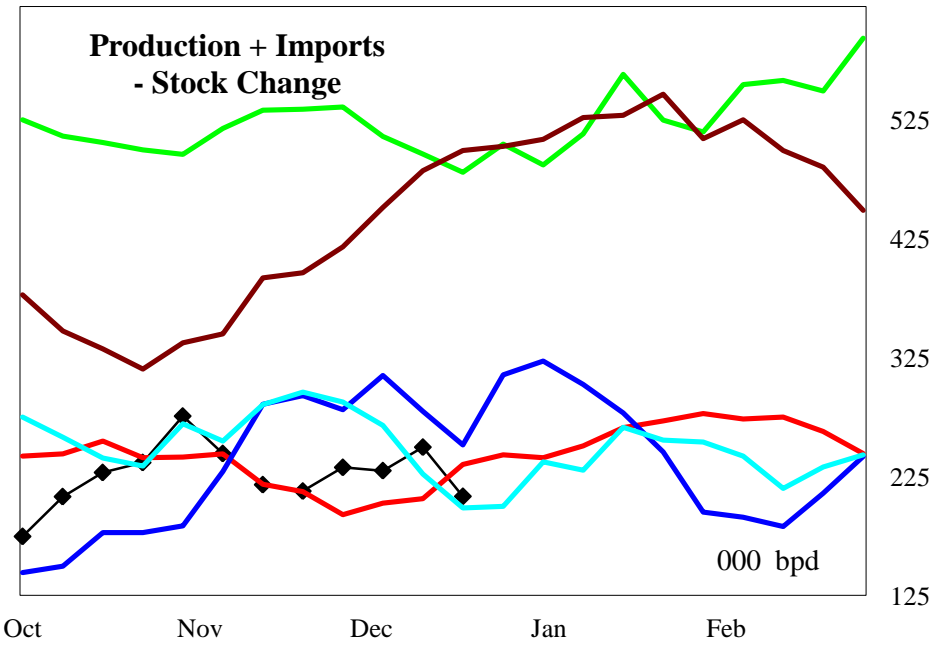
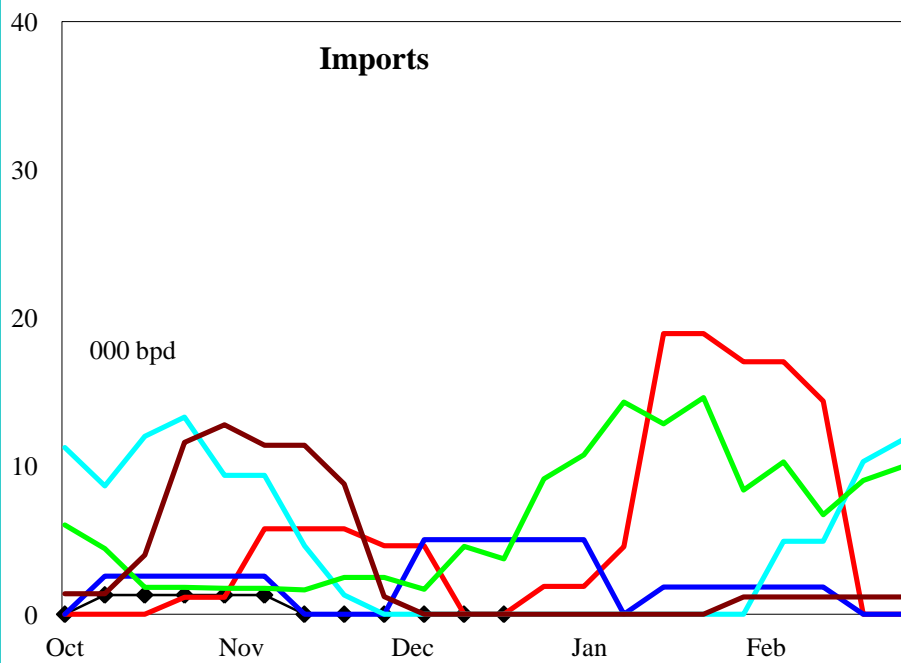
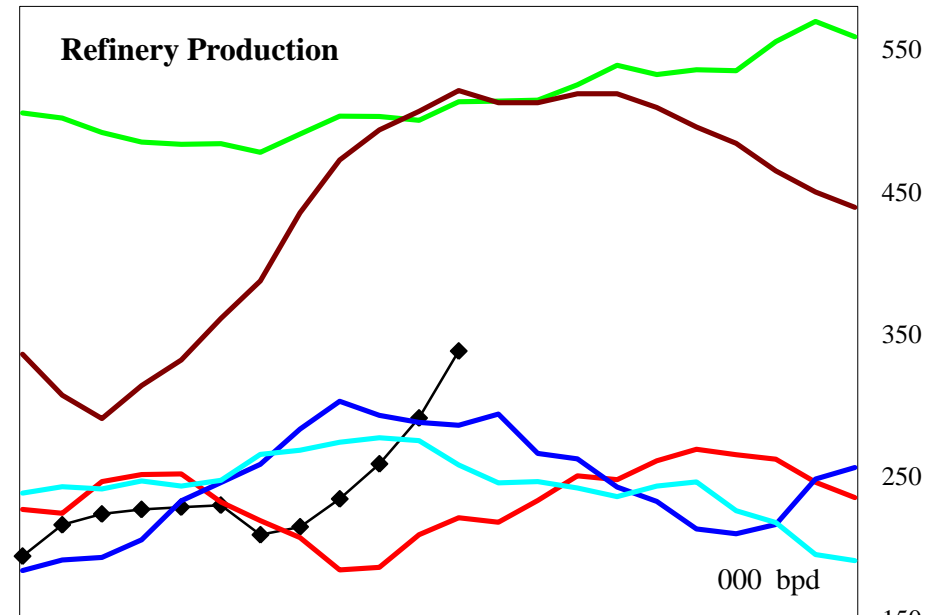
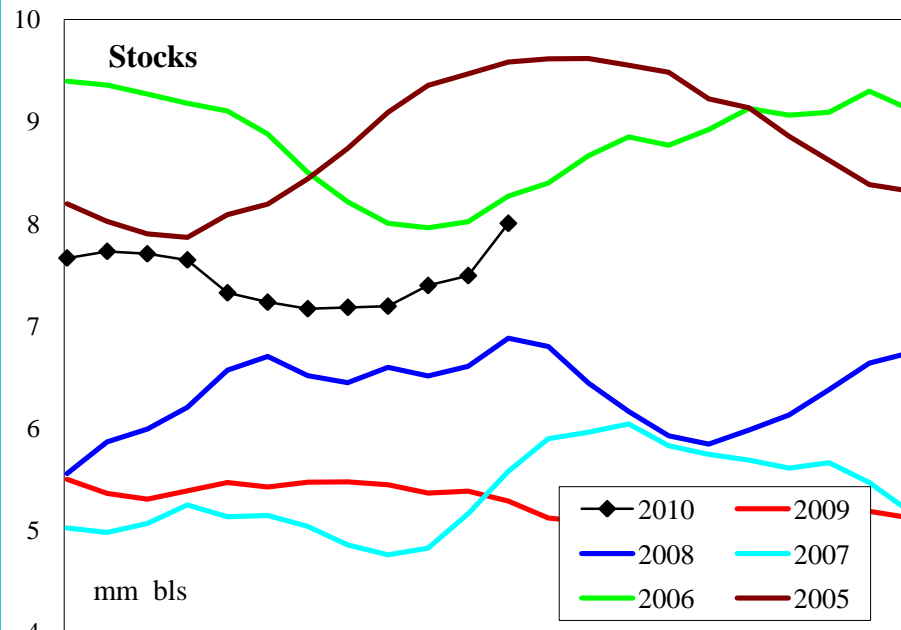
PADD 3 Distillate Supply



PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

3,034

61.1

Production

72

37.7

Imports

0

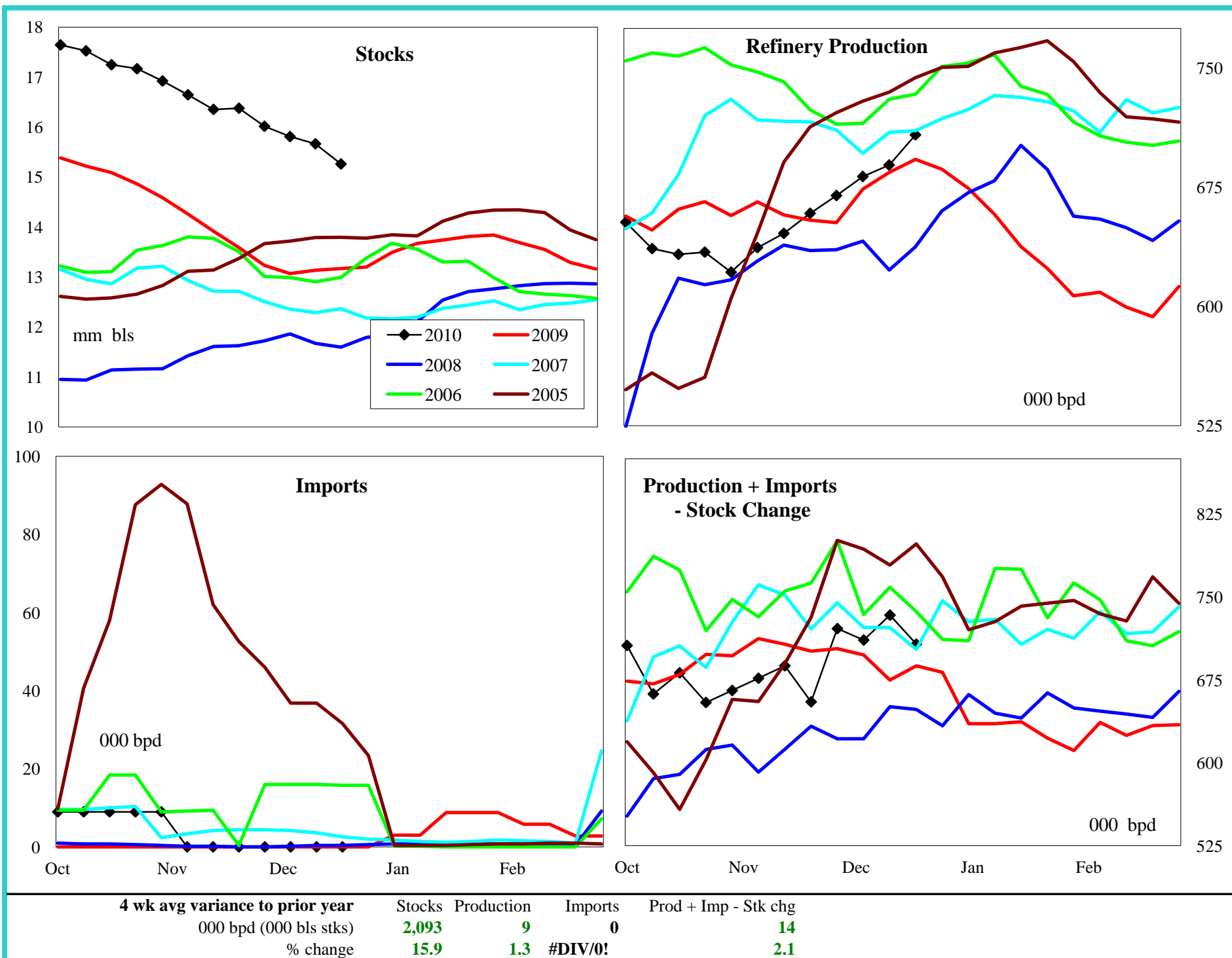
#DIV/0!

Prod + Imp - Stk chg

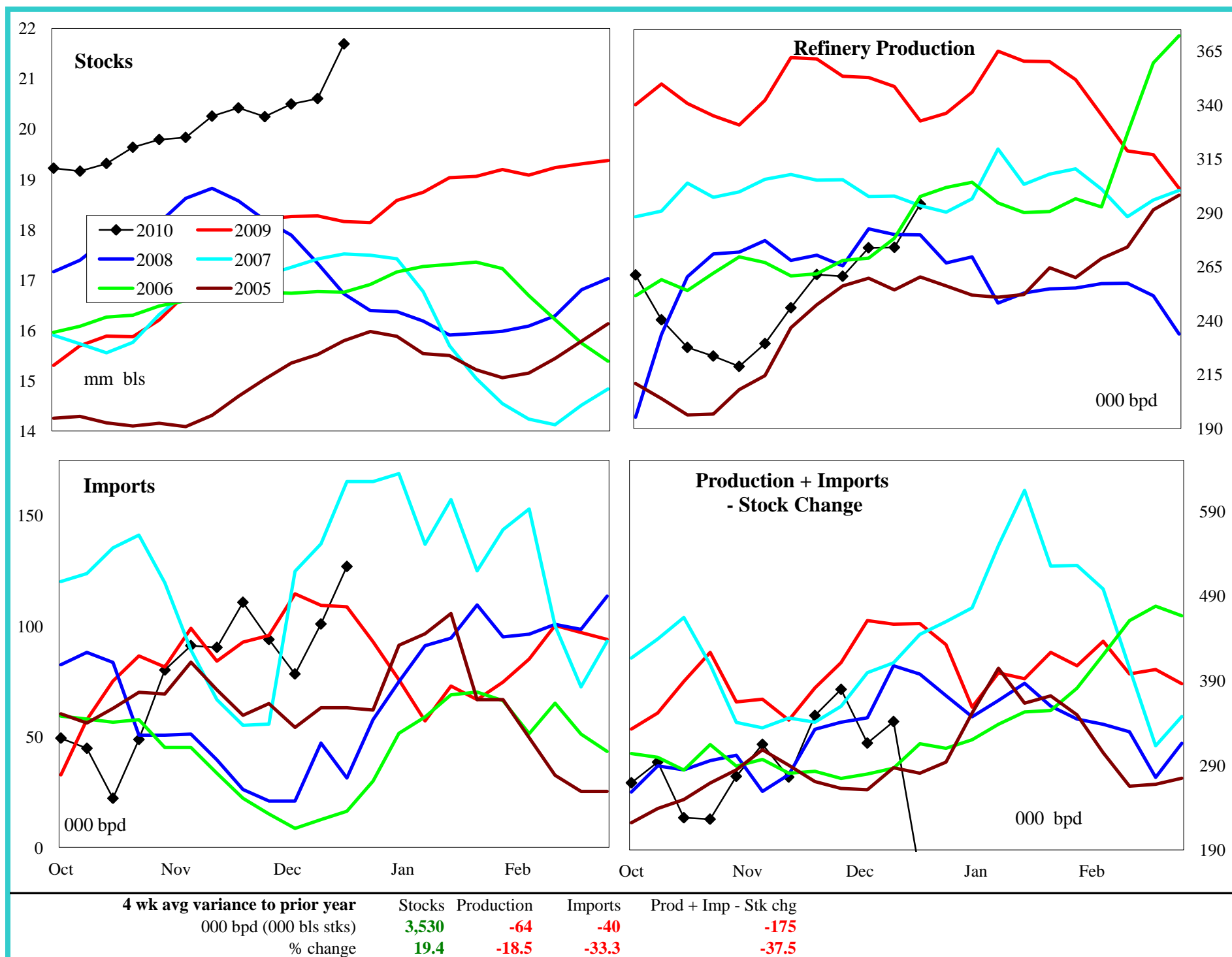
40

20.1

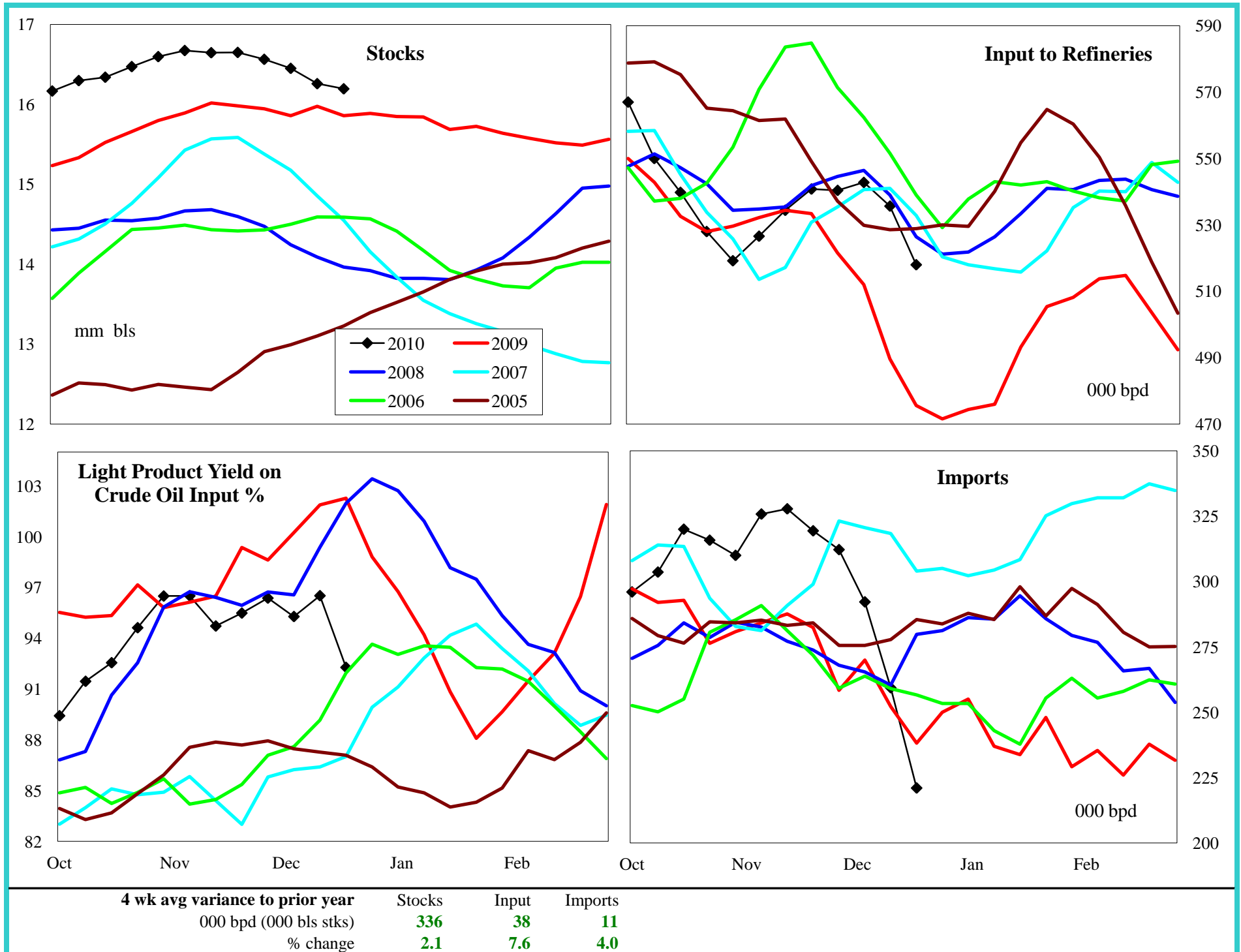
PADD 3 Jet Fuel Supply



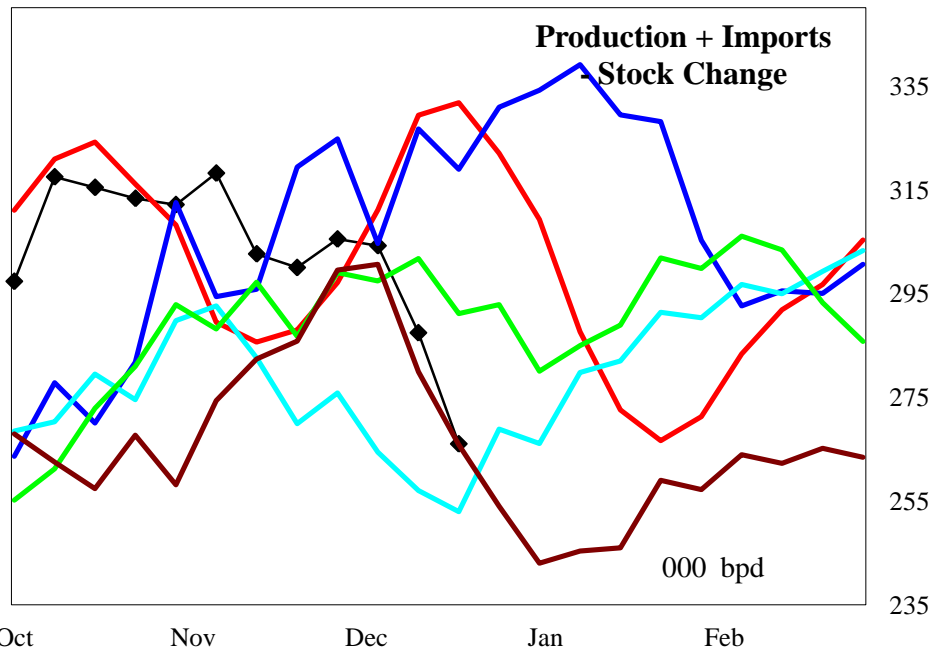
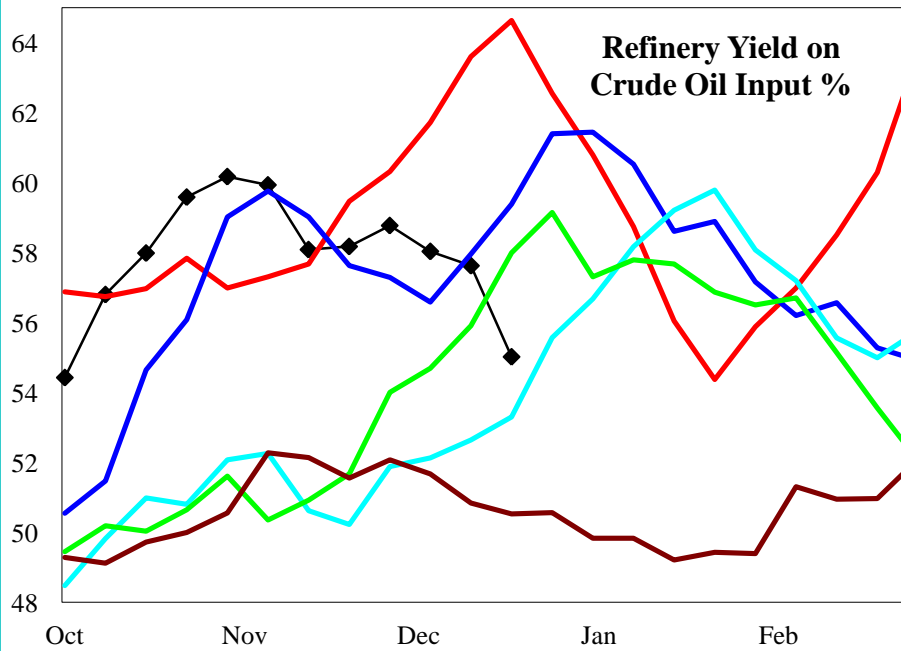
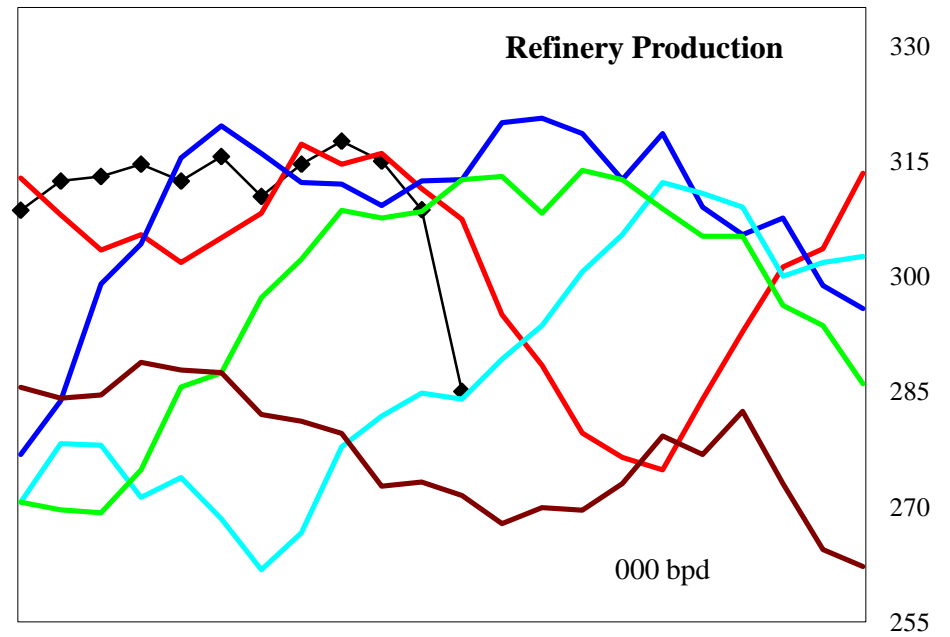
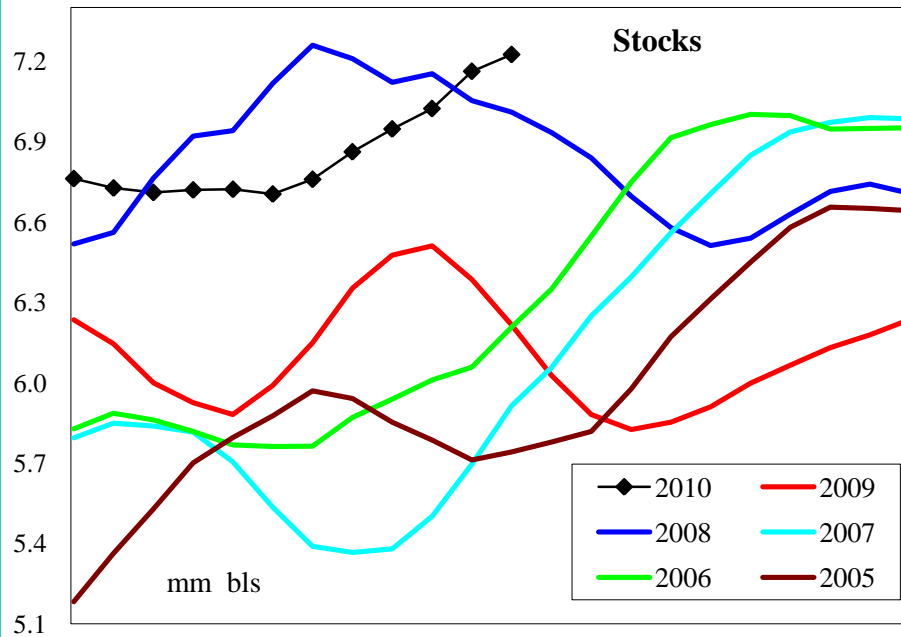
PADD 3 Residual Fuel Oil Supply



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

1,009

-3

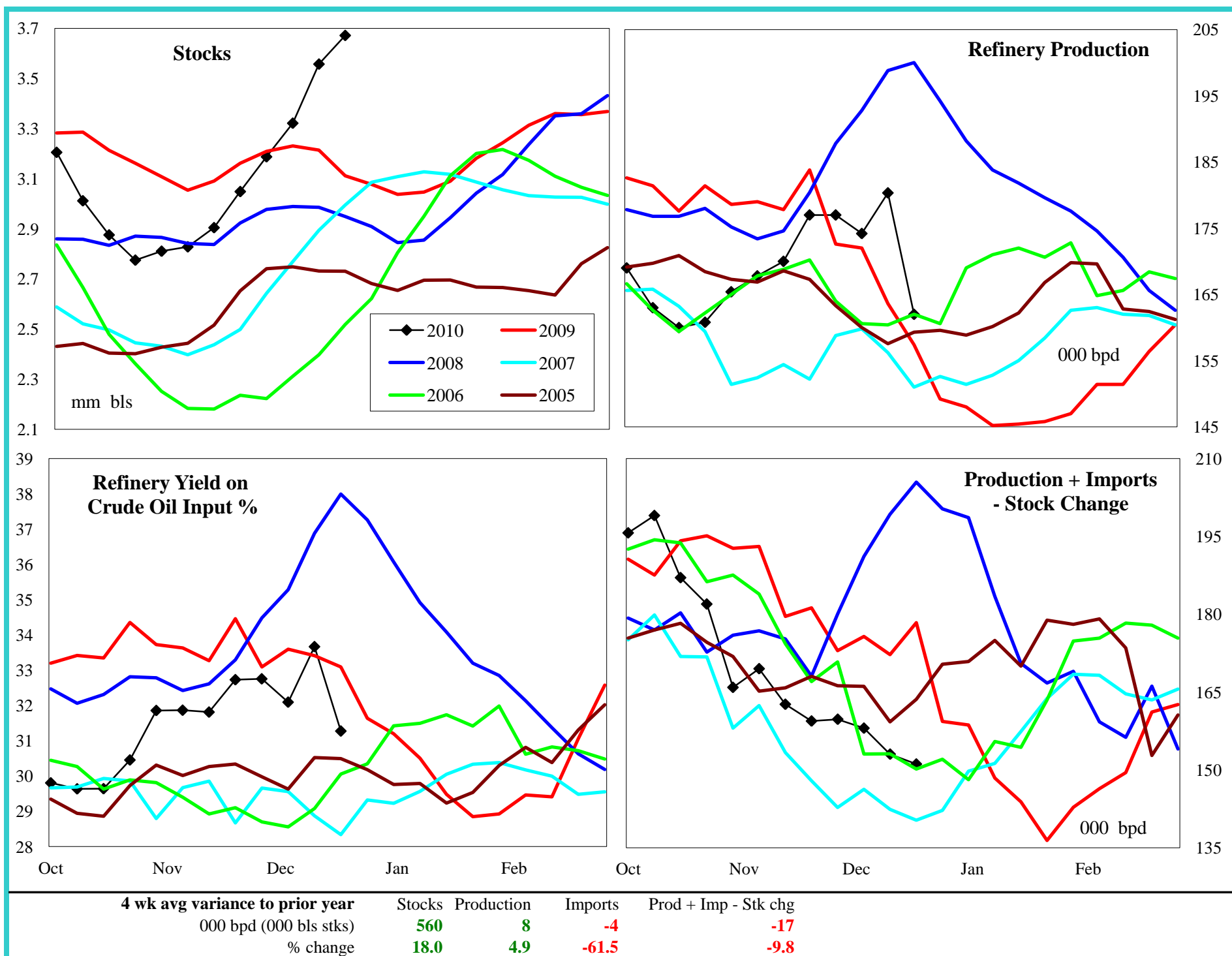
-24

16.2

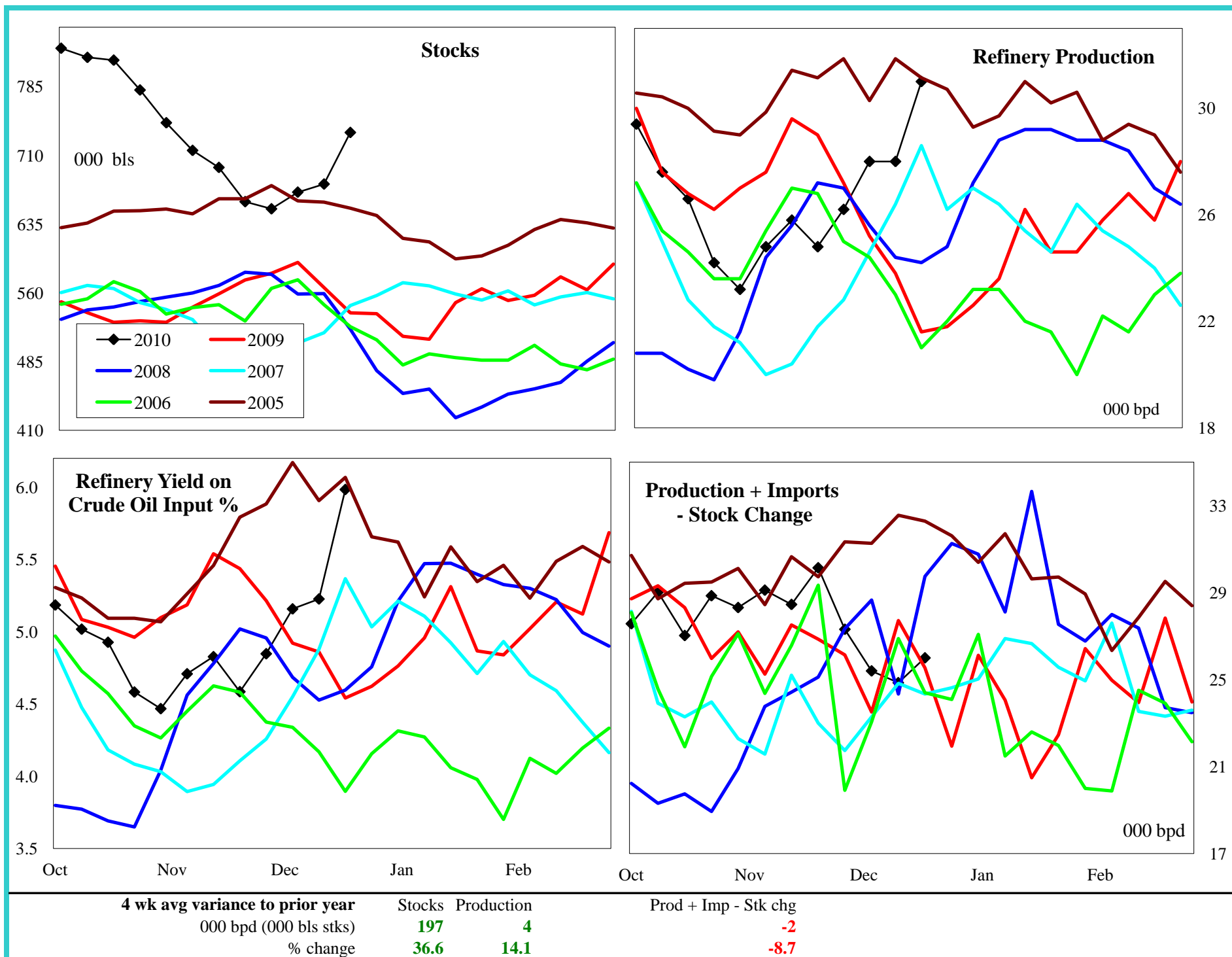
-1.0

-7.6

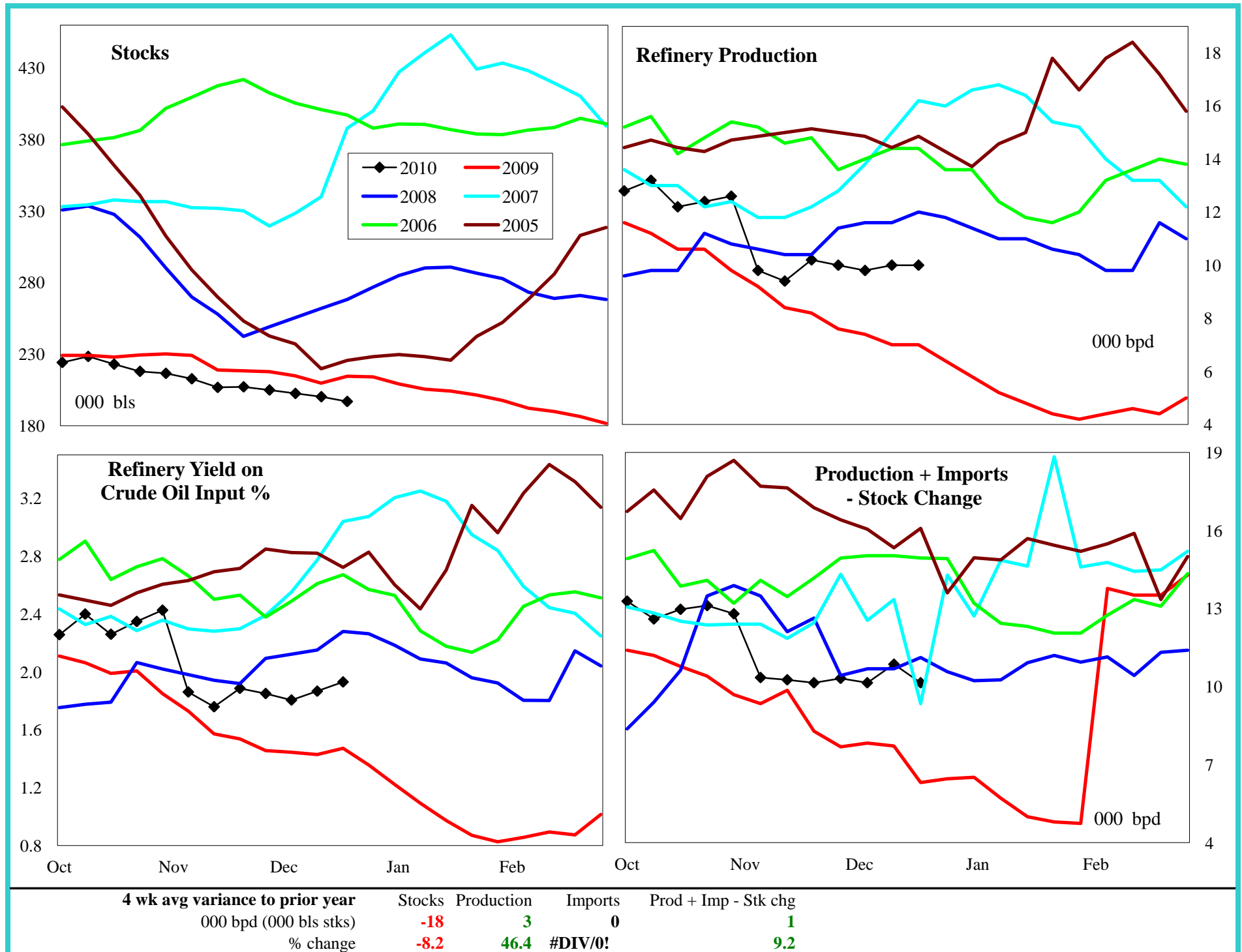
PADD 4 Distillate Supply



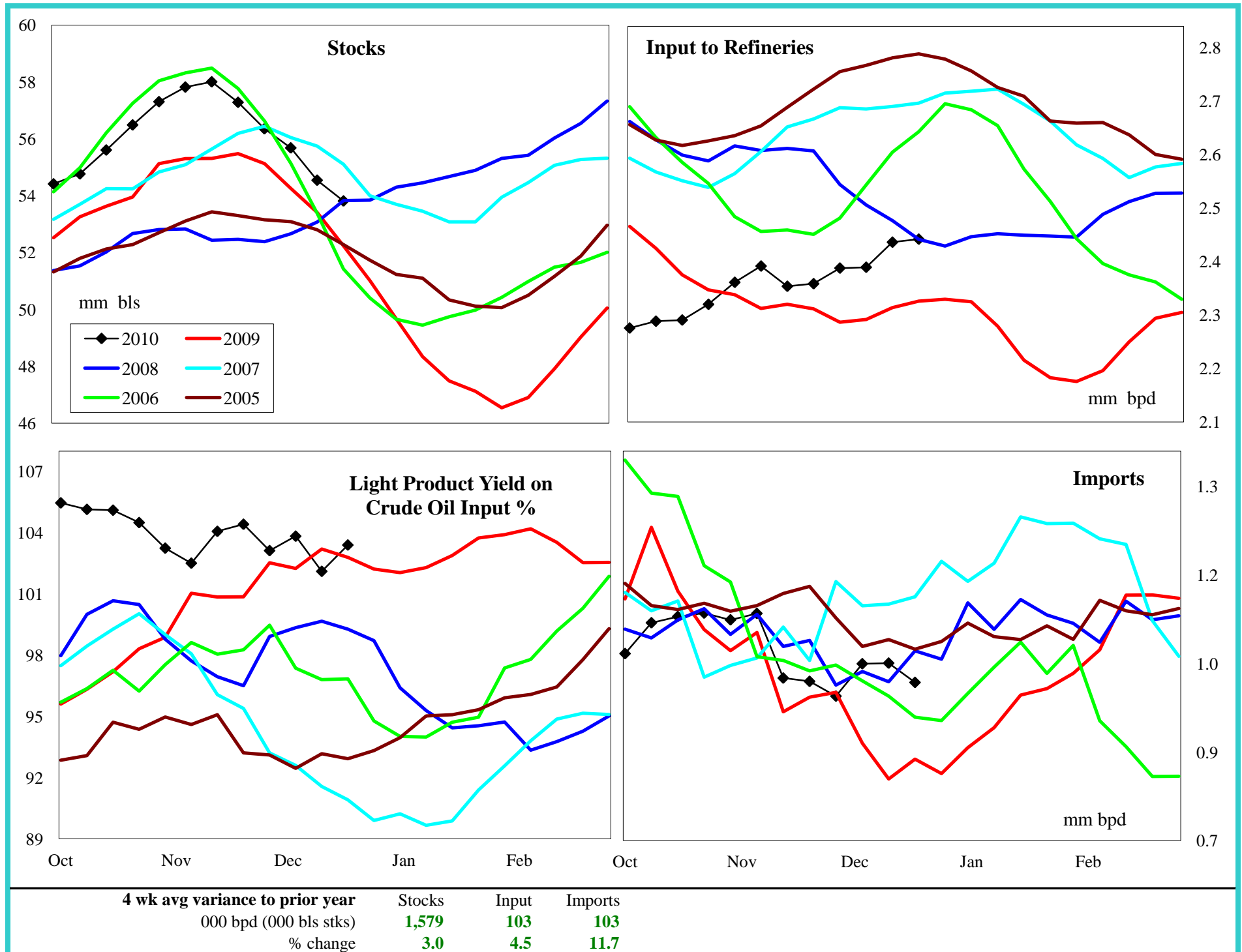
PADD 4 Jet Fuel Supply



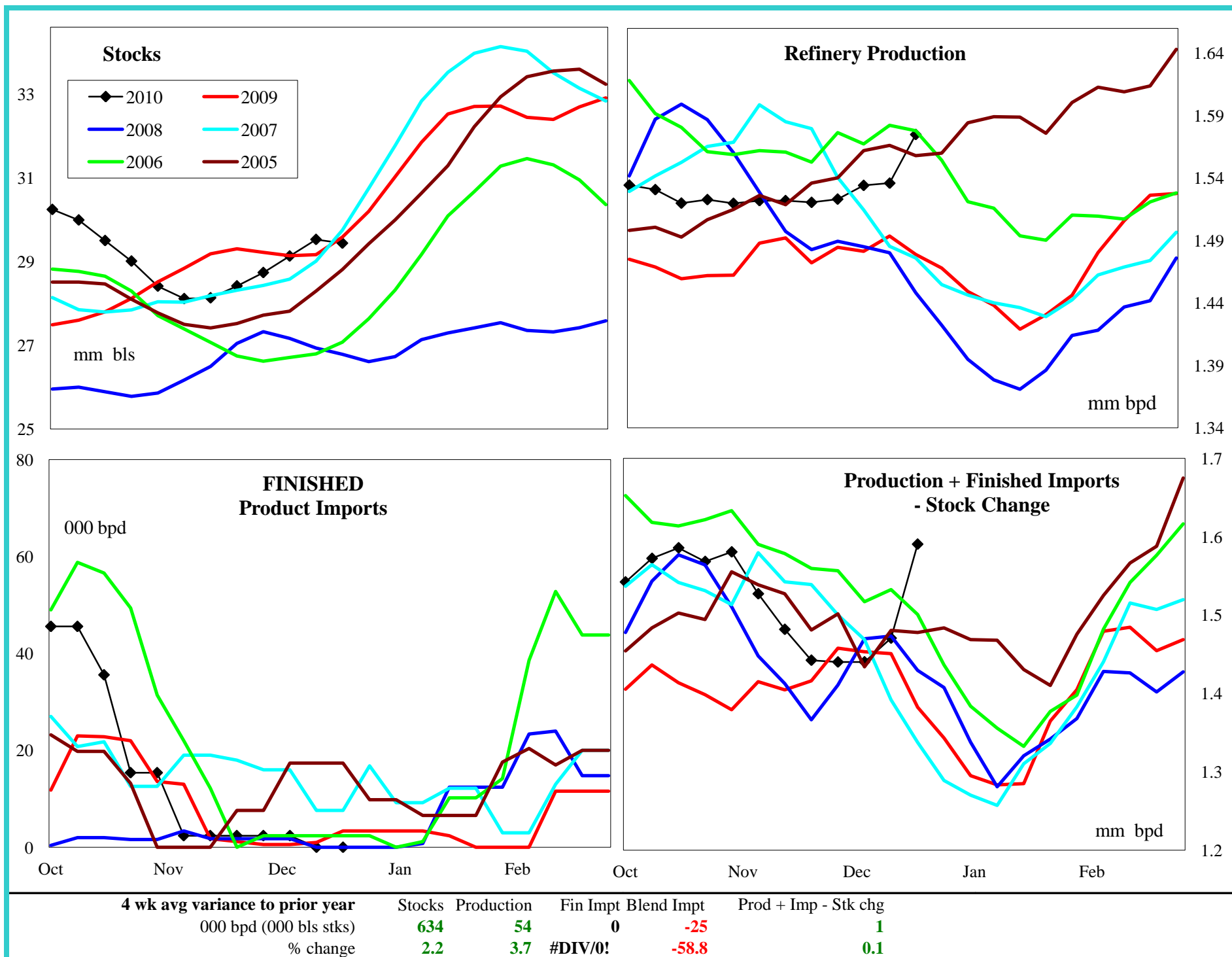
PADD 4 Residual Fuel Oil Supply



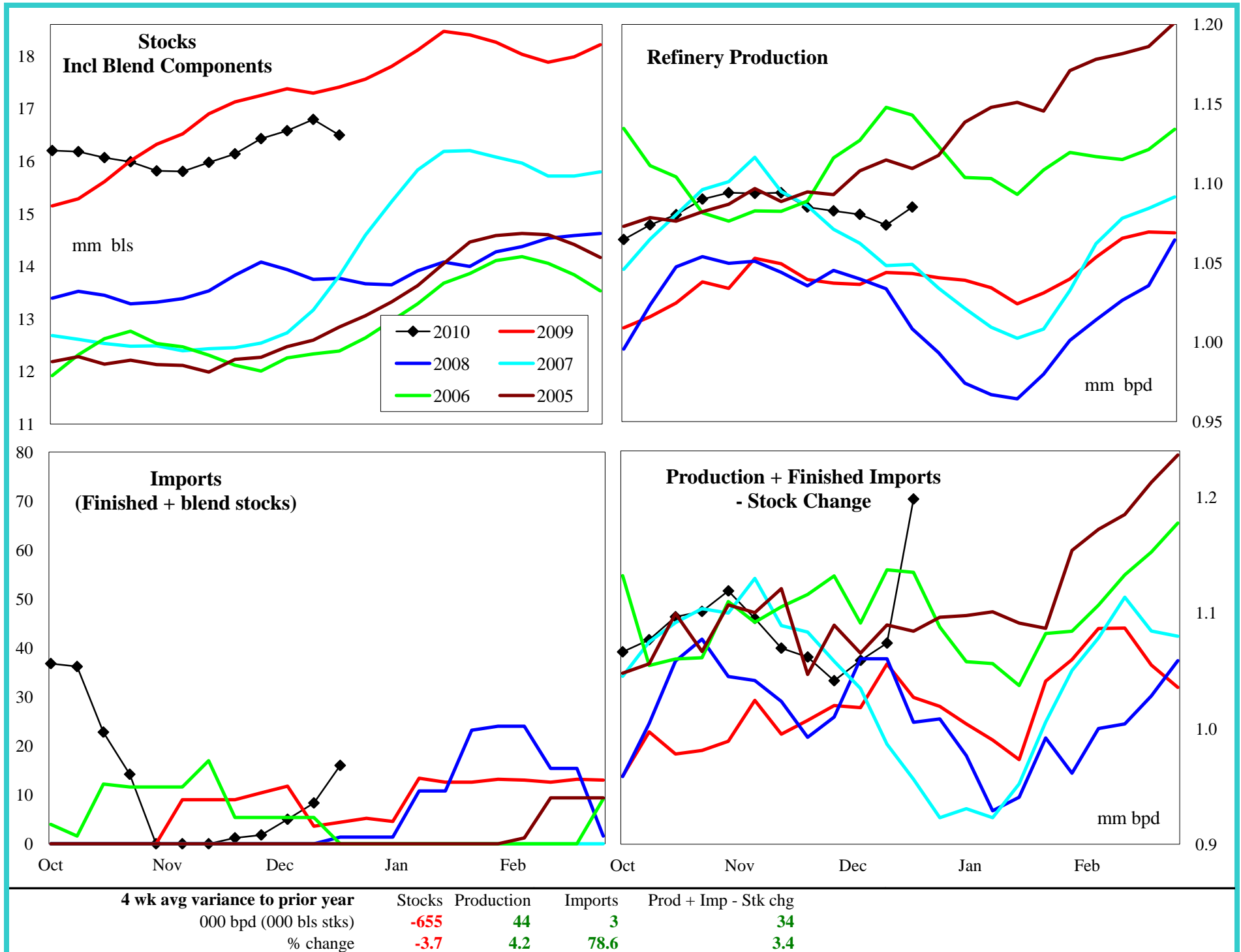
PADD 5 Crude Oil Supply and Refining



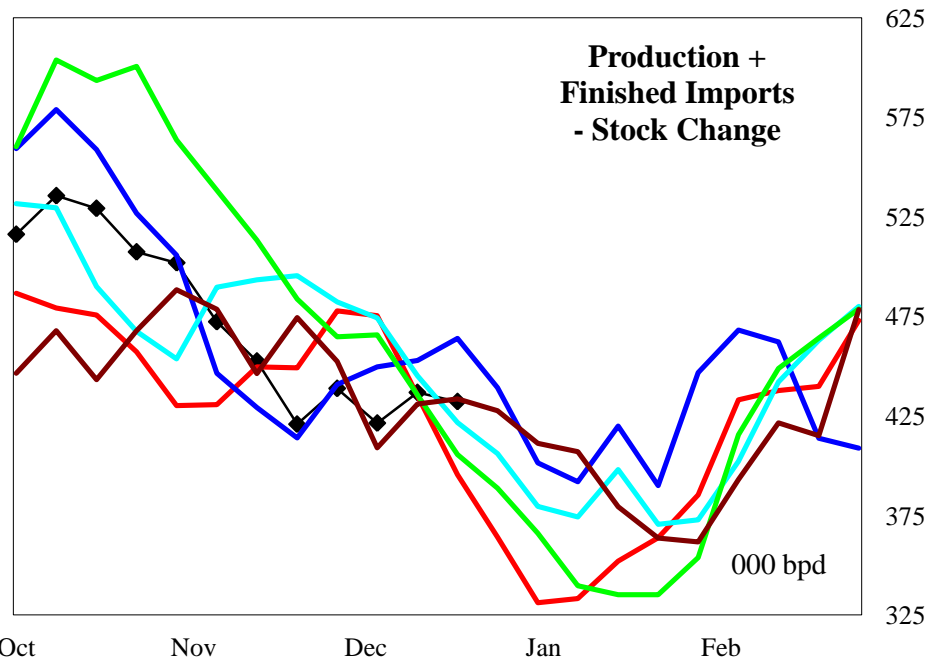
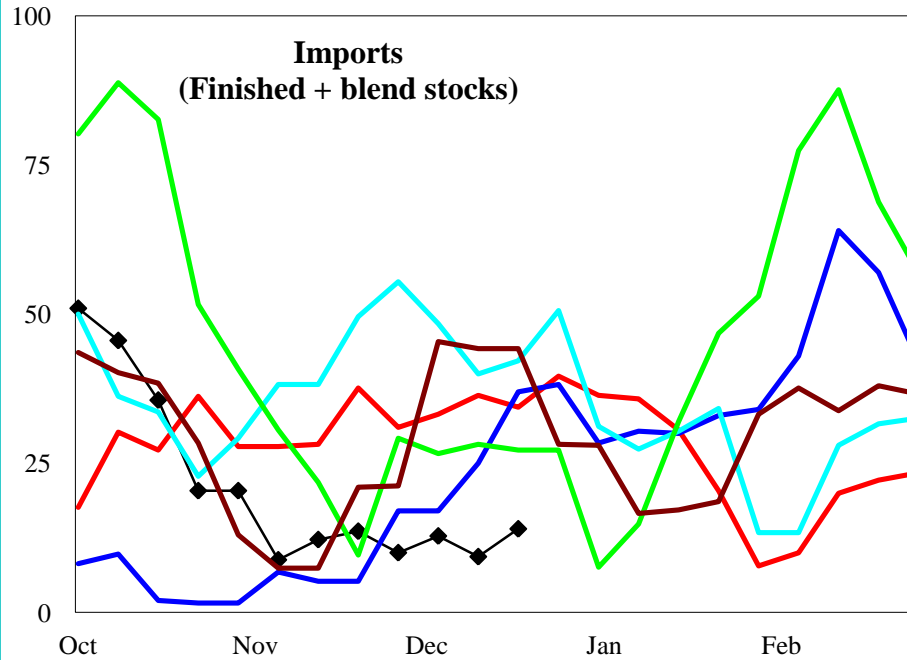
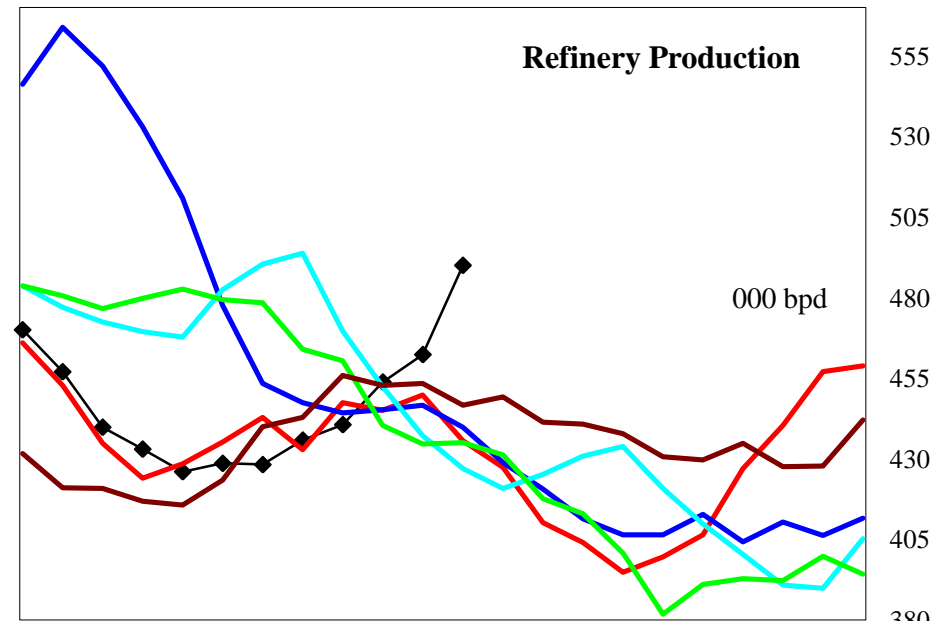
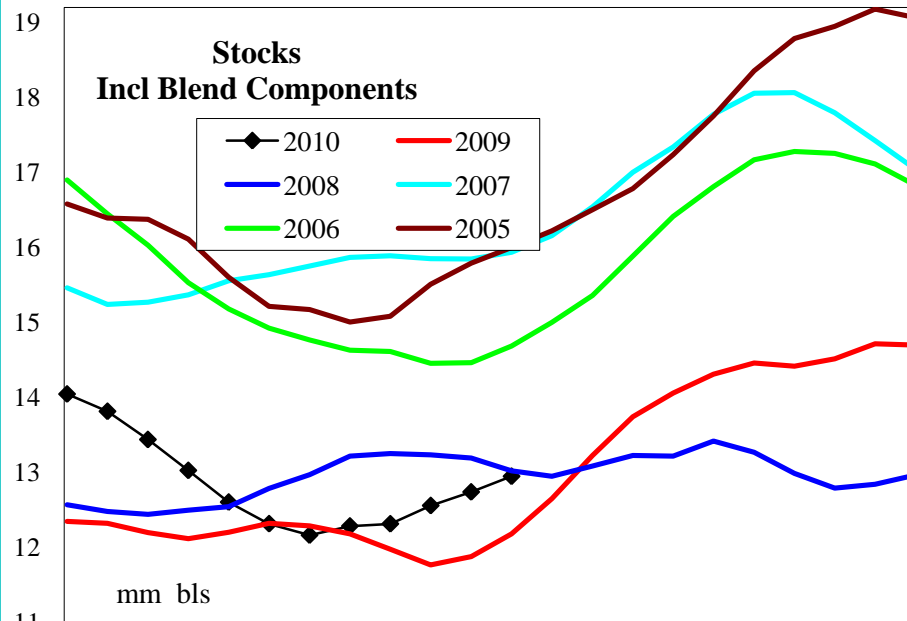
PADD 5 Gasoline Supply



PADD 5 Reformulated Gasoline Supply



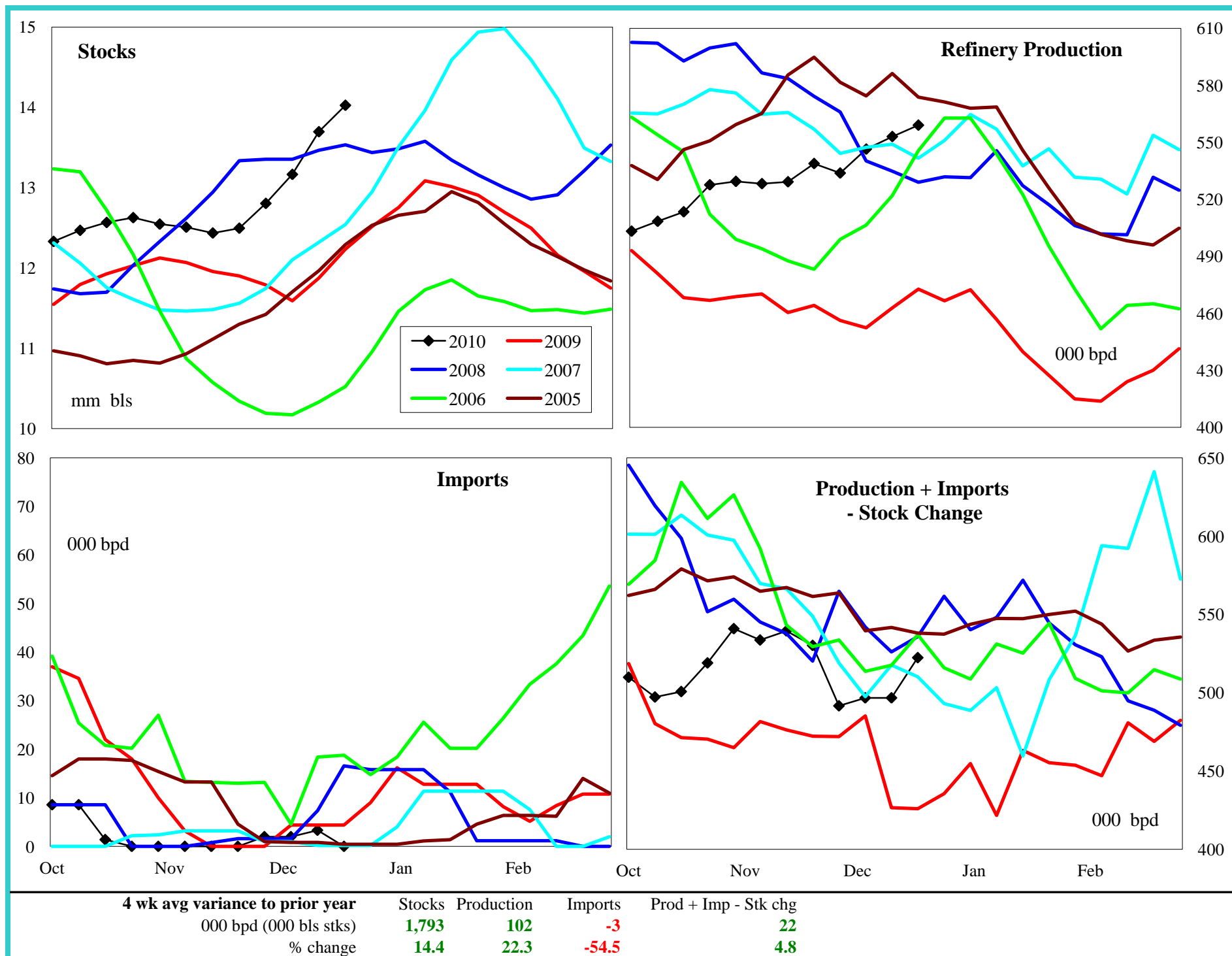
PADD 5 Conventional Gasoline Supply



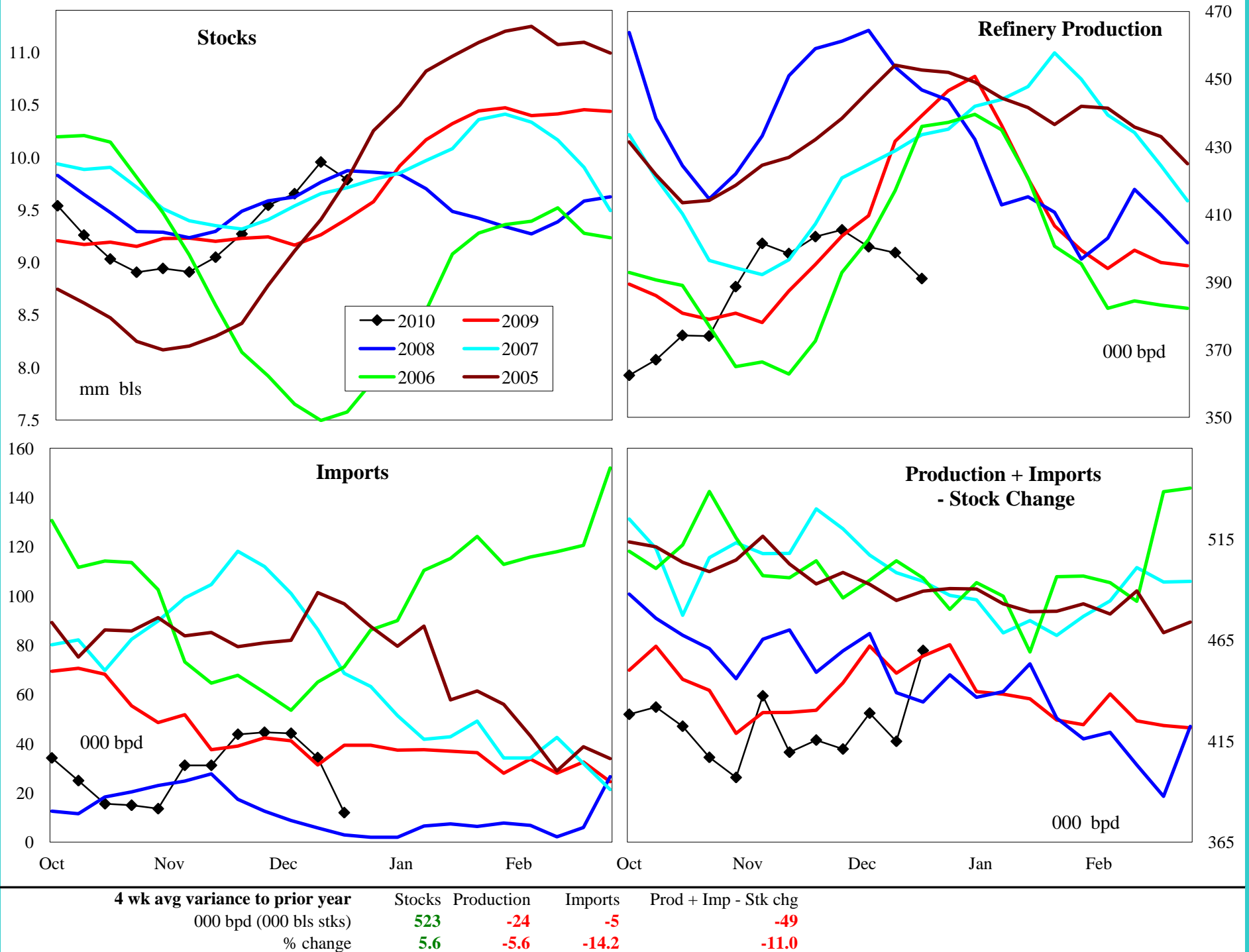
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
1,289	11	-28	-33
11.1	2.4	-71.2	-7.2

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

