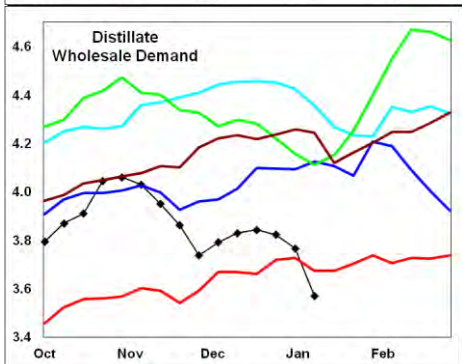
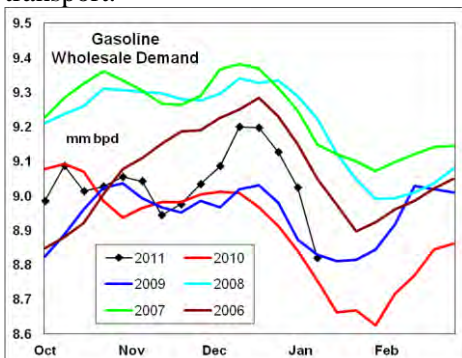




Major Fundamental Trends¹

Wholesale demand for major transport fuels remains lackluster, with distillate and gasoline lower on the week by a combined -200,000 bpd; this following the steep decline for the previous week. Inclement weather continued to limit both private and commercial transport.



Exceptional builds in distillate stocks point to a sharp drop in demand for the western 1/2 of the country where lower cross country freight origination was caused by the inclement weather in the eastern 1/2 of the country.

Winter refinery maintenance has begun on the West and Gulf Coasts where crude oil runs fell a combined -254,000 bpd on the week. Runs were also -47,000 bpd lower in the Midwest on unplanned refinery maintenance.

Gasoline production has plunged -556,000 bpd during the last 2-wks; driven largely by unplanned maintenance in the Midwest and reduced blending activity on the East Coast. Seasonal stock builds have not

begun in PADD 1 where levels remain below the 5-year range. The delay is not significant yet, but with stock levels at record lows there is a risk this market remains tight through the winter quarter. Refinery closures in the region and low imports, due to demand for gasoline material in Asia, could lead to tight supply extending into the 2nd quarter.

The crude oil supply imbalance between PADDs 2 and 3 continued this week as stocks in the midwest increased +2.1 million barrels while the Gulf fell -7.3 million barrels.

Startup of the new Canadian Keystone Pipeline in February may explain a portion of this supply imbalance. Line fill in the midwest has increased stock levels for that region.

Refiners in PADD 2 who historically received crude oil from the Gulf region will begin receiving crude oil from the Keystone Pipeline during February. Therefore, Gulf stock levels needed to support deliveries into PADD 2 are being reduced.

Demand for distillate and gasoline declined last week, following the sharp drop the prior week as inclement weather continued to limit private and commercial transport.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline increased +1.9%; distillate up +3.6%; jet fuel down -0.4% while residual fuel oil increased +10%.

Stocks forward coverage: Gasoline demand coverage increased on a +5.1 million barrel build in stocks and lower demand. Coverage levels matched last year's record high.

Distillate coverage also increased on a +2.7 million barrel stock build and lower demand. Coverage levels were a 5-year high for the period.

Jet fuel coverage remains above the 5-year range on weak demand and stock levels at 5-year highs for the period.

Refinery utilization rates fell on a -260,000 bpd decline in crude oil runs as winter maintenance began on the Gulf and West Coasts. Runs for the latest 4-wk period were +1.0 million bpd above a year ago.

Gasoline yield % on crude oil runs were lower on a -195,000 bpd drop in production versus the -260,000 bpd decline in crude oil runs. The yield % on crude oil runs was at the low end of the historic range.

Distillate yield % on crude oil runs decreased with production down -163,000 bpd compared to the decline in crude oil runs. Yield % was near the 5-year high for the period.

Jet fuel yield % on crude oil runs jumped on a +46,000 bpd rise in output, even though crude oil runs were lower. The yield % on crude oil runs was a record high for the quarter.

Petroleum Imports of crude oil and refined fuels increased a combined +1.3 million bpd last week; driven by increased off loading of cargoes following the prior week inclement weather and holidays.

During the latest 4-wk period crude oil imports increased +0.5 million bpd over last year; distillate imports decreased -102,000 bpd; finished gasoline imports decreased -142,000 bpd, gasoline blend stock imports increased +114,000 bpd; jet fuel imports were -18,000 bpd lower, while residual fuel oil imports increased +31,000 bpd.

Crude Oil imports increased +449,000 bpd on the week, concentrated in regions other than the Gulf Coast. High crude oil runs and a low rate of imports led to a -2.2 million barrel stock draw for the week, including a -7.3 million barrel draw in the Gulf. Stocks continued to increase in PADD 2, rising +2.1 million barrels on the week; reaching a new all time high. Line fill in the new Canadian to Cushing Keystone Pipeline accounts for a portion of the stock build in the Midwest.

¹ Source is latest EIA Weekly Statistics



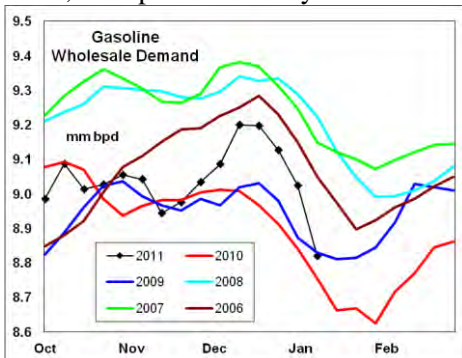
WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

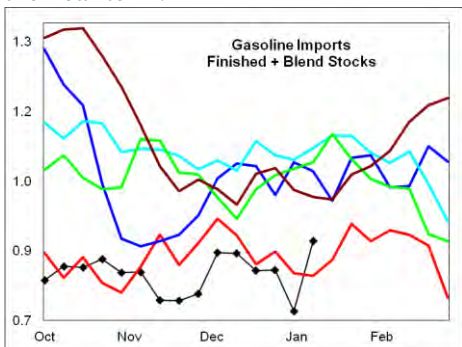
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, January 12, 2011

Product Supply-Demand Trends

Gasoline demand decreased -34,000 bpd on the seasonal downturn in demand. The latest 4-wk average was +171,000 bpd above last year.



Production decreased -195,000 bpd, for a decline of -556,000 bpd during the last 2-wks. Production matched the 5-year low last week. Imports increased +358,000 bpd which should lift production of finished gasoline in the near term.

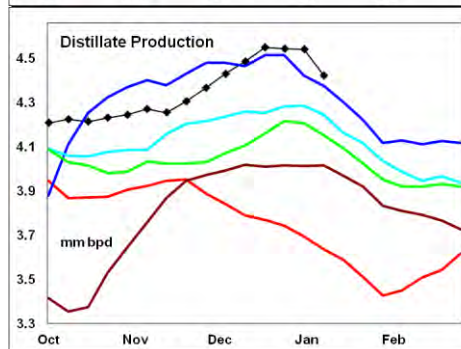
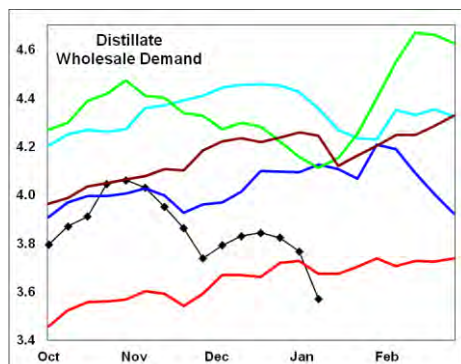


Stocks increased +5.1 million barrels with builds in all regional markets.

Demand should continue to trend seasonally lower, while imports and production increase from recent lows. However, low imports may keep supplies relatively tight on the East Coast.

Distillate demand declined -166,000 bpd on the week. The latest 4-wk average was +135,000 bpd above last year, but well below the prior 4-years. Week-to-week demand variance has been significantly impacted by volatility in export loadings and heating oil deliveries in the Northeast.

Supply increased +49,000 bpd on a +212,000 bpd jump in imports offset by reduced production. Production rates remain above the 5-year range.



Stocks increased +2.7 million barrels on the week, with builds in all regions except PADD 1. Stock levels were +4.4 million barrels above the prior 5-year high.

Inclement weather continues to limit wholesale demand while a drop in exports pushed the weekly demand level below the 5-year range.

The above average stock build was driven by lackluster demand and the high level of supply.

The market should remain very well supplied in the 1st quarter, even as refiners on the Gulf and West Coast begin refinery maintenance.

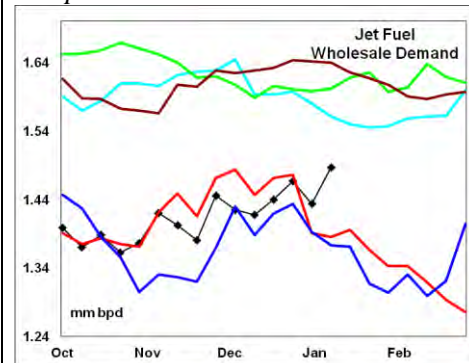
Jet Fuel demand increased +111,000 bpd as weather conditions for travel improved. The latest 4-wk average demand was -5,000 bpd below a year ago.

Supply increased +44,000 bpd last week, on higher production. Stocks were unchanged, with the level above the 5-year range.

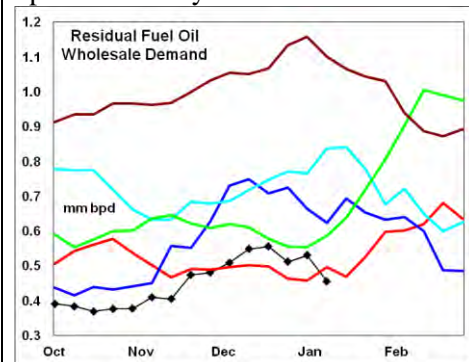
Demand levels remain in line with the last 2-years. A sharp seasonal downturn should occur during the next 45-days. While production should also trend seasonally lower, stock levels are likely to remain very high. Supplies

remain tight on the East Coast.

Expect jet fuel prices to follow that of distillates which continue to exhibit significant strength on robust exports and peak winter demand.



Residual fuel oil demand, including exports, increased +25,000 bpd last week, with the 4-wk average +48,000 bpd above last year.



Supply (production + imports) increased +247,000 bpd on a +263,000 bpd jump in imports. The latest 4-wk average supply was -42,000 bpd below a year ago. Stocks increased +0.5 million barrels on the week; with levels above the mid range.

The market remains very well supplied in key regional markets on increased imports. Stock levels, measured in days supply, remain extremely high as a result of very low demand. PADD 3 stocks were +9% above the prior 5-year high.



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

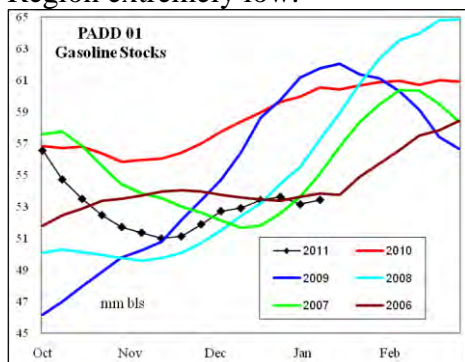
A Fundamental Petroleum Trends Weekly Report

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PADD Supply Trends

PADD 1 refinery crude oil runs increased +43,000 bpd last week, with the 4-wk average -73,000 bpd below a year ago. Crude oil imports and stock levels have increased in the last 2-wks.

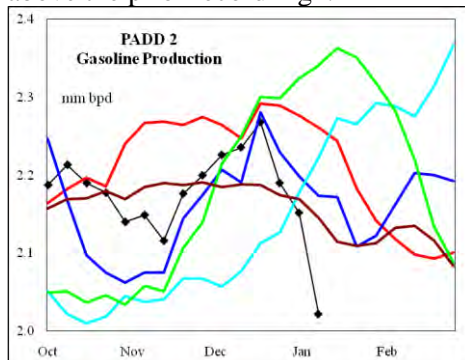
Gasoline production decreased -33,000 bpd, although imports jumped +220,000 bpd after the previous week collapse. Stock levels remain below the 5-year range with the New England Region extremely low.



Distillate supply increased +169,000 bpd on the week, driven by a +150,000 bpd jump in imports. Stocks declined -0.2 million barrels, to a level -2.7 million barrels below the historic high.

Jet fuel supply decreased -21,000 bpd for the week. Supplies remain at record lows for this time of year. Stocks increased +0.3 million barrels but the level remains near 5-year lows.

PADD 2 crude oil refinery runs decreased -47,000 bpd on the week, to a level that matched the mid range. High imports led to a +2.1 million barrel stock build. PADD 2 crude oil stock levels were +12 million barrels above the prior record high.

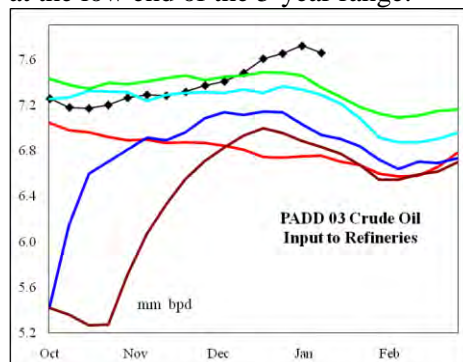


Gasoline production fell -181,000 bpd on the week to a record low level for the season. Stocks increased +1.2 million barrels, although the level remains near historic lows for this time of year.

Distillate production declined -49,000 bpd on the week, to a level that matched the 5-year mid range. Stocks increased +0.8 million barrels to a level comparable to the last 2-years and near historic highs.

Jet fuel production increased +3,000 bpd on the week, to a level above the historic range. Stock levels were near 5-year highs.

PADD 3 crude oil runs decreased -152,000 bpd last week, with the latest 4-wk average +960,000 bpd above a year ago, and at a 5-year high. Crude imports declined -0.1 million bpd to match last years' record lows. Stocks declined -7.3 million barrels to a level at the low end of the 5-year range.



Gasoline production increased +139,000 bpd on the week. Stocks increased +1.7 million barrels to a level +6.6 million barrels above the prior record.

Distillate production fell -143,000 bpd, with the latest 4-wk average +37% above a year ago. Stocks increased +0.4 million barrels, to a level +3.8 million barrels above last years' record high.

Jet fuel production increased +45,000 bpd on the week, to a level near the mid range. Stock levels were +1.5 million barrels above the prior 5-year high.

Residual fuel oil supply increased +27,000 bpd on higher imports. Output

was at the mid range. Stock levels were +1.6 million barrels above the historic range.

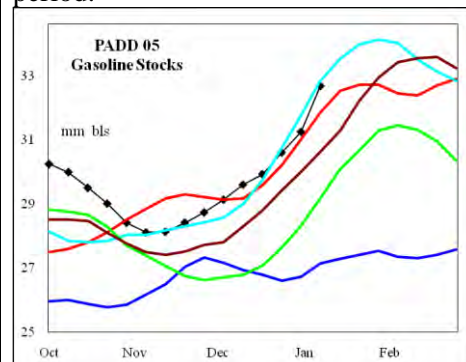
PADD 4 refinery crude runs were unchanged on the week at a level slightly below the mid range. Crude oil stock levels remain above the historic range, while imports surged to record high levels.

Gasoline production increased +8,000 bpd on the week, to match the 5-year high level. Stock levels were at 5-year season highs.

Distillate production remains above the mid range. Stocks increased +0.4 million barrels to a new record high, +33% above the prior record.

PADD 5 crude oil refinery runs decreased -102,000 bpd on the week, with the latest 4-wk average +46,000 bpd above last year. Crude imports were above the mid range. Stocks increased +0.9 million barrels, to a level above the 5-year mid range.

Gasoline production decreased -114,000 bpd last week, to a level below the 5-year range for this time of year. Stocks jumped +2.1 million barrels to match the 5-year high for the period.



Distillate production increased +12,000 bpd on the week, but the level remains below four of the last 5-years. Stocks increased +1.3 million barrels to an all time high for the season.

Jet fuel production increased +17,000 bpd to a level at the upper end of the historic range. Stock levels matched 5-year highs.


**FUNDAMENTAL
PETROLEUM
TRENDS**


PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report

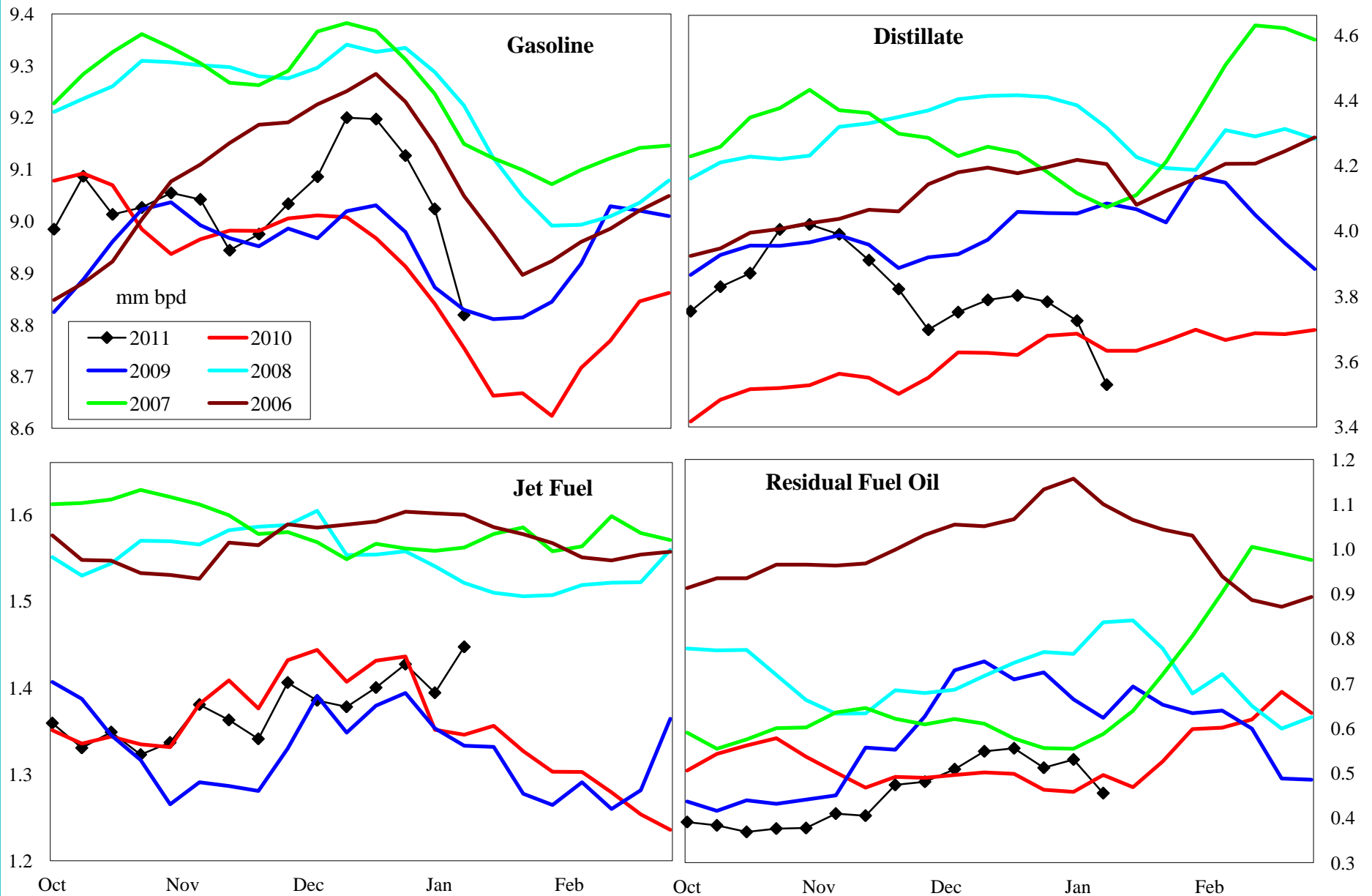
January 12, 2011

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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	7-Jan-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	-2,154	2,104	2,134	-7,250	-36	895
	Imports	449	313	109	-79	36	73
	Input	-260	43	-47	-152	-1	-102
	% Utilization	-1.60					
<u>Gasoline</u>	Stocks	5,081	83	1,186	1,656	30	2,126
	Production	-195	-33	-181	139	-8	-114
	Imports	358	220	-1	139	0	0
	Supplied	-34					
<u>Distillate</u>	Stocks	2,652	-187	792	368	361	1,318
	Production	-163	19	-49	-143	-1	12
	Imports	212	150	11	51	0	0
	Supplied	-166					
<u>Jet Fuel</u>	Stocks	6	348	-268	-226	-57	211
	Production	46	-10	3	45	-8	17
	Imports	-2	-11	0	0	0	9
	Supplied	111					
<u>Residual Fuel Oil</u>	Stocks	518	295	106	164	9	-56
	Production	-16	18	-7	-18	-1	-8
	Imports	263	147	4	45	0	67
	Supplied	25					

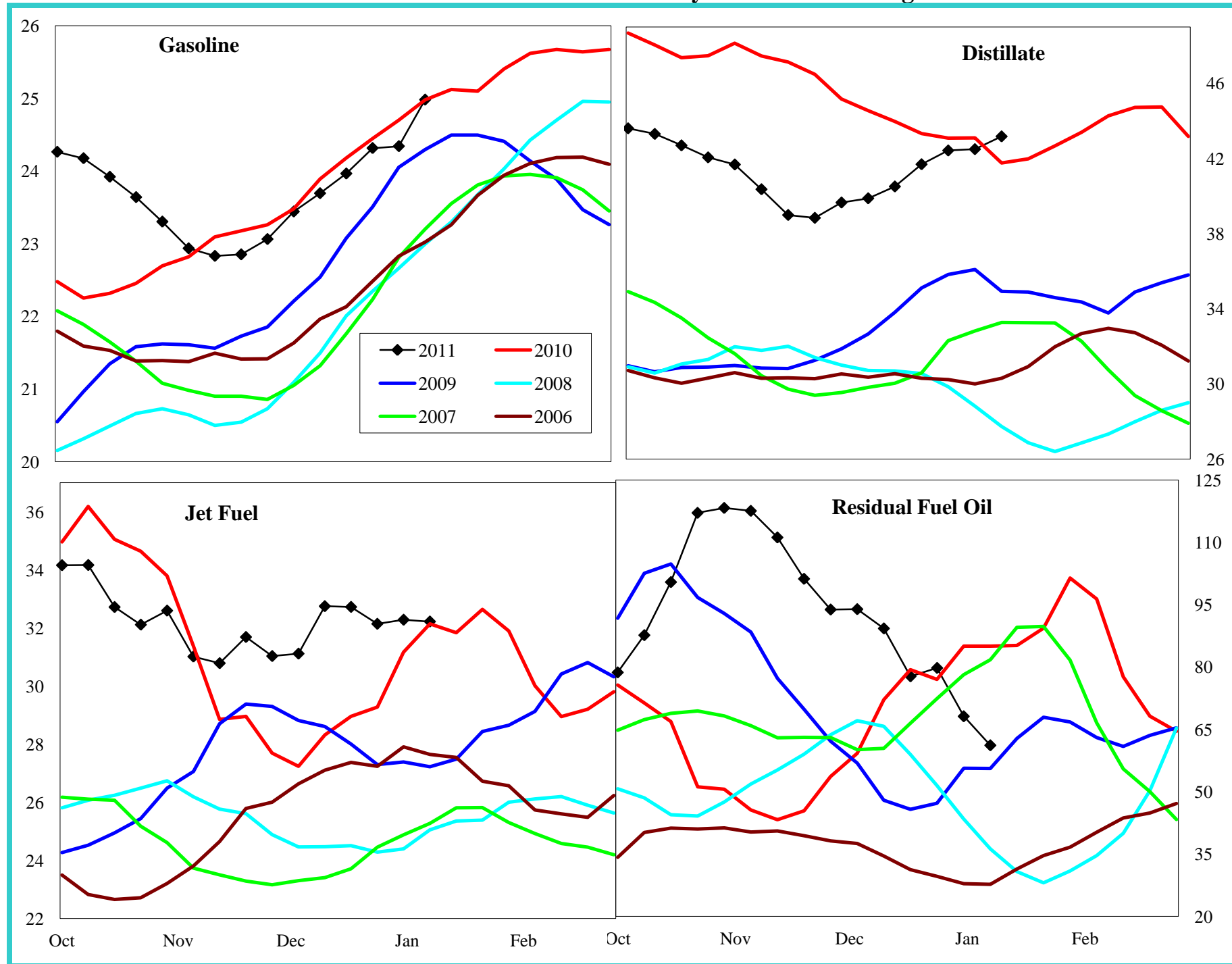
United States Wholesale Petroleum Demand



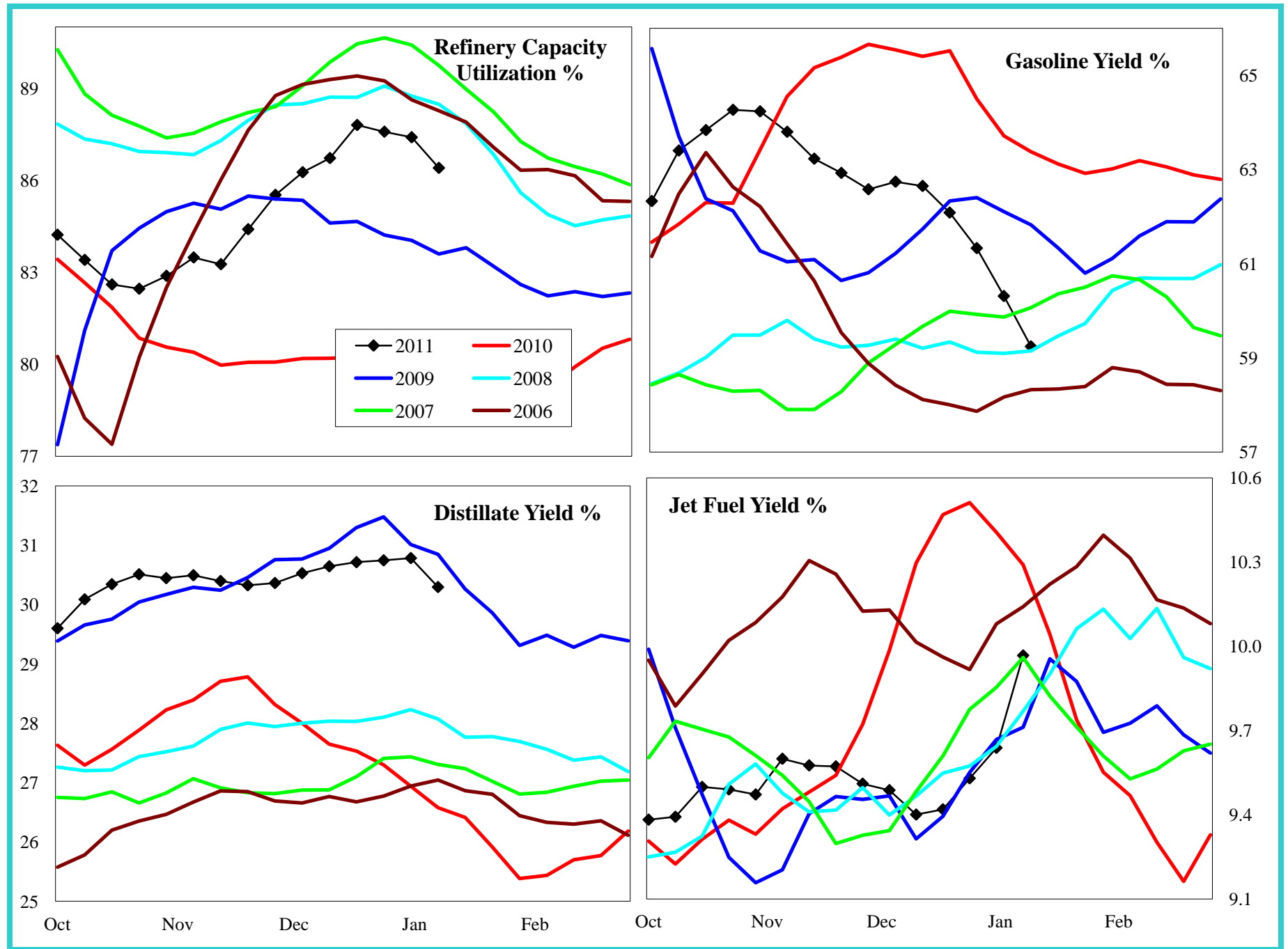
	000 bpd change from prior year				% change from prior year			
	4wk avg	Dec	Jan	Jan	4wk avg	Dec	Nov	Oct
Gasoline	171	273	49	100	1.9	3.1	0.6	1.1
Distillate	135	26	133	115	3.6	0.7	3.7	3.1
Jet Fuel	-5	90	46	67	-0.4	6.6	3.4	4.9
Resid	48	-56	35	11	10.1	-9.6	7.9	2.2



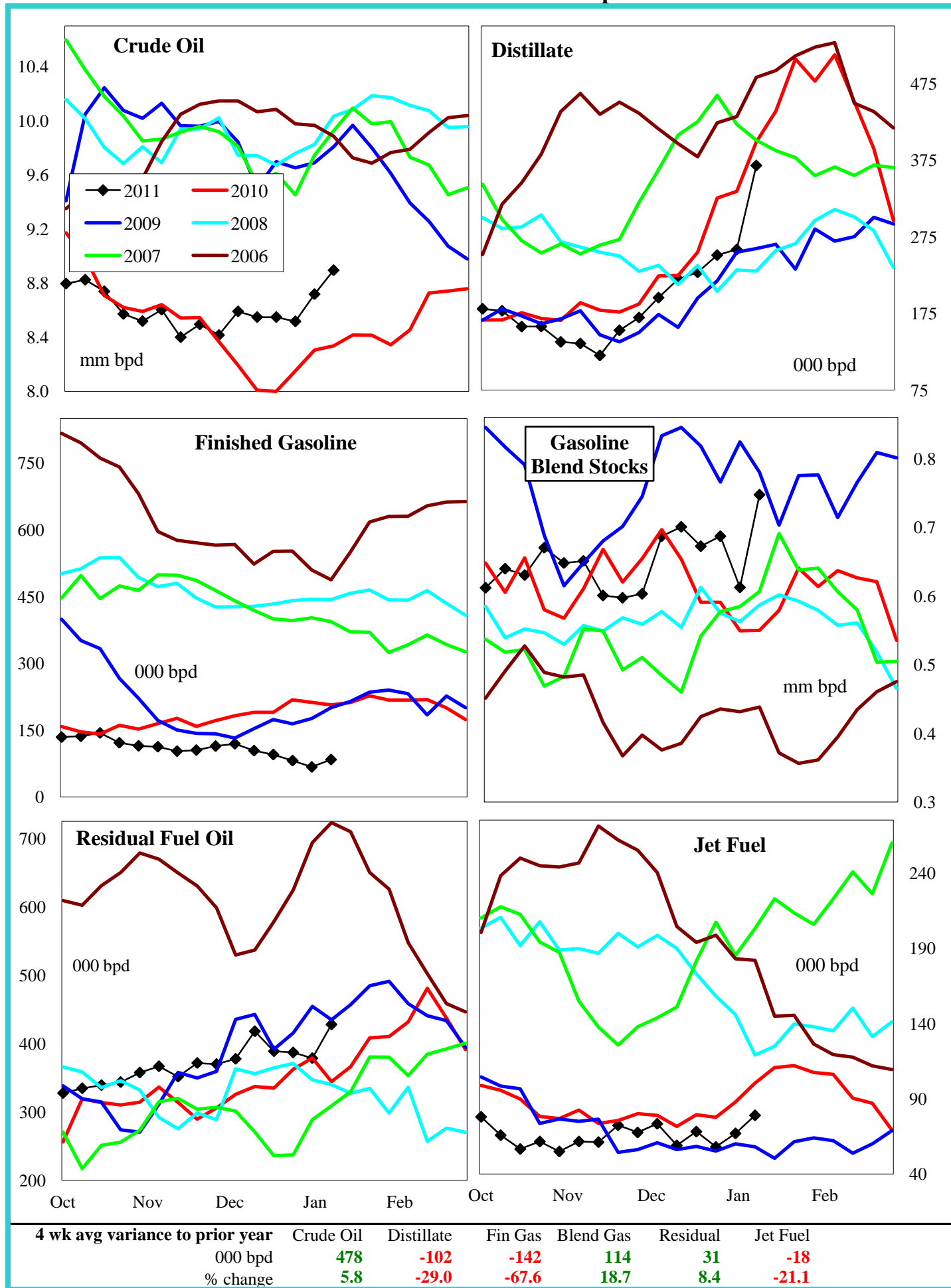
United States Product Stocks: Days Forward Coverage



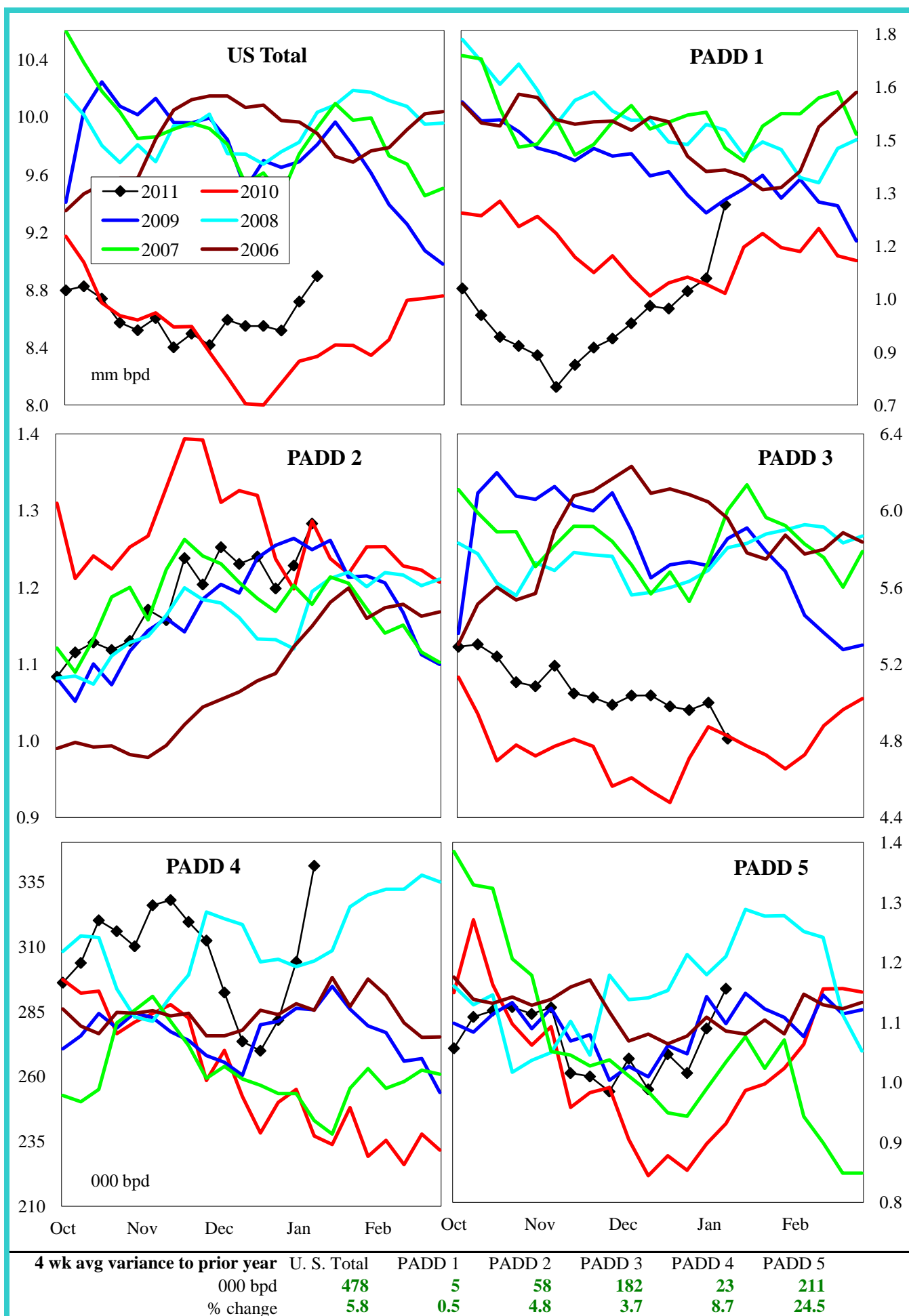
United States Refinery Percent Utilization Rate and Product Yields



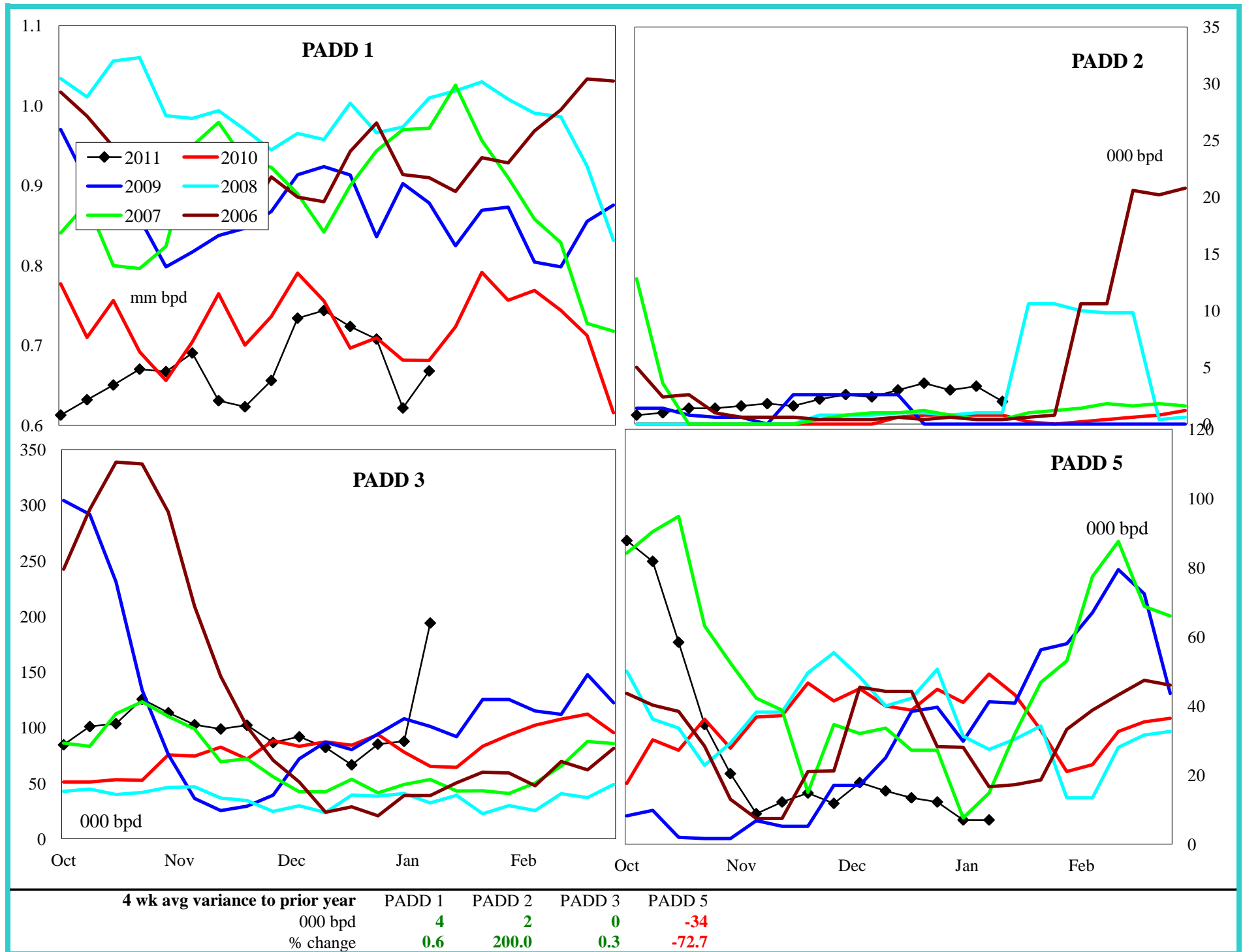
United States Petroleum Imports



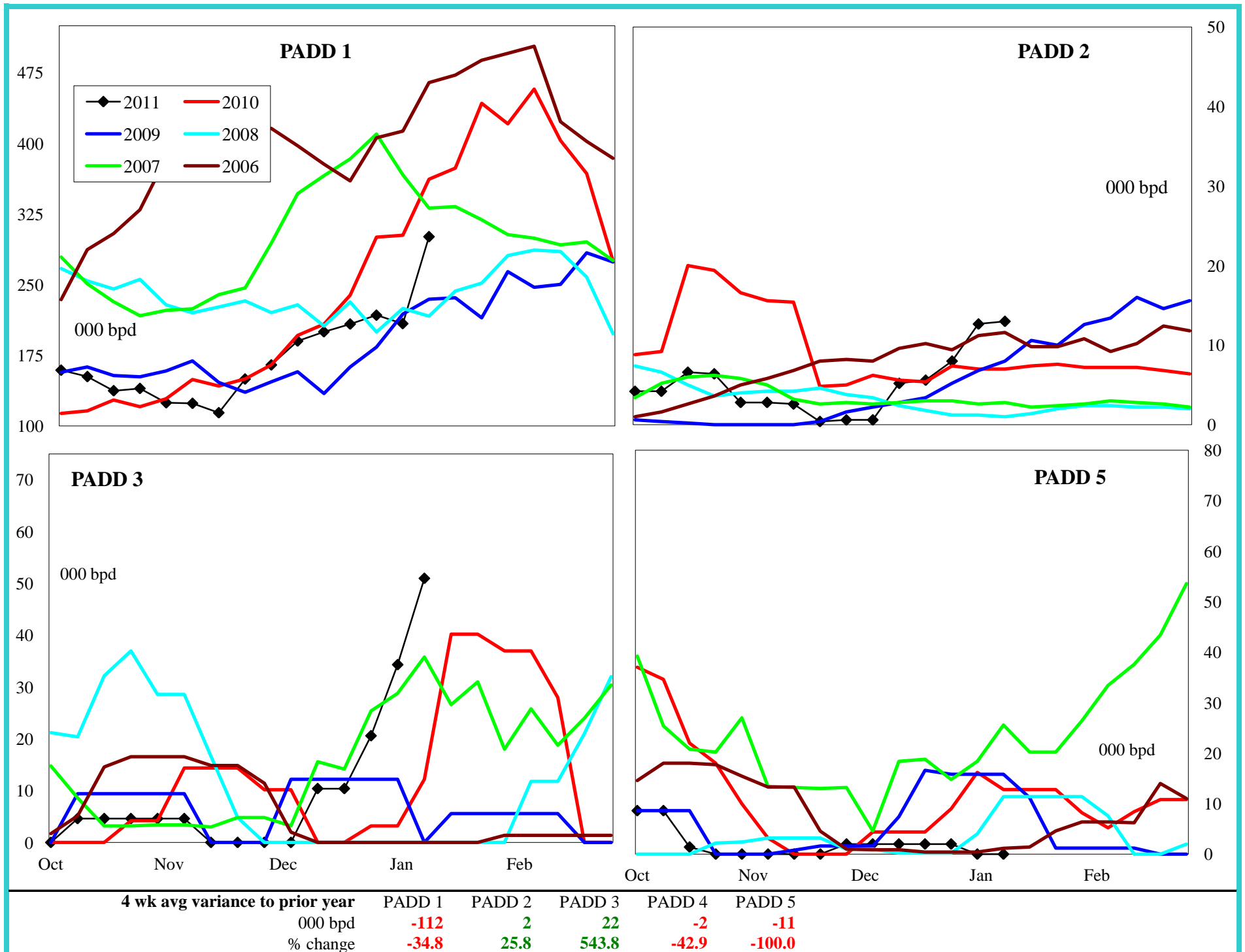
Crude Oil Imports by PADD



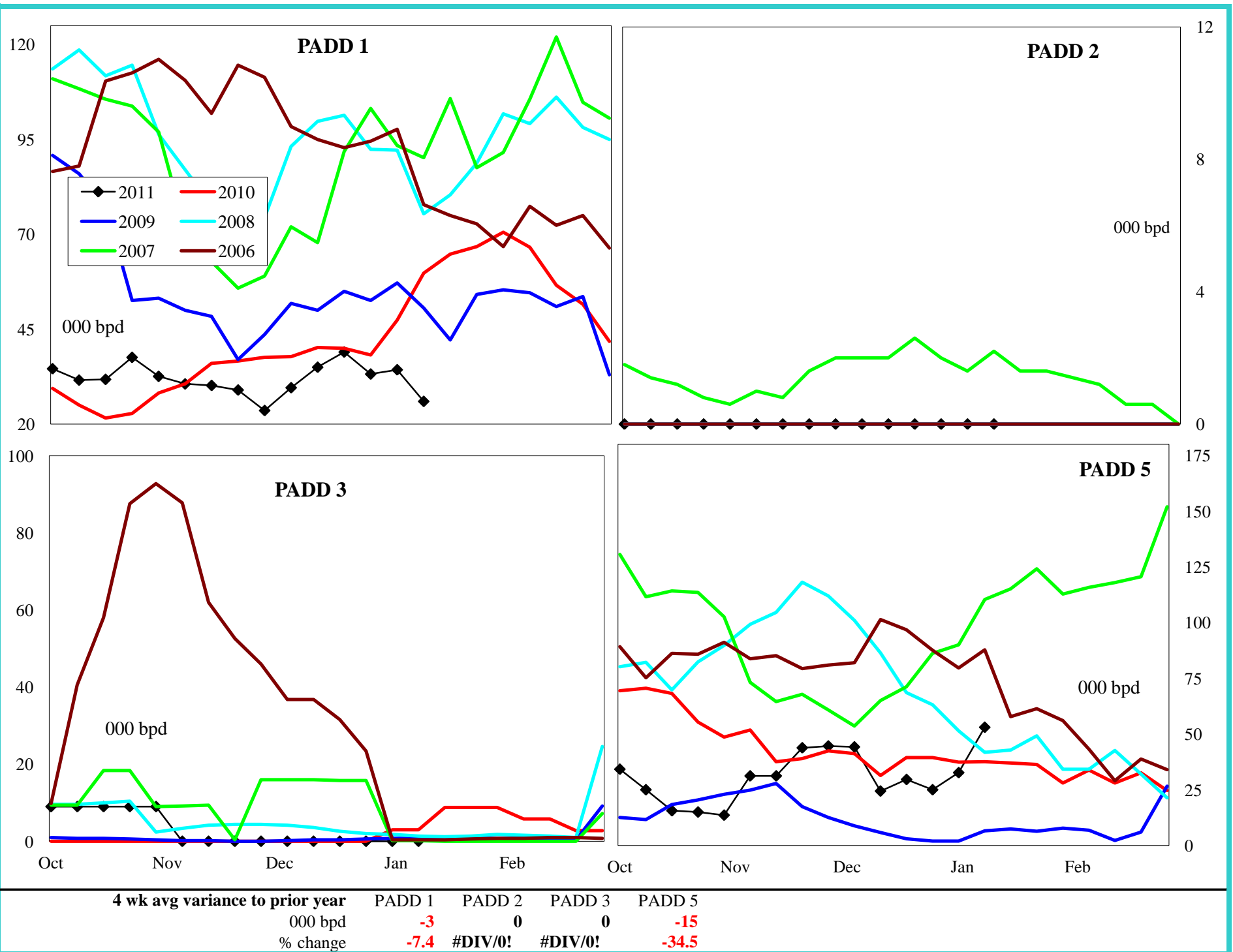
Gasoline Imports by PADD (Finished + Blend Stocks)



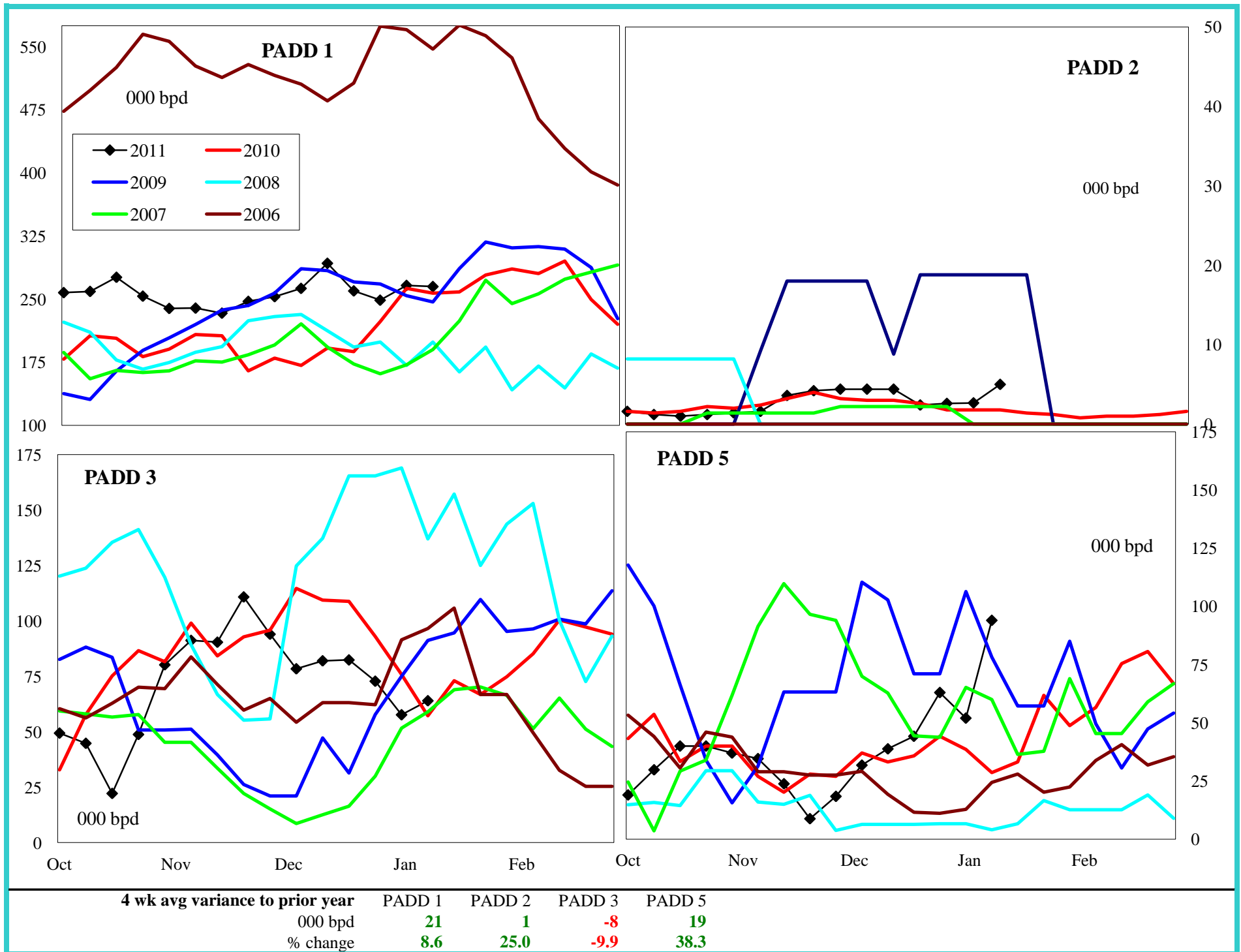
Distillate Imports by PADD



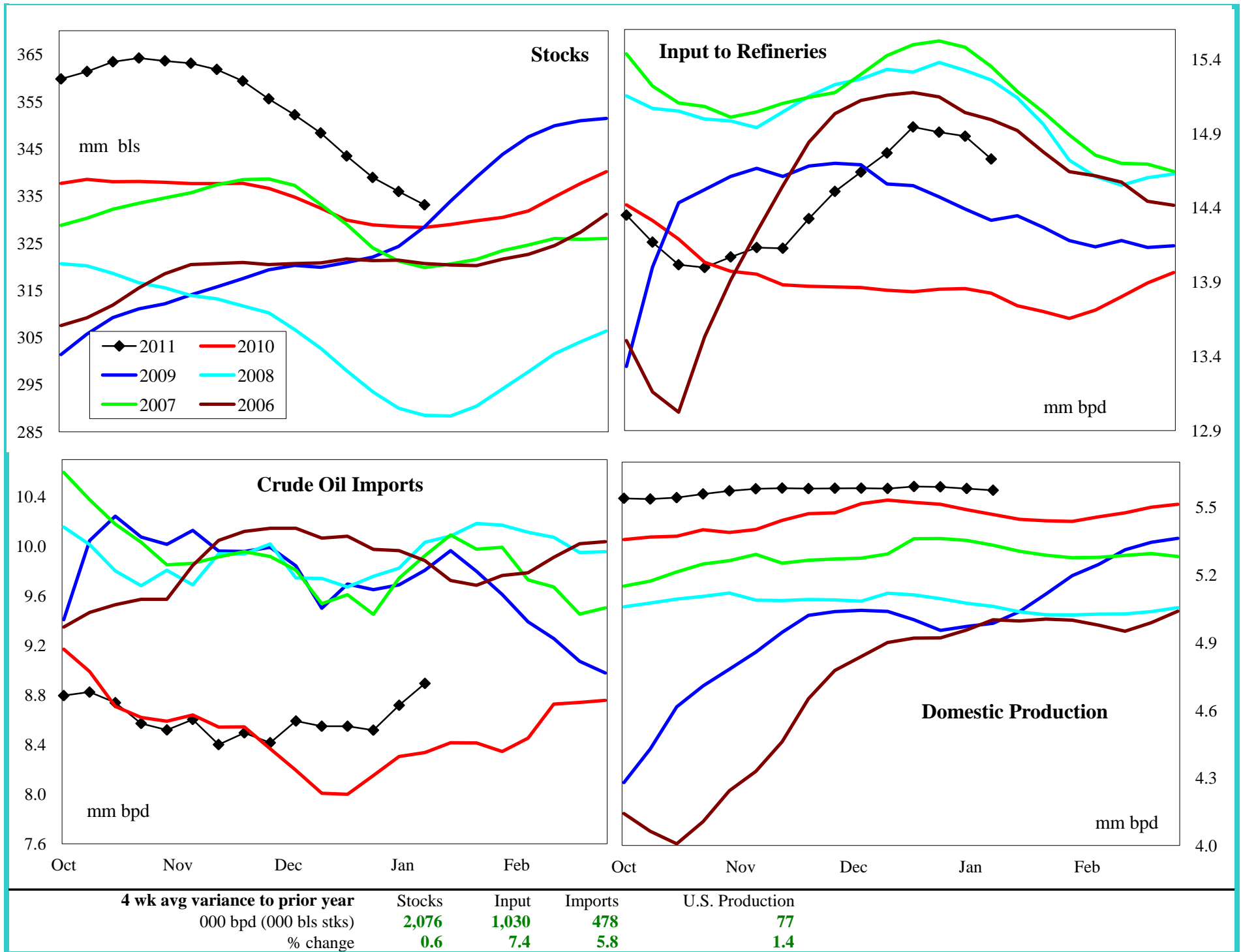
Jet Fuel Imports by PADD



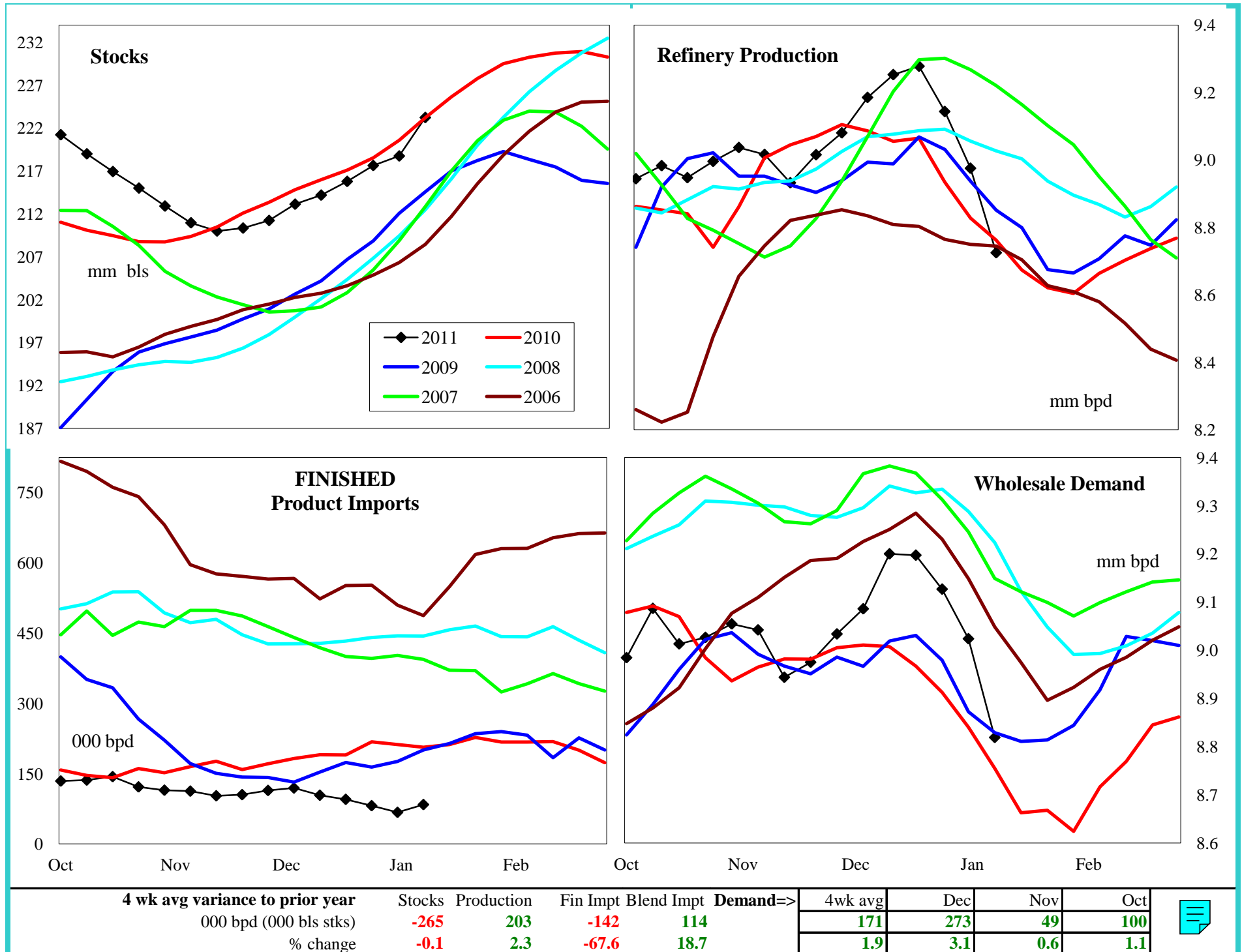
Residual Fuel Oil Imports by PADD



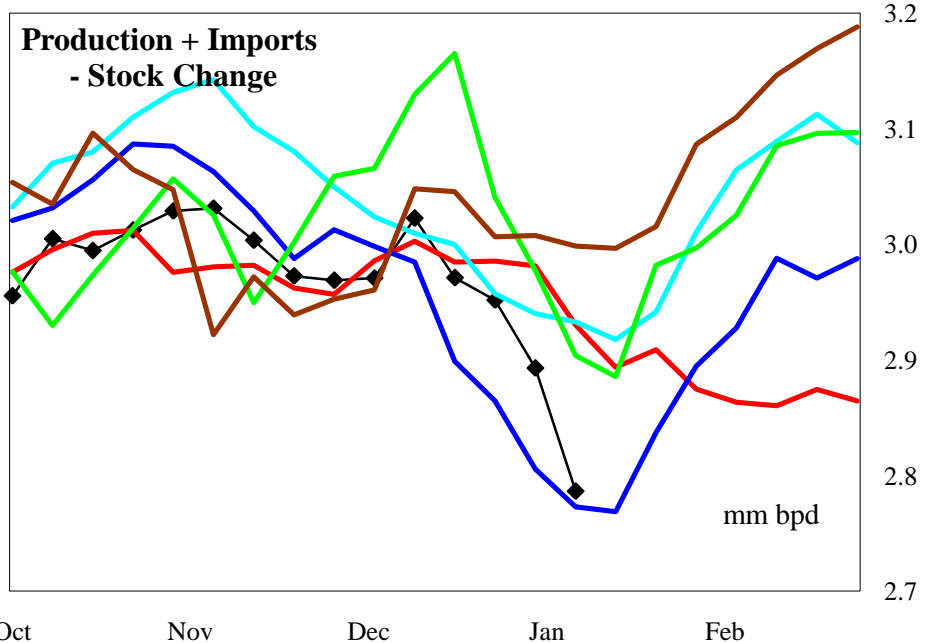
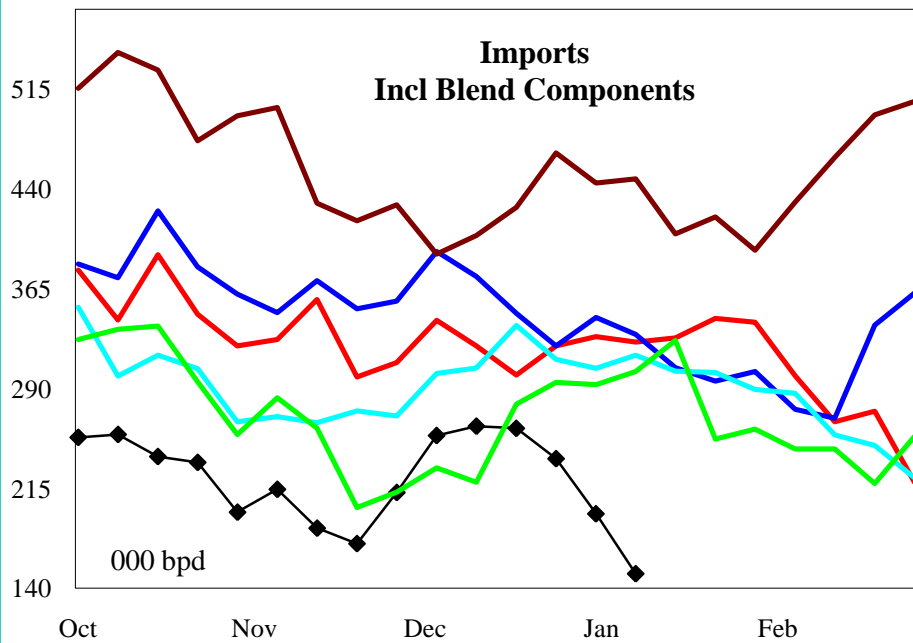
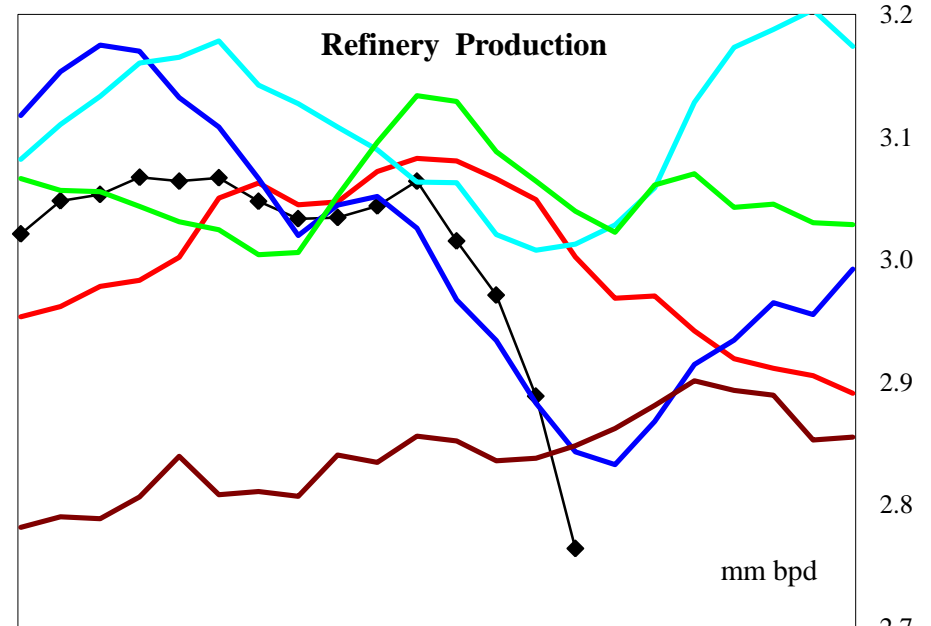
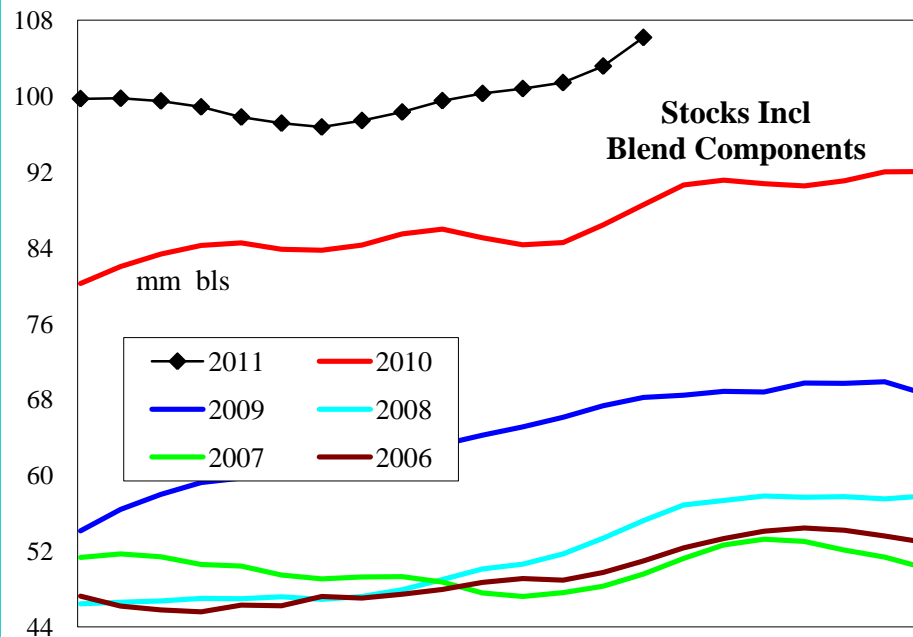
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



United States Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

17,658

19.9

Production

-121

-3.9

Imports

-108

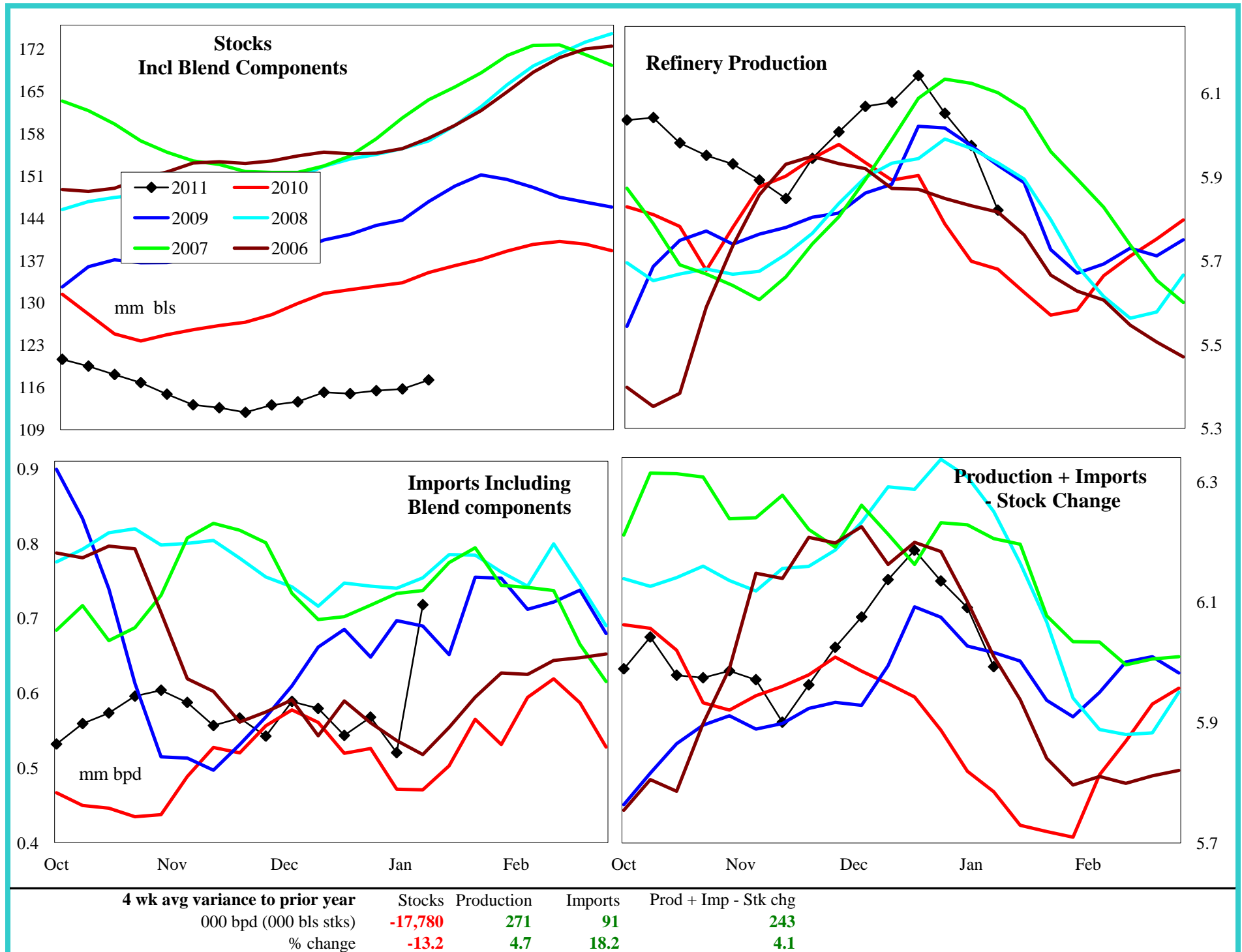
-33.8

Prod + Imp - Stk chg

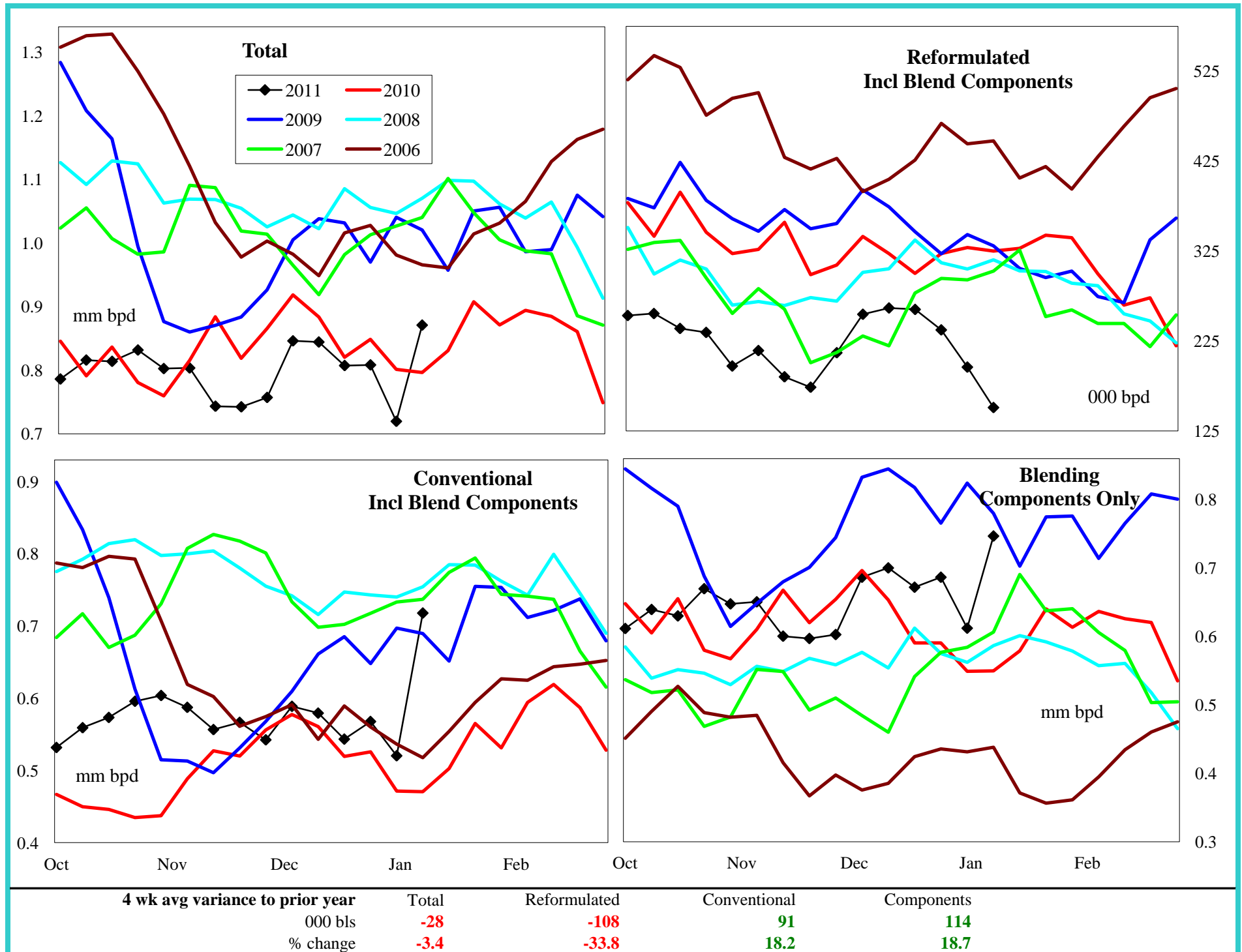
-70

-2.3

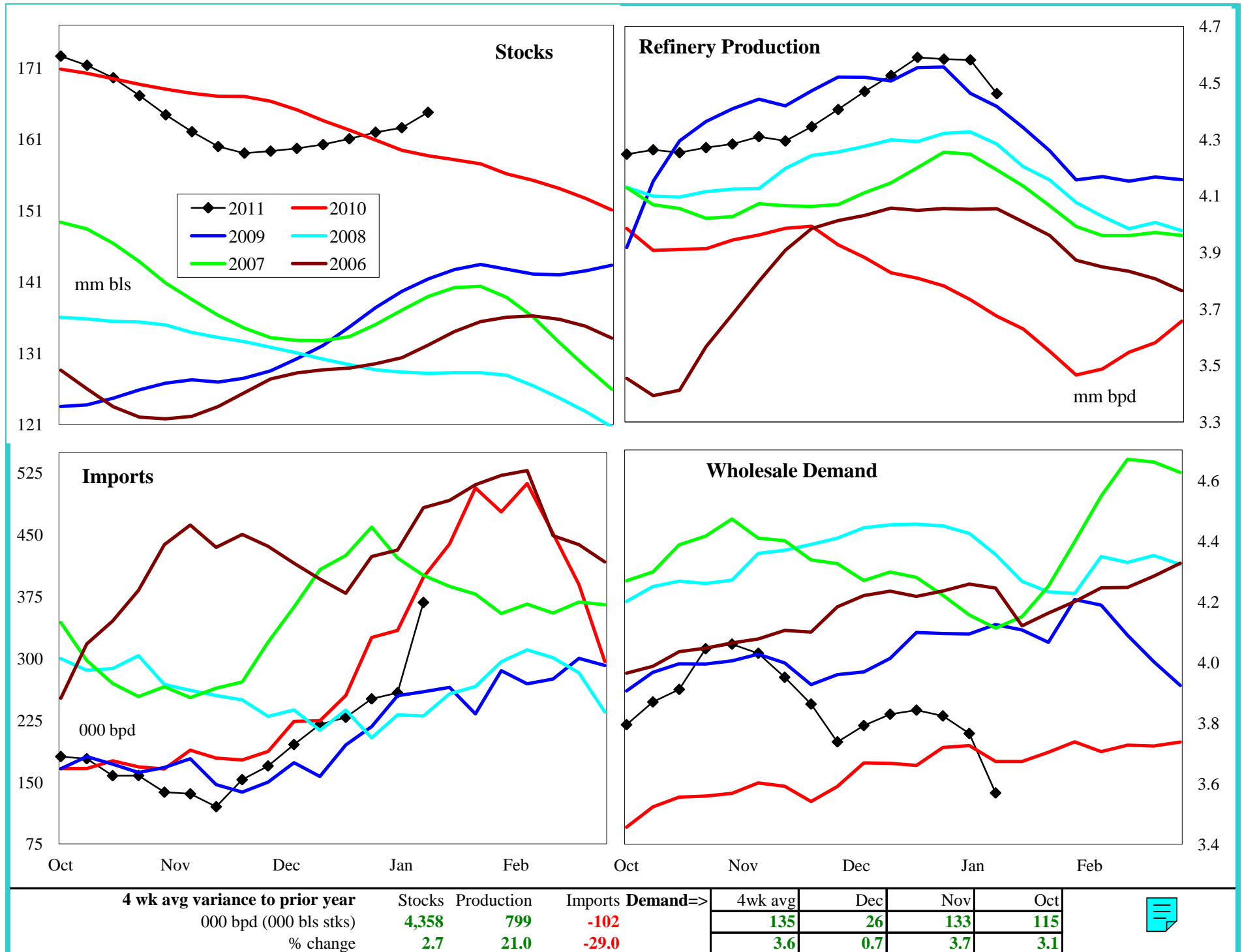
United States Conventional Gasoline Supply



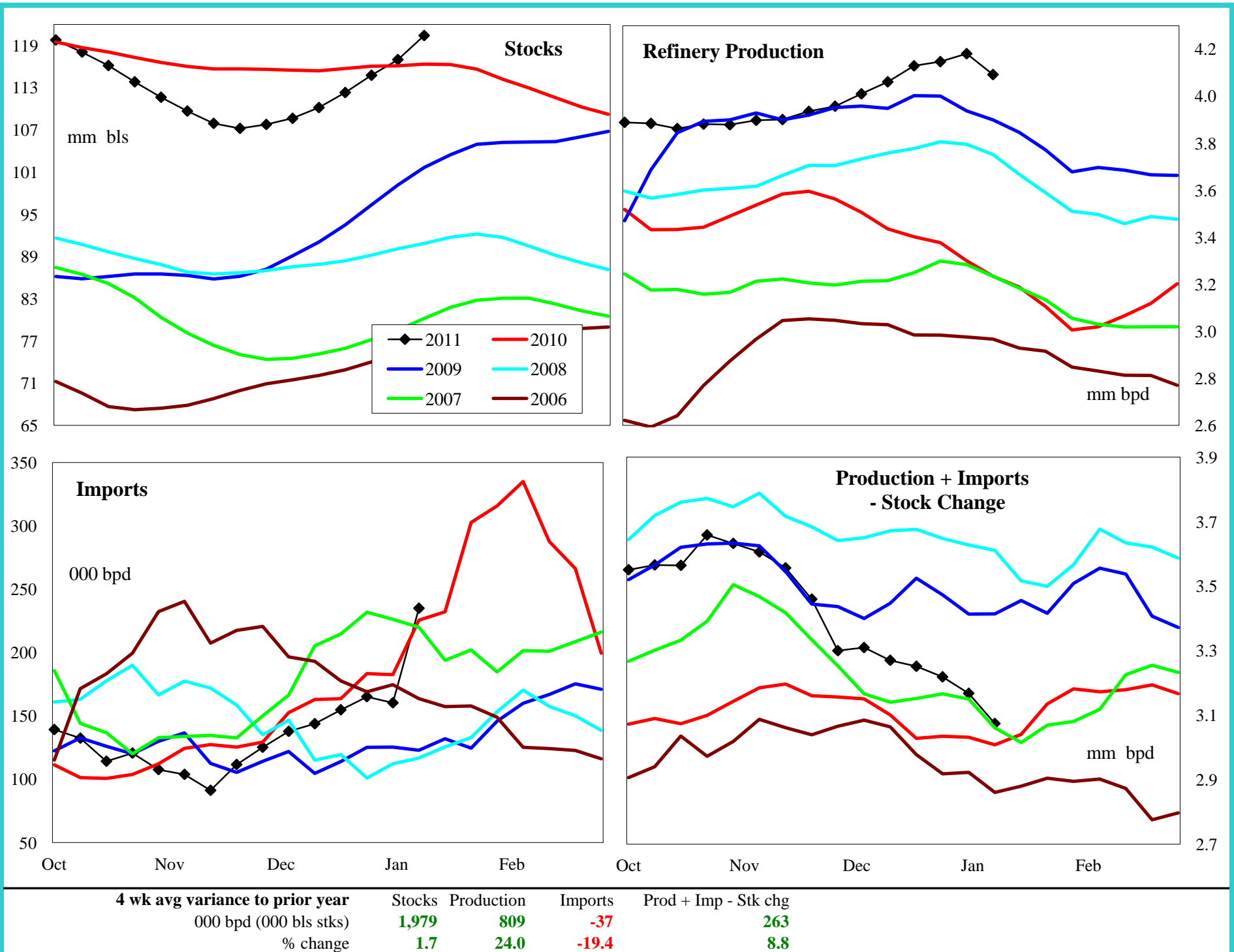
United States Gasoline Imports by Type



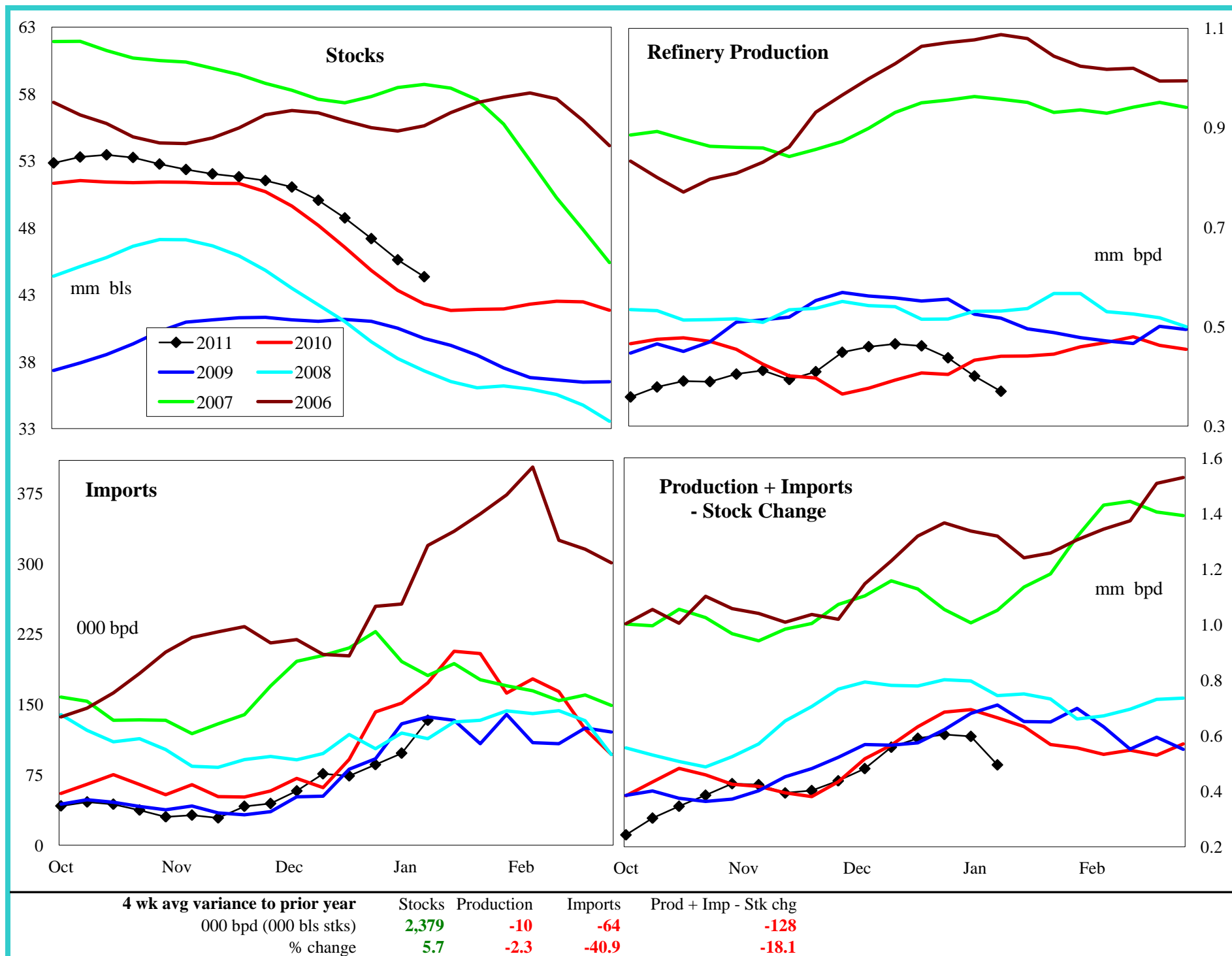
United States Distillate Supply and Demand Balance



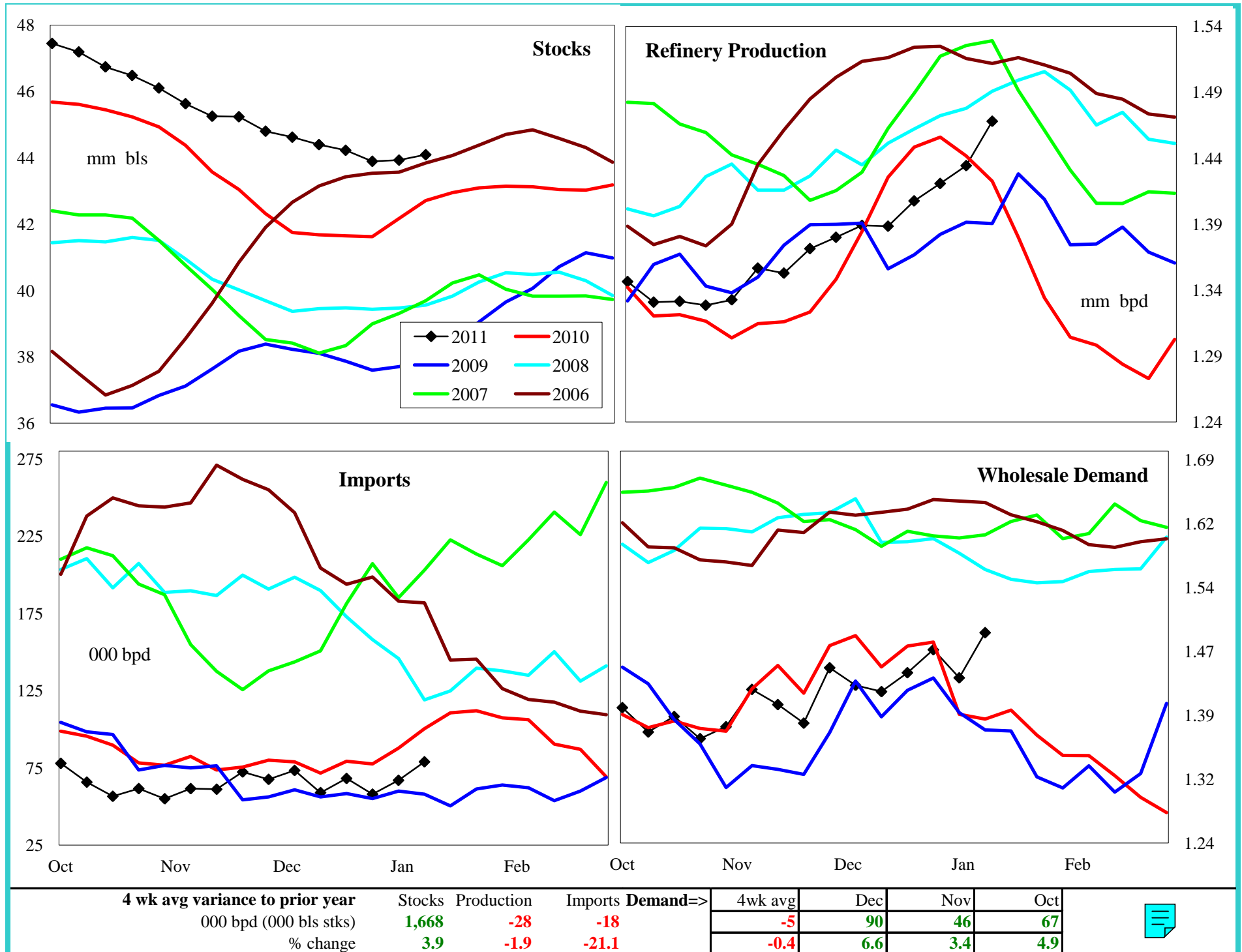
United States Low Sulfur Distillate Supply



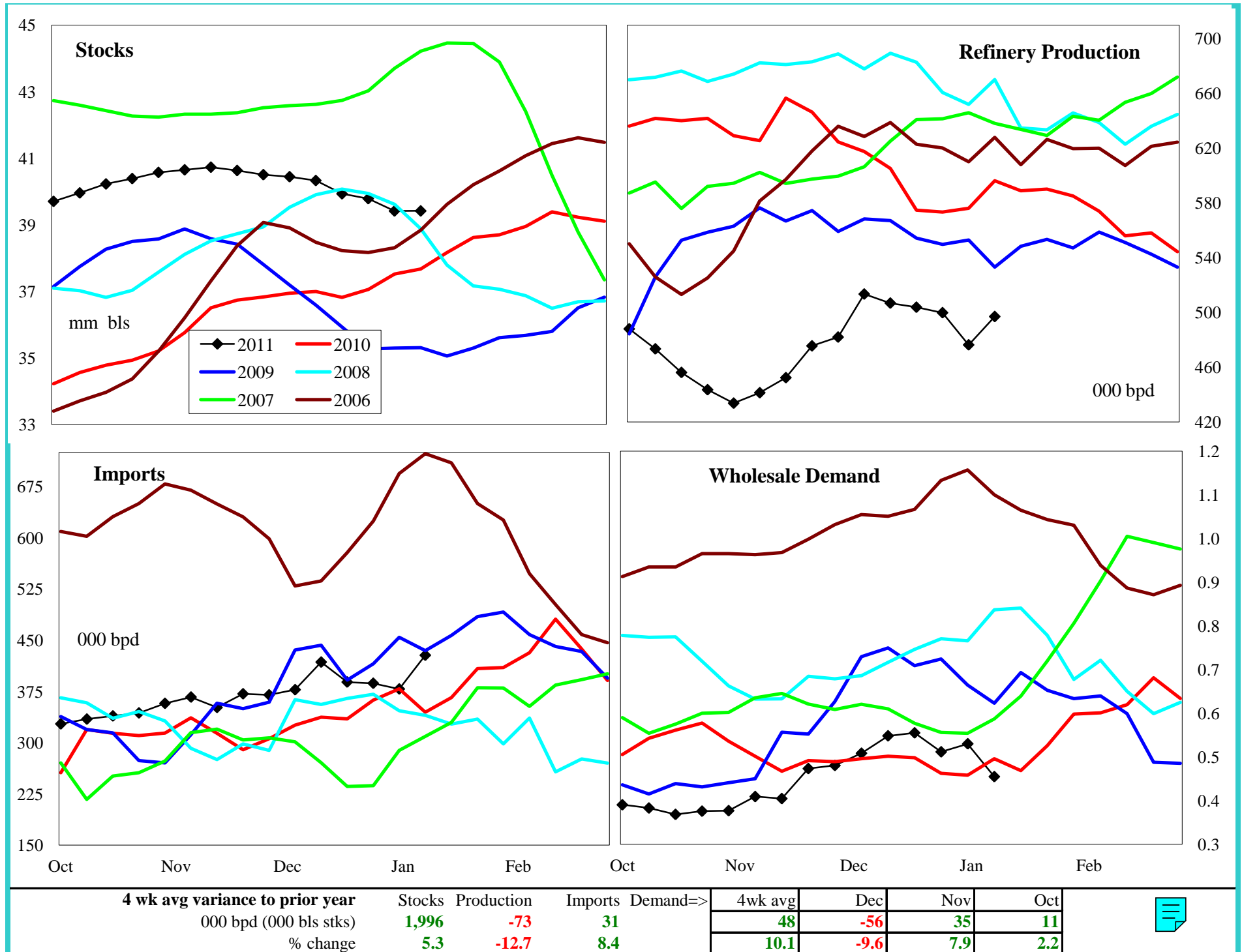
United States High Sulfur Distillate Supply



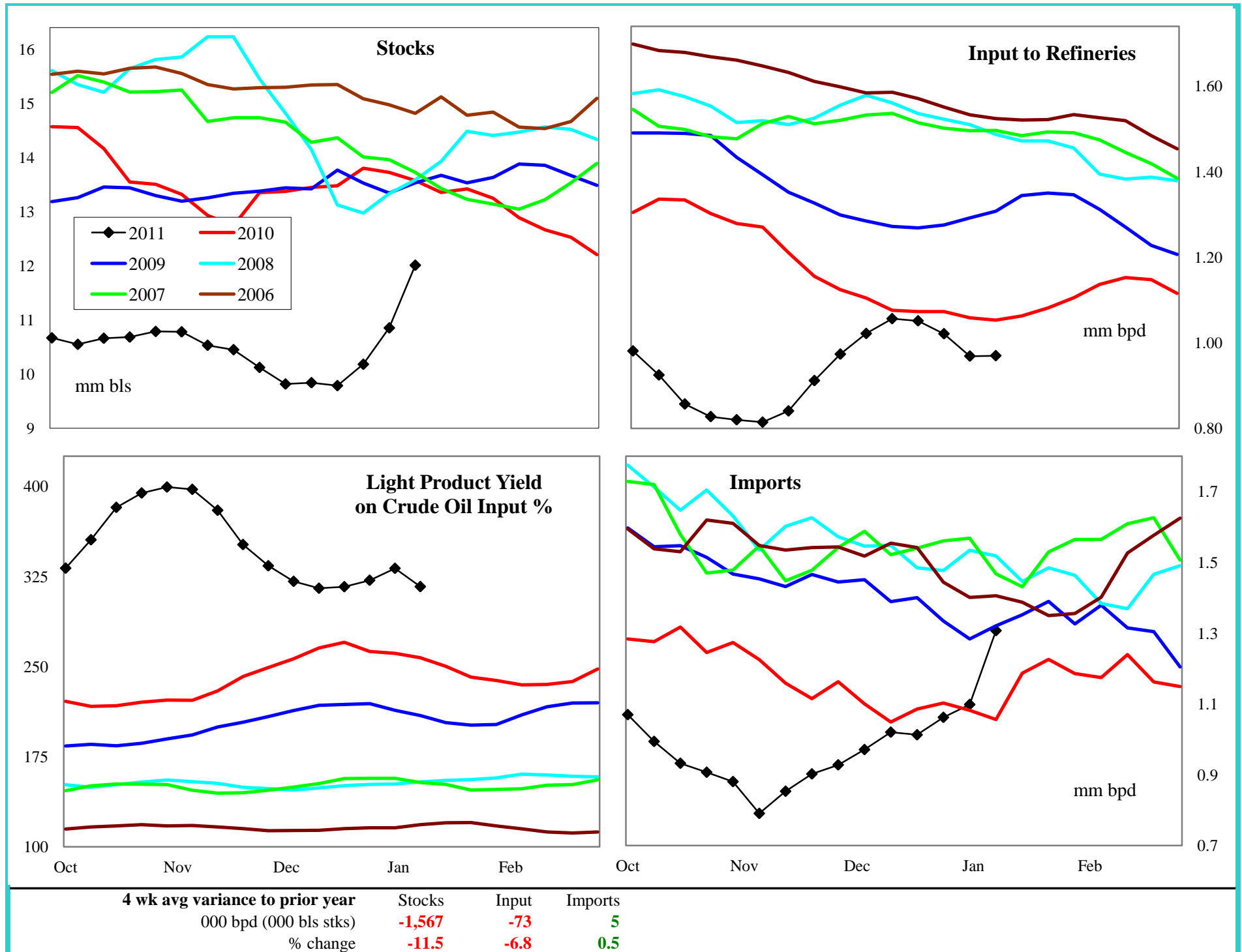
United States Jet Fuel Supply and Demand Balance



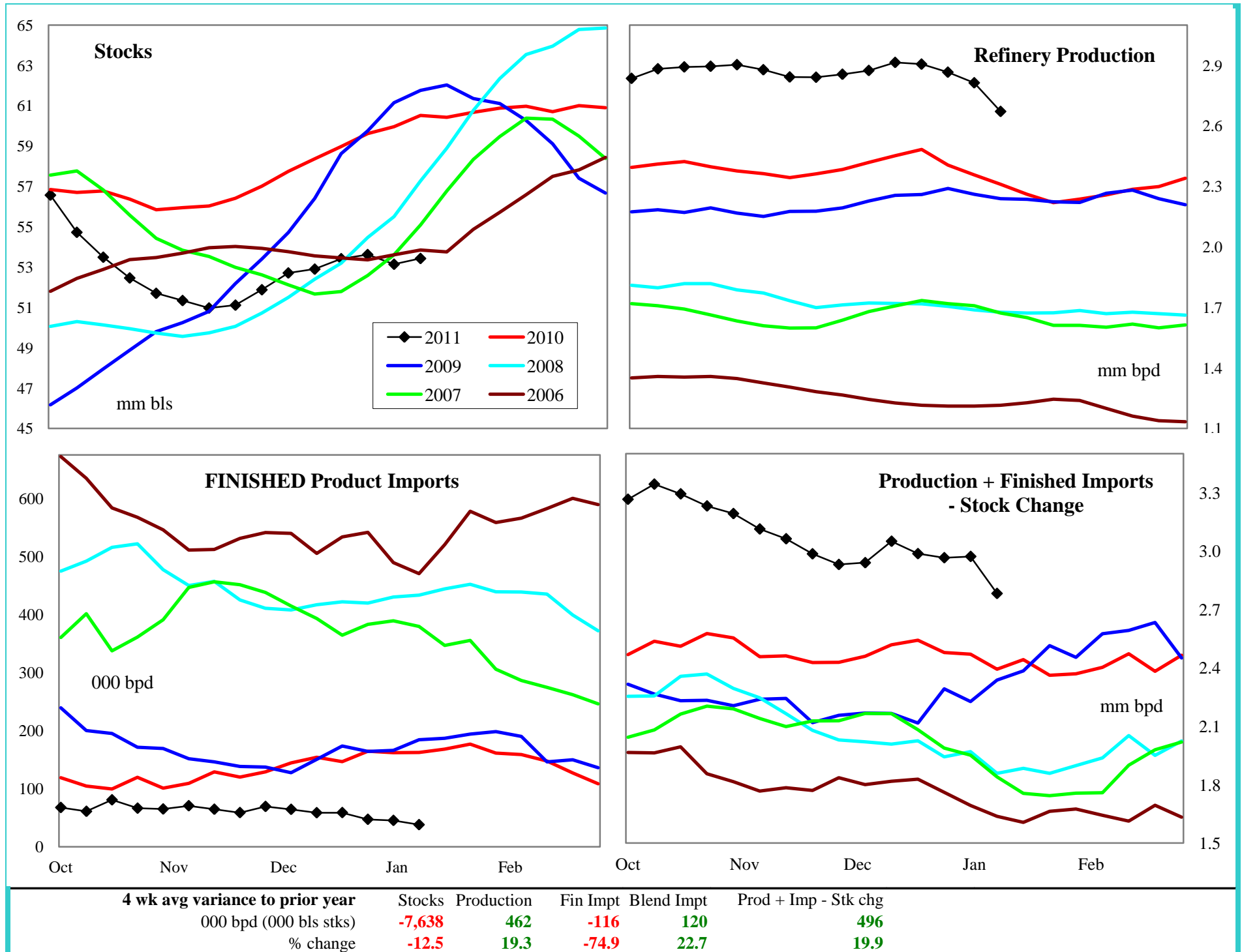
United States Residual Fuel Oil Supply and Demand Balance



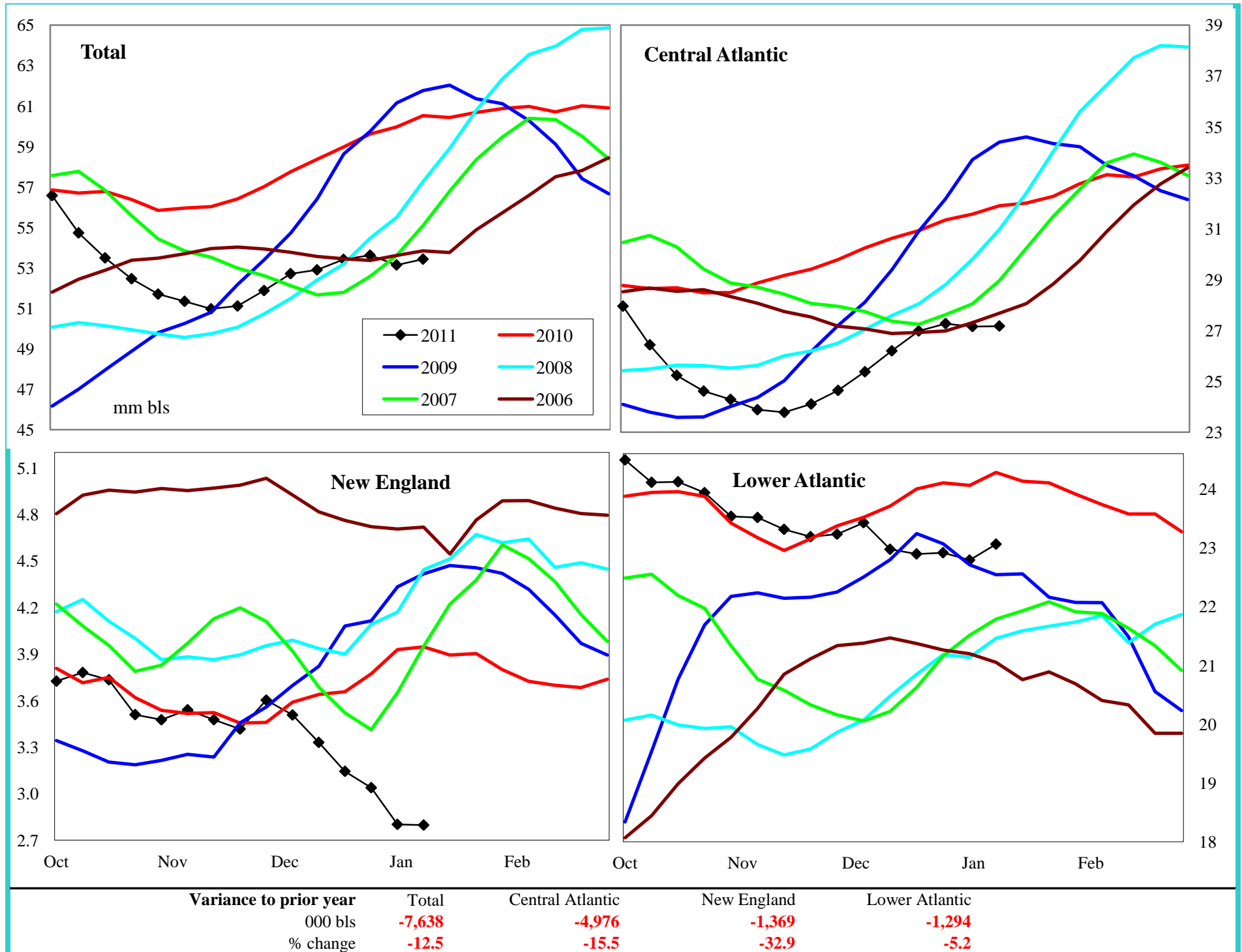
PADD 1 Crude Oil Supply and Refining



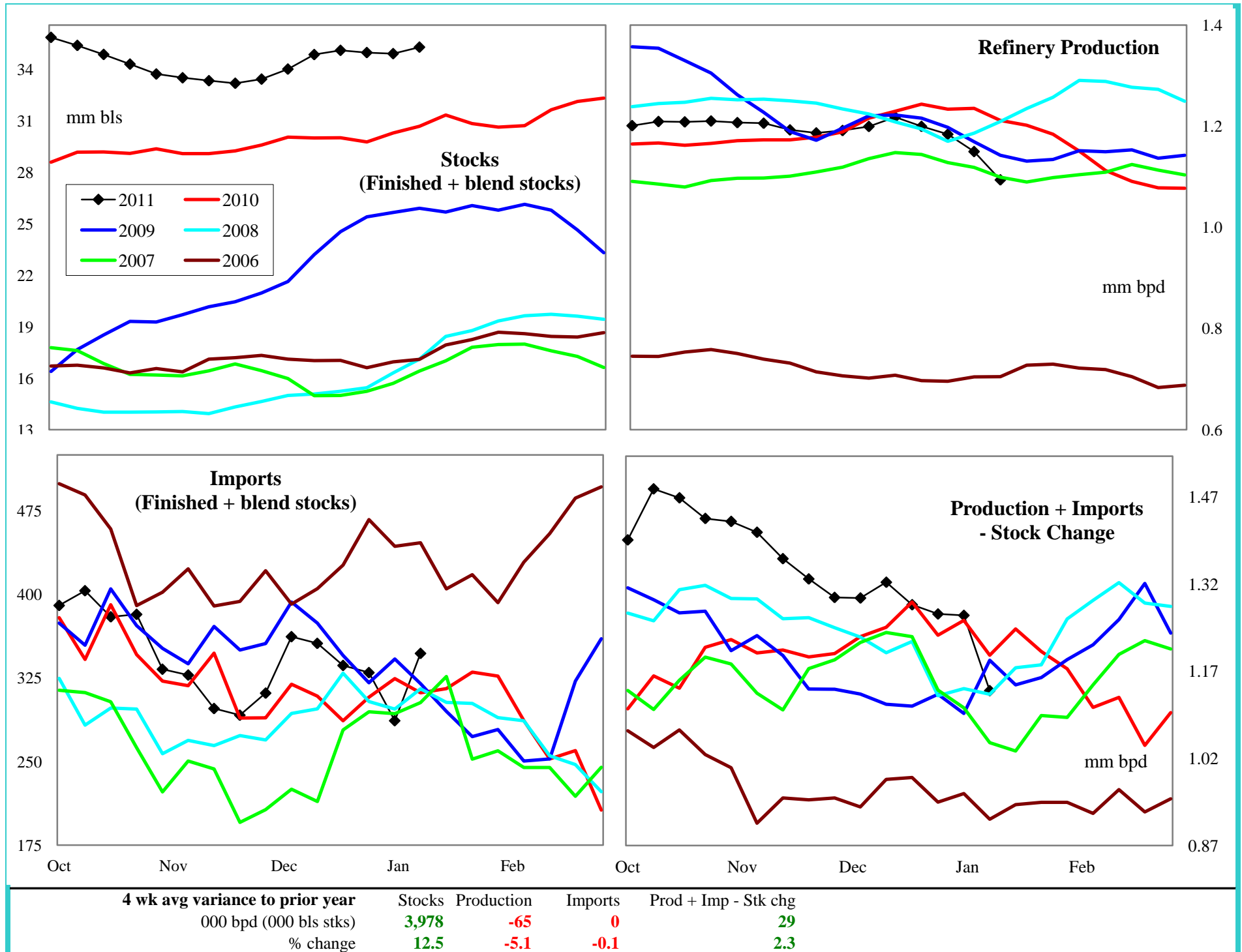
PADD 1 Gasoline Supply



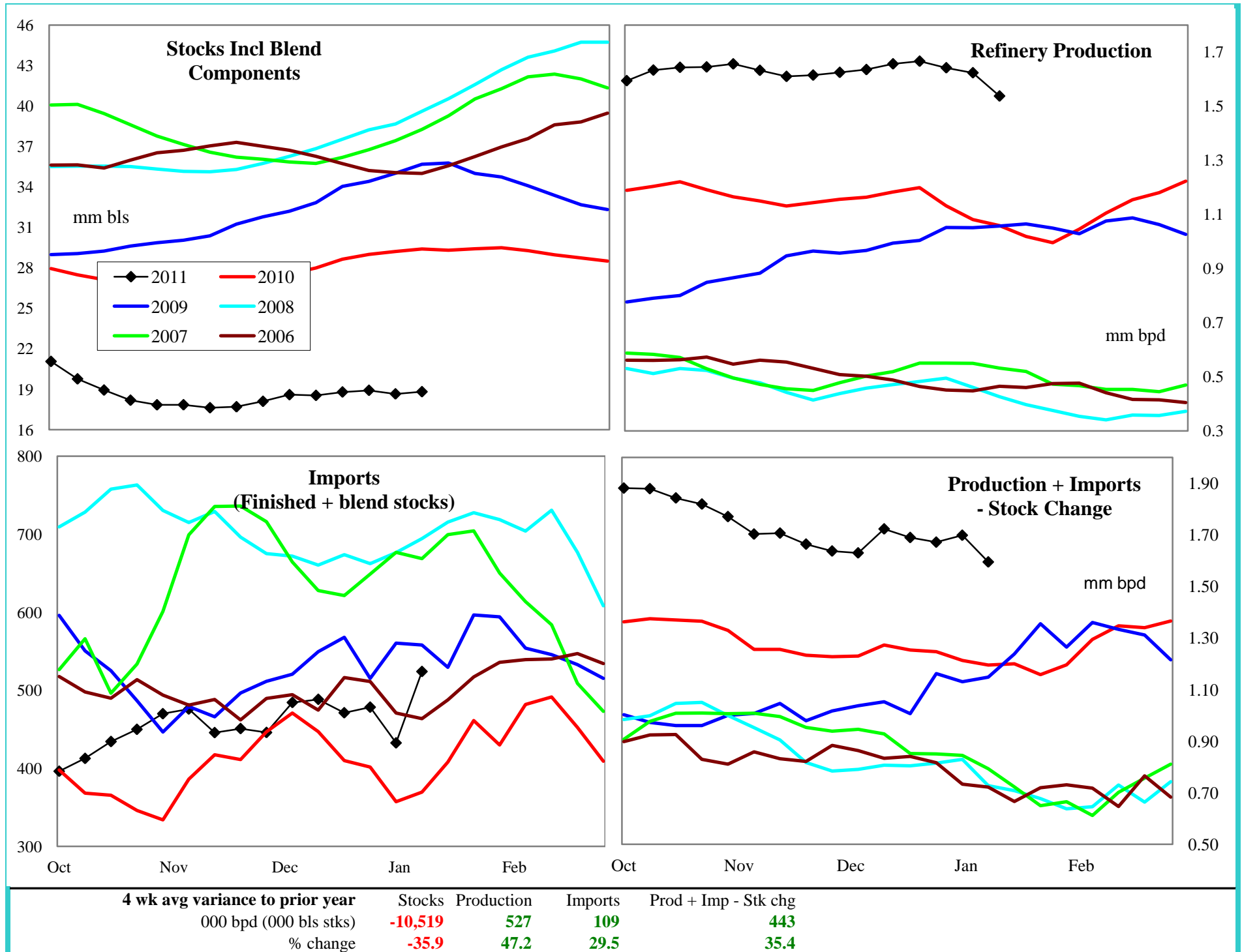
PADD 1 Gasoline Stocks by Region



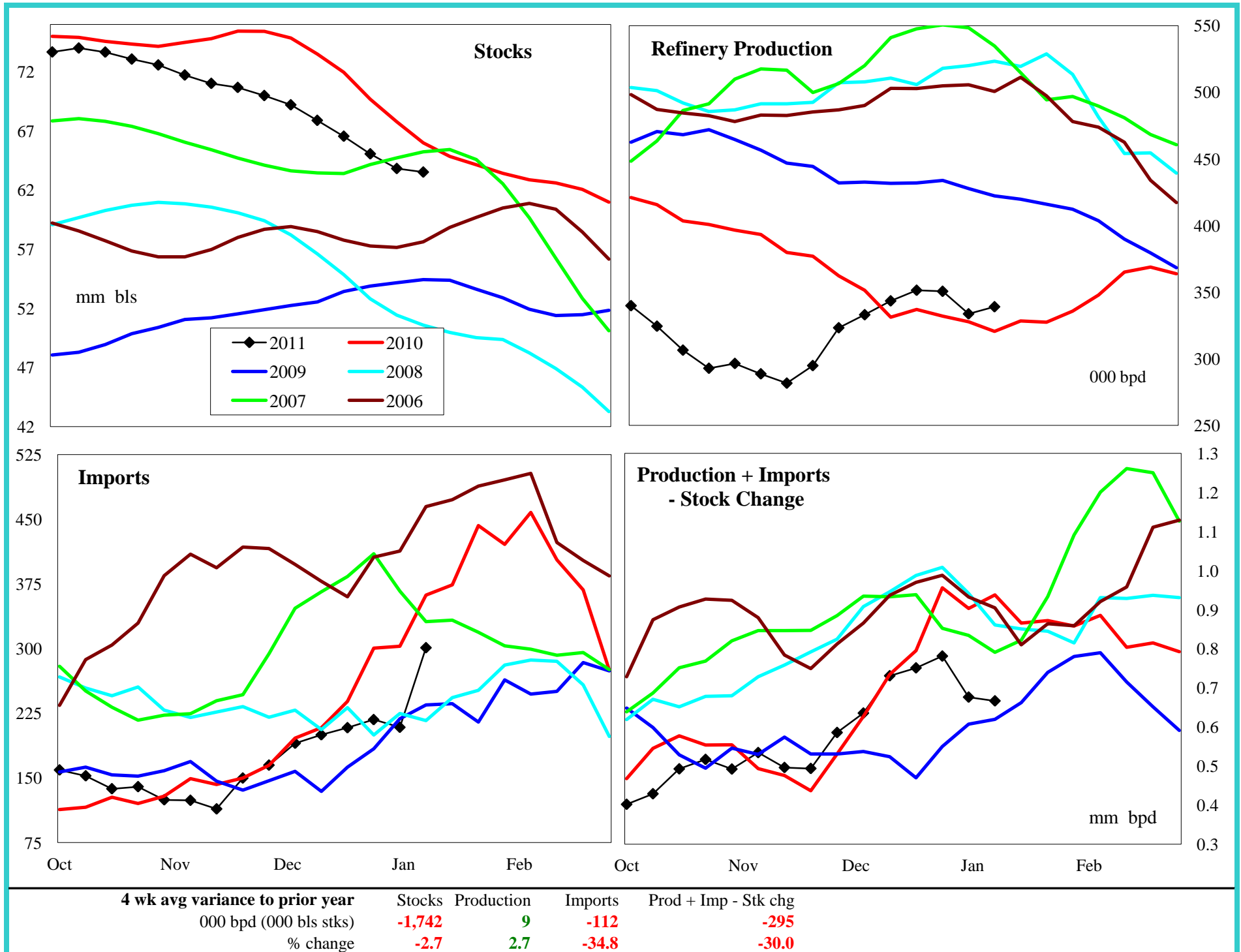
PADD 1 Reformulated Gasoline Supply



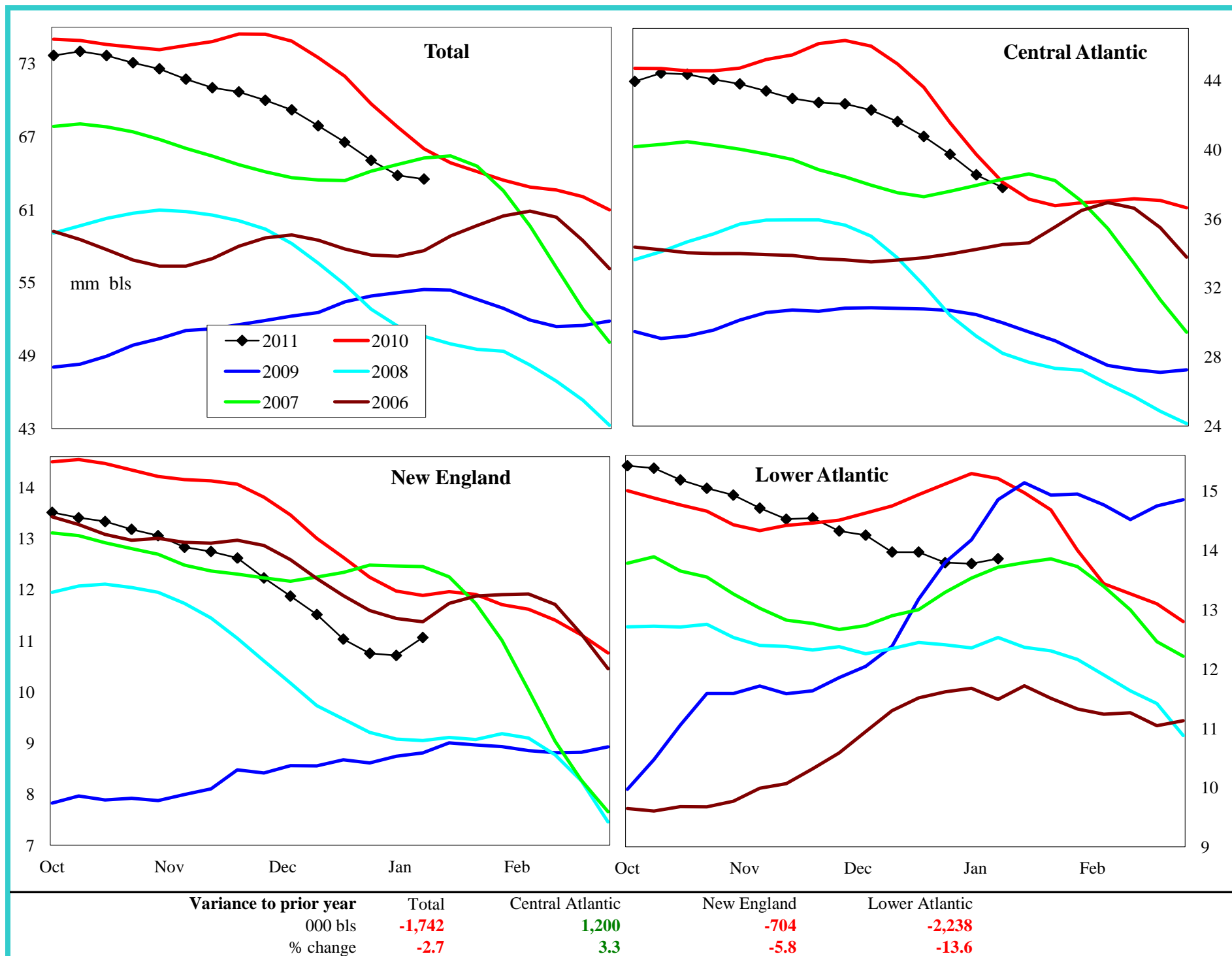
PADD 1 Conventional Gasoline Supply



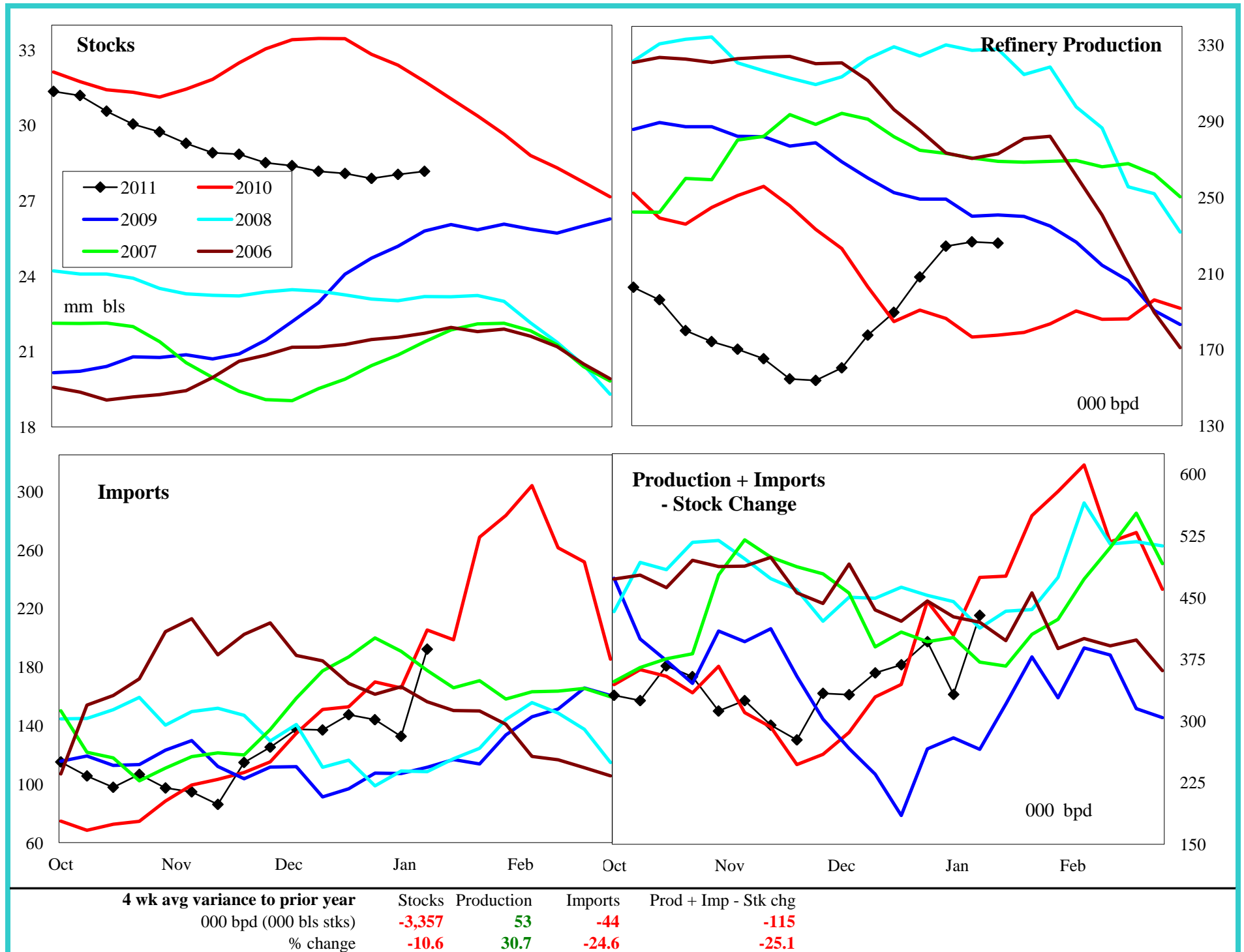
PADD 1 Distillate Supply



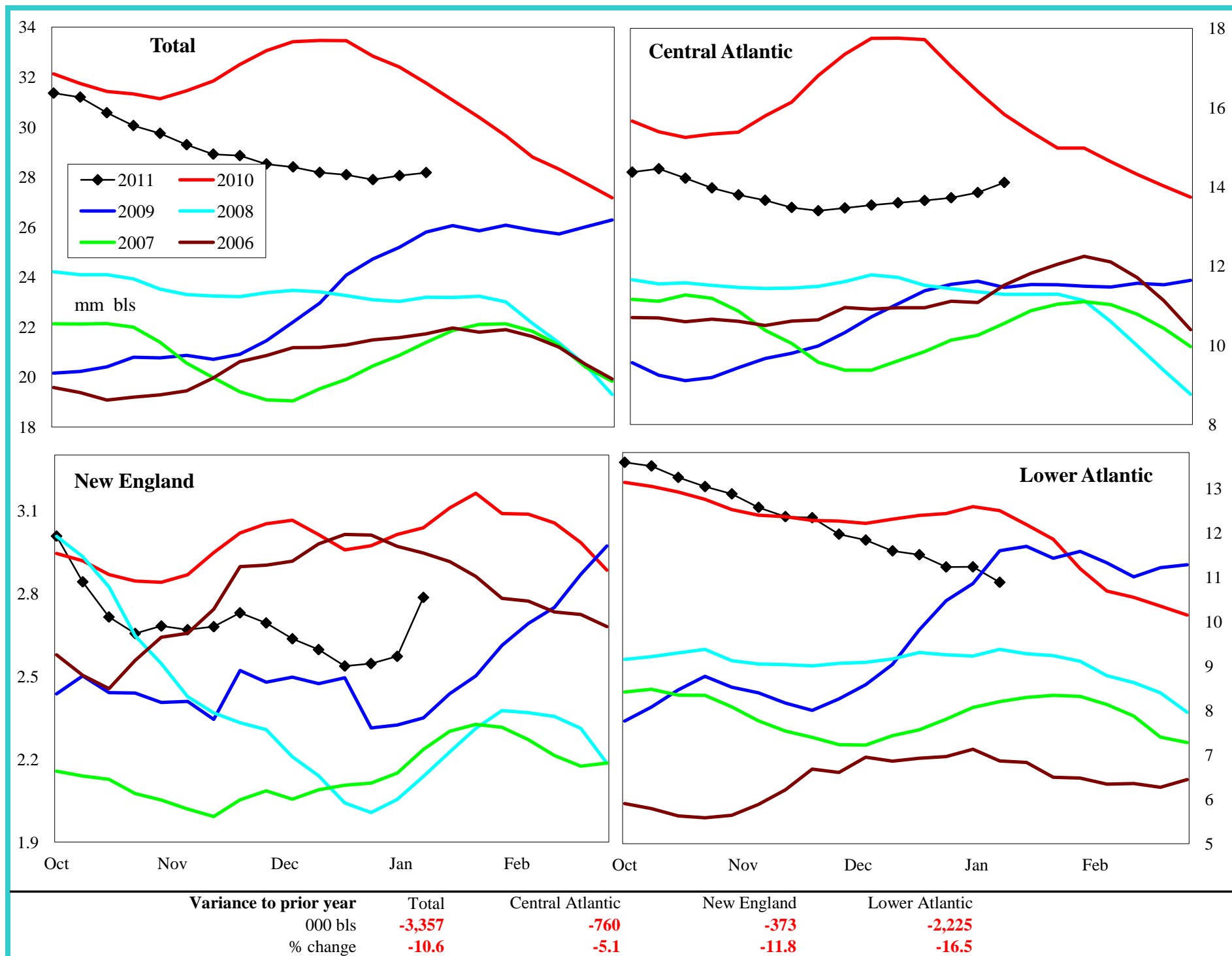
PADD 1 Distillate Stocks by Region



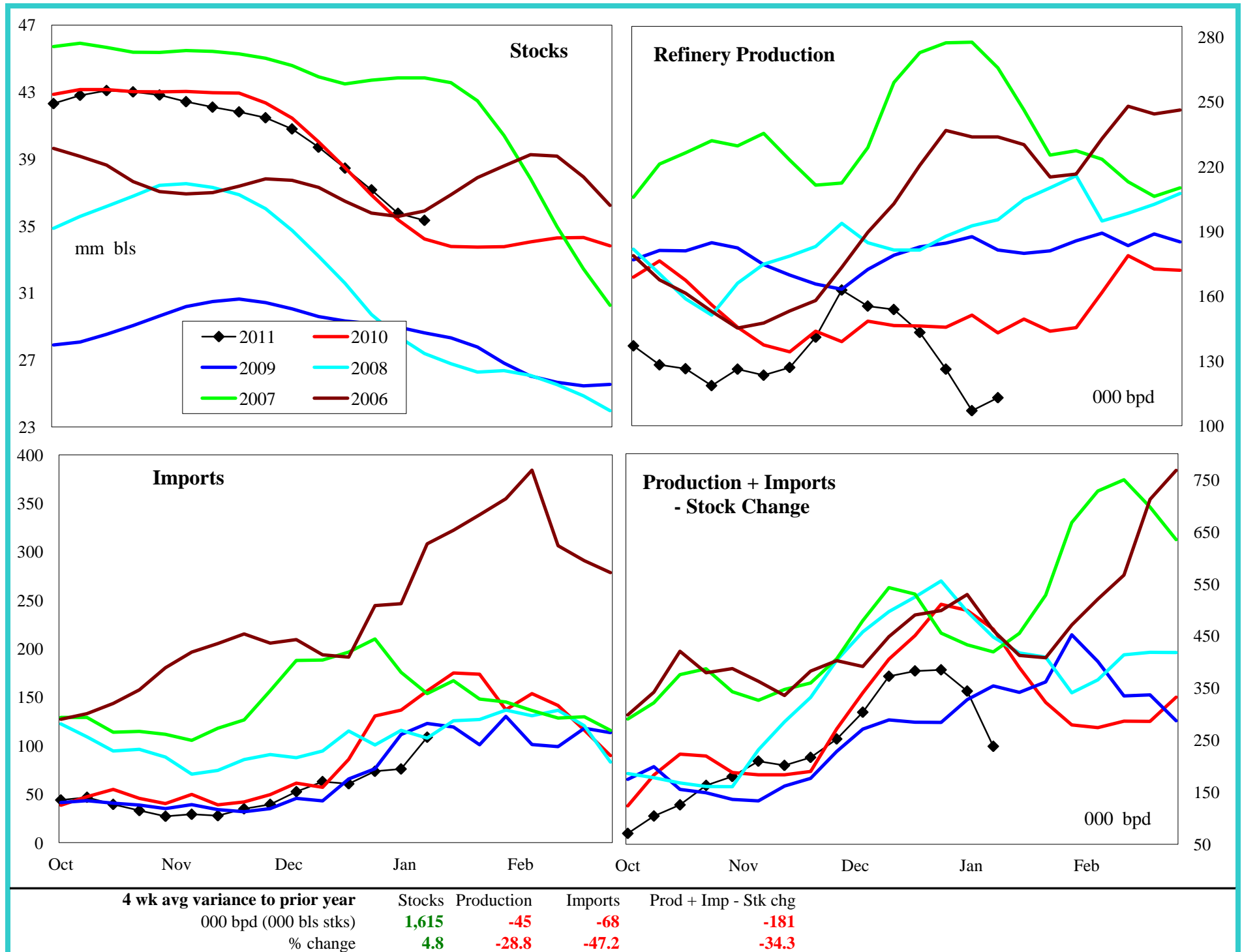
PADD 1 Low Sulfur Distillate Supply



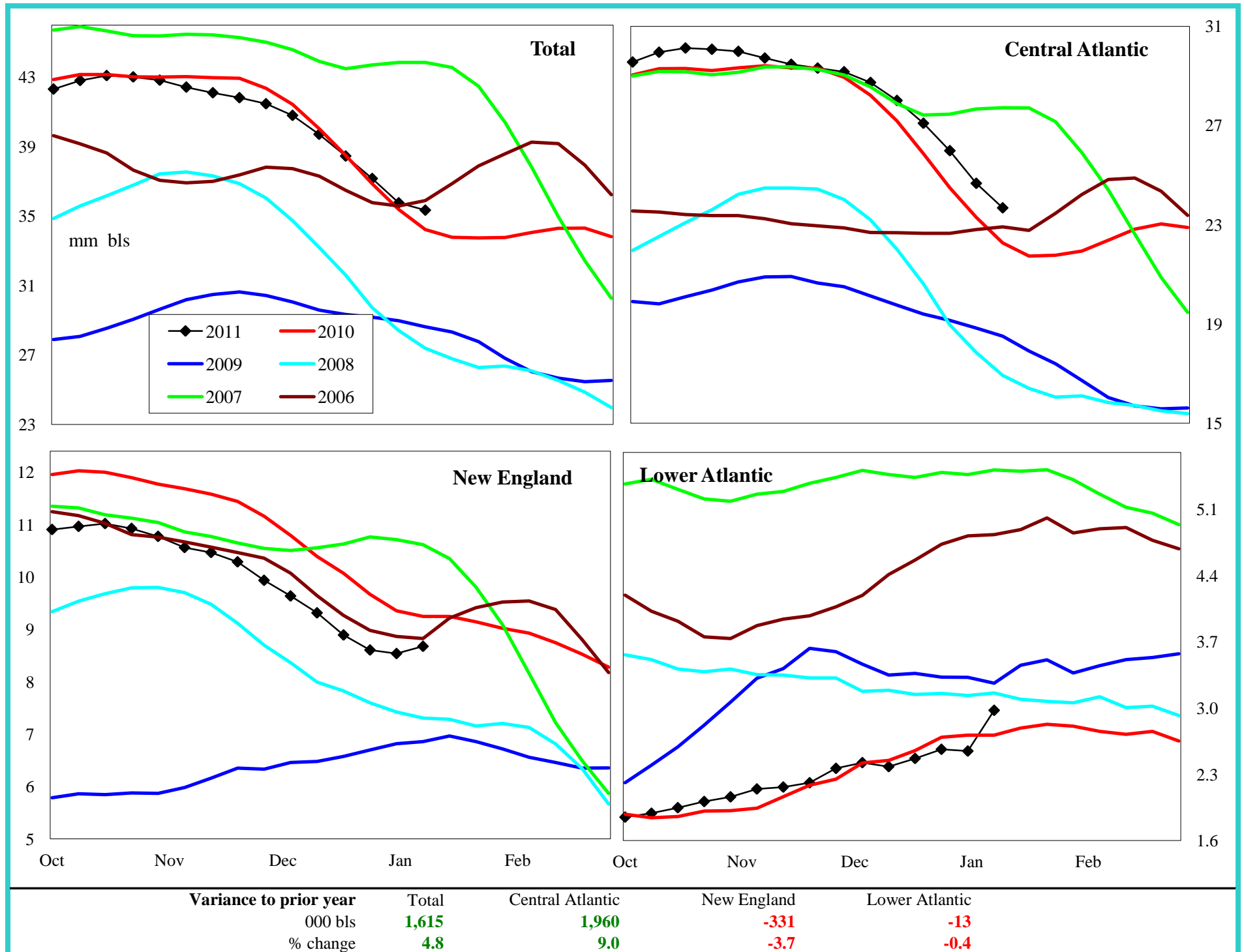
PADD 1 Low Sulfur Distillate Stocks by Region



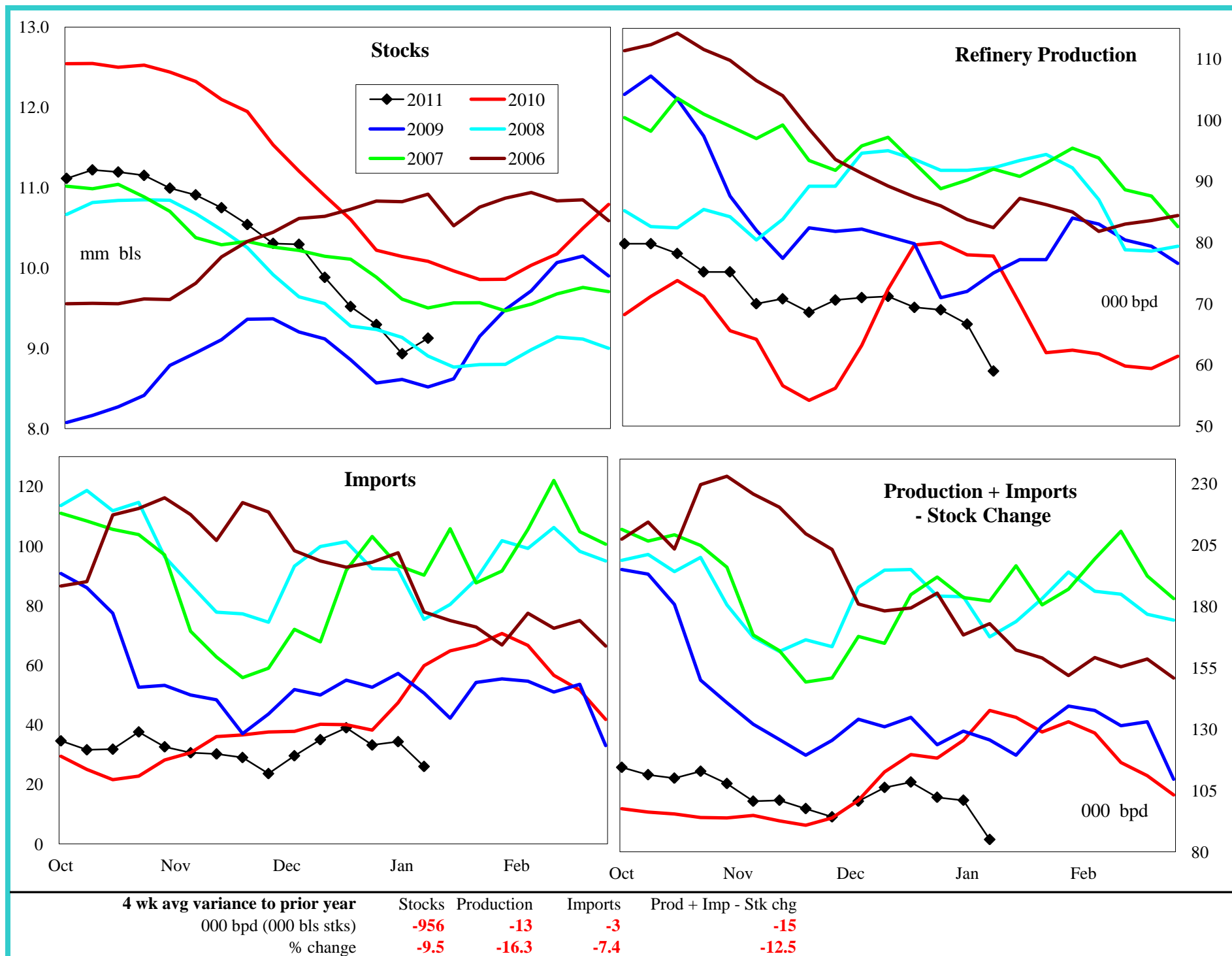
PADD 1 High Sulfur Distillate Supply



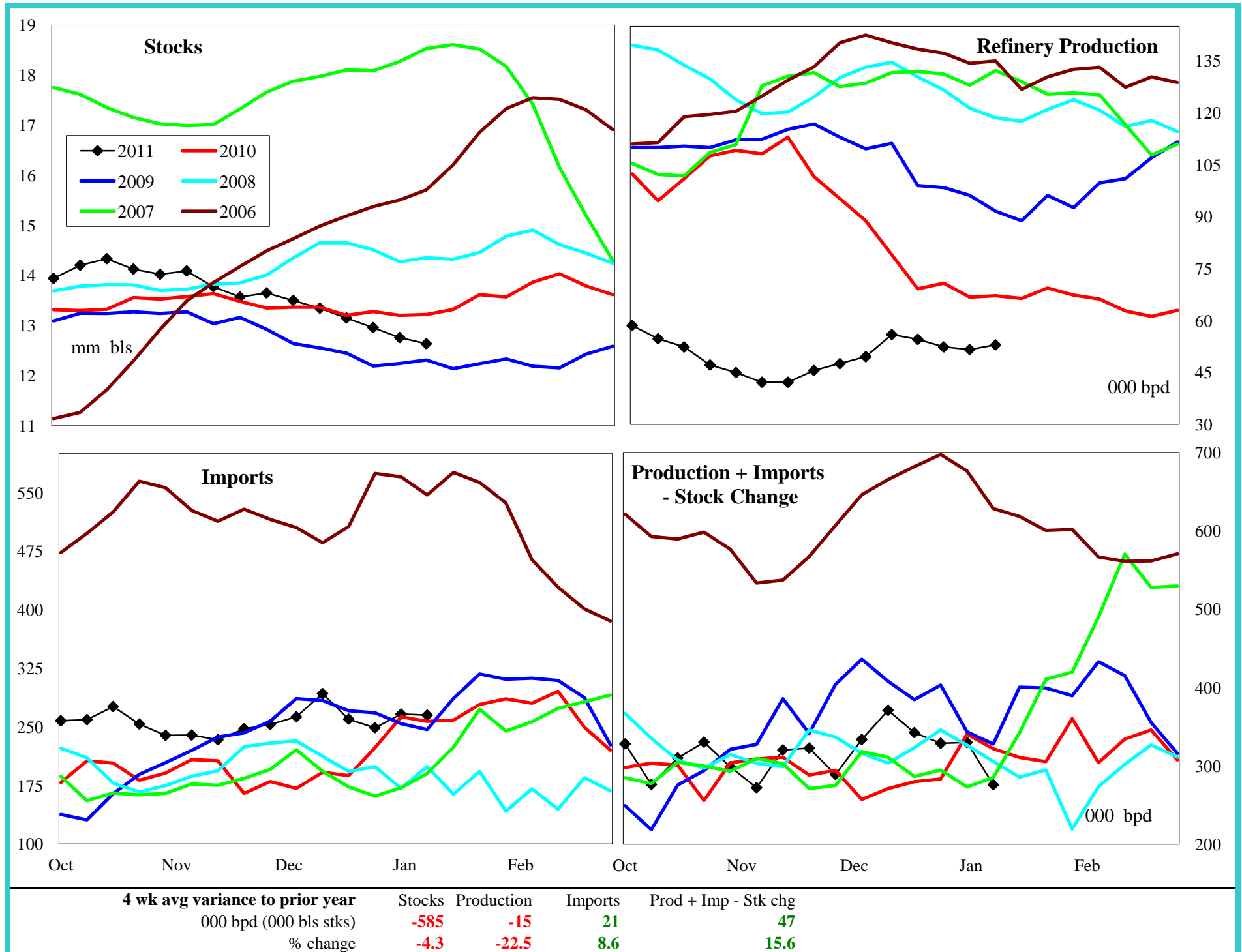
PADD 1 High Sulfur Distillate Stocks by Region



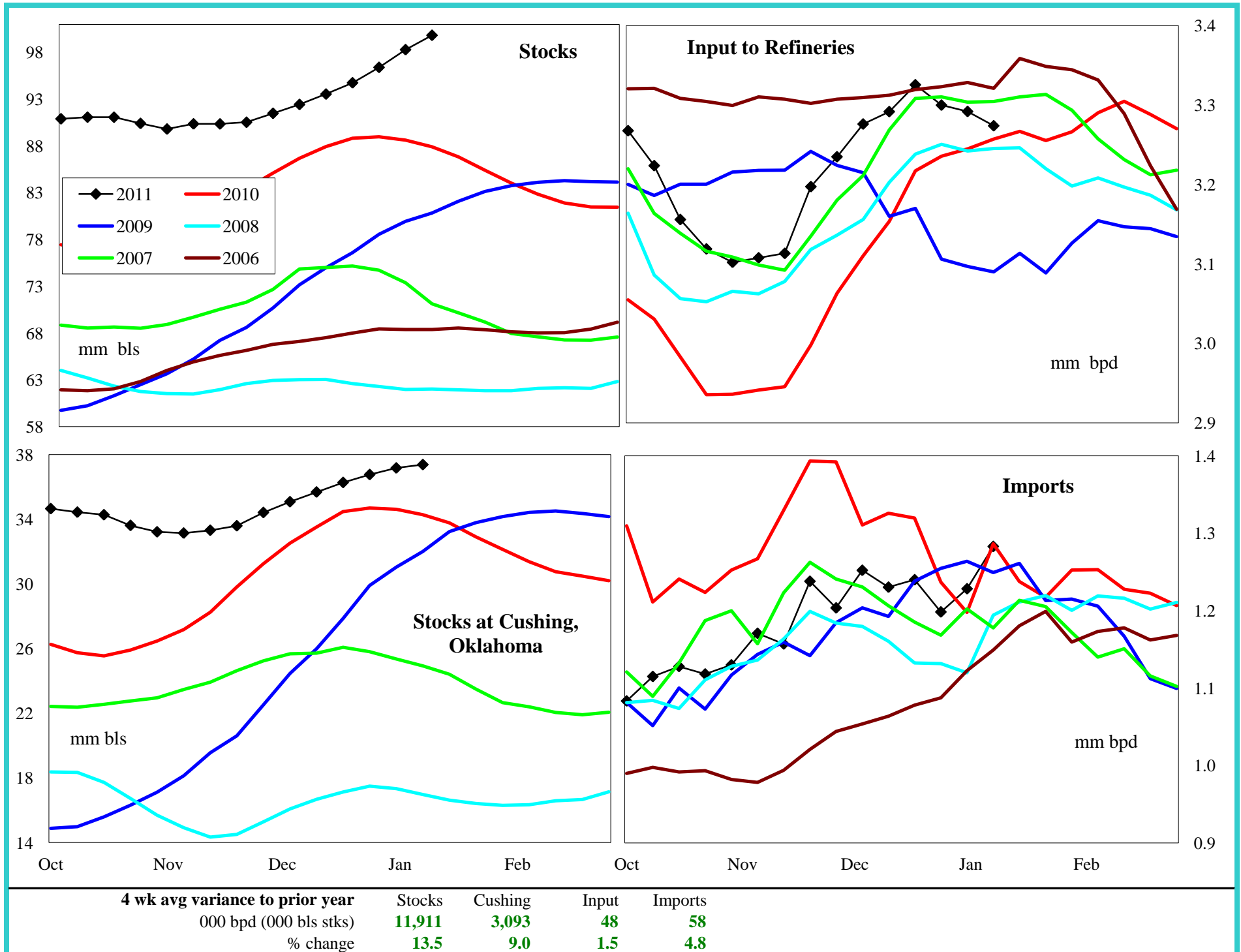
PADD 1 Jet Fuel Supply



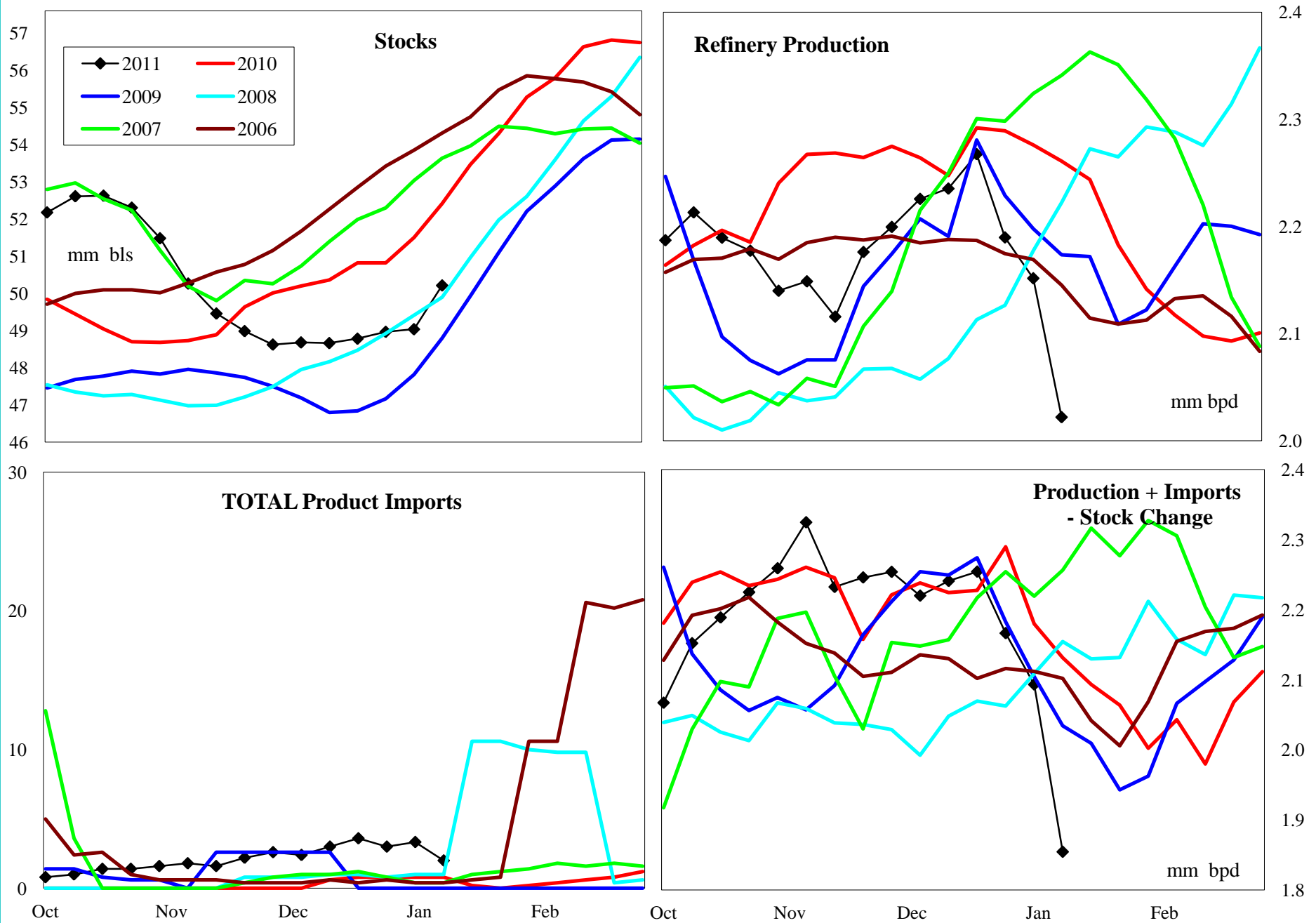
PADD 1 Residual Fuel Oil Supply



PADD 2 Crude Oil Supply and Refining



PADD 2 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-2,200

-4.2

Production

-125

-5.5

Imports

2

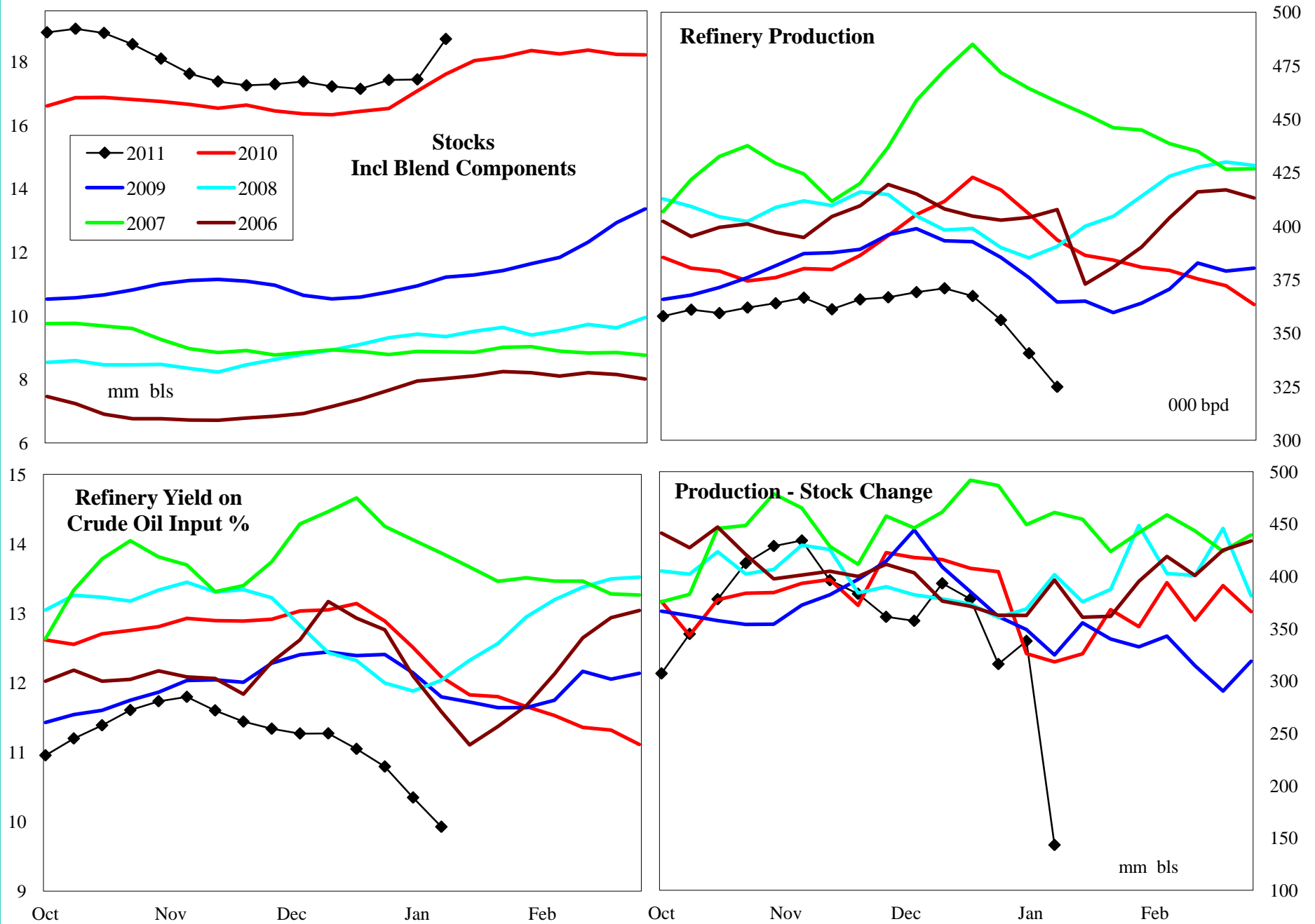
200.0

Prod + Imp - Stk chg

-142

-6.3

PADD 2 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,104

6.1

Production

-62

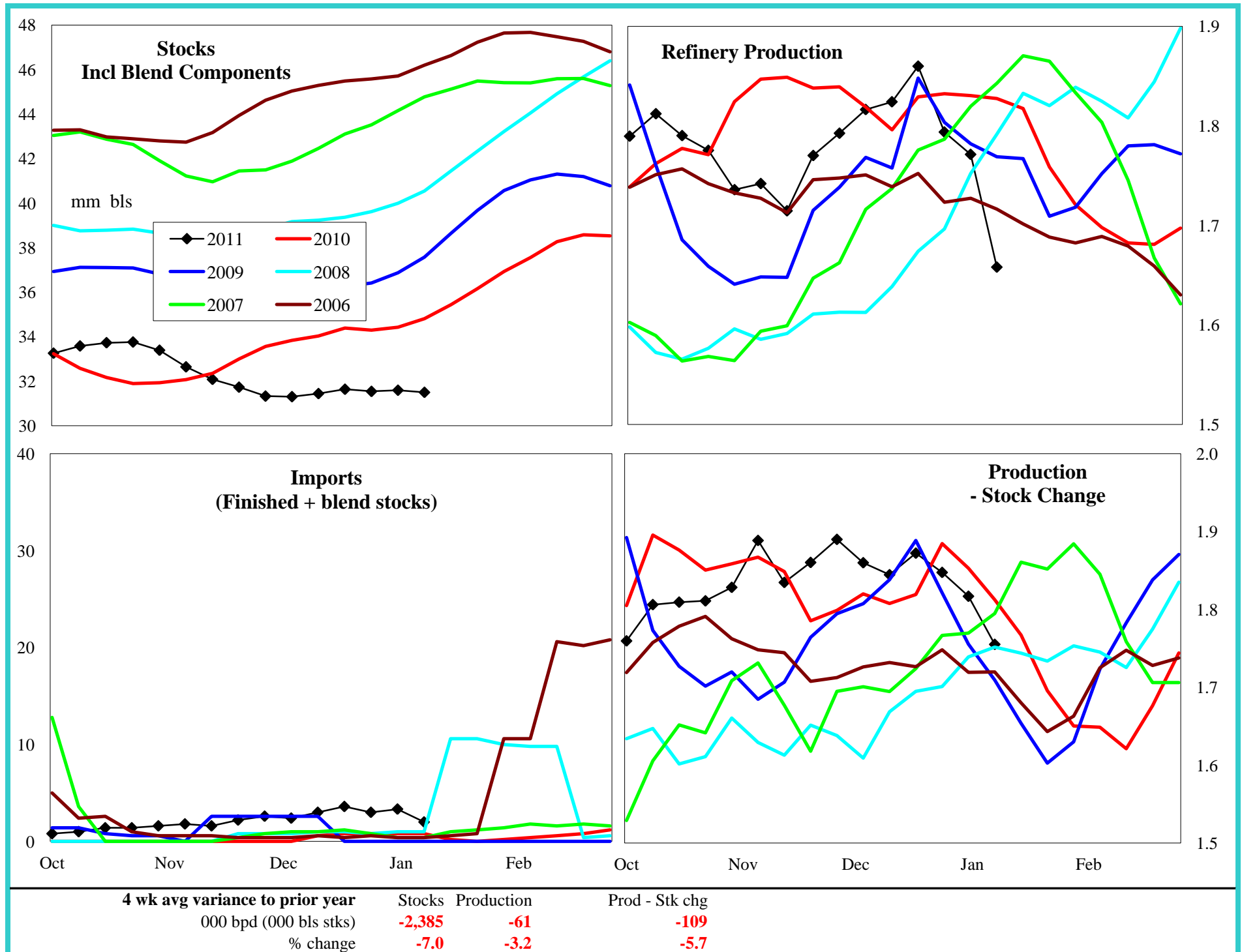
-15.2

Prod - Stk chg

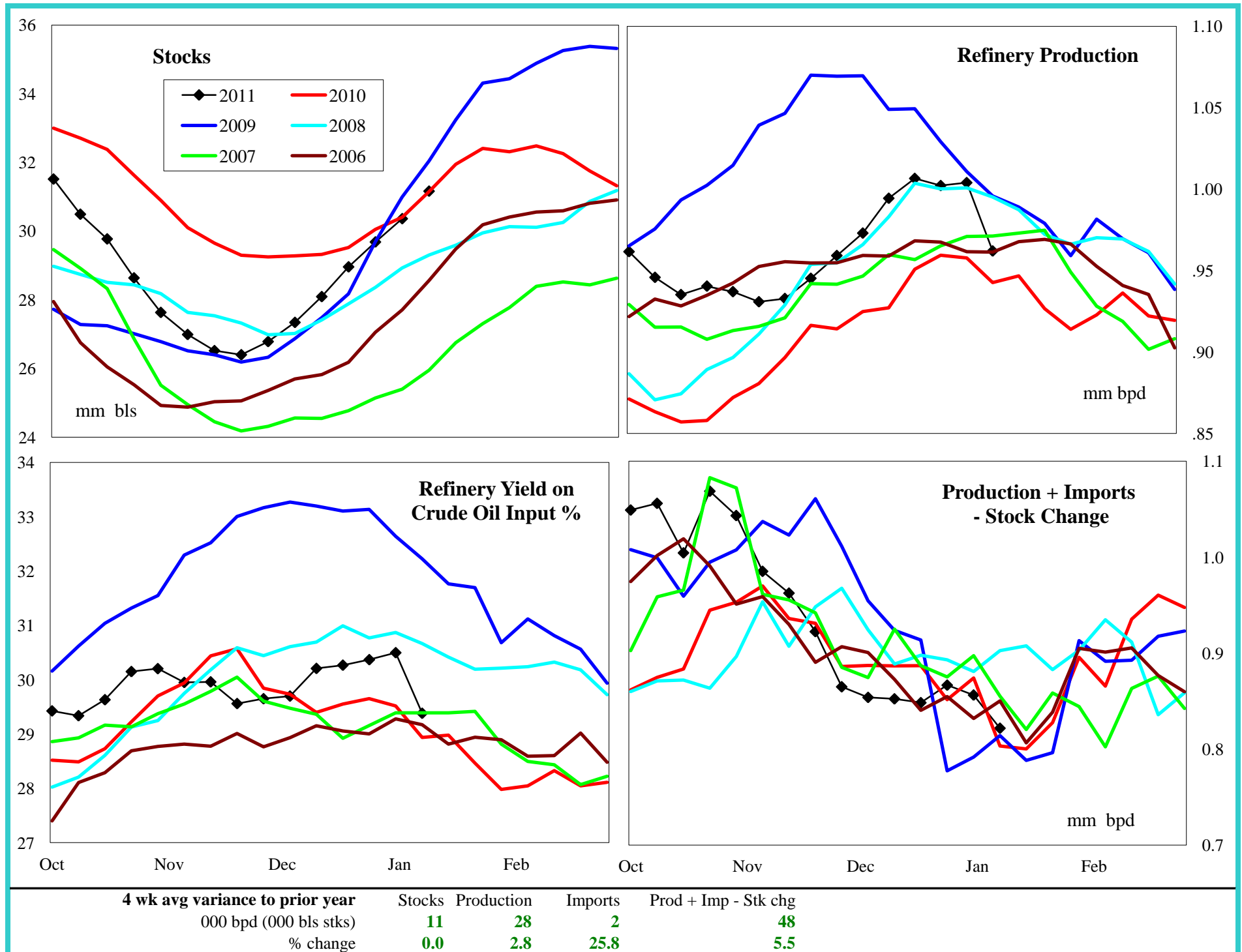
-70

-19.3

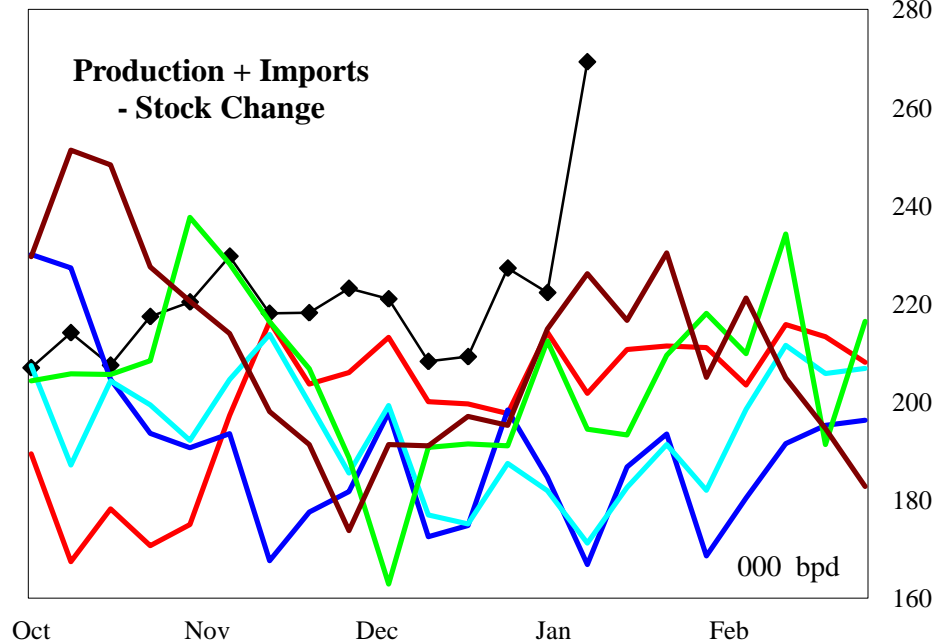
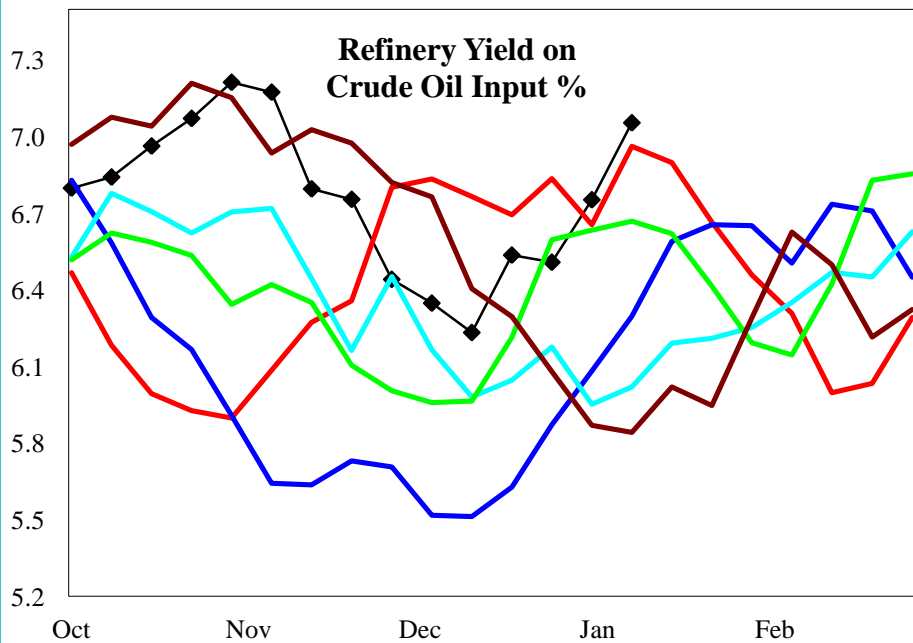
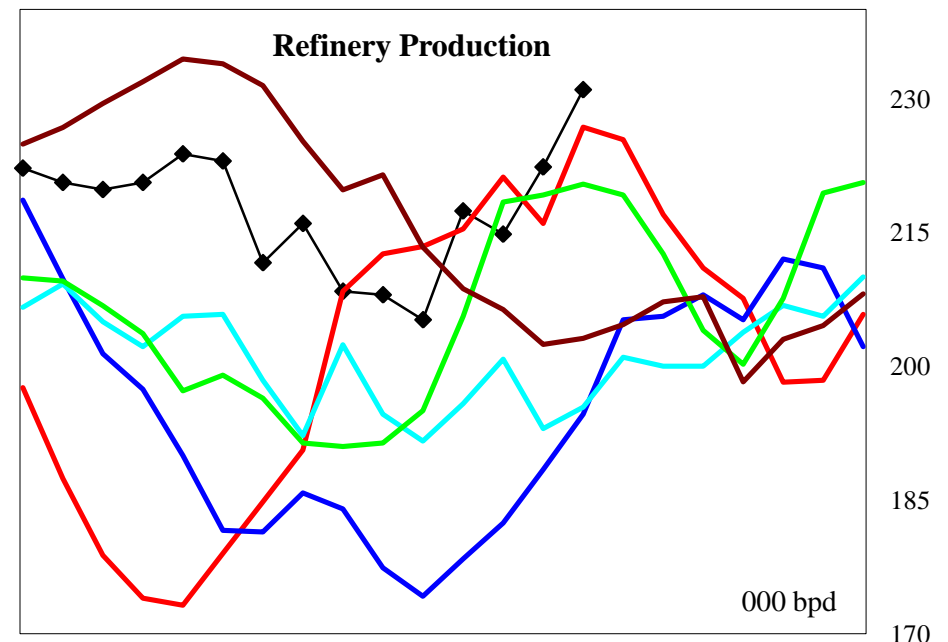
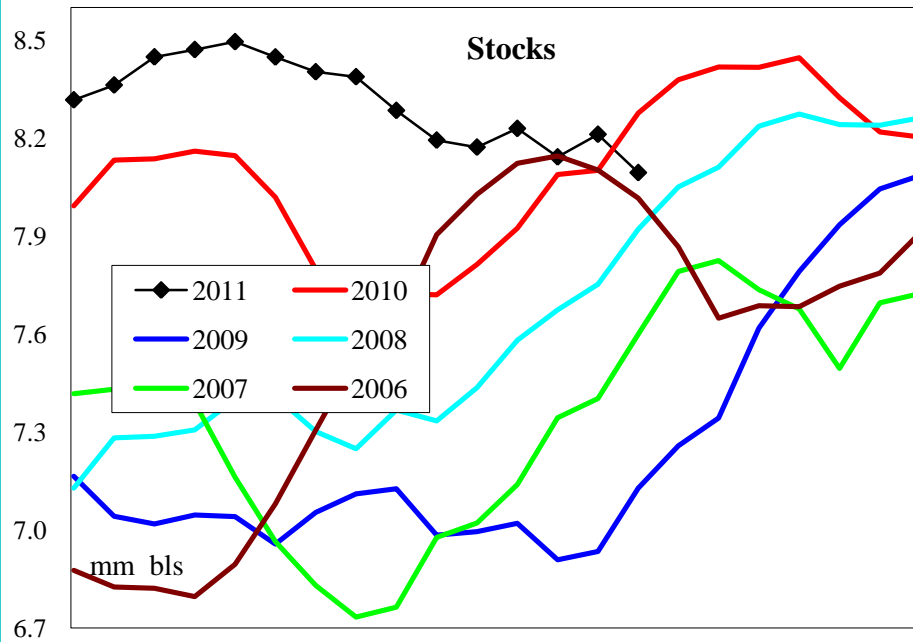
PADD 2 Conventional Gasoline Supply



PADD 2 Distillate Supply



PADD 2 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-182

-2.2

Production

6

2.8

Imports

0

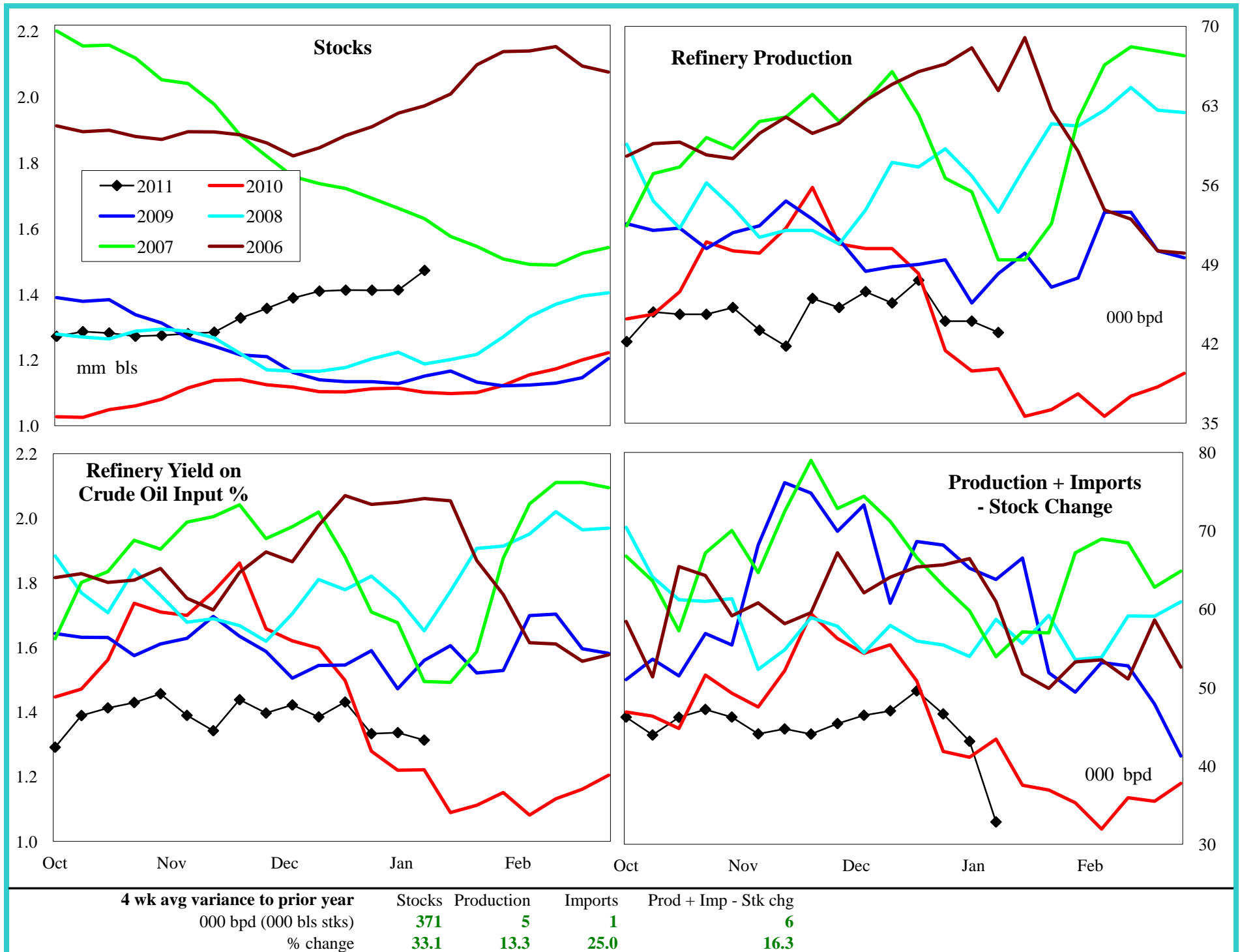
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Prod + Imp - Stk chg

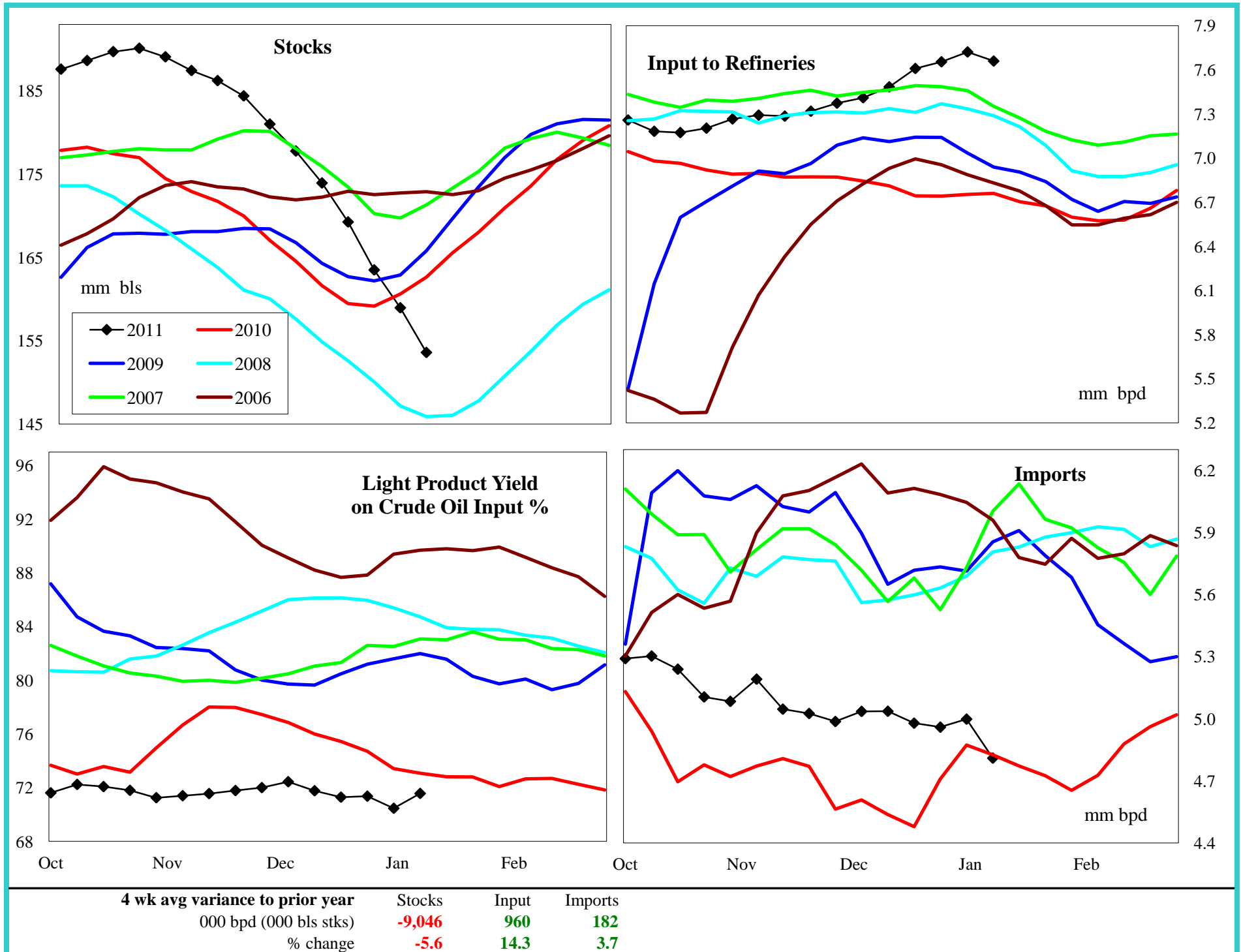
8

3.6

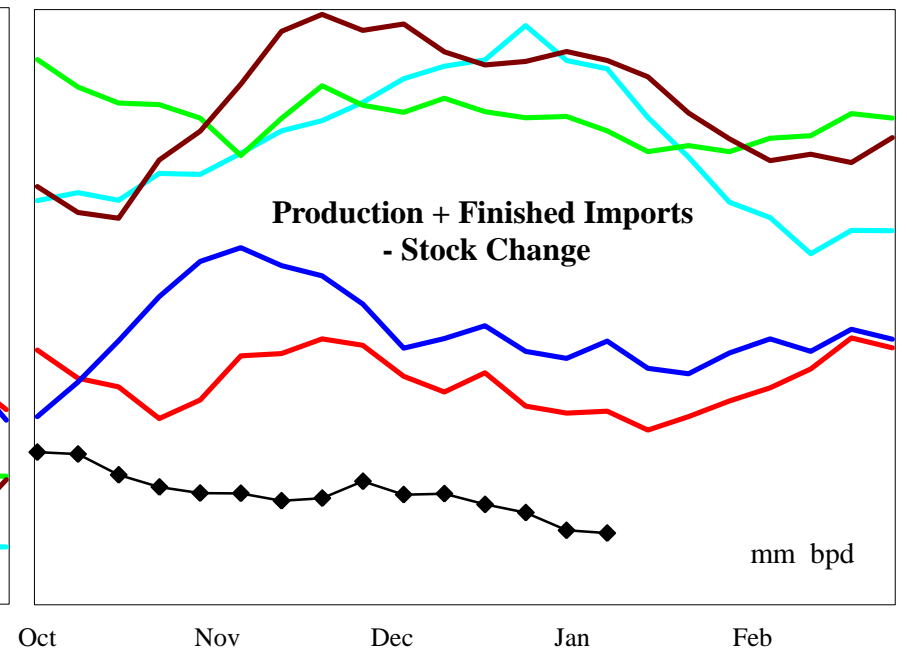
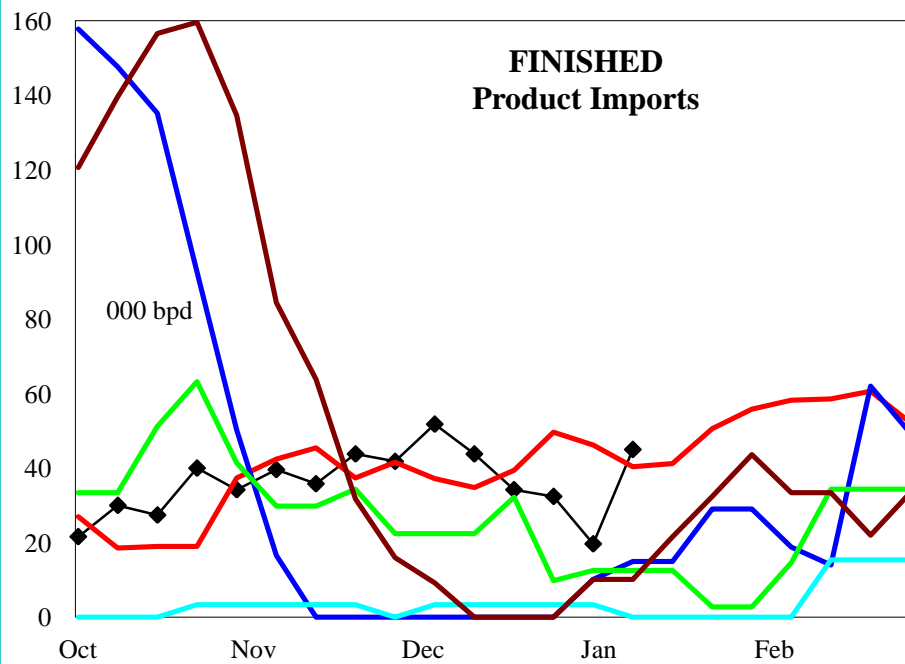
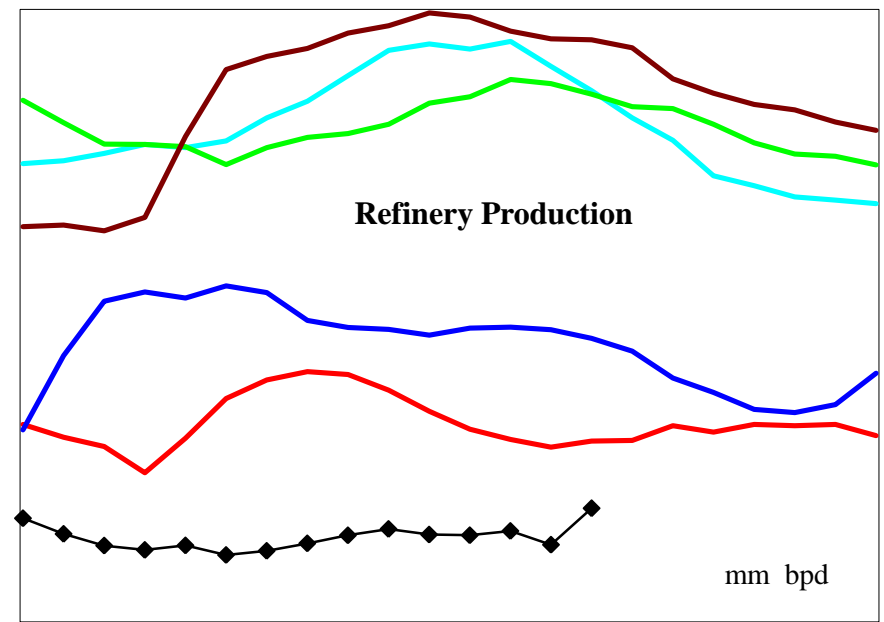
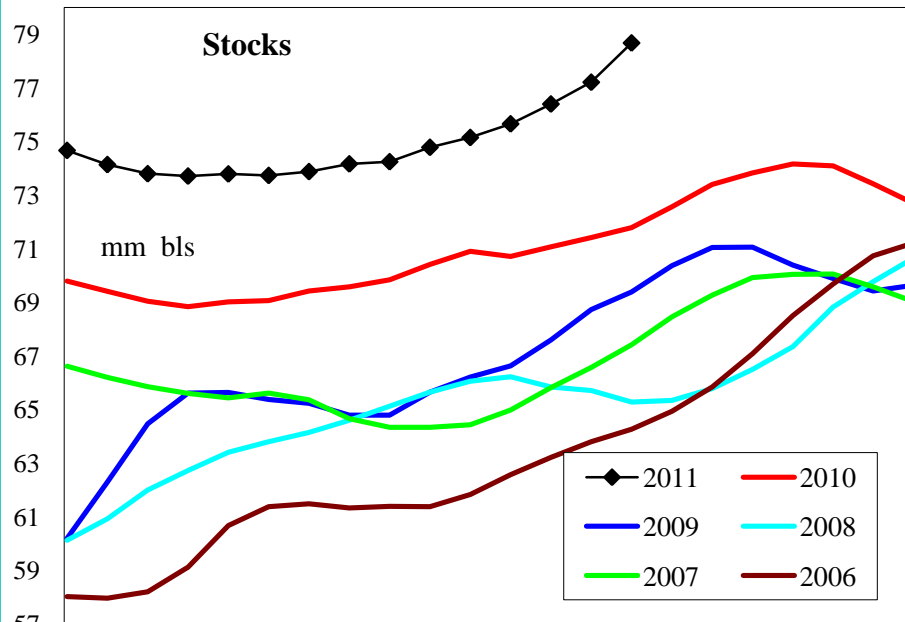
PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

6,614

9.2

Production

-238

-9.6

Fin Impt

-23

-46.0

Blend Impt

24

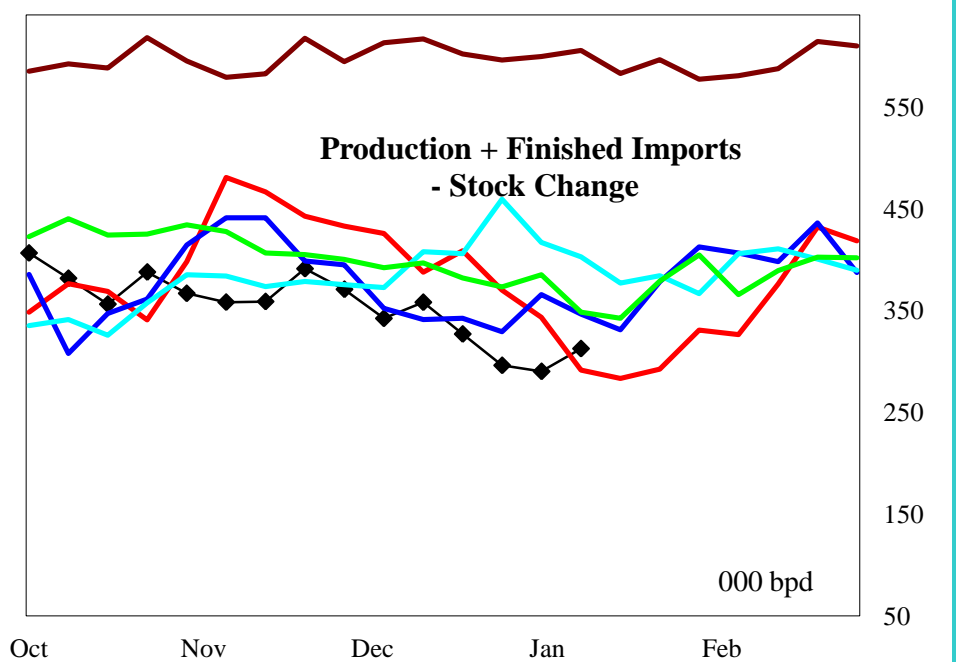
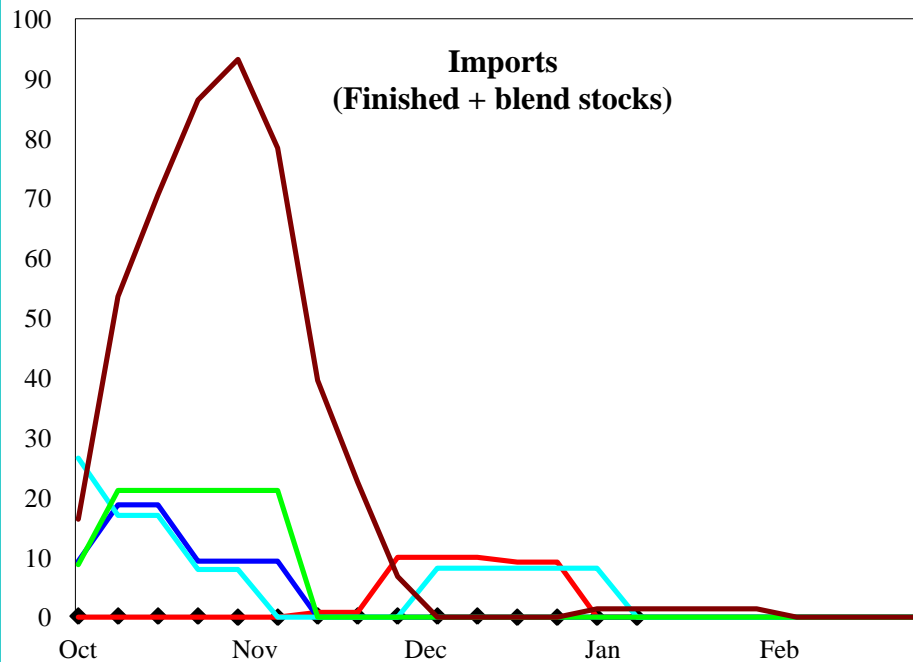
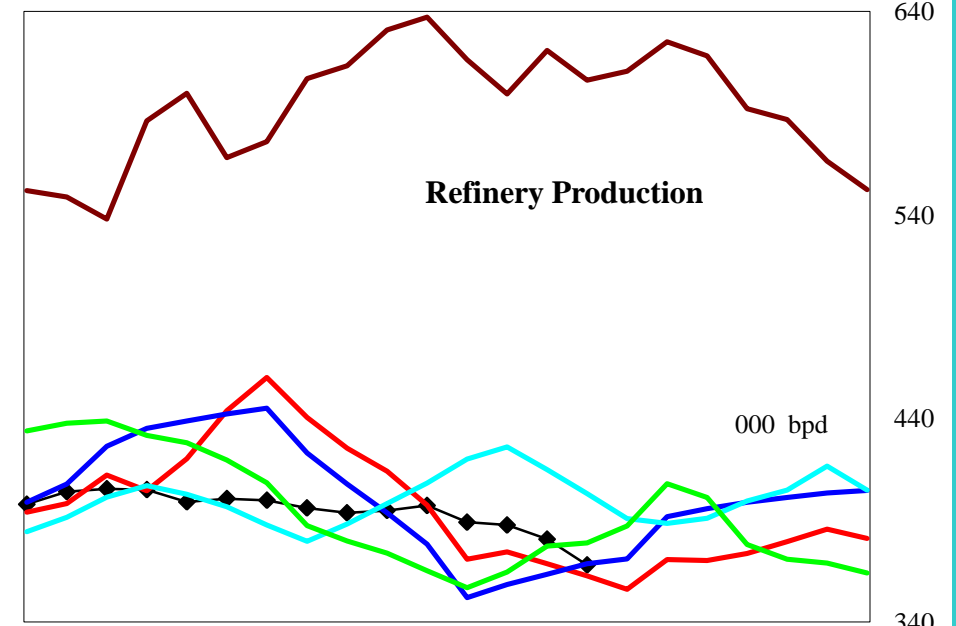
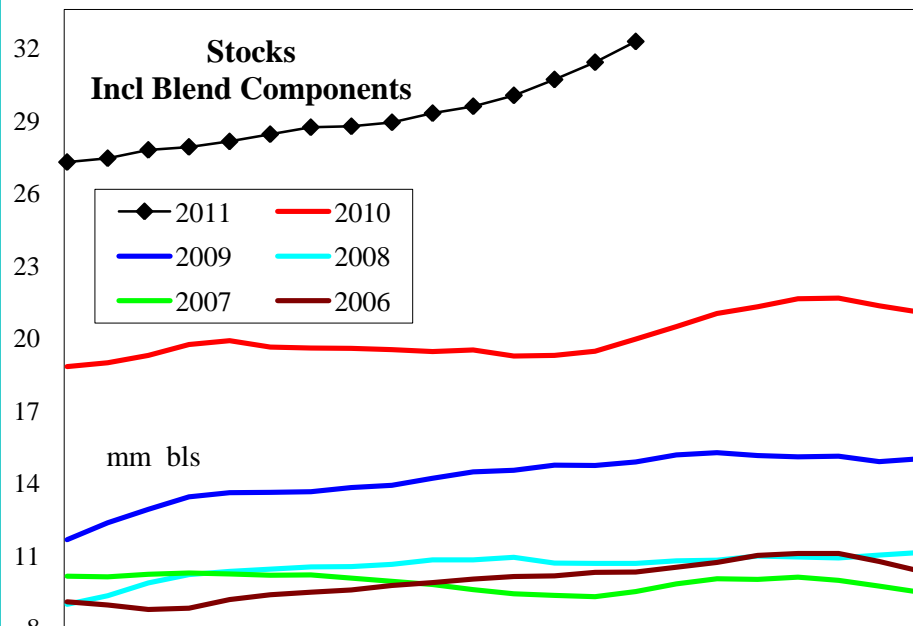
61.0

Prod + Imp - Stk chg

-375

-15.2

PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

12,511

62.0

Production

14

3.7

Imports

0

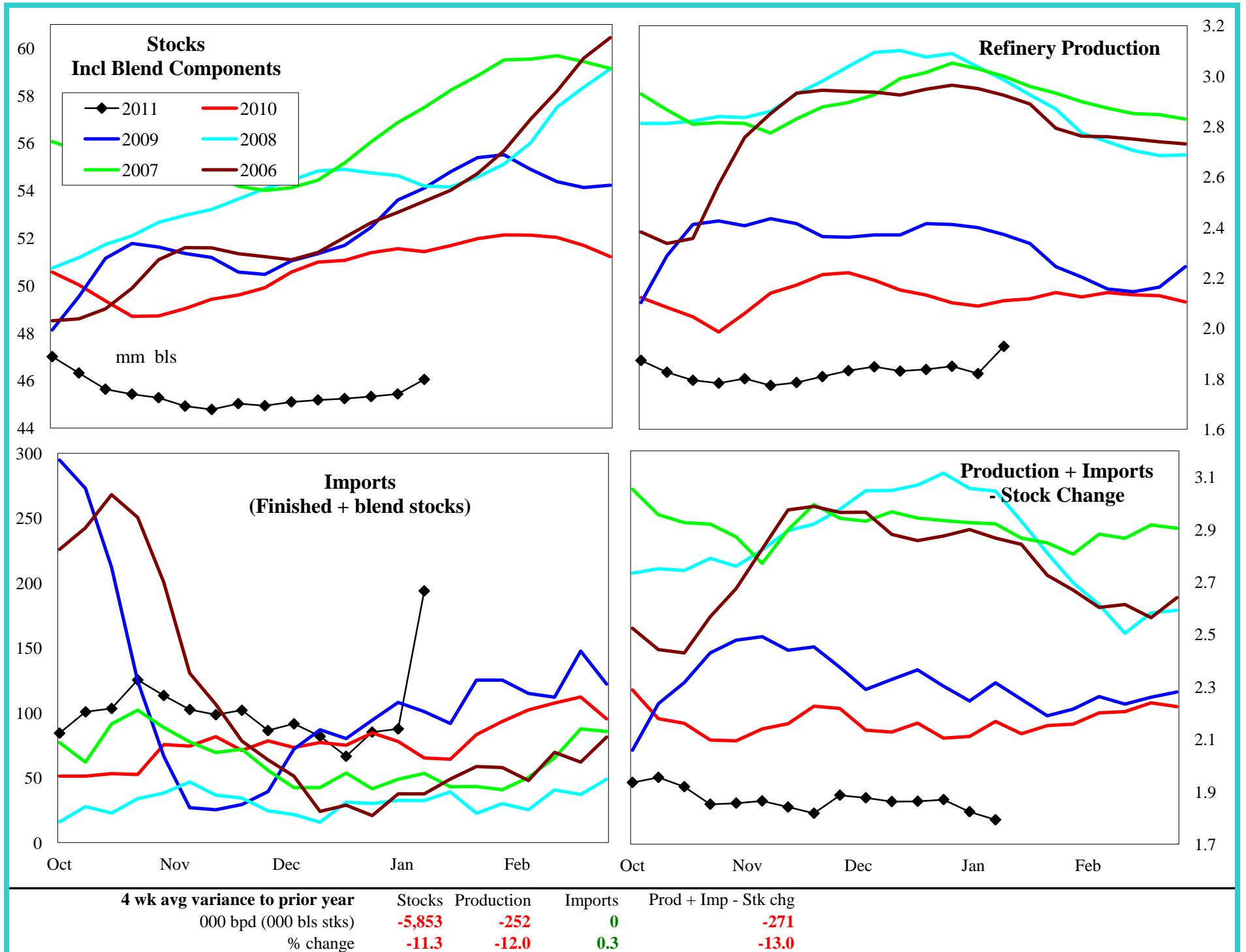
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Prod + Imp - Stk chg

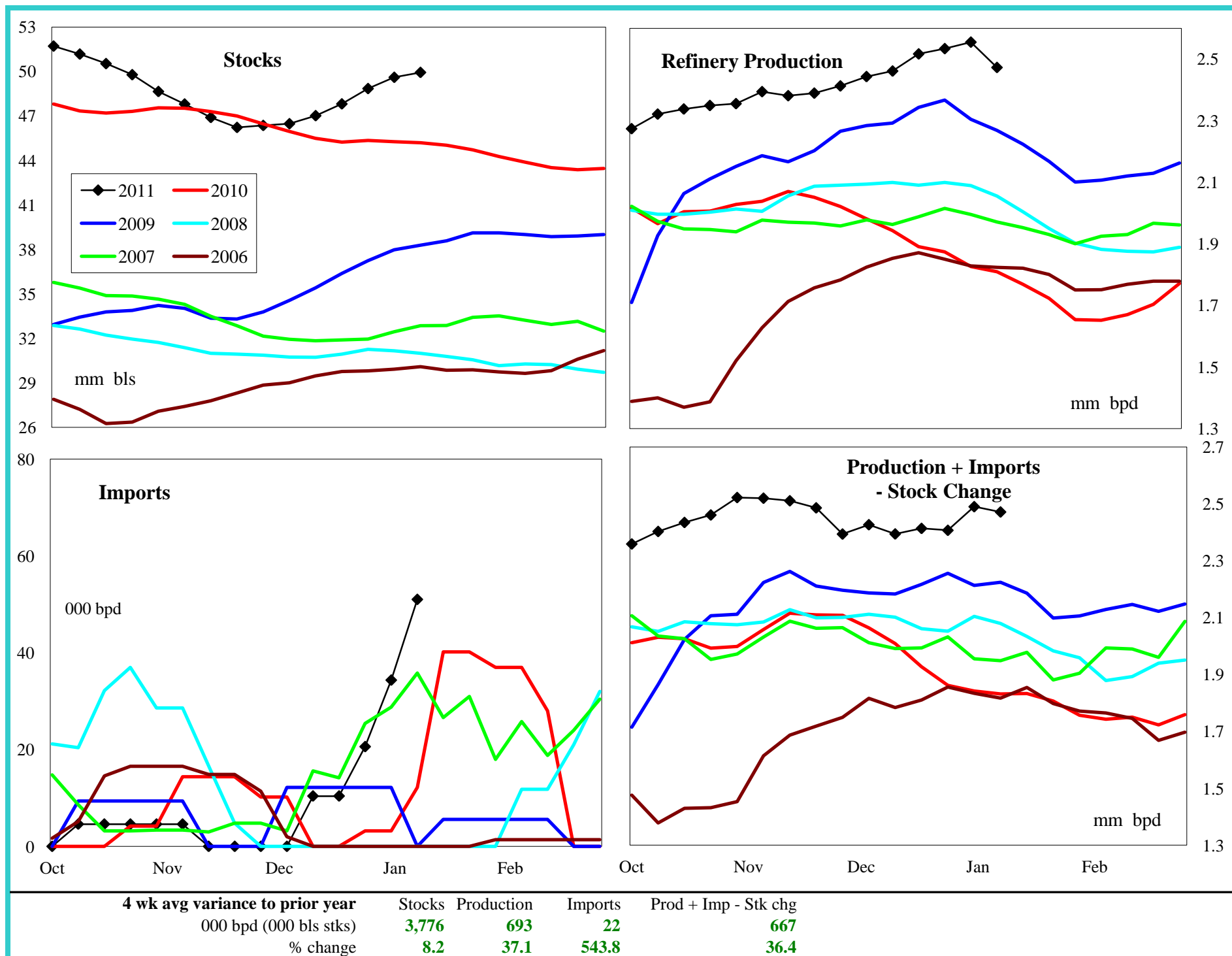
-104

-27.9

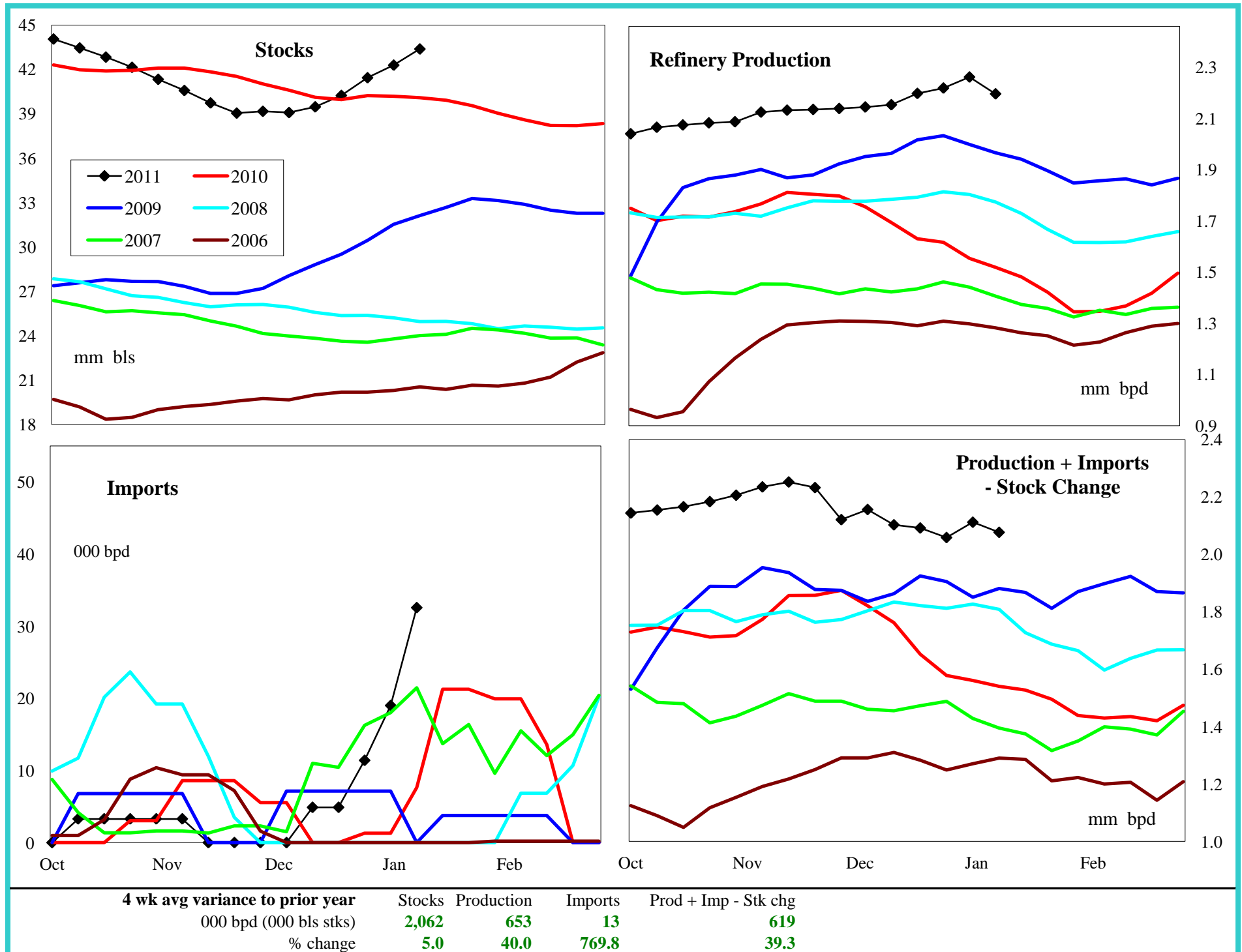
PADD 3 Conventional Gasoline Supply



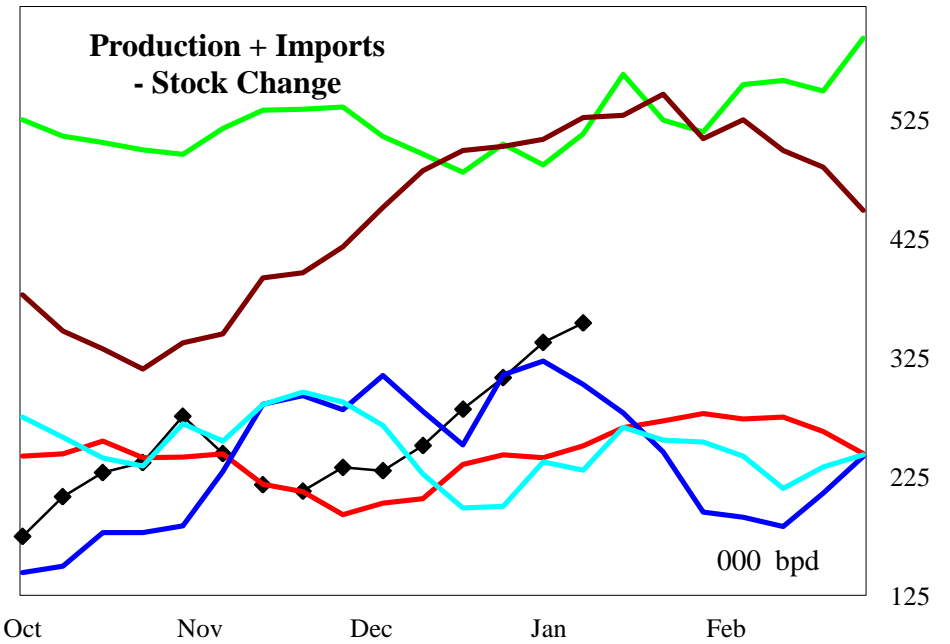
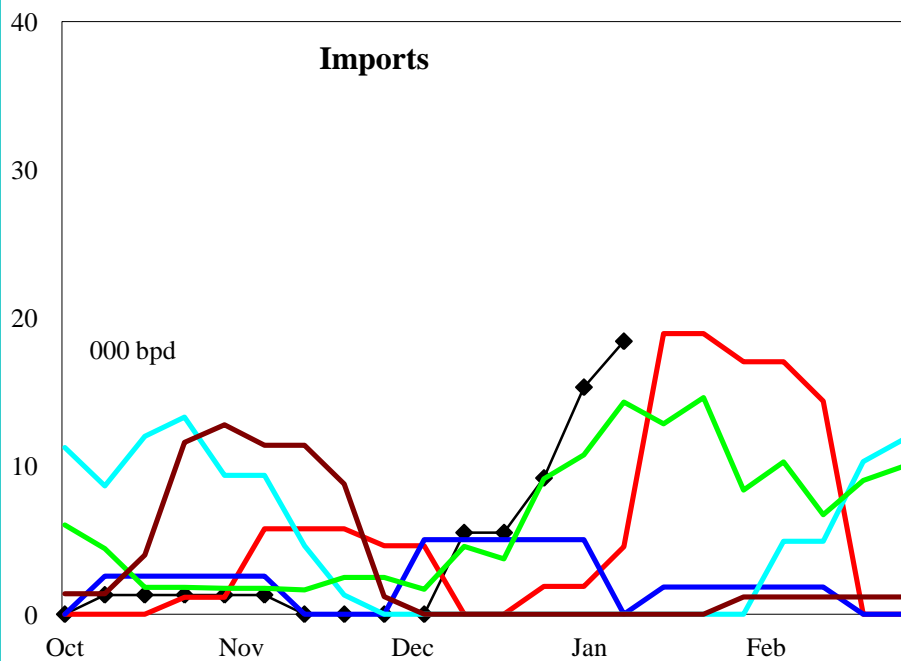
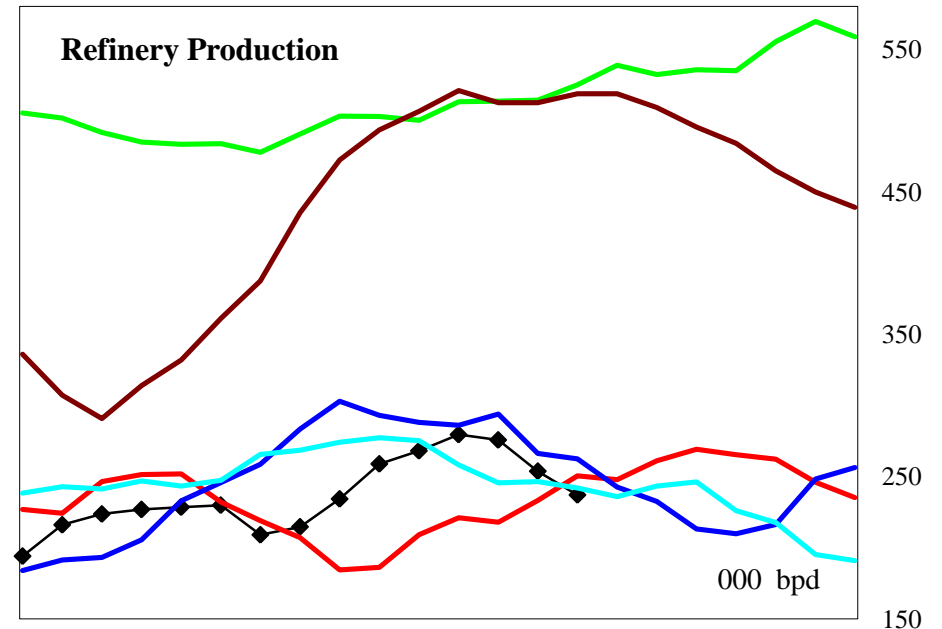
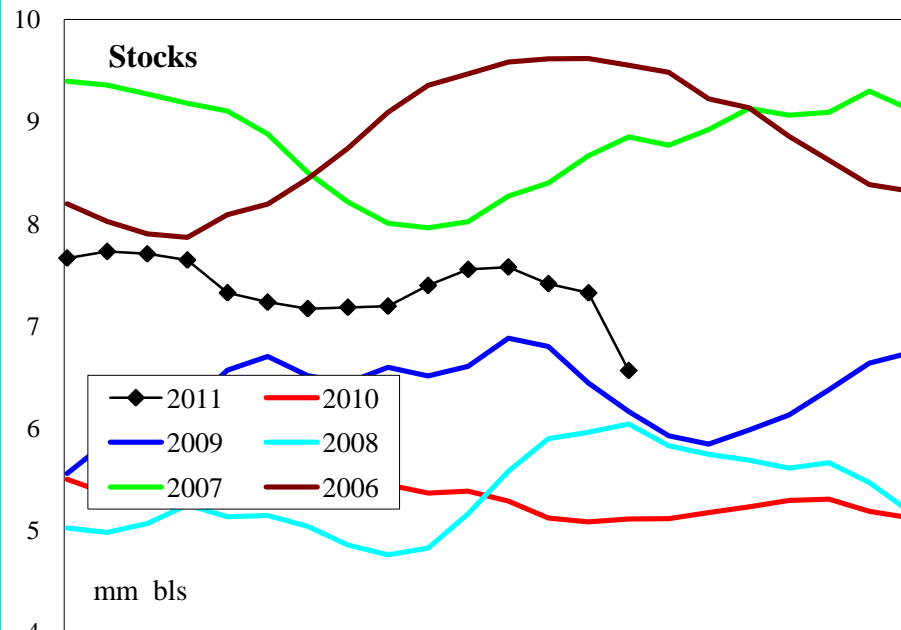
PADD 3 Distillate Supply



PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

1,715

35.4

Production

40

17.0

Imports

9

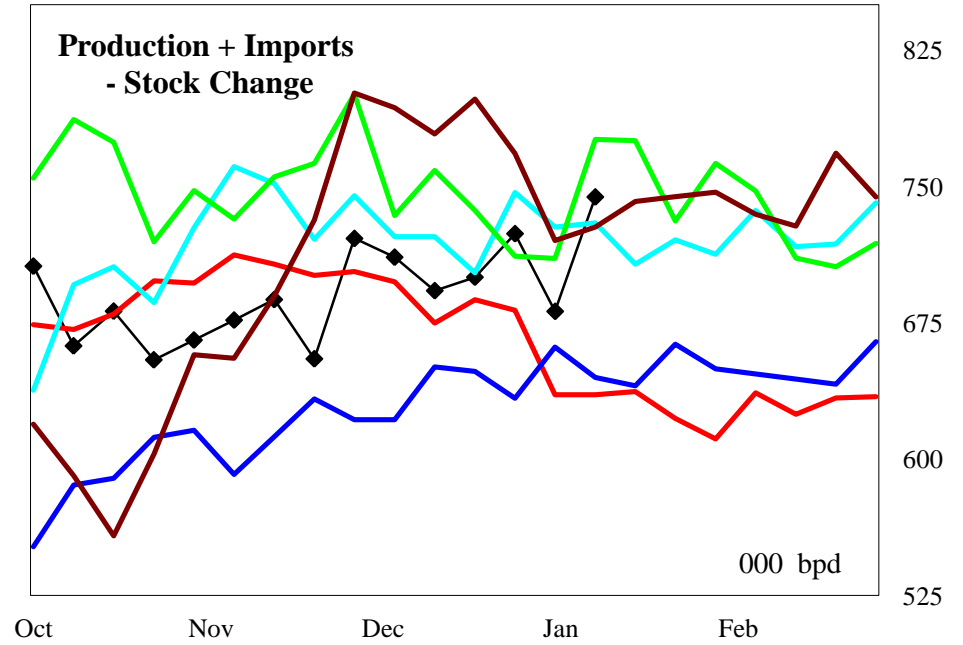
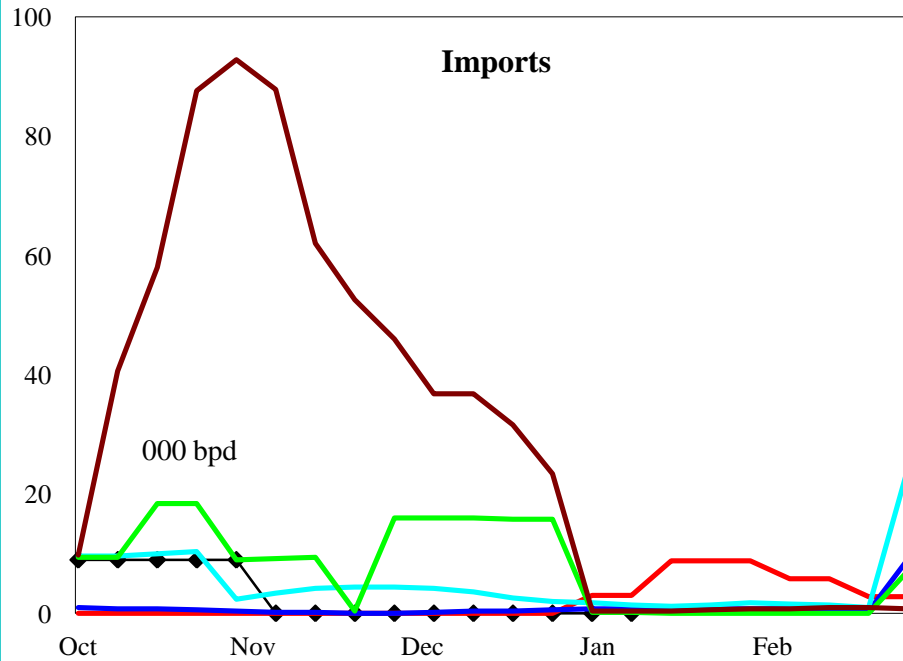
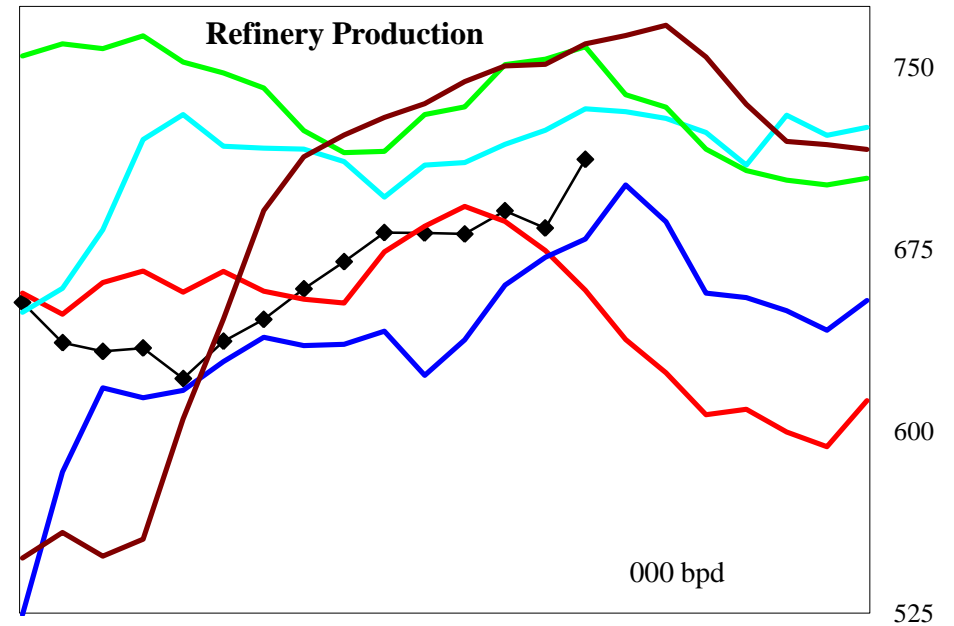
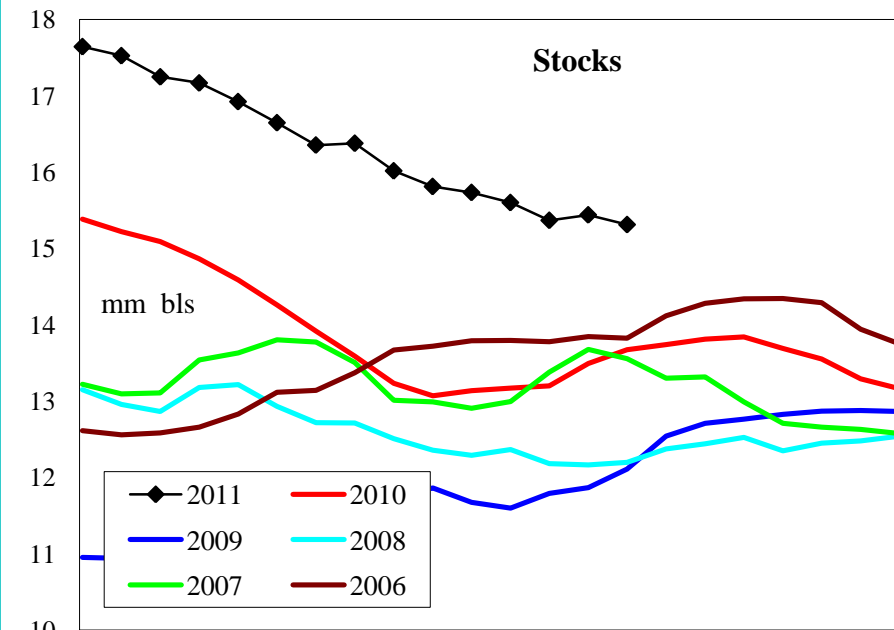
386.9

Prod + Imp - Stk chg

48

18.6

PADD 3 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

1,639

12.0

Production

0

0.0

Imports

0

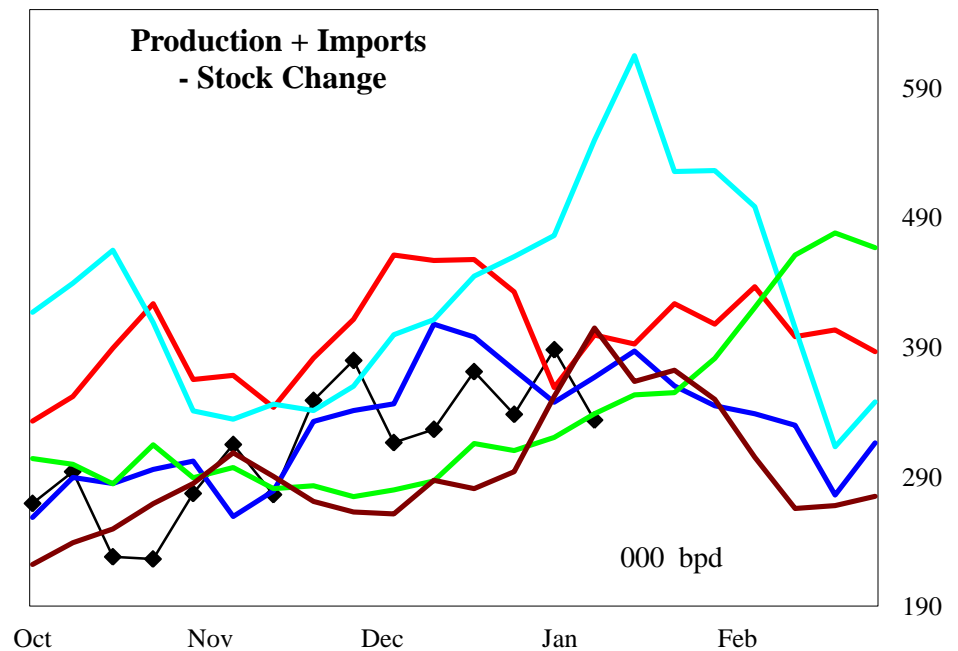
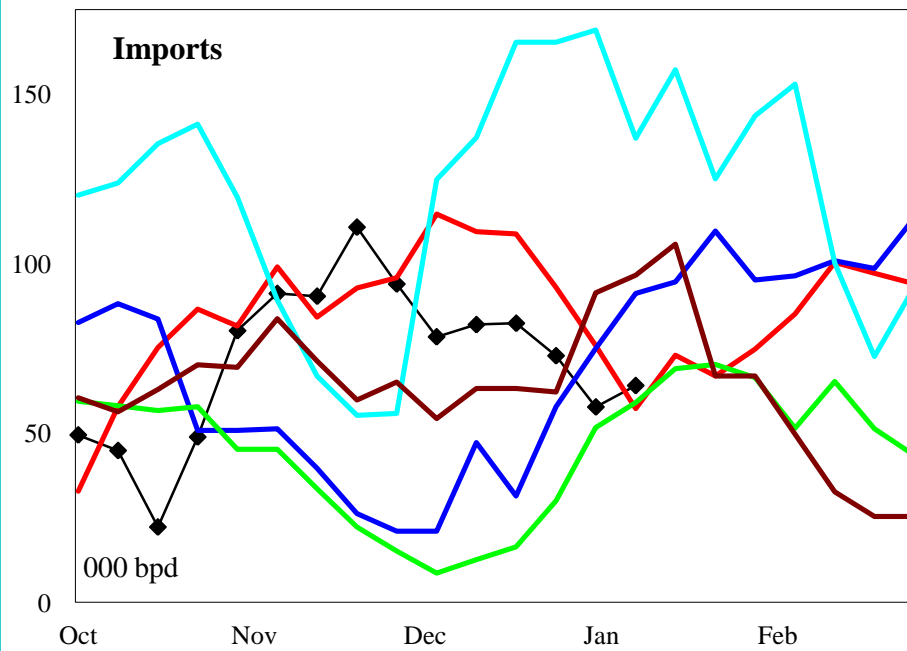
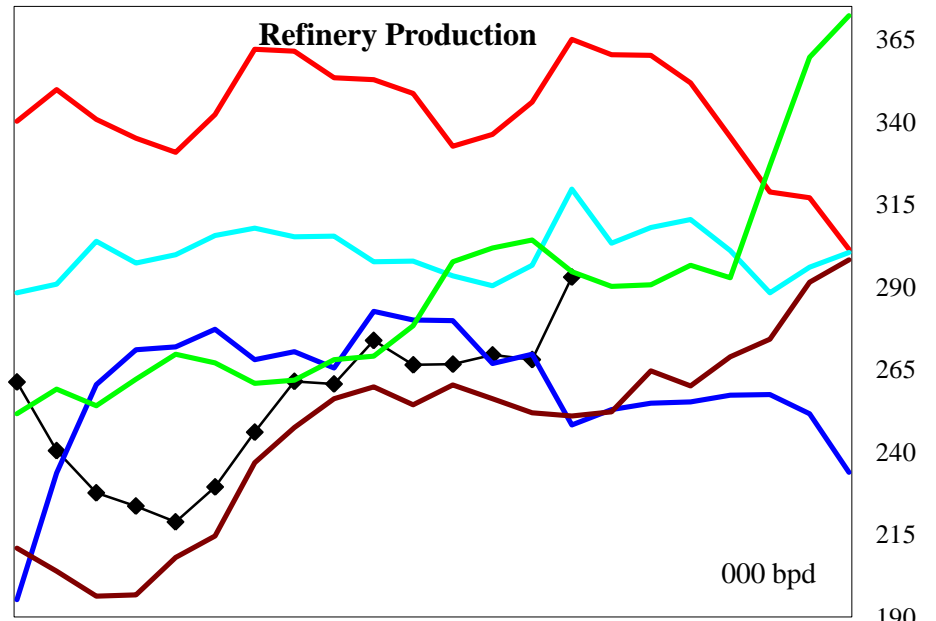
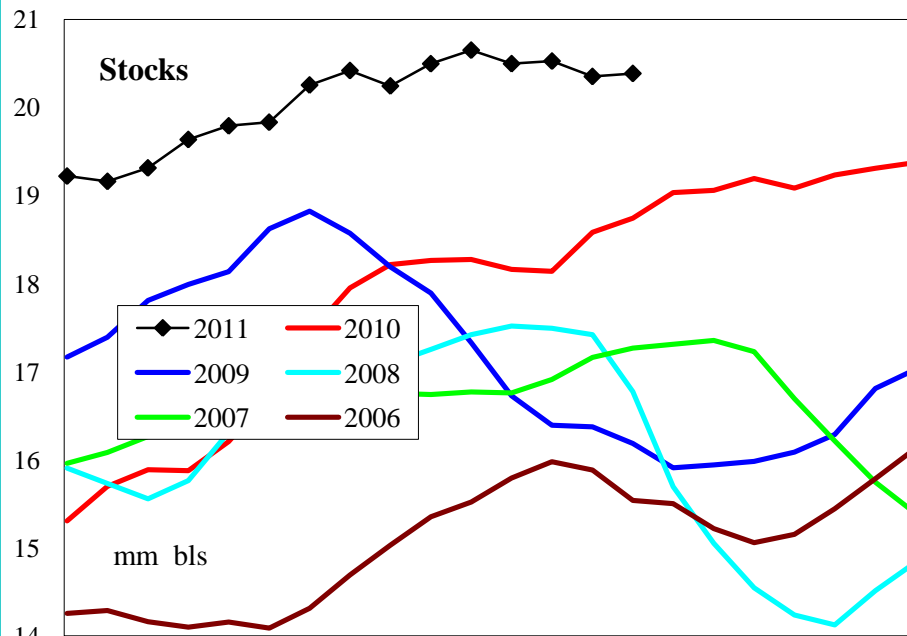
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Prod + Imp - Stk chg

30

4.6

PADD 3 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,643

8.8

Production

-69

-20.0

Imports

-8

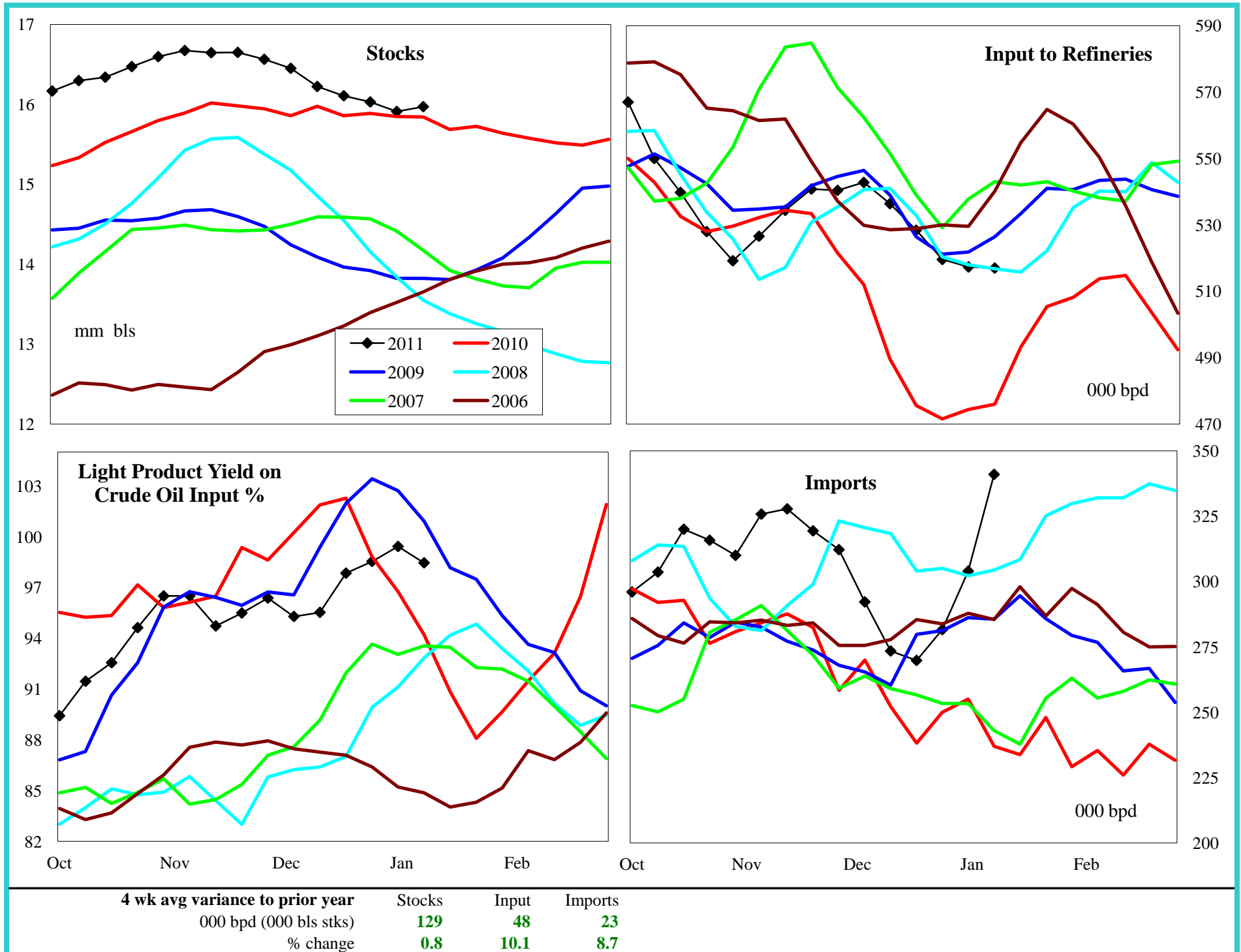
-9.9

Prod + Imp - Stk chg

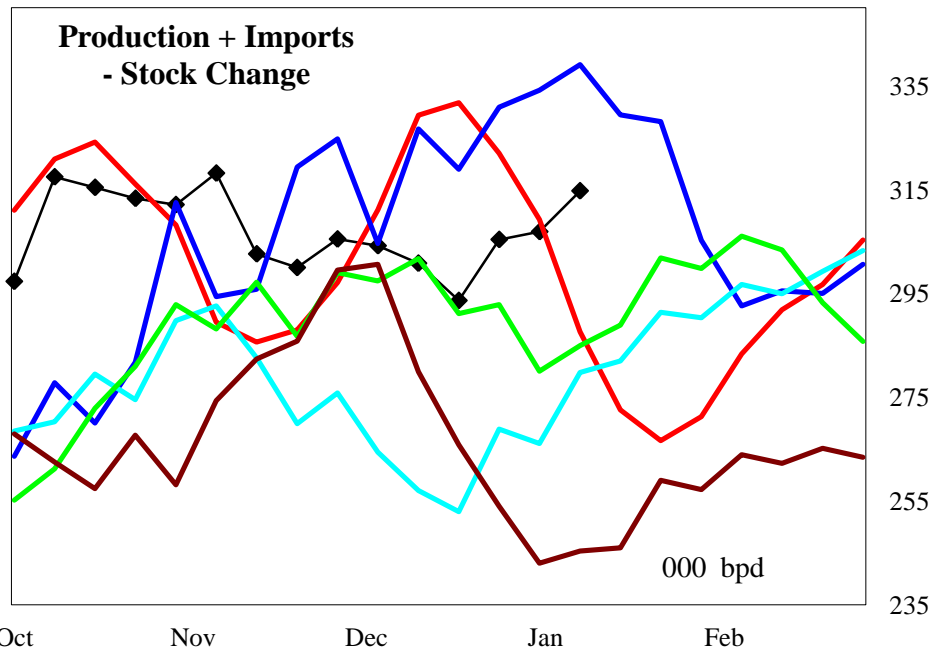
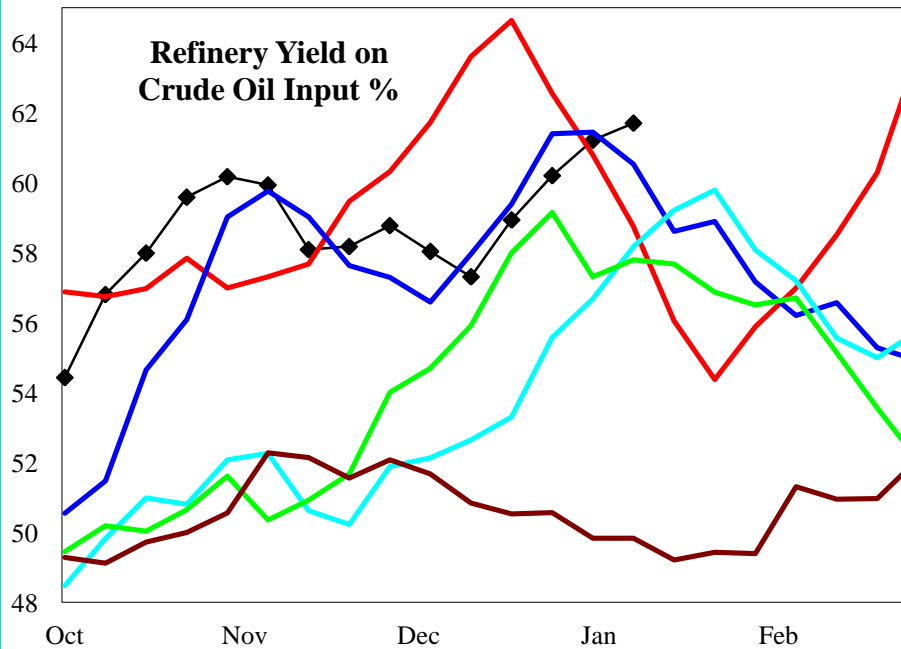
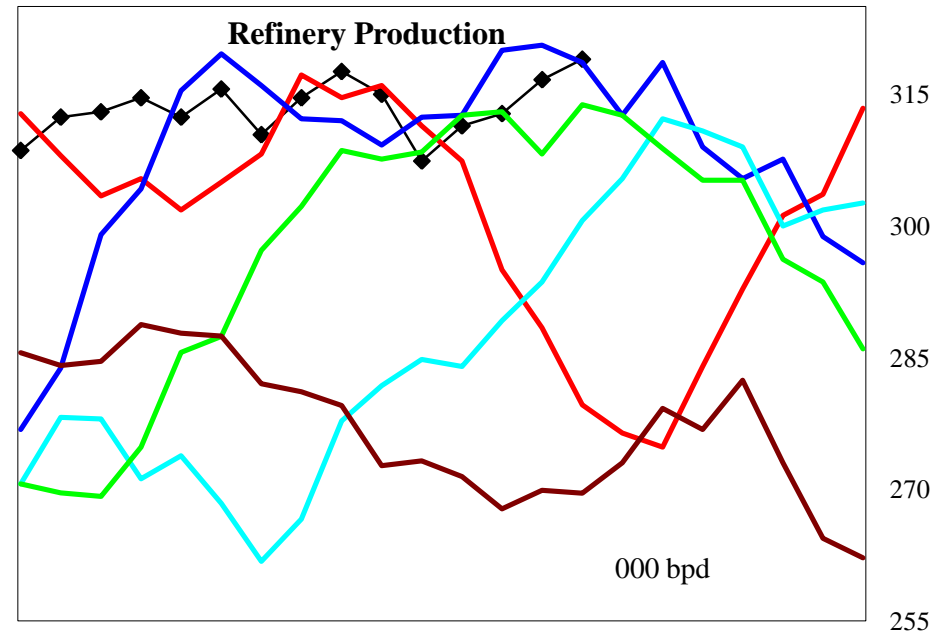
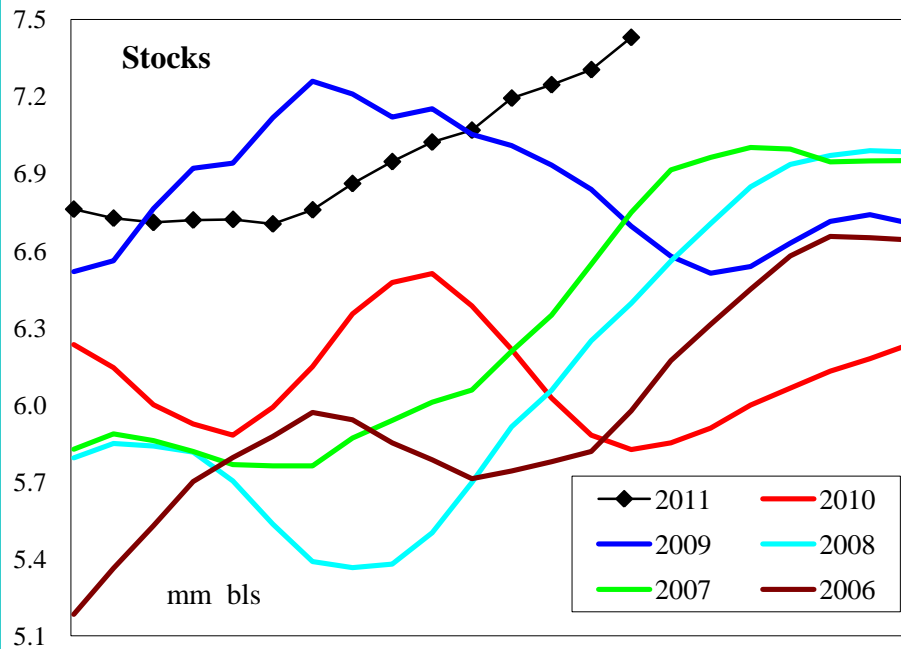
-88

-20.9

PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

1,605

17

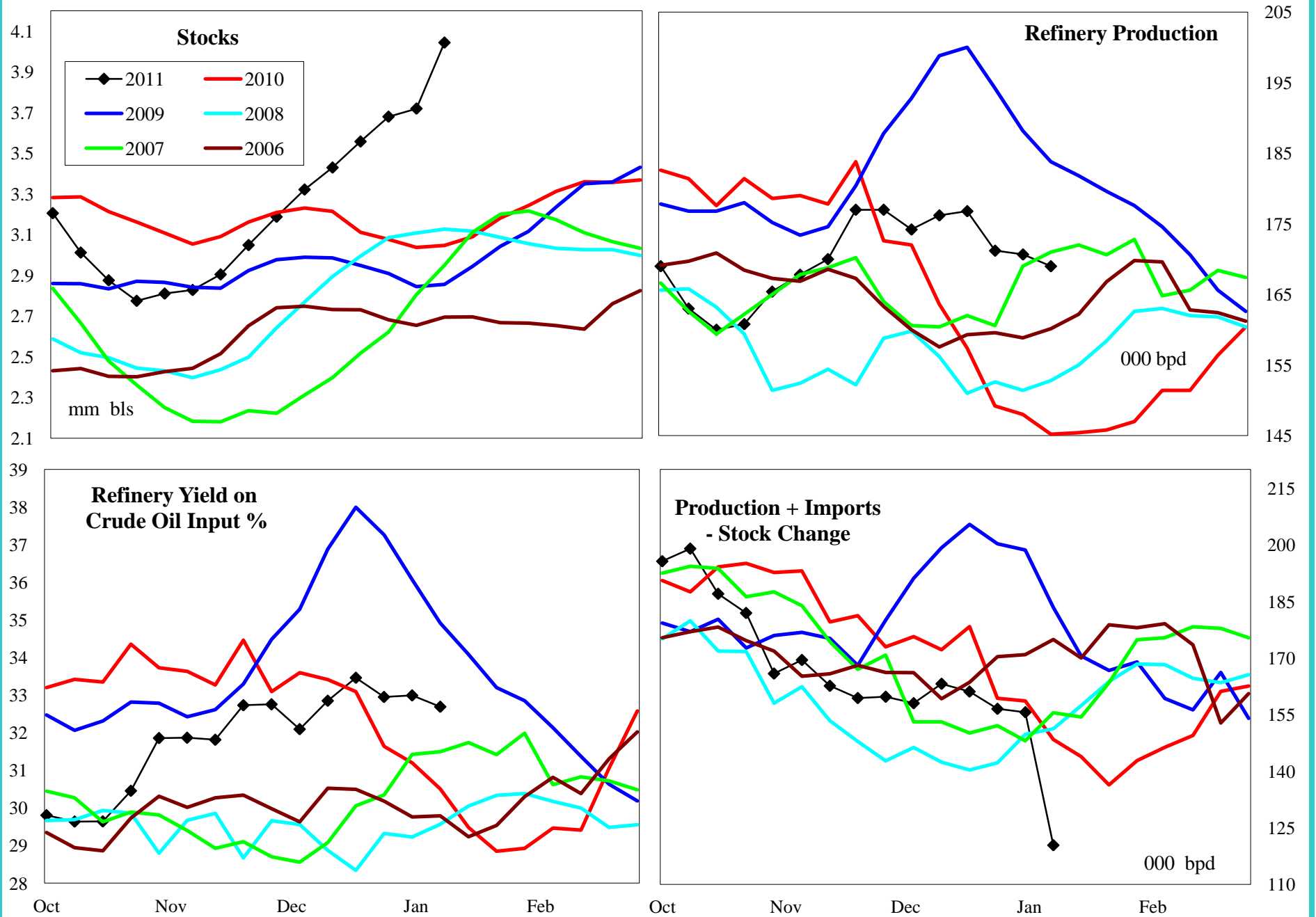
-24

27.6

5.6

-7.5

PADD 4 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

996

18

-2

-12

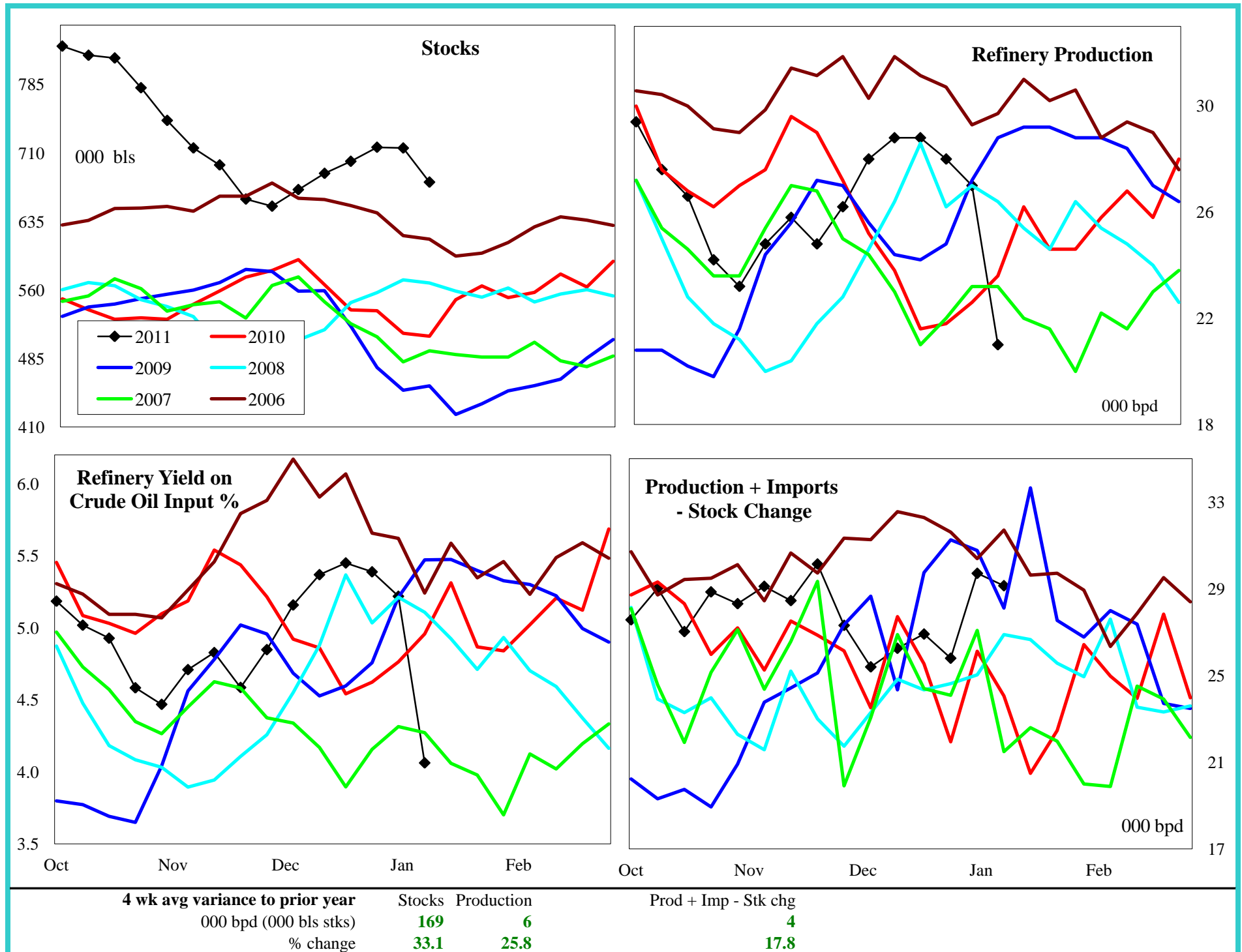
32.7

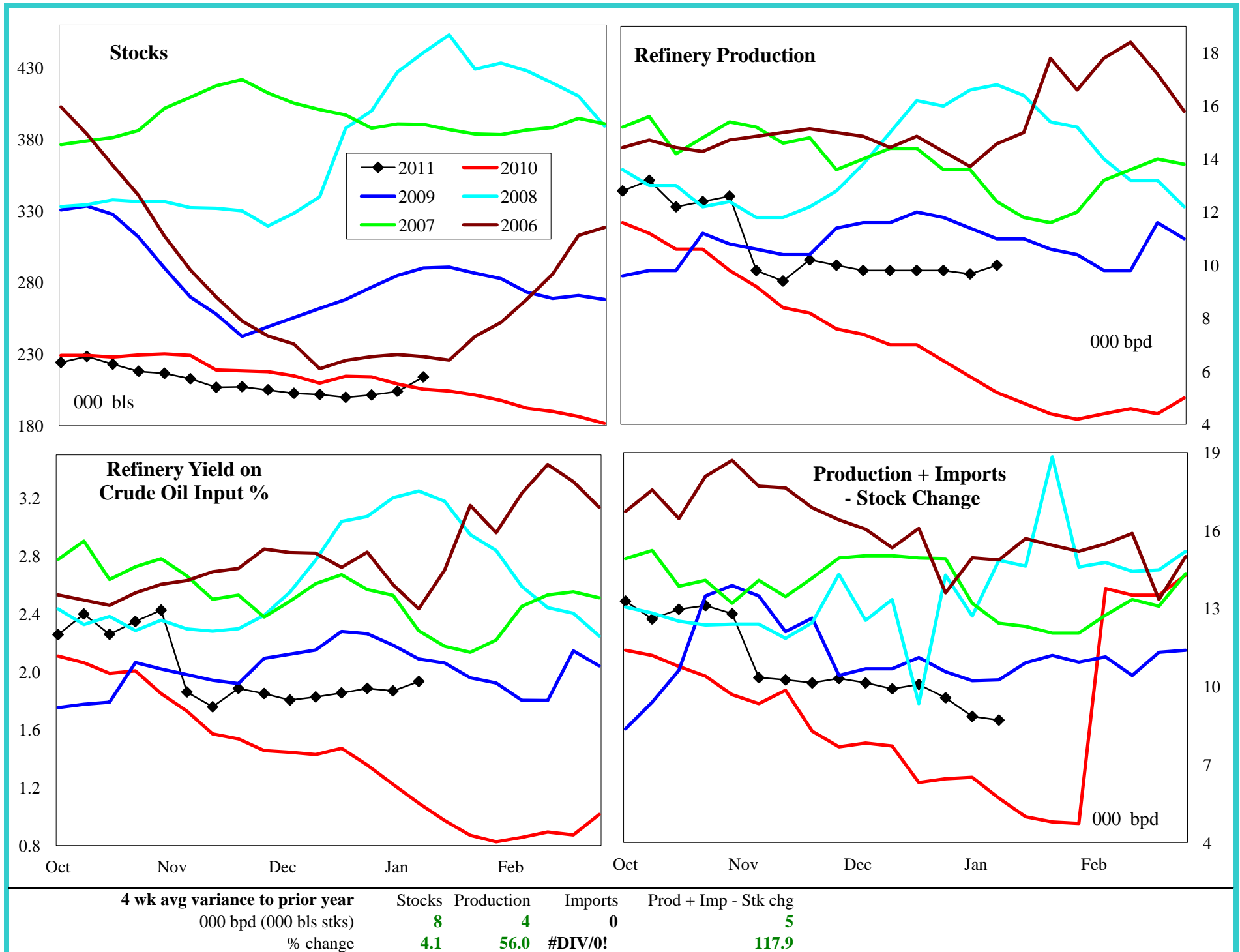
12.1

-42.9

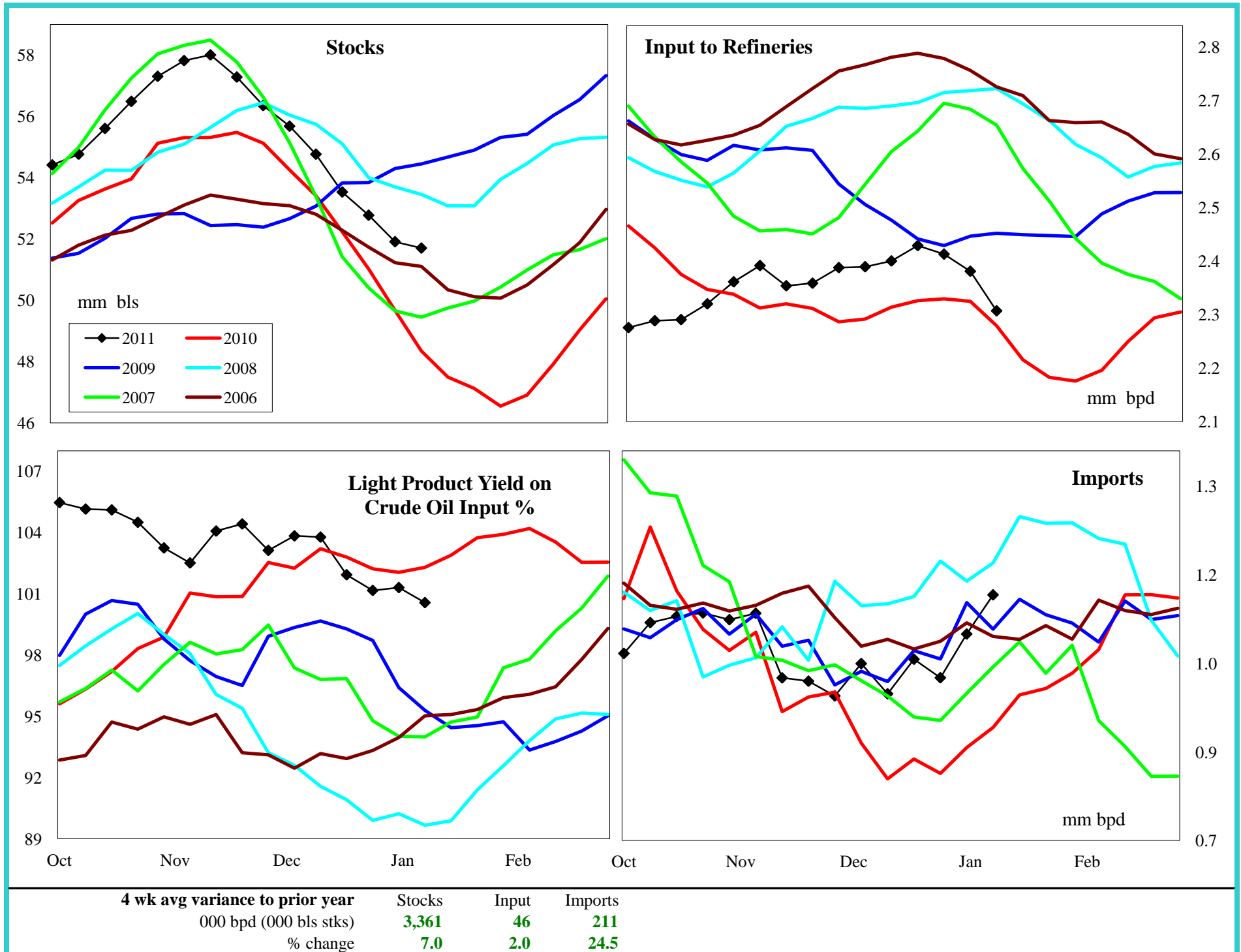
-7.2

PADD 4 Jet Fuel Supply

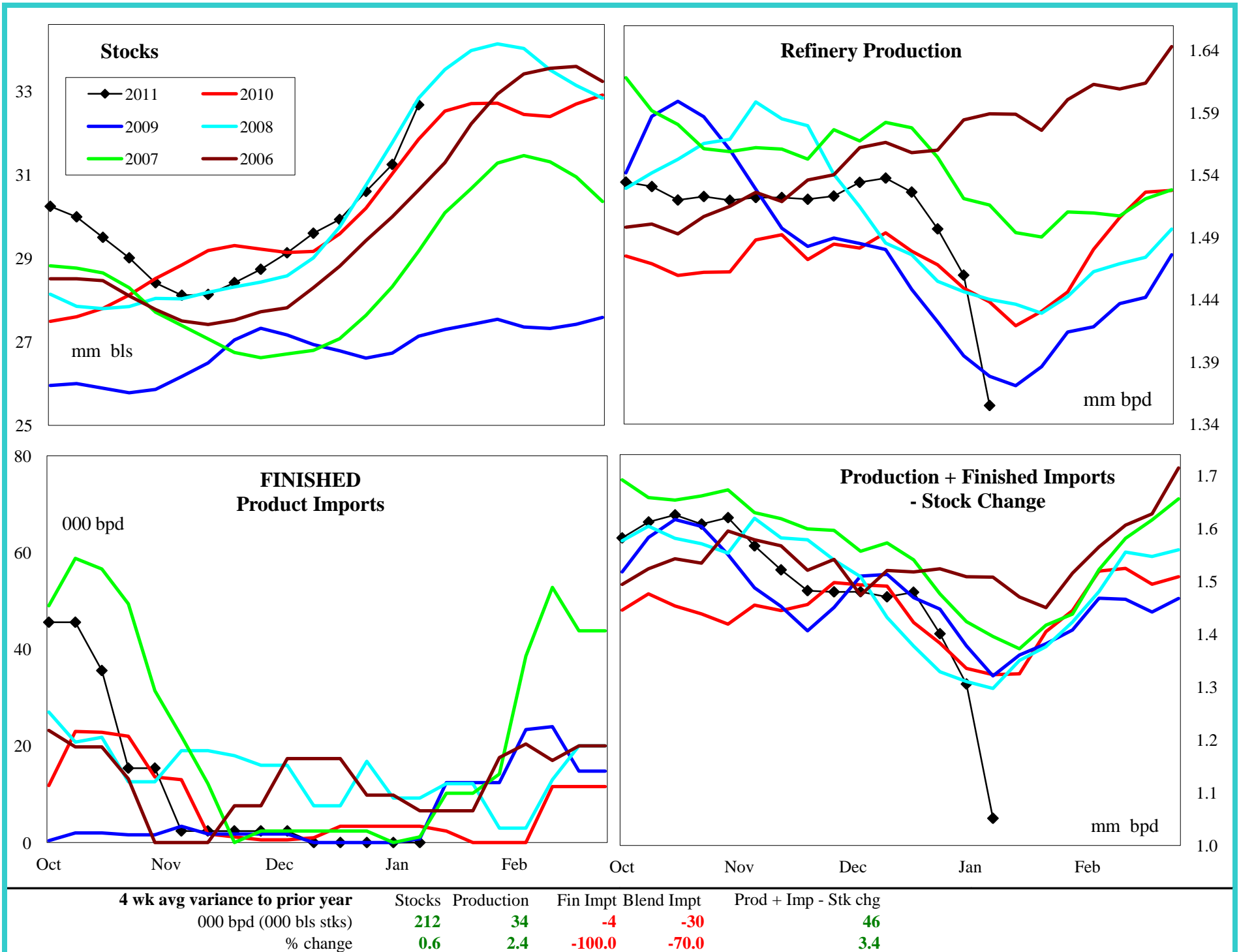




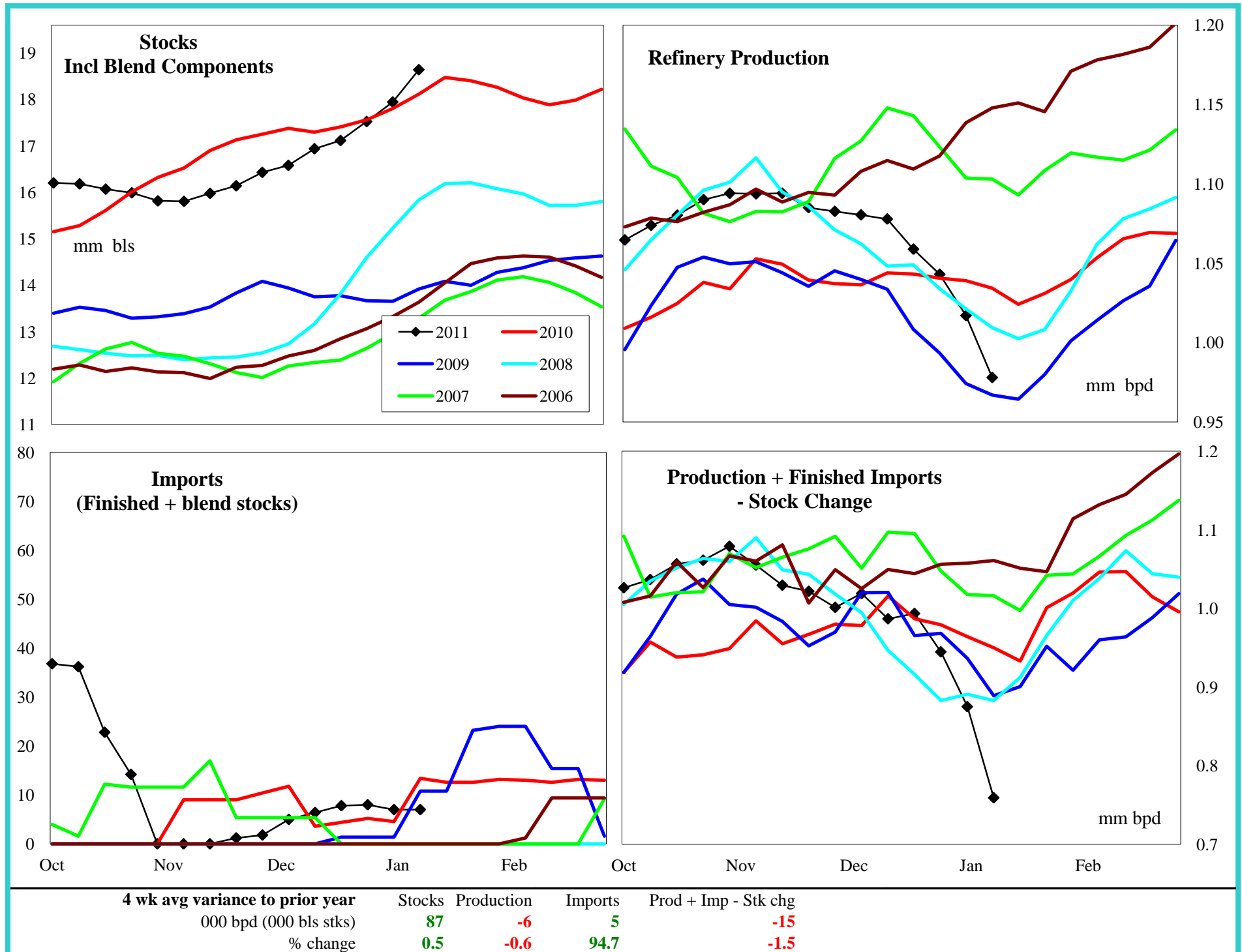
PADD 5 Crude Oil Supply and Refining



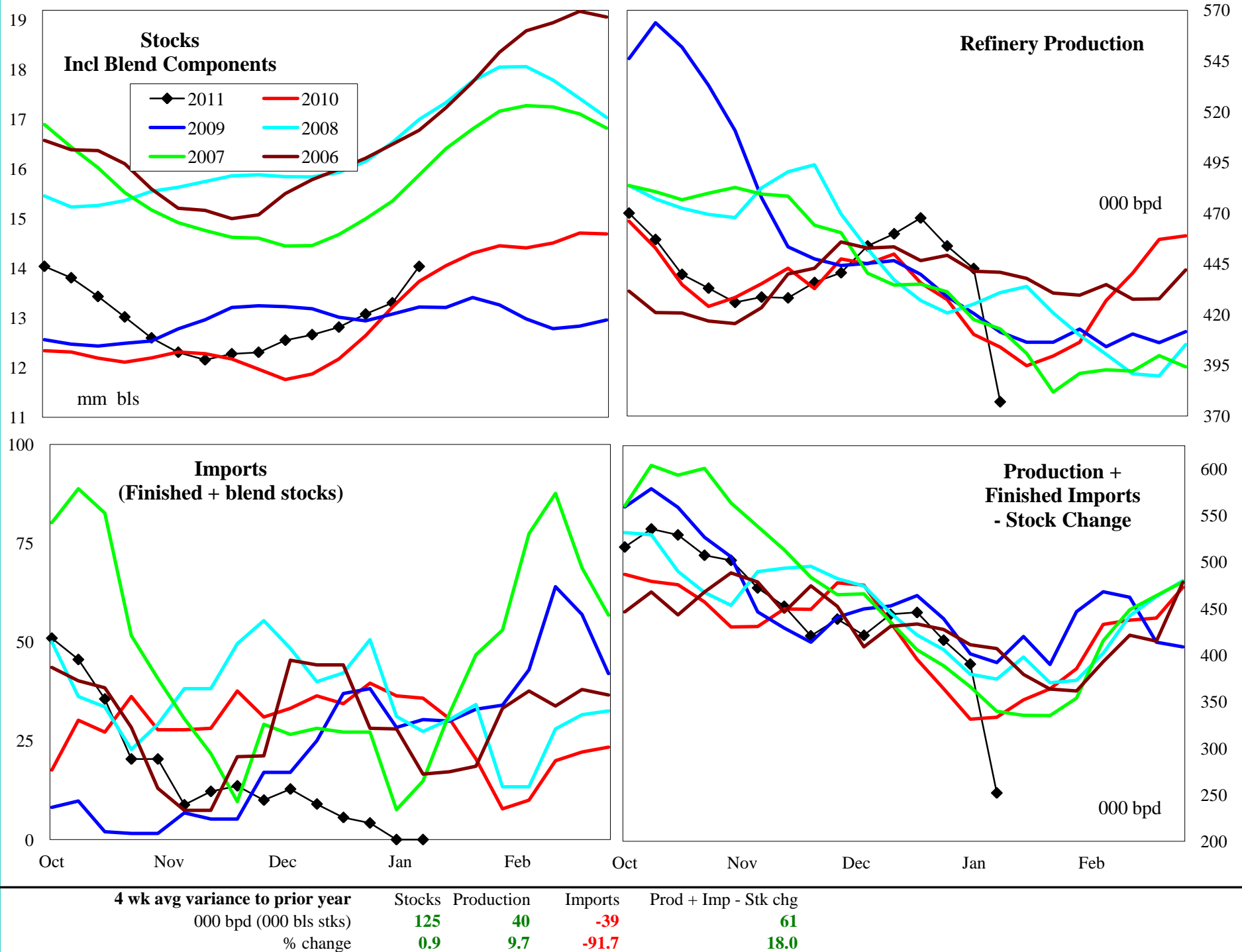
PADD 5 Gasoline Supply



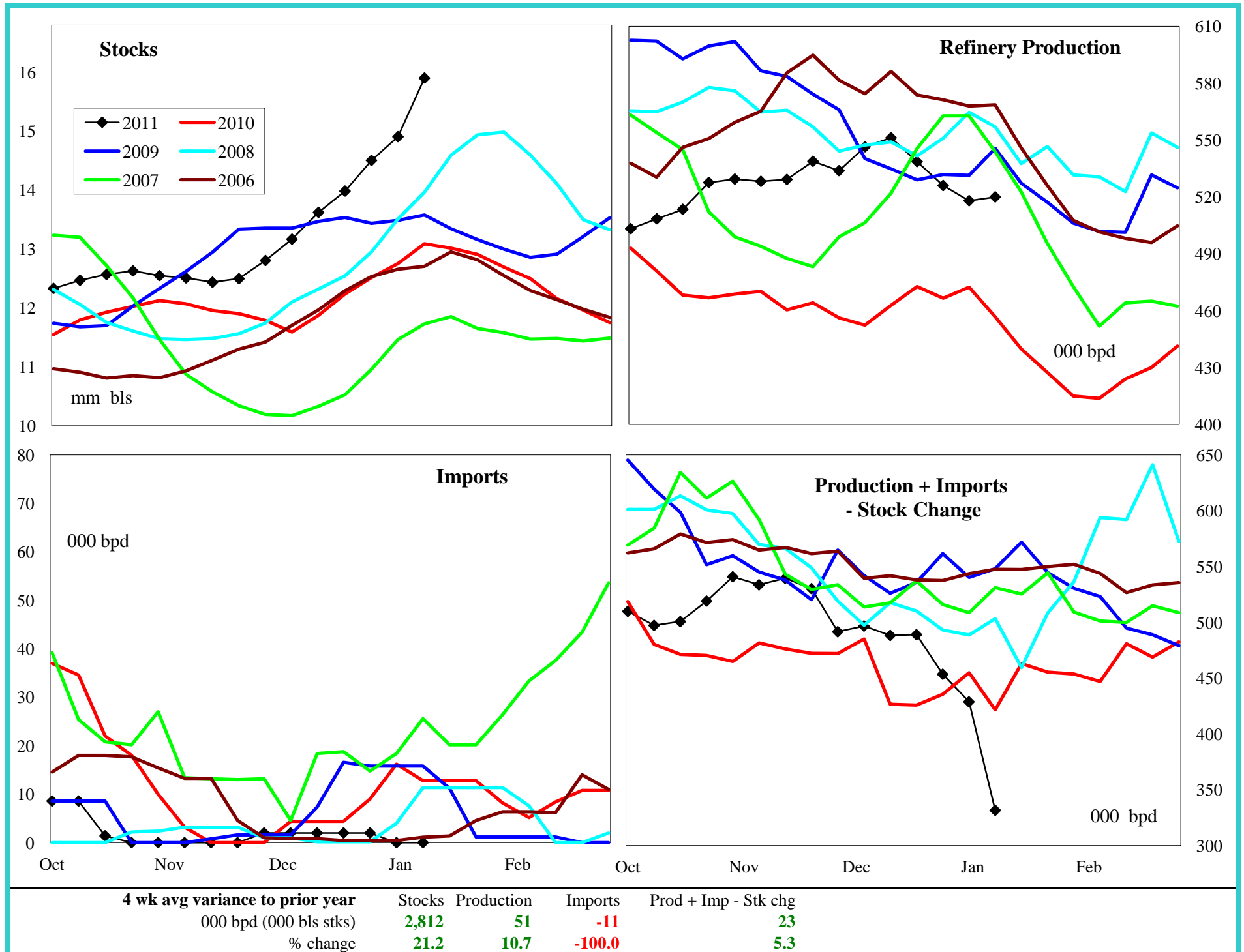
PADD 5 Reformulated Gasoline Supply



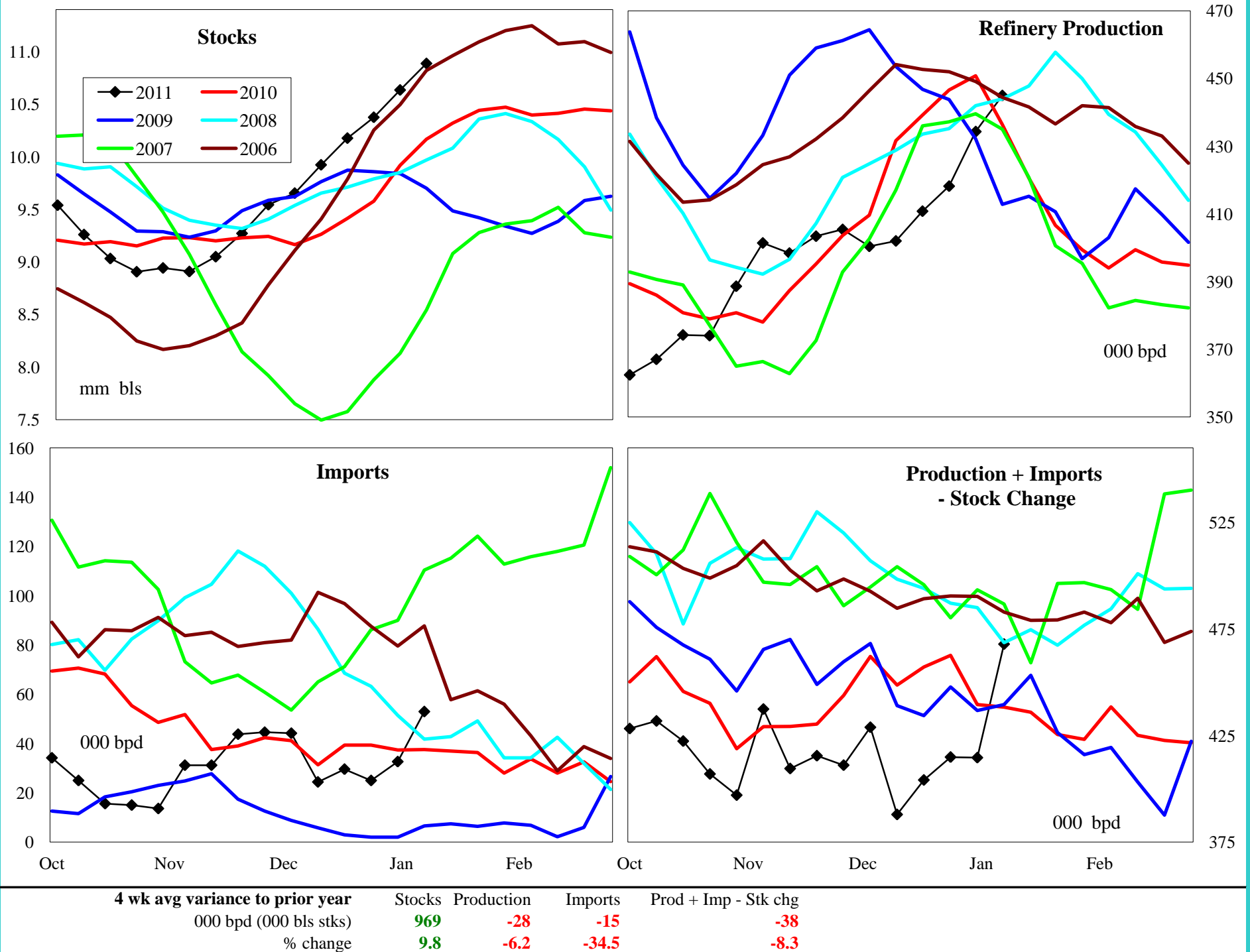
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

