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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 21, 2009

Iran's Oil Minister Gholam Hossein Nozari said world oil demand has fallen by more than the reduction in oil production by OPEC. He said oil producers outside OPEC should cooperate with the group to achieve market balance. Meanwhile, Iran's OPEC Governor, Mohammad Ali Khatibi said it needs to meet before its scheduled meeting in March and warned oil producers against storing their crude inventories in the wake of rising inventories in consuming countries.

Market Watch

According to a Reuters survey, world oil demand is estimated to fall by 430,000 bpd in 2009 to 85.43 million bpd. The fall in world oil demand is a shift from a previous survey, which forecast demand would fall by 20,000 bpd in 2009.

Kazakhstan's Energy Minister Sauat Mynbayev urged the government to cut the recently introduced mineral extraction tax for the oil industry due to lower world oil prices.

China National Aviation Fuel Holding cut the price of fuel for domestic airlines by 330 yuan or \$48/ton for the first quarter. This is the first cut since China introduced a new pricing and tax regime for refined oil products on January 1 that was designed to let local prices move more closely with international prices.

The NYMEX announced that the margin requirements on its Crude Oil futures contract, its Financial Crude Oil contract and its Crude Oil Calendar Swap for non-member customers will fall from \$9,113 to \$8,100 at the close of business Thursday, January 22nd.

Algeria's Energy and Mines Minister Chakib Khelil said OPEC may cut its production at its next meeting in March if such a move is necessary.

Ecuador's Oil Minister Derlis Palacios said Ecuador would lose money if OPEC decides to cut oil production again at current low prices. Ecuador's share of the OPEC output cuts is 40,000 bpd.

Gunmen in speedboats attacked a tanker loaded with 4,000 tons of diesel off the coast of Nigeria on Wednesday, kidnapping a Romanian crew member and damaging the vessel. The MT Meredith was attacked at the Bonny Fairway Bouy off the Niger Delta. The tanker was believed to be traveling from Lagos to the main oil city of Port Harcourt. Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, later confirmed it was behind the attack. This follows an attack of an oil tanker and oil services vessel at the Bonny crude loading platform operated by Royal Dutch Shell's joint venture with NNPC over the weekend.

January Calendar Averages

CL – \$41.21
HO – \$1.4927
RB – \$1.1398

The EIA reported that the US average retail price of diesel fell by 1.8 cents to \$2.296/gallon in the week ending January 19th. It also reported that the US average retail price of gasoline increased by 6.3 cents to \$1.847/gallon on the week.

Refinery News

Colonial Pipeline extended shipping restrictions on its Linden, NJ products pipeline, L2, as current nominations exceed the line's capacity. It notified its shippers that nominations on cycles 3 and 4 would be allocated.

ConocoPhillips shut a fluid catalytic cracking unit at its Sweeny refinery for planned maintenance on Tuesday. Separately, ConocoPhillips is starting maintenance on the electrostatic precipitators of a fluid catalytic cracking unit at its 124,000 bpd Borger, Texas refinery. The work is scheduled to start on Wednesday and is expected to last until February 4.

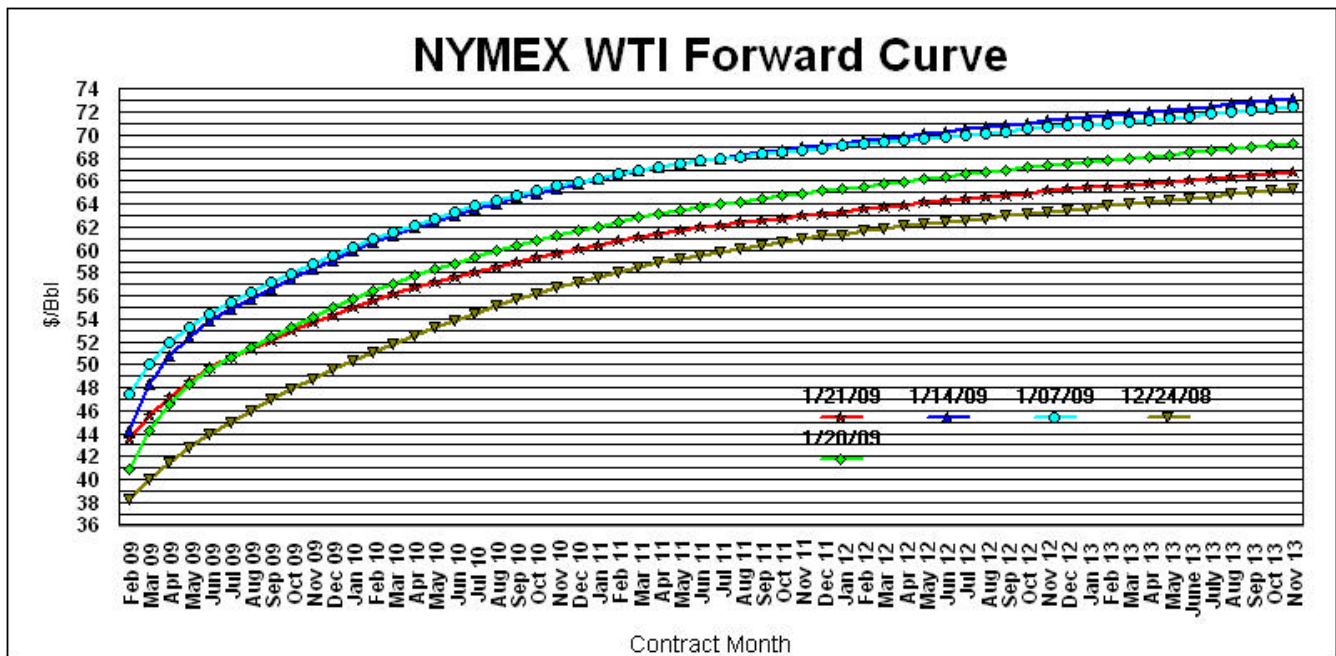
Flaring reported at BP Plc's 265,000 bpd refinery in Carson, California had no impact on production. It is restarting a jet fuel hydrotreater and performing maintenance work on a reformer unit.

GS Caltex will shut its 90,000 bpd residual fluid catalytic cracking unit at its Yosu refinery from February 6 to March 22.

Lithuania's Mazeikiu Nafta plans to shutdown for a full maintenance turnaround early in 2010. It will close one of its hydrodesulphurization units for upgrades at the end of March this year.

The head of Pemex, Jesus Reyes said a planned oil refinery in Mexico could cost up to \$10 billion. Pemex is currently evaluating where the new refinery will be built and hopes to begin early construction work by the fourth quarter of 2009.

According to the Petroleum Association of Japan, the country's crude oil inventories increased by 3.88% on the week and by 12.85% on the year to 17.86 million kiloliters. Japan's gasoline inventories increased by 1.18% on the week but fell by 3.87% on the year to 2.11 million kl and naphtha stocks fell by 10.3% on the week to 1.79 million kl. Japan's kerosene stocks fell by 8.64% on the week and by 36.86% on the year to 2.54 million kl while gas oil stocks increased by 0.37% on the week and by



3.28% on the year to 2.19 million kl.

Japan's Oil Information Center reported that the country's retail gasoline prices increased for the first time in five months this week. The average pump price of regular gasoline in Japan was 106.6 yen/liter or \$4.40/gallon on Monday, up 0.6 yen on the week.

Production News

The Iraqi Oil Ministry is evaluating offers submitted by Italy's Eni SpA, Spain's Repsol YPF SA and Japan's Nippon Oil Corp for a service contract to develop the Nasiriyah oilfield in southern Iraq.

Russia's Black Sea port of Novorossiisk's handling of petroleum products increased to 11.2 million tons in 2008, up by 21.3% from 2007. Crude oil handling fell to 42.6 million tons from 44.3 million tons in 2007.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$39.34/barrel on Tuesday from a revised \$40.30/barrel level on Monday.

Market Commentary

The energy markets traded higher today on hopes that the new administration in Washington will roll out a bank rescue plan that will help stimulate the U.S. economy. With less than 24 hours in office, Barack Obama has had a positive effect on the market. Stocks, and equities rallied, taking commodities with them. This may very well be a knee jerk and premature reaction and only time will tell if the new administration's fix will work. The price of a barrel of crude oil has fallen 70% since reaching a record high of \$147.27 on July 11th. During the same period, total crude oil stocks have risen 10%, with stock levels at Cushing, OK increasing 65%. Currently, storage at Cushing is at its highest level since records were first recorded back in April 2004. The deep contango between the front month contract and the deferred is a direct result of inventory levels. This contango condition lessened today, as the March09 crude oil contract gained \$1.41 against the April09. Stockpiles are still high at a time when demand is suffering and inventories are expected to increase by 1.5 million barrels in tomorrow's API/DOE release. As mentioned in yesterday's wire, this market looks technically constructive, however, the fundamentals do not support higher prices. Until we can get some negative movement in regards to stock levels and positive outlook on the demand factor, would we consider changing our stance.

Open interest MAR.09 389,716 +3,067 APR.09 107,671 +5,593 MAY.09 62,121 +4,845 Totals: 1,250,327 +4,584 Heating oil FEB.09 29,534 -1,207 MAR.09 53,370 +2,403 APR.09 29,376 +1,625 Totals: 249,159 +5,810 NEW YORK HARBOR RBOB GASOLINE FEB.09 30,433 -1,597 MAR.09 70,819 +3,422 APR.09 27,334 +2,007 Totals: 201,329 +3,825

Crude Support	Crude Resistance
32.25, 29.66, 28.63, 26.65, 25.50	45.08, 46.93, 48.77, 54.75, 57.20
Heat Support	Heat resistance
1.2785, 1.1895	167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.0668, 1.0128, 9590, .8978, .8755, 7850	1.2750, 136.14