



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 13, 2009

Saudi Arabia's Oil Minister Al al-Naimi said the country's oil production in February will be less than its OPEC output target of 8.05 million bpd and is prepared to cut further to bring the market back into

balance. He said Saudi Arabia's current production is 8 million bpd. Industry sources said on Sunday that Saudi Arabia planned to cut back by up to 300,000 bpd below its OPEC target in February.

Qatar's Oil Minister, Abdullah al-Attiyah said OPEC will cut oil production again, if necessary, when it meets in March. He added that there had been no call for an early OPEC meeting. He also stated that Qatar, which is producing 735,000 bpd, will lower its production to meet its 730,000 bpd quota next month.

Oman's Oil Minister Mohammed al-Rumhy said oil prices are likely to remain below \$50/barrel this year unless the US economy rebounds. Non-OPEC Oman will increase its crude oil production to 805,000 bpd this year from 760,000 bpd.

The EIA stated in its Short Term Energy Outlook that the global economic downturn points to declining oil consumption in 2009, while additional production capacity from both OPEC and non-OPEC nations should increase surplus production capacity, reducing the likelihood of a renewed strong upward pressure on prices. It reported that world oil demand is estimated to have been largely unchanged in 2008 and is projected to fall by 810,000 bpd in 2009 to 85.1 million bpd, down 0.76% from its previous estimate while demand in 2010 is expected to increase by 880,000 bpd to 85.98 million bpd, up 0.80% from its previous estimate. Oil demand growth is concentrated in countries outside of the Organization for Economic Cooperation and Development, particularly China, the Middle East and

Latin America. Non-OPEC supply is estimated to increase modestly over the next 2 years. After falling by 340,000 bpd in 2008 due to project delays and disruptions, non-OPEC supply is projected to increase by about 180,000 bpd in 2009 and 90,000 bpd in 2010. The EIA projects that OPEC crude oil production will

January Calendar Averages

CL – \$43.03

HO – \$1.5275

RB – \$1.1239

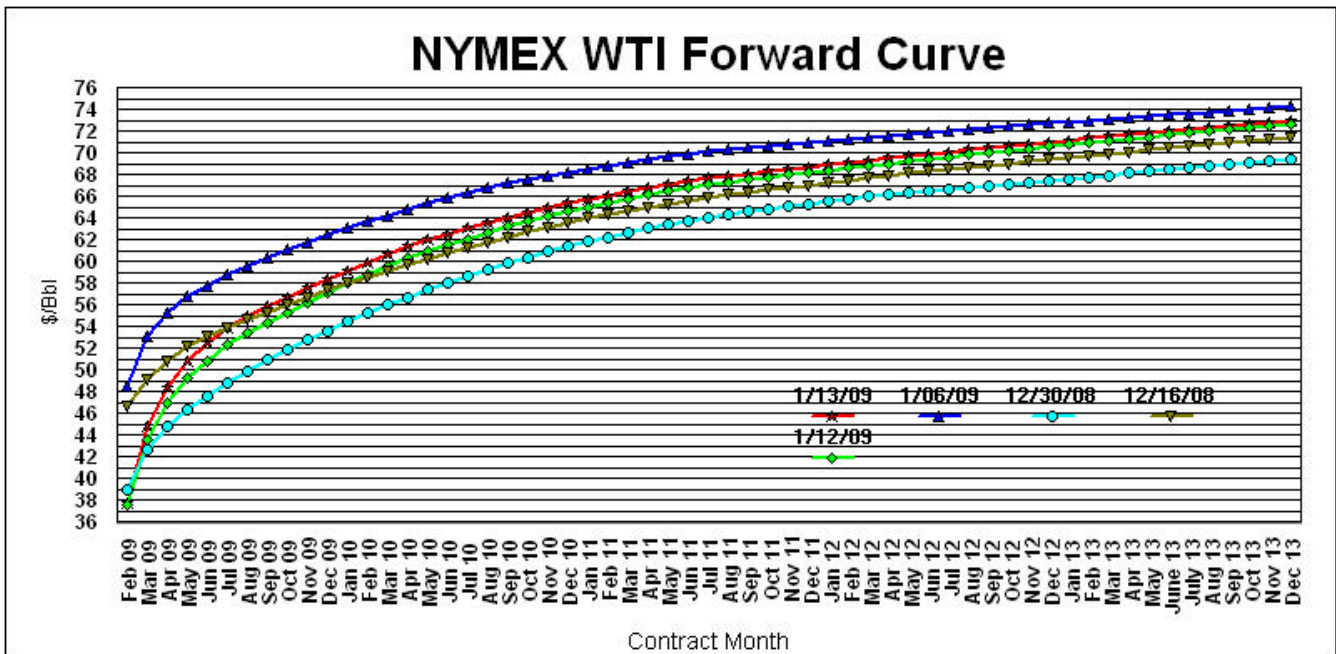
fall by more than 2 million bpd, from 31.4 million bpd in September 2008 to 29.3 million bpd in the first quarter of 2009. OPEC crude oil production is expected to average 30 million bpd in 2009 and 30.7 million bpd in 2010. The EIA reported that US petroleum demand in 2008 totaled 19.51 million bpd, down 5.66% from its previous estimate. It also reported that demand will fall by 390,000 bpd in 2009 to 19.12 million bpd, down 1.85% from its previous estimate while demand in 2010 will increase by 160,000 bpd to 19.28 million bpd, unchanged from its previous estimate. Gasoline demand in 2008 is estimated at 8.98 million bpd, down 3.34% from its previous estimate. It reported that gasoline demand in 2009 is expected to fall by 90,000 bpd to 8.89 million bpd, down 0.87% from its previous estimate while demand in 2010 is expected to increase to 8.93 million bpd, up .11% from its previous estimate. Distillate demand in 2008 is estimated at 3.98 million bpd, down 5.24% from last month's estimate. Meanwhile distillate demand in 2009 is expected to fall to 3.87 million bpd, down 2.27% from its previous estimate while demand in 2010 is expected to increase to 3.92 million bpd, up 0.77% from its previous estimate. US oil production in 2008 is expected to average 4.9 million bpd while production in 2009 is expected to increase by 300,000 bpd to 5.25 million bpd. In regards to prices, the EIA stated that oil prices are expected to average \$43.25/barrel in 2009 and \$54.50/barrel in 2010. The price of gasoline is expected to average \$1.87/gallon in 2009 and \$2.18/gallon in 2010 while the price of diesel, which averaged \$3.79/gallon in 2008, is estimated to average \$2.27/gallon in 2009 and \$2.54/gallon in 2010.

According to a report by MasterCard Advisors LLC, US gasoline demand fell by 0.1% to 8.961 million bpd in the week ending January 9th. Demand in the latest week fell by 4.1% on the year. In the last four weeks, demand averaged 9.118 million bpd, down 3.6% on the year. On a nationwide average, retail gasoline prices increased by 13 cents or 8.1% on the week to \$1.74/gallon. MasterCard said it is reevaluating the public release of its Spending Pulse report. It said the report will not be available until further notice.

Refinery News

ExxonMobil Corp has reported flaring at its 150,000 bpd refinery in Torrance, California, where it recently shut main processing units including the fluid catalytic cracker for planned work.

A gasoline tank at Silver Eagle Refining Inc's Woods Cross, Utah refinery exploded, injuring four workers on Monday. The Salt Lake Tribune said the tank had a capacity of 42,000 gallons, although it is not know how much fuel was inside at the time of the fire.



European average refining margins fell last week as higher crude costs at the start of the week increased input costs. Basic refineries in the Rotterdam area underperformed complex plants, making an average profit of \$5.61/barrel for processing a barrel of North Sea Brent last week compared with \$7.32 the previous week. Complex refinery margins running Brent in Rotterdam averaged \$6.77 last week compared with \$7.44 the previous week. Simple margins with Russian Urals in the Mediterranean fell to an average \$2.69/barrel last week from \$3.82 the previous week while complex margins averaged \$3.55 last week, down from \$4.83 the previous week. In the US Gulf, complex margins recovered to an average of \$6 last week from \$2.92 the previous week.

Saudi Aramco will shut its 120,000 bpd Riyadh refinery for one month of scheduled maintenance in February and March.

Iran will begin closing specific units at its 172,000 bpd Arak refinery for overhaul and maintenance, starting between May 22 and June 21. An official at the refinery did not specify the number of units scheduled to undergo maintenance and overhaul operations and did not say how long each unit will be closed.

Mexico reopened the Dos Bocas oil terminal on the Gulf coast on Tuesday after it was shut on Monday due to bad weather while the Pajaritos terminal remained shut after it was closed since Sunday.

German residential heating oil stocks fell to 63% of capacity on January 1 from 64% on December 1. Last year, German residential heating oil tanks were 55% full on January 1, down from 59% on December 1st.

OMV AG said its Burghausen oil refinery in southern Germany will undergo its next maintenance shutdown in 2012 at the earliest.

The Customs General Administration of China reported that China's crude oil imports in December stood at 14.37 million tons or 3.38 million bpd. China's crude oil imports for the year increased by 9.6% to 178.88 million tons. Its crude oil imports increased at the slowest pace in three years. Meanwhile imports of refined oil products totaled 3.63 million tons for December and were up 15% on the year to 38.85 million tons for 2008. China's crude exports fell by 28% to 4.16 million tons in 2008.

Production News

Iraq's Oil Ministry reported that the country's crude oil production averaged 2.286 million bpd in 2008 and its exports averaged 1.85 million bpd. Iraq's oil exports increased by 13% on the year, mainly due to sustainable resumption of crude oil exports from northern Iraqi oil fields. Iraq's revenue from crude oil sales in 2008 reached \$61.884 billion compared with \$39.8 billion earned in 2007.

Marathon Oil Corp expects fourth quarter production available for sale to be 401,000 bpd of oil equivalent, higher than third quarter levels. It said the number came in at the low end of the estimates because of longer than expected downtime at its Alba platform due to pipeline problems and lower than expected Gulf of Mexico production due to hurricanes. It stated that as the quarter's results will lower revenue than earlier in 2008 due to falling prices, it will report hedging gains of \$134 million. However the price decline will also increase refining and marketing margins significantly.

Brazil's Petrobras set a monthly record for oil exports in December at 620,000 bpd, up from its previous record of 574,000 bpd in October.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$40.24/barrel on Monday from \$41.91/barrel on Friday.

Market Commentary With the agreement between the Ukraine and Russia appearing to be falling apart, and the Saudi oil minister stating that Saudi Arabia's oil output for February will be reduced by more than its original cut, the energy markets gained for the first time in six trading sessions. Saudi Arabia is currently producing 8 million barrels a day, about level with an 8.051 million barrel-a-day allocation agreed to on Dec. 17. Despite today's higher close the overall picture for market direction is lower. Going forward, the state of the global economic situation does not look supportive for oil demand. Global consumption for 2008 has been estimated to be unchanged, with consumption for 2009 projected to decrease by 800,000 barrels per day. U.S. oil demand will average 19.12 million barrels a day in 2009, down 390,000 barrels a day from 2008. Supply from non- OPEC countries is expected to reflect a modest increase providing that project delays and disruptions do not occur. There are also indications that supply growth in the U.S., Brazil and Azerbaijan will be able to compensate for any shortages elsewhere. A second round of production cuts by OPEC has not been able to stem the fall in prices. Surplus capacity coupled with above- average inventories only adds to price destruction. All of the aforementioned paint a bearish picture for the energy markets. The direction of this market relies greatly on the global economic situation and it's length and impact, the rate and timing of any recovery and actual OPEC production. Not until this global economic meltdown freezes, do we see the market trend turning.

Open interest FEB.09 151,026 -41,002 MAR.09 276,646 +35,167 APR.09 78,378 +4,512 Totals: 1,212,068 -10,161
Heating oil (FEB.09 39,524 -3,608 MAR.09 40,776 +2,208 APR.09 25,272 +524 Totals: 229,330 + 541 NEW YORK
HARBOR RBOB GASOLINE FEB.09 51,026 -6,178 MAR.09 52,681 +3,367 APR.09 21,360 -267 Totals: 194,262 -
1,021.

Crude Support	Crude Resistance
34.31, 33.75, 32.25, 29.66, 28.63, 26.65, 25.50	52.95, 53.75, 57.20
Heat Support`	Heat resistance
1.3605,1.2785, 1.1895	167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
.9669, .8978, .8755, 7760, .6840	1.2750, 136.14