FUNDAMENTAL PETROLEUM TRENDS

WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, December 15, 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 increased +178,000 bpd last week, spiking weekly demand to record highs for this time of year. The surge was driven by the downstream supply chain restocking after the Thanksgiving holiday week. The latest 4-wk average demand was +52,000 bpd above last year.

Production decreased -61,000 bpd while imports were flat on the week. Production levels were at record highs for the week; offsetting the demand surge so that stocks increased +0.8 million barrels. This included a +1.9 million barrel build in PADD 1. PADD 2 production remains high and should lead to near term stock building.

After rising on the roll from December to January futures earlier in the month, basis again trended lower in nearly all regional markets. Basis trended higher in the Chicago market. West Coast basis collapsed last week, falling over -15 cts/gal to match historic lows for this time of year.

Expect peak seasonal production and lower demand to constrain basis into early January when Gulf and West Coast refiners began winter maintenance.

RBOB

New York Harbor basis to trend lower on improved supply.

West Coast (Los Angeles) basis to bottom out in the near term and trend higher.

Conventional

New York Harbor basis trend lower on improved supply.

Chicago basis to trend lower as supplies increase during a period of weak demand.

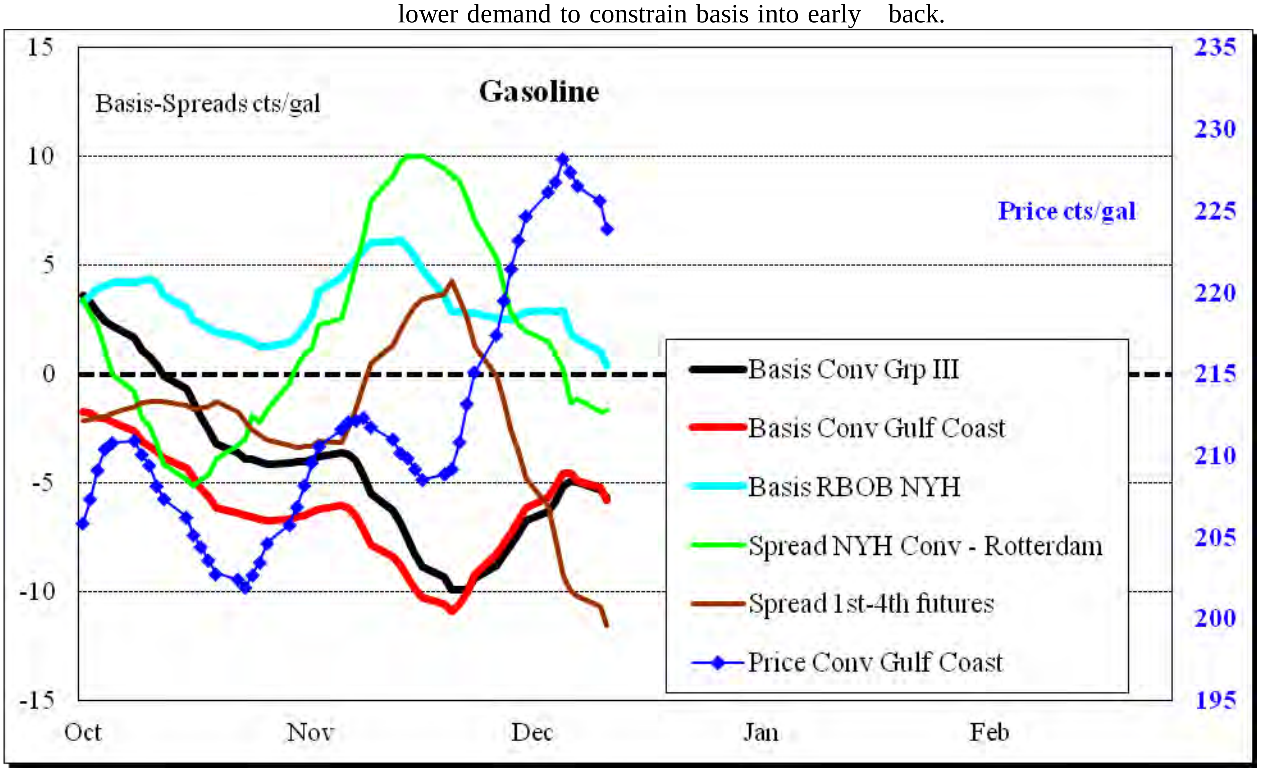
Group III to traded sideways on high production and low seasonal demand

Gulf Basis to trade sideways on increased supply and low seasonal demand.

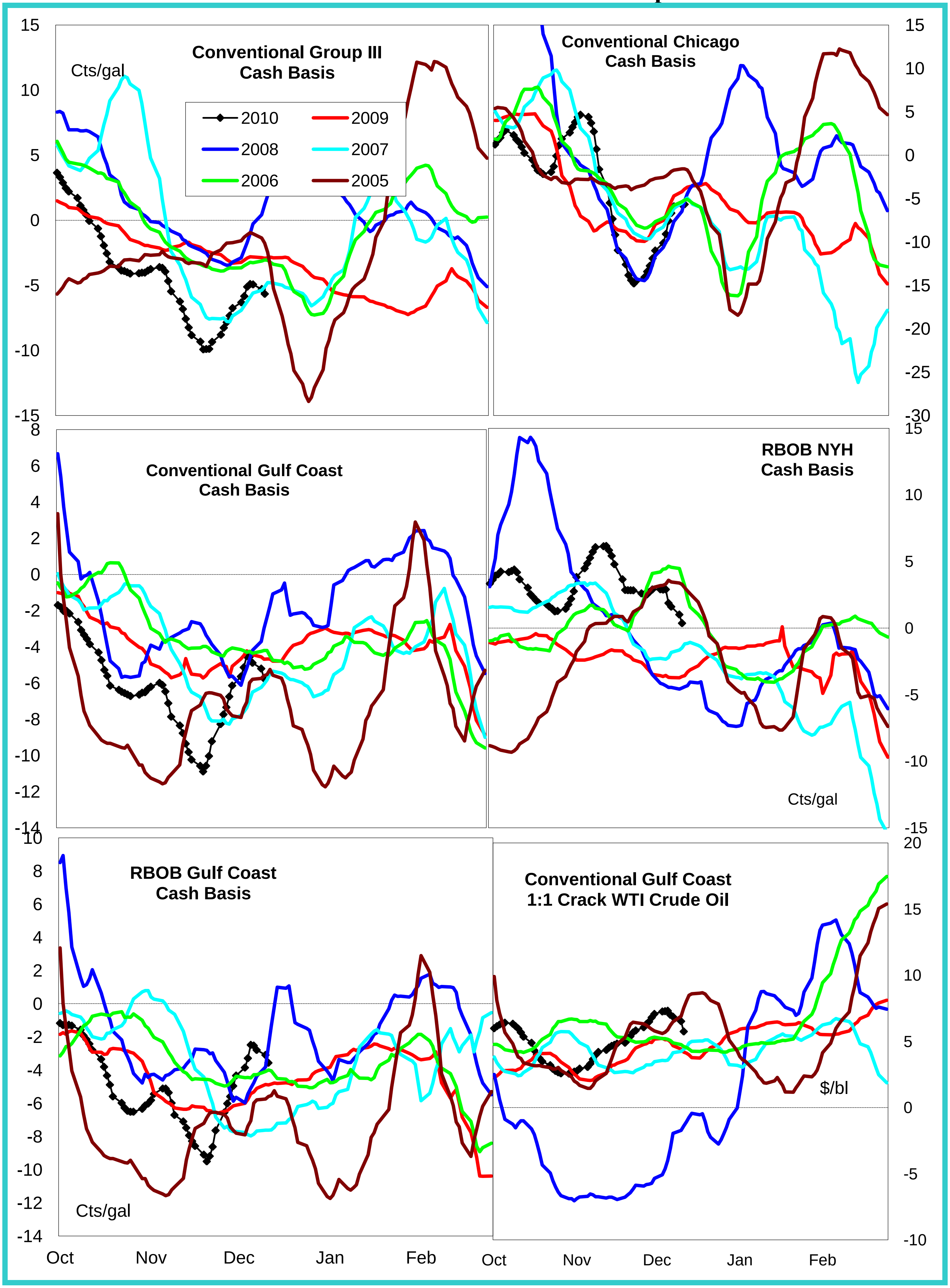
West Coast (Los Angeles) basis to trend lower on a seasonal decline in demand and stock builds.

Gulf Coast Price

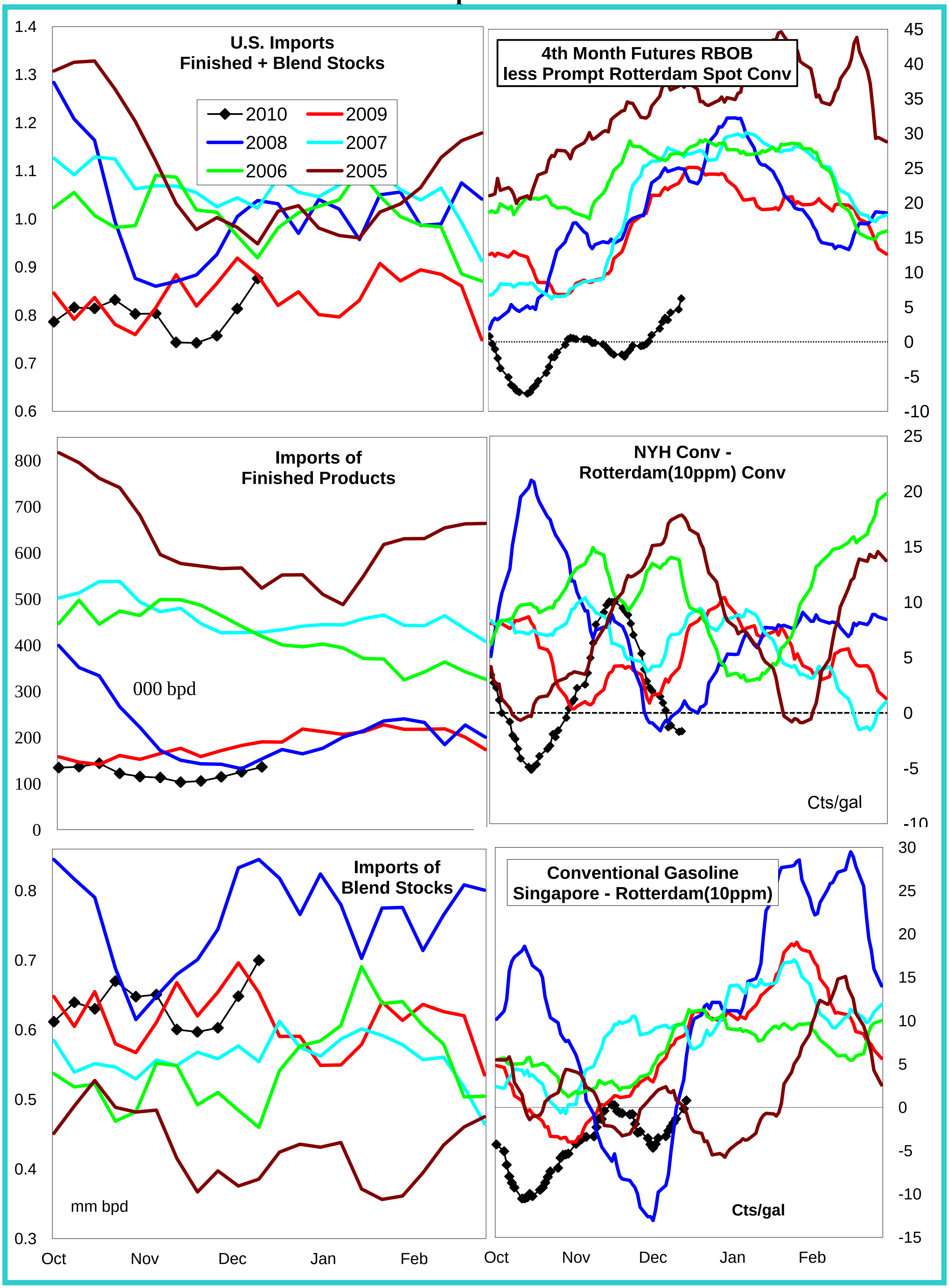
Gasoline markets should witness significant stock building over the next 6-weeks on record production and very favorable refining margins. Excess supplies during the lowest demand period increase risk of a mid winter price pull back.



Gasoline Cash Basis and Related Price Spreads



Gasoline Import Economics



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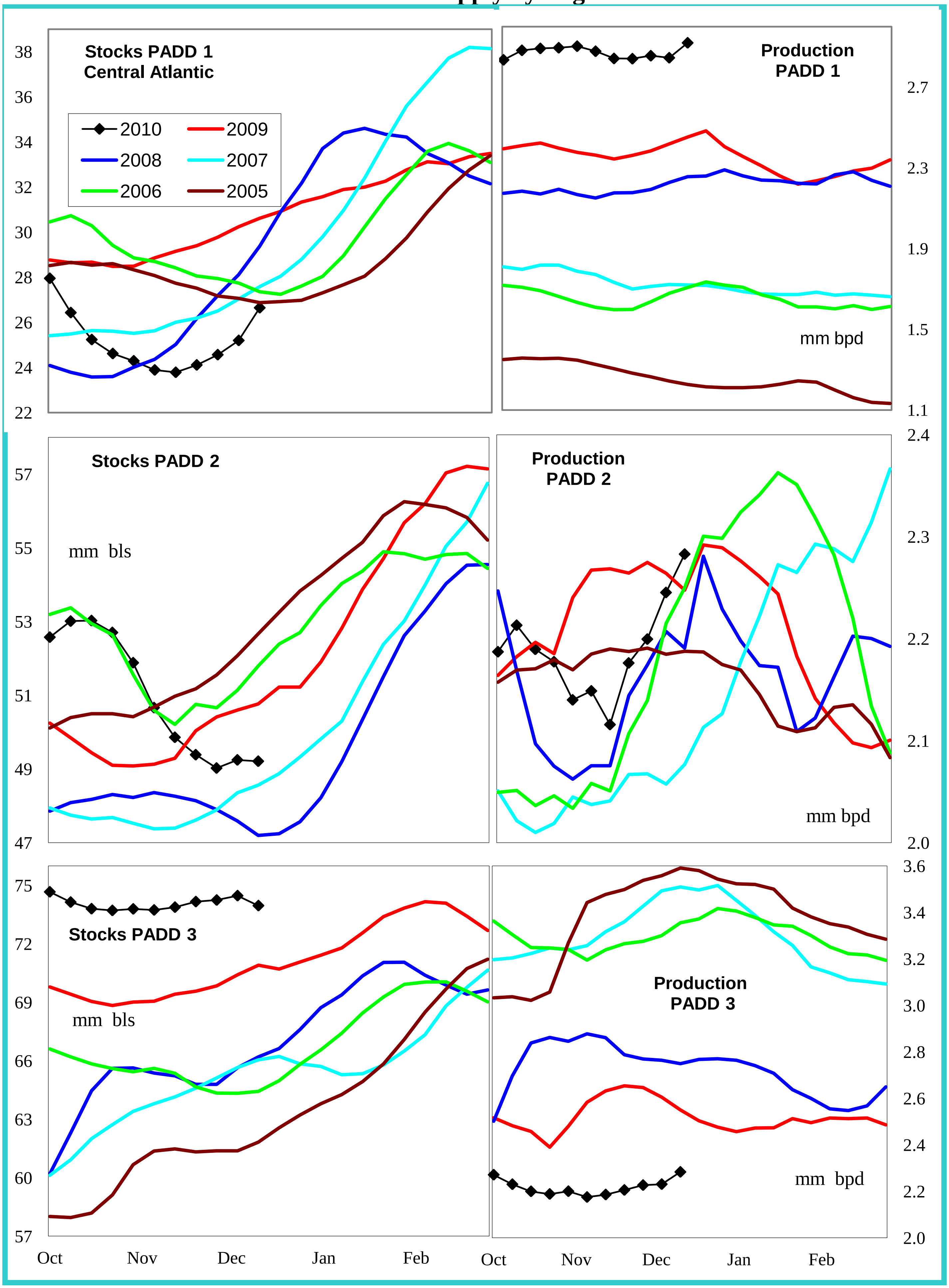
Gasoline Supply by Region



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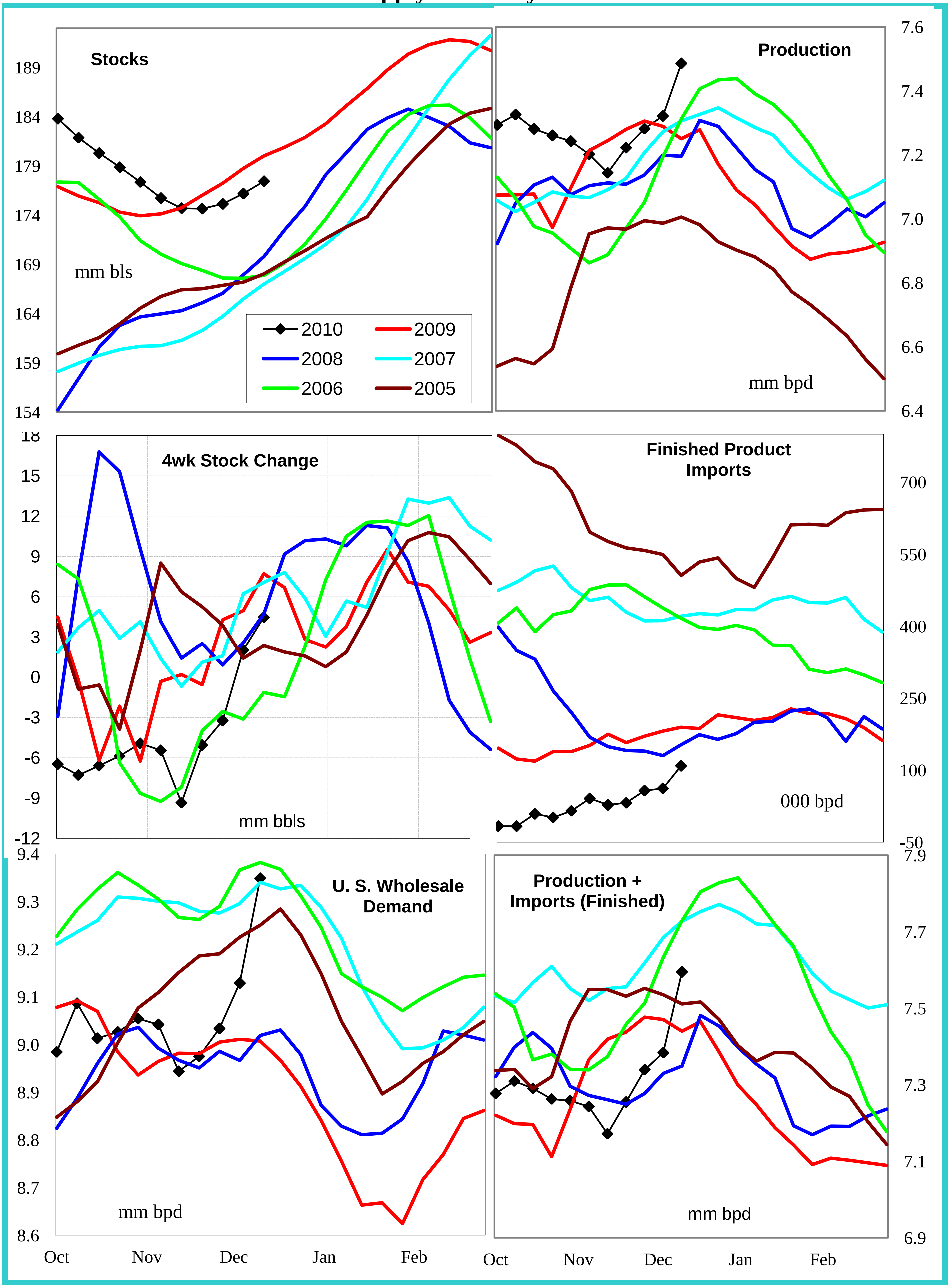
Gasoline Supply Summary PADDs 1+2+3



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PADD 5 Gasoline Supply