



RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, December 20, 2011

Weekly Retail On-Highway Diesel Prices

| Region | Actual Price 1/ | | | Forecast 2/ | Change from week ago |
|------------------|-----------------|---------|---------|-------------|----------------------|
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| U.S. | 3.791 | 3.783 | 3.828 | 3.863 | 0.035 |
| East Coast | 3.840 | 3.844 | 3.908 | 3.933 | 0.025 |
| New England | 3.973 | 3.973 | 4.029 | 4.047 | 0.018 |
| Central Atlantic | 3.925 | 3.932 | 3.996 | 4.046 | 0.050 |
| Lower Atlantic | 3.752 | 3.754 | 3.820 | 3.871 | 0.051 |
| Midwest | 3.706 | 3.683 | 3.717 | 3.728 | 0.011 |
| Gulf Coast | 3.708 | 3.709 | 3.750 | 3.846 | 0.096 |
| Rocky Mountain | 3.861 | 3.836 | 3.843 | 3.897 | 0.054 |
| West Coast | 3.978 | 3.979 | 4.026 | 4.050 | 0.024 |
| California | 4.039 | 4.046 | 4.111 | 4.134 | 0.023 |

1/ Source: U.S. Energy Information Administration

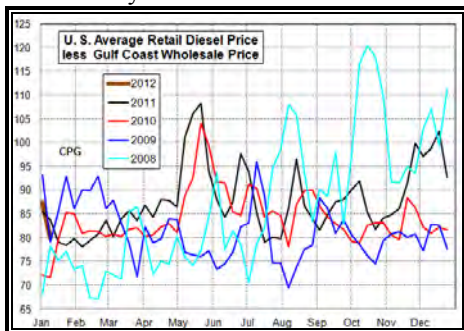
2/ Source: Fundamental Petroleum Trends Reports

for this time of year, set in 2011.

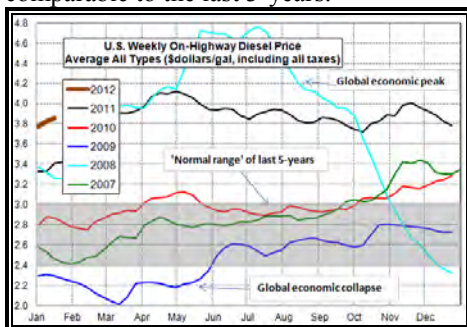
The larger than average price increased on the East Coast was driven by low stock levels in the region and forecast of

colder temperatures.

Diesel Fuel Price Trends U. S. retail diesel prices increased +4.5 cpg for the week ending 09Jan12. Prices increased +6.4 cpg on the East Coast and +6.5 cpg in California. Prices increased just +0.7 cpg in the Rocky Mountains.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price increased -7.4 cpg less than wholesale prices week-on-week. The spread ended the week at a level comparable to the last 3-years.

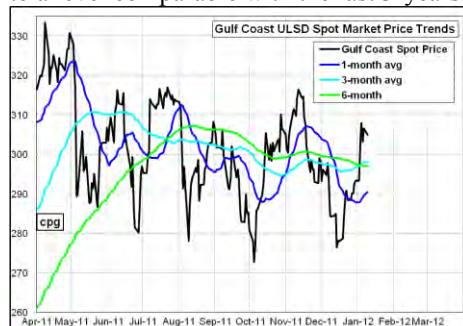


The national average on-highway price ended the week \$0.50/gal *above* the high,

The low increase in the Rockies and Midwest reflect over supply in these areas. The Midwest reported the lowest average price at \$3.72/gal. The highest price was reported in California at \$4.11/gal.

Gulf Coast wholesale distillate prices increased +11 cpg last week ending 09Jan12. Gulf wholesale prices ended the week at a level near the upper end of the last quarter.

U.S. average retail prices are now +14 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices declined last week, to a level comparable with the last 3-years.



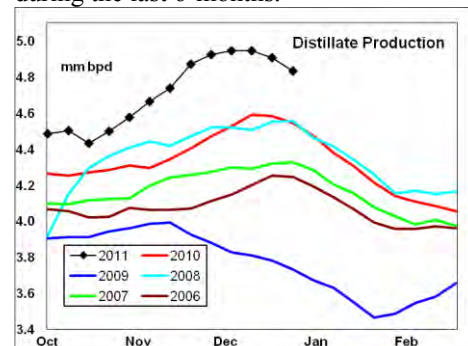
With the spread between wholesale and retail prices near the average for this time of year, expect retail prices to follow wholesale price changes over the next few weeks.

Supply - Demand Fundamental Trends

Wholesale demand decreased -0.9 million bpd during the last 2-wks on low heating demand and less transport demand during

the holiday season. Demand for the latest 4-wk average saw an increase of +35,000 bpd over last year.

Distillate supplies increased +13,000 bpd last week, +250,000 bpd above the prior record high. Lower demand led to a +3.2 million barrel stock build for the week. Stock levels remain -18.5 million barrels below a year ago; the result of growth in exports and a sharp drop in heating fuel imports to the East Coast during the last 6-months.



Global Trends Driving Diesel Prices

U.S./European confrontation with Iran over banking sanctions has led to increased risk of Middle East supply disruption, and a spike in wholesale prices. Recent less favorable demand by China for basic commodities should limit the price uptrend.

Unusually warm temperatures in the Northeast continue to depress demand for heating oil.

Recession in Europe and slower economic growth in China during 2012 should reduce global energy demand

Diesel Price Outlook U.S. average retail prices are projected to increased +3.5 cpg for the week ending 16Jan12,.

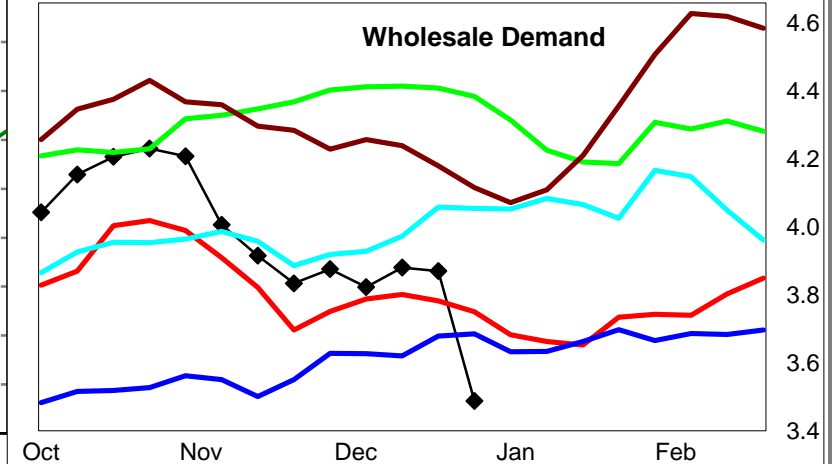
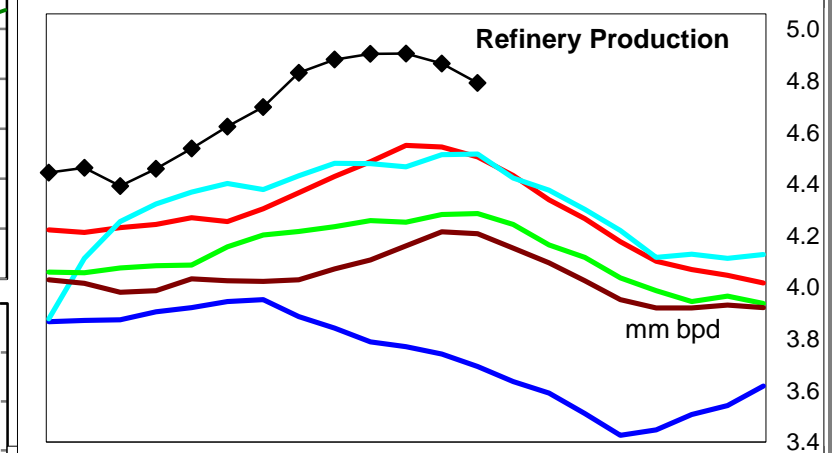
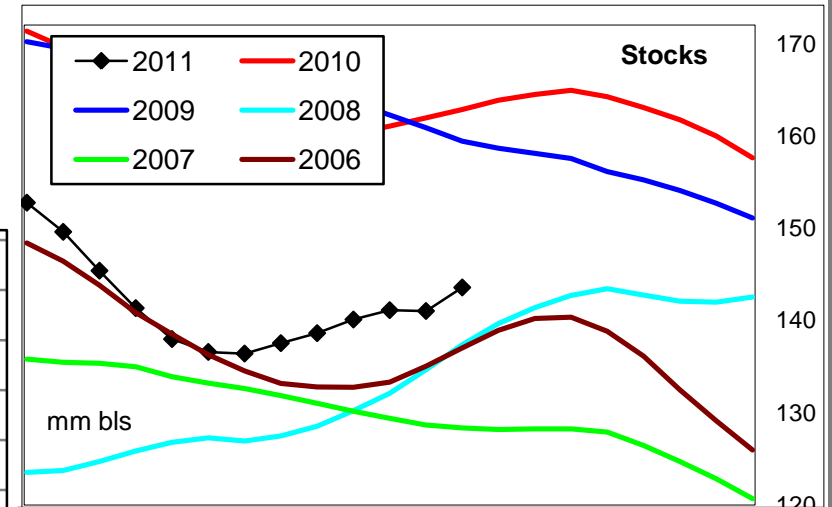
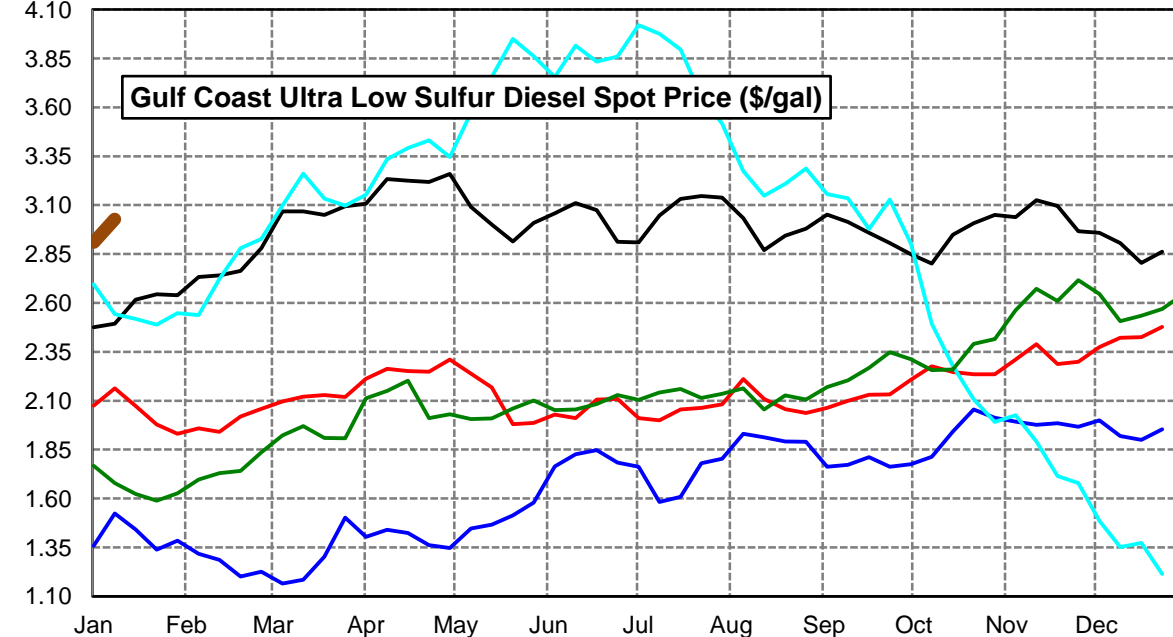
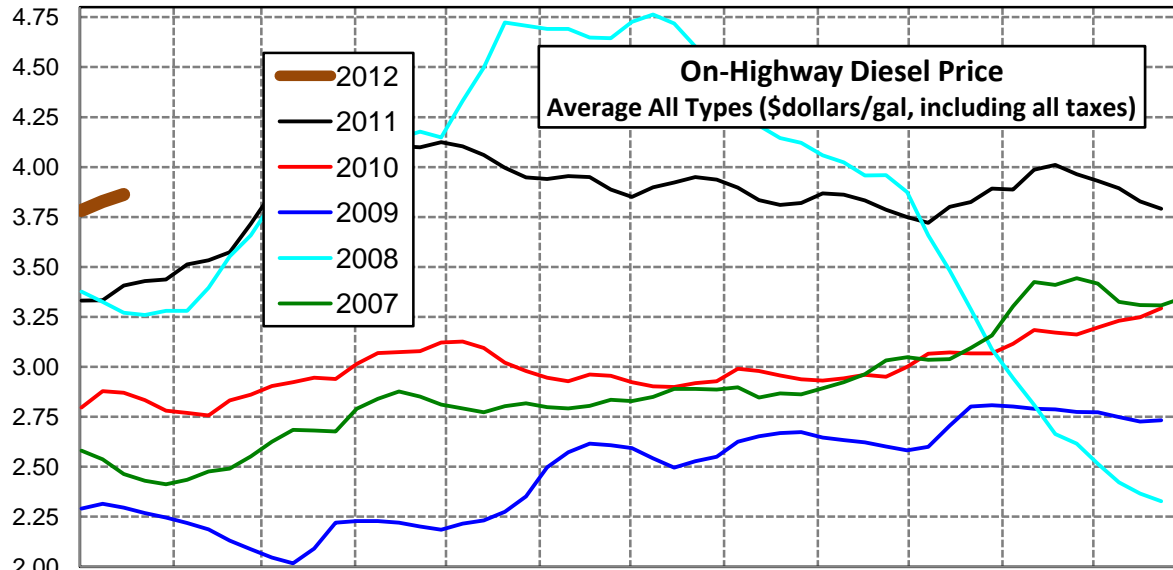
Warm temperatures in New England and over supply in the Midwest should limit increases in these regions. The spread between retail and wholesale prices has returned to the historic average so that trends in wholesale prices should quickly impact the retail market

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



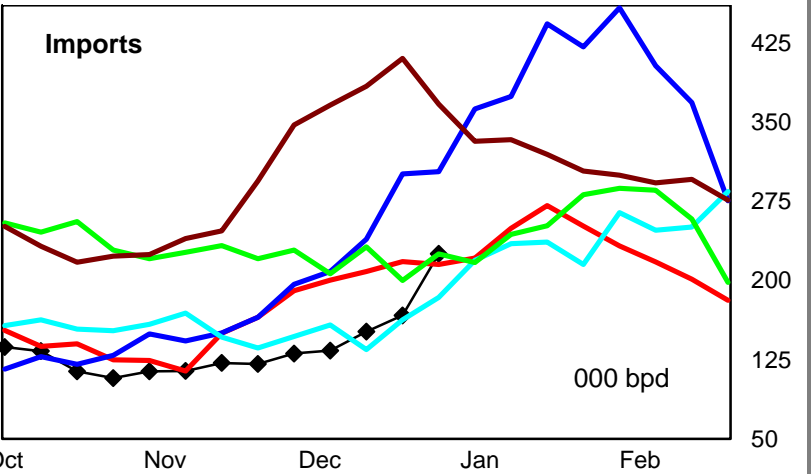
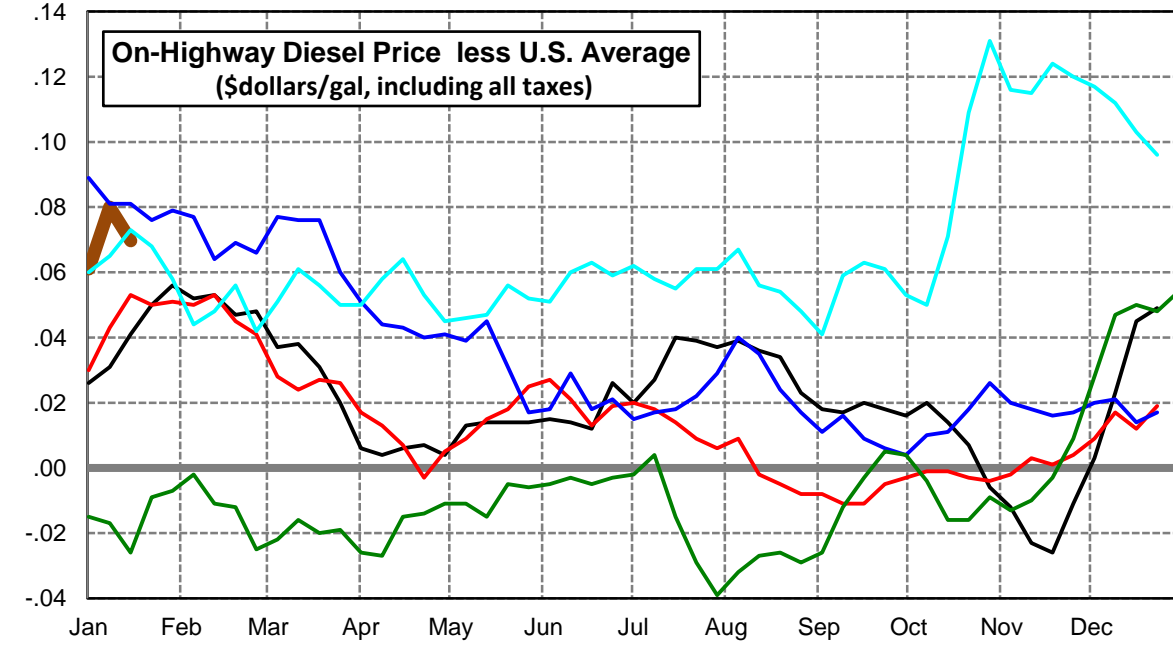
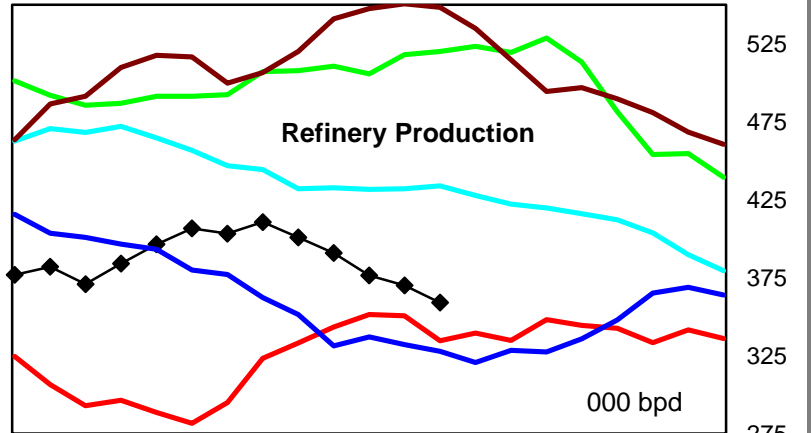
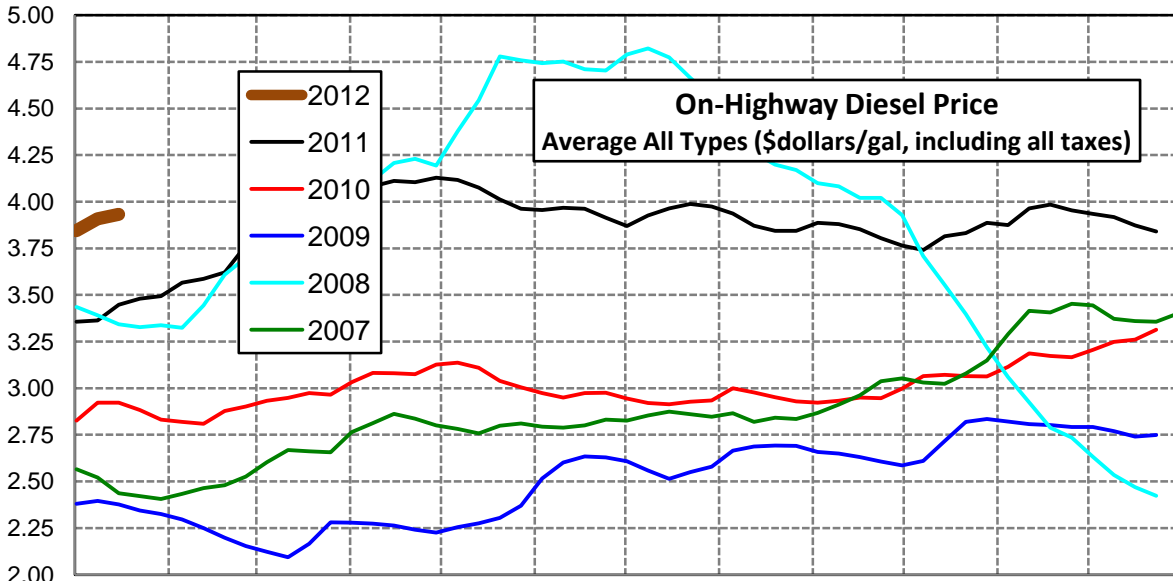
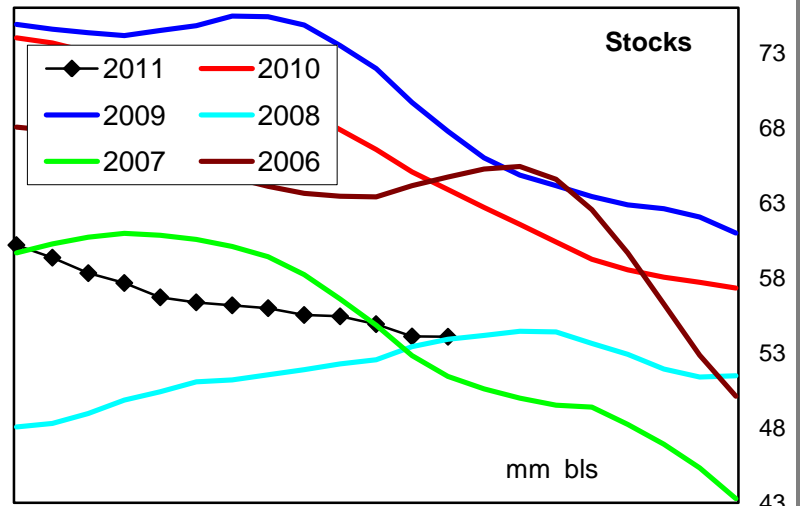
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| United States Avg | \$3.791 | \$3.783 | \$3.828 | \$3.863 | \$0.035 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



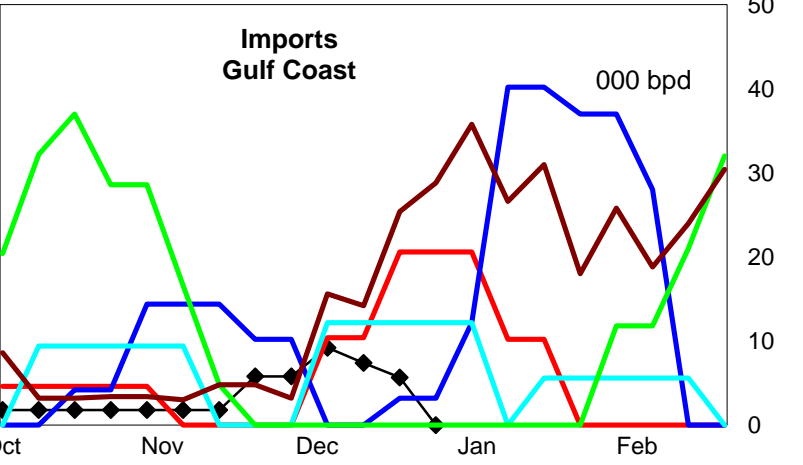
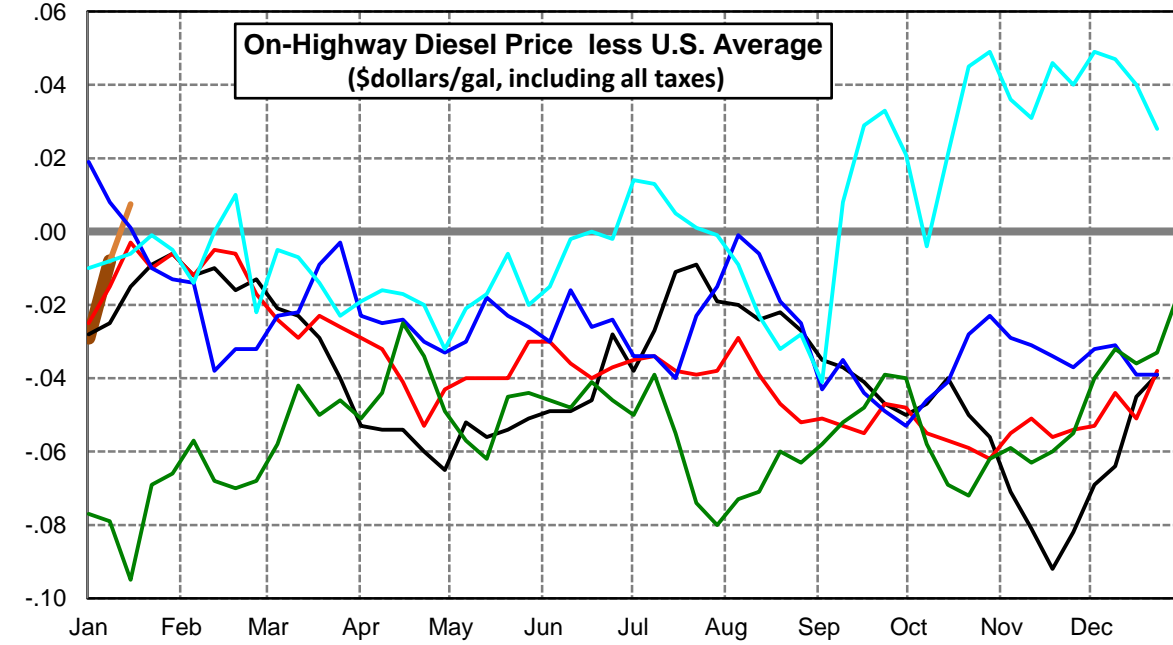
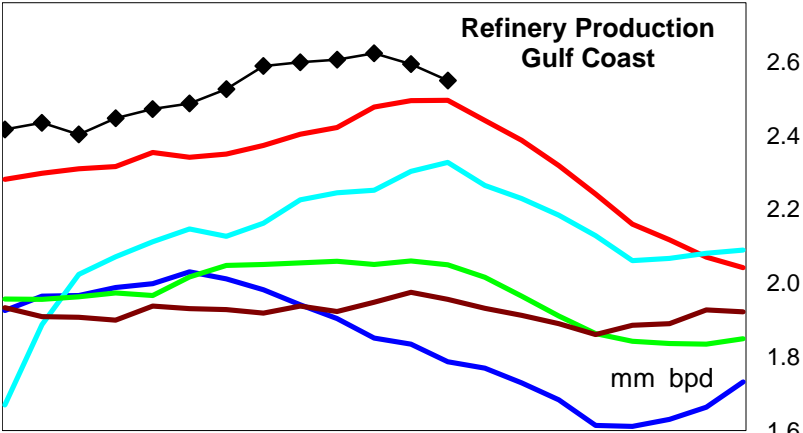
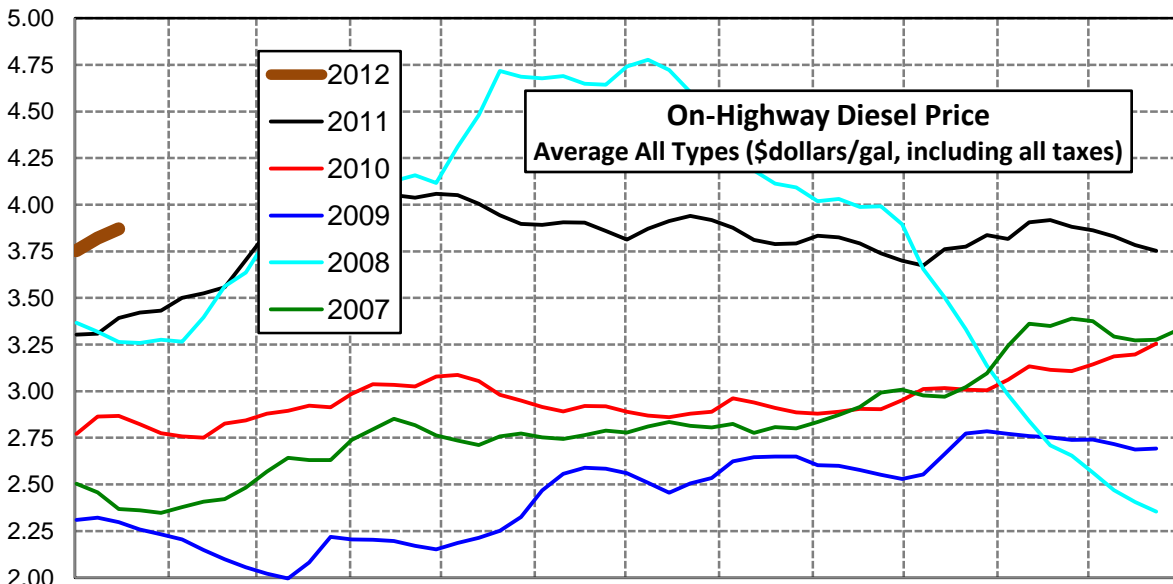
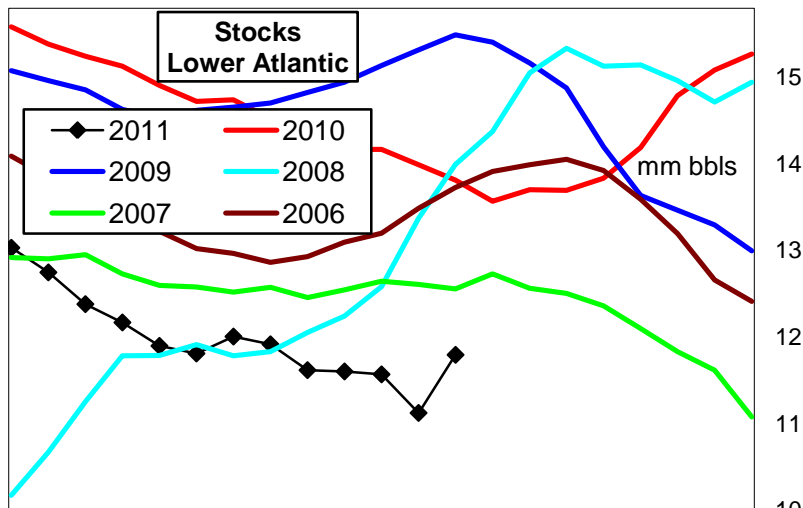
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| East Coast | \$3.840 | \$3.844 | \$3.908 | \$3.933 | \$0.025 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



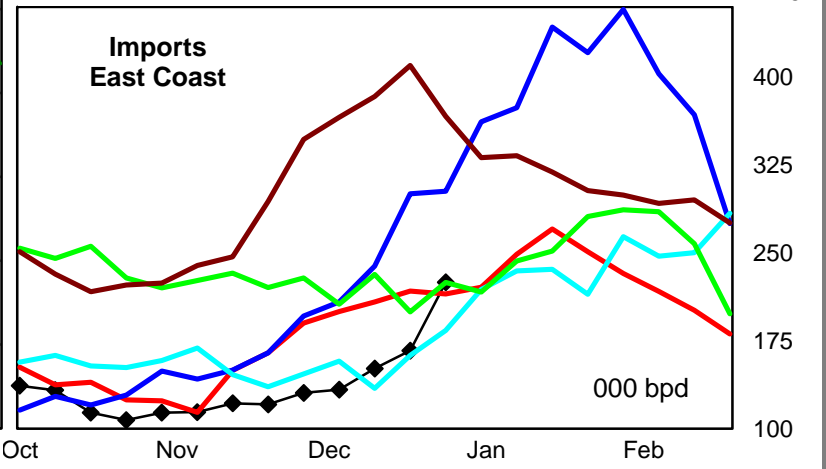
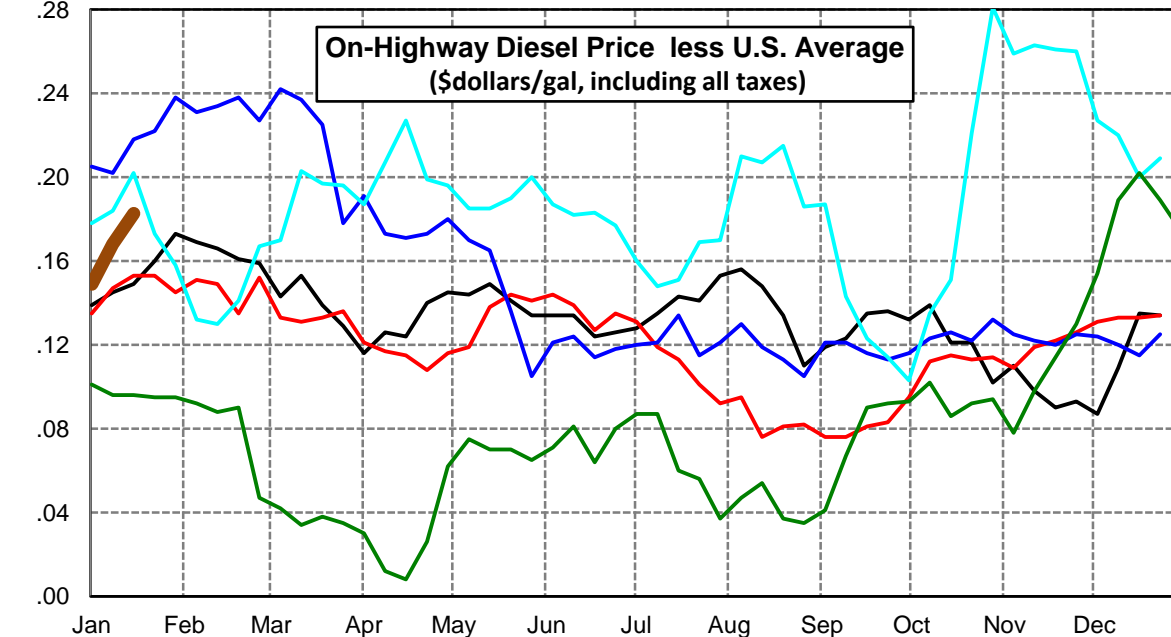
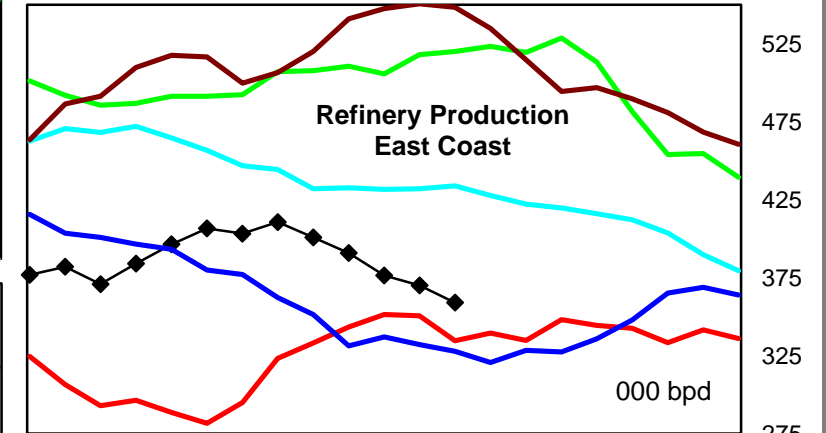
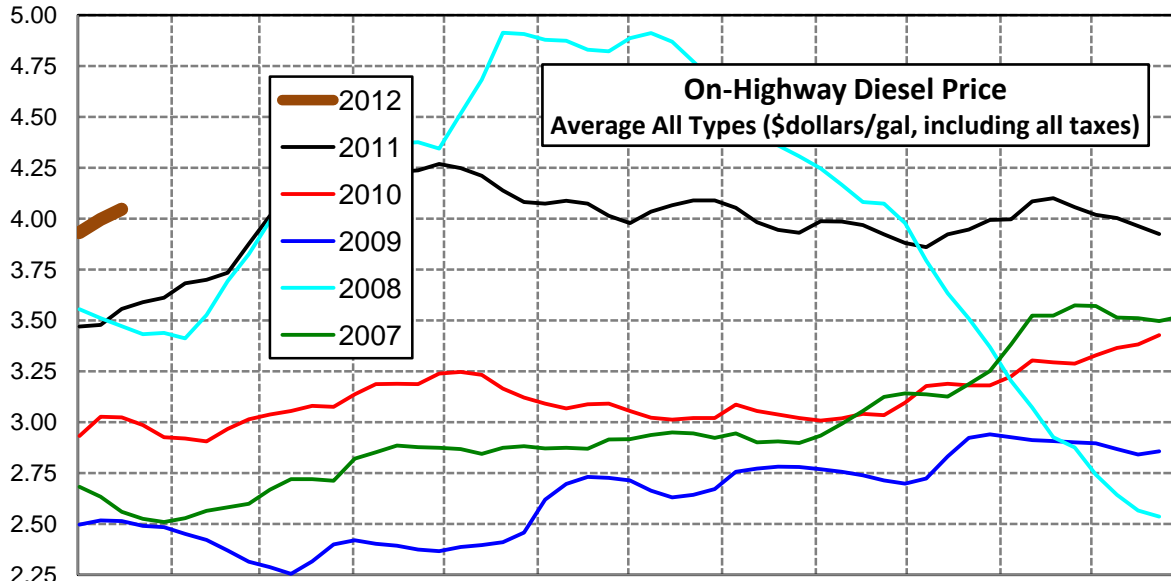
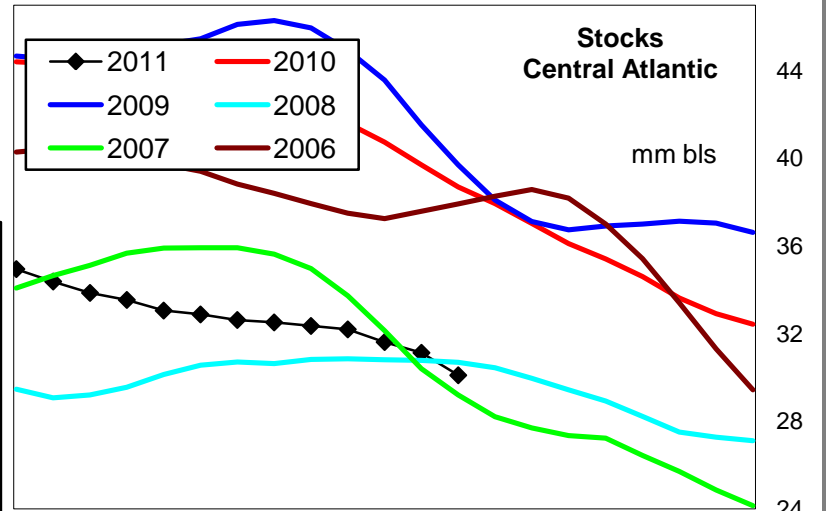
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| Lower Atlantic | \$3.752 | \$3.754 | \$3.820 | \$3.871 | \$0.051 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



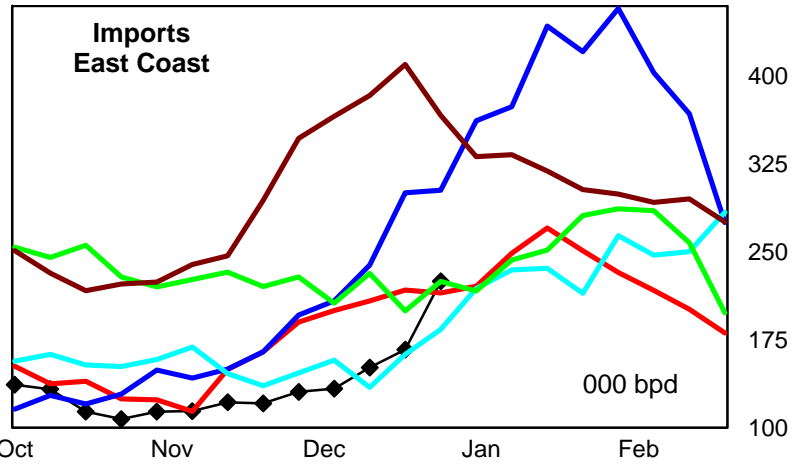
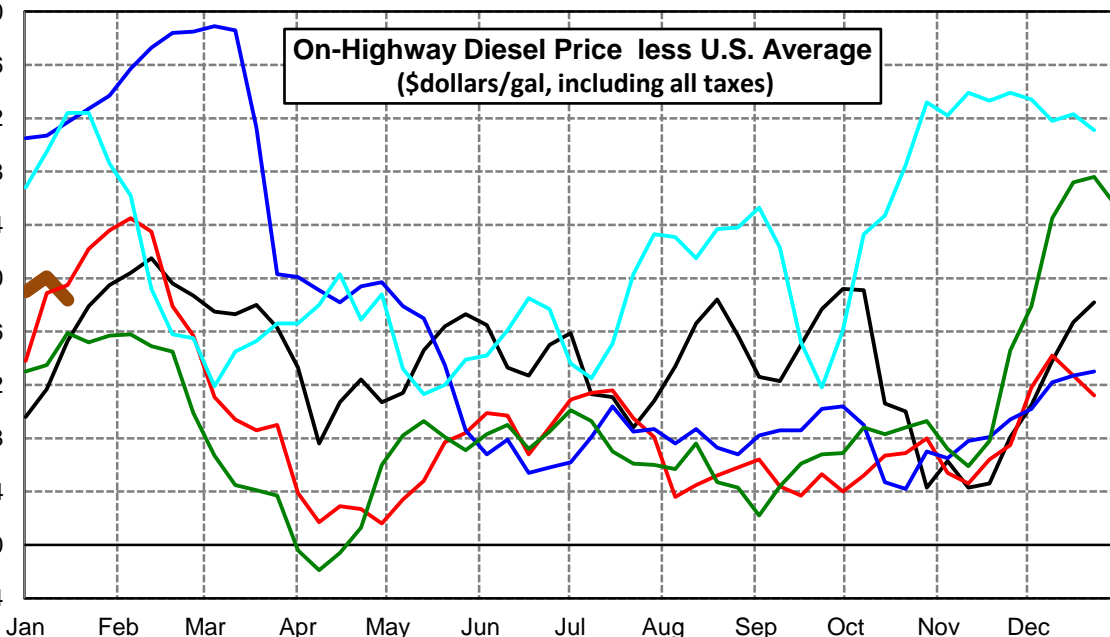
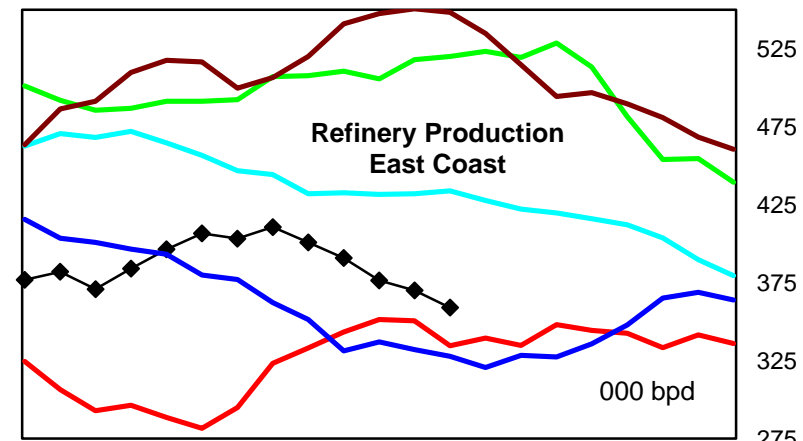
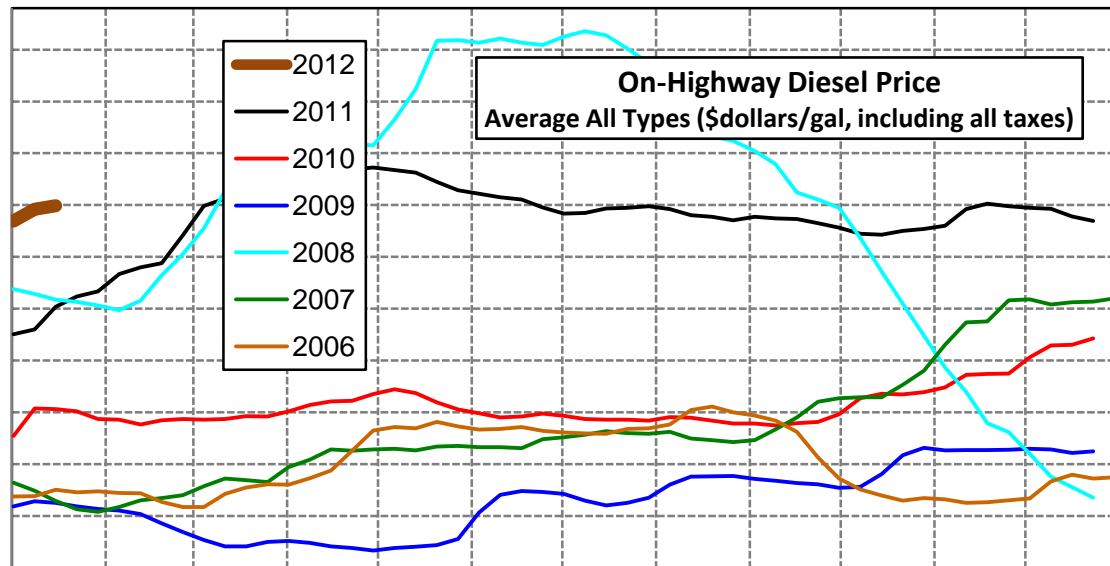
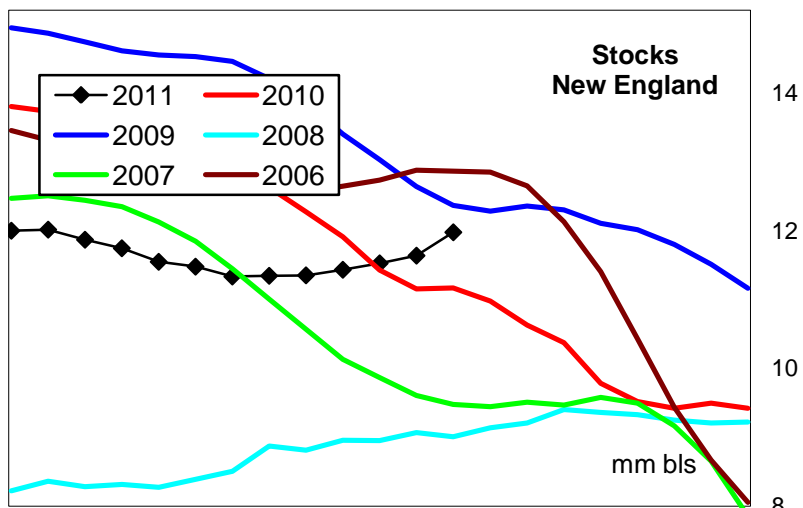
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| Central Atlantic | \$3.925 | \$3.932 | \$3.996 | \$4.046 | \$0.050 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



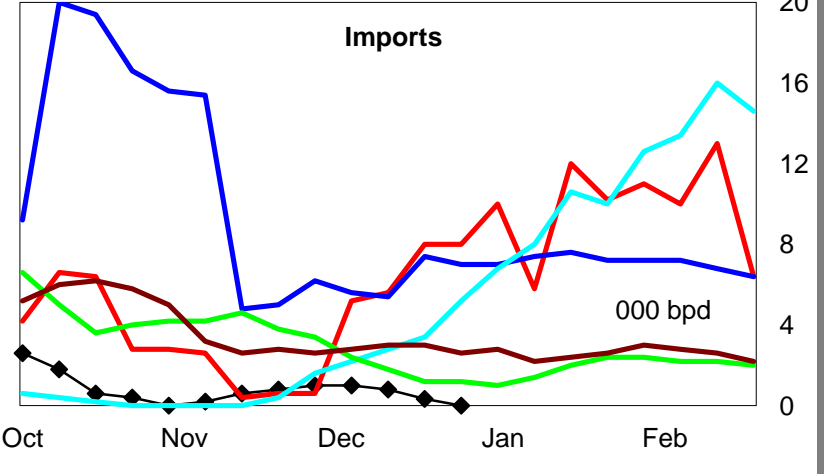
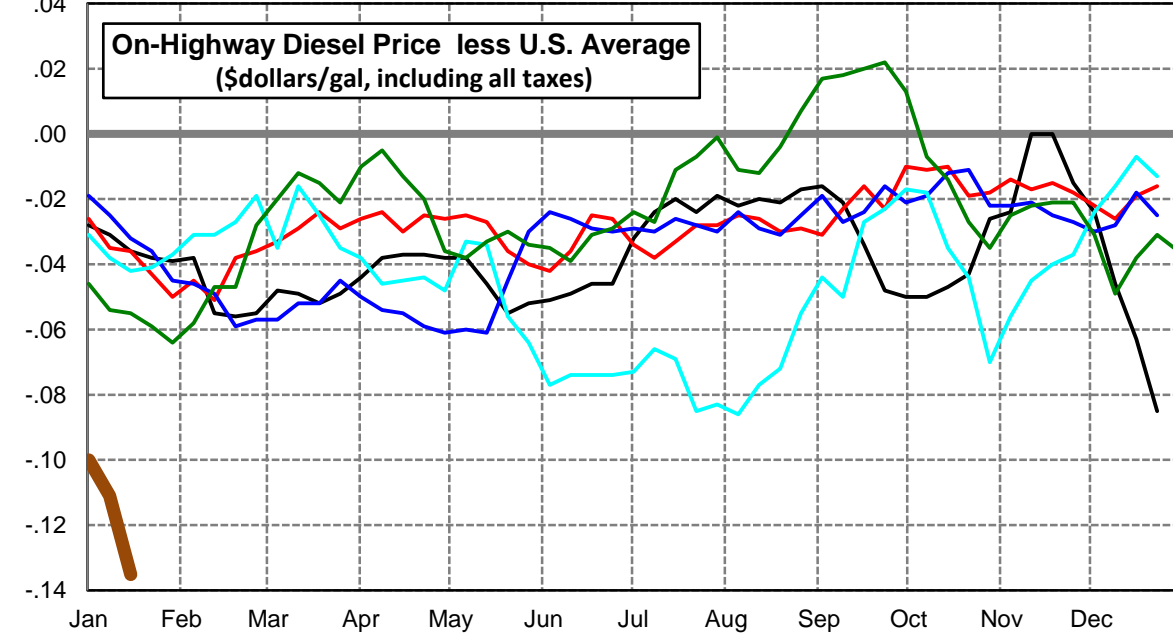
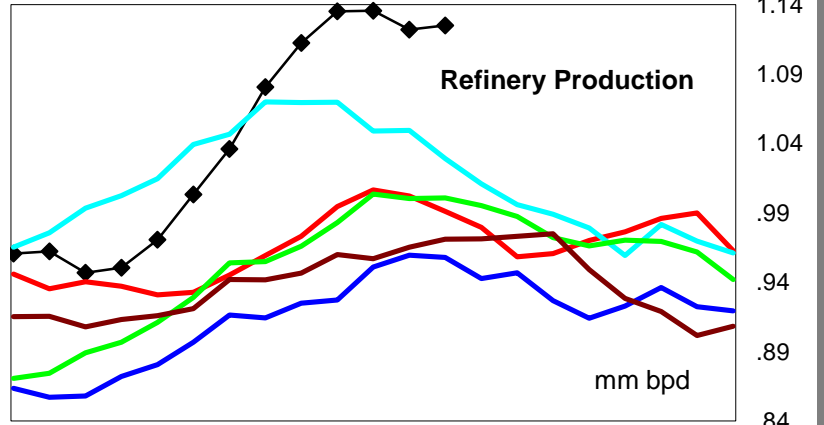
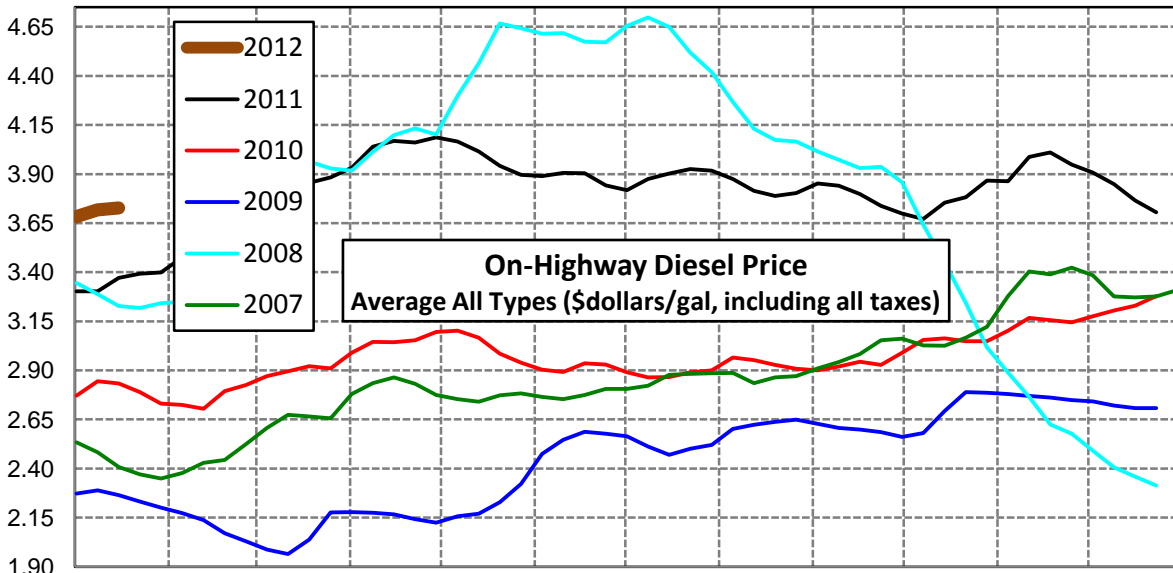
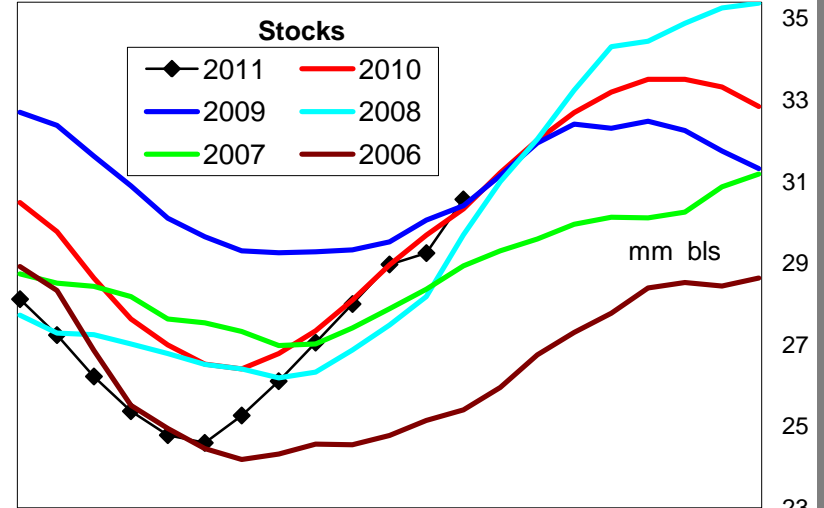
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| New England | \$3.973 | \$3.973 | \$4.029 | \$4.047 | \$0.018 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



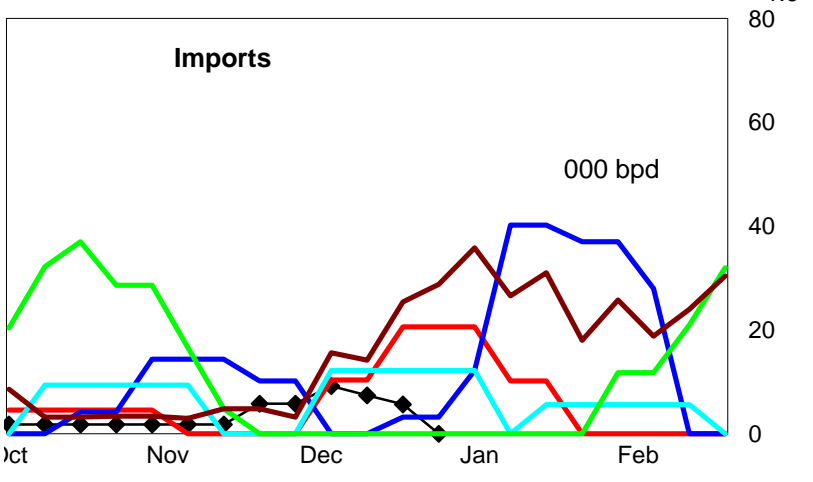
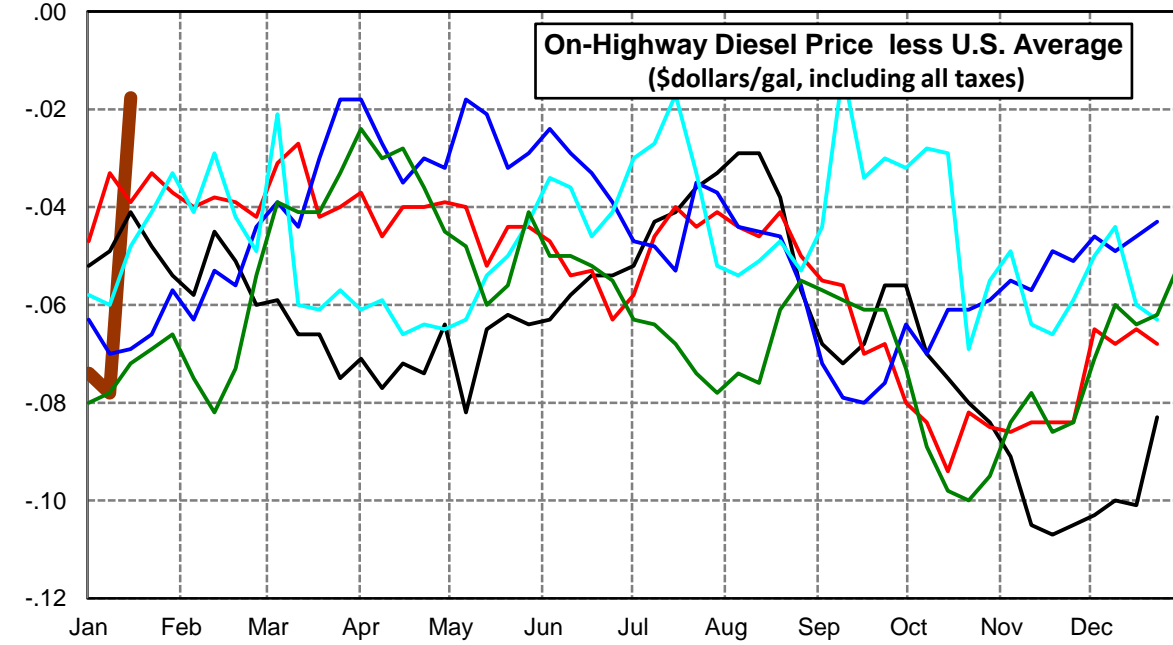
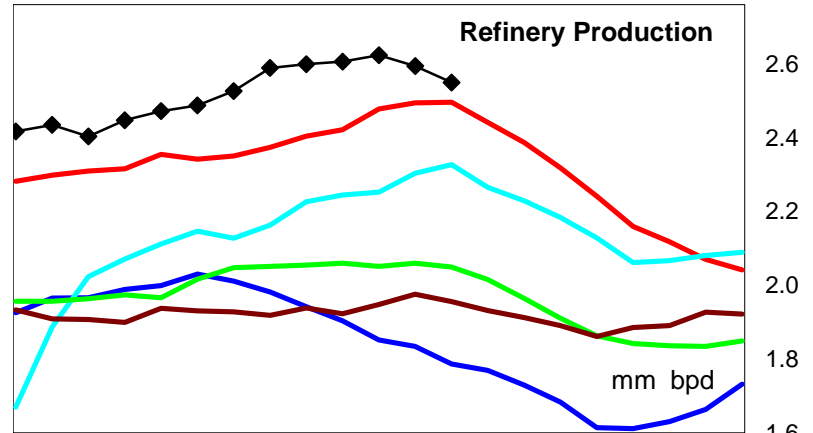
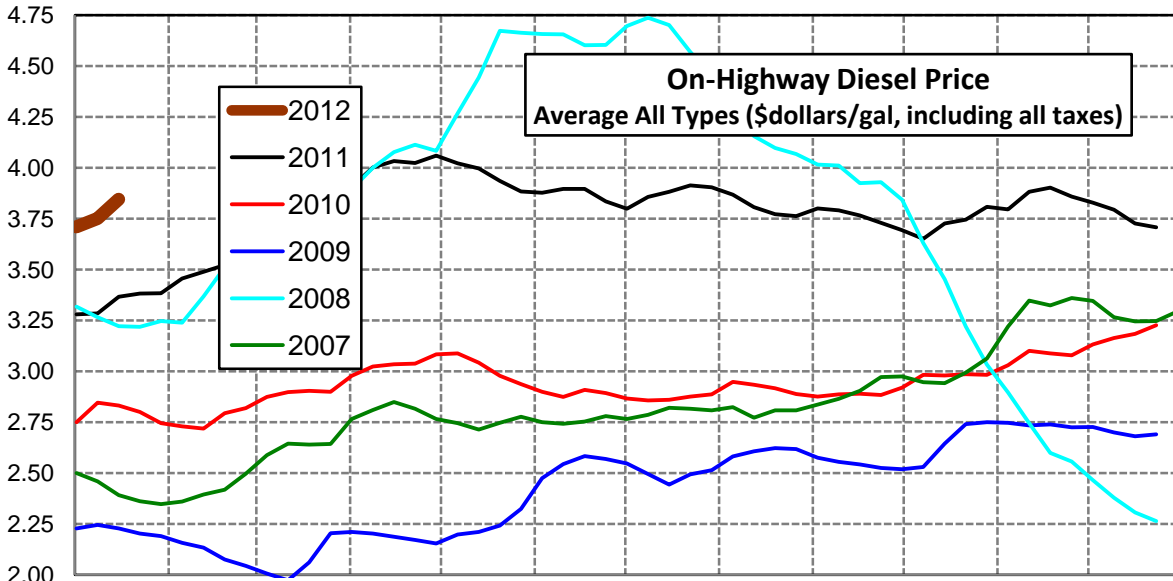
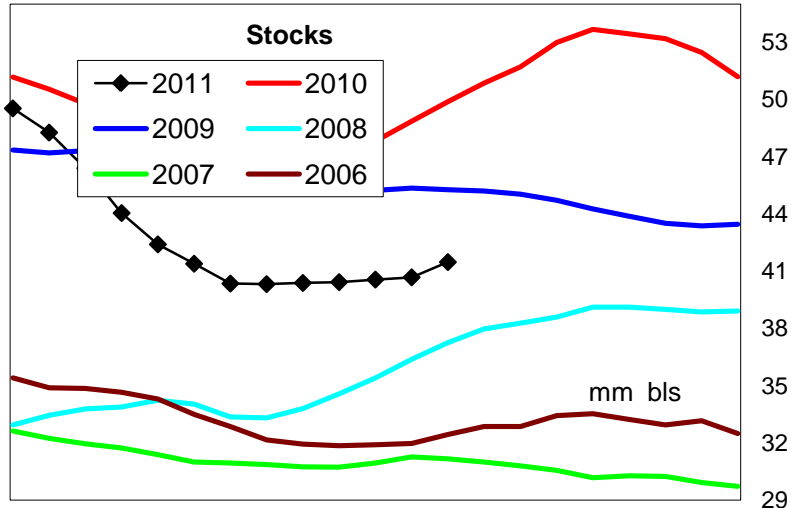
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| Midwest | \$3.706 | \$3.683 | \$3.717 | \$3.728 | \$0.011 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



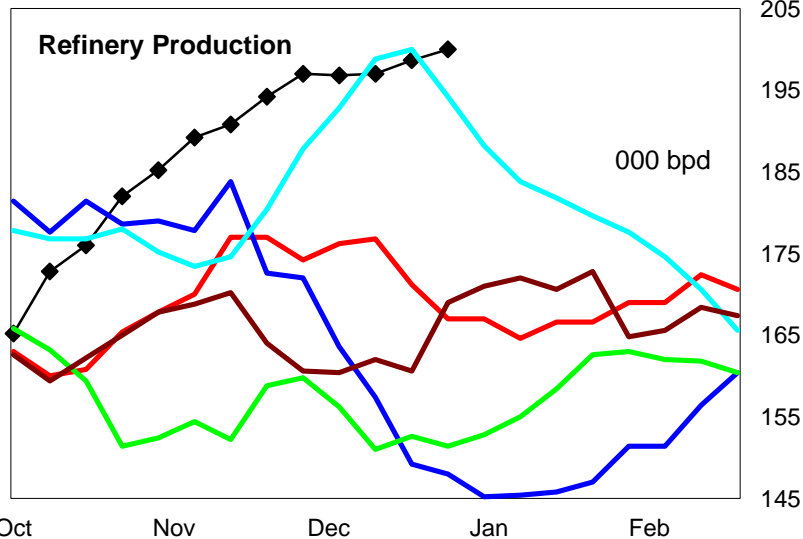
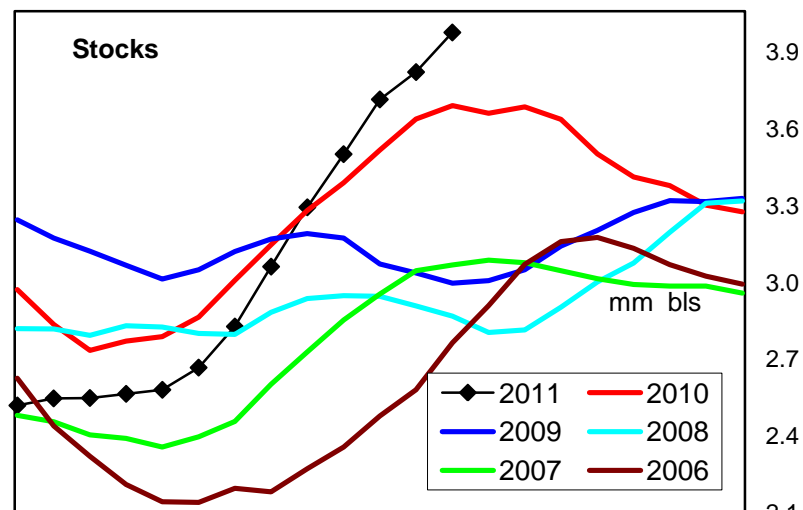
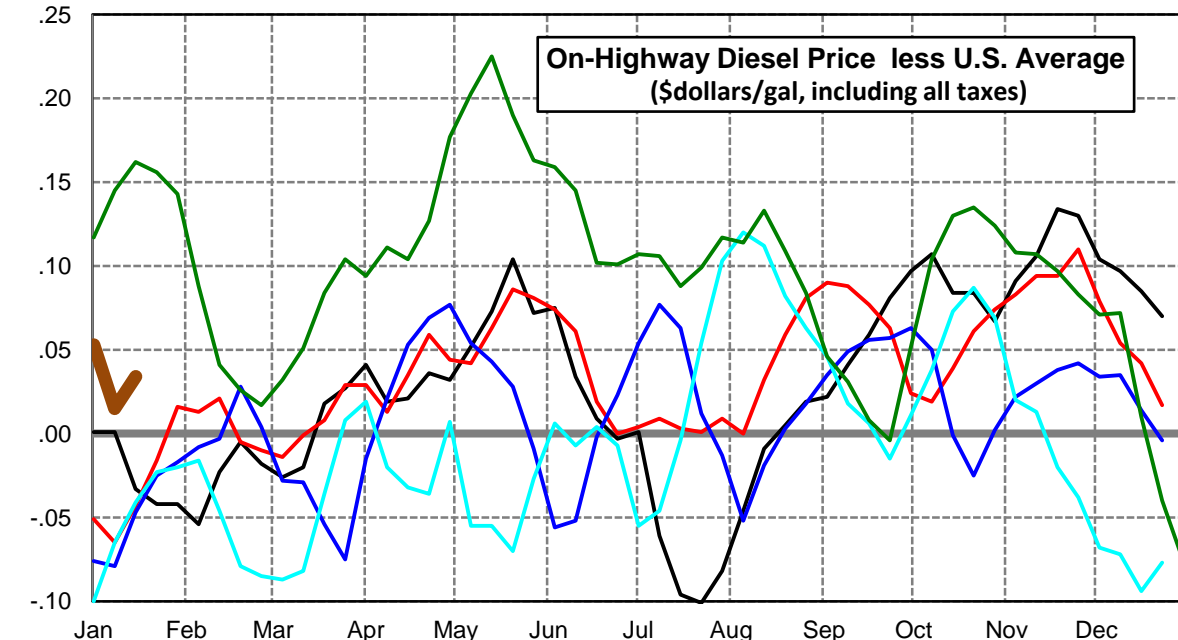
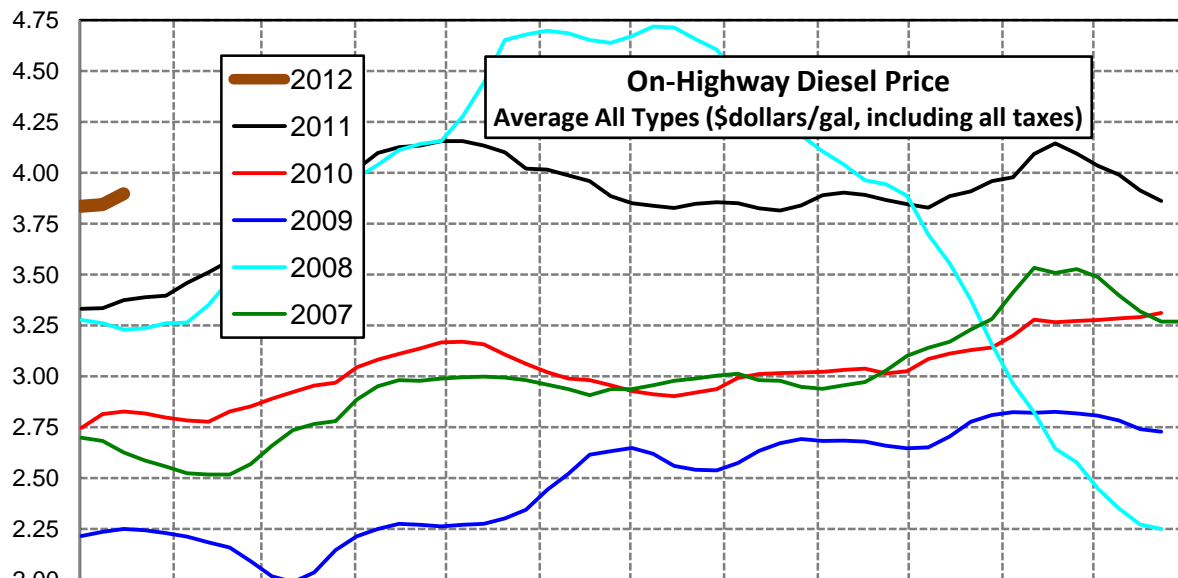
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| Gulf Coast | \$3.708 | \$3.709 | \$3.750 | \$3.846 | \$0.096 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



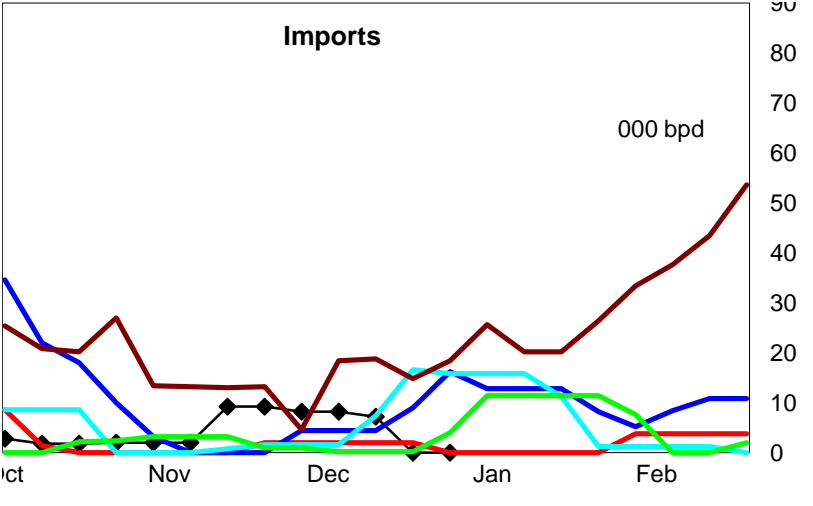
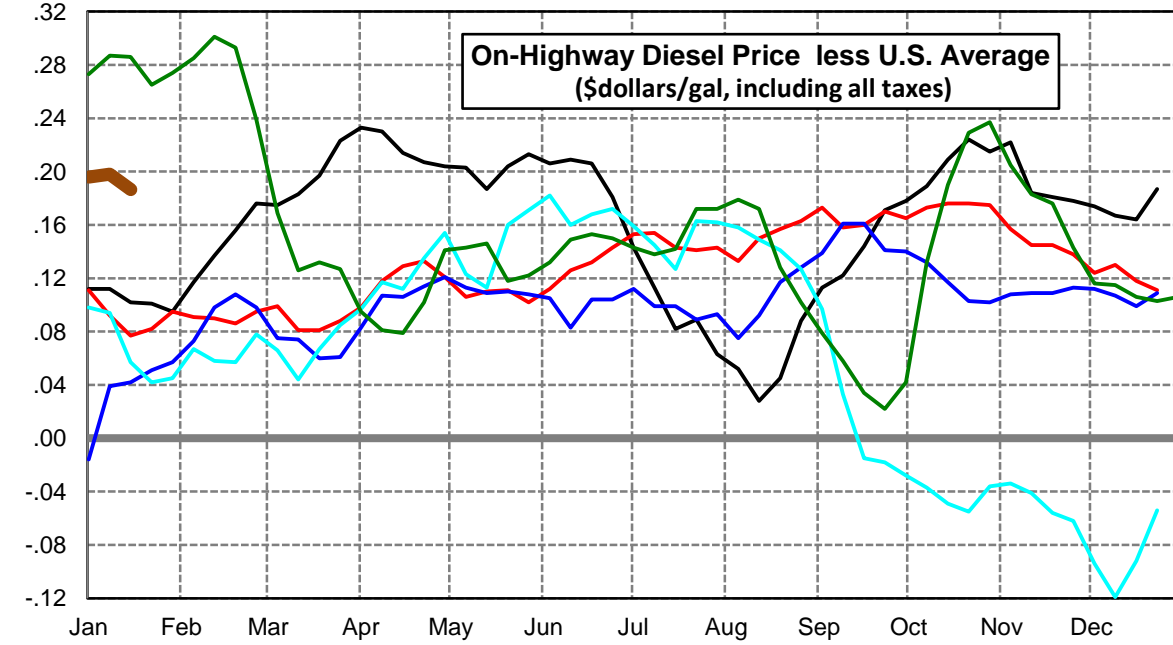
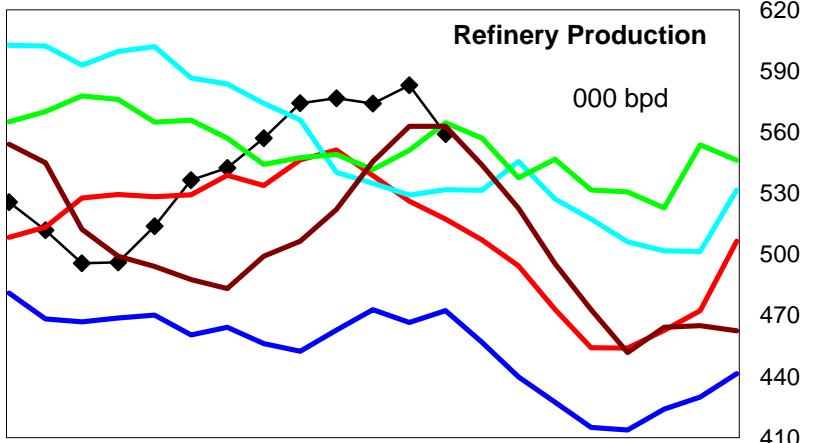
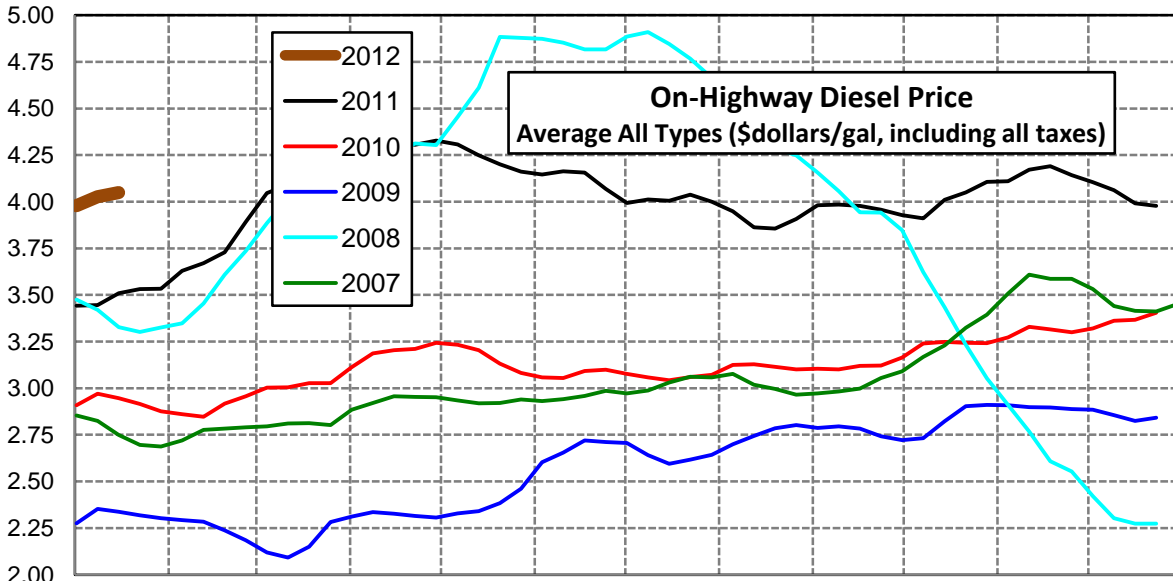
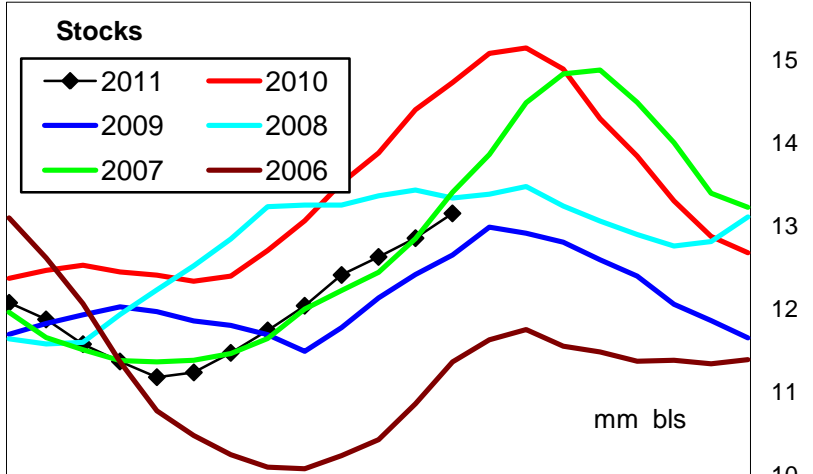
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| Rocky Mountain | \$3.861 | \$3.836 | \$3.843 | \$3.897 | \$0.054 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



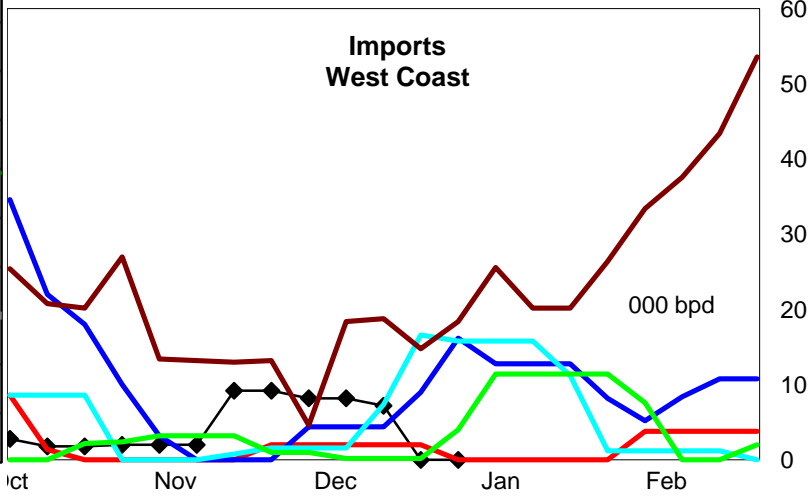
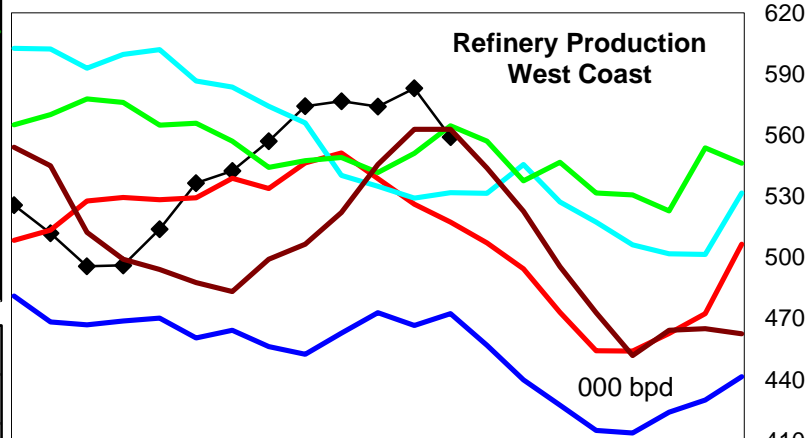
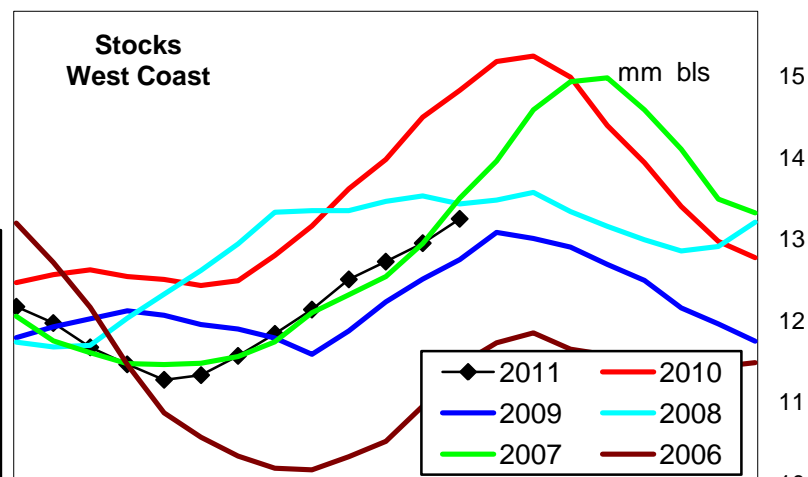
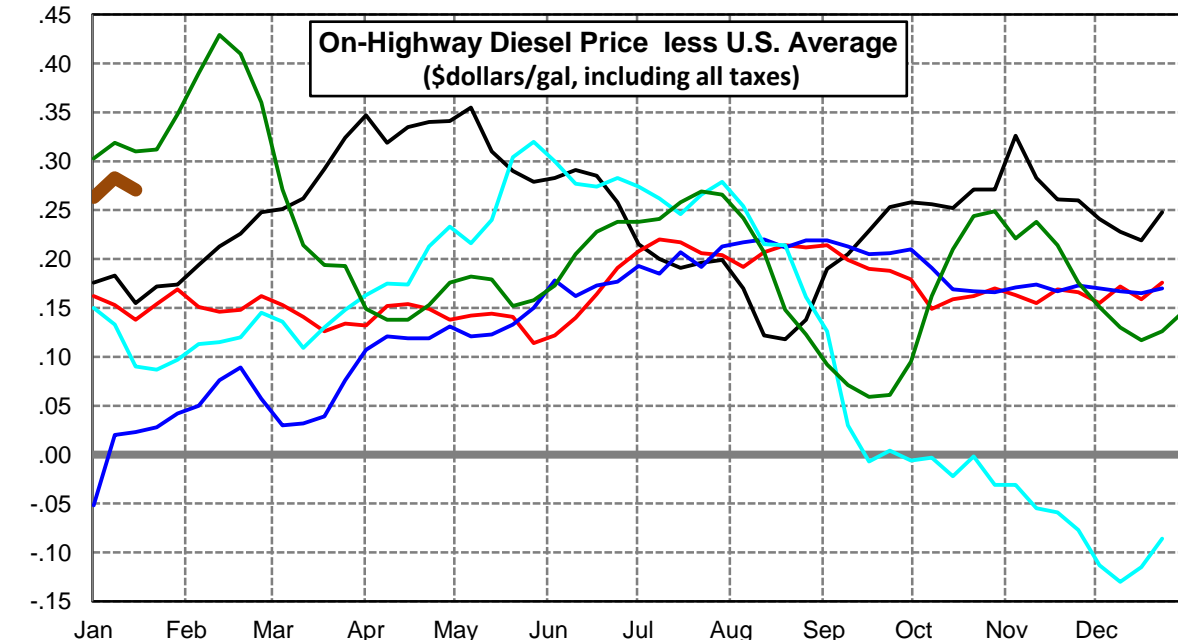
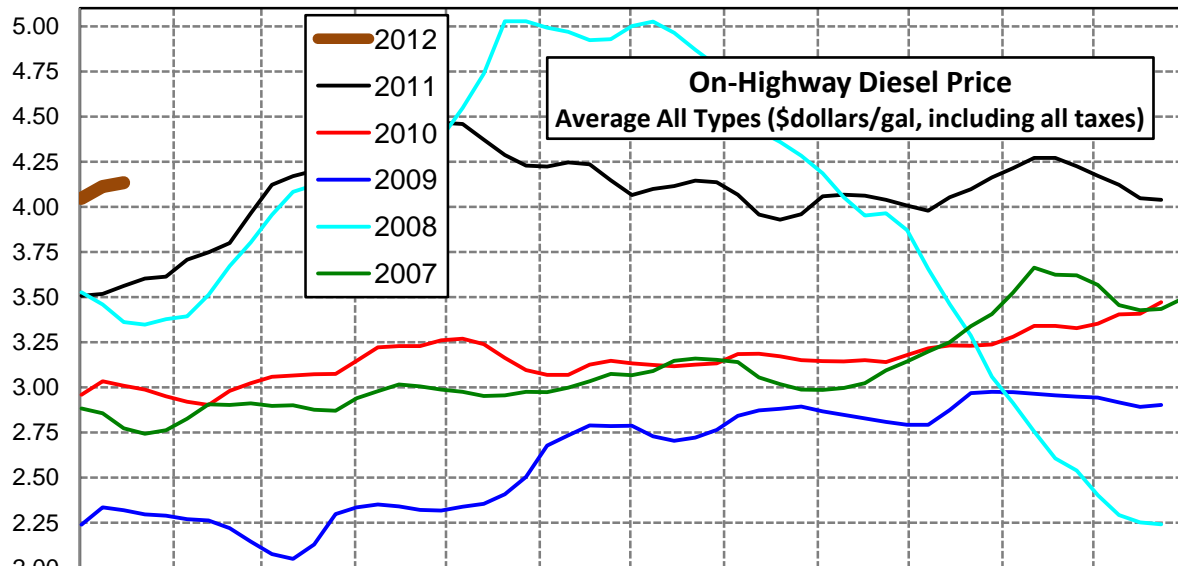
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| West Coast | \$3.978 | \$3.979 | \$4.026 | \$4.050 | \$0.024 |
| 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 |
| | 26Dec11 | 02Jan12 | 09Jan12 | 16Jan12 | |
| California | \$4.039 | \$4.046 | \$4.111 | \$4.134 | \$0.023 |
| 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-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 | 3.937 | 3.974 | 4.045 | 4.090 | 3.918 | 3.918 | 3.904 | 3.855 | 4.000 | 4.136 |
| Mon-08-Aug-11 | 3.897 | 3.936 | 4.031 | 4.053 | 3.877 | 3.875 | 3.868 | 3.851 | 3.949 | 4.067 |
| Mon-15-Aug-11 | 3.835 | 3.871 | 4.001 | 3.983 | 3.811 | 3.815 | 3.806 | 3.826 | 3.863 | 3.957 |
| Mon-22-Aug-11 | 3.810 | 3.844 | 3.994 | 3.944 | 3.788 | 3.789 | 3.772 | 3.815 | 3.855 | 3.928 |
| Mon-29-Aug-11 | 3.820 | 3.843 | 3.977 | 3.930 | 3.793 | 3.803 | 3.763 | 3.839 | 3.908 | 3.958 |
| Mon-05-Sep-11 | 3.868 | 3.886 | 3.994 | 3.987 | 3.833 | 3.852 | 3.800 | 3.890 | 3.981 | 4.058 |
| Mon-12-Sep-11 | 3.862 | 3.879 | 3.985 | 3.985 | 3.825 | 3.841 | 3.790 | 3.903 | 3.984 | 4.067 |
| Mon-19-Sep-11 | 3.833 | 3.853 | 3.983 | 3.968 | 3.792 | 3.799 | 3.765 | 3.892 | 3.977 | 4.062 |
| Mon-26-Sep-11 | 3.786 | 3.804 | 3.963 | 3.922 | 3.739 | 3.738 | 3.730 | 3.867 | 3.957 | 4.039 |
| Mon-03-Oct-11 | 3.749 | 3.765 | 3.941 | 3.881 | 3.699 | 3.699 | 3.693 | 3.846 | 3.927 | 4.007 |
| Mon-10-Oct-11 | 3.721 | 3.741 | 3.912 | 3.860 | 3.674 | 3.671 | 3.651 | 3.828 | 3.910 | 3.977 |
| Mon-17-Oct-11 | 3.801 | 3.815 | 3.907 | 3.922 | 3.761 | 3.754 | 3.726 | 3.885 | 4.01 | 4.053 |
| Mon-24-Oct-11 | 3.825 | 3.832 | 3.925 | 3.946 | 3.775 | 3.782 | 3.745 | 3.909 | 4.049 | 4.096 |
| Mon-31-Oct-11 | 3.892 | 3.886 | 3.935 | 3.994 | 3.836 | 3.866 | 3.808 | 3.959 | 4.107 | 4.163 |
| Mon-07-Nov-11 | 3.887 | 3.875 | 3.950 | 3.997 | 3.816 | 3.863 | 3.796 | 3.978 | 4.109 | 4.213 |
| Mon-14-Nov-11 | 3.987 | 3.964 | 4.030 | 4.085 | 3.906 | 3.987 | 3.882 | 4.093 | 4.171 | 4.270 |
| Mon-21-Nov-11 | 4.010 | 3.984 | 4.056 | 4.100 | 3.918 | 4.010 | 3.903 | 4.144 | 4.191 | 4.271 |
| Mon-28-Nov-11 | 3.964 | 3.953 | 4.045 | 4.057 | 3.882 | 3.949 | 3.859 | 4.094 | 4.142 | 4.224 |
| Mon-05-Dec-11 | 3.931 | 3.934 | 4.036 | 4.018 | 3.862 | 3.907 | 3.828 | 4.035 | 4.105 | 4.172 |
| Mon-12-Dec-11 | 3.894 | 3.917 | 4.032 | 4.003 | 3.830 | 3.848 | 3.794 | 3.991 | 4.061 | 4.122 |
| Mon-19-Dec-11 | 3.828 | 3.873 | 3.995 | 3.963 | 3.783 | 3.765 | 3.727 | 3.913 | 3.992 | 4.047 |
| Mon-26-Dec-11 | 3.791 | 3.840 | 3.973 | 3.925 | 3.752 | 3.706 | 3.708 | 3.861 | 3.978 | 4.039 |
| Mon-02-Jan-12 | 3.783 | 3.844 | 3.973 | 3.932 | 3.754 | 3.683 | 3.709 | 3.836 | 3.979 | 4.046 |
| Mon-09-Jan-12 | 3.828 | 3.908 | 4.029 | 3.996 | 3.820 | 3.717 | 3.750 | 3.843 | 4.026 | 4.111 |
| Mon-16-Jan-12 | 3.863 | 3.933 | 4.047 | 4.046 | 3.871 | 3.728 | 3.846 | 3.897 | 4.050 | 4.134 |
| Mon-23-Jan-12 | | | | | | | | | | |
| Mon-30-Jan-12 | | | | | | | | | | |

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.