



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 26, 2008

OPEC members gathering in Cairo for their extraordinary meeting on Saturday appear likely to defer another oil output policy decision until December. Several oil ministers have said OPEC needs to cut at least another million barrels of daily production. However they have downplayed the prospect of any decision until their next meeting on December 17. OPEC's President Chakib Khelil has previously stated that OPEC most likely would suspend any further output adjustments until its next formal meeting in December. Meanwhile Venezuela and Iran are calling on OPEC to cut production again by

Market Watch

According to a Reuters survey, analysts have cut their 2008 WTI price forecast from \$104.14/barrel to \$101.53/barrel. They have also cut their 2009 and 2010 WTI price forecast by more than \$9/barrel to \$71.89/barrel and \$85.65/barrel, respectively.

Merrill Lynch cut its oil price forecast for 2009 to \$50/barrel from \$90/barrel on Wednesday, citing weaker prospects for world economic growth and a contraction in world oil demand.

The Labor Department reported that the number of US workers filing new claims for unemployment benefits fell by 14,000 to a seasonally adjusted 529,000 in the week ending November 22. However it is not a signal of any imminent recovery in the labor market. The four week average of new claims increased another 11,000 to 518,000. Meanwhile the report showed that the continuing claims fell by 54,000 to 3,962,000.

China announce it will cut its benchmark deposit and lending rates by 108 basis points and cut banks' reserve requirement ratio as it seeks to boost its economy.

Water levels on the Danube River have fallen sharply and freight surcharges are again being sought for cargo shipping. Surcharges are imposed on cargo customers to compensate vessel owners for lost revenues, as their ships must sail partially loaded due to low water levels. Rhine River water levels have also fallen in recent days but were still well above levels at which surcharges are demanded.

The MMS plans to update every two weeks its survey of crude oil and natural gas production still shut in the US Gulf of Mexico following Hurricane Ike. It has previously been issuing the report every week. The next update will be on December 3rd.

DOE Stocks

Crude – up 7.3 million barrels

Distillate – down 200,000 barrels

Gasoline – up 1.9 million barrels

Refinery runs – up 1.3%, at 86.2%

at least 1 million bpd. Venezuela's Oil Minister Rafael Ramirez said Venezuela plans to support any proposal to cut output by at least 1 million bpd at its meeting on Saturday. He said a decision could be made in early December and the

cut implemented before year-end. Iran's OPEC Governor, Mohammad Ali Khatibi said some OPEC members are producing more crude oil than their quotas. He said OPEC needs to have new output cuts to stabilize the market.

November Calendar Averages CL – \$57.61 HO – \$1.8612 RB – \$ 1.2431

The UAE's President Sheikh Khalifa bin Zayed al-Nahayan said the decline in oil prices is nothing new and added that the country has coped with worse conditions. He said the UAE is closely monitoring oil market dynamics and are working with its partners in OPEC to face any negative impacts on the stability of world markets.

Kuwait Petroleum Corp's chairman Saad Al Shuwaib said the country is not considering diverting its oil tankers to the Cape of Good Hope. His comments come as negotiations continue between Saudi Aramco and Somali pirates who seized a Saudi tanker on November 15th.

The head of Iran's Atomic Energy Organization, Gholamreza Aghazadeh said Iran now has 5,000 working uranium enrichment centrifuges and added that Iran plans further expansion of the Natanz enrichment facility in central Iran.

Separately, Iran's state media said the country has successfully launched a rocket called "Kavosh 2". This follows an announcement earlier this month that Iran had test fired a new generation of surface-to-surface missile, saying Iran was ready to defend itself against any attacker.

According to the AAA, the US average retail price of gasoline fell by 1.7 cents/gallon on Wednesday to \$1.868/gallon.

The EIA reported that US oil demand in September fell by 2.62 million bpd or 12.8% to 17.796 million bpd. It is the largest percentage decline in any month since August 1980. It reported that gasoline demand in September averaged 8.469 million bpd, down 8.5% on the year. It is down 3.9% from its preliminary estimate.

Refinery News

Valero Energy Corp reported flaring as a result of a brief compressor outage at its Houston, Texas refinery.

Chevron Corp reported flaring at its 260,000 bpd refinery in El Segundo, California on Tuesday. A notice filed with the California Office of Emergency Services did not state the reason for the flaring.

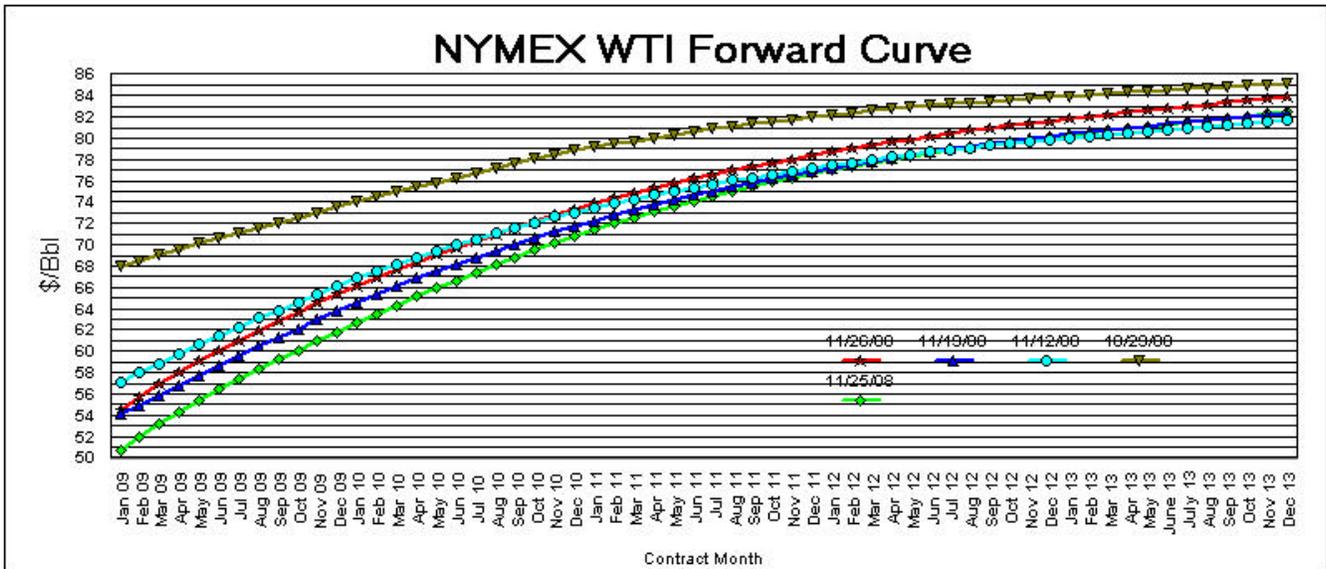
Tesoro Corp said the planned shutdown of one of its catalytic reformers at its 100,000 bpd refinery in Los Angeles was an economic decision that would not affect current product output. The reformer is scheduled to shutdown starting between December 1 and 3.

Total refinery workers may postpone a strike planned for Friday. A union source said a decision would be made shortly. A market source however said the union was likely to delay the strike, as union members would elect leaders in early December. Total said it was not aware of a change in the schedule.

Japan's Fuji Oil Co Ltd plans to conduct scheduled maintenance on its 140,000 bpd No. 2 crude distillation unit at its Sodegaura refinery next spring.

Production News

Saudi Aramco's chief executive Abdallah Jumah said he expects crude oil output to increase to 12 million bpd by the end of the next year. He also stated that there is a need for substantial investment to flow into the world oil sector to increase output. However he said that the peak oil theory is waning amid concerns of a likely oversupply.



Nigeria is expected to export at least four cargoes of Bonny Light crude in January. In addition, five cargoes of Amenam crude, five cargoes of Erha crude, eight cargoes of Qua Iboe crude, three cargoes of Yoho crude, six cargoes of Agbami crude, five cargoes of Bonga crude and five cargoes of Escravos crude will be available in January

PDVSA said a storage tank storing 75,000 barrels of heavy oil caught fire early Wednesday morning in a Venezuelan oil complex. It was forced to put in place a contingency plan that included evacuating 60 families living in the adjacent areas to the La Salina petroleum complex in the eastern coast of Lake Maracaibo. PDVSA said the fire was under control.

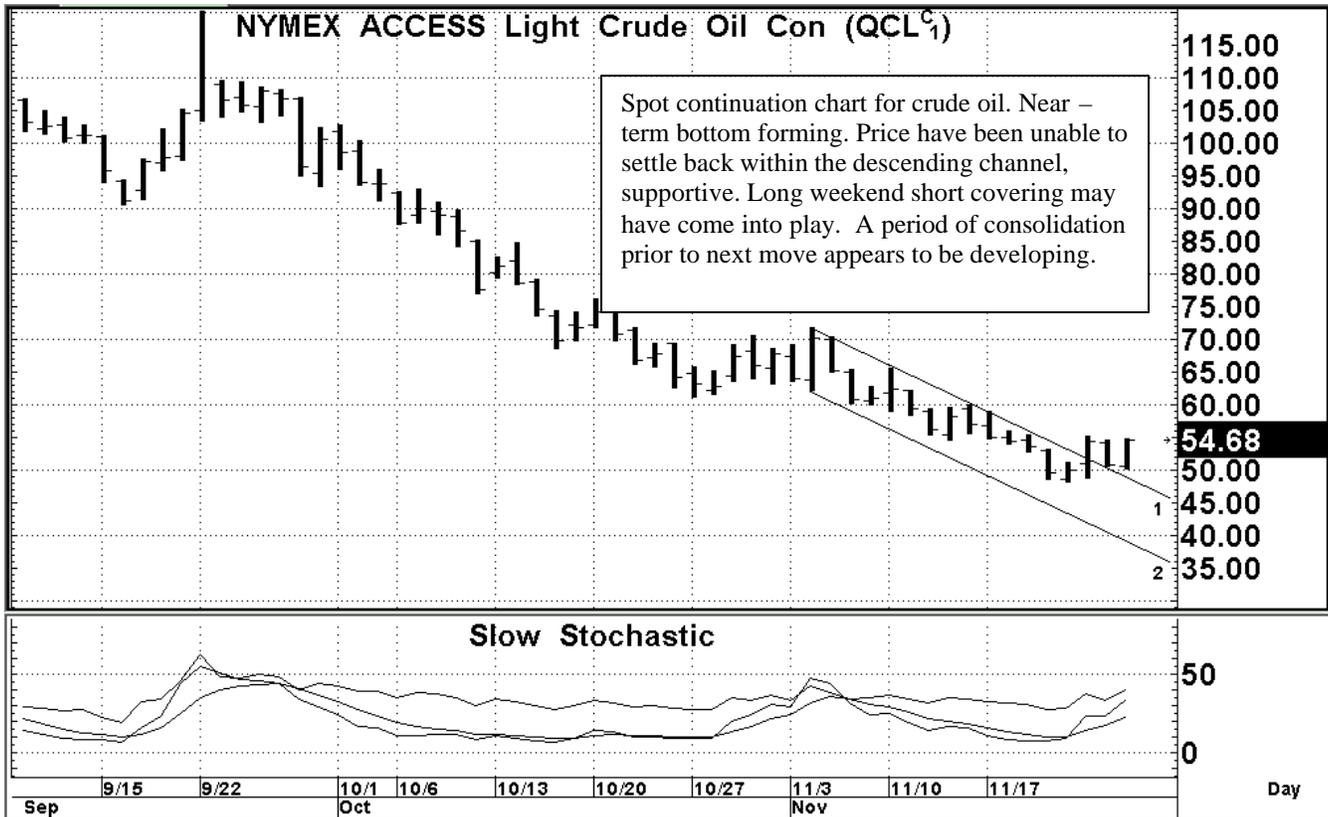
Petroecuador said it reached an average production of 179,000 bpd on November 25, the highest daily output for 2008. It said it expects to increase its production to 180,000 bpd at the end of the year.

Brazil's Petrobras denied published reports that it was poised to take a stake in Spain's Repsol YPF SA.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$45.53/barrel on Tuesday from \$44.48/barrel on Monday.

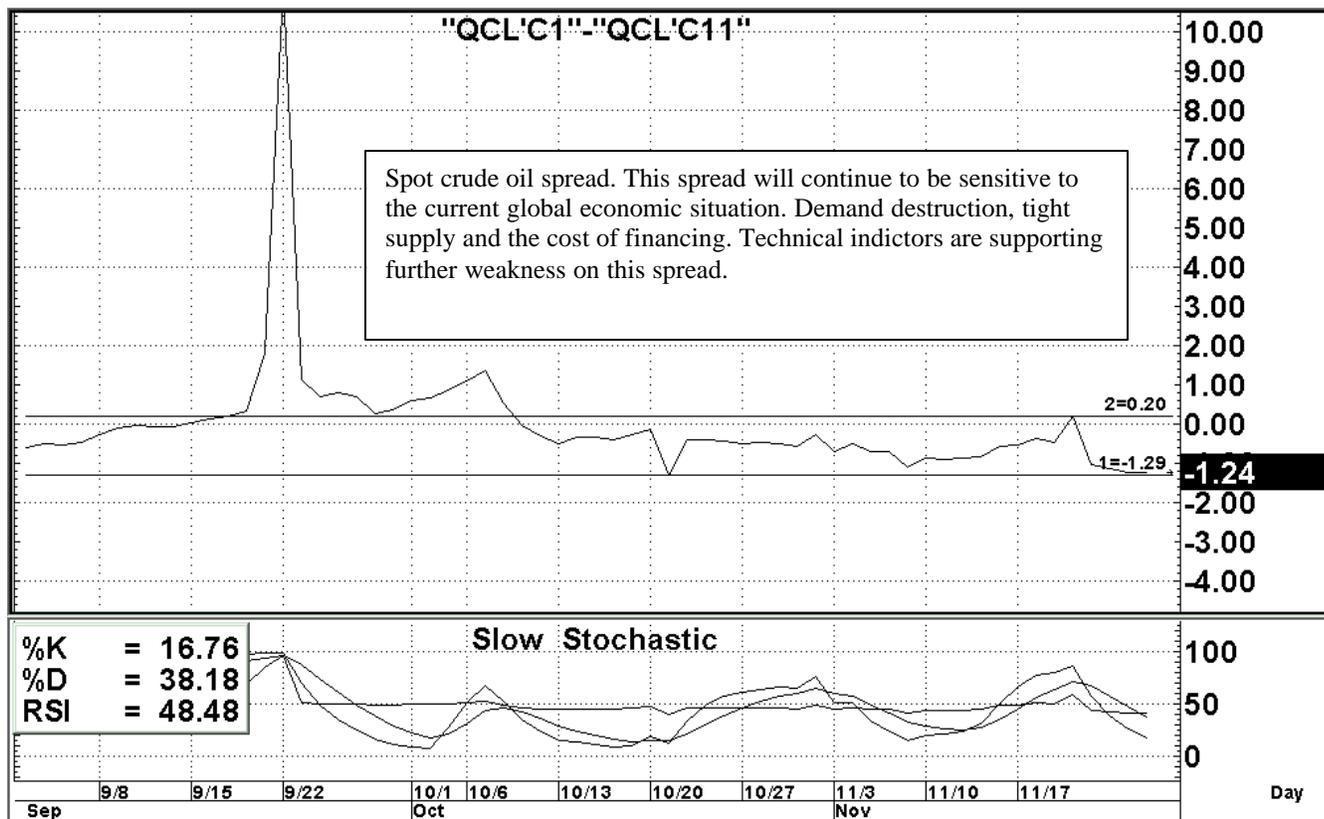
Market Commentary

Energy futures whipped sawed today, responding to several key factors. First was interest rate cuts in China, which pushed prices higher early in the session. With the DOE/API numbers reporting increases in crude oil stocks of 7.3 million barrels, 1.9 million in gasoline and a slight draw in distillates of 200,000, energy prices sold off quickly, dipping below unchanged on the day. This dip however, was short lived as U.S. President-elect, Barack Obama, re-assured U.S. citizens that "help in on the way". The stock market rallied, taking crude oil with it. Adding to this move higher were reports of terrorist attacks in Mumbai, India at two major hotels there. These attacks came on the heels of an FBI report that al-Qaeda maybe planning attacks on the New York City subway system. Fear and short covering



entered the market, pushing crude oil prices more than \$3.00 higher on the day. The deep contango remains in this market reflecting the overage of nearby supply due to the drought in demand, the high cost of financing inventories due to the credit crunch and tight supplies further on down the curve caused by cautious spending. With the global economy in the condition it is in, some traders remain on the sidelines, waiting for a signal that the economy is changing. For these reasons, we would not look for the January/February spread to gain significant strength. Short covering prior to the long weekend and the upcoming OPEC meeting may be behind today's higher close. The January contract has been hovering above the top trendline on a descending channel. It appears that a period of consolidation is forming. Periods of consolidation usually occur prior to a market resuming its previous trend. Not until the January contract can work back into this channel, would we look for further downside movement.

Open Interest: Crude oil (CL) JAN.09 302,654 +762 FEB.09 80,974 +1,272 MAR.09 63,987 -235
 Totals: 1,120,731 +181, Heating oil (HO) DEC.08 11,134 -5,741 JAN.09 66,944 +1,901 FEB.09
 22,096 -35 MAR.09 21,450 +545 Totals: 223,959 -3,099 NEW YORK HARBOR RBOB GASOLINE
 (RB) DEC.08 10,966 -8,451 JAN.09 76,529 +1,316 FEB.09 15,197 +603 MAR.09 15,262 -48 Totals:
 176,651 -4,448



Crude Support	Crude Resistance
50.15, 46.85, 40.45, 38.20, 36.75	57.23, 60.01, 62.79, 65.56, 67.00, 72.53, 74.30, 75.91, 79.35 85.50, 90.51
Heat Support	Heat resistance
1.6055, 1.4530, 1.3450	2.2796, 2.3720, 2.3806, 2.4500, 2.5732, 2.6400, 2.6880, 2.6965, 2.7475 3.0184
Gasoline support	Gasoline resistance
103.50, 94.10, 7760, .6840	121.90, 136.14, 1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

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