

AG VIEW FS , Inc.

Energy Market Update May 7, 2008

NYMEX Prices

Futures Prices as of the close on 5-07-08

June Crude Oil	\$ 123.53
June RBOB Unleaded	\$ 3.1182
June Heating Oil	\$ 3.4585
June Natural Gas	\$ 11.327

Market Comments: Despite a mostly bearish inventory report today, the energy complex still managed a higher close. Even the recent stability of the US dollar does not appear capable of reversing oil price up-trends. Some domestic demand deterioration has not been able to offset the strong global demand picture.

	<u>Crude</u>				<u>Gasoline</u>				<u>Heating Oil</u>			
	<u>Change</u>	<u>Total</u>	<u>3Yr Avg</u>	<u>5 Yr. Avg</u>	<u>Change</u>	<u>Total</u>	<u>3Yr Avg.</u>	<u>5 Yr. Avg.</u>	<u>Change</u>	<u>Total</u>	<u>3Yr Avg.</u>	<u>5 Yr. Avg.</u>
DOE	+5.7	325.6	336	319	+8	211.9	203	202	-.1	105.7	111	107
EST.	+1.00 to +3.00				-1.0 to +.600				+0.30 to +1.50			
Prop	US Total = +1.3 29.8				Conway = +1.1 11.0				Belvieu = +.1 15.0			

Buffett complimented the Federal Reserve's efforts to help prevent the turmoil in the markets from getting worse. "The Fed did the right thing," Buffett said at the meeting, referring to the central bank's moves to add liquidity into the marketplace in recent months. The Fed's efforts to help rescue **Bear Stearns** were particularly important for the overall markets, Buffett said. If Bear had failed, "that would have been a spectacle of unprecedented proportions. It would have resulted in another one or two investment banks going down in a few days."

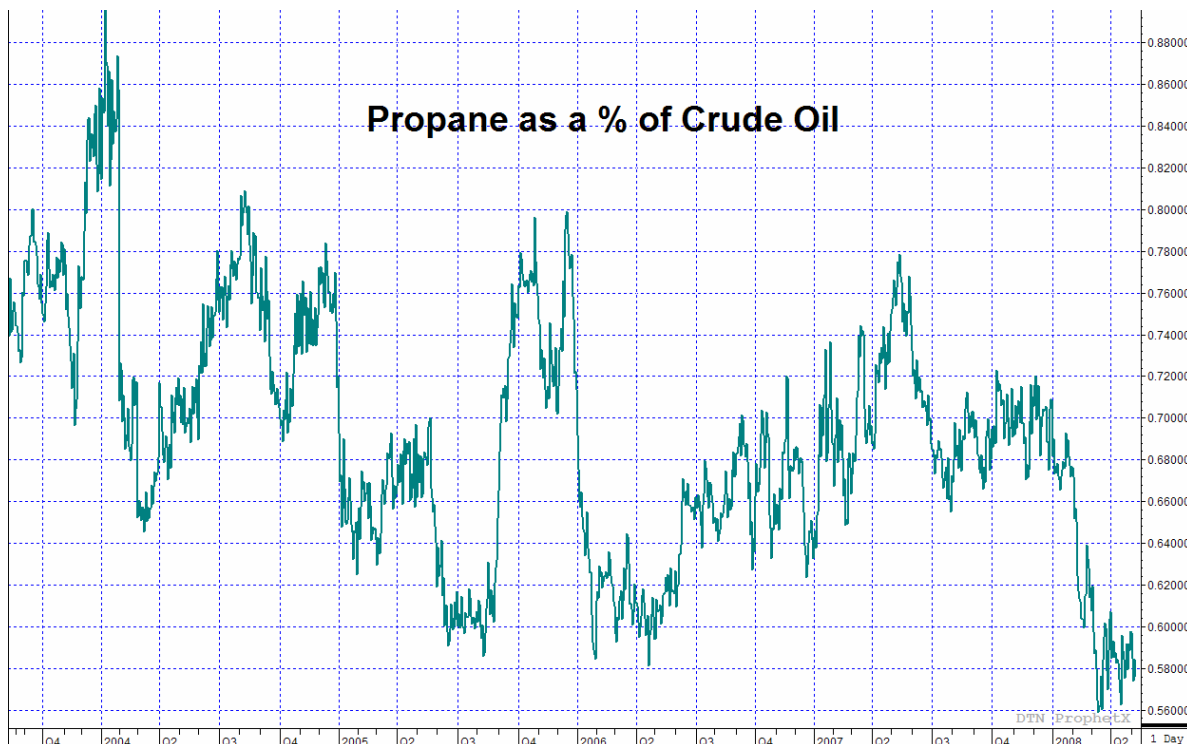
Thanks to record crude oil prices, OPEC members will likely earn over \$1 trillion this year from oil exports, according to the U.S. government's top energy forecasting agency. Net oil export earnings from OPEC forecast to skyrocket 57% from last year's \$674 billion to \$1.06 trillion this year and then decline to \$990 billion in 2009 after an expected contraction in oil prices, the Energy Information Administration said in its new forecast.

Oil could shoot up to \$200 within the next two years as part of a "super-spike" driven by poor growth in oil supplies, investment bank Goldman Sachs said in a research note. "We believe the current energy crisis may be coming to a head, as a lack of adequate supply growth is becoming apparent. The possibility of \$150-\$200 per barrel seems increasingly likely over the next 6-24 months, though predicting the ultimate peak in oil prices as well as the remaining duration of the up cycle remains a major uncertainty," Goldman said.

Senate Republicans have asked the EPA to consider waiving the country's ethanol production mandate amid rising food prices. Twenty-four Republican senators have sent a letter

to the EPA suggesting it waive or restructure rules that require a fivefold increase in ethanol production over the next 15 years. Congress passed a law last year mandating an increase to 15 billion gallons of Corn ethanol by 2015 and 36 billion by 2022. Separately, a US House Energy and Commerce Committee subcommittee is scheduled to hold a hearing Tuesday on laws requiring that renewable fuels be blended into gasoline.

Propane as a percentage of crude only looks cheap on this chart!



Members of the US Senate-House panel came to an agreement on several portions of a new five year farm bill. As part of the bill, the panel approved a five year extension of the Commodities Exchange Act, billions of dollars in new funding for nutrition programs as well as new grants aimed at increasing research into ethanol and other biofuels. The bill would include a provision that would put all significant energy trades on electronic platforms within the regulatory confines of the Commodity Futures Trading Commission and would impose limits on the size of traders' positions to prevent excessive speculation. The overall Farm Bill still needs to be finalized and would ultimately need to be sent to the House and Senate for a vote, possibly next week. However, even if it is approved, Bush administration officials have threatened to veto the bill.

[A second US aircraft carrier moved into the Persian Gulf last week as the Pentagon ordered military commanders to develop new options for attacking Iran.](#) A CBS correspondent said the planning was driven by the increasing hostile role Iran was playing in Iraq. US officials are concerned about the smuggling of weapons into Iraq for use against American troops as well as Iranian harassment of US ships in the Persian Gulf and Iran's nuclear program. The Chairman of the Joint Chiefs of Staff Mike Mullen said no attack was imminent but warned Iran not to assume the US military could not strike. Later this week, Iraq's Prime Minister Nouri al-Maliki is expected to confront Iranian officials with evidence of their hostile role and demand a halt. The US department of State has started to draft an ultimatum in case talks fail to stop Iran.