

## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

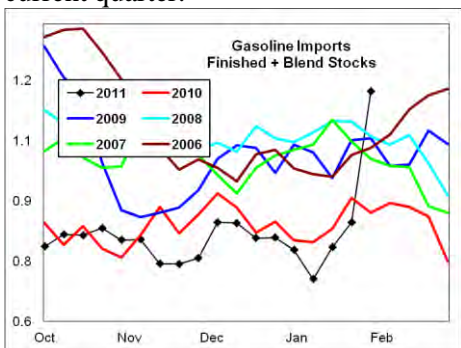
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Wednesday, February 02,

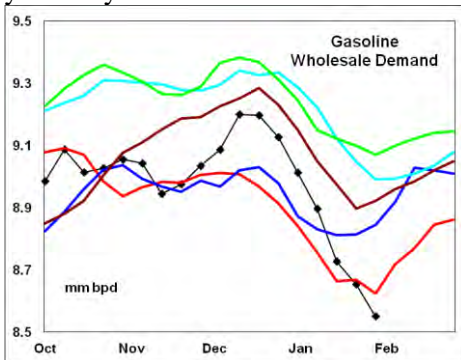


#### Major Fundamental Trends<sup>1</sup>

Gasoline imports surged +529,000 bpd last week, reaching a record high weekly level. The increase points to a shift to more favorable import economics. Combined with inclement weather, which should limit demand, the tight supply balance in New England and Central Atlantic Regions of PADD 1 should improve during the current quarter.



Gasoline demand continued the seasonal downtrend last week, with the 4-wk level falling to a +50,000 bpd year-on-year increase.

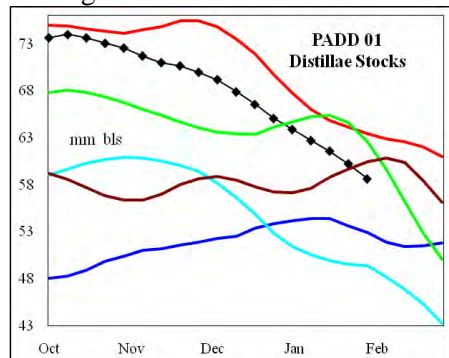


The surge in imports and low demand, led to a +6.2 million barrel stock build last week, with meaningful builds in all major regions.

Distillate demand increased for the 2nd consecutive week, although the 4-wk year-on-year average was -10,000 bpd below last year. Demand remains lackluster on weak domestic use.

Unusually high heating degree days in the key heating oil market has pulled stocks in PADD 1 to below the

mid range. There is an emerging risk of tight supplies in this region if winter heating continues at elevated levels.



Crude oil stocks continued the seasonal build last week, including a +4.9 million barrel build in PADD 3. Stocks in the Gulf Region have increased +18 million barrels during the last 3-wks. Stock levels in PADD 3 remain below the mid range while stocks in PADD 2 remain at record high levels. These fundamentals underlie the continued record price discount for WTI compared to other global crude oil grades.

**Demand** for distillates increased last week, while other transport fuel were marginally lower.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +0.6%; distillate down -0.3%; jet fuel up +2.9% while residual fuel oil increased +6.5%.

**Stocks forward coverage:** Gasoline demand coverage increased on a +6.2 million barrel build in stocks and lower demand. Coverage levels were above the 5-year high for this time of year.

Distillate coverage decreased on a -1.6 million barrel stock draw and higher demand. Coverage levels matched the 5-year high for the period.

Jet fuel coverage reached a new 5-year high for the period on weak demand and a +1 million barrel build in stocks.

**Refinery utilization** rates increased on a +175,000 bpd rise in crude oil runs, concentrated on the East and West Coasts. Runs for the latest 4-wk period were +0.6 million bpd above a

year ago, and comparable to 2009 levels.

Gasoline yield % on crude oil runs decreased on a +12,000 bpd increase in production versus the +175,000 bpd rise in crude oil runs. The yield % on crude oil runs was above four of the last 5-years.

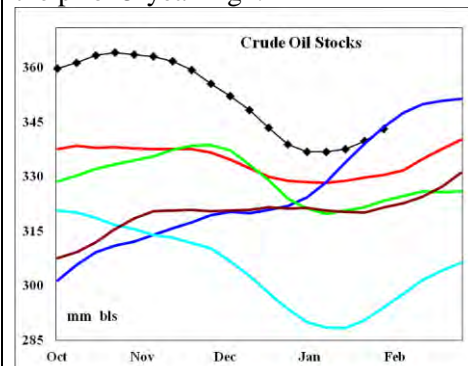
Distillate yield % on crude oil runs decreased with production down -89,000 bpd compared to the increase in crude oil runs. Yield % matched the 5-year high for the period.

Jet fuel yield % on crude oil runs increased on a +44,000 bpd increase in output, more than expected based on the increase in crude oil runs. The yield % on crude oil runs was above the mid range.

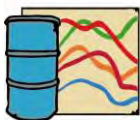
**Petroleum Imports** of gasoline spiked to a 6-month record high last week, with middle distillates also higher.

During the latest 4-wk period crude oil imports increased +0.6 million bpd over last year; distillate imports decreased -181,000 bpd; finished gasoline imports decreased -132,000 bpd, gasoline blend stock imports increased +142,000 bpd; jet fuel imports were -42,000 bpd lower, while residual fuel oil imports increased +43,000 bpd.

**Crude Oil** imports decreased -371,000 bpd on the week, partially offset by a +247,000 bpd rise in domestic production as the ANS pipeline returned to full operation. Stocks increased +2.6 million barrels to match the prior 5-year high.



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



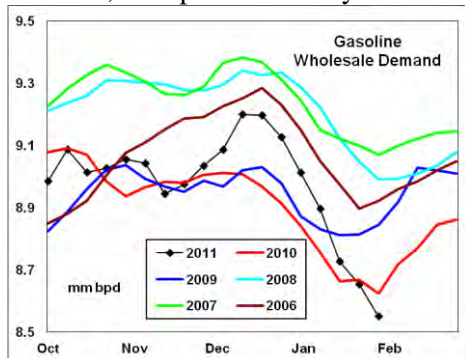
## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

### A Fundamental Petroleum Trends Weekly Report

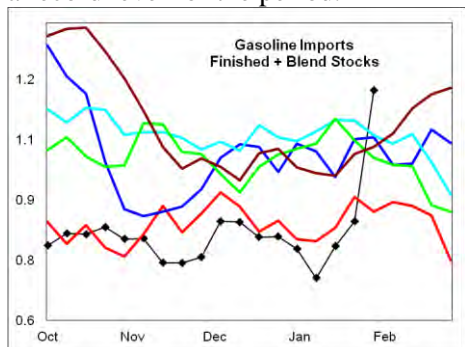
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#### Product Supply-Demand Trends

**Gasoline** demand decreased -83,000 bpd on the continued seasonal downtrend. The latest 4-wk average was +50,000 bpd above last year.



Production increased +12,000 bpd on the week, to a level above the mid range. Imports spiked +529,000 bpd to a record level for the period.

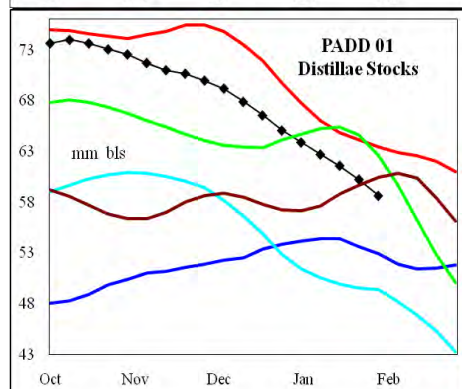
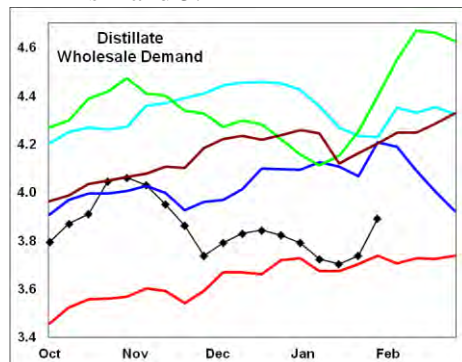


Stocks increased +6.2 million barrels with significant builds in all major regional markets.

Demand should reach a season low within the next 3-wks, then began to trend higher. Stock levels are at record high levels and should rise further on current inclement weather. The surge in imports points to improved economics which should lead to improved supply in key East Coast markets. Improved fundamentals should lead to price weakness.

**Distillate** demand increased +181,000 bpd on the week. The latest 4-wk average was -10,000 bpd below last year. Demand continues at a lackluster level measured in year-on-year growth. Supply decreased -25,000 bpd on lower production that offset an increase in imports. Production matched the prior 5-year high for the week. Higher demand led to a -1.6

million stock draw, concentrated in PADDs 1 and 5.



Stocks were extremely high in all regions, except PADD 1 where higher than normal heating demand and reduced production in the region has driven stock levels to below the mid range.

*Continued high heating demand may lead to tightness in the key Central Atlantic Region of PADD 1.*

*Forecast of extended colder than normal temperatures and robust exports should support prices in the near term.*

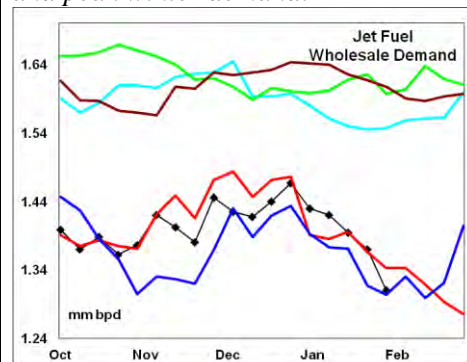
**Jet Fuel** demand decreased -39,000 bpd as seasonal travel declined. The latest 4-wk average demand was +40,000 bpd above a year ago.

Supply increased +155,000 bpd on higher production and imports. Stocks increased +1 million barrels to a level near 5-year highs.

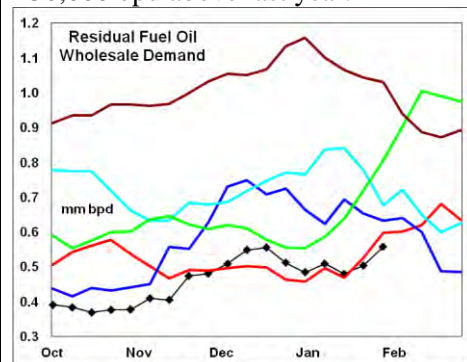
*Demand continued to trend seasonally lower, and should see a sharp drop on the current inclement weather. The quick rise in supply assures the market will remain very well supplied during the next quarter.*

*Jet fuel prices should follow that of distillates which continue to exhibit*

*significant strength on robust exports and peak winter demand.*

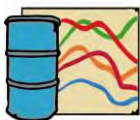


**Residual fuel oil** demand, including exports, decreased -52,000 bpd last week, with the 4-wk average - +30,000 bpd above last year.



Supply (production + imports) fell -262,000 bpd on a sharp drop in Gulf production. The latest 4-wk average supply was -46,000 bpd below a year ago. Stocks fell -1.5 million barrels, with the level above the mid range.

*Gulf refiners cut output to a record low level last week, driving the sharp stock draw. If this is a permanent reduction (start up of process units to upgrade residual fuel) then supplies should tighten significantly over the next quarter. Otherwise this key regional market will remain well supplied with very high current stock levels.*



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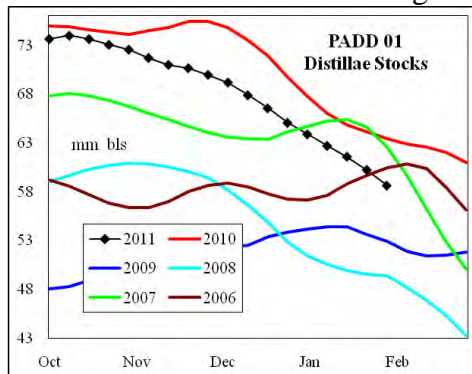
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#### PADD Supply Trends

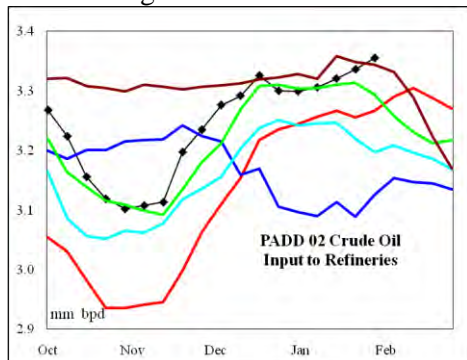
**PADD 1** refinery crude oil runs increased +97,000 bpd last week, with the 4-wk average -47,000 bpd below a year ago. Stock and import levels each decreased, with the levels well below the historic range.

Gasoline production decreased -91,000 bpd, more than offset by a +477,000 bpd surge in imports. Imports reached the highest level of the last 6-months. Stocks increased +2.5 million barrels on the week, to a level near the historic mid range.



Distillate supply increased +24,000 bpd on the week, with lower production, offset by higher imports. Stocks declined -1.8 million barrels, to a level that was below the historic mid range.

Jet fuel supply increased +77,000 bpd for the week. Stocks decreased -0.4 million barrels to a level below the historic range.



**PADD 2** crude oil refinery runs increased +12,000 bpd on the week, to match 5-year highs. Imports decreased -70,000 bpd to a level near 5-year highs. Stocks decreased -0.4 million barrels on the week, with the level +15

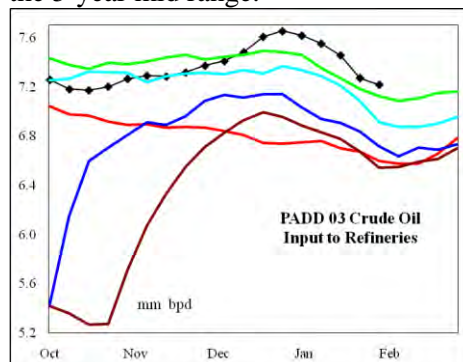
million barrels above last years' record high.

Gasoline production decreased -65,000 bpd on the week to a level above the mid range. Stocks increased +0.8 million barrels, although the level remains at the low end of the 5-year range.

Distillate supply decreased -14,000 bpd on the week, with the level near 5-year lows. Low seasonal demand led to a +0.5 million barrel stock build. Stock levels are near 5-year highs.

Jet fuel production and stock levels each remain near 5-year highs.

**PADD 3** crude oil runs decreased -25,000 bpd last week, with the latest 4-wk average +620,000 bpd above a year ago, and above the 5-year range. Crude imports decreased -0.7 million bpd on the week to a level below four of the last 5-years. Stocks increased +4.9 million barrels to a level below the 5-year mid range.



Gasoline supply increased +51,000 bpd on the week. Stocks increased +2.3 million barrels, as shippers displace gasoline with distillates to the East Coast. Stock levels reached near all time record highs.

Distillate production increased +12,000 bpd on the week, with the latest 4-wk average 625,000 bpd above a year ago. Stocks increased +0.9 million barrels to a level +21% above the prior record high.

Jet fuel production increased +44,000 bpd on the week, to a level above the 5-year mid range. Stocks increased +0.6 million barrels, with the level above the historic range.

Residual fuel oil supply decreased

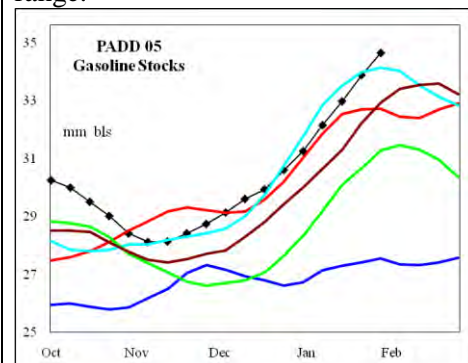
-188,000 bpd on a -170,000 bpd drop in production. Production was a record low level. Stocks decreased -1 million barrels, but remains above the 5-year range.

**PADD 4** refinery crude runs increased +4,000 bpd last week, to a level at the low end of the 5-year range. Crude oil imports surged to record high levels. Stock levels remain above the historic range.

Gasoline production decreased -26,000 bpd to a level near the low end of the historic range. Stock levels remain above the 5-year range.

Distillate stocks were nearly unchanged, ending the week above the 5-year range. Production was below the mid range.

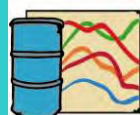
**PADD 5** crude oil refinery runs increased +87,000 bpd on the week, although the level remains below the 5-year range. Crude imports jumped +561,000 bpd on the week to a level above the historic range. Stocks decreased to a level below the historic range.



Gasoline production was unchanged at the mid range of the last 3-years. Stocks increased +0.7 million barrels to a new 5-year season high.

Distillate production decreased -45,000 bpd to a level at the low end of the historic range. Stocks fell -1.2 million barrels, to a level near 5-year highs.

Jet fuel supply increased +53,000 bpd, on a jump in imports. Stocks jumped +0.8 million barrels on unusually low demand. Stock levels were near 5-year highs.


**FUNDAMENTAL  
PETROLEUM  
TRENDS**

**PETROLEUM: Graph Link and Weekly Summary**

A Fundamental Petroleum Trends Weekly Report

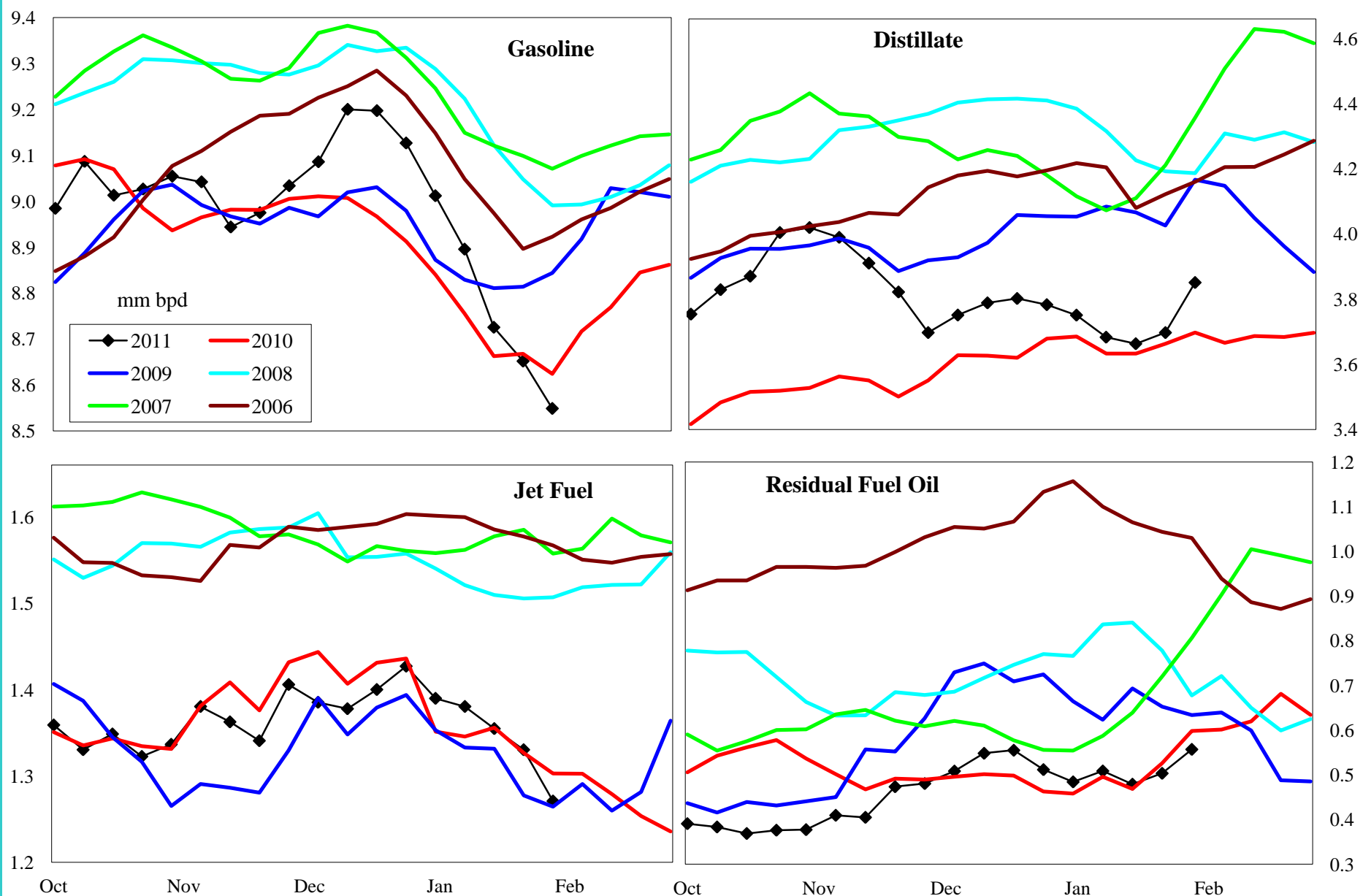
February 2, 2011

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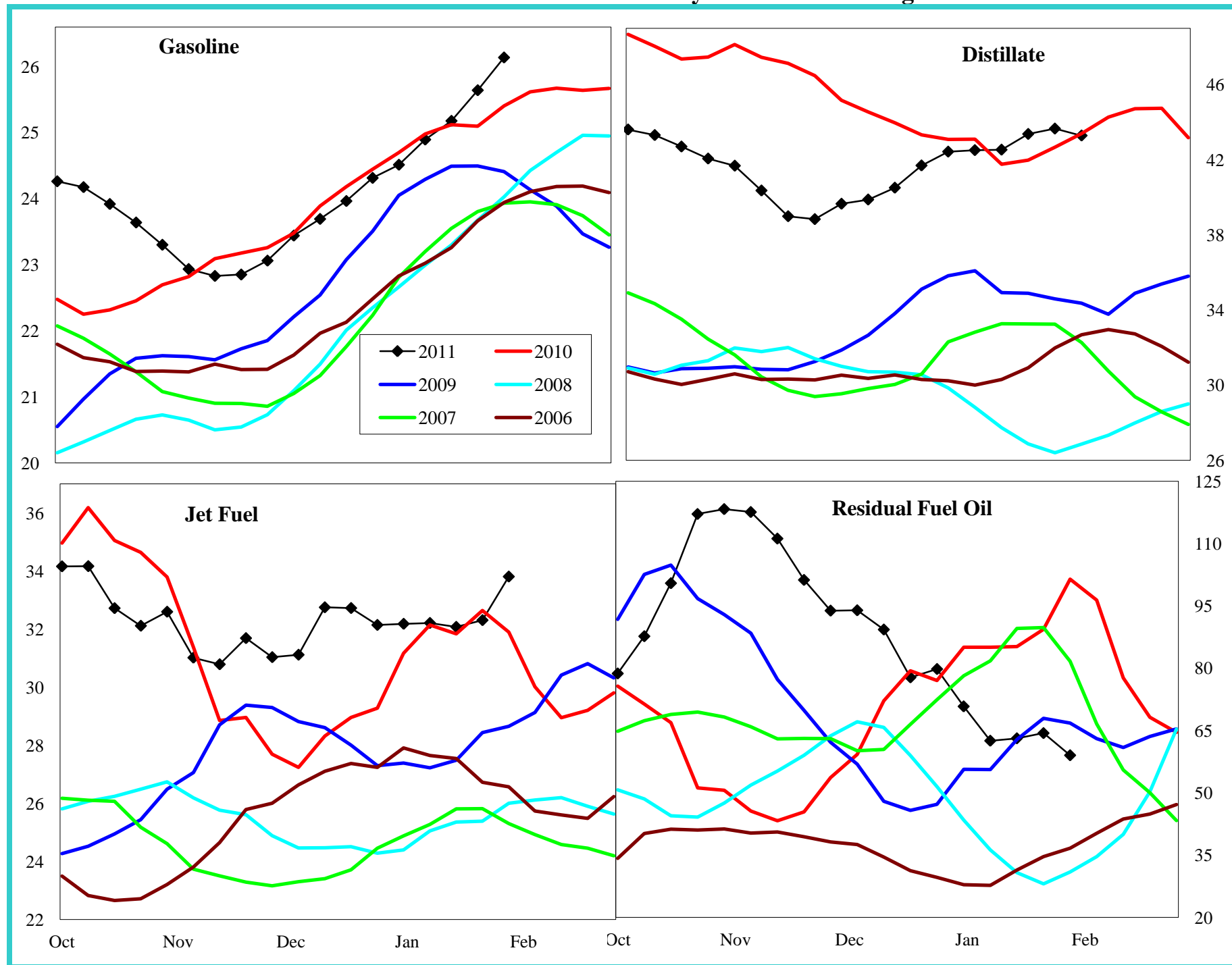
Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	28-Jan-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	2,594	-1,650	-434	4,934	-23	-233
	Imports	-371	-195	-70	-715	48	561
	Input	175	97	12	-25	4	87
	% Utilization	2.70					
<u>Gasoline</u>	Stocks	6,154	2,477	810	2,278	-126	715
	Production	12	-91	-65	1	-26	-6
	Imports	529	477	-1	50	0	3
	Supplied	-83					
<u>Distillate</u>	Stocks	-1,579	-1,780	492	901	34	-1,227
	Production	-89	-50	-5	12	-1	-45
	Imports	64	74	-9	0	0	0
	Supplied	181					
<u>Jet Fuel</u>	Stocks	1,021	-393	87	555	-10	781
	Production	44	15	-12	44	-6	4
	Imports	111	62	0	0	0	49
	Supplied	-39					
<u>Residual Fuel Oil</u>	Stocks	-1,513	-181	34	-1,013	0	-352
	Production	-160	12	-5	-170	2	2
	Imports	-82	-33	-2	-18	0	-29
	Supplied	-52					

# United States Wholesale Petroleum Demand

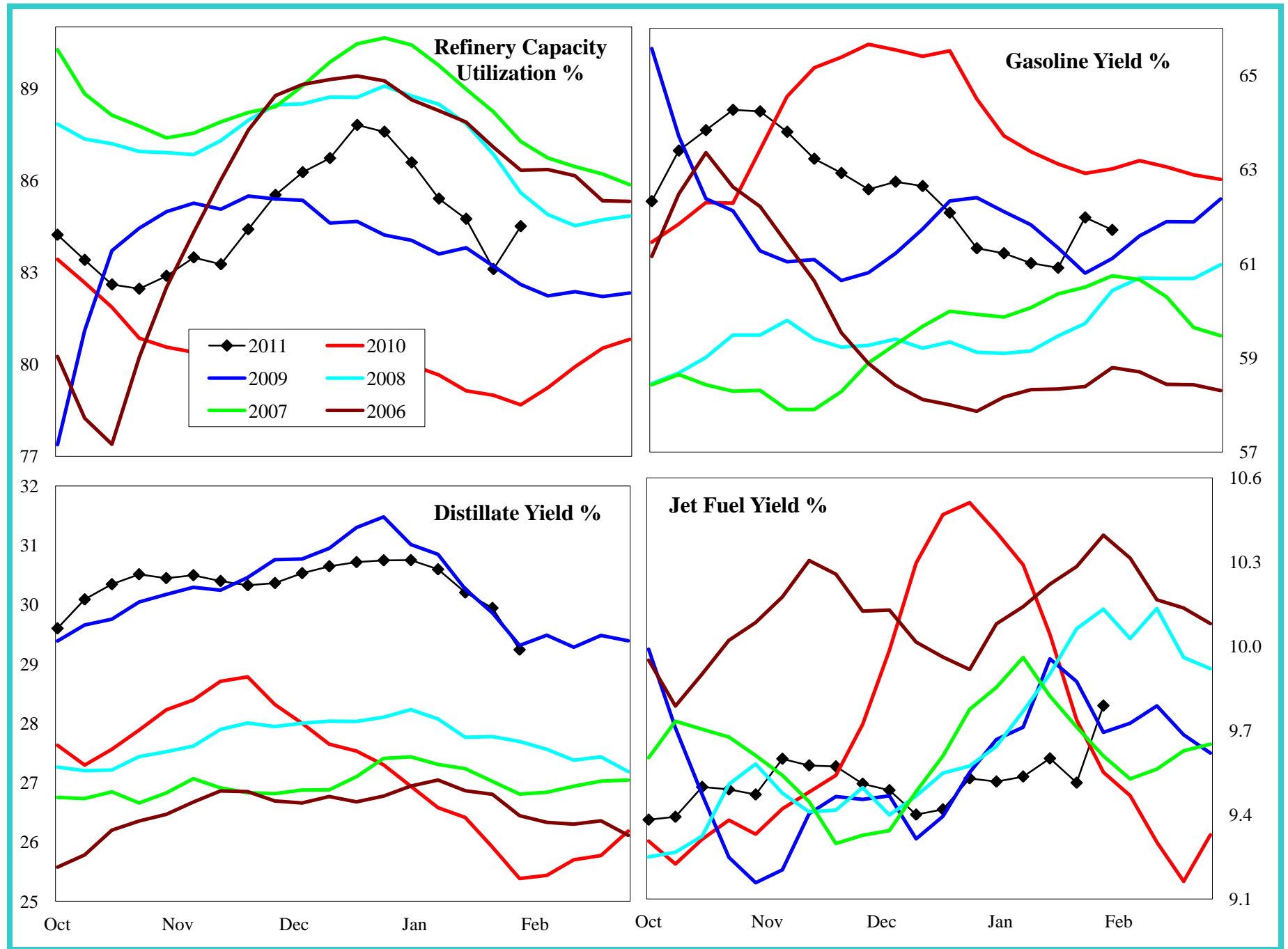


	000 bpd change from prior year				% change from prior year			
	4wk avg	Dec	Jan	Jan	4wk avg	Dec	Nov	Oct
Gasoline	50	273	49	100	0.6	3.1	0.6	1.1
Distillate	-10	26	133	115	-0.3	0.7	3.7	3.1
Jet Fuel	40	90	46	67	2.9	6.6	3.4	4.9
Resid	30	-56	35	11	6.5	-9.6	7.9	2.2

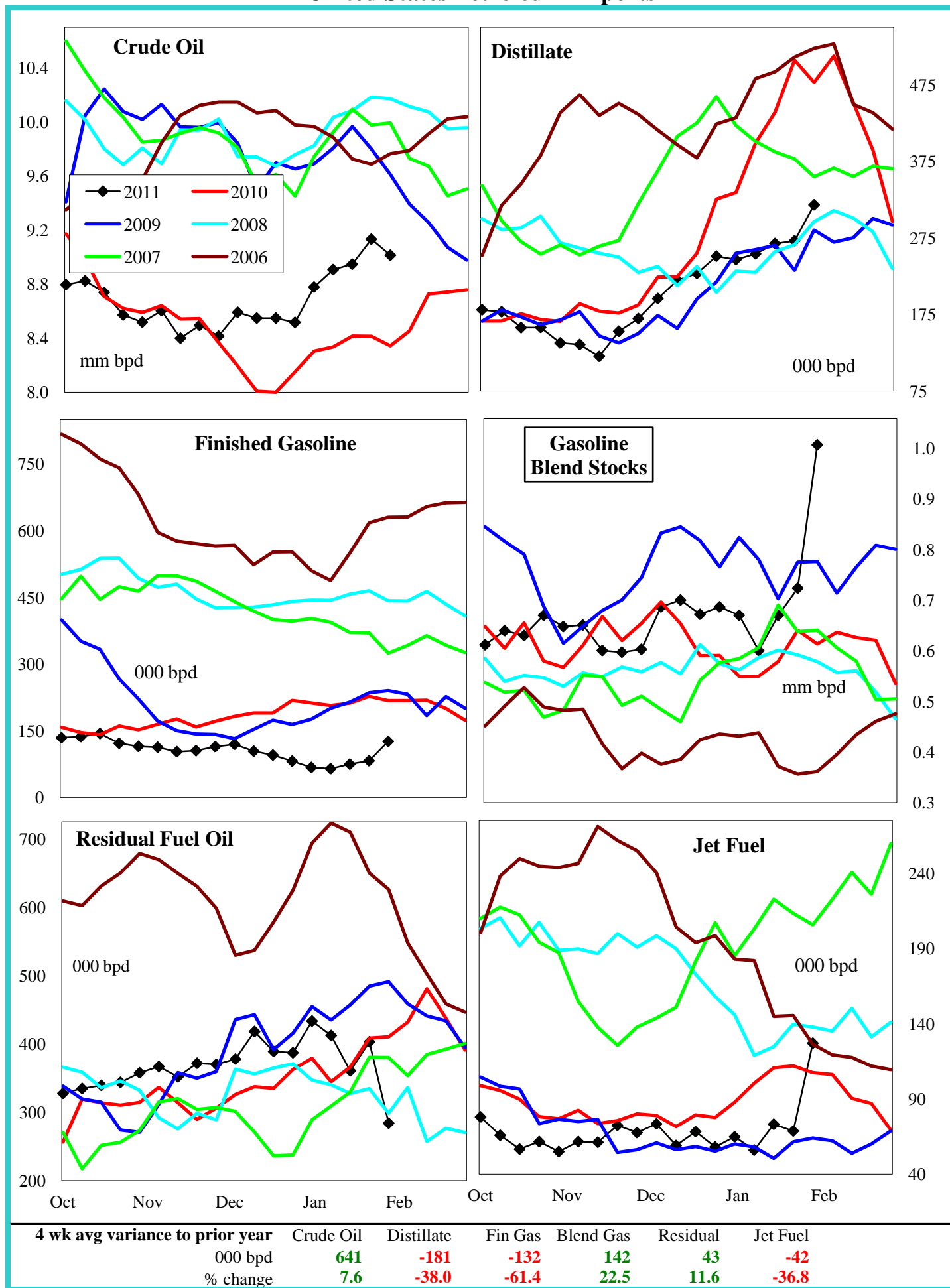


**United States Product Stocks: Days Forward Coverage**

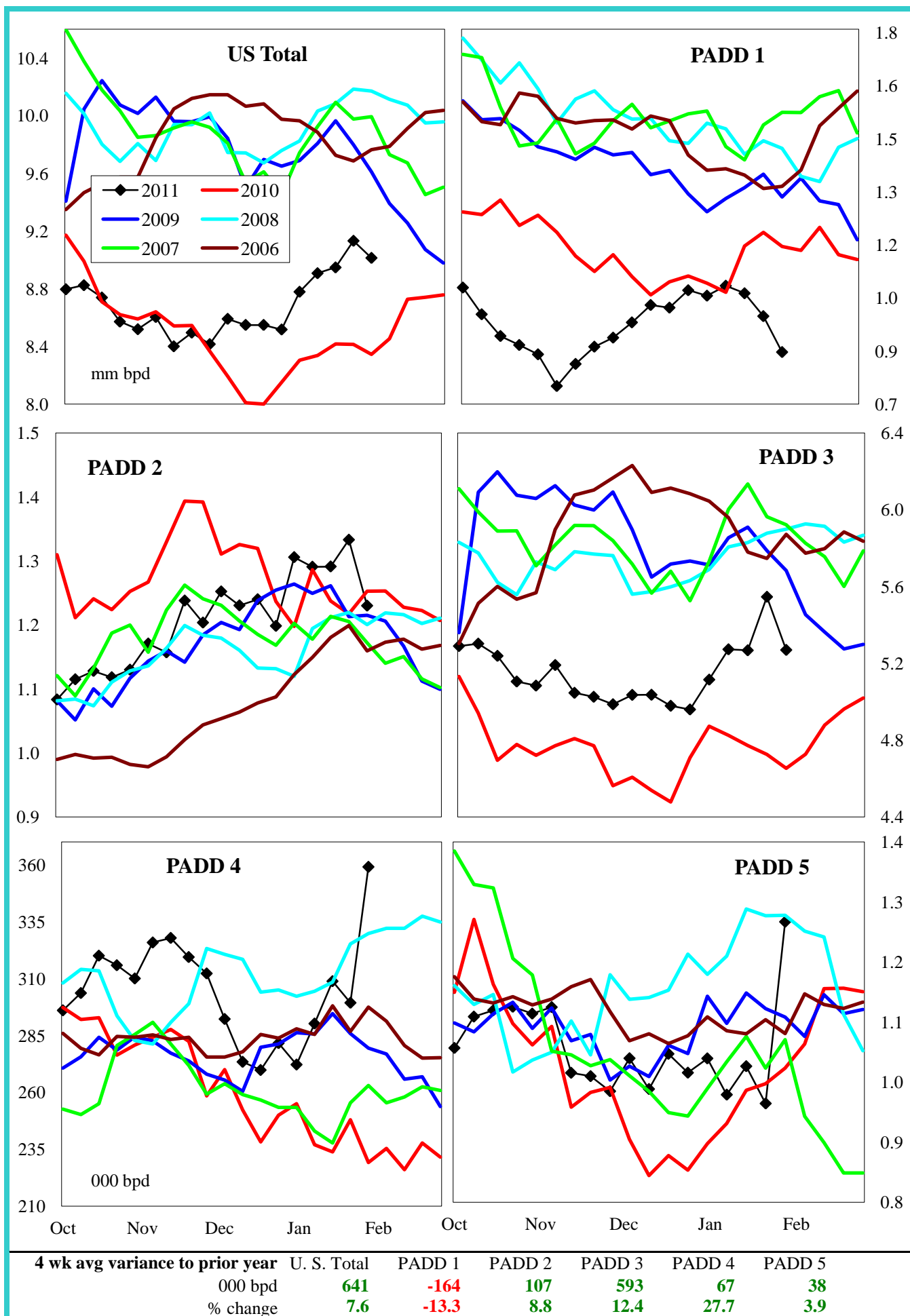
## United States Refinery Percent Utilization Rate and Product Yields



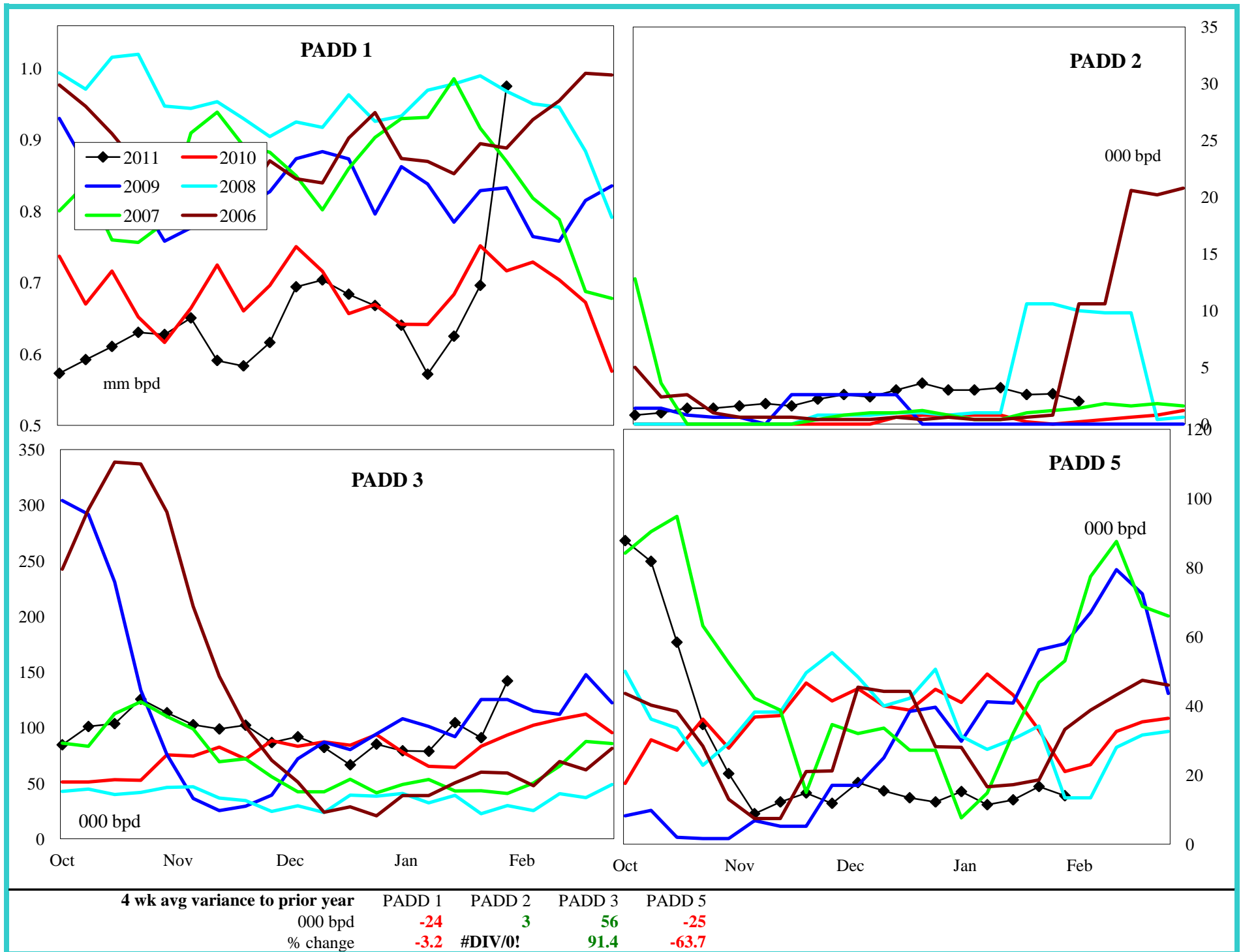
# United States Petroleum Imports



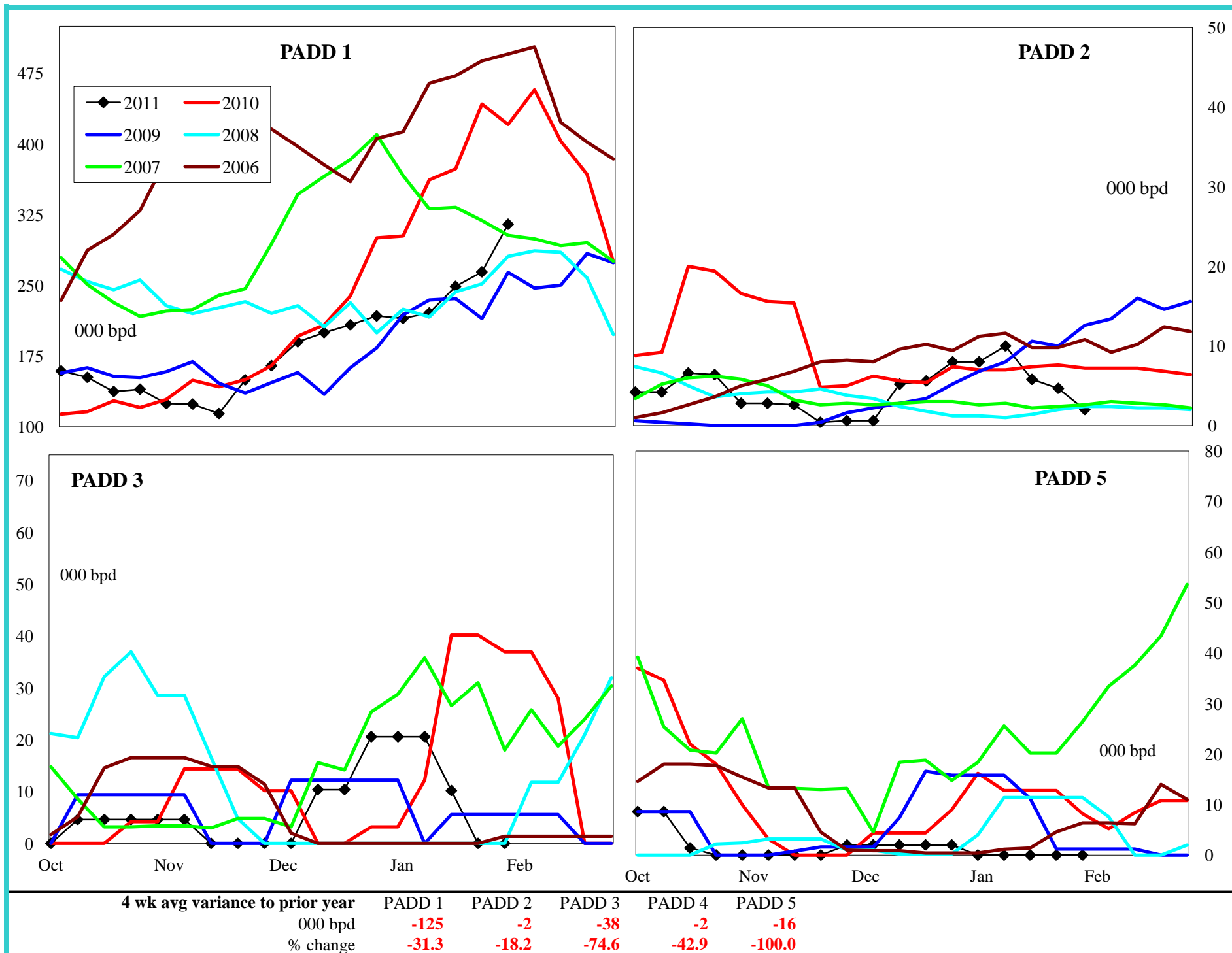
## Crude Oil Imports by PADD



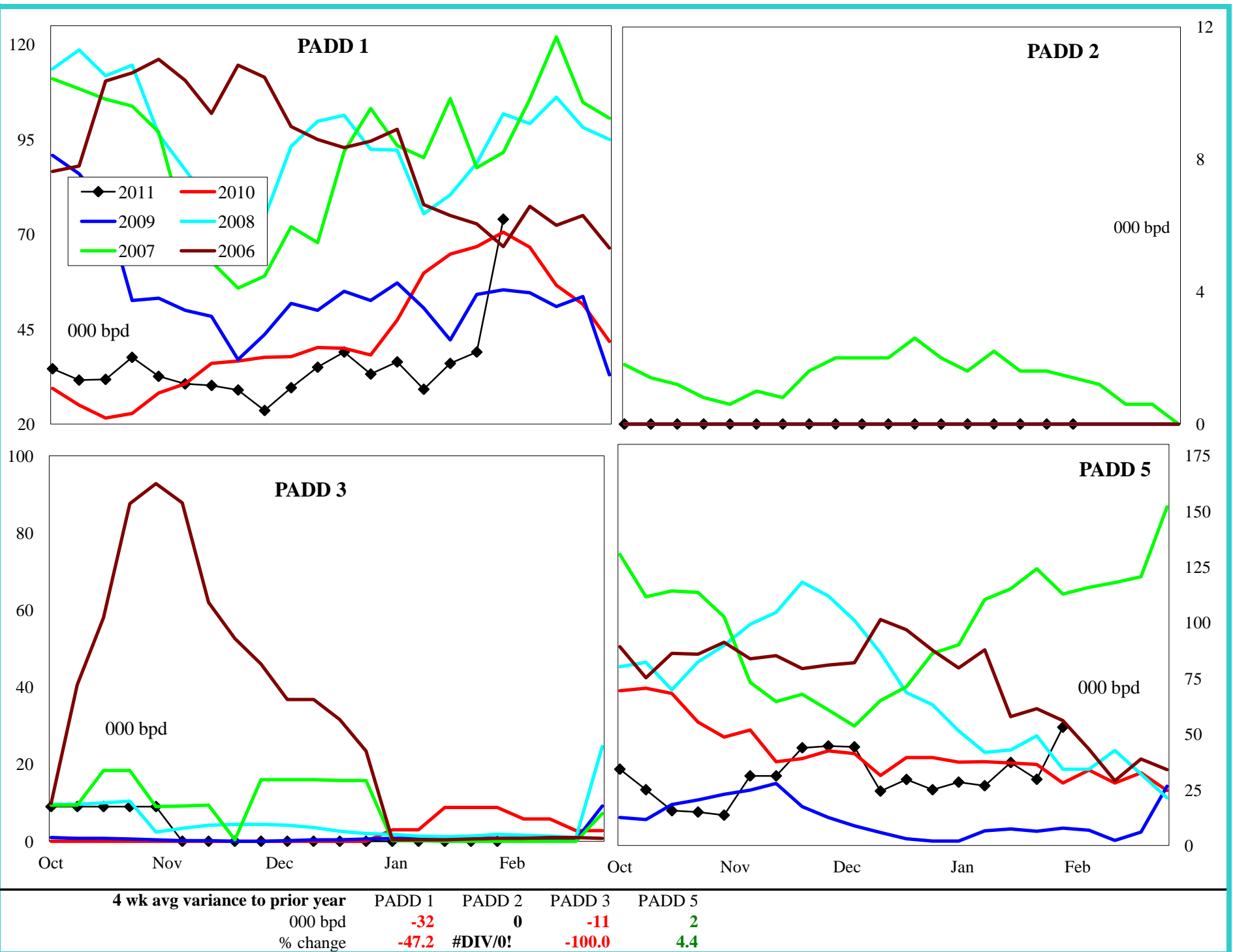
# Gasoline Imports by PADD (Finished + Blend Stocks)



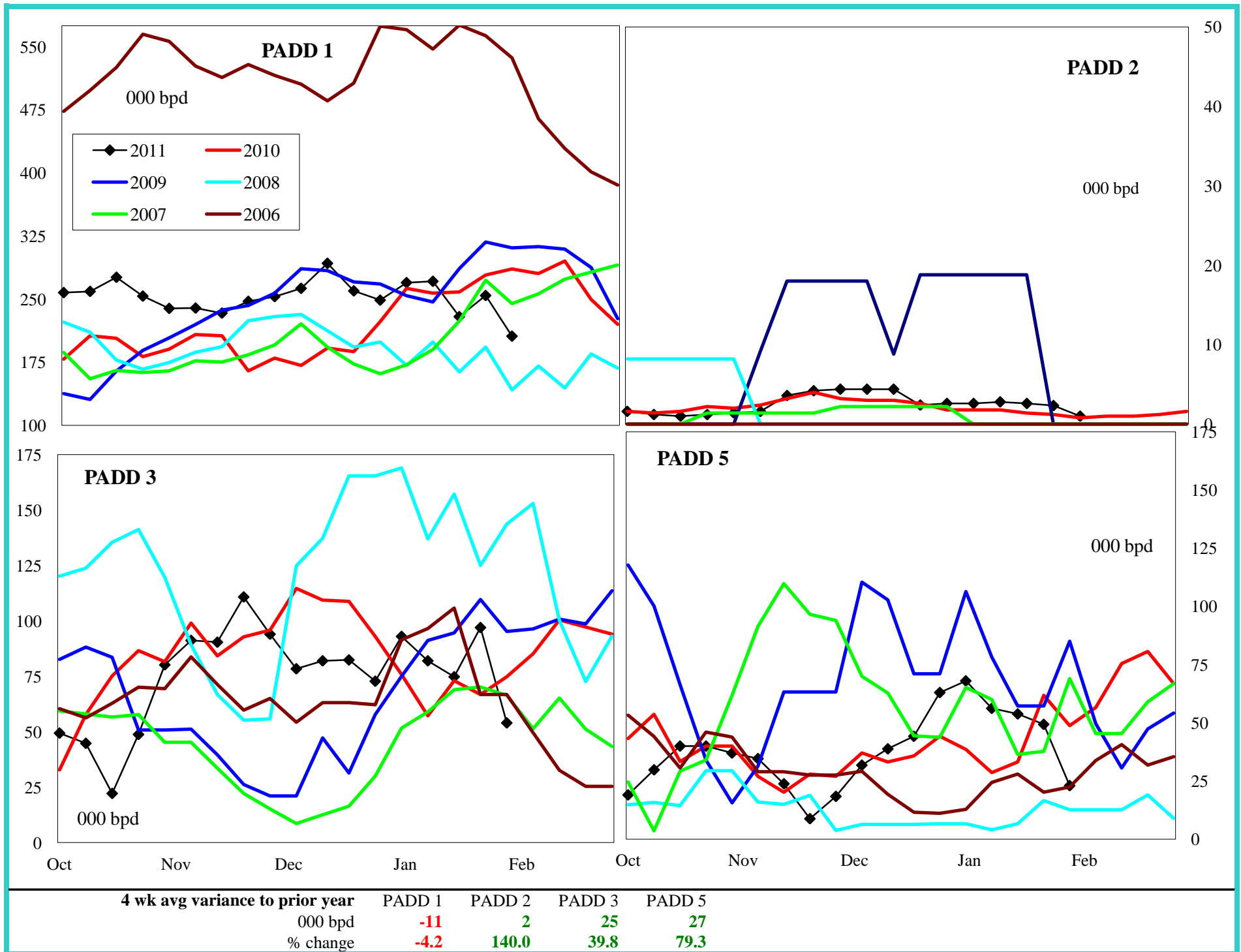
# Distillate Imports by PADD



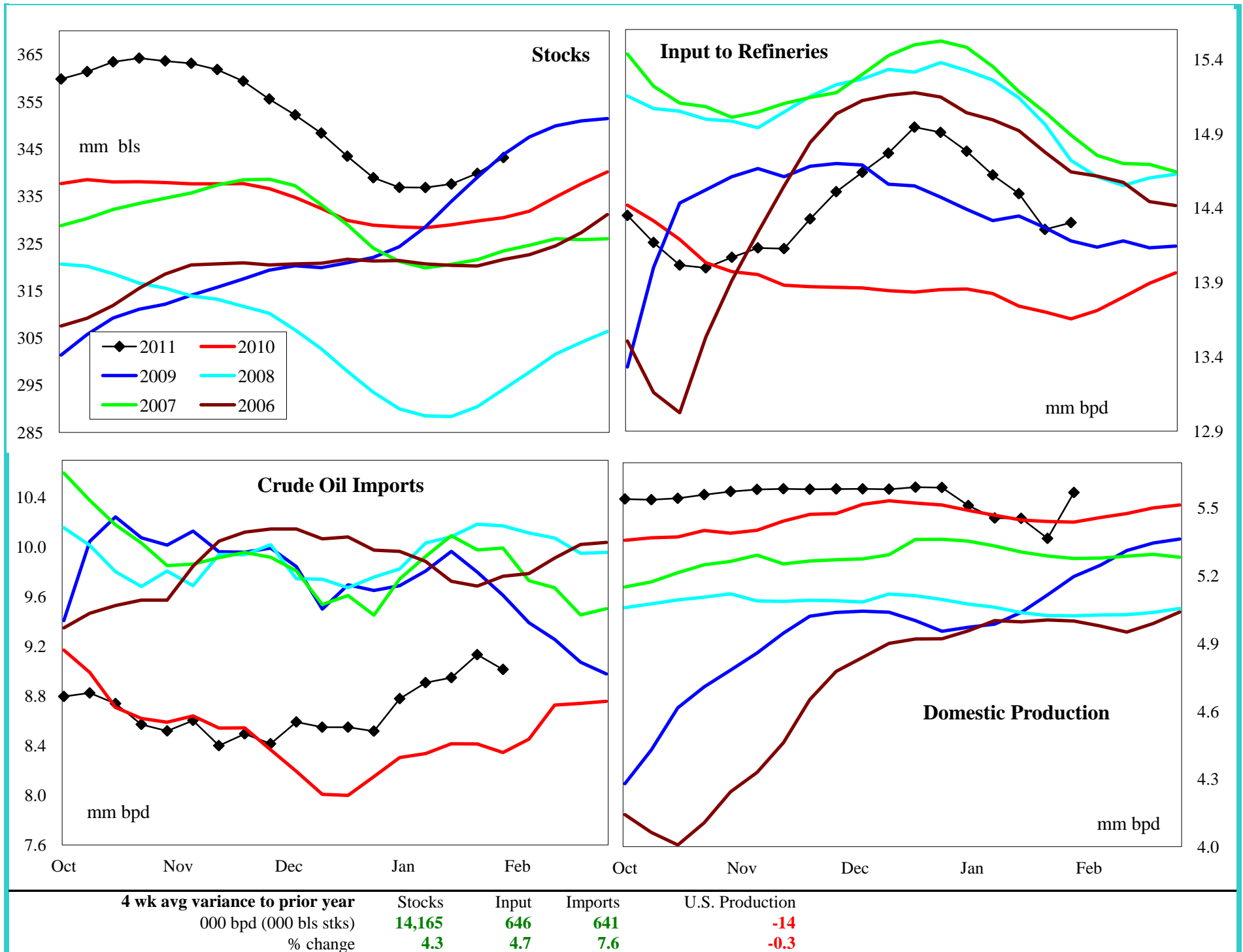
# Jet Fuel Imports by PADD



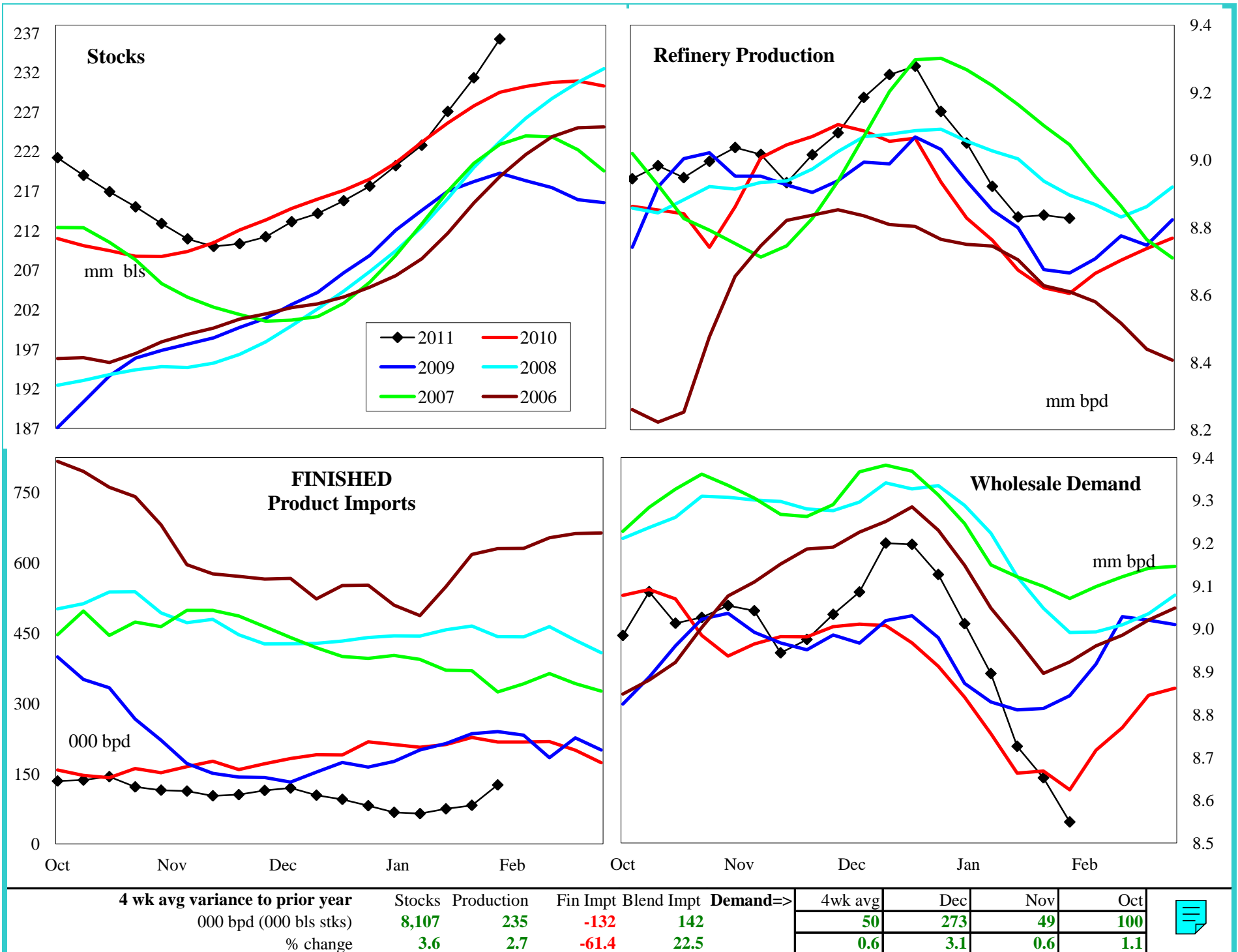
## Residual Fuel Oil Imports by PADD



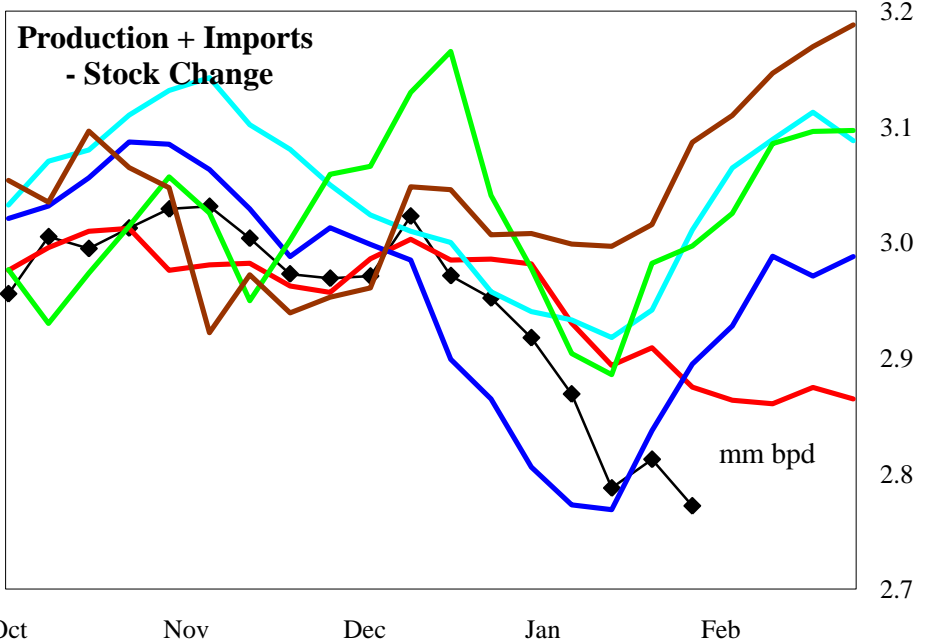
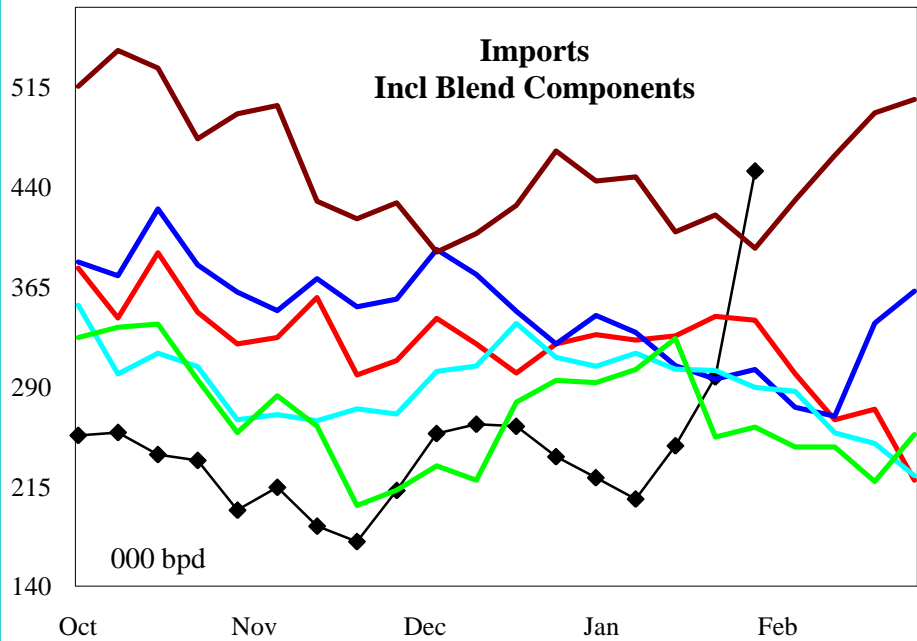
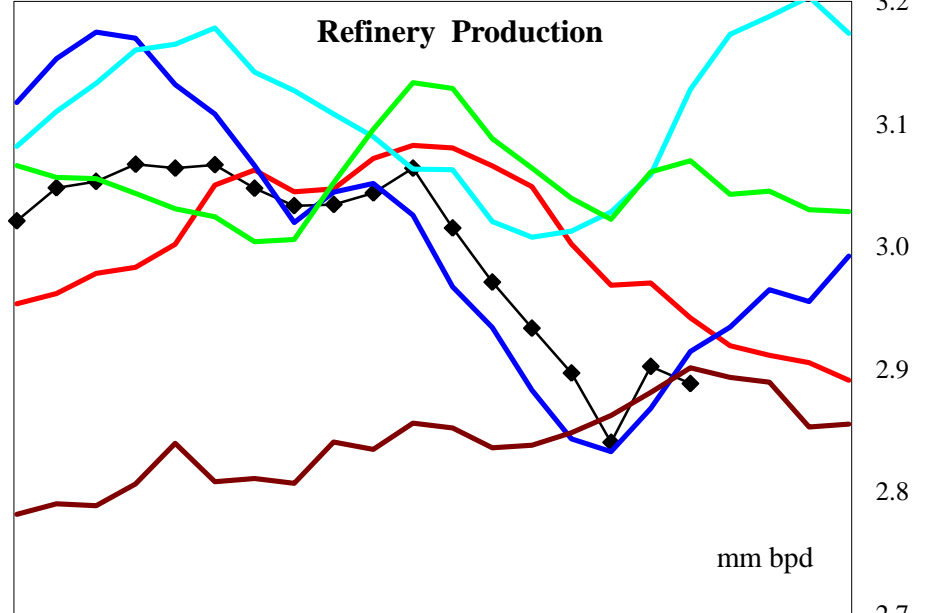
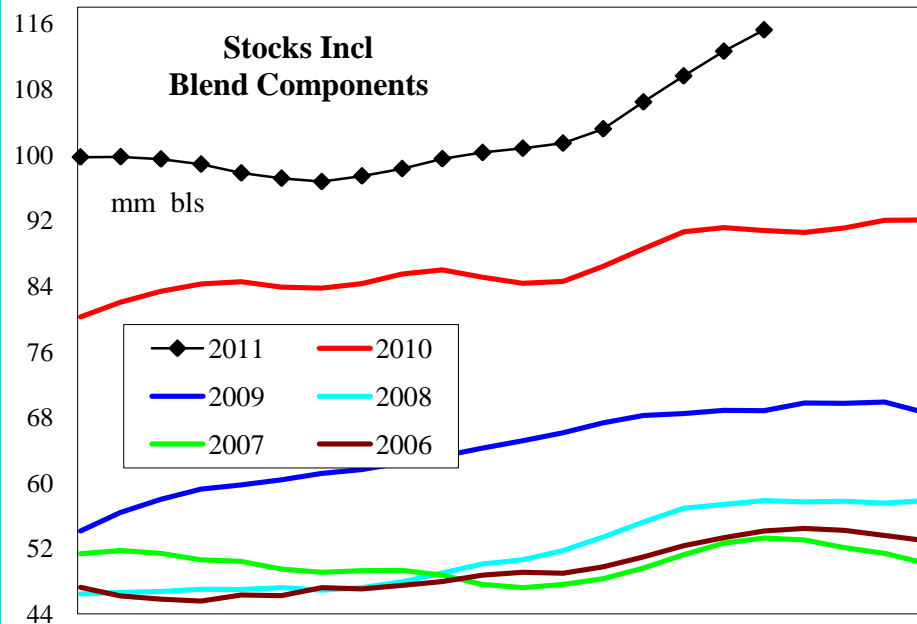
# United States Crude Oil Supply and Demand Balance



# United States Gasoline Supply and Demand Balance



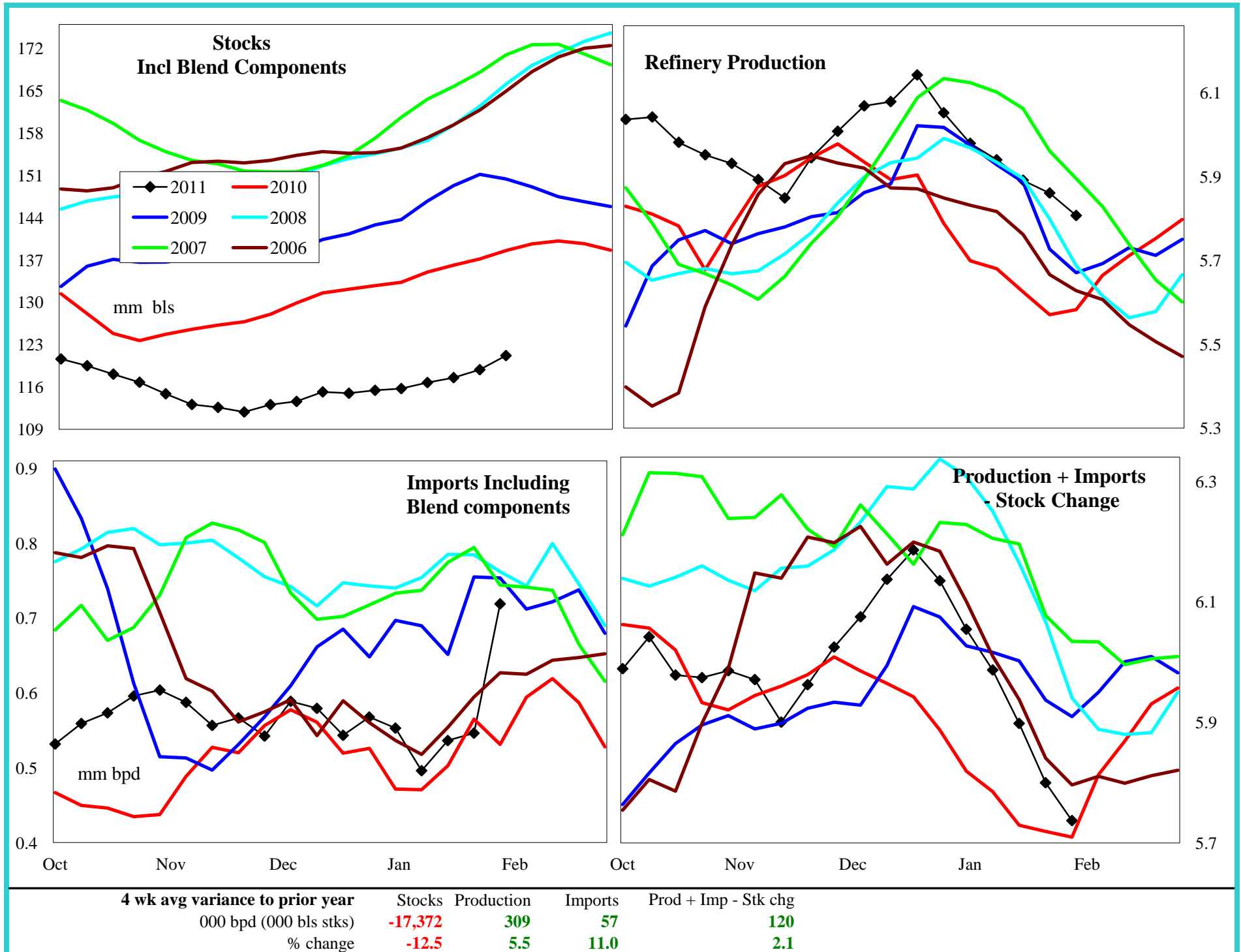
# United States Reformulated Gasoline Supply



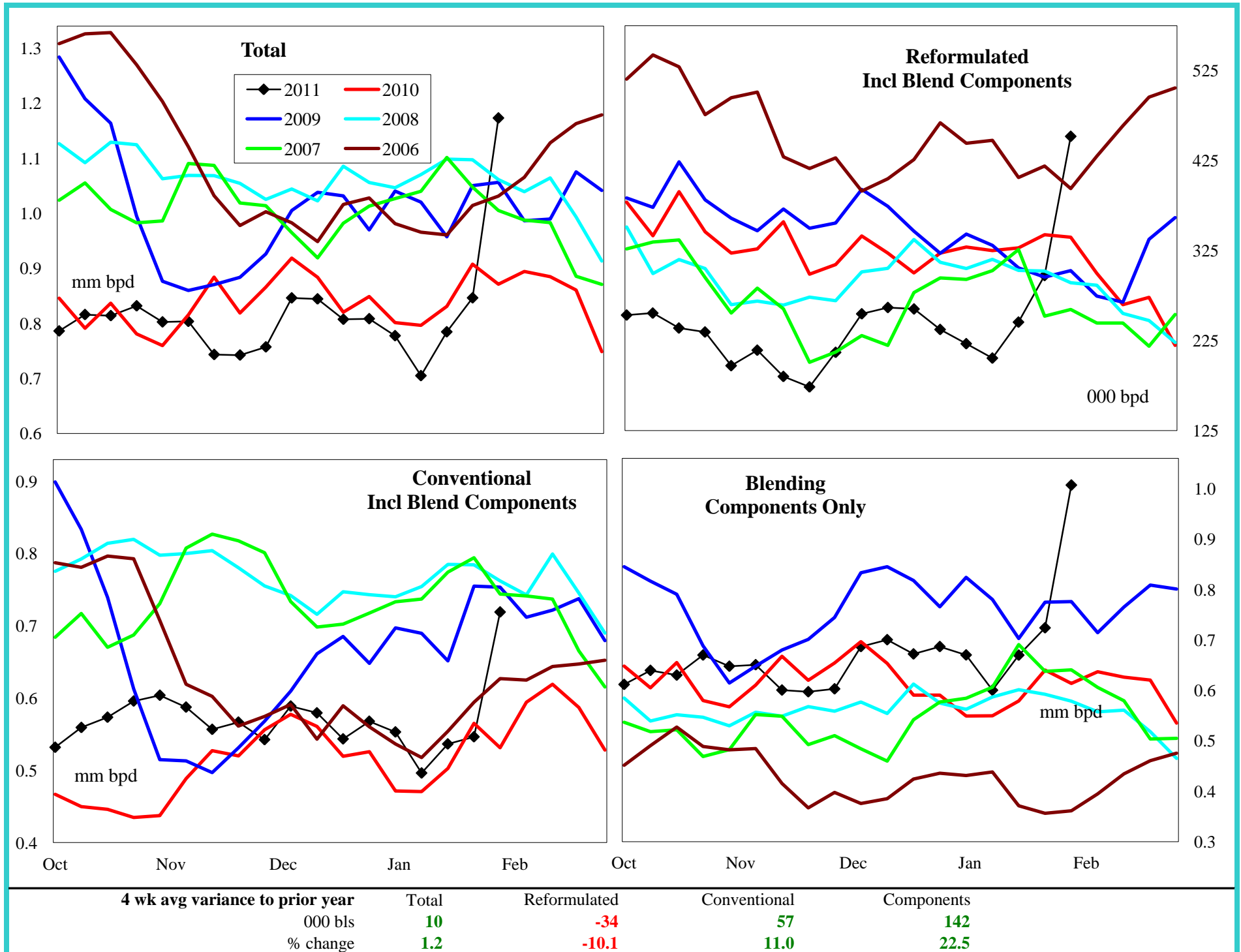
**4 wk avg variance to prior year**  
000 bpd (000 bls stks)  
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
24,473	-85	-34	-92
27.0	-2.8	-10.1	-3.1

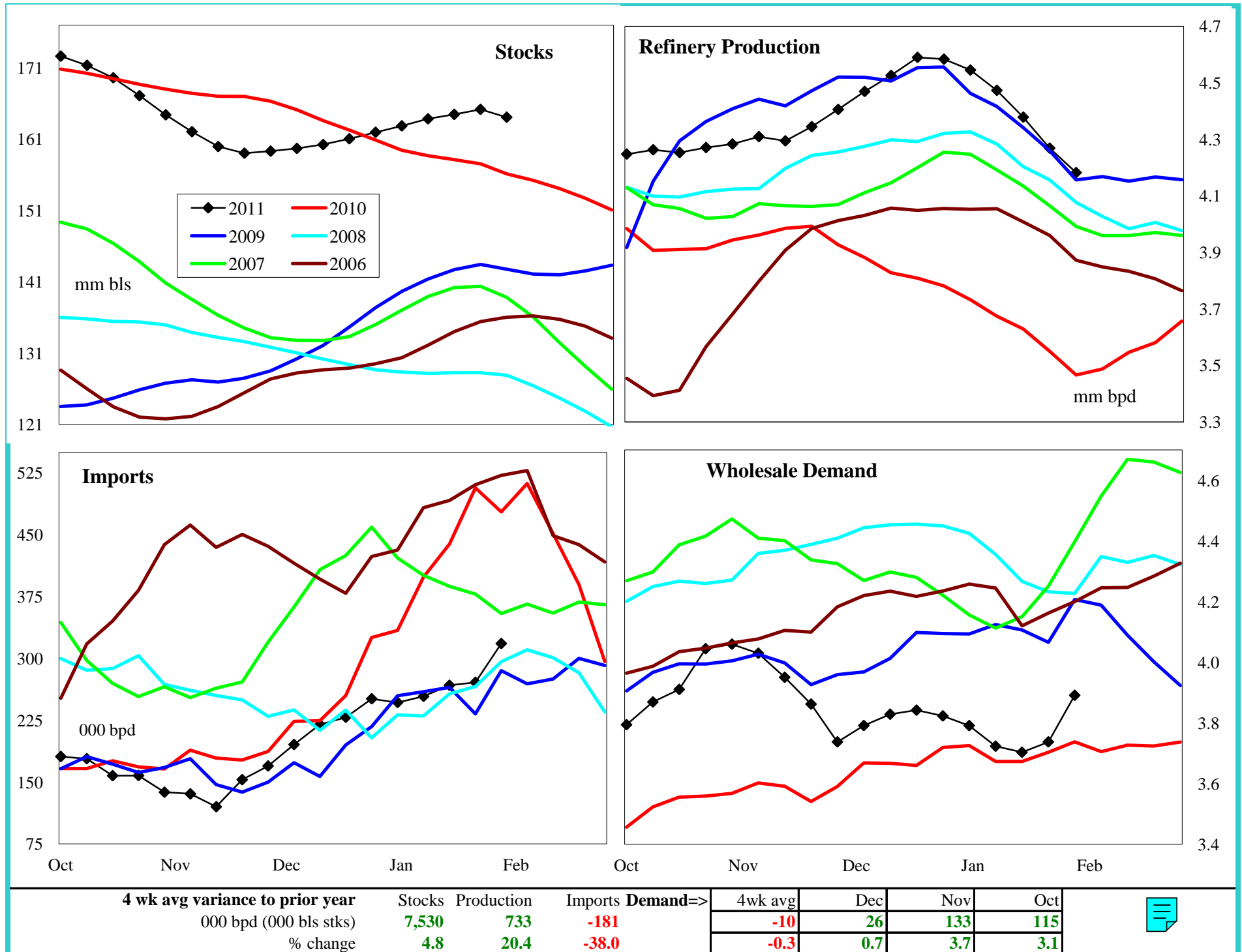
# United States Conventional Gasoline Supply



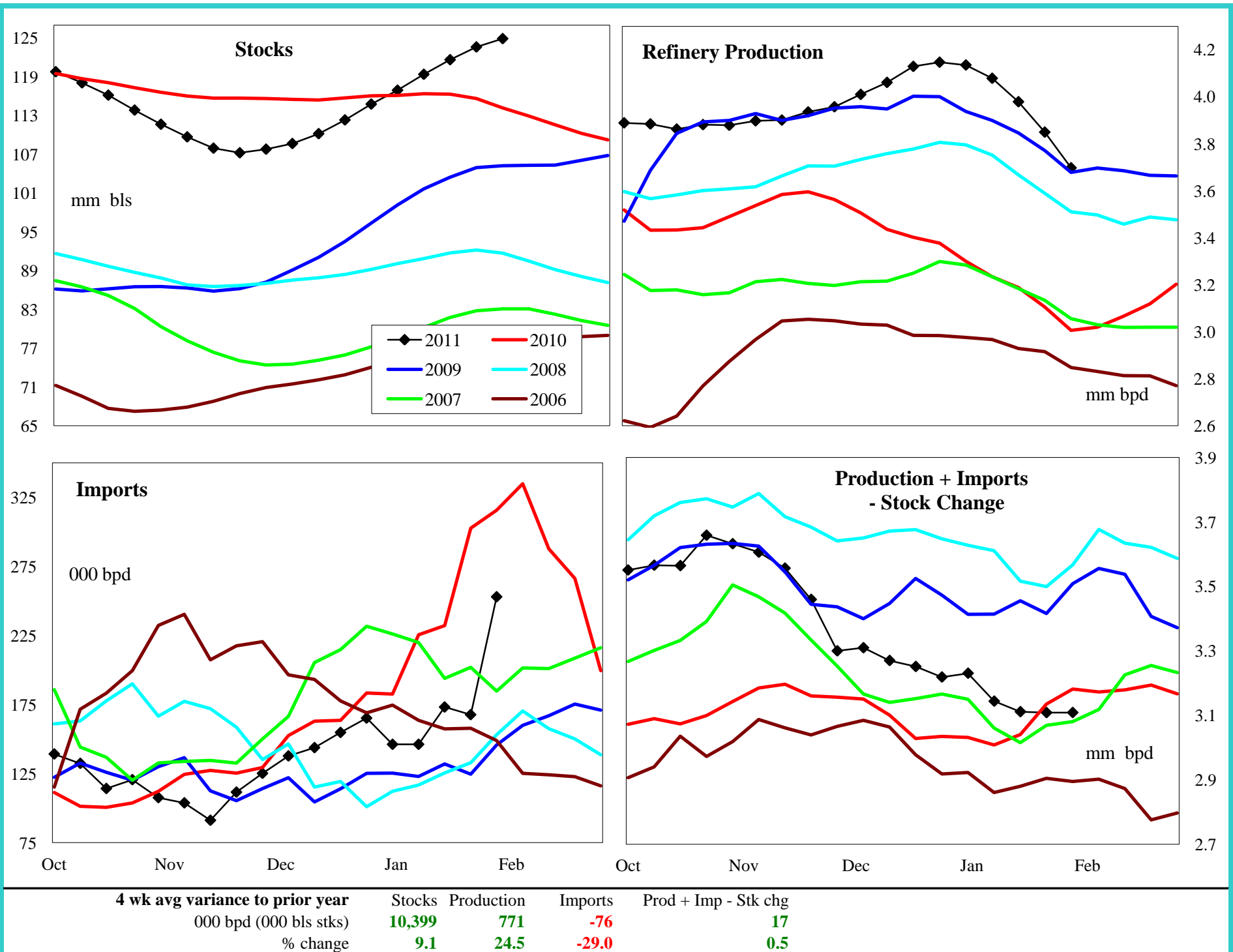
# United States Gasoline Imports by Type



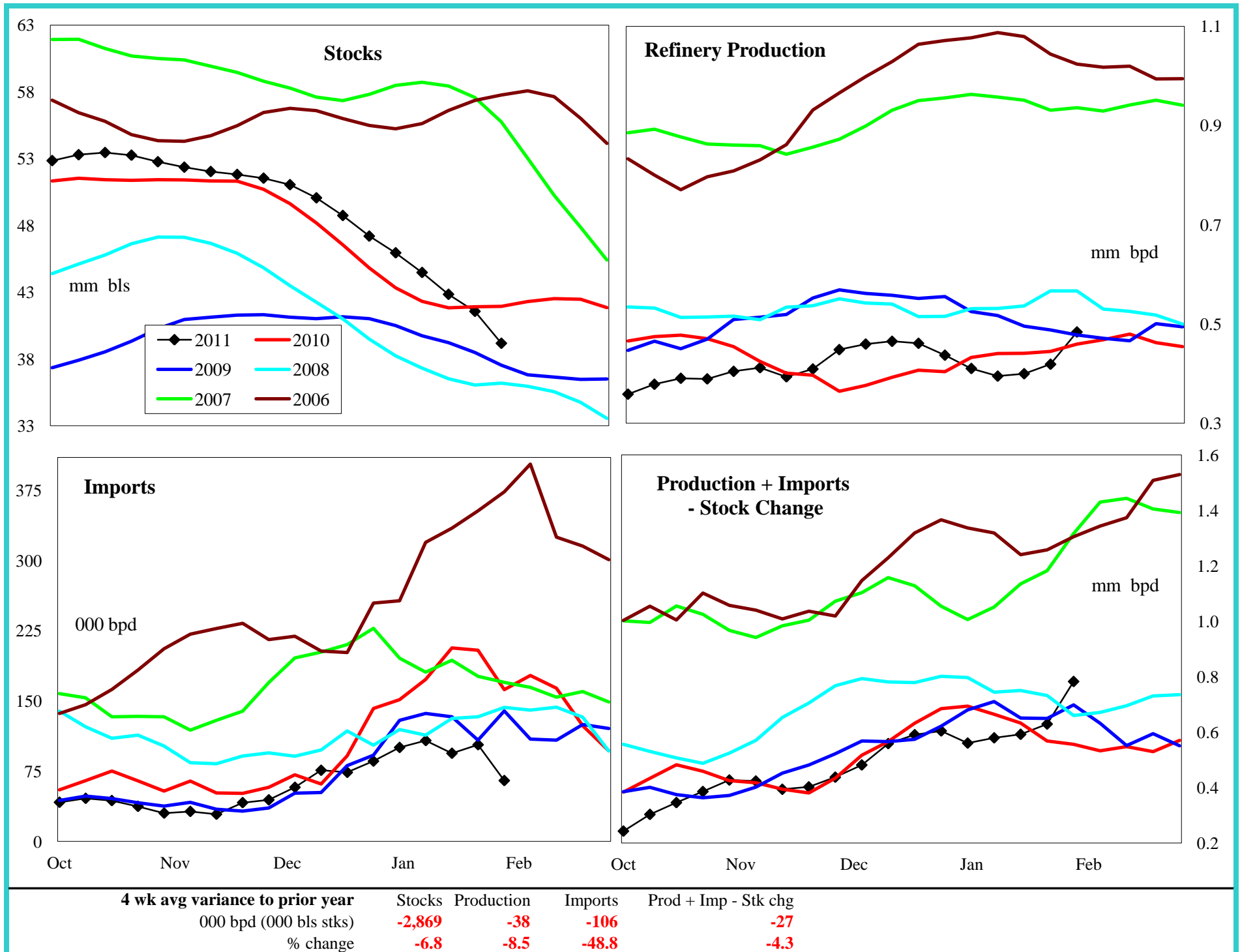
# United States Distillate Supply and Demand Balance



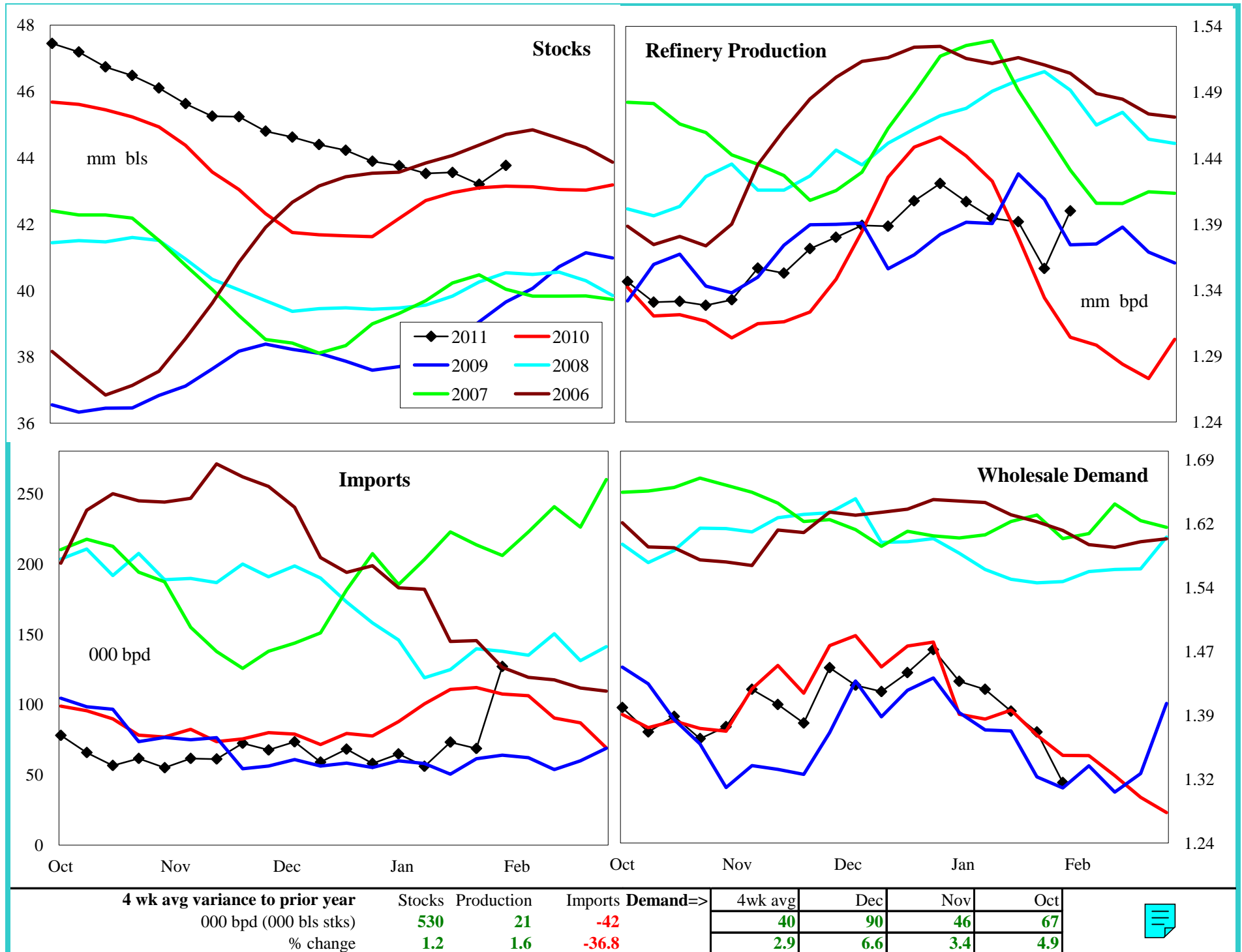
# United States Low Sulfur Distillate Supply



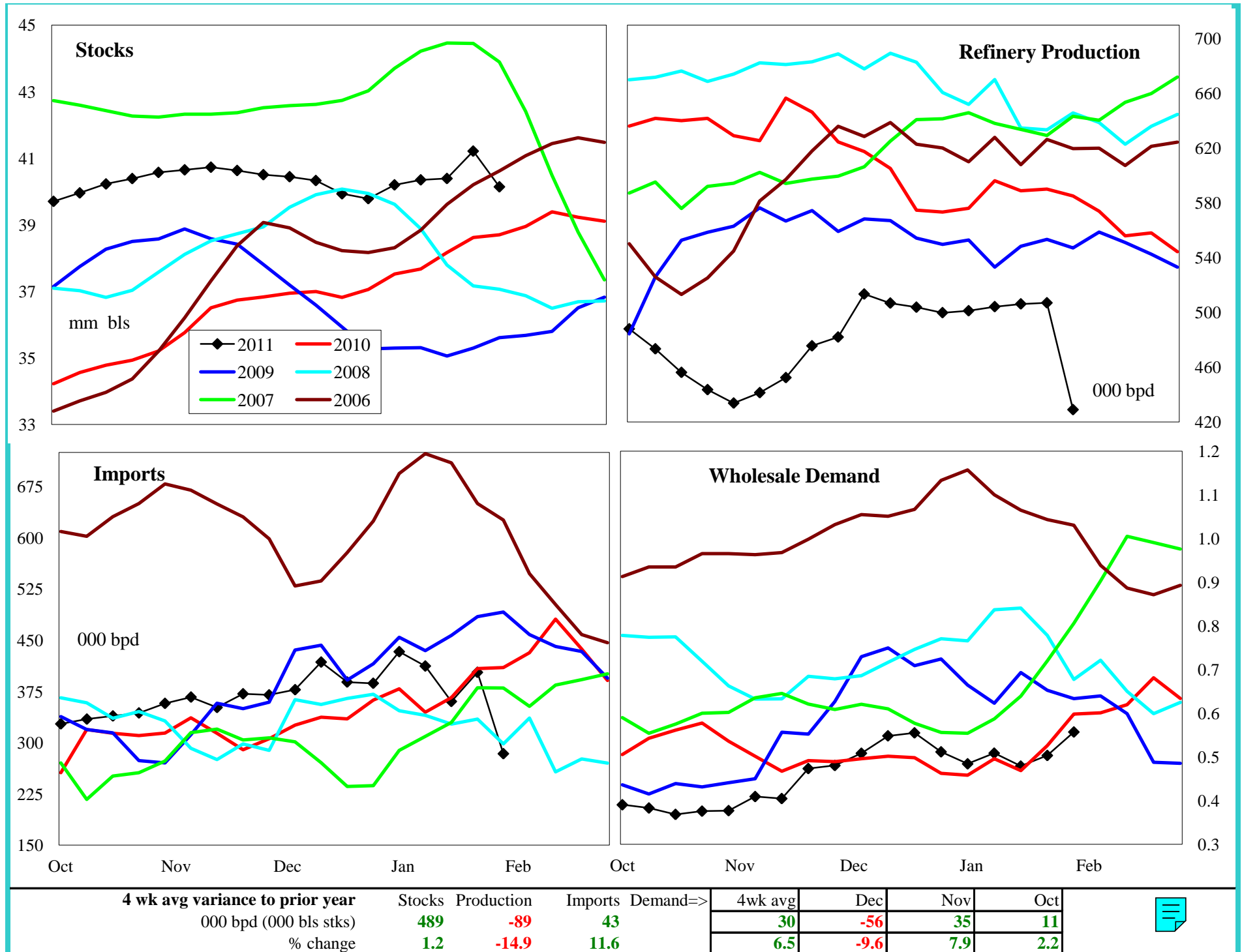
# United States High Sulfur Distillate Supply



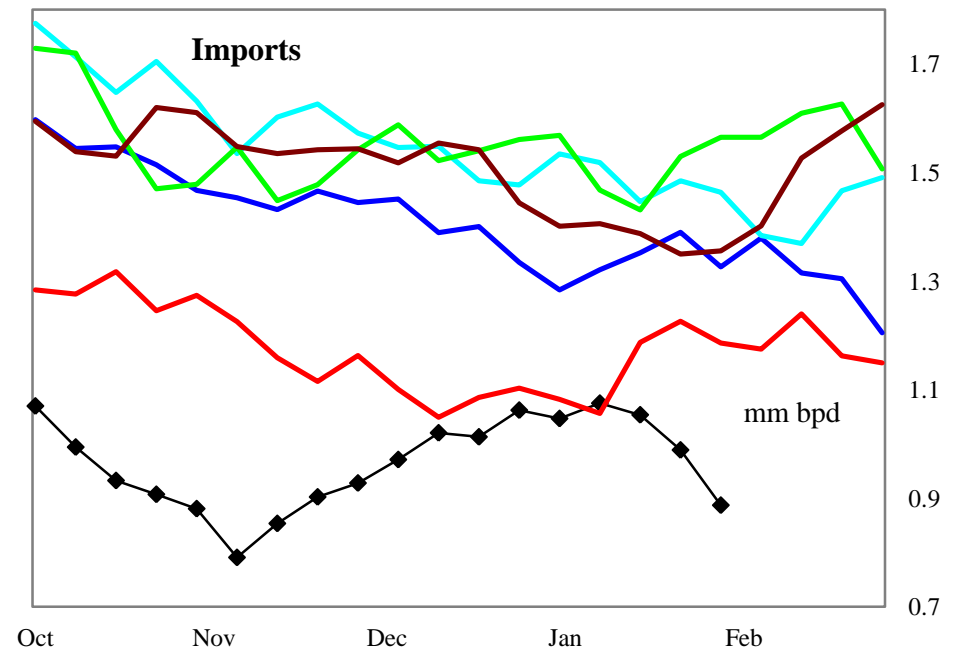
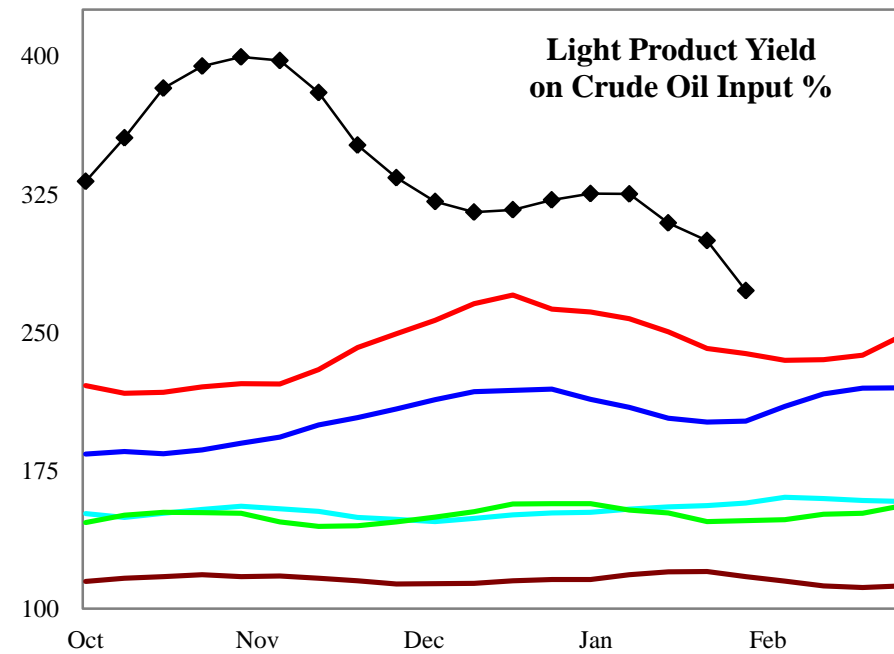
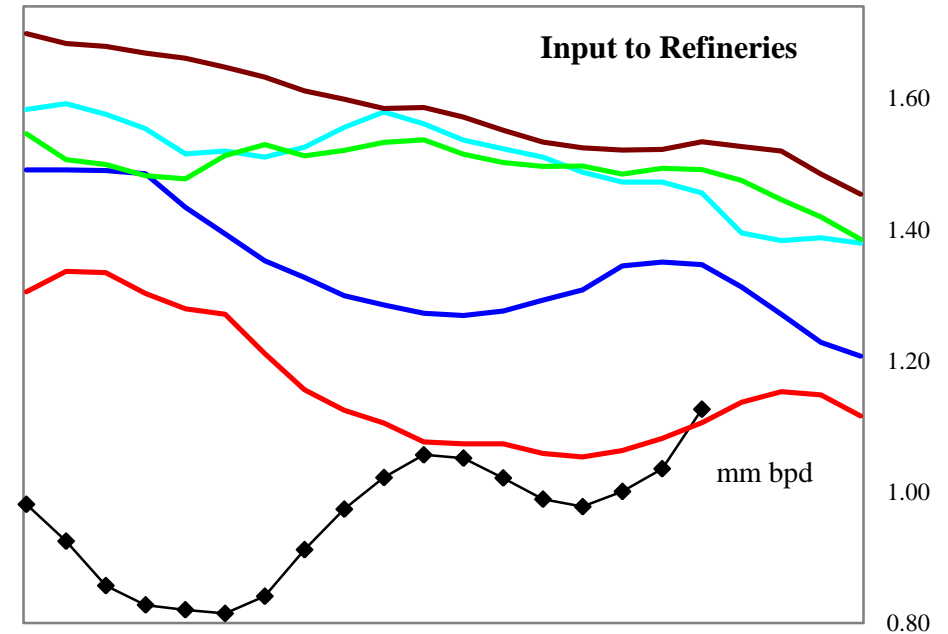
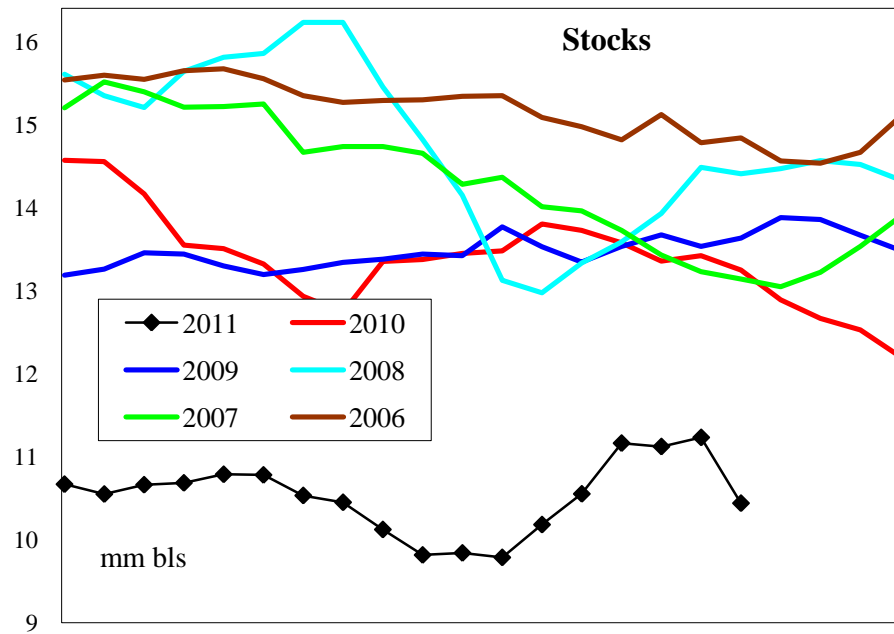
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance



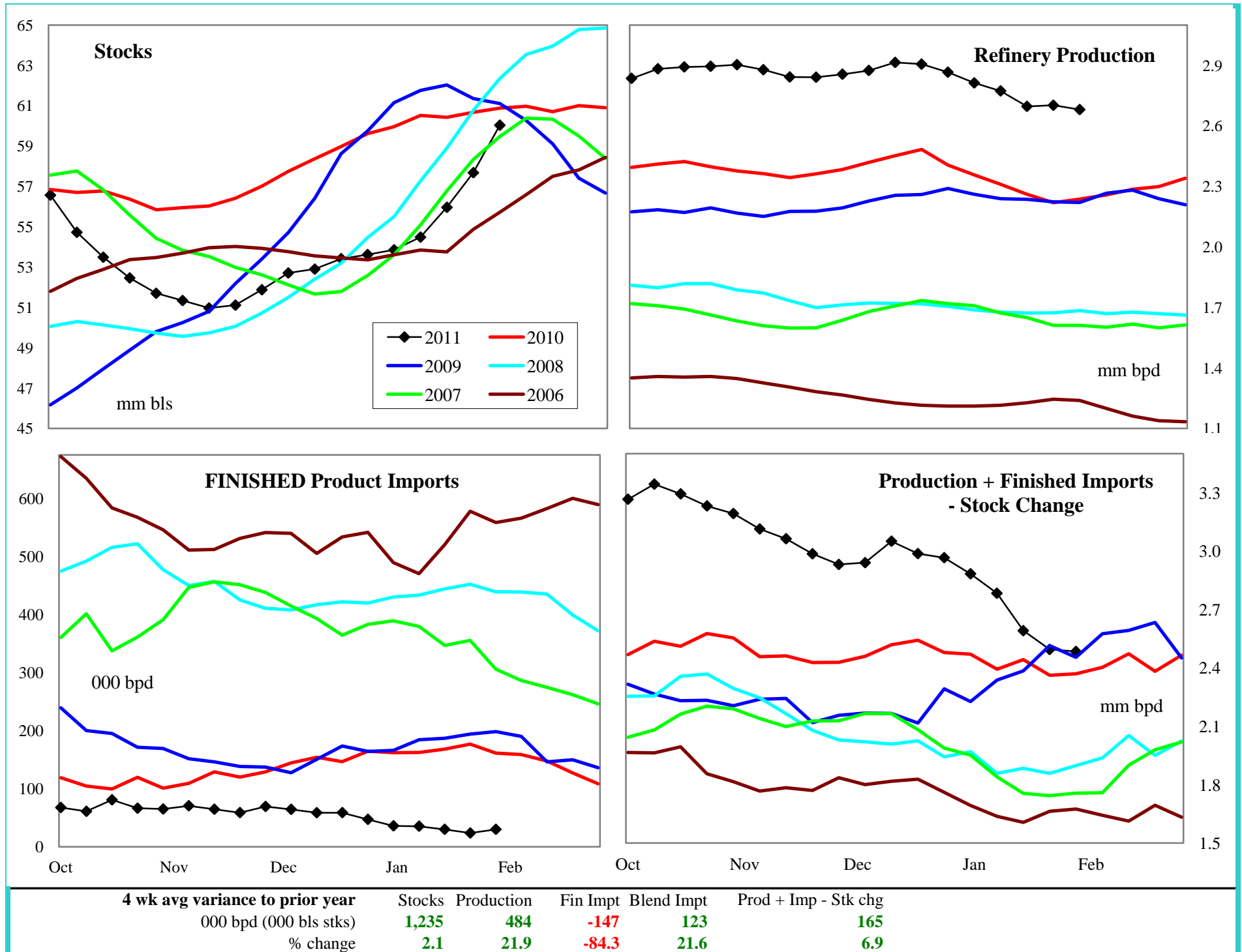
# PADD 1 Crude Oil Supply and Refining



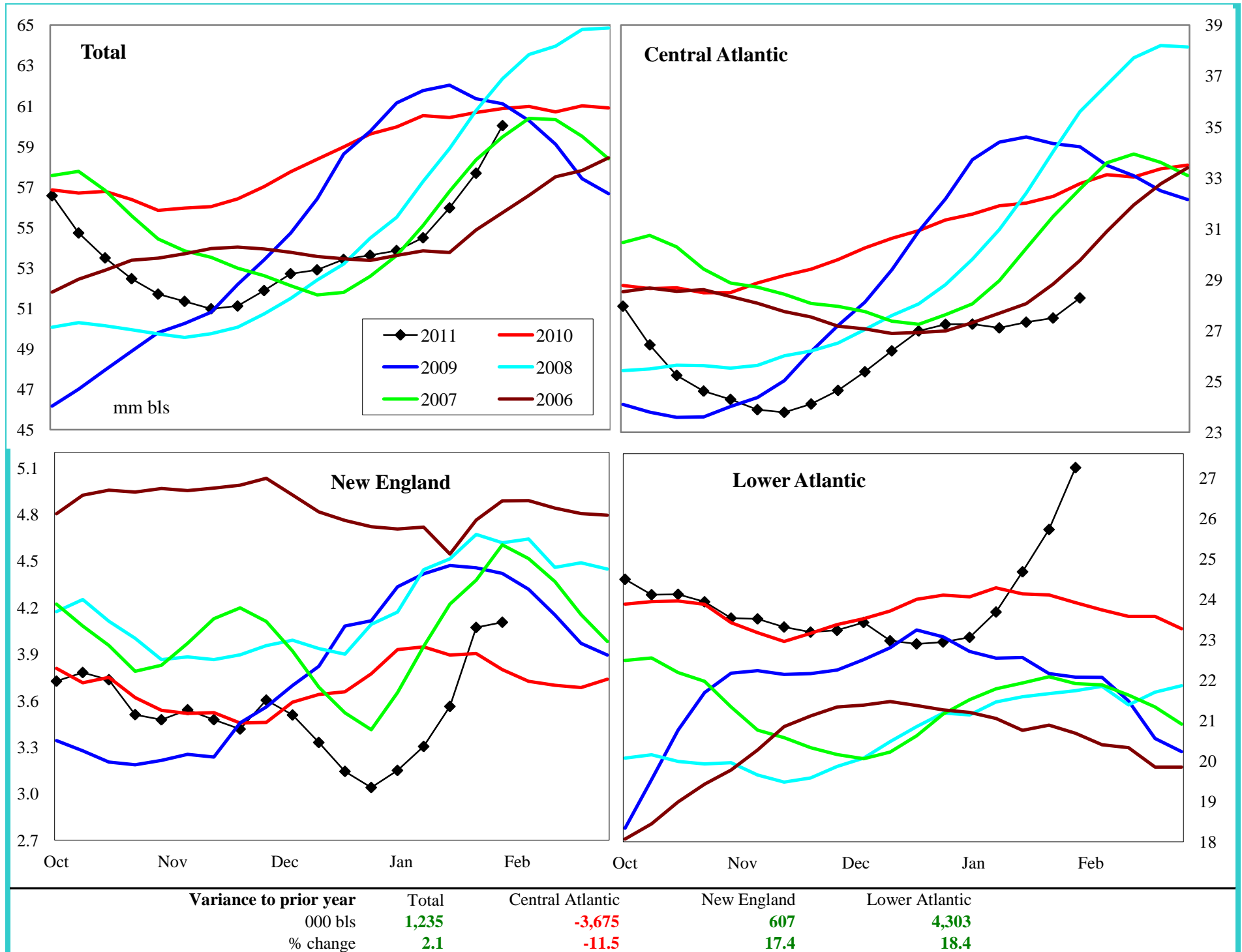
**4 wk avg variance to prior year**  
000 bpd (000 bbls stks)  
% change

	Stocks	Input	Imports
000 bpd (000 bbls stks)	-2,809	-47	-164
% change	-21.2	-4.4	-13.3

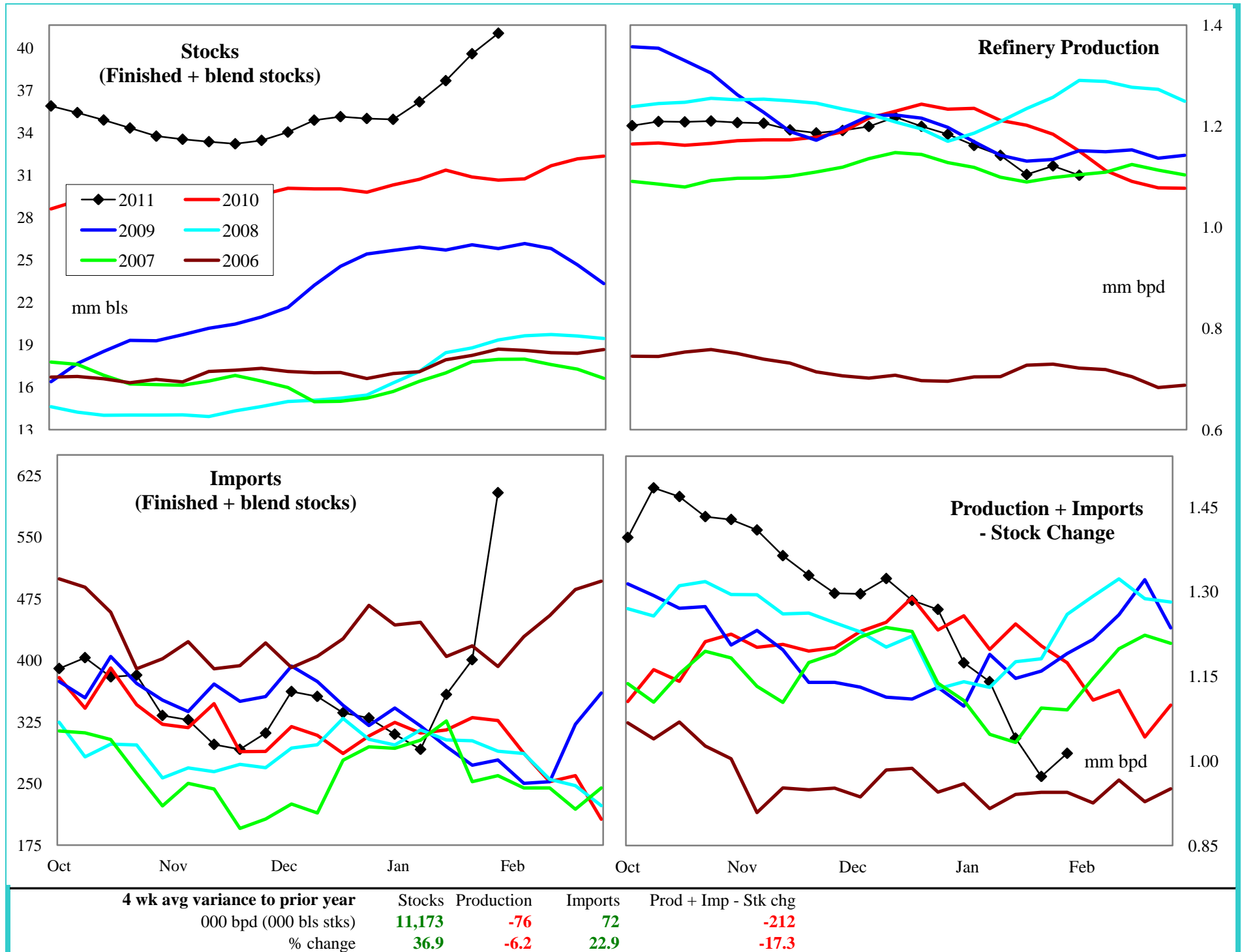
# PADD 1 Gasoline Supply



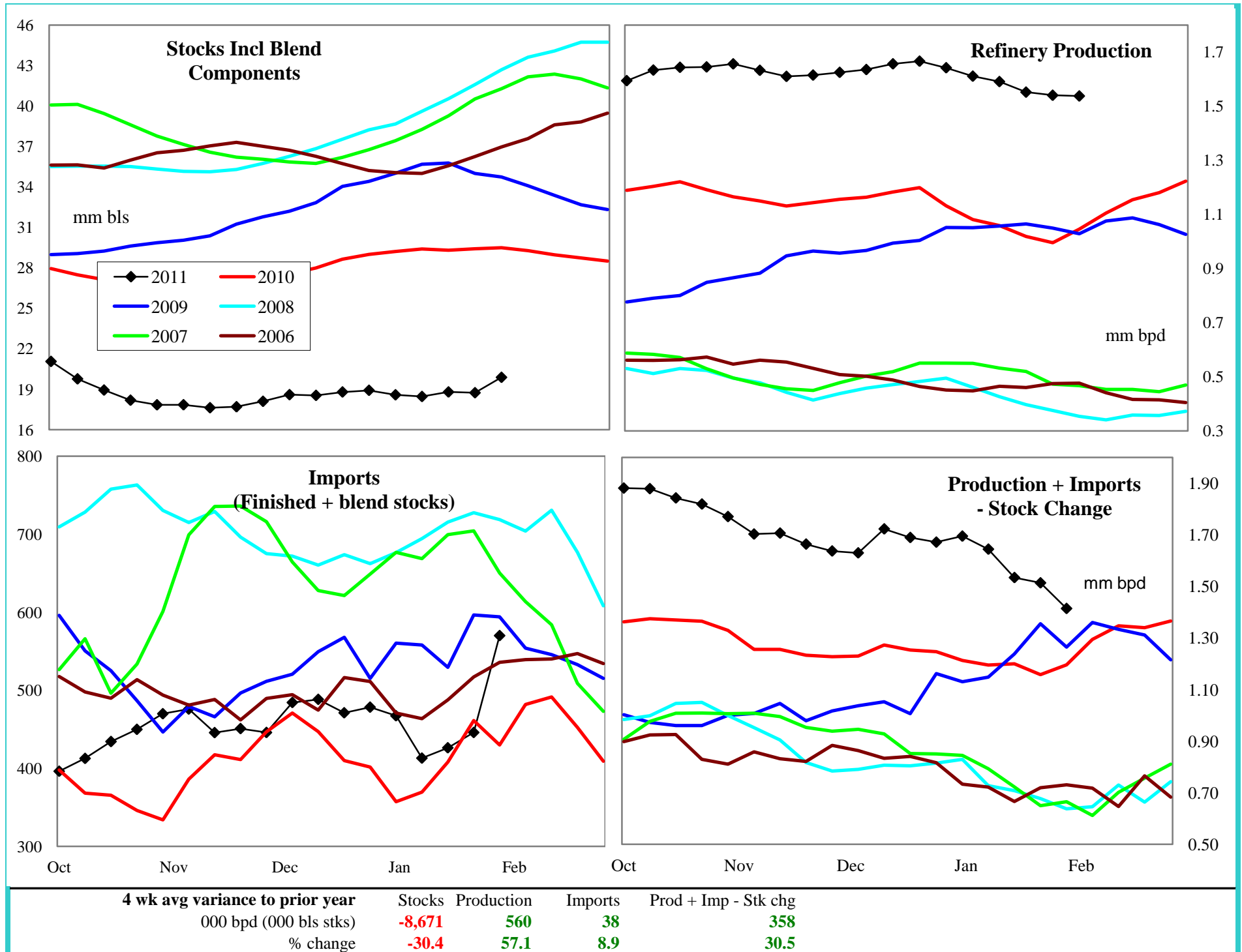
# PADD 1 Gasoline Stocks by Region



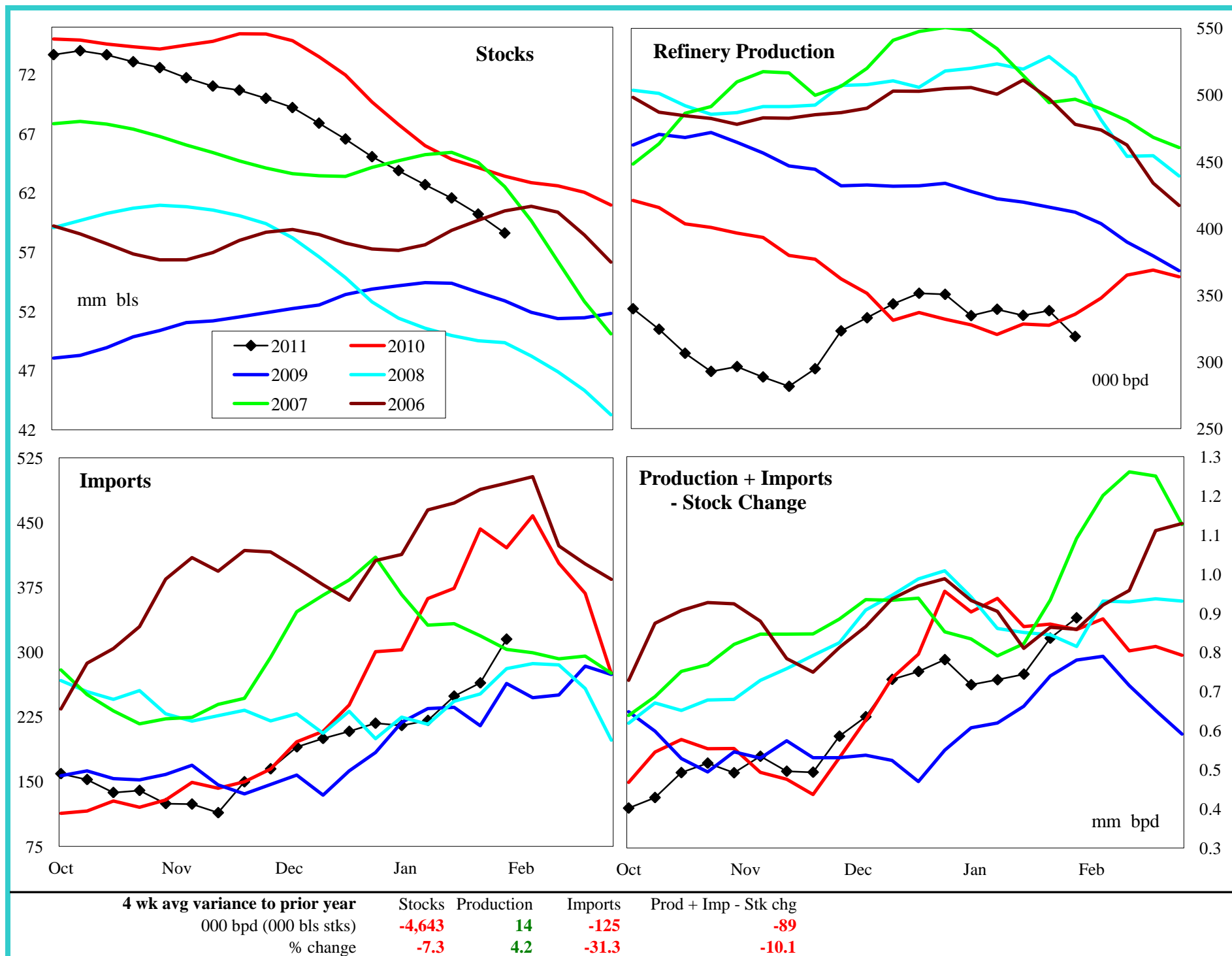
# PADD 1 Reformulated Gasoline Supply



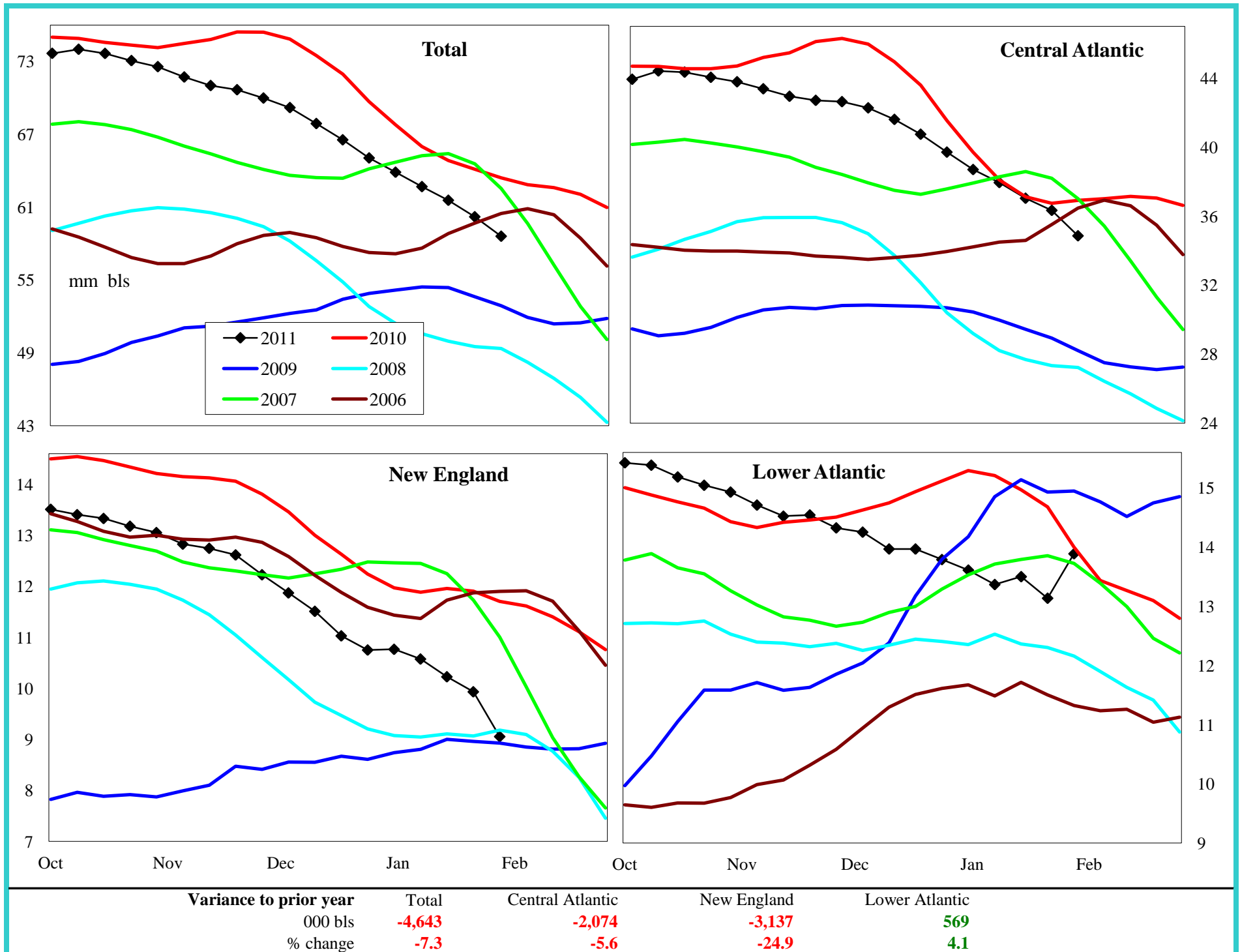
# PADD 1 Conventional Gasoline Supply



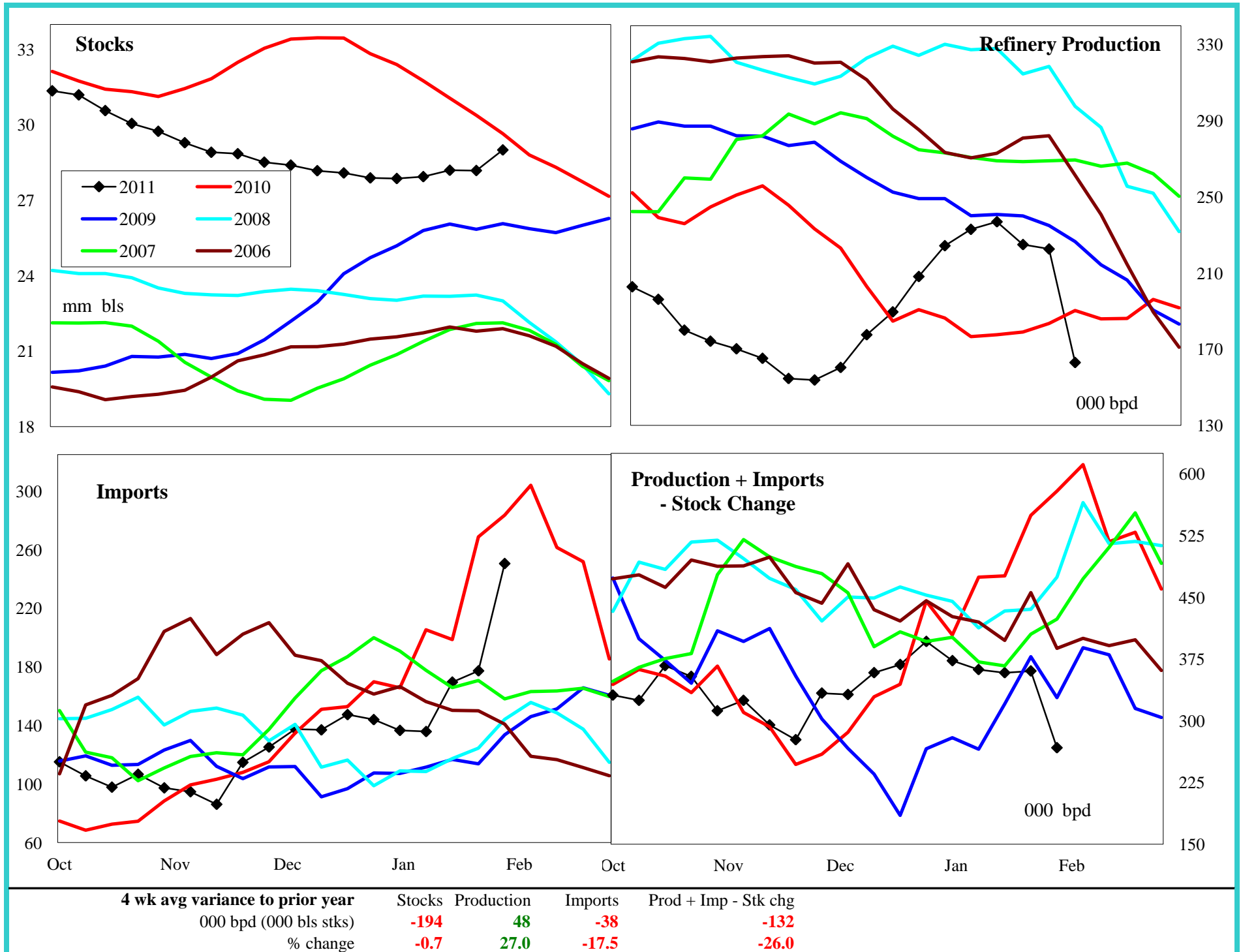
# PADD 1 Distillate Supply



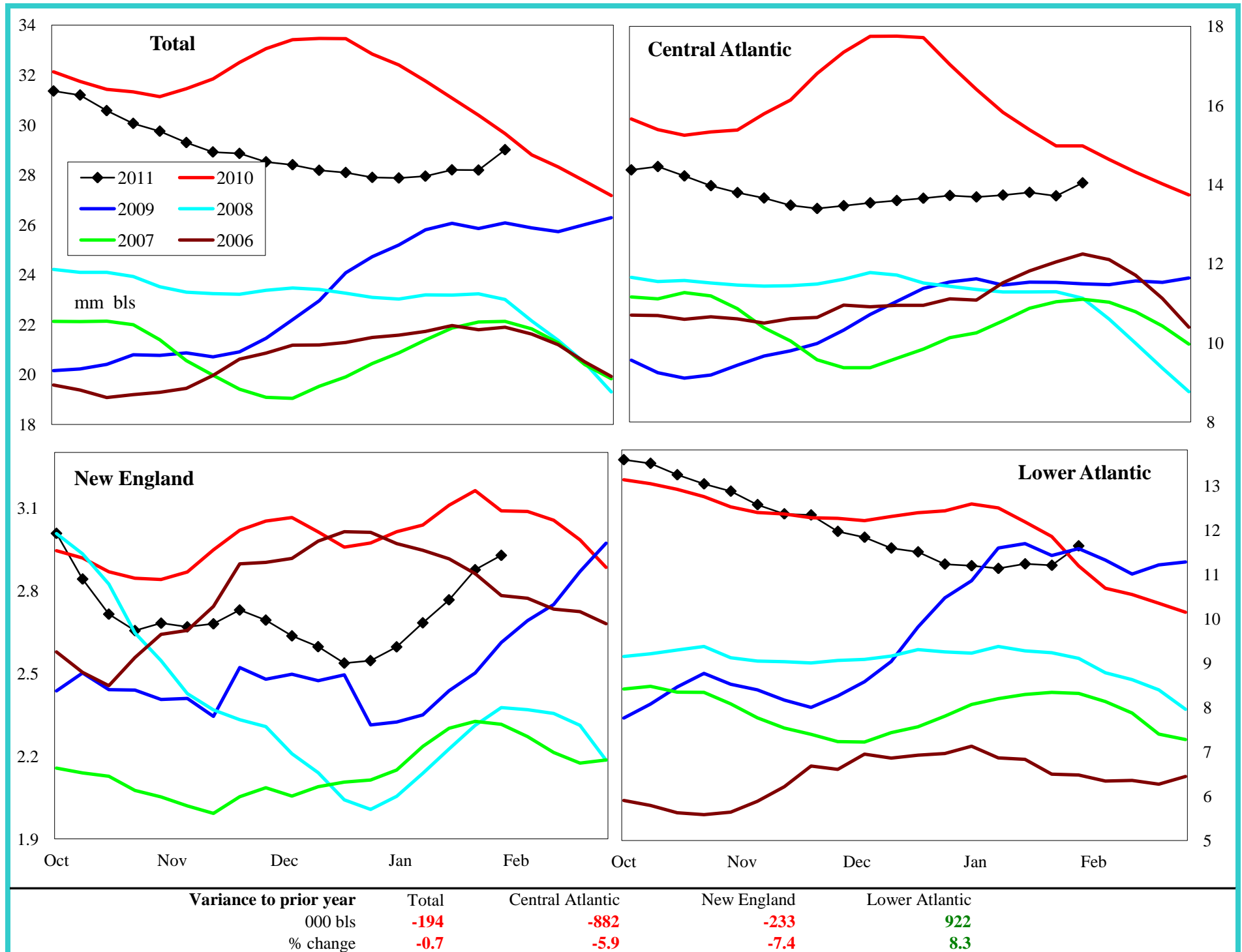
# PADD 1 Distillate Stocks by Region



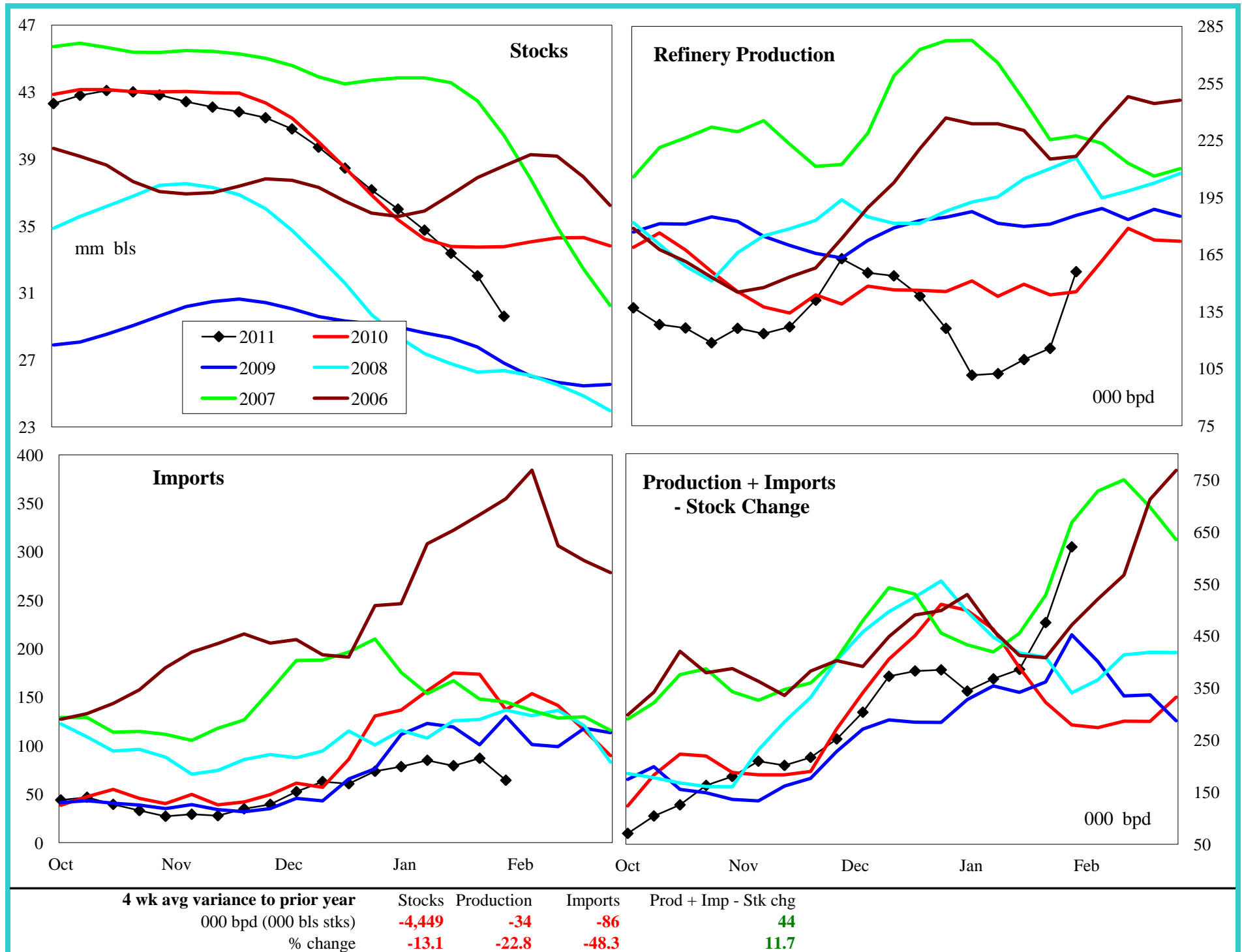
# PADD 1 Low Sulfur Distillate Supply



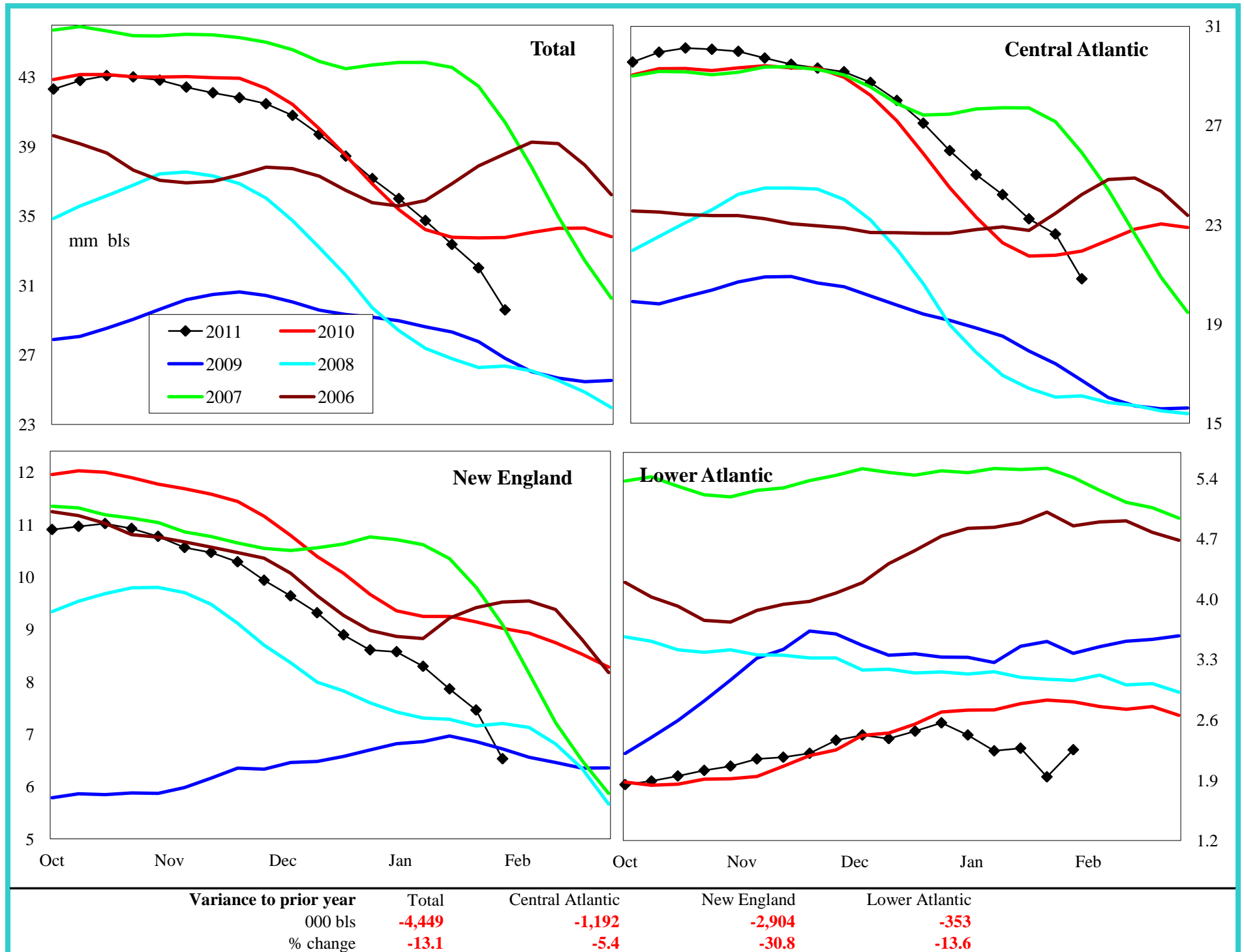
# PADD 1 Low Sulfur Distillate Stocks by Region



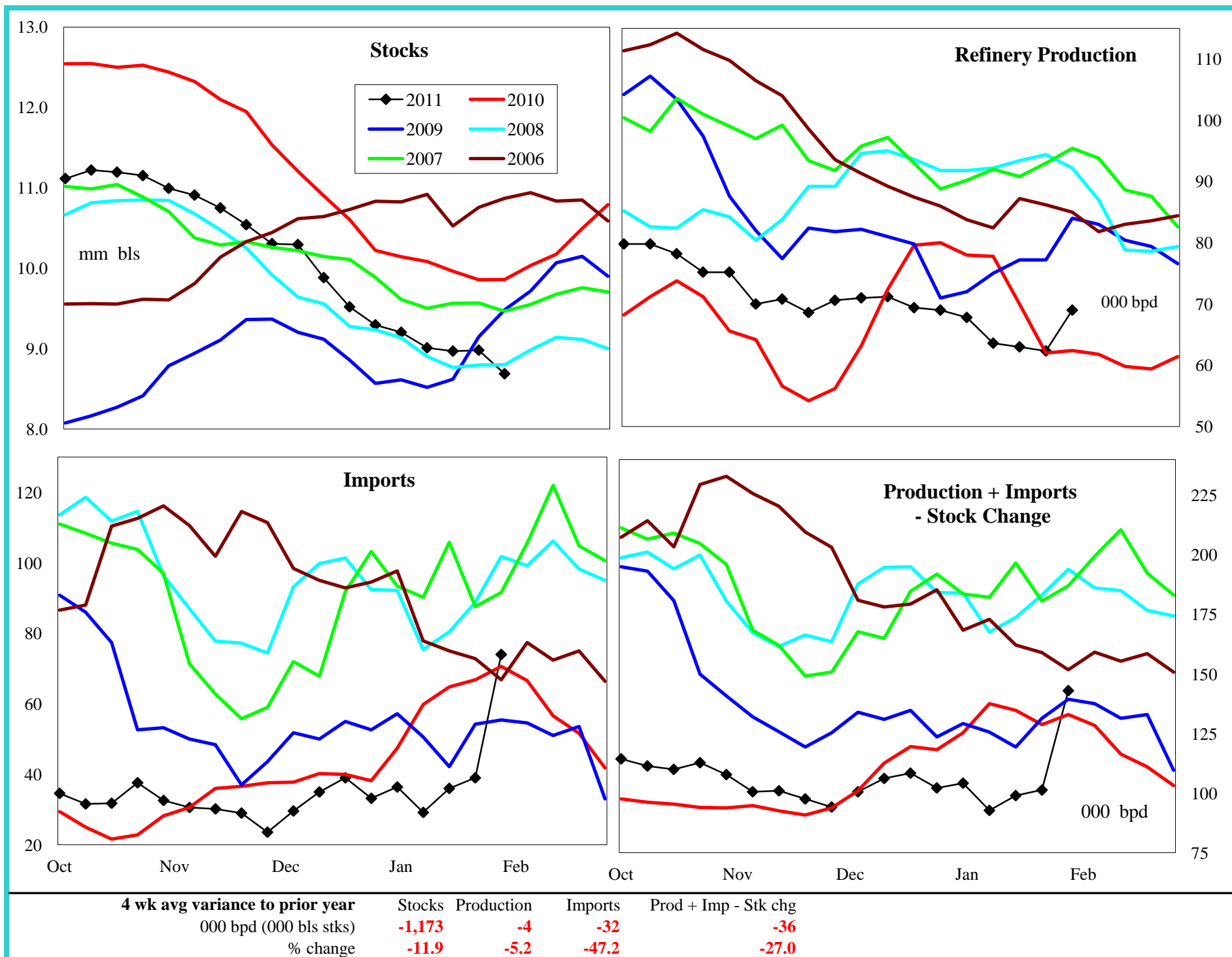
# PADD 1 High Sulfur Distillate Supply



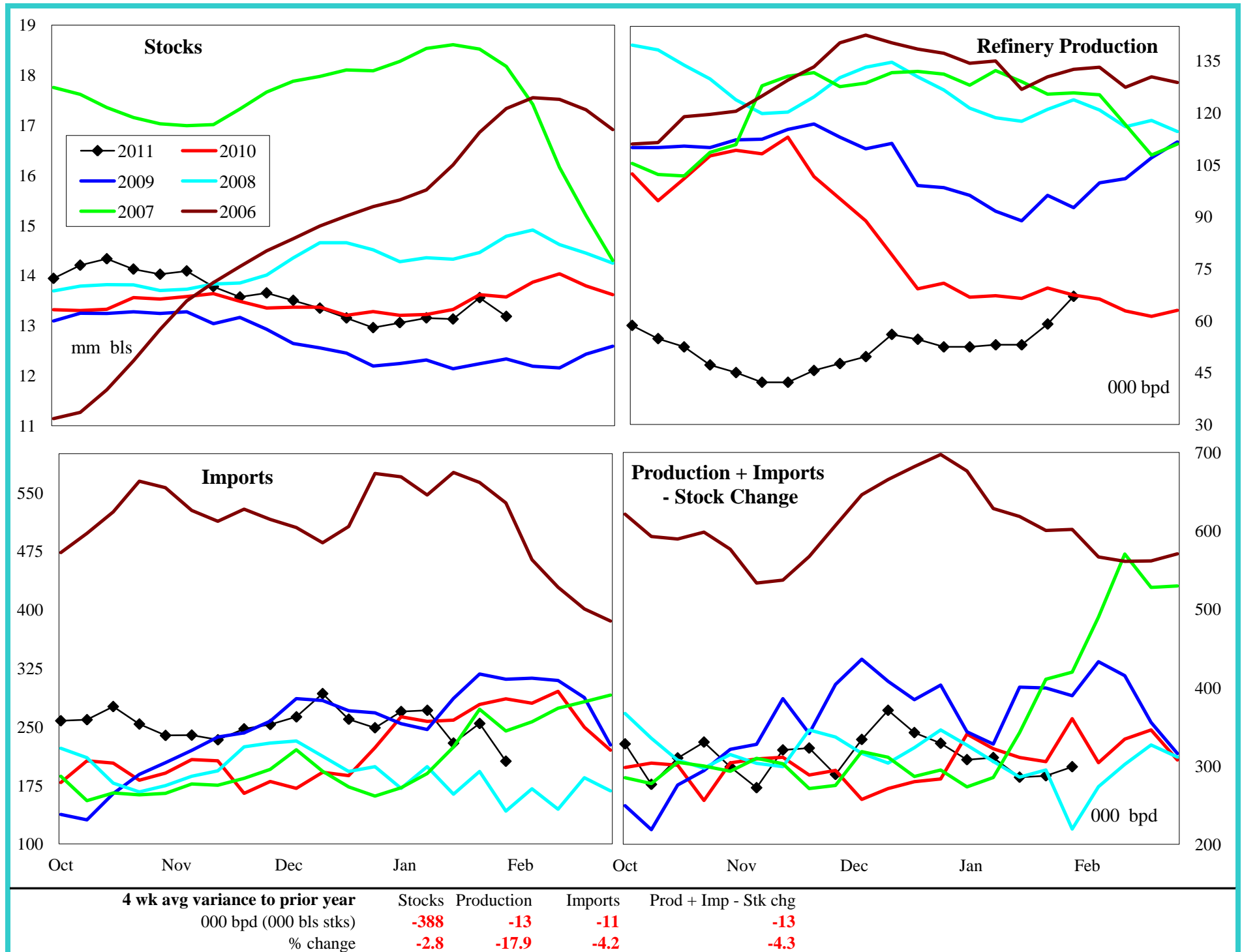
# PADD 1 High Sulfur Distillate Stocks by Region



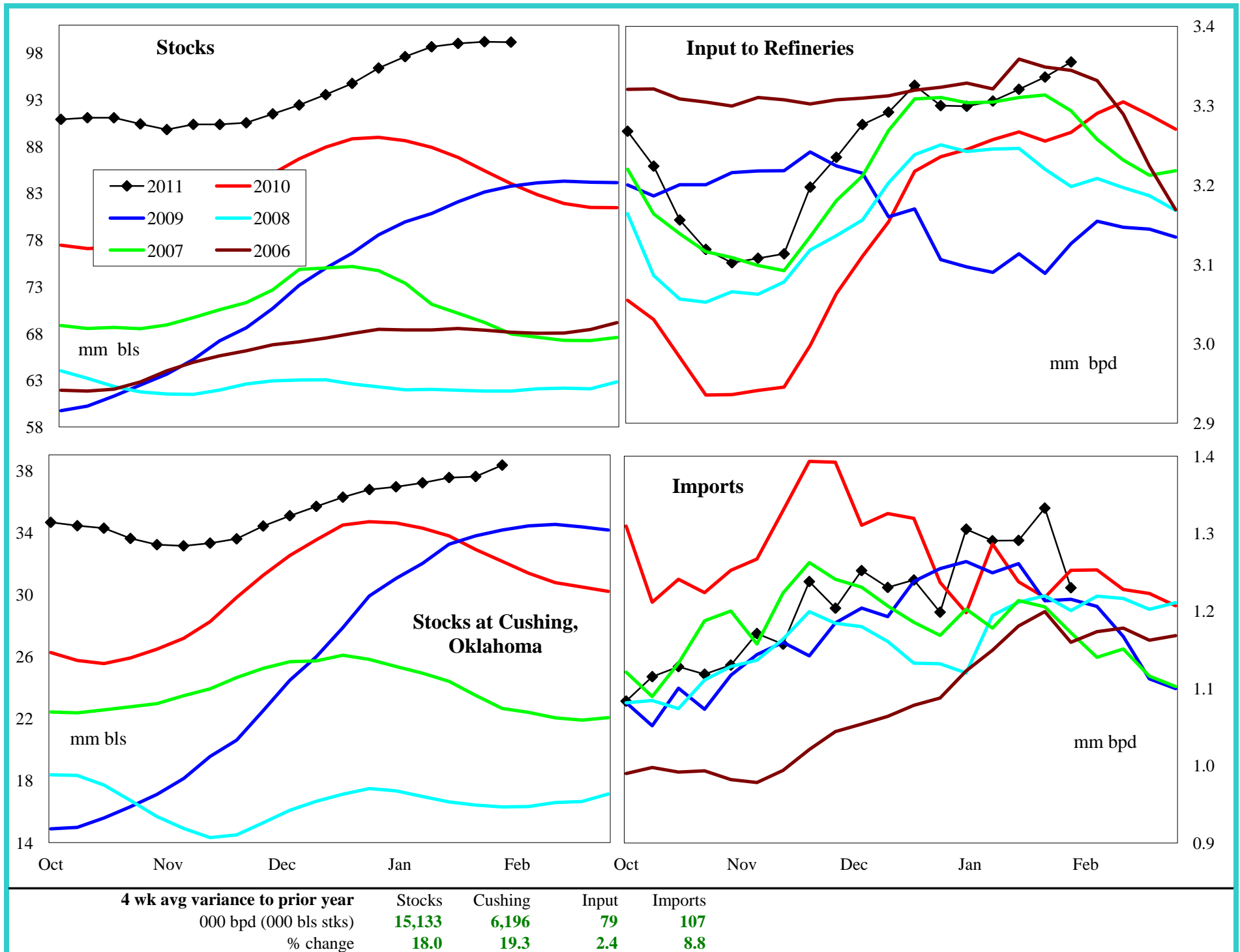
# PADD 1 Jet Fuel Supply



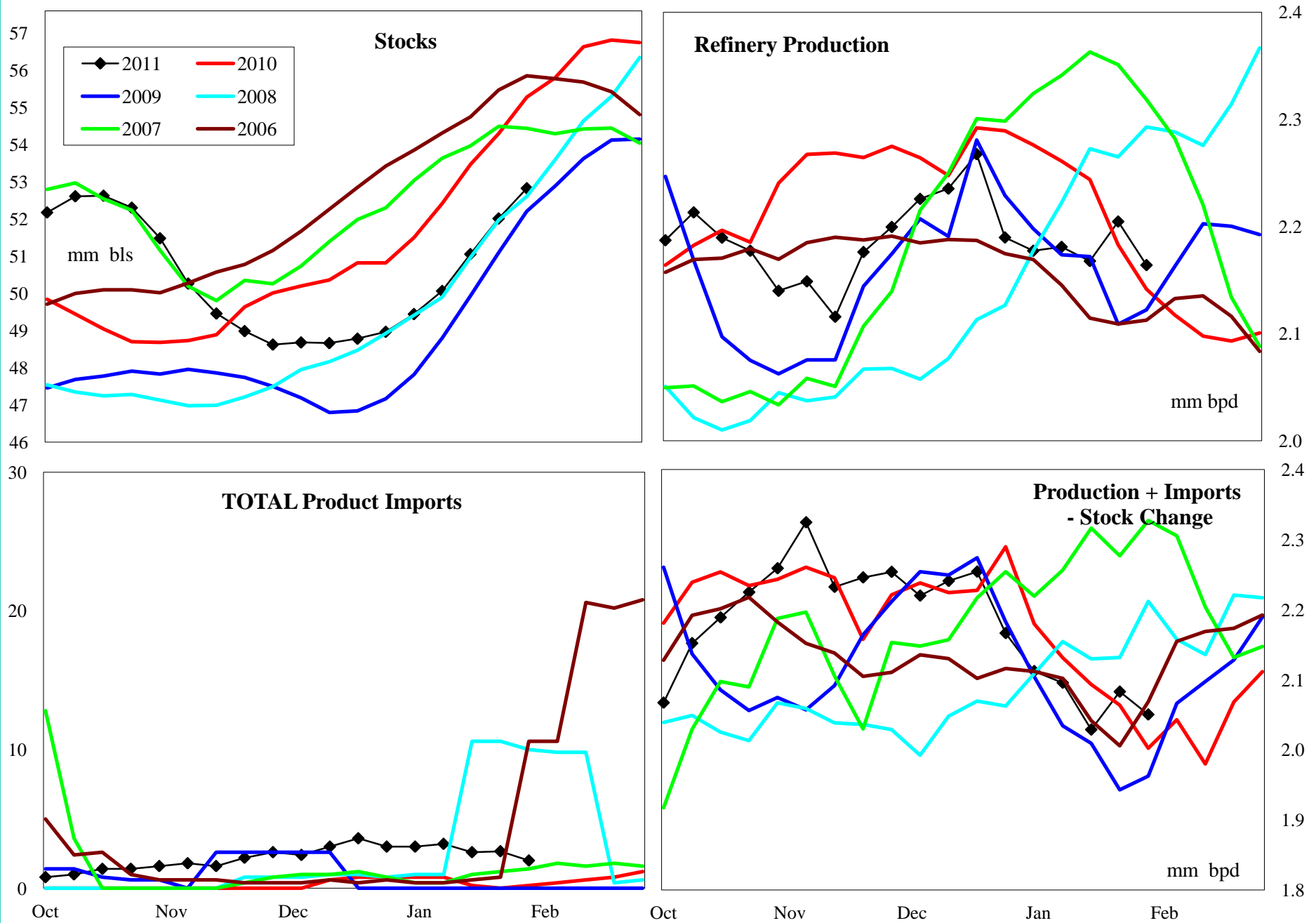
# PADD 1 Residual Fuel Oil Supply



# PADD 2 Crude Oil Supply and Refining



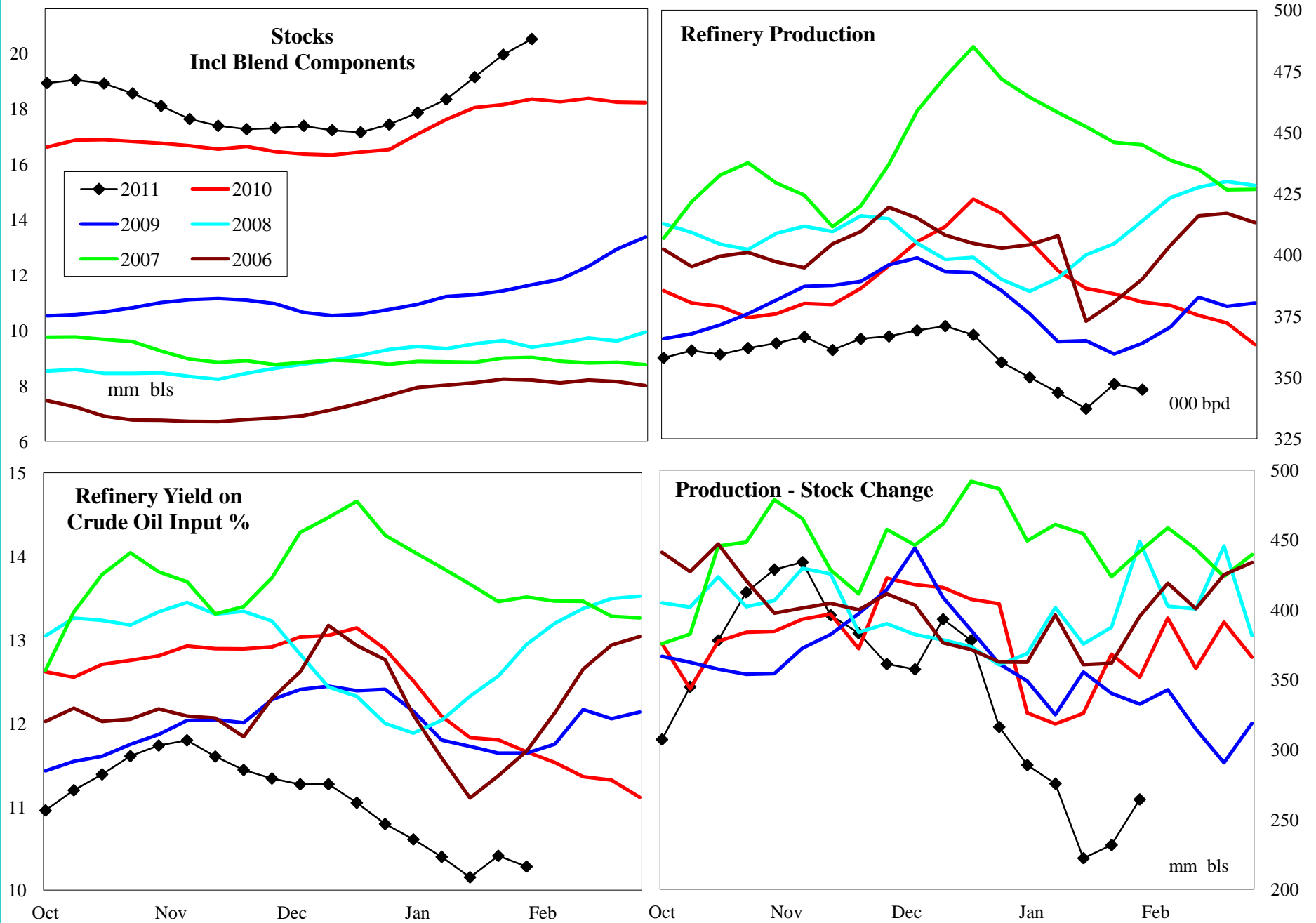
# PADD 2 Gasoline Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
-2,451	-23	3	-33
-4.4	-1.0	#DIV/0!	-1.6

# PADD 2 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,162

11.5

Production

-43

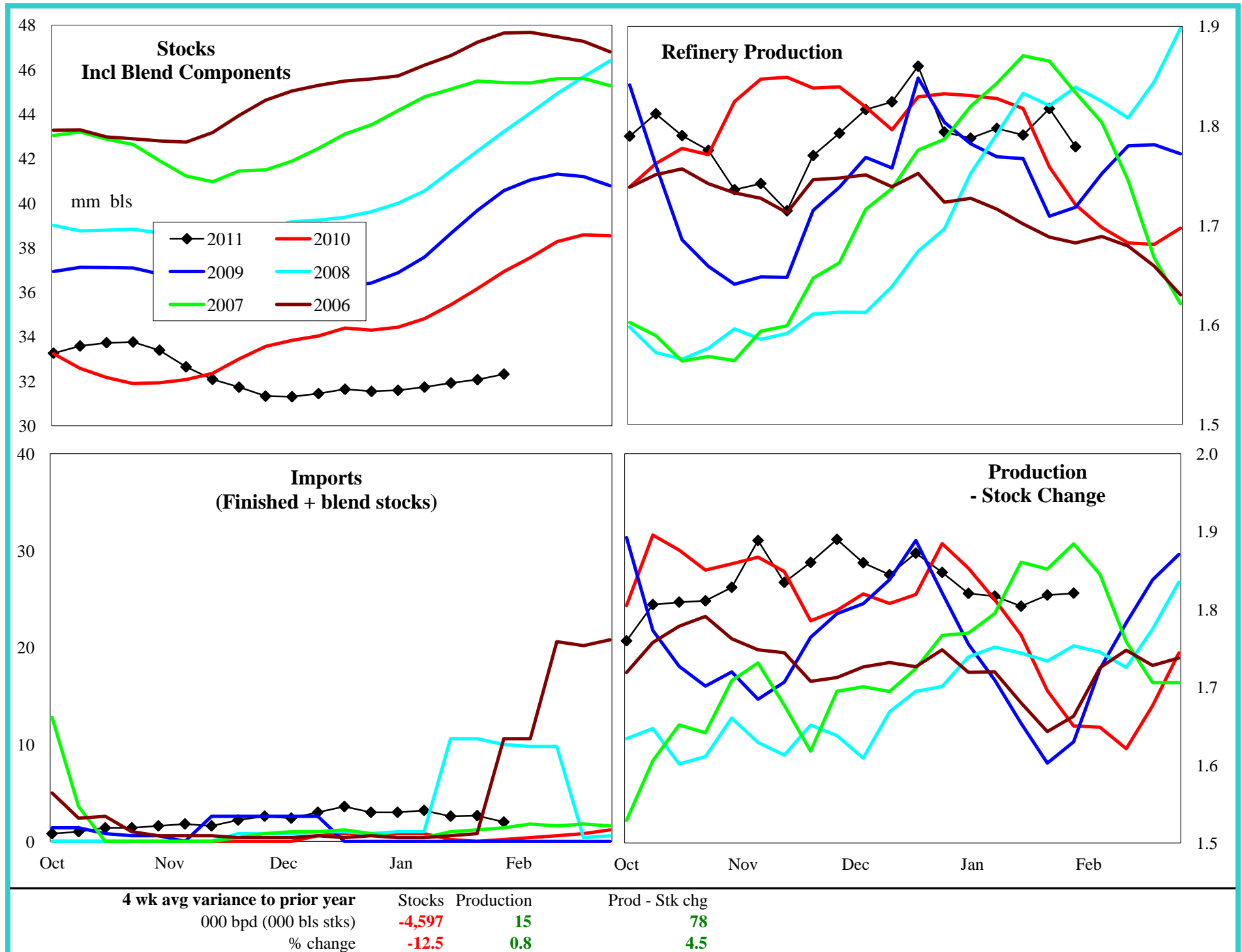
-11.1

Prod - Stk chg

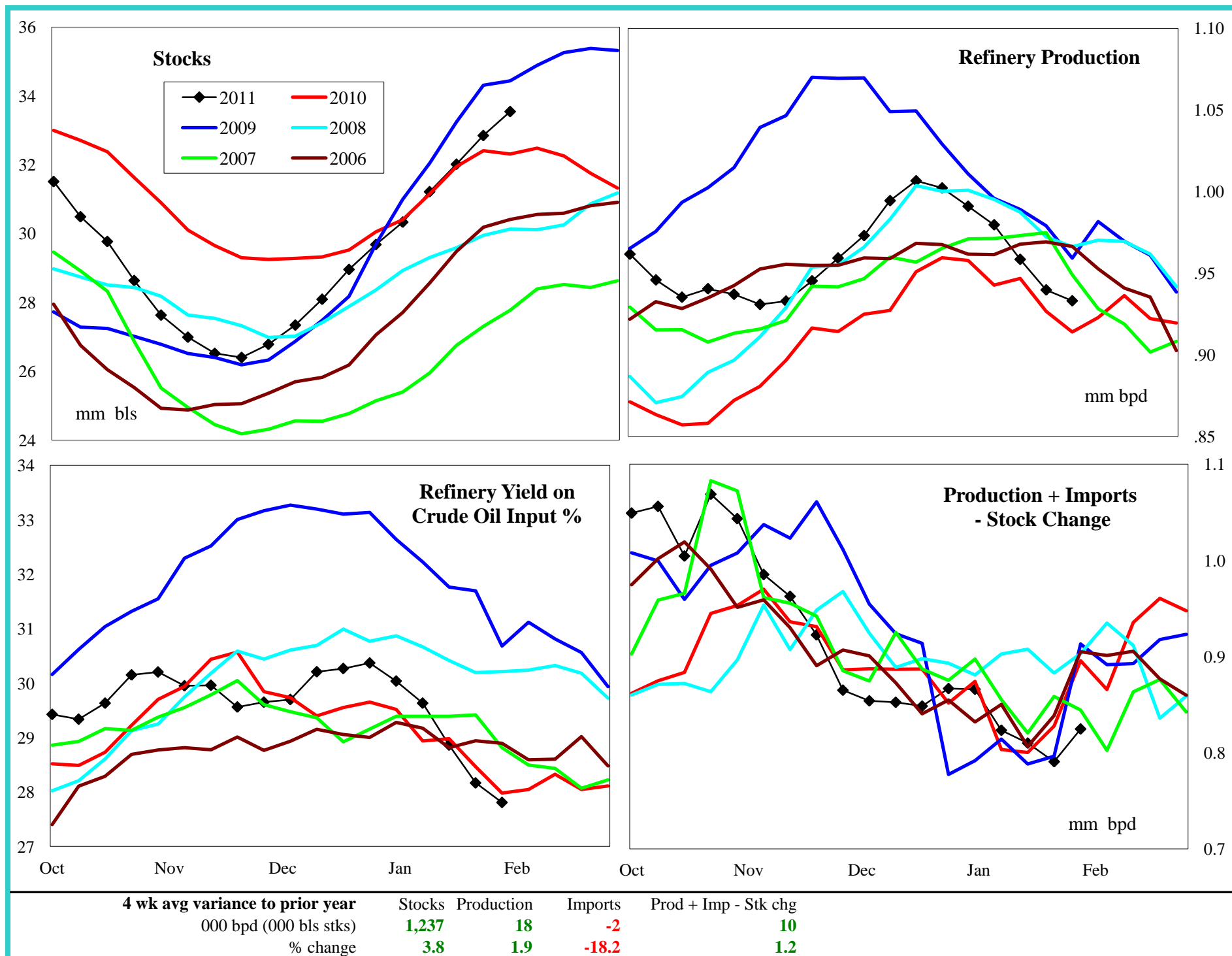
-93

-27.2

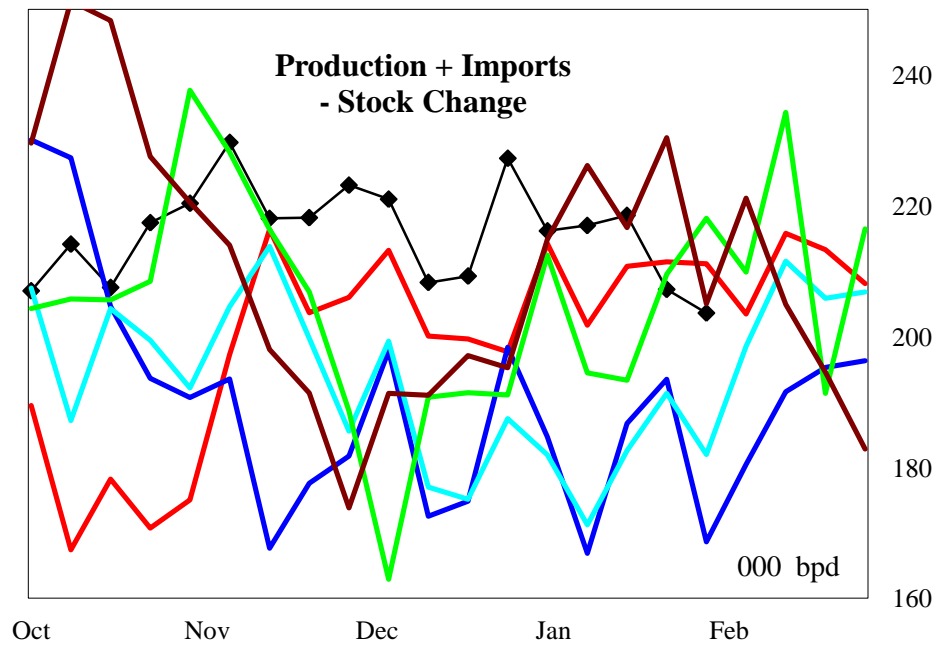
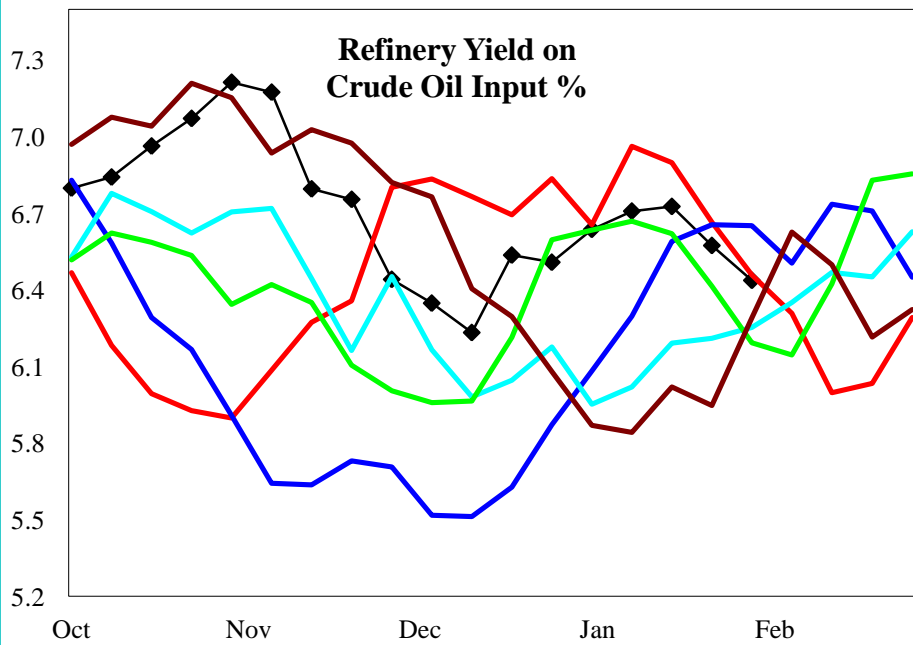
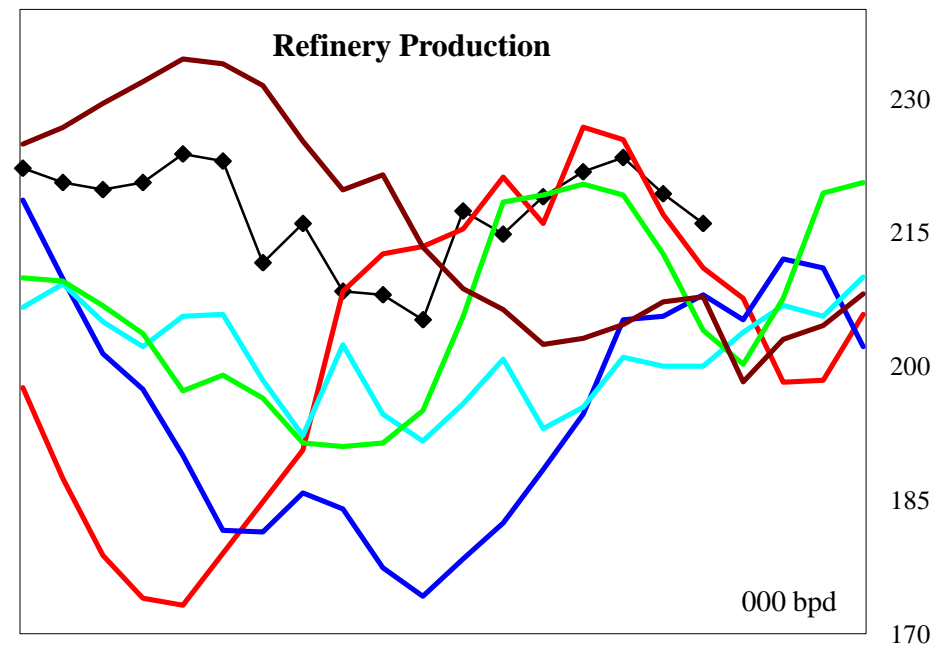
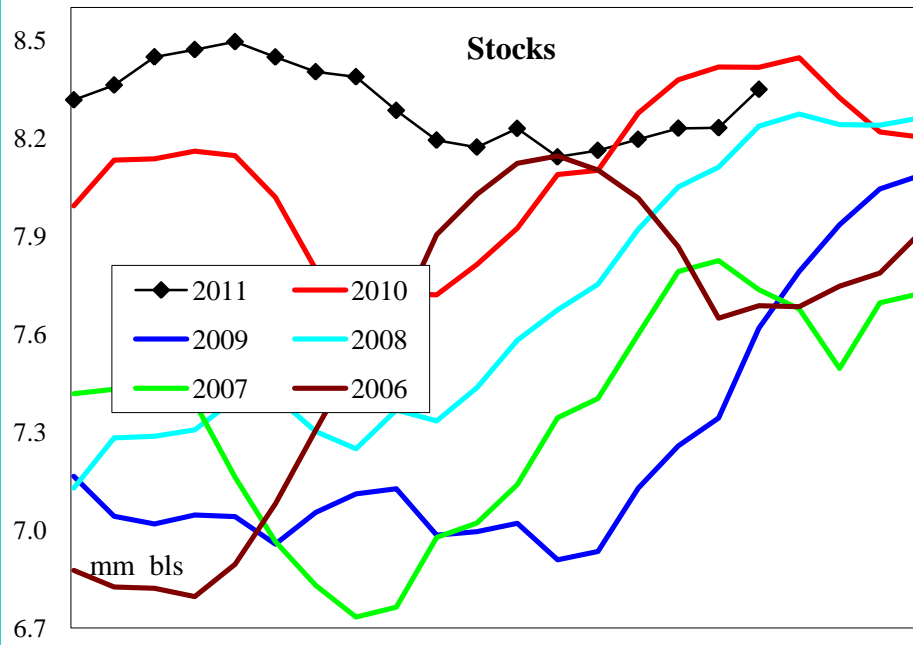
# PADD 2 Conventional Gasoline Supply



# PADD 2 Distillate Supply



# PADD 2 Jet Fuel Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

-68

-0.8

Production

-4

-1.6

Imports

0

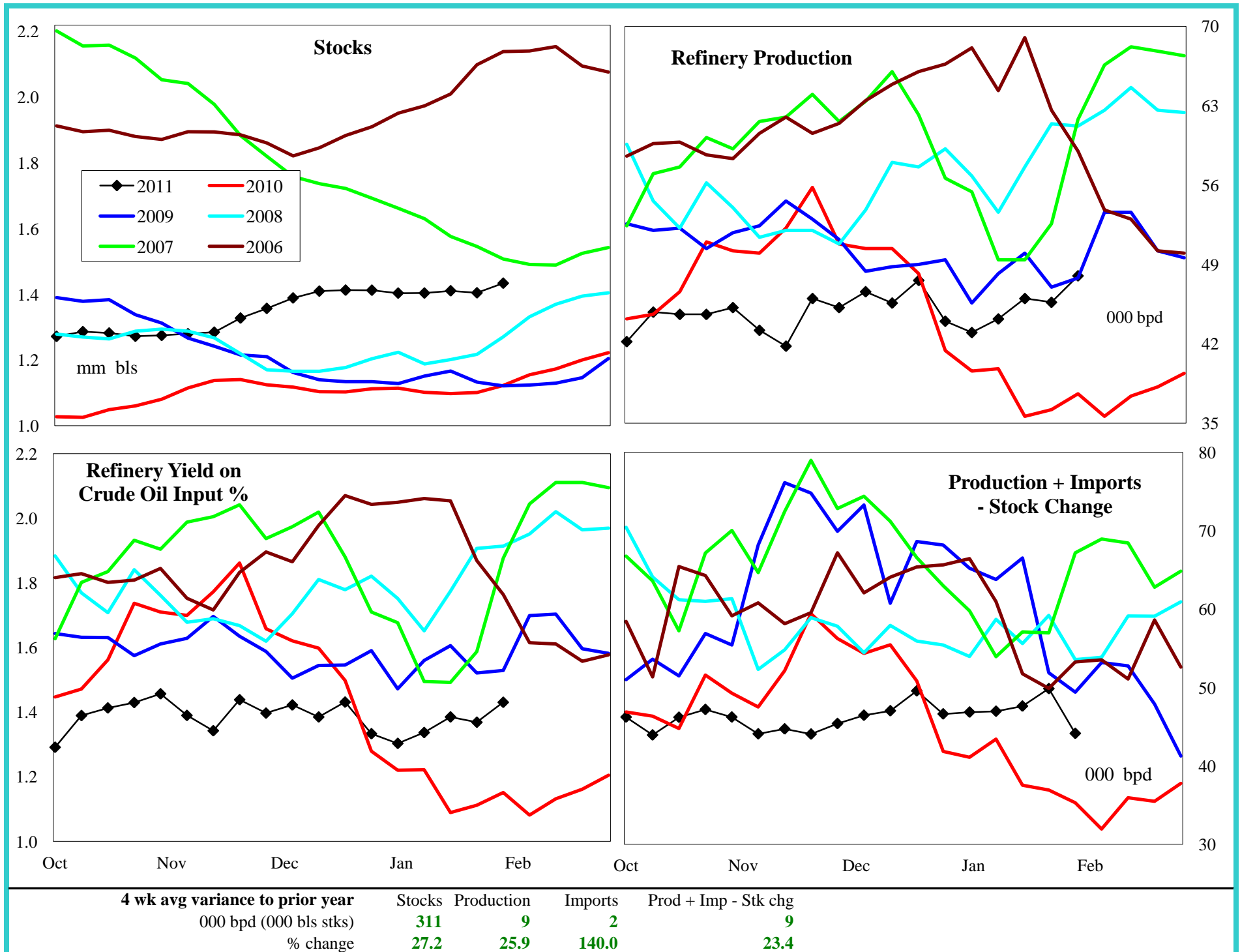
#DIV/0!

Prod + Imp - Stk chg

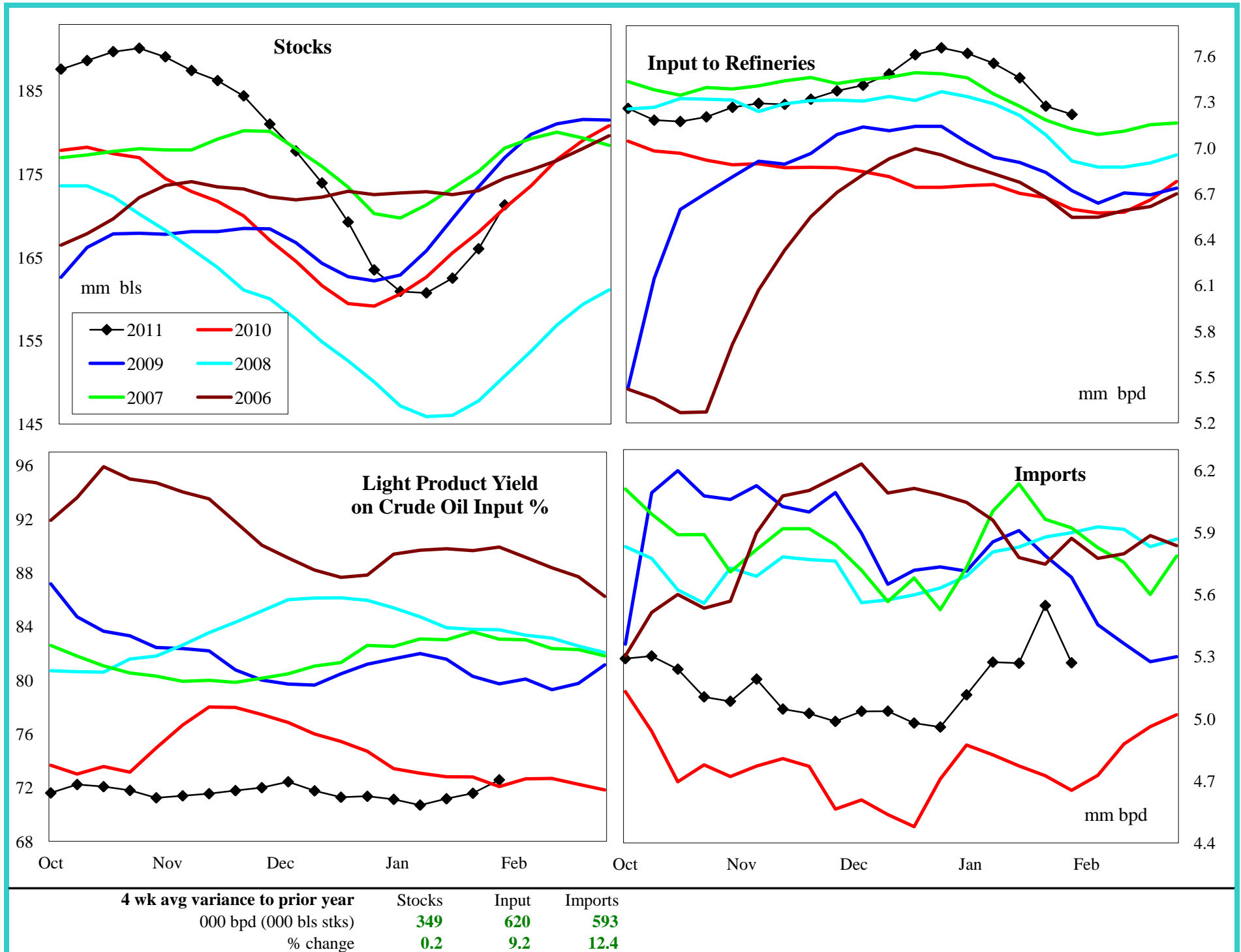
12

5.5

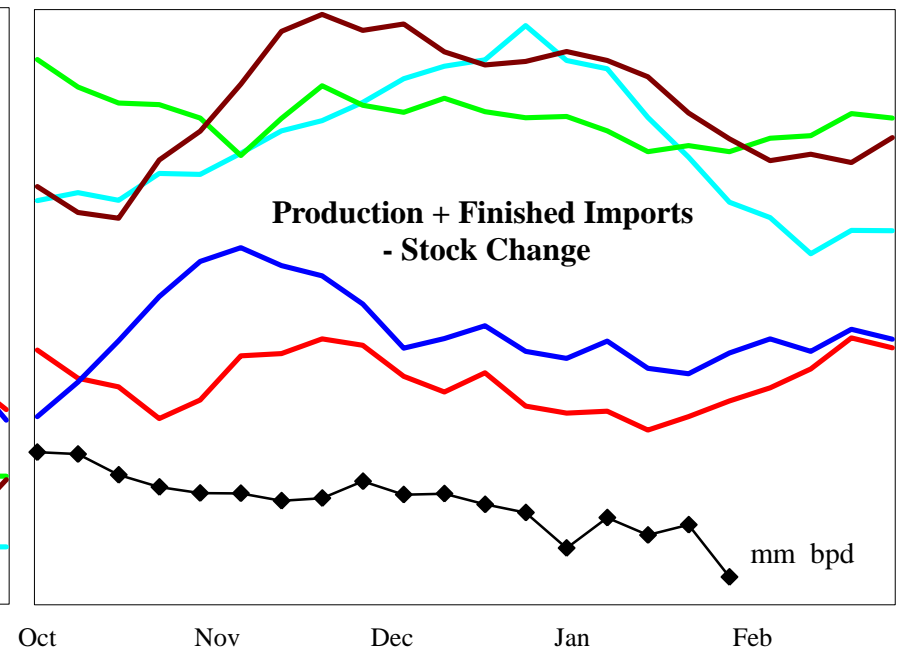
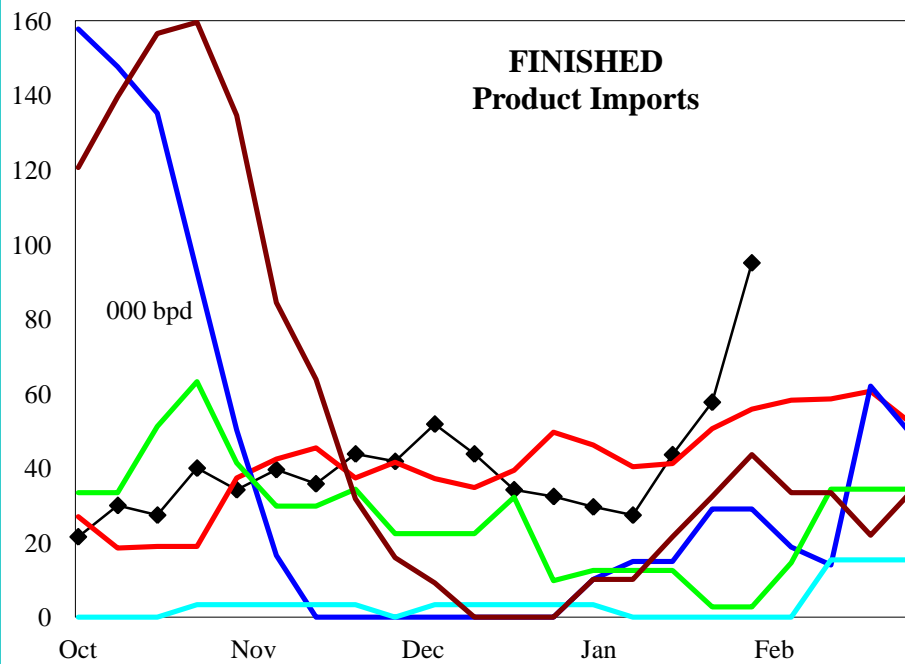
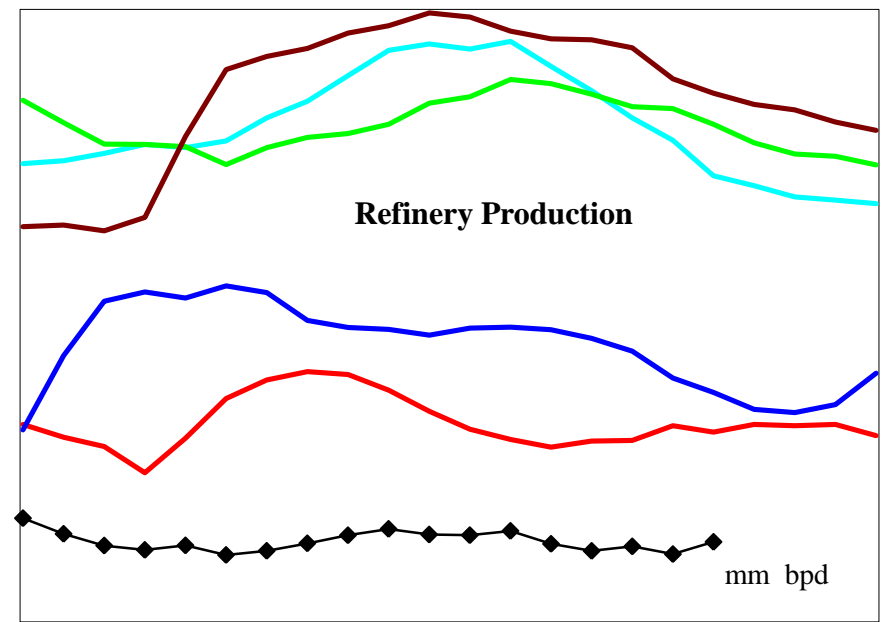
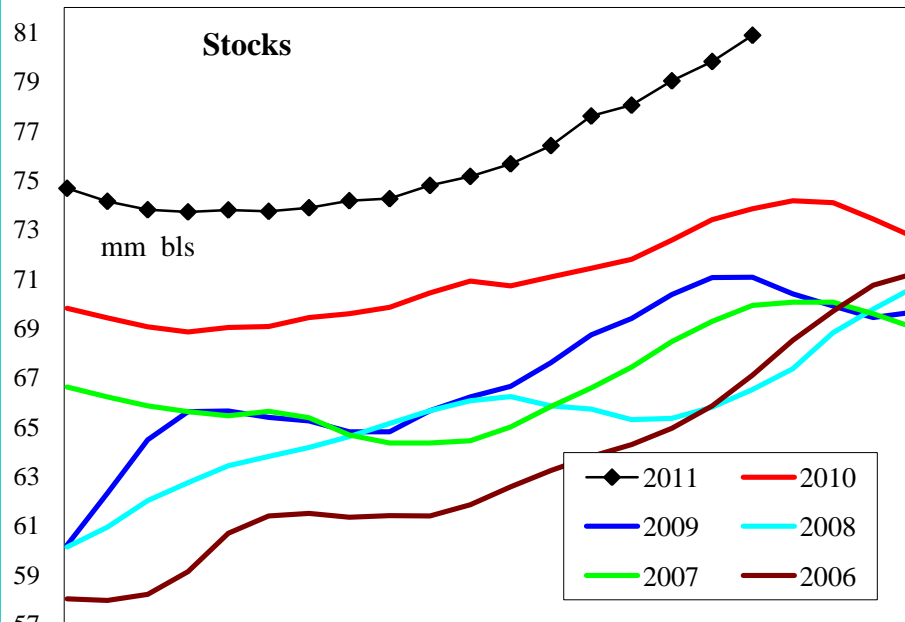
# PADD 2 Residual Fuel Oil Supply



# PADD 3 Crude Oil Supply and Refining



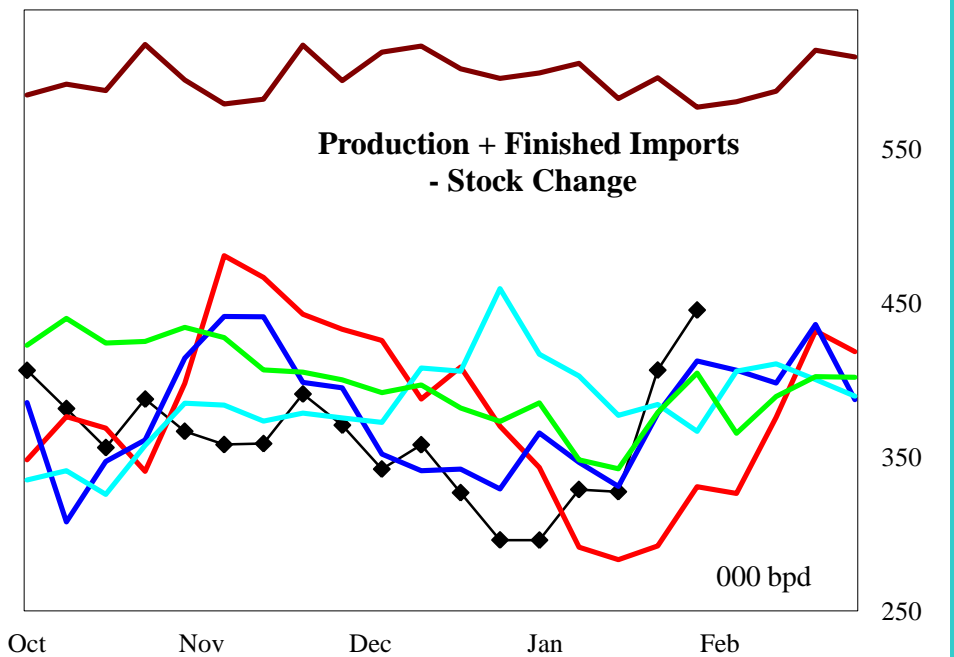
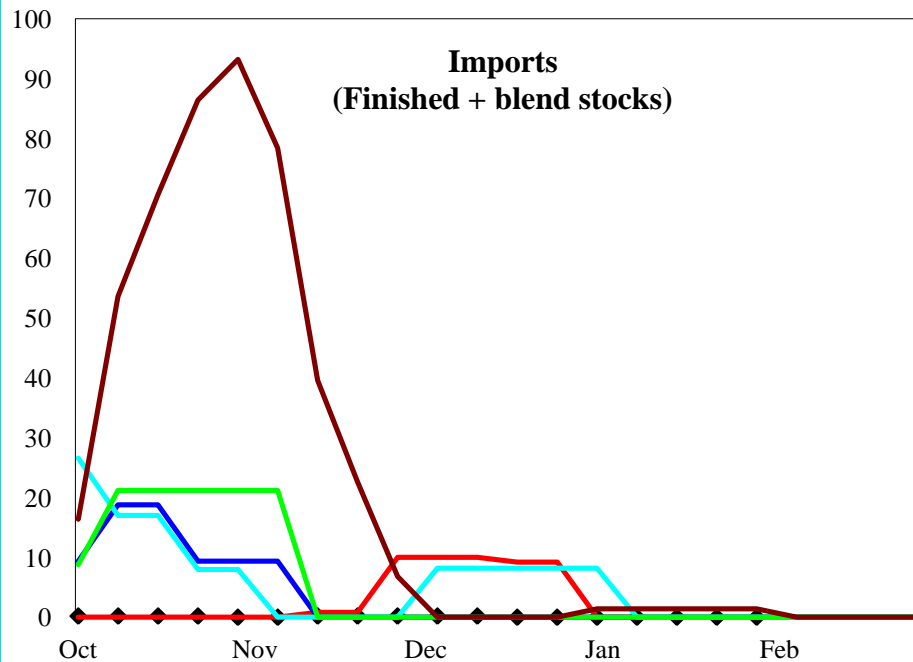
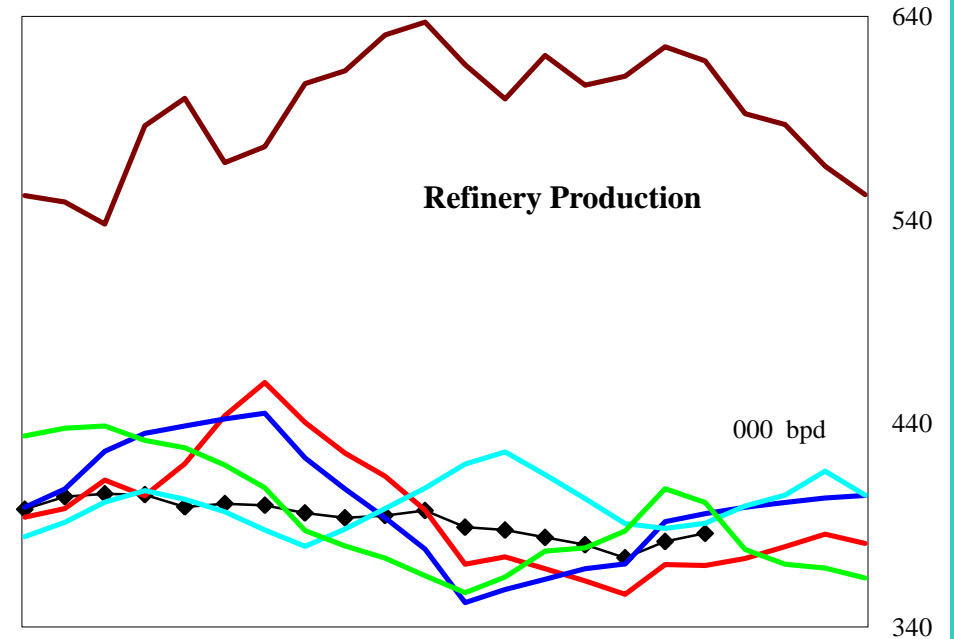
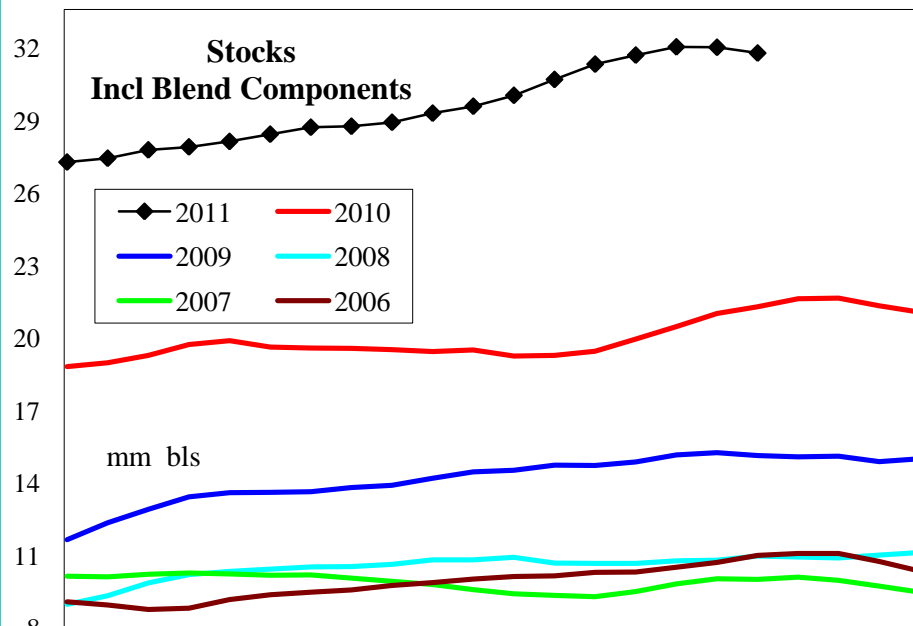
# PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
6,456	-281	14	42	-257
8.7	-11.3	33.7	207.4	-10.8

# PADD 3 Reformulated Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**10,001**

**45.1**

Production

**17**

**4.7**

Imports

**0**

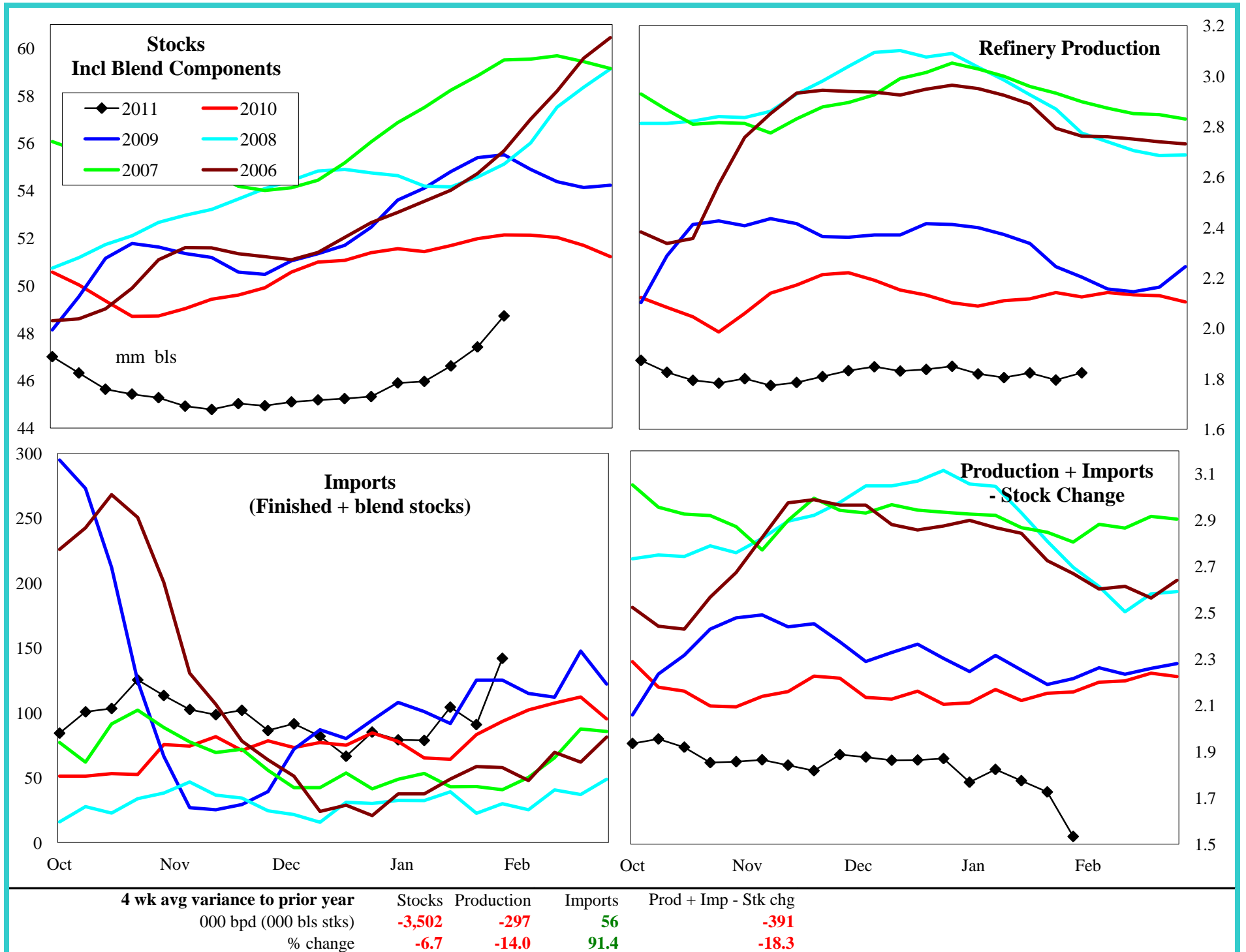
**#DIV/0!**

Prod + Imp - Stk chg

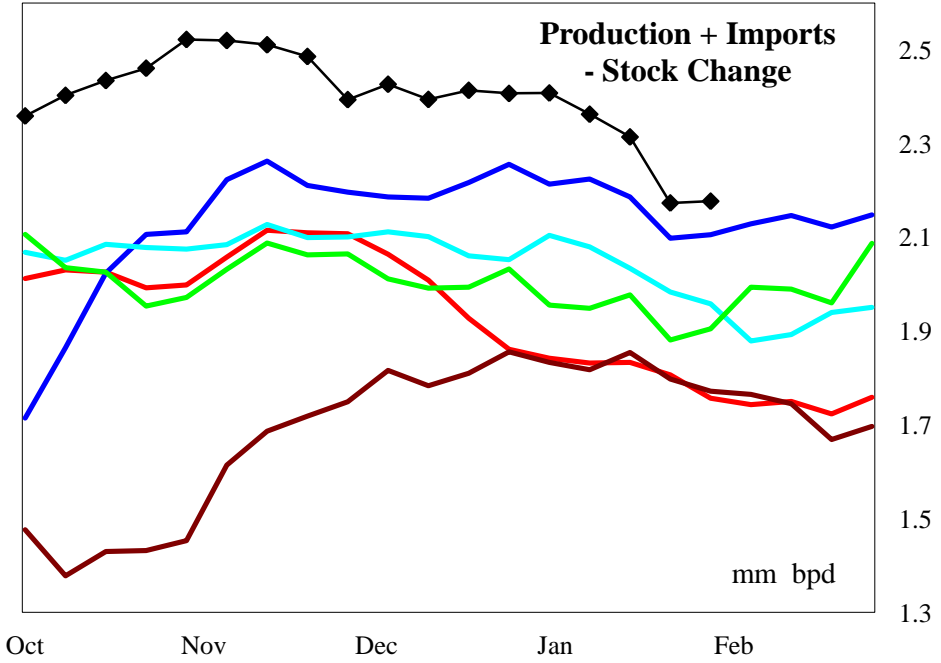
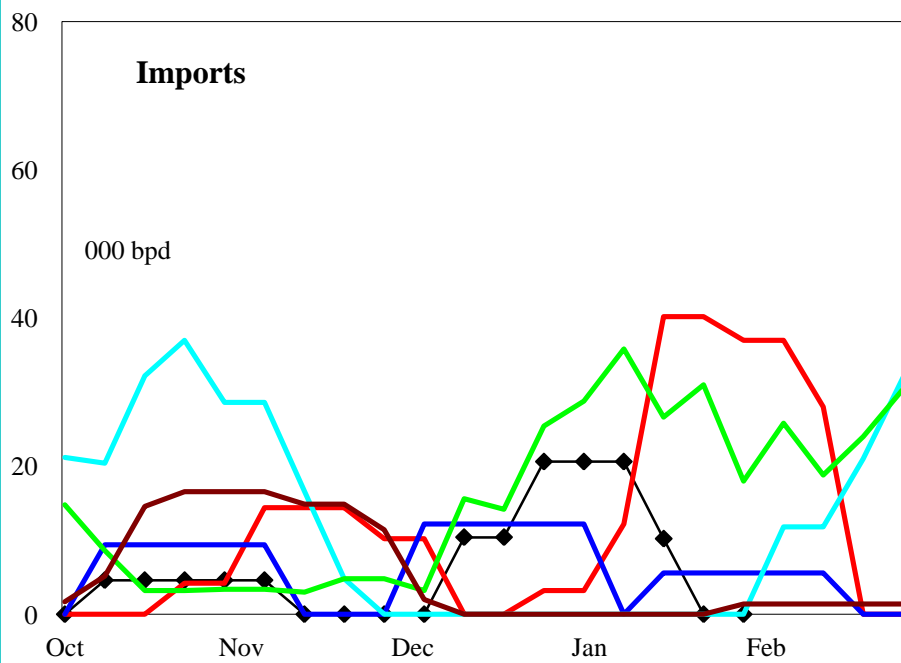
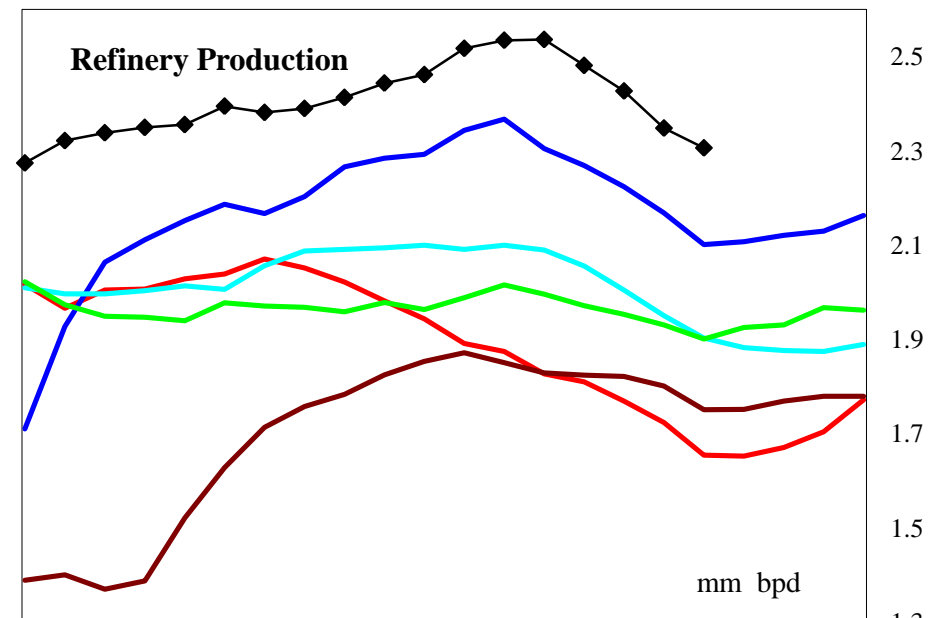
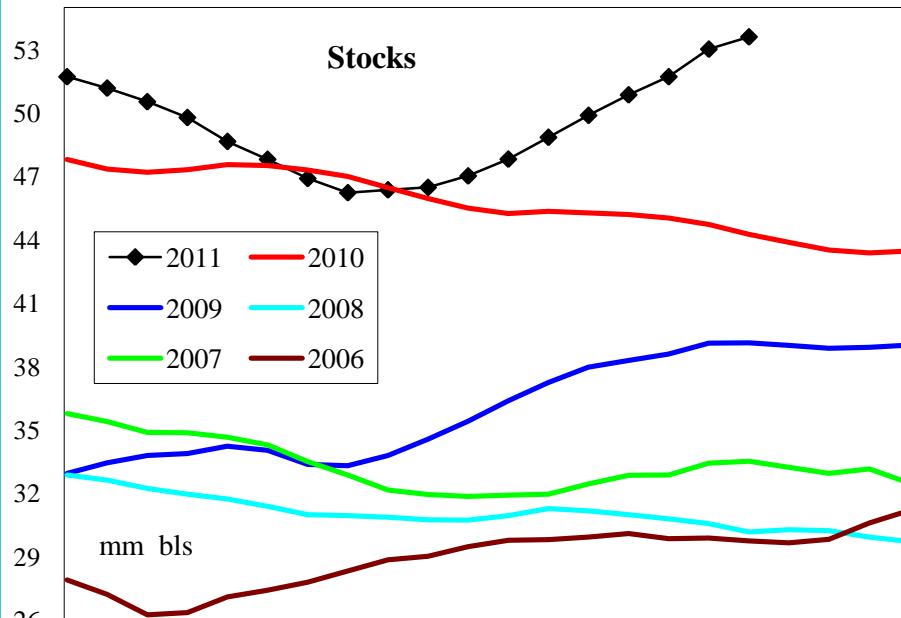
**134**

**53.8**

# PADD 3 Conventional Gasoline Supply



# PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

9,299

21.0

Production

625

35.6

Imports

-38

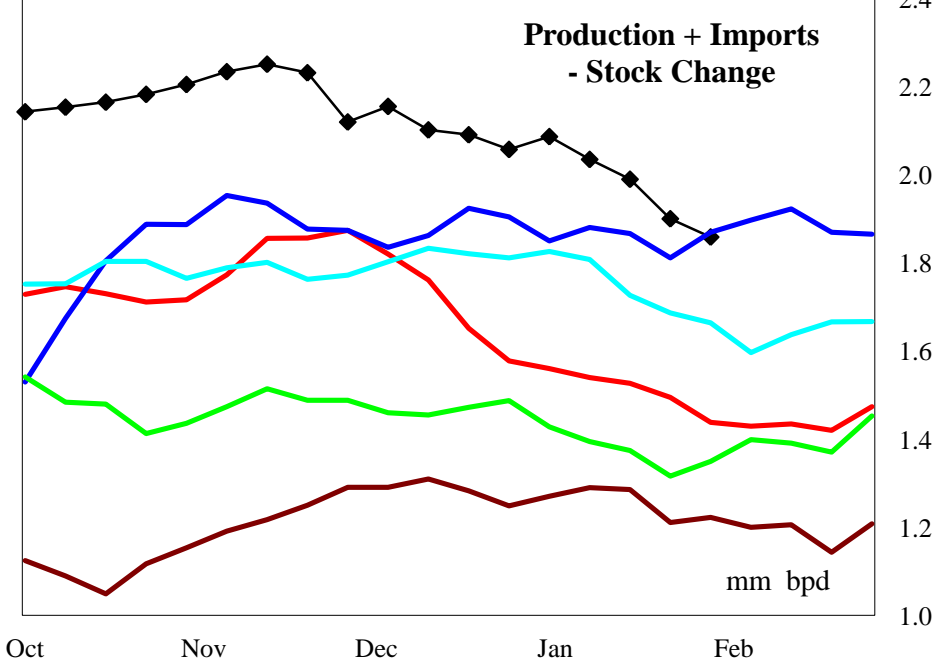
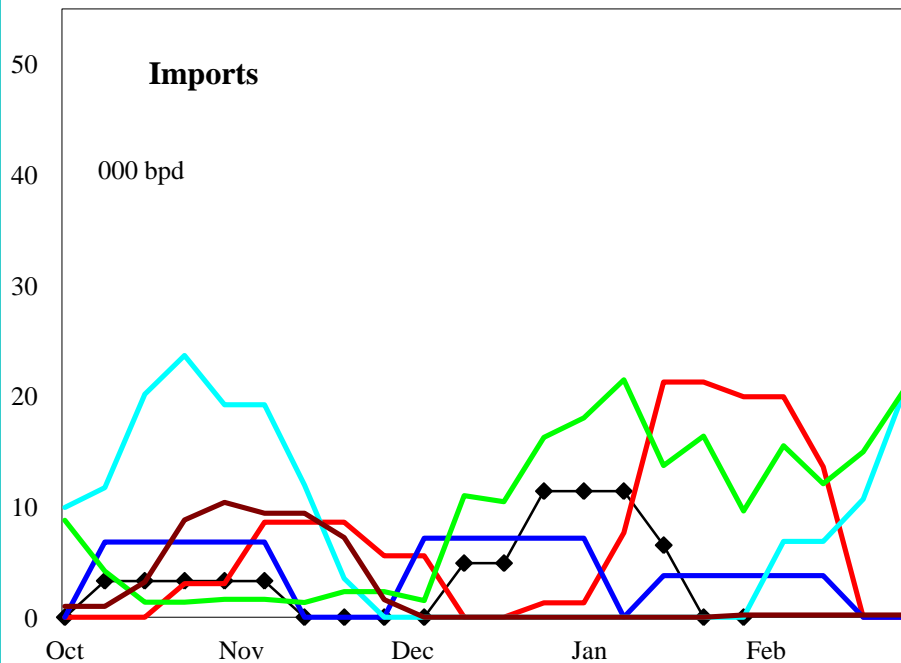
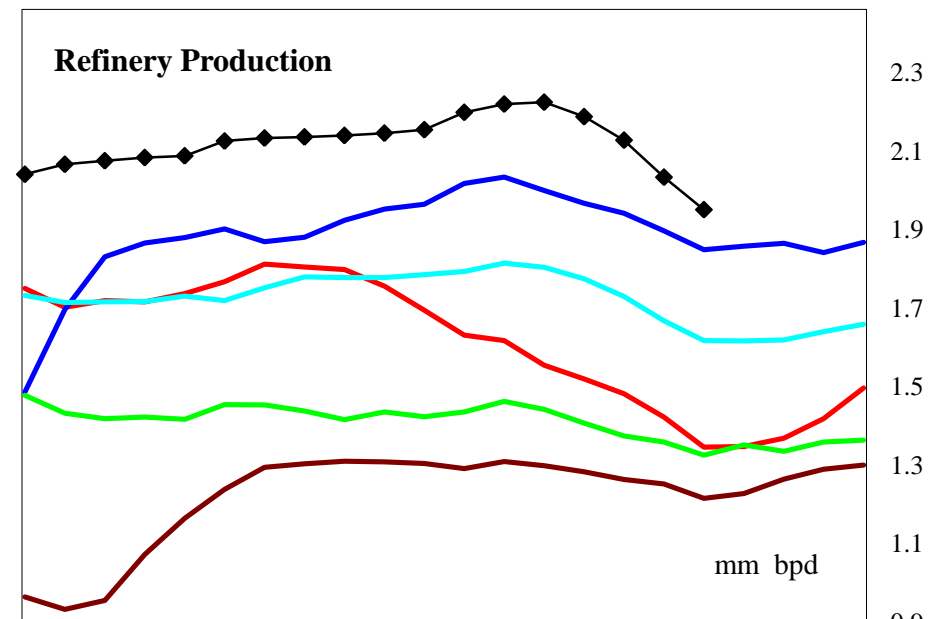
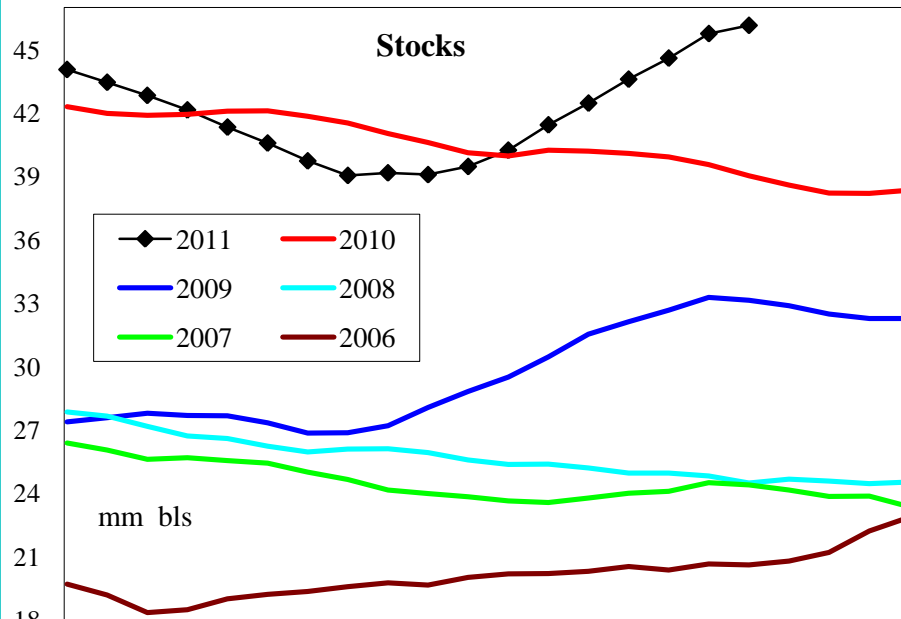
-74.6

Prod + Imp - Stk chg

418

22.8

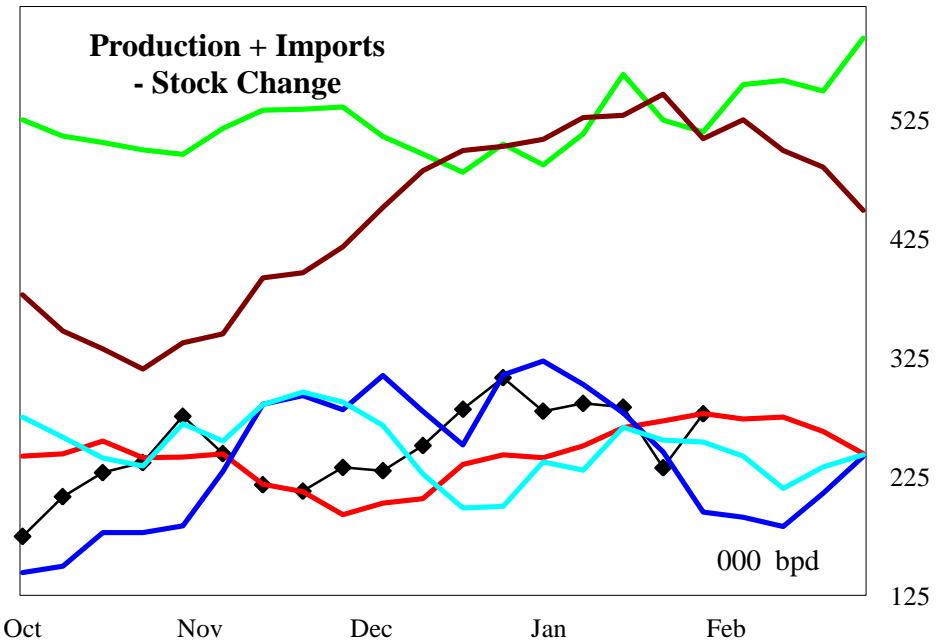
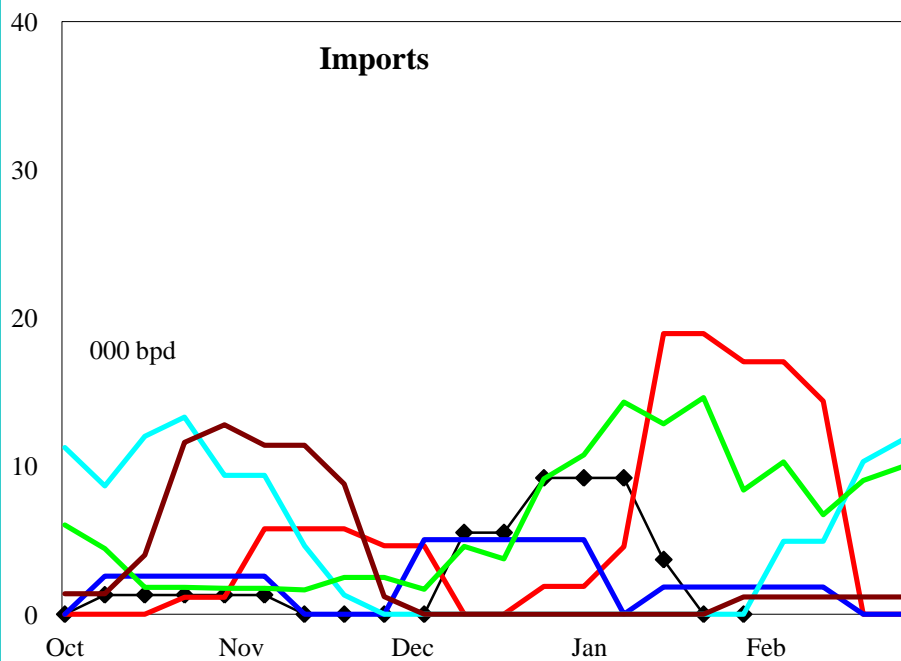
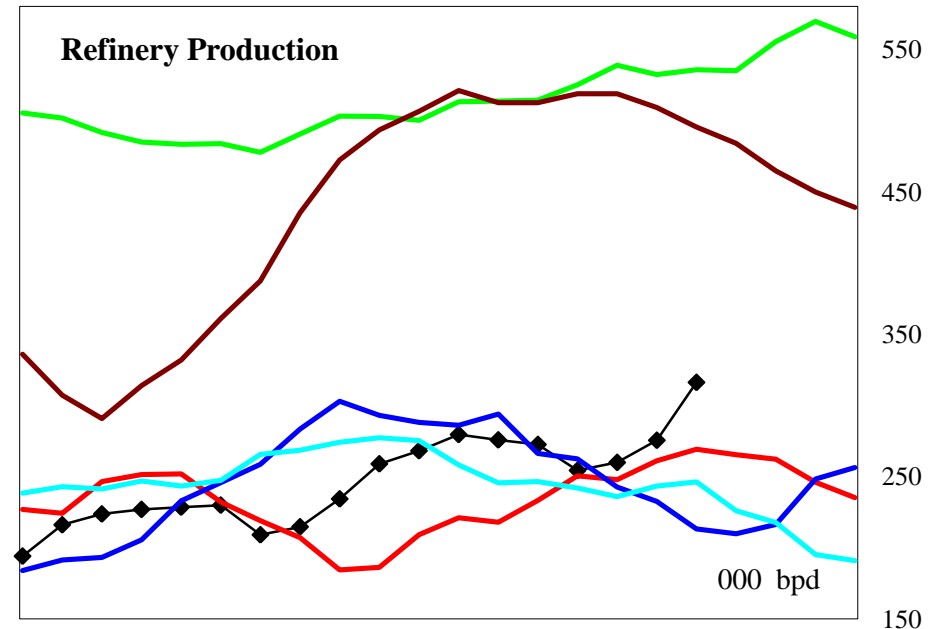
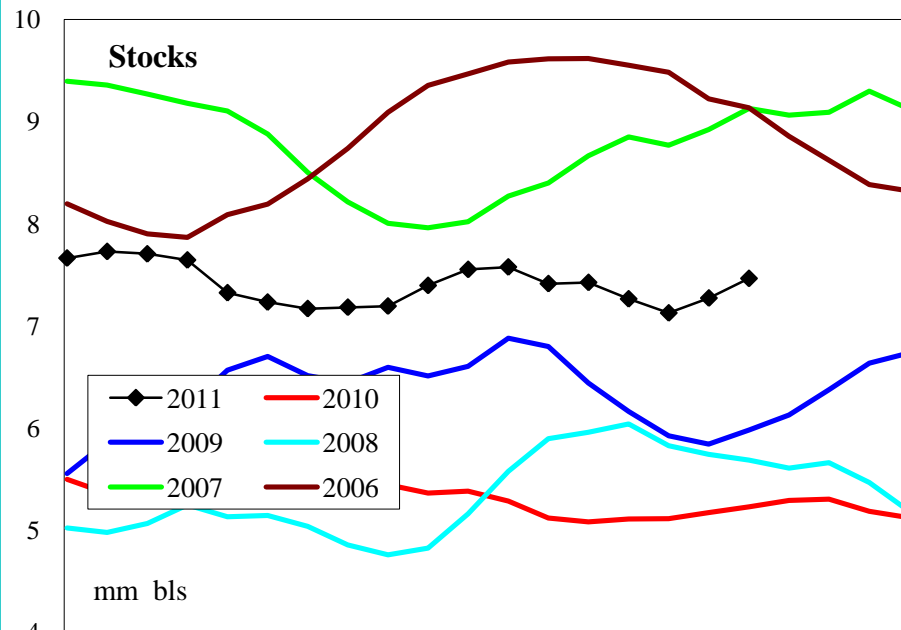
# PADD 3 Low Sulfur Distillate Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
7,177	613	-18	422
18.4	40.8	-69.4	27.0

# PADD 3 High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

2,121

39.7

Production

12

4.8

Imports

-19

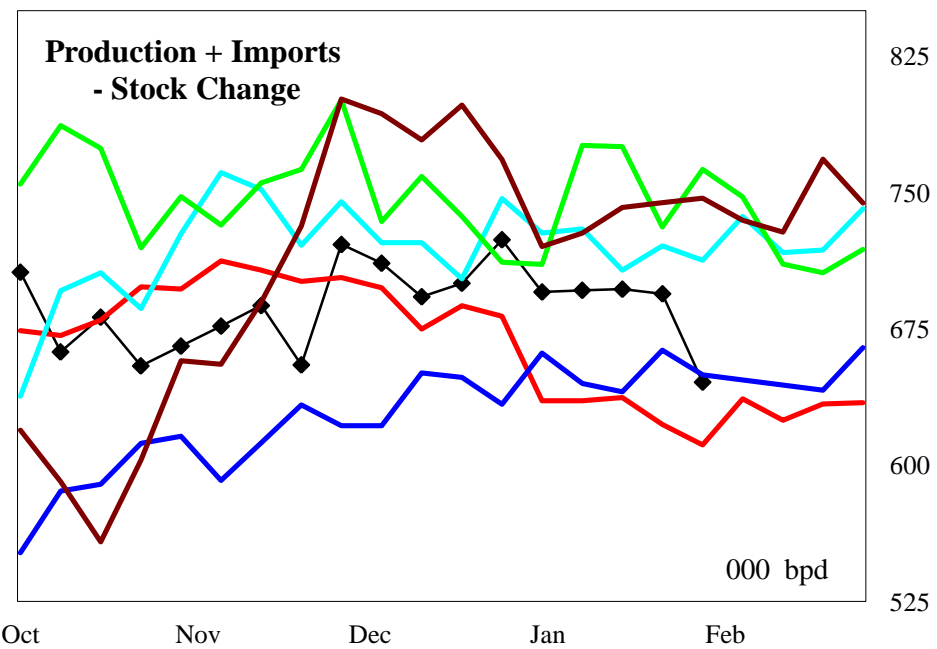
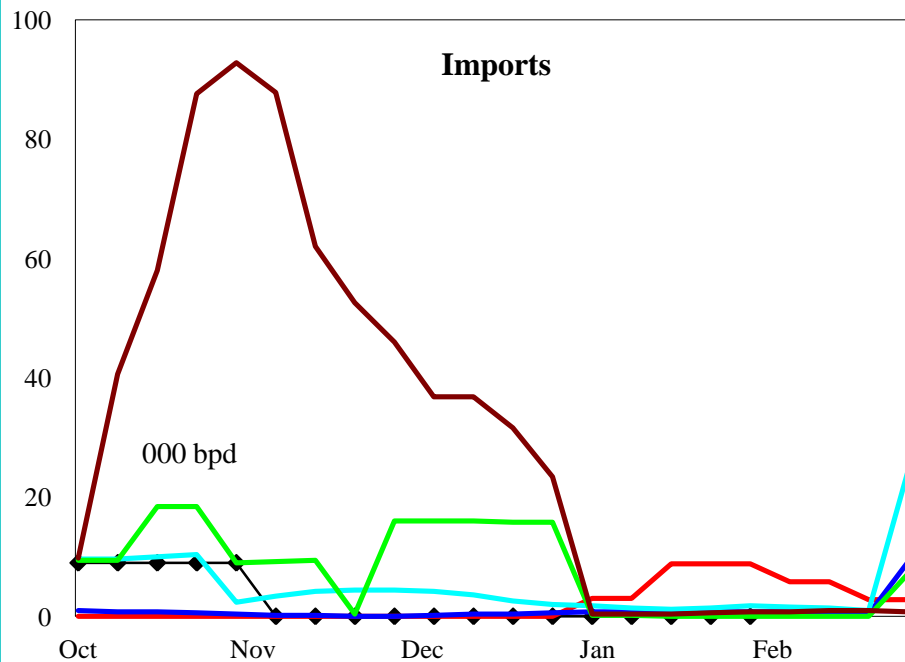
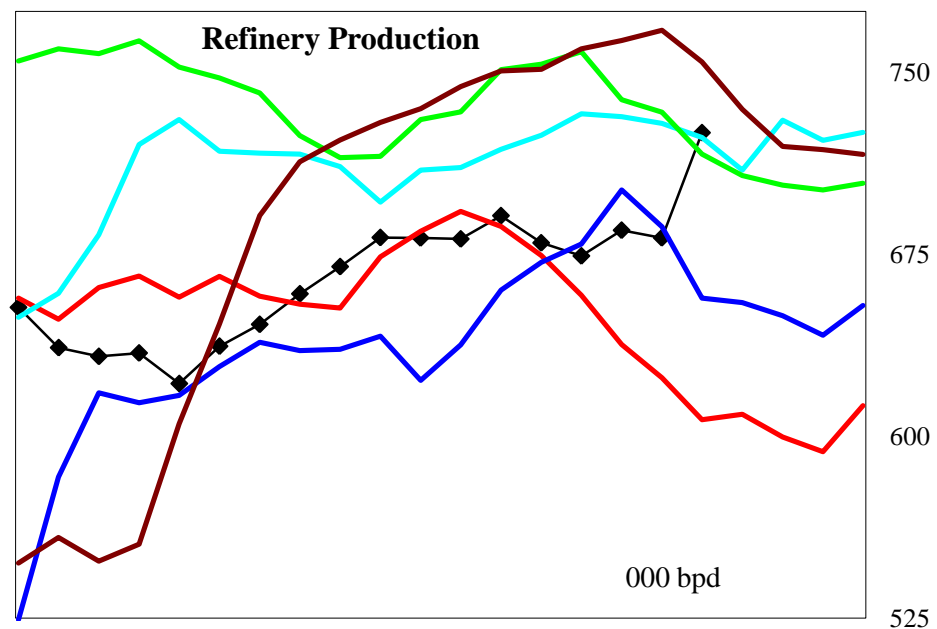
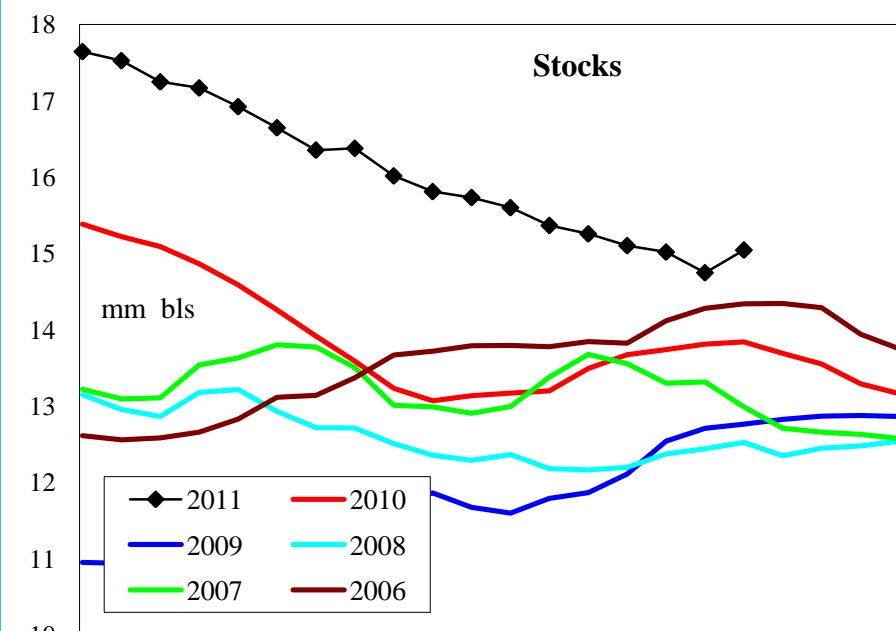
-80.5

Prod + Imp - Stk chg

-4

-1.4

# PADD 3 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

1,203

8.7

Production

58

9.1

Imports

-11

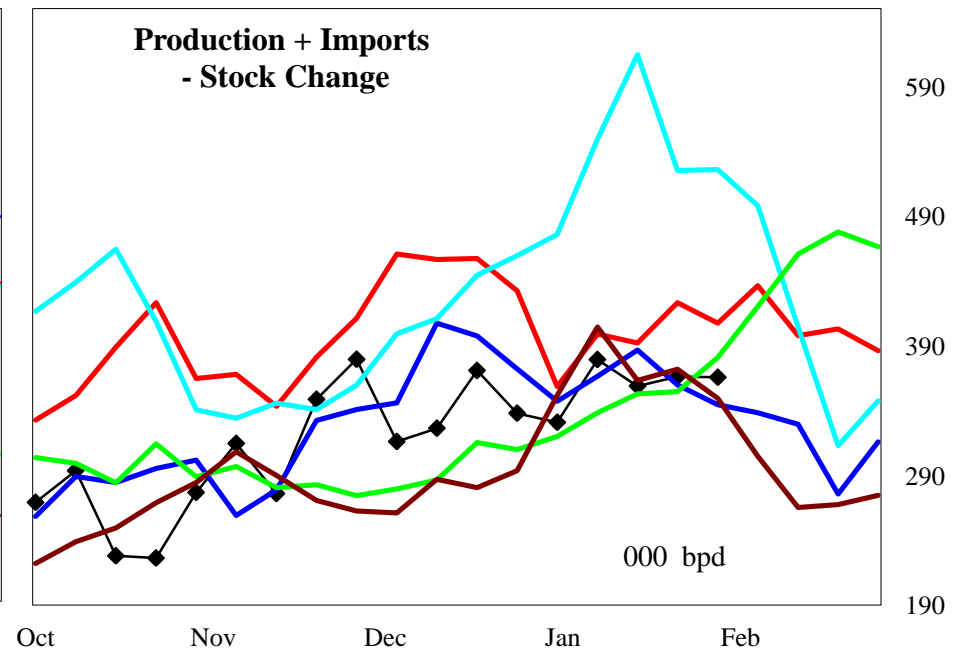
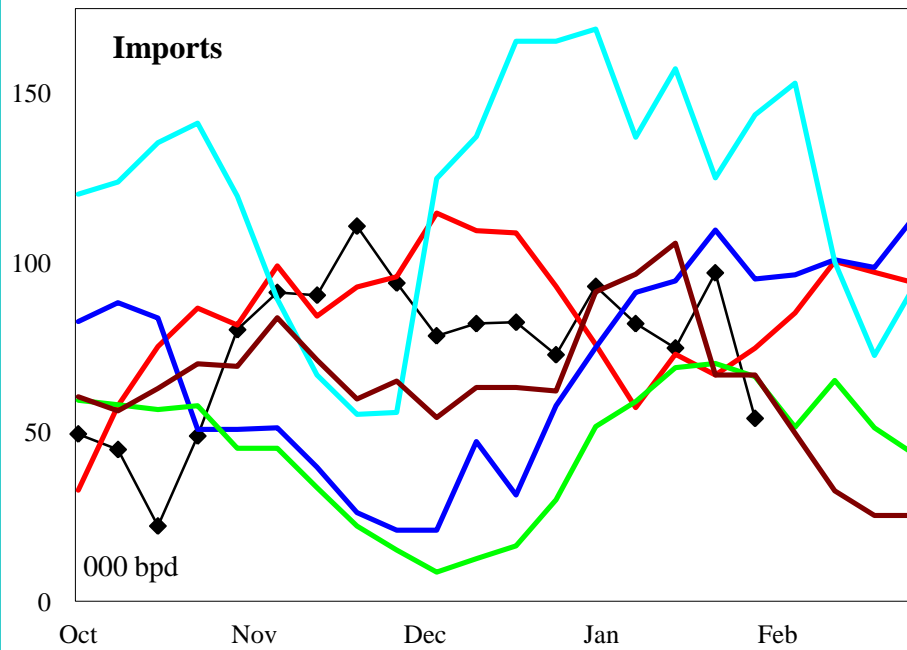
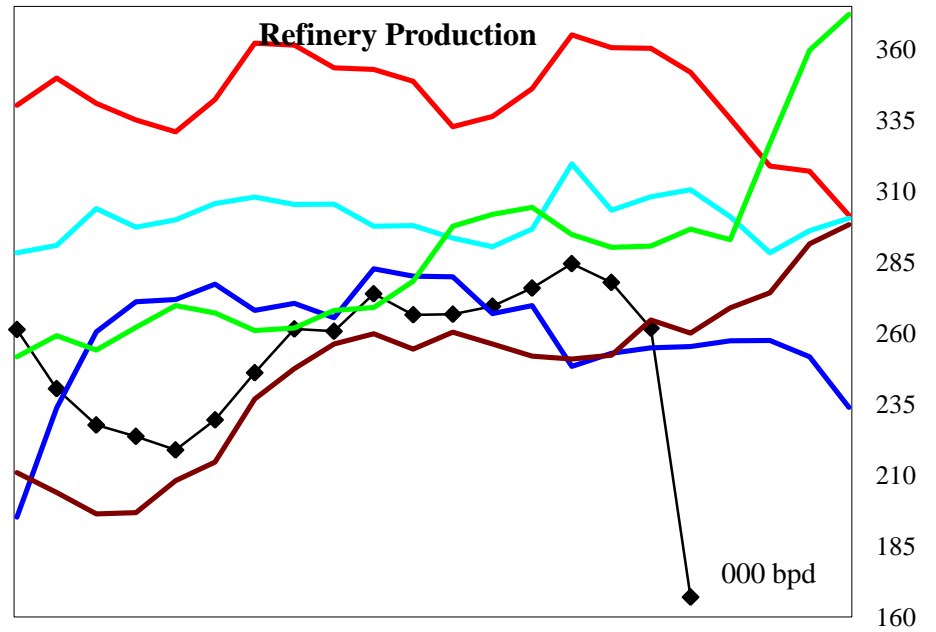
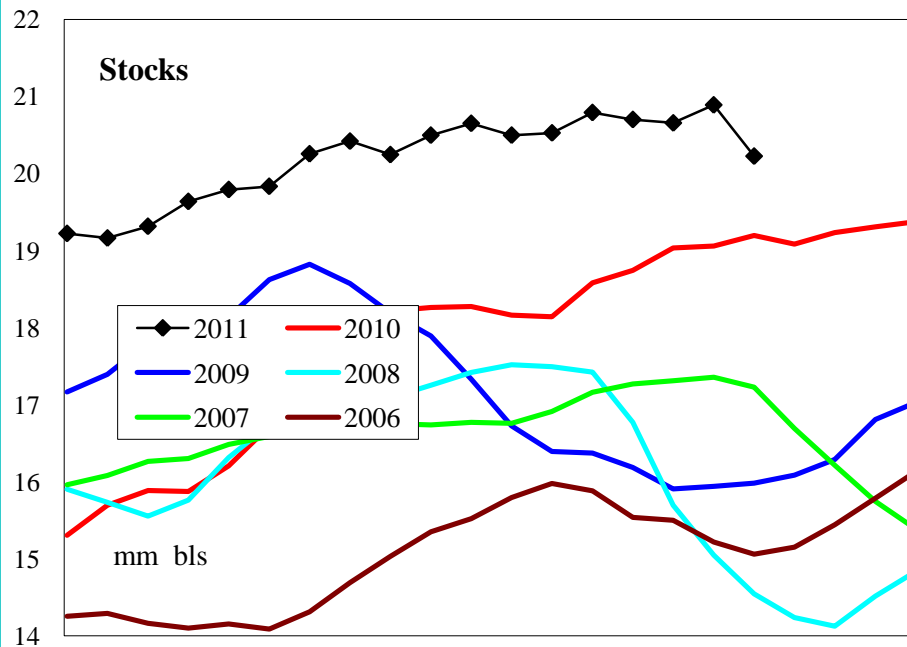
-100.0

Prod + Imp - Stk chg

90

14.6

# PADD 3 Residual Fuel Oil Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

1,031

5.4

Production

-94

-25.9

Imports

25

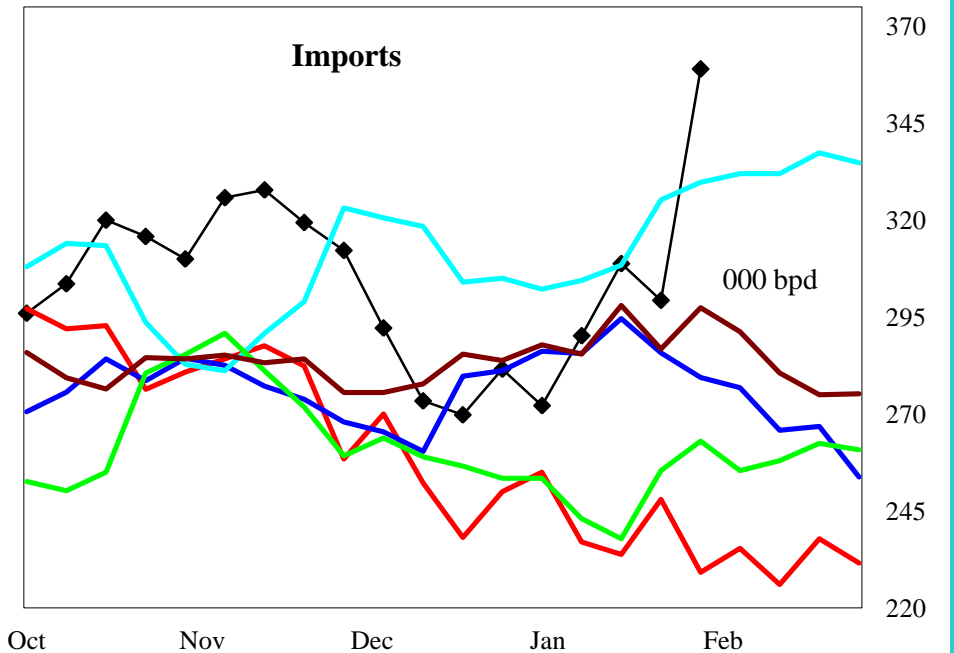
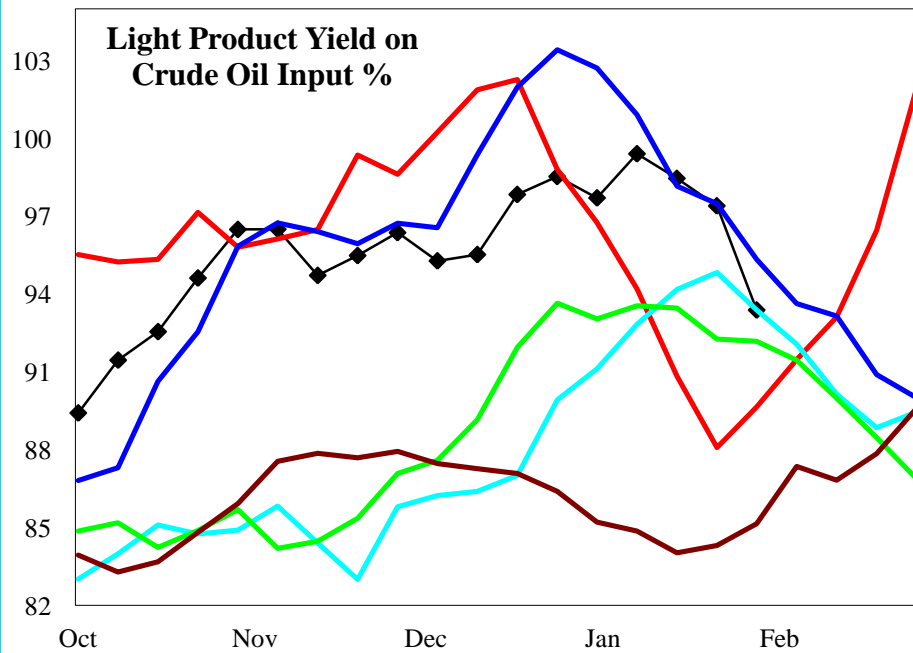
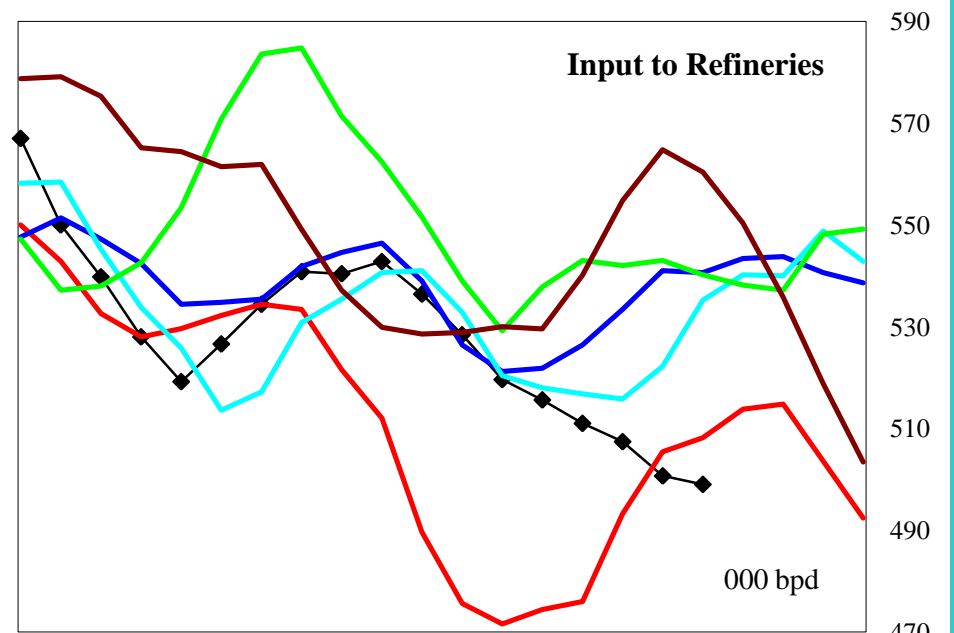
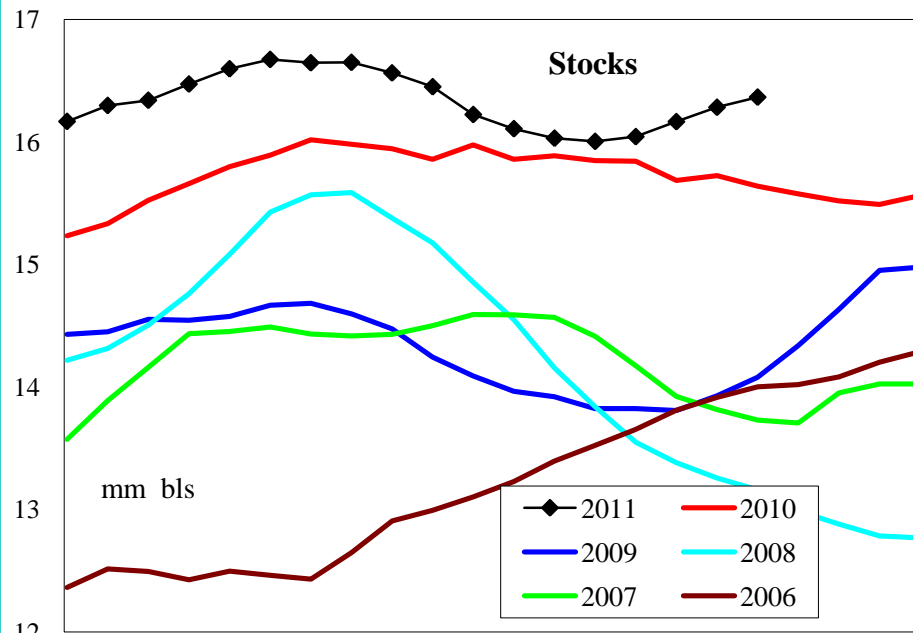
39.8

Prod + Imp - Stk chg

-40

-9.9

# PADD 4 Crude Oil Supply and Refining



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

**Stocks**

**726**

**4.6**

**Input**

**6**

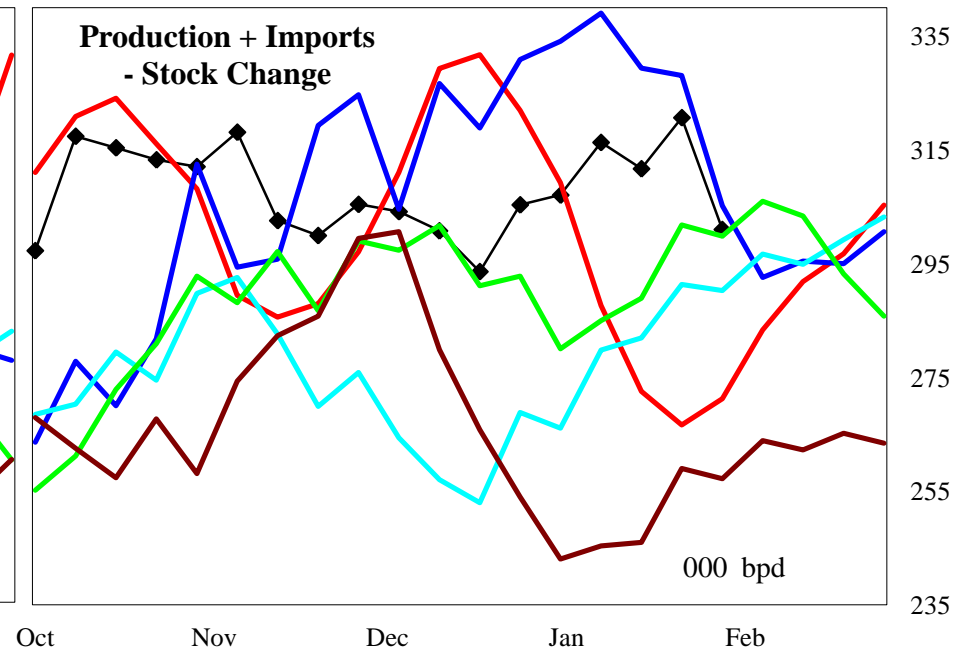
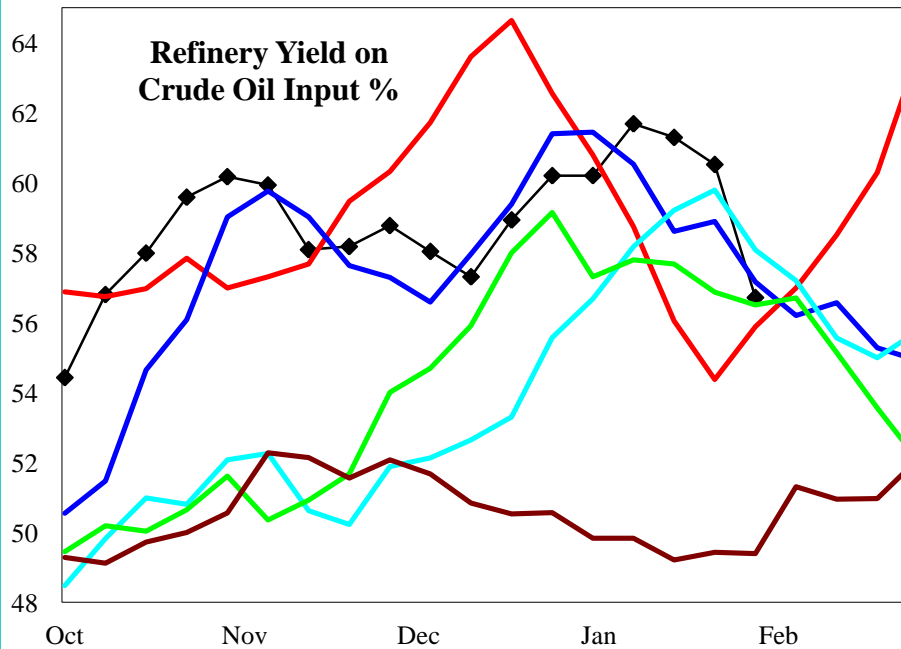
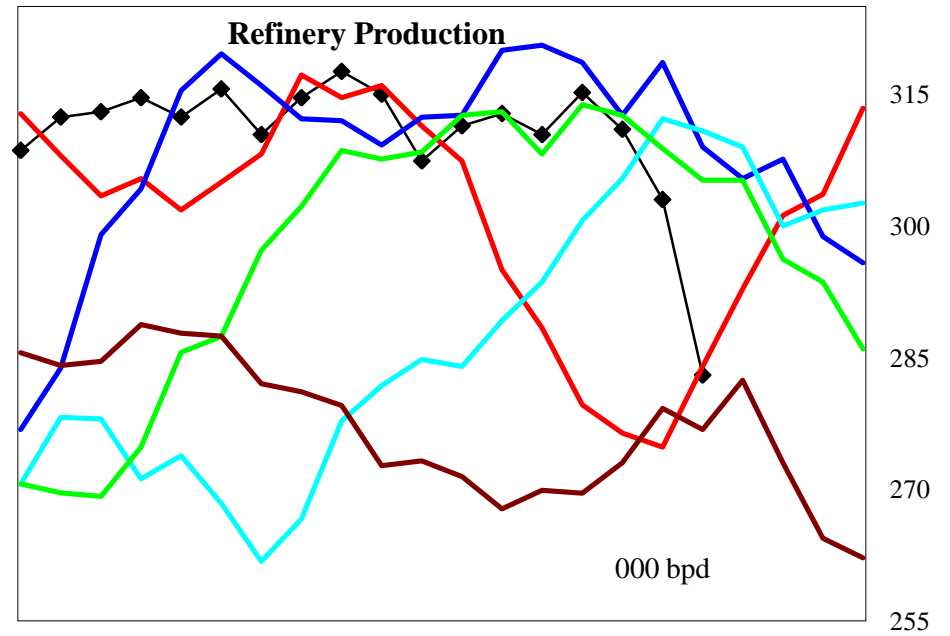
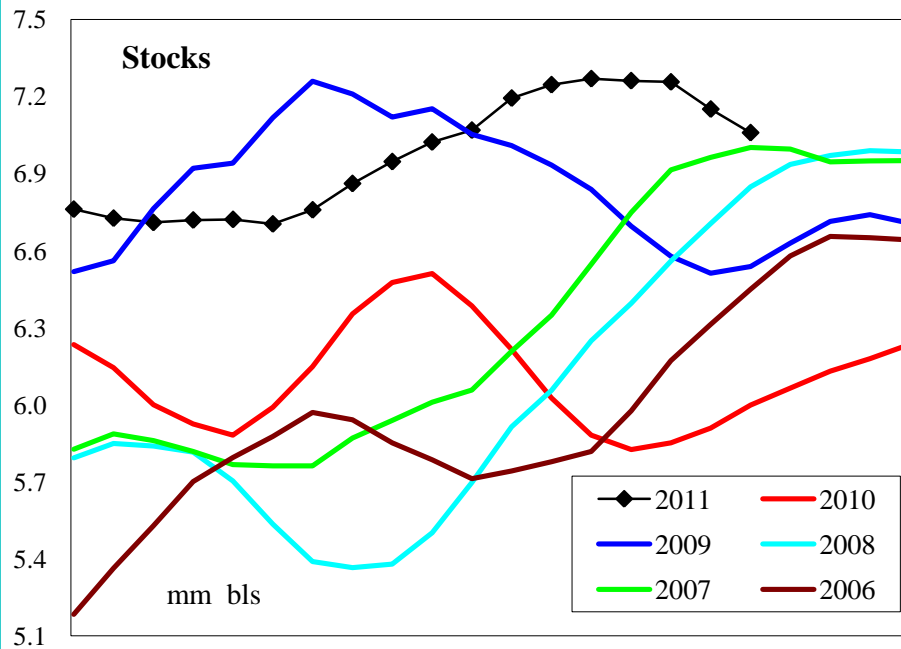
**1.3**

**Imports**

**67**

**27.7**

# PADD 4 Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

**1,060**

**32**

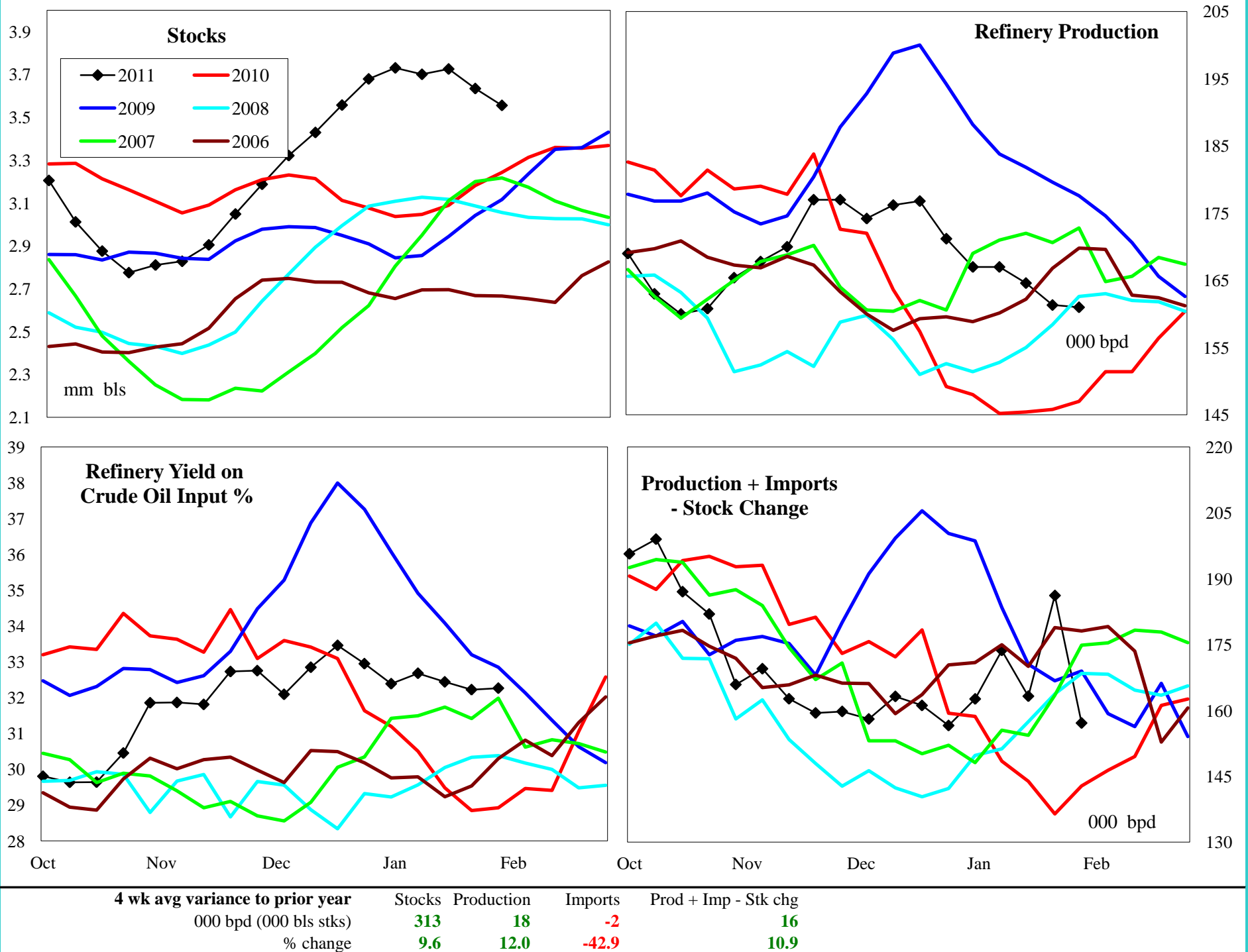
**52**

**17.7**

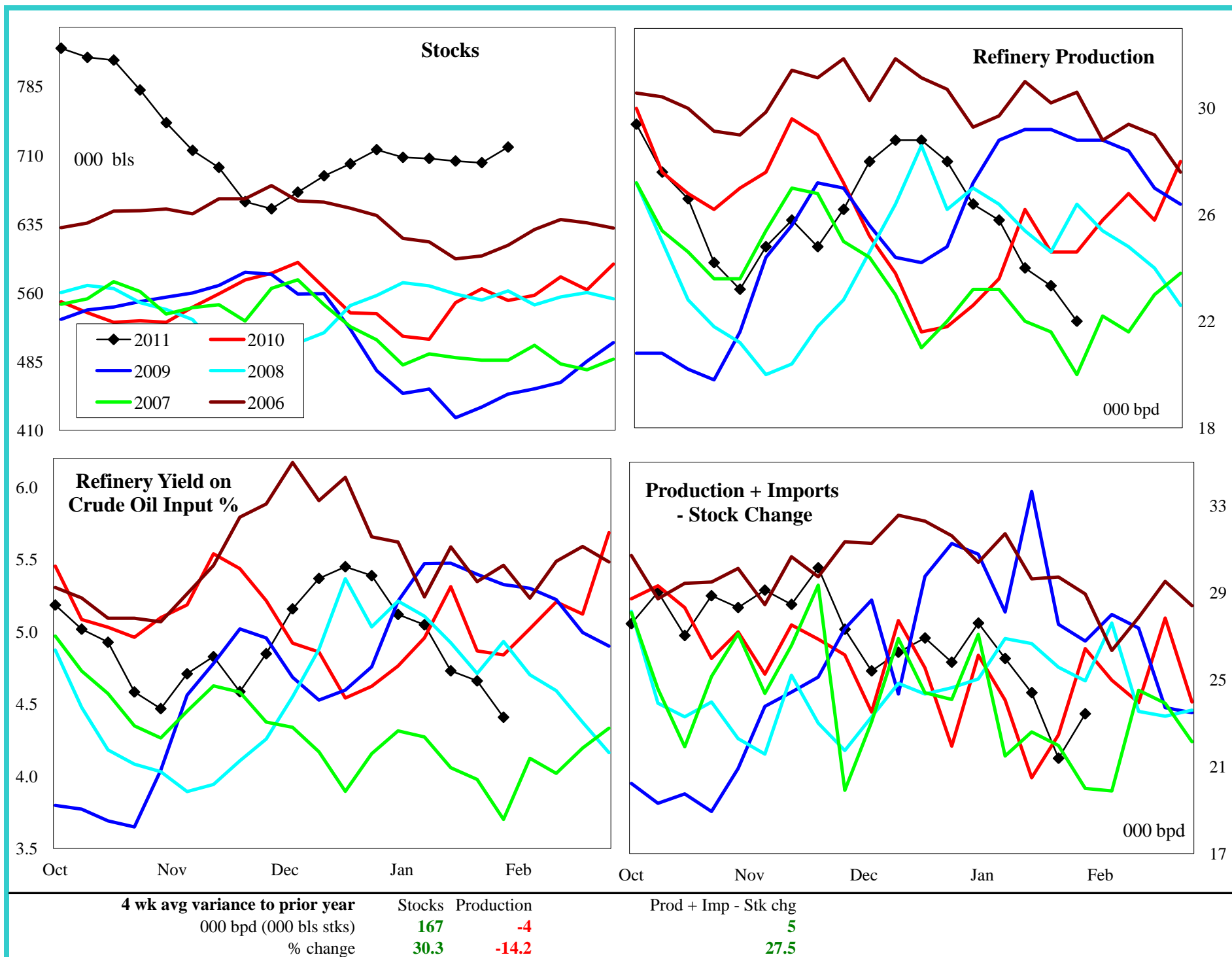
**11.6**

**19.6**

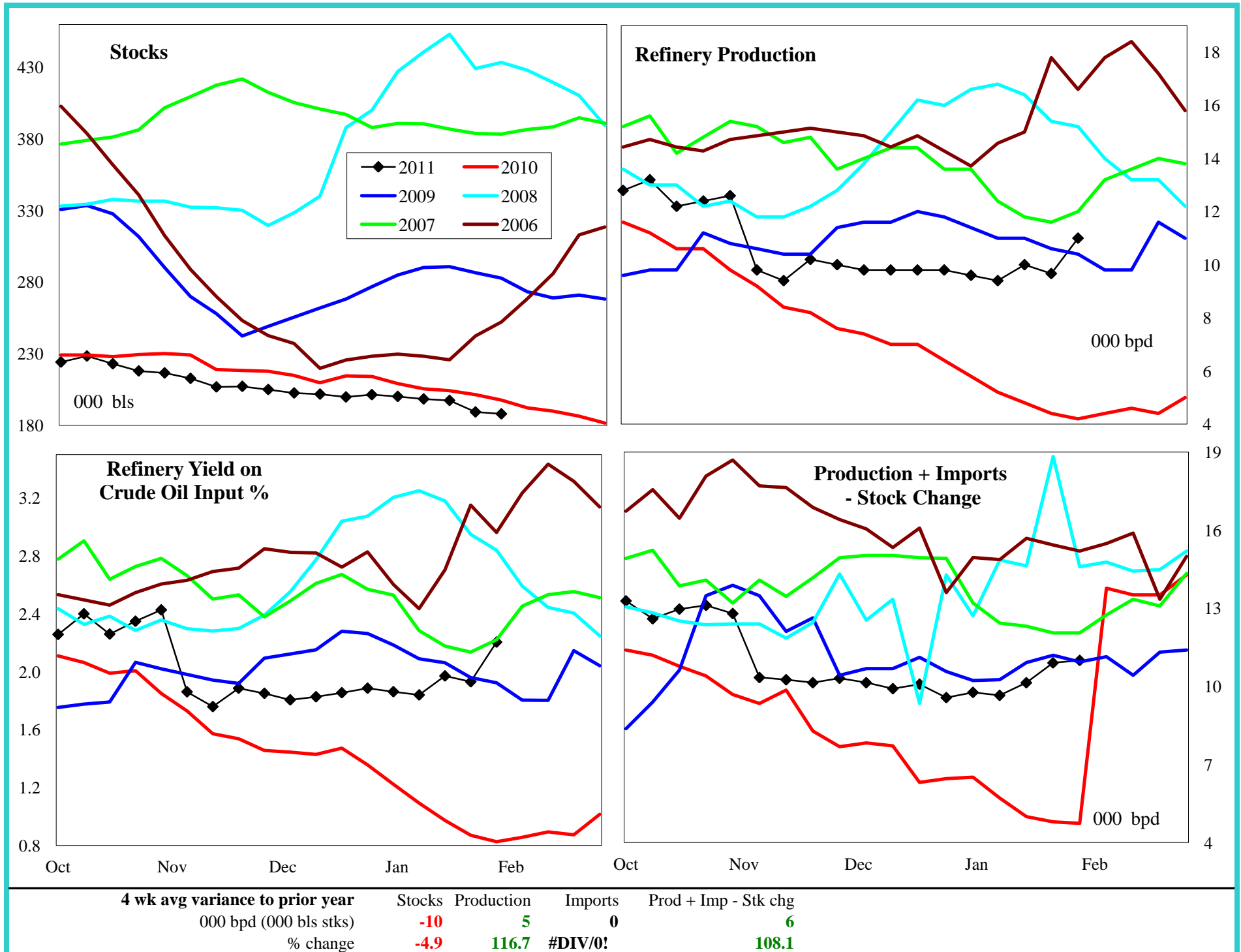
# PADD 4 Distillate Supply



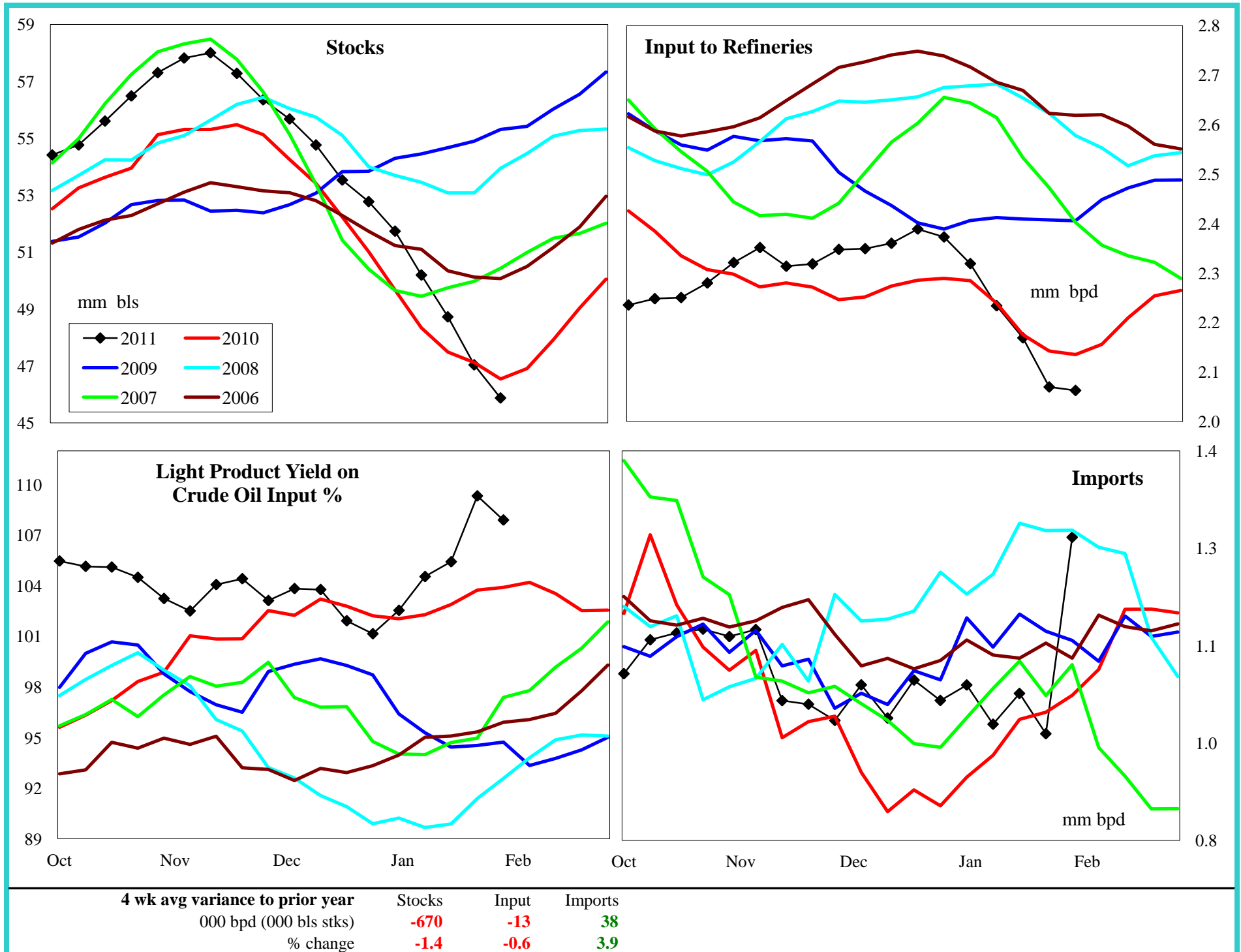
# PADD 4 Jet Fuel Supply



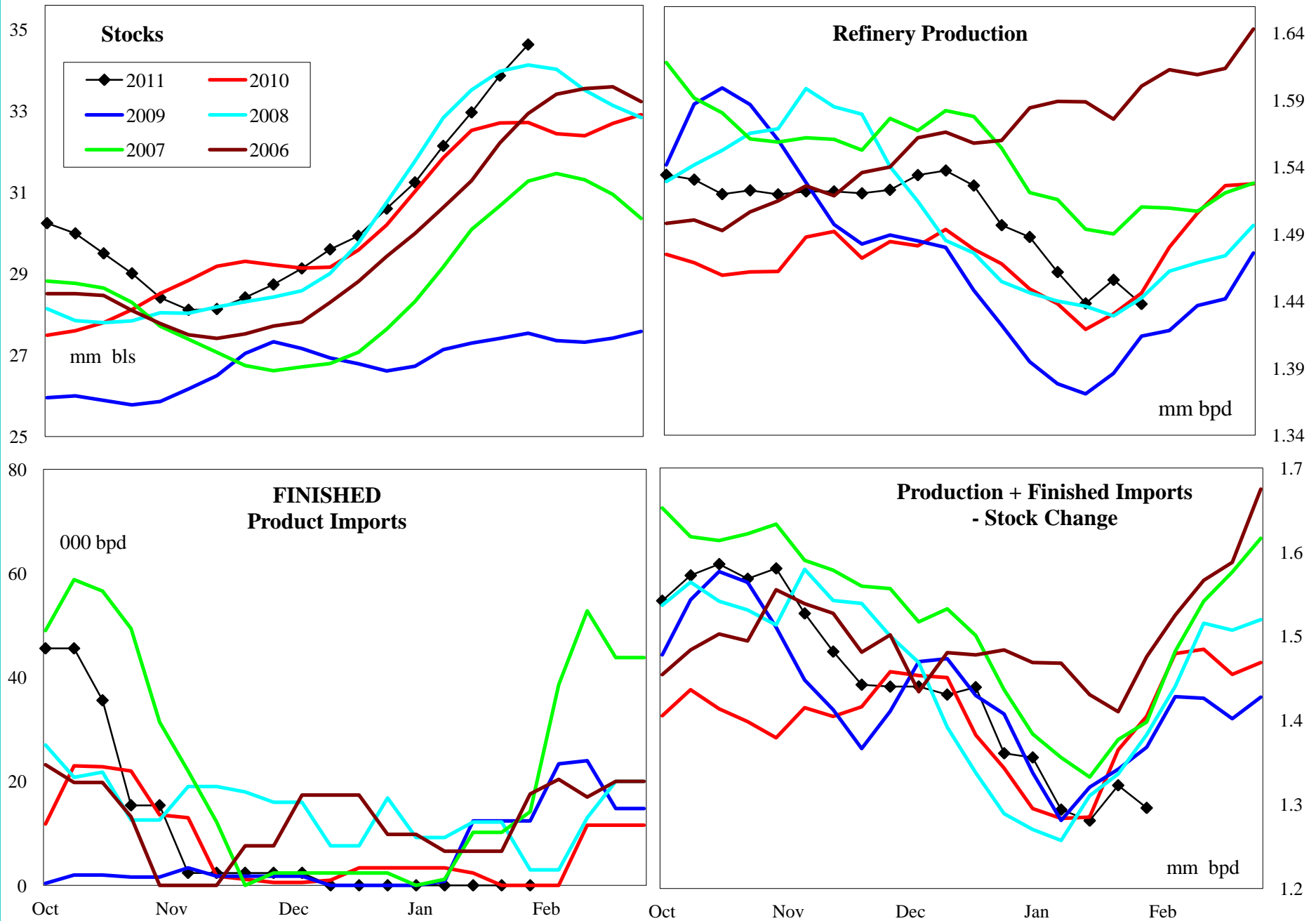
# PADD 4 Residual Fuel Oil Supply



# PADD 5 Crude Oil Supply and Refining



# PADD 5 Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

Stocks

**2,111**

**6.4**

Production

**12**

**0.9**

Fin Impt Blend Impt

**0**

**#DIV/0!**

Prod + Imp - Stk chg

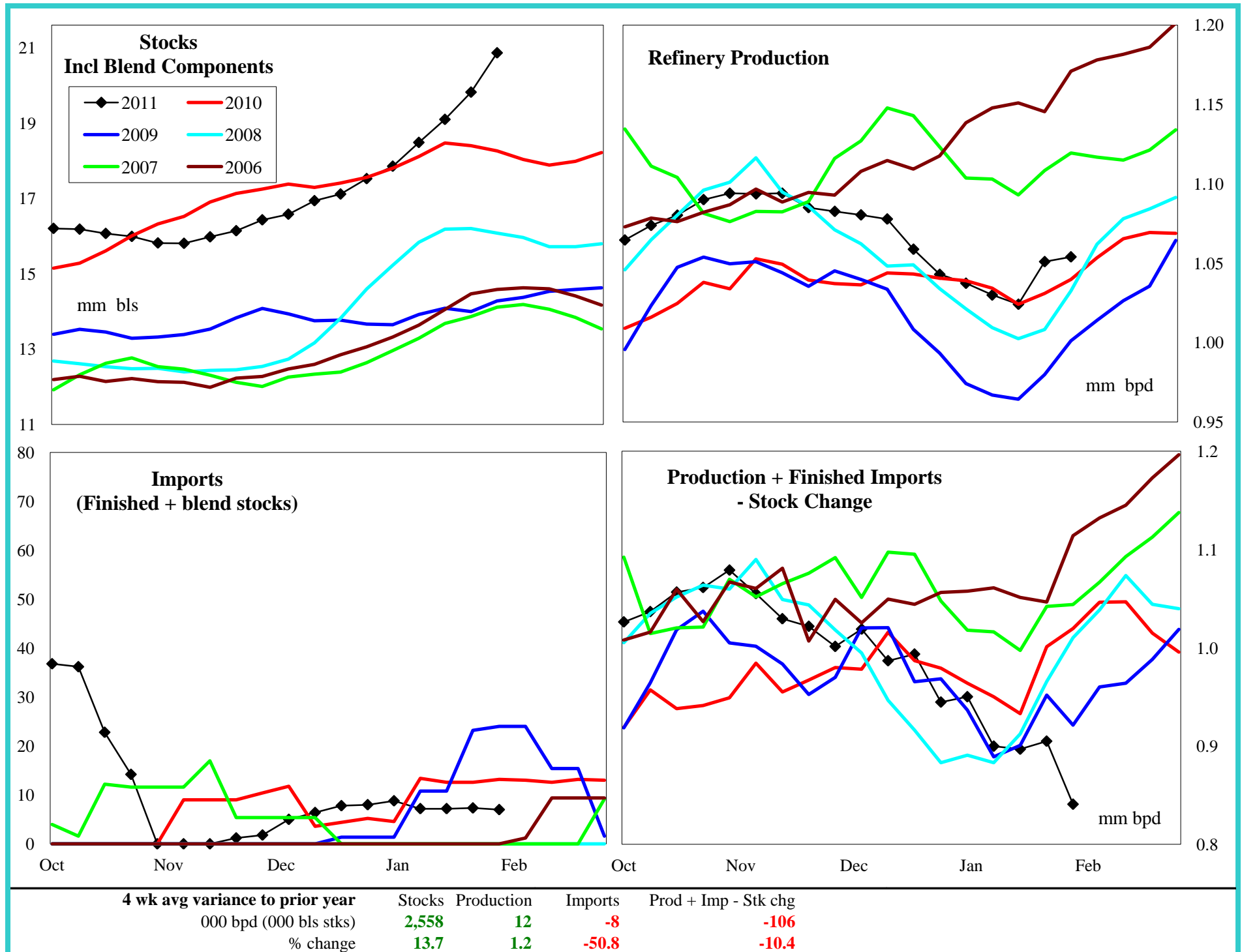
**-25**

**-63.7**

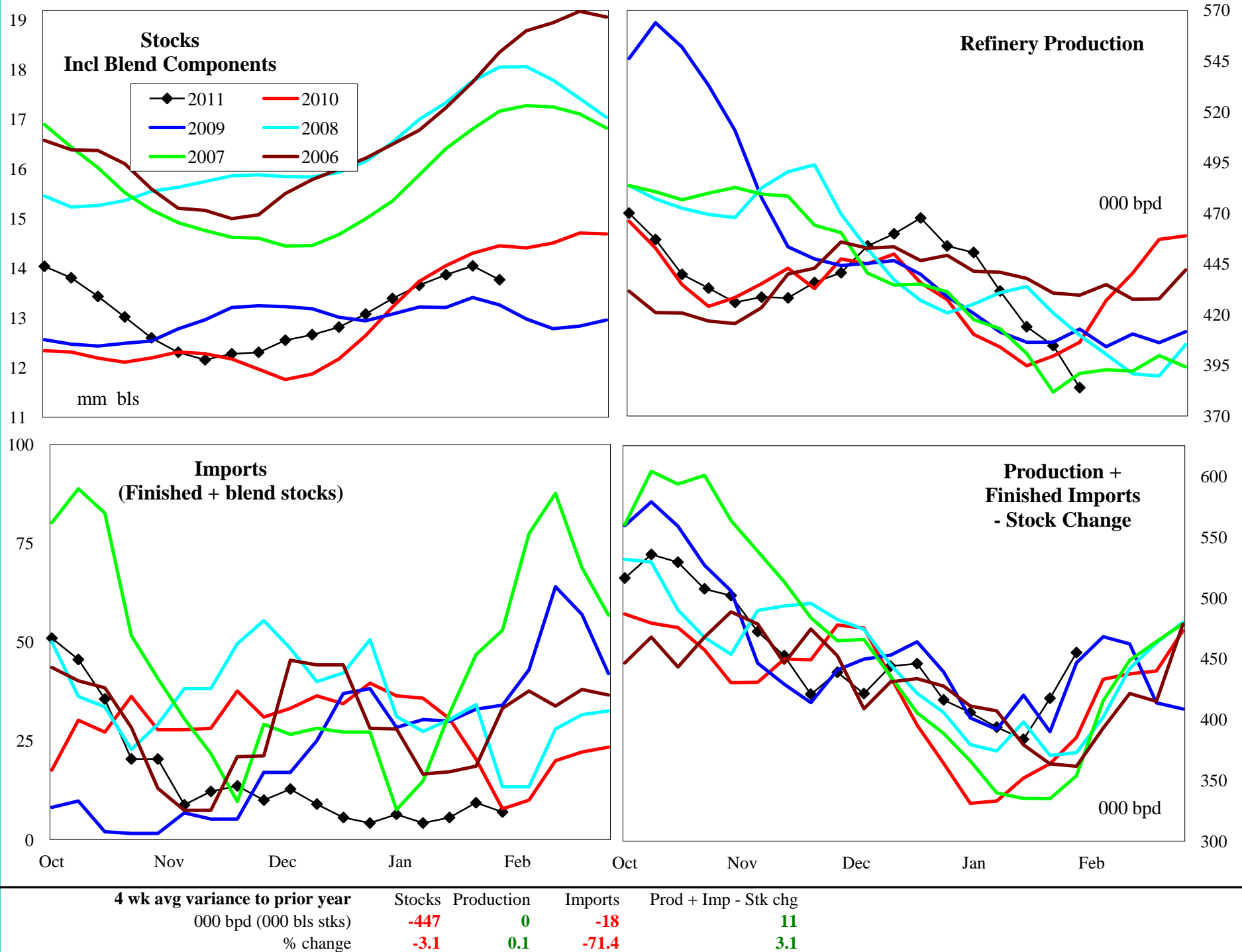
**-94**

**-6.8**

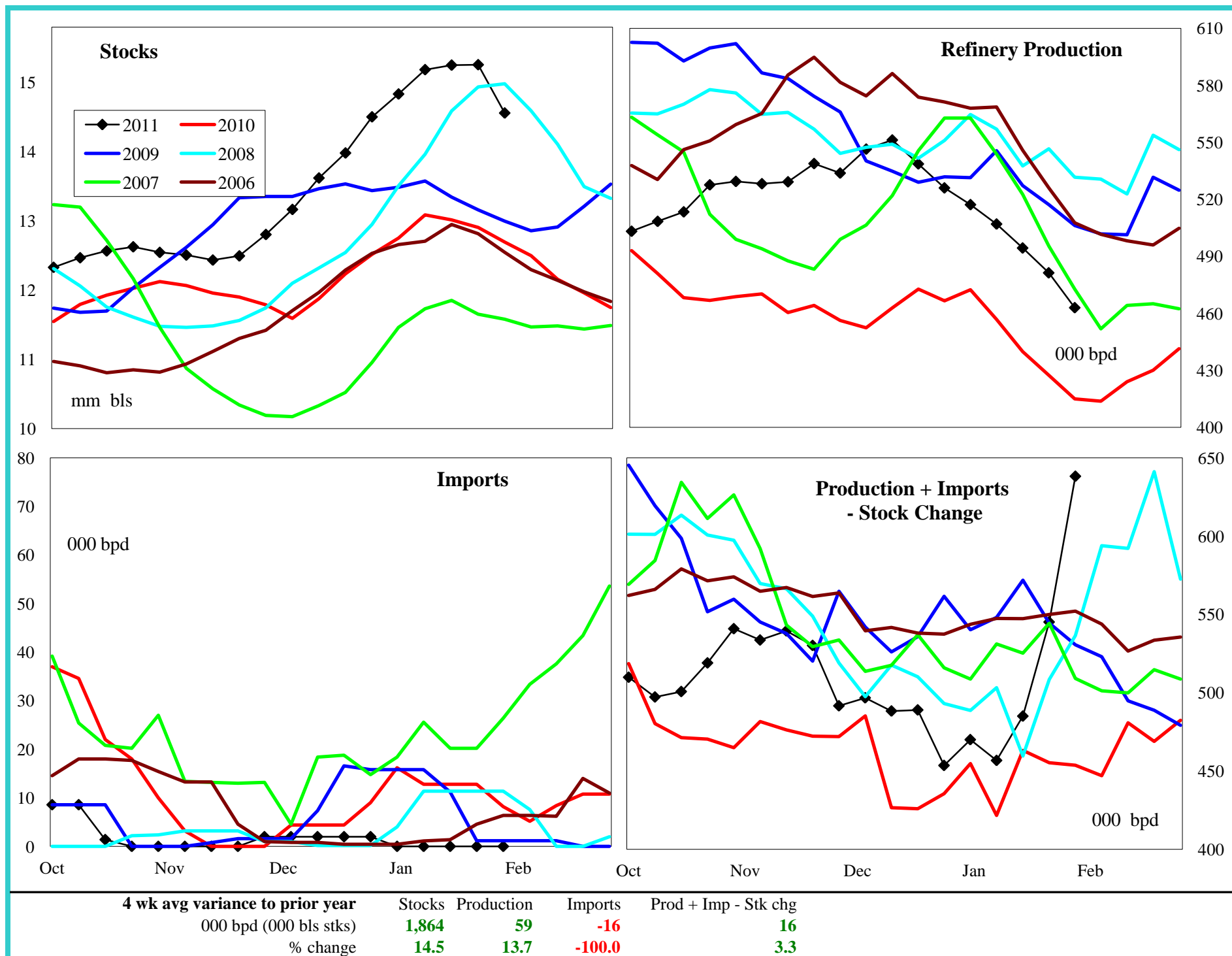
# PADD 5 Reformulated Gasoline Supply



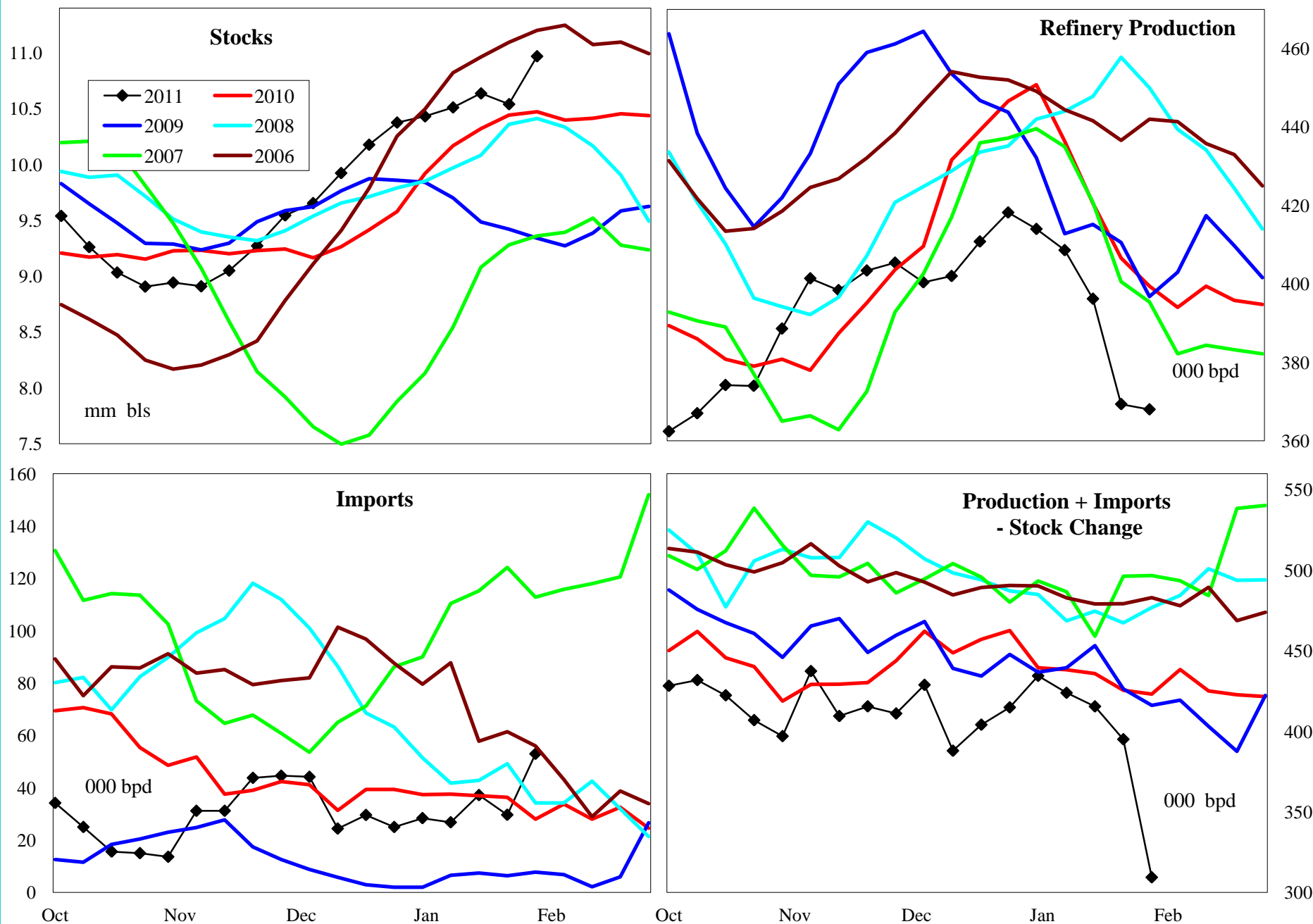
# PADD 5 Conventional Gasoline Supply



# 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

527

-25

2

-12

5.0

-6.1

4.4

-2.8

# PADD 5 Residual Fuel Oil Supply

