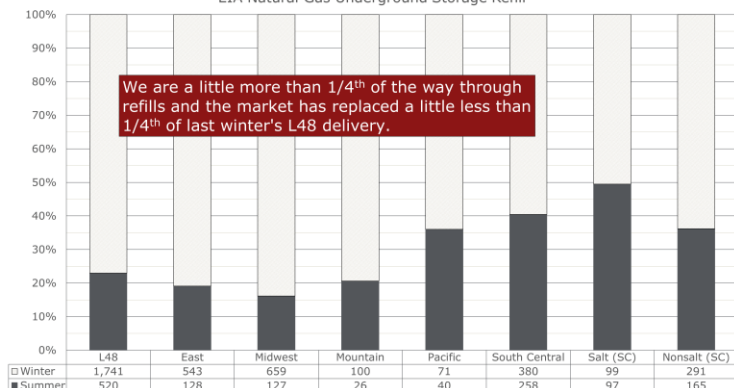
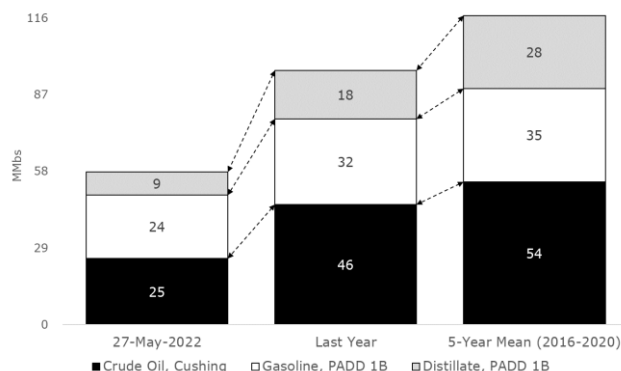




EIA Natural Gas Underground Storage Refill



EIA NYMEX Inventories



Note Bene: When it comes to energy policy, this White House never seems to run out of bad ideas.

[Reuters](#) - "The White House is considering congressional proposals that could tax oil and gas producers' profits... There are a variety of interesting proposals and design choices on a windfall profits tax," Bharat Ramamurti, the deputy director of President Joe Biden's National Economic Council, said... We've looked carefully at each of them and are engaging in conversations with Congress about design. High energy prices have led to record profits for large oil producers this year. Exxon Mobil (XOM)... doubled its first-quarter profit to \$5.48 billion..."

Ayn Rand must be doing cartwheels in her grave.

While it is true XOM earned \$5.48 billion in the first quarter of this year, the company's net profit margin—the amount of money left after subtracting all expenses such as raw material costs, labor, interest payments and taxes—was 6.1%. In other words, for each dollar of revenue, Exxon Mobil collected 6.1 cents which is nowhere in the vicinity of a "windfall".

If the White House was really interested in going after real windfall profits, they would target Philip Morris, a company whose only product will give you cancer. In the first quarter Philip Morris' net profit margin was 30.1%, 5x Exxon Mobil's margin.

Therefore, according to this White House, if you produce a product that will send you to a premature grave, you can earn as much as you like, but if you produce a product that literally fuels the economies' engine, then you are a pariah.

Omnium Gatherum

ENERGY PRICES WERE MIXED YESTERDAY... Spot RBOB gasoline on the NYMEX ballooned to a record \$4.2391, the equivalent of \$5 per gallon at the pump. The NYMEX Henry Hub market tanked after the EIA reported another solid injection.

EIA Natural Gas Review

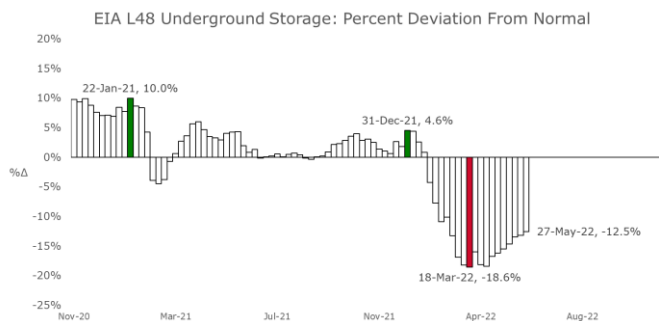
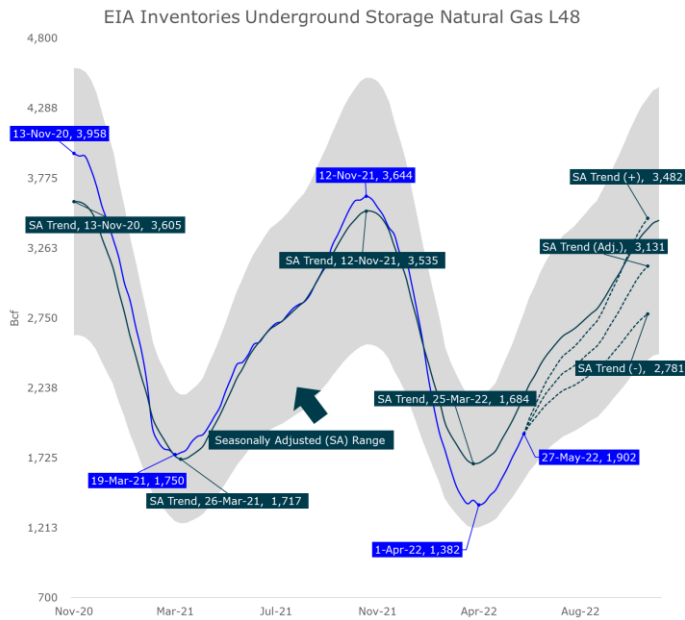
Yesterday, the EIA reported a seventh straight solid refill. As of May 27th, a total of 90 Bcf of gas was injected into L48 underground storage. Since the start of the refill season, a total of 520 Bcf of natural gas has been added to underground caverns and salt domes. Based on seasonal time series analysis, the typical injection for this point in the season is 490 Bcf, with a range from a low of 352 Bcf to a high of 629 Bcf.

So, from this perspective, this year's refills are good. However, given the dearth of molecules at the end of last winter, good is not good enough.

The Future Is Now for Injections.

The month of May is when we see the largest injection of the year. Looking back at the past 30 years of data from the EIA, the average injection for this month is 380 ±24 Bcf.

In June, when peak air conditioning demand begins to ramp up in the northern latitudes, injections drop to 345 ±23 Bcf and then fall in July to 300 ±28 Bcf and then bottom in August at 279 ±25 Bcf.



The early consensus for next week's report (EIA week ended June 02nd) is calling for an addition in the high 90s Bcf, perhaps even the triple digits. Assuming this to be the case, then the interpolated injection for this May will be spot on the 30-year mean of 381 Bcf.

This is good but as we said earlier, it is not good enough.

As of last Friday, L48 underground storage stood at 1.90 Tcf. Given the steady pace of injections, our end-of-season neutral-case forecast has been more-or-less unchanged at around 3.37 Tcf. Our most optimistic end-of-season forecast is around 3.48 Tcf, which is still 4.4% below last season's balance. The EIA is currently forecasting end-of-season of 3.34 Tcf.

Injections need a helping hand from Mother Nature this summer if storage is going to dig itself out of a hole. Unfortunately, the steep backwardation on the front-end of the NYMEX Henry Hub futures' term structure suggests that Mother Nature will not be in a generous mood this cooling season.

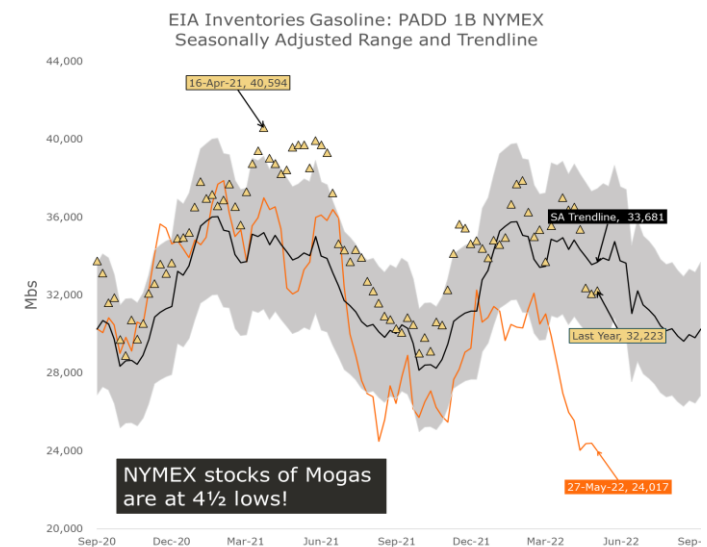
EIA Petroleum Review

Yesterday's weekly petroleum update from the EIA showed that inventories of the three major NYMEX

futures contracts — WTI, RBOB, and ULSD — inched 0.3% off an all-time low to 57.82 MMbs. Prior to last week, stocks set three consecutive all-time lows. Last week's build was only the third of the first 21 weeks of this year.

Crude oil stocks at the NYMEX hub in Cushing rose by 256 Mbs to 25.03 MMbs. Inventories are 45% below a year ago, 30% below the seasonally adjusted trendline, and 5% above the bottom of the seasonally adjusted range.

NYMEX distillate supplies (PADD 1B, Mid-Atlantic) rose by 292 Mbs from a record low to 8.77 MMbs. **Stocks are 53% below a year ago and 35% below normal, i.e. 35% below the seasonally adjusted time series plus the standard error of estimate.** Total East Coast (PADD 1) distillate stocks fell by 593 Mbs to an all-time low of 20.97 MMbs.



The situation in NYMEX gasoline stocks is not any better. Stocks fell last week by 380 Mbs to a **4½-year low** of 24.02 MMbs. **Inventories are 25% below a year ago and 20% below normal.**

Combined inventories of NYMEX N^o2 oil and gasoline fell to a second straight all-time low of 32.79 MMbs. These stocks have set a record low in 8 of the last 9 reports. Over this time, supplies have plunged by **a record 20.94 MMbs.**

