

# WFS Energy Update

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## Refined Fuels

- Crude oil continues to show strength, mainly on consumer optimism that the economy is improving. Crude oil was able to stay above \$86 last week and will likely target \$87.09, which is the contract high for the year. If this level is hit, I would then look for the market to target \$90. For the week, crude was up \$1.03 (1.2%) and for the month gained \$1.97 (2.3%).
- Gasoline and distillate markets are stronger to begin the week and new month. The June distillate contract gained 0.0369 (1.6%) last week. For last week, gasoline gained \$0.0402 (1.7%) and for the month gained \$0.0981 (4.3%). These products are getting strength from consumer optimism and the start of the summer driving season in the U.S. on Memorial Day.
- Market Fundamentals for this week:
  - A bailout package for Greece is in place, but traders are weary if it will be able to save the country.
  - The oil spill off the shore of Louisiana continues to spill oil into the ocean. They have not been able to stop or slow the spill, but it looks like it is not hampering shipments into the Louisiana ports.
  - Consumer spending increased for the sixth consecutive month and was up .6% from March.
  - Construction spending had a surprising increase today. This was the first increase since October 2009. It rose 0.2% to \$847.3 billion.
  - There are also a number of consumer reports due out this week. They include personal consumption expenditures, personal income, and ISM manufacturing data for April. Watch these reports as they will likely drive the energy markets and give traders a feel if the economy is improving.
  - There is also starting to be some talk about high refined fuels prices slowing the economy. It hasn't had an effect yet, but is worth keeping an eye on.
- WFS has been gearing up for our switch to the RFD system for delivery of our fuels. The advantages of RFD are:
  - Fresh fuels are always available, no need to worry about ordering fuel
  - Deferred billing means you won't have to pay for your fuel until you use it, not when it is delivered
  - Contracting programs that allow you to lock in your price for fuels
  - Ability to buy the fuel in your tanks, if you think it is a good time to buy your fuel
  - Please take time to listen to your local driver or salesperson and hear about the advantages of using the RFD system. We will be mailing communications to you throughout the year and look forward to discussing the advantages of RFD this summer.
- These are just some of the advantages of using the RFD system. We will continue to communicate exciting advantages of using this system in the near future. **We are targeting implementation of the RFD system in late 2010. We will deliver as we always have throughout most of 2010.** If you have any questions, please contact Randy, Mark, Kenton, or Dale. Our phone numbers are listed above.
- Cenex is also enhancing their Ruby Fieldmaster and Roadmaster XL diesel fuels by introducing a new package this spring. Along with the advantages already available with these diesels, like 4.5% increase in power, 5% better fuel economy, longer injector and pump life, and higher cetane rating (compared to #2 diesels); you will get help in preventing fouling issues in 2007 and newer engines. Cenex is leading the way in providing you with a diesel that helps control issues of the newer diesel engines.

## Lubricants

- Agricultural manufacturers are looking at 2011 closely due to the introduction of the Tier IV standards for diesel engines and the new emission standards. They are looking at EGR and SCR technologies to be able to handle the new emission standards. These engines will run hotter and will demand the best possible lubricants. Cenex will continue to stay on top of the latest standards and provide you with the best possible lubricants for your needs.
- On October 1, 2010 of this year the API will start to license the new GF-5/SN level performance and the 0W-20 and 0W-30 grades will be a part of the viscosity grades along with 5W-20 and 5W-30 and 10W-30. It is the intention of CHS Lubricants to introduce the new GF-5/SN performance into their PCMO products by the end of this year. At that time they are planning to introduce a 0W grade as well.

## Propane

Propane is showing a little strength this week as an economic arbitrage currently remains open for May and June to move product out of the U.S. and into Latin and South America.