



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

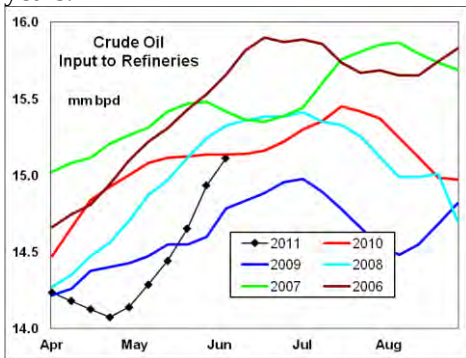
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 08, 2011

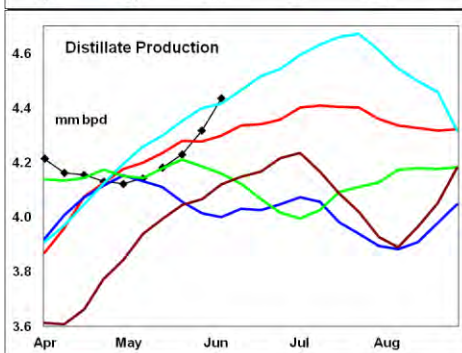
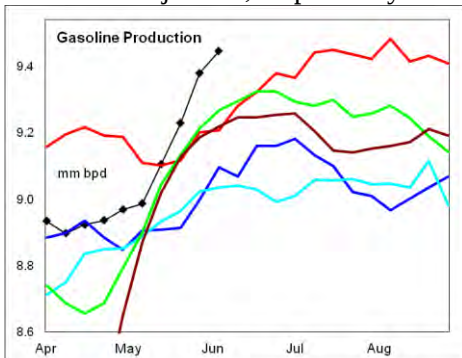


Major Fundamental Trends¹

Crude oil runs continued to trend higher last week, rising +261,000 bpd, to a level at the mid range of the last 3-years.



High conversion rates and blend stock imports underlie record production for this time of year of all transport fuels. As a result of lackluster transport fuel demand and increased supply, stock builds of +2.2, +0.8 and +0.8 million barrels were reported for gasoline, distillate and jet fuel; respectively.



Following an extended spring / early summer maintenance cycle, crude oil refinery runs should achieve season highs for the next quarter. Combined

with favorable refining margins, expect production of transport fuels to remain at record highs for the summer quarter.

Concurrently, the slowdown in economic growth should lead to lackluster year-on-year demand with levels comparable to the last 2-years. The result should be further improvement in the supply balance for gasoline, distillate and jet fuel. Absent hurricanes that disrupt production this season, product markets may become over supplied during the 3rd quarter.

The -4.8 million barrel crude oil stock draw last week was driven by a -0.9 million barrel drop in imports and the increase in runs. Stock levels remain above the last 5-years for this time of year.

Look for seasonal crude oil stock draws to continue on peak refinery runs. Domestic production continues to reach new 5-year highs, and should keep record discounts in place for WTI versus other global grades such as Brent.

Demand for gasoline reversed much of last weeks' surge, falling -268,000 bpd on the week.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +0.3%; distillate down -4.9%; jet fuel up +1.2% while residual fuel oil decreased -4.9%.

Stocks forward coverage: Gasoline demand coverage increased on a +2.2 million barrel stock build and lackluster demand for the period. Coverage levels were above four of the last 5-years.

Distillate coverage increased on a +0.8 million barrel stock build. The coverage level remains well below the last 2-years on reduced stock levels.

Jet fuel coverage was comparable to levels of the past 2-years on a +0.8 million barrel stock build.

Refinery utilization rates increased on a +261,000 bpd rise in crude oil thru put, lifting the level to the mid range of the past 2-years.

Gasoline yield % on crude oil runs decreased on a +13,000 bpd increase in output compared to the +261,000 bpd increase in crude oil runs. The yield % on crude oil runs remains well above the 5-year range.

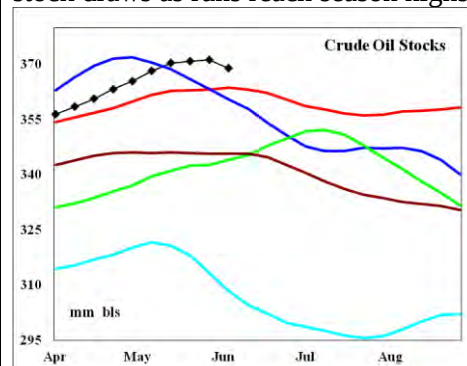
Distillate yield % on crude oil runs jumped on a +179,000 bpd rise in production compared to the +261,000 bpd increase in crude oil runs. Yield % levels were above the historic range.

Jet fuel yield % on crude oil runs was higher on a +31,000 bpd increase in production, compared to the increase in crude oil runs. The yield % on crude oil runs was slightly above the historic range.

Petroleum Imports fell sharply last week for crude oil, while middle distillates increased +67,000 bpd.

During the latest 4-wk period crude oil imports decreased -0.7 million bpd below last year; distillate imports decreased -98,000 bpd; finished gasoline imports increased +39,000 bpd, gasoline blend stock imports increased +218,000 bpd; jet fuel imports were up +21,000 bpd, while residual fuel oil imports decreased -11,000 bpd.

Crude Oil stocks fell -4.9 million barrels last week, due to a -0.9 million bpd drop in imports and a +261,000 bpd rise in refinery input. Stock levels are above year ago levels in all markets East of the Rockies. Expect seasonal stock draws as runs reach season highs.



¹ Source is latest EIA Weekly Statistics



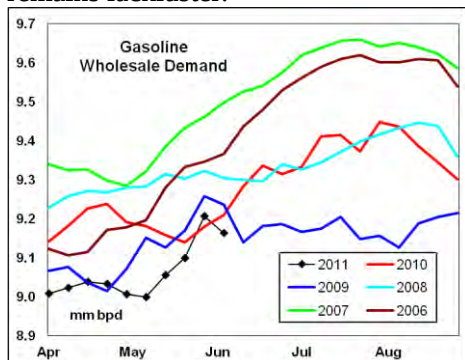
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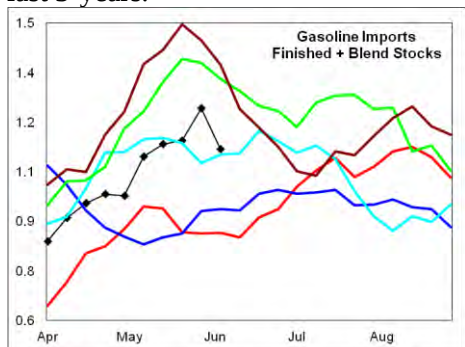
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Product Supply-Demand Trends

Gasoline demand decreased -268,000 bpd, reversing much of the prior week surge. The latest 4-wk average demand increased +27,000 bpd compared to last year. Demand remains lackluster.



Production increased +13,000 bpd on the week to a record high for the period. Imports decreased -81,000 bpd on the week, with the level above the last 3-years.

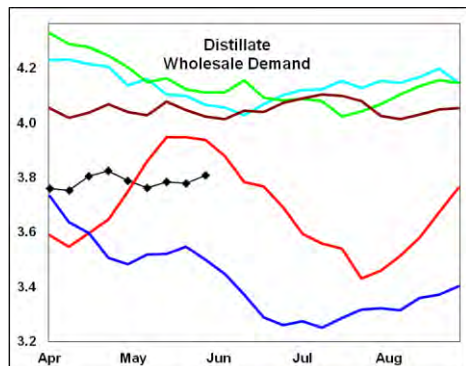


High levels of production and imports led to a +2.2 million barrel stock build for the week. Stock levels are now above four of the last 5-years.

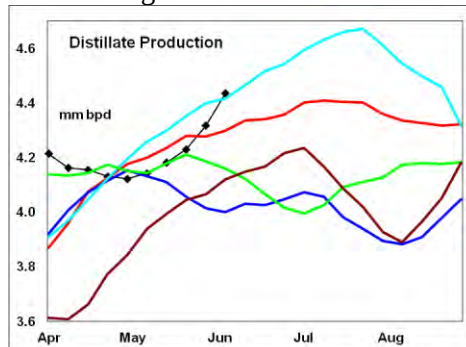
The current high level of supply and lackluster demand should extend the seasonal stock build. Expect an improving supply balance to constrain prices in the run up to peak summer travel.

Distillate demand decreased -44,000 bpd on the week, with the level below last years' elevated rate. The latest 4-wk average demand was -197,000 bpd below a year ago.

While wholesale demand has been well below the bounce seen last year, the level is significantly above the lows seen in 2009 during the depth of the recession.



Distillate production jumped +179,000 bpd on the week, to a level that matched 5-year highs set in 2008. Imports also increased +32,000 bpd, although the level remains below the historic range.



Stocks increased +0.8 million barrels on the week, the largest weekly stock build since early January 2011. Stock levels ended the week -14 million barrels below last years' record high. The latest 4-wk stock change in PADDs 1+2+3 was a draw of -2.3 million barrels, a record high draw for this time of year.

Distillate output levels should reach record highs during the next quarter as refiners return to full operation after a season of extended maintenance.

Robust exports and low imports should partially offset increased refinery production and lackluster demand, so that stock builds are at or below average for the summer quarter.

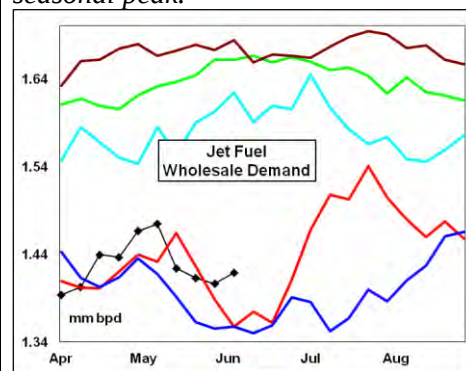
Distillate prices should enjoy relative strength compared to the over energy complex.

Jet Fuel demand increased +98,000 bpd on the week, a level above the last 2-years. The latest 4-wk average demand was +18,000 bpd above a year

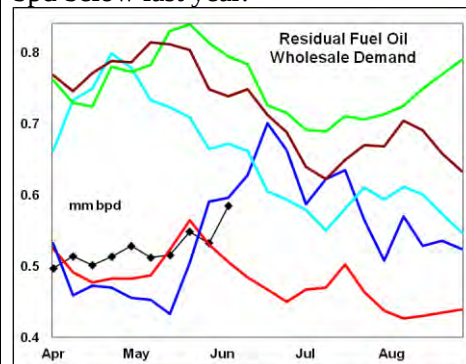
ago.

Supply increased +66,000 bpd, on higher production and imports. Supply levels were above each of the last 2-years. Stocks increased +0.8 million barrels, with the level still below the last 2-years.

Jet fuel supply balance has seen a meaningful improvement in production, which has led to stock builds for each of the last 2-wks. Expect further improvement in supply as refinery crude oil runs reach a seasonal peak.



Residual fuel oil demand, including exports, increased +27,000 bpd last week, with the 4-wk average -28,000 bpd below last year.



Supply (production + imports) decreased -60,000 bpd on lower production and imports. The latest 4-wk average supply was +1,000 bpd above a year ago. Stocks decreased -0.7 million barrels, with the level at the low end of the historic range.

Stock levels remain low in PADD 1 while PADD 3 is at the upper end of the historic range.

Residual fuel prices should exhibit strength in PADD 1 versus the overall energy complex.



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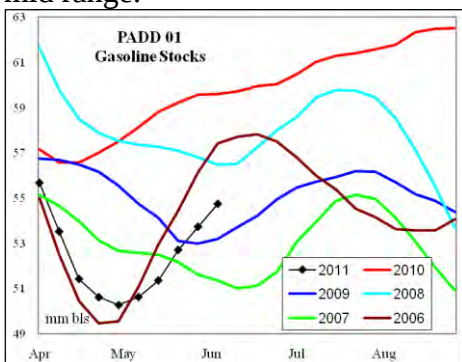
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PADD Supply Trends

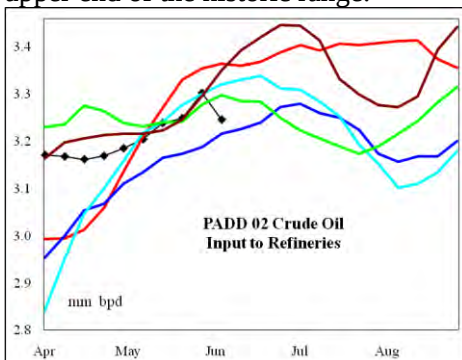
PADD 1 refinery crude oil runs declined -27,000 bpd on the week, with the level -89,000 bpd below a year ago for the latest 4-wk period. Closed capacity of 150,000 bpd has not yet returned to operation.

Gasoline production fell -167,000 bpd on the week, with little change in imports. Stocks increased +1.4 million barrels on the week, with the level below the mid range.



Distillate supply decreased -22,000 bpd on the week, with the level below the historic range. Stocks decreased -0.3 million barrels with the level -13% below the last 2-years.

Jet fuel stocks jumped +1.4 million barrels last week on higher receipts from the Gulf and a +59,000 bpd rise in imports. Stock levels were at the upper end of the historic range.



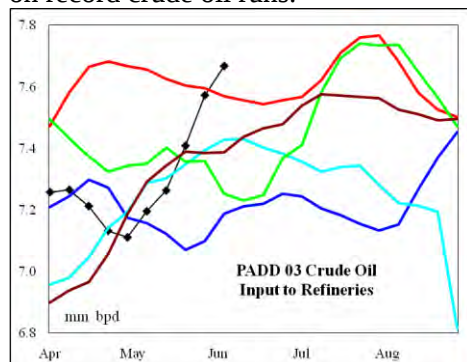
PADD 2 crude oil refinery runs fell -86,000 bpd last week, to a level below the historic mid range. Crude oil stocks fell -2.1 million barrels on lower imports. Cushing stocks decreased -1 million barrels, with the level +6.2 million barrels above the prior record high.

Gasoline production fell -175,000 bpd on the week, to a level that matched 5-year lows for the week. Stocks increased +0.4 million barrels on higher receipts from the Gulf. Stock levels remain at the low end of the historic range.

Distillate production increased +91,000 bpd, to a level near the historic mid range. Stocks increased +1.1 million barrels on the week, with the level still at the low end of the historic range.

Jet fuel production decreased -23,000 bpd on the week, to a level above the historic mid range. Stocks decreased -0.3 million barrels to a level that matched historic lows for the period.

PADD 3 crude oil runs increased +134,000 bpd last week to a level above the 5-year range. The latest 4-wk average thru put was -85,000 bpd below last year. Crude imports fell -0.6 million bpd to a record low level. Stocks decreased -2.7 million barrels on record crude oil runs.



Gasoline supply decreased -103,000 bpd, with both production and imports lower. Stock levels increased +1.6 million barrels to a level that matched 5-year highs.

Distillate production increased +150,000 bpd on the week, with the level +219,000 bpd above a year ago for the latest 4-wk period, and a record high. Stocks increased +0.2 million barrels, with the level -3.8 million barrels below last years' record high.

Jet fuel production increased +42,000 bpd on the week, to a level near 5-year highs. Stocks declined -

0.5 million barrels, with the level above four of the last 5-years.

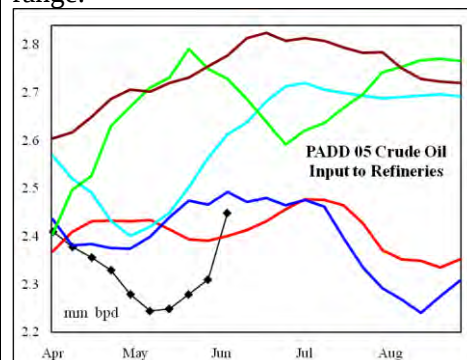
Residual fuel oil supply decreased -9,000 bpd on the week to a level below the mid range. Stocks remain near 5-year highs.

PADD 4 refinery crude runs increased +19,000 bpd on the week, with the level at the upper end of the historic range. Light product yields climbed to a record high for the year.

Gasoline production increased +36,000 bpd to a new record high. Stocks increased +0.2 million barrels to a fresh 5-year high.

Distillate production and stocks were each above the historic range. Stock levels were +30% above the prior record high, driving an extremely over supplied market.

PADD 5 crude oil refinery runs increased +220,000 bpd on the week, with the level comparable to the last 2-years. The latest 4-wk average thru put was -115,000 bpd below last year. Crude oil imports fell -361,000 bpd, to the low end of the historic range. Stock levels remain below the 5-year range.



Gasoline supply declined -46,000 bpd on the week, to a level above four of the last 5-years. Stocks fell -1.5 million barrels, although the level remains above the 5-year range.

Distillate supply and stock levels were each below the 5-year range last week. Supplies were unchanged on the week while stocks decreased -0.2 million barrels.

Jet fuel supply was unchanged with higher production offset by a drop in imports.

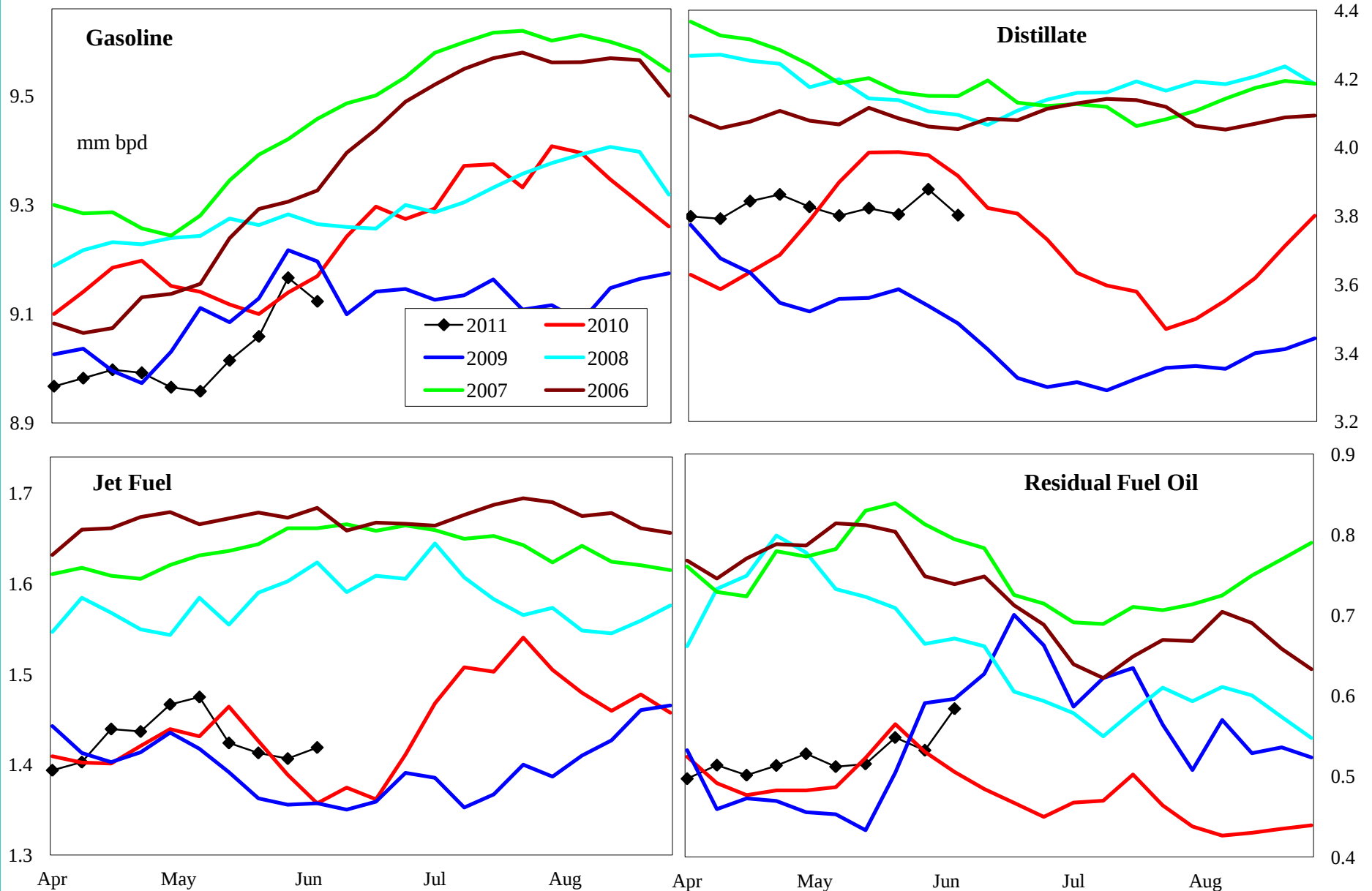


PETROLEUM: Graph Link and Weekly Summary

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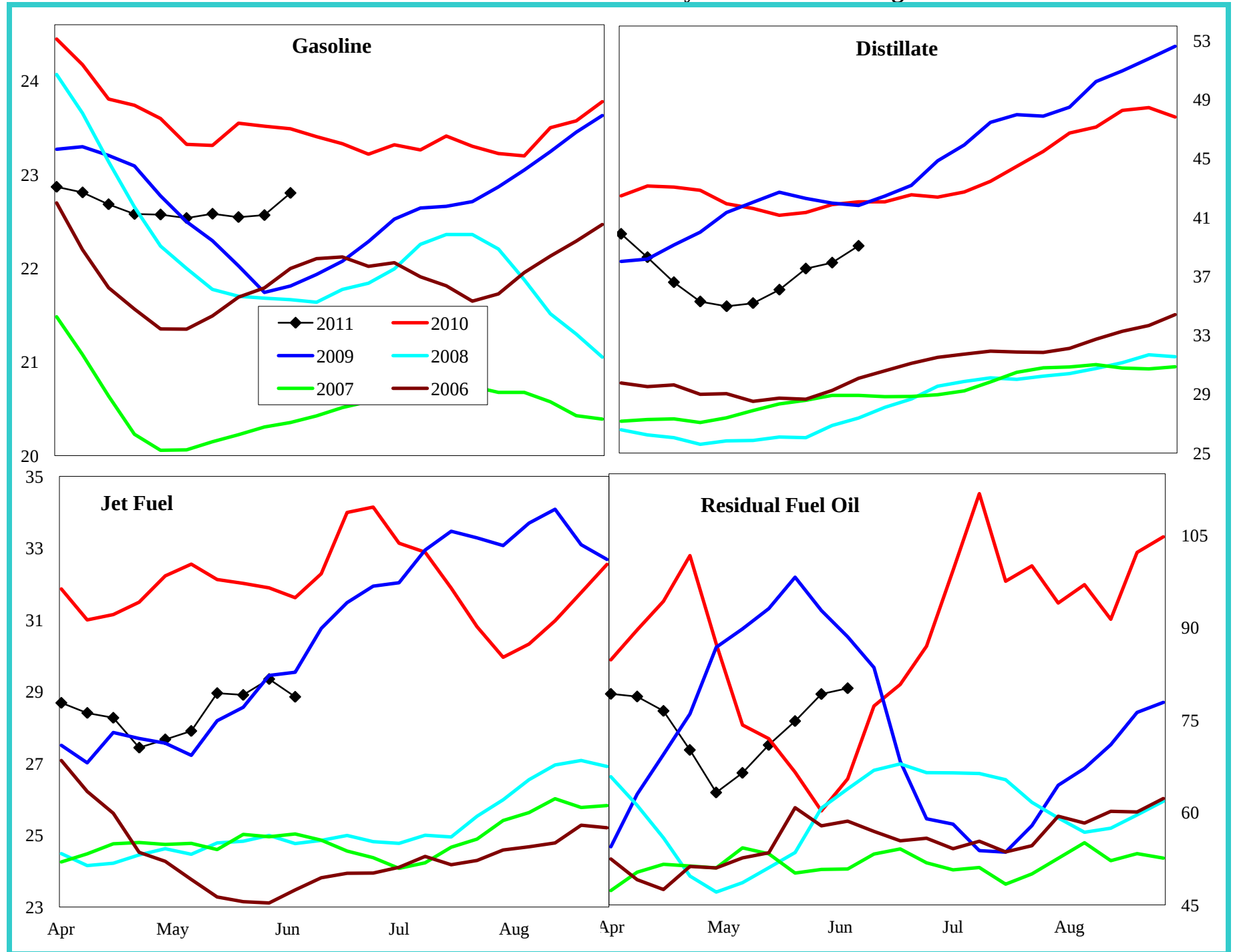
Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	3-Jun-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-4,845	304	-2,079	-2,729	-630	290
	Imports	-918	39	-63	-636	103	-361
	Input	261	-27	-86	134	19	220
	% Utilization	1.20					
Gasoline	Stocks	2,209	1,405	404	1,629	225	-1,455
	Production	13	-167	-175	-37	36	-38
	Imports	-81	-7	0	-66	0	-8
	Supplied	-268					
Distillate	Stocks	810	-259	1,125	198	-34	-221
	Production	179	-60	91	150	-3	0
	Imports	32	38	0	-6	0	0
	Supplied	-44					
Jet Fuel	Stocks	825	1,351	-256	-516	-53	298
	Production	31	-13	-23	42	3	23
	Imports	35	59	0	0	0	-24
	Supplied	98					
Residual Fuel Oil	Stocks	-732	-194	100	-262	23	-399
	Production	-38	-1	-5	3	1	-35
	Imports	-22	-13	-1	-11	0	3
	Supplied	27					

United States Wholesale Petroleum Demand

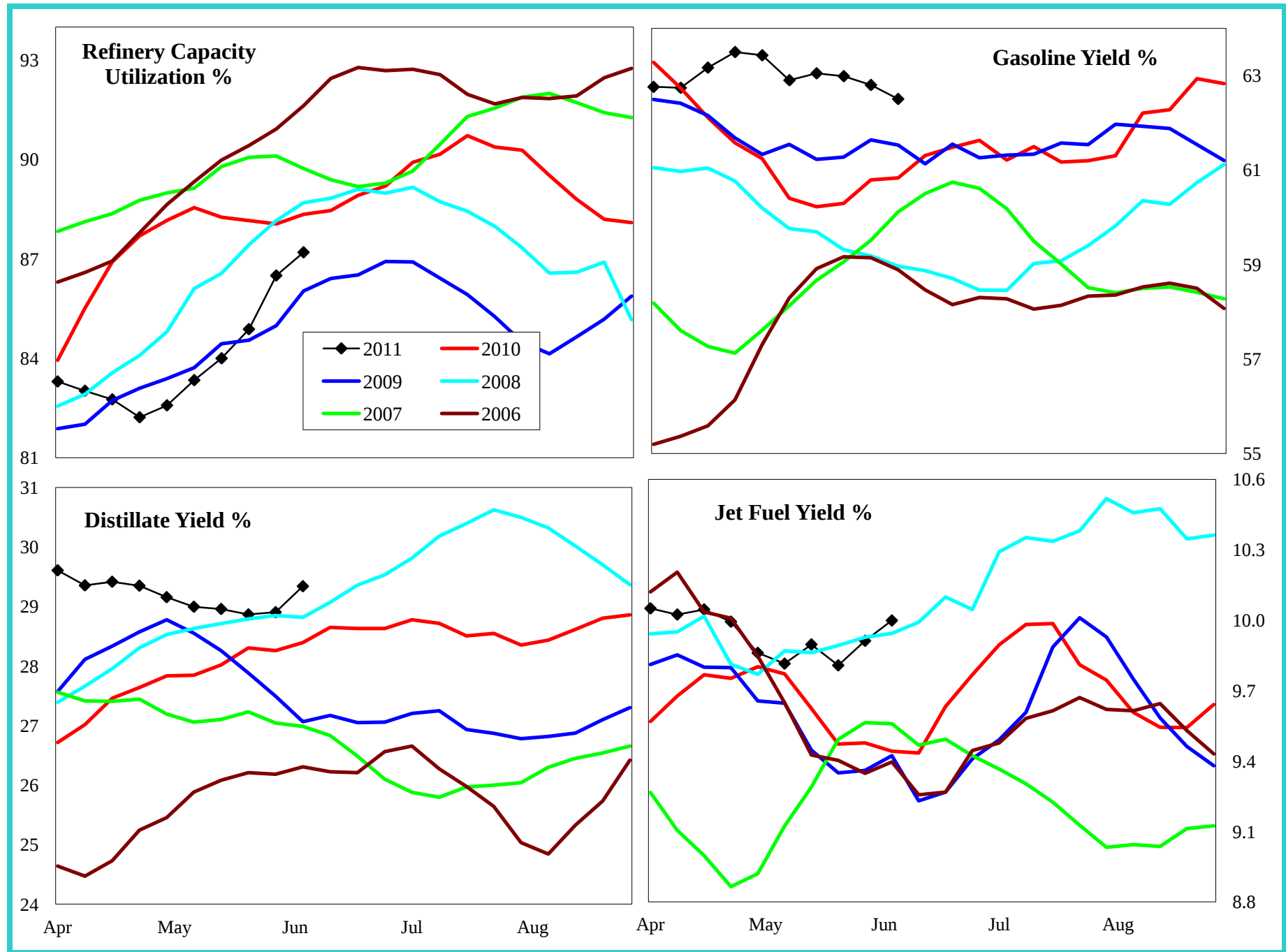


	000 bpd change from prior year				% change from prior year			
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar
Gasoline	27	-134	-19	204	0.3	-1.5	-0.2	2.3
Distillate	-197	170	179	39	-4.9	4.7	4.8	1.0
Jet Fuel	18	-10	71	-69	1.2	-0.7	5.1	-4.8
Resid	-28	25	-85	21	-4.9	4.9	-14.7	3.9

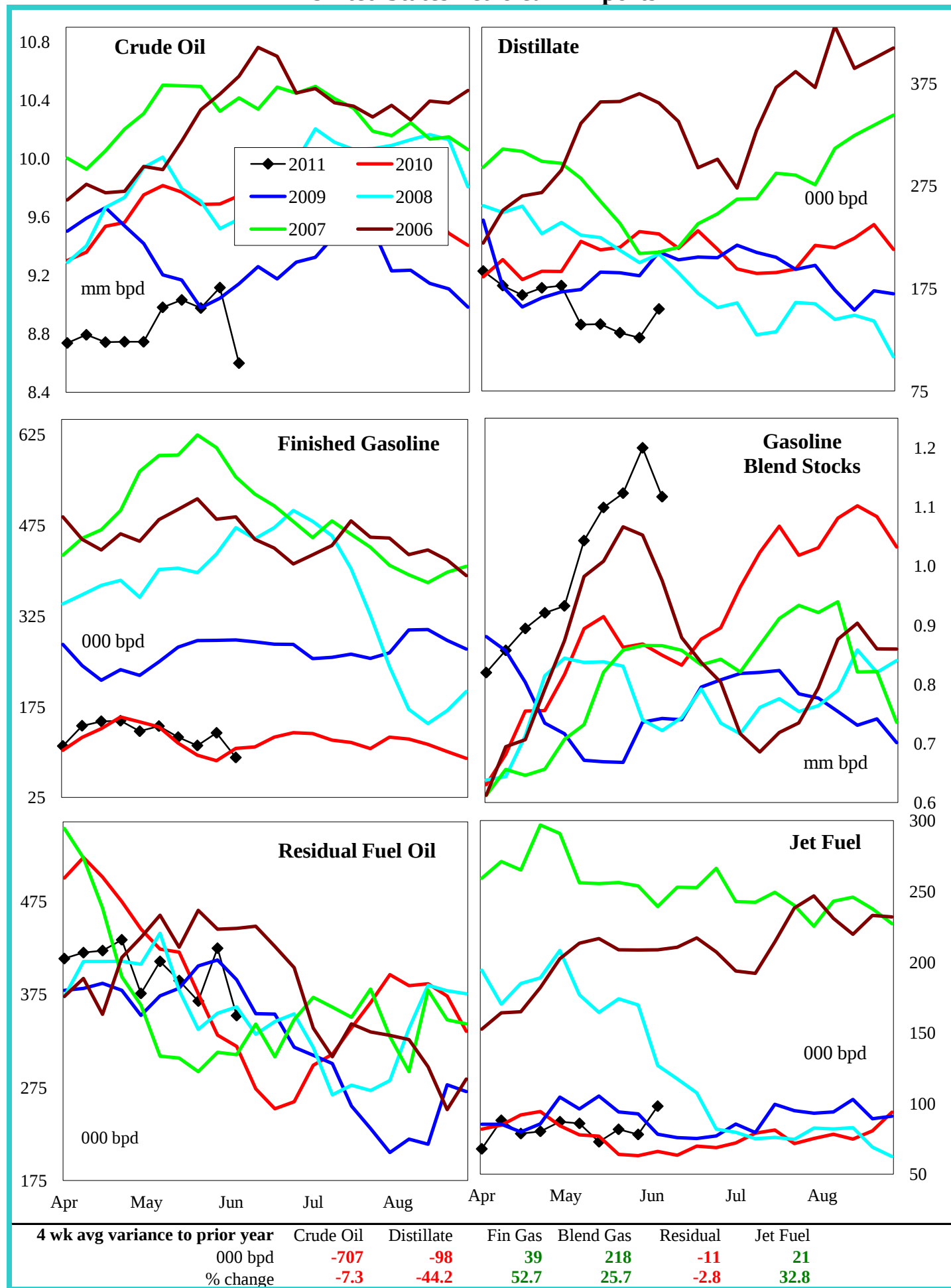


United States Product Stocks: Days Forward Coverage

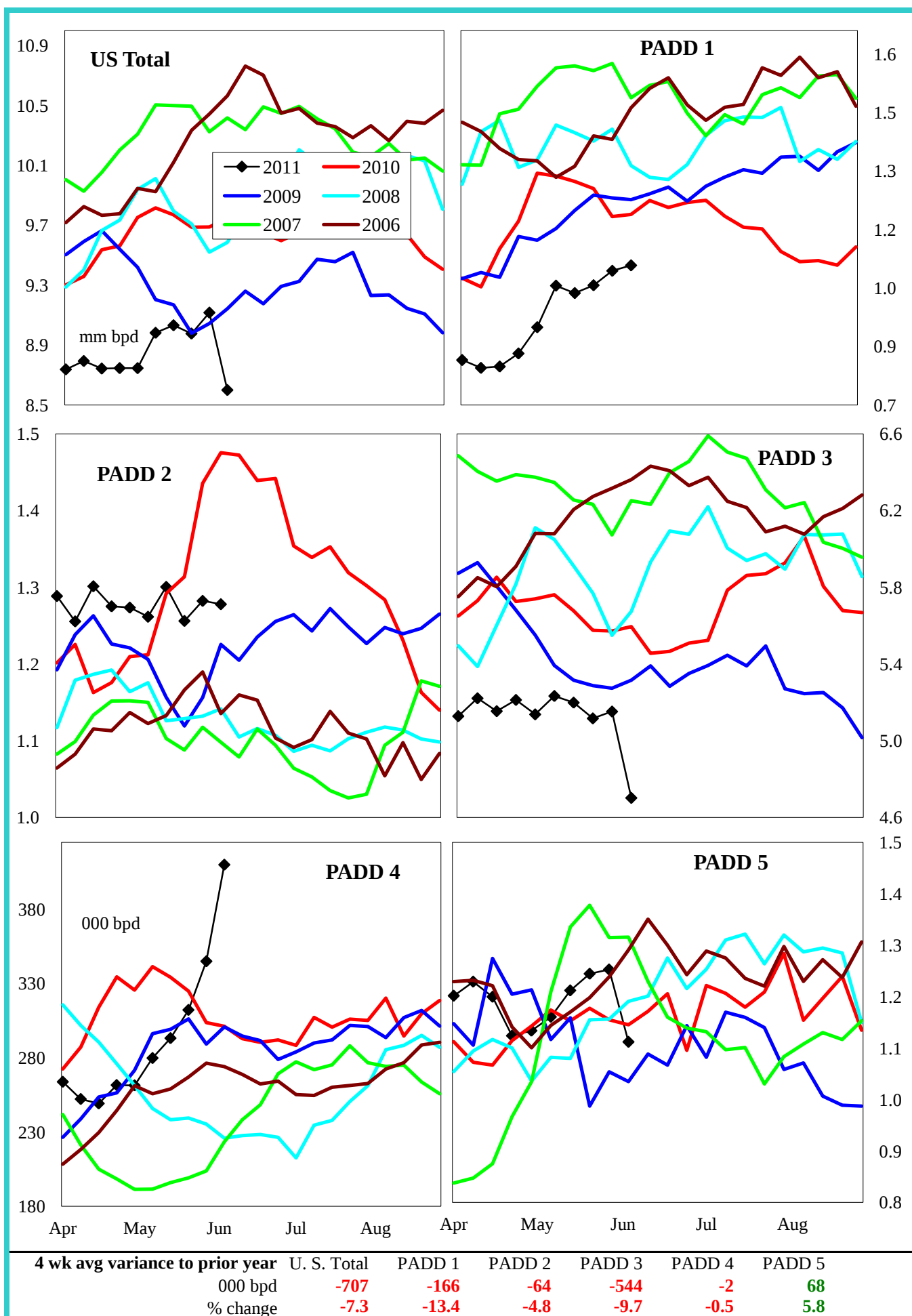
United States Refinery Percent Utilization Rate and Product Yields



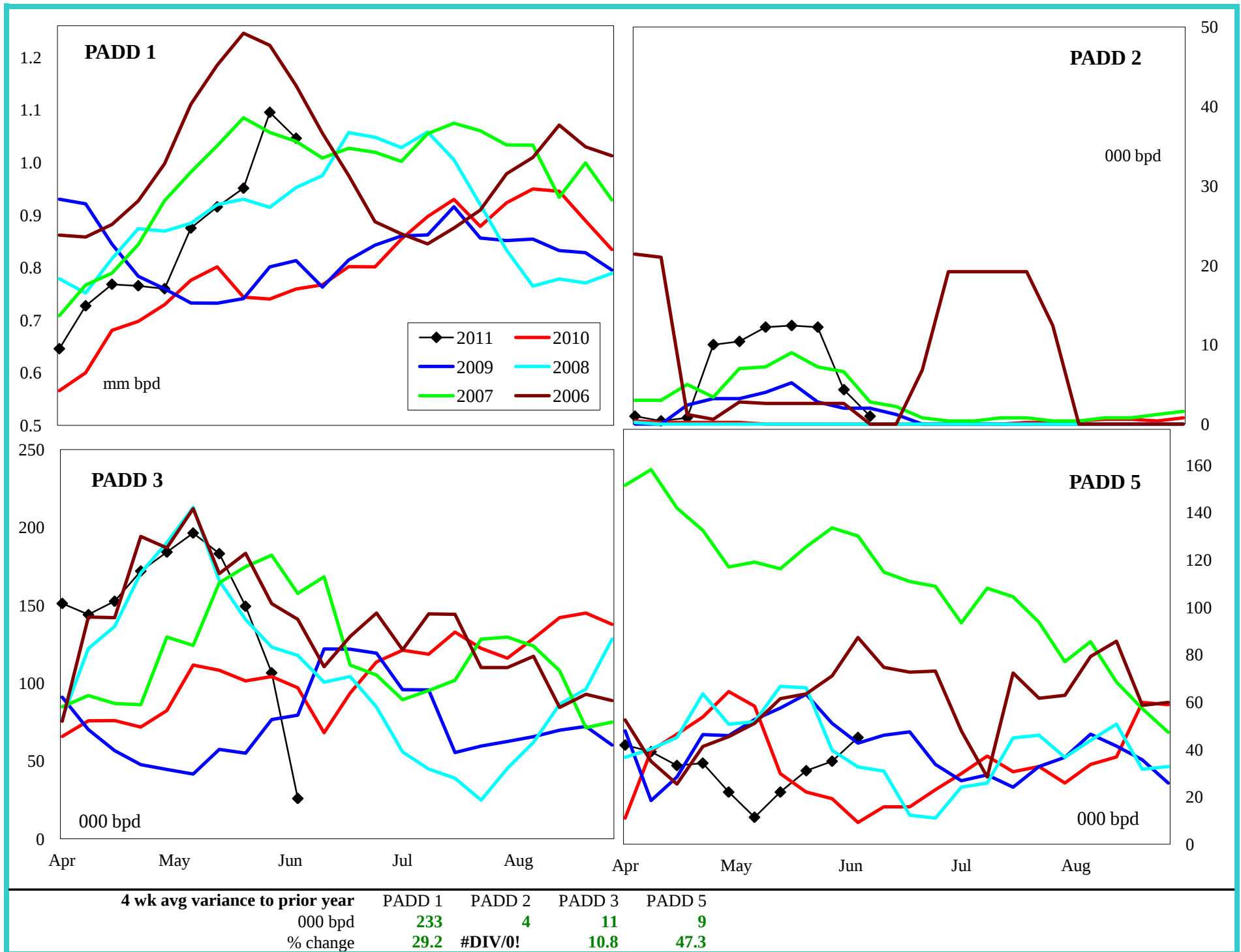
United States Petroleum Imports



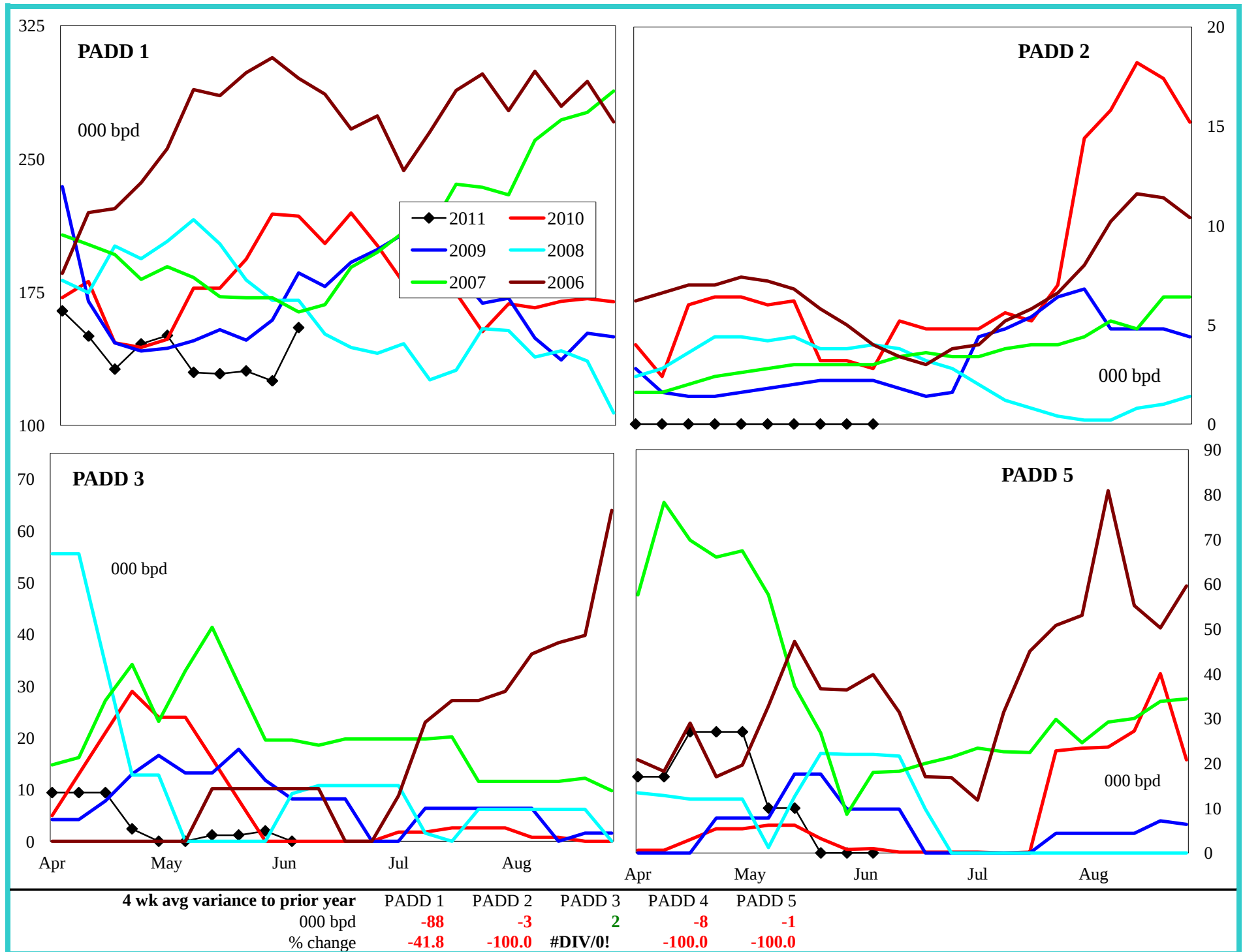
Crude Oil Imports by PADD



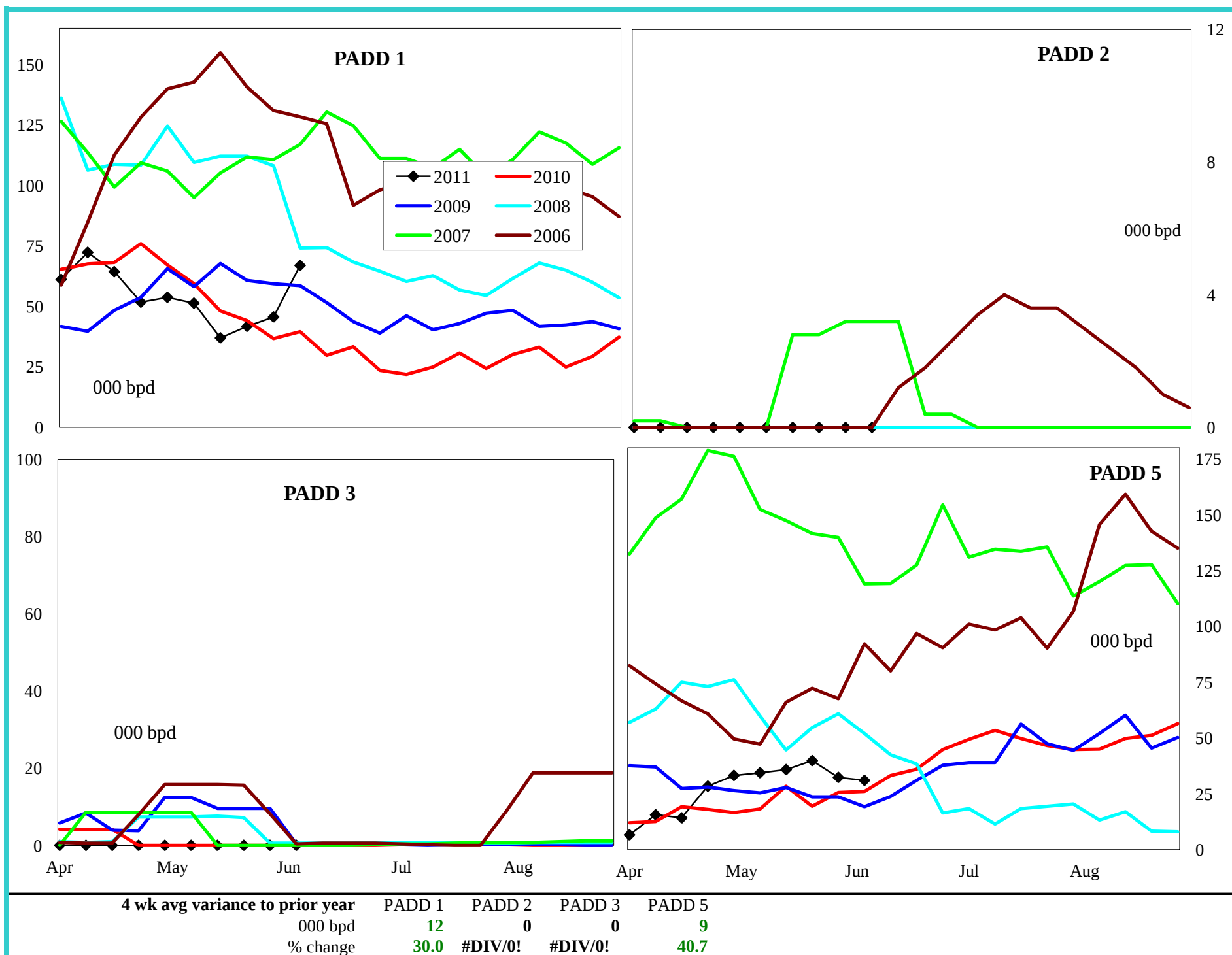
Gasoline Imports by PADD (Finished + Blend Stocks)



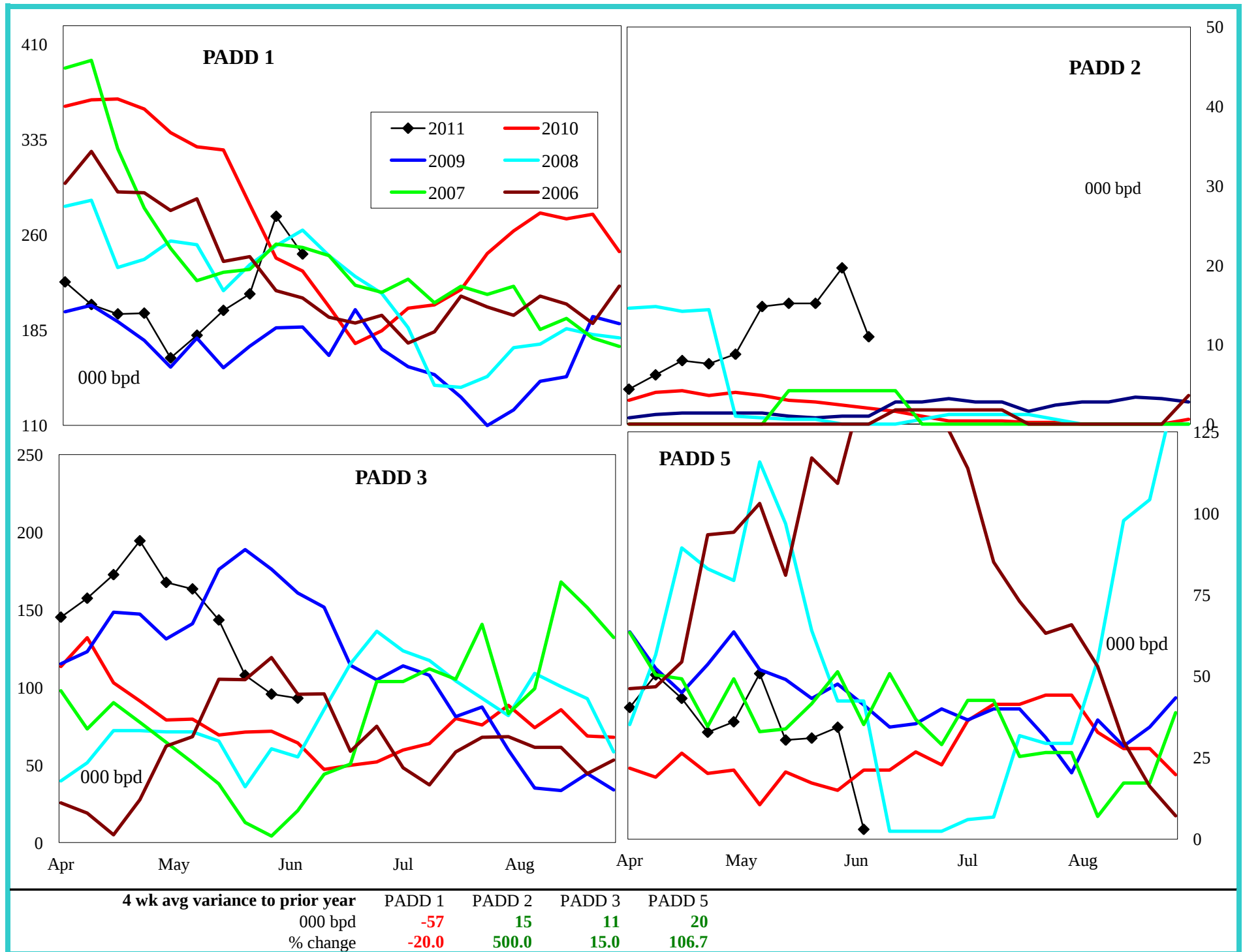
Distillate Imports by PADD



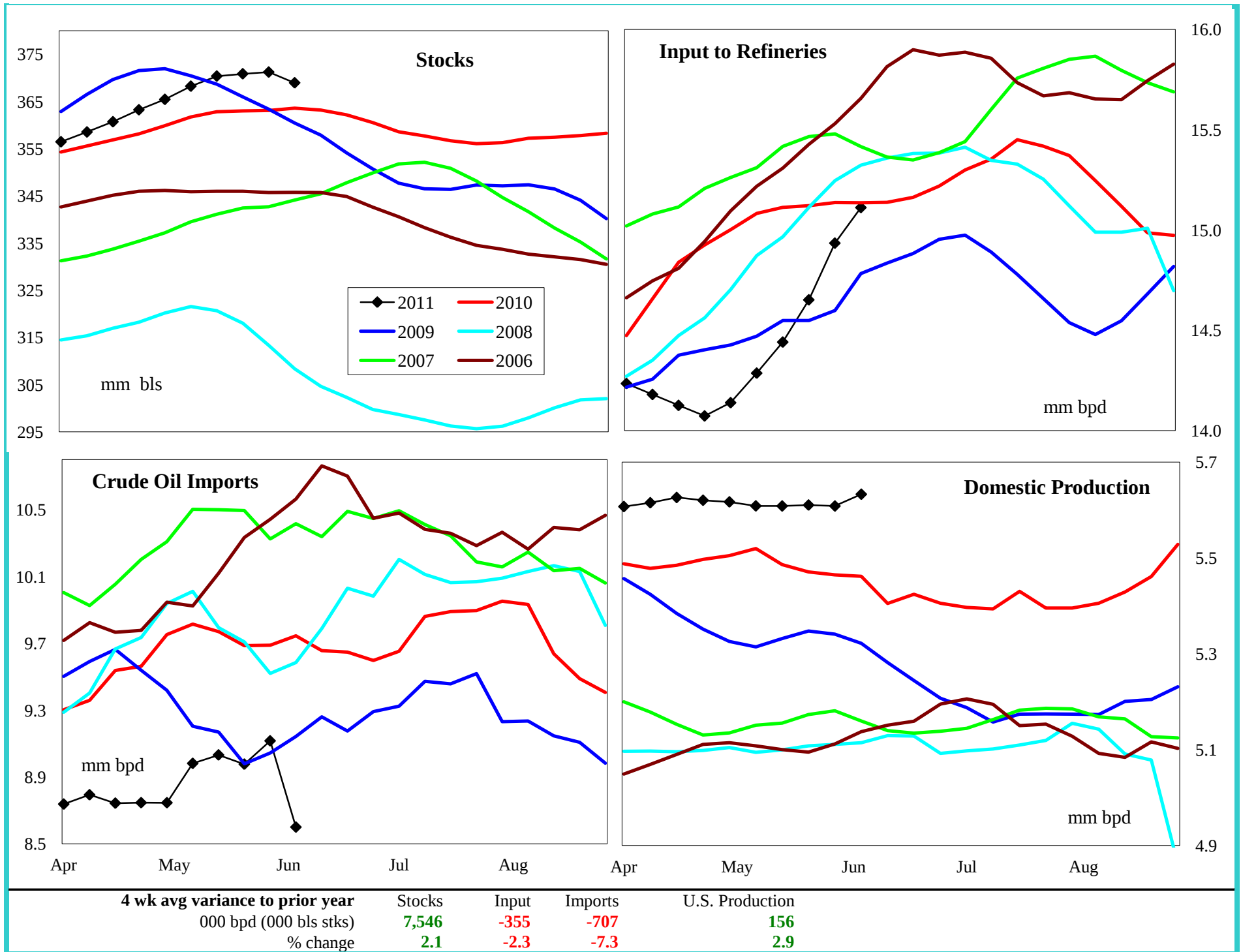
Jet Fuel Imports by PADD



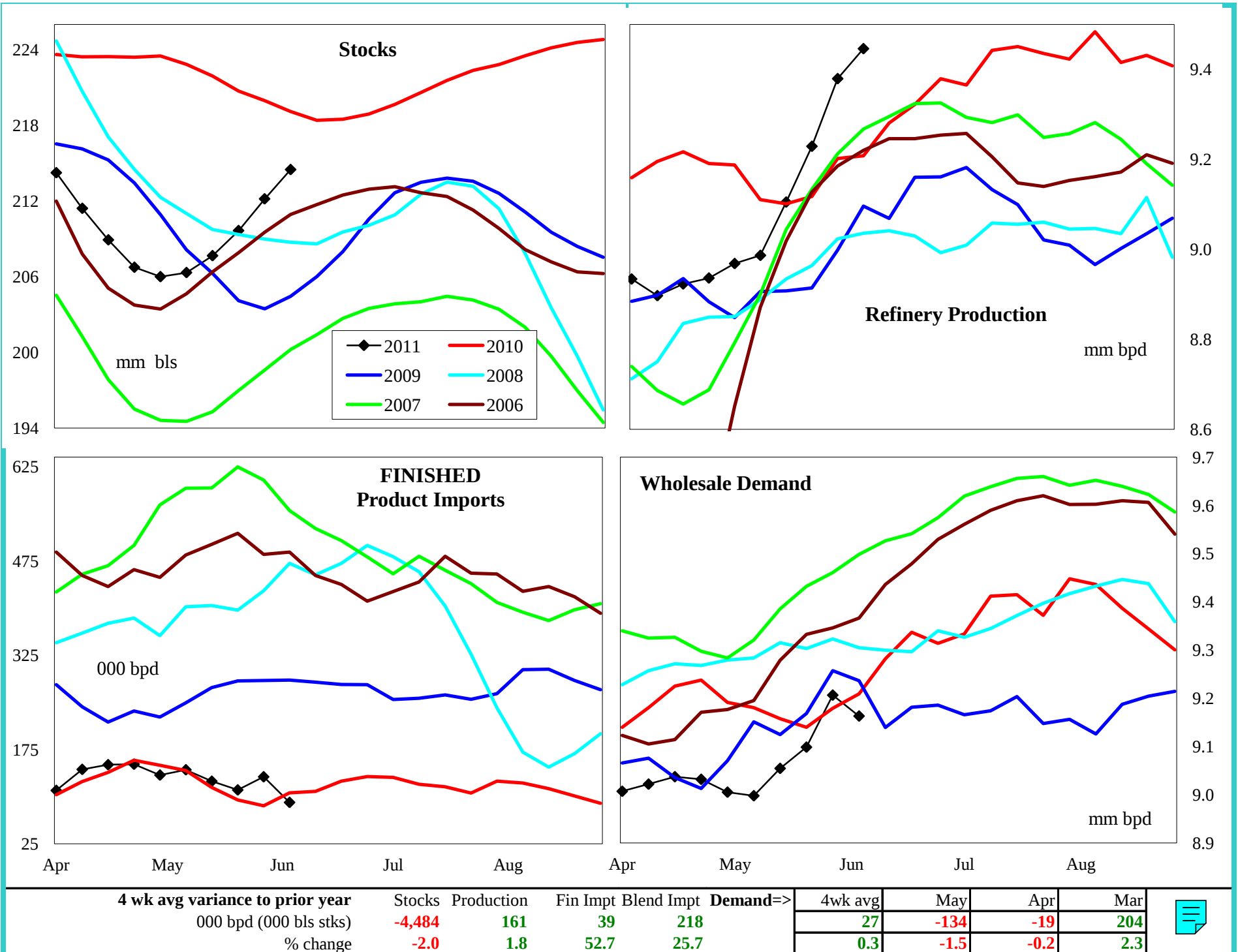
Residual Fuel Oil Imports by PADD



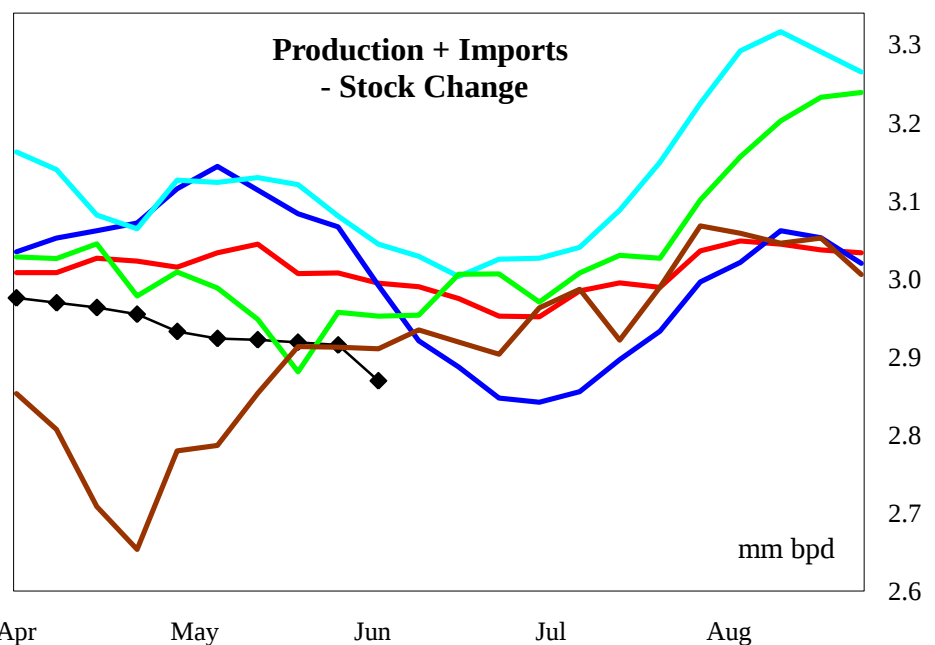
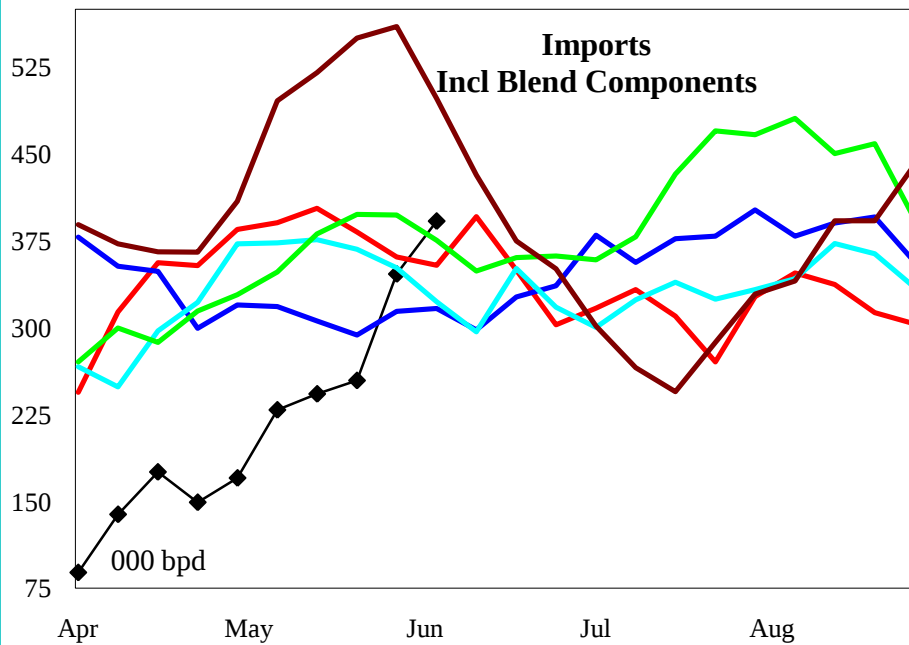
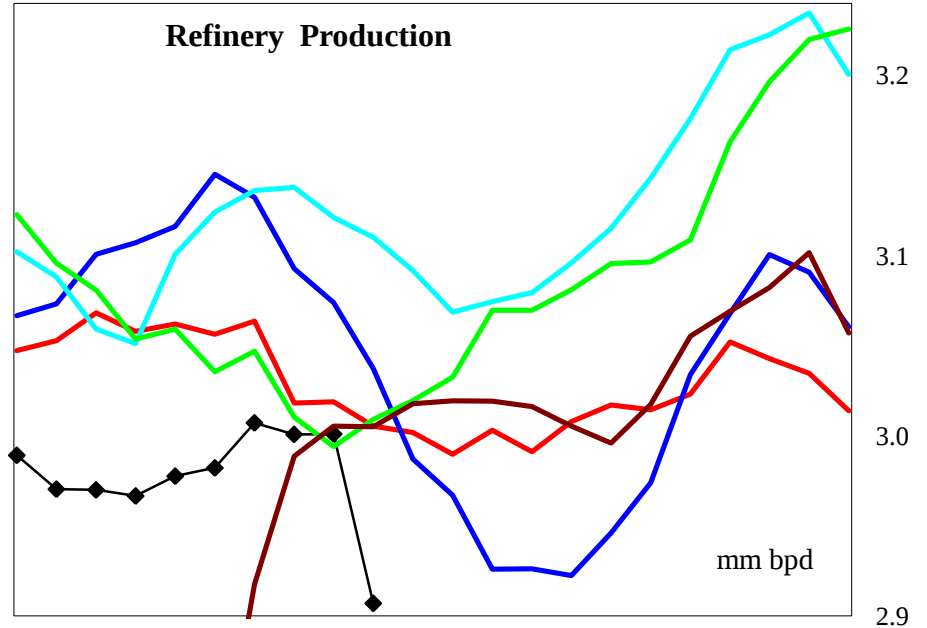
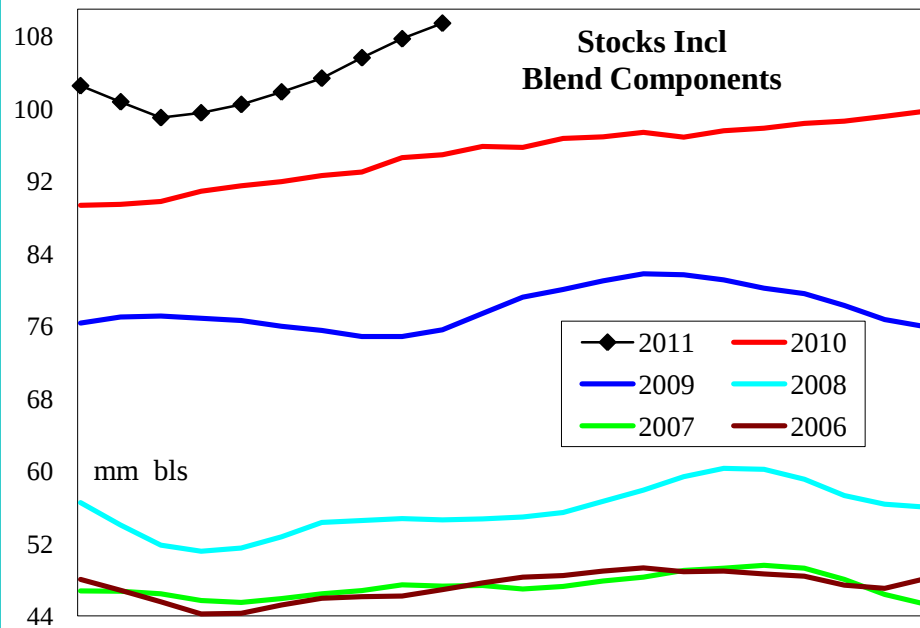
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



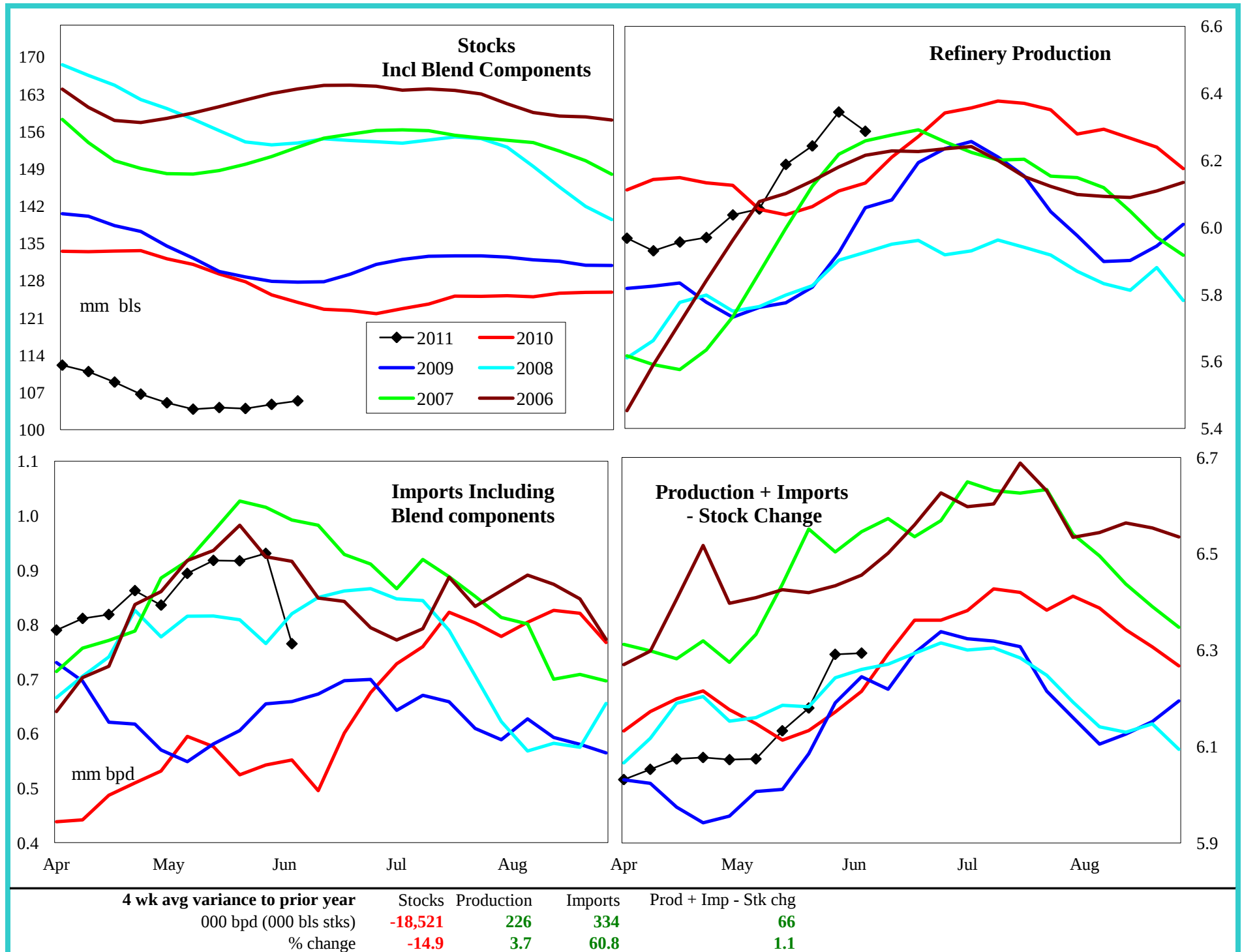
United States Reformulated Gasoline Supply



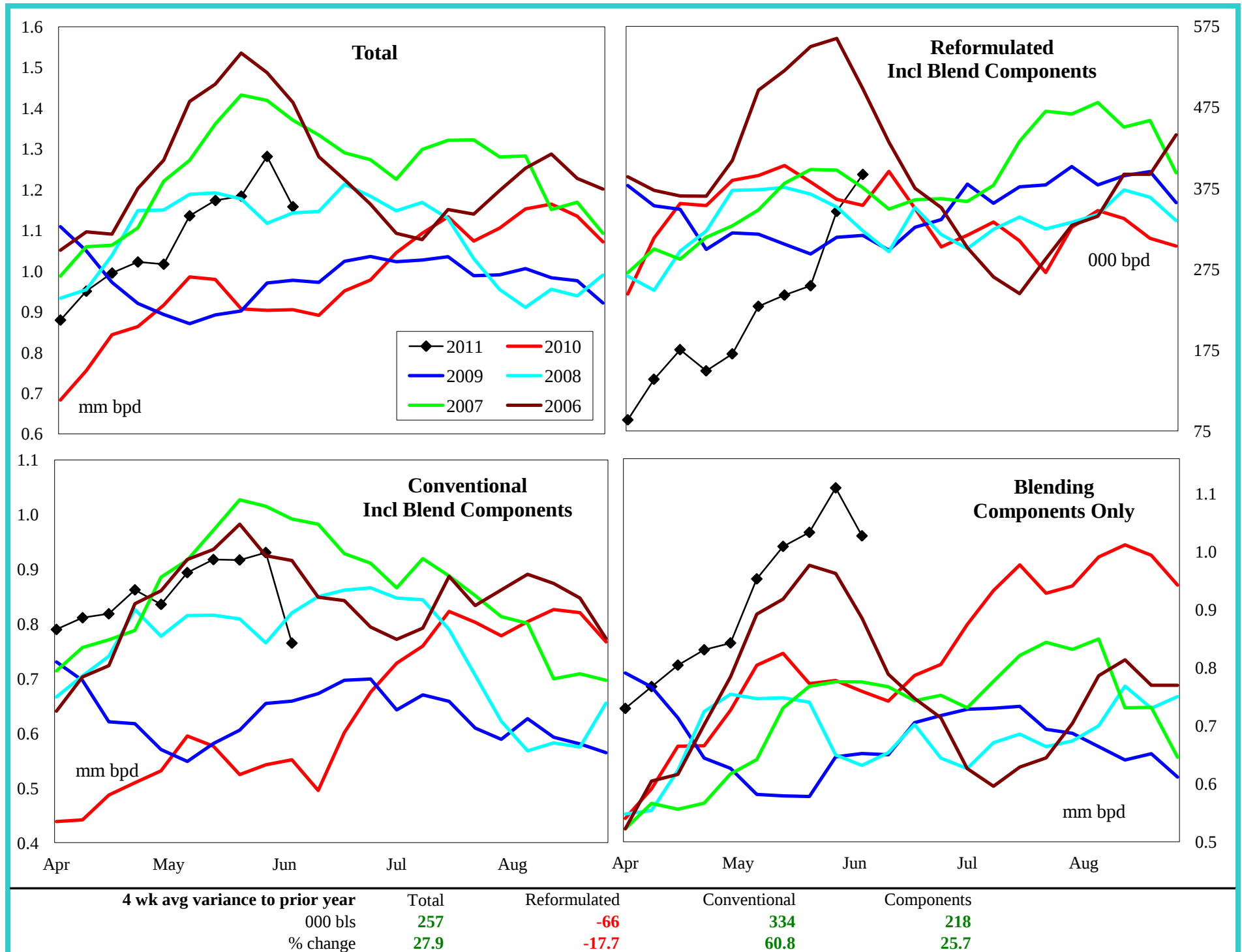
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
14,534	-16	-66	-107
15.3	-0.5	-17.7	-3.5

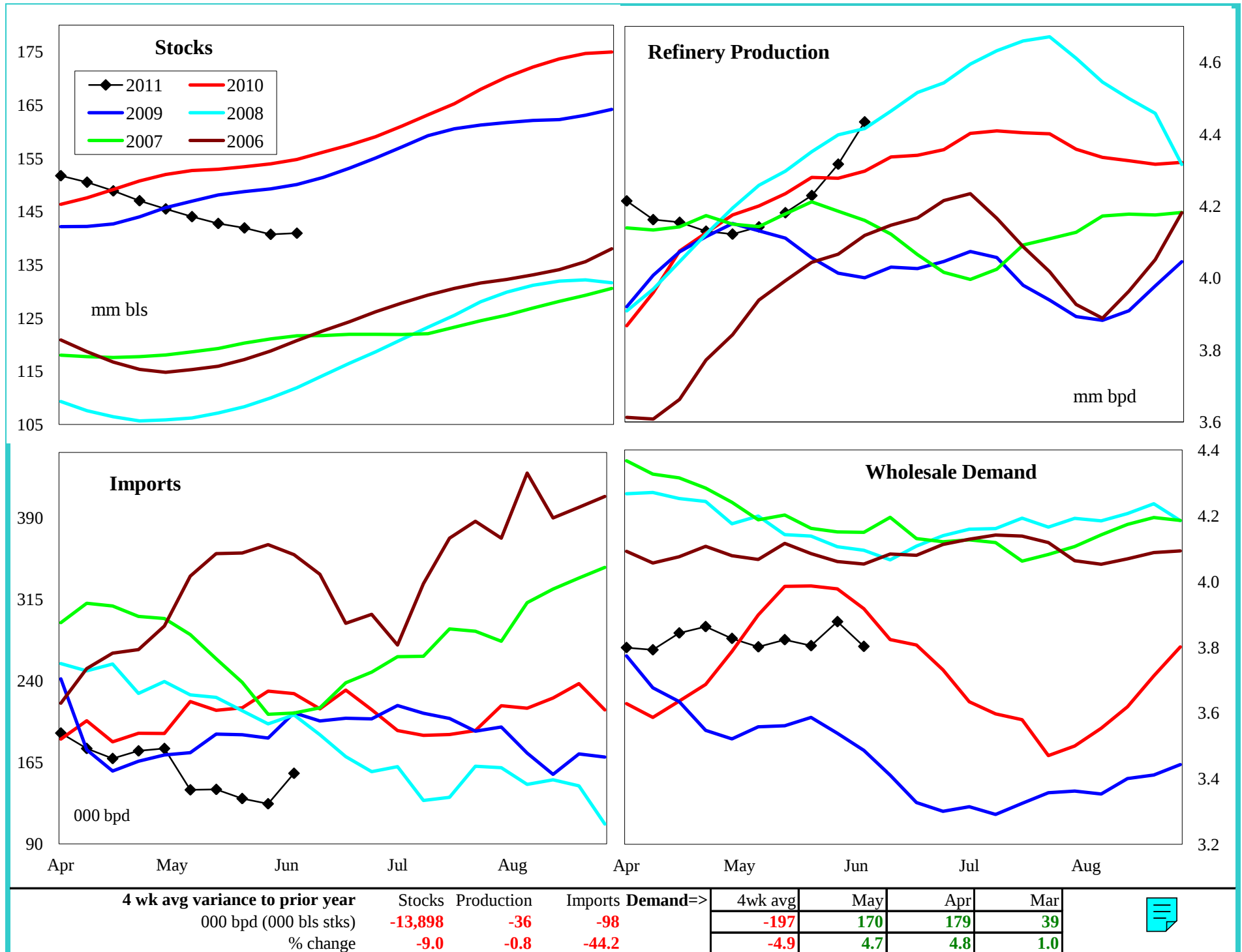
United States Conventional Gasoline Supply



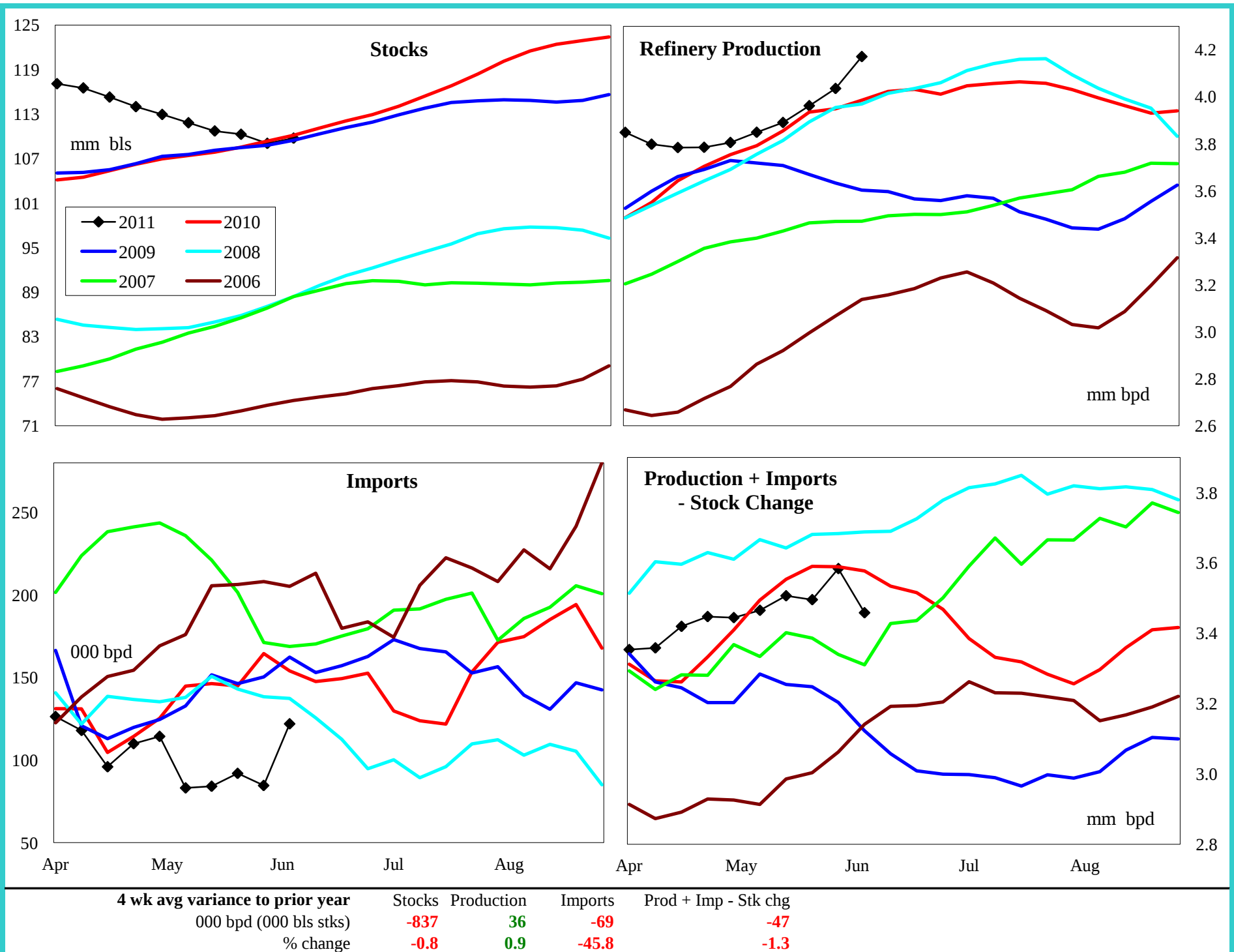
United States Gasoline Imports by Type



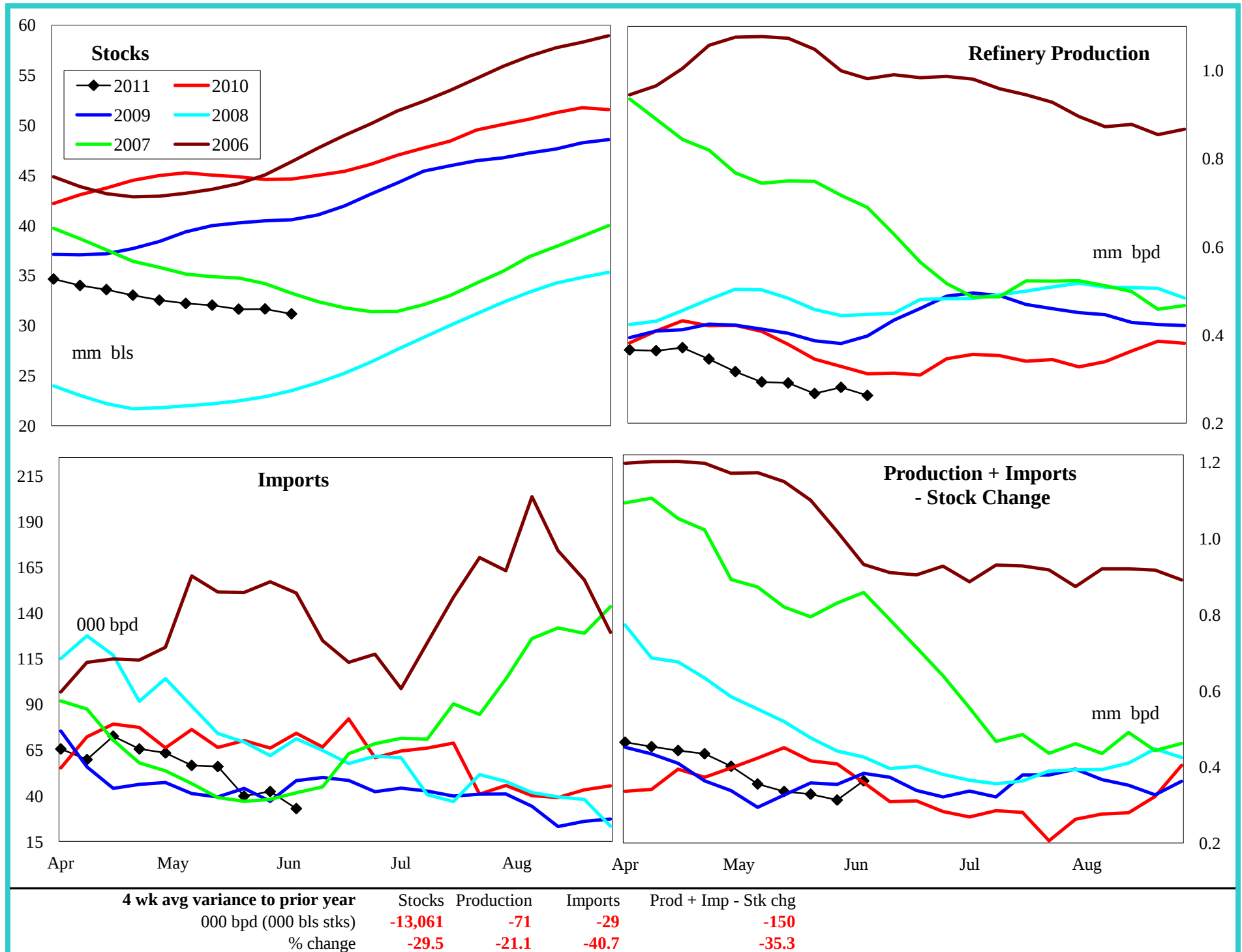
United States Distillate Supply and Demand Balance



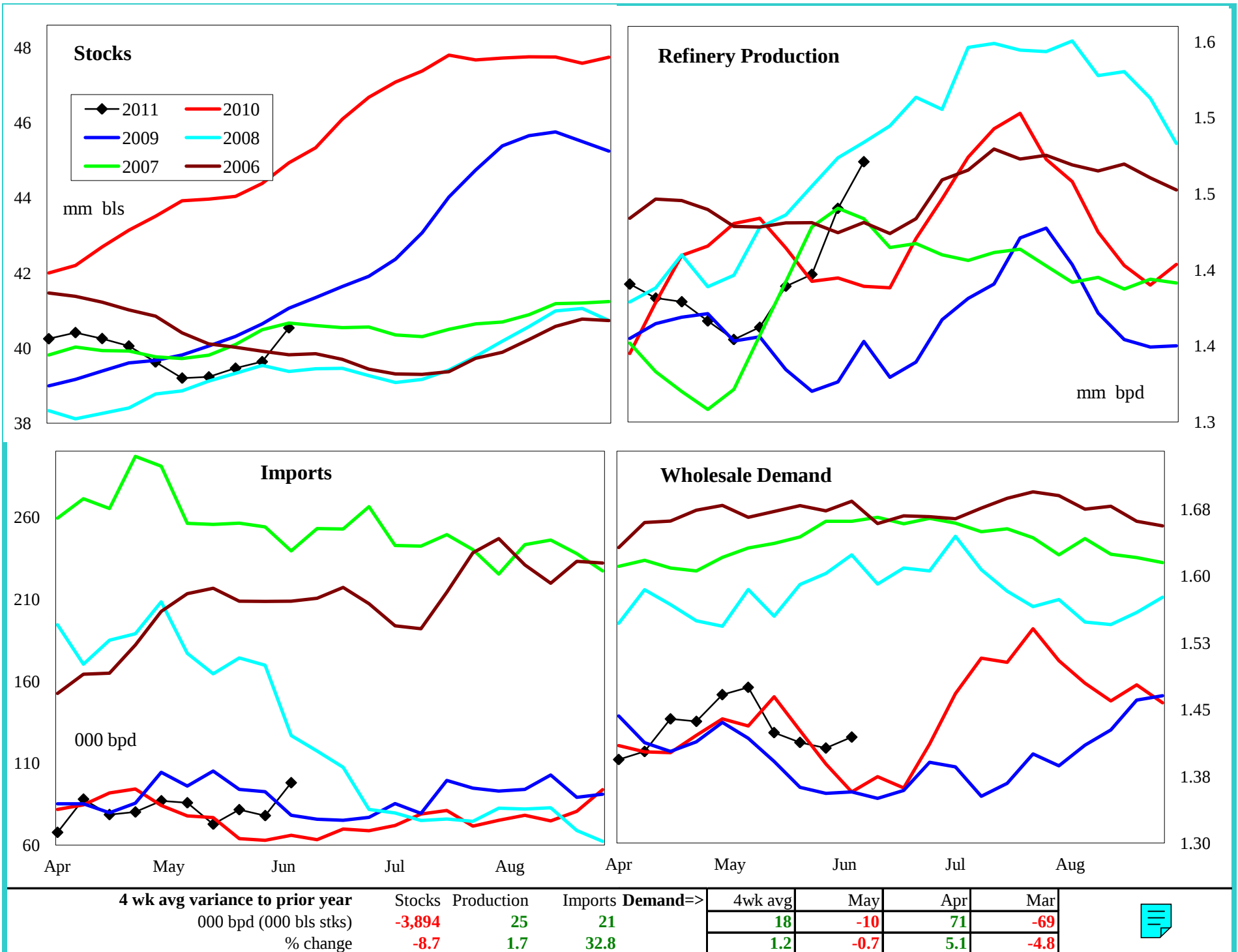
United States Low Sulfur Distillate Supply



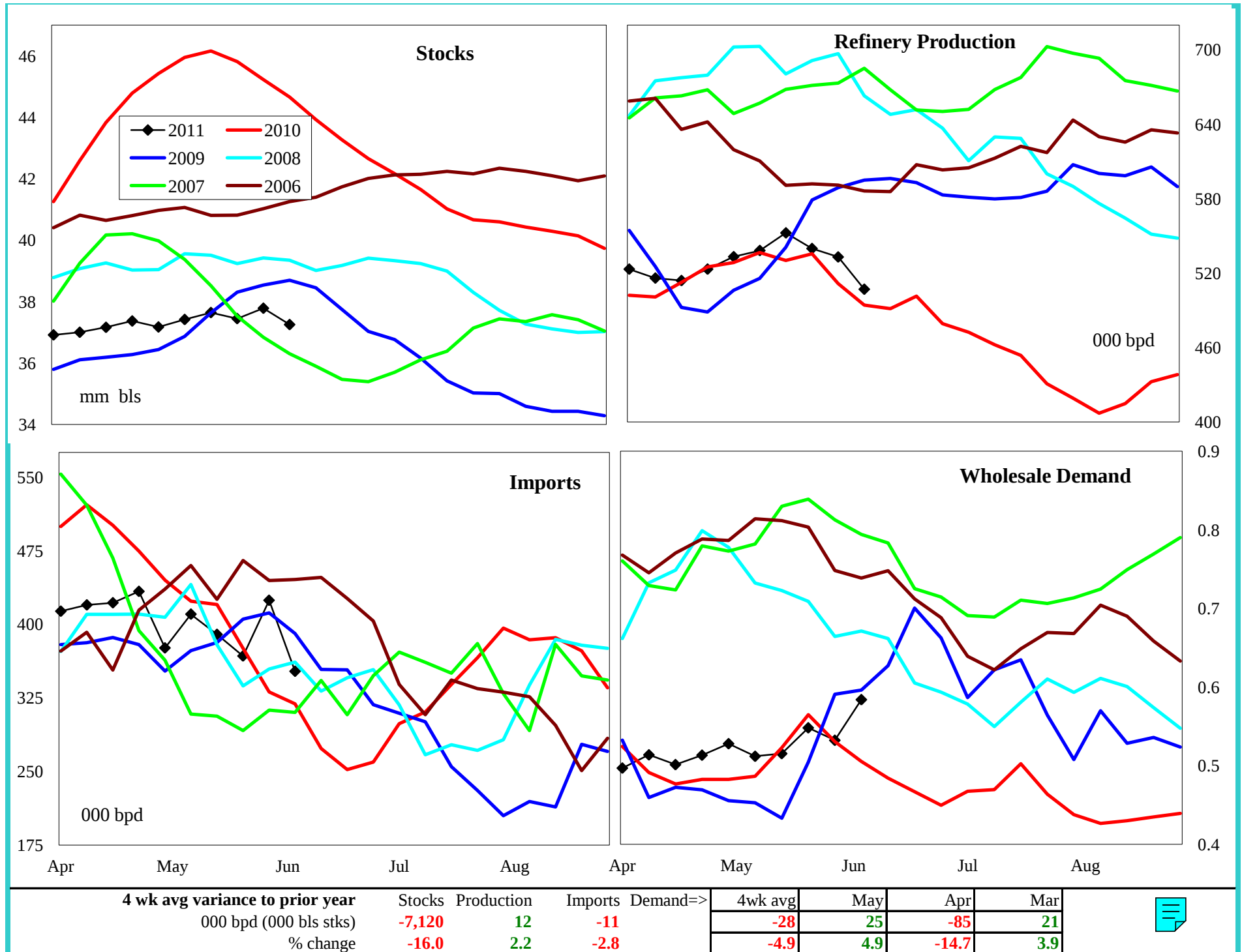
United States High Sulfur Distillate Supply



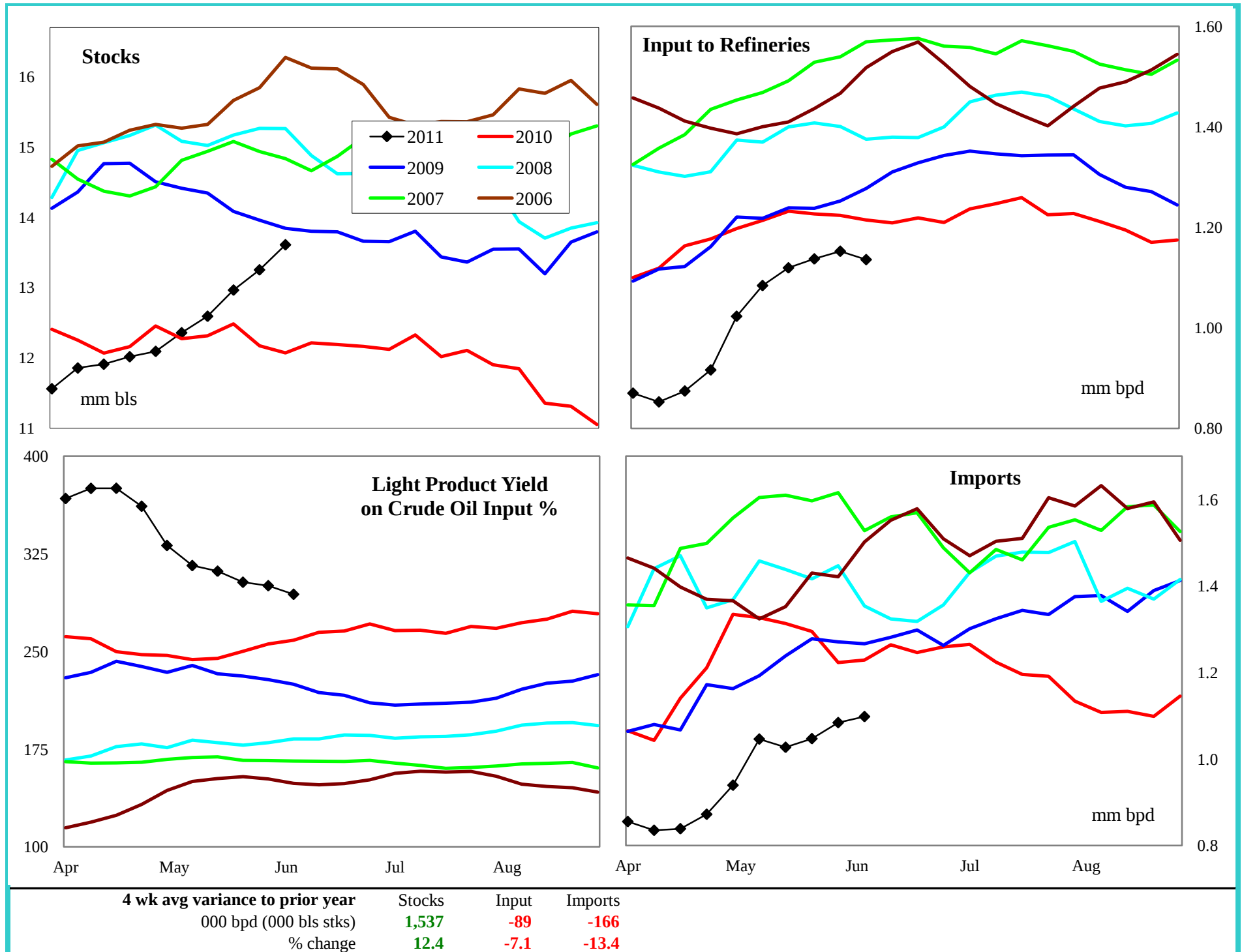
United States Jet Fuel Supply and Demand Balance



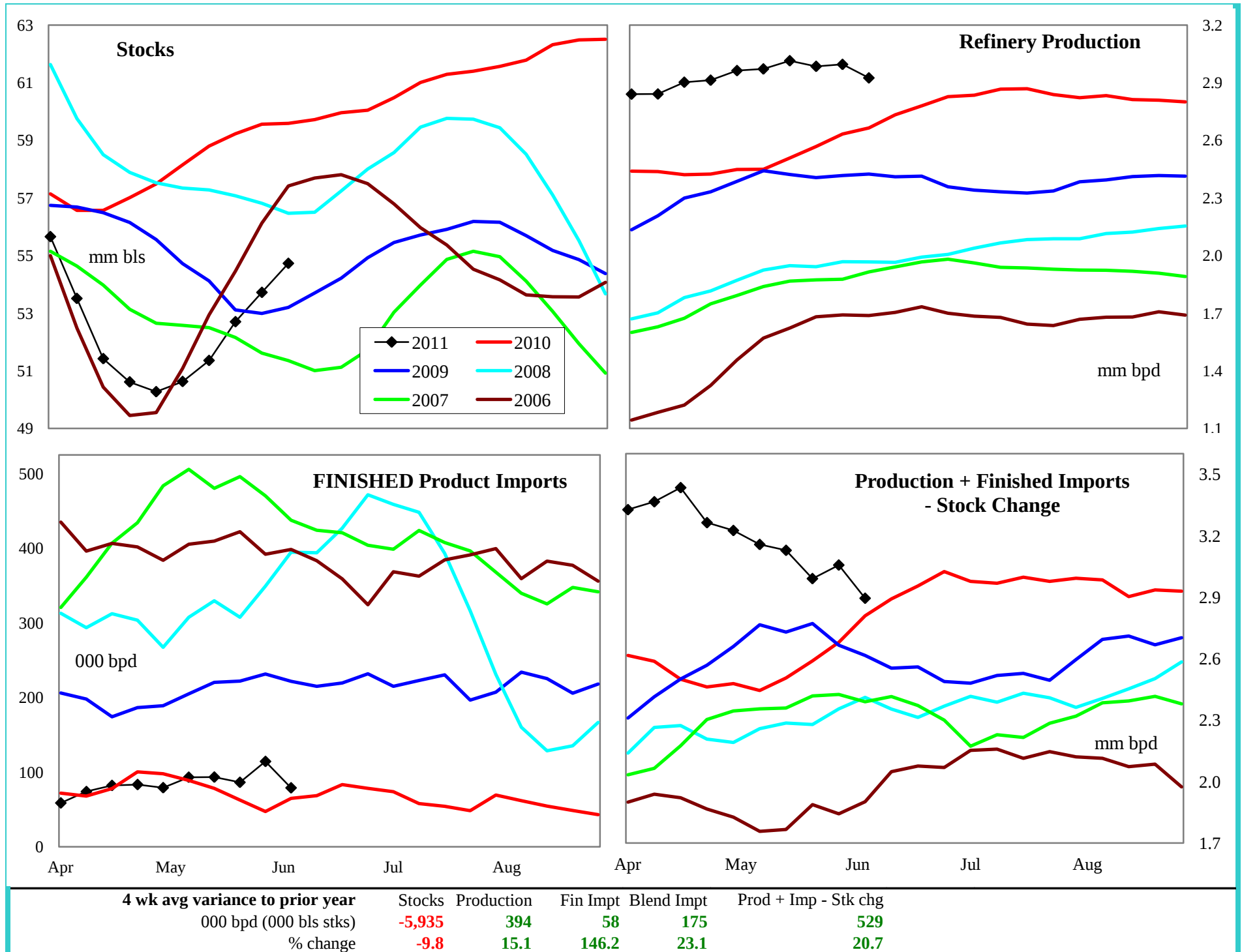
United States Residual Fuel Oil Supply and Demand Balance



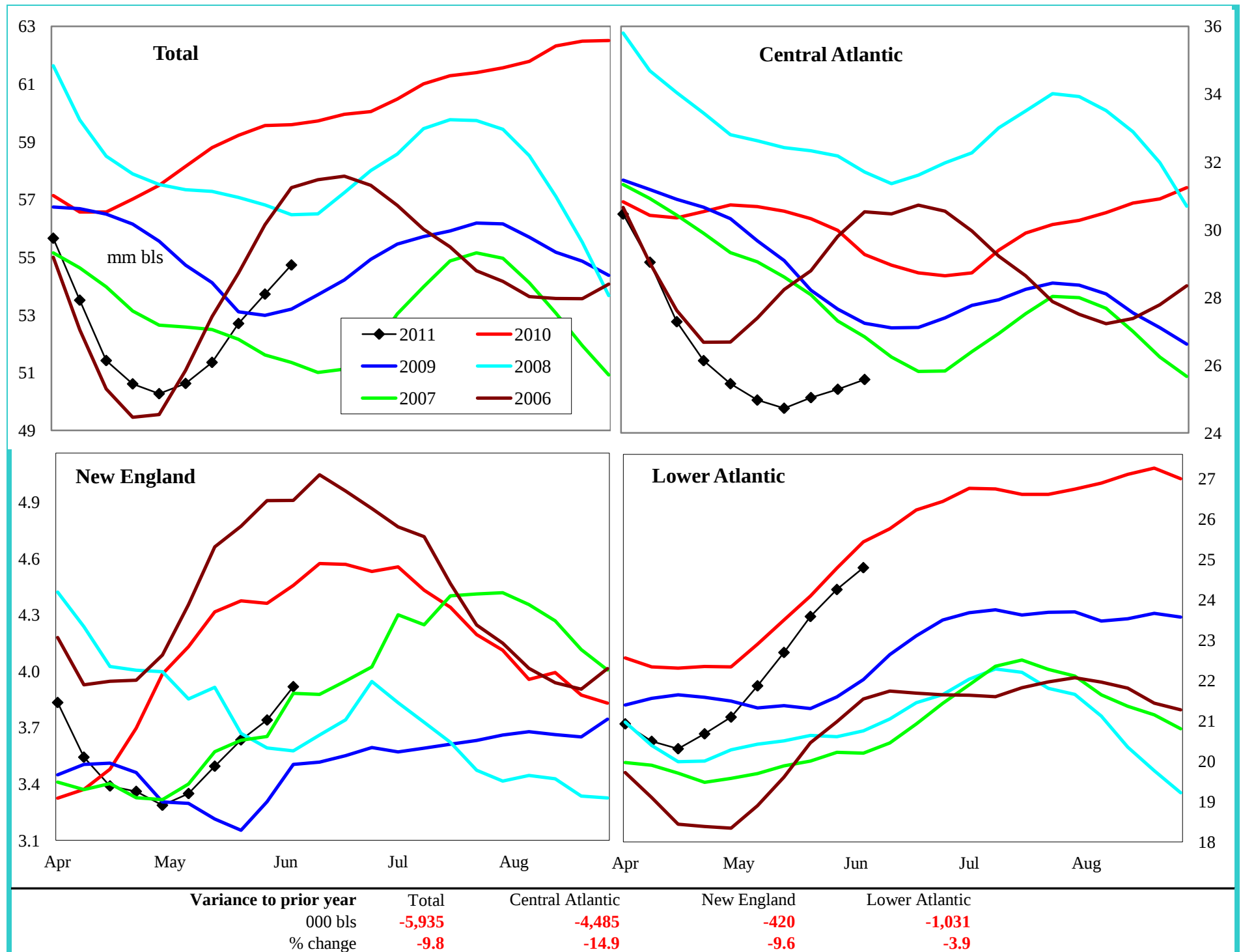
PADD 1 Crude Oil Supply and Refining



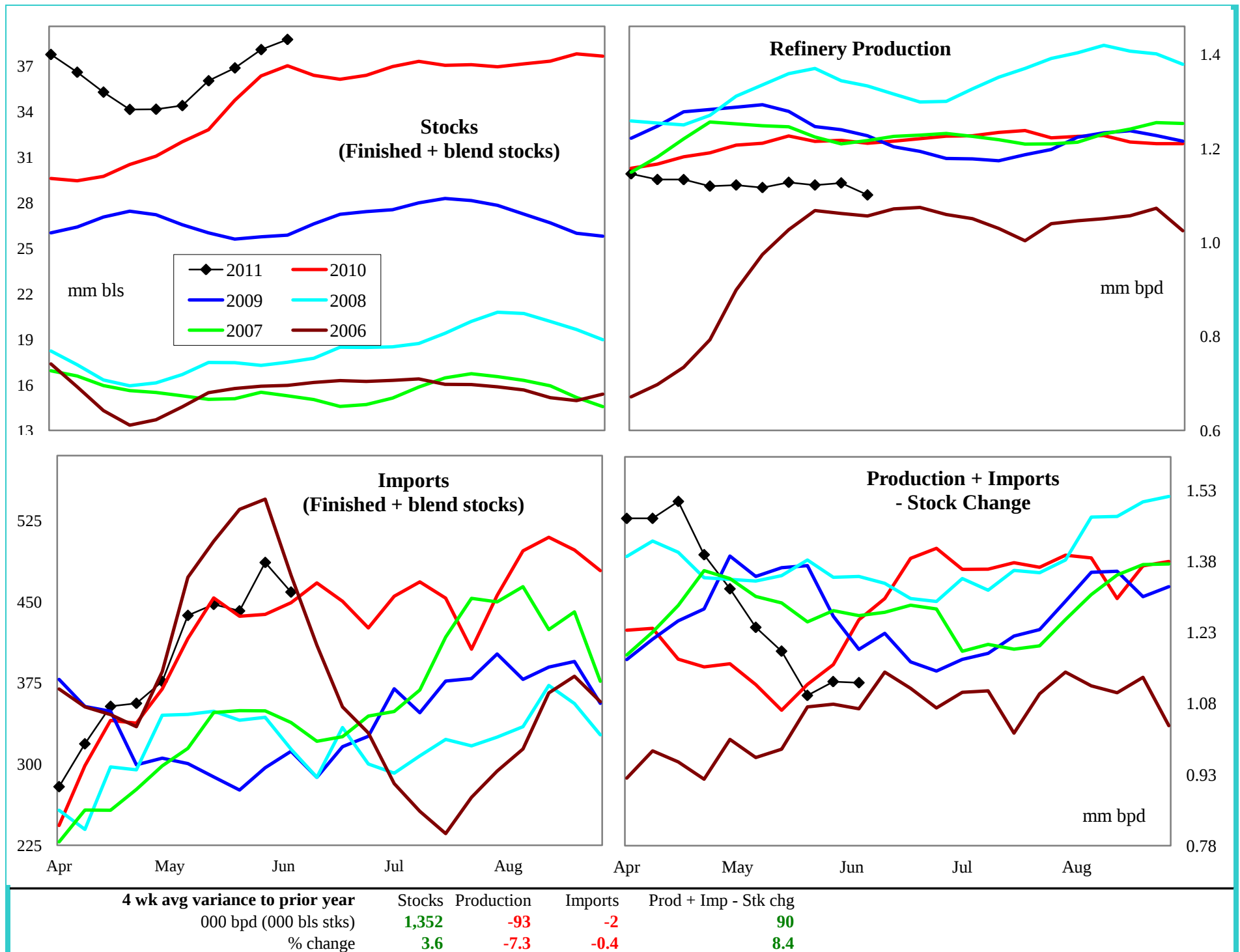
PADD 1 Gasoline Supply



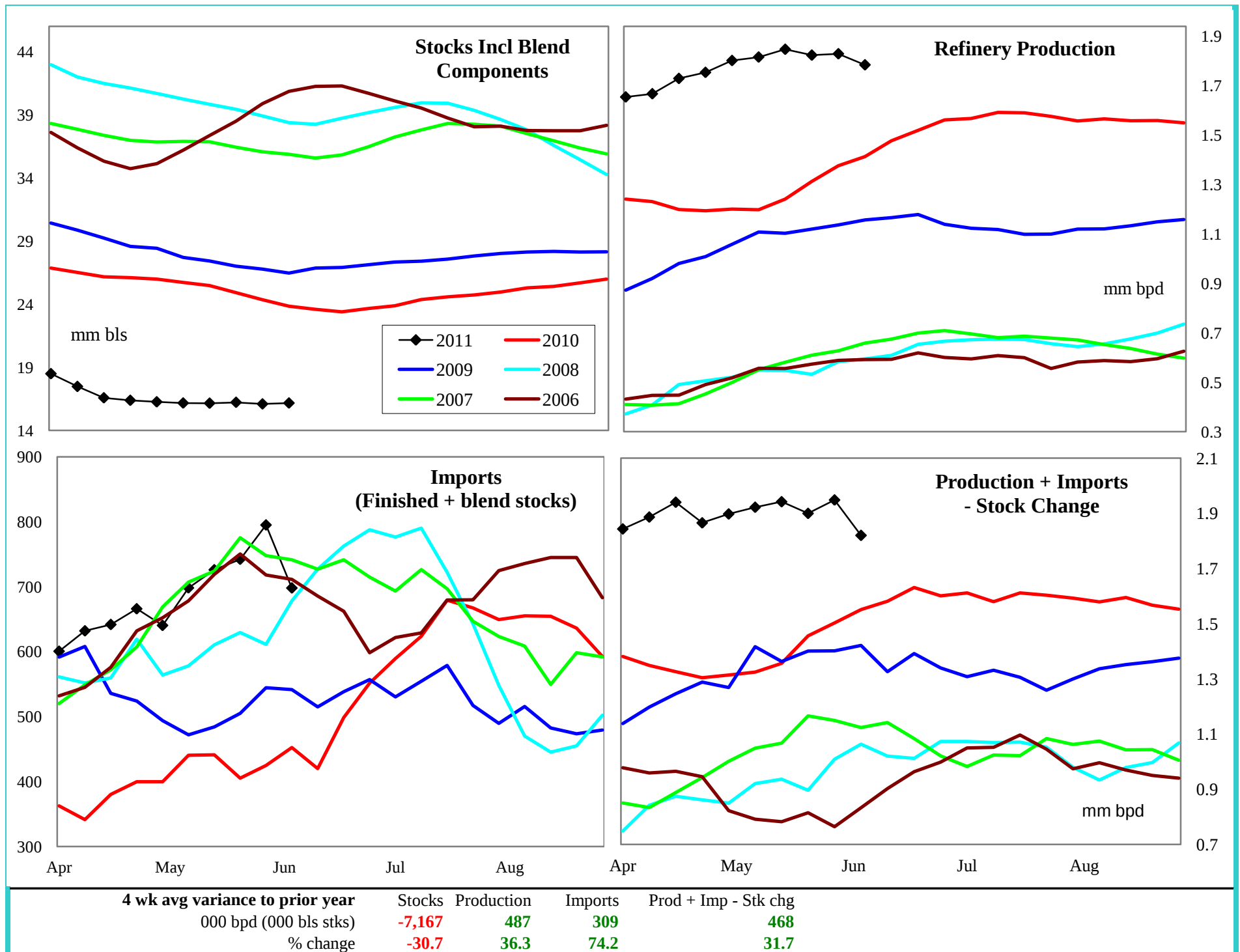
PADD 1 Gasoline Stocks by Region



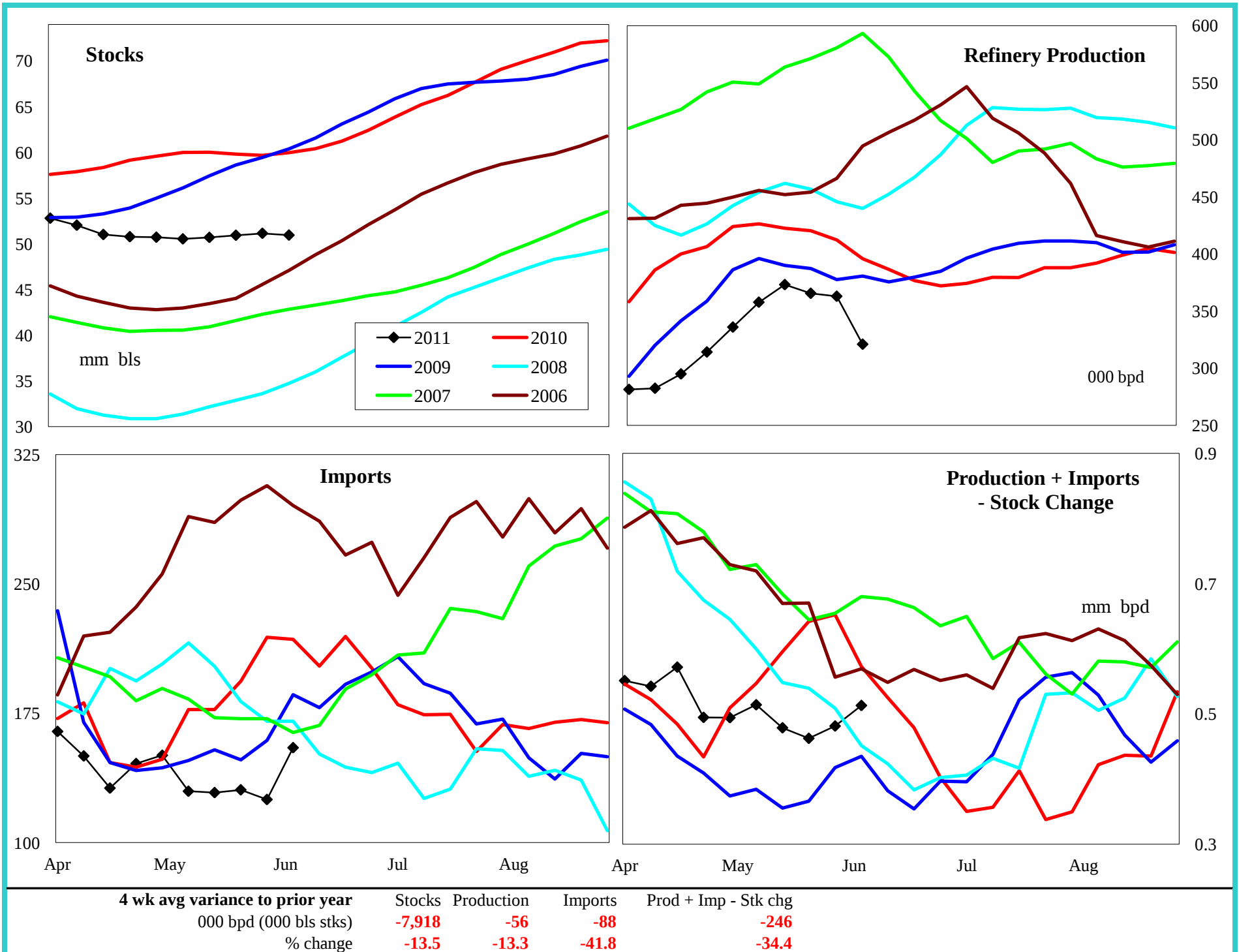
PADD 1 Reformulated Gasoline Supply



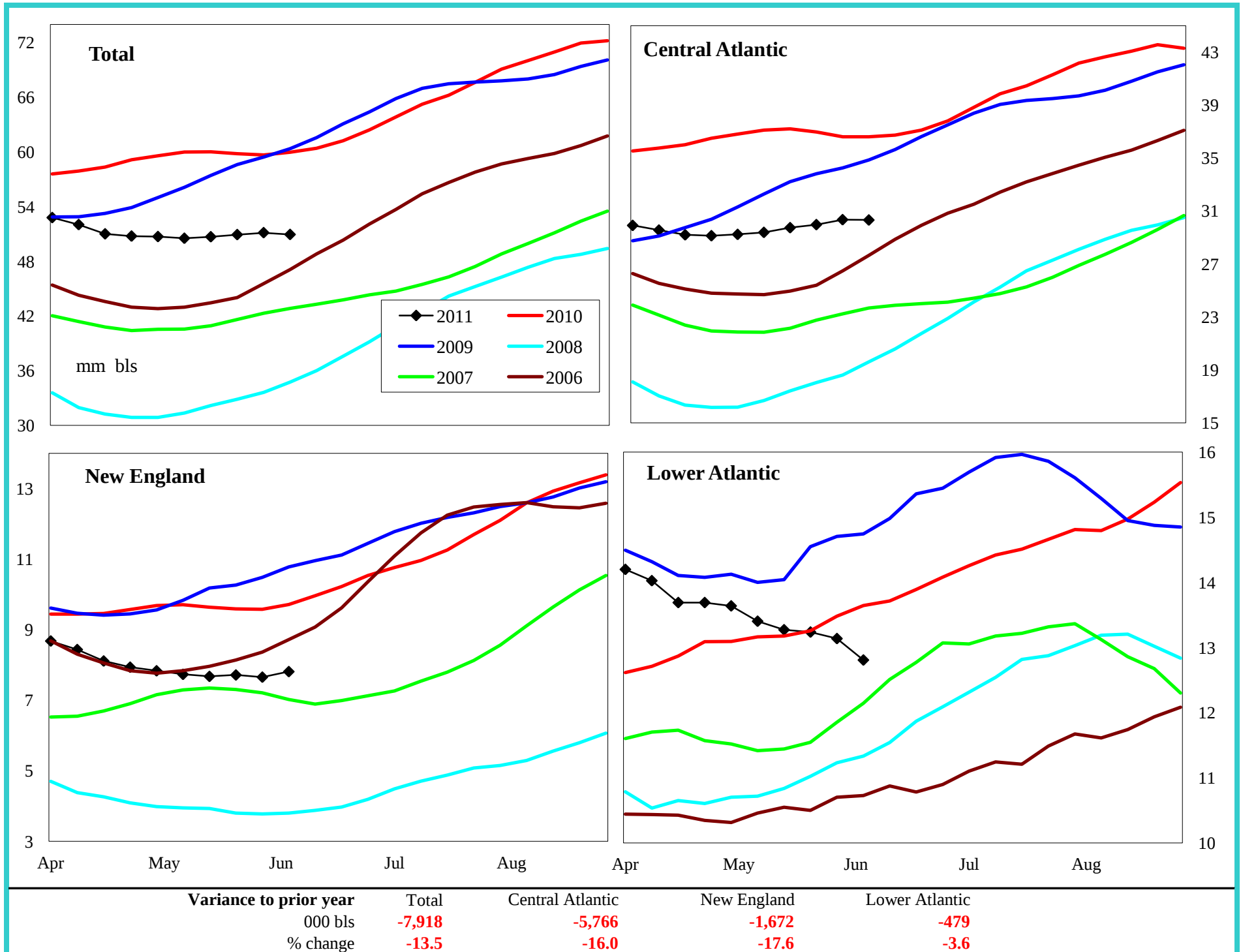
PADD 1 Conventional Gasoline Supply



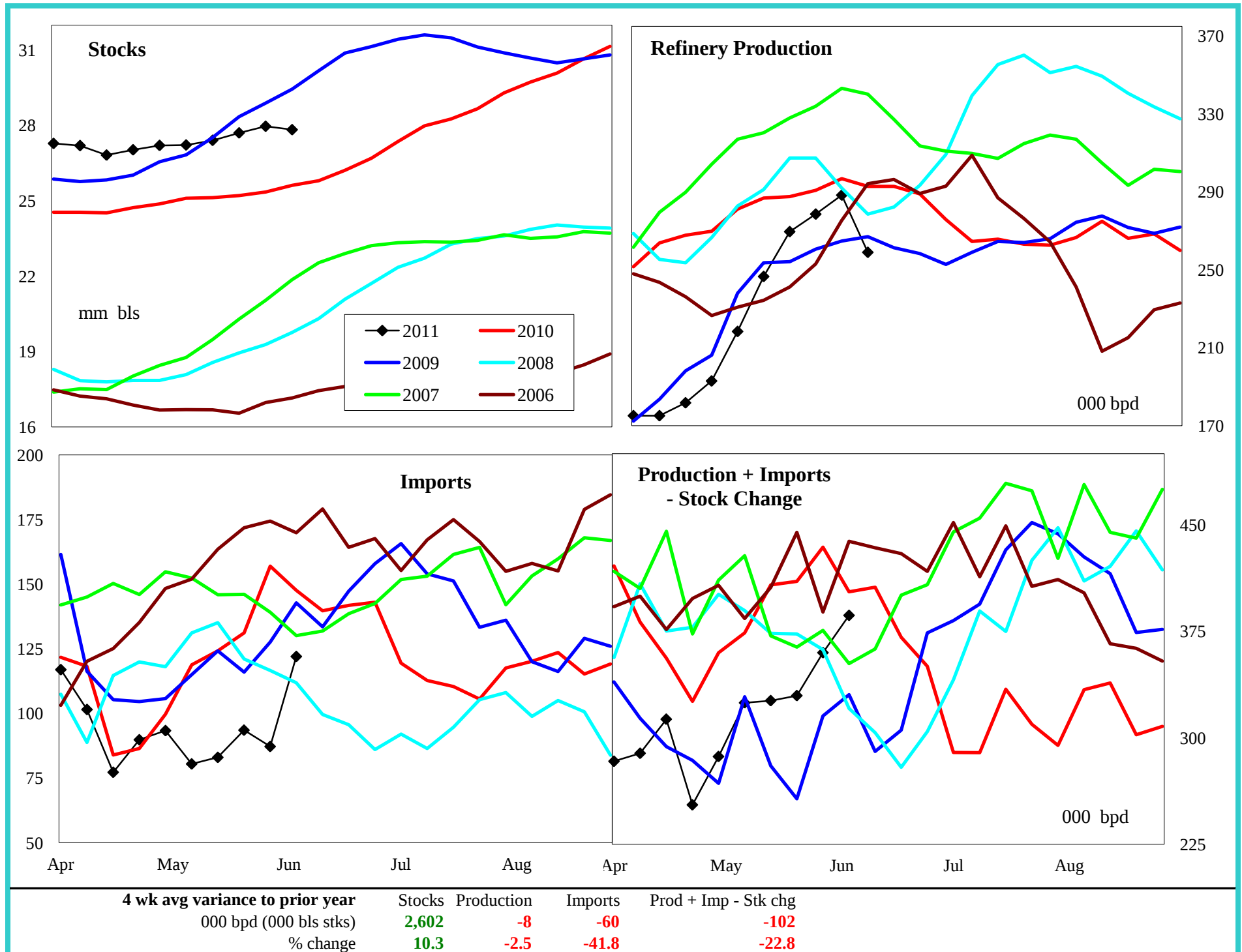
PADD 1 Distillate Supply



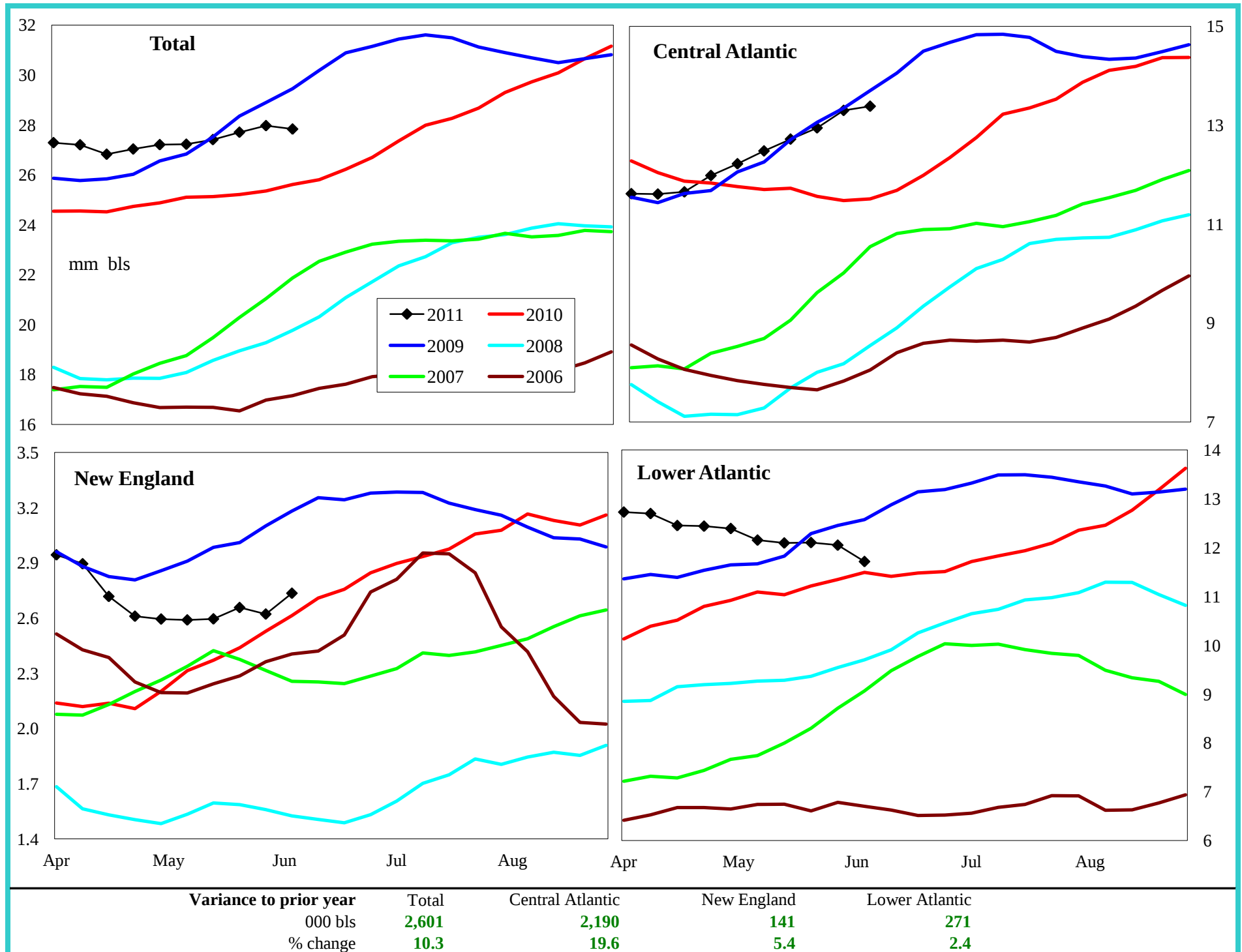
PADD 1 Distillate Stocks by Region



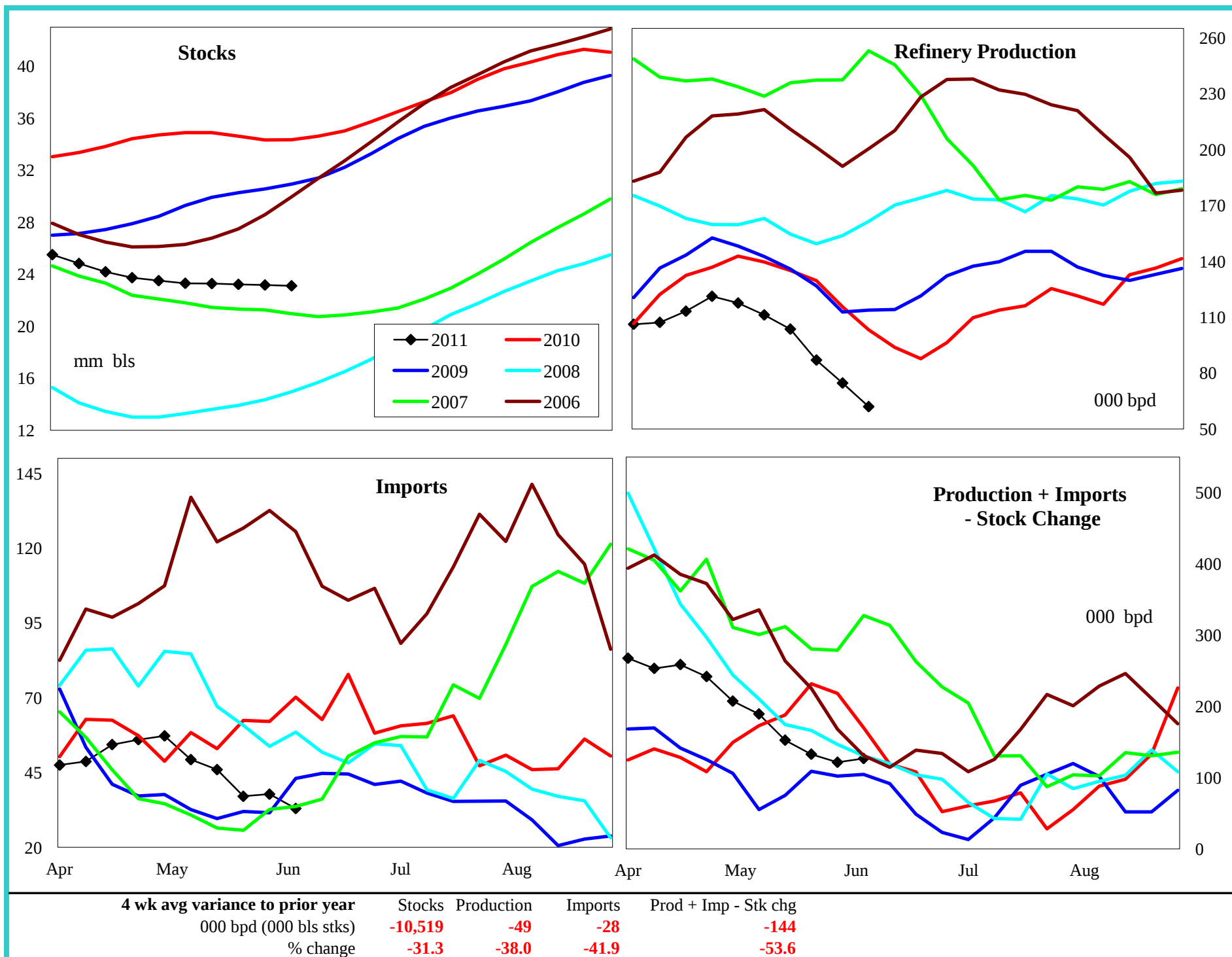
PADD 1 Low Sulfur Distillate Supply



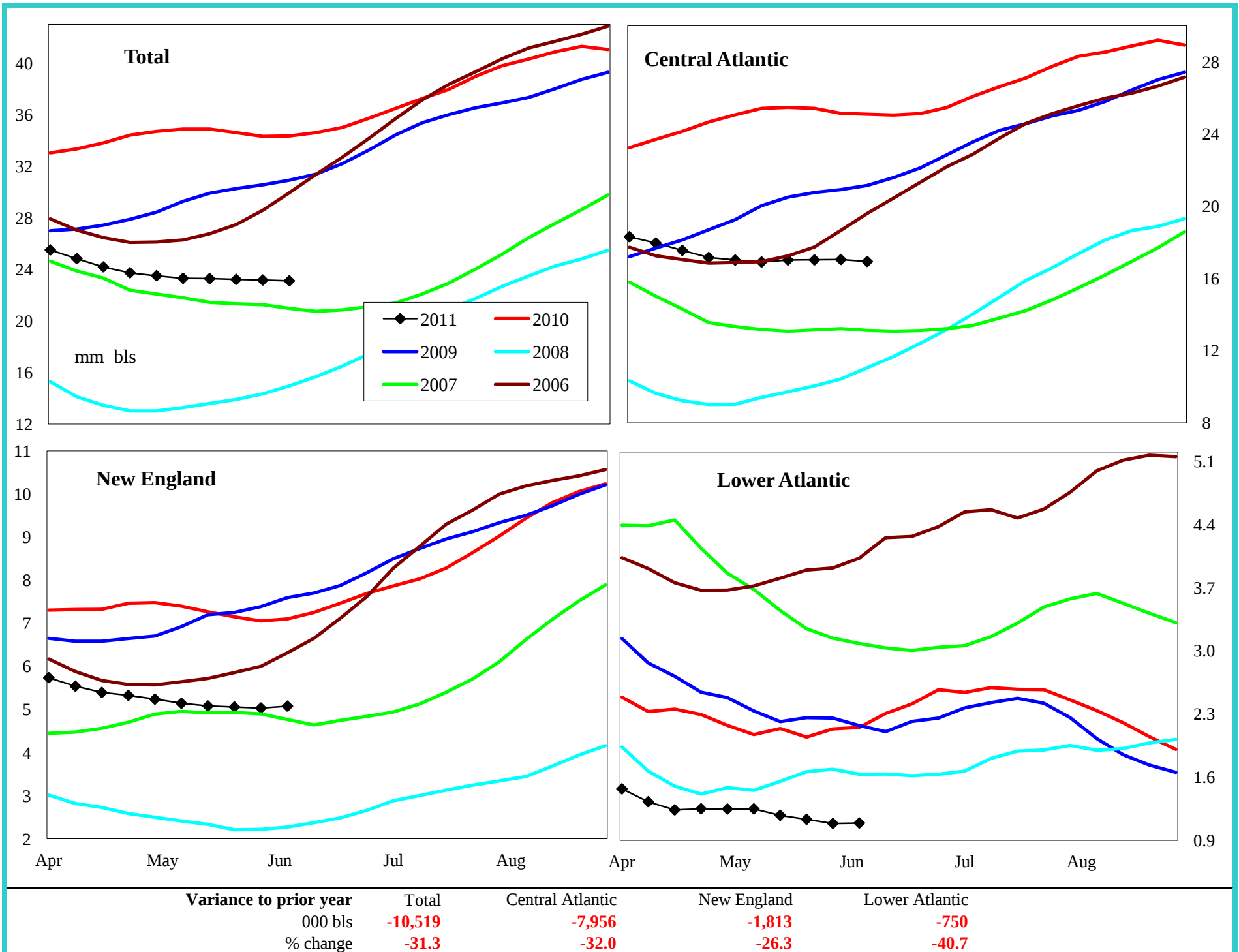
PADD 1 Low Sulfur Distillate Stocks by Region



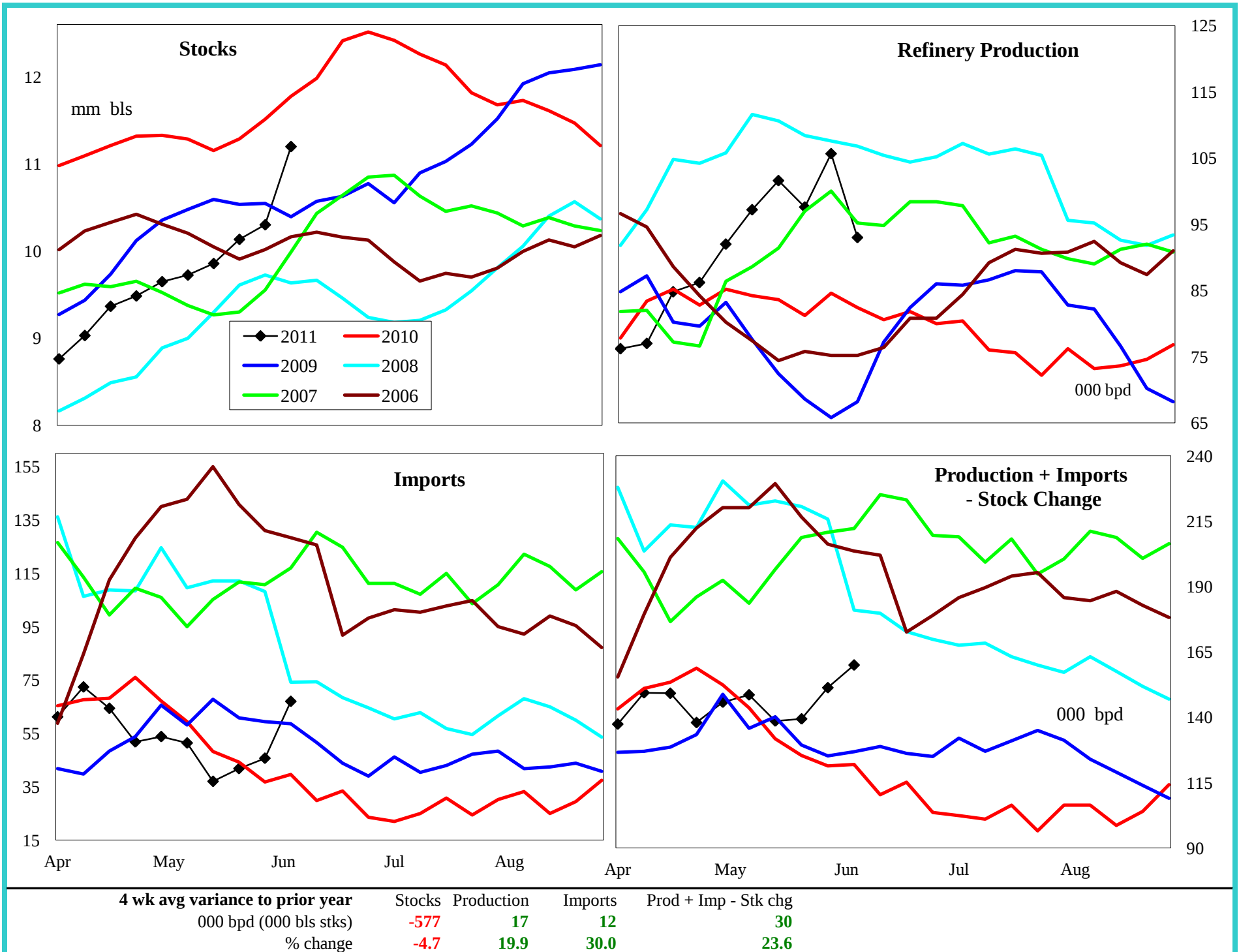
PADD 1 High Sulfur Distillate Supply



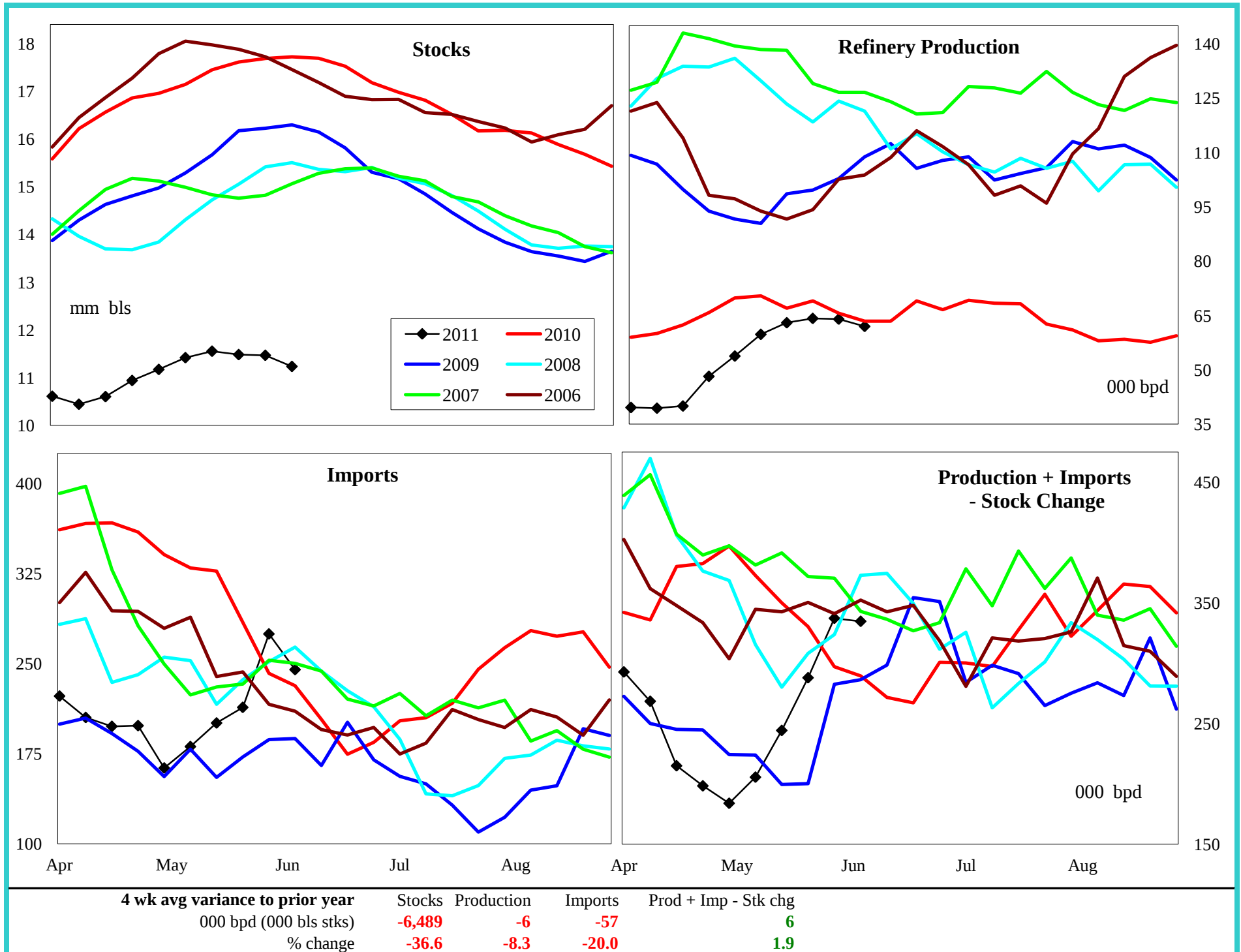
PADD 1 High Sulfur Distillate Stocks by Region



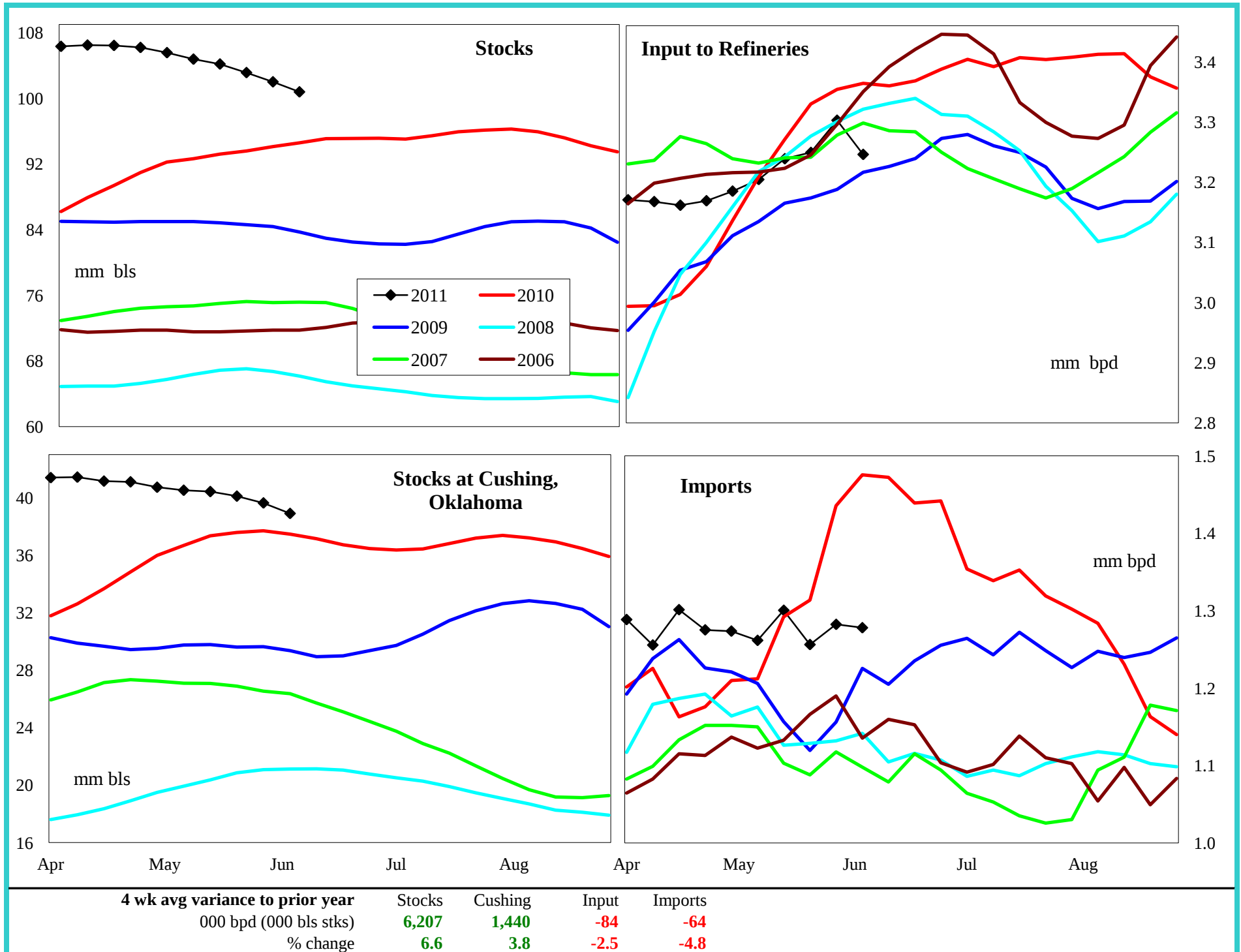
PADD 1 Jet Fuel Supply



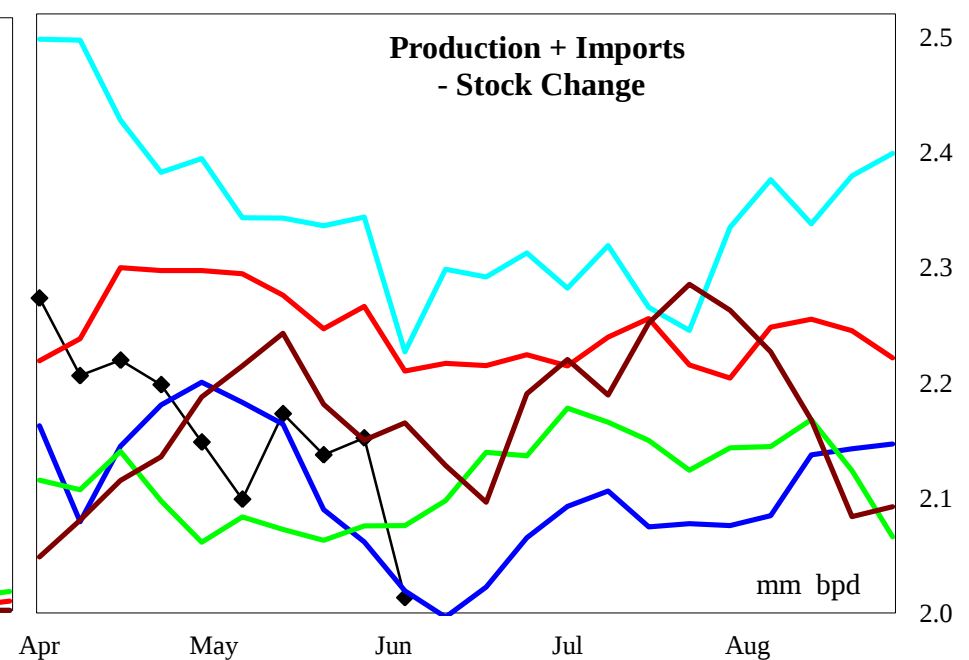
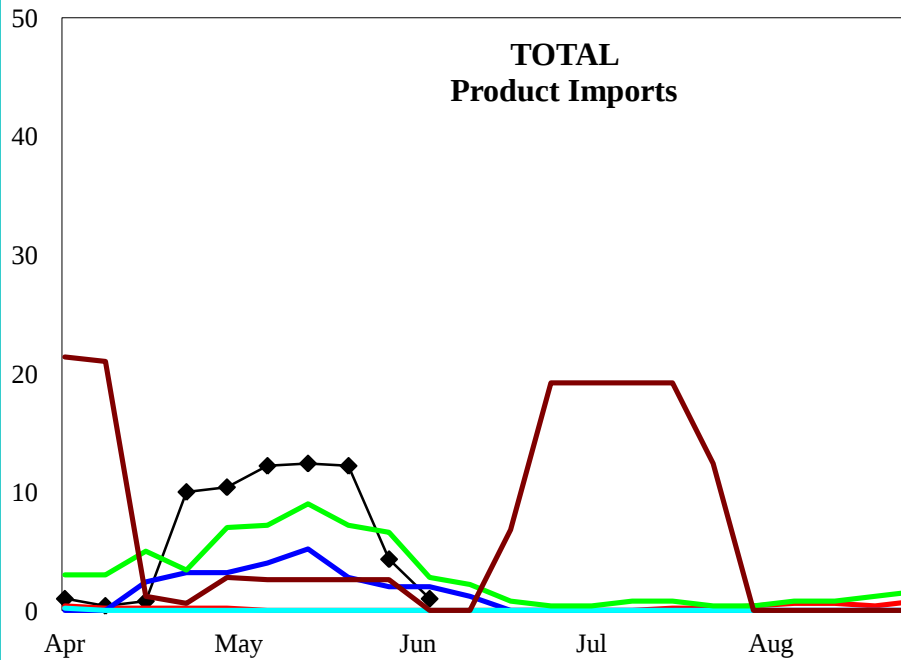
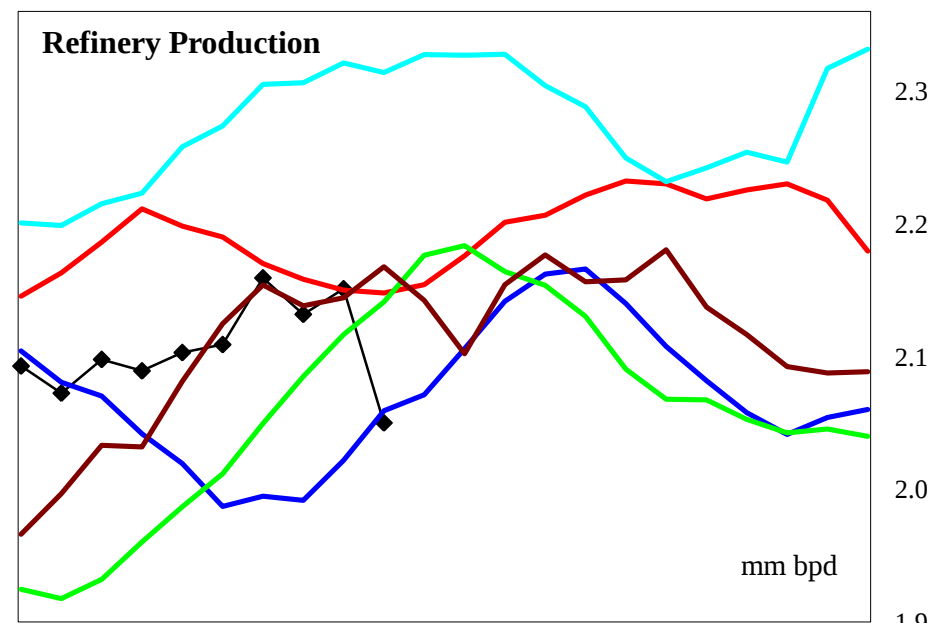
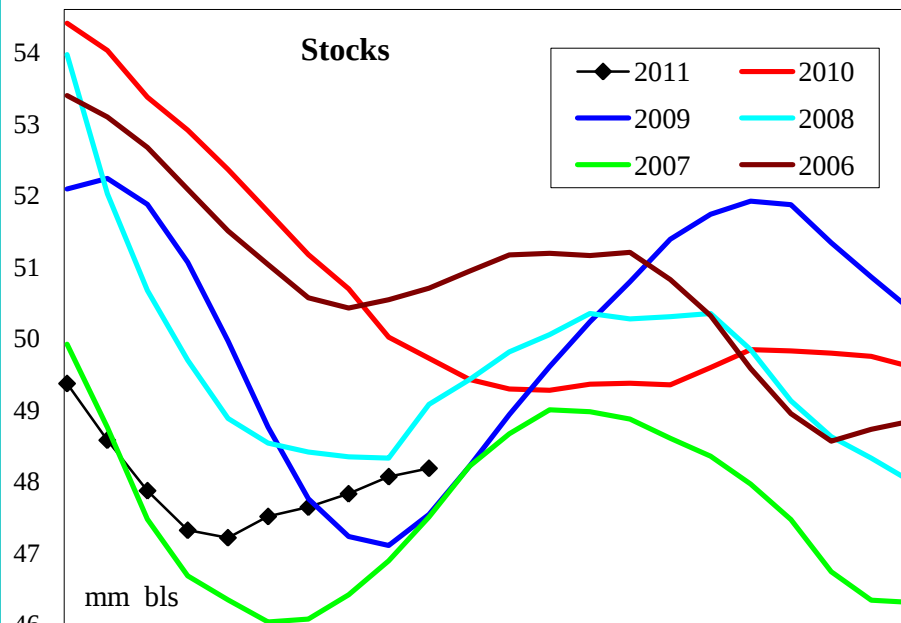
PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



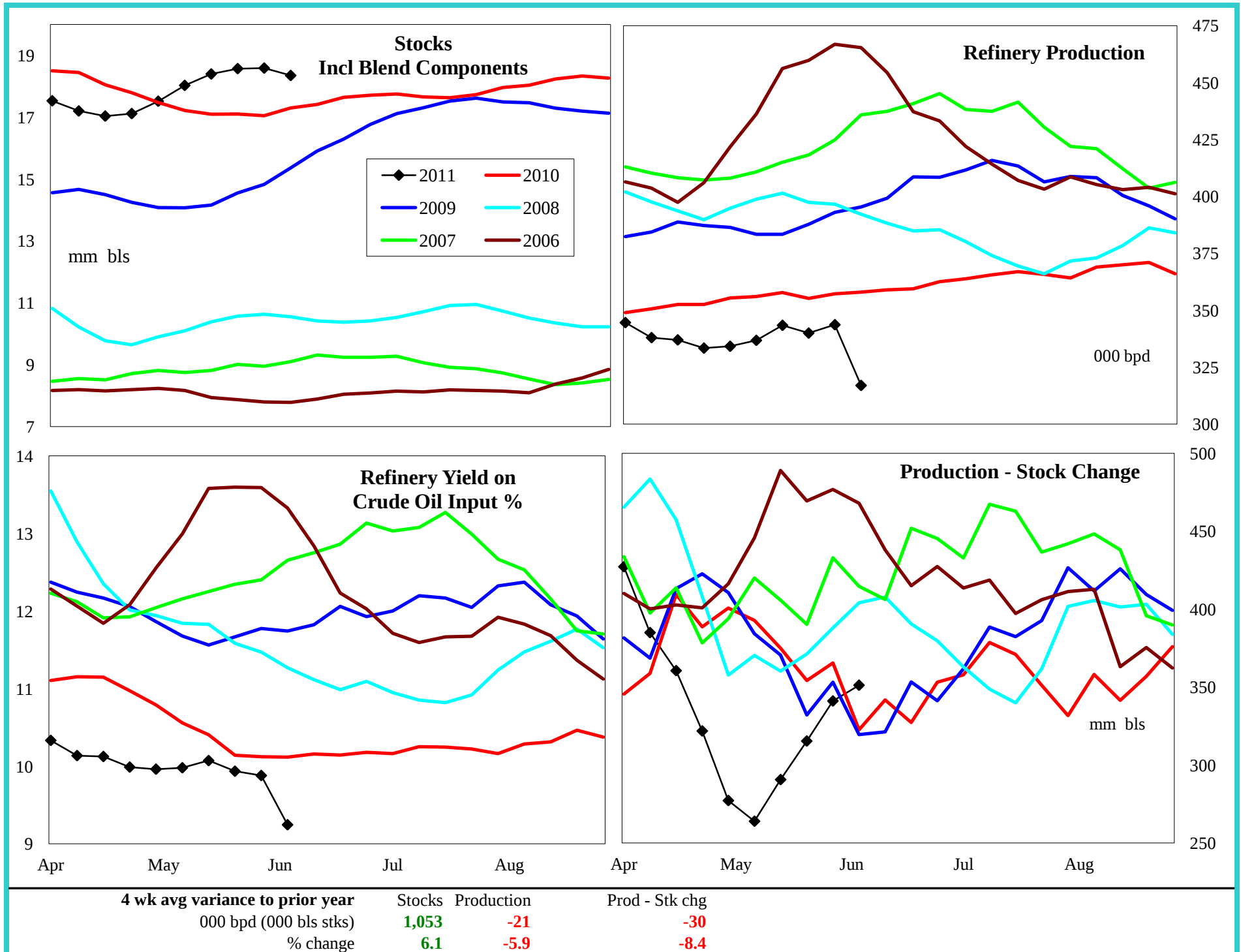
PADD 2 Gasoline Supply



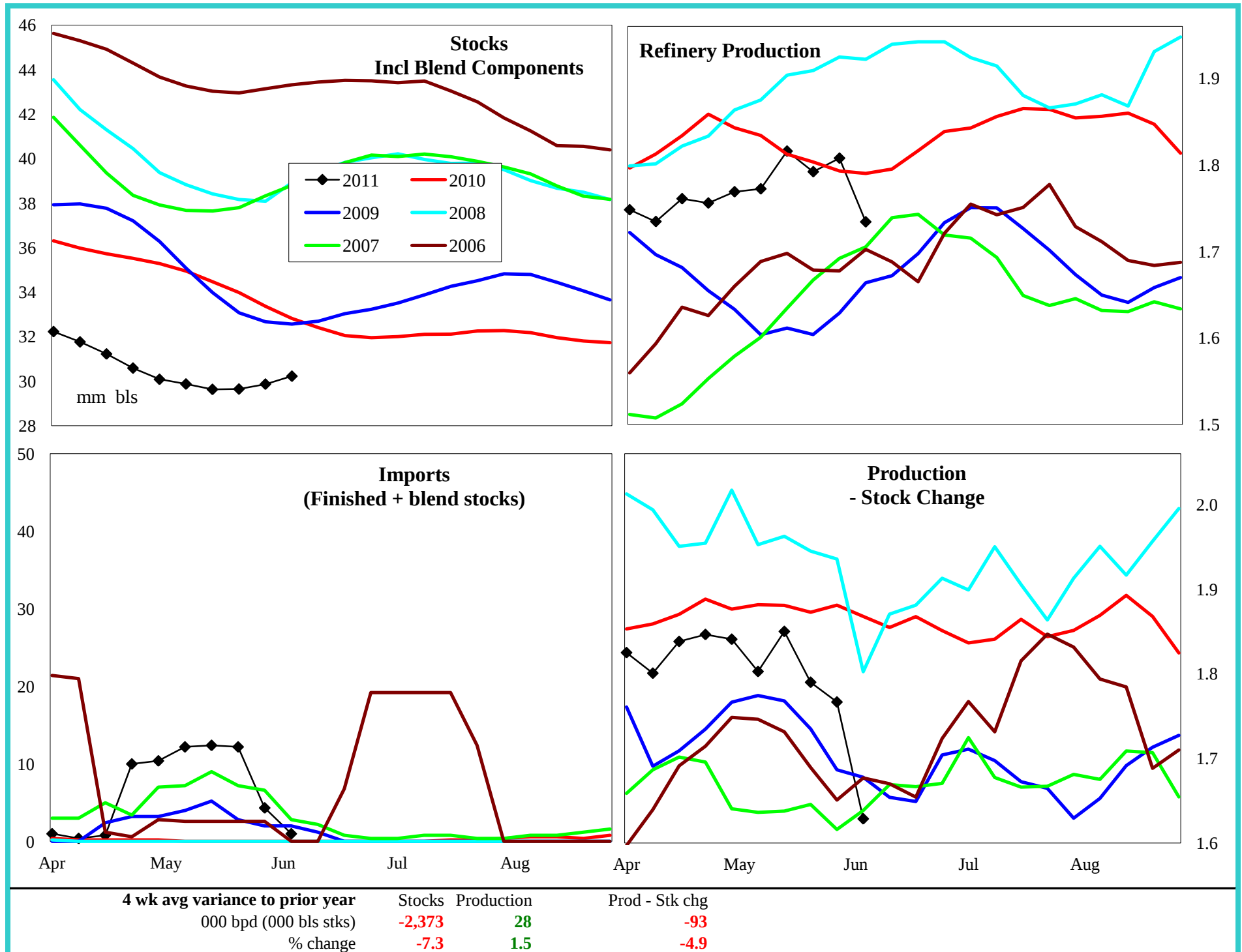
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-1,541	13	4	-127
-3.1	0.6	#DIV/0!	-5.5

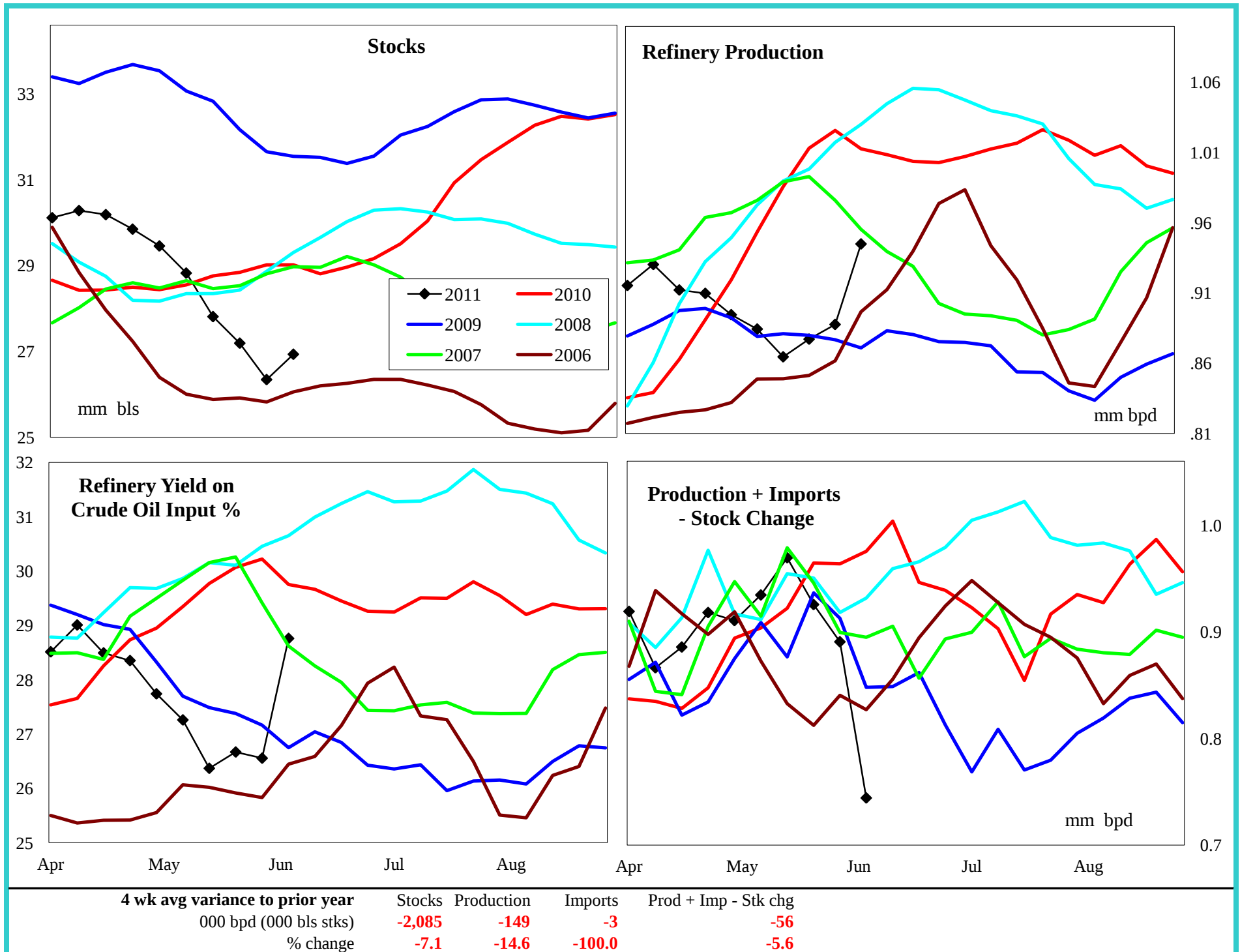
PADD 2 Reformulated Gasoline Supply



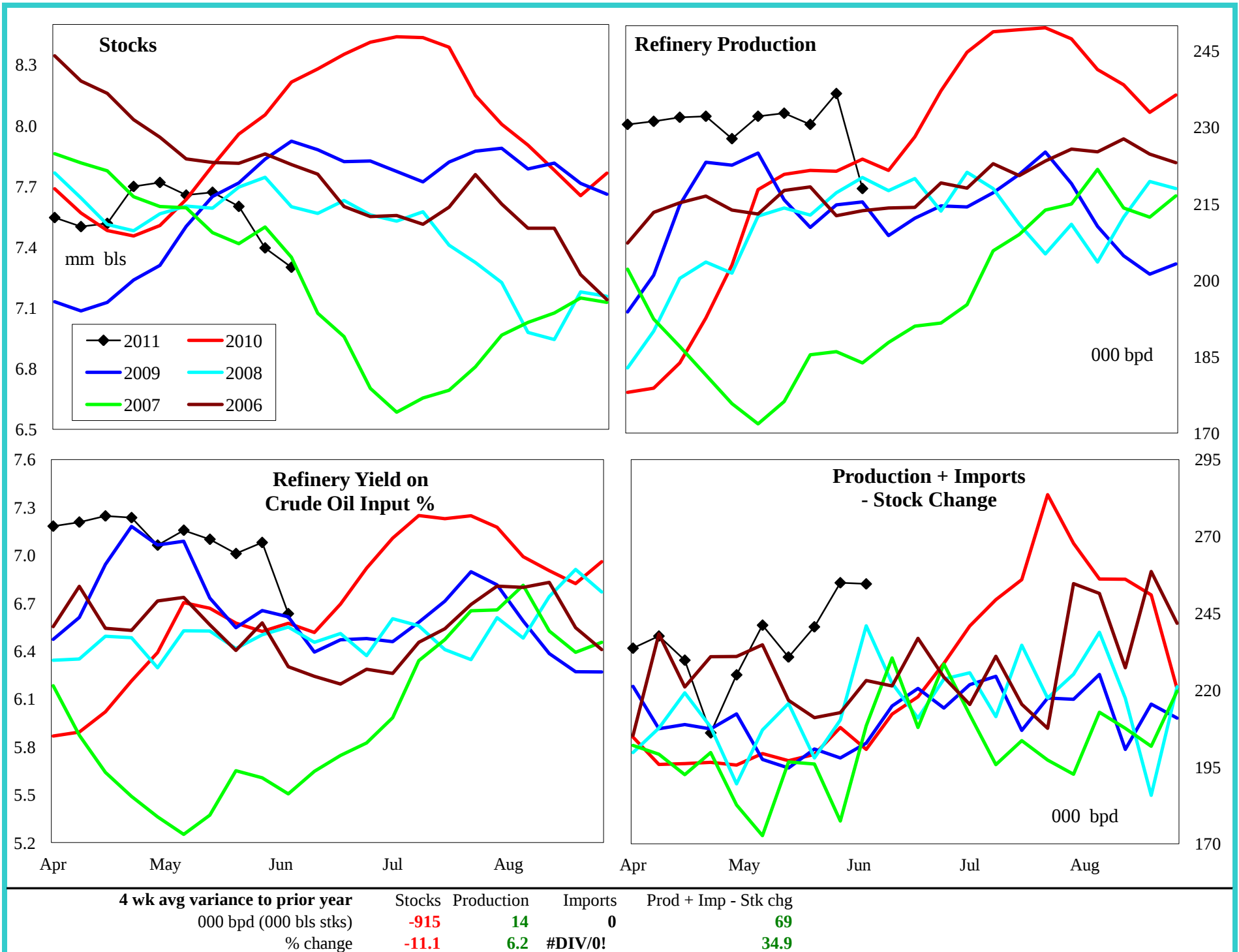
PADD 2 Conventional Gasoline Supply



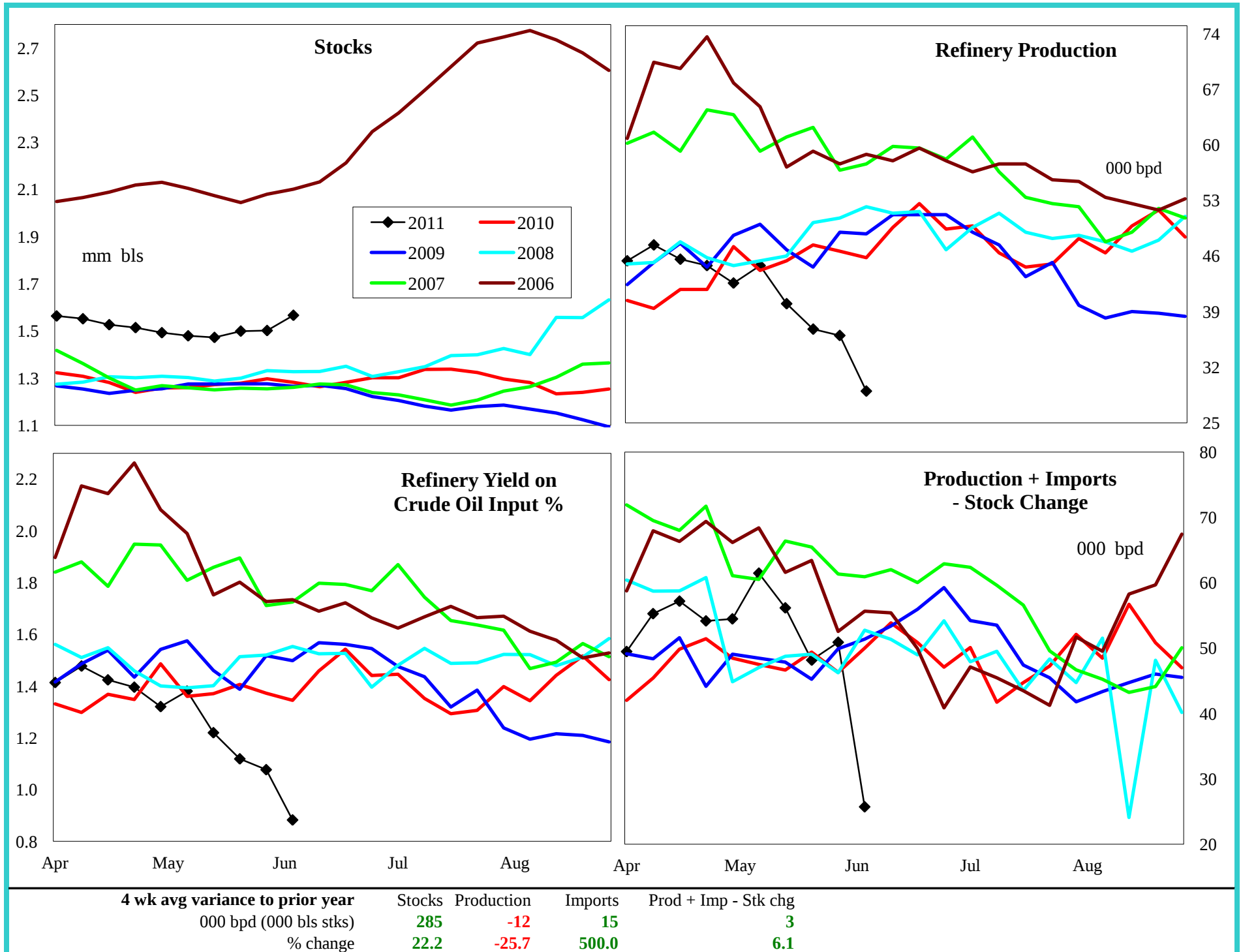
PADD 2 Distillate Supply



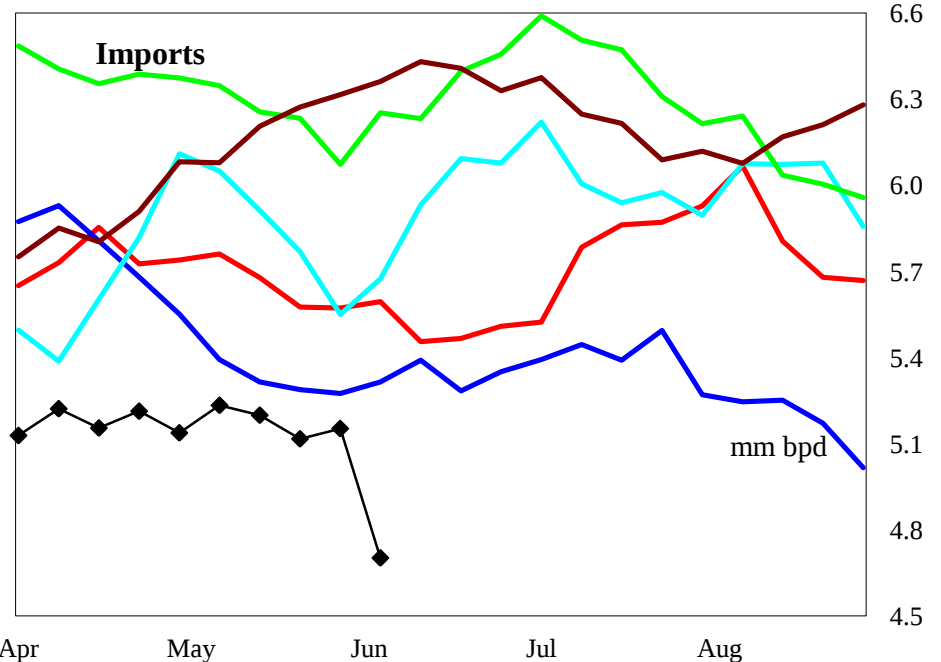
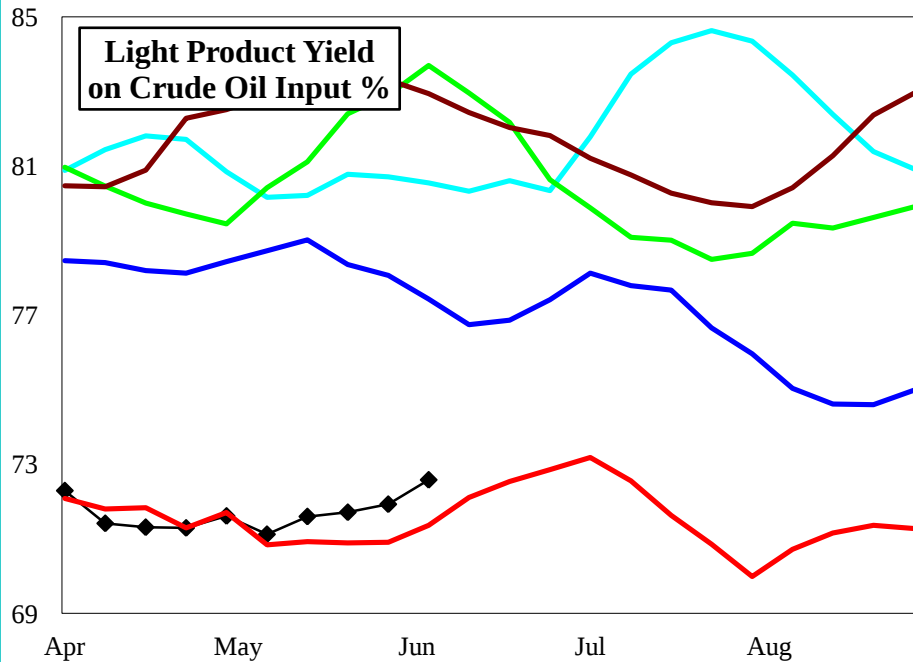
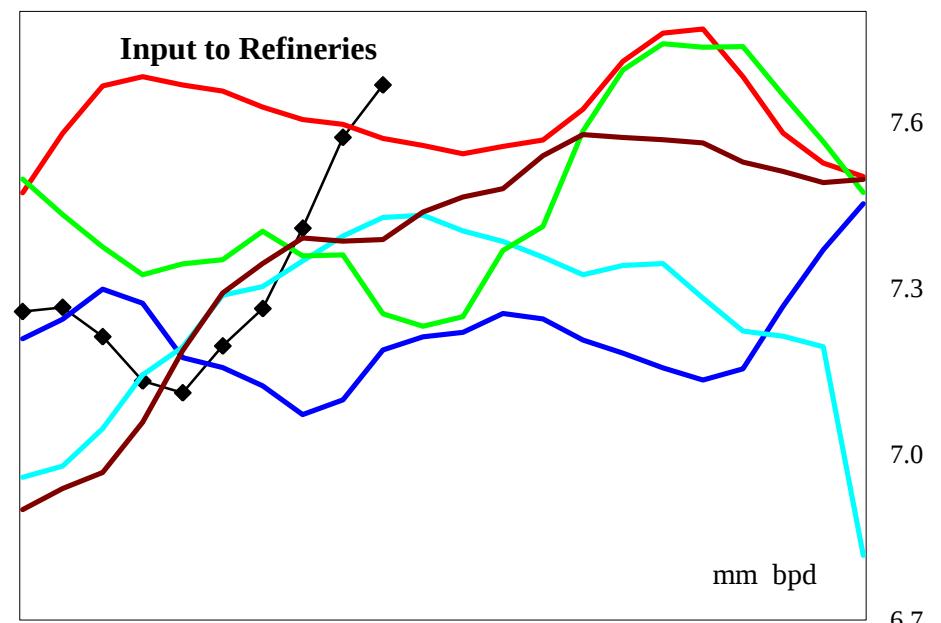
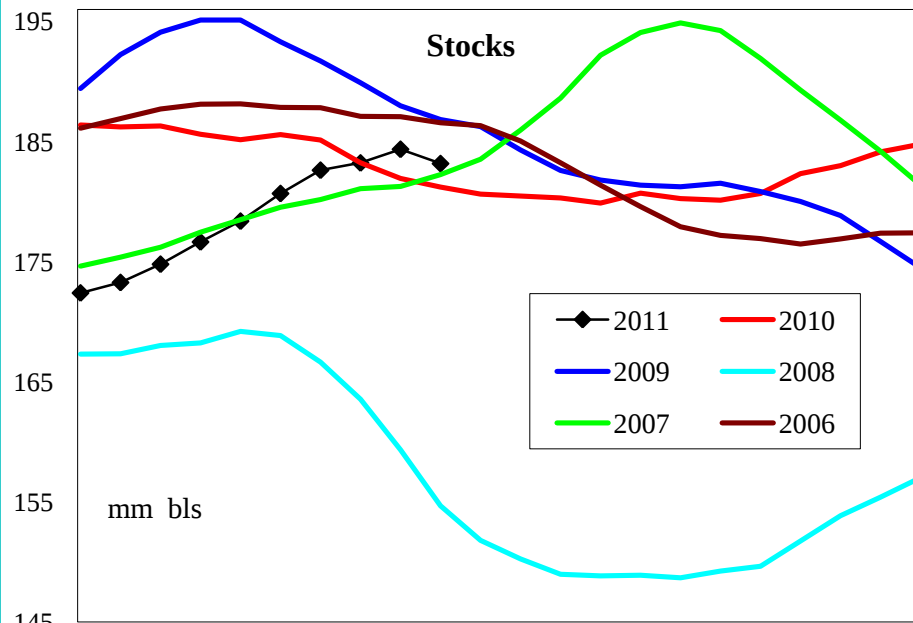
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



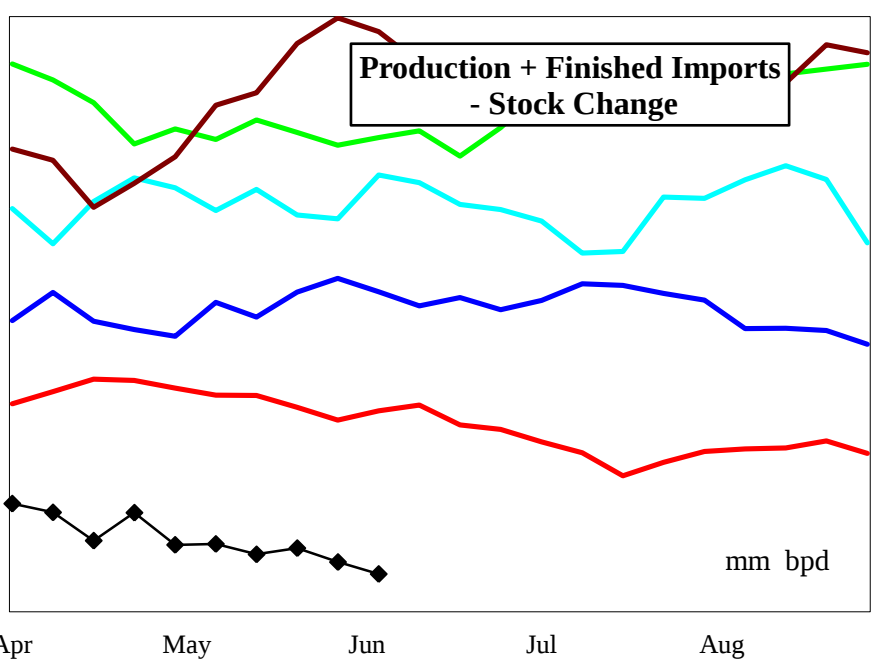
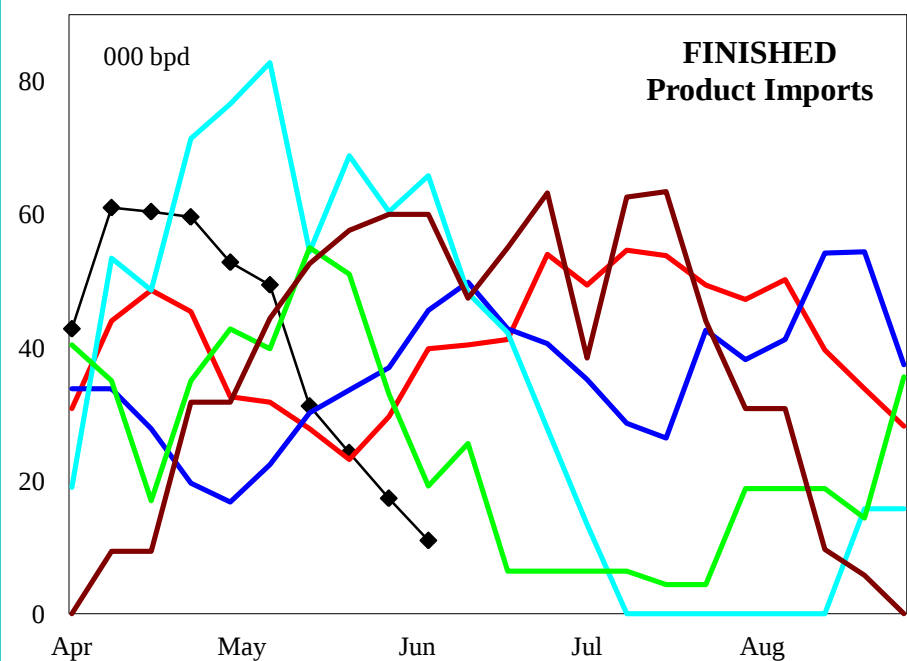
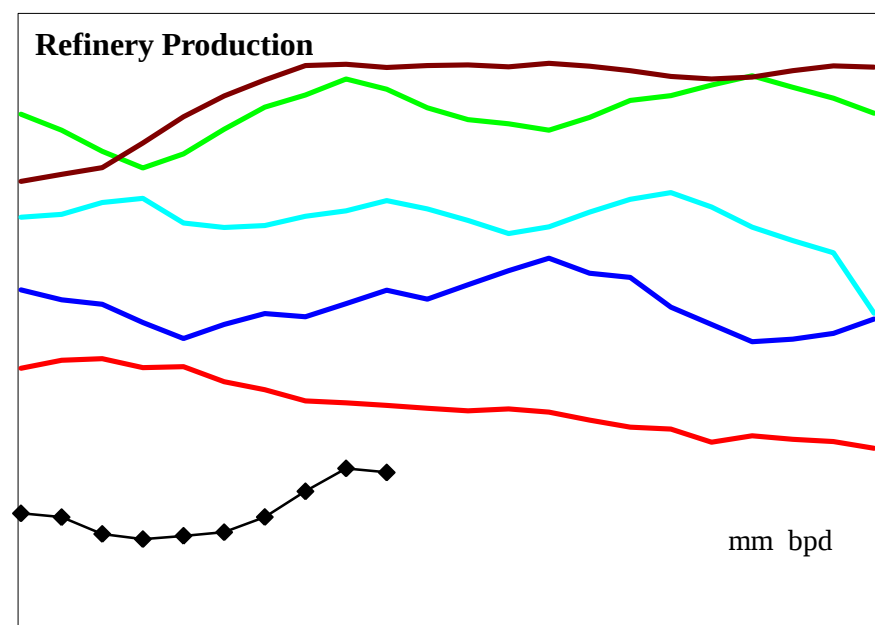
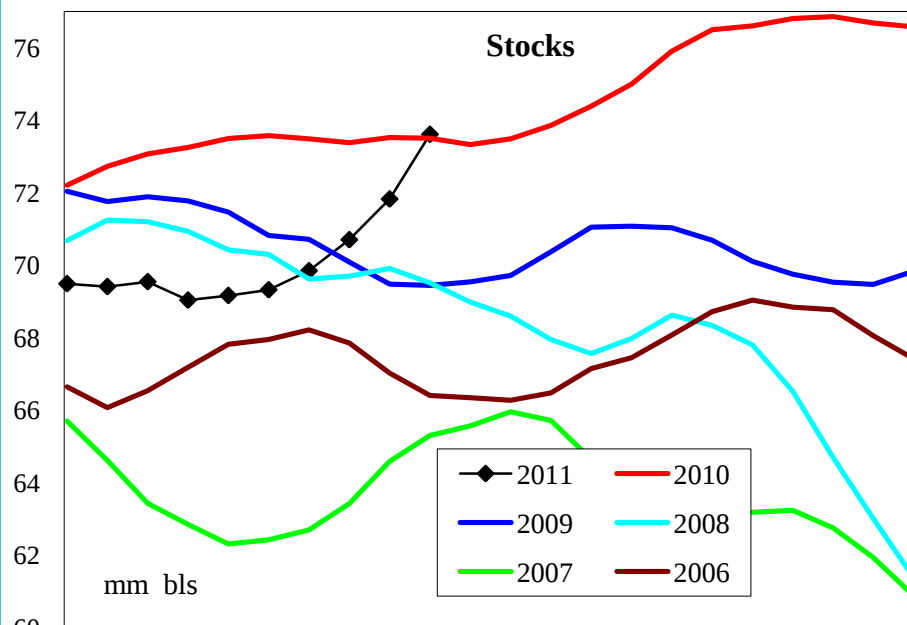
PADD 3 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	1,957	-85	-544
% change	1.1	-1.1	-9.7

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

211

-220

-8

20

-386

0.3

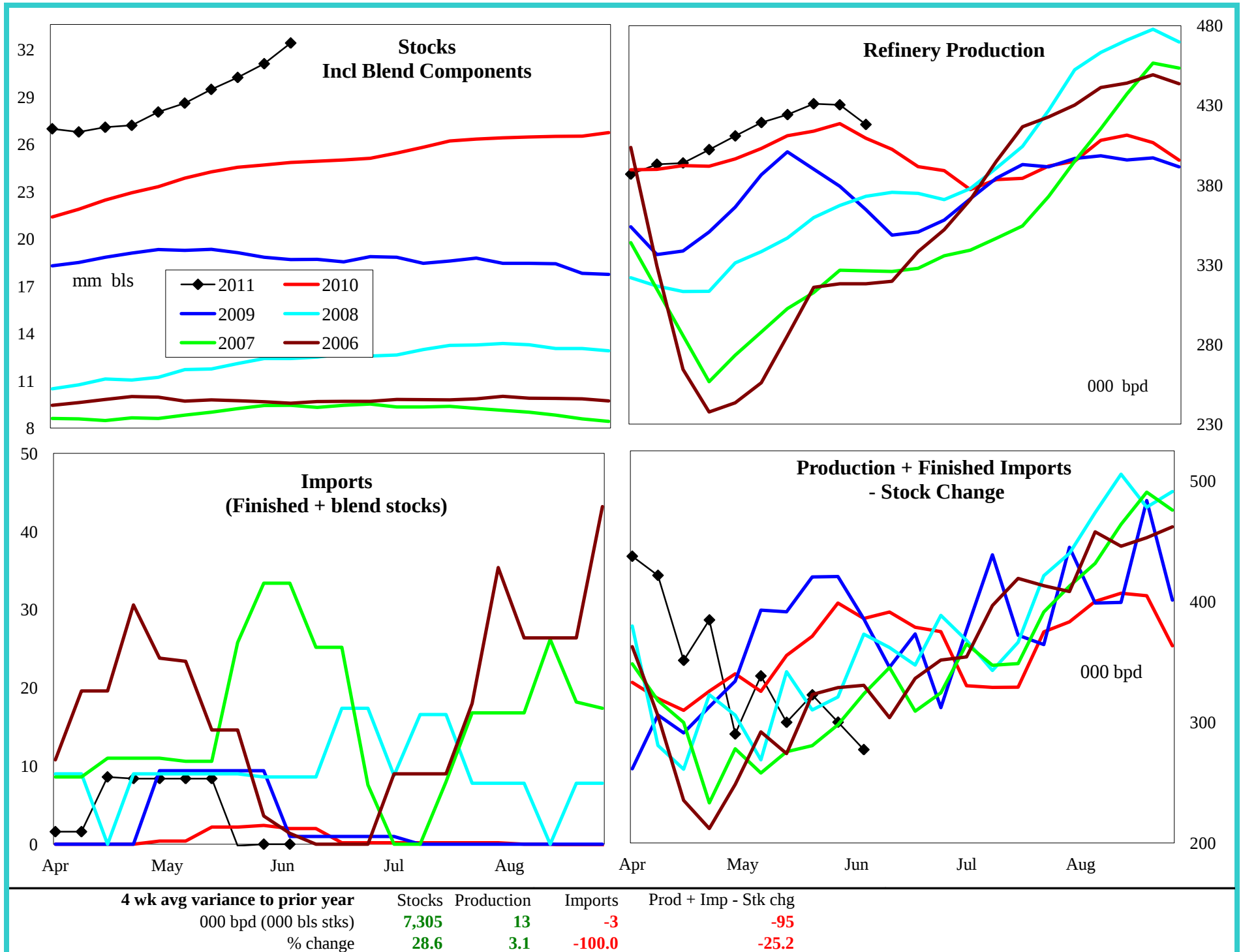
-8.7

-36.7

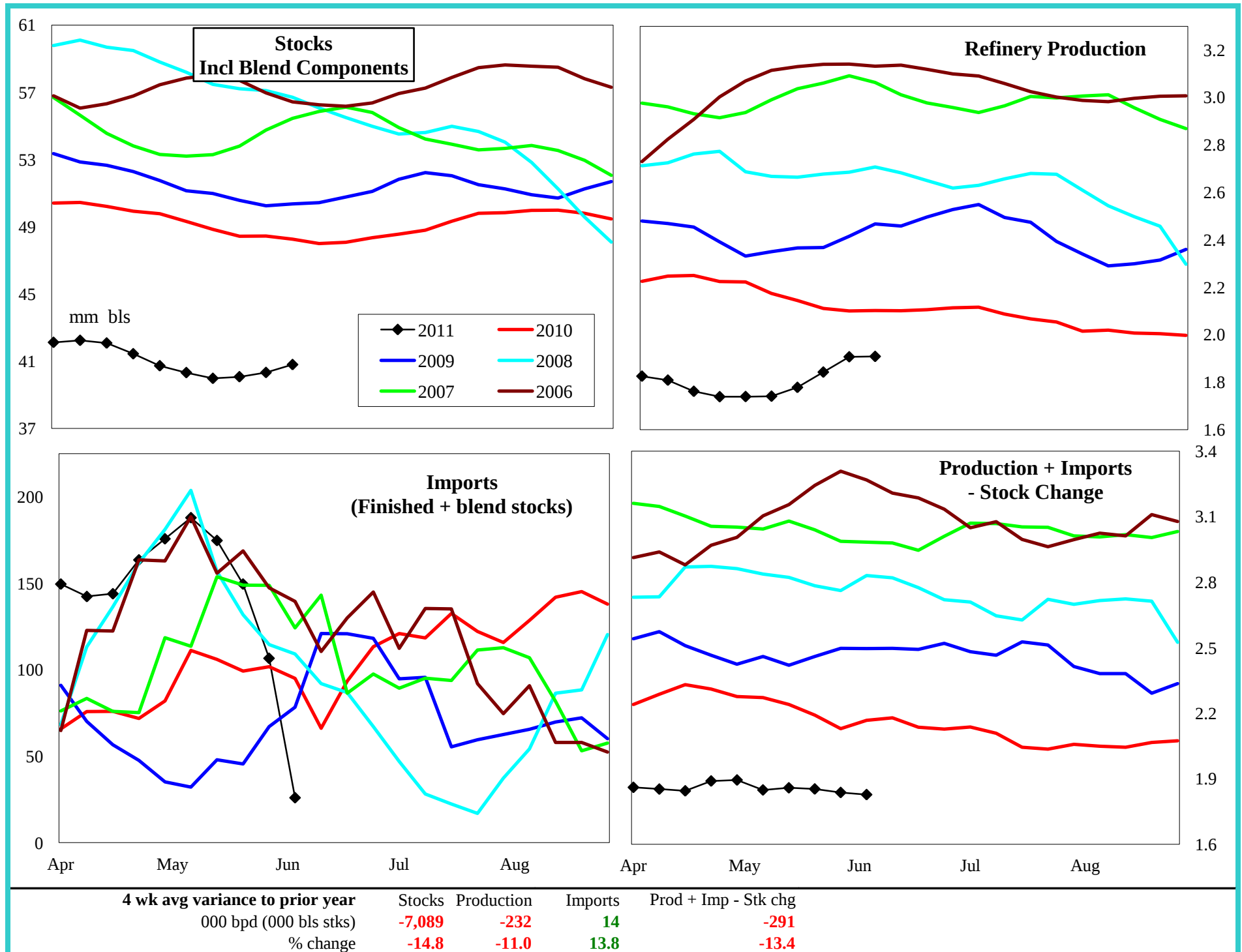
23.8

-15.2

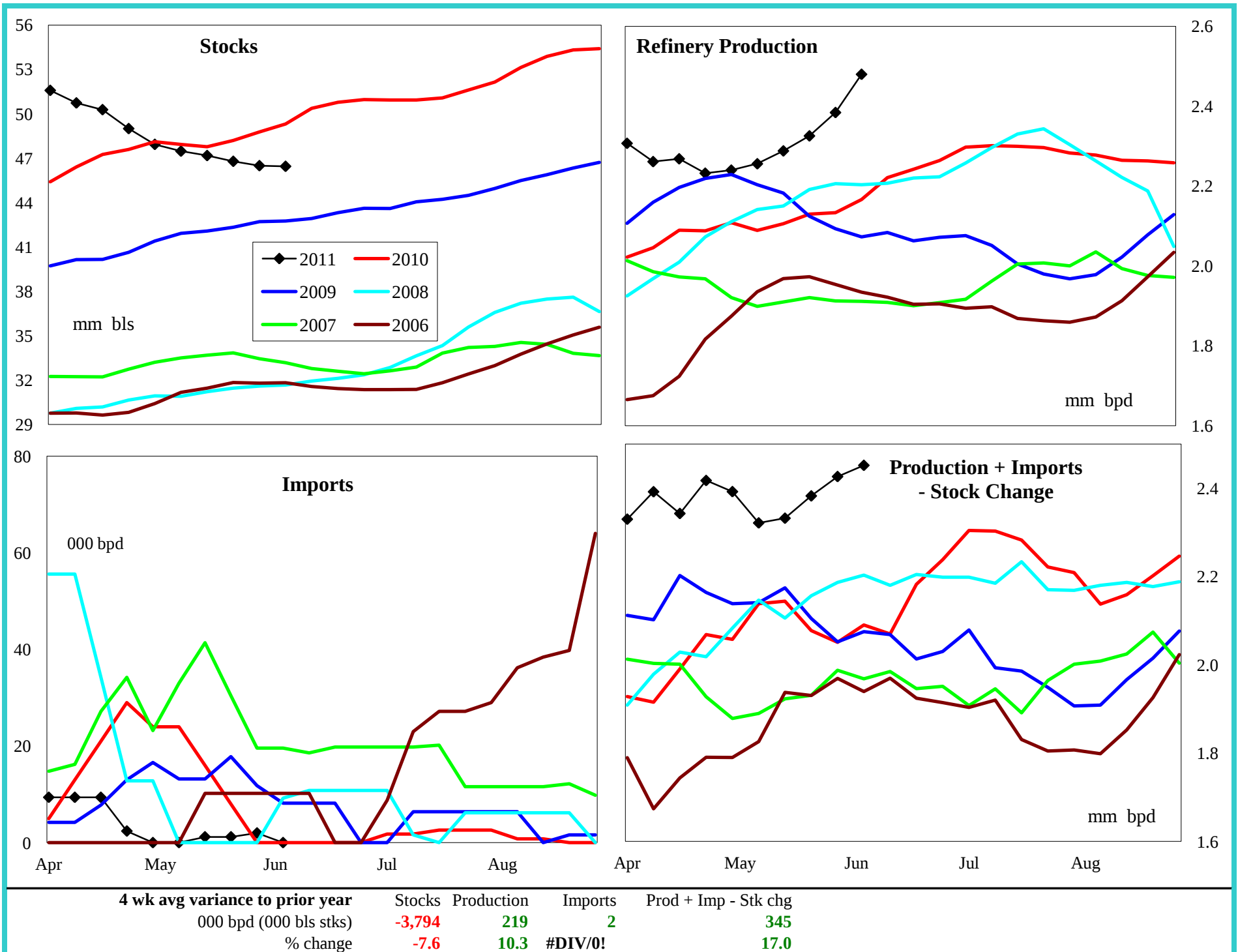
PADD 3 Reformulated Gasoline Supply



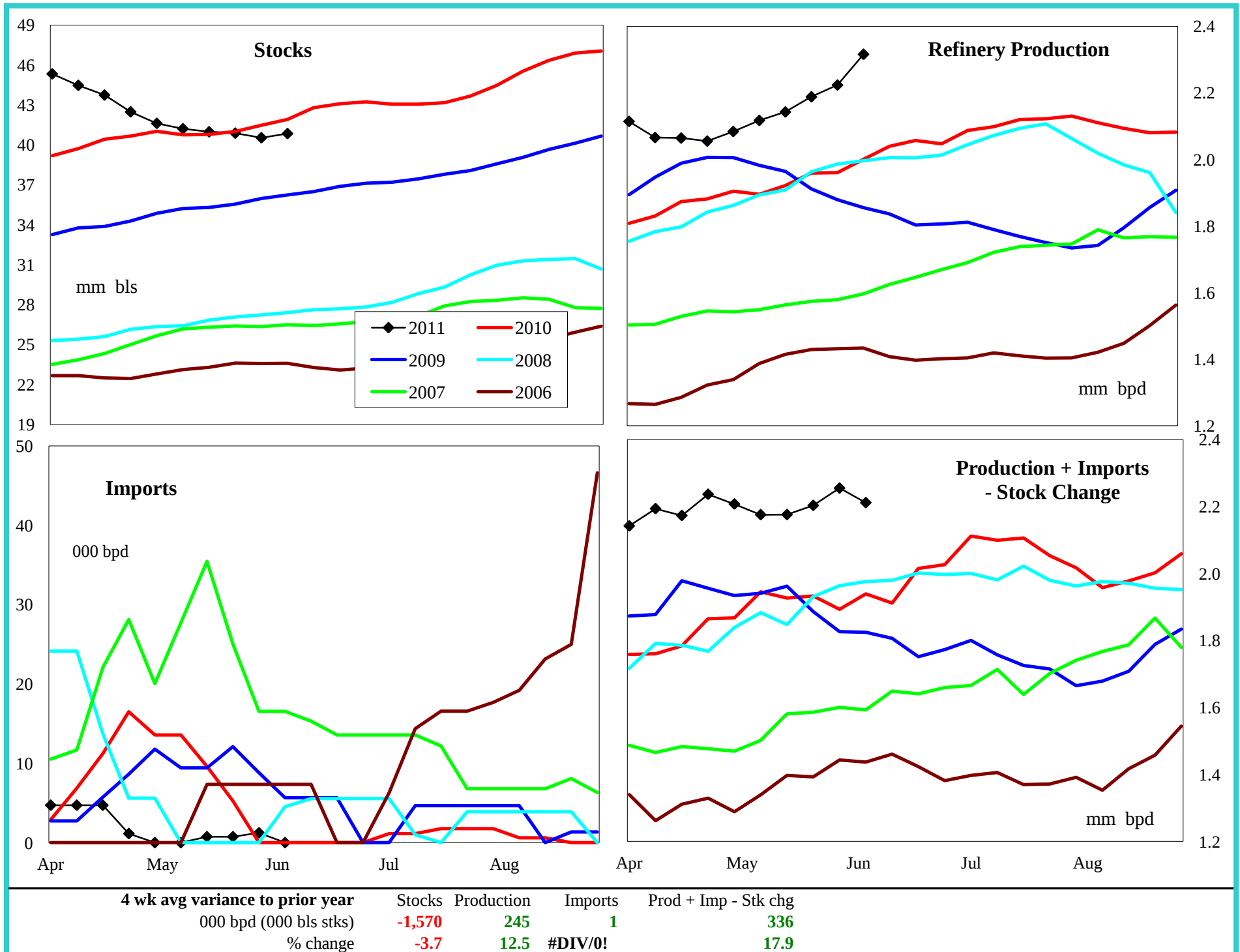
PADD 3 Conventional Gasoline Supply



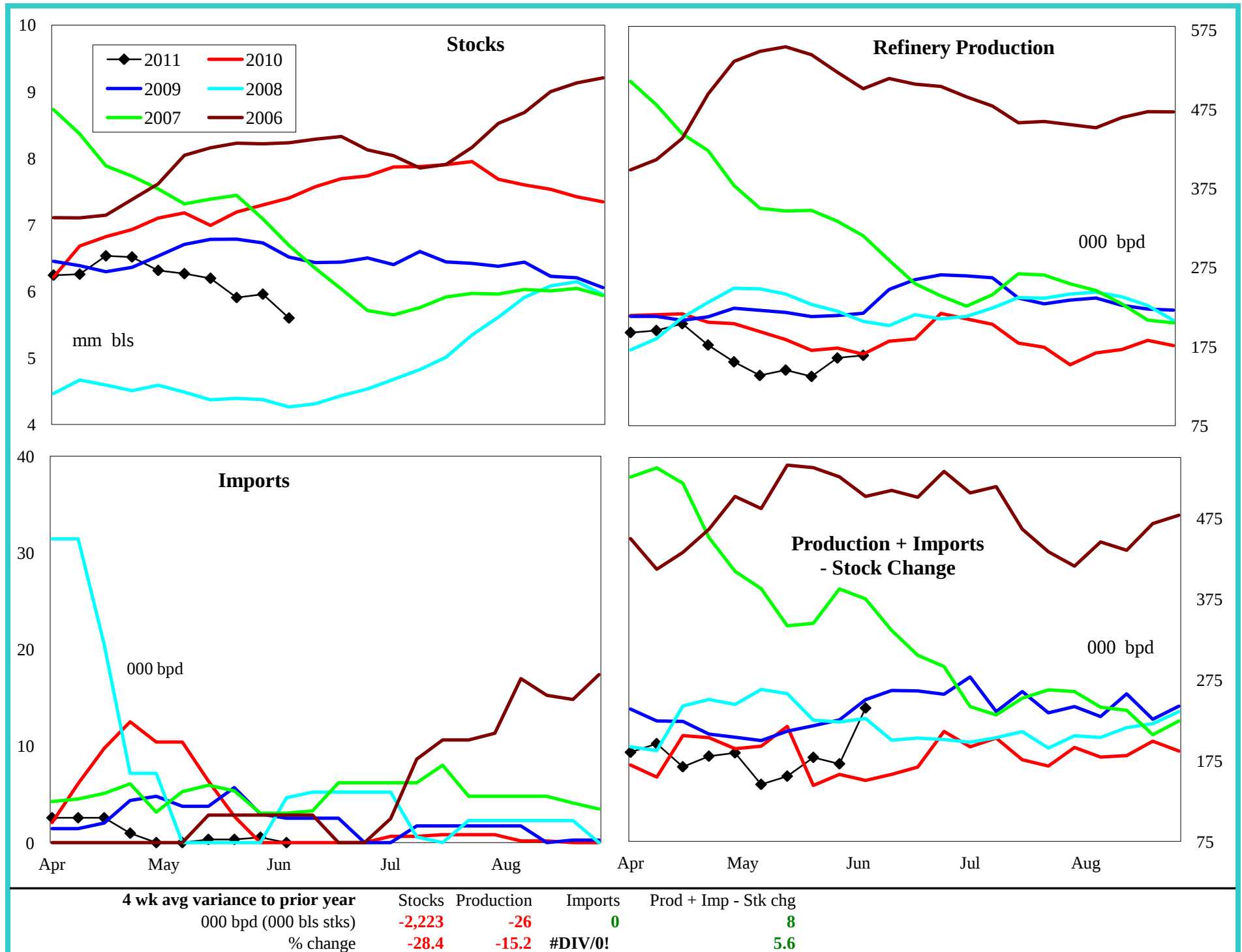
PADD 3 Distillate Supply



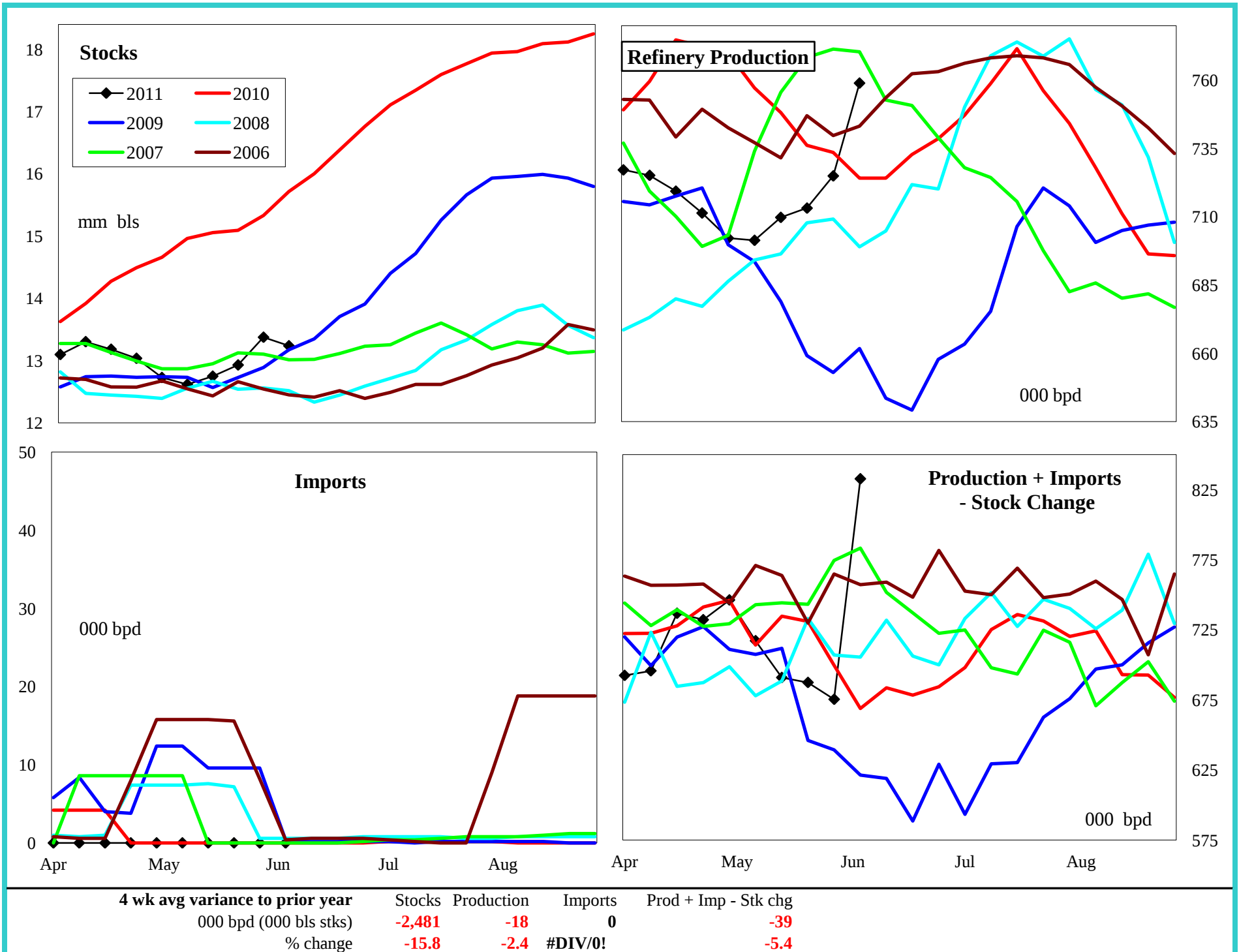
PADD 3 Low Sulfur Distillate Supply



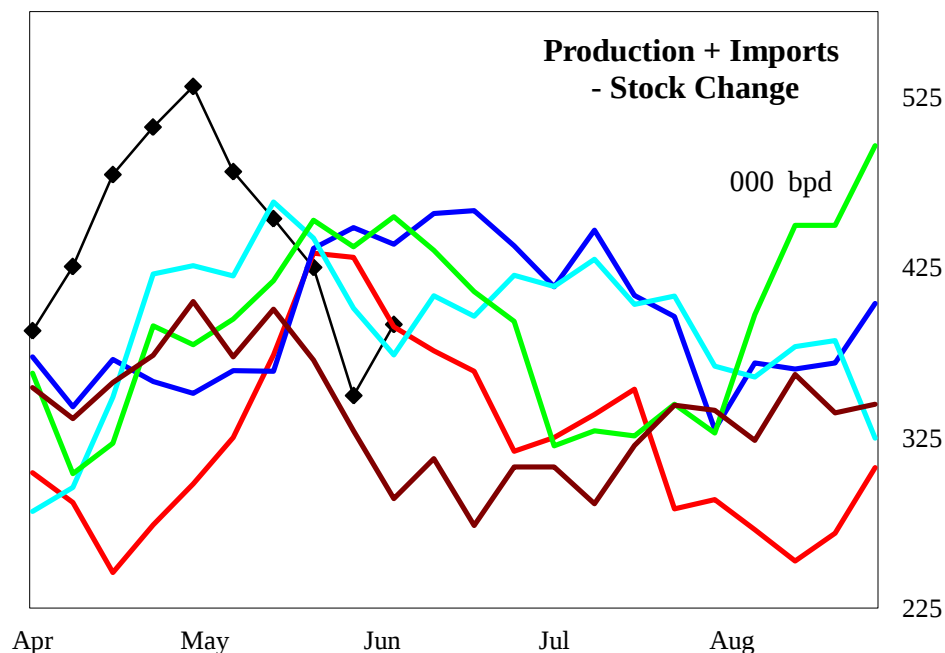
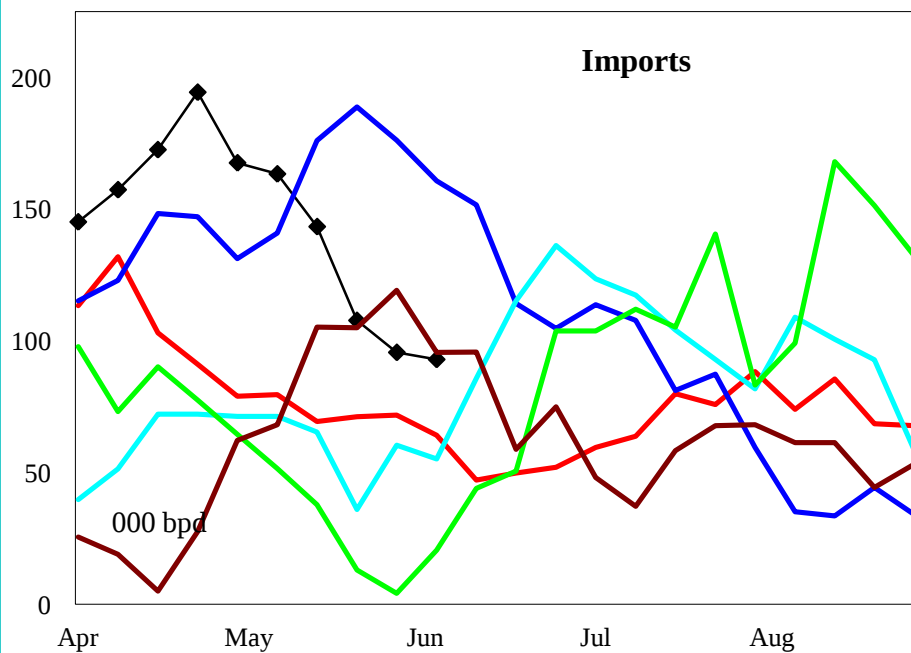
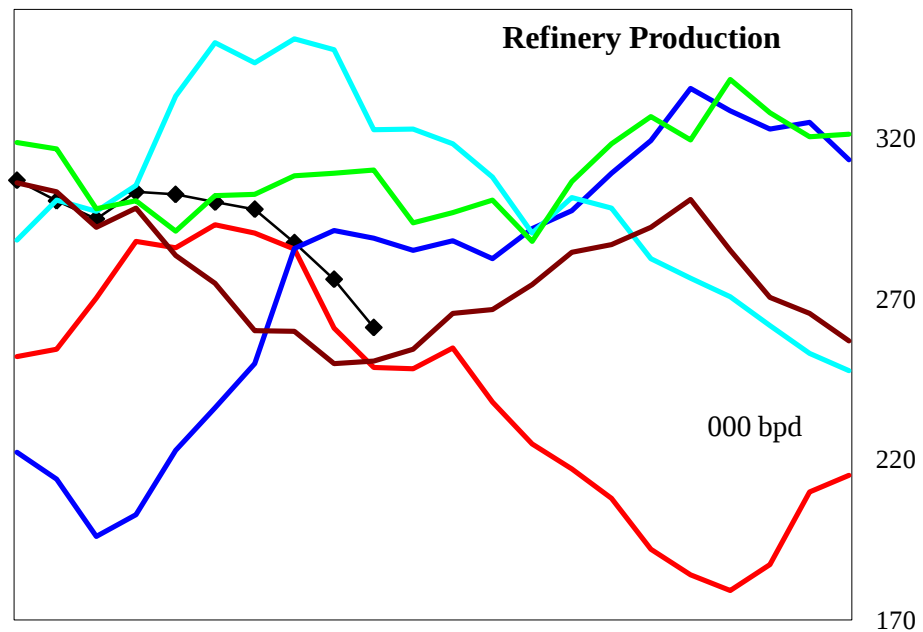
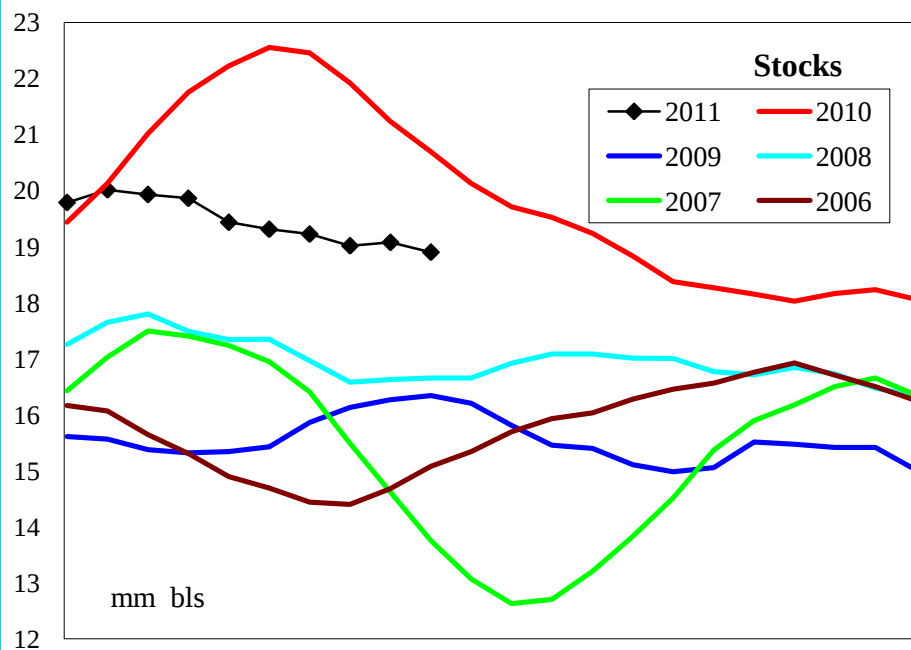
PADD 3 High Sulfur Distillate Supply



PADD 3 Jet Fuel Supply



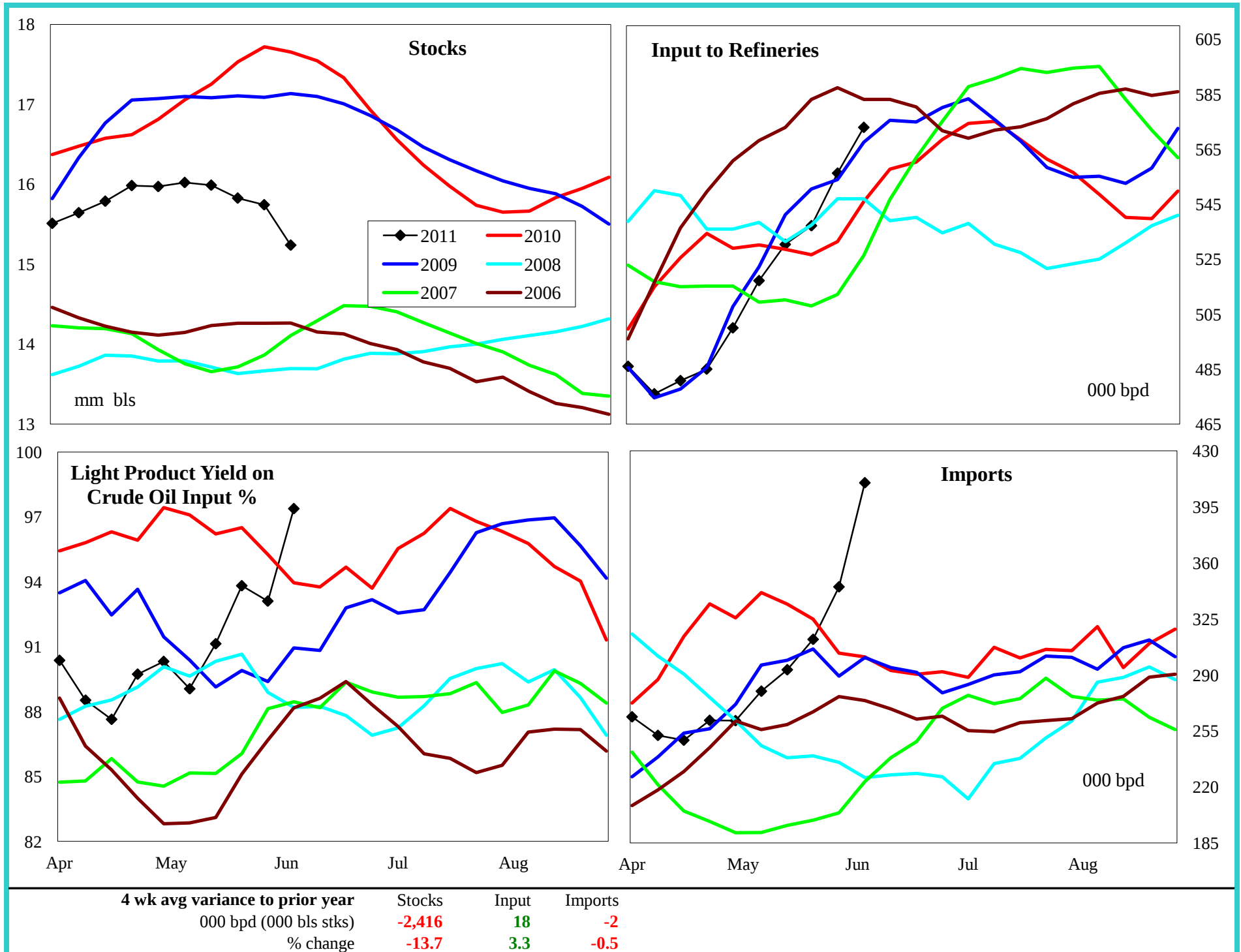
PADD 3 Residual Fuel Oil Supply



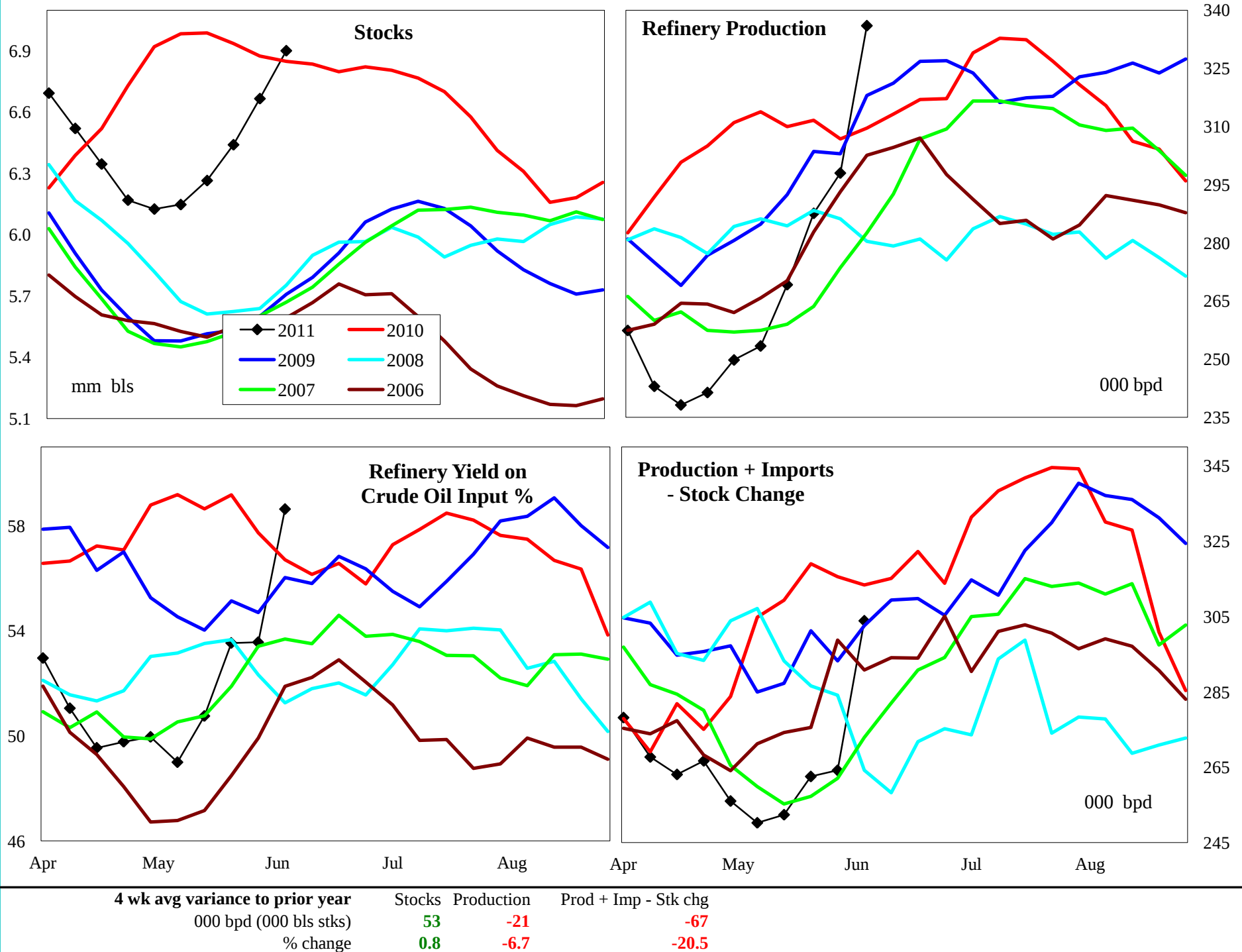
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-1,793	11	11	-70
-8.7	4.2	15.0	-15.5

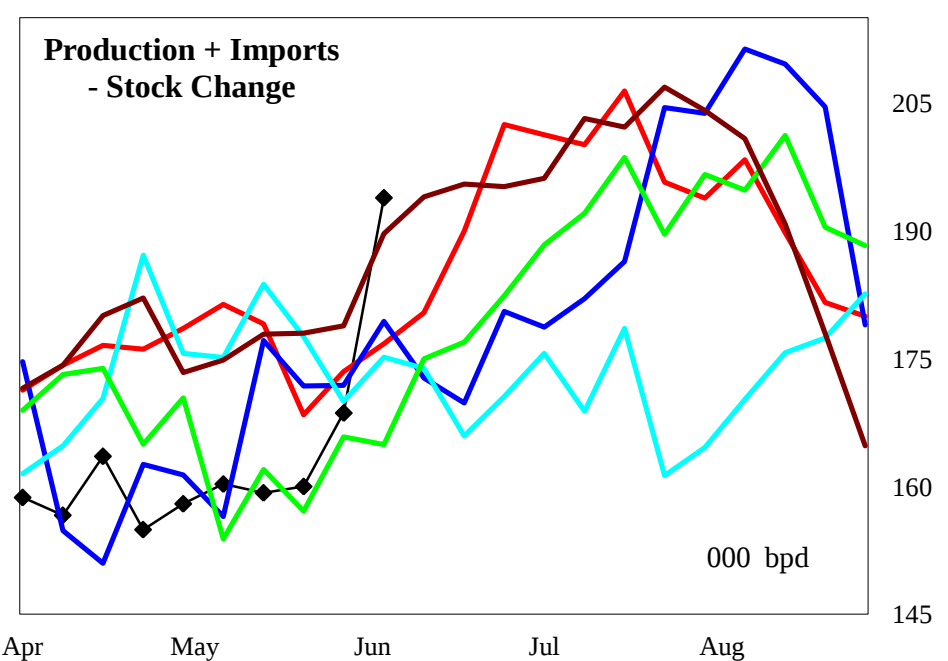
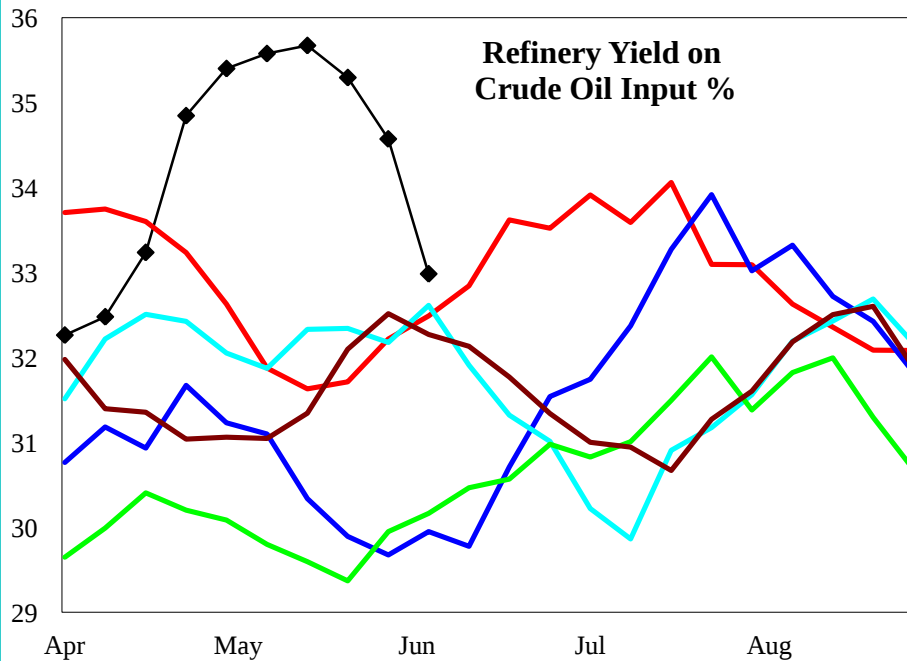
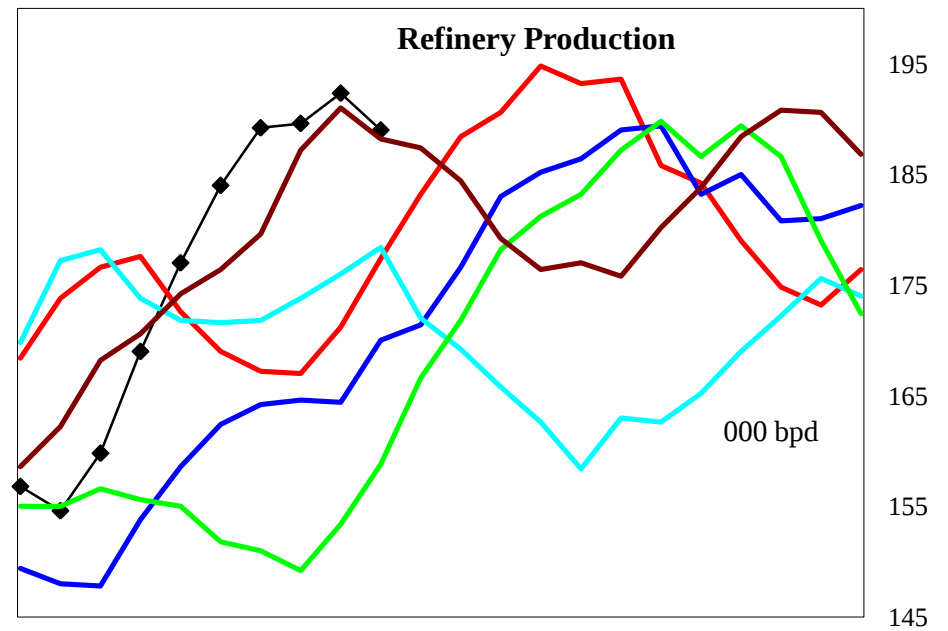
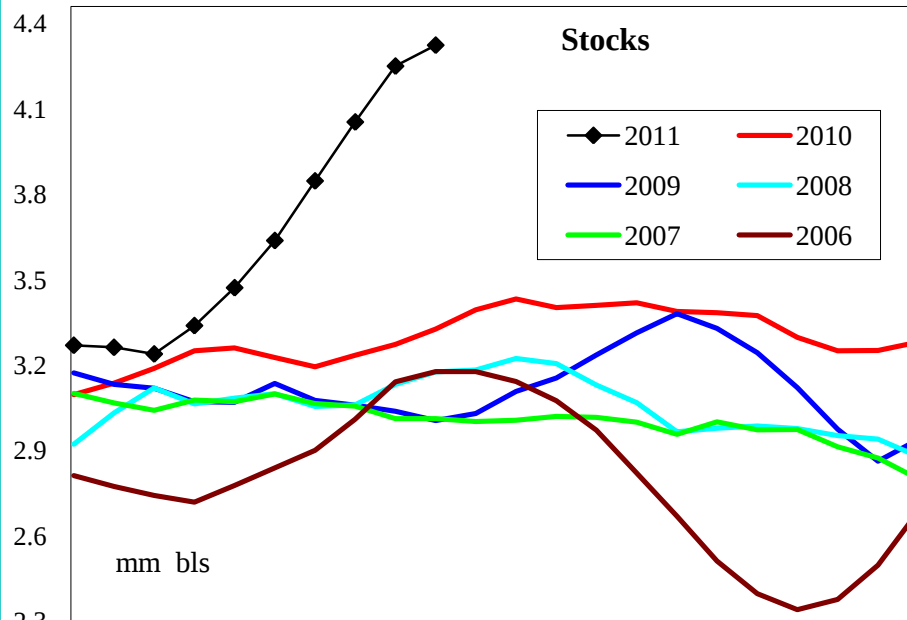
PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



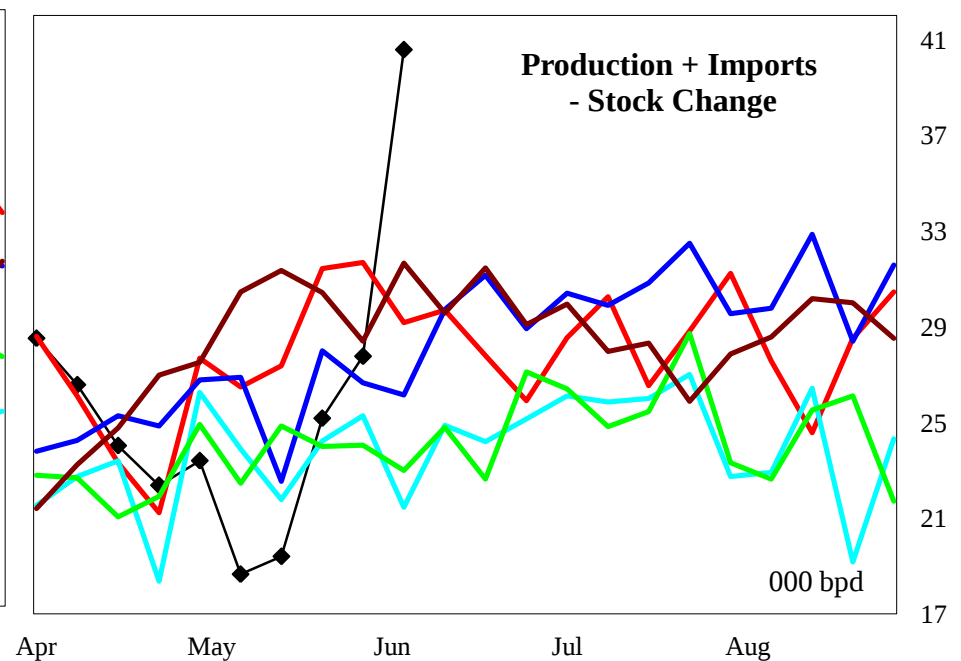
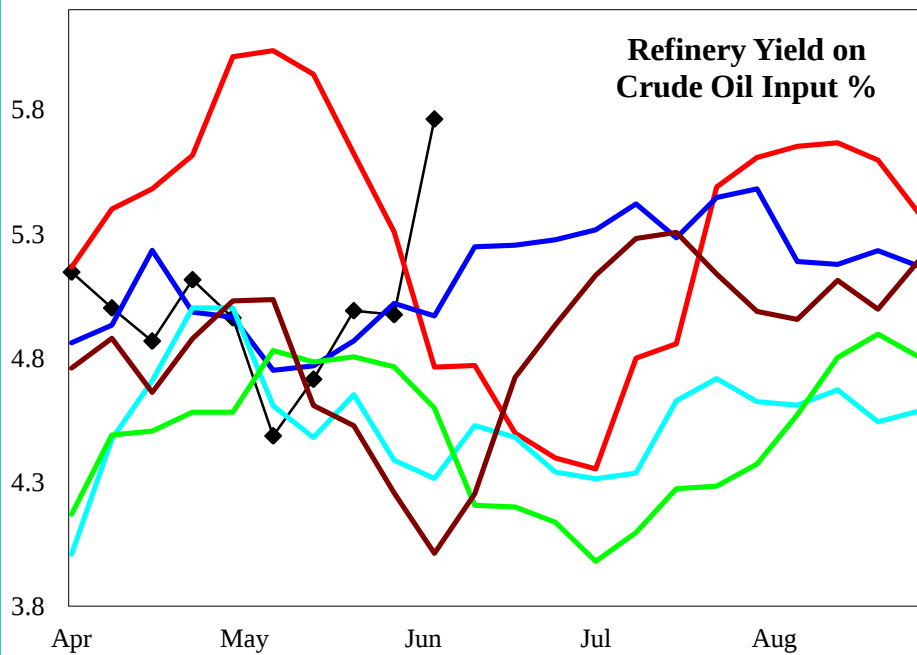
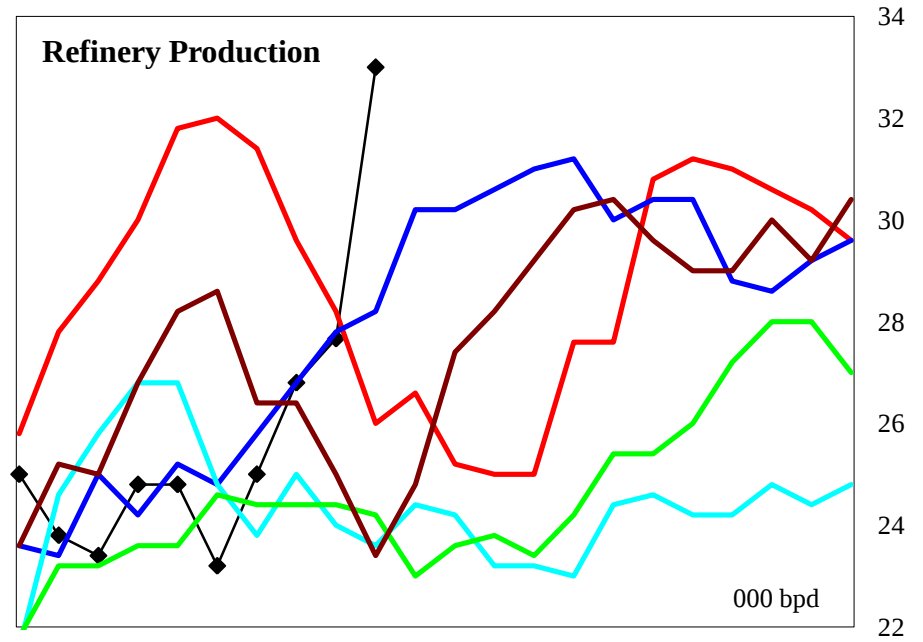
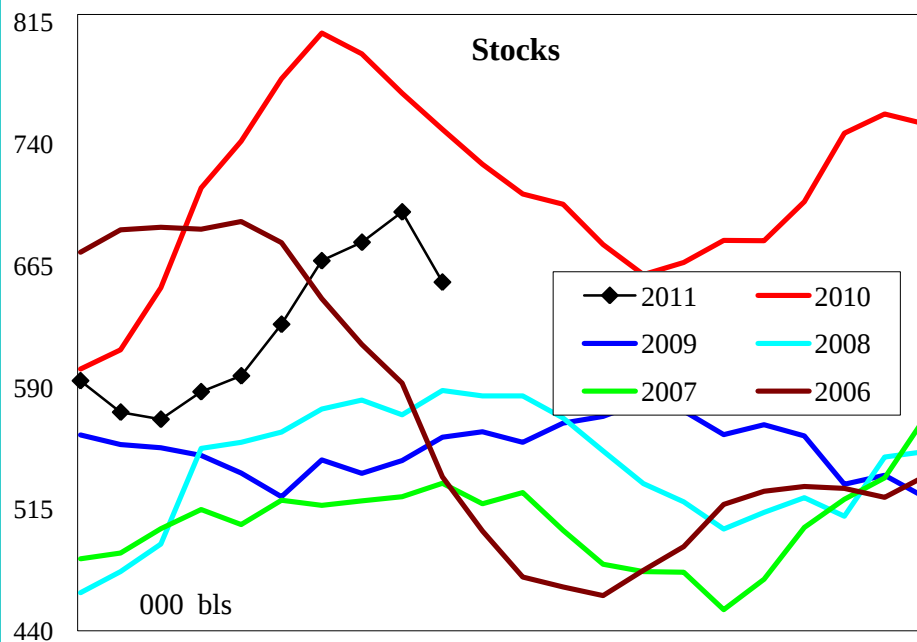
PADD 4 Distillate Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
998	23	-8	-17
29.7	13.4	-100.0	-9.6

PADD 4 Jet Fuel Supply

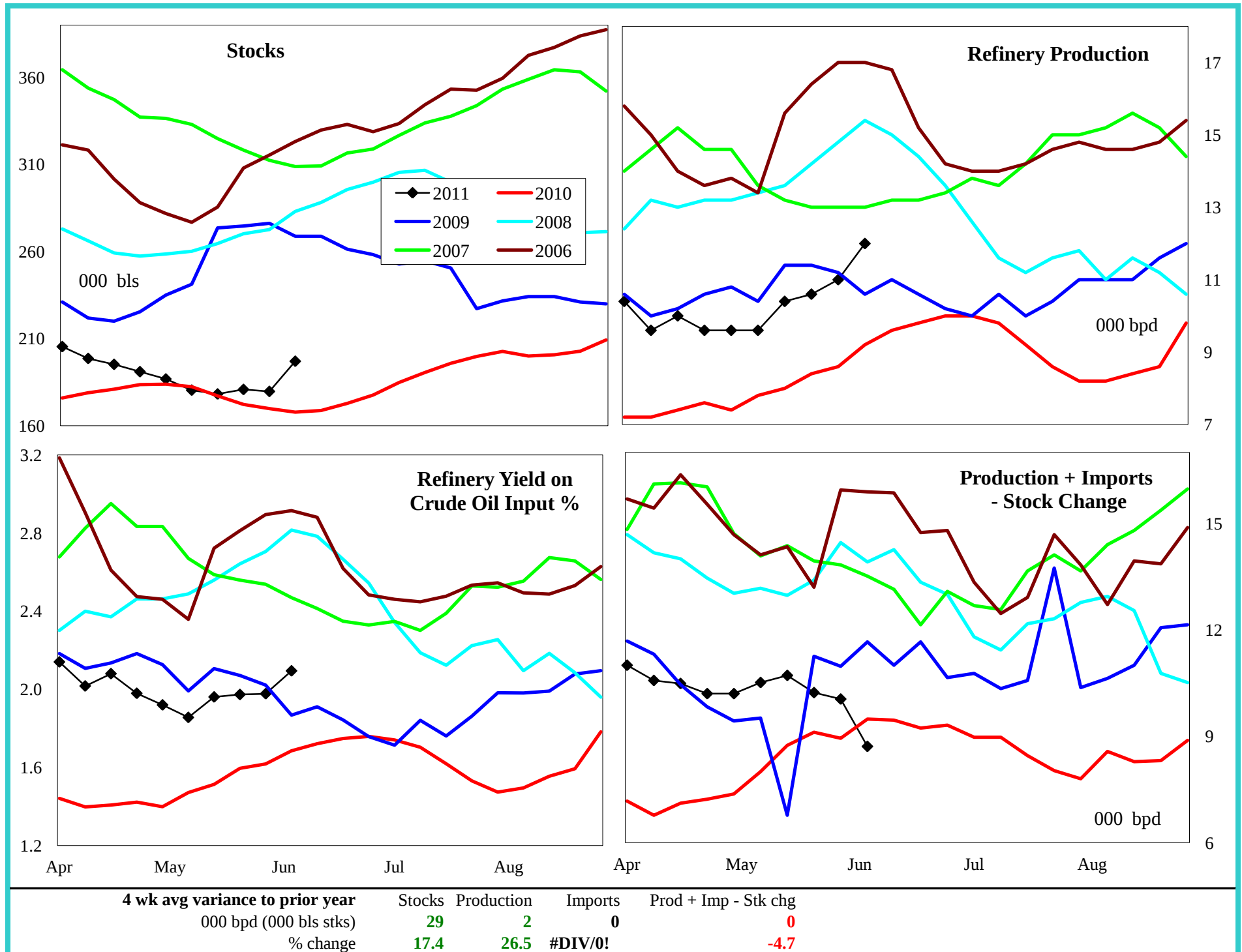


4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

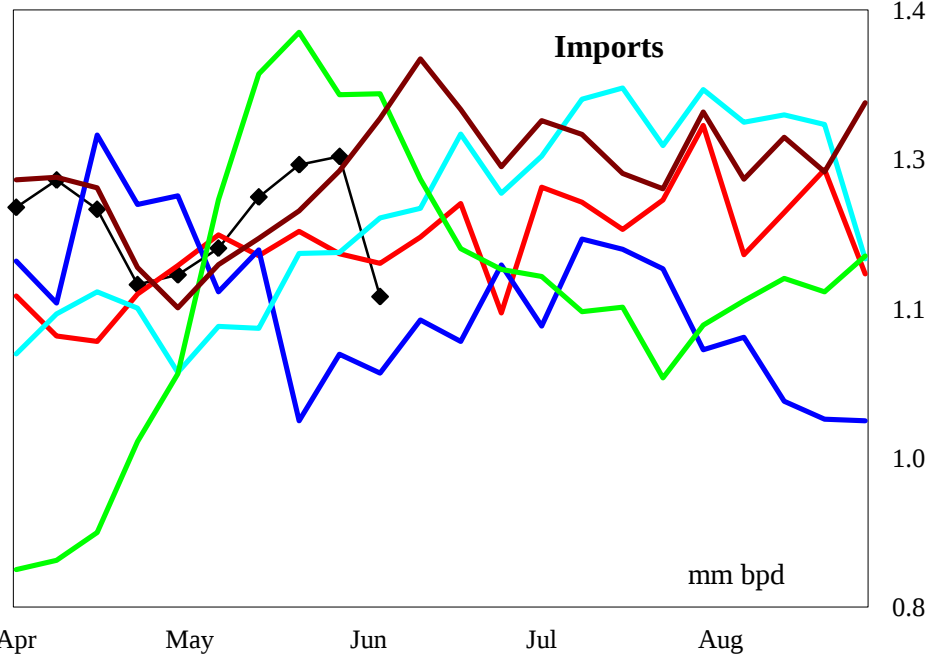
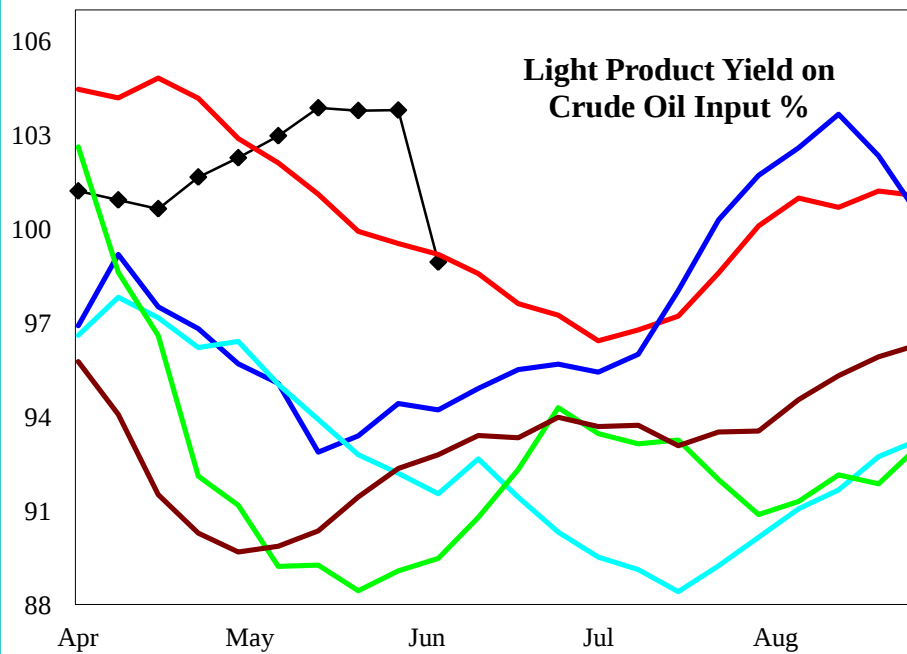
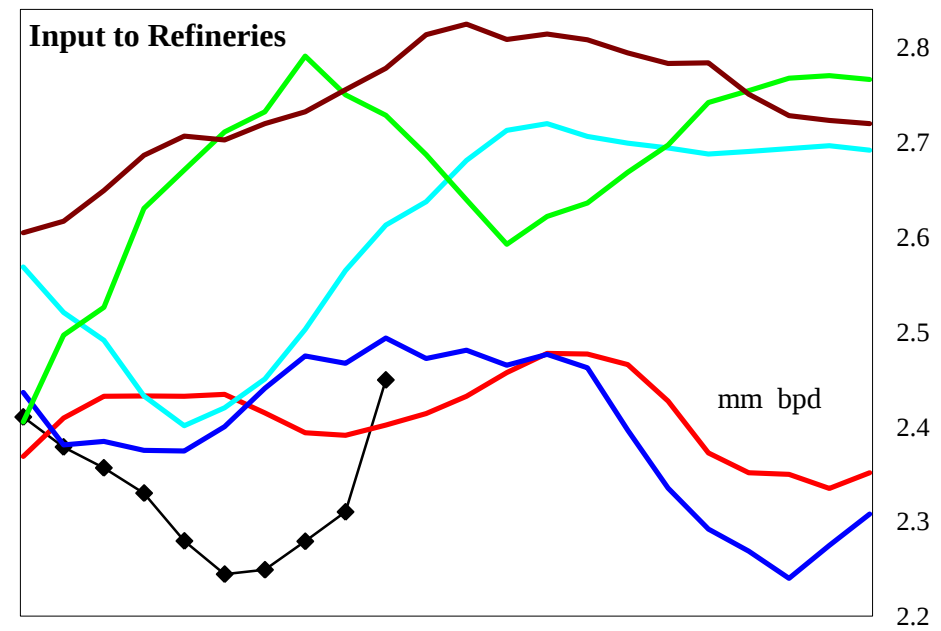
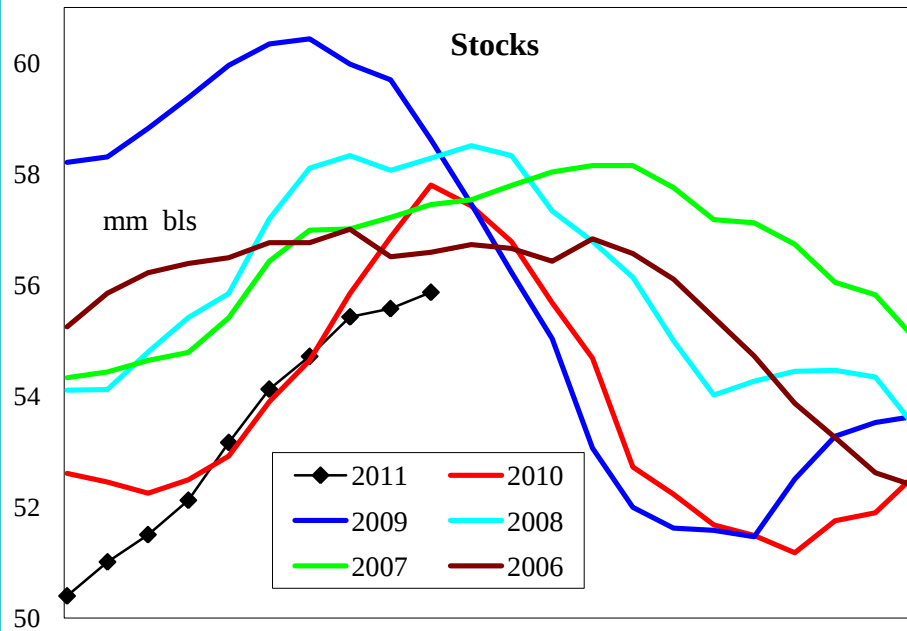
	Stocks	Production
000 bpd (000 bbls stks)	-94	-2
% change	-12.6	-7.0

Prod + Imp - Stk chg
 000 bpd
 % change

PADD 4 Residual Fuel Oil Supply



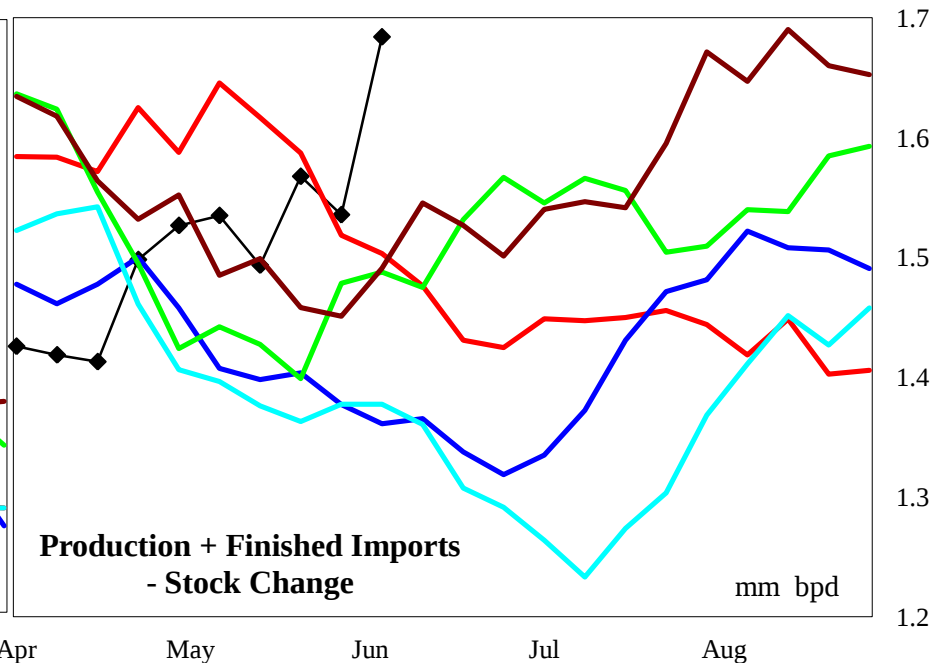
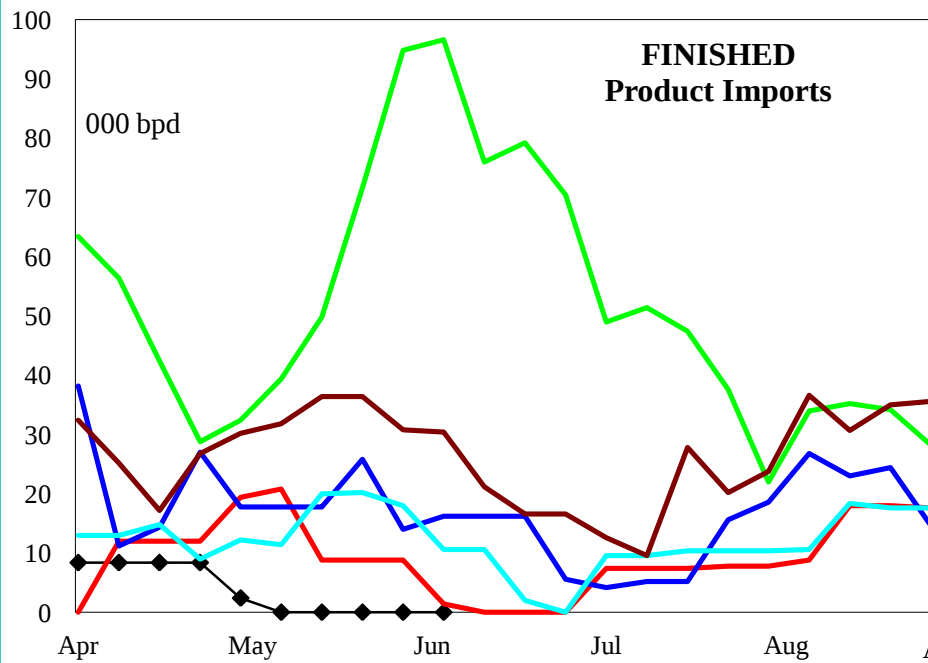
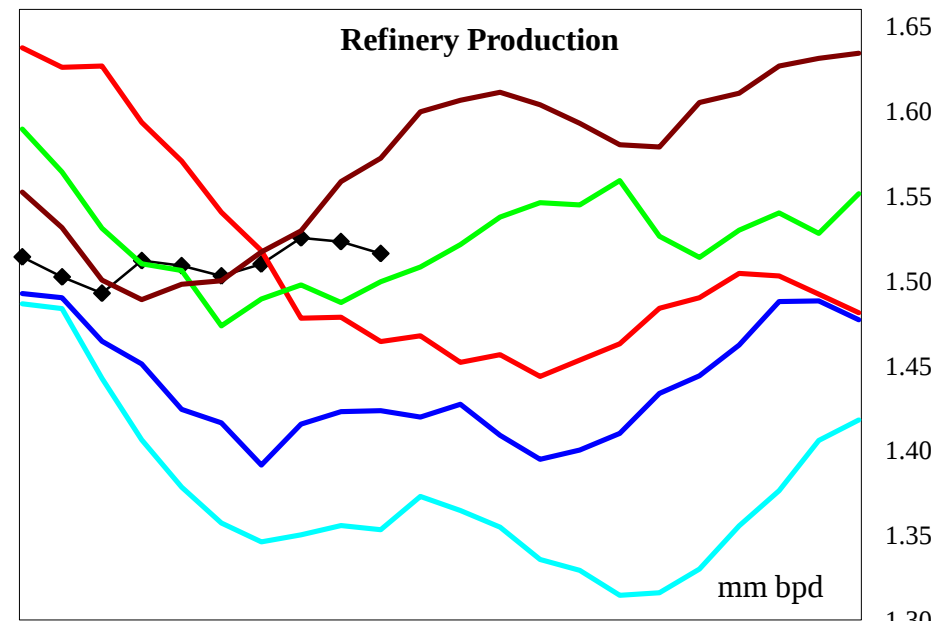
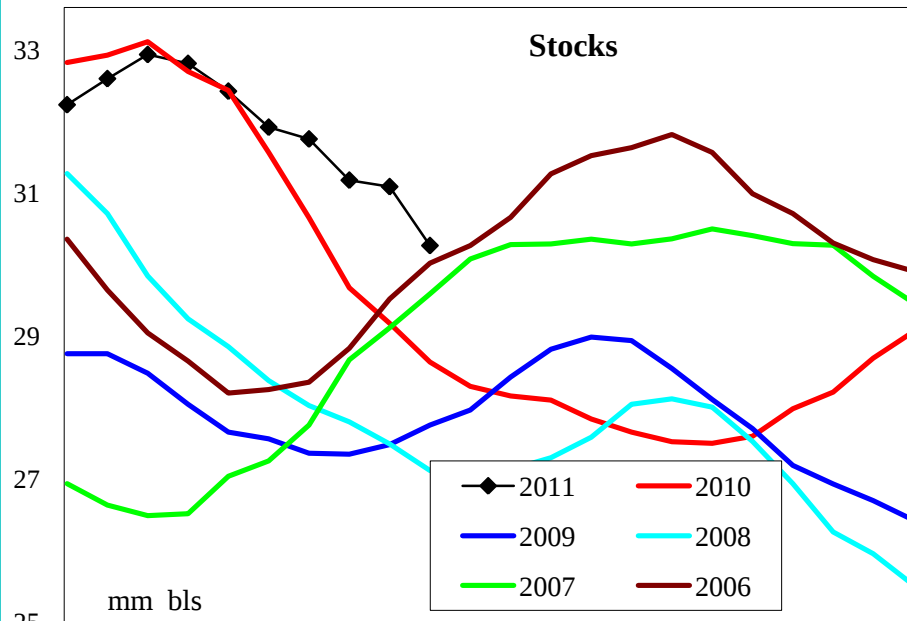
PADD 5 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-1,931	-115	68
% change	-3.3	-4.8	5.8

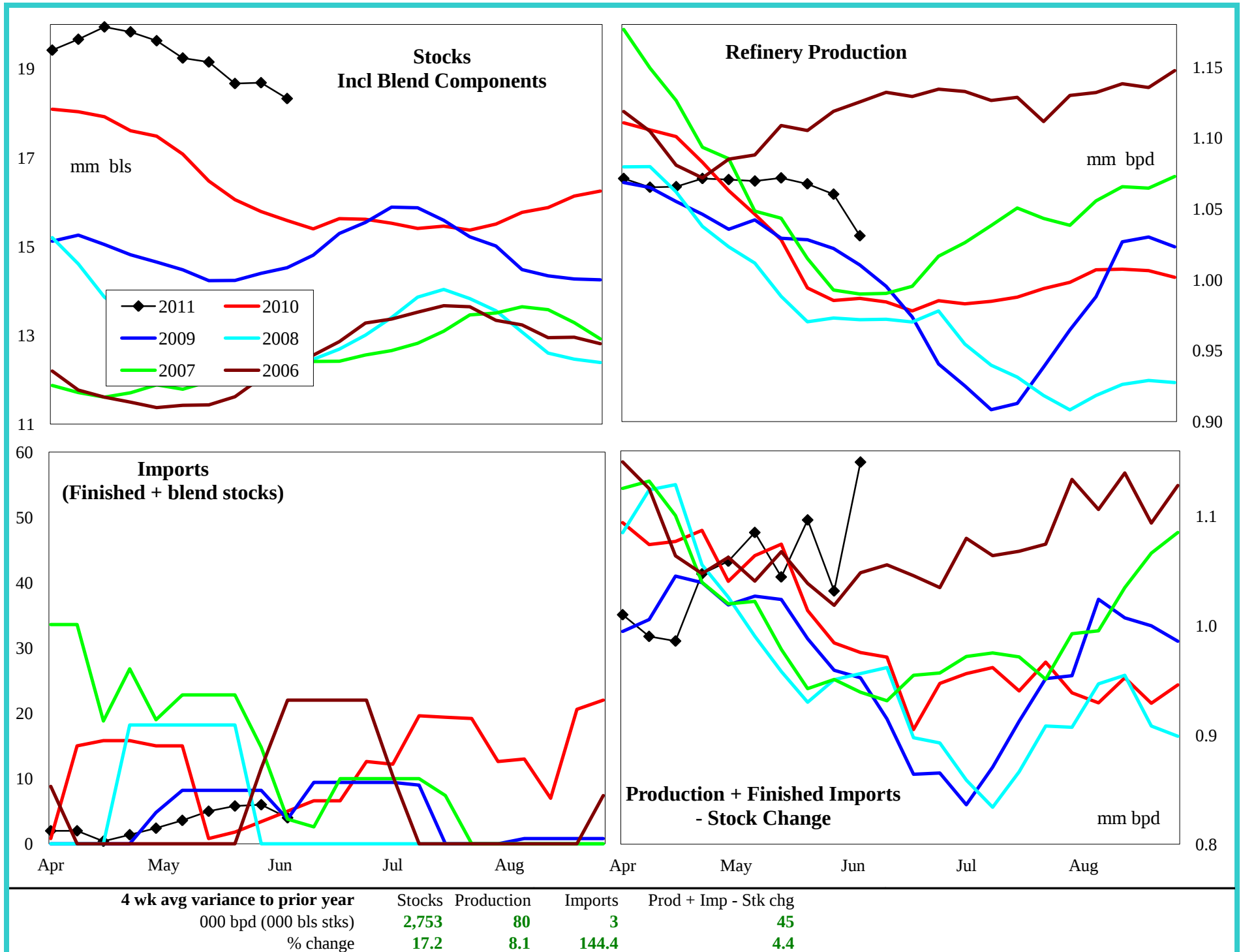
PADD 5 Gasoline Supply



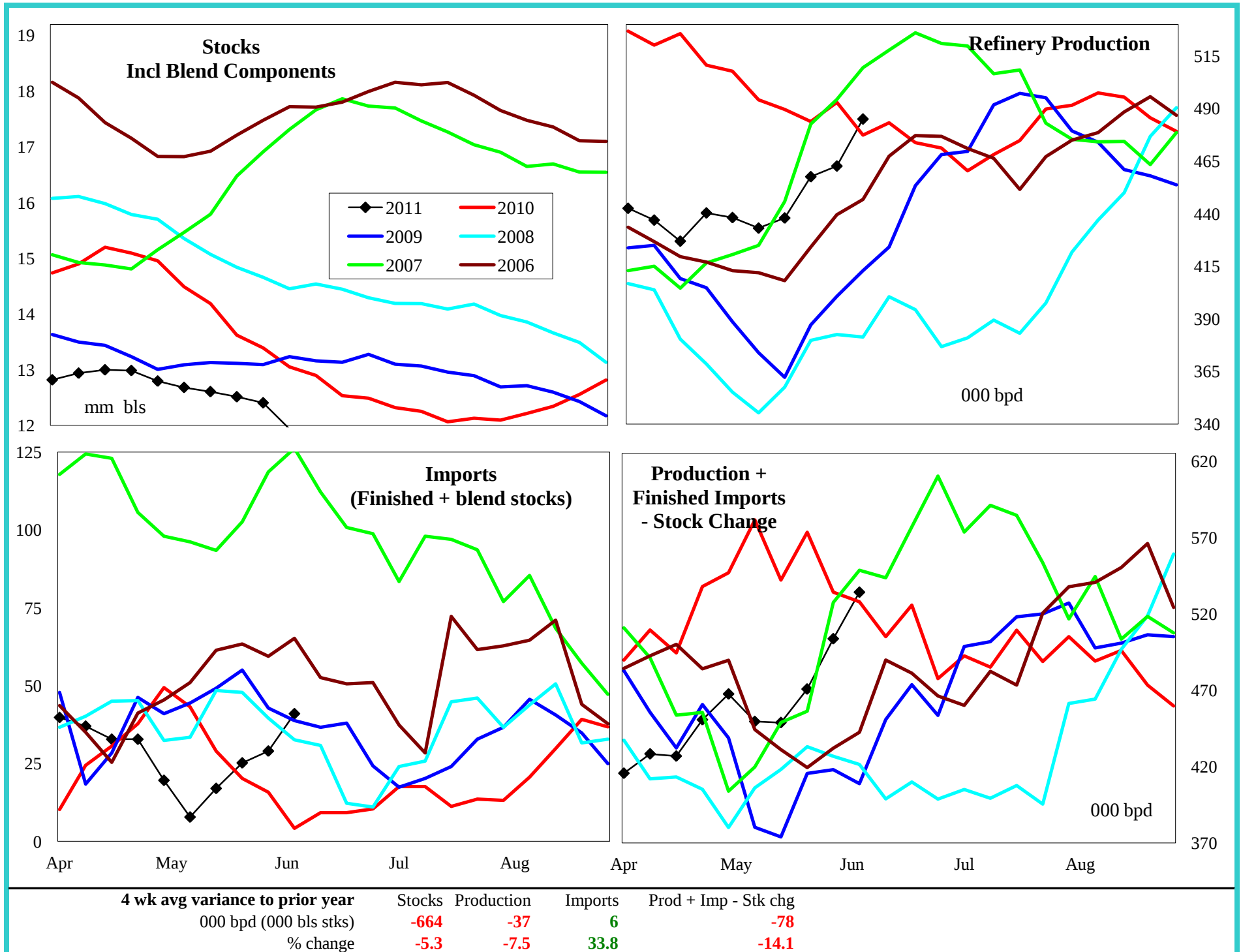
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
2,089	43	-11	20	-33
7.3	2.9	-100.0	263.3	-2.1

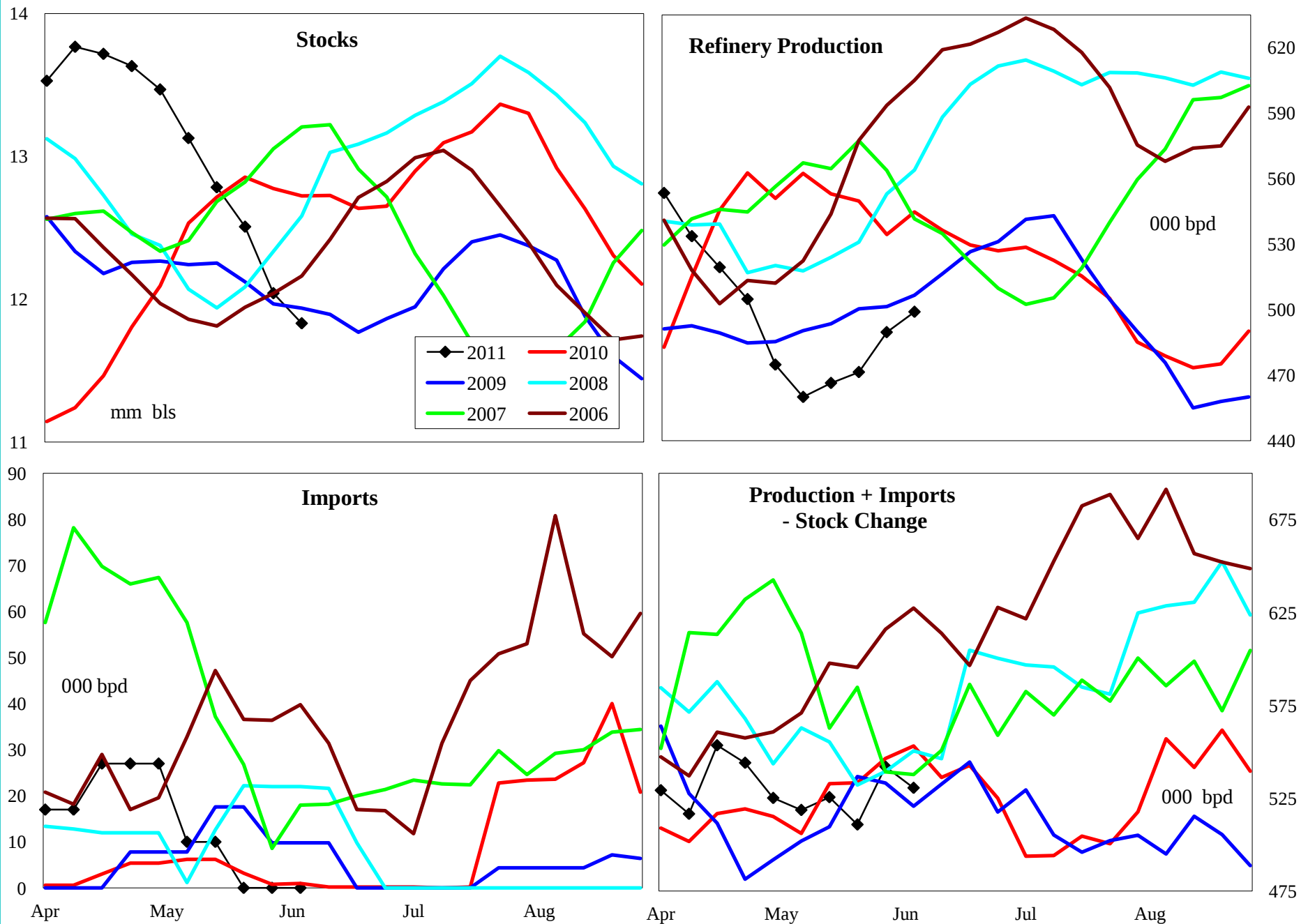
PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-892

-71

-1

-16

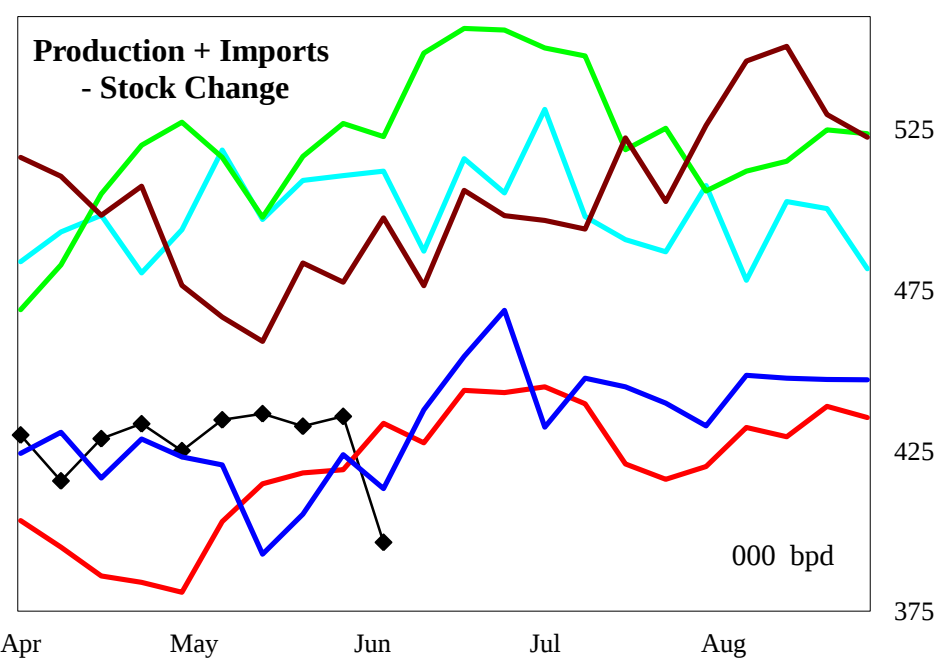
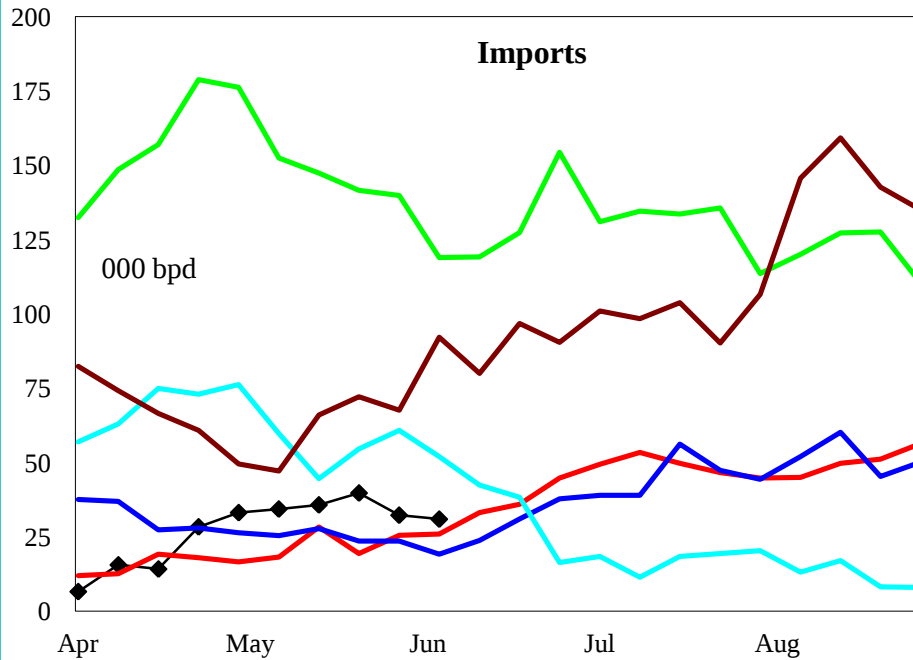
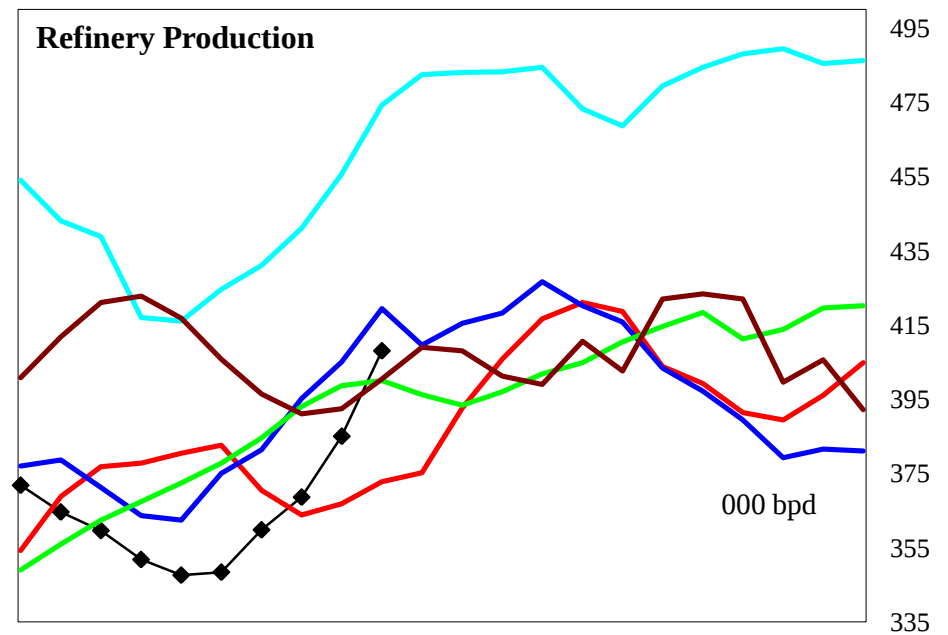
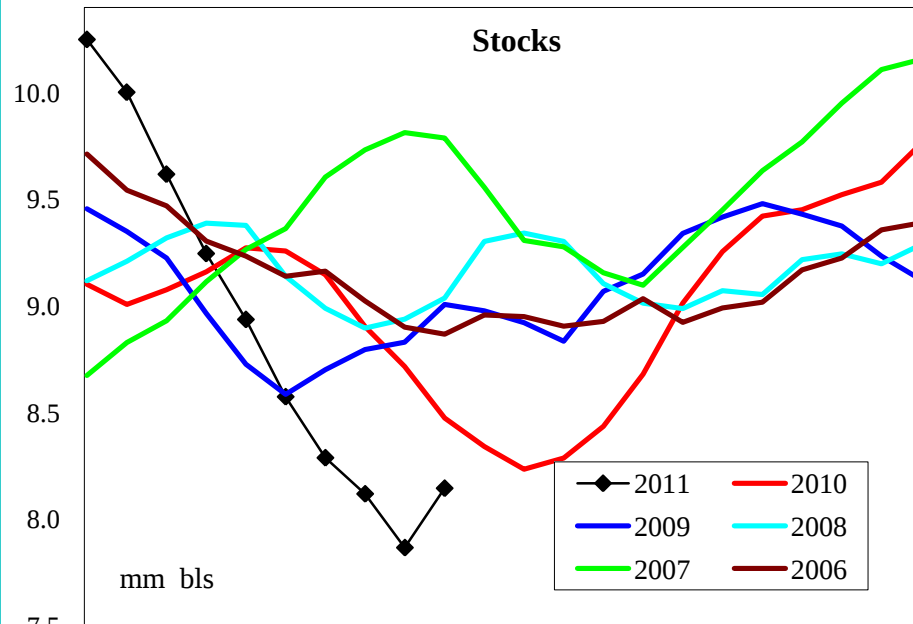
-7.0

-13.1

-100.0

-3.0

PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-571

-6.6

Production

13

3.6

Imports

9

40.7

Prod + Imp - Stk chg

-10

-2.4

PADD 5 Residual Fuel Oil Supply

