



RETAIL DIESEL FUEL OUTLOOK

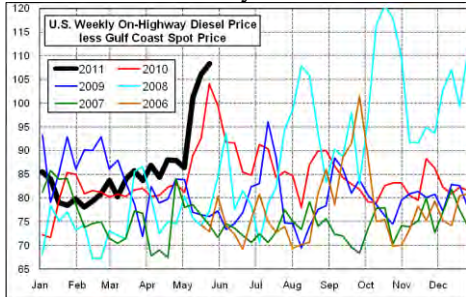
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, May 24, 2011

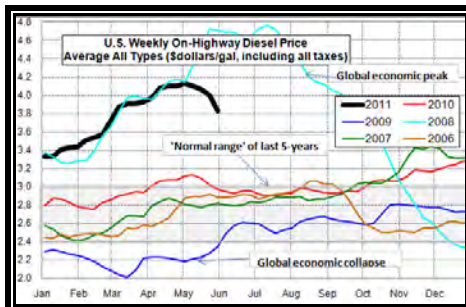
Region	Actual Price 1/			Forecast 2/	Change from week ago
	09May11	16May11	23May11	30May11	
U.S.	4.104	4.061	3.997	3.829	-0.168
East Coast	4.117	4.075	4.011	3.828	-0.183
New England	4.218	4.207	4.161	3.929	-0.232
Central Atlantic	4.248	4.210	4.138	3.946	-0.192
Lower Atlantic	4.052	4.005	3.943	3.765	-0.178
Midwest	4.066	4.015	3.942	3.833	-0.109
Gulf Coast	4.022	3.996	3.935	3.733	-0.202
Rocky Mountain	4.156	4.134	4.101	3.836	-0.265
West Coast	4.307	4.248	4.201	4.004	-0.197
California	4.459	4.371	4.287	4.092	-0.195

1/ Source: U.S. Energy Information Administration
2/ Source: Fundamental Petroleum Trends Reports

Diesel Fuel Price Trends U.S. retail diesel prices decreased -6.4 cpg for the week ending 23May11. This was the largest single week-on-week decline of the past 12-months, and 2nd largest weekly decline of the last 2.5 years.



Historically, U.S. retail diesel prices average +80 cpg above the Gulf Coast spot market price. The differential averaged +108 cpg per gallon last week, or +28 cpg above the historic average. 'Stickiness' at the retail level limits the correction after a collapse in spot market prices, the differential does correct within a month.



The national average price ended the week \$0.72/gal below the high set in 2008 for this time of year, but +\$0.80/gallon above a year ago.

Prices decreased -8.4 cpg in California and -7.3 cpg in the Midwest last week. The smallest declines occurred in the Rocky Mountains, -3.3 cpg and New

England, -4.6 cpg.

Gulf Coast spot distillate prices decreased -9 cpg for the week ending 23May11 versus 16May11. Gulf spot prices ended the week at a level comparable to the 6-month moving average, a -50 cpg decline during the last 3-wks. This represented the largest pull back in prices since 2008, when the recession began.

During the same 3-wk period U.S. retail diesel prices have decreased -13 cpg. As noted above, retail prices relative to the wholesale market, remain +28 cpg above the average differential.



Retail price changes lag the wholesale market and the industry exhibits 'stickiness' as individual retailers delay reducing prices until competitors pressure the market lower.

Supply - Demand Fundamental Trends

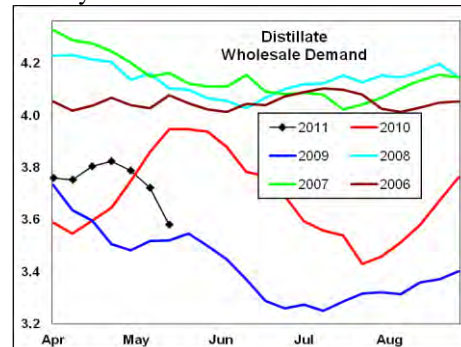
U.S. weekly distillate demand decreased -149,000 bpd last week, on disruptions in exports from the Gulf due to Mississippi River flooding and the late wet spring caused farmers to minimize tillage in order to complete planting.

Demand during the latest 4-wk period was -2.9% below a year ago, the first year-on-year decline since the end of the recession. A year ago demand jumped in May on a surge in exports and stimulus construction projects.

U.S. refiners crude oil input was -500,000 bpd below the lowest level that occurred during the last 5-years for this period as late season maintenance continued to limit crude oil runs.

As a result of low crude oil runs, distillate production has been constrained,

which has led to a record stock draw of -4.8 million barrels during the last 4-wks in markets East of the Rockies. Stock levels have dropped to levels below each of the last 2-years.



Mississippi River flooding has not significantly impacted production in the Gulf region, although, exports have been reduced. Expect refiners to increase crude oil runs over the next 30-days, and seasonal stock building to began.

Global Trends Driving Diesel Prices

The -50 cpg drop in Gulf spot diesel prices during the last 3-wks has been driven several key factors:

1. China manufacturing growth reported slowest growth rate of last 10-months
2. Renewed sovereign debt crisis in southern European countries
3. Mississippi River flood did not cause significant supply disruptions
4. Very slow economic recovery in Japan since earthquake driven by disruption to export infrastructure and limited electric power for plants, and
5. Continued evidence of slow U.S. economic growth.
6. Anticipation of an end to the Federal Reserve QE2 stimulus.

The risk of higher diesel prices remains in place, driven by tight crude oil supplies, political unrest across the Middle East and robust, though at slightly lower levels, rates of growth in developing countries.

Diesel Price Outlook U.S. average retail prices are projected to decrease -17 cpg this week, in response to the earlier collapse in wholesale prices the prior 3-wks; followed by another -10 cpg to the average differential to spot markets. Given 'stickiness' at the retail level, the full decline may take up to 30-days.

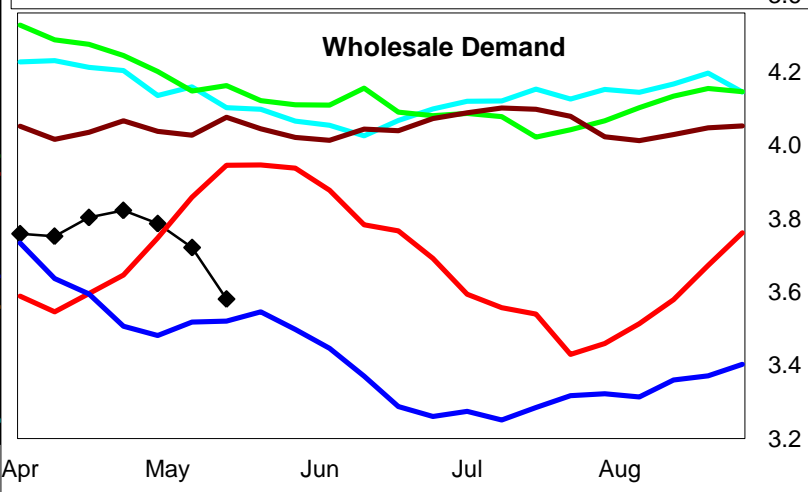
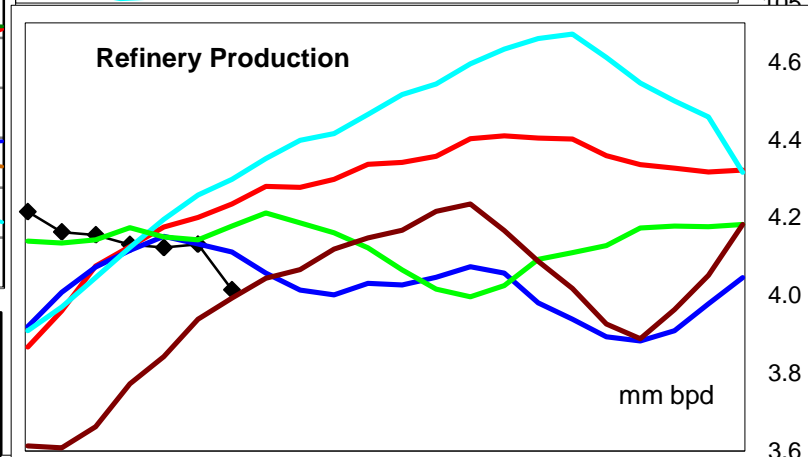
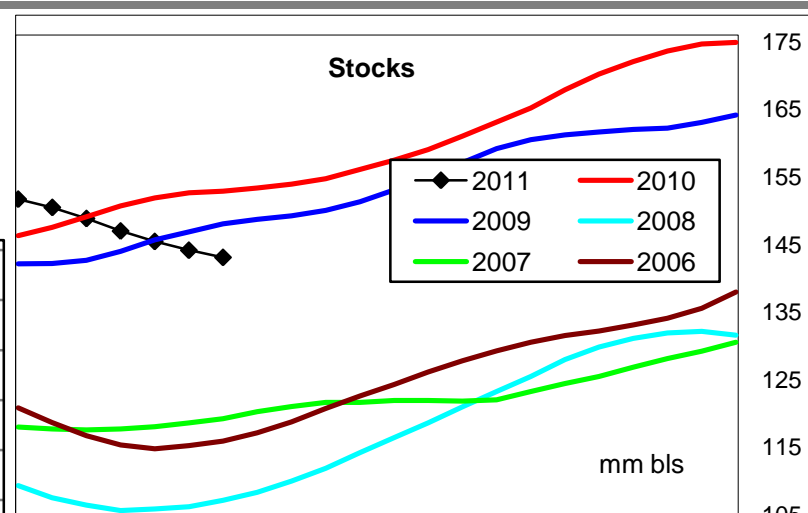
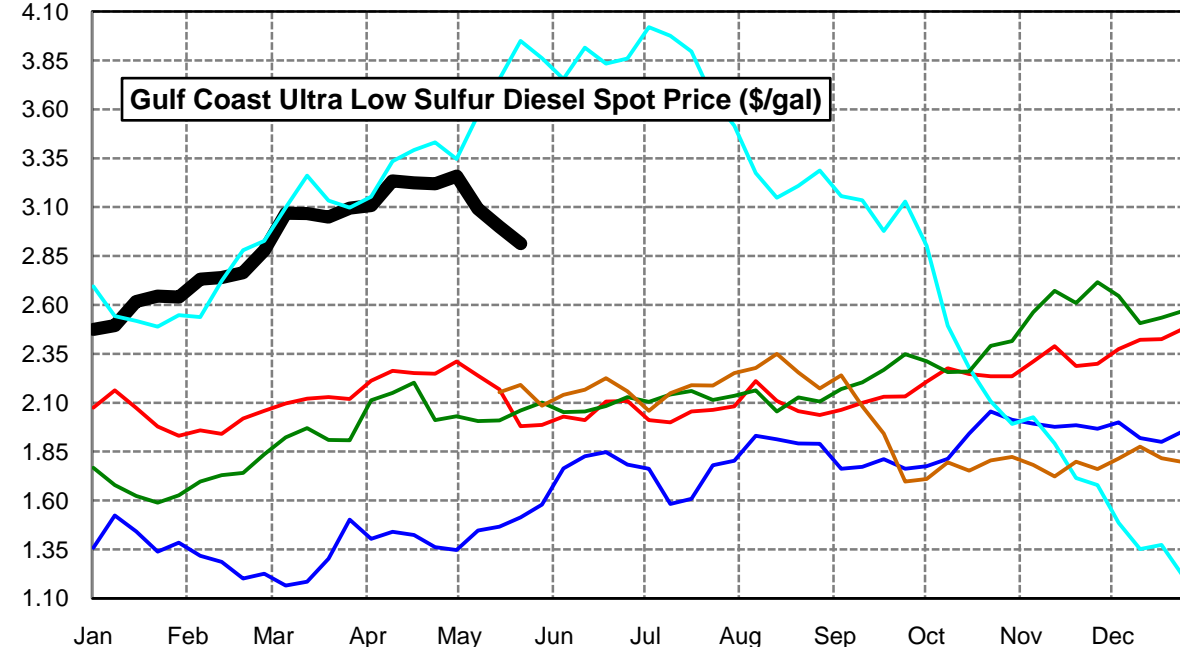
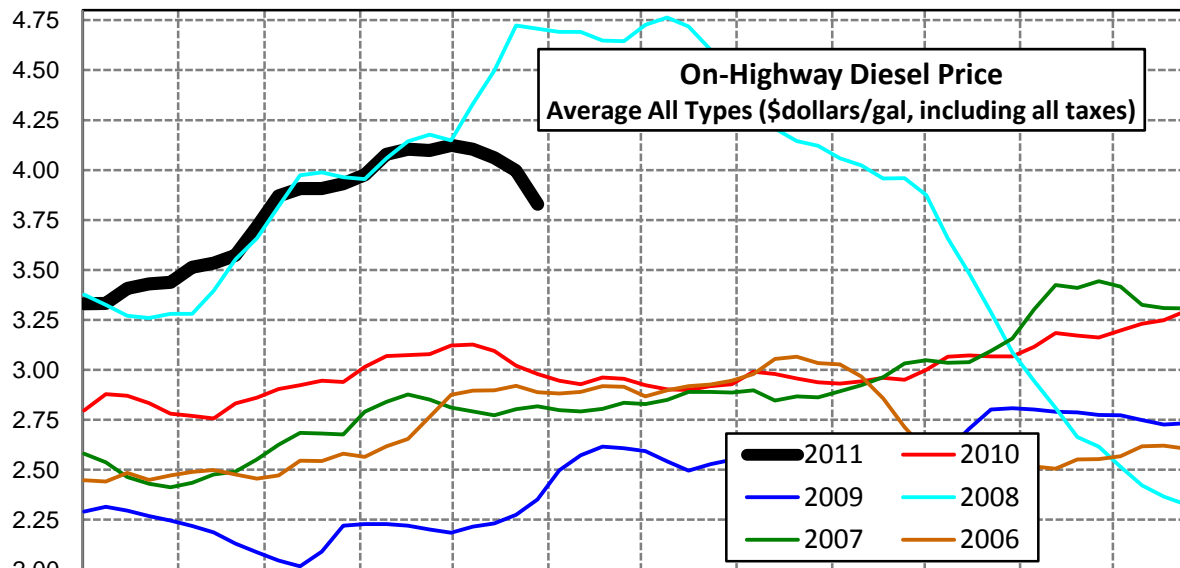
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Click [Blue Icon](#) on Map to view Regional Price & Fundamental Trends



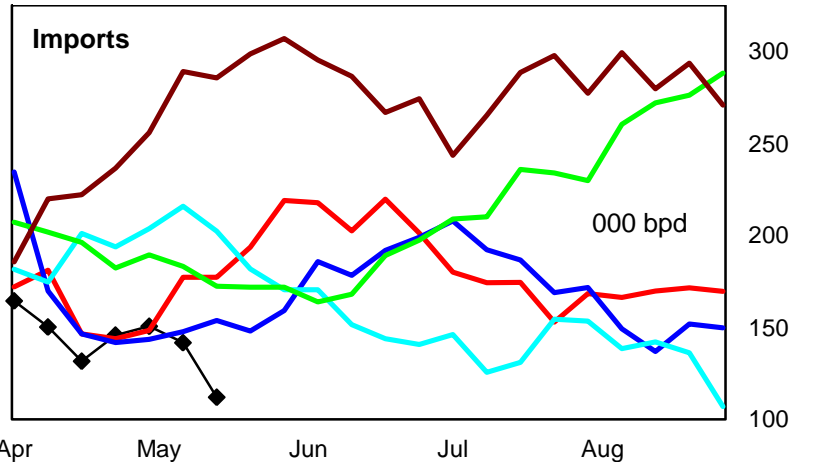
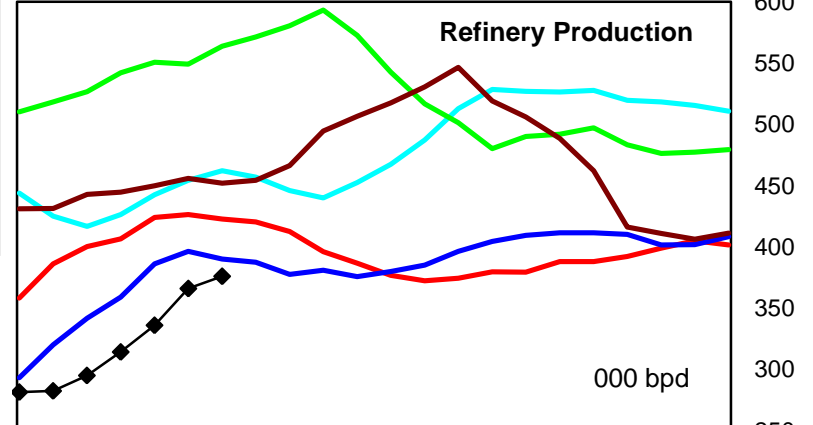
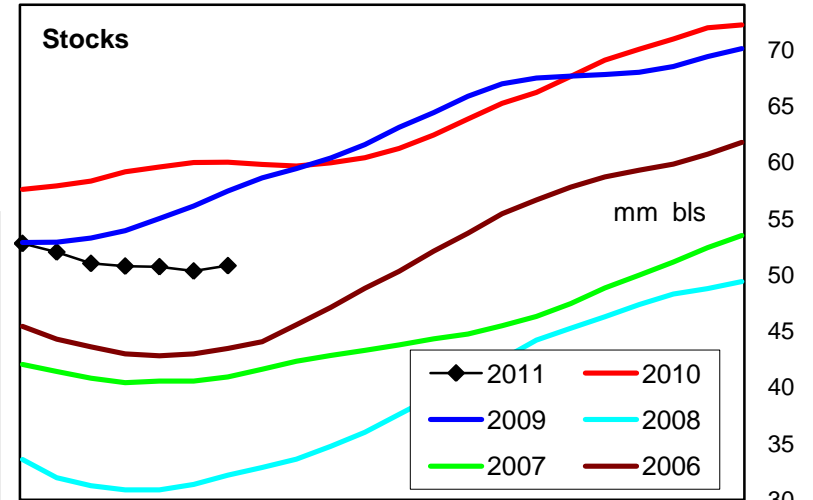
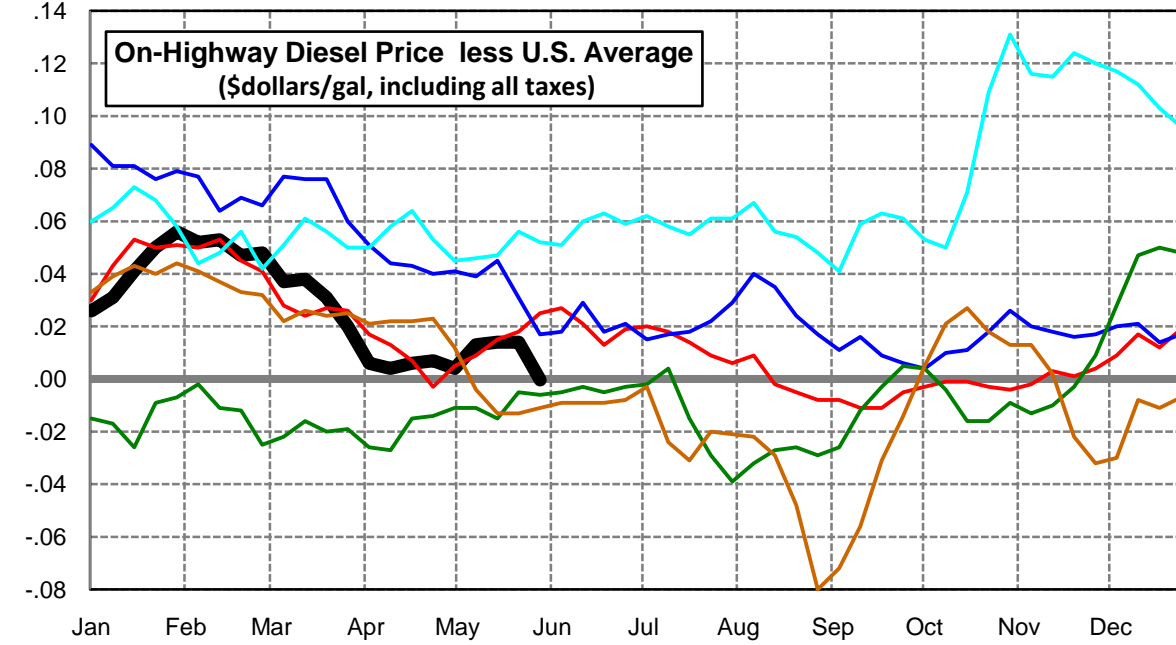
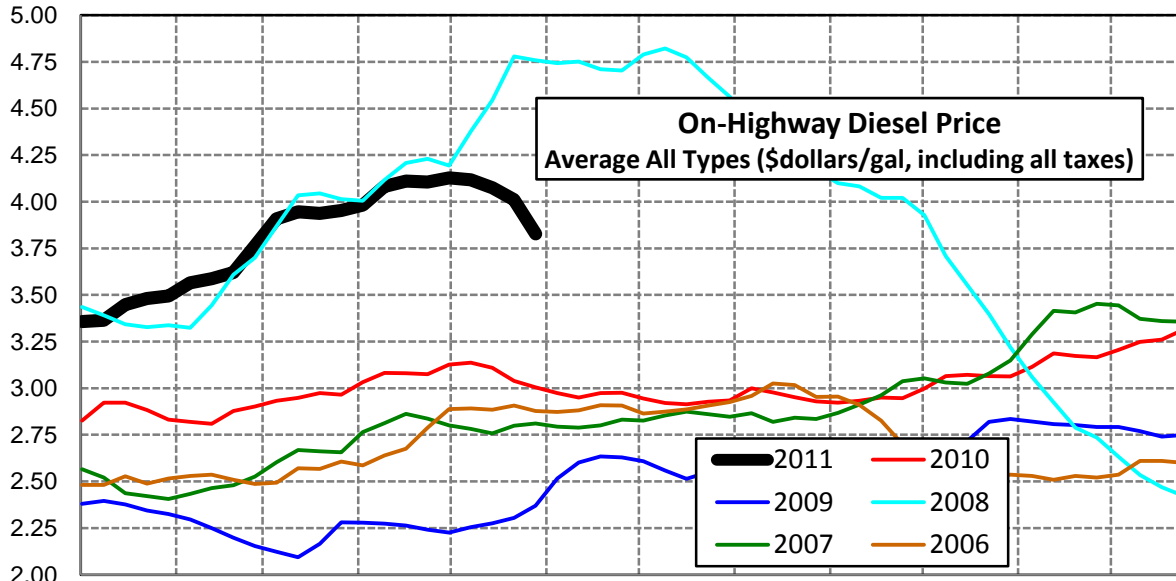
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
United States Avg	\$4.104	\$4.061	\$3.997	\$3.829	-\$0.168
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



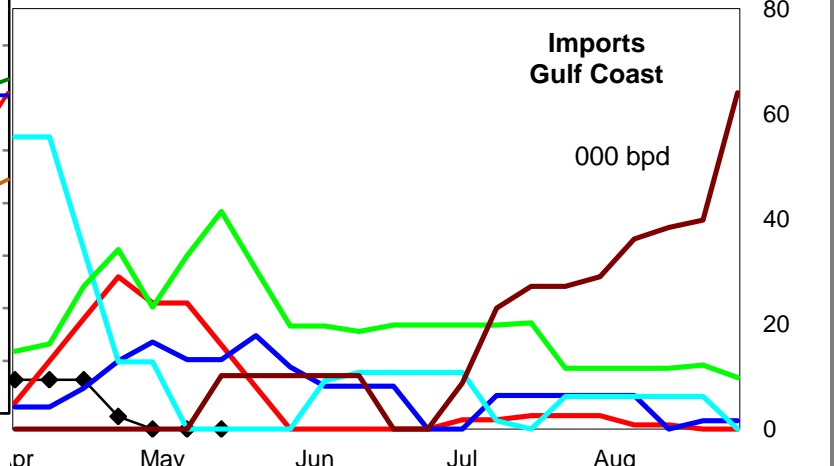
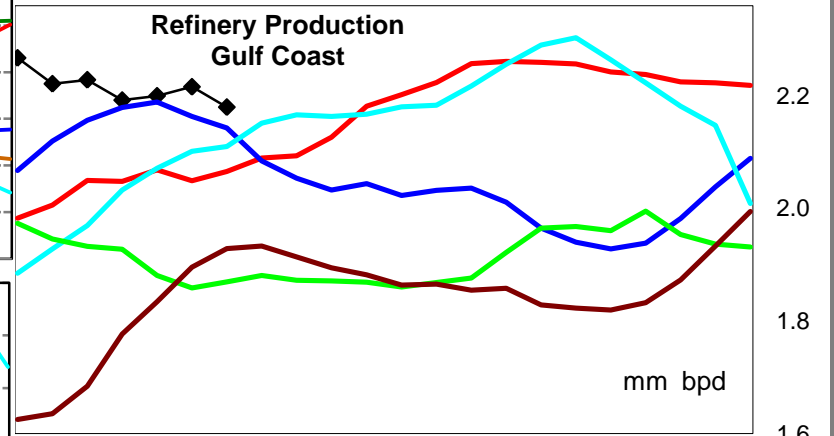
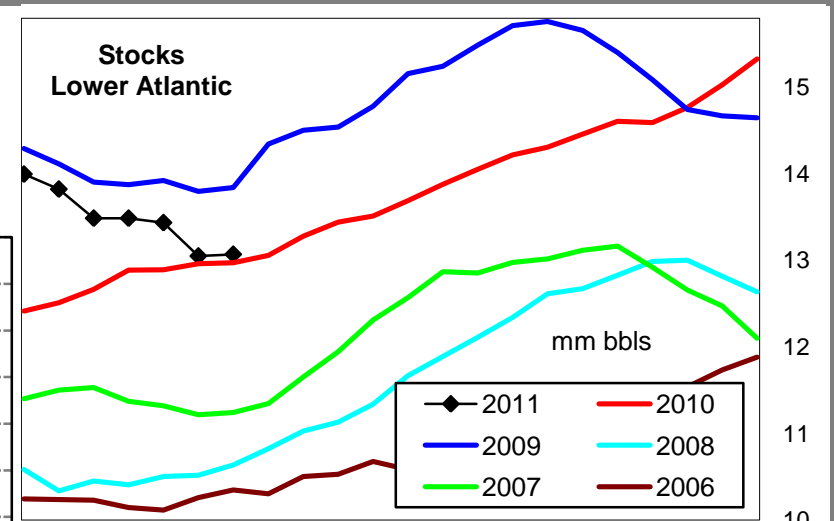
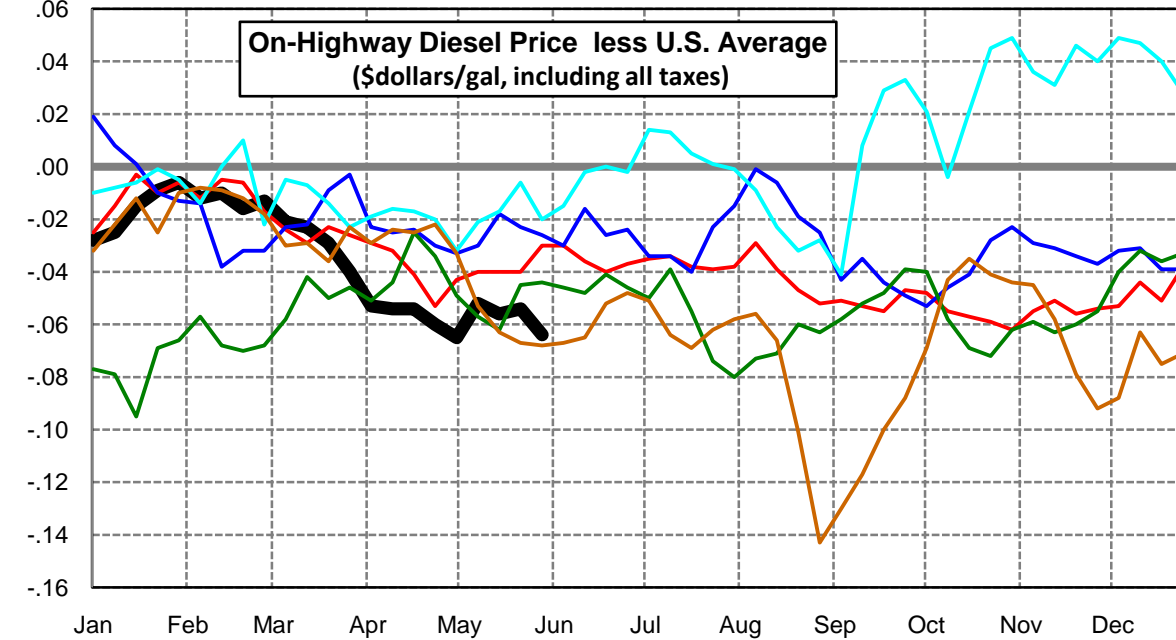
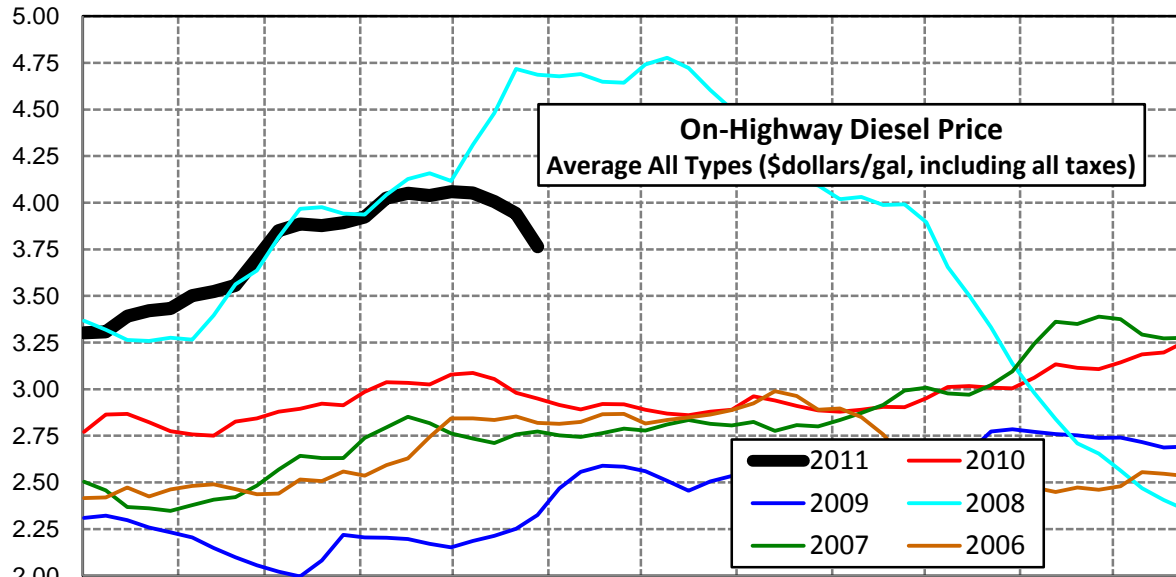
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
East Coast	\$4.117	\$4.075	\$4.011	\$3.828	-\$0.183
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



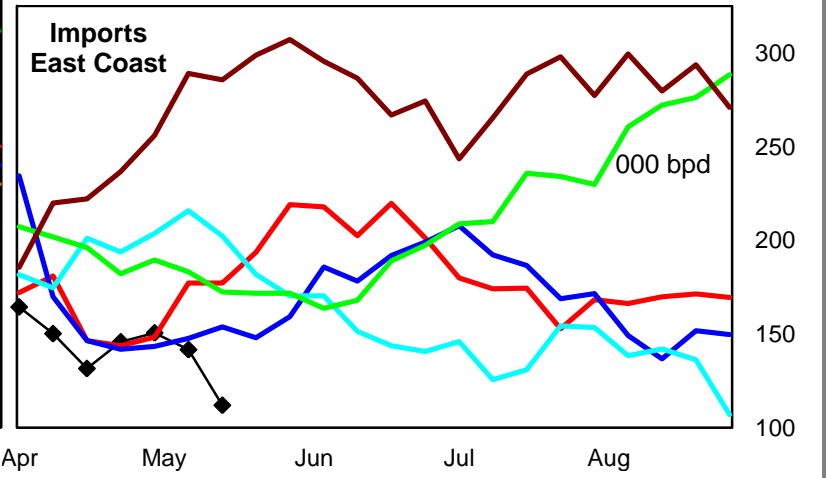
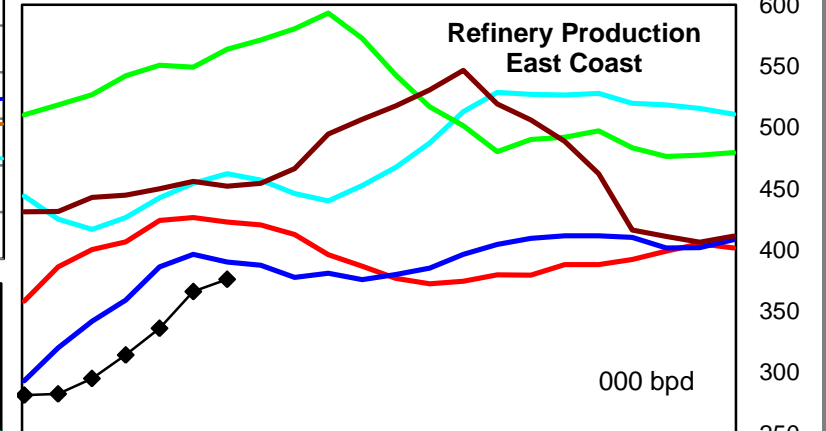
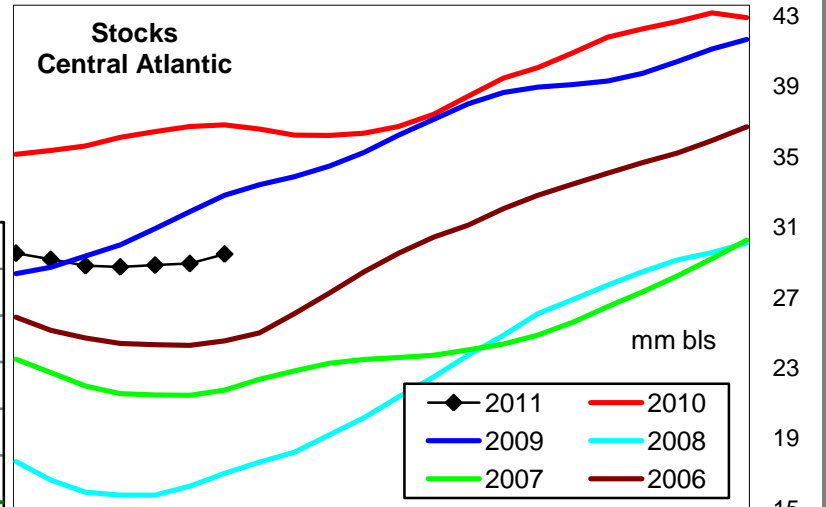
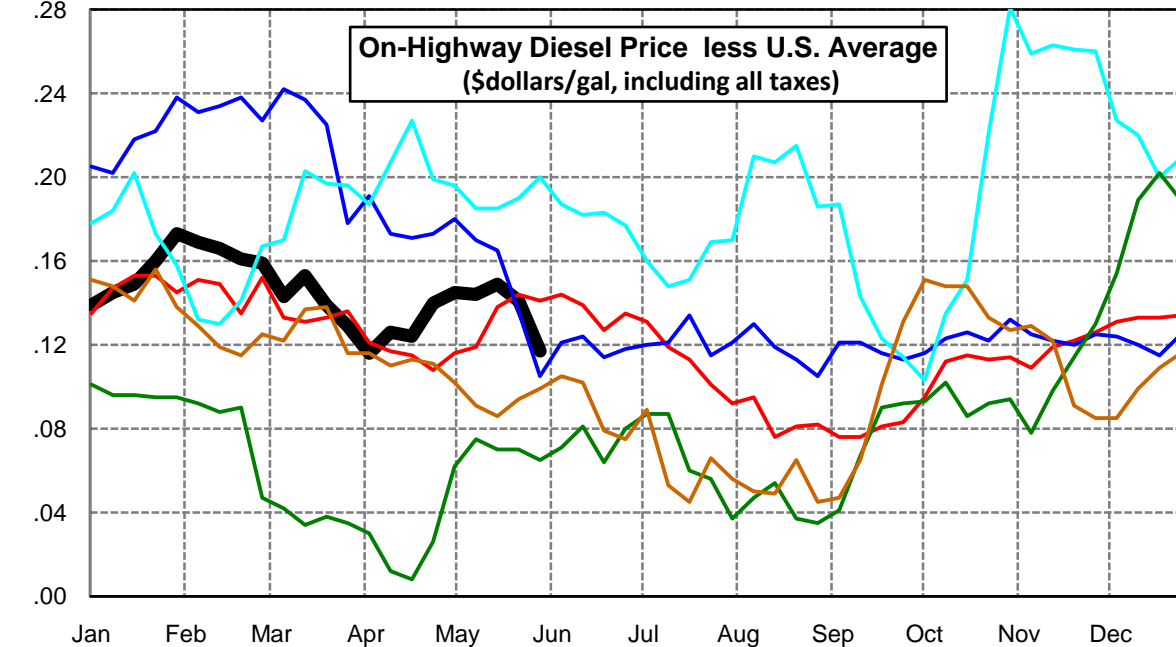
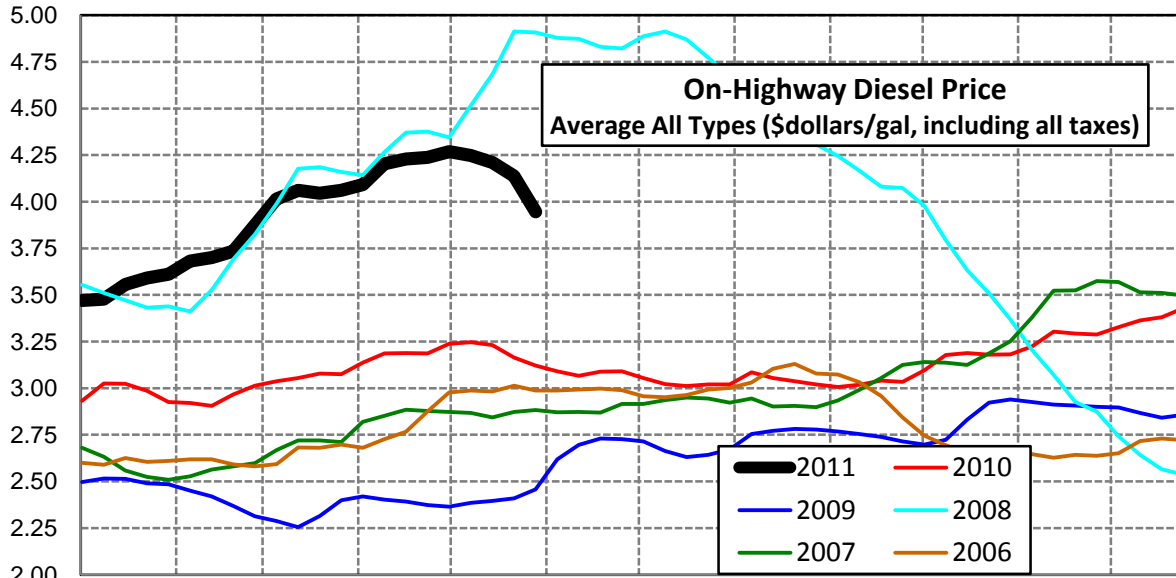
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
Lower Atlantic	\$4.052	\$4.005	\$3.943	\$3.765	-\$0.178
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



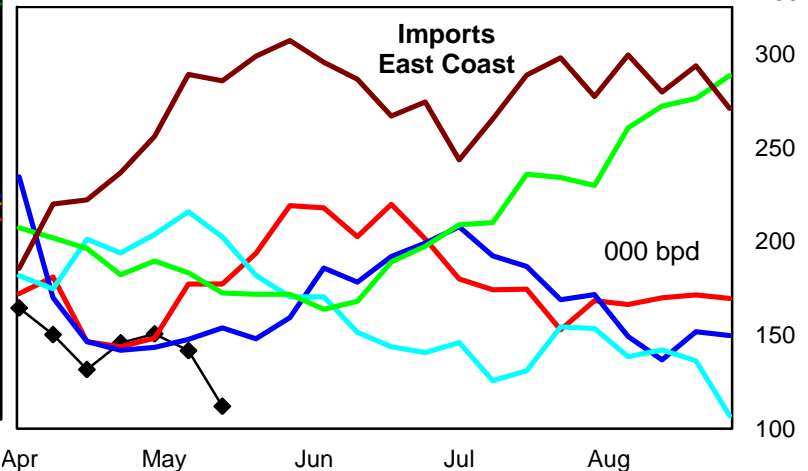
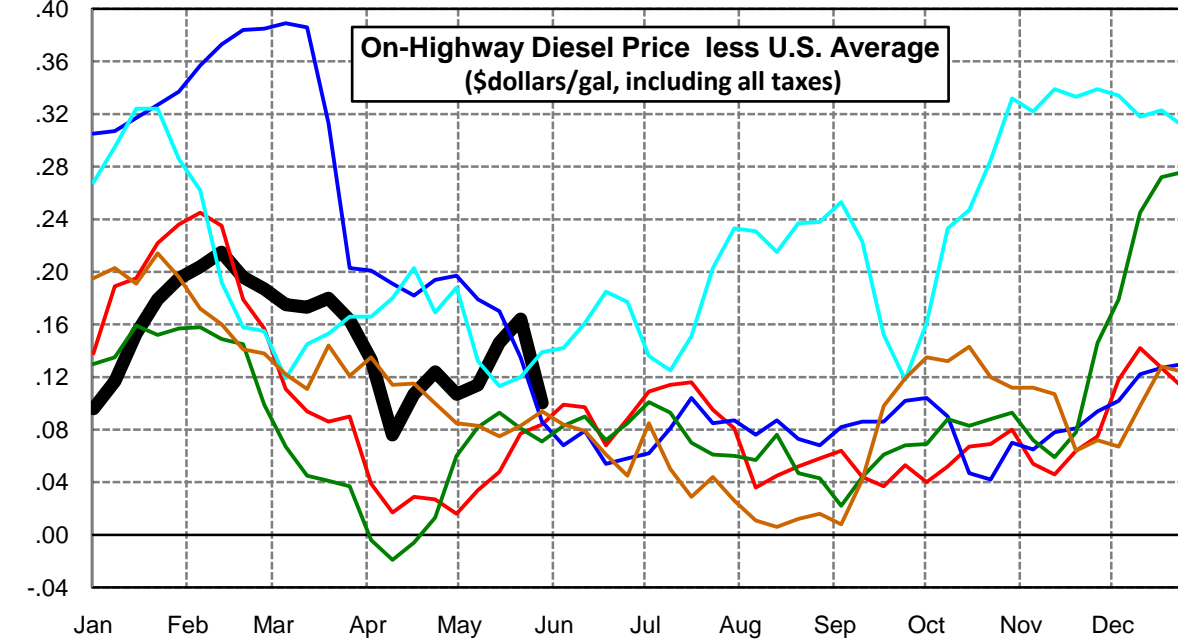
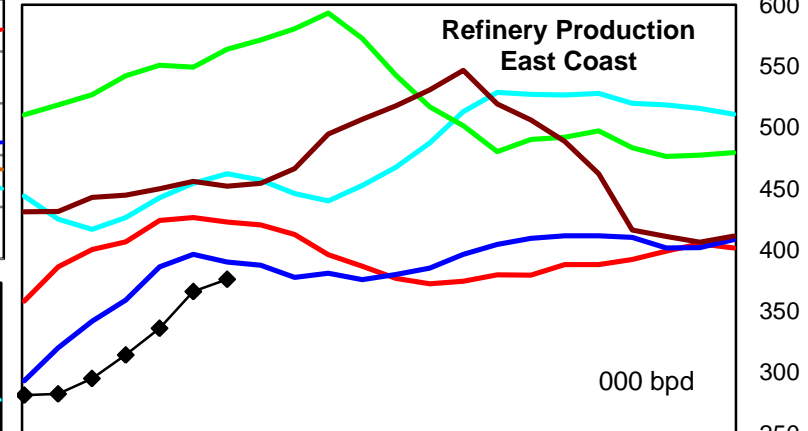
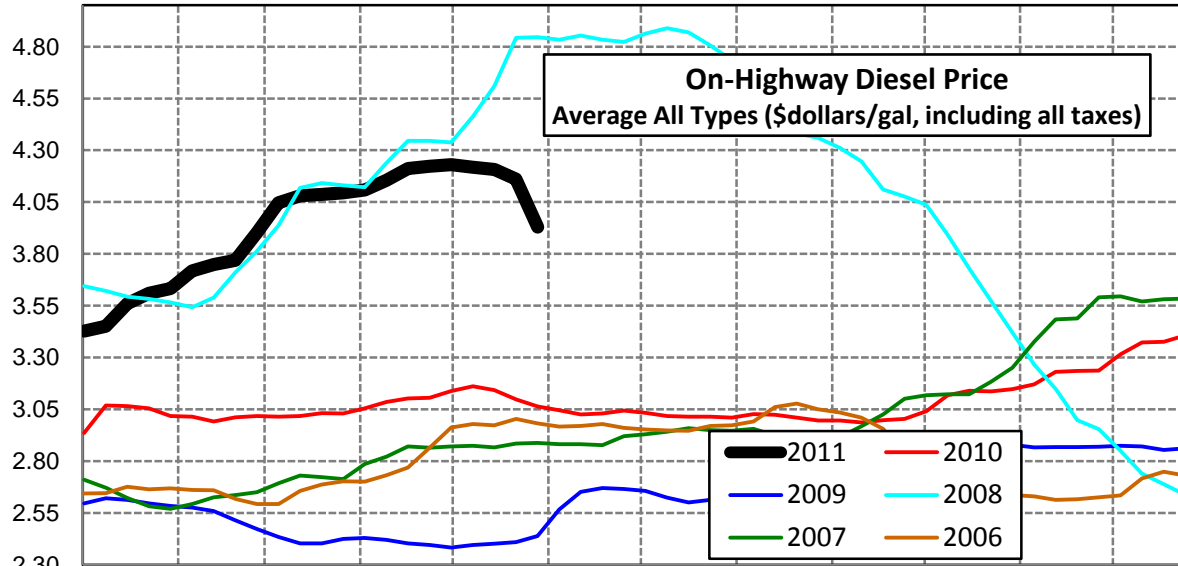
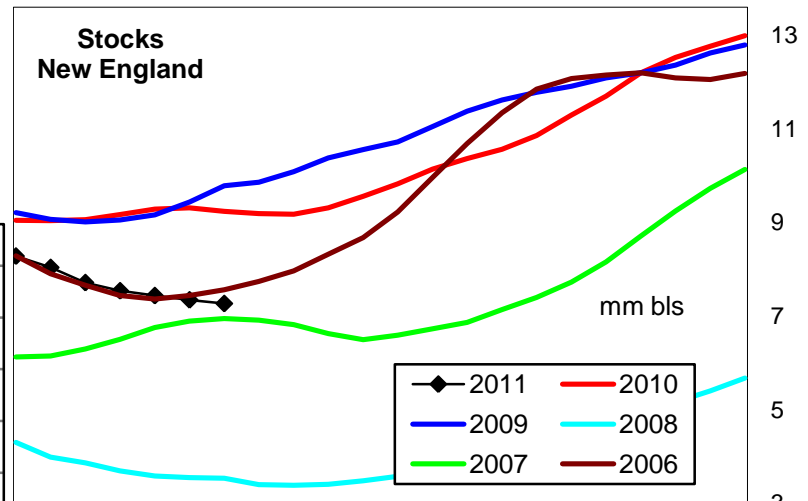
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
Central Atlantic	\$4.248	\$4.210	\$4.138	\$3.946	-\$0.192
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



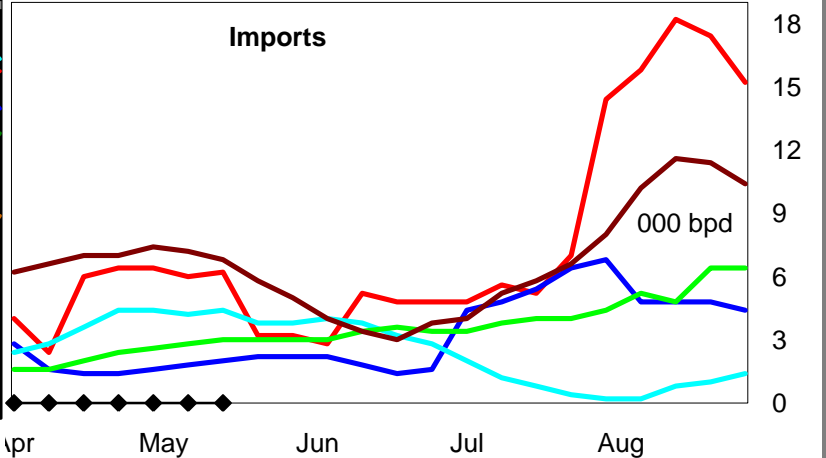
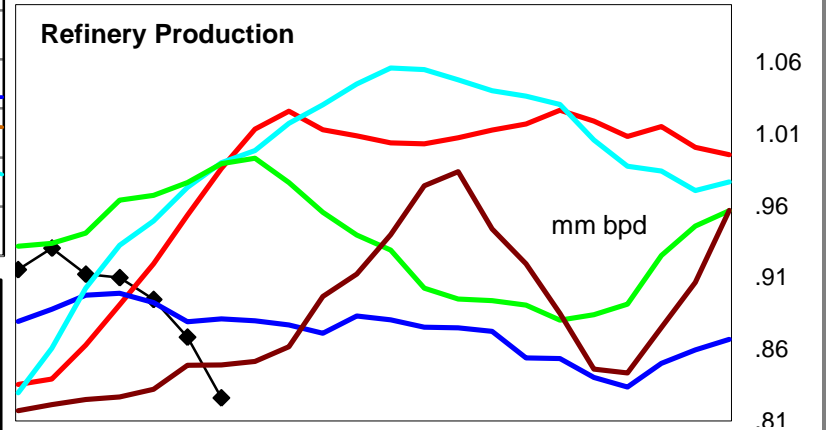
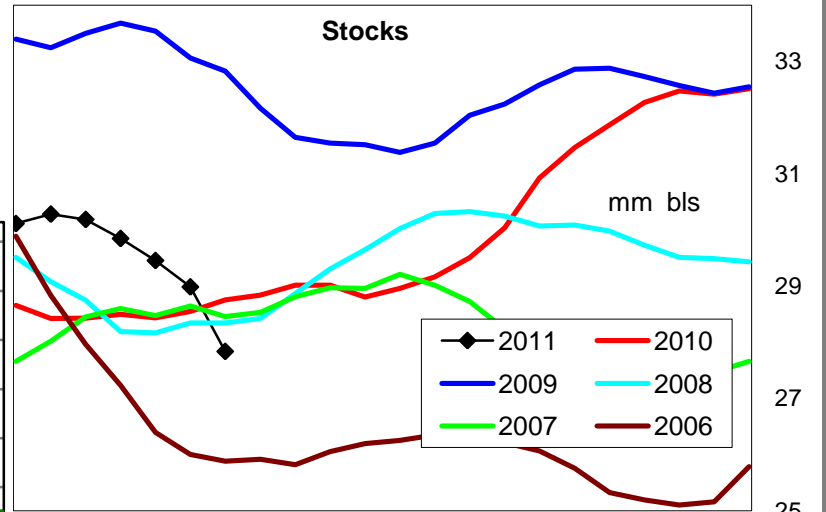
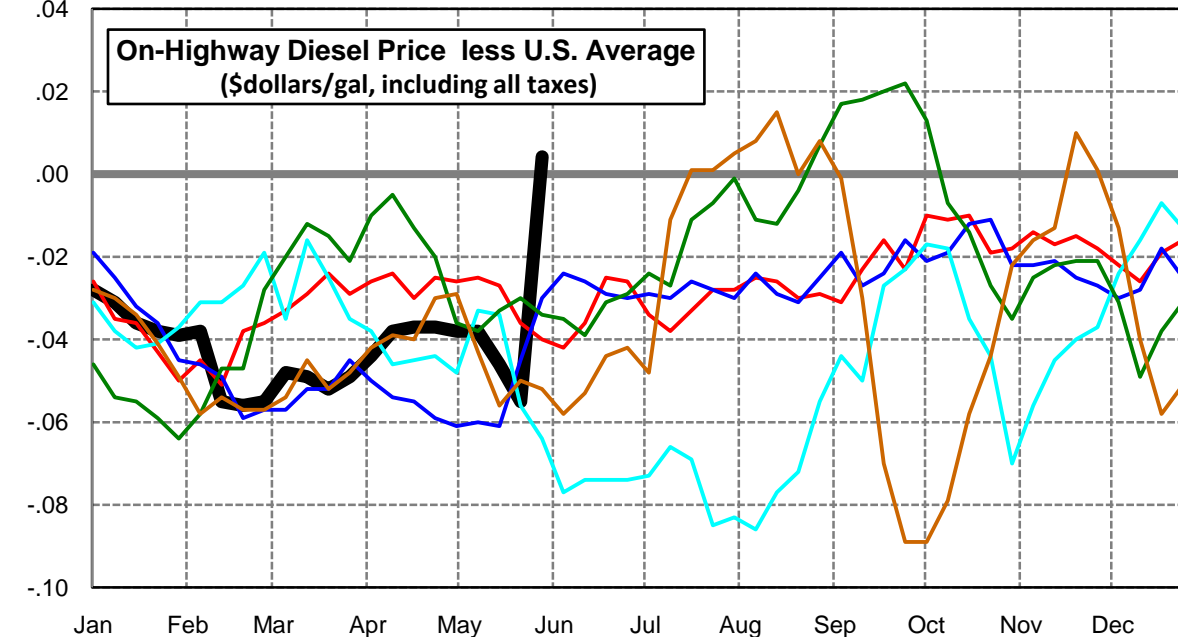
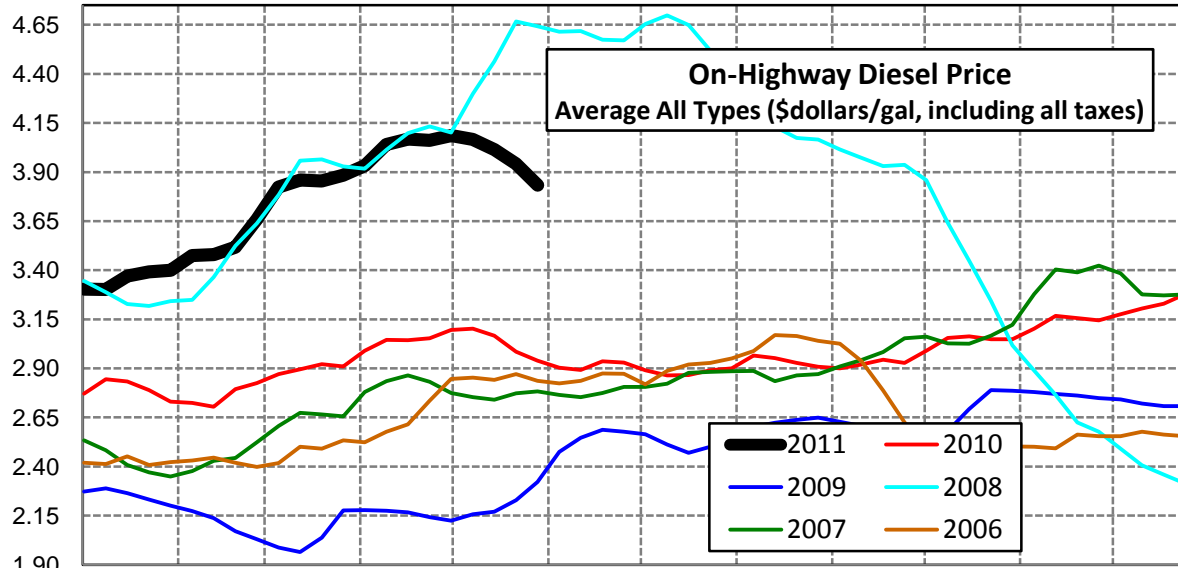
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
New England	\$4.218	\$4.207	\$4.161	\$3.929	-\$0.232
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



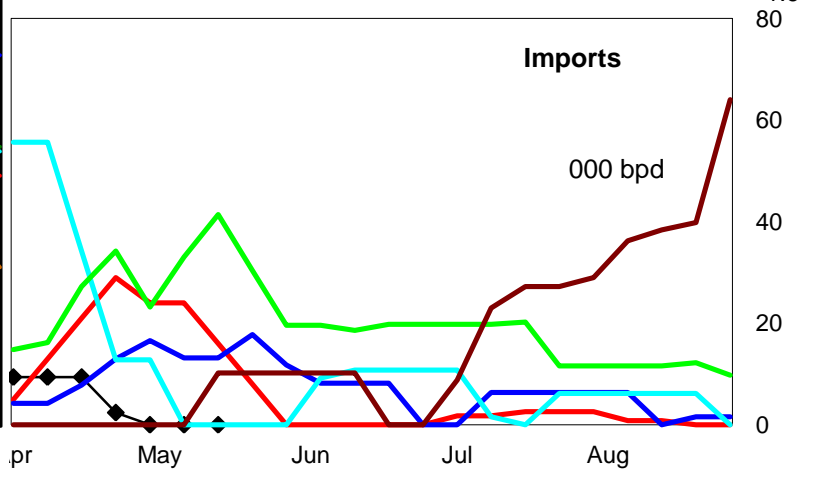
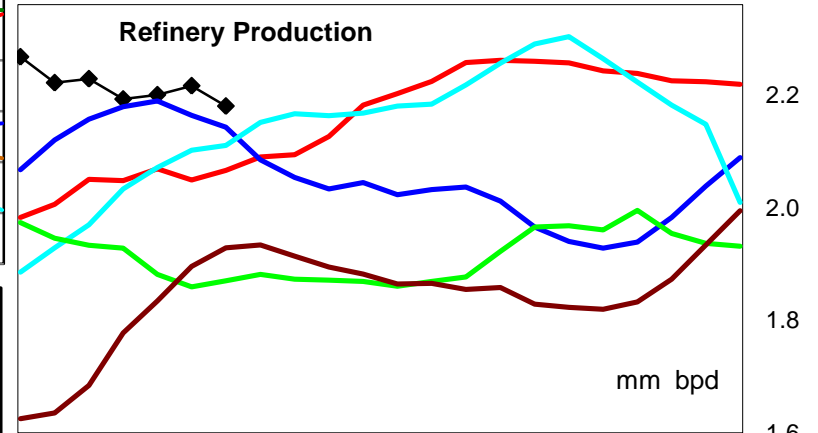
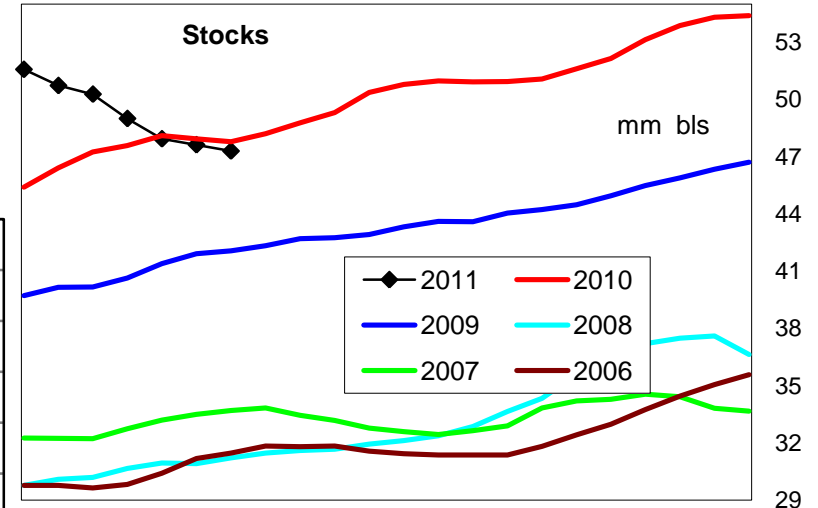
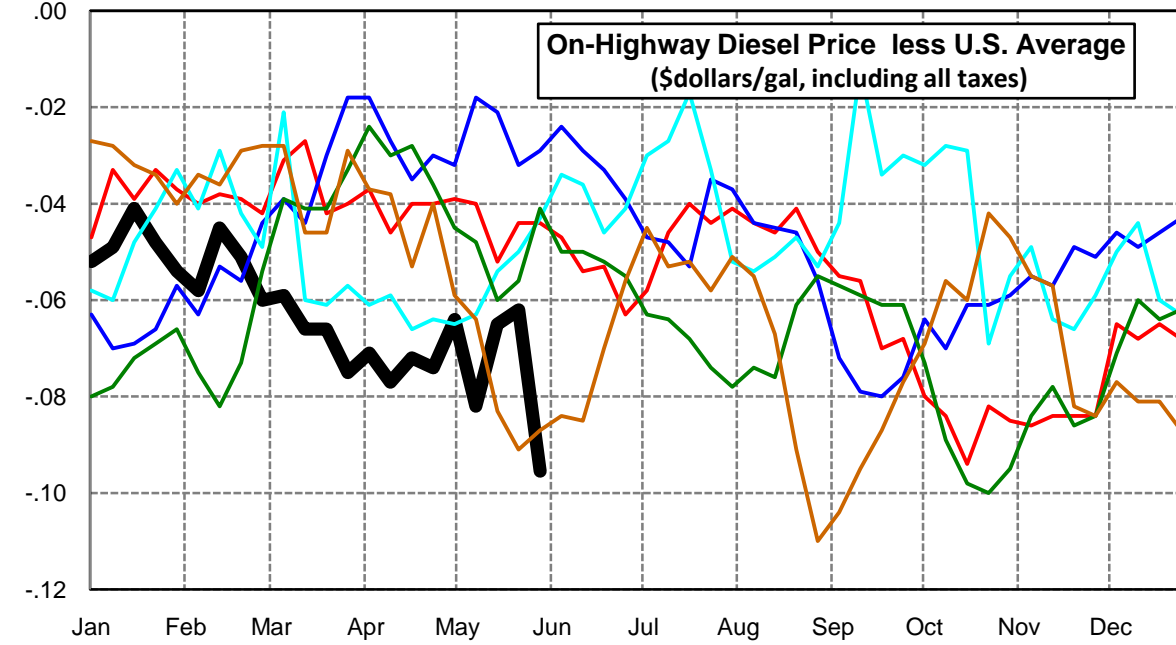
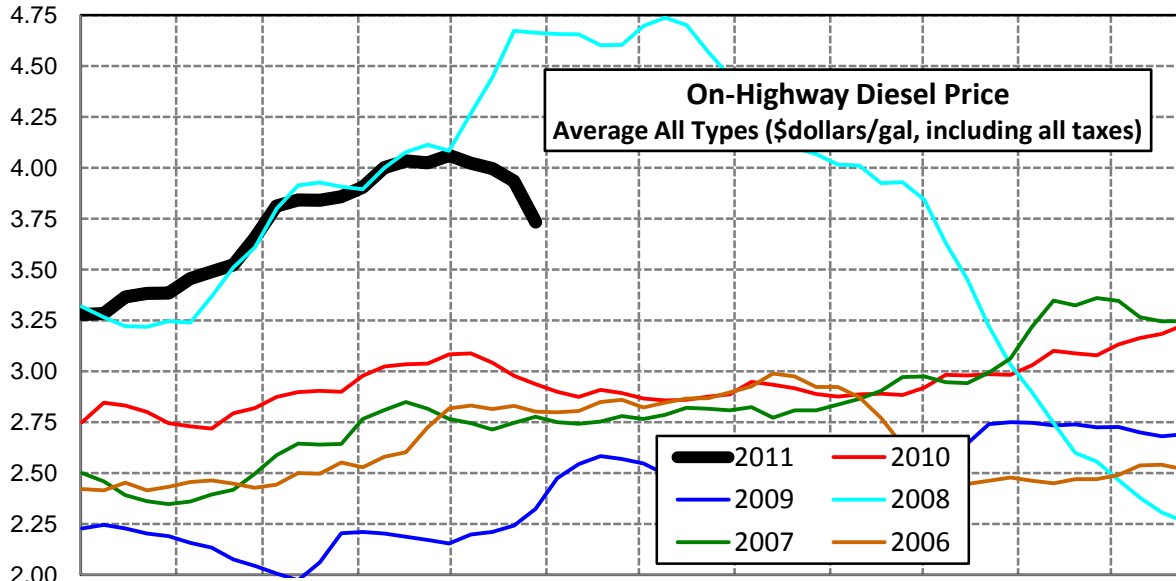
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
Midwest	\$4.066	\$4.015	\$3.942	\$3.833	-\$0.109
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					

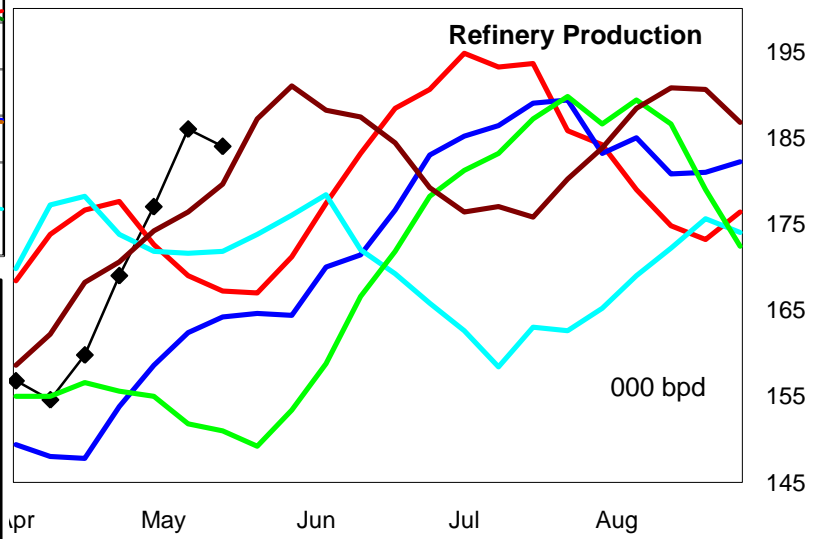
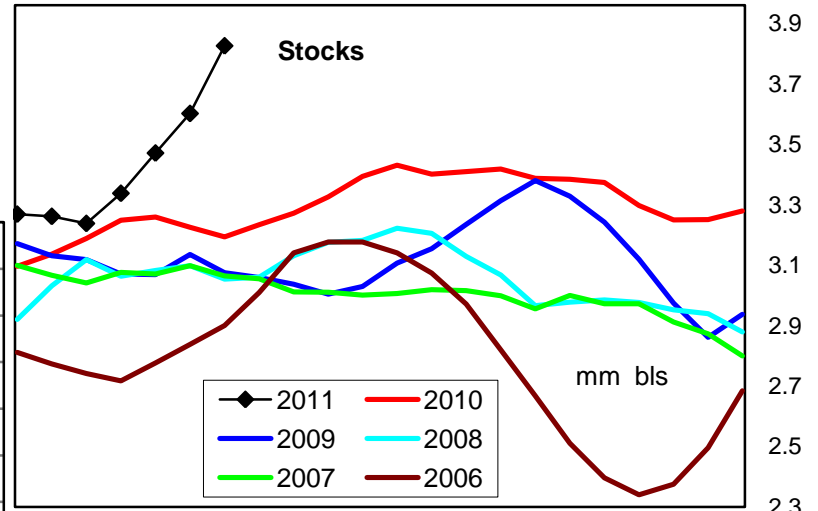
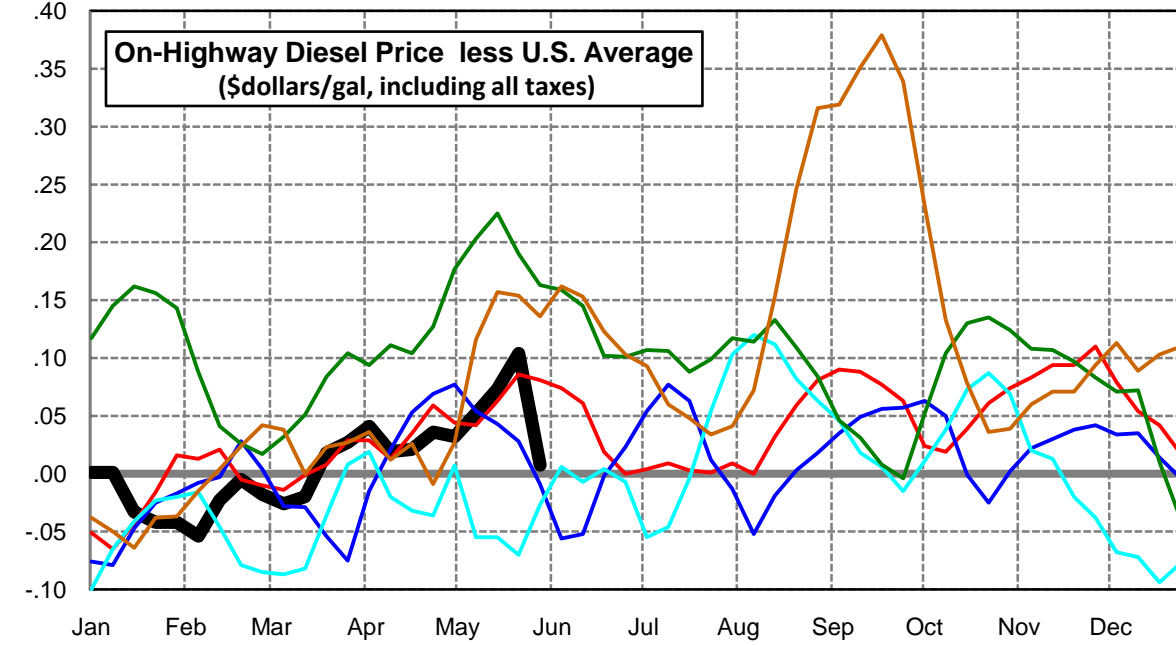
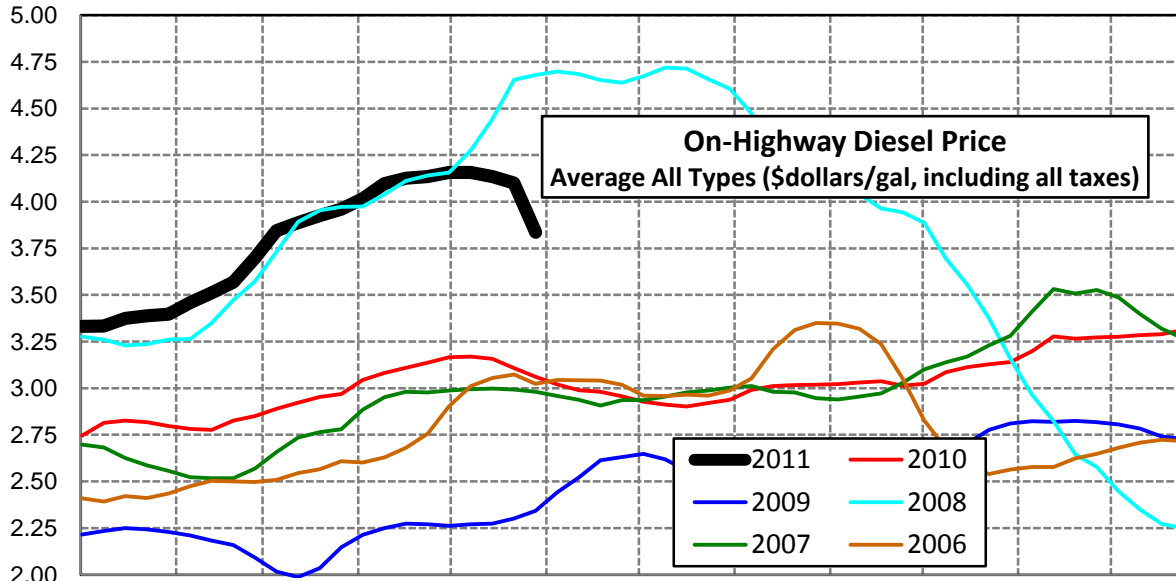


Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
Gulf Coast	\$4.022	\$3.996	\$3.935	\$3.733	-\$0.202
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					

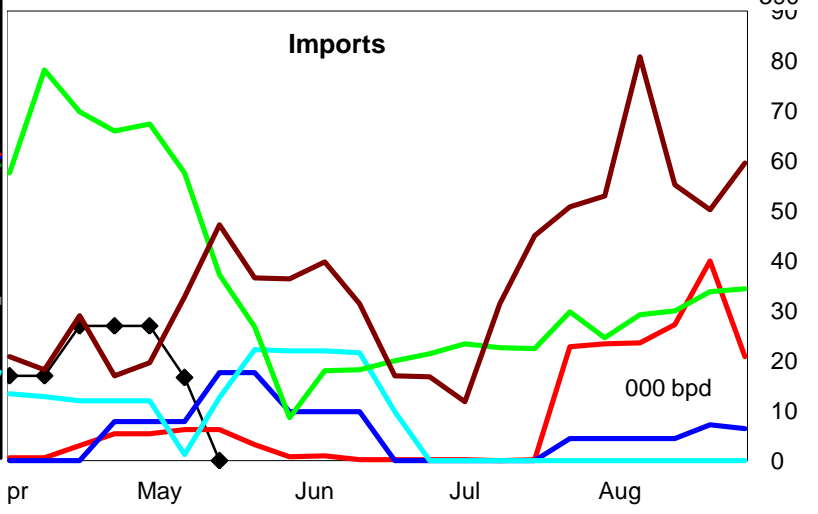
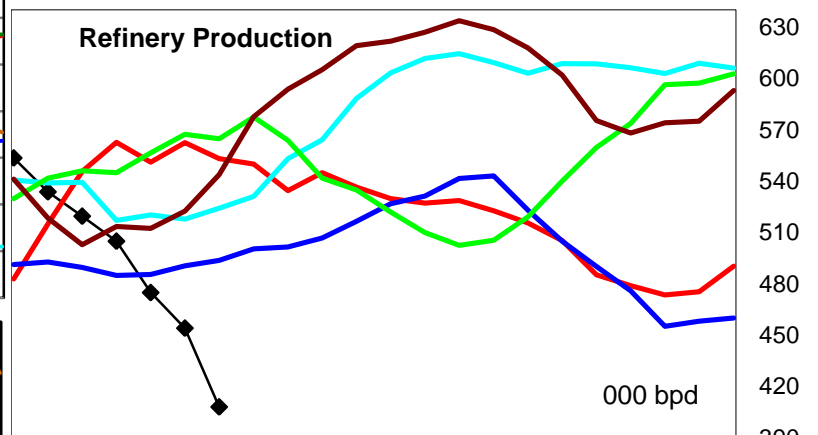
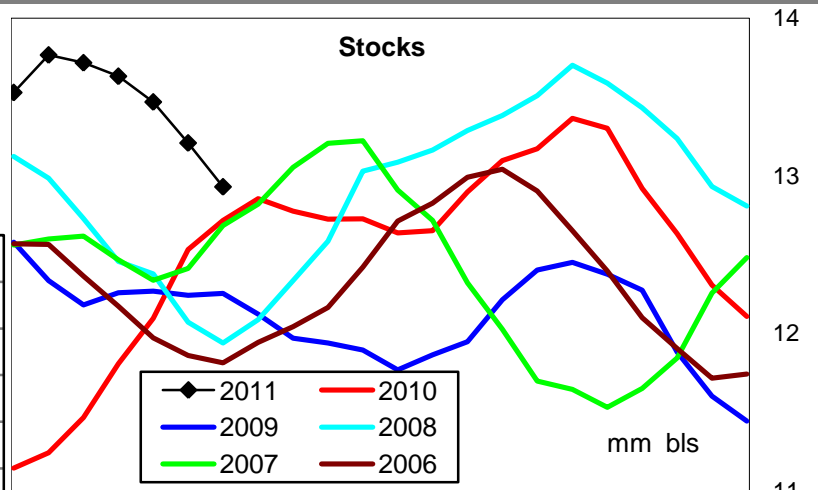
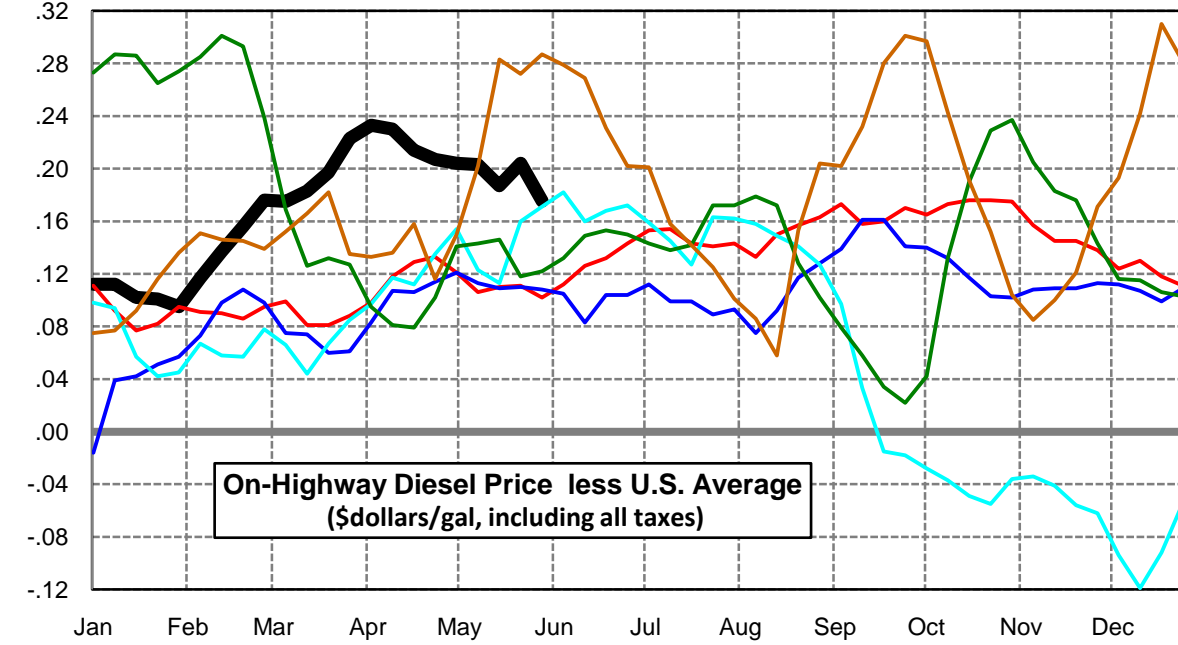
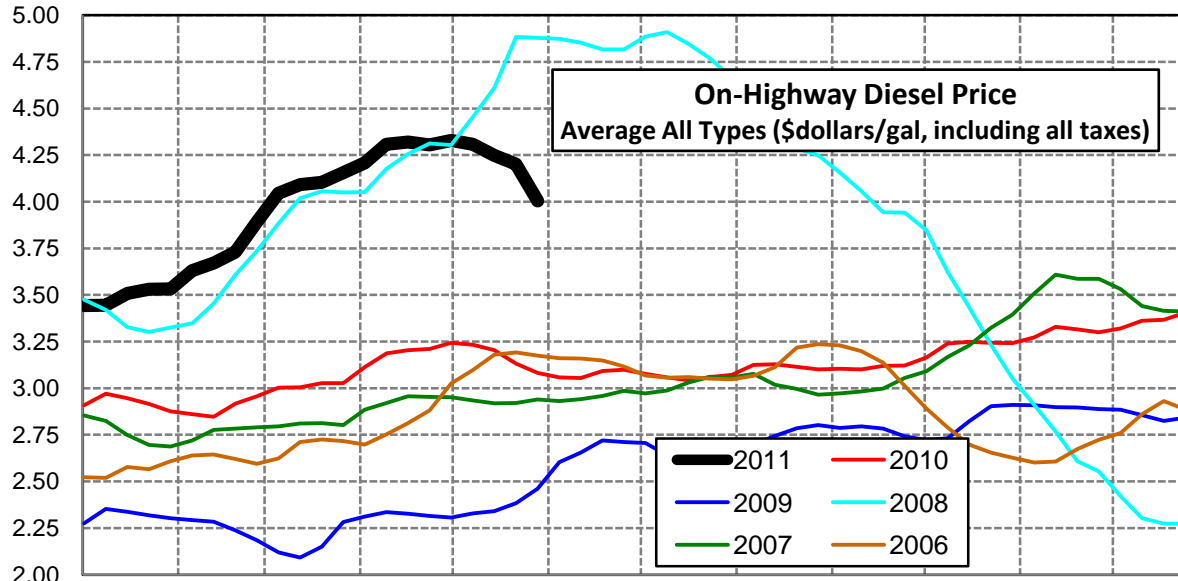


Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
Rocky Mountain	\$4.156	\$4.134	\$4.101	\$3.836	-\$0.265
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



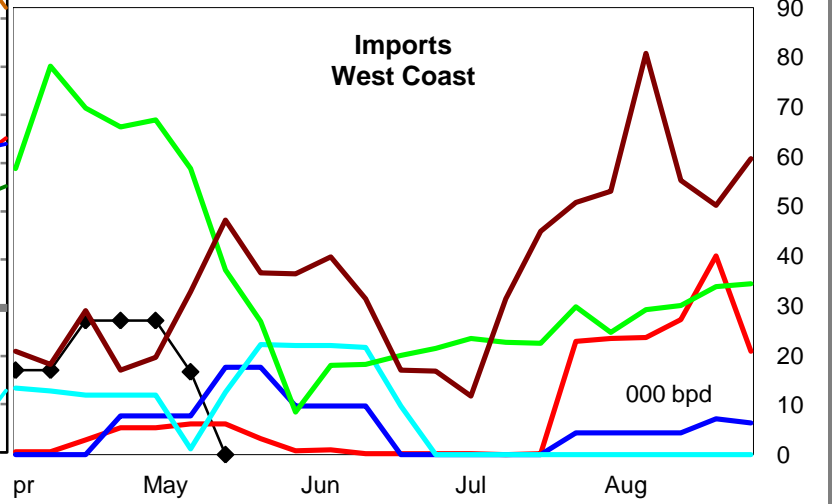
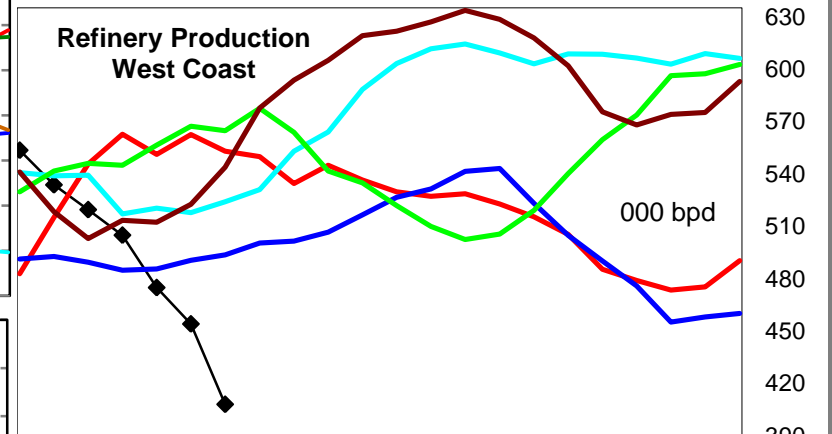
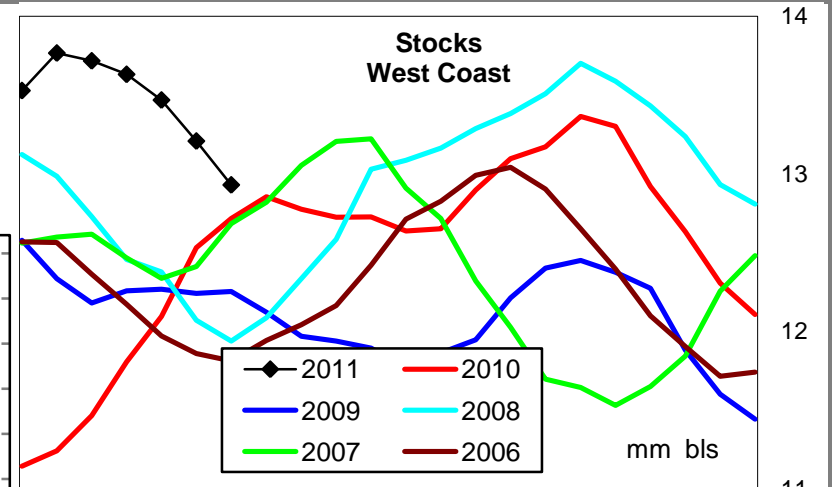
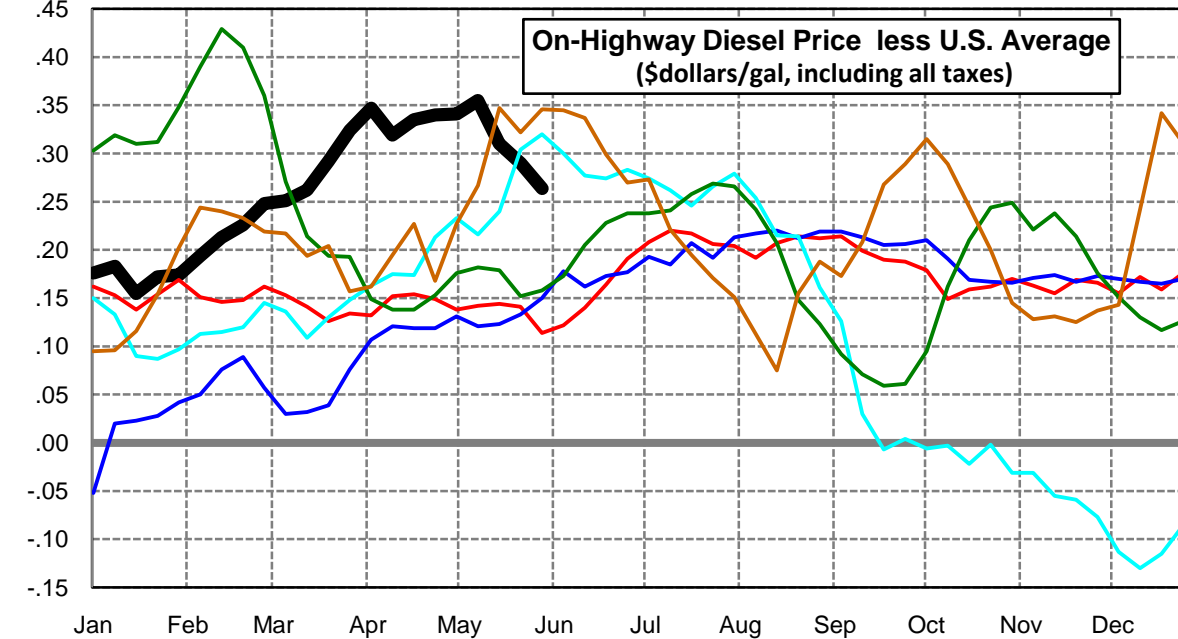
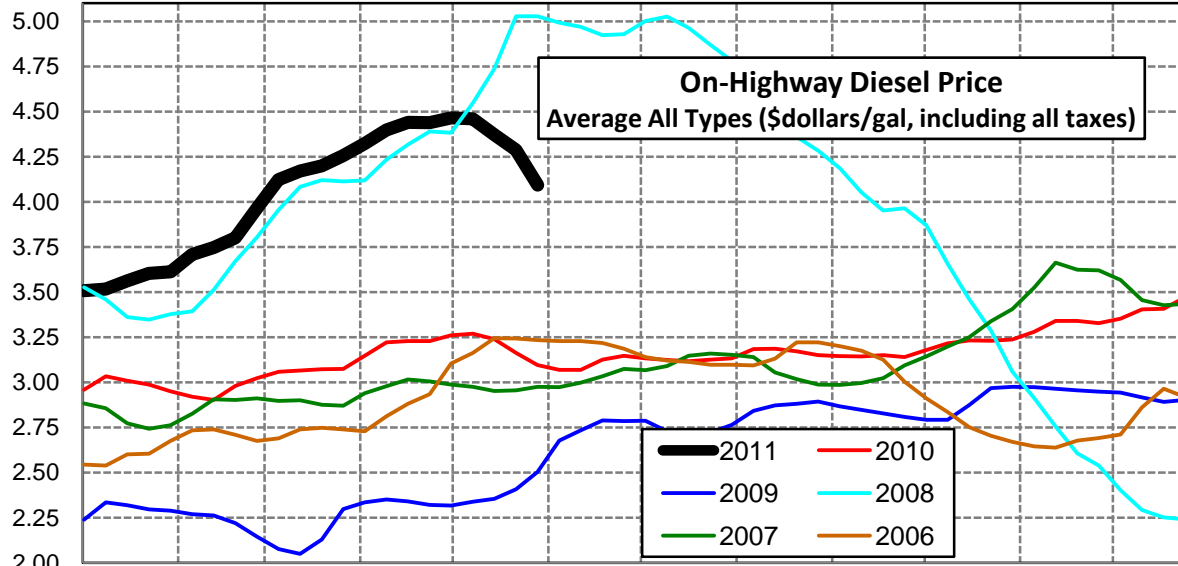
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
West Coast	\$4.307	\$4.248	\$4.201	\$4.004	-\$0.197
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



California Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May11	16May11	23May11	30May11	
California	\$4.459	\$4.371	\$4.287	\$4.092	-\$0.195
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



Week ending	Weekly On-Highway Diesel Prices									
	Average All Types (\$dollars/gal, including all taxes)									
Week ending	United States	East Coast	New England	Central Atlantic	Lower Atlantic	Mid West	Gulf Coast	Rocky Mtn	West Coast	California
Mon-04-Oct-10	3.000	2.997	3.040	3.095	2.952	2.990	2.920	3.024	3.165	3.179
Mon-11-Oct-10	3.066	3.065	3.118	3.178	3.011	3.055	2.982	3.085	3.239	3.215
Mon-18-Oct-10	3.073	3.072	3.140	3.188	3.016	3.063	2.979	3.112	3.249	3.232
Mon-25-Oct-10	3.067	3.064	3.136	3.180	3.008	3.048	2.985	3.128	3.243	3.229
Mon-01-Nov-10	3.067	3.063	3.147	3.181	3.005	3.049	2.982	3.141	3.242	3.237
Mon-08-Nov-10	3.116	3.114	3.170	3.225	3.061	3.102	3.030	3.199	3.273	3.279
Mon-15-Nov-10	3.184	3.187	3.230	3.303	3.133	3.167	3.100	3.278	3.329	3.339
Mon-22-Nov-10	3.171	3.172	3.235	3.293	3.115	3.156	3.087	3.265	3.316	3.340
Mon-29-Nov-10	3.162	3.166	3.237	3.288	3.108	3.144	3.078	3.272	3.300	3.328
Mon-06-Dec-10	3.197	3.206	3.315	3.328	3.144	3.175	3.132	3.276	3.321	3.352
Mon-13-Dec-10	3.231	3.248	3.373	3.364	3.187	3.205	3.163	3.285	3.361	3.403
Mon-20-Dec-10	3.248	3.260	3.375	3.381	3.197	3.229	3.183	3.290	3.366	3.407
Mon-27-Dec-10	3.294	3.313	3.406	3.428	3.256	3.278	3.226	3.311	3.405	3.470
Mon-03-Jan-11	3.331	3.357	3.427	3.470	3.303	3.303	3.279	3.332	3.443	3.507
Mon-10-Jan-11	3.333	3.364	3.450	3.478	3.308	3.302	3.284	3.334	3.445	3.516
Mon-17-Jan-11	3.407	3.448	3.560	3.556	3.392	3.371	3.366	3.374	3.509	3.562
Mon-24-Jan-11	3.430	3.480	3.609	3.590	3.421	3.392	3.382	3.388	3.531	3.602
Mon-31-Jan-11	3.438	3.494	3.633	3.611	3.432	3.399	3.384	3.396	3.533	3.612
Mon-07-Feb-11	3.513	3.565	3.717	3.682	3.501	3.475	3.455	3.459	3.630	3.707
Mon-14-Feb-11	3.534	3.587	3.749	3.700	3.524	3.479	3.489	3.511	3.671	3.747
Mon-21-Feb-11	3.573	3.620	3.769	3.734	3.557	3.517	3.522	3.568	3.729	3.799
Mon-28-Feb-11	3.716	3.764	3.903	3.875	3.703	3.661	3.656	3.698	3.892	3.964
Mon-07-Mar-11	3.871	3.908	4.046	4.014	3.850	3.823	3.812	3.845	4.046	4.122
Mon-14-Mar-11	3.908	3.946	4.081	4.061	3.885	3.859	3.842	3.888	4.091	4.170
Mon-21-Mar-11	3.907	3.938	4.087	4.046	3.878	3.855	3.841	3.925	4.104	4.199
Mon-28-Mar-11	3.932	3.952	4.095	4.061	3.892	3.883	3.857	3.959	4.155	4.256
Mon-04-Apr-11	3.976	3.982	4.109	4.092	3.923	3.932	3.905	4.017	4.209	4.323
Mon-11-Apr-11	4.078	4.082	4.154	4.204	4.024	4.040	4.001	4.097	4.308	4.397
Mon-18-Apr-11	4.105	4.111	4.212	4.229	4.051	4.068	4.033	4.126	4.319	4.440
Mon-25-Apr-11	4.098	4.105	4.222	4.238	4.038	4.061	4.024	4.134	4.305	4.438
Mon-02-May-11	4.124	4.128	4.231	4.269	4.059	4.086	4.060	4.156	4.328	4.465
Mon-09-May-11	4.104	4.117	4.218	4.248	4.052	4.066	4.022	4.156	4.307	4.459
Mon-16-May-11	4.061	4.075	4.207	4.210	4.005	4.015	3.996	4.134	4.248	4.371
Mon-23-May-11	3.997	4.011	4.161	4.138	3.943	3.942	3.935	4.101	4.201	4.287
Mon-30-May-11	3.829	3.828	3.929	3.946	3.765	3.833	3.733	3.836	4.004	4.092

Glossary and Definitions - Weekly Diesel Price - Fundamental Trends Report

U.S. Energy Information Administration: Source of weekly supply - demand diesel (distillate) fundamental data gathered through weekly survey of refiners, blenders, marketers, distributors.

Weekly Retail On-Highway Diesel Prices: Prepared by the EIA through a weekly survey of retail diesel marketers conducted each Monday. Many transportation firms use this data source to set fuel surcharge rates.

Gulf Coast ULSD (ultra low sulfur distillate) Spot Market Prices: Daily price data provided to the EIA by Thomson Reuters. Weekly data is an un weighted average of the daily prices.

Regional Markets: The EIA has defined five regions called PADD's for Petroleum Administration for Defense Districts which are used to aggregate weekly supply - demand fundamental statistics as well as retail On-Highway diesel prices. Those regions are illustrated on the U.S. Map, Page 2 of this report. In addition the EIA provides prices for the state of California, and three sub regions of PADD 1; New England, Central Atlantic and Lower Atlantic.

On-Highway Diesel Price less U.S. Average: This is the difference between the specific regional market and the U.S. Average price. The variance reflects differences in refining cost, wholesale distribution cost, product grade specifications, taxes, and market power by marketers to set prices.

Temporary variations also reflect the relative supply - demand balance; for example during periods that Eastern Canadian refiners are down for maintenance diesel supplies in the New England Region may become very tight, thus driving up the premium that New England prices have over the U.S. average price.

This difference also reflects the '**basis risk**' which a transport firm operating in a specific region experiences if using the U.S. Average price to hedge fuel cost or set fuel surcharge rates.

Week ahead On-Highway Retail Diesel Price Forecast: Prepared by Fundamental Petroleum Trends Reports using spot and futures market prices as reported by the EIA, and seasonal indices in proprietary statistical models.