



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

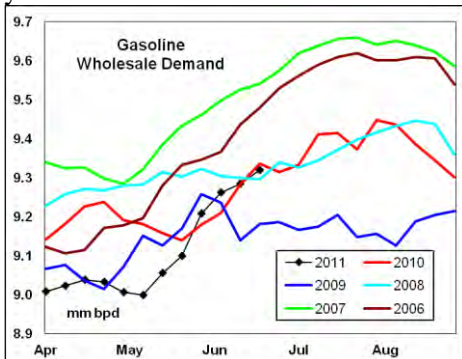
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 22, 2011

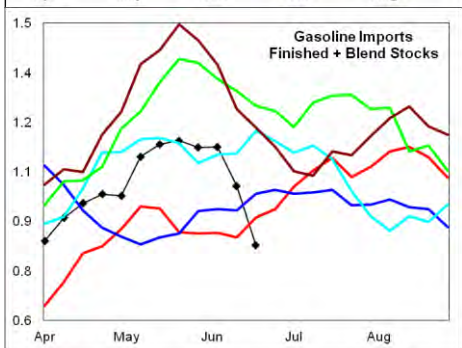
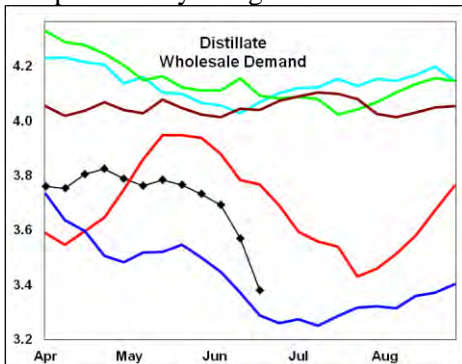


Major Fundamental Trends¹

Gasoline wholesale demand shows signs of a modest recovery with the latest 4-wk average up +84,000 bpd over a year ago. This represents the largest year-on-year increase of the year.



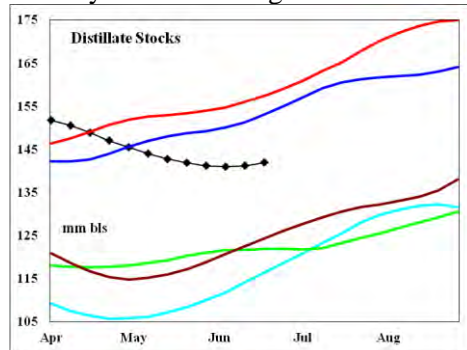
Concurrently, distillate demand continues to exhibit not only seasonal weakness, but also a decline compared to prior years. The latest 4-wk average demand was down -223,000 bpd compared to a year ago.



The sharp drop in gasoline blend stock imports this week is expected to be offset by higher refinery production as closed capacity returns to operation.

However, there is a risk of renewed tightness in this market which depends heavily on imports for supply.

Weakness in distillate demand led to a +1.2 million barrel stock build last week, the largest build since early January. The +409,000 bpd rise in crude oil runs did not lead to a corresponding increase in distillate output, which was unchanged on the week. Expect higher production of distillates in the upcoming weeks, and low seasonal demand to contribute to seasonal stock builds. The late start to seasonal builds indicates that end of summer stock levels will fall well short of last years' record highs.



Demand for jet fuel spiked +259,000 bpd last week as airlines filled private storage ahead of peak summer travel.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +0.9%; distillate down -5.7%; jet fuel up +2.1% while residual fuel oil also increased +2.1%.

Stocks forward coverage: Gasoline demand coverage decreased on high seasonal demand and a -0.5 million barrel stock draw. Coverage levels were above four of the last 5-years.

Distillate coverage increased on very weak demand and a +1.2 million barrel stock build. The coverage level remains below the last 2-years on lower stock levels.

Jet fuel coverage fell on a spike in demand that more than offset a +0.1 million barrel stock build, with the level well below the last 2-years.

Refinery utilization rates increased on a +409,000 bpd rise in crude oil thru

put, lifting the level to near the 5-year mid range.

Gasoline yield % on crude oil runs decreased on a +72,000 bpd rise in output compared to the +0.4 million bpd jump in crude oil runs.

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

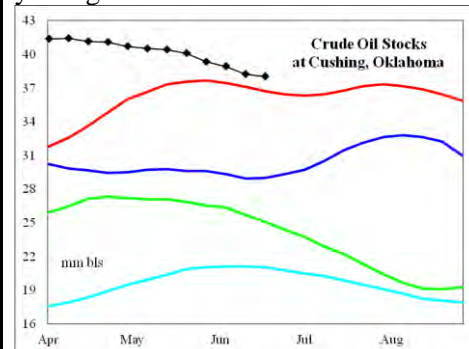
Distillate yield % on crude oil runs also fell on a +1,000 bpd rise in production compared to the jump in crude oil runs. Yield % levels fell below two of the last 3-years.

Jet fuel yield % on crude oil runs was higher on a +49,000 bpd increase in production, compared to the increase in crude oil runs. The yield % on crude oil runs matched historic highs.

Petroleum Imports of crude oil were up +0.4 million bpd last week, while gasoline imports were sharply lower.

During the latest 4-wk period crude oil imports decreased -0.7 million bpd below last year; distillate imports decreased -91,000 bpd; finished gasoline imports increased +38,000 bpd, gasoline blend stock imports increased +201,000 bpd; jet fuel imports were up +14,000 bpd, while residual fuel oil imports increased +77,000 bpd.

Crude Oil stocks decreased -1.7 million barrels last week, due to very low imports into PADD 3. Stock levels match 5-year highs of last year, on thru put that is also comparable to a year ago.



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



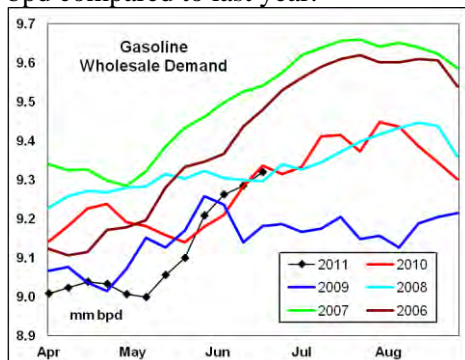
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

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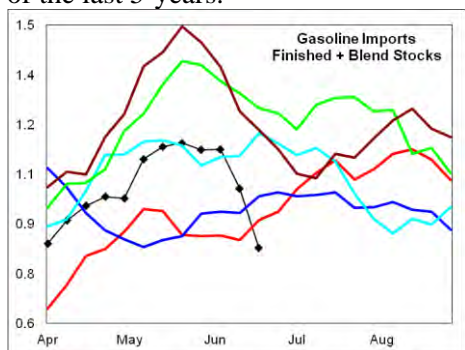
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Product Supply-Demand Trends

Gasoline demand decreased -51,000 bpd last week, with the level comparable to last year. The latest 4-wk average demand increased +84,000 bpd compared to last year.



Production increased +72,000 bpd on the week, to a new all time high level for the season. However, imports fell -248,000 bpd on the week. Stocks decreased -0.5 million barrels, although the level remains above four of the last 5-years.



The sharp drop in imports and improved level of demand points to some risk of a tightening supply balance, particularly on the East Coast which depends heavily on imported blend stocks.

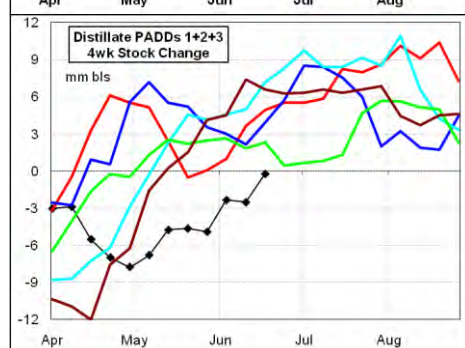
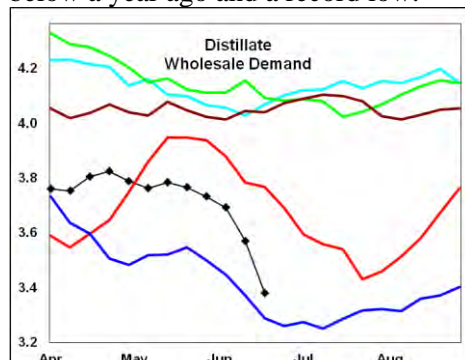
Very high production rates and above average stock levels should assure ample supplies in most regional markets during the peak summer driving season.

Distillate demand decreased -185,000 bpd on the week, with the level near 5-year lows. The latest 4-wk average demand was -223,000 bpd below a year ago.

Expect wholesale demand to trend seasonally lower over the next 30-days, allowing a return to stock

building. Demand levels remain modestly above the lows of 2009.

Production was nearly unchanged last week, with output comparable to a year ago. Imports were -91,000 bpd below a year ago and a record low.



Stocks increased +1.2 million barrels on the week, with the level -15 million barrels below last year. The latest 4-wk stock change in PADDs 1+2+3 was unchanged, compared to average builds of +6 million barrels.

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.

Demand continues to trend seasonally lower; with the level also falling compared to prior years. This trend points to continued slowing of economic growth in the country.

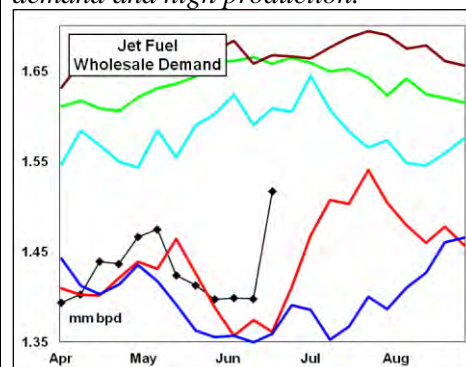
Slow demand growth and the start of seasonal stock building should lead to further price weakness compared to the gasoline.

Jet Fuel demand spiked +259,000 bpd last week as airlines refilled inventories at the start of peak summer travel. The latest 4-wk average demand was +29,000 bpd above a year

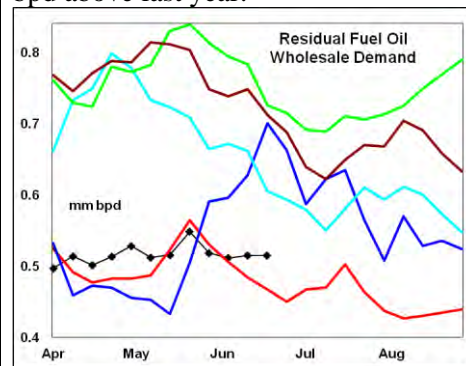
ago.

Supply increased +33,000 bpd, on higher production. Production levels were near 5-year highs. Stocks increased +0.1 million barrels, with the level above four of the last 5-years.

Jet fuel supply balance continues to improve on very high production and lackluster demand. Expect further seasonal stock builds ahead on weak demand and high production.



Residual fuel oil demand, including exports, increased +69,000 bpd last week, with the 4-wk average +11,000 bpd above last year.



Supply (production + imports) increased +197,000 bpd on higher imports and production. The latest 4-wk average supply was +135,000 bpd above a year ago. Stocks increased +0.6 million barrels, with the level well below the mid range.

Stock levels in PADD 1 remain -7 million barrels below a year ago; offset by stocks in the Gulf region that match 5-year highs.

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



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

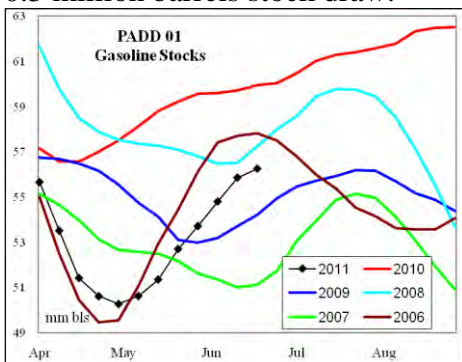
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PADD Supply Trends

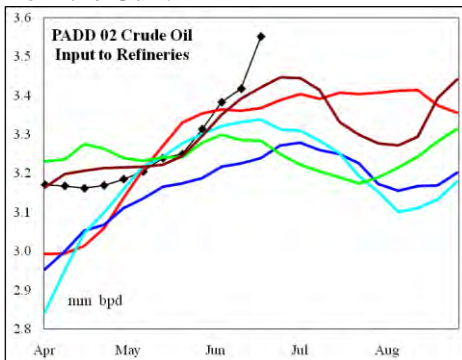
PADD 1 refinery crude oil runs surged +207,000 bpd on the week, to match year ago levels for the first time this quarter, reflecting the restart of previously closed capacity.

Gasoline production climbed +111,000 bpd on the week to a new all time record high. A -284,000 bpd drop in imports offset the high level of production, leading to a -0.3 million barrels stock draw.



Distillate supply increased +62,000 bpd on the week, with the level matching year ago rates. Stocks increased +0.5 million barrels with the level -16% below the last 2-years.

Jet fuel stocks remain near historic highs on increased imports and receipts from the Gulf.



PADD 2 crude oil refinery runs increased +97,000 bpd to a new record high for the last 5-years. Crude oil stocks increased +0.8 million barrels, even with record runs, due to a +0.3 million barrel rise in imports. The spike in imports was due in part to restarting the Keystone Pipeline.

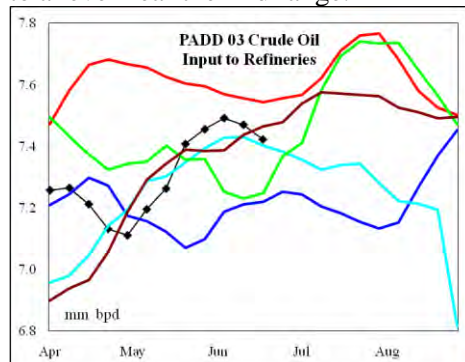
Gasoline production decreased -35,000 bpd last week, although the level remains near all time highs. Near

record production led to a +1.6 million barrel stock build, pushing the level to match the 5-year mid range.

Distillate production decreased -13,000 bpd, to a level above the mid range. Stocks increased +0.6 million barrels on the week, although the level remains near historic lows.

Jet fuel production remains at record high levels, although stocks fell -0.7 million barrels, to a level near historic lows. A significant increase in midwest jet fueling has offset extremely high refinery output during the last month.

PADD 3 crude oil runs increased +101,000 bpd last week, to a level at the 5-year mid range. The latest 4-wk average thru put was -101,000 bpd below last year. Crude imports were -0.5 million bpd below a year ago. Stocks decreased -1.9 million barrels to a level near the mid range.



Gasoline production increased +91,000 bpd on the week. Stocks decreased -0.7 million barrels on the week, although the level remains near historic highs.

Distillate production decreased -105,000 bpd on the week, with the level matching historic highs for the period. Stock levels are now -10% below last years' record highs.

Jet fuel production increased +49,000 bpd on the week, to a level above the mid range. Stocks increased +0.9 million barrels, with the level above four of the last 5-years.

Residual fuel oil supply increased +101,000 bpd on the week, with production at a record weekly high. Stock levels matched last years' record

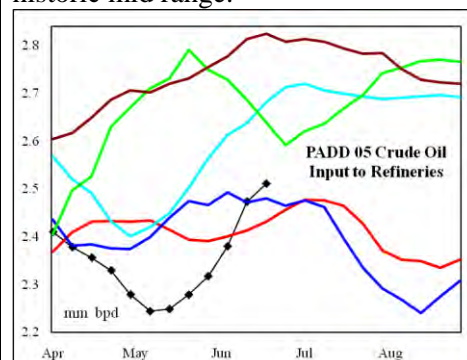
high.

PADD 4 refinery crude runs fell -49,000 bpd on the week, to a level below the mid range. Crude oil stocks have declined to a level near the mid range over the past month on higher crude oil runs.

Gasoline production was unchanged at the low end of the historic range. Stock levels remain near record highs.

Distillate production and stocks each declined this week, although the levels remain at 5-year highs.


PADD 5 crude oil refinery runs increased +51,000 bpd on the week, with the level above the last 2-years. The latest 4-wk average thru put was -14,000 bpd above last year. Crude oil imports decreased -198,000 bpd, to the historic mid range.



Gasoline production declined -42,000 bpd on the week, with the level +71,000 bpd above last year and well above each of the last 3-years. Stock levels extended the recent downtrend, with the level also well above the prior 3-years.

Distillate production jumped +73,000 bpd to the highest weekly level of the prior quarter and above the last 2-years. Stocks surged +0.9 million barrels to a record high for this time of year.

Jet fuel supply declined -68,000 bpd on the week, although production remains at the upper end of the historic range.



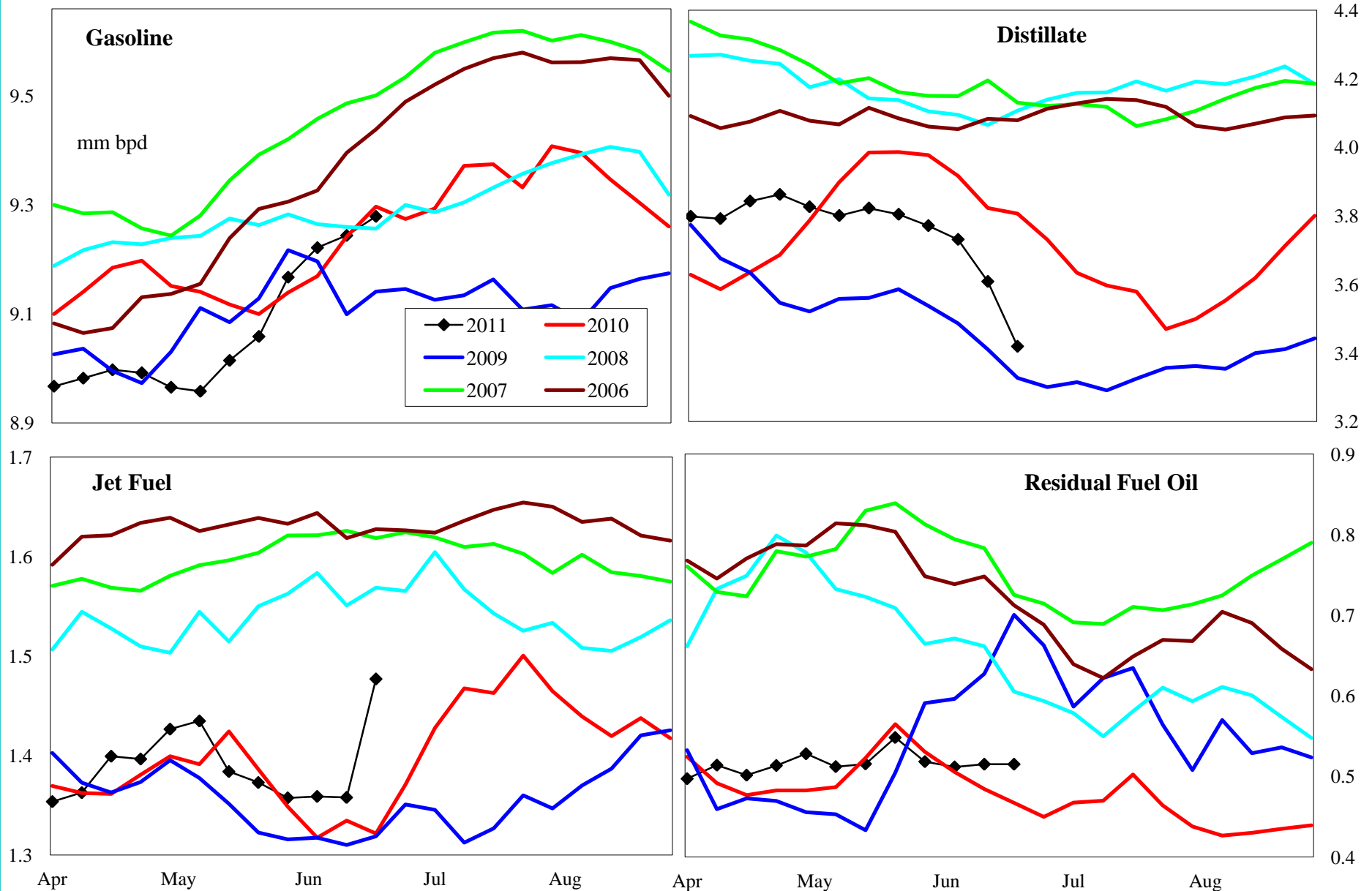
PETROLEUM: Graph Link and Weekly Summary

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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization		Imports		
Supply/Demand Trends	17-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	-1,711	-246	779	-1,850	-307	-88
	Imports	511	467	314	-49	-22	-198
	Input	409	207	97	101	-49	51
	% Utilization	3.10					
Gasoline	Stocks	-464	-323	1,615	-689	-250	-817
	Production	72	111	-35	91	-1	-42
	Imports	-248	-284	3	1	0	32
	Supplied	-51					
Distillate	Stocks	1,173	481	646	-419	-400	864
	Production	1	62	-13	-105	-15	73
	Imports	-3	-3	0	0	0	0
	Supplied	-185					
Jet Fuel	Stocks	102	-178	-683	865	-83	181
	Production	47	-8	23	49	-11	-8
	Imports	-14	45	0	0	0	-60
	Supplied	259					
Residual Fuel Oil	Stocks	645	637	-56	60	5	-1
	Production	53	-6	0	74	0	-14
	Imports	144	95	1	27	0	22
	Supplied	69					

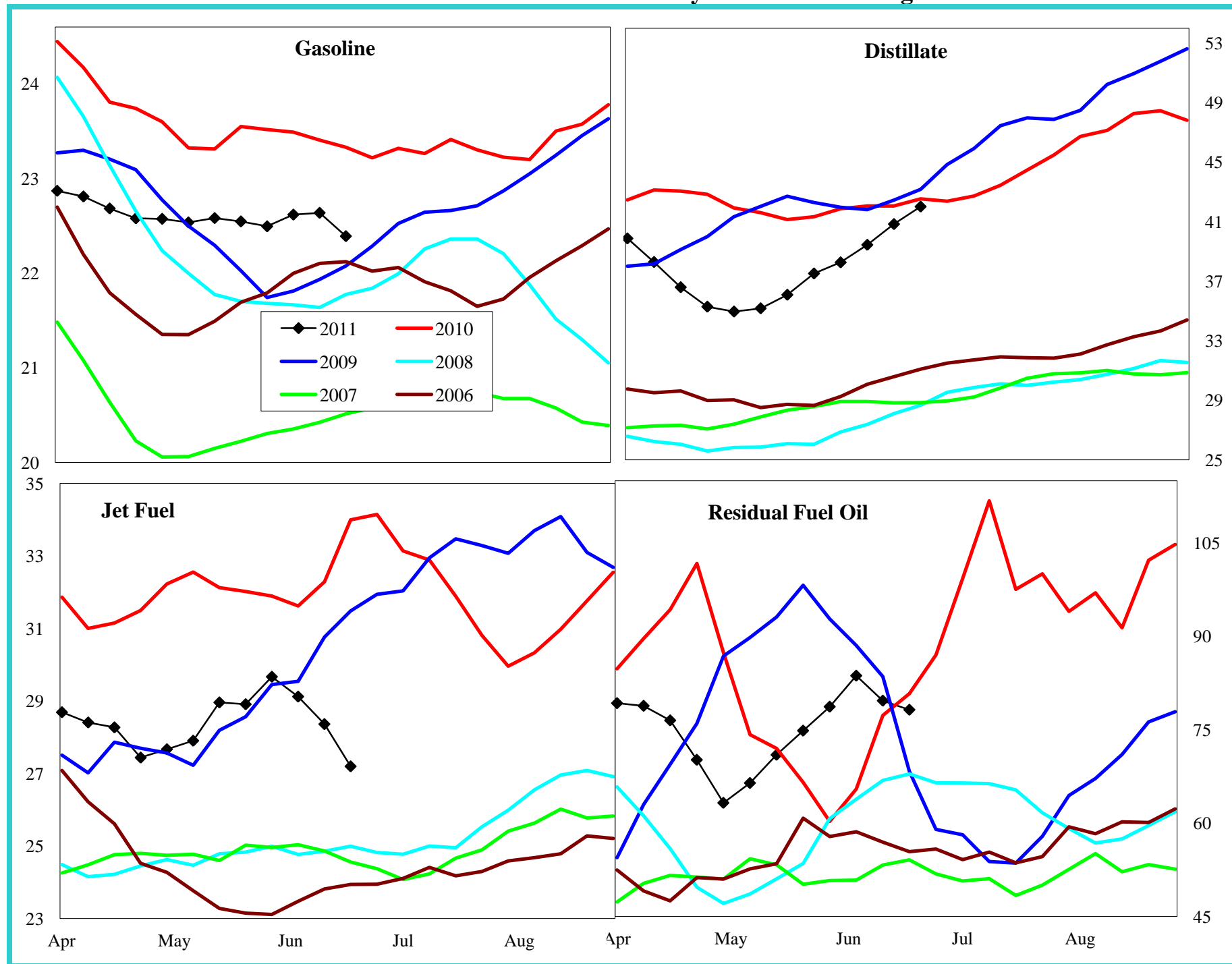
United States Wholesale Petroleum Demand



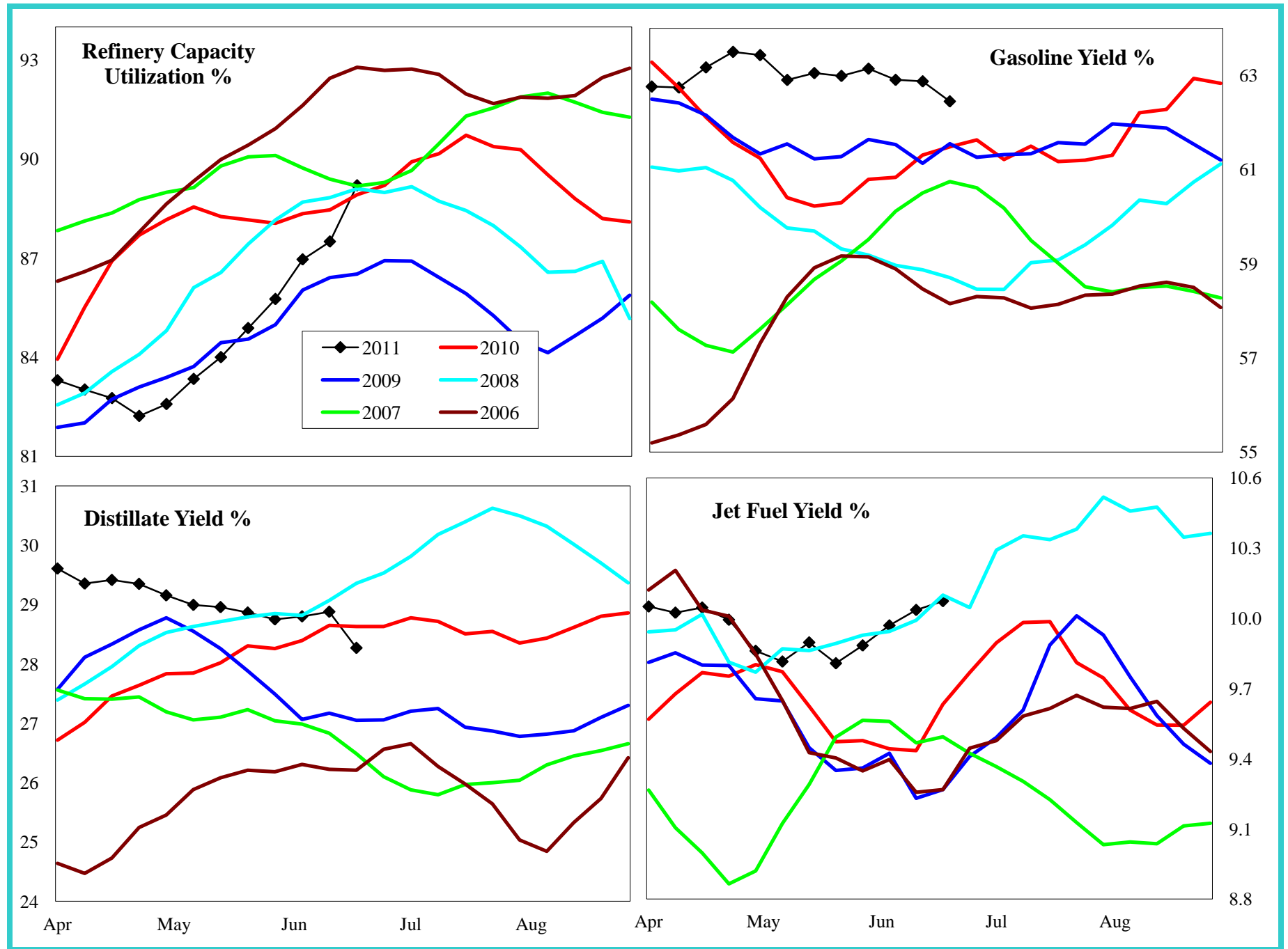
	000 bpd change from prior year				% change from prior year			
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar
Gasoline	84	-134	-19	204	0.9	-1.5	-0.2	2.3
Distillate	-223	170	179	39	-5.7	4.7	4.8	1.0
Jet Fuel	29	-10	71	-69	2.1	-0.7	5.1	-4.8
Resid	11	25	-85	21	2.1	4.9	-14.7	3.9



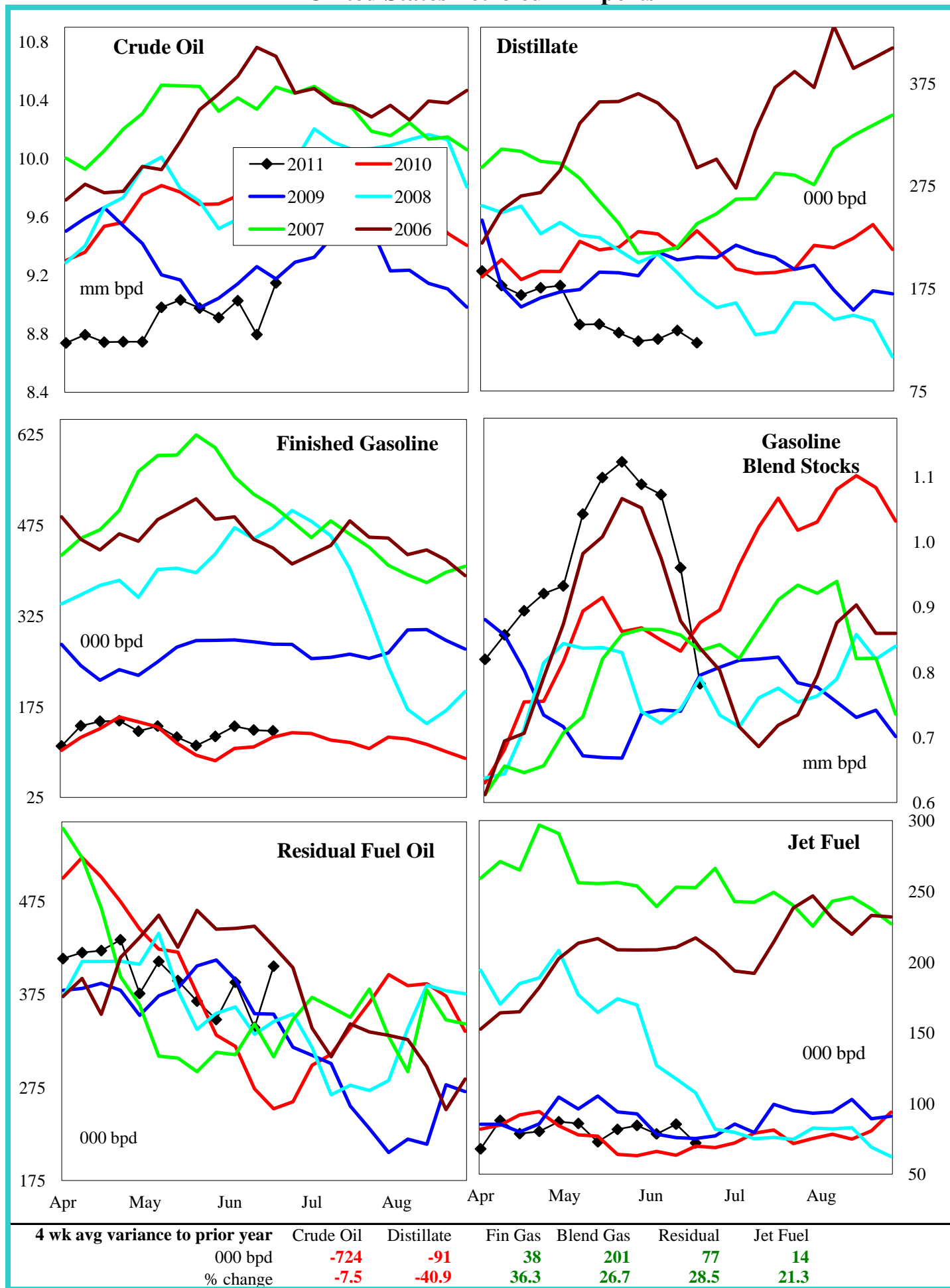
United States Product Stocks: Days Forward Coverage



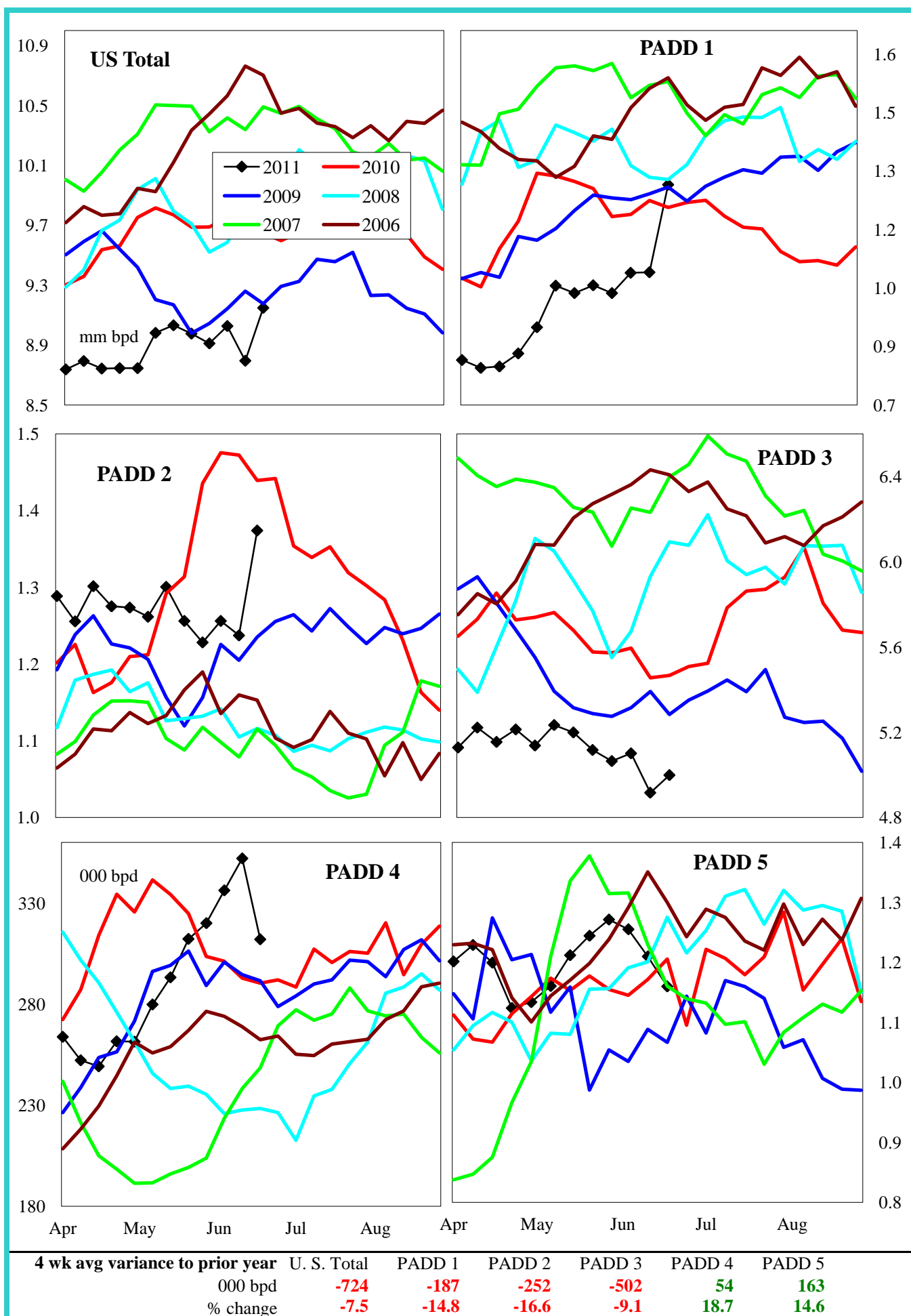
United States Refinery Percent Utilization Rate and Product Yields



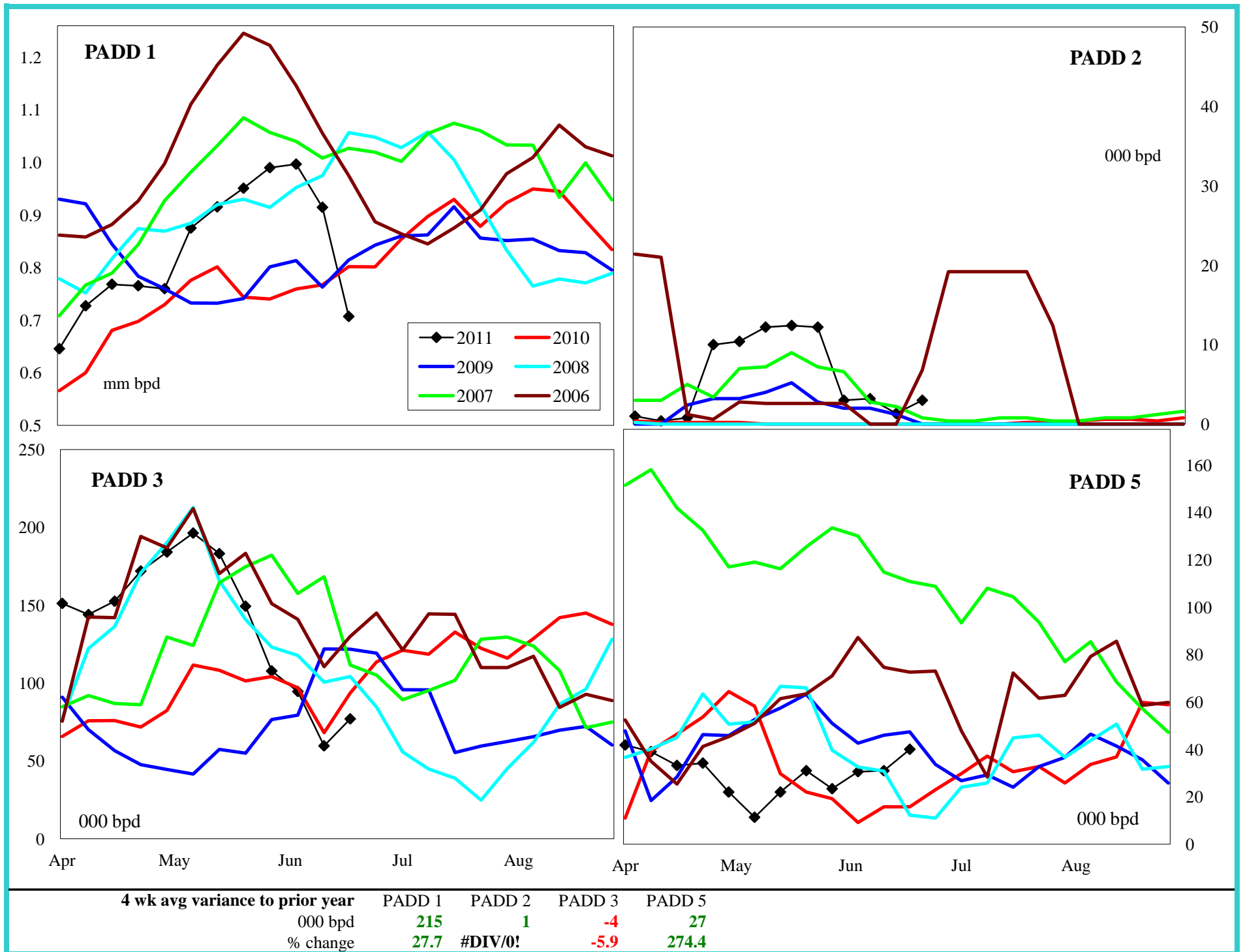
United States Petroleum Imports



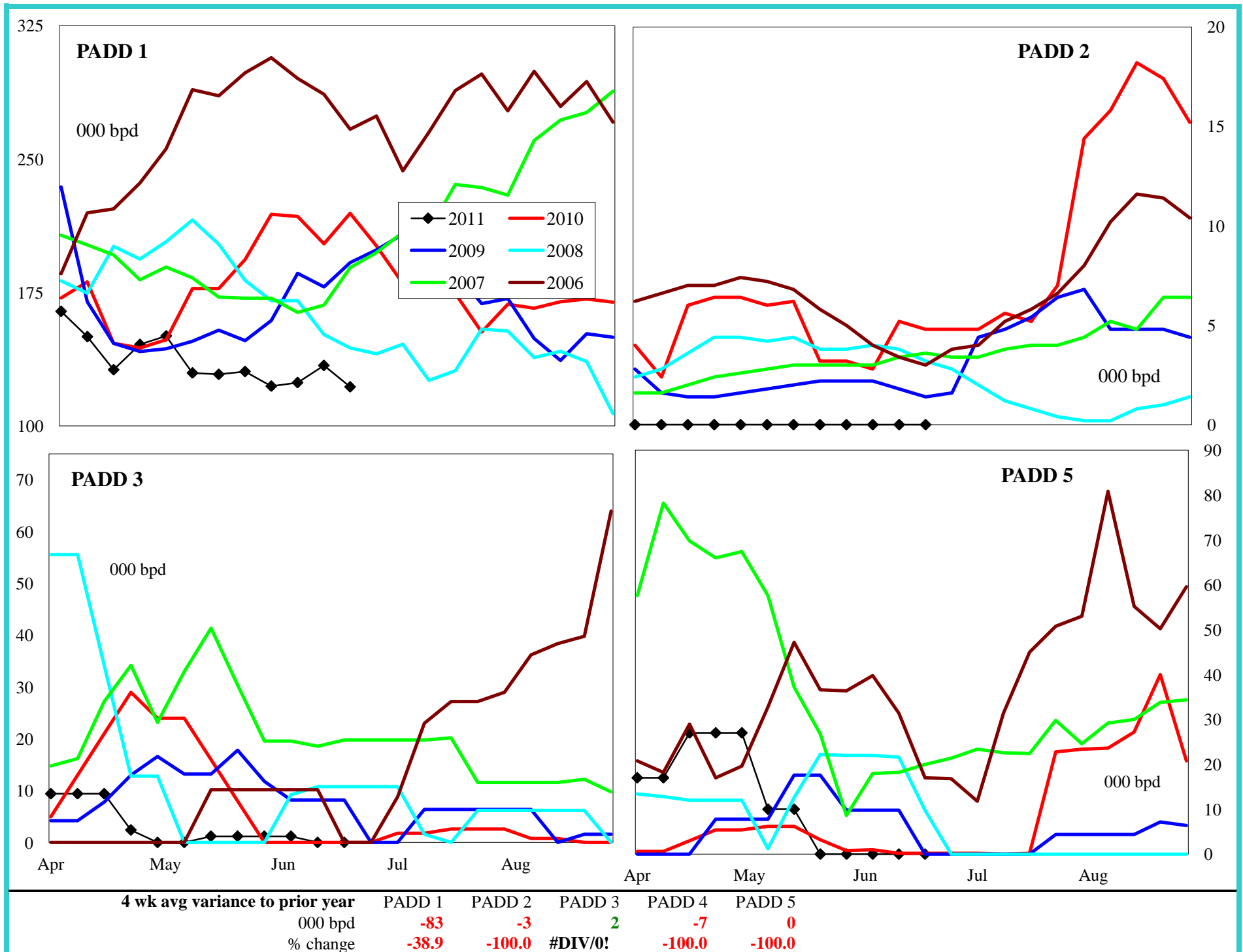
Crude Oil Imports by PADD



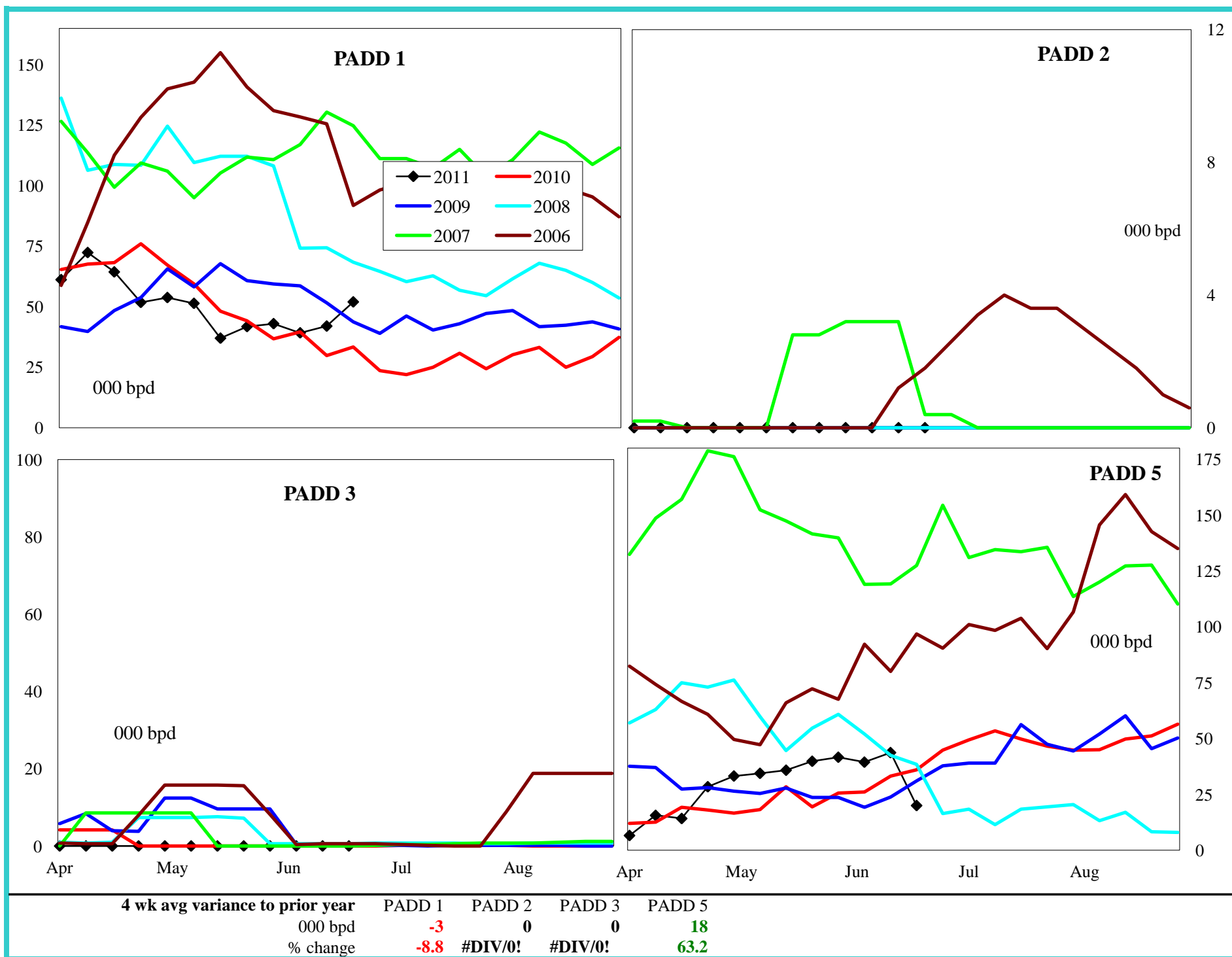
Gasoline Imports by PADD (Finished + Blend Stocks)



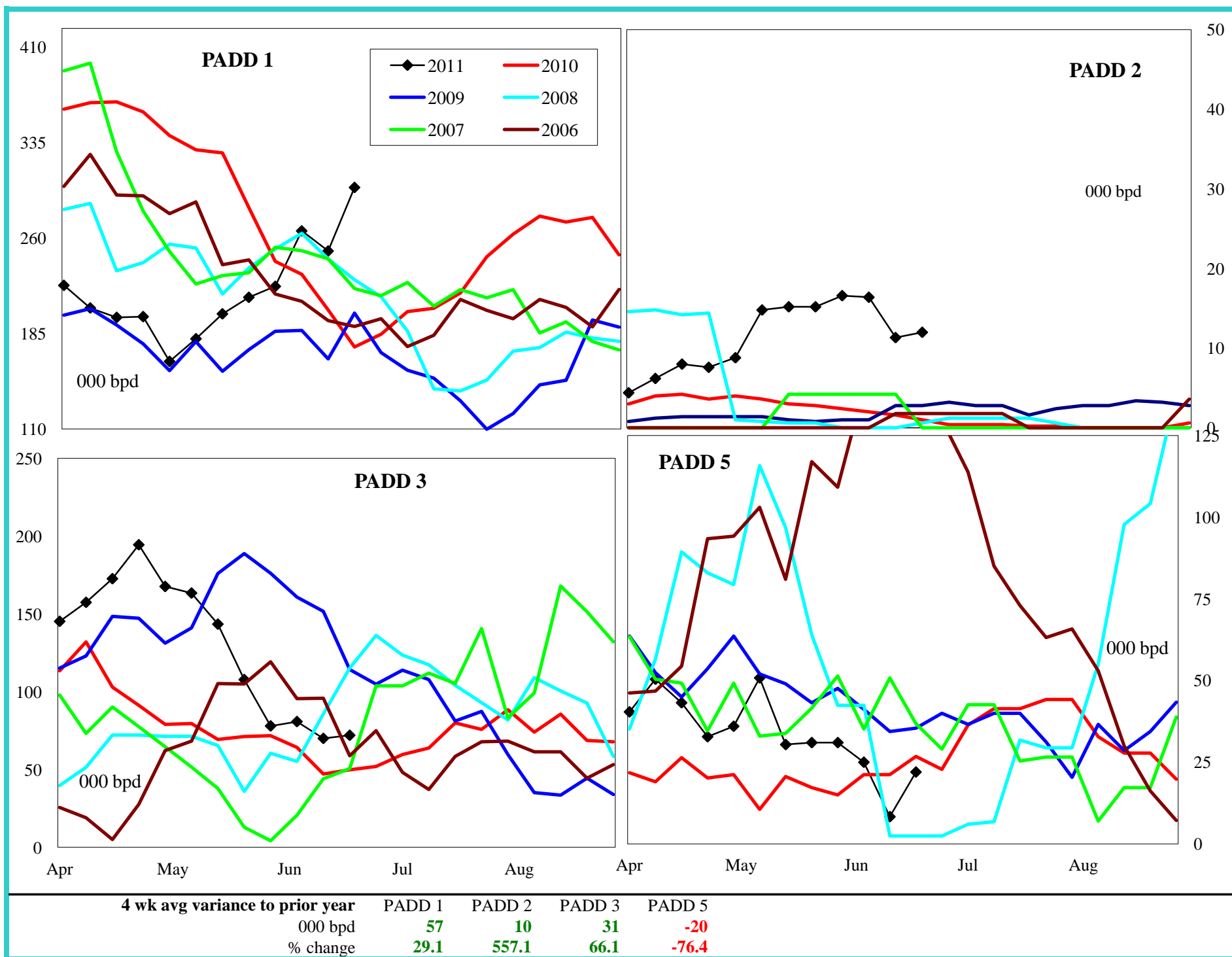
Distillate Imports by PADD



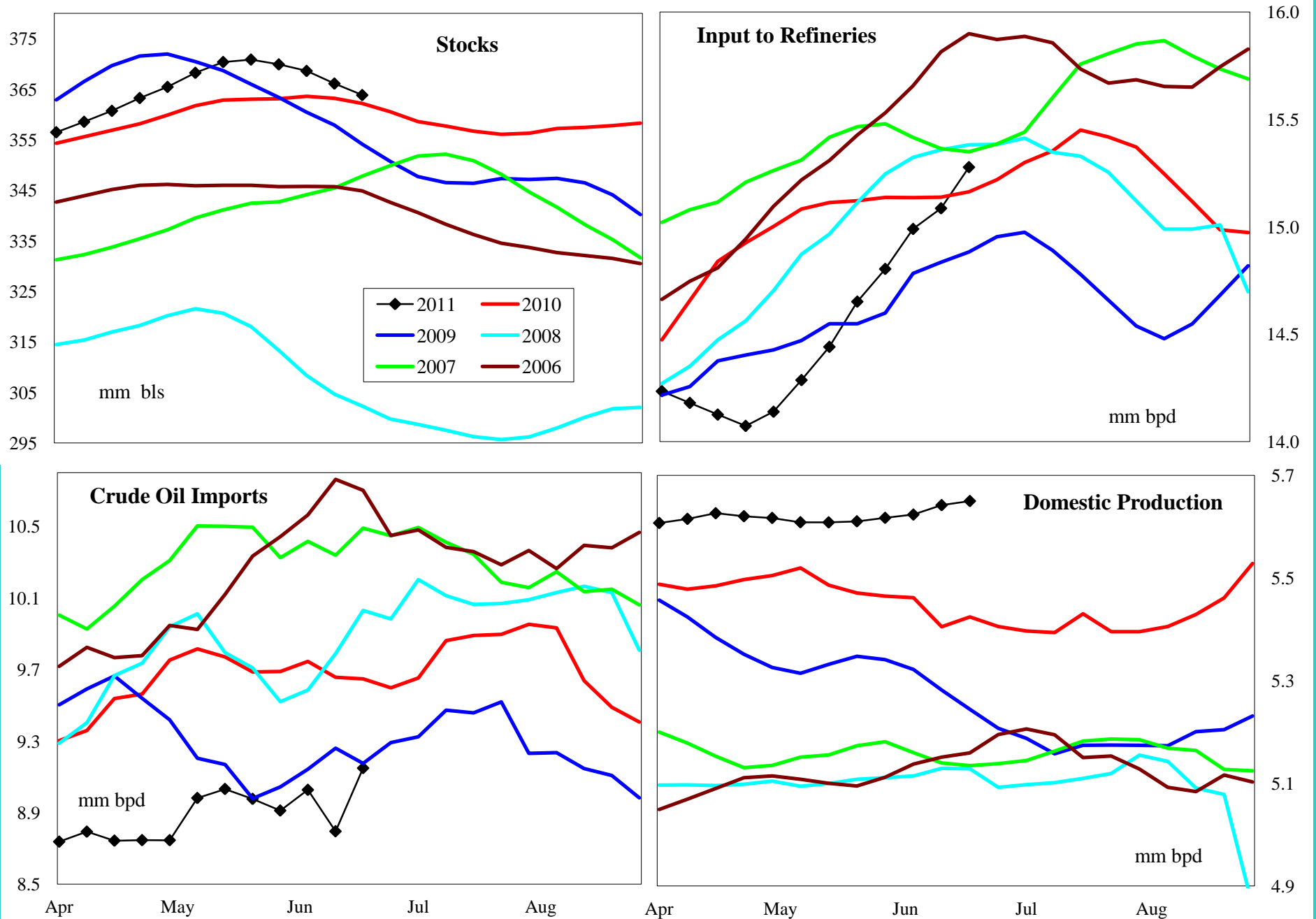
Jet Fuel Imports by PADD



Residual Fuel Oil Imports by PADD



United States Crude Oil Supply and Demand Balance



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

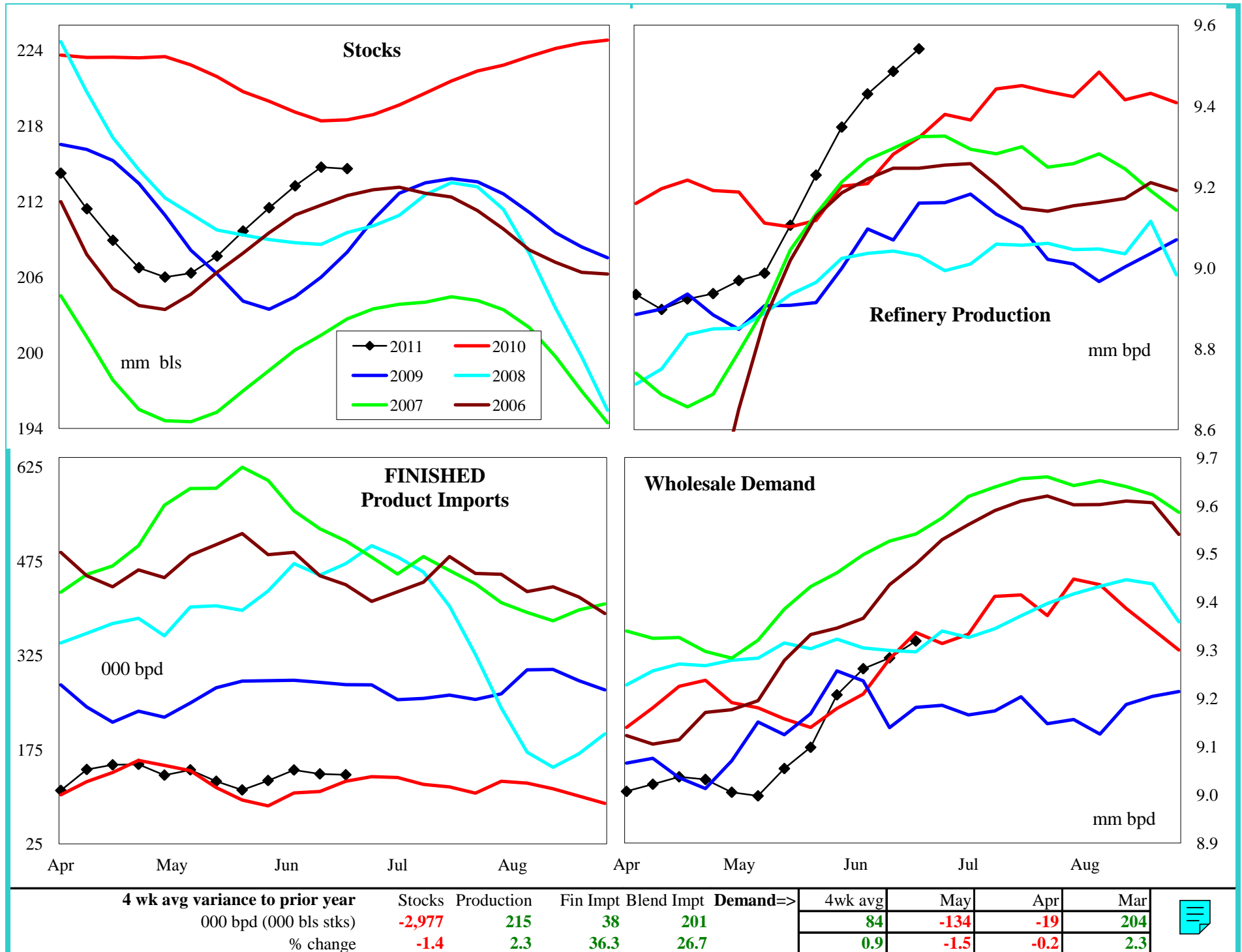
Stocks
-1,278
-0.4

Input
-122
-0.8

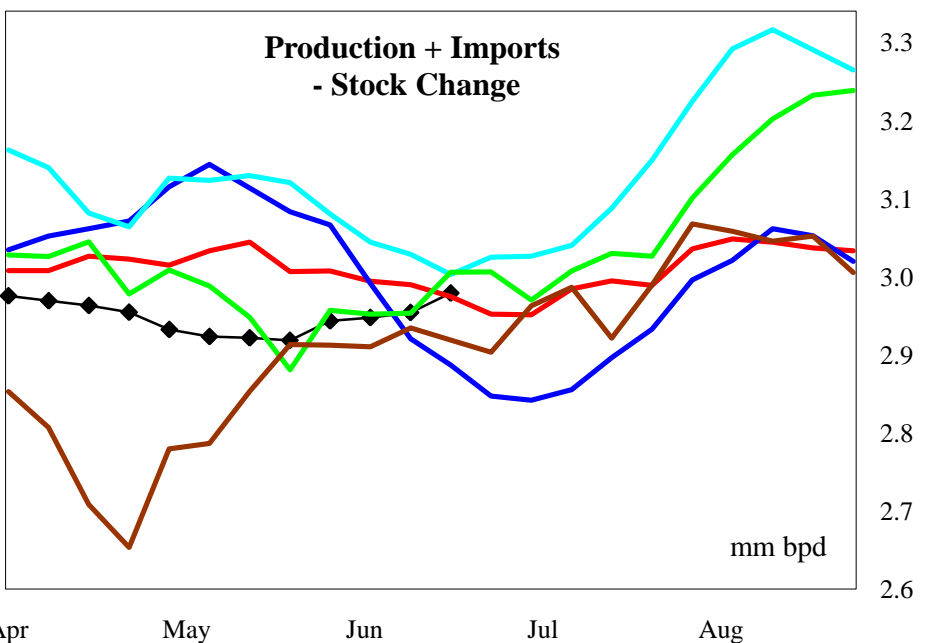
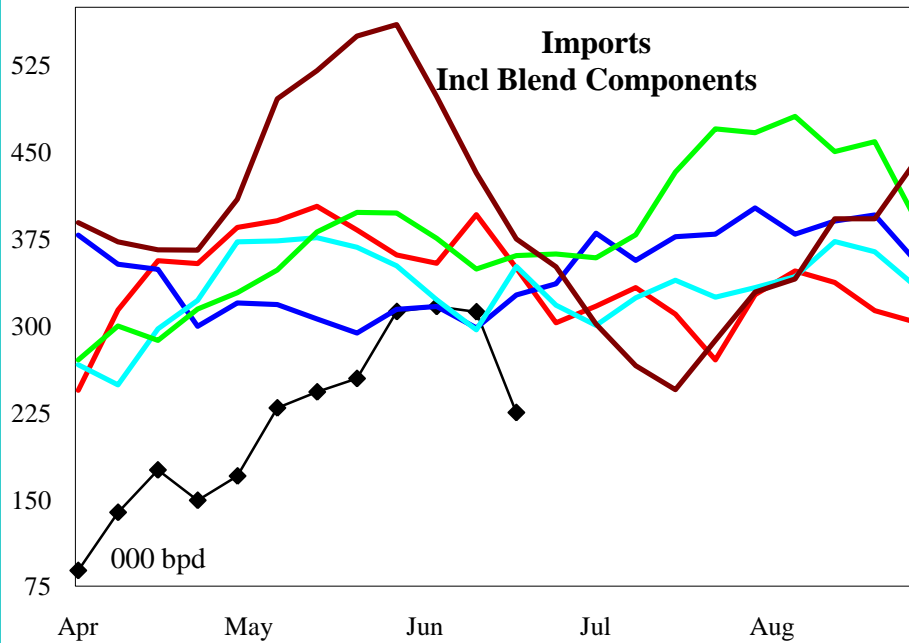
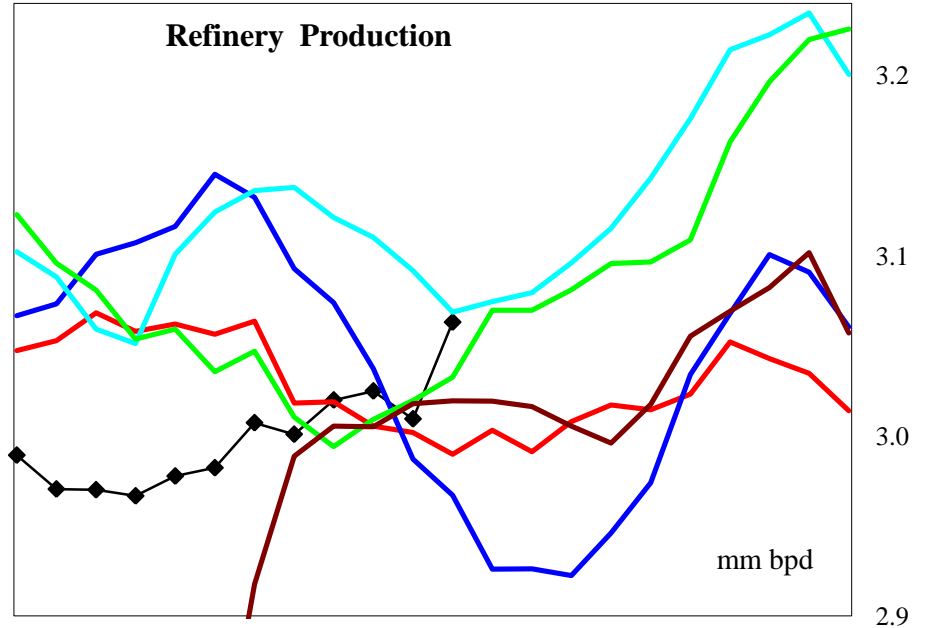
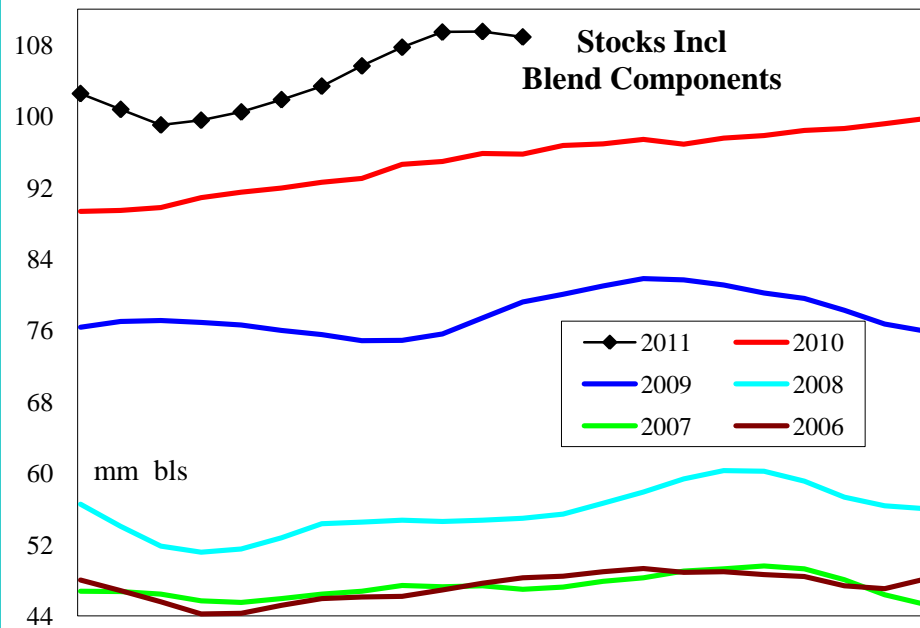
Imports
-724
-7.5

U.S. Production
192
3.5

United States Gasoline Supply and Demand Balance



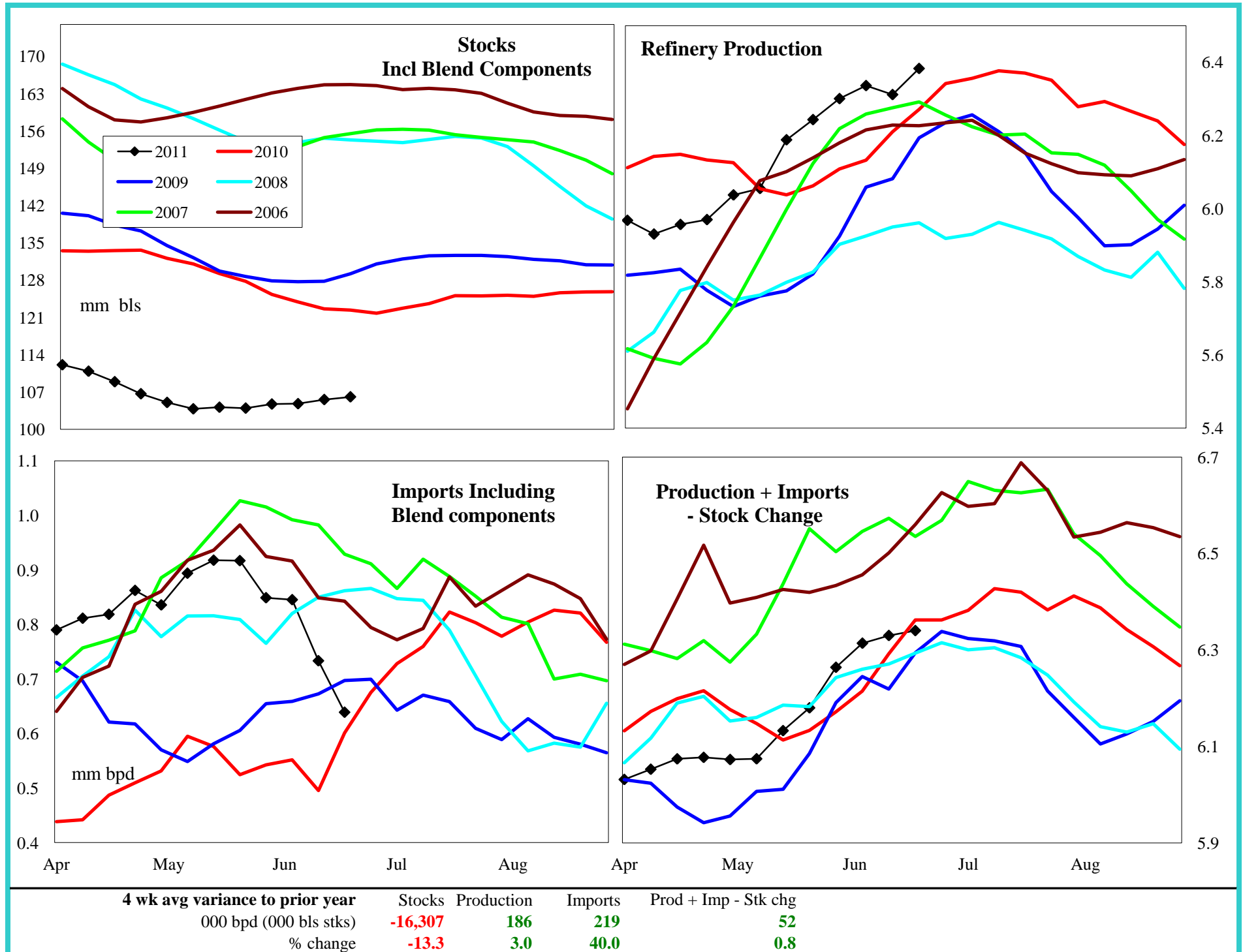
United States Reformulated Gasoline Supply



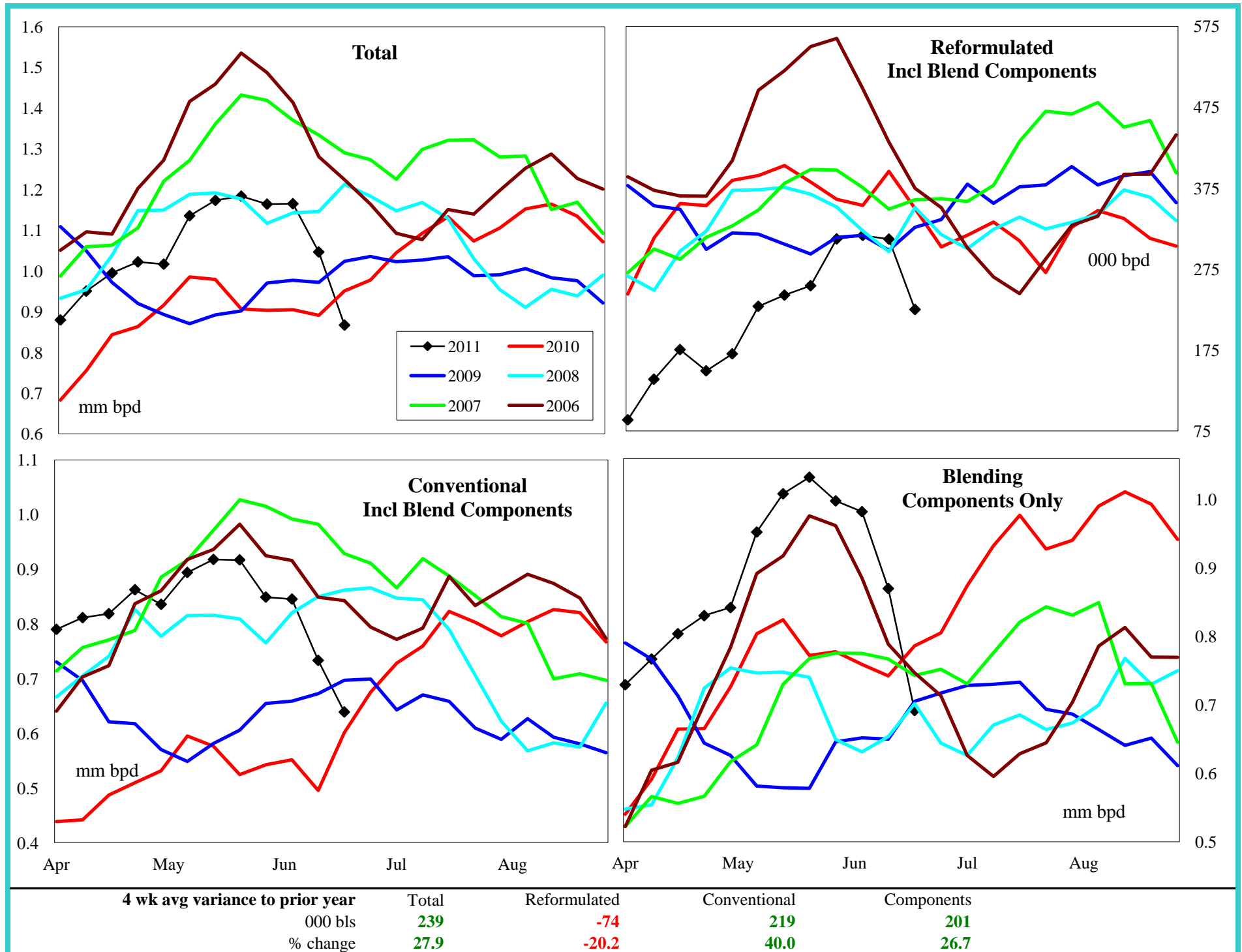
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
13,149	29	-74	-35
13.7	1.0	-20.2	-1.2

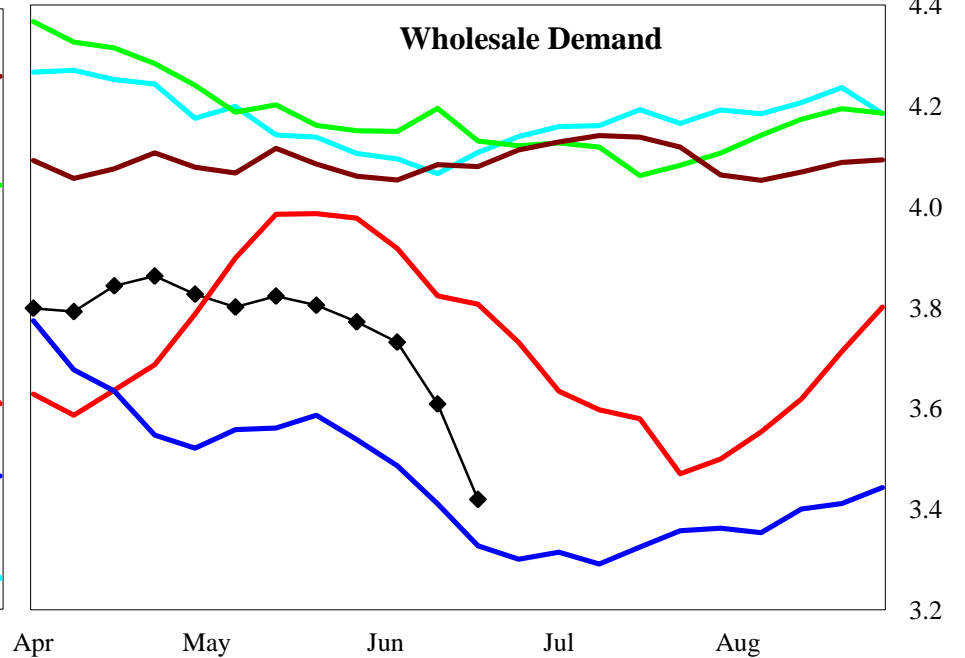
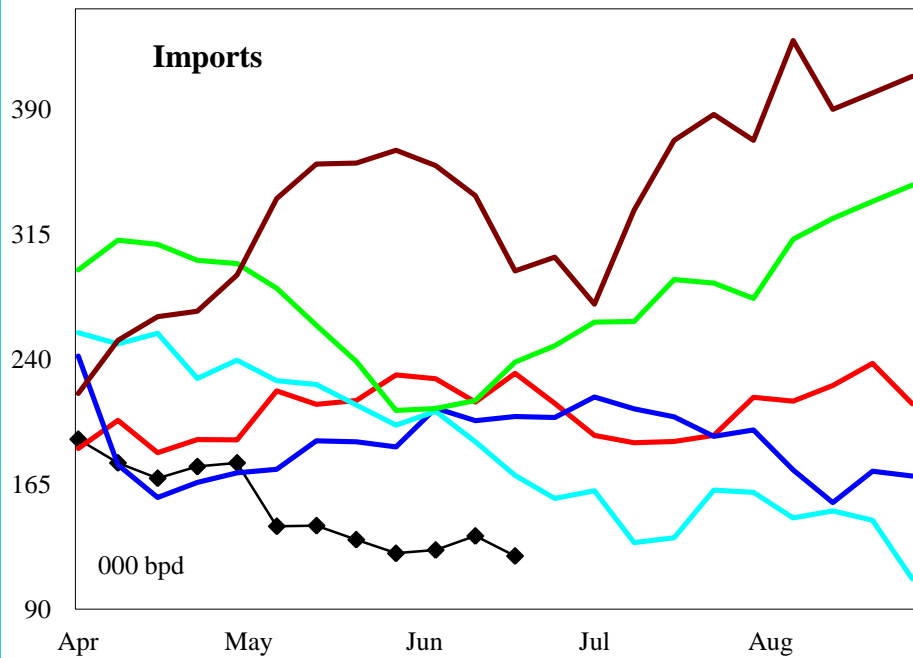
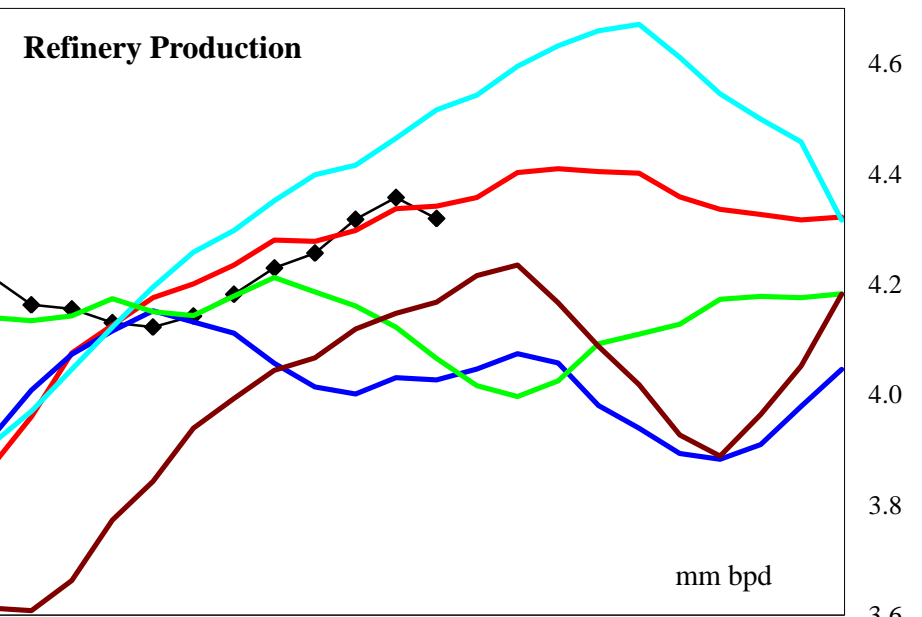
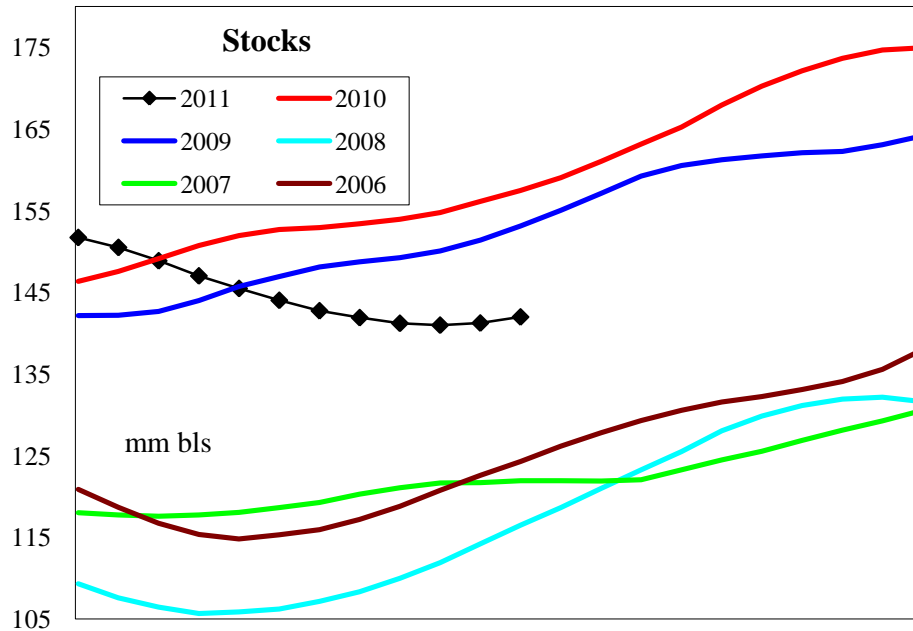
United States Conventional Gasoline Supply



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

-14,925

-9.5

Production

5

0.1

Imports

-91

-40.9

Demand=>

4wk avg

-223

-5.7

May

170

4.7

Apr

179

4.8

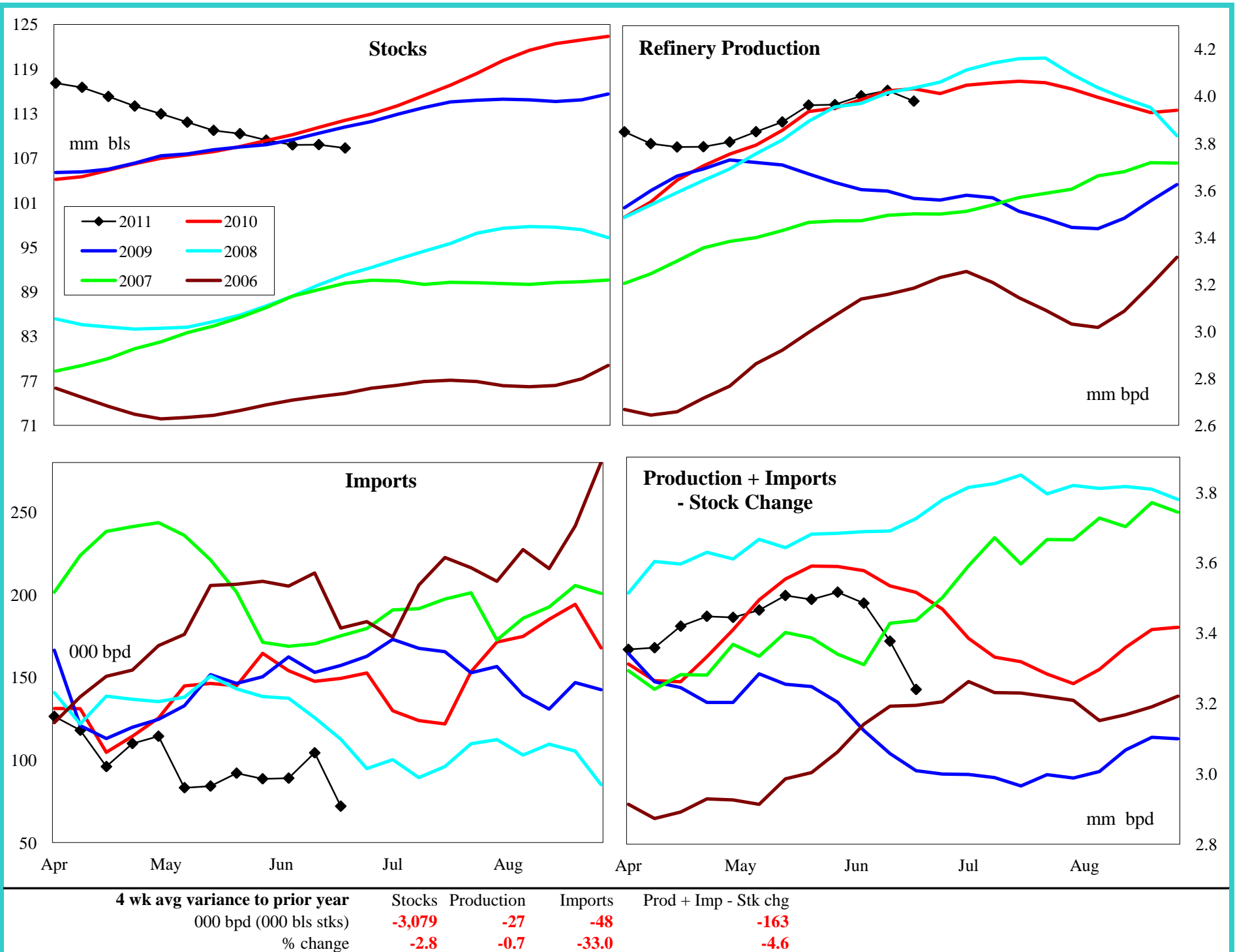
Mar

39

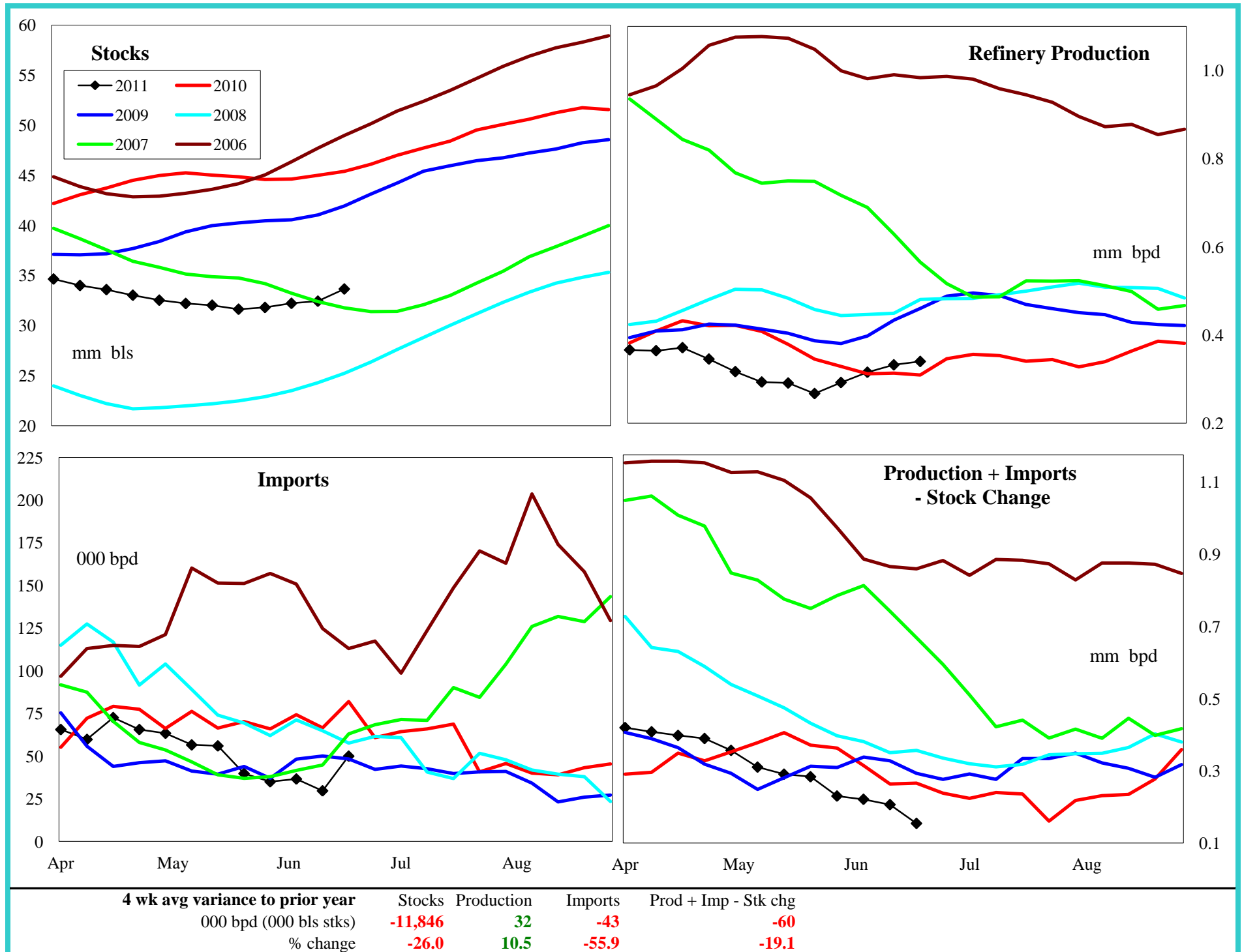
1.0



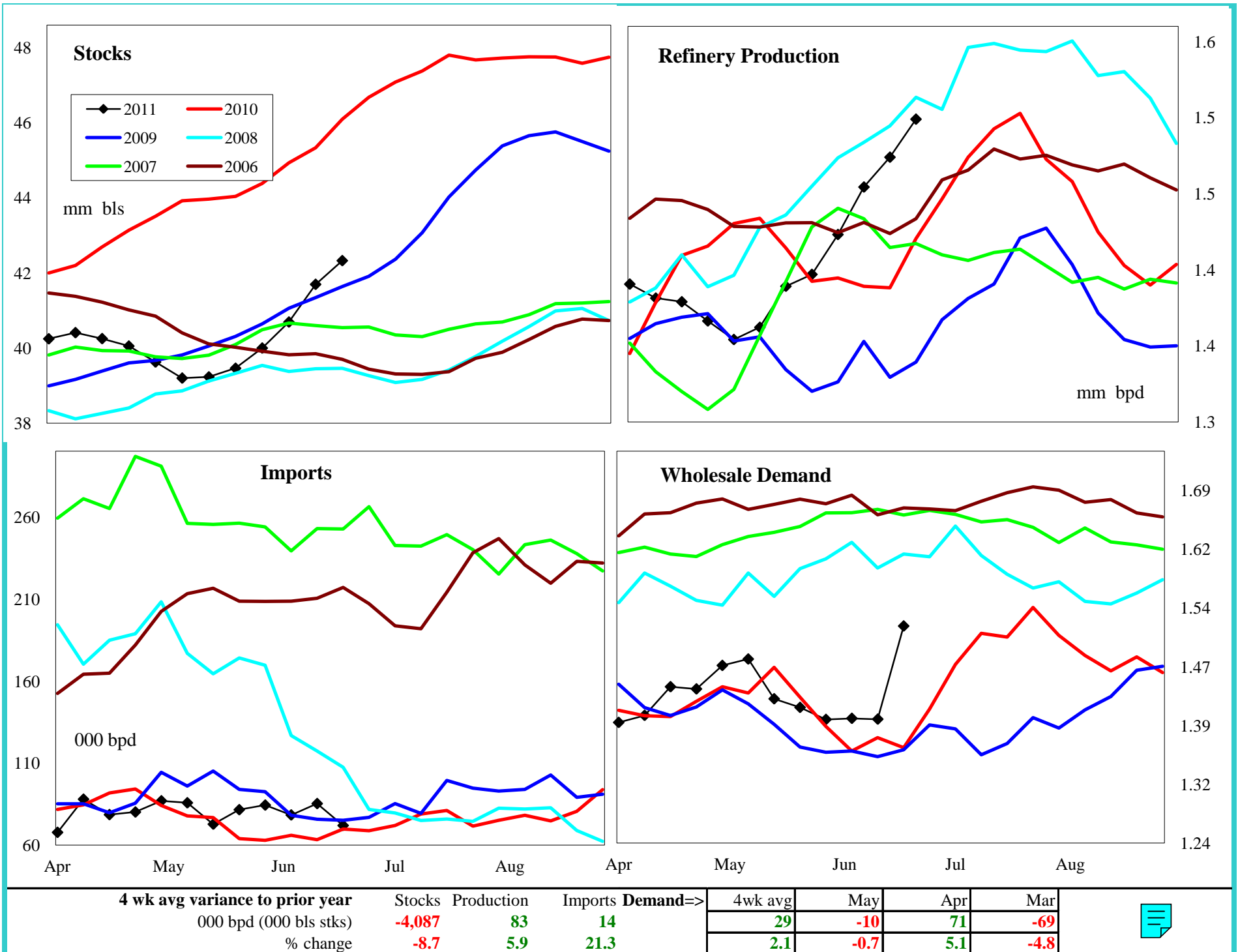
United States Low Sulfur Distillate Supply



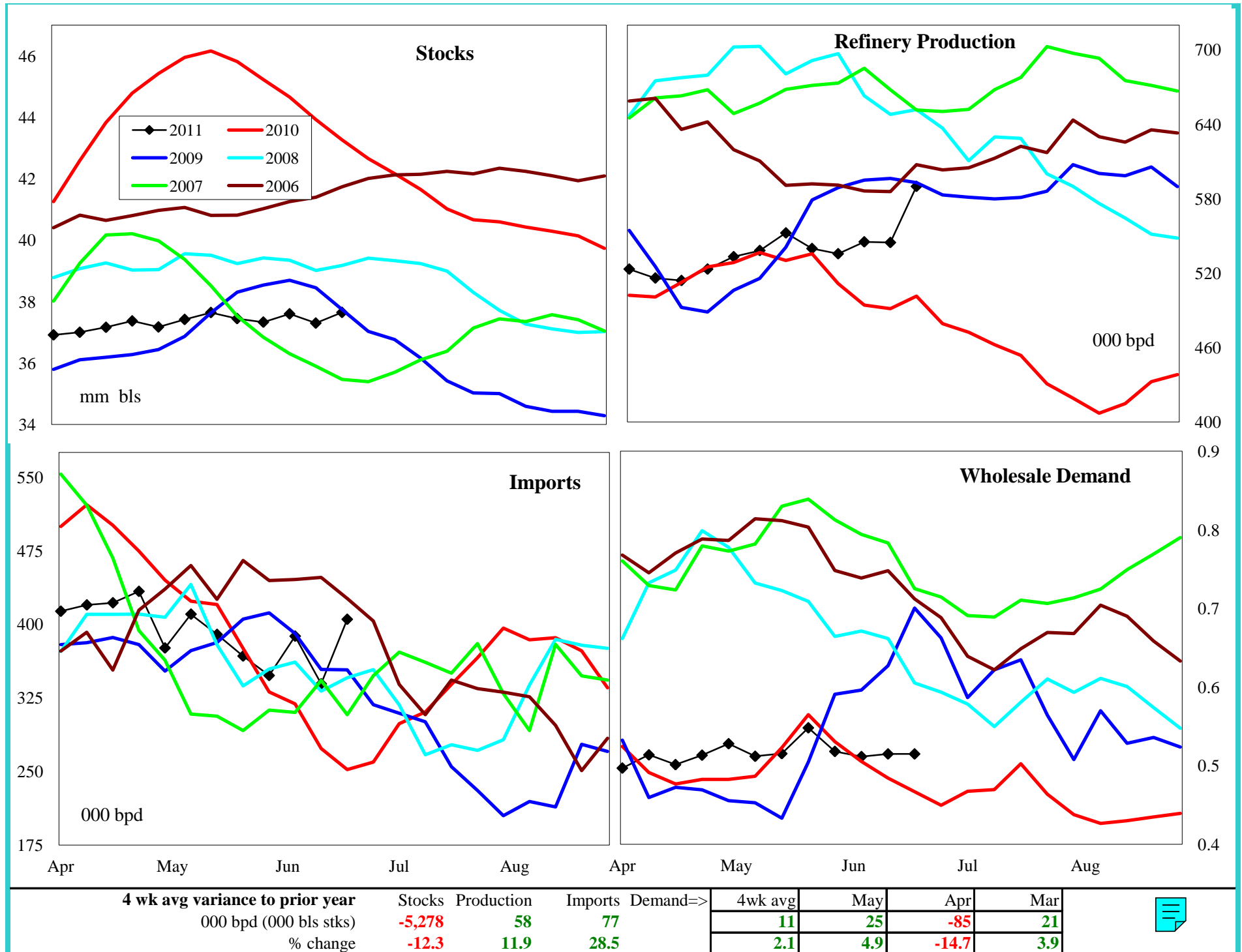
United States High Sulfur Distillate Supply



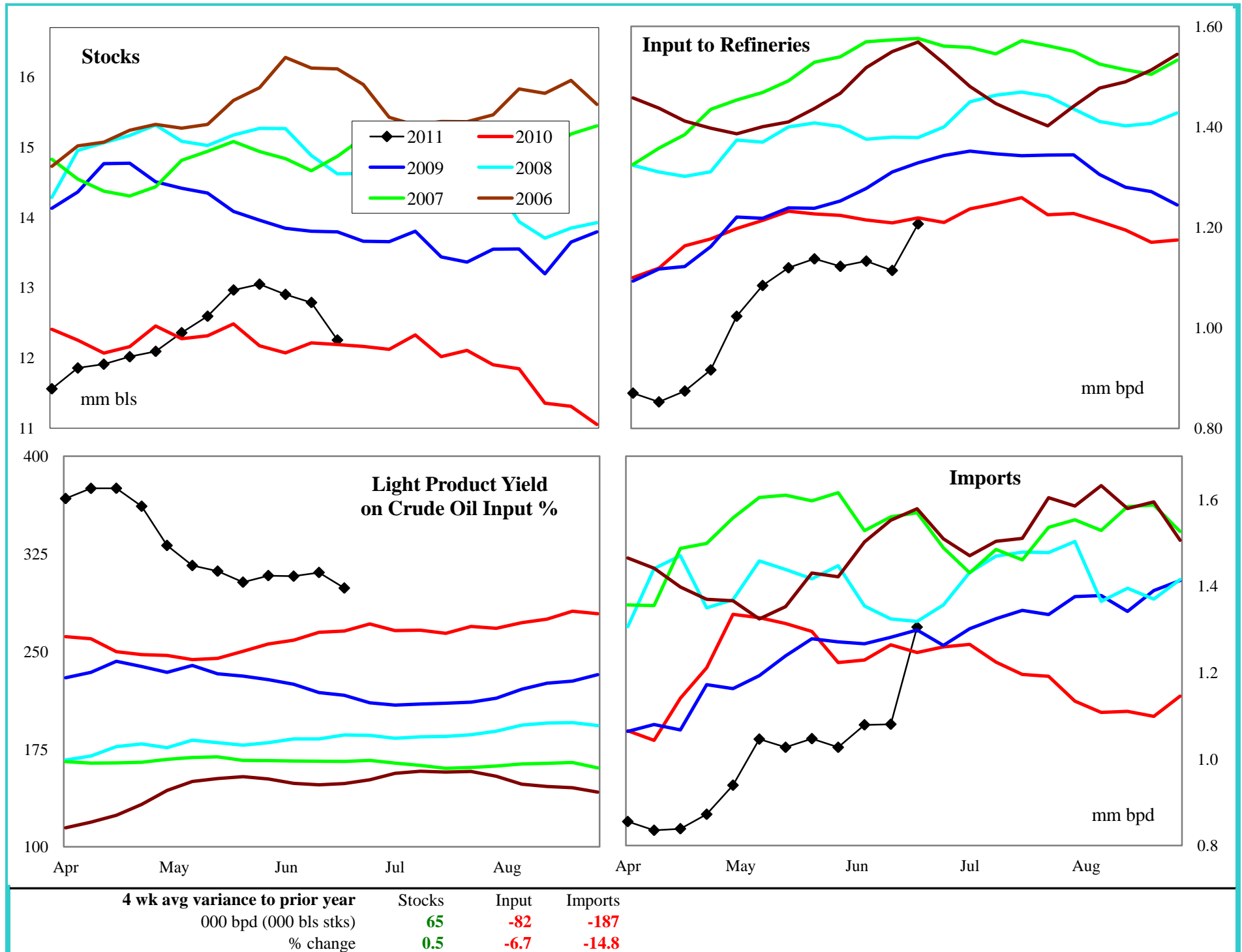
United States Jet Fuel Supply and Demand Balance



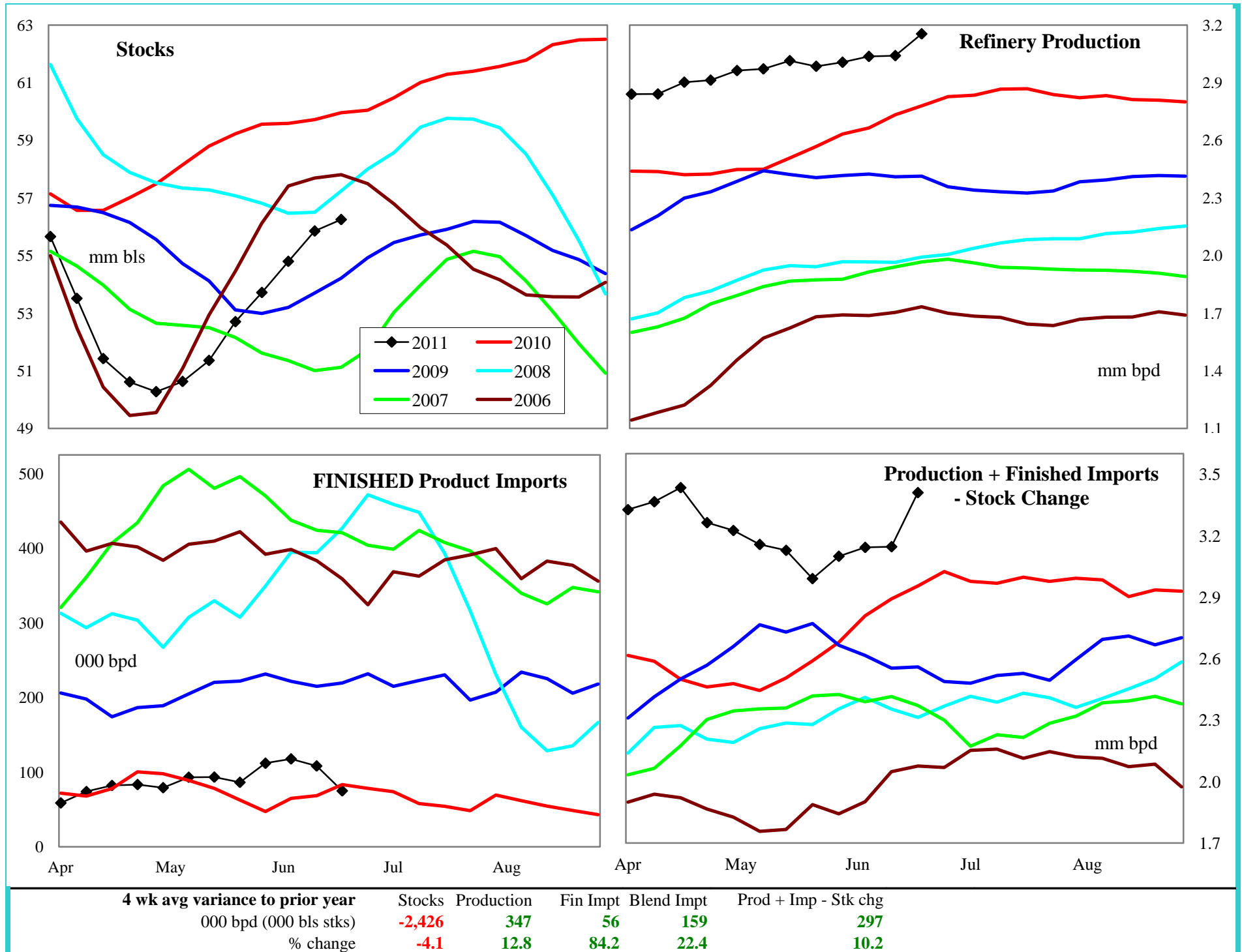
United States Residual Fuel Oil Supply and Demand Balance



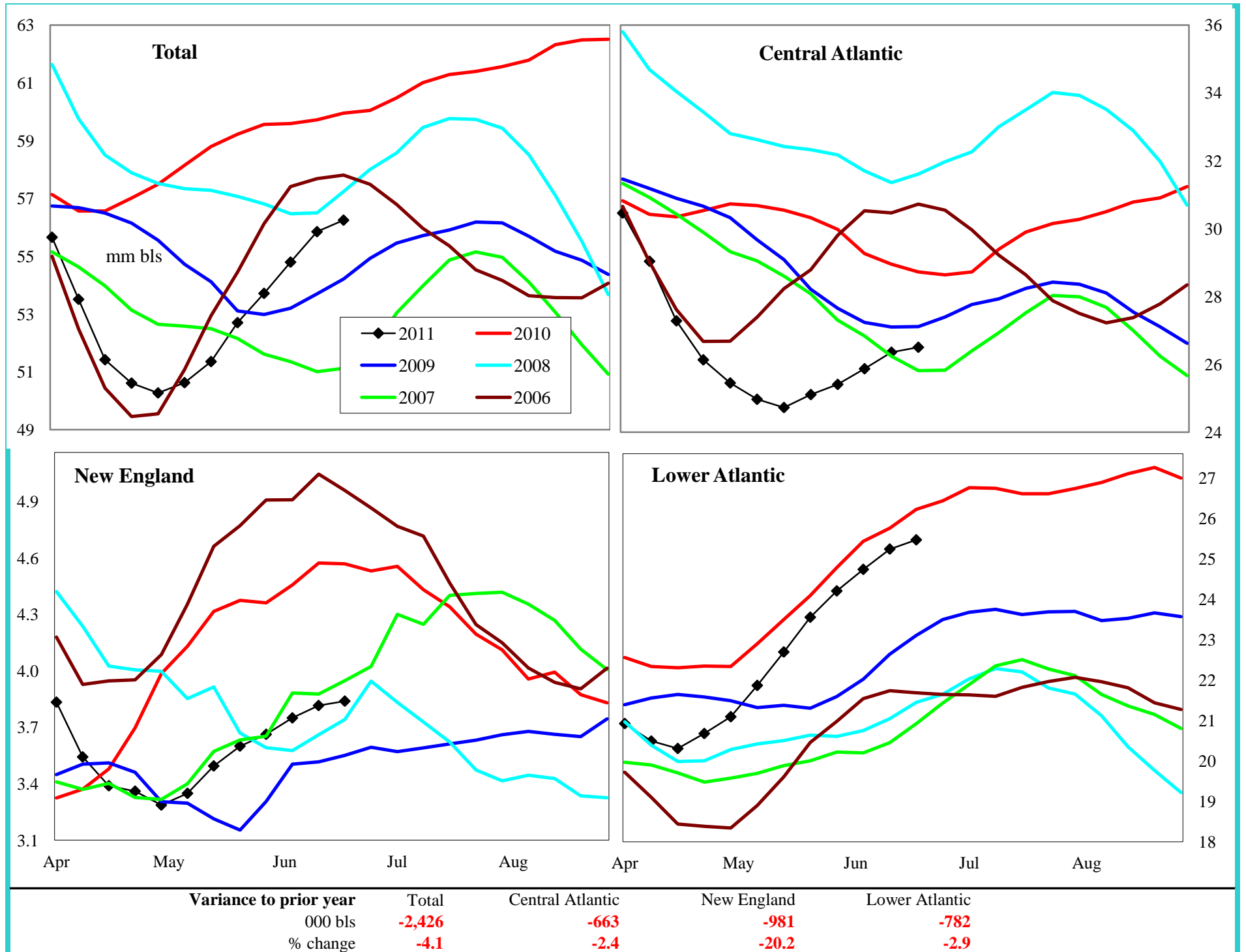
PADD 1 Crude Oil Supply and Refining



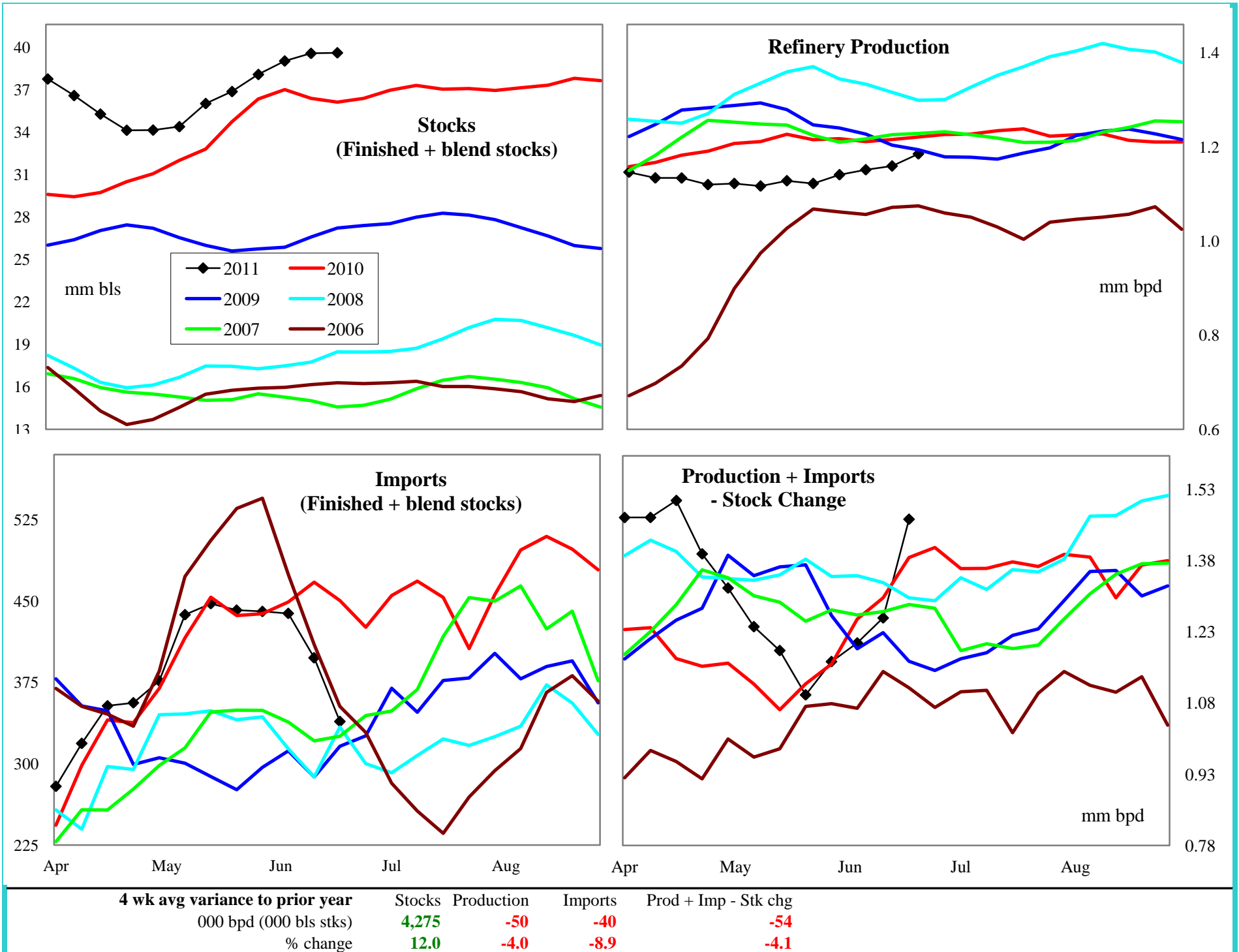
PADD 1 Gasoline Supply



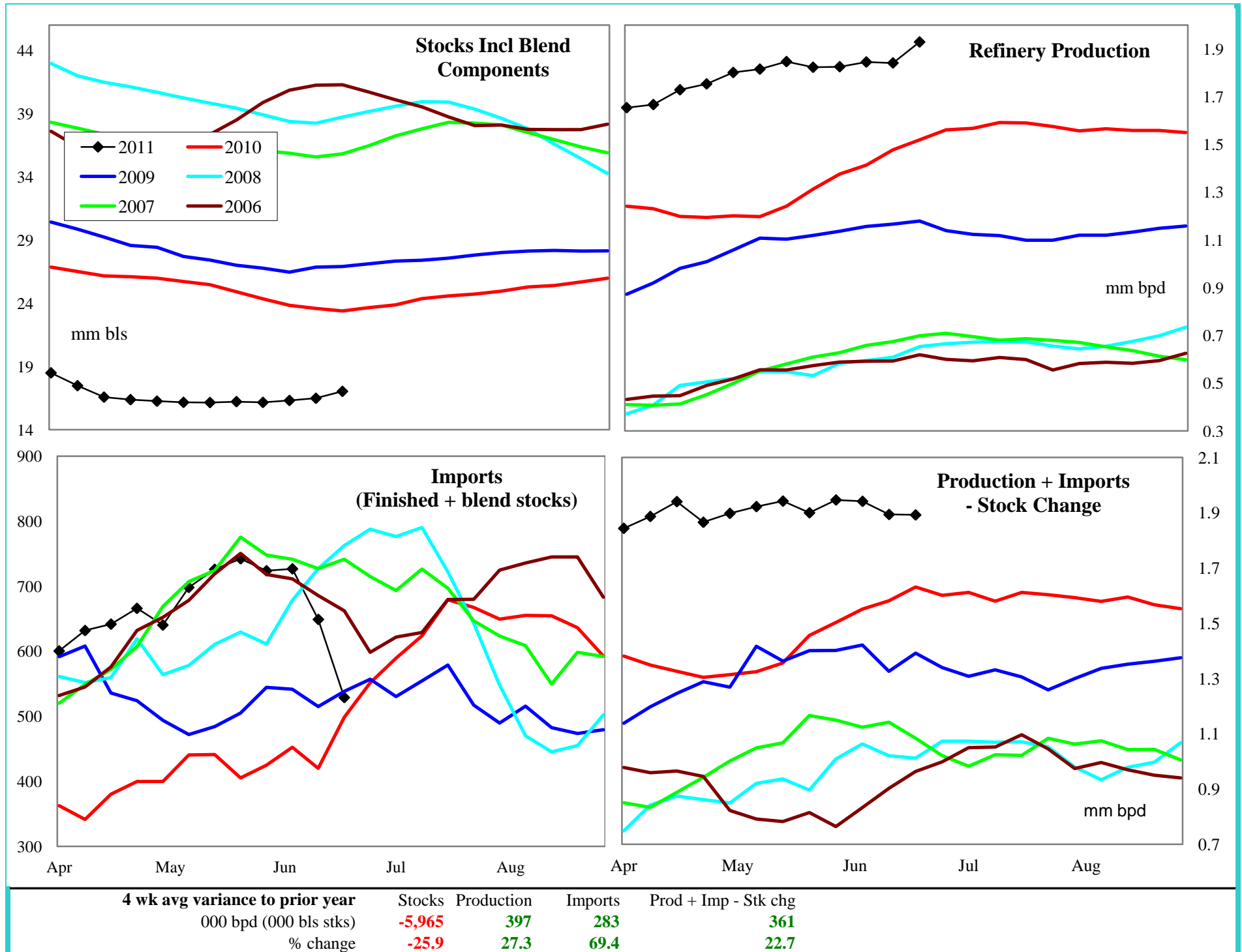
PADD 1 Gasoline Stocks by Region



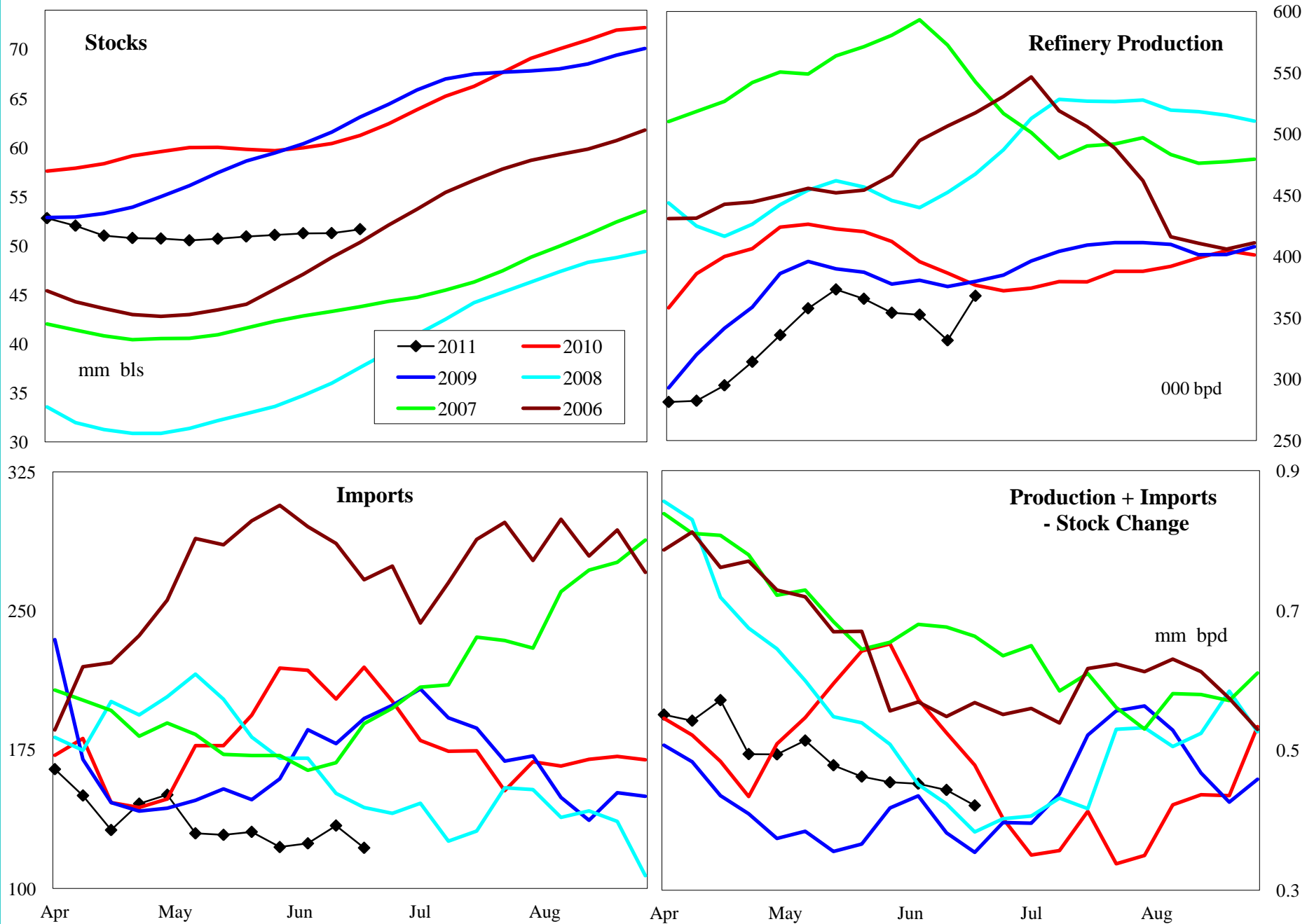
PADD 1 Reformulated Gasoline Supply



PADD 1 Conventional Gasoline Supply



PADD 1 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-9,496

-46

-83

-107

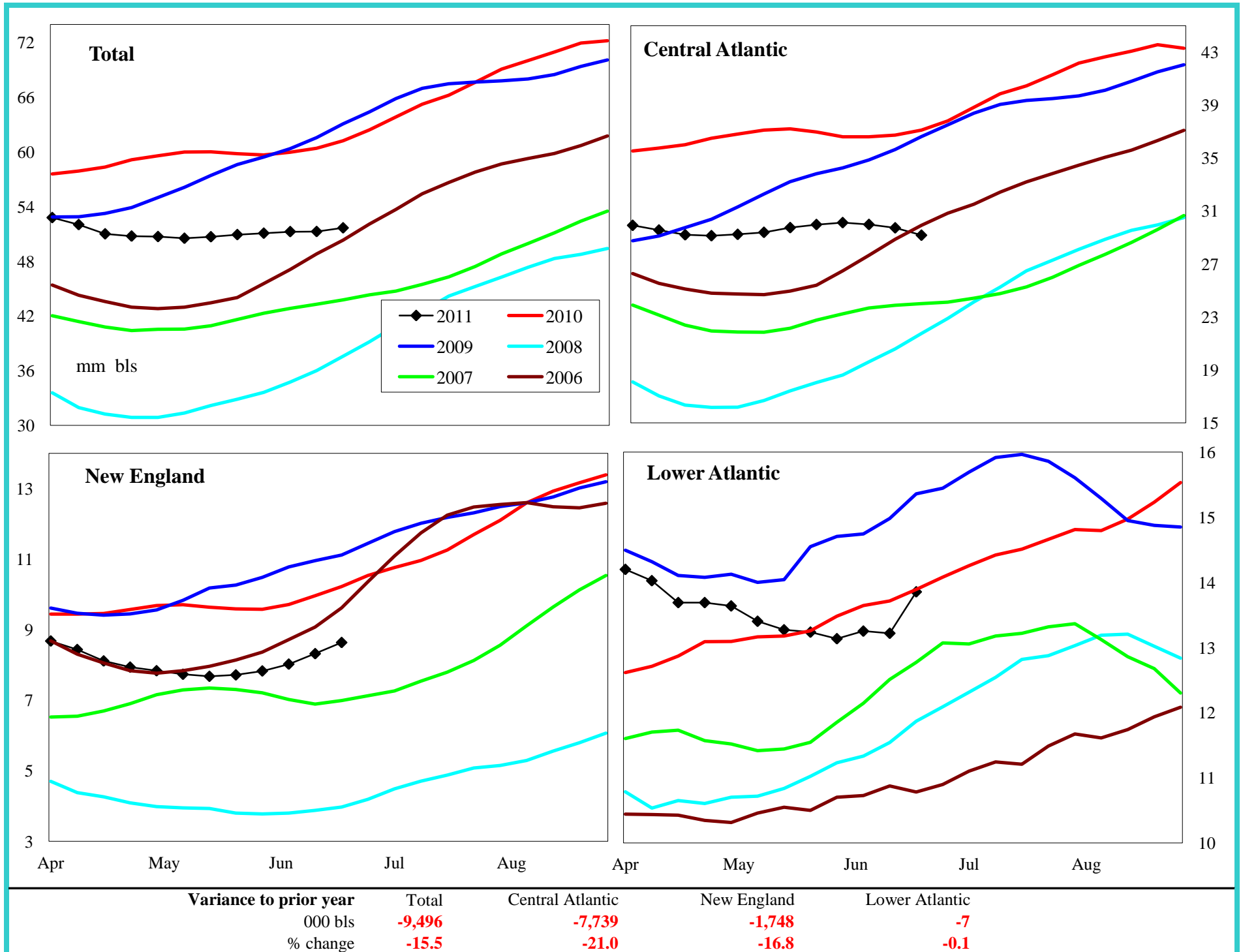
-15.5

-11.7

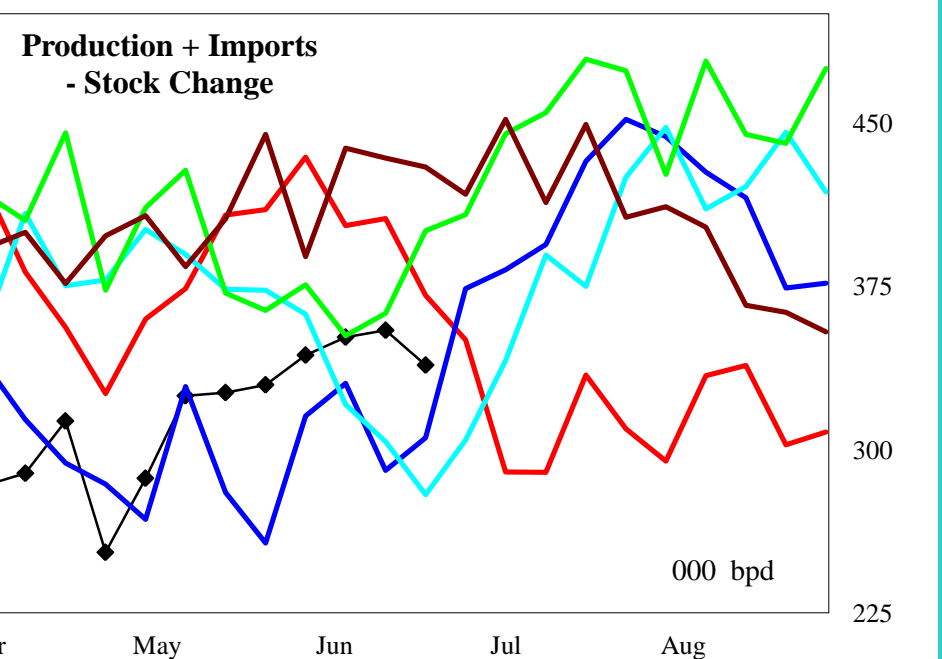
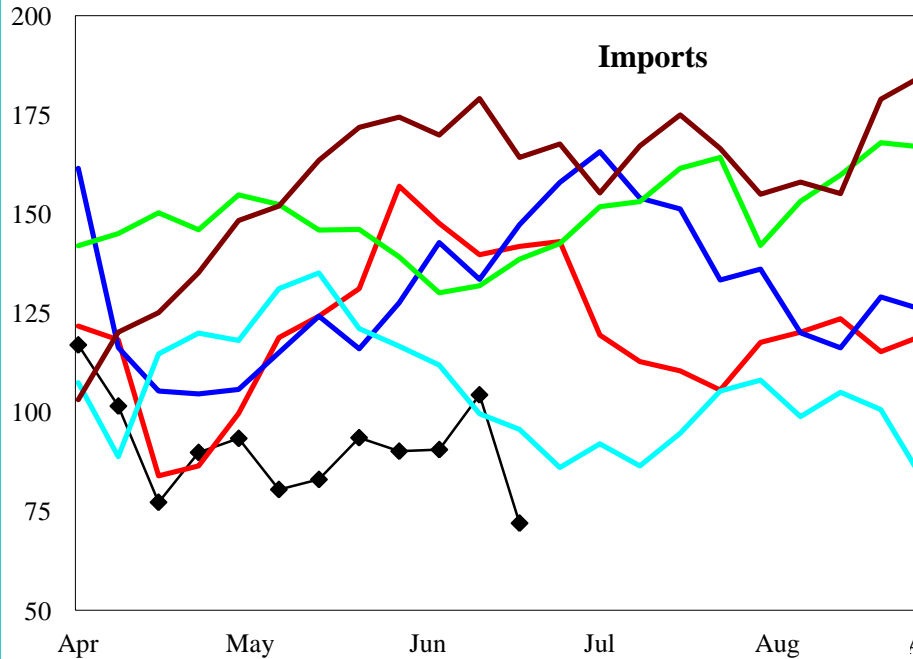
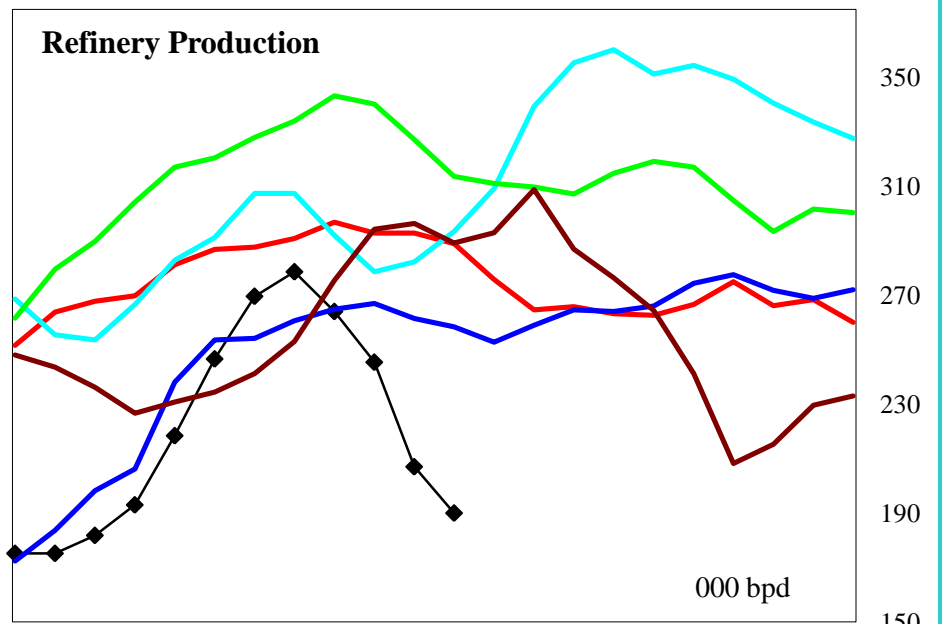
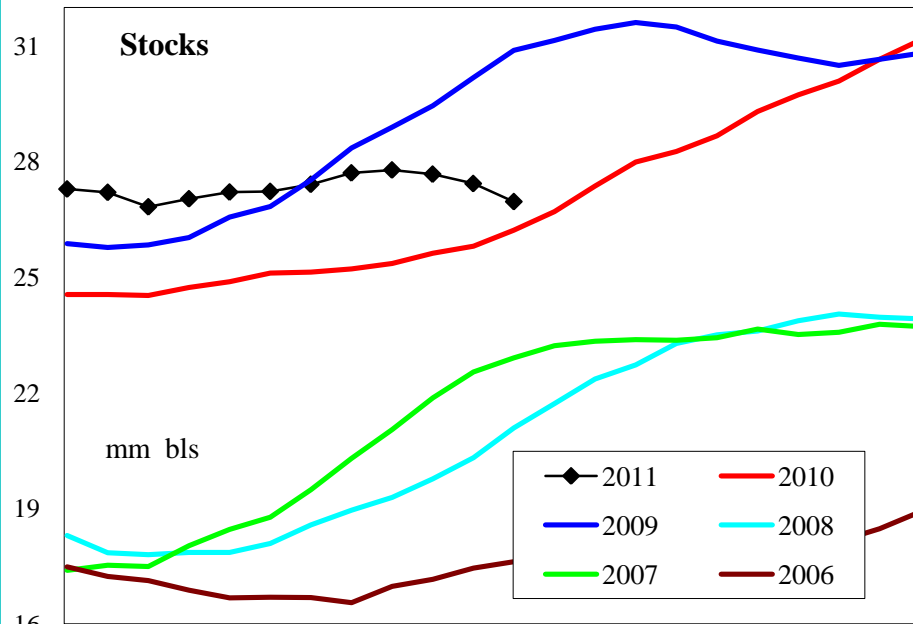
-38.9

-18.9

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

769

-69

-40

-42

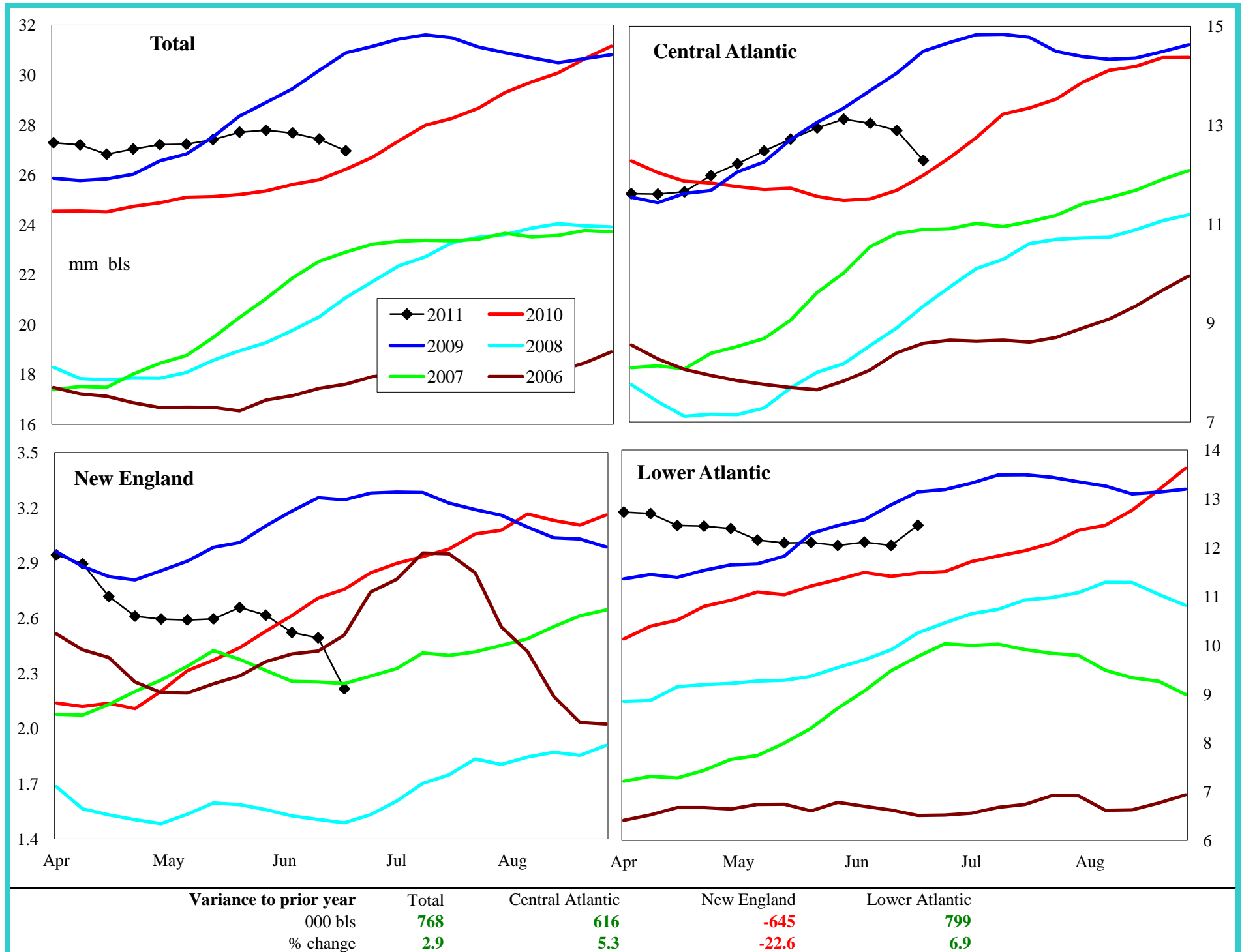
2.9

-23.4

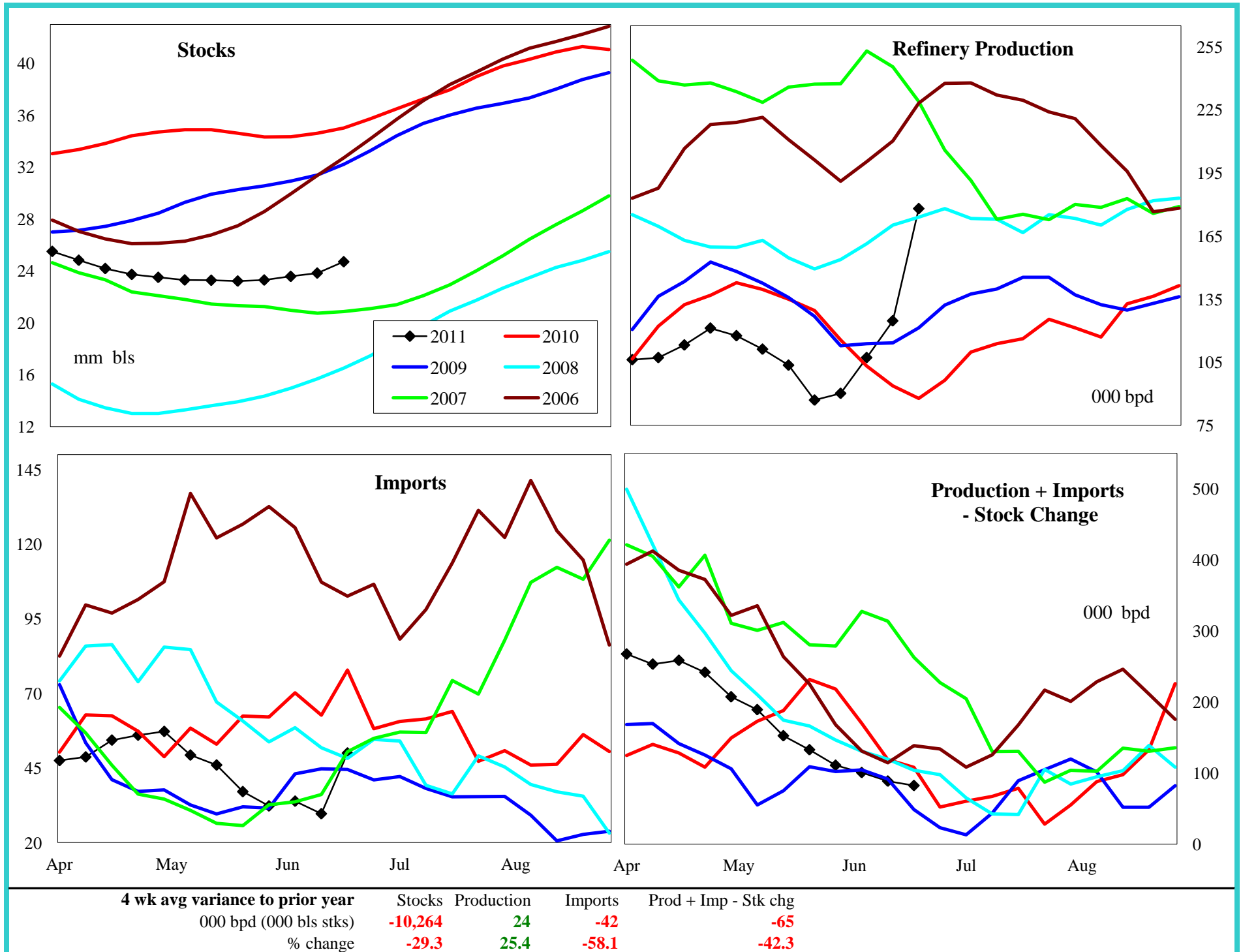
-28.9

-10.2

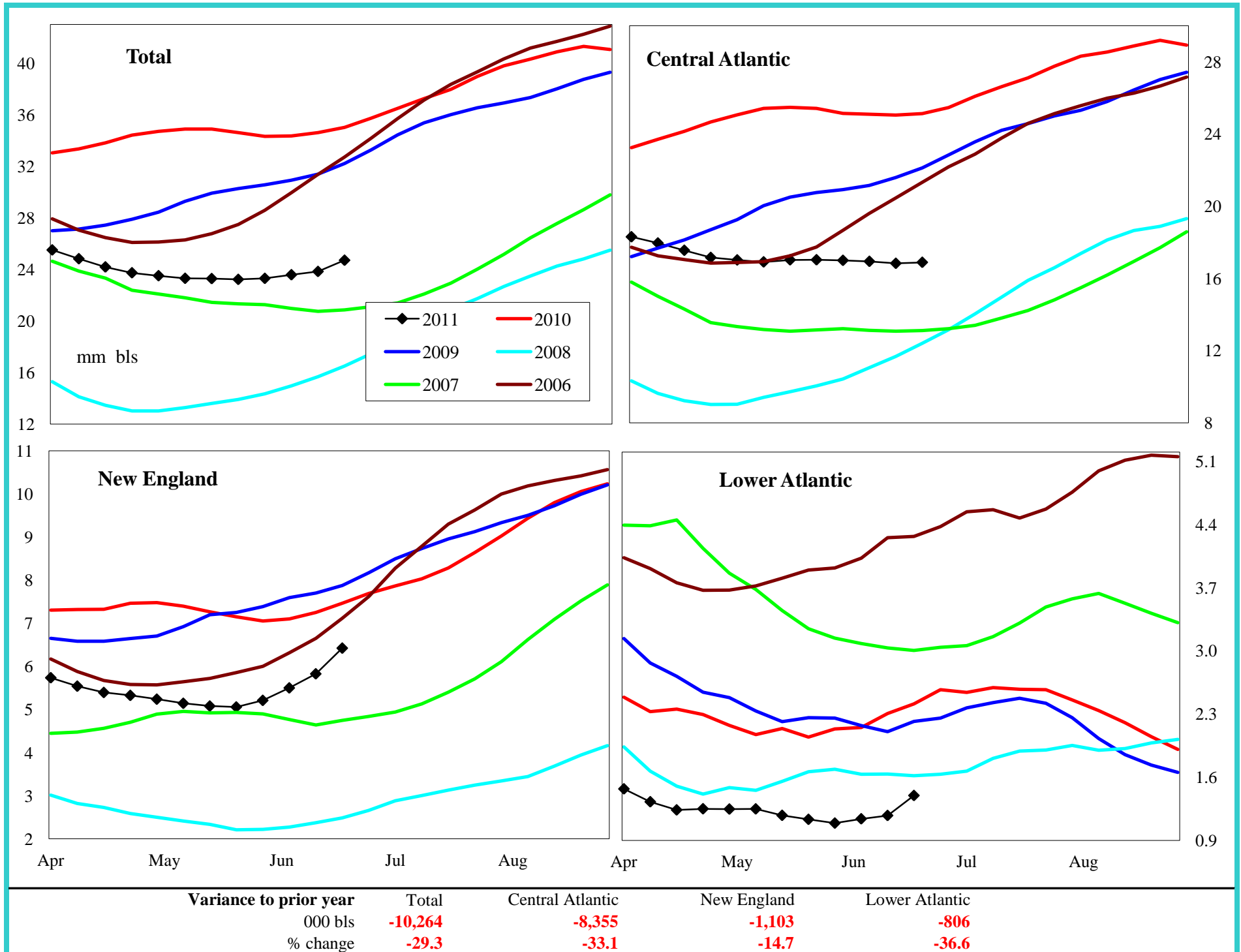
PADD 1 Low Sulfur Distillate Stocks by Region



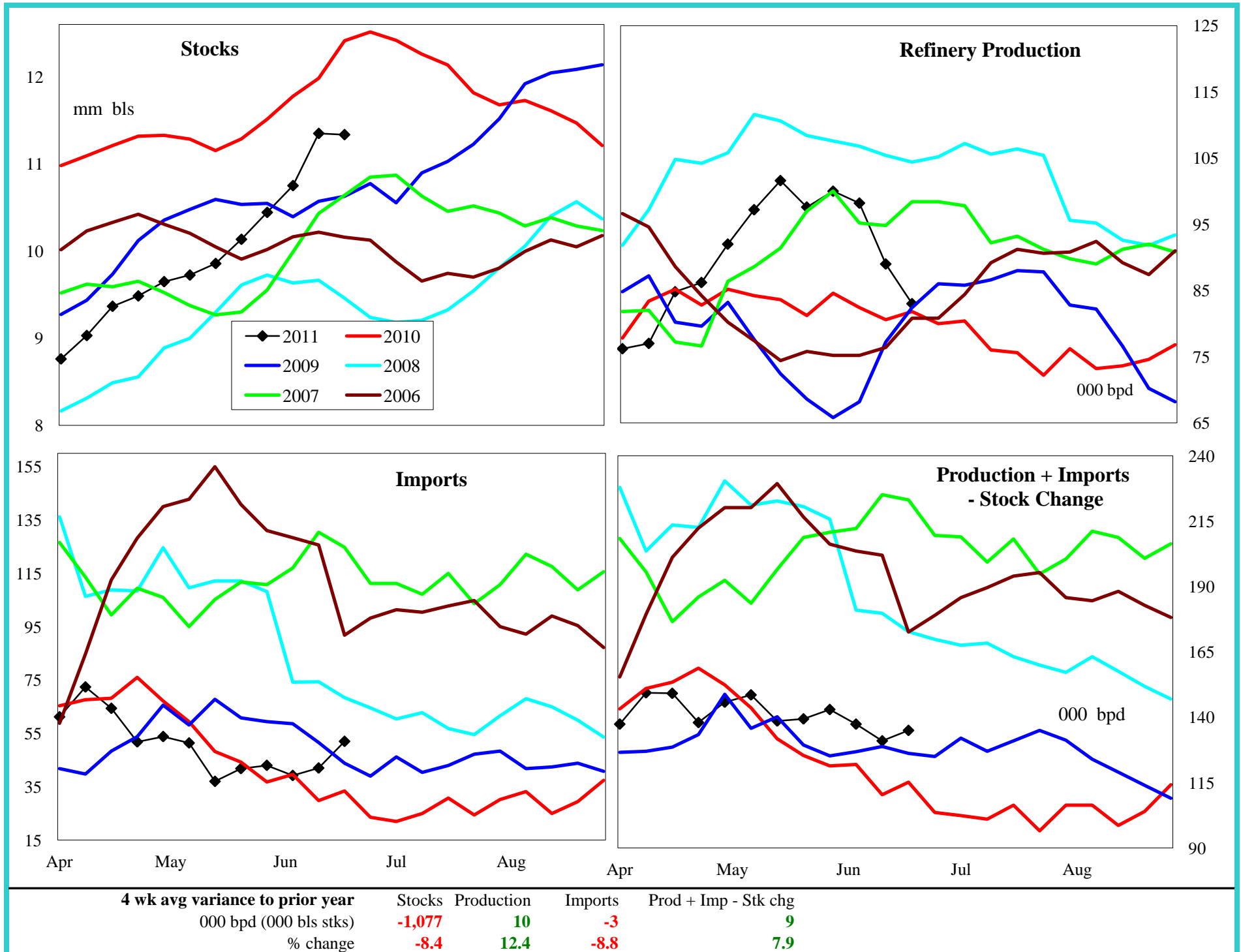
PADD 1 High Sulfur Distillate Supply



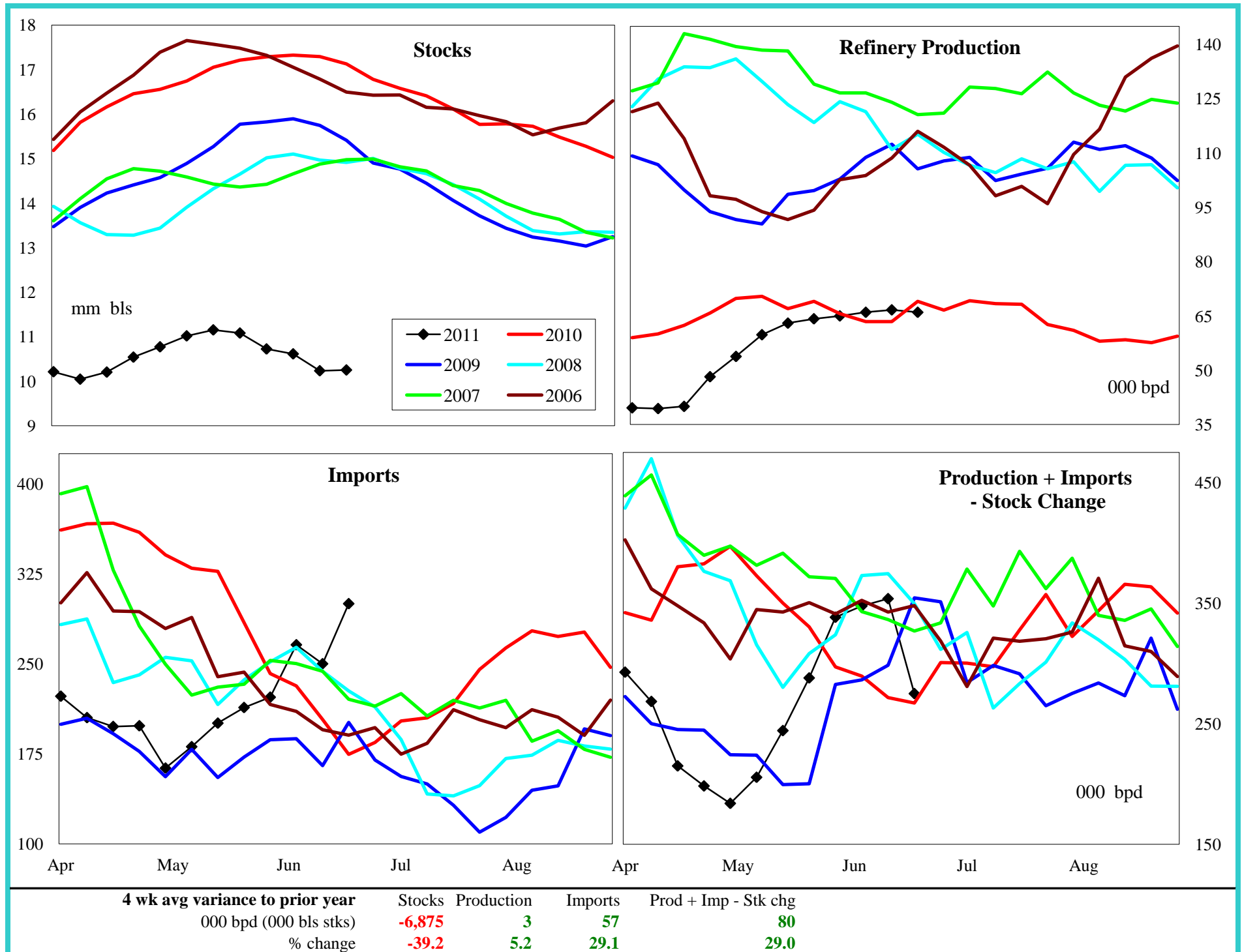
PADD 1 High Sulfur Distillate Stocks by Region



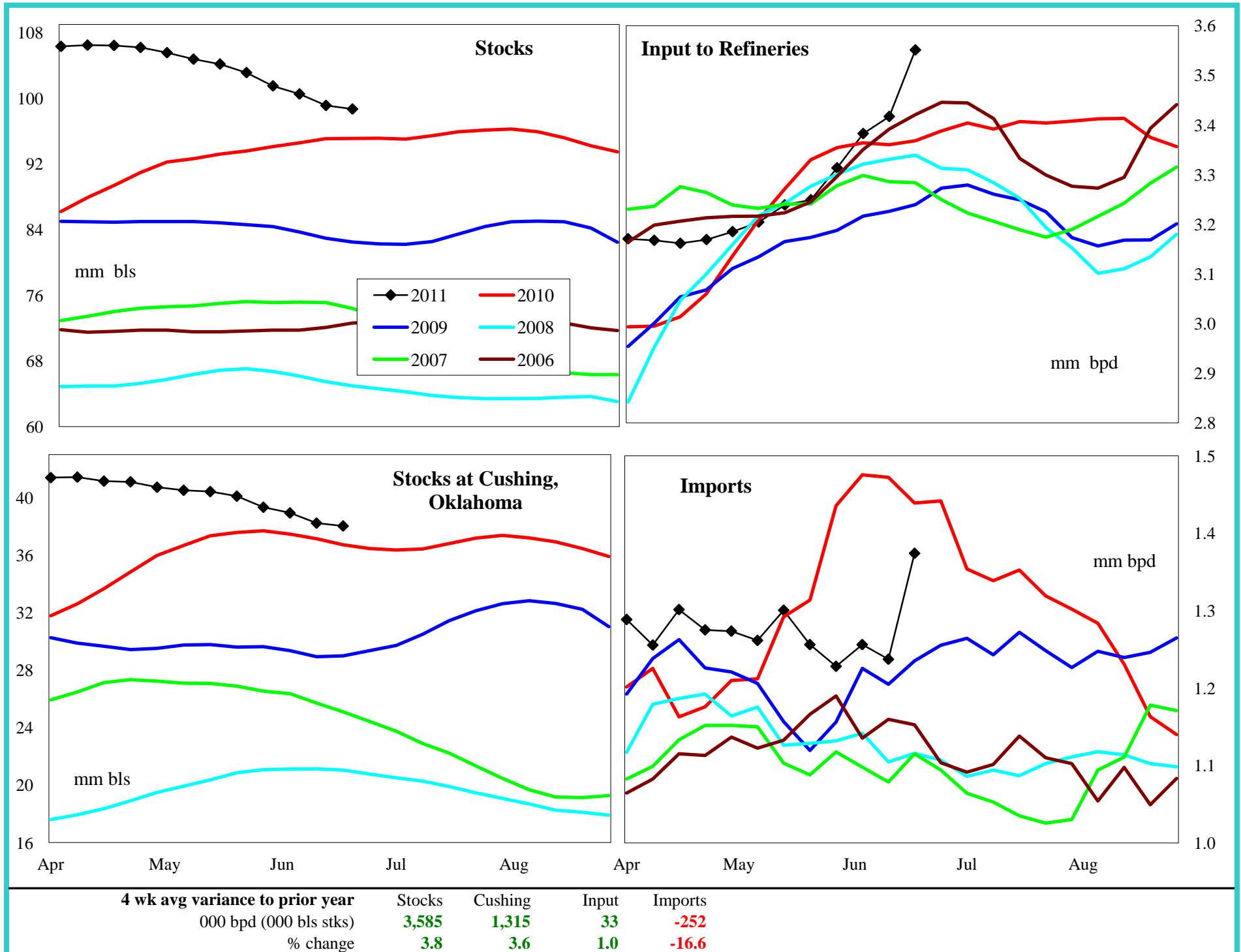
PADD 1 Jet Fuel Supply



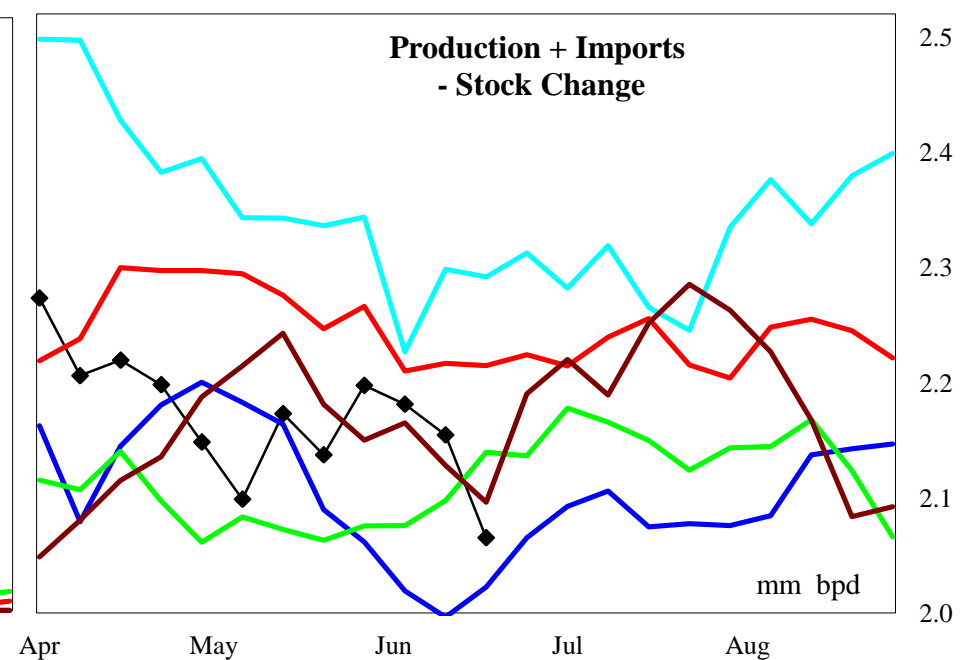
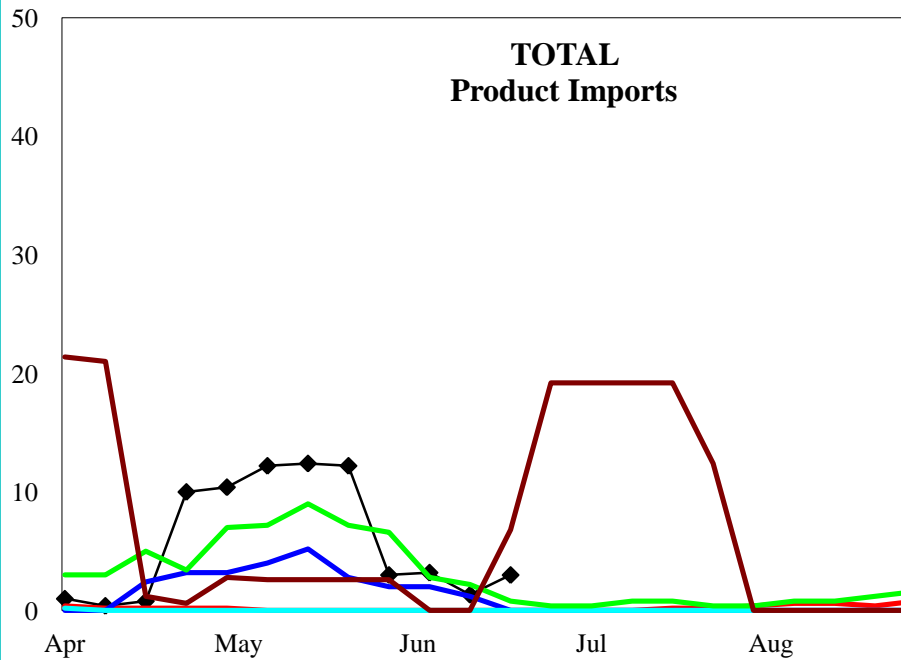
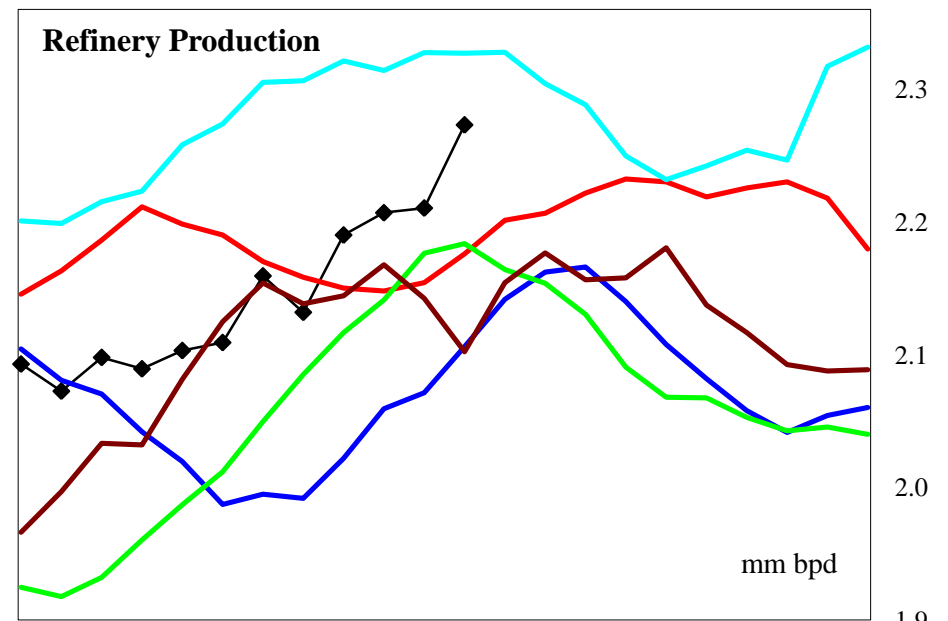
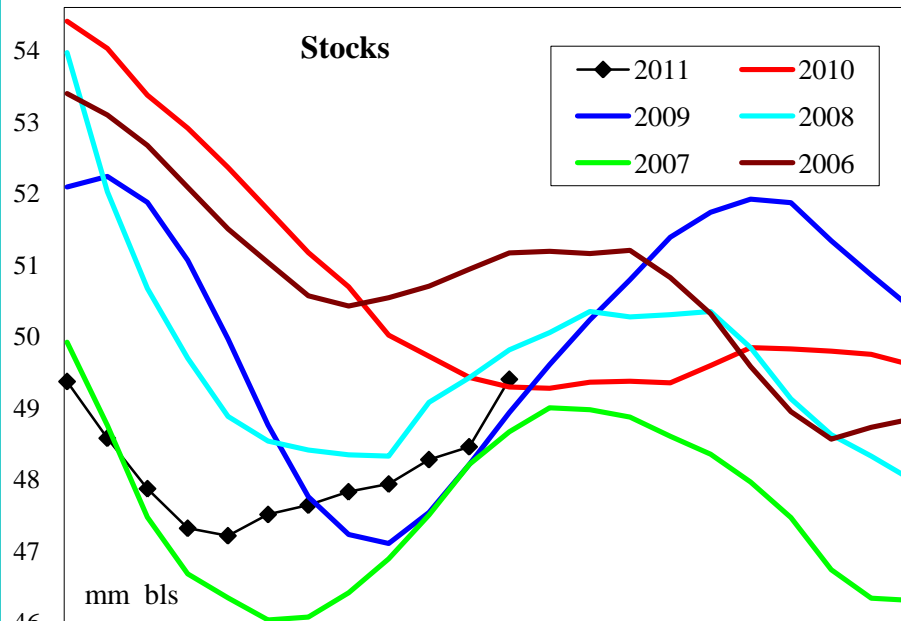
PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



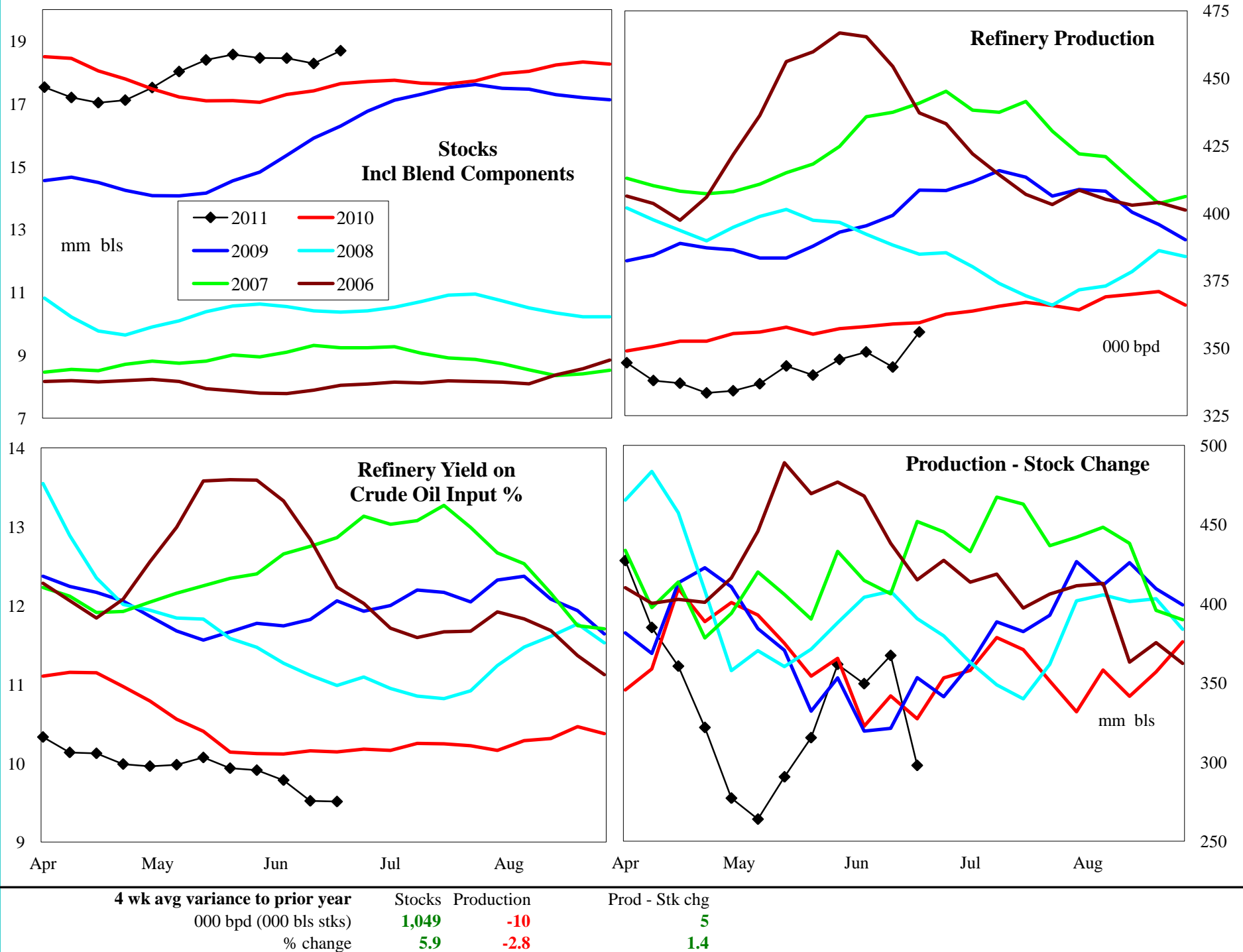
PADD 2 Gasoline Supply



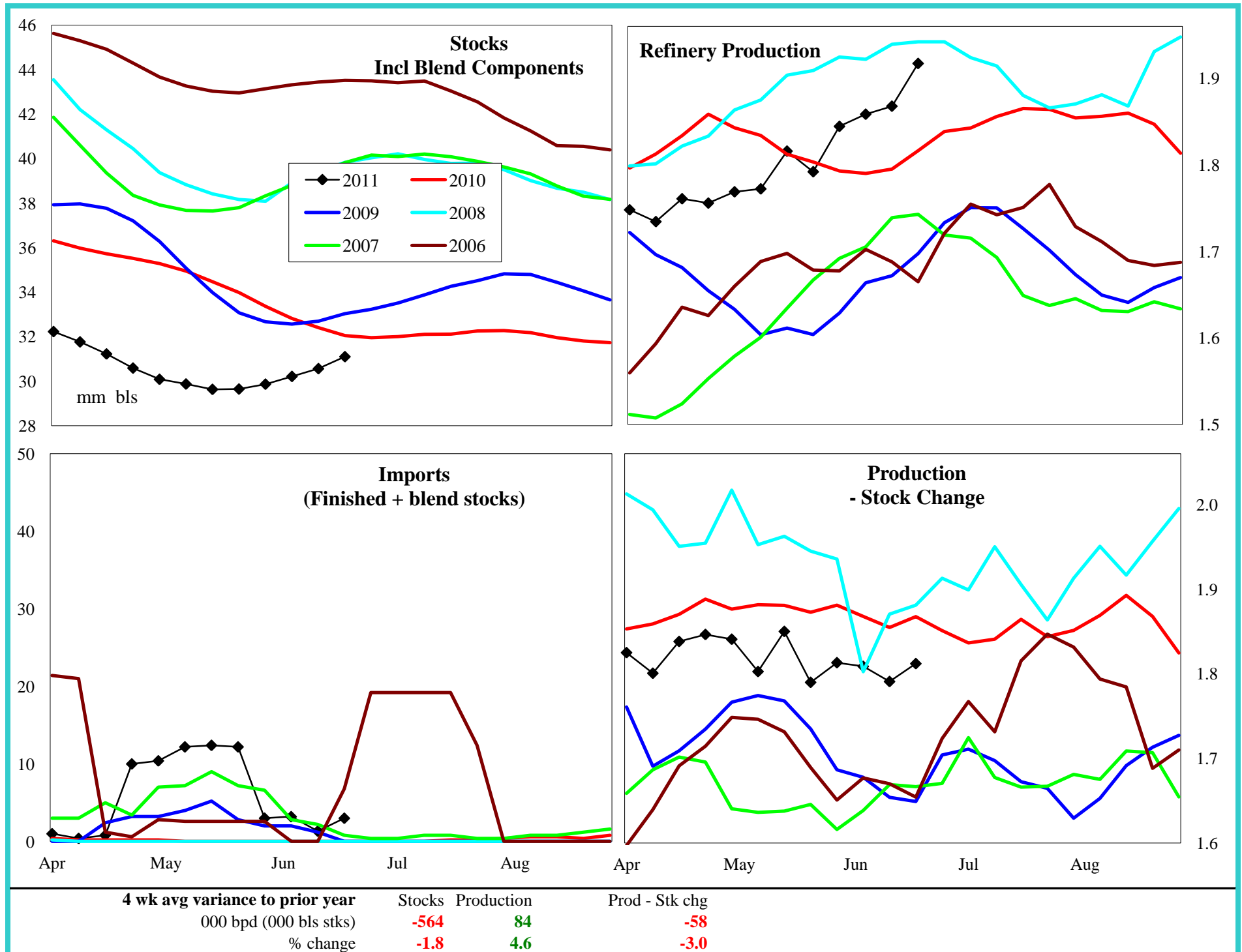
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
104	73	1	-37
0.2	3.3	#DIV/0!	-1.6

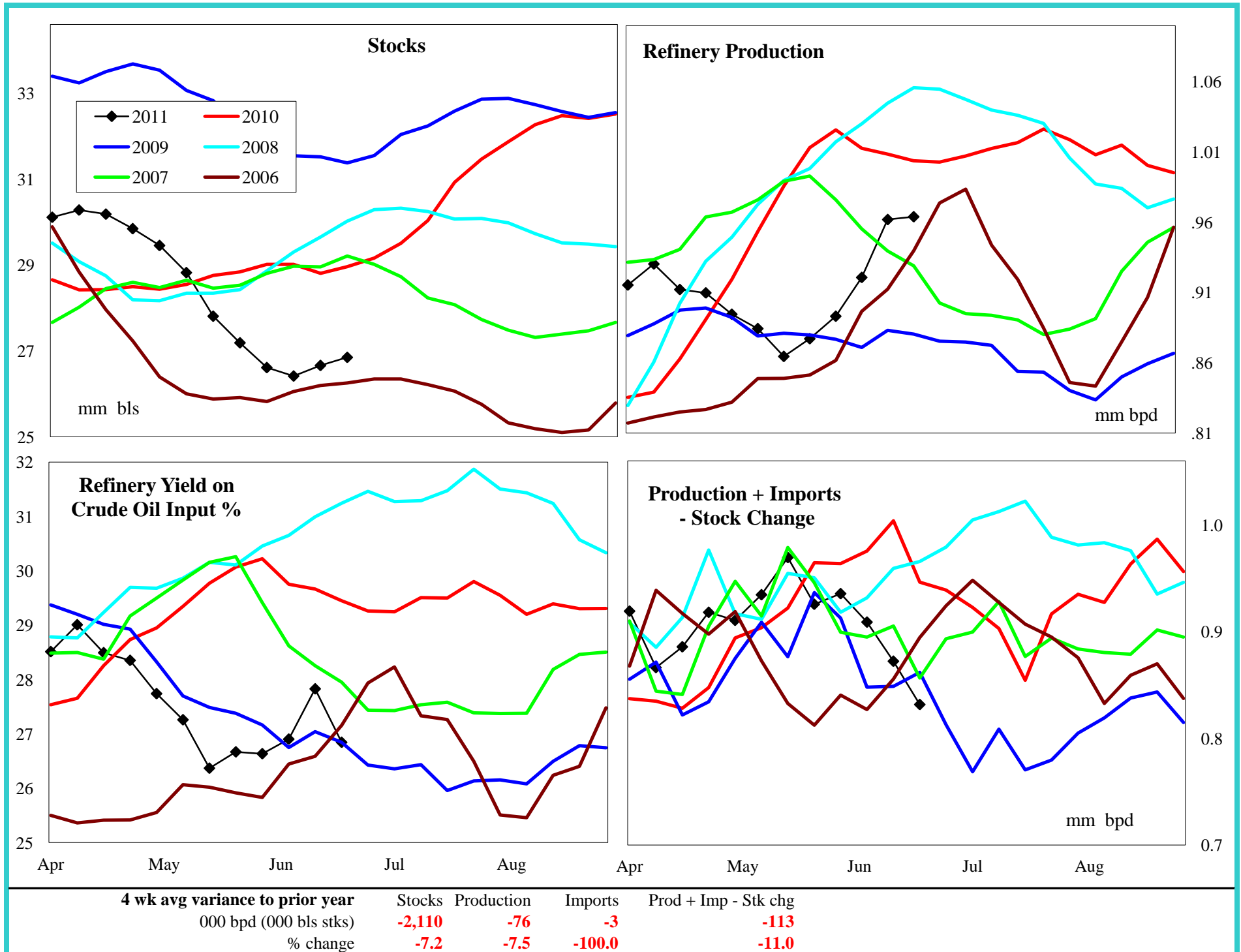
PADD 2 Reformulated Gasoline Supply



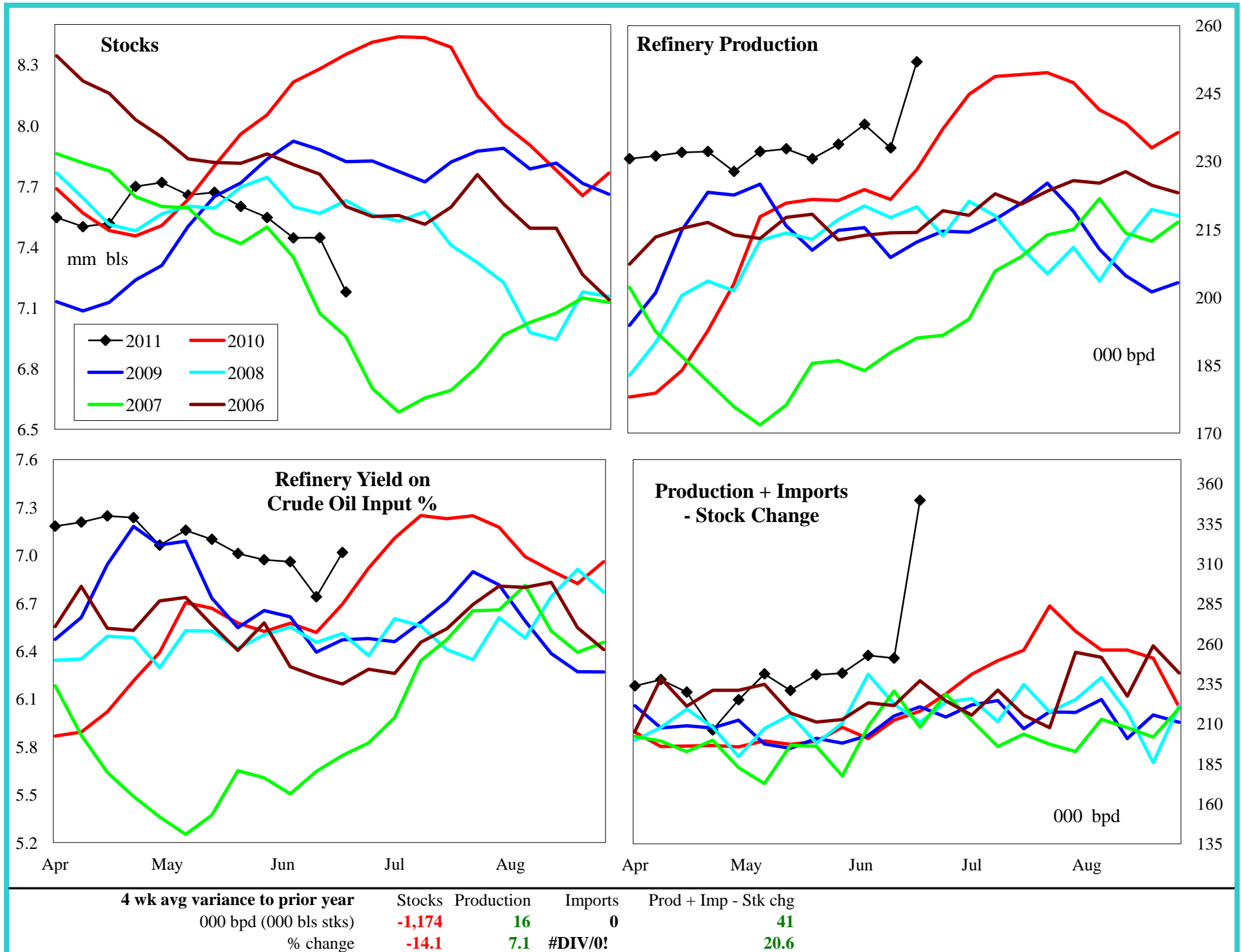
PADD 2 Conventional Gasoline Supply



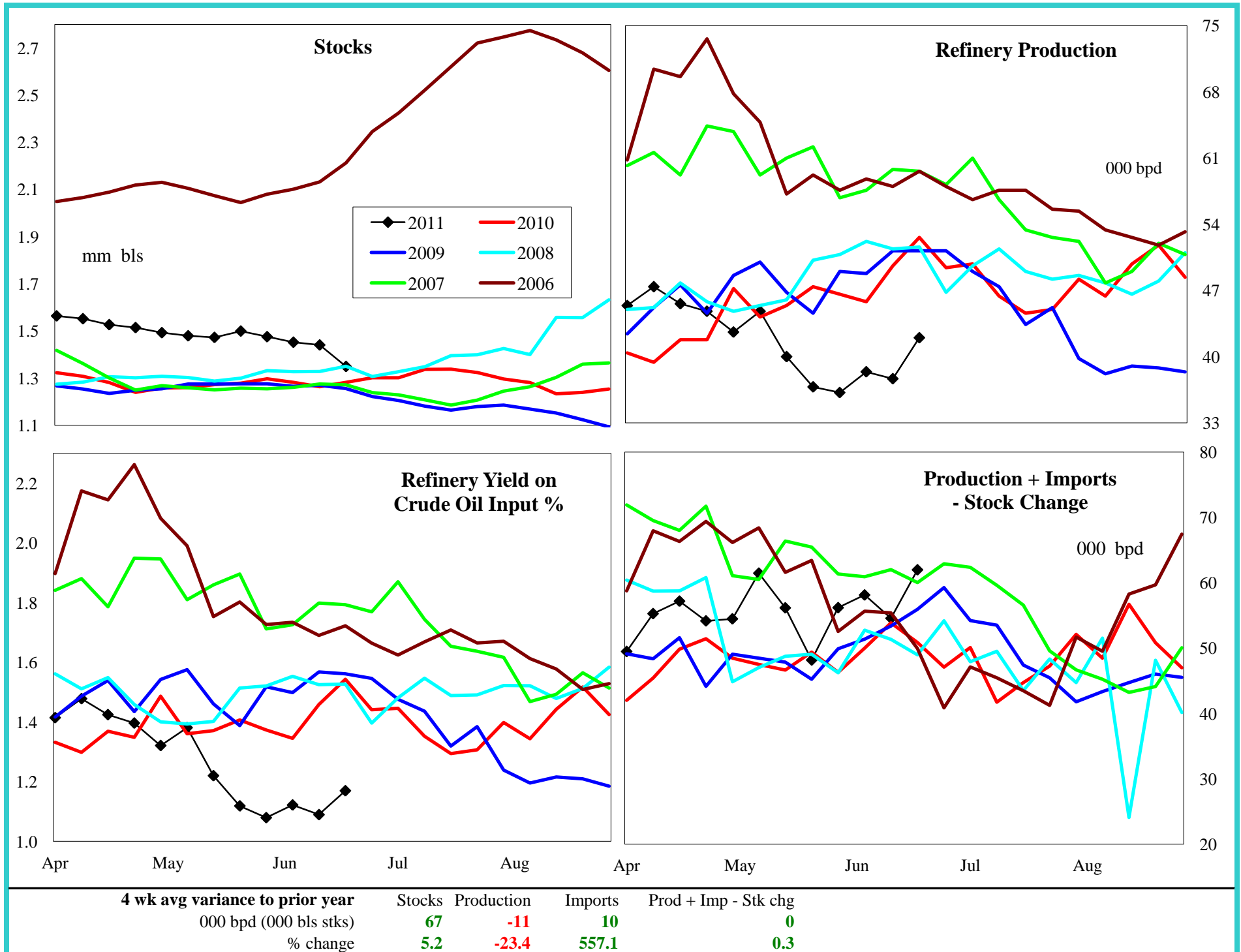
PADD 2 Distillate Supply



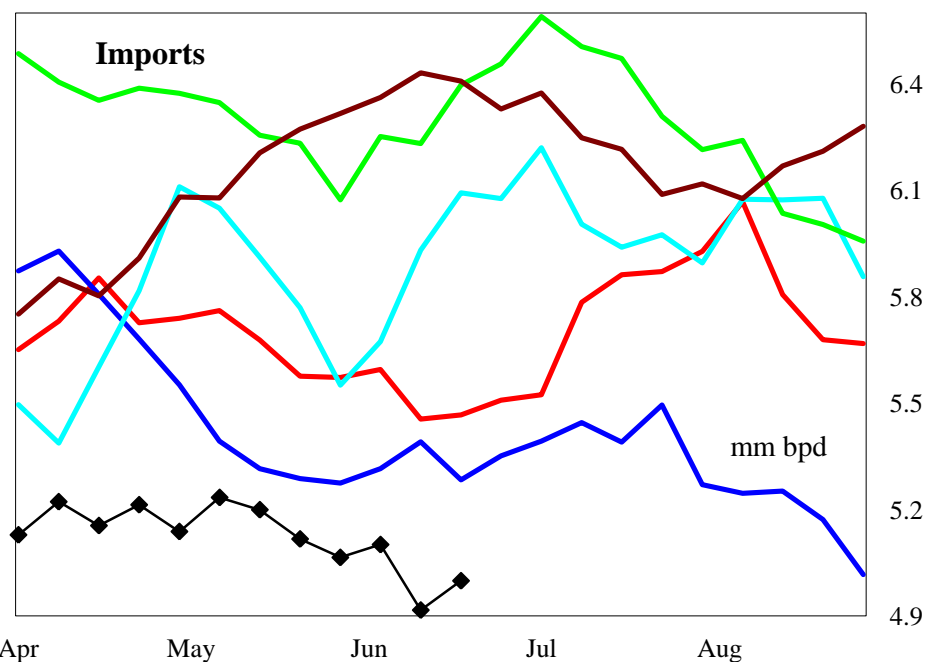
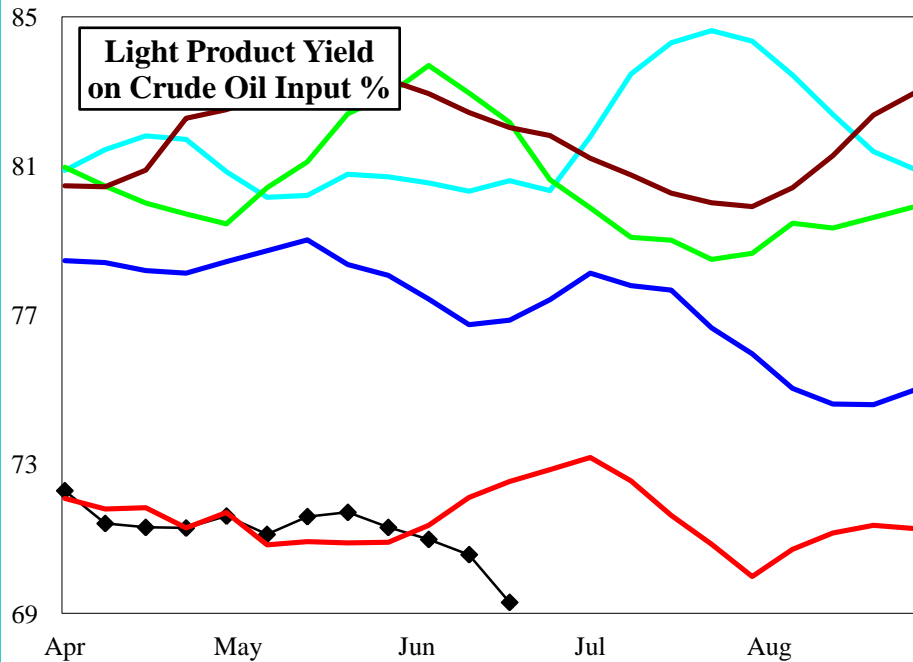
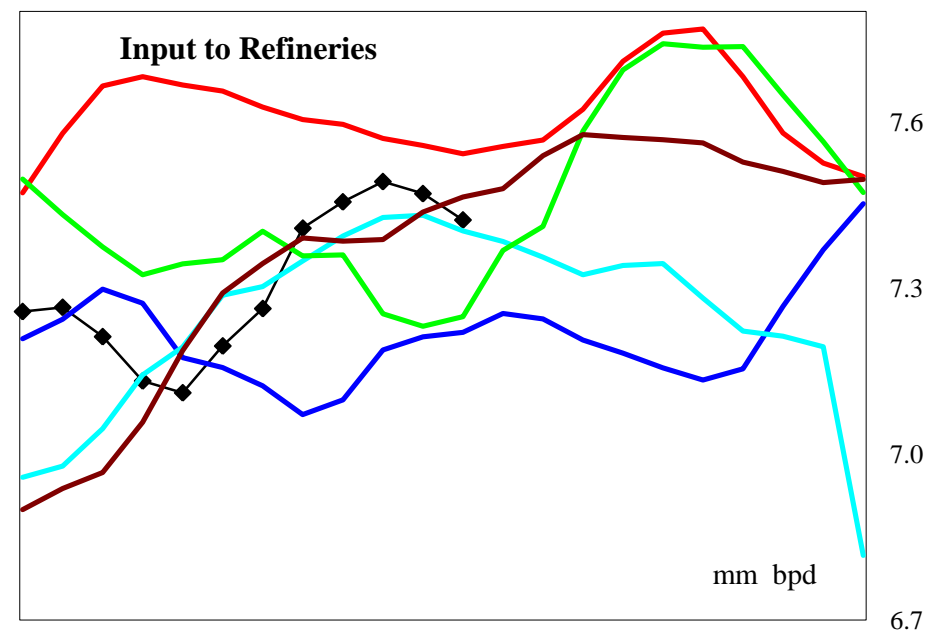
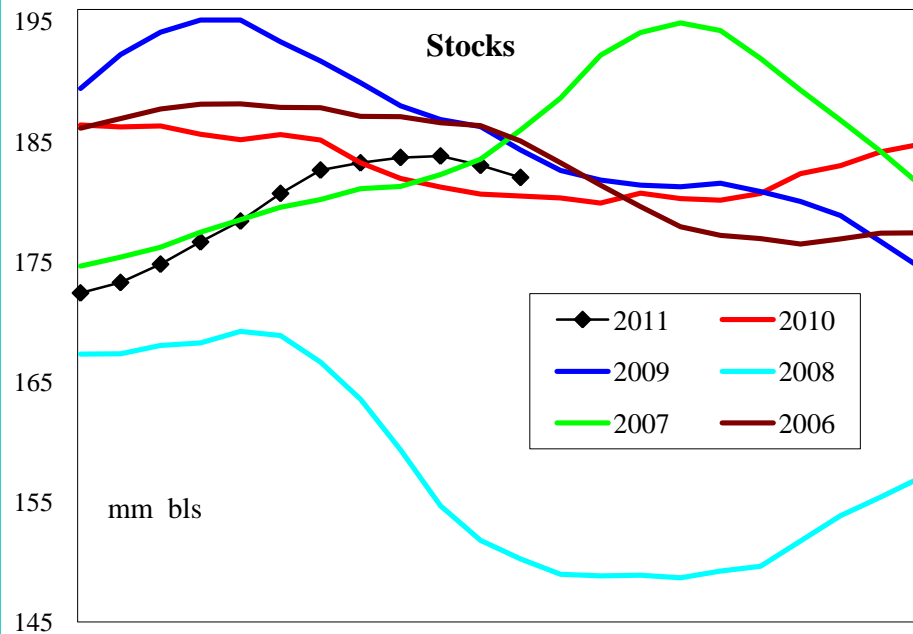
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



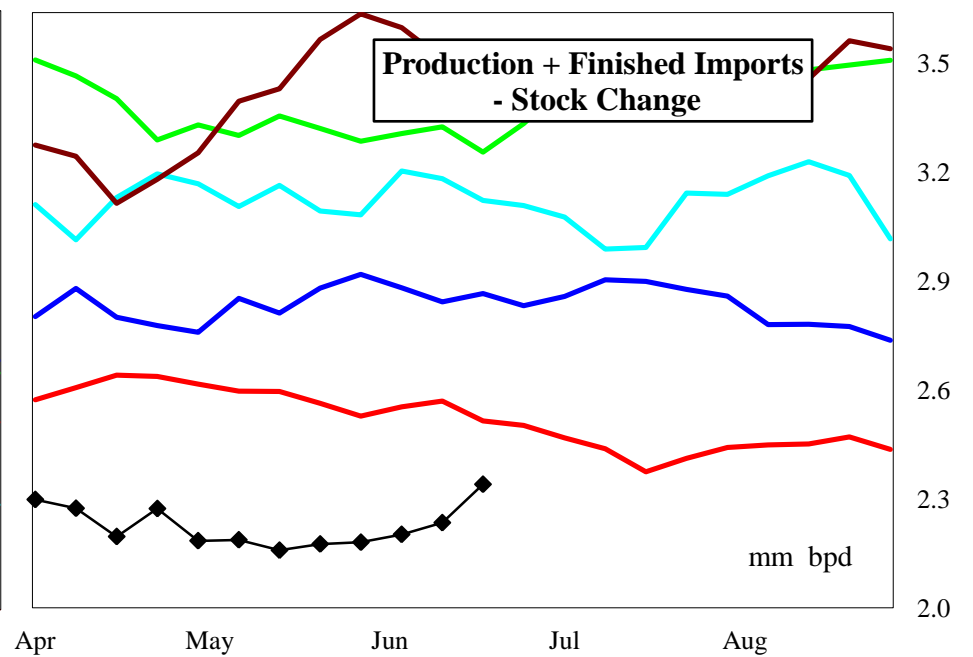
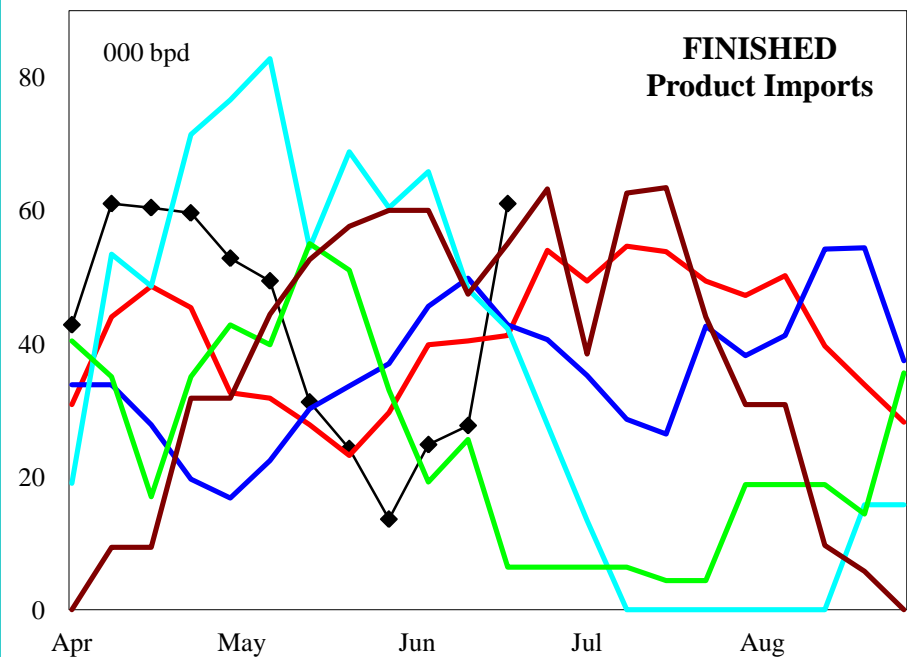
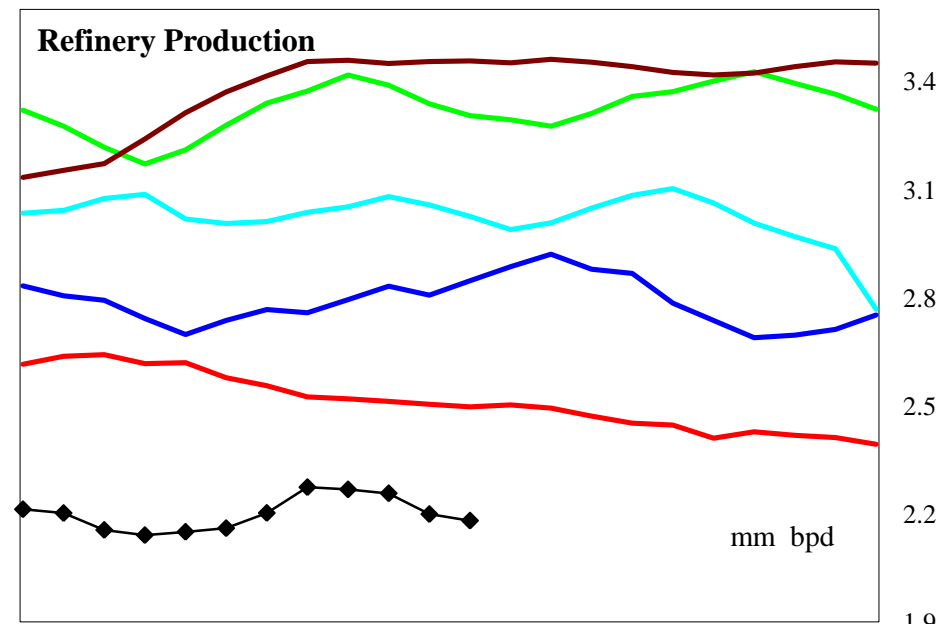
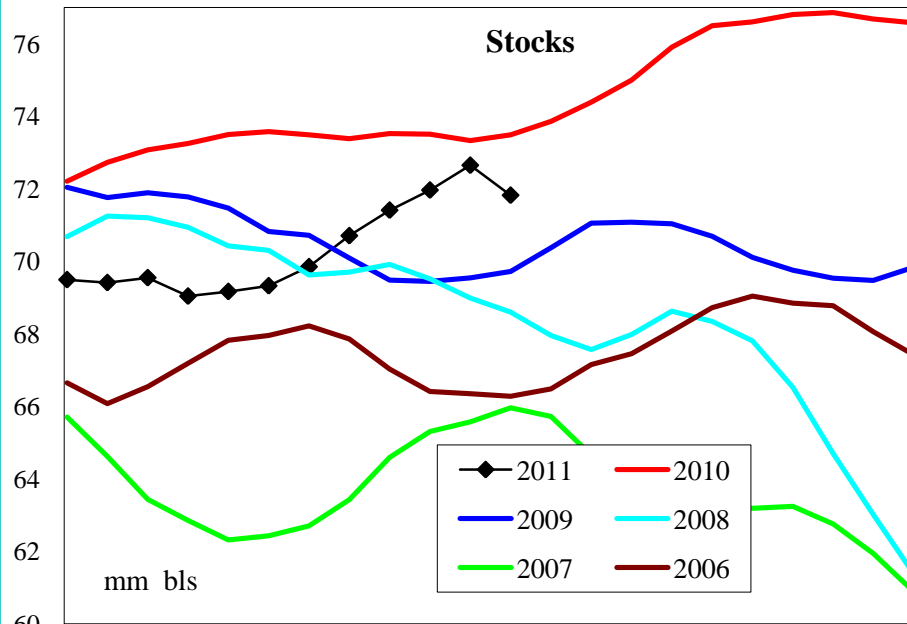
PADD 3 Crude Oil Supply and Refining



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

	Stocks	Input	Imports
000 bpd (000 bbls stks)	1,528	-101	-502
% change	0.8	-1.3	-9.1

PADD 3 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-1,711

-2.3

Production

-265

-10.6

Fin Impt

-18

-46.5

Blend Impt

14

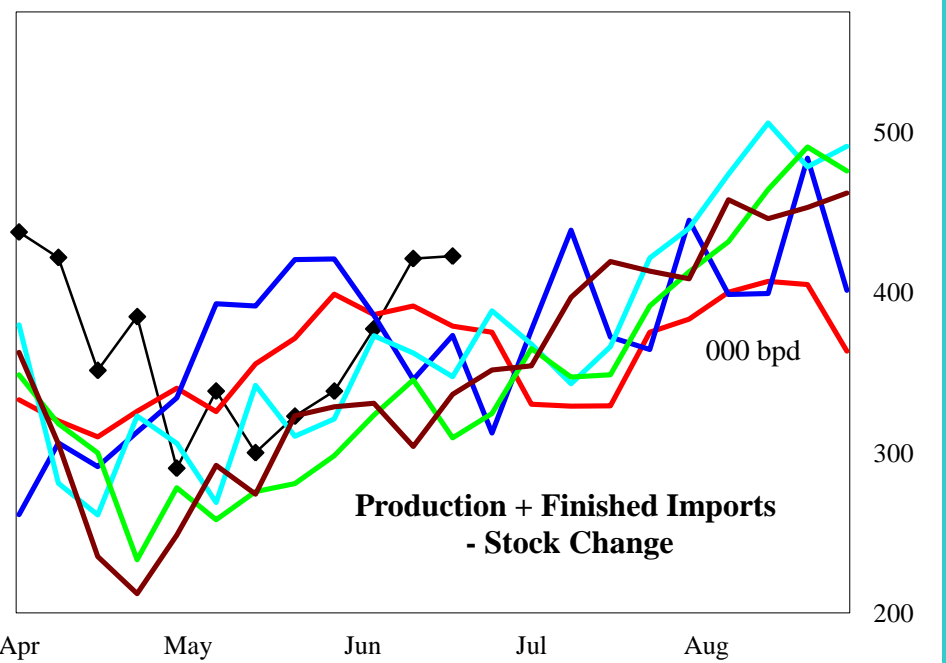
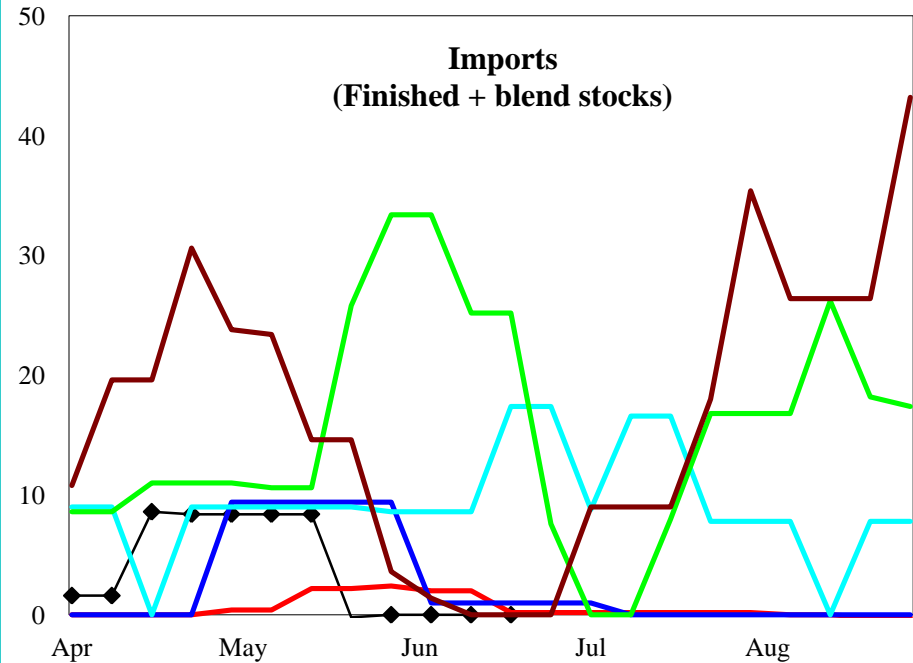
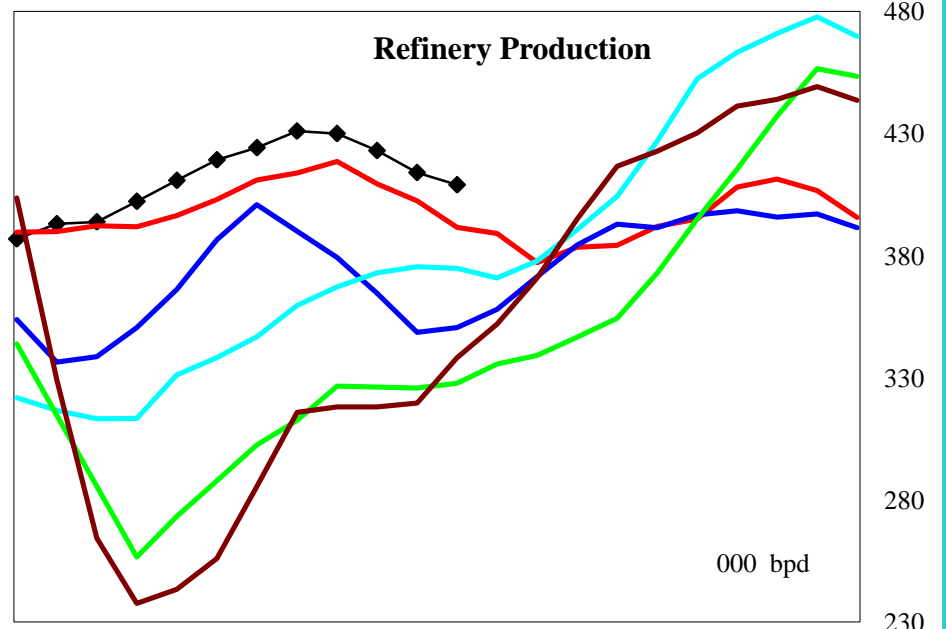
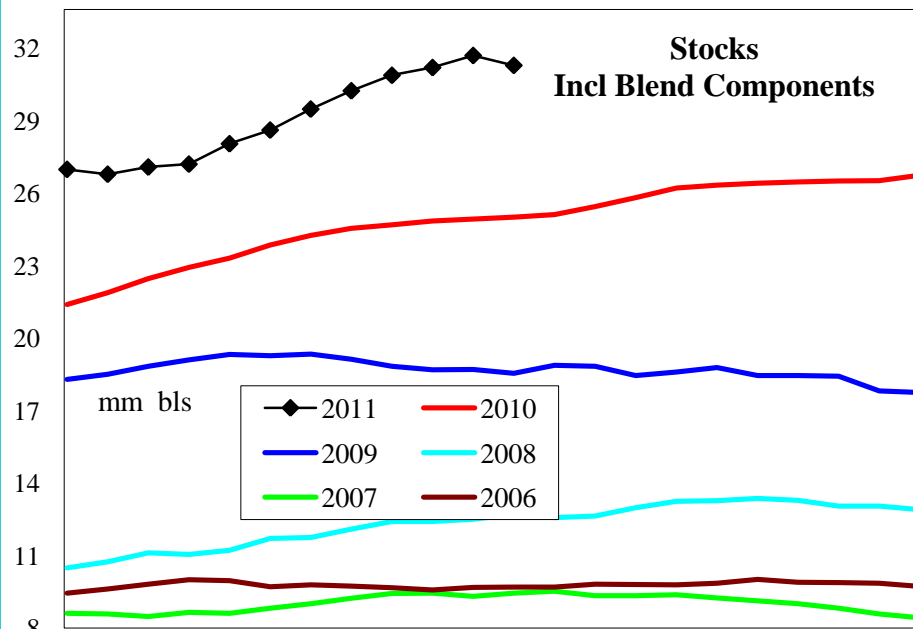
41.4

Prod + Imp - Stk chg

-360

-14.1

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

6,801

27.3

Production

14

3.3

Imports

-3

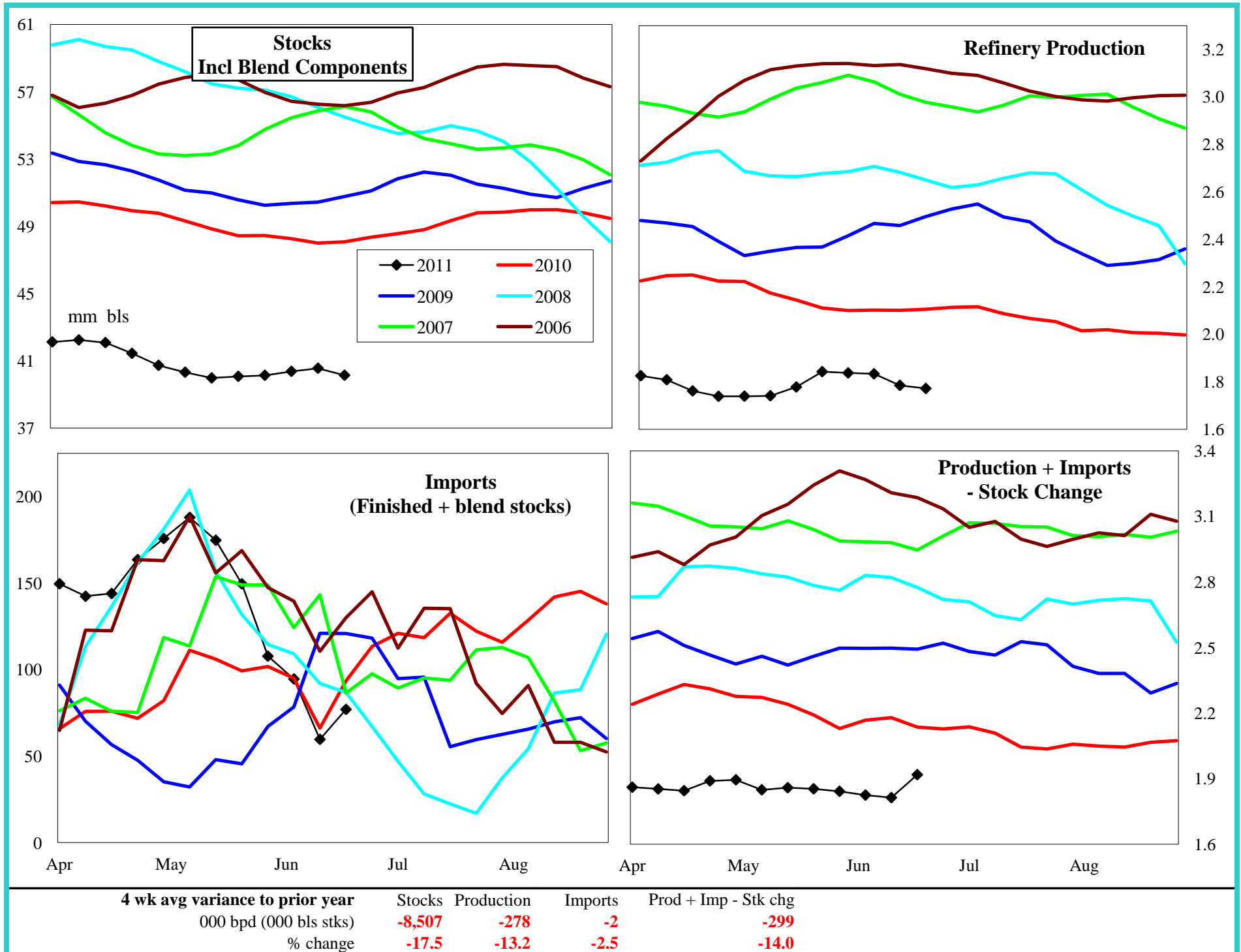
-100.0

Prod + Imp - Stk chg

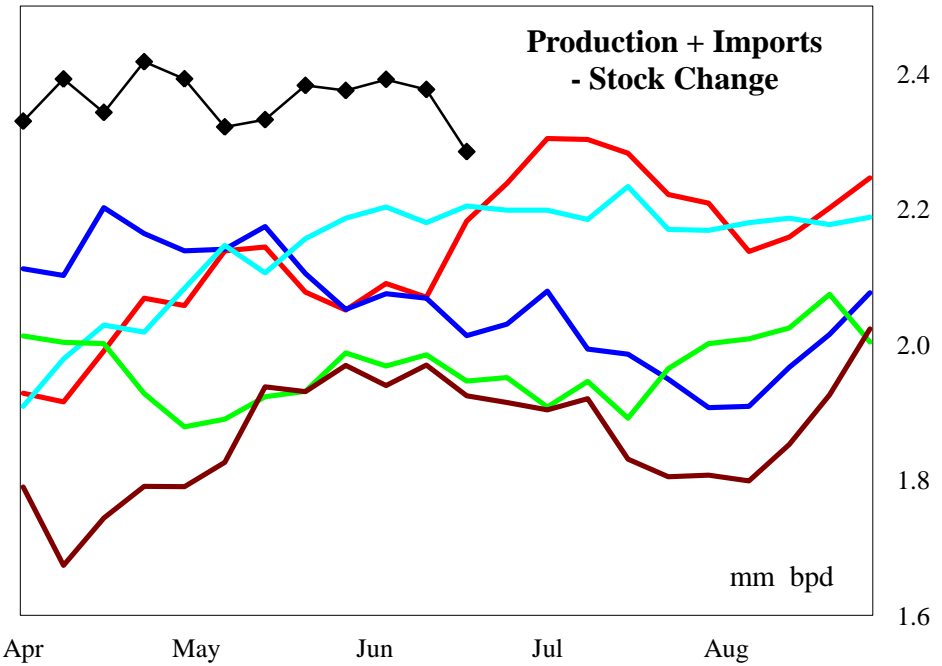
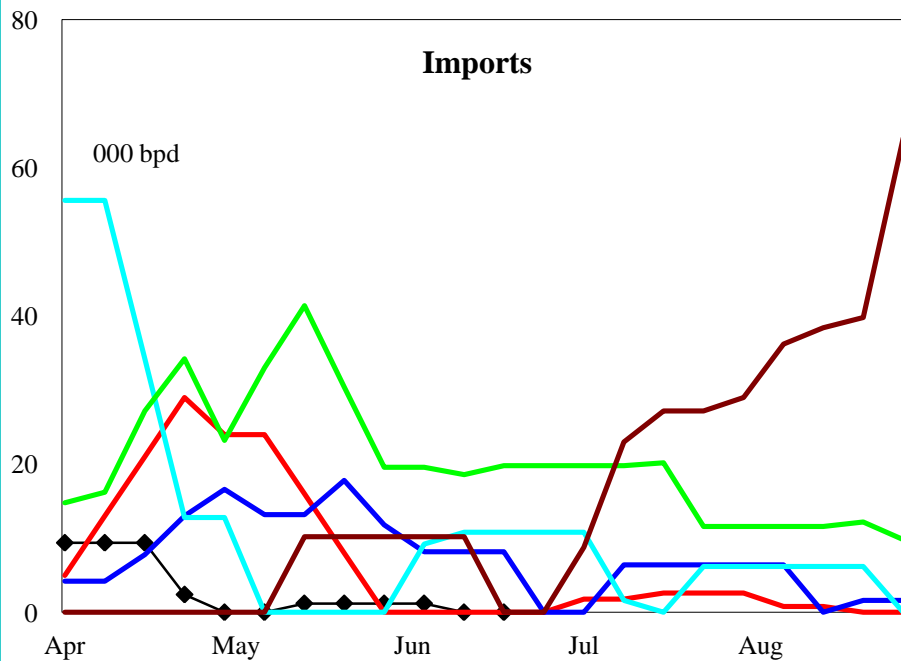
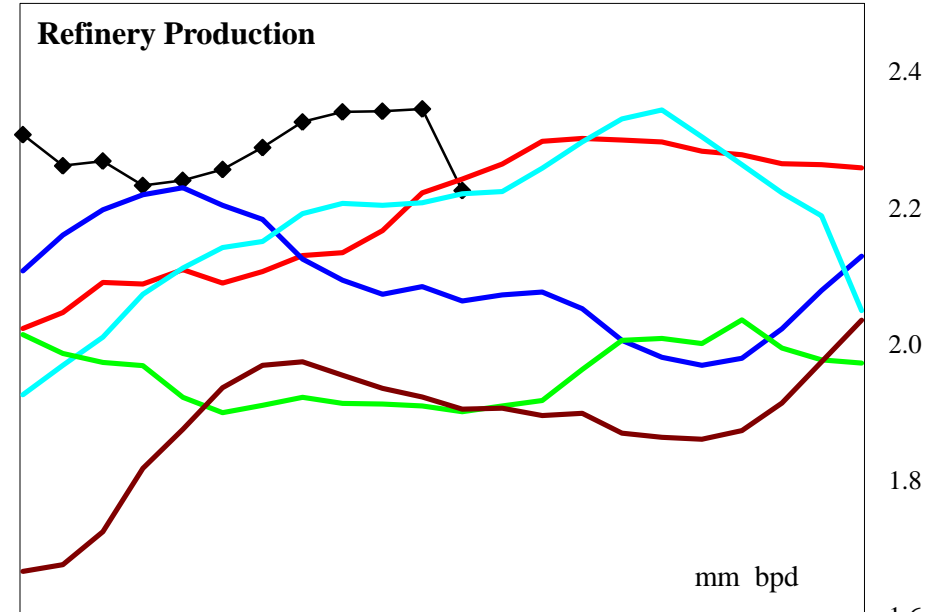
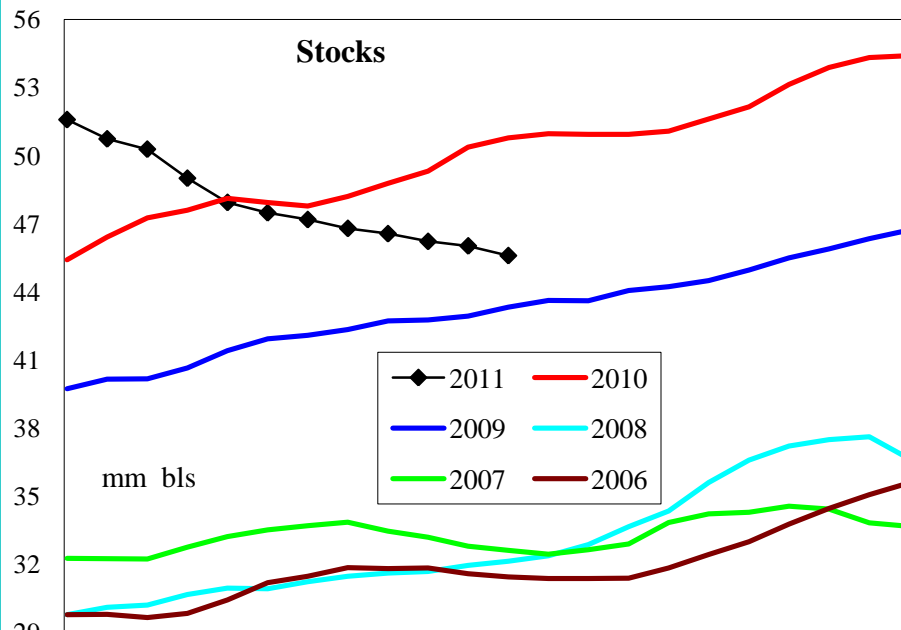
-62

-14.8

PADD 3 Conventional Gasoline Supply



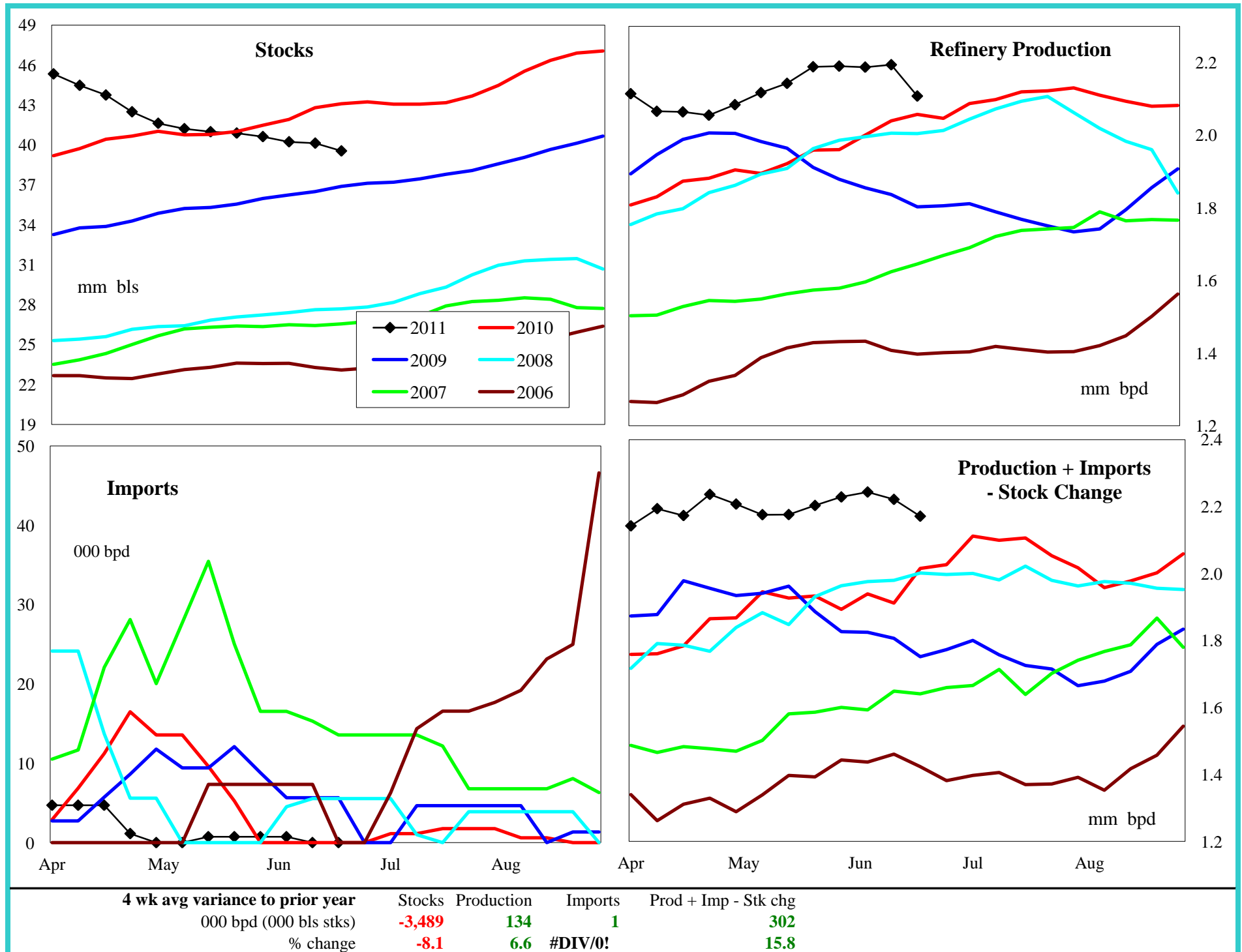
PADD 3 Distillate Supply



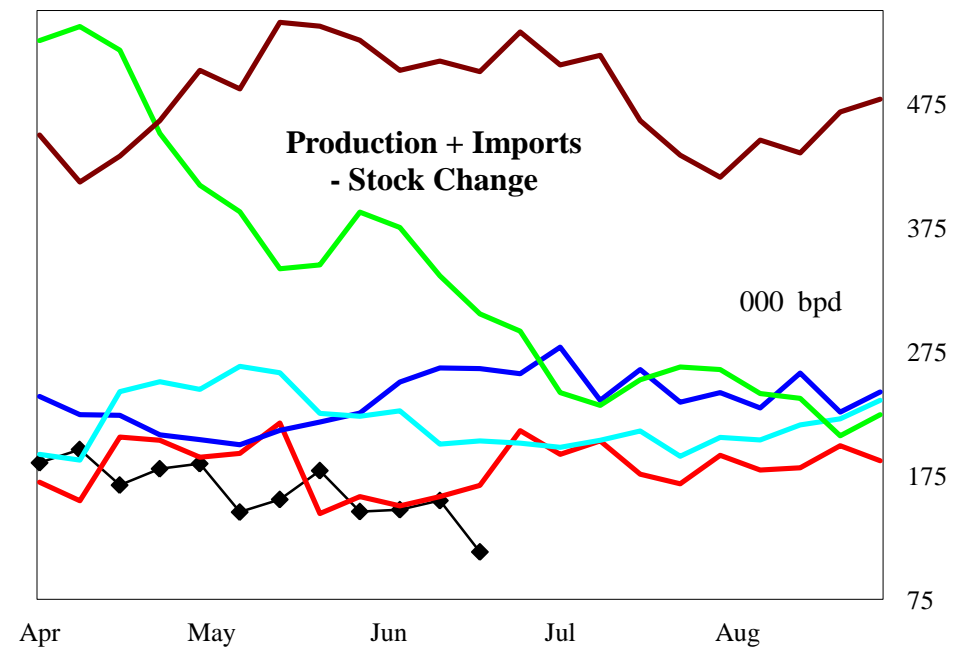
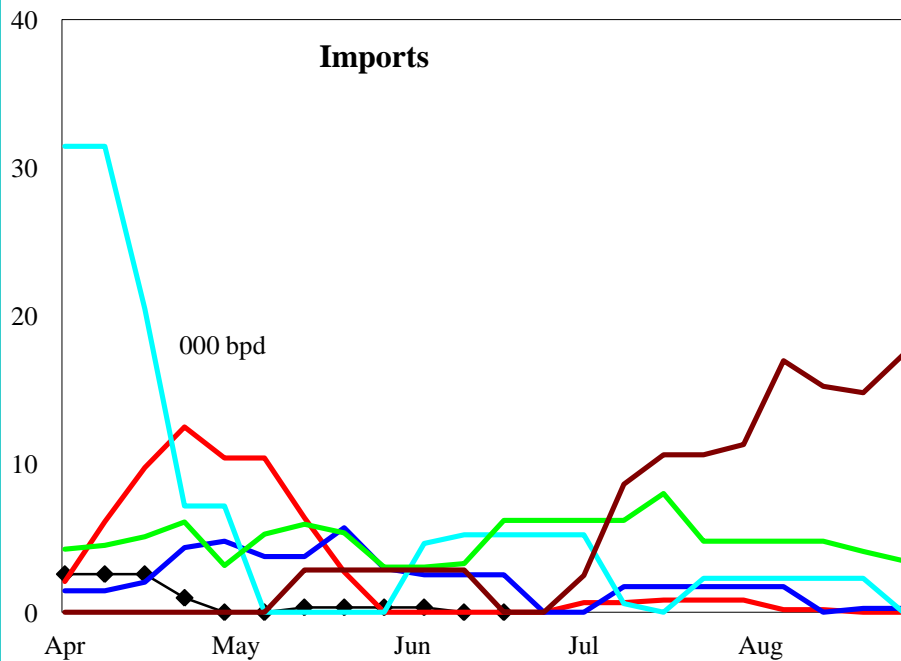
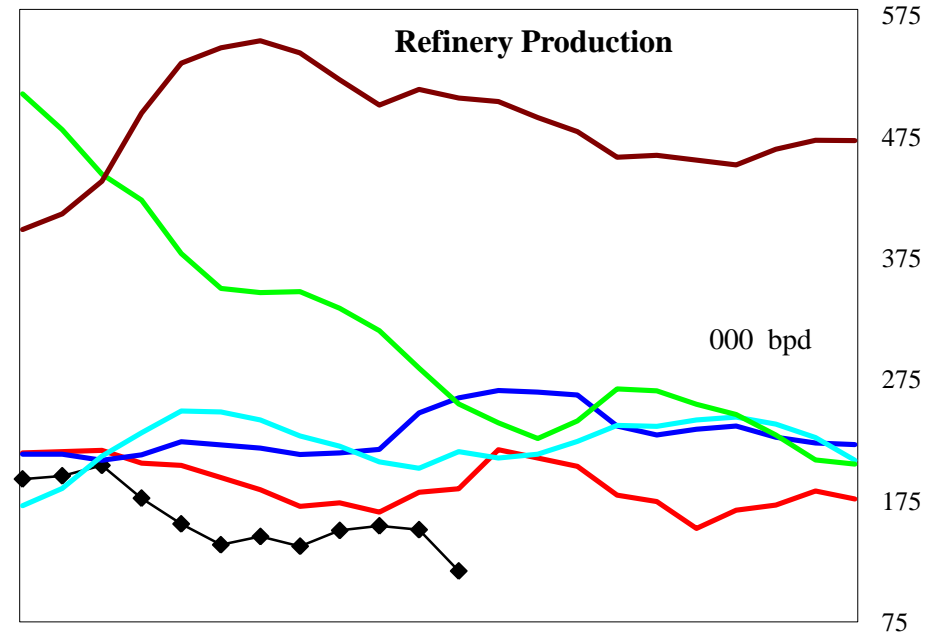
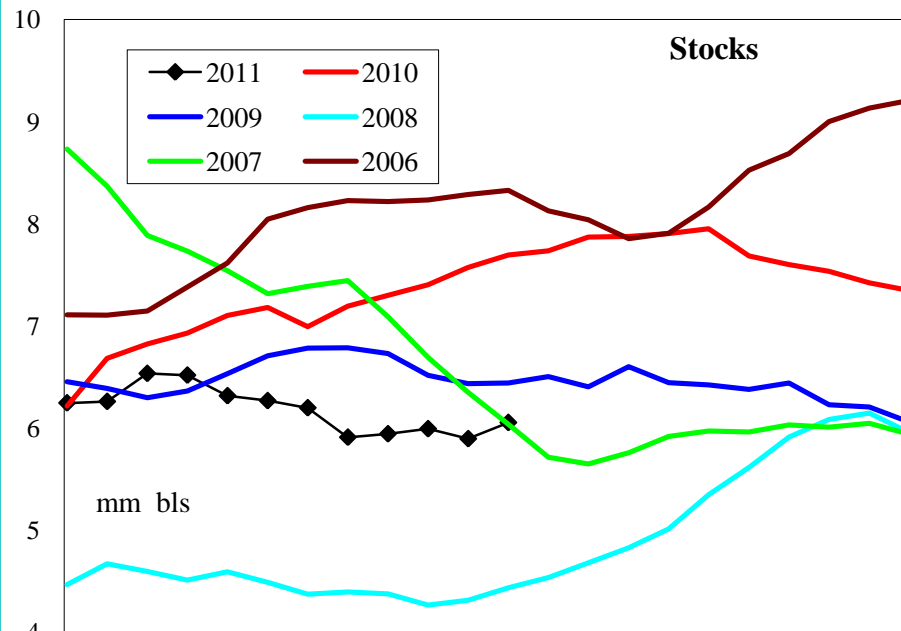
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-5,243	138	2	336
-10.3	6.3	#DIV/0!	16.4

PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-1,753

-22.5

Production

4

2.6

Imports

0

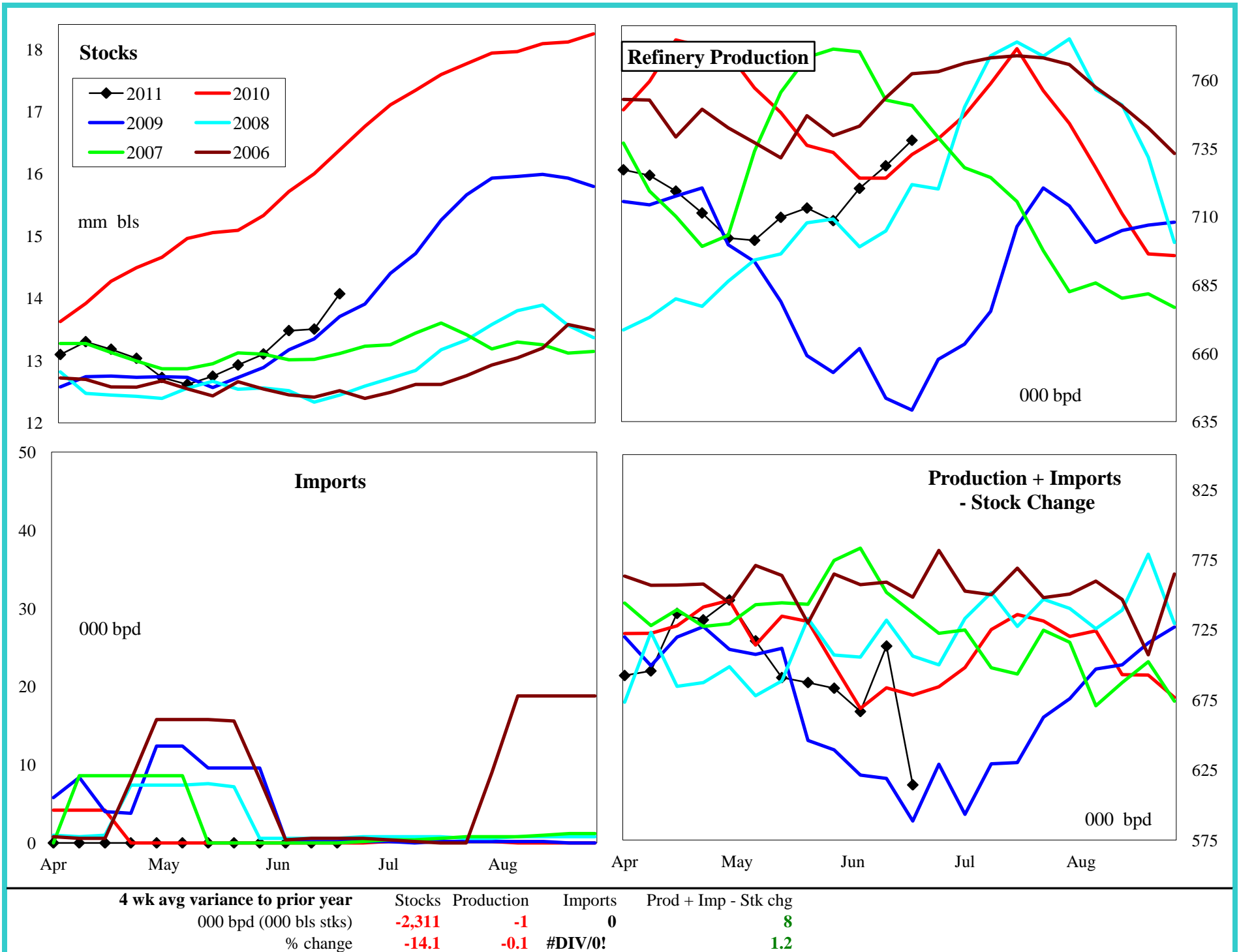
#DIV/0!

Prod + Imp - Stk chg

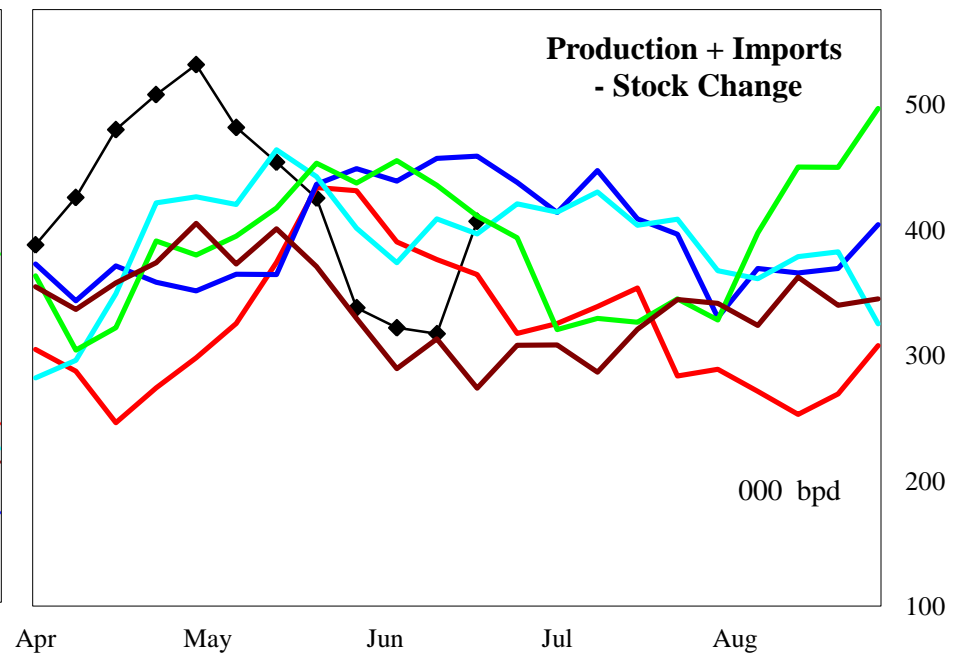
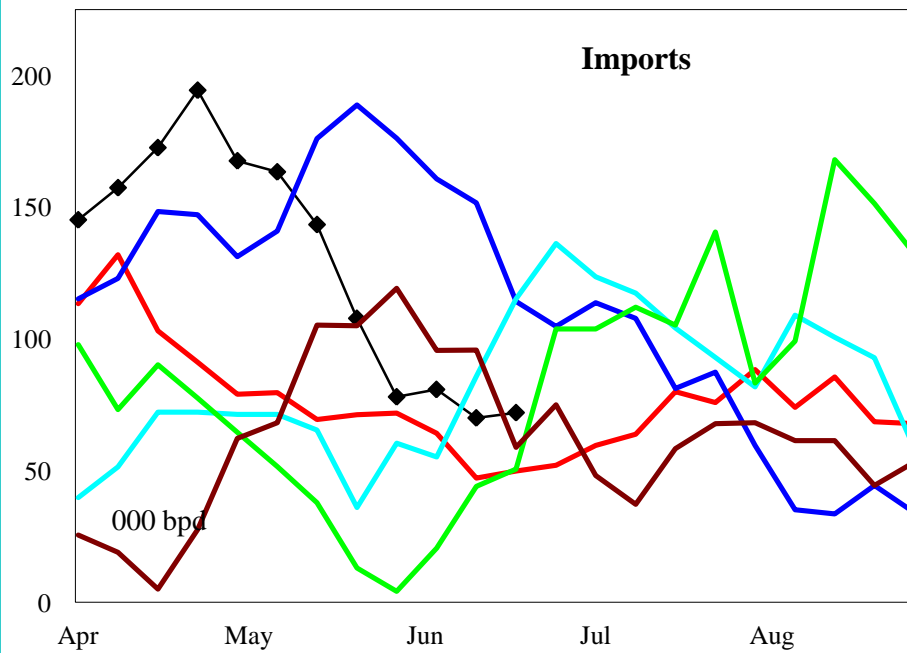
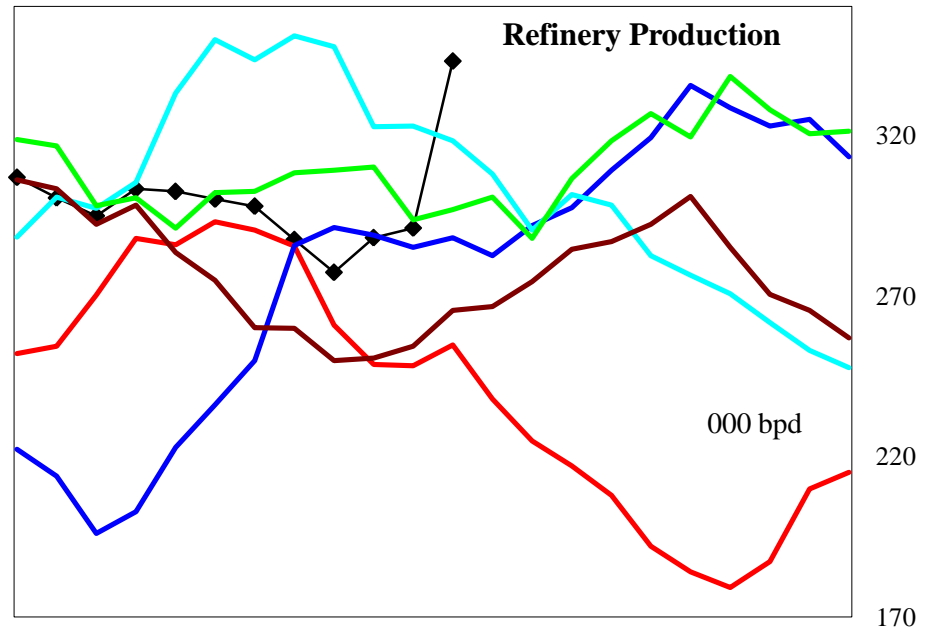
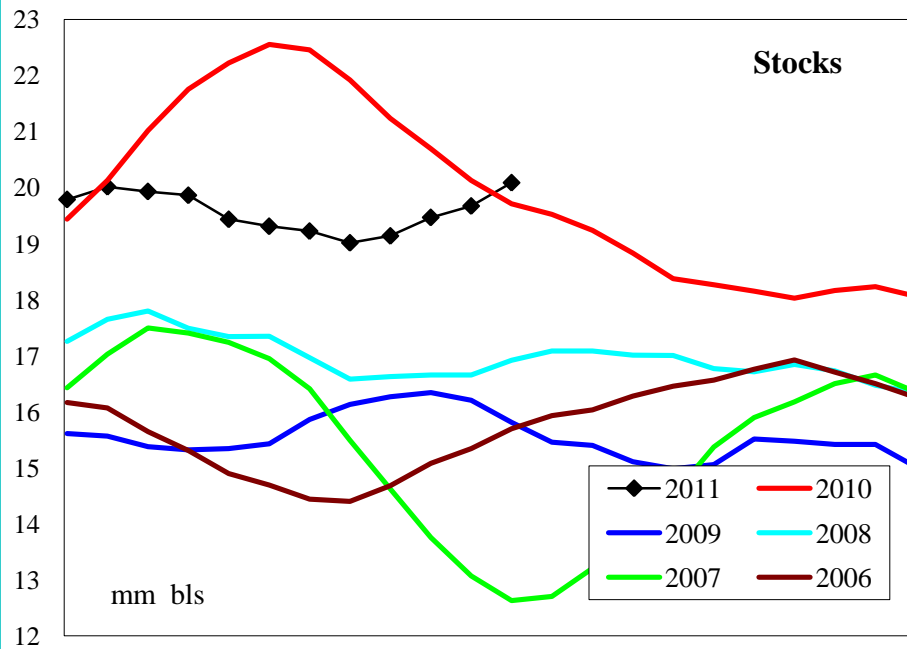
34

25.2

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

375

39

31

-74

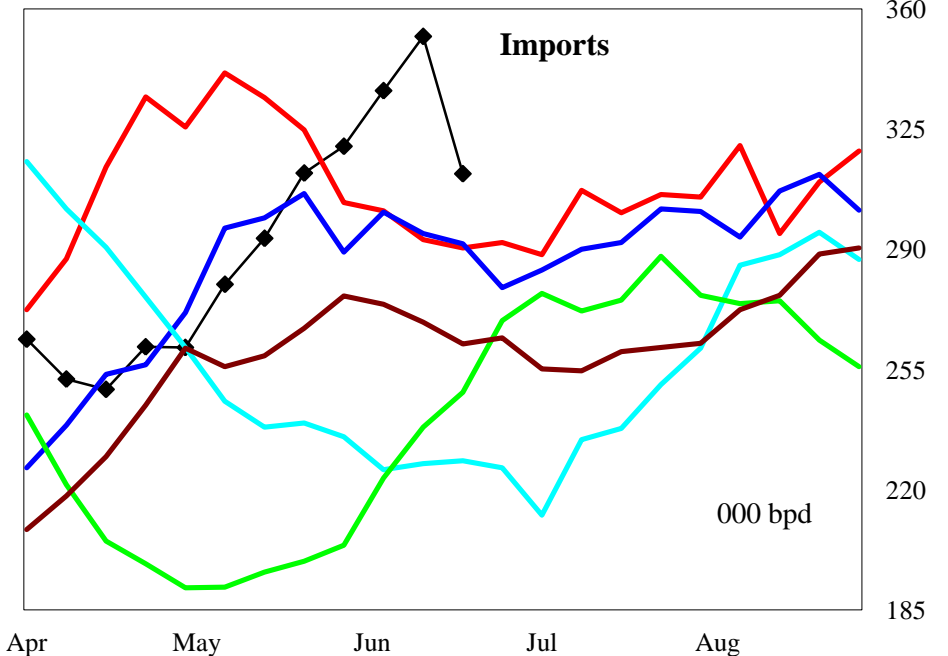
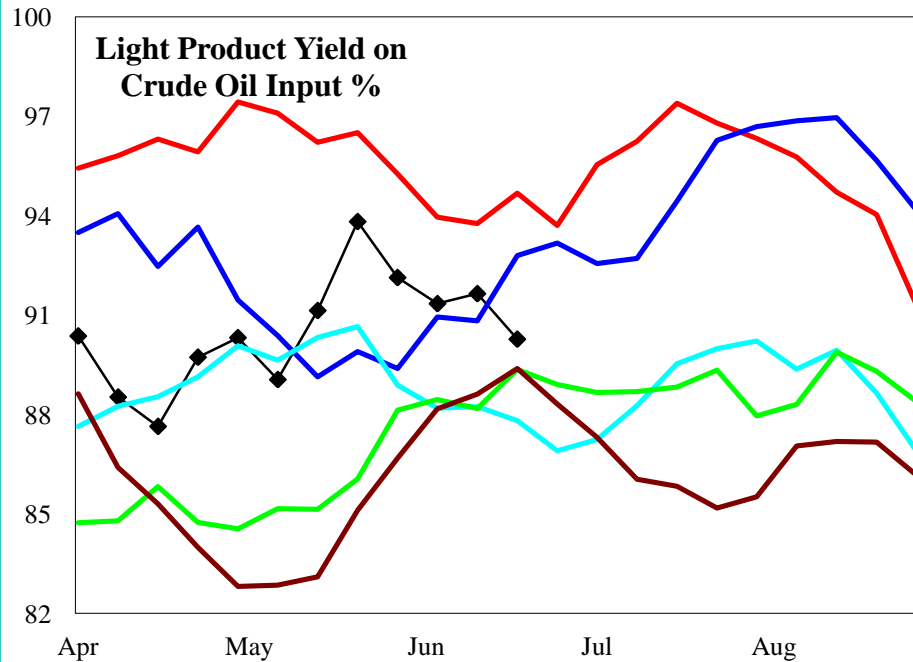
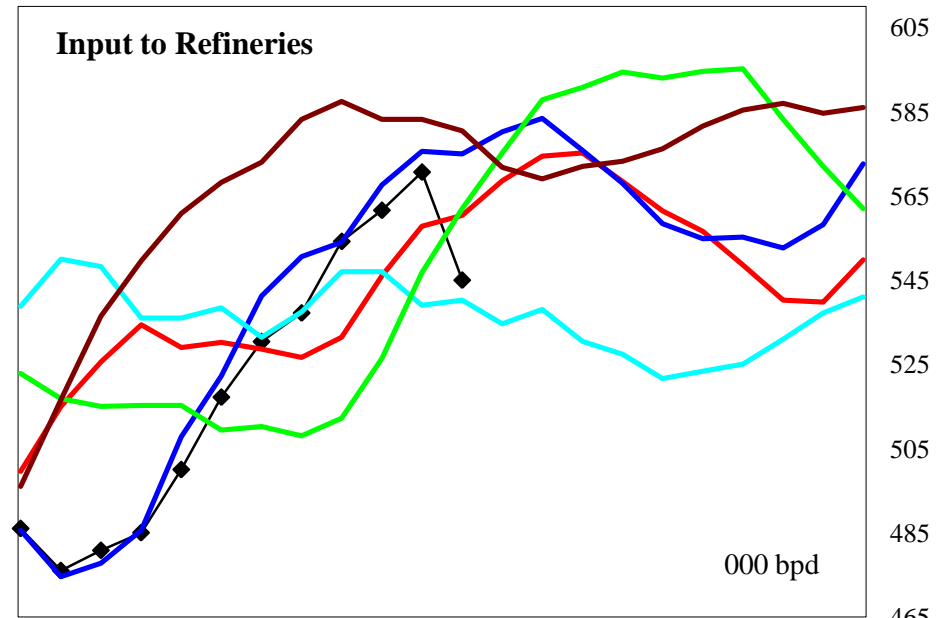
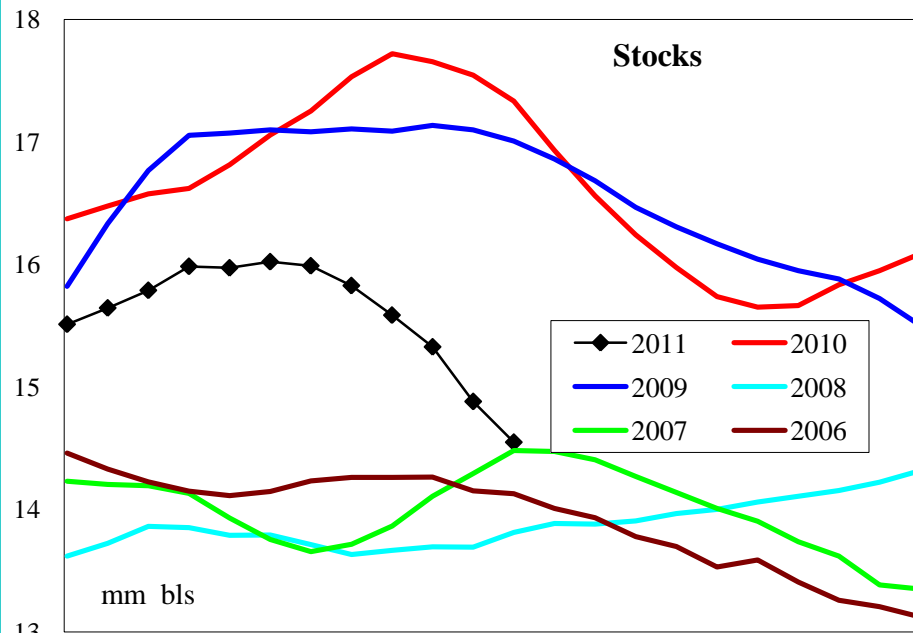
1.9

15.9

66.1

-18.4

PADD 4 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-2,786

-16.1

Input

13

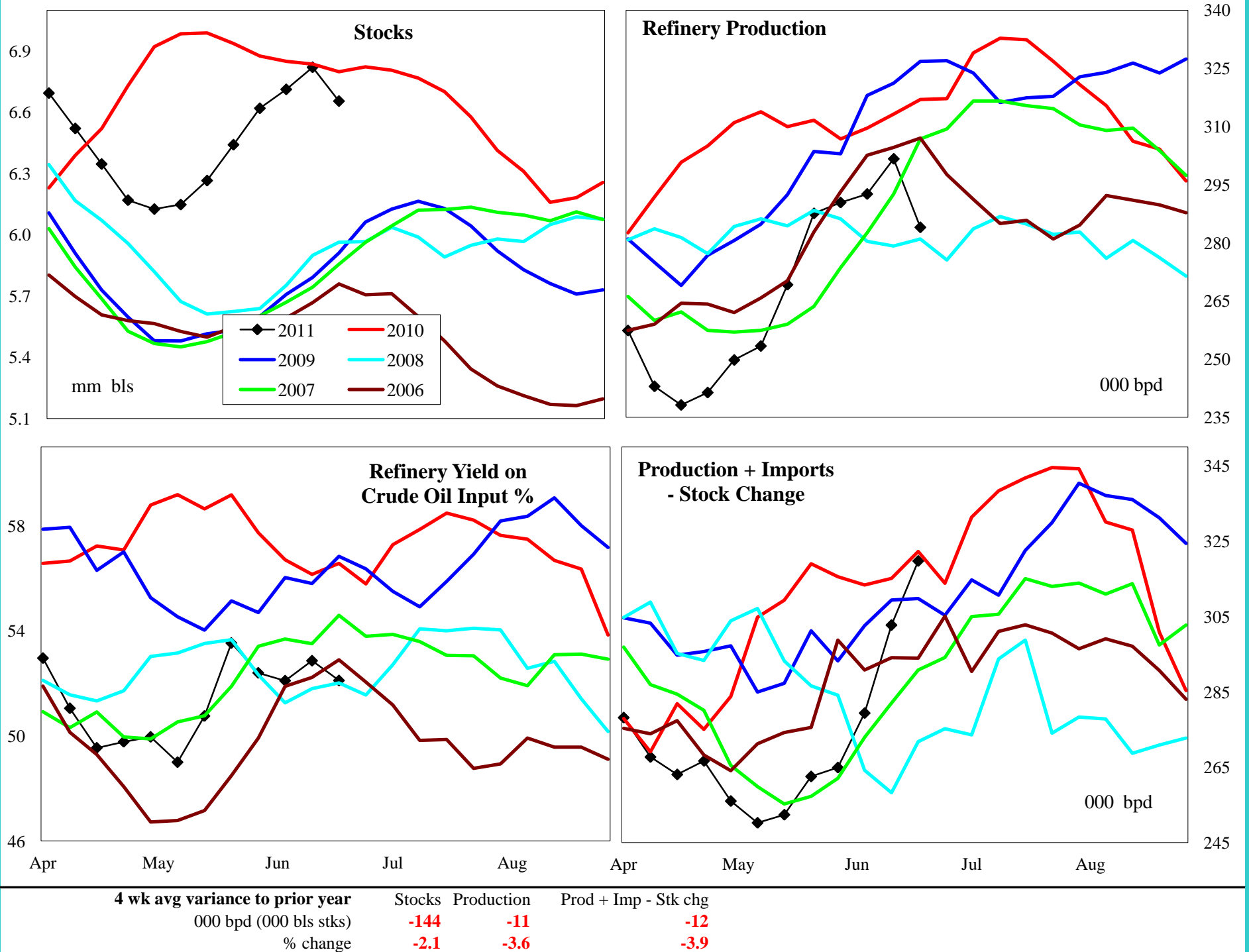
2.3

Imports

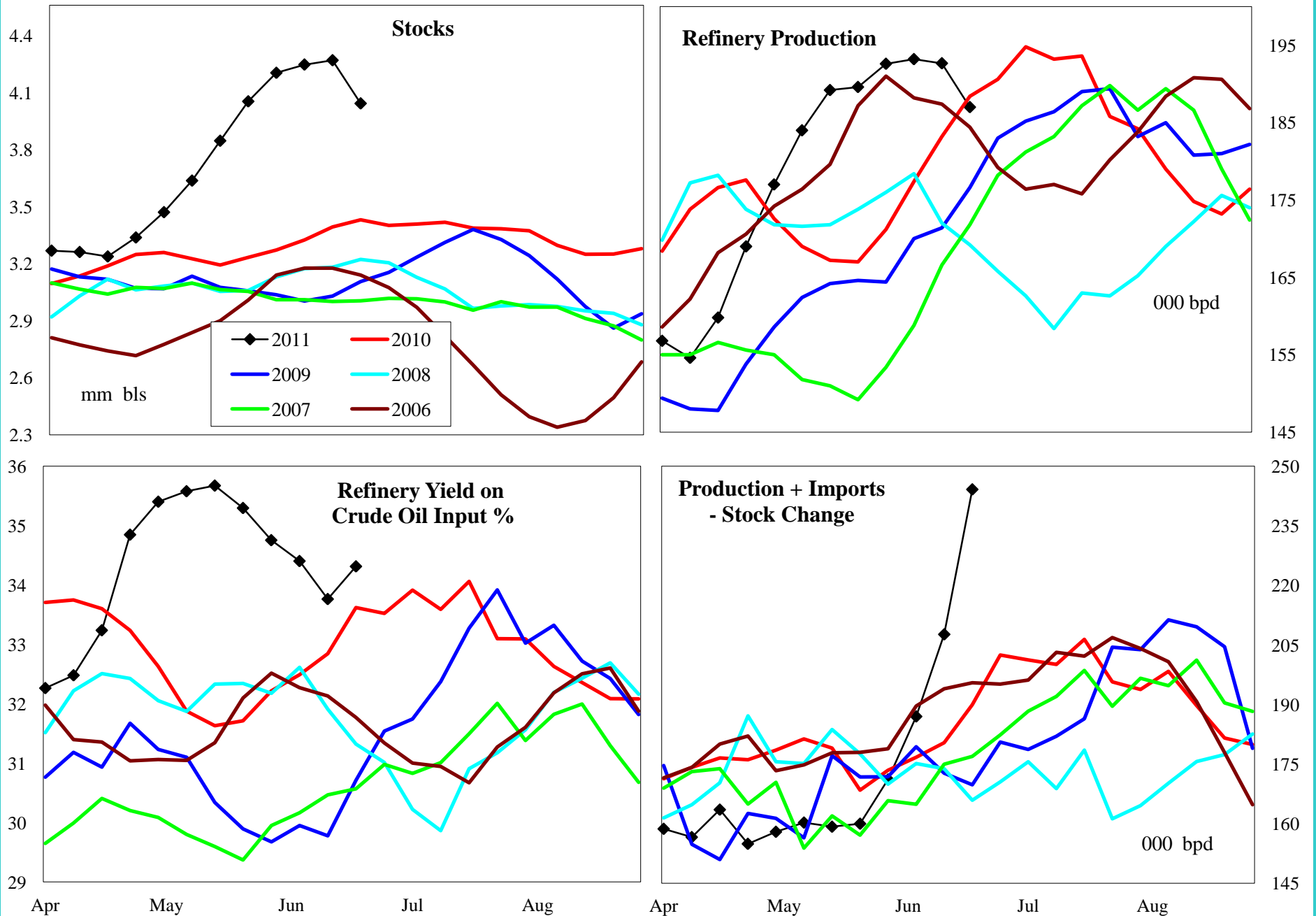
54

18.7

PADD 4 Gasoline Supply



PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

612

11

-7

-3

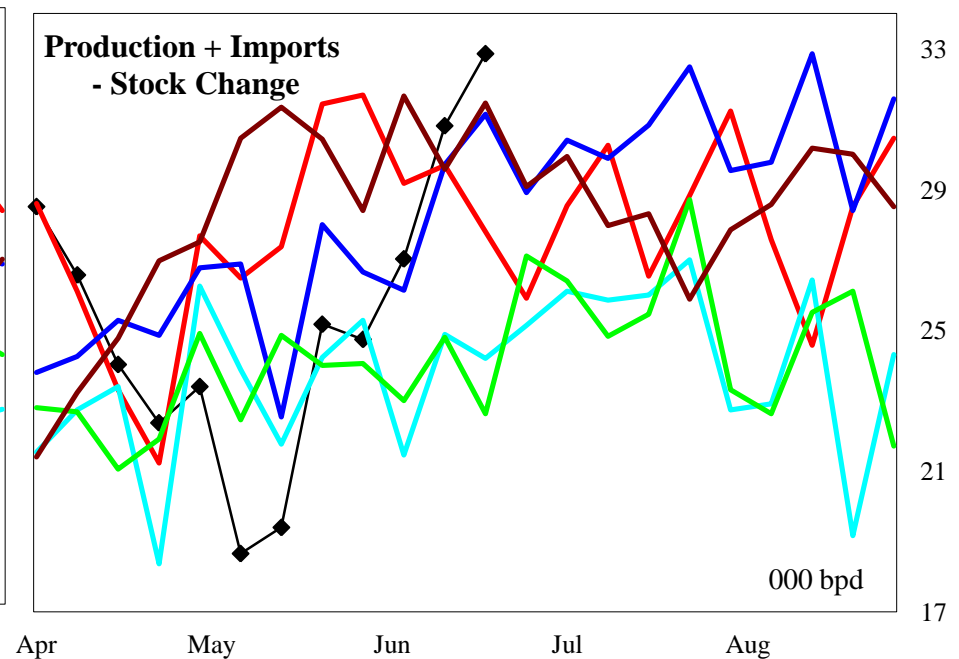
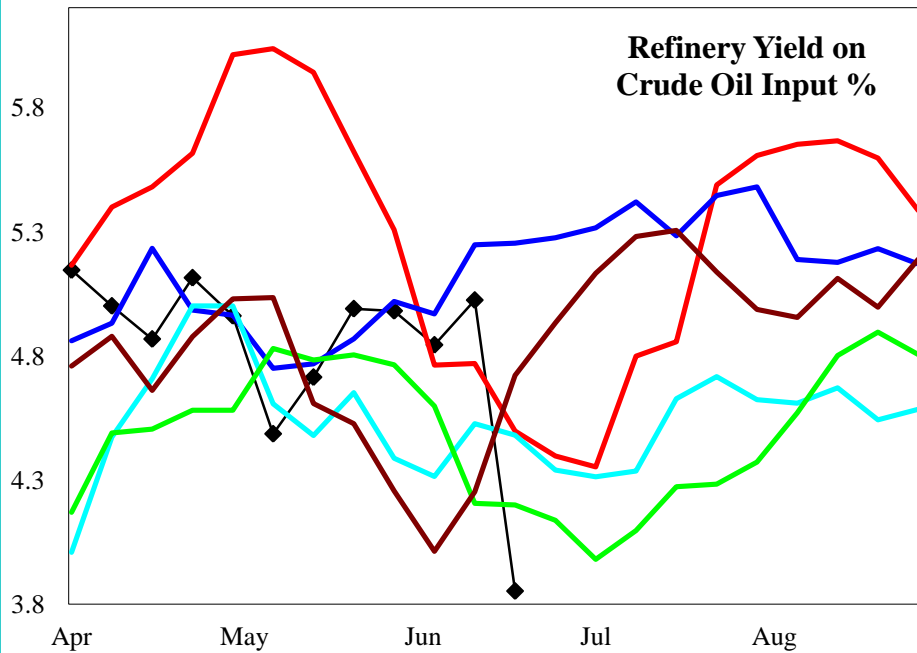
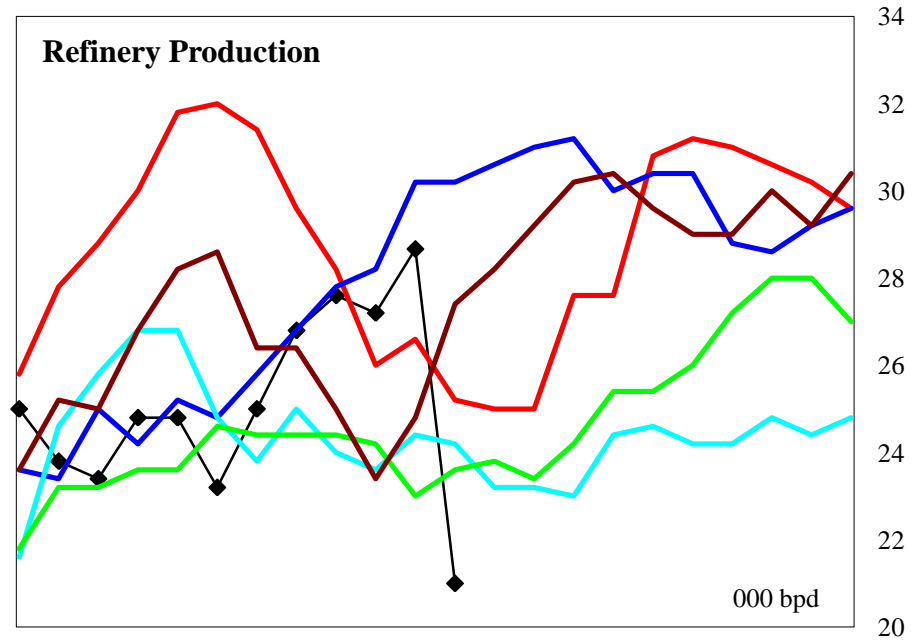
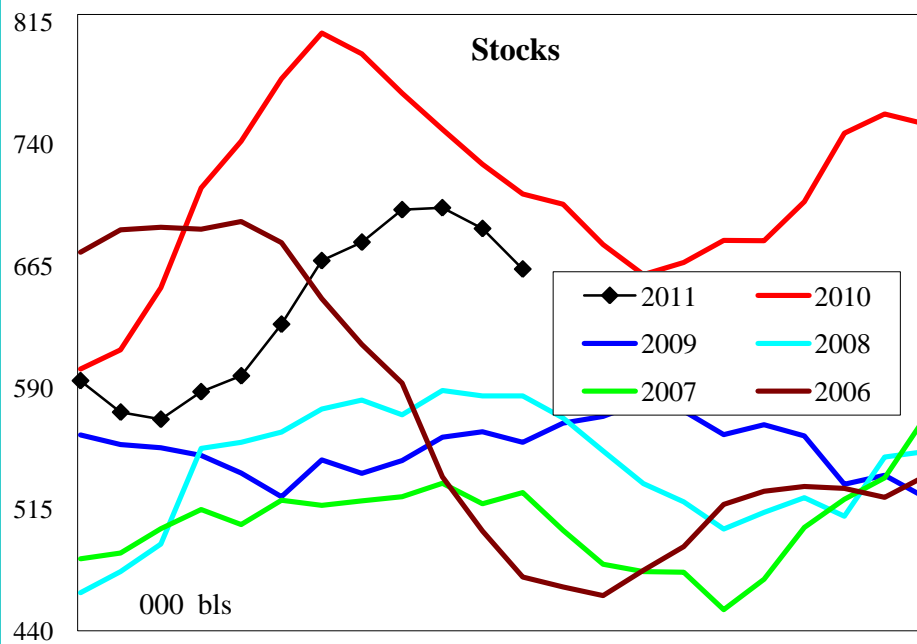
17.6

5.8

-100.0

-1.7

PADD 4 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

-46

3

-6.5

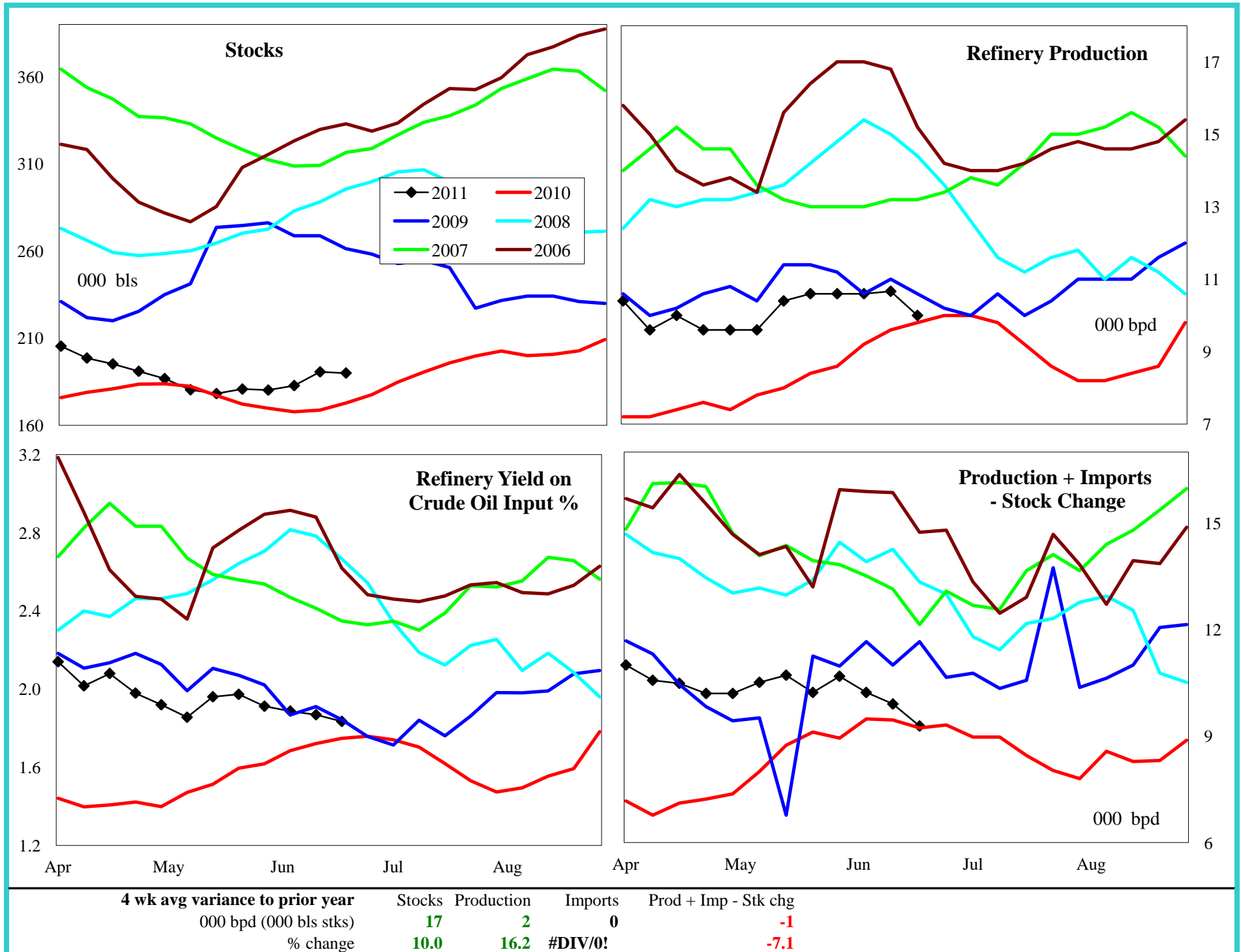
11.5

Prod + Imp - Stk chg

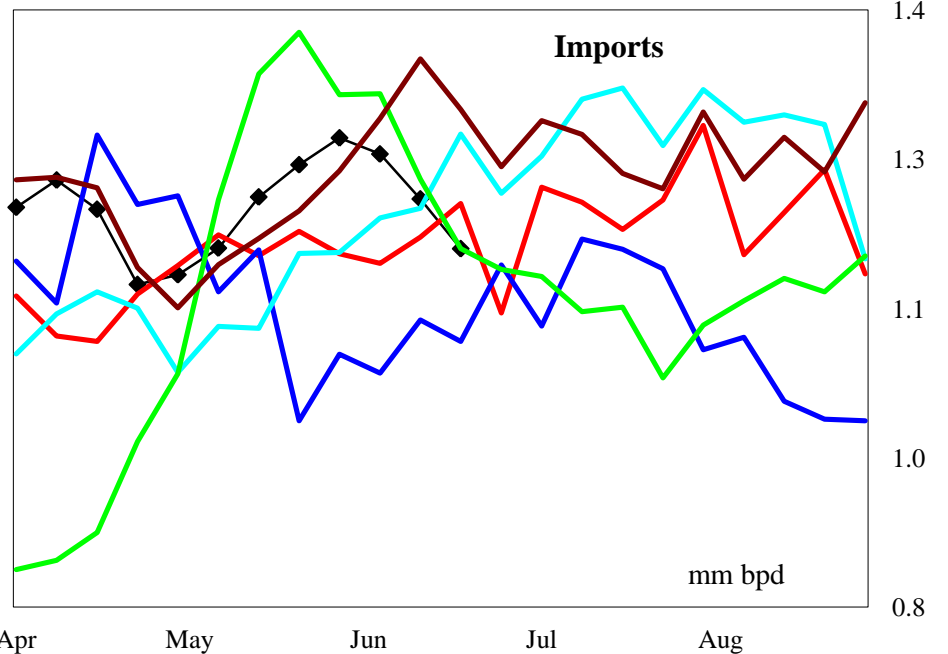
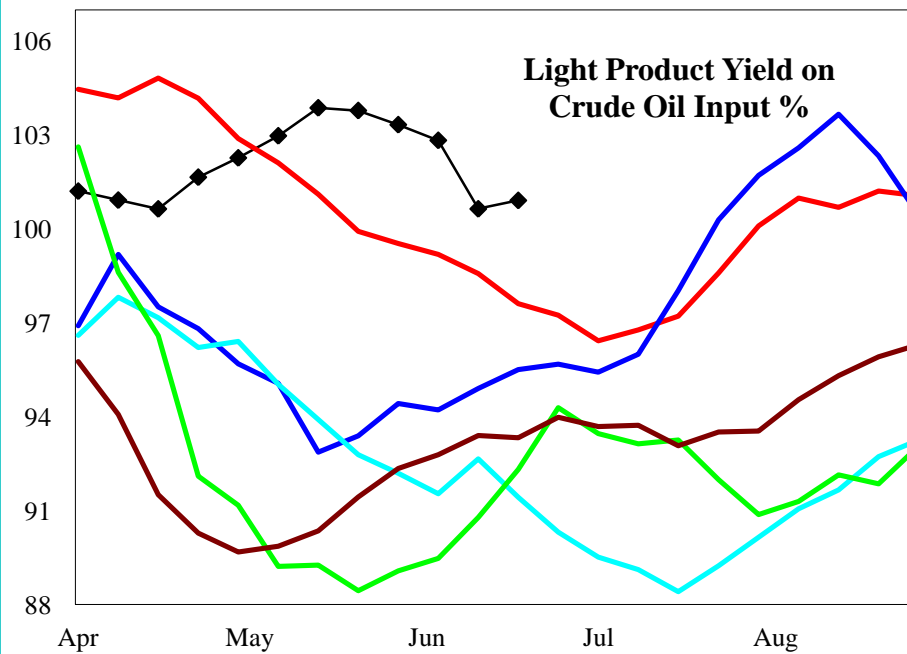
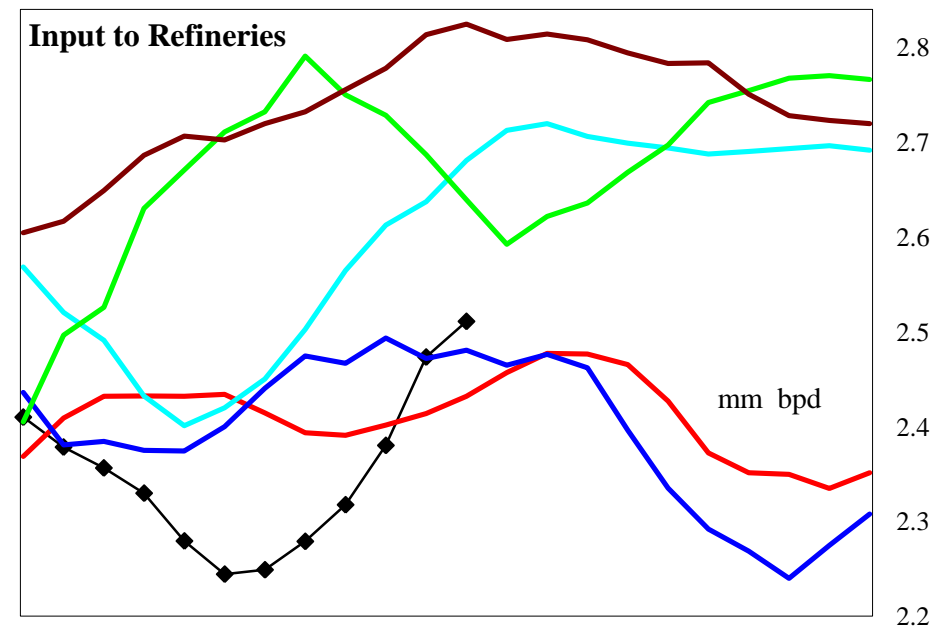
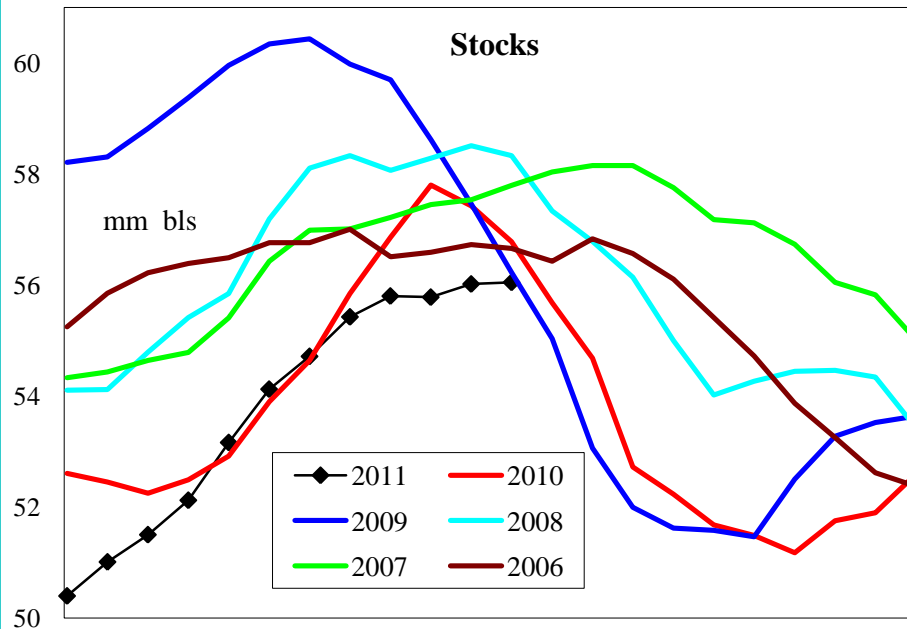
3

12.4

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

-731

-1.3

Input

14

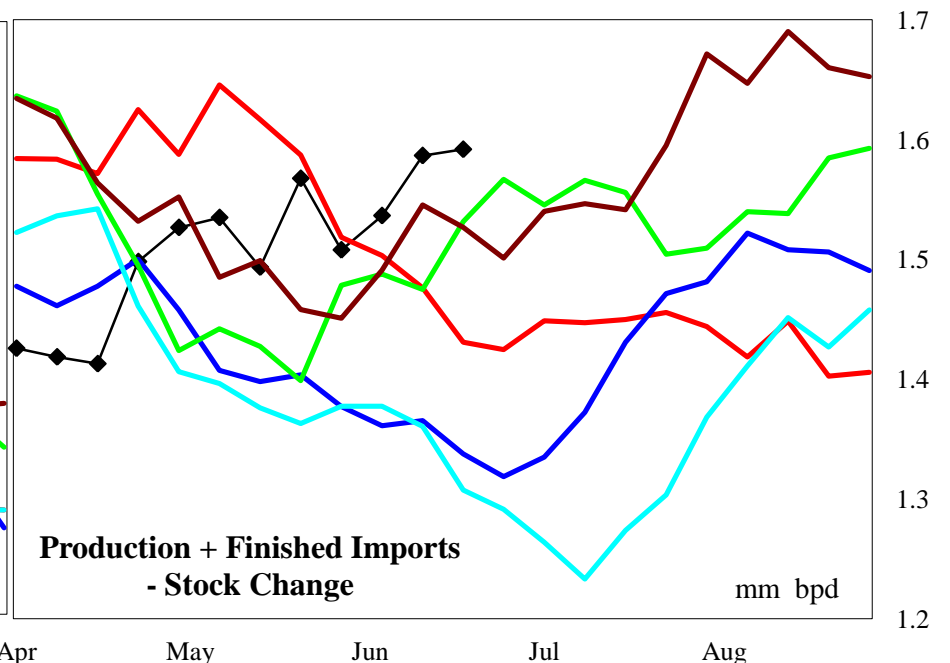
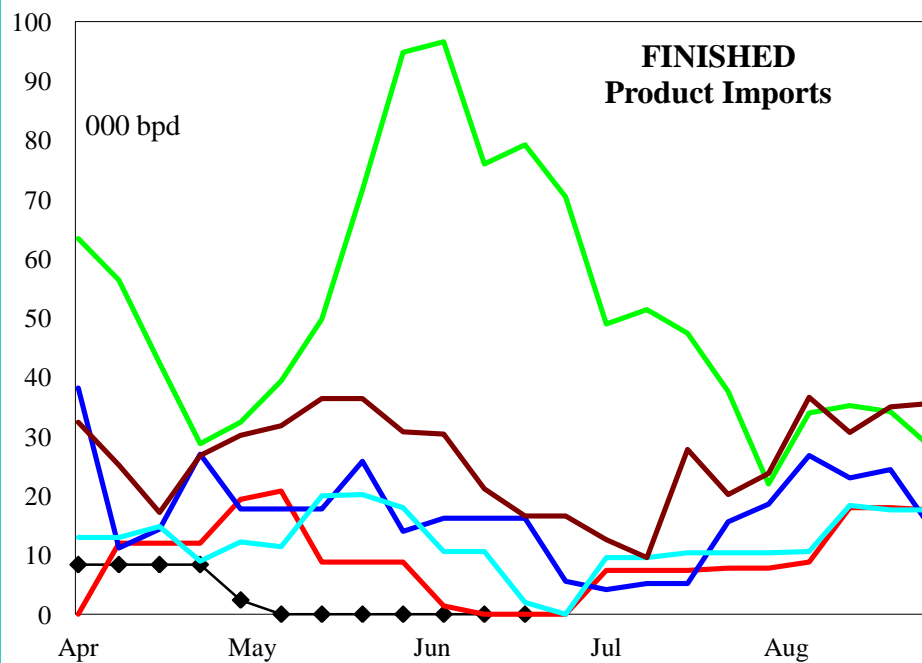
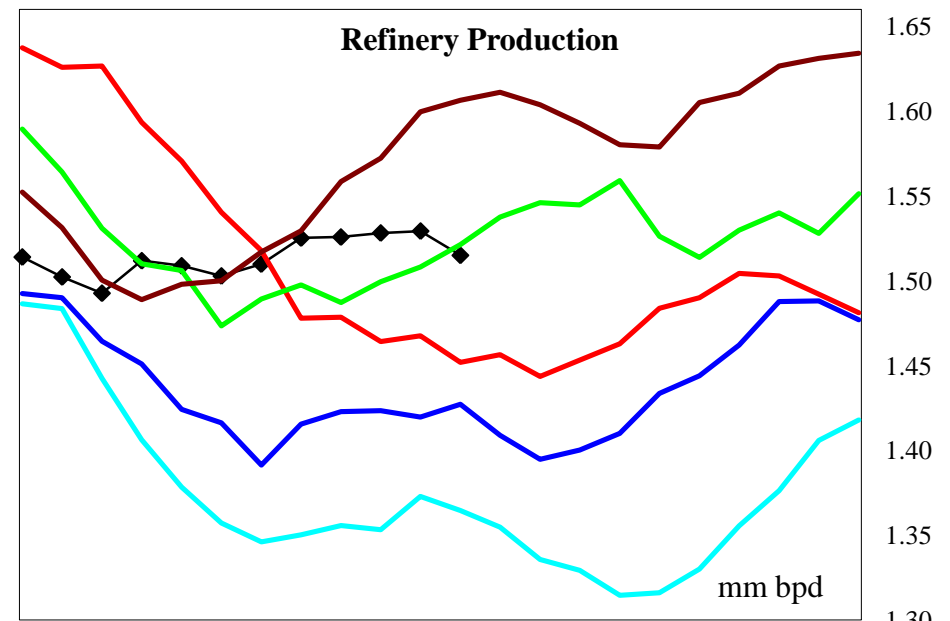
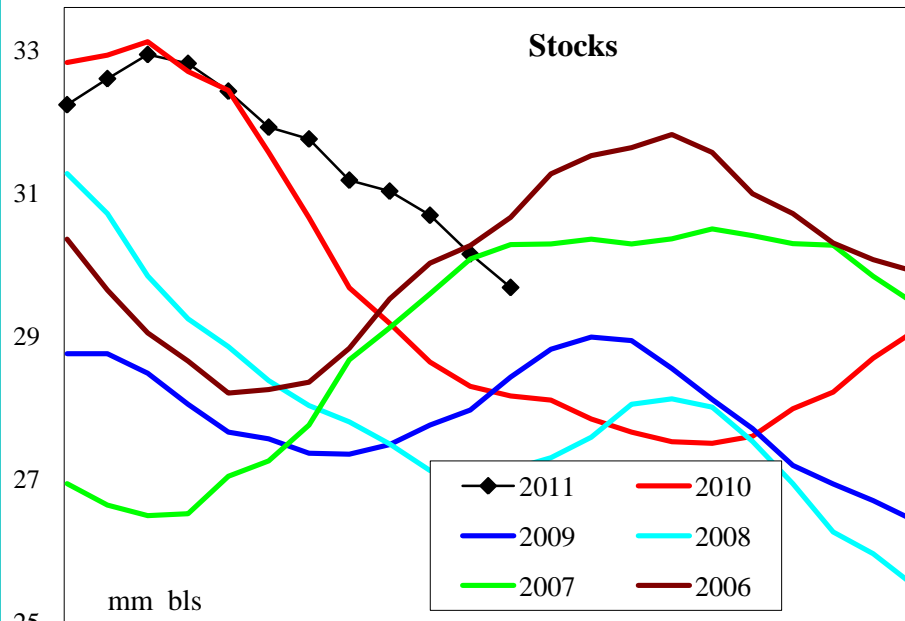
0.6

Imports

163

14.6

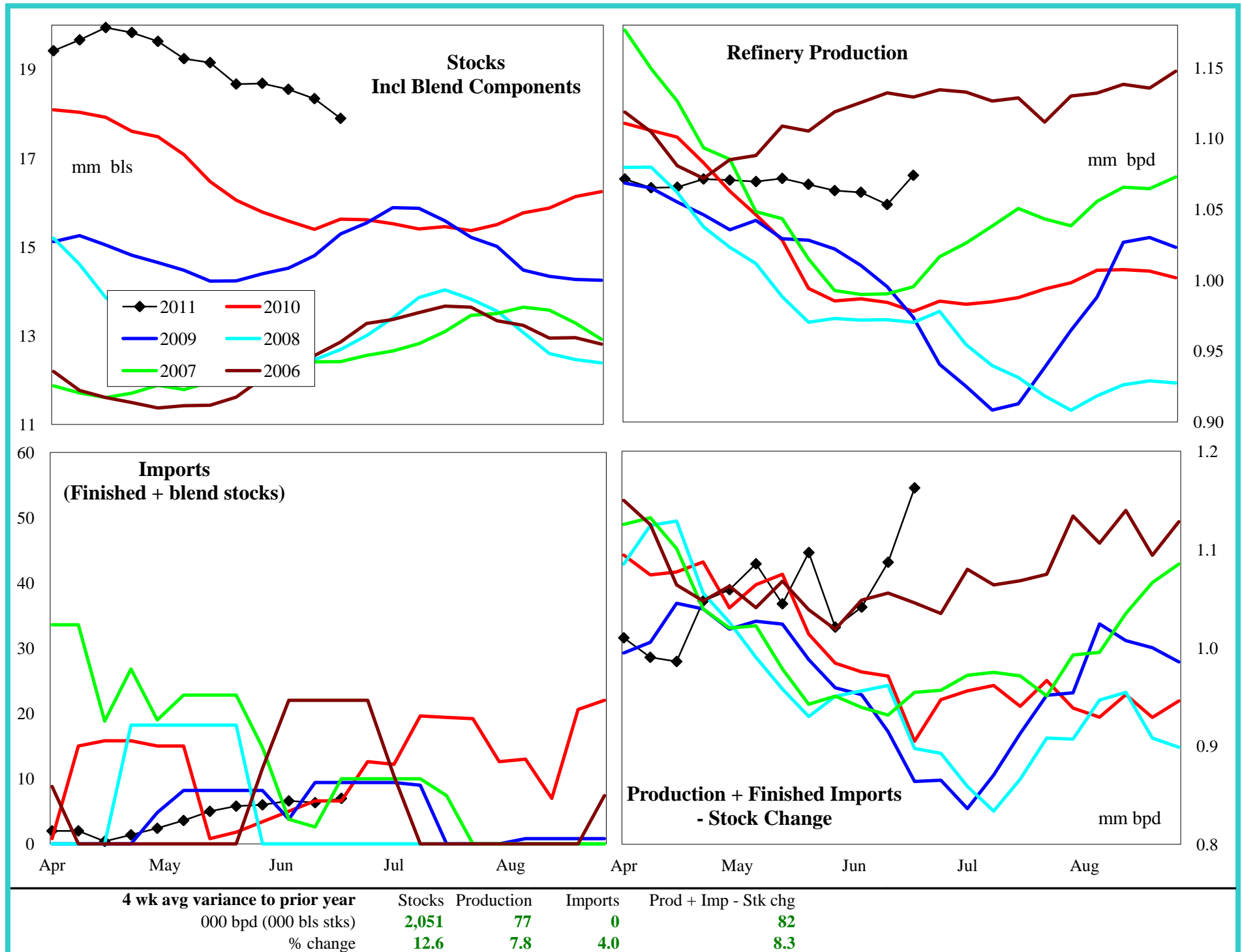
PADD 5 Gasoline Supply



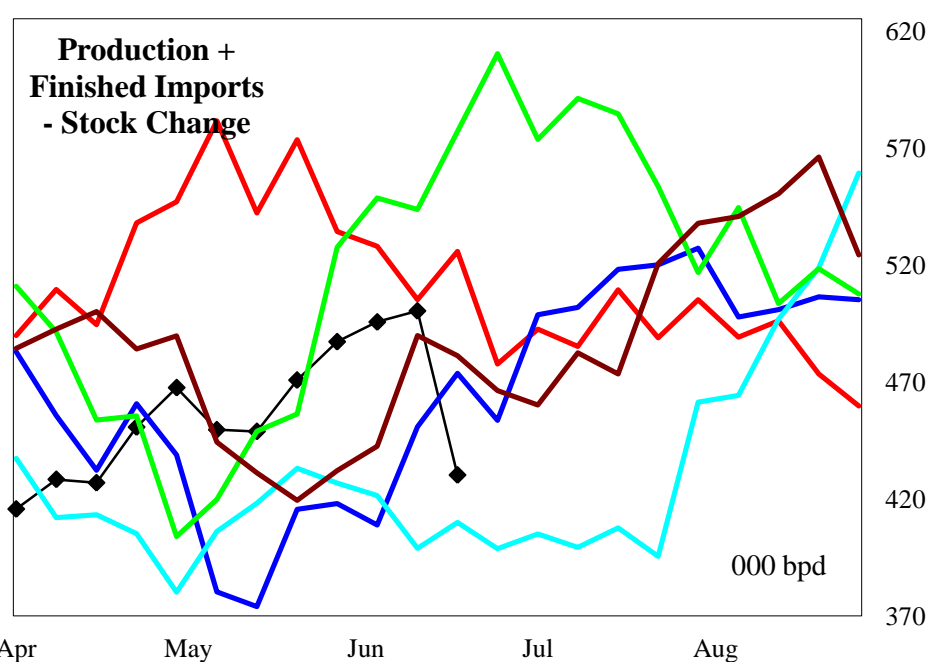
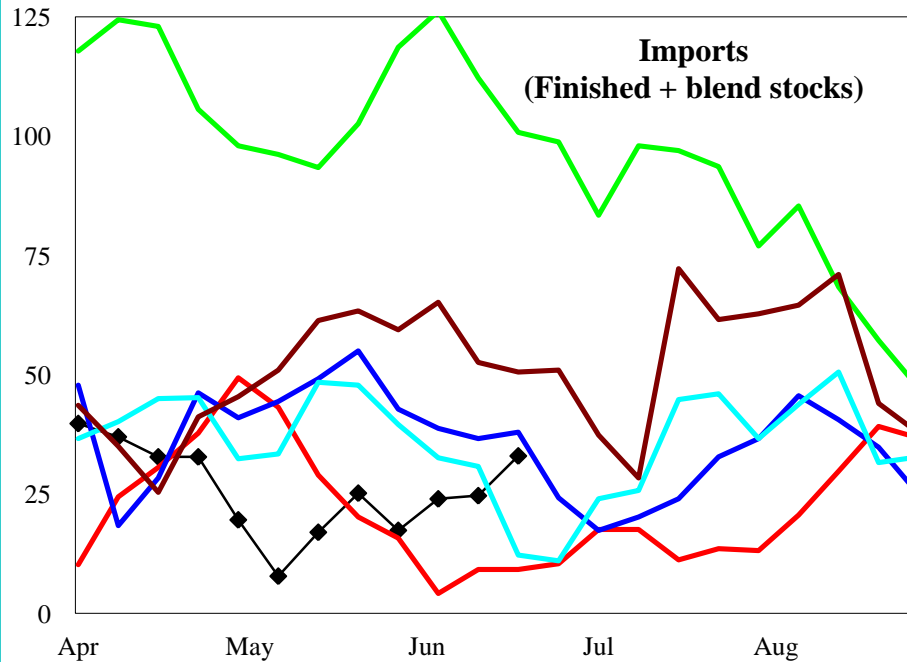
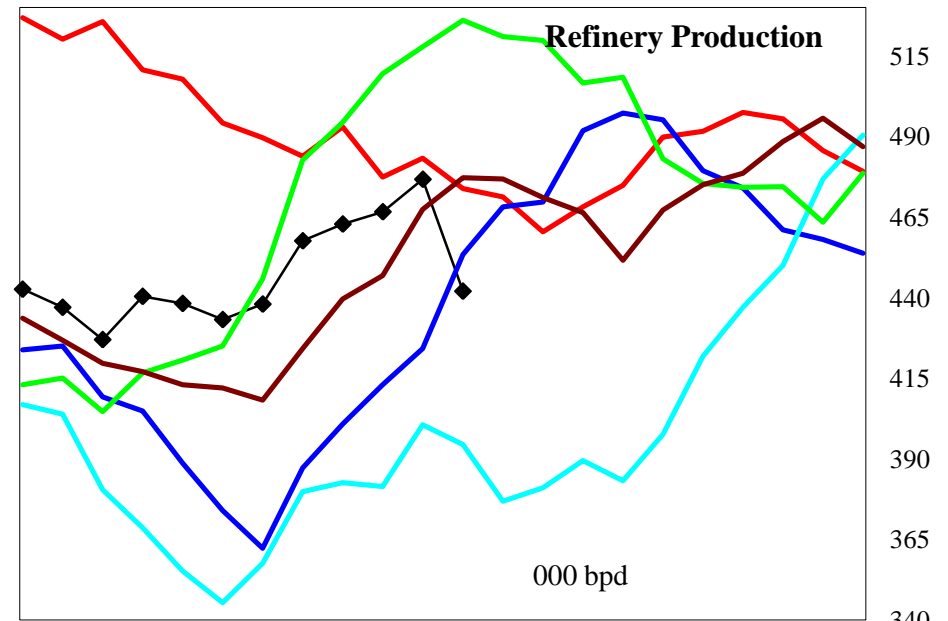
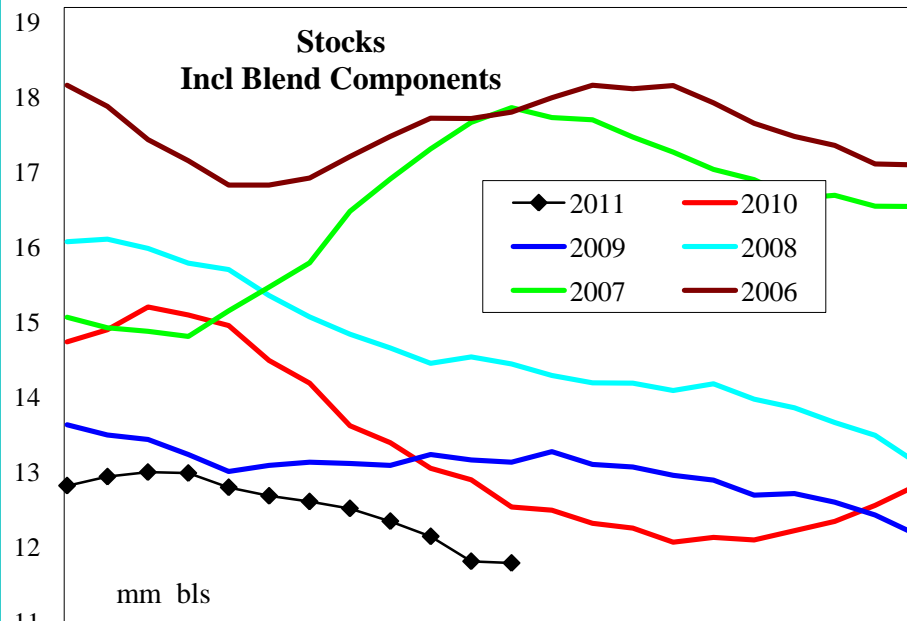
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
1,359	71	0	27	85
4.7	4.8	#DIV/0!	274.4	5.7

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

-692

-6

27

4

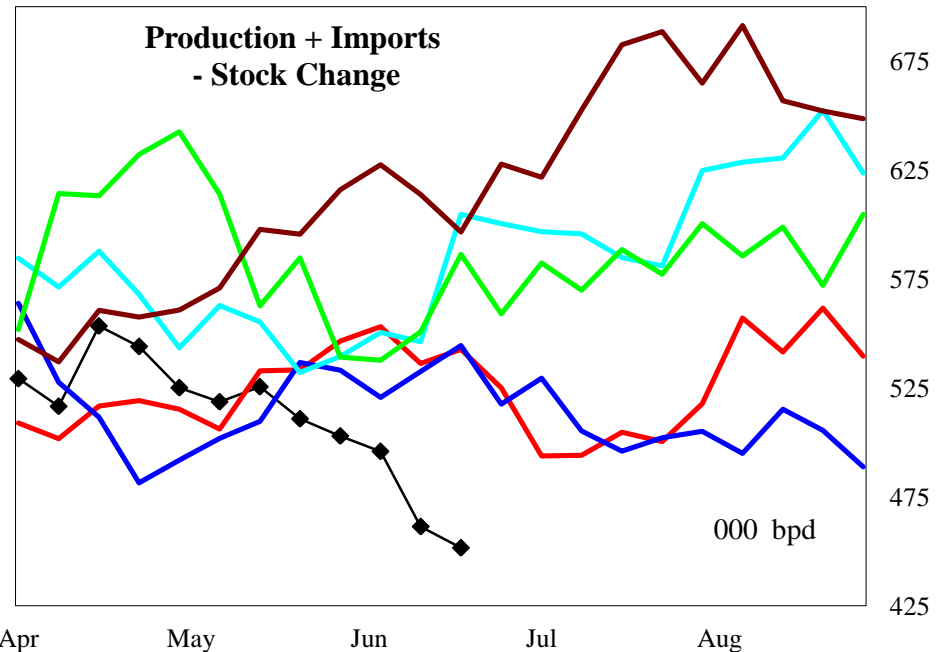
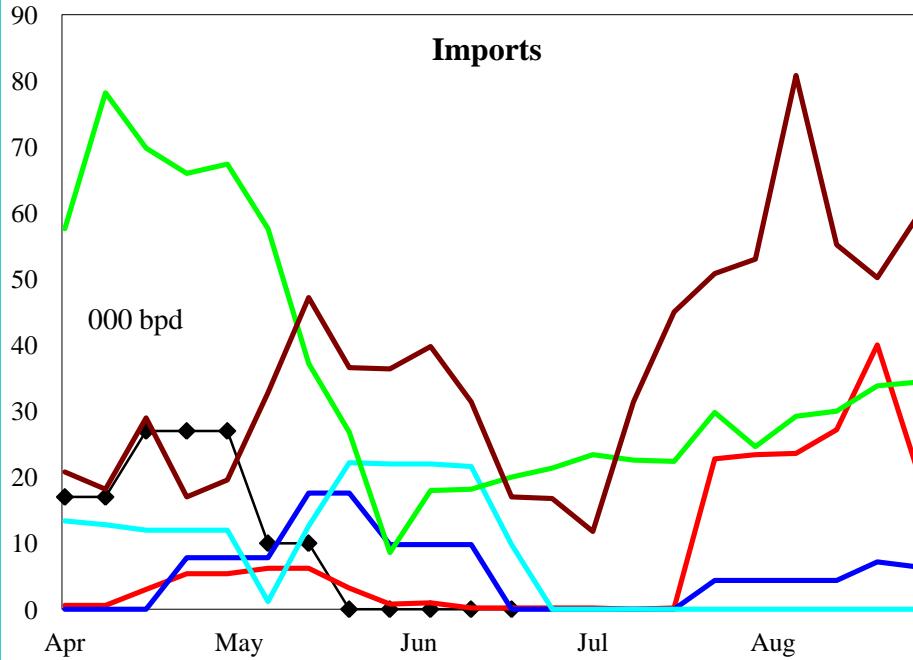
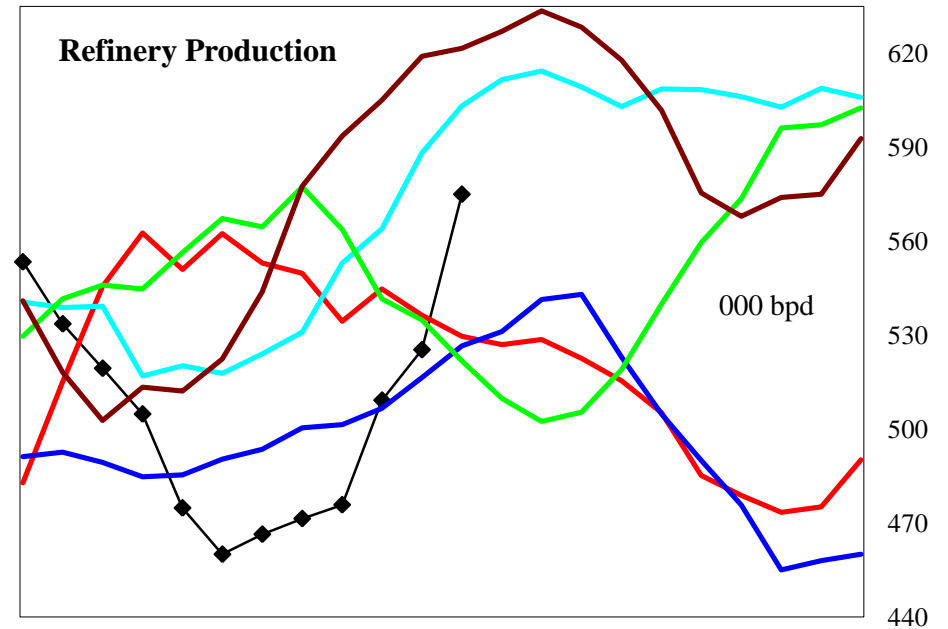
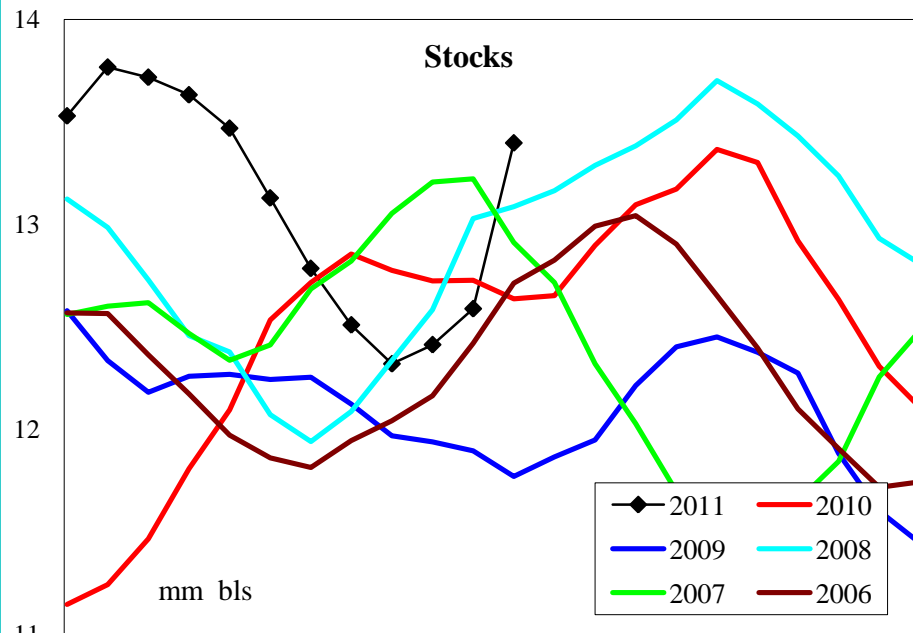
-5.5

-1.1

757.1

0.7

PADD 5 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

761

-22

0

-92

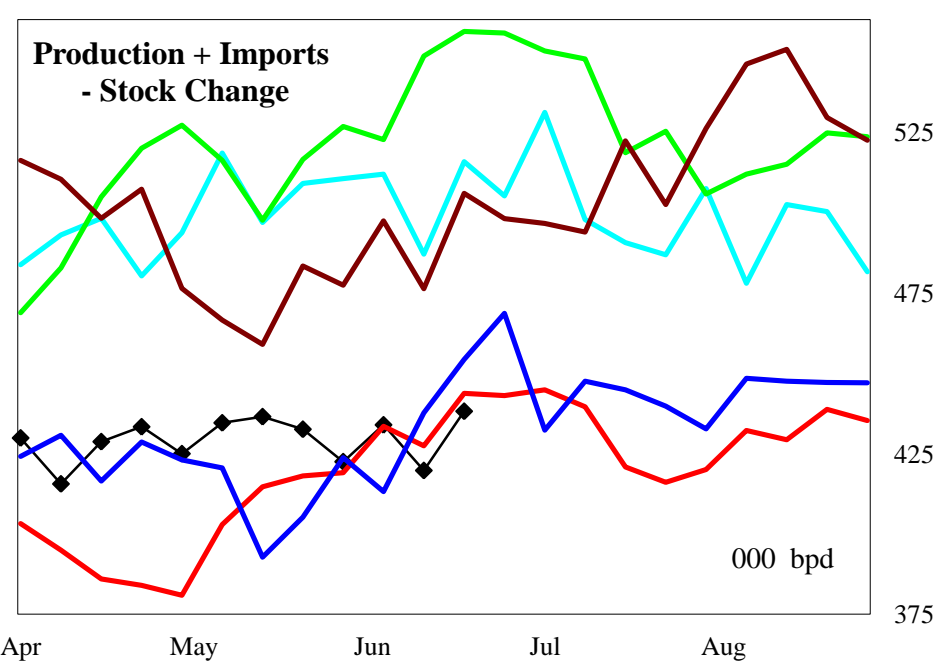
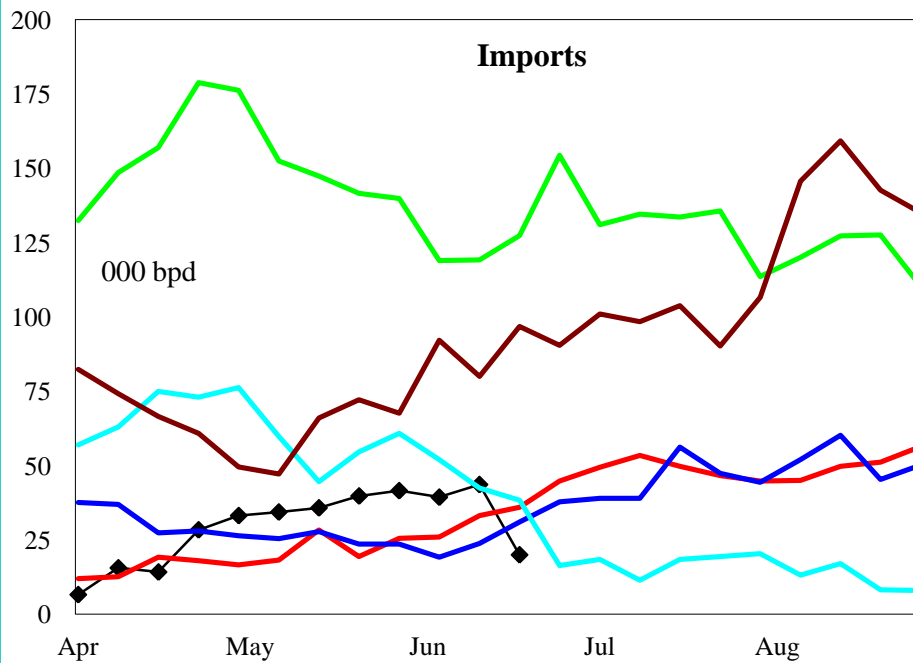
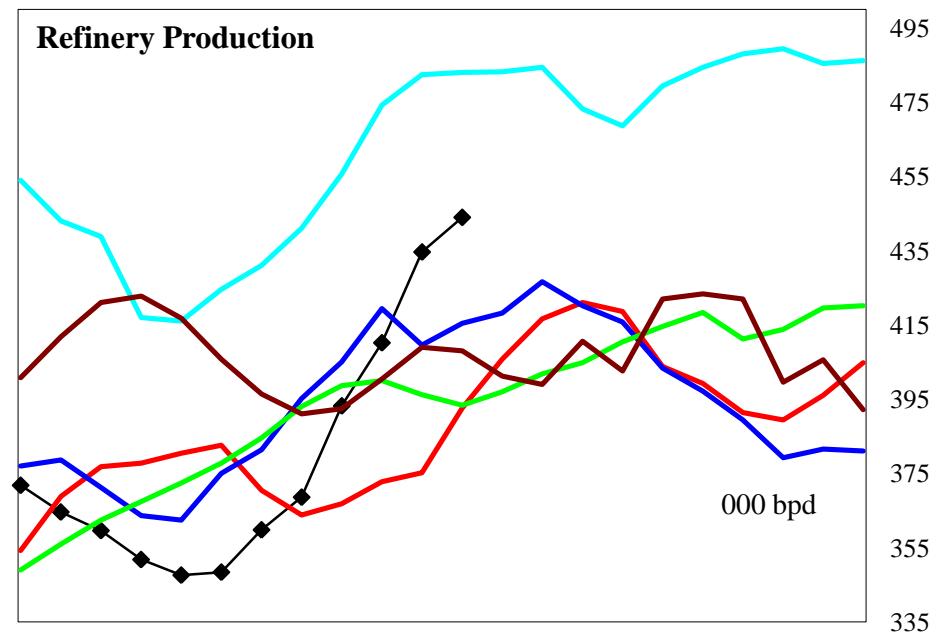
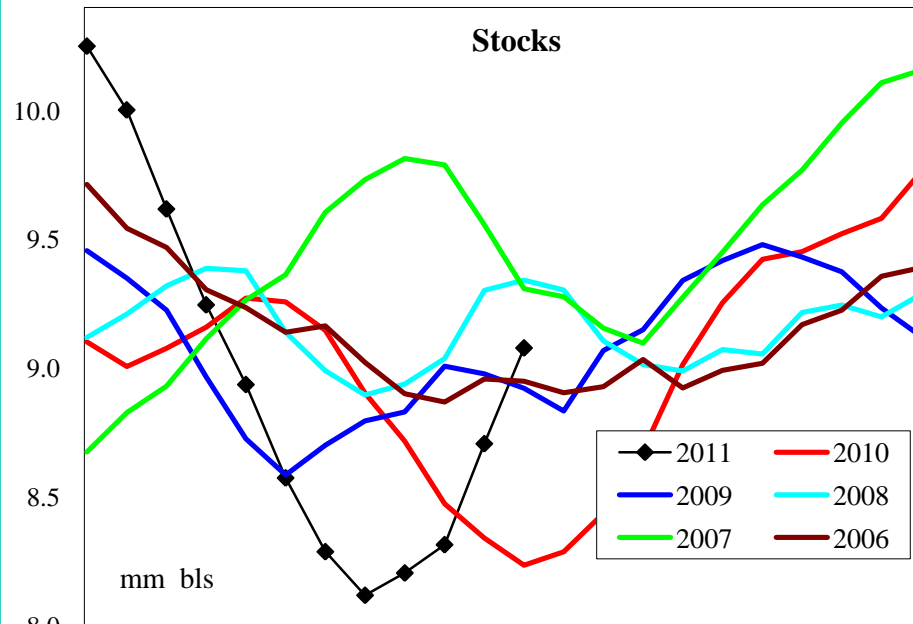
6.0

-4.1

-100.0

-16.1

PADD 5 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

738

53

18

-7

8.8

14.3

63.2

-1.6

PADD 5 Residual Fuel Oil Supply

