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Energy Risk
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WEEKLY INVENTORY REVIEW

The DOE released the latest Weekly Petroleum Status Report for the week ending May 29, and we provide our thoughts on the numbers in the context of our forecast refinery balances. Overall, the data were bearish relative to expectations, although analyst surveys differed as to whether there would be a gasoline stock draw or build.

Looking first at crude oil, stocks rose by 2.9 million barrels. Now standing at 366.0 million barrels, supplies are 61.7 million barrels above last year. Stocks in PAD II fell by 600,000 barrels, which included a decline at Cushing of 800,000 barrels. Supplies in PAD III rose by 4.6 million barrels. Adding up all other districts yields a net inventory draw of 1.2 million barrels.

Refinery crude oil runs eased by 8 MB/D from the prior week to average close to 14.7 MMB/D. Gross crude oil imports recovered by 868 MB/D and averaged more than 9.6 MMB/D. Taking the DOE estimate of domestic crude oil production last week averaging almost 5.4 MMB/D, total stocks "should have" risen by almost 2.0 million barrels.

With regard to refined products, the DOE reported that primary gasoline inventories fell by 200,000 barrels. The decline was composed of a 600,000 barrel fall in finished mogas supplies and a 400,000 barrel increase in blendstocks. Inventories total 203.2 million barrels and retain a 4.5 million barrel deficit to last year at this time.

Refinery output of finished gasoline dropped by 581 MB/D from the prior period and averaged less than 8.8 MMB/D. Gross imports of finished mogas fell by 56 MB/D to average 949 MB/D.

Implied gasoline demand declined by 518 MB/D on the week, reflecting an end to pre-holiday secondary stocking, and averaged around 9.0 MMB/D. Over the last four weeks implied gasoline demand fell by 0.4% from last year, while year to date has declined by 0.7% versus the comparable period in 2008.

Finally, the DOE reported that distillate fuel oil inventories rose by 1.6 million barrels. The aggregate increase included a 1.1 million barrel rise in ultra low-sulphur diesel stocks, a 900,000 barrel gain in other diesel supplies, and a 200,000 barrel fall in heating oil inventories. Distillate stocks now total 150.0 million barrels and stand a full 37.9 million barrels above last year.

Refinery production of distillate rose by 16 MB/D from the previous week and averaged almost 4.1 MMB/D. Gross distillate imports gained by 5 MB/D to average 208 MB/D.

Implied distillate demand fell by 181 MB/D from the prior week and averaged less than 3.5 MMB/D. For the past four weeks implied demand has dropped by 8.8% from last year, while year to date has declined by 8.1% versus the comparable period in 2008.

On balance, the crude oil build reflected a recovery in LOOP movements previously delayed due to weather, as well the likelihood that some crude stored in tankers offshore had landed as the term structure "flattened". As we feared, implied distillate demand remains quite low, and we continue to try and corroborate the data, assuming it is not suffering from "survey shortages", with other coincident macro variables to ensure the economy is not "re-faltering".

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