



## RETAIL DIESEL FUEL FLASH REPORT

### A Fundamental Petroleum Trends Occasional Report

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#### Mississippi River Flooding risk disrupting Diesel Supply East of the Rockies

The lower Mississippi River is forecast to reach peak flood stage 24May11 at 70 year highs. The Corp of Engineers opened the

first of 125 gates into the Morganza floodway over the weekend to limit peak river levels in heavily populated urban areas, and petro chemical / refining centers.



High water levels have all ready disrupted product barge movements on the inter coastal water way serving ports from Mississippi, east to Florida and southeast Atlantic states.

If the river reaches 18.5 ft above flood stage then the Port of New Orleans will close; significantly disrupting all river traffic involving movement of diesel, other refined fuels, petro chemicals and crude oil supplies to local refiners that depend on waterborne movements.

Catastrophic damage would reduce crude oil refinery runs by 750,00 to 1,200,000 bpd and shut down major product pipelines in the area serving nearly all southeastern and East Central U.S. markets.

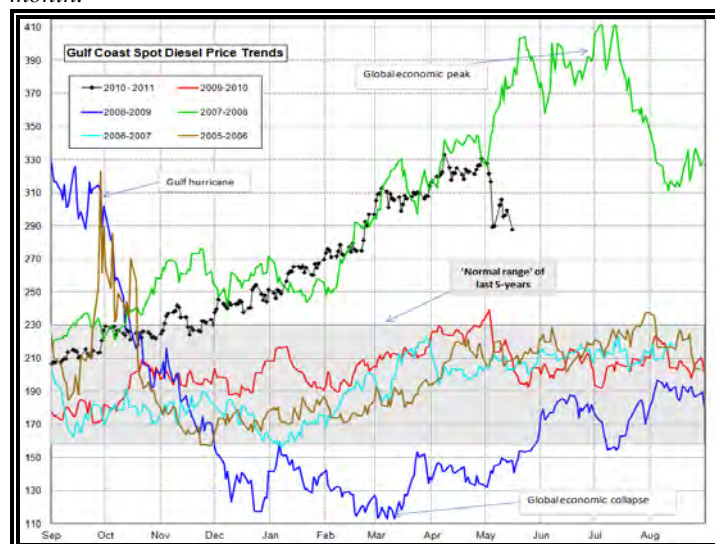
If the flooding exceeds current expectations, refiners could close as precaution against flooding, reduce run rates due to lack of feed stocks and capability to dispose of finished products.

With flooding of the Morganza floodway the risk of catastrophic damage to petro chemical and refiners in the lower Mississippi River flood plain has been significantly reduced.

*Spot and futures prices reflect this reduced risk, falling sharply*

*today. However, potential for unexpected damage will continue for the next 7 to 10 days.*

*We recommend clients continue to monitor weather reporting services until river levels began to fall during the last week of the month.*



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