WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Sunday, January 24, 2010

Cash Basis Outlook			
Product	**Market**	**Weeks Forward 1 - 2**	**Weeks Forward 3 - 6**
RBOB	**NYH**	⇨	➡
	Gulf	➡	➡
	W Coast	⇨	➡
Conventional	**NYH**	⇨	➡
	Gulf	➡	➡
	Grp III	➡	⇨
	Chicago	➡	⇨
	W Coast	⇨	➡
Gulf Coast Price Outlook		➡	➡

Wholesale demand decreased -138,000 bpd last week, extending the mid winter seasonal downtrend. Based on historic trends this should be near the season low.

Production increased just +54,000 bpd on the week, a very limited increased following the -560,000 bpd drop the prior week. Imports were near the five year low set in 2005.

The latest 4-wk average supply was --65,000 bpd below a year ago. This compares to the latest demand that was -85,000 bpd below last year.

Seasonally low demand offset the continued low production, leading to a +4 million barrels stock build. The latest 4-wk stock build of +9.3 million barrels was below the mid range for the period.

The Central Atlantic and New England Regions of PADD 1 remain remain well balanced while the Lower Atlantic is extremely over supplied. These trends result from low imports into PADD 1 and the Gulf supplying the southeast.

Cash basis levels in the Group III and West Coast matched five year lows for the period. Basis levels on the East Coast and Gulf were supported by continued very low imports; increasing demand for Gulf supply into the northeast.

Demand should began to increase in the very near future, concurrent with all ready low production and increased maintenance during the next 60-days. These trends should support basis in PADDs 1, 3 and 5. Risk of oversupply remains for the land locked Group and Chicago.

RBOB

New York Harbor basis to trade sideways in the near term on reduced production and low imports, then lower as winter grades are turned.

Gulf Coast basis to trend lower on high stocks and weak seasonal demand.

West Coast (Los Angeles) basis to trend seasonally higher on lower output as winter maintenance begins.

Conventional

New York Harbor basis to trade sideways in the near term on reduced production and low imports, then lower as winter grades are turned.

Chicago basis to decline on high production and weak demand.

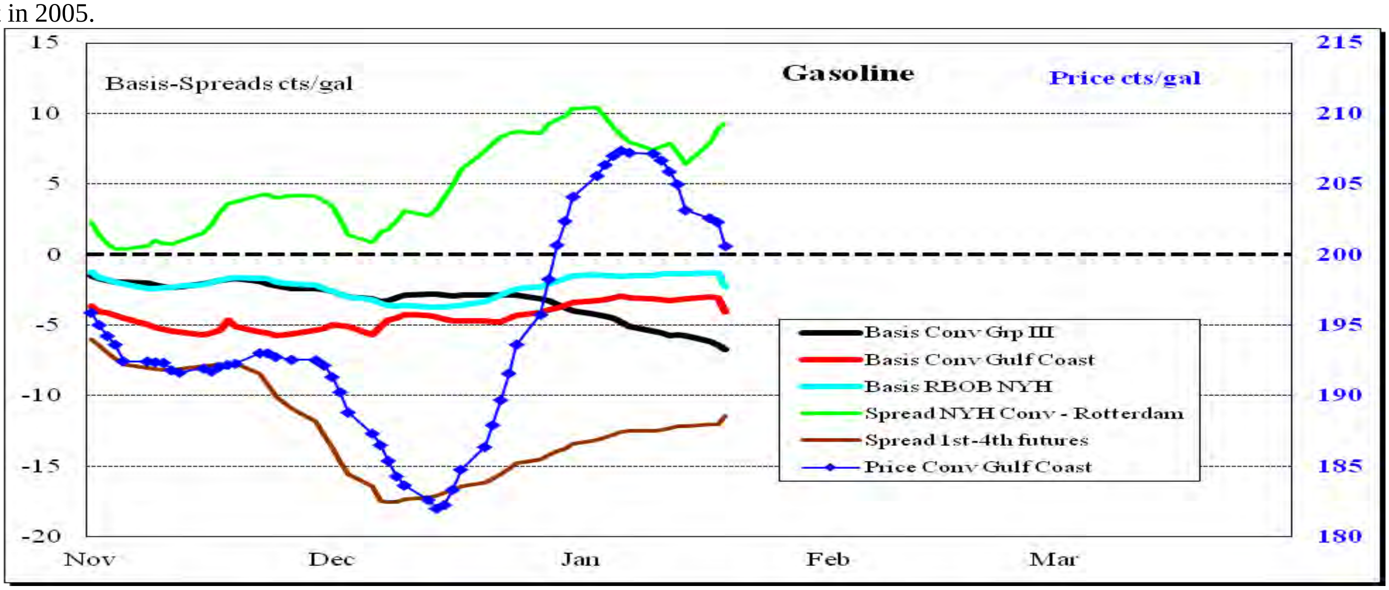
Gulf Basis to trend lower on high stocks and weak seasonal demand.

West Coast (Los Angeles) basis to trend seasonally higher on lower output due to winter refinery maintenance.

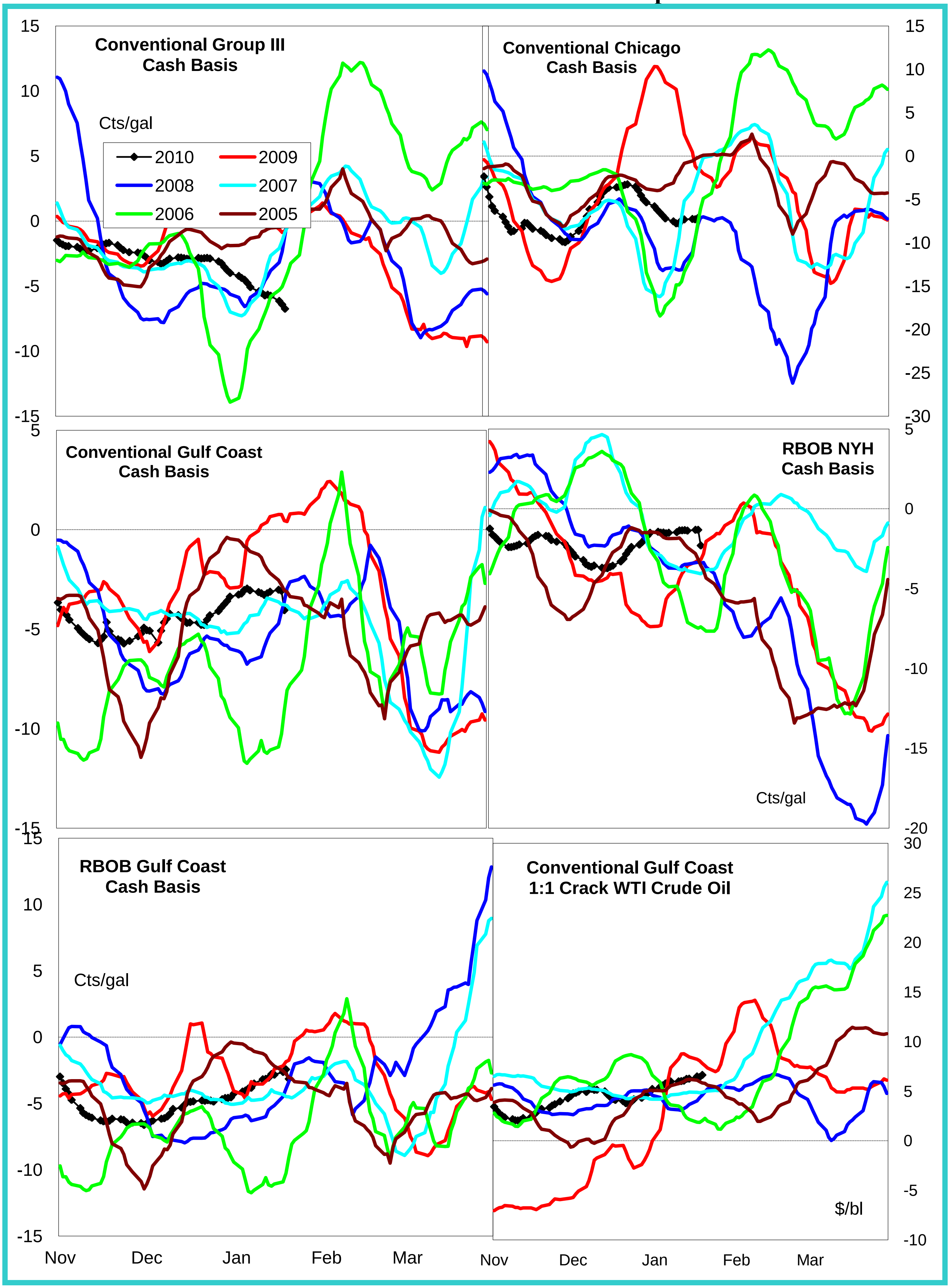
Gulf Coast Price

While total gasoline stocks are at record levels, low imports to the East Coast have tightened supplies in the Northeast and Central regions of PADD 1. Demand, while weak is not significantly below year ago levels. Production is extremely low. The result has been strong support for gasoline processing margins and the front end of the forward price curve.

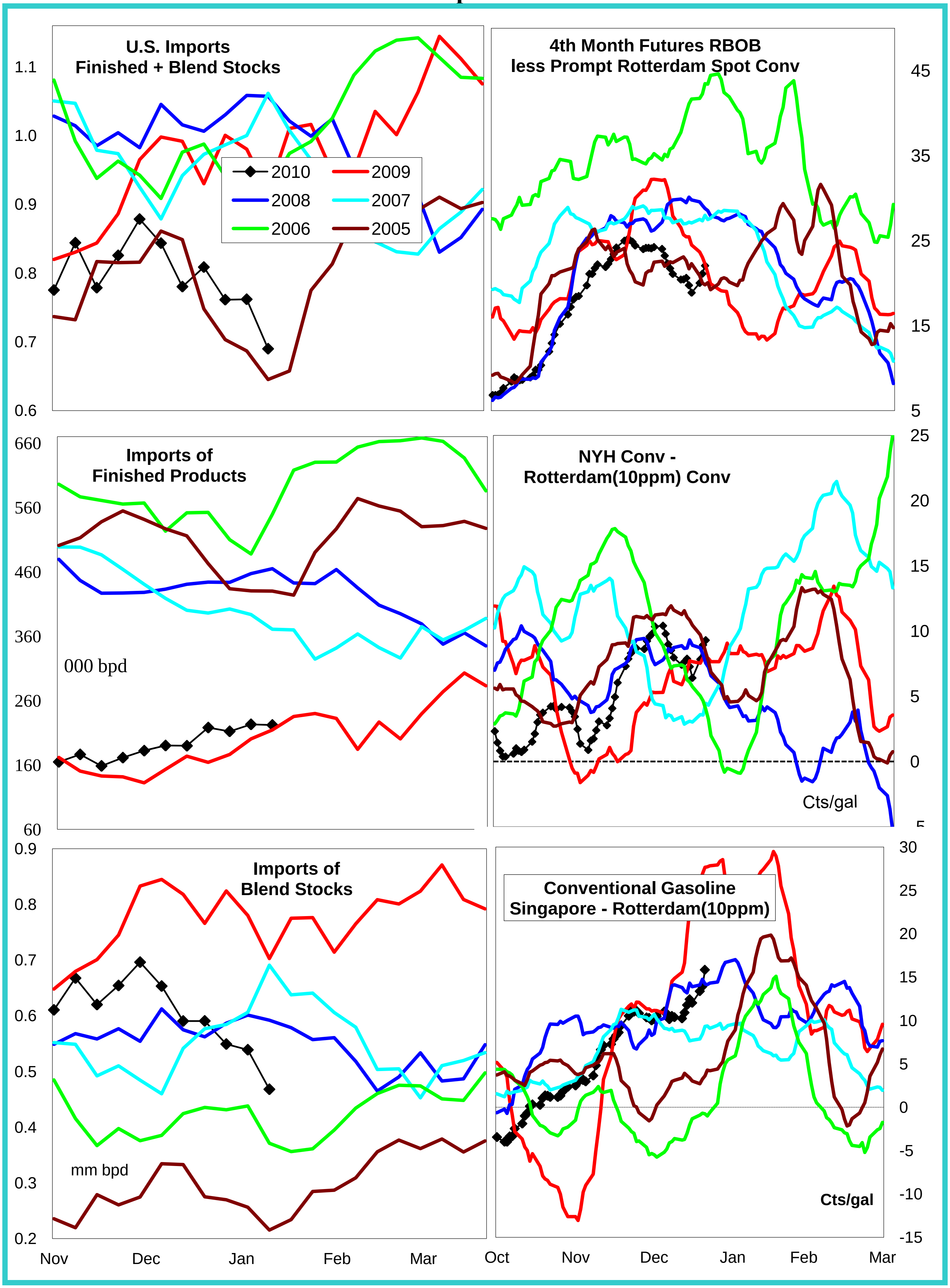
With higher seasonal demand immediately ahead, expect gasoline prices to continue to exhibit strength relative to the overall energy complex.



Gasoline Cash Basis and Related Price Spreads



Gasoline Import Economics



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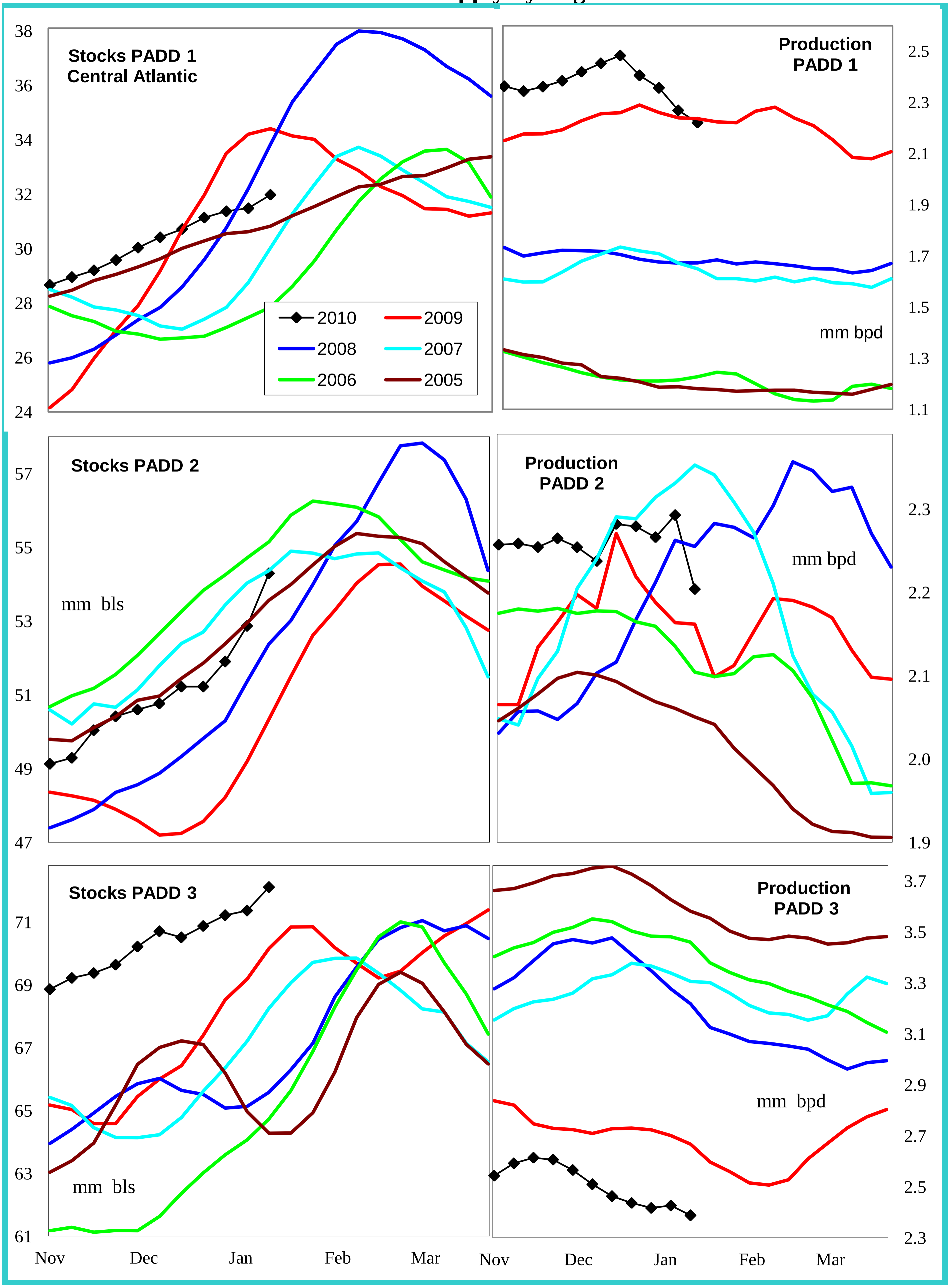
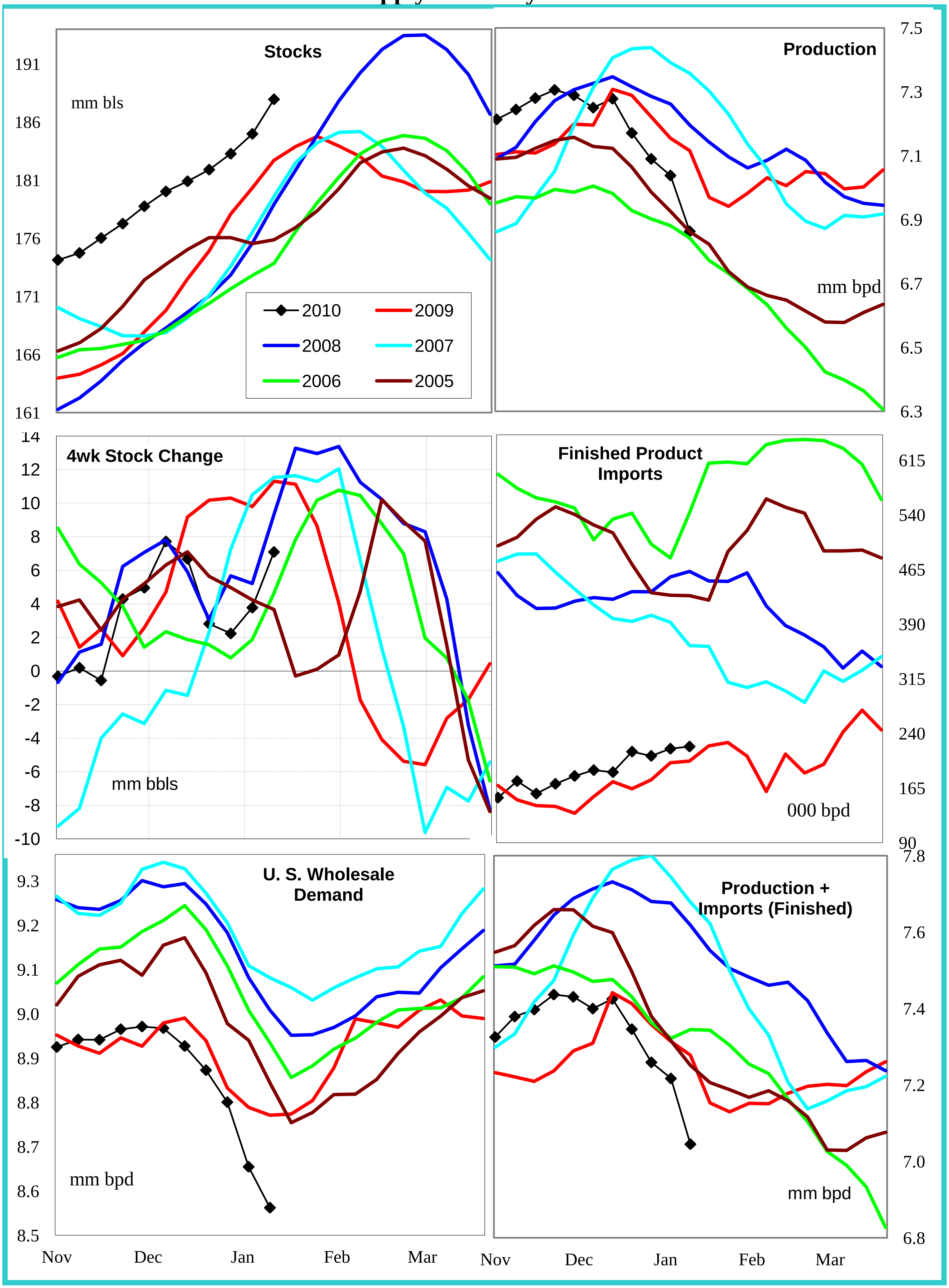
Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



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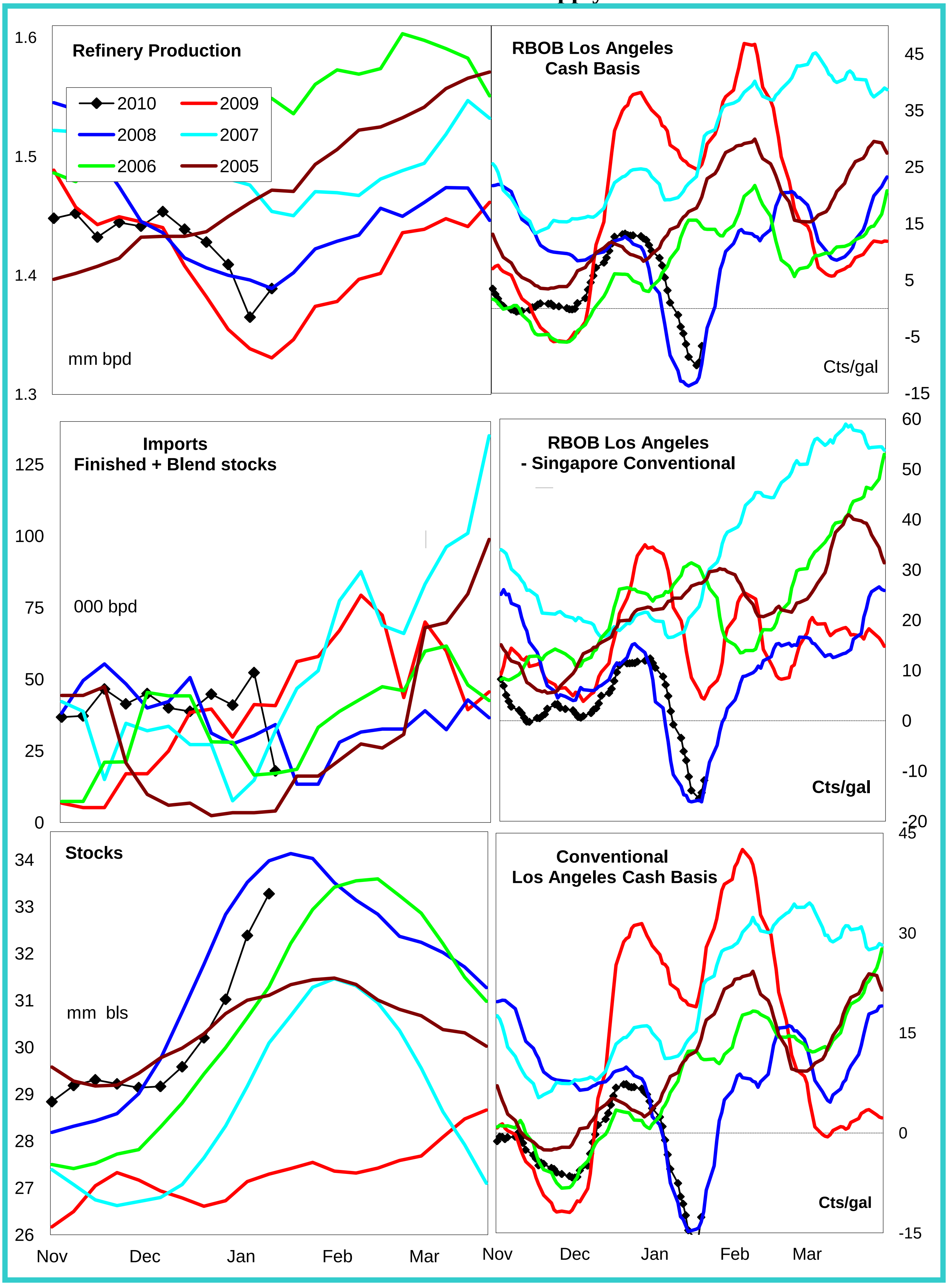
PADD 5 Gasoline Supply



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