ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 22, 2008

OPEC, in its monthly oil market report, said concerns over a US recession have obscured the demand outlook for OPEC's oil this year. It estimated world economies would grow by 4.7% in 2008, down from 5.3% last year. OPEC estimated world oil demand would increase by 1.3 million bpd, steady from the previous estimate and much lower than some projections. Demand for OPEC oil is estimated to average 31.52 million bpd this year, down 307,000 bpd from the previous year. OPEC forecast non-OPEC supply growth to increase by 1.08 million bpd from 2007 to average 50.63 million bpd.

Market Watch

The Federal Reserve Board cut its target for the federal funds rate 75 basis points to 3.5%. The Fed, cutting interest rates before a scheduled meeting at the end of the month, said it took this action in view of a weakening of the economic outlook and increasing downside risks to growth. The Fed said it expects inflation to moderate in coming quarters but added that it would be necessary to continue to monitor inflation developments carefully. Meanwhile, the Bank of Canada cut its key overnight interest rate by a quarter point to 4% on Tuesday and said further cuts were likely to be needed to protect the economy from the worsening US housing crisis.

The White House said it would not rule out increasing the size of its proposed economic stimulus package. White House spokeswoman Dana Perino said 1% of gross domestic product, about $150 billion was the administration's starting point for the stimulus plan.

The National Weather Service forecast US heating demand would be nearly 10% above normal in the week ending January 26. Demand for heating oil is expected to average about 8.5% above normal this week.

The UAE's Oil Minister, Mohammed al-Hamli said recent fall in oil prices was a good thing. He said there was no shortage of supply.

Officials from the US, France, the UK, Russia, China and Germany are scheduled to meet on Tuesday to discuss remaining differences on further UN sanctions against Iran. US Secretary of State Condoleeza Rice played down prospects for a deal on new sanctions against Iran ahead of a meeting on Tuesday aimed at increasing pressure on Iran to halt is nuclear program. She said there was still some way to go in agreeing on a third UN sanctions resolution. Germany's Foreign Minister Frank-Walter Steinmeier said he hoped the meeting would show Iran the international community was united in its concern over Iran's nuclear ambitions.

Jan Calendar Averages
CL – 94.12
HO – 258.70
RB – 238.94

However Russia and China have questioned the need for further sanctions following the release of US intelligence report which declared that Iran halted its nuclear weapons program in 2003. Ahead of the meeting, Iran reiterated that new international sanctions would not stop it from pursuing its legitimate and legal rights to a nuclear program.

According to Euroilstock, Europe's oil refinery increased by 1.3% on the month to 13.187 million bpd in December. The average refinery utilization rates increased to 93.27% in December from 91.43% in November. It reported that refinery crude intake increased by 2% on the month to 12.219 million bpd. Euroilstock reported that gasoline production fell by 2.3% on the month and by 2.2% on the year to 3.323 million bpd while distillate production increased by 3.1% on the month and by 0.8% on the year to 6.336 million bpd.

Refinery News

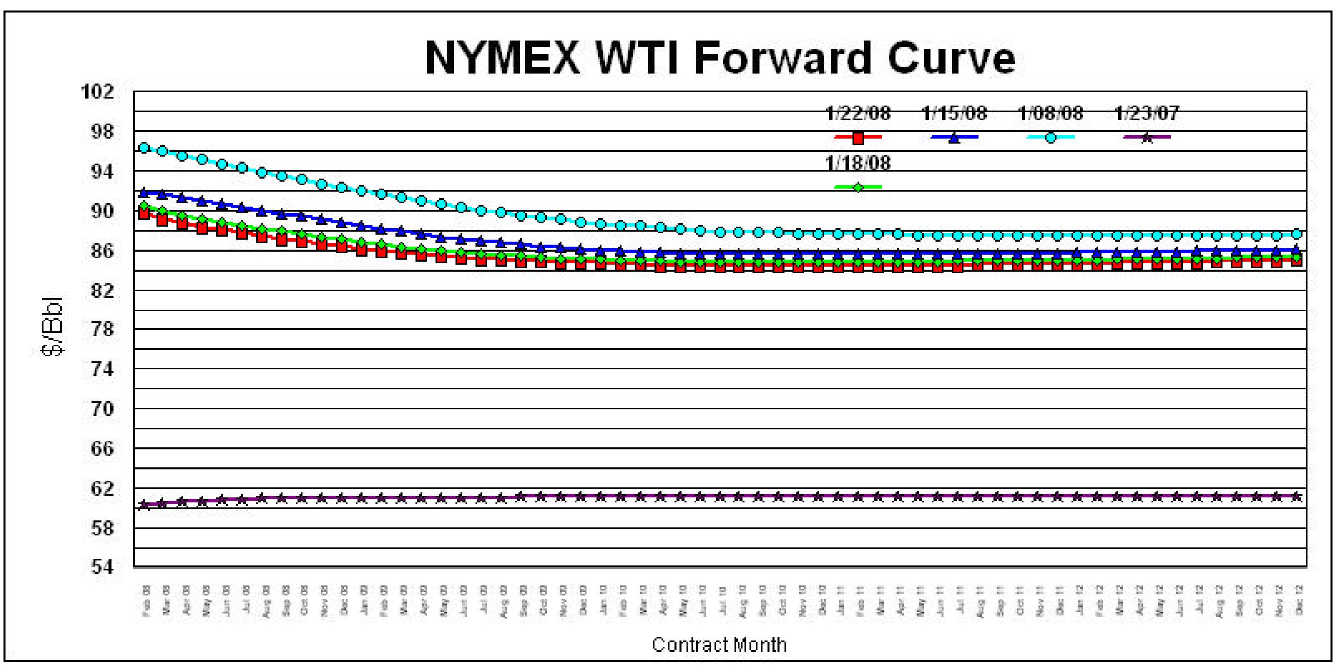
Credit Suisse said US refining margins in most regions fell again last week. Midwest margins fell $2.12 to $3.59/barrel while West Coast margins fell by $2.03/barrel to $7.09/barrel. Gulf Coast margins fell 21 cents to $6.20/barrel while margins in the Northeast fell by 48 cents to $7.80/barrel. Margins for refiners in the Rockies increased by $1.62/barrel on the week to $12.04/barrel.

According to the US Coast Guard, the Port Arthur Ship Channel was shut on Tuesday morning due to fog. The channel serves three refineries in Port Arthur, Texas and one in Beaumont, Texas as well as a number of chemical plants. Three ships were waiting to enter the channel.

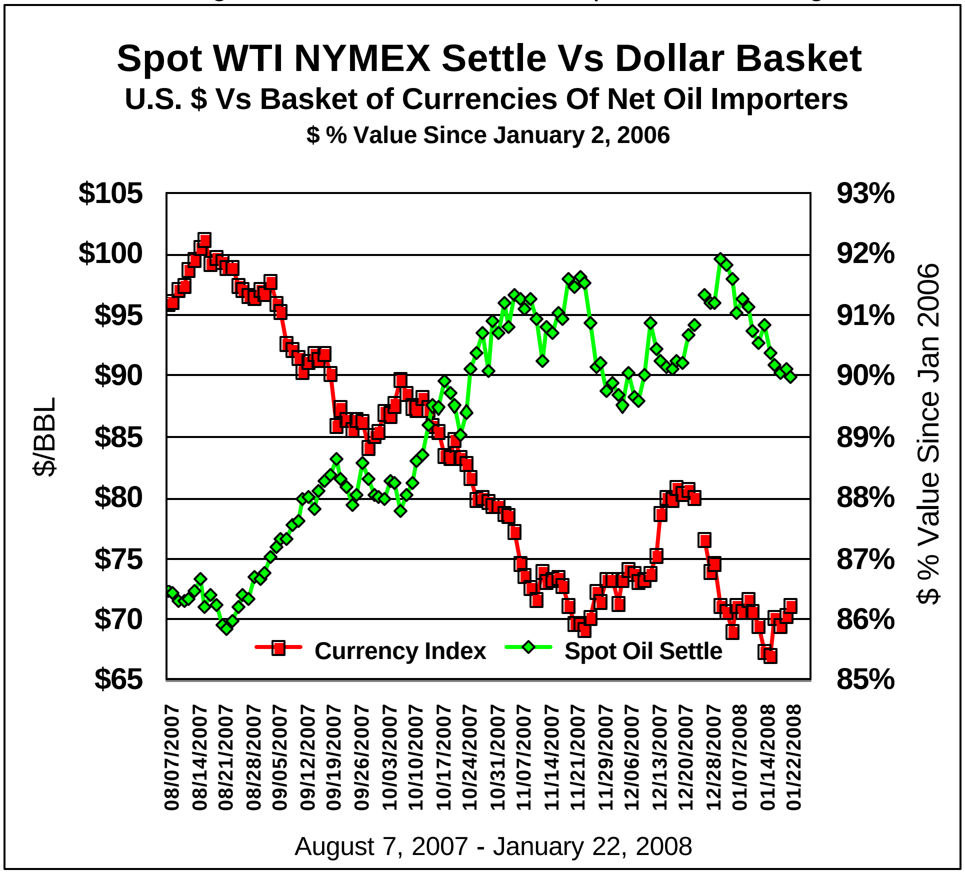
Colonial Pipeline extended shipping allocations on its main distillate line from Collins, Mississippi to Greensboro, North Carolina to the 6th 5 day cycle of the year.

Iraq's Oil Ministry said Iraq expects to resume pumping crude from its northern Kirkuk oilfields to the Turkish port of Ceyhan within the next 48 hours. Iraq halted pumping last week after the oilfields were hit by a power outage. It said sabotage of one pipeline and leakage in another had caused a further delay. The halt in pumping has raised doubts about Iraq's ability to meet commitments to sell more than 300,000 bpd in term contracts. A shipping source said that 400,000-500,000 barrels remained in storage in Ceyhan.

ConocoPhillips and TransCanada Corp announced that ConocoPhillips acquired a 50% ownership



interest in the Keystone Oil Pipeline. Affiliates of TransCanada Corp would be responsible for constructing and operating the Keystone Pipeline, which would be capable of delivering 590,000 bpd of crude from Hardisty, Alberta to US Midwest markets at Wood river and Patoka, Illinois and to Cushing, Oklahoma. Initial deliveries to Patoka are expected to start in late 2009. Keystone has secured firm long term contracts of 495,000 bpd with an average duration of 18 years.



Five days of work on a heat exchanger associated with a hydrodesulfurization unit at ConocoPhillips' Borger, Texas refinery started on Sunday. A report filed with the Texas Commission on Environmental Quality did not specify whether crude processing would be cut back to accommodate the work.

Valero Energy Corp said its 255,000 bpd Aruba refinery was nearing planned rates following recent successful restarts of several units. A crude unit was restarted Wednesday and operating at reduced rates while another crude unit and a coker unit have been restarted since then. Separately, Valero reported several operating snags over the weekend at its Port Arthur, Texas refinery.

Venezuela's PDVSA restarted the 135,000 bpd El Palito refinery after a recent electrical outage shut several units.

Shell's 420,000 bpd Pernis refinery is scheduled to partially shutdown in April or May and September for maintenance. The two turnarounds are set to last between four to six weeks each. They would curtail the refinery's crude oil processing by about 15%-20%.

South Korea's SK Incheon would cut February crude processing rates to 150,000 bpd from 170,000 bpd in January.

Royal Dutch restarted a 33,000 bpd long residue catalytic cracking unit at its 500,000 bpd Bukom refinery in Singapore following a four month outage. The unit was restarted last week, about three weeks after the planned restart date.

China's customs data showed that the country increased its crude imports in 2007 by 12.3% to 163.17 million tons. It reported that crude imports in December alone increased by 11% to 12.88 million tons. China is estimated to see at least a similar increase of 12% or 400,000 bpd in imports for 2008. It reported that China's gasoline exports fell by 54.4% to 147,170 tons in December while its kerosene exports increased by 20.1% to 453,922 tons and its fuel oil exports increased by 39.1% to 427,968 tons.

Suncor Energy Inc said it was unlikely to follow its Canadian oil sands peers in US refining joint ventures, preferring to buy a refinery when asset prices fall. However the company's force would be on major oil sands expansion projects over the next couple of years, primarily the C$4.4 billion Voyageur South project. Suncor said it was planning a massive increase in its oil sands output to 555,000 bpd by 2012. The Voyageur South project is expected to add 120,000 bpd once it starts in 2011.

Production News

OPEC's news agency reported that OPEC's basket of crudes fell further to $85.34/barrel on Monday from $86.06/barrel on Friday.

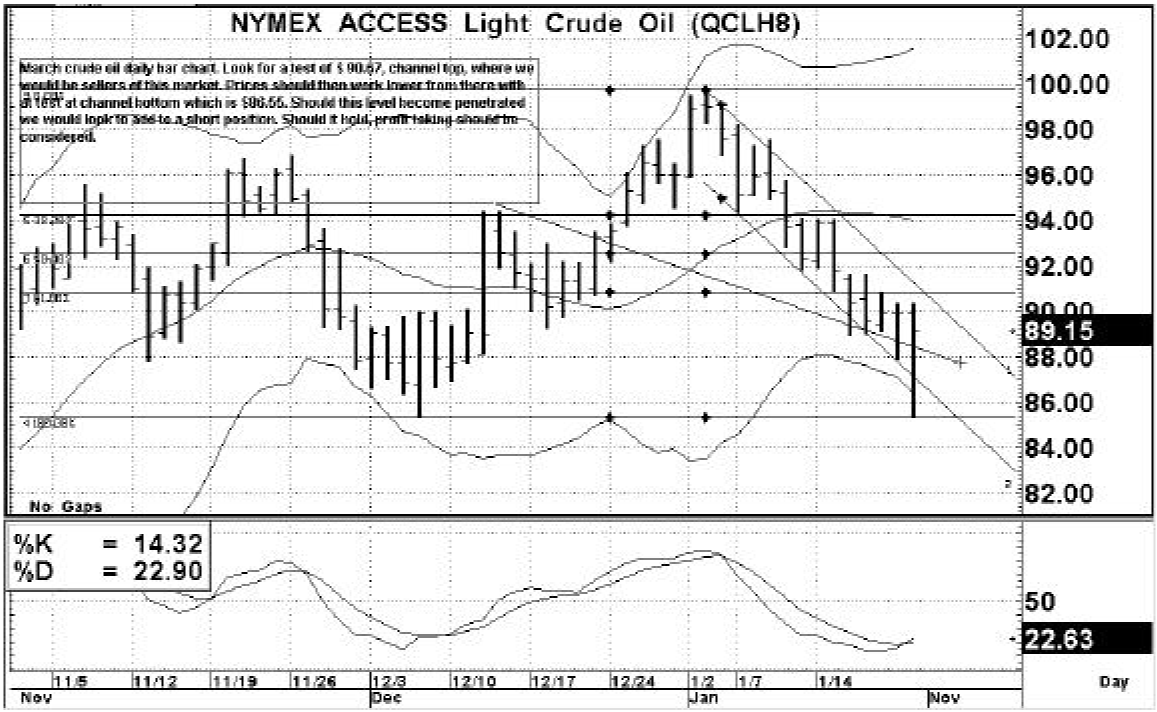
Petroecuador said Ecuador is expected to see about $1 billion in private investment in its oilfields over the next three years. Petroecuador's President, Fernando Zurita said private oil companies were prepared to invest in the Auca, Lago Agrio, Shushufindi and Libertador oilfields. The four fields contribute 130,000 bpd of the total 170,000 bpd that Petroecuador currently produces in the area.

		Explanation
Resistance	90.67, 90.87, 91.66, 92.57, 94.05, 94.30, 95.75	Basis trendline, Previous highs
	90.34	Tuesday's high
CL 89.21, down 71 points		
Support	86.55, 85.42	Tuesday's low
	85.37, 82.60, 75.90	Previous lows
Resistance	253.40, 255.78, 260.50	Previous highs
	249.81, 252.25	Basis trendline, Tuesday's high
HO 247.26, down 3.48 cents		
Support	245.60, 244.15, 242.60, 240.75	Tuesday's low
	238.84, 236.04, 233.11	Previous low, Basis trendline, Previous low
Resistance	237.79	Previous high
	228.80, 231.74	Tuesday's high
RB 228.06, down 2.28 cents		
Support	227.00, 226.40, 224.10, 221.83	Tuesday's low
	221.45, 215.25, 214.39	Previous lows, Basis trendline

Brazil's Petrobras announced that a large natural gas field has been found off Rio de Janeiro's coastline. It believes the new field, Jupiter, could match the recently discovered Tupi oilfield in size. Petrobras estimated that Tupi contained between five and eight billion barrels of light oil.

Market Commentary

With recession fears spreading across the globe, energy prices came under significant pressure. Initial news of a .75% rate cut from 4.25% to 3.50% by the Federal Reserve Bank wasn't enough to quell the panic over possible waning demand. There are several thoughts worth considering at this point. One, with hedge fund managers not feeling confident in the stock or financial markets, they typically look to commodities as an alternative, with the energy markets being a main avenue to turn towards. Two, with the financial world taking a beating, an economic slow down is expected, thereby impacting demand worldwide. Three, with the demand factor for crude oil slowing, surely there will be a shortage of its by-products. Four, with prices coming under pressure, how long will bulls hang on before hanging up their horns. After considering all these factors and looking at the market from a technical standpoint, we would look for prices to work a little higher, where we would like to be sellers. Our near term selling point is $90.67, with a stop set at $90.87. We would look to take profits at the bottom of the downward channel, which currently is $86.55. We would, however, not jump the gun on covering a short position because the bottom line of the aforementioned channel could once again become penetrated and



price could go $2.00 or more below the $86.55. Should the $86.55 hold; we would then cover our shorts. Open interest in crude oil is 1,355,589 down 22,777, Feb.08 30,939, down 35,237, March08 373,871, up 12,779 and April08 93,358 up 3,107. The product markets ended the session sharply lower, with the heating oil market settling down 3.48 cents at 247.26 and the RBOB market settling down 2.28 cents at 228.06. The heating oil market, which posted a high of 252.25, sold off to a low of 240.75 in overnight trading as it continued to trade lower following Monday's sell off on Globex. The market however retraced some of its losses throughout the session and traded back above the 248.00 level in afternoon trading. Similarly, the RBOB market traded off from 231.74 to a low of 221.83 in overnight trading. The market bounced off support at 222.50 and rallied back to the 229.00 level ahead of the close. The product markets will continue their downward trend as traders are seen selling any rallies. The markets are also seen continuing their downward trend ahead of the expected builds across the board in Thursday's release of the weekly petroleum stock reports. In the heating oil, support is seen at 245.00, 244.15, 242.60, 240.75 followed by 238.84, 236.04 and 233.11. Resistance is seen at 249.81, 252.25, 253.40, 255.78 and 260.50. In the RBOB, support is seen at 227.00, 226.40, 224.10 followed by 221.83, 221.45, 215.25 and 214.39 while resistance is seen at 228.80, 231.74 and 237.79.