



RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, June 26, 2012

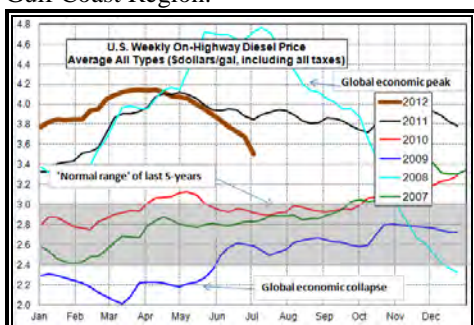
Weekly Retail On-Highway Diesel Prices

| Region | Actual Price 1/ | | Forecast 2/ | | Change from week ago |
|------------------|-----------------|---------|-------------|---------|----------------------|
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| U.S. | 3.781 | 3.729 | 3.678 | 3.504 | -0.174 |
| East Coast | 3.818 | 3.766 | 3.718 | 3.562 | -0.156 |
| New England | 3.974 | 3.923 | 3.873 | 3.656 | -0.217 |
| Central Atlantic | 3.909 | 3.868 | 3.817 | 3.666 | -0.151 |
| Lower Atlantic | 3.721 | 3.660 | 3.616 | 3.488 | -0.128 |
| Midwest | 3.696 | 3.655 | 3.606 | 3.458 | -0.148 |
| Gulf Coast | 3.698 | 3.654 | 3.601 | 3.462 | -0.139 |
| Rocky Mountain | 3.873 | 3.832 | 3.779 | 3.534 | -0.245 |
| West Coast | 3.991 | 3.899 | 3.839 | 3.596 | -0.243 |
| California | 4.066 | 3.966 | 3.908 | 3.651 | -0.257 |

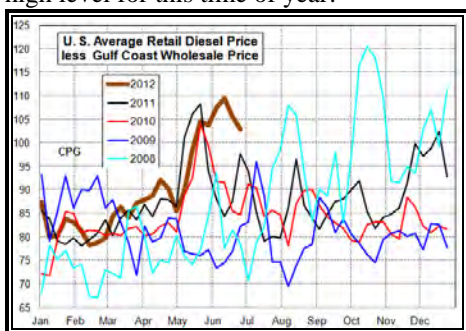
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamental Petroleum Trends Reports

Diesel Fuel Price Trends U. S. retail diesel prices decreased -5.1 cpg for the week ending 25Jun12. Prices decreased -6 cpg on the West Coast and -5.3 cpg in the Gulf Coast Region.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price decreased -2.7 cpg week-on-week. The spread ended the week still at a record high level for this time of year.



The national average on-highway price ended the week -21 cpg below last year.

California saw the largest price decline as production continued at a level above the last 3-years. Earlier larger than average decreases in the Lower Atlantic Region led to a below average decrease of just -4.4 cpg this week in the region.

California prices remain the highest in

the country, \$3.91/gal last week while the Gulf Coast at \$3.60/gal was the lowest. The Midwest and Lower Atlantic regions were nearly as low as the Gulf at \$3.61/gal.

Gulf Coast wholesale

distillate prices decreased -7 cpg last week, a level at fresh 18-month lows.

U.S. average retail prices are now -4.3 cpg below the lows set in early October 2011. The spread between retail and wholesale spot prices decreased last week, but remains at a record high level for this time of year.



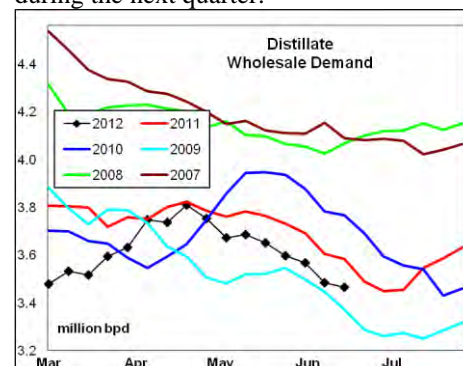
The spread between Gulf wholesale and U.S. average retail prices decreased to +103 cpg last week, +18 cpg above the average for the summer quarter. Look for retail prices to decline sharply relative to wholesale prices over the next 30-days.

Supply - Demand Fundamental Trends

Distillate wholesale demand decreased -180,000 bpd last week, to a level below the last 2-years. The latest 4-wk average demand was -61,000 bpd below a year last year. Demand continues to see year-on-year declines, driven by improved fleet efficiency and slow economic growth.

Supply was nearly unchanged last week, with production +350,000 bpd above a year ago, and a record season high. Stocks increased +1.2 million barrels as seasonal stock builds continued; although the level remains -15% below a year ago.

The latest 4-wk stock draw in markets East of the Rockies was -0.2 million barrels, compared to an average build of +3 million barrels. Record high production and lower seasonal demand should lead to continued stock builds during the next quarter.



Global Trends Driving Diesel Prices

European banking and sovereign debt crisis continues to drive energy price volatility. A European recession, slower growth in Asian countries and the U.S., and high OPEC crude oil production should lead to lower energy prices during the second half of the year.

Expect distillate prices to trade at a lower level for an extended period.

Upside risk does remain on the potential of an Israel attack against Iran nuclear sites, and central bank monetization of debt in the U.S. and Europe.

Diesel Price Outlook U. S. retail prices continue in a nearly 3-month downtrend, with the price level now at the lowest level since January 2011. The differential between wholesale and retail prices remains +18 cpg above the average for this time of year. 'Sticky' retail prices have limited the pace of decline compared to the larger fall in wholesale prices.

Look for significant decreases in retail prices over the next 30-days as they 'catch-up' to wholesale price declines. Extremely high distillate production in the Rockies and West Coast should lead to more rapid price decreases in those regions.

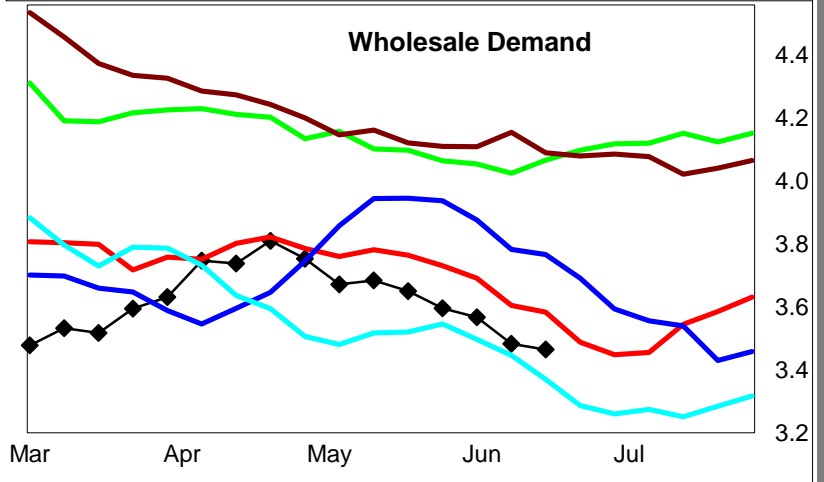
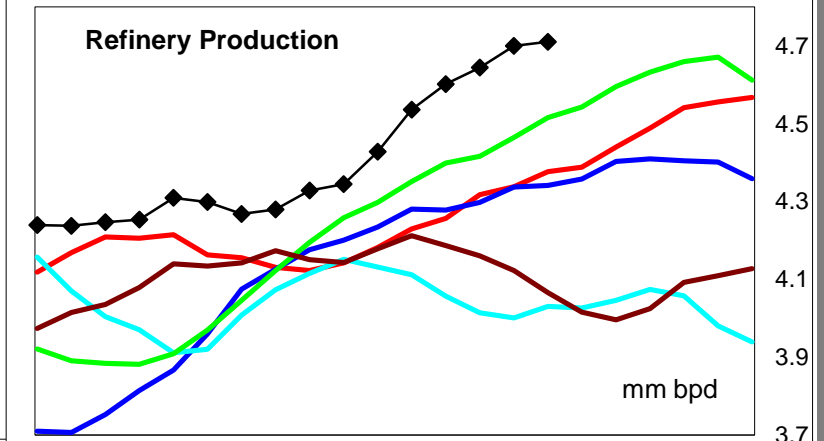
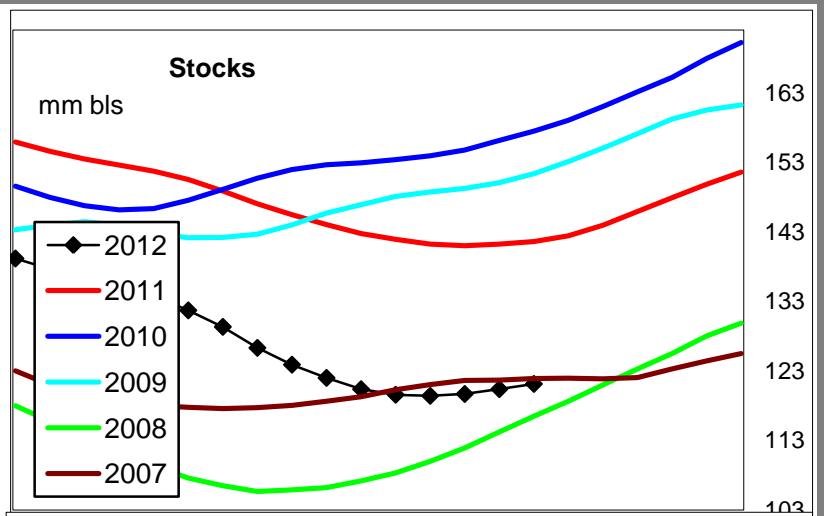
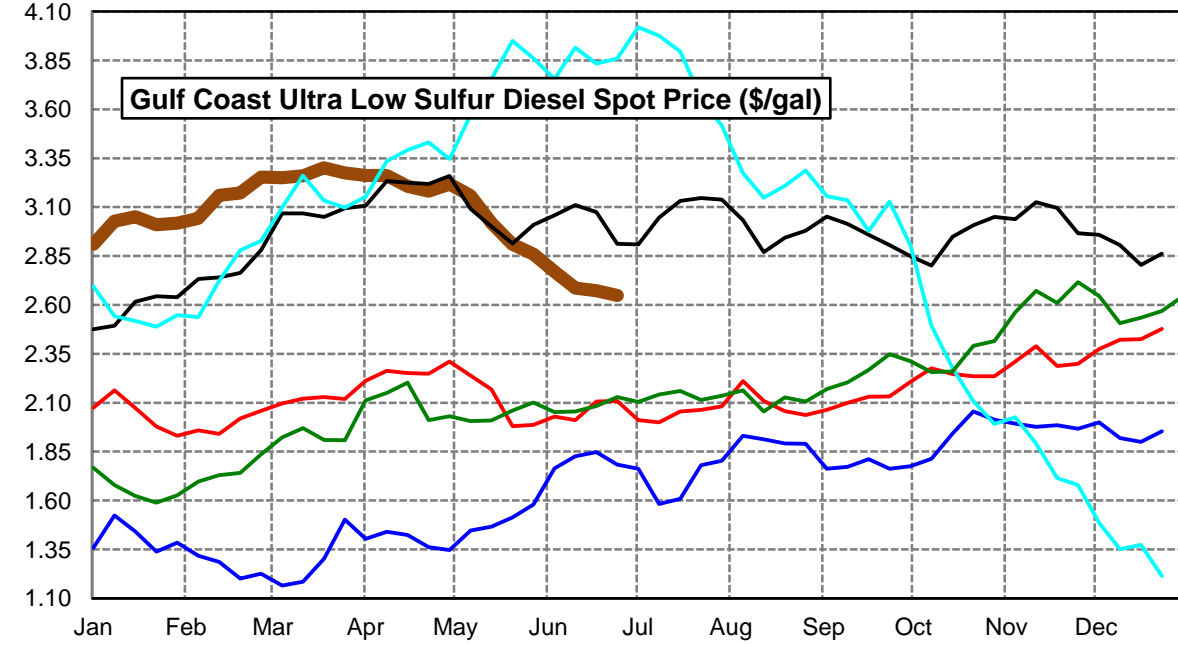
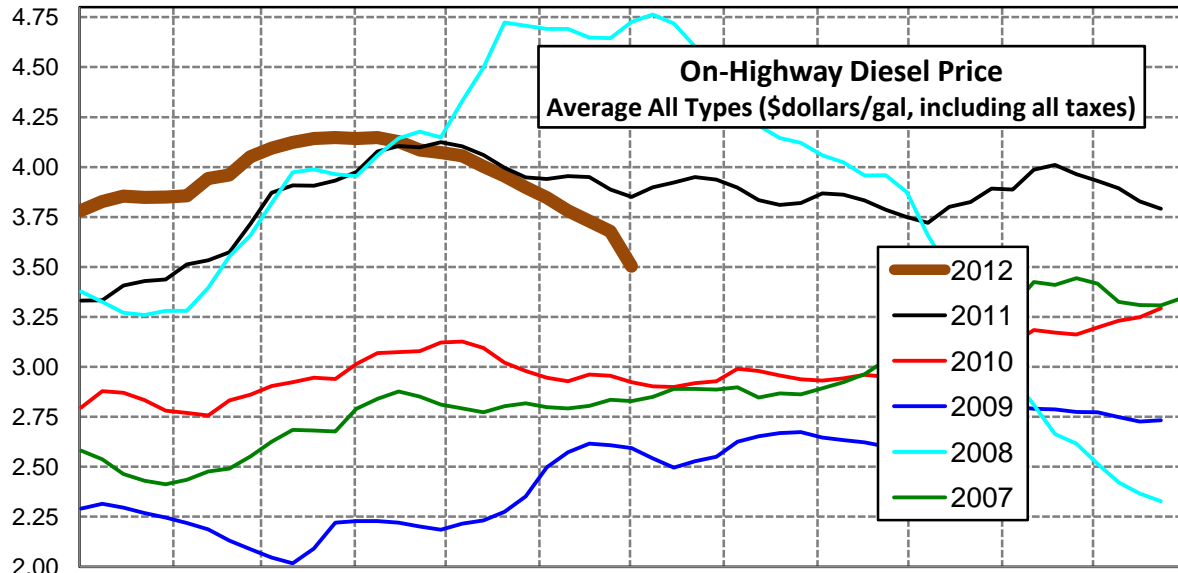
Slower global economic growth should limit any price rebound from current lows.

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



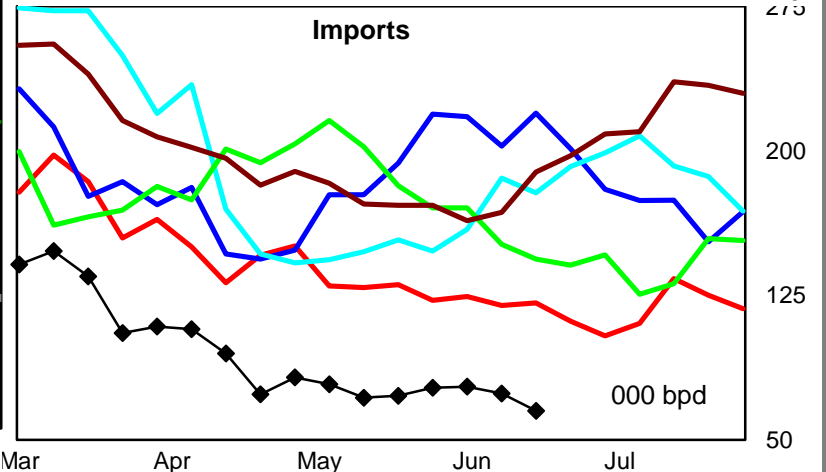
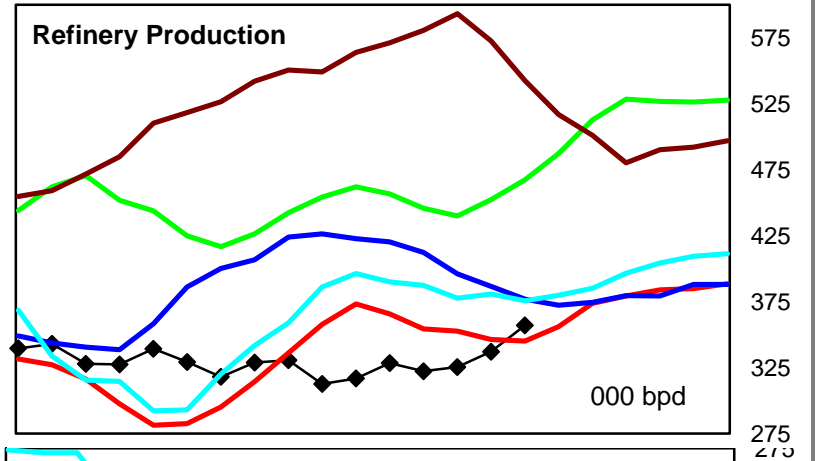
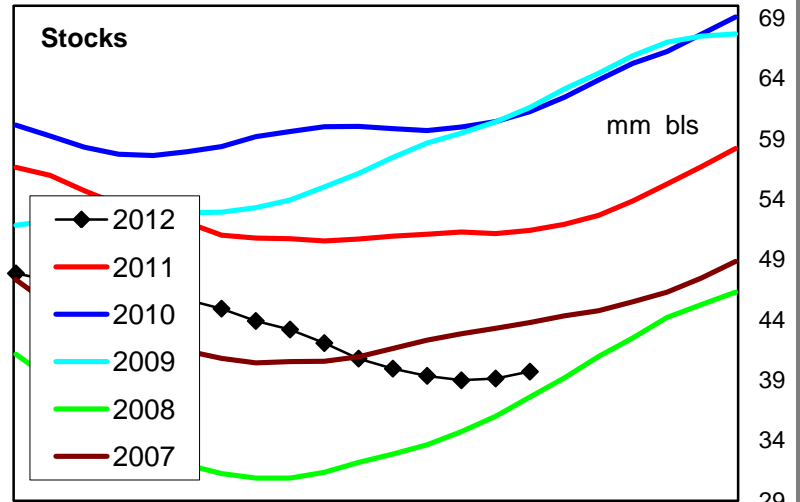
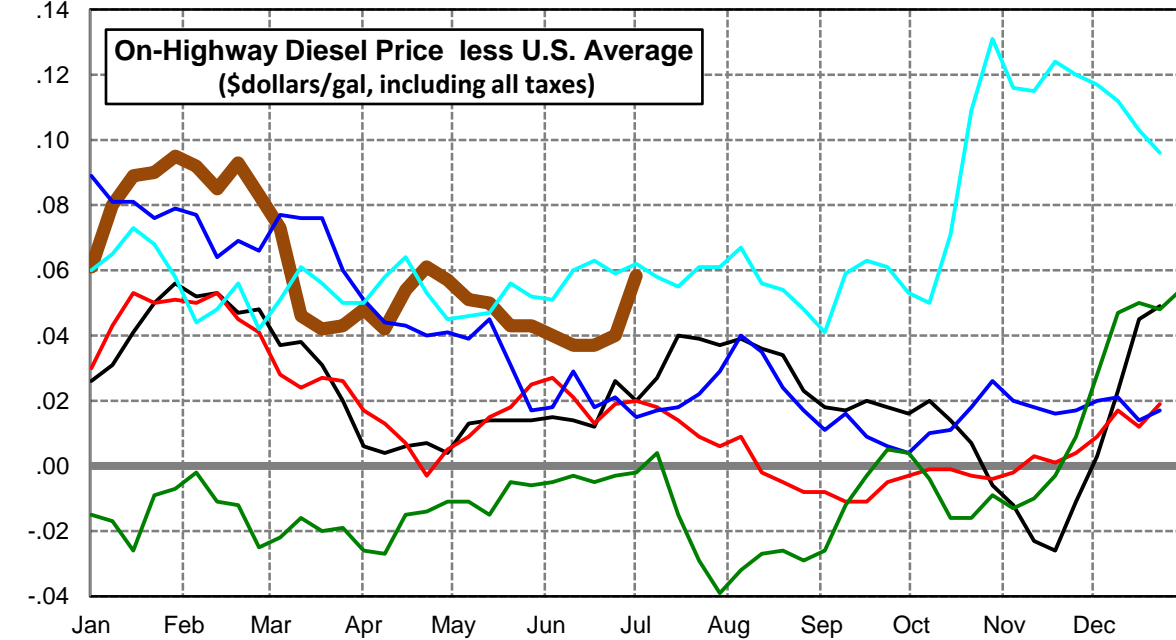
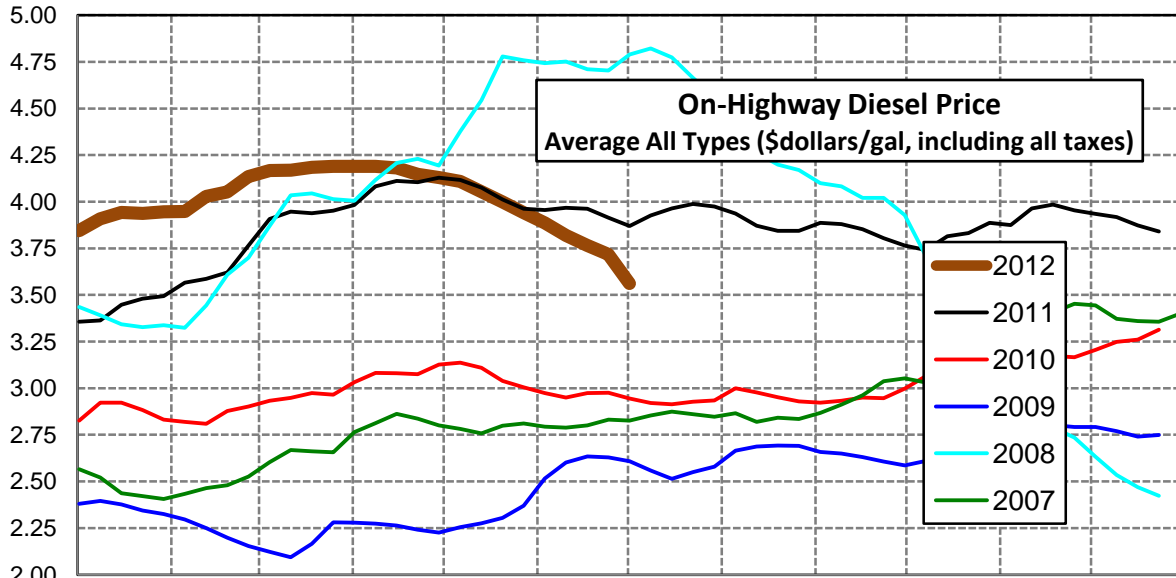
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| United States Avg | \$3.781 | \$3.729 | \$3.678 | \$3.504 | -\$0.174 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



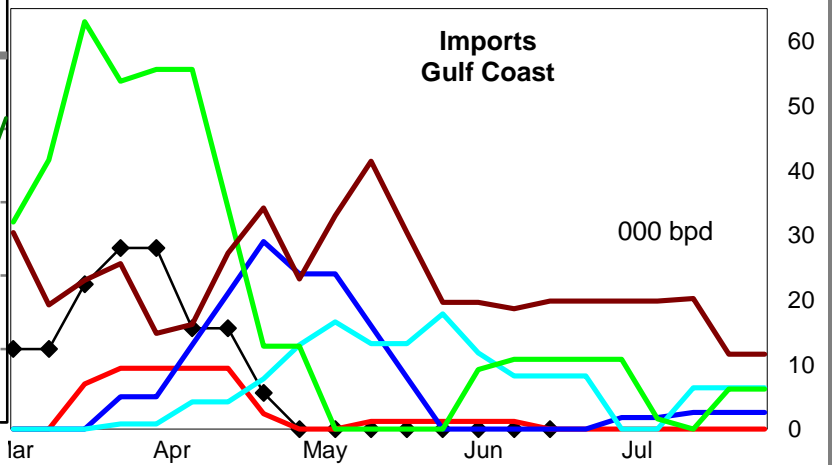
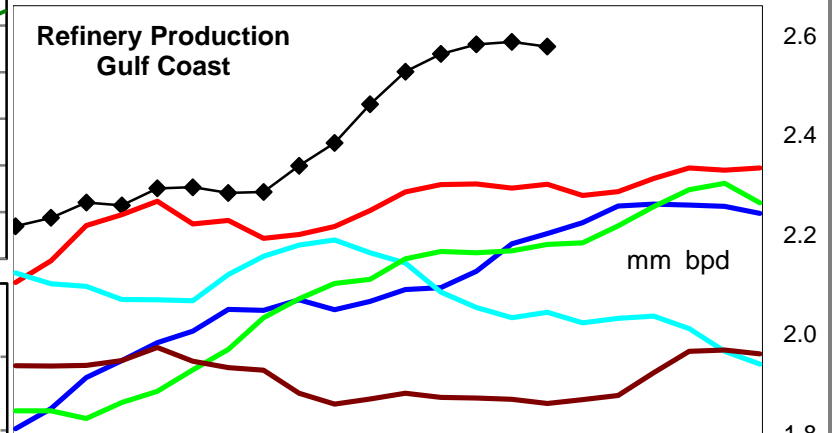
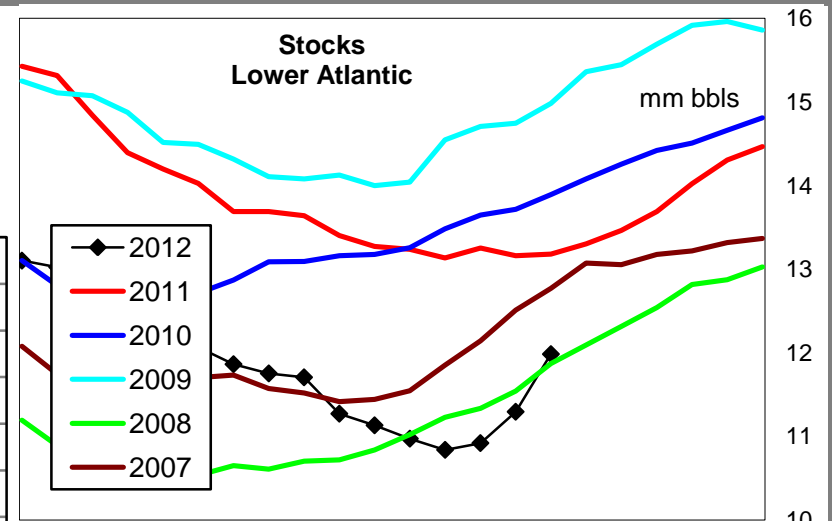
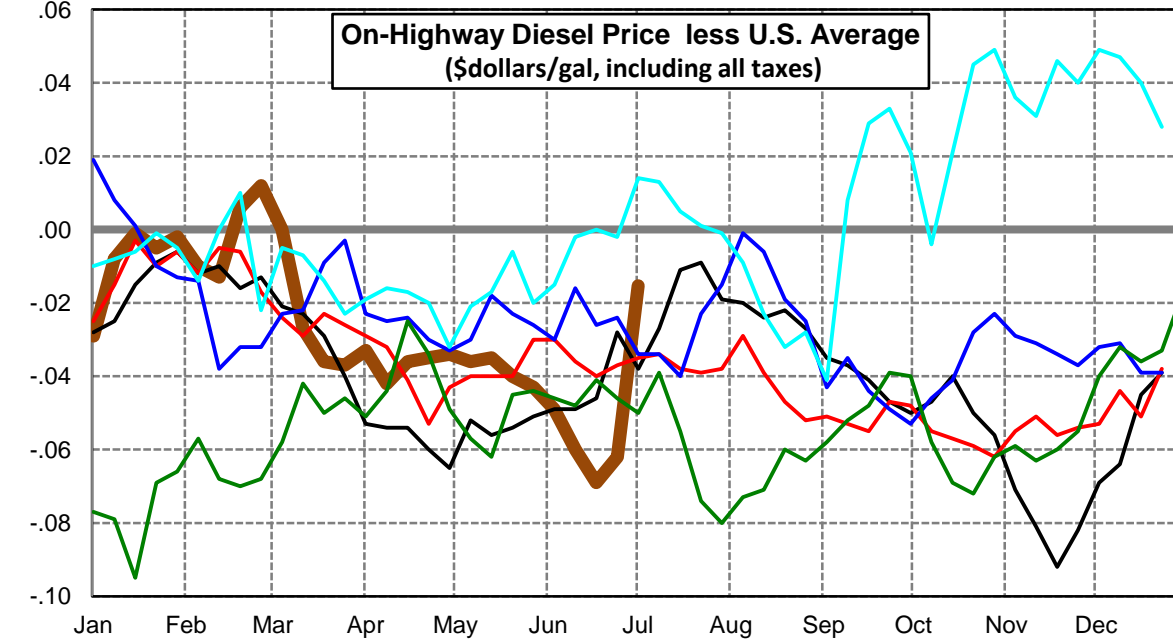
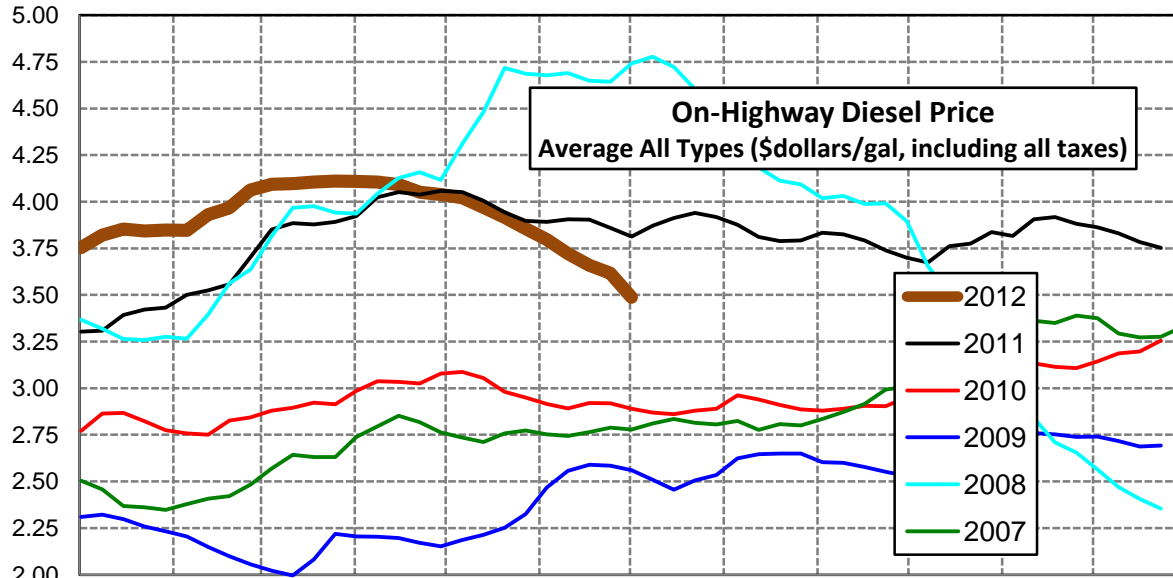
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| East Coast | \$3.818 | \$3.766 | \$3.718 | \$3.562 | -\$0.156 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



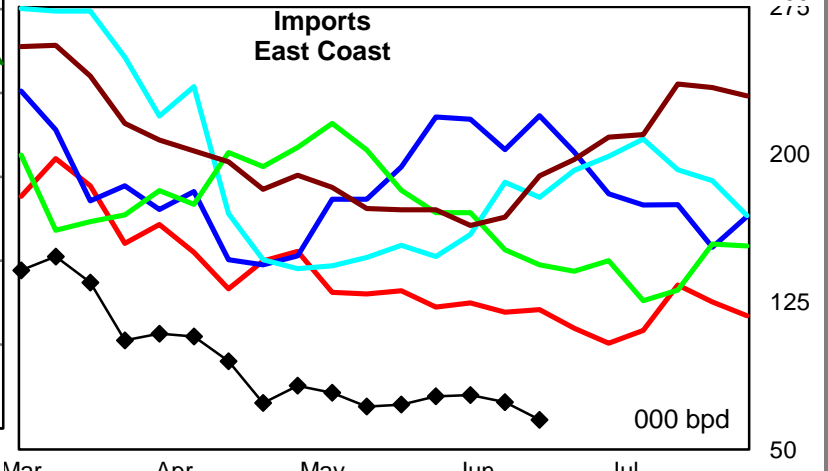
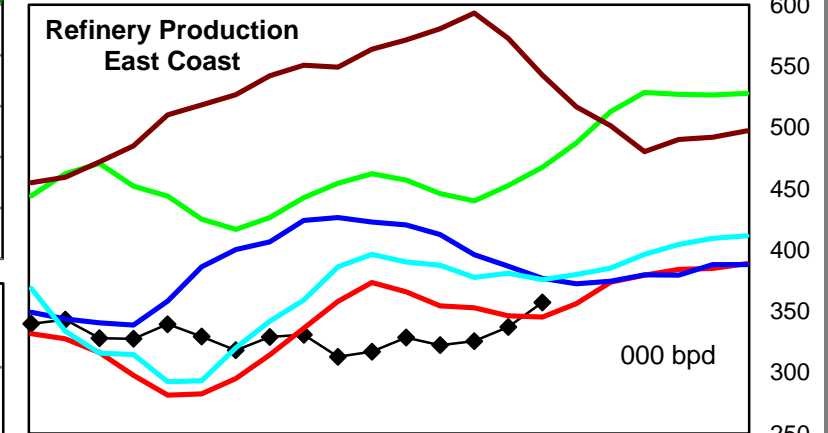
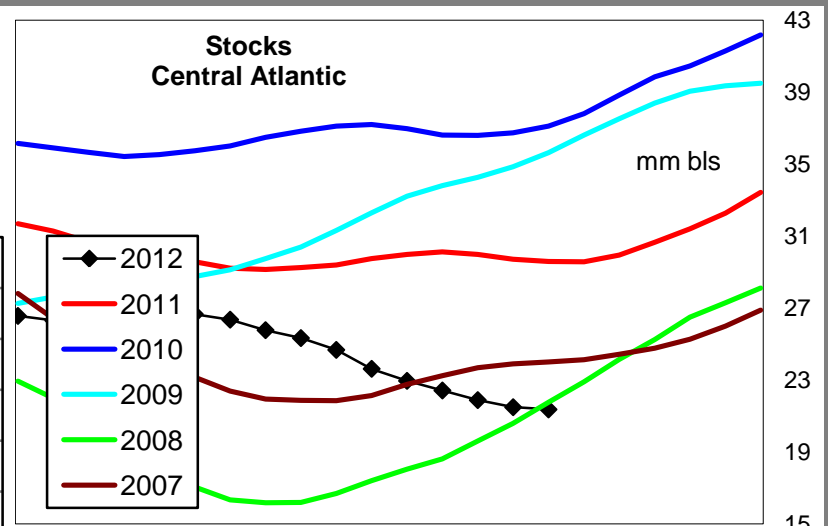
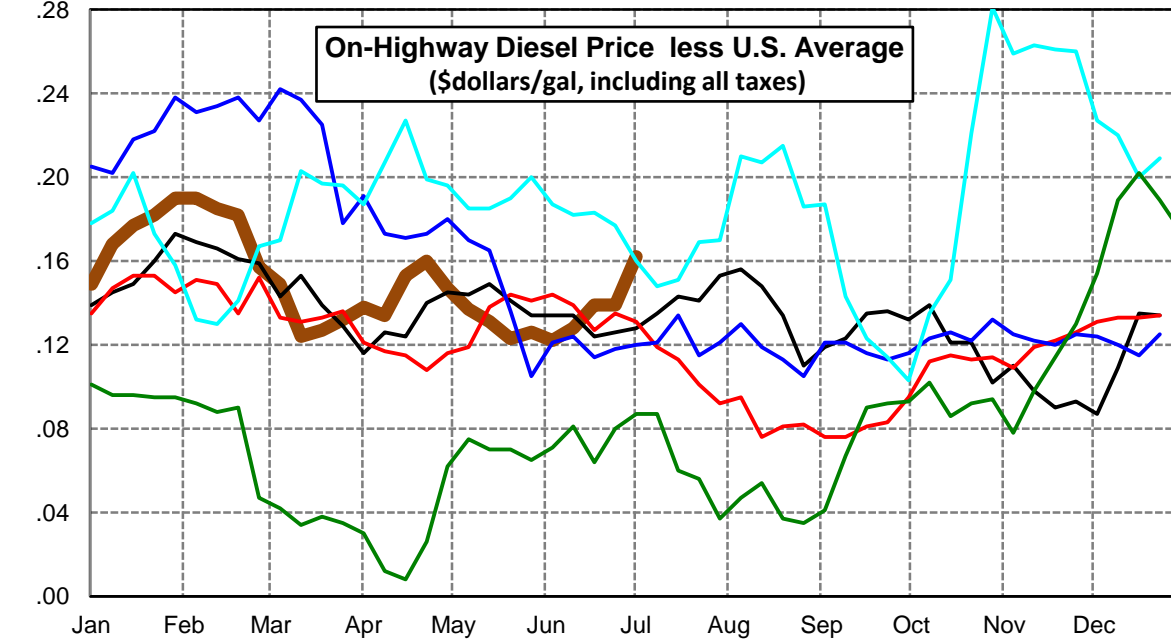
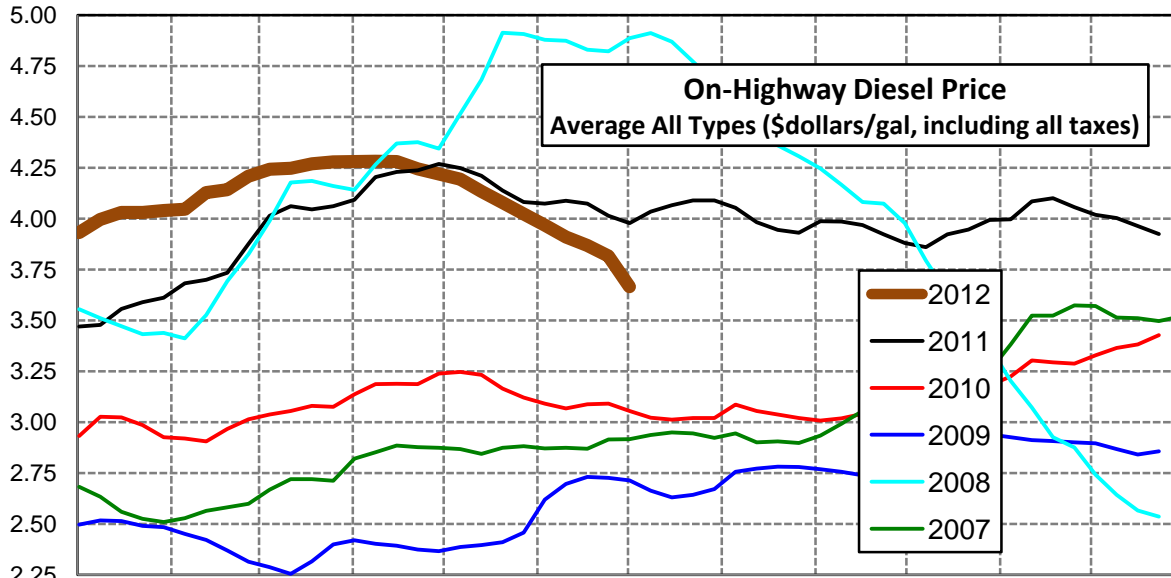
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| Lower Atlantic | \$3.721 | \$3.660 | \$3.616 | \$3.488 | -\$0.128 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



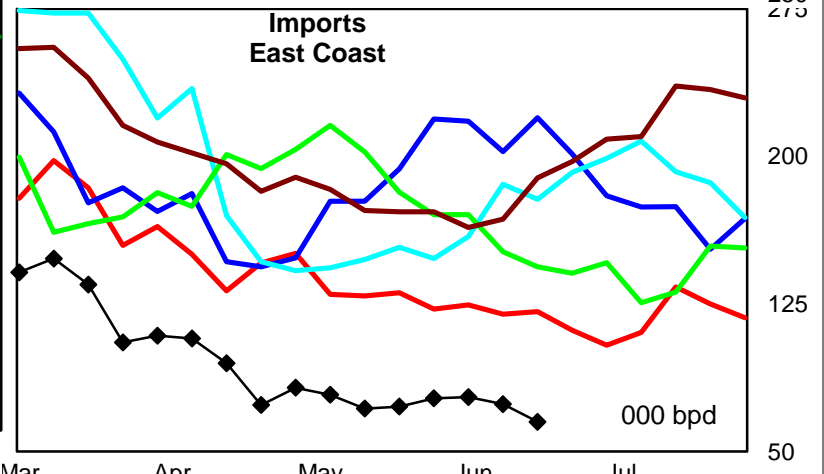
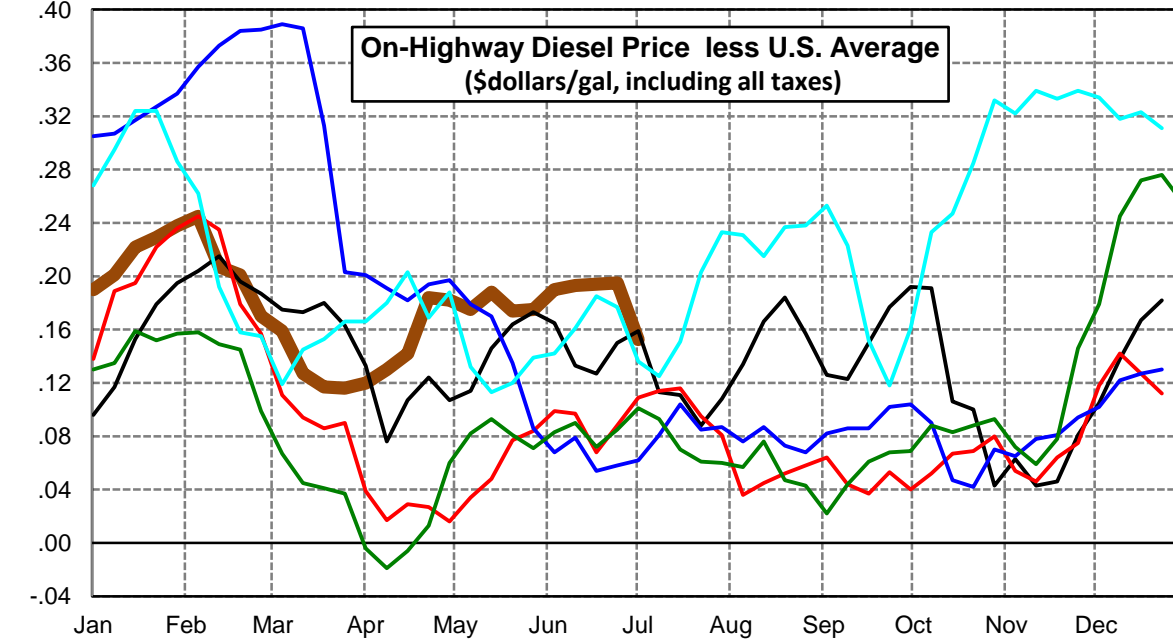
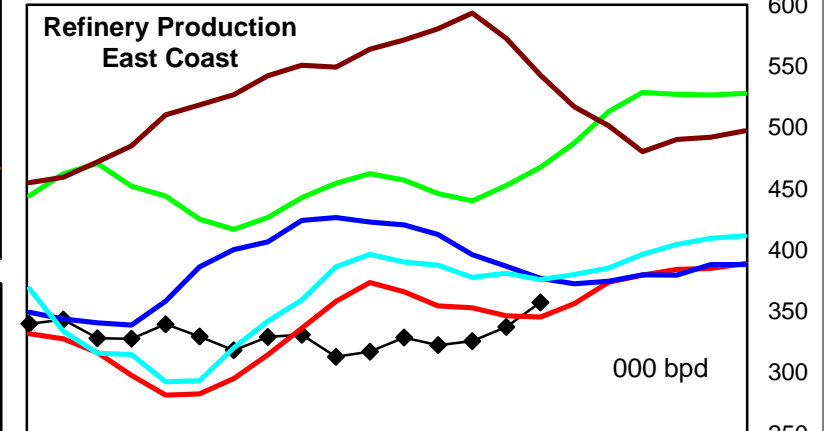
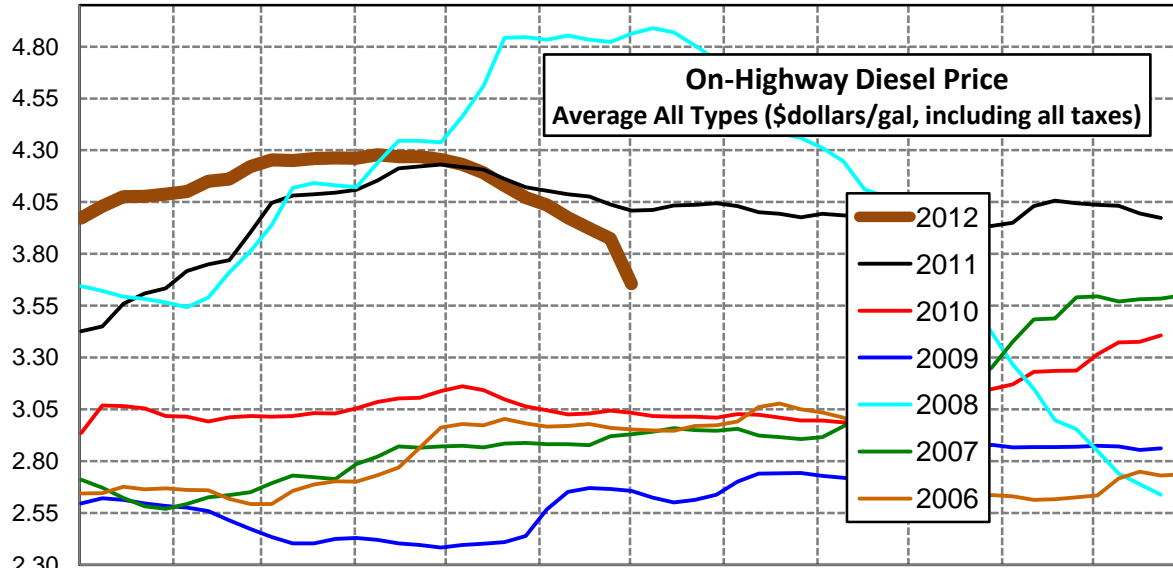
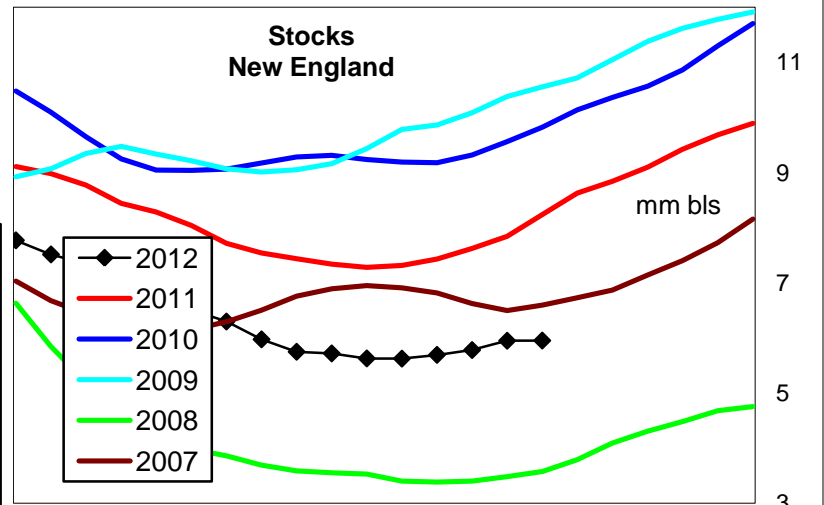
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| Central Atlantic | \$3.909 | \$3.868 | \$3.817 | \$3.666 | -\$0.151 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



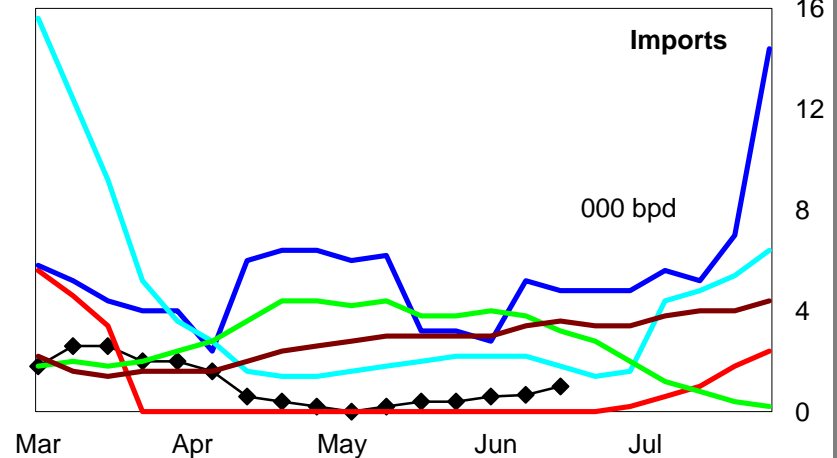
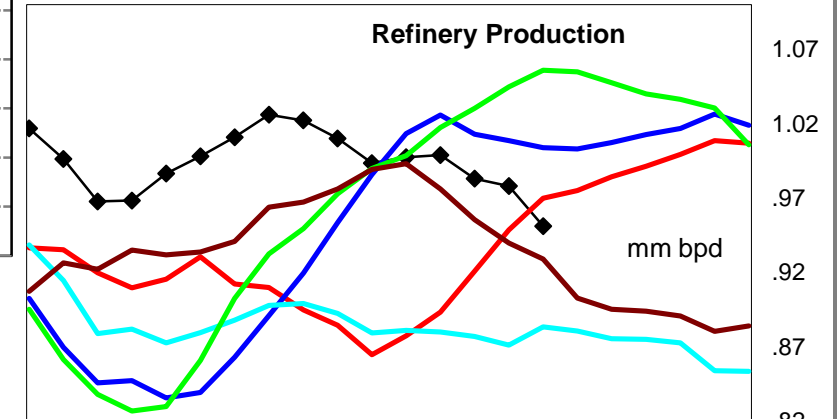
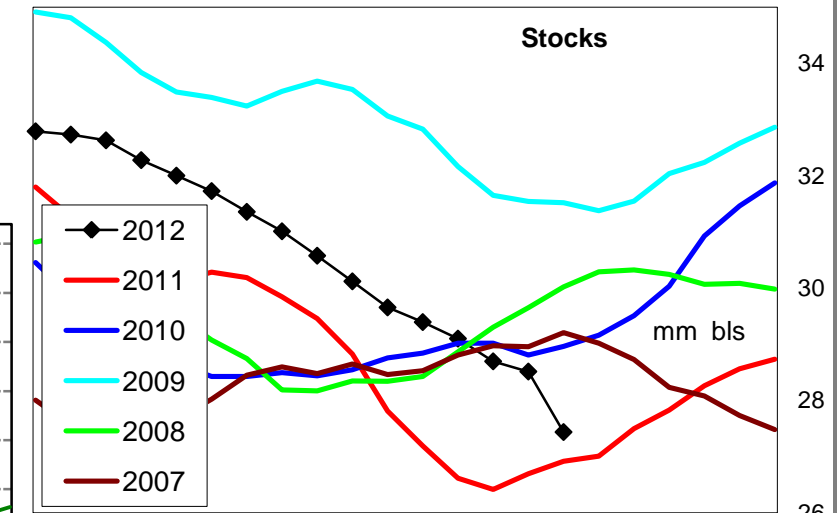
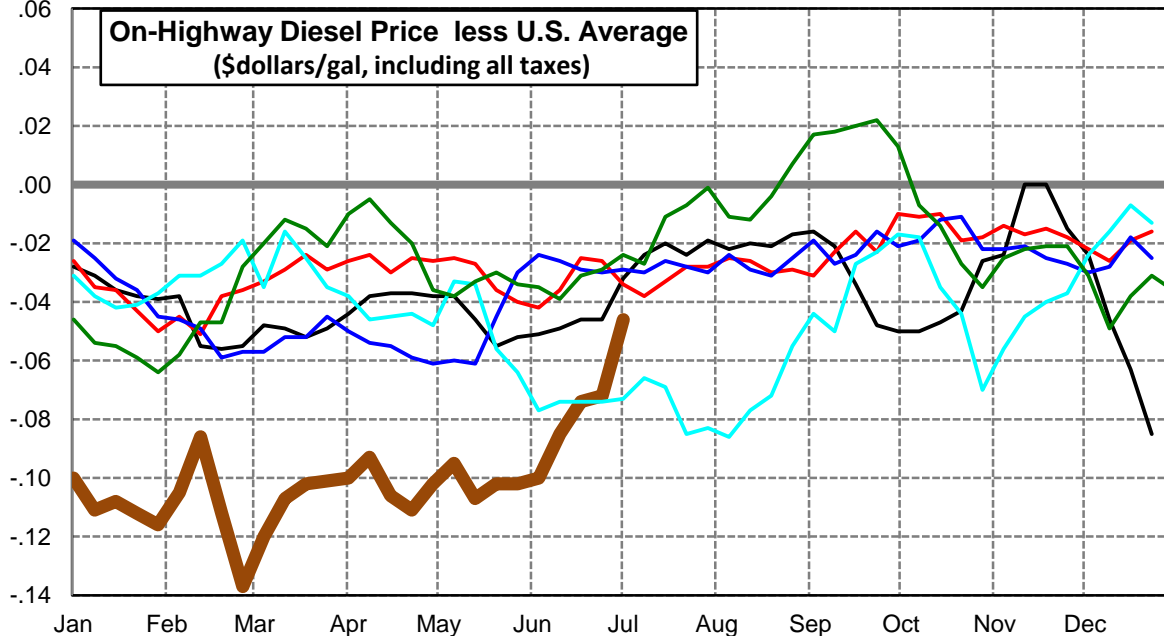
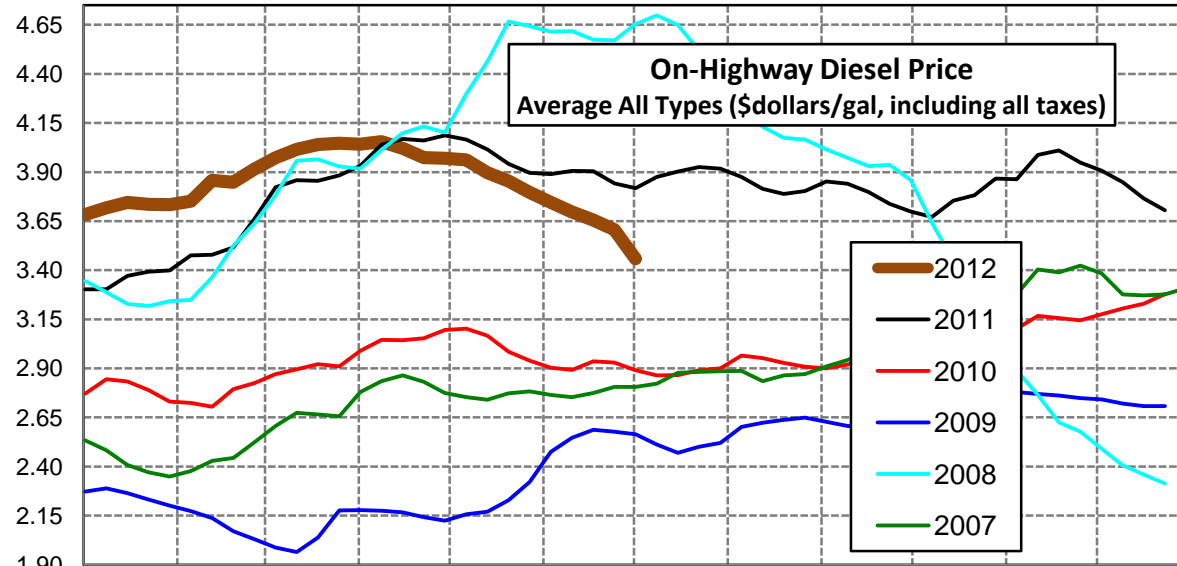
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| New England | \$3.974 | \$3.923 | \$3.873 | \$3.656 | -\$0.217 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



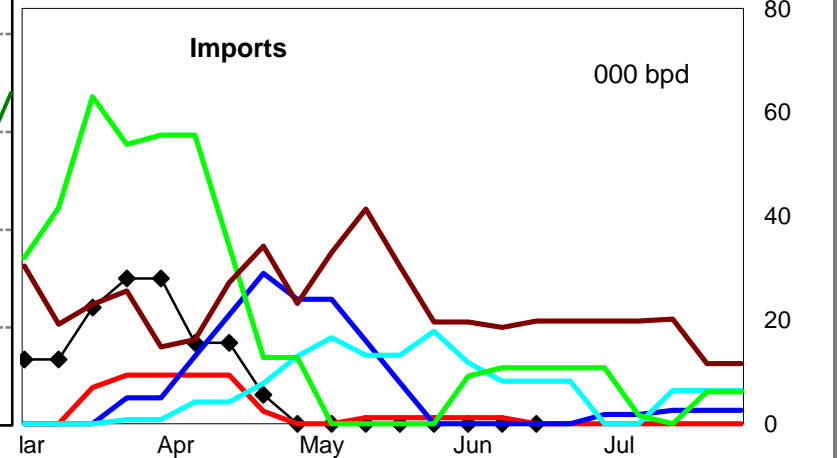
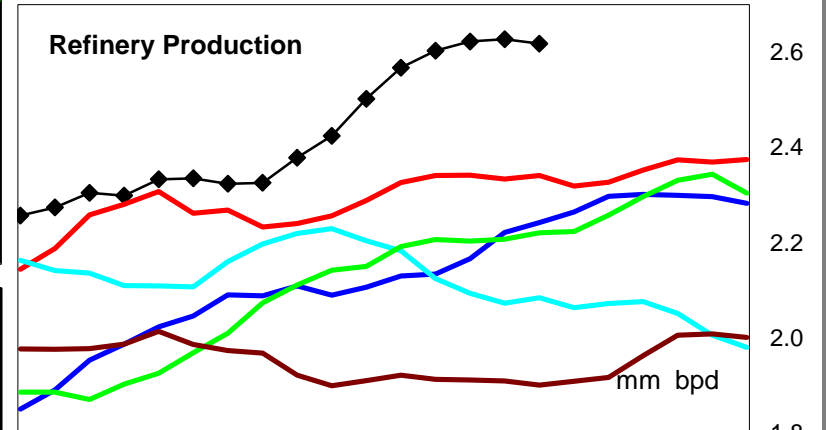
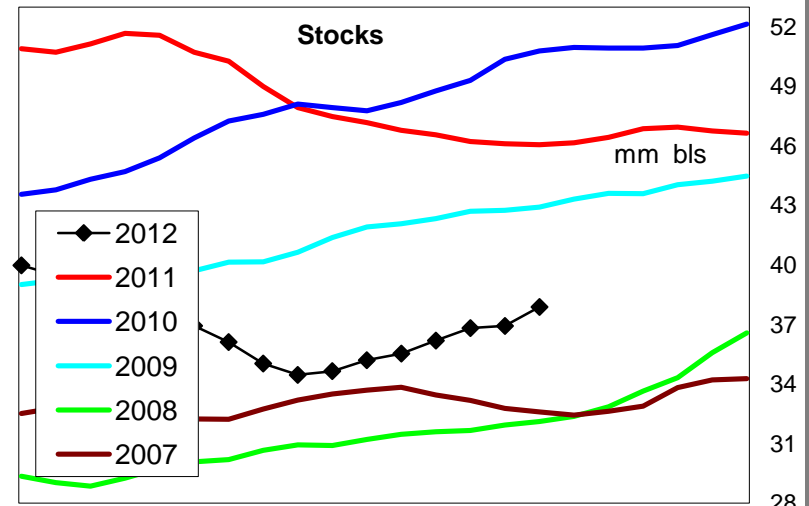
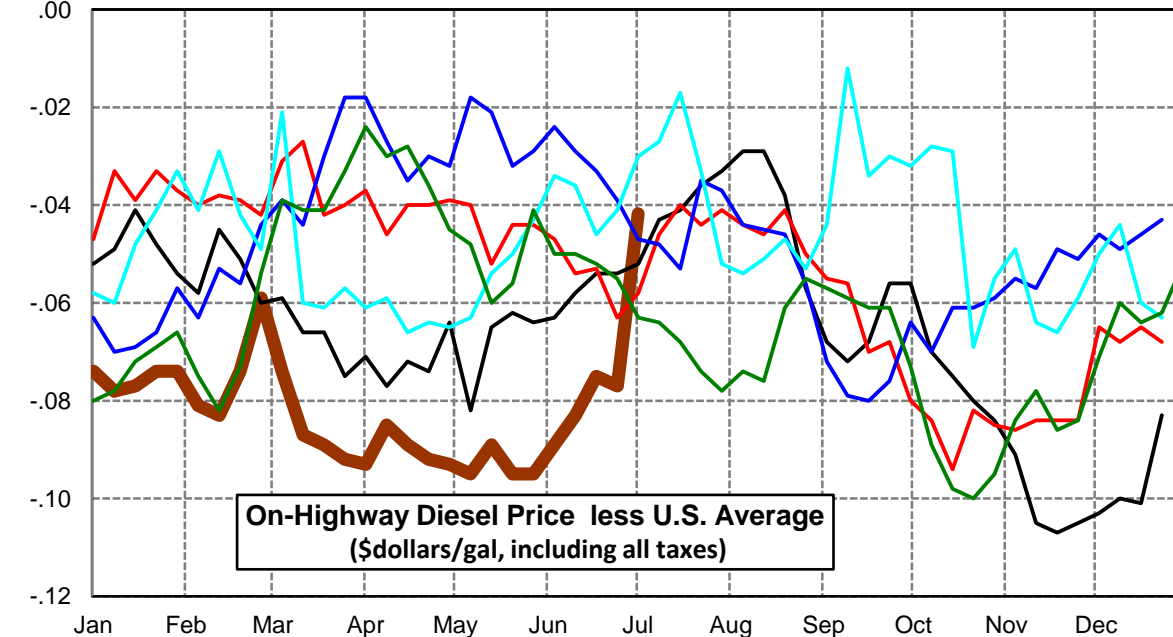
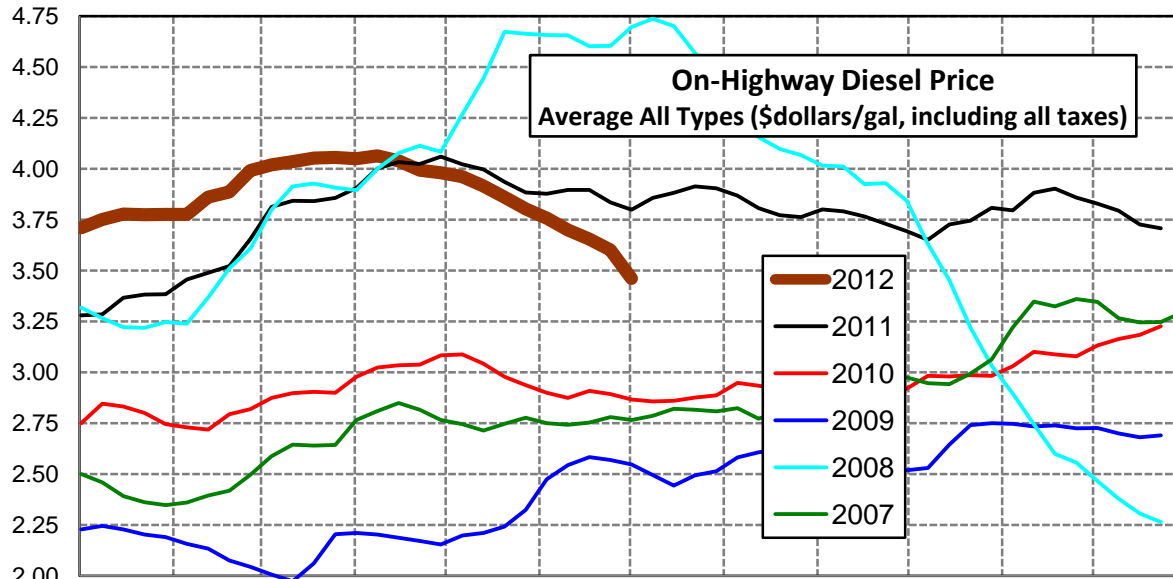
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| Midwest | \$3.696 | \$3.655 | \$3.606 | \$3.458 | -\$0.148 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



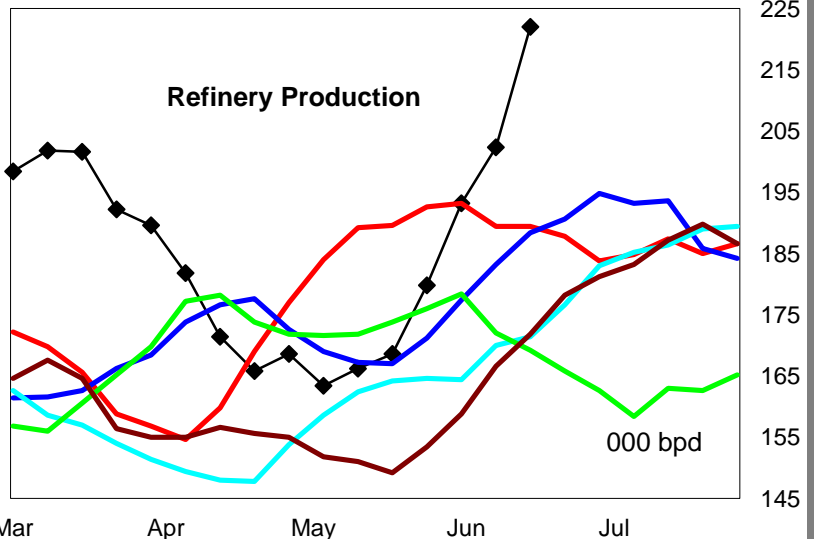
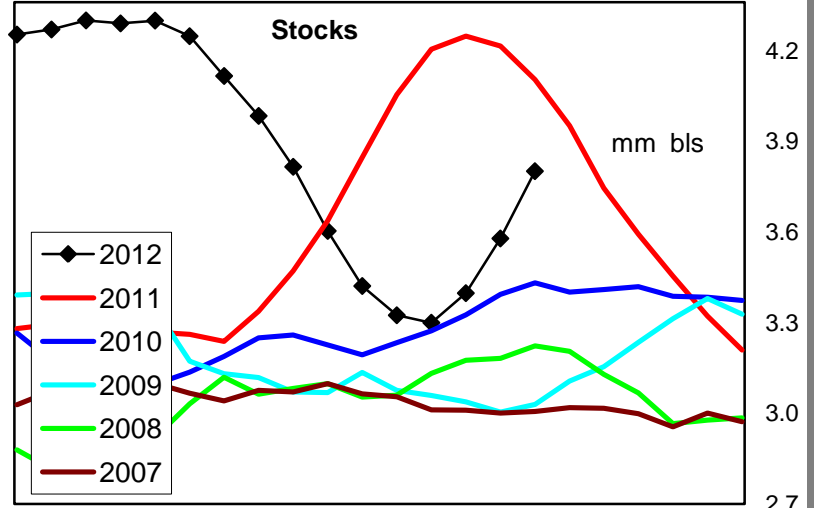
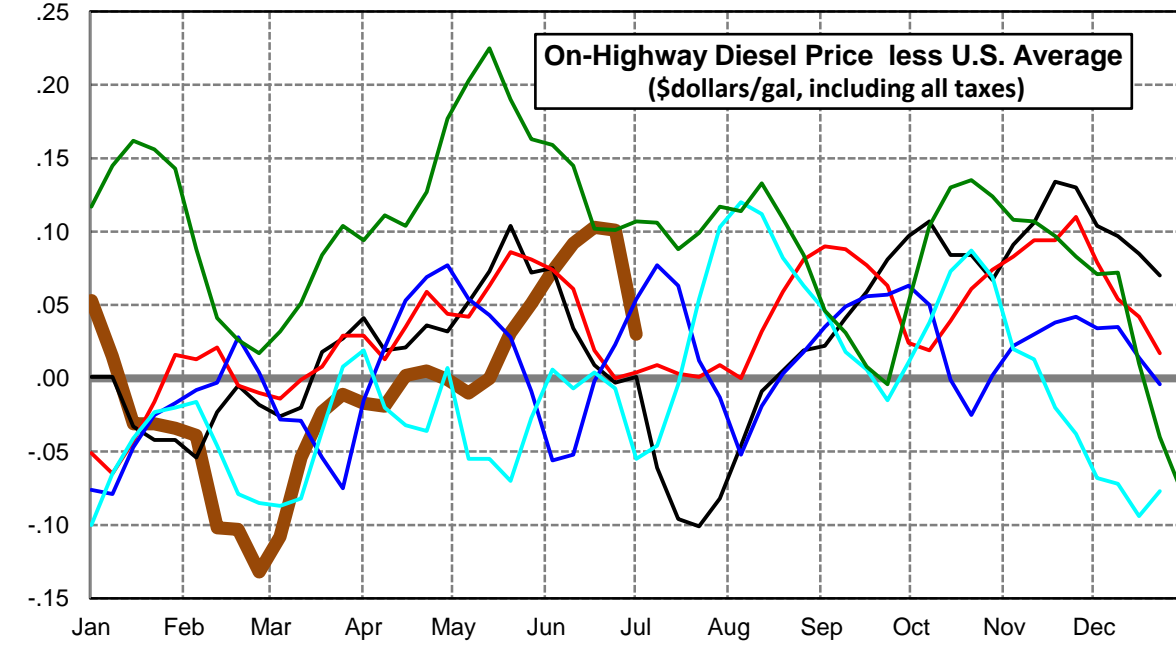
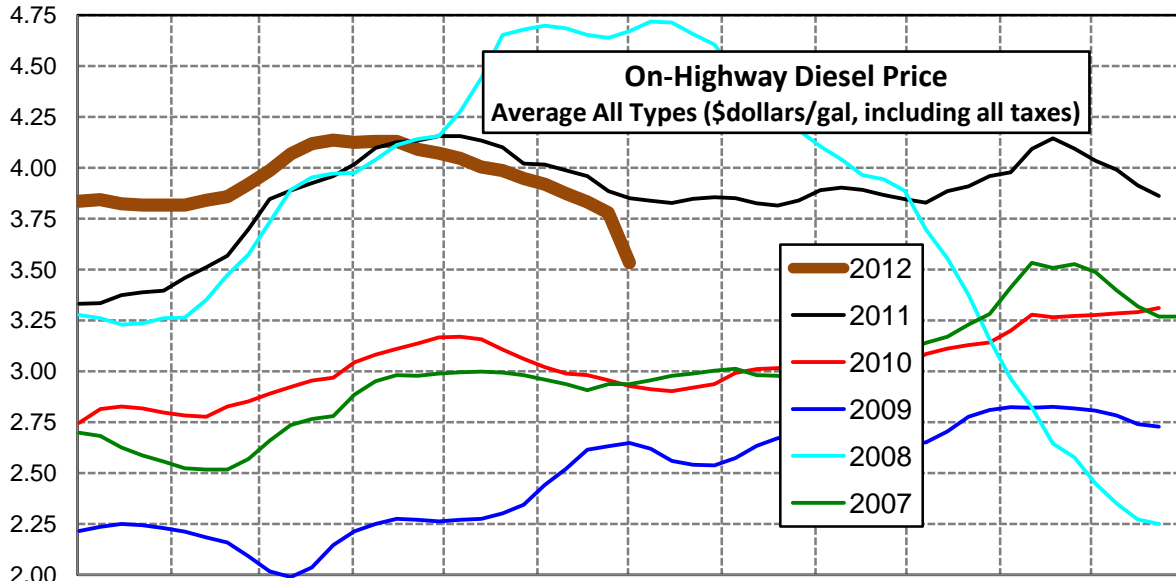
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| Gulf Coast | \$3.698 | \$3.654 | \$3.601 | \$3.462 | -\$0.139 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



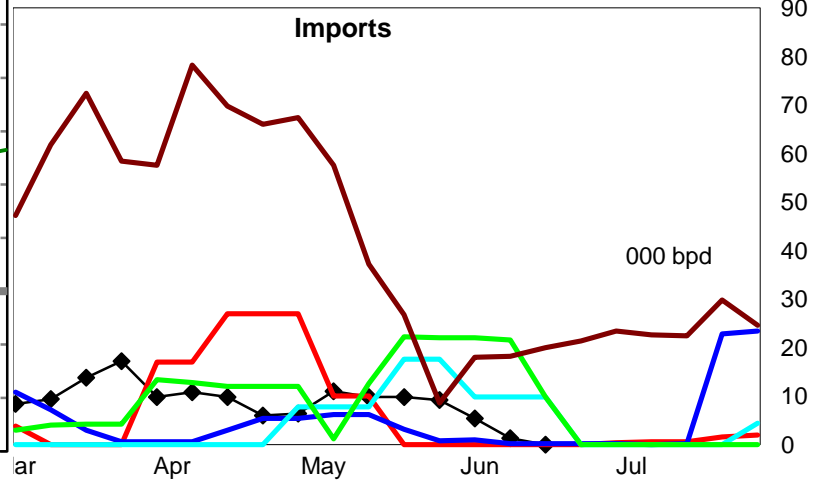
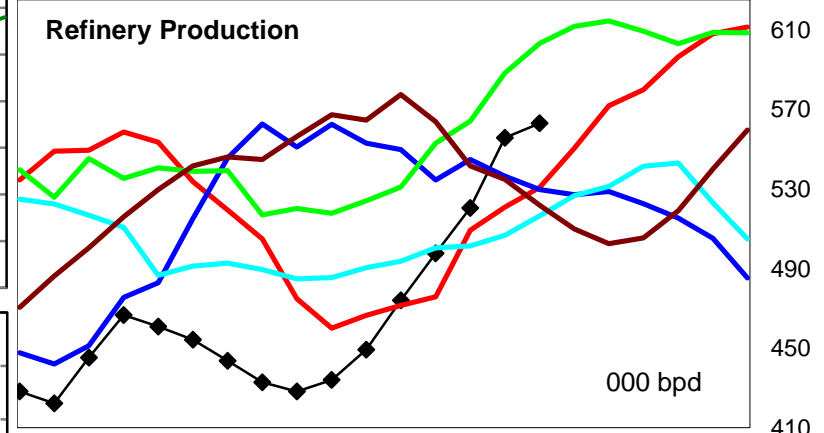
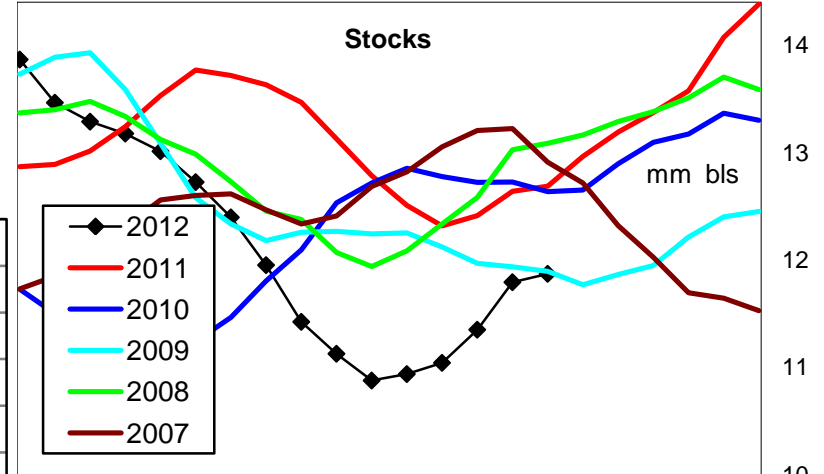
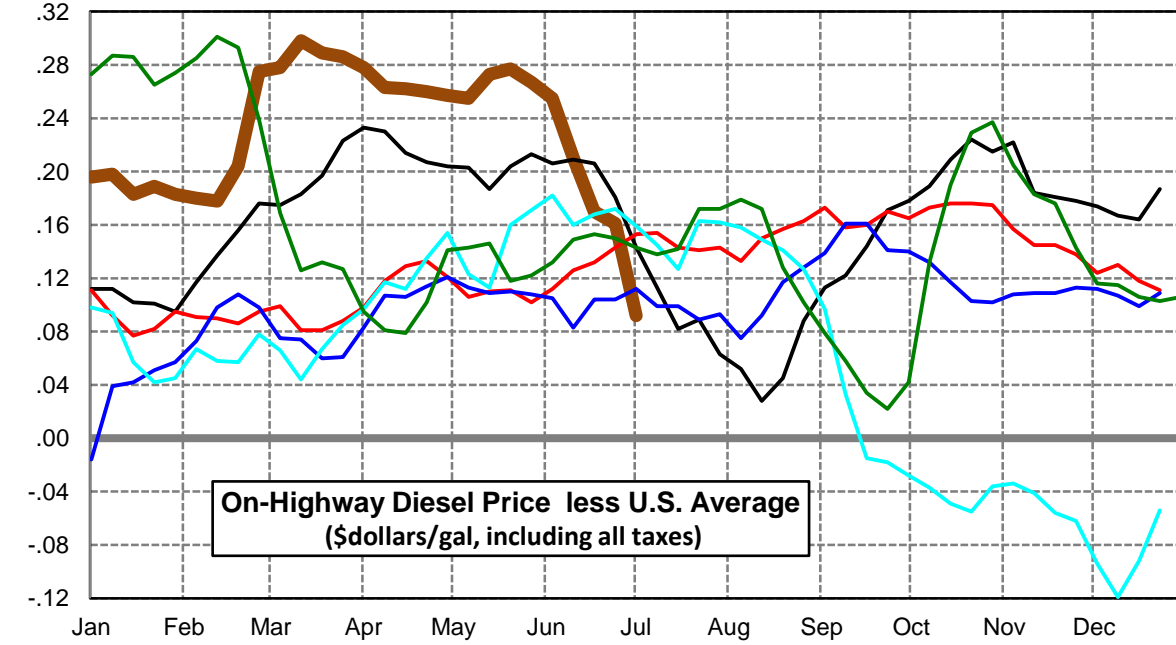
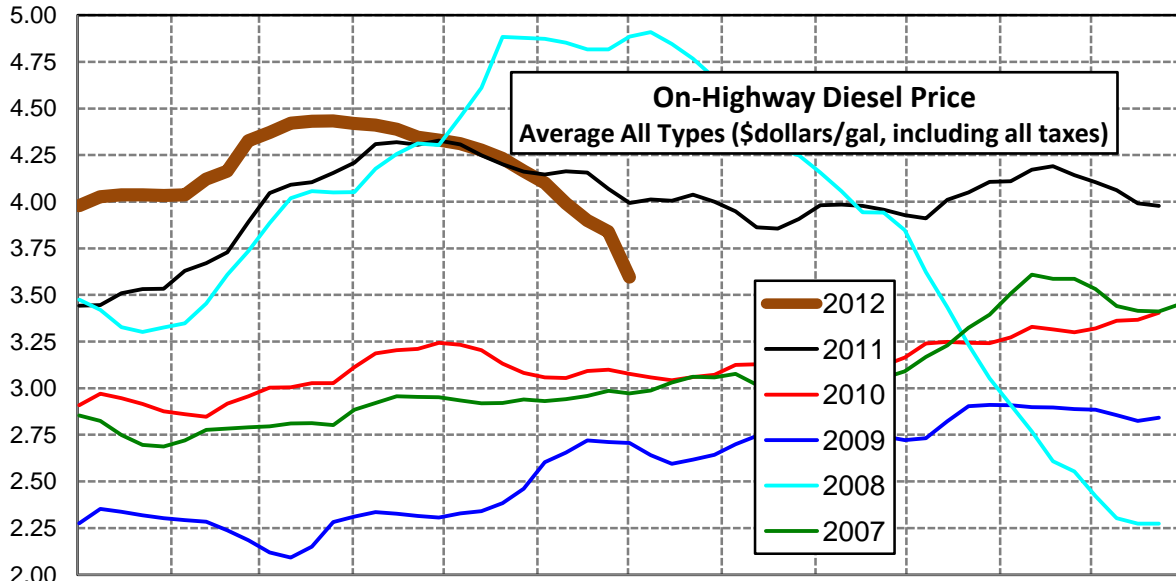
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| Rocky Mountain | \$3.873 | \$3.832 | \$3.779 | \$3.534 | -\$0.245 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



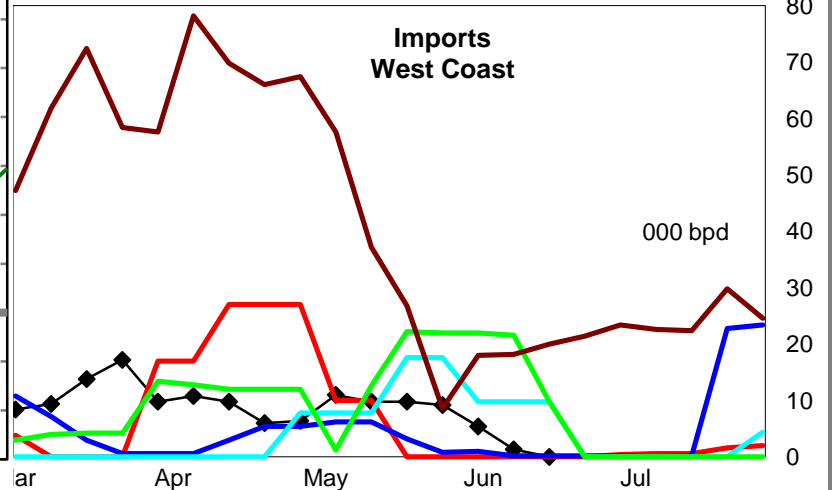
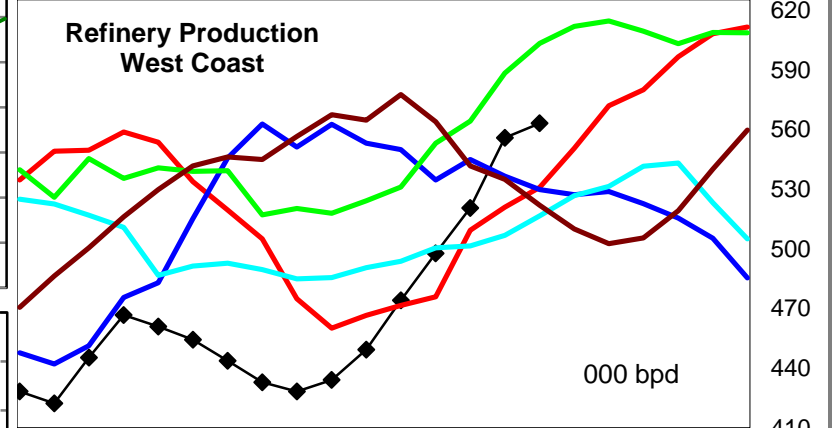
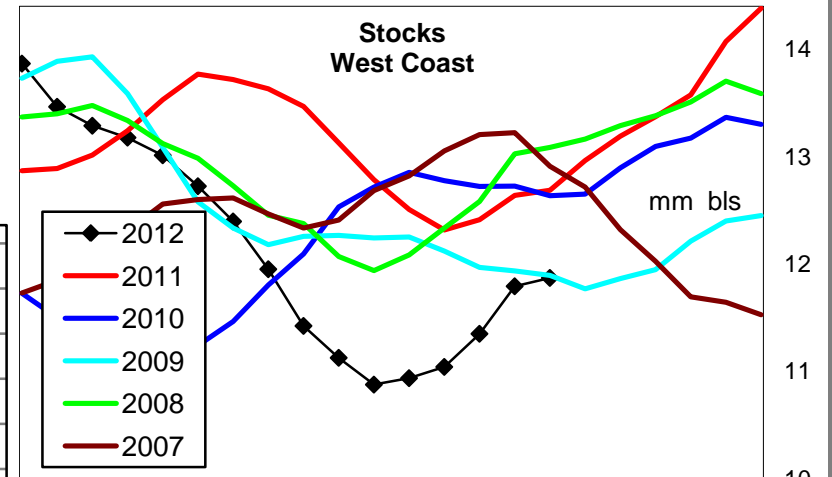
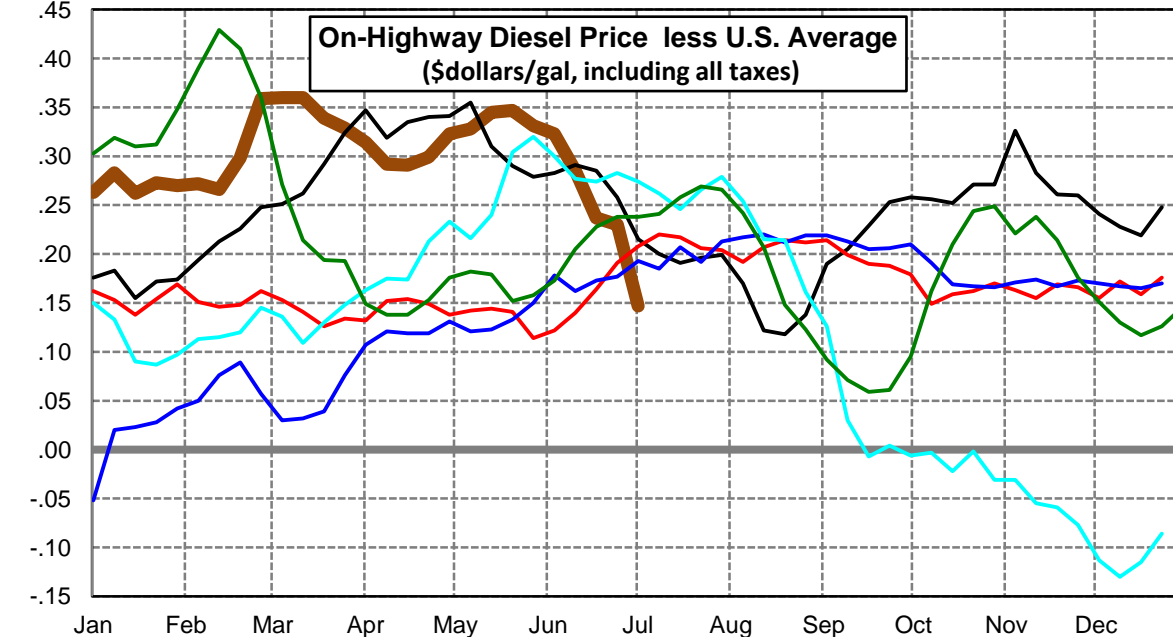
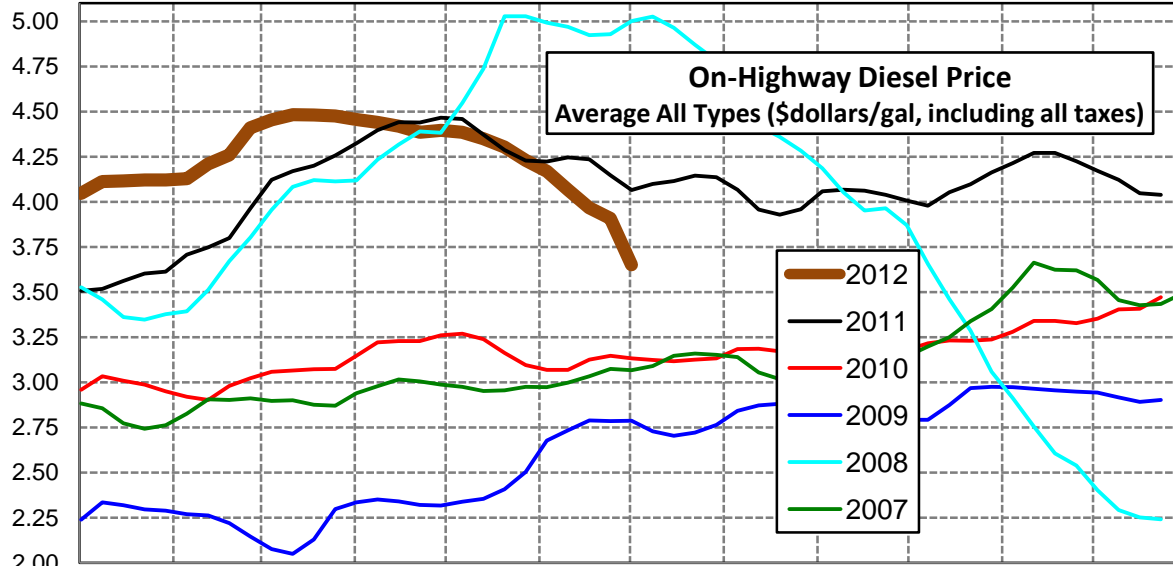
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| West Coast | \$3.991 | \$3.899 | \$3.839 | \$3.596 | -\$0.243 |
| 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 |
| | 11Jun12 | 18Jun12 | 25Jun12 | 02Jul12 | |
| California | \$4.066 | \$3.966 | \$3.908 | \$3.651 | -\$0.257 |
| 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-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 | 3.856 | 3.948 | 4.101 | 4.046 | 3.846 | 3.751 | 3.775 | 3.817 | 4.036 | 4.128 |
| Mon-13-Feb-12 | 3.943 | 4.028 | 4.150 | 4.128 | 3.930 | 3.857 | 3.860 | 3.841 | 4.121 | 4.209 |
| Mon-20-Feb-12 | 3.960 | 4.053 | 4.161 | 4.142 | 3.966 | 3.848 | 3.886 | 3.857 | 4.164 | 4.258 |
| Mon-27-Feb-12 | 4.051 | 4.134 | 4.221 | 4.208 | 4.063 | 3.914 | 3.992 | 3.919 | 4.326 | 4.410 |
| Mon-05-Mar-12 | 4.094 | 4.167 | 4.253 | 4.243 | 4.094 | 3.974 | 4.020 | 3.986 | 4.372 | 4.454 |
| Mon-12-Mar-12 | 4.123 | 4.169 | 4.250 | 4.247 | 4.096 | 4.016 | 4.036 | 4.069 | 4.421 | 4.483 |
| Mon-19-Mar-12 | 4.142 | 4.184 | 4.259 | 4.269 | 4.106 | 4.040 | 4.053 | 4.119 | 4.431 | 4.481 |
| Mon-26-Mar-12 | 4.147 | 4.190 | 4.263 | 4.279 | 4.110 | 4.046 | 4.055 | 4.136 | 4.433 | 4.476 |
| Mon-02-Apr-12 | 4.142 | 4.190 | 4.262 | 4.280 | 4.109 | 4.042 | 4.049 | 4.125 | 4.420 | 4.456 |
| Mon-09-Apr-12 | 4.148 | 4.190 | 4.278 | 4.282 | 4.106 | 4.055 | 4.063 | 4.129 | 4.411 | 4.440 |
| Mon-16-Apr-12 | 4.127 | 4.181 | 4.269 | 4.280 | 4.091 | 4.021 | 4.038 | 4.129 | 4.389 | 4.418 |
| Mon-23-Apr-12 | 4.085 | 4.146 | 4.269 | 4.245 | 4.050 | 3.974 | 3.993 | 4.090 | 4.345 | 4.384 |
| Mon-30-Apr-12 | 4.073 | 4.130 | 4.255 | 4.220 | 4.039 | 3.971 | 3.980 | 4.072 | 4.330 | 4.396 |
| Mon-07-May-12 | 4.057 | 4.108 | 4.232 | 4.194 | 4.021 | 3.962 | 3.962 | 4.047 | 4.312 | 4.385 |
| Mon-14-May-12 | 4.004 | 4.054 | 4.192 | 4.135 | 3.969 | 3.897 | 3.915 | 4.004 | 4.277 | 4.349 |
| Mon-21-May-12 | 3.956 | 3.999 | 4.130 | 4.079 | 3.916 | 3.854 | 3.861 | 3.987 | 4.233 | 4.303 |
| Mon-28-May-12 | 3.897 | 3.940 | 4.072 | 4.023 | 3.854 | 3.795 | 3.802 | 3.948 | 4.164 | 4.228 |
| Mon-04-Jun-12 | 3.846 | 3.886 | 4.036 | 3.968 | 3.797 | 3.746 | 3.757 | 3.919 | 4.101 | 4.169 |
| Mon-11-Jun-12 | 3.781 | 3.818 | 3.974 | 3.909 | 3.721 | 3.696 | 3.698 | 3.873 | 3.991 | 4.066 |
| Mon-18-Jun-12 | 3.729 | 3.766 | 3.923 | 3.868 | 3.660 | 3.655 | 3.654 | 3.832 | 3.899 | 3.966 |
| Mon-25-Jun-12 | 3.678 | 3.718 | 3.873 | 3.817 | 3.616 | 3.606 | 3.601 | 3.779 | 3.839 | 3.908 |
| Mon-02-Jul-12 | 3.504 | 3.562 | 3.656 | 3.666 | 3.488 | 3.458 | 3.462 | 3.534 | 3.596 | 3.651 |
| Mon-09-Jul-12 | | | | | | | | | | |
| Mon-16-Jul-12 | | | | | | | | | | |
| Mon-23-Jul-12 | | | | | | | | | | |
| Mon-30-Jul-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.