



RETAIL DIESEL FUEL OUTLOOK

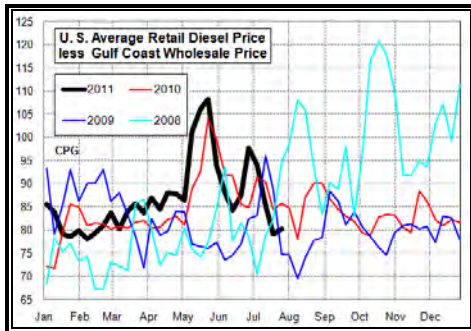
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Monday, July 25, 2011

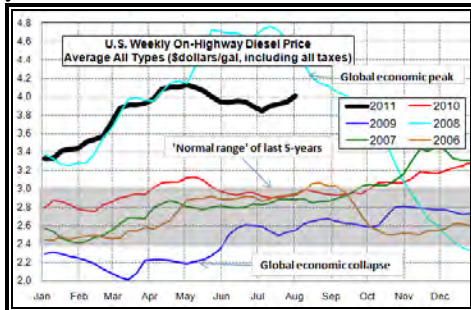
| Region | Actual Price 1/ | | | Forecast 2/ | Change from week ago |
|------------------|-----------------|---------|---------|-------------|----------------------|
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| U.S. | 3.899 | 3.923 | 3.949 | 4.008 | 0.059 |
| East Coast | 3.926 | 3.963 | 3.988 | 4.045 | 0.057 |
| New England | 4.012 | 4.034 | 4.037 | 4.188 | 0.151 |
| Central Atlantic | 4.034 | 4.066 | 4.090 | 4.166 | 0.076 |
| Lower Atlantic | 3.872 | 3.912 | 3.940 | 3.982 | 0.042 |
| Midwest | 3.875 | 3.903 | 3.925 | 3.962 | 0.037 |
| Gulf Coast | 3.856 | 3.882 | 3.913 | 3.965 | 0.052 |
| Rocky Mountain | 3.838 | 3.827 | 3.848 | 4.029 | 0.181 |
| West Coast | 4.012 | 4.005 | 4.038 | 4.139 | 0.101 |
| California | 4.099 | 4.114 | 4.145 | 4.215 | 0.070 |

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

Diesel Fuel Price Trends U.S. retail diesel prices increased +2.6 cpg for the week ending 25Jul11. The increased reflected the uptrend in the wholesale spot markets.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price increased +1 cpg last week on flat week-on-week change in wholesale prices. The spread ended the week below the average of the last 3-years for this time of year.



The national average on-highway price ended the week \$0.65/gal below the high set in 2008 for this time of year, but +\$1.03/gallon above a year ago.

Prices increased +3.3 cpg on the West Coast and 3.1 cpg in the Gulf Coast Regions last week. The lowest increases occurred in the New England Region, +0.3 cpg and the Rocky Mountain region, +2.1

cpg. Gulf Coast wholesale distillate prices increased +2.5 cpg for the week ending 25Jul11. Gulf wholesale prices ended the week above the 1-month, 3-month and 6-month moving averages. Gulf wholesale spot prices are +35 cpg above the lows reached in mid June.

U.S. average retail prices have declined -17 cpg from highs reached in mid May. The spread between retail and wholesale spot prices traded below the average of the past 3-years.



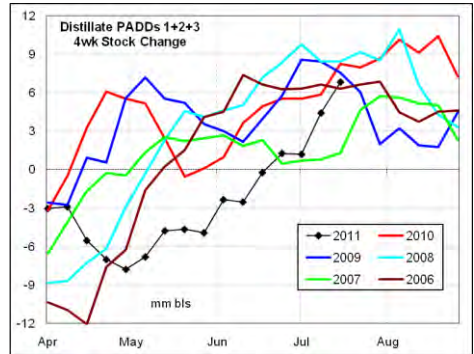
With wholesale cost on the uptrend again, and the spread between retail and wholesale below normal, expect retail prices to move higher.

Supply - Demand Fundamental Trends U.S. weekly distillate demand increased +78,000 bpd last week, less than expected after the 4th of July week collapse of -419,000 bpd. Demand during the latest 4-wk period was -2.5% below a year ago, pointing to continued weak economic growth.

Record high U.S. exports and record low imports indicate continued robust economic growth in developing countries of the Atlantic Basin region. Strength in demand by developing countries continues to offset weakness caused by the sovereign debt crisis in Europe and slow growth in the U.S.

U.S. supply increased +68,000 bpd, with production levels near 5-year highs. Imports remain at record low levels, down

-50% from last year. Continued weak demand and seasonal high production led to a +3.4 million barrel stock build for the week. This represented the 2nd consecutive weekly above average stock build.



Stock levels were -18 million barrels below a year ago with the latest 4-wk average build in markets East of the Rockies climbing to the historic mid range.

Global Trends Driving Diesel Prices

The ongoing European debt crisis points to further slowing of growth in that region of the country. U.S. domestic distillate demand remains unusually weak, point to very slow economic growth. Exports from the U.S. remain robust, while record low imports point to competition from other Atlantic Basin countries for supplies normally exported to the U.S. East Coast.

There is risk of further price weakness during the balance of the summer on a continued slowing of economic growth and above average U.S. stock building. The market will be sensitive to risk of hurricane supply disruptions on the Gulf for the next quarter.

Diesel Price Outlook U.S. average retail prices are projected to increased +5.9 cpg this week, in response to the earlier rebound in wholesale spot prices.

A gradual tightening of supplies in the Rocky Mountain, New England and West Coast regions should lead to above average price increases in those areas. Improving supplies in the Southeast, Gulf and Midwest should limit increases to below the average in these regional markets.

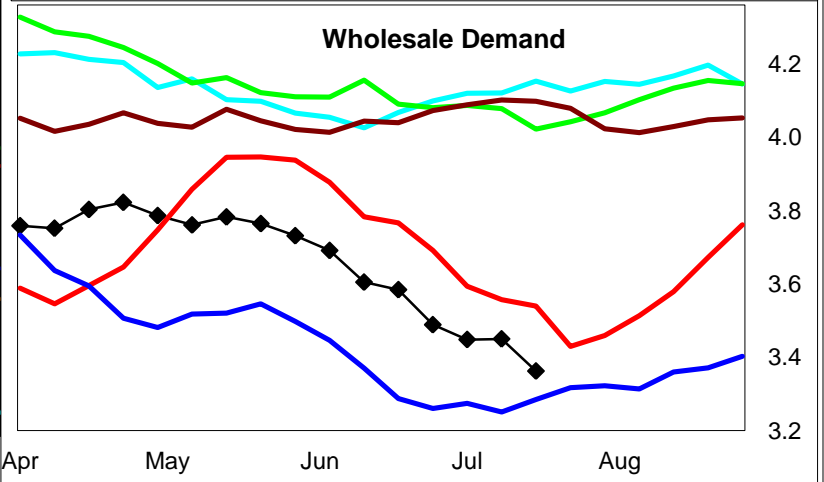
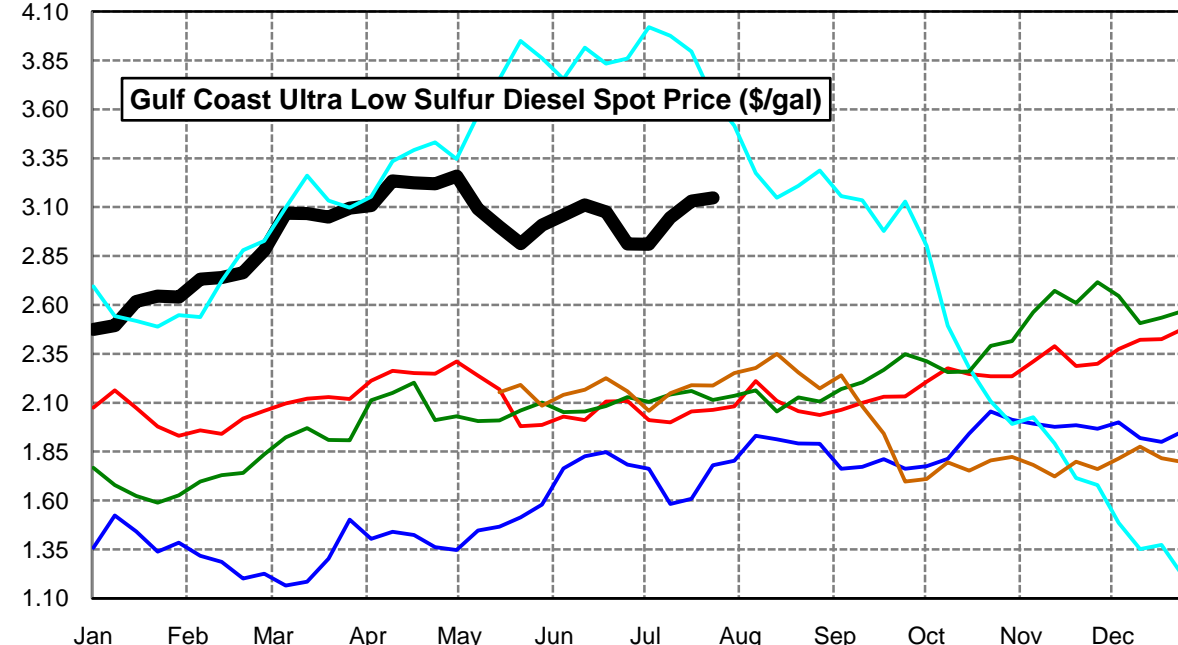
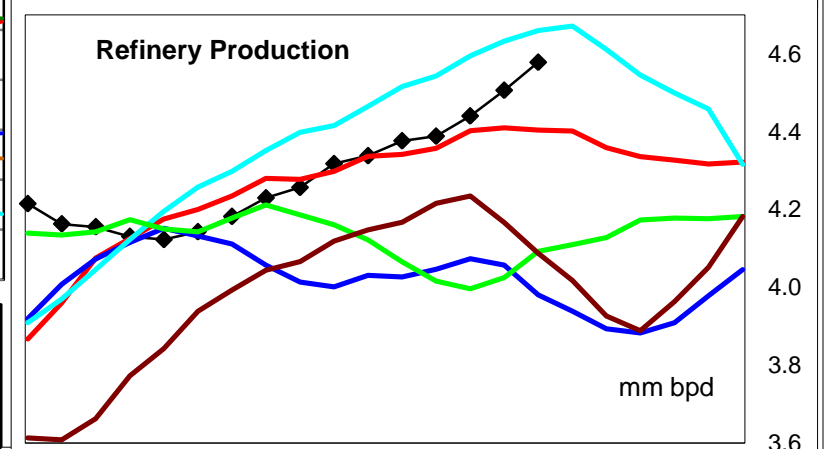
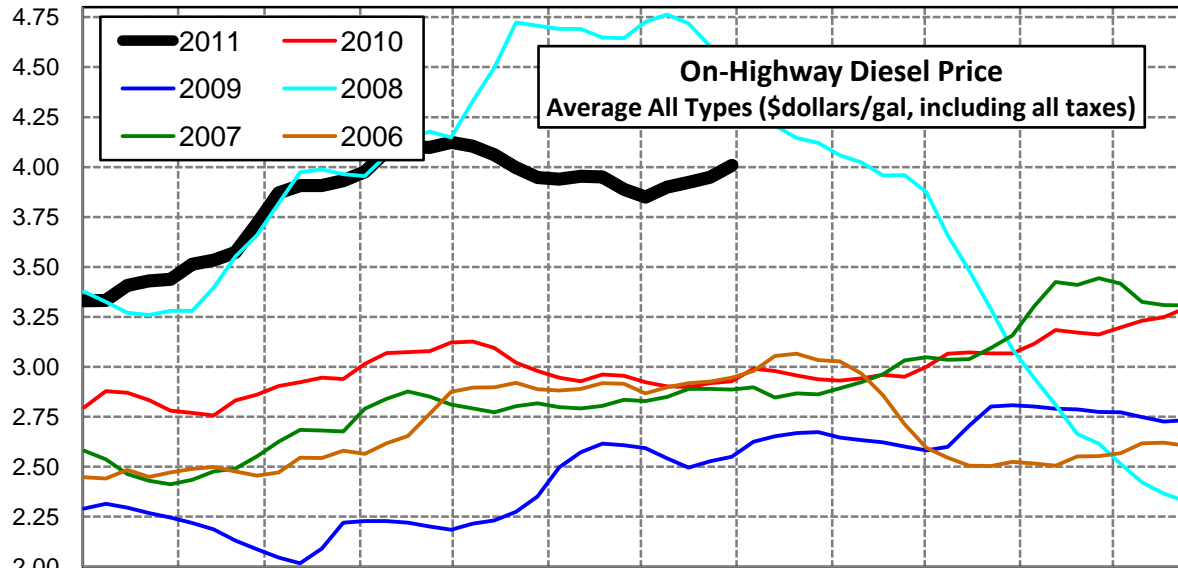
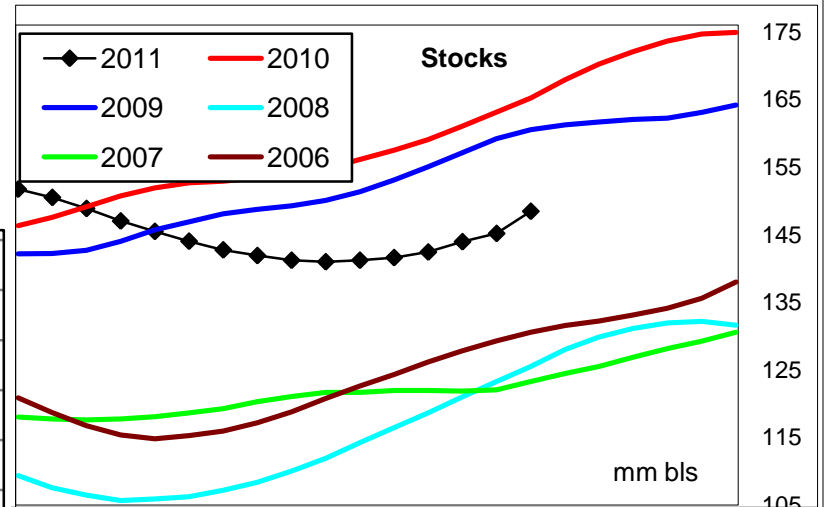
Slower global economic growth during the 2nd half or 2011 will likely lead to a pull back in retail diesel prices.

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



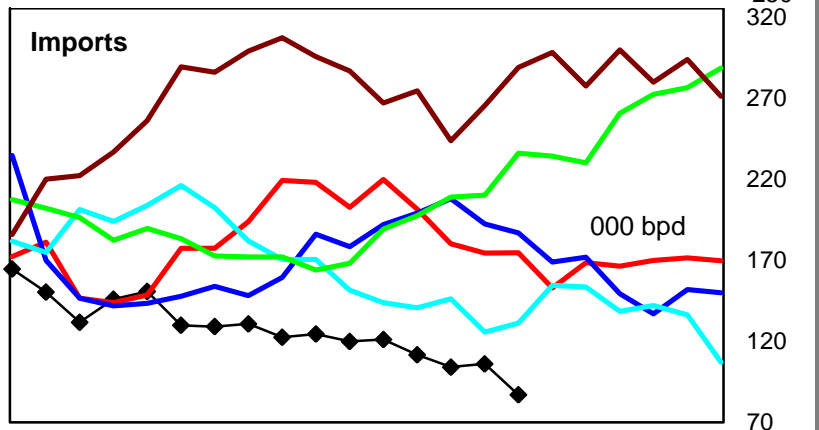
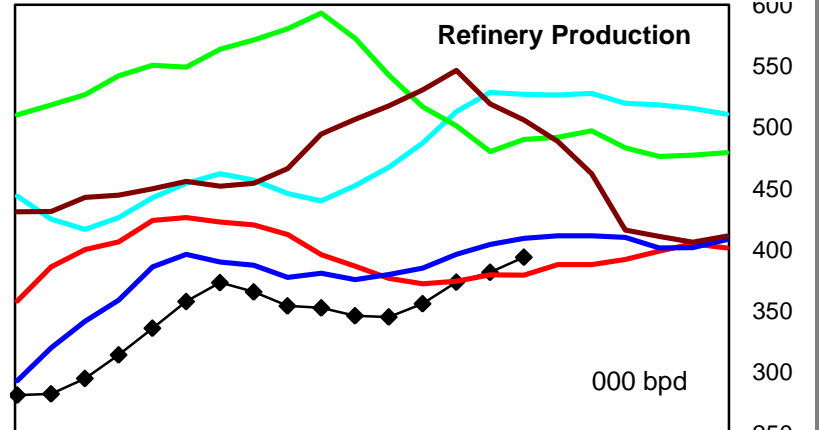
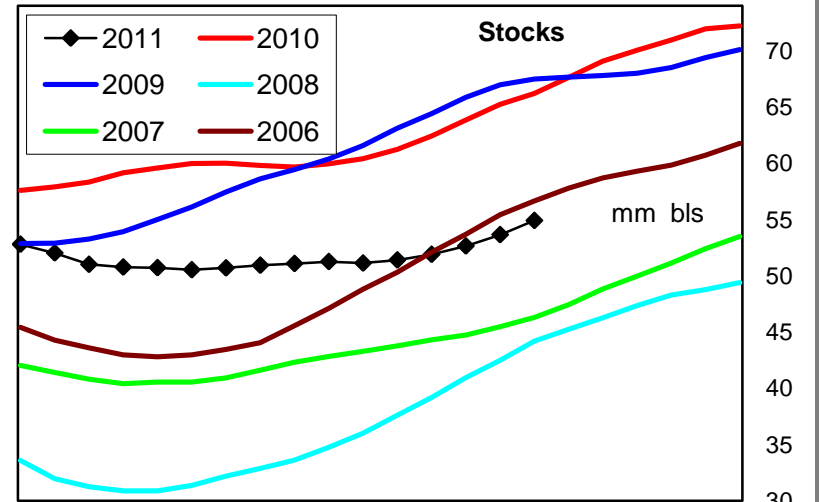
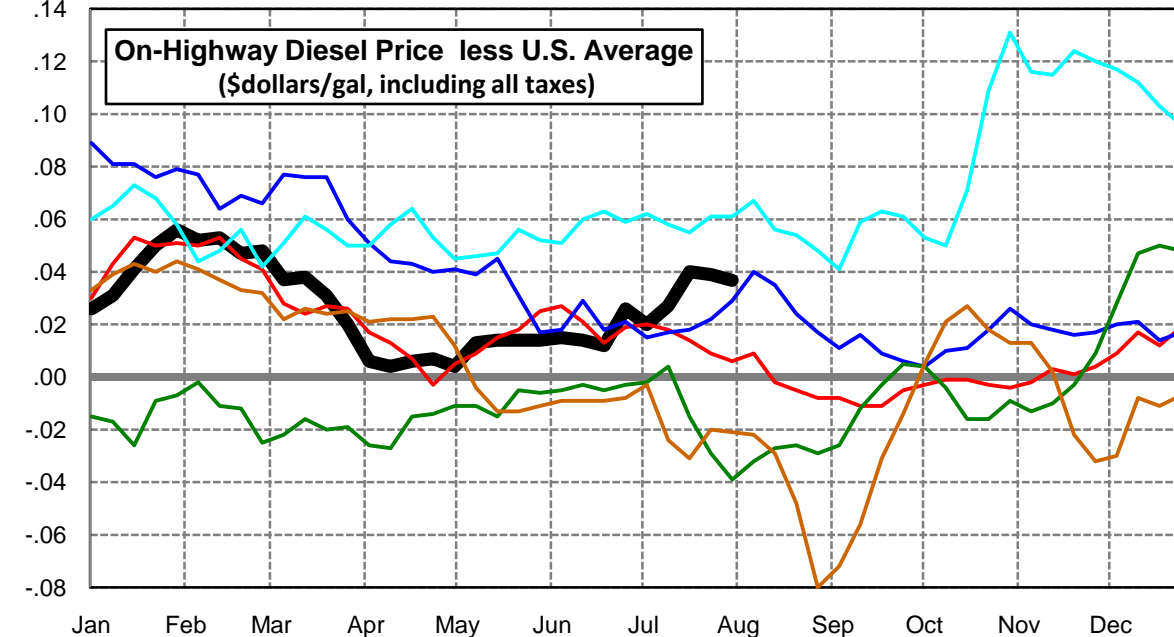
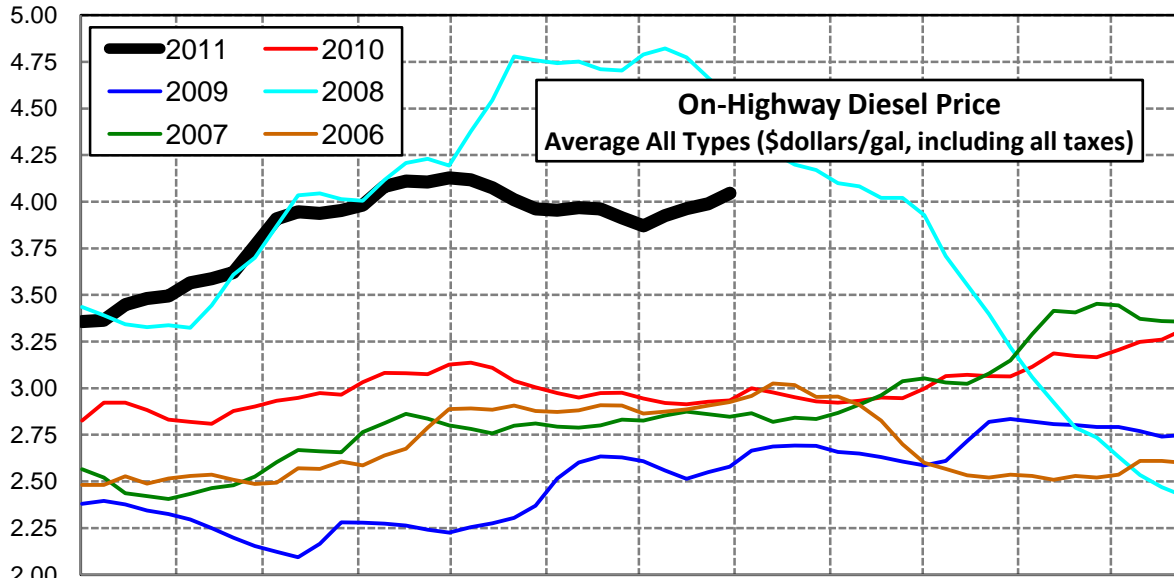
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| United States Avg | \$3.899 | \$3.923 | \$3.949 | \$4.008 | \$0.059 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



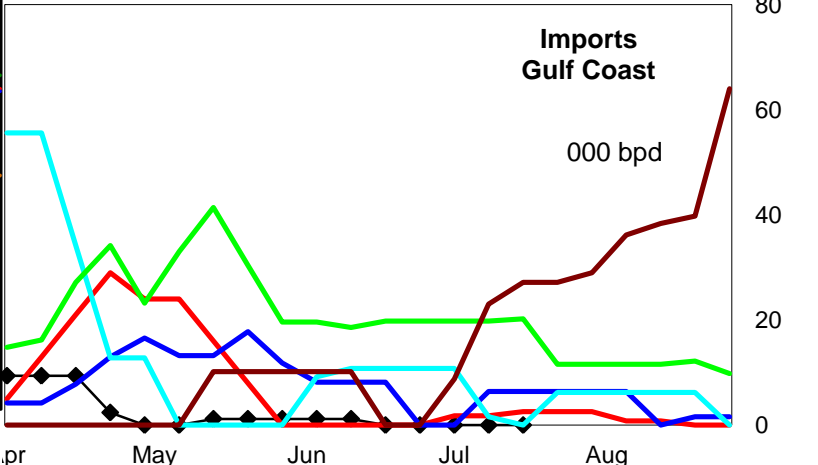
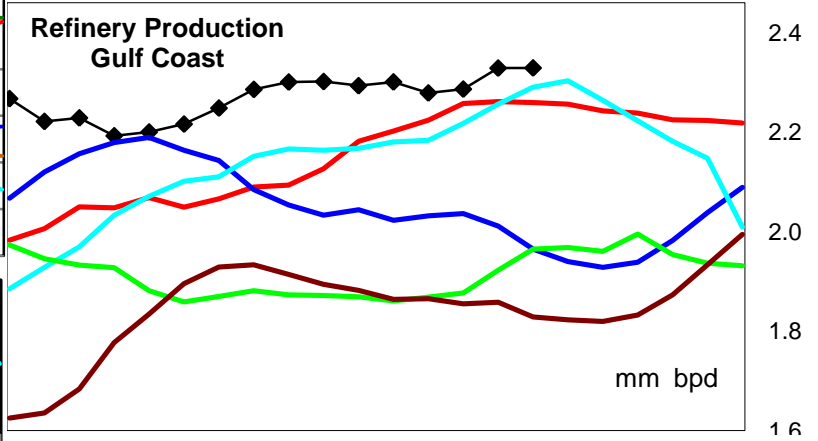
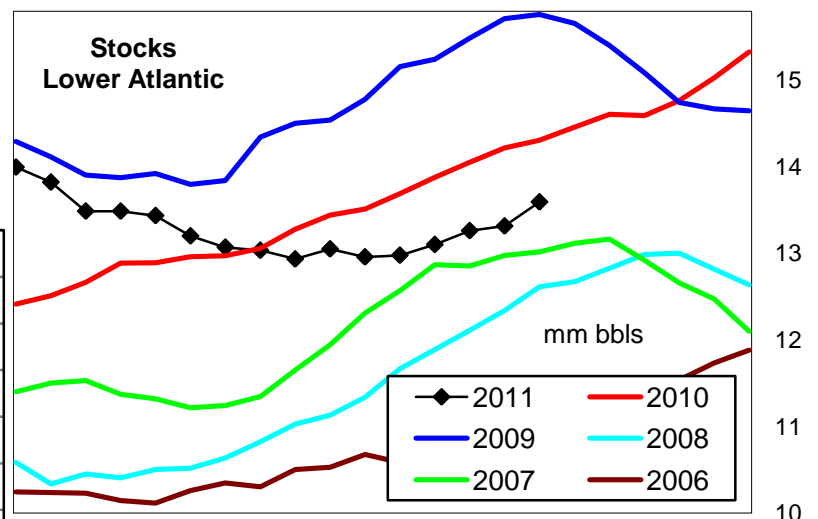
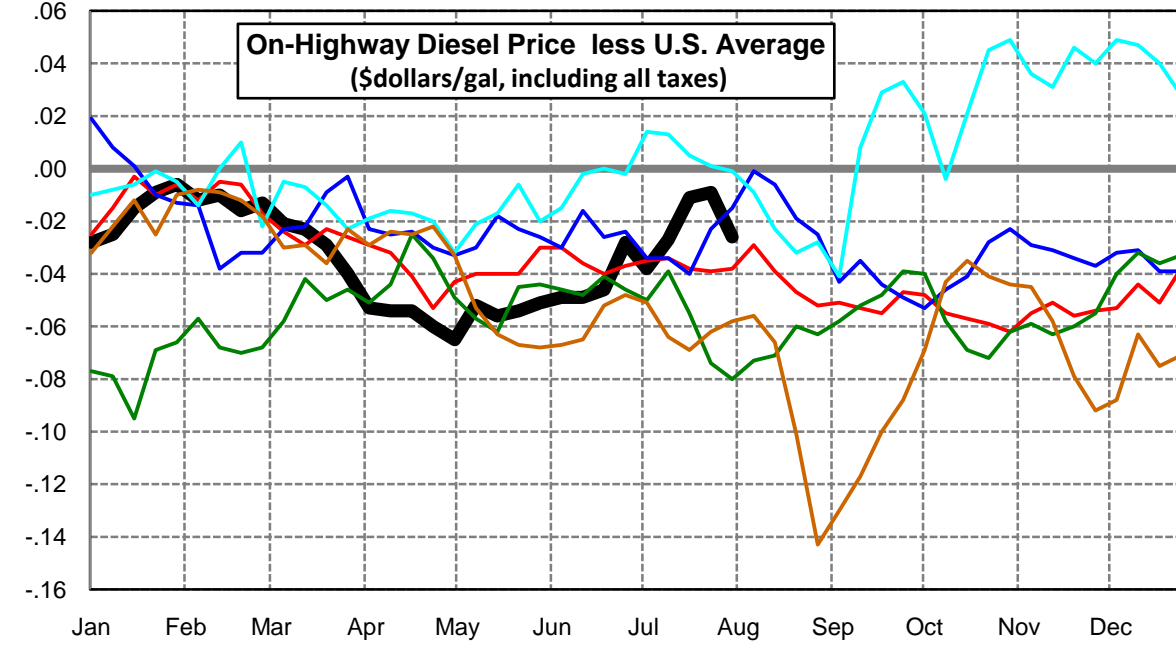
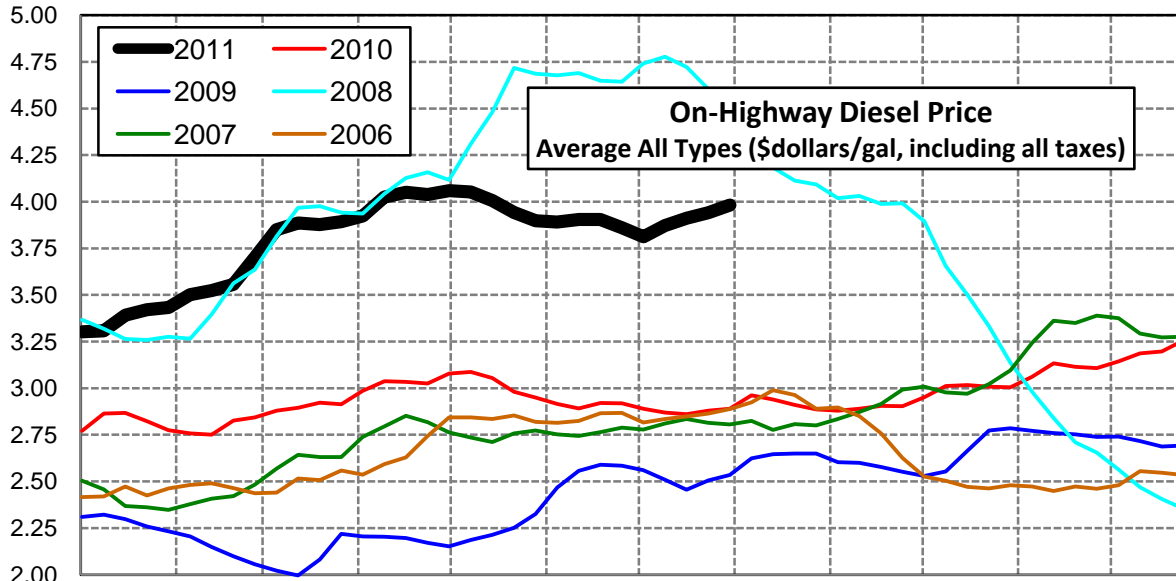
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| East Coast | \$3.926 | \$3.963 | \$3.988 | \$4.045 | \$0.057 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



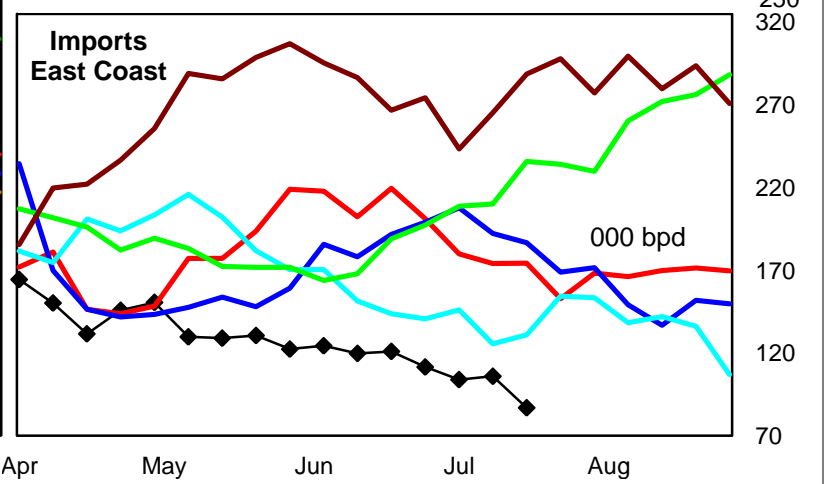
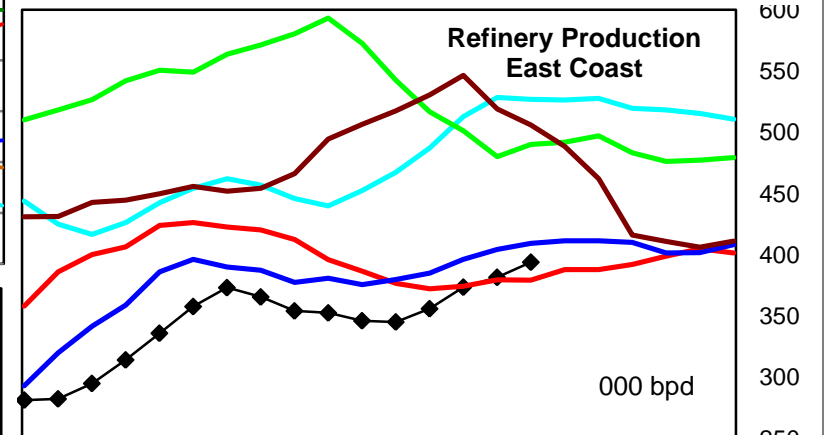
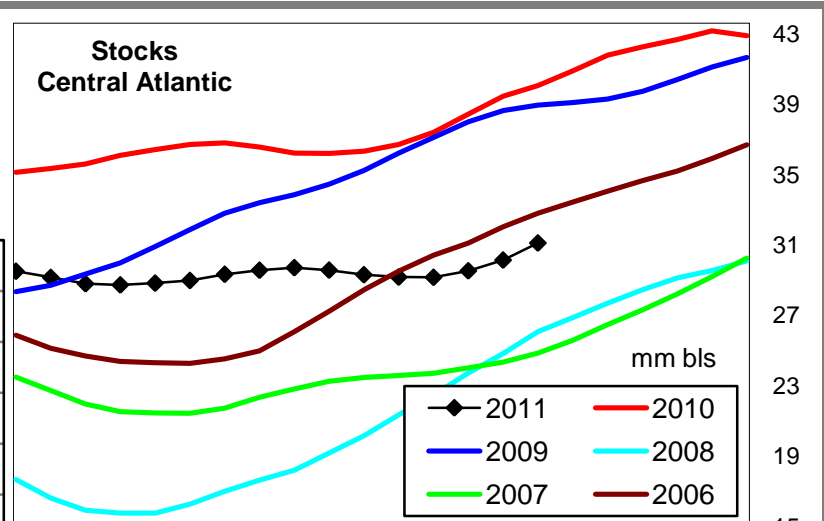
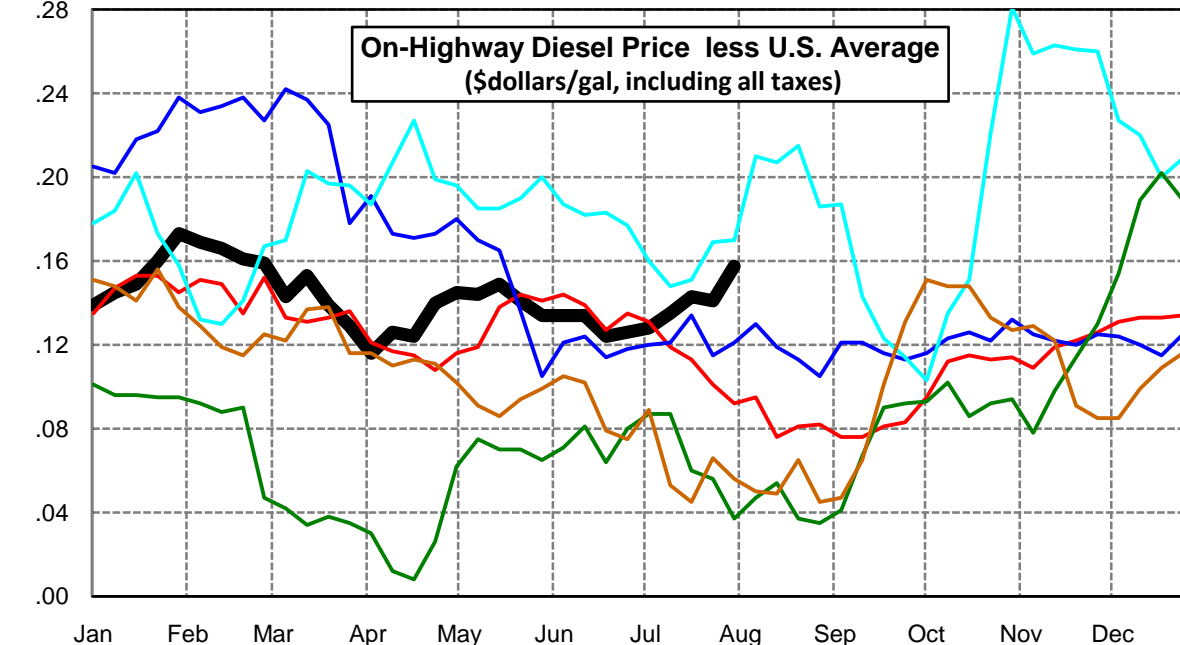
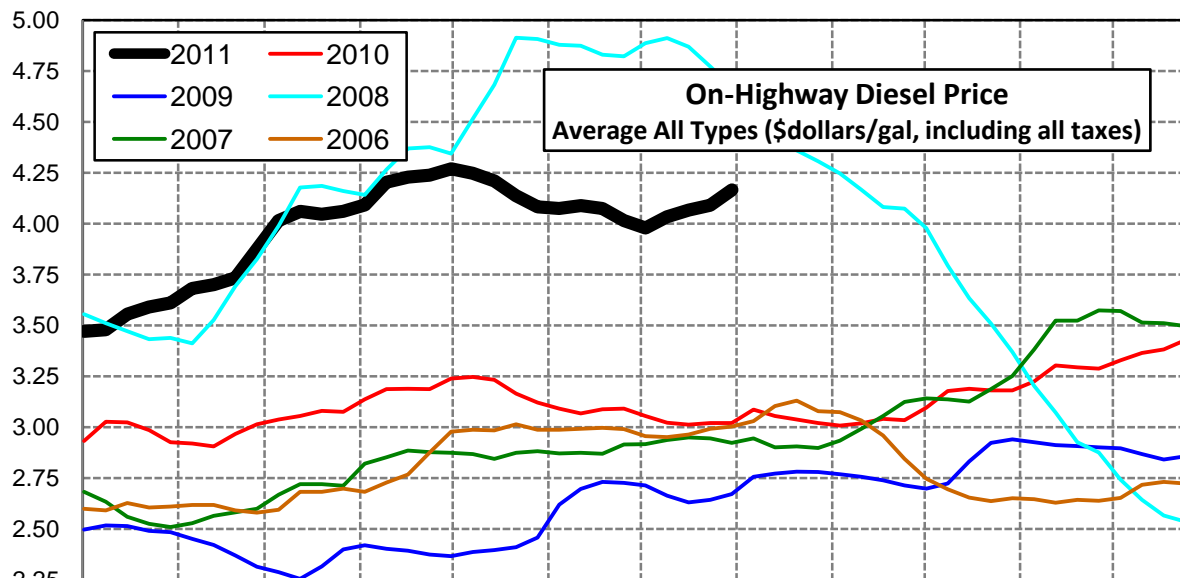
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|-------------|------------------|---------|
| Region | Actual Price week ending 1/ | | Forecast 2/ | Change from week | |
| | 11Jul11 | 18Jul11 | 01Aug11 | | |
| Lower Atlantic | \$3.872 | \$3.912 | \$3.940 | \$3.982 | \$0.042 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



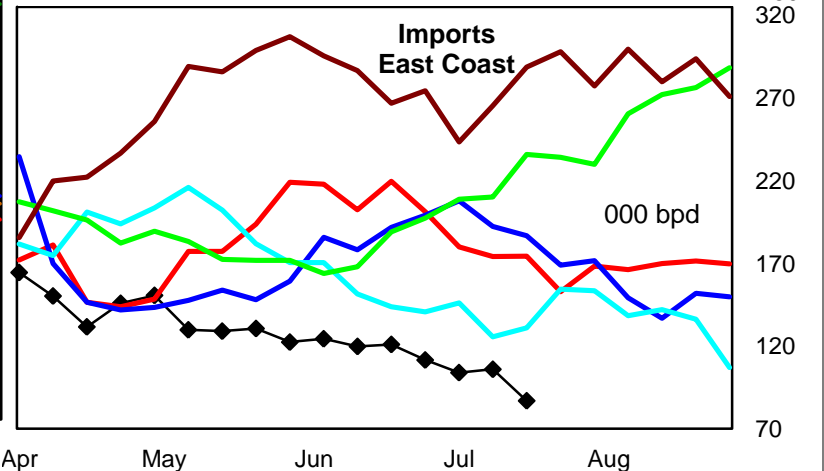
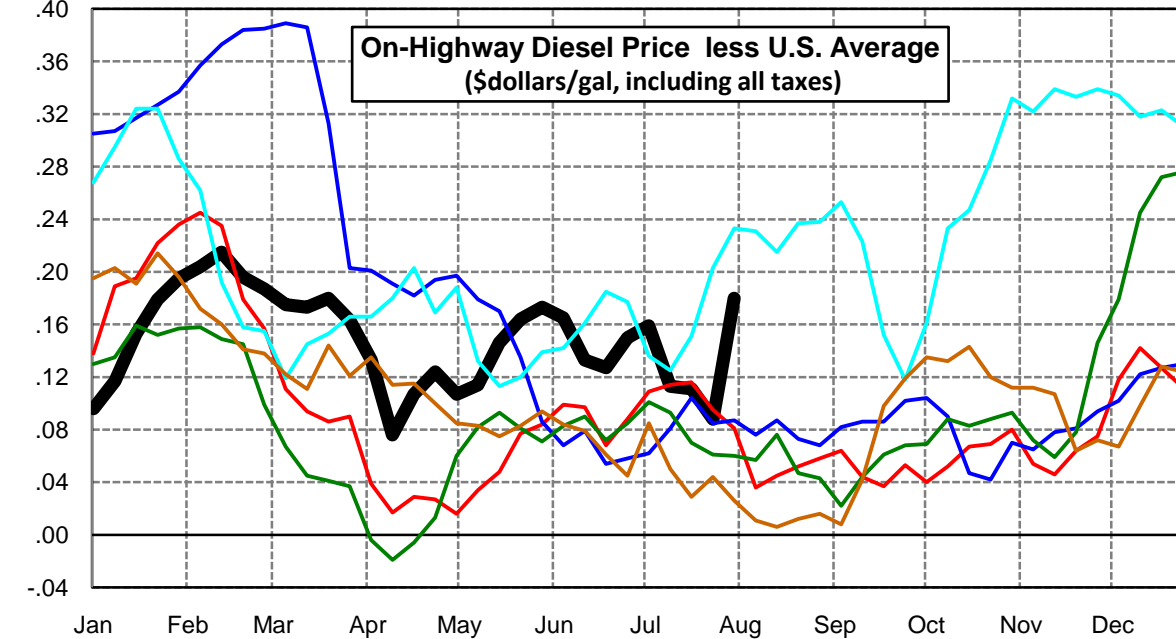
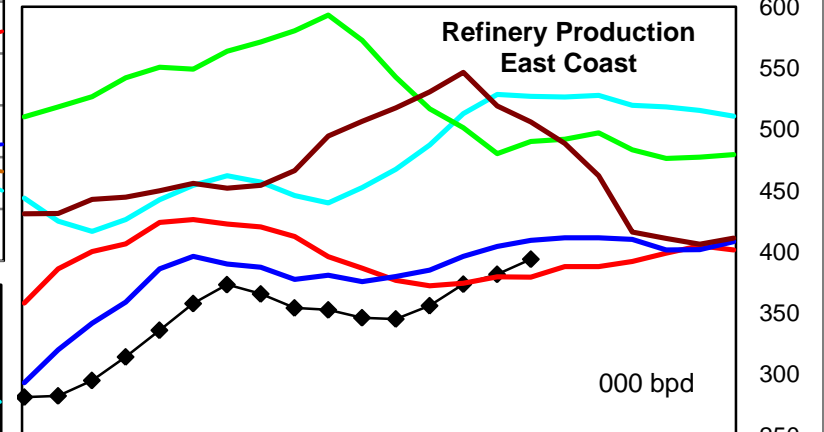
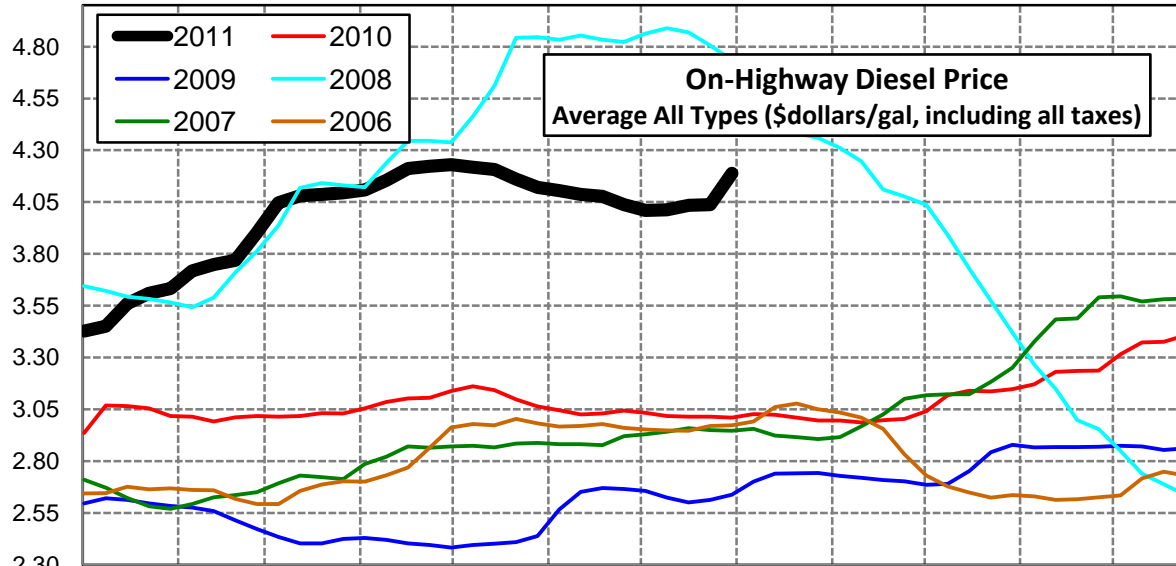
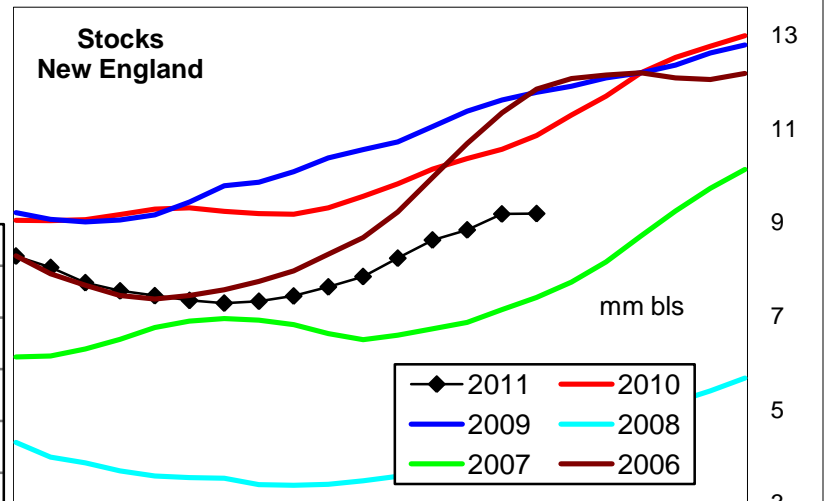
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| Central Atlantic | \$4.034 | \$4.066 | \$4.090 | \$4.166 | \$0.076 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



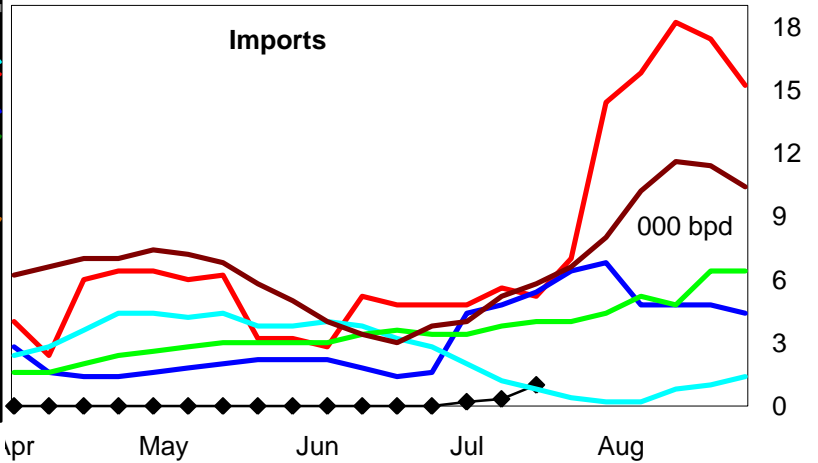
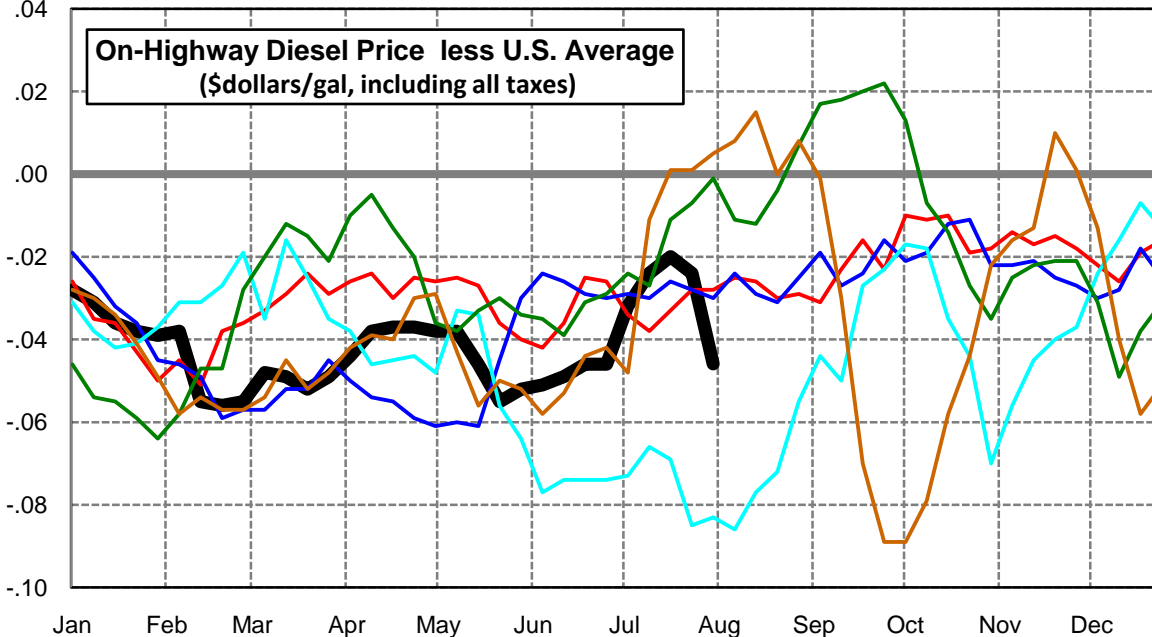
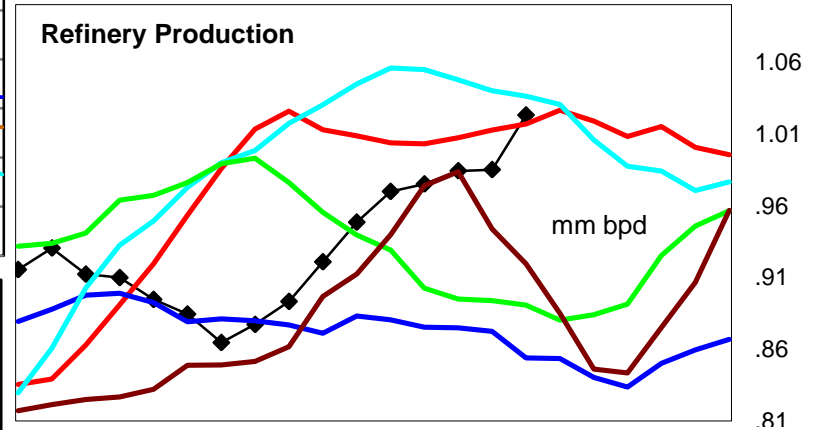
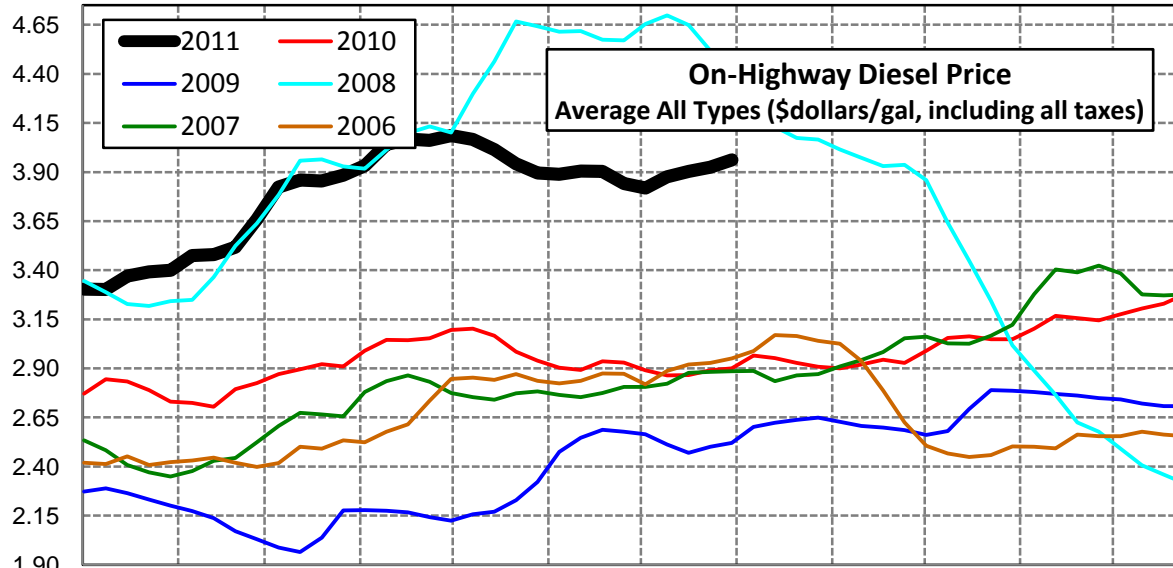
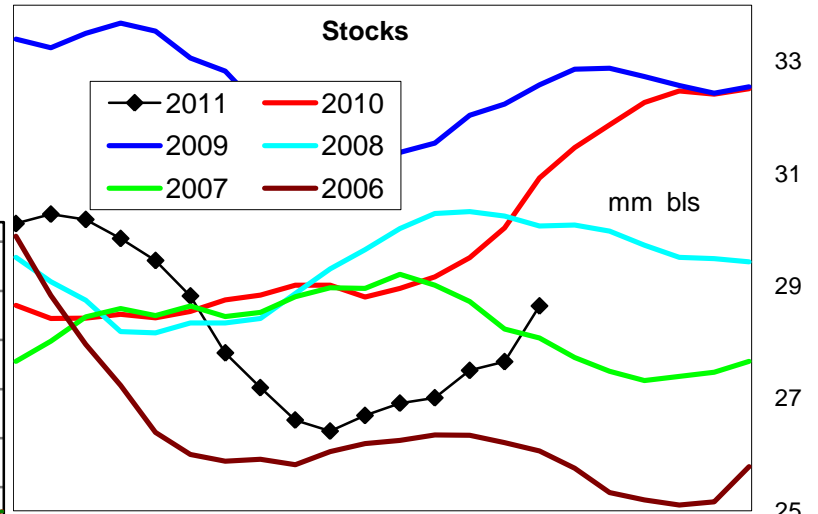
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| New England | \$4.012 | \$4.034 | \$4.037 | \$4.188 | \$0.151 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



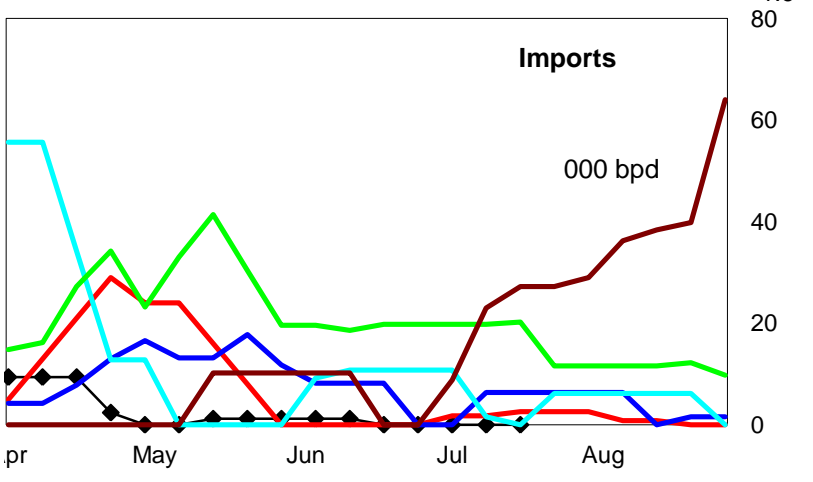
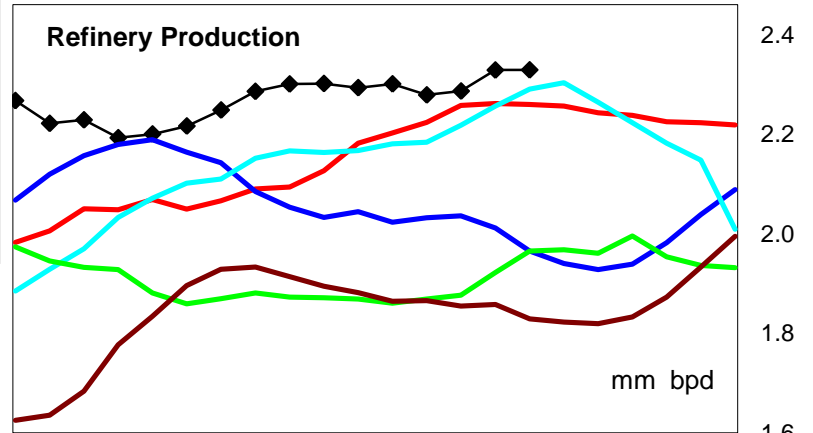
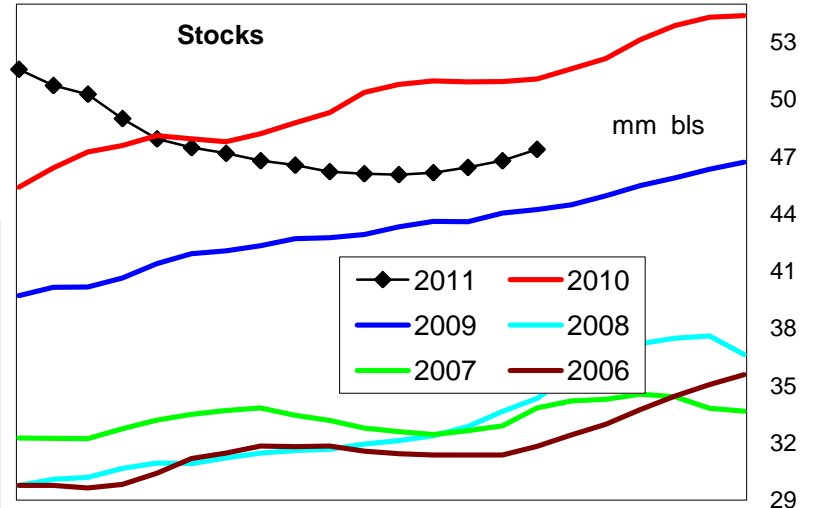
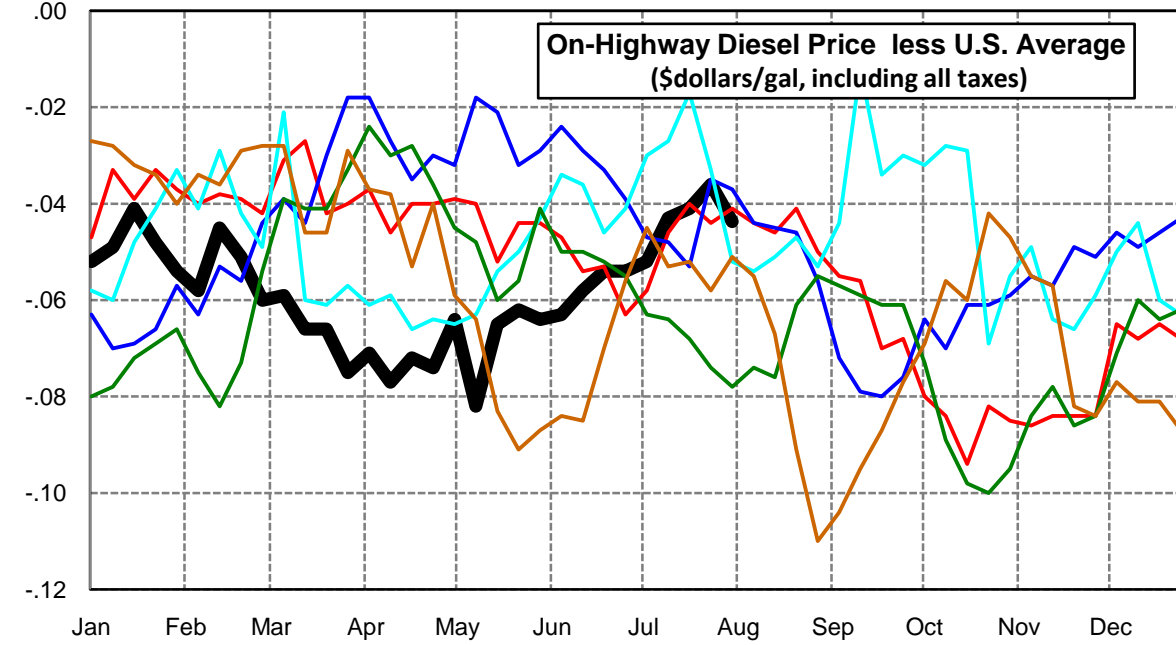
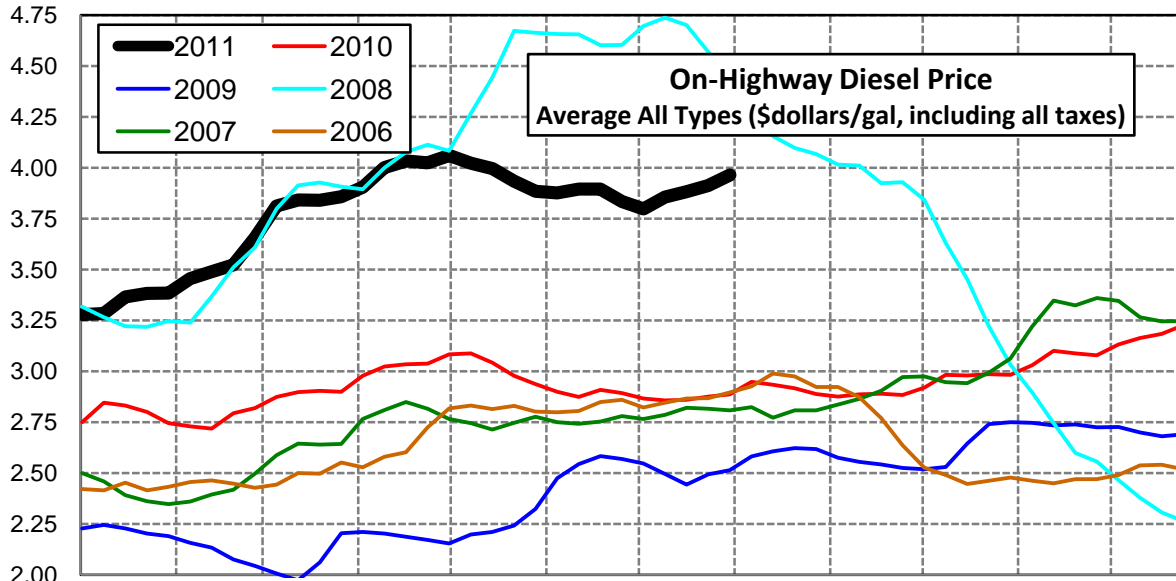
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| Midwest | \$3.875 | \$3.903 | \$3.925 | \$3.962 | \$0.037 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



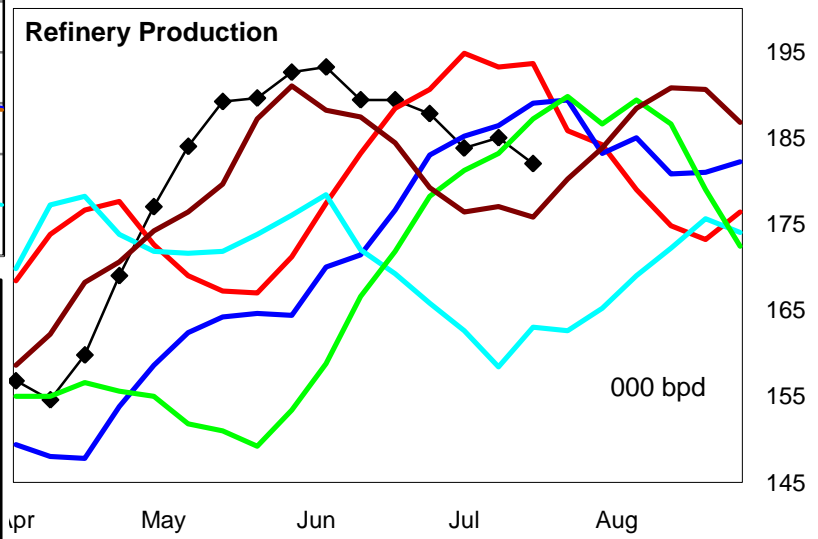
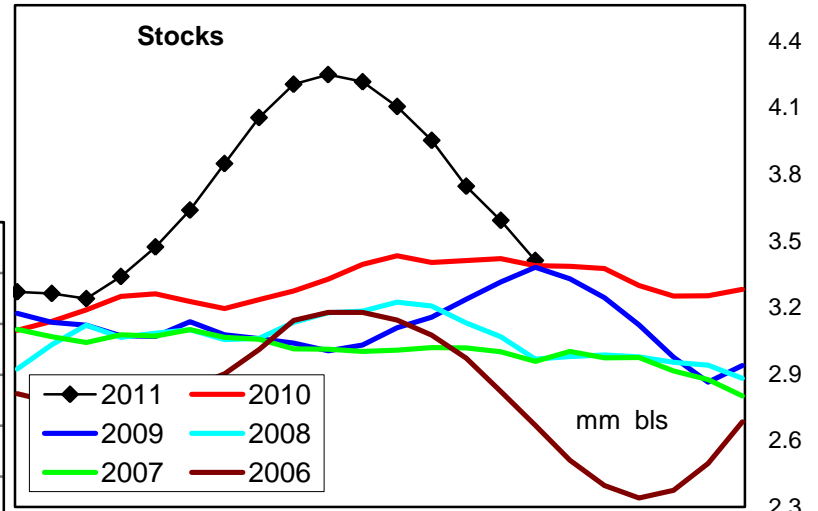
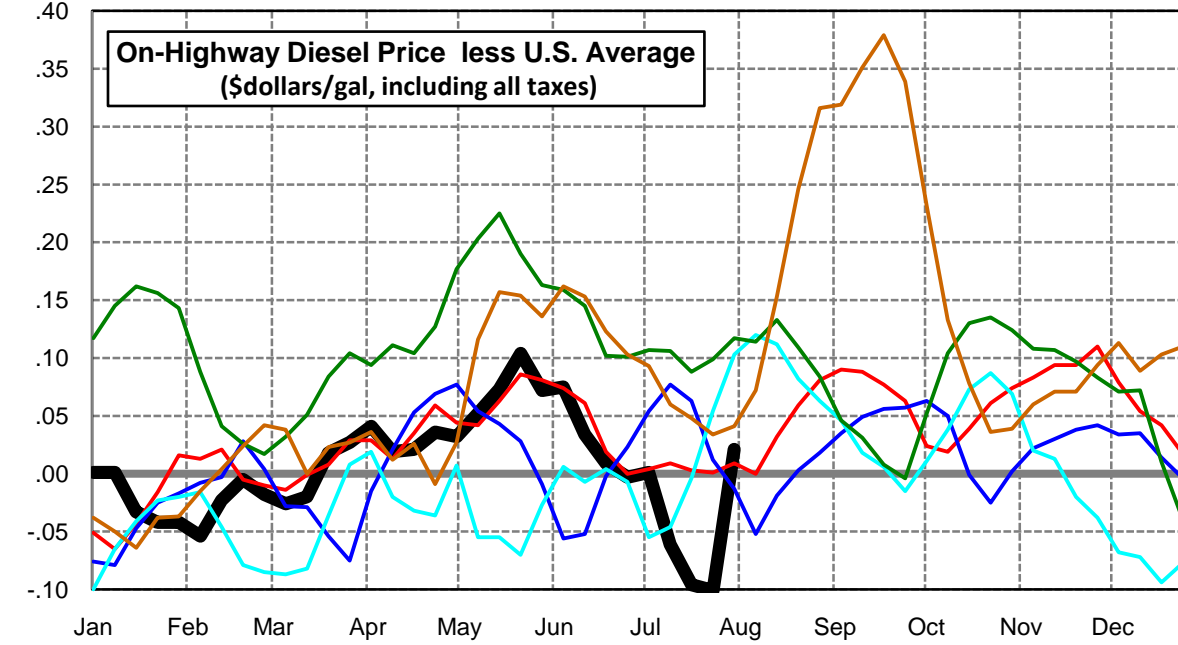
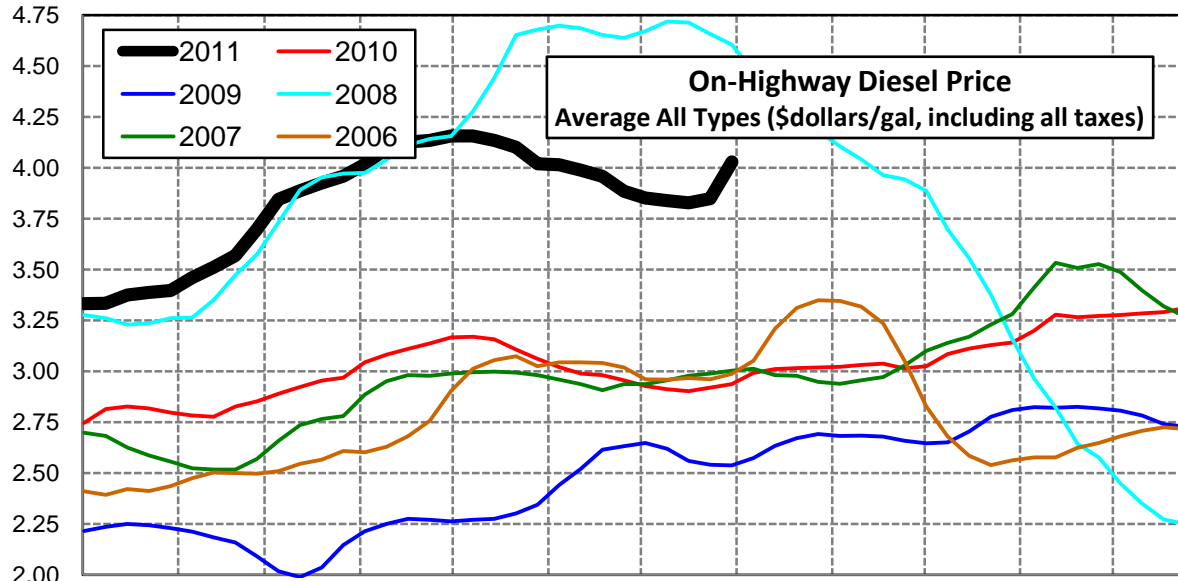
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| Gulf Coast | \$3.856 | \$3.882 | \$3.913 | \$3.965 | \$0.052 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



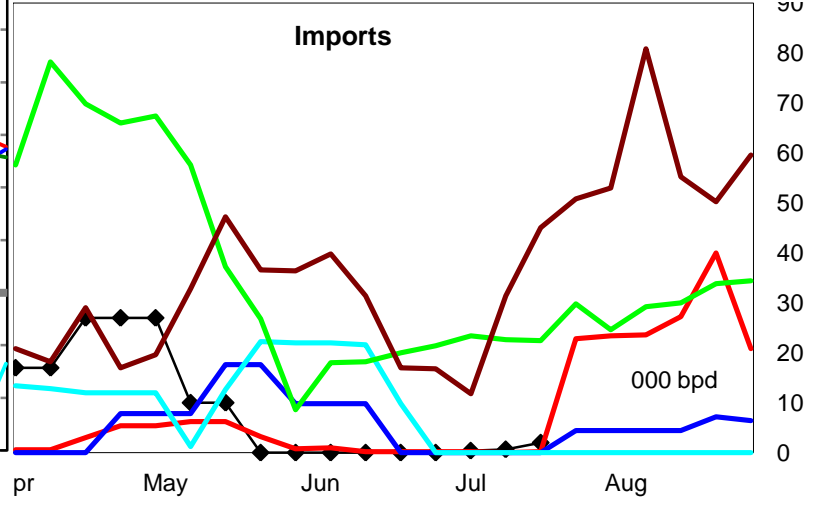
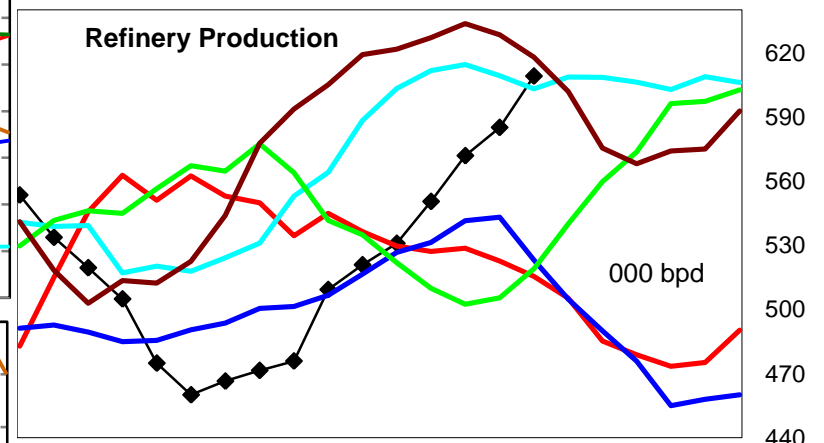
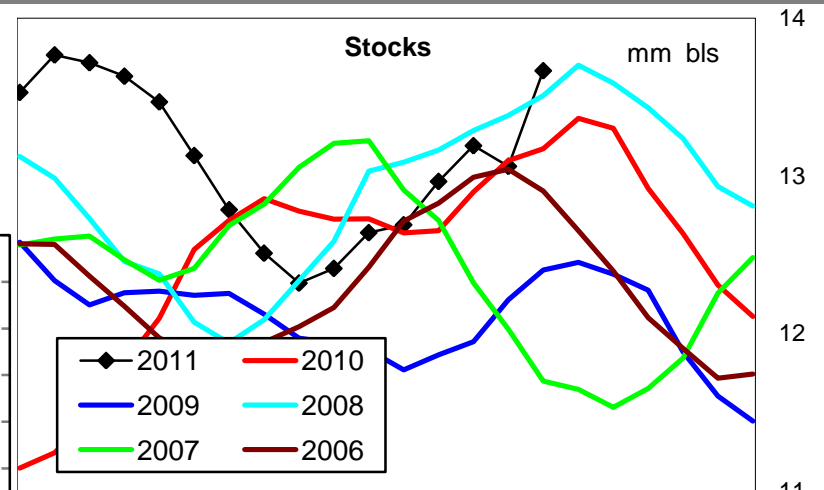
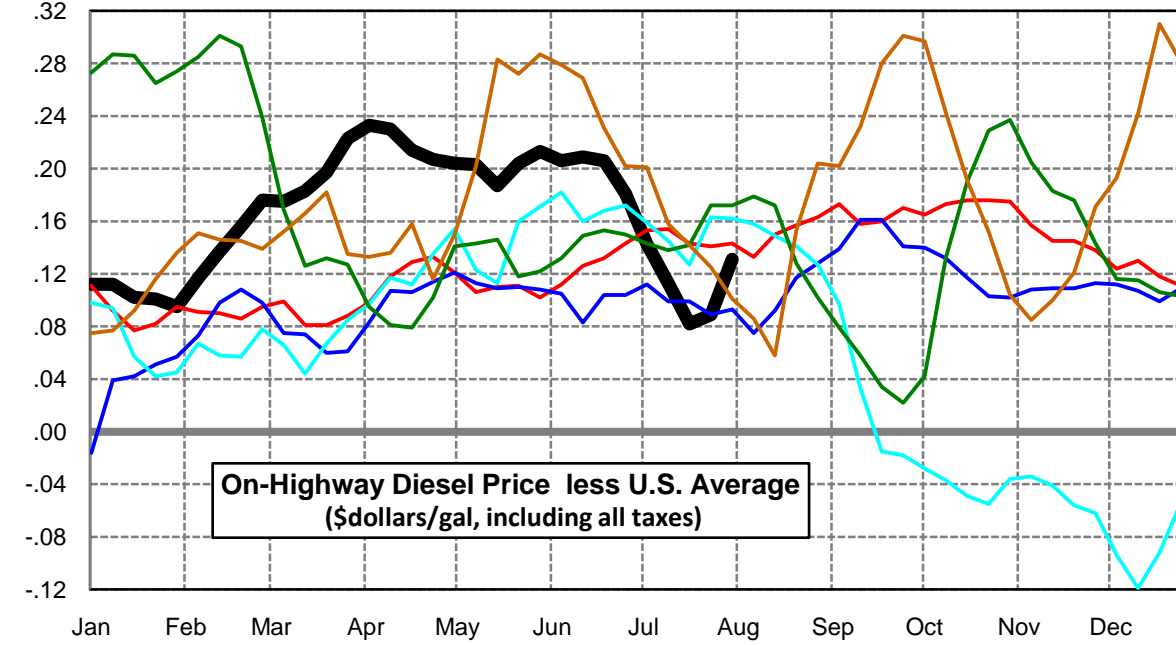
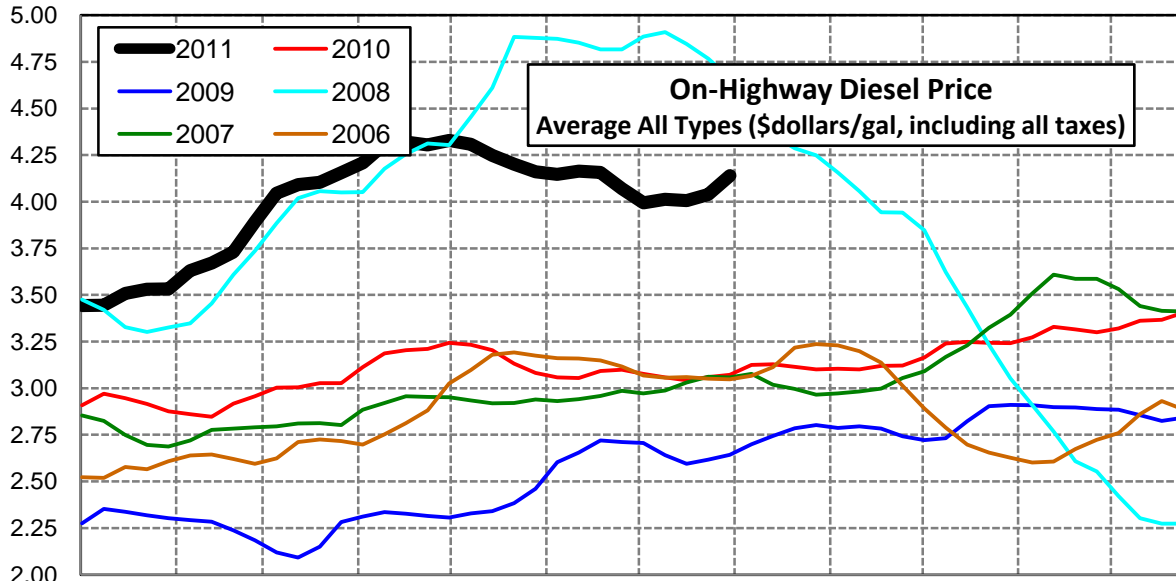
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| Rocky Mountain | \$3.838 | \$3.827 | \$3.848 | \$4.029 | \$0.181 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



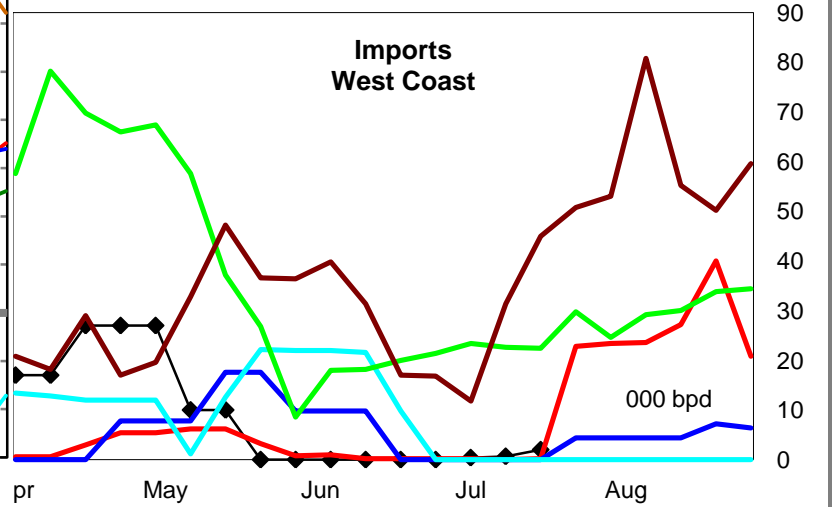
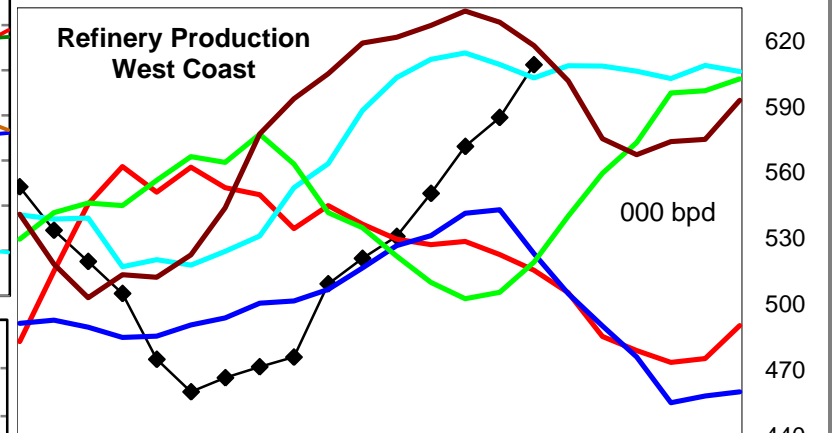
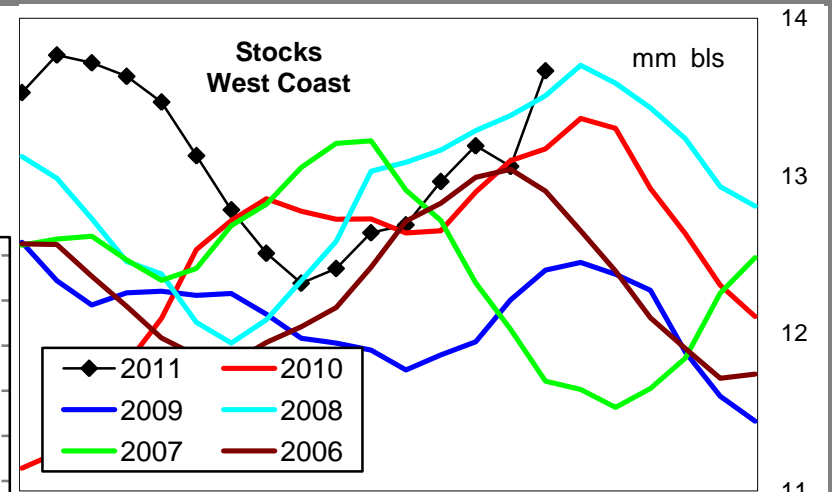
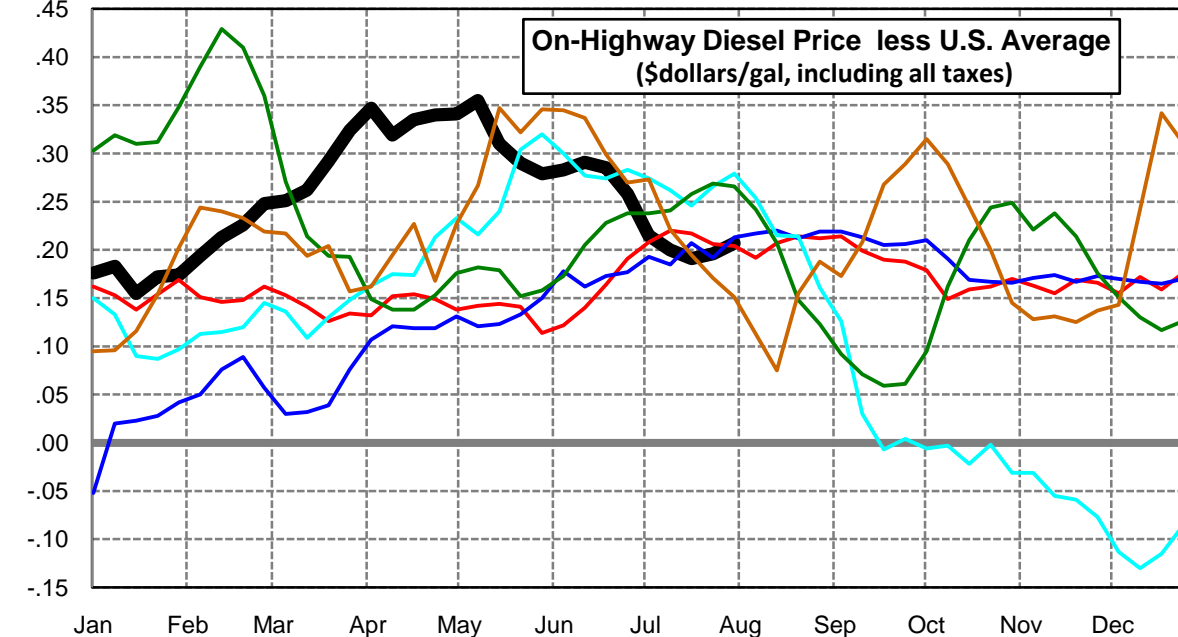
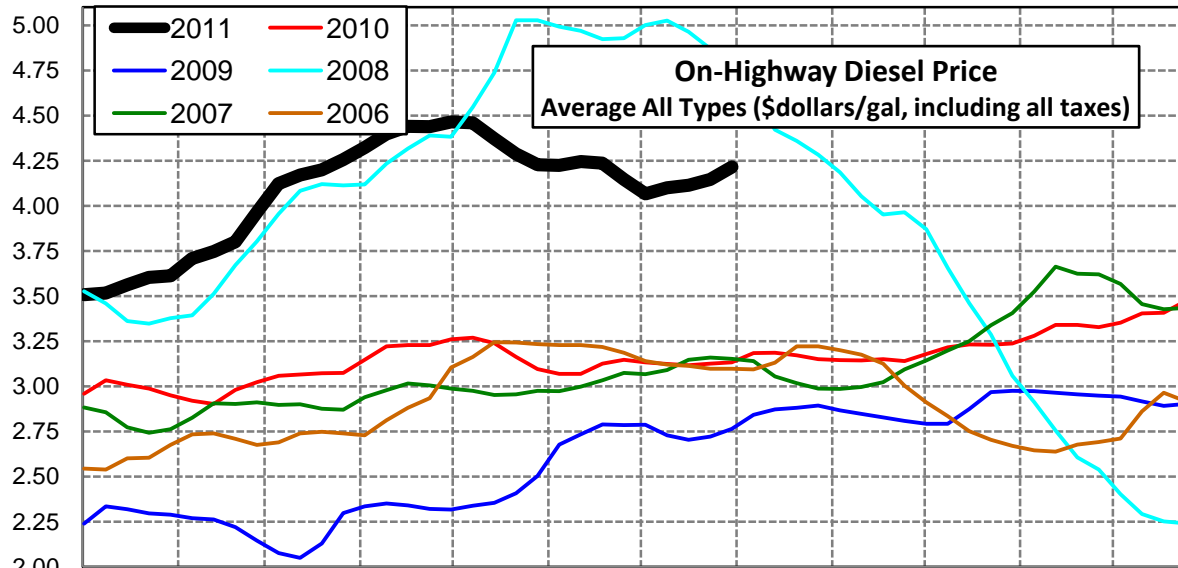
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| West Coast | \$4.012 | \$4.005 | \$4.038 | \$4.139 | \$0.101 |
| 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 |
| | 11Jul11 | 18Jul11 | 25Jul11 | 01Aug11 | |
| California | \$4.099 | \$4.114 | \$4.145 | \$4.215 | \$0.070 |
| 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) | | | | | | | | | |
| | United States | East Coast | New England | Central Atlantic | Lower Atlantic | Mid West | Gulf Coast | Rocky Mtn | West Coast | California |
| 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 | 3.948 | 3.962 | 4.121 | 4.082 | 3.897 | 3.896 | 3.884 | 4.020 | 4.161 | 4.227 |
| Mon-06-Jun-11 | 3.940 | 3.955 | 4.105 | 4.074 | 3.891 | 3.889 | 3.877 | 4.015 | 4.146 | 4.223 |
| Mon-13-Jun-11 | 3.954 | 3.968 | 4.087 | 4.088 | 3.905 | 3.905 | 3.896 | 3.988 | 4.163 | 4.245 |
| Mon-20-Jun-11 | 3.950 | 3.962 | 4.077 | 4.074 | 3.904 | 3.904 | 3.896 | 3.959 | 4.156 | 4.235 |
| Mon-27-Jun-11 | 3.888 | 3.914 | 4.038 | 4.014 | 3.860 | 3.842 | 3.834 | 3.885 | 4.069 | 4.146 |
| Mon-04-Jul-11 | 3.850 | 3.870 | 4.009 | 3.978 | 3.812 | 3.818 | 3.798 | 3.851 | 3.993 | 4.065 |
| Mon-11-Jul-11 | 3.899 | 3.926 | 4.012 | 4.034 | 3.872 | 3.875 | 3.856 | 3.838 | 4.012 | 4.099 |
| Mon-18-Jul-11 | 3.923 | 3.963 | 4.034 | 4.066 | 3.912 | 3.903 | 3.882 | 3.827 | 4.005 | 4.114 |
| Mon-25-Jul-11 | 3.949 | 3.988 | 4.037 | 4.090 | 3.940 | 3.925 | 3.913 | 3.848 | 4.038 | 4.145 |
| Mon-01-Aug-11 | 4.008 | 4.045 | 4.188 | 4.166 | 3.982 | 3.962 | 3.965 | 4.029 | 4.139 | 4.215 |
| Mon-08-Aug-11 | | | | | | | | | | |
| Mon-15-Aug-11 | | | | | | | | | | |
| Mon-22-Aug-11 | | | | | | | | | | |
| Mon-29-Aug-11 | | | | | | | | | | |

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.