



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

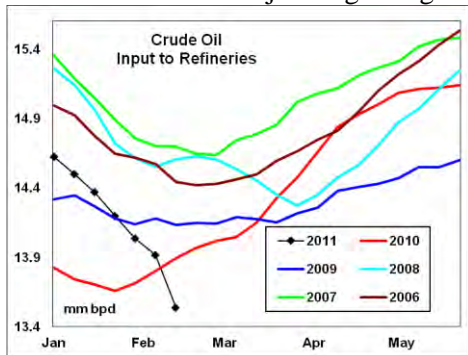
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, February 24, 2011

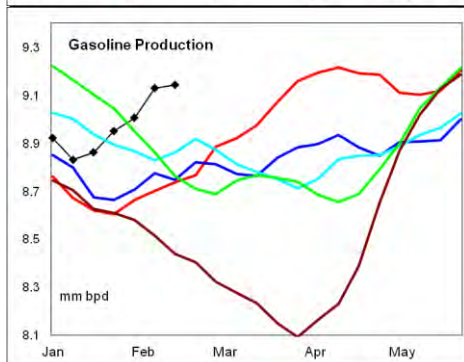
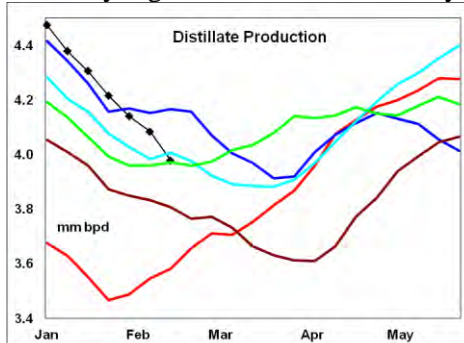


Major Fundamental Trends¹

Crude oil input to refineries has declined -1.5 million bpd in the last 6-wks, with a million bpd drop in the most recent 2-wks. Seasonal refinery maintenance is underway in most regional markets with the exception of PADD 2 where work is just beginning.



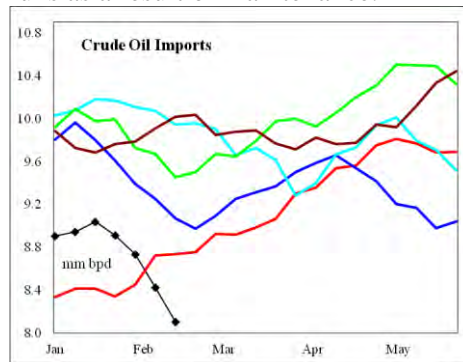
This maintenance has reduced middle distillate output -700,000 bpd. However gasoline output has increased +350,000 bpd as crude oil runs fell, driven by high levels of blend activity.



Gasoline wholesale demand increased +291,000 bpd last week, the result of increased seasonal travel and improved weather conditions. Distillate demand

fell -325,000 bpd on the week, due in part to heating degree days that were -29% below normal for the period. The 4-wk average demand for both gasoline and distillate remains lackluster, increasing over last year by +5,000 bpd and +101,000 bpd; respectively.

Crude oil imports fell to 8.1 million bpd last week on low refinery runs as a result of maintenance.



This included record imports of 1.5 million bpd in PADD 2 as the Keystone Pipeline increased deliveries from Canada.

Demand for gasoline extended the seasonal uptrend, while distillate demand fell sharply.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +0.1%; distillate up +2.7%; jet fuel up +6.9% while residual fuel oil increased +10%.

Stocks forward coverage: Gasoline demand coverage decreased on a -2.8 million barrel draw in stocks and higher demand. Coverage levels remain above the 5-year high for this time of year.

Distillate coverage decreased on a -1.3 million barrel stock draw, partially offset by sharply lower demand. Coverage levels were near the 5-year high for the period.

Jet fuel coverage decreased on a -1 million barrel stock draw. Coverage levels were below the last 2-years.

Refinery utilization rates fell on a -0.3 million bpd drop in crude oil runs. Runs for the latest 4-wk period were +0.3 million bpd above a year ago with

the latest week falling below the historic range.

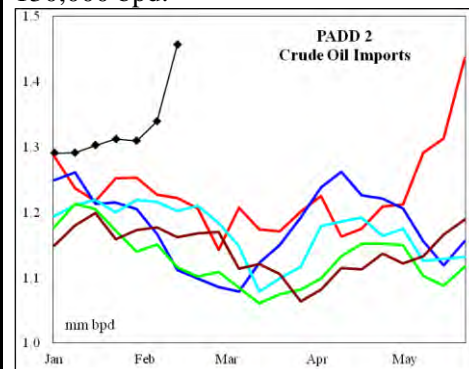
Gasoline yield % on crude oil runs increased on a -26,000 bpd decrease in production versus the -328,000 bpd drop in crude oil runs. The yield % on crude oil runs jumped to a new record high.

Distillate yield % on crude oil runs increased slightly on a -33,000 bpd drop in output compared to the large decrease in crude oil runs. Yield % matched the 5-year high for the period.

Jet fuel yield % on crude oil runs jumped on a +132,000 bpd increase in output, compared to the decline in crude oil runs. The yield % on crude oil runs was at the upper end of the historic range.

Petroleum Imports of crude oil and major fuels were all lower on the week, off a combined -0.7 million bpd.

During the latest 4-wk period crude oil imports decreased -26,000 bpd below last year; distillate imports decreased -227,000 bpd; finished gasoline imports decreased -103,000 bpd, gasoline blend stock imports increased +179,000 bpd; jet fuel imports were -30,000 bpd lower, while residual fuel oil imports decreased -130,000 bpd.



Crude Oil imports decreased -0.2 million bpd on the week, to a level well below the 5-year range. However imports to PADD 2 reached a record 1.5 million bpd on the week as the Keystone ramped up deliveries from Canada. Stocks in PADD 2 climbed +1.8 million on the week; +18 million barrels above the previous record high.

¹ Source is latest EIA Weekly Statistics



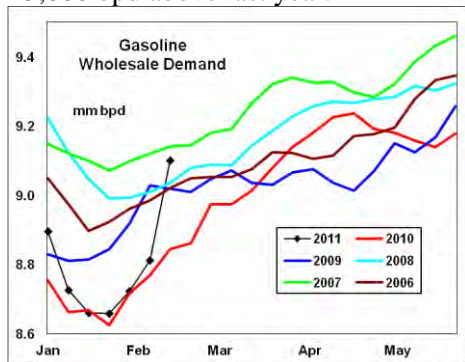
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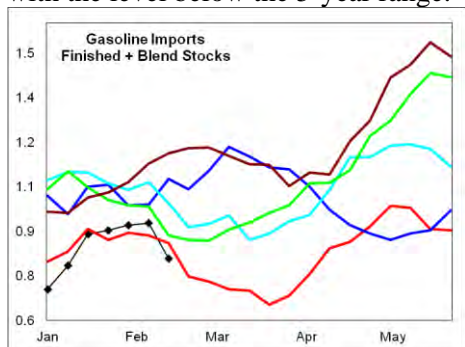
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Product Supply-Demand Trends

Gasoline demand jumped +291,000 bpd, driven by improved weather and the seasonal uptrend in travel. The latest 4-wk average demand was +5,000 bpd above last year.



Production declined -26,000 bpd on the week, although output remains well above the historic range. Imports decreased -127,000 bpd on the week, with the level below the 5-year range.



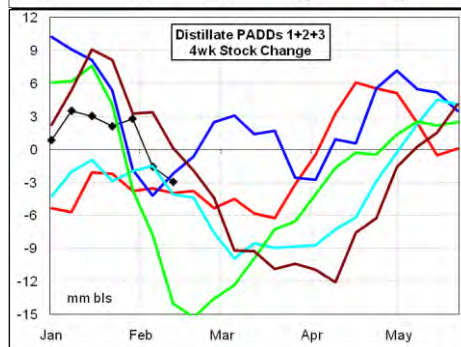
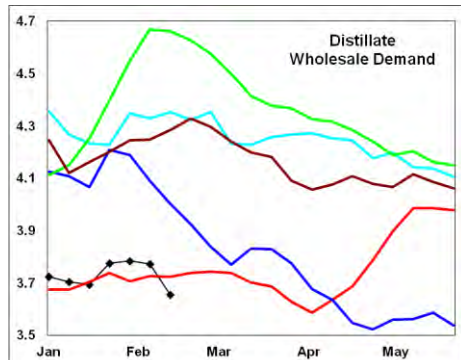
Stocks decreased -2.8 million barrels on robust demand and record low imports. Stock levels were at/near 5-year highs in all regional markets except PADD 2.

Refinery maintenance and low blend stock imports should drive output lower in the near term. Supplies continue to improve the key Central Atlantic Region with stock levels now above the mid range. Expect price strength on a seasonal tightening of supply.

Distillate demand fell -325,000 bpd last week, on low heating degree days. The latest 4-wk average demand was +101,000 bpd above last year.

Supply fell -73,000 bpd on lower production and imports. Production levels were at the 5-year mid range. Imports were at record low levels.

The large drop in supply led to a -1.3 million barrel stock draw.



The latest 4-wk stock change in PADDs 1+2+3 was a draw of -4.1 million barrels, a draw slightly less than the 5-year mid range.

Stock levels were +7.3 million barrels above last years' record high. Very low imports and reduced production due to plant maintenance should be offset by lower seasonal demand. Expect the market to remain well supplied.

Political uncertainty in the Middle East and robust growth in developing countries continues to support energy prices.

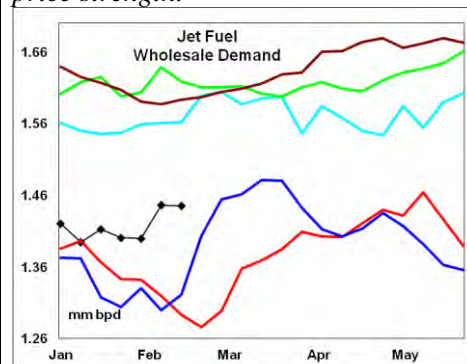
Jet Fuel demand increased +17,000 bpd on the week. The latest 4-wk average demand was +92,000 bpd above a year ago.

Supply rebounded +95,000 bpd from the prior week collapse. However, higher demand and record low imports led to a -1 million barrel stock draw on the week. Stock levels are now below the mid range.

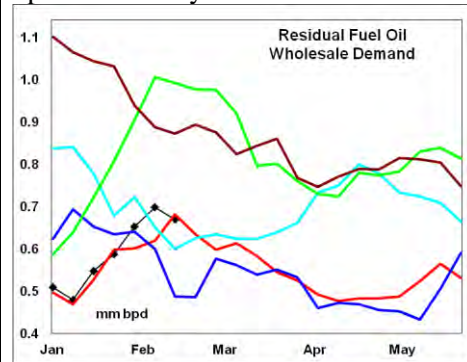
Jet fuel supplies tightened in PADDs 1 and 2 last week where stocks fell by a total of 1.1 million barrels. A +132,000 bpd rise in refinery production should limit further stock

draws, although regional markets East of the Rockies all have very low stock levels.

Jet fuel prices should lead the middle distillate market on tight supplies. Global demand growth for distillates should provide continued price strength.



Residual fuel oil demand, including exports, increased +15,000 bpd last week, with the 4-wk average +61,000 bpd above last year.



Supply (production + imports) fell -321,000 bpd on sharply lower imports. Imports fell to record low levels. The latest 4-wk average supply was -165,000 bpd below a year ago. Stocks fell -2 million barrels, to a level below the mid range.

Imports fell -345,000 bpd last week, including a -300,000 bpd drop in PADD 1. Stocks also fell -2.6 million barrels in the key Gulf Region. While production has hit record highs in the Gulf, supplies are tightening on robust exports.

Sharply lower stock levels in the Gulf should provide relative price strength for residual fuel compared to the overall energy complex.



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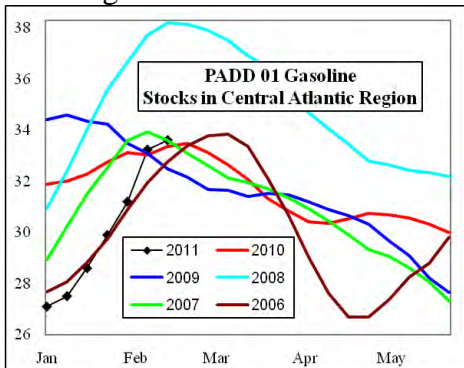
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PADD Supply Trends

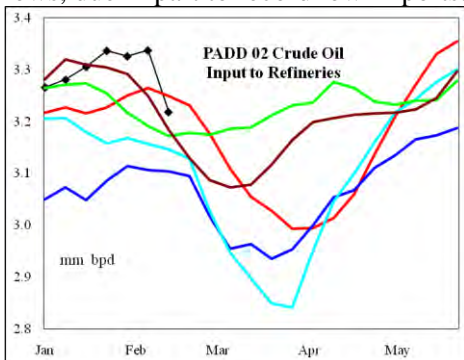
PADD 1 refinery crude oil runs decreased -123,000 bpd last week, with the 4-wk average -78,000 bpd below a year ago. Imports were down -25% from last years' record low, driven by refinery closures.

Gasoline production was unchanged on the week, while imports decreased -251,000 bpd. Import levels fell to the low end of the historic range. Stocks increased +0.2 million barrels on the week, to a level that matched the 5-year high. Stock levels in the key Central Atlantic Region reached the mid range.



Distillate supply decreased -63,000 bpd on the week, on record low imports. Stocks increased +0.3 million barrels to a level well above the mid range.

Jet fuel stocks fell -0.7 million barrels to a level that matched 5-year lows, due in part to record low imports.



PADD 2 crude oil refinery runs decreased -169,000 bpd on the week, with the level near historic highs. Imports increased +128,000 bpd to a new record high for the period. Stocks

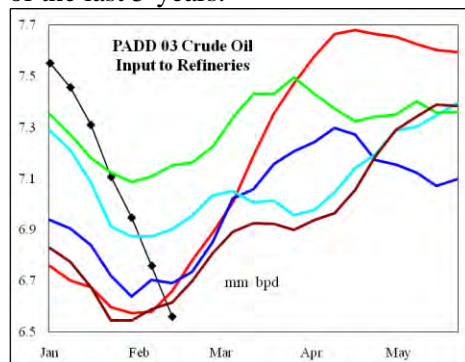
increased +1.8 million barrels, including a -0.2 million barrel draw in Cushing.

Gasoline production increased +43,000 bpd last week, a level above four of the last 5-years. Stocks decreased -0.9 million barrels, to a level below the historic mid range.

Distillate supply decreased -29,000 bpd, with the level above the 5-year range. Stock levels remain at the upper end of the historic range.

Jet fuel production increased +40,000 bpd to a level above the 5-year range. Stocks fell -0.4 million barrels, a level below the historic range.

PADD 3 crude oil runs decreased -81,000 bpd last week, to a level below the 5-year range. Crude imports decreased -0.6 million bpd on the week, to a record low for this time of year. Stock levels remain below four of the last 5-years.



Gasoline production was unchanged on the week, while imports increased +106,000 bpd. Stocks declined -1.6 million barrels, with the level +3.7 million barrels above the prior 5-year high.

Distillate production declined -50,000 bpd on the week, with the level below 5-year highs. Stocks decreased -1.8 million barrels to a level +8.7 million barrels above the prior 5-year high.

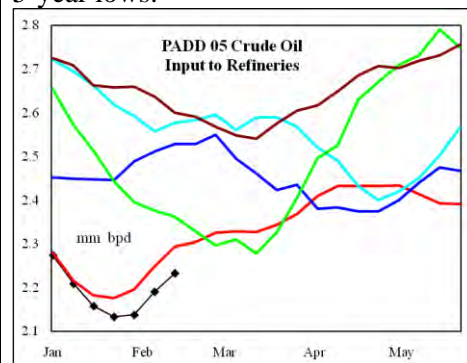
Jet fuel production jumped +73,000 bpd on the week, although the level remains at the low end of the historic range. Stocks increased +0.4 million barrels, a level that was at the low end of the historic range.

Residual fuel oil supply decreased -52,000 bpd on lower imports. Production matched 5-year highs. Stocks fell -2.5 million barrels to a level above the mid range.

PADD 4 refinery crude runs were nearly unchanged last week, at a level that matched the 5-year mid range. Crude oil import levels were above the mid range. Stock levels were +0.6 million barrels above last years' 5-year high.

Gasoline production increased +18,000 bpd to a new record high. Stocks decreased -0.2 million barrels, although the level remains above the 5-year range. Distillate stocks and production each remain above the 5-year range.

PADD 5 crude oil refinery runs increased +47,000 bpd on the week, although the level remains -48,000 bpd below a year ago. Crude imports increased +347,000 bpd on the week to a level above the historic range. Stocks fell -2 million barrels, matching 5-year lows.



Gasoline production increased +11,000 bpd on the week, a level above the mid range of the last 3-years. Stocks decreased -0.2 million barrels with the level at the upper end of the historic range.

Distillate production increased +46,000 bpd to a level below the mid range. Stocks increased +0.2 million barrels on the week. Stock levels were well above the mid range.

Jet fuel supplies remain ample with production at the 5-year mid range and stock levels at the upper end of the historic range.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

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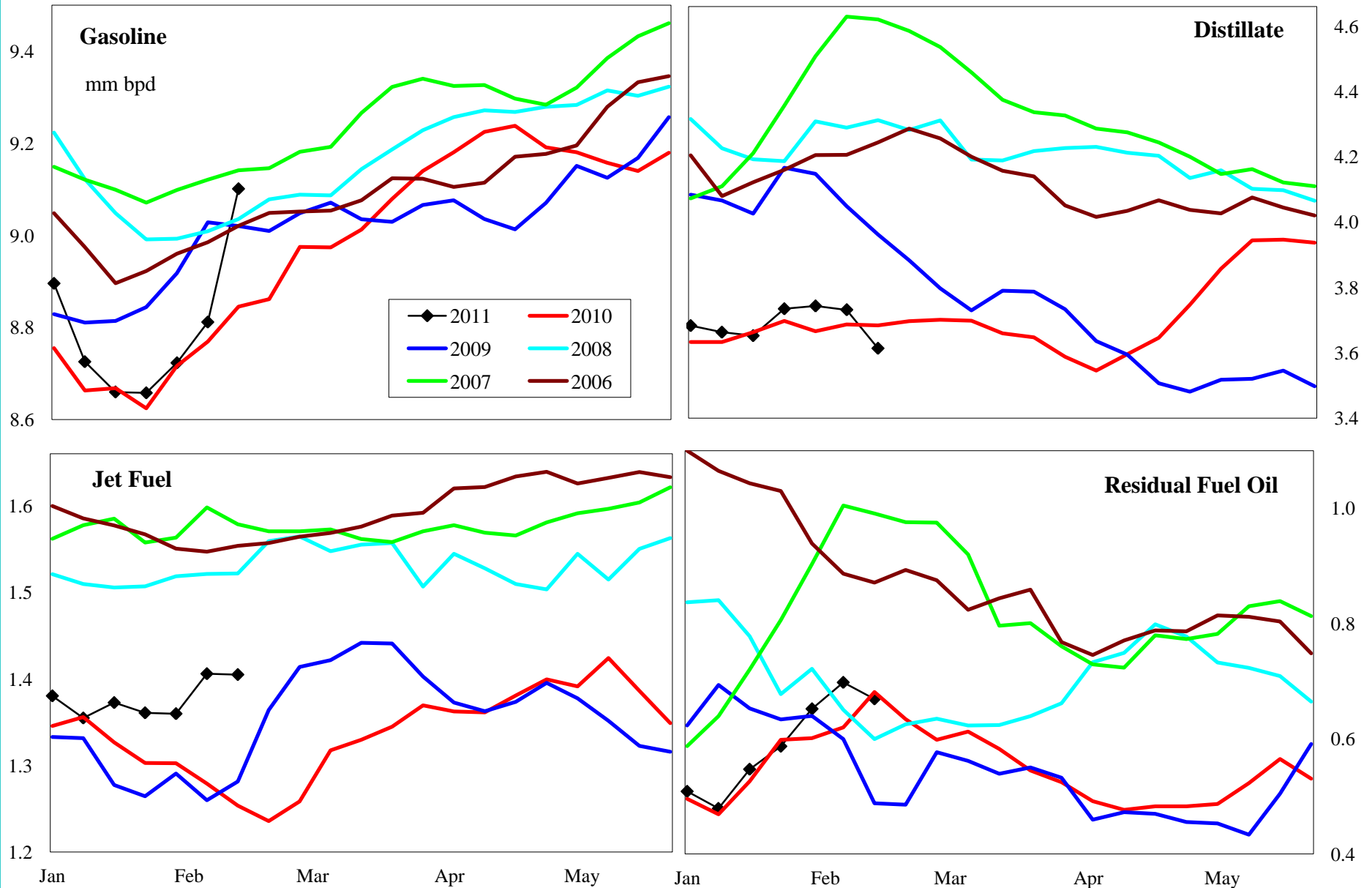
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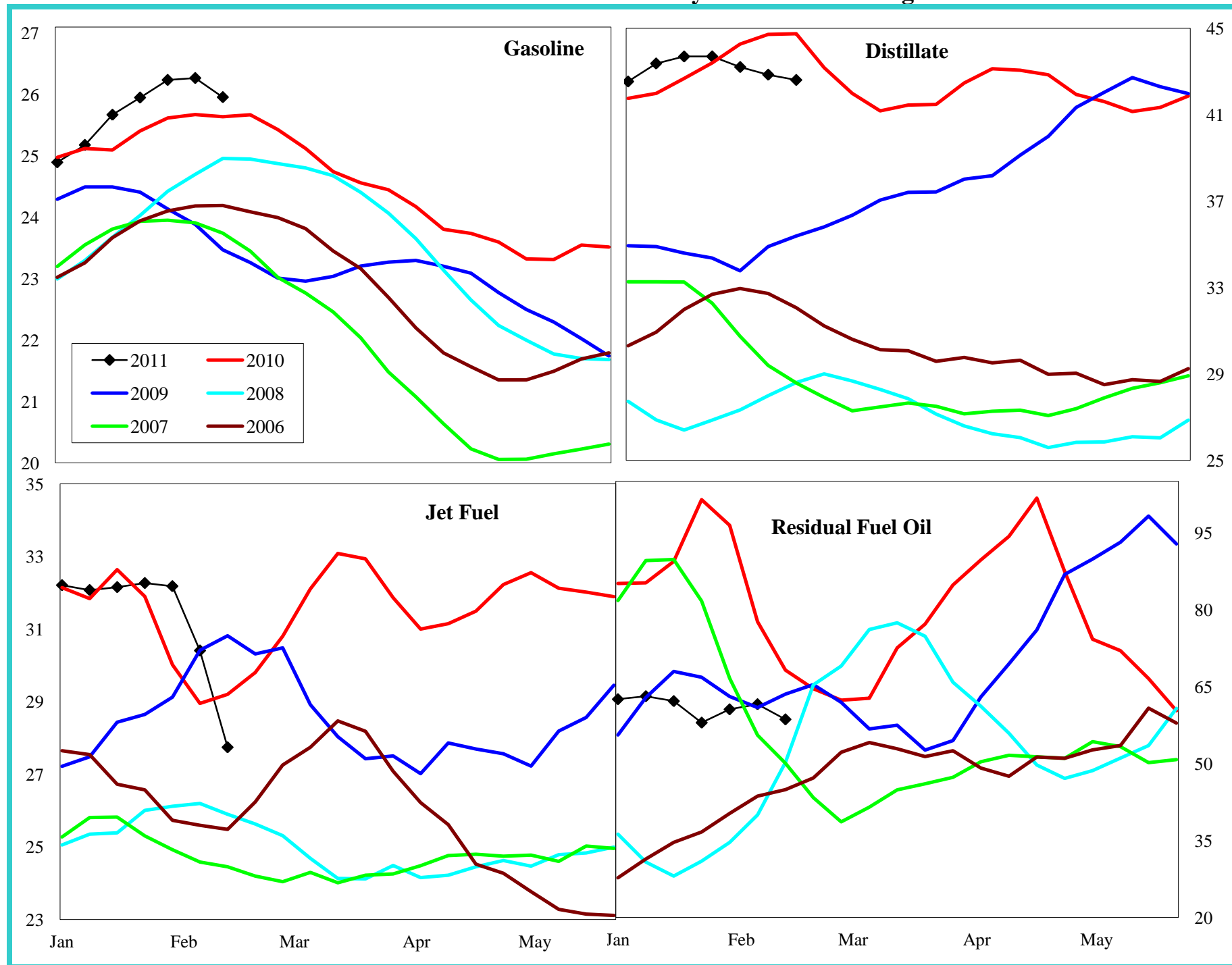
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	18-Feb-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	822	775	1,766	378	-118	-1,977
	Imports	-160	-25	128	-575	-35	347
	Input	-328	-123	-169	-81	-2	47
	% Utilization	-1.80					
<u>Gasoline</u>	Stocks	-2,798	181	-924	-1,644	-179	-233
	Production	-26	-2	43	1	18	11
	Imports	-127	-251	3	106	0	14
	Supplied	291					
<u>Distillate</u>	Stocks	-1,333	339	-116	-1,803	9	238
	Production	-33	-3	-30	-50	4	46
	Imports	-40	-60	1	0	0	19
	Supplied	-325					
<u>Jet Fuel</u>	Stocks	-960	-698	-434	367	-78	-118
	Production	132	-14	40	73	2	30
	Imports	-37	5	0	0	0	-42
	Supplied	17					
<u>Residual Fuel Oil</u>	Stocks	-2,048	447	-3	-2,592	22	77
	Production	24	10	-5	20	-1	0
	Imports	-345	-299	2	-87	0	39
	Supplied	15					

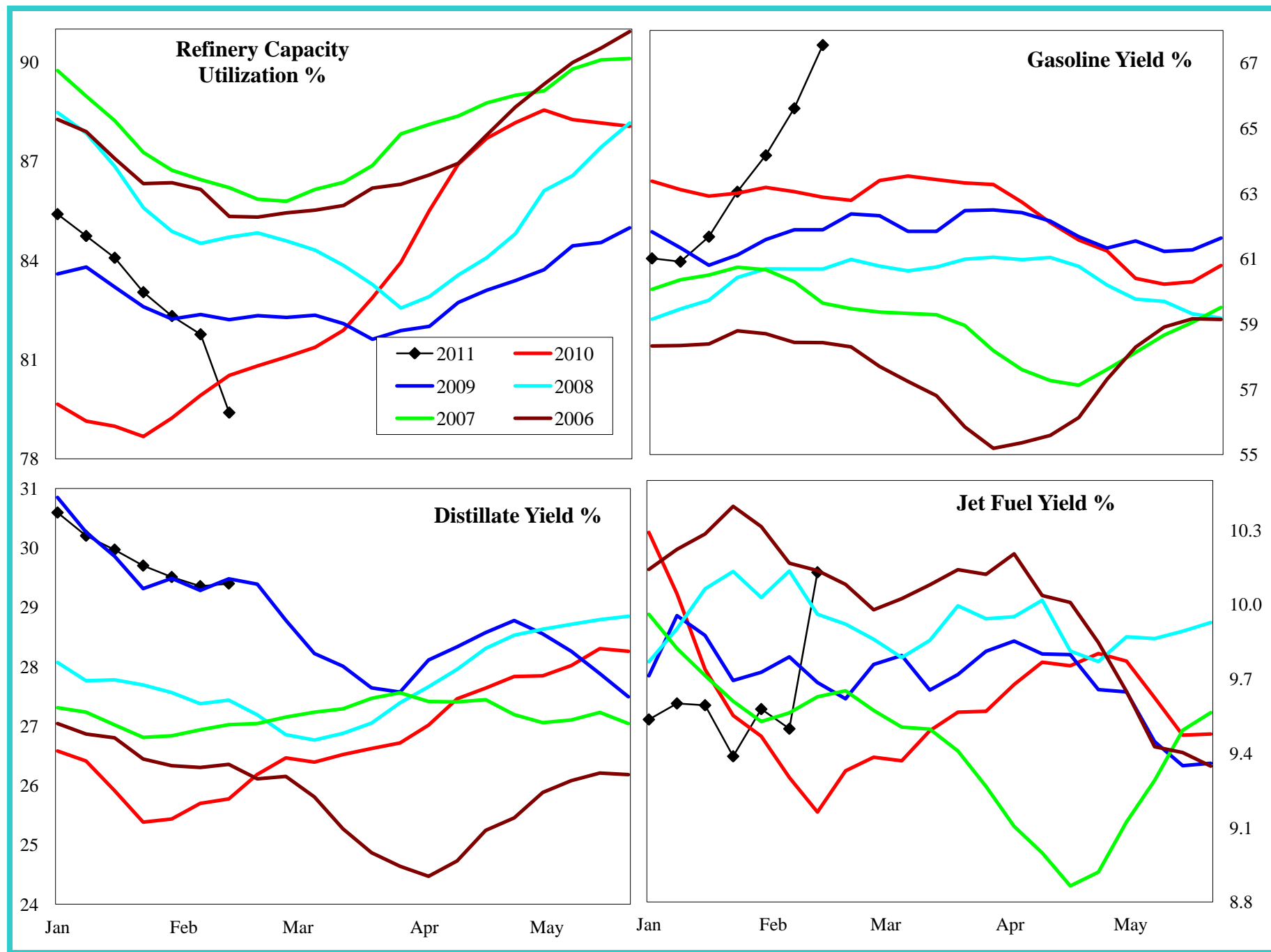
United States Wholesale Petroleum Demand



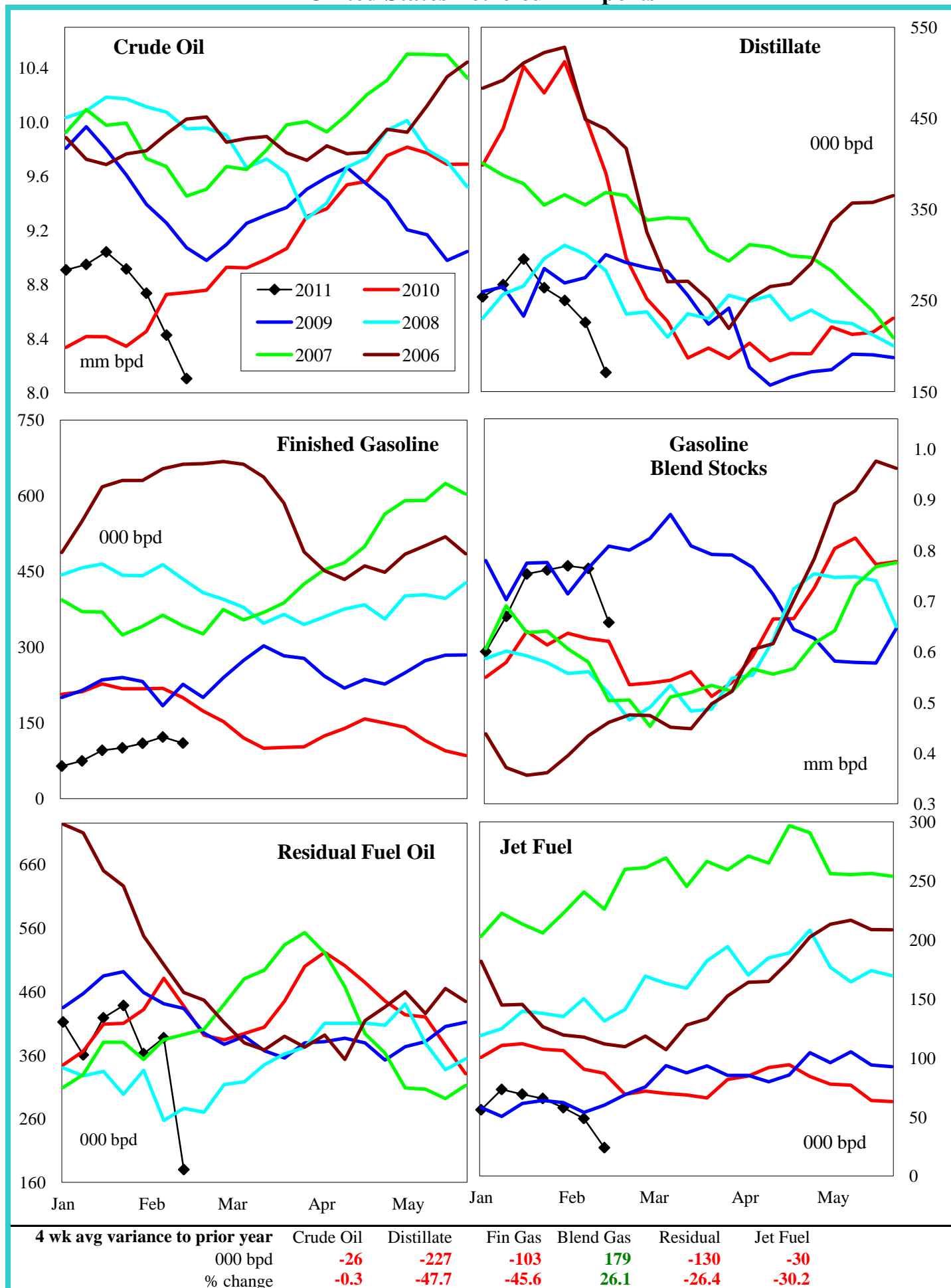
	000 bpd change from prior year				% change from prior year				
	4wk avg	Jan	Dec	Jan	4wk avg	Jan	Dec	Nov	
Gasoline	5	169	273	49	0.1	2.0	3.1	0.6	
Distillate	101	39	26	133	2.7	1.1	0.7	3.7	
Jet Fuel	92	35	90	46	6.9	2.6	6.6	3.4	
Resid	61	-131	-56	35	10.0	-21.1	-9.6	7.9	

United States Product Stocks: Days Forward Coverage

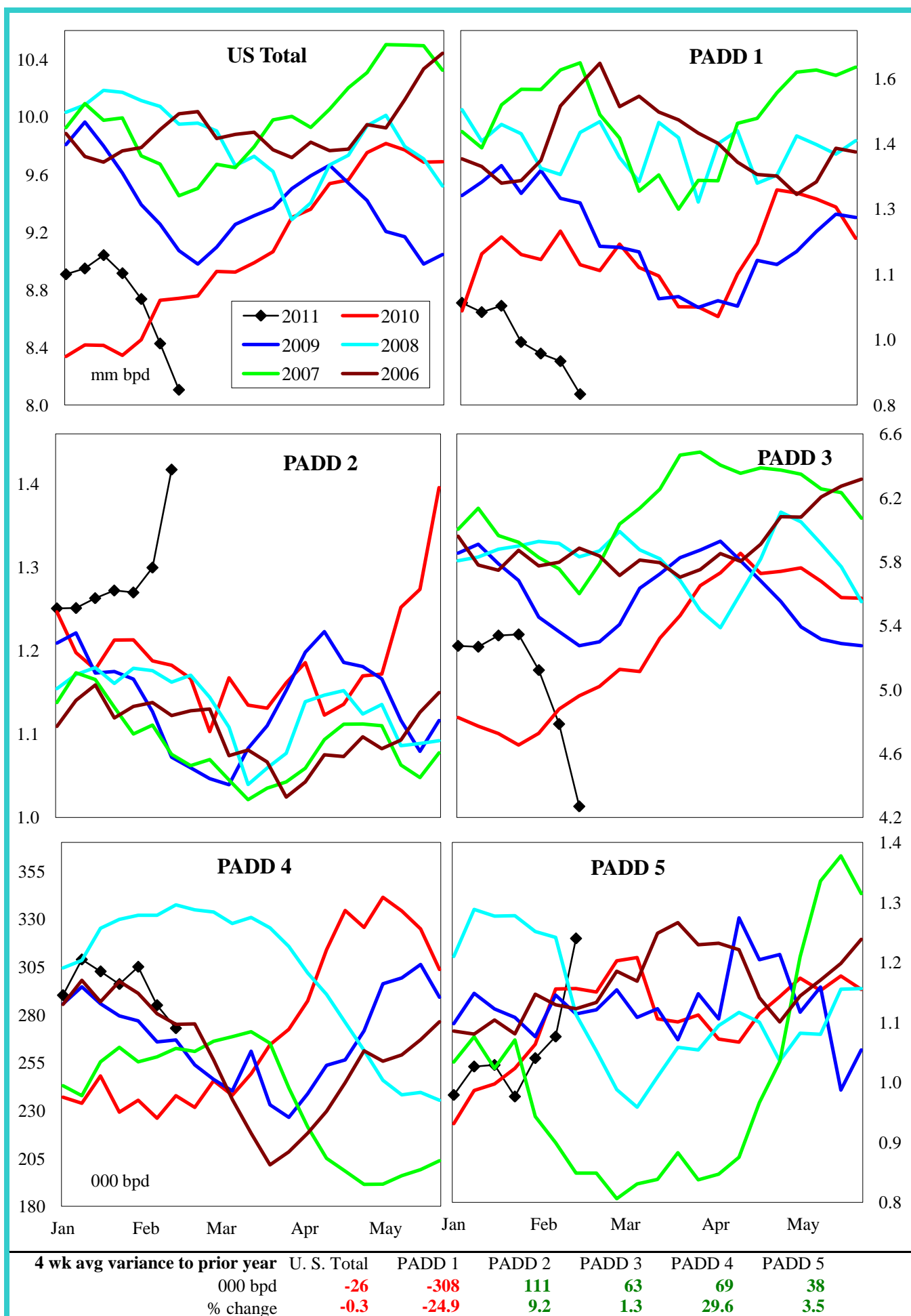
United States Refinery Percent Utilization Rate and Product Yields



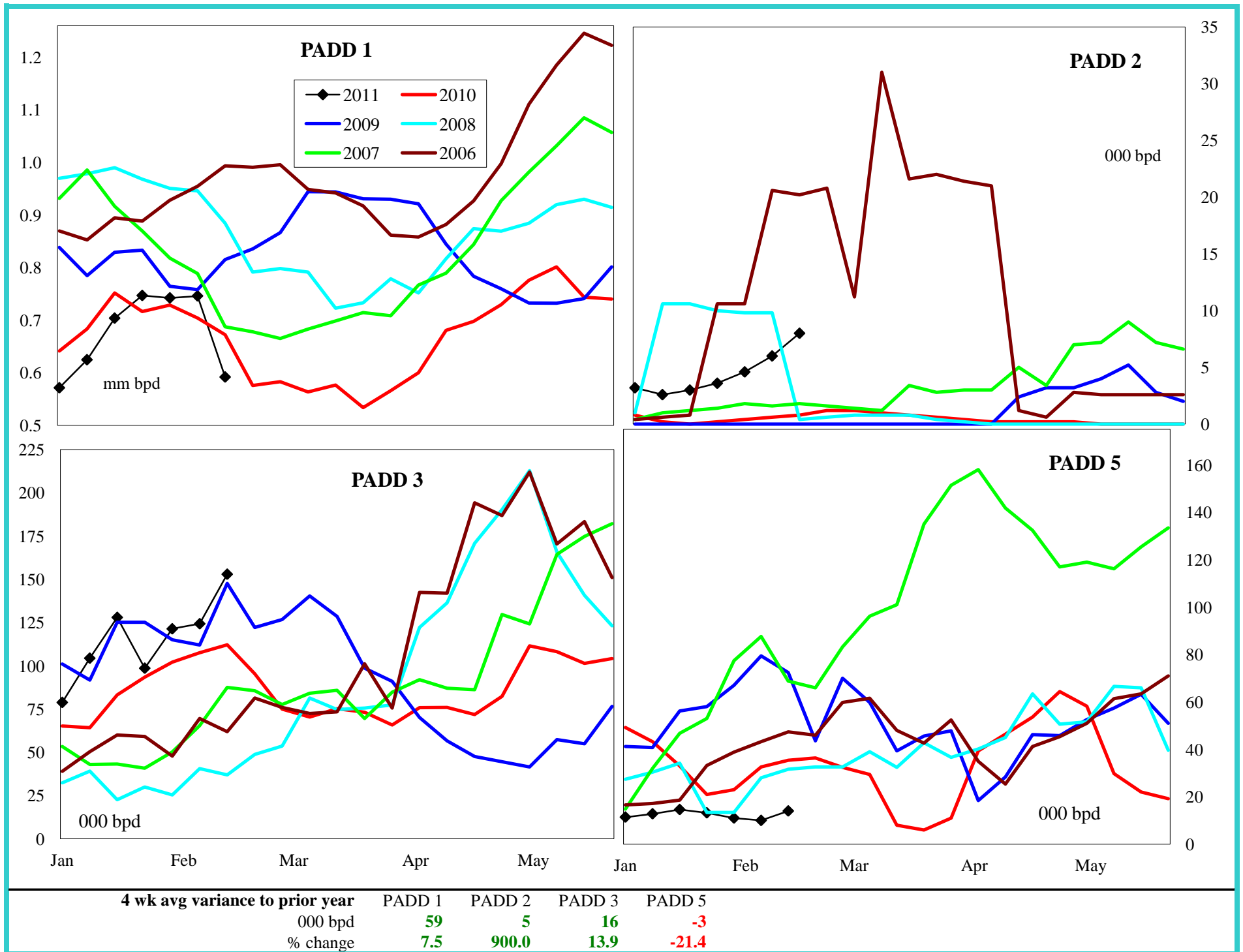
United States Petroleum Imports



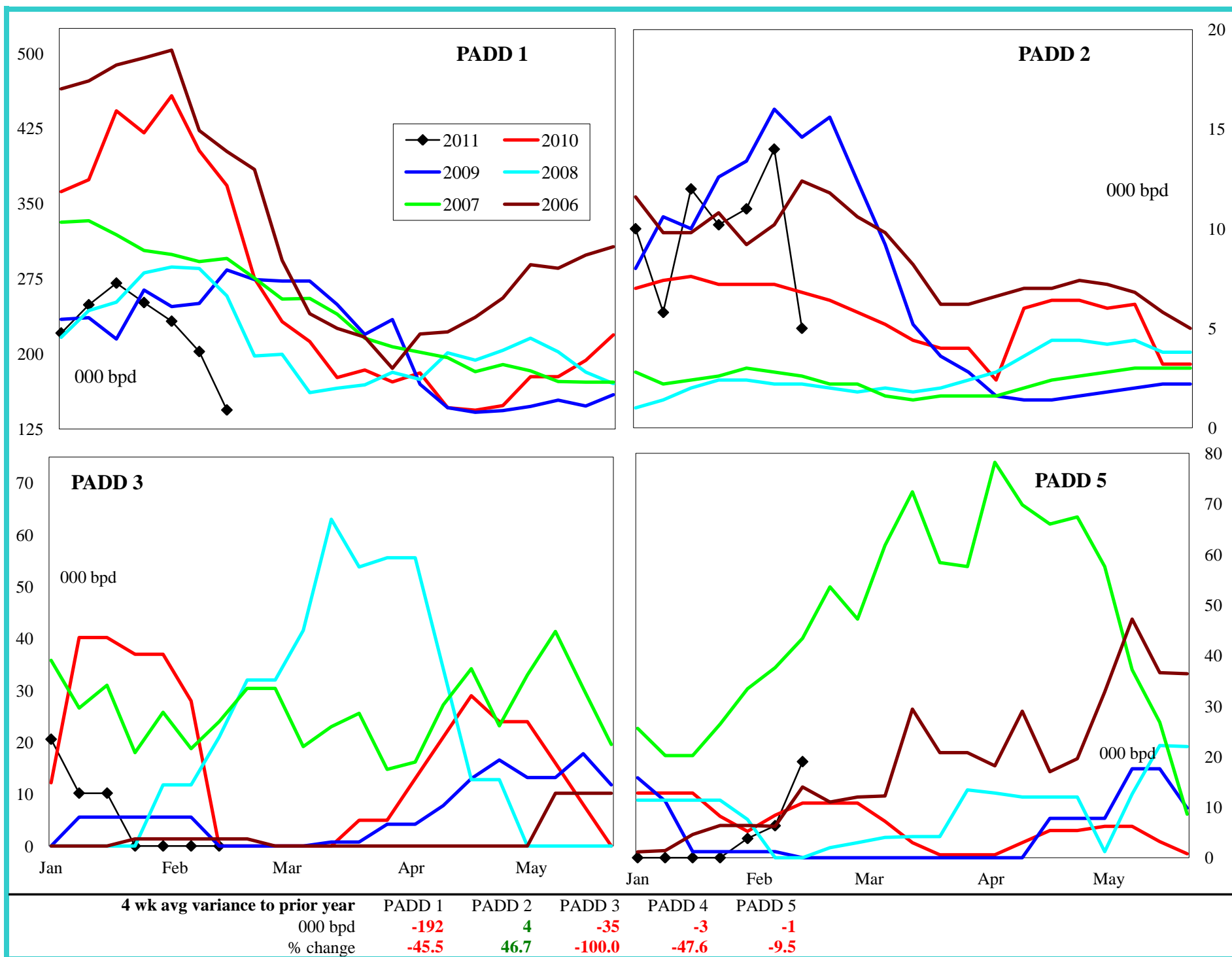
Crude Oil Imports by PADD



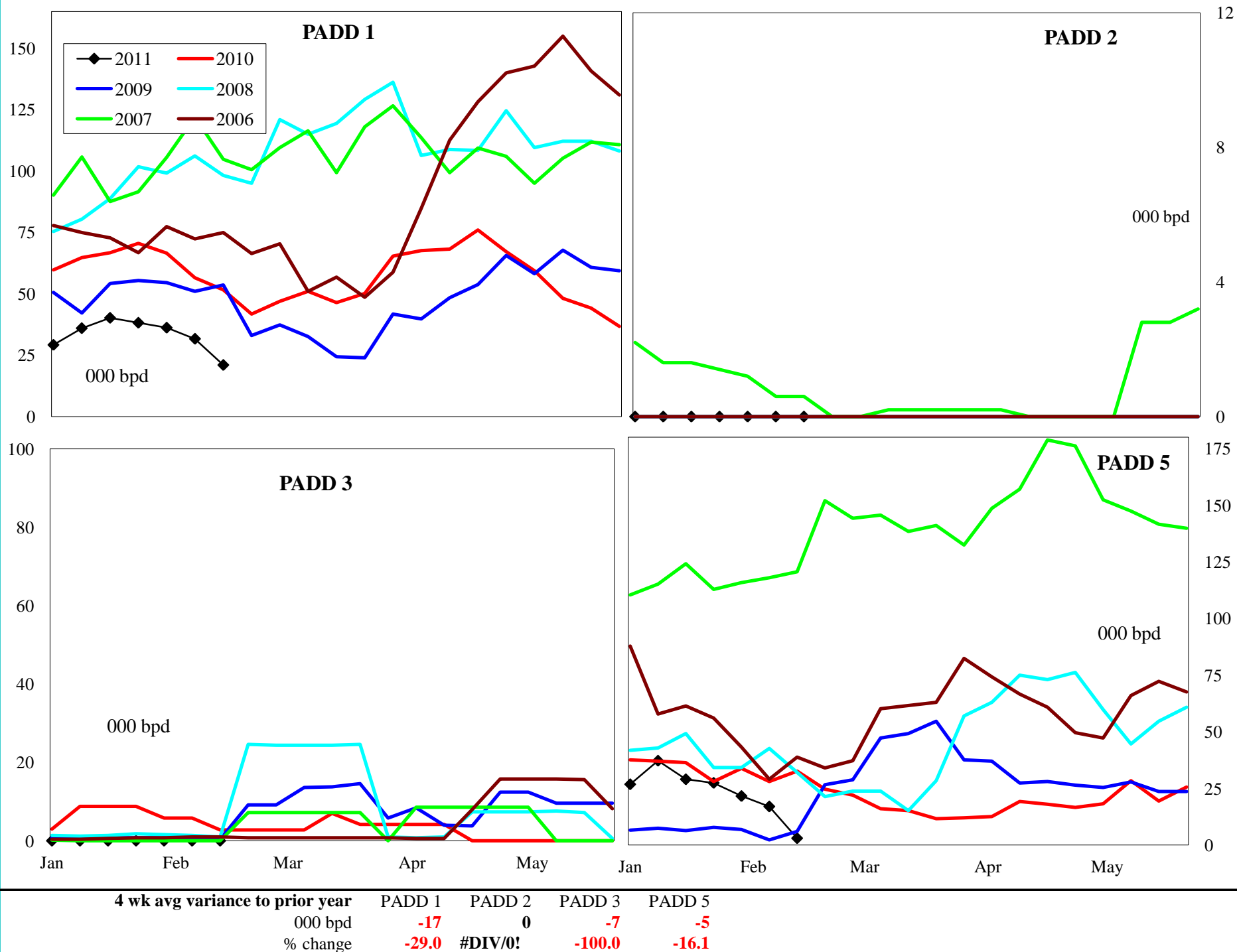
Gasoline Imports by PADD (Finished + Blend Stocks)



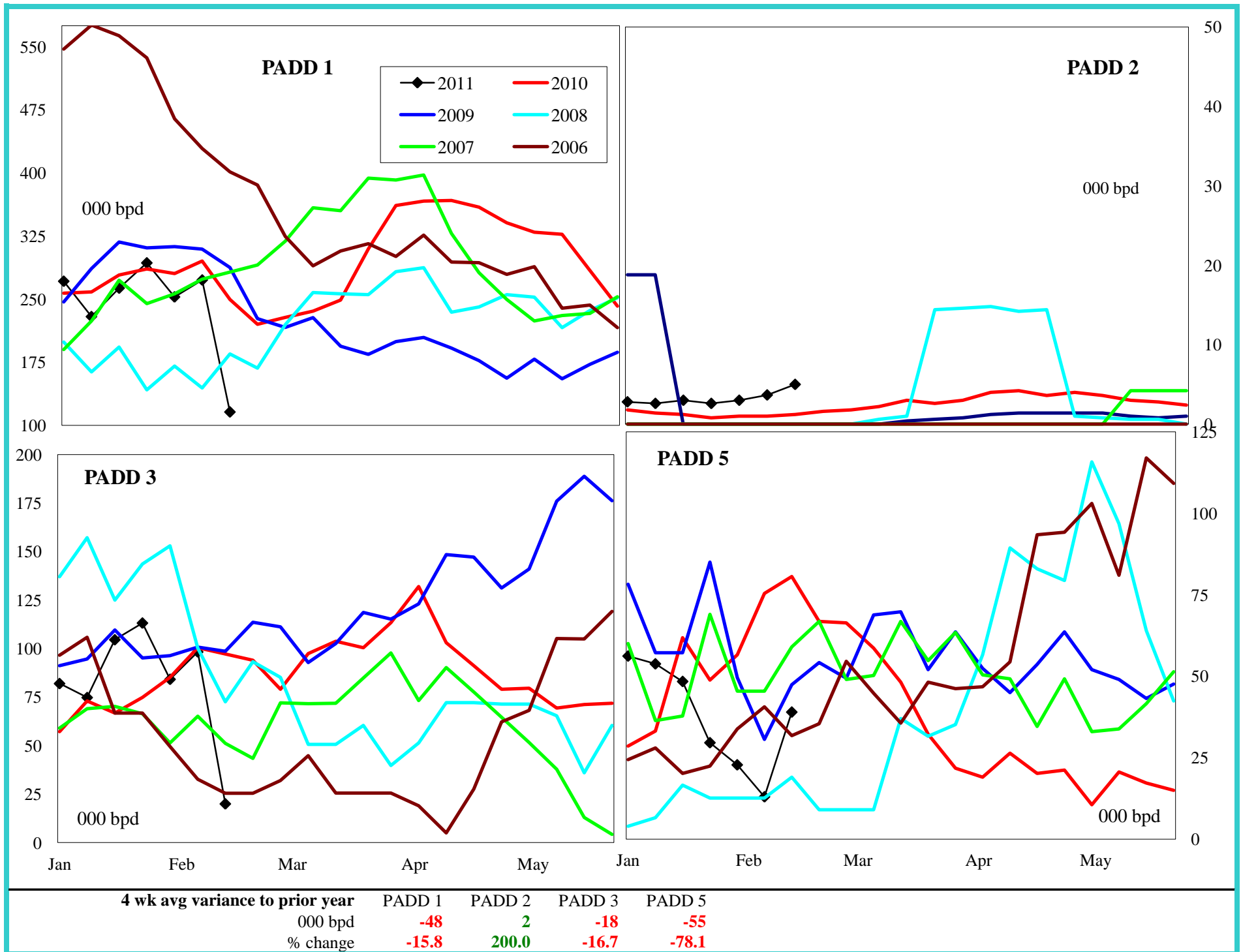
Distillate Imports by PADD



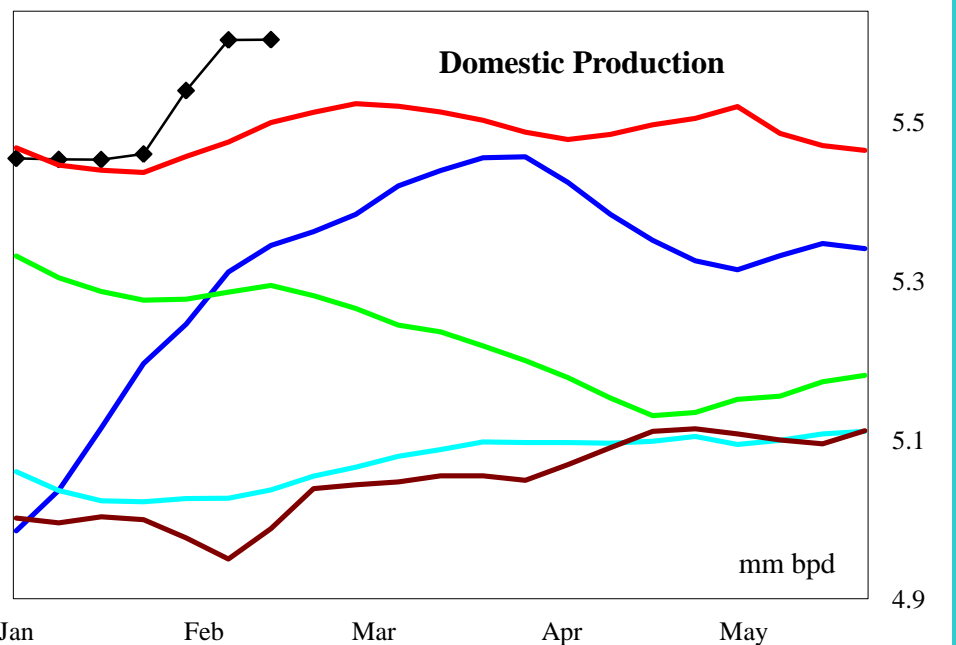
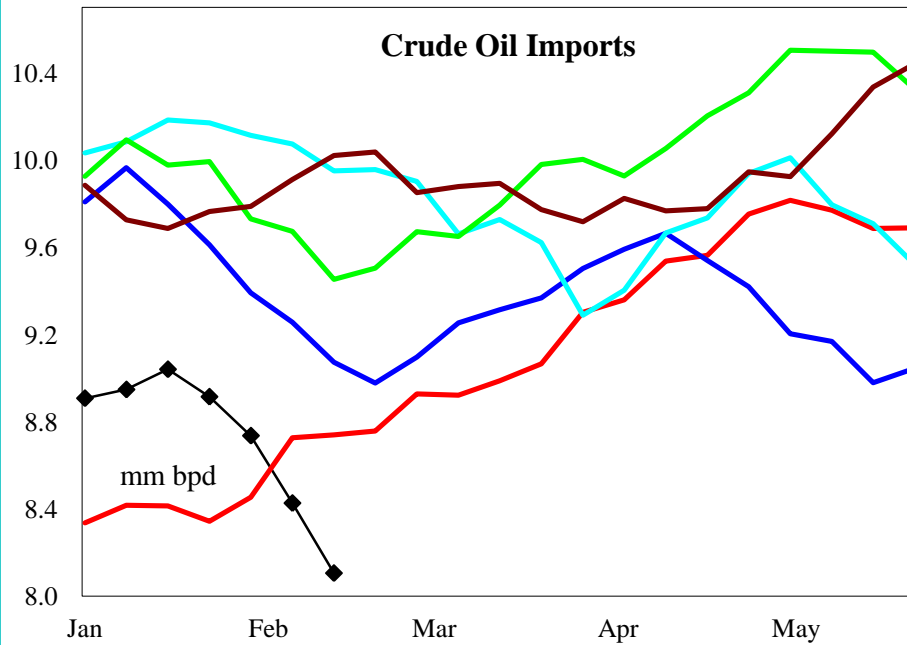
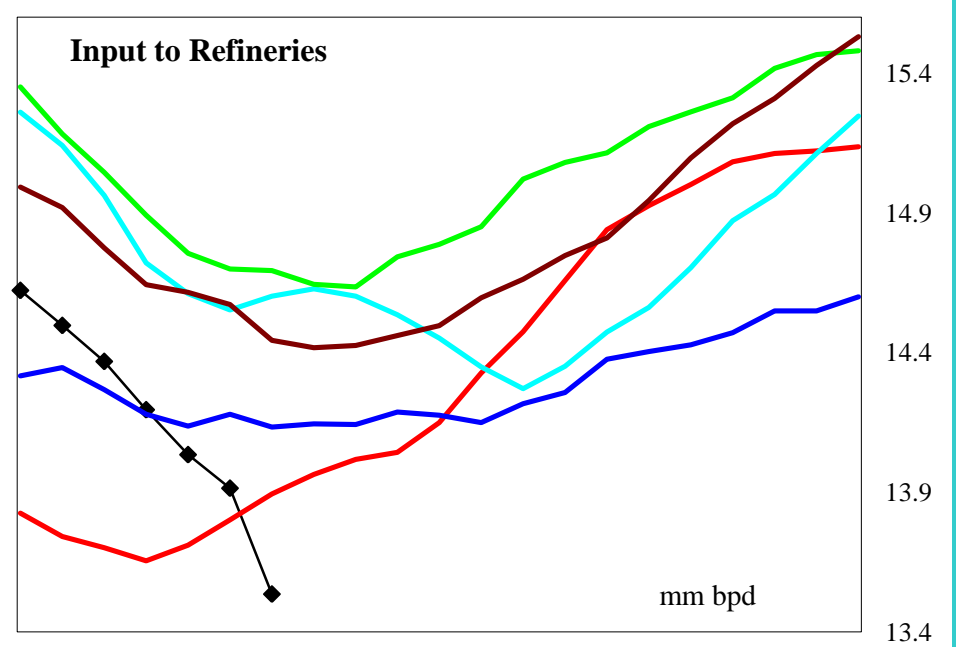
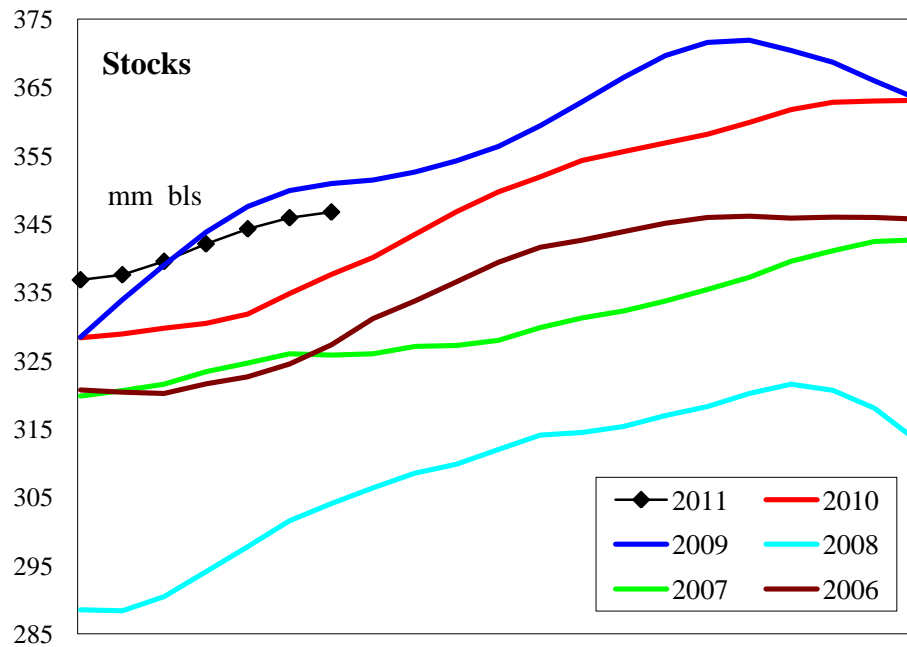
Jet Fuel Imports by PADD



Residual Fuel Oil Imports by PADD



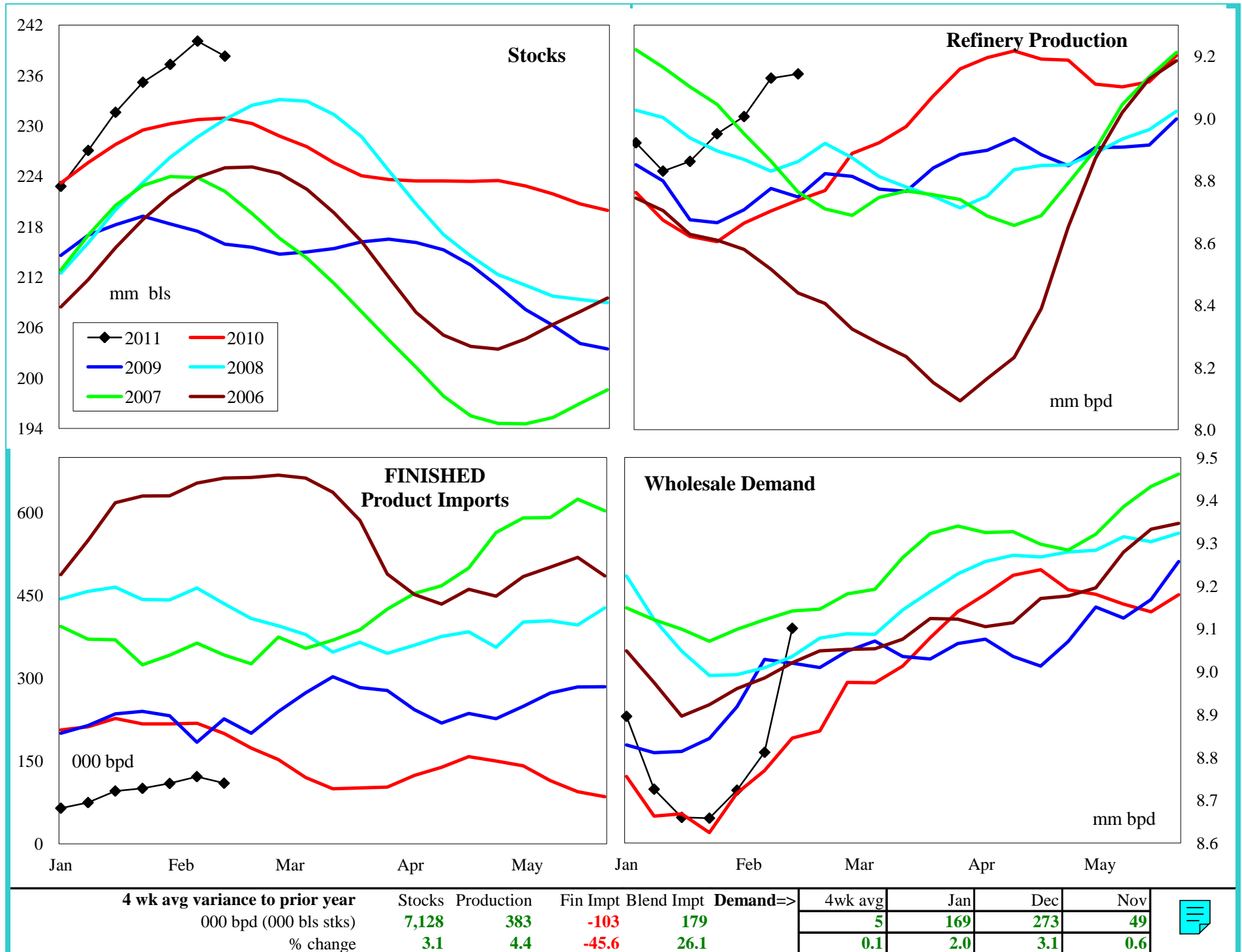
United States Crude Oil Supply and Demand Balance



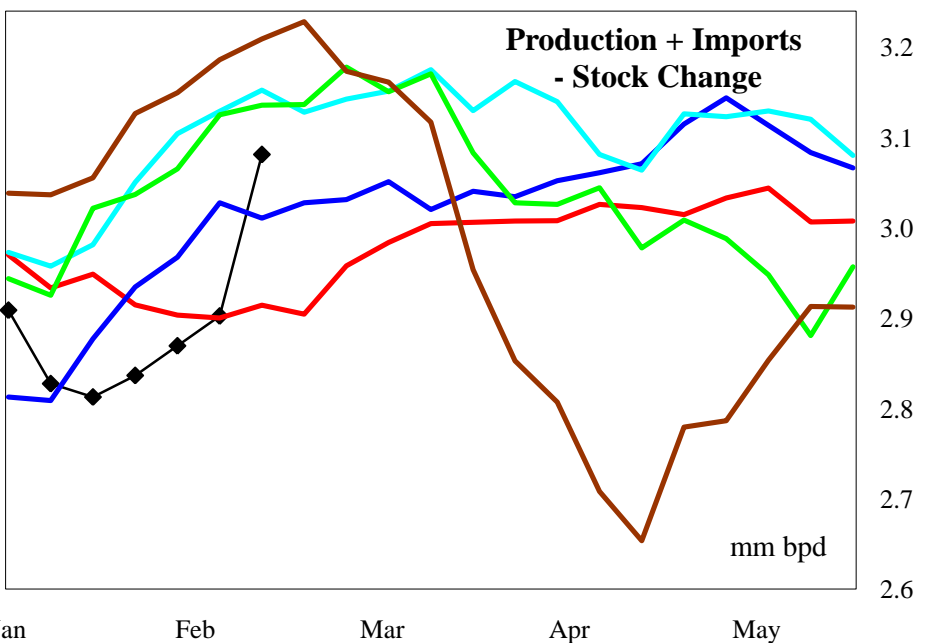
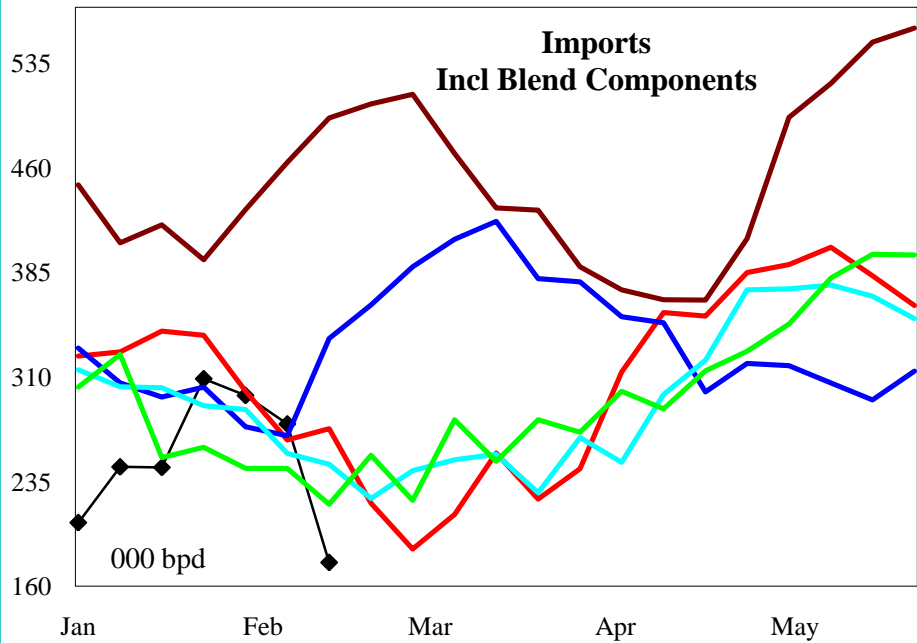
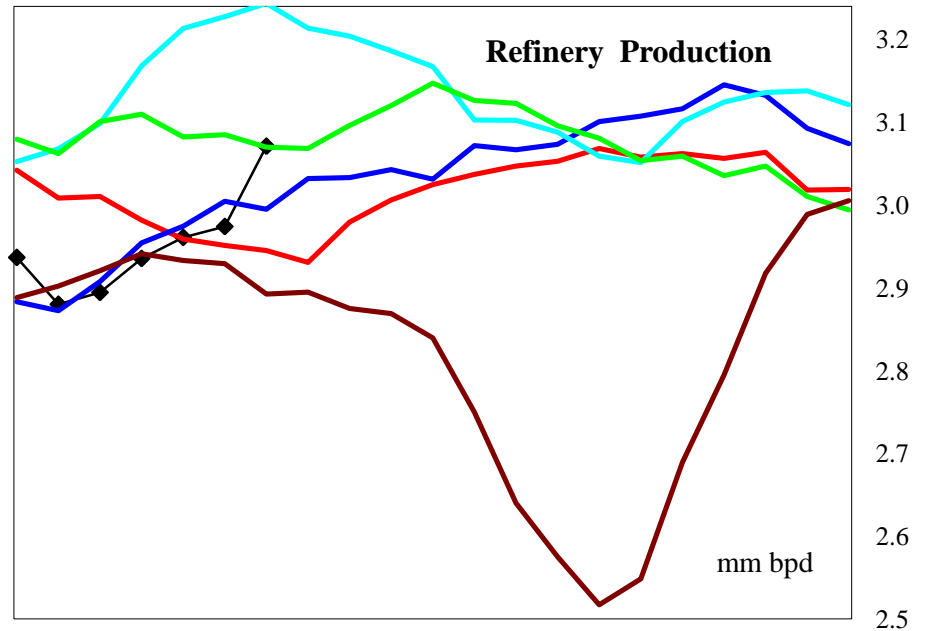
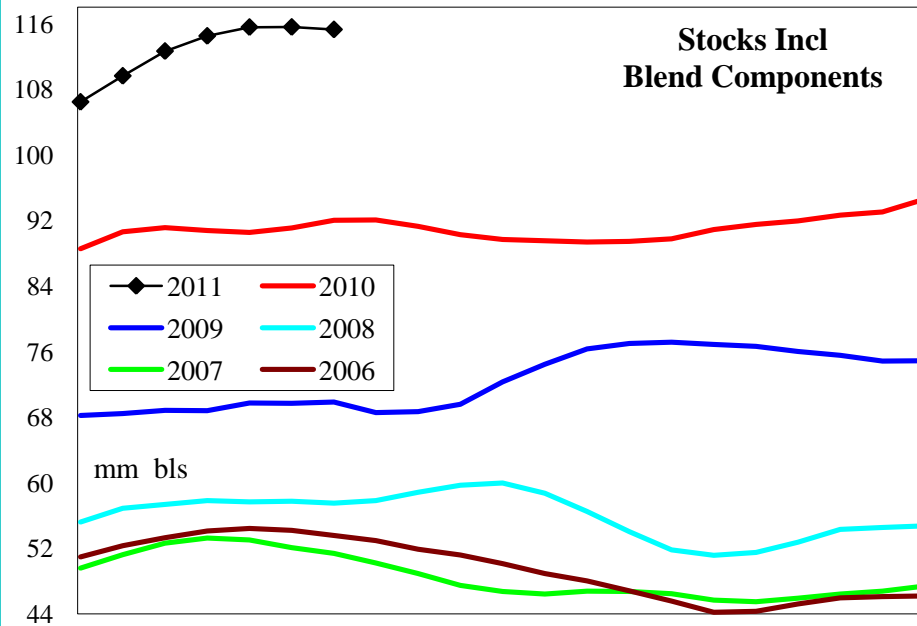
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

	Stocks	Input	Imports	U.S. Production
000 bpd (000 bls stks)	9,202	279	-26	129
% change	2.7	2.0	-0.3	2.4

United States Gasoline Supply and Demand Balance



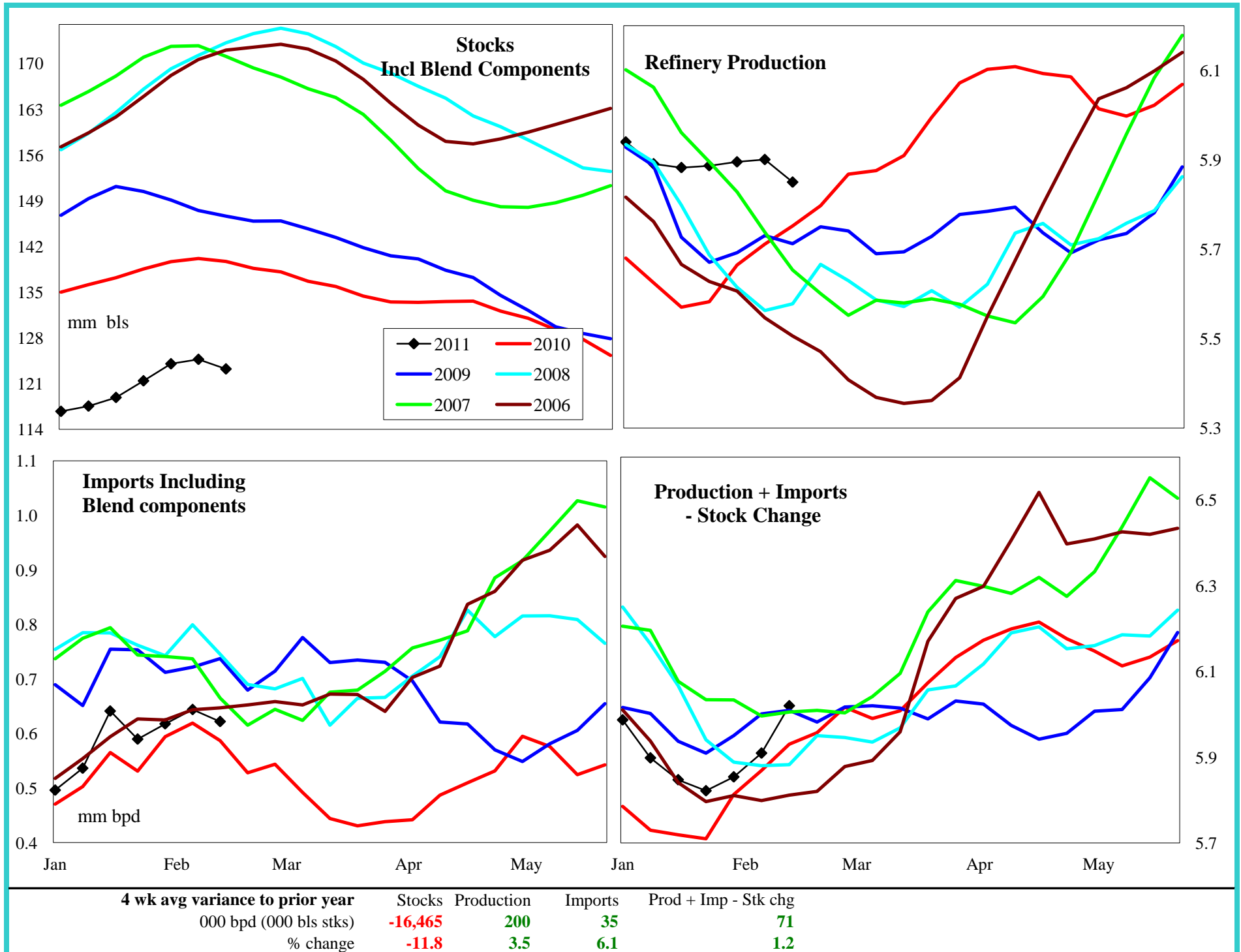
United States Reformulated Gasoline Supply



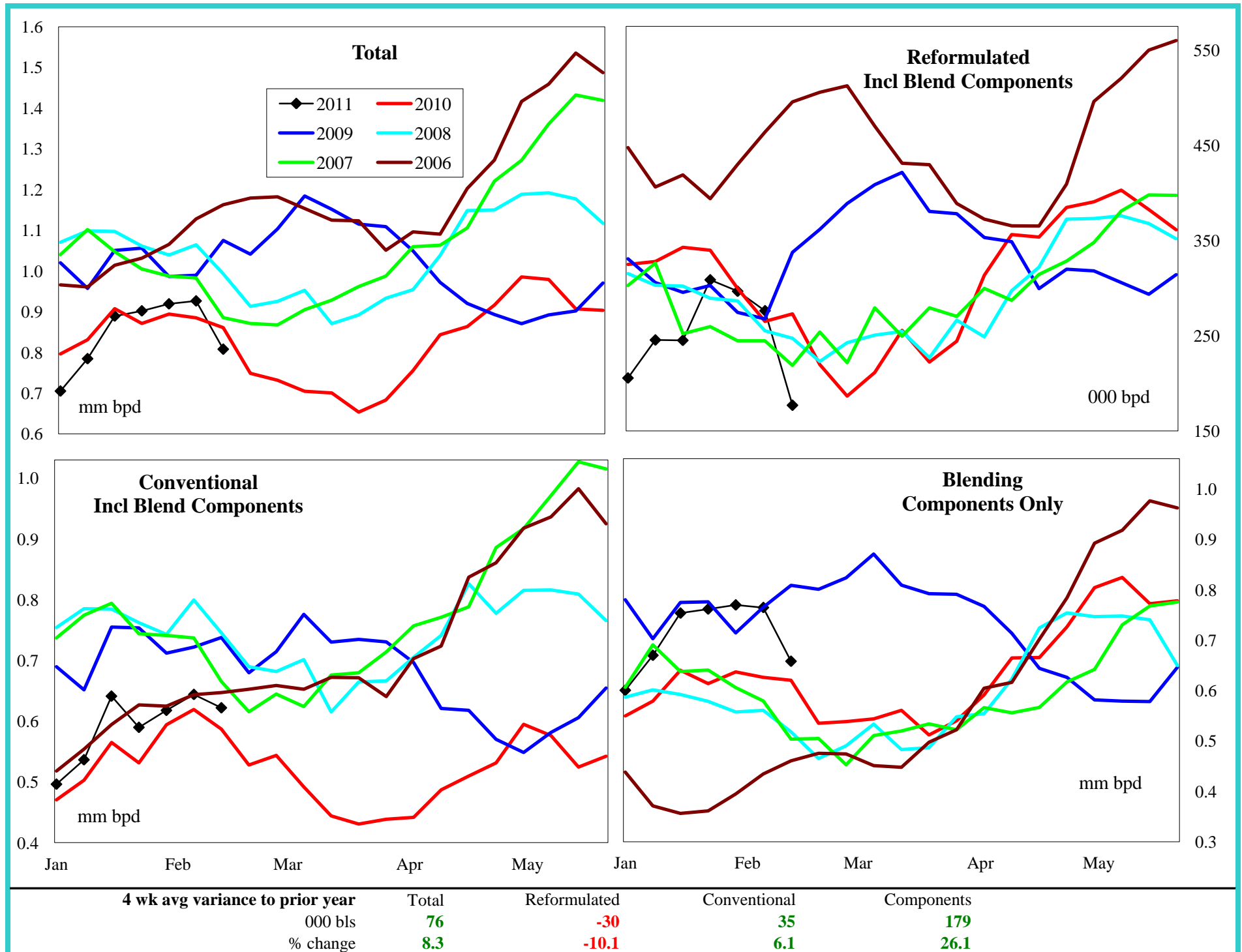
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
23,250	10	-30	14
25.3	0.3	-10.1	0.5

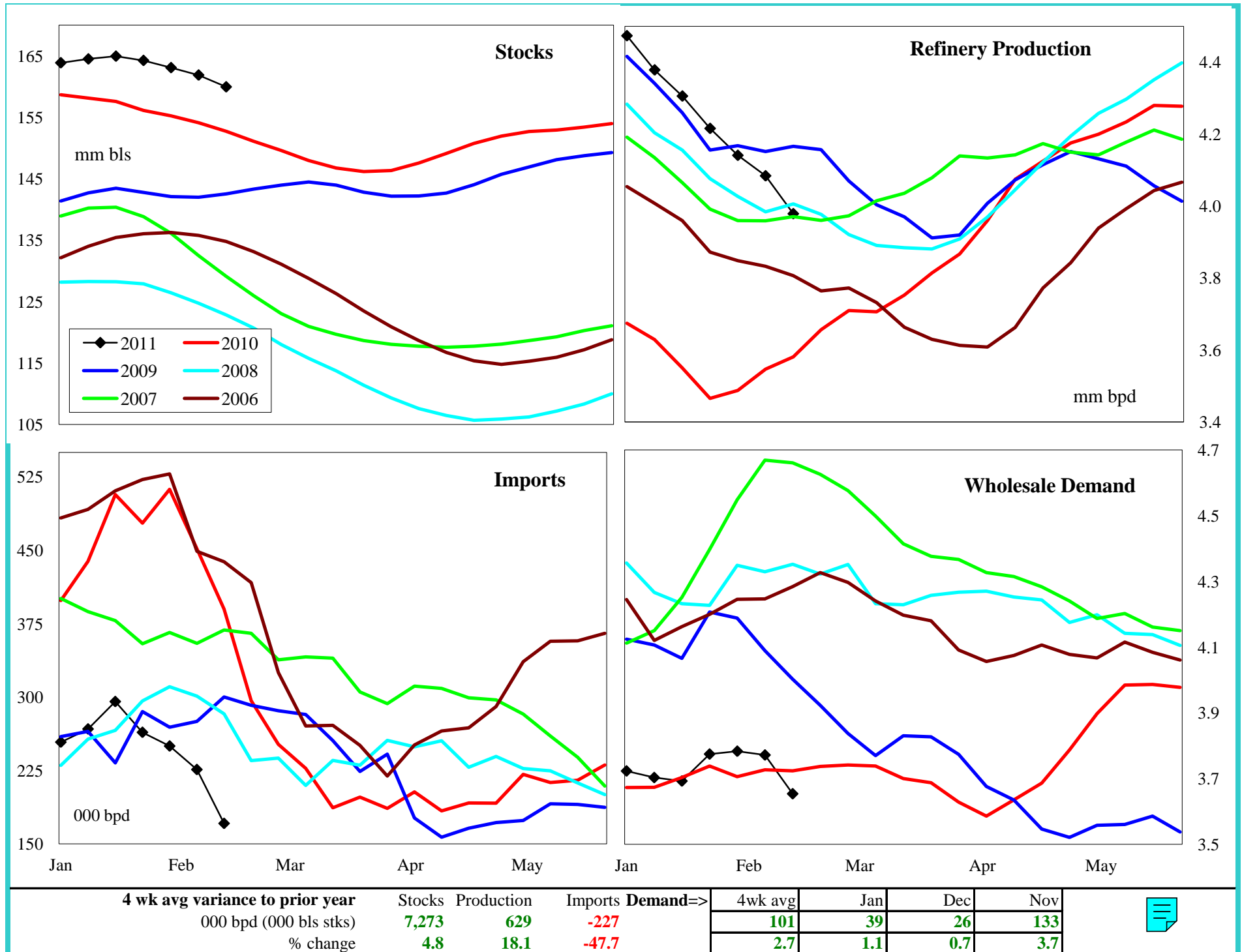
United States Conventional Gasoline Supply



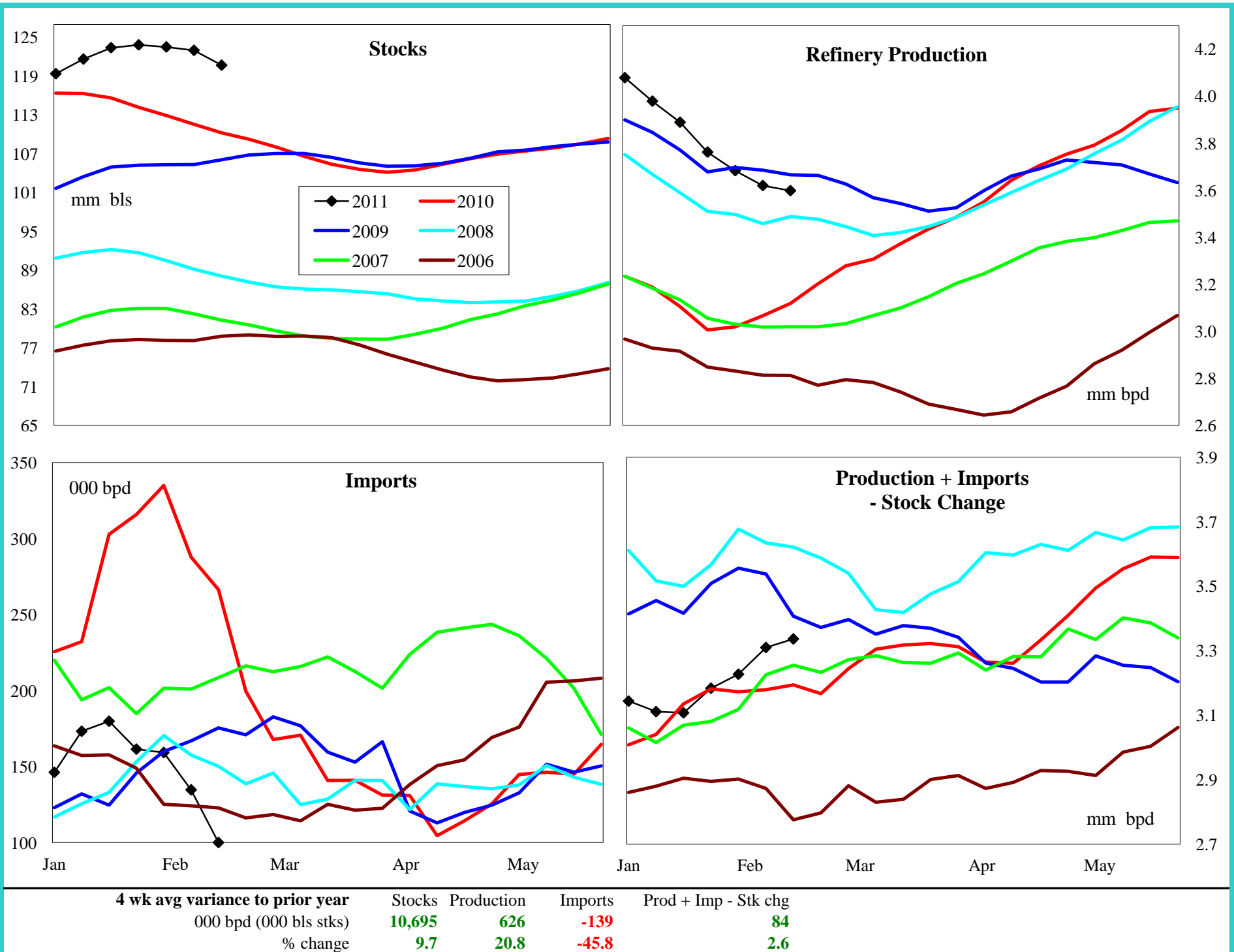
United States Gasoline Imports by Type



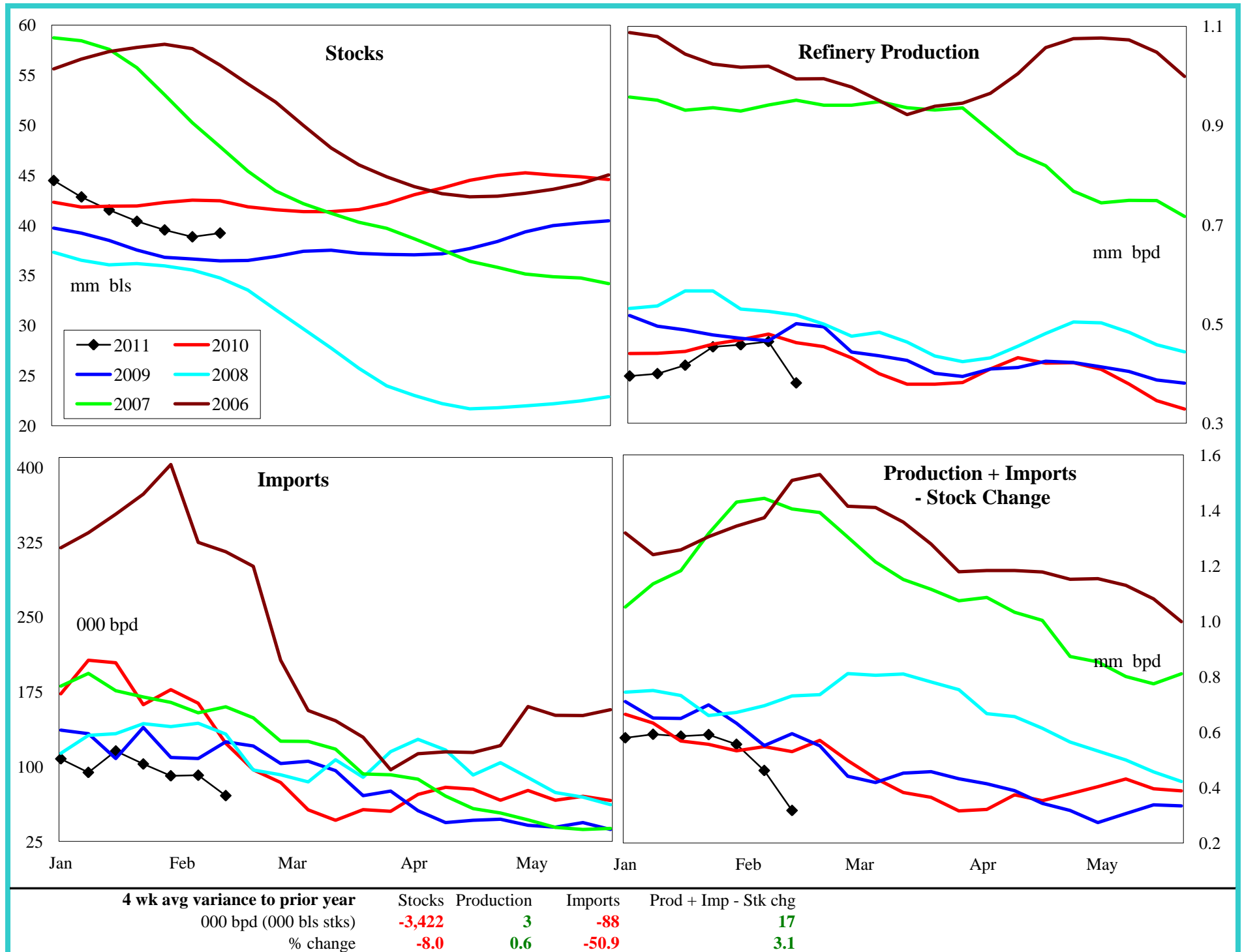
United States Distillate Supply and Demand Balance



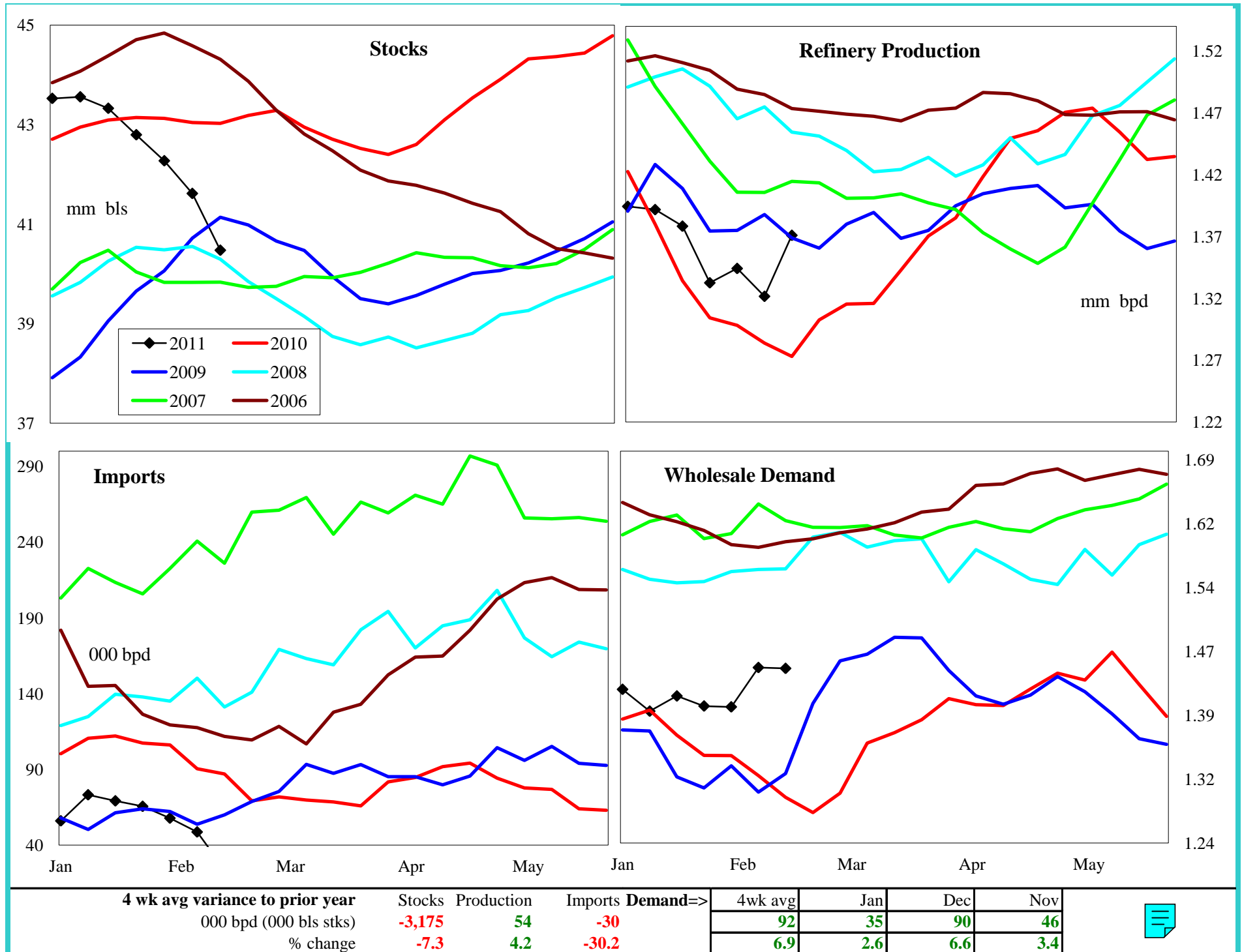
United States Low Sulfur Distillate Supply



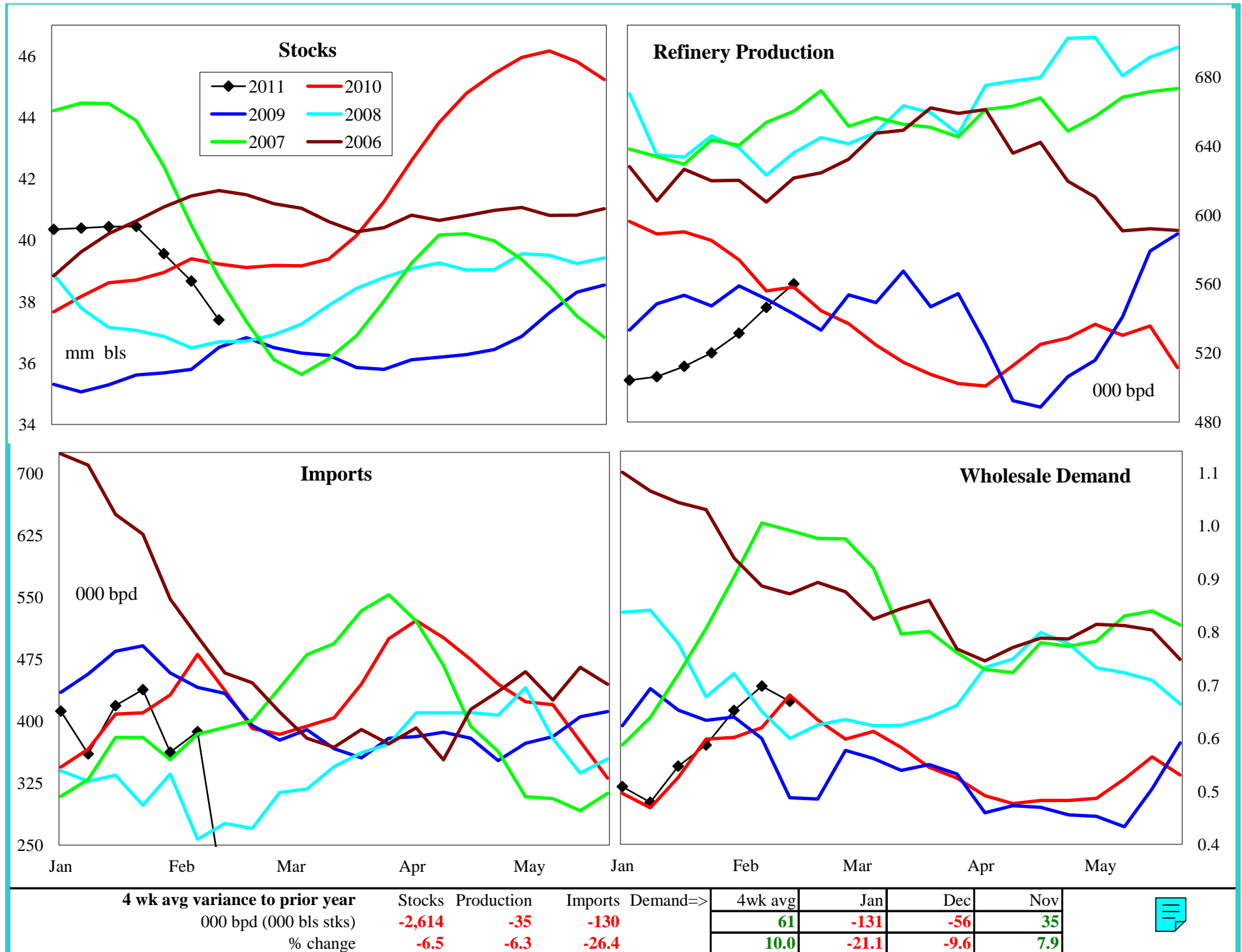
United States High Sulfur Distillate Supply



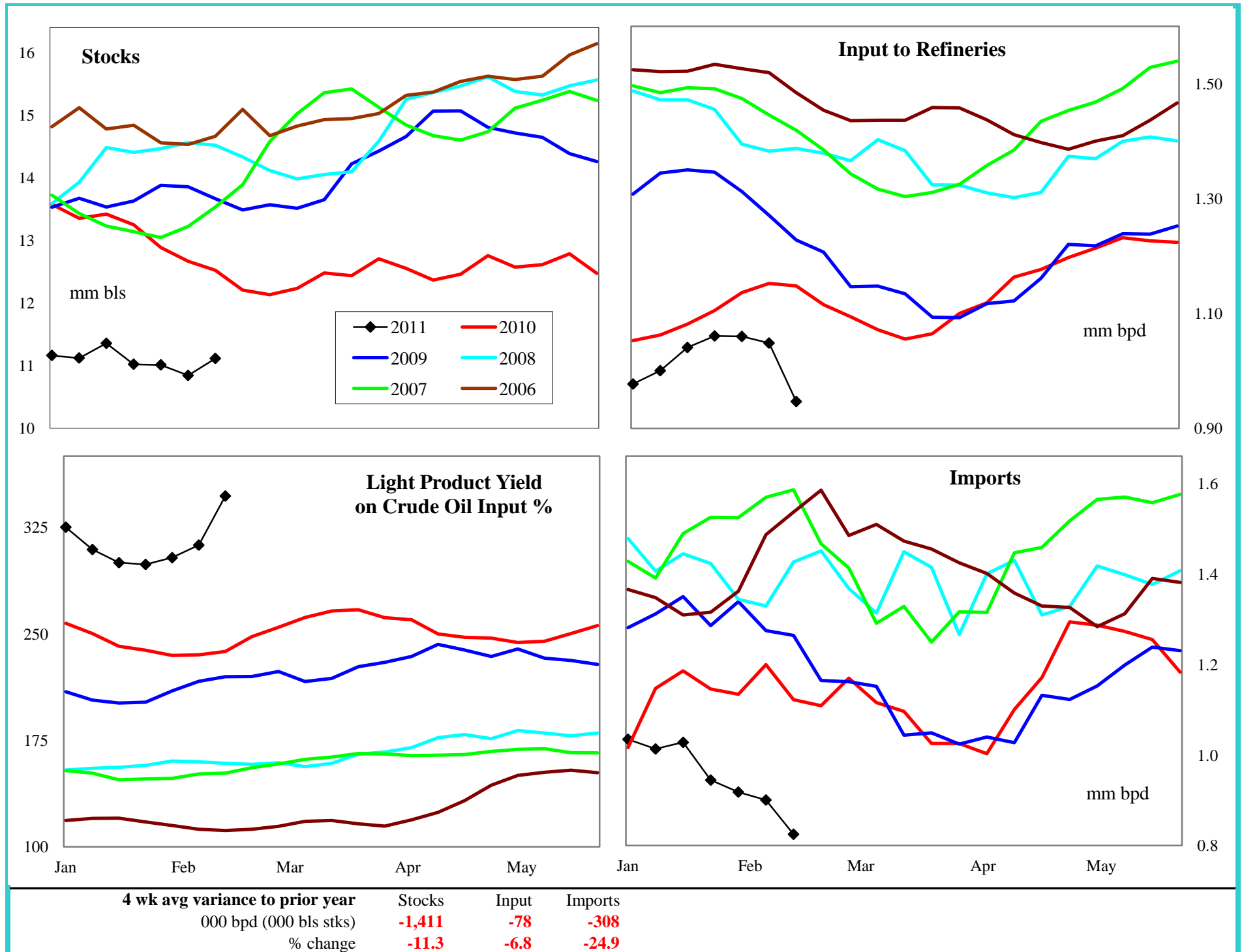
United States Jet Fuel Supply and Demand Balance



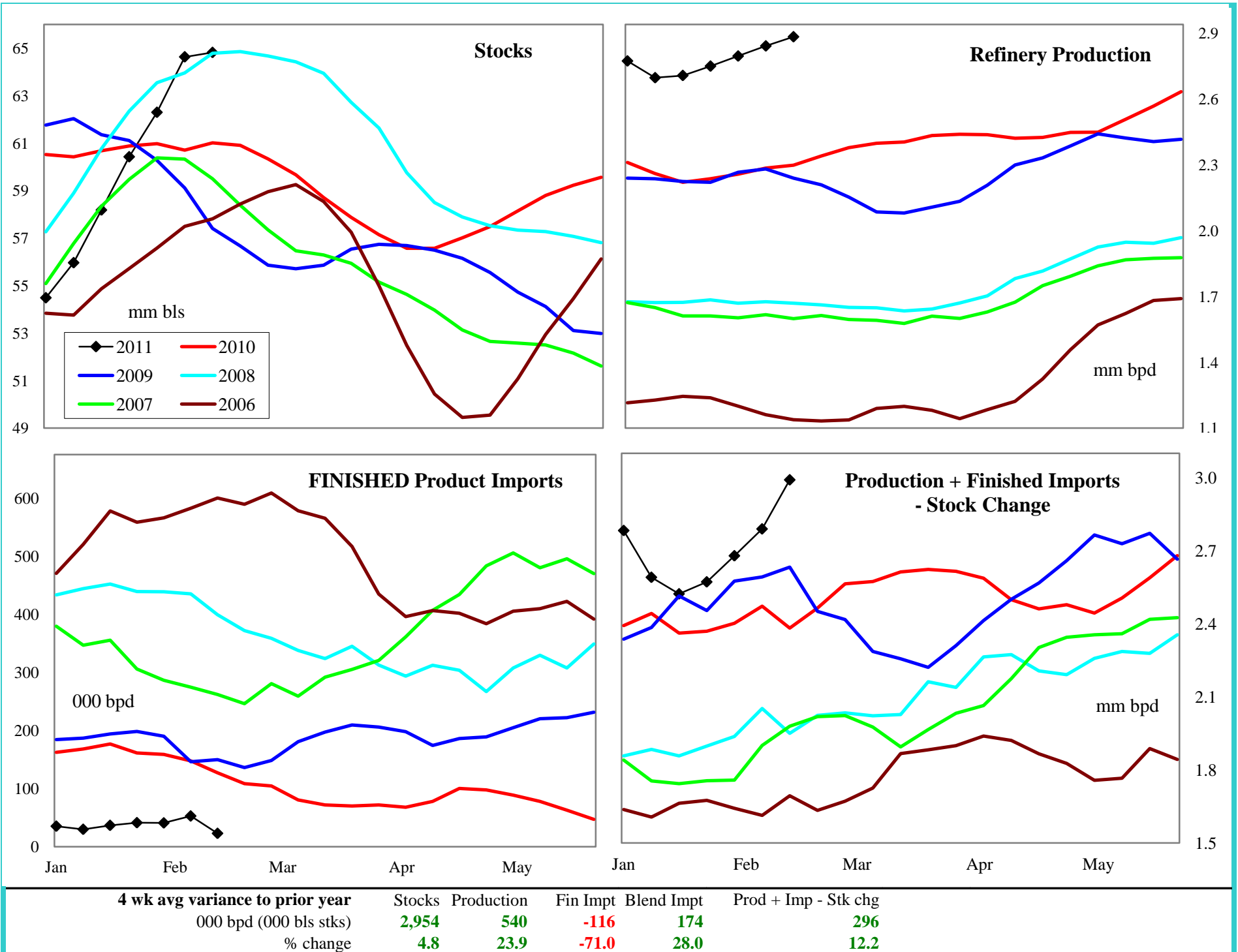
United States Residual Fuel Oil Supply and Demand Balance



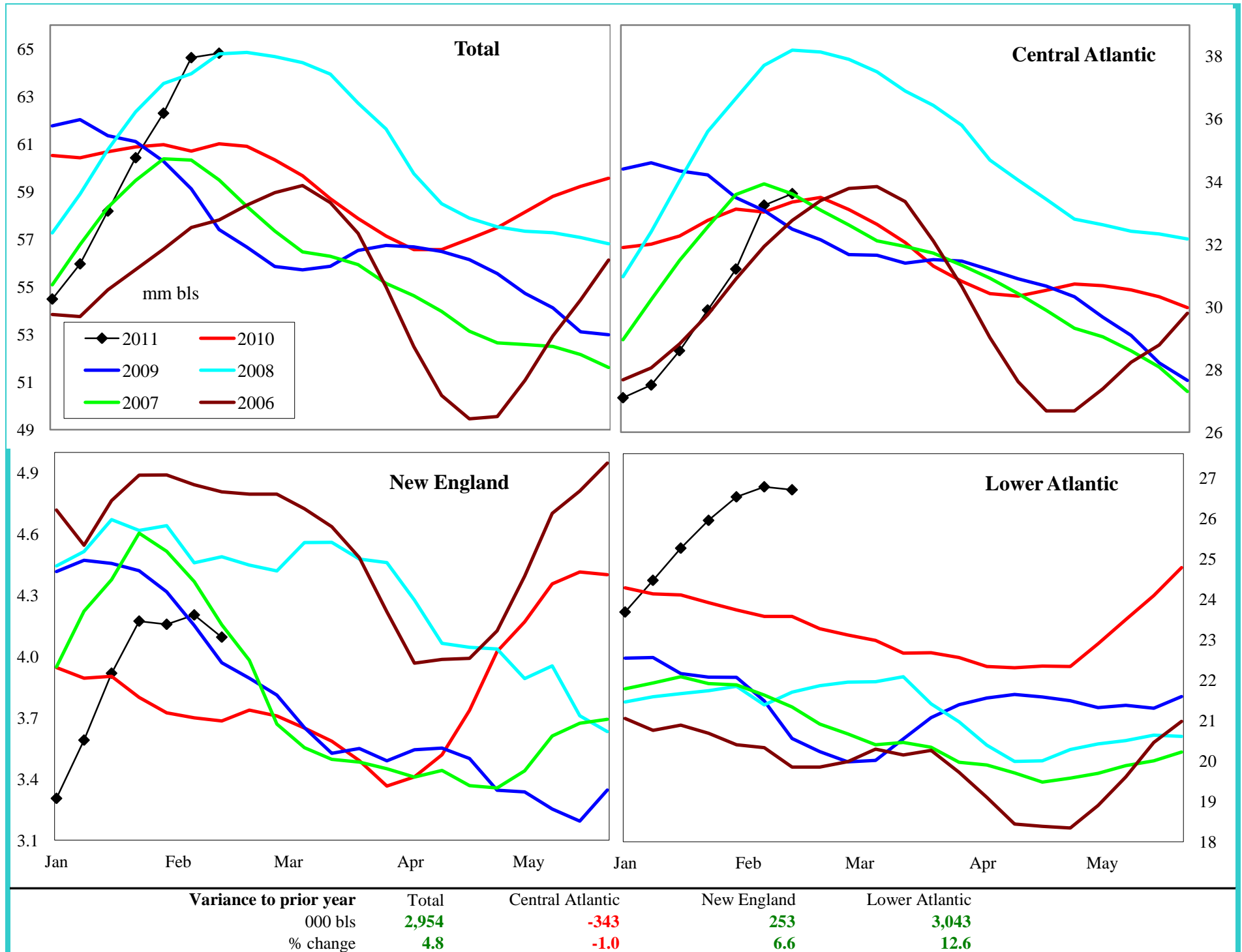
PADD 1 Crude Oil Supply and Refining



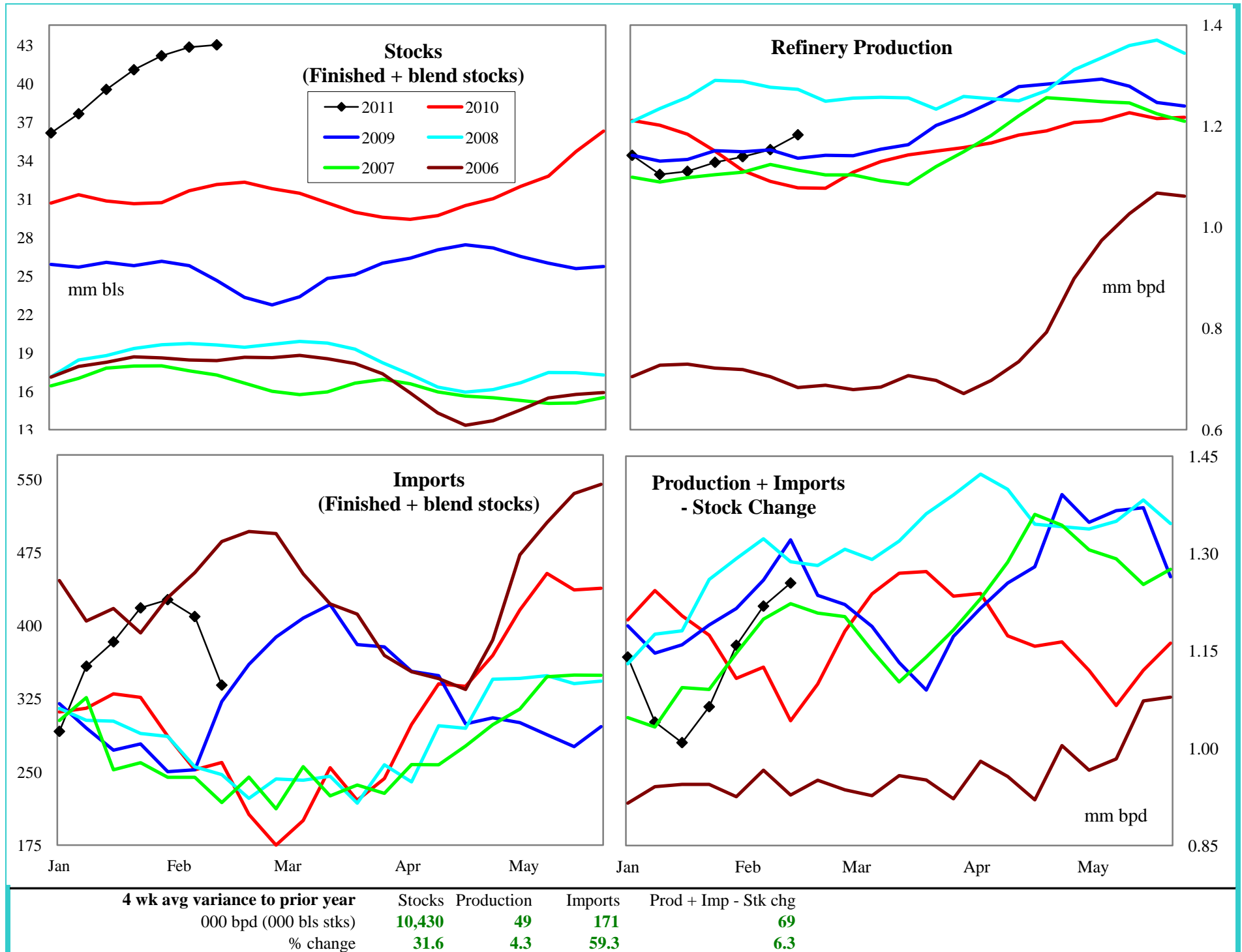
PADD 1 Gasoline Supply



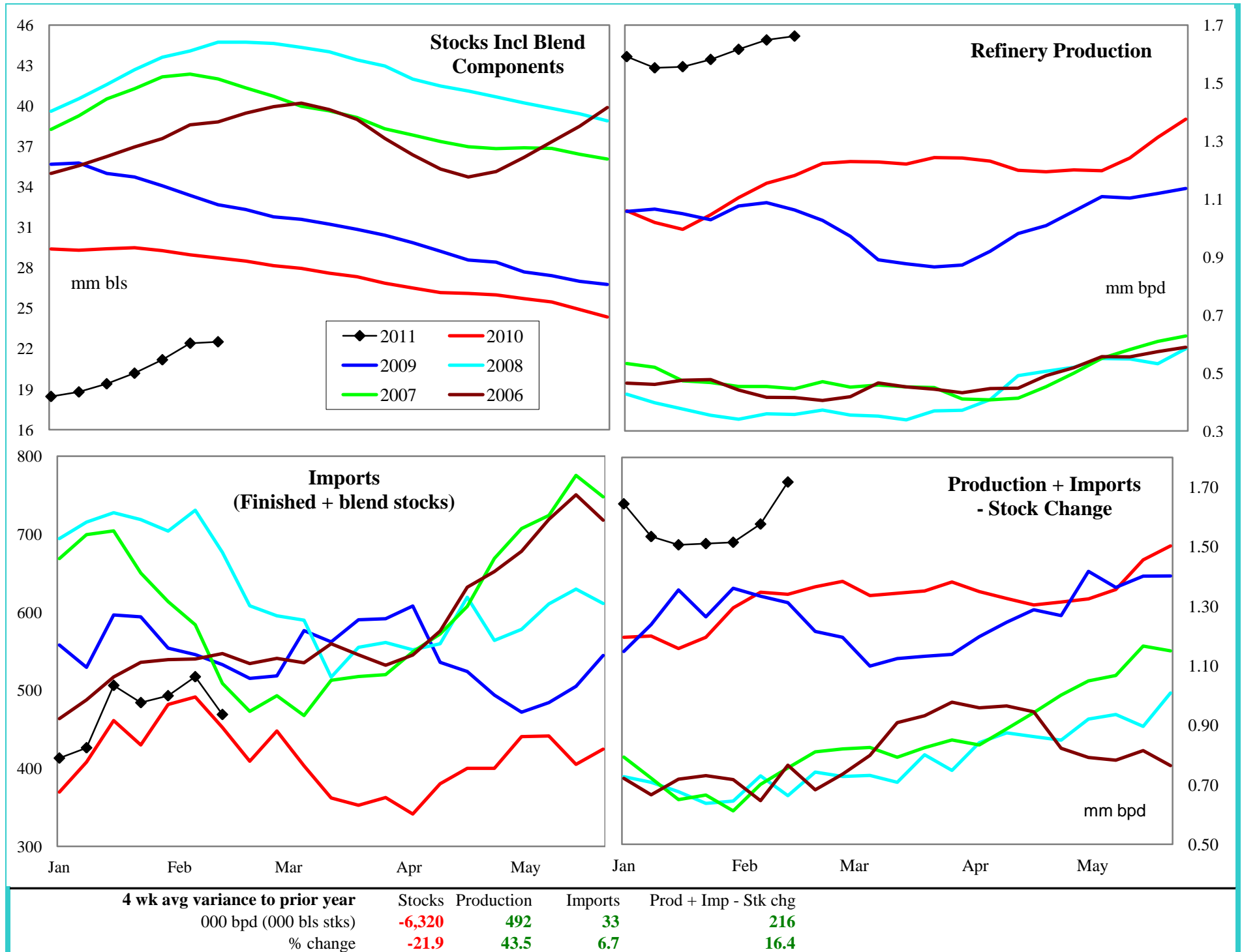
PADD 1 Gasoline Stocks by Region



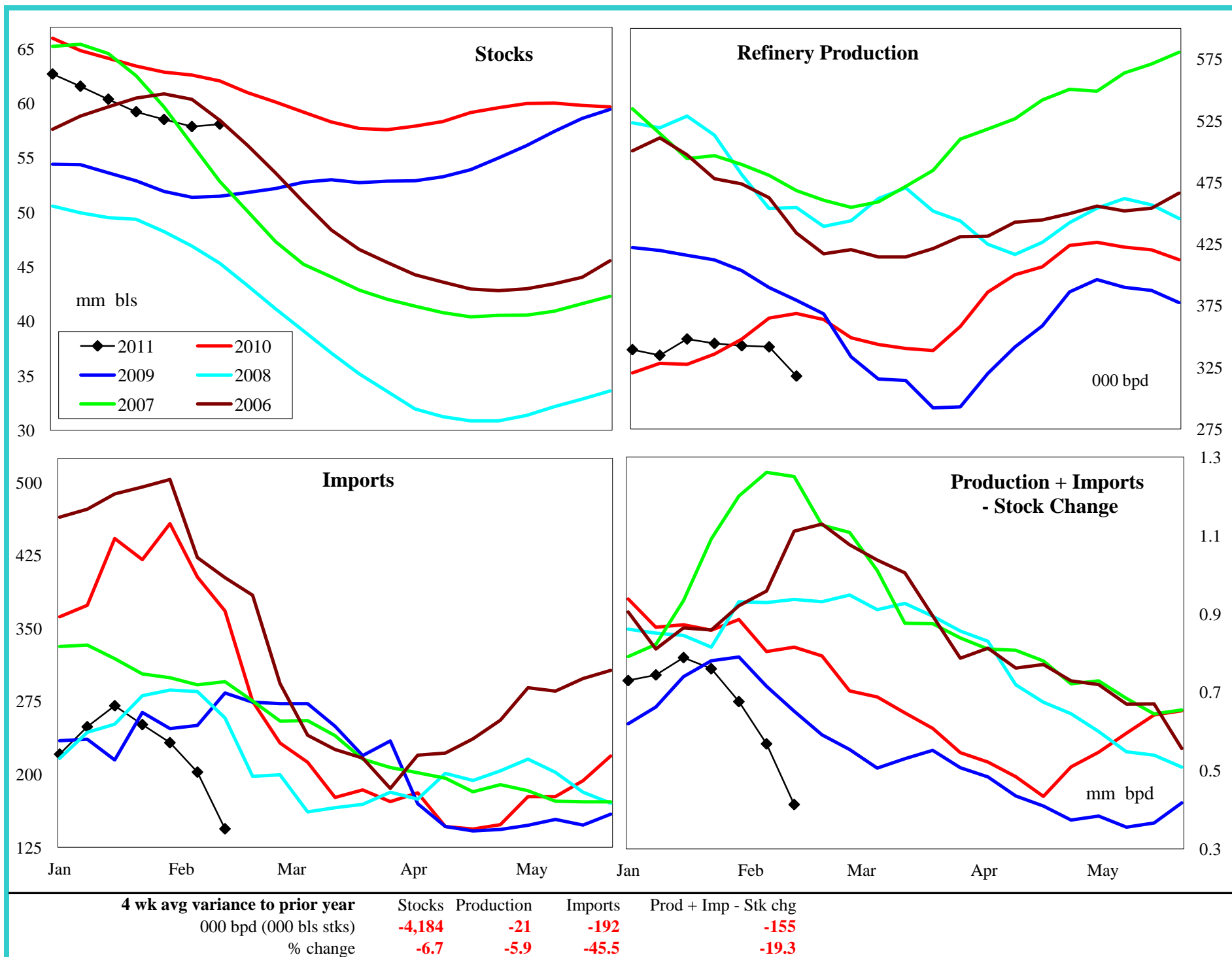
PADD 1 Reformulated Gasoline Supply



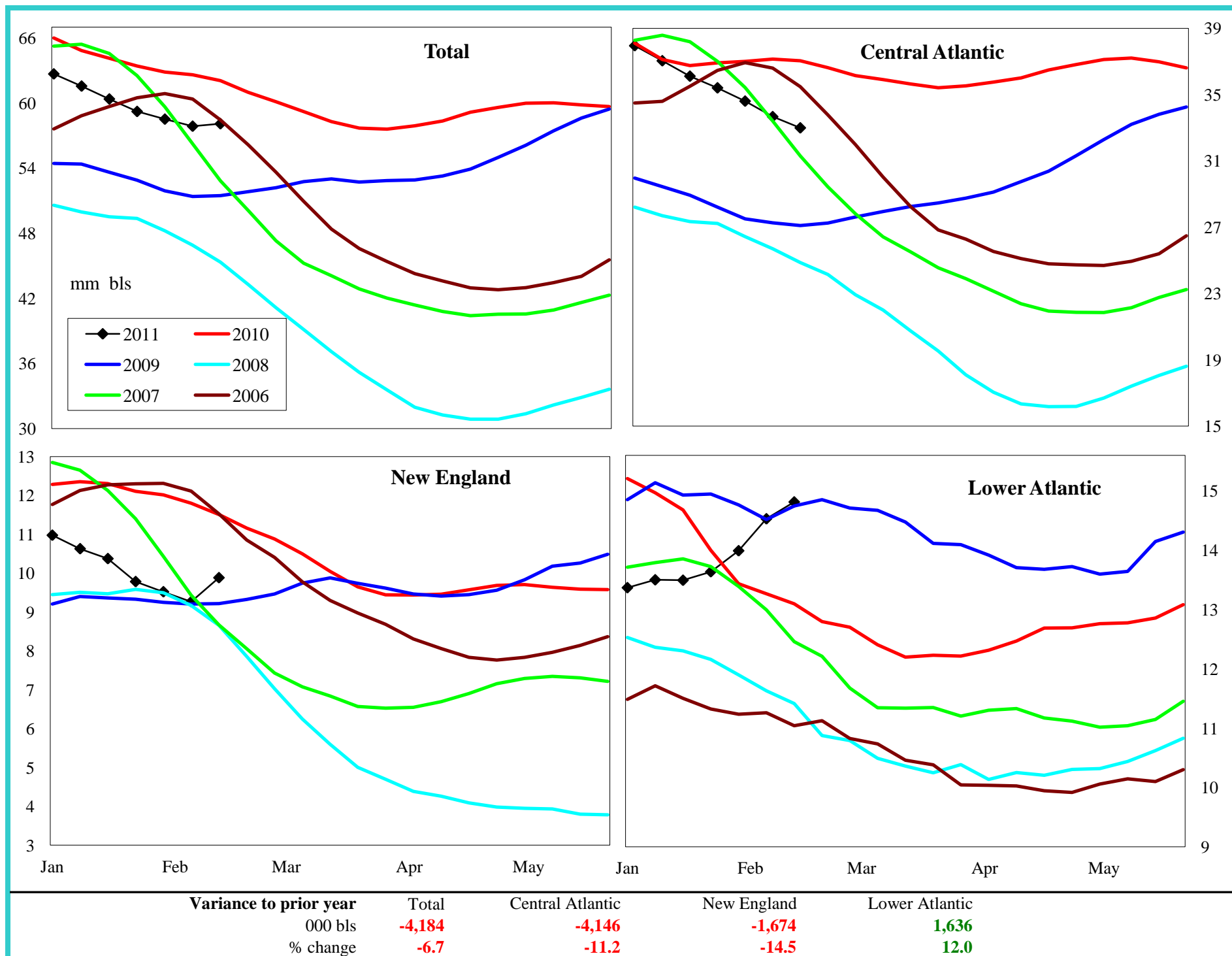
PADD 1 Conventional Gasoline Supply



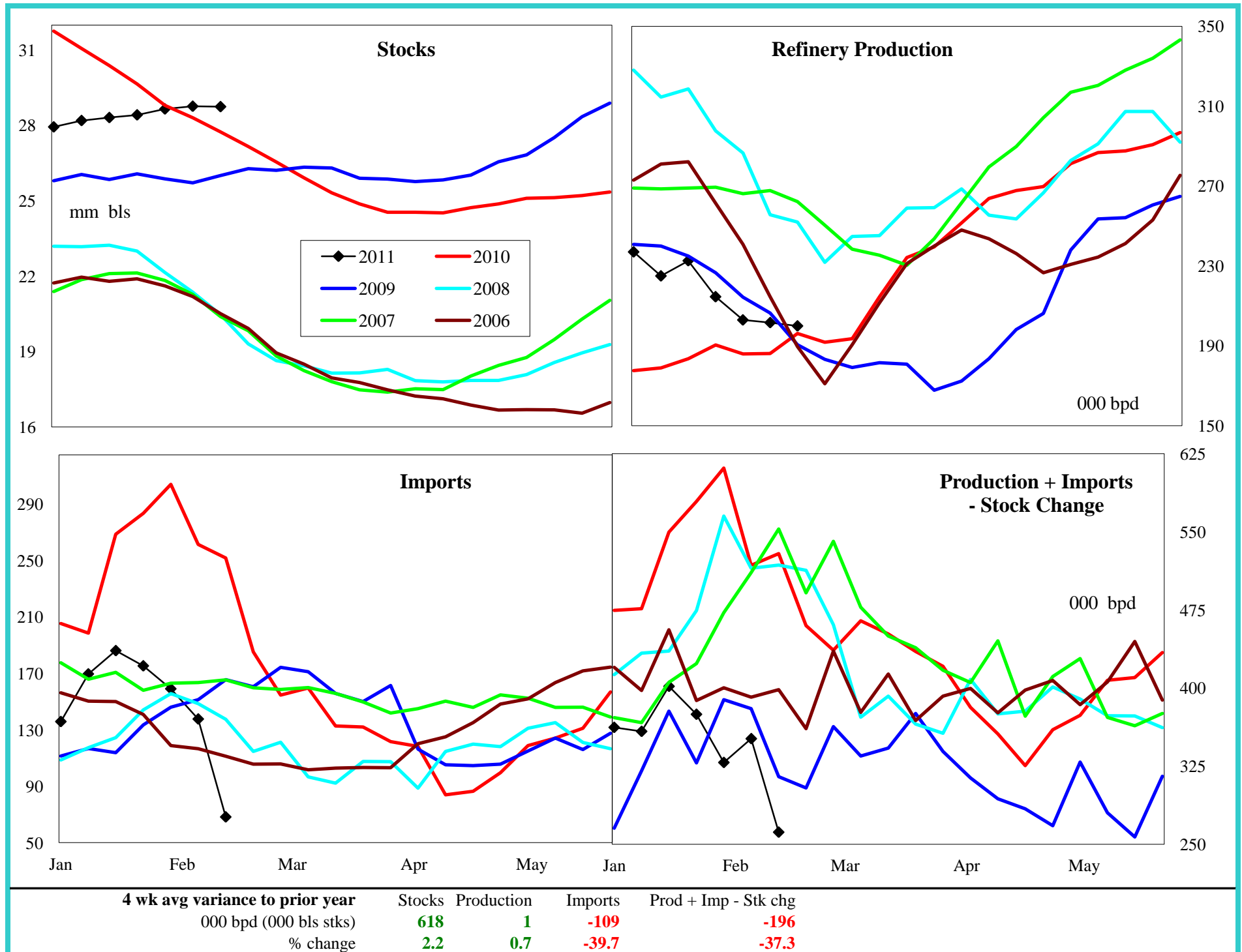
PADD 1 Distillate Supply



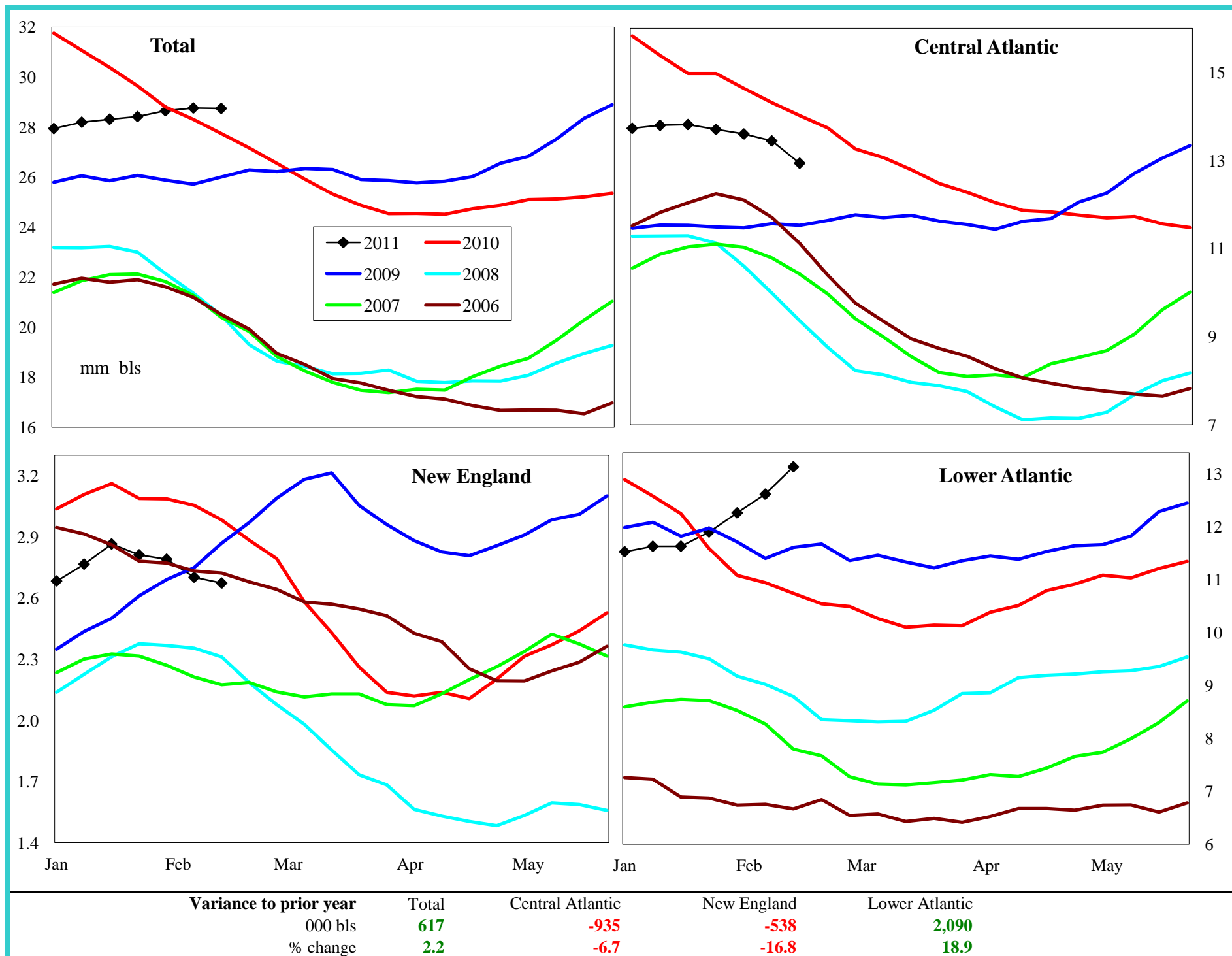
PADD 1 Distillate Stocks by Region



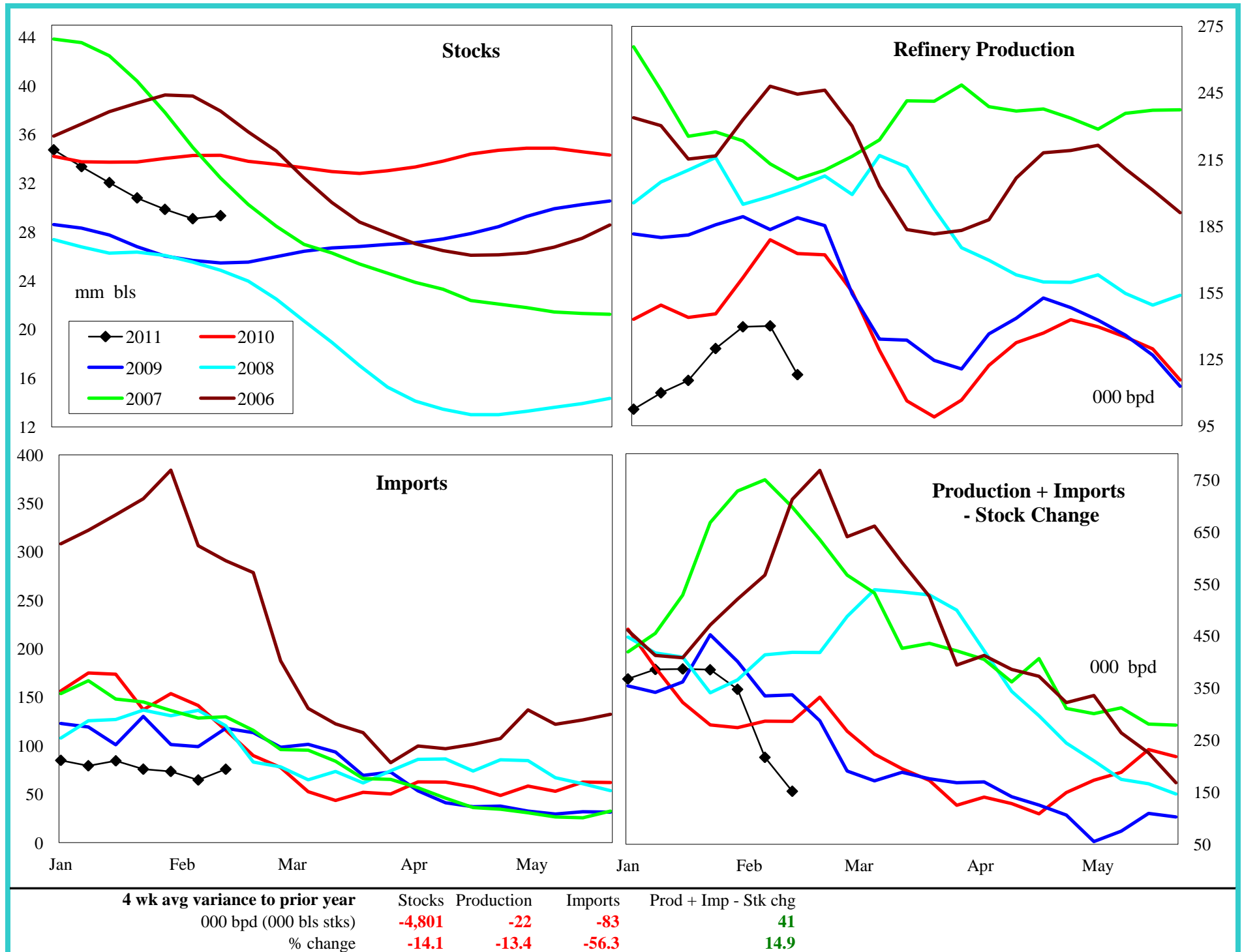
PADD 1 Low Sulfur Distillate Supply



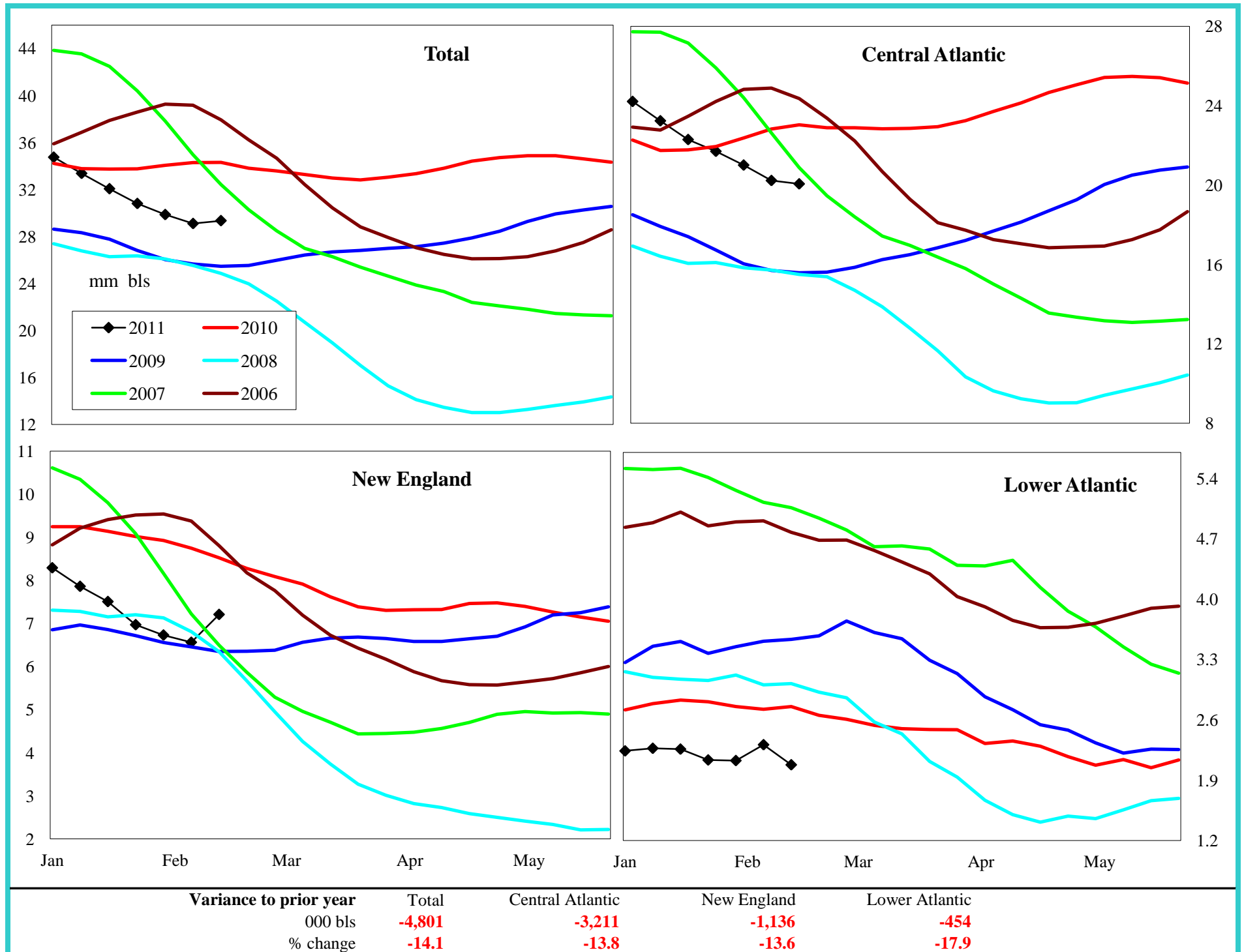
PADD 1 Low Sulfur Distillate Stocks by Region



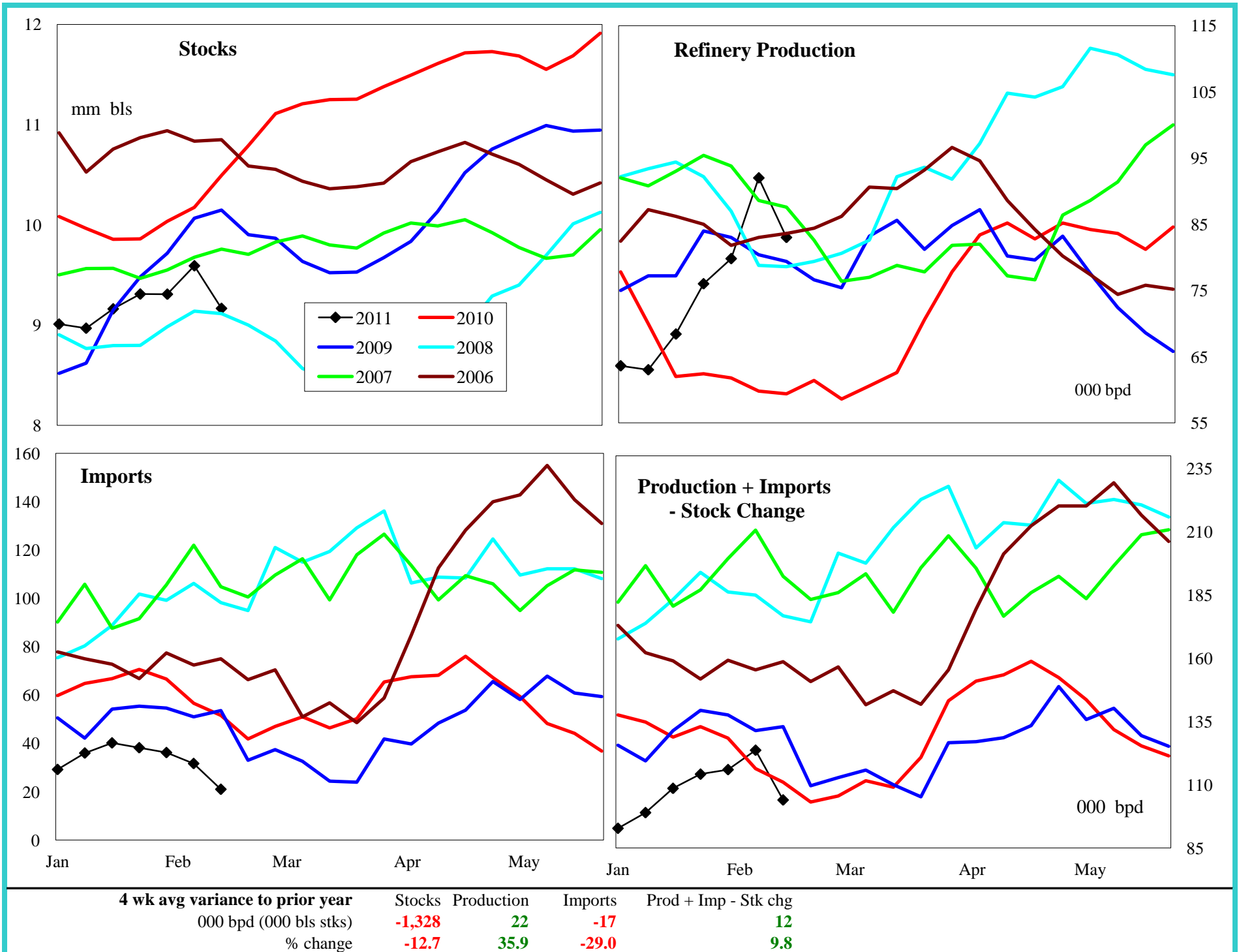
PADD 1 High Sulfur Distillate Supply



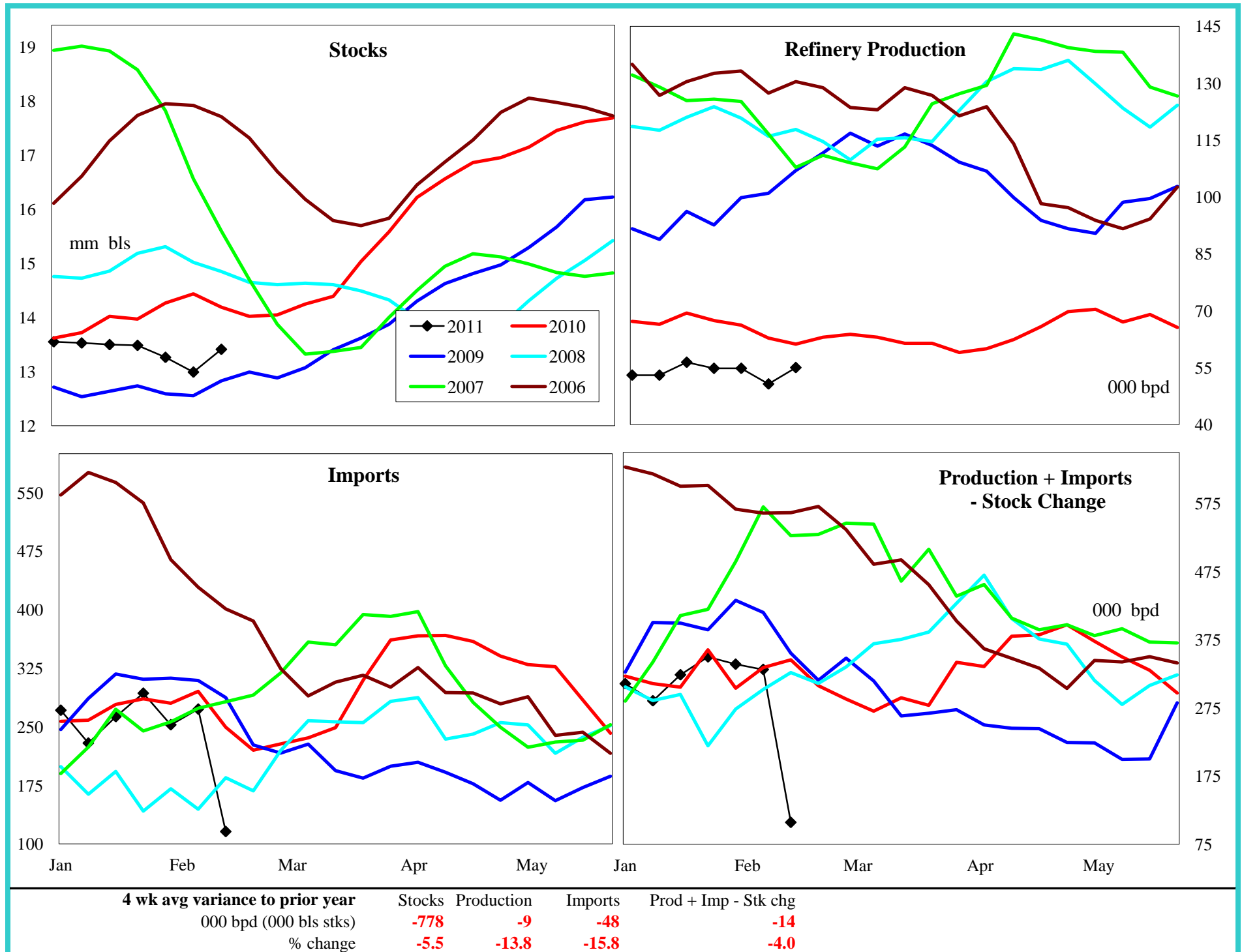
PADD 1 High Sulfur Distillate Stocks by Region



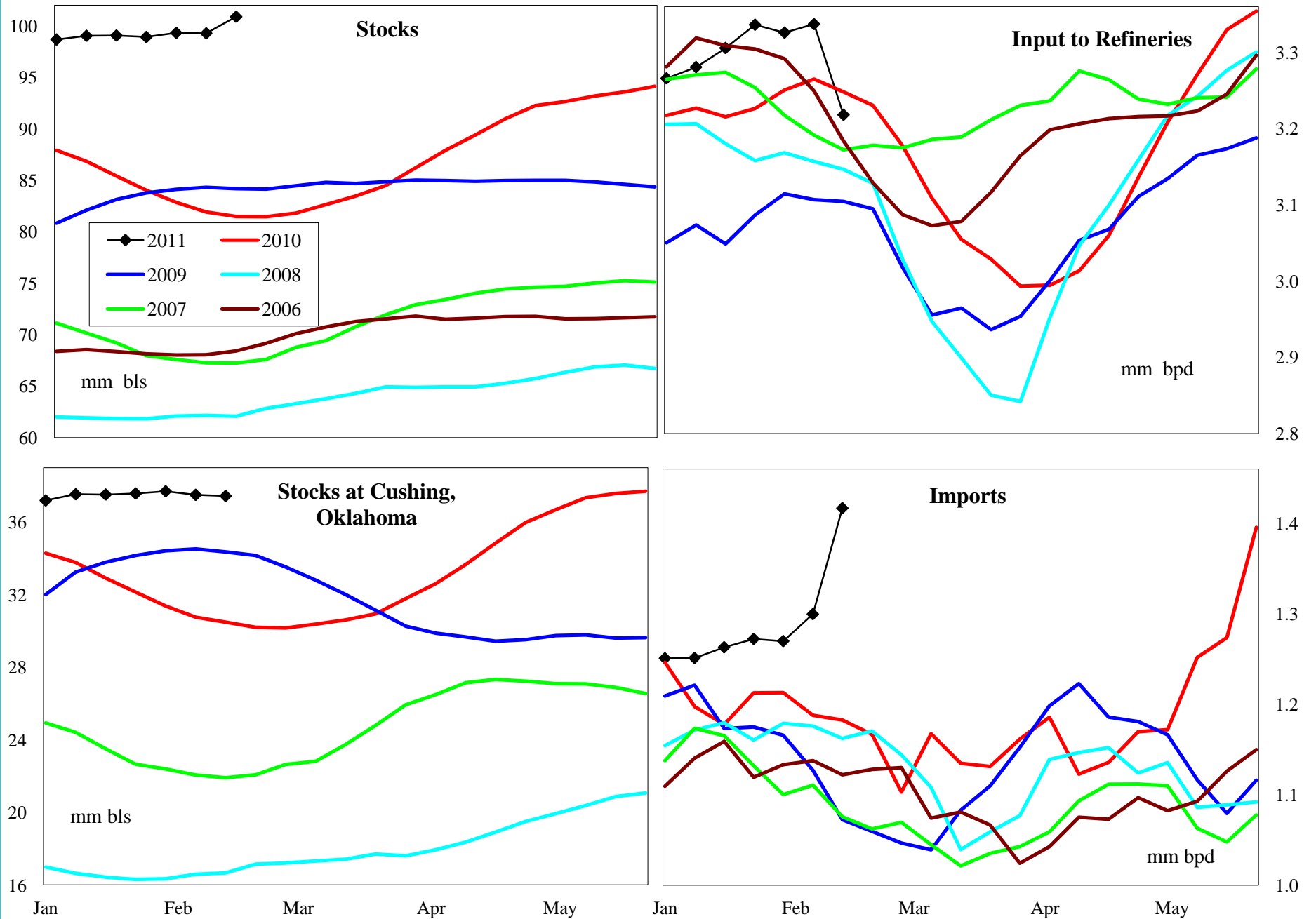
PADD 1 Jet Fuel Supply



PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

19,406

Cushing

6,959

Input

61

Imports

111

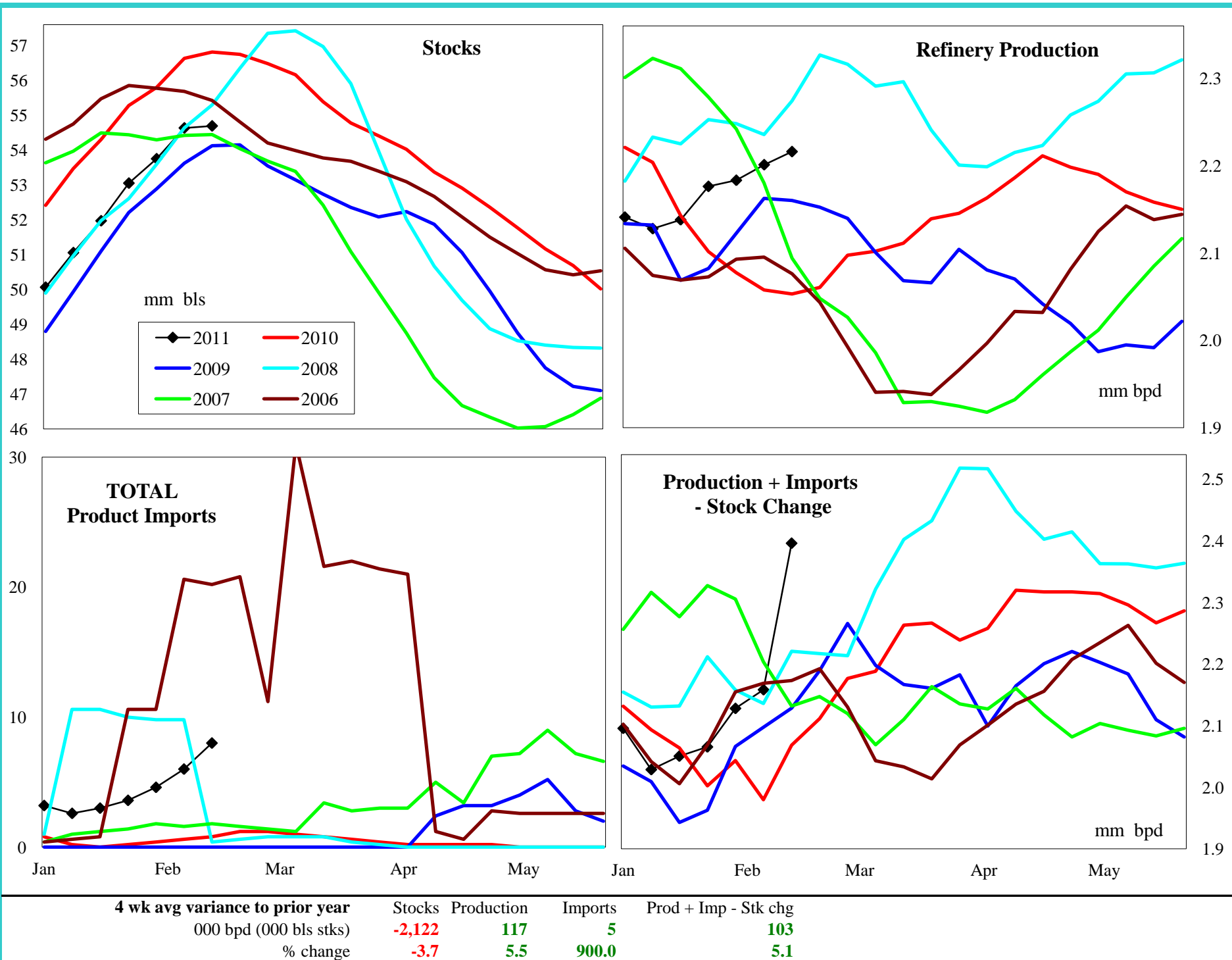
23.8

22.8

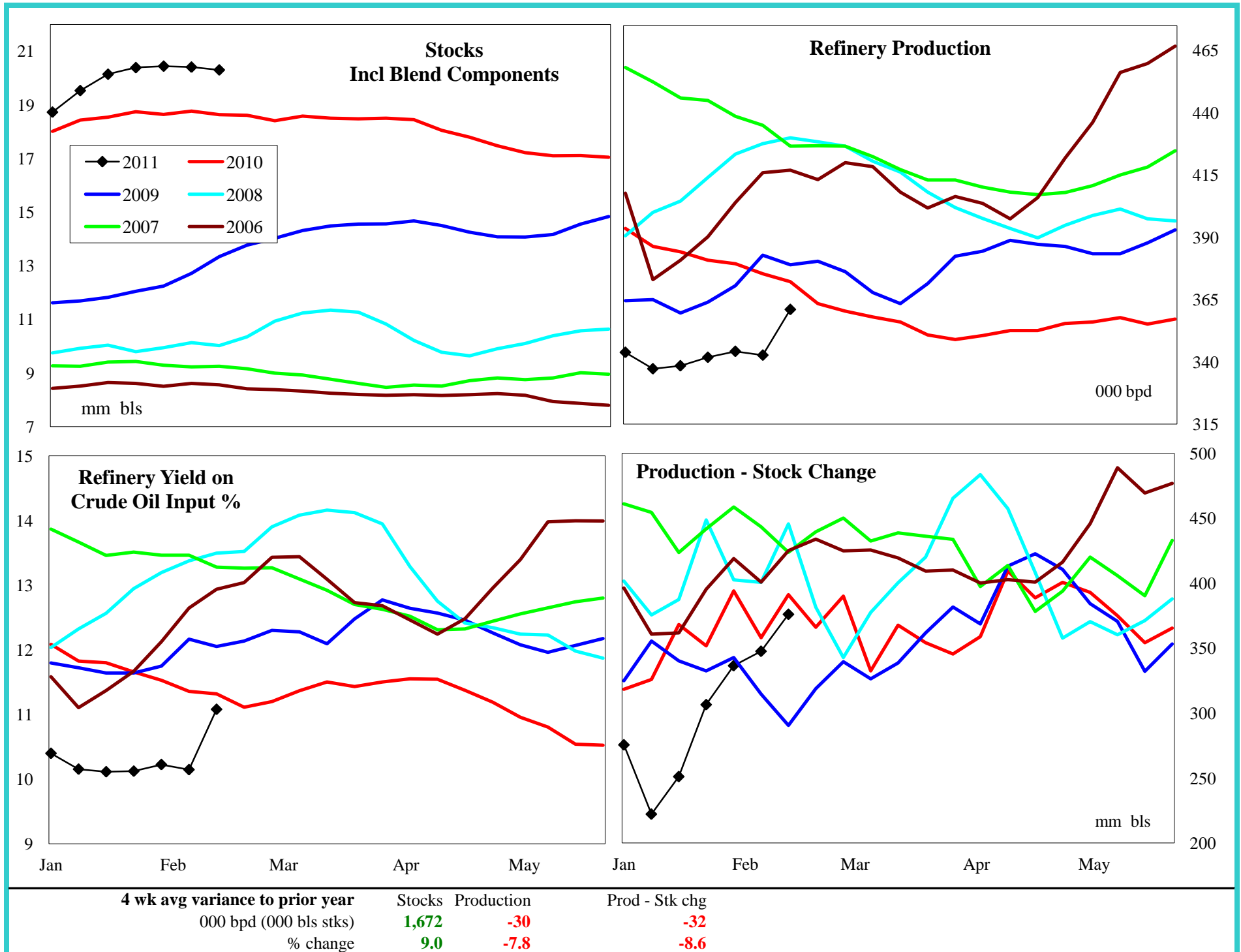
1.8

9.2

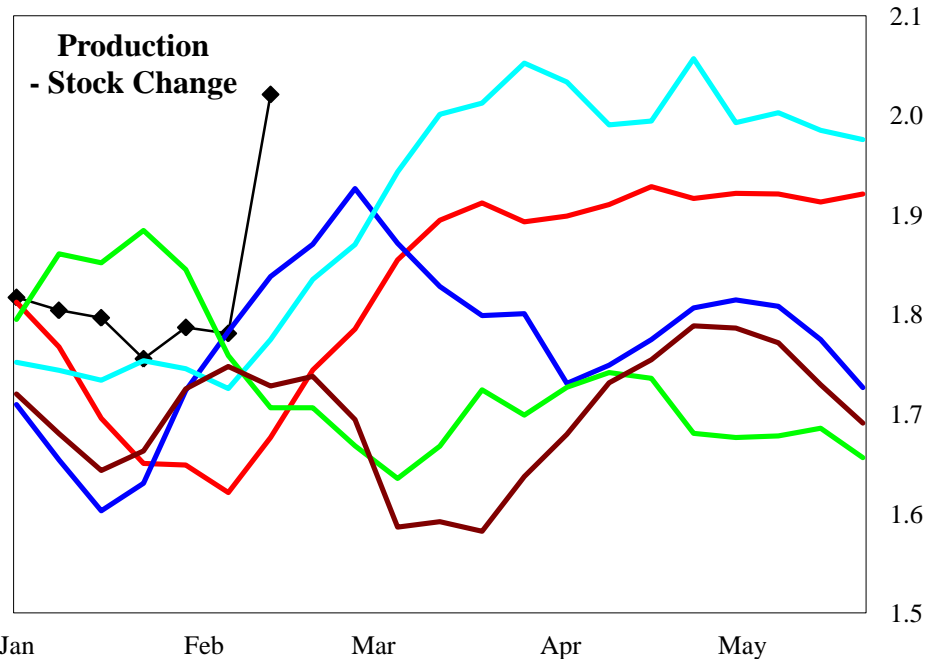
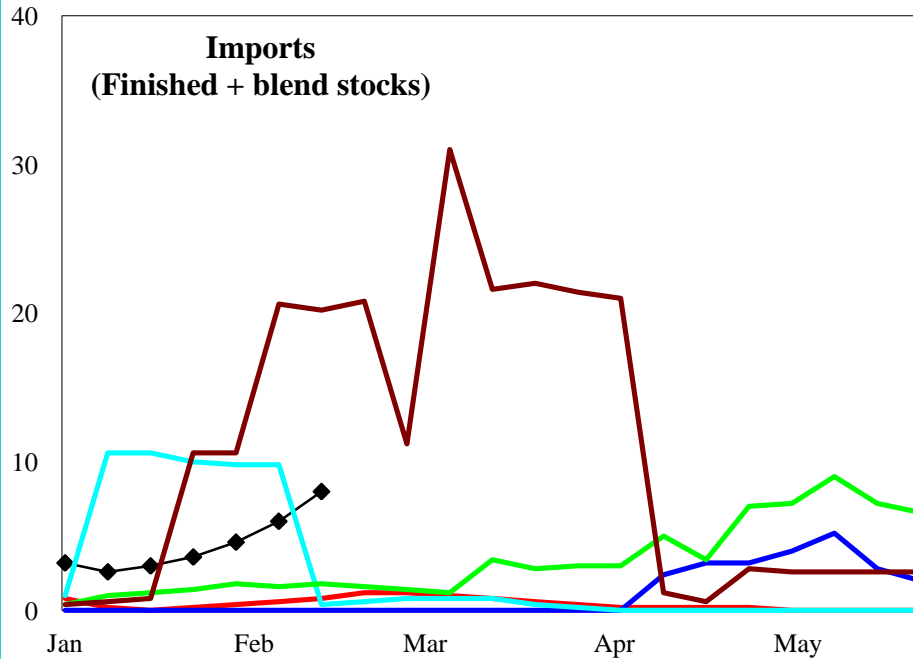
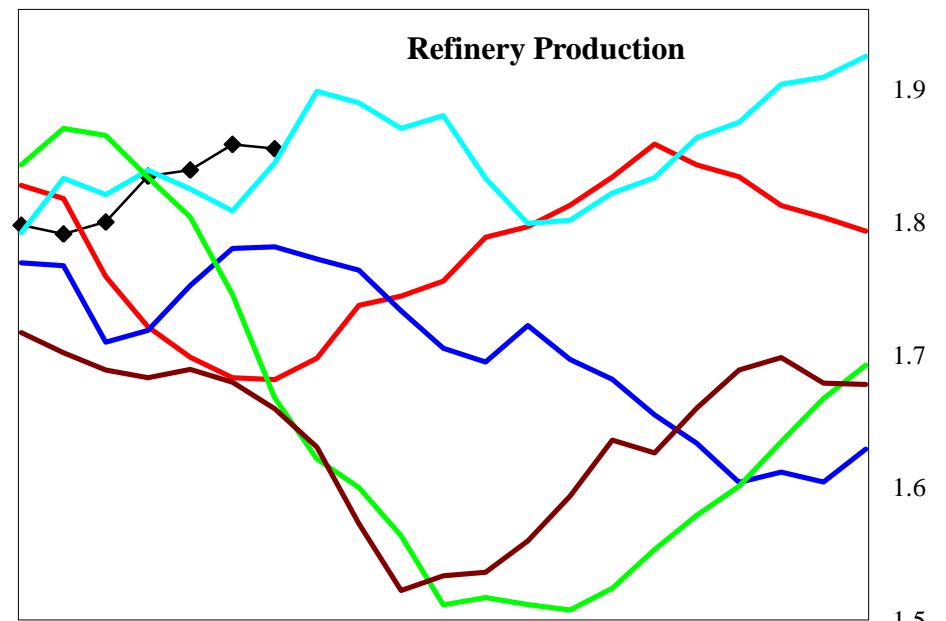
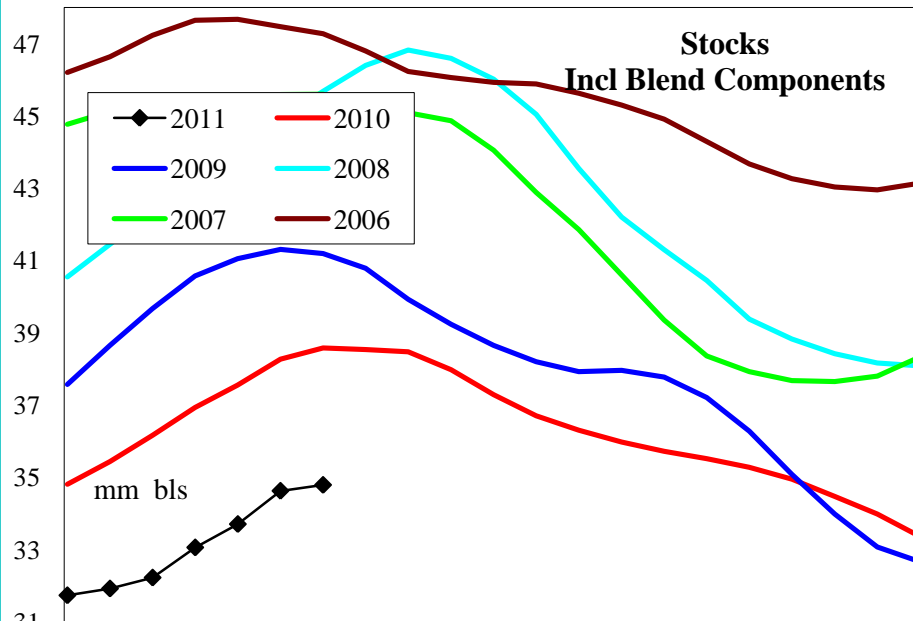
PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



PADD 2 Conventional Gasoline Supply

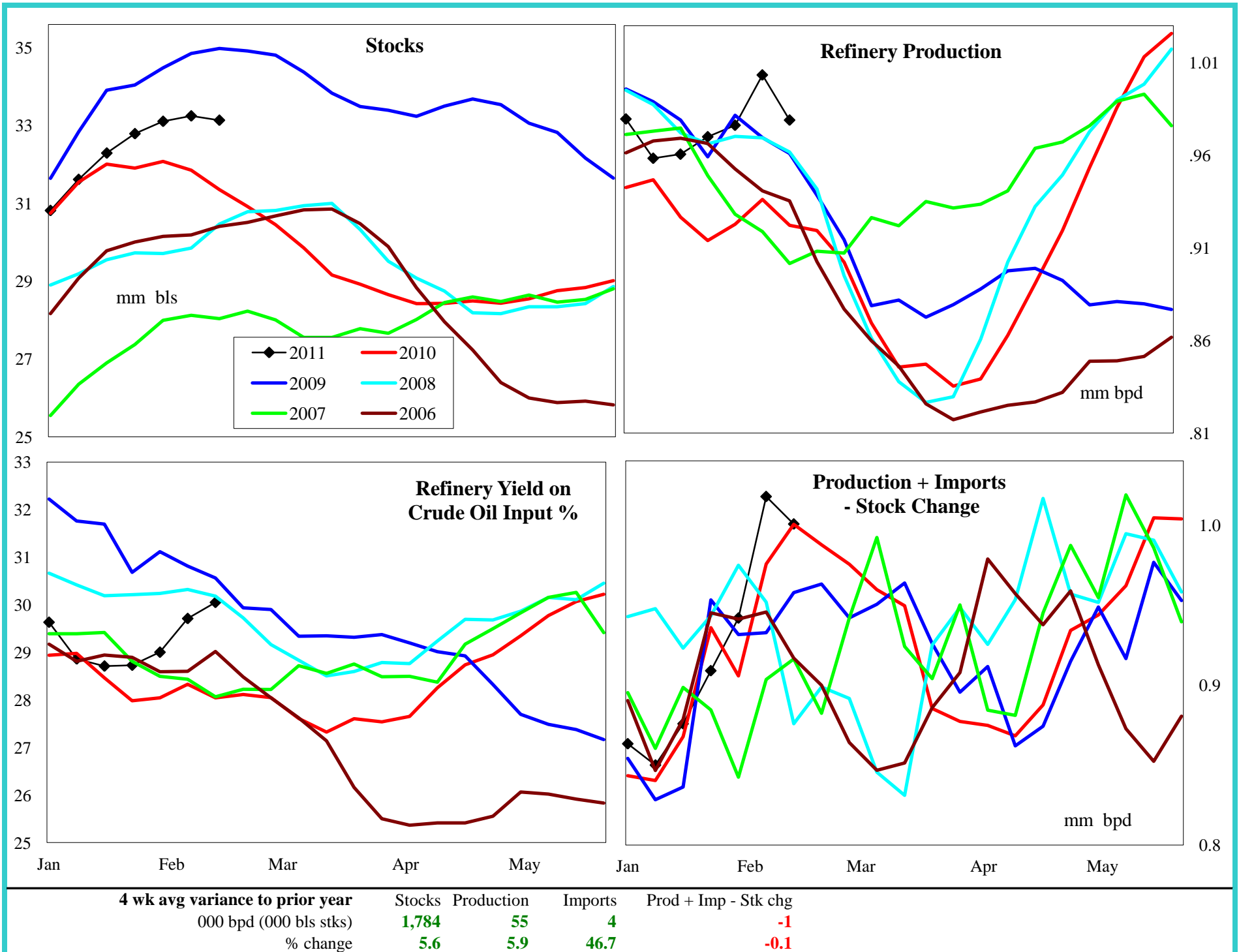


4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

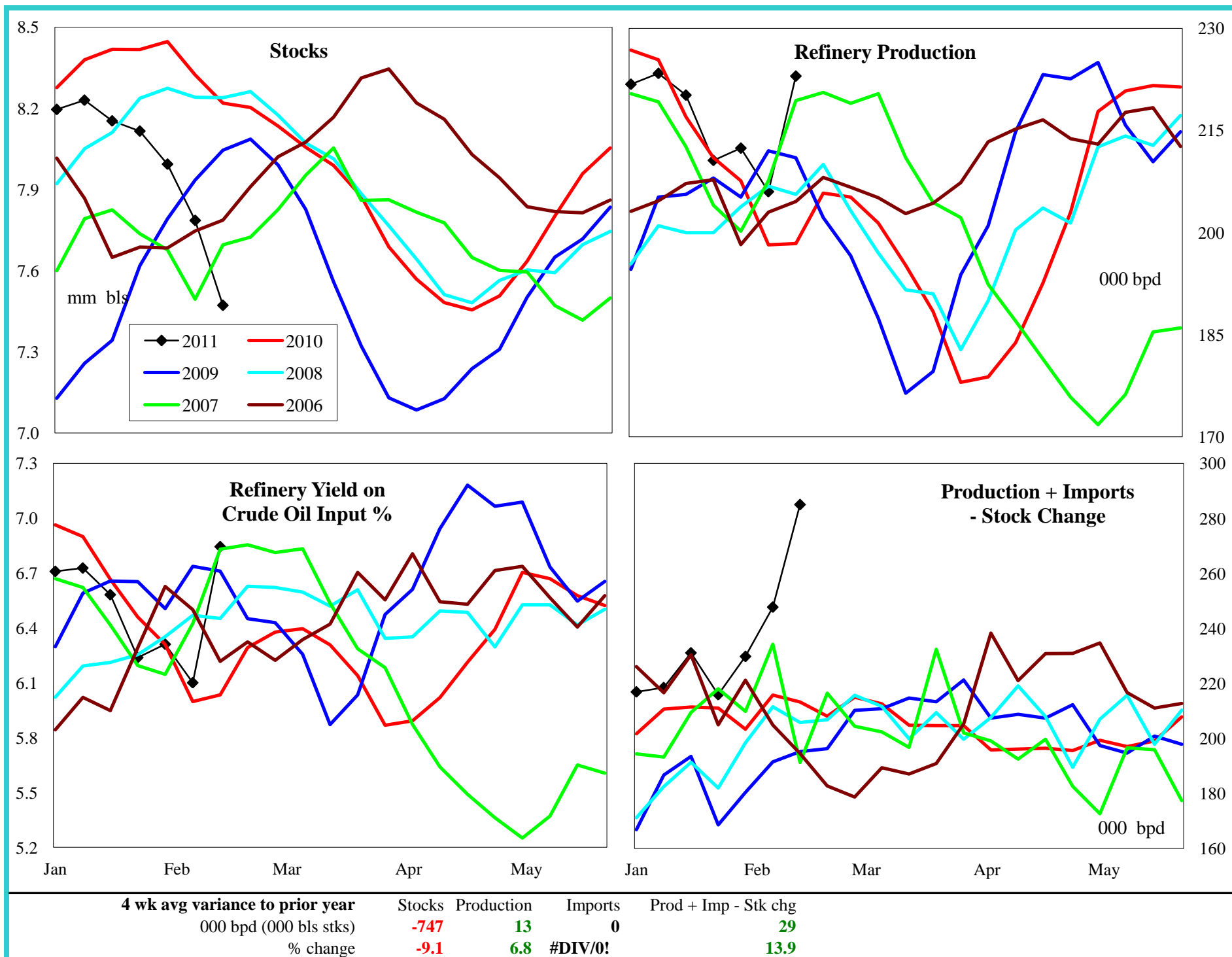
Stocks Production
-4,001 **155**
-10.3 **9.0**

Prod - Stk chg
167
10.3

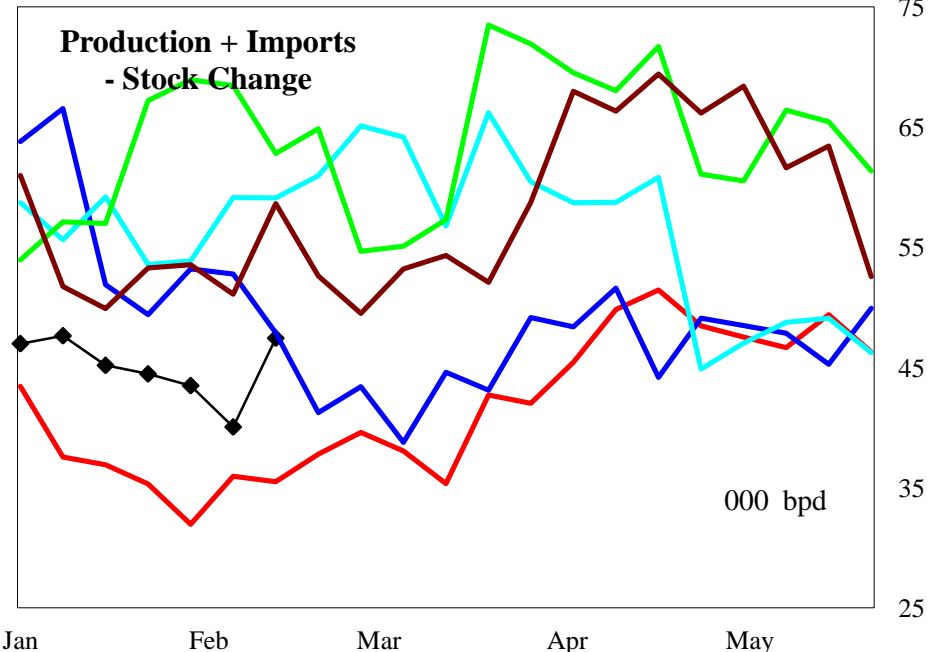
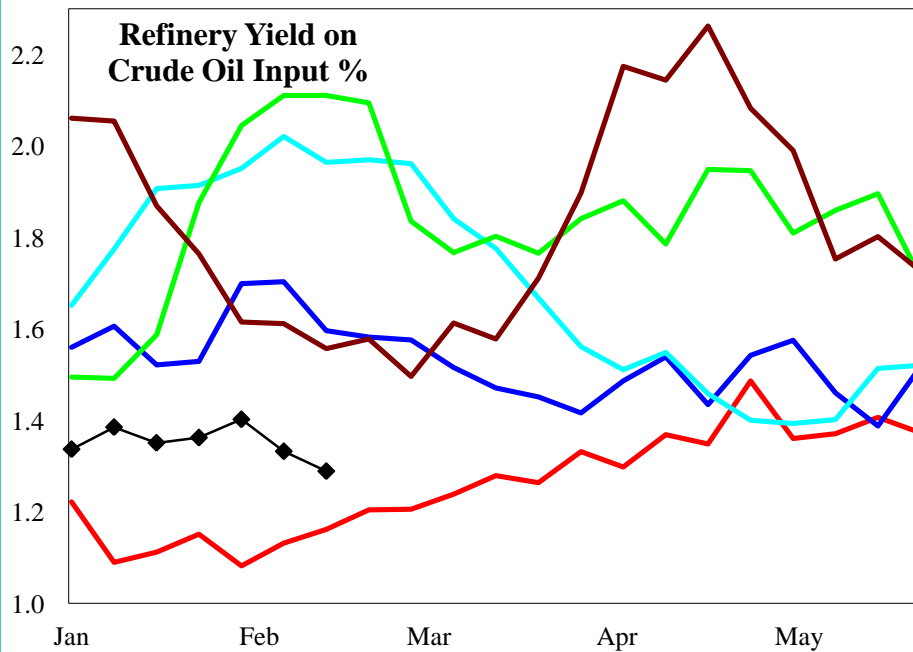
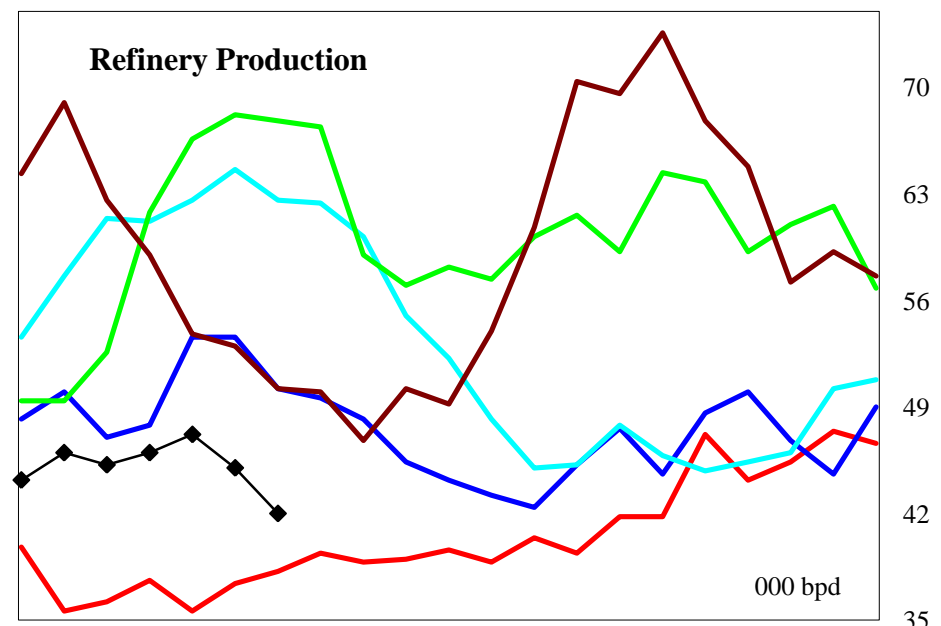
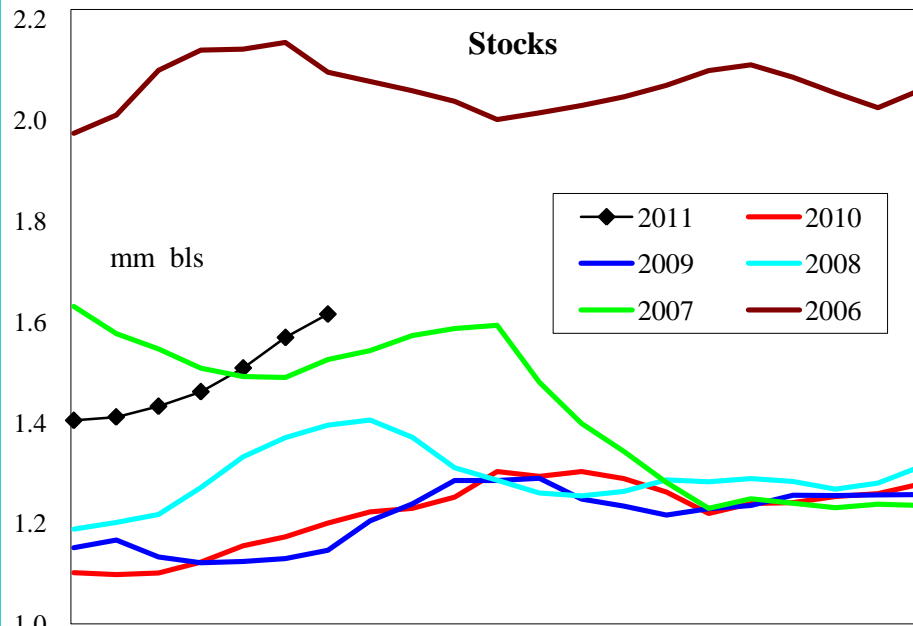
PADD 2 Distillate Supply



PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

415

11

2

11

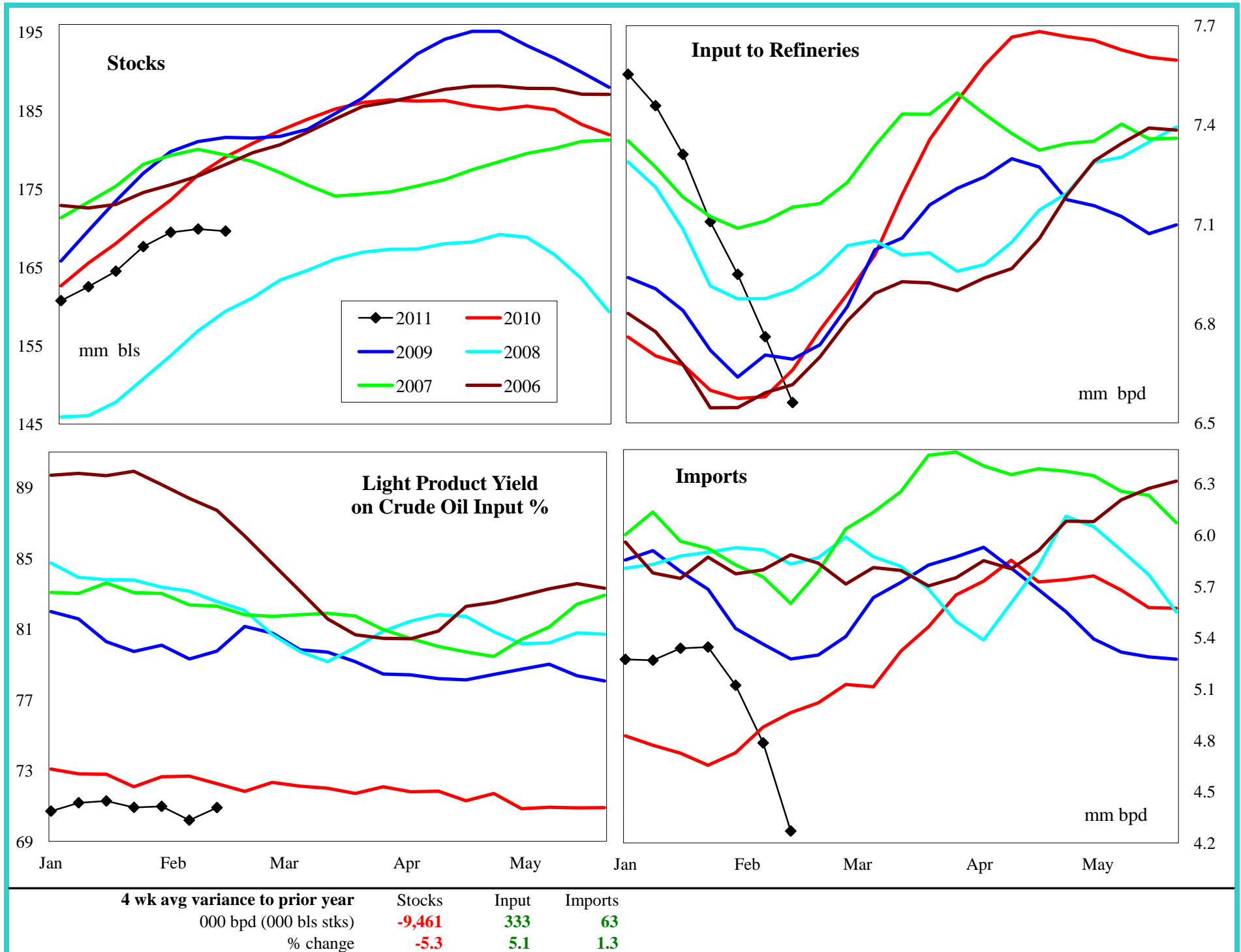
34.0

30.7

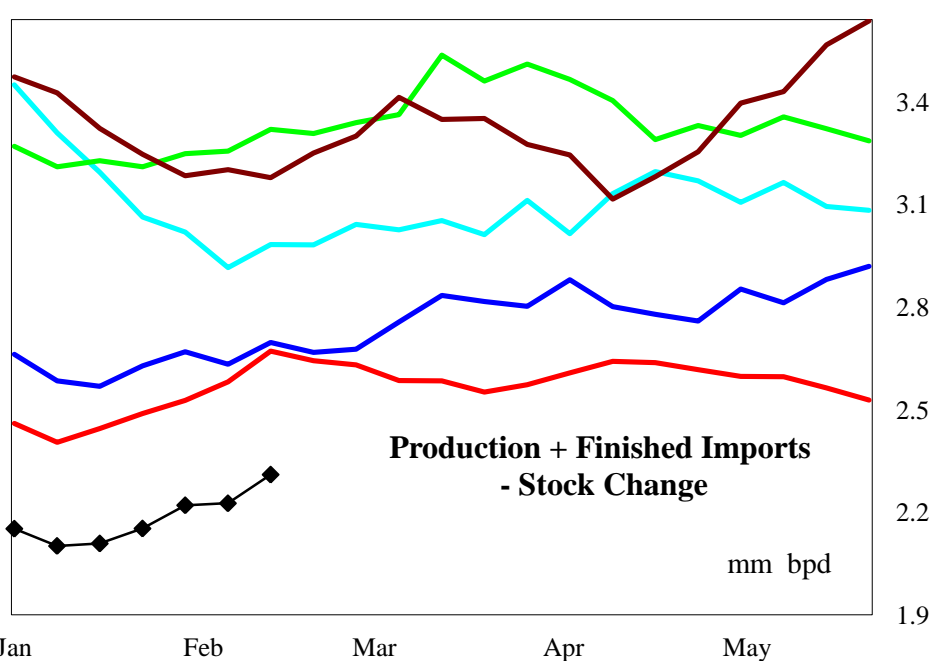
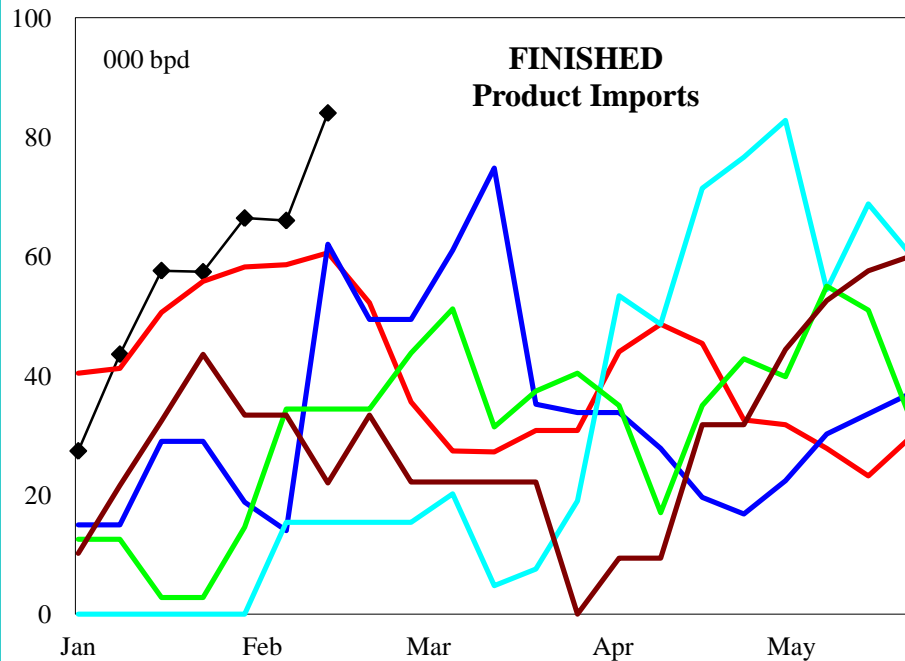
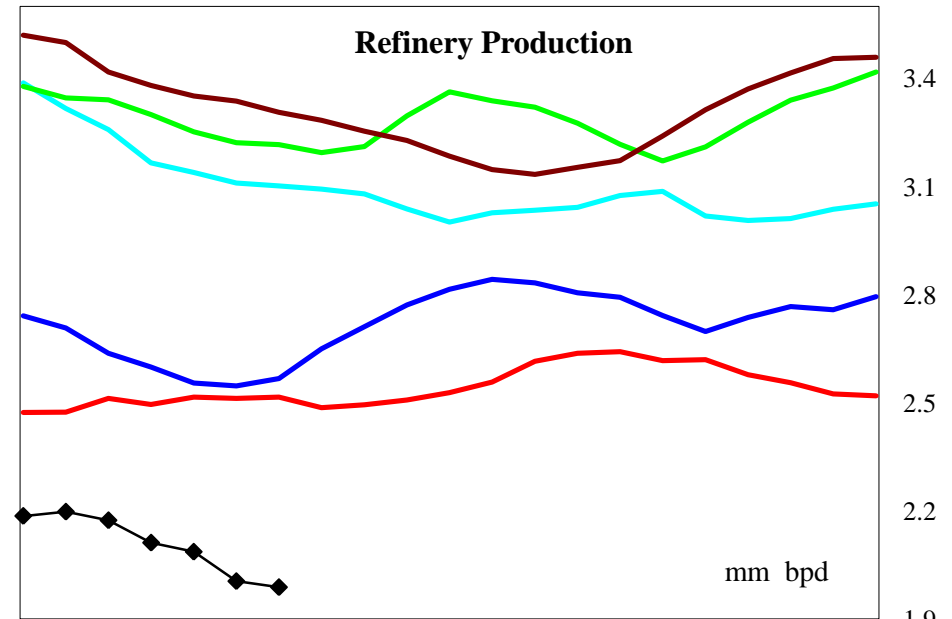
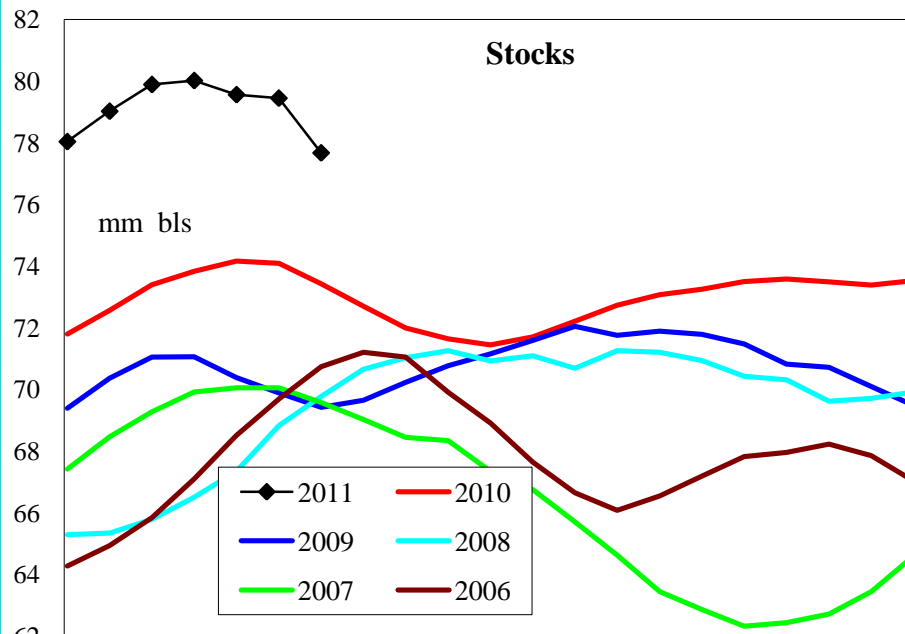
200.0

36.6

PADD 3 Crude Oil Supply and Refining



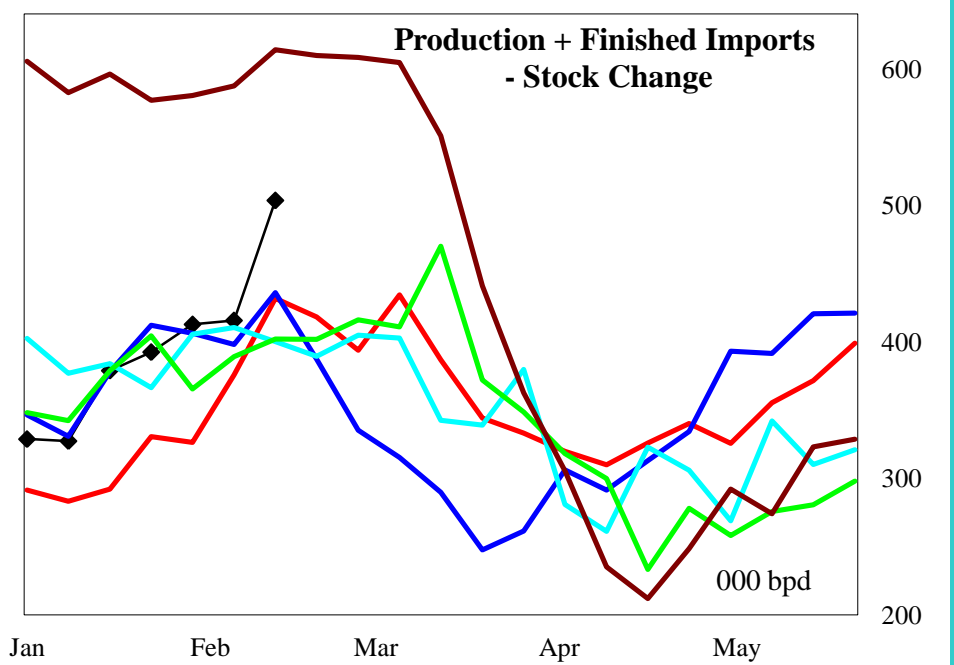
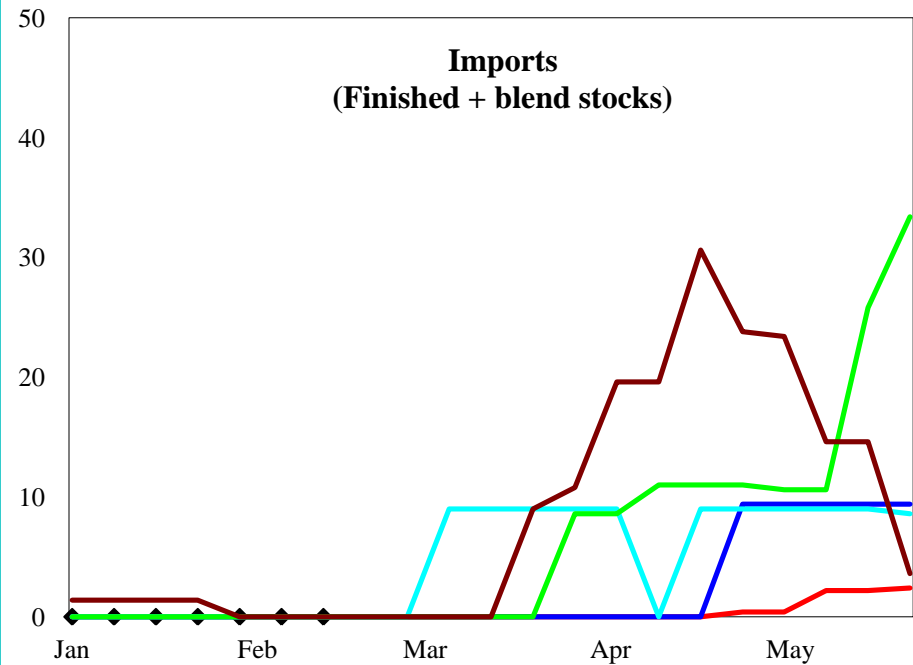
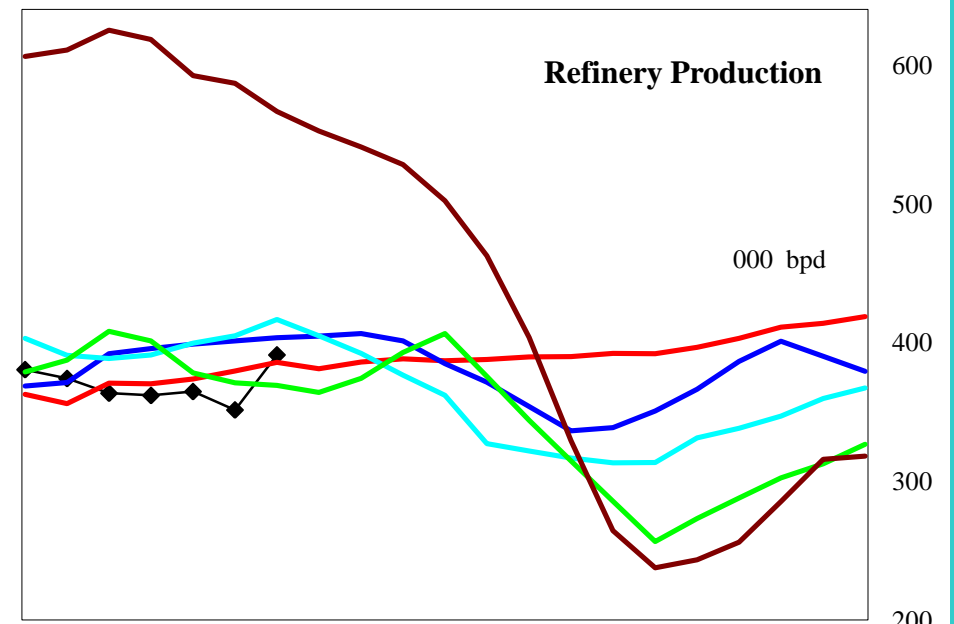
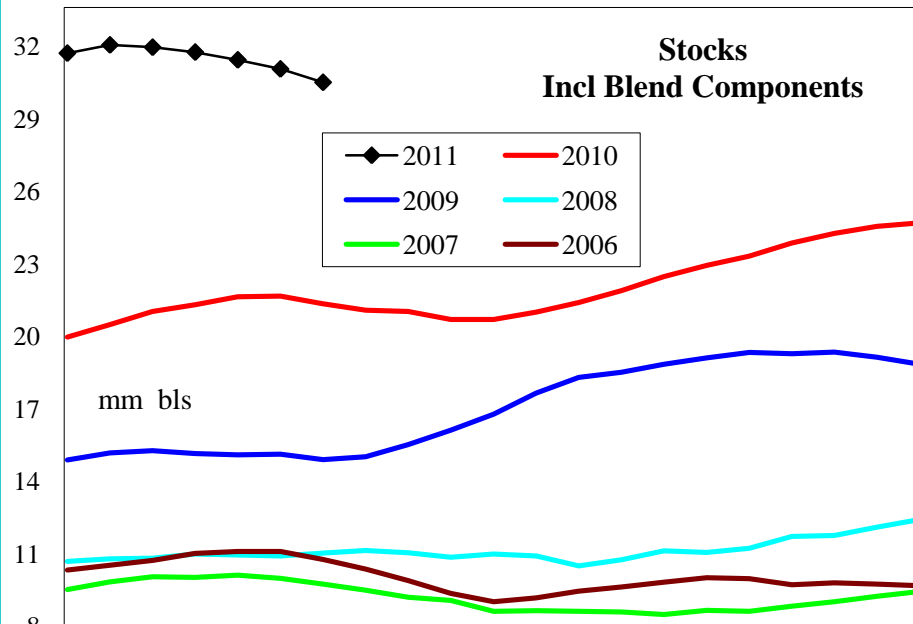
PADD 3 Gasoline Supply



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

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
3,718	-455	11	5	-398
5.0	-18.1	17.2	9.9	-15.5

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

8,147

35.8

Production

-16

-4.1

Imports

0

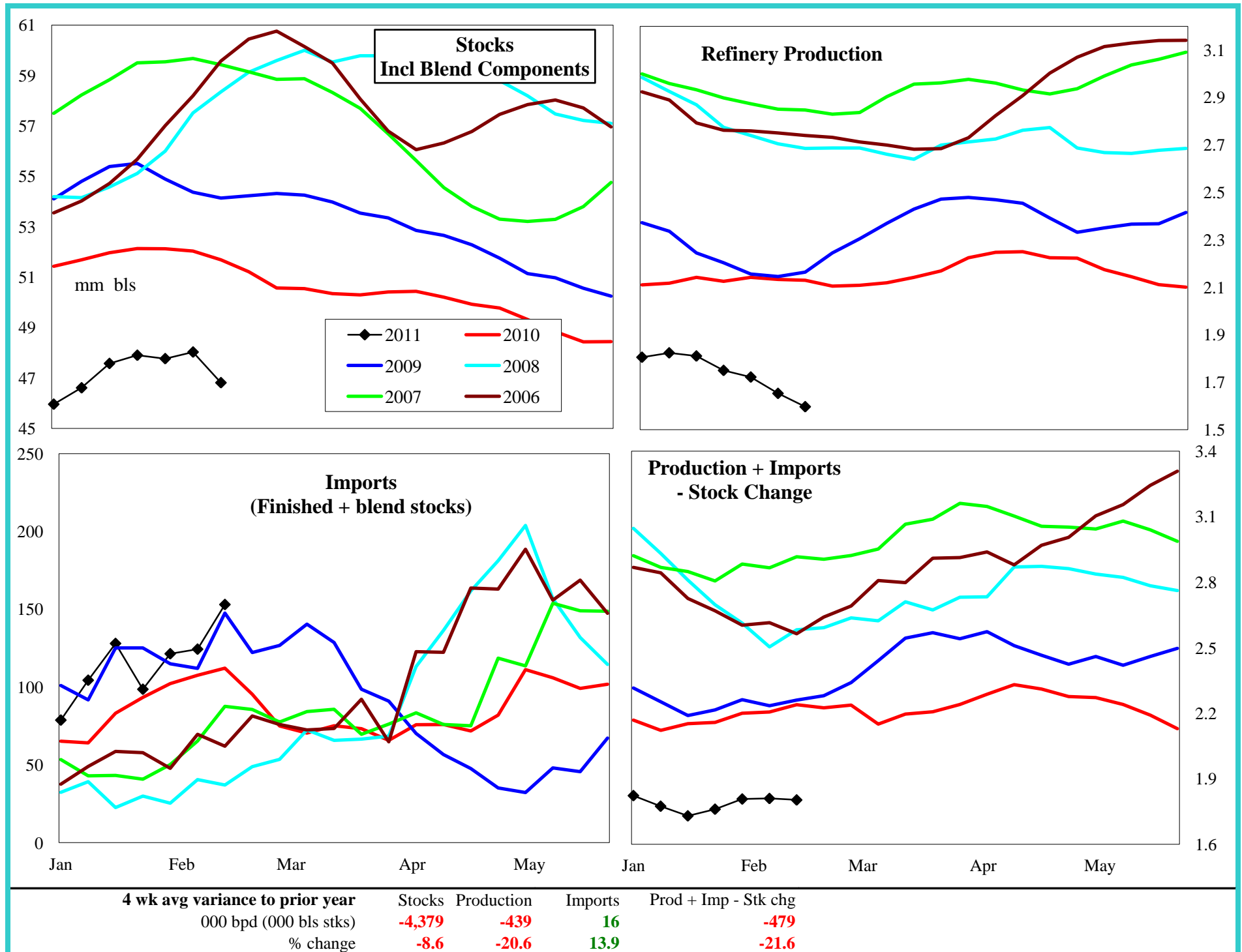
#DIV/0!

Prod + Imp - Stk chg

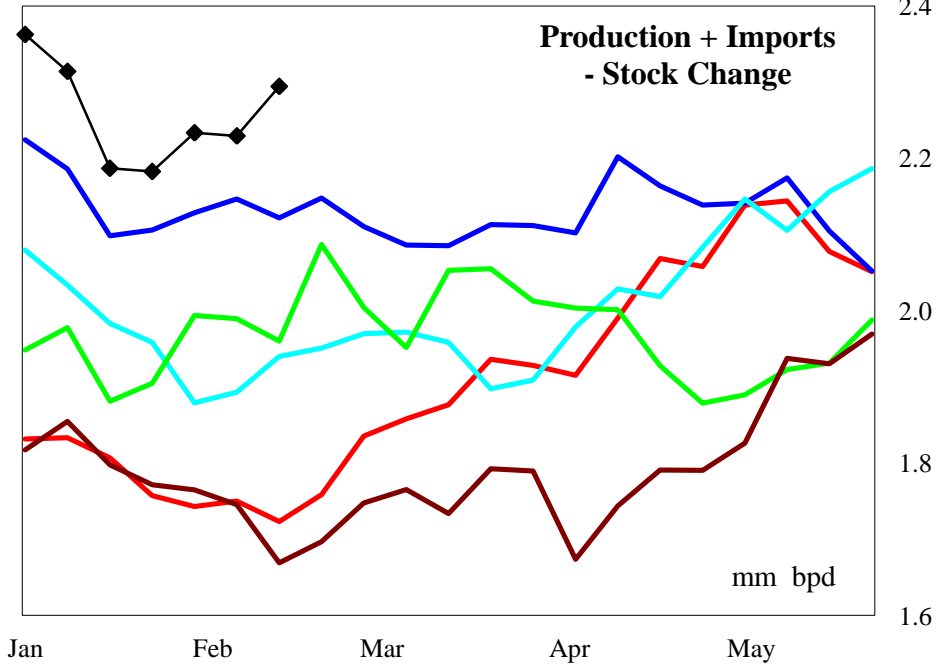
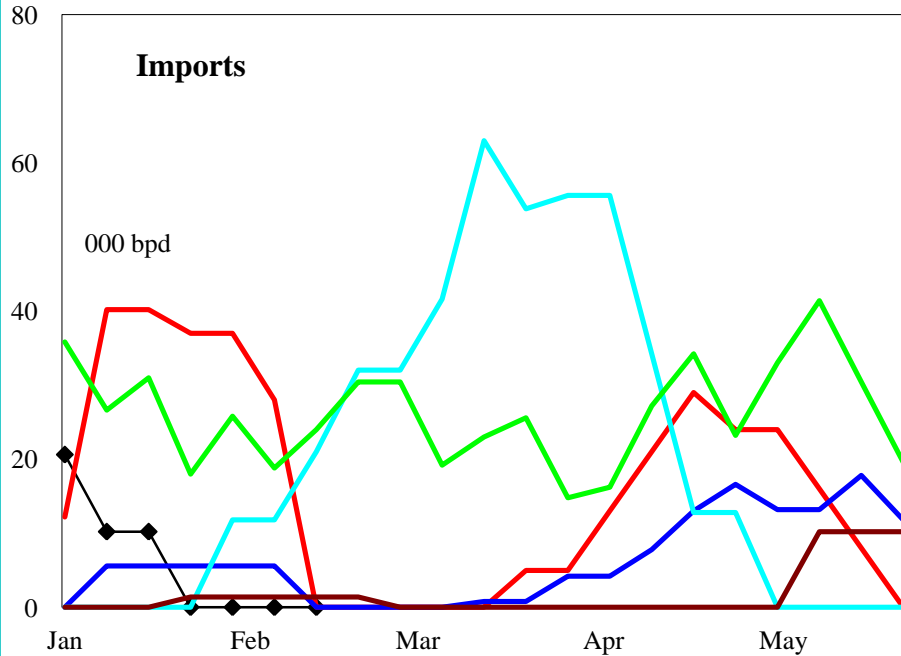
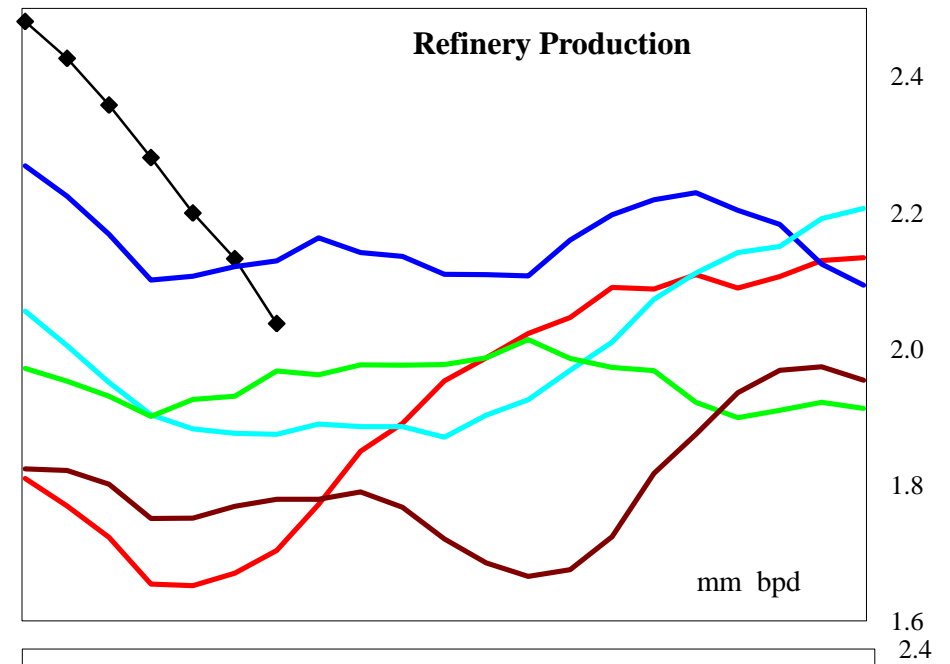
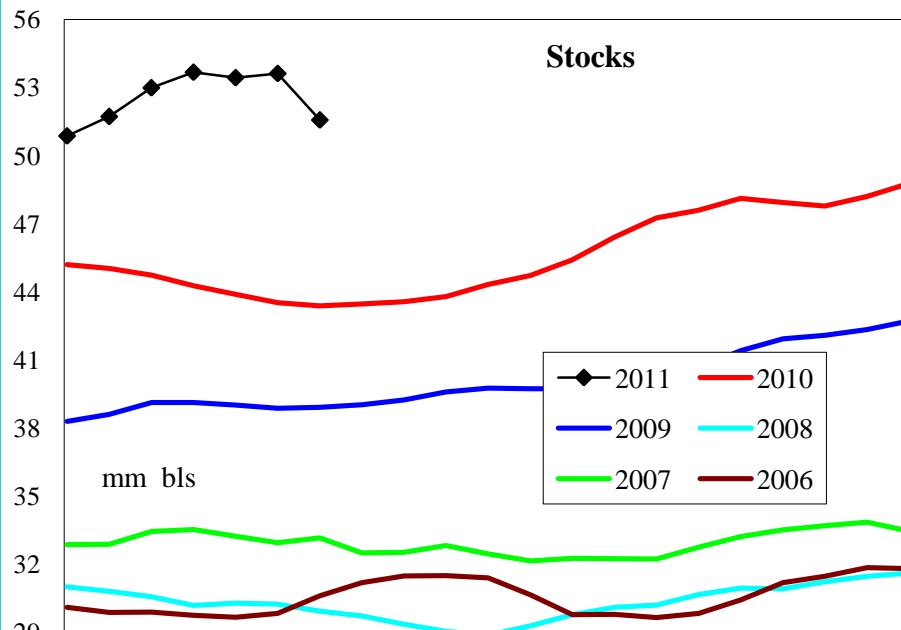
80

23.2

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

8,749

20.4

Production

550

33.8

Imports

-35

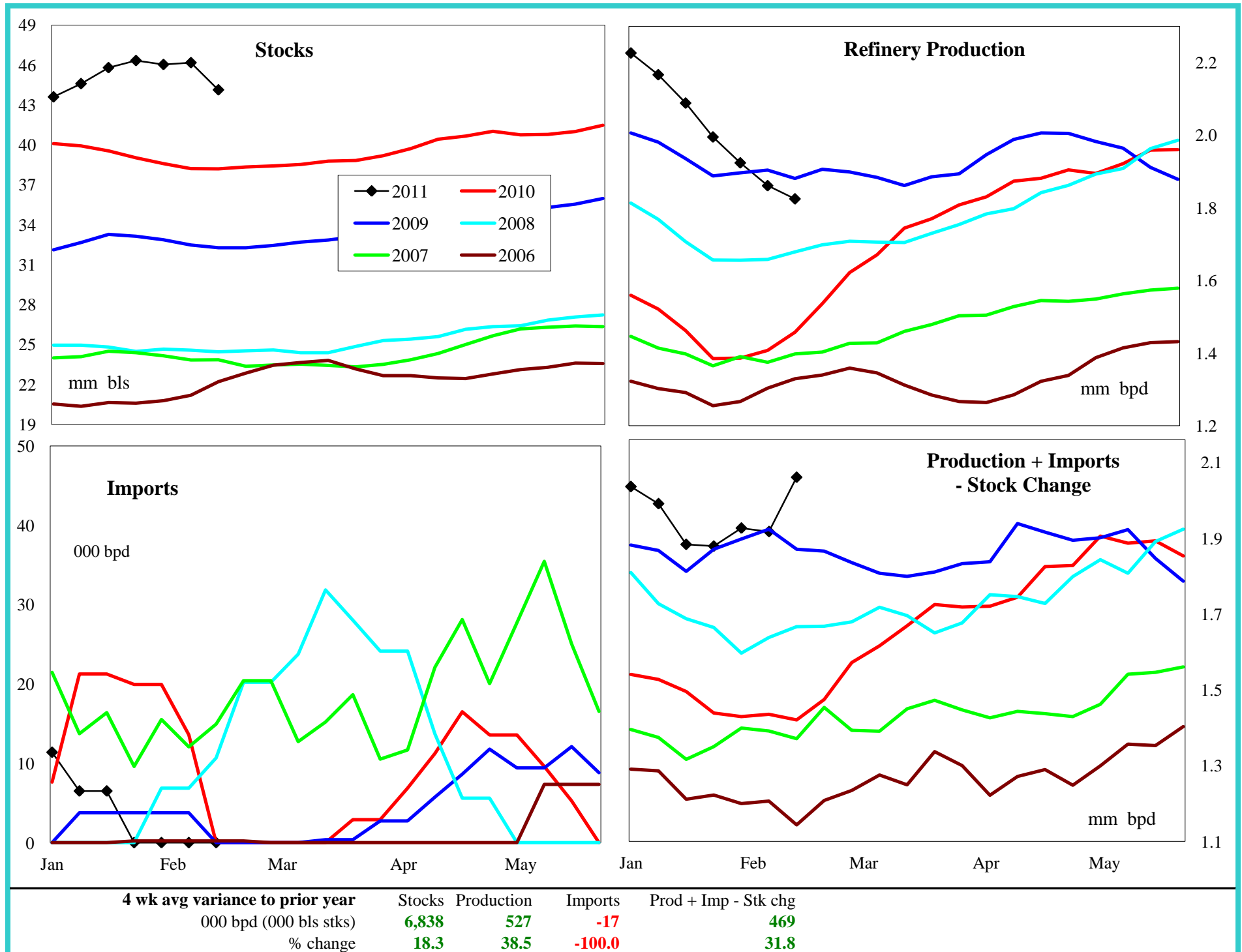
-100.0

Prod + Imp - Stk chg

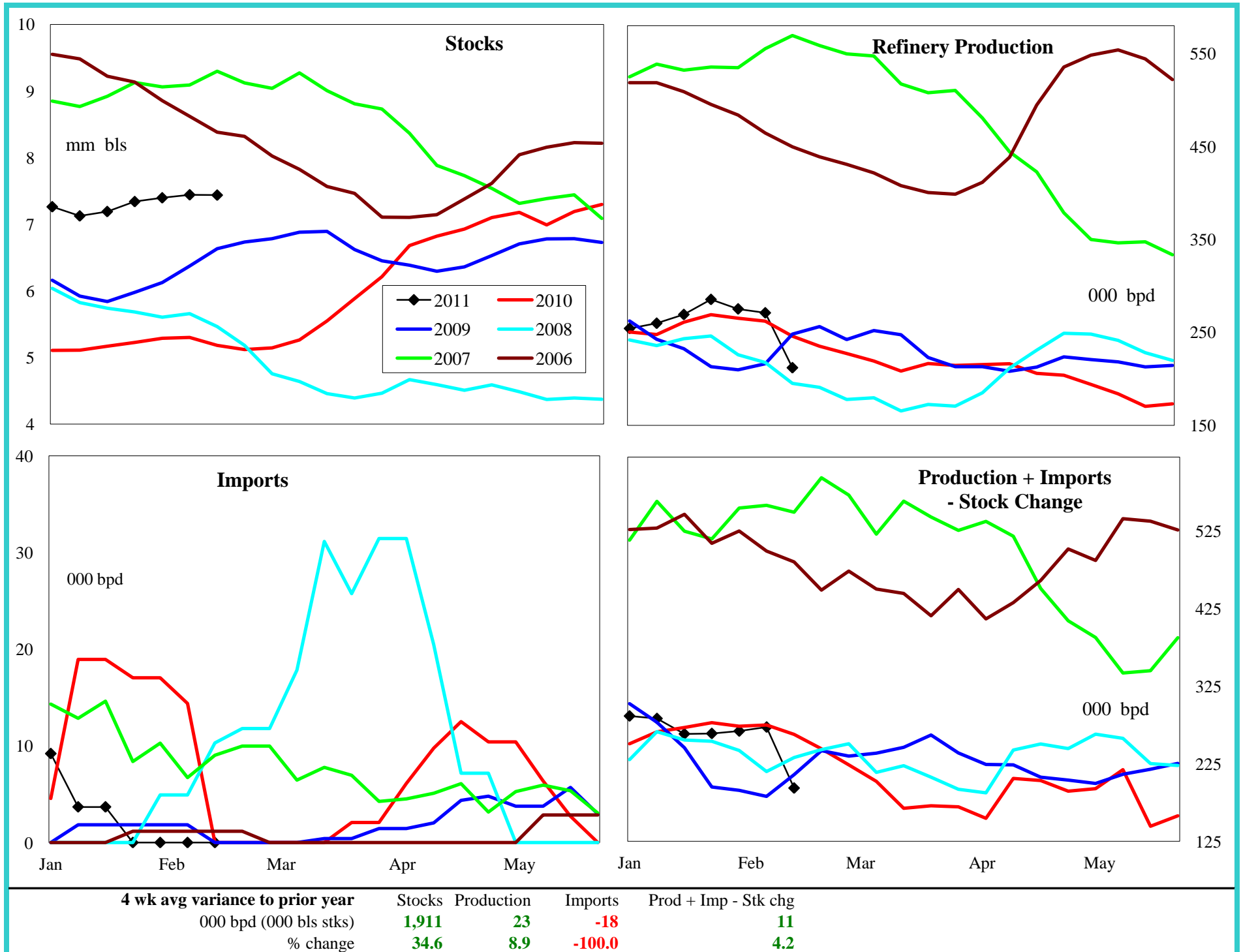
480

27.6

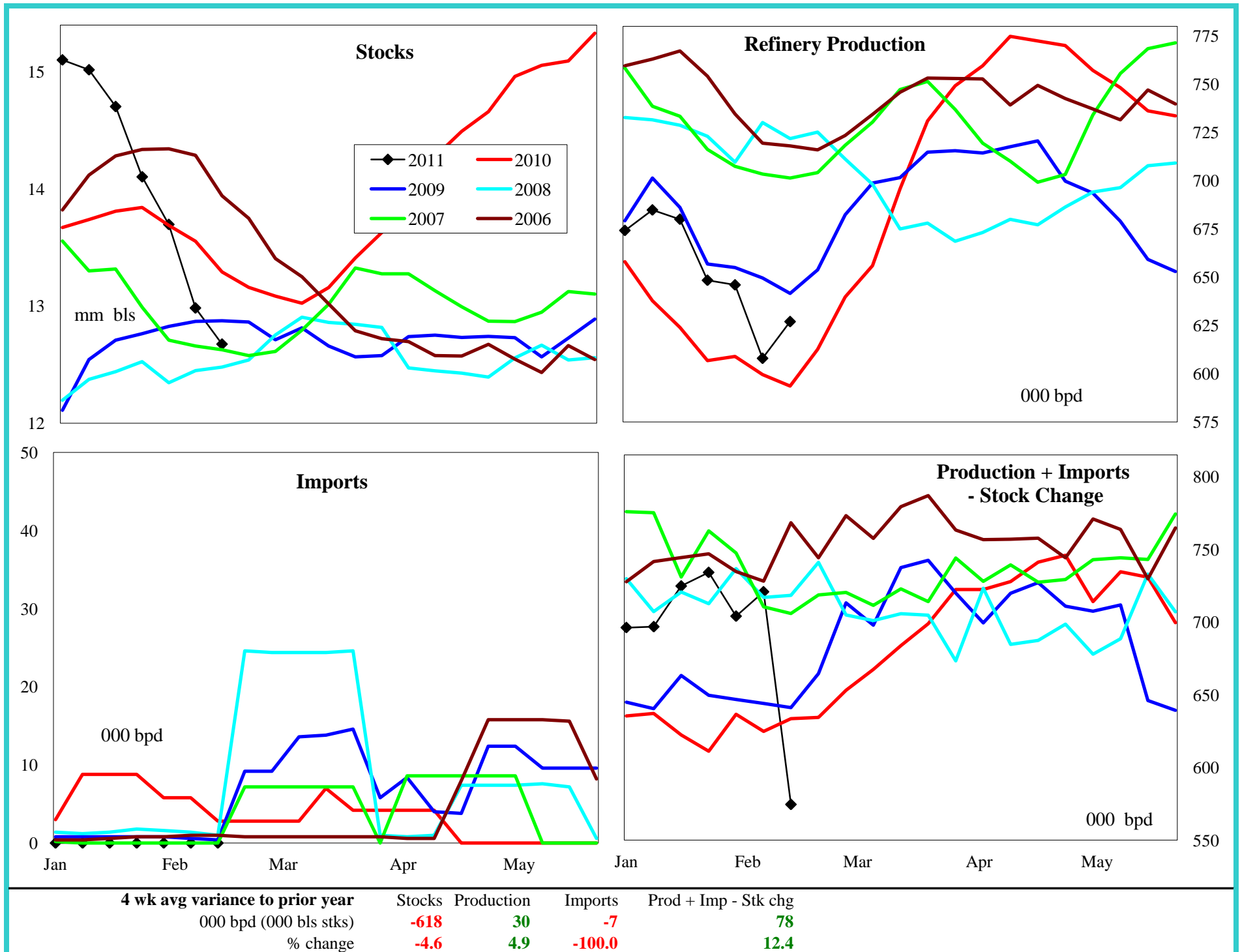
PADD 3 Low Sulfur Distillate Supply



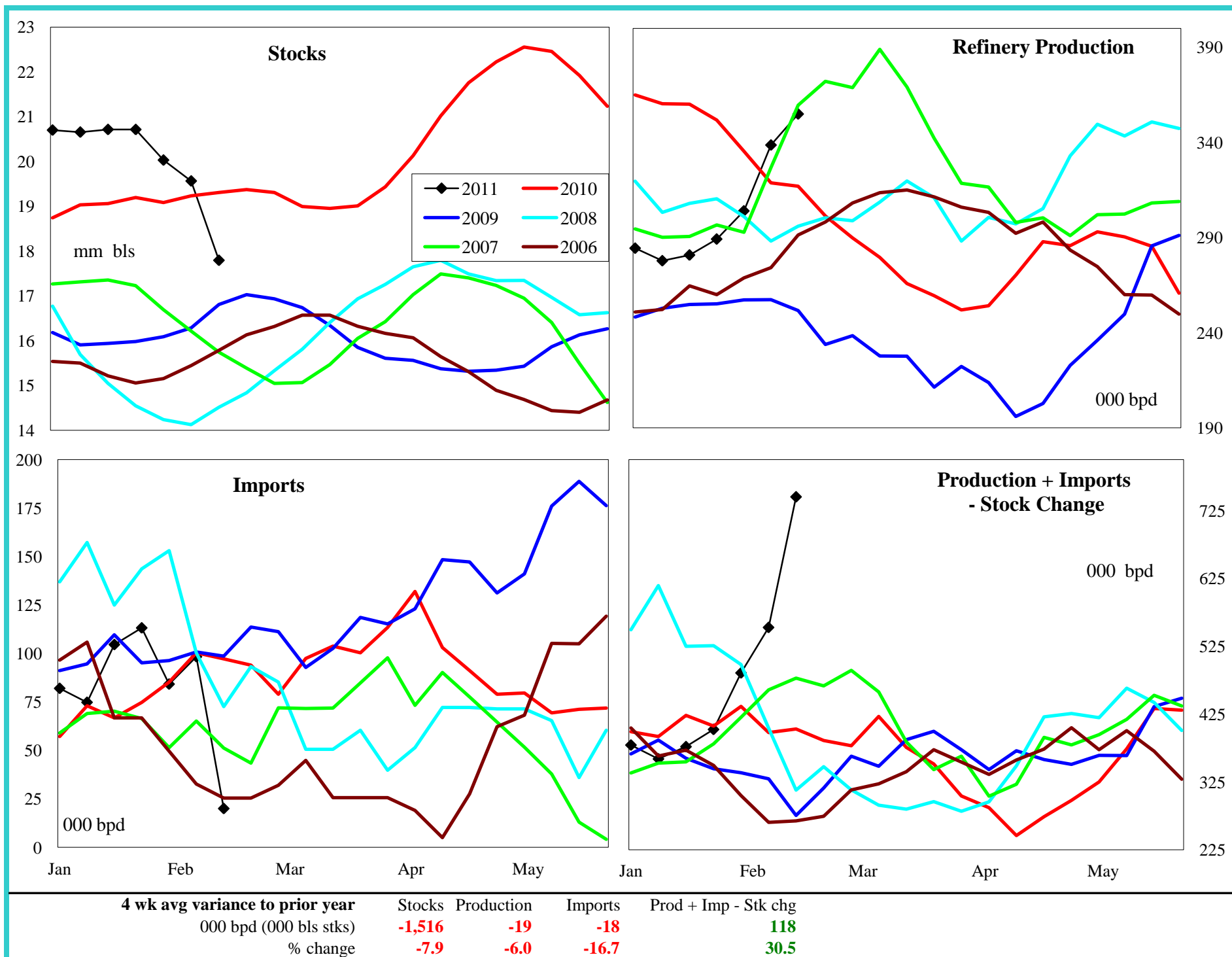
PADD 3 High Sulfur Distillate Supply



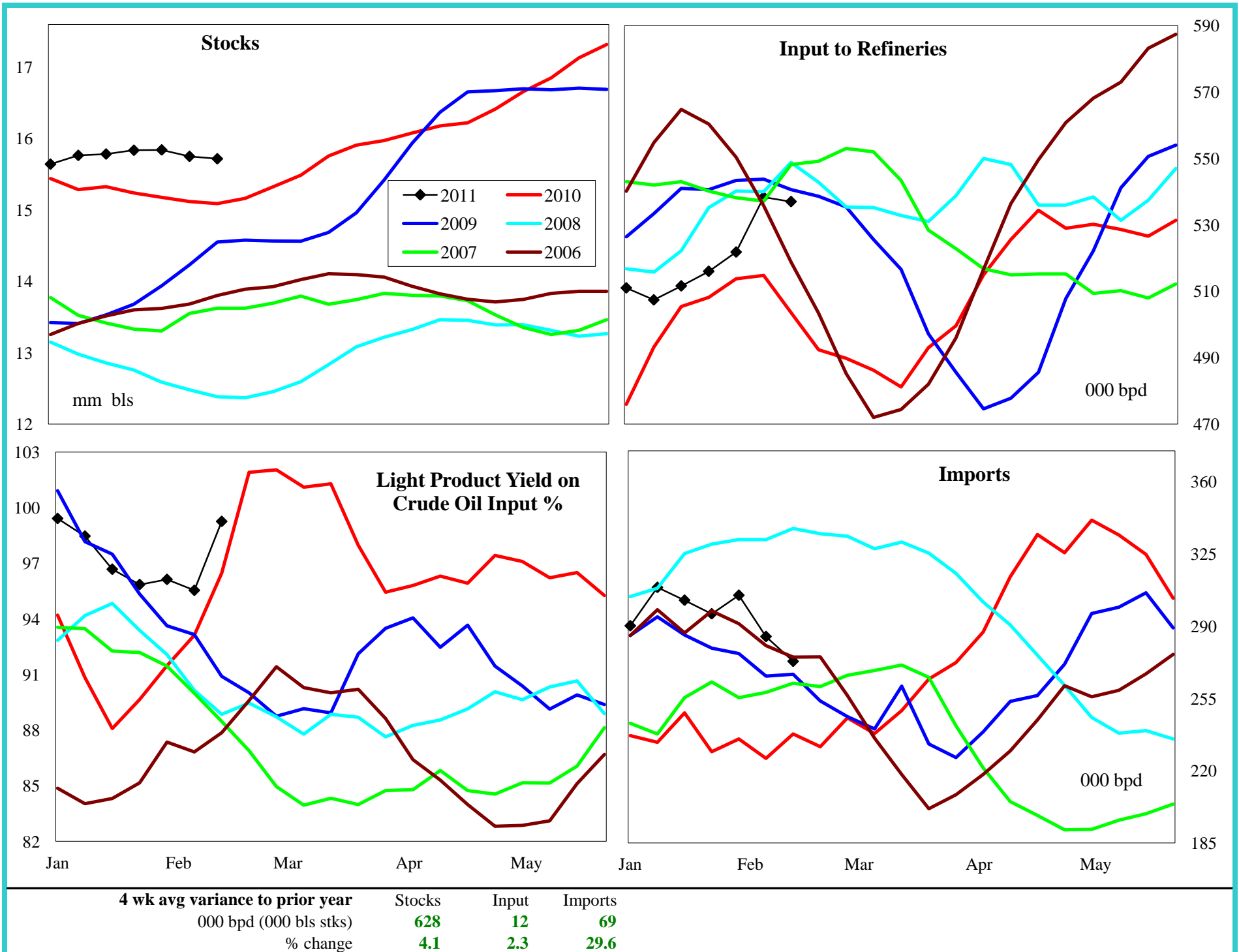
PADD 3 Jet Fuel Supply



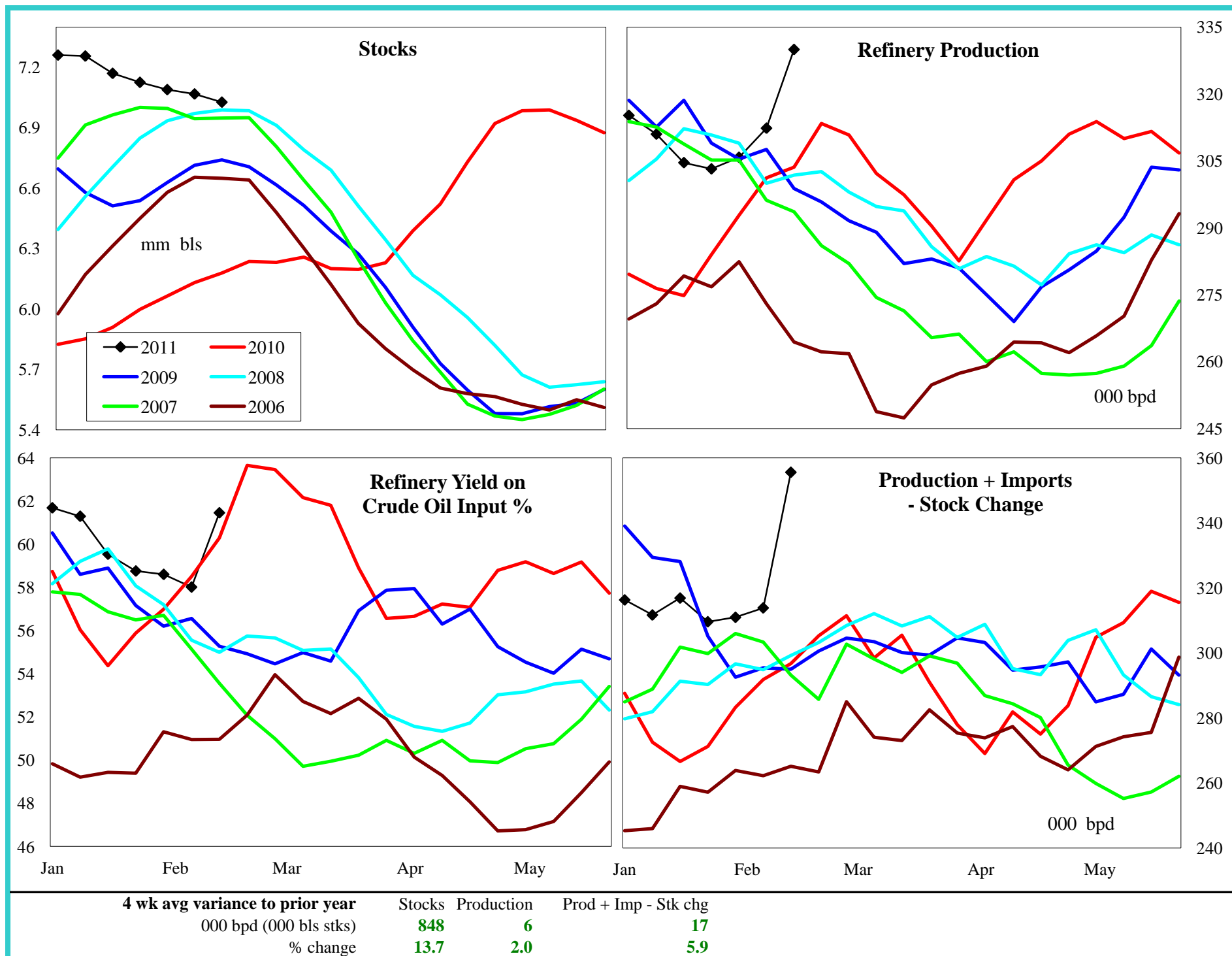
PADD 3 Residual Fuel Oil Supply



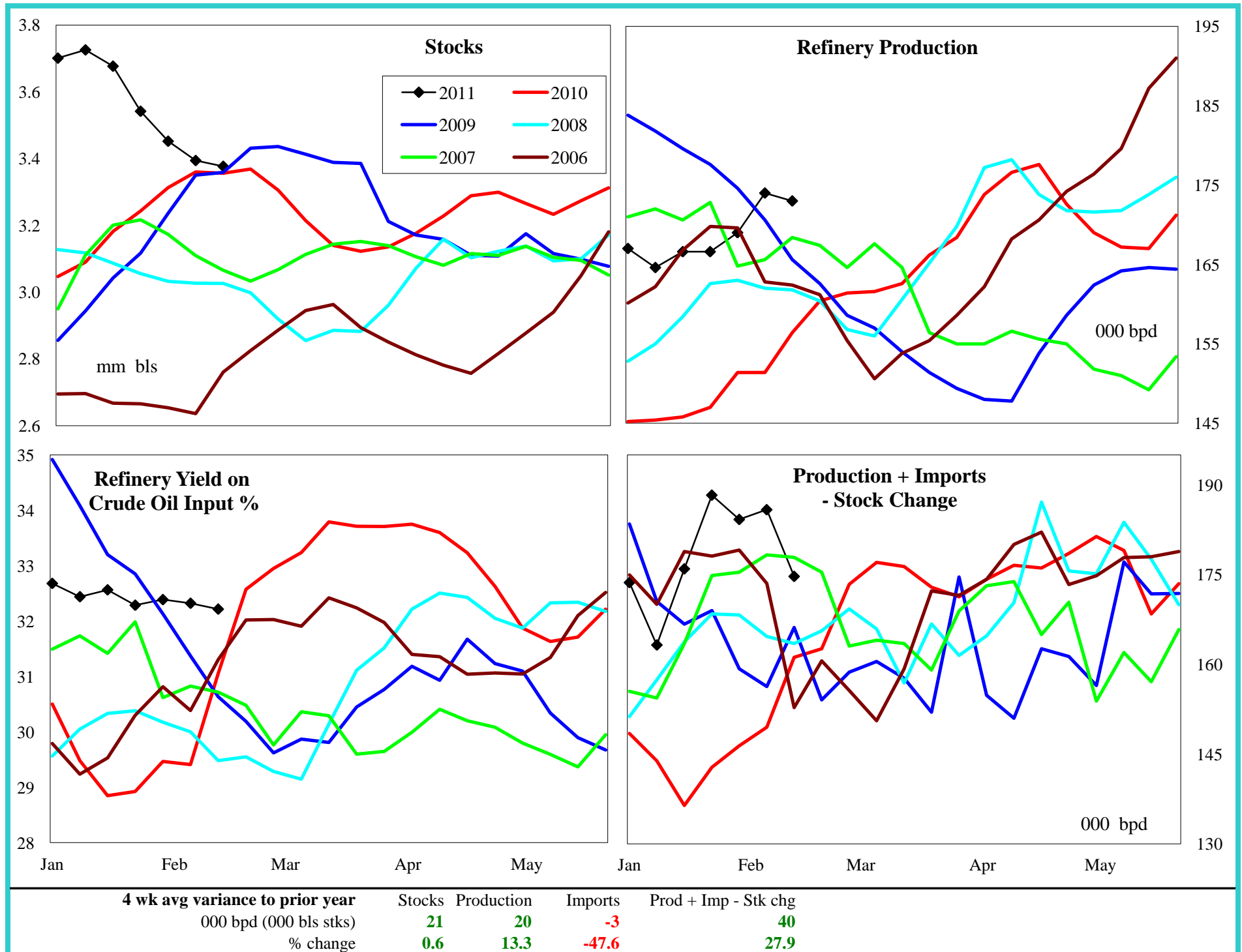
PADD 4 Crude Oil Supply and Refining



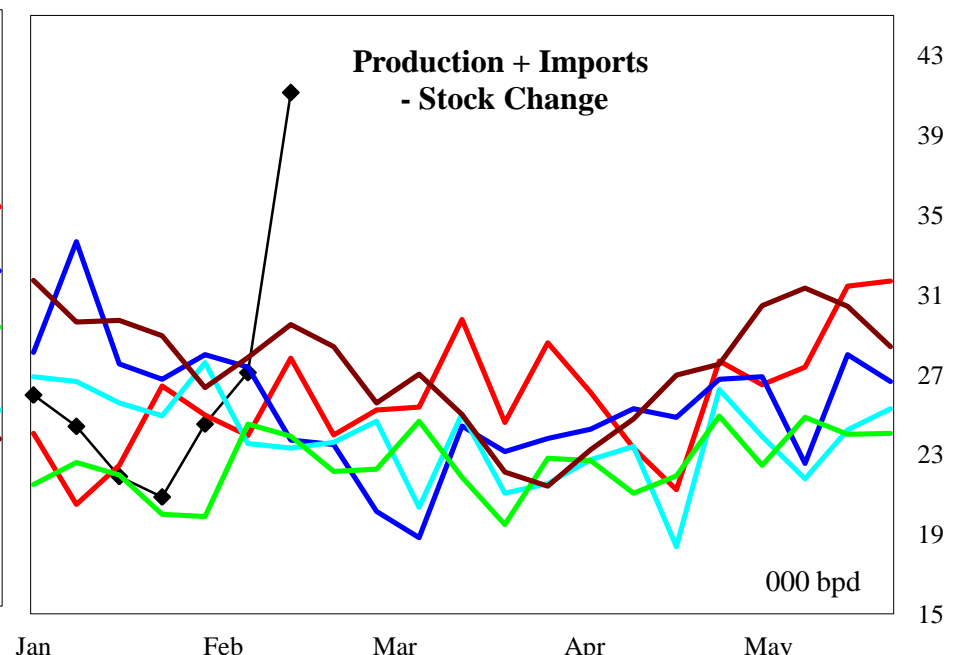
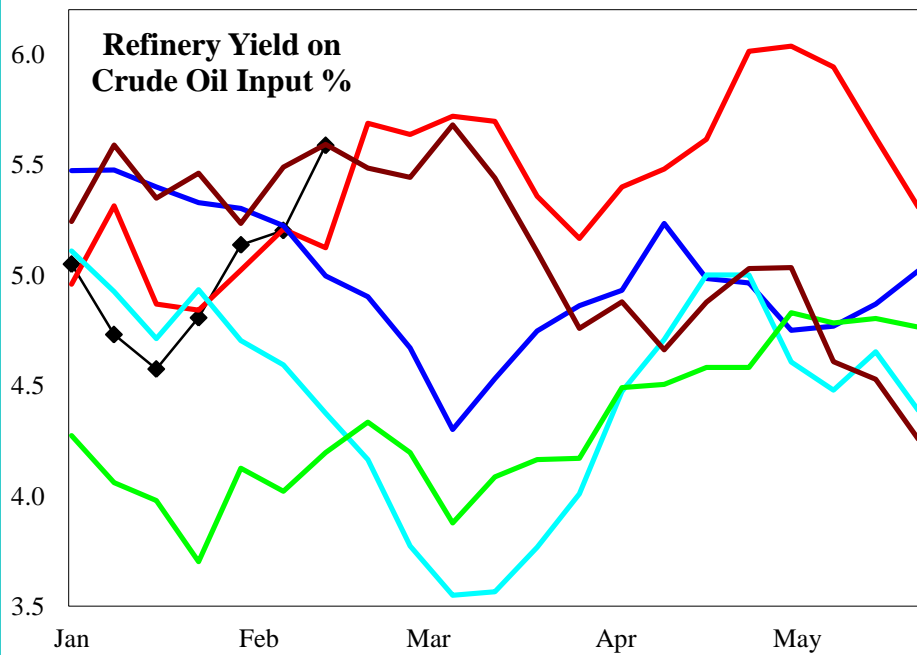
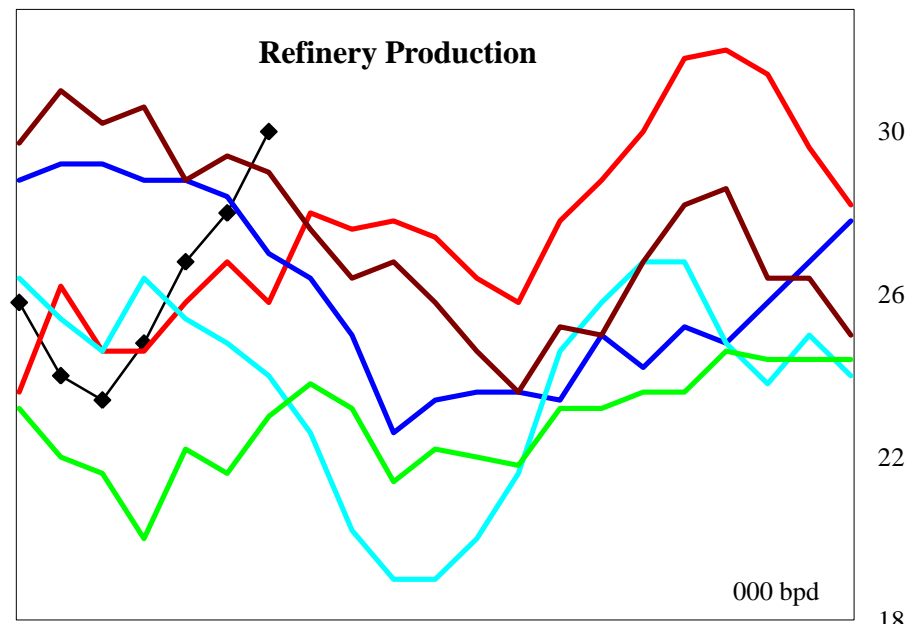
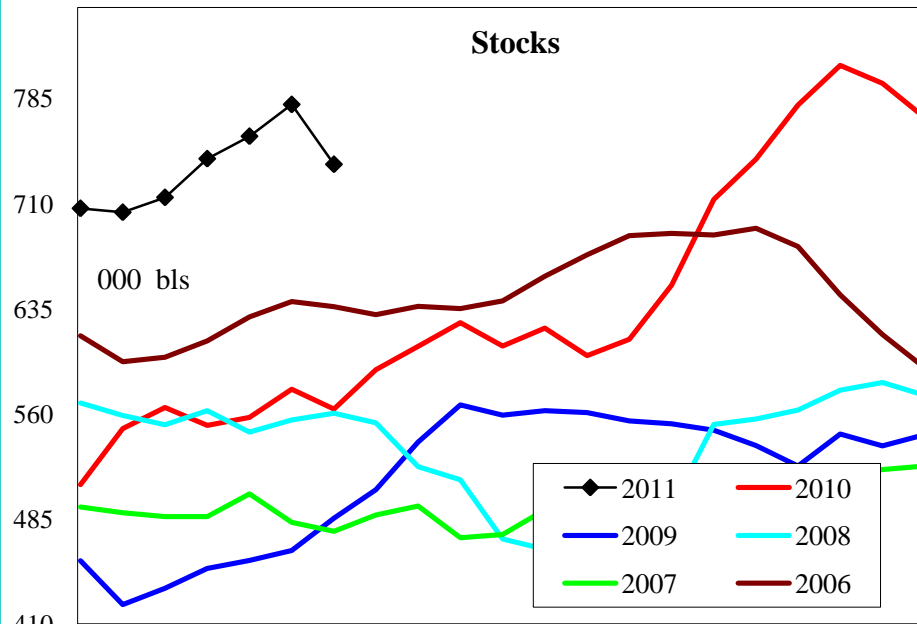
PADD 4 Gasoline Supply



PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply

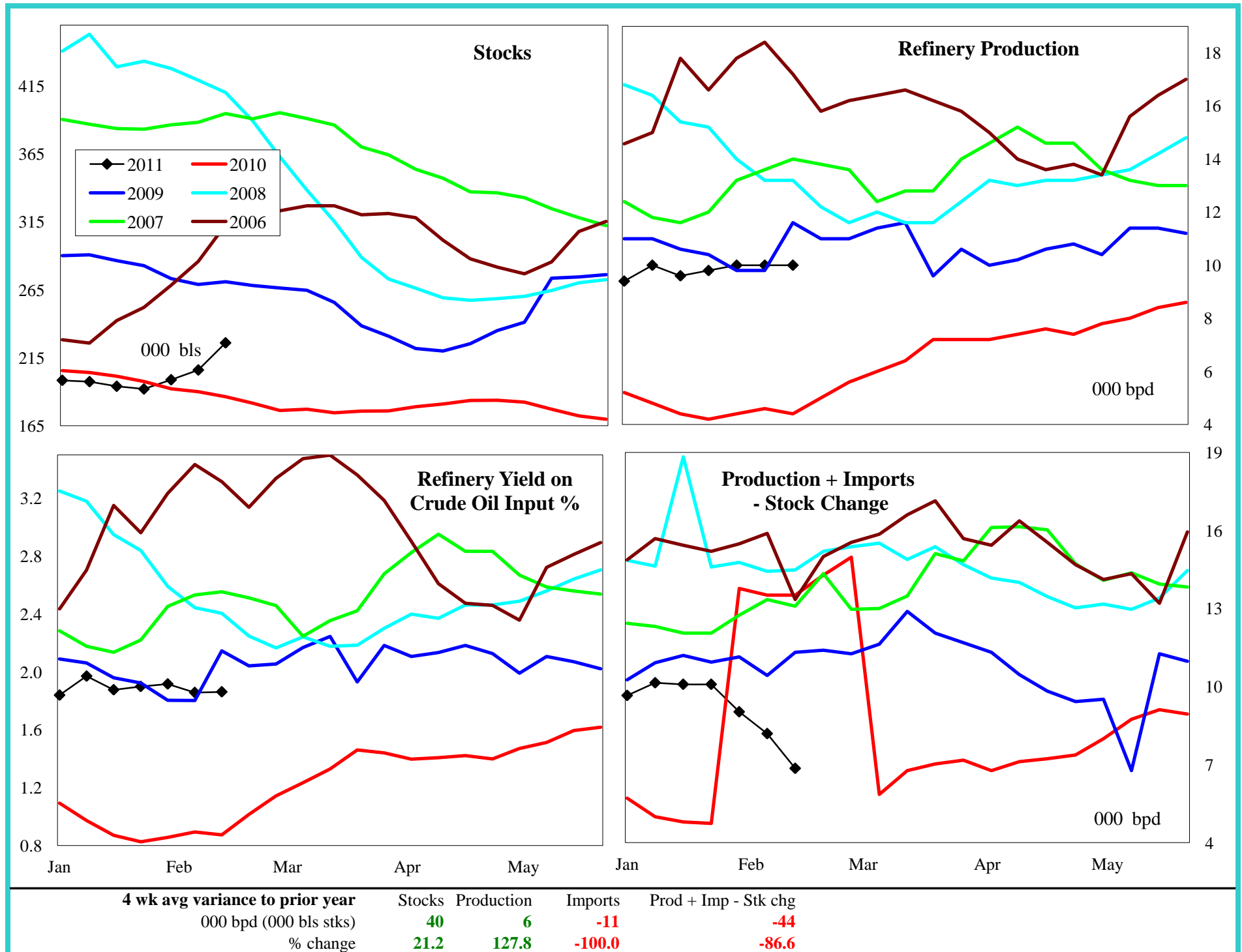


4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

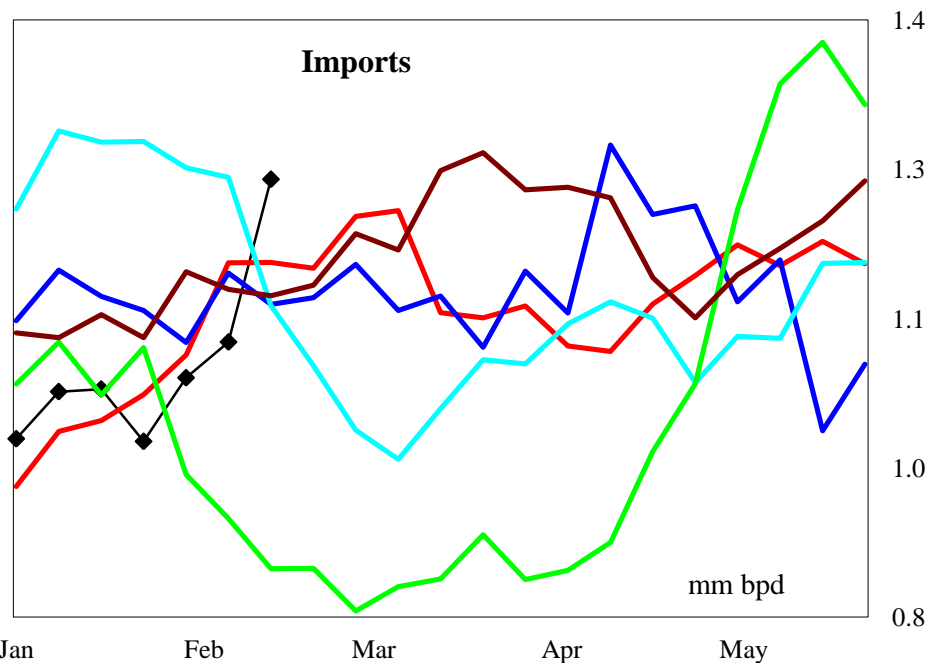
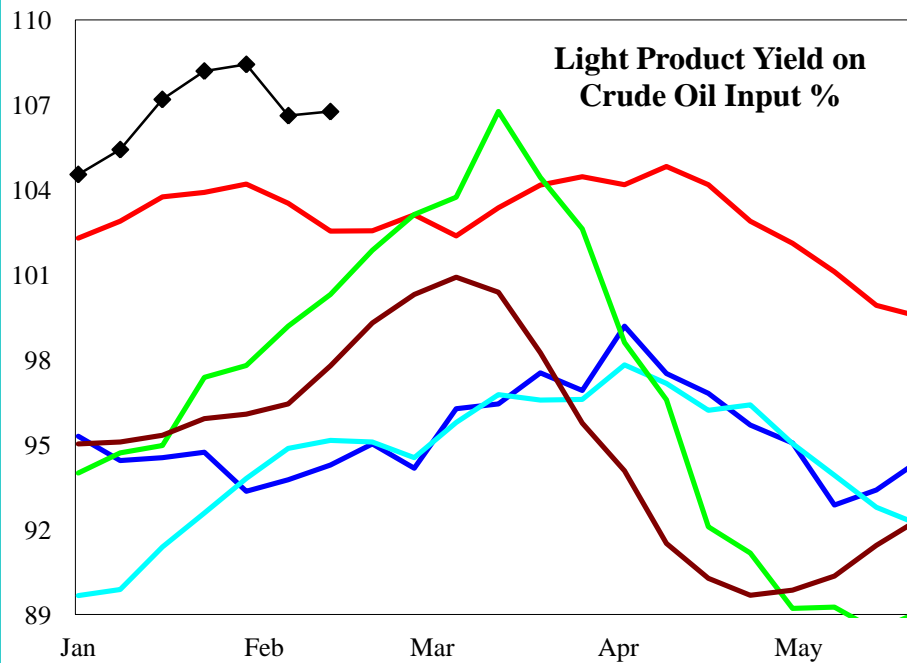
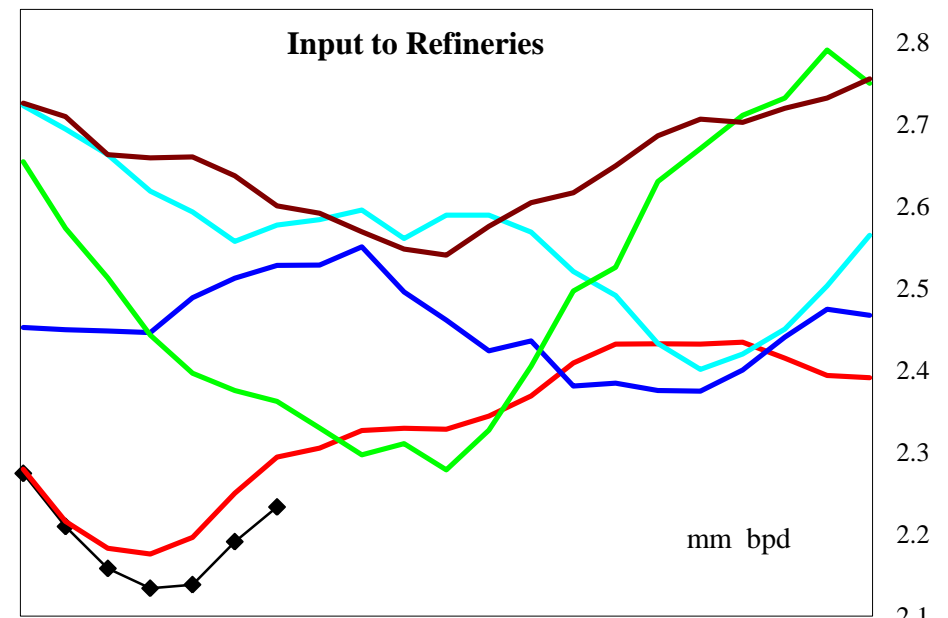
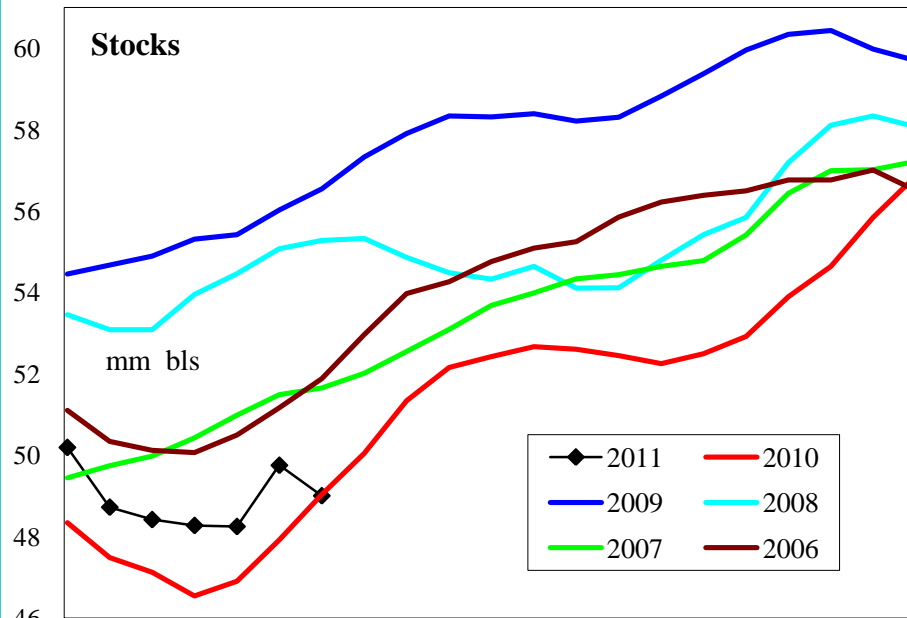
Stocks Production
175 **1**
31.0 **1.9**

Prod + Imp - Stk chg
0
0.1

PADD 4 Residual Fuel Oil Supply



PADD 5 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-28

-0.1

Input

-48

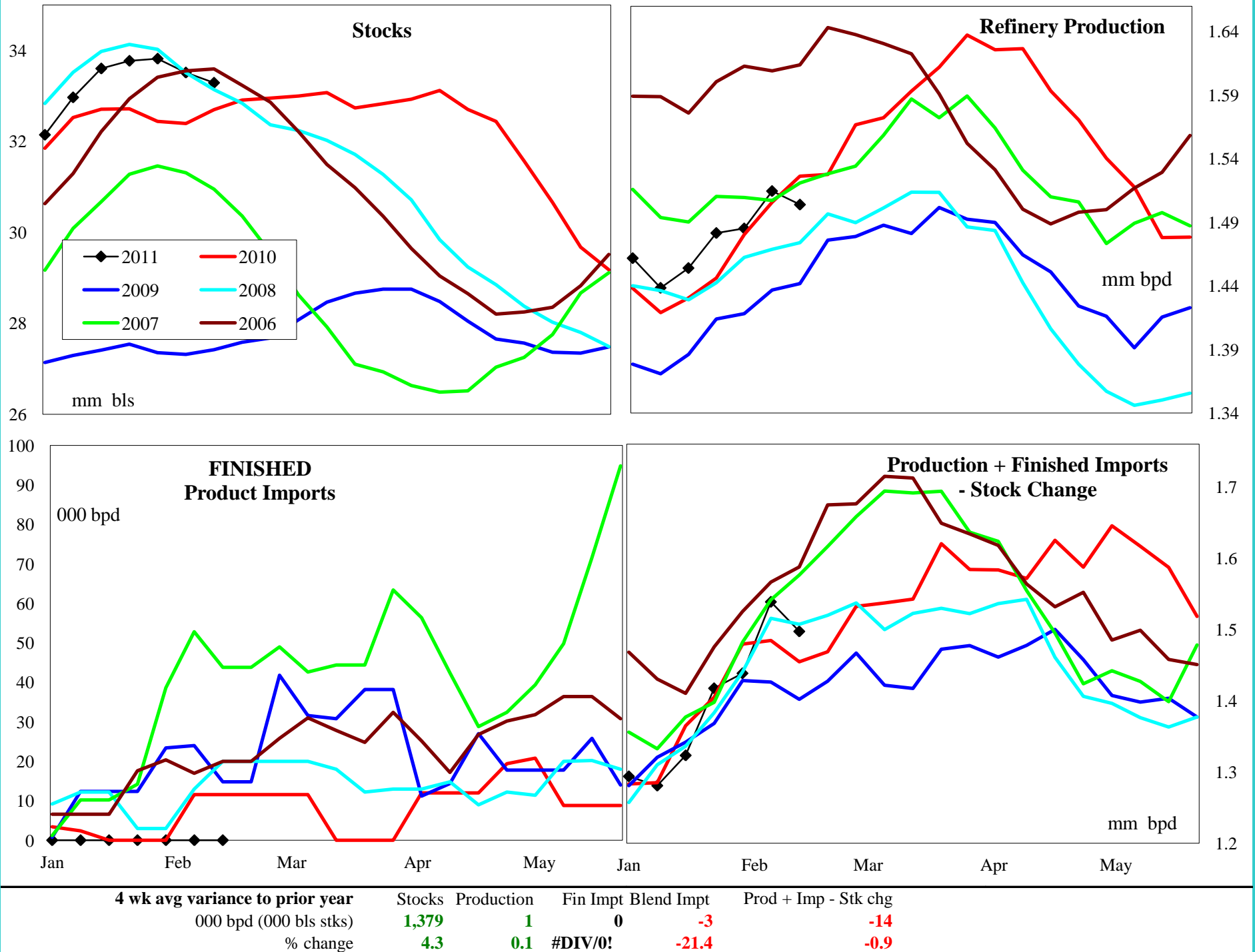
-2.2

Imports

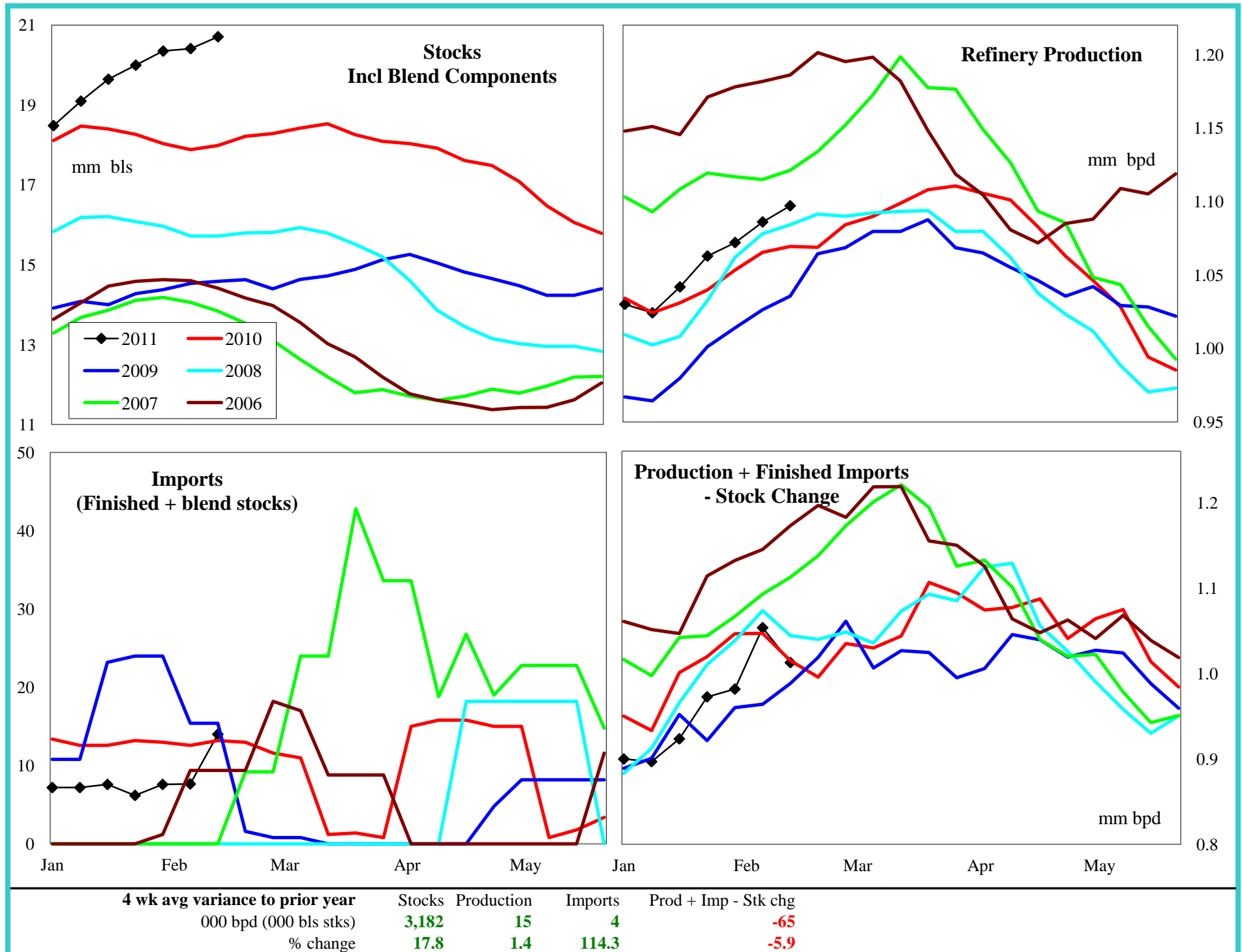
38

3.5

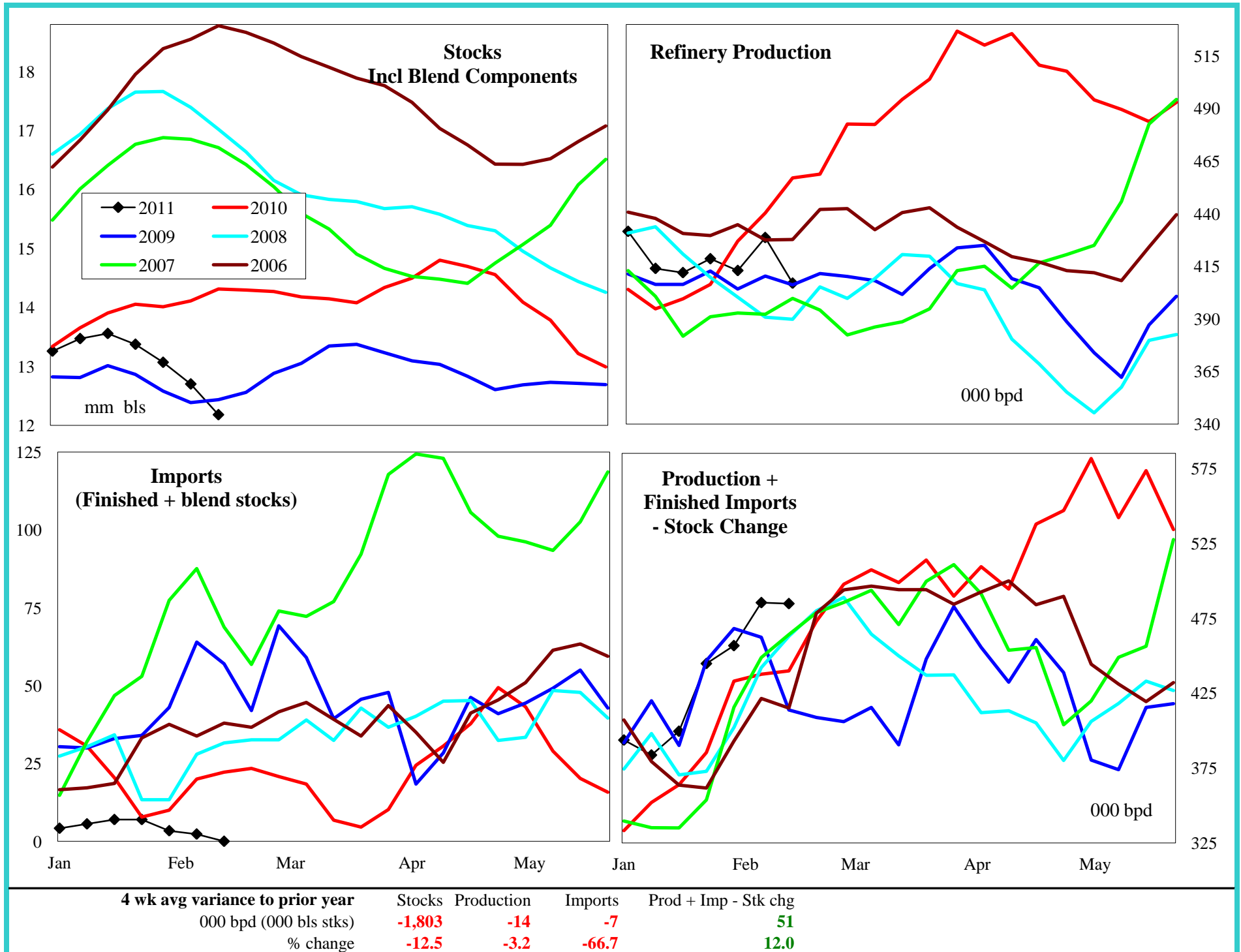
PADD 5 Gasoline Supply



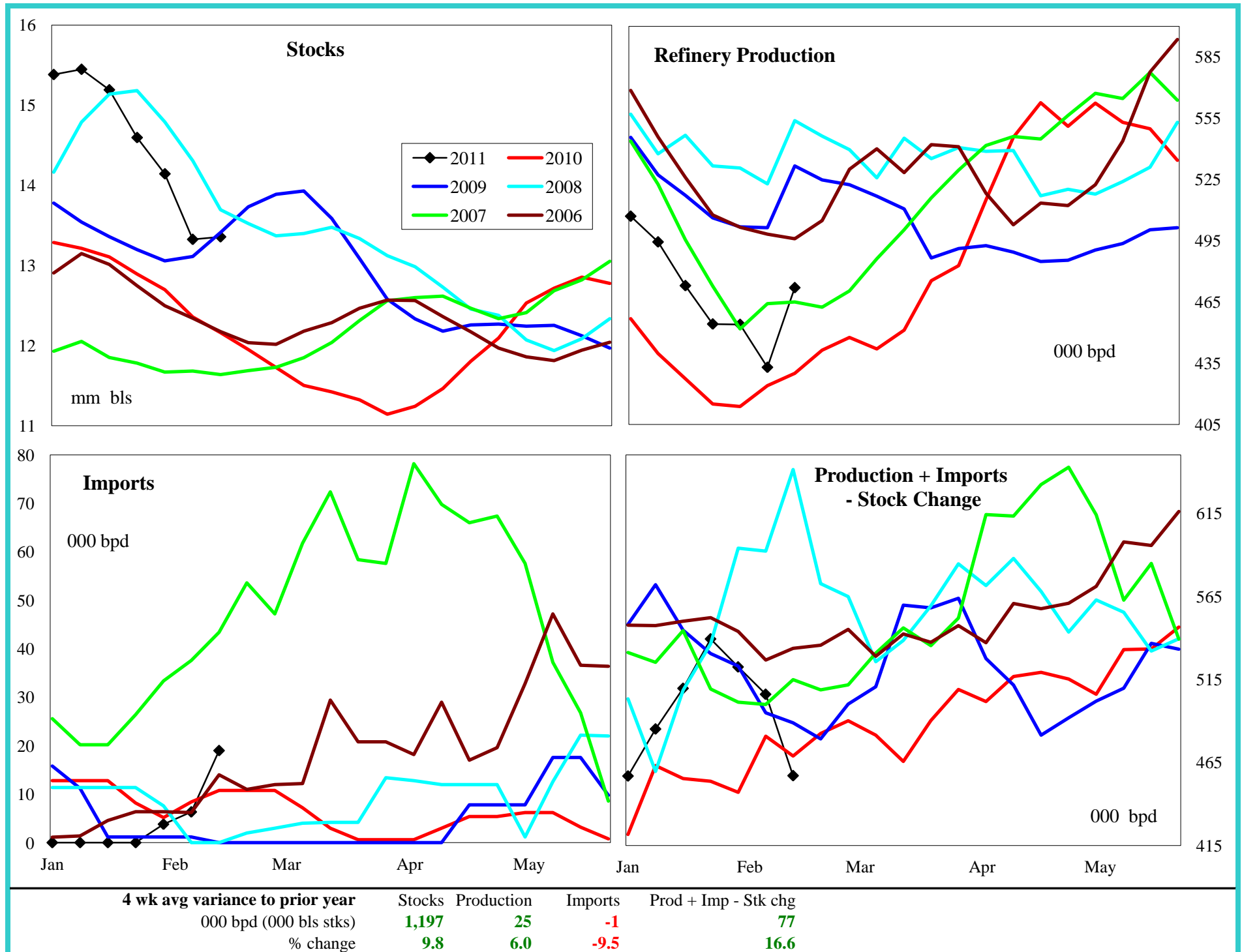
PADD 5 Reformulated Gasoline Supply



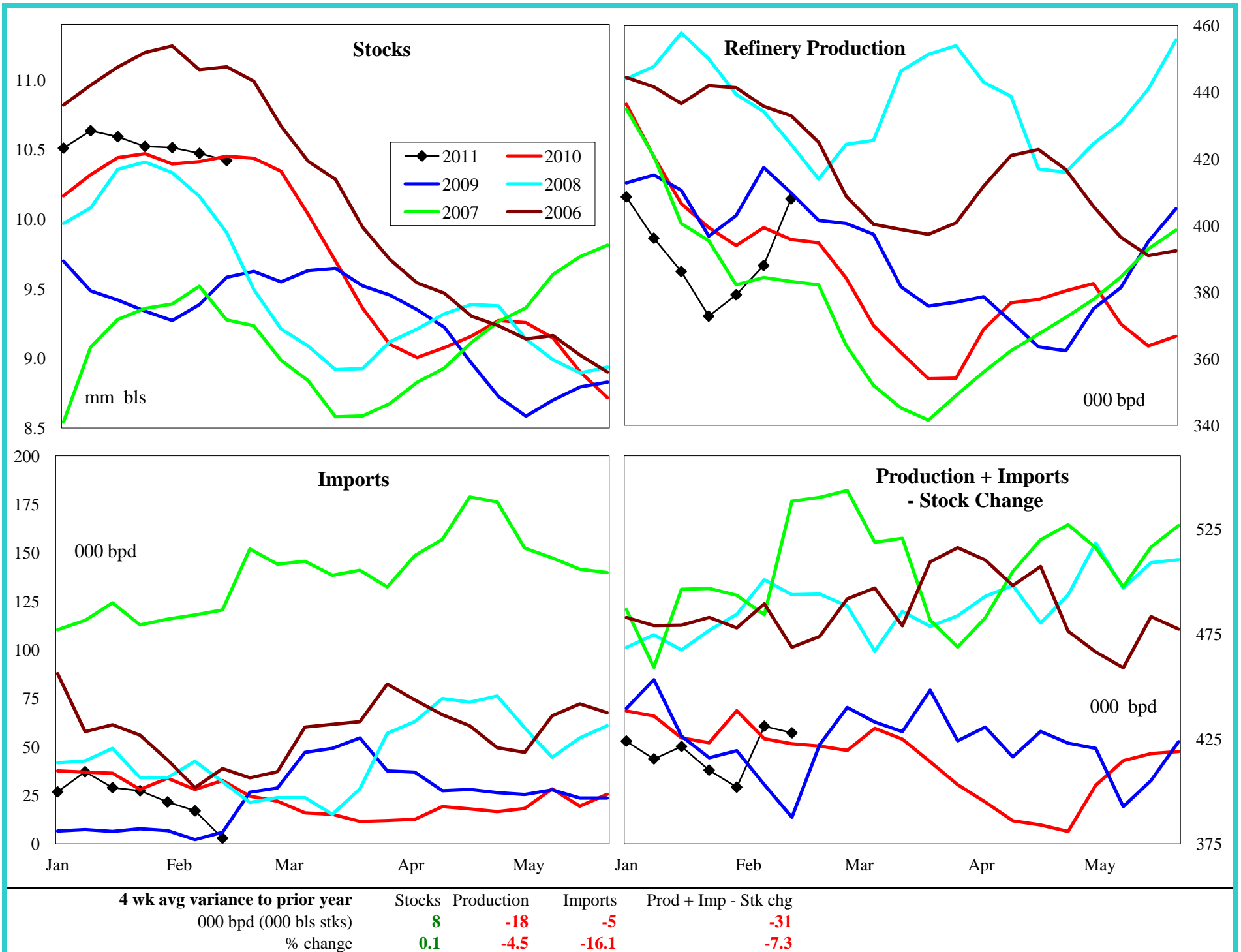
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

