



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

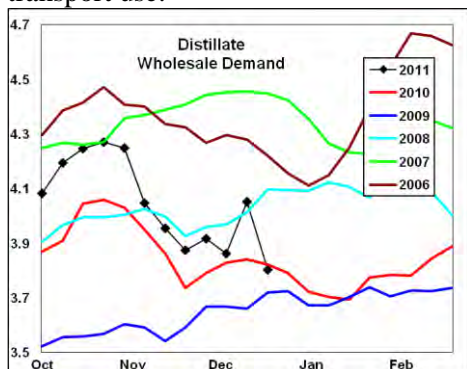
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, December 29, 2011

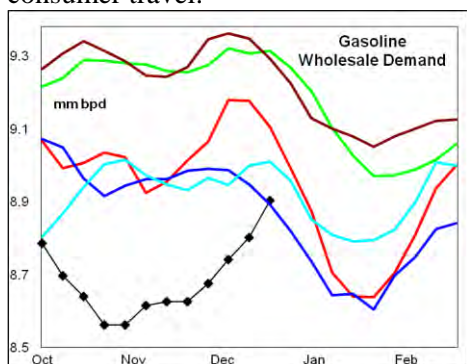


Major Fundamental Trends¹

Wholesale distillate demand fell -0.6 million bpd last week on unusually low heating degree days in the heating oil region. However, the latest 4-wk average year-on-year growth in demand was a robust +151,000 bpd; driven by record exports and increased transport use.



The most recent 4-wk average year-on-year decline in gasoline demand was -0.5 million bpd; pointing to structural changes in gasoline consumption. These include improved efficiency of the automobile fleet and lower consumer travel.



The supply balance for transport fuels has been significantly impacted by the decline in imports and rise in exports this year. The most recent monthly data show gasoline exports increased +225,000 bpd while imports were down -200,000 bpd for a swing in net imports/exports of 425,000 bpd. Distillate exports climbed +160,000 bpd while imports fell -94,000 bpd for a swing in net imports/exports of

254,000 bpd. Jet fuel exports increased +18,000 bpd while imports fell -43,000 bpd, for a swing in net imports/exports of 61,000 bpd.

The swing in net imports/exports for gasoline has largely been offset by the drop in domestic demand, leaving stock levels at year ago levels.

Year-on-year demand growth in distillate, combined with the swing in net imports/exports has more than offset the rise in production, leading to the -20 million barrel drop in stock levels.

The loss of light sweet Libyan crude oil to European refiners during 2011 led to lower production of transport fuels as refiners were forced to reduce run rates and experienced lower finished product yields as a result of processing lower quality crude oil. This reduction in transport fuels output contributed to the ongoing tightness in Atlantic Basin gasoline and middle distillate markets this year. Therefore, the loss of Libyan crude oil this year contributed to the swing in U.S. transport fuels net import/export balance.

As Libyan crude oil supplies return to market during 2012 the swing in U.S. transport fuels net import/export balance that occurred in 2011 may be partially reversed; leading to increased supplies for the U.S. East Coast markets.

Demand for distillate plunged -0.6 million bpd last week, while other transport fuels were nearly unchanged. Wholesale demand measured over the last four weeks compared to a year ago: gasoline decreased -5.6%; distillate up +3.9%; jet fuel down -3.2% while residual fuel oil decreased -15%.

Stocks forward coverage: Gasoline demand coverage decreased on a -0.7 million barrel stock draw last week, although the coverage level remains at a record high.

Distillate coverage increased on a +1.2 million barrel stock build and sharply lower demand for the week.

Coverage levels were well below the last 2-years.

Jet fuel coverage levels were above the mid range on a -0.3 million barrel stock draw. Coverage was comparable to the last 2-years.

Refinery utilization rates decreased on a -19,000 bpd drop in crude oil runs. During the latest 4-wk period crude oil input was -160,000 bpd below a year ago.

Gasoline yield % on crude oil runs increased on a +12,000 bpd rise in output, compared to a -19,000 bpd drop in crude oil runs last week. Yield % on crude oil runs matched the 5-year high.

Distillate yield % on crude oil runs decreased on -126,000 bpd drop in output, compared to the decline in crude oil runs.

Jet fuel yield % on crude oil runs was nearly unchanged last week on a -3,000 bpd decrease in output compared to slightly lower crude oil runs. Yield % levels were above the historic mid range.

Petroleum Imports of crude oil surged +1.4 million bpd last week, recovering much of the prior 2-wk decline.

During the latest 4-wk period crude oil imports increased +8,000 bpd over last year; distillate imports decreased -94,000 bpd; finished gasoline imports decreased -9,000 bpd, gasoline blend stock imports declined -192,000 bpd; jet fuel imports were -43,000 bpd lower, while residual fuel oil imports increased +3,000 bpd.

Crude Oil stocks increased +3.9 million barrels last week; including a +4.3 million barrel build in the Gulf Region. The spike in imports into the Gulf Region led to the stock build.

Stock levels were -6.9 million barrels below a year ago in Cushing as refiners in the Midwest operate at record high rates, substituting lower cost inland production and Canadian imports for receipts from the Gulf.

¹ Source is latest EIA Weekly Statistics



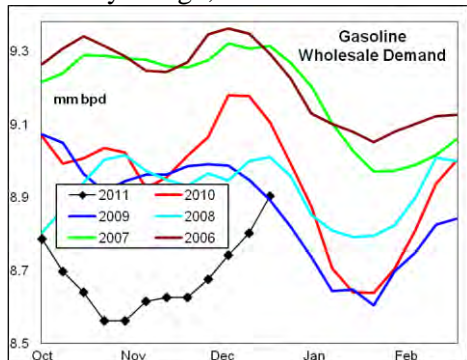
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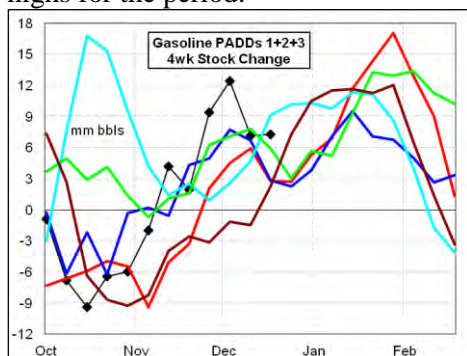
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Product Supply-Demand Trends

Gasoline demand increased +44,000 bpd last week. The latest 4-wk average demand was -523,000 bpd below a year ago, a decline of -5.6%.



Production increased +12,000 bpd last week, with the level above the historic range. Imports decreased -76,000 bpd to a record low level. Reduced supplies and higher weekly demand led to a -0.7 million barrel stock draw. Stock levels match the levels of the last 2-years. The latest 4-wk stock build in markets East of the Rockies was +7.3 million barrels, a level near 5-year highs for the period.



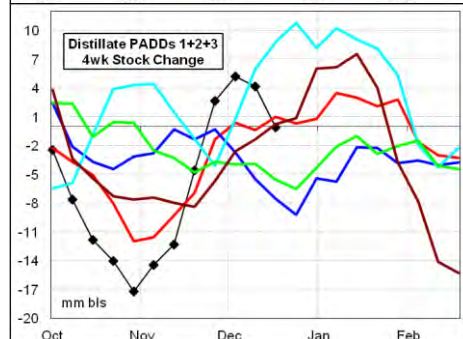
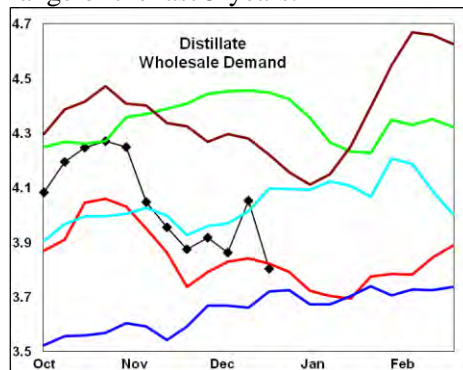
Look for declines in year-on-year demand and seasonal lows to lead to high stock levels in regional markets which do not depend on imports for supply. The 4-wk average year-on-year decline in demand of over -0.5 million bpd is exceptionally large; pointing to structural changes in gasoline use. These include efficiency gains in the auto fleet and declines in consumer travel.

Distillate demand plunged -0.6million bpd last week, on much warmer than normal temperatures in heating markets. The latest 4-wk average year-on-year demand growth was +151,000

bpd.

Production fell -126,000 bpd last week; with the latest 4-wk average supply +299,000 bpd above a year ago. Stocks increased +1.2 million barrels on the drop in demand. Stock levels ended the week -20.6 million barrels below last year.

The latest 4-wk stock change in markets East of the Rockies was a build of +0.3 million barrels, at the mid range of the last 5-years.



Robust year-on-year demand growth, record exports, and extremely low imports has more than offset the increase in refinery production. The result is stock levels sharply below the last 2-years.

Unusually low heating degree days in the northeast has constrained heating oil demand to-date.

However, with colder than normal temperatures forecast for the northeast during the next 10-days, look for tightness to emerge in that region on low stock levels.

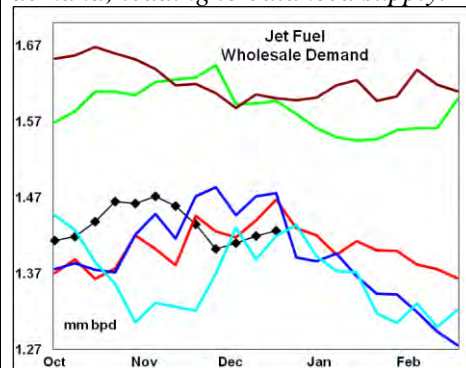
Jet Fuel demand was unchanged last week, at a level below the last 2-years. The latest 4-wk average demand was -46,000 bpd below a year ago.

Supply increased +27,000 bpd last week, on higher imports. Stocks

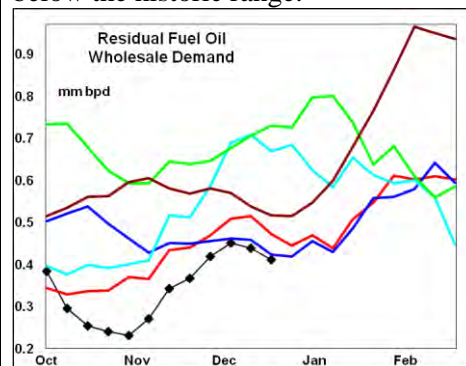
decreased -0.3 million barrels to a level -5.6% below last years' record high.

Recent production levels were at the historic mid range, while imports have declined to record low levels. Stock levels remain above the historic mid range.

Expect modest stock builds during the next 60-days on low seasonal demand; leading to balanced supply.



Residual fuel oil demand declined -83,000 bpd on the week, to a level below the historic range.



Supply (production + imports) jumped +173,000 bpd last week, on higher imports. The latest 4-wk average supply was -5,000 bpd below last year. Stock levels ended the week below the mid range.

The partial rebound in imports last week lifted stock levels in the key Gulf Region to a new 5-year high; pointing to excess supply in the Gulf. Other regional markets are well balanced.



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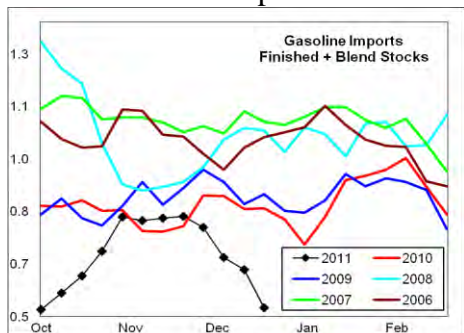
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PADD Supply Trends

PADD 1 refinery crude oil runs declined -32,000 bpd on the week, with the latest 4-wk average -88,000 bpd below last year, and a record low rate for this time of year.

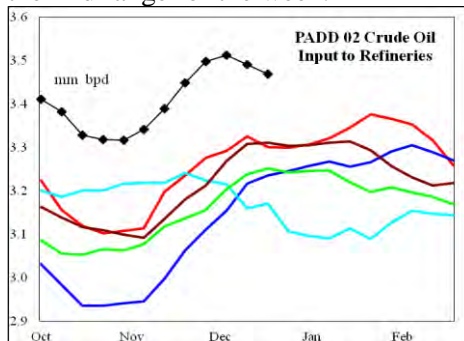
Gasoline supply decreased -134,000 bpd last week, due to lower imports. Import levels fell to record lows for the period.



Gasoline stocks were unchanged on the week, with the level at the upper end of the 5-year range.

Distillate supply increased +24,000 bpd last week, with the latest 4-wk average -68,000 bpd below last year. Stocks fell -0.6 million barrels on the week, with the level near 5-year lows for this time of year.

Jet fuel stocks decreased -0.3 million barrels to a level that matched the mid range for the week.



PADD 2 crude oil refinery runs declined -29,000 bpd last week, with the 4-wk average +192,000 bpd above last years' highs. Crude imports decreased -6,000 bpd, with the latest 4-wk average +29% above last year. Crude oil stock levels were -2.5% below last year's record high.

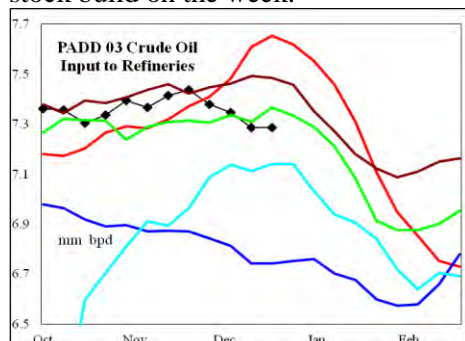
Gasoline production declined -64,000 bpd, with the level +104,000

bpd above a year ago. Stocks increased +0.1 million barrels, with the level above the 5-year mid range.

Distillate production decreased -31,000 bpd, with the 4-wk average +133,000 bpd above last year. Stocks increased +0.5 million barrels last week, with the level above the mid range.

Jet fuel production increased +8,000 bpd, with the level comparable to the last 2-years. Stock levels exceed the historic range.

PADD 3 refinery runs increased +73,000 bpd last week, to a level below the mid range. The latest 4-wk average thru put was -182,000 bpd below last year. Crude oil imports surged +1.4 million bpd last week, to a level above the last 2-years. The rise in imports led to a +4.3 million barrel stock build on the week.



Gasoline production increased +107,000 bpd on the week. Stocks declined -0.6 million barrels last week, to a level -1.9% below prior record highs.

Distillate production decreased -64,000 bpd on the week, with the latest 4-wk average +189,000 bpd above the previous 5-year high. Stocks increased +0.4 million barrels, to a level -8.8 million barrels below the historic high for this time of year.

Jet fuel supply increased +6,000 bpd on the week, to a level comparable with the last 2-years. Stocks were unchanged on the week at a level above four of the last 5-years.

Residual fuel oil supplies increased +18,000 bpd on the week, due to higher imports. Stocks were nearly unchanged on the week, at a level

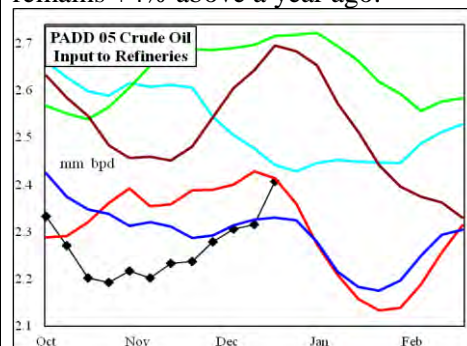
above four of the last 5-years.

PADD 4 refinery crude runs declined -41,000 bpd, a level near the mid range. The most recent 4-wk average run rate was +20,000 bpd above a year ago.

Gasoline production increased +29,000 bpd on the week, with the latest 4-wk average -22,000 bpd below last year. The stock level matched 5-year highs for the season.

Distillate production declined -10,000 bpd last week, a level that matched 5-year highs. Stock levels were a 5-year high.


PADD 5 crude oil refinery runs increased +11,000 bpd on the week, to a level comparable with last year. The latest 4-wk average thru put was -101,000 bpd below last year. Light product yield % on crude oil runs remains +4% above a year ago.



Gasoline production increased +54,000 bpd last week to a level above the historic range for this time of year. Supply (production + imports) for the latest 4-wk average was -12,000 bpd below a year ago. Stocks decreased -0.2 million barrels on the week, to a level at the low end of the historic range.

Distillate supply declined -24,000 bpd on the week, although production remains above the 5-year range. The latest 4-wk average was +32,000 bpd above a year ago. Stocks jumped +1 million barrels to a level above the mid range.

Jet fuel supply decreased -15,000 bpd, to a level near historic highs. Stocks increased +0.3 million barrels on the week, to a level below the mid range.



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PETROLEUM TRENDS

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PETROLEUM: Graph Link and Weekly Summary

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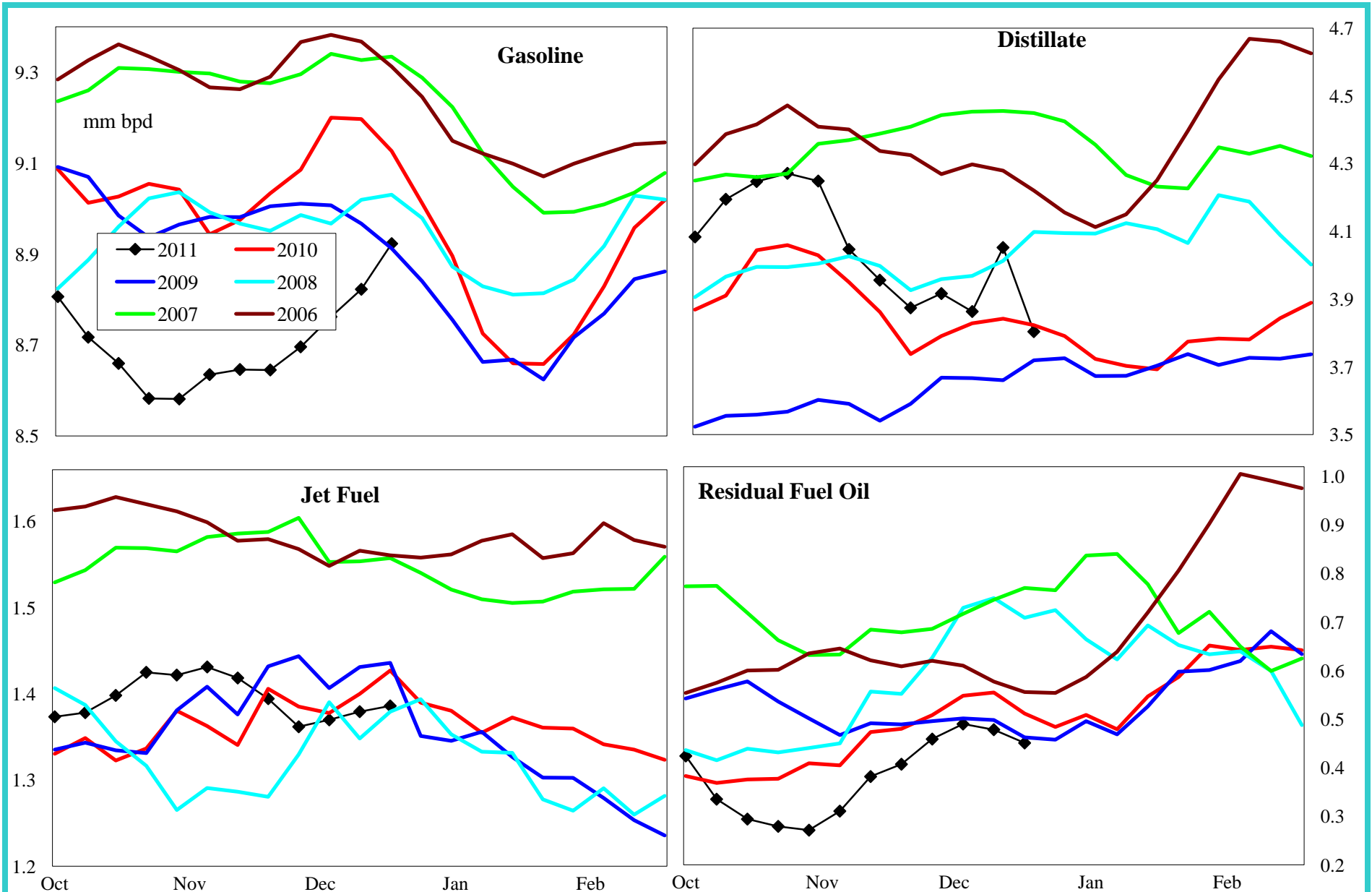
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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization		Product Yield %		Imports
Supply/Demand Trends	23-Dec-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	3,899	-434	-160	4,274	35	183
	Imports	1,409	-166	-6	1,421	35	126
	Input	-19	-32	-29	73	-41	11
	% Utilization	-0.70					
Gasoline	Stocks	-692	-8	139	-586	-11	-225
	Production	12	-14	-64	107	29	54
	Imports	-76	-120	-1	38	0	7
	Supplied	44					
Distillate	Stocks	1,205	-625	459	433	-12	950
	Production	-126	1	-31	-64	-10	-24
	Imports	38	23	-1	17	-1	0
	Supplied	-596					
Jet Fuel	Stocks	-302	-349	-169	5	-43	254
	Production	-3	-4	8	6	-4	-10
	Imports	30	35	0	0	0	-5
	Supplied	0					
Residual Fuel Oil	Stocks	390	-179	-80	415	-8	242
	Production	-20	-4	-5	-22	0	11
	Imports	193	100	-2	40	0	57
	Supplied	-83					

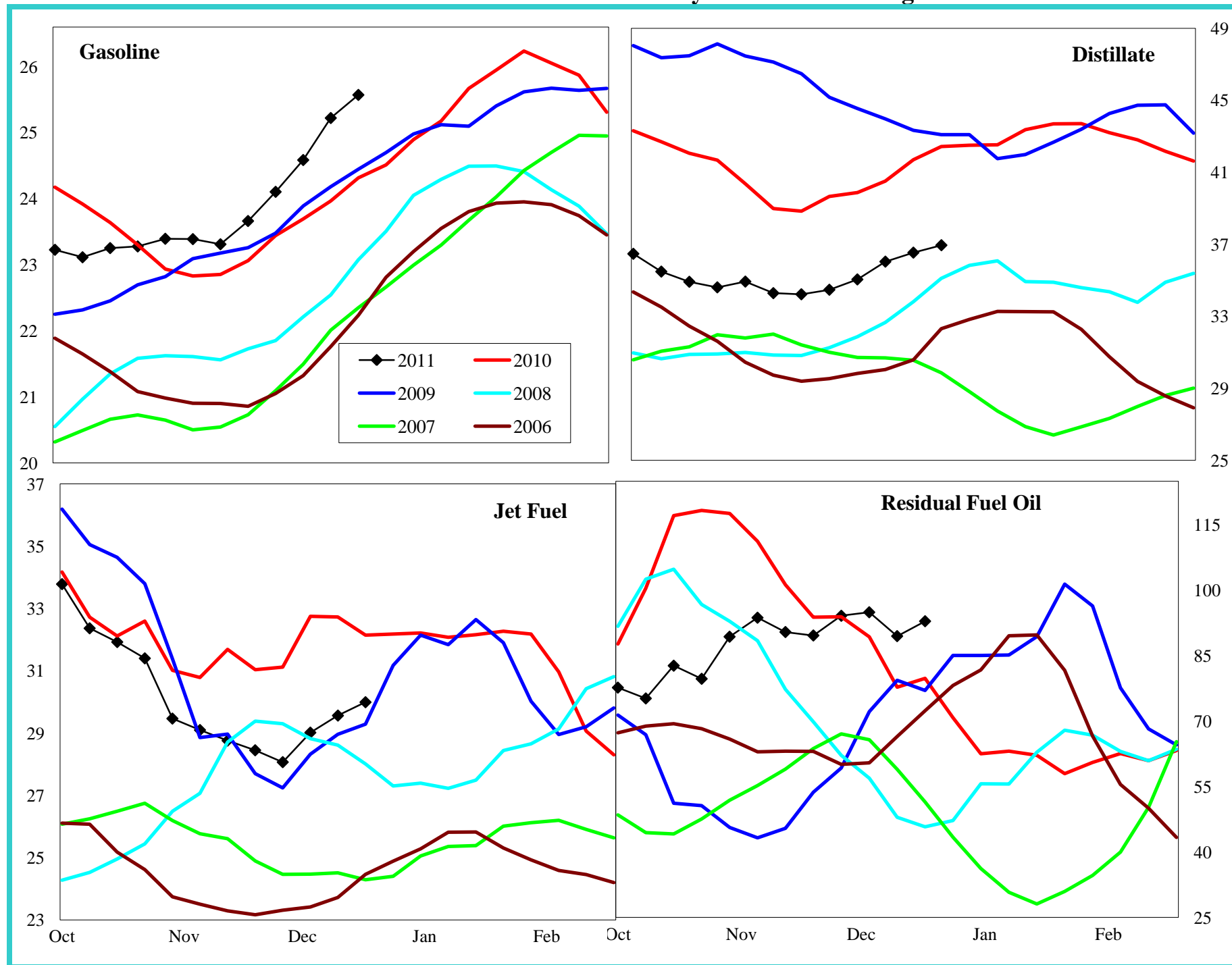
United States Wholesale Petroleum Demand



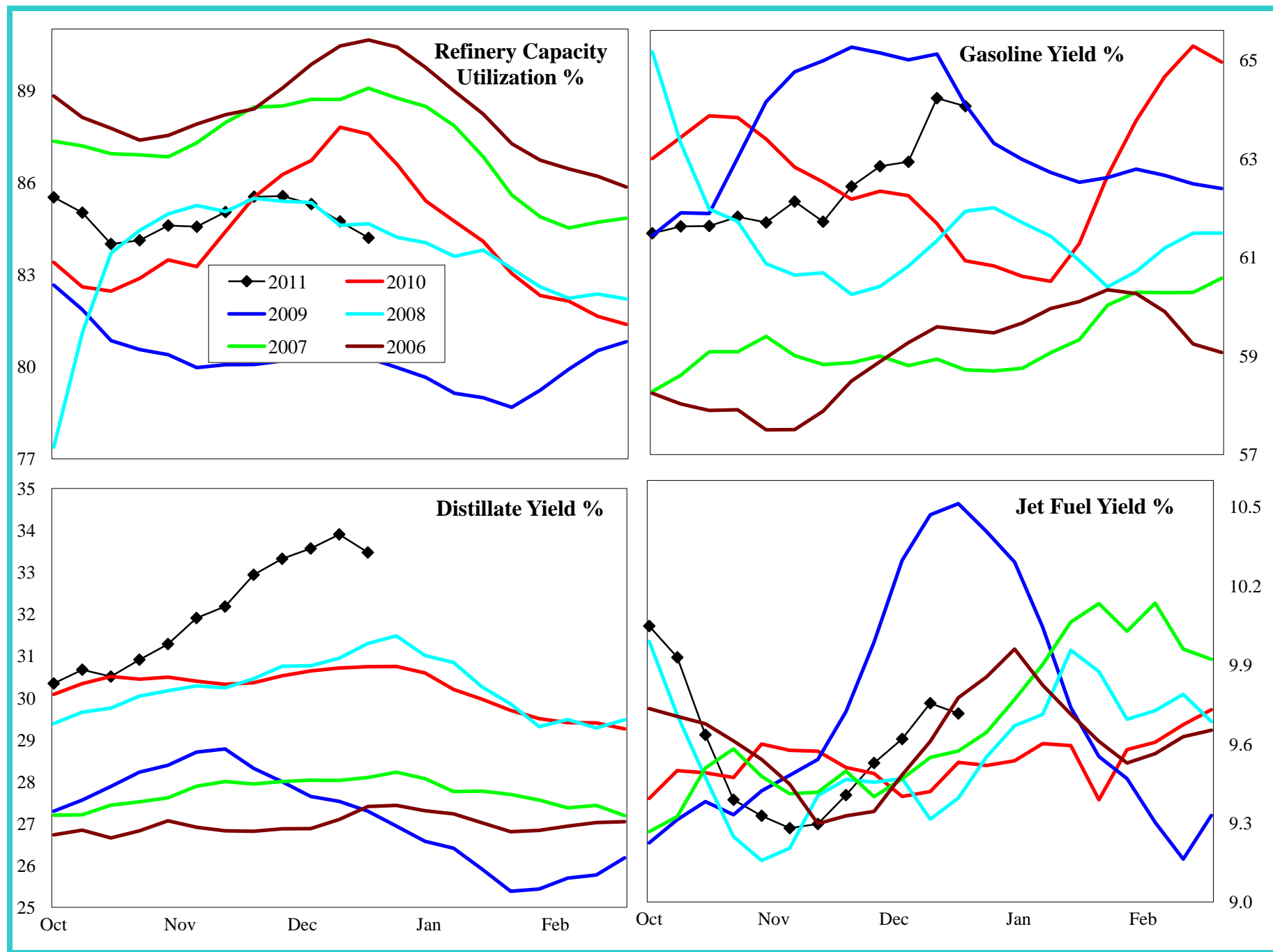
	000 bpd change from prior year				% change from prior year				
	4wk avg	Nov	Jan	Jan	4wk avg	Nov	Oct	Sep	
Gasoline	-523	-152	-359	-359	-5.6	-1.7	-4.0	-3.9	
Distillate	151	92	446	43	3.9	2.4	11.8	1.1	
Jet Fuel	-46	81	-14	-40	-3.2	5.8	-1.0	-2.7	
Resid	-89	-214	-202	-31	-15.1	-38.8	-41.3	-6.0	



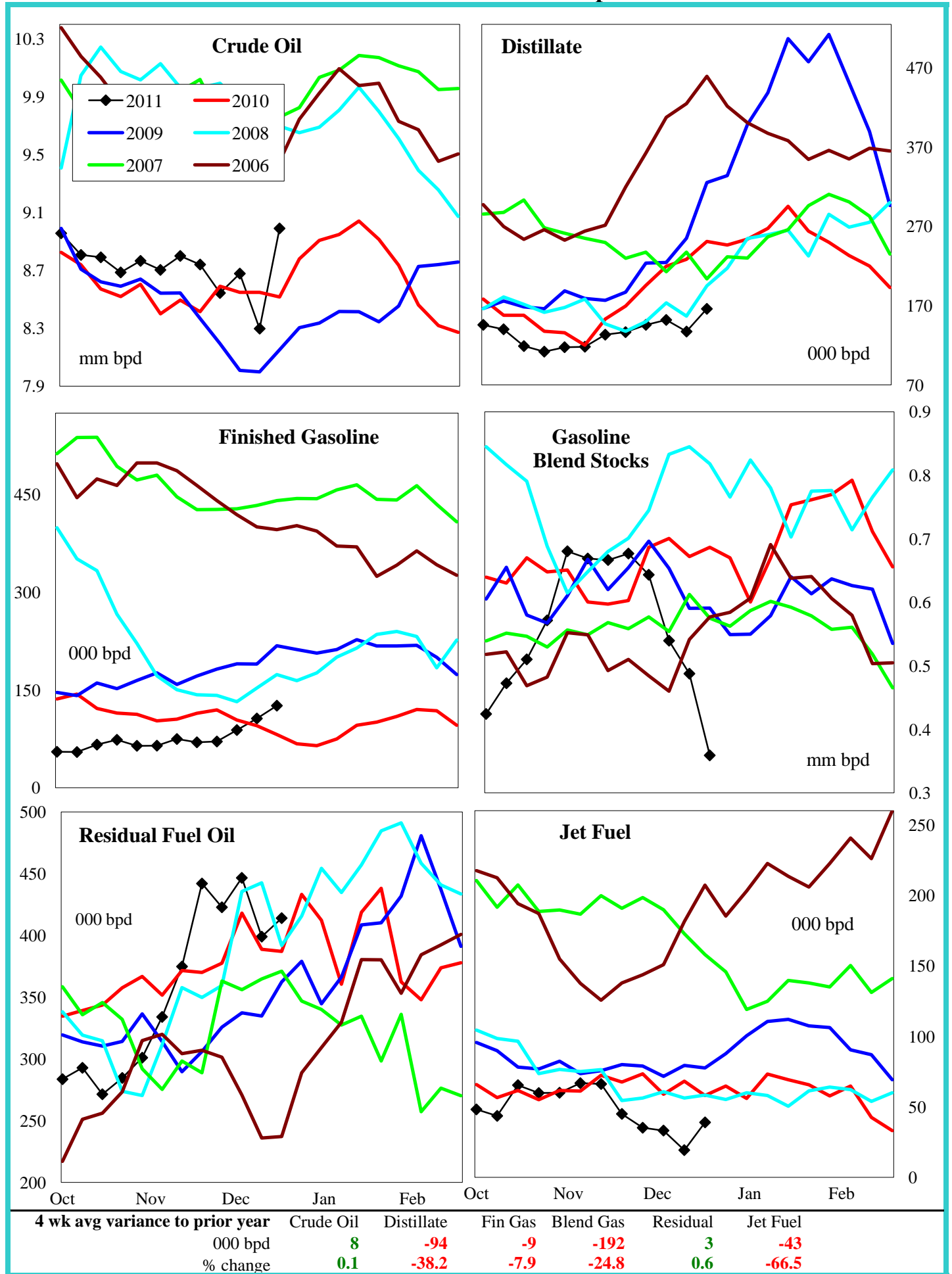
United States Product Stocks: Days Forward Coverage



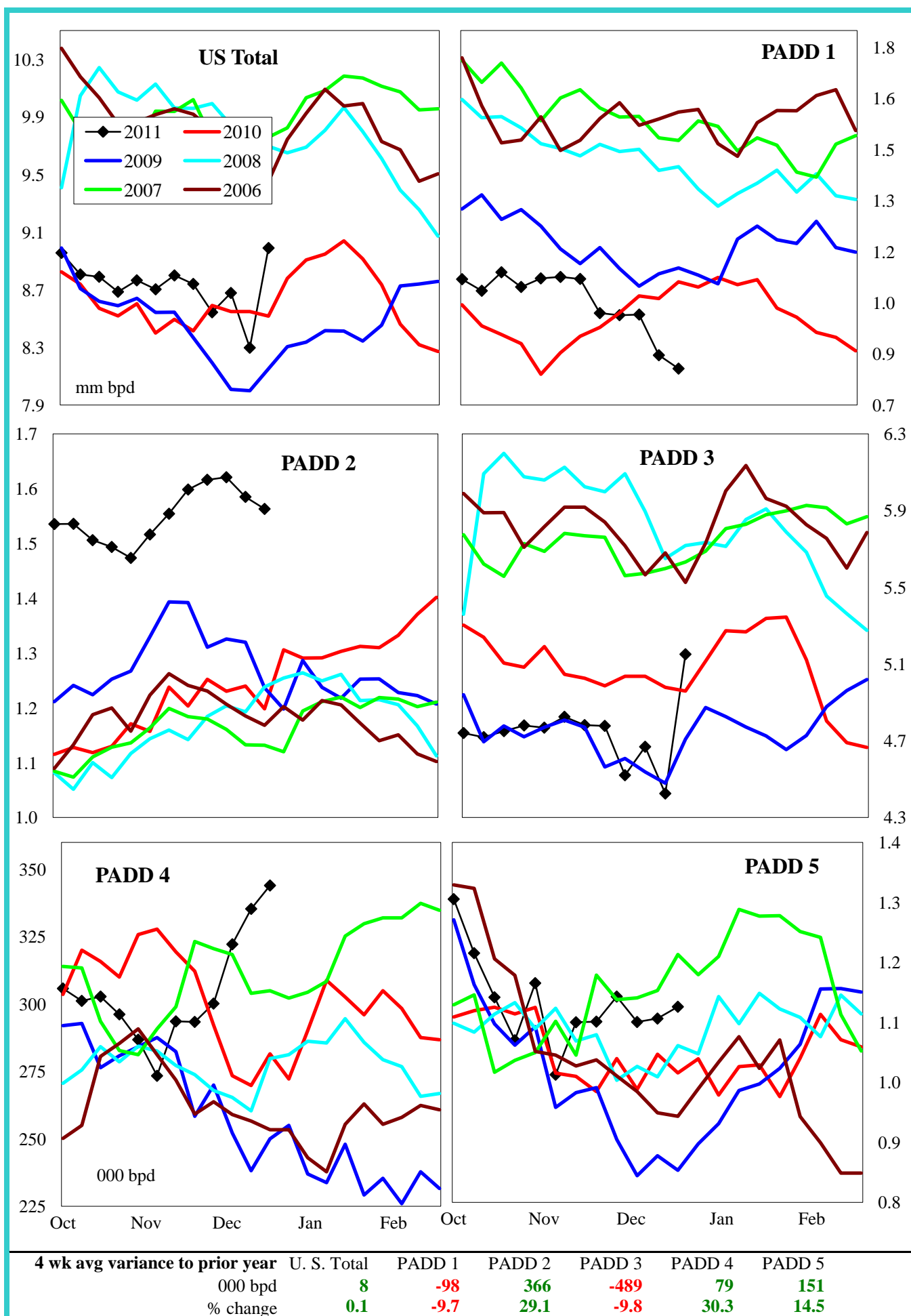
United States Refinery Percent Utilization Rate and Product Yields



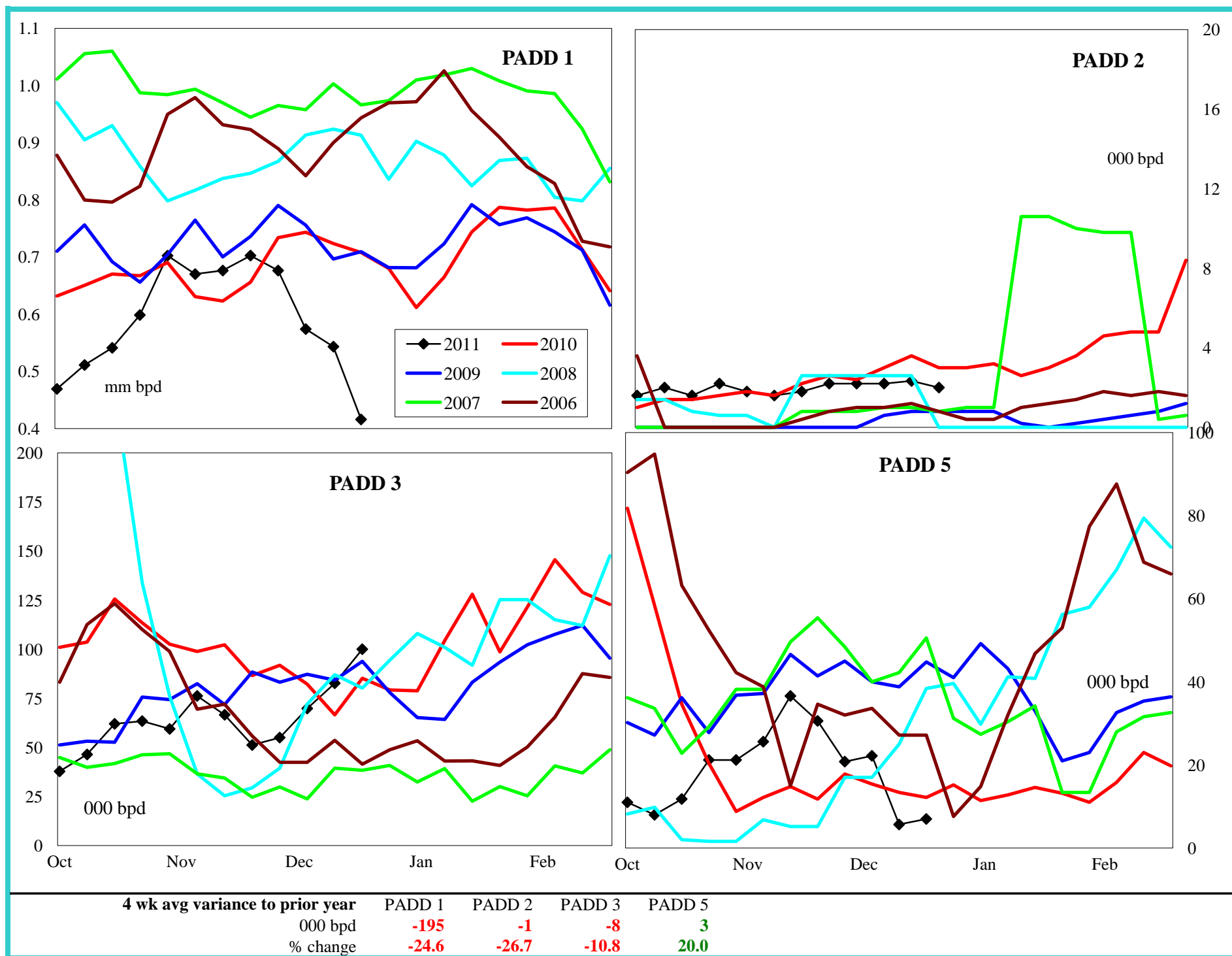
United States Petroleum Imports



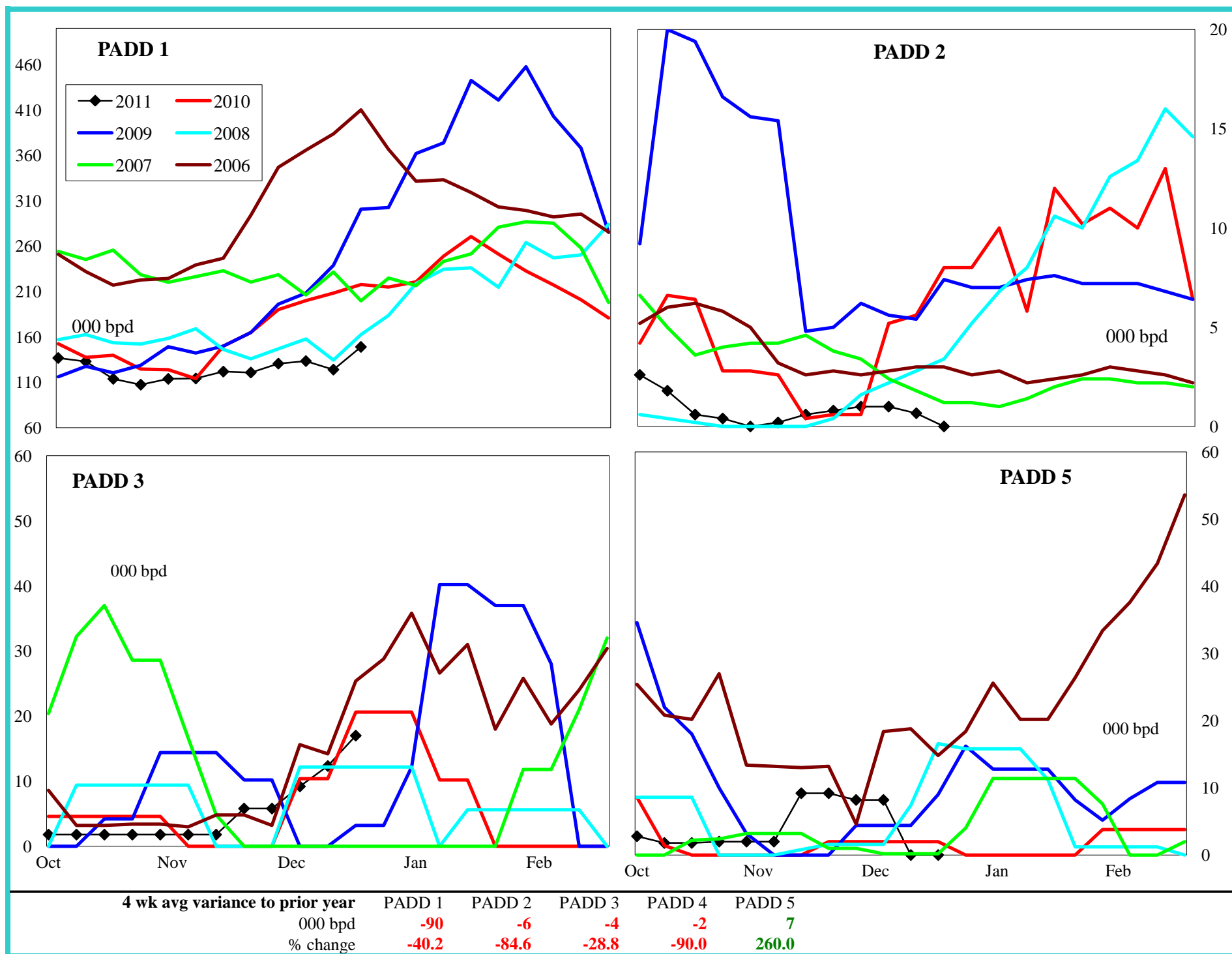
Crude Oil Imports by PADD



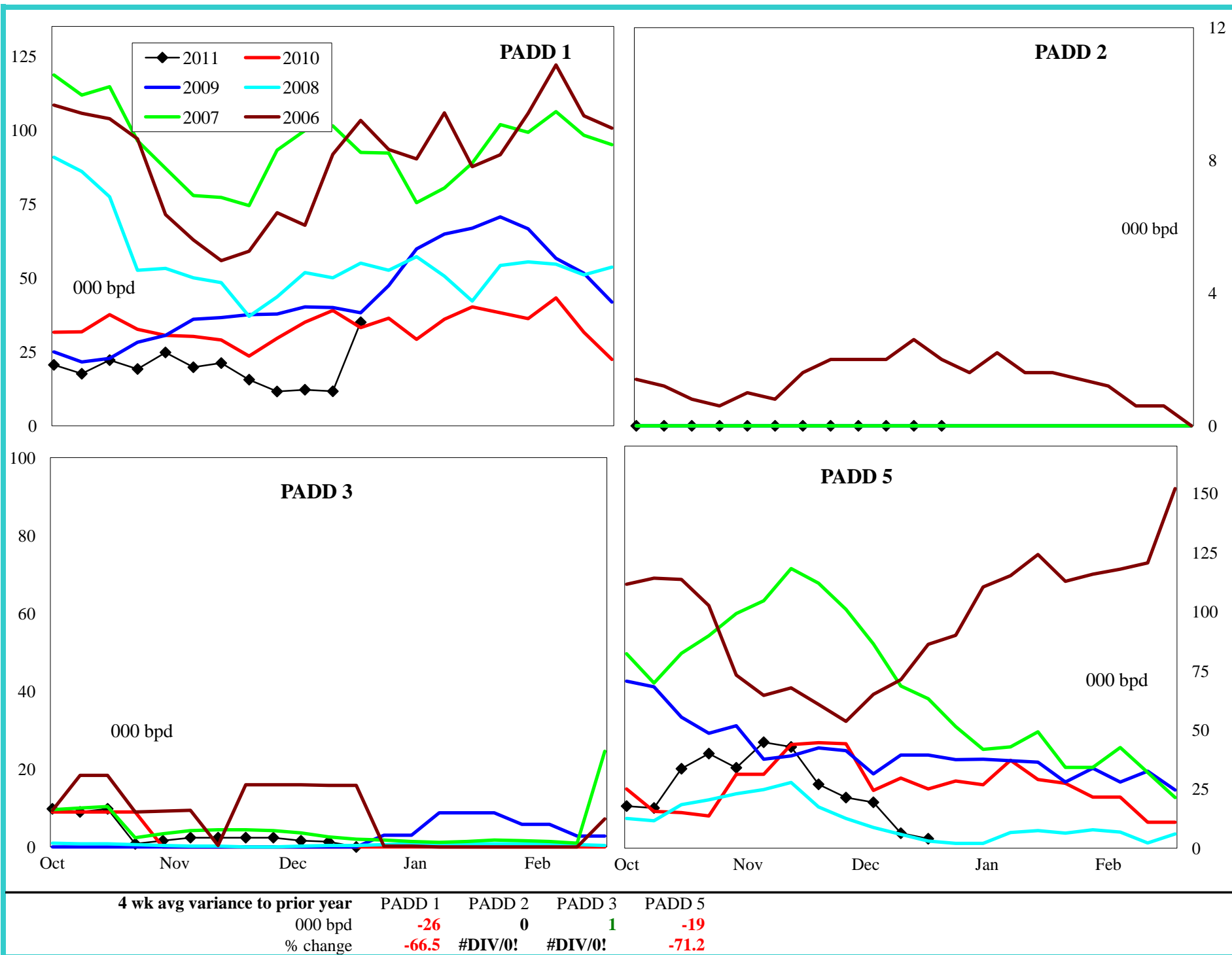
Gasoline Imports by PADD (Finished + Blend Stocks)



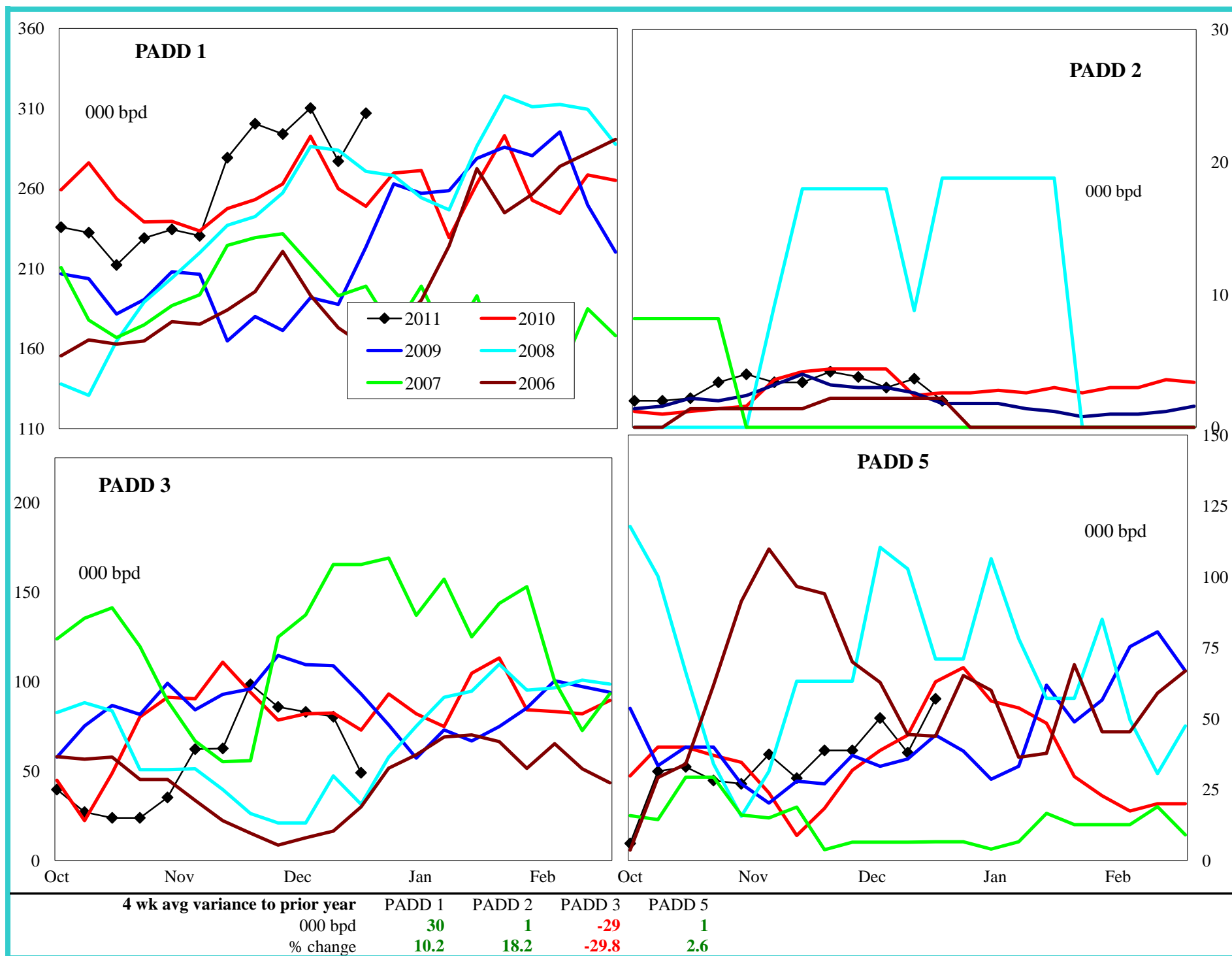
Distillate Imports by PADD



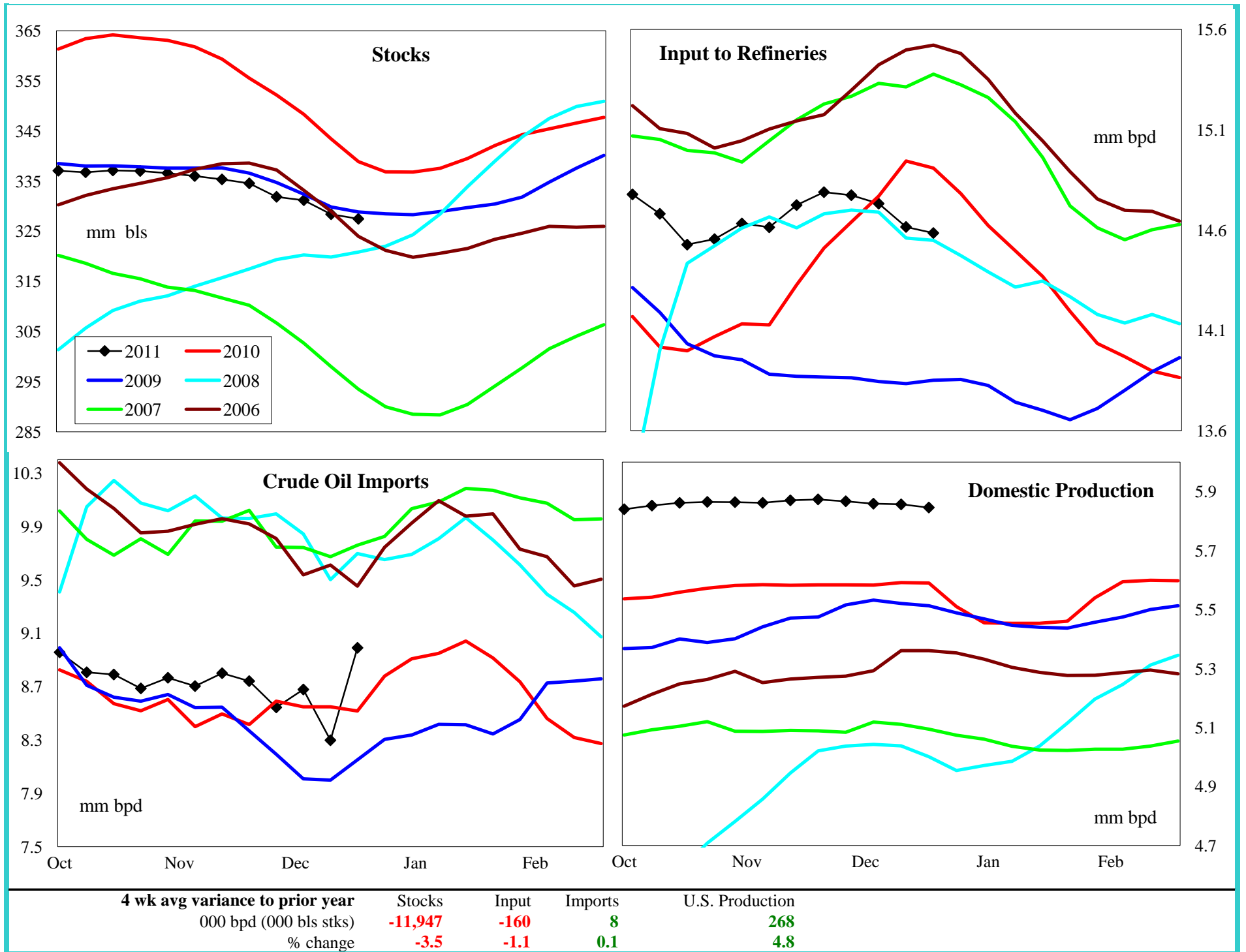
Jet Fuel Imports by PADD



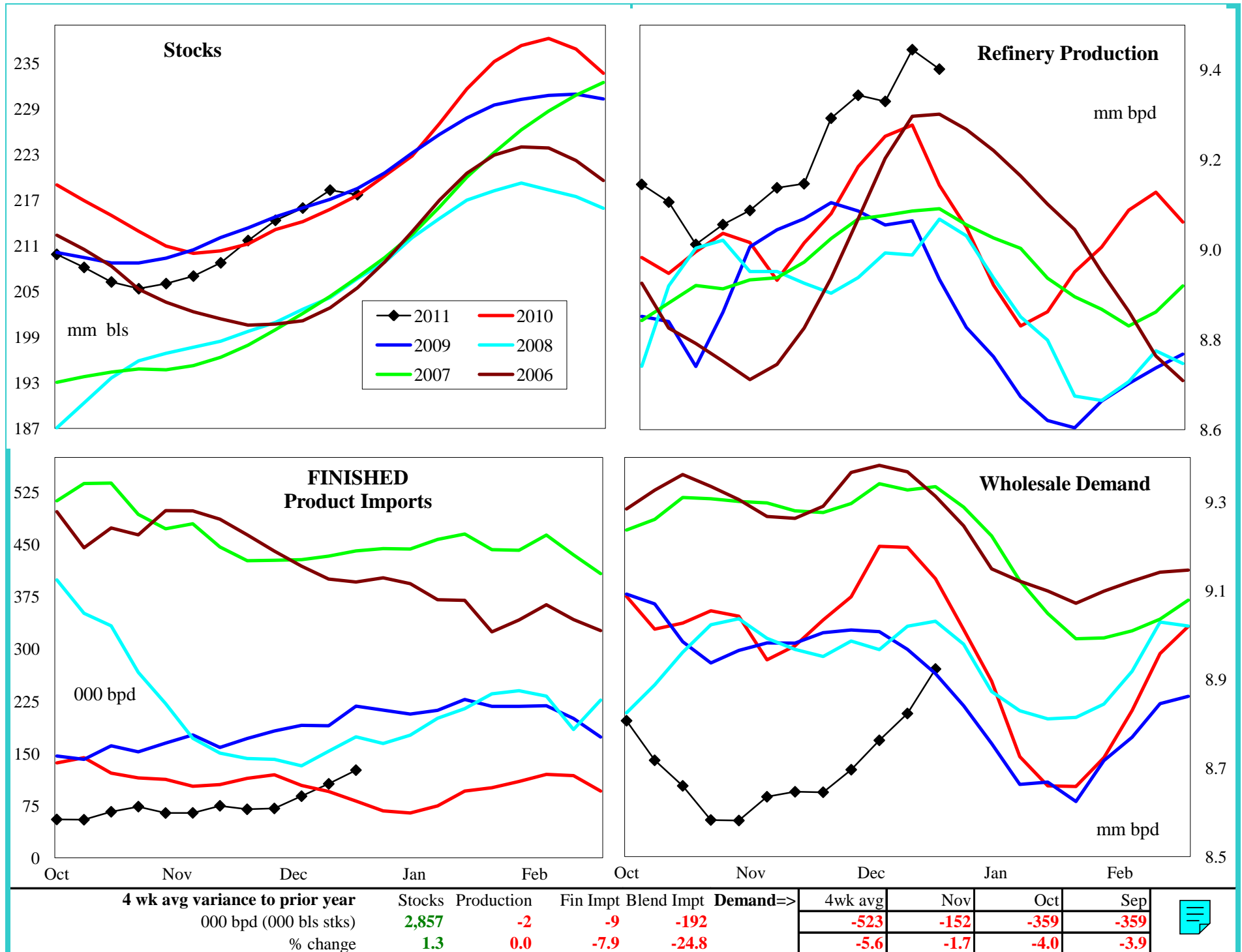
Residual Fuel Oil Imports by PADD



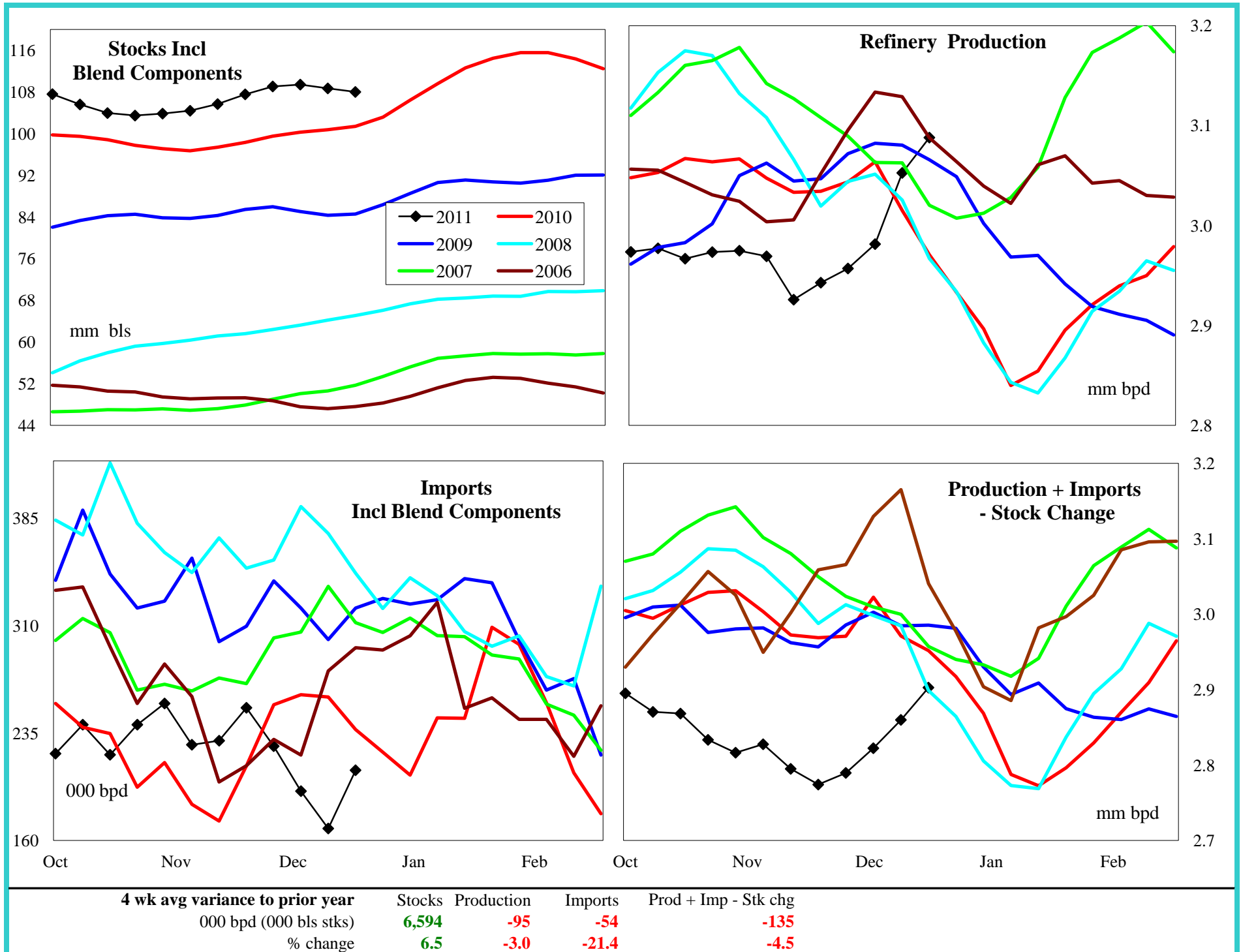
United States Crude Oil Supply and Demand Balance



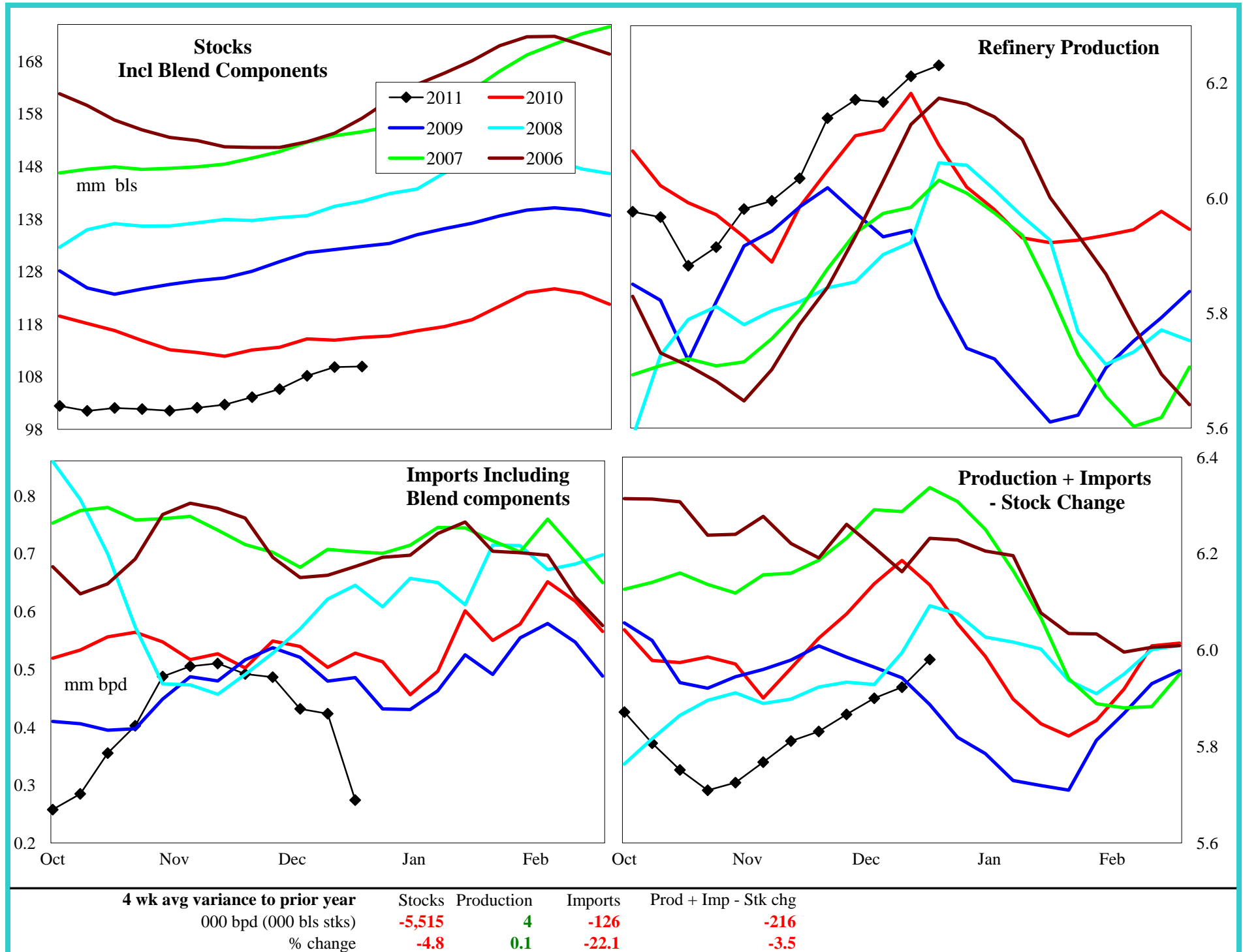
United States Gasoline Supply and Demand Balance



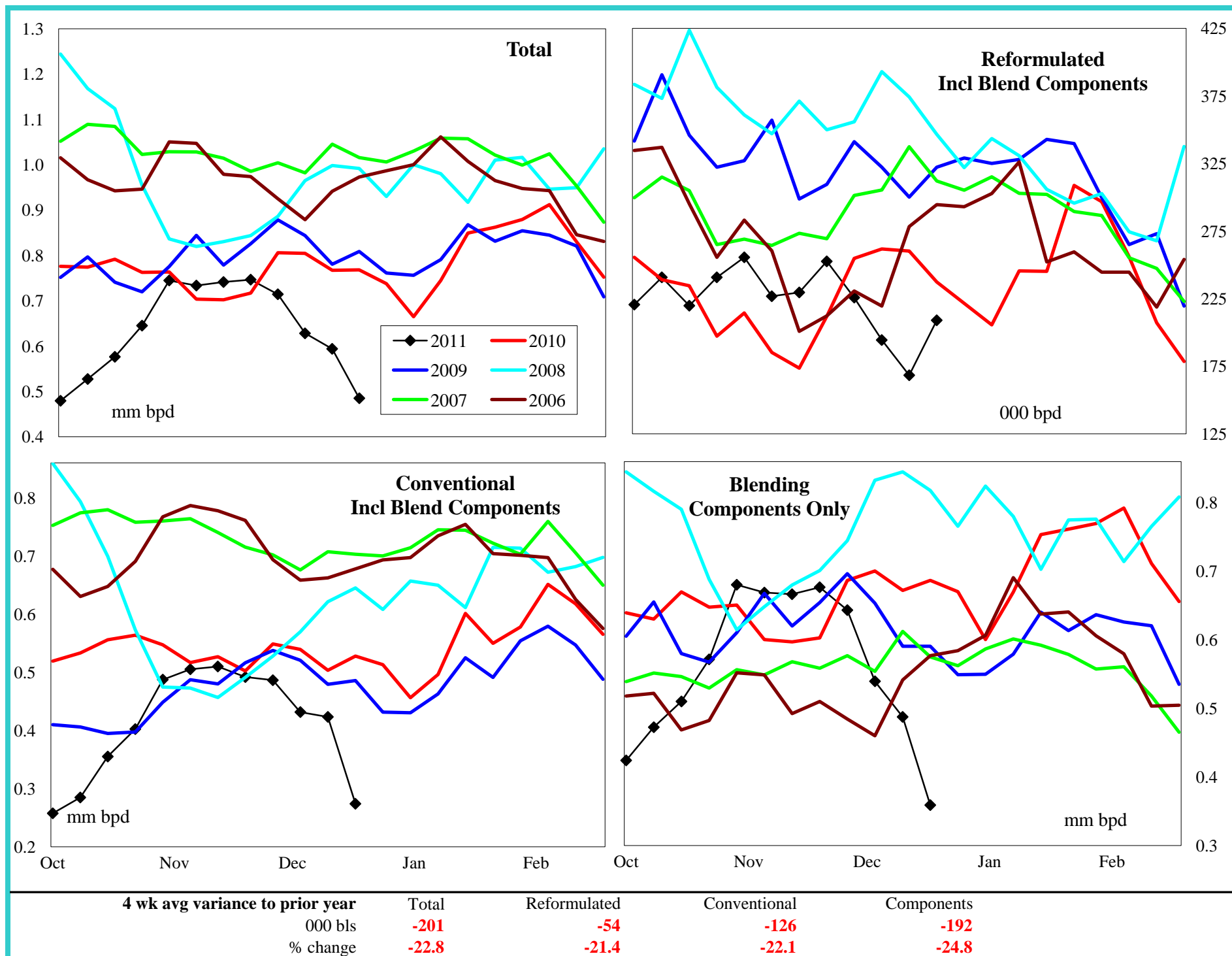
United States Reformulated Gasoline Supply



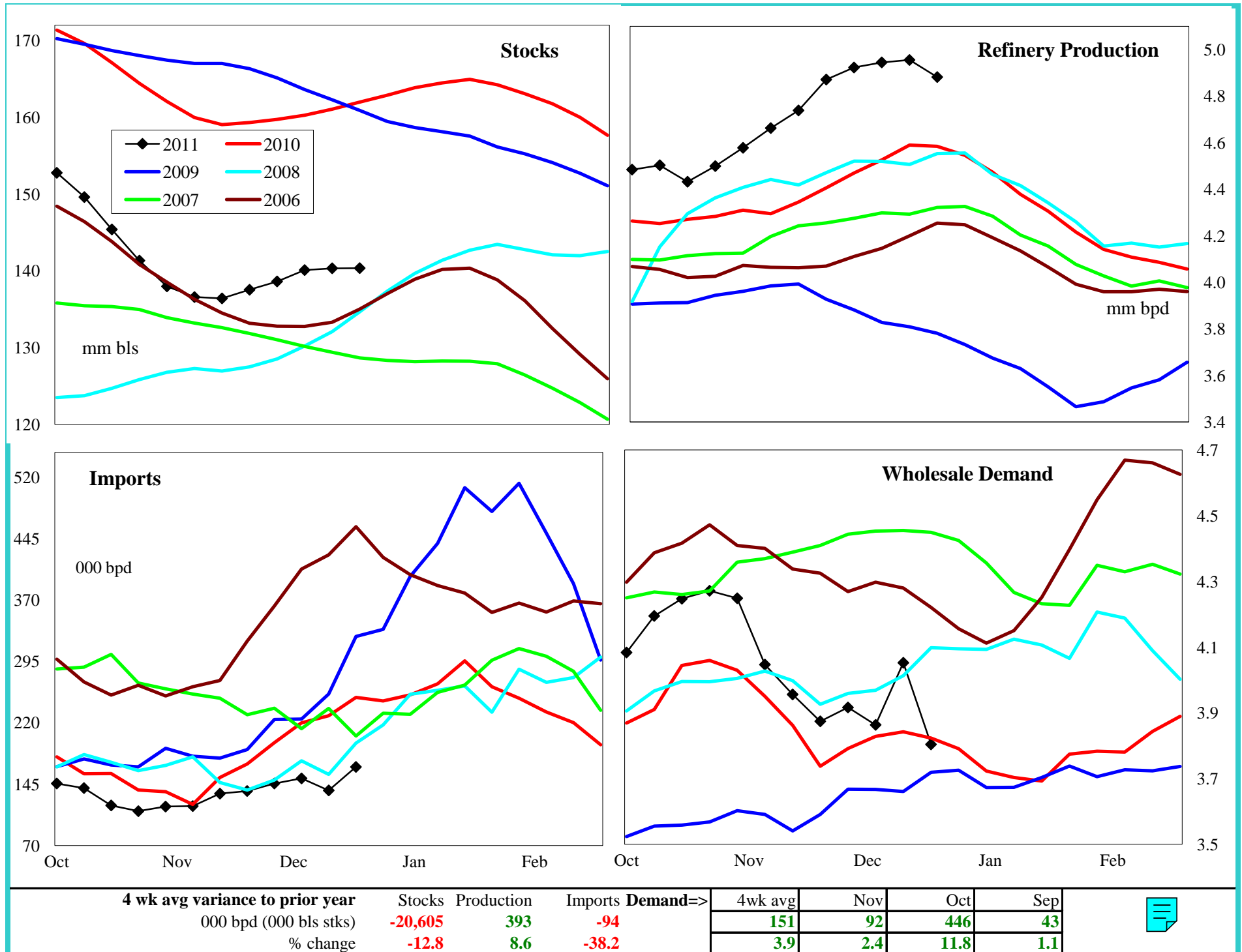
United States Conventional Gasoline Supply



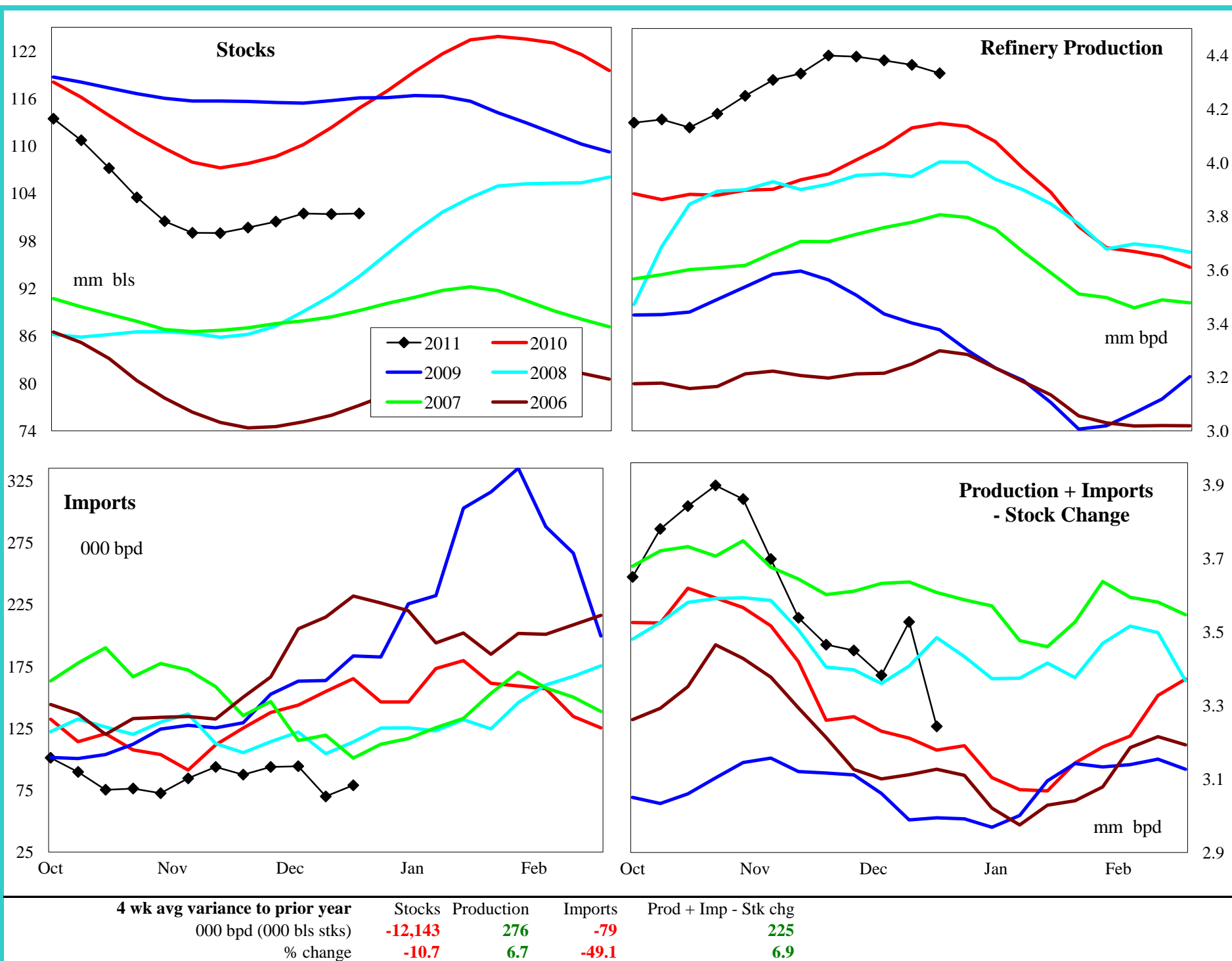
United States Gasoline Imports by Type



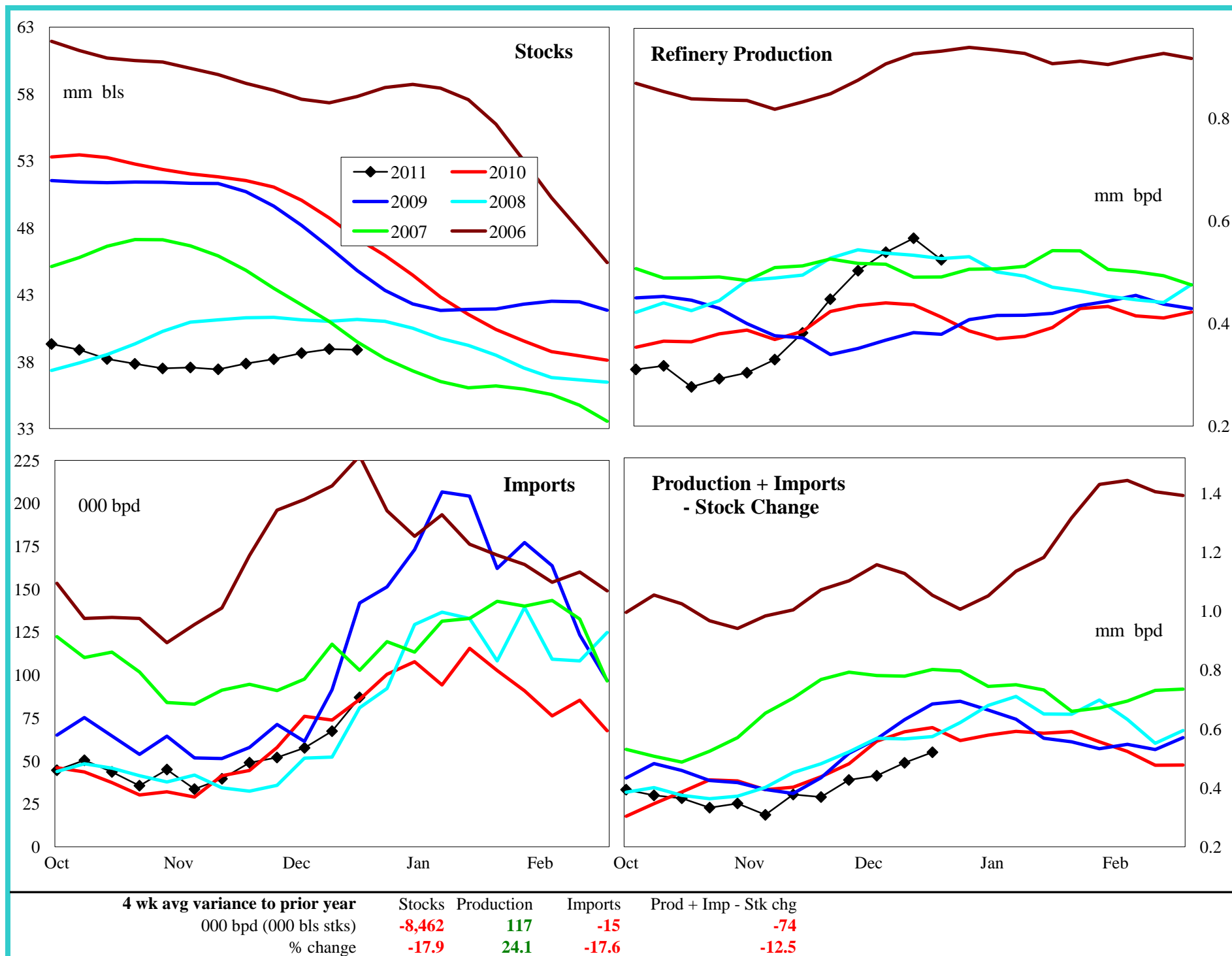
United States Distillate Supply and Demand Balance



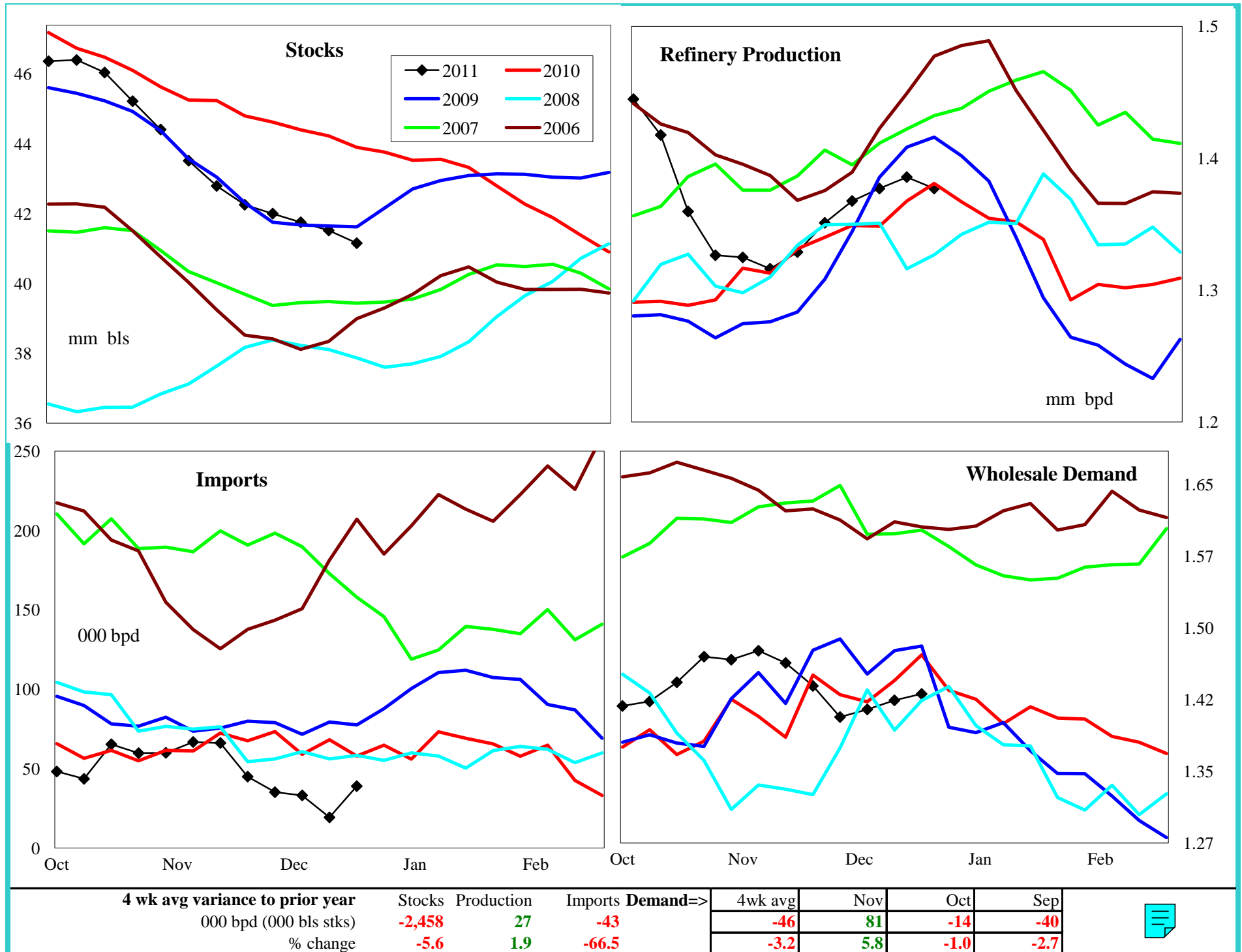
United States Low Sulfur Distillate Supply



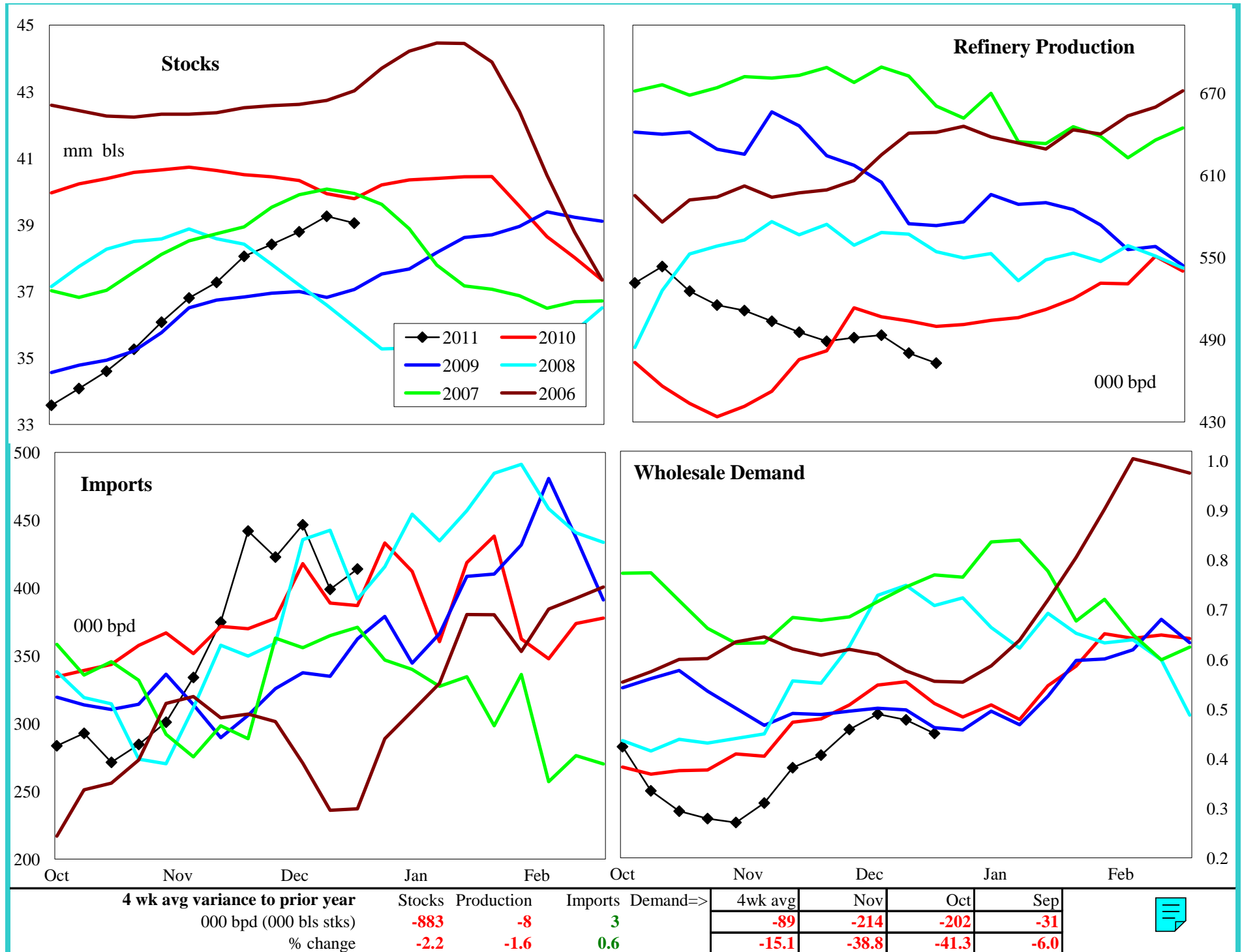
United States High Sulfur Distillate Supply



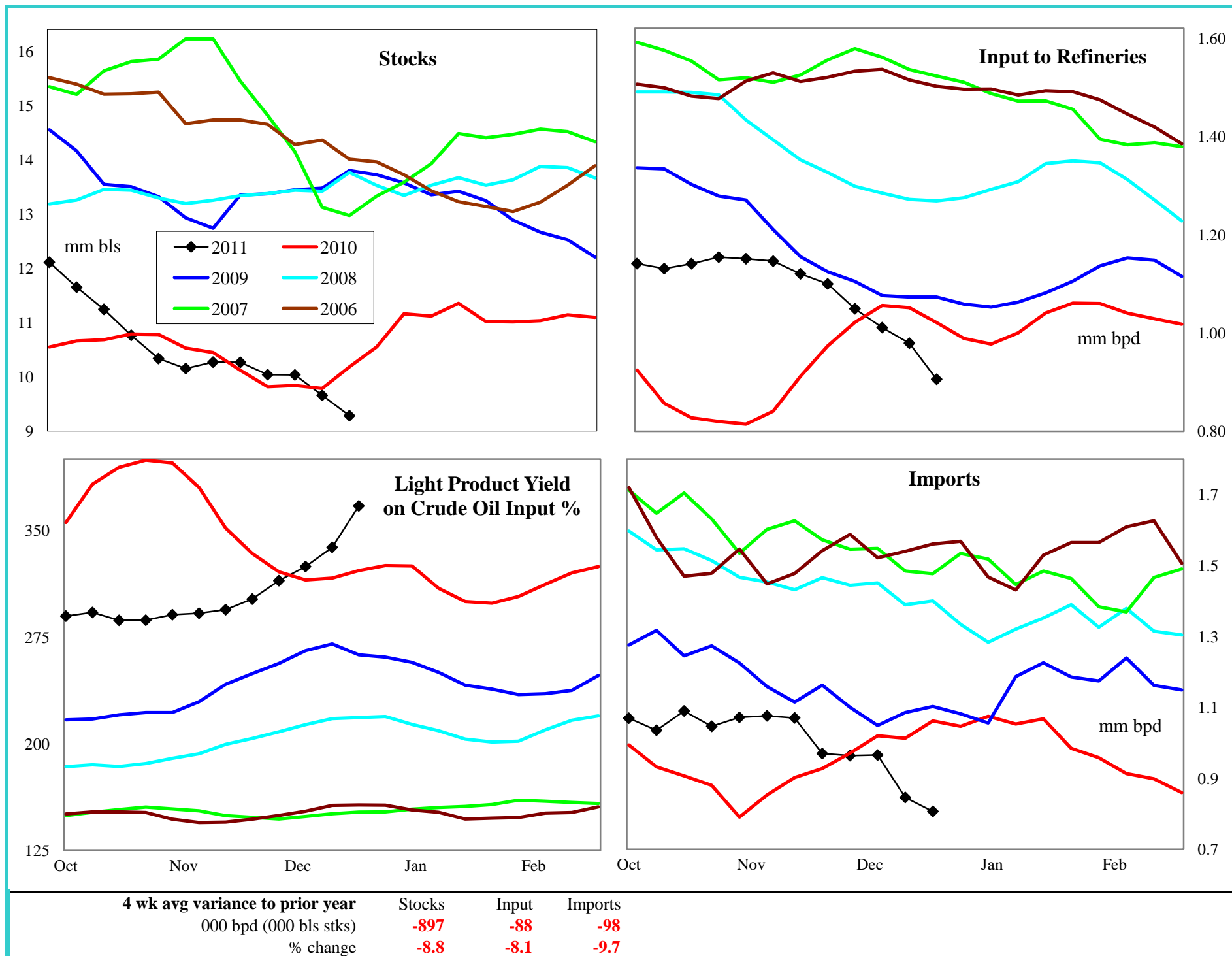
United States Jet Fuel Supply and Demand Balance



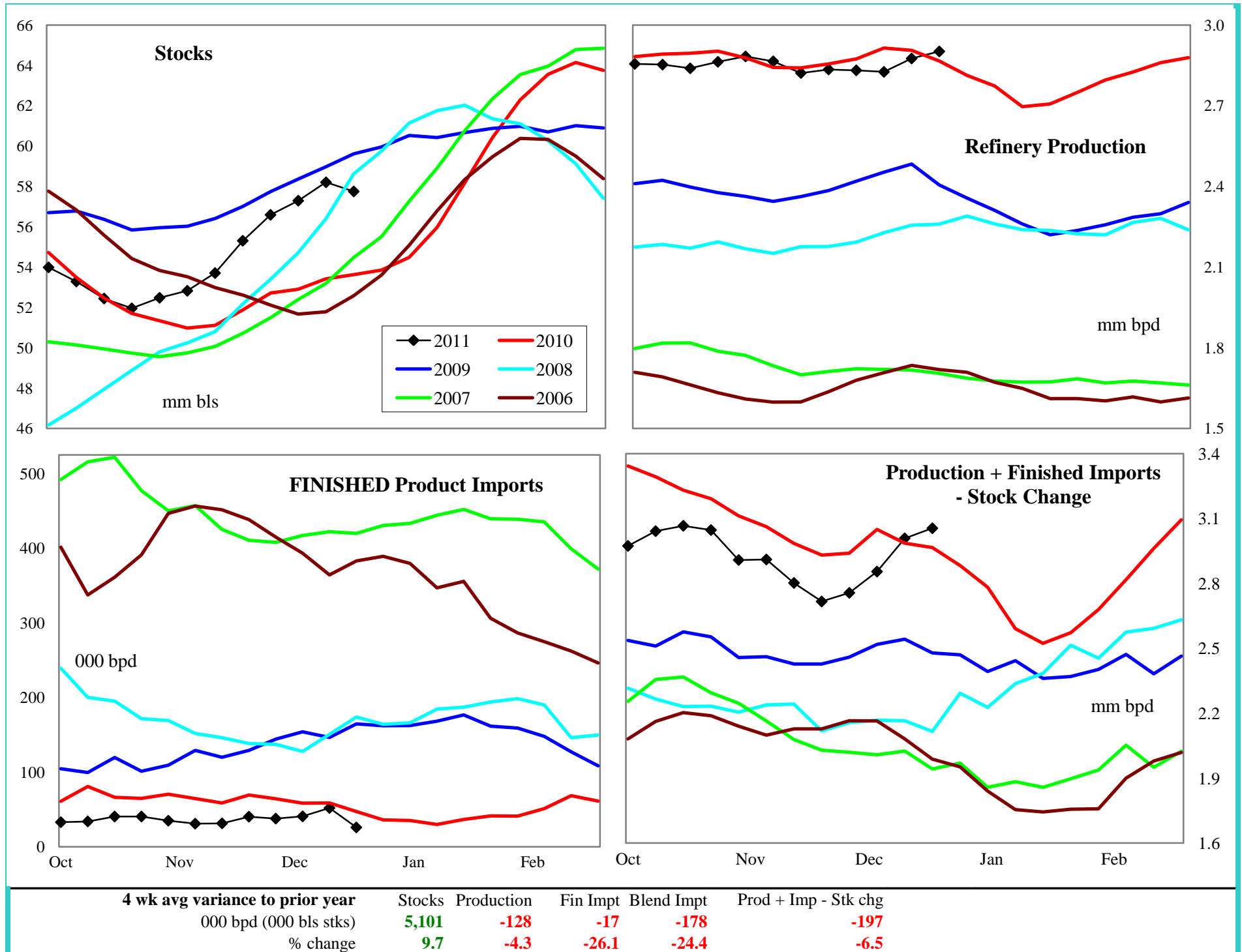
United States Residual Fuel Oil Supply and Demand Balance



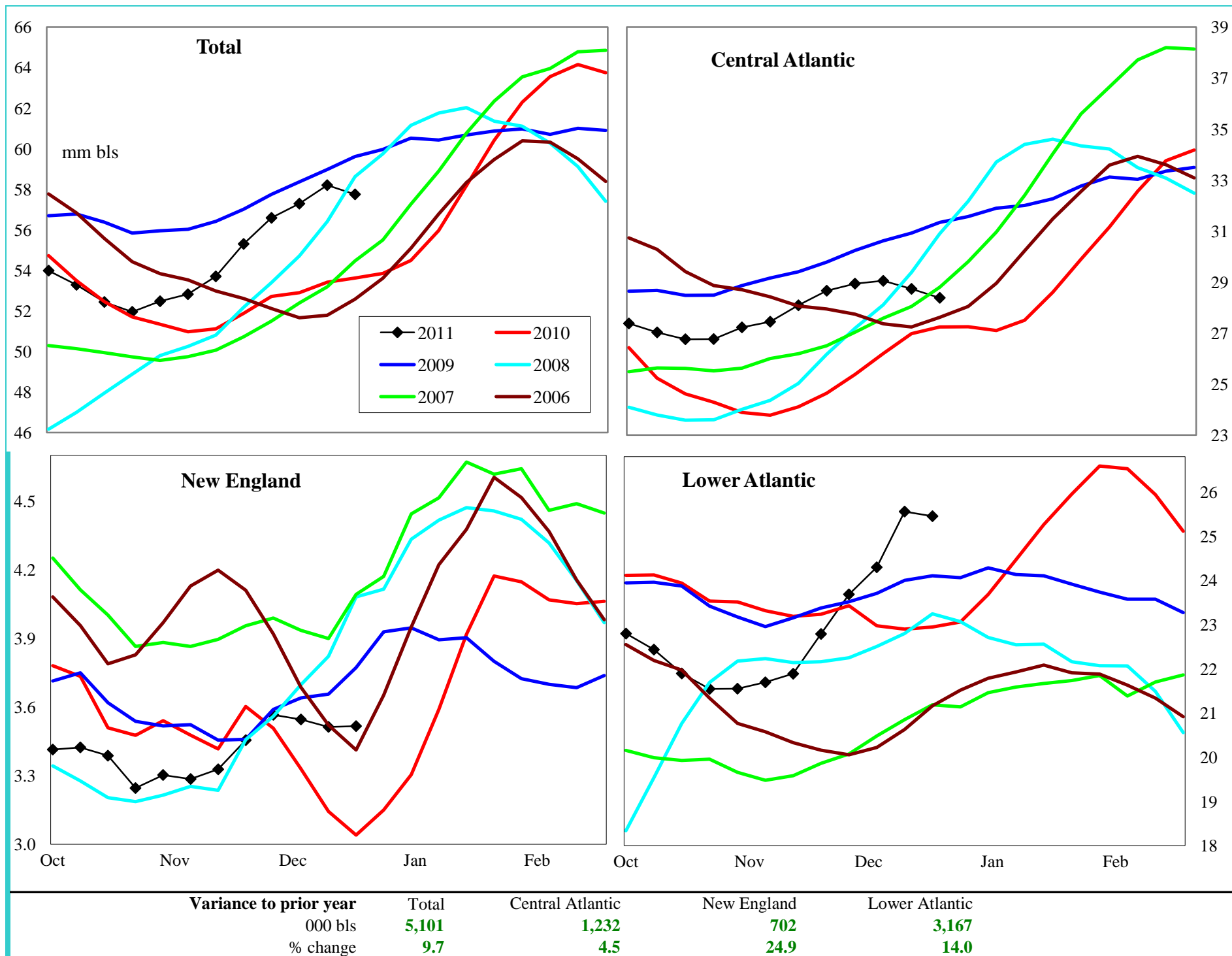
PADD 1 Crude Oil Supply and Refining



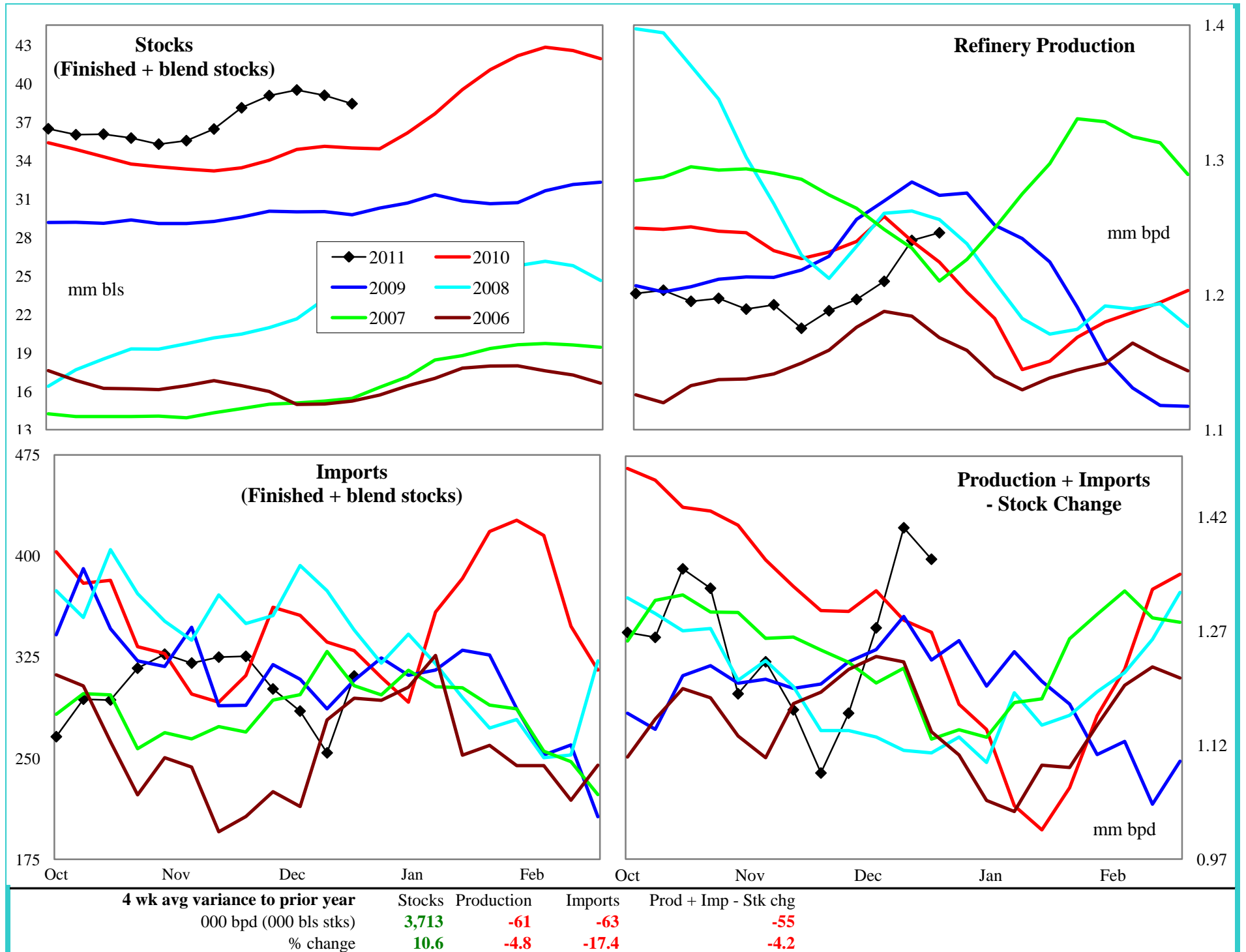
PADD 1 Gasoline Supply



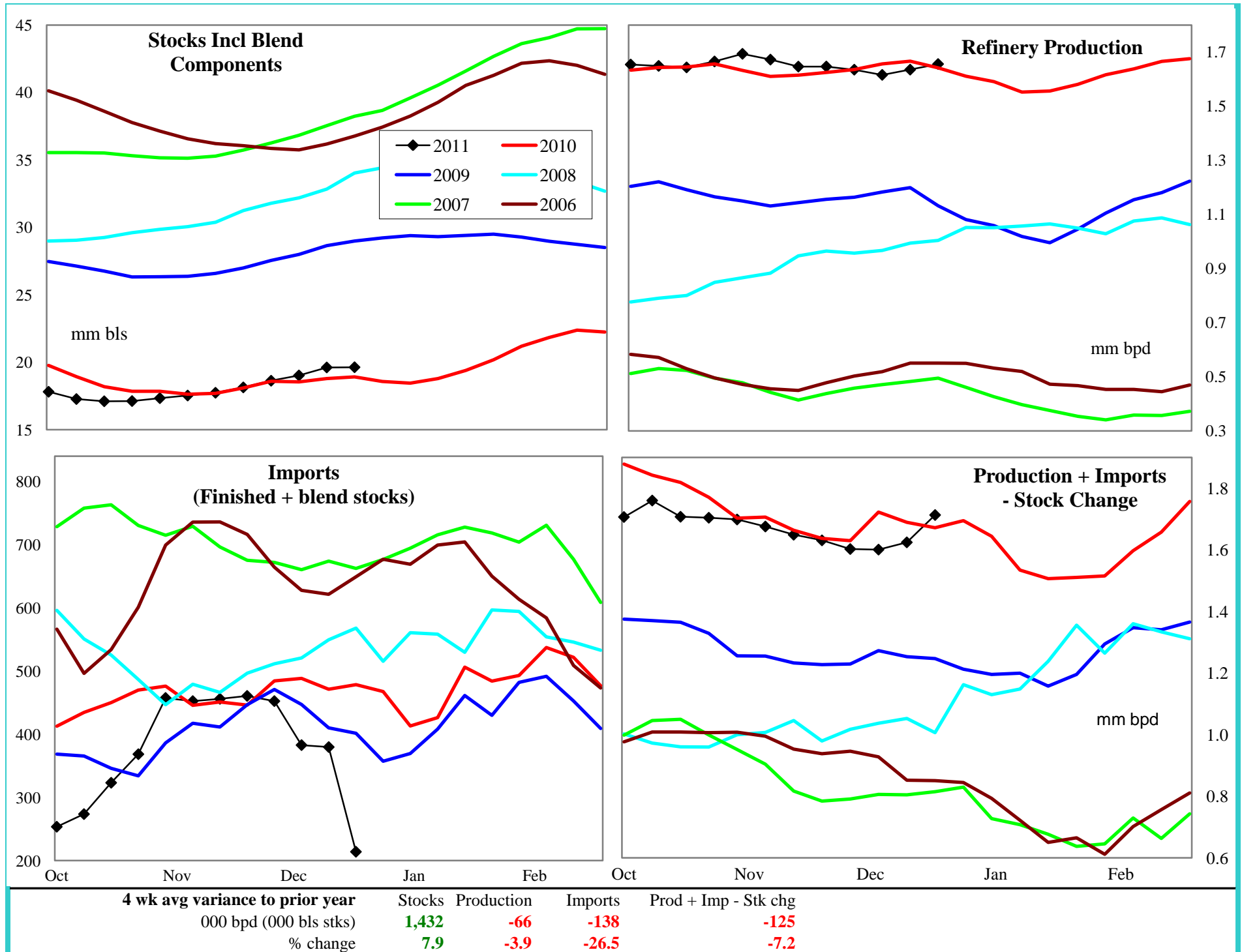
PADD 1 Gasoline Stocks by Region



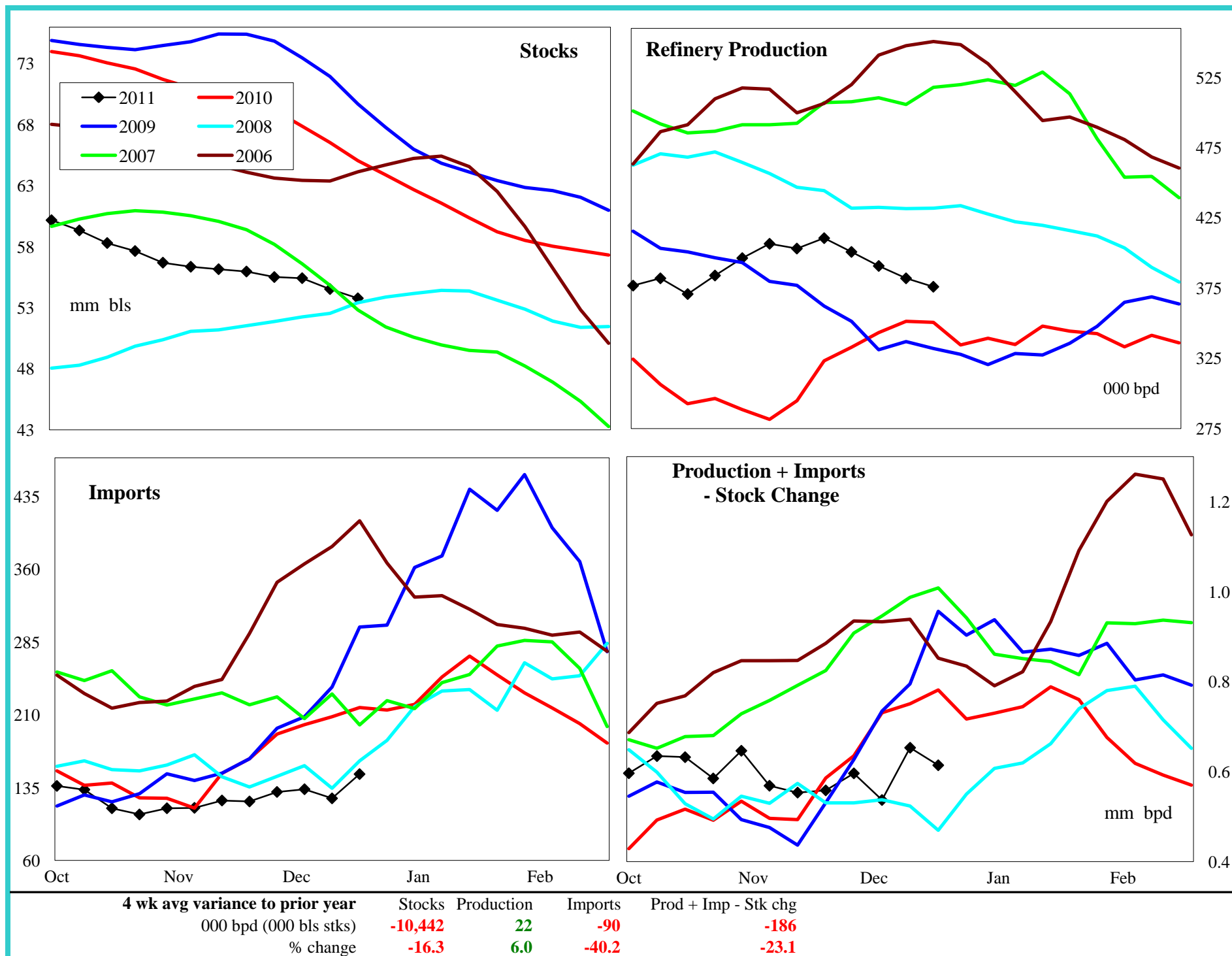
PADD 1 Reformulated Gasoline Supply



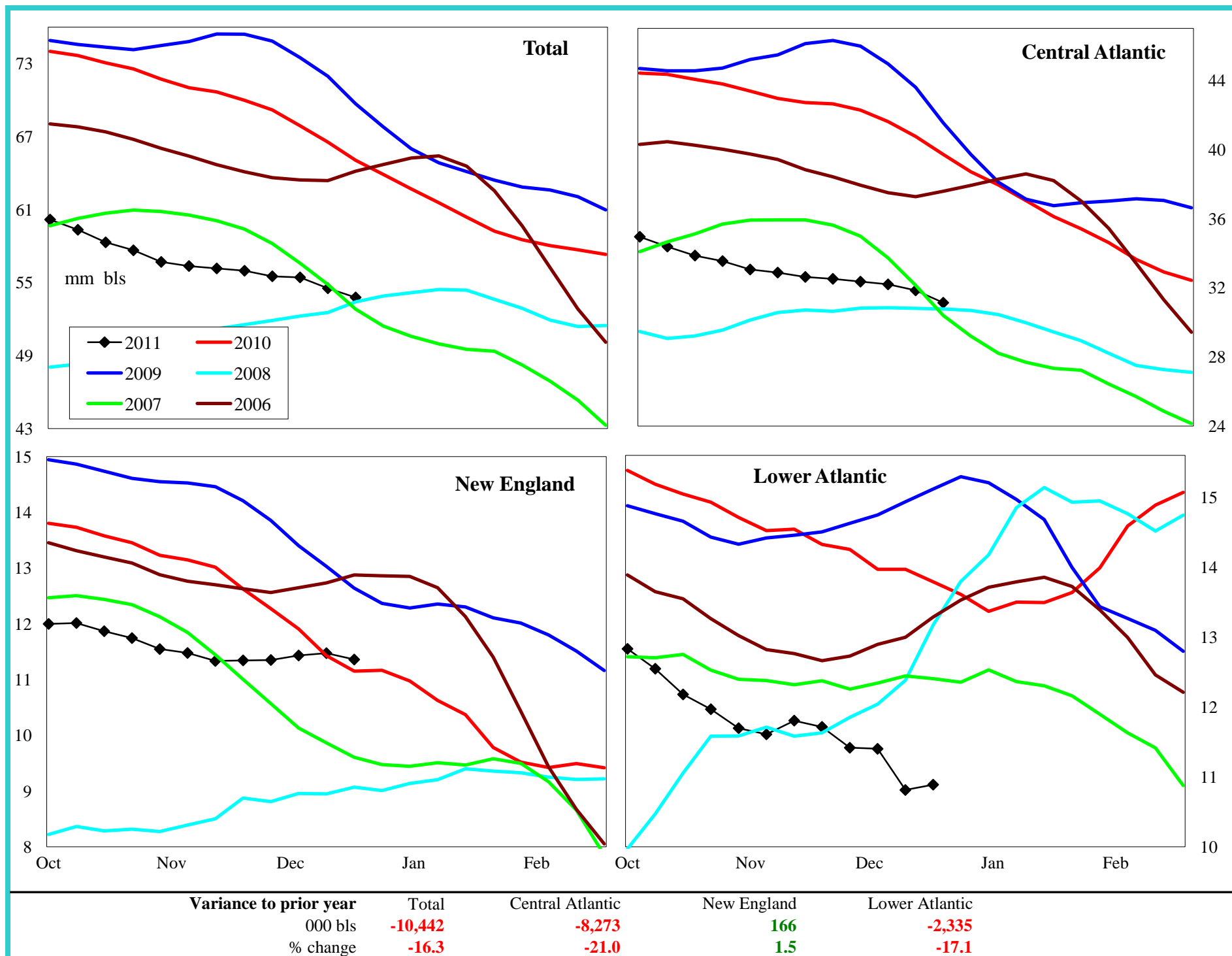
PADD 1 Conventional Gasoline Supply



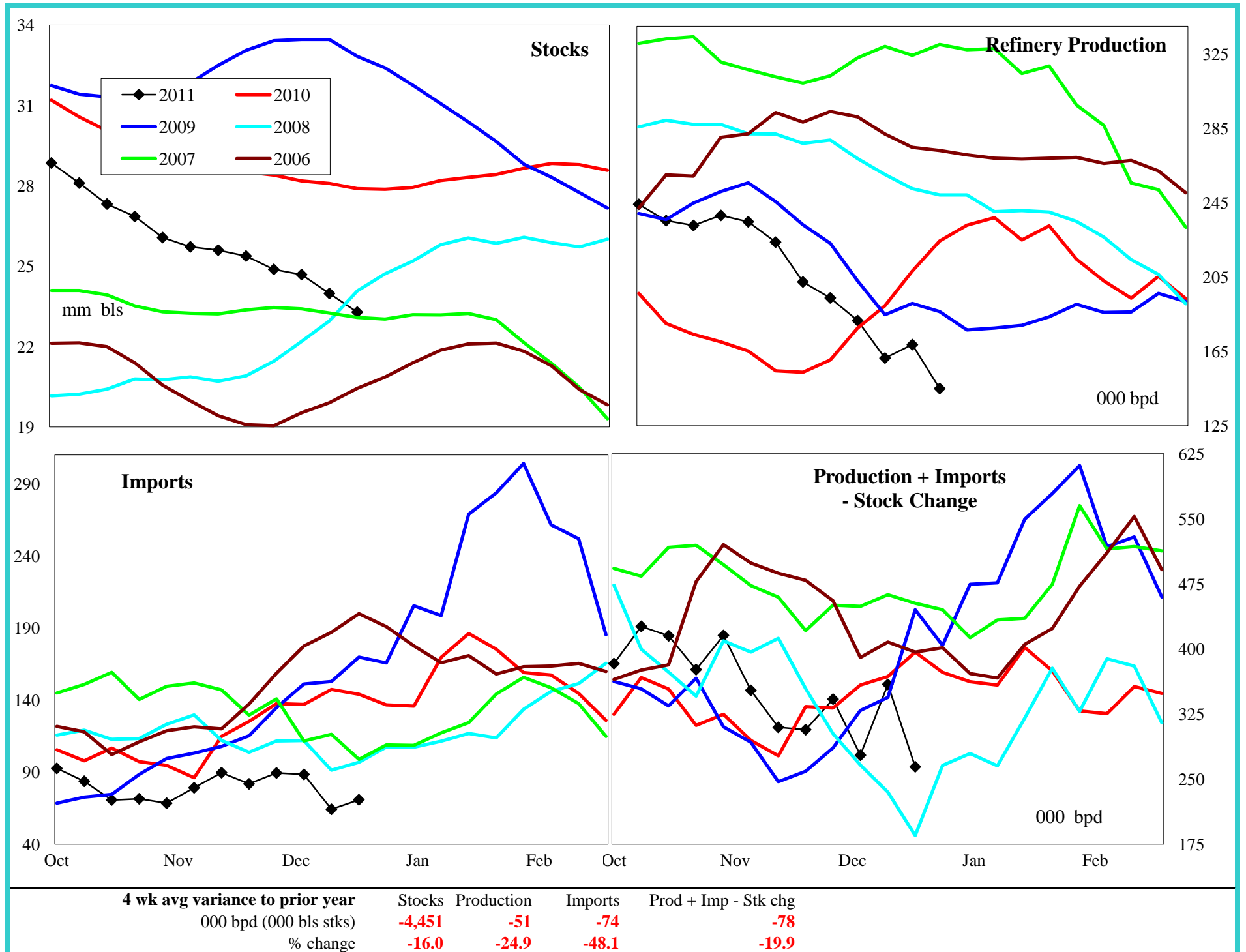
PADD 1 Distillate Supply



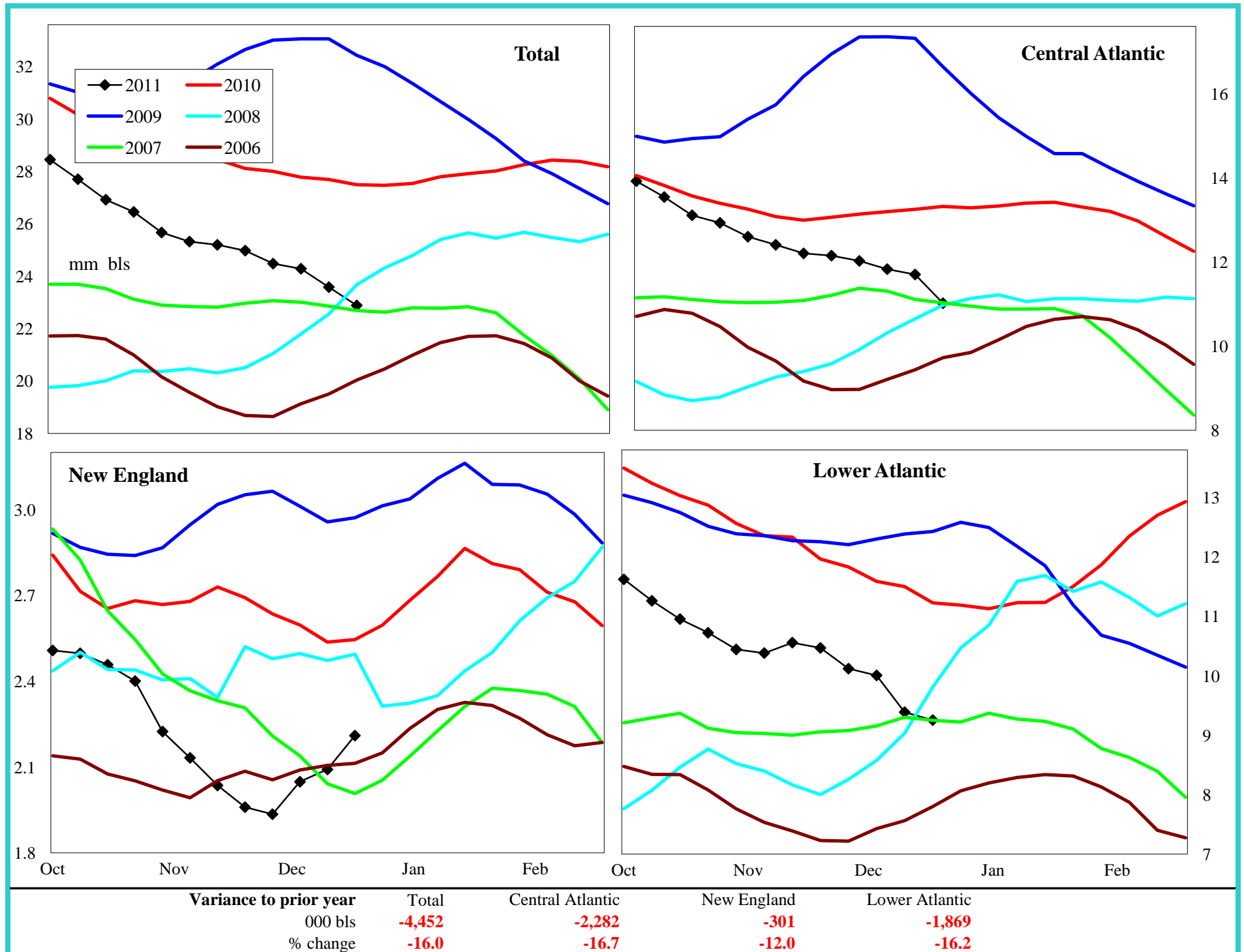
PADD 1 Distillate Stocks by Region



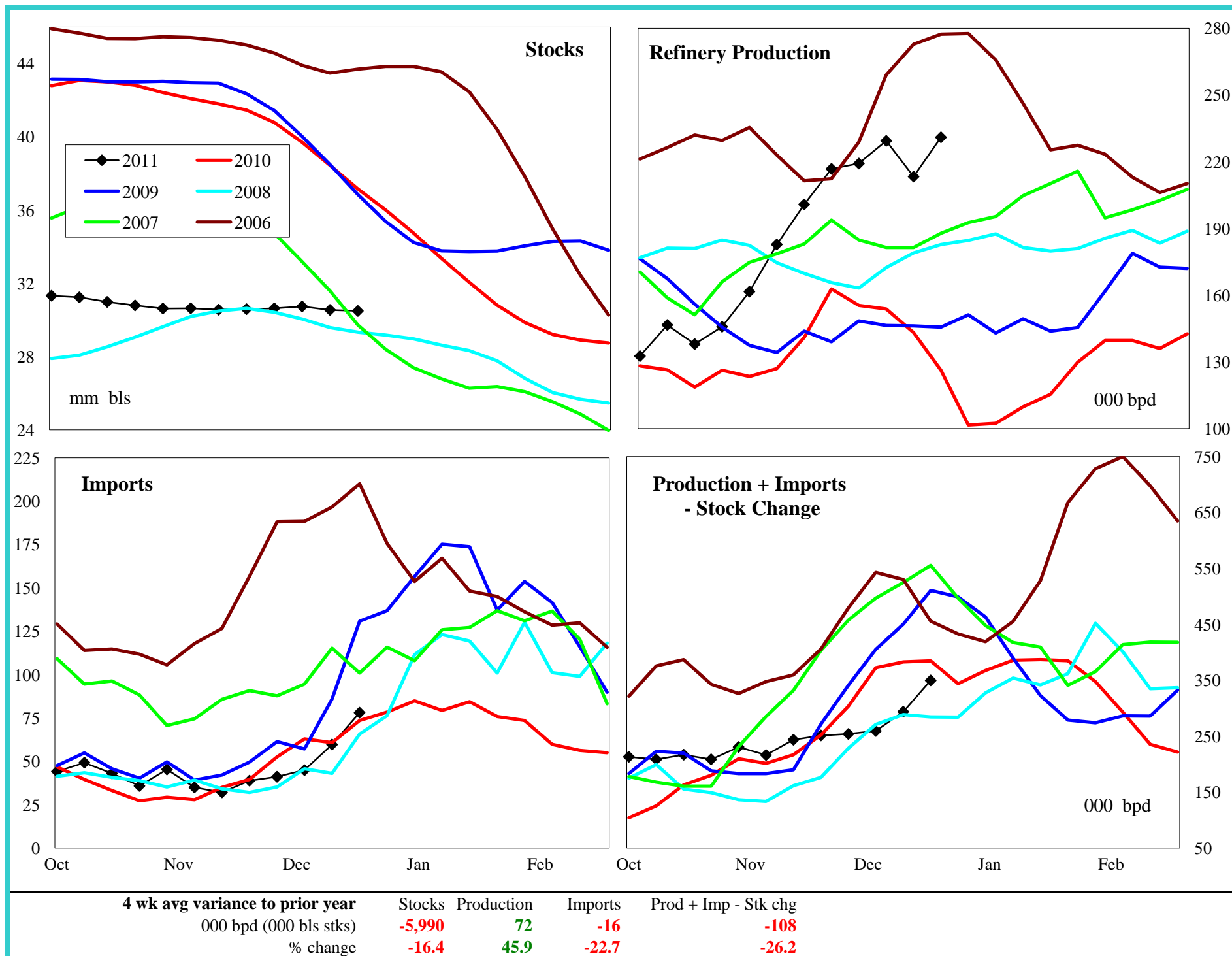
PADD 1 Low Sulfur Distillate Supply



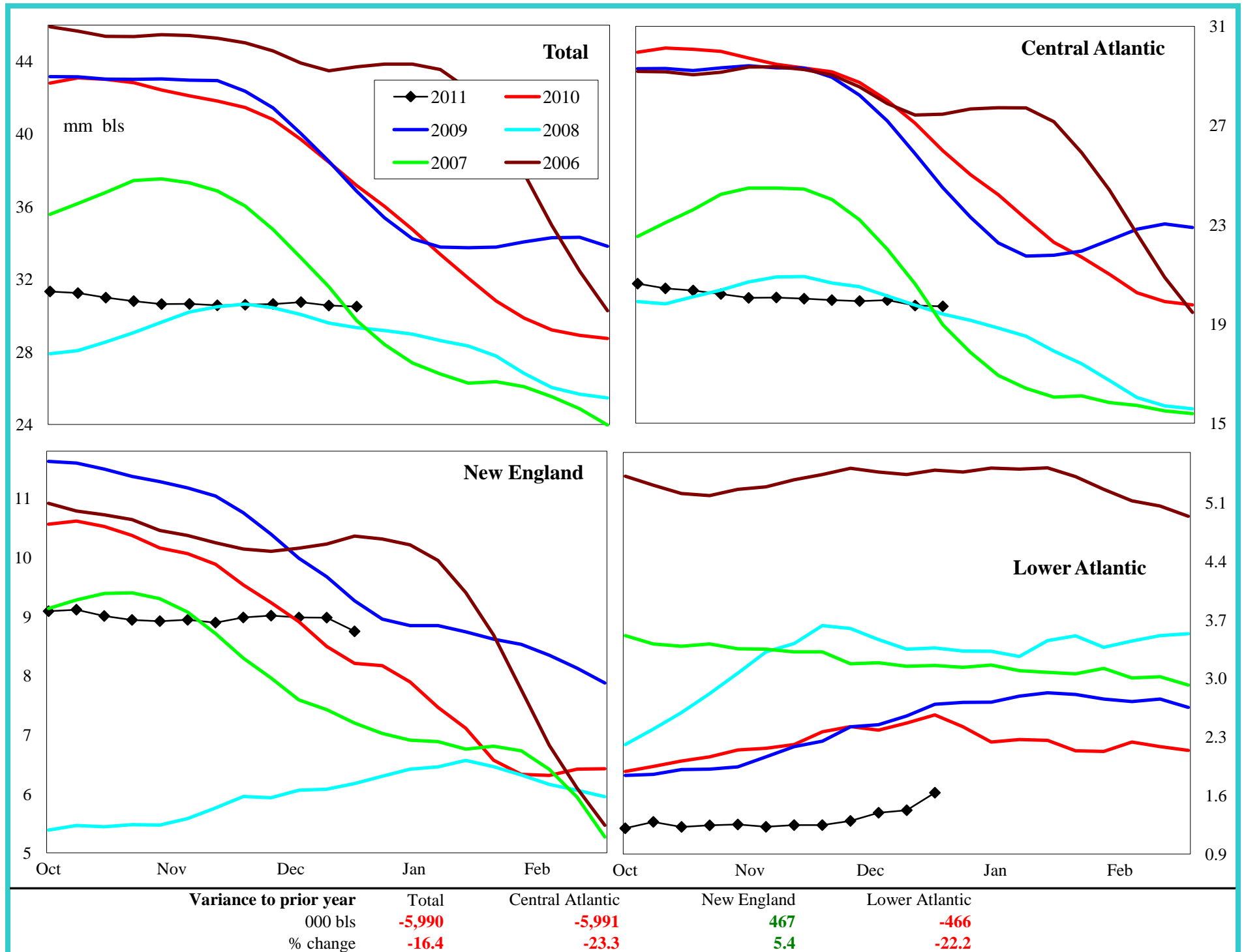
PADD 1 Low Sulfur Distillate Stocks by Region



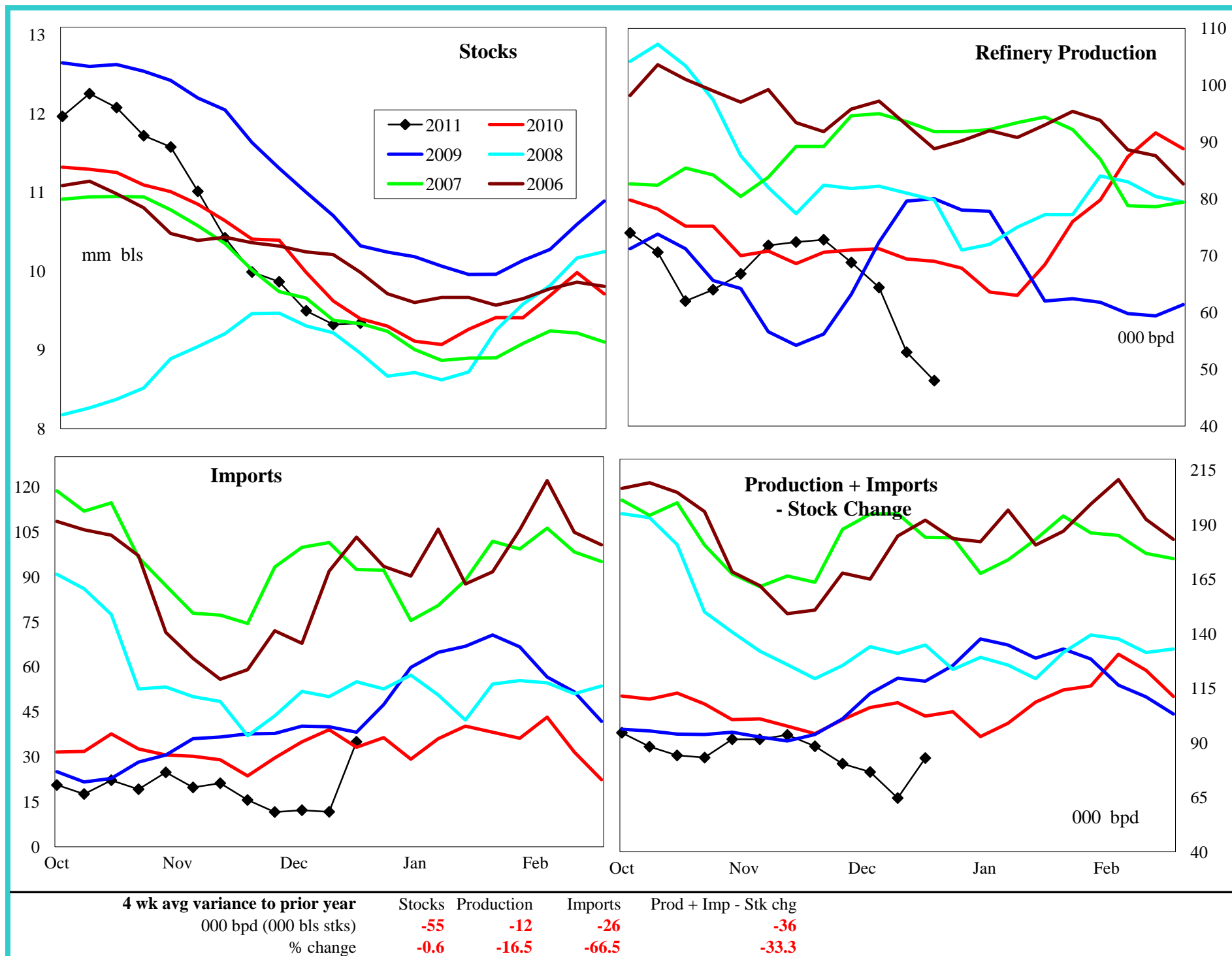
PADD 1 High Sulfur Distillate Supply



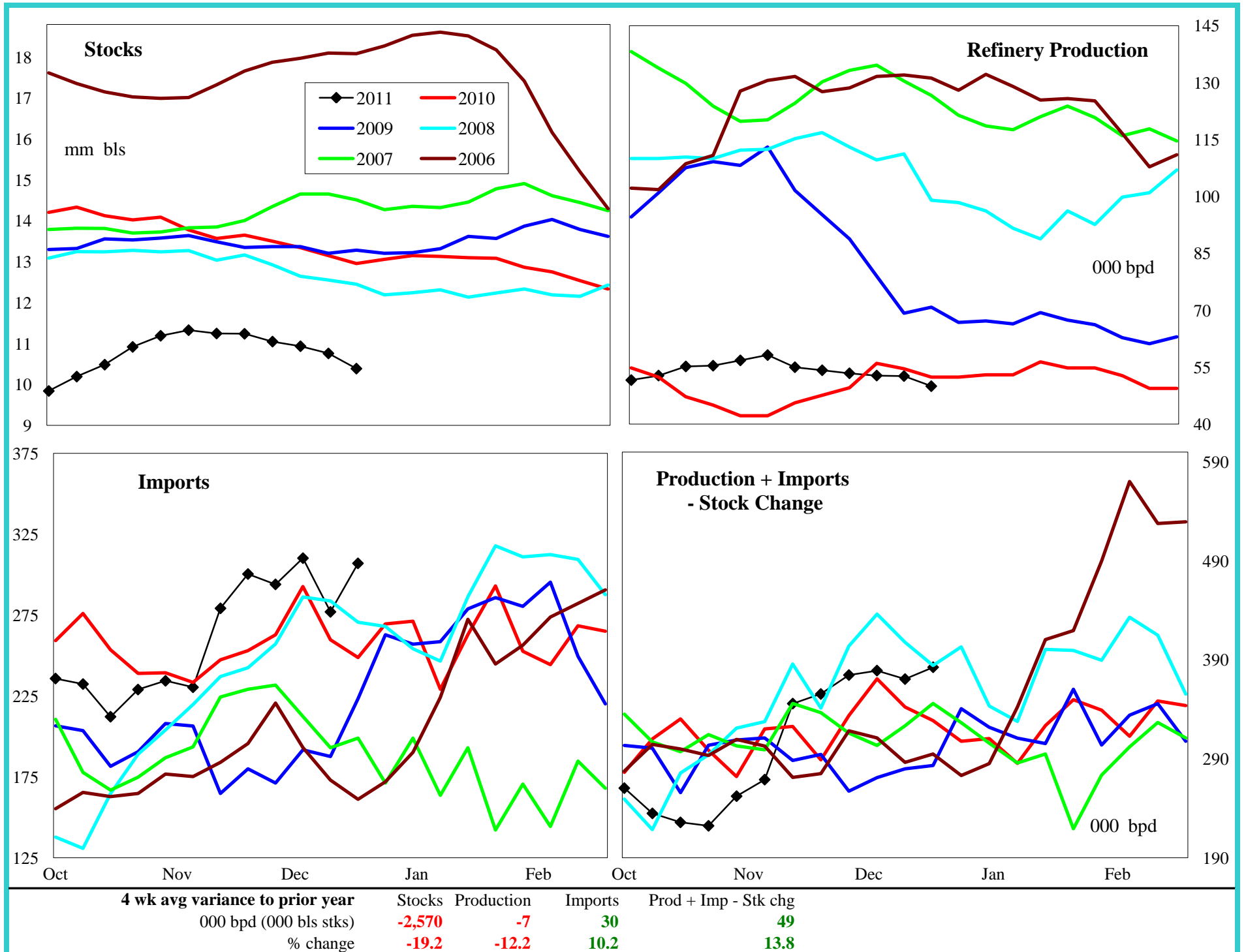
PADD 1 High Sulfur Distillate Stocks by Region



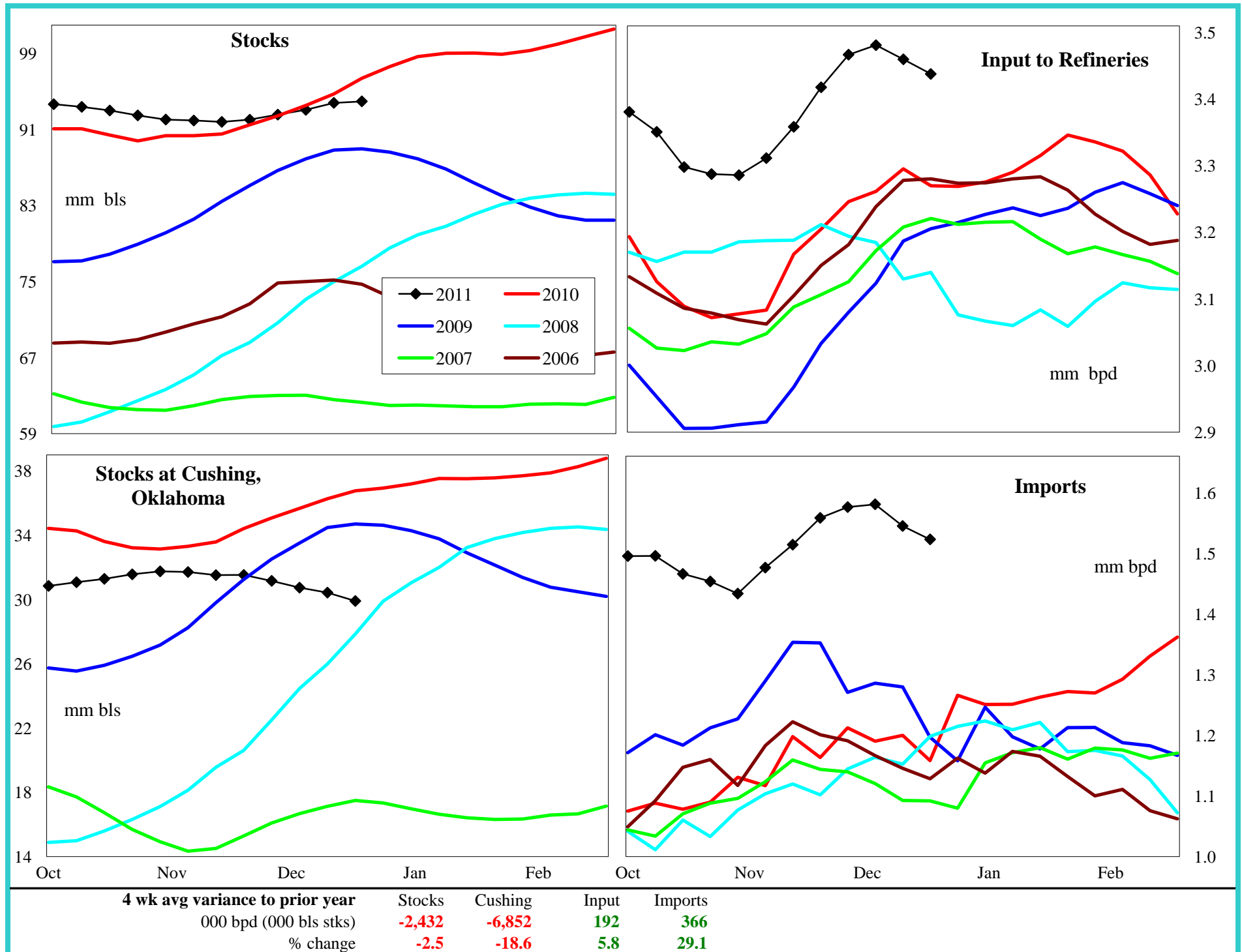
PADD 1 Jet Fuel Supply



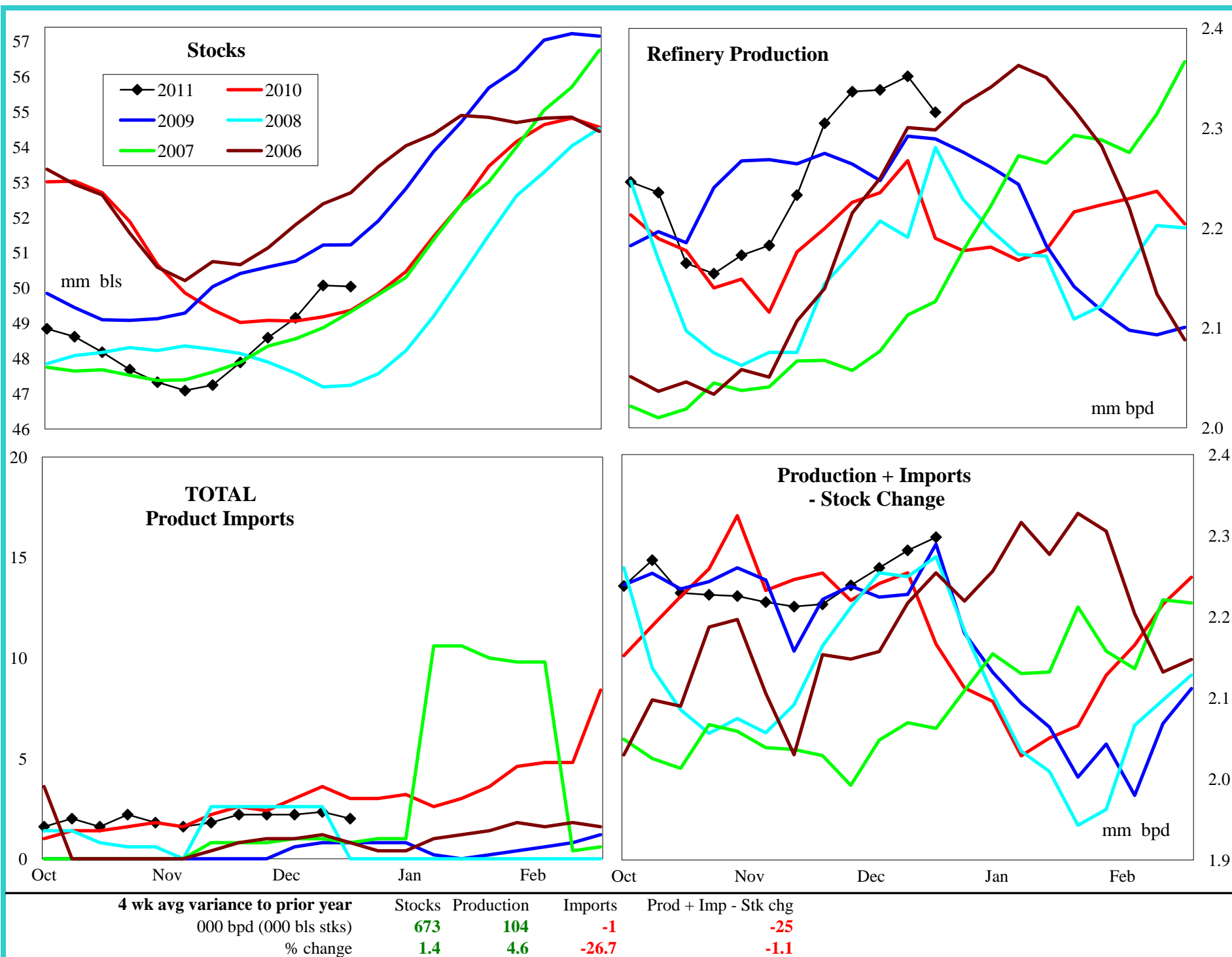
PADD 1 Residual Fuel Oil Supply



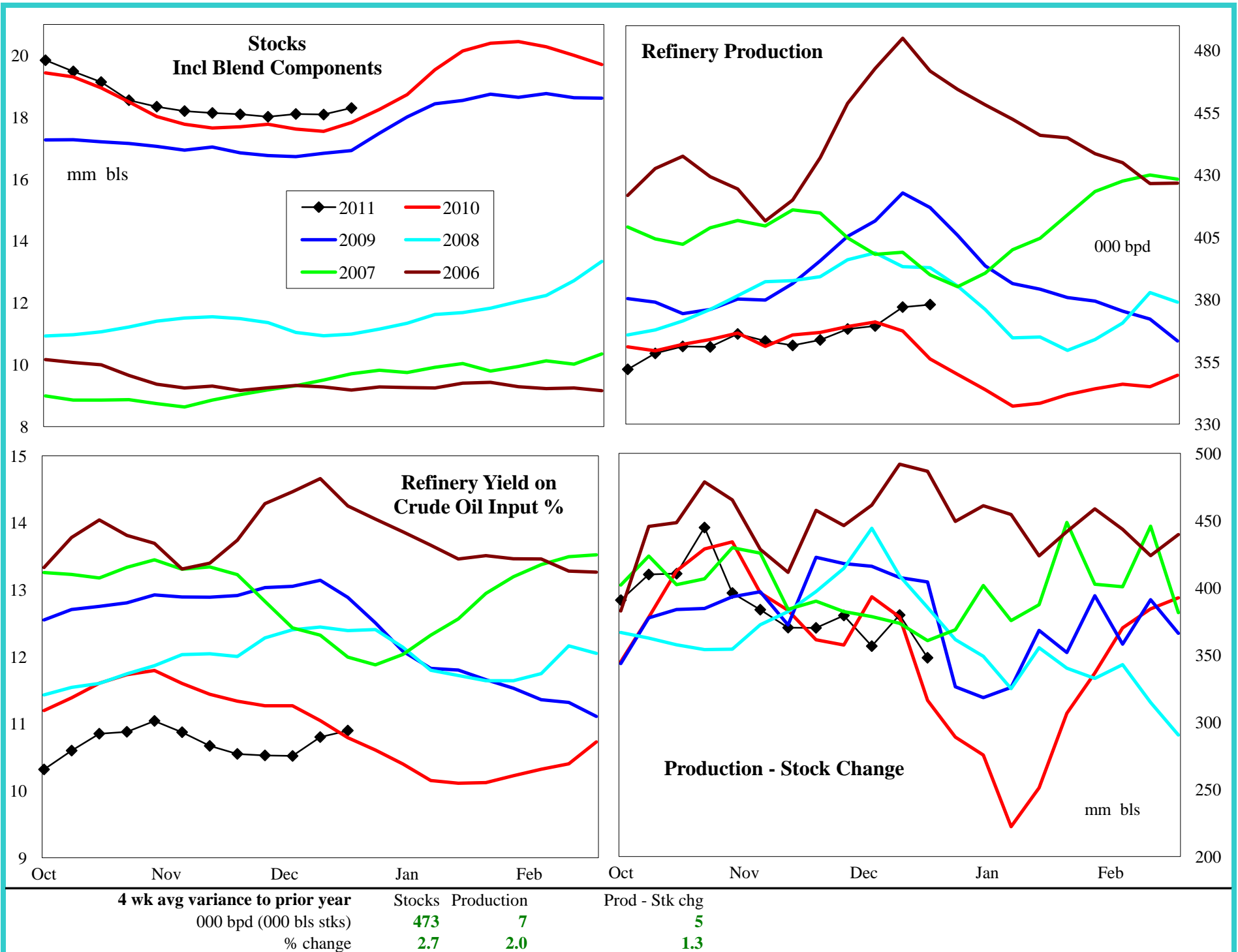
PADD 2 Crude Oil Supply and Refining



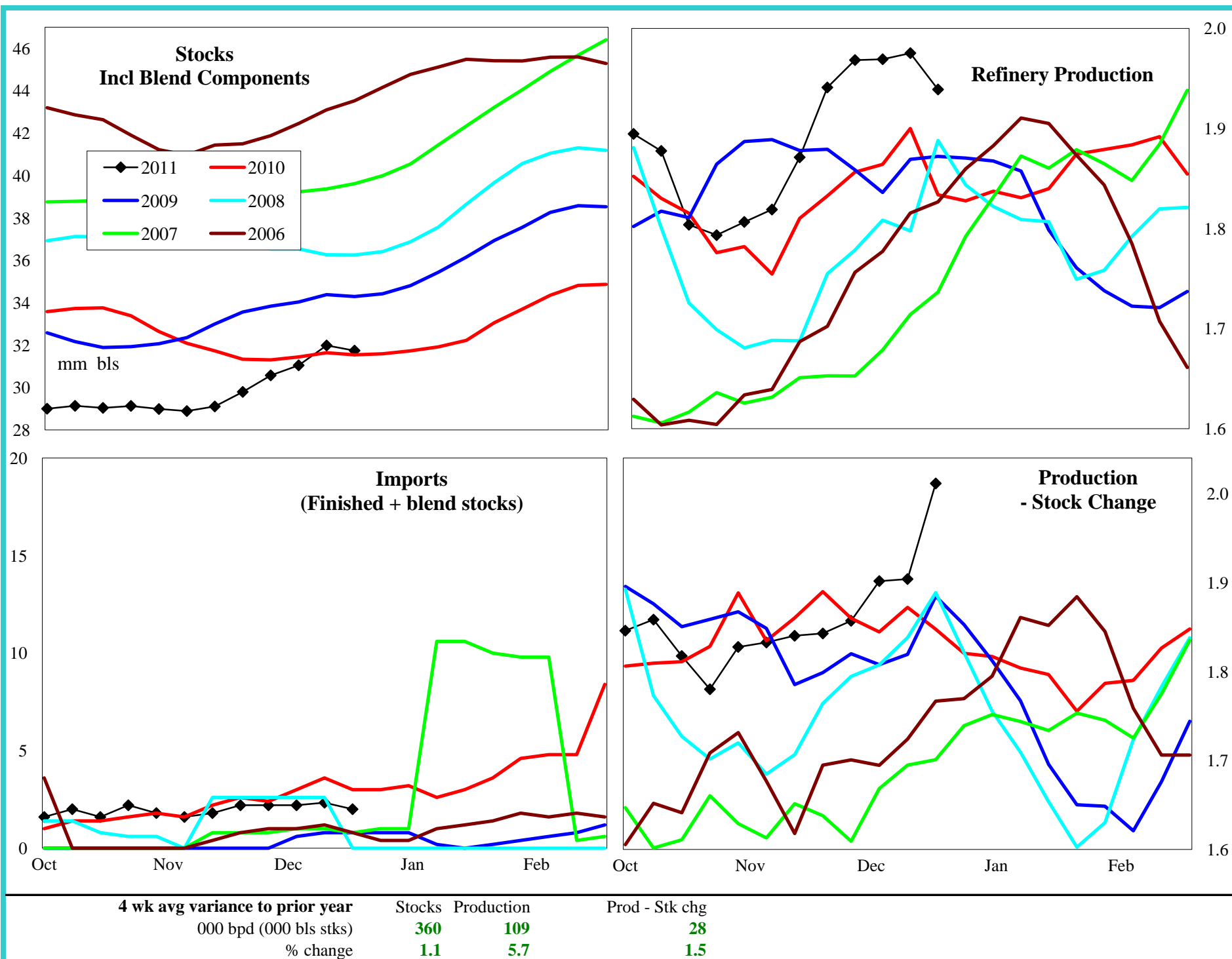
PADD 2 Gasoline Supply



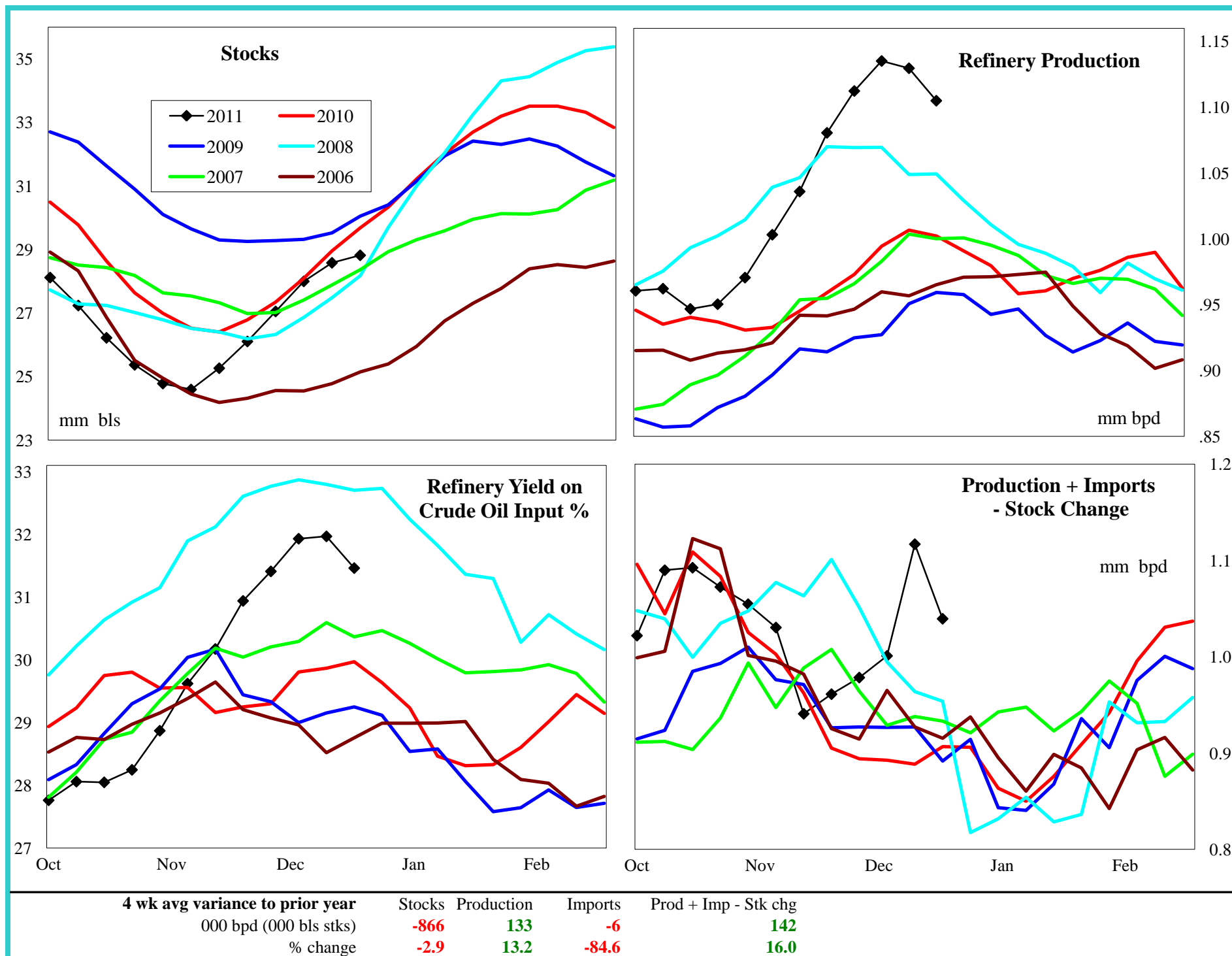
PADD 2 Reformulated Gasoline Supply



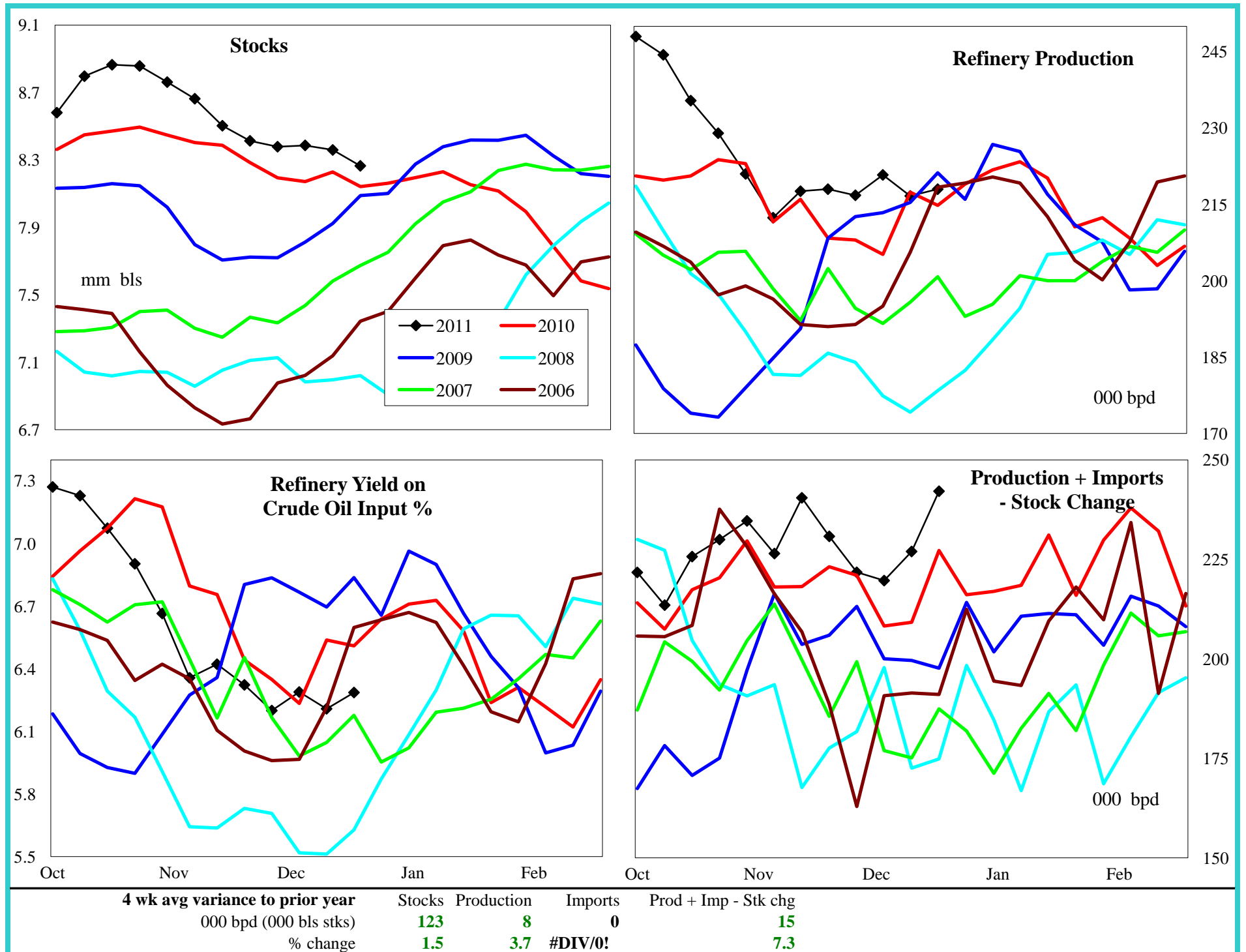
PADD 2 Conventional Gasoline Supply



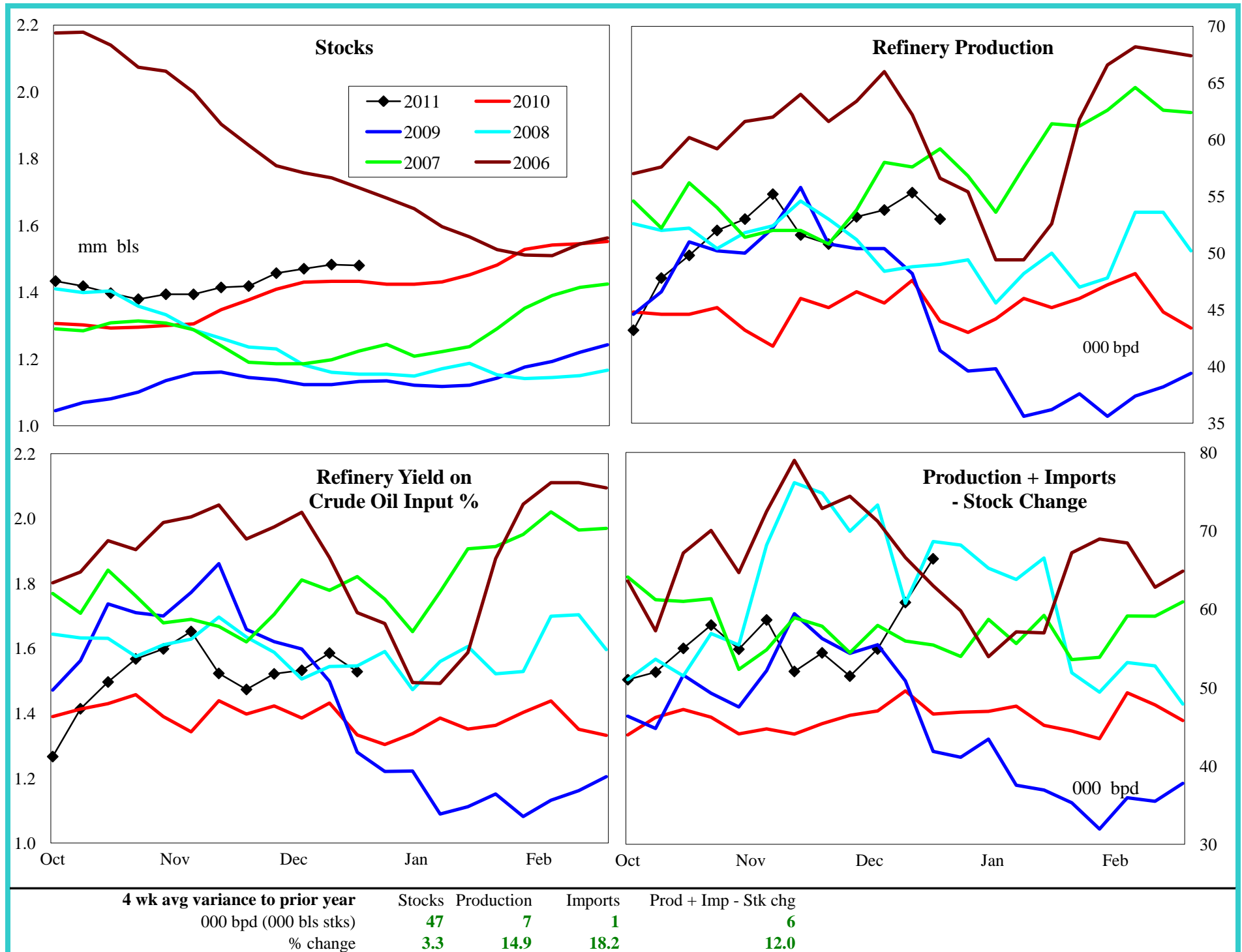
PADD 2 Distillate Supply



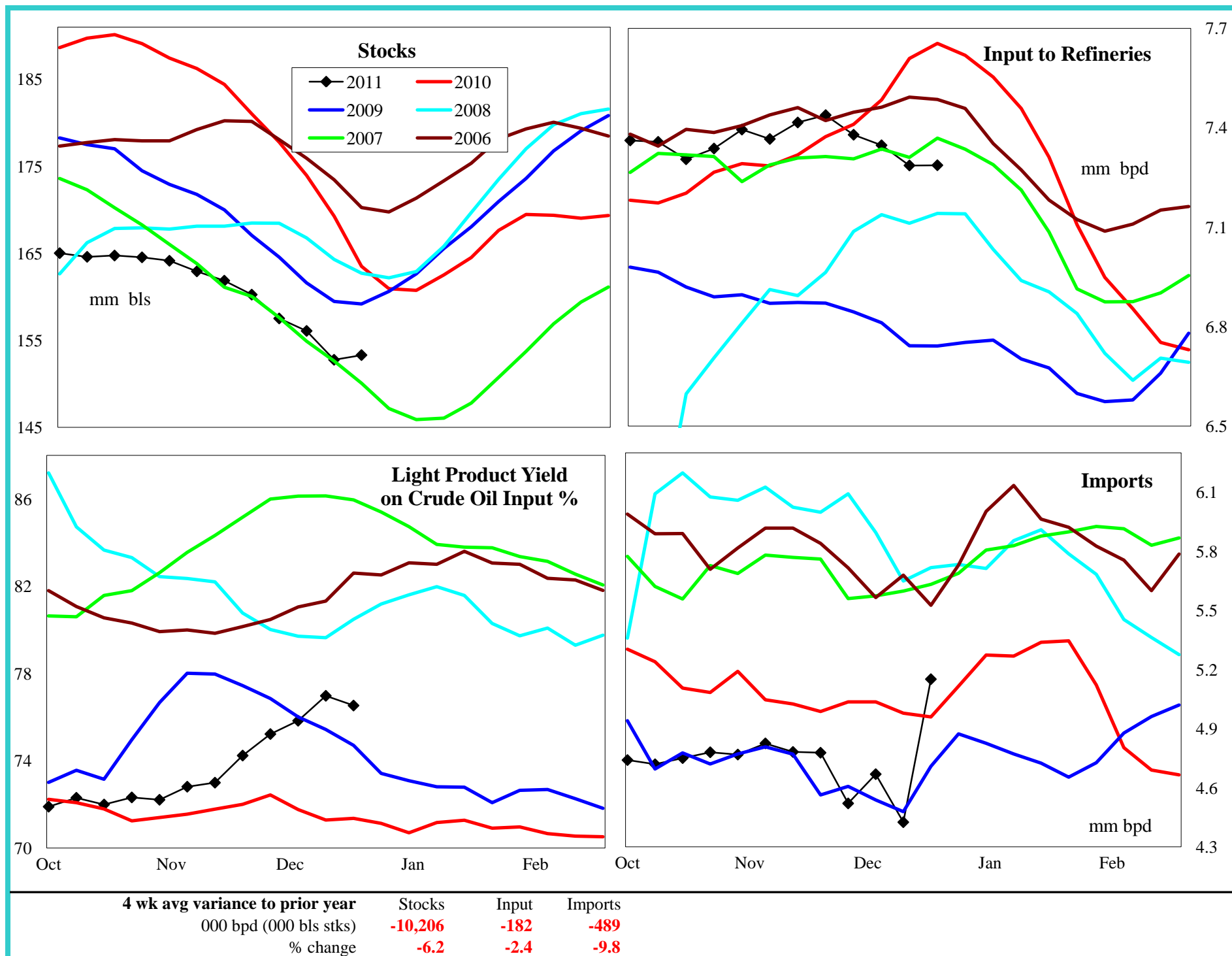
PADD 2 Jet Fuel Supply



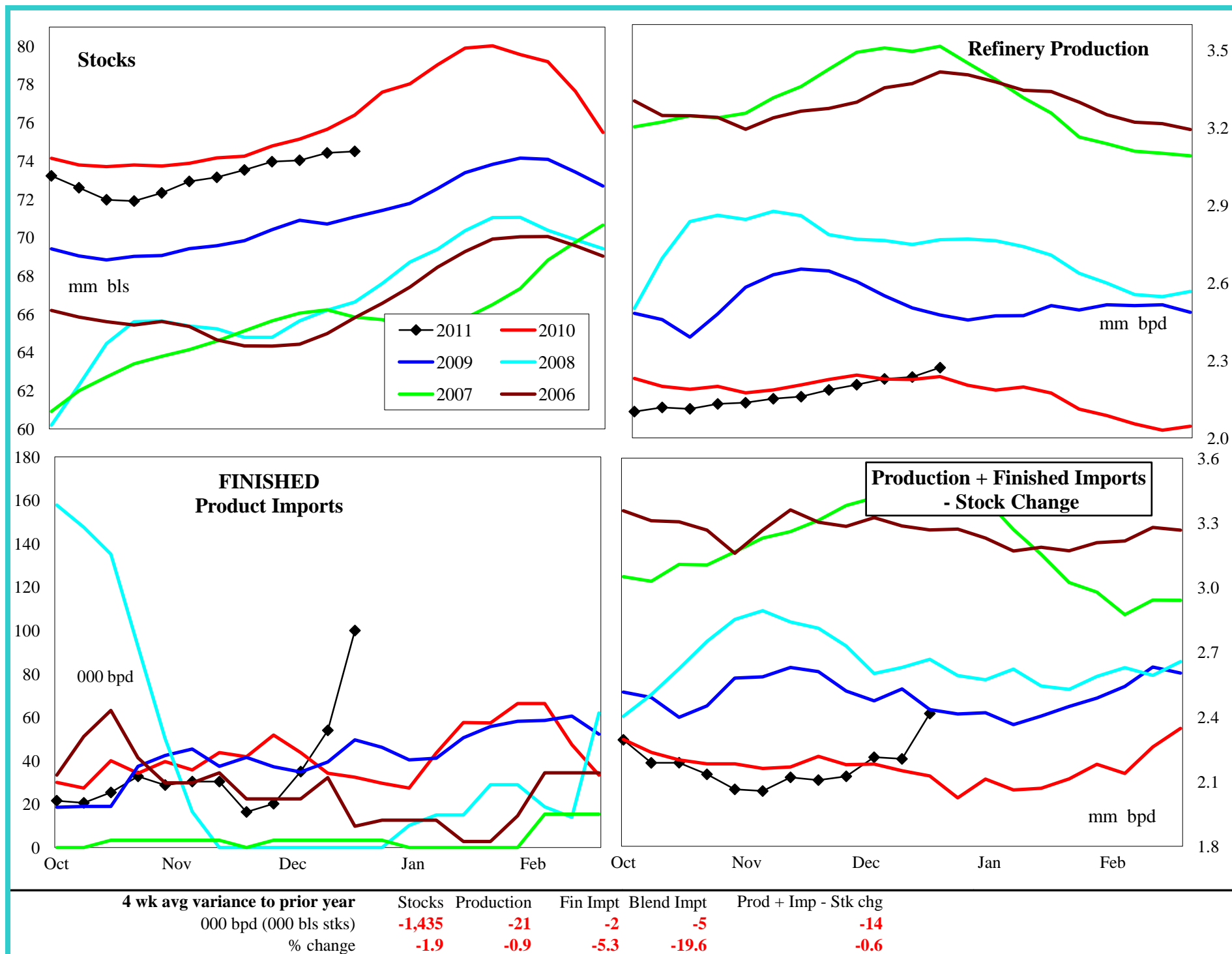
PADD 2 Residual Fuel Oil Supply



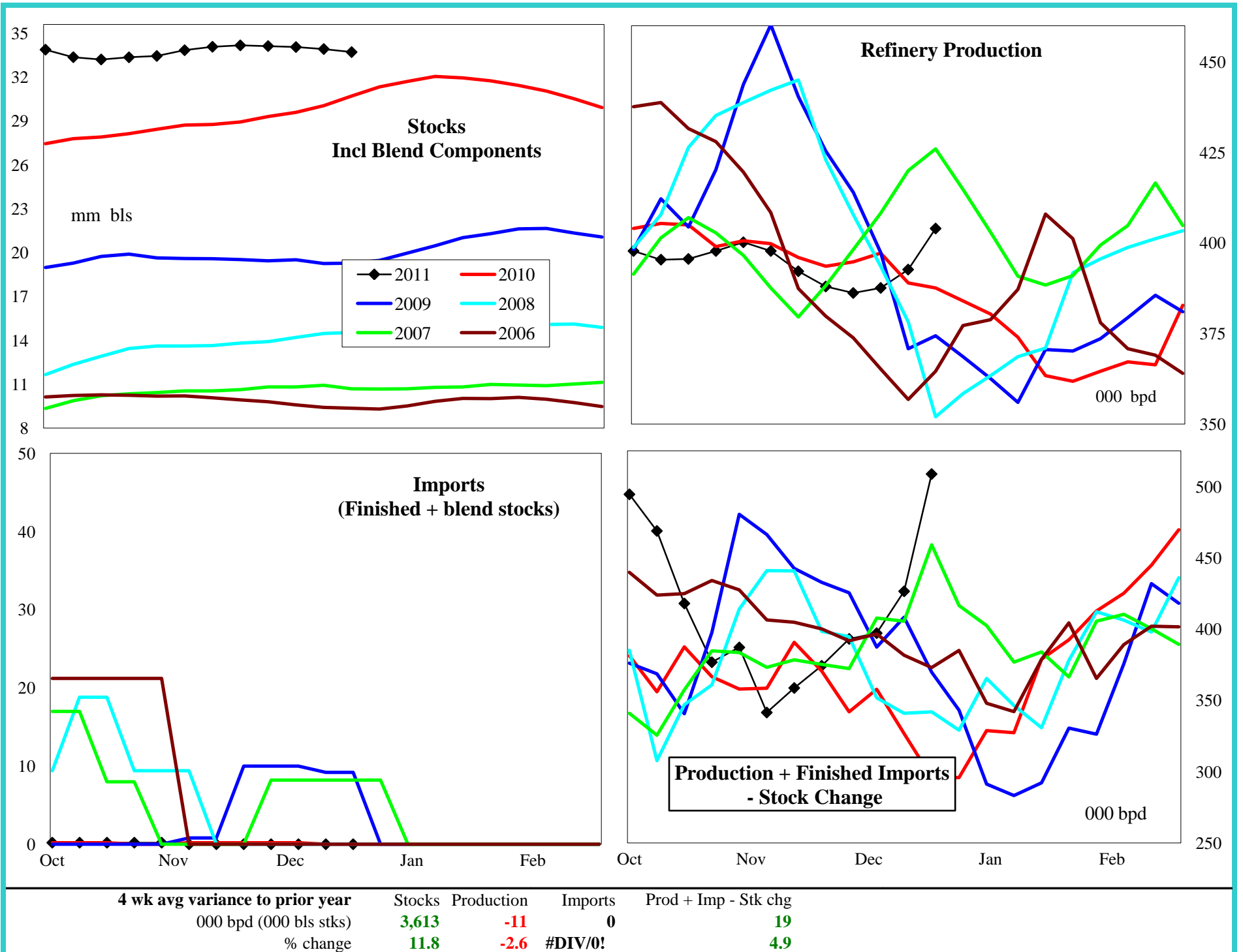
PADD 3 Crude Oil Supply and Refining



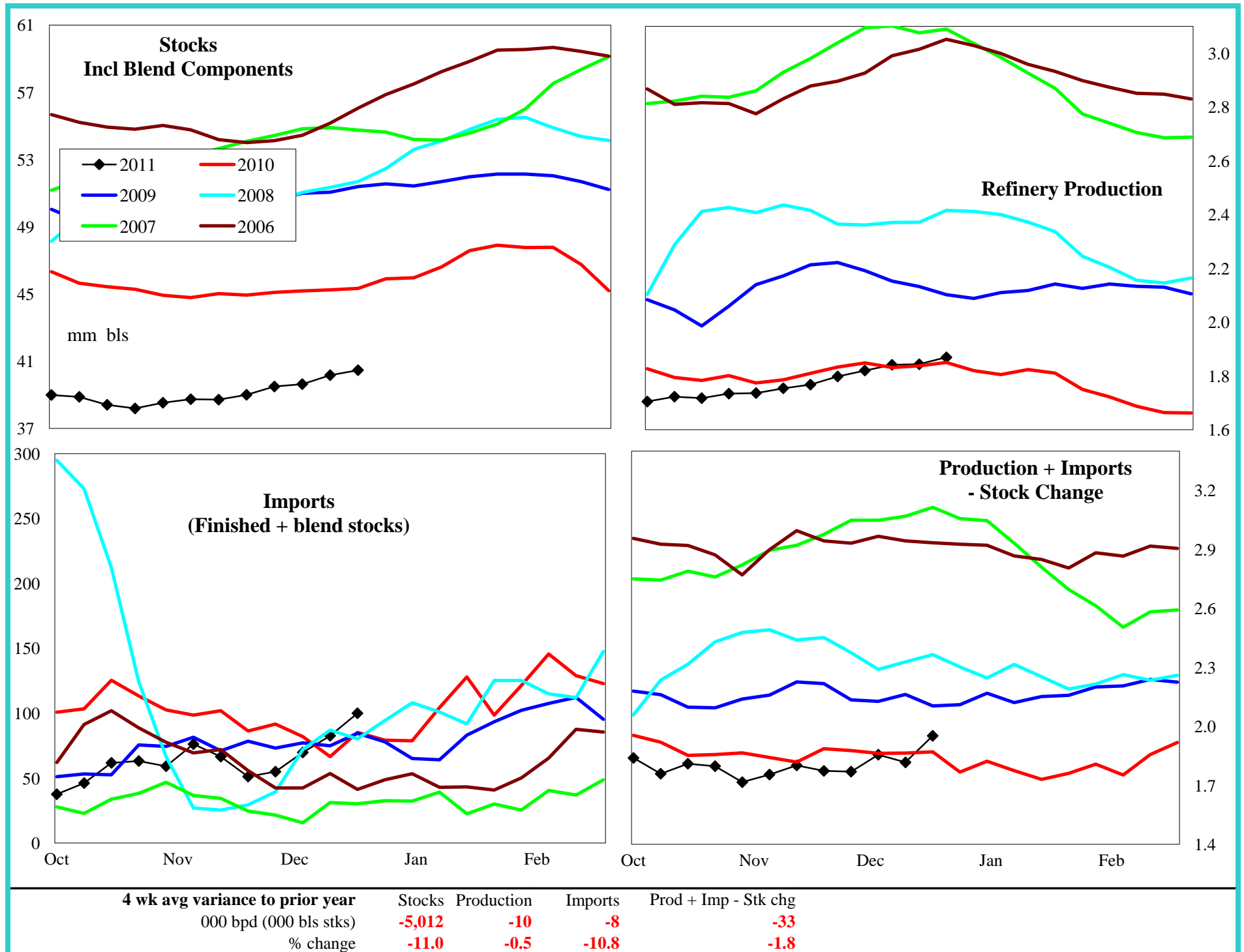
PADD 3 Gasoline Supply



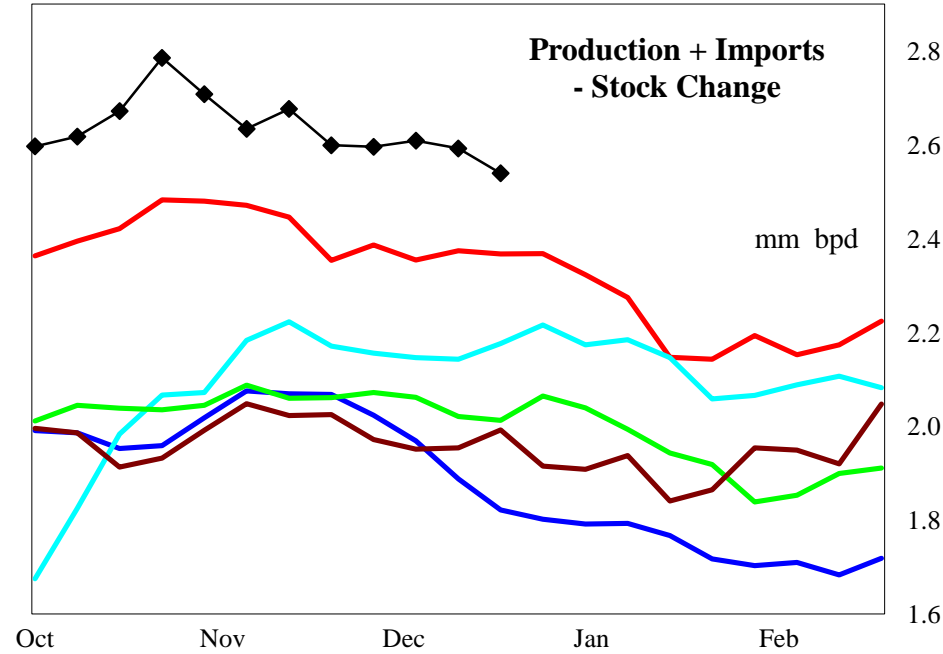
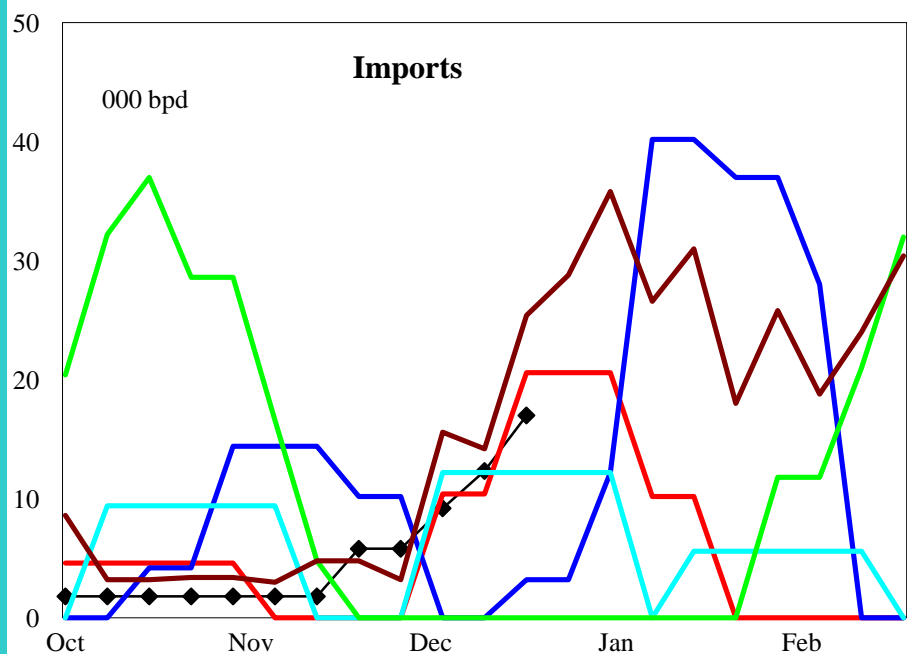
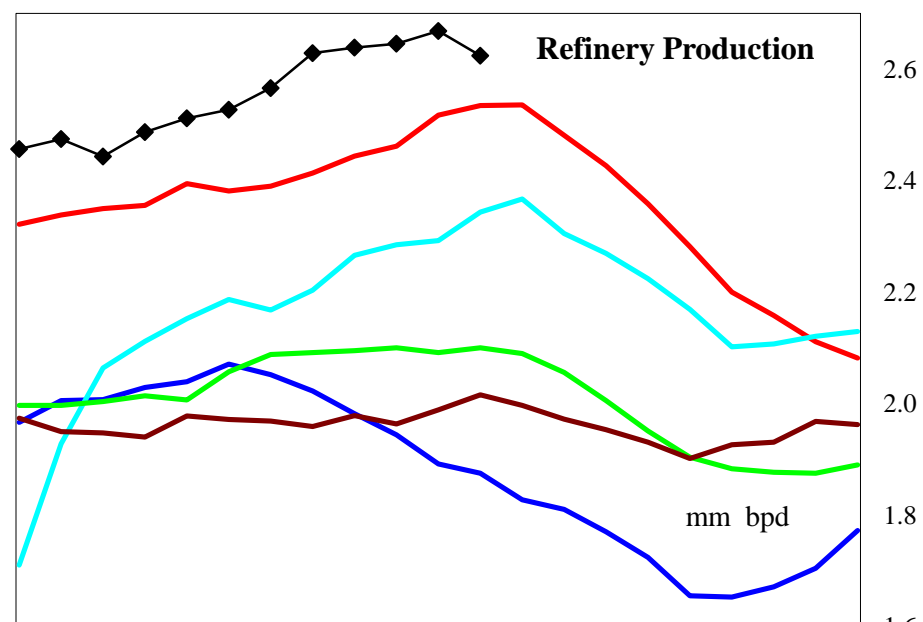
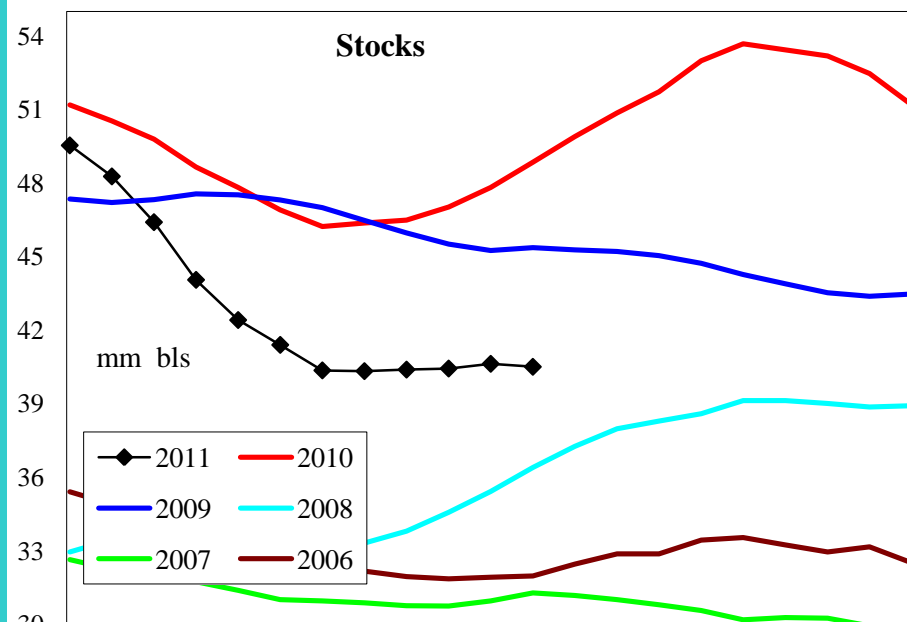
PADD 3 Reformulated Gasoline Supply



PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-8,825

-17.9

Production

189

7.6

Imports

-4

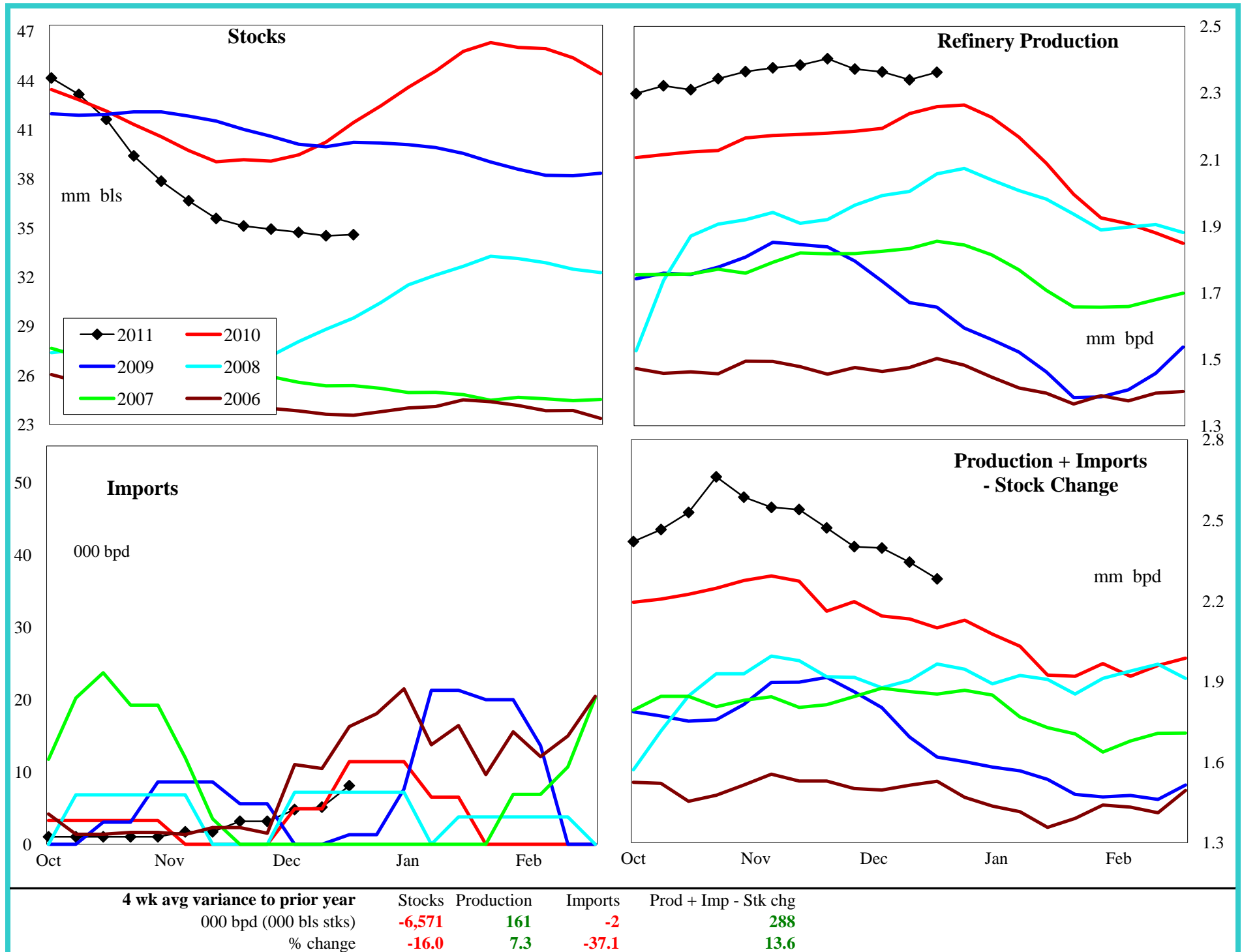
-28.8

Prod + Imp - Stk chg

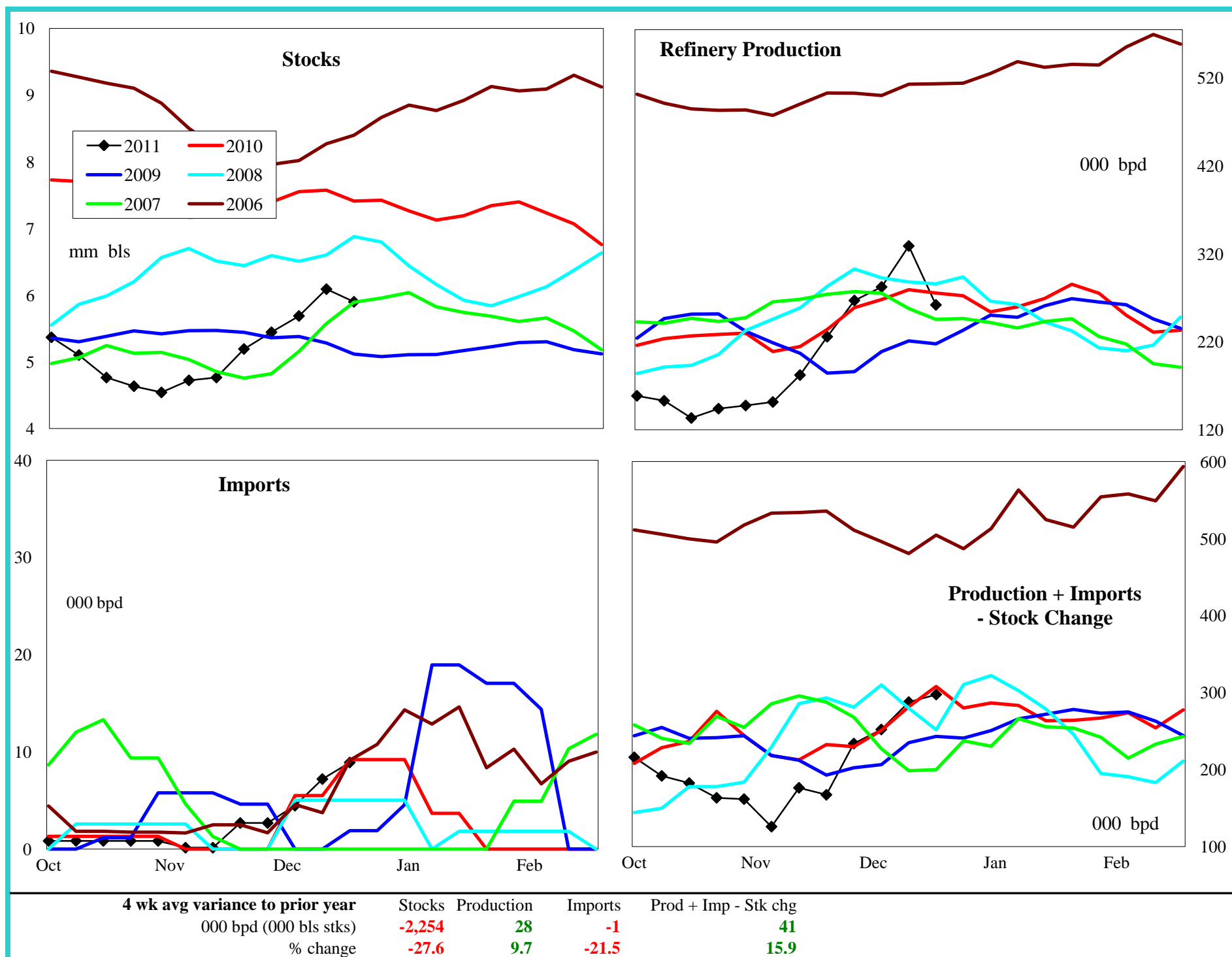
329

13.9

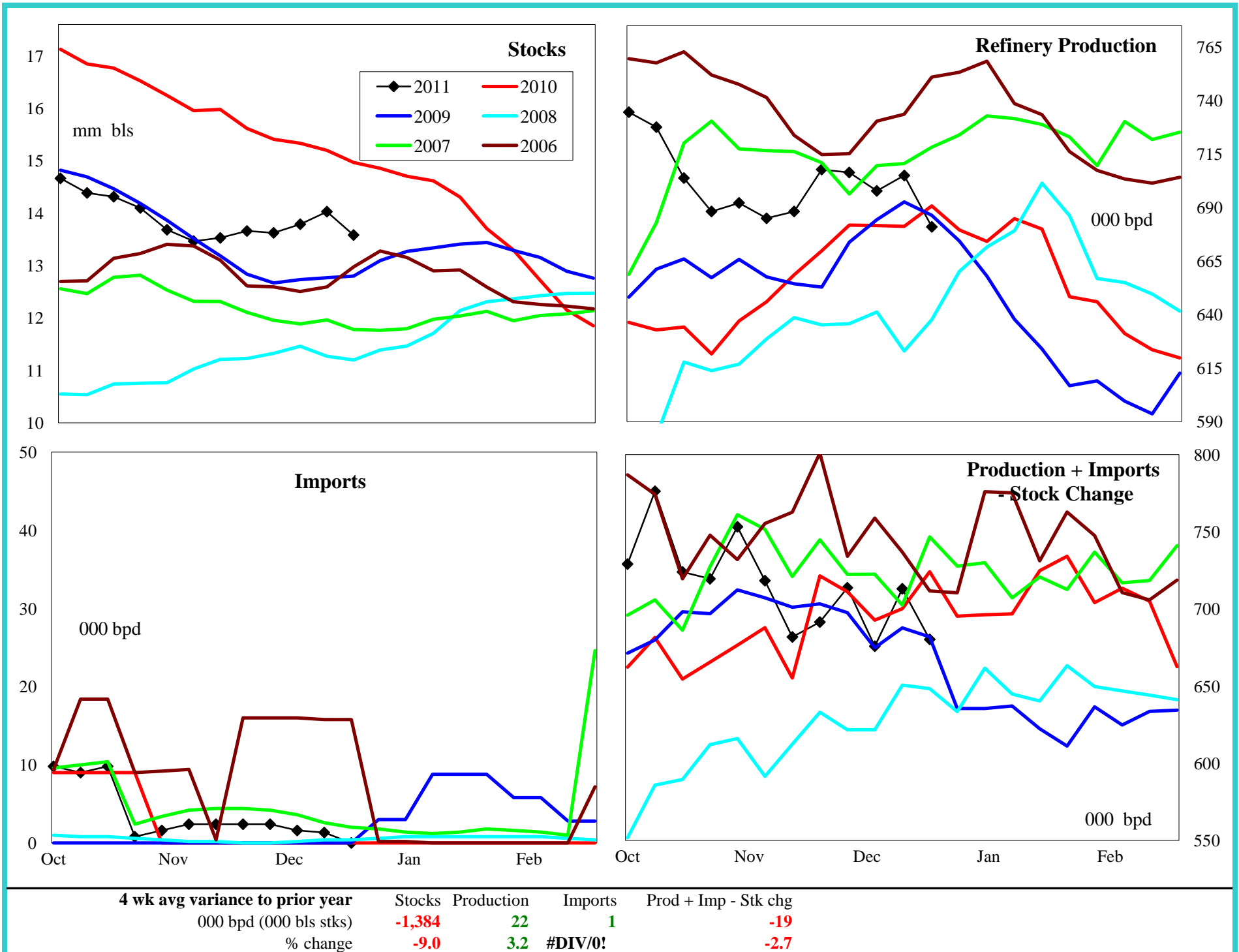
PADD 3 Low Sulfur Distillate Supply



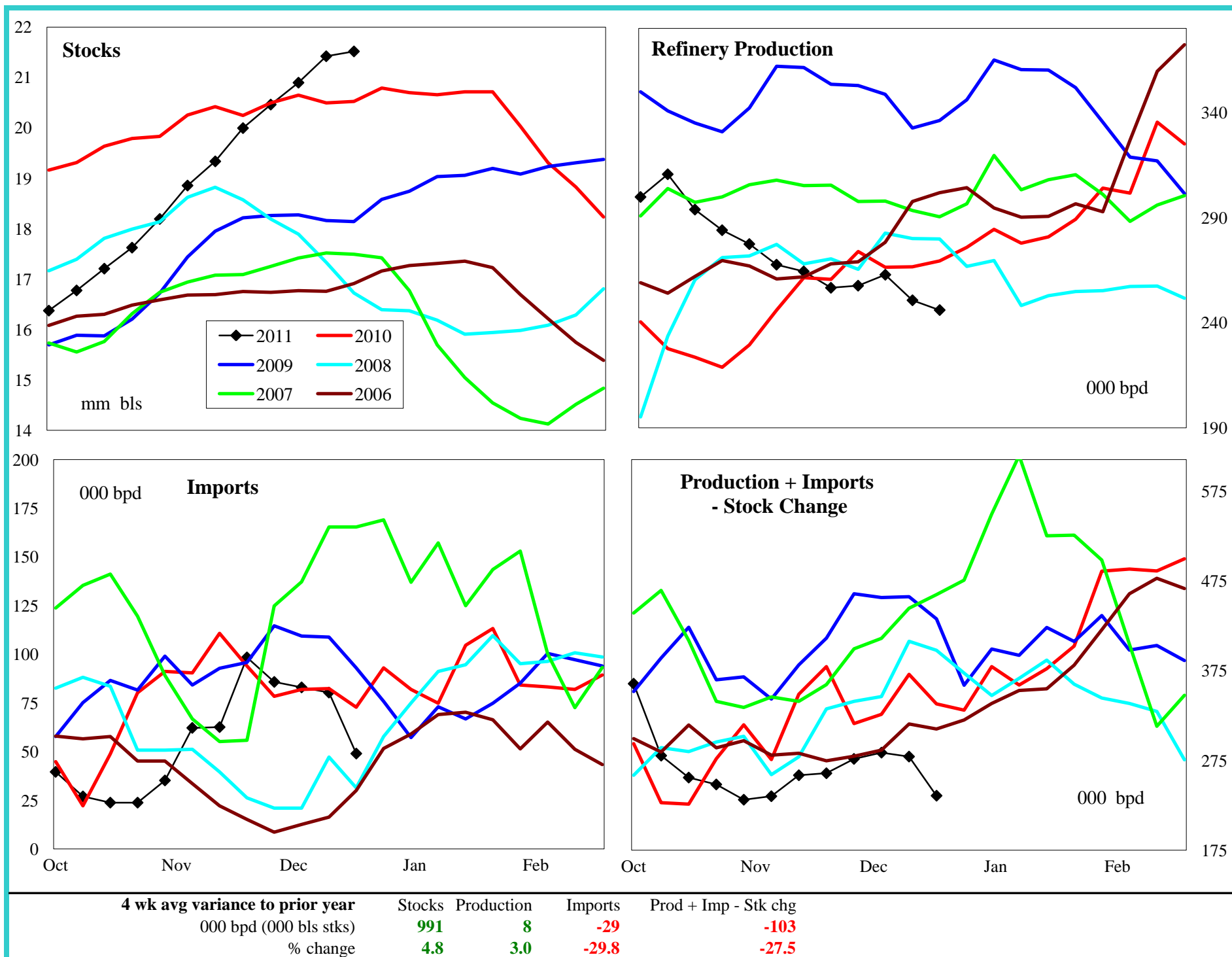
PADD 3 High Sulfur Distillate Supply



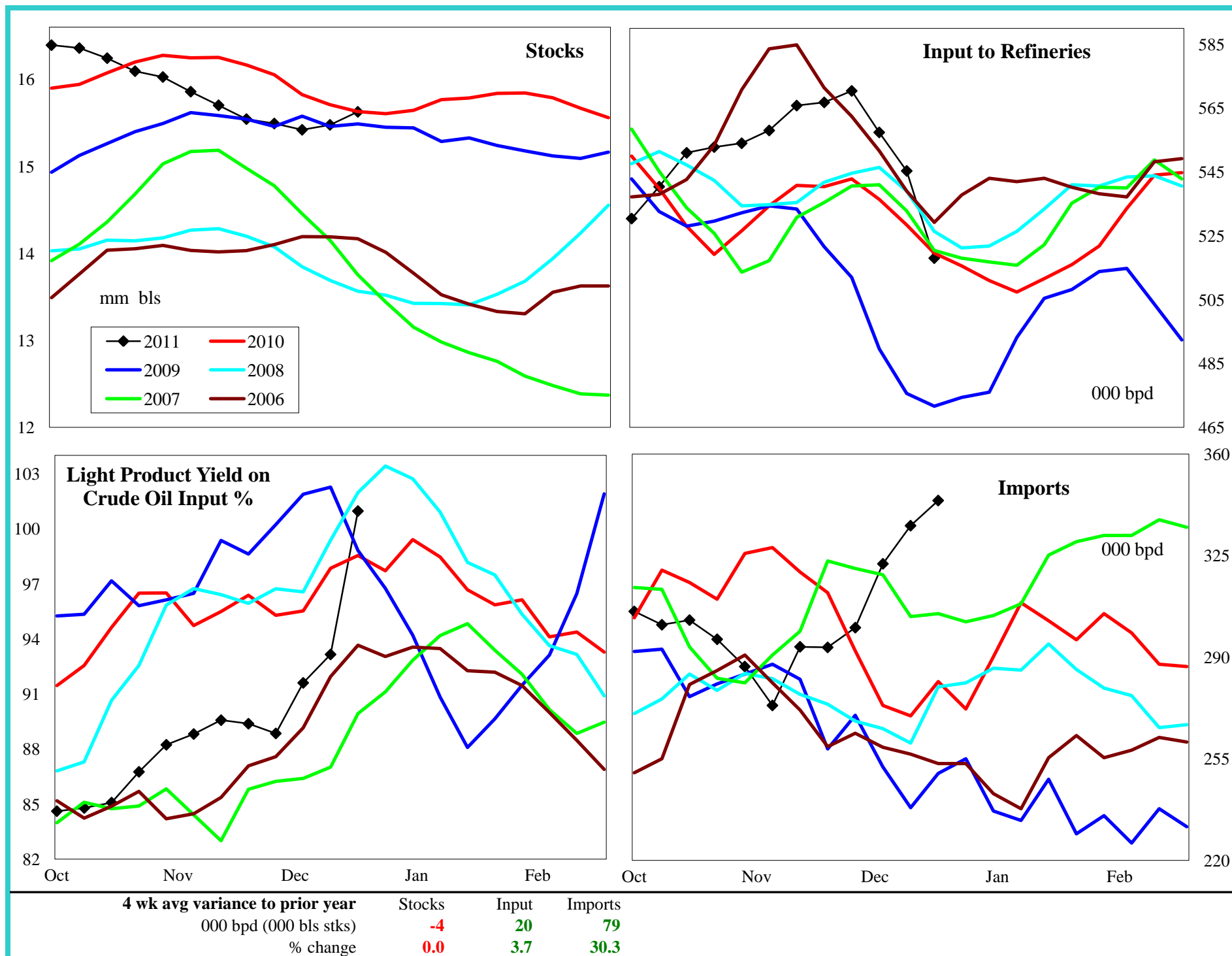
PADD 3 Jet Fuel Supply



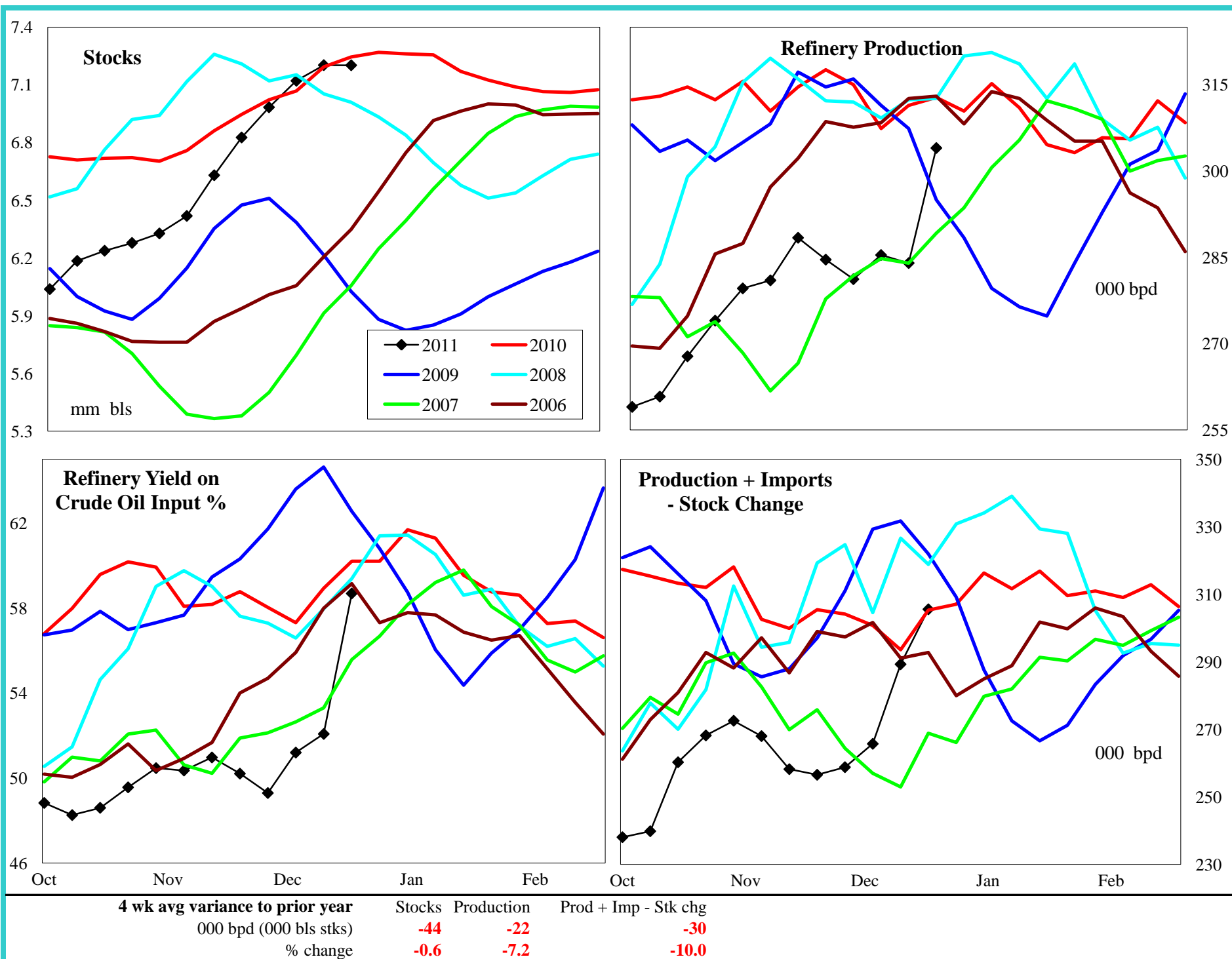
PADD 3 Residual Fuel Oil Supply



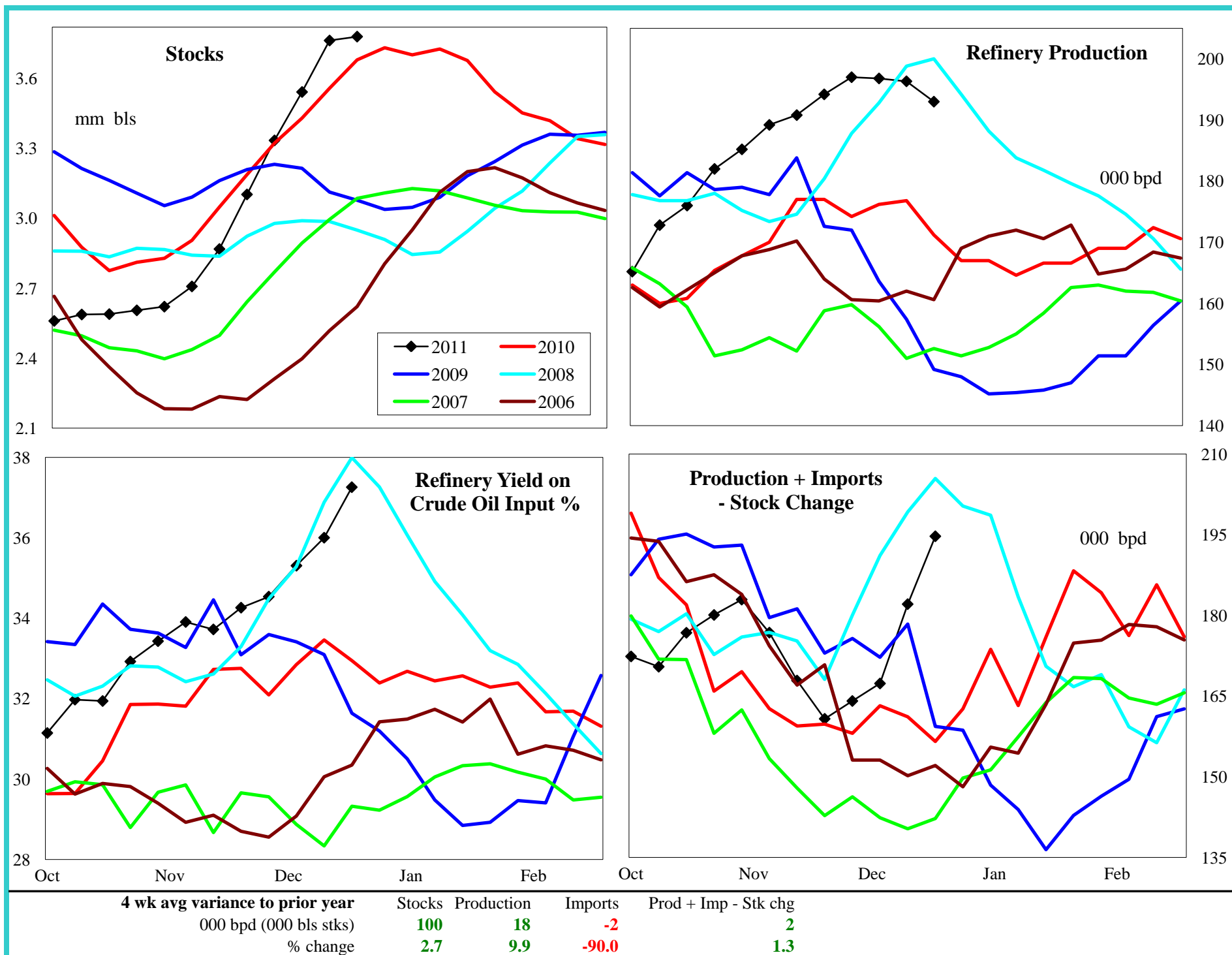
PADD 4 Crude Oil Supply and Refining



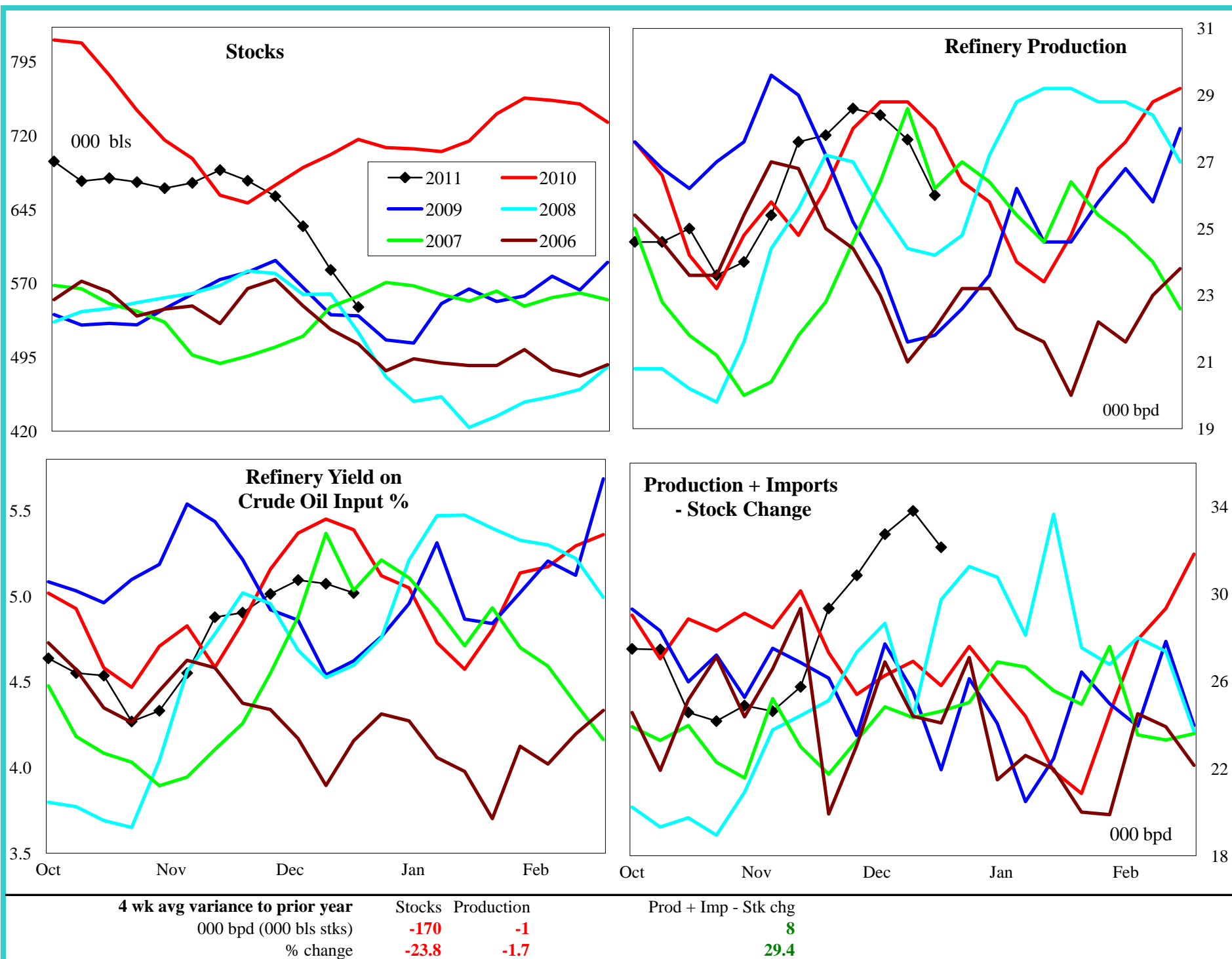
PADD 4 Gasoline Supply



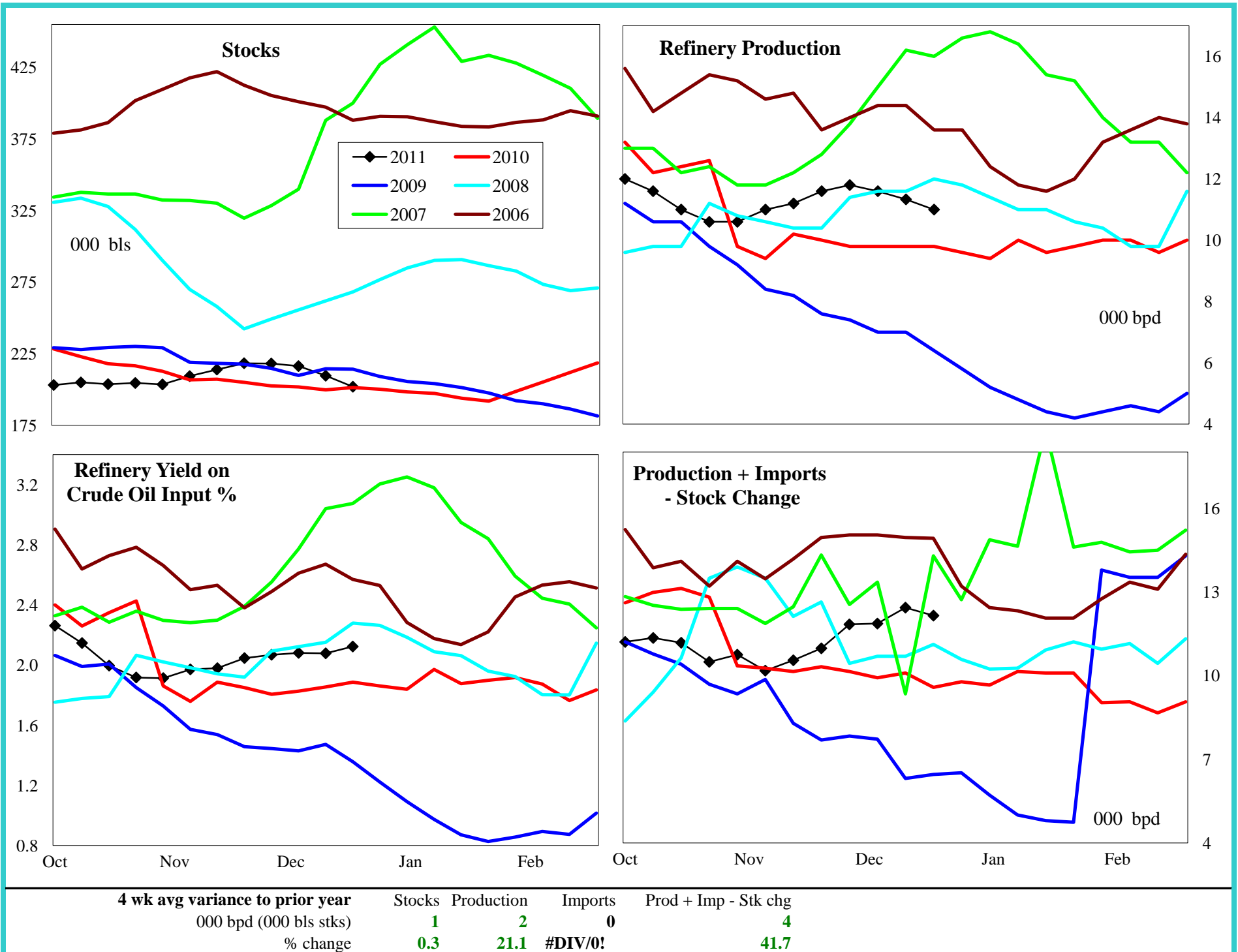
PADD 4 Distillate Supply



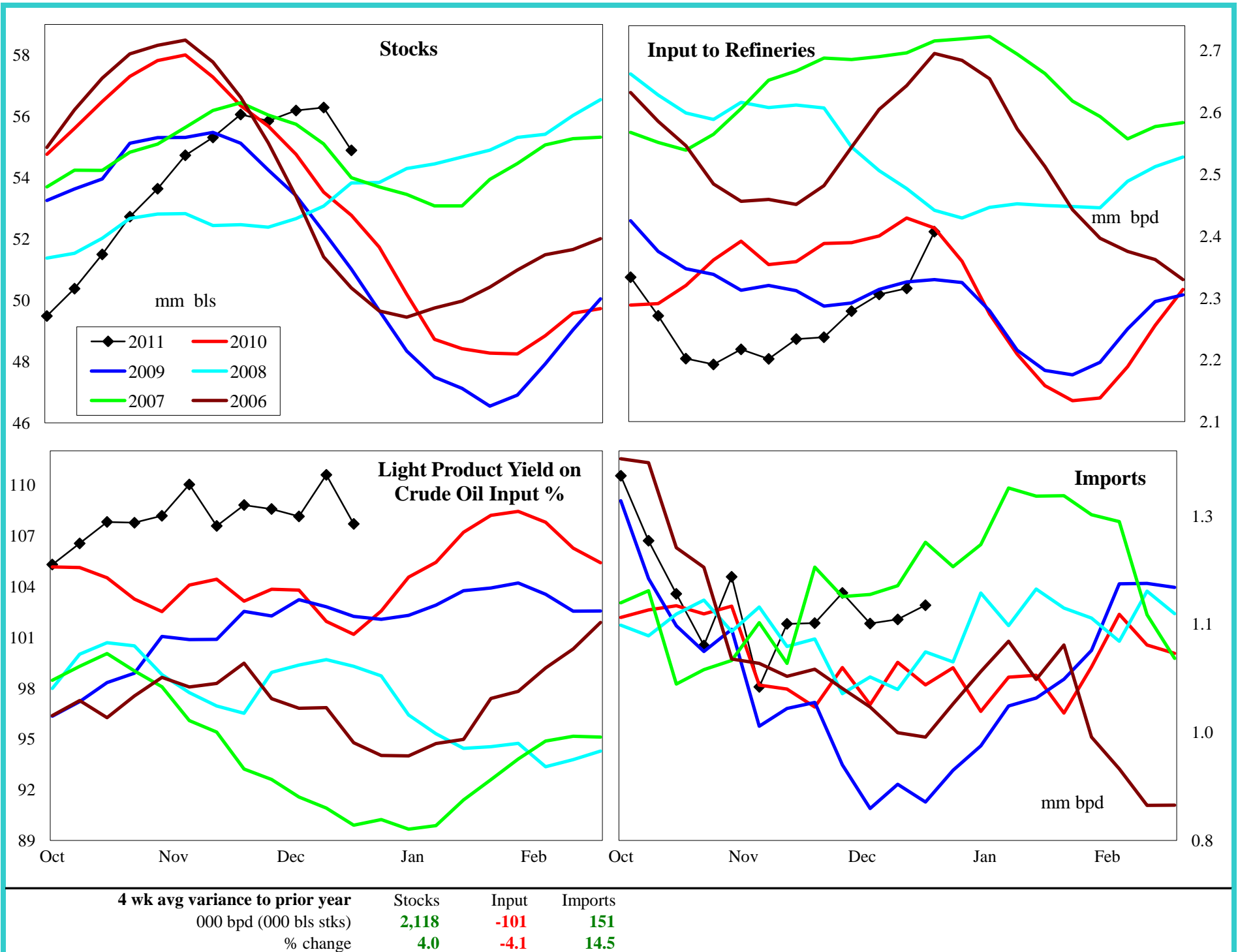
PADD 4 Jet Fuel Supply



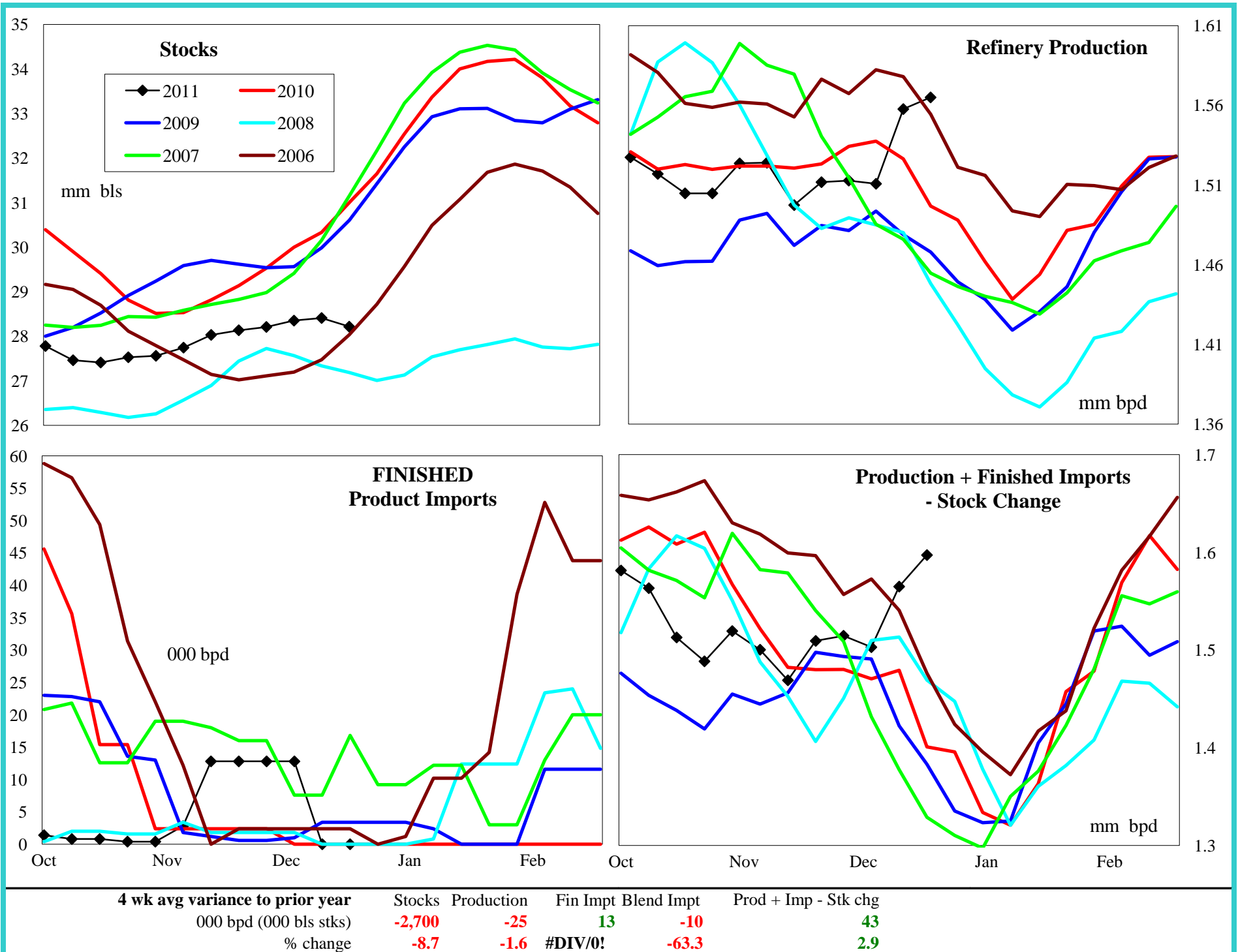
PADD 4 Residual Fuel Oil Supply



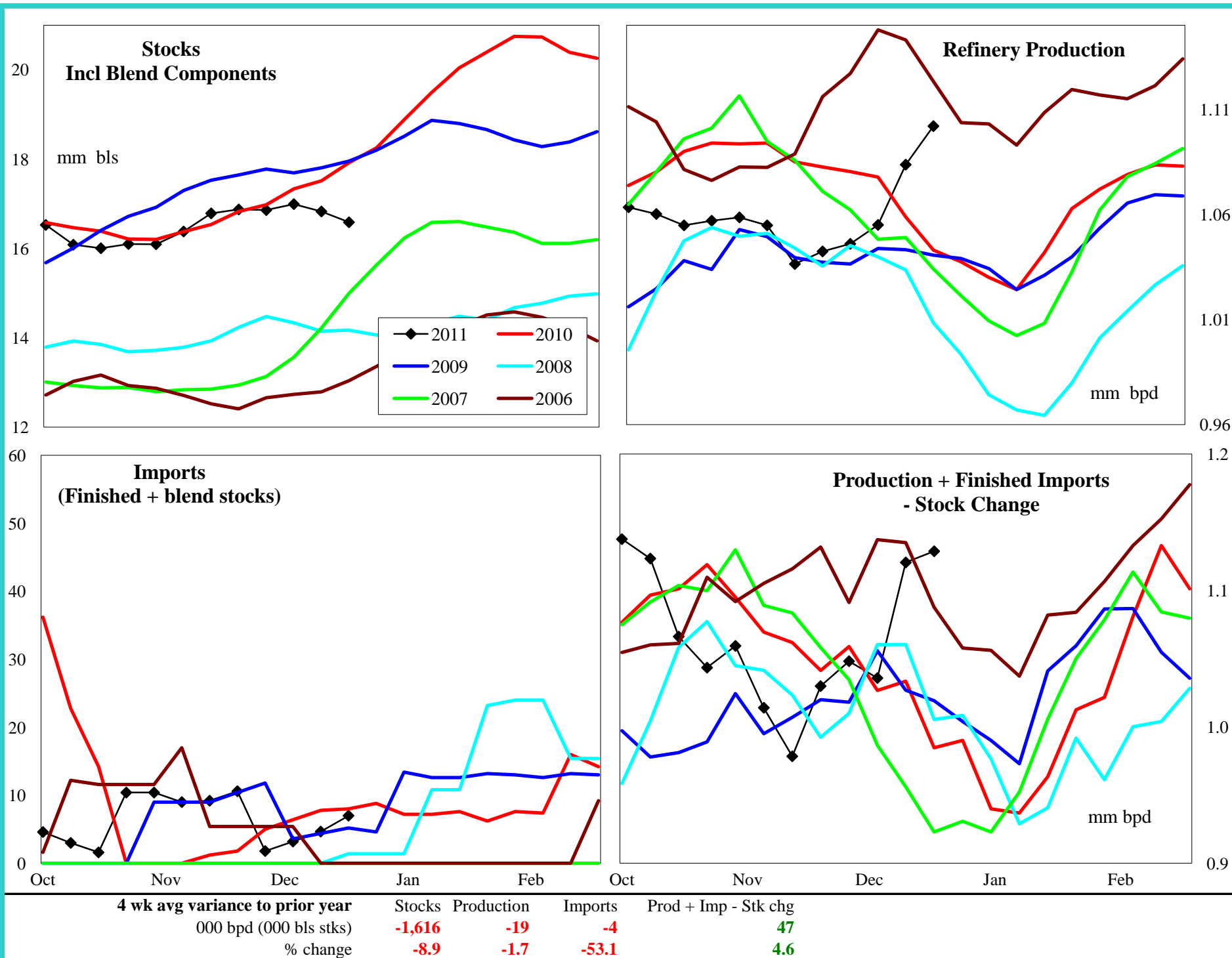
PADD 5 Crude Oil Supply and Refining



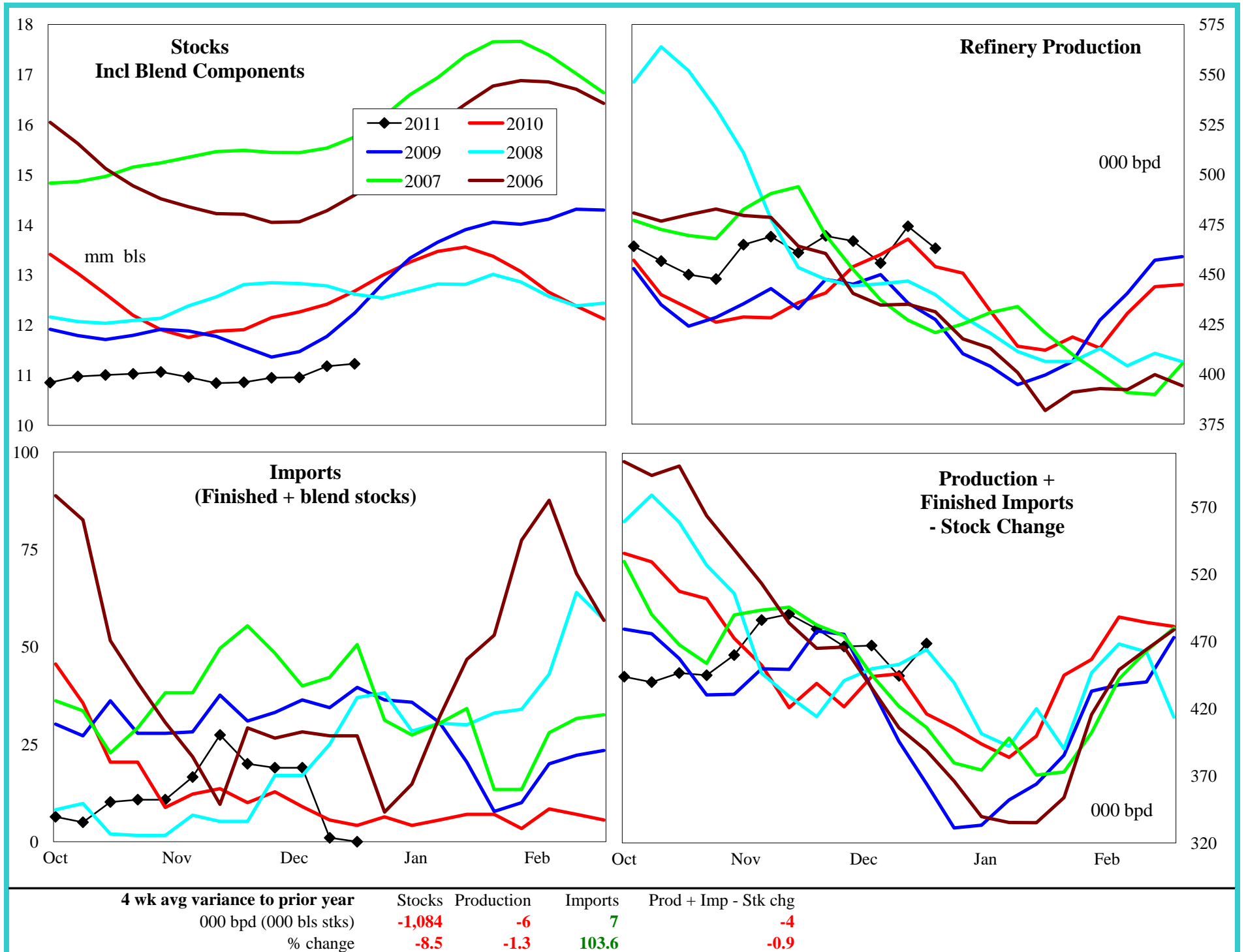
PADD 5 Gasoline Supply



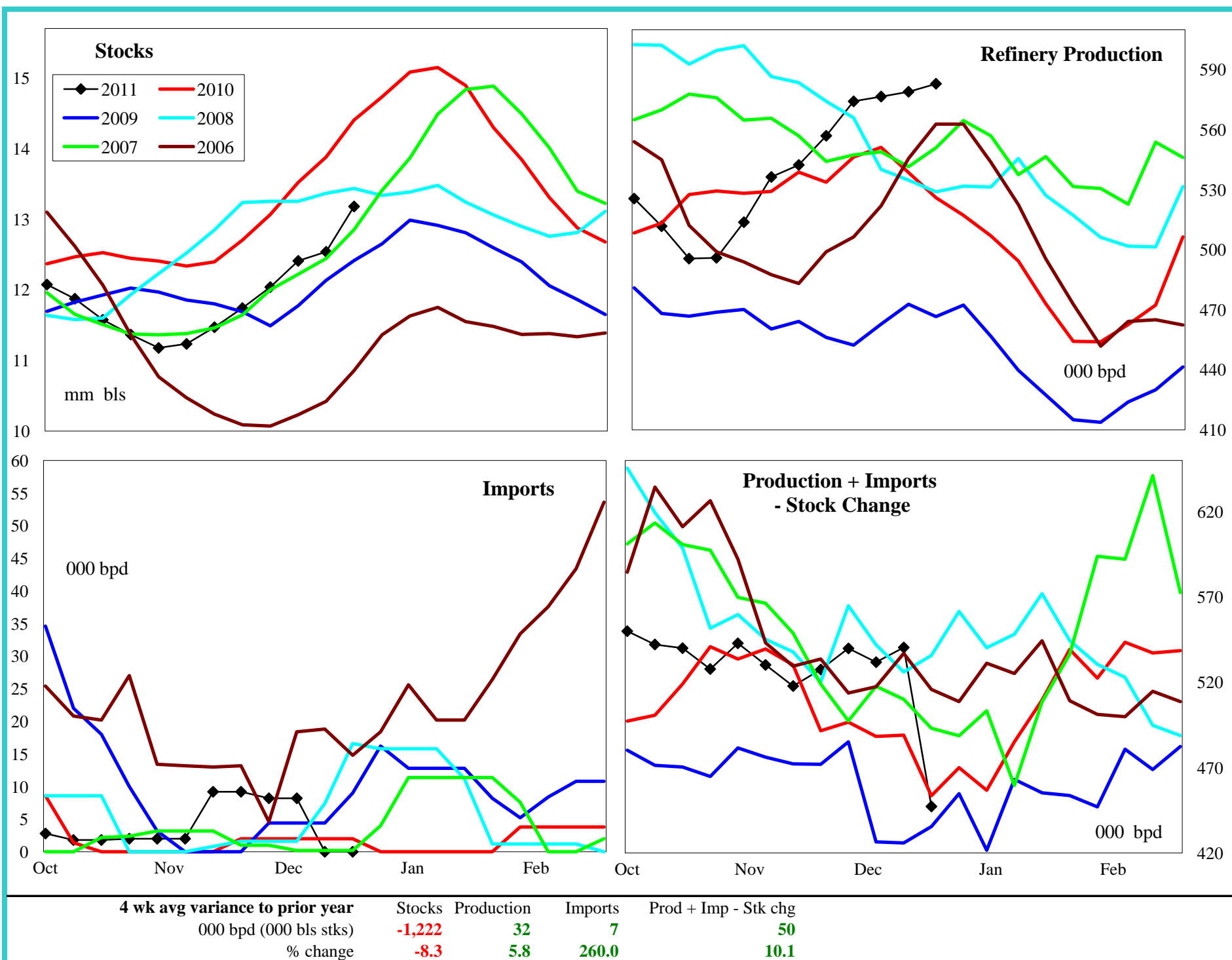
PADD 5 Reformulated Gasoline Supply



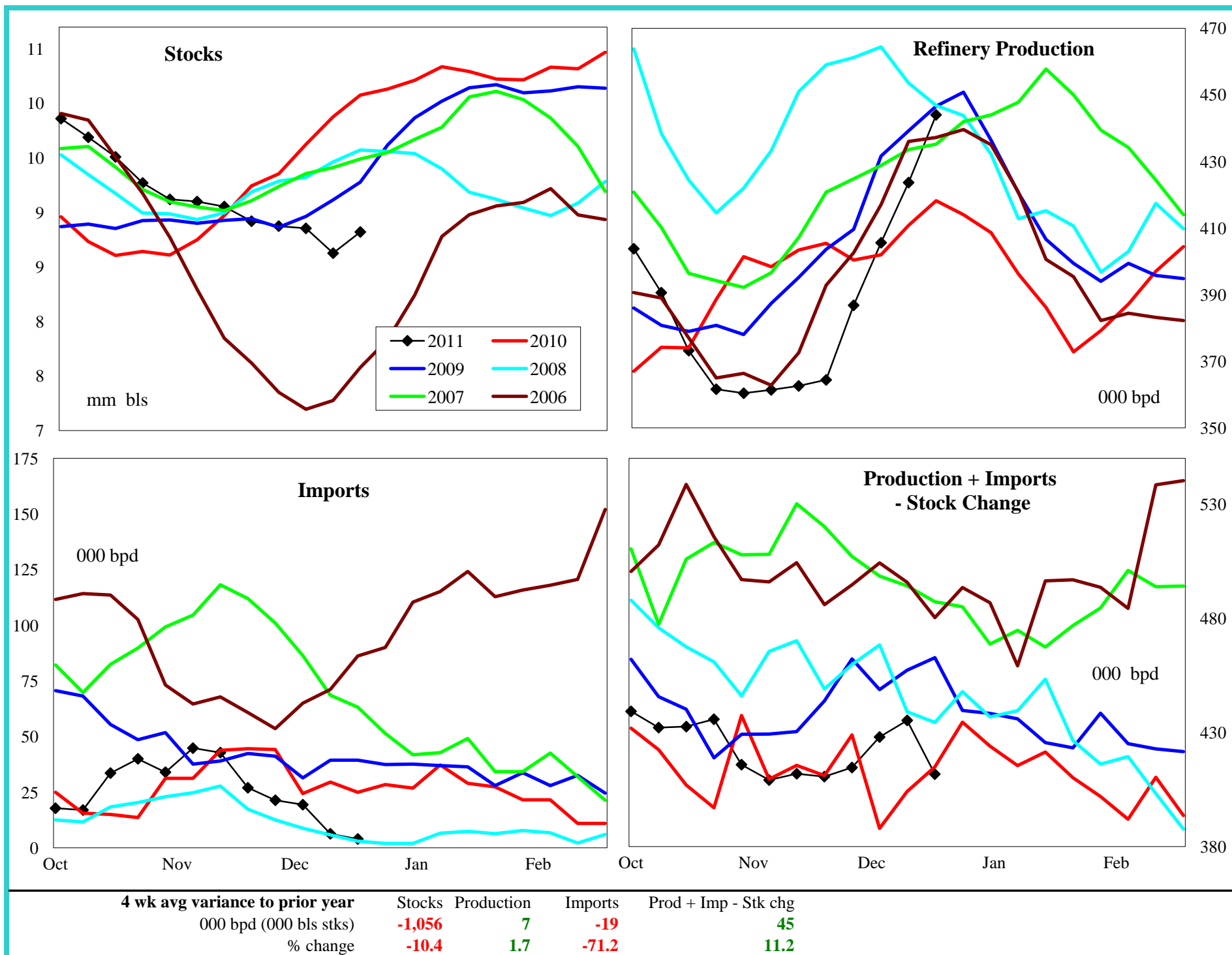
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

