



RETAIL DIESEL FUEL OUTLOOK

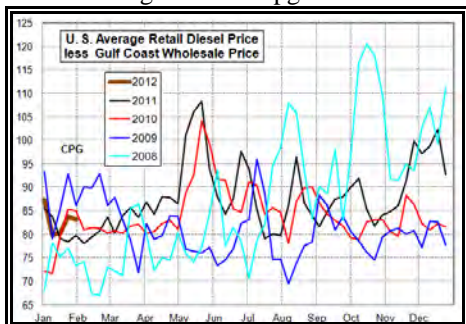
A Fundamental Petroleum Trends Weekly Report

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

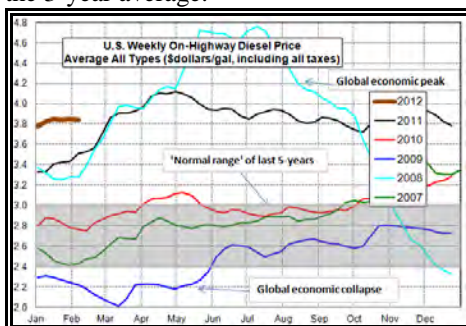
Region	Actual Price 1/			Forecast 2/	Change from week ago
	16Jan12	23Jan12	30Jan12	06Feb12	
U.S.	3.854	3.848	3.850	3.844	-0.006
East Coast	3.943	3.938	3.945	3.920	-0.025
New England	4.076	4.077	4.088	4.035	-0.053
Central Atlantic	4.031	4.030	4.040	4.032	-0.008
Lower Atlantic	3.853	3.843	3.848	3.858	0.010
Midwest	3.746	3.736	3.734	3.711	-0.023
Gulf Coast	3.777	3.774	3.776	3.831	0.055
Rocky Mountain	3.823	3.817	3.816	3.875	0.059
West Coast	4.037	4.037	4.033	4.015	-0.018
California	4.116	4.121	4.120	4.098	-0.022

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

Diesel Fuel Price Trends U. S. retail diesel prices increased +0.2 cpg for the week ending 30Jan12. Prices increased +1 cpg in New England and the Central Atlantic Regions. Prices in other regions were unchanged to -0.4 cpg on the week.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price decreased -0.5 cpg week-on-week. The spread ended the week at a level near the 3-year average.

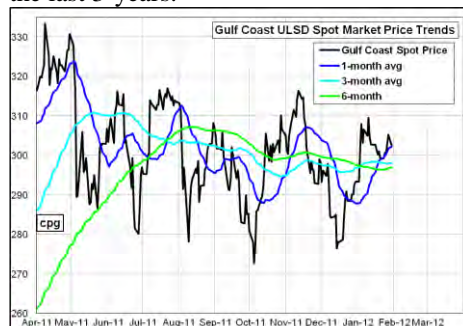


The national average on-highway price ended the week \$0.45/gal *above* the 5-year high, for this time of year, set in 2011.

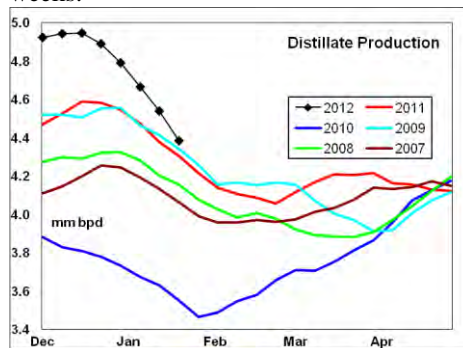
Extreme over supply of distillate in the Midwest continued to depressed retail prices in the area. Peak season heating fuel demand and relatively tight stocks in the New England and Central Atlantic

distillate prices increased +3 cpg last week ending 30Jan12. Gulf wholesale prices ended the week at a level above the mid range of the last 60-days.

U.S. average retail prices are now +13 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices decreased slightly last week, with the level near the average of 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 has increased +0.6 million bpd during the last 2-wks,

Regions underlie the high retail prices for the area.

The Midwest reported the lowest average price at \$3.73/gal. The highest price was reported in California at \$4.12/gal.

Gulf Coast wholesale

following the collapse of -1.1 million bpd during the prior month. Peak season heating fuel demand and increased transport use lead to the upturn. Wholesale demand for the latest 4-wk period was -74,000 bpd below a year ago; primarily due to the unusually mild winter heating season.

Distillate supplies decreased -163,000 bpd last week, to match year ago levels. Refiners are reducing output as winter refinery maintenance begins, as well as the lower level of demand. The increase in demand and reduced production led to a -2.5 million barrel stock draw last week. Stock levels are now -20 million barrels (-12%) below last year. Lower stocks are the result of increased exports and a -26% decline in imports.

Global Trends Driving Diesel Prices

Asian and Middle East prices compared to U.S. NYMEX heating oil futures are at record spreads, favoring the Pacific Rim markets. This trend points to strength in demand for Asian and Middle East countries compared to the U.S. and Europe.

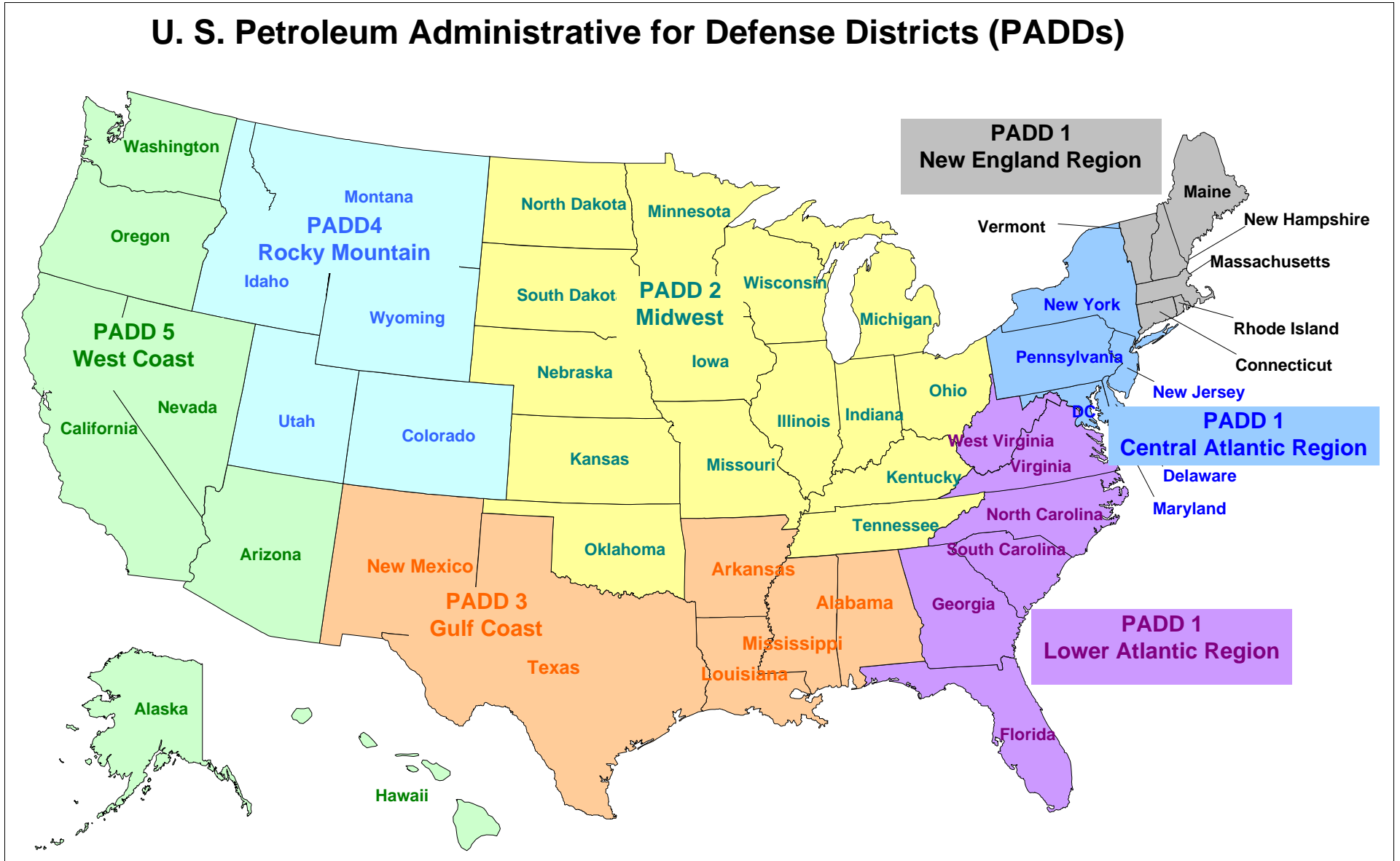
Risk of Iranian disruption to Middle East crude oil exports continues. The European Union has entered into a recession, as evidenced by a sharp drop in Rotterdam gas oil prices during the last month compared to U.S. markets. Unusually mild weather in the Northeast continues to depress heating oil demand.

These trends point to a disparity in economic growth between Asia and Atlantic Basin countries in 2012. On balance expect weakness in distillate demand growth during 2012.

Diesel Price Outlook U.S. retail price changes will be mixed during the upcoming week.

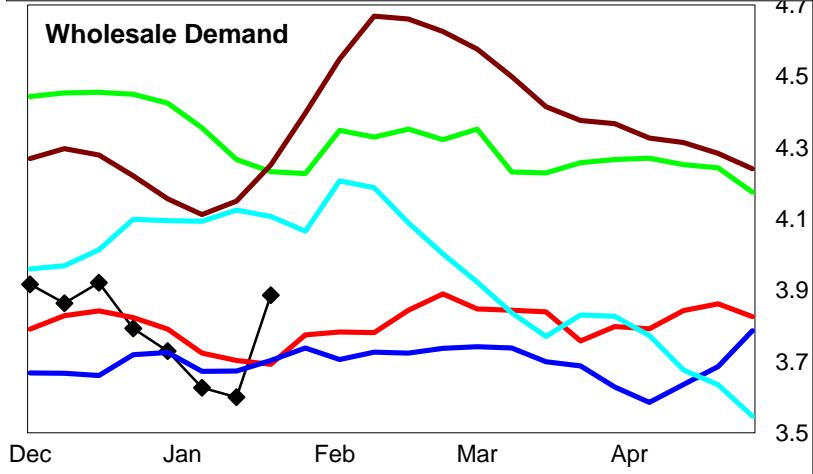
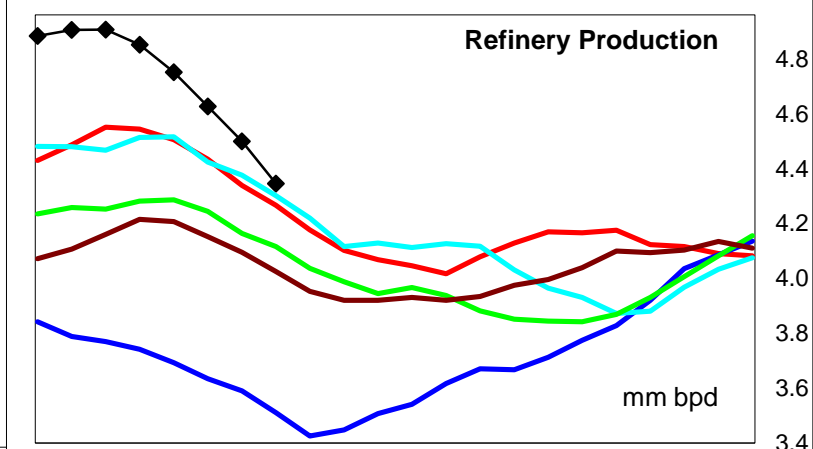
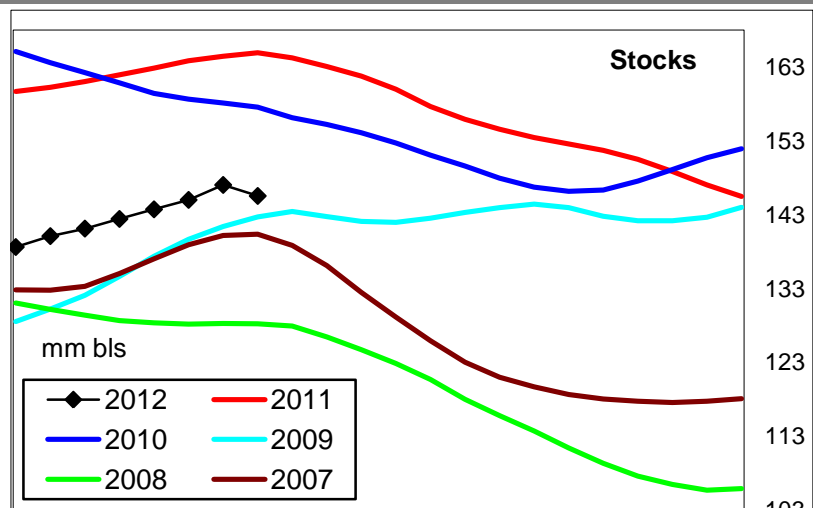
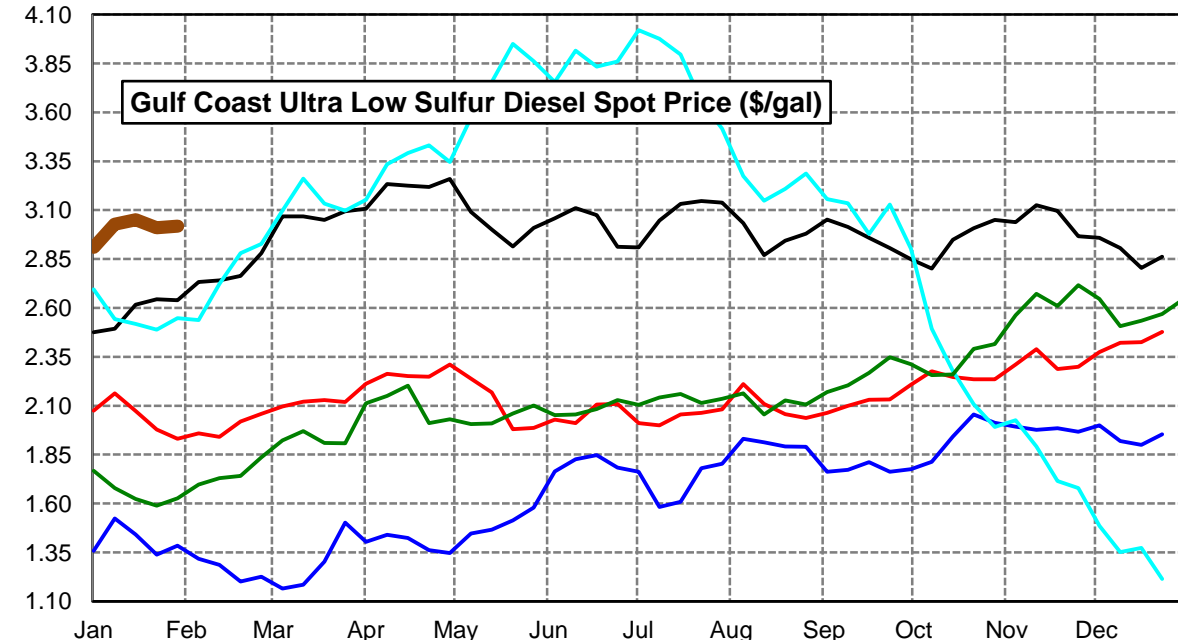
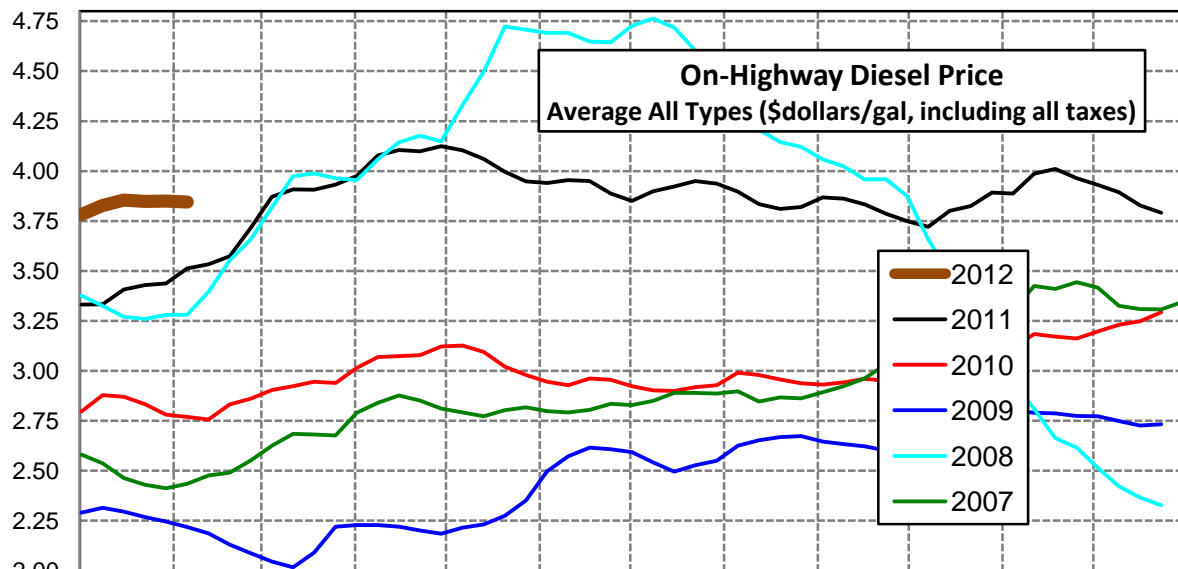
Prices on the East Coast, Midwest, and West Coast should trend lower while prices in the Rockies and Gulf trend higher. The spread between retail and wholesale prices has returned to the historic average so that trends in wholesale prices should quickly impact the retail market

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



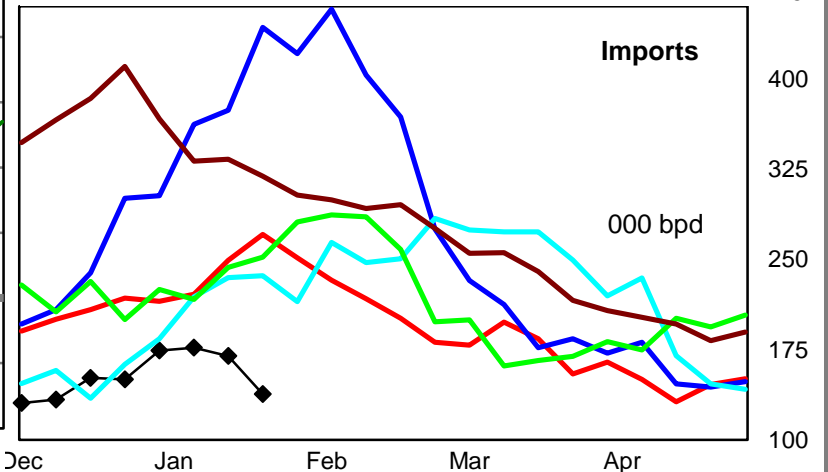
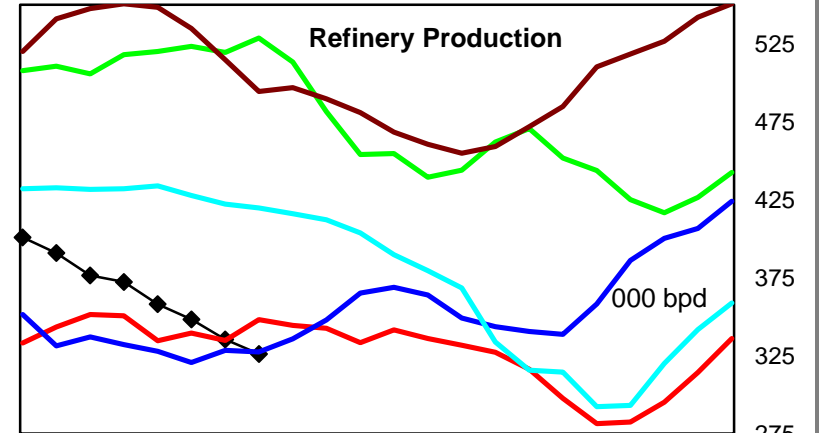
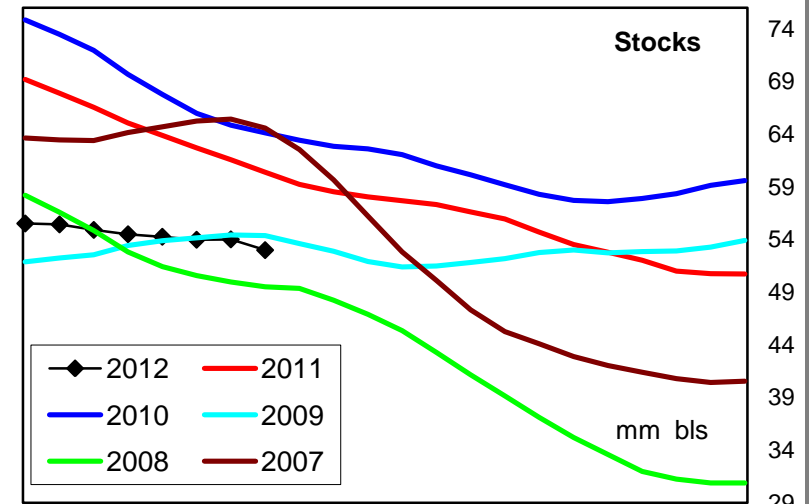
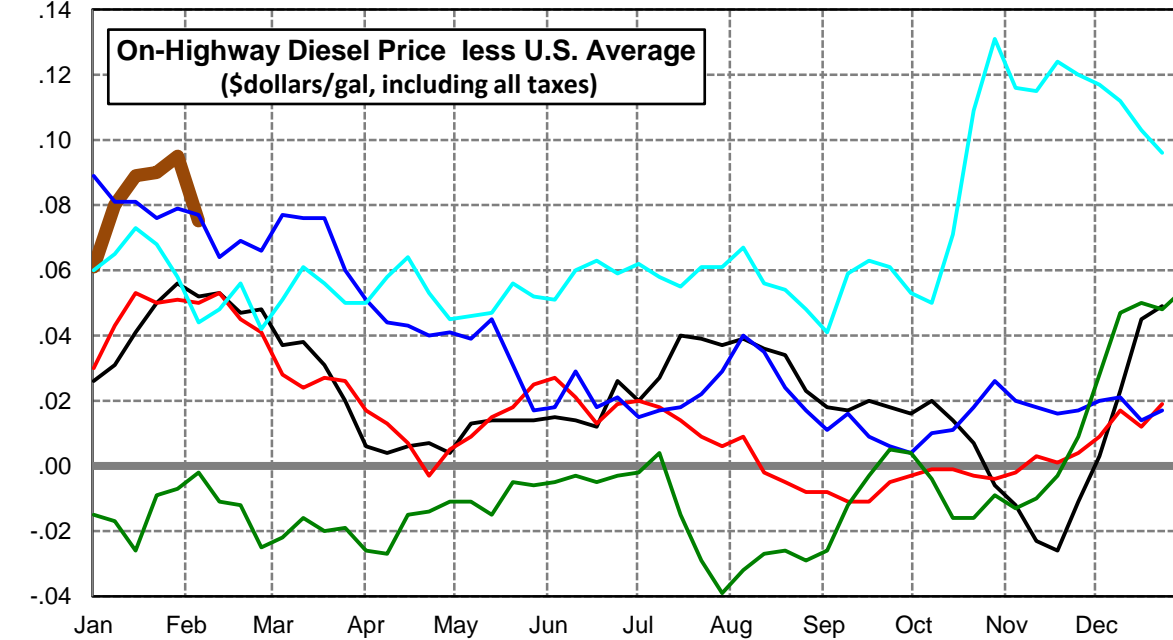
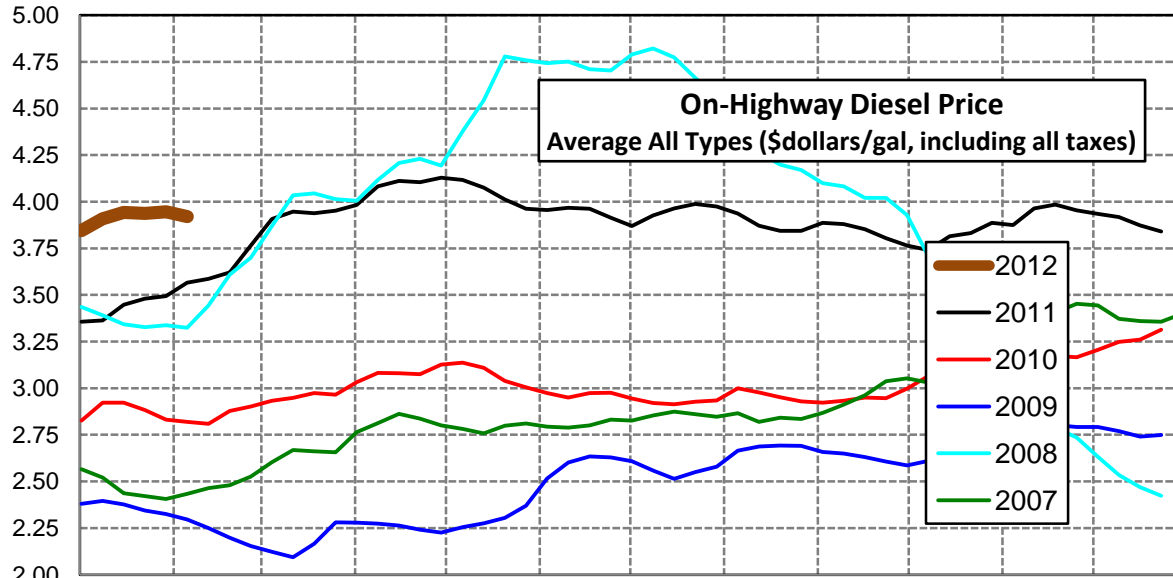
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
United States Avg	\$3.854	\$3.848	\$3.850	\$3.844	-\$0.006
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



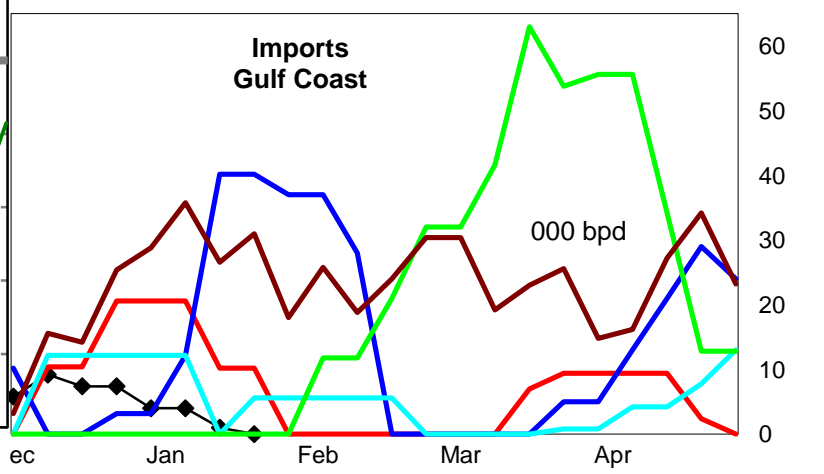
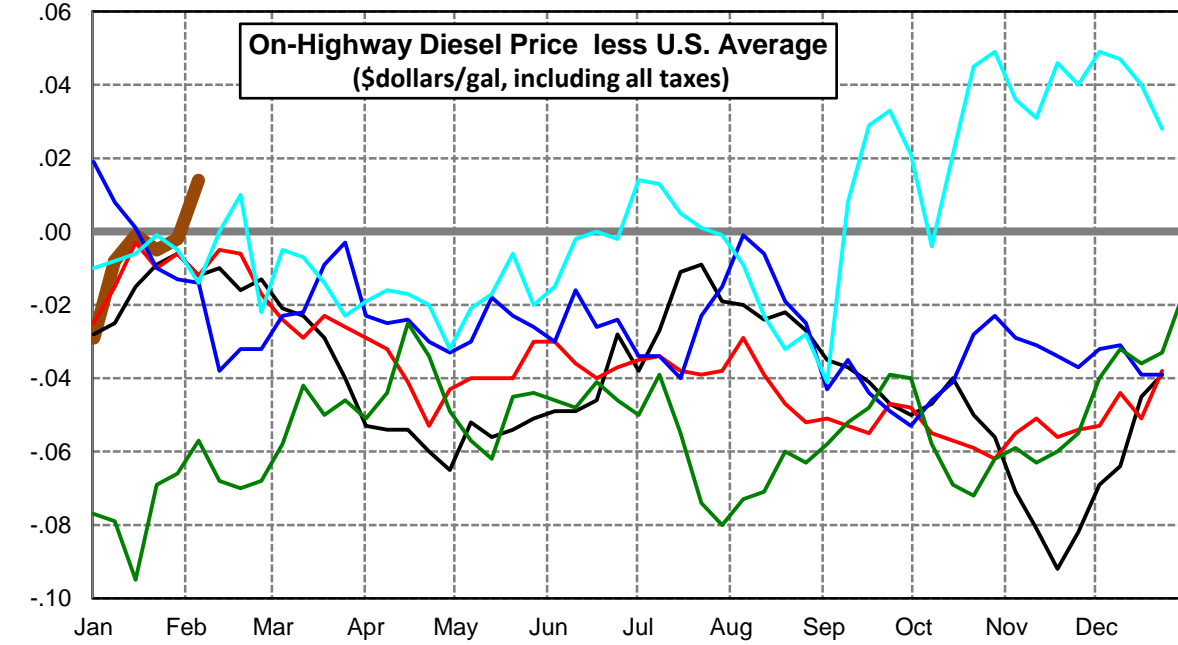
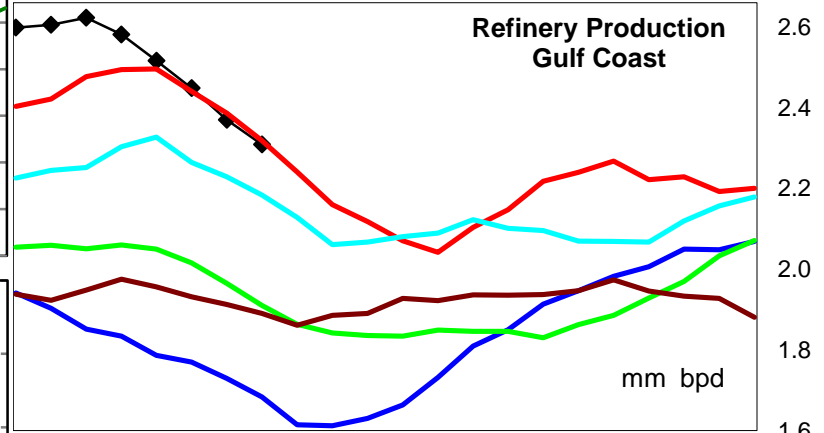
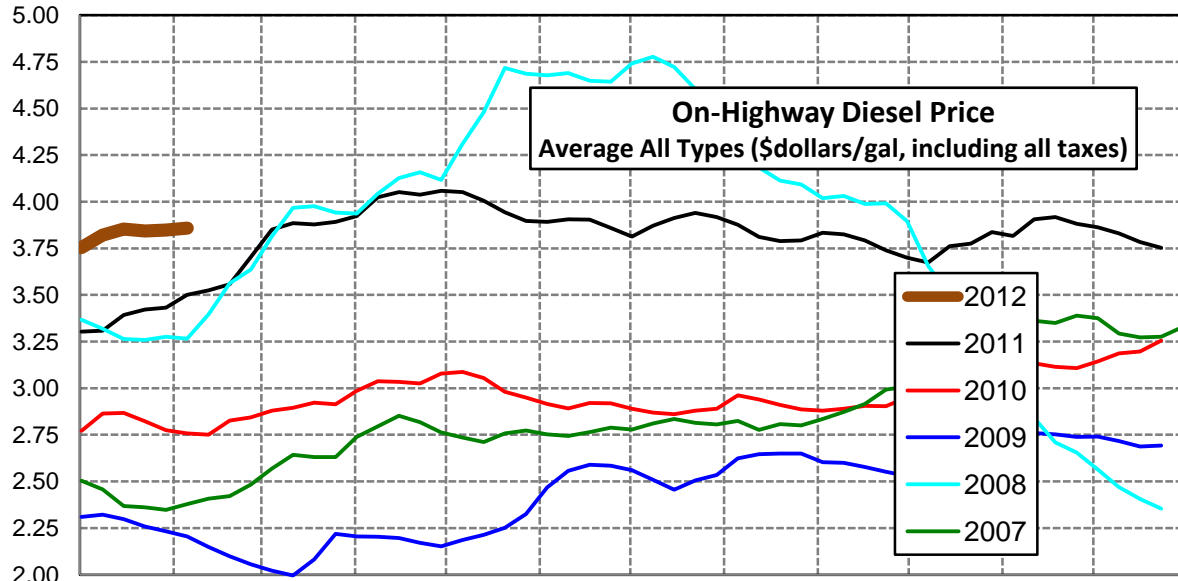
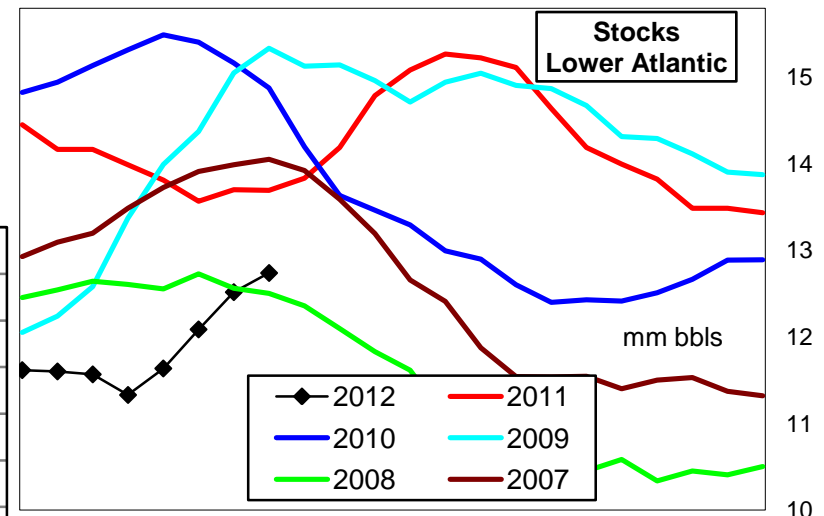
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
East Coast	\$3.943	\$3.938	\$3.945	\$3.920	-\$0.025
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



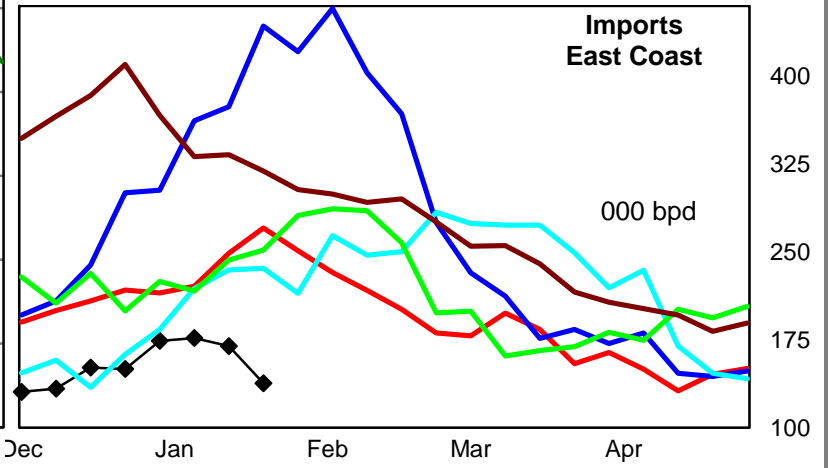
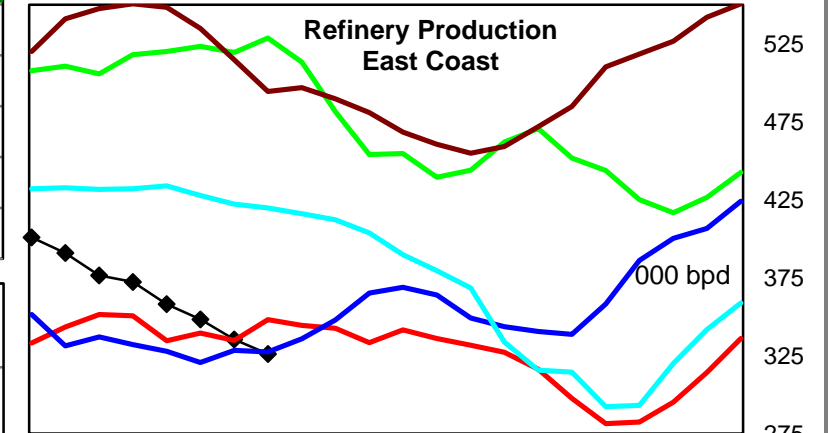
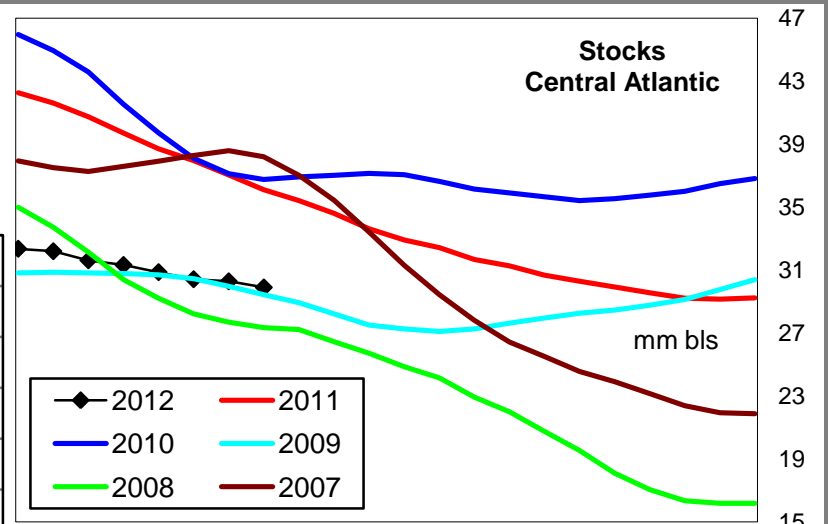
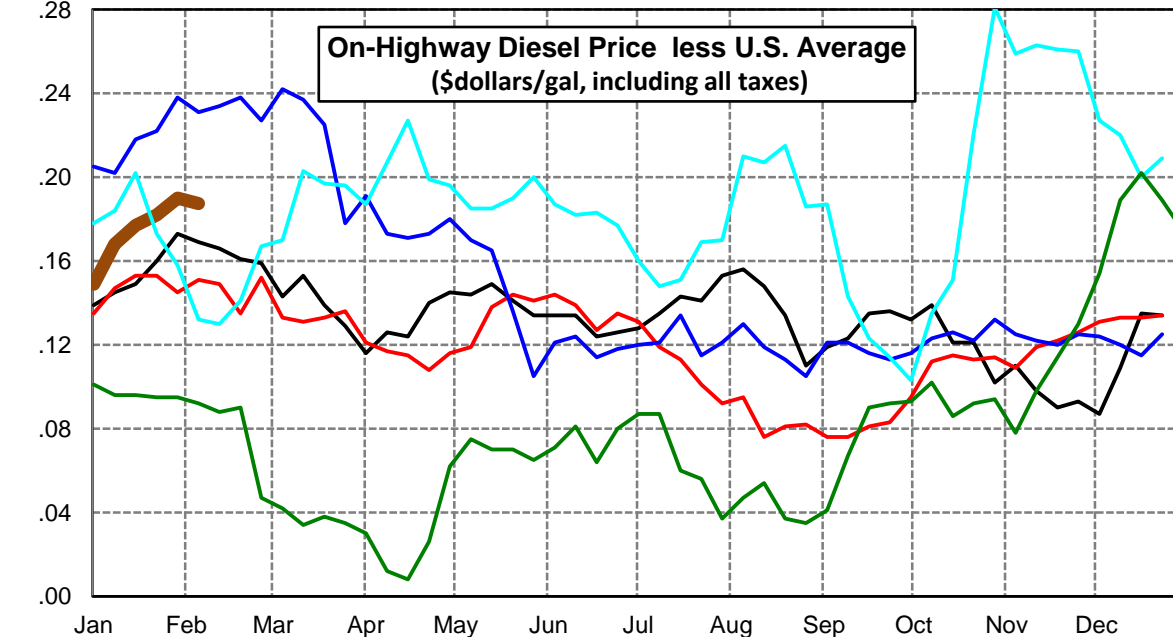
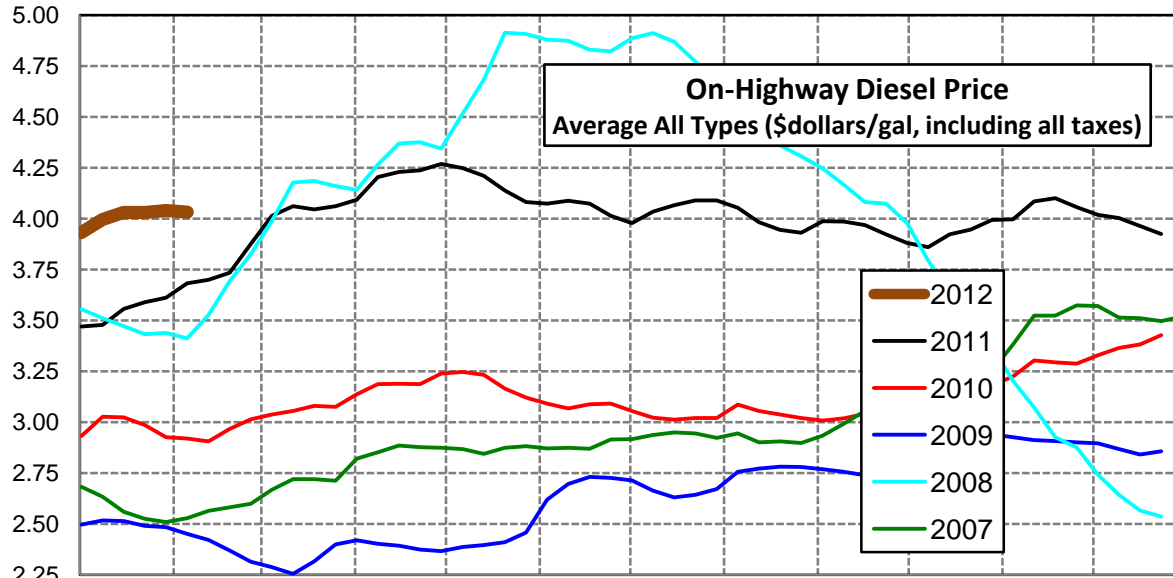
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
Lower Atlantic	\$3.853	\$3.843	\$3.848	\$3.858	\$0.010
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



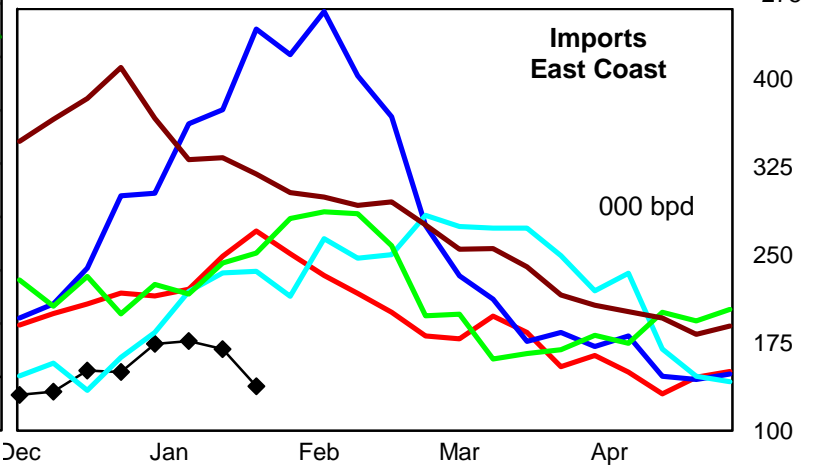
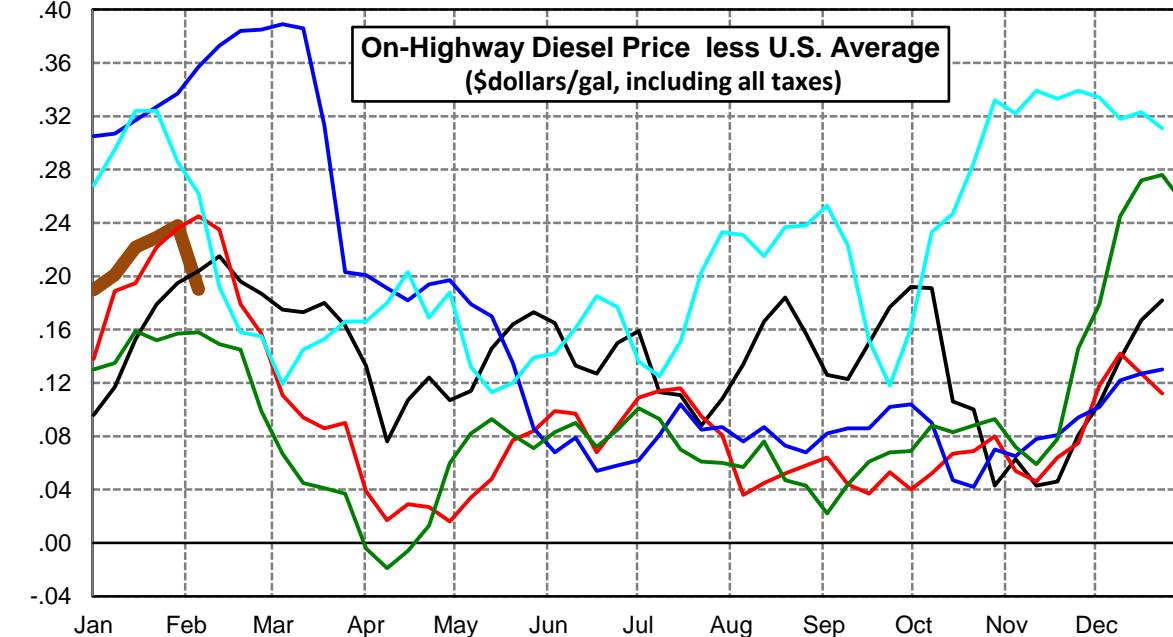
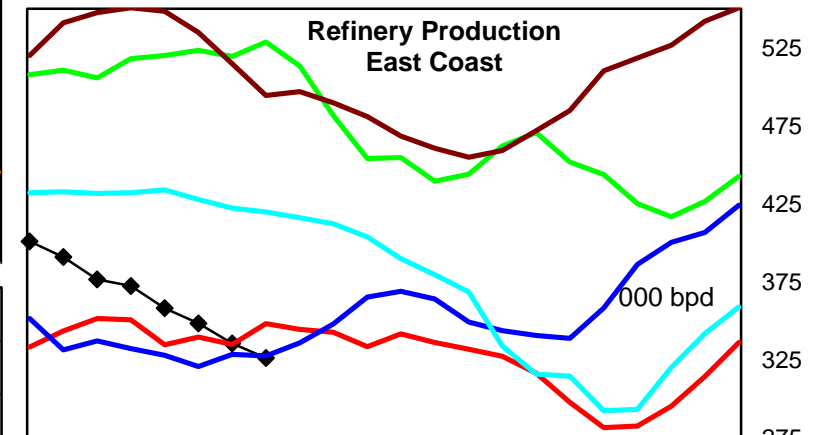
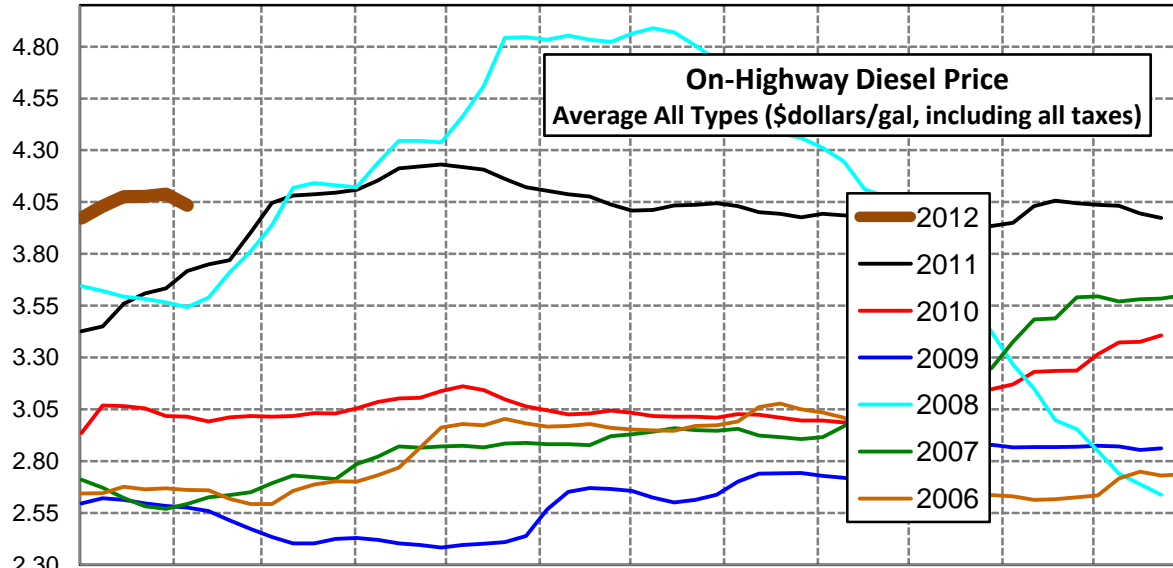
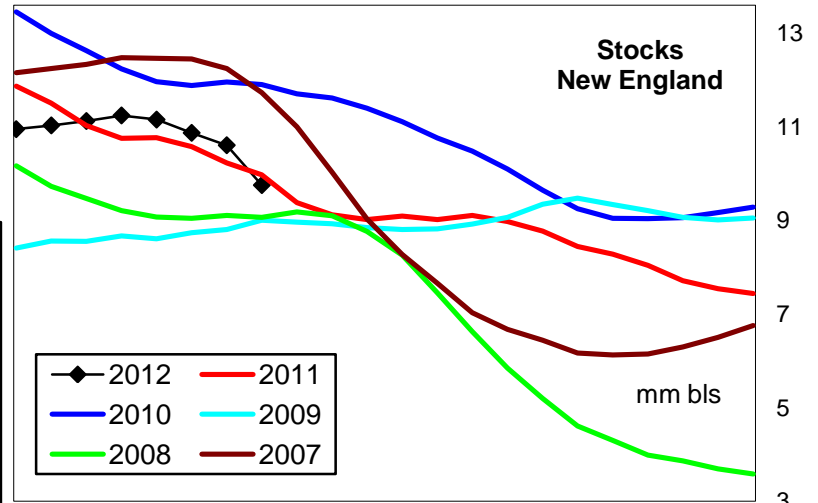
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
Central Atlantic	\$4.031	\$4.030	\$4.040	\$4.032	-\$0.008
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



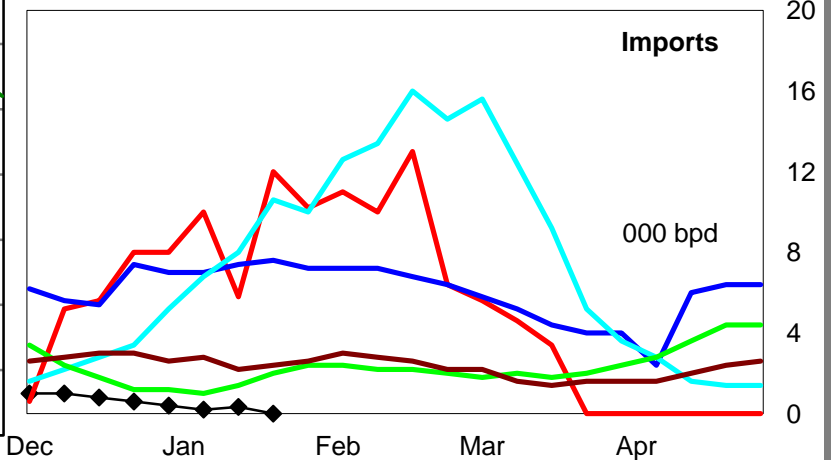
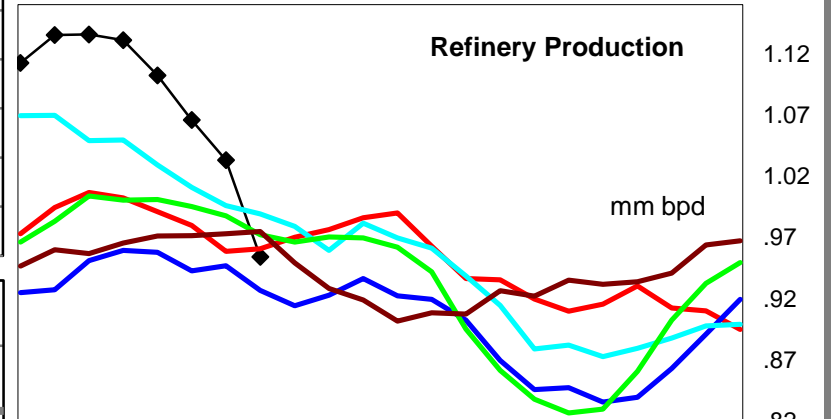
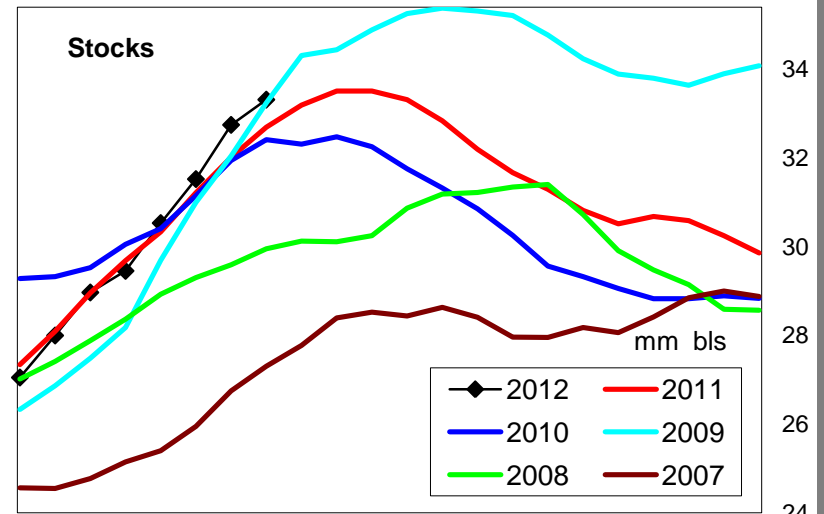
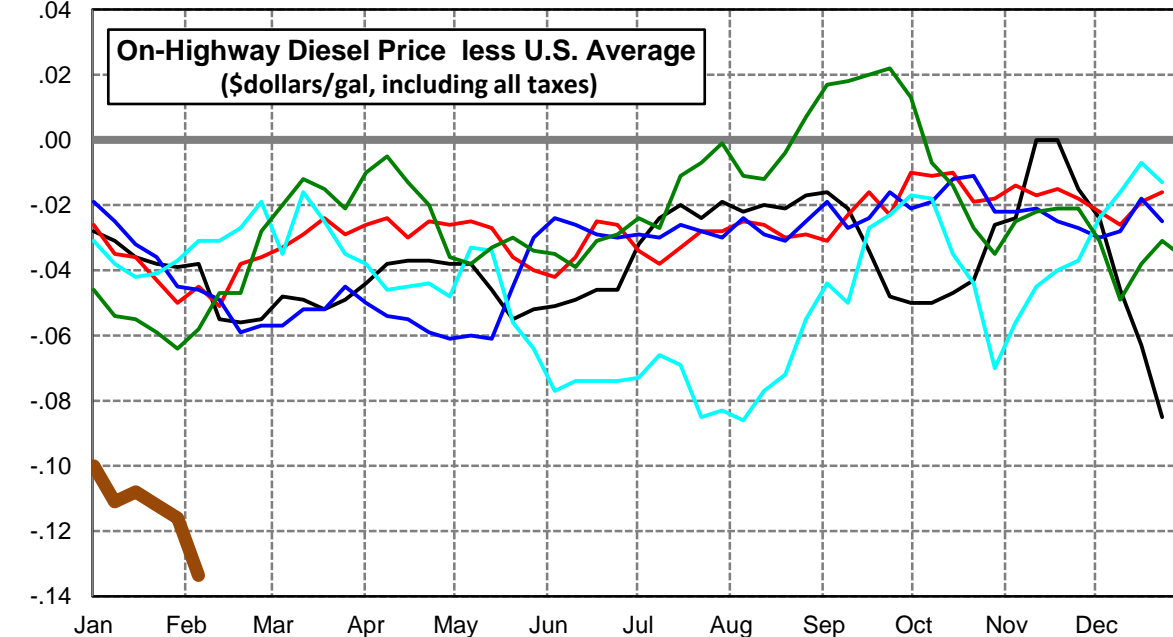
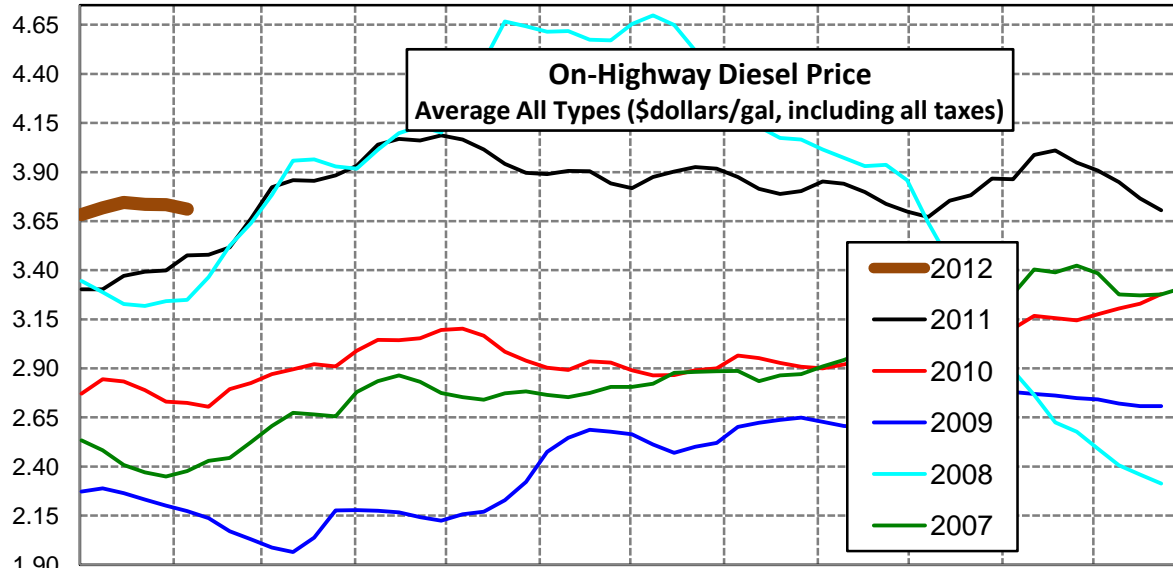
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
New England	\$4.076	\$4.077	\$4.088	\$4.035	-\$0.053
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



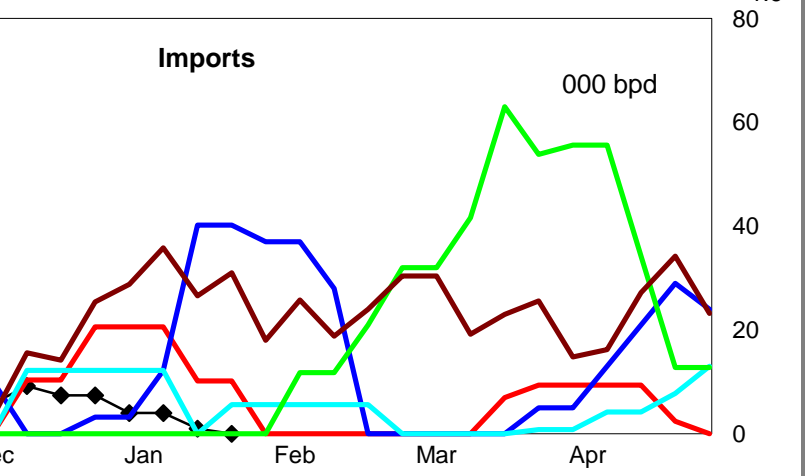
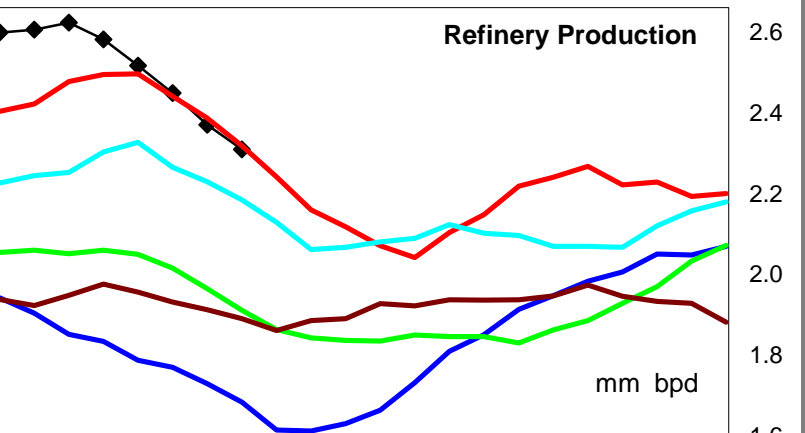
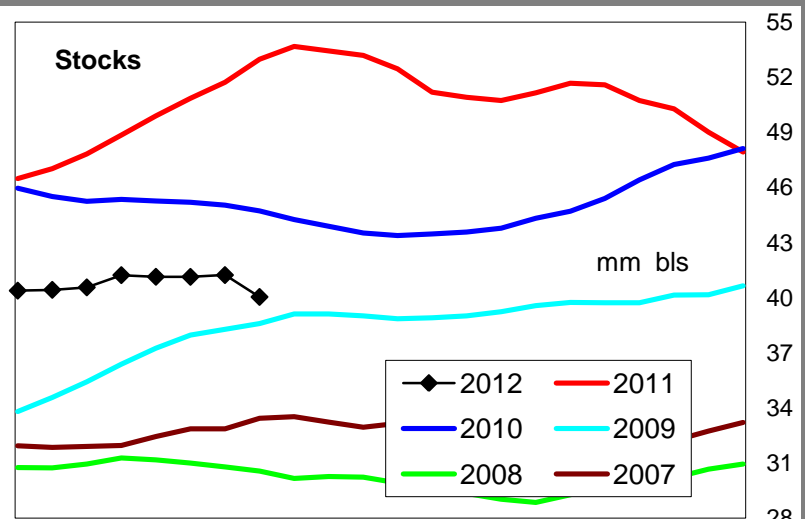
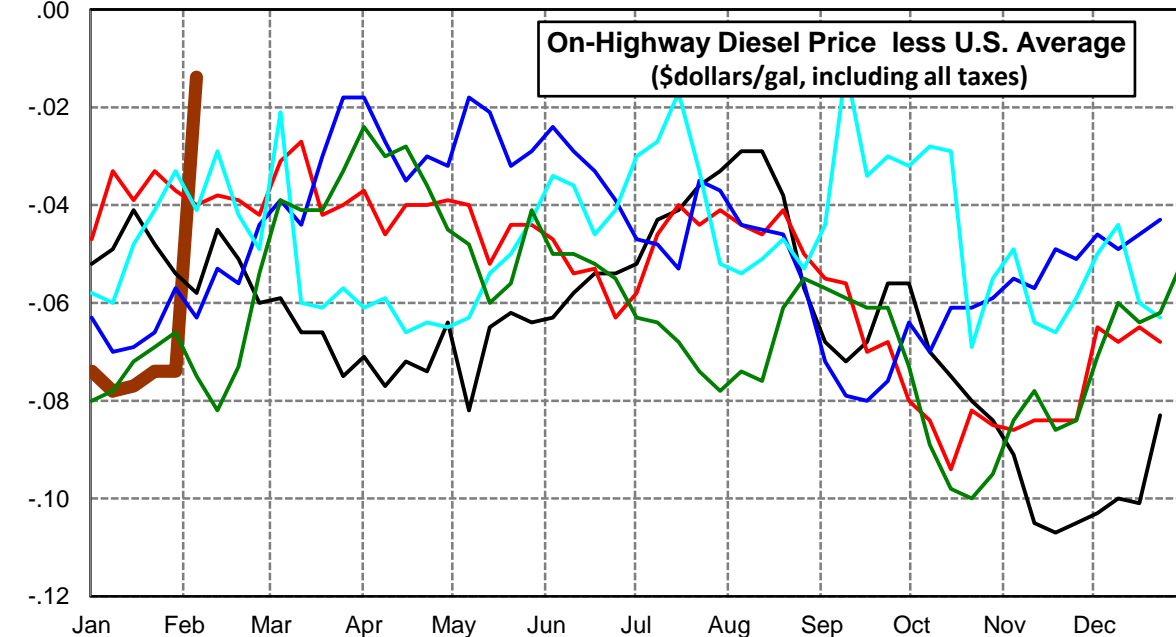
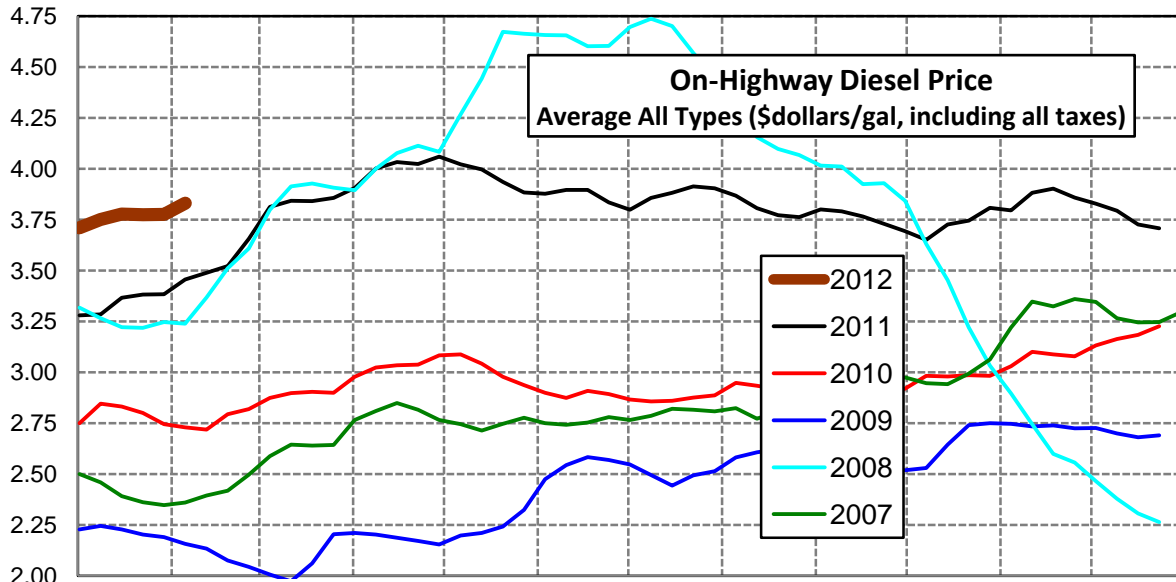
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
Midwest	\$3.746	\$3.736	\$3.734	\$3.711	-\$0.023
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



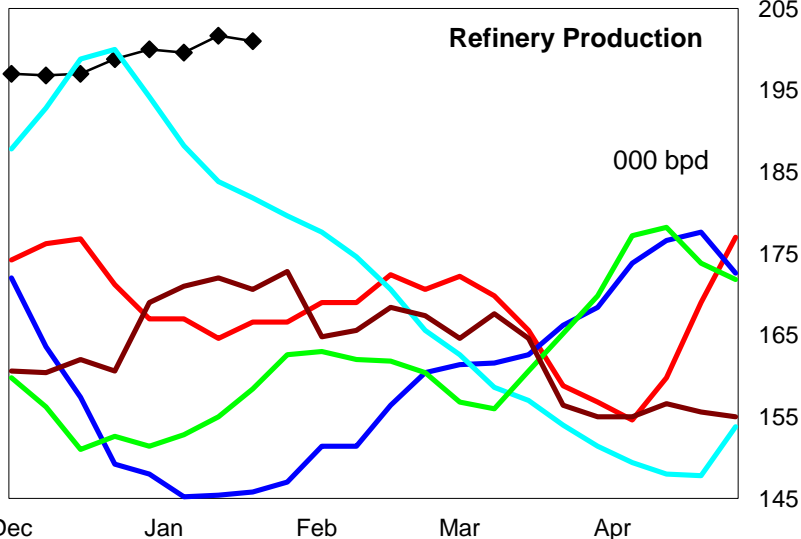
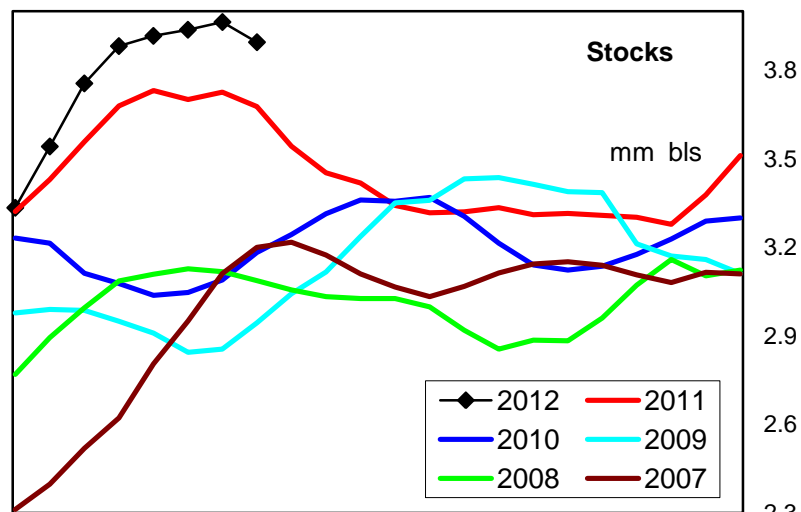
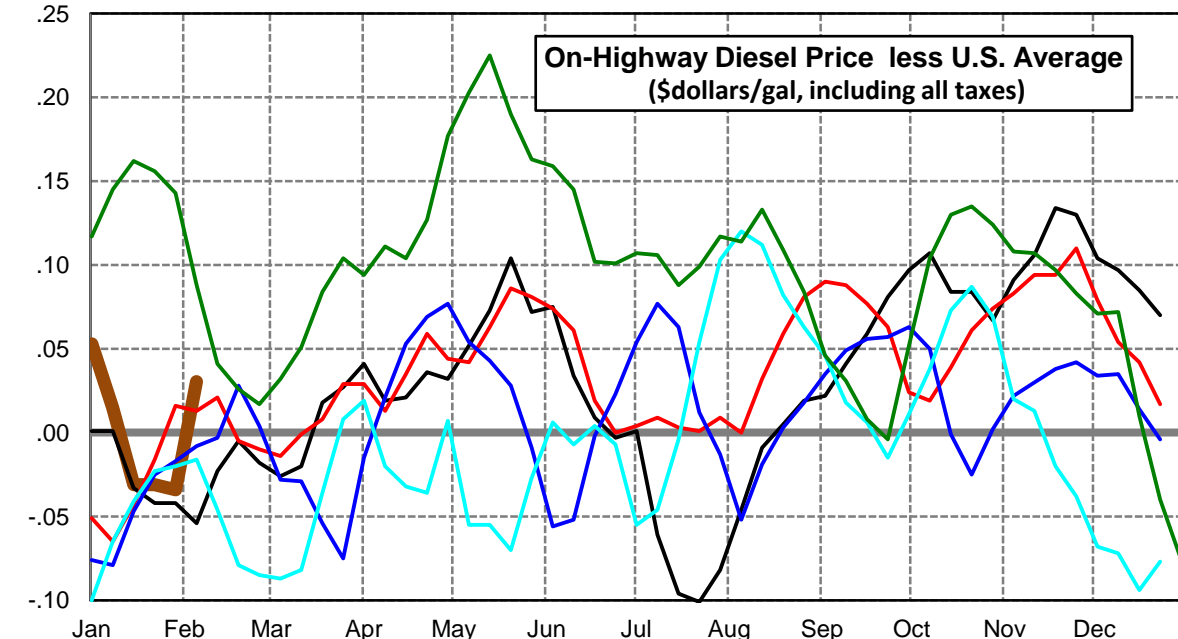
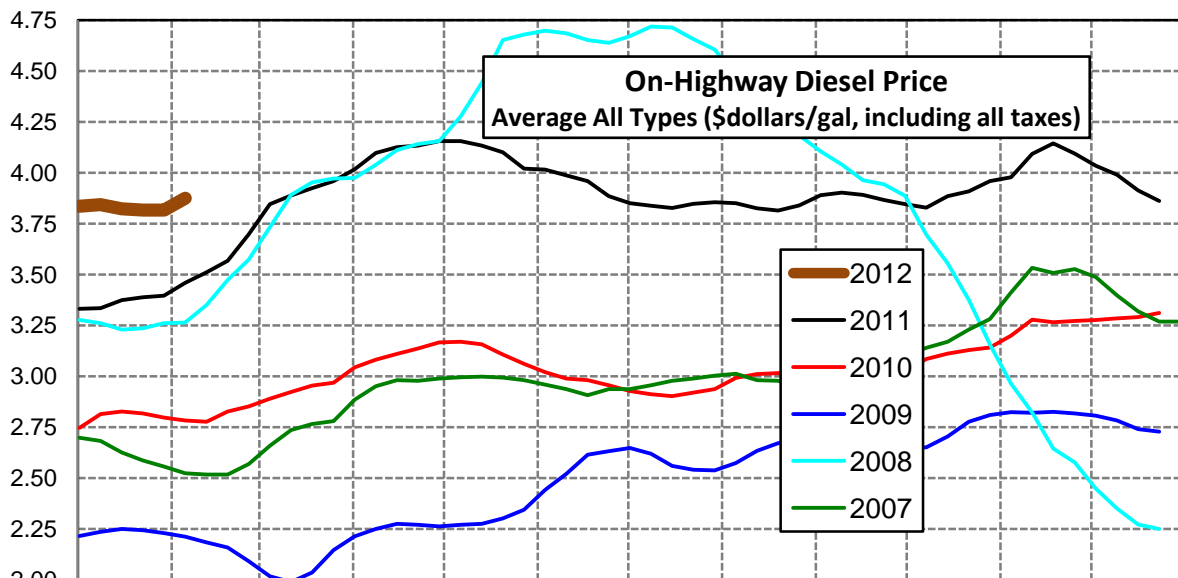
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
Gulf Coast	\$3.777	\$3.774	\$3.776	\$3.831	\$0.055
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



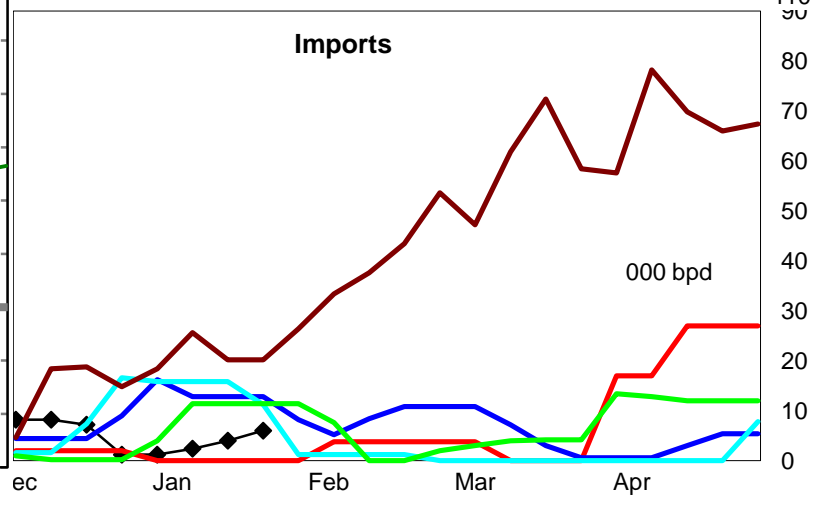
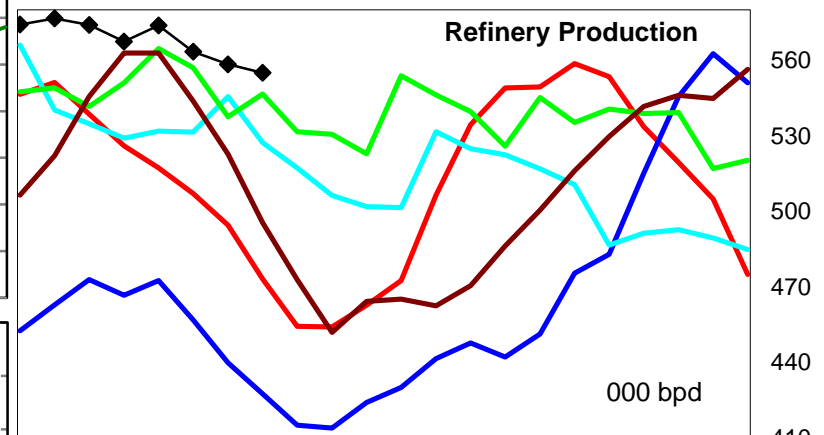
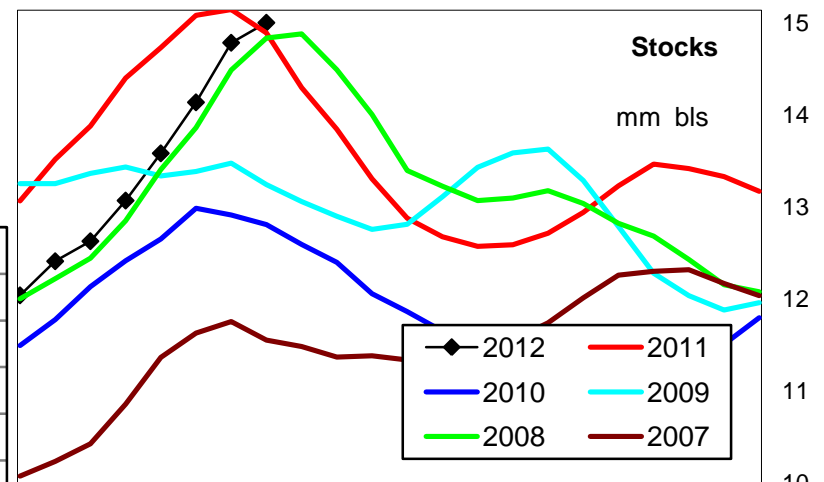
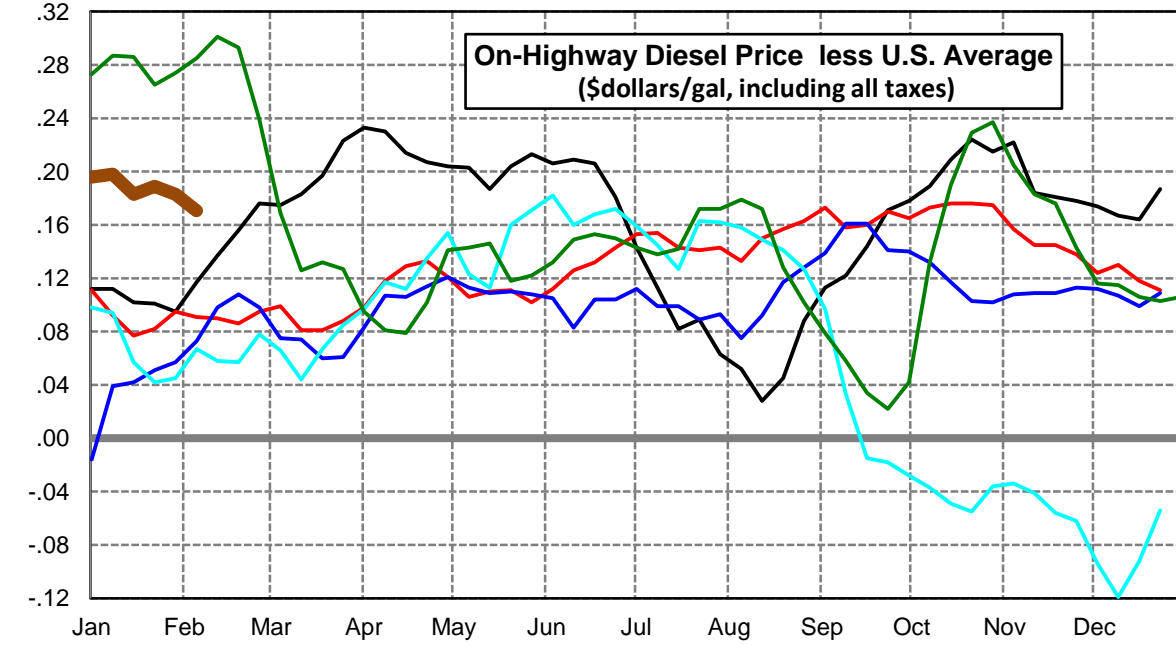
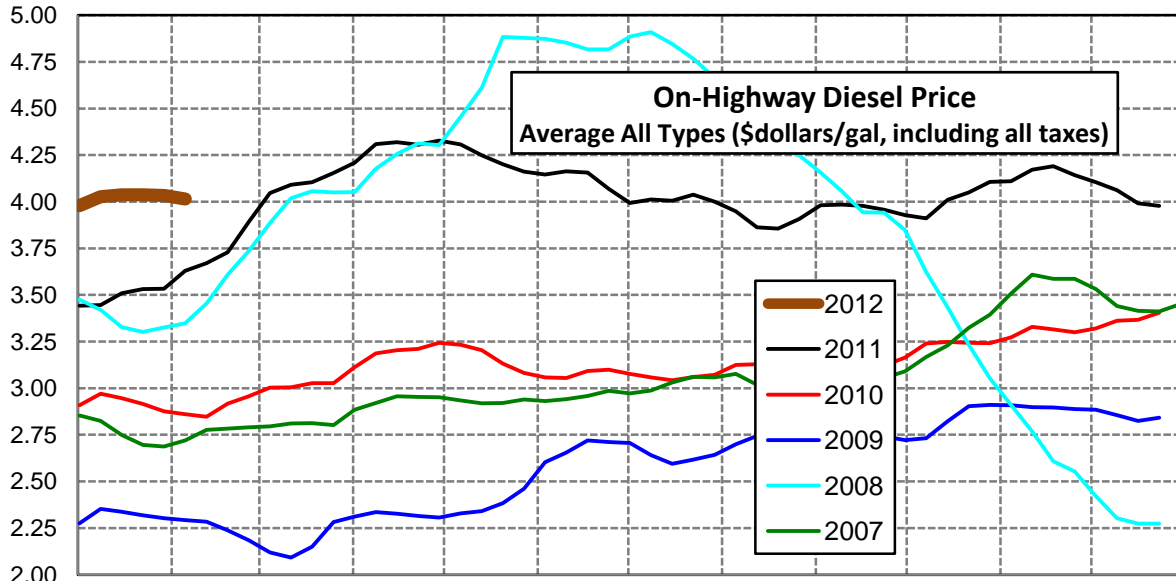
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
Rocky Mountain	\$3.823	\$3.817	\$3.816	\$3.875	\$0.059
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



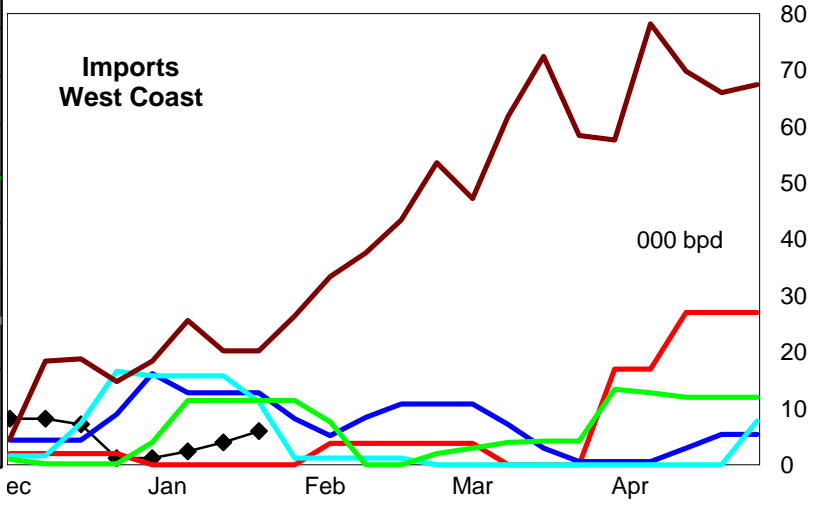
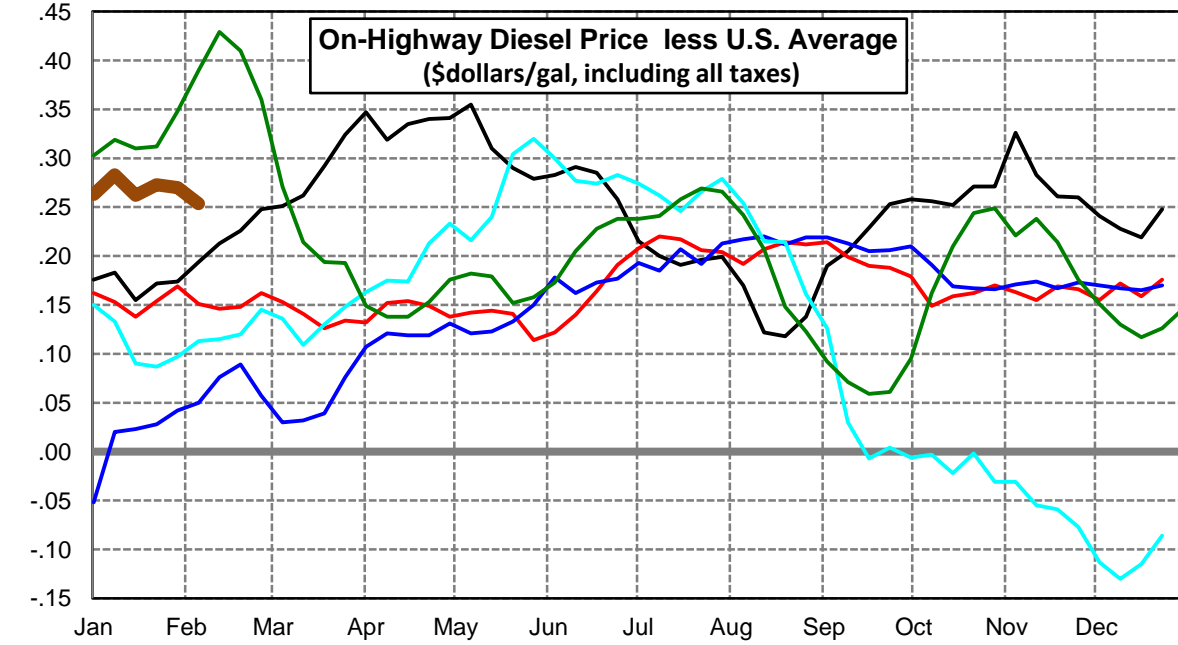
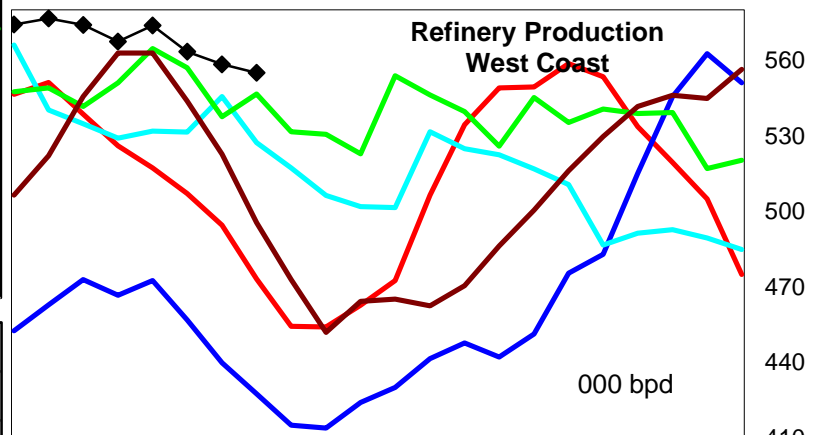
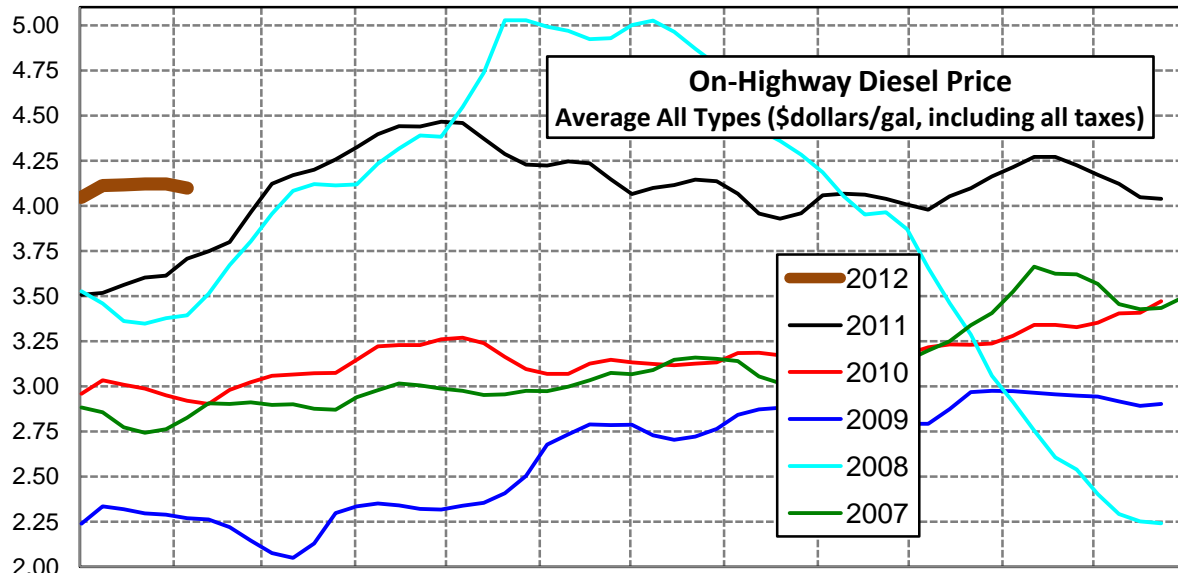
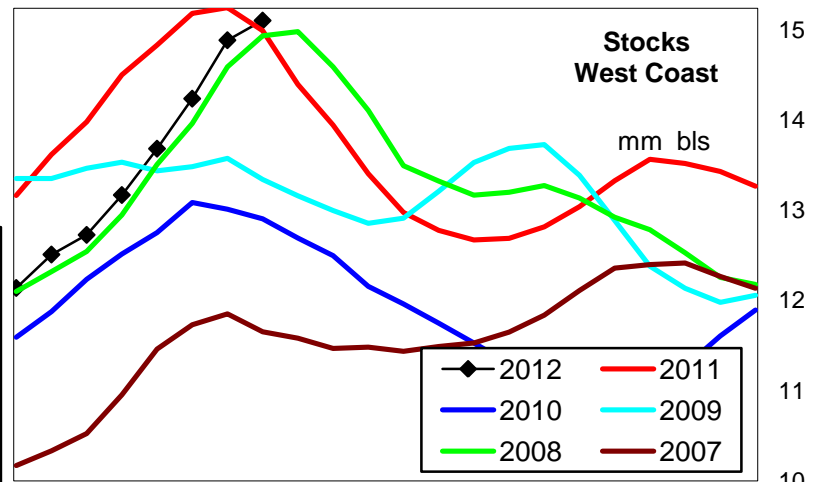
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16Jan12	23Jan12	30Jan12	06Feb12	
West Coast	\$4.037	\$4.037	\$4.033	\$4.015	-\$0.018
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
	16Jan12	23Jan12	30Jan12	06Feb12	
California	\$4.116	\$4.121	\$4.120	\$4.098	-\$0.022
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-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	3.854	3.943	4.076	4.031	3.853	3.746	3.777	3.823	4.037	4.116
Mon-23-Jan-12	3.848	3.938	4.077	4.030	3.843	3.736	3.774	3.817	4.037	4.121
Mon-30-Jan-12	3.850	3.945	4.088	4.040	3.848	3.734	3.776	3.816	4.033	4.120
Mon-06-Feb-12	3.844	3.920	4.035	4.032	3.858	3.711	3.831	3.875	4.015	4.098
Mon-13-Feb-12										
Mon-20-Feb-12										
Mon-27-Feb-12										
Mon-05-Mar-12										
Mon-12-Mar-12										
Mon-19-Mar-12										
Mon-26-Mar-12										
Mon-02-Apr-12										
Mon-09-Apr-12										
Mon-16-Apr-12										
Mon-23-Apr-12										
Mon-30-Apr-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.