



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

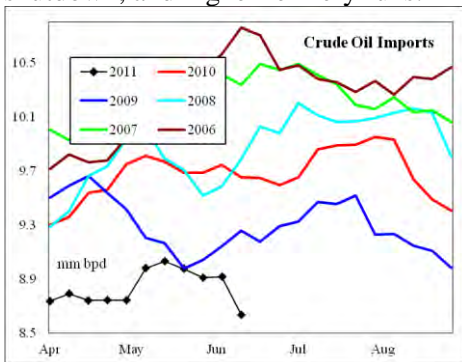
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 15, 2011

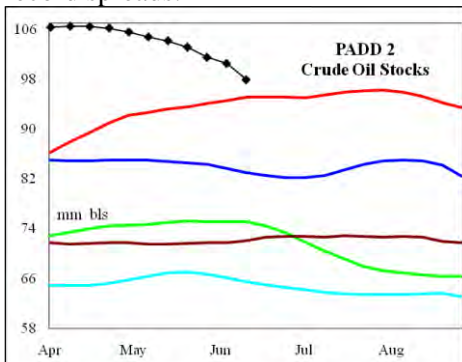


Major Fundamental Trends¹

Landlocked domestic crude oil, priced in relation to WTI, is trading at record discounts to off shore production and imports. Crude oil stocks in PADD 2 have declined -8 million barrels in 5-wks; the result of refiners displacing imports from the Gulf by domestic grades, the recent Keystone Pipeline shutdown, and higher refinery runs.



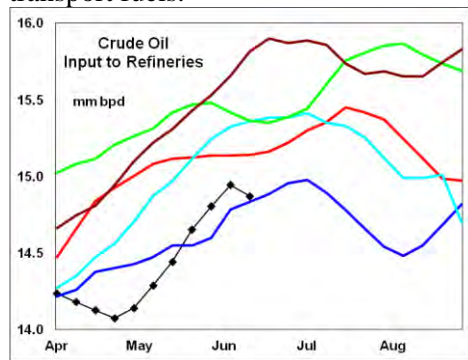
While transportation logistics represents a major hurdle to substituting landlocked domestic production for imports, economic incentives are extremely high. Expect further declines in stock levels for landlocked crude oil supply to contribute to a narrowing of the current record spreads.



Refinery crude oil runs fell -243,000 bpd on the week, including a -345,000 bpd drop in the Gulf Region. Run rates during the last quarter have been comparable to the record lows set during the depths of the recession in 2009.

Several factors likely contribute to

the low runs, including, reduced supplies of light sweet crude oil for refiners dependent on these grades, high cost of imported grades that are limiting refining margins and lackluster demand for domestic transport fuels.



The gasoline supply balance continued to improve with a +0.6 million barrel stock build, including a +1.8 million barrel build on the East Coast.

The distillate supply balance has yet to witness improvement. The latest 4-wk stock change East of the Rockies was a draw of -2.5 million barrels compared to an average build of +4 million barrels for this time of year.

Demand for gasoline increased +207,000 bpd last week, to a season high, while middle distillates fell a combined -359,000 bpd on the week.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +0.5%; distillate down -3.6%; jet fuel up +0.1% while residual fuel oil decreased -4.8%.

Stocks forward coverage: Gasoline demand coverage decreased on high seasonal demand, partially offset by a +0.6 million barrel stock build. Coverage levels were above four of the last 5-years.

Distillate coverage increased on very weak demand and stocks that were nearly unchanged on the week. The coverage level remains below the last 2-years on lower stock levels.

Jet fuel coverage increased on a +1.7 million barrel stock build, with the level slightly below the last 2-years.

Refinery utilization rates fell on a -243,000 bpd drop in crude oil thru put, pushing the level to match 2009 record lows.

Gasoline yield % on crude oil runs increased on a +23,000 bpd rise in output compared to a -243,000 bpd drop in crude oil runs.

The yield % on crude oil runs remains well above the 5-year range.

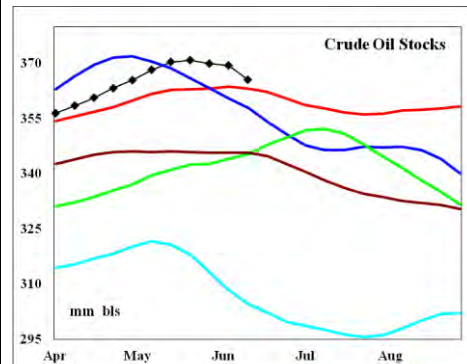
Distillate yield % on crude oil runs increased slightly on a -116,000 bpd drop in production compared to the decrease in crude oil runs. Yield % levels matched historic highs.

Jet fuel yield % on crude oil runs was higher on a -19,000 bpd decrease in production, compared to the large decline in crude oil runs. The yield % on crude oil runs matched historic highs.

Petroleum Imports were marginally lower for major refined products last week.

During the latest 4-wk period crude oil imports decreased -0.7 million bpd below last year; distillate imports decreased -116,000 bpd; finished gasoline imports increased +59,000 bpd, gasoline blend stock imports increased +261,000 bpd; jet fuel imports were up +10,000 bpd, while residual fuel oil imports increased +53,000 bpd.

Crude Oil stocks fell -3.4 million barrels last week, due to record low imports. Stock levels are slightly above year ago levels in all markets East of the Rockies.



Extremely low relative cost of domestic crude oil should drive a further draw in inland crude oil stocks.

¹ Source is latest EIA Weekly Statistics



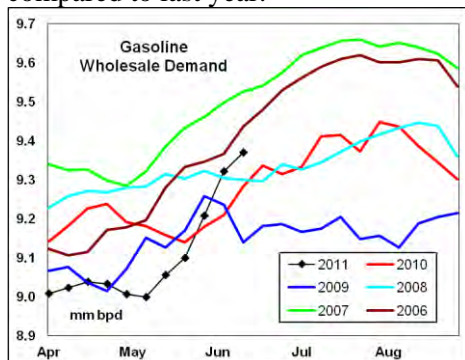
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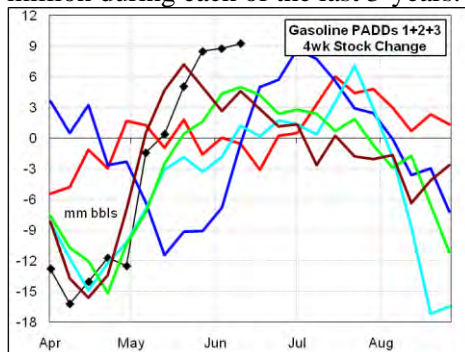
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Product Supply-Demand Trends

Gasoline demand increased +207,000 bpd, to a weekly level above the last 2-years. The latest 4-wk average demand increased +46,000 bpd compared to last year.



High production and blend stock imports has led to a record stock build (+9.1 million barrels) during the last month in markets East of the Rockies. This compares to an average of -1 million during each of the last 3-years.



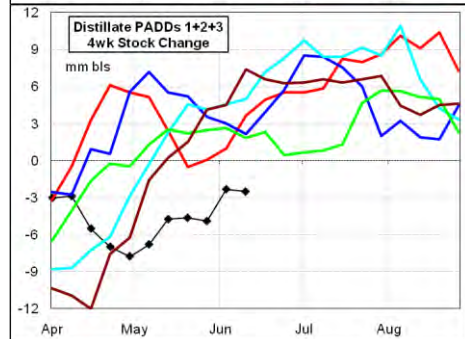
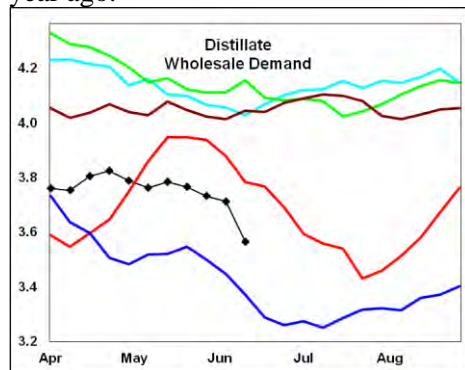
High levels of production and imports led to a +0.6 million barrel stock build for the week. Stock levels are now well above four of the last 5-years.

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 -198,000 bpd on the week, with the level below last years' elevated rate. The latest 4-wk average demand was -141,000 bpd below a year ago.

Expect wholesale demand to trend seasonally lower over the next 45-days, allowing a return to stock building. Demand levels remain modestly above the lows of 2009.

Production fell -116,000 bpd last week, with the decline concentrated in the Gulf. The level matched last year and was well above the mid range. Imports remain extremely low, down -116,000 bpd (-48%) compared to a year ago.



Stocks decreased -0.1 million barrels on the week, with the level -15.8 million barrels below last year. The latest 4-wk stock change in PADDs 1+2+3 was a draw of -2.5 million barrels, a record high draw for this time of year.

Distillate output continues to track at levels below historic highs on reduced crude oil runs. The exceptional drop in imports has also contributed to a lack of seasonal stock building.

Reduced supplies have more than offset lackluster demand, with the result likely to be modest seasonal stock builds during the summer quarter.

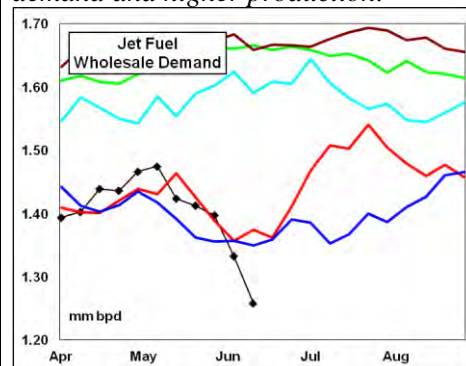
Distillate prices should enjoy relative strength compared to the over energy complex.

Jet Fuel demand fell -161,000 bpd on the week, a level below the last 2-years. The latest 4-wk average demand was +1,000 bpd above a year

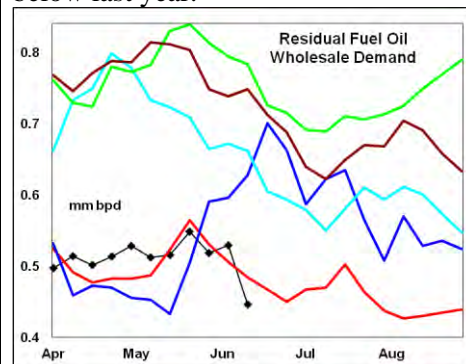
ago.

Supply declined -31,000 bpd, on lower production and imports. Supply levels were above each of the last 2-years. Stocks increased +1.7 million barrels, with the level above four of the last 5-years.

Jet fuel supply balance has sharply improved during the last month, on higher production and imports. Expect seasonal stock builds ahead on weak demand and higher production.



Residual fuel oil demand, including exports, fell -138,000 bpd last week, with the 4-wk average -26,000 bpd below last year.



Supply (production + imports) decreased -61,000 bpd on lower imports. The latest 4-wk average supply was +85,000 bpd above a year ago. Stocks decreased -0.3 million barrels, with the level at the low end of the historic range.

Stock levels in PADD 1 were -7.7 million barrels below a year ago, a -43% decline. PADD 3 stock levels matched historic highs last week.

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



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

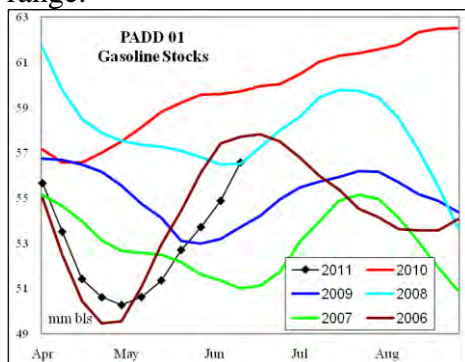
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PADD Supply Trends

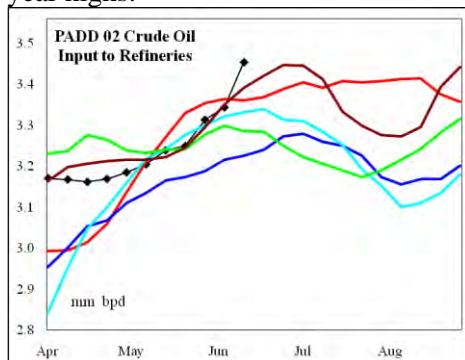
PADD 1 refinery crude oil runs declined -136,000 bpd on the week, with the level -100,000 bpd below a year ago for the latest 4-wk period. Closed capacity of 150,000 bpd has not yet returned to operation.

Gasoline production increased +118,000 bpd on the week, with down -55,000 bpd. Stocks increased +1.8 million barrels on the week, with the level at the mid range.



Distillate supply decreased -45,000 bpd on the week, with the level well below the historic range. Stocks increased +0.2 million barrels with the level -15% below the last 2-years.

Jet fuel stocks increased +0.3 million barrels last week on weak demand that offset a -60,000 bpd drop in imports. Stock levels were near 5-year highs.



PADD 2 crude oil refinery runs increased +208,000 bpd to a level above the 5-year range. Crude oil stocks fell -2.9 million barrels on extremely low imports, the result of an earlier shutdown of the Keystone Pipeline. Stocks in PADD 2 have declined -10 million barrels during the

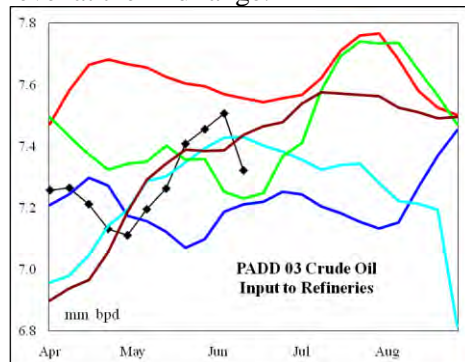
last 5-wks on higher refinery runs, low imports and very attractive pricing compared to international grades.

Gasoline production spiked +258,000 bpd on the week, to a level near 5-year highs for the season. Stocks decreased -0.4 million barrels, to a level that matched historic lows.

Distillate production increased +32,000 bpd, to a level above the mid range. Stocks decreased -0.7 million barrels on the week, to a level that matched 5-year lows.

Jet fuel production levels remain above the historic range. Stocks increased +0.6 million barrels to a level above the mid range.

PADD 3 crude oil runs fell -345,000 bpd last week, to a level below the mid range. The latest 4-wk average throughput was -77,000 bpd below last year. Crude imports increased +0.4 million bpd, although the level remains well below the 5-year range. Stocks increased +0.7 million barrels to a level at the mid range.



Gasoline production fell -236,000 bpd on the week, a record low level this time of year. Stocks decreased -1.1 million barrels, with the level near 5-year highs.

Distillate production fell -150,000 bpd on the week, with the level +225,000 bpd above a year ago for the latest 4-wk period. Stocks declined -0.4 million barrels, with the level -4.3 million barrels below last years' record high.

Jet fuel production fell -70,000 bpd on the week, to a level at the low end of the historic range. Stock levels remain above the historic mid range,

but -2.8 million barrels below last years' record high.

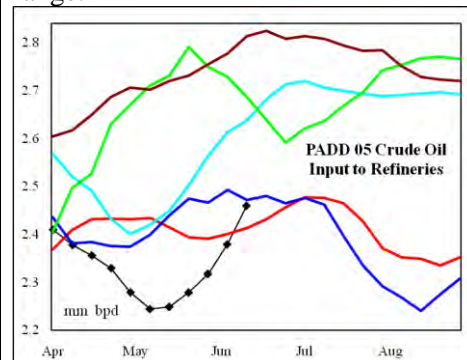
Residual fuel oil supply decreased -40,000 bpd on the week to a level below the mid range. Stocks increased +1.1 million barrels to match the 5-year highs.

PADD 4 refinery crude runs increased +21,000 bpd on the week, to a level above the historic range. Light product yields fell sharply on the week, to a level below the historic range.

Gasoline production fell -51,000 bpd to a level at the low end of the 5-year range. Stock levels remain at record highs for the year.

Distillate production and stocks were each climbed to new all time highs. Stock levels were +31% above the prior record high, driving an extremely over supplied market.

PADD 5 crude oil refinery runs increased +11,000 bpd on the week, with the level comparable to the last 2-years. The latest 4-wk average throughput was -44,000 bpd below last year. Crude oil imports increased +246,000 bpd, to the upper end of the historic range.



Gasoline production increased +41,000 bpd on the week, with the level +75,000 bpd above last year and near 5-year highs. Stock levels match record highs for this time of year.

Distillate production remains below the 5-year range. Stocks increased +0.7 million barrels on the week, to a level near the mid range on weak demand.

Jet fuel supply surged +93,000 bpd on the week, to a level near historic highs.

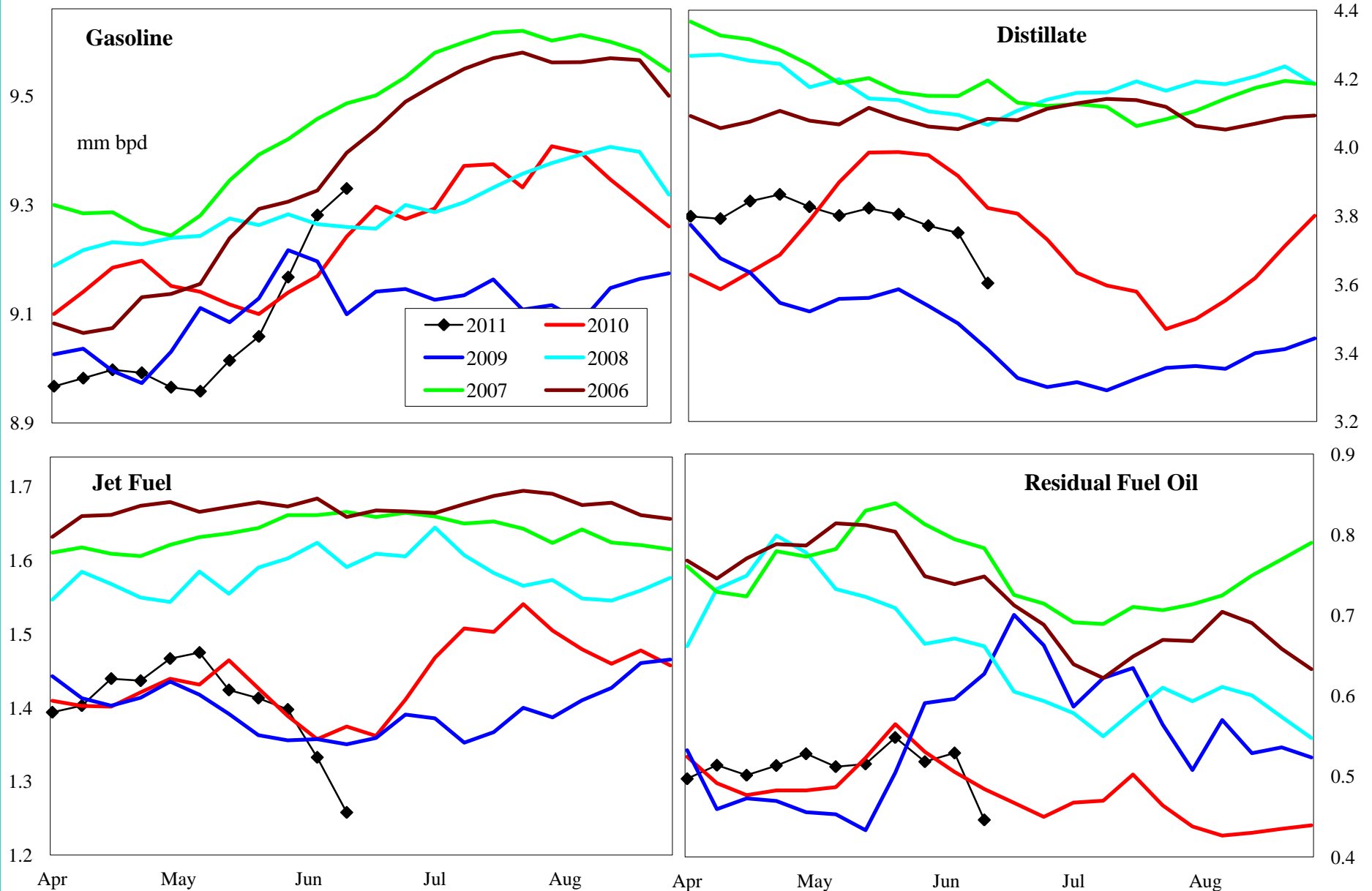


PETROLEUM: Graph Link and Weekly Summary

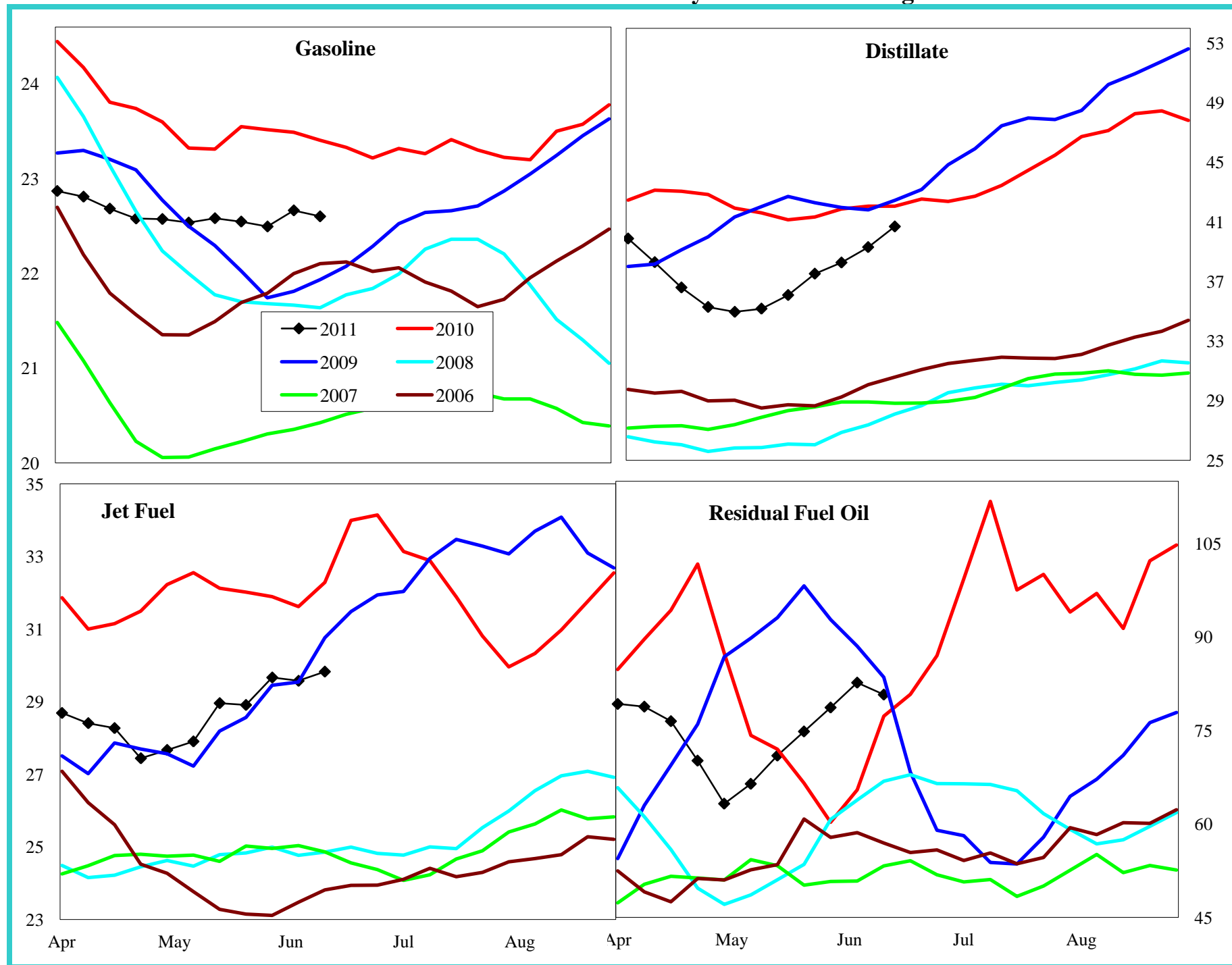
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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	10-Jun-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-3,406	-1,110	-2,862	684	-384	267
	Imports	38	-260	-218	346	-76	246
	Input	-243	-136	208	-345	21	11
	% Utilization	-1.10					
Gasoline	Stocks	573	1,842	-399	-1,104	3	231
	Production	23	118	258	-236	-51	41
	Imports	-43	-55	-1	50	0	-37
	Supplied	207					
Distillate	Stocks	-105	244	-727	-441	119	701
	Production	-116	-15	32	-150	13	3
	Imports	-30	-30	0	0	0	0
	Supplied	-198					
Jet Fuel	Stocks	1,687	314	562	-30	91	752
	Production	-19	-2	11	-70	-1	44
	Imports	-12	-60	0	0	0	49
	Supplied	-161					
Residual Fuel Oil	Stocks	-252	-1,221	-161	1,126	-12	16
	Production	30	10	13	8	-2	2
	Imports	-91	-40	0	-48	0	-3
	Supplied	-138					

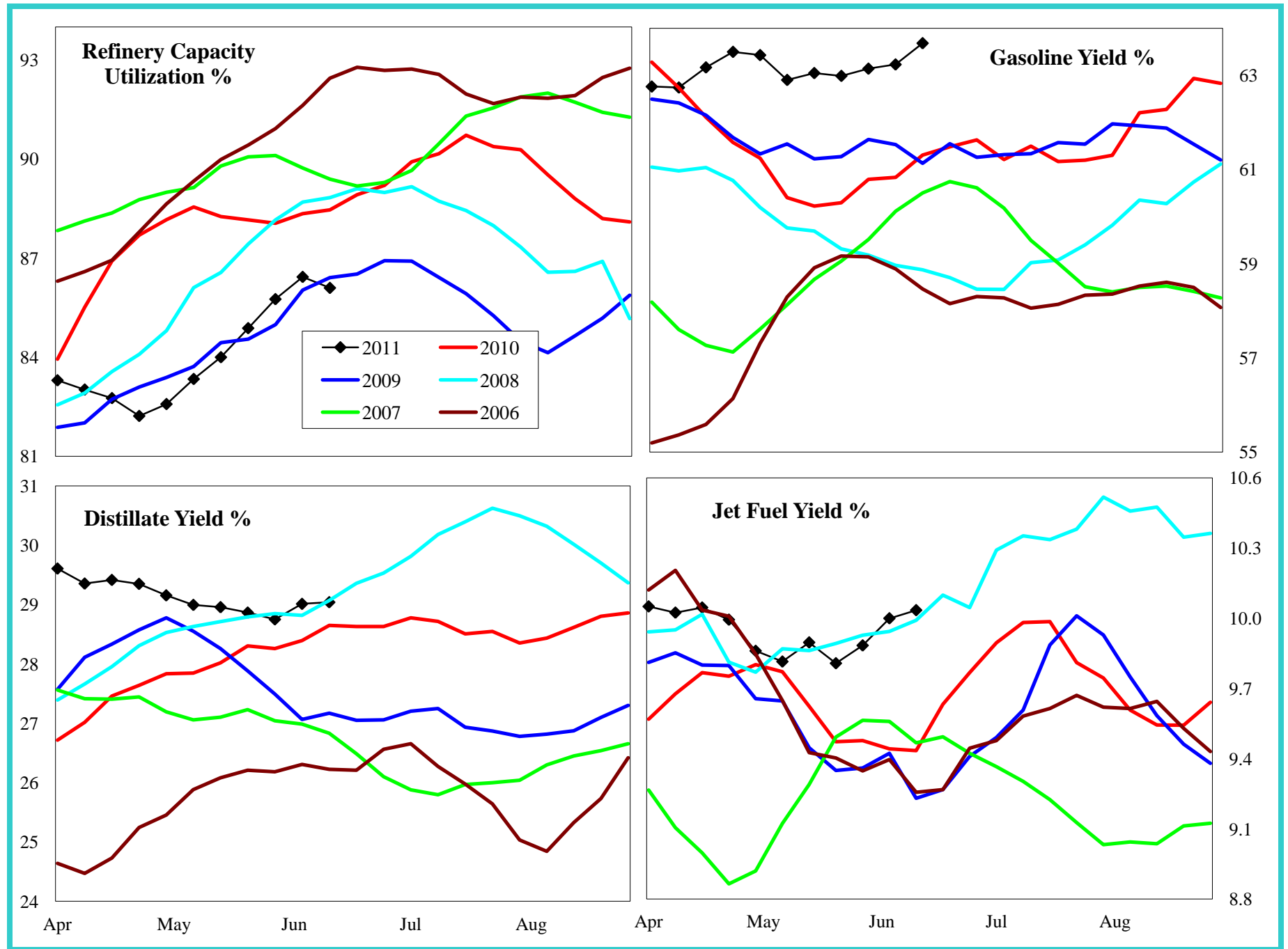
United States Wholesale Petroleum Demand



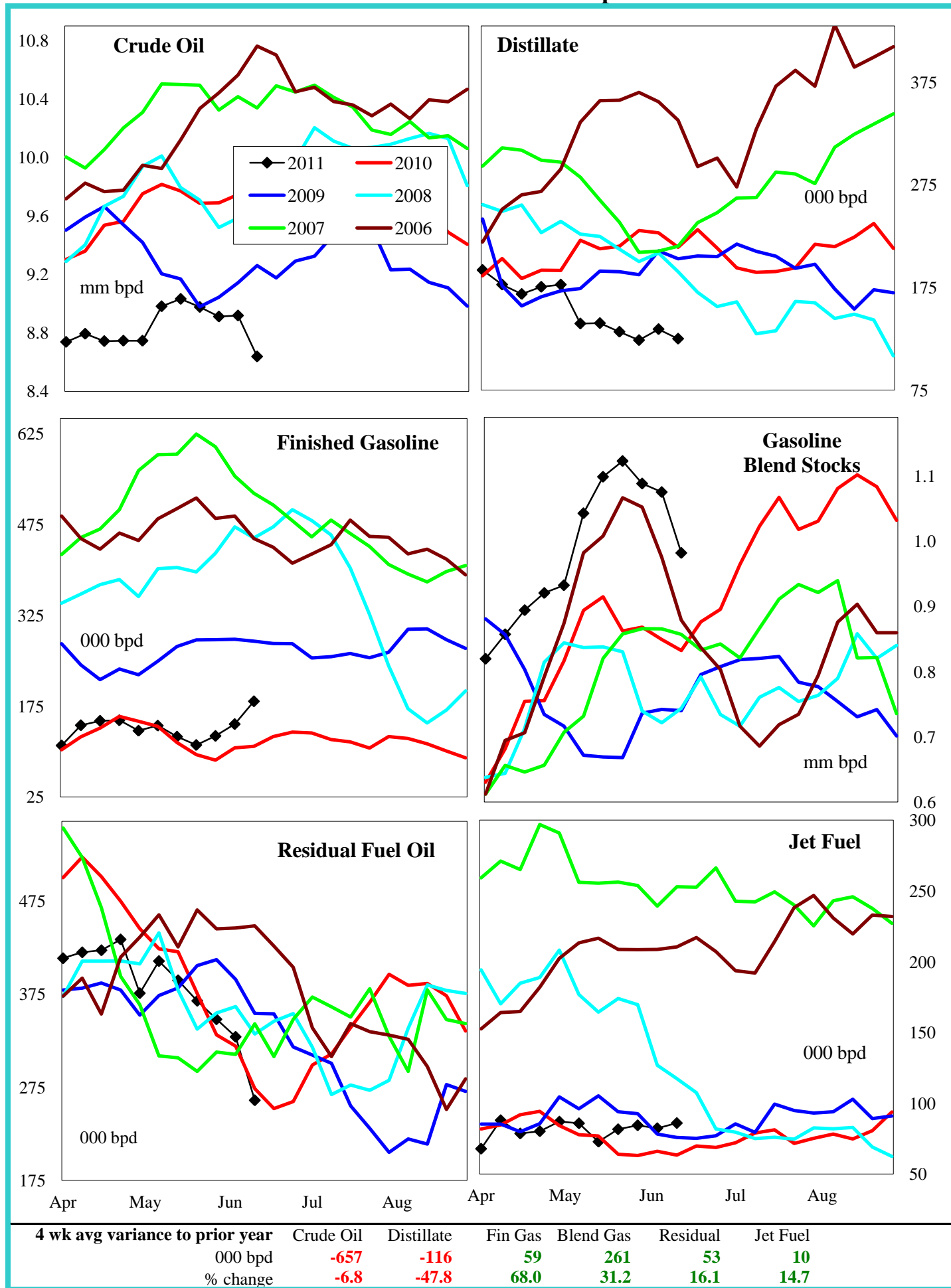
	000 bpd change from prior year				% change from prior year				
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar	
Gasoline	46	-134	-19	204	0.5	-1.5	-0.2	2.3	
Distillate	-141	170	179	39	-3.6	4.7	4.8	1.0	
Jet Fuel	1	-10	71	-69	0.1	-0.7	5.1	-4.8	
Resid	-26	25	-85	21	-4.8	4.9	-14.7	3.9	

United States Product Stocks: Days Forward Coverage

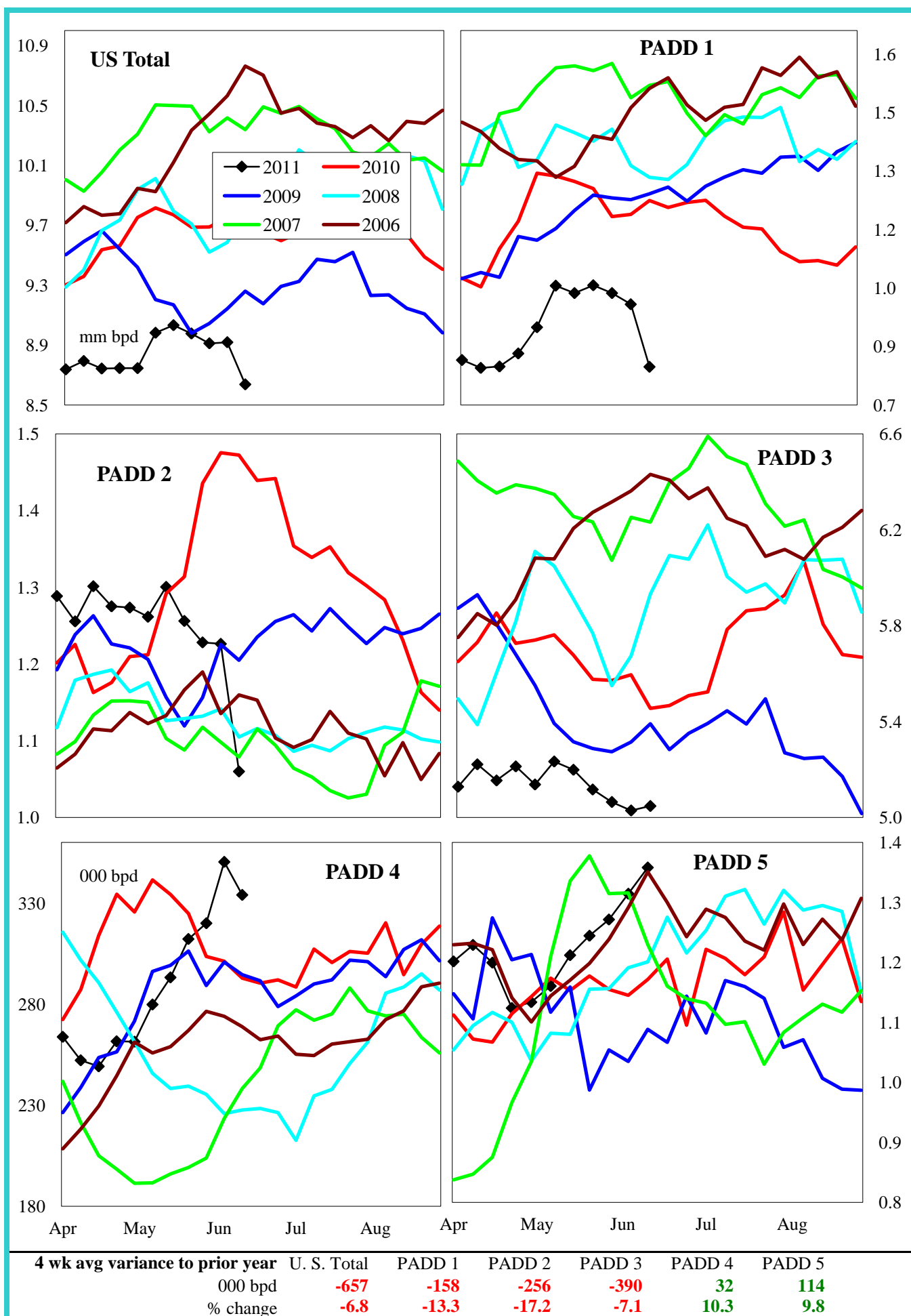
United States Refinery Percent Utilization Rate and Product Yields



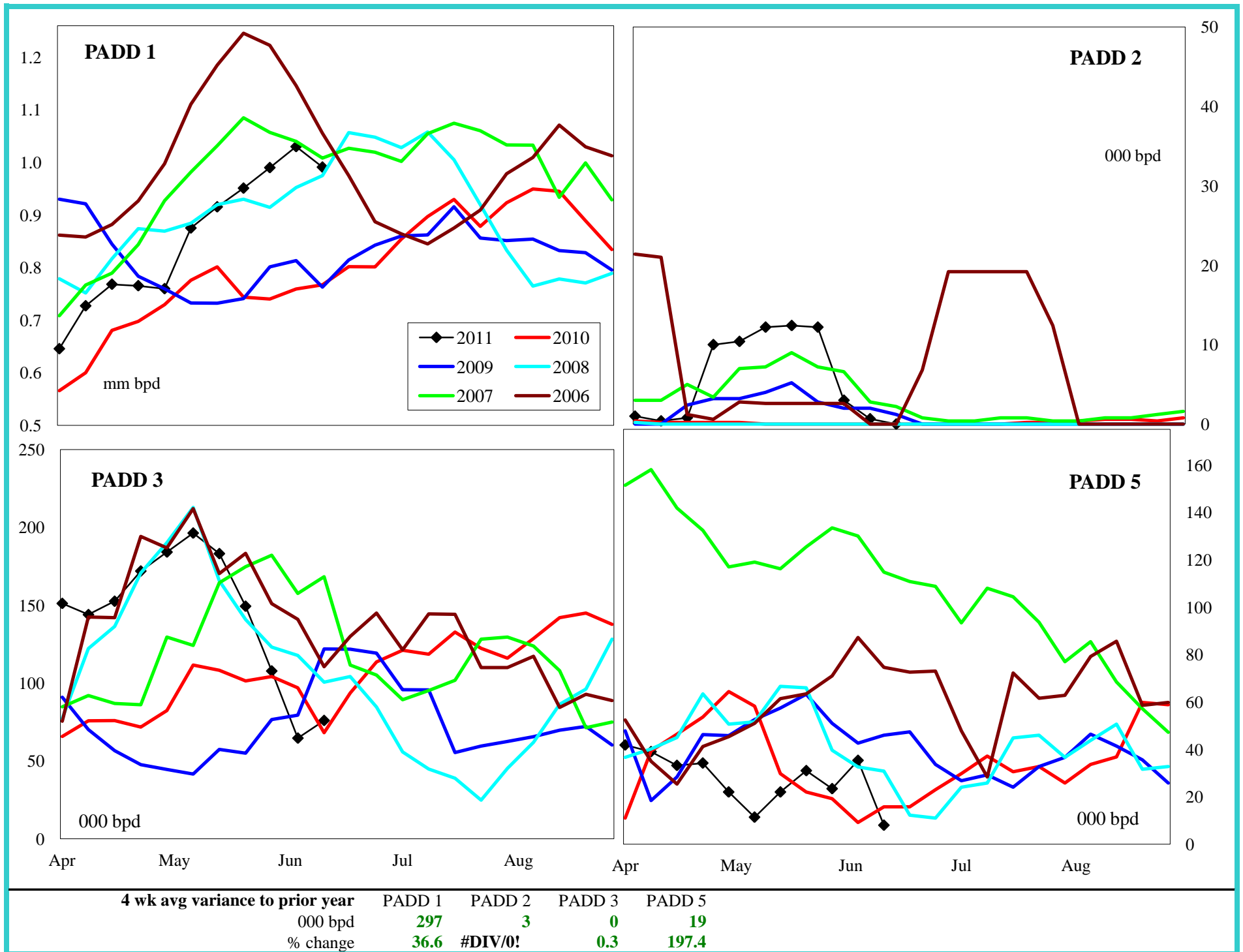
United States Petroleum Imports



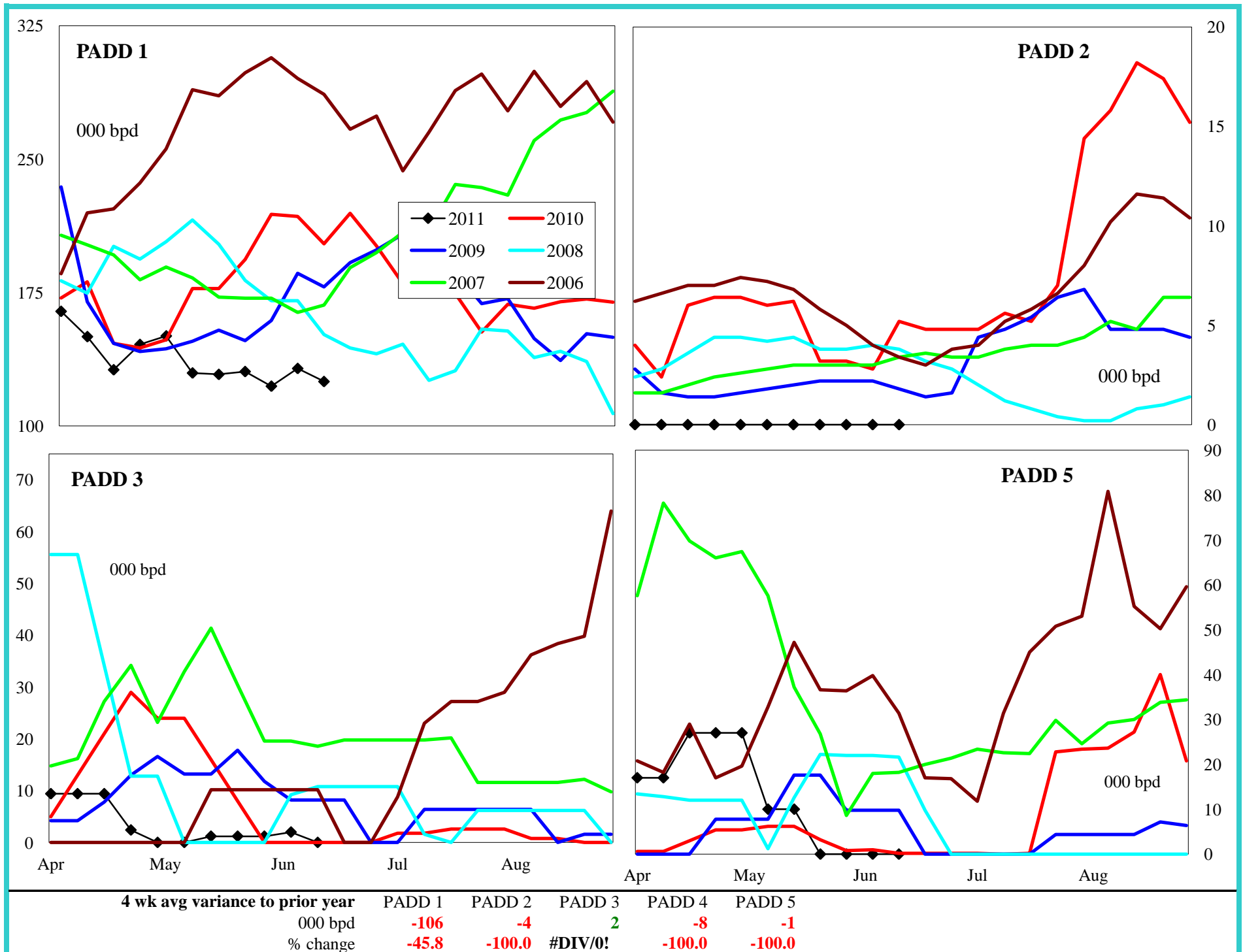
Crude Oil Imports by PADD



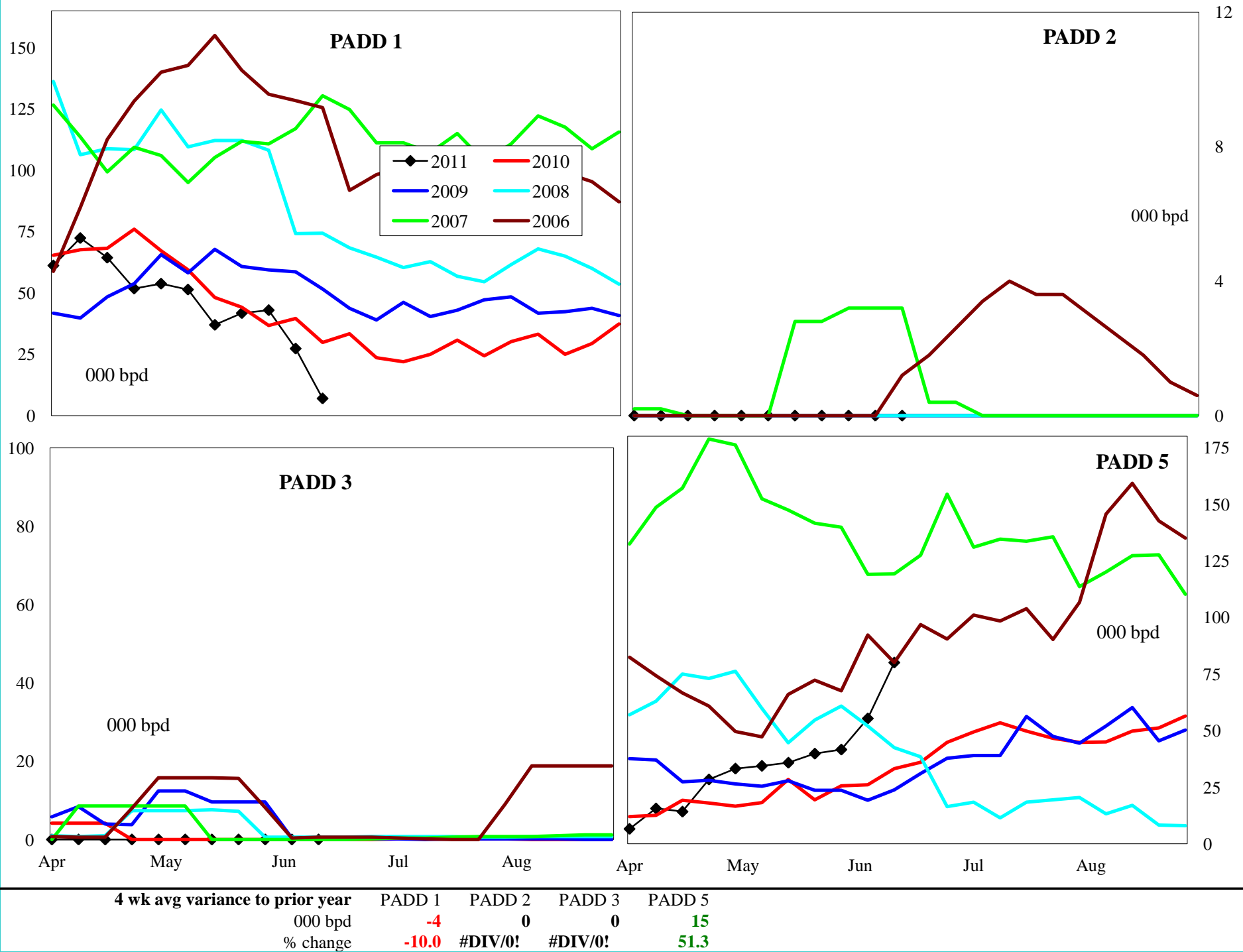
Gasoline Imports by PADD (Finished + Blend Stocks)



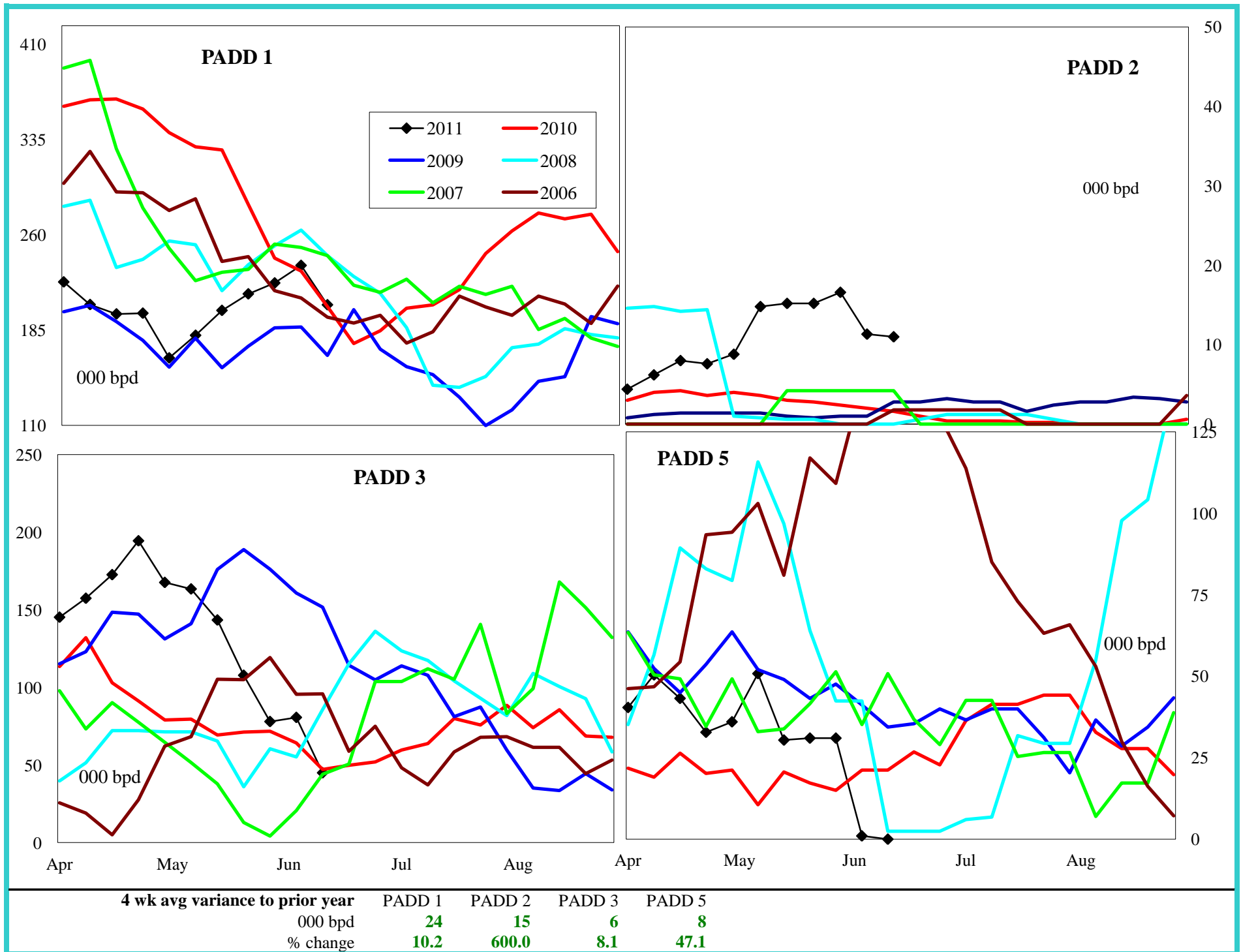
Distillate Imports by PADD



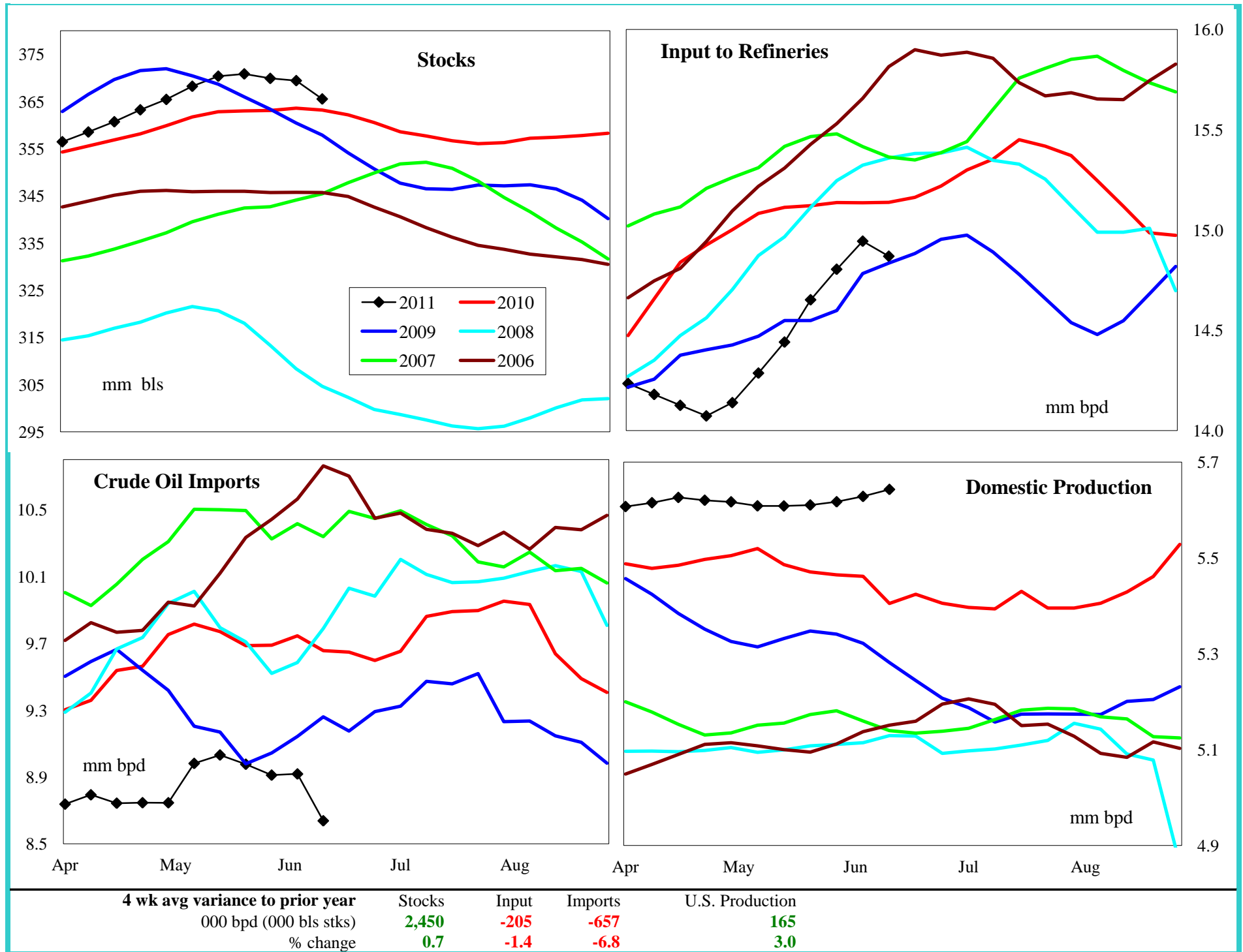
Jet Fuel Imports by PADD



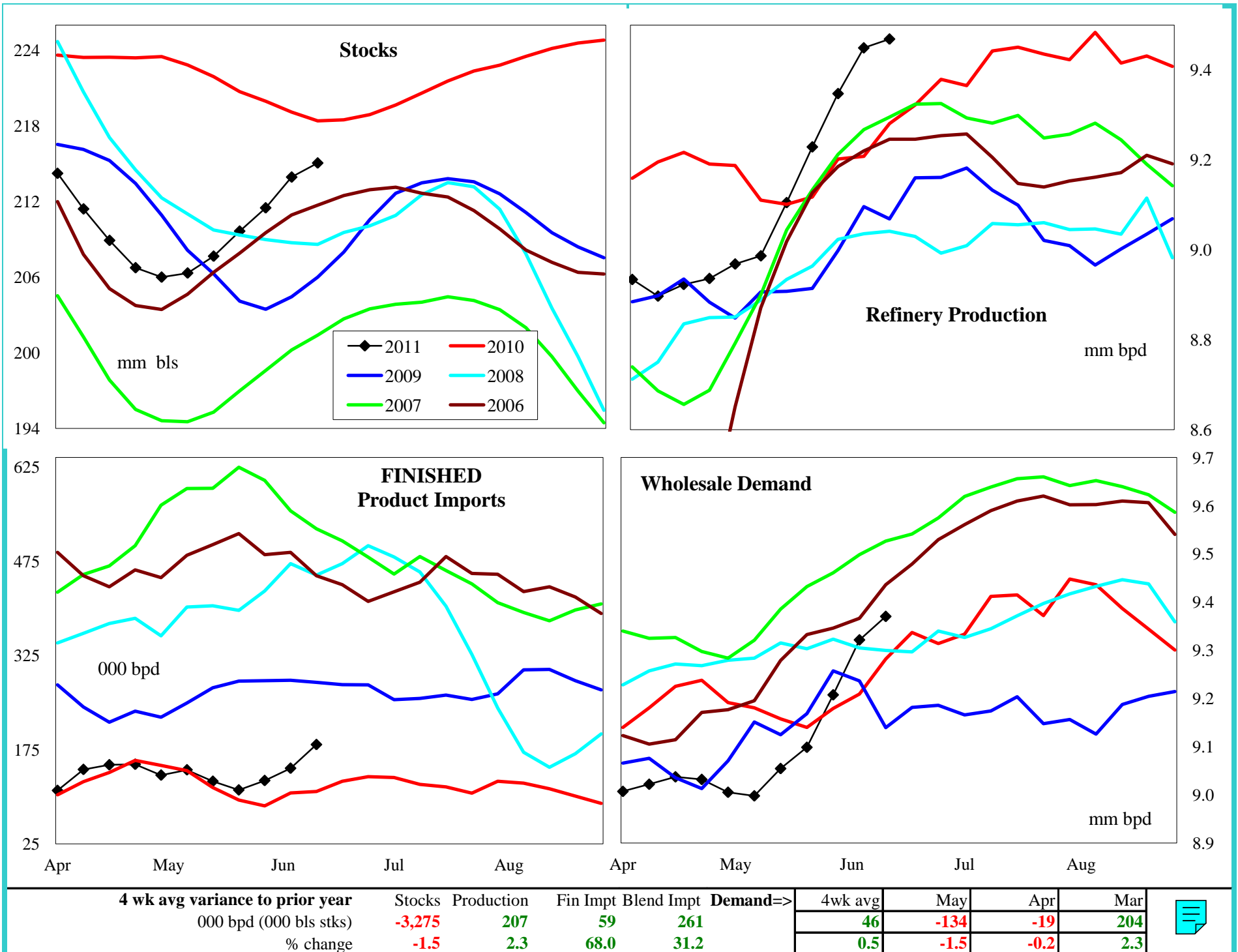
Residual Fuel Oil Imports by PADD



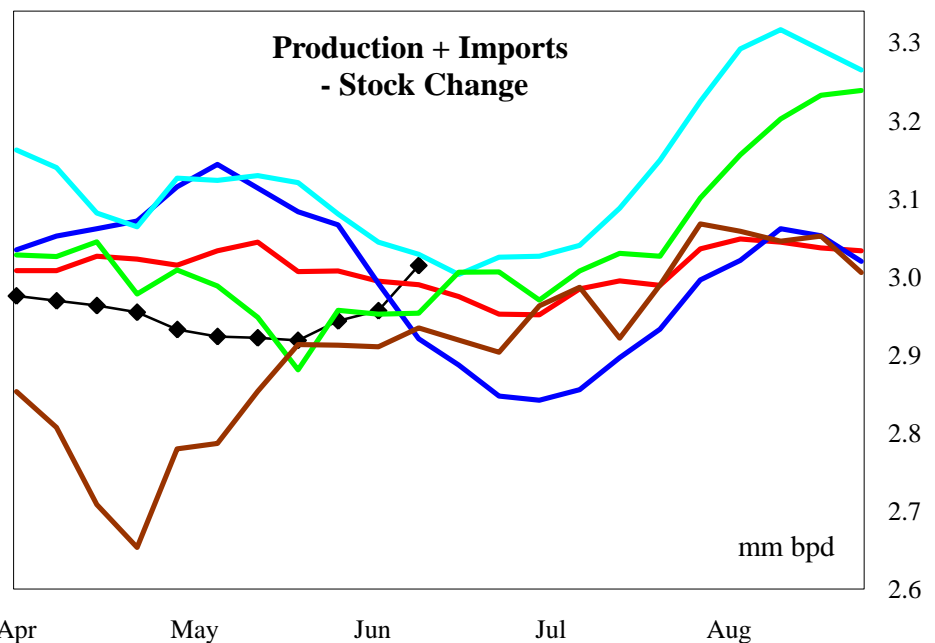
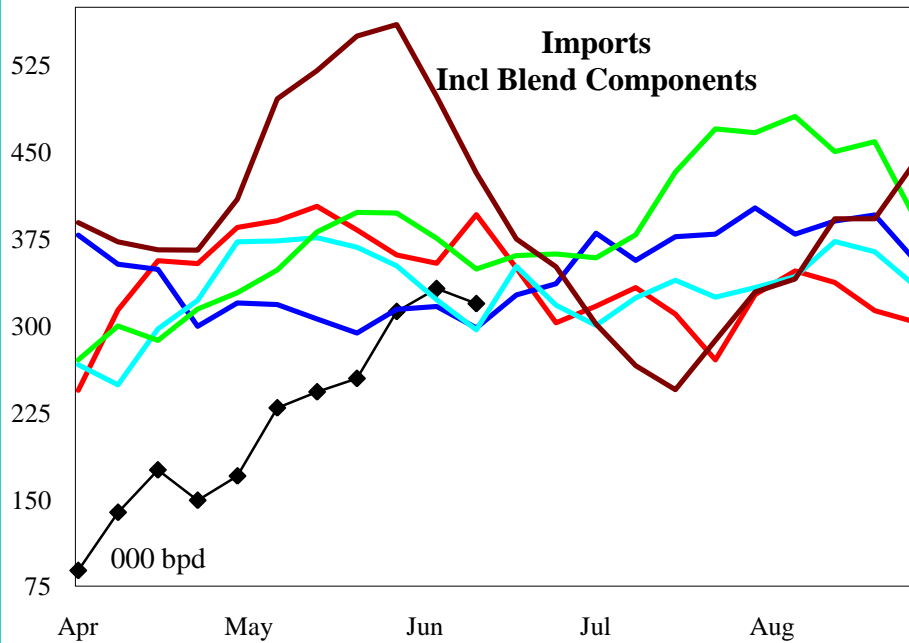
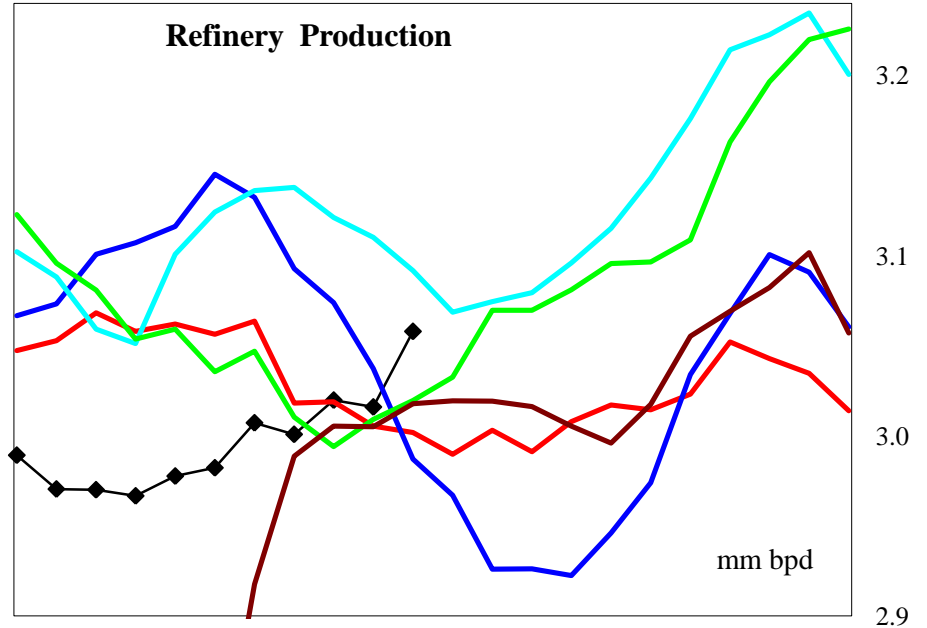
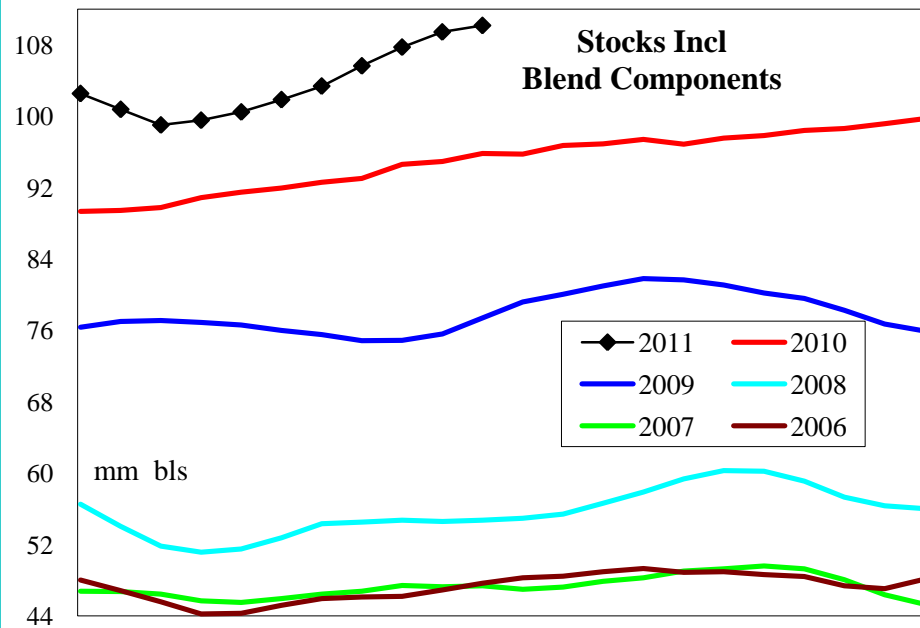
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



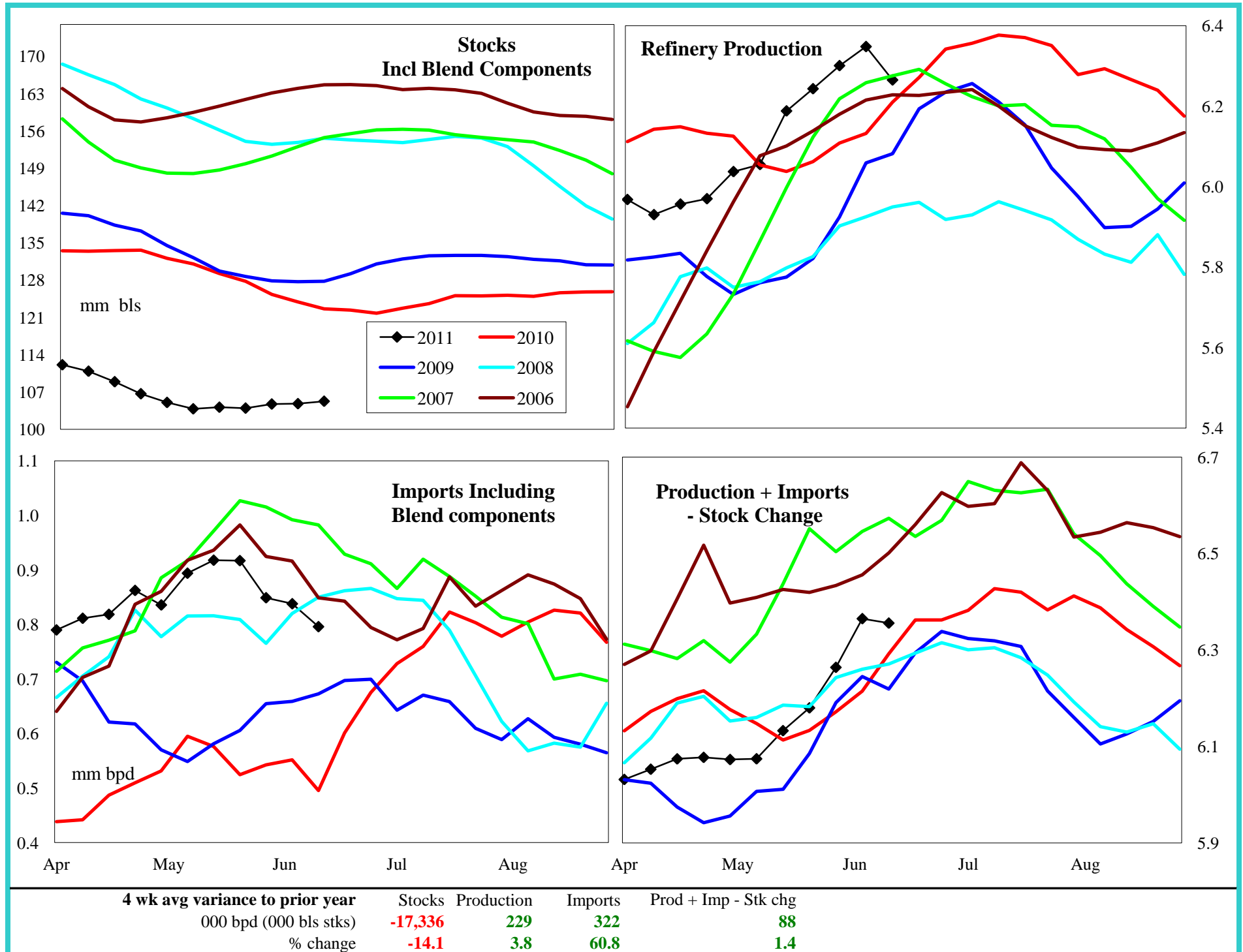
United States Reformulated Gasoline Supply



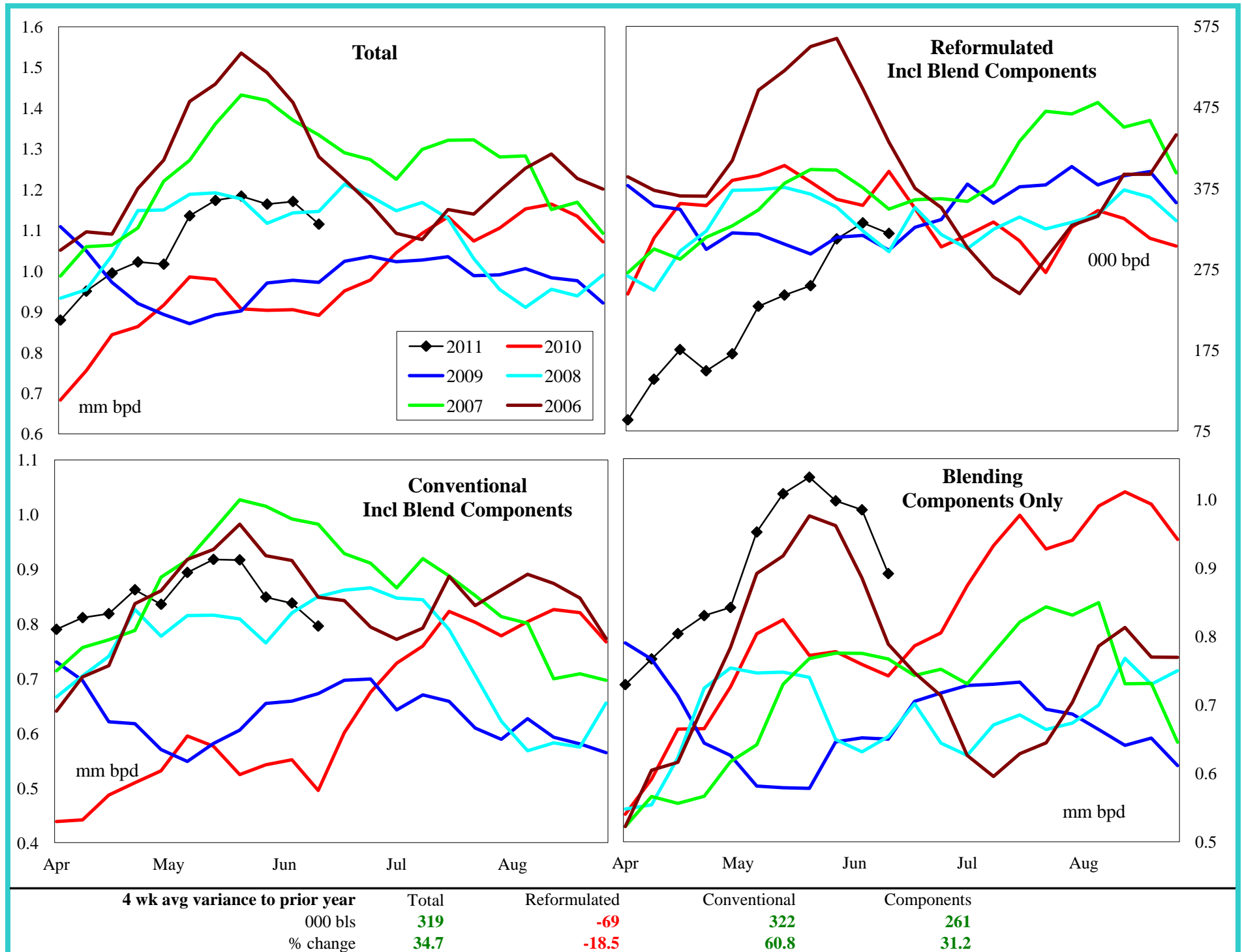
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
14,342	9	-69	-41
15.0	0.3	-18.5	-1.4

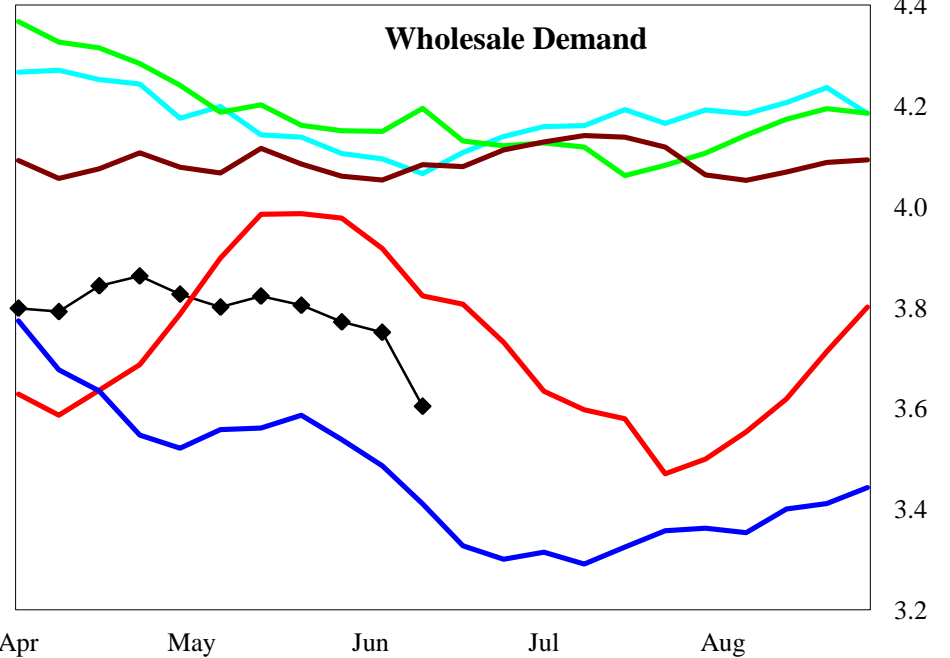
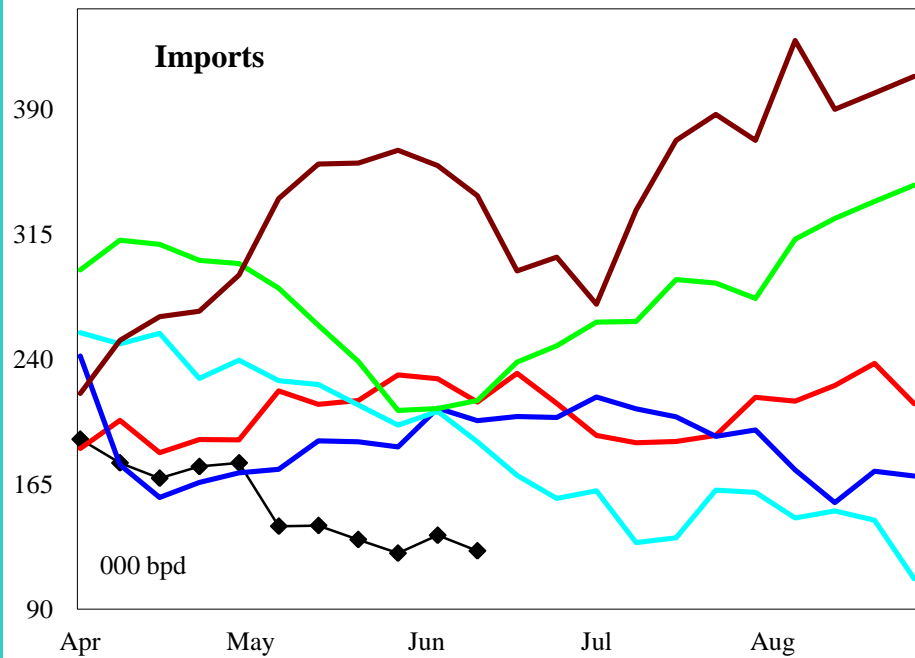
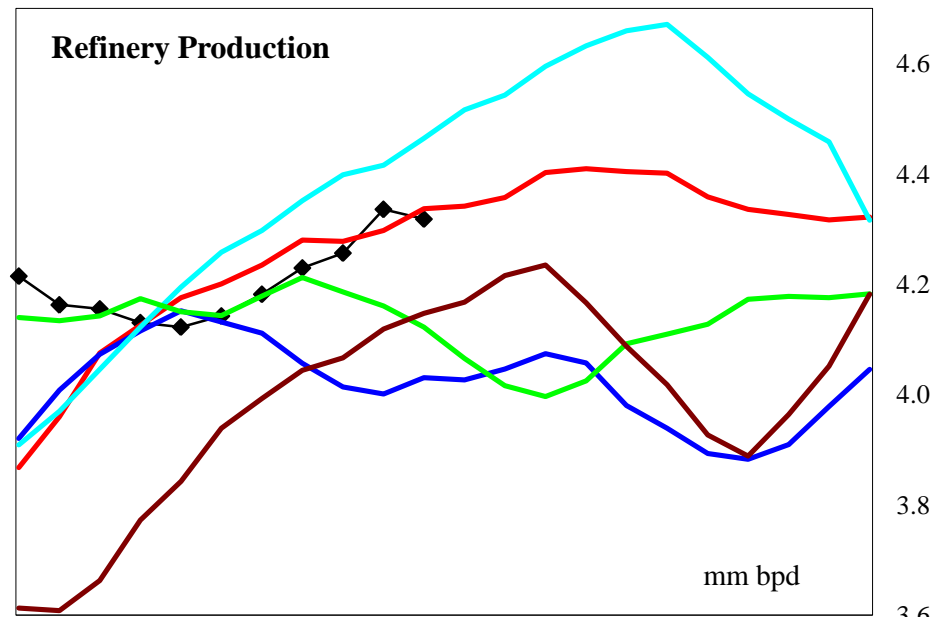
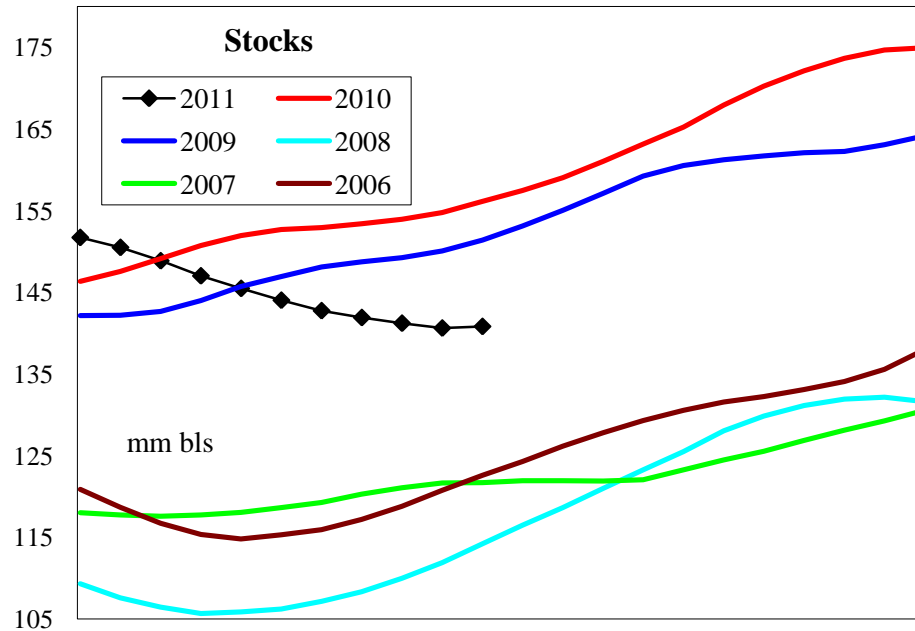
United States Conventional Gasoline Supply



United States Gasoline Imports by Type



United States Distillate Supply and Demand Balance



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Demand=>

-15,801

23

-116

4wk avg

May

Apr

Mar

-10.1

0.5

-47.8

-141

170

179

39

-3.6

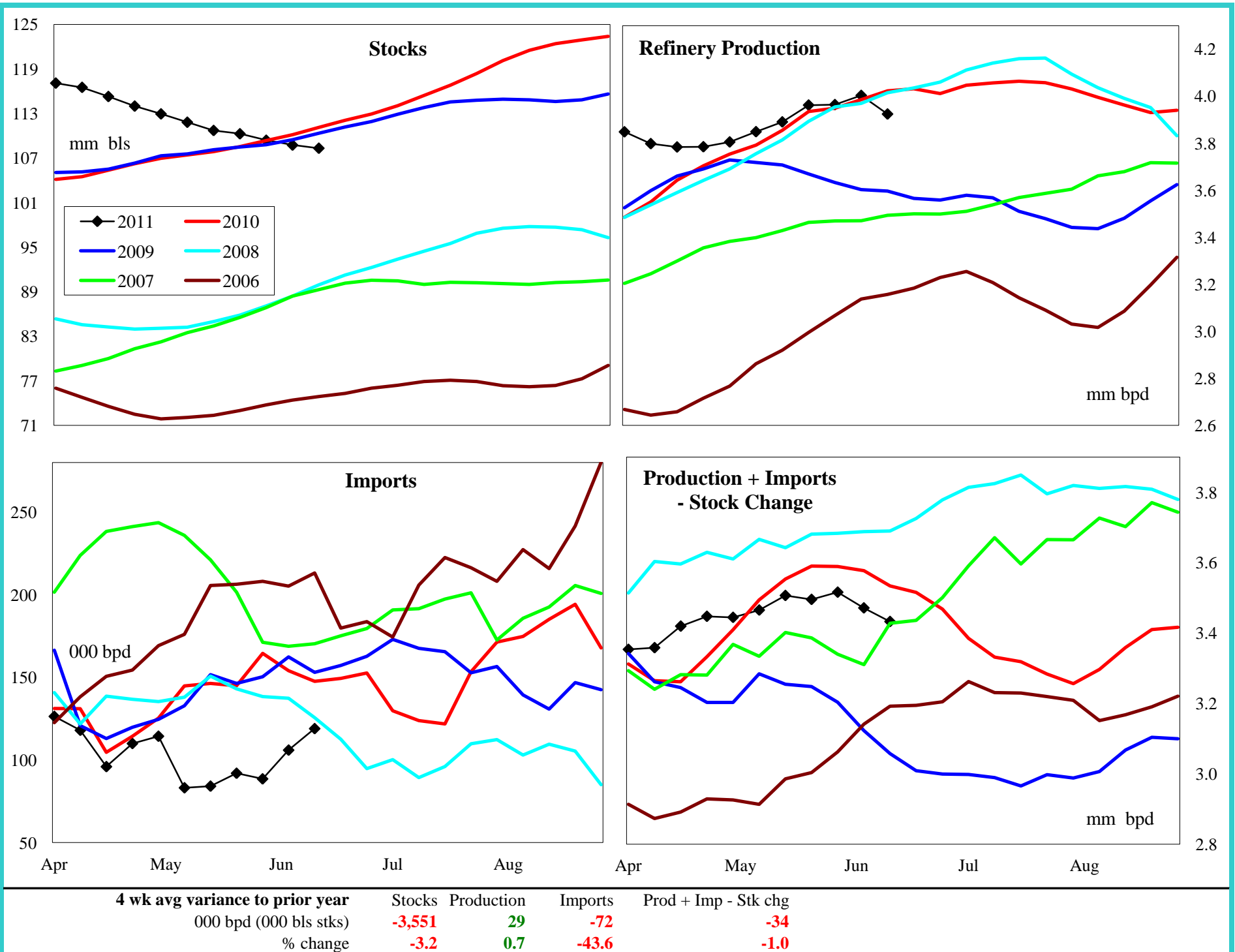
4.7

4.8

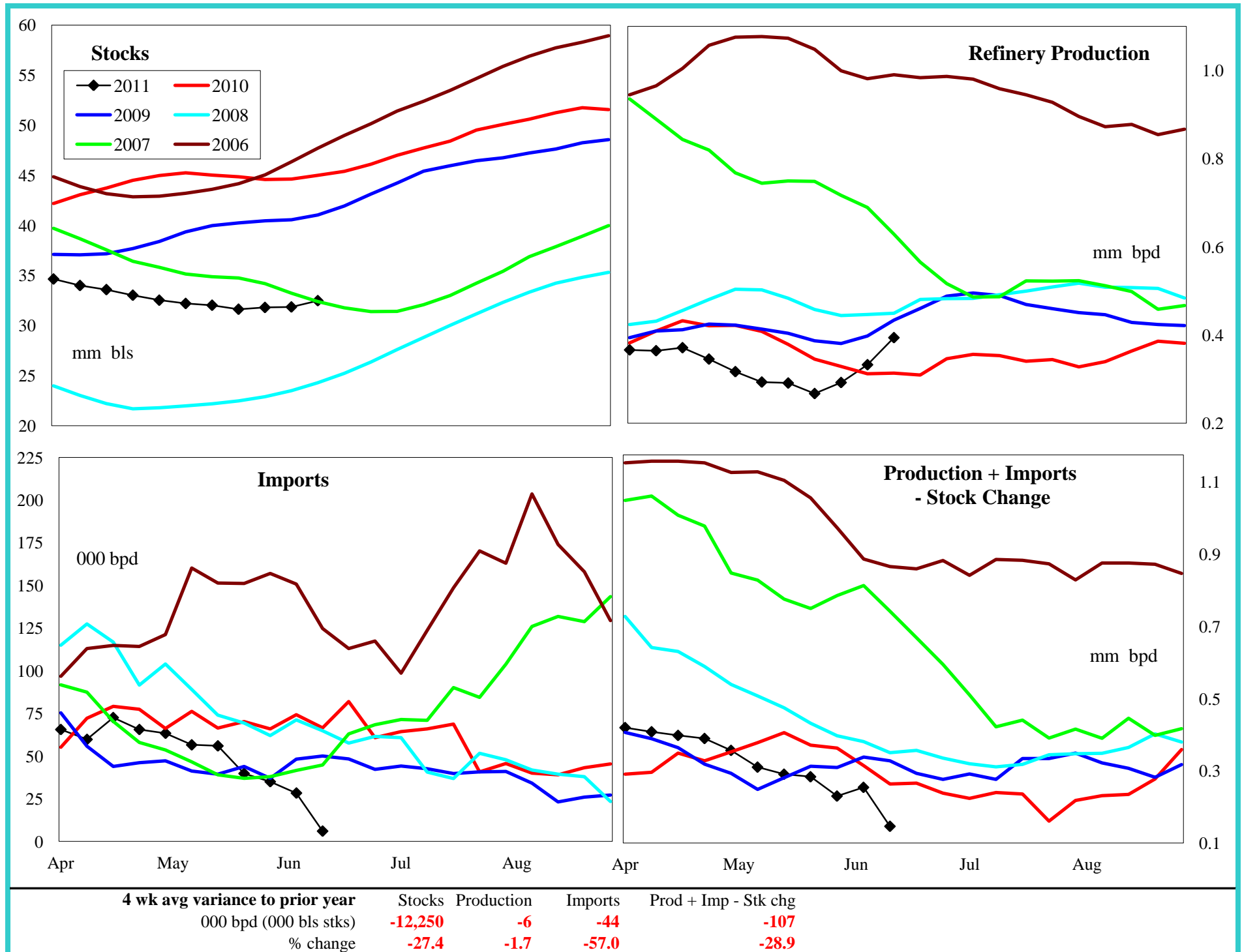
1.0



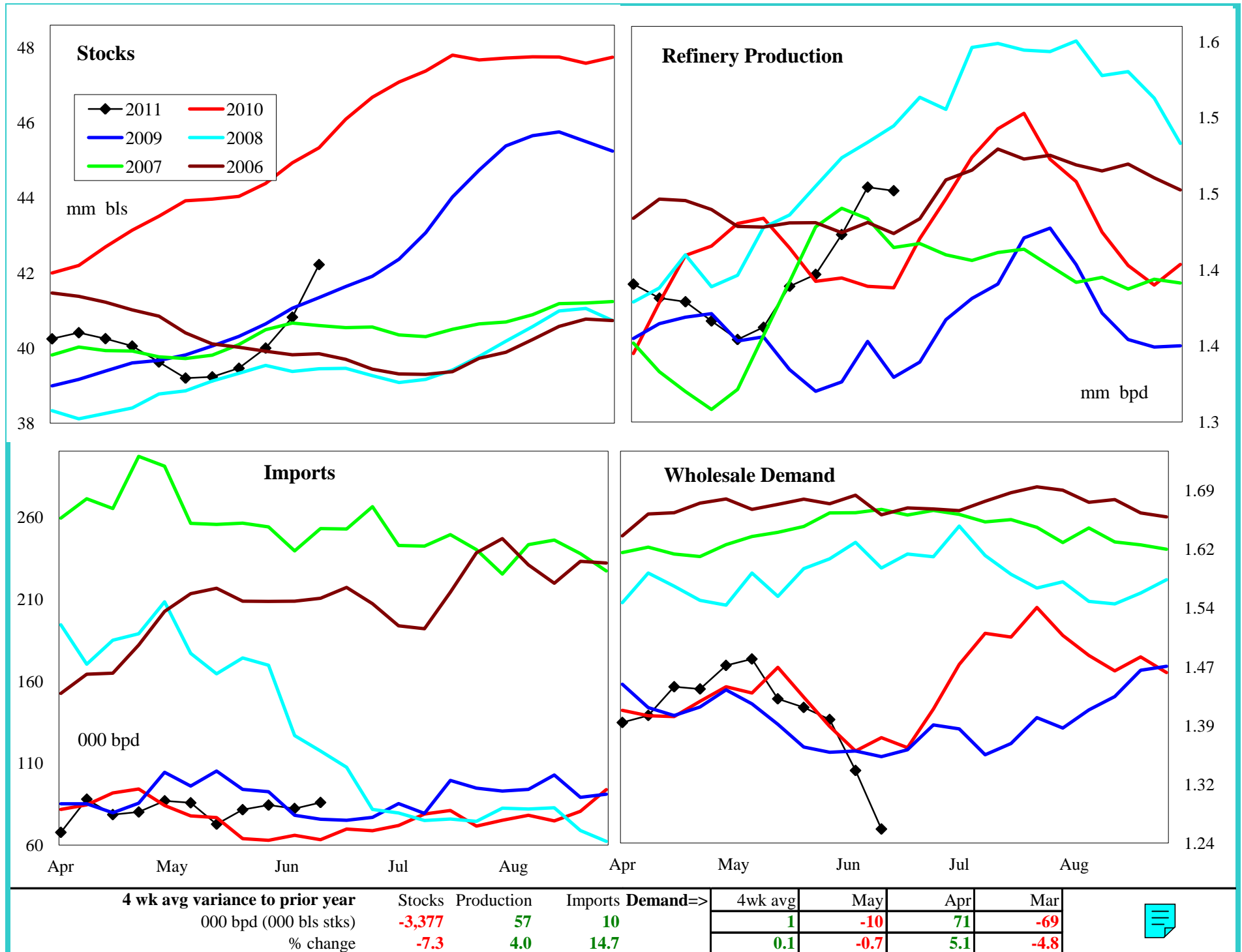
United States Low Sulfur Distillate Supply



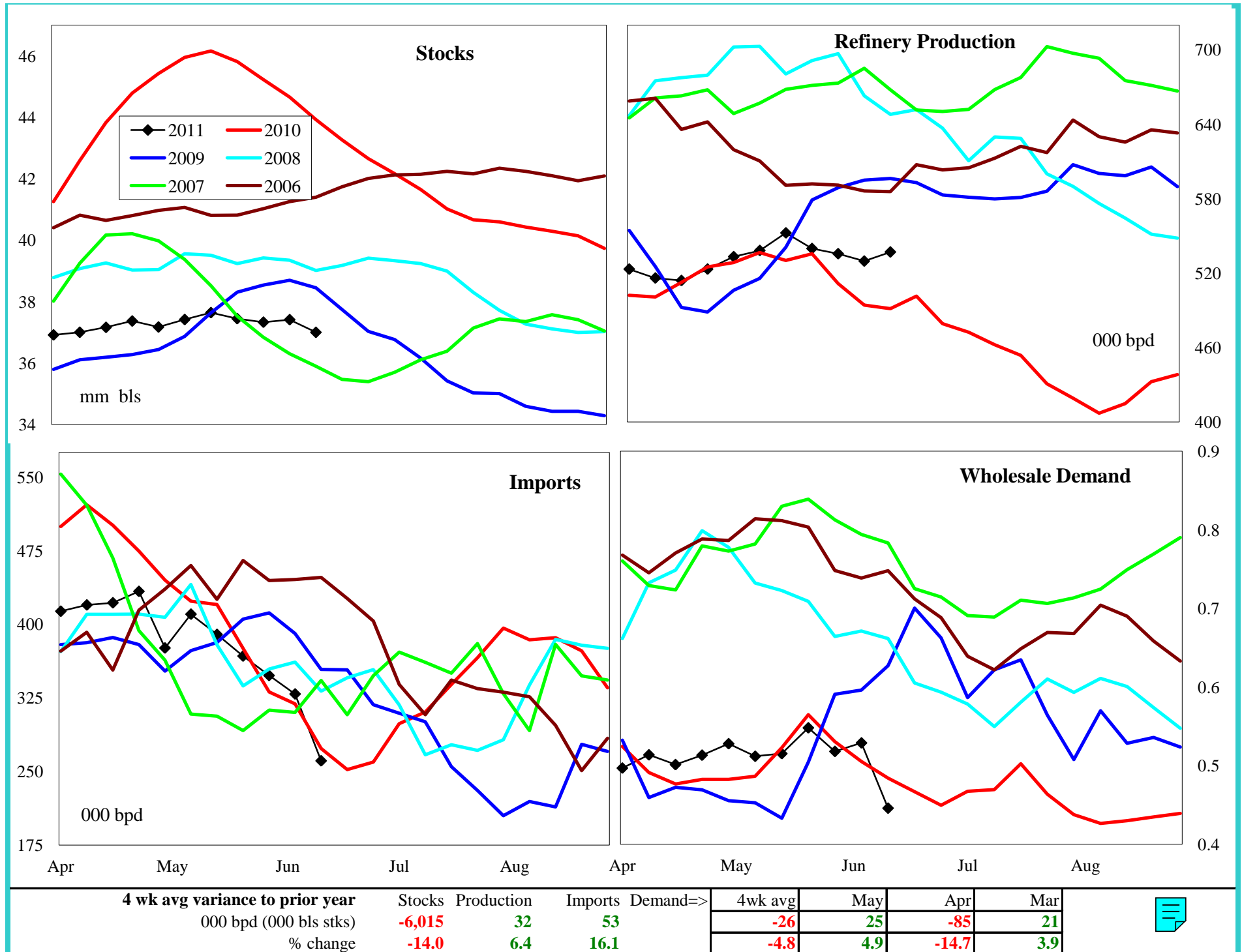
United States High Sulfur Distillate Supply



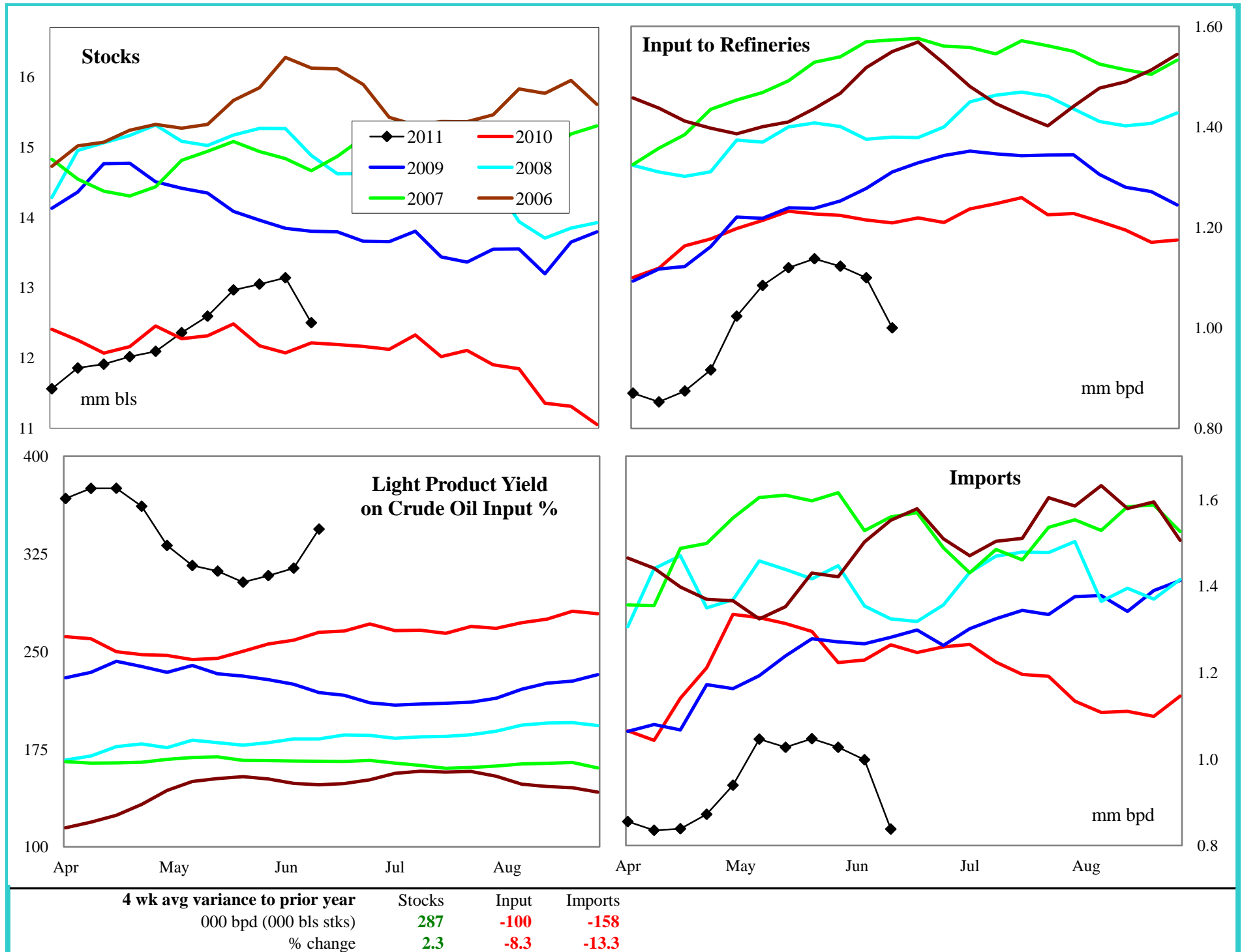
United States Jet Fuel Supply and Demand Balance



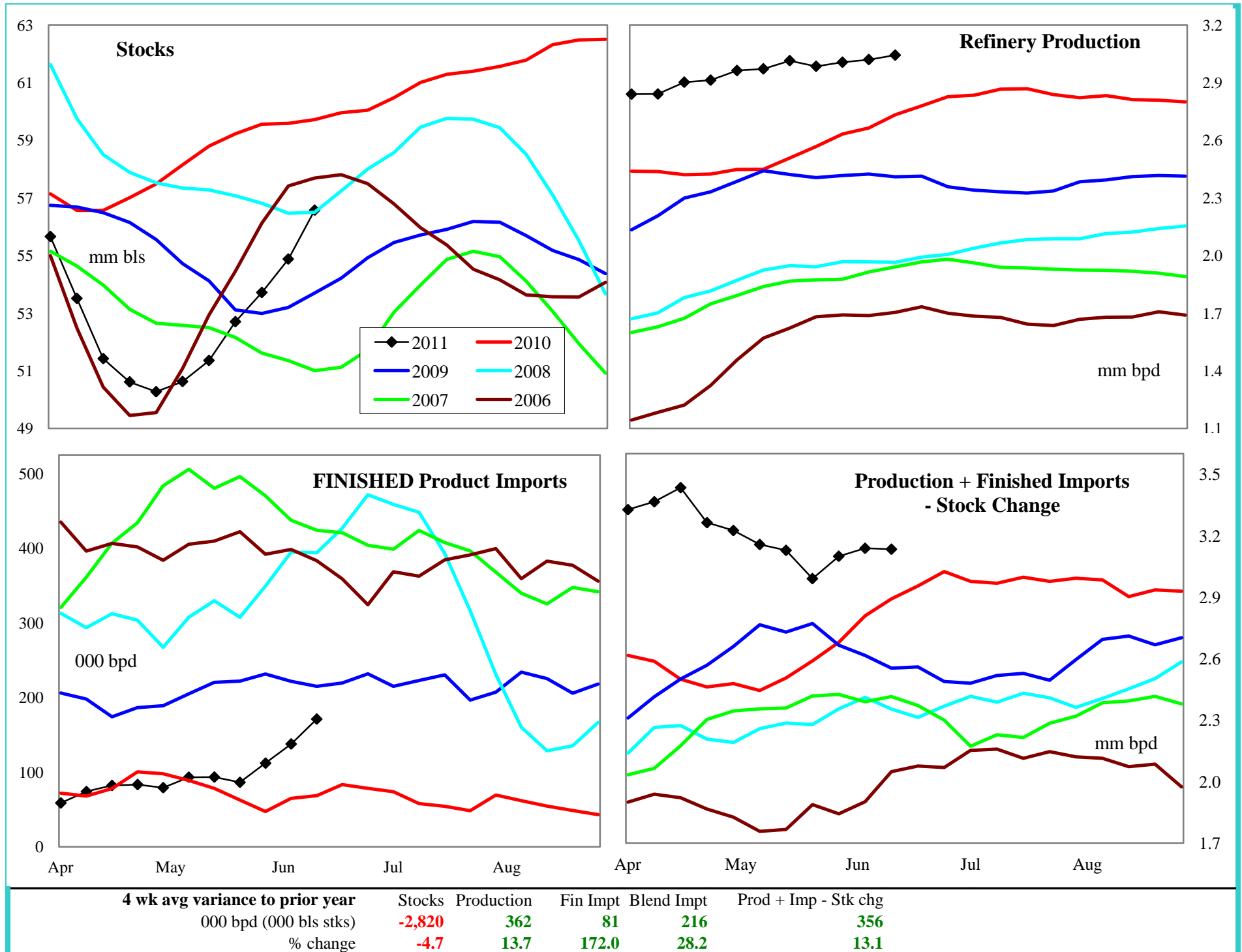
United States Residual Fuel Oil Supply and Demand Balance



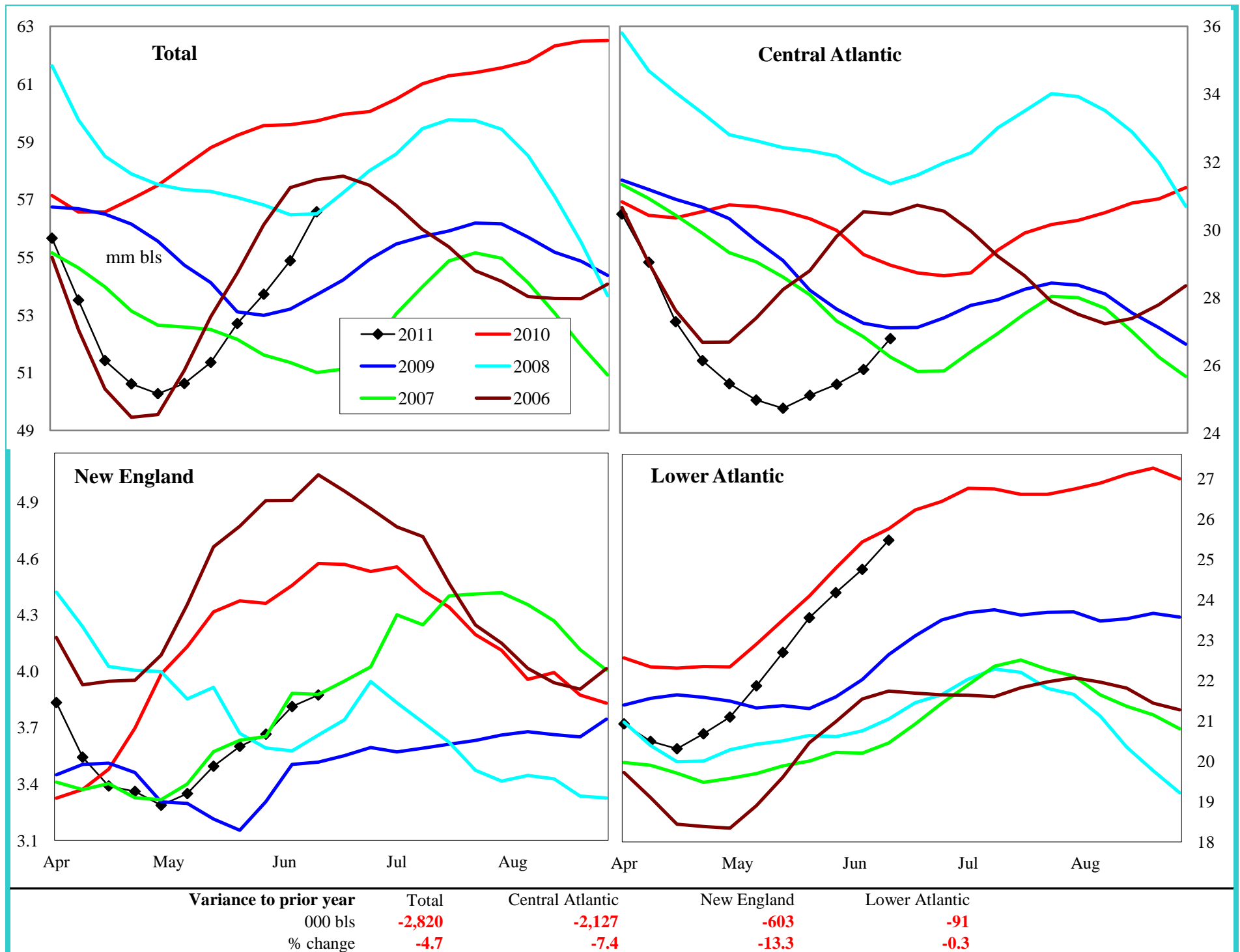
PADD 1 Crude Oil Supply and Refining



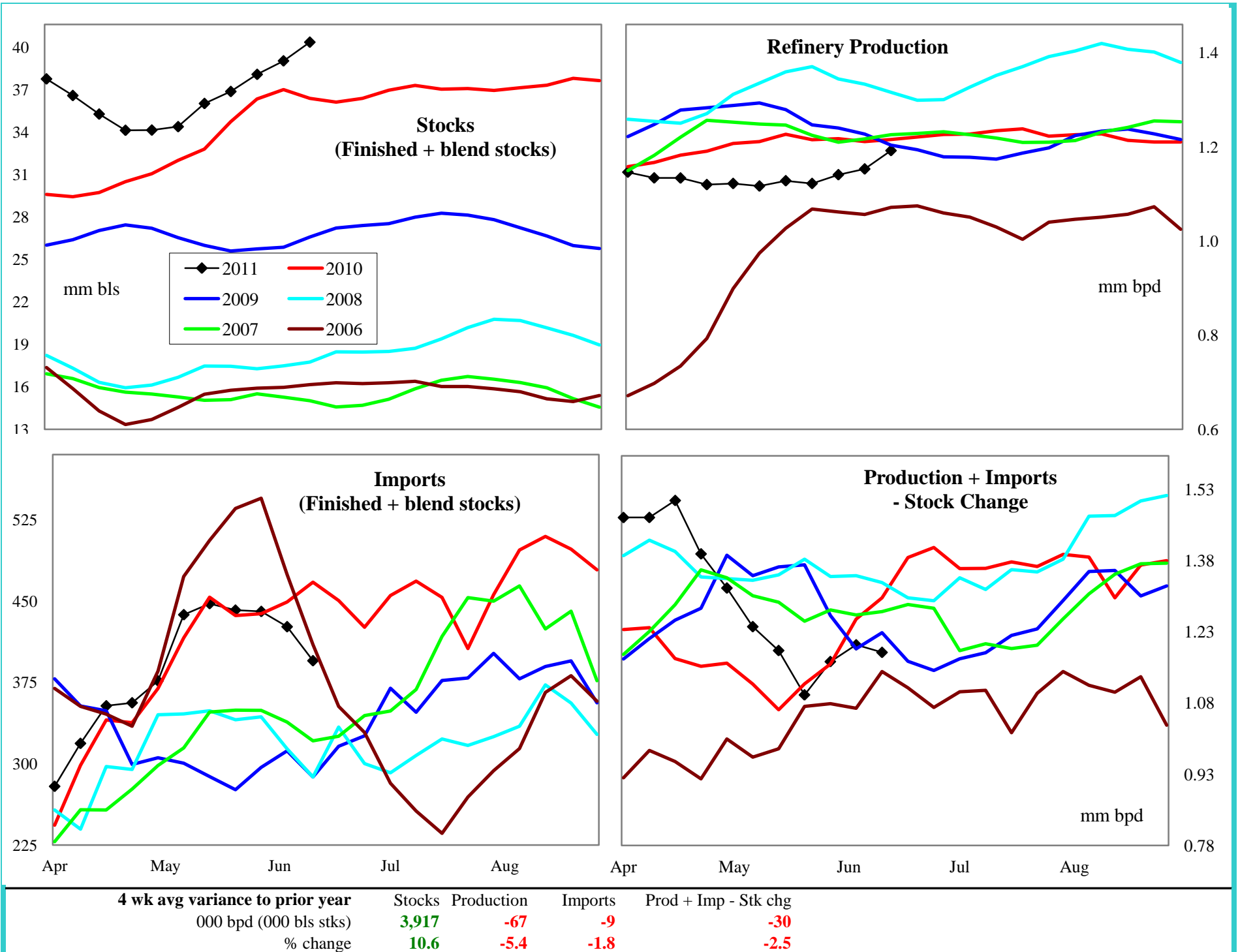
PADD 1 Gasoline Supply



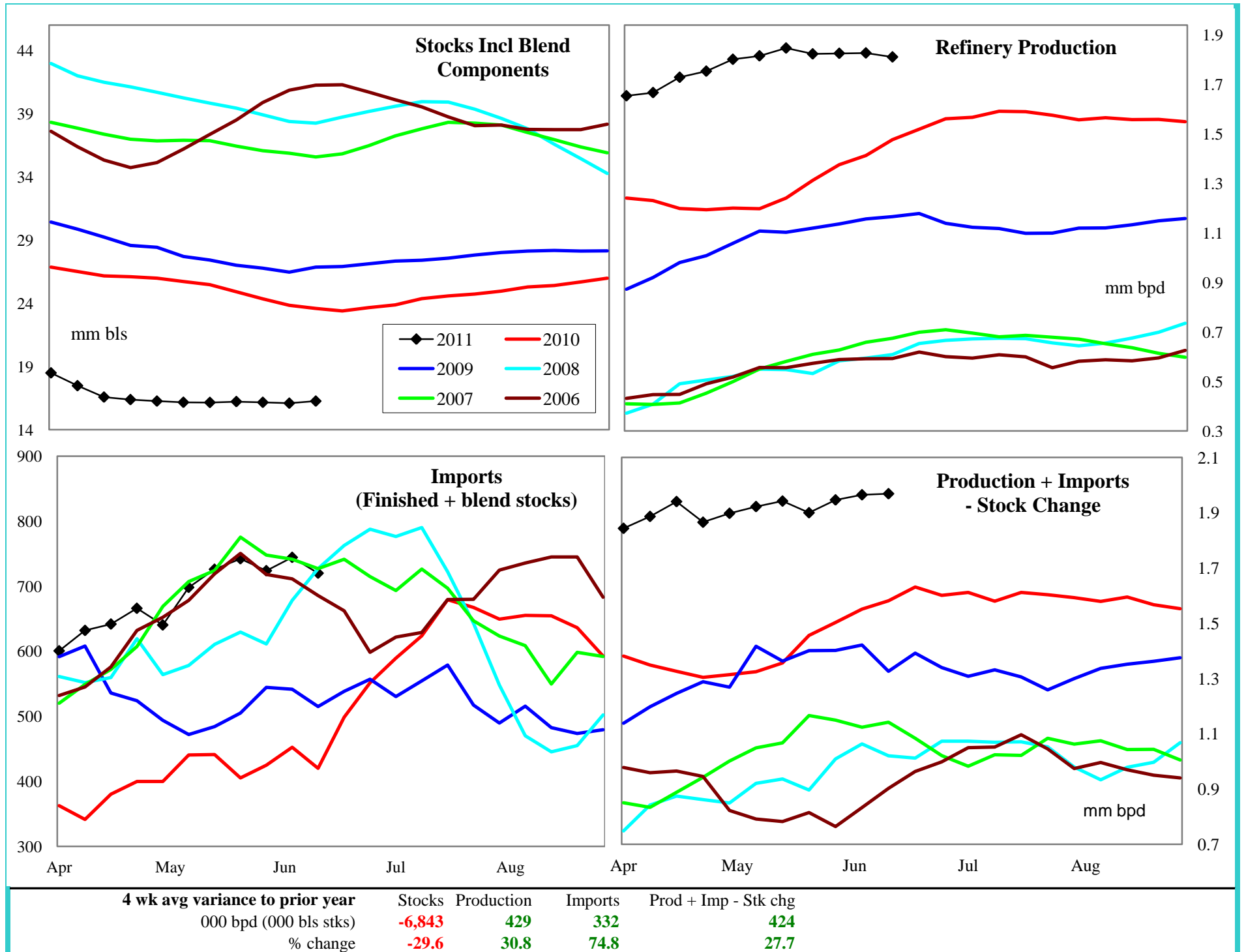
PADD 1 Gasoline Stocks by Region



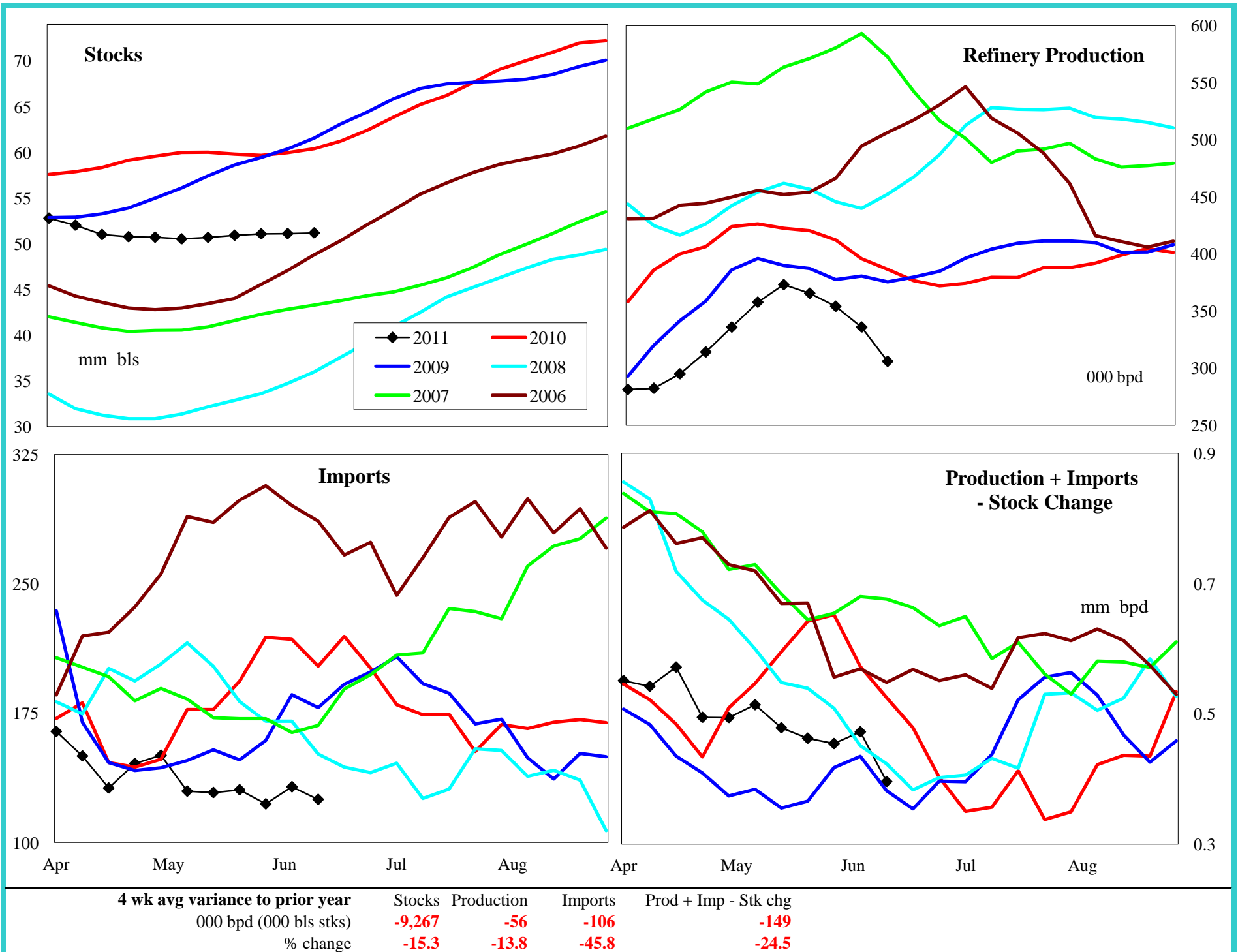
PADD 1 Reformulated Gasoline Supply



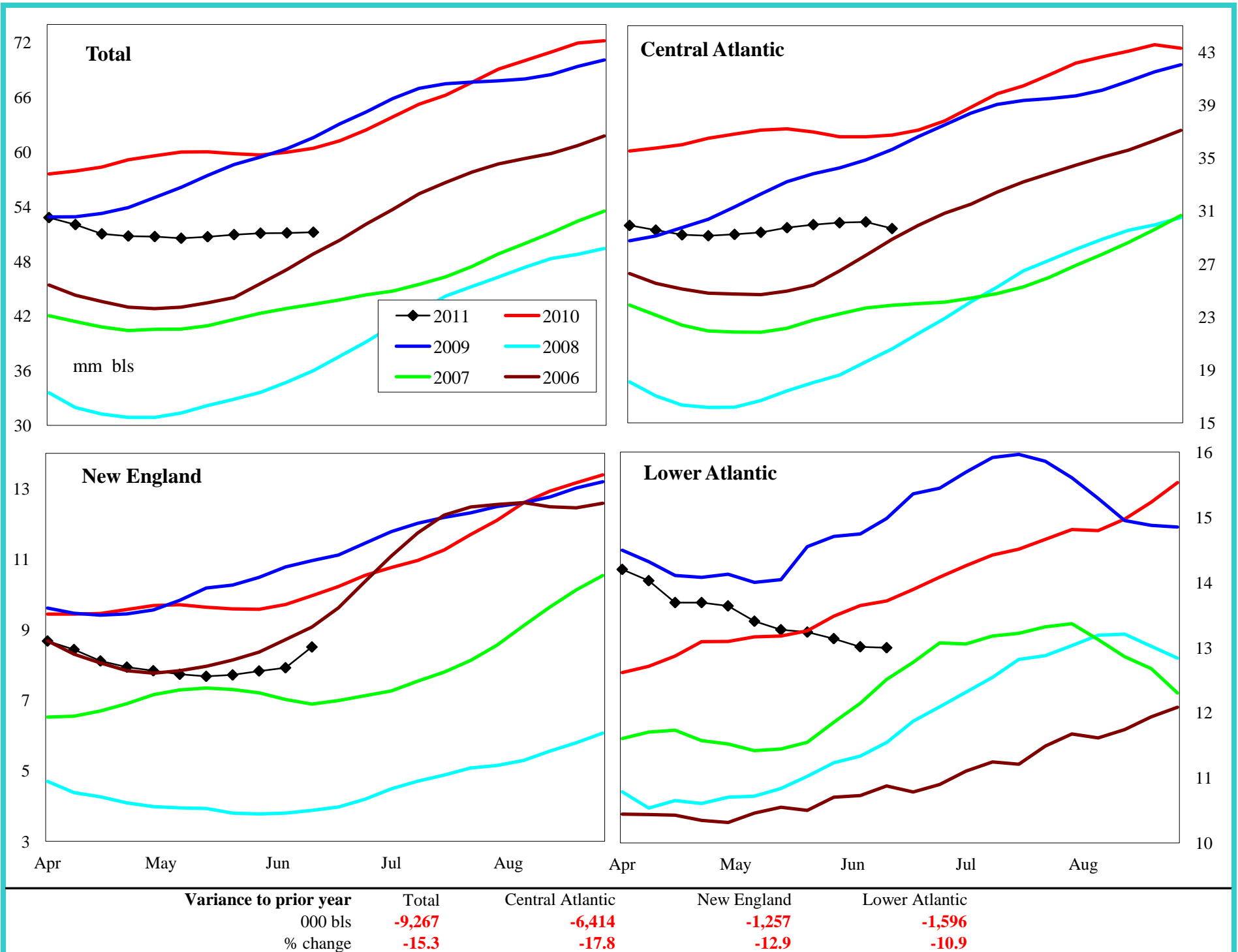
PADD 1 Conventional Gasoline Supply



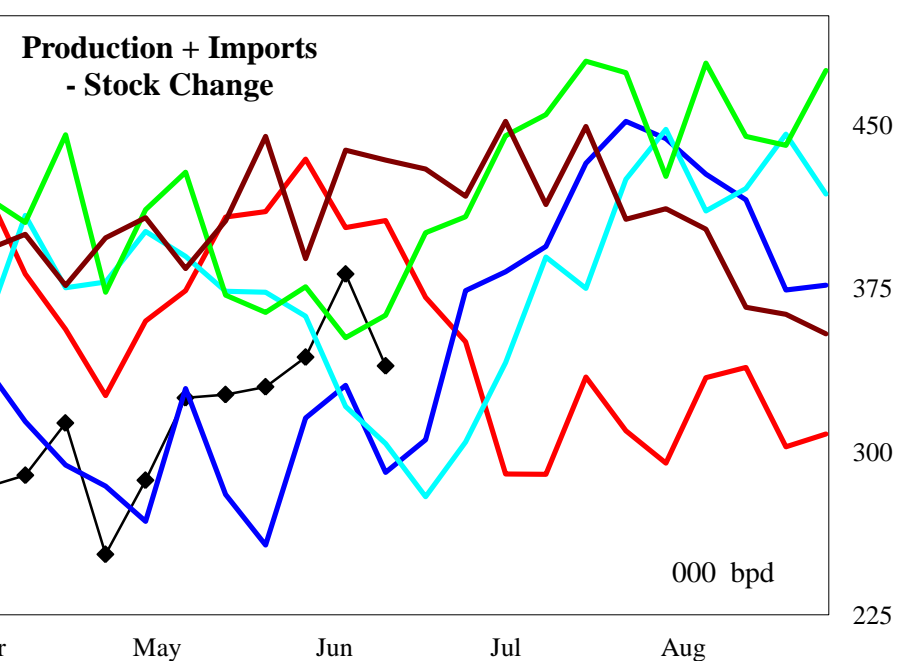
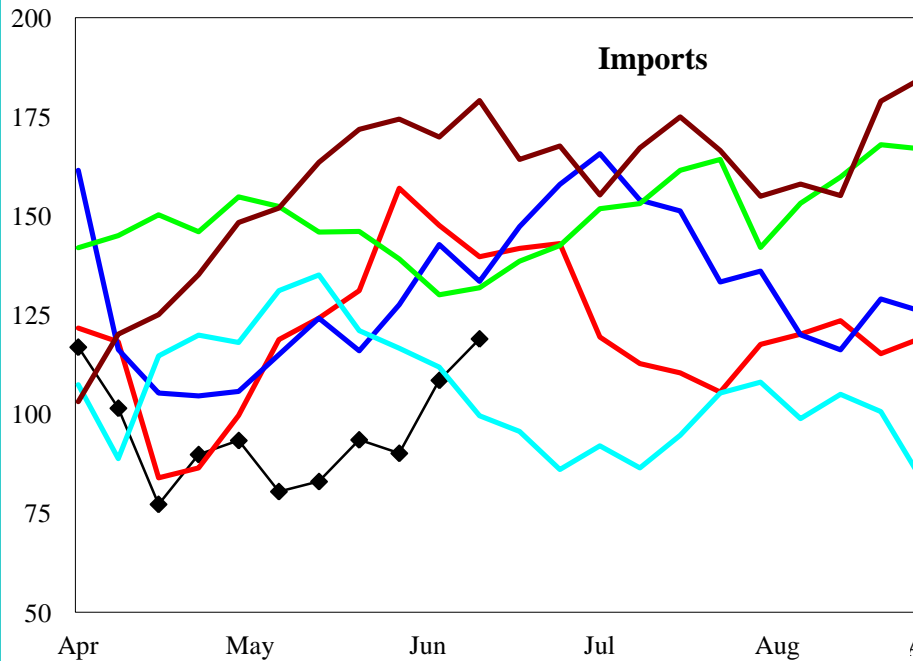
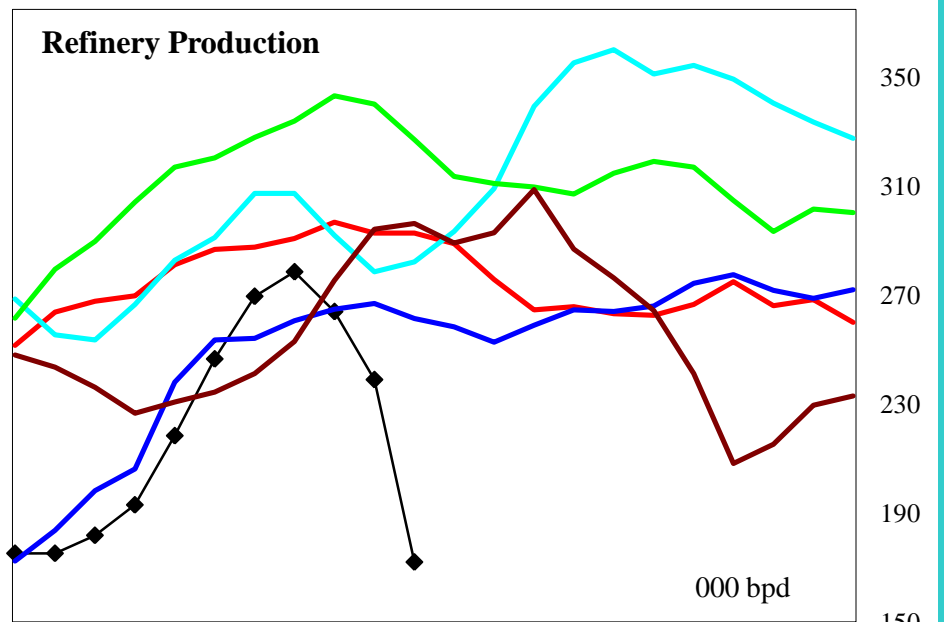
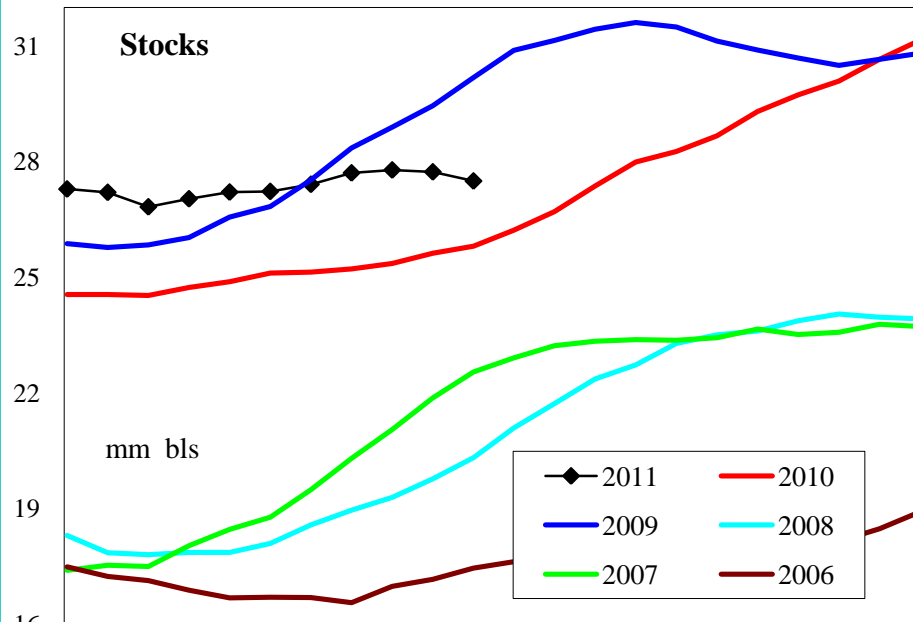
PADD 1 Distillate Supply



PADD 1 Distillate Stocks by Region



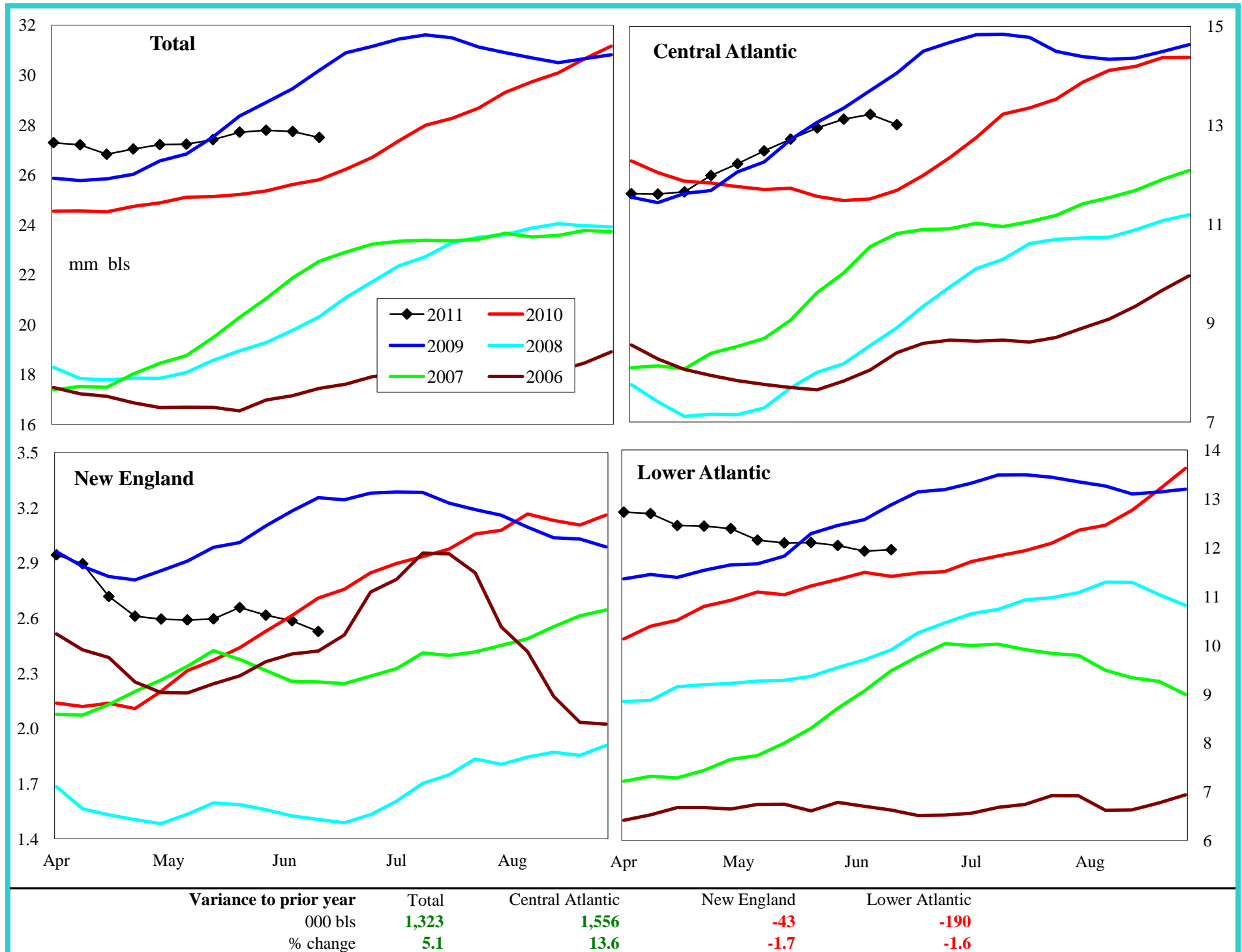
PADD 1 Low Sulfur Distillate Supply



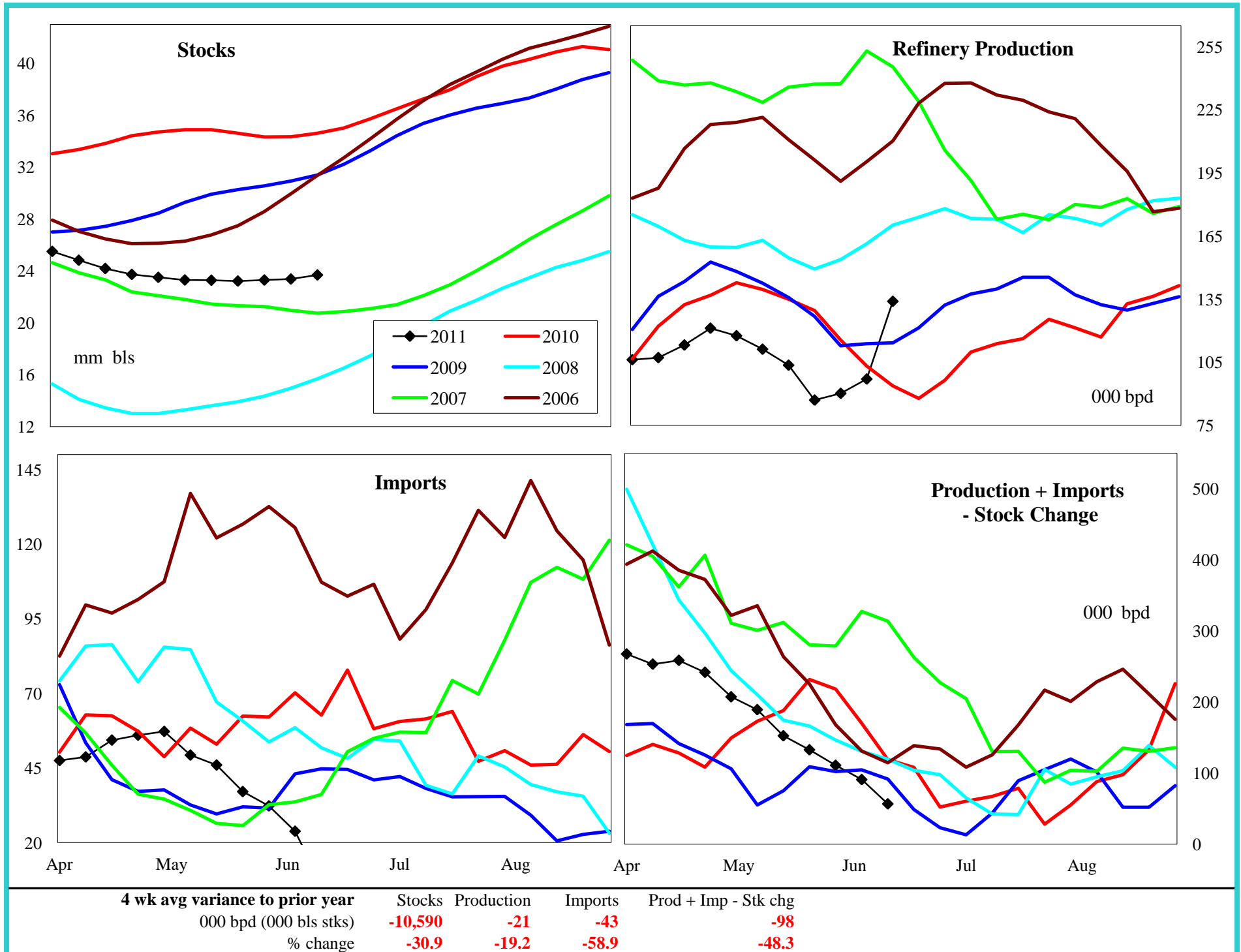
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
1,323	-35	-63	-51
5.1	-11.7	-39.7	-12.5

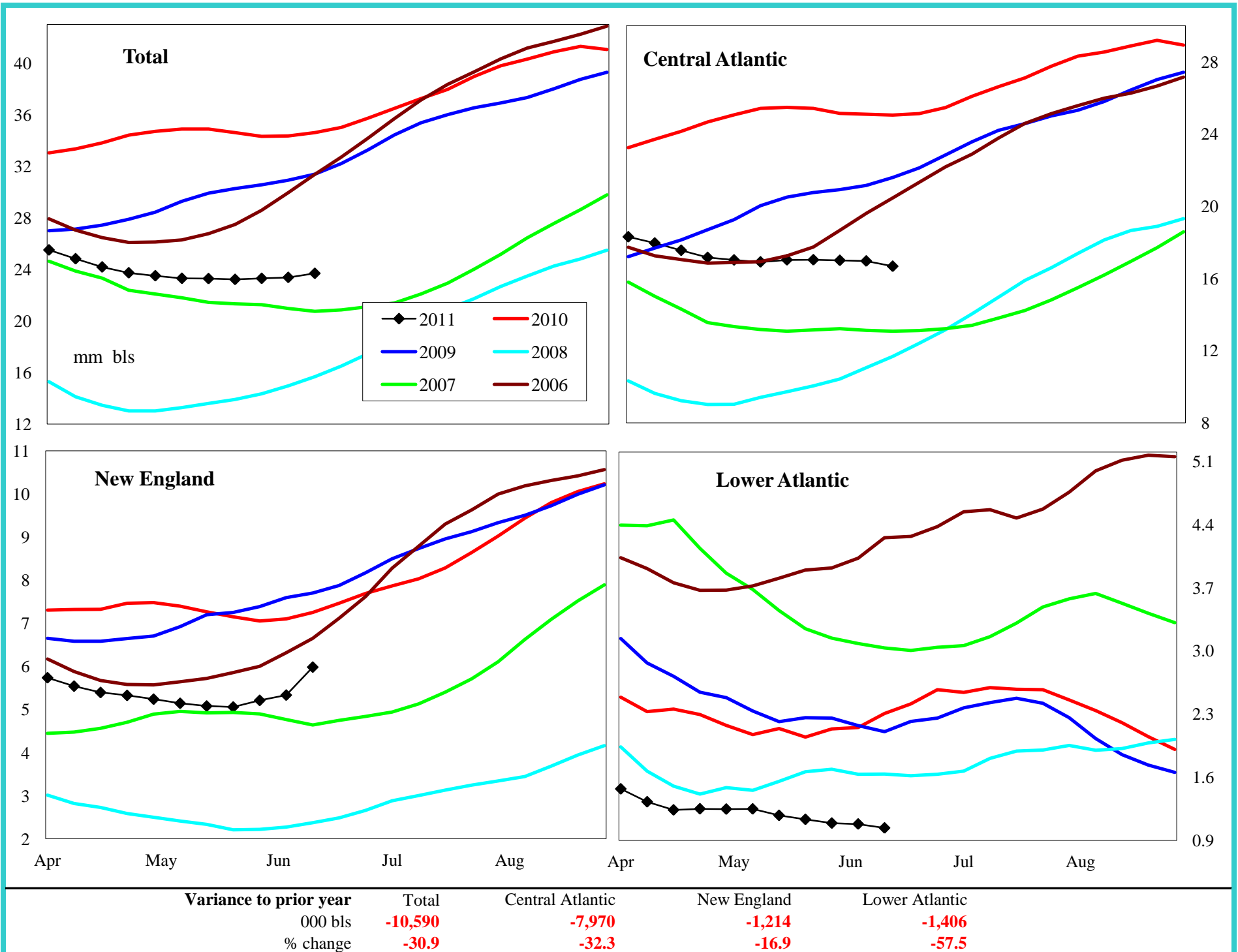
PADD 1 Low Sulfur Distillate Stocks by Region



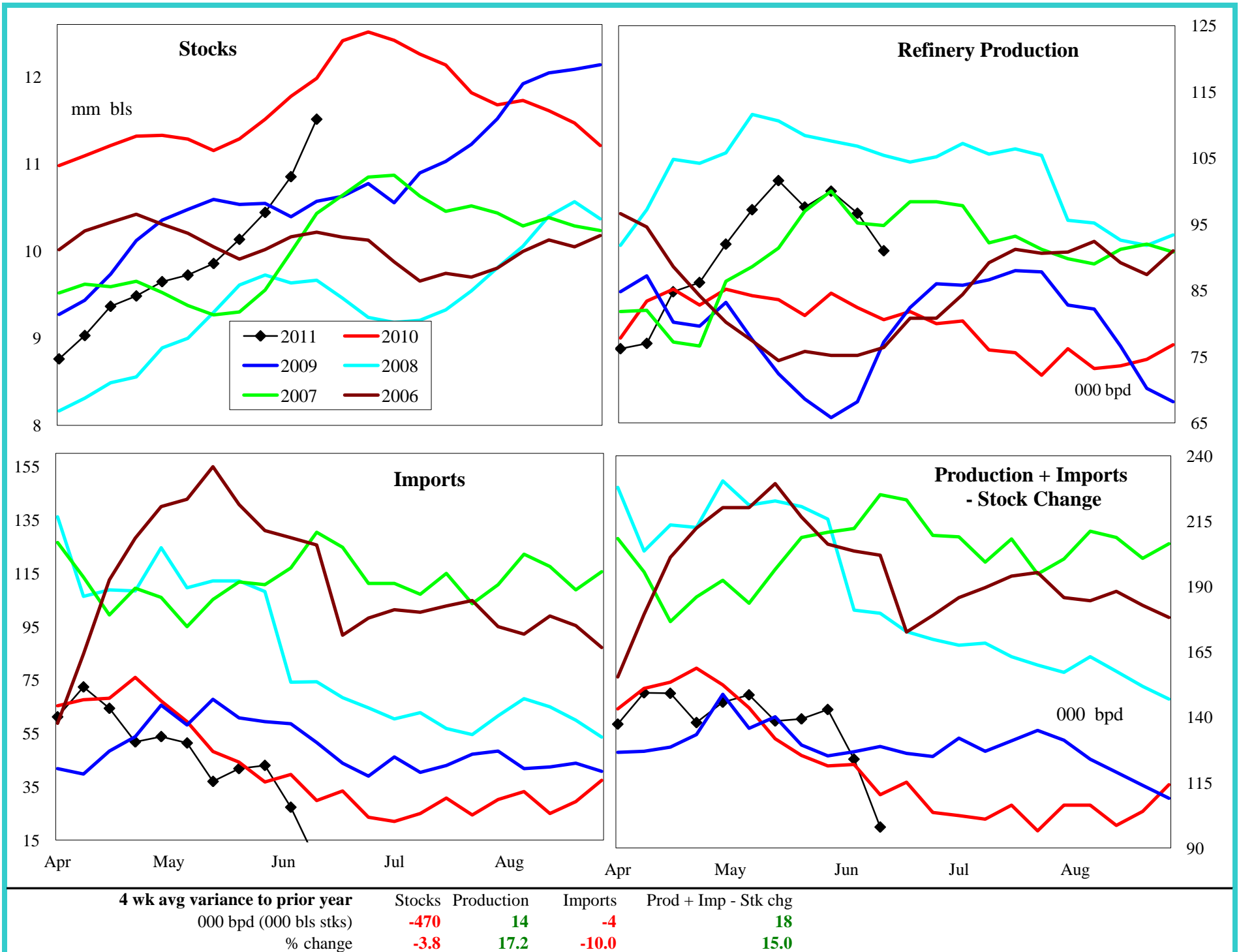
PADD 1 High Sulfur Distillate Supply



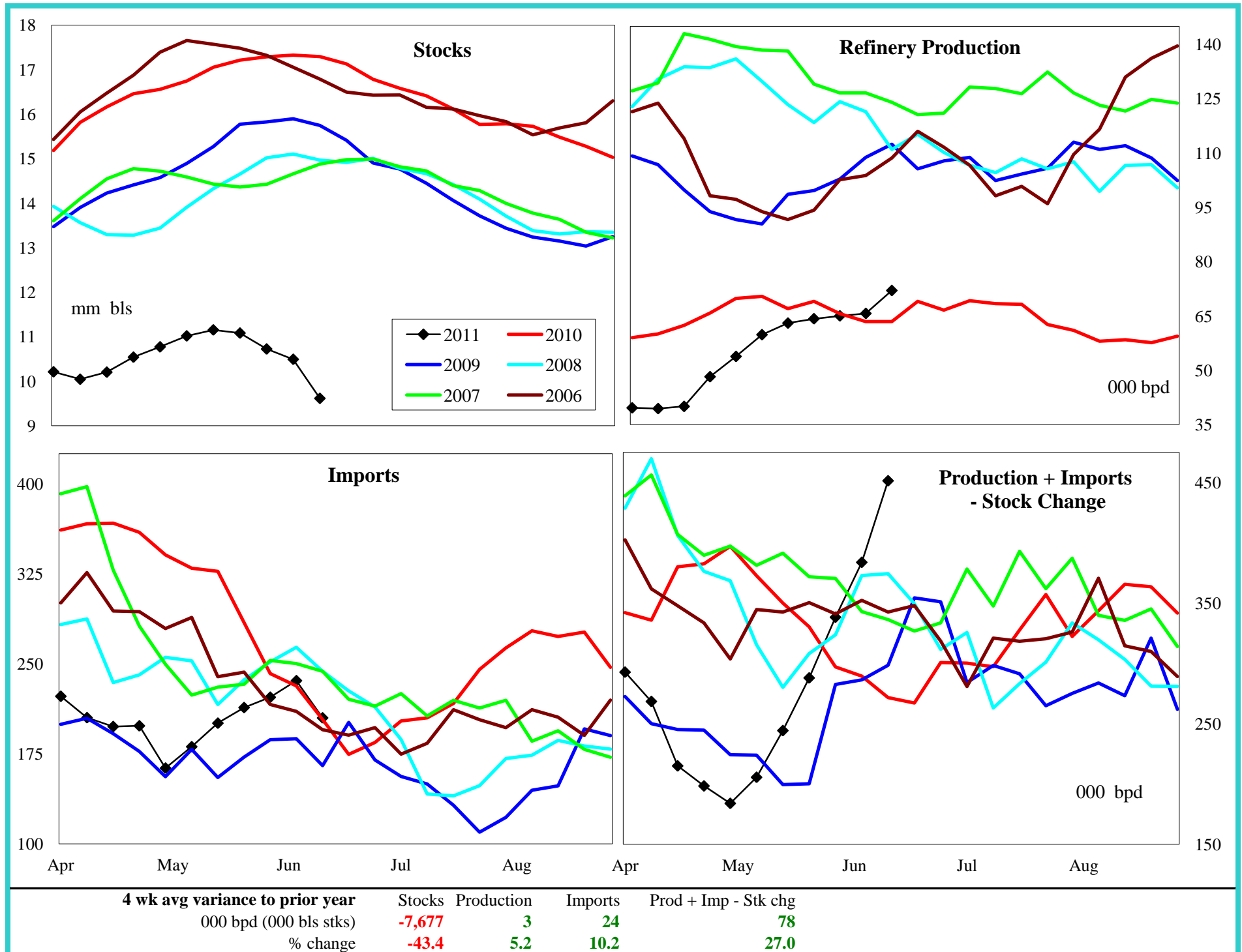
PADD 1 High Sulfur Distillate Stocks by Region



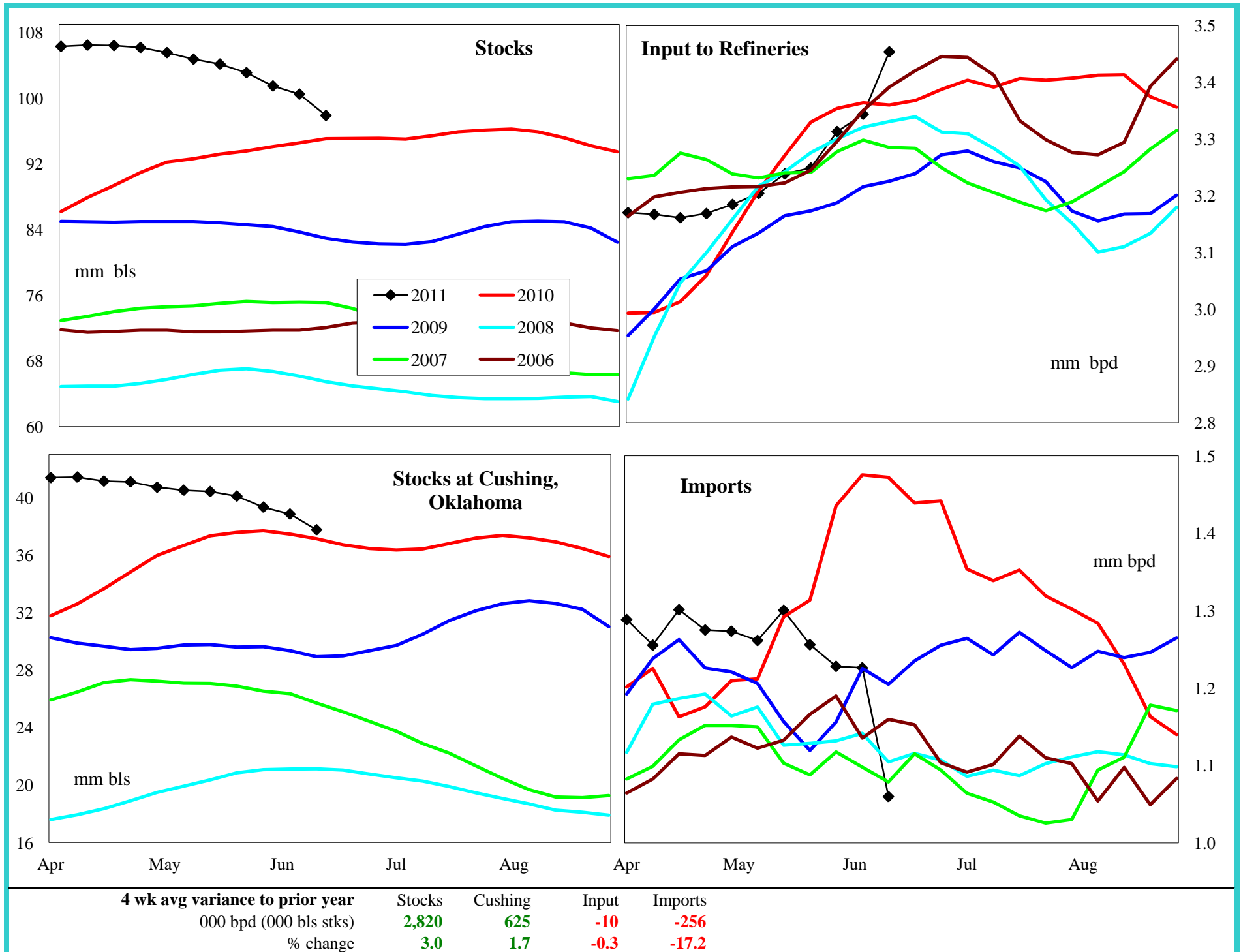
PADD 1 Jet Fuel Supply



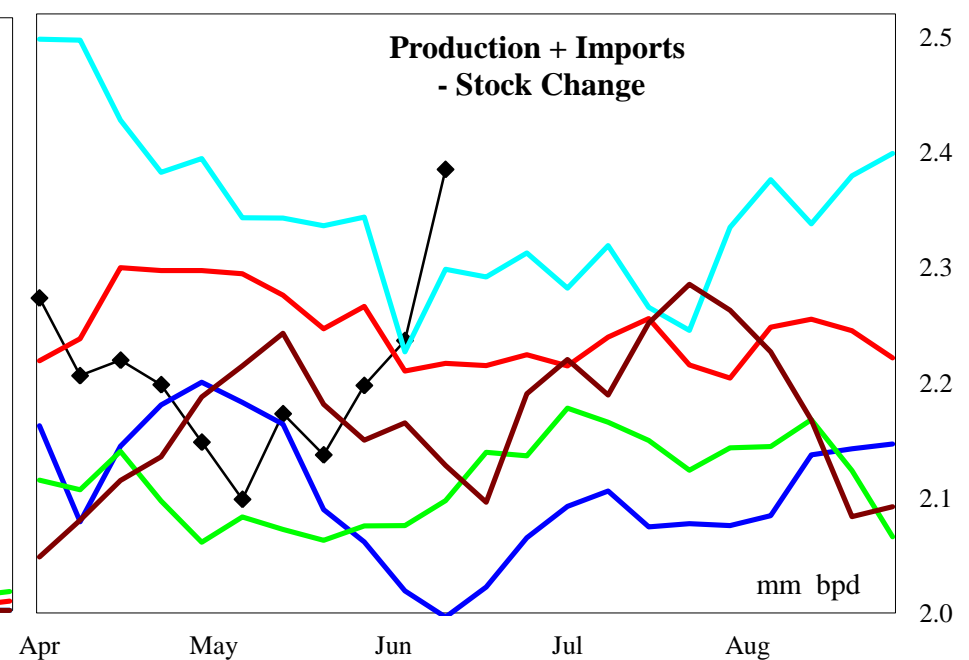
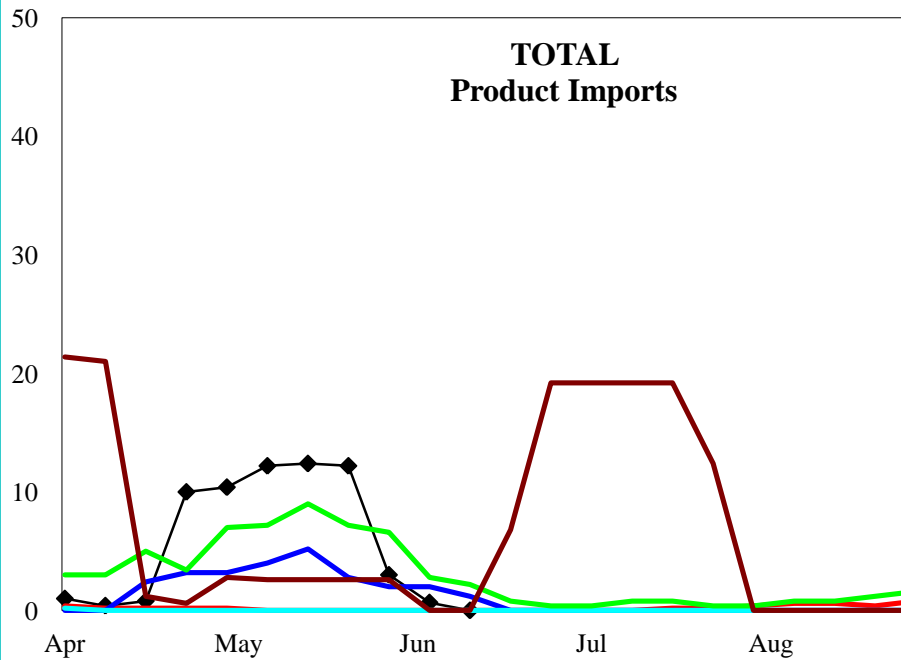
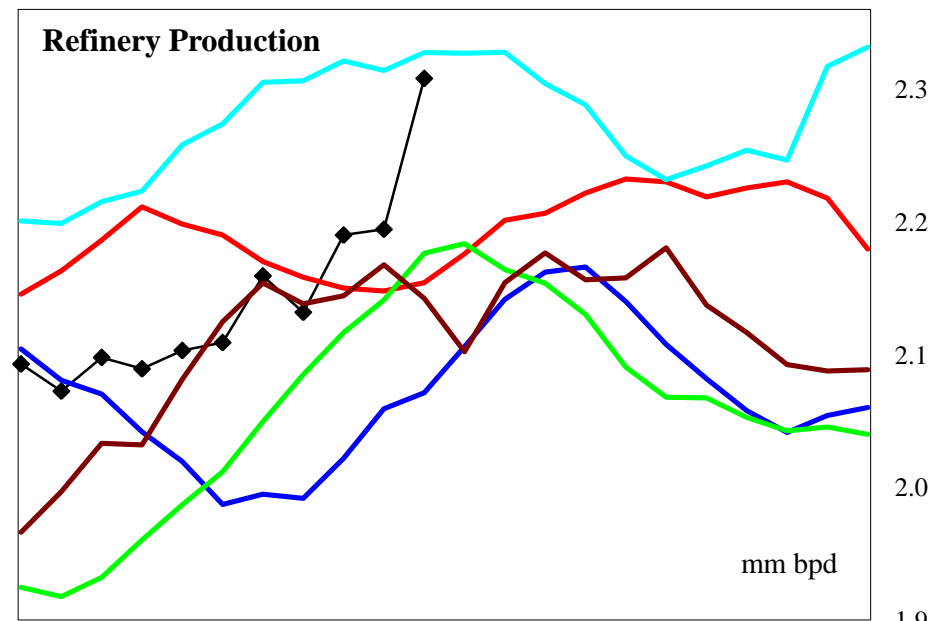
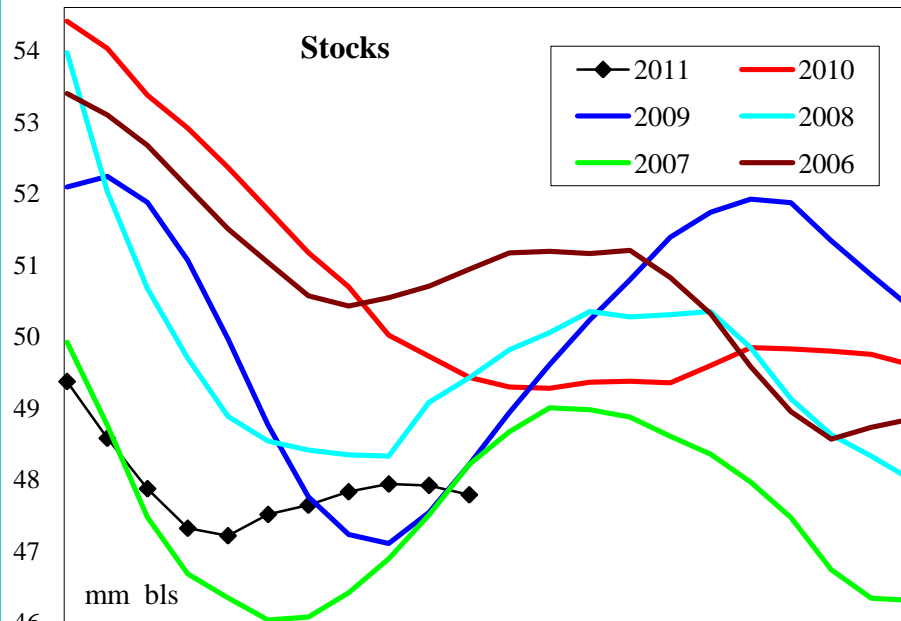
PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



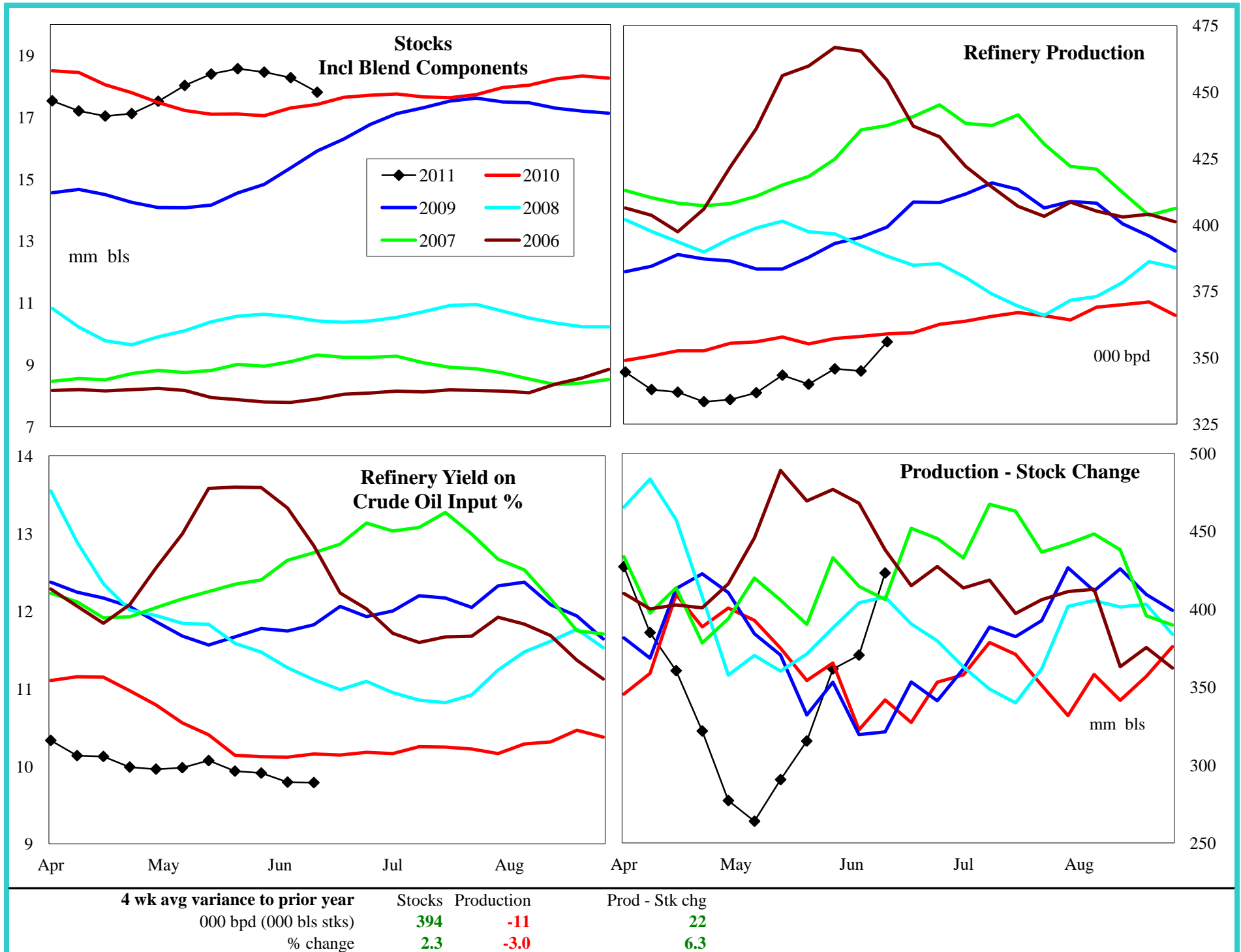
PADD 2 Gasoline Supply



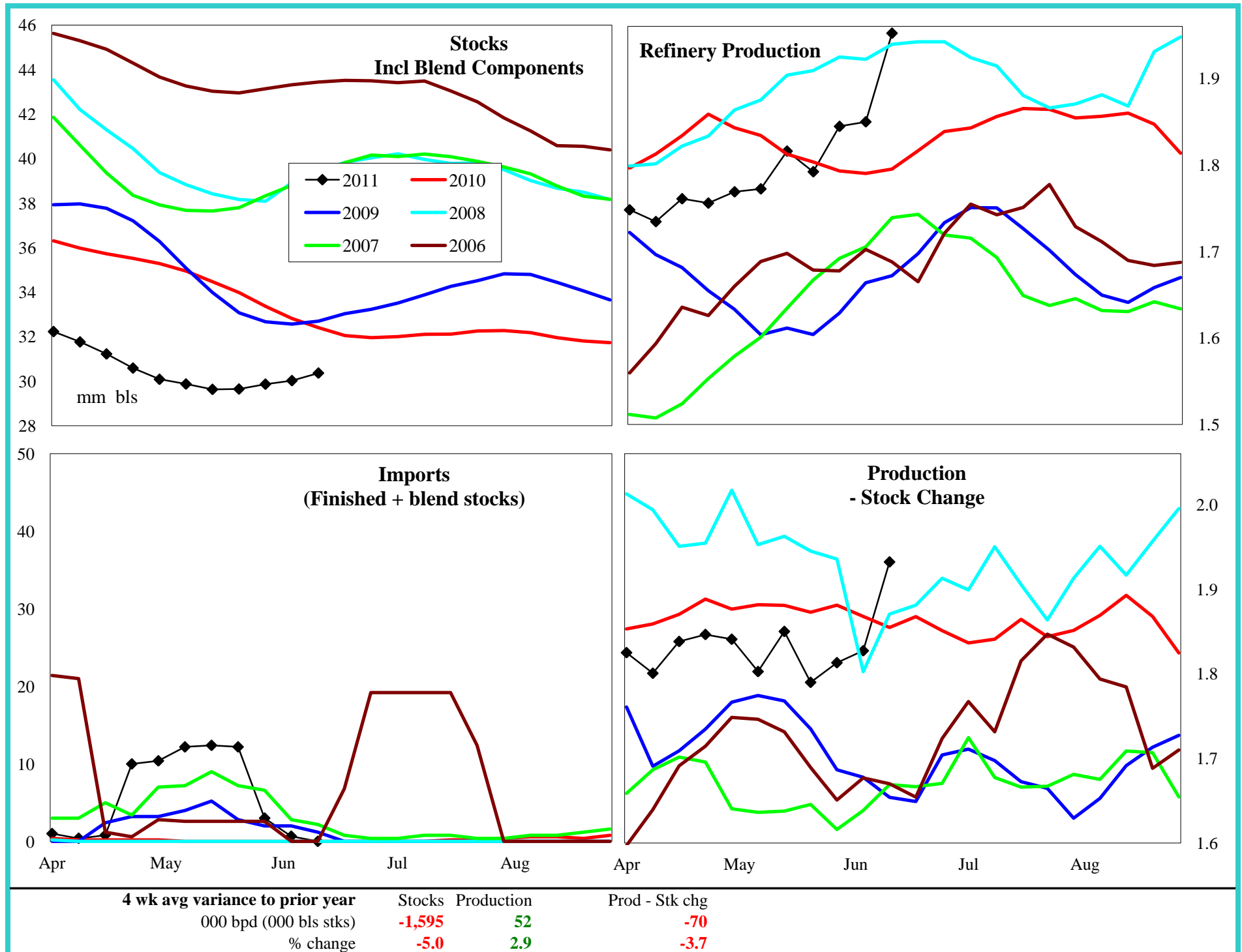
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-1,644	42	3	-20
-3.3	1.9	#DIV/0!	-0.9

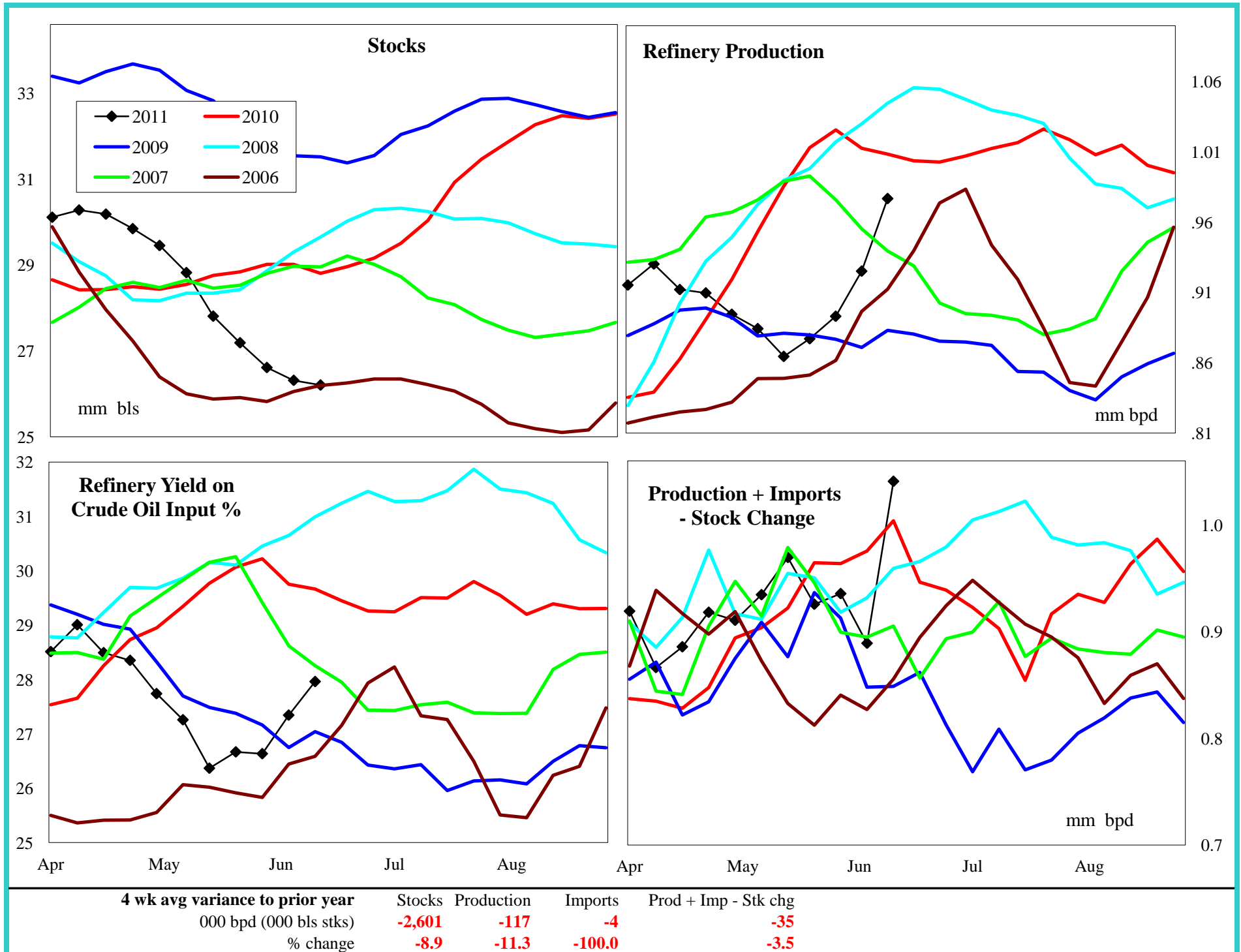
PADD 2 Reformulated Gasoline Supply



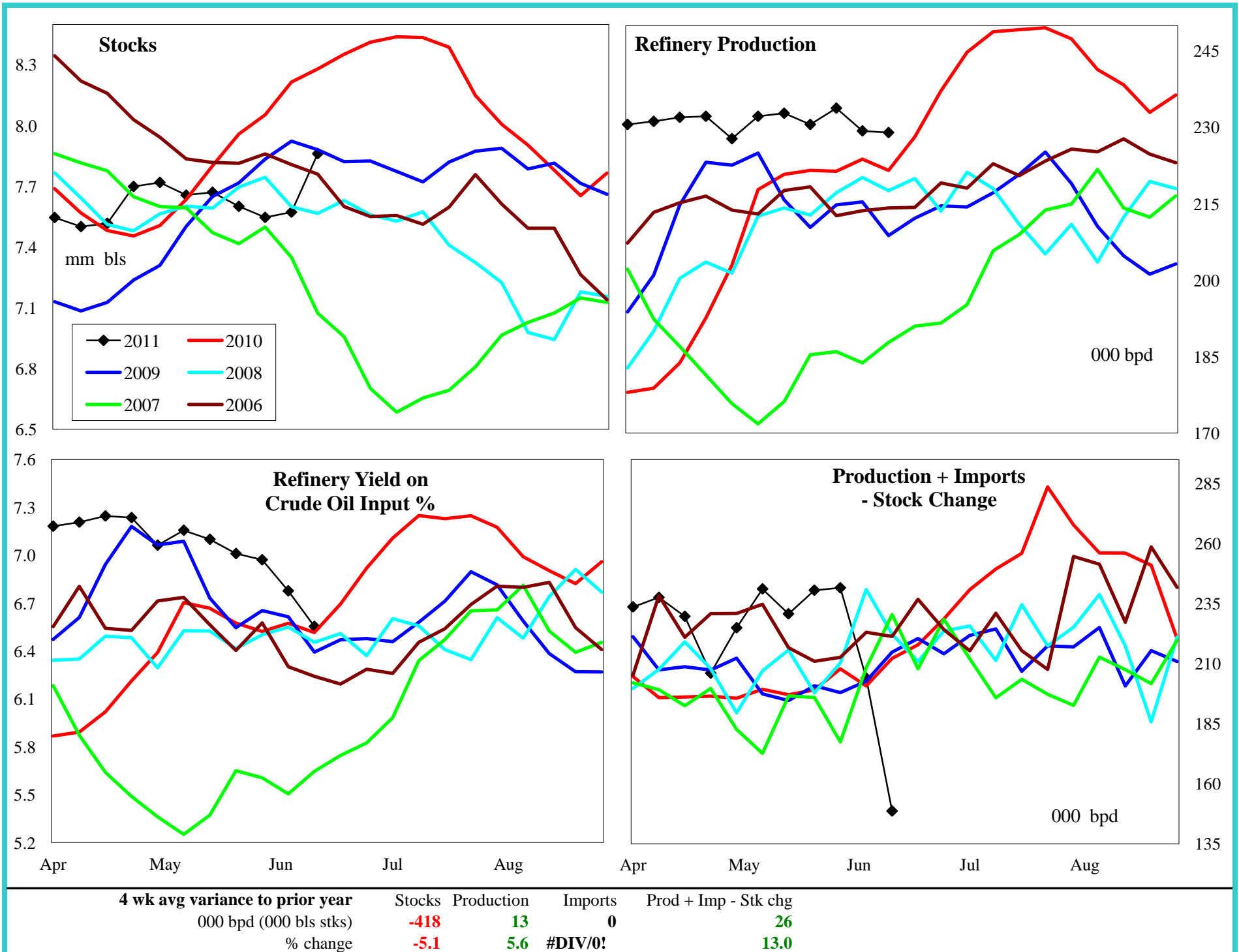
PADD 2 Conventional Gasoline Supply



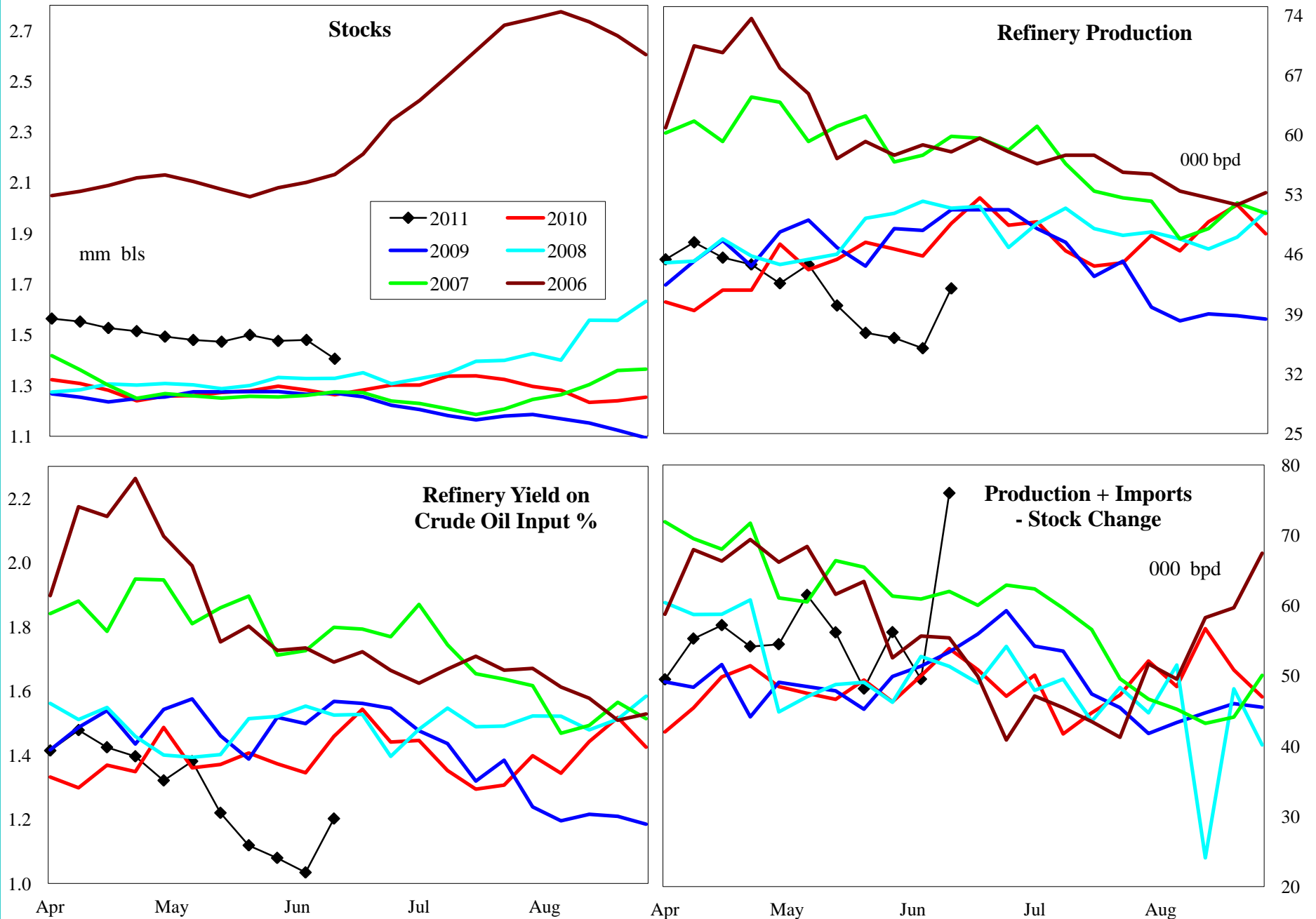
PADD 2 Distillate Supply



PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

142

-6

15

11

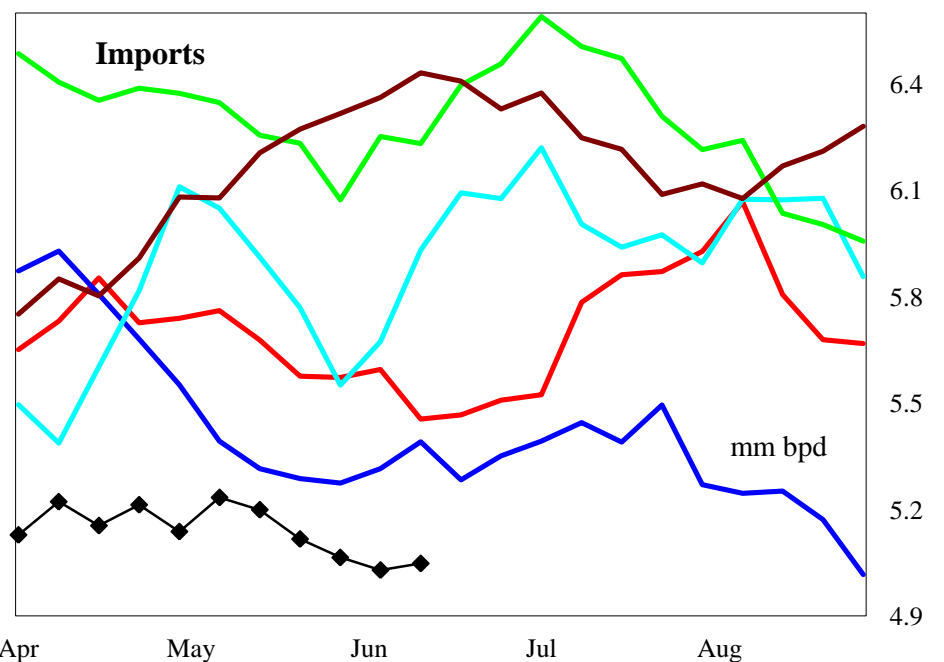
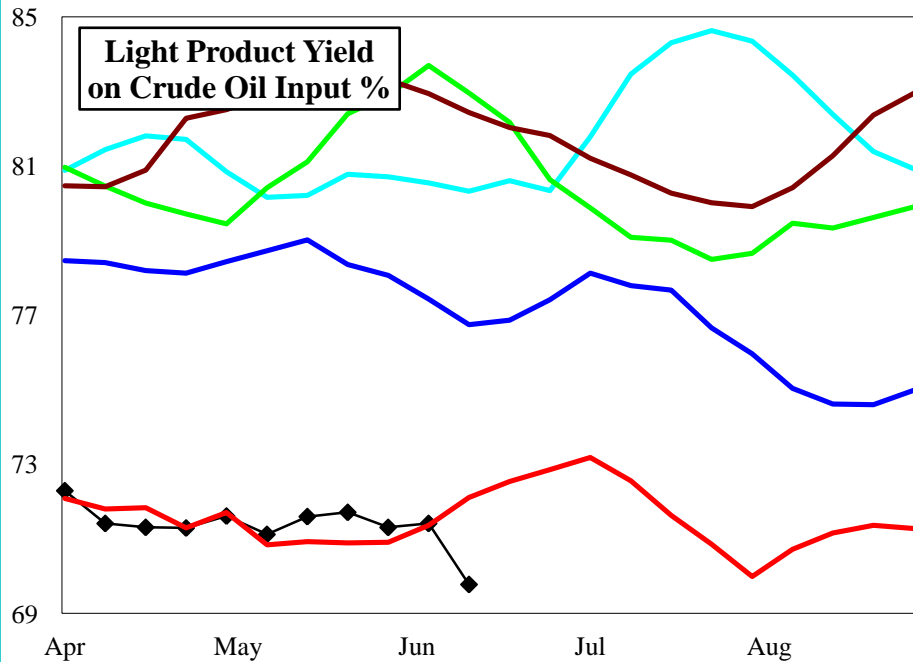
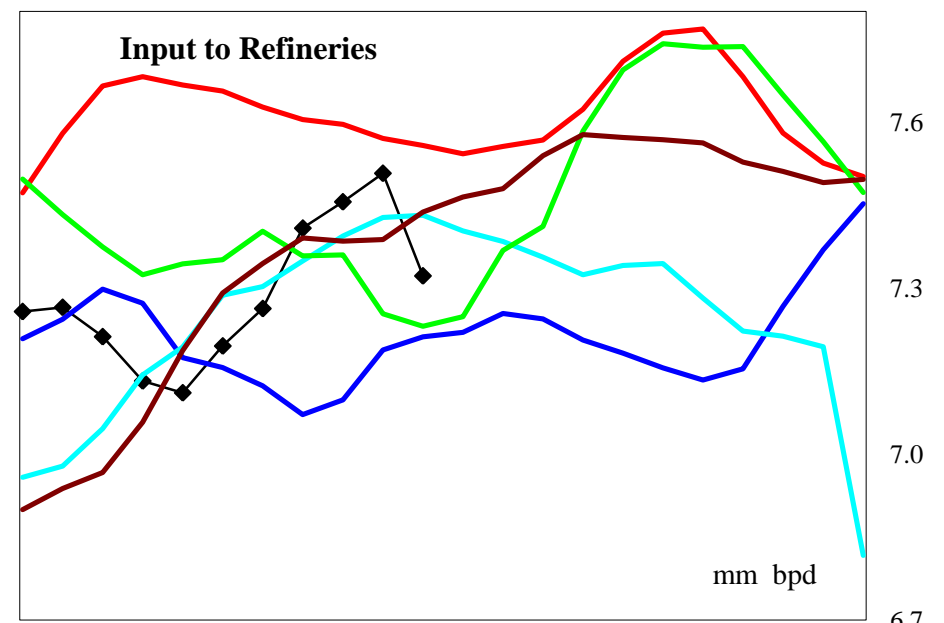
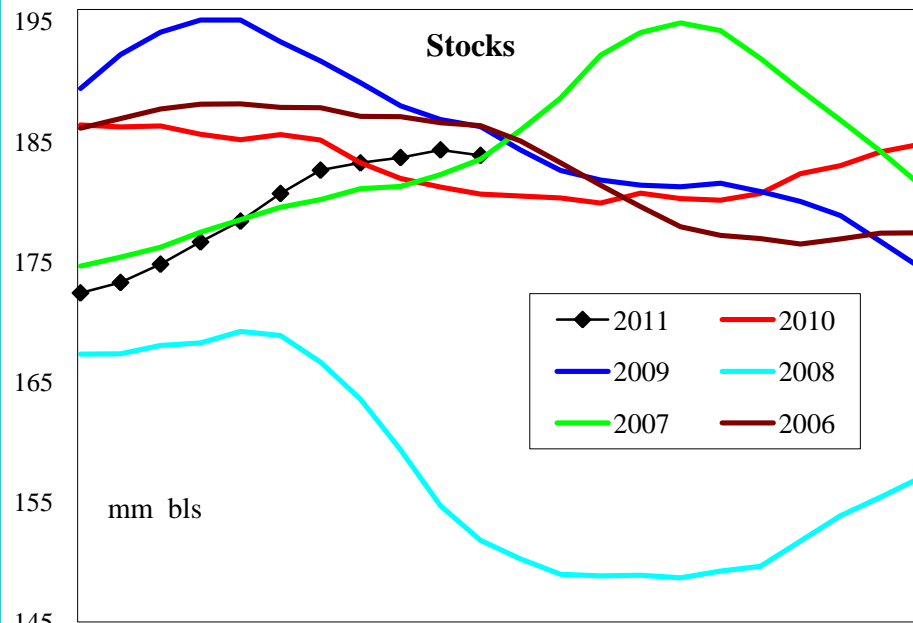
11.3

-13.8

600.0

23.9

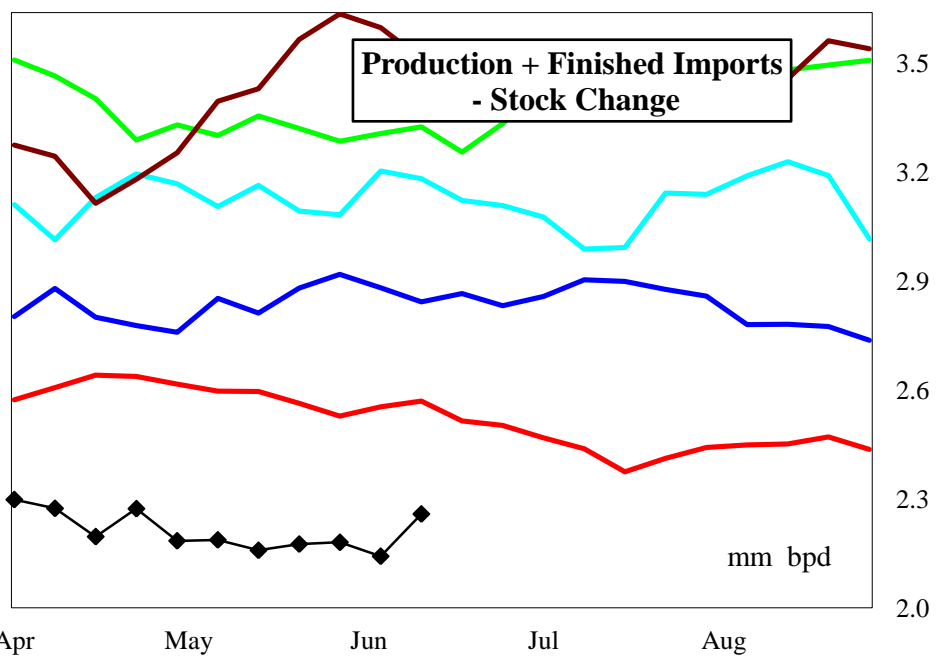
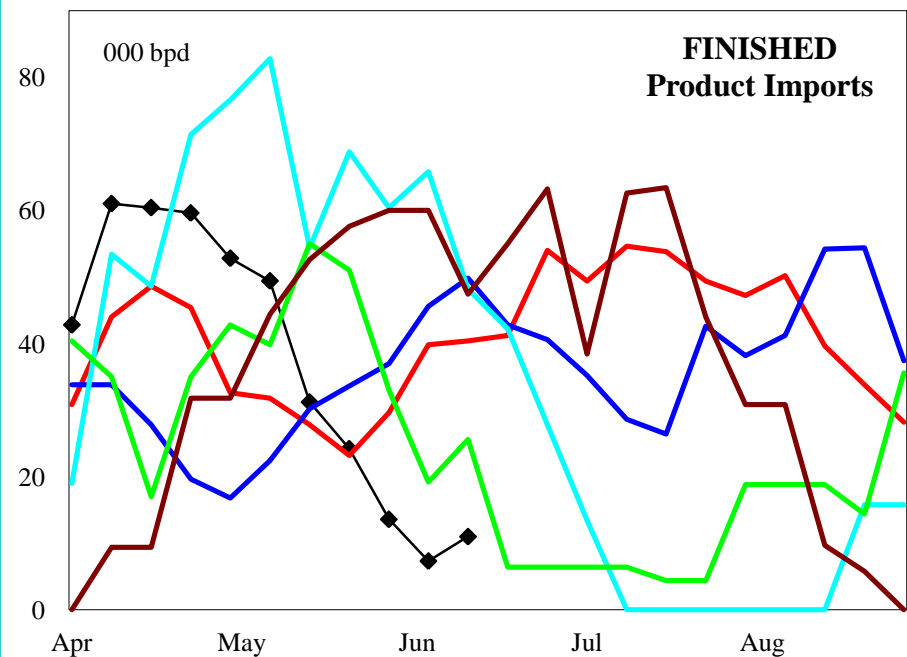
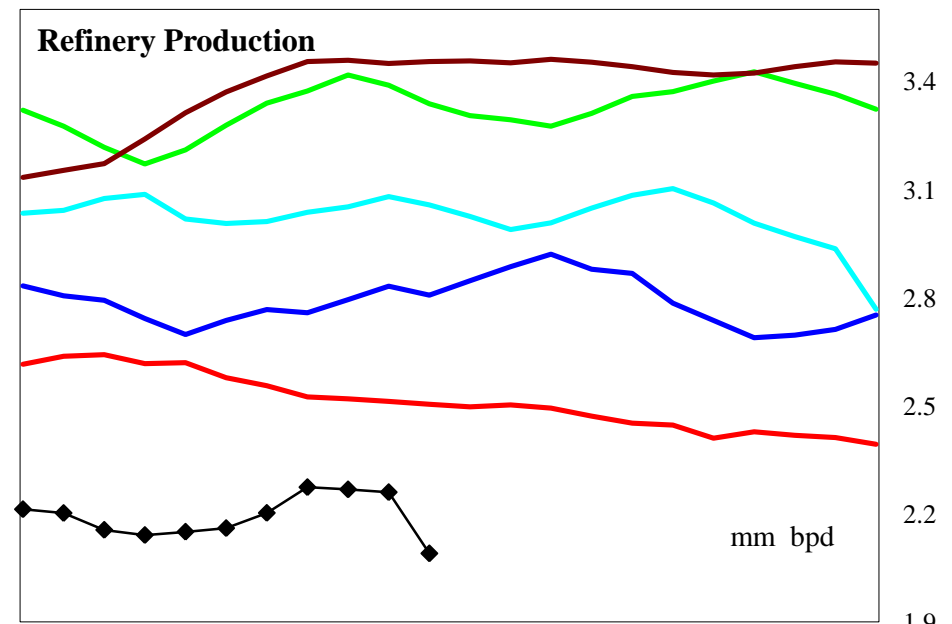
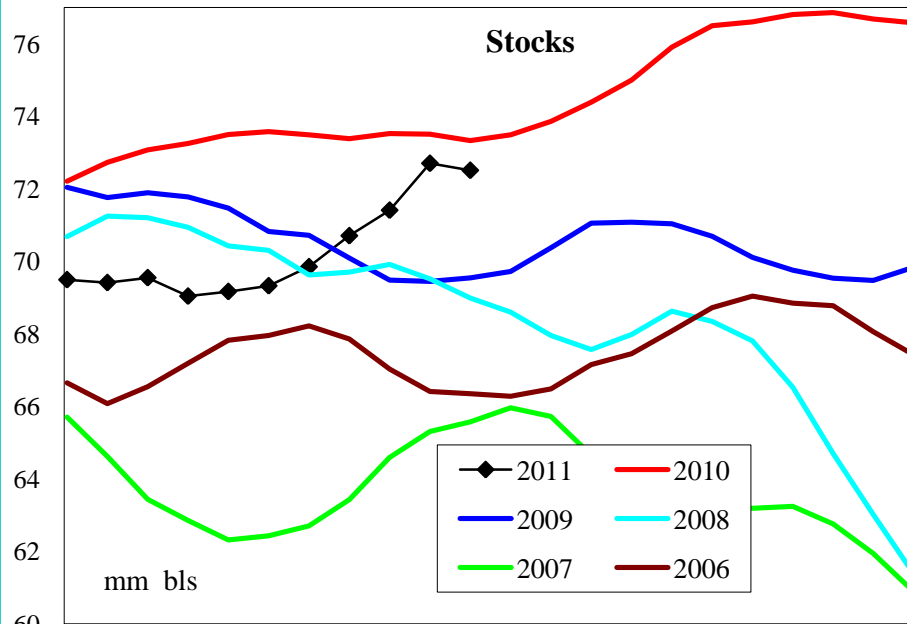
PADD 3 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bbls stks)	3,226	-77	-390
% change	1.8	-1.0	-7.1

PADD 3 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-1,420

-1.9

Production

-222

-8.9

Fin Impt

-21

-57.4

Blend Impt

22

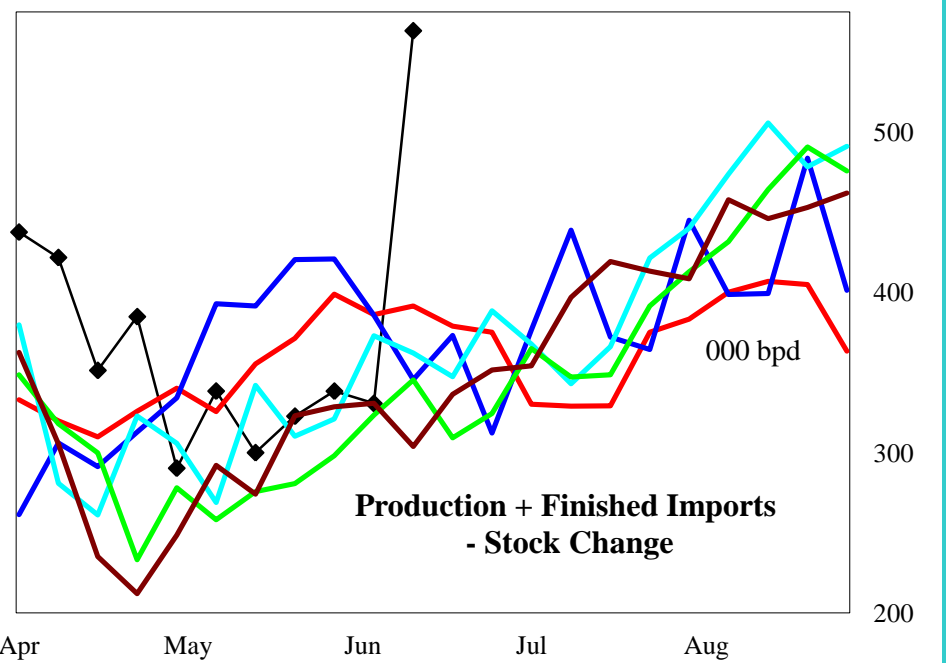
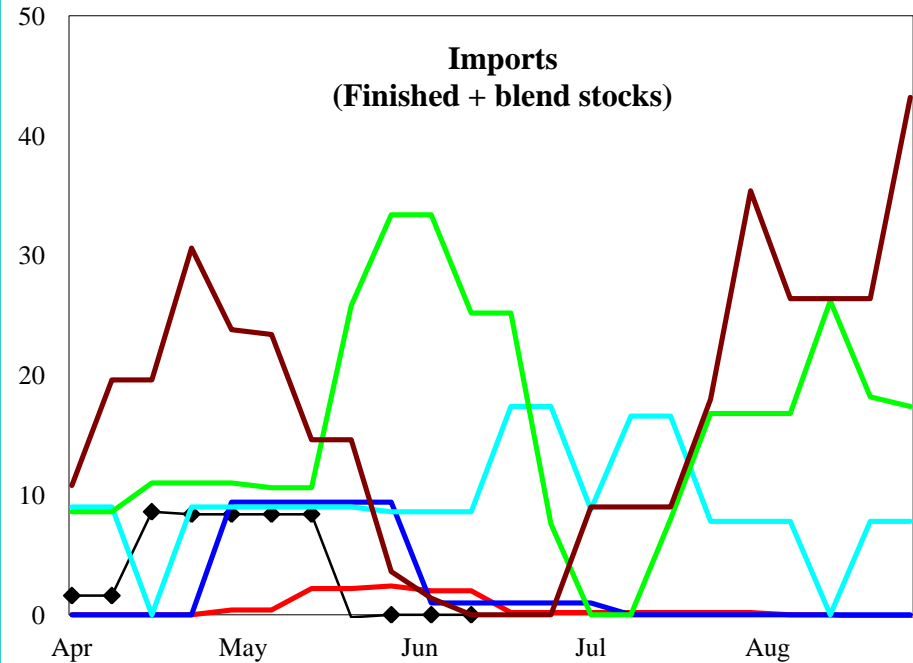
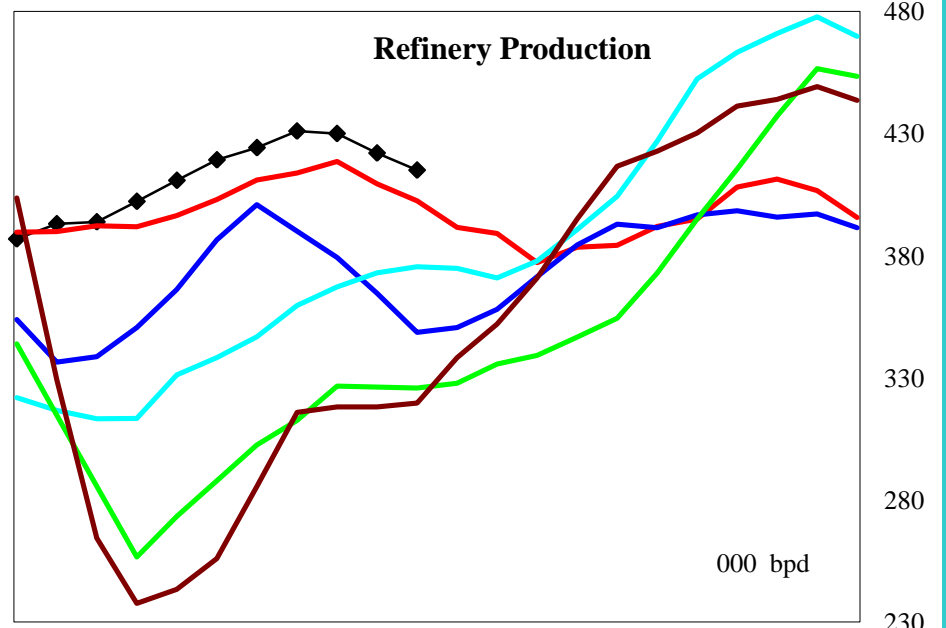
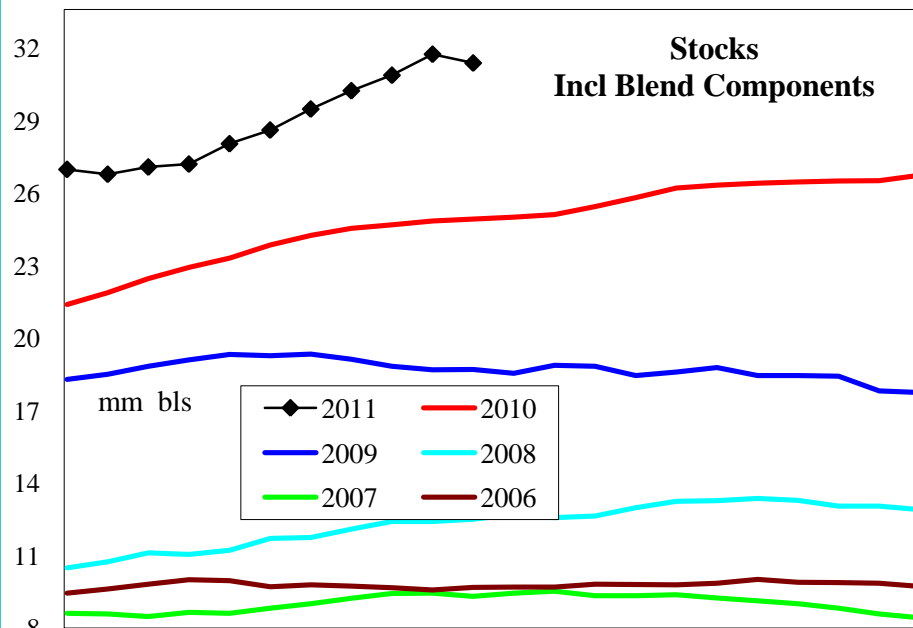
34.8

Prod + Imp - Stk chg

-355

-14.1

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

6,802

27.2

Production

8

2.0

Imports

-3

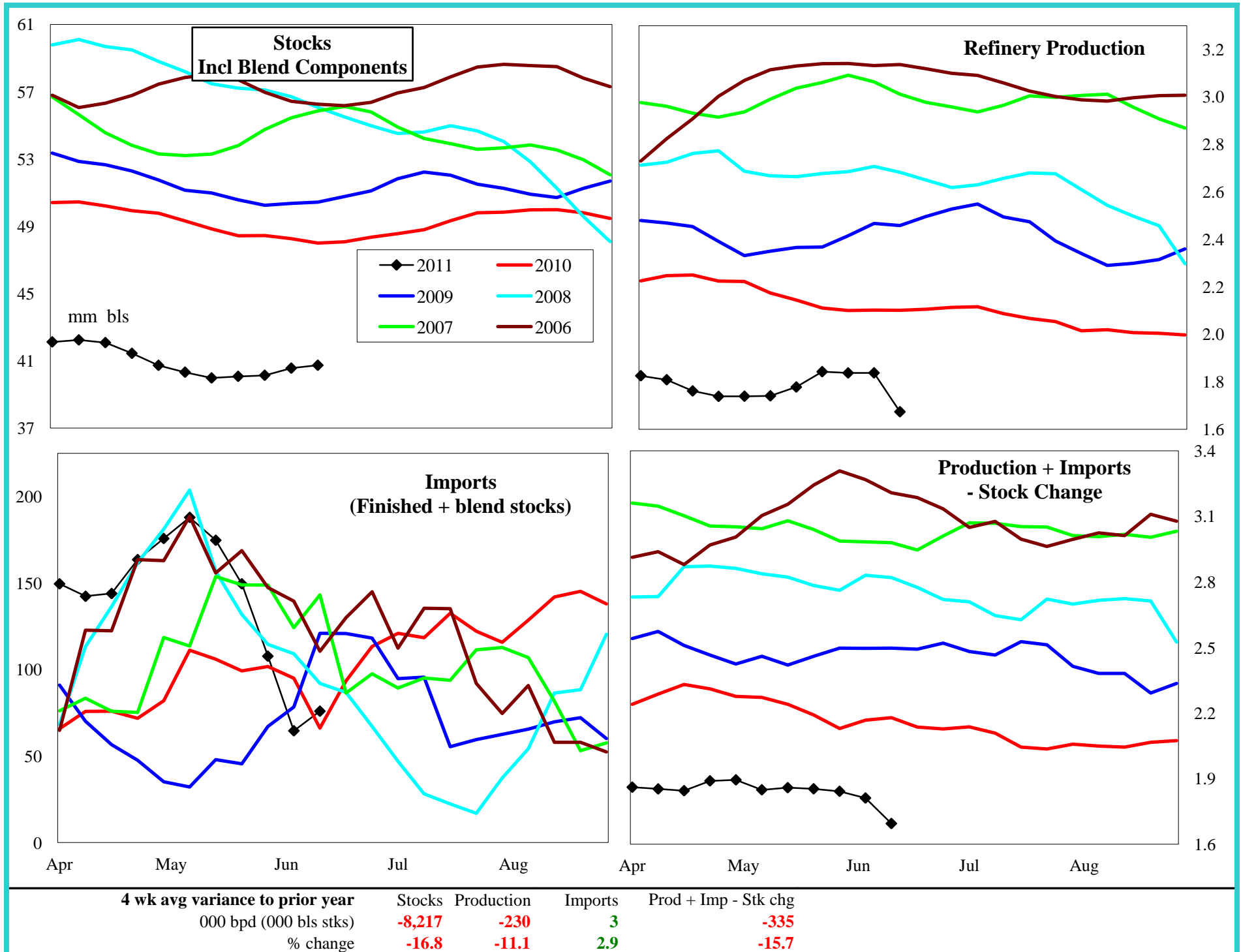
-100.0

Prod + Imp - Stk chg

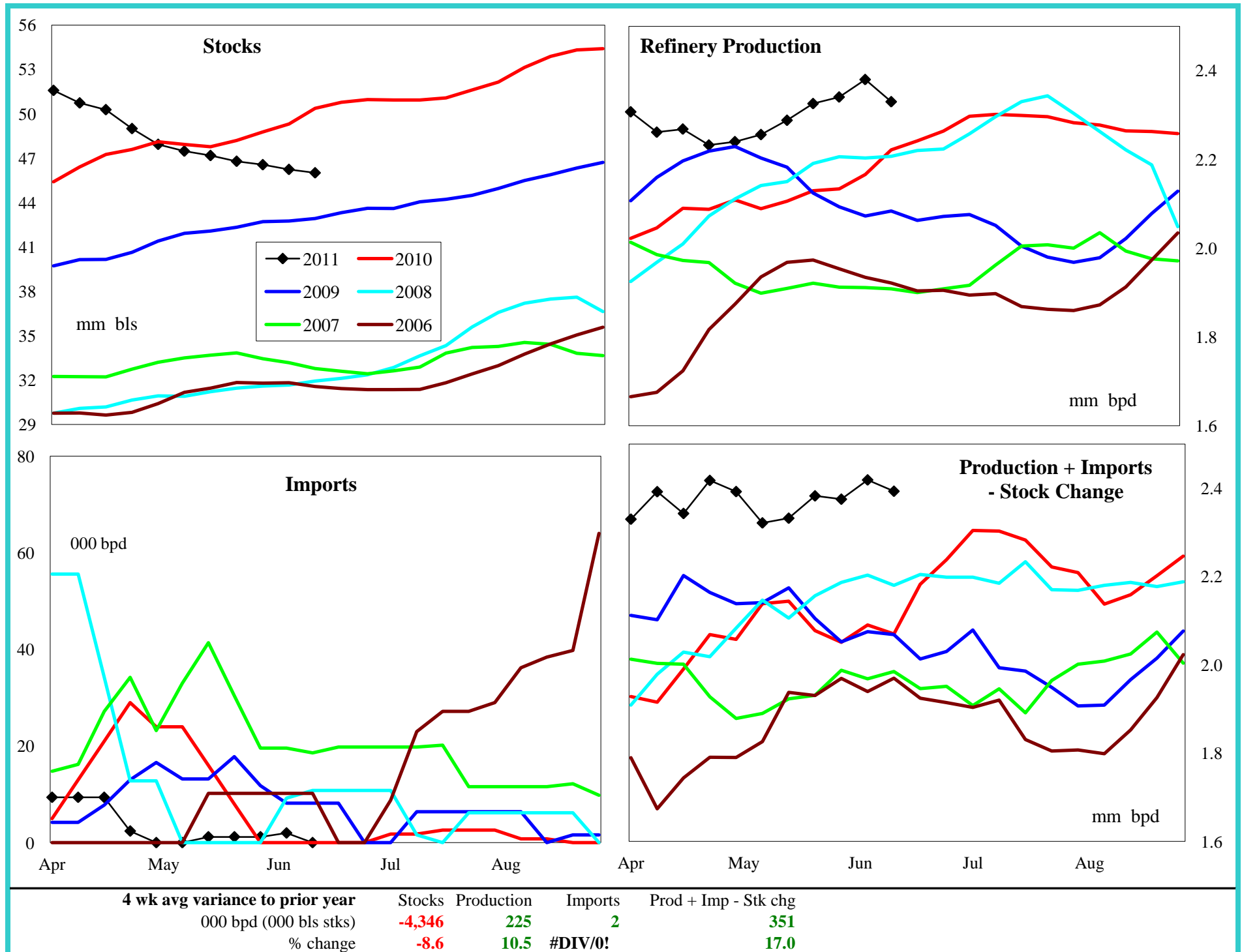
-20

-5.1

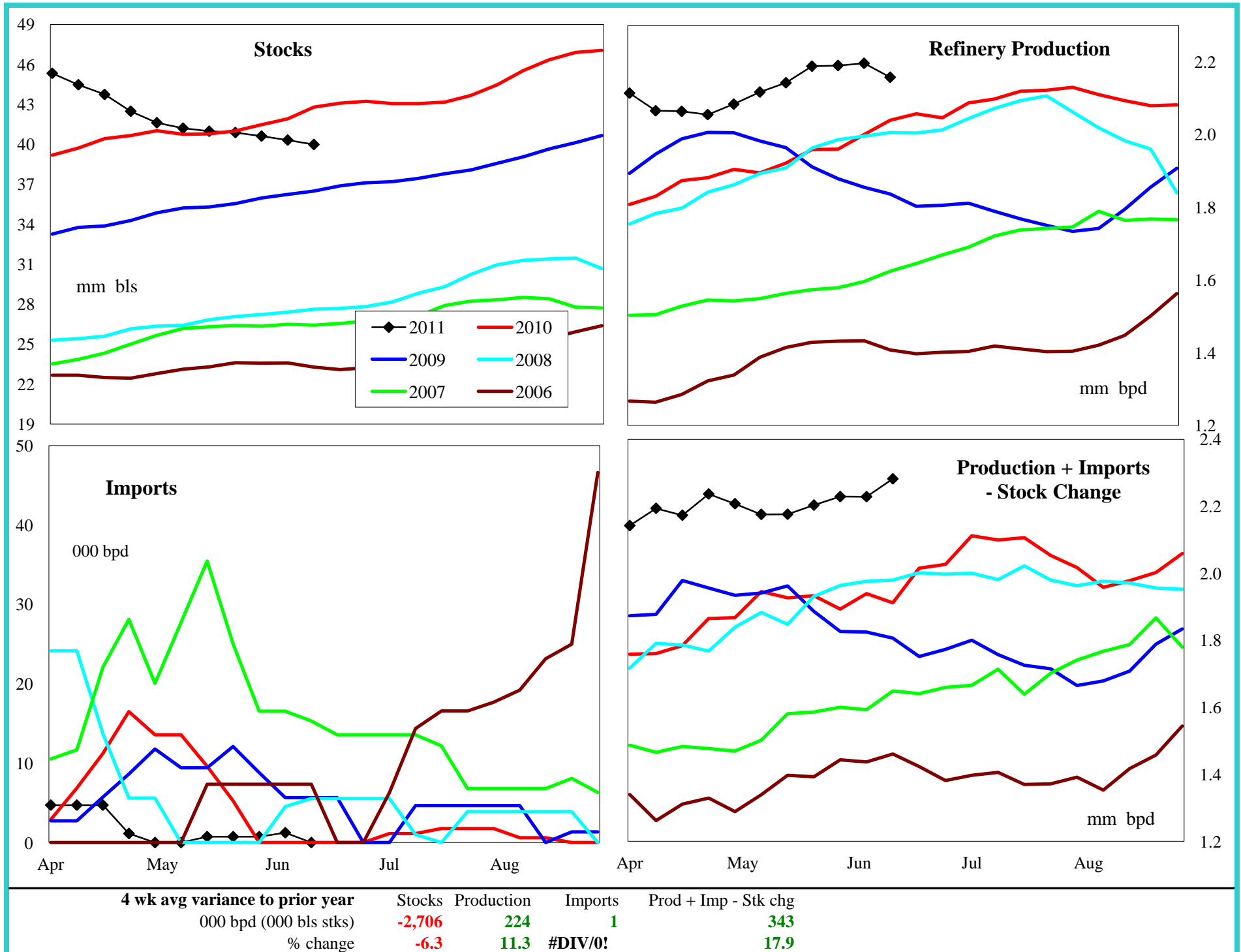
PADD 3 Conventional Gasoline Supply



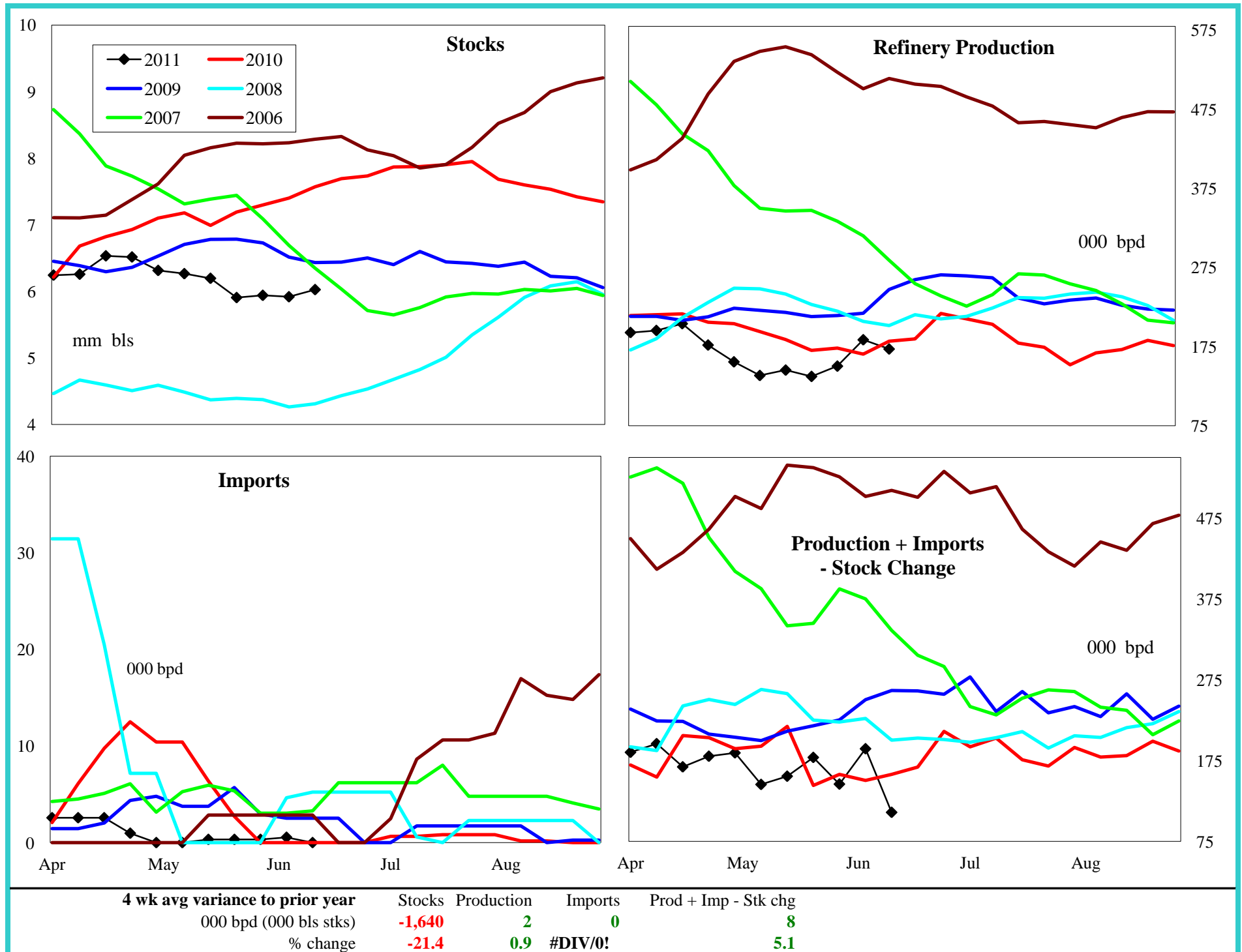
PADD 3 Distillate Supply



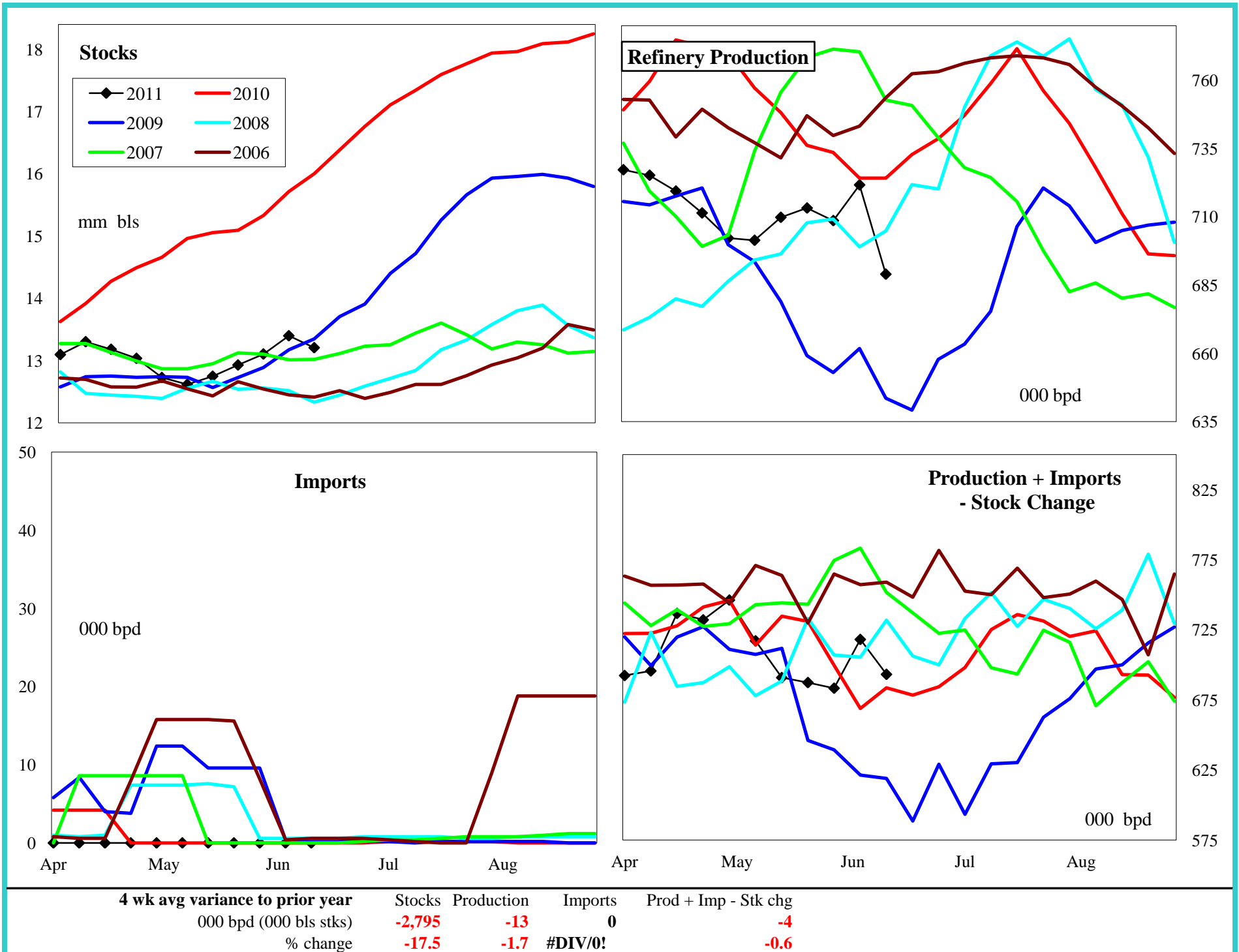
PADD 3 Low Sulfur Distillate Supply



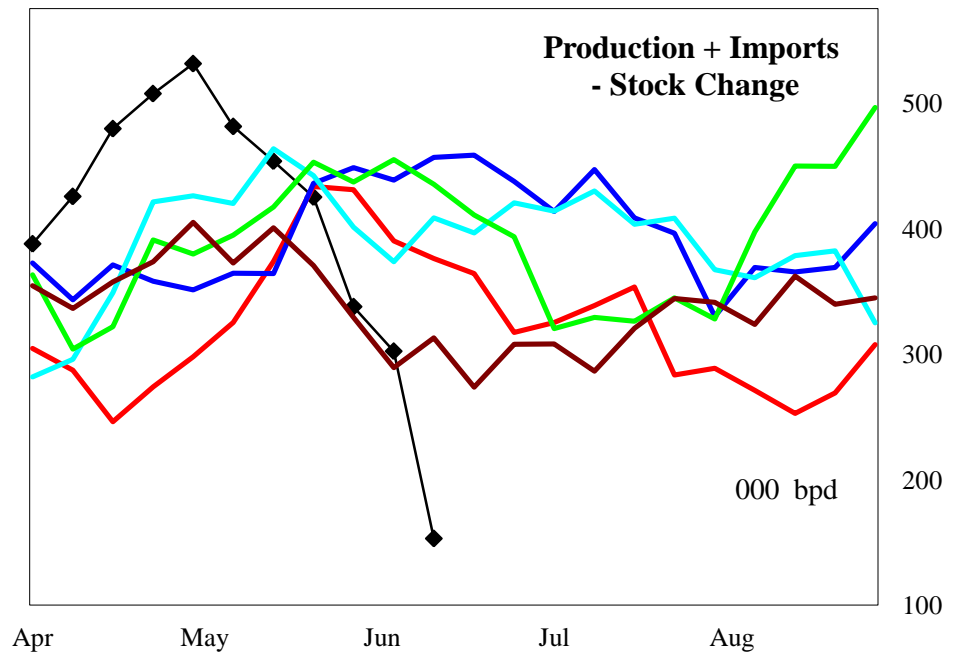
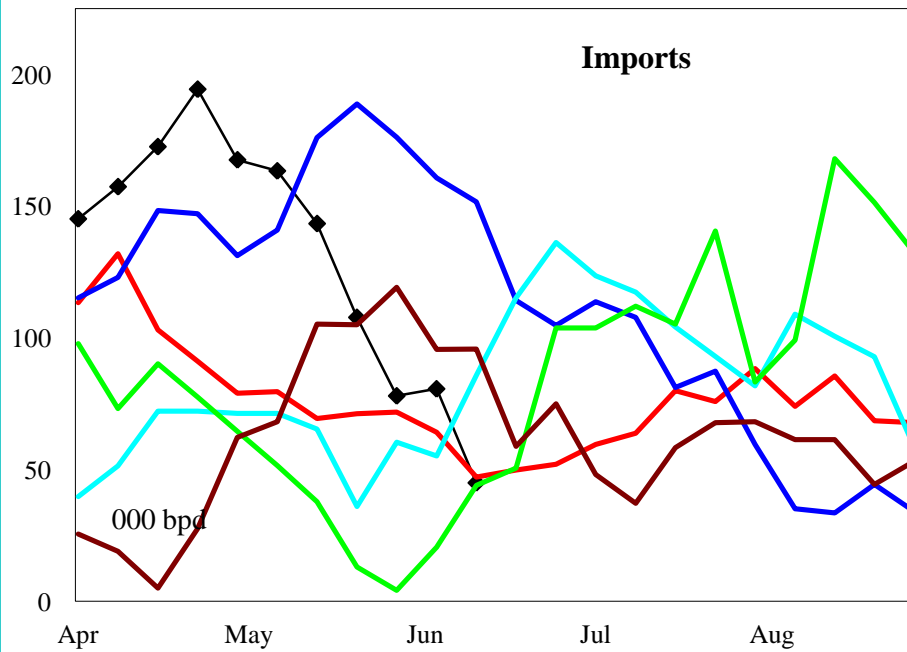
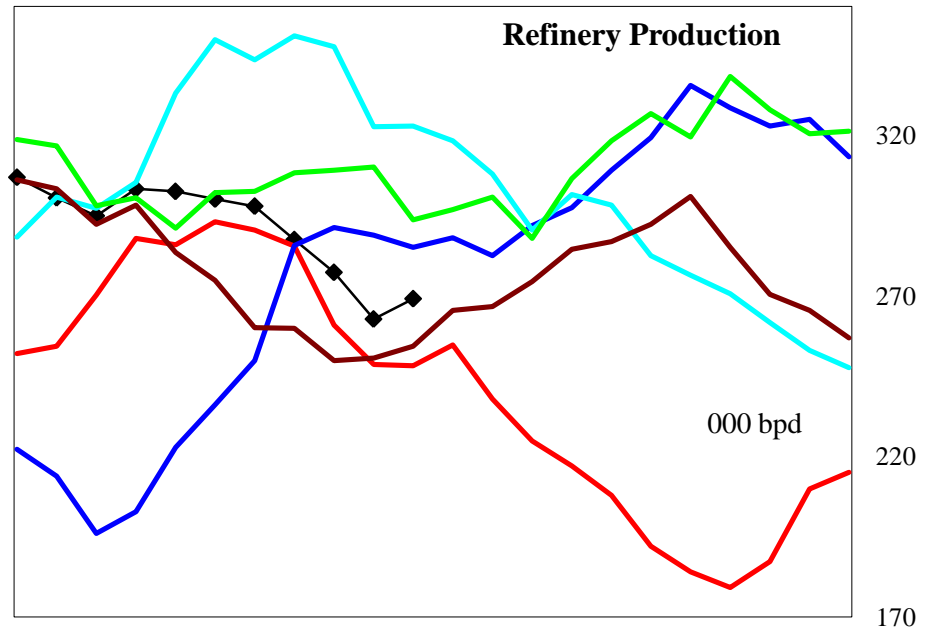
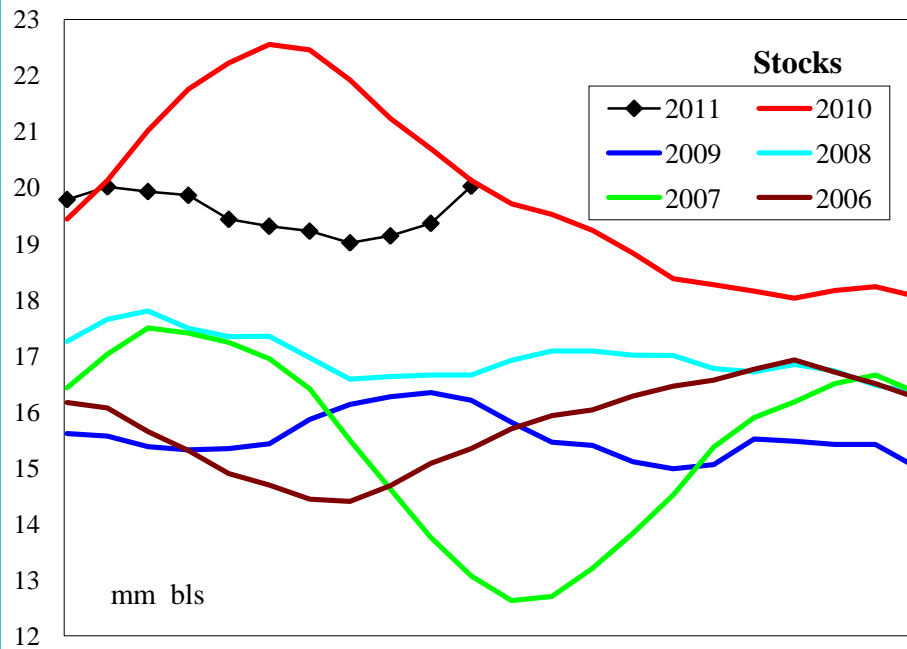
PADD 3 High Sulfur Distillate Supply



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

-102

-0.5

Production

18

7.1

Imports

6

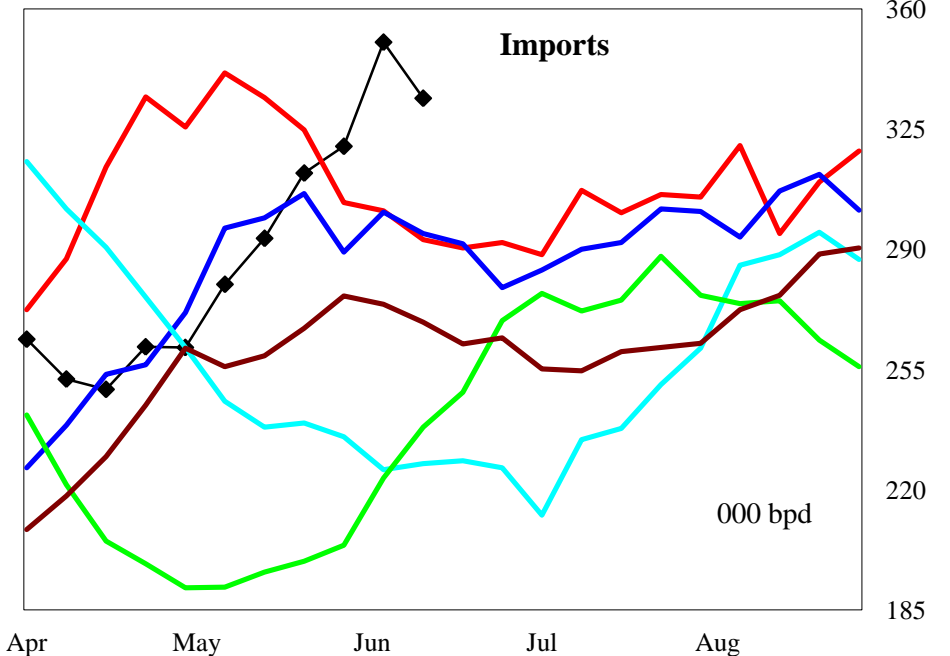
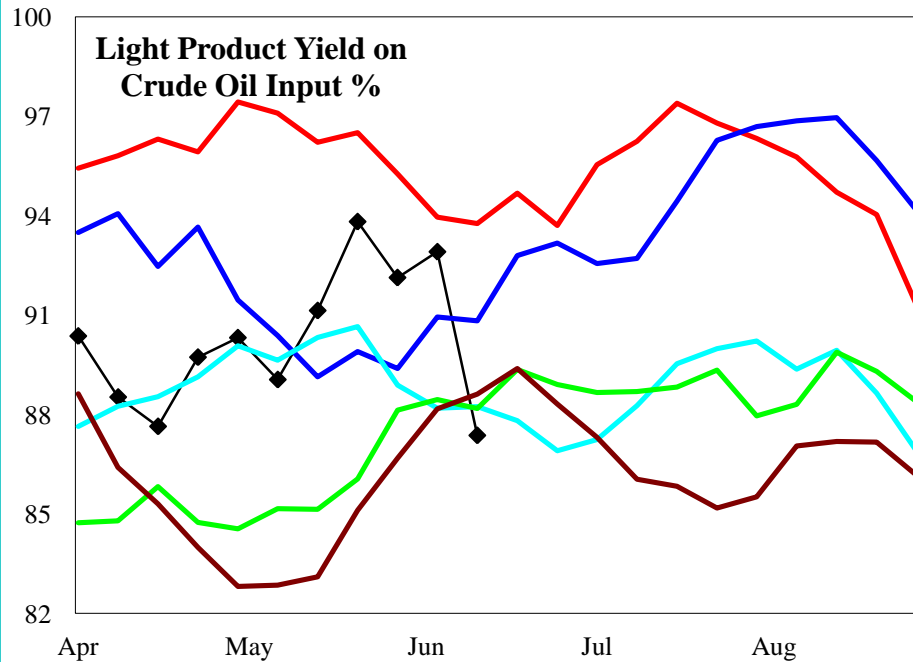
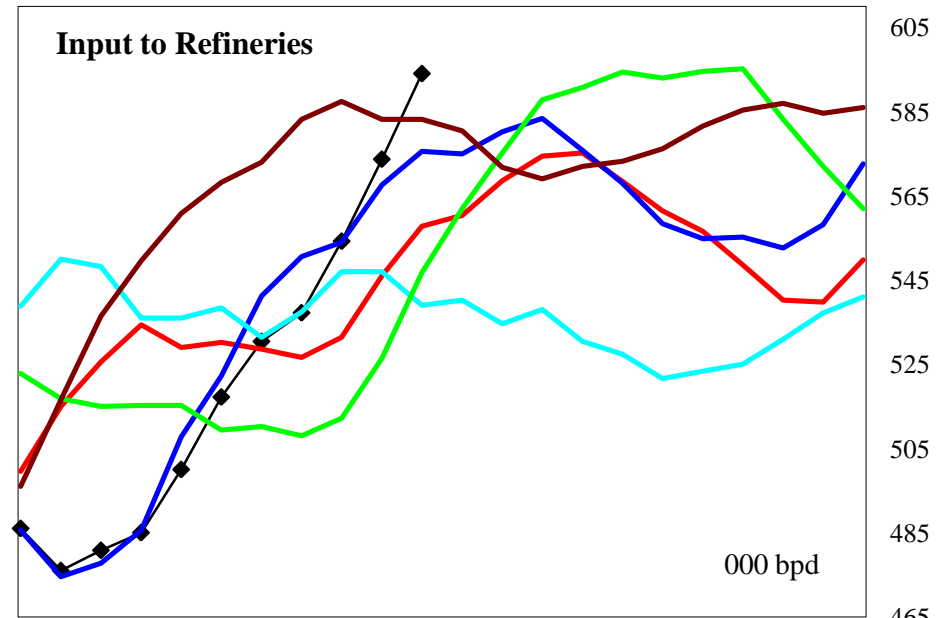
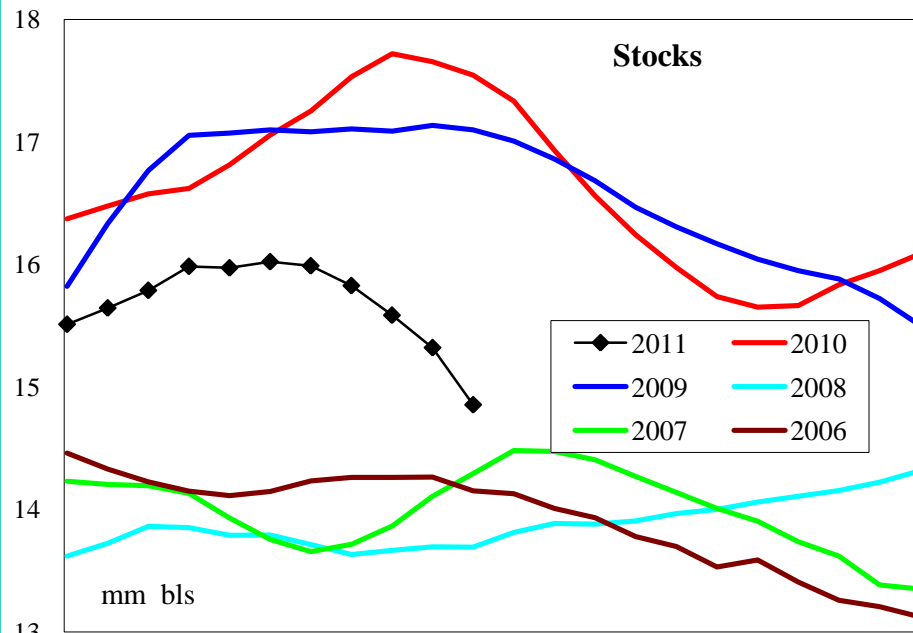
8.1

Prod + Imp - Stk chg

-136

-31.1

PADD 4 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-2,690

-15.3

Input

26

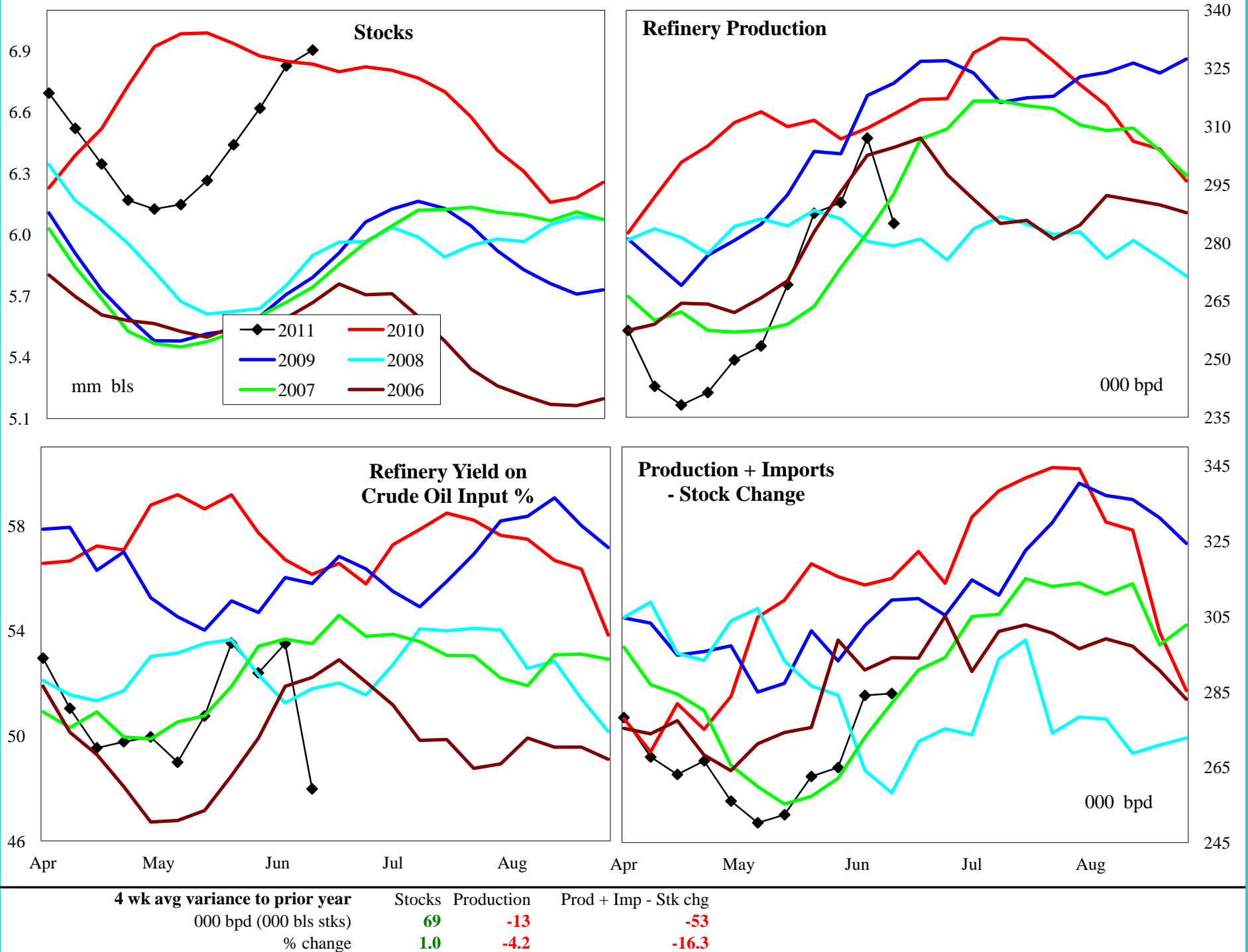
4.8

Imports

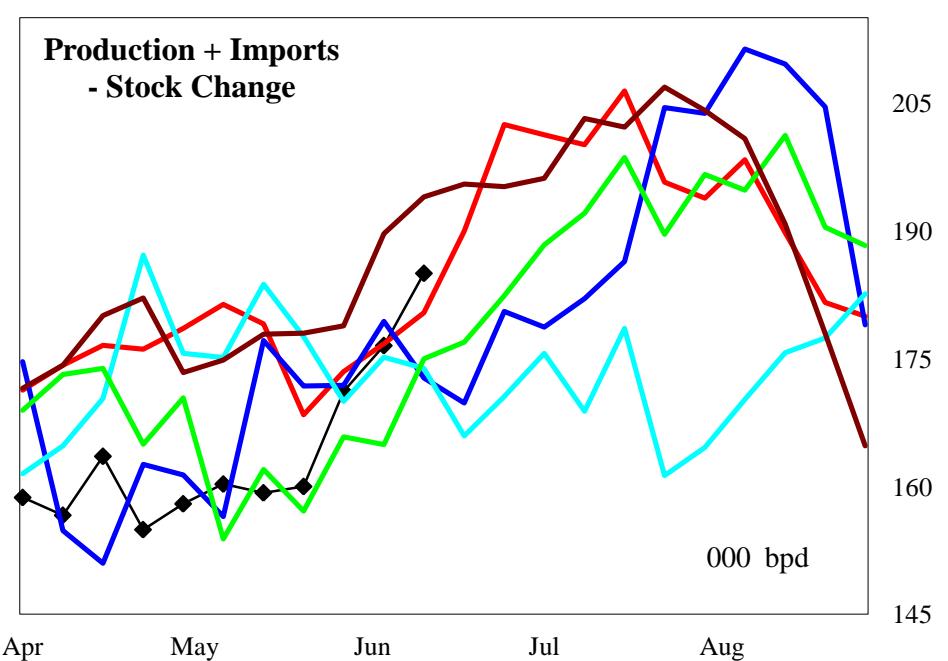
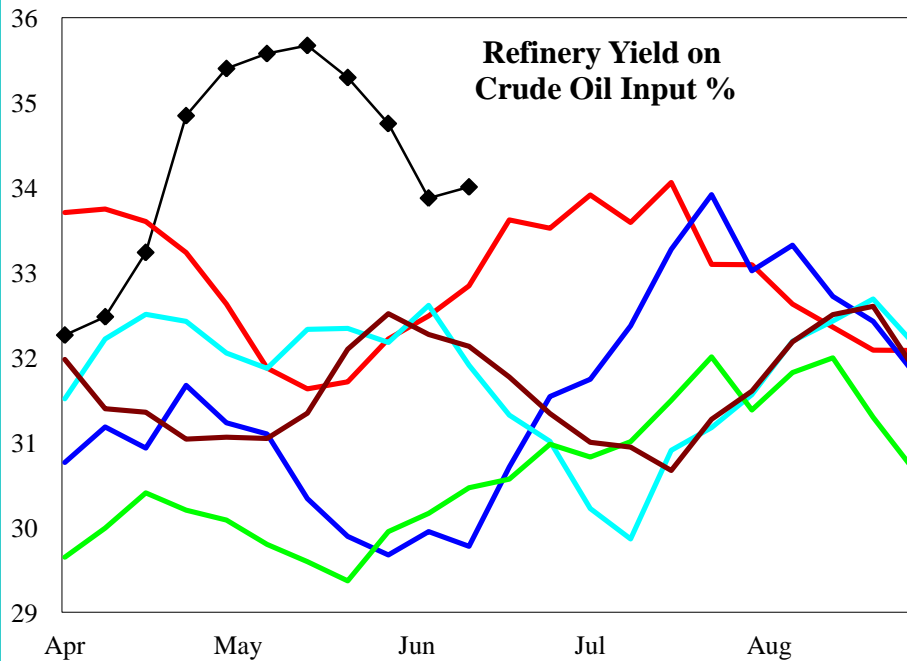
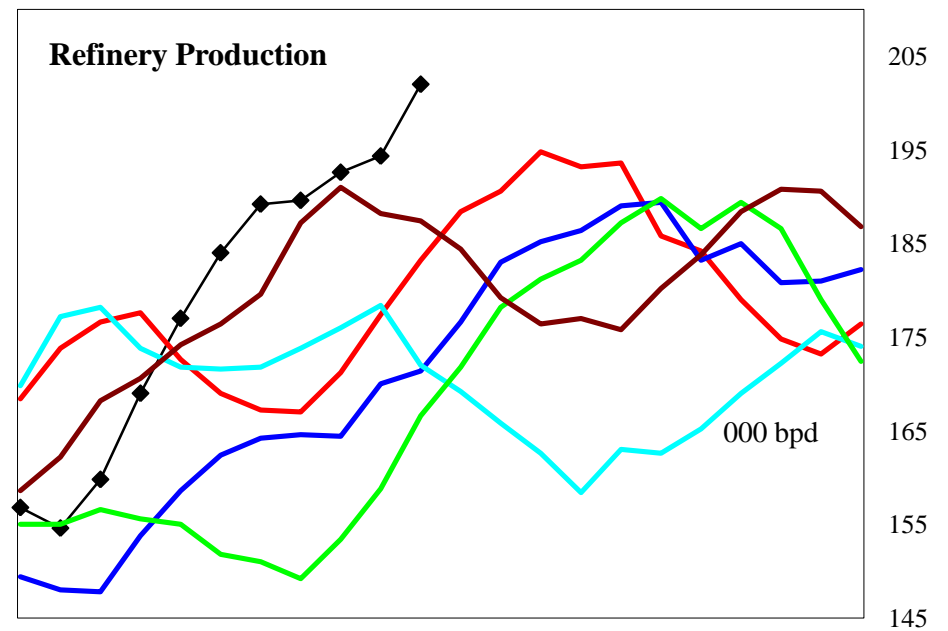
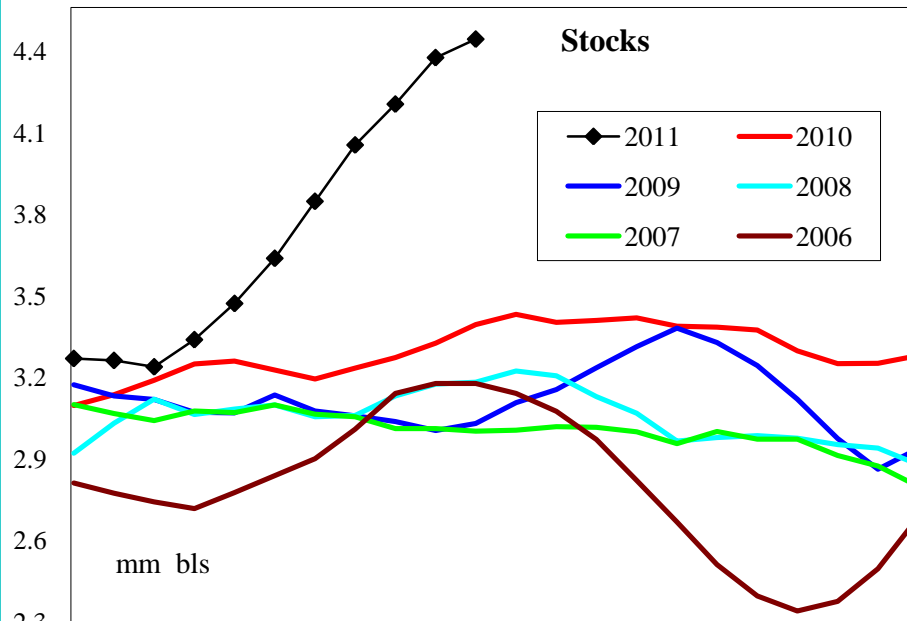
32

10.3

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

1,050

21

-8

-10

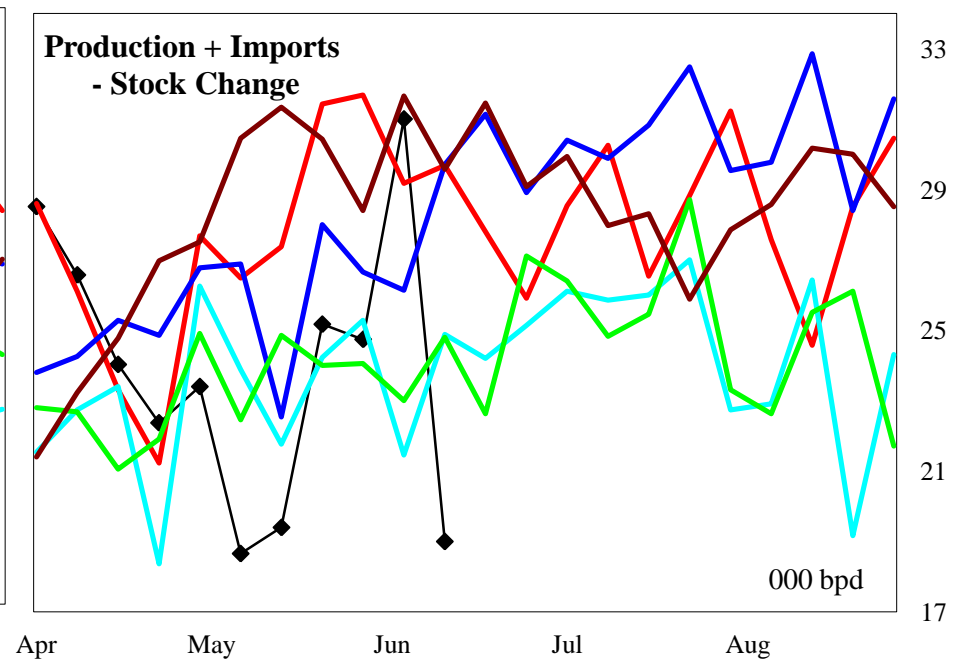
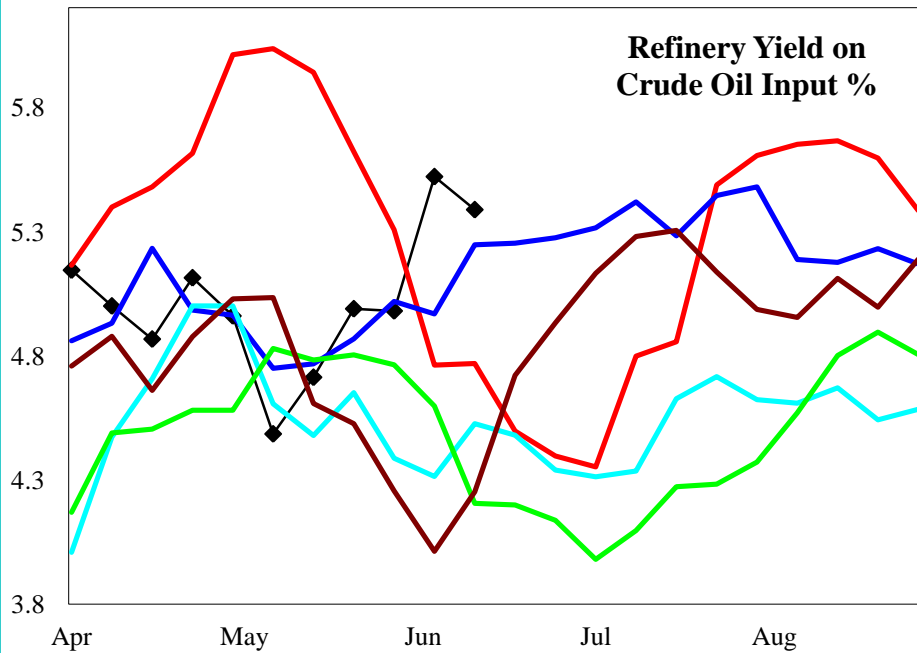
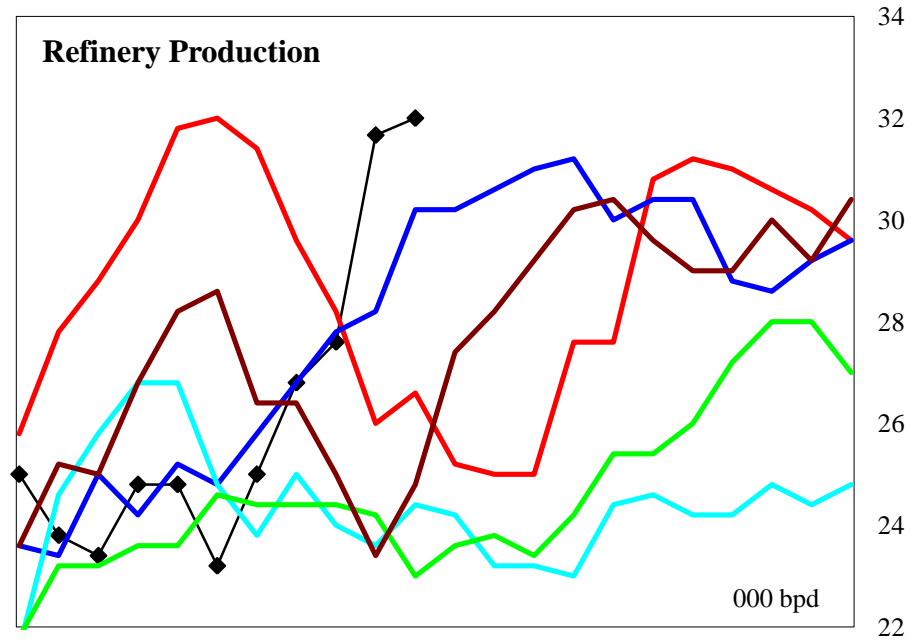
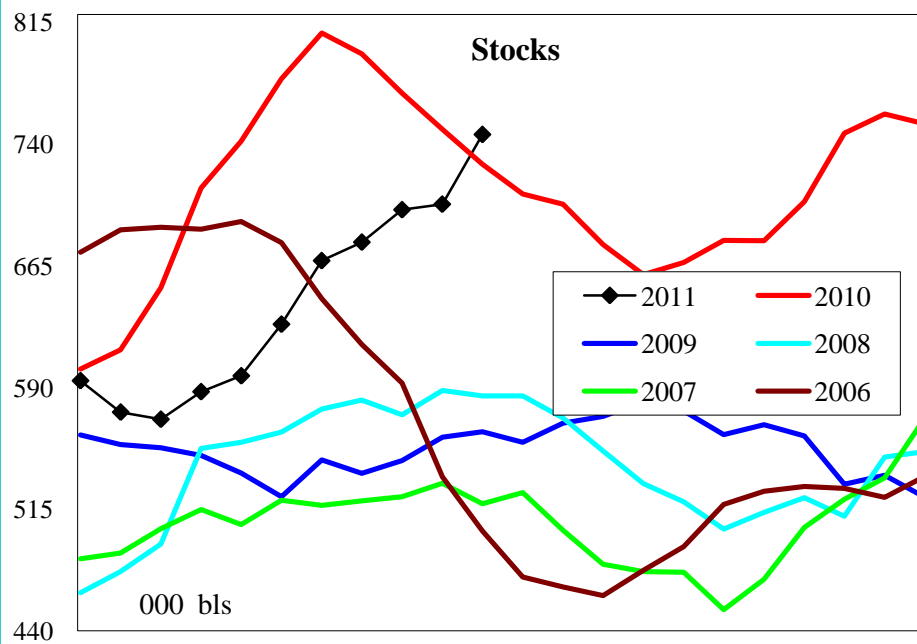
30.6

12.2

-100.0

-5.7

PADD 4 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

18

2

2.5

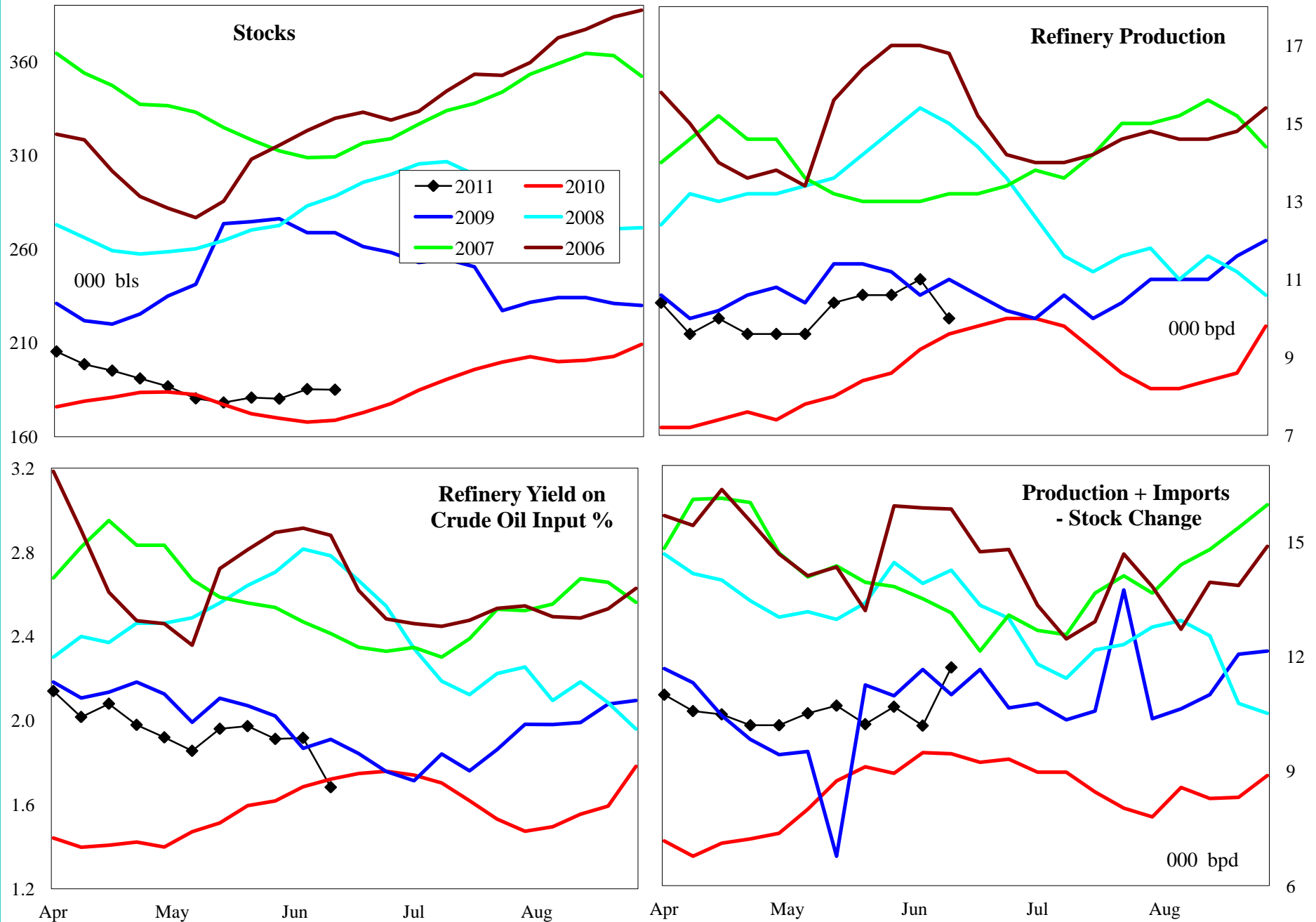
5.5

Prod + Imp - Stk chg

-5

-15.8

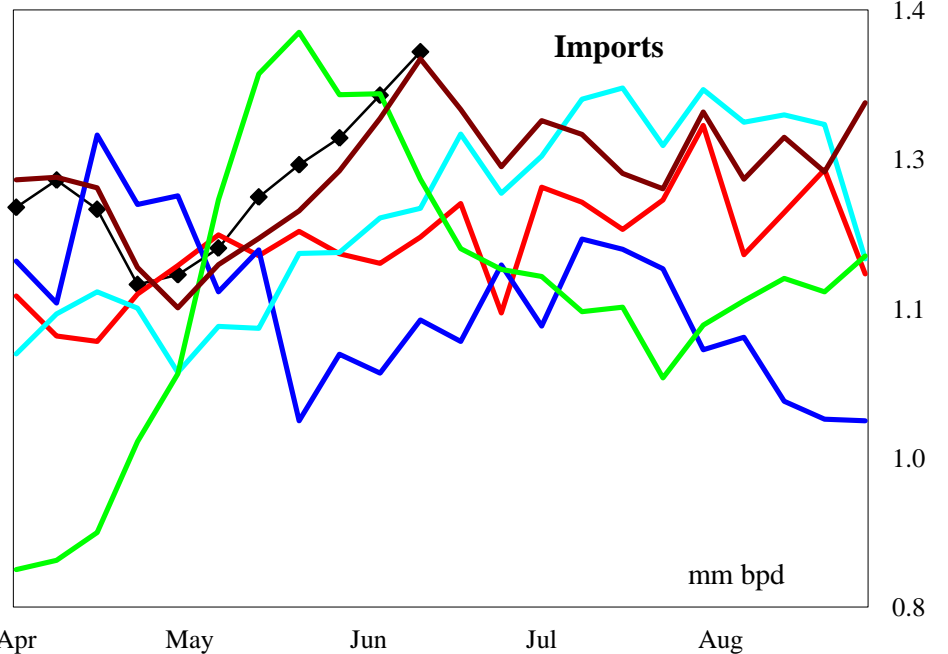
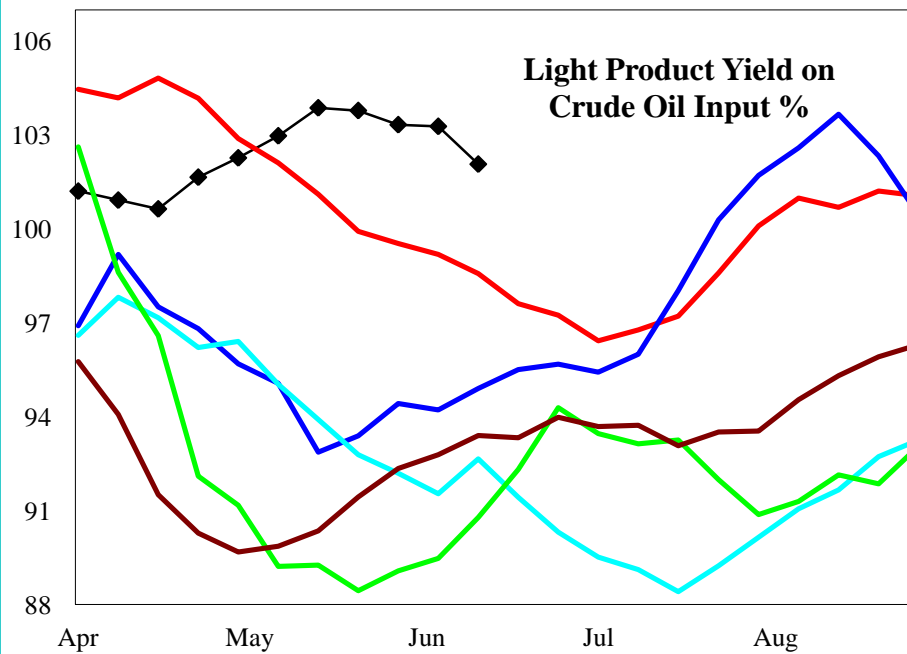
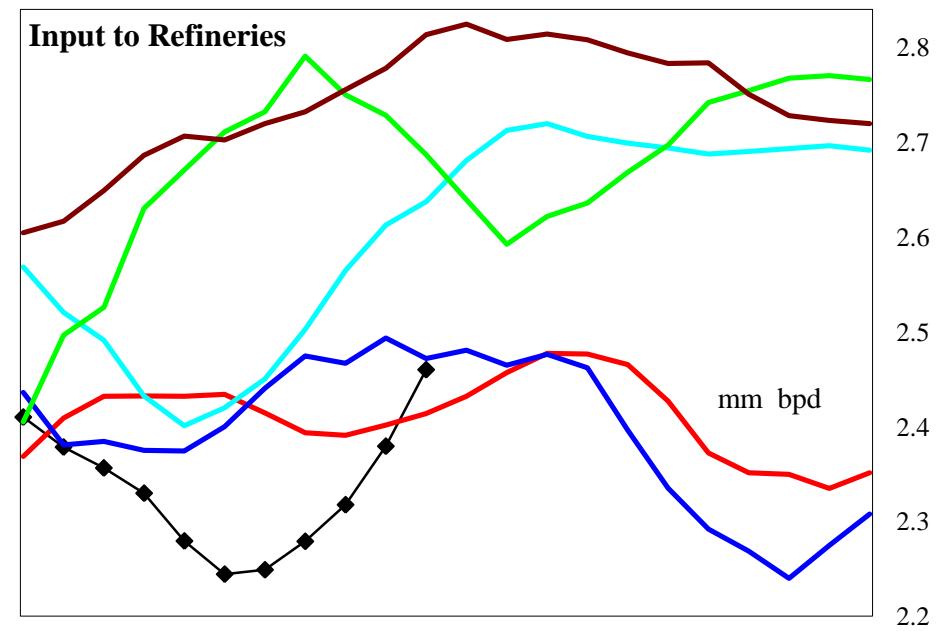
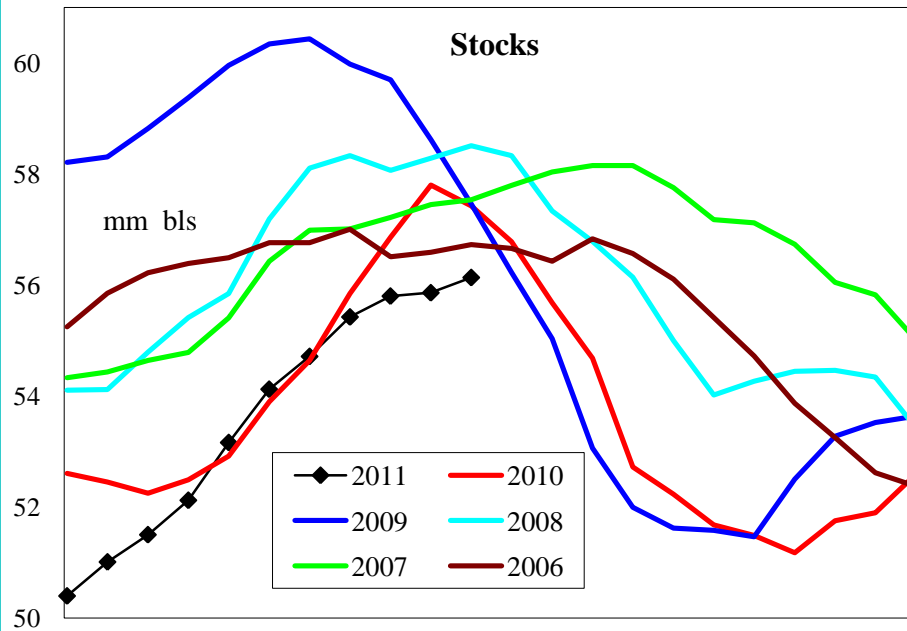
PADD 4 Residual Fuel Oil Supply



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

Stocks	Production	Imports	Prod + Imp - Stk chg
16	2	0	3
9.6	19.4	#DIV/0!	41.4

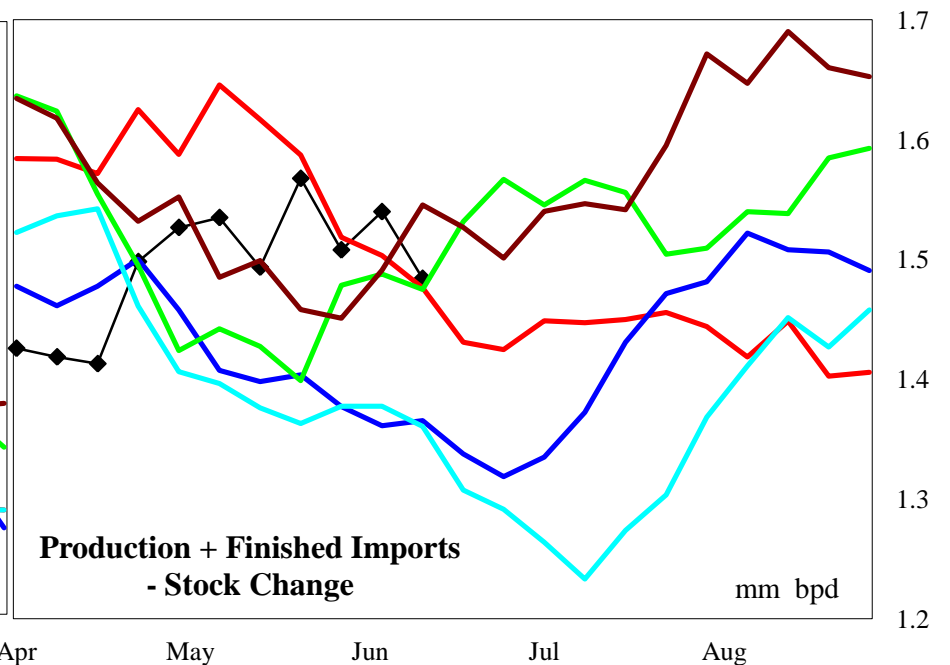
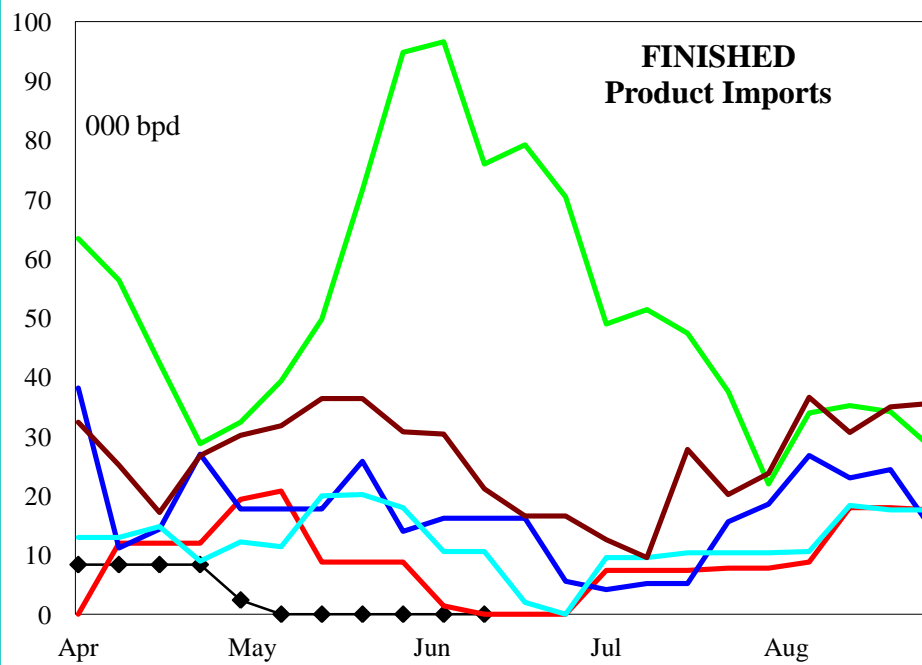
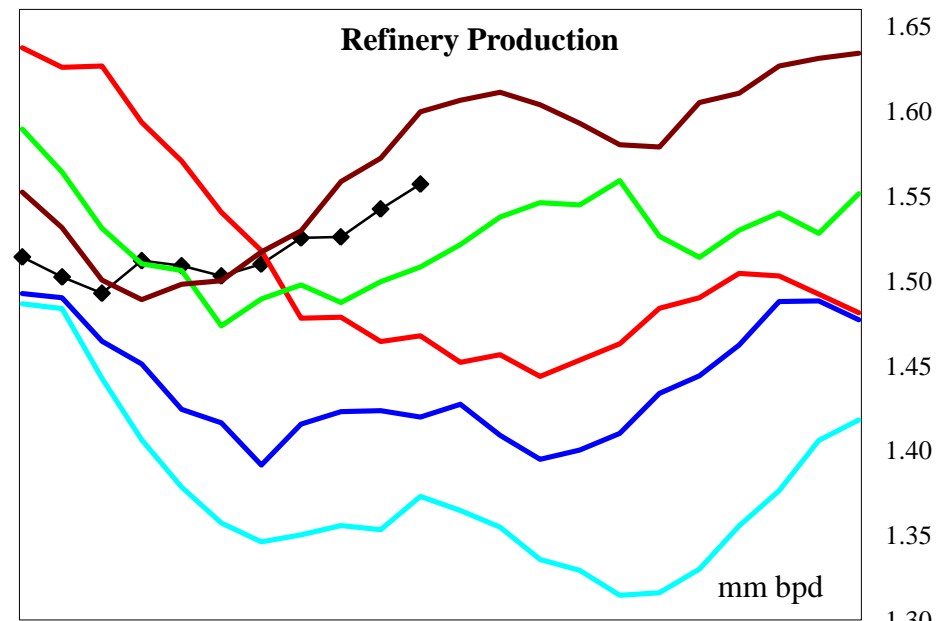
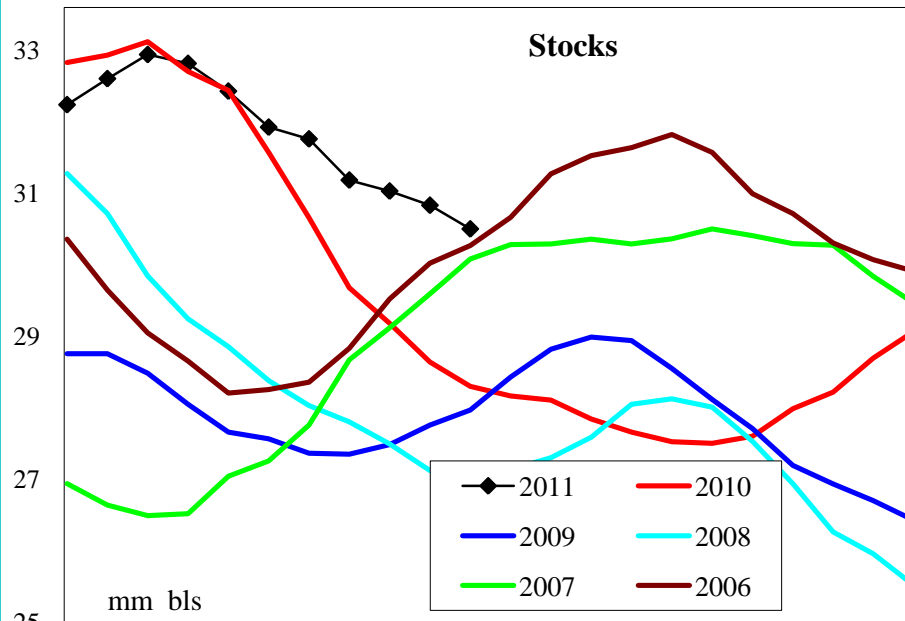
PADD 5 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bls stks)	-1,286	-44	114
% change	-2.2	-1.9	9.8

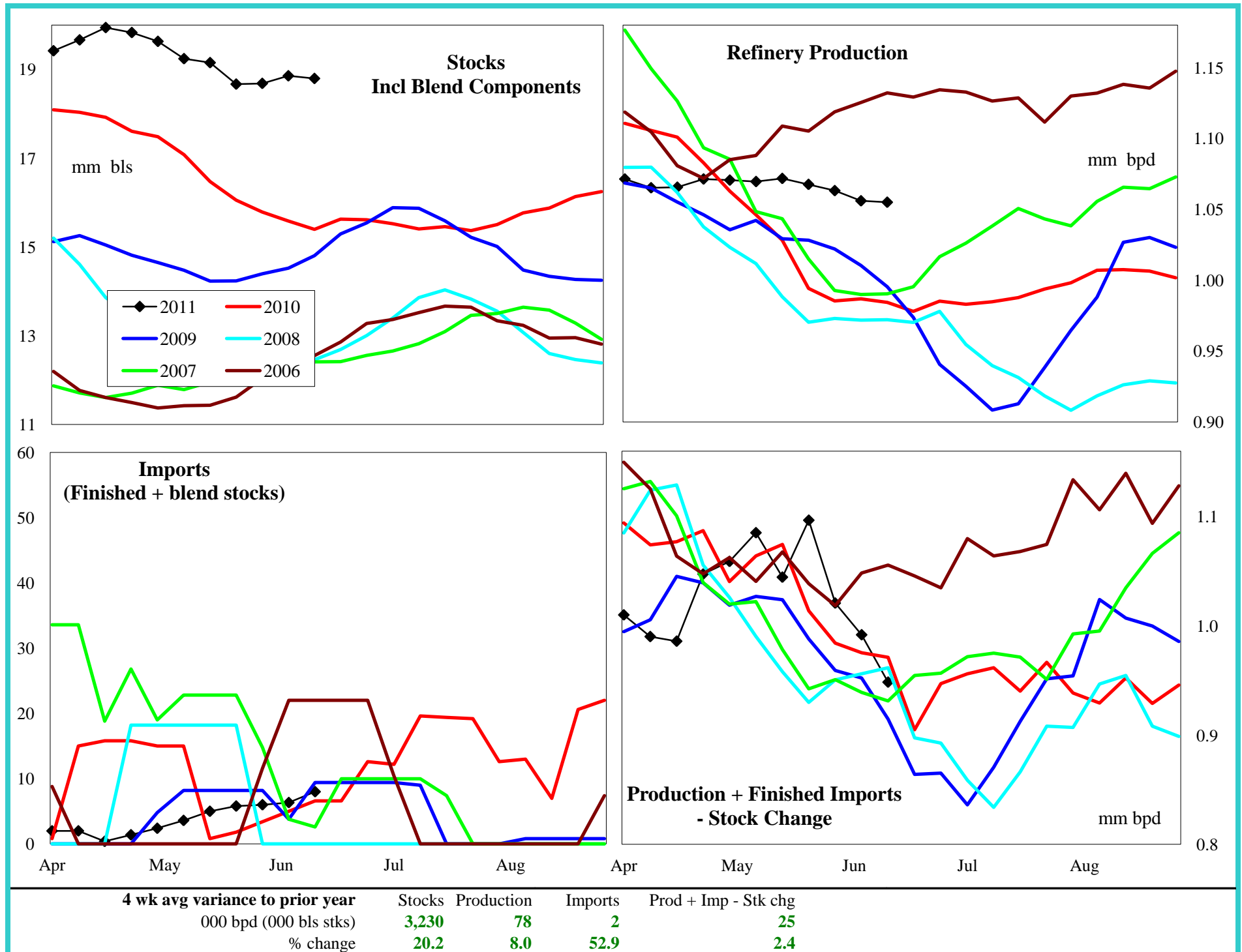
PADD 5 Gasoline Supply



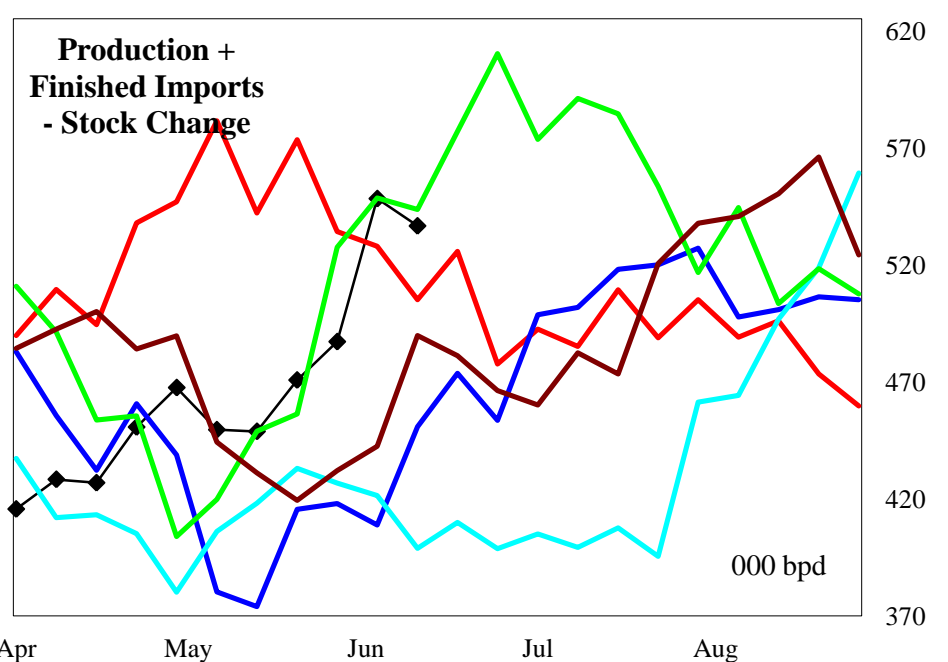
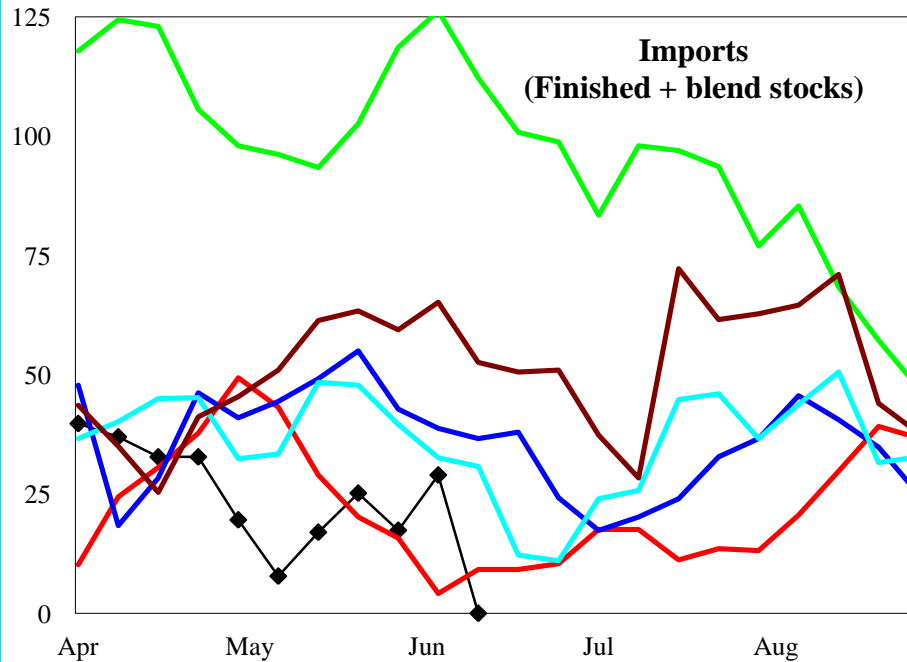
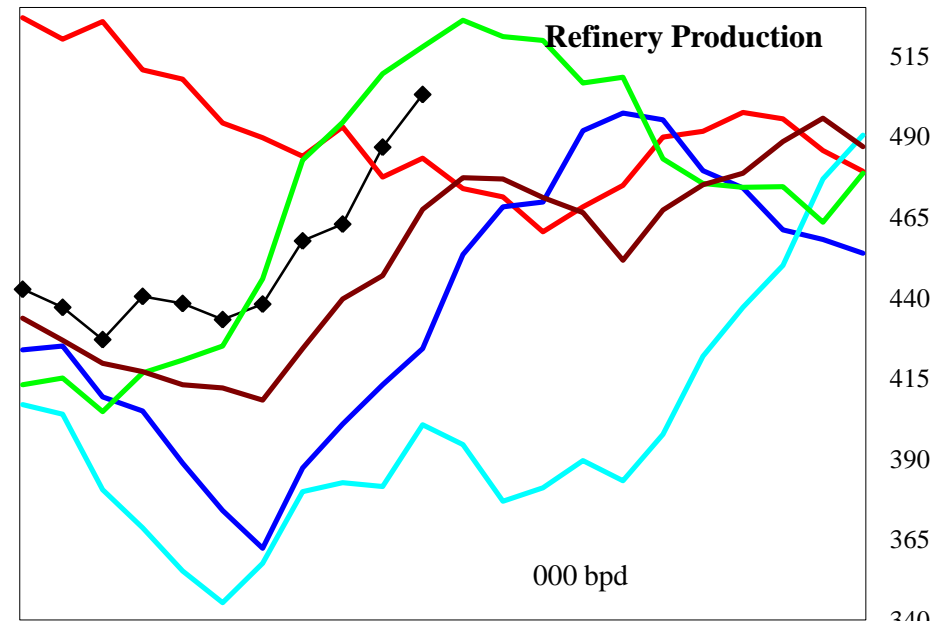
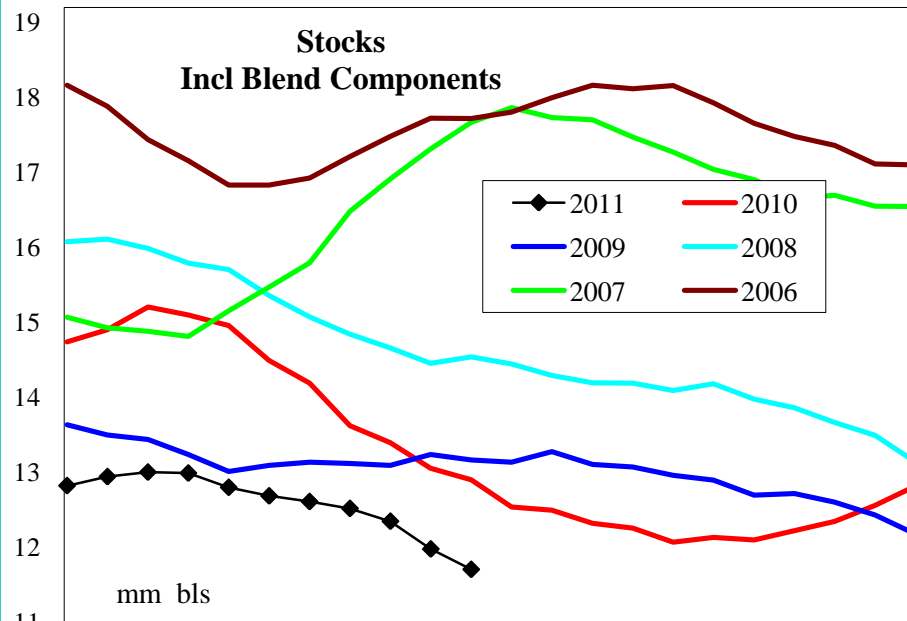
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
1,997	68	-2	21	7
6.9	4.7	-100.0	264.5	0.4

PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-1,233

-10

17

-17

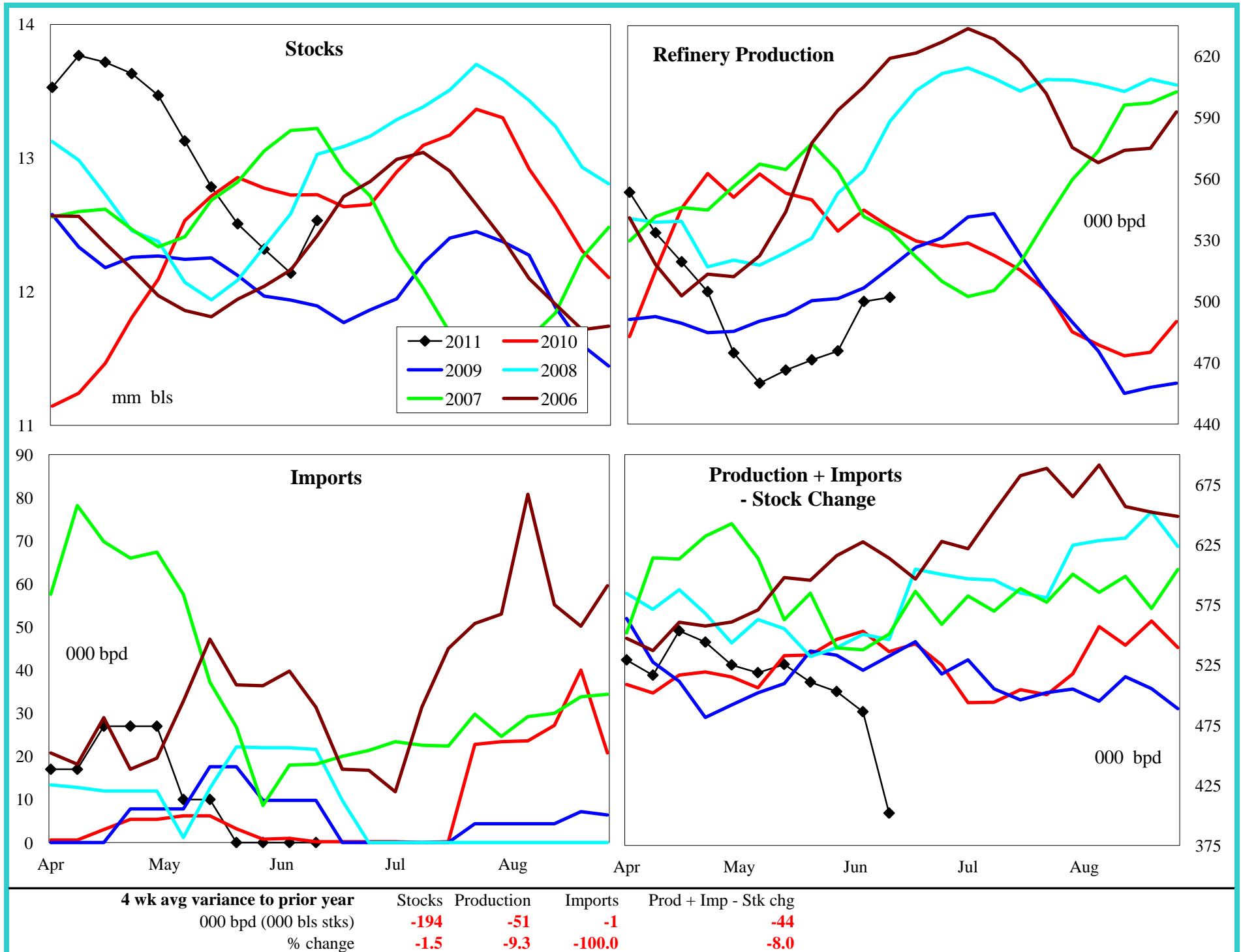
-9.5

-2.0

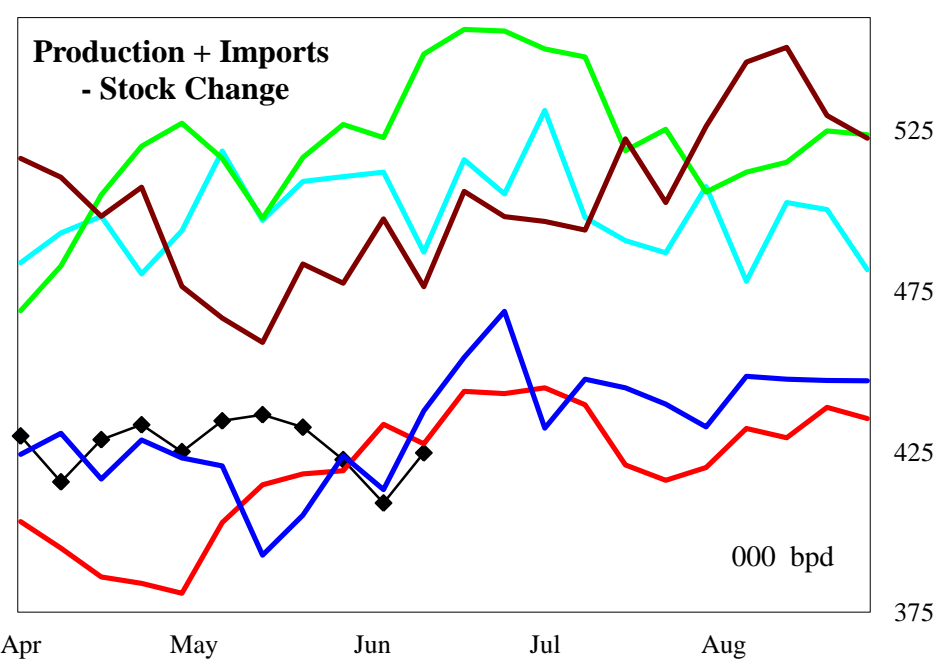
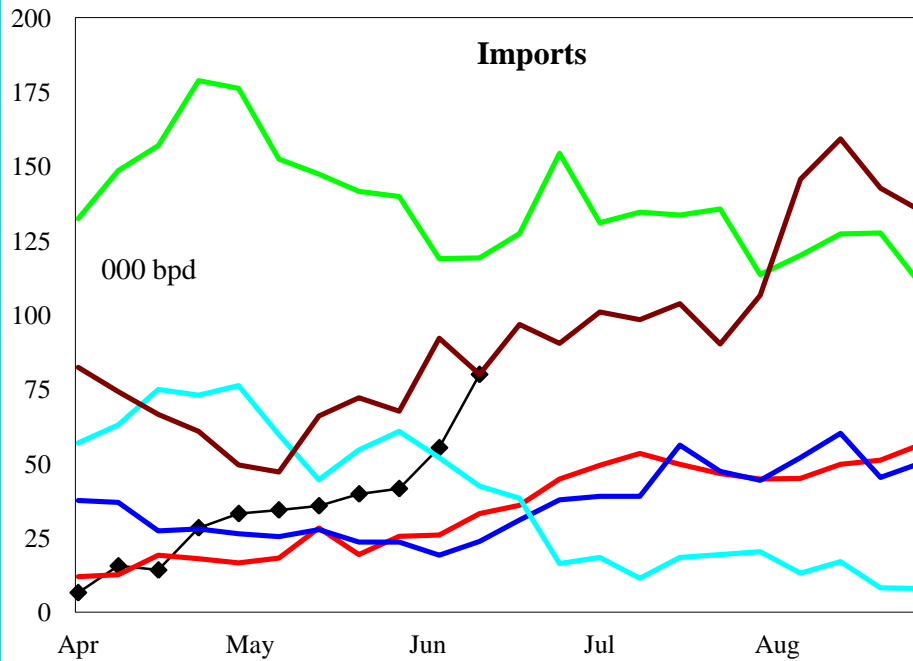
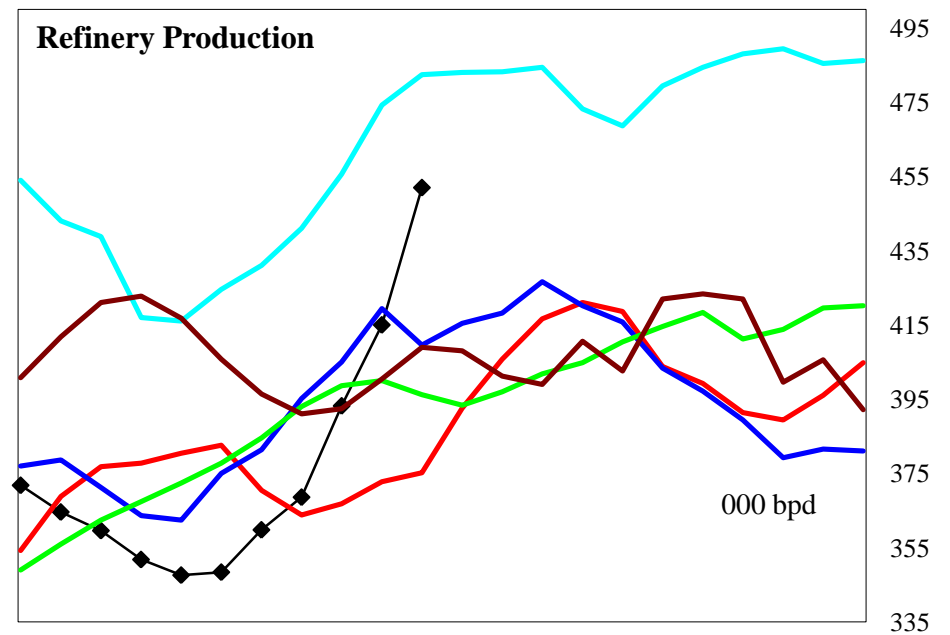
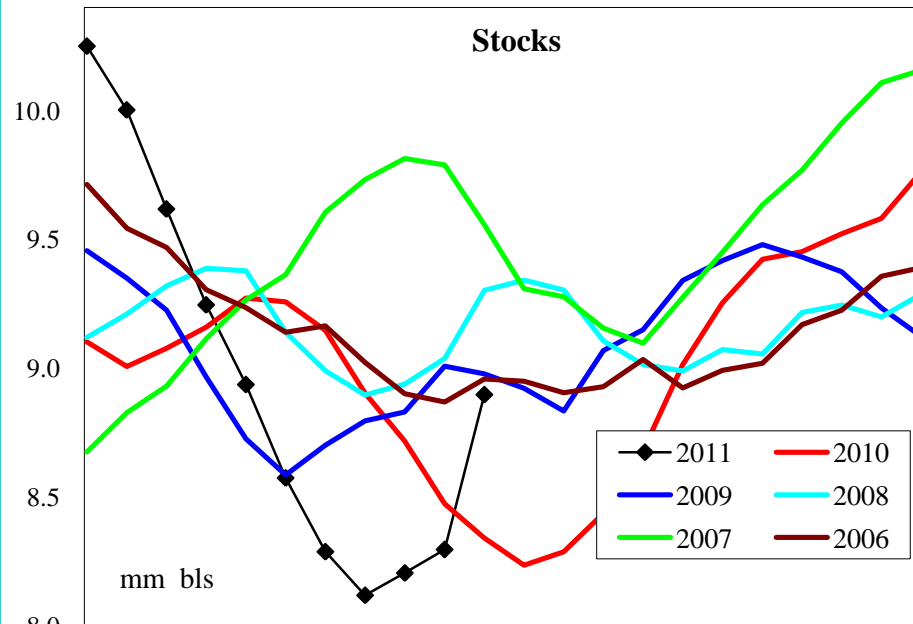
314.3

-3.3

PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

423

34

15

1

5.0

9.1

51.3

0.1

PADD 5 Residual Fuel Oil Supply

