

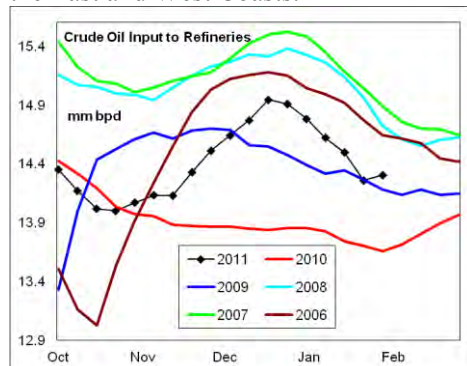
FUNDAMENTAL PETROLEUM TRENDS WEEKLY CRUDE OIL FUNDAMENTAL - PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

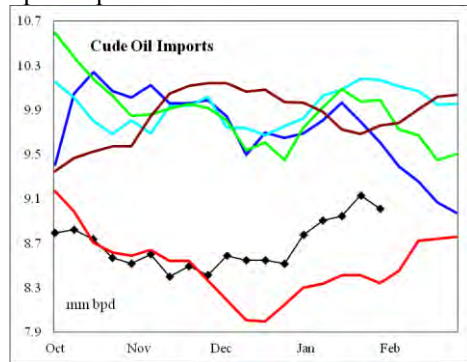
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, February 02, 2011

Supply & Refinery Input

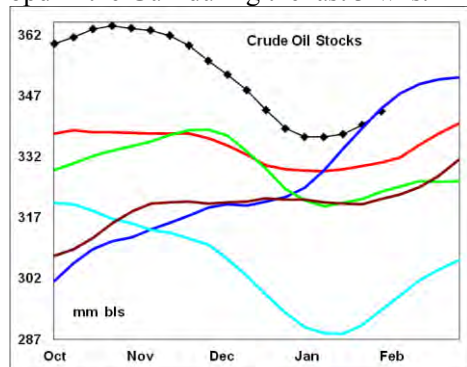
Refinery crude oil runs increased +175,000 bpd last week, concentrated on the East and West Coasts.



Crude oil imports decreased -0.4 million bpd last week, including a -0.7 million bpd drop in the Gulf.



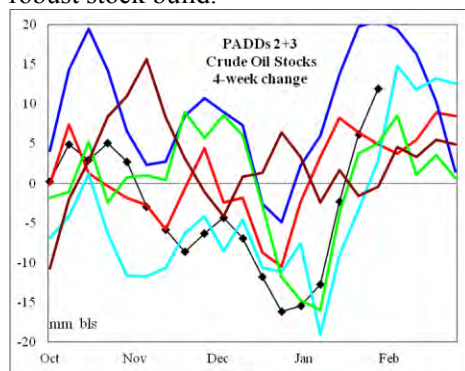
Stocks increased +2.6 million barrels on lower refinery runs, and included a +4.9 million barrel build in the Gulf Region. Crude oil stocks have surged +18 million bpd in the Gulf during the last 3-wks.



Regional Markets

Crude oil refinery runs increased +97,000 bpd and +87,000 bpd in PADDs 1 and 5, respectively. Runs were nearly unchanged in other regions for the week.

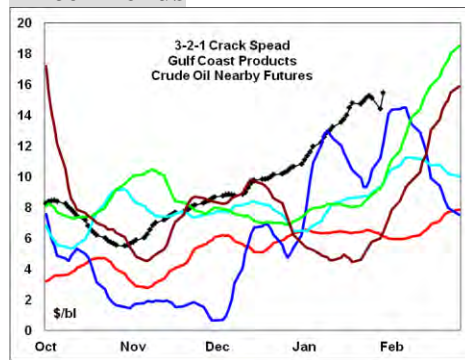
Crude oil stocks have witnessed a 4-wk build in PADDs 2 + 3 that was above four of the last 5-years. Lower refinery runs in the Gulf, increased imports and higher domestic production led to the robust stock build.



The robust build in the Midwest and Gulf was driven by a sharp seasonal build in the Gulf Region. Stock levels are now at the mid range of the last 3-years.

Stock levels in PADD 2 remain extremely high, and underlie the weakness for WTI compared to globally traded grades.

Price Trends

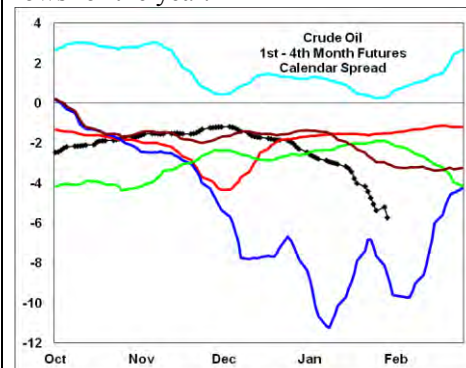


WTI crude oil prices increased +\$5.50/bbl for the week ending 01Feb11. Gulf Coast conventional gasoline and diesel increased +\$4.75/bbl and +\$7.50/bbl; respectively, last week. These trends caused the Gulf refining margin to trend extend the longer term uptrend; ending the week at a record high. Very weak WTI crude oil prices underlie the surge.

The forward crude oil price curve (1st to 4th month calendar spread) trended lower last week, in favor of

deferred contract months. The spread ended the week below four of the last 5-years; driven by excessive supplies in PADD 2.

The WTI – Brent crude oil price spread extended the longer term down trend last week, in favor of Brent. The spread ended the week at new record lows for the year.



Global Crude Price Differentials

The WTI price differential to major global crude oil grades traded sideways for most grades, excluding Brent and Middle East grades, against which WTI extended the longer term downtrend.

Canadian grades were extremely weak compared to even WTI on over supply and constraints in the distribution system.

Refined Product Trends

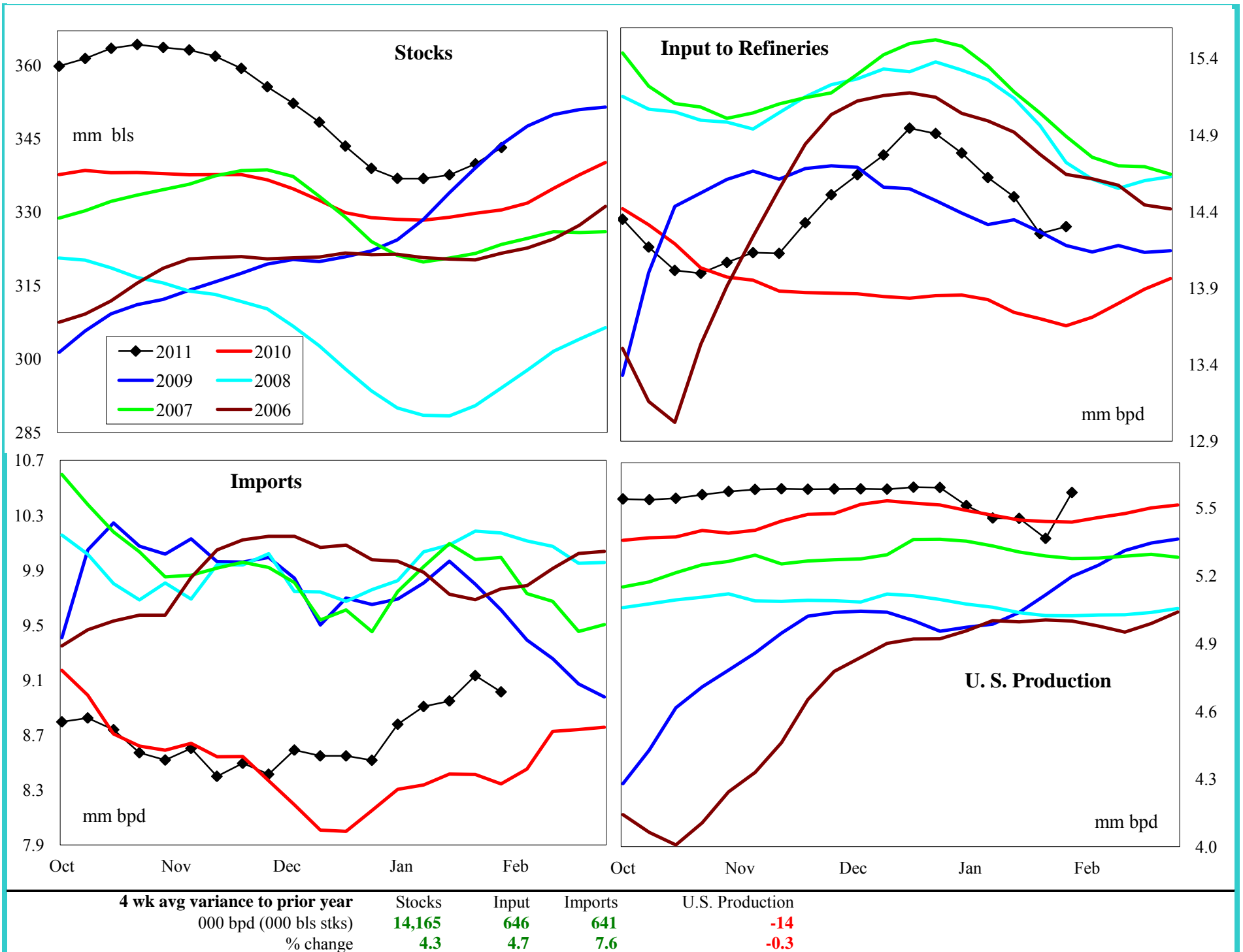
Gasoline imports surged +529,000 bpd last week, reaching a record high for the season. This surge points to an improvement in import economics. Combined with seasonally low demand, socks surged +6.2 million barrels on the week. This improvement in imports to the East Coast points to price weakness for gasoline during the balance of the quarter.

Emerging Crude Oil Trends

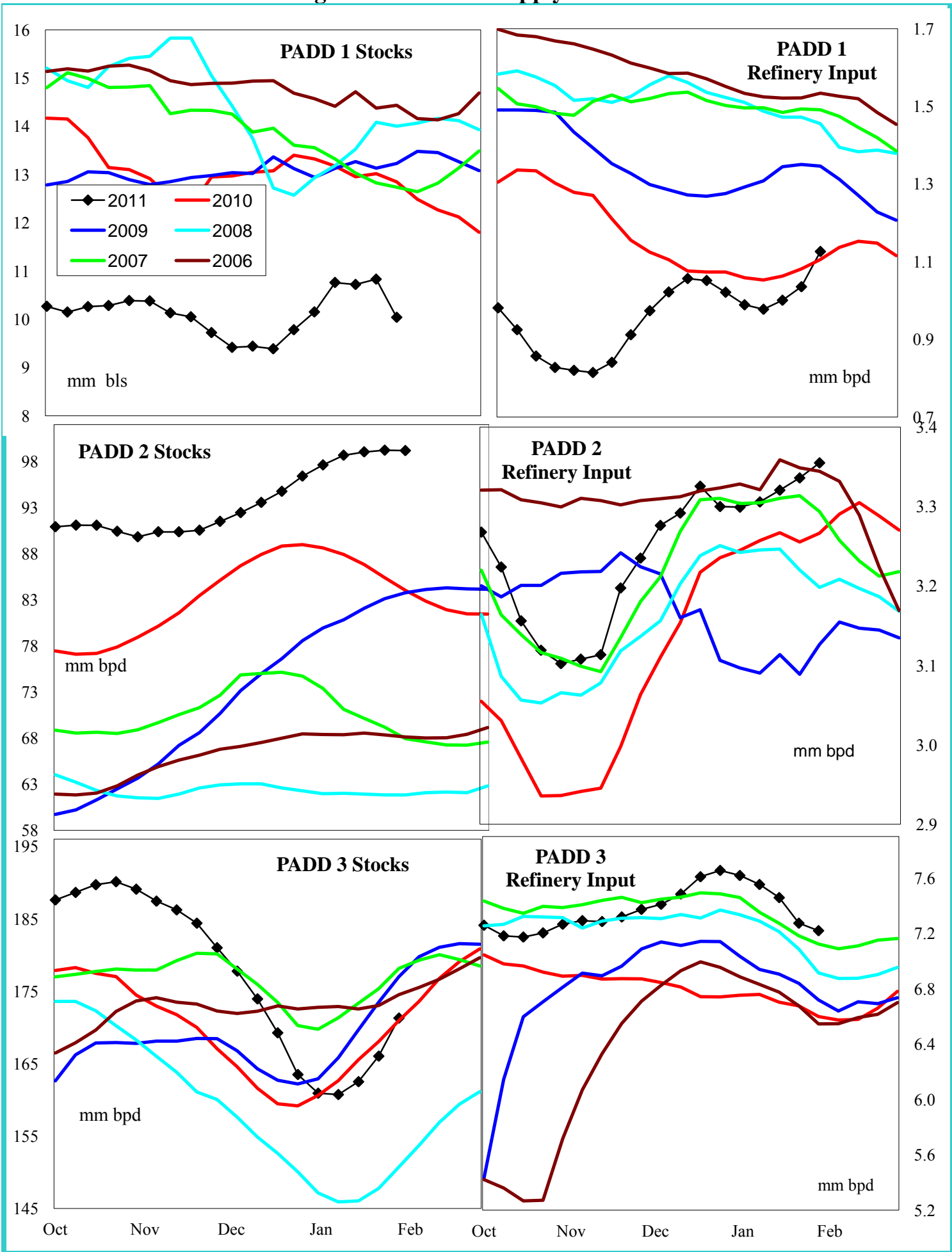
Extremely high heating demand and tightness in Brent crude oil points to underlying strength in Atlantic Basin markets for distillates and crude oil. Gasoline supplies are improving. Inland and Canadian U.S. crude oil supplies remain excessive and should depress WTI prices compared to global grades for the foreseeable future.

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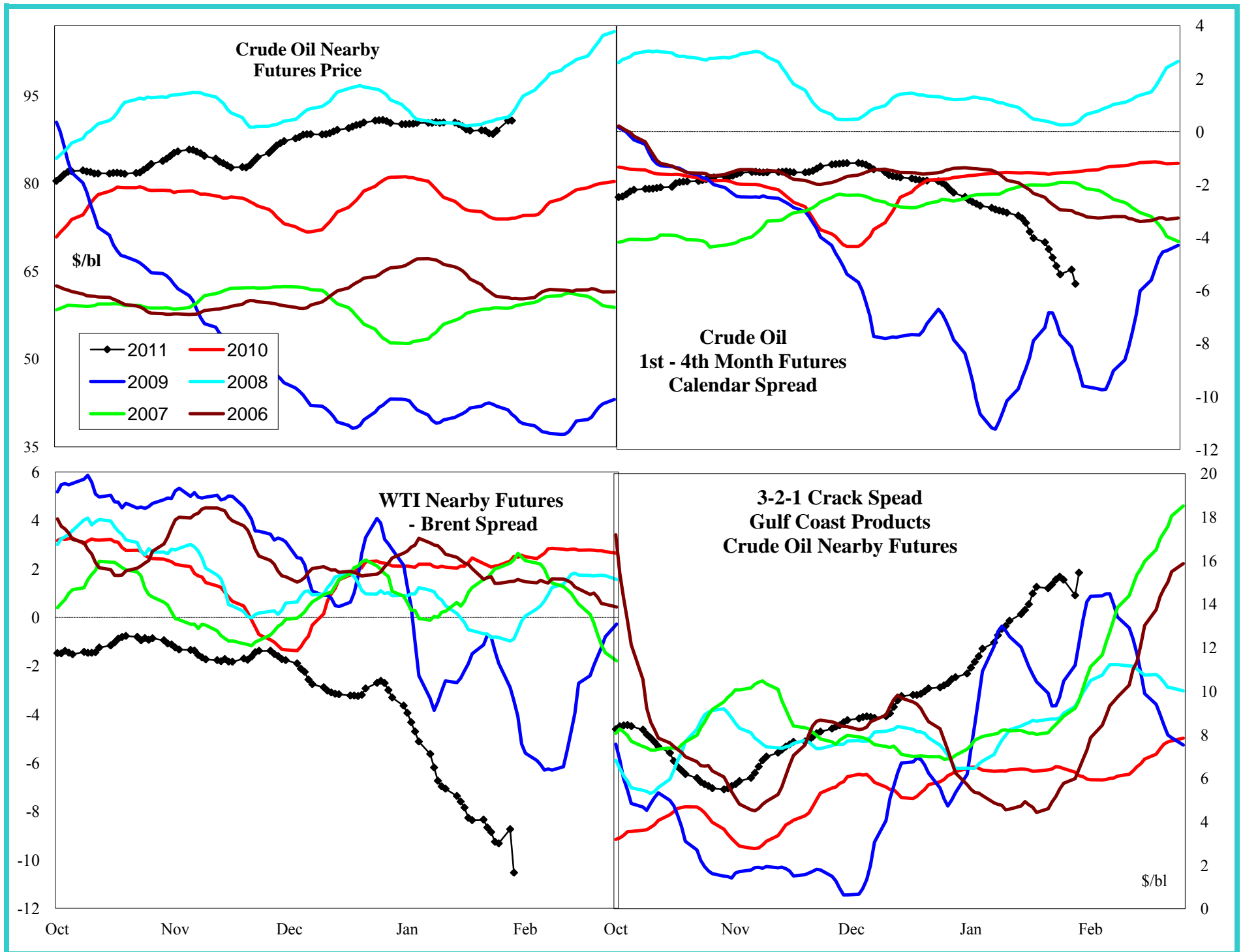
United States Crude Oil Supply and Demand Balance



Regional Crude Oil Supply / Demand



Crude Oil Price and Margin Trends



WTI Price Spread to Global Crude Oil Grades

