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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 26, 2009

Italy's Foreign Minister Franco Frattini, presenting the final declaration after talks with his counterparts in the Group of Eight leading countries, said violence in Iran must stop immediately. The G8 foreign ministers meeting addressed a strong urging to Iran to seek a peaceful solution to the crisis following disputed elections in Iran.

Separately, the UAE's Foreign Minister Abdullah bin Zayed al-Nayhan said the stabilization of the Iranian political crisis is extremely

Market Watch

The National Hurricane Center said a tropical wave is over the western Caribbean and could move into the Gulf of Mexico late Saturday or sometime Sunday. The system has 30% -50% chance of organizing into a tropical cyclone in the next 48 hours. The NHS said the system is not expected to strengthen until it moves over the Yucatan Peninsula. However conditions are favorable for it to become a tropical cyclone once it passes over the Yucatan into the Gulf.

Federal Reserve Bank of Dallas President Richard Fisher said he expects to see US economic growth return later this year. He said the pace of decline will moderate and some sort of positive momentum should return over the second half of the year.

The US Commerce Department said personal income increased at a seasonally adjusted rate of 1.4% in May compared to the previous month. Consumer spending increased 0.3% on the month. Disposable personal income in May increased by 1.6%, driven by the aid package President Barack Obama signed in February to spur the economy. Personal saving as a percentage of disposable personal income was 6.9% in May.

The Reuters/University of Michigan Surveys of Consumers said its final index of confidence for June was 7.08 from 68.7 in May. It is the highest level since February 2008, amid expectations that the worst economic recession since the Great Depression may be ending.

The Economic Cycle Research Institute said its Weekly Leading Index increased to a 37 week high of 117.6 for the week ending June 19th from a downwardly revised level of 117 the previous week. The index's annualized growth rate increased to a 97 week high of 2.1% from minus 0.6% a week ago. Its yearly growth rate turned positive, raising hopes that the end of the recession is near.

According to Barclays Capital, the world economy should see significant improvement during the second half of 2009, supported by growth in Asia and a bounce in the US and Europe. The improvement in the broader economy should support oil prices and move toward the \$75-\$80/barrel range.

China's central bank reiterated a call for a "super sovereign currency" causing US stocks and the dollar to fall. The dollar fell 0.7% against six trading partners as China sought to replace it as the global reserve currency. People's Bank of China Governor Zhou Xiaochuan in March urged the IMF to expand the functions of its unit of account and move toward an international reserve currency to reduce dependence on the dollar. The Group of 20 leaders on April 2 gave approval for the IMF to raise \$250 billion by issuing Special Drawing Rights or SDRs, the artificial currency that the agency uses to settle accounts among its member nations. It also agreed to put another \$500 billion into the IMF's war chest.

June Calendar Averages

CL – \$69.60
HO – \$1.7917
RB – \$1.9586

important for the UAE.

Iran's electoral watchdog is expected to set up a special commission, including representatives of defeated candidates, to draft a report on the disputed presidential poll.

Russia's President Dmitry Medvedev said Russia clearly sees itself as an observer and not a member of OPEC. He also said the current ways in which oil prices are determined are too complex and lack transparency, adding that the oil market should not depend on one economy, referring to the US. Russia has repeatedly called for the world to become less reliant on the US dollar.

Oil prices are not seen holding above \$70/barrel as oil demand appears to be stalling. Gasoline demand is also stalling so far this summer. Rising inventories are easing near term supply tightness and gasoline demand is expected to flatline throughout the summer, instead of seeing steady gains into the peak season. While peak summer demand is expected to gain from the slump a year ago, month to month gasoline demand is not expected to change much this year.

Refinery News

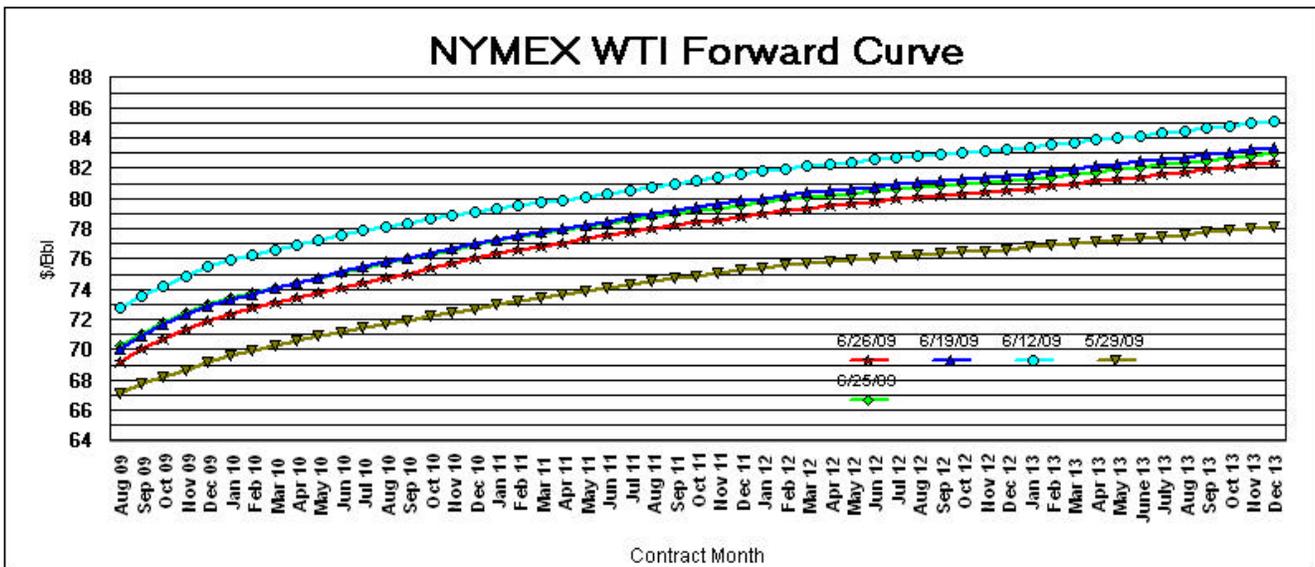
The number of VLCCs used to store crude oil worldwide fell last month after a rally in crude prices that prompted traders to cash in. According to Simpson Spence & Young Ltd, a total of 34 VLCCs were in use for storage at the end of May, down from 53 a month earlier. The number of VLCCs used for crude storage in the US Gulf of Mexico fell to 16 from 24 over the period.

ExxonMobil said a hydrocracker unit at its 567,000 bpd refinery in Baytown, Texas resumed operations after it was shut down for unplanned work on June 18th.

South Korea's Yeochun Naphtha Cracking Center will shut its 555,000 ton/year No. 2 naphtha unit on Saturday for two to three days of maintenance. It said it will take one of its nine furnaces at the No. 2 unit offline to repair its coil during the period.

Sinopec Corp's newly expanded 160,000 bpd Luoyang refinery plans to reach full operations in the second half of 2009. The Luoyang refinery completed expansion work earlier this month that increased its capacity from an original capacity of 120,000 bpd, part of its plan to increase its refining capacity to 200,000 bpd by 2011.

India's refiners processed 3.02 million bpd of crude oil in May, down 4.3% on the year due to planned



Umaru Yar'Adua announced an amnesty offer for gunmen who laid down their weapons during a 60 day period starting August 6th and ending October 4th. Nigeria's security forces will observe a 60-day ceasefire but will respond if attacked. A Shell spokesman said it was investigating reports of an attack on its Afremo platform B facility, which had already been shutdown following an attack on the Trans Escravos pipeline in February. MEND's latest campaign of sabotage, which started just over a month ago, has already forced at least 133,000 bpd of production to be shut down. Separately, Nigerian militants said they will dissociate themselves from a presidential amnesty. Meanwhile, Nigeria's militant commander Farah Dagogo said he will not make a decision on whether to accept the government's offer of an amnesty until jailed leader Henry Okah is released. Later a militant commander said he and fellow gunmen could strike oil facilities in eastern Niger Delta if the Movement for the Emancipation of the Niger Delta's jailed leader Henry Okah is not released.

Indonesia's BPMIGAS said the country's crude oil production is expected to increase to 829,200 bpd in June from 823,100 bpd in May. The country's condensate production is expected to remain stable at 120,000 bpd in June, unchanged from May.

A group of Japanese companies led by Nippon Oil Corp is in the final stage of talks to win a \$10 billion development contract for Iraq's Nassiriya oilfield. Nippon Oil together with explorer Inpex Corp and plant engineering firm JGC Corp have been vying with Italy's Eni and Spain's Repsol in the race for the engineering, procurement and construction contract. Iraq's Oil Minister Hussain al-Shahristani said the Oil Ministry has selected a company to develop the Nassiriya oilfield and has sent its choice to the cabinet for approval. He declined to identify the company.

CNPC, PetroChina's parent company, struck high yield oil flows in an exploration well in Niger and found commercial oil and gas flows in another well in Algeria. The company aims to triple its overseas crude oil and gas production in 8-10 years to about 4 million bpd of oil equivalent in its foreign operations. Last year, CNPC produced 1.24 million bpd of crude oil overseas.

Pemex said that planned maintenance at the Akal offshore platform shut in 5,800 bpd of oil production in June. Pemex said that the Akal maintenance and other previously reported maintenance at an offshore production and storage facility reduced June production by a total of 45,800 bpd.

ExxonMobil Corp is starting to drill the first of three deepwater exploration wells off the coast of Libya. Its deepwater exploration program will start in the next couple of days. Libya has 44 billion barrels of proved oil reserves.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$68.54/barrel on Thursday from \$68.01/barrel on Wednesday.

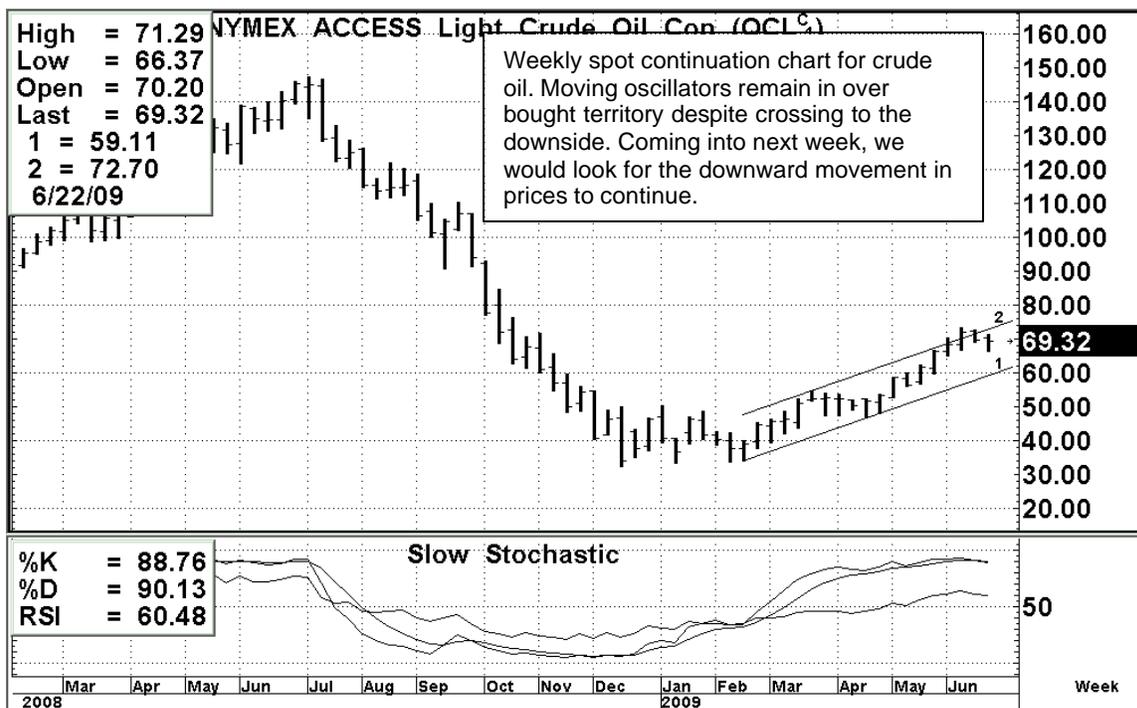
Market Commentary

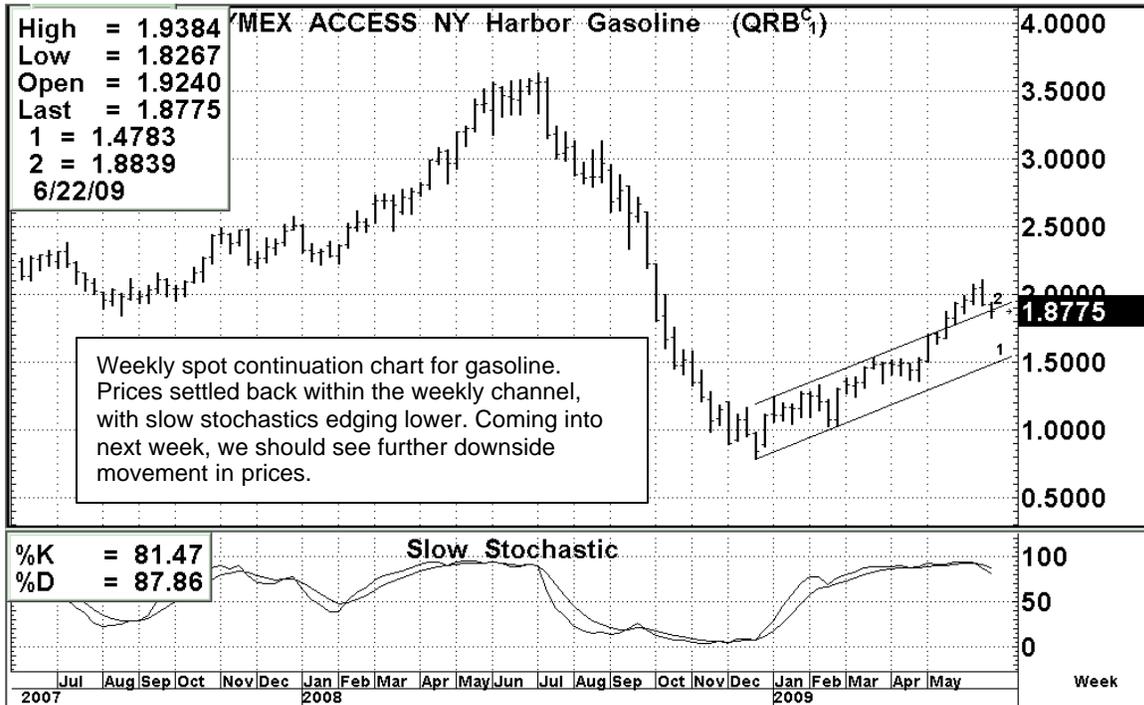
The price of crude oil headed south today as it reacted to news that the Nigerian government had offered amnesty for a Nigerian rebel leader and the U.S. Commerce Department reported that savings in the U.S. had risen, which in turn would have a negative impact on demand. U.S. stocks and the dollar dropped after China's central bank reiterated a call for a "super sovereign currency". With fuel consumption falling and the economic situation still uncertain, it is difficult to think that prices can continue to maintain their strength. Throughout the month of June, the spot crude oil contract has gravitated towards the \$68.00 level and appears to be setting up to finish the month there. For the second straight week, prices have settled lower on the week and below the upper trendline on a weekly spot continuation chart, with slow stochastics crossing in overbought territory. Coming into next week and barring any major changes in fundamentals, we would look for prices to continue lower, working towards the \$59.11 channel bottom. Gasoline also settled lower for the second week in a row, responding to a lack of demand at a time when U.S. demand should be growing. From a

technical standpoint, this market should experience further moves lower. Based upon a weekly spot continuation chart, this is the first time in six weeks that the spot month for gasoline settled below the upper trendline on an ascending channel. Slow stochastics since crossing to the downside remain in over bought territory, with percent K lower than percent D. This is bearish for prices.

Crude Oil AUG.09 268,610 +6,337 SEP.09 138,431 +5,007 OCT.09 53,328 +3,496 NOV.09 29,630 +809 Totals: 1,151,473 +28,219 N.Y. Heating Oil (HO) JUL.09 15,708 -4,547 AUG.09 65,466 +5,988 SEP.09 36,635 +88 OCT.09 25,238 +550 Totals: 291,161 +3,336 NEW YORK HARBOR RBOB (RB) JUL.09 16,917 -2,596 AUG.09 79,780 +4,031 SEP.09 43,443 +294 OCT.09 25,263 +2,030 Totals: 213,777 +4,188

The latest Commitment of Traders report showed that non-commercials in the crude market built their net long position by 12,940 contracts to 39,370 contracts in the week ending June 23rd. The funds increased their net long position as they cut their total short position by 12,839 contracts to 162,093 contracts on the week. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 6,606 contracts to 98,896 contracts on the week. The funds cut their total short position by 7,140 contracts to 93,064 contracts. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market increased their net long position by 973 contracts to 29,891 contracts. Non-commercials in the RBOB market however cut their net long position by 7,191 contracts to 55,685 contracts on the week.





Crude Support	Crude Resistance
Spot 200 day MA 57.21 50 day MA 61.64, 67.35, 64.85, 60.50 , 59.85, 58.90, 56.75, 55.45, 54.49,	74.50, 76.10, 81.80
Heat Support	Heat resistance
1.6780, 1.6512, 1.6235, 1.5615	1.9090
Gasoline support	Gasoline resistance
1.7150, 1.6960, 1.5370, 1.5260, 1.3560, 1.3400, 1.3180, 1.2700, 1.2625 1.1680	2.0650, 2.1600

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