

South Central FS, Inc.

Energy Market Update May 9, 2012

NYMEX Prices

	Close	Wk Change
Jun Crude Oil	\$ 96.81	-8.41
Jun Gasoline	\$ 3.0241	-.0516
Jun Heating Oil	\$ 2.9991	-.1434
Jun Natural Gas	\$ 2.465	+.212

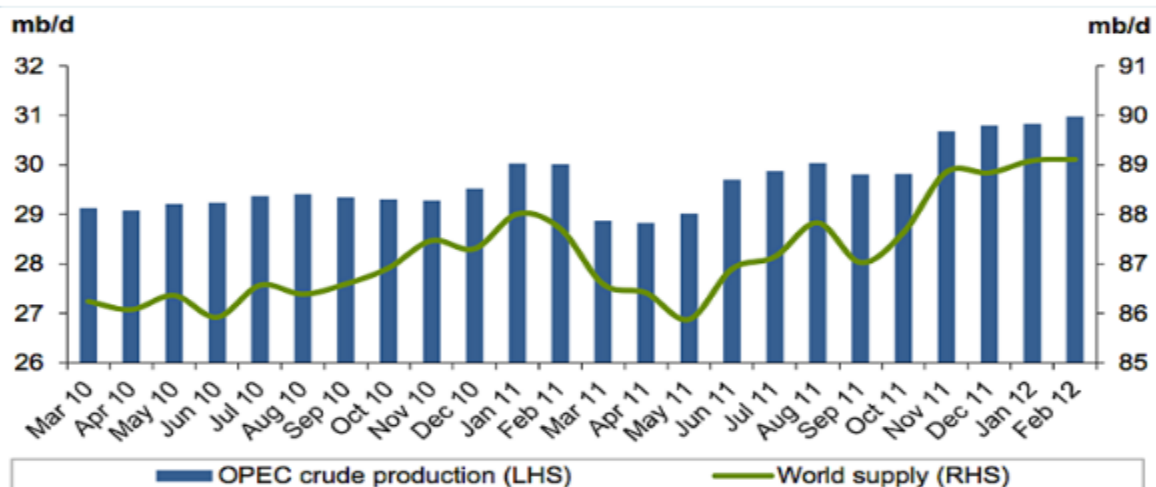
Energy prices tumbled during the past week. Strength in the US dollar and weakness in the stock market have weighed on energies. The spring energy price seasonal rally ran out of steam early this year. This could set up the market for some good buys for late summer and fall needs for end users without much coverage.

Inventory numbers showed larger than expected draws on products this week.

	<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	+3.7	379.5	368	354	-2.6	207.1	216	209	-3.3	120.8	148	134
EST.	-.750 / +3.5				-2.5 / +1.0				-1.5 / +1.5			
Propane	Total U.S.	51.0	+2.5		Midwest	20.1	+.500		Gulf	25.6	+1.0	

OPEC: OPEC production has been on the rise since March of 2011 and a good portion of that increase is from Saudi Arabia. Saudi Arabia has the unique ability to raise these production levels at will and on short notice. So far, Saudi has been able to exceed customer demands by supplying oil to countries that are in need of more supply. For example, Japan agreed to reduce its crude purchases from Iran in exchange for a waiver from the US financial sanctions that would have stopped Japanese banks from the US financial system. Right now they can push the market lower with these actions but any shortfall from other countries could easily stress that spare capacity.

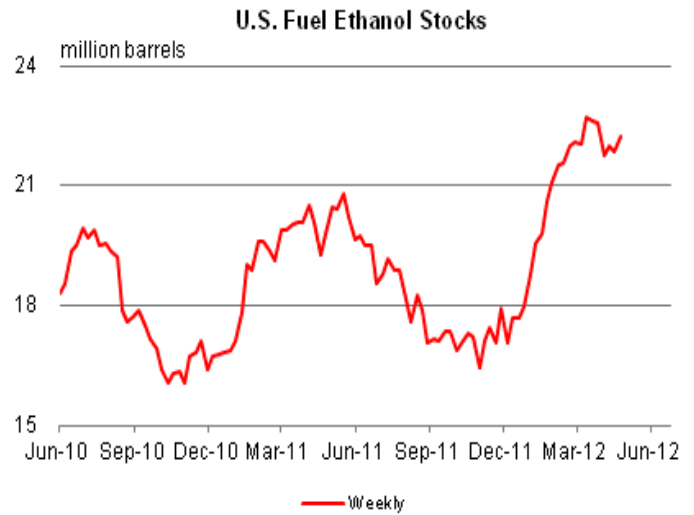
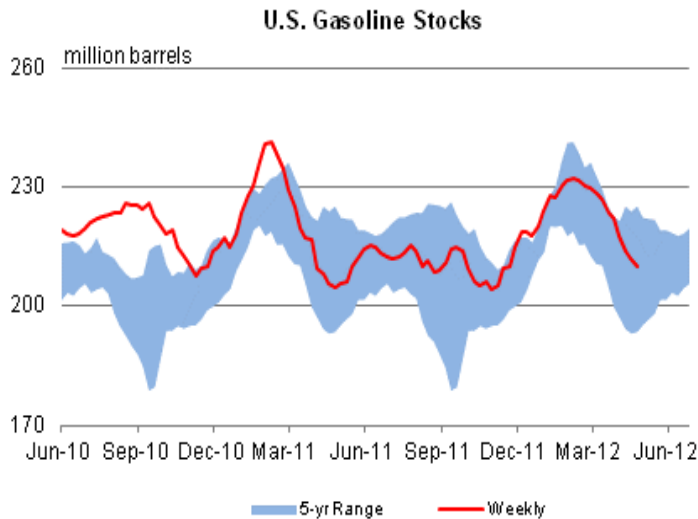
OPEC PRODUCTION



Conservative President Nicolas Sarkozy was the 11th euro zone leader to be swept from power by the European economic crisis. Francois Hollande was elected as France's first Socialist president in nearly two decades in an election on Sunday.

The CME Group was granted a 90 day reprieve from imposing new rules that will increase margins for some exchange members by as much as one third. The new rules, which would have increased margins to exchange members classified as speculators, will go into effect on 8/5/2012.

Ethanol use and vehicle fuel efficiency have lead to "demand destruction". Ethanol stocks remain high, while gas inventory is registering right in the middle of the 5 year average.



Retail gas prices appear to have topped off in this 4 year chart. The big question is whether gas will flatten back out or rise, as it did in 2009 and 2010, or will we have a down year, like last year, for the rest of 2012. Economic data is suggesting that demand will stay weak, despite the fact that the summer driving season is approaching.

36 Month Average Retail Price Chart

