



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

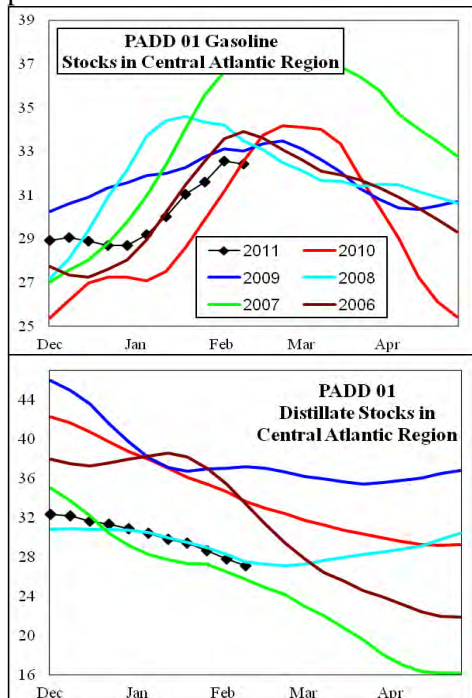
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, February 16, 2012

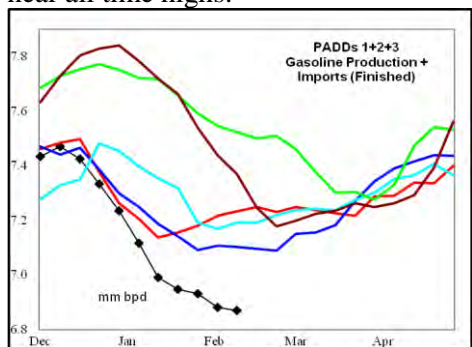


Major Fundamental Trends¹

Gasoline and distillate supplies in the key Central Atlantic Region of PADD 1 are tight. Stock levels are at the low end of the 5-year range for both products.



Imports of both gasoline and distillate into the region are at record low levels, while exports from the region remain near all time highs.

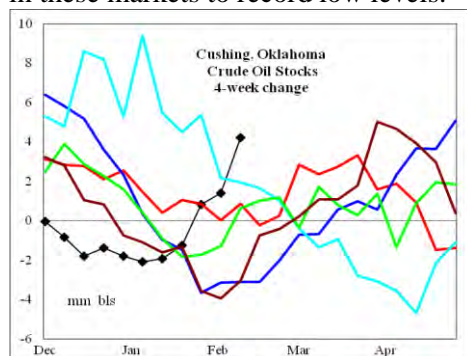


Gasoline production/finished product imports have been cut sharply as a result of weak demand in markets East of the Rockies; contributing to the tightness in PADD 1 supplies.

Unusually cold temperatures in Europe this winter, and closure of refineries in the Atlantic Basin have

reduce distillate output in the region.

Contrast the Central Atlantic Region tight supplies of gasoline and distillate with markets in the Midwest and Rockies where stock levels and production are extremely high. Refiners in these regions are processing unusually low cost domestic crude oil and Canadian imports, which has driven output to record highs; in turn driving cash basis in these markets to record low levels.



The latest 4-wk stock build in Cushing reached a record high for this time of year, driven by extremely high domestic production and Canadian imports.

Demand for gasoline and distillate increased last week, as the seasonal upturn in gasoline use began. Wholesale demand, measured over the last four weeks compared to a year ago: gasoline decreased -6.5%; distillate down -2.6%; jet fuel down -2.1% while residual fuel oil decreased -27%.

Stocks forward coverage: Gasoline demand coverage increased on a +0.4 million barrel stock build last week, with the coverage level at record highs on very weak demand.

Distillate coverage fell on a -2.9 million barrel stock draw. Coverage levels were well below the last 2-years.

Jet fuel coverage levels were nearly unchanged on a +0.2 million barrel stock build, offset by higher demand. Coverage levels match 5-year highs.

Refinery utilization rates increased on a +322,000 bpd rise in crude oil runs. During the latest 4-wk period crude oil

input was +251,000 bpd above a year ago.

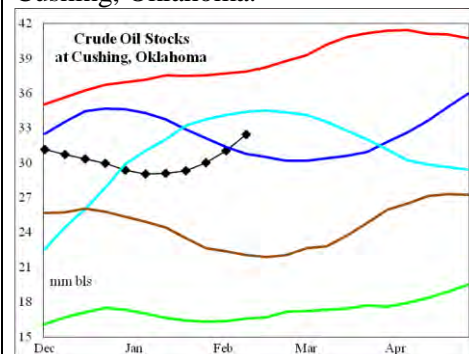
Gasoline yield % on crude oil runs was nearly unchanged on a +162,000 bpd increase in output compared to the +322,000 bpd rise in crude oil runs. Yield % on crude oil runs was at 5-year lows.

Distillate yield % on crude oil runs fell on a -96,000 bpd decrease in output, compared to the rise in crude oil runs. The yield % fell to match highs of the last 5-years for the period.

Jet fuel yield % on crude oil runs decreased last week on a -8,000 bpd decline in output compared to the higher crude oil runs. Yield % levels were near 5-year lows.

Petroleum Imports of crude oil and middle distillates increased last week, while gasoline declined.

During the latest 4-wk period crude oil imports were -168,000 bpd below last year; distillate imports decreased -125,000 bpd; finished gasoline imports decreased -11,000 bpd, gasoline blend stock imports declined -179,000 bpd; jet fuel imports were -41,000 bpd lower, while residual fuel oil imports declined -123,000 bpd. **Crude Oil** stocks were nearly unchanged on the week, although stocks jumped +2 million barrels in Cushing, Oklahoma.



Stock levels are at or near record highs in PADDs 2, 4 and 5; even with very high crude oil runs in these areas. Stock levels in the Gulf region are at the low end of the historic range, due largely to the structural shift in imports for PADD 2 shifting to Canada and increased inland domestic production.

¹ Source is latest EIA Weekly Statistics



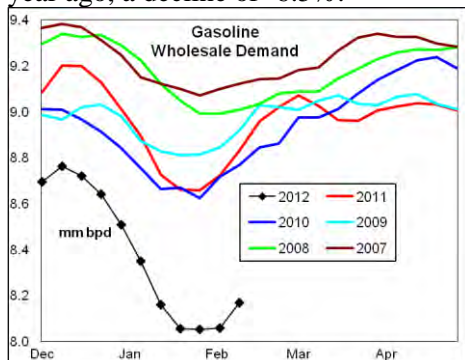
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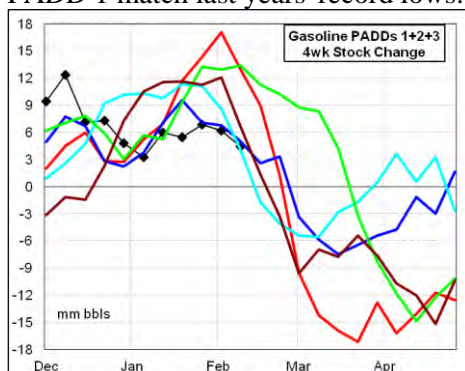
Product Supply-Demand Trends

Gasoline demand increased +128,000 bpd last week, beginning the seasonal upturn. The latest 4-wk average demand was -561,000 bpd below a year ago, a decline of -6.5%.



Imports fell -0.2 million bpd last week, to a level well below the historic range.

Stocks increased +0.4 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 match last years' record lows.



Record low imports, and production at the low end of the 5-year range has caused the rate of stock building in markets East of the Rockies to match the 5-year lows.

Weak demand has lifted stock levels in the Midwest and Rocky Mountain markets to record highs.

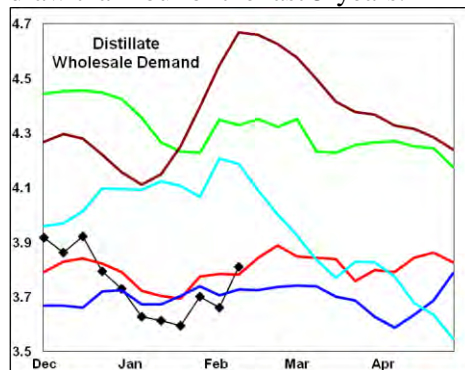
Stock levels in the key Central Atlantic Region match last years' record low level. Risk of a supply squeeze, in this region, even with weak demand, continues.

Distillate demand reversed the prior week decline, rising +375,000 bpd last week. The latest 4-wk average year-on-year change in demand was a -98,000 bpd decline; driven by the

unusually mild temperatures in the Northeast.

Supplies decreased -75,000 bpd on lower production; with the latest 4-wk average supply +140,000 bpd above a year ago. Stocks fell -2.9 million barrels on the week, with the decline concentrated in PADDs 1 and 3.

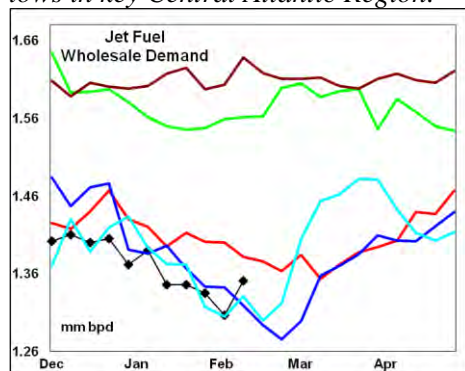
The latest 4-wk stock change in markets East of the Rockies was a draw of -4.9 million barrels, a larger draw than four of the last 5-years.



Demand has rebounded from the January lows to a level comparable with the last 2-years.

Slightly below normal heating degrees are forecast for the Northeast heating oil market over the next 10-days, which should limit heating fuel demand.

PADDs 2, 4 and 5 are each extremely over supplied on record high production and weak demand. Local production + imports into PADD 1 are -168,000 bpd below a year ago, and at record lows. Combined with robust exports from the Gulf and East Coast, the result is stock levels near 5-year lows in key Central Atlantic Region.



Jet Fuel demand decreased -10,000 bpd last week. The latest 4-wk

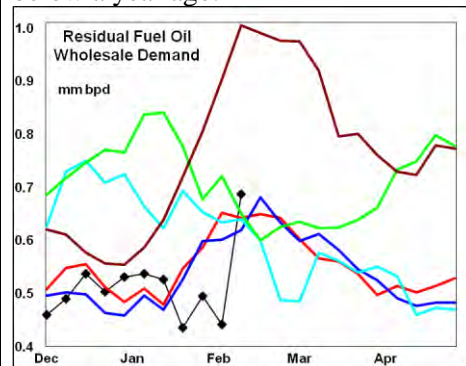
average demand was -30,000 bpd below a year ago.

Supply increased +64,000 bpd on exports that matched highs of the last 3-years. Stocks increased +0.2 million barrels last week, to a level comparable to last year.

Stock levels ended the week above the 5-year mid range in all regional markets except the Gulf. Production rates match the highs of the last 3-years

Relatively weak demand, and production +5% above last year and above the last 3-years point to adequate supplies during the next quarter.

Residual fuel oil demand spiked +445,000 bpd on the week, to a level comparable with the last 3-years. The latest 4-wk average was -176,000 bpd below a year ago.



Supply (production + imports) decreased -80,000 bpd last week, on lower imports. The latest 4-wk average supply was -147,000 bpd below last year. Stocks fell -2.6 million barrels to new all time record lows.

Stocks fell -1.2 million barrels in PADD 1, to new record lows. This points to a structural decline driven by refinery closures/exit of the residual fuel oil business. Stocks also decreased -1.5 million barrels in the Gulf on a spike in export loadings. Stock levels in this market remain above the mid range.



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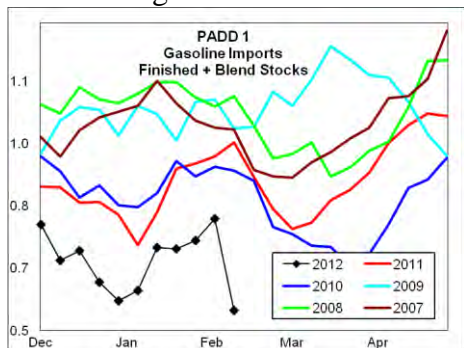
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PADD Supply Trends

PADD 1 refinery crude oil runs increased +14,000 bpd on the week, with the latest 4-wk average -199,000 bpd below last year, and a record low rate for this time of year.

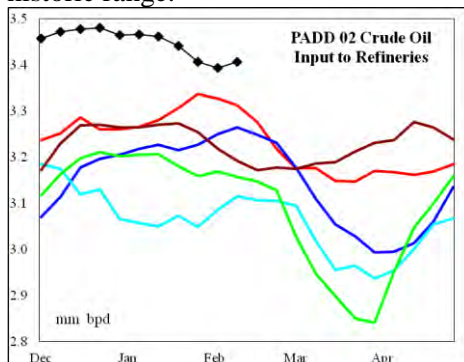
Gasoline imports fell -182,000 bpd to a level well below the historic range.



Stocks decreased -0.7 million barrels on the week, to a level above the mid range. Stock levels in the key Central Atlantic Region ended the week at a 5-year low.

Distillate supply was nearly unchanged on the week, with the level -168,000 bpd below the 5-year range. Stocks decreased -2.2 million barrels on the week, to a level near 5-year lows.

Jet fuel stocks were unchanged last week, with local supply (production + imports) was -62,000 bpd below the historic range.



PADD 2 crude oil refinery runs increased +42,000 bpd last week, with the 4-wk average +59,000 bpd above last years' highs. Crude imports increased +186,000 bpd, to a level that matched recent record highs.

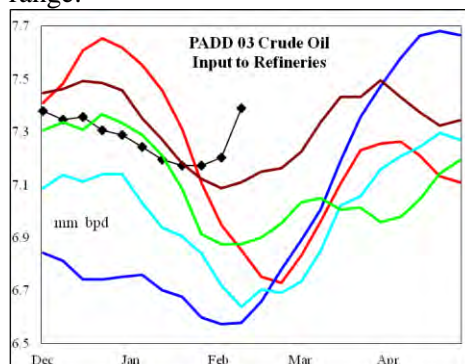
Gasoline production increased

+74,000 bpd, to a level that matched the 5-year mid range. Stocks increased +0.8 million barrels to match 5-year highs.

Distillate production decreased -30,000 bpd on the week, to a level +5% above last years' record highs. Stocks were unchanged on the week, ending at a level comparable to the last 2-years.

Jet fuel production increased +31,000 bpd, a level above the historic range. Stock levels remain at 5-year highs.

PADD 3 refinery runs increased +229,000 bpd last week, to a level well above the historic range for the week. The latest 4-wk average thru put was +104,000 bpd above last year. Crude oil imports climbed +0.5 million bpd, a level that matched the last 2-years. Stocks increased +1.7 million barrels, a level at the low end of the 5-year range.



Gasoline production increased +59,000 bpd on the week. Stocks increased +0.6 million barrels last week, to a level -7% below prior record highs.

Distillate production was unchanged on the week, with the latest 4-wk average +164,000 bpd above the previous 5-year high. Stocks decreased -0.5 million barrels, with the level was -21% below last year.

Jet fuel supply fell -46,000 bpd on the week, to a level above the last 2-years. Stocks decreased -0.5 million barrels to a level below the mid range.

Residual fuel oil supplies decreased -14,00 bpd on the week. Stocks fell -1.5 million barrels to a level -11% below last years' record

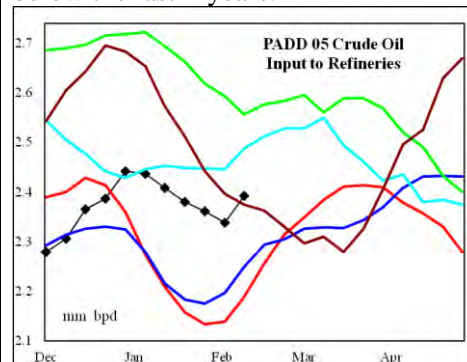
high.

PADD 4 refinery crude runs were unchanged on the week, at a record high level. The most recent 4-wk average run rate was +56,000 bpd (+10%) above a year ago.

Gasoline production increased +24,000 bpd on the week, to a level that matched the 5-year high. Stock levels are +5% above the previous record high.

Distillate production was unchanged on the week, with the level +20% above last year. Stocks were +18% above the prior 5-year high.

PADD 5 crude oil refinery runs increased +35,000 bpd last week, a level above the mid range. The latest 4-wk average thru put was +231,000 bpd above last year. Light product yield % on crude oil runs was slightly below the last 2-years.



Gasoline production increased +11,000 bpd last week to a level that matched the last 2-years. Supply (production + imports) for the latest 4-wk average was -11,000 bpd below a year ago. Stocks declined -0.2 million barrels on the week, with the level well below the last 2-years.

Distillate supply fell -42,000 bpd on the week, to a level just above the mid range. The latest 4-wk average supply was +70,000 bpd above a year ago. Stocks were unchanged on the week, +14% above last year, and a record high level.

Jet fuel supply increased +50,000 bpd, to a level above the 5-year range. Stocks increased +0.6 million barrels on the week, to a level that matched the mid range.

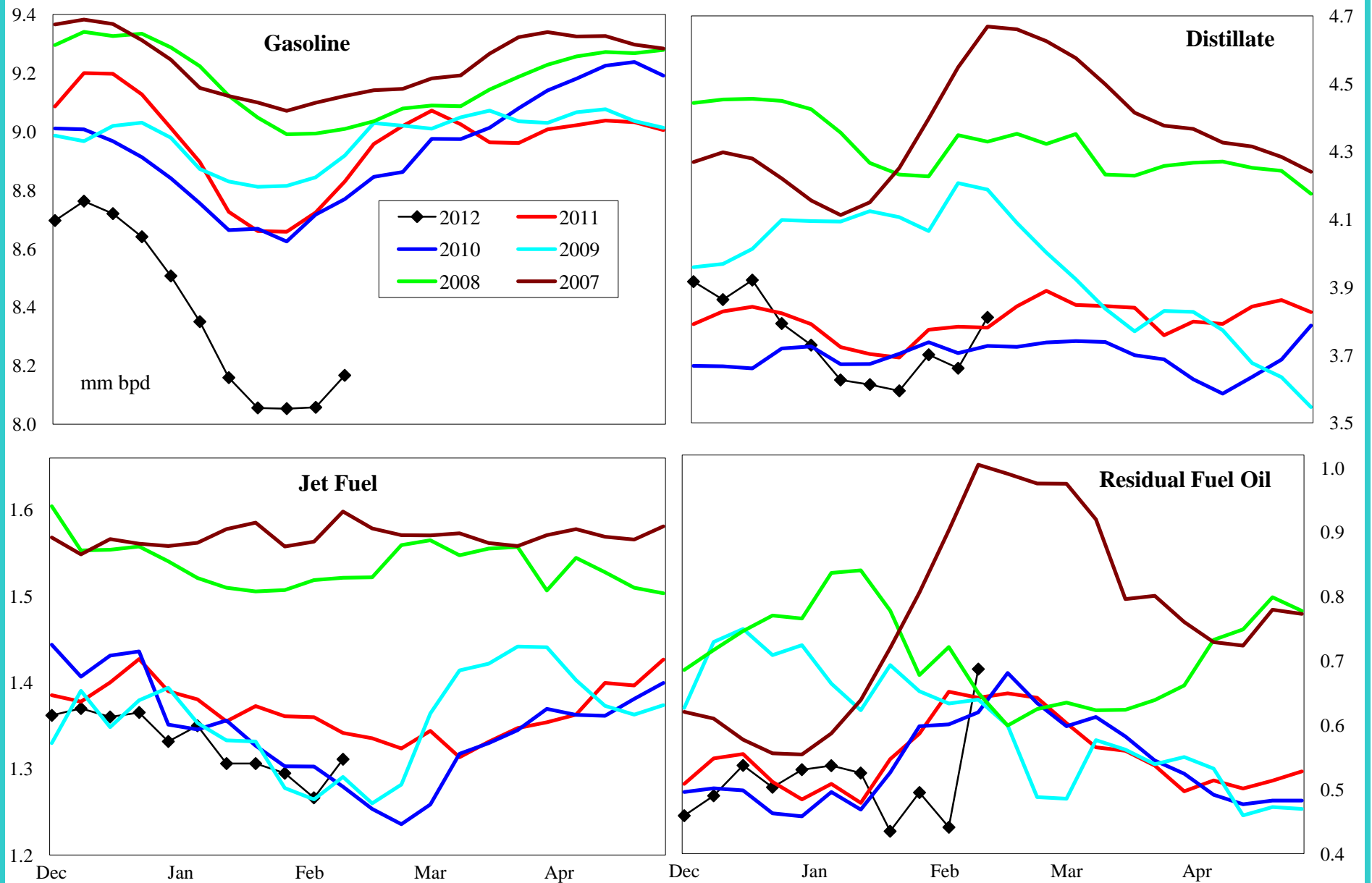


PETROLEUM: Graph Link and Weekly Summary

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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	10-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	-171	-1,124	362	1,718	-57	-1,071
	Imports	343	-333	186	526	-22	-16
	Input	322	14	42	229	0	35
	% Utilization	1.20					
Gasoline	Stocks	400	-730	796	639	-56	-248
	Production	162	17	74	59	24	11
	Imports	-167	-182	0	4	0	11
	Supplied	128					
Distillate	Stocks	-2,867	-2,230	59	-512	-140	-45
	Production	-96	-23	-30	2	-3	-42
	Imports	21	20	1	0	0	0
	Supplied	375					
Jet Fuel	Stocks	161	81	0	-537	7	609
	Production	-8	-6	31	-46	7	7
	Imports	82	39	0	0	0	43
	Supplied	-10					
Residual Fuel Oil	Stocks	-2,626	-1,174	101	-1,509	-13	-30
	Production	52	-4	2	56	-1	-2
	Imports	-132	-31	8	-70	0	-39
	Supplied	445					

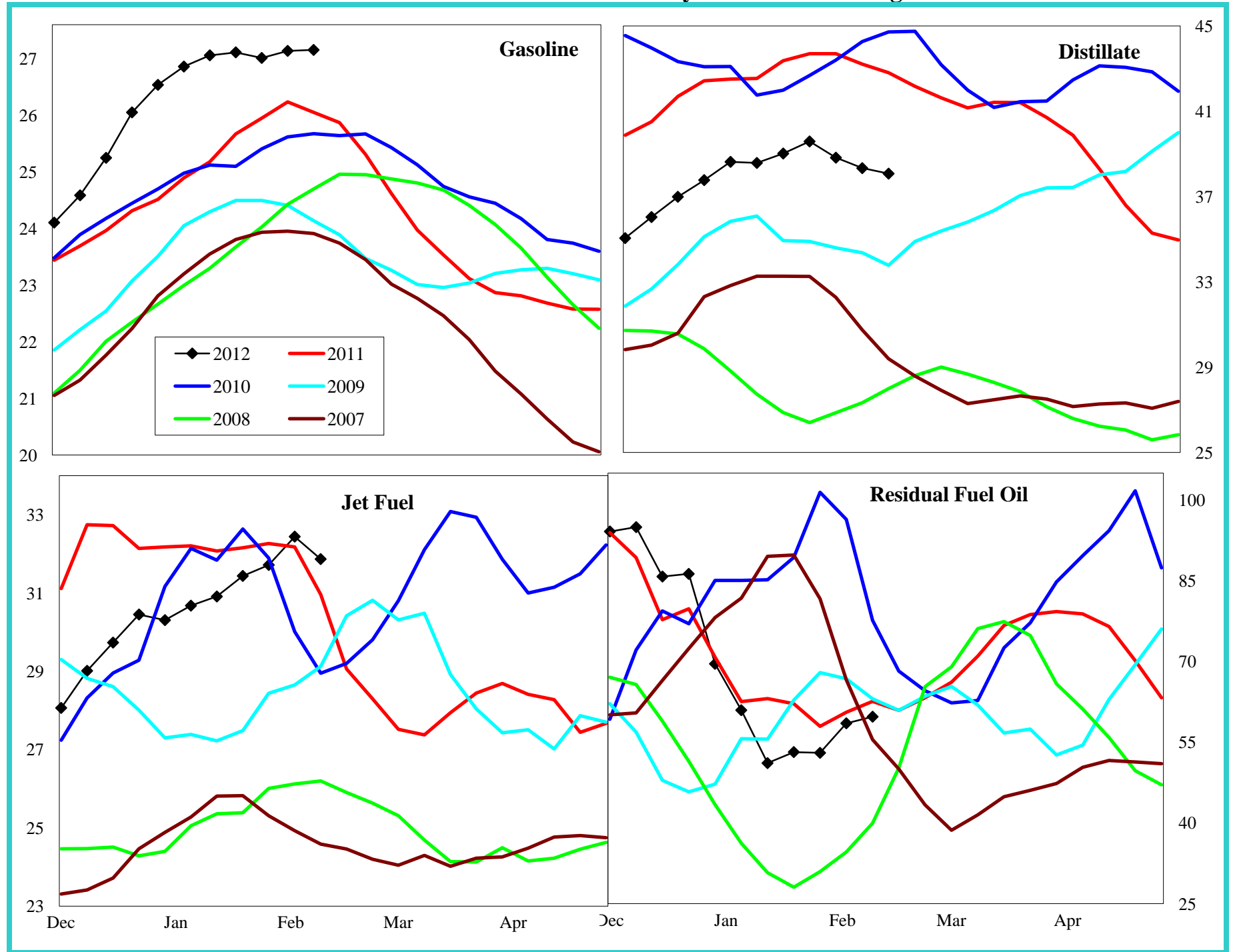
United States Wholesale Petroleum Demand



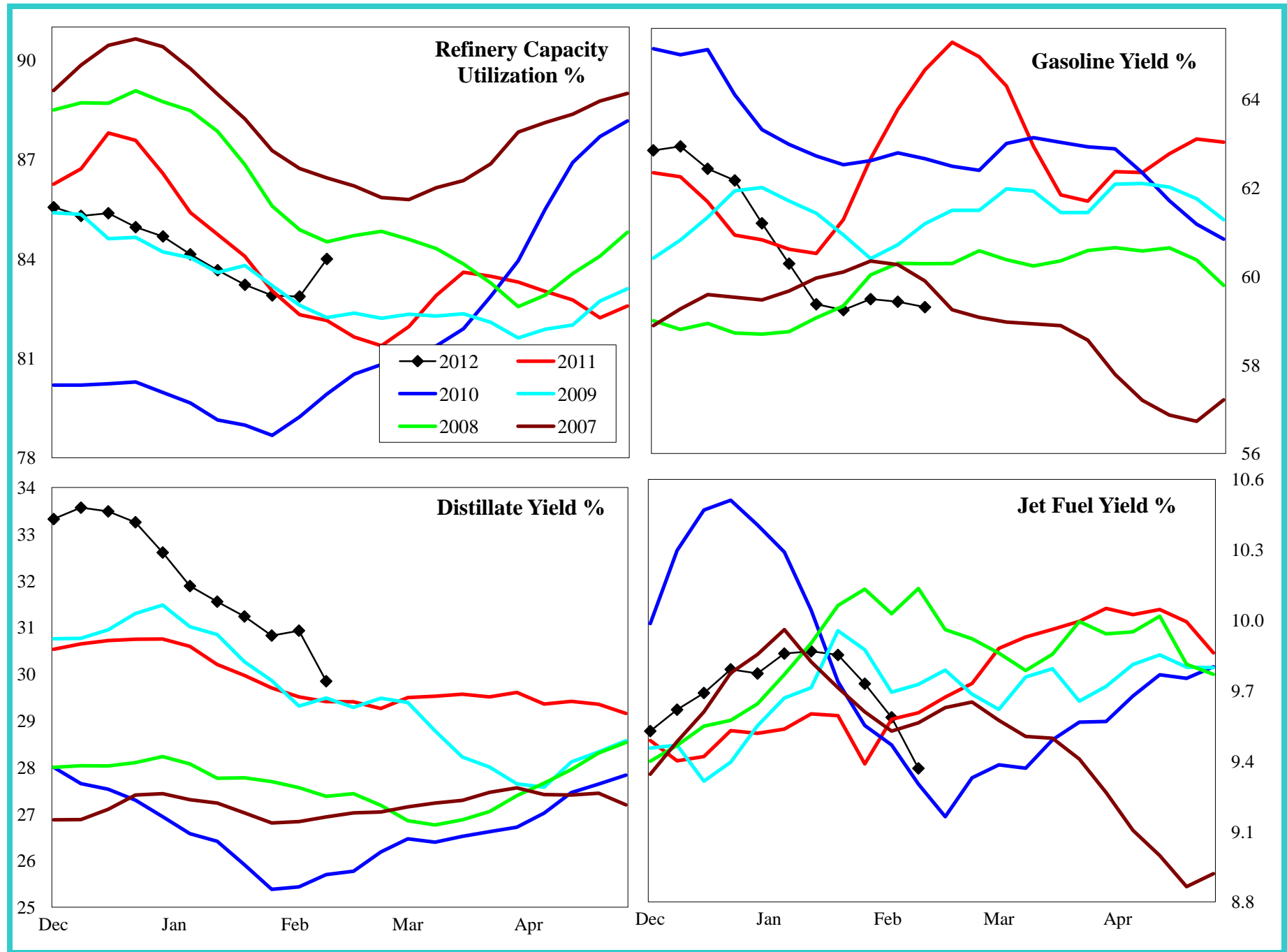
	000 bpd change from prior year				% change from prior year			
	4wk avg	Jan	Jan	Nov	4wk avg	Jan	Dec	Nov
Gasoline	-561	-374	-155	-152	-6.5	-4.4	-1.7	-1.7
Distillate	-98	-295	-255	92	-2.6	-7.4	-6.1	2.4
Jet Fuel	-30	-24	22	81	-2.1	-1.8	1.6	5.8
Resid	-176	-176	8	-214	-27.1	-28.3	1.5	-38.8



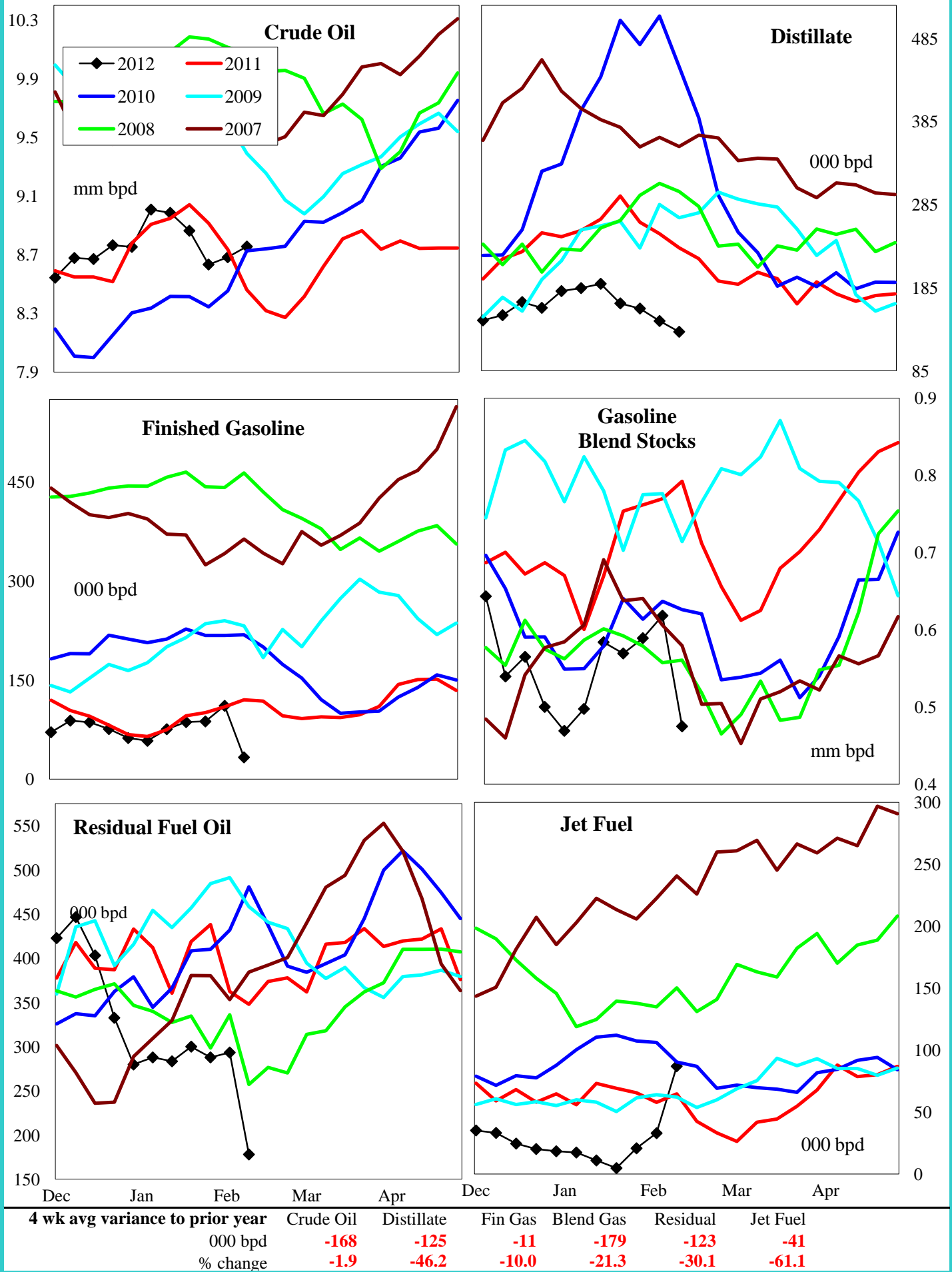
United States Product Stocks: Days Forward Coverage



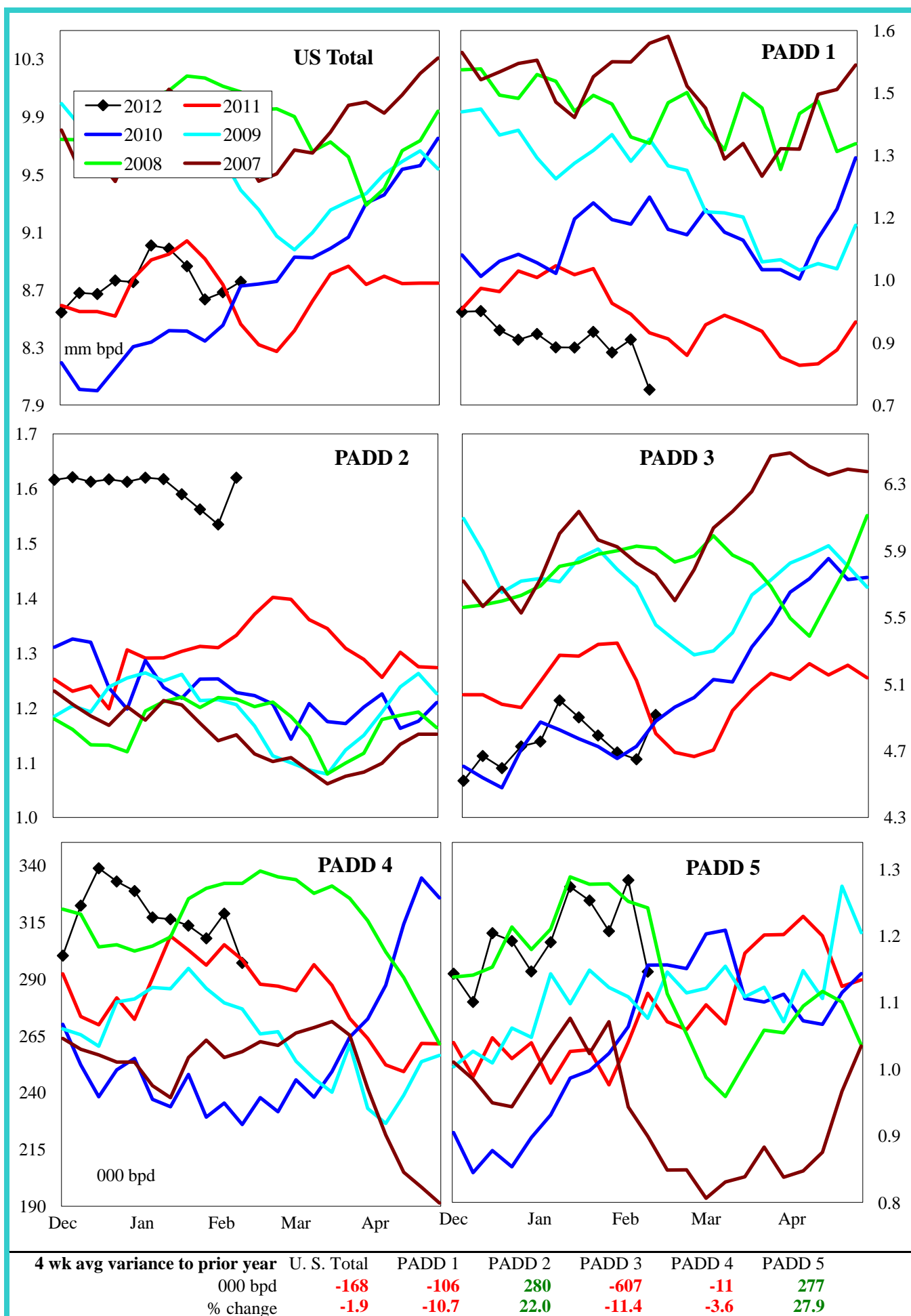
United States Refinery Percent Utilization Rate and Product Yields



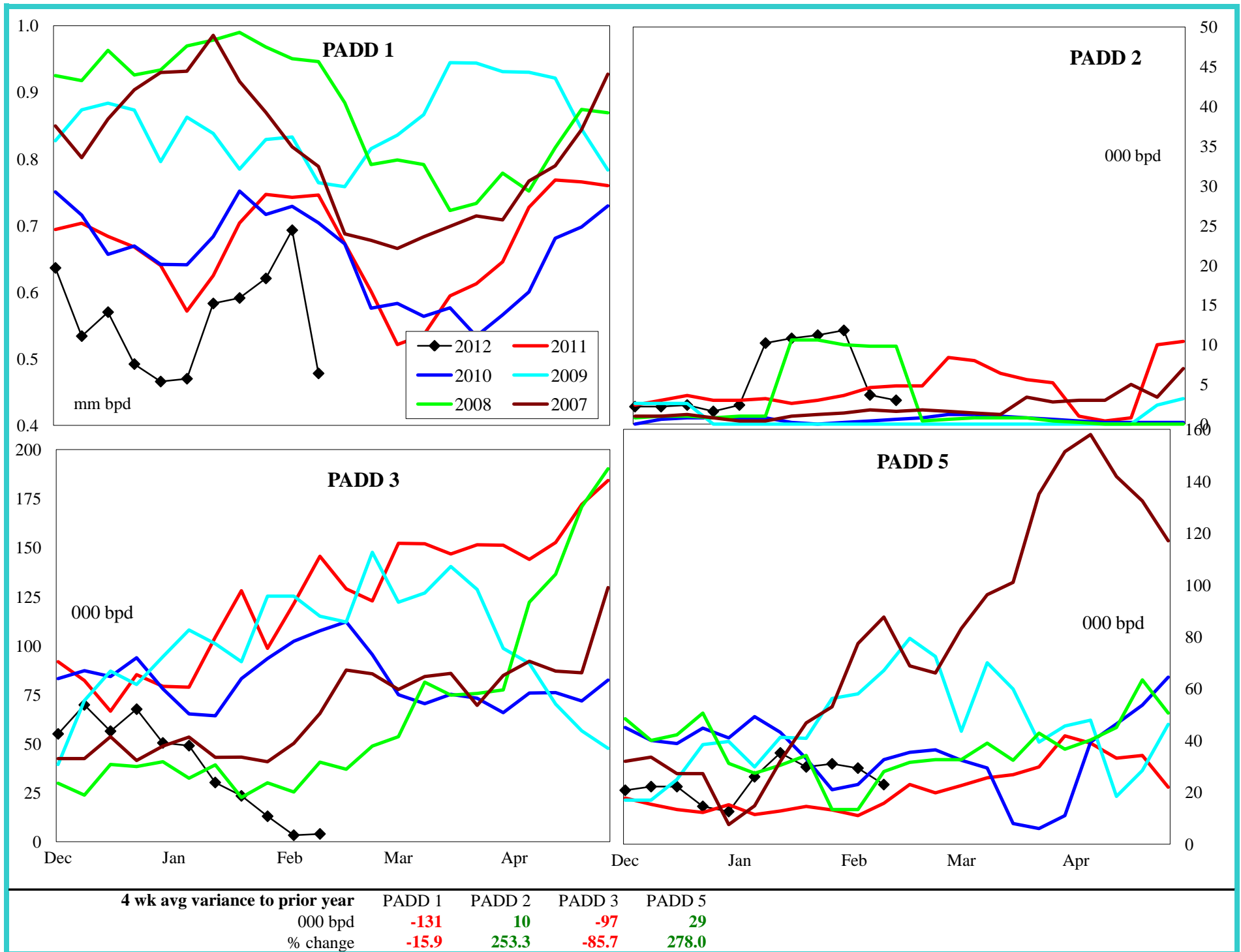
United States Petroleum Imports



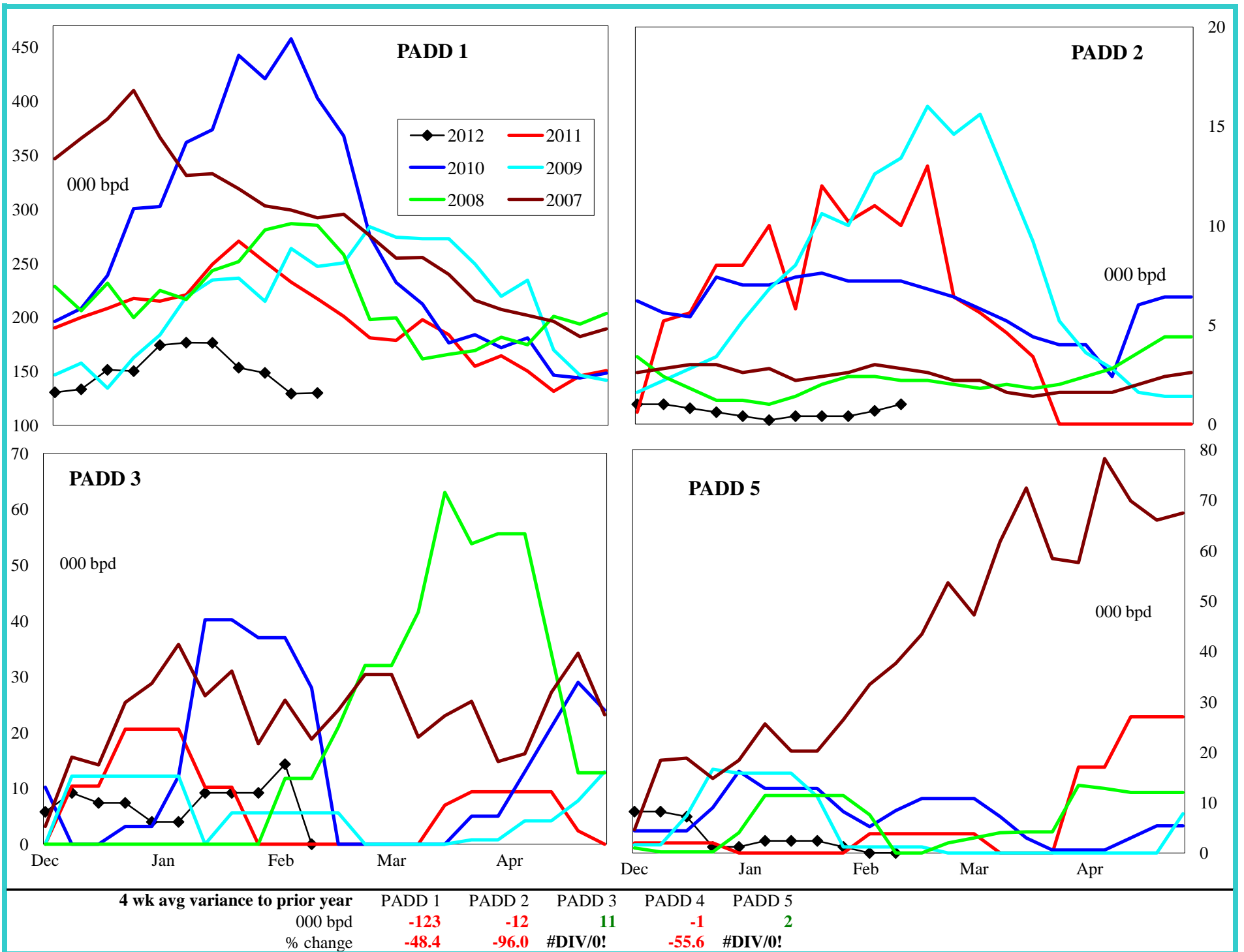
Crude Oil Imports by PADD



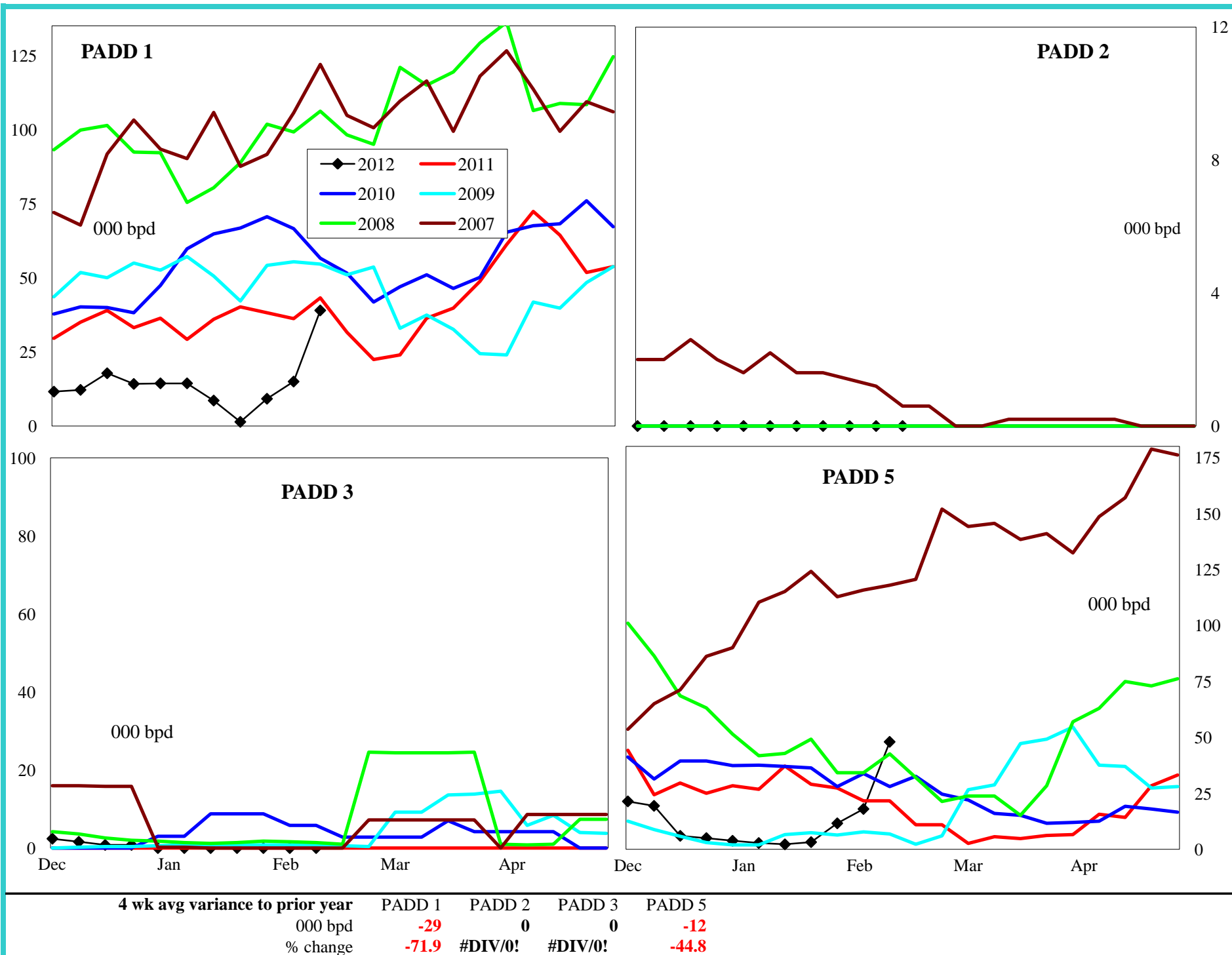
Gasoline Imports by PADD (Finished + Blend Stocks)



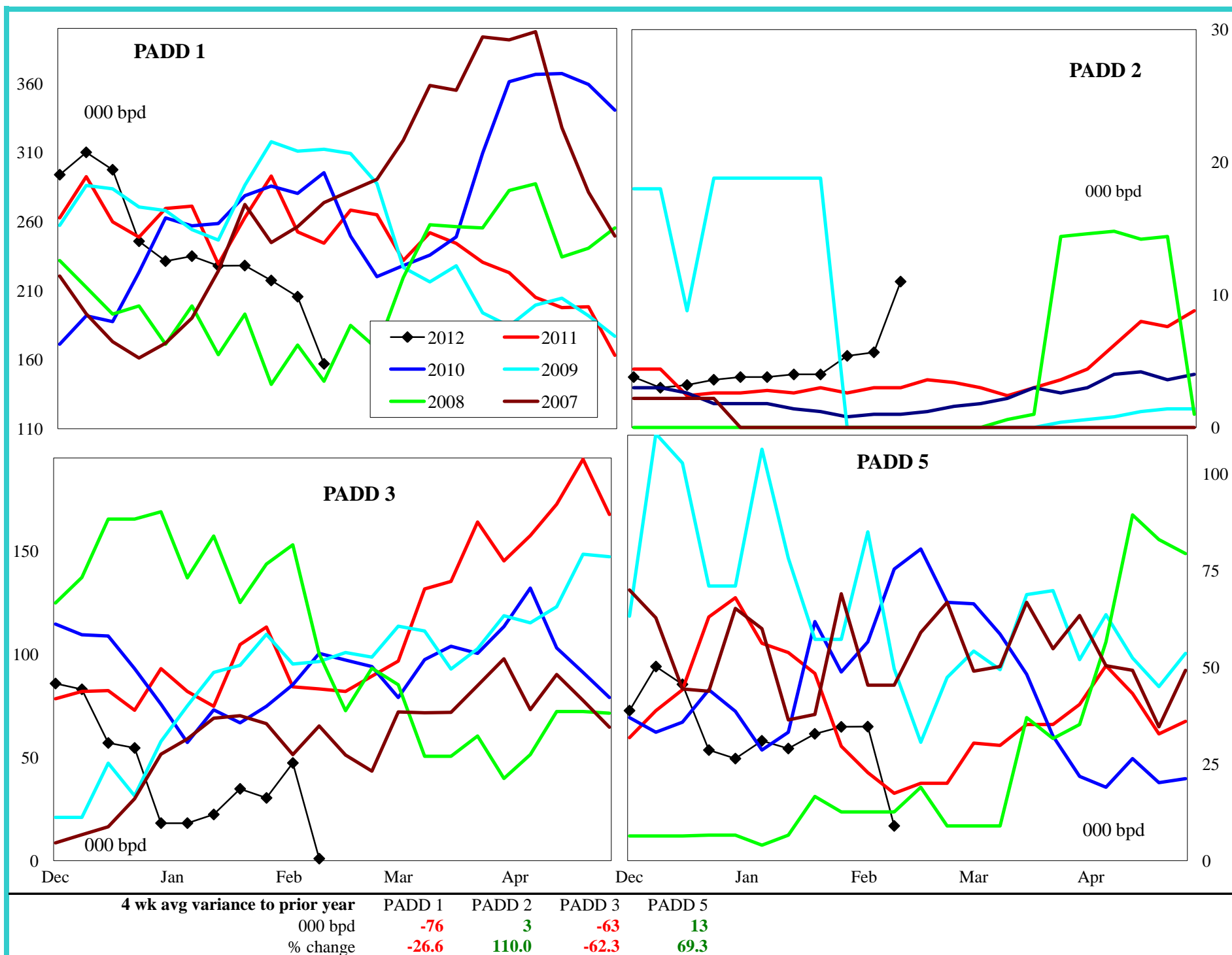
Distillate Imports by PADD



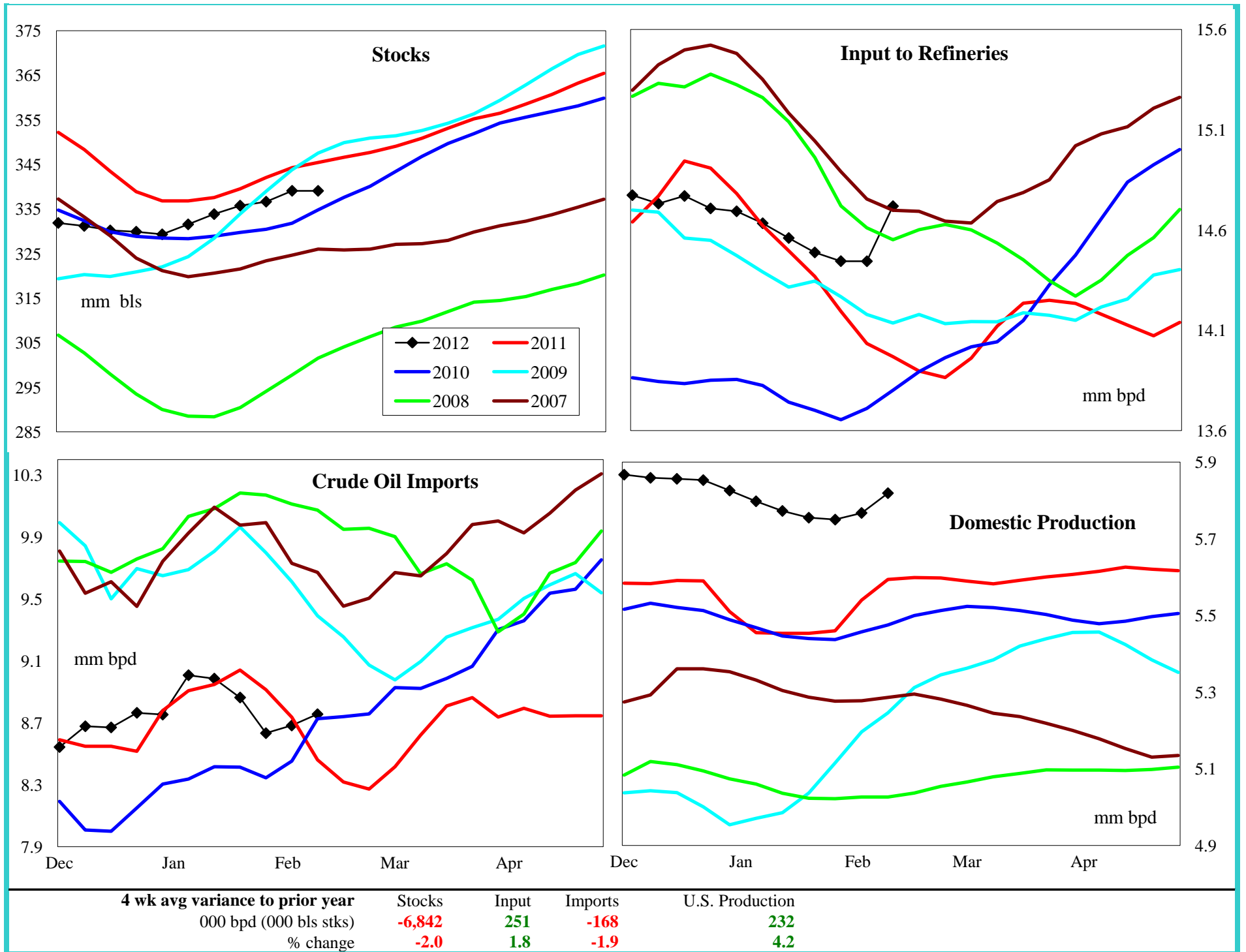
Jet Fuel Imports by PADD



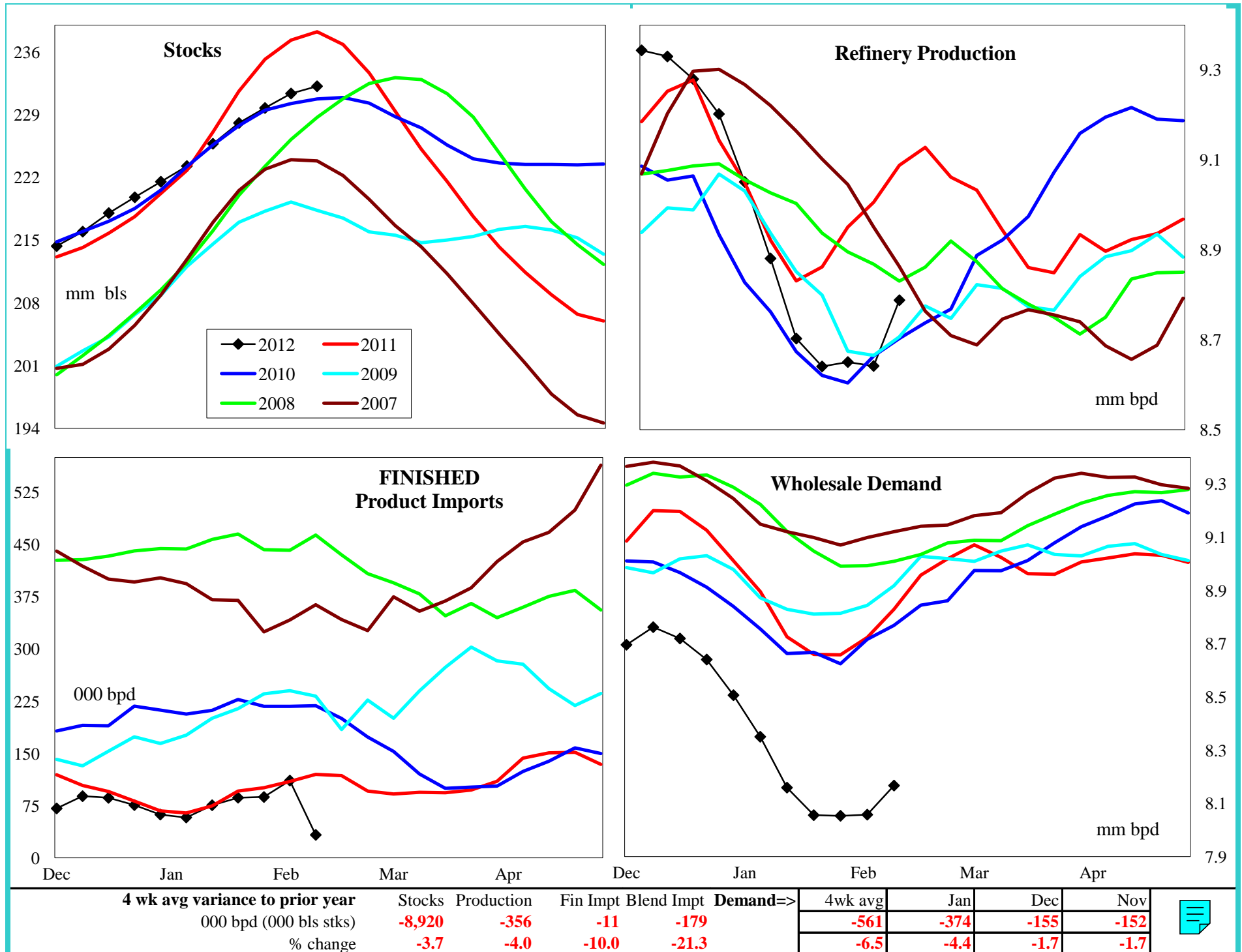
Residual Fuel Oil Imports by PADD



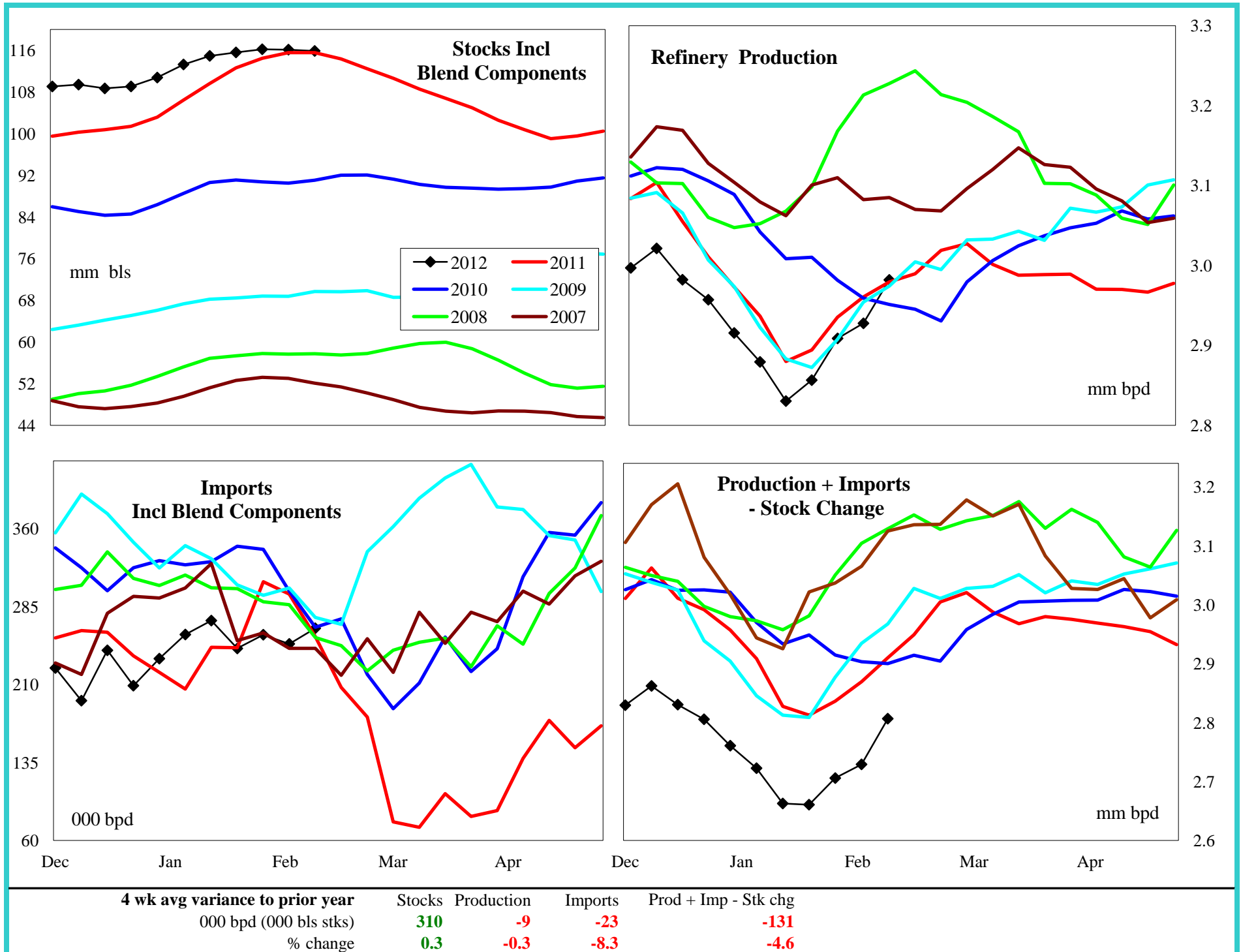
United States Crude Oil Supply and Demand Balance



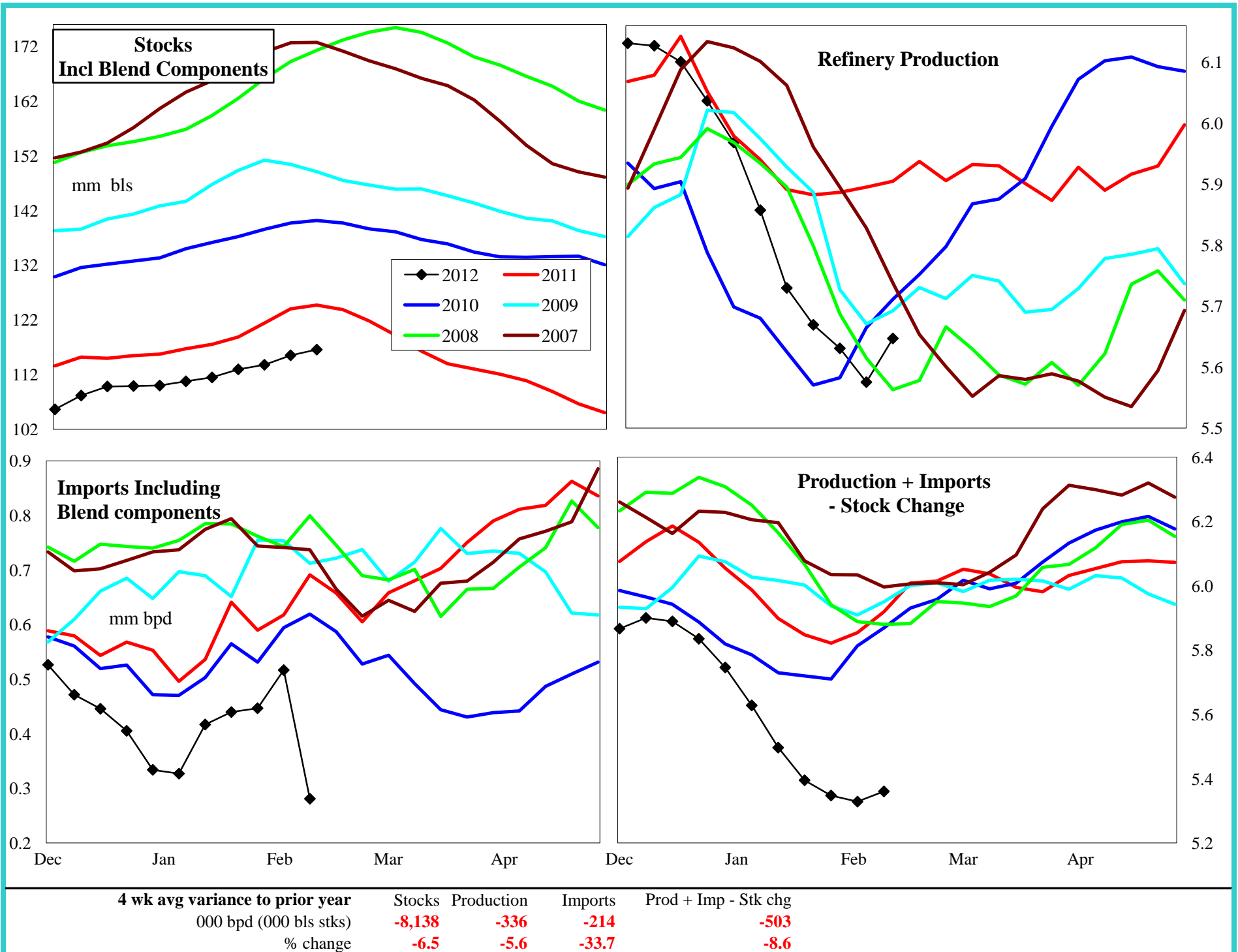
United States Gasoline Supply and Demand Balance



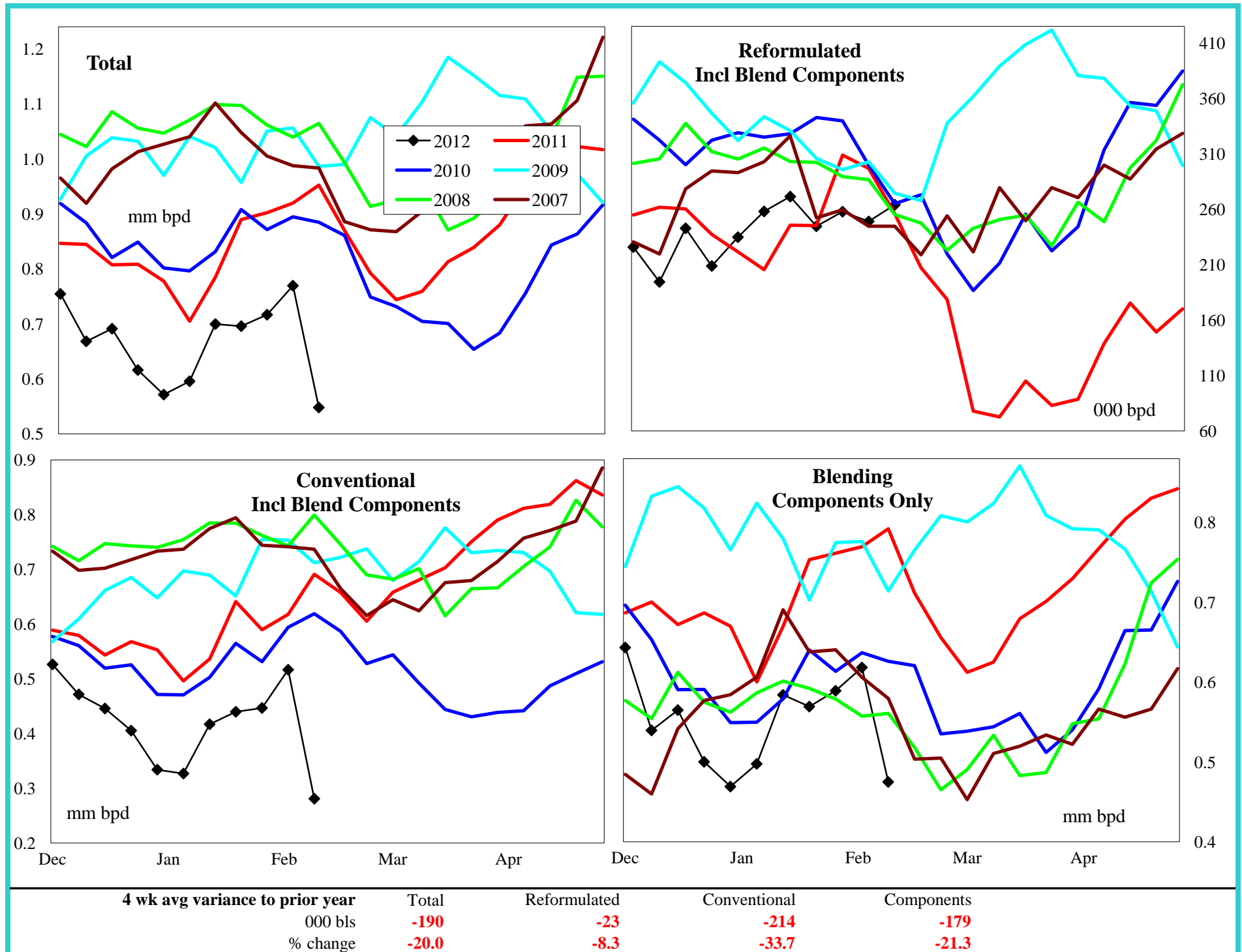
United States Reformulated Gasoline Supply



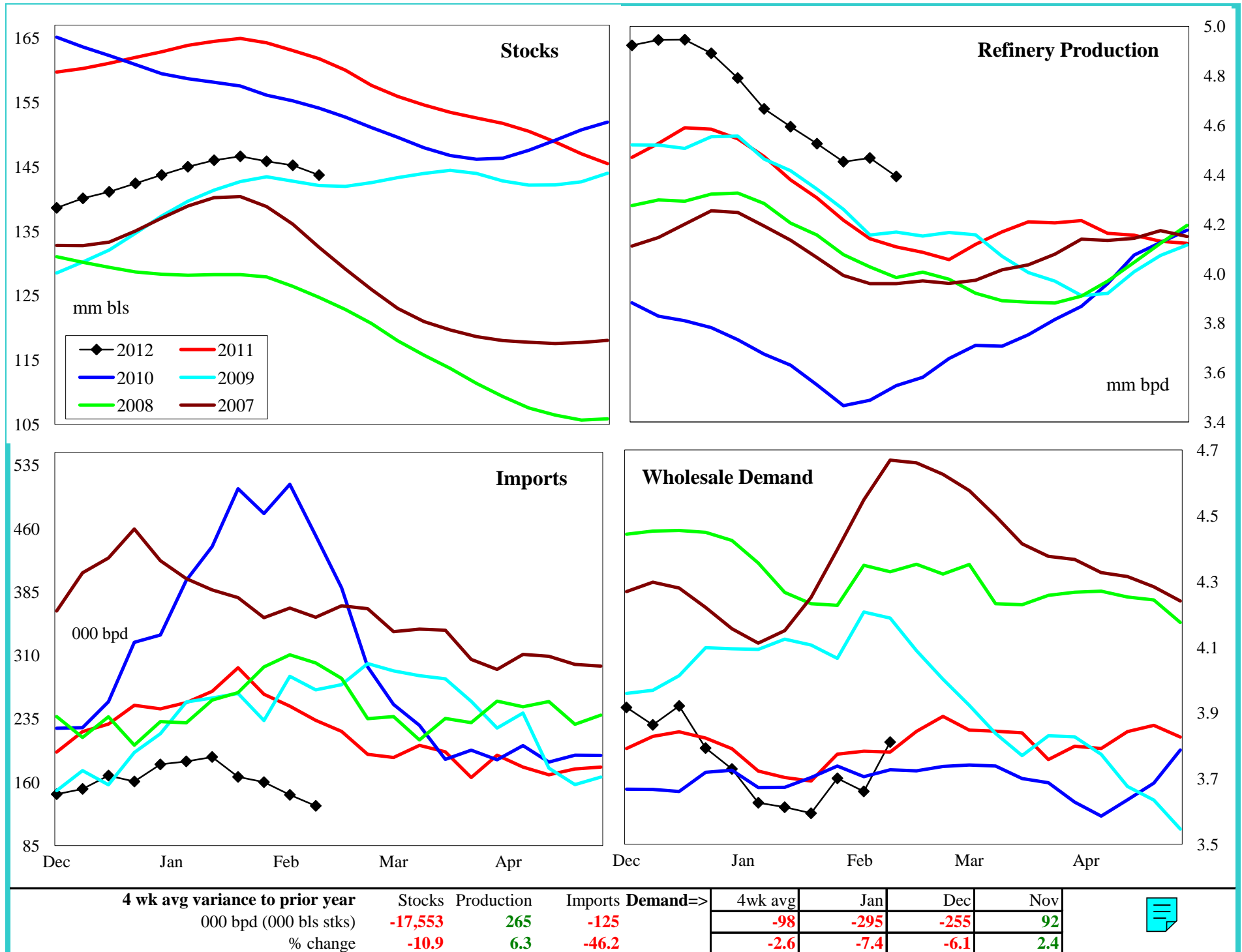
United States Conventional Gasoline Supply



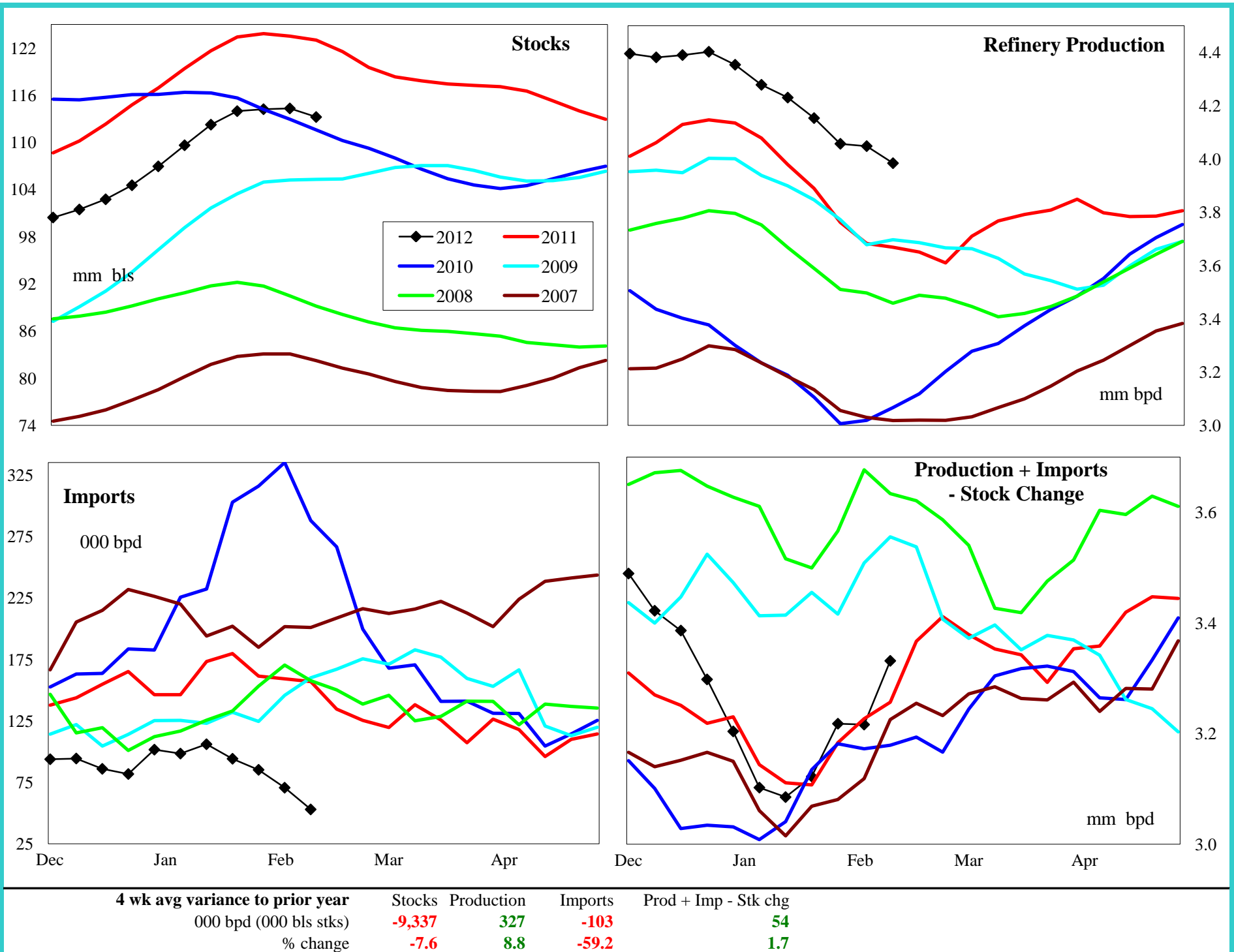
United States Gasoline Imports by Type



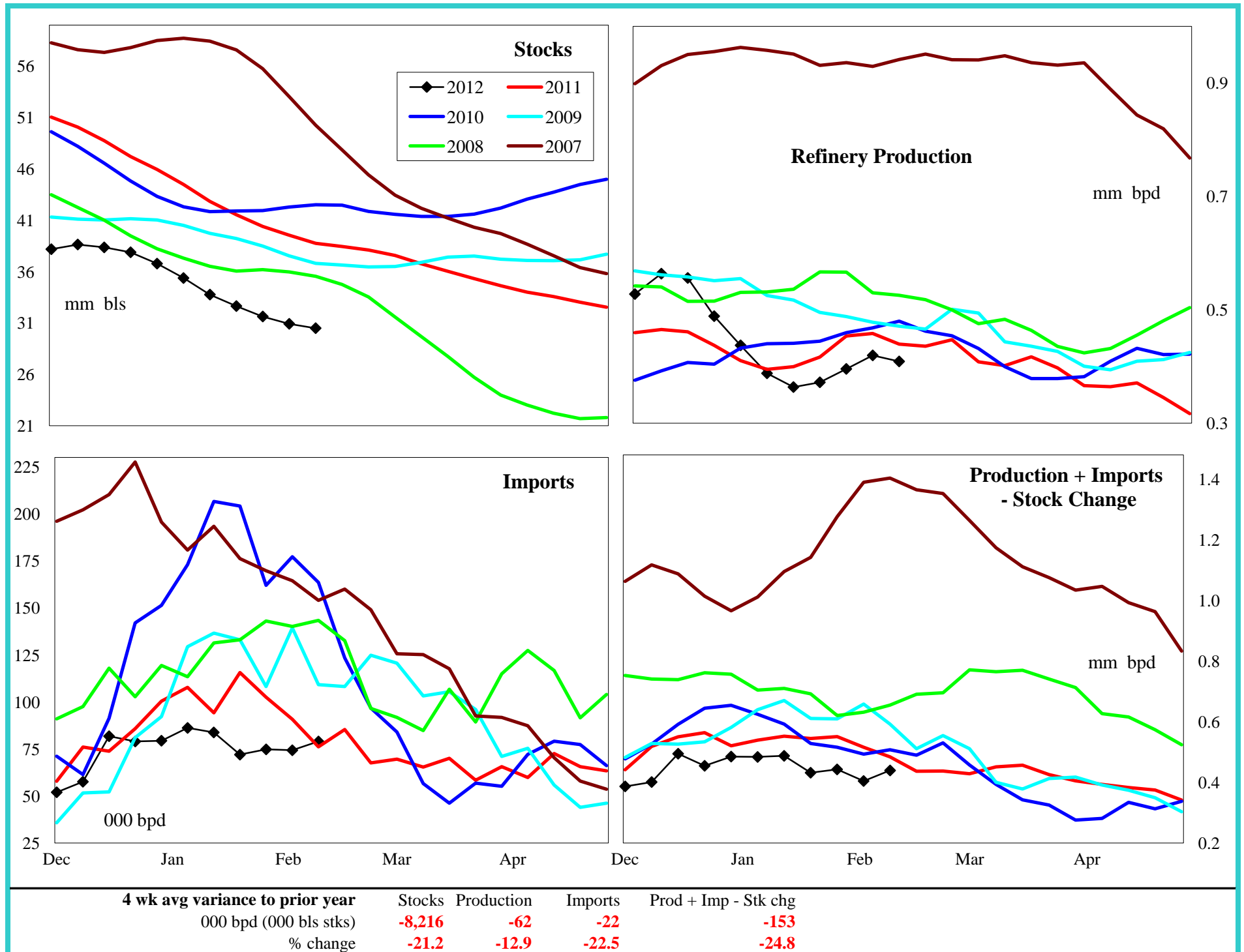
United States Distillate Supply and Demand Balance



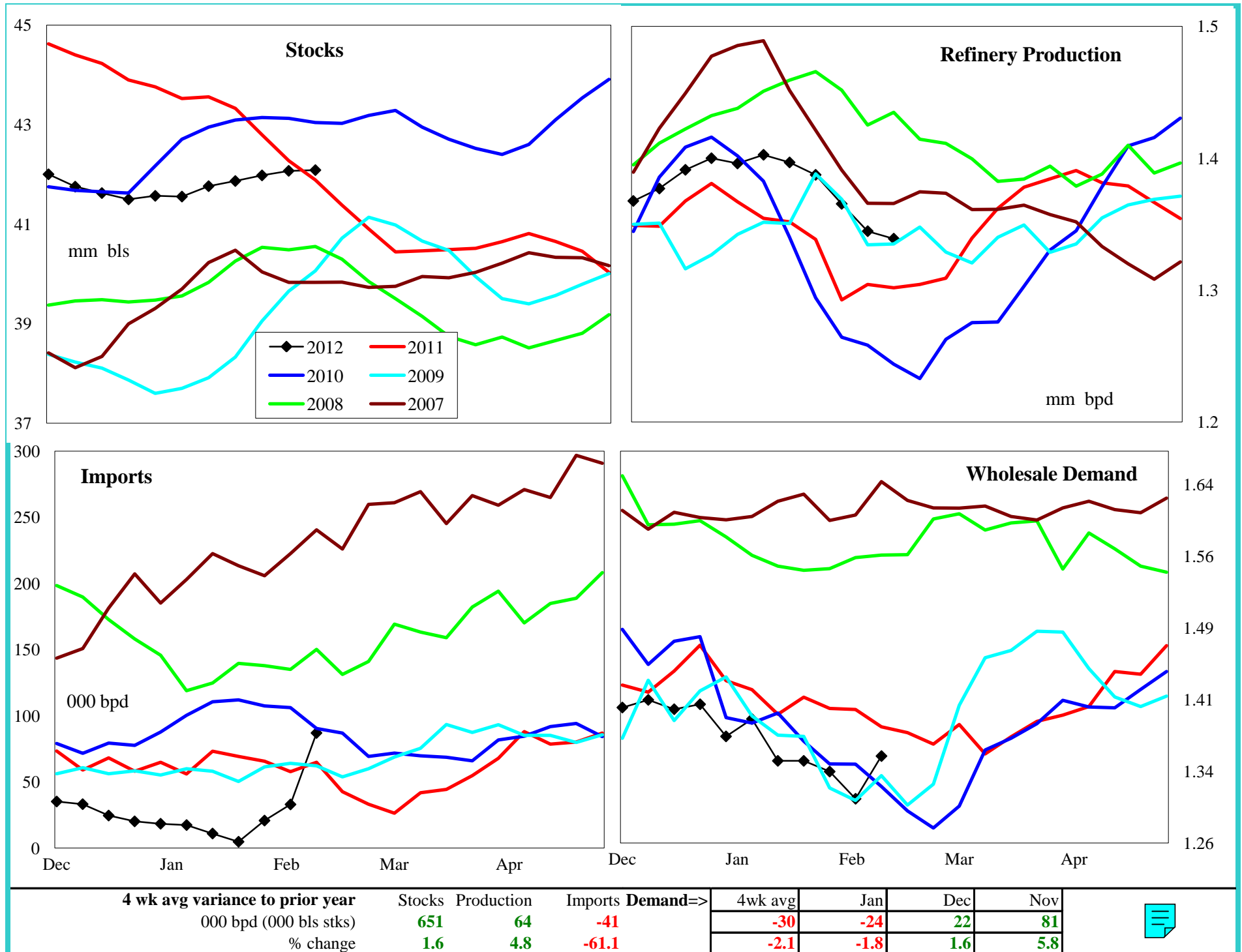
United States Low Sulfur Distillate Supply



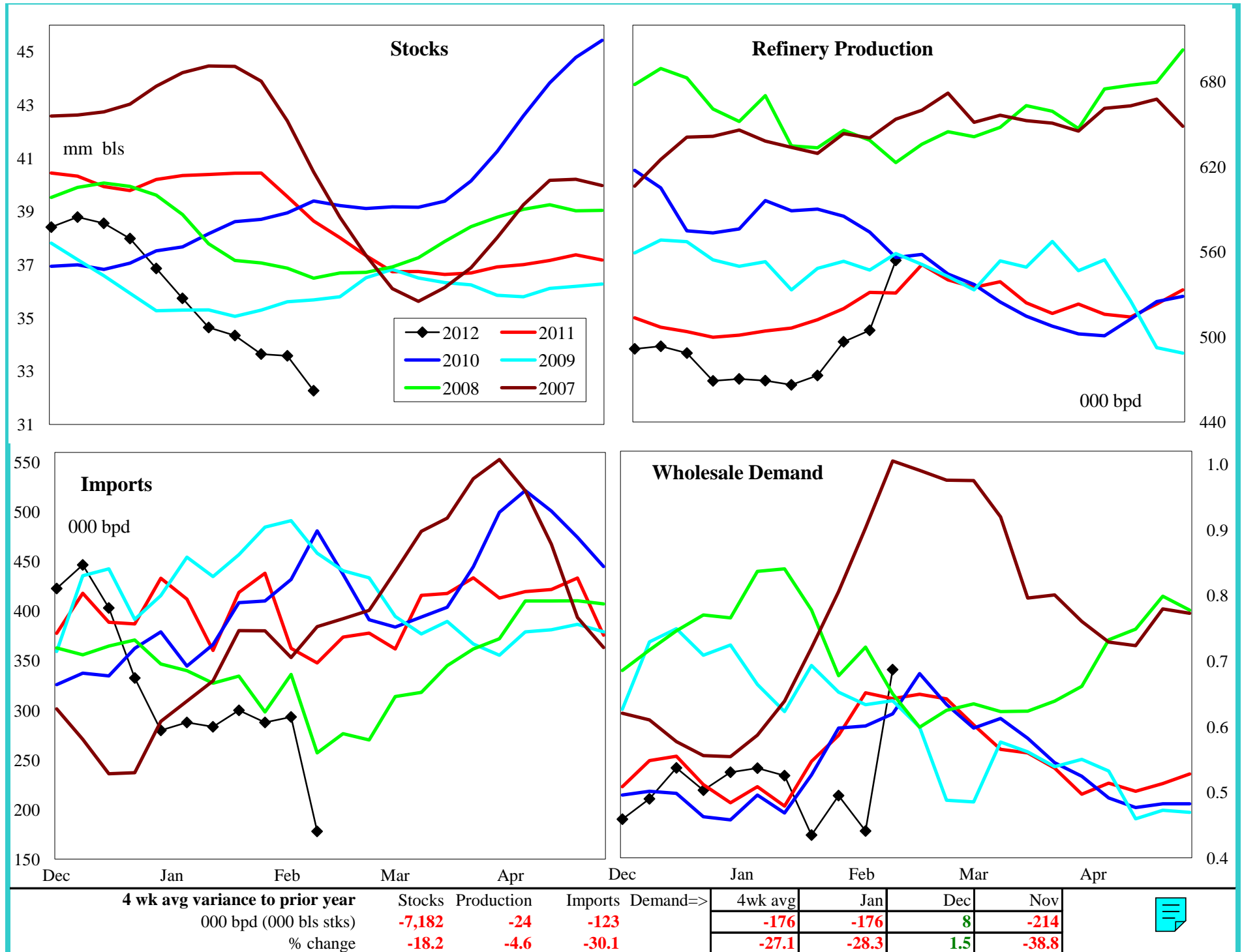
United States High Sulfur Distillate Supply



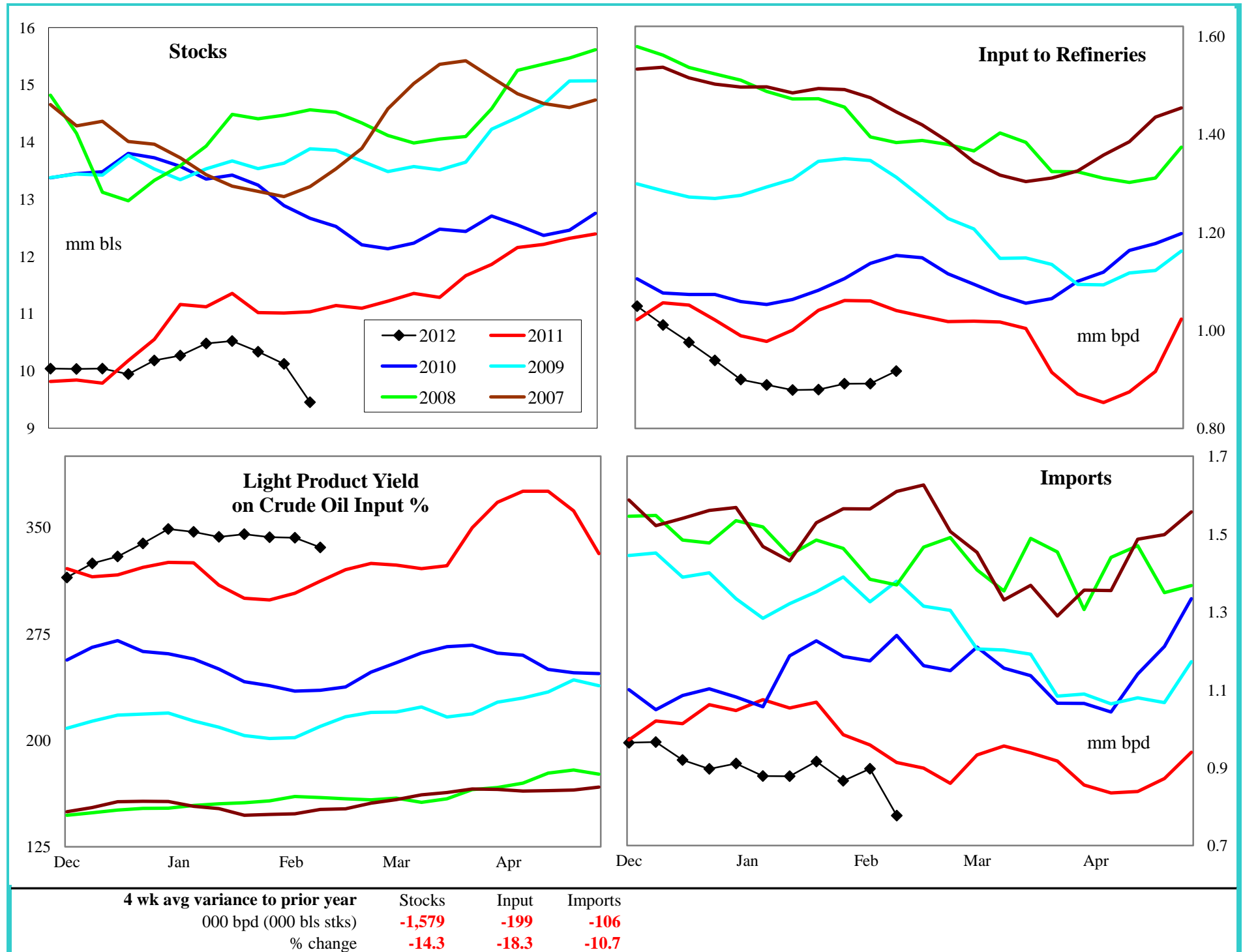
United States Jet Fuel Supply and Demand Balance



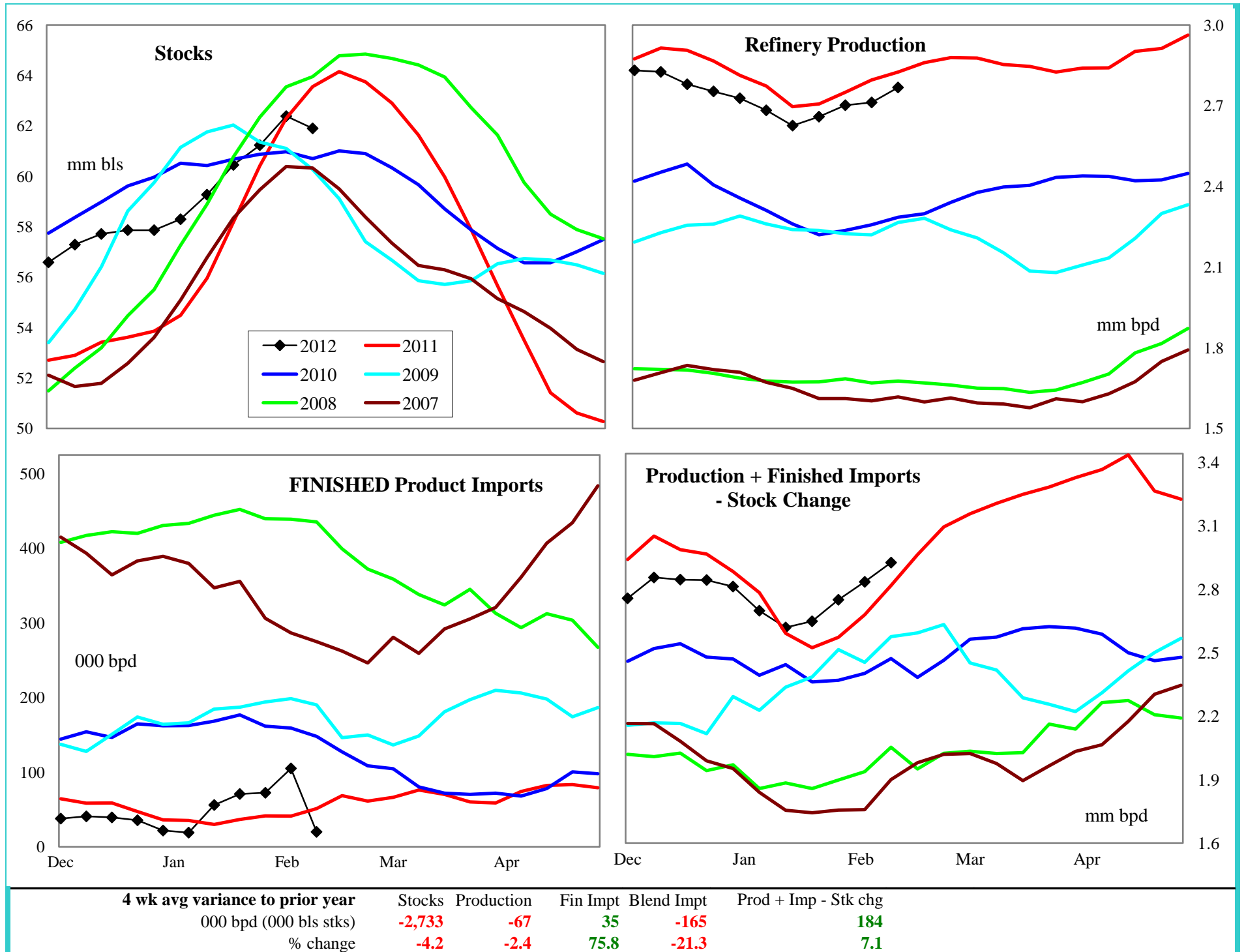
United States Residual Fuel Oil Supply and Demand Balance



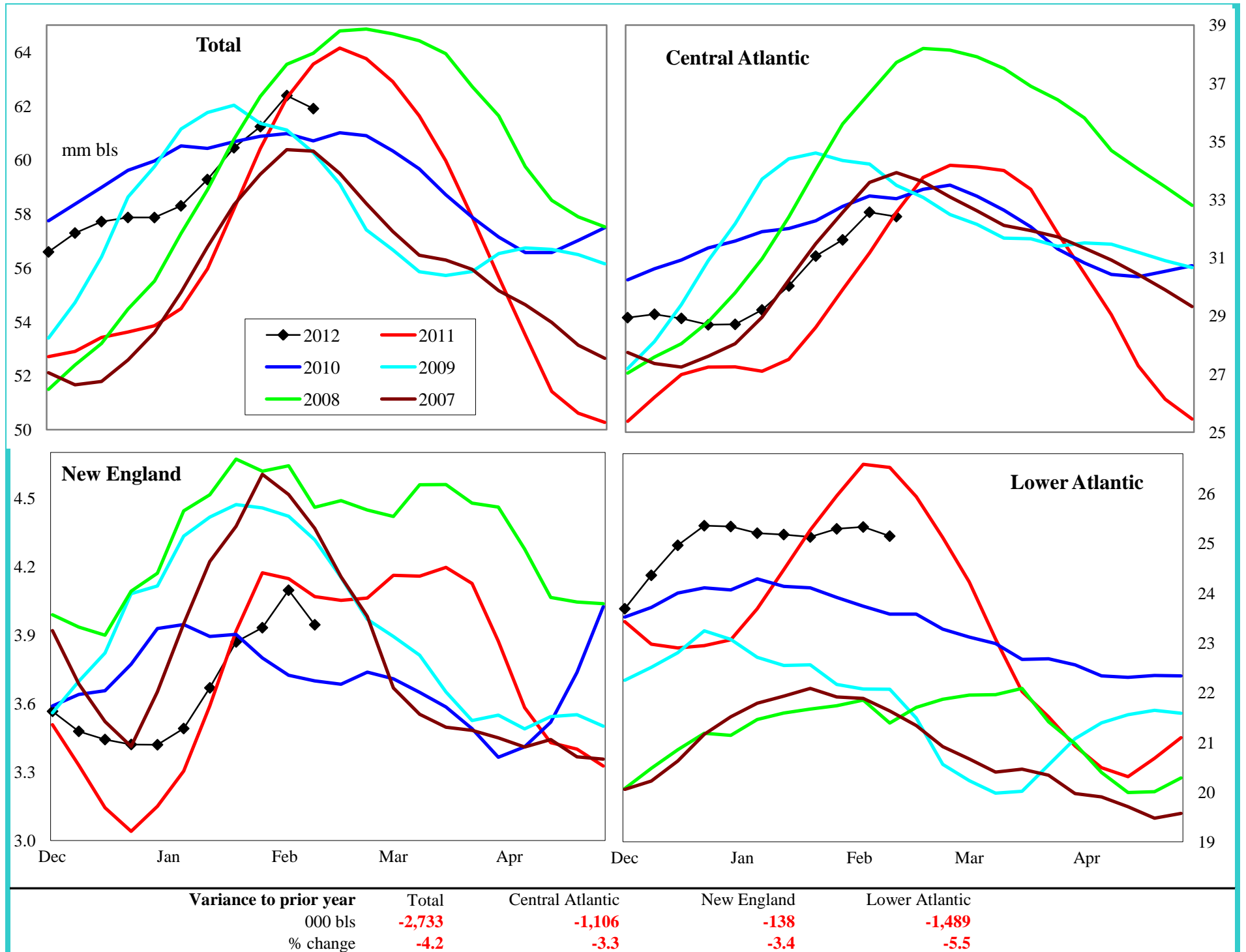
PADD 1 Crude Oil Supply and Refining



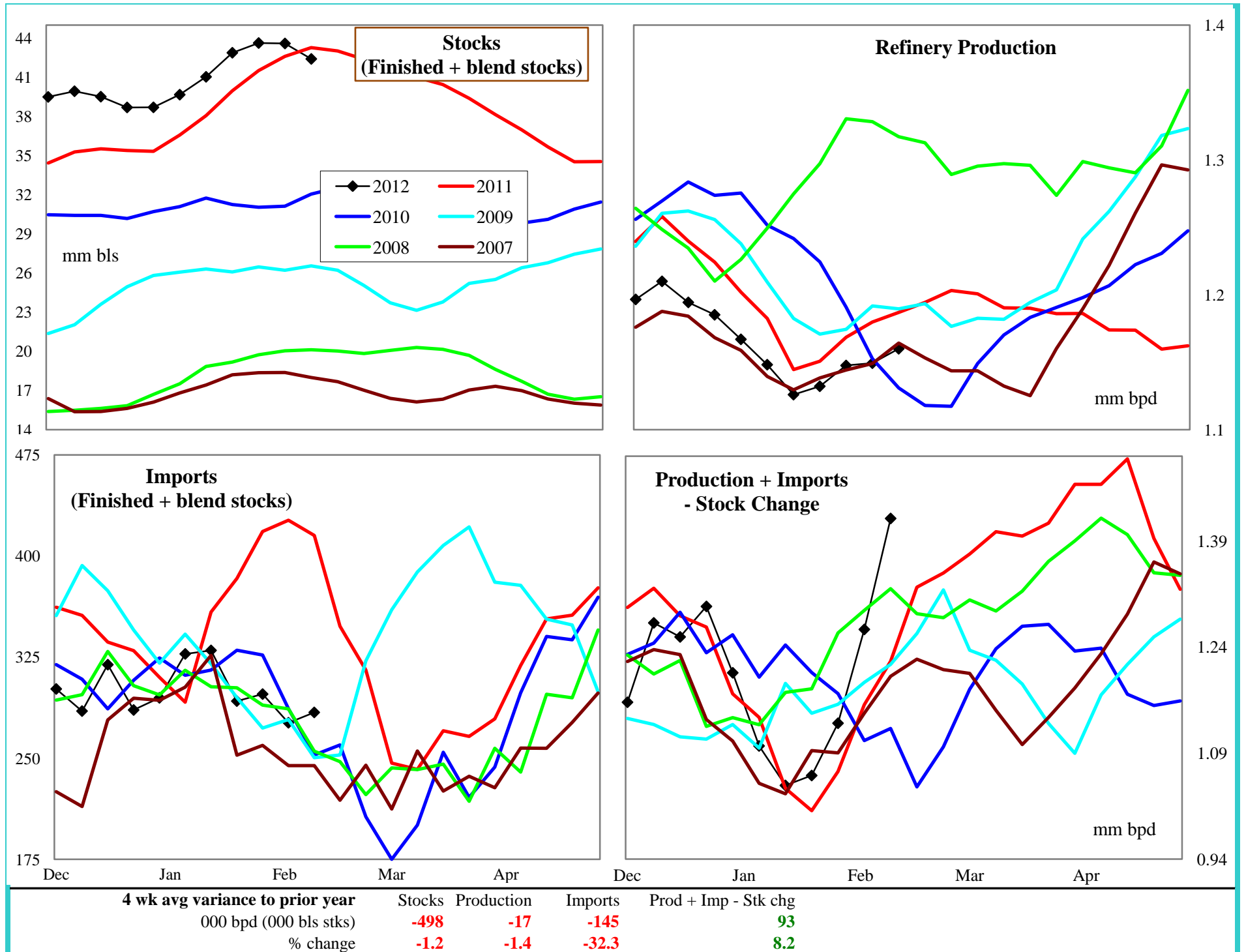
PADD 1 Gasoline Supply



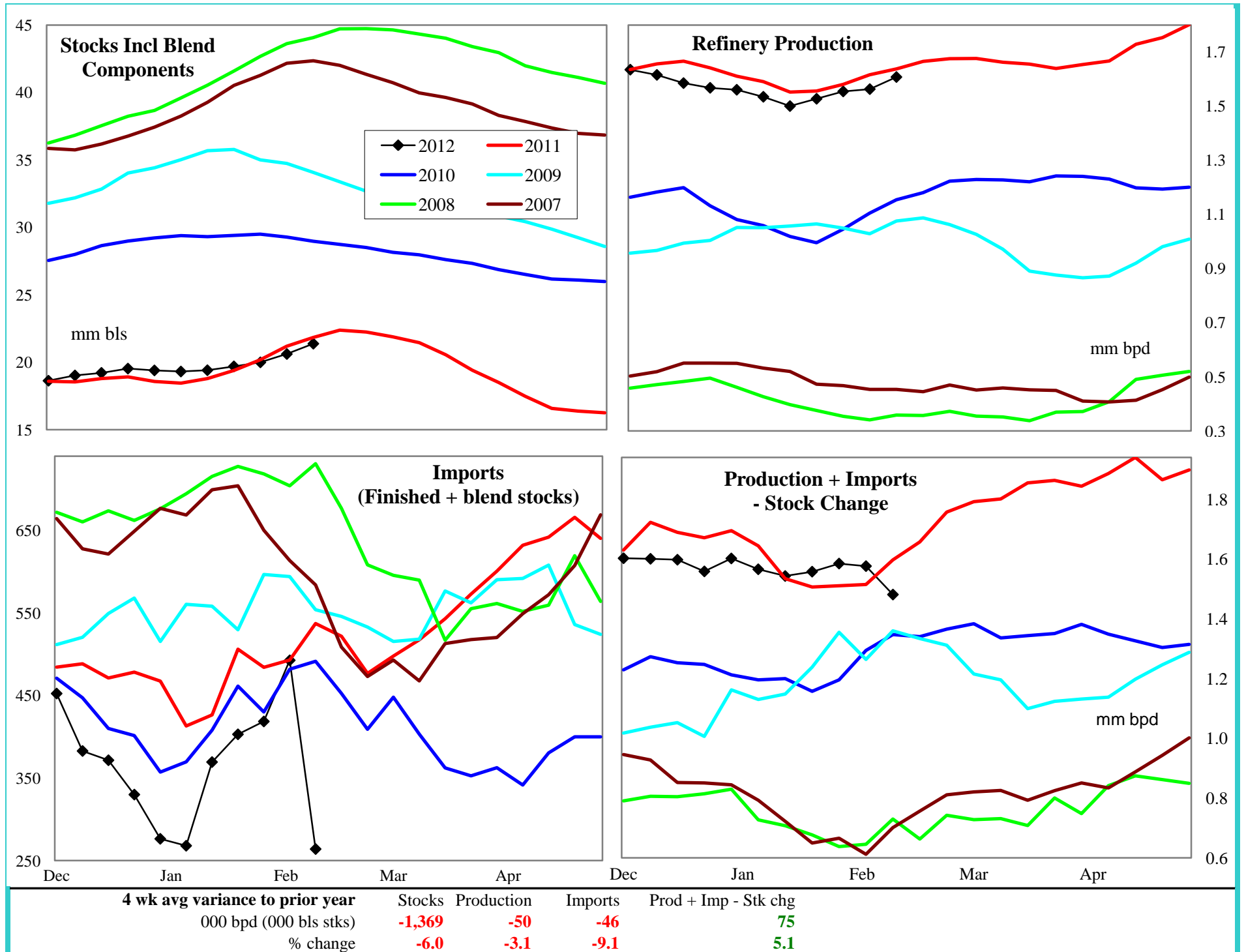
PADD 1 Gasoline Stocks by Region



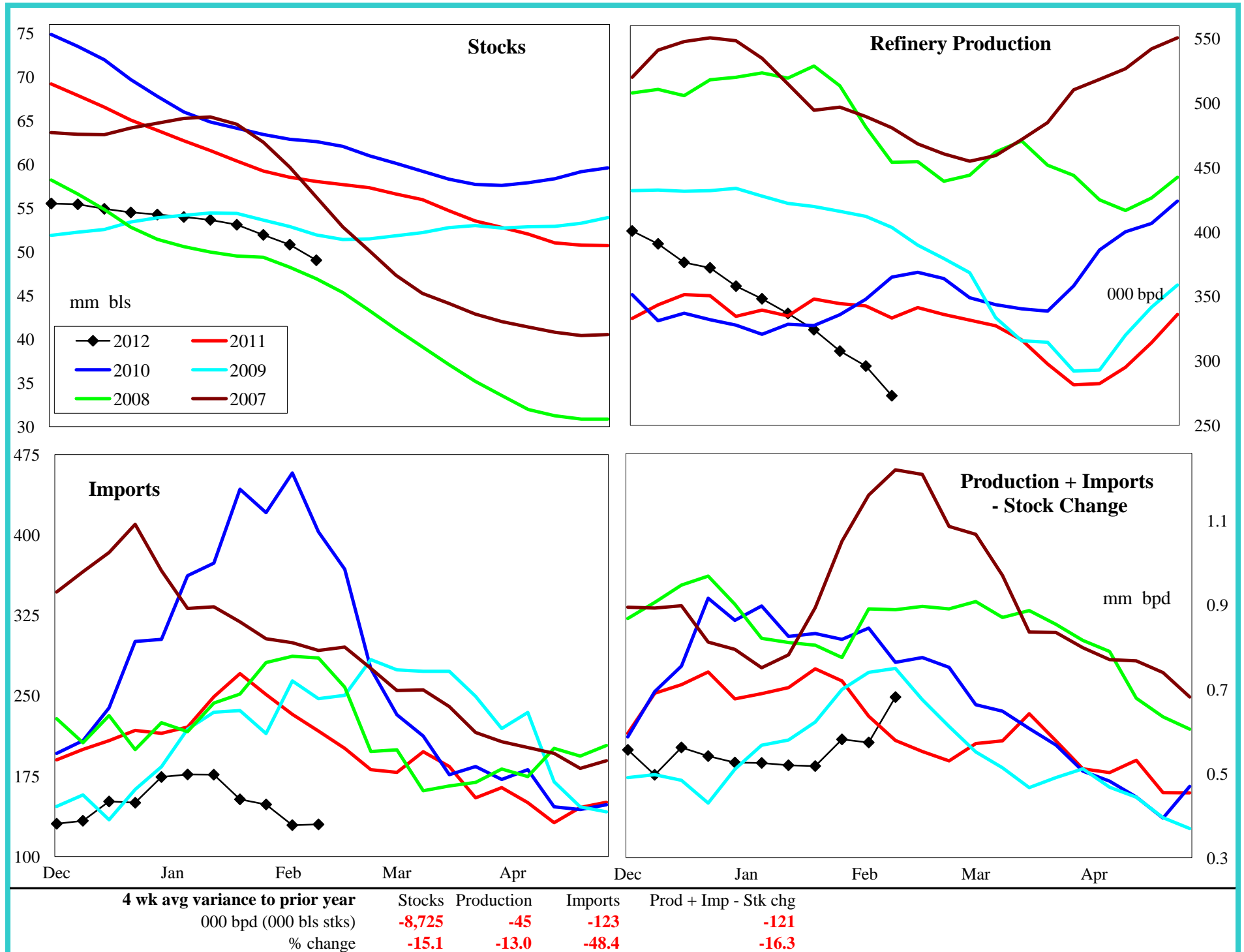
PADD 1 Reformulated Gasoline Supply



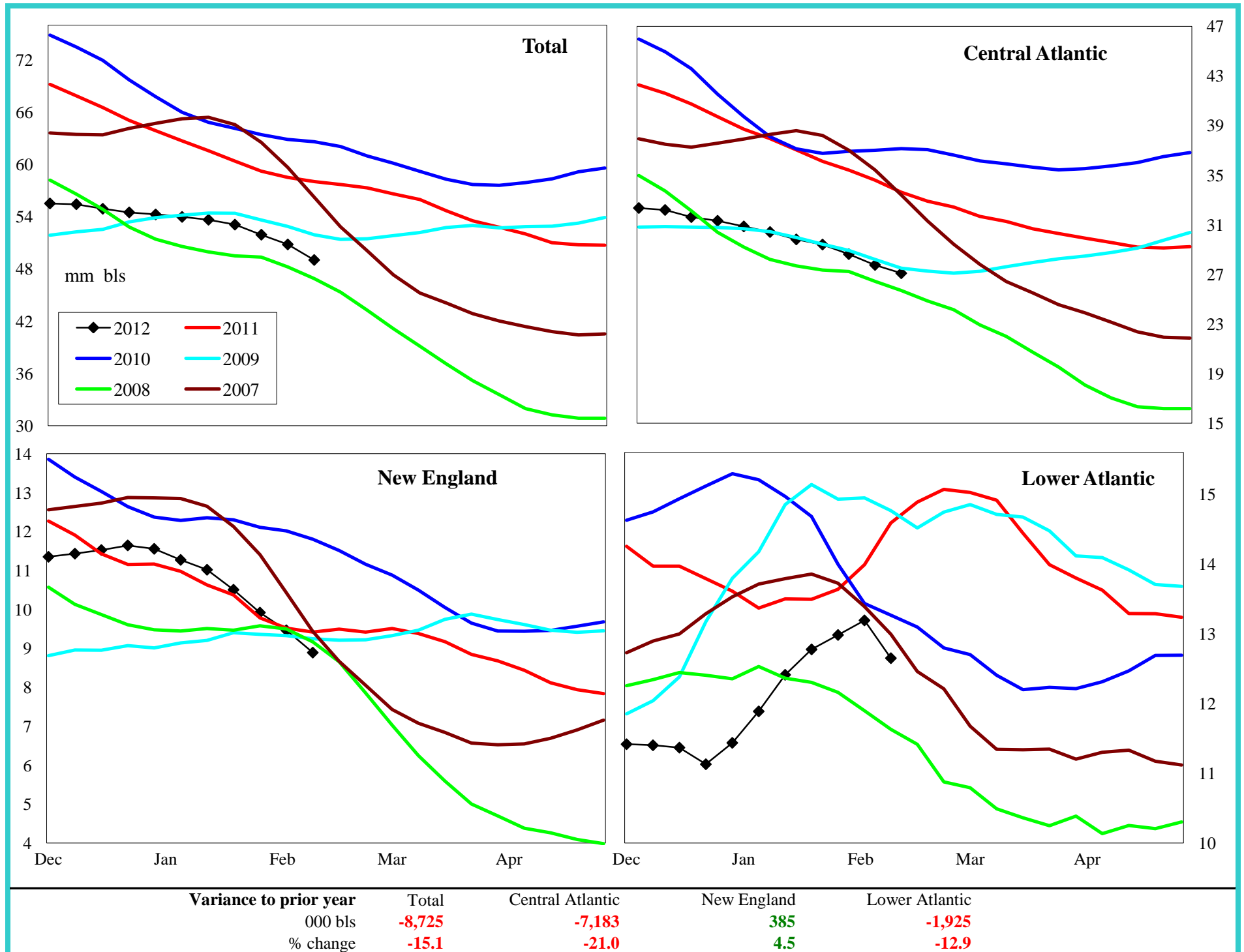
PADD 1 Conventional Gasoline Supply



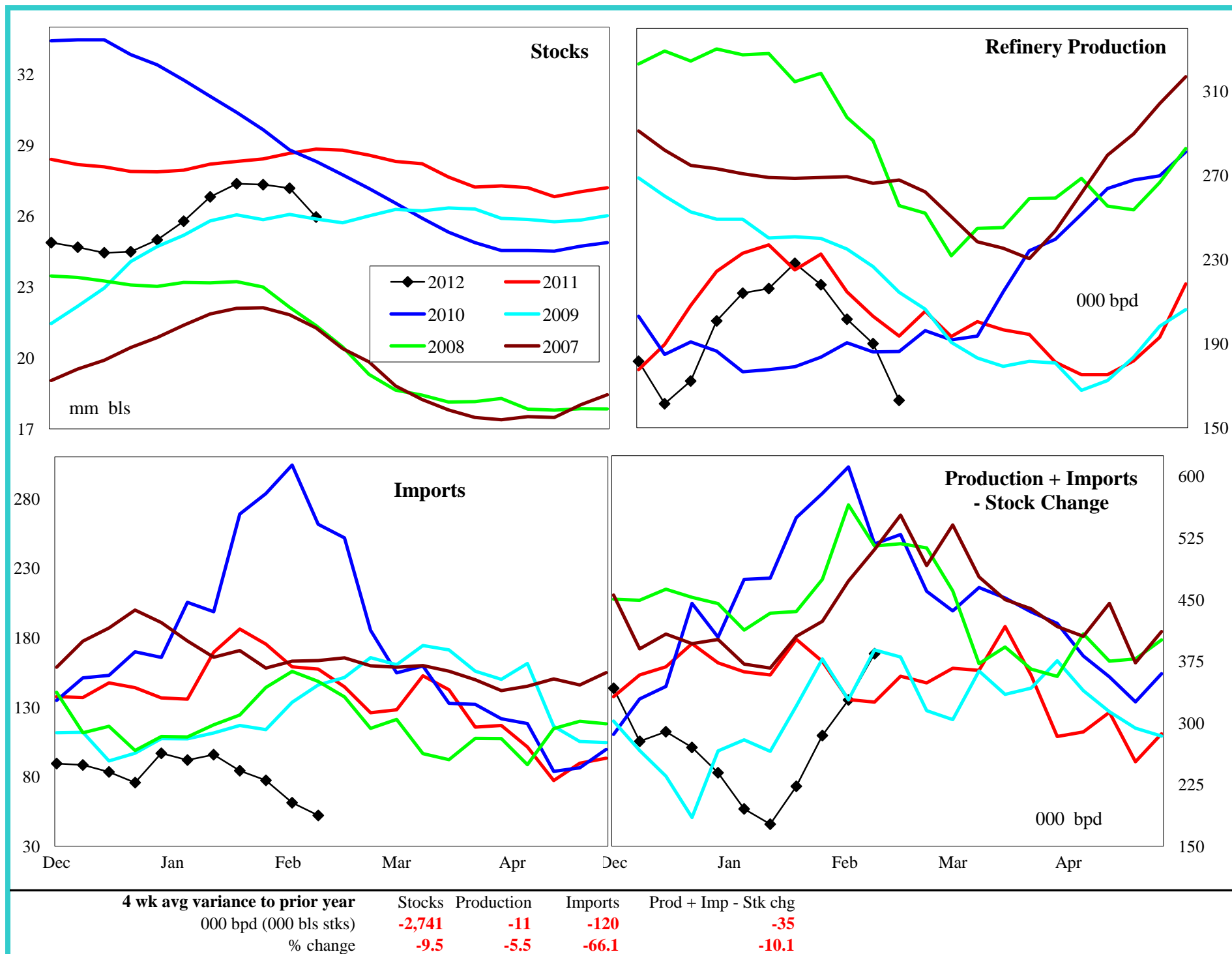
PADD 1 Distillate Supply



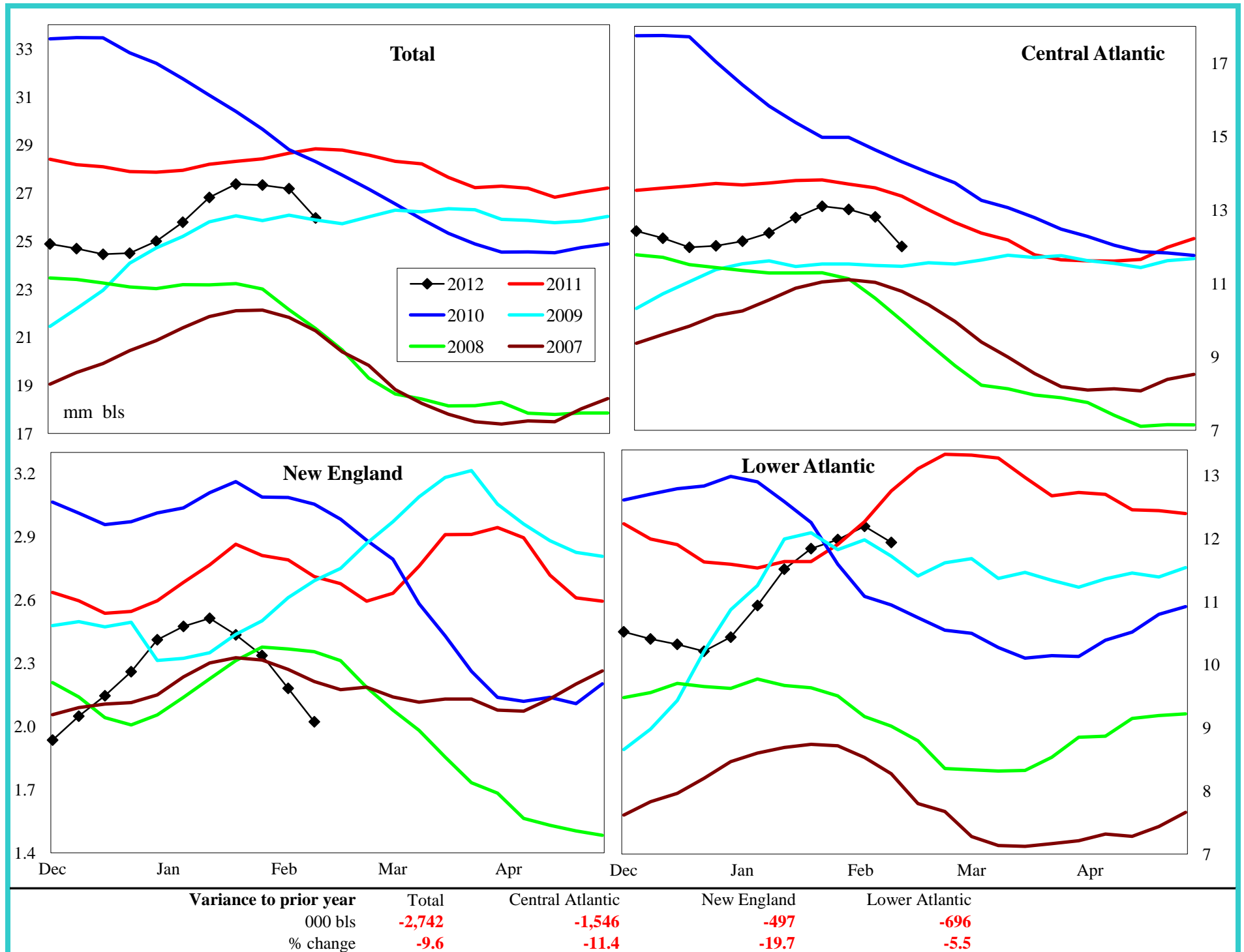
PADD 1 Distillate Stocks by Region



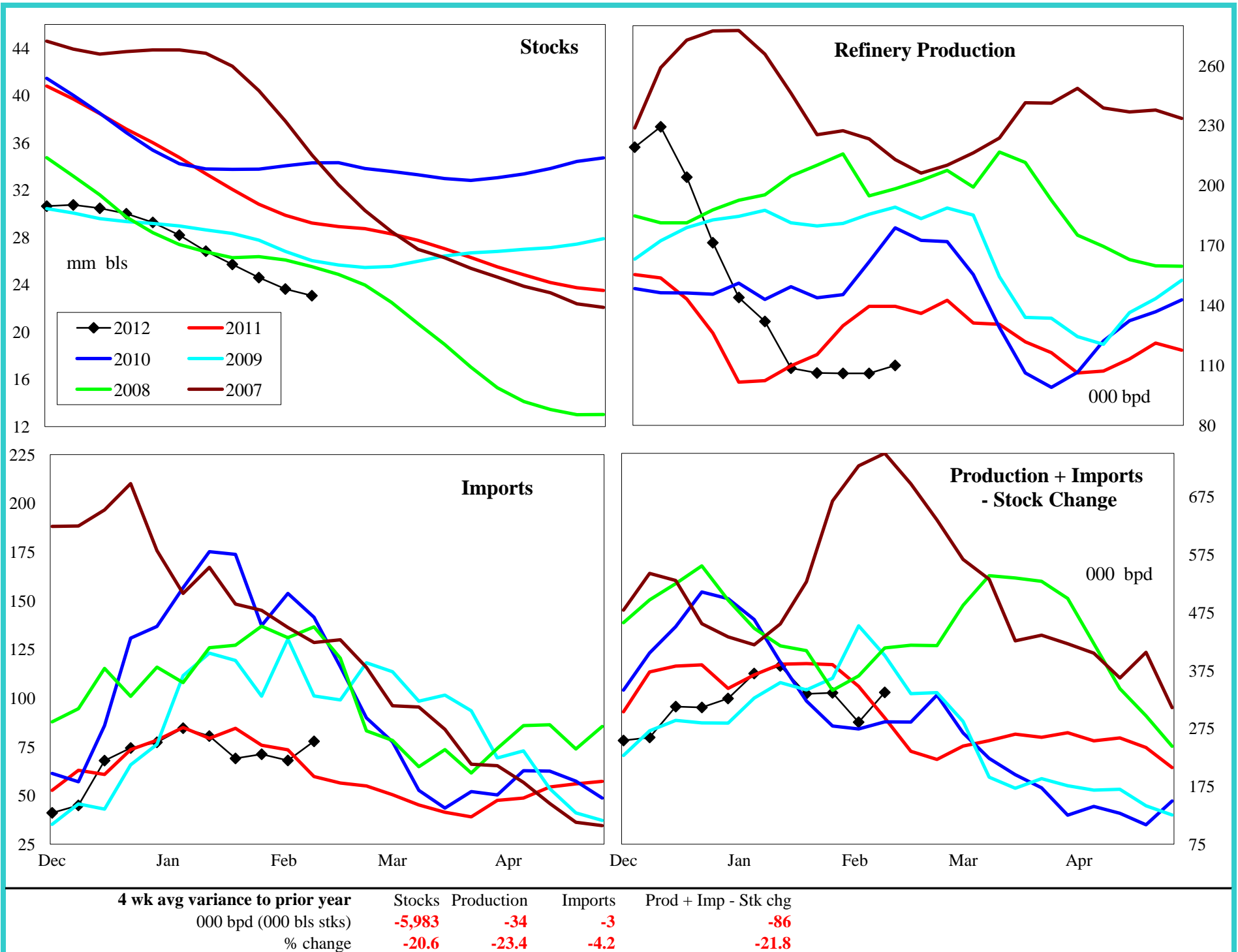
PADD 1 Low Sulfur Distillate Supply



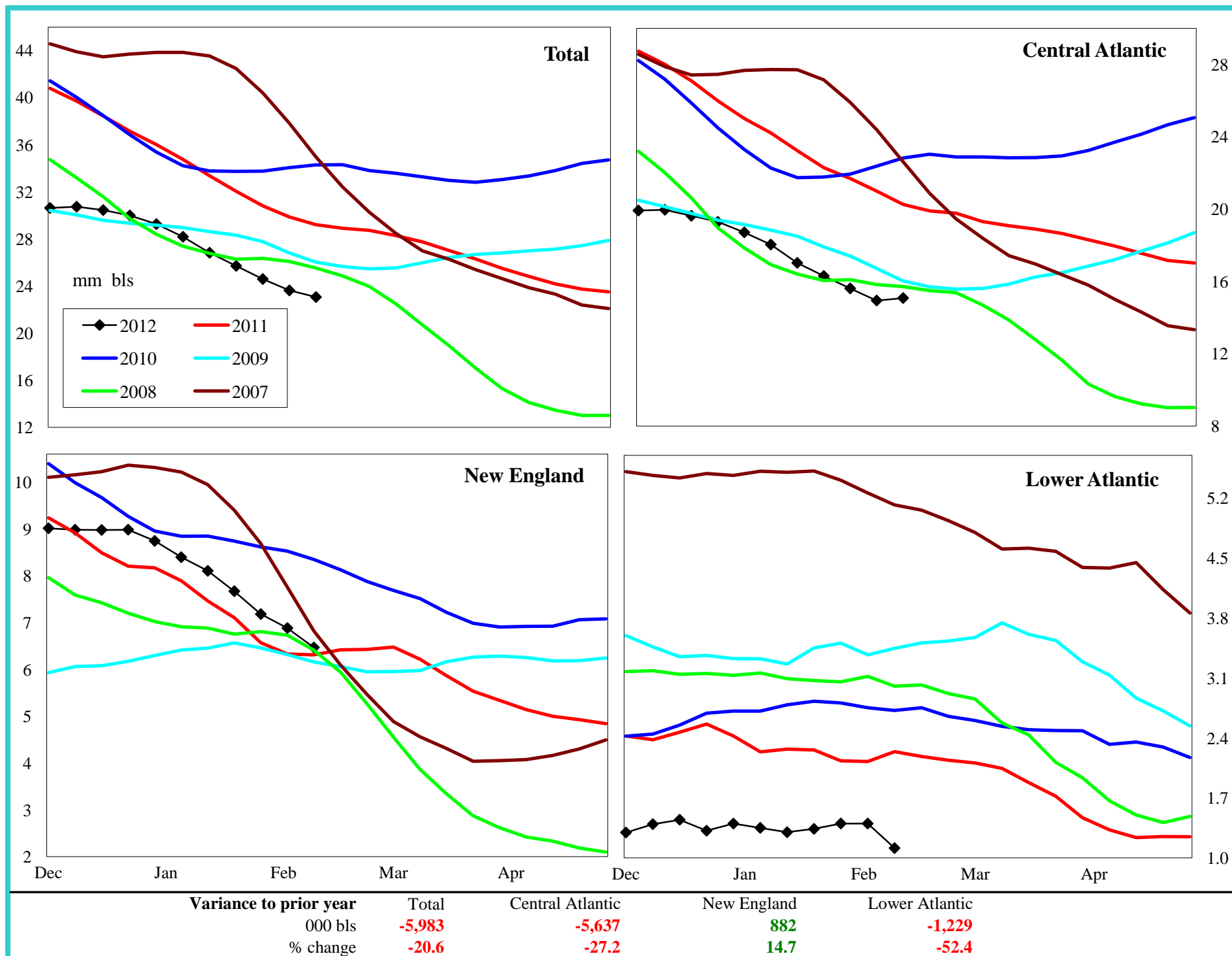
PADD 1 Low Sulfur Distillate Stocks by Region



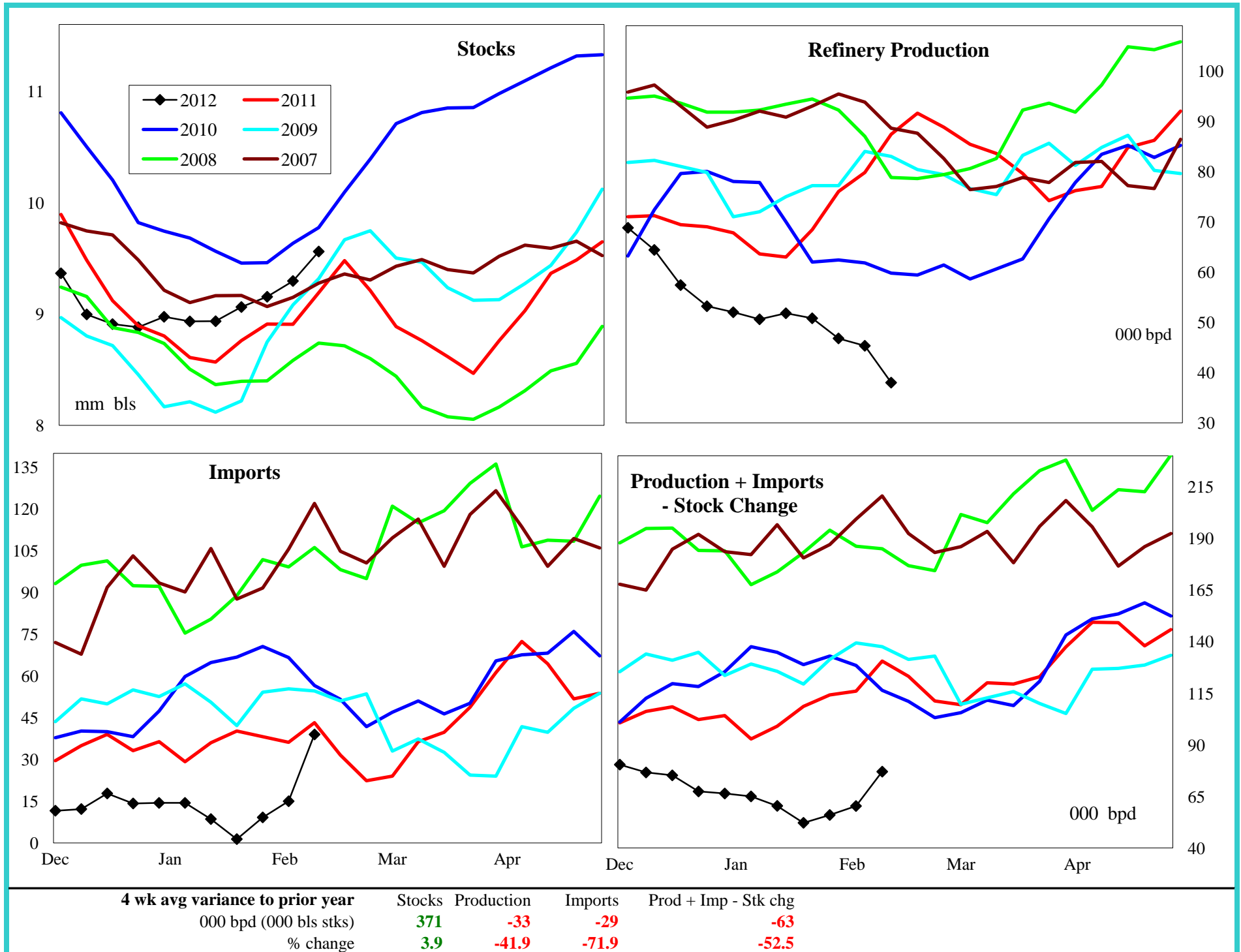
PADD 1 High Sulfur Distillate Supply



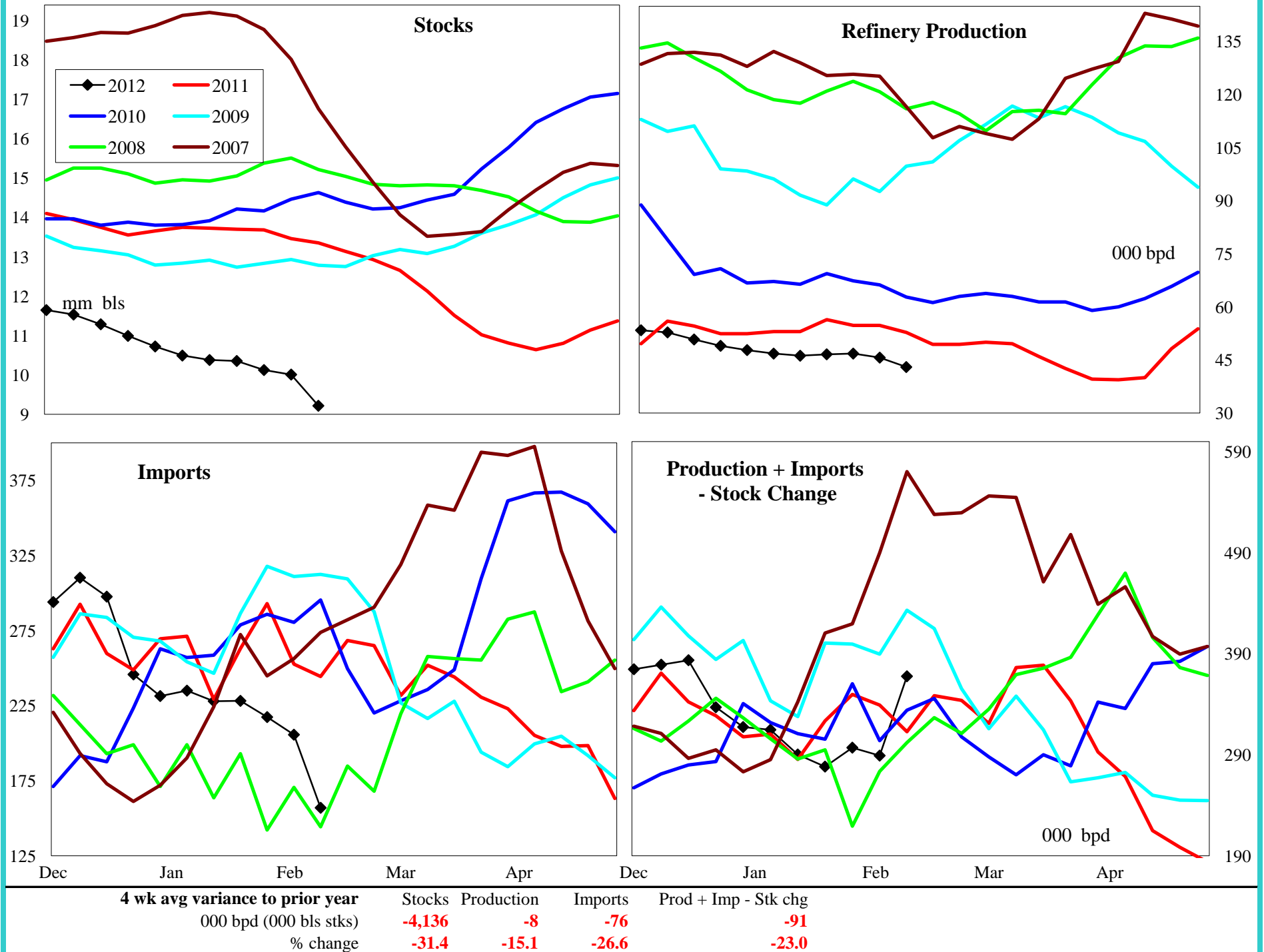
PADD 1 High Sulfur Distillate Stocks by Region



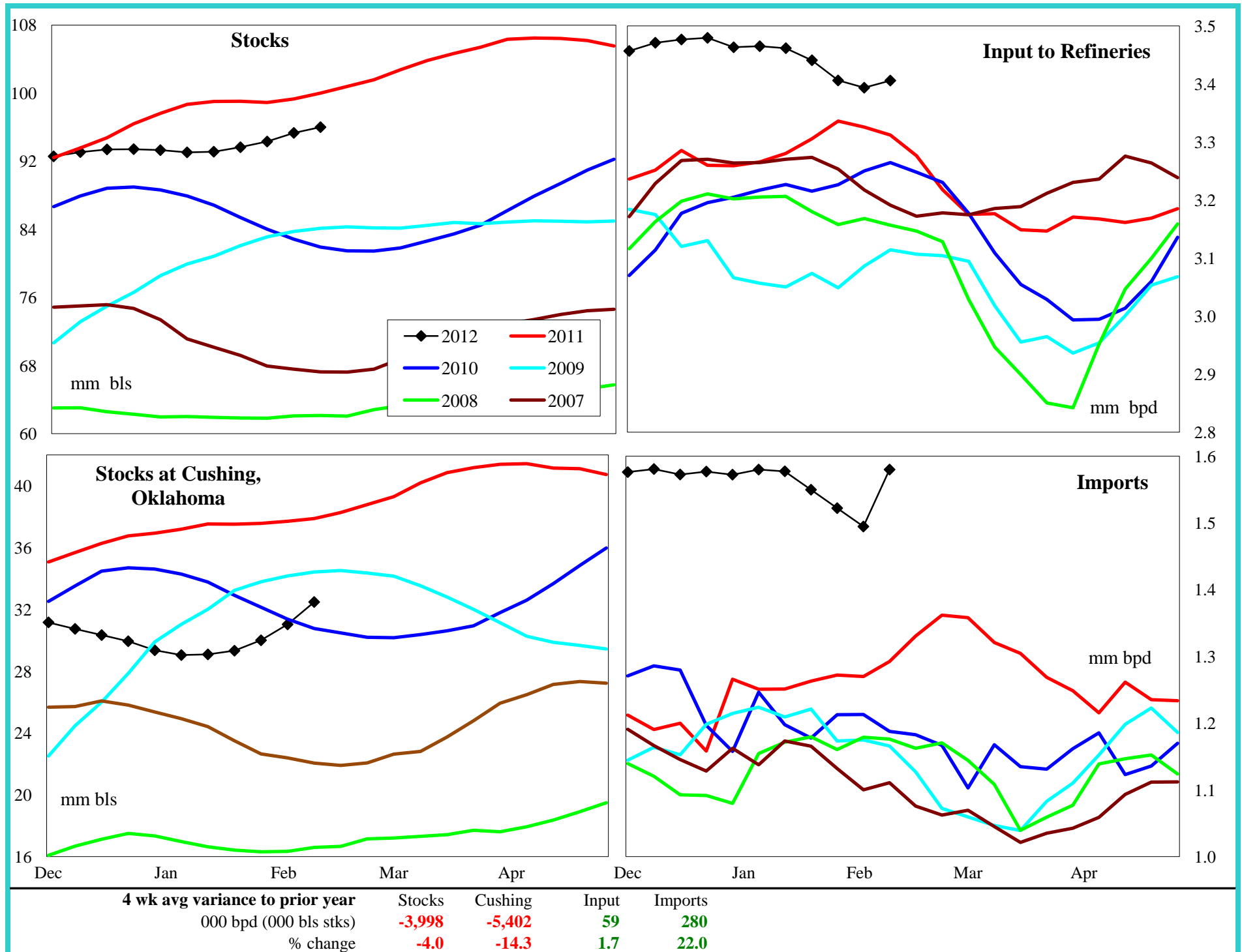
PADD 1 Jet Fuel Supply



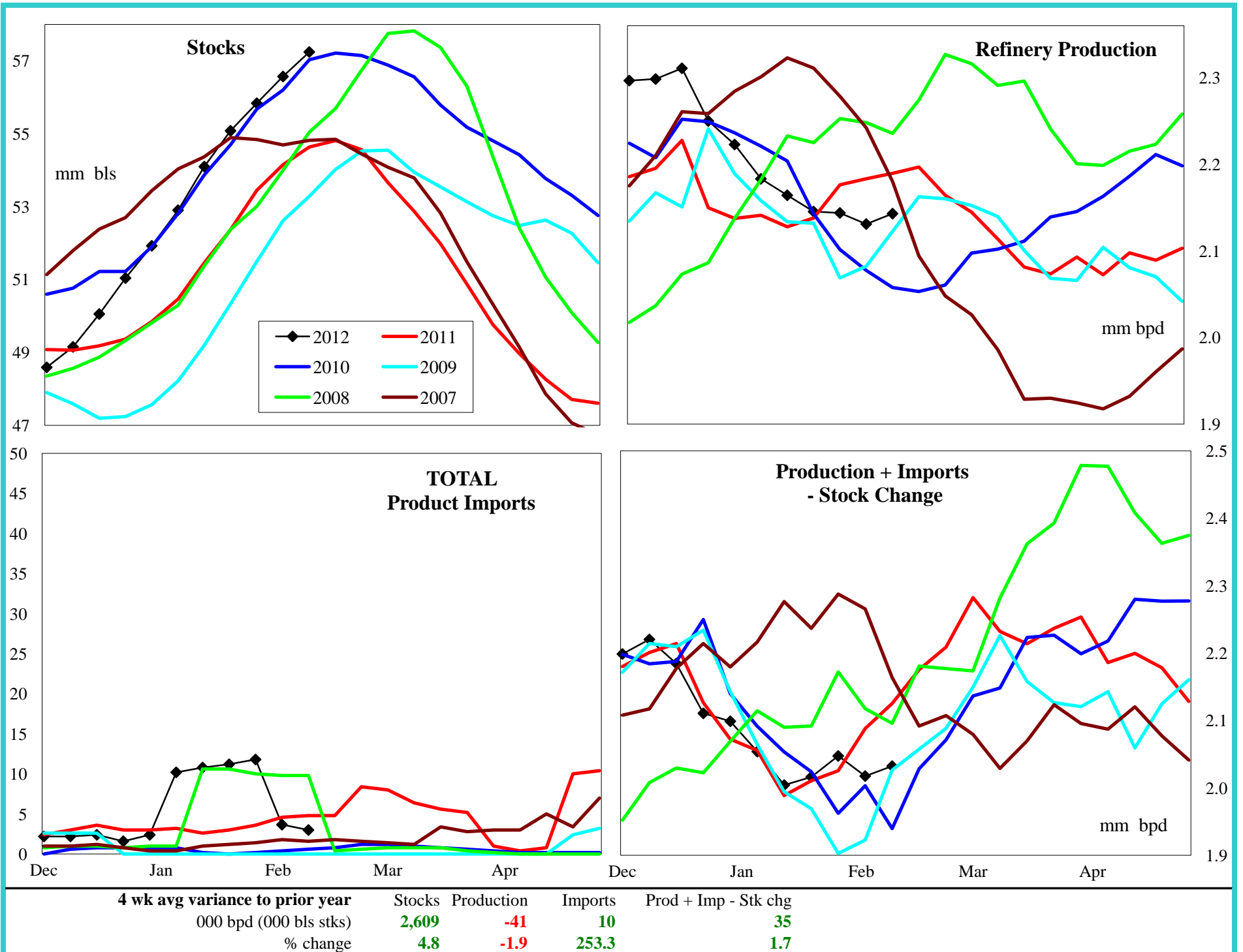
PADD 1 Residual Fuel Oil Supply



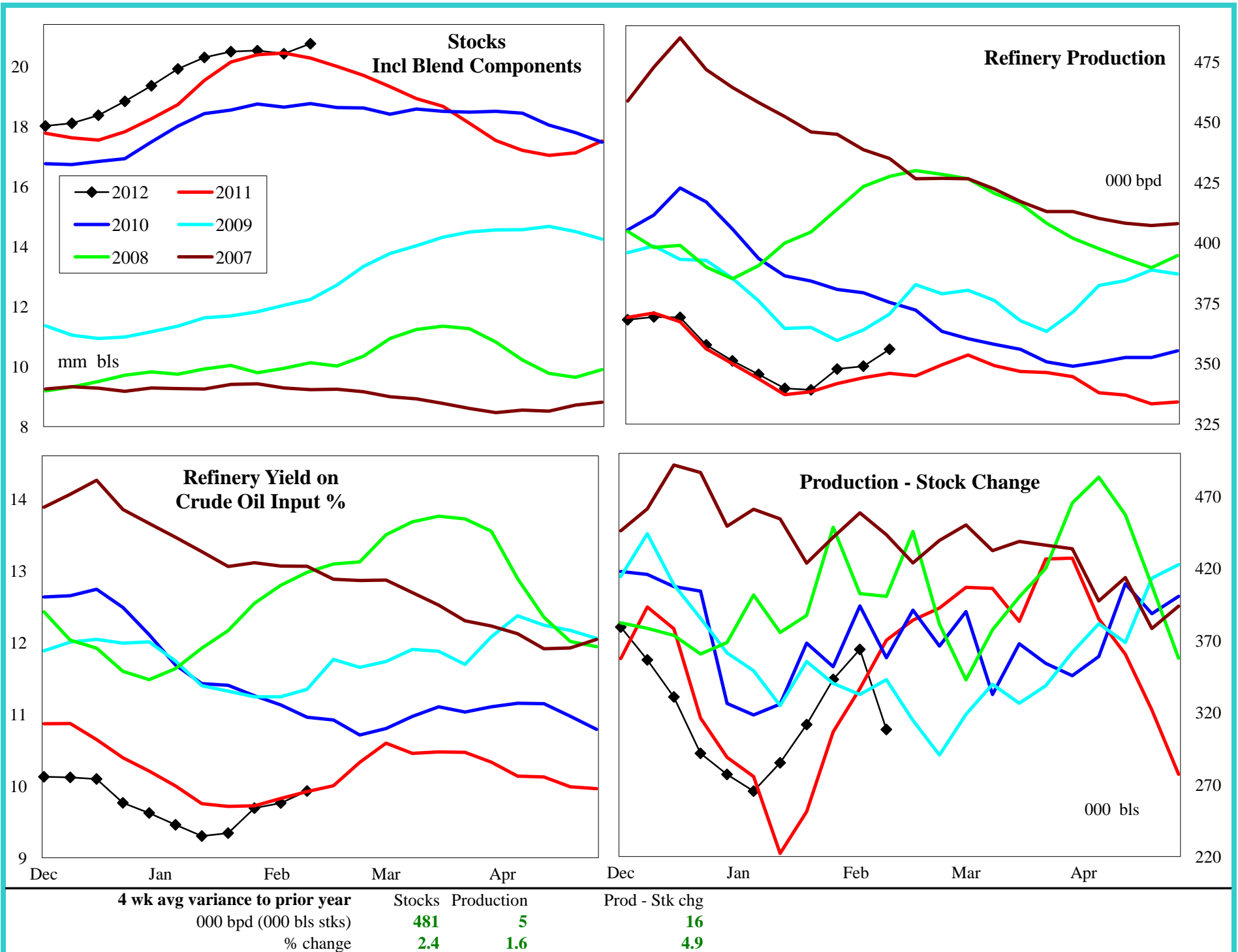
PADD 2 Crude Oil Supply and Refining



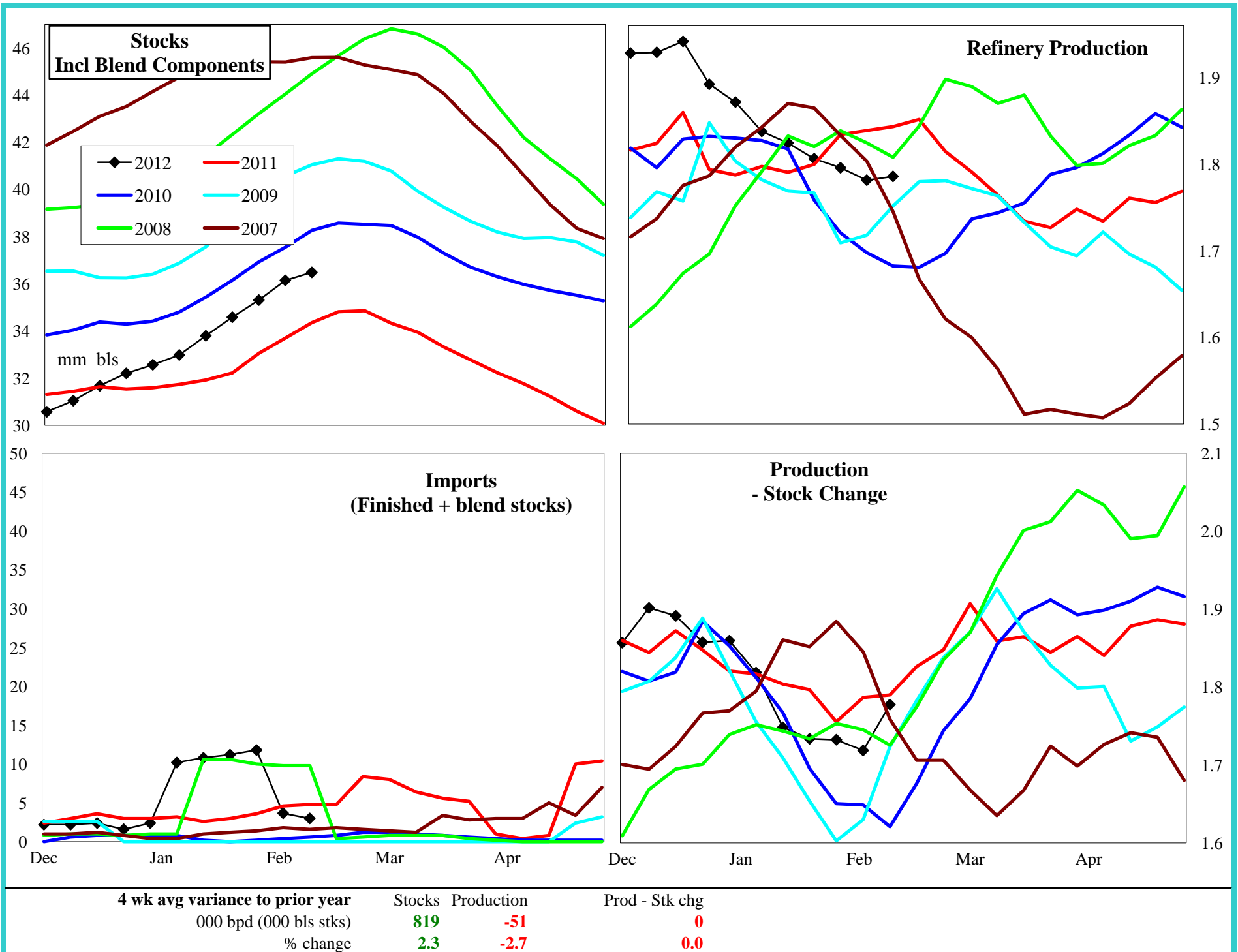
PADD 2 Gasoline Supply



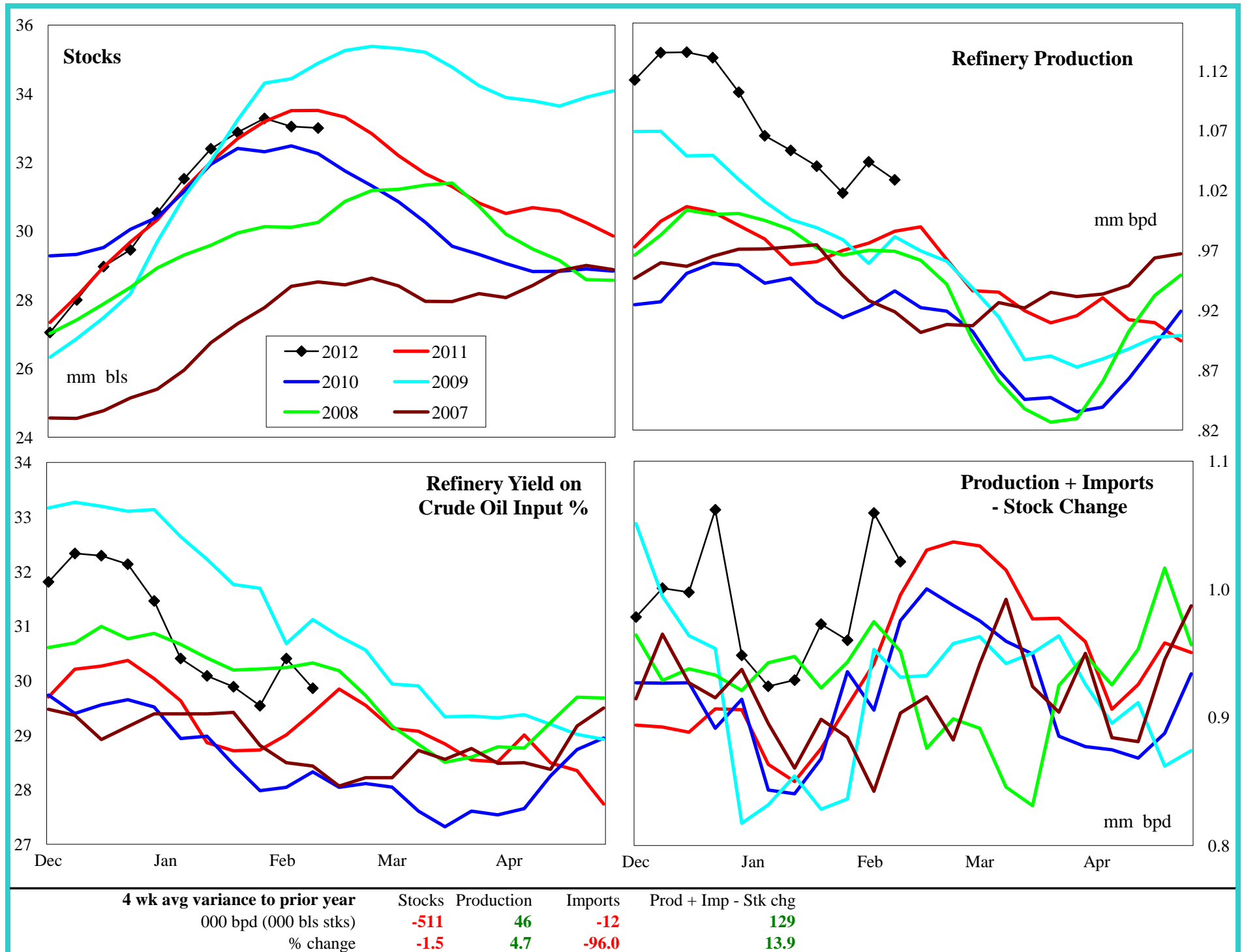
PADD 2 Reformulated Gasoline Supply



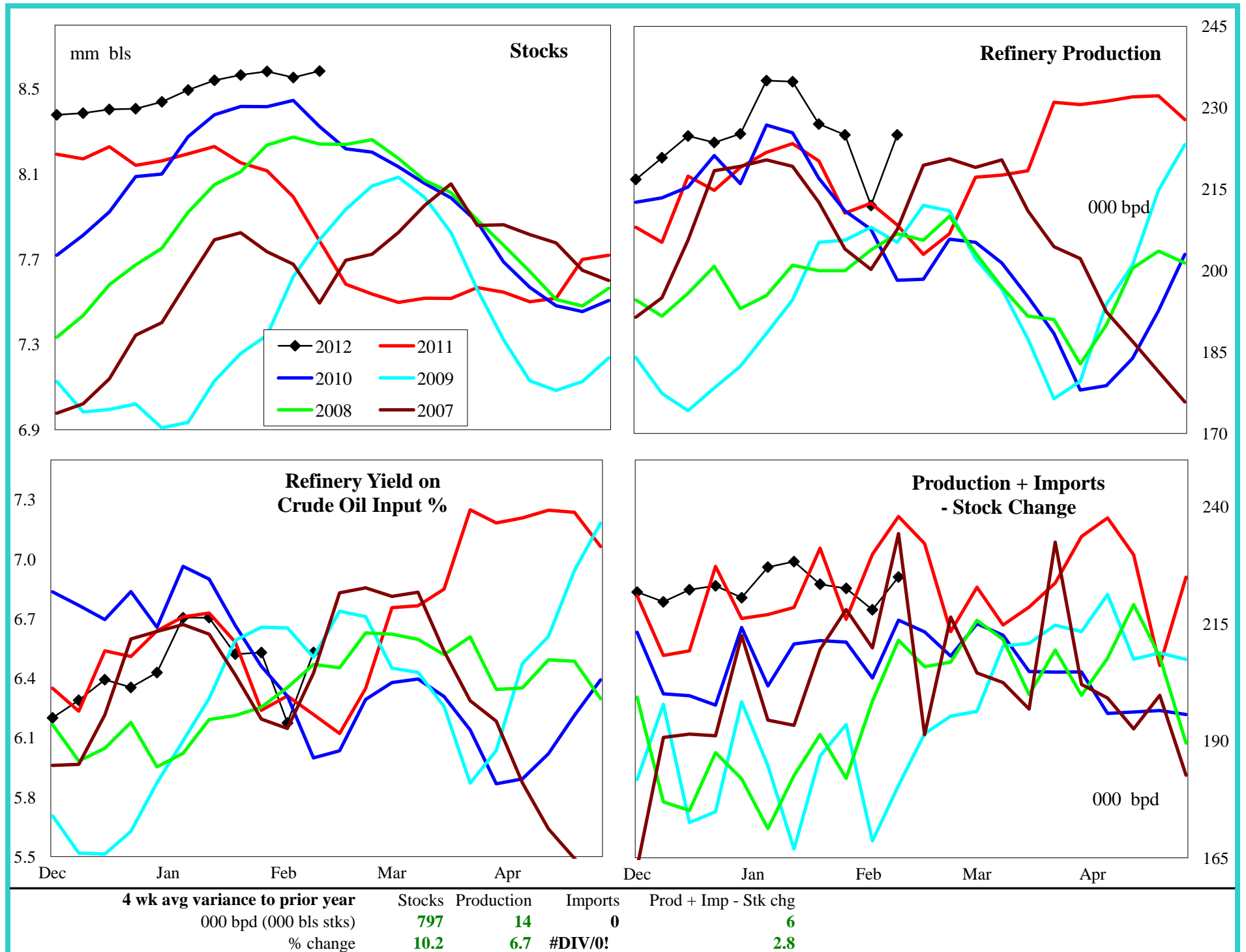
PADD 2 Conventional Gasoline Supply



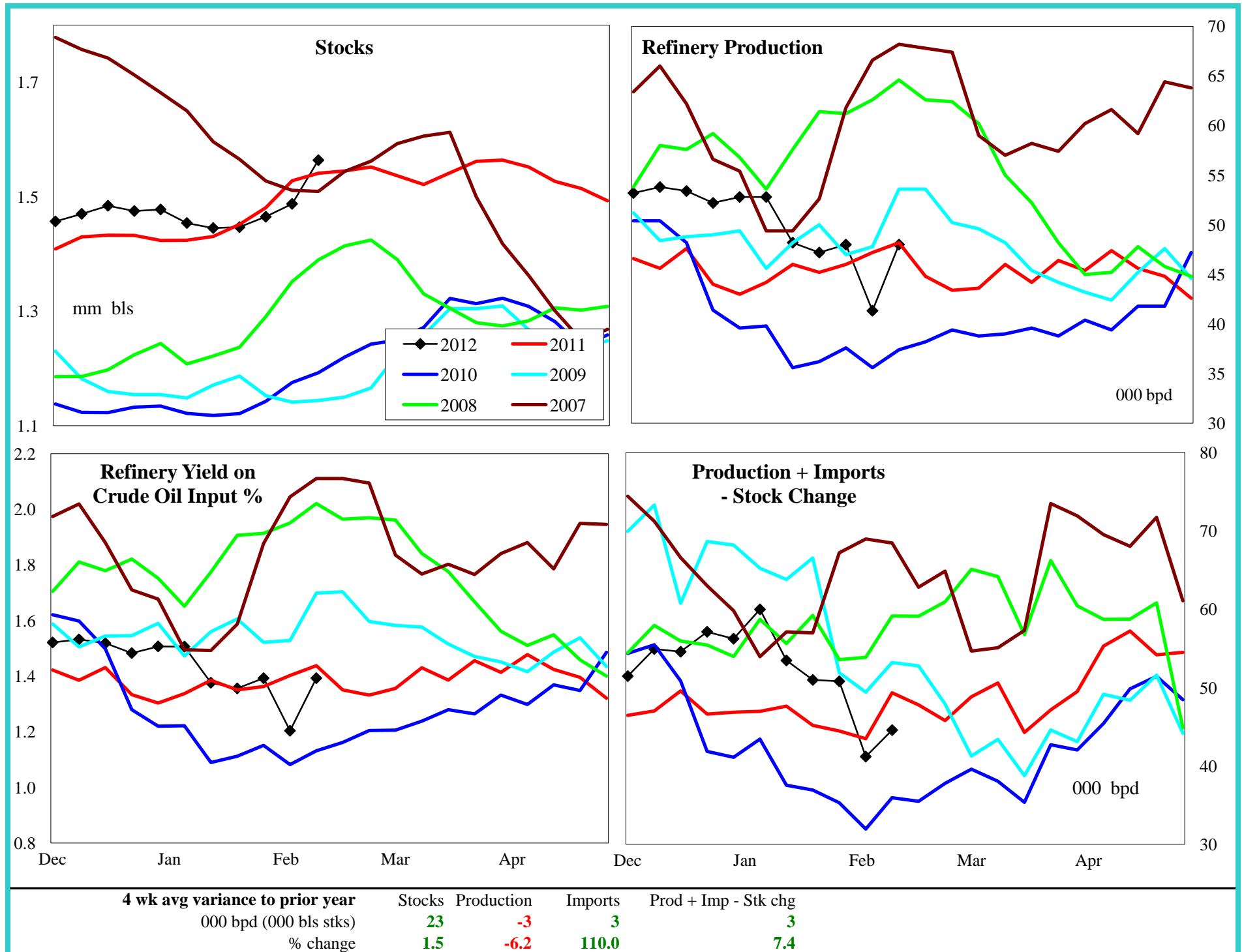
PADD 2 Distillate Supply



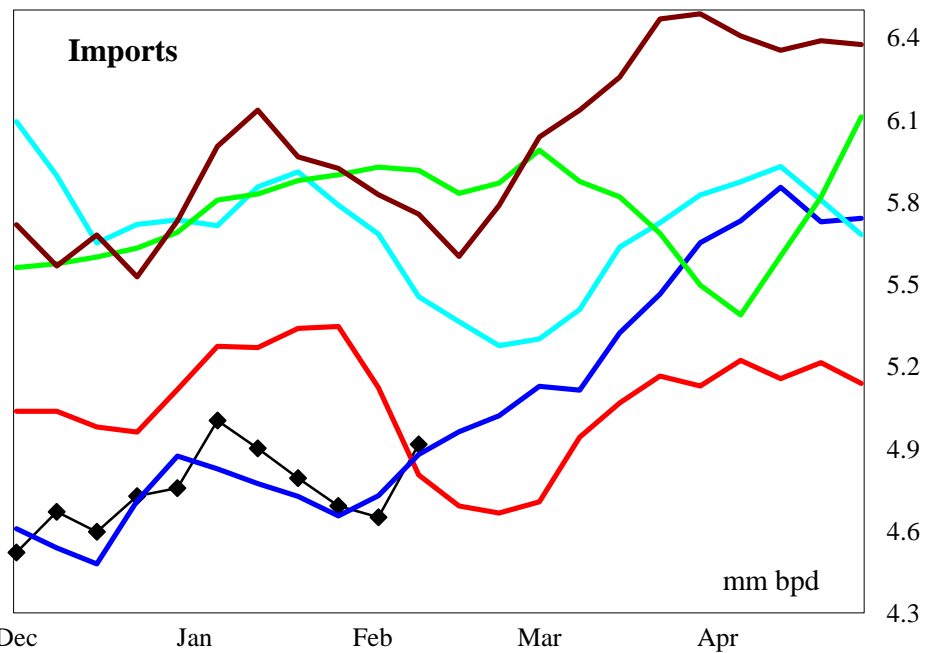
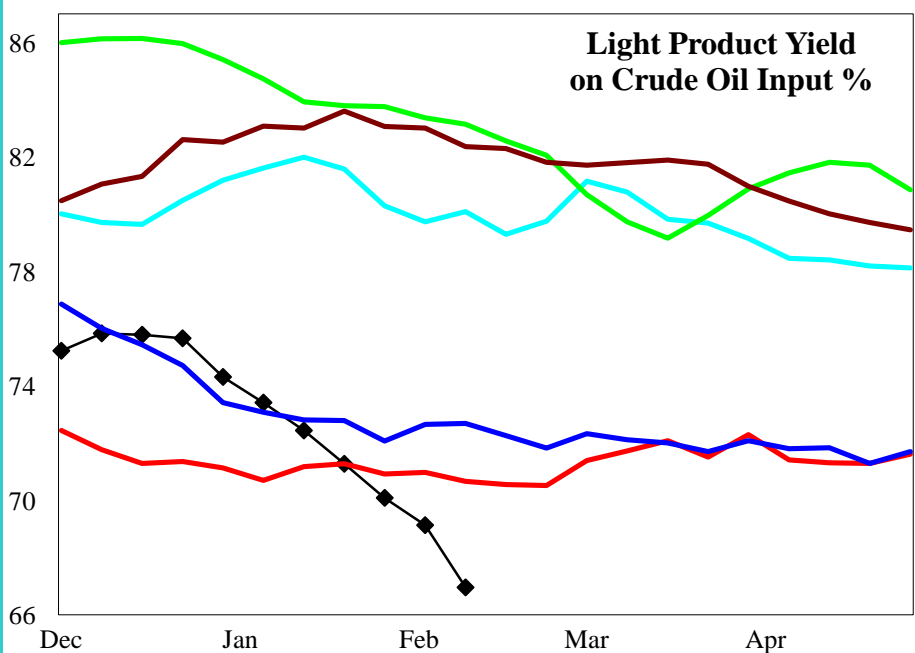
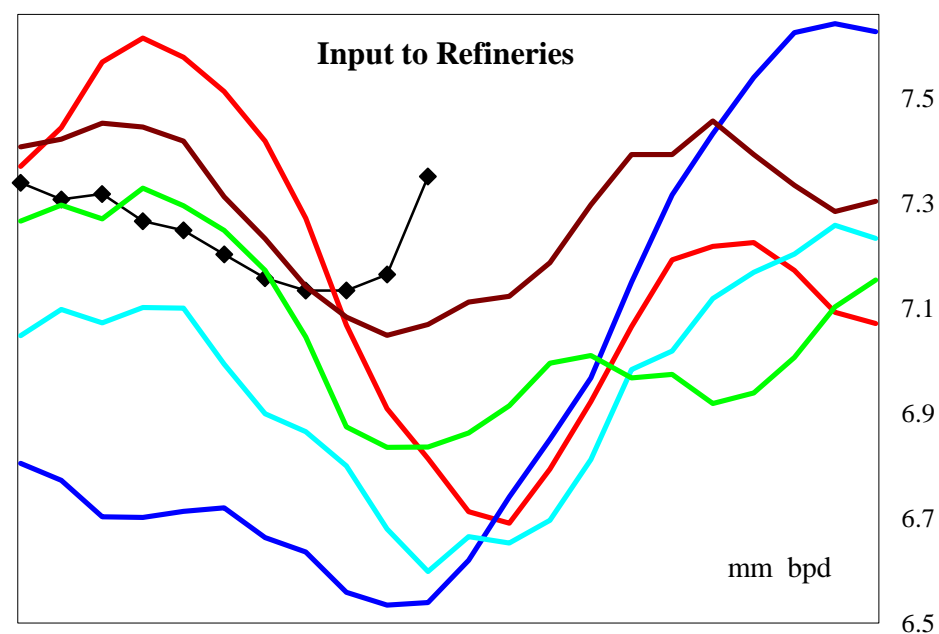
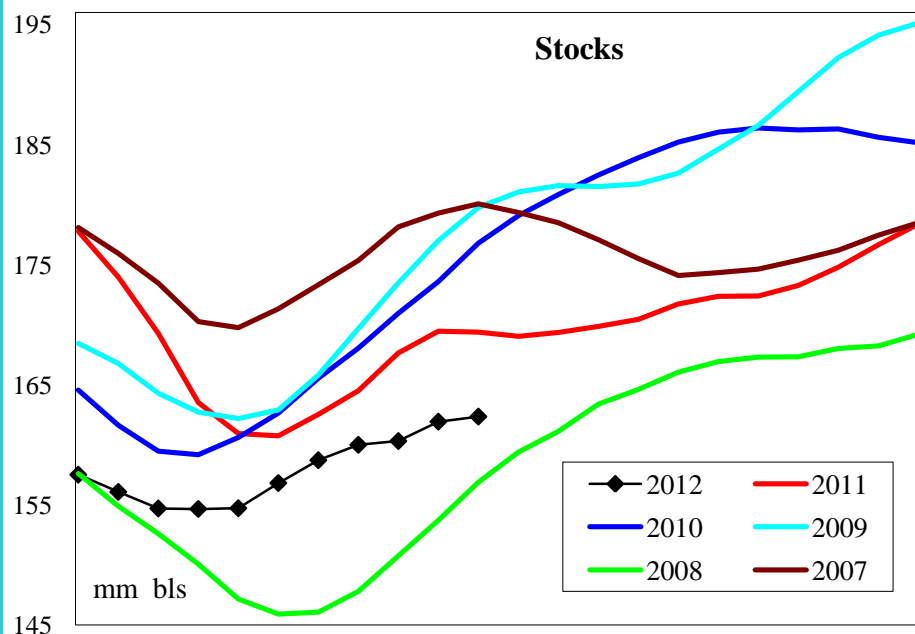
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



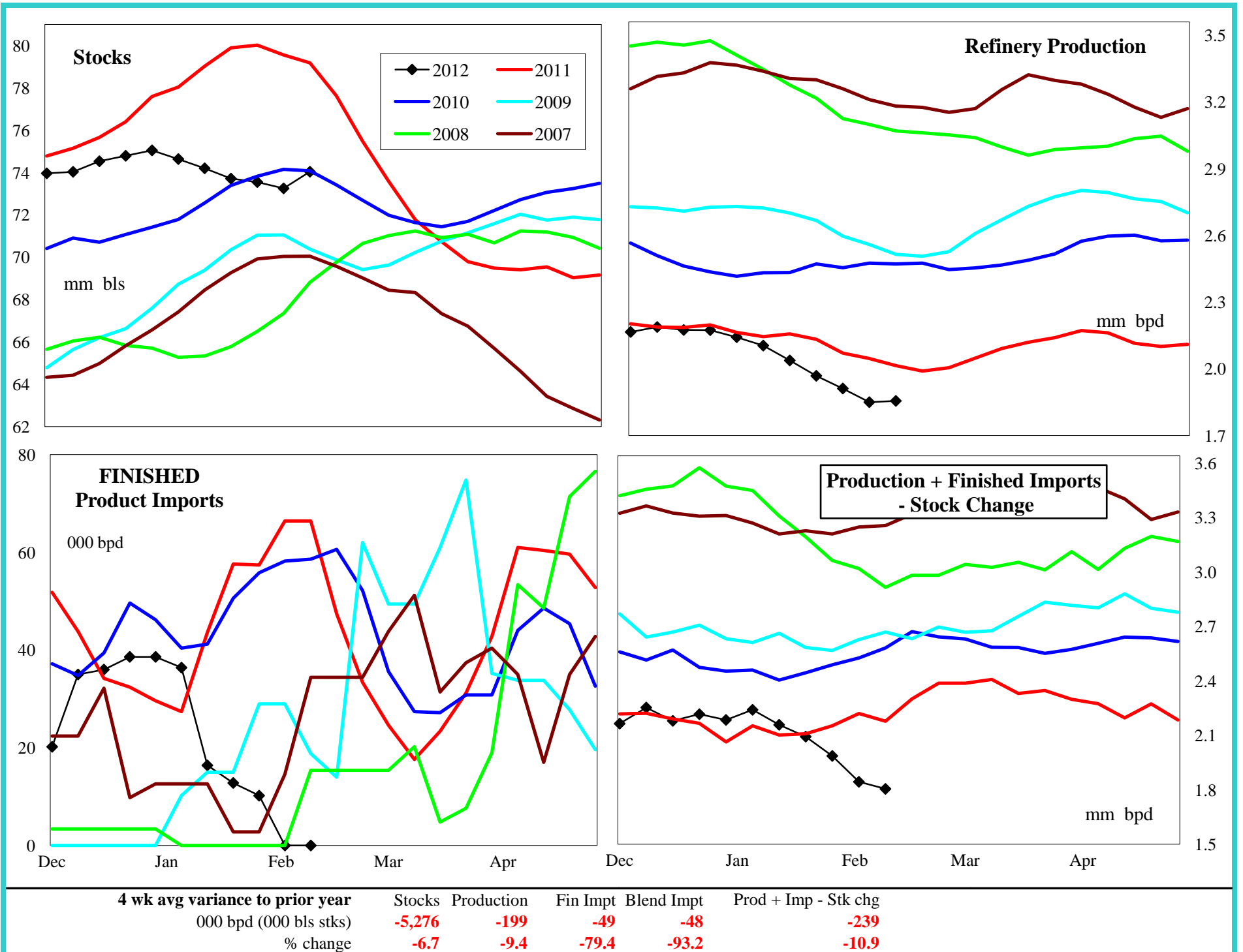
PADD 3 Crude Oil Supply and Refining



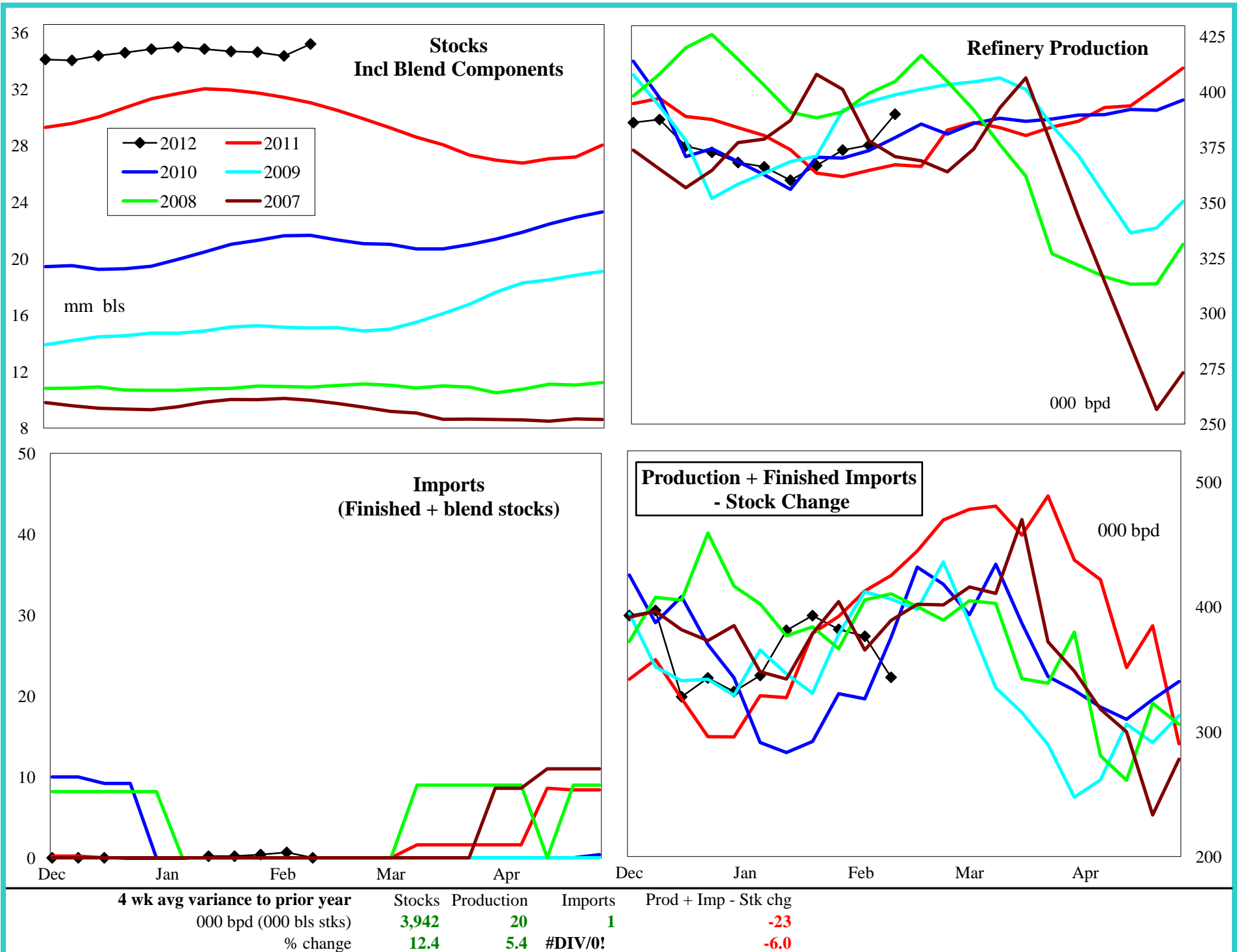
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bbls stks)	-7,026	104	-607
% change	-4.1	1.5	-11.4

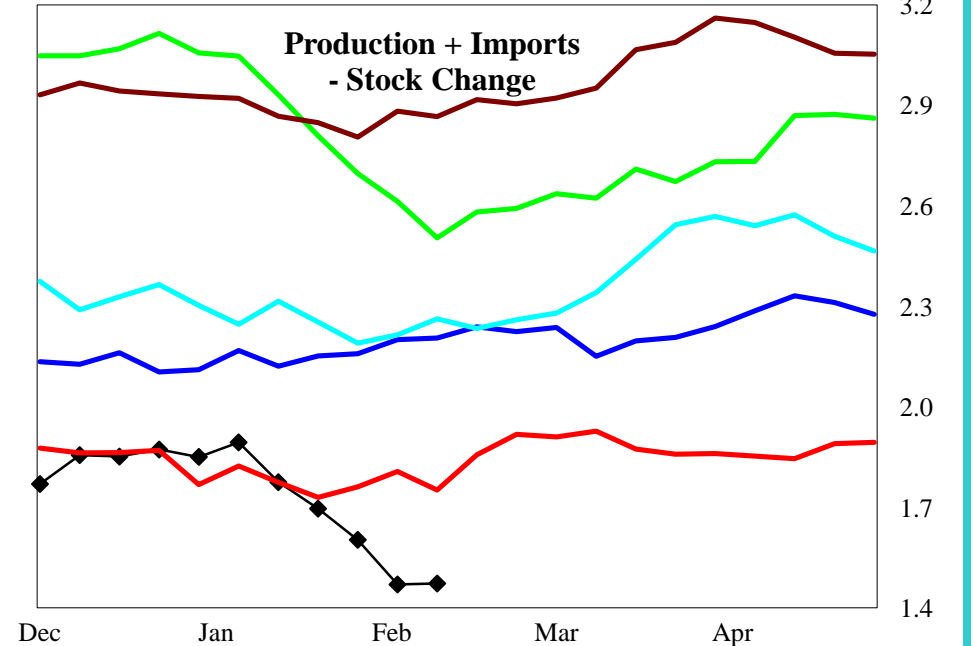
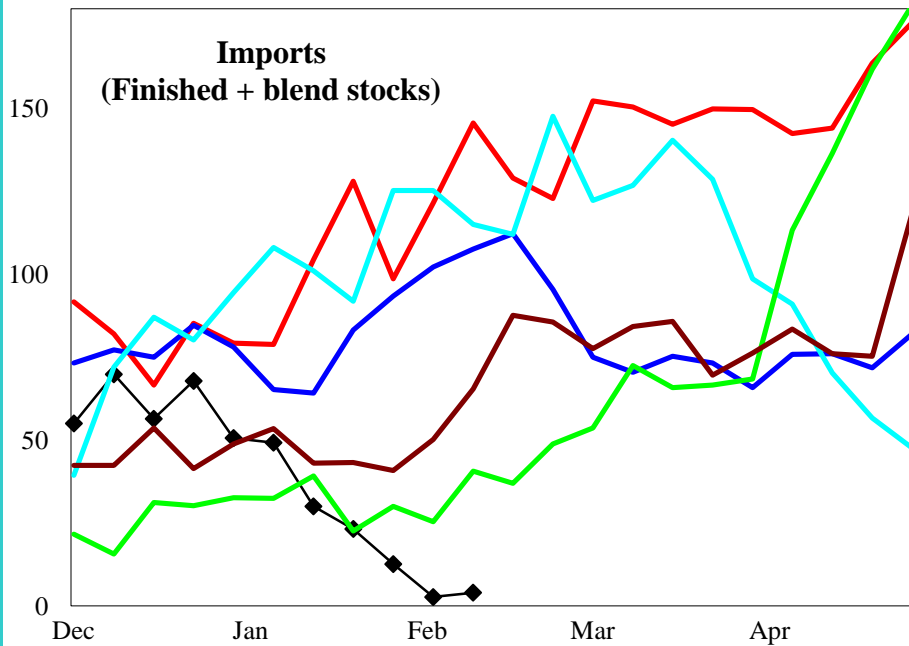
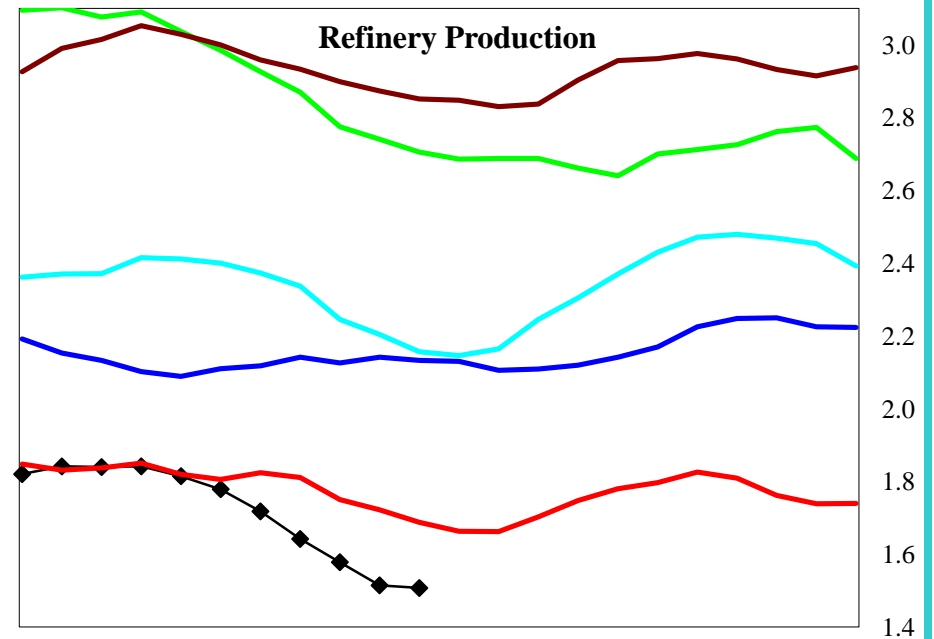
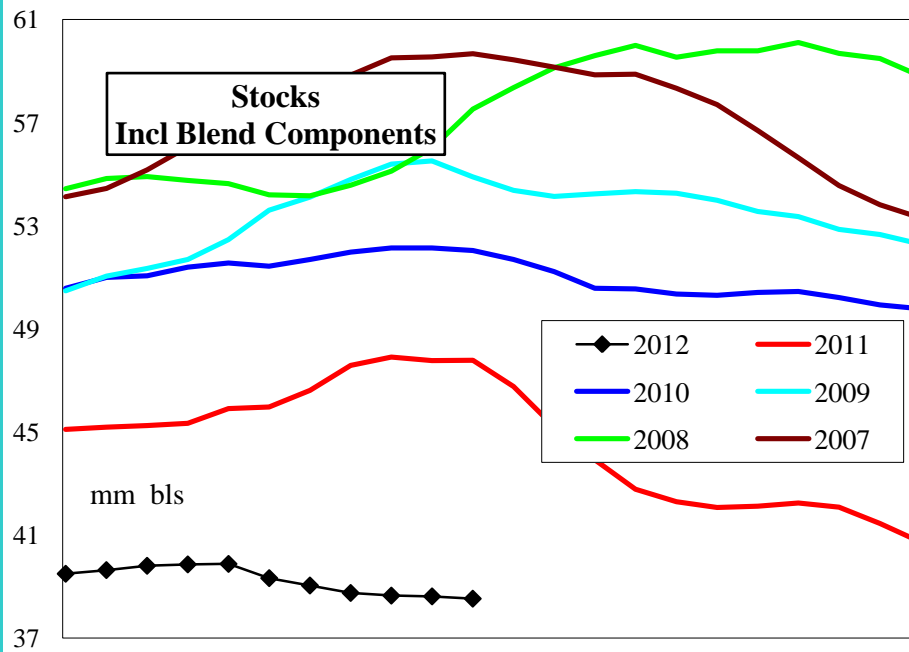
PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



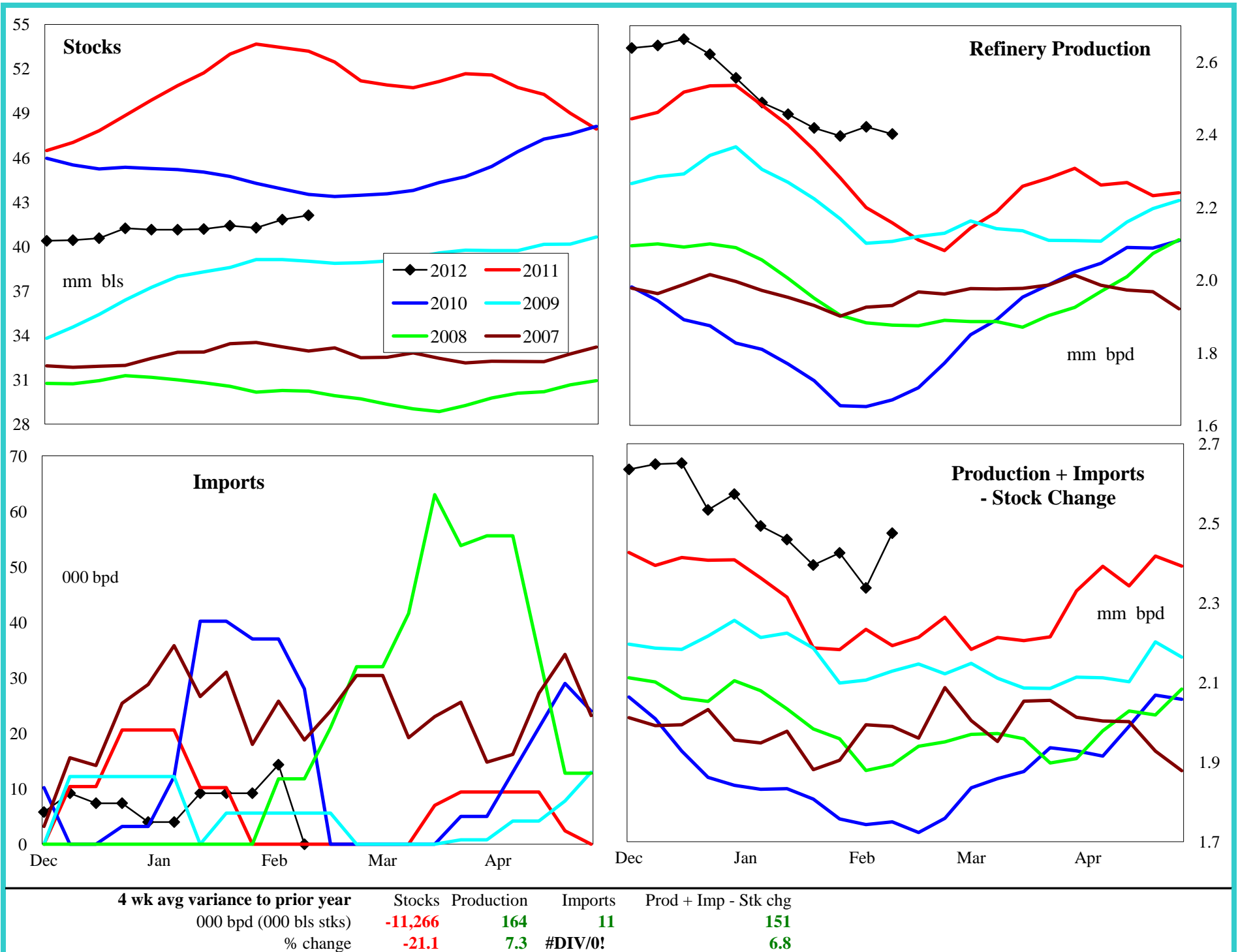
PADD 3 Conventional Gasoline Supply



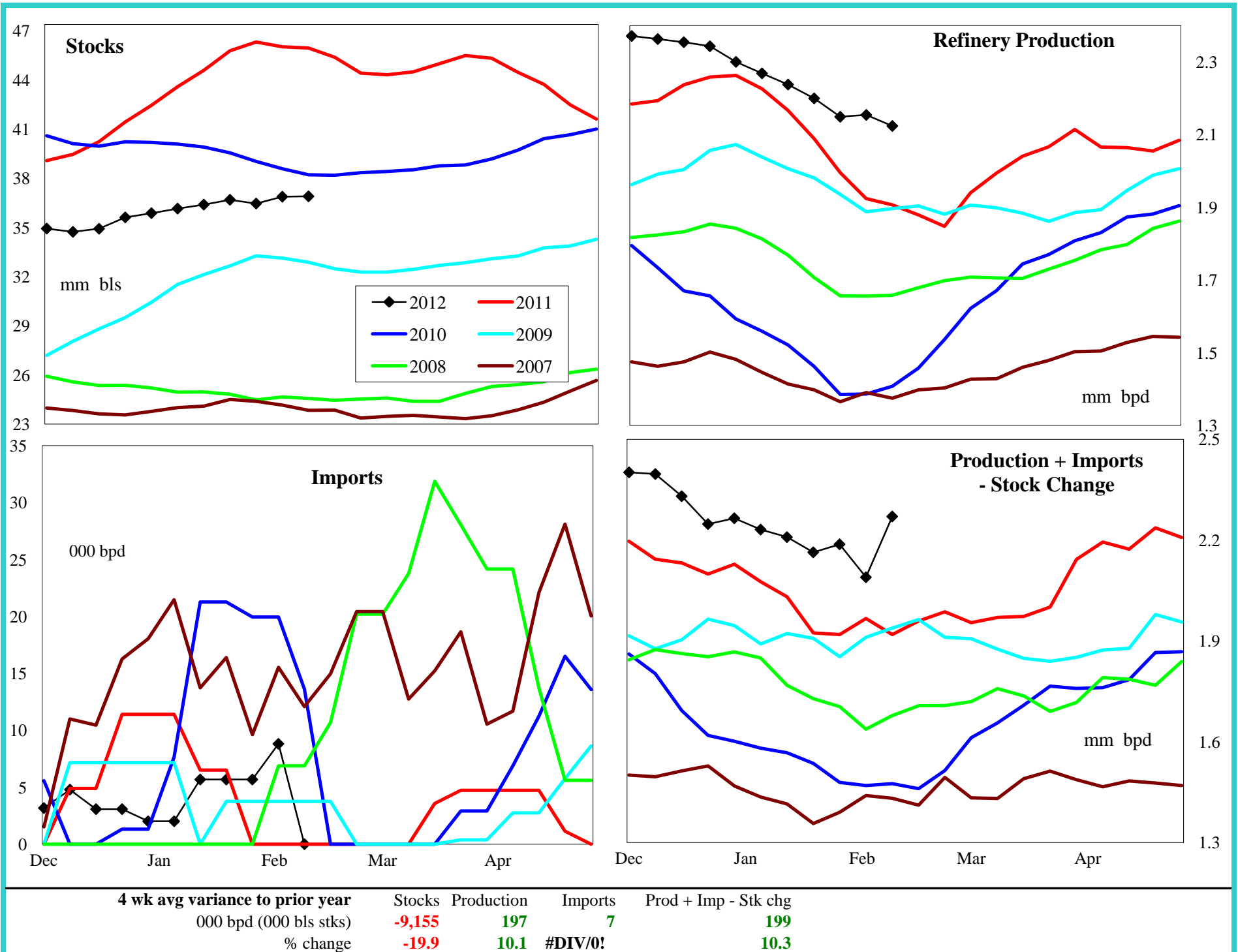
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
-9,144	-219	-98	-216
-19.2	-12.5	-86.1	-12.0

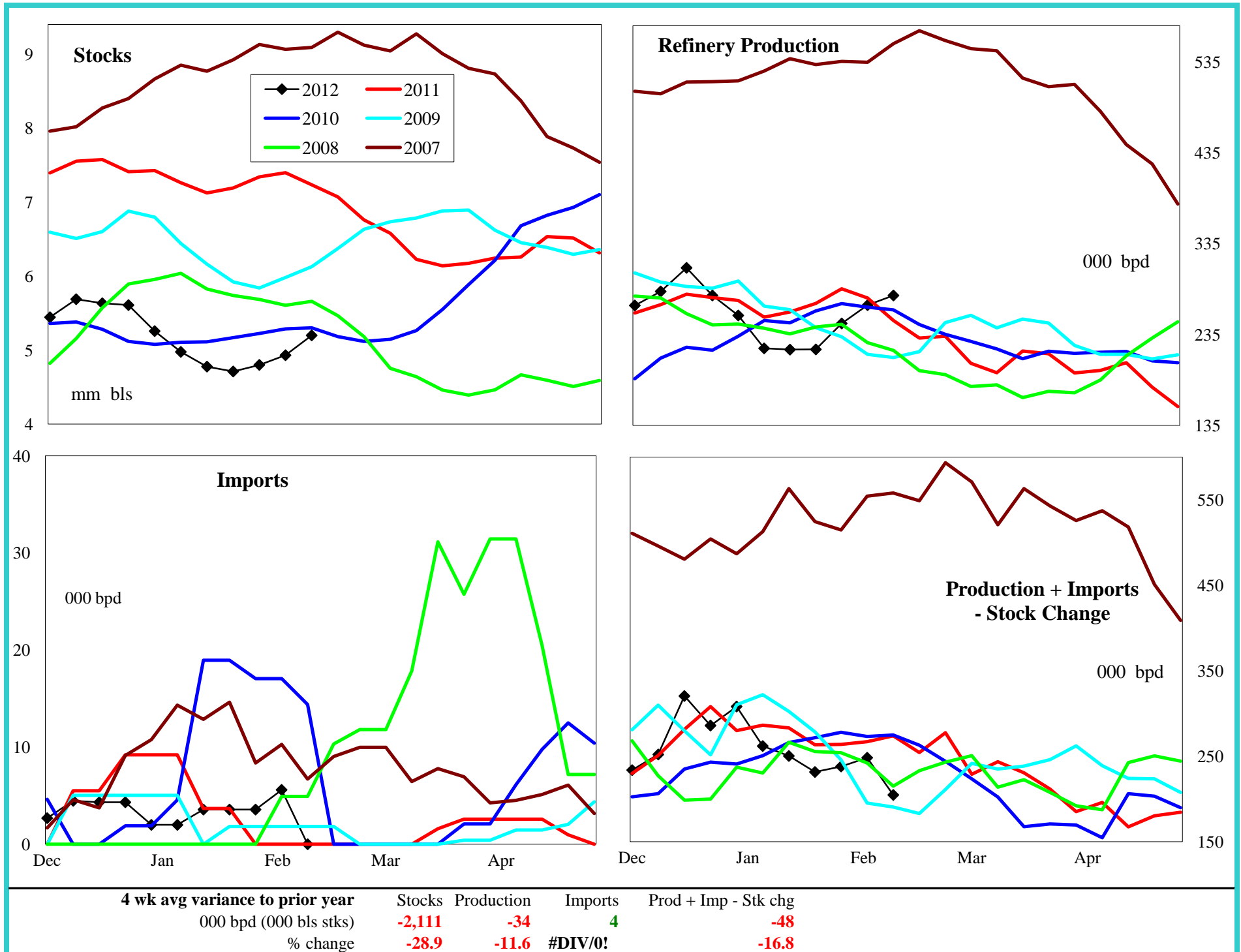
PADD 3 Distillate Supply



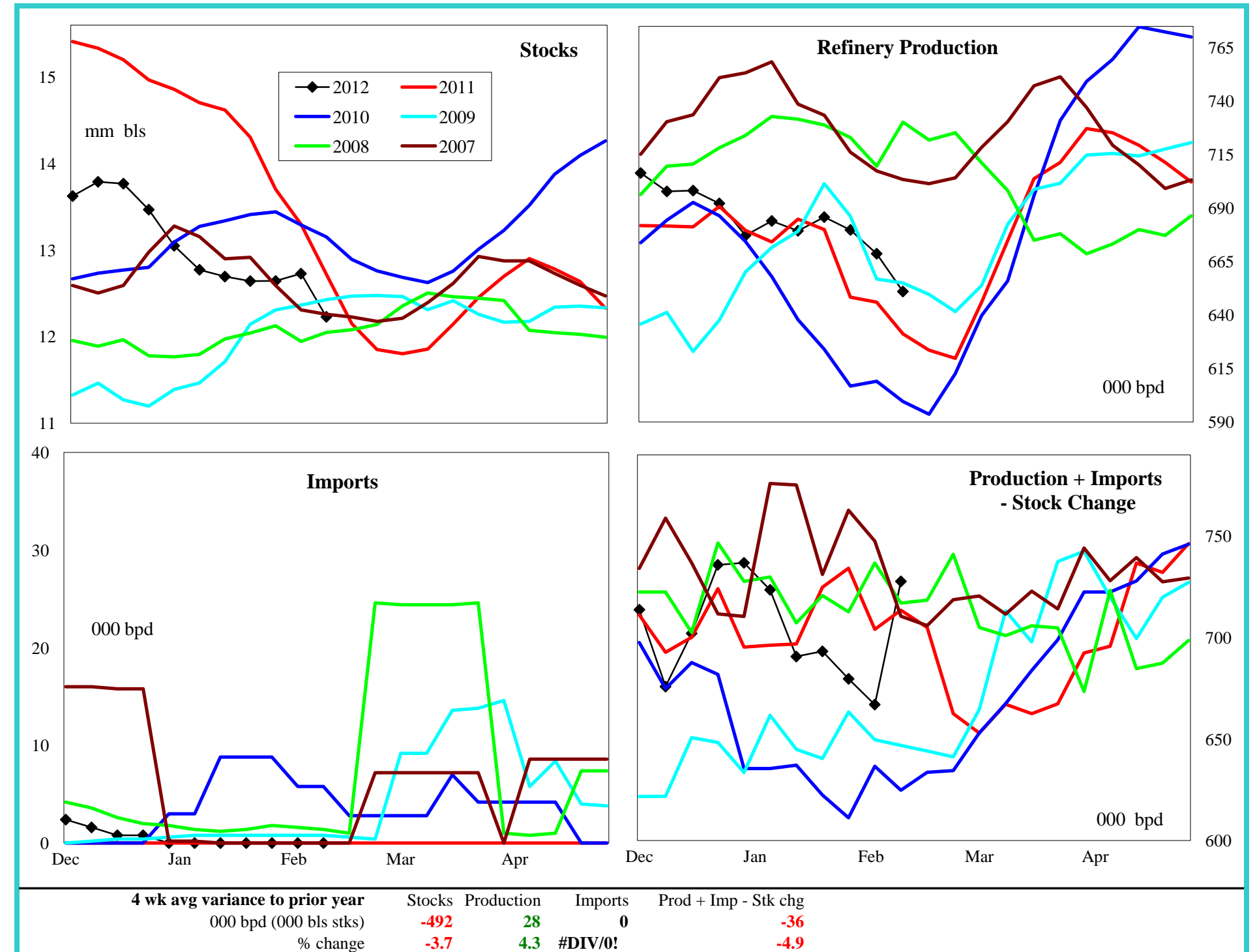
PADD 3 Low Sulfur Distillate Supply



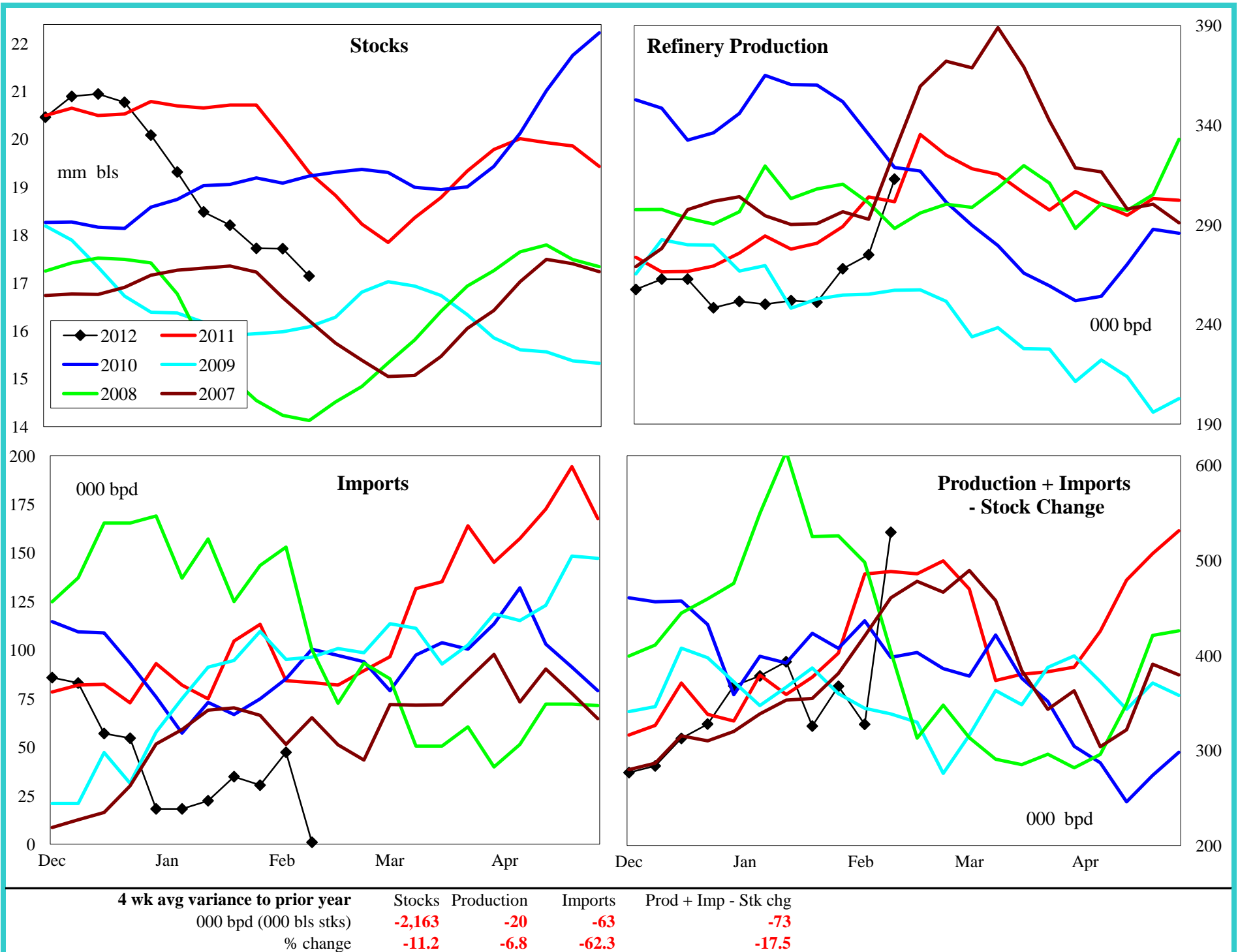
PADD 3 High Sulfur Distillate Supply



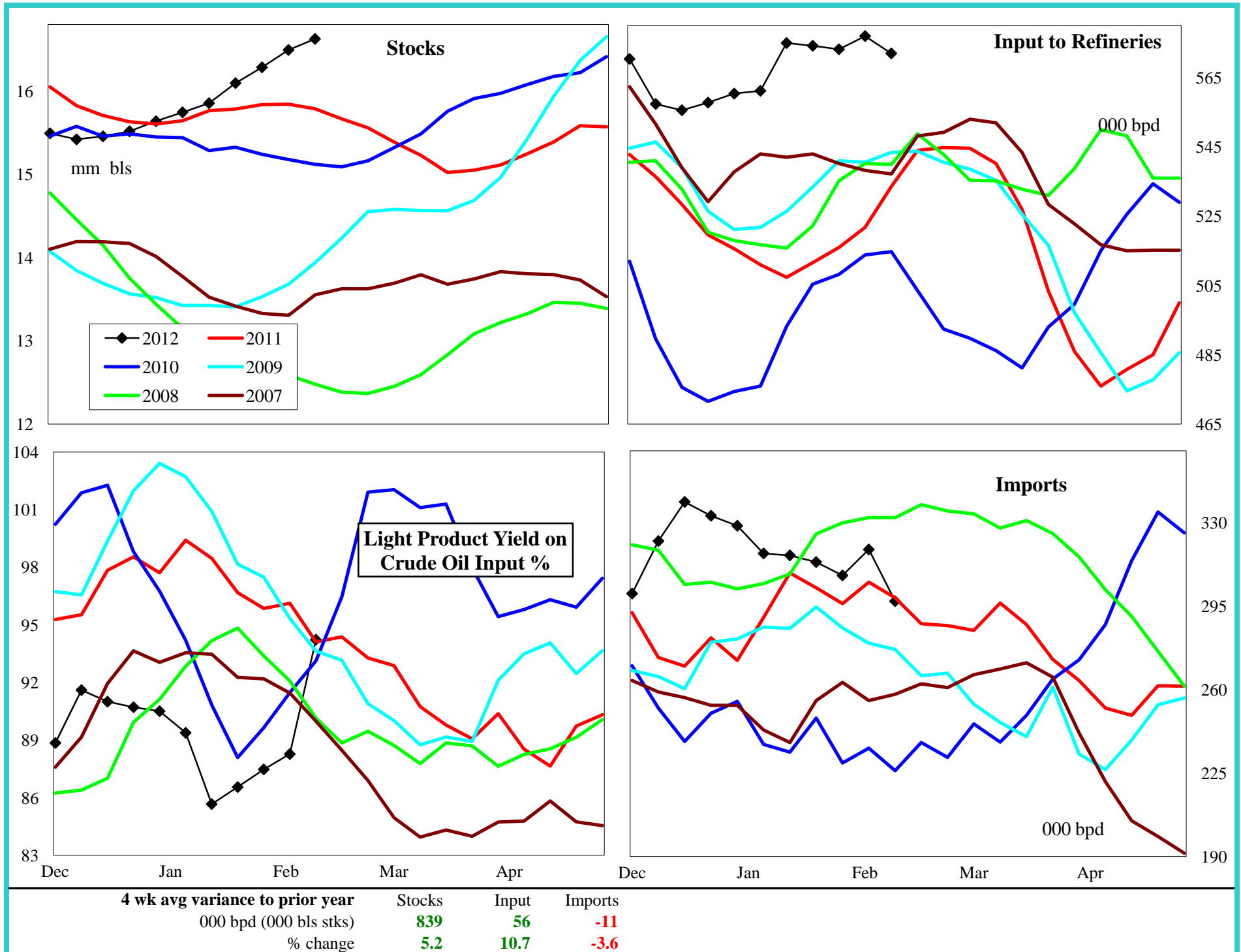
PADD 3 Jet Fuel Supply



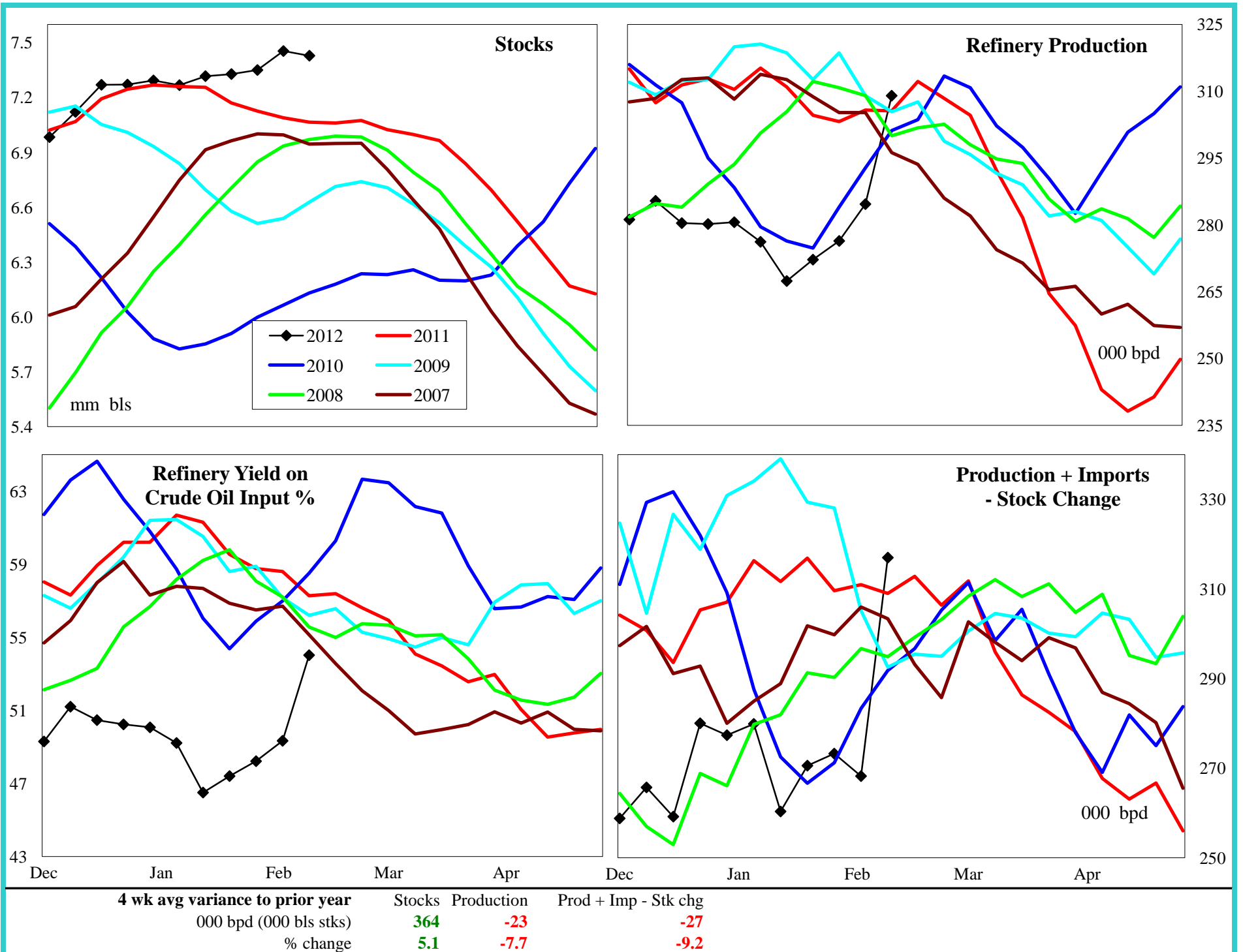
PADD 3 Residual Fuel Oil Supply



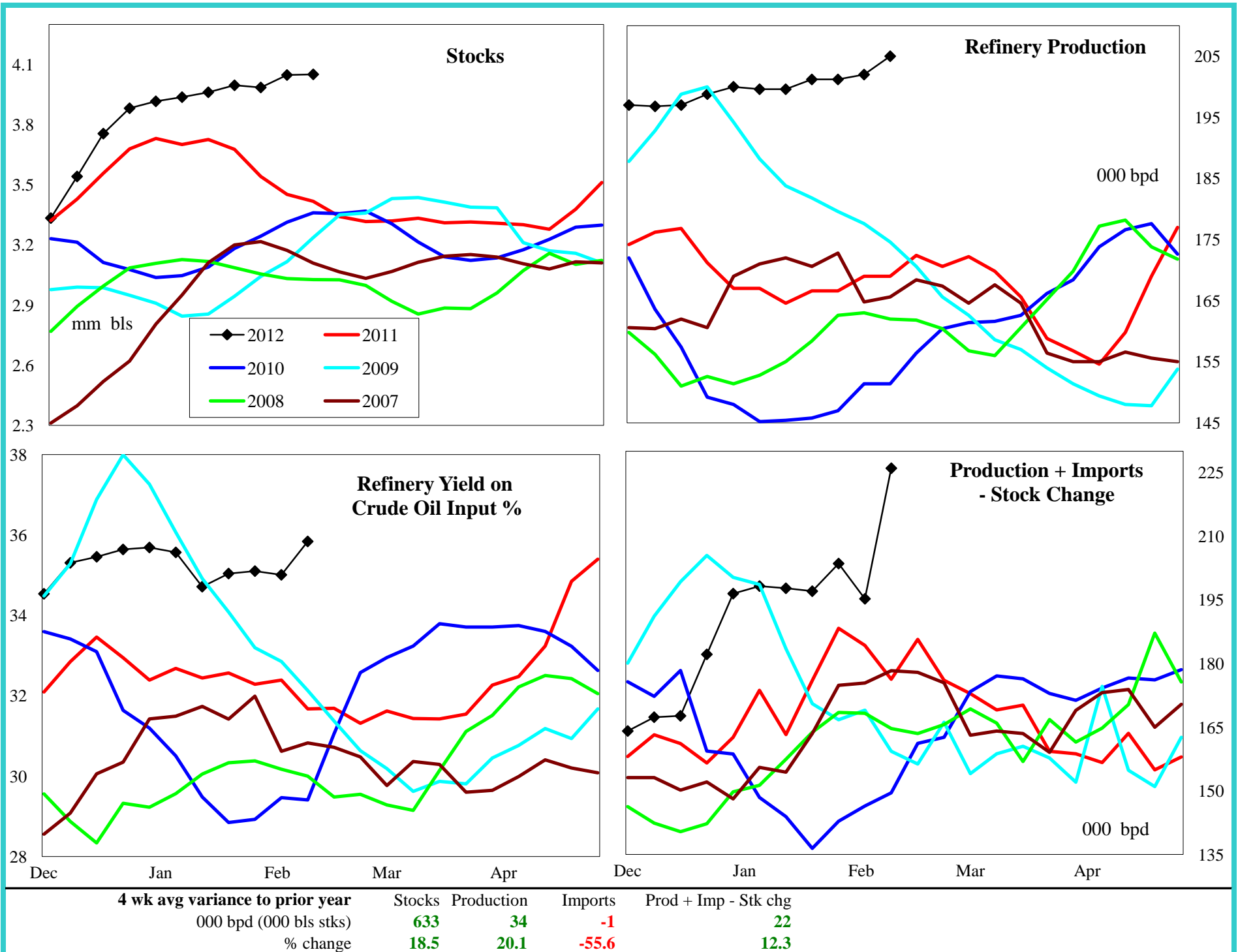
PADD 4 Crude Oil Supply and Refining



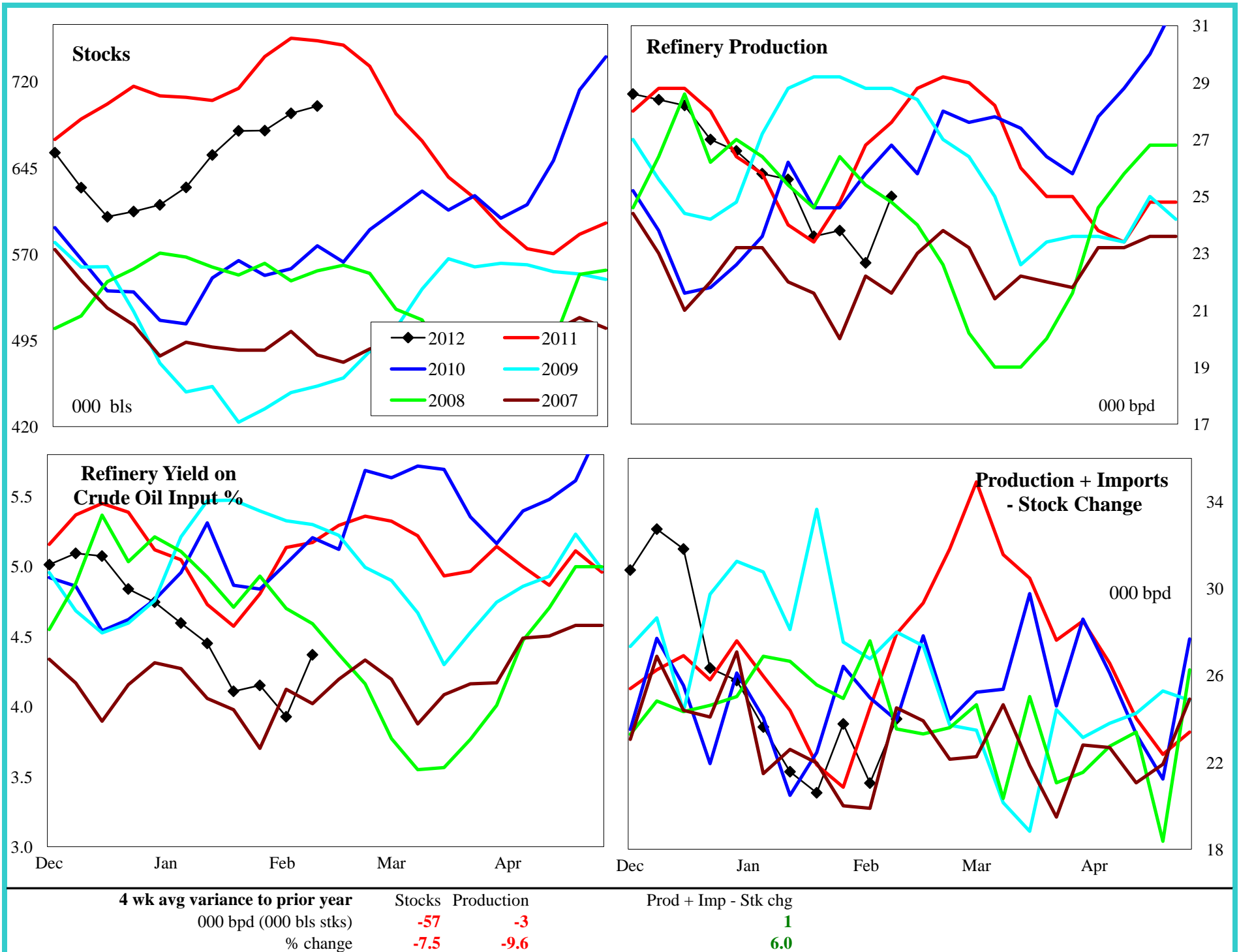
PADD 4 Gasoline Supply



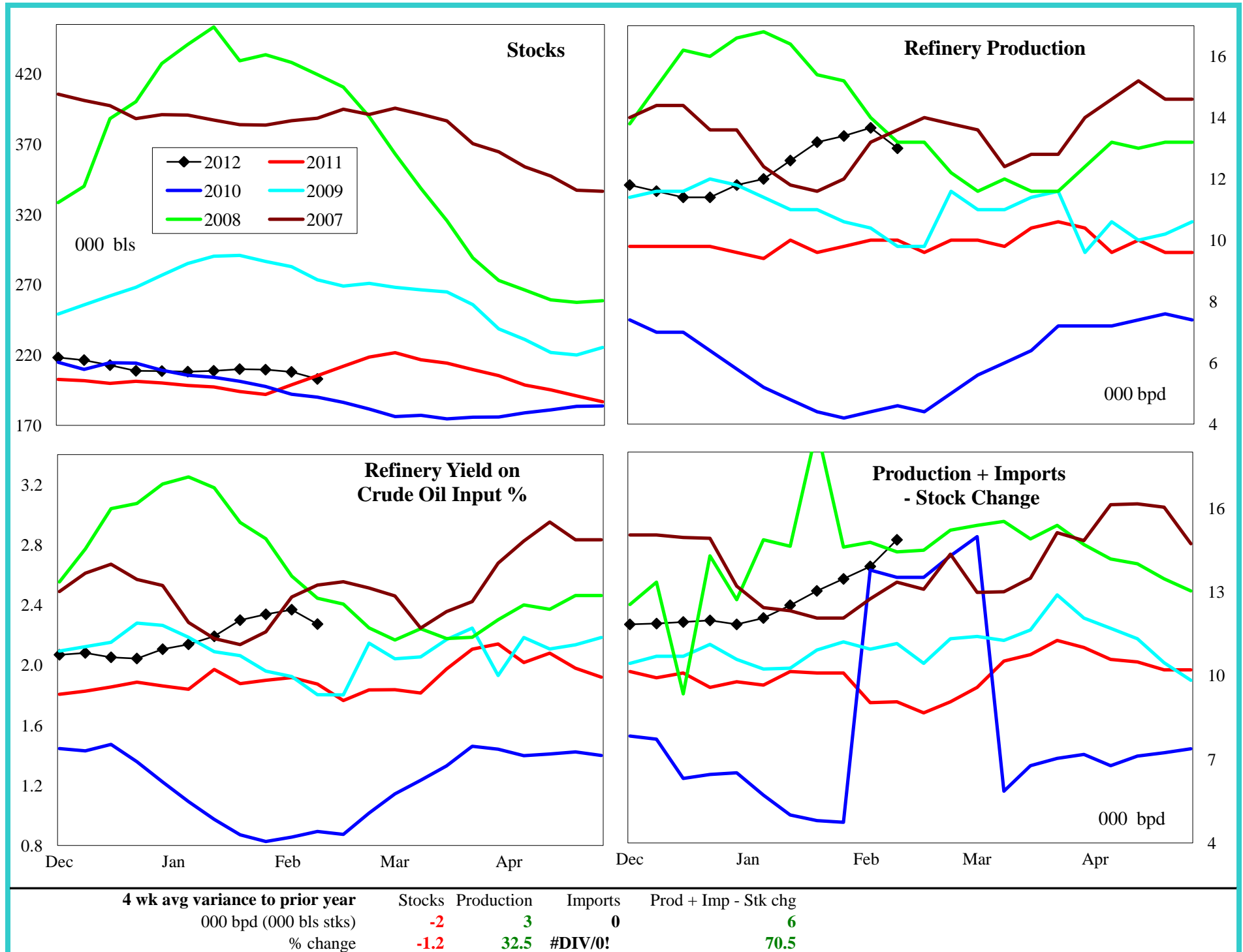
PADD 4 Distillate Supply



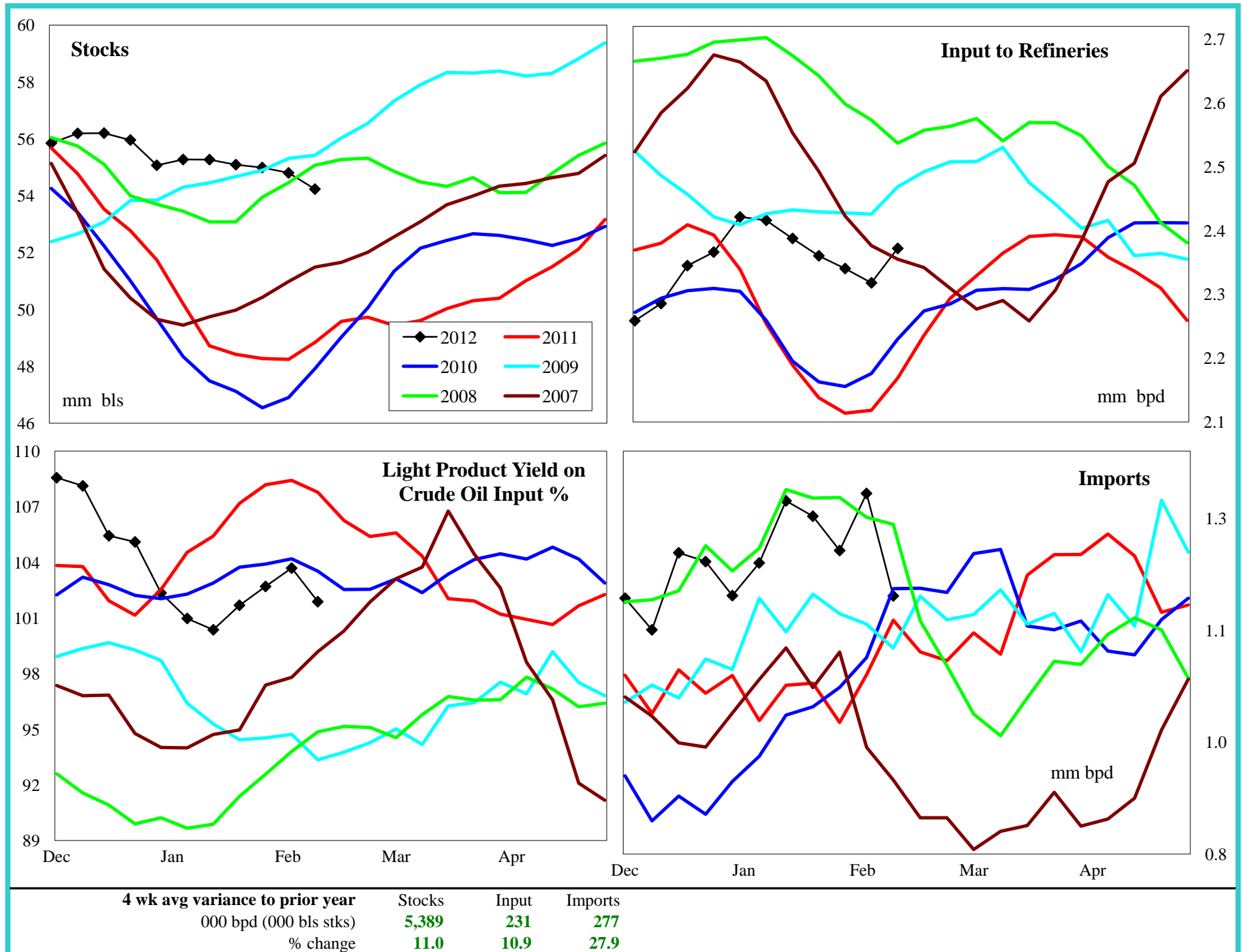
PADD 4 Jet Fuel Supply



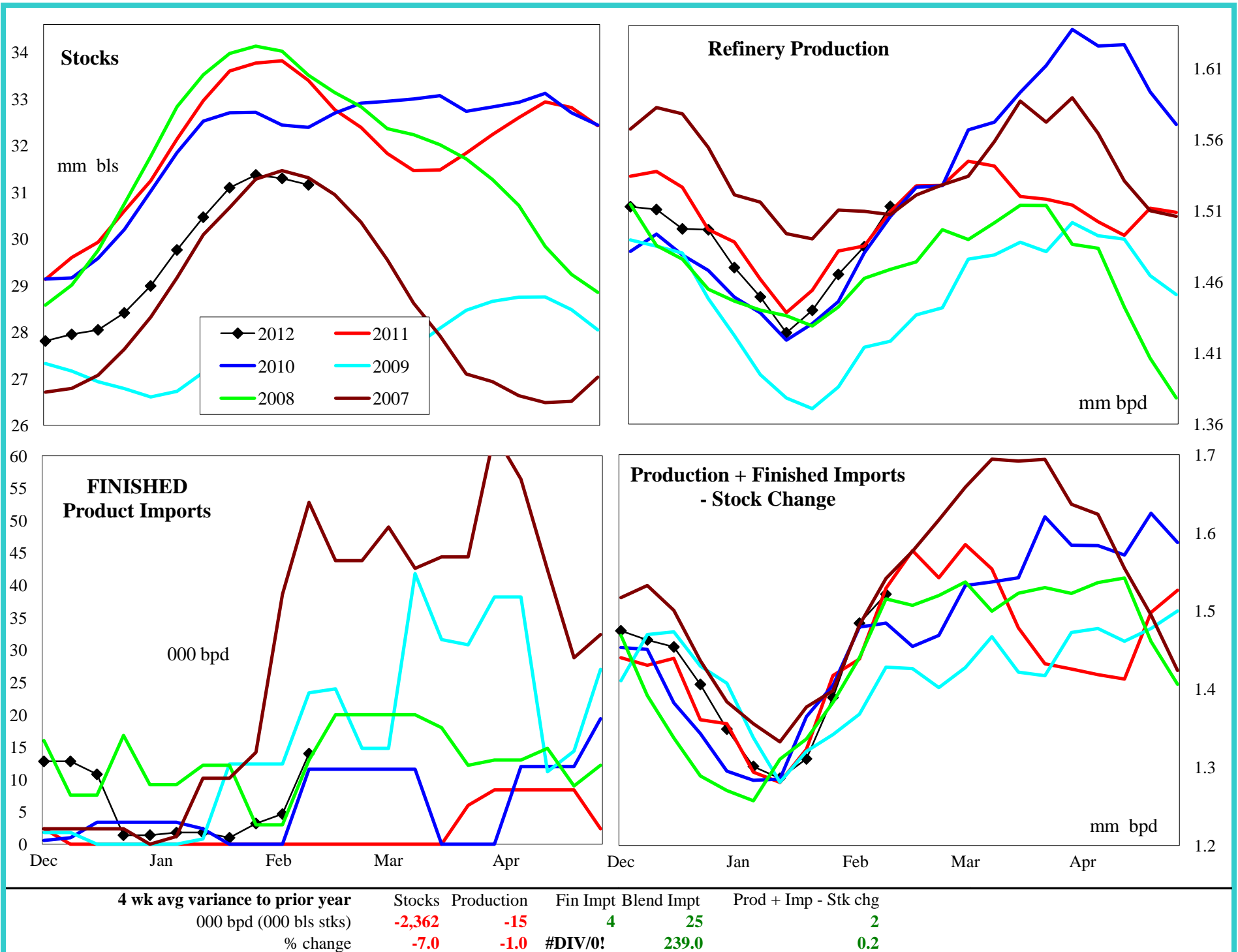
PADD 4 Residual Fuel Oil Supply



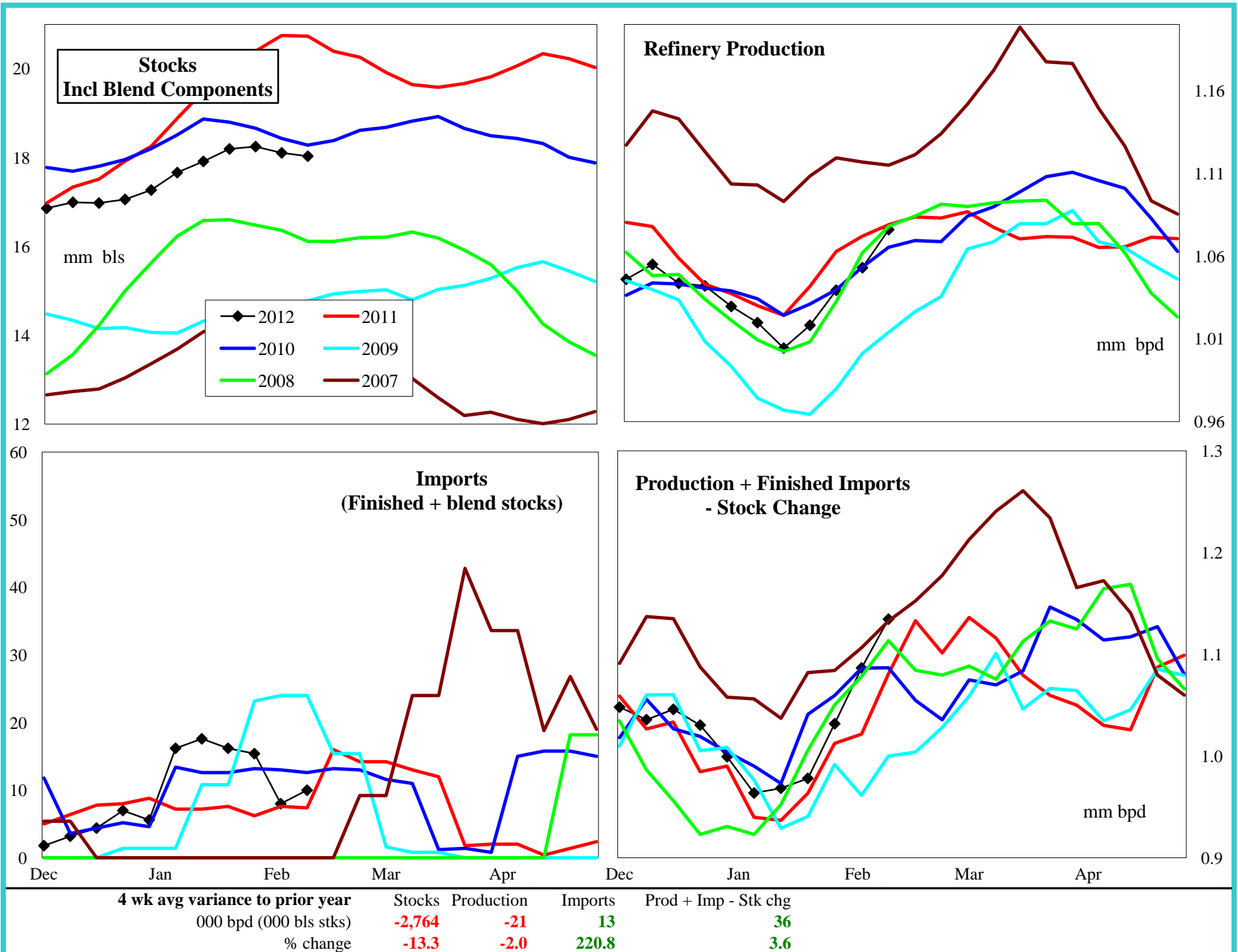
PADD 5 Crude Oil Supply and Refining



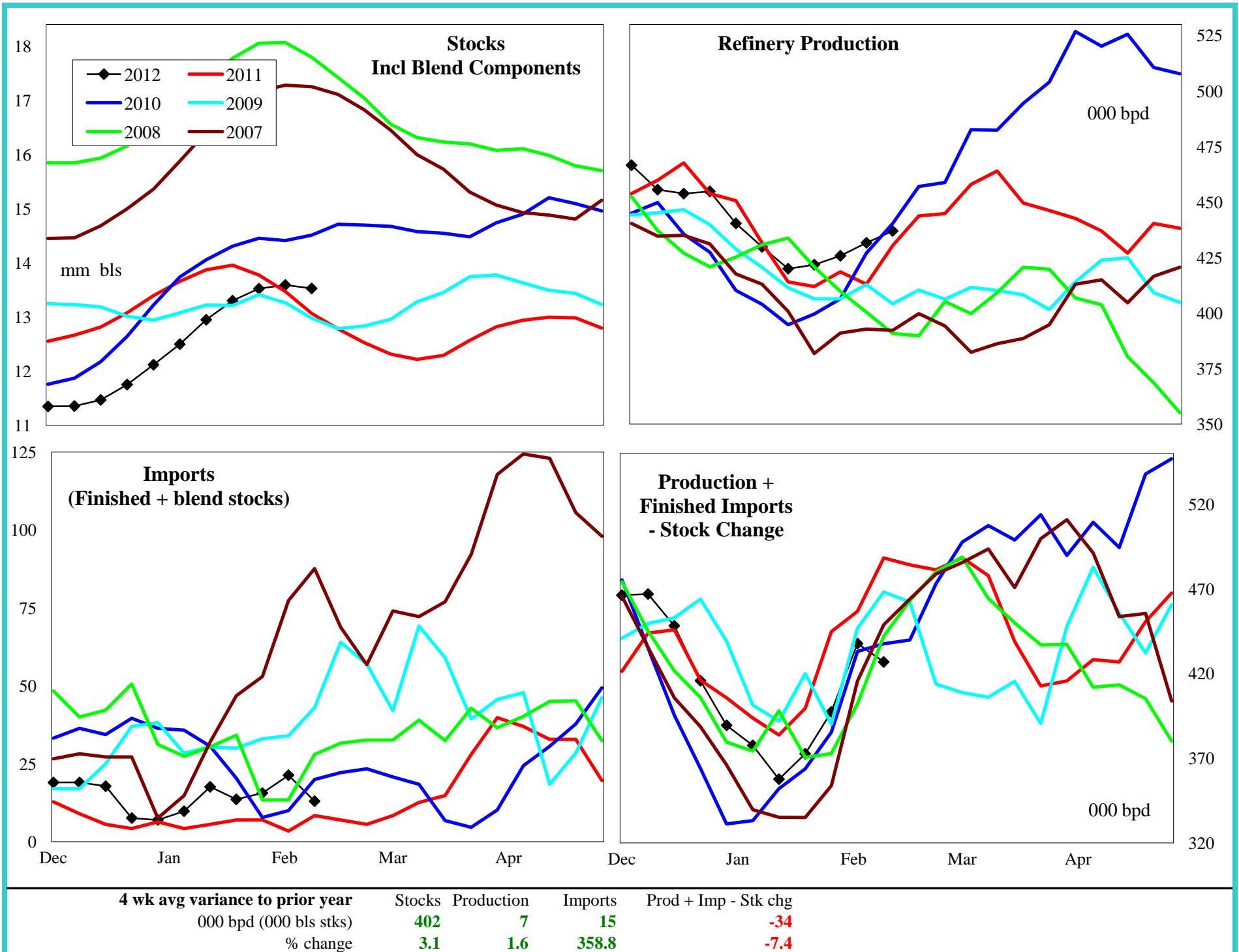
PADD 5 Gasoline Supply



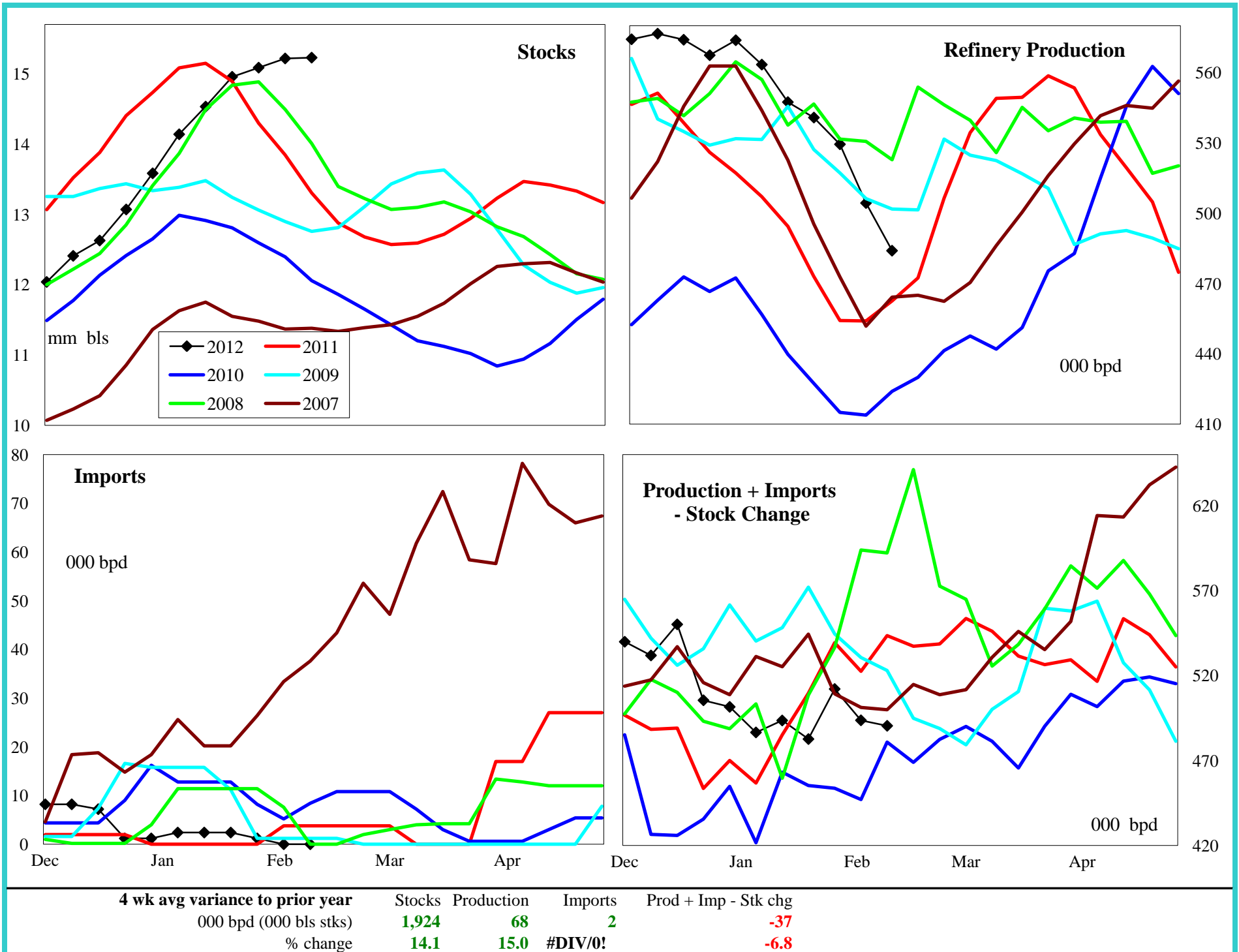
PADD 5 Reformulated Gasoline Supply



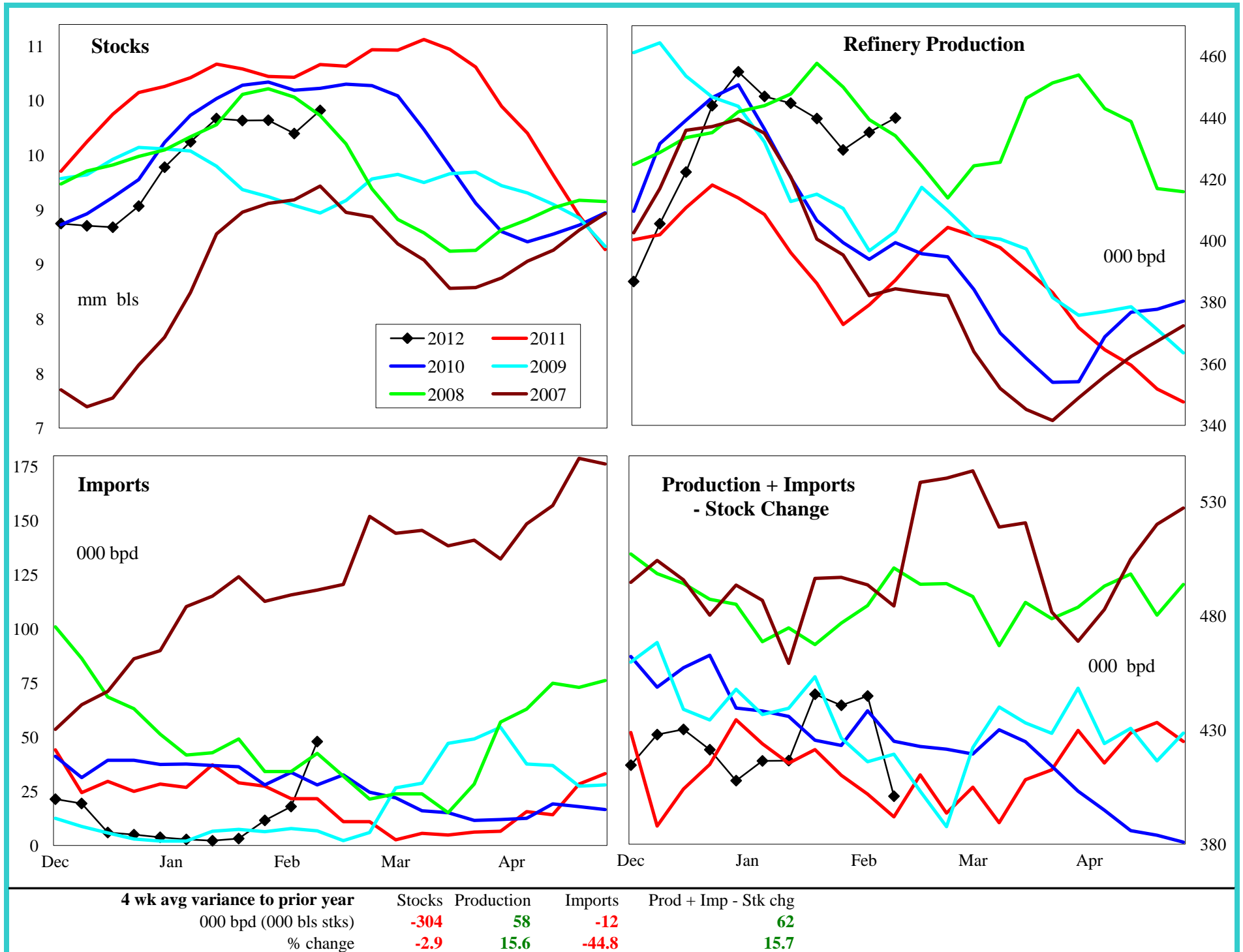
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

