



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

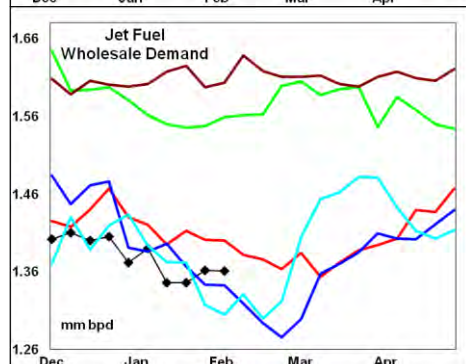
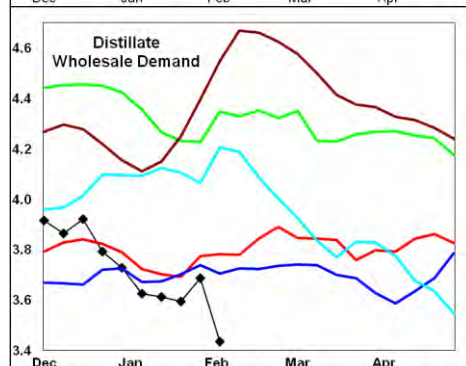
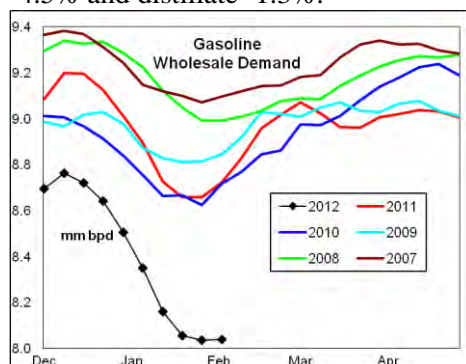
A Fundamental Petroleum Trends Weekly Report

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



Major Fundamental Trends¹

The latest 4-wk average wholesale demand for the major transport fuels remains below year ago levels for each product: gasoline down -6.9%, jet fuel -4.5% and distillate -1.3%.



Faced with the collapse in demand, refiners and marketers have slashed gasoline supplies in markets East of the Rockies by nearly -450,000 bpd below last year, to levels well below the 5-year range.

Announced refinery closures in the Atlantic Basin point to longer term reductions in supply. Stock levels in the key Central Atlantic Region of

PADD 1 are slightly below four of the last 5-years. With continued demand destruction, any supply squeeze in the Central Atlantic Region during the spring peak in demand will likely be the result of logistics (dependence on receipts from the Gulf rather than local production) than a lack of production capacity.

Regional distillate markets vary from extreme over supply (Rockies and West Coast) moderately over supplied (Midwest), to tight (Central Atlantic and New England Regions of PADD 1).

Flat demand and increased supply in PADDs 5, 4 and 2 have led to oversupply in these regions. Strong demand growth in the Gulf, exports from the Gulf and East Coast, very low imports to the East Coast, and cuts in output on the East Coast have tightened supply in these markets.

Refinery closures in the Atlantic Basin risk exacerbating these regional supply imbalances during 2012.

Demand for distillate and residual fuel oil fell sharply last while increasing for jet fuel. Wholesale demand, measured over the last four weeks compared to a year ago: gasoline decreased -6.9%; distillate down -1.3%; jet fuel down -4.5% while residual fuel oil decreased -22%.

Stocks forward coverage: Gasoline demand coverage increased on a +1.6 million barrel stock build last week, with the coverage level at record highs on very weak demand.

Distillate coverage increased on a +1.2 million barrel stock build. Coverage levels were well below the last 2-years.

Jet fuel coverage levels decreased on a -0.3 million barrel stock draw and higher demand. Coverage levels match 5-year highs.

Refinery utilization rates increased on a +180,000 bpd rise in crude oil runs. During the latest 4-wk period crude oil input was +98,000 bpd above a year ago.

Gasoline yield % on crude oil runs

fell slightly on a +64,000 bpd increase in output compared to the +180,000 bpd rise in crude oil runs. Yield % on crude oil runs were at 5-year lows.

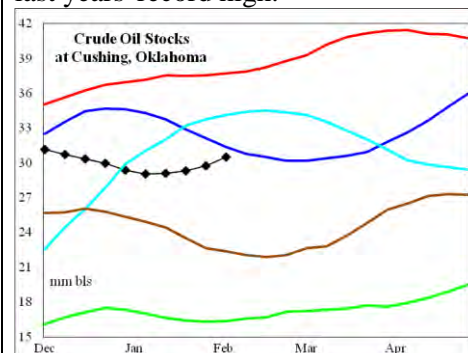
Distillate yield % on crude oil runs fell on a -32,000 bpd decrease in output, compared to the rise in crude oil runs. The yield % exceed 5-year highs for this time of year.

Jet fuel yield % on crude oil runs decreased last week on a -1,000 bpd decline in output compared to the higher crude oil runs. Yield % levels were at the mid range.

Petroleum Imports of crude oil and refined products were all lower last week.

During the latest 4-wk period crude oil imports were -474,000 bpd below last year; distillate imports decreased -110,000 bpd; finished gasoline imports increased +2,000 bpd, gasoline blend stock imports declined -138,000 bpd; jet fuel imports were -63,000 bpd lower, while residual fuel oil imports declined -101,000 bpd.

Crude Oil stocks increased +0.3 million barrels last week, including a +1.3 million barrel build in PADD 2. U.S. total commercial stock levels are -1.7% below the 5-year record highs. Stock levels in Cushing are experiencing an early seasonal build, although the level remains -19% below last years' record high.



¹ Source is latest EIA Weekly Statistics



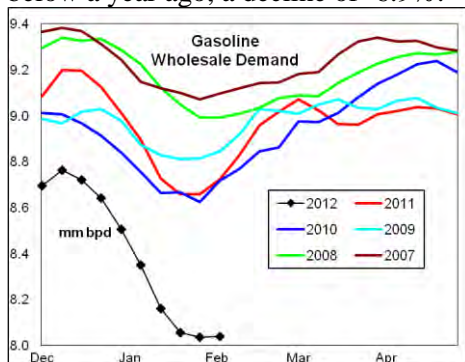
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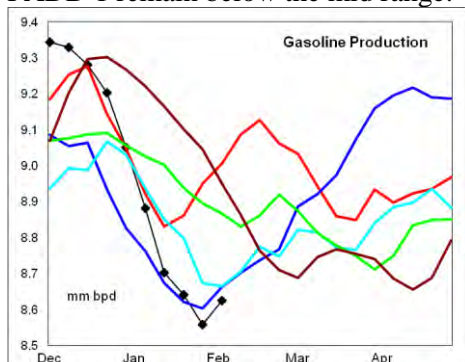
Product Supply-Demand Trends

Gasoline demand increased +21,000 bpd last week, extending the large year-on-year decline. The latest 4-wk average demand was -595,000 bpd below a year ago, a decline of -6.9%.



Imports fell -0.3 million bpd last week, to a level below the historic range, offsetting the prior week surge.

Stocks increased +1.6 million barrels on the week, lifting the level to above four of the last 5-years. Stock levels in the Central Atlantic Region of PADD 1 remain below the mid range.



Refiners have cut production to 5-year lows in response to the extreme decline in demand. Combined with low imports and record exports, seasonal stock building East of the Rockies is the lowest of the last 5-years.

Regional markets, including the Rockies and Midwest remain extremely over supplied with record high stocks.

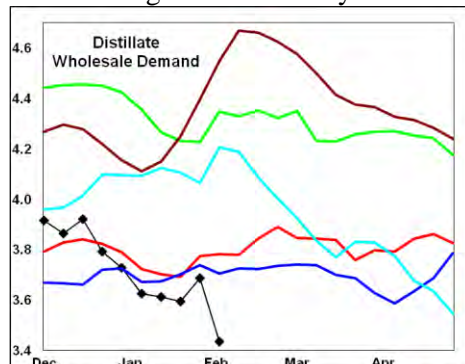
Central Atlantic Region supplies will have to compete with the larger Atlantic Basin for supply from the Gulf during the run up to peak spring demand, risking supply tightness.

Distillate demand fell -300,000 bpd last week, a record low level for this time of year. The latest 4-wk average

year-on-year change in demand was a -50,000 bpd decline; driven by the unusually mild temperatures in the Northeast.

Supplies decreased -113,000 bpd on lower production and imports; with the latest 4-wk average supply +91,000 bpd above a year ago. Stocks increased +1.2 million barrels on the week, with the level -17.8 million barrels below last year.

The latest 4-wk stock change in markets East of the Rockies was a draw of -2 million barrels, comparable to the average for the last 5-years.



Demand levels are below the 5-year range; largely due to very warm temperatures in key heating markets.

Below normal heating degrees are forecast for the Eastern 1/3rd of the country during the next 10-days, which should limit heating fuel demand.

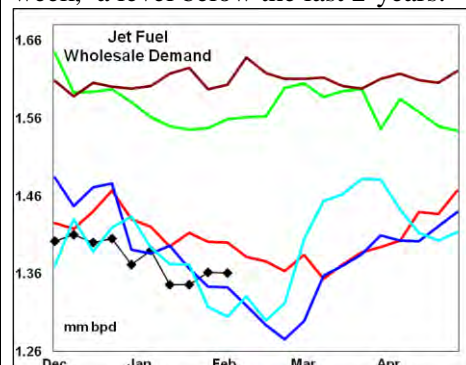
Rocky Mountain and West Coast markets are extremely over supplied with both record stock levels and production. Midwest production is also at record highs for this time of year.

Extremely cold temperatures in Europe have led to increased exports from the East and Gulf Coast regions, keeping stock levels in check for those markets.

Jet Fuel demand jumped +154,000 bpd last week, partially offsetting the earlier collapse. The latest 4-wk average demand was -63,000 bpd below a year ago.

Supply was nearly unchanged last week with the latest 4-wk average -7,000 bpd below a year ago. Stocks decreased -0.3 million barrels last

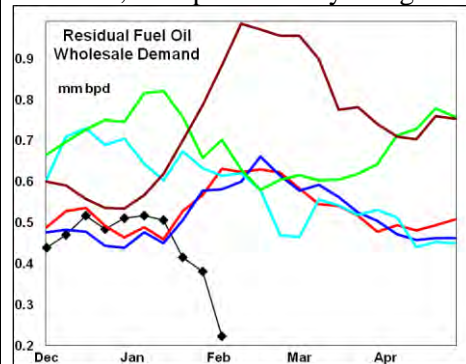
week, a level below the last 2-years.



Stock levels improved to above the mid range on the East Coast, while falling to the low end of the historic range on the West Coast. Other markets are all well supplied.

Relatively weak demand, and production +4% above last year and above the last 3-years point to adequate supplies during the next quarter.

Residual fuel oil demand decreased -152,000 bpd on the week, to a record low level. The latest 4-wk average was -123,000 bpd below a year ago.



Supply (production + imports) decreased -38,000 bpd last week, on lower imports. The latest 4-wk average supply was -135,000 bpd below last year. Stocks increased +1.3 million barrels but remain at a level below the 5-year range.

Low heating degree days and natural gas substitution has led to a plunge in demand. Production and imports are each at 5-year lows. Stock levels in the key Gulf Coast region increased last week to levels near the last 2-year, pointing to ample supplies in the region.



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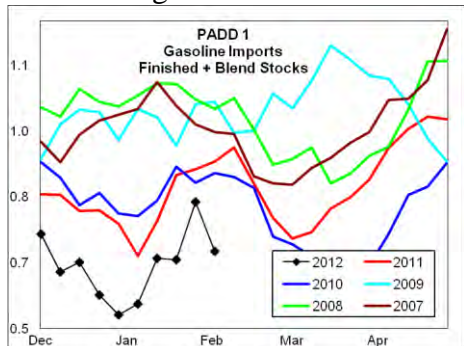
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PADD Supply Trends

PADD 1 refinery crude oil runs increased +49,000 bpd on the week, with the latest 4-wk average -174,000 bpd below last year, and a record low rate for this time of year.

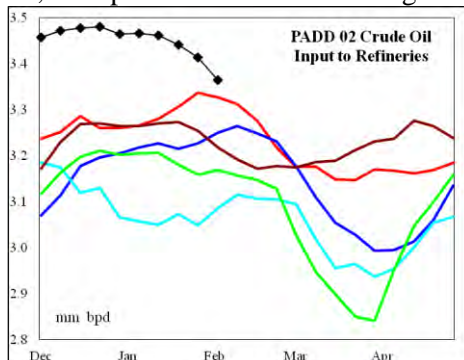
Gasoline imports decreased -281,000 bpd to a level below the historic range.



Stocks were unchanged last week, at a level that was slightly above the last 3-years. Stock levels in the key Central Atlantic Region ended the week below four of the last 5-years.

Distillate supply fell -61,000 bpd last week on lower production and imports; with the latest 4-wk average -144,000 bpd below last year. Stocks decreased -0.9 million barrels on the week, with the level at the low end of the 5-year range.

Jet fuel stocks jumped +0.6 million barrels last week even though local supply (production + imports) was -65,000 bpd below the historic range.



PADD 2 crude oil refinery runs decreased -47,000 bpd last week, with the 4-wk average +83,000 bpd above last years' highs. Crude imports decreased -116,000 bpd, to a level -

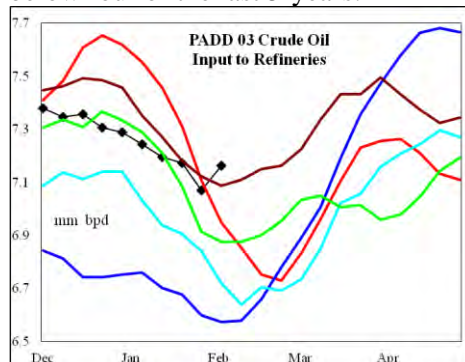
200,000 bpd below recent highs.

Gasoline production fell -112,000 bpd, to a level that matched lows of the last 5-years. Stocks increased +0.4 million barrels to match 5-year highs.

Distillate production increased +15,000 bpd on the week, to a level above the historic range. Stocks decreased -0.2 million barrels to a level comparable with the last 2-year.

Jet fuel production fell -23,000 bpd, a level below the historic range. Stock levels were at 5-year highs.

PADD 3 refinery runs increased +102,000 bpd last week, a level above the historic range for the week. The latest 4-wk average thru put was -105,000 bpd below last year. Crude oil imports decreased -0.3 million bpd, a level below the 5-year range. Stocks decreased -2.2 million barrels, a level below four of the last 5-years.



Gasoline production decreased -101,000 bpd on the week. Stocks climbed +1.1 million barrels last week, to a level -10% below prior record highs.

Distillate production fell -63,000 bpd on the week, with the latest 4-wk average +66,000 bpd above the previous 5-year high. Stocks increased +1.9 million barrels, although the level was -24% below last year.

Jet fuel supply increased +39,000 bpd on the week, to a level above the last 3-years. Stocks decreased -0.4 million barrels to a level above the mid range.

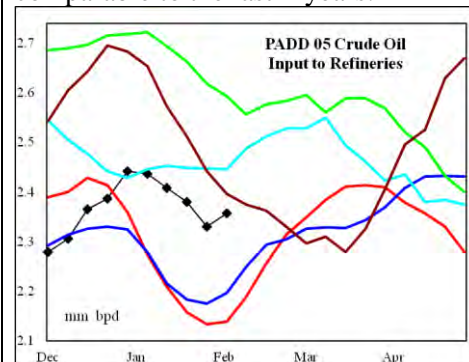
Residual fuel oil supplies were unchanged on the week. Stocks jumped +1.3 million barrels to a level -7% below last years' record high.

PADD 4 refinery crude runs decreased -15,000 bpd, although the level remains well above the prior 5-year high. The most recent 4-wk average run rate was +63,000 bpd above a year ago.

Gasoline production increased +25,000 bpd on the week, with the latest 4-wk average -33,000 bpd below last year. Stock levels are above the 5-year range.

Distillate production increased +15,000 bpd last week, with the level +21% above last year. Stocks were +21.4% above the prior 5-year high.

PADD 5 crude oil refinery runs increased +92,000 bpd last week, a level above the last 2-years. The latest 4-wk average thru put was +232,000 bpd above last year. Light product yield % on crude oil runs was comparable to the last 2-years.



Gasoline production increased +63,000 bpd last week to a level near historic highs for the period. Supply (production + imports) for the latest 4-wk average was +17,000 bpd above a year ago. Stocks increased +0.1 million barrels on the week, with the level matching 5-year lows.

Distillate supply increased +23,000 bpd on the week, to a level near historic highs for the period. The latest 4-wk average supply was +80,000 bpd above a year ago. Stocks increased +0.1 million barrels to a new record high level.

Jet fuel supply increased +4,000 bpd, to a level above the last 3-years. Stocks fell -0.6 million barrels on the week, to a level near historic lows.

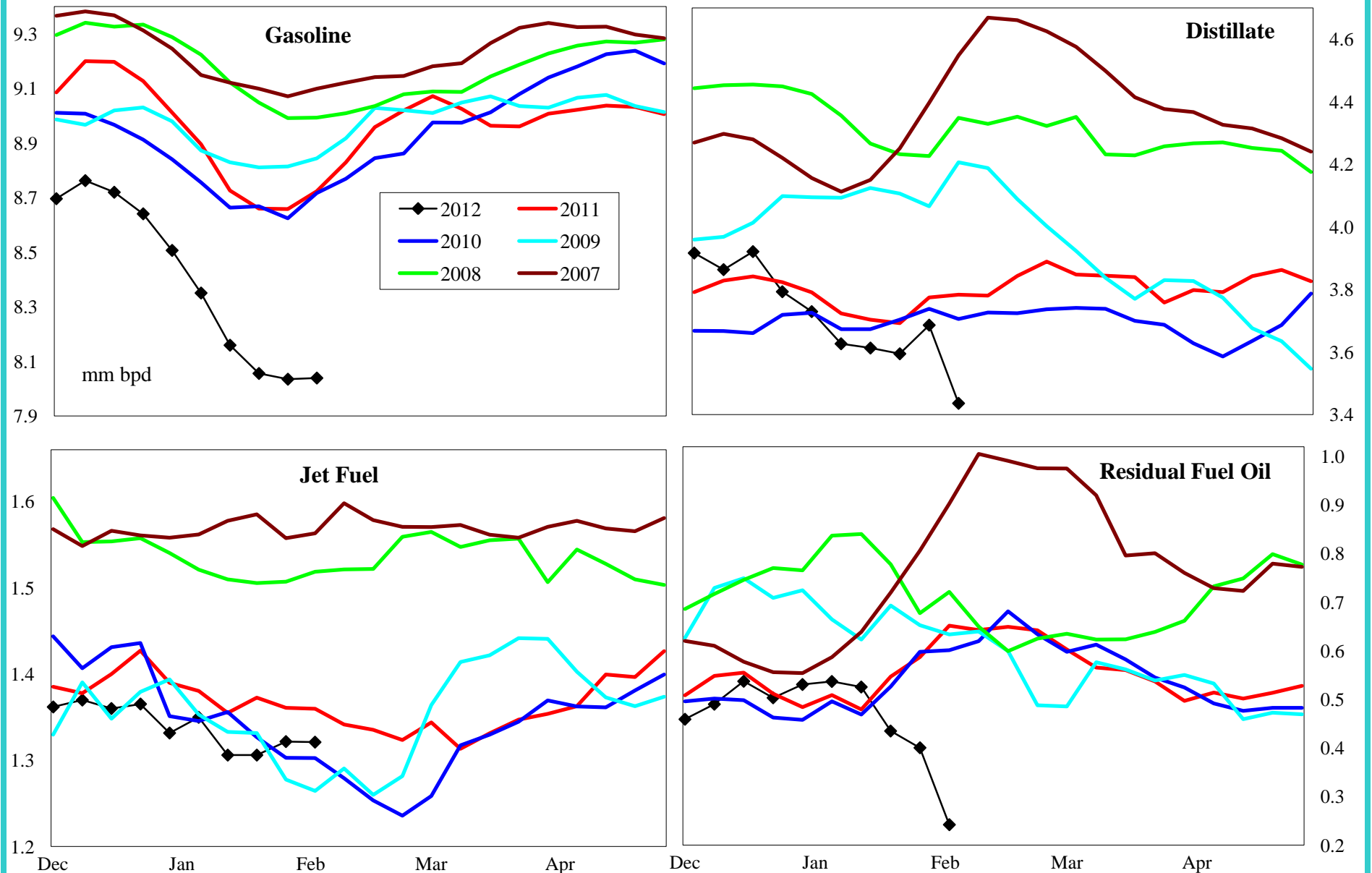


PETROLEUM: Graph Link and Weekly Summary

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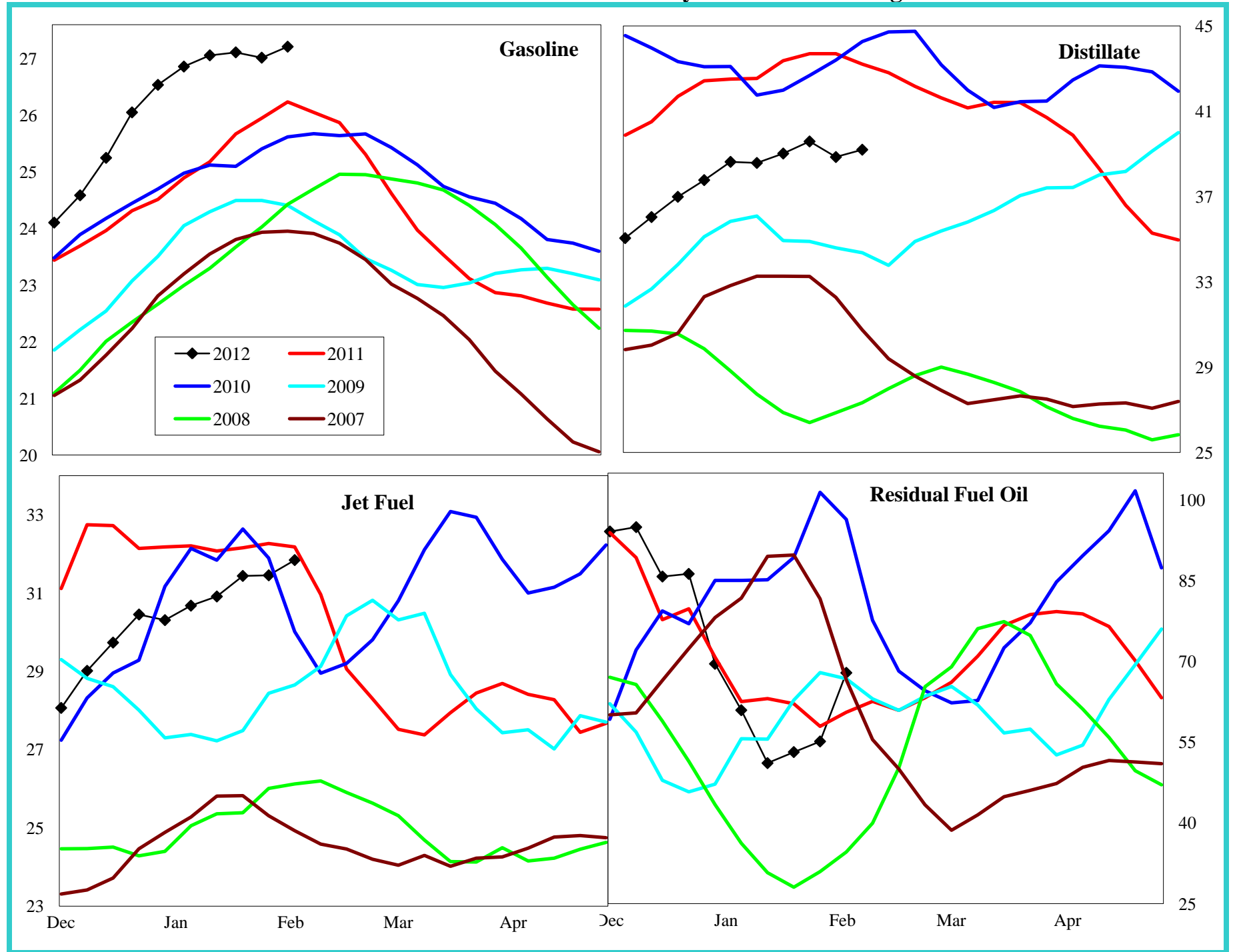
| Fundamental Trends | Wholesale Demand | Stocks Days Fwd Coverage | Refinery Utilization Product Yield % | | | Imports | |
|-----------------------------------|----------------------------------|--|---|-------|--------|-------------------------|------|
| Supply/Demand Trends | 3-Feb-12 | EIA-DOE CHANGE FROM PRIOR WEEK | | | | | |
| | 000 bpd stocks 000 bls | U. S. Total | PADD | | | | |
| | | | 1 | 2 | 3 | 4 | 5 |
| Crude Oil | Stocks | 304 | 238 | 1,298 | -2,174 | 511 | 431 |
| | Imports | -467 | 305 | -116 | -254 | -21 | -380 |
| | Input | 180 | 49 | -47 | 102 | -15 | 92 |
| | % Utilization | 1.00 | | | | | |
| Gasoline | Stocks | 1,629 | 7 | 426 | 1,079 | 36 | 81 |
| | Production | 64 | 133 | -112 | -101 | 25 | 63 |
| | Imports | -330 | -281 | -2 | -6 | 0 | -41 |
| | Supplied | 21 | | | | | |
| Distillate | Stocks | 1,174 | -891 | -245 | 1,895 | 290 | 125 |
| | Production | -32 | -23 | 15 | -63 | 15 | 23 |
| | Imports | -81 | -38 | -1 | -43 | 1 | 0 |
| | Supplied | -300 | | | | | |
| Jet Fuel | Stocks | -277 | 632 | 91 | -423 | 5 | -582 |
| | Production | -1 | -10 | -23 | 39 | -7 | 0 |
| | Imports | -2 | -6 | 0 | 0 | 0 | 4 |
| | Supplied | 154 | | | | | |
| Residual Fuel Oil | Stocks | 1,320 | -31 | 27 | 1,300 | 11 | 13 |
| | Production | 44 | 0 | 16 | 2 | 0 | 26 |
| | Imports | -82 | -84 | 0 | 1 | 0 | 1 |
| | Supplied | -152 | | | | | |

United States Wholesale Petroleum Demand

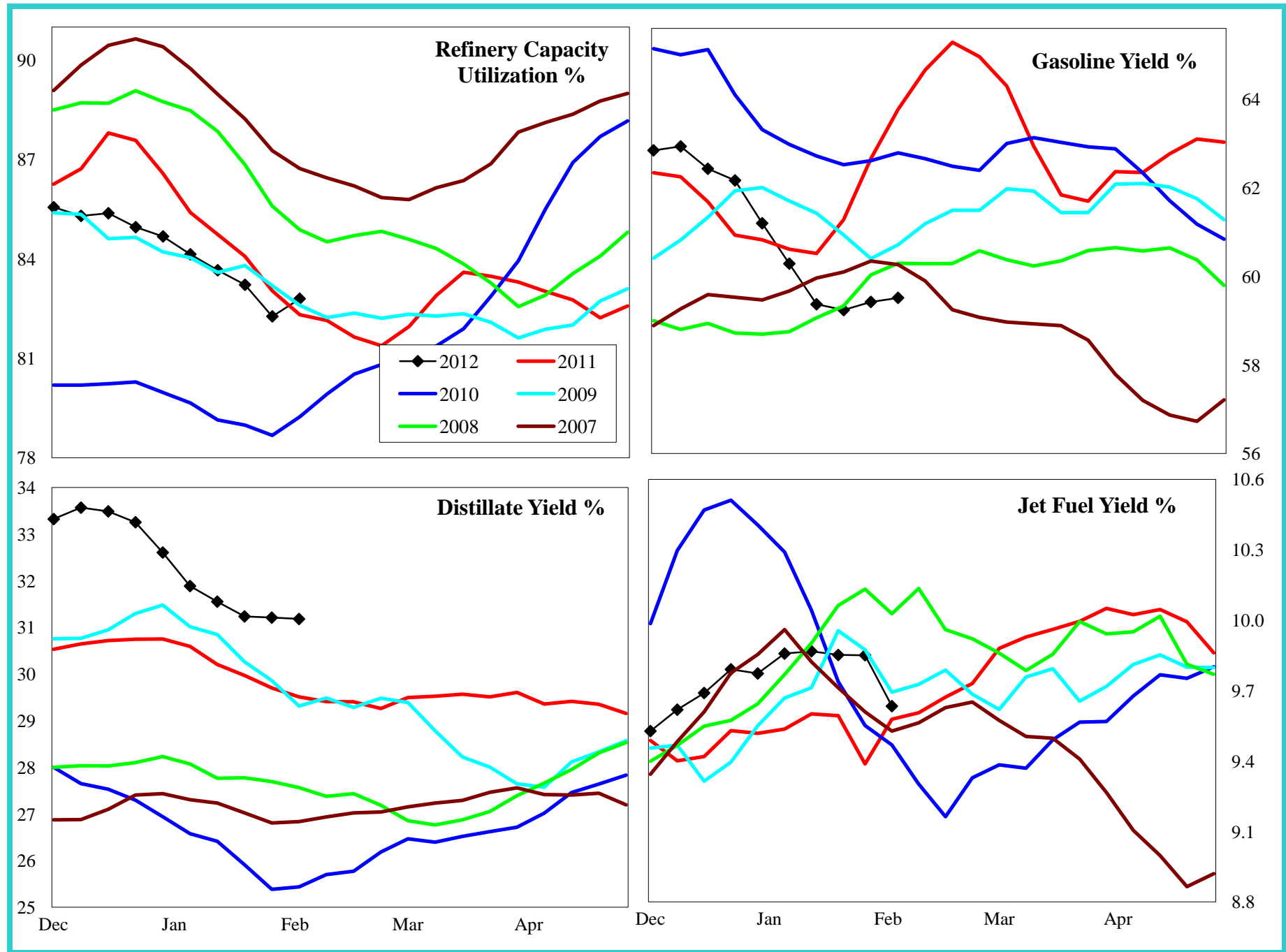


| | 000 bpd change from prior year | | | | % change from prior year | | | | |
|------------|--------------------------------|------|------|------|--------------------------|------|-------|-------|--|
| | 4wk avg | Dec | Nov | Oct | 4wk avg | Dec | Nov | Oct | |
| Gasoline | -595 | -155 | -152 | -359 | -6.9 | -1.7 | -1.7 | -4.0 | |
| Distillate | -50 | -255 | 92 | 446 | -1.3 | -6.1 | 2.4 | 11.8 | |
| Jet Fuel | -63 | 22 | 81 | -14 | -4.5 | 1.6 | 5.8 | -1.0 | |
| Resid | -123 | 8 | -214 | -202 | -21.6 | 1.5 | -38.8 | -41.3 | |

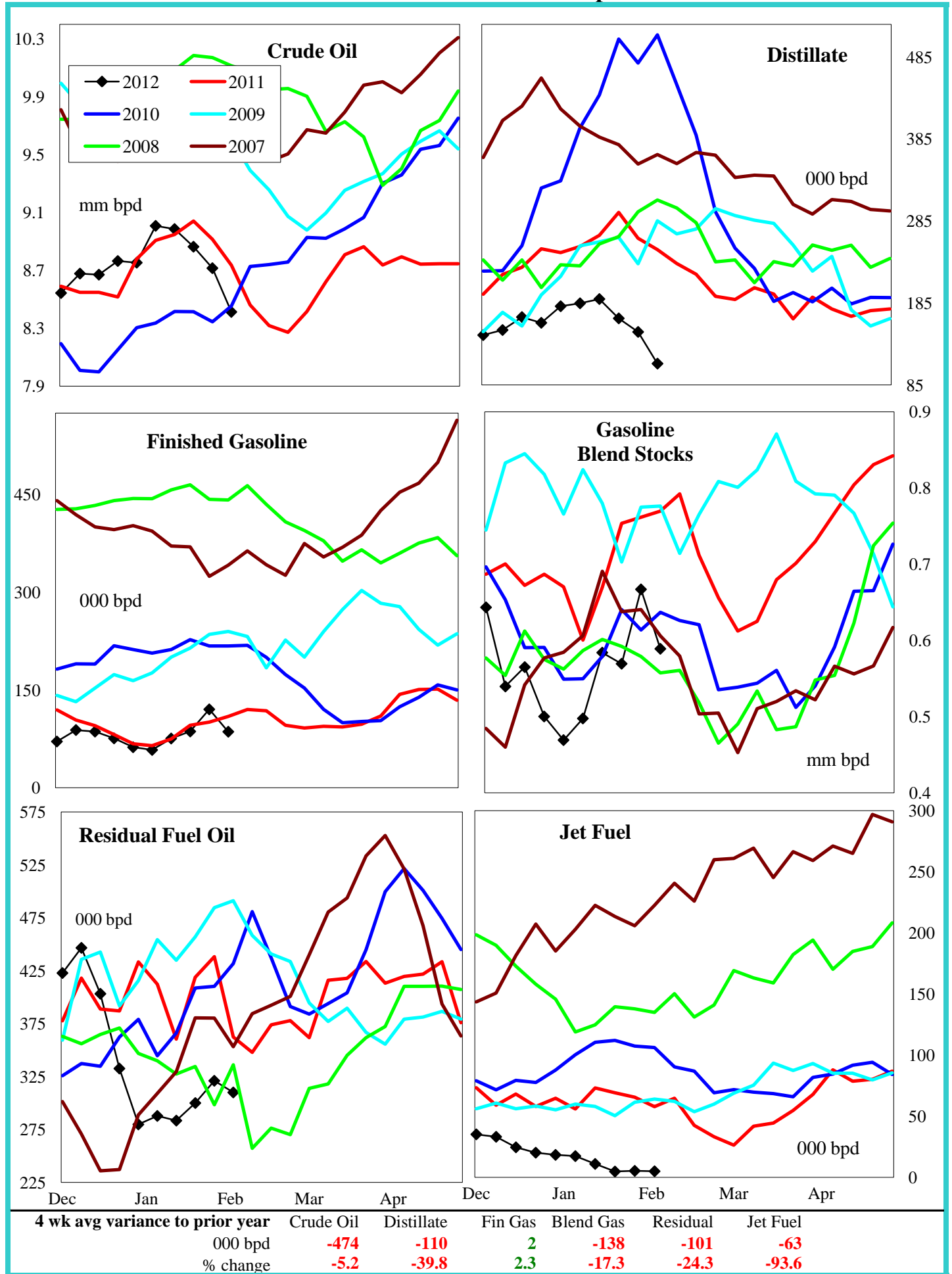
United States Product Stocks: Days Forward Coverage



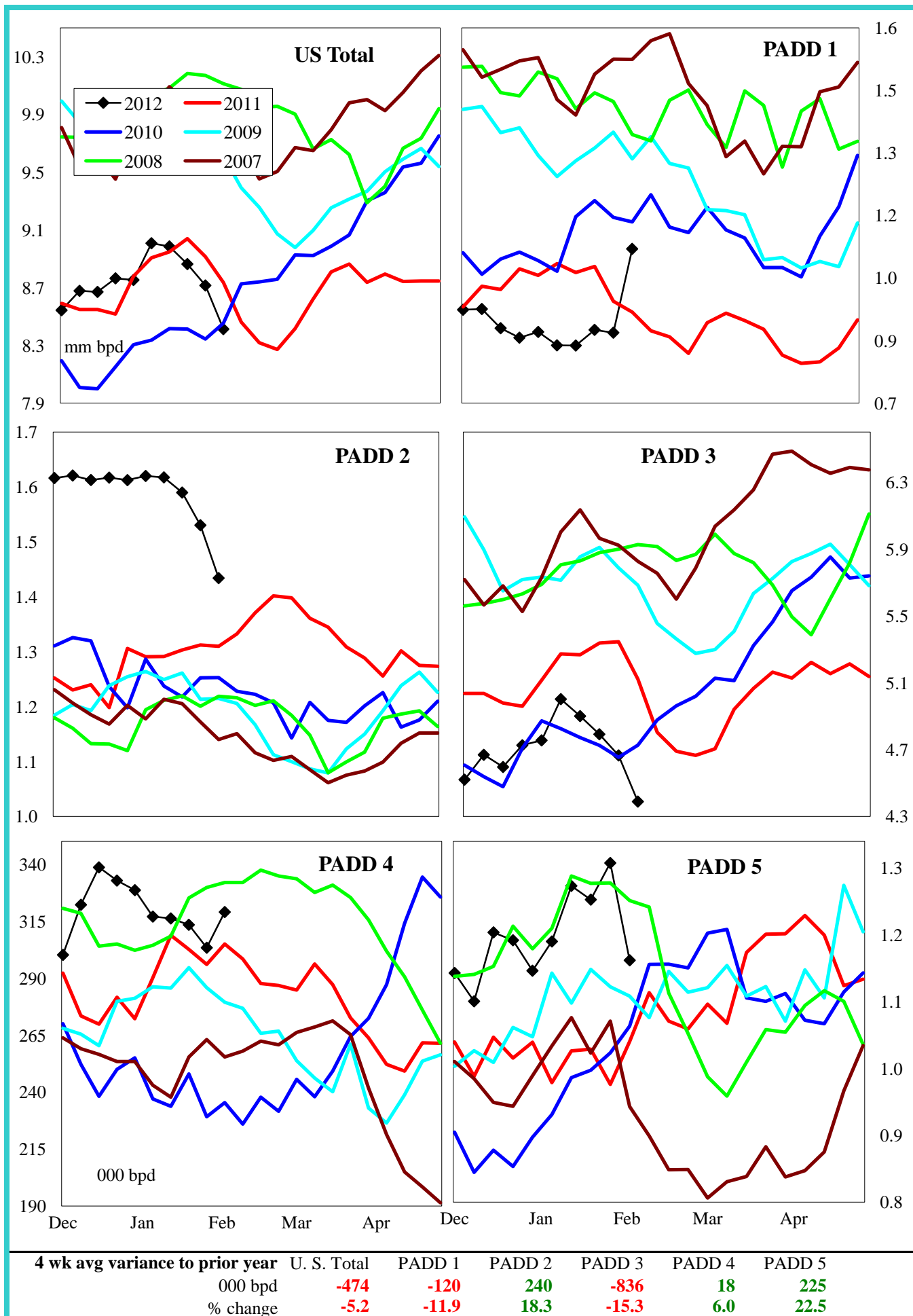
United States Refinery Percent Utilization Rate and Product Yields



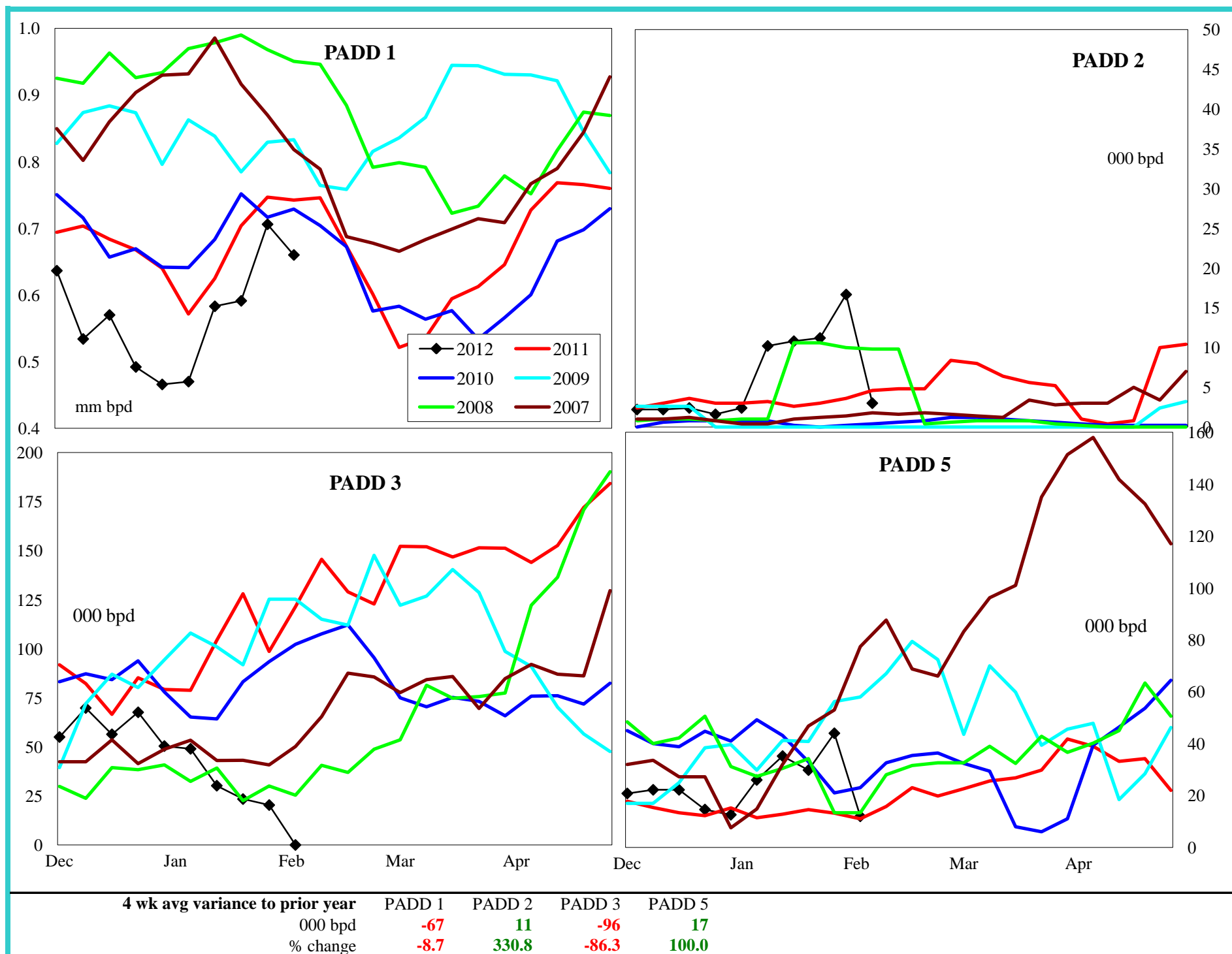
United States Petroleum Imports



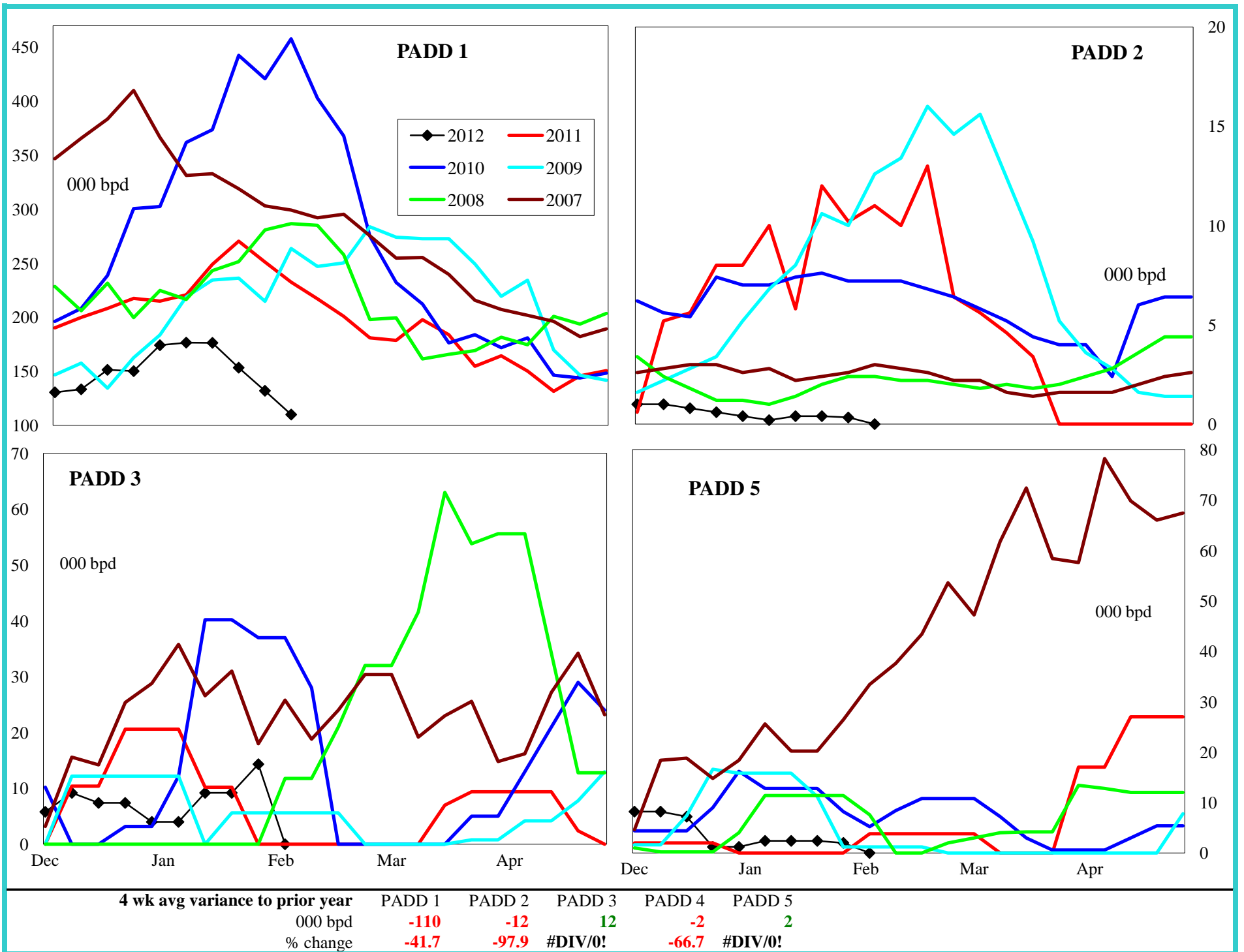
Crude Oil Imports by PADD



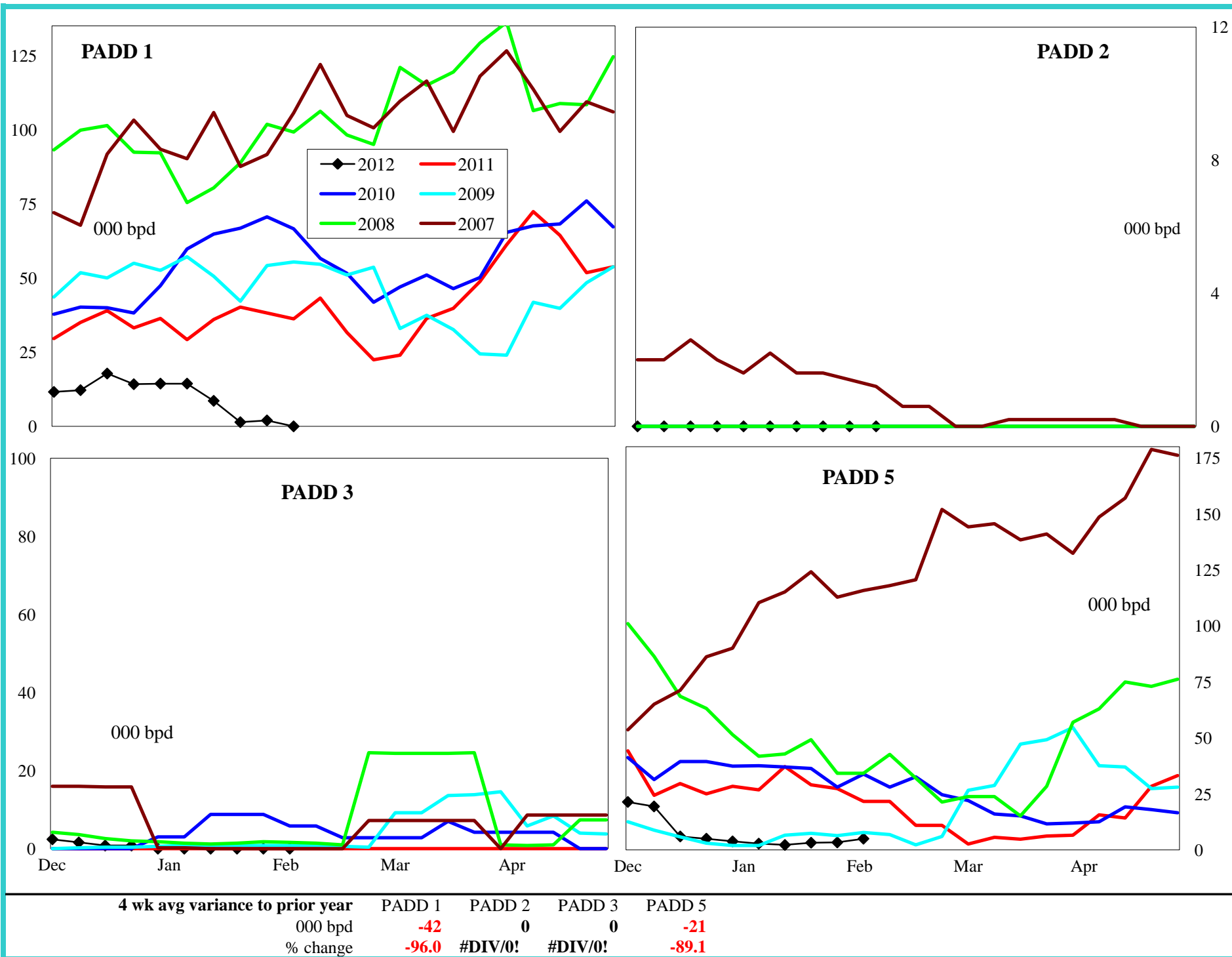
Gasoline Imports by PADD (Finished + Blend Stocks)



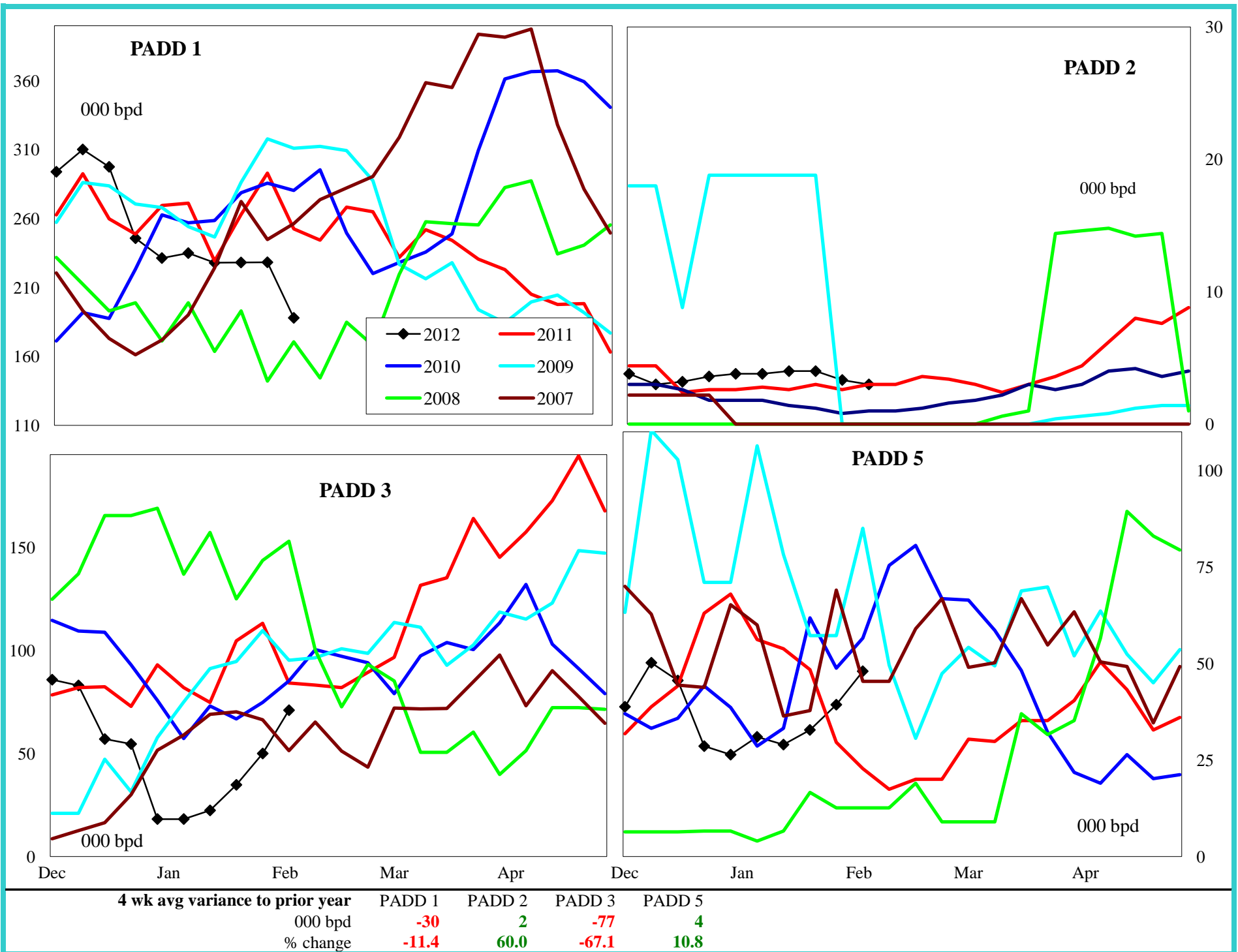
Distillate Imports by PADD



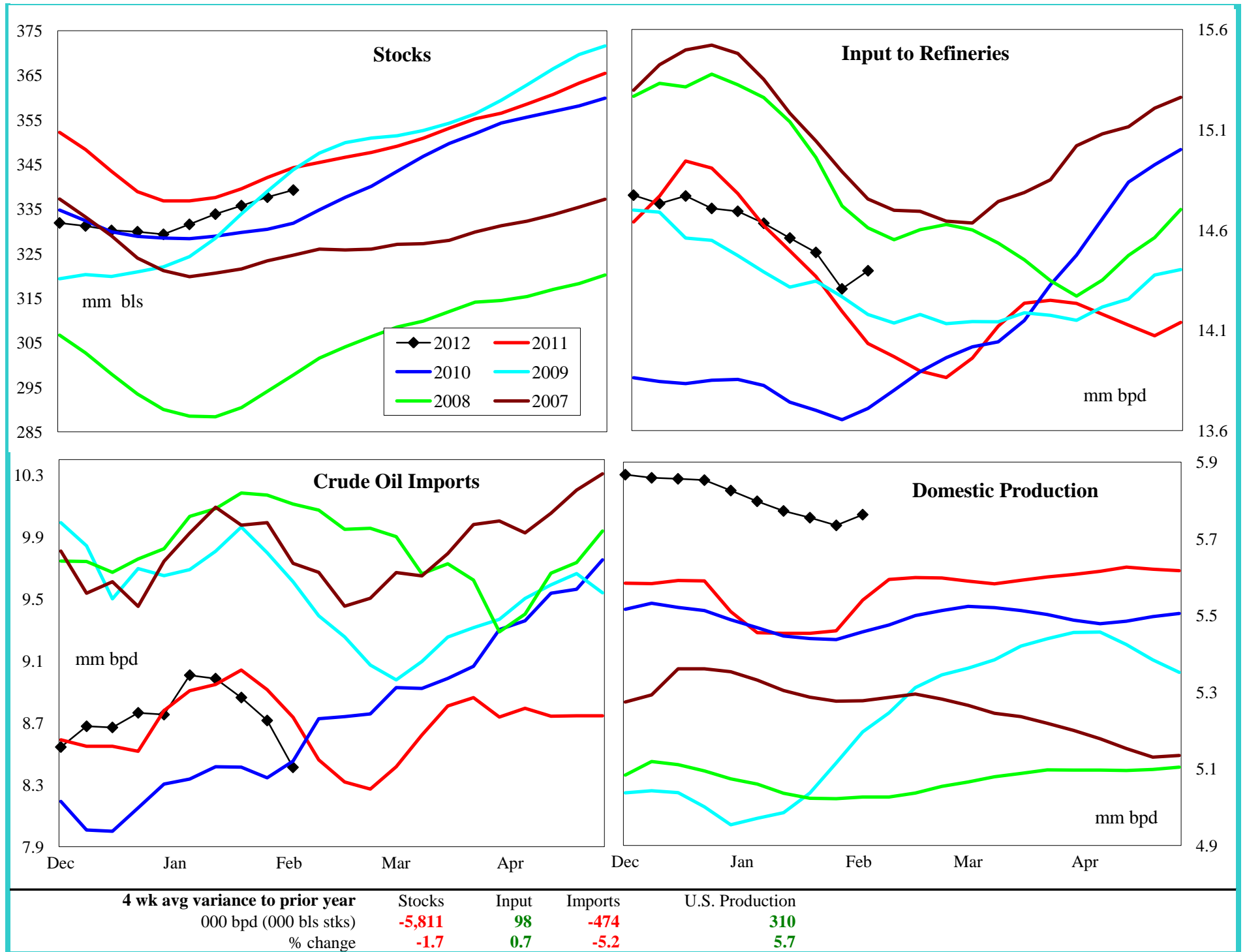
Jet Fuel Imports by PADD



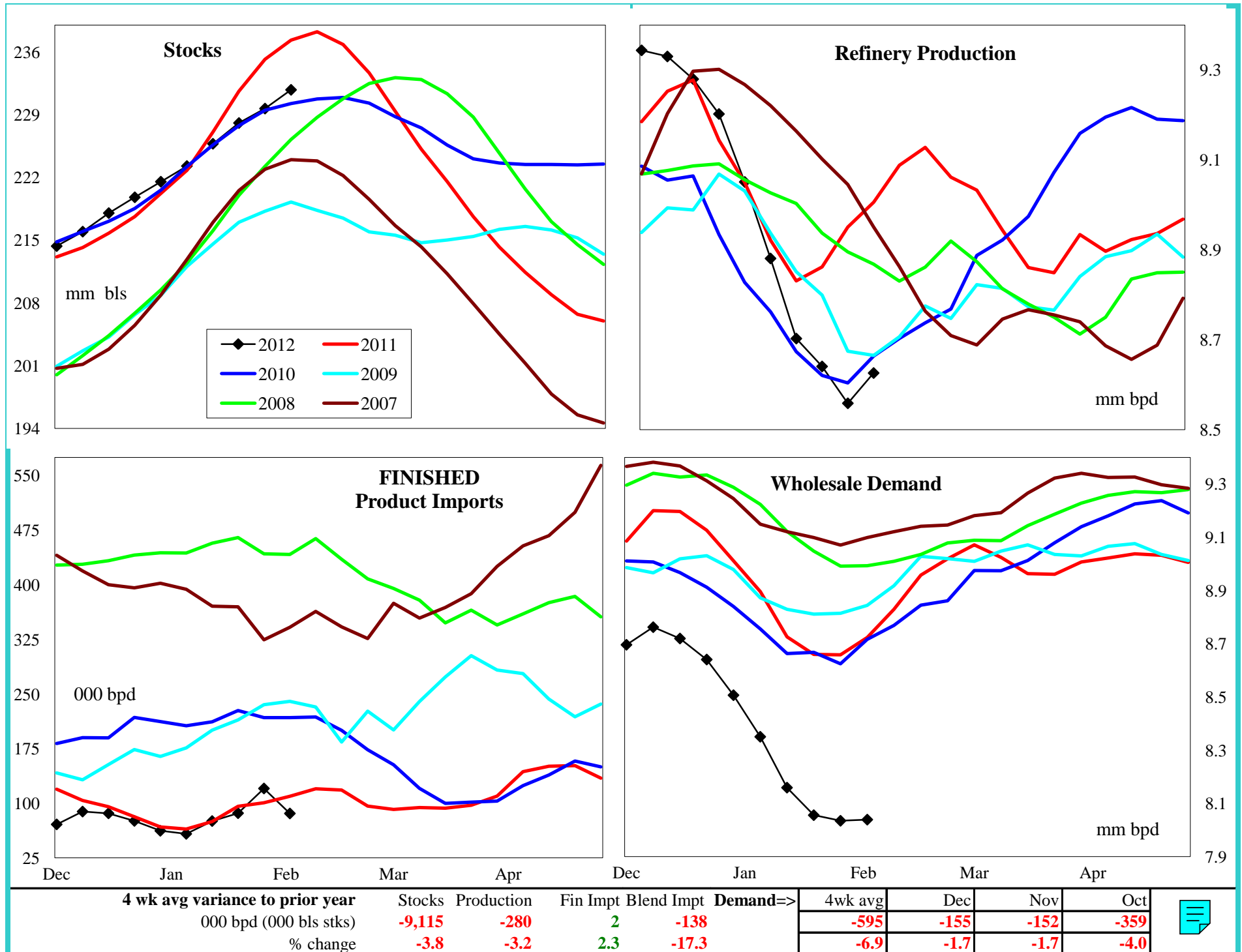
Residual Fuel Oil Imports by PADD



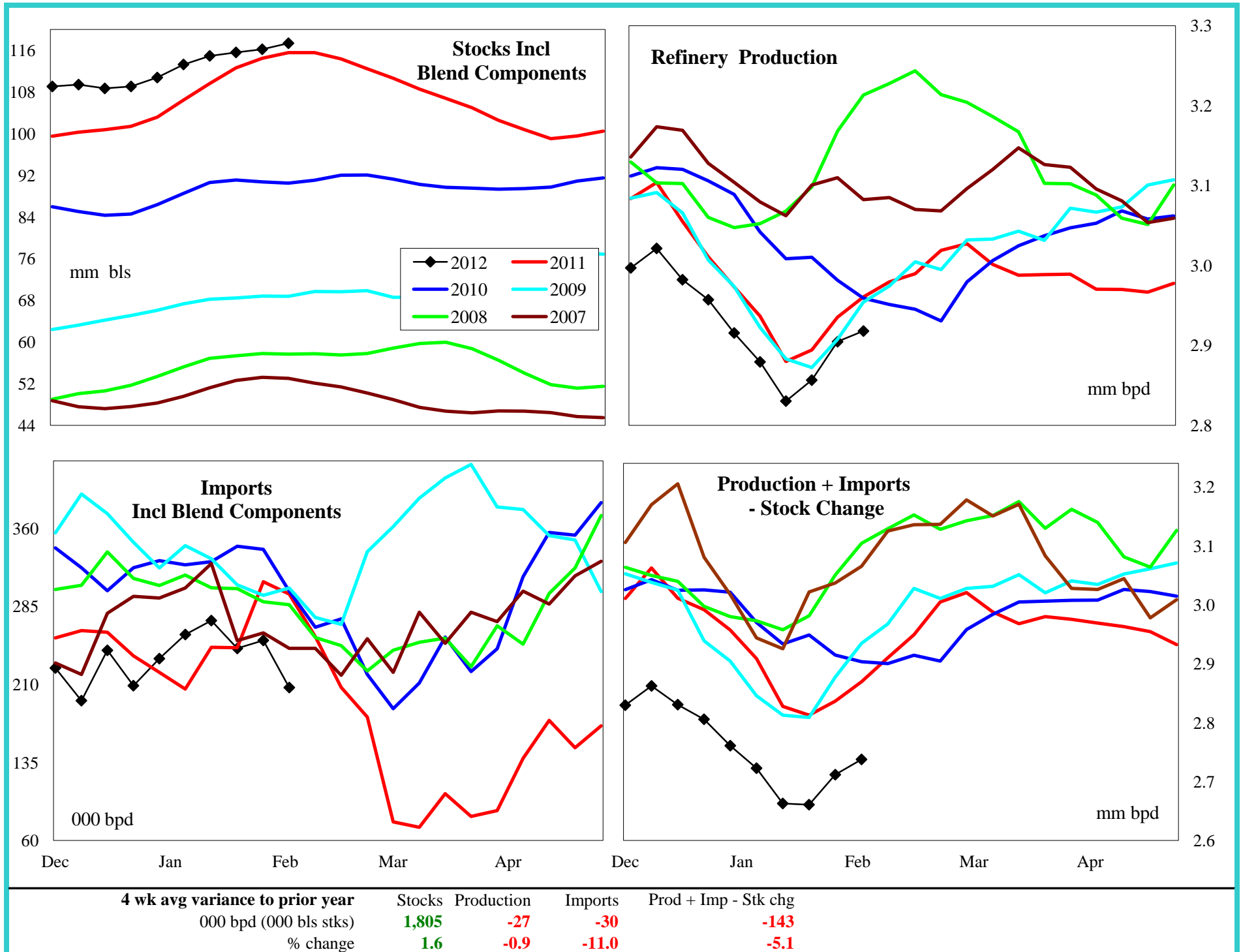
United States Crude Oil Supply and Demand Balance



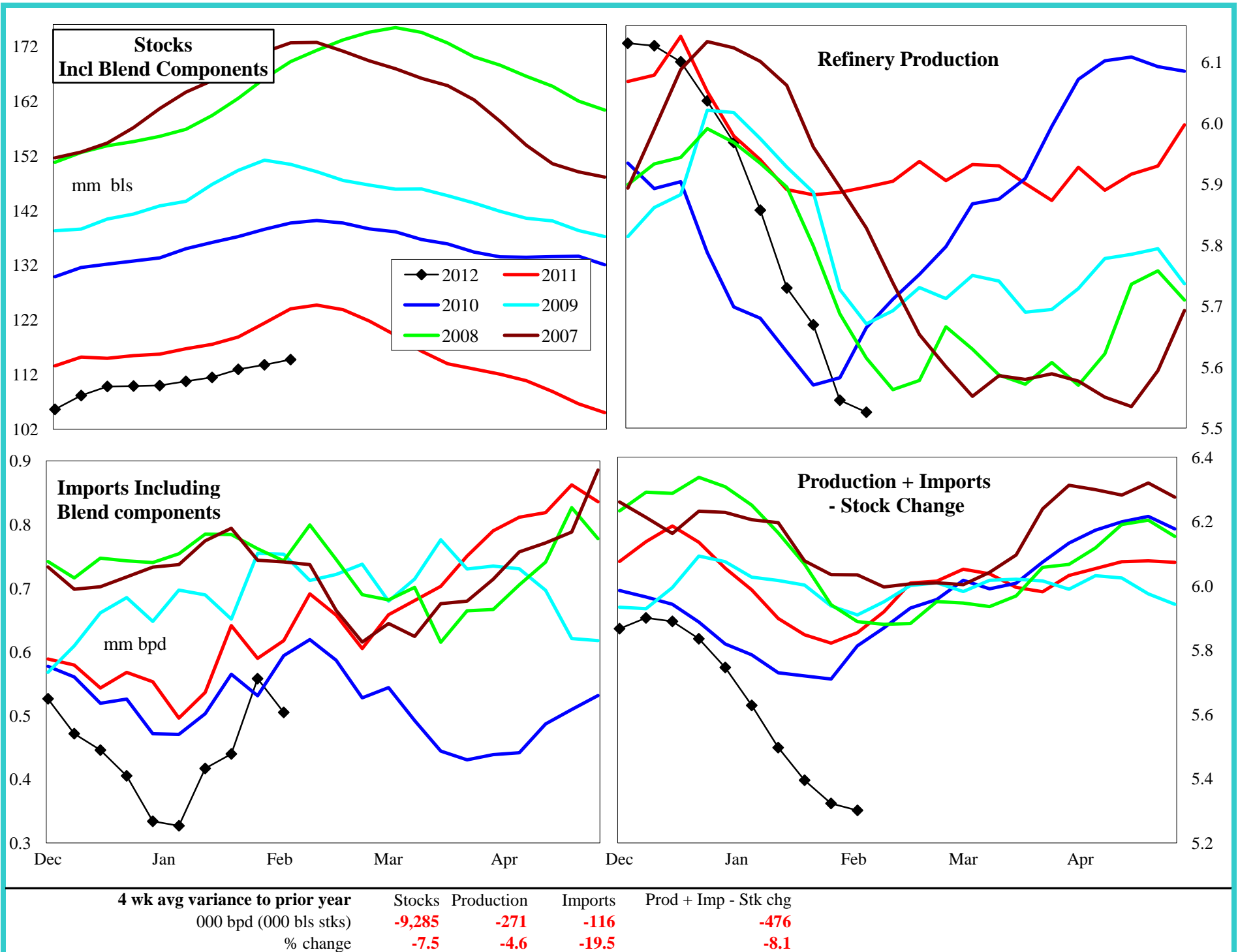
United States Gasoline Supply and Demand Balance



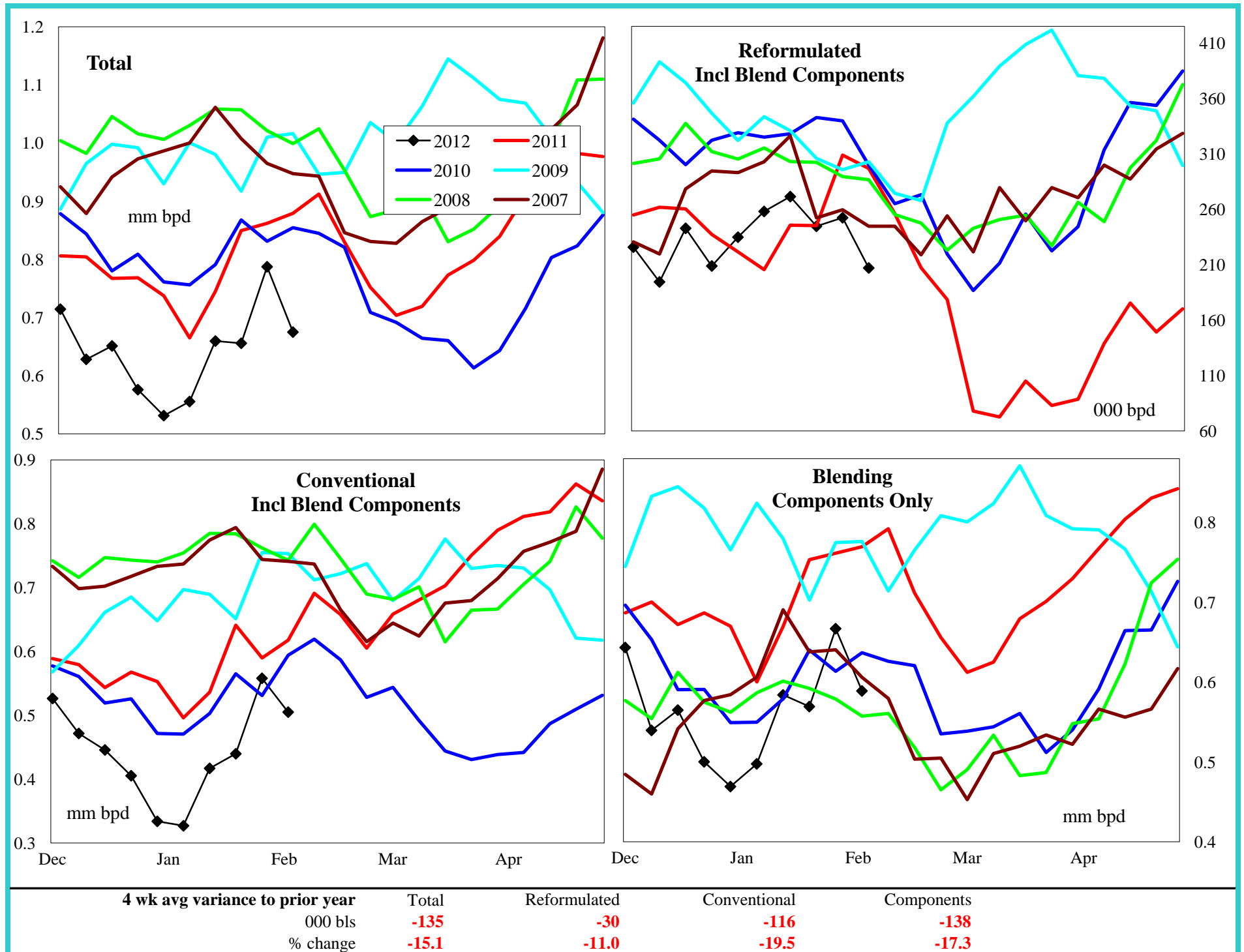
United States Reformulated Gasoline Supply



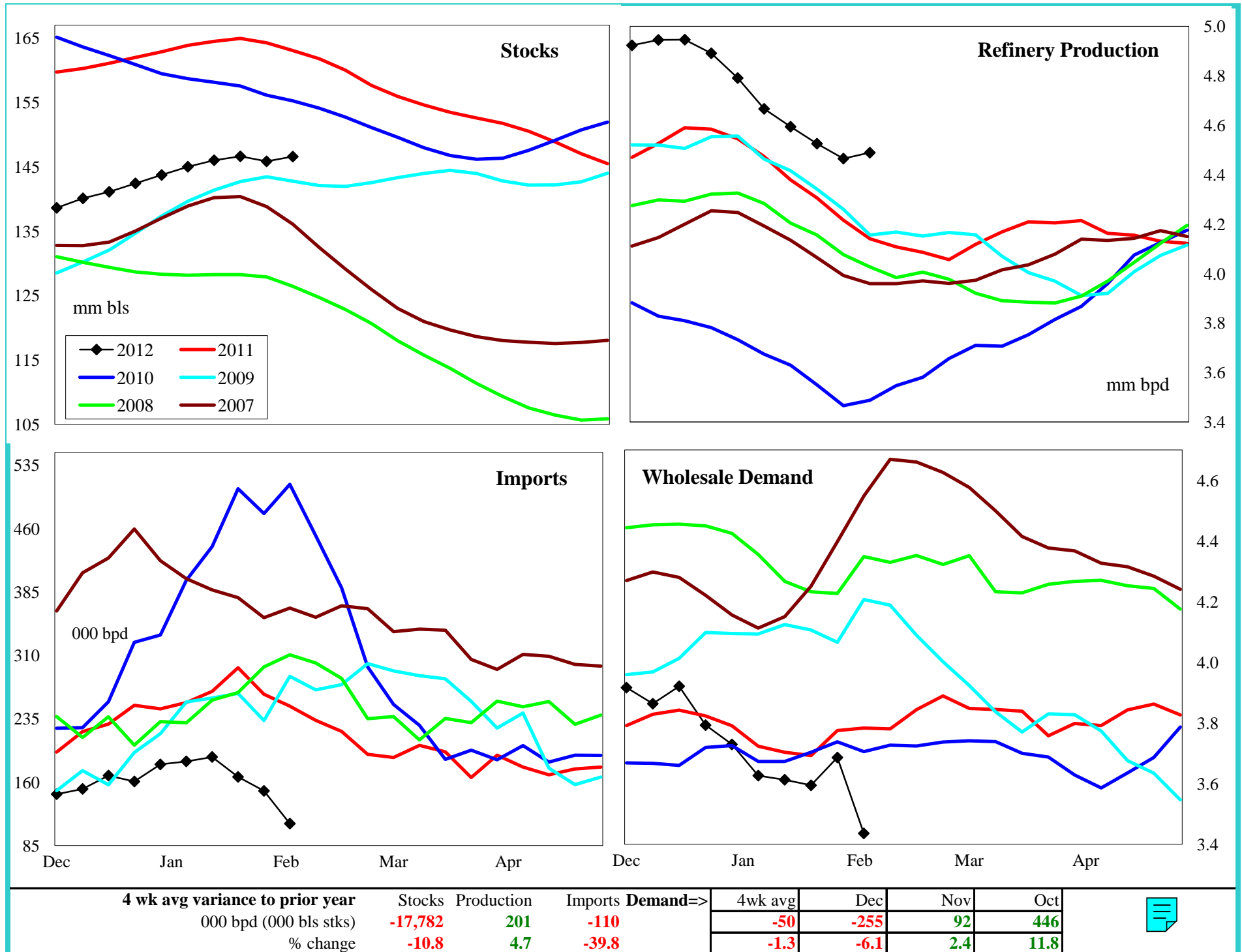
United States Conventional Gasoline Supply



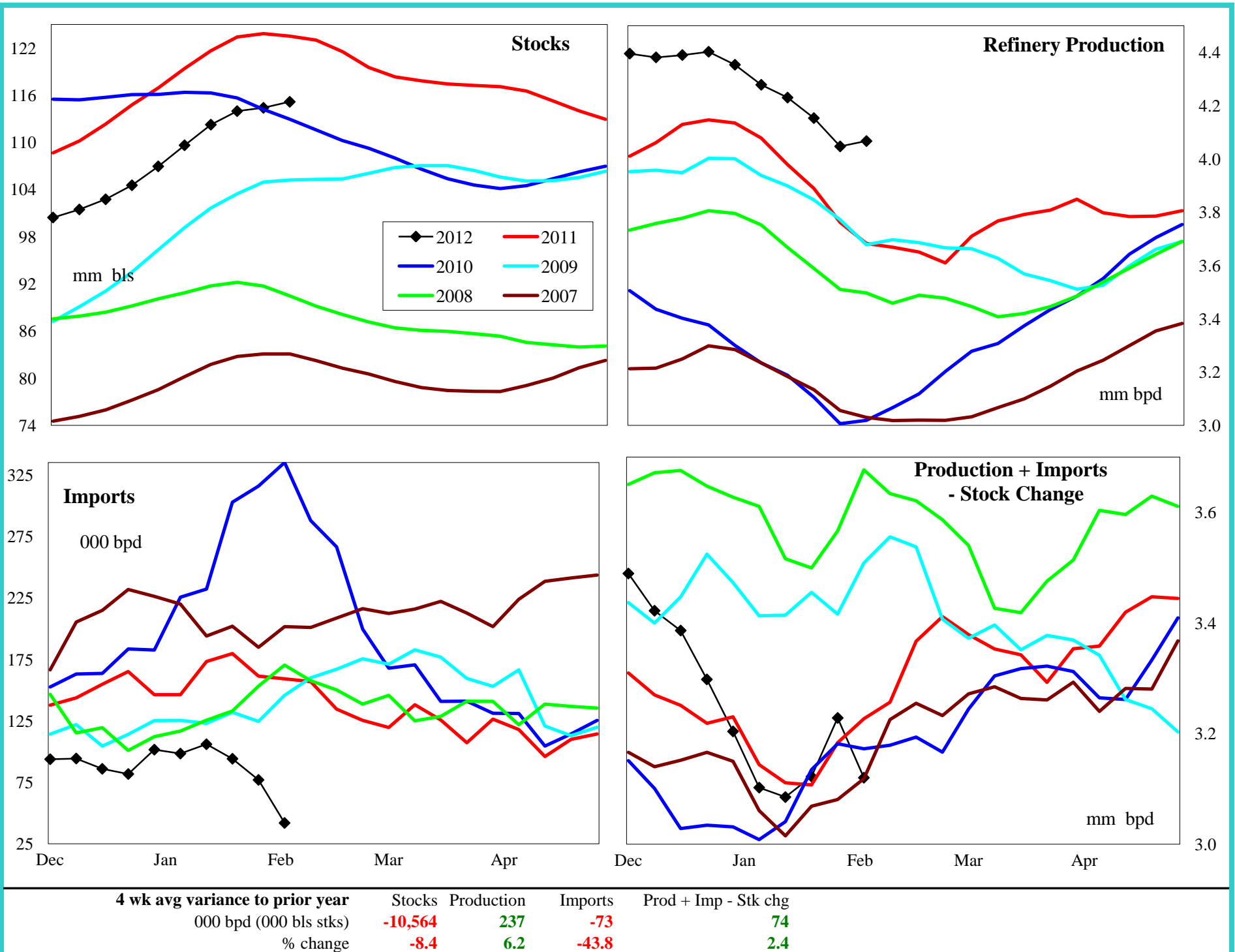
United States Gasoline Imports by Type



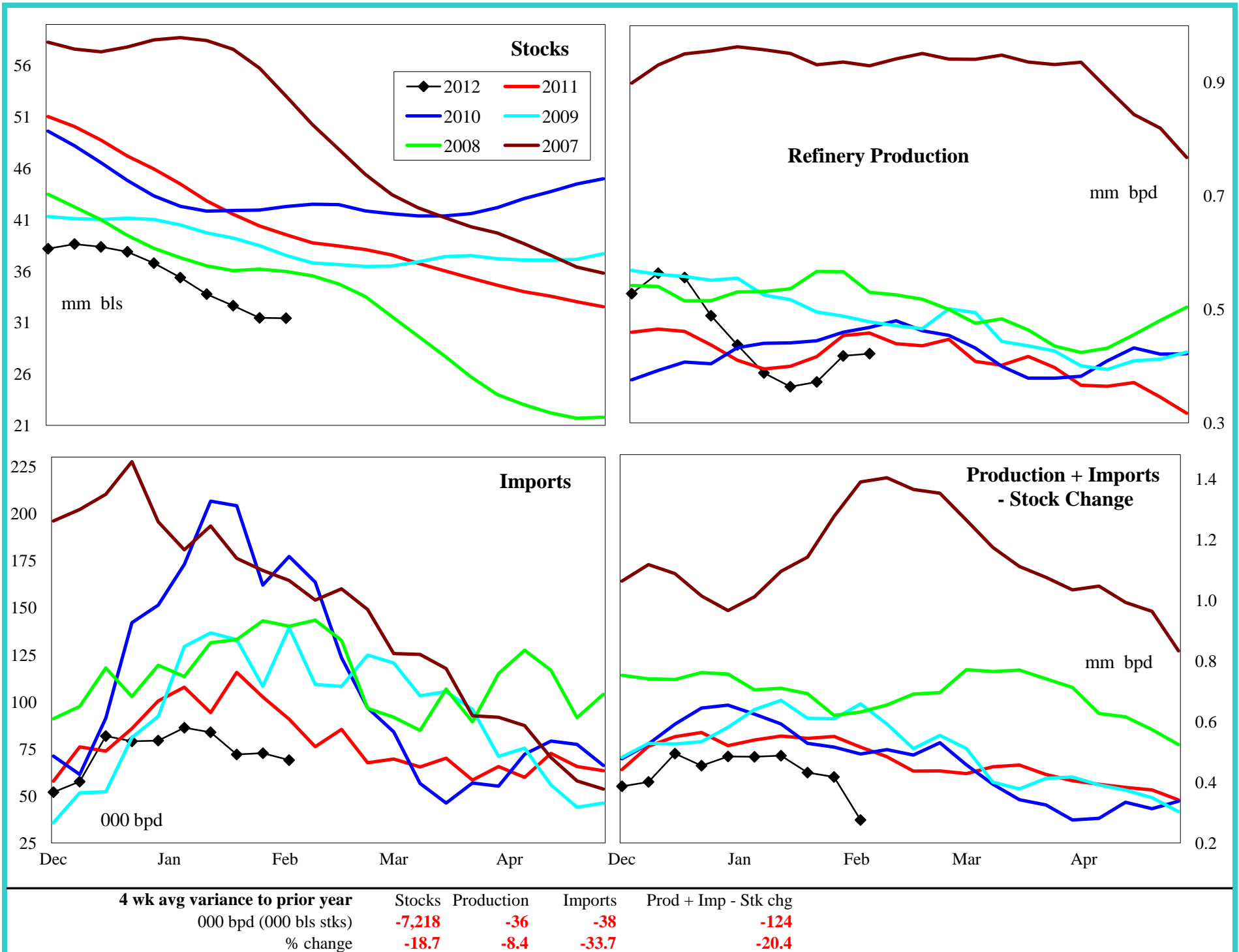
United States Distillate Supply and Demand Balance



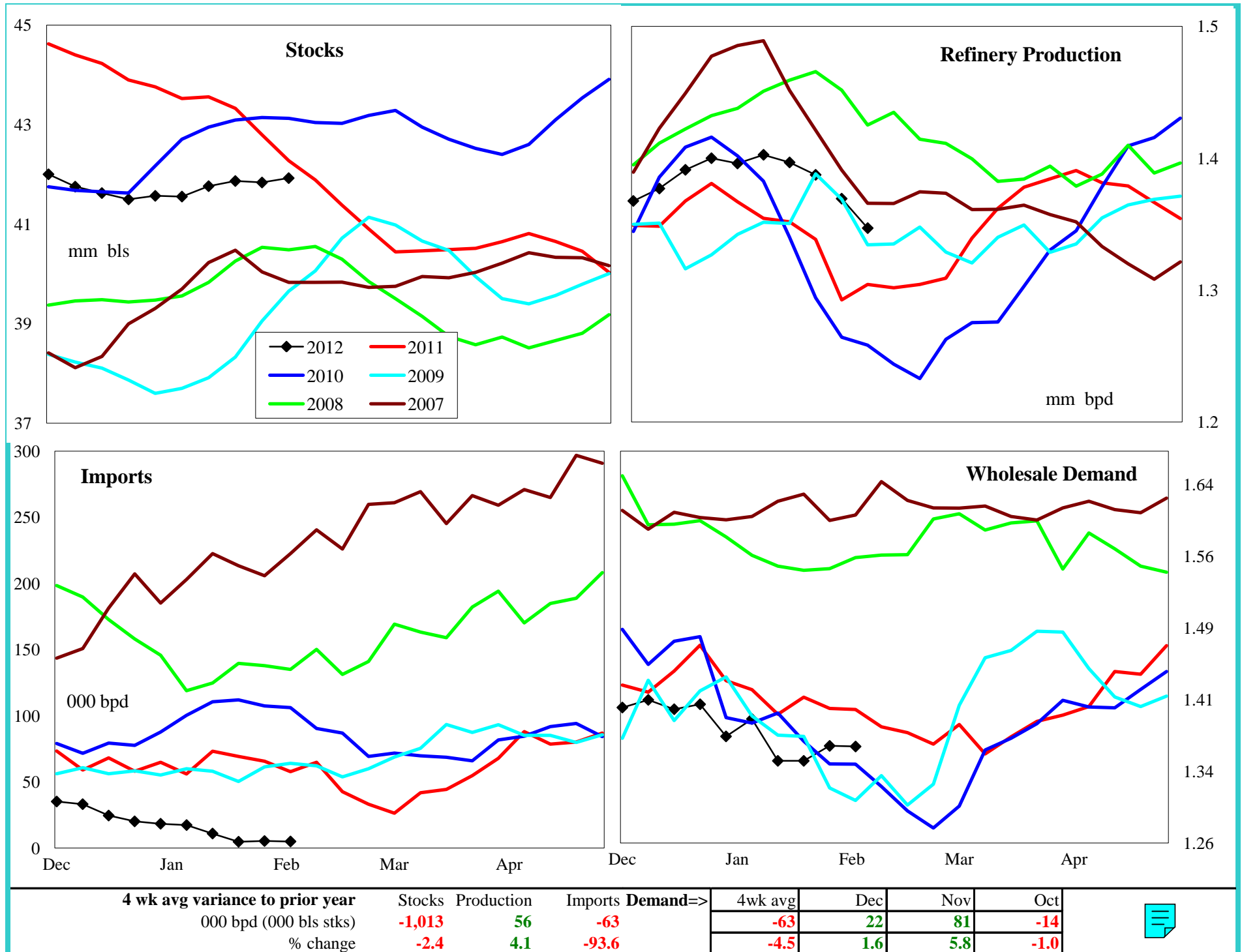
United States Low Sulfur Distillate Supply



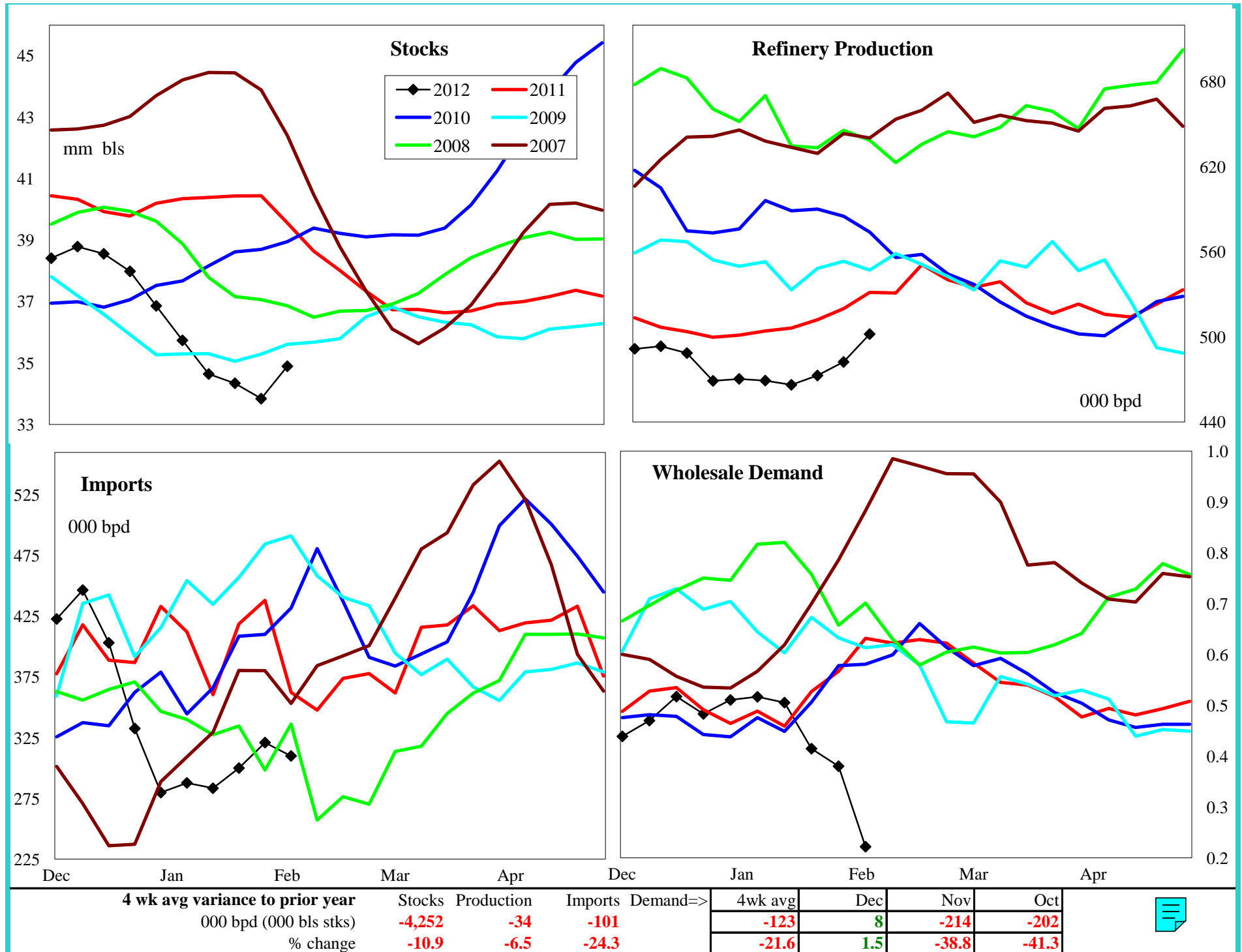
United States High Sulfur Distillate Supply



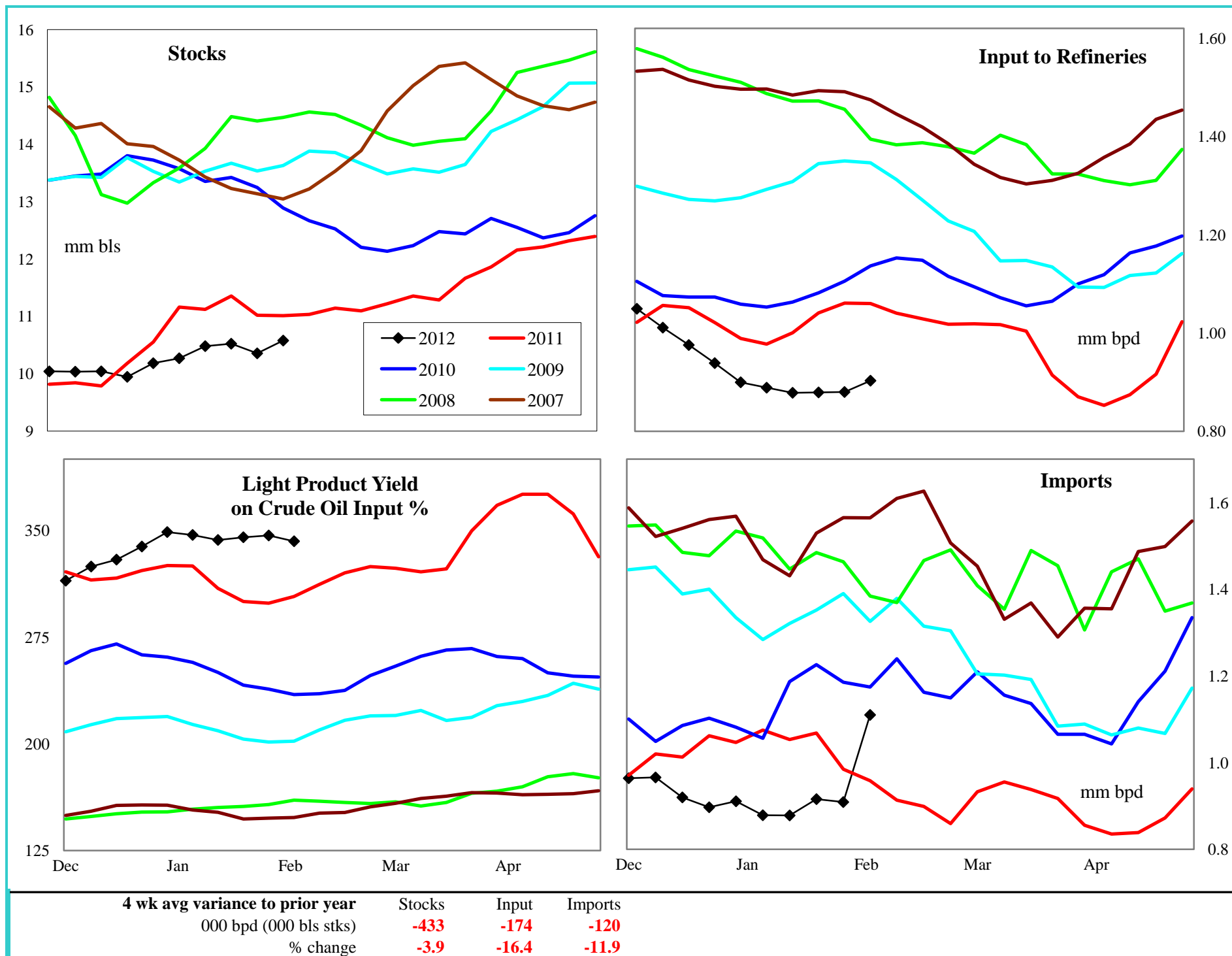
United States Jet Fuel Supply and Demand Balance



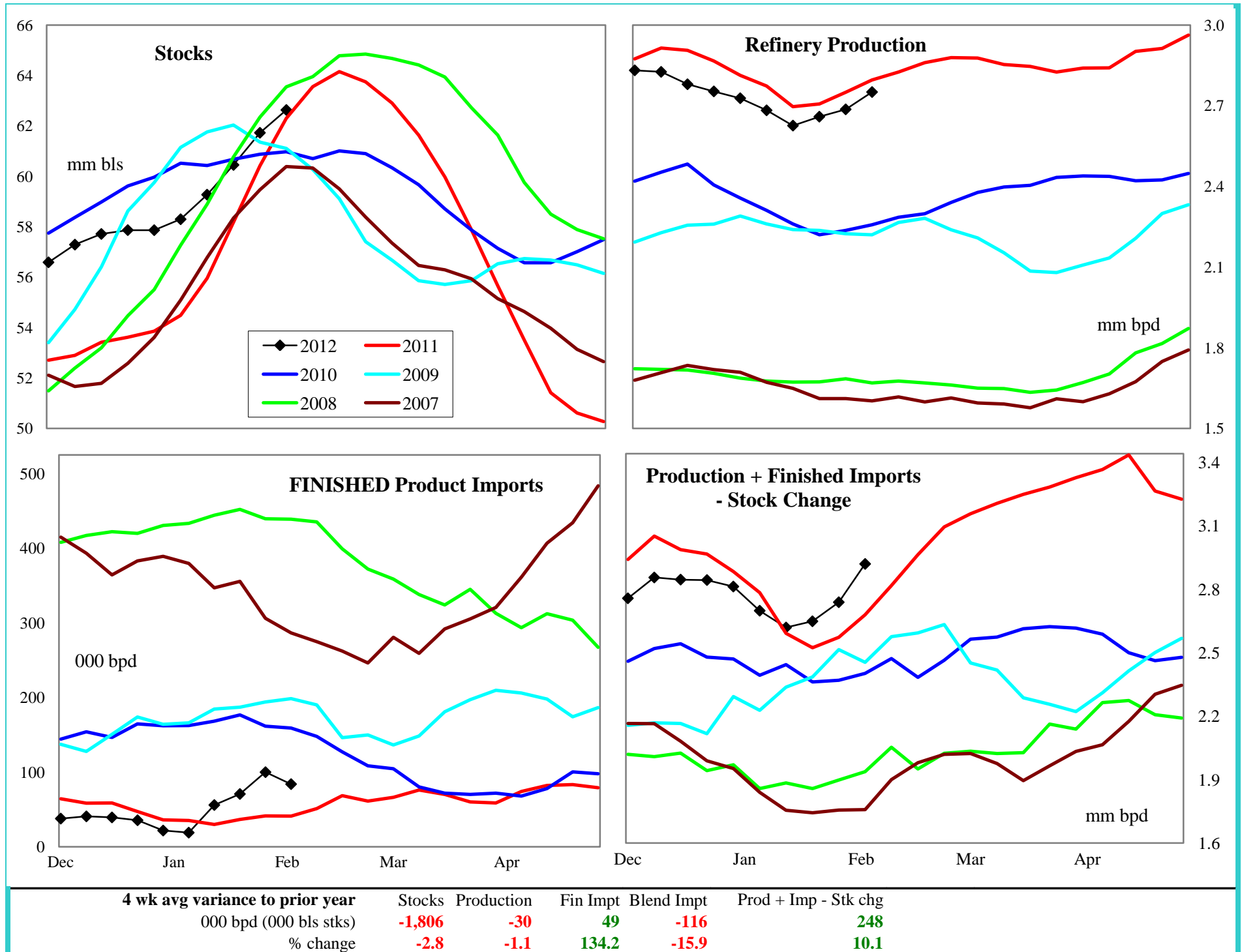
United States Residual Fuel Oil Supply and Demand Balance



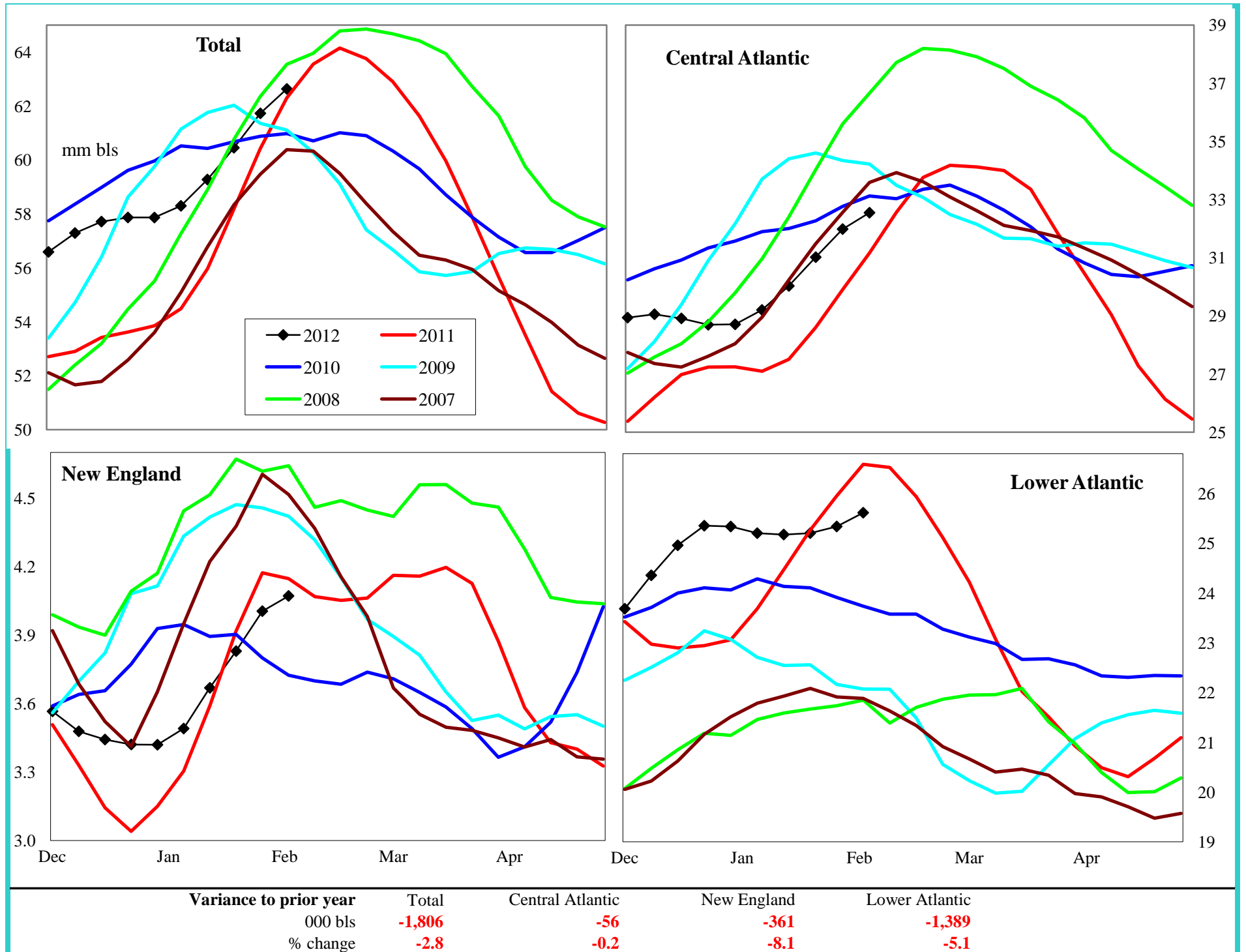
PADD 1 Crude Oil Supply and Refining



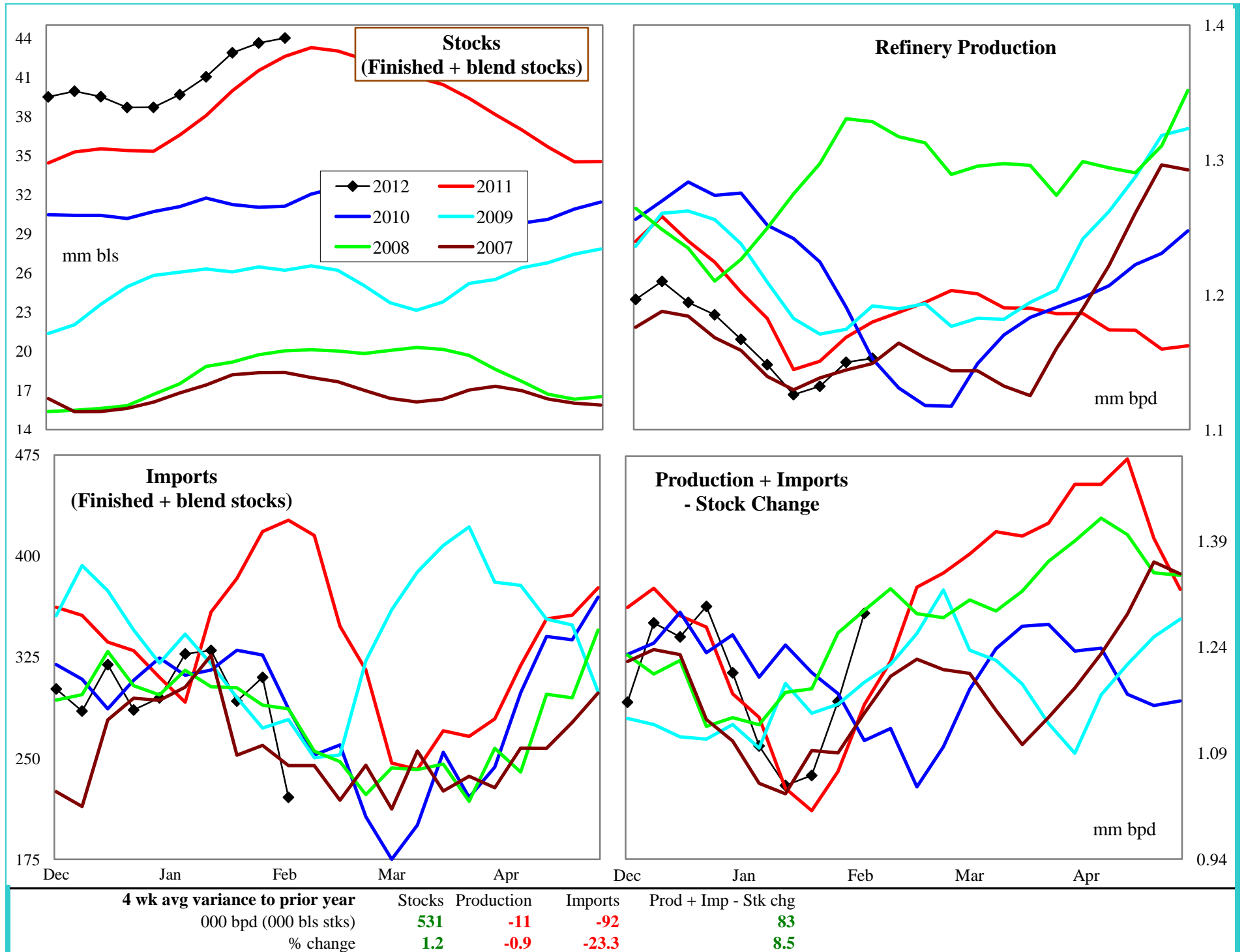
PADD 1 Gasoline Supply



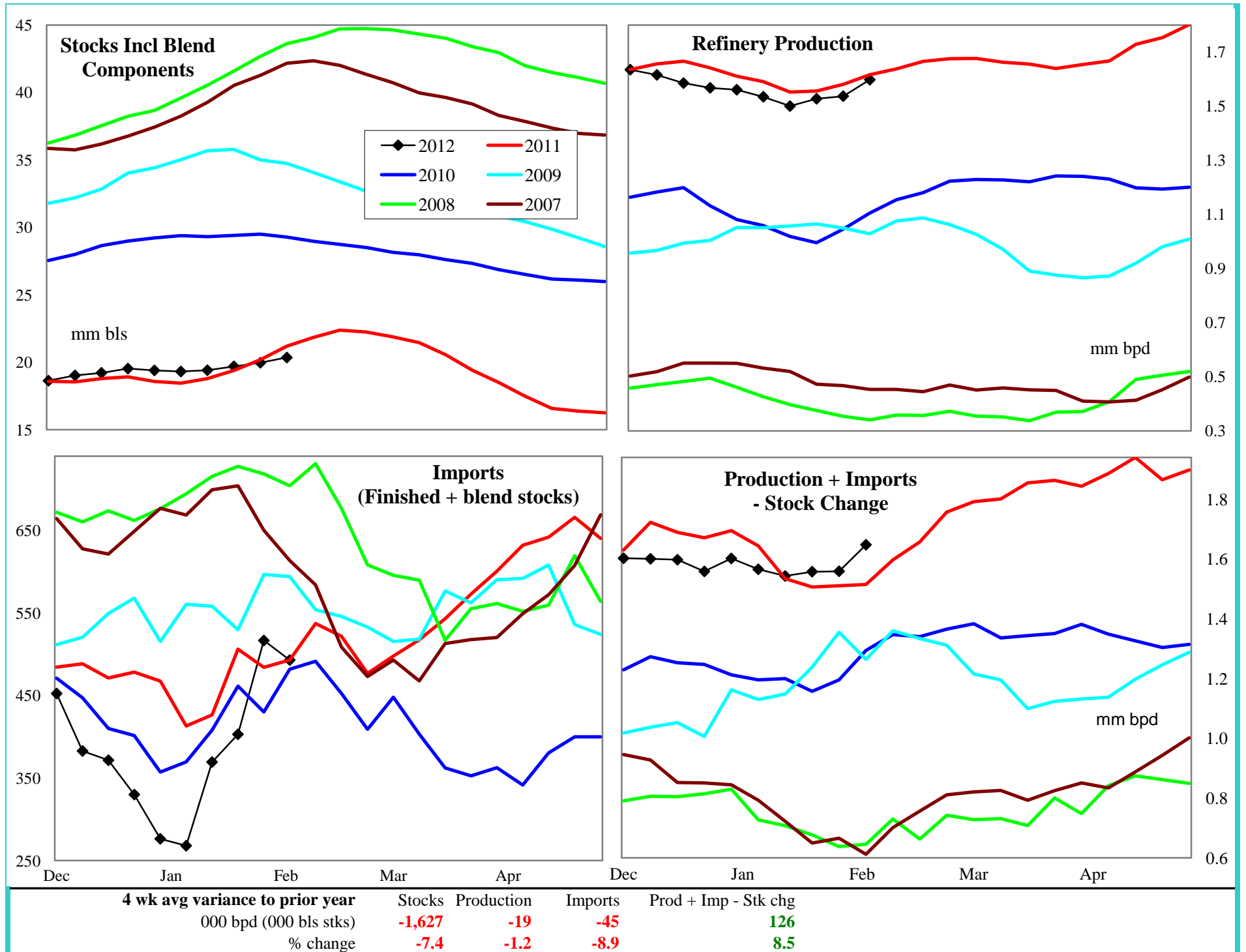
PADD 1 Gasoline Stocks by Region



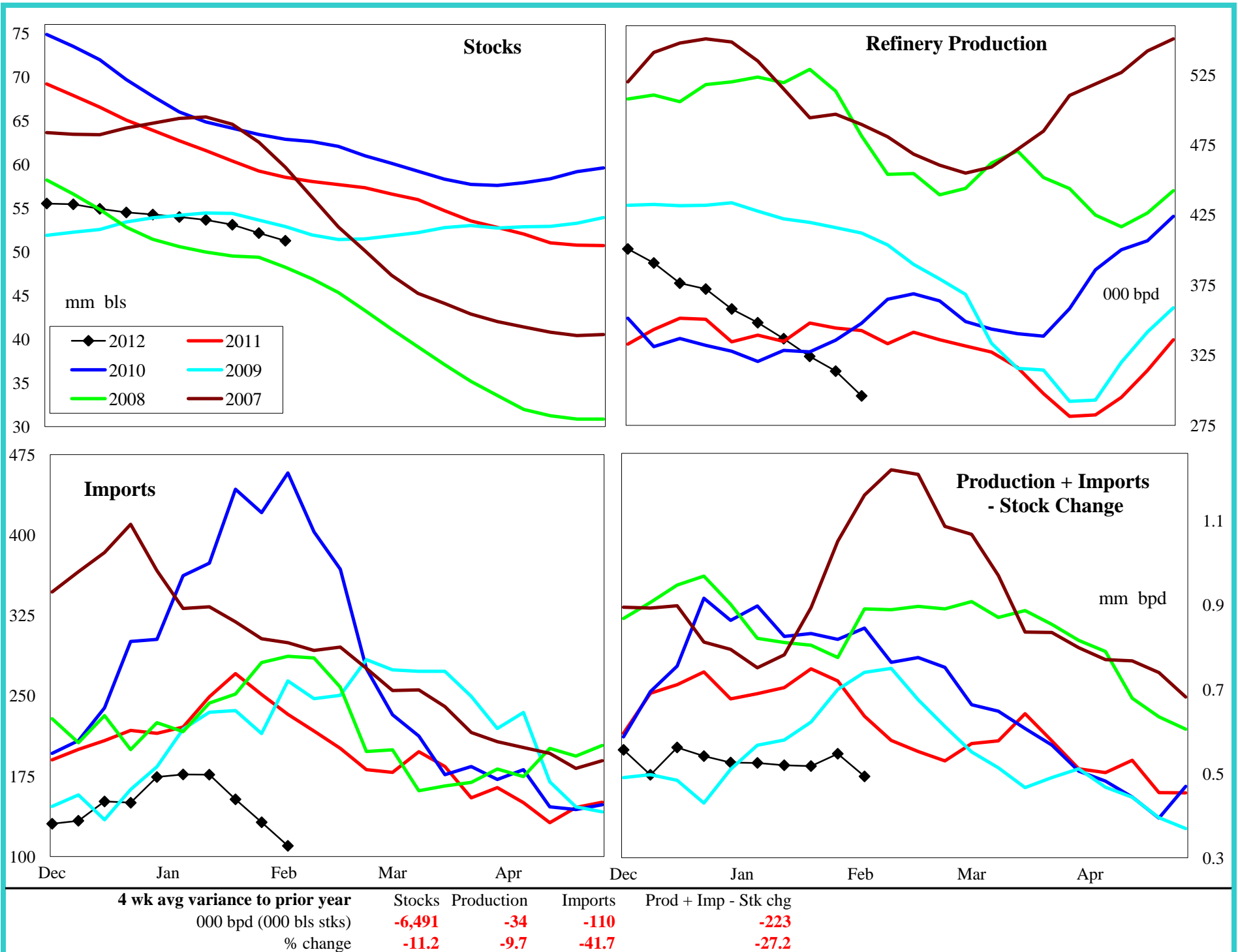
PADD 1 Reformulated Gasoline Supply



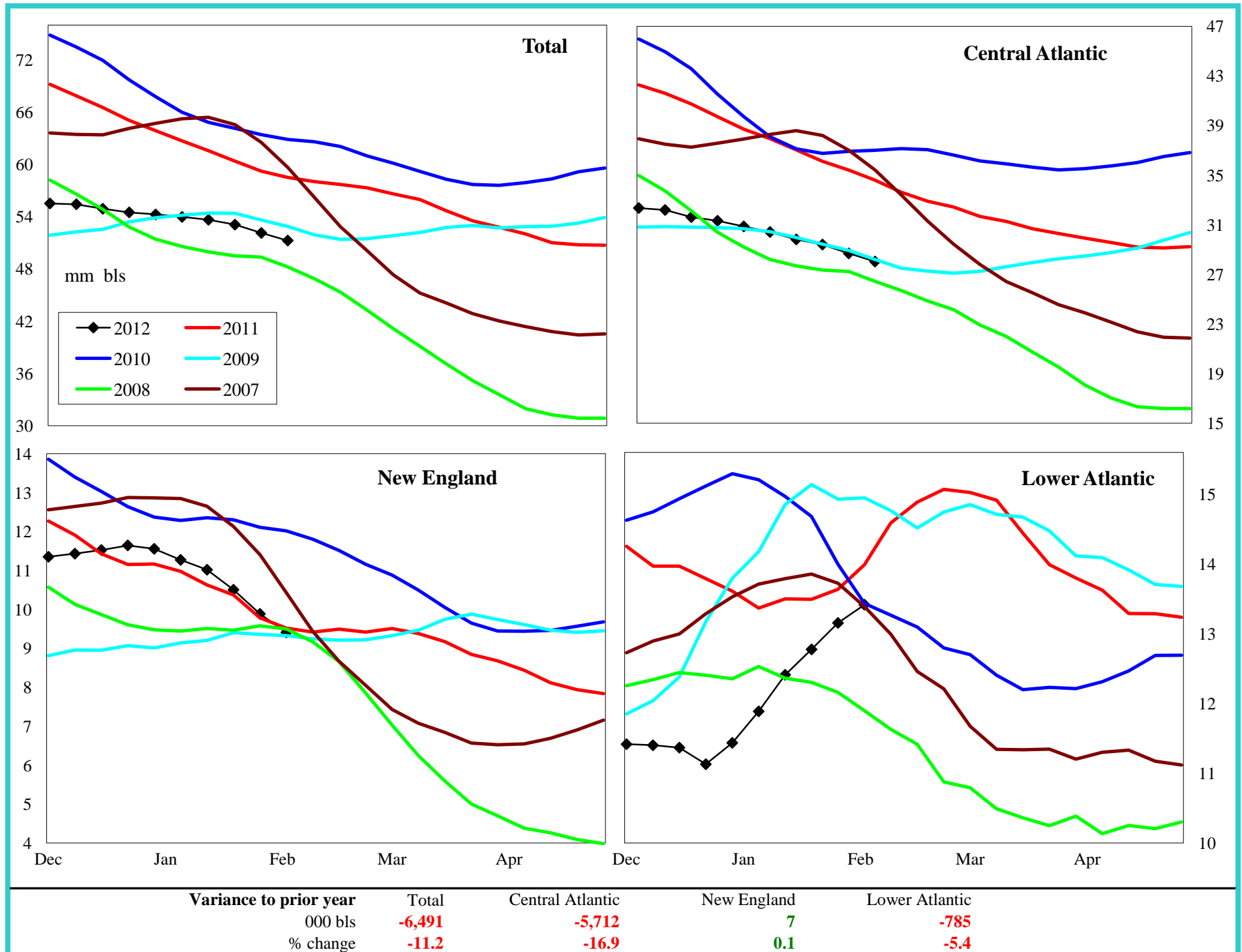
PADD 1 Conventional Gasoline Supply



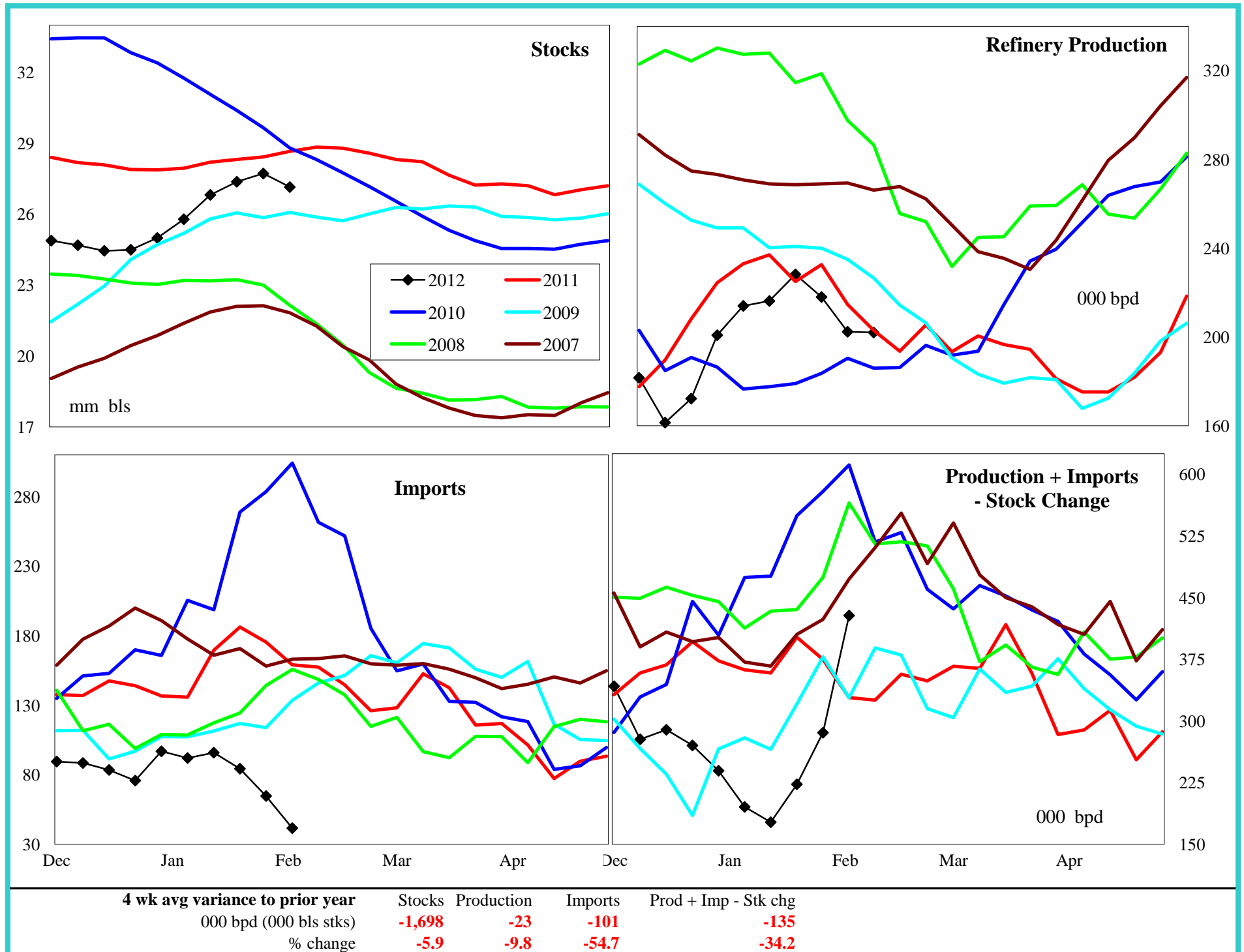
PADD 1 Distillate Supply



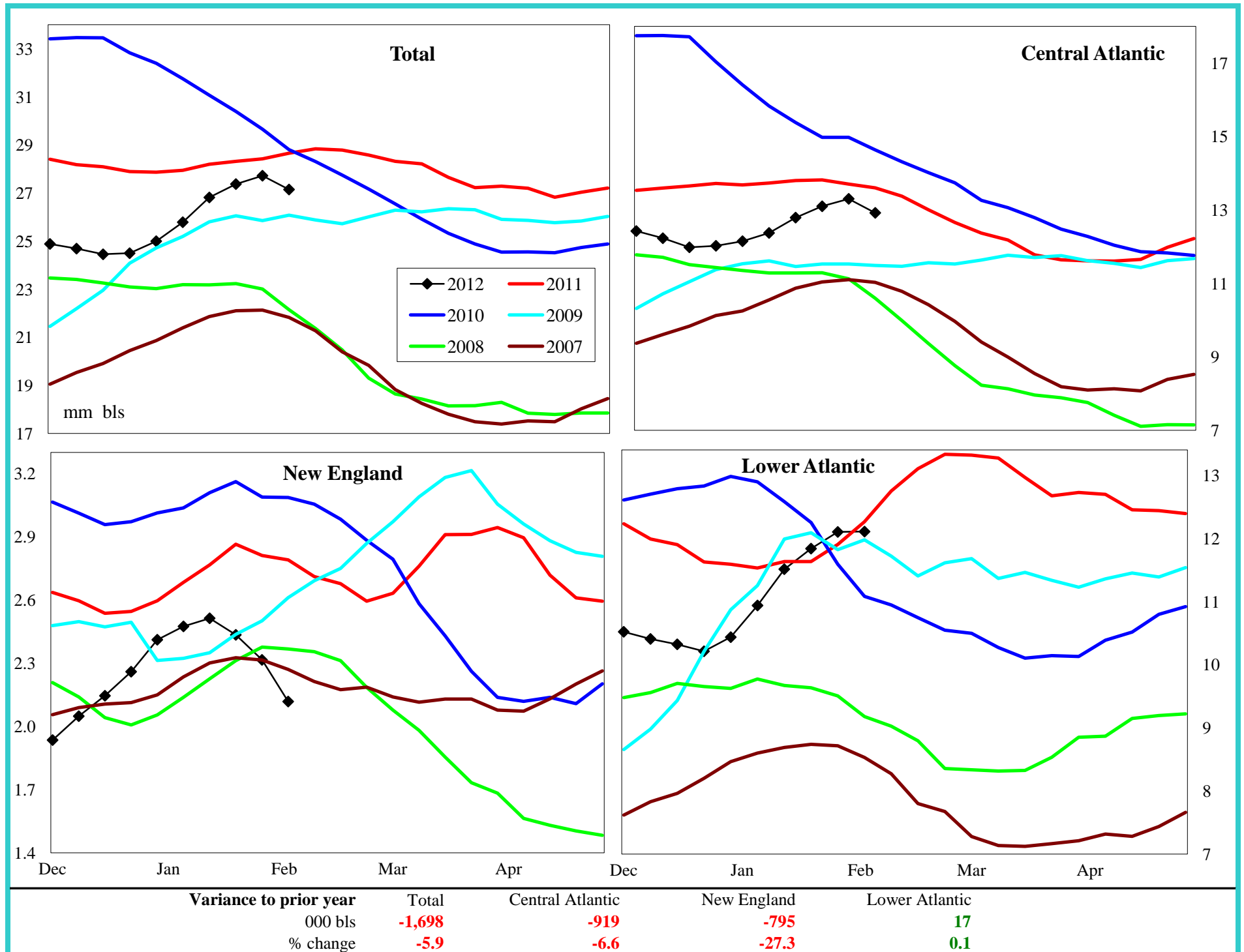
PADD 1 Distillate Stocks by Region



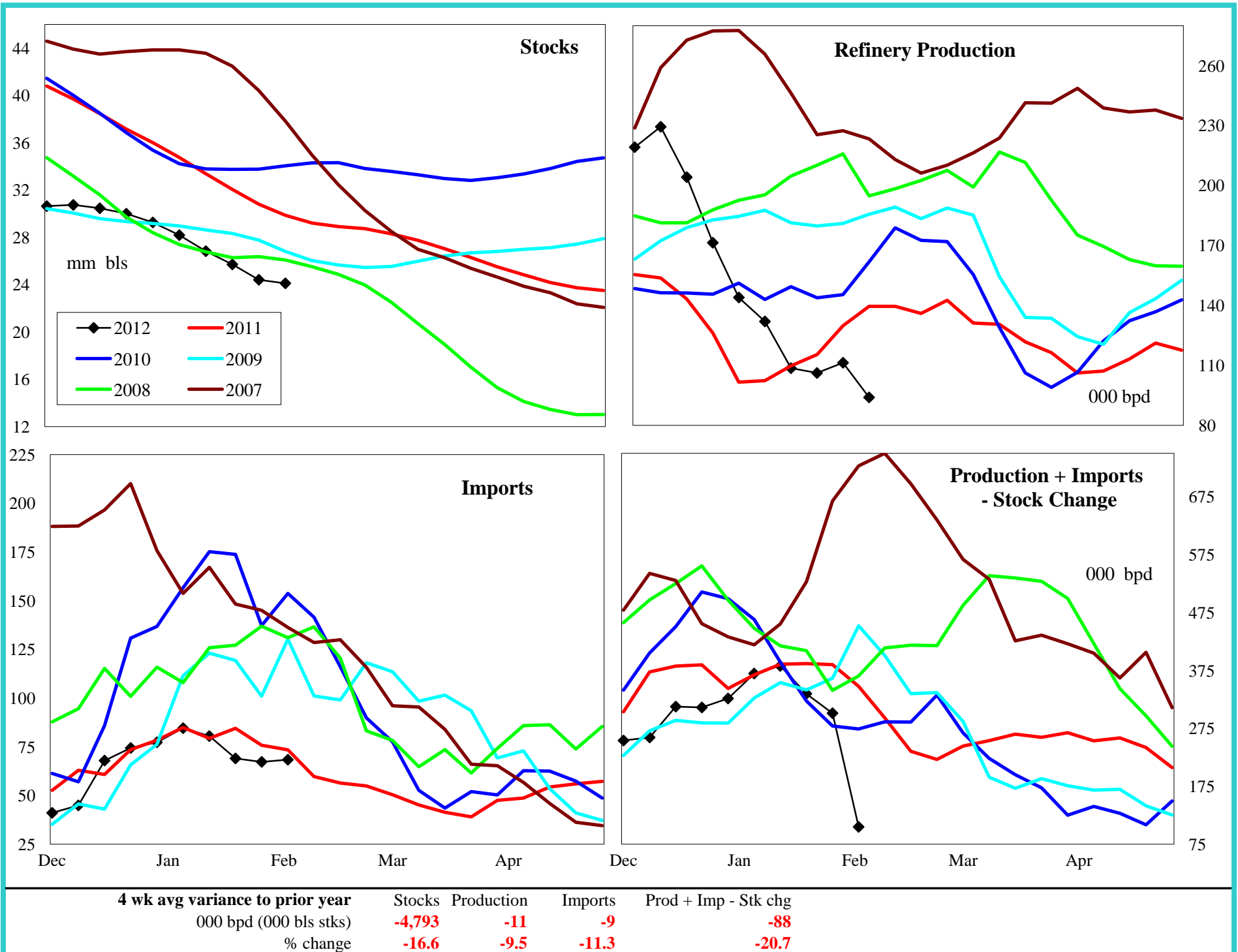
PADD 1 Low Sulfur Distillate Supply



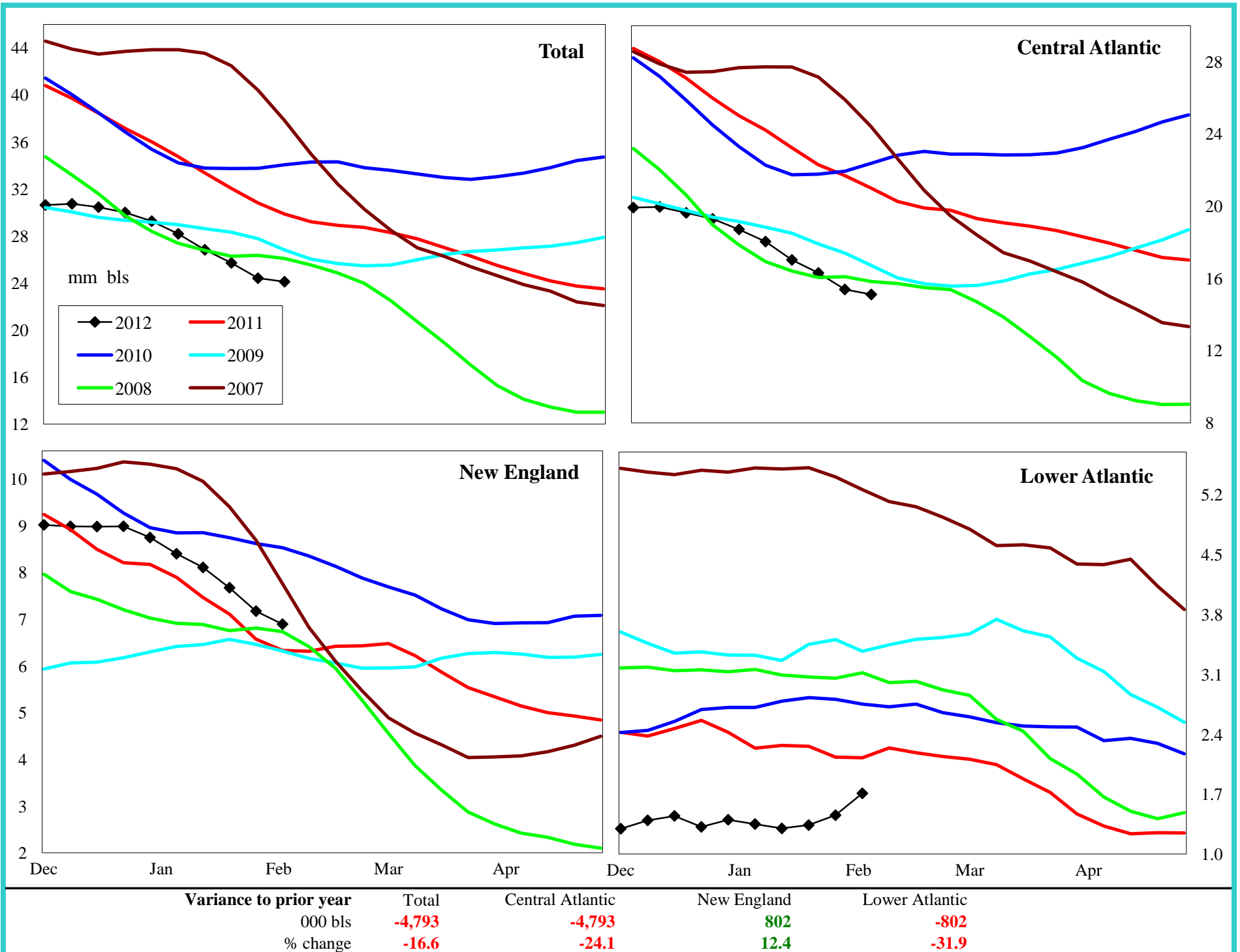
PADD 1 Low Sulfur Distillate Stocks by Region



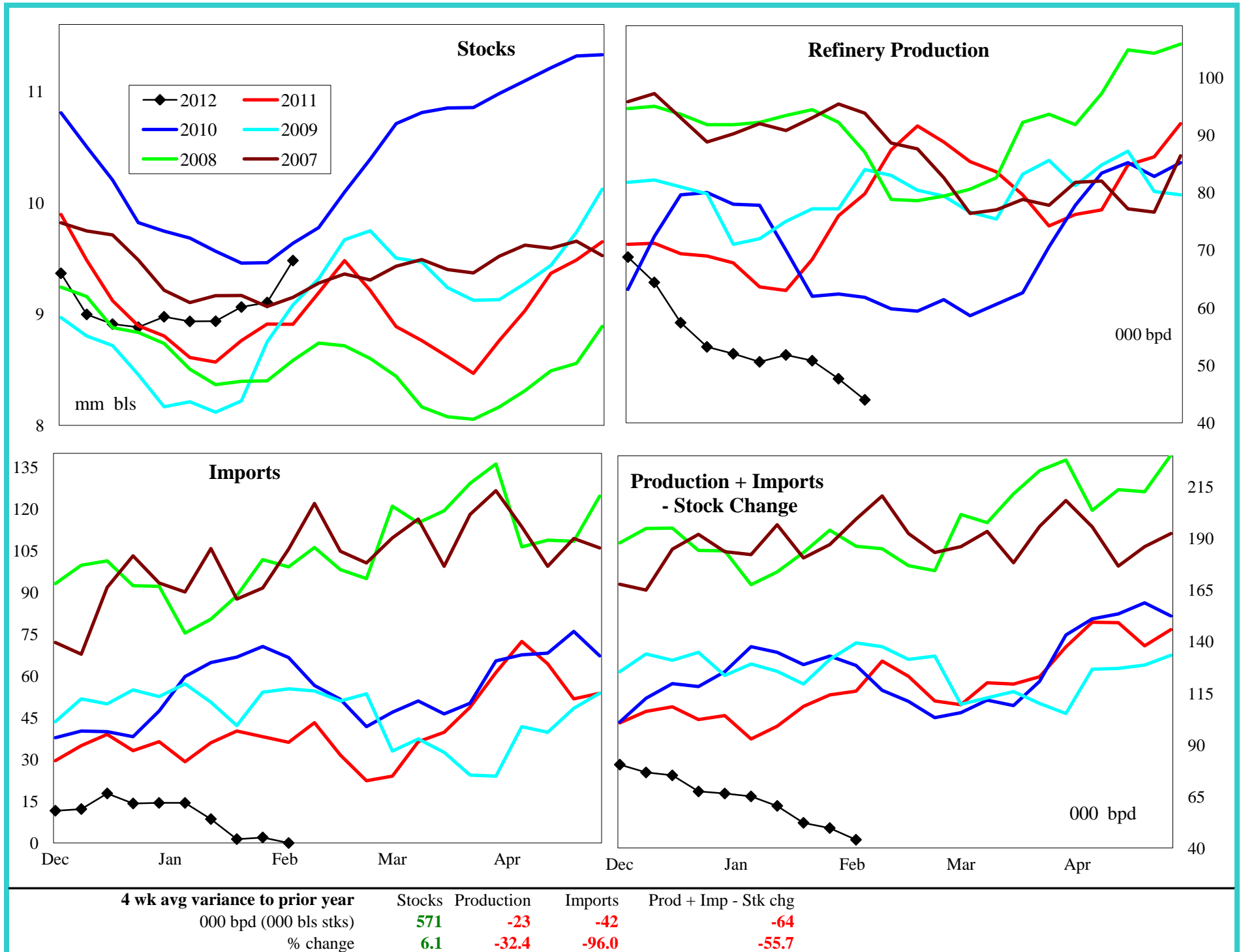
PADD 1 High Sulfur Distillate Supply



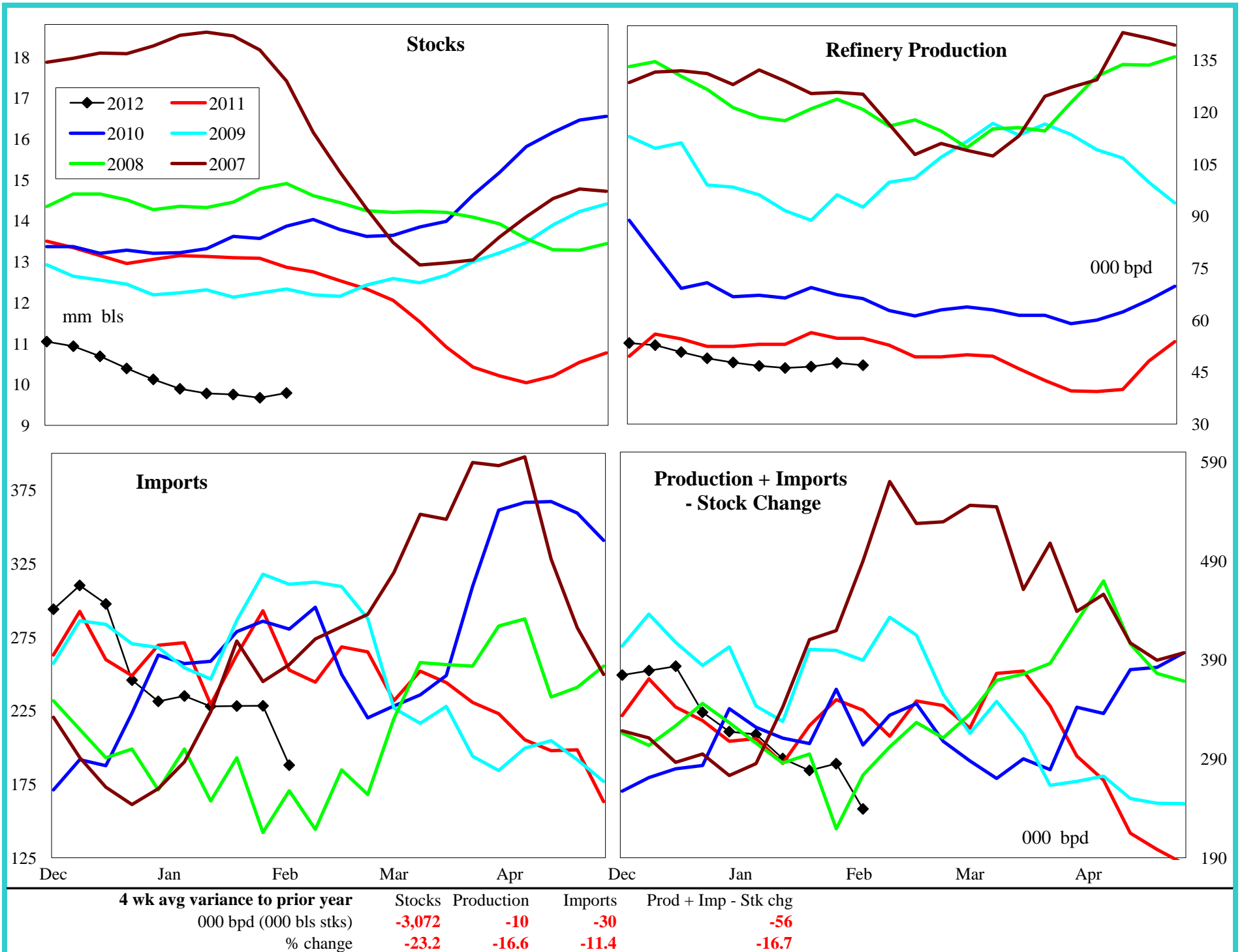
PADD 1 High Sulfur Distillate Stocks by Region



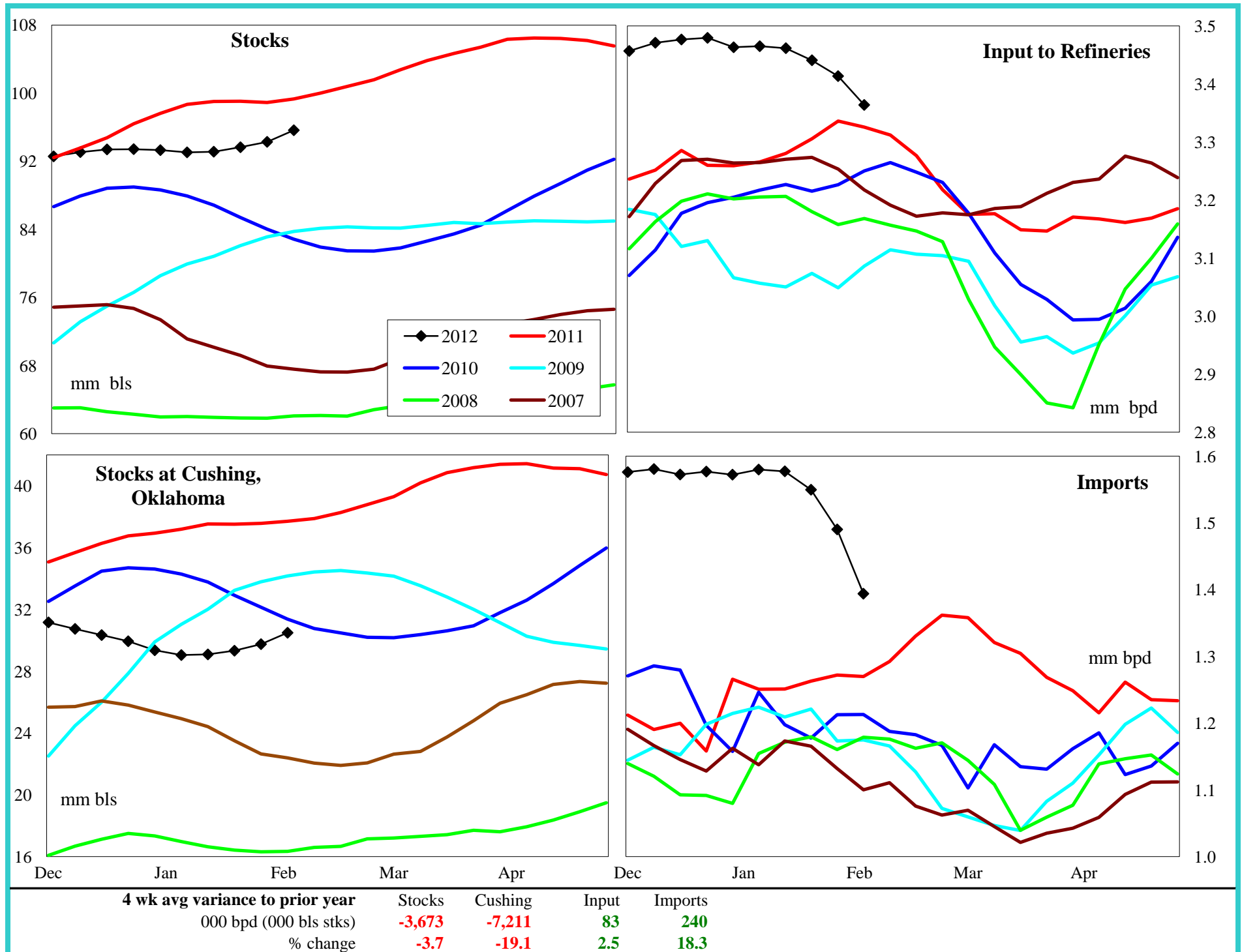
PADD 1 Jet Fuel Supply



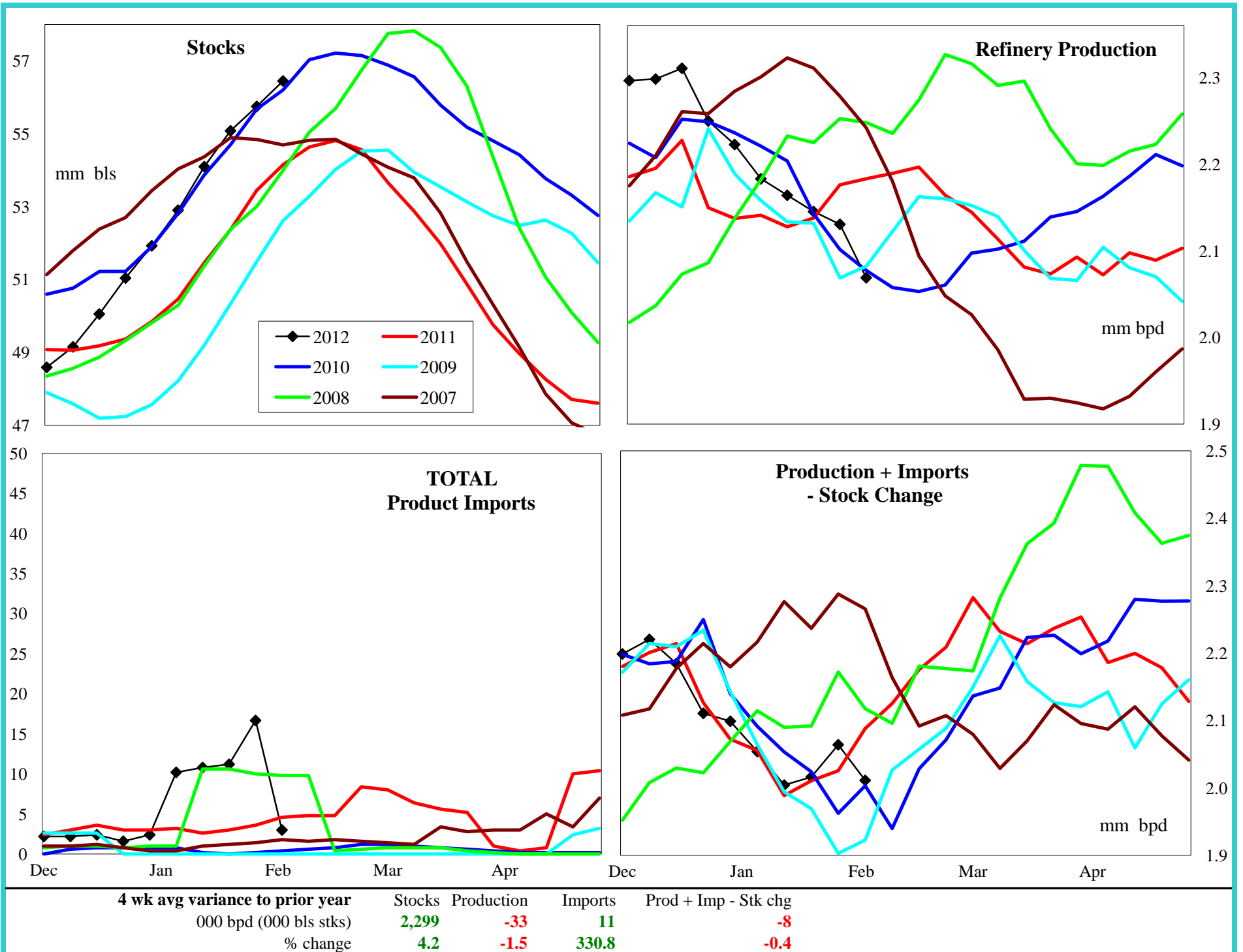
PADD 1 Residual Fuel Oil Supply



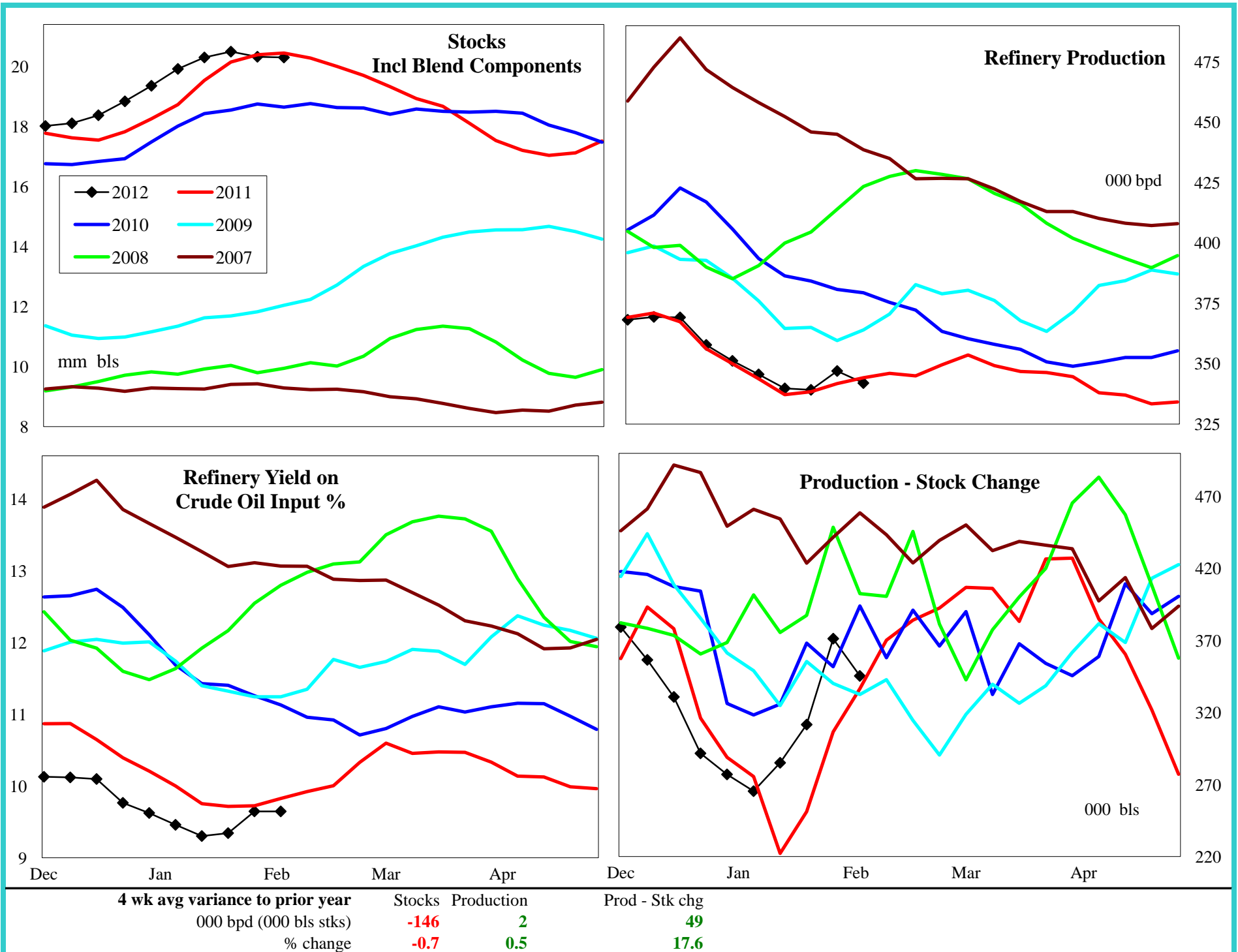
PADD 2 Crude Oil Supply and Refining



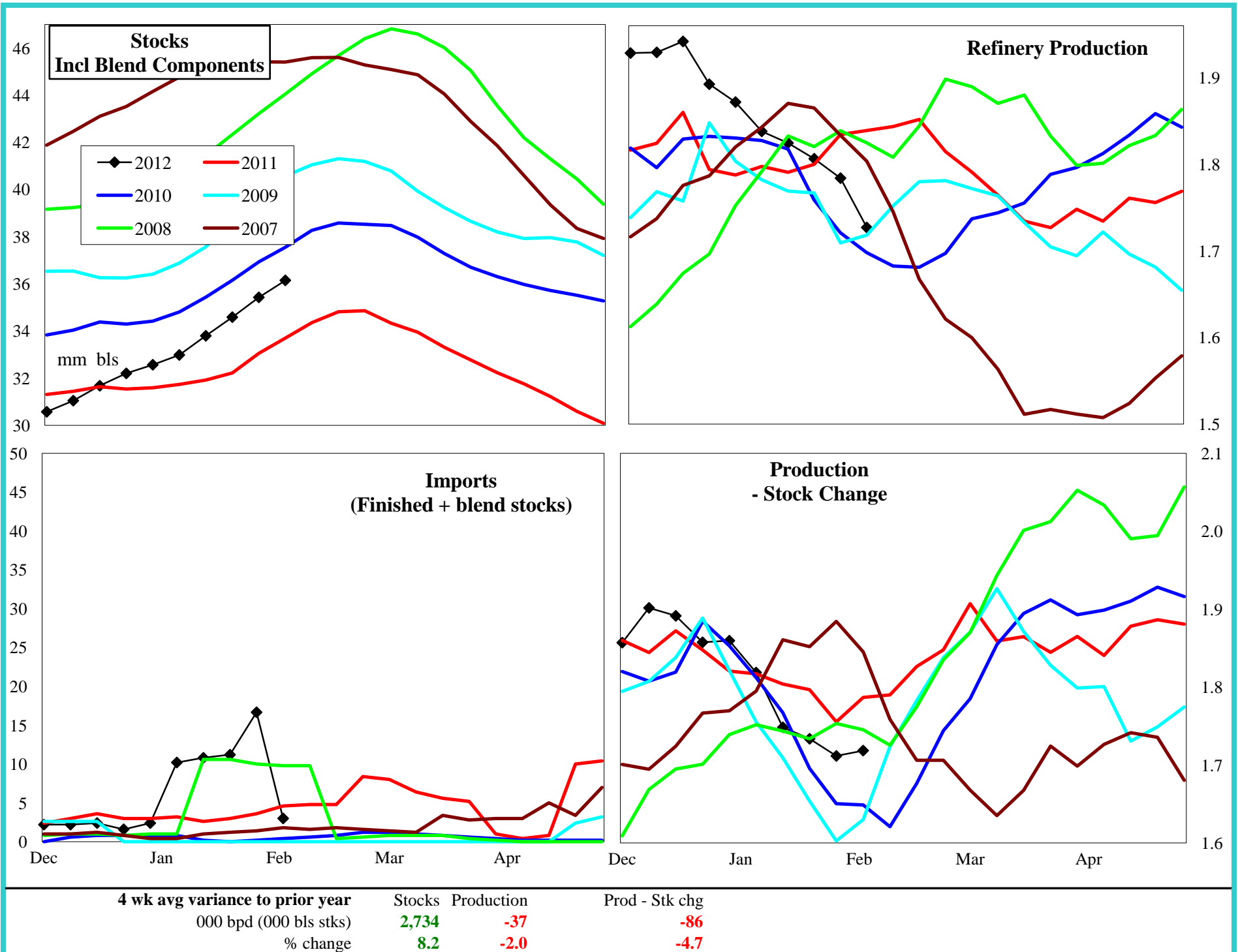
PADD 2 Gasoline Supply



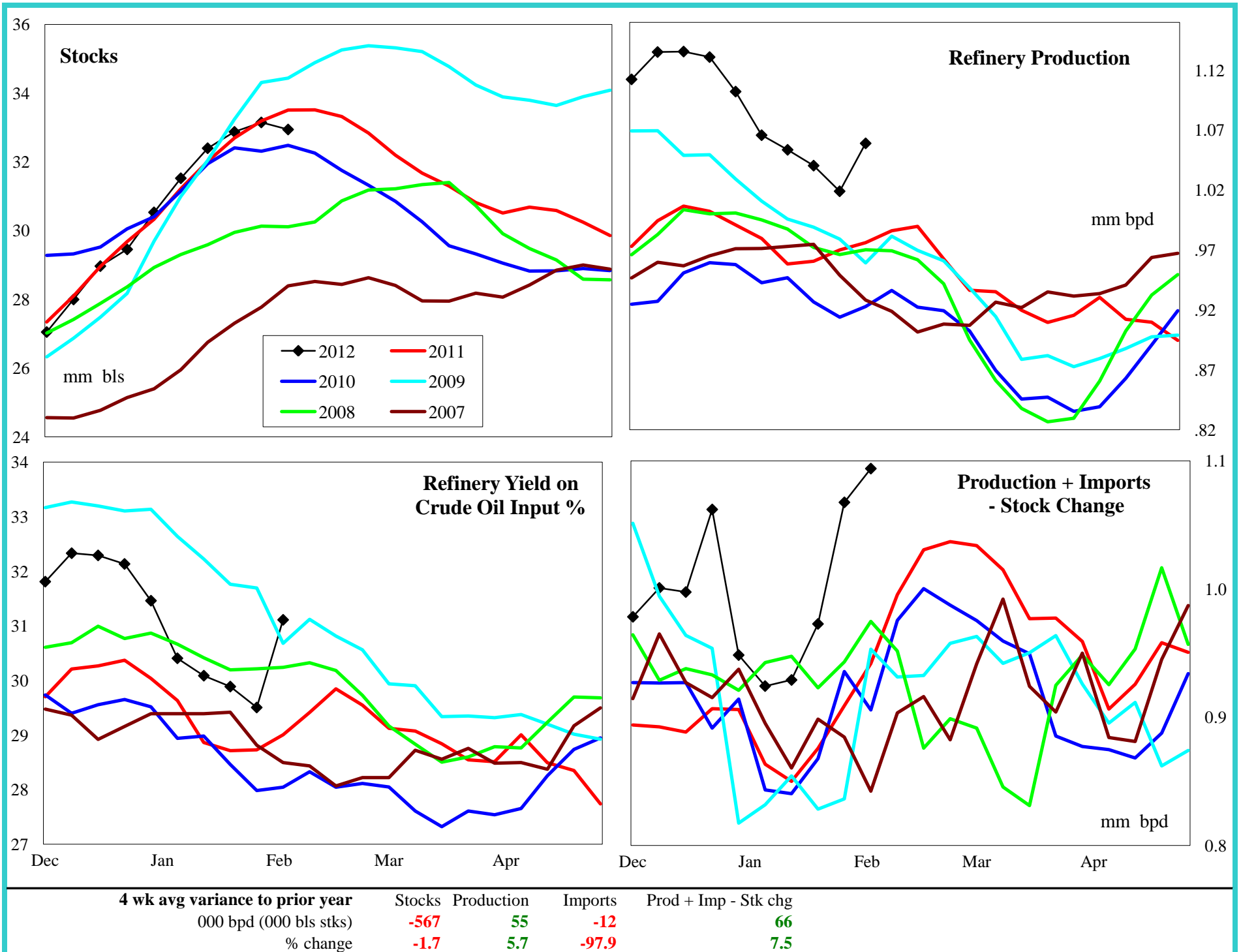
PADD 2 Reformulated Gasoline Supply



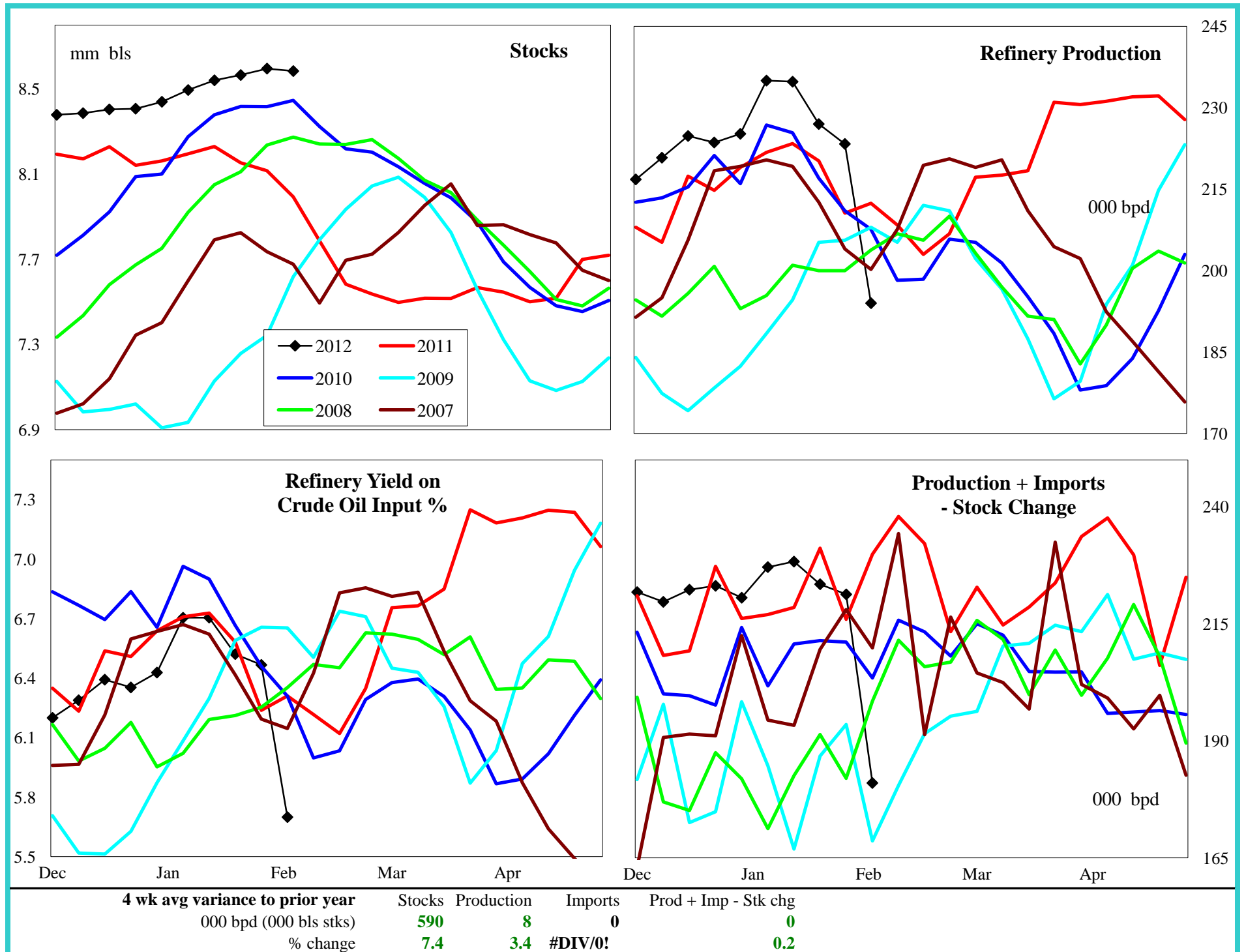
PADD 2 Conventional Gasoline Supply



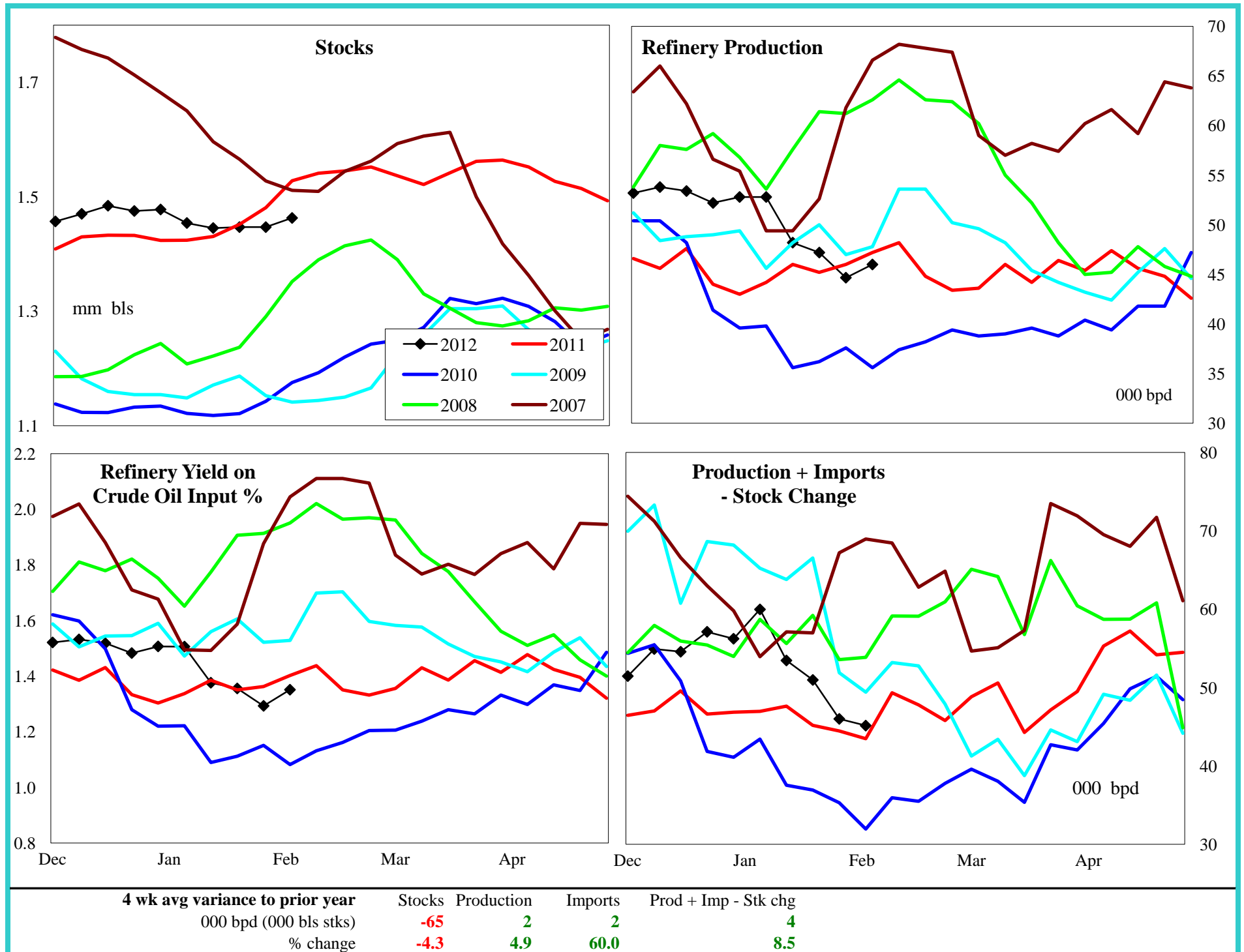
PADD 2 Distillate Supply



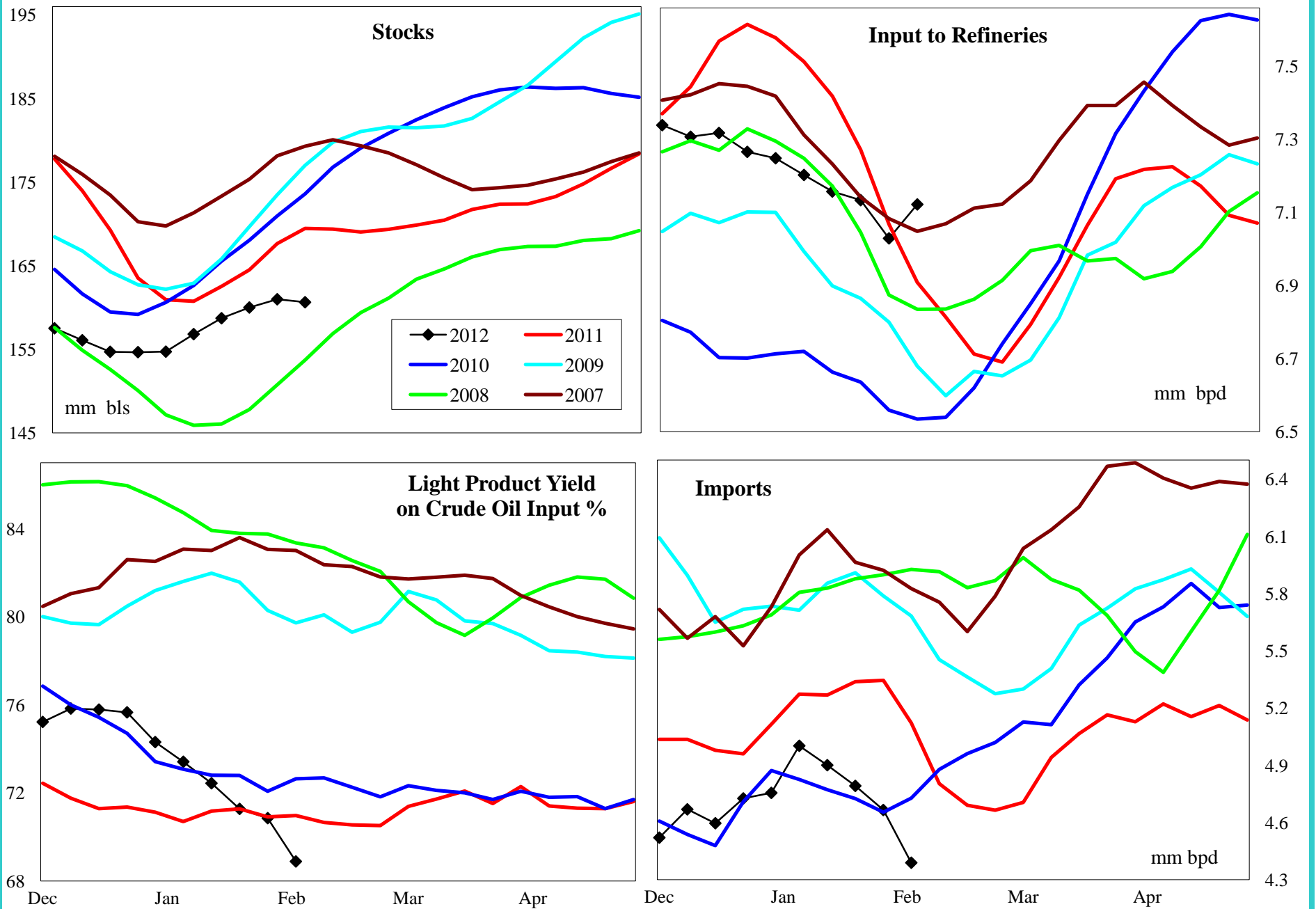
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-8,831

-5.2

Input

-105

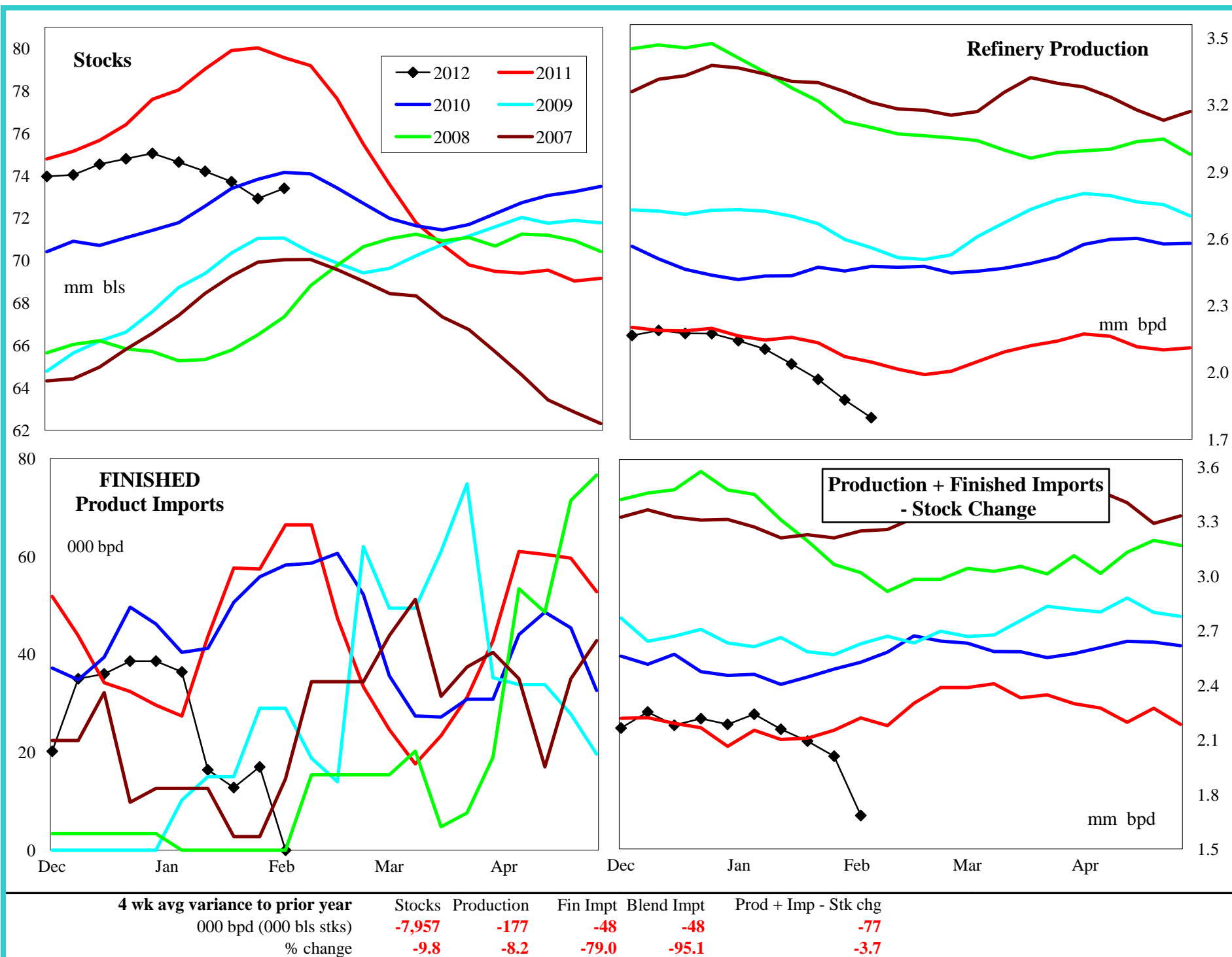
-1.4

Imports

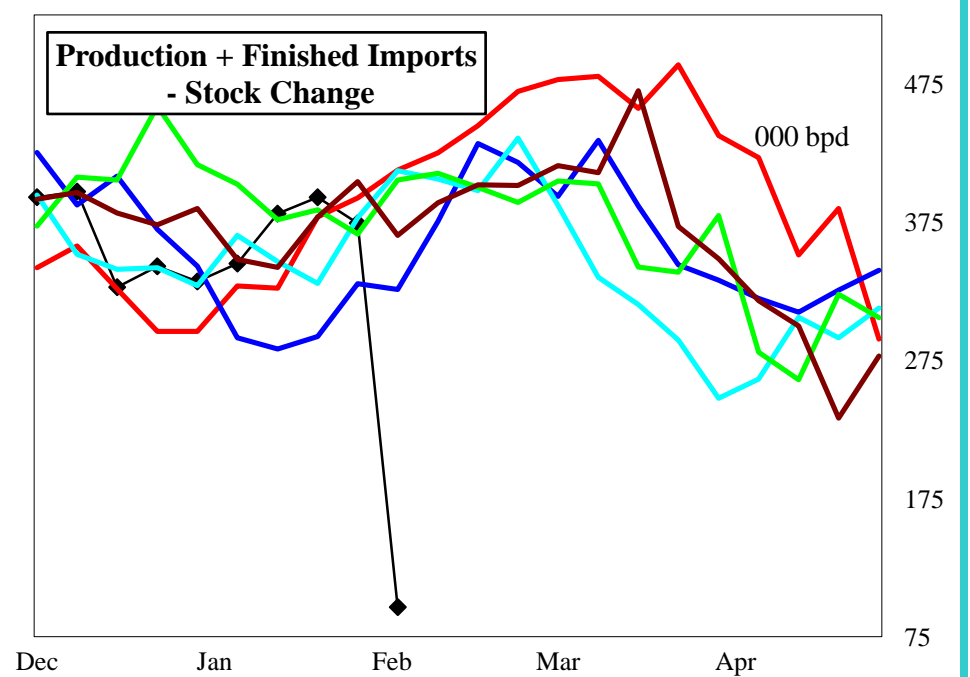
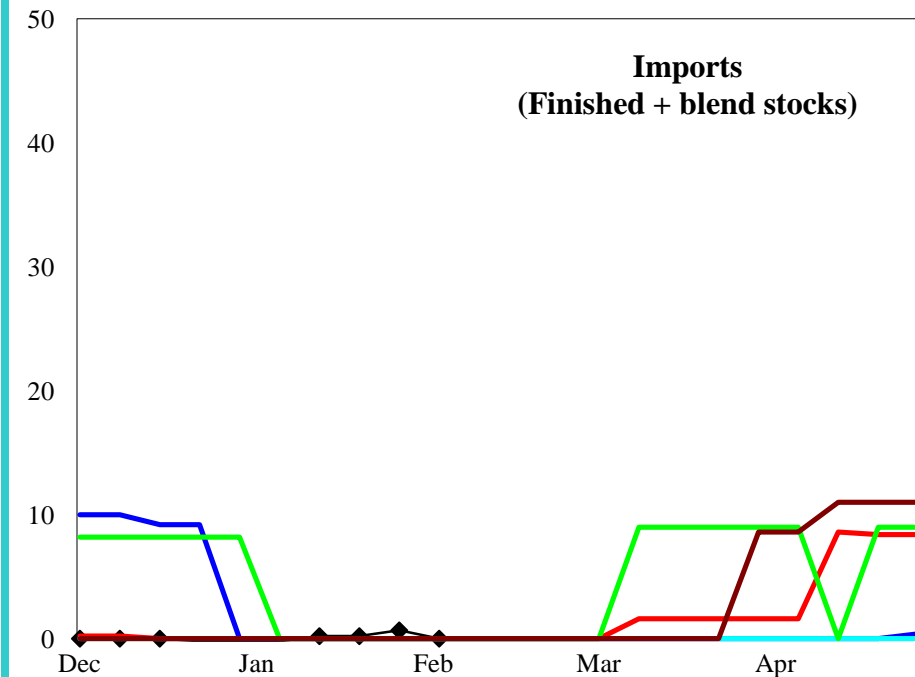
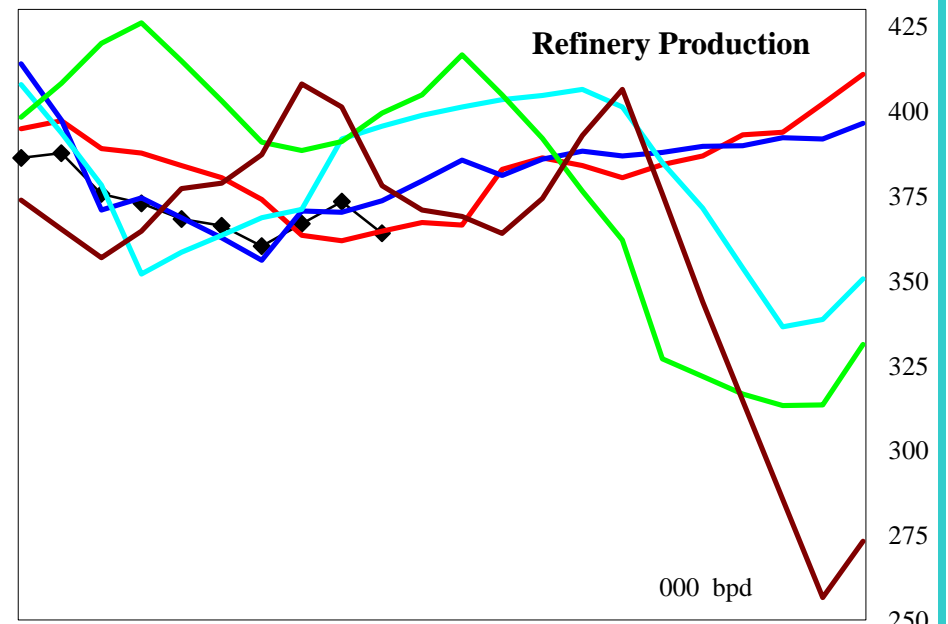
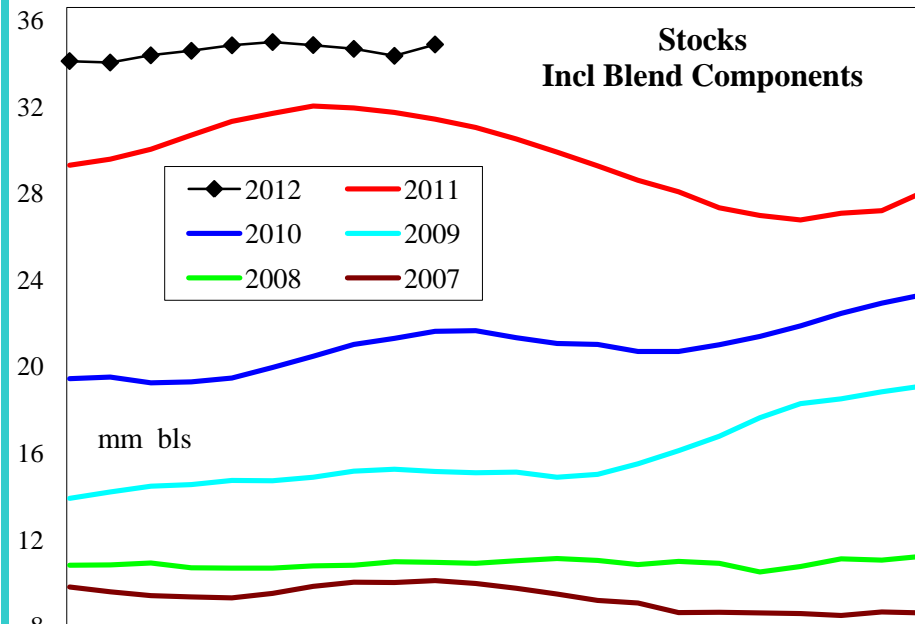
-836

-15.3

PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

3,497

11.0

Production

8

2.1

Imports

1

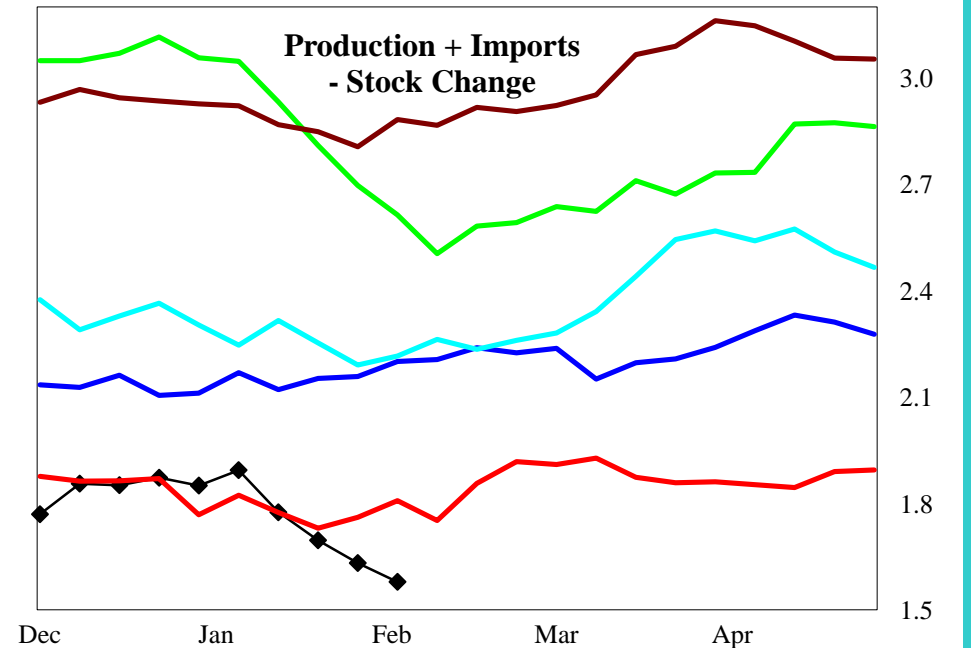
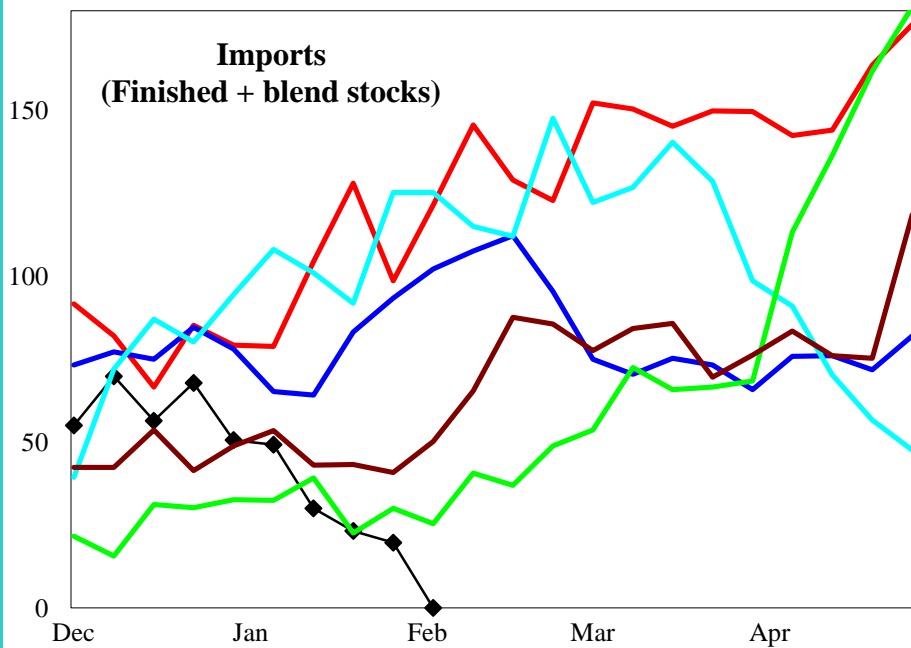
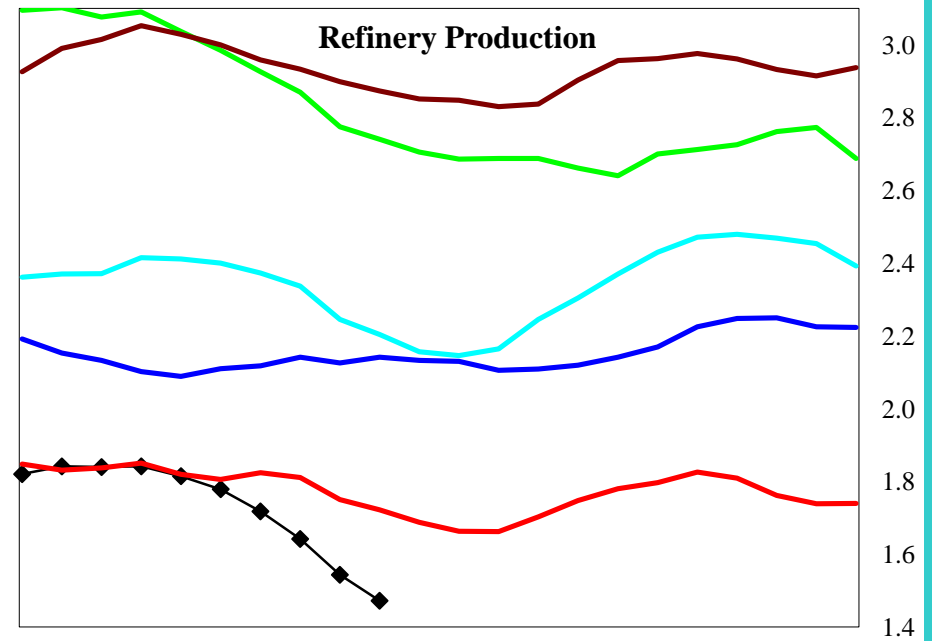
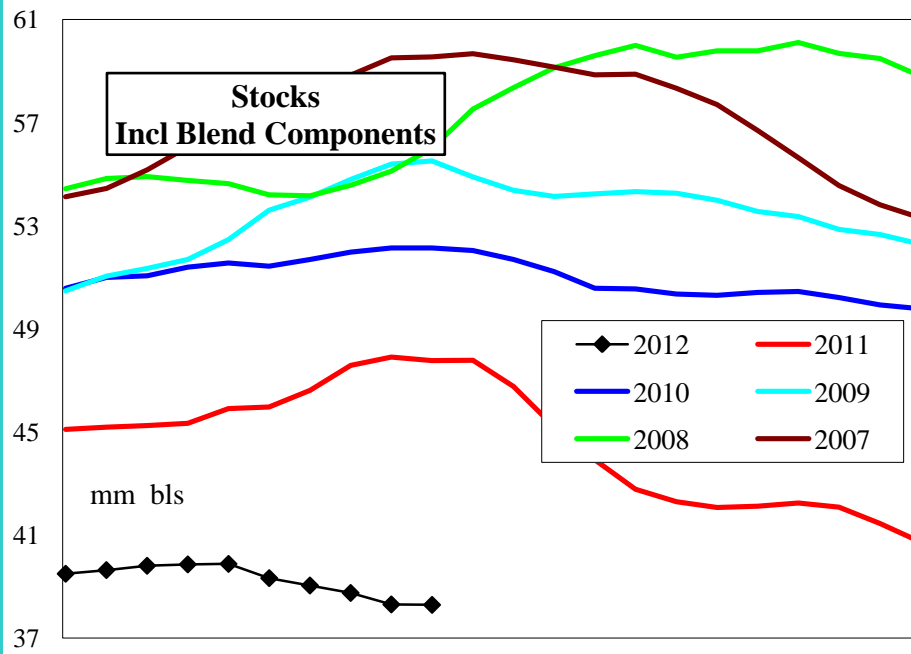
#DIV/0!

Prod + Imp - Stk chg

-4

-1.0

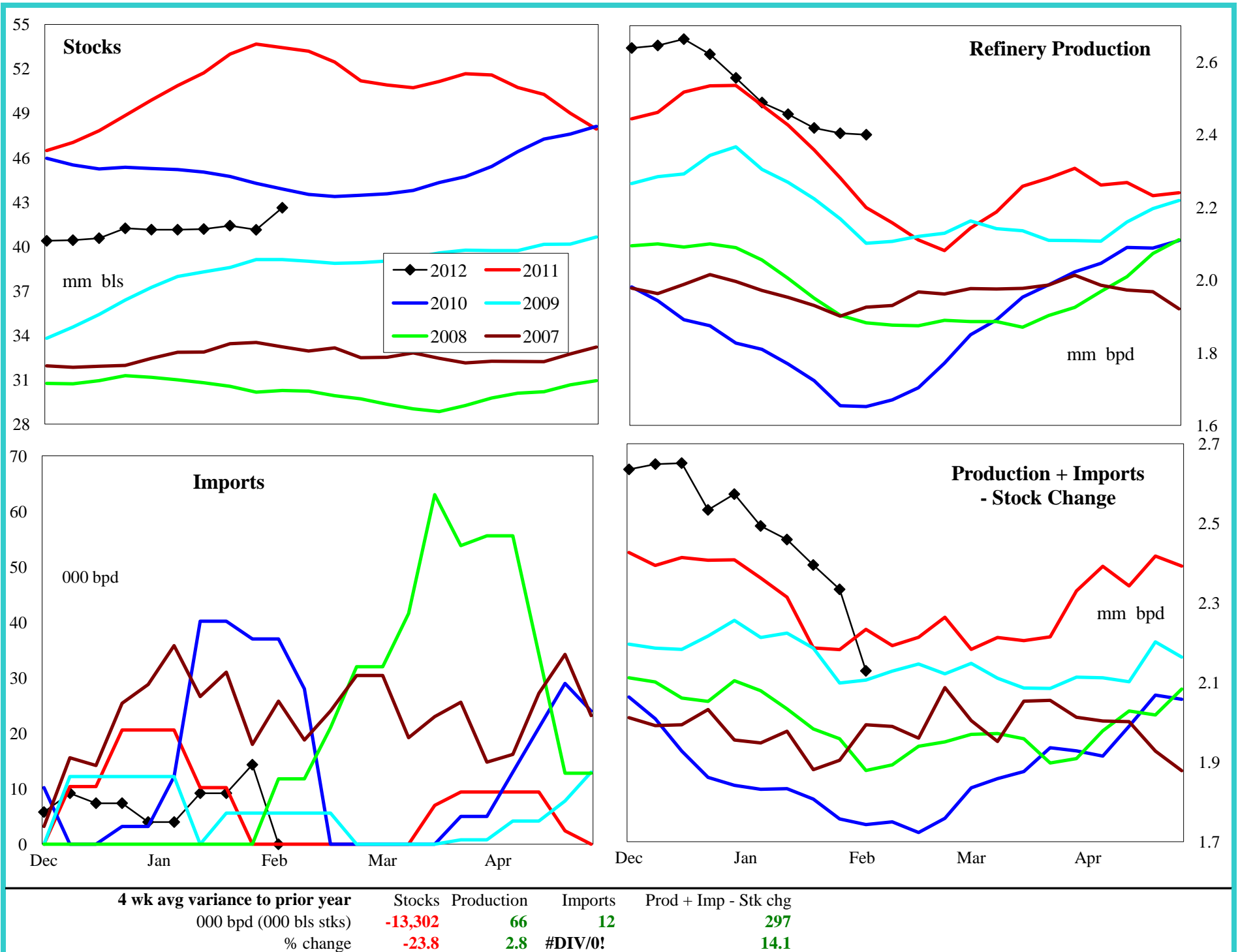
PADD 3 Conventional Gasoline Supply



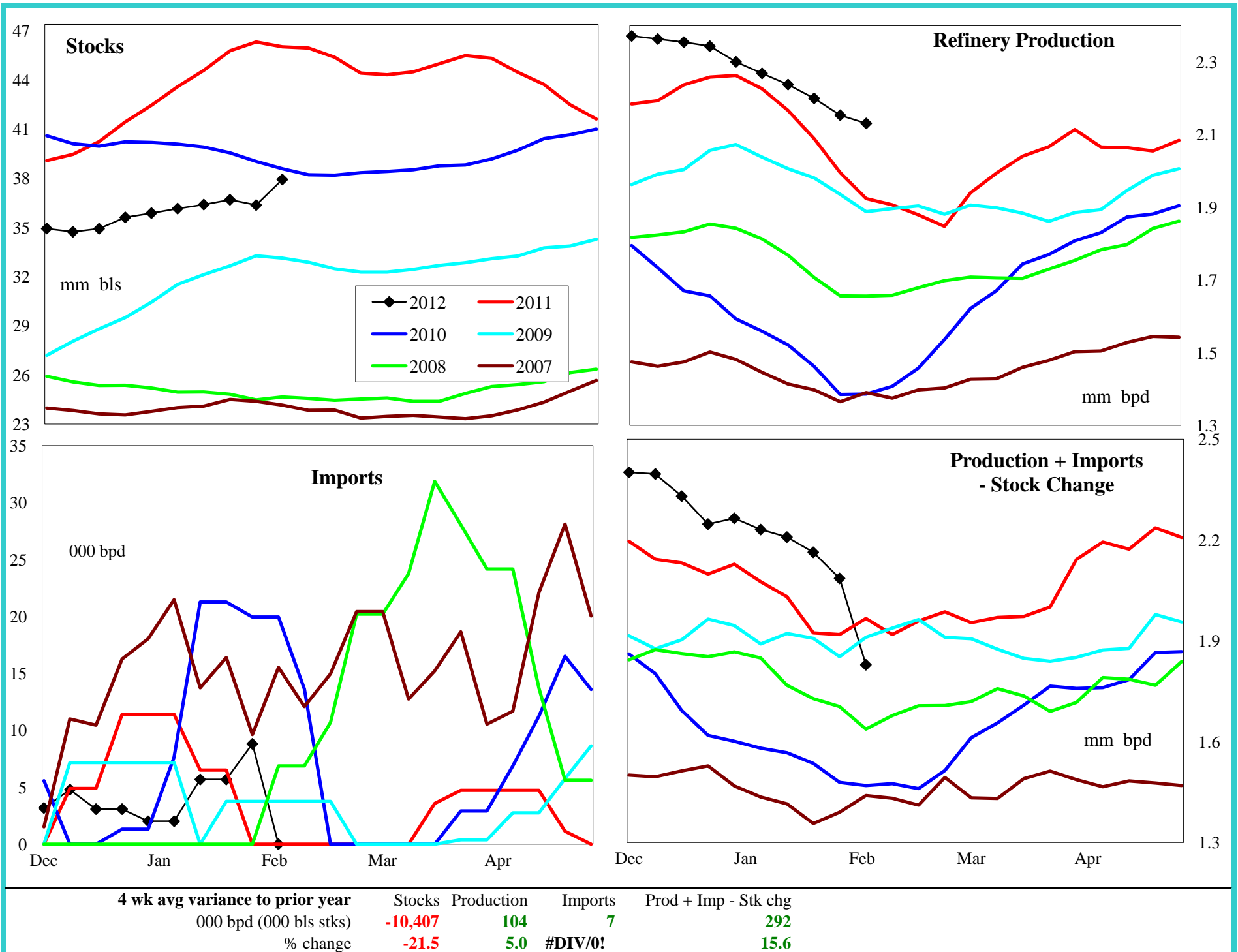
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

| Stocks | Production | Imports | Prod + Imp - Stk chg |
|---------|------------|---------|----------------------|
| -11,317 | -185 | -97 | -79 |
| -22.8 | -10.4 | -86.8 | -4.6 |

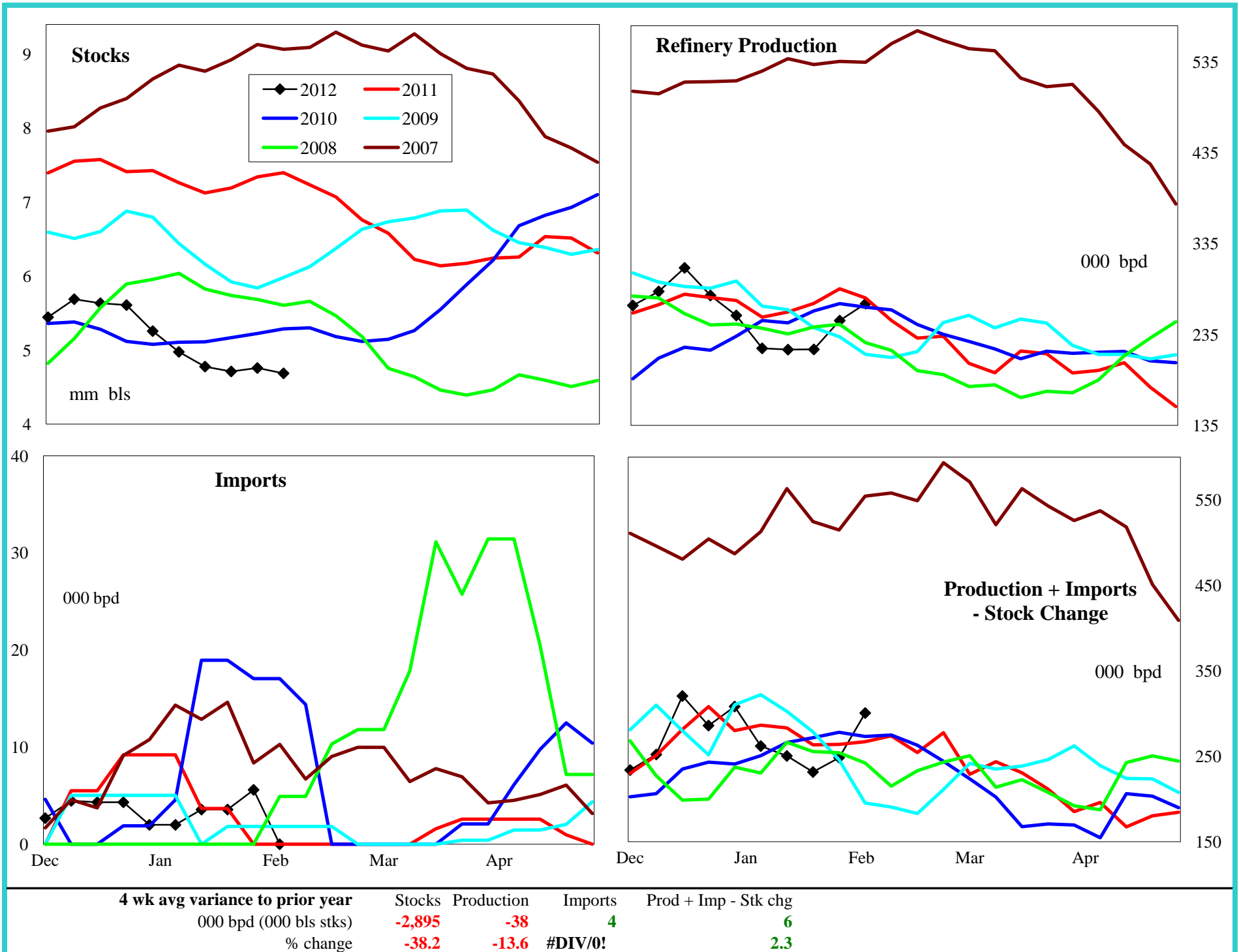
PADD 3 Distillate Supply



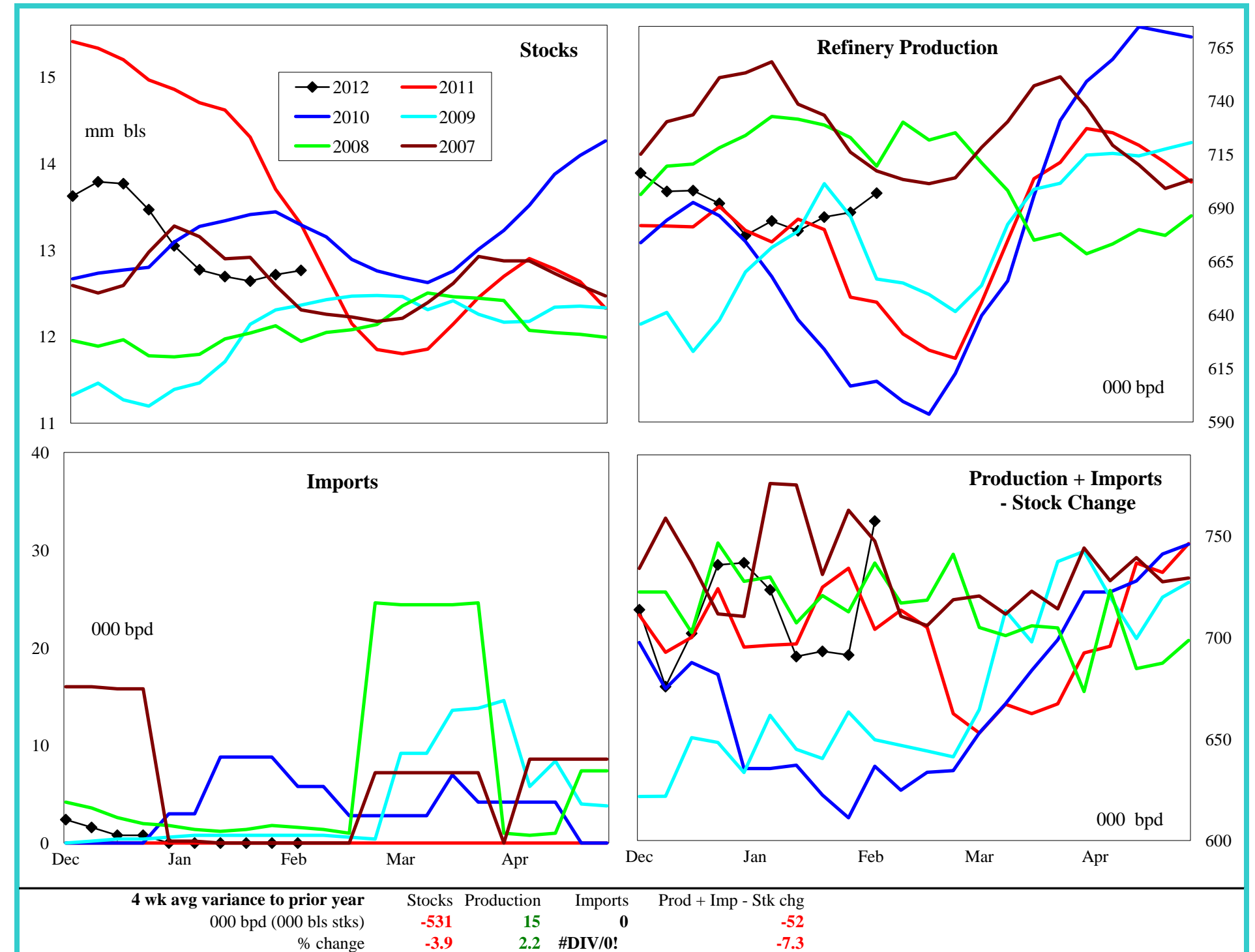
PADD 3 Low Sulfur Distillate Supply



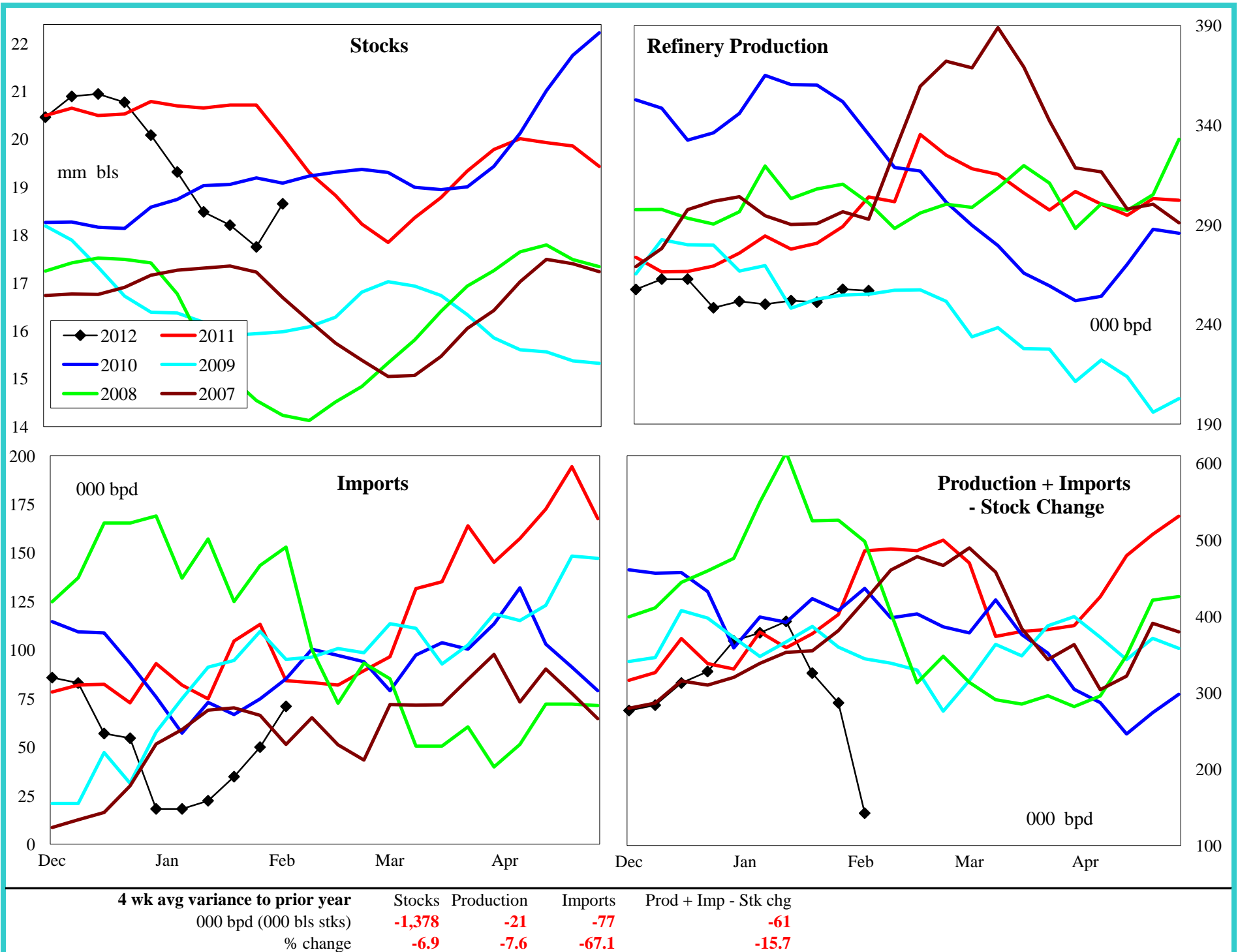
PADD 3 High Sulfur Distillate Supply



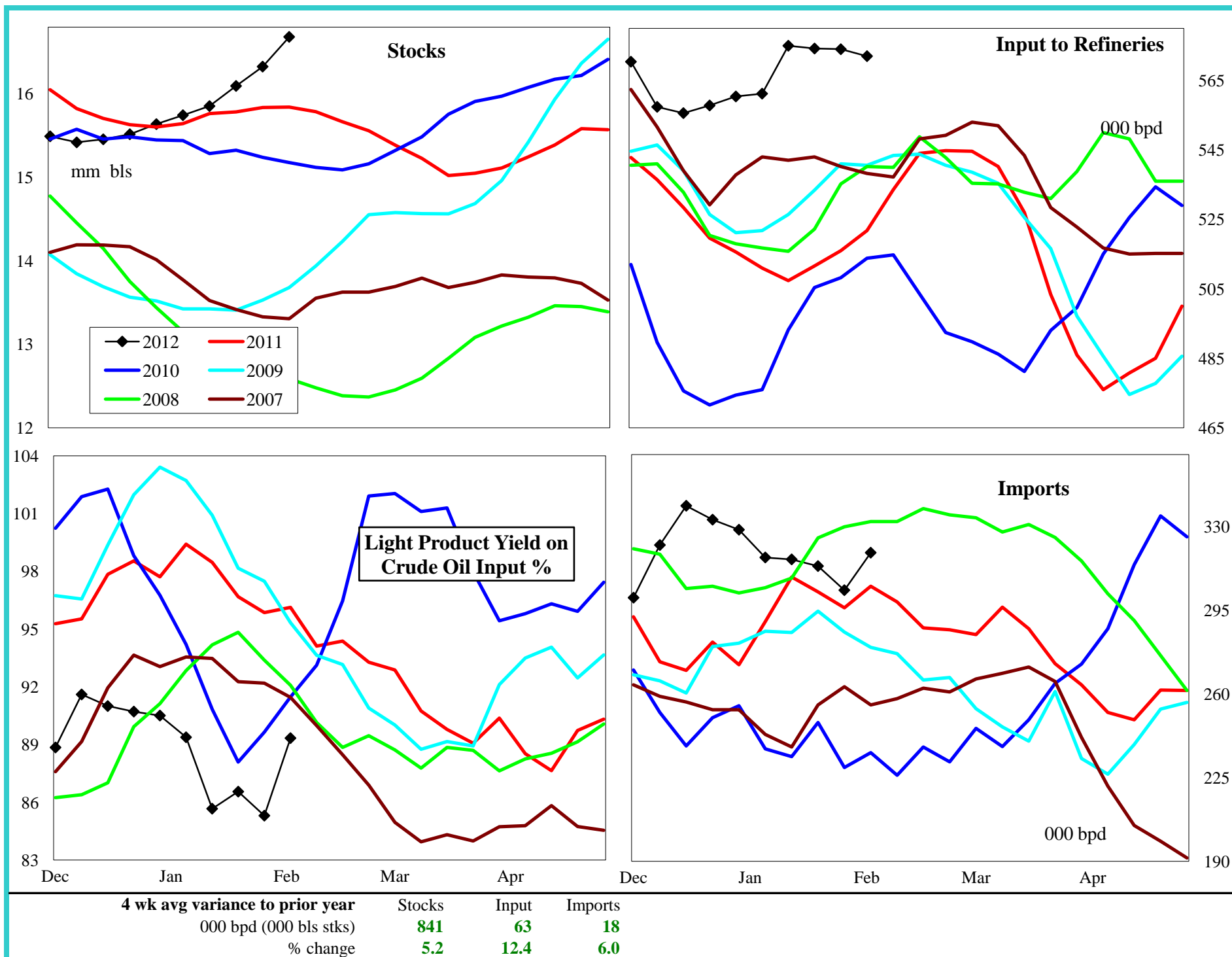
PADD 3 Jet Fuel Supply



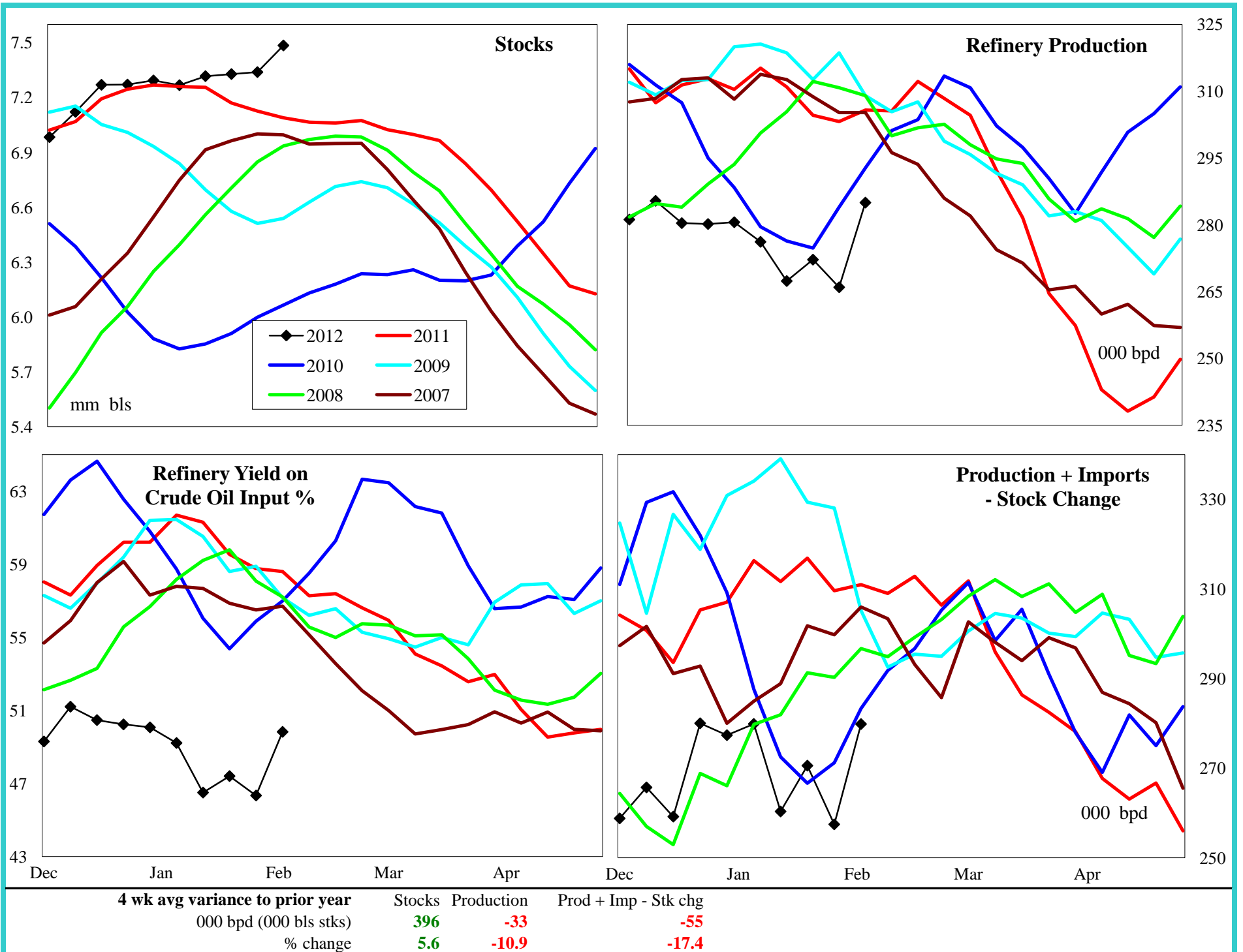
PADD 3 Residual Fuel Oil Supply



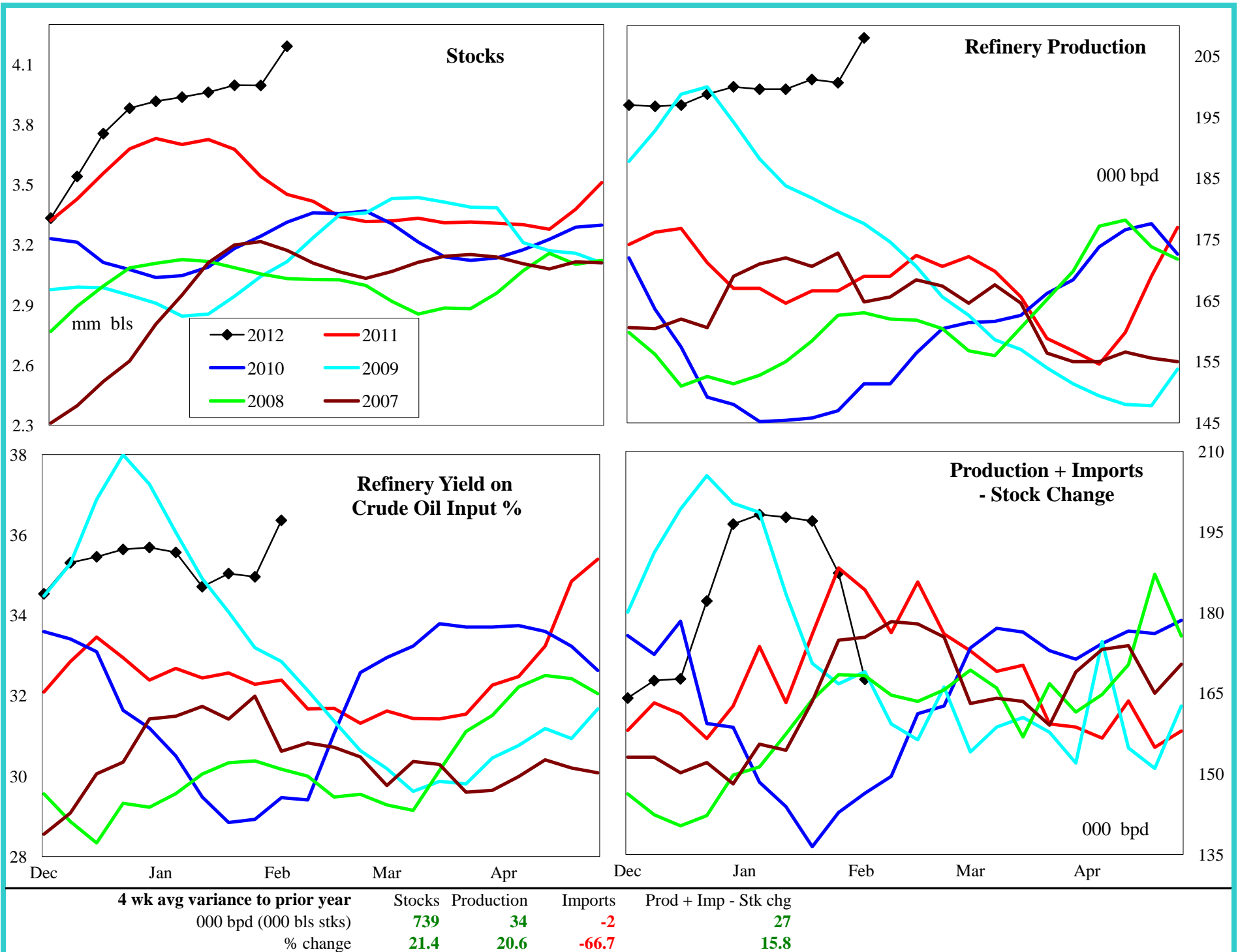
PADD 4 Crude Oil Supply and Refining



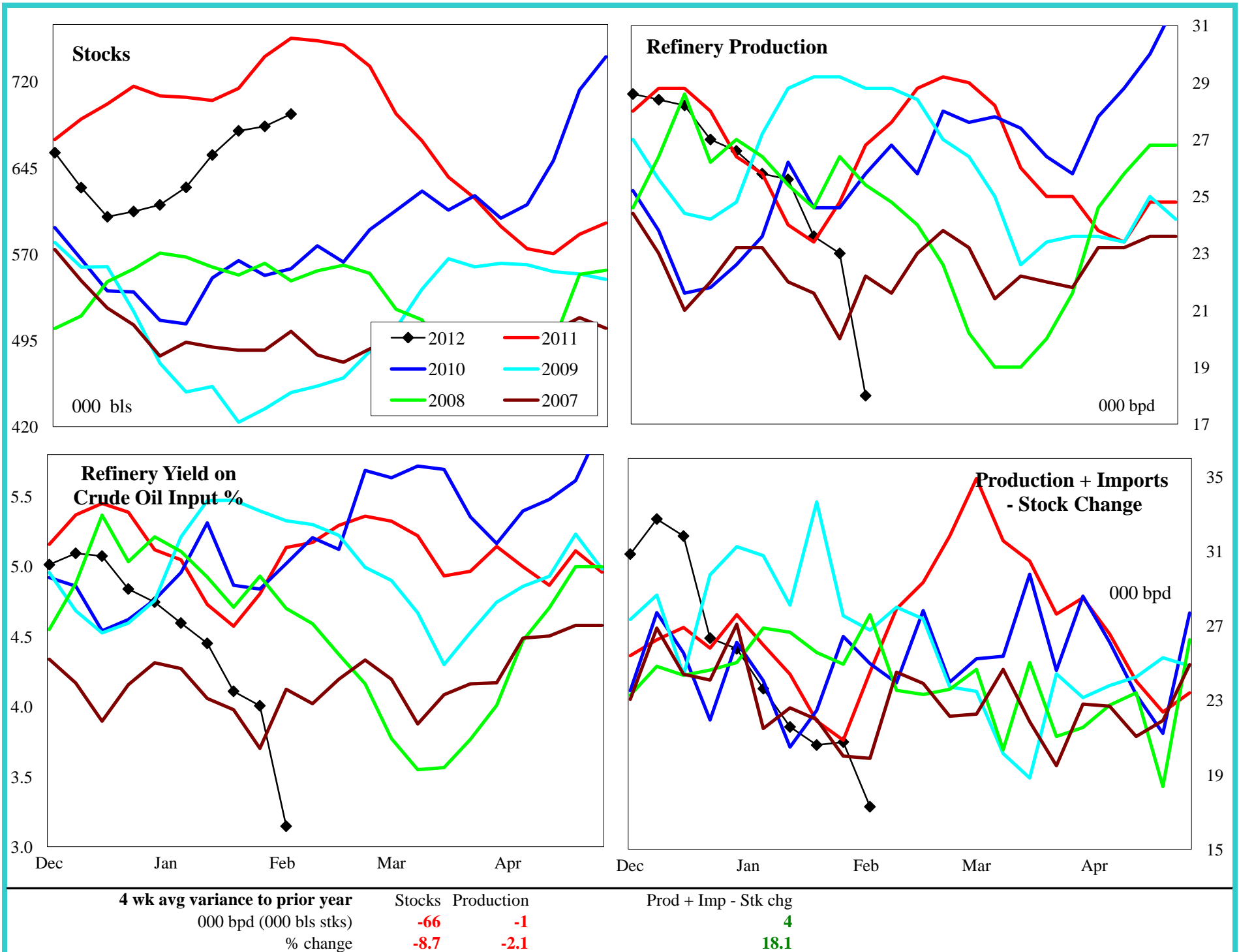
PADD 4 Gasoline Supply



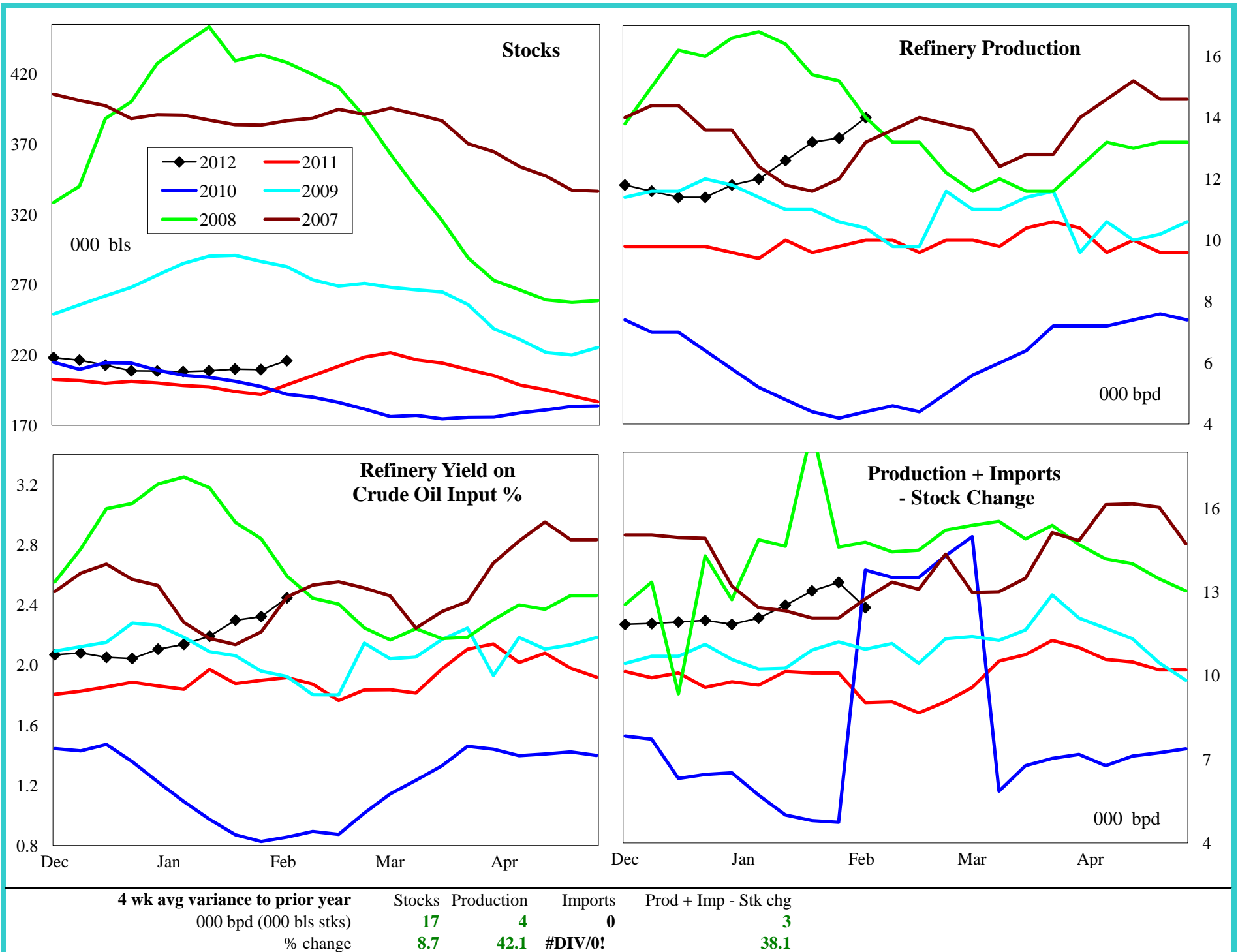
PADD 4 Distillate Supply



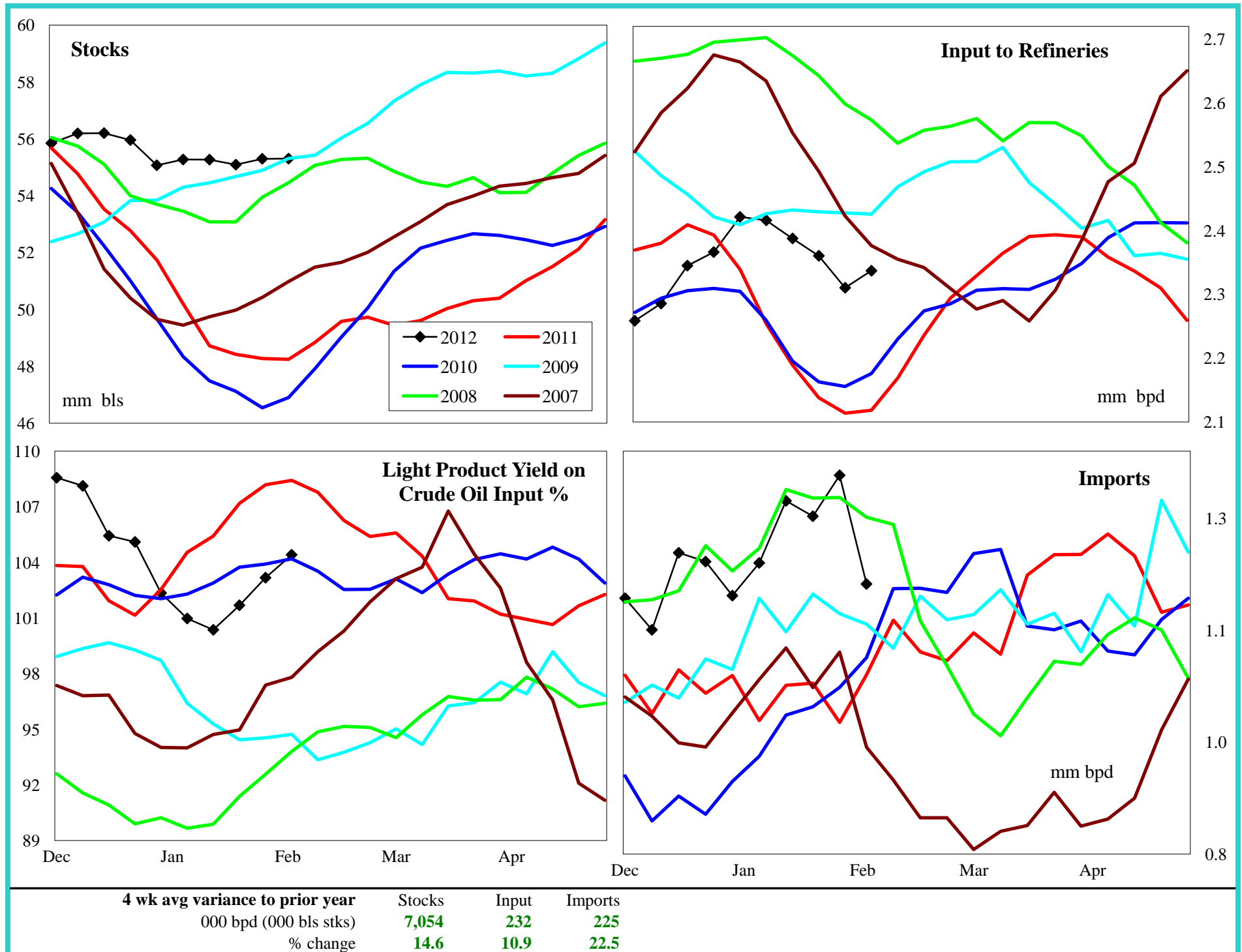
PADD 4 Jet Fuel Supply



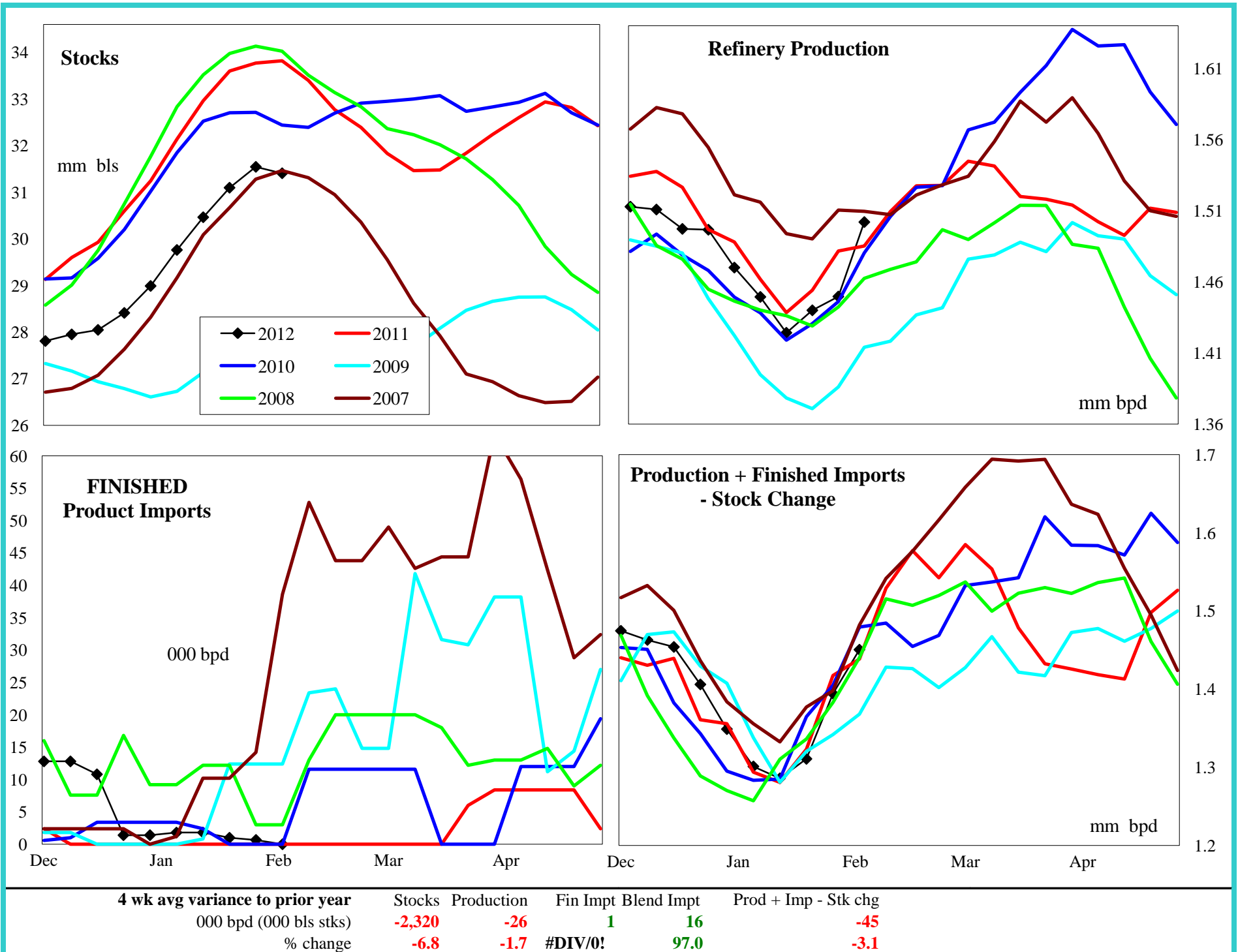
PADD 4 Residual Fuel Oil Supply



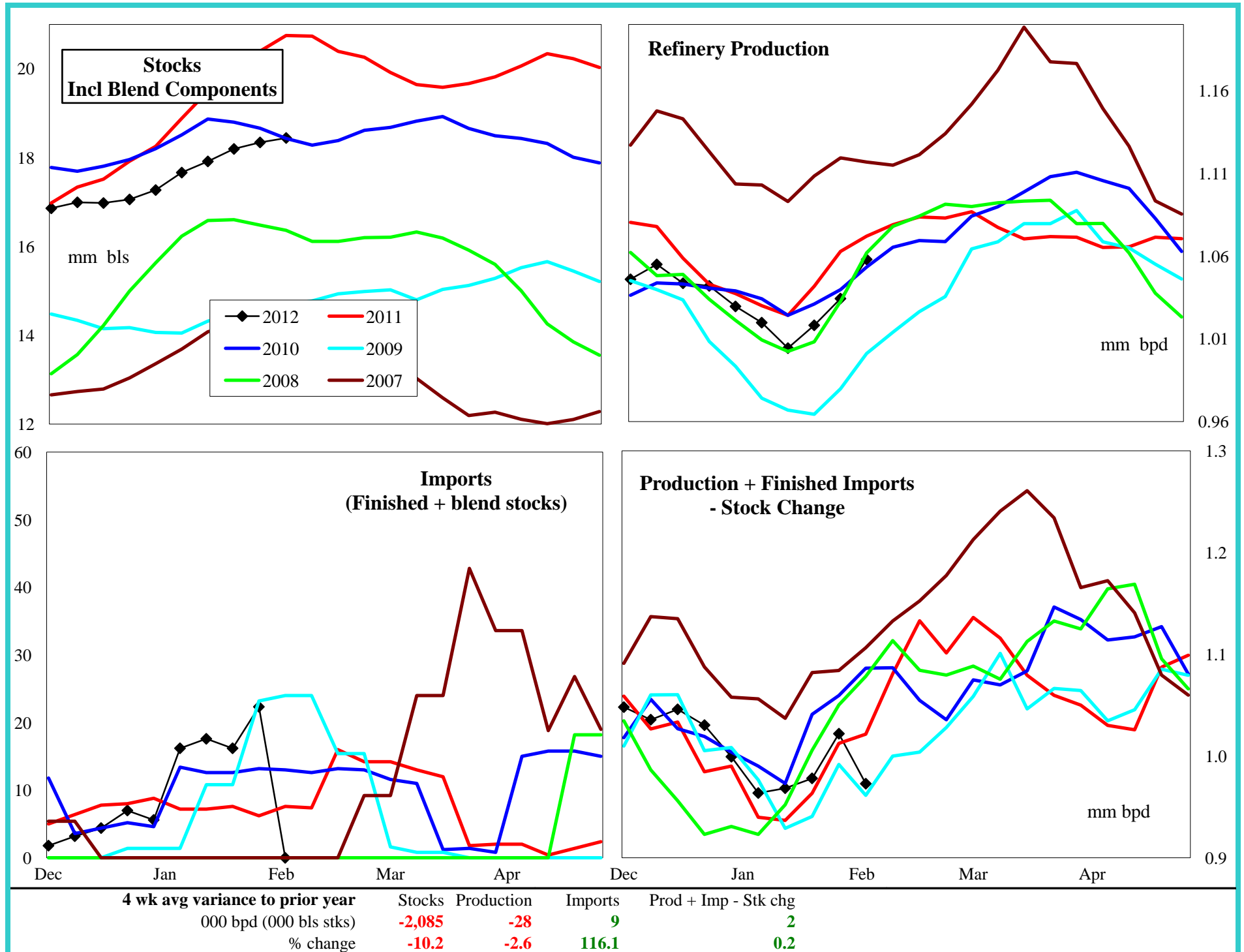
PADD 5 Crude Oil Supply and Refining



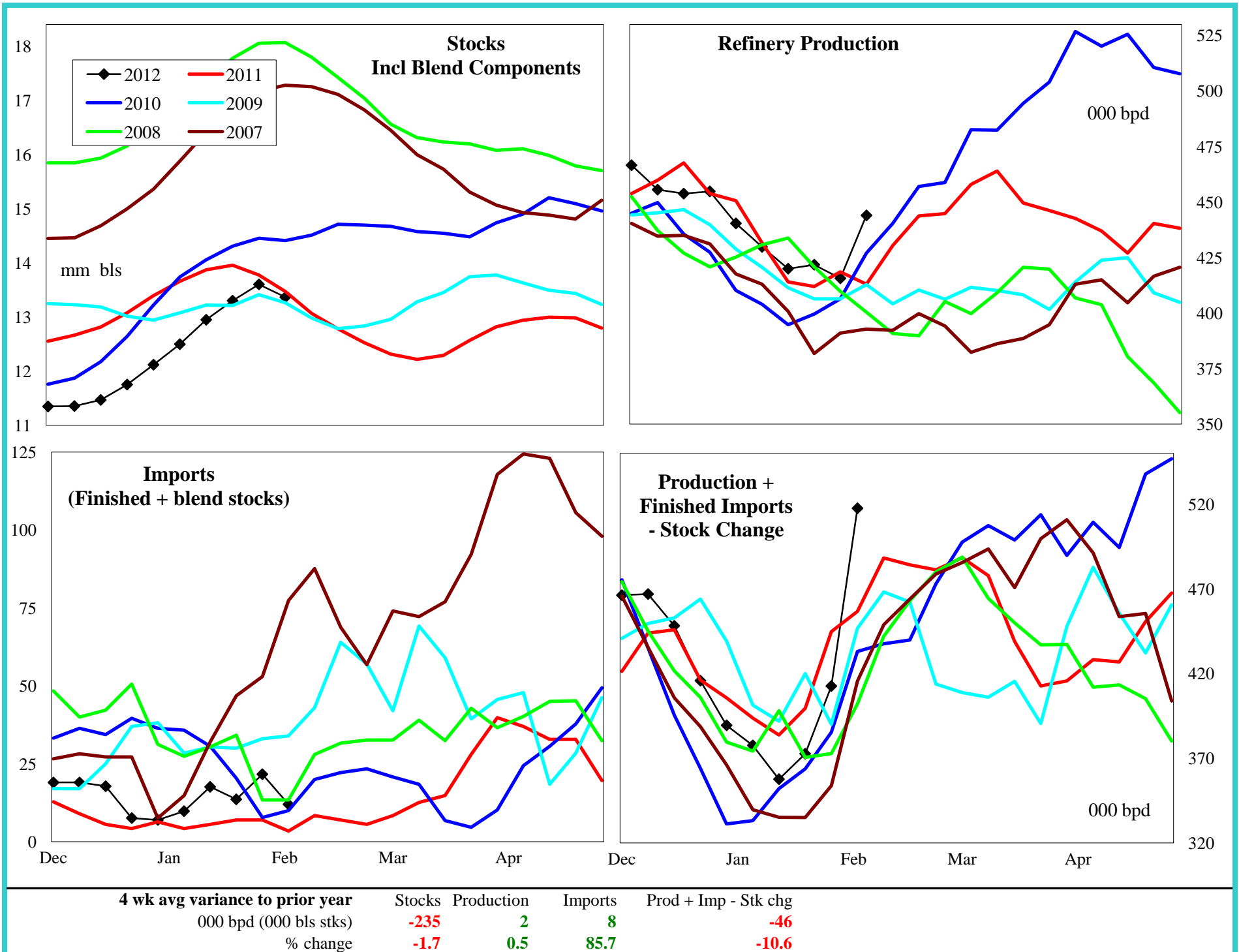
PADD 5 Gasoline Supply



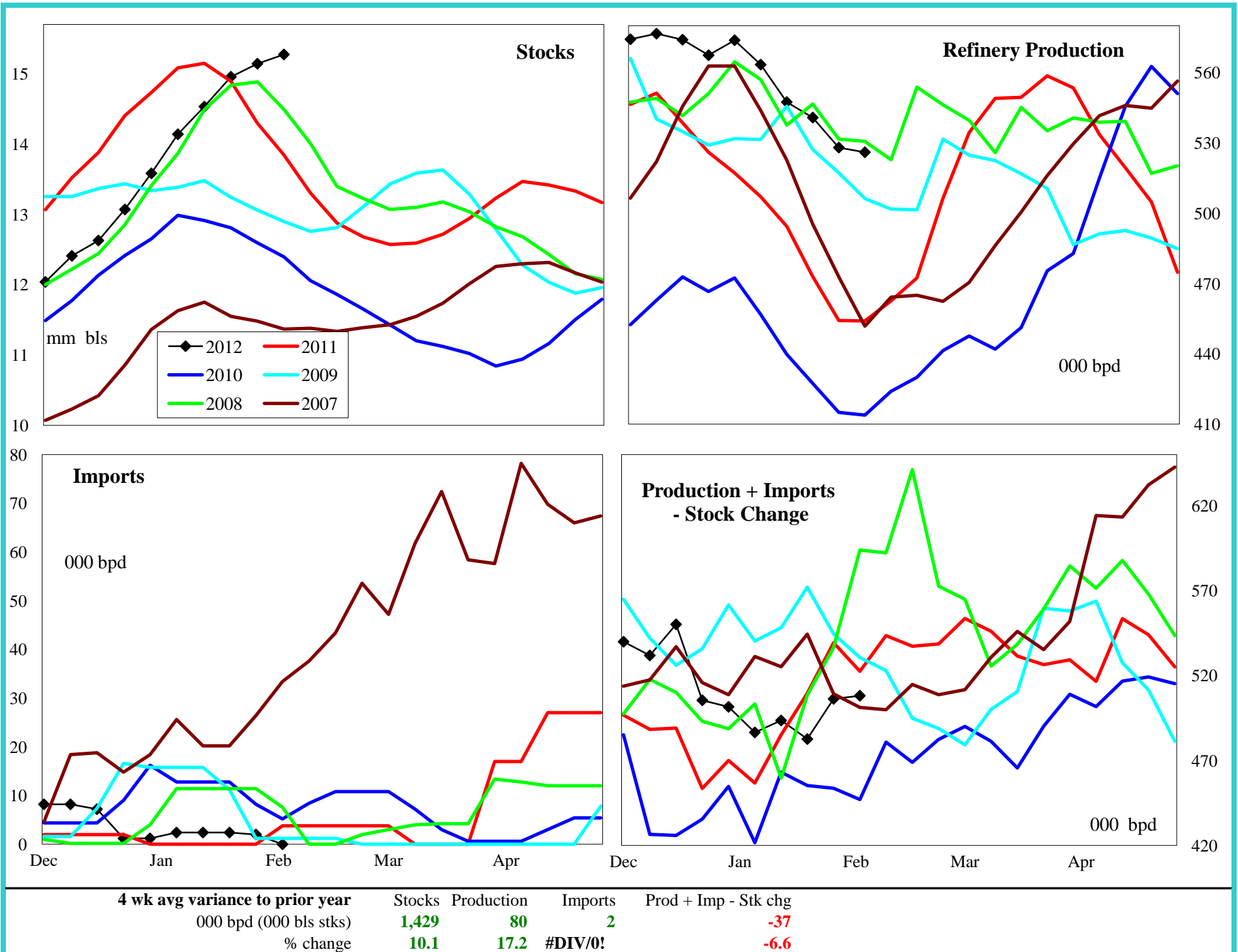
PADD 5 Reformulated Gasoline Supply



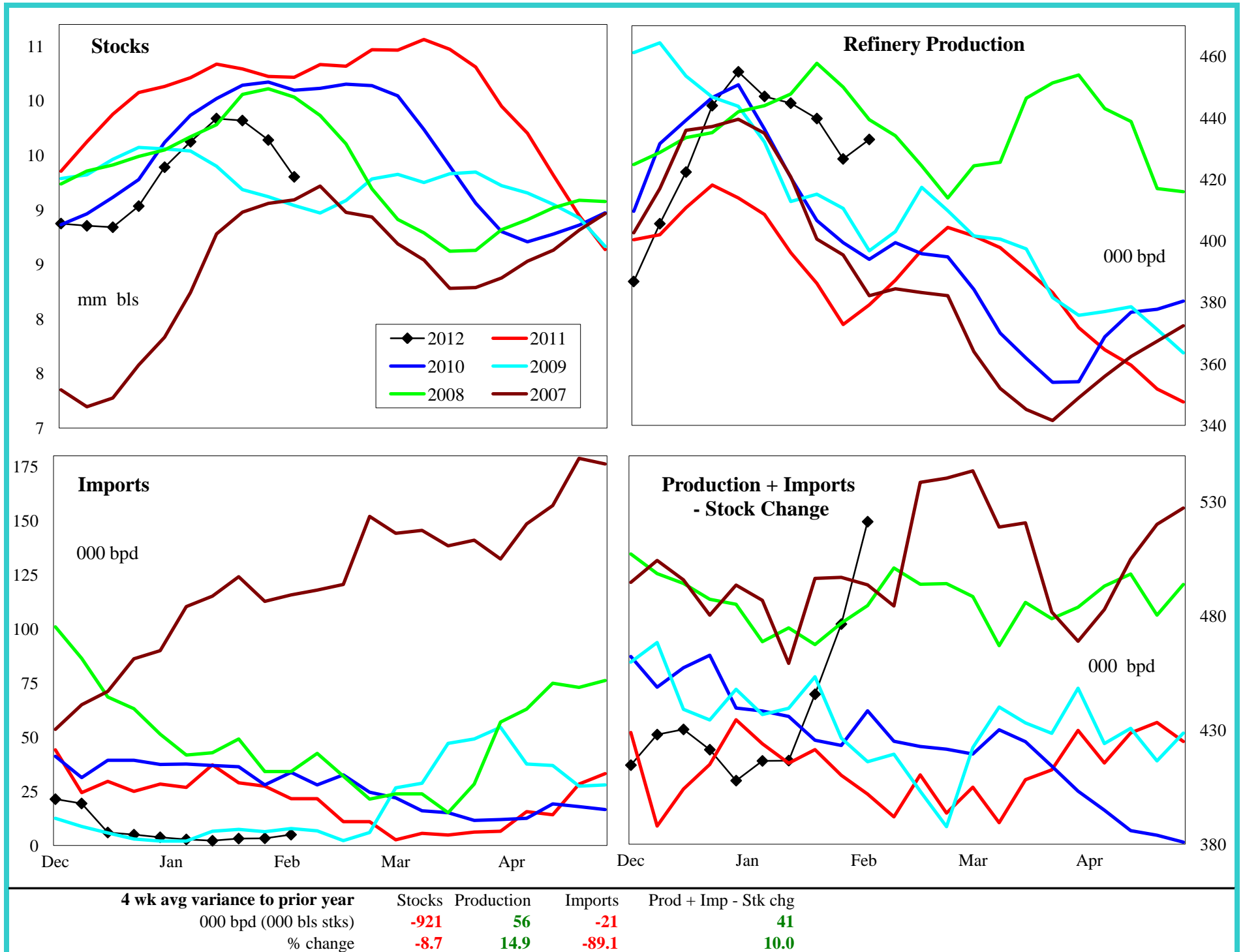
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

