



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

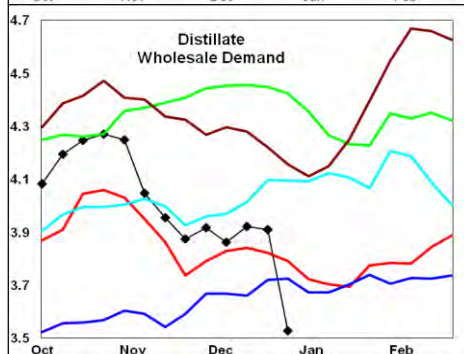
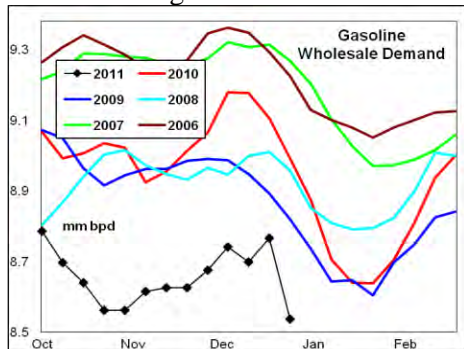
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, January 05, 2012

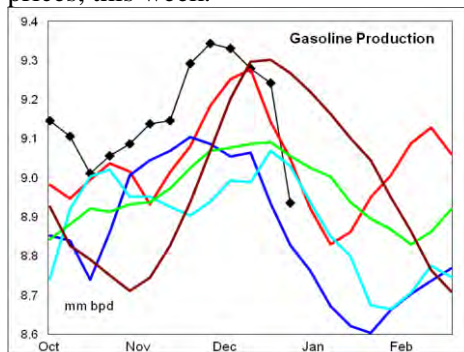


Major Fundamental Trends¹

Wholesale demand for transport fuels (gasoline, distillate and jet fuel) fell -0.7 million bpd on the week as wholesale distributors reduced deliveries during the holiday period and unusually warm temperatures limited heating oil use.

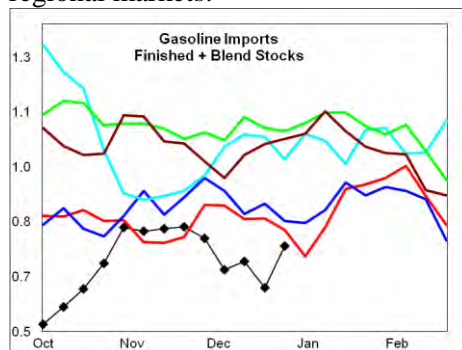


Expect a rebound in week-on-week transport fuel demand, including the impact of downstream stock rebuilding in response to the rise in spot market prices, this week.

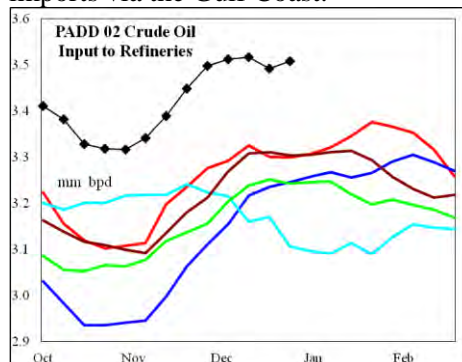


Refiners have responded to the structural decline in gasoline demand by reducing output earlier than usual, which fell -0.5 million bpd last week, including meaningful declines in all

regional markets.



Midwest crude oil stocks are experiencing a counter seasonal draw in Cushing as a result of unusually high thru put in PADD 2 refiners and favorable processing economics for inland and Canadian crude oil versus imports via the Gulf Coast.



Demand for transport fuels (gasoline, distillate and jet) fell -0.7 million bpd last week as the holiday period limited distribution activity. Wholesale demand measured over the last four weeks compared to a year ago: gasoline decreased -4.9%; distillate up +0.9%; jet fuel down -3.9% while residual fuel oil increased +1.3%.

Stocks forward coverage: Gasoline demand coverage increased on a +2.5 million barrel stock build last week, with the coverage level reaching a new record high on weak demand.

Distillate coverage increased on a +2.5 million barrel stock build and lower demand for the week. Coverage levels were well below the last 2-years.

Jet fuel coverage levels were comparable to the last 2-years on a +0.2 million barrel stock build for the week.

Refinery utilization rates increased on a +171,000 bpd rise in crude oil runs.

During the latest 4-wk period crude oil input was -304,000 bpd below a year ago.

Gasoline yield % on crude oil runs fell on a -466,000 bpd collapse in output, compared to a +171,000 bpd rise in crude oil runs last week. Yield % on crude oil runs fell below levels of the last 3-years.

Distillate yield % on crude oil runs decreased on a -50,000 bpd drop in output, compared to the increase in crude oil runs. The yield % remains well above the historic range.

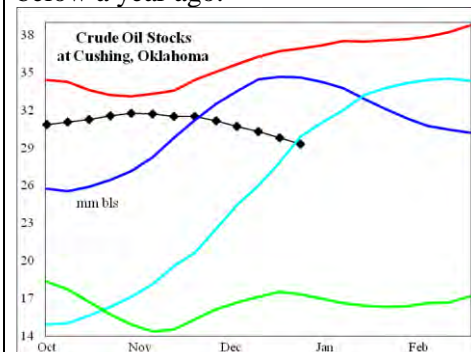
Jet fuel yield % on crude oil runs increased last week on a +17,000 bpd rise in output compared to higher crude oil runs. Yield % levels were above the historic mid range.

Petroleum Imports of gasoline and distillate increased last week, while crude oil was nearly unchanged.

During the latest 4-wk period crude oil imports increased +57,000 bpd over last year; distillate imports decreased -62,000 bpd; finished gasoline imports increased +7,000 bpd, gasoline blend stock imports declined -141,000 bpd; jet fuel imports were -23,000 bpd lower, while residual fuel oil imports declined -21,000 bpd.

Crude Oil stocks increased +2.2 million barrels last week; including builds of a +1 million barrels on the East, West and Gulf coast regions.

Stocks continue to exhibit a counter seasonal draw in Cushing on favorable economics for processing inland crudes compared to imports, with the level now -7.6 million barrels below a year ago.



¹ Source is latest EIA Weekly Statistics



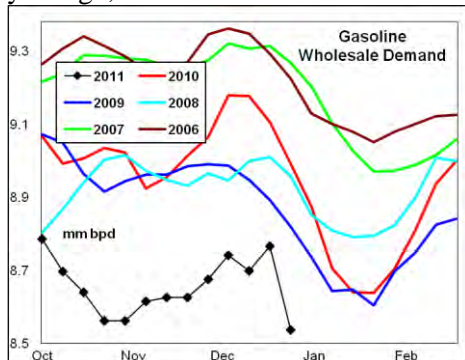
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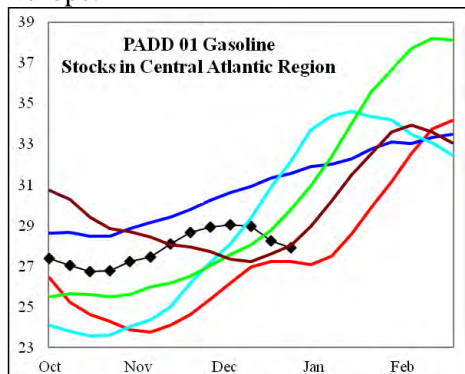
Product Supply-Demand Trends

Gasoline demand fell -367,000 bpd last week. The latest 4-wk average demand was -448,000 bpd below a year ago, a decline of -5%.



Production fell -0.5 million bpd last week, with meaningful decreases in all regions. Imports increased +209,000 bpd, although the level remains below the historic range. Stocks increased +2.5 million barrels on the week, with builds in all regions except the East Coast.

Stock levels in the Central Atlantic Region of PADD 1 are near historic lows, pointing to risk of a spring supply squeeze when combined with refinery closures in the Region and in Europe.



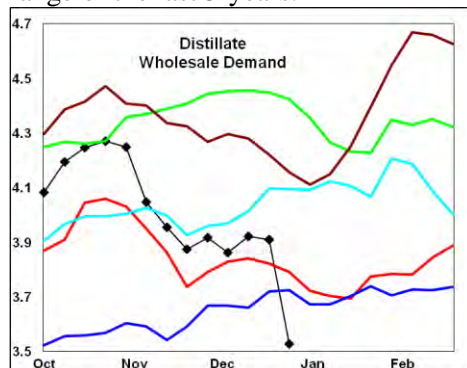
The refining industry is responding to the structural decrease in demand by reducing output during the current seasonal low in demand. Expect seasonal stock building during the next 45-days, though, at a lower rate than would occur if refiners did not cut output.

Distillate demand fell -0.3 million bpd last week, on much warmer than normal temperatures in heating markets. The latest 4-wk average year-

on-year demand growth was +35,000 bpd.

Supplies increased +13,000 bpd on higher imports; with the latest 4-wk average supply +248,000 bpd above a year ago. Stocks increased +3.2 million barrels on the drop in demand. Stock levels ended the week -18.5 million barrels below last year.

The latest 4-wk stock change in markets East of the Rockies was a build of +0.9 million barrels, at the mid range of the last 5-years.



Much warmer than normal weather in the Northeast has severely curtailed demand. Combined with record production, stocks have witnessed an average mid winter stock build.

A return to near normal winter temperatures after mid month should lead to some increase in demand; which combined with very robust exports, should constrain stock builds in the 2nd half of the month.

Continued record rates of exports will increase the difference in supply balance between regional refining centers that supply export markets (East Coast and Gulf) and inland refining centers (Midwest, Chicago and PADD 4).

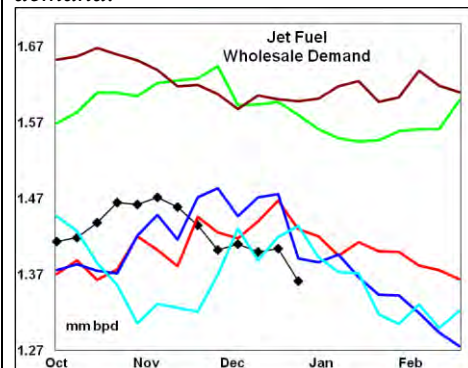
Jet Fuel demand decreased -65,000 bpd last week to a level below the historic range. The latest 4-wk average demand was -57,000 bpd below a year ago.

Supply increased +14,000 bpd last week, on higher production. Stocks increased +0.3 million barrels to a level -6% below last years' record high.

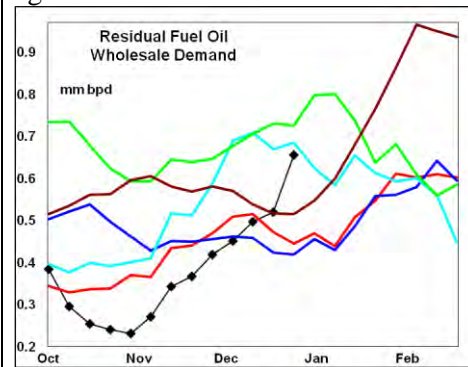
The midwest market is over supplied with record high stock levels.

Other regional markets exhibit stock levels near the mid range with production comparable to the last 2-years.

Expect modest stock builds during the next 60-days on low seasonal demand.



Residual fuel oil demand increased +244,000 bpd on the week, to a level above the last 2-years. The latest 4-wk average was +7,000 bpd above a year ago.



Supply (production + imports) fell -191,000 bpd last week, on lower imports. The latest 4-wk average supply was -44,000 bpd below last year. Stock levels ended the week near 5-year lows.

Stock levels in the Gulf region remain near 5-year highs. However, stock levels in PADD 1 were -3.1 million barrels below last year. While much of the decrease was due to a 50% drop in production, higher winter heating use pushed stock levels to fresh 5-year lows.



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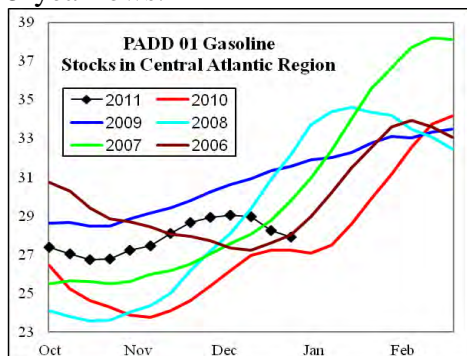
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PADD Supply Trends

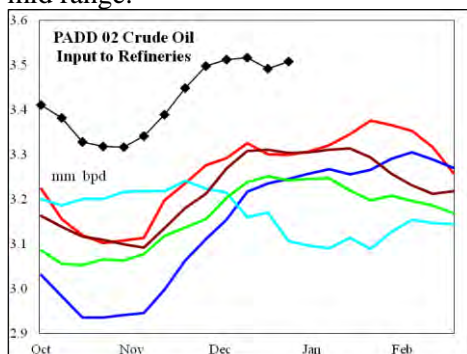
PADD 1 refinery crude oil runs declined -7,000 bpd on the week, with the latest 4-wk average -75,000 bpd below last year, and a record low rate for this time of year.

Gasoline production fell -317,000 bpd last week, partially offset by a +243,000 rise in imports. The drop in supply led to a -1 million barrel stock draw. Stock levels in the key Central Atlantic Region fell to a level near 5-year lows.



Distillate supply increased +59,000 bpd last week, with the latest 4-wk average -25,000 bpd below last year. Stocks increased +0.3 million barrels on the week, with the level near 5-year lows for this time of year.

Jet fuel stocks were unchanged on the week, with the level at the 5-year mid range.



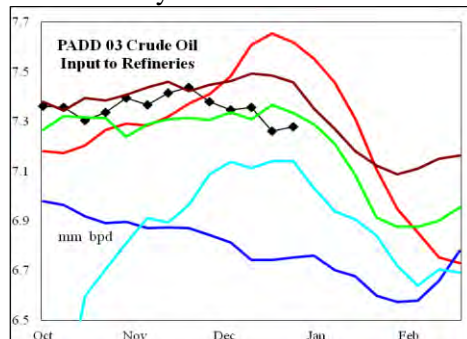
PADD 2 crude oil refinery runs increased +40,000 bpd last week, with the 4-wk average +188,000 bpd above last years' highs. Crude imports were unchanged last week, with the latest 4-wk average +34% above last year. Crude oil stock levels were -5% below last year's record high.

Gasoline production fell -113,000 bpd, to a level below the mid range. Stocks increased +1.5 million barrels, to a level above the 5-year mid range.

Distillate production increased +20,000 bpd, with the 4-wk average +116,000 bpd above last year. Stocks increased +1.7 million barrels last week, to a level that matched 5-year highs.

Jet fuel production increased +15,000 bpd, to a level above the historic range. Stocks were +7% above 5-year highs.

PADD 3 refinery runs decreased -7,000 bpd last week, a level below the mid range. The latest 4-wk average thru put was -369,000 bpd below last year. Crude oil imports decreased -0.2 million barrels, a level comparable to historic lows. Lower runs led to a +0.9 million barrel stock build, with the level near 5-year lows.



Gasoline production declined -89,000 bpd on the week. Stocks increased +1.3 million barrels last week, to a level -1.5% below prior record highs.

Distillate production decreased -35,000 bpd on the week, with the latest 4-wk average +99,000 bpd above the previous 5-year high. Stocks increased +1 million barrels, to a level -8.1 million barrels below the historic high for this time of year.

Jet fuel supply decreased -16,000 bpd on the week, to a level comparable with the last 2-years. Stocks declined -0.6 million barrels to a level that matched the mid range.

Residual fuel oil supplies decreased -25,000 bpd on the week, due to lower imports. Stocks fell -1.5 million barrels on higher demand.

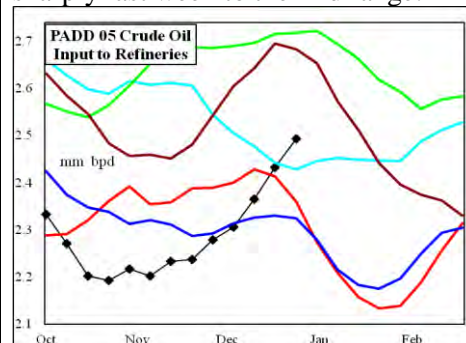
Stock levels remain near 5-year highs.

PADD 4 refinery crude runs climbed +58,000 bpd, a record high for this time of year. The most recent 4-wk average run rate was +33,000 bpd above a year ago.

Gasoline production fell -43,000 bpd on the week, with the latest 4-wk average -33,000 bpd below last year. Stocks increased +0.2 million barrels to a new record high.

Distillate production increased +7,000 bpd last week, to a record high for the season. Stocks increased +0.2 million barrels, also a new 5-year high.

PADD 5 crude oil refinery runs increased +86,000 bpd on the week, to a level above the last 3-years. The latest 4-wk average thru put was -80,000 bpd below last year. Light product yield % on crude oil runs fell sharply last week to the mid range.



Gasoline production fell -142,000 bpd last week to a level near historic lows for the period. Supply (production + imports) for the latest 4-wk average was -7,000 bpd below a year ago. Stocks increased +0.4 million barrels on the week, although the level is still at the low end of the historic range.

Distillate supply declined -24,000 bpd on the week, although, production levels match historic highs for the period. The latest 4-wk average was +47,000 bpd above a year ago. Stocks were unchanged on the week, with the level near the mid range.

Jet fuel supply increased +10,000 bpd, with production at 5-year highs. Stocks increased +0.6 million barrels on the week, to a level near the mid range.

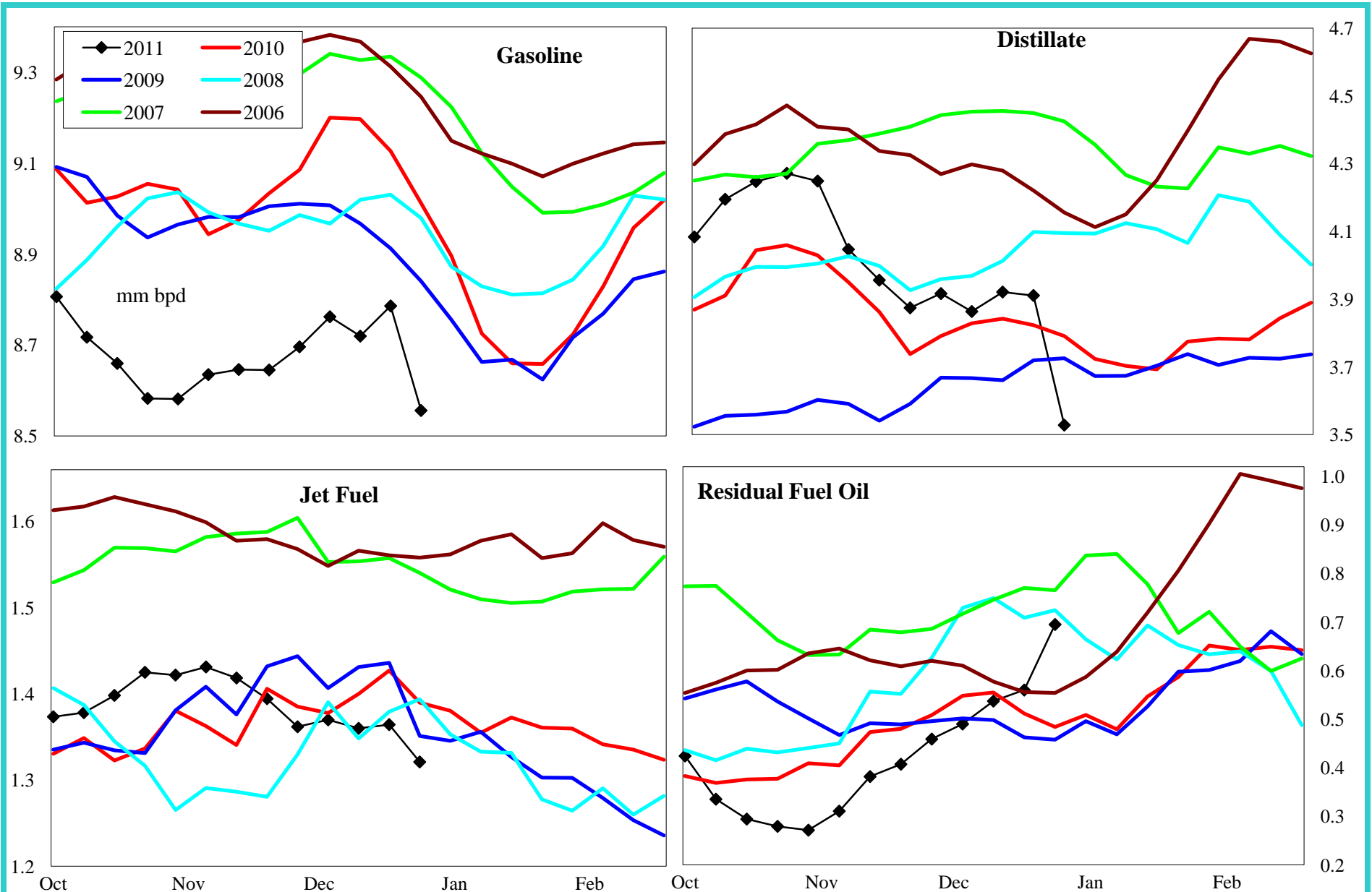


PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report January 5, 2012
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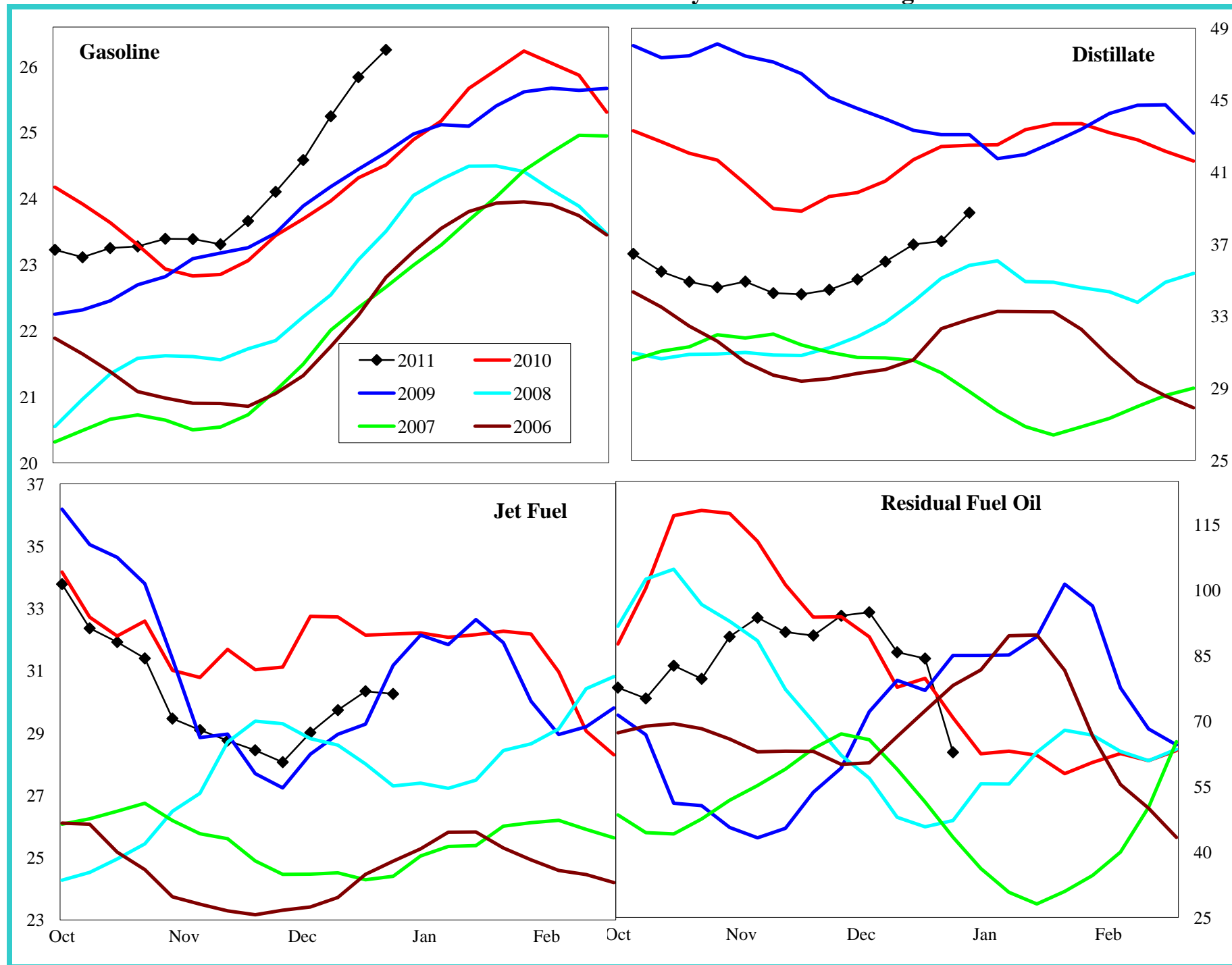
Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %			Imports	
Supply/Demand Trends	30-Dec-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	2,209	1,082	-937	917	-149	1,296
	Imports	34	115	9	-219	-11	139
	Input	171	-7	40	-7	58	86
	% Utilization	0.80					
Gasoline	Stocks	2,479	-1,013	1,497	1,342	226	427
	Production	-466	-317	-113	-89	-43	-142
	Imports	209	243	-1	-66	0	32
	Supplied	-367					
Distillate	Stocks	3,224	287	1,747	980	238	-27
	Production	-50	-17	20	-35	7	-24
	Imports	63	76	0	-17	5	0
	Supplied	-276					
Jet Fuel	Stocks	255	3	195	-557	41	574
	Production	17	1	15	-16	2	14
	Imports	-3	1	0	0	0	-4
	Supplied	-65					
Residual Fuel Oil	Stocks	-2,652	-472	-25	-1,477	8	-686
	Production	-4	-5	-2	15	0	-12
	Imports	-187	-120	1	-40	0	-28
	Supplied	244					

United States Wholesale Petroleum Demand

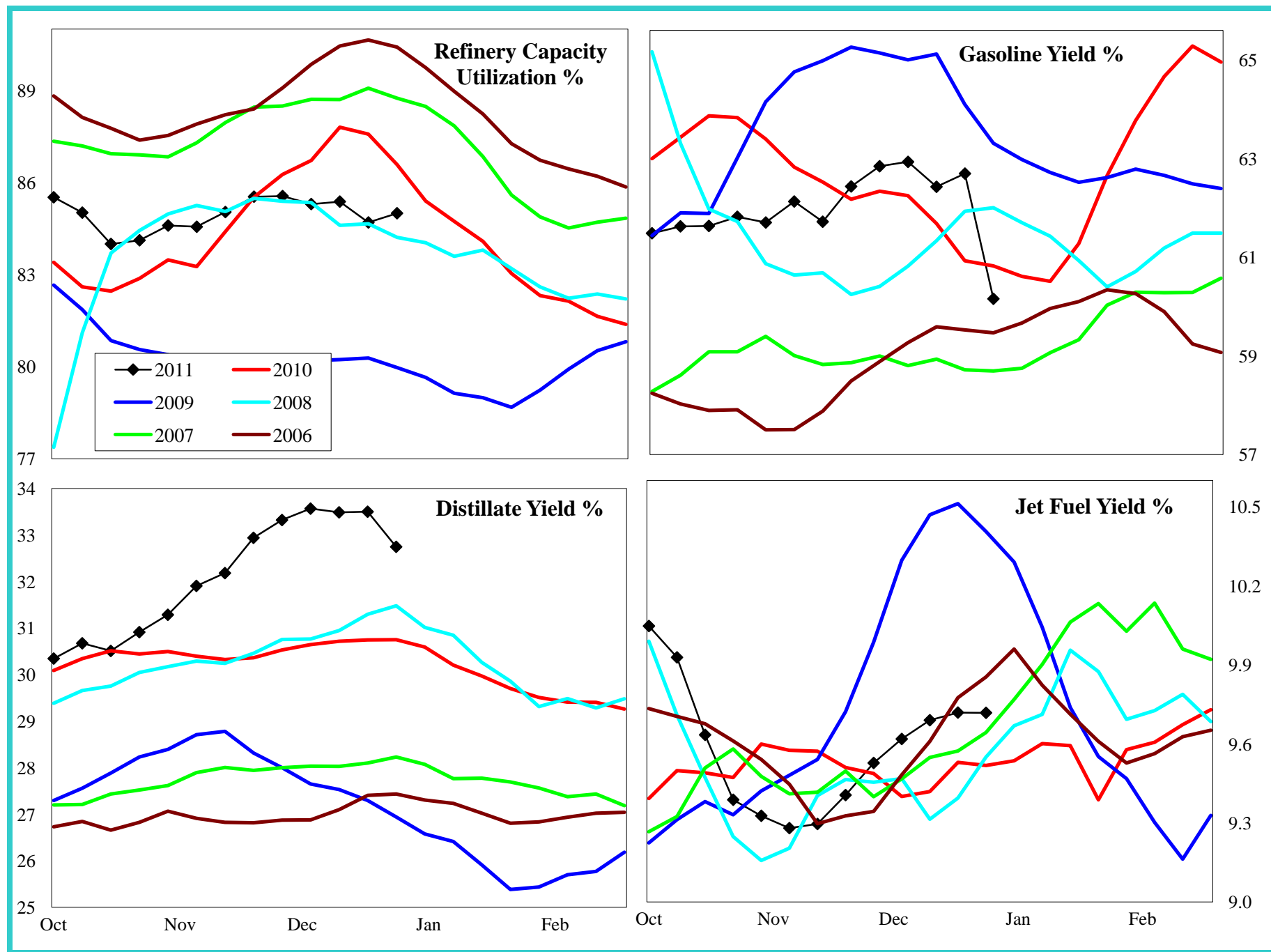


	000 bpd change from prior year				% change from prior year			
	4wk avg	Nov	Jan	Jan	4wk avg	Nov	Oct	Sep
Gasoline	-448	-152	-359	-359	-4.9	-1.7	-4.0	-3.9
Distillate	35	92	446	43	0.9	2.4	11.8	1.1
Jet Fuel	-57	81	-14	-40	-3.9	5.8	-1.0	-2.7
Resid	7	-214	-202	-31	1.3	-38.8	-41.3	-6.0

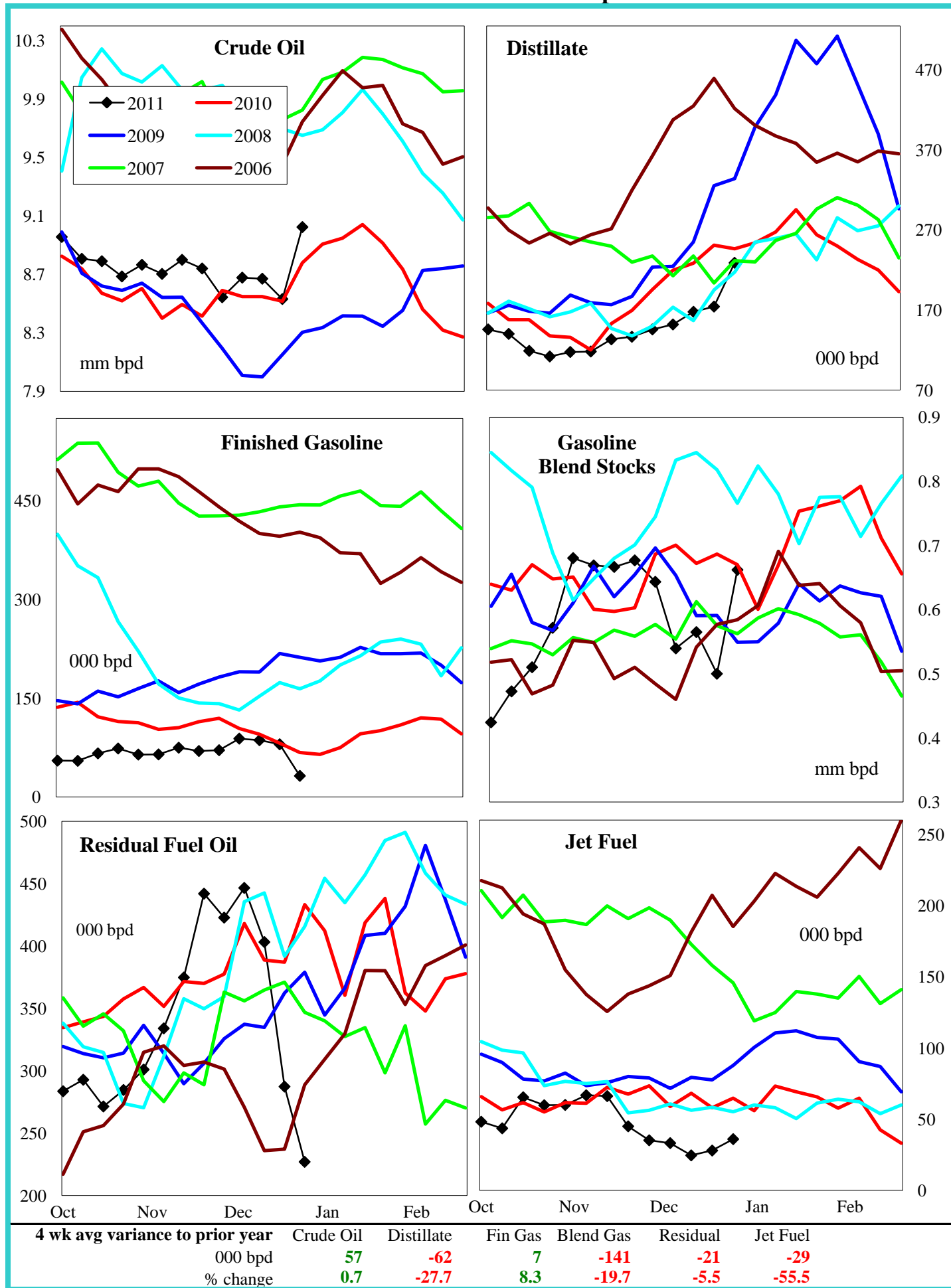


United States Product Stocks: Days Forward Coverage

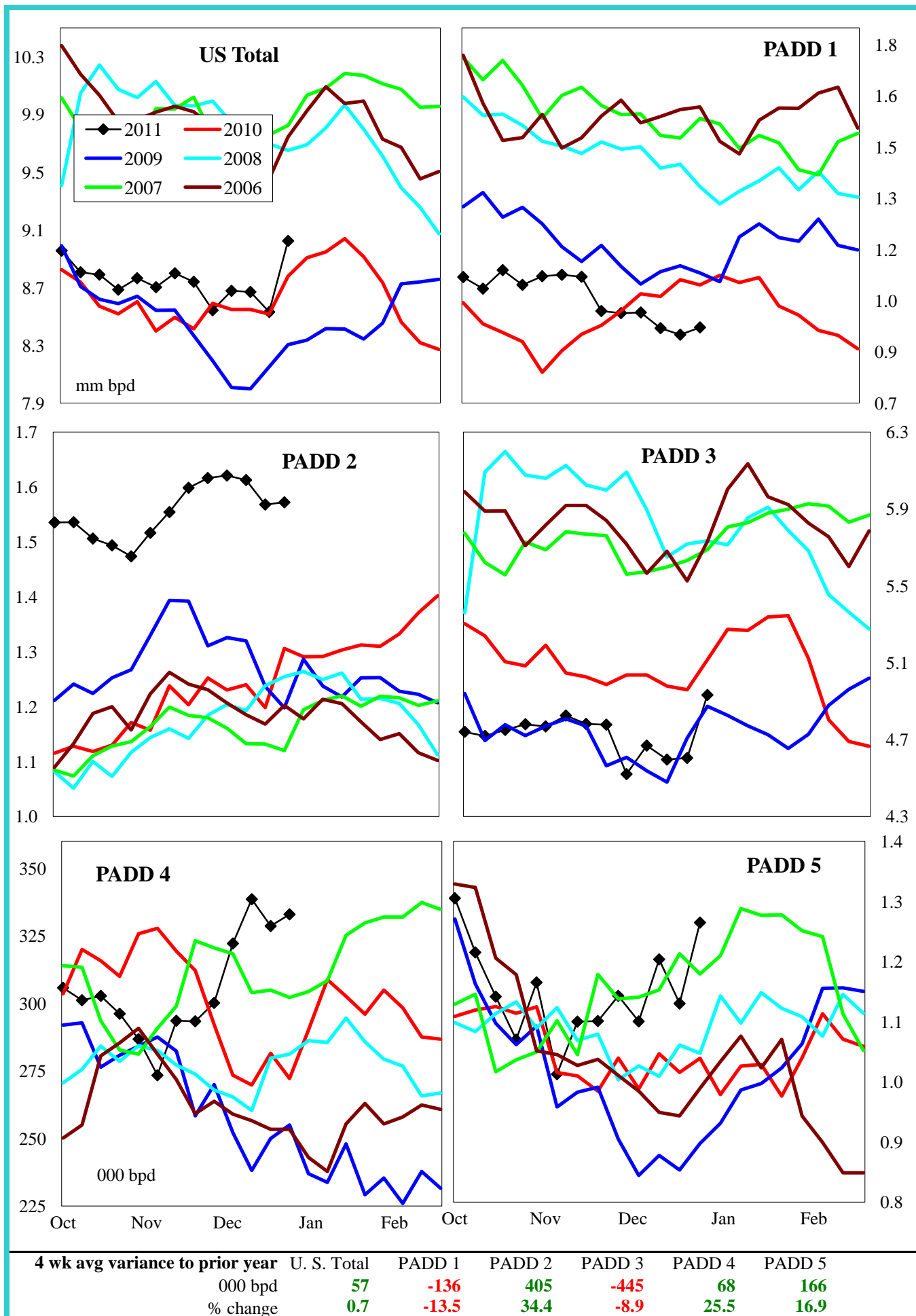
United States Refinery Percent Utilization Rate and Product Yields



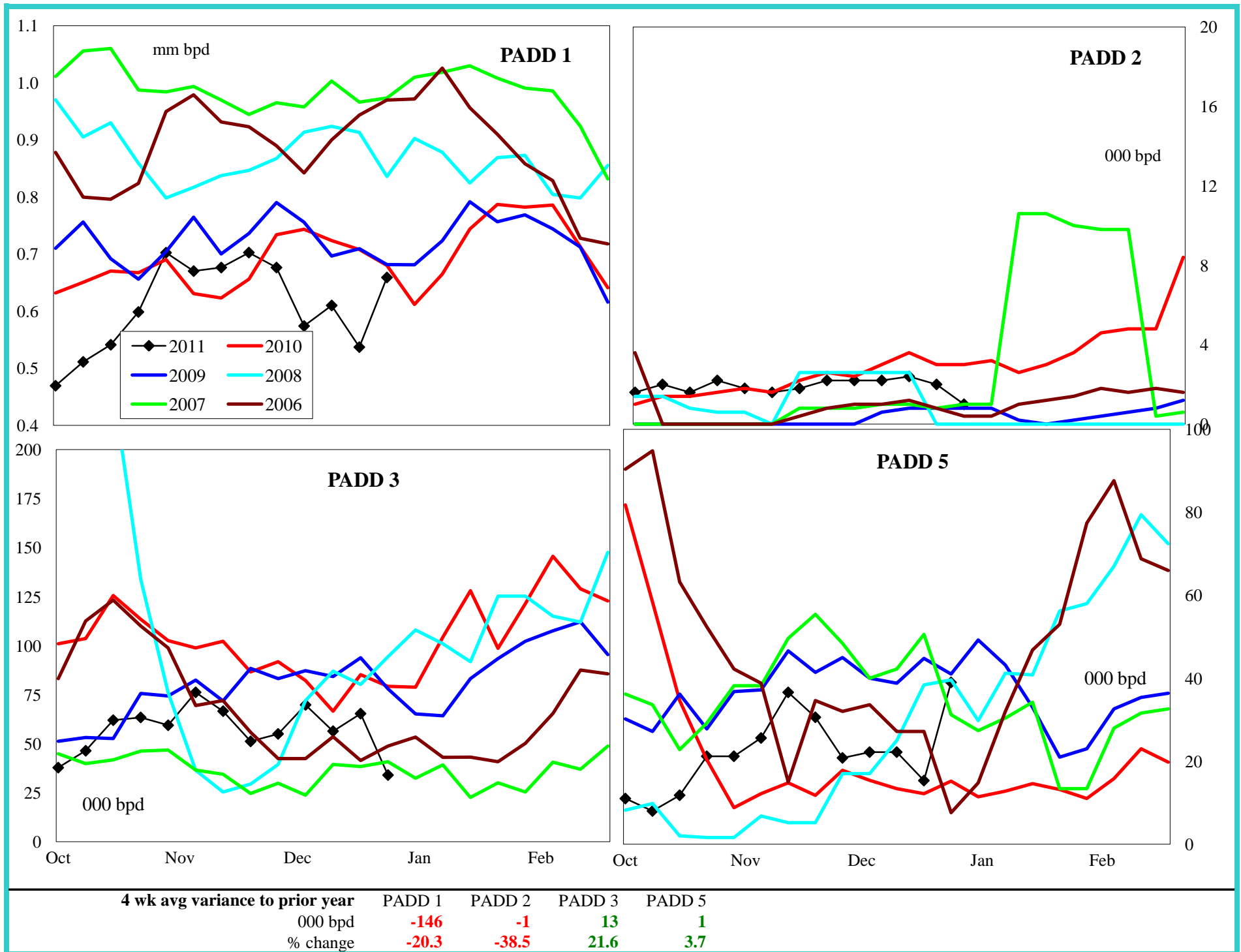
United States Petroleum Imports



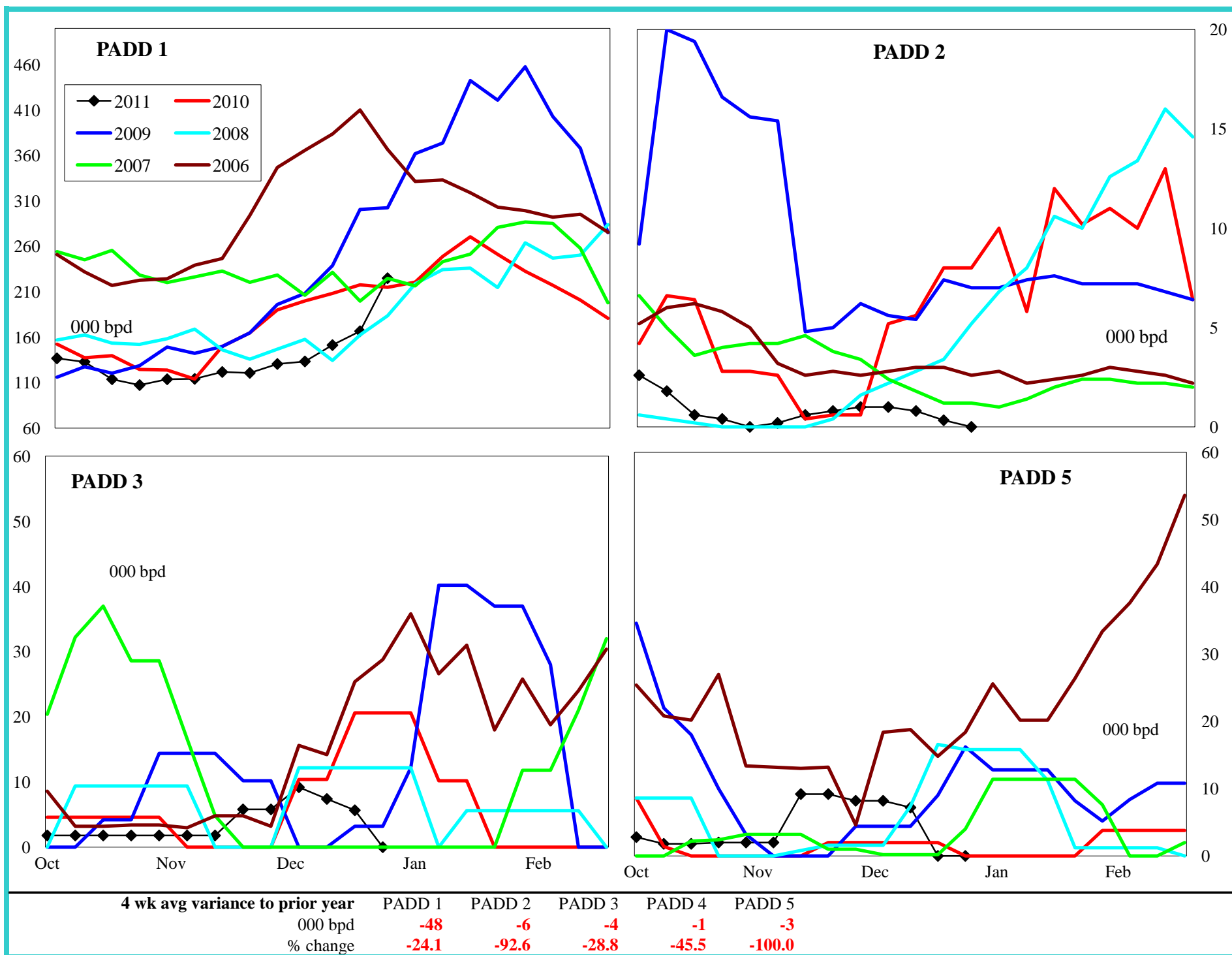
Crude Oil Imports by PADD



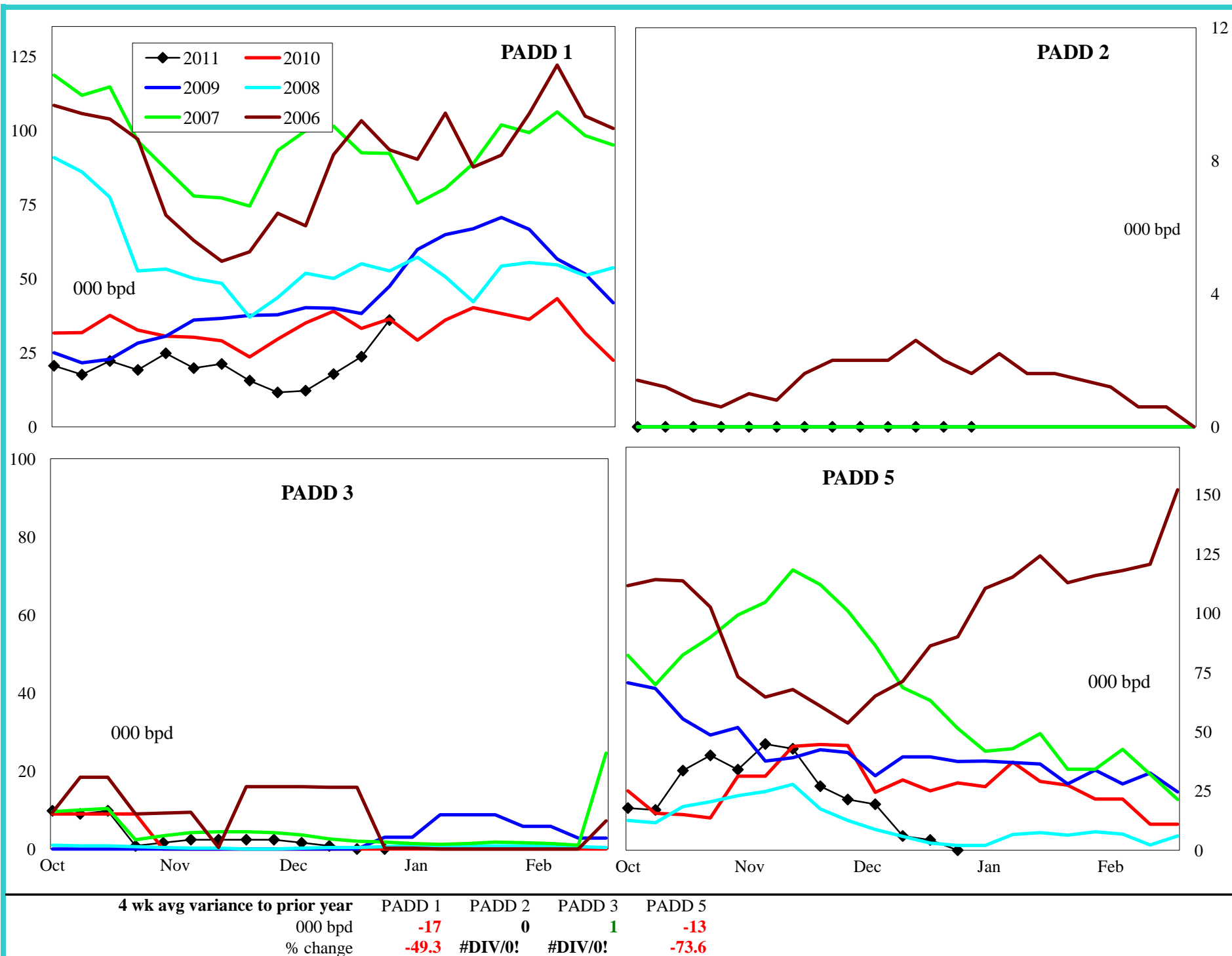
Gasoline Imports by PADD (Finished + Blend Stocks)



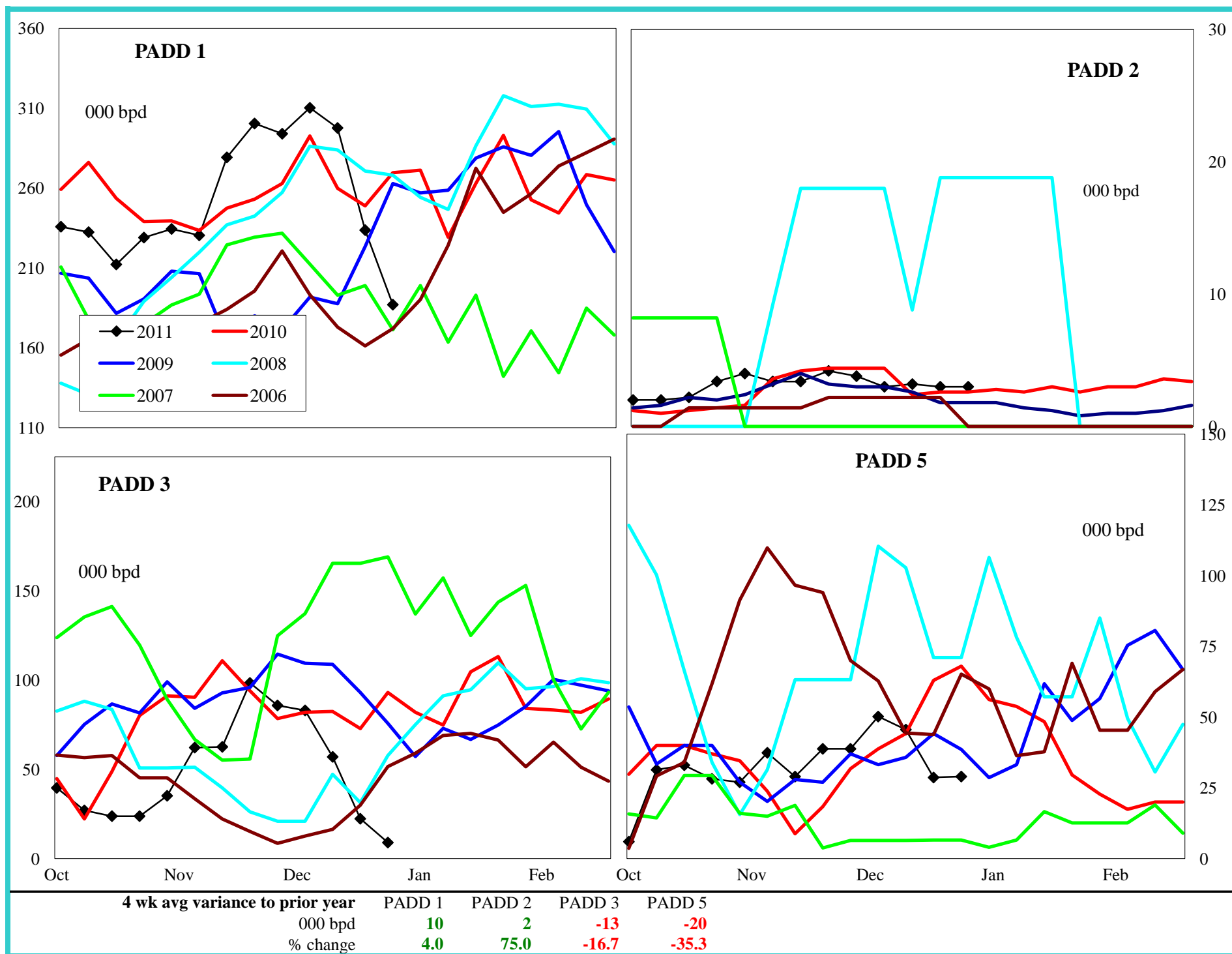
Distillate Imports by PADD



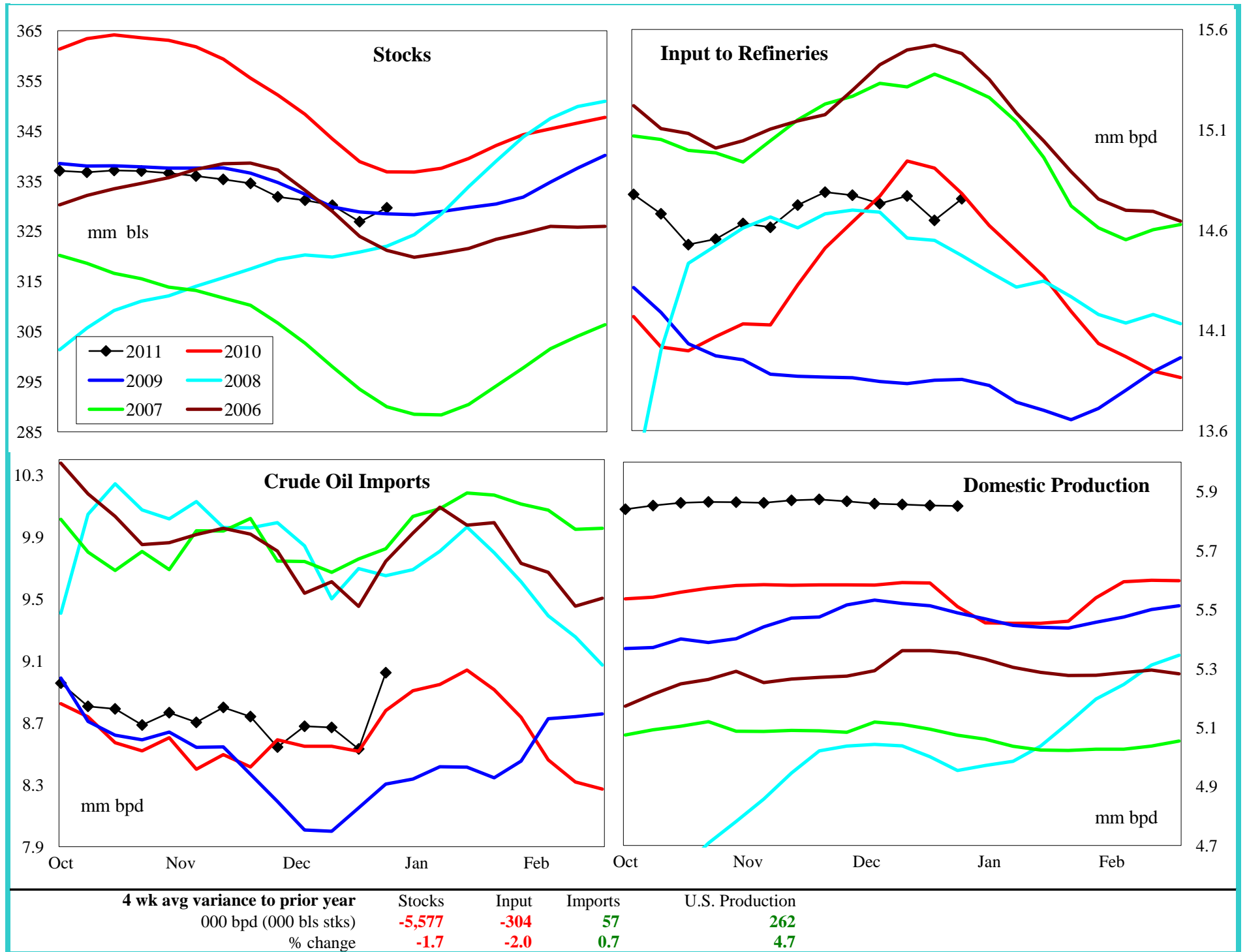
Jet Fuel Imports by PADD



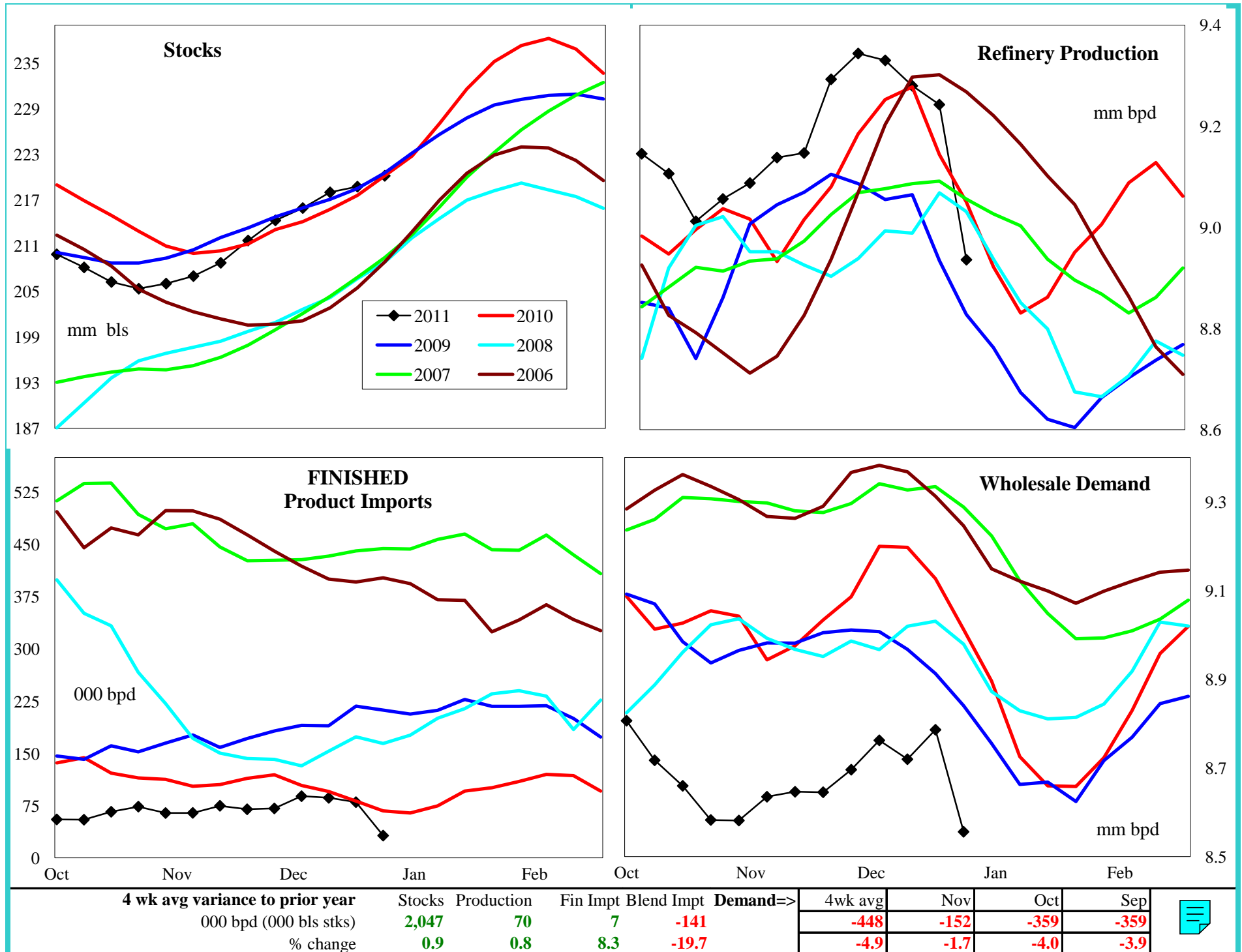
Residual Fuel Oil Imports by PADD



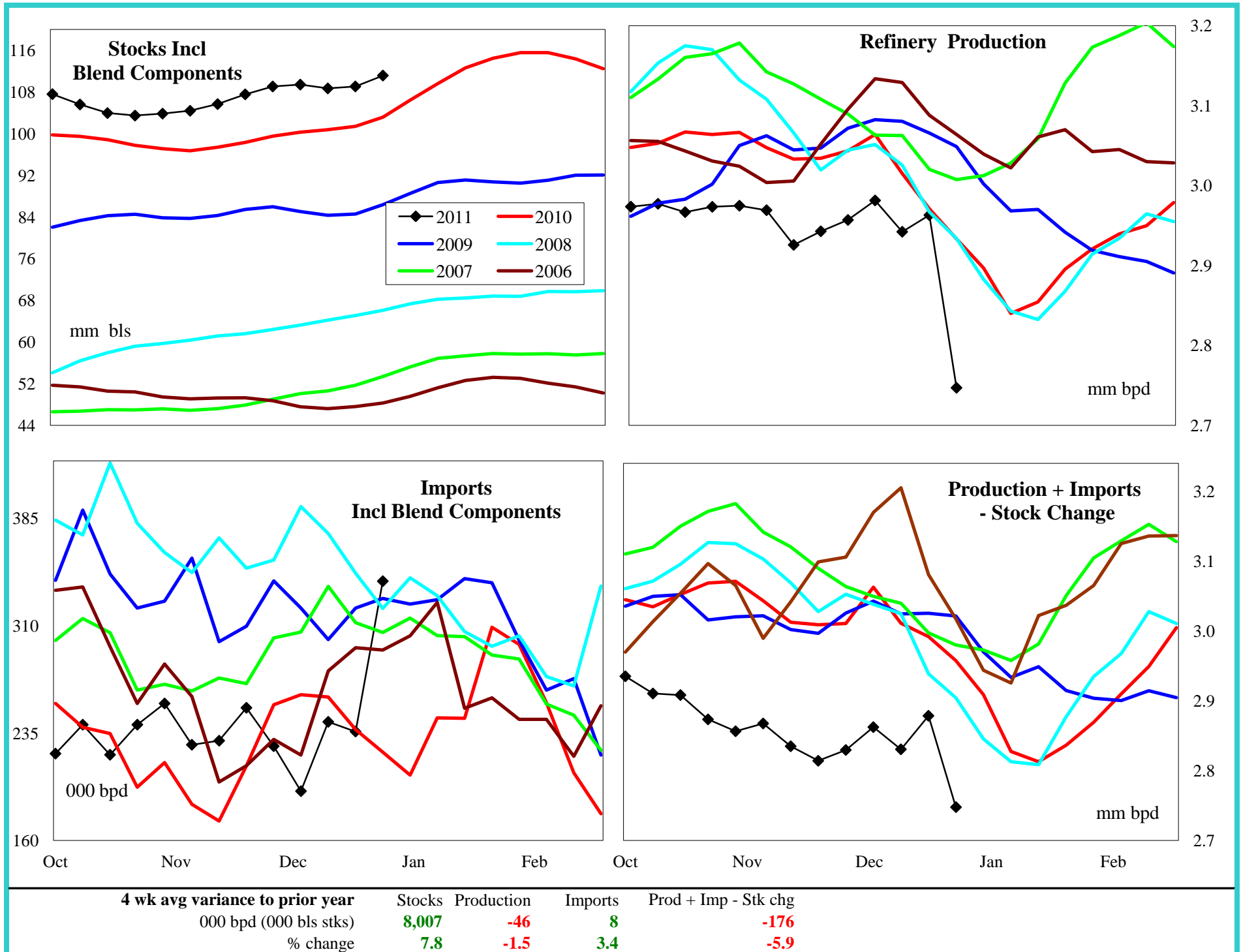
United States Crude Oil Supply and Demand Balance



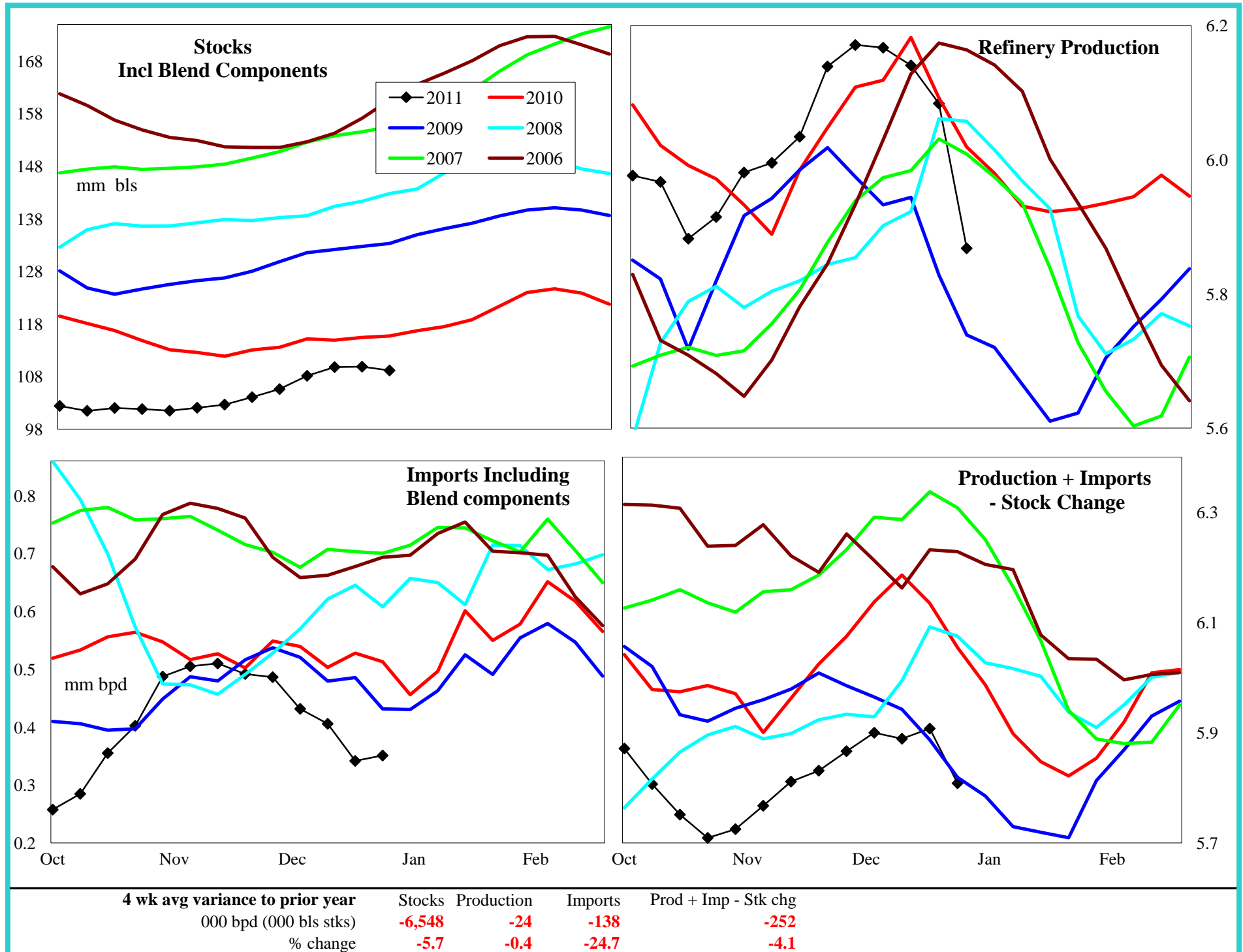
United States Gasoline Supply and Demand Balance



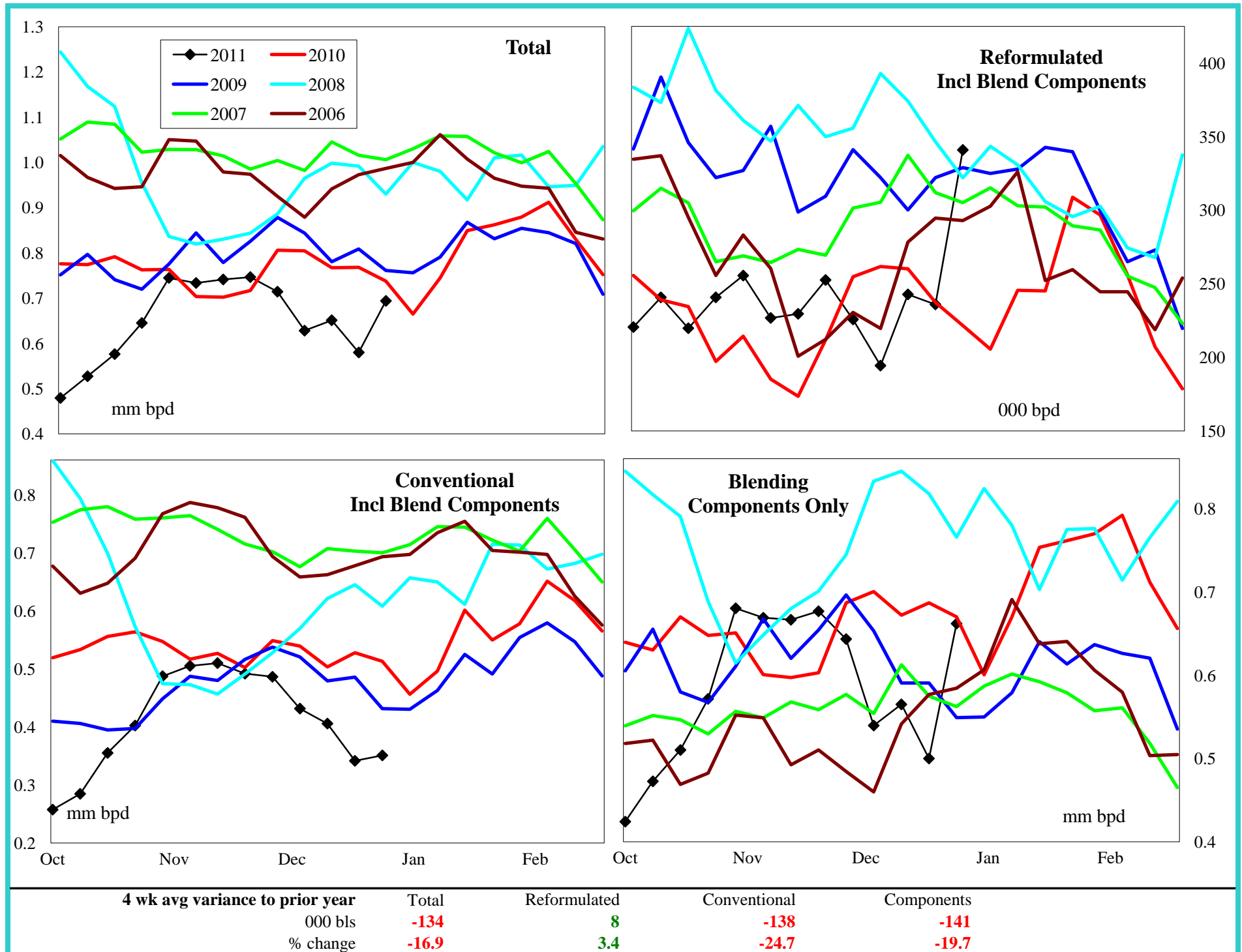
United States Reformulated Gasoline Supply



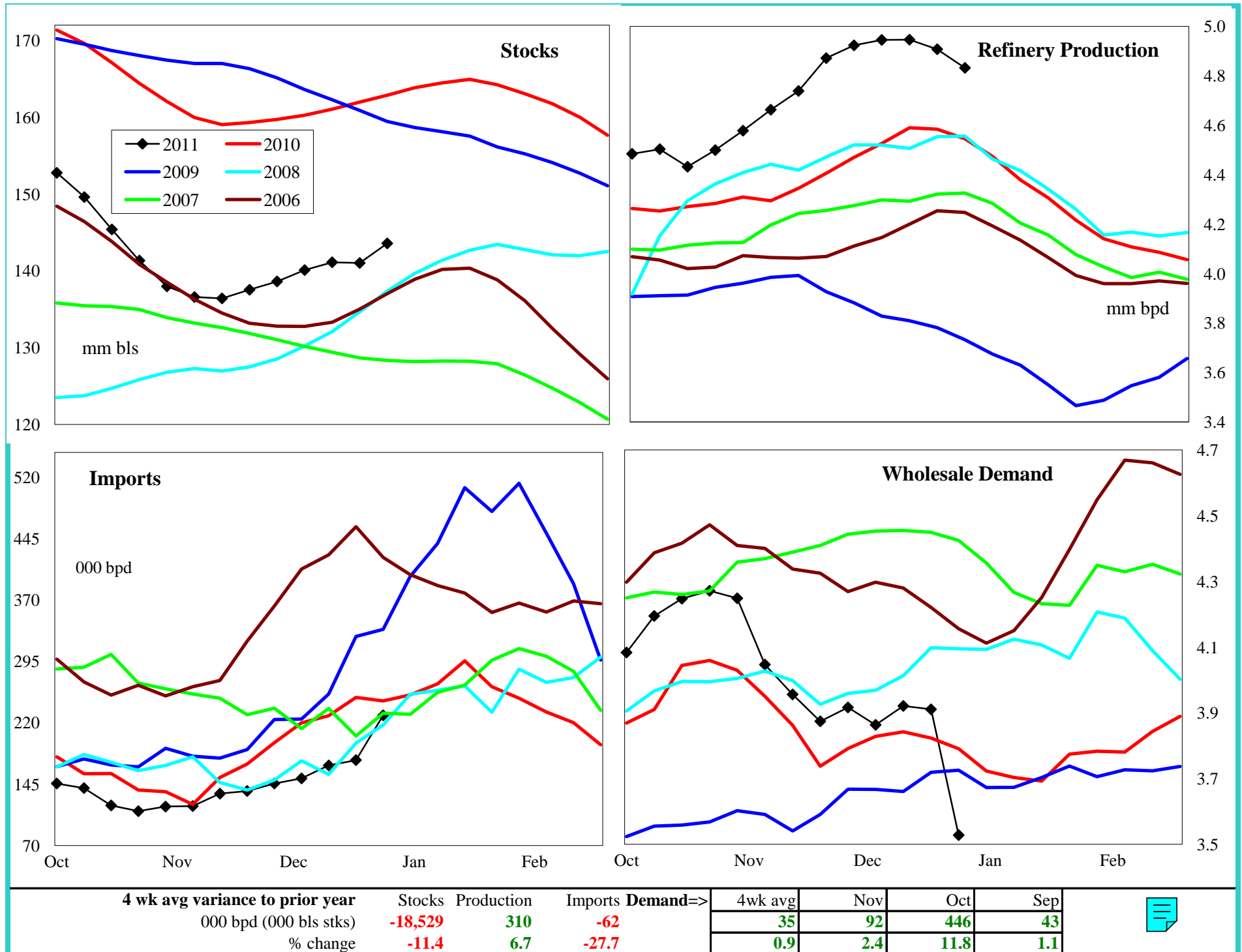
United States Conventional Gasoline Supply



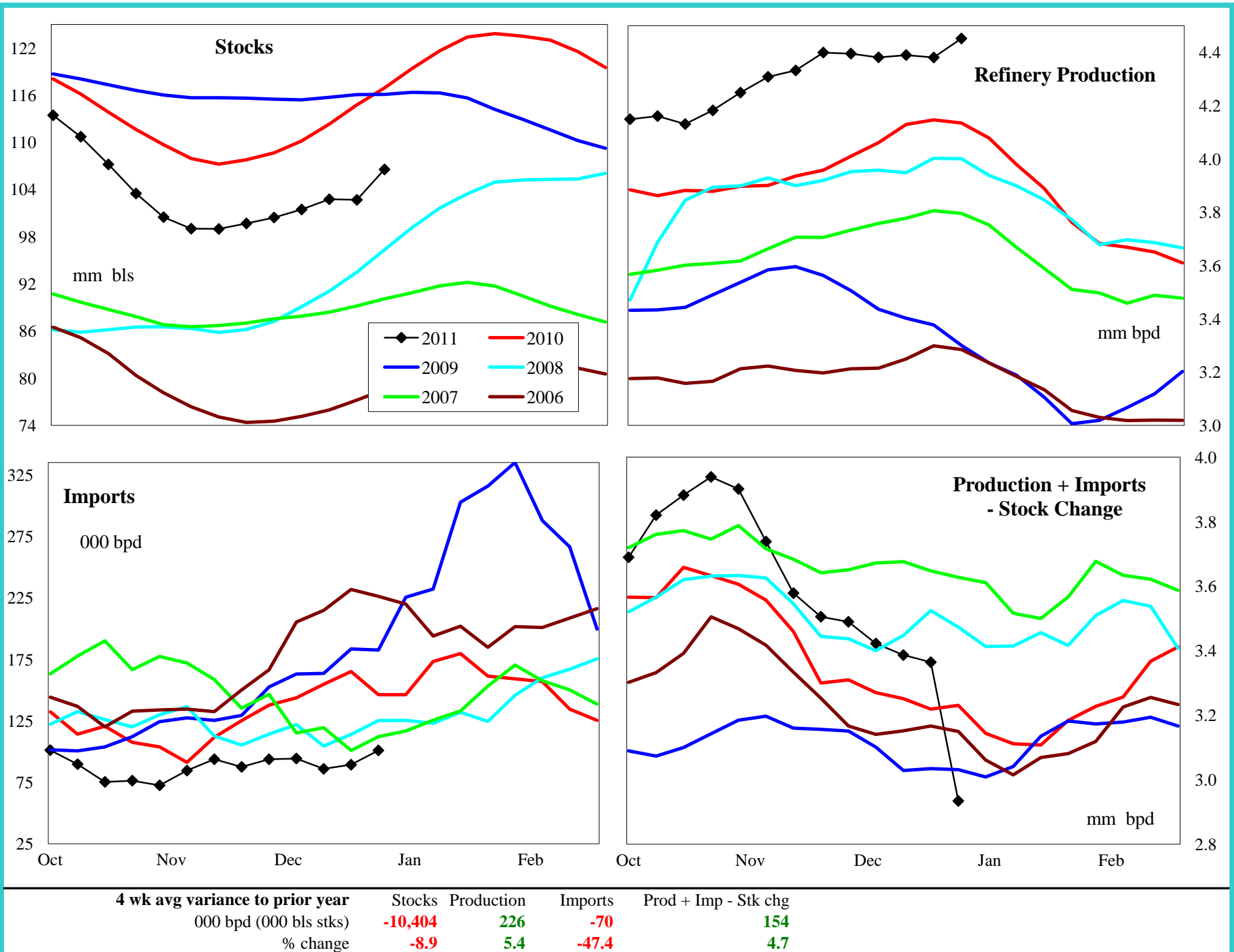
United States Gasoline Imports by Type



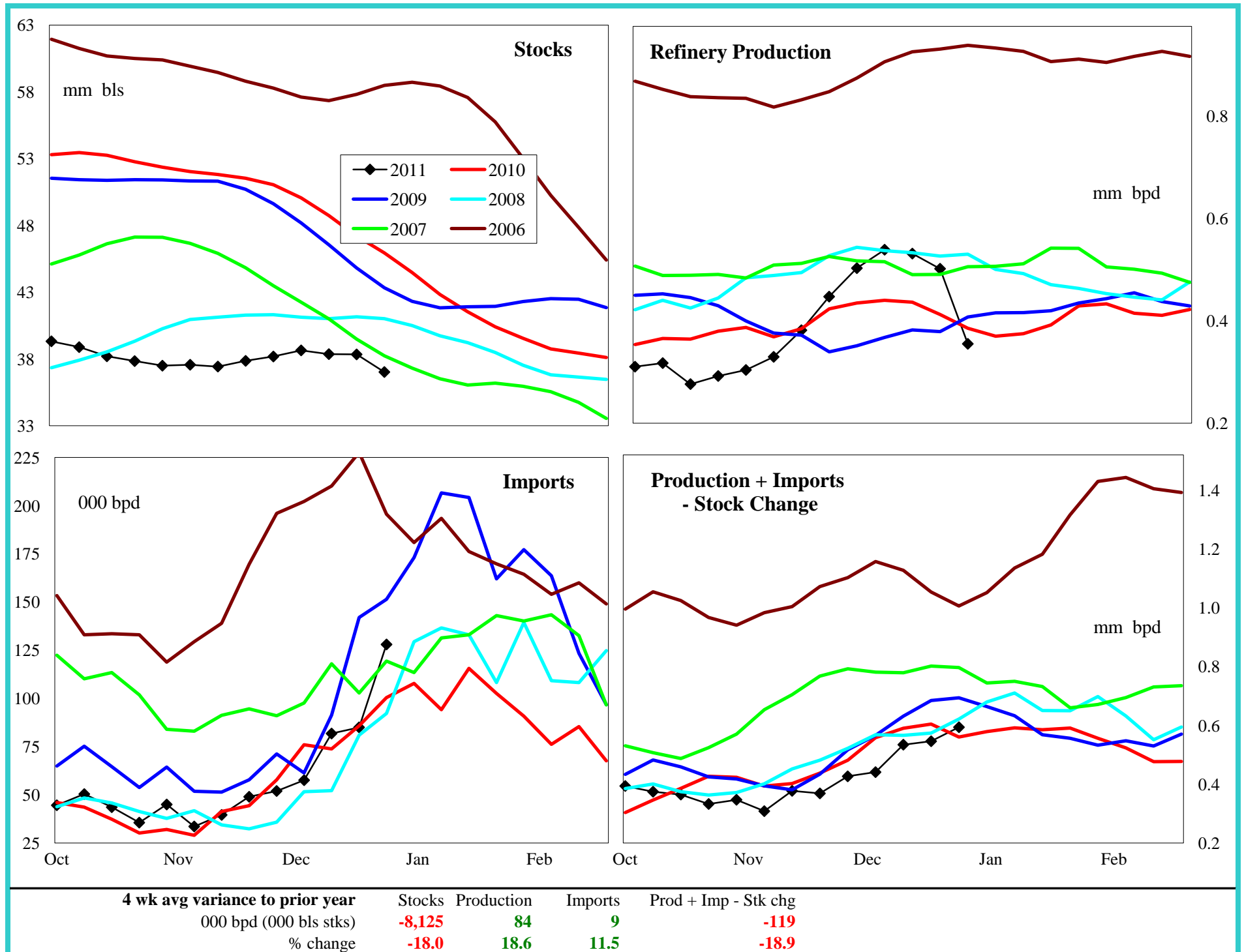
United States Distillate Supply and Demand Balance



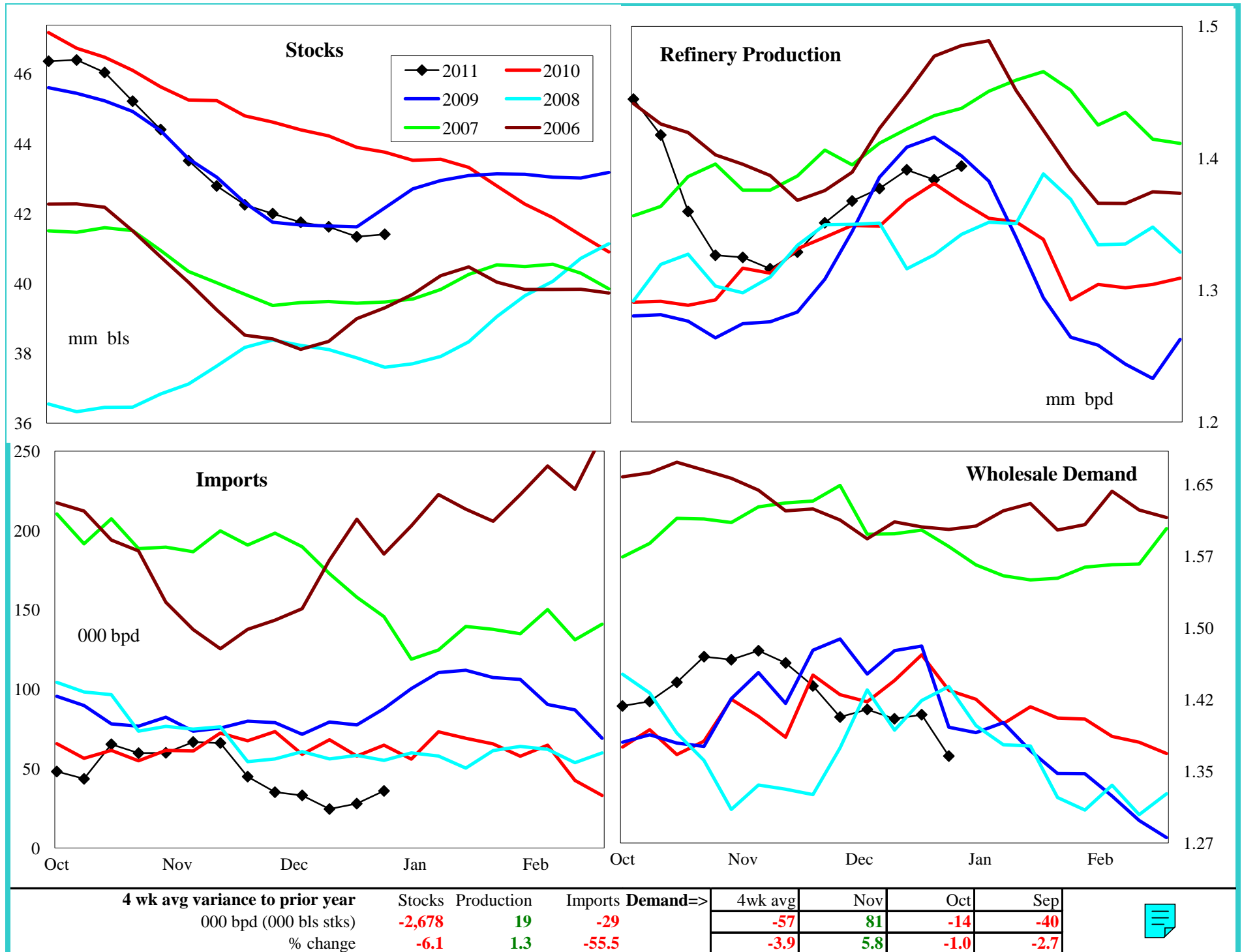
United States Low Sulfur Distillate Supply



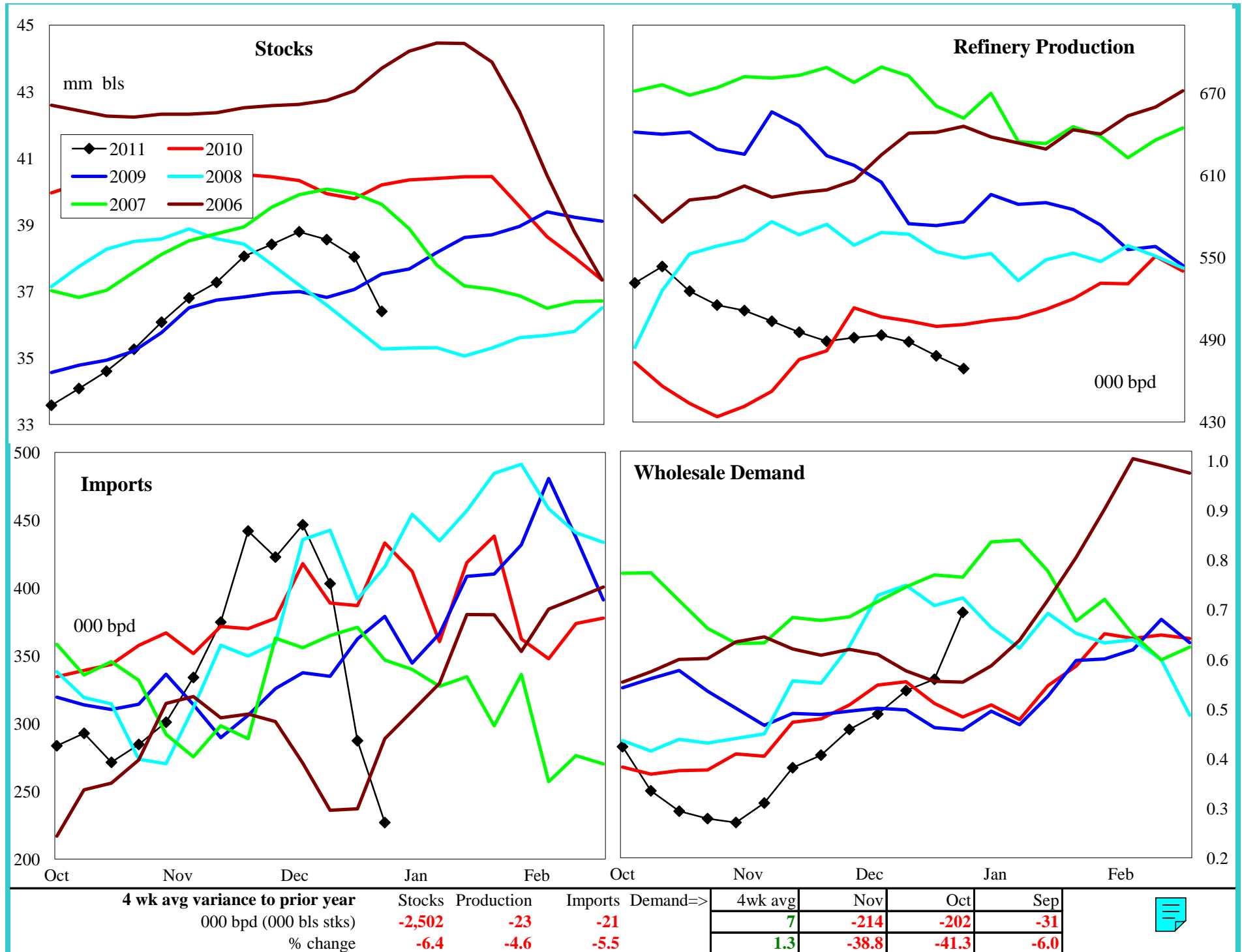
United States High Sulfur Distillate Supply



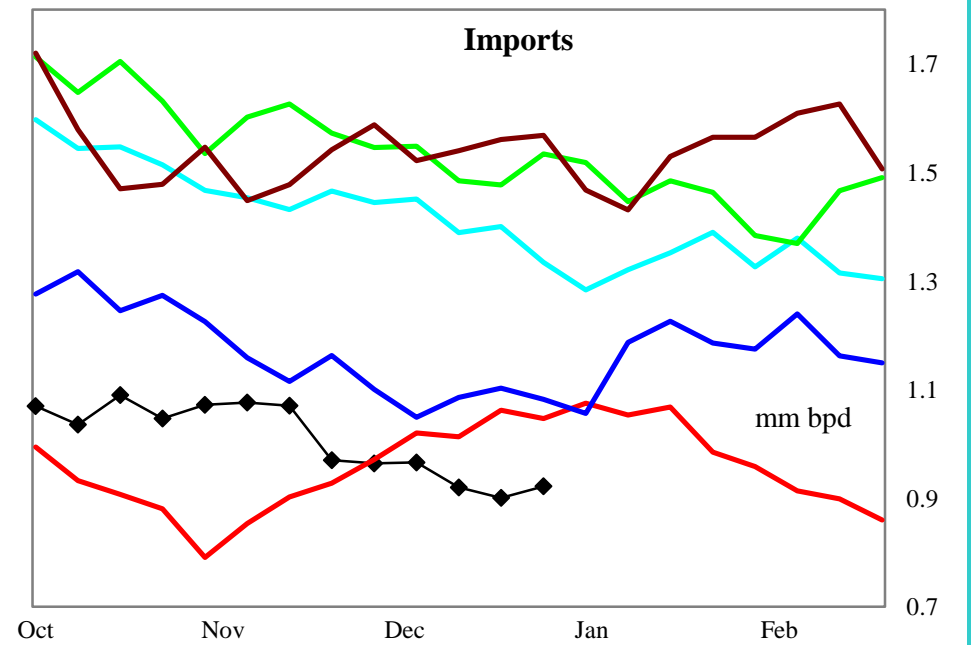
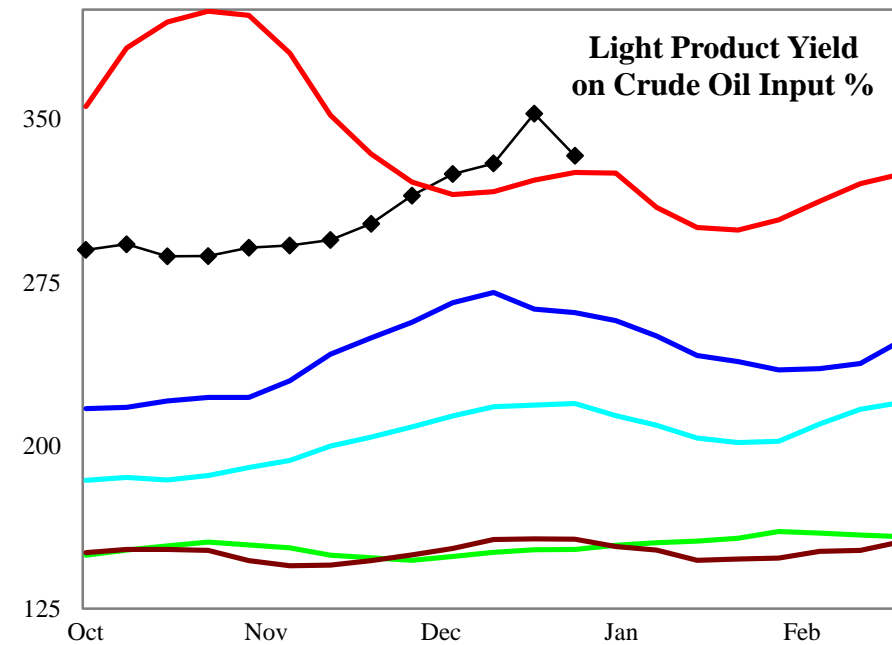
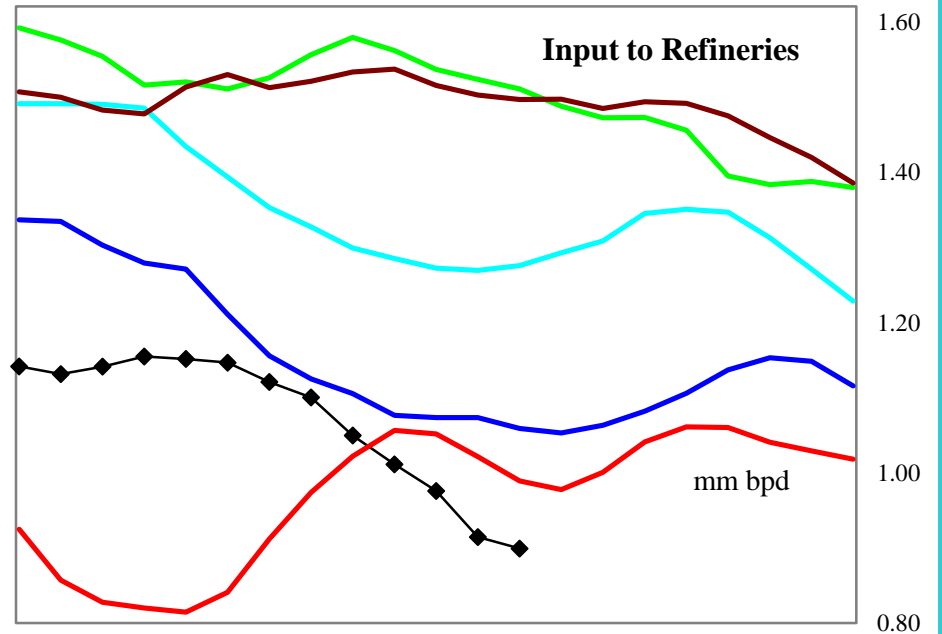
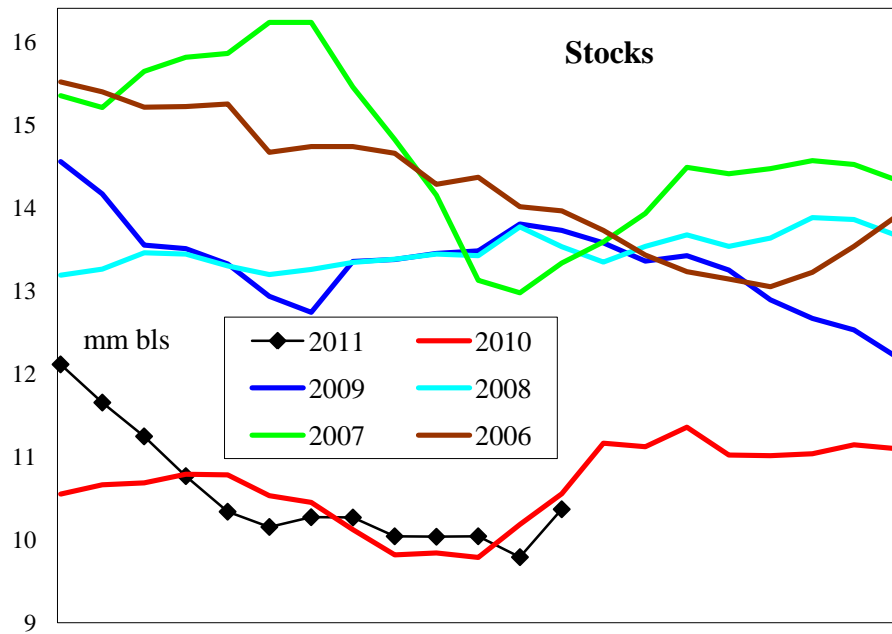
United States Jet Fuel Supply and Demand Balance



United States Residual Fuel Oil Supply and Demand Balance



PADD 1 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-185

-1.8

Input

-75

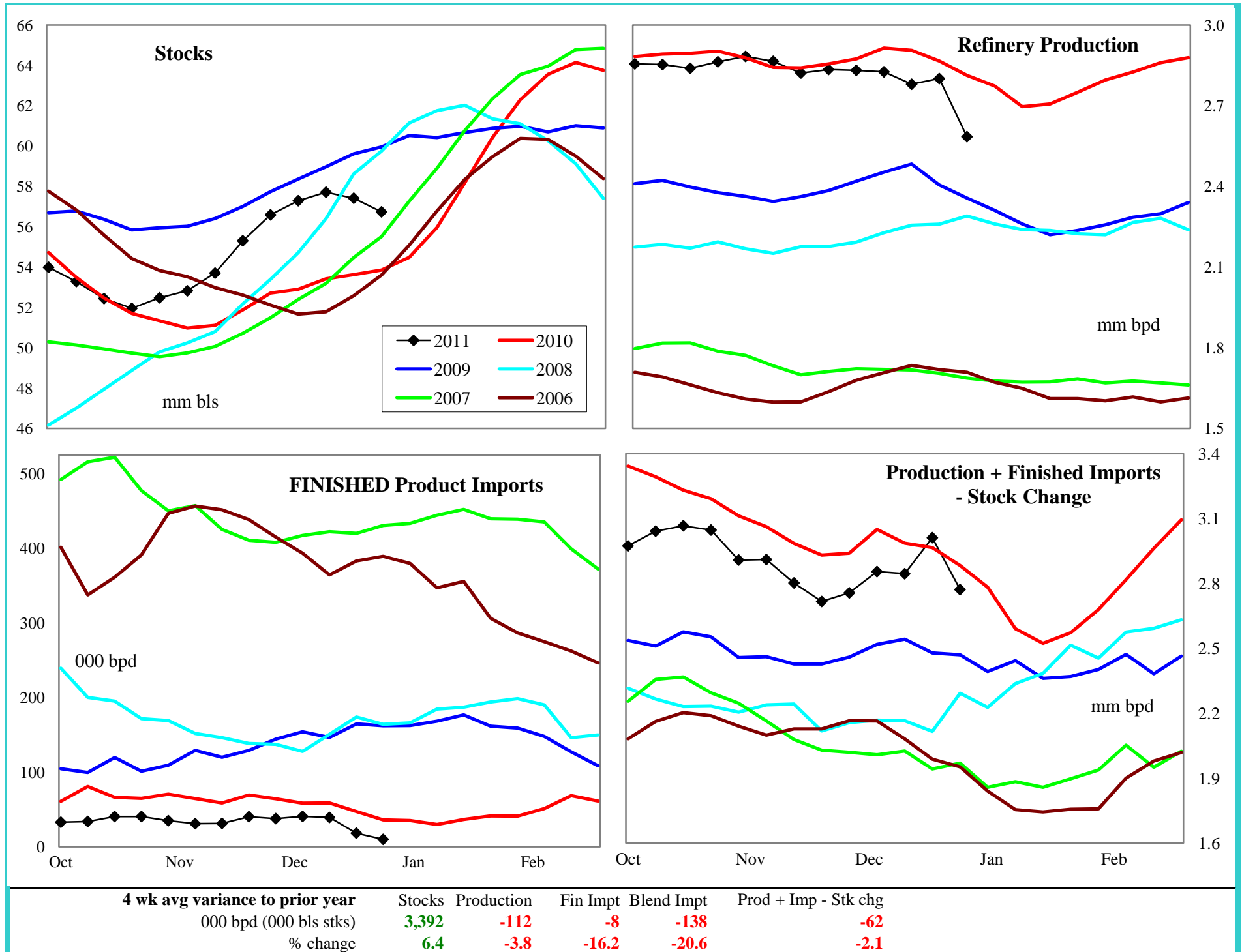
-7.2

Imports

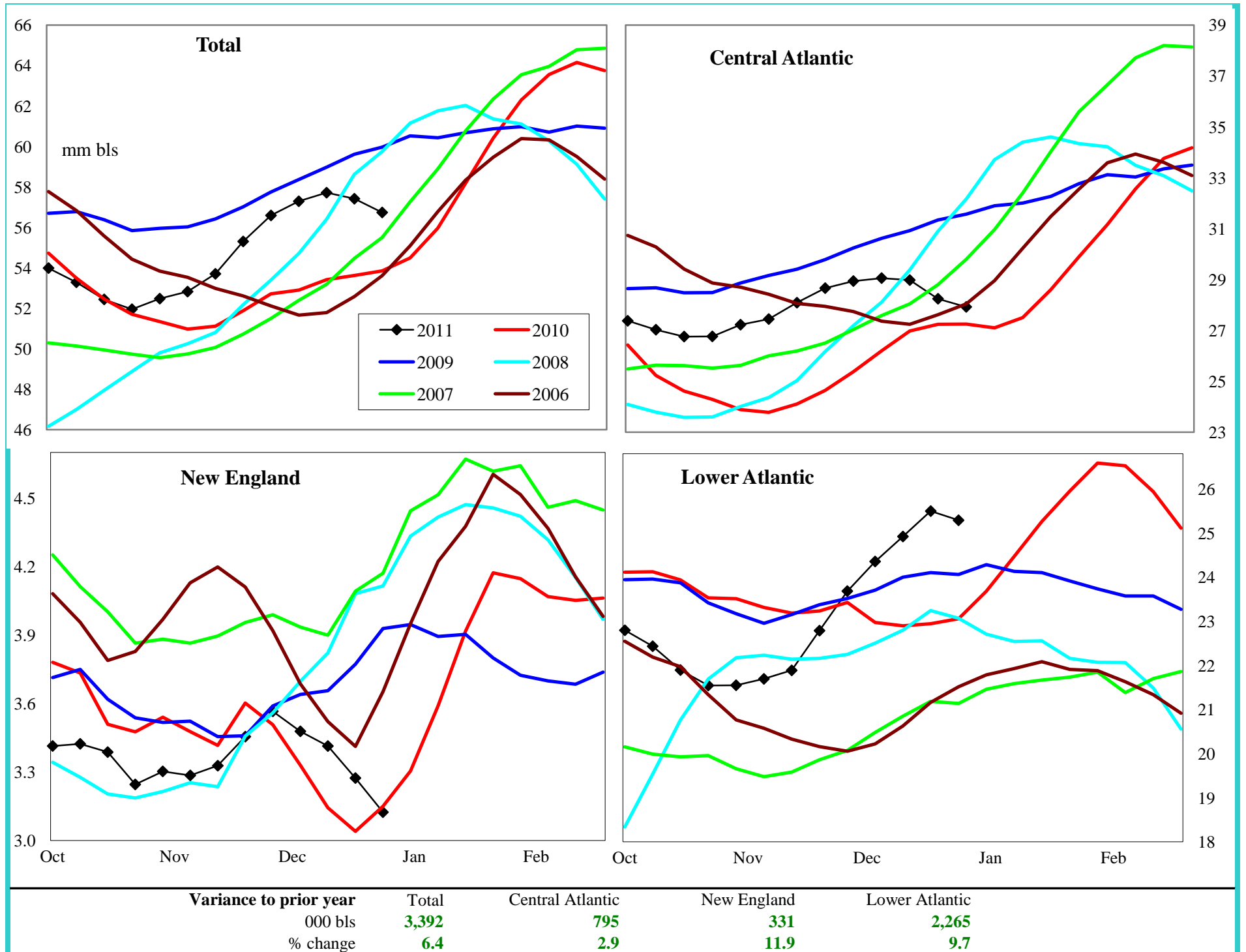
-136

-13.5

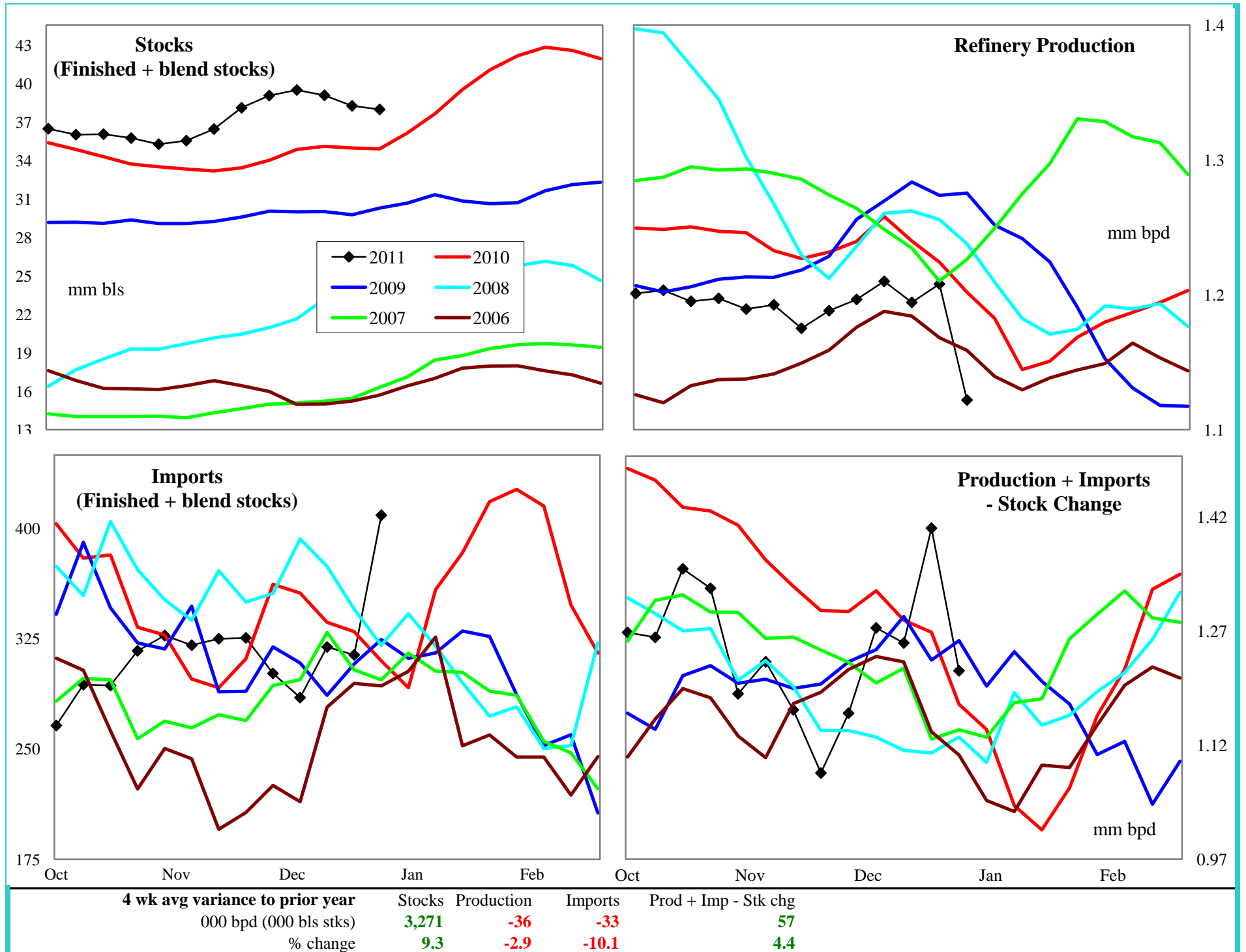
PADD 1 Gasoline Supply



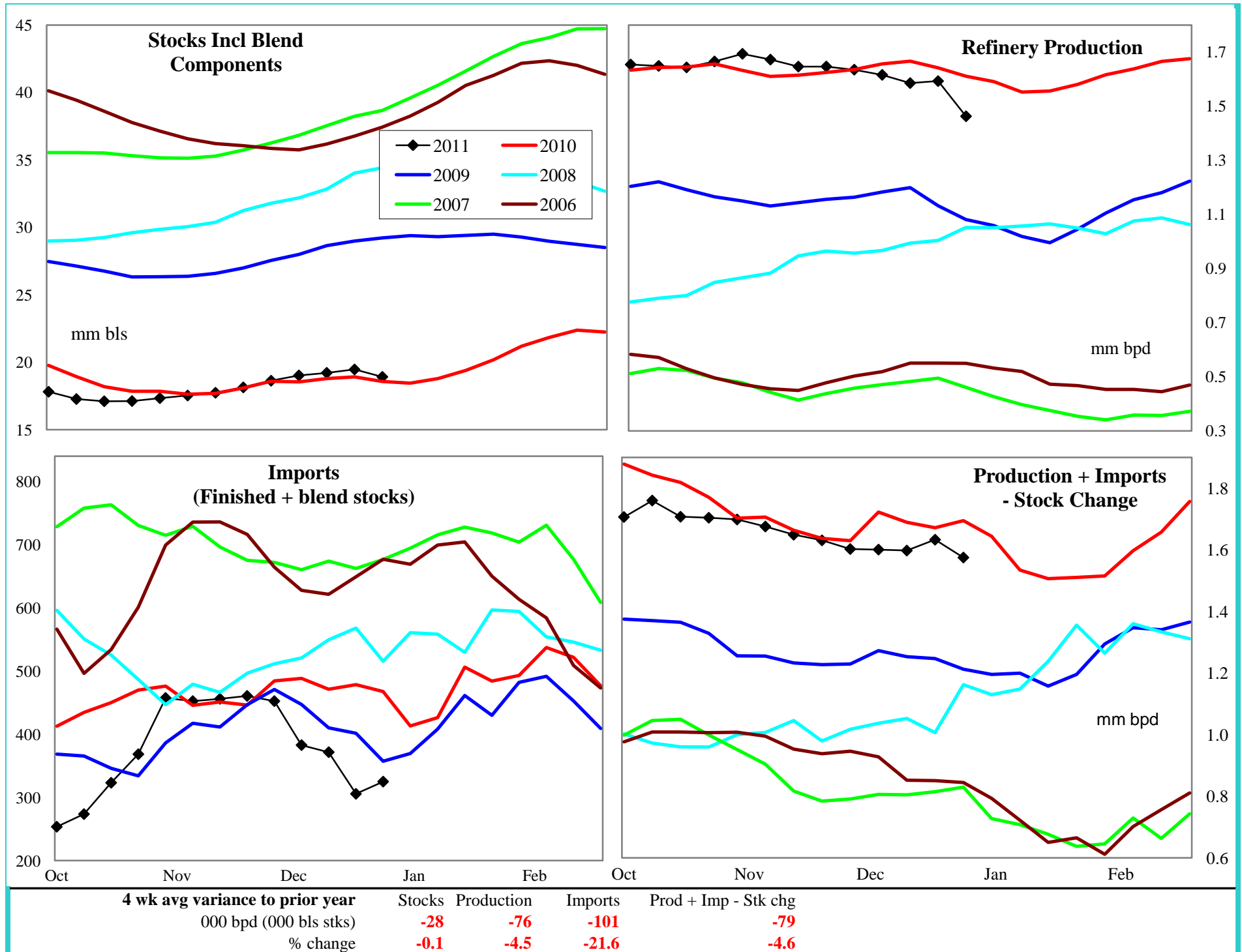
PADD 1 Gasoline Stocks by Region



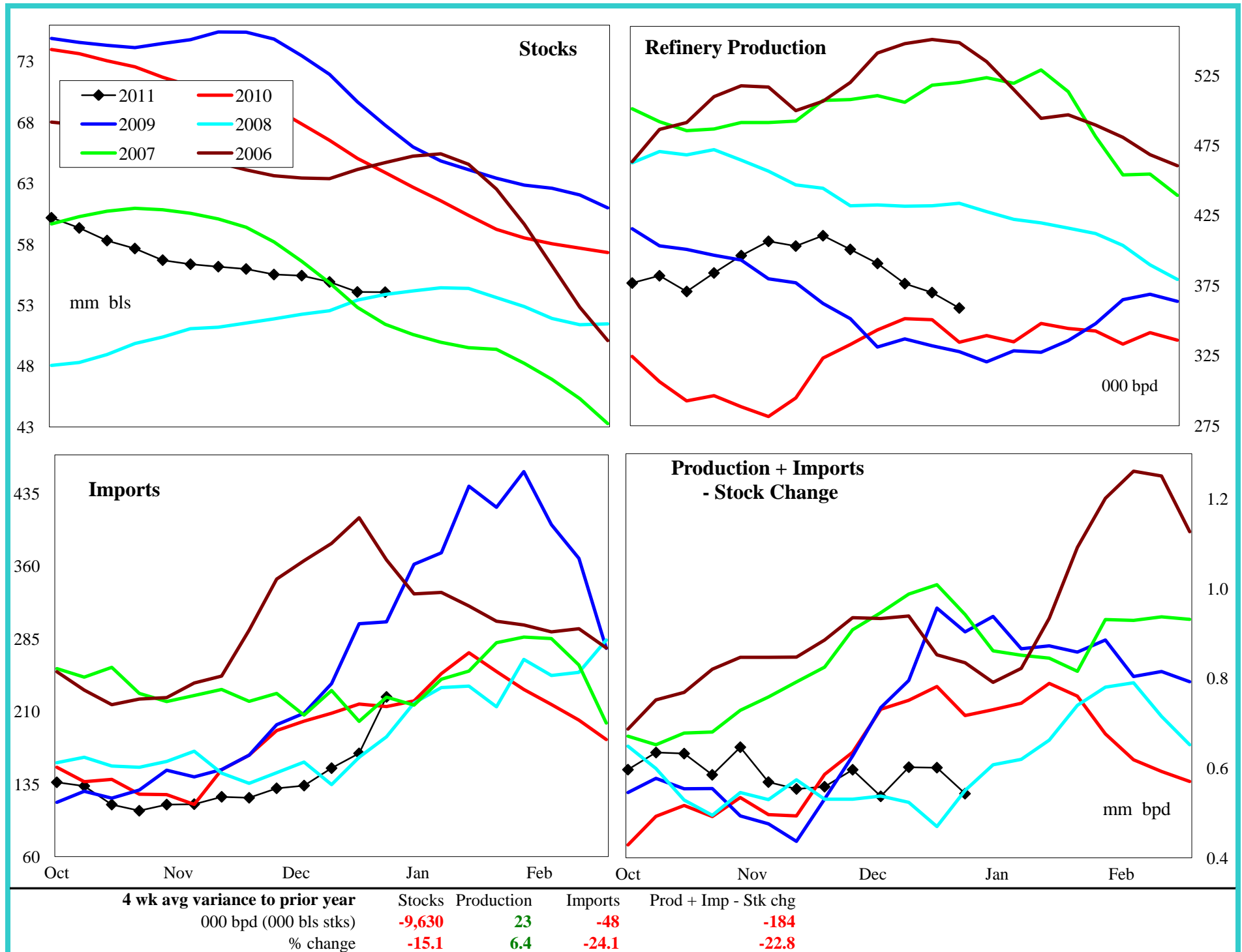
PADD 1 Reformulated Gasoline Supply



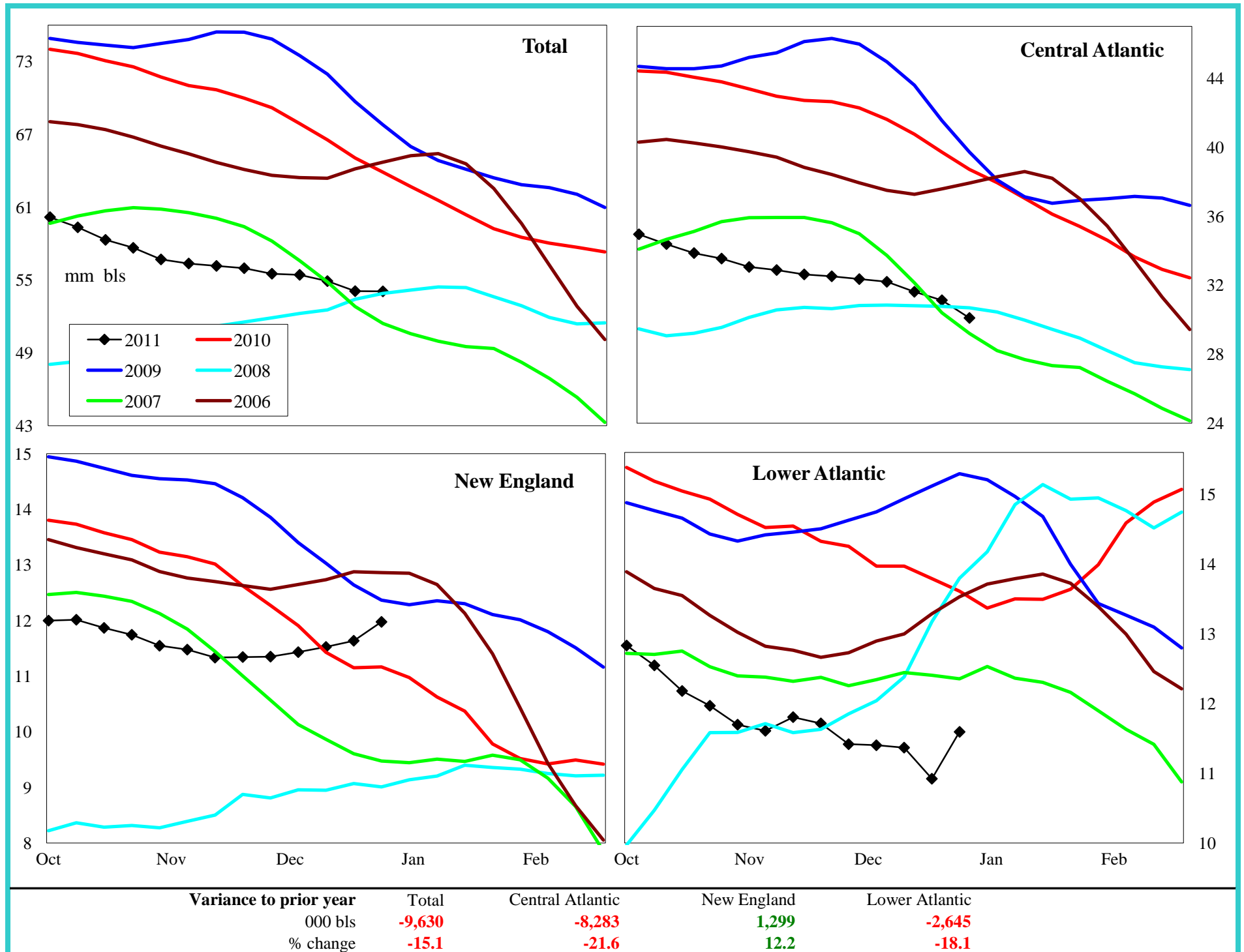
PADD 1 Conventional Gasoline Supply



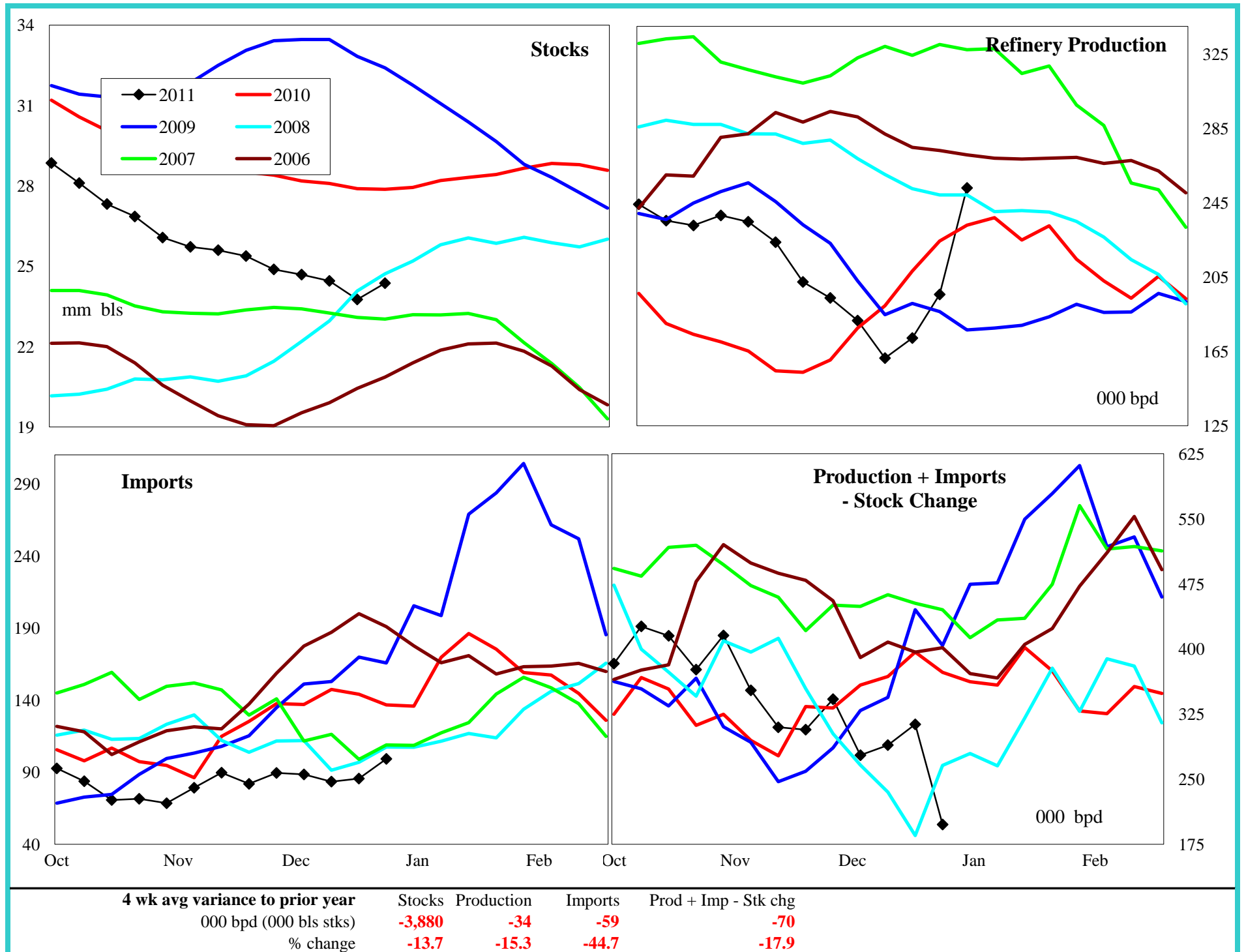
PADD 1 Distillate Supply



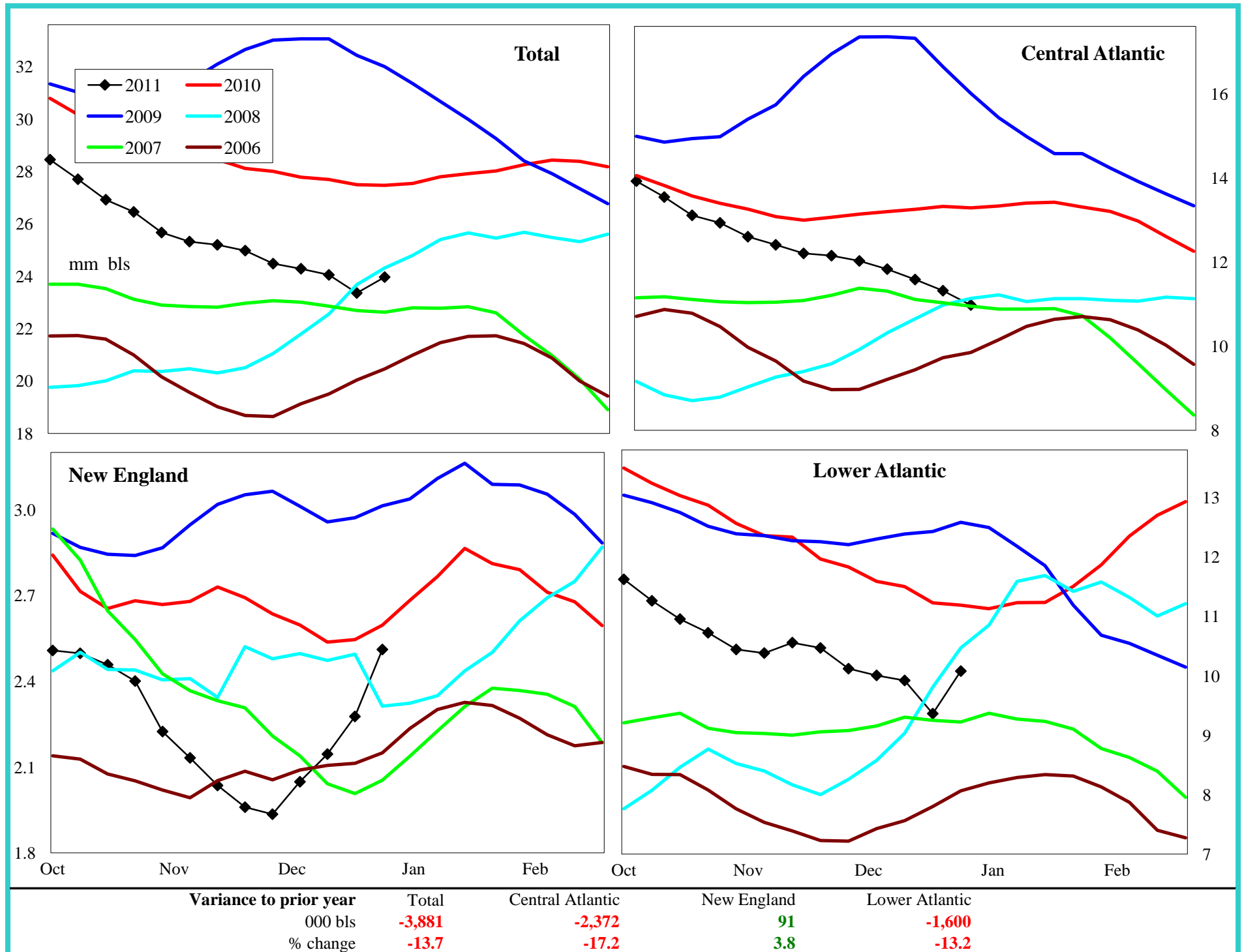
PADD 1 Distillate Stocks by Region



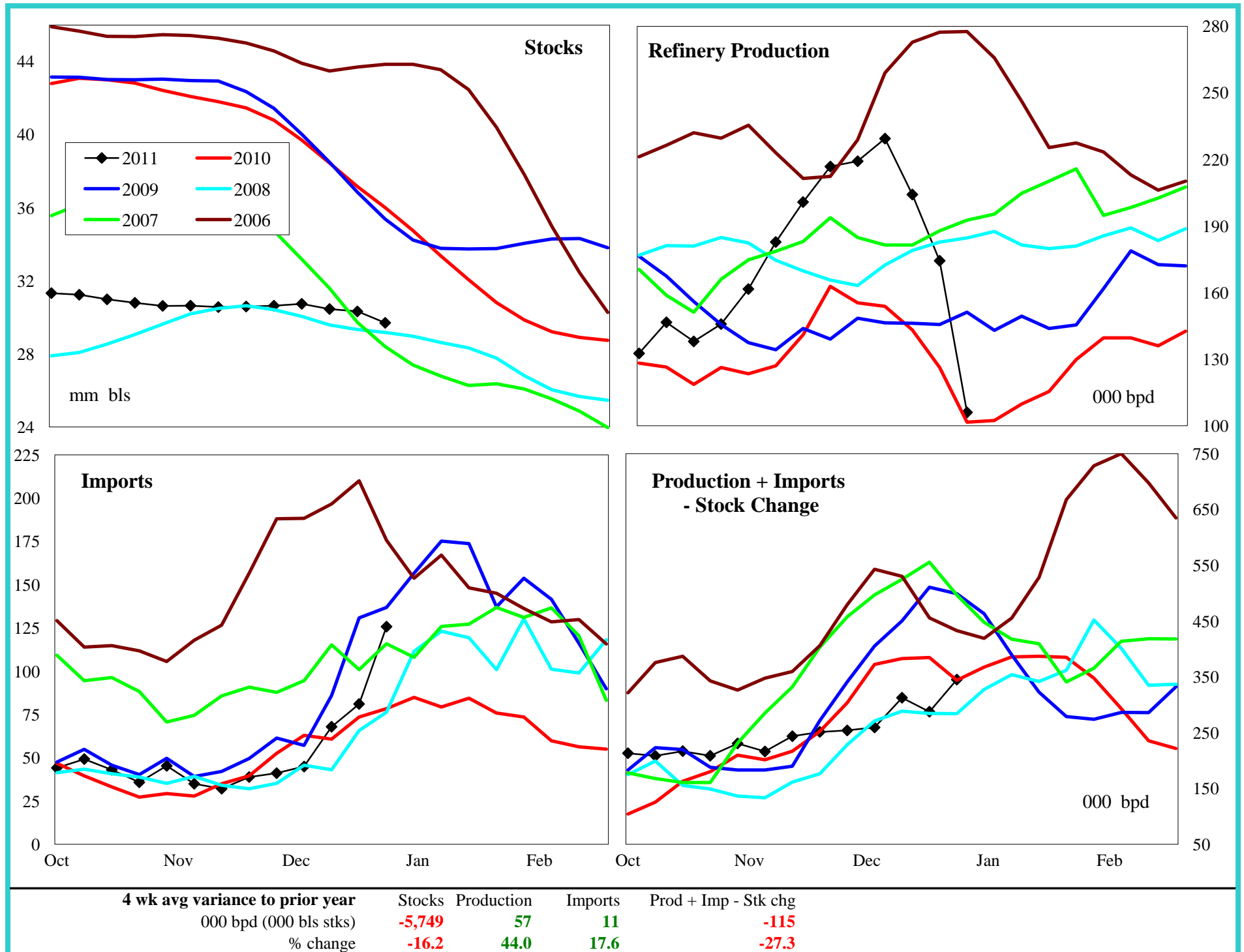
PADD 1 Low Sulfur Distillate Supply



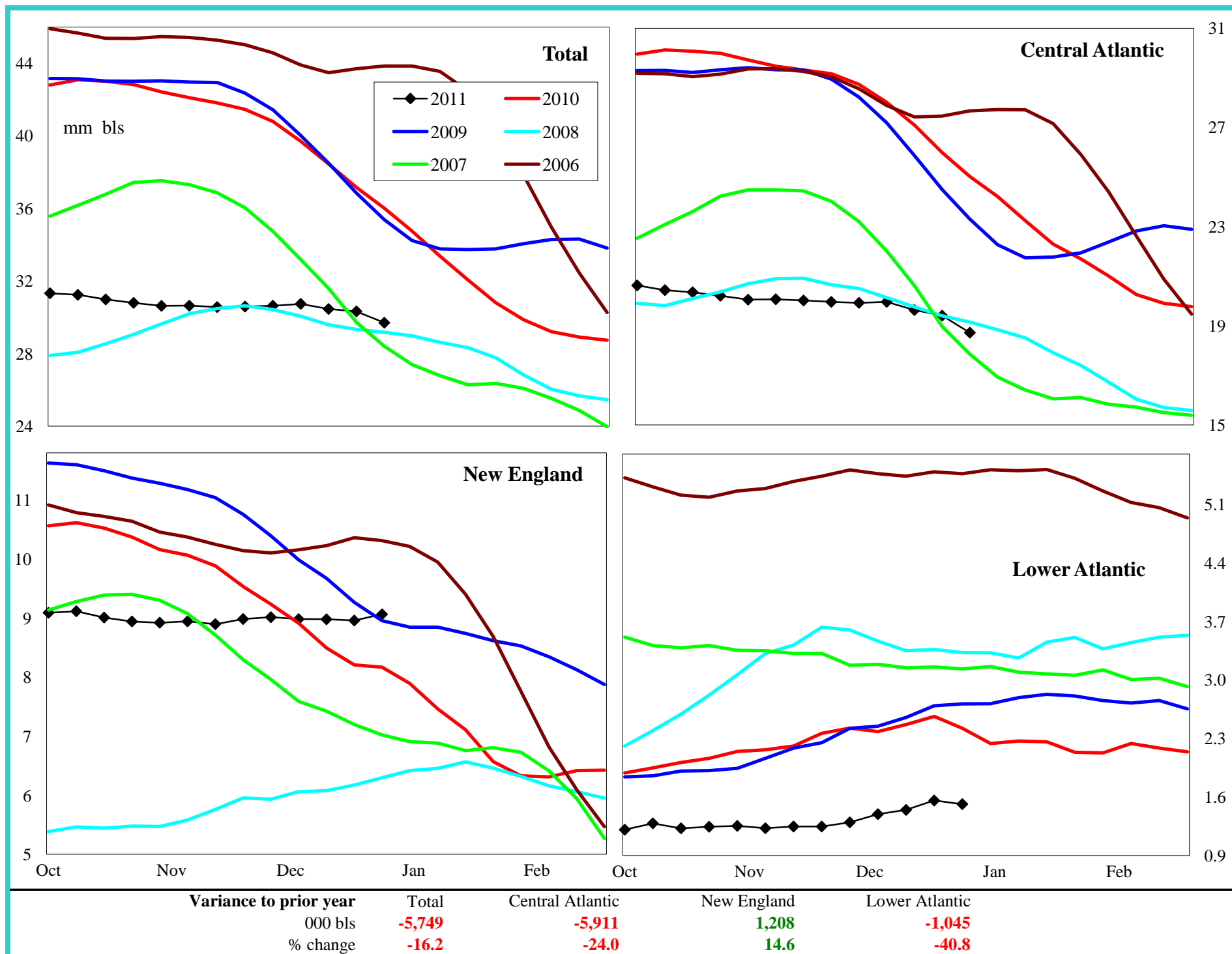
PADD 1 Low Sulfur Distillate Stocks by Region



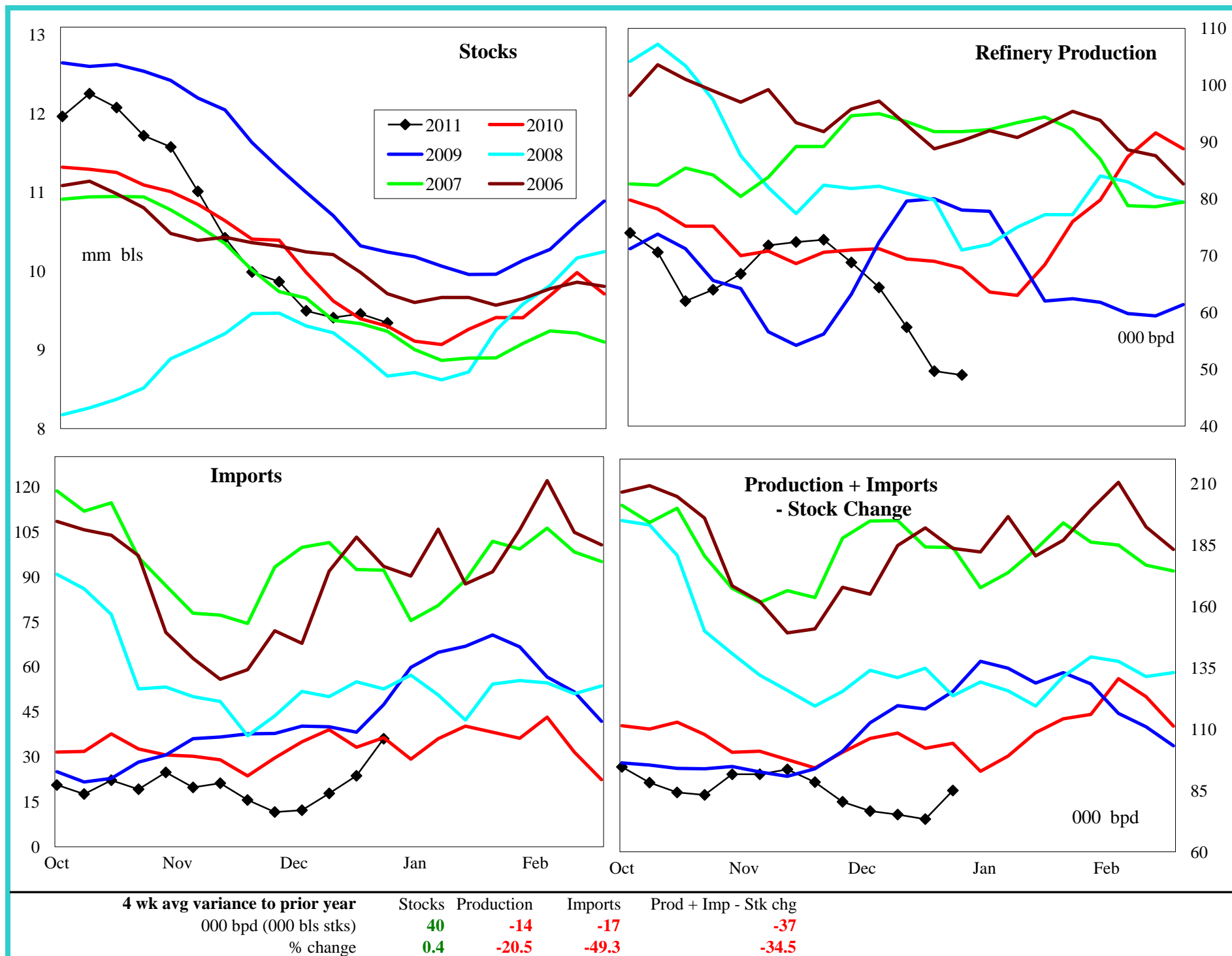
PADD 1 High Sulfur Distillate Supply



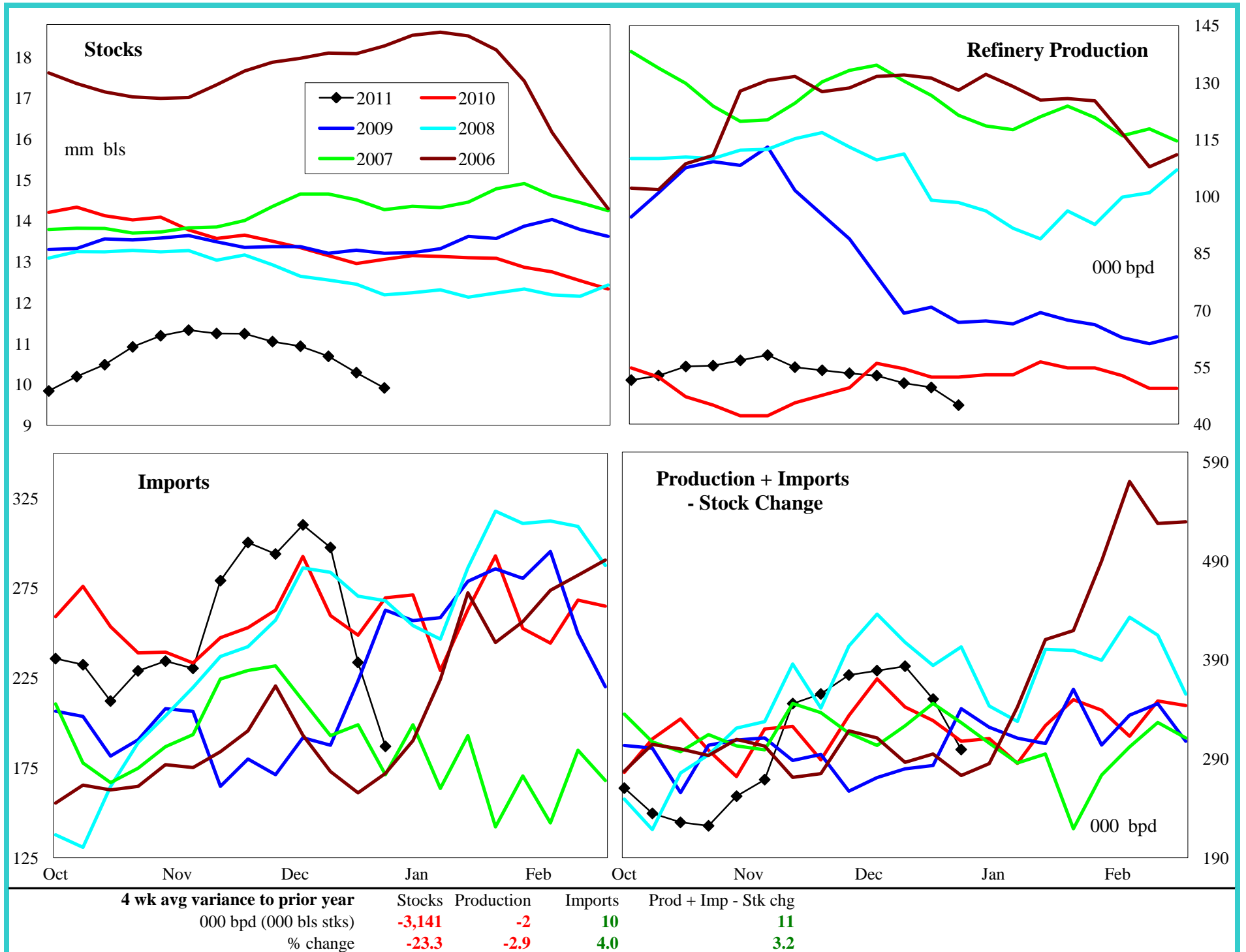
PADD 1 High Sulfur Distillate Stocks by Region



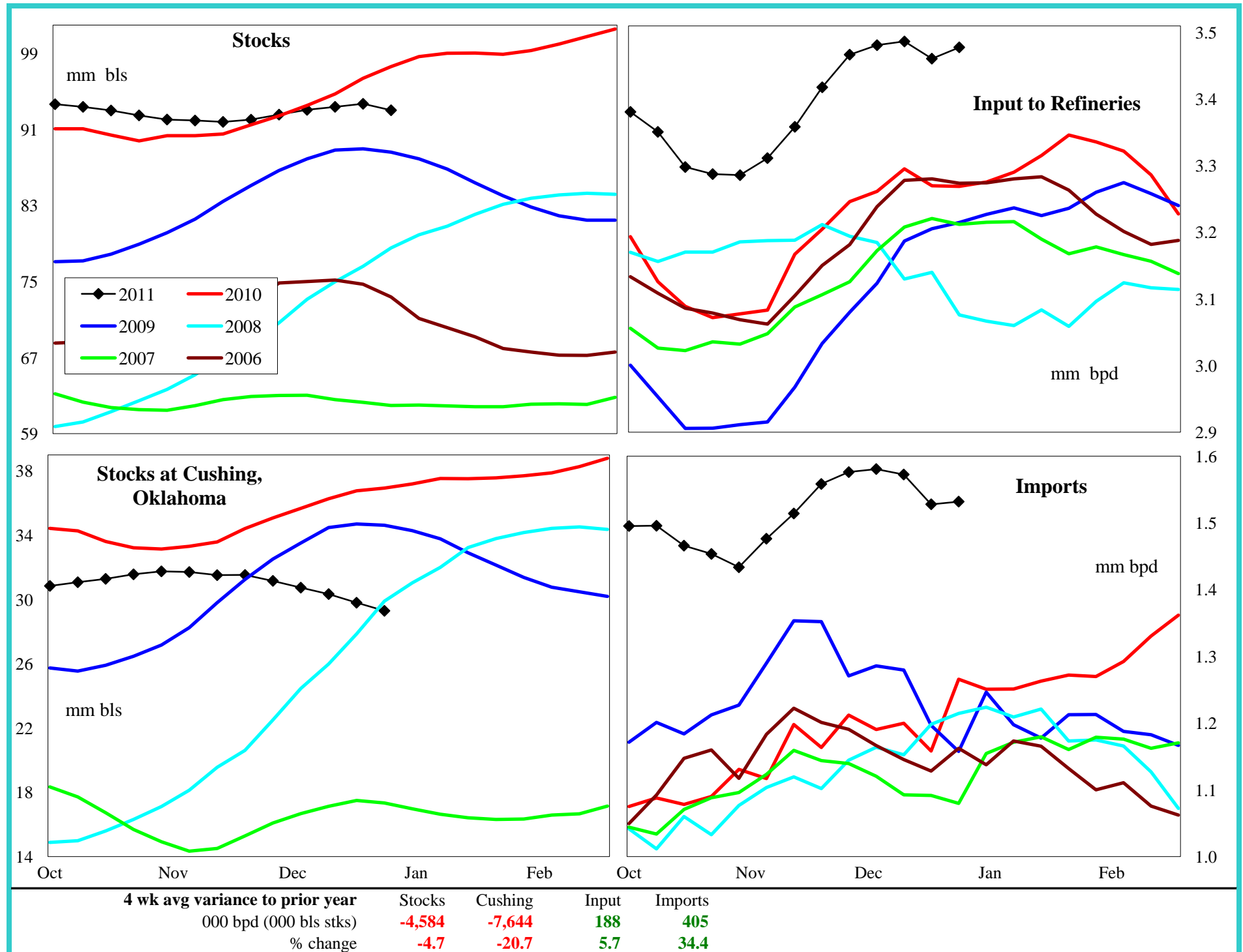
PADD 1 Jet Fuel Supply



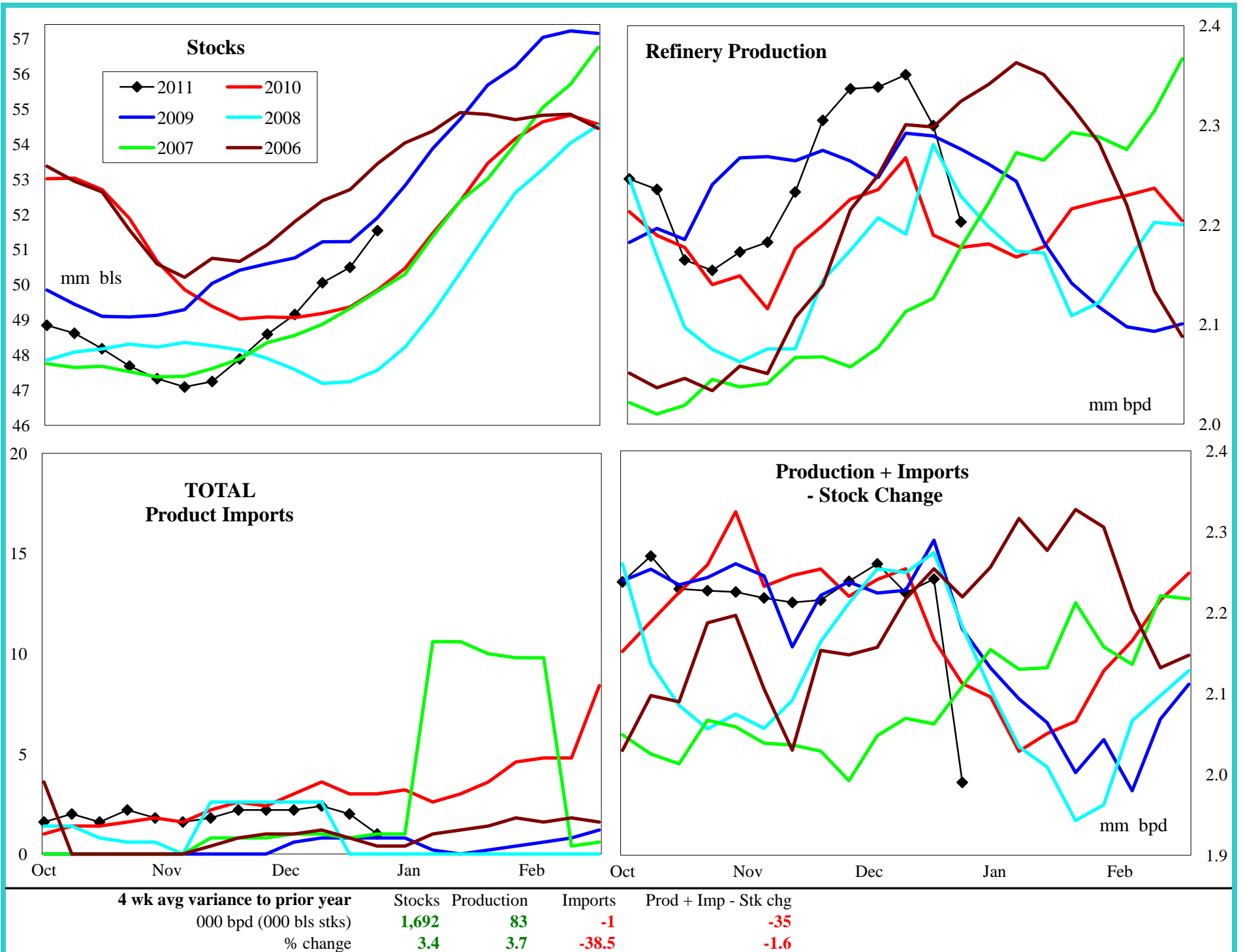
PADD 1 Residual Fuel Oil Supply



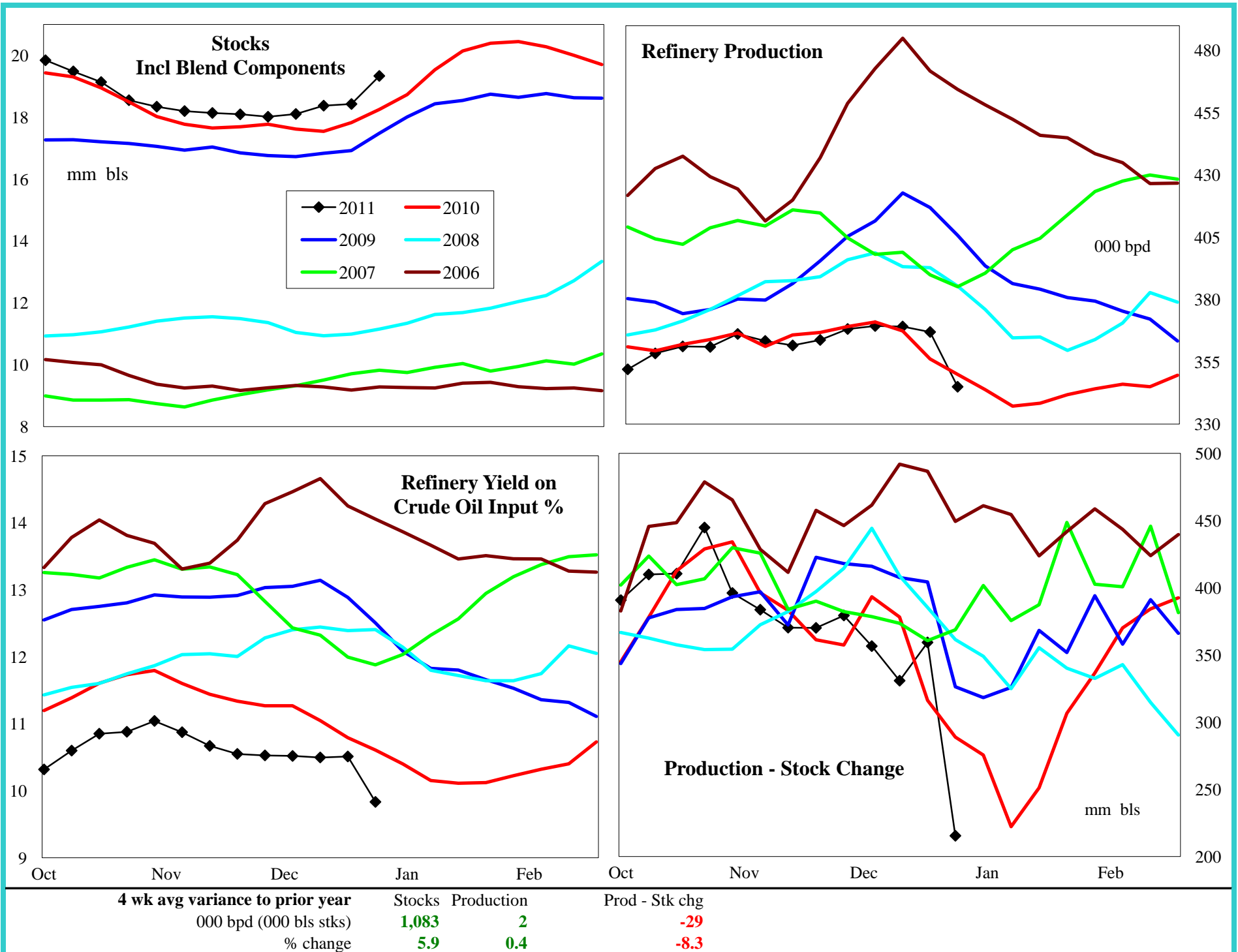
PADD 2 Crude Oil Supply and Refining



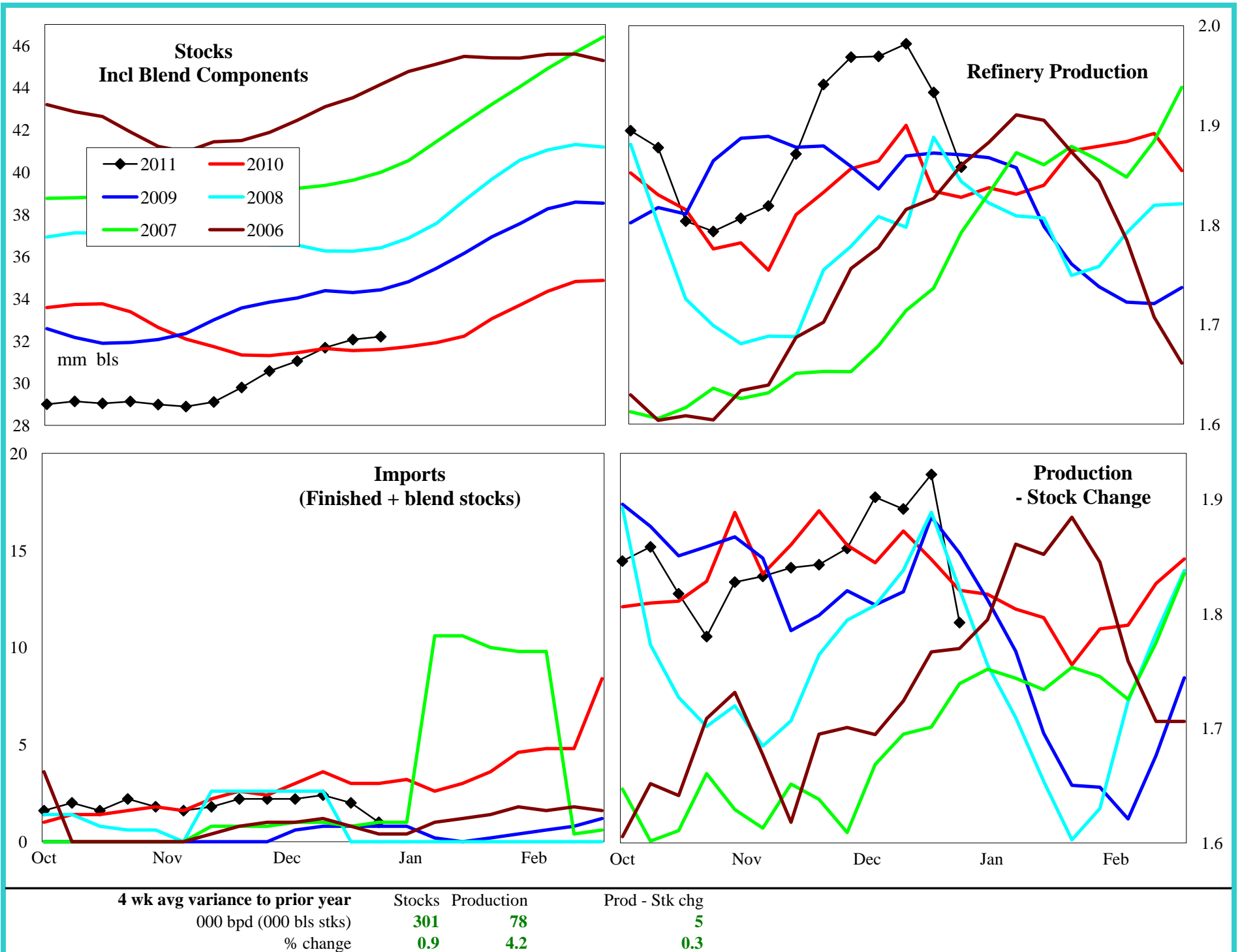
PADD 2 Gasoline Supply



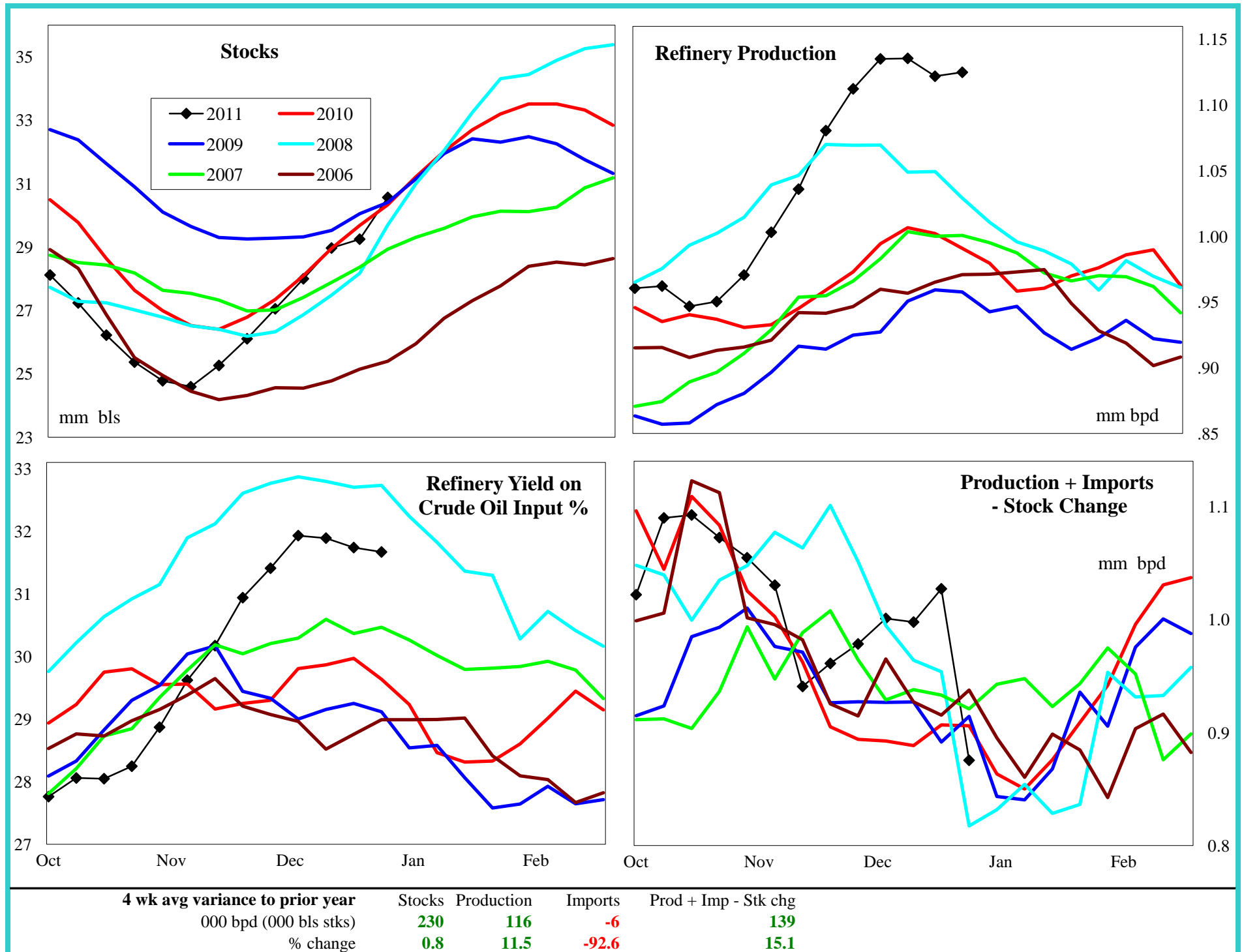
PADD 2 Reformulated Gasoline Supply



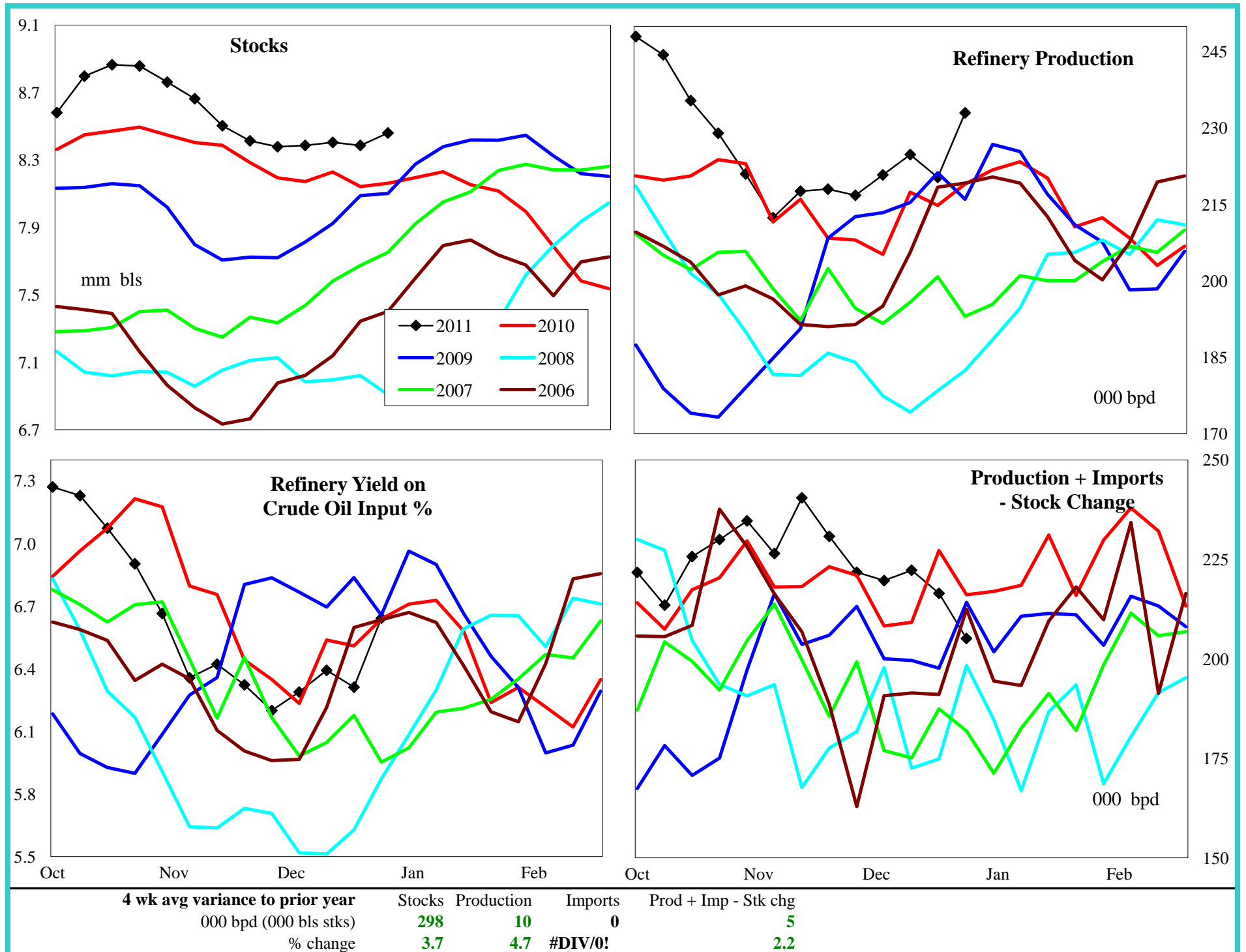
PADD 2 Conventional Gasoline Supply



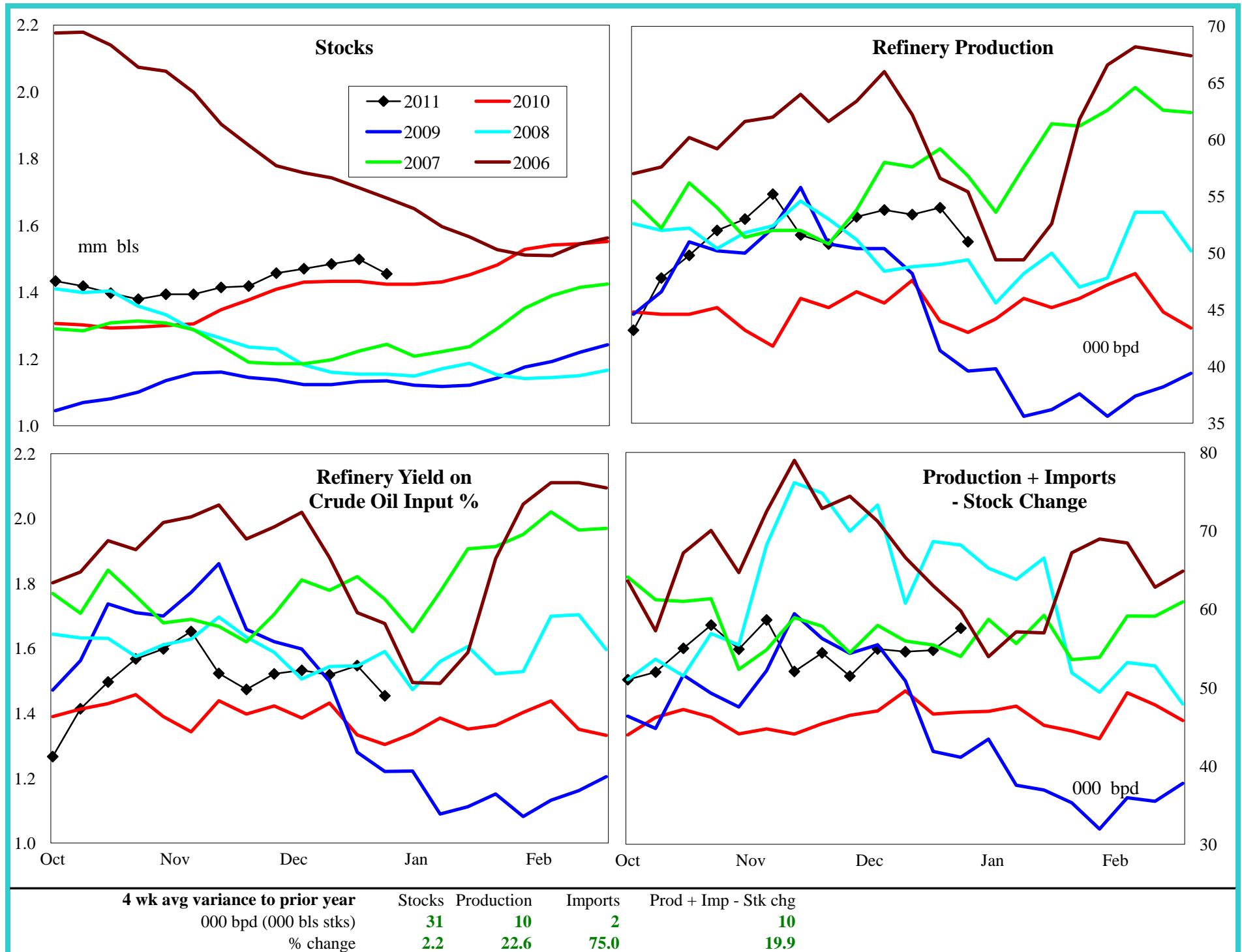
PADD 2 Distillate Supply



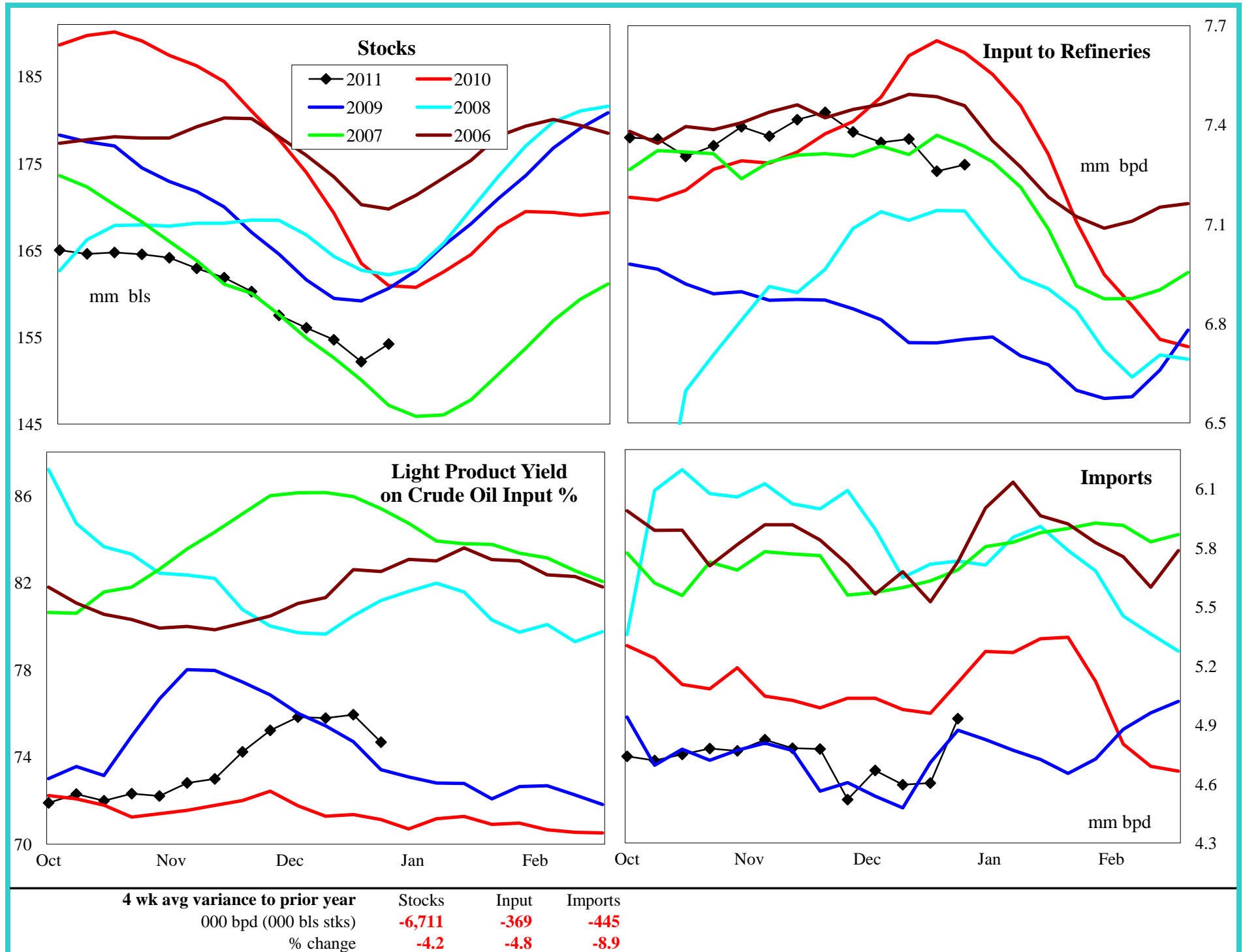
PADD 2 Jet Fuel Supply



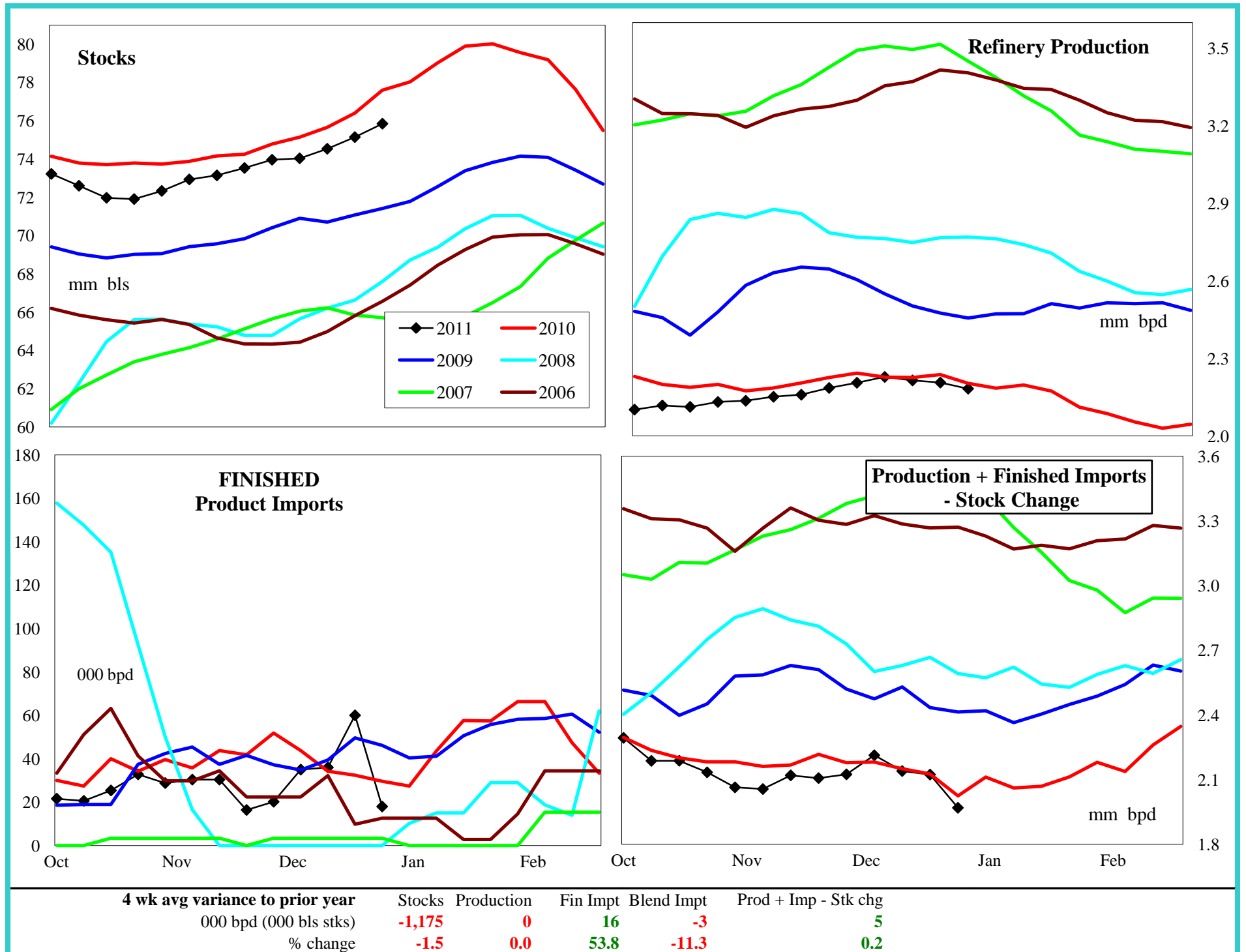
PADD 2 Residual Fuel Oil Supply



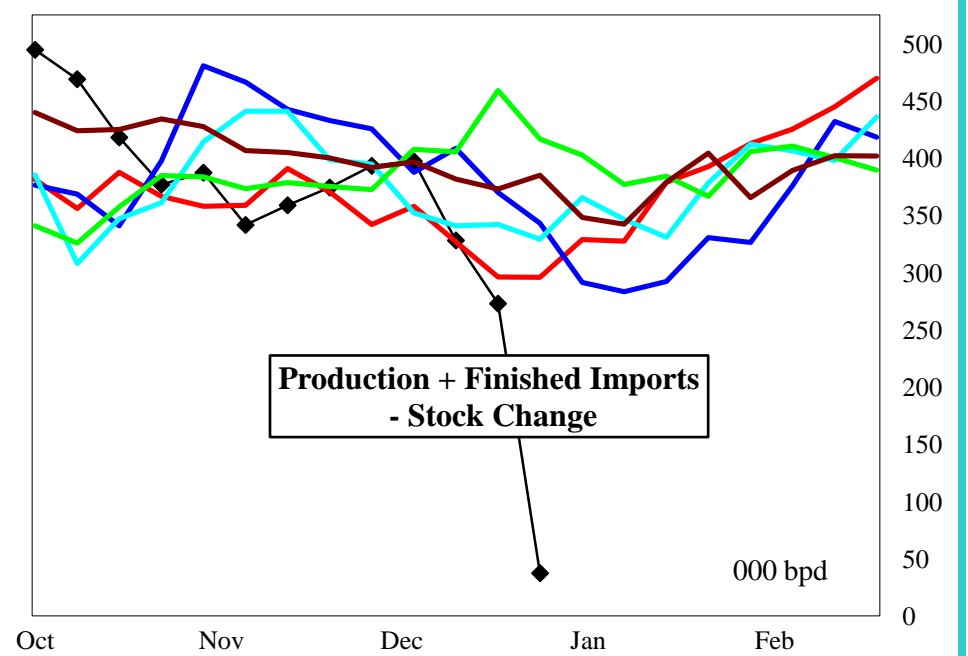
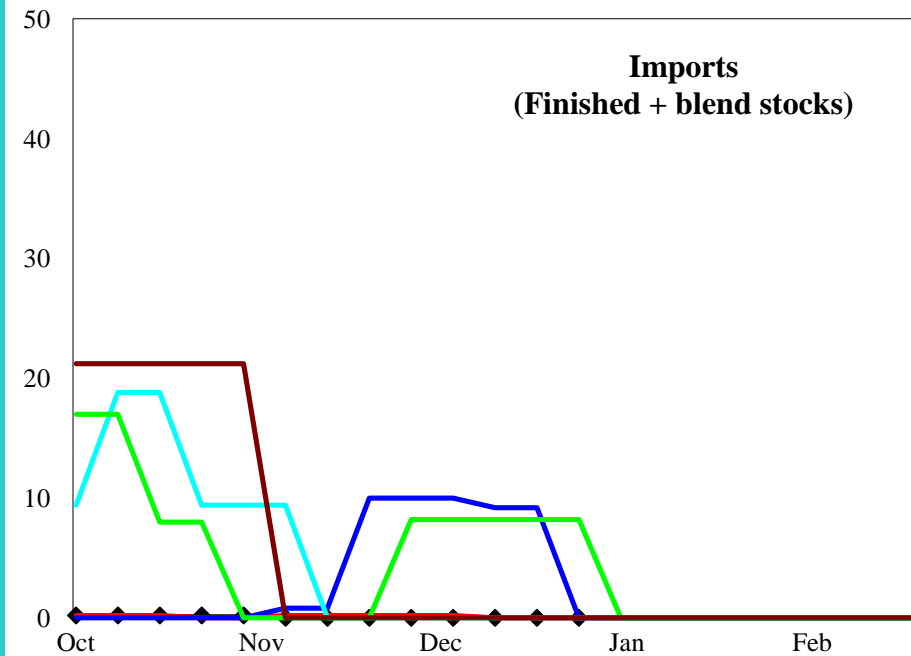
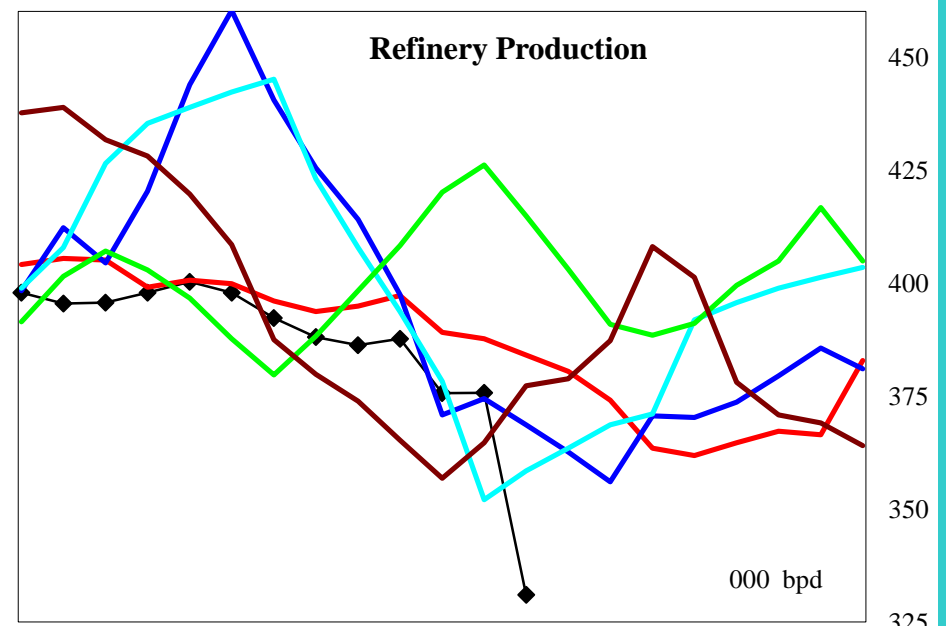
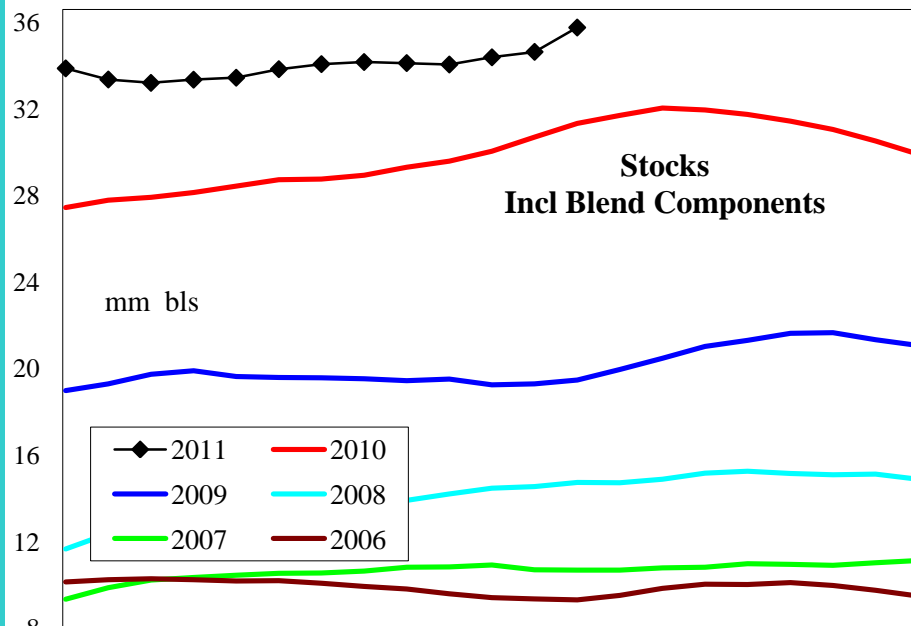
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

3,894

12.1

Production

-15

-3.9

Imports

0

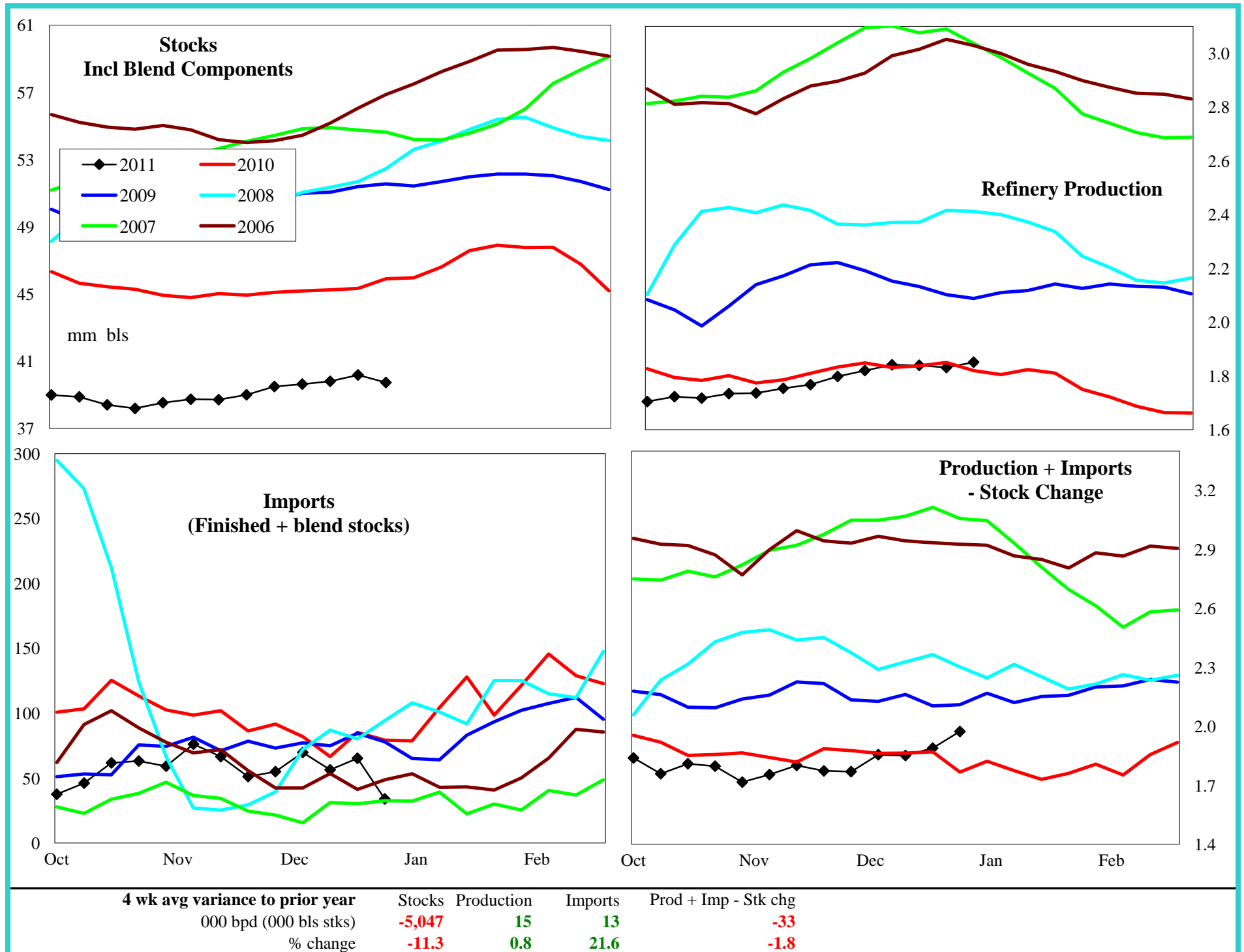
#DIV/0!

Prod + Imp - Stk chg

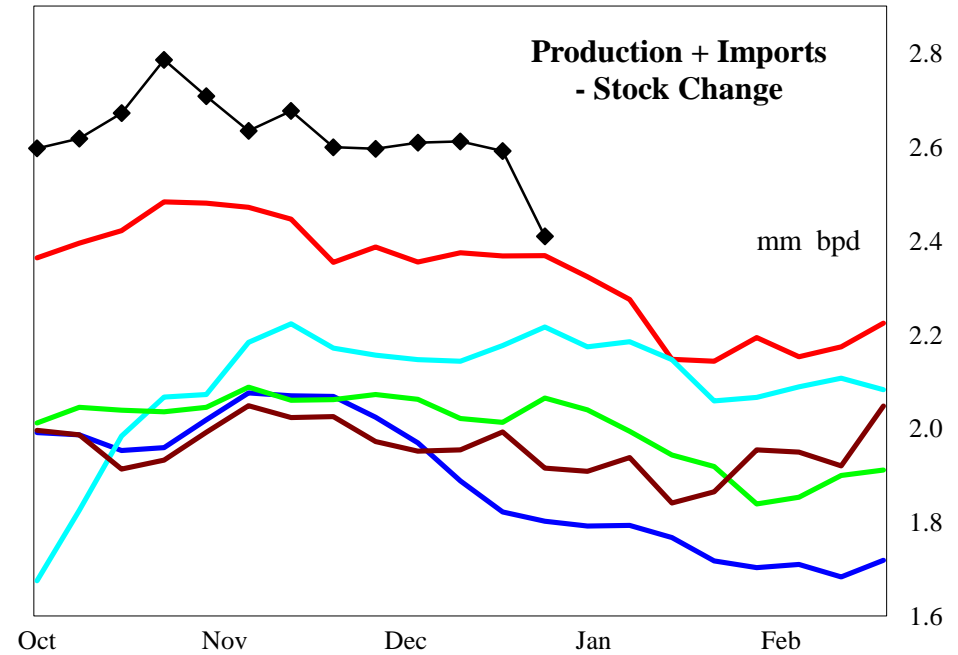
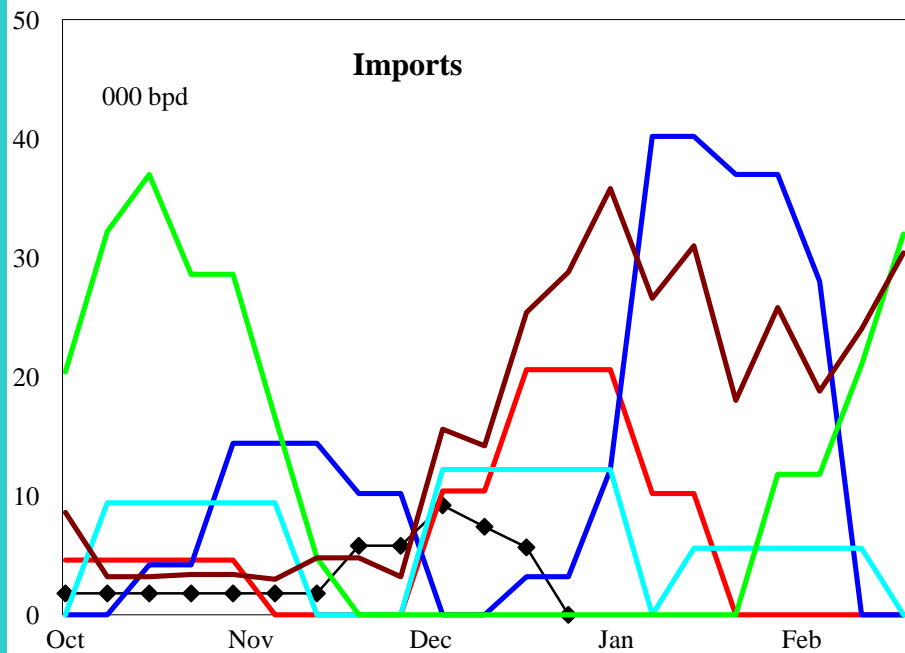
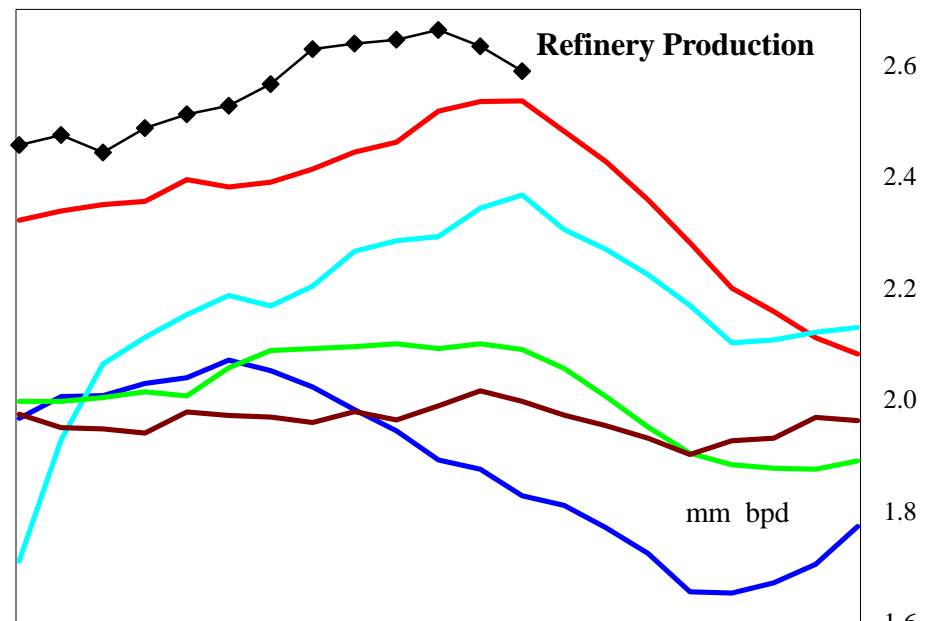
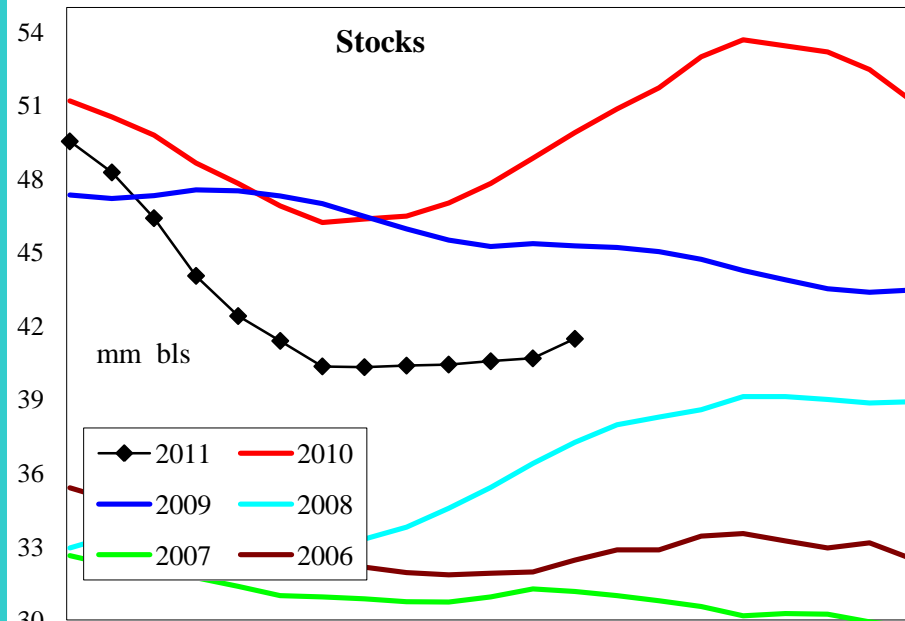
37

12.8

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-8,100

-16.3

Production

99

3.9

Imports

-4

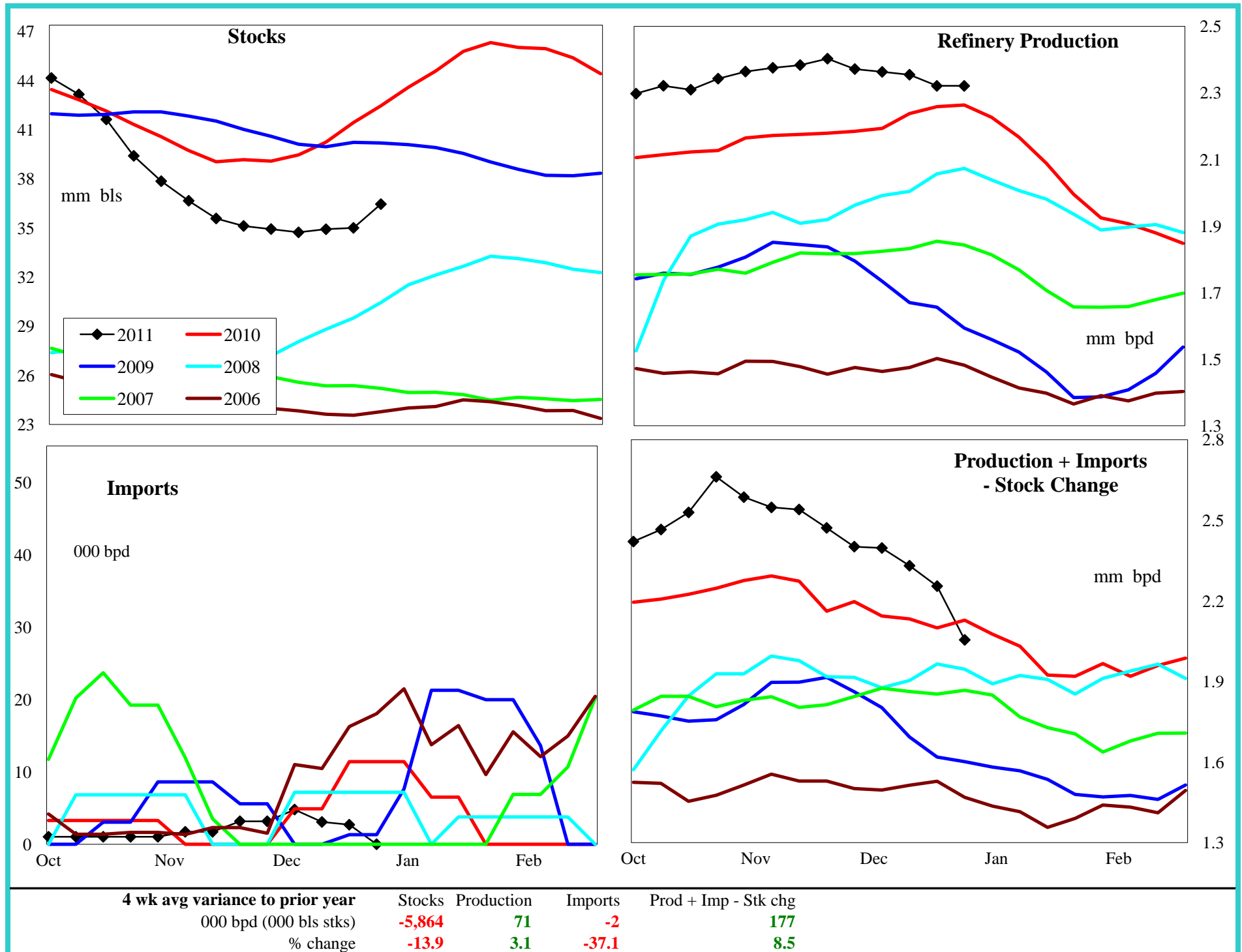
-28.8

Prod + Imp - Stk chg

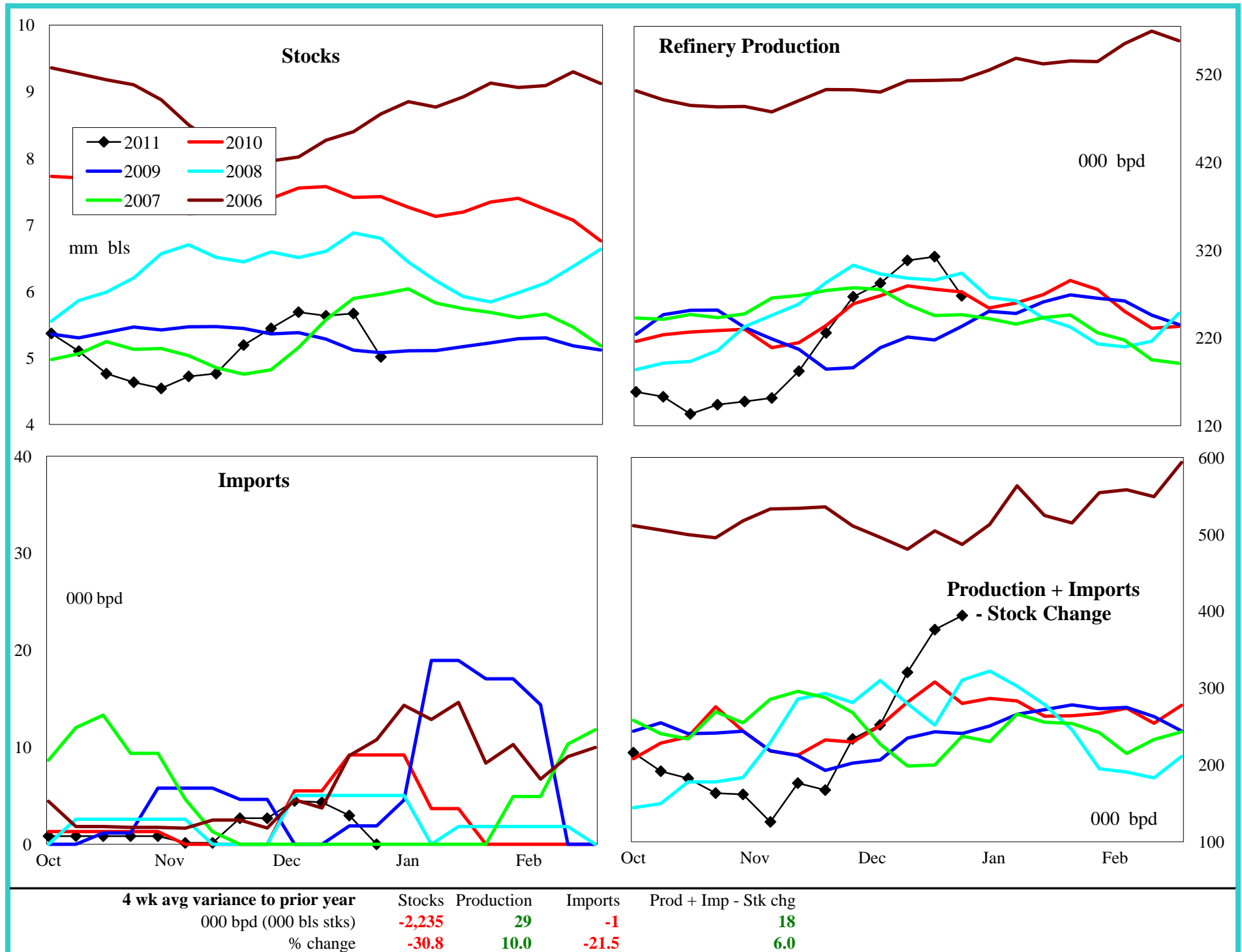
195

8.2

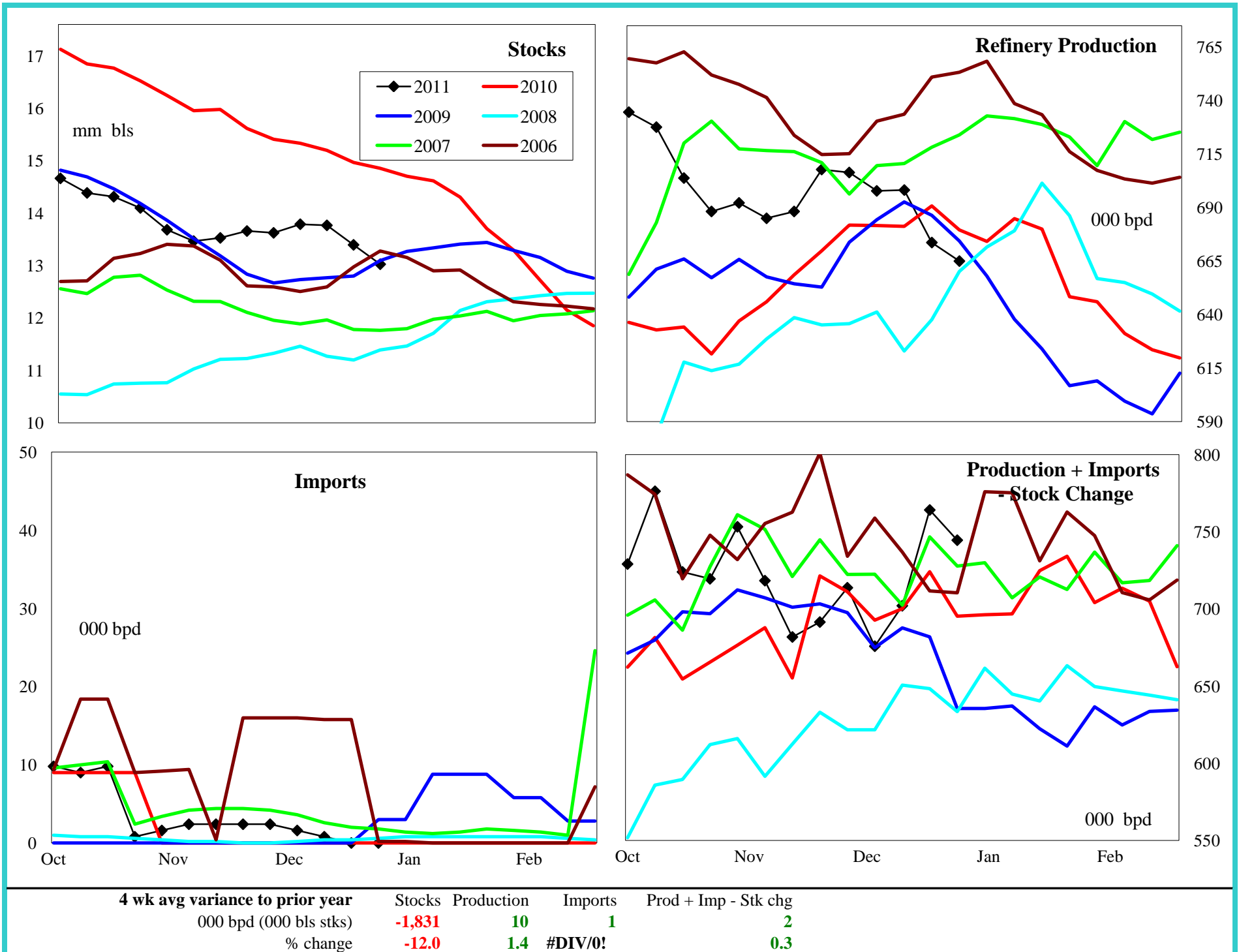
PADD 3 Low Sulfur Distillate Supply



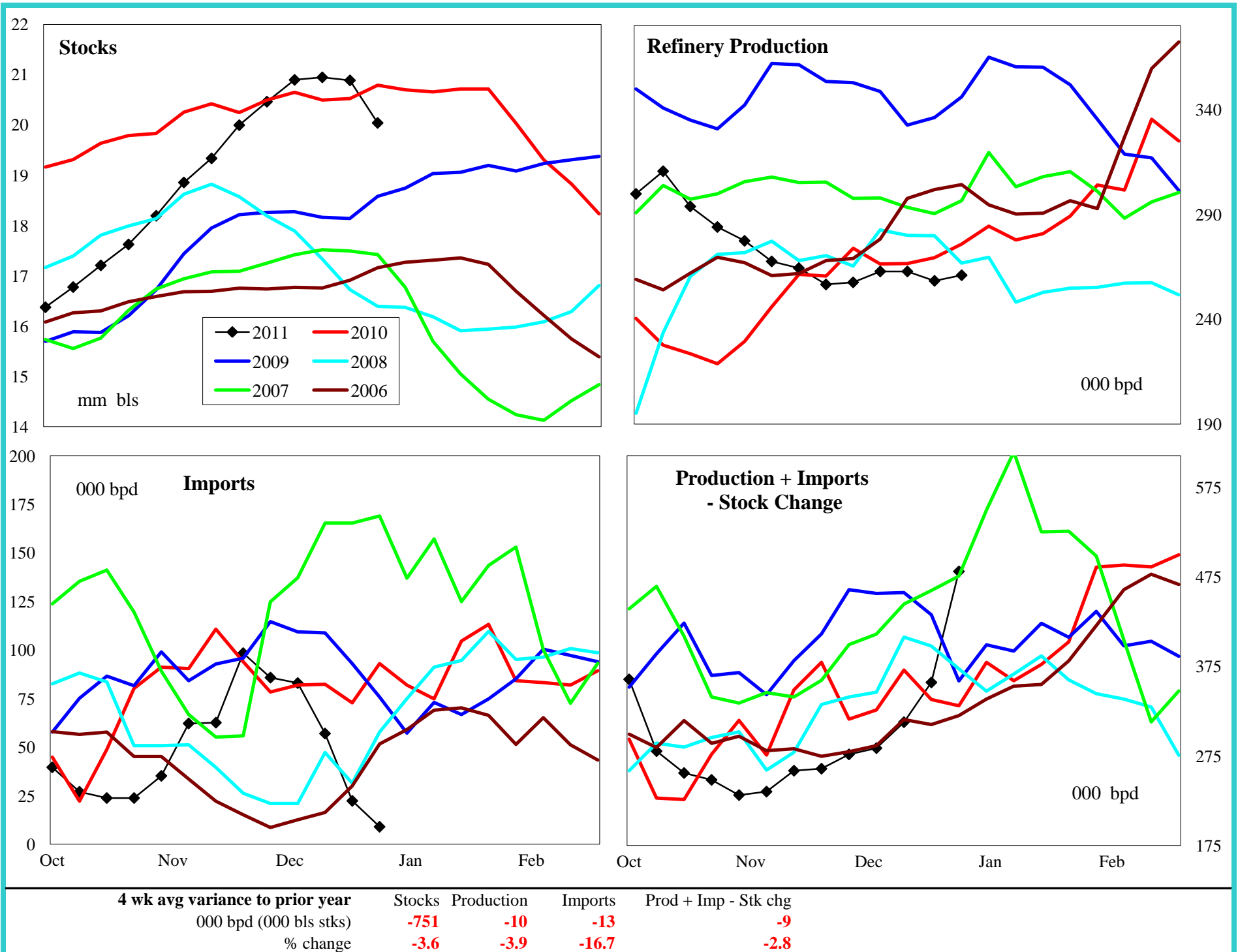
PADD 3 High Sulfur Distillate Supply



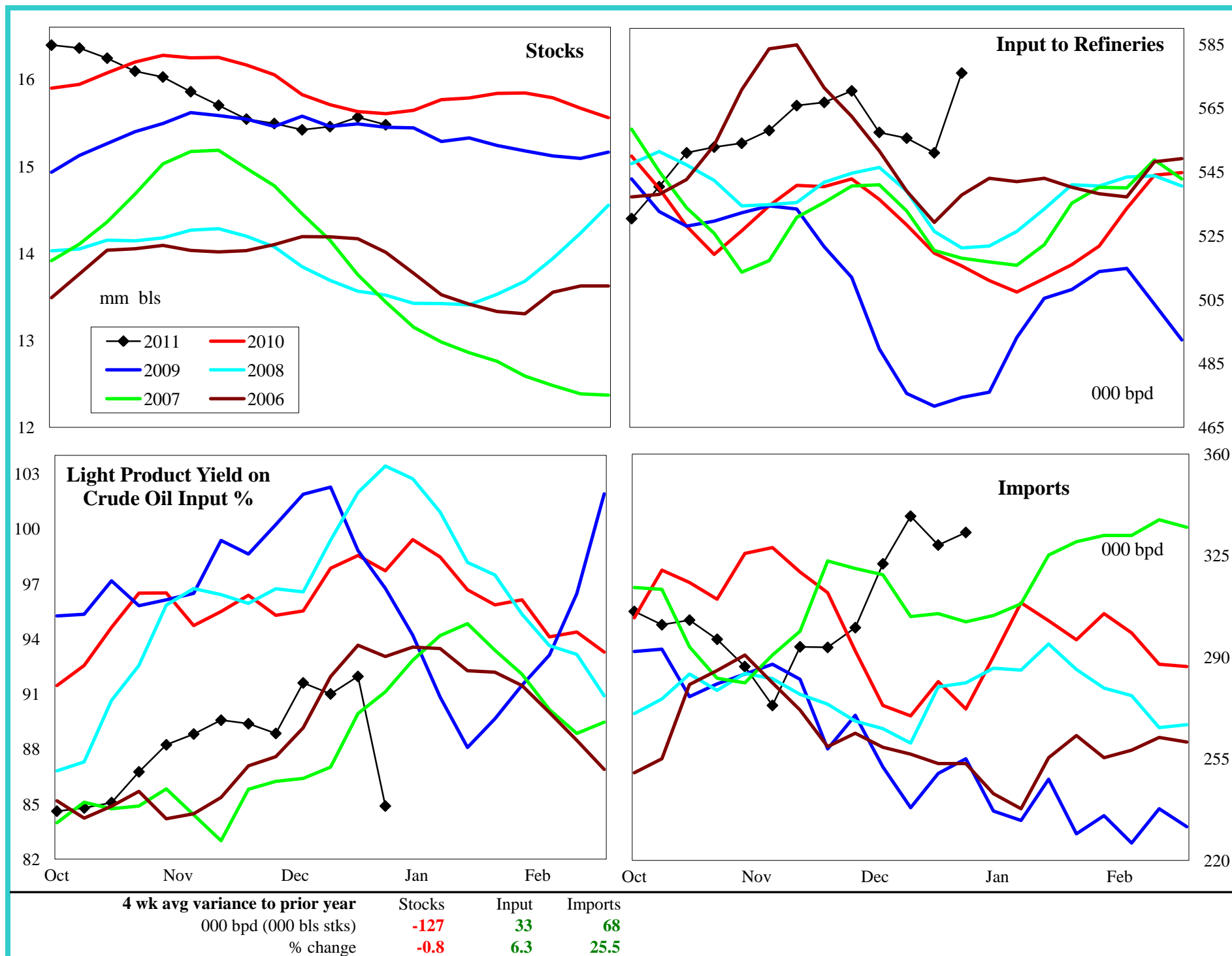
PADD 3 Jet Fuel Supply



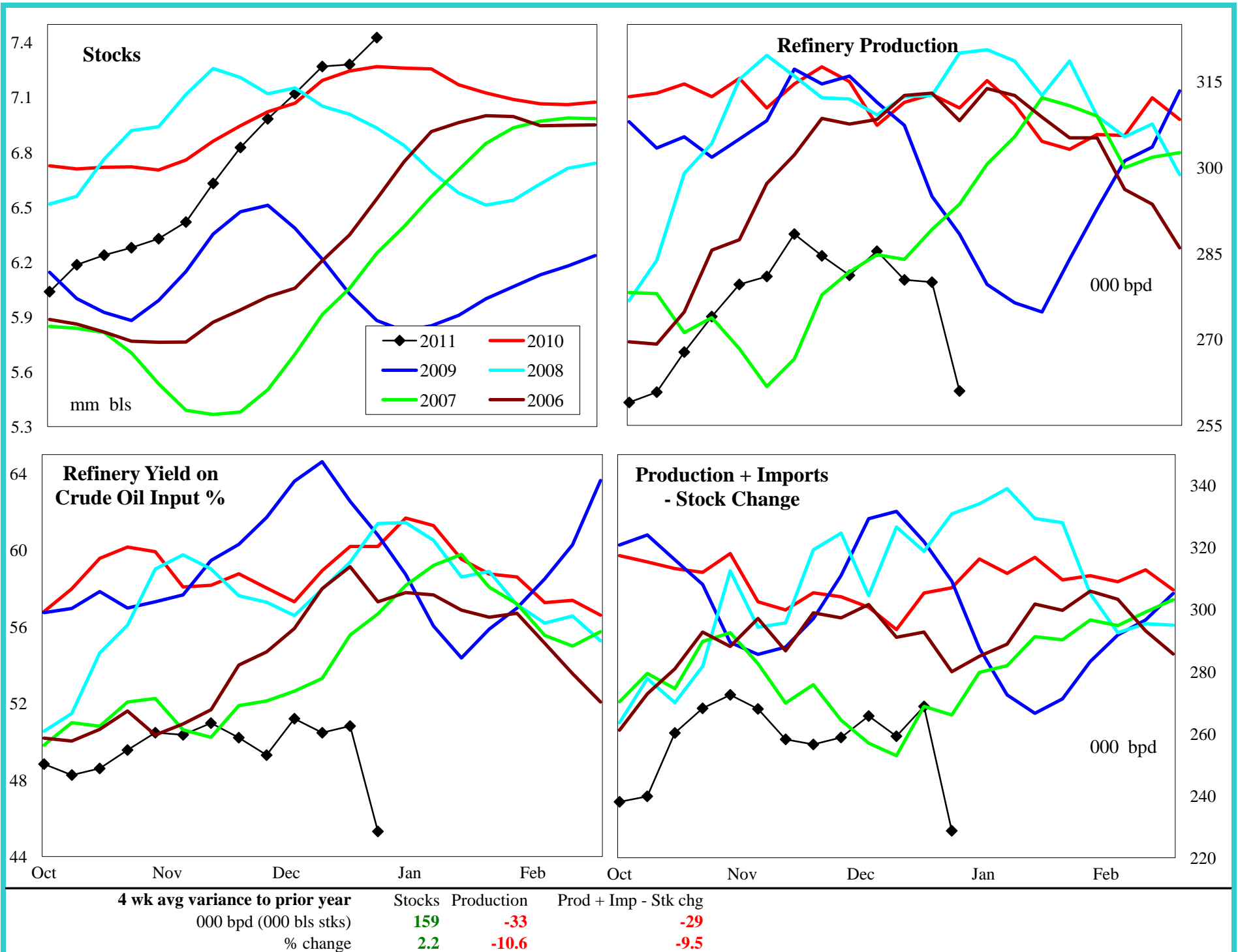
PADD 3 Residual Fuel Oil Supply



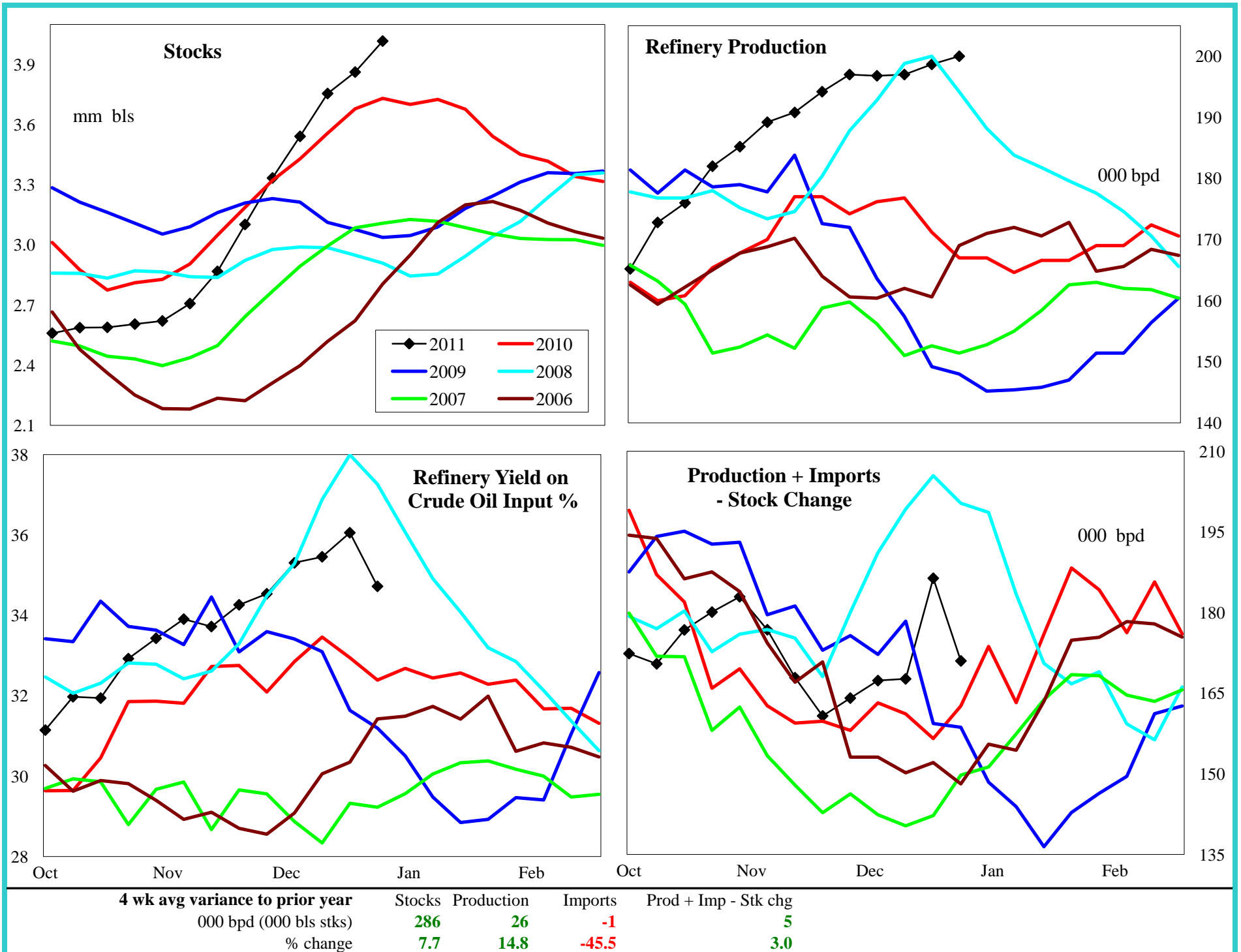
PADD 4 Crude Oil Supply and Refining



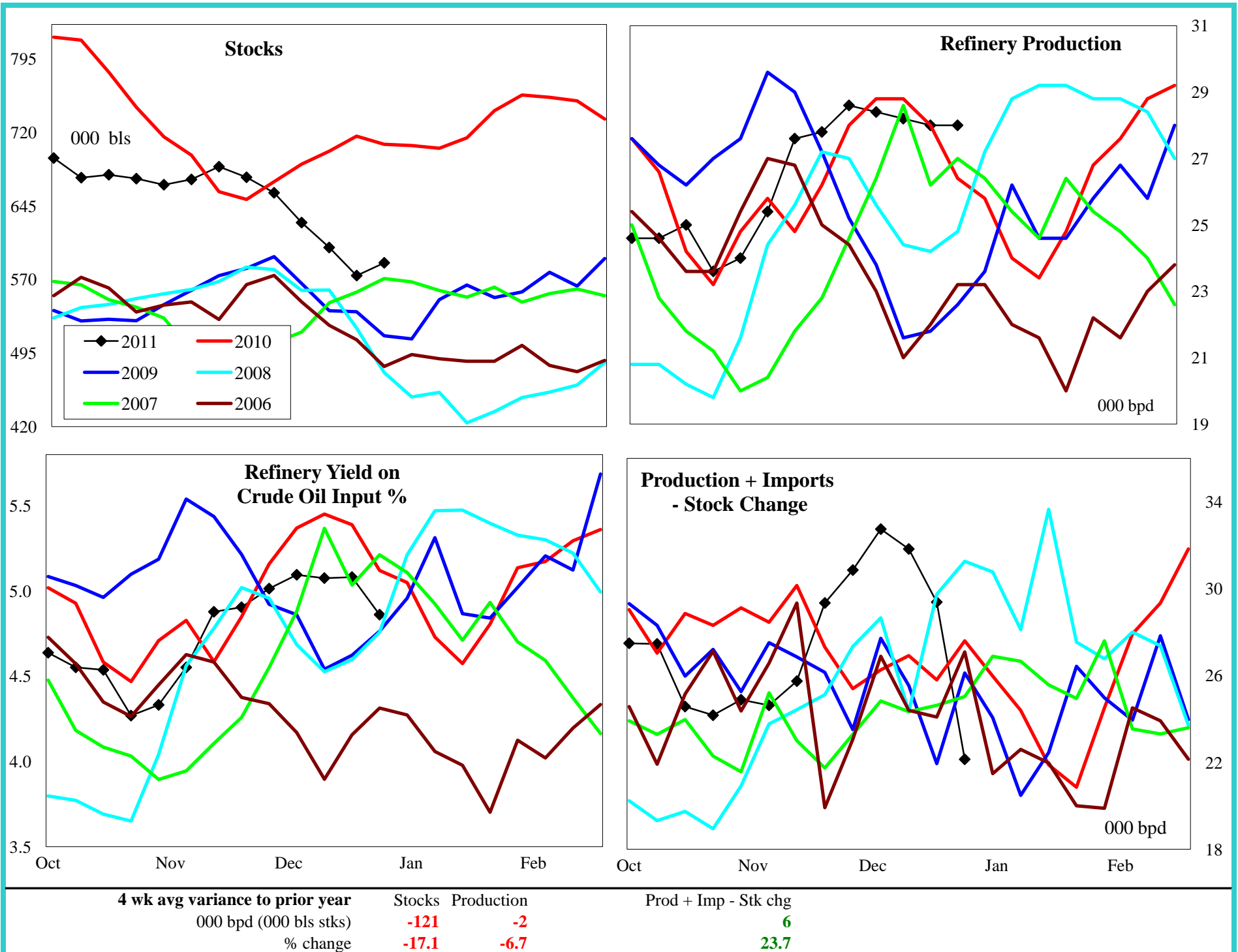
PADD 4 Gasoline Supply



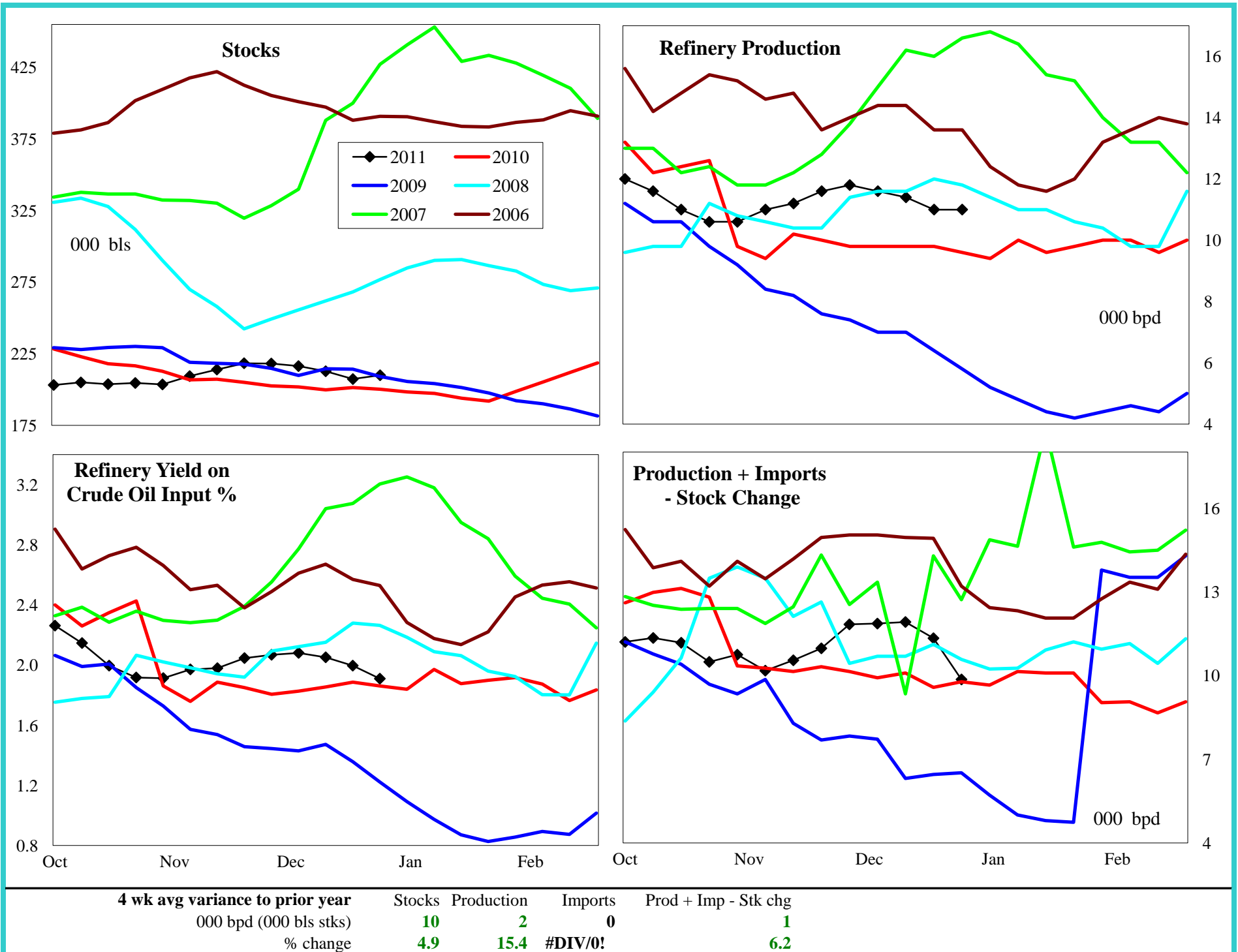
PADD 4 Distillate Supply



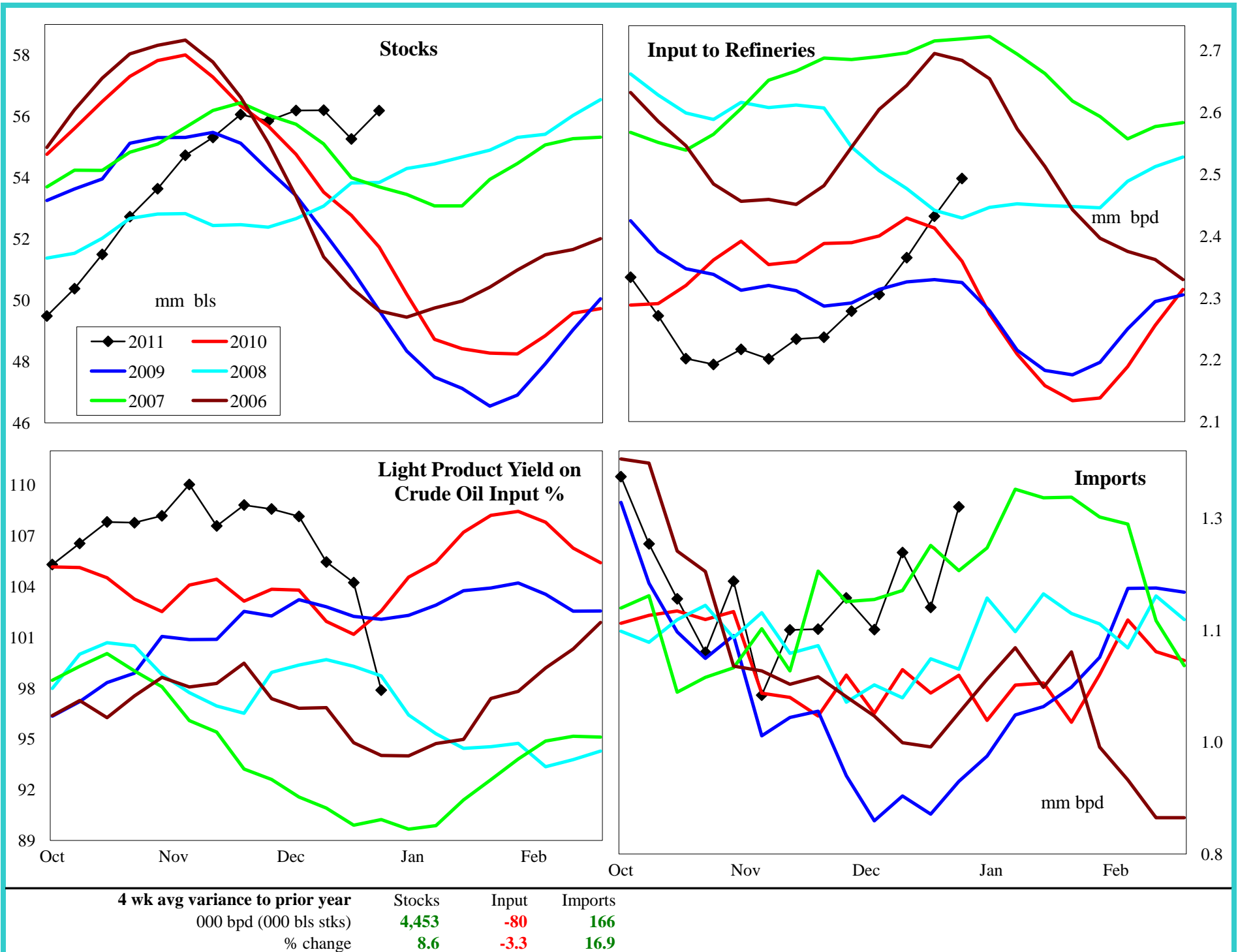
PADD 4 Jet Fuel Supply



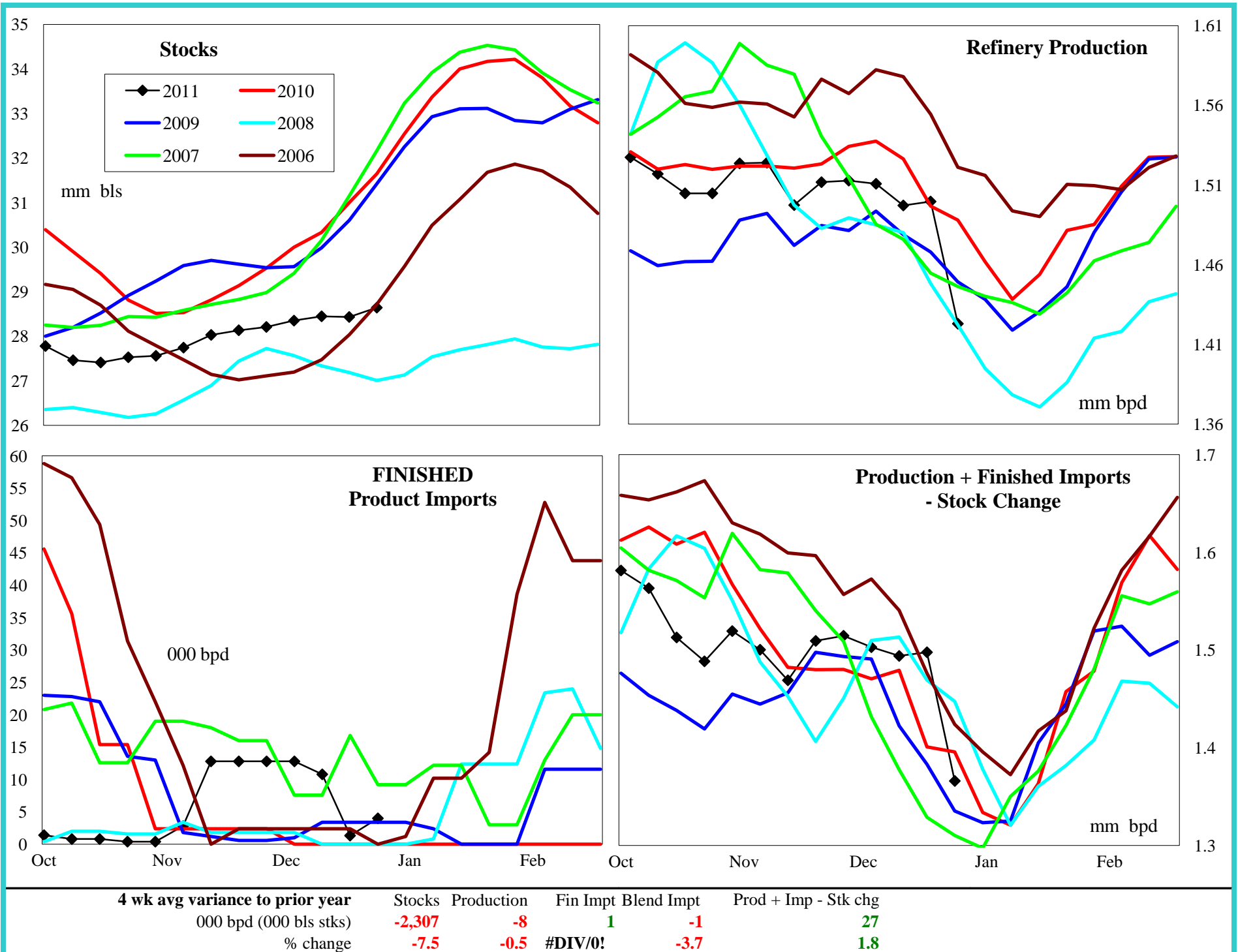
PADD 4 Residual Fuel Oil Supply



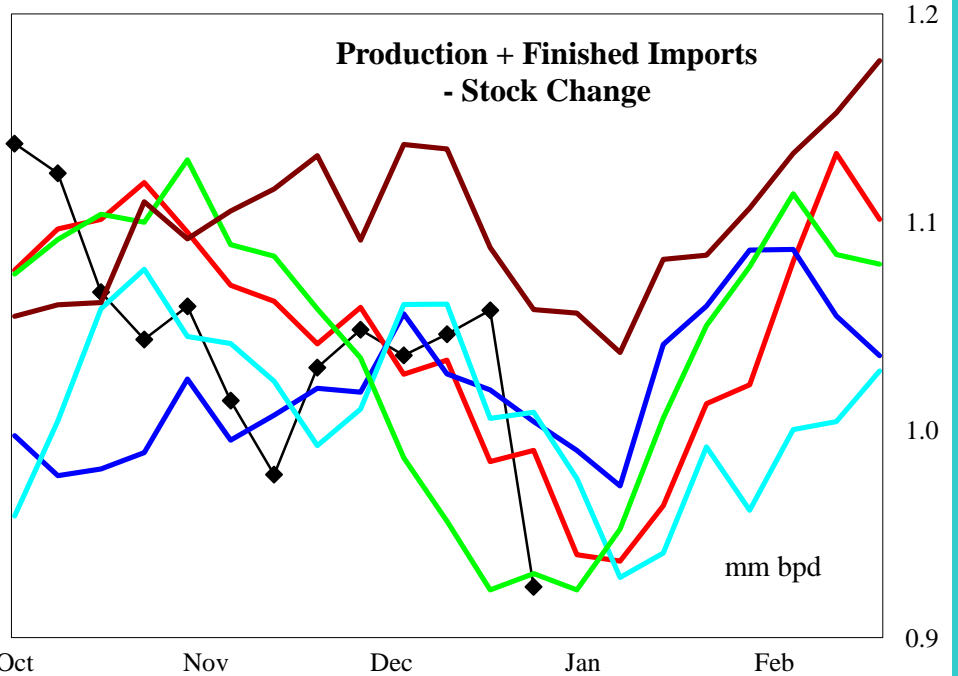
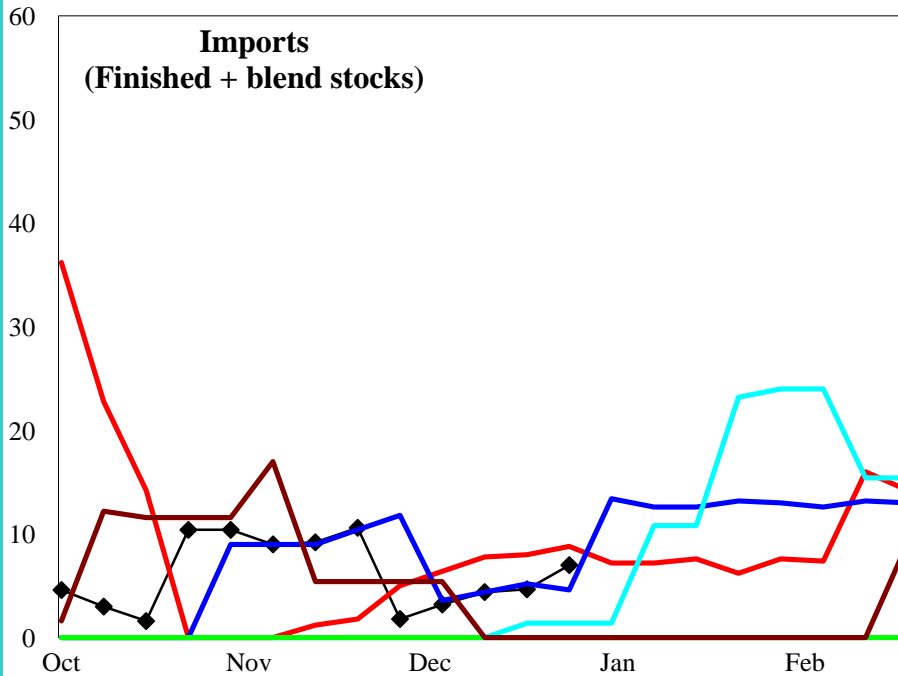
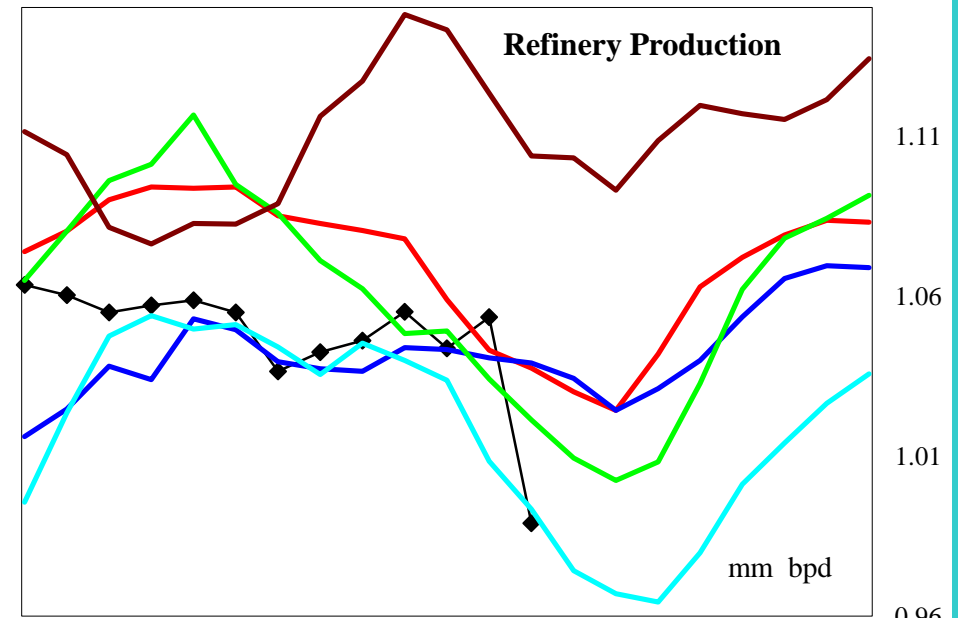
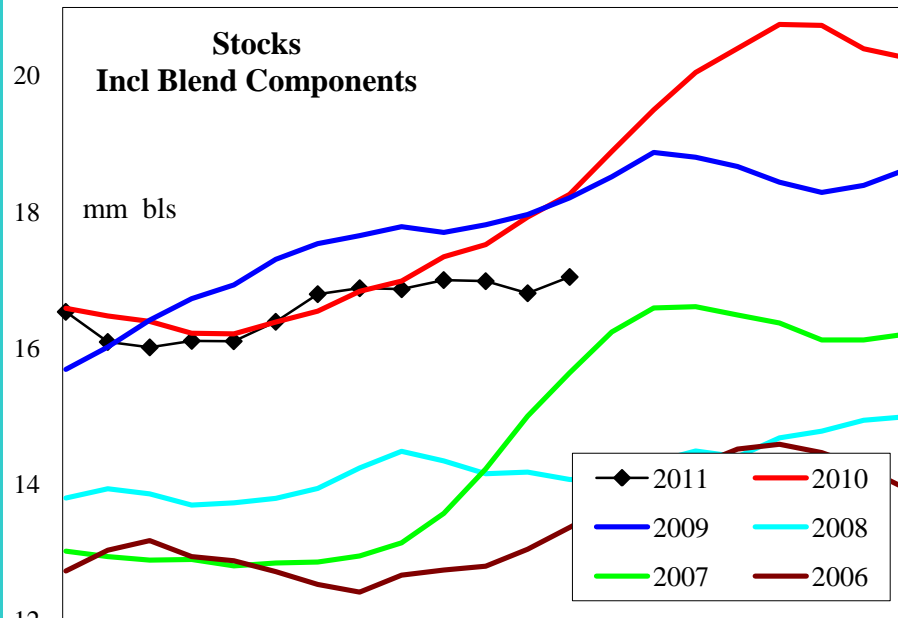
PADD 5 Crude Oil Supply and Refining



PADD 5 Gasoline Supply



PADD 5 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-745

1

-3

40

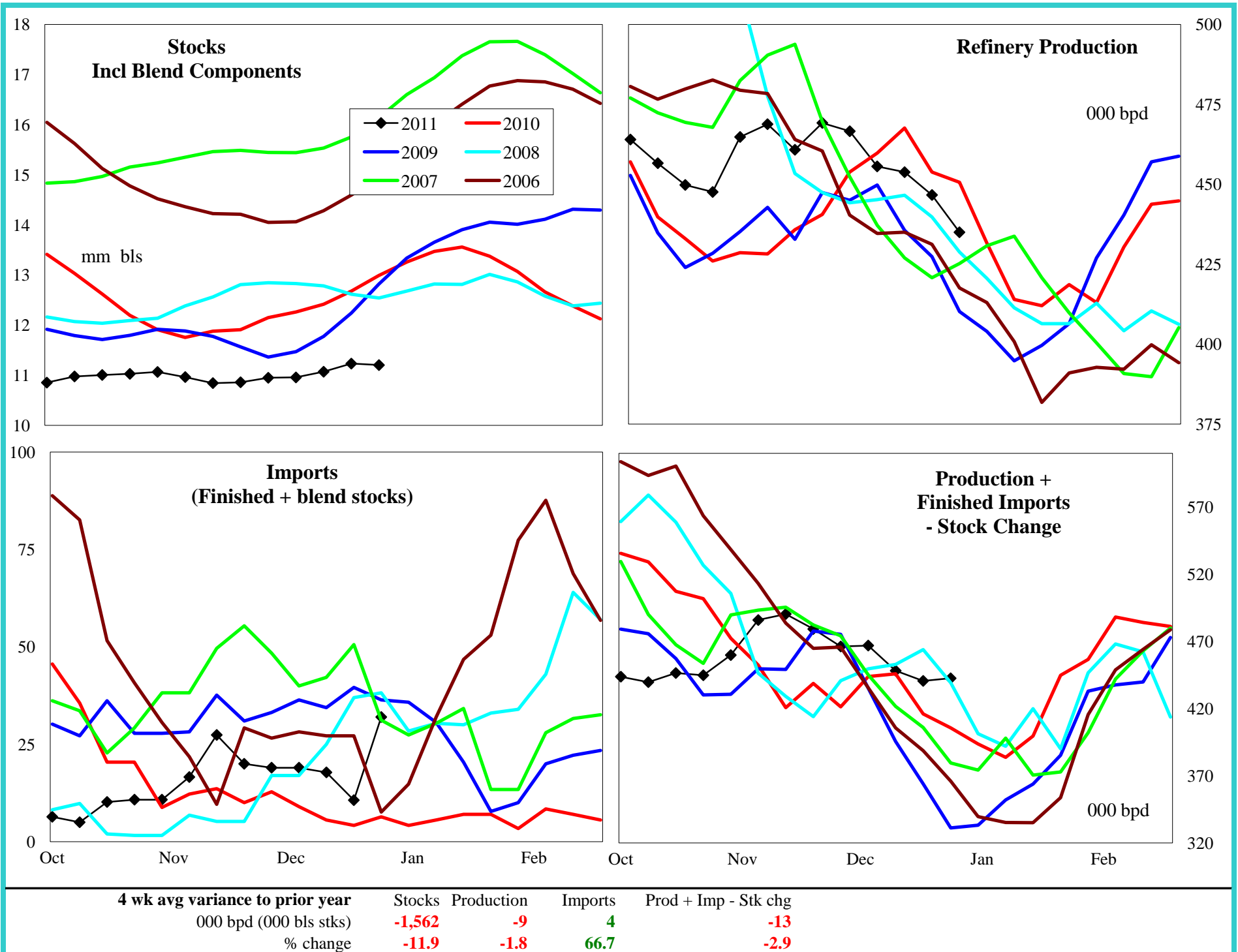
-4.2

0.1

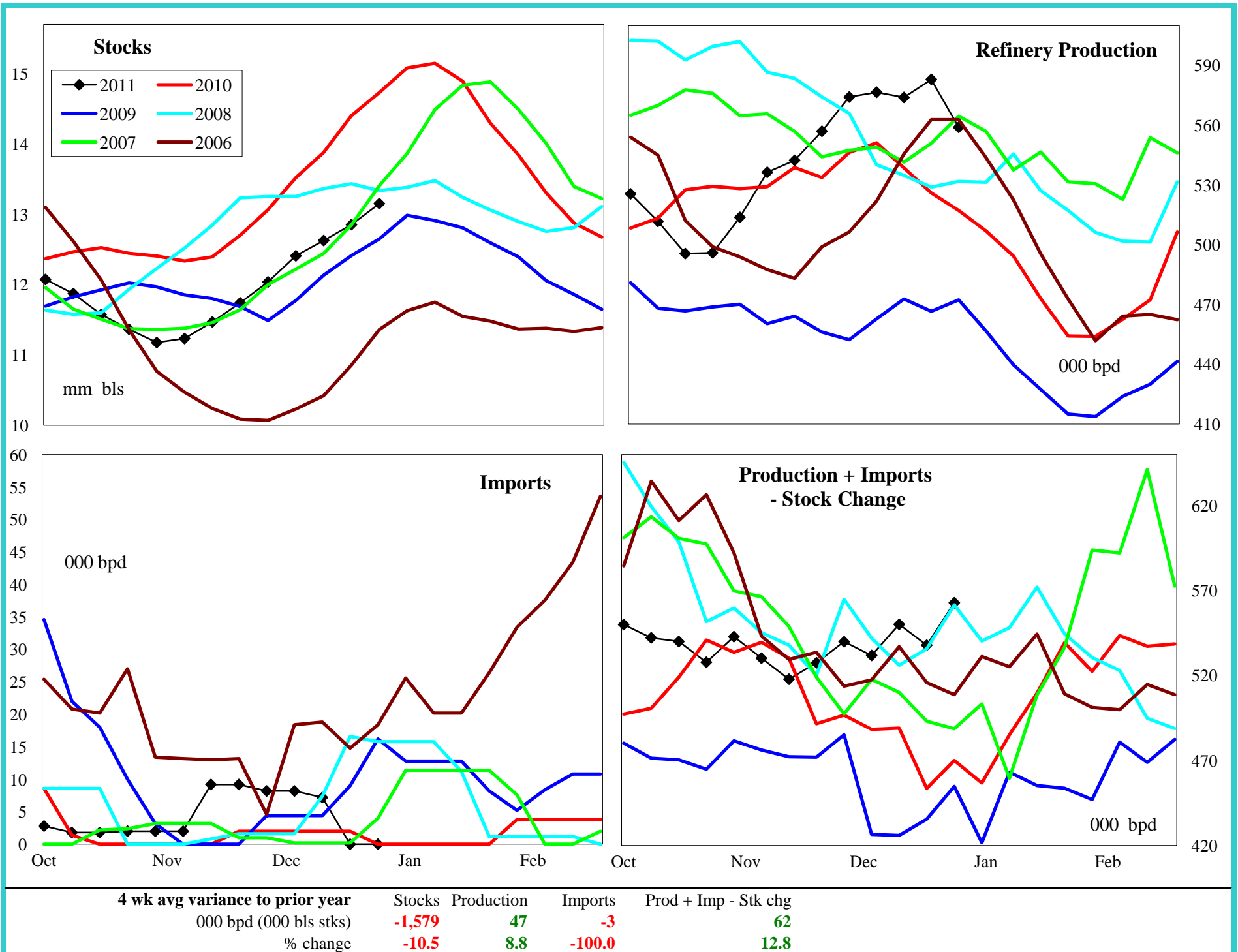
-36.4

3.9

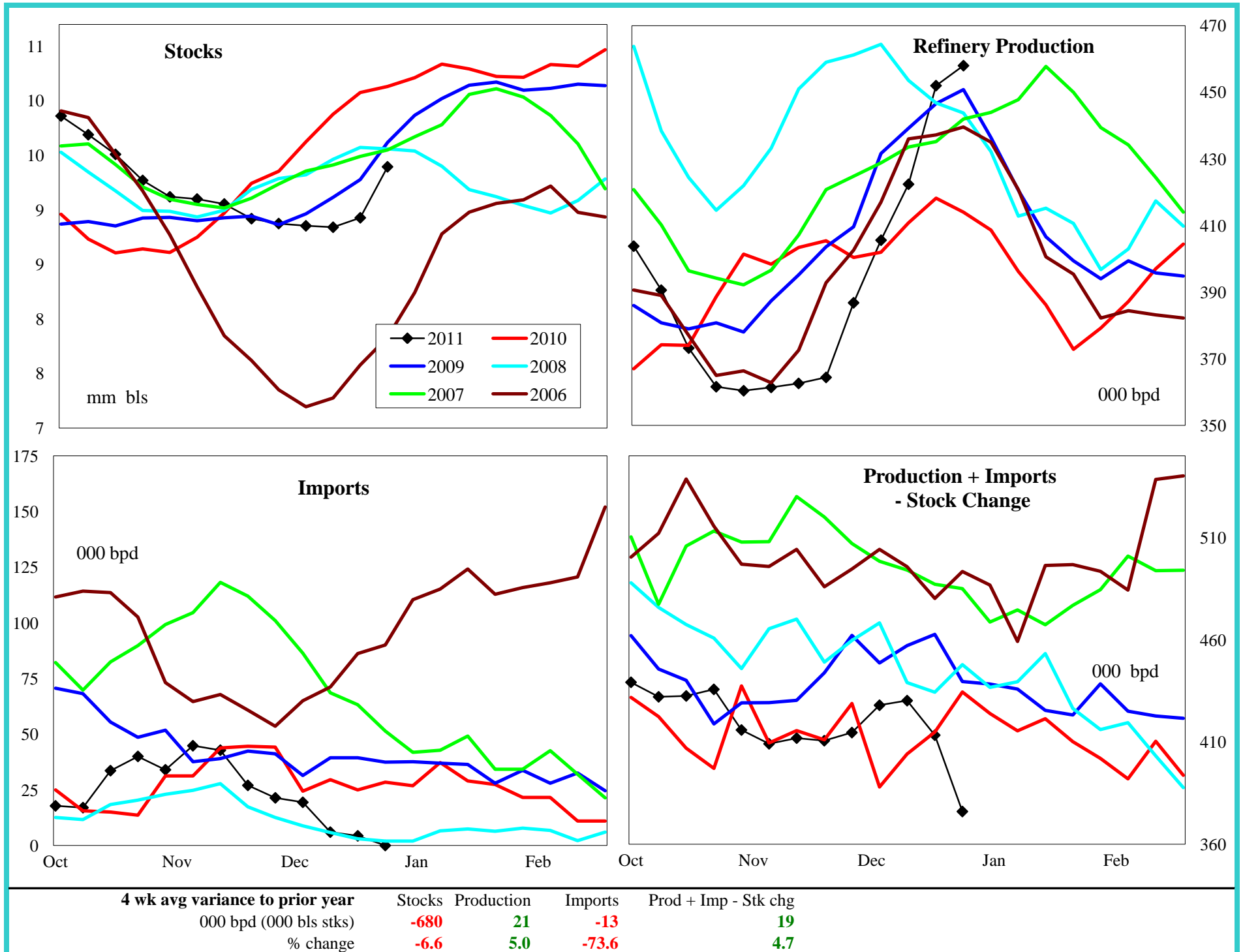
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

