



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 22, 2009

Venezuela's Oil Minister Rafael Ramirez said OPEC may need to further reduce its crude oil production in order to stabilize the oil market. He said Venezuela has cut 360,000 bpd following OPEC's last two output cuts. In view of lower oil prices, he said the government continues to review various oil projects to determine if any need to be shelved. Meanwhile, the government will continue to proceed with its licensing round for heavy oil fields in the Orinoco region.

Market Watch

According to Deutsche Bank's chief energy economist, Adam Sieminski, early indications that OPEC members are complying with the production cuts may not stop oil prices from falling further. While Deutsche Bank's oil outlook calls for an average price of \$47.50/barrel this year, he sees a \$45/barrel average price in the first quarter, rising to \$50/barrel in the second quarter and then falling to \$40-\$45/barrel for the last half of 2009.

A Reuters survey showed that US crude futures would average \$55.07/barrel in 2009 while Brent crude would average \$55.01/barrel, down from \$56.20 and \$54.95, respectively.

The Labor Department reported that initial claims for jobless benefits increased by 62,000 to 589,000 after seasonal adjustments in the week ending January 17th. The four week average of new claims was unchanged at 519,250. Meanwhile, the number of continuing claims increased by 97,000 to 4,607,000. The unemployment rate for workers with unemployment insurance held steady at 3.4%.

China's economic growth fell to 6.8% last quarter, dragging the pace of expansion for all of 2008 to a seven year low of 9%. Fourth quarter growth in GDP fell from the 9% reported in the third quarter. Meanwhile, the director of the National Bureau of Statistics reported the difficulties faced by China's economy are temporary. He said the crisis has not hurt China's fundamental domestic demand, adding government efforts to stimulate the economy will surely help to increase economic growth.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, will fall 250,000 bpd to 23.56 million bpd in the four weeks ending February 7. The head of Oil Movements, Roy Mason said exports will likely fall even further as OPEC cuts its production.

DOE Stocks

Crude – up 6.1 million barrels
Distillate – up 800,000 million barrels
Gasoline – up 6.5 million barrels
Refinery runs – down 1.9%, at 83.3%

The Energy Department released a tentative delivery schedule for the SPR reflecting its plan to fill the SPR to capacity by the end of January 2010. It shows the largest volume shipped in any month will be 7.07 million barrels in

March or 228,065 bpd. Last week, the DOE announced it will spend \$553 million to buy 10.683 million barrels of crude oil for shipment to the SPR from February to April of this year. It also awarded contracts to transfer a further 6.157 million barrels of oil to the SPR under the royalty-in-kind program at a rate of 26,000 bpd from May 2009 to January 2010.

January Calendar Averages

CL – \$41.39

HO –\$1.4824

RB – \$1.1365

According to the Transportation Department, US motorists drove 5.3% fewer miles in November than they did a year earlier. They drove a total of 230.4 billion miles in November, down 12.9 billion miles from a year ago. Motorists have cut their driving by 112 billion miles over a 13-month period. Separately, preliminary data from the Energy Department shows that US gasoline demand averaged 8.9 million bpd in November, down 3.1% on the year.

Refinery News

Colonial Pipeline will allocate distillate shipments on Line 2 north of Collins, Mississippi for cycle 7.

Tesoro Corp said its 115,000 bpd Anacortes, Washington refinery was completely shut by Wednesday for a plant wide overhaul expected to last until mid-February.

Shell Oil Co said all units affected by the temporary shutdown of a crude distillation unit at its Deer Park, Texas refinery were at planned rates as of Monday evening. The shutdown occurred on Sunday and the units affected were the delayed coker, gas oil hydrotreater and a kerosene hydrotreater.

ConocoPhillips is repairing its 145,000 bpd fluid catalytic cracking unit at its 285,000 bpd Bayway, Texas refinery following a malfunction. The unit is currently operating at about 130,000 bpd.

Royal Dutch Shell Plc has no firm date yet for the restart of its 85,000 bpd Clyde refinery in Australia, which has been shut since the end of November. The refinery has been meeting its commitments through imported fuels as well as by taking stocks from Shell's 125,000 bpd Geelong plant in Melbourne.

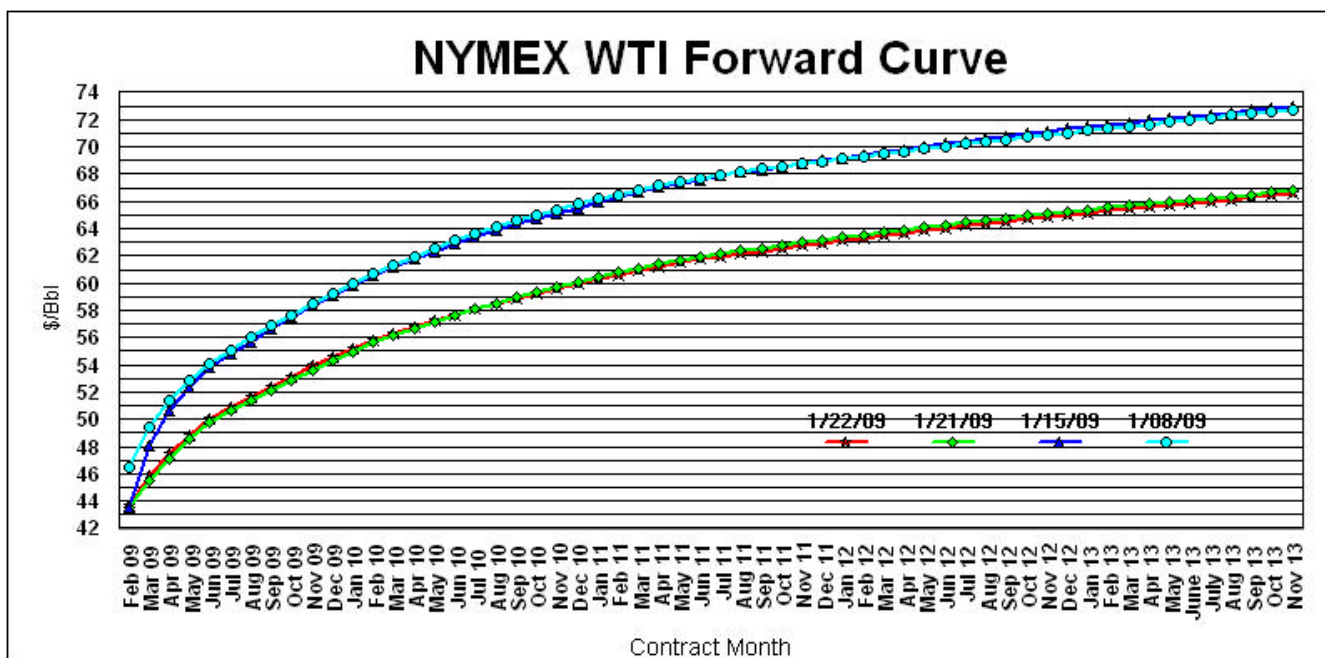
PKN Orelan's Mazeikiu Nafta refinery will shut a hydro-desulfurization unit in March to upgrade the unit and replace old installations. The maintenance is expected to last for four weeks.

Total SA will restart a platformer unit at its 153,000 bpd Vlissingen refinery on Friday after the unit was shutdown due to a small fire on Tuesday.

Pemex is seeking contractors to carry out repairs and maintenance work on two units at its Salina Cruz refinery starting in late February and March. Repairs on one of the refinery's two fluid catalytic cracking units are scheduled to start February 23 and last 28 days and repairs on one of the two crude units will start March 3 and last 35 days.

Euroilstock reported that total refinery output in 16 European countries fell by 0.1% on the month and by 3.3% on the year to 12.775 million bpd in December. It reported that gasoline production increased by 3.8% on the month but fell by 1.4% on the year to 3.304 million bpd while middle distillate production increased by 0.7% on the month but fell by 0.1% on the year to 6.356 million bpd. The average refinery utilization rate fell to 90.08% in December from 90.39% in November.

Gas oil stocks in independent storage in the Amsterdam-Rotterdam-Antwerp terminal in the week ending January 22nd increased by 2.32% on the week and by 79.9% on the year to 2.47 million tons. Gasoline inventories increased by 8.75% on the week but fell by 3.96% on the year to 945,000 tons while fuel oil stocks increased by 7.21% on the week but fell by 4.29% on the year to 714,000 tons.



Naphtha stocks fell by 10.19% on the week and by 27.07% on the year to 97,000 tons while jet fuel stocks fell by 1.47% on the week but increased by 179.44% on the year to 802,000 tons.

South Korea's SK Energy will shutdown two of its crude units in 2009 for regular maintenance. It will shut its No.2 110,000 bpd unit from June 3-30 and its No. 4 240,000 bpd unit from March 27 to April 29. It will also shut its No. 1 residual fluid catalytic cracking unit from May 25 to June 24 and its hydrocracking unit from April 2-27.

Japan's Teiseki Topping Plant Co plans to shut its 4,724 bpd crude distillation unit at its Kubiki plant for scheduled maintenance from mid-May for nearly three weeks. The refiner also plans to shut the CDU down again for minor maintenance for about five days in mid-November.

China's Sinopec Corp produced 296.8 million barrels of oil in 2008, up 1.8% on the year and refined 168.8 million tons of crude, up 4.5% on the year, despite an expected loss at its refining arm in the second half of 2008.

China's apparent oil demand fell for a second month in December by 5.5% to 6.87 million bpd. Official data showed that China processed 27.17 million tons or 6.4 million bpd of crude oil in December, down 7.4% on the year. Meanwhile, China's Statistics Bureau reported that the country's total refinery throughput for the full year of 2008 increased by 3.7% to 342.07 million tons or 6.82 million bpd. China's crude oil production in December increased by 0.4% on the year to 15.71 million tons while for the full year, crude production increased by 2.3% on the year to 189.73 million tons. Separately, China's General Administration of Customs reported that the country's crude imports in December increased by 11.6% on the year to 14.37 million tons. Diesel shipments in December fell 90.14% on the year to 80,655 tons while gasoline exports increased by 68.4% to 247,890 tons.

China will reduce its diesel exports in February to 200,000 tons from 250,000 tons this month.

According to Japan's Ministry of Finance, the country's customs-cleared crude oil imports in December fell by 6.4% on the year to 22.154 million kiloliters or 4.49 million bpd. Imports from the Middle East, the main supplier to Japan, fell by 1.6% in December to 19.599 million kl, accounting for 88.5% of total

imports. Japan's crude oil imports for the whole of 2008 increased by 0.9% to 241.766 million kl or 4.15 million bpd.

South Korea's Korea National Oil Corp said the country's crude oil imports increased 1.7% on the year to 75.27 million barrels or 2.43 million bpd. It is up 1.1% on the month. Imports from Saudi Arabia, the largest supplier of crude oil to South Korea, increased by 1.4% on the year and 10.9% on the month to 22.28 million barrels or 718,710 bpd in December. Domestic oil products demand in December fell by 2.9% on the year to 69.6 million barrels or 2.25 million bpd, due to a lack of demand for light distillates and power generation fuel. The crude processing rate by the country's four refiners fell to 84.8% of total capacity or 75.09 million barrels or 2.42 million bpd, from 89.2% last year. Exports of oil products increased by 2.8% on the year to 28.08 million barrels. Meanwhile, end-December private oil stocks fell by 10.3% on the year and 5.1% on the month to 55.91 million barrels. Crude oil stocks fell by 7.9% on the year to 10.72 million barrels in December.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 1.682 million barrels to 17.627 million barrels in the week ending January 21st. It reported that Singapore's light distillate stocks built by 1.437 million barrels to 9.626 million barrels while its middle distillate stocks built by 87,000 barrels to 13.212 million barrels on the week.

Production News

Japan's Cosmo Oil Co will be granted a 20 year extension of its stake in an offshore Abu Dhabi oilfield that is set to expire in 2012. A Cosmo subsidiary, Abu Dhabi Oil Co, may also be granted additional exploration rights when the agreement is renewed.

Russia's Gazprom said its hydrocarbon reserves on Russia's Arctic Shelf will increase by 5.6 billion tons of fuel equivalent between this year and 2020. It currently has about 100 billion tons of fuel equivalent.

Arawak Energy Ltd said it would resume production at its four fields in Kazakhstan following the adoption of a new tax code in the country, eliminating the customs export duty on crude. The company had curtailed production at the fields in early December citing a significant deterioration in margins due to high taxation and a fall in oil prices. Production is expected to return to pre-curtailement levels of about 9,300 bpd in the coming weeks.

BP Plc shut down its Greater Plutonio development offshore Angola last week due to problems at its natural gas operations.

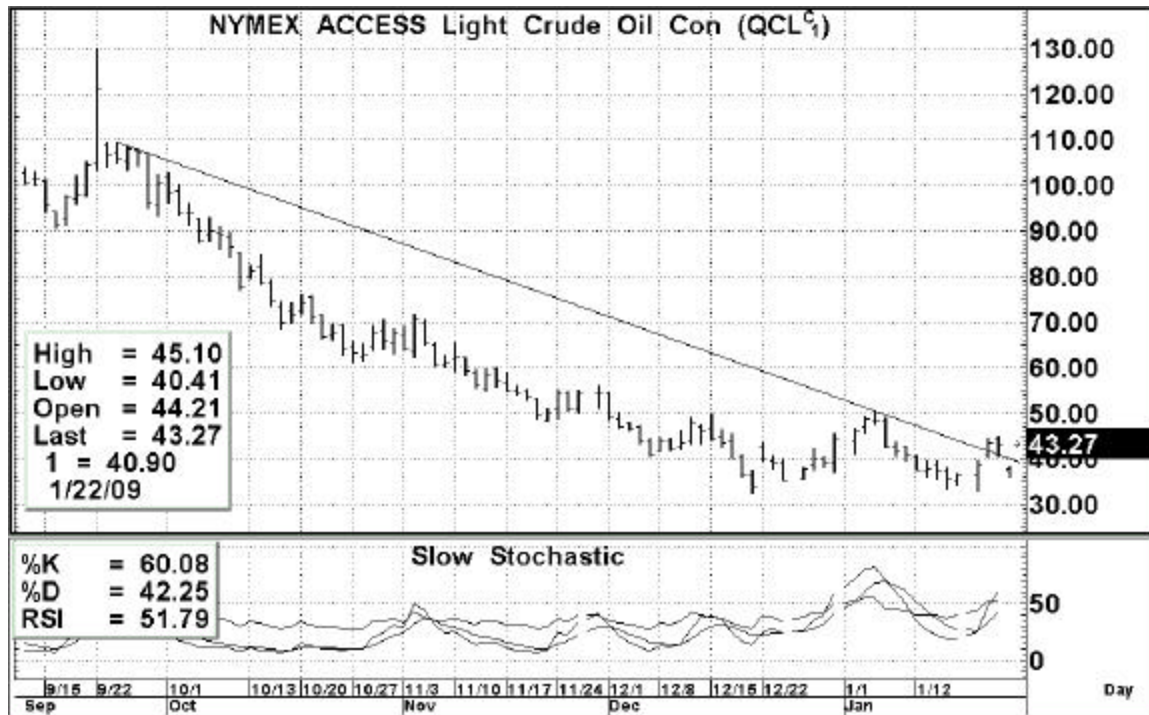
OPEC's news agency reported that OPEC's basket of crudes increased to \$39.54/barrel on Wednesday, up from \$39.34/barrel on Tuesday.

Market Commentary

Greater than expected inventory builds sent bulls running for cover after the release of the DOE/API numbers marked larger than expected builds. Crude oil inventories reflected a build of 6.1 million barrels, with stock levels at Cushing, OK, the NYMEX delivery point, increasing 0.7% to 33.2 million barrels. This is the largest inventory level since record keeping began at Cushing in April 2004. Gasoline supplies built yet again, posting a gain of 6.5 million barrels. In the meantime, demand for gasoline fell 1.6 percent from the same period last year. Distillate stocks, which include heating oil and diesel, rose 790,000 barrels to 145 million barrels. Distillate fuel demand has averaged about 4.1 million barrels per day over the last four weeks, down by 2.6 percent from the same period last year. For heating oil stocks to build in the middle of winter, during a spate of cold weather is a clear indication that the economic slowdown has greatly impacted U.S. consumption. This build across the board comes at a time when U.S. jobless claims and housing starts indicate that the recession in this

country is worsening. A late session come back occurred with the release of news that Barack Obama's administration is committed to moving as quickly as possible on implementing a stimulus package. No time frame was given for such a package. This sent the stock market rallying, with the optimism spilling over into the energy markets. From a technical stand point it appears that prices may continue to rebound. This is the second day in a row that the March09 crude oil contract has settle above the long standing trendline on a spot continuation chart. For tomorrow, this trendline is set at \$40.10.

Open interest MAR.09 378,137 -11,579 APR.09 110,049 +2,378 MAY.09 60,626 -1,495 Totals: 1,243,048 -7,279 Heating oil FEB.09 27,848 -1,686 MAR.09 56,171 +2,801 APR.09 29,279 -97 Totals: 250,225 +1,066 NEW YORK HARBOR RBOB GASOLINE FEB.09 28,375 -2,058 MAR.09 68,749 -2,070 APR.09 27,349 +15 Totals: 196,902 -4,42



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