

Ag View FS , Inc.

Energy Market Update May 21, 2008

NYMEX Prices

Futures Prices as of the close on 5-21-08

July Crude Oil	\$ 133.17
June RBOB Unleaded	\$ 3.3965
June Heating Oil	\$ 3.9084
June Natural Gas	\$ 11.640

T. Boone Pickens thinks Crude Oil going to \$150 this year. During his interview yesterday morning oil markets rallied 60-70 cents. Some of think this is very possible and would fall right in line with seasonal patterns and current prices. Pickens also said his BP Capital hedge fund, which has more than \$4 billion under management, was long in both crude oil and natural gas.

New highs in price were scored again during the past week. The DOE report showed gas and dist demand up this past week! That is strong demand given that pump prices have surged to near \$4 in gas. It will be interesting to see what demand does over the coming holiday weekend. Crude stocks actually fell by a large 5.4 mln barrels which is bullish for that market. Runs were up 1.3%, which should occur given very strong distillate cracks.

To make you feel a bit better, the US avg. on gas was near 3.20 a year ago vs. now around 3.80. Hey, it's up only 60 cents.

	<u>Crude</u>				<u>Gasoline</u>				<u>Heating Oil</u>			
	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.	Change	Total	3Yr Avg.	5 Yr. Avg.
DOE	-5.4	320.4	340	321	-.800	209.4	208	206	+.700	107.8	116	112
EST.	-1.0/+2.3				-2.3/+3.0				-.300/+2.0			
Prop	US Total = 34.0 +2.7				Conway = 14.0 +2.2				Belvieu = 16.2 .300			

WHAT IF: IF crude gets to \$150 and the gas crack spread holds near \$10, it projects pump prices to near \$4.40 per gallon with 10% ethanol. A \$20 crack at \$150 crude = \$4.65 pumps. \$200 with a \$10 crack = \$5.60 pumps. Each state has different taxes so that number would vary but gives some idea as to where gas prices could be given \$150 crude.

SAUDIS AND THE PRESIDENT: As oil prices hit another record high on Friday, Saudi King Abdullah rebuffed Bush's request for higher oil production to take the pressure off prices. Bush said he cautioned the king about the repercussions of skyrocketing prices. "I said very plainly, I said, `You've got to be concerned about the effects of high oil prices on some of the biggest customers in the world. And not only that, of course, high energy prices (are) going to cause countries like mine to accelerate our move toward alternative energy."

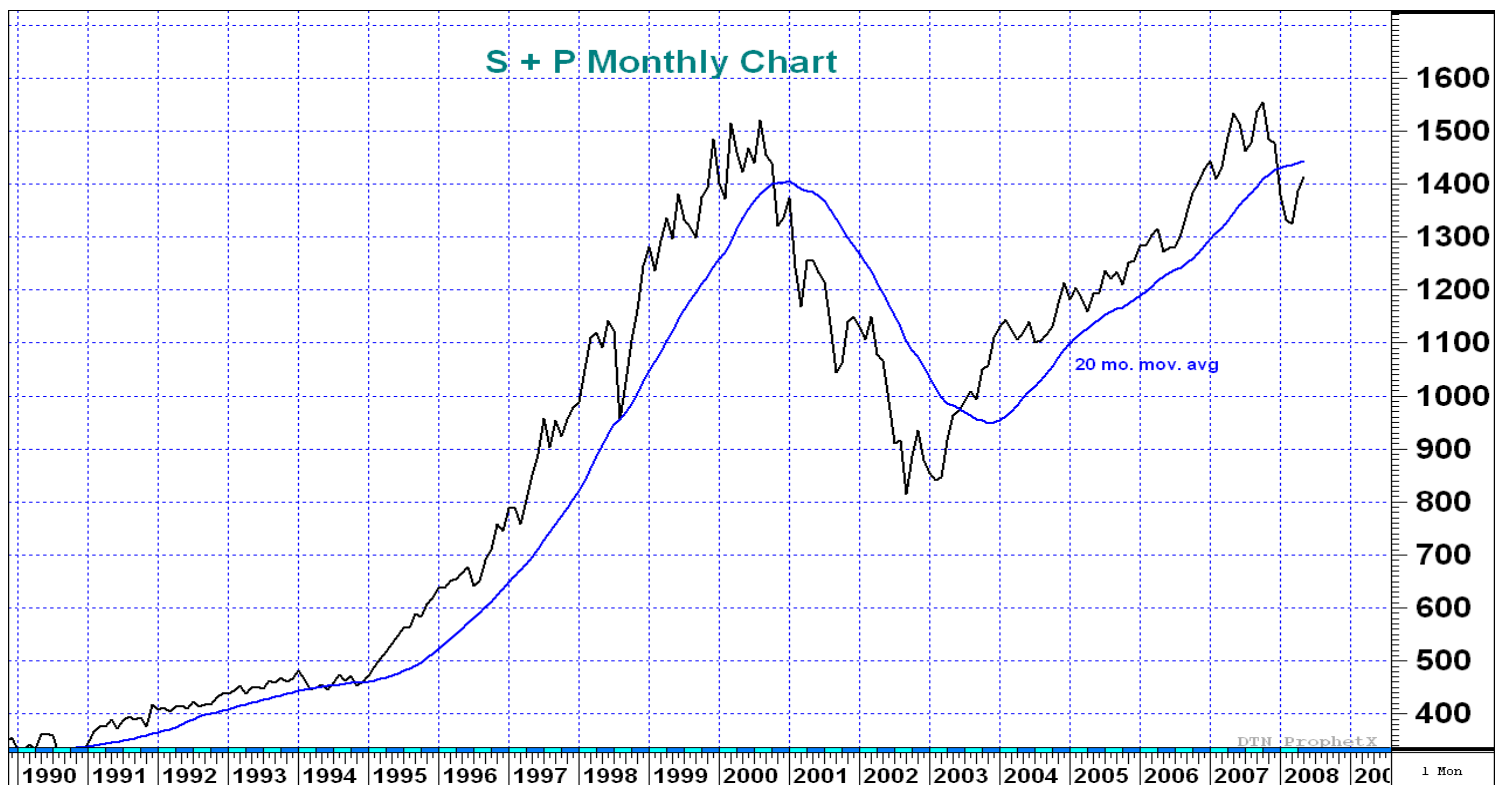
CHINA IN THE NEWS: Petro China is expected to import 400,000 tons of diesel in June, up 30% on the month as it seeks to stockpile diesel ahead of the summer Olympics. The 7.9 magnitude earthquake that shook China on Monday has also caused refiners to seek more fuel supply. Electricity outages have forced consumer to turn to diesel fired generators instead.

WHAT ABOUT GRAIN DRYING? As one manager reminded us, let's not fall asleep on grain drying needs. With the crop getting planted later than normal, could we FINALLY have a good drying season?

ONLY ONE MEASLY PERCENT! National and local media is picking up on talk that Memorial Day weekend travel will be down this year!

Just yesterday, AAA reported that travel for the upcoming Memorial Day holiday weekend will be down ONLY 1% by passenger car vs. year ago numbers. Wow. That is incredible that travel will be down ONLY 1% given that pump prices in many areas are 75 cents higher than last year in mid May! The real story the media should be talking is "how demand can be down ONLY 1%!"

TESTING RESITANCE: The following chart of the S+P 500 shows price nearing the moving average resistance. Closing back over it would suggest a strong economy. Let's see what happens. The housing numbers today were bullish for stocks AND, in a way, bullish for oil!



Diesel Demand: China's National Development and Reform Commission stated that China has released 6,313 tons of strategic reserves of refined oil products to help relief work in Sichuan and Gansu provinces following the earthquake last week. It also stated that it was planning to release more gasoline and diesel from Jiangyou reserve tank in Sichuan and Guiyang reserve tanks in Guizhuo province. It has also given its approval for 10,000 tons of jet kerosene reserves stored in Guizhuo to be tapped. CNPC is also expected to add 27,000 tons of diesel to Gansu.

WHERE IS ALL THE DIESEL GOING: Exports of diesel fuel off the US East coast and Gulf coast regions continues. Basis levels in those areas continues overall strong and this has helped keep heat futures well over gasoline. That spread has traded to as much as 50 cents heat over gas. OPIS reports that Europe and South America continue to be destinations of choice. Chile and Argentina are the main South American destinations.