



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 15, 2009

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said there was no need for further output cuts by OPEC. He said he does not want to see oil prices increase too fast. He declined to say what he considers an ideal oil price but said Kuwait would invest in output capacity at level of about \$70/barrel. He said Kuwait is not concerned about high inventories because the market is acting on sentiment not fundamentals.

Nigerian gunboats exchanged fire

Market Watch

The Labor Department reported that the Consumer Price Index was unchanged in April while the core CPI, which excludes food and energy prices, increased 0.3% last month, the largest increase since June 2008. According to Friday's report, energy prices fell 2.4% in April and are down 25.2% over the last 12 months.

Federal Reserve data showed that US industrial production fell by 0.5% in April, dropping for the sixth consecutive month but a more moderate rate. Industrial production in March fell by 1.7%. The capacity utilization rate for total industry fell to 69.1% in April, the lowest record level.

The Reuters/University of Michigan Surveys of Consumers said its preliminary index of confidence for May increased to 67.9 from 65.1 in April. The index of consumer expectations increased to 69 in early May, its highest since October 2007 and up from 63.1 in April.

According to a Dow Jones survey, the price of WTI is estimated to average \$51.80/barrel in 2009, down 20 cents from a previous estimate while the WTI price is estimated to average \$62/barrel in 2010, down \$8 from a previous estimate. The price of Brent crude in 2009 is expected to average \$52/barrel, unchanged from a previous estimate while the price of Brent in 2010 is expected to average \$61/barrel, down \$8 from a previous estimate.

Venezuela's President Hugo Chavez acknowledged that his government will continue to seize oil company assets next week as part of its plan to expand the state's control over the industry. His announcement comes days after Venezuela's congress passed a new law opening the door for PDVSA to seize the assets of dozens of oil service companies.

The ethanol industry is struggling to protect troubled investments and keep itself a relevant part of US energy policy after the initial rush to build plants. Several ethanol plants are now bankrupt, dozens are shut, plans to build new ones are on hold and investors are opting not to invest in the industry. President Barack Obama is seeking to bring some relief to struggling ethanol producers, including financing. The EPA is considering a rule that, if approved, would increase the amount of ethanol that must be blended into gasoline to 15% from 10%.

Singapore Airlines Ltd has hedged 25% of its fuel requirements for the current financial year. The hedge is between \$120 and \$130/barrel for jet fuel.

May Calendar Averages

CL – \$56.68
HO – \$1.4669
RB – \$1.6469

with militants in the western Niger Delta on Friday. Thirteen gunboats opened fire on militants along Chanomi Creek in Delta state. A military spokesman said the security forces were intending to carry out an operation to flush out criminals after the hijacking of two oil vessels, attacks on soldiers and warnings to oil firms to evacuate their staff over the past few days. The main militant group, the Movement for the Emancipation of the Niger Delta, which has given oil companies until Saturday to evacuate staff and warned it would attack helicopters and floating planes they use after the deadline expires, has declared an “all-out war” in the Niger Delta. The militant group later said it seized a Nigerian navy vessel deployed to assist the military.

Iraq’s Oil Minister Hussein al-Shahristani said international companies that want to pump oil in the autonomous Kurdish region of northern Iraq will not be paid from federal revenues. He said those who signed the contracts with the companies are responsible to pay back and compensate them. He declined to say whether Baghdad has given its approval to the Kurdish authorities to start the sales.

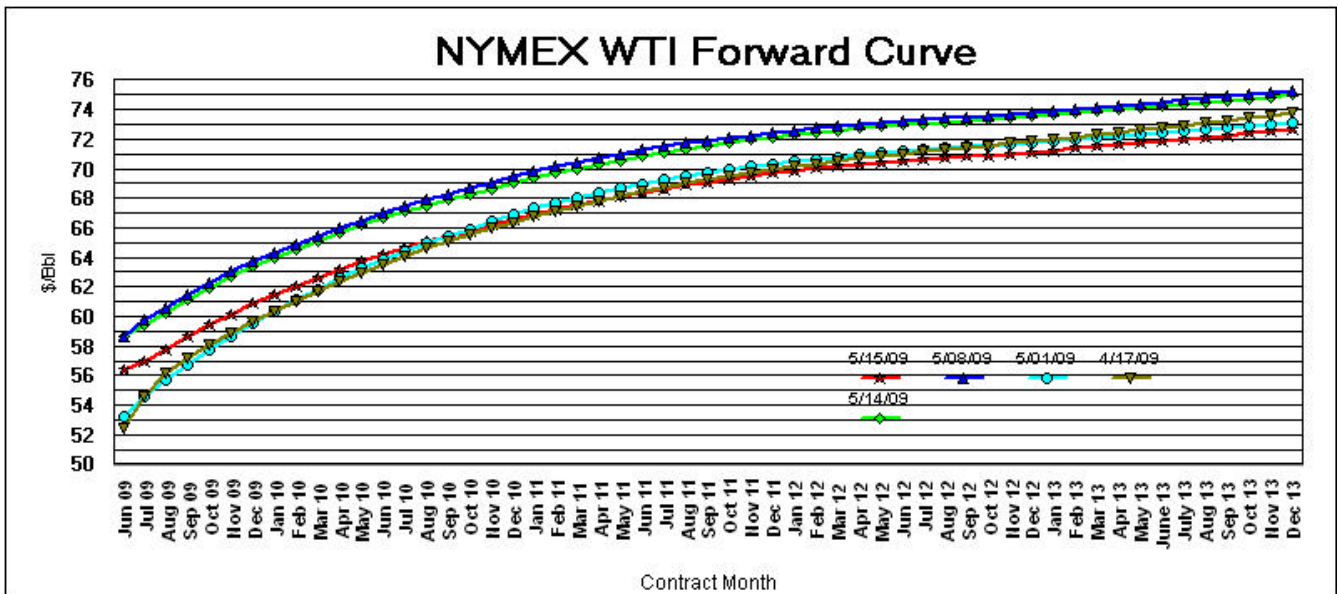
StatoilHydro and BP have each secured a Very Large Crude Carrier for possible crude storage this week. StatoilHydro has chartered a double-hulled Front Century for an Arzew-US Gulf run with a storage option of one to three months. A broker said BP has booked a vessel, the double-hulled Leander, for a Hound Point-US Gulf voyage this week with one to three month storage option at \$32,500/day.

According to shipbroker Simpson Spence & Young Ltd, about 116 million barrels of crude oil and oil products were held in worldwide floating storage at the end of April. At the end of April, 50 VLCC, four Suezmax and 20 Aframax were used for floating storage. Most of the vessels are in the US Gulf and Caribbean region followed by the North Sea, West Africa, Mediterranean and the Persian Gulf.

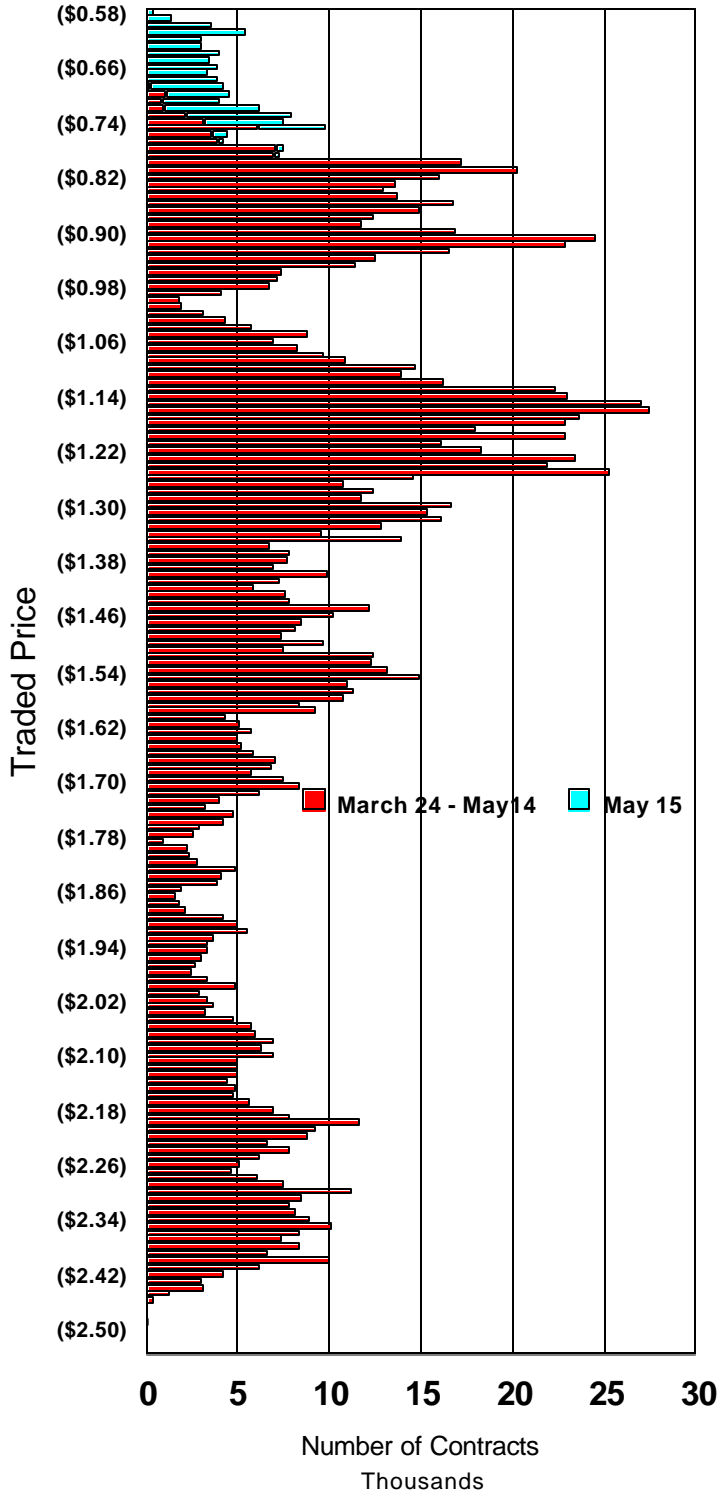
The fall in oil prices is providing an opportunity for Asian countries such as China and South Korea to increase their strategic petroleum reserves as insurance against world supply disruptions and price volatility.

Refinery News

Under a proposed climate change bill that Democrats in the US House of Representatives are writing, oil refiners would be given 2% of greenhouse gas emission permits.



NYMEX WTI: June July Spread
Price Vs Volume for March 24 - May 15, 2009
 Trade Weighted 5/13 -.84, 5/14 -.89, 5/15 -.68



BP Plc's 467,720 bpd Texas City, Texas refinery is repairing a fluid catalytic cracking unit after it experienced a leak late Wednesday.

Total is restarting a reformer unit and a recycle hydrogen compressor at its Port Arthur, Texas refinery. Total said the compressors tripped while work was being performed on the units.

At least 120,000 tons of Asian gasoline is bound for the US West Coast next month. Though US demand is still lagging year ago levels, cheaper fuel prices are expected to increase gasoline consumption, which has been higher than that of other refined products.

Indian Oil Corp has shut a 70,000 bpd crude unit at its Haldia refinery in eastern India after a technical snag. It has declared force majeure on a 15,000 ton naphtha cargo.

China's push to consolidate oil refining could shut small independent plants with the capacity to refine 17.5% of all the crude oil China processed last year. The National Development and Reform Commission said it will shut processing plants that are smaller than 1 million tons/year or 20,000 bpd by 2011 and take measures to encourage the closure, merger or transformation of refining units with annual capacities of 2-3 million tons or 20,000-40,000 bpd.

North Asia imported a total of 10.701 million bpd in the first quarter of 2009, down 8% from a year ago. The lower imports were expected given the downturn, led by China's slowing annual economic growth at 6.1% in the first quarter from 6.8% in the fourth quarter last year. China's crude imports totaled 3.317 million bpd, their lowest level in five quarters and the first decline against year ago levels in five years. China's crude imports have since recovered to their second highest level for April to 3.93 million bpd, up 613,000 bpd from the first quarter average.

Saudi Arabia's crude exports to North Asia in the third quarter were steady at above 3 million bpd.

Tokyo Electric Power Co said its crude oil consumption in April fell to 91,000 kiloliters of crude oil, the lowest level since September 2006 when it burned 83,000 kl. It is down from 307,000 kl last year. Its fuel oil consumption fell to 390,000 kl in April, down 236,000 kl on the year while its LNG consumption fell to 1.534 million kl, down 35,000 kl on the year. Meanwhile, its coal consumption increased by 51,000 kl to 277,000 kl.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 10 to 918. The number of rigs searching for oil fell by 9 to 181 while the number of rigs searching for natural gas fell by 10 to 918.

Total SA expects to produce more than 200,000 extra bpd of oil equivalent by 2010, with five major projects due to start up and a total of 13 major projects in progress this year.

Turkey's TPAO said Turkey has formed three consortiums as it considers bidding for oil exploration rights for nearly all big oilfields in Iraq at the end of June. It said it would bid in Iraq oil tenders alone if the possibility were given to small companies in the tender process.

Venezuela has delayed its Carabobo bidding round in the Orinoco heavy oil region by three months amid concerns by international companies about some of the terms and conditions.

A Russian Finance Ministry official said Russia will increase its oil export duty by 11% to \$152.80/ton starting June 1 from \$137.70/ton in May. Export duties on light refined products will increase to \$115.20/ton in June, up from \$105.10/ton in May while export duties on heavy refined products will increase to \$62.10/ton in June, up from \$56.60/ton in May.

OPEC's news agency reported that OPEC's basket of crudes fell to \$55.99/barrel on Thursday from \$57.16/barrel on Wednesday.

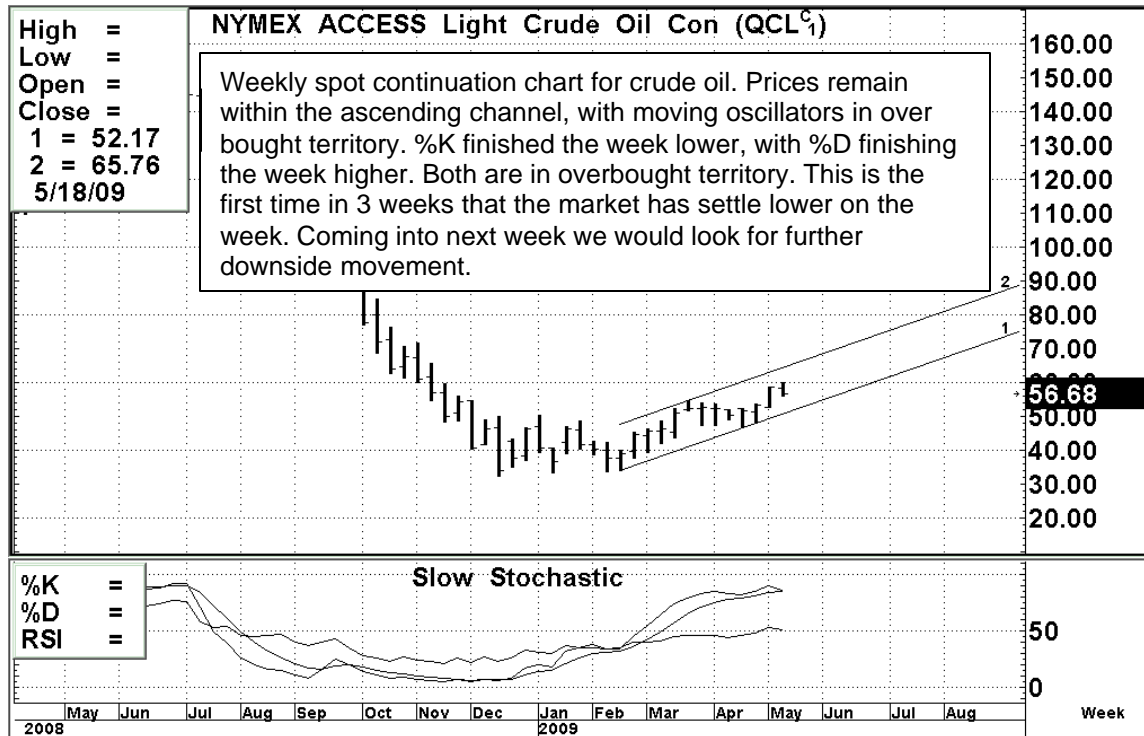
Market Commentary

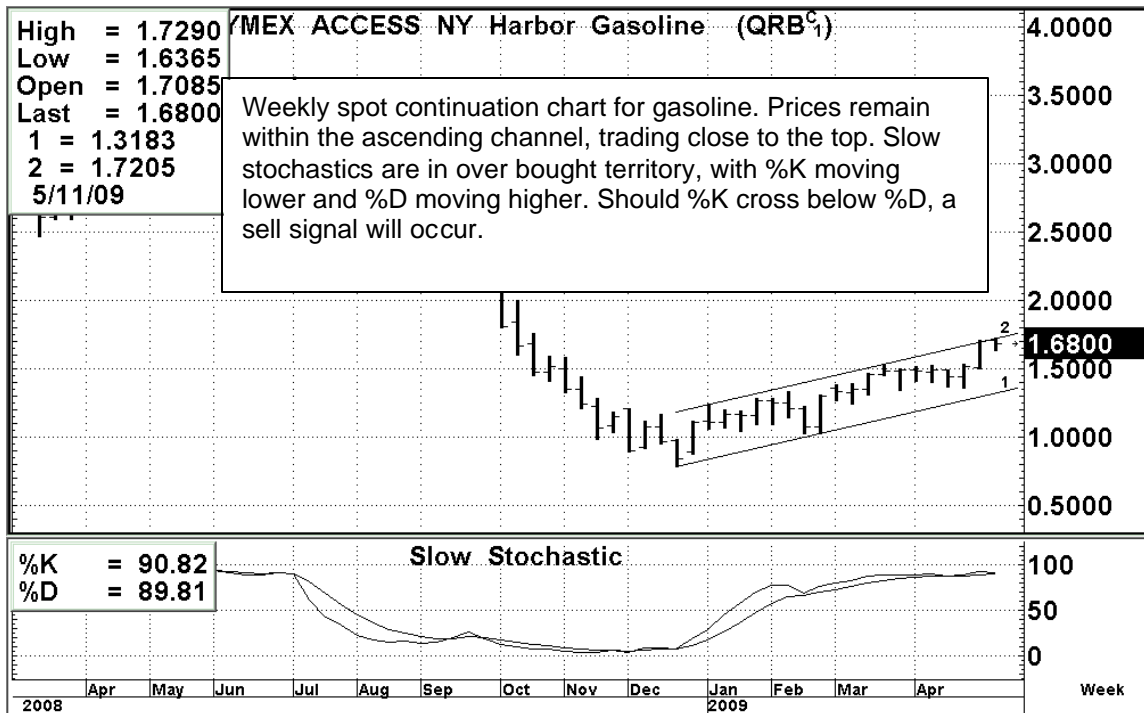
Crude oil traded lower today and for the first time in three weeks settled lower on the week. Global economic recovery amidst dwindling demand for fuel once again weighed on this market. U.S. industrial production fell for the sixth straight month in April, with output at mines, factories and utilities decreasing by 0.5%. This market continues to be economically sensitive as investors come in and out of it, using this market as an investment tool. Over that past five months and up until this week, the average price for the spot crude oil contract is \$49.70. We have previously mentioned that we cannot get to optimistic about this market holding onto its strength. Our stance remains the same. Coming into next week we would look for crude oil to continue lower, with a test at the weekly channel bottom of \$52.17. Gasoline traded lower today but at a much slower pace than both crude oil and heating oil. This product will continue to lead this market as we approach the U.S. summer driving season. Today marks the eleventh trading day of the month and for those following our commentary from last week, this is the day to exit any short positions and reverse the strategy. We would look for gasoline to hold its strength against the rest of the market and for the June contract to work higher. Should prices break above the ascending channel depicted on the chart below, the upside objective for the June contract would be \$2.1227.

Crude Oil JUN.09 92,659 -62,272 JUL.09 349,869 +1,395 AUG.09 89,156 +6,841 SEP.09 62,801 +2,676 Totals: 1,173,729 -45,899 N.Y. Heating Oil (HO) JUN.09 42,936 -2,403 JUL.09 44,610 -850 AUG.09 23,943 -78 SEP.09 18,776 +135 Totals: 260,144 -1,846 NEW YORK HARBOR RBOB (RB)

JUN.09 61,496 -2,595 JUL.09 69,636 +5,825 AUG.09 28,535 +708 SEP.09 20,036 +354 Totals: 224,786 +4,195

The latest Commitment of Traders report showed that non-commercials in the crude market switched from a net short position of 11,285 contracts to a net long position of 3,066 in the week ending May 12th. It reported that non-commercials cut their total short position by 18,803 contracts to 167,925 contracts on the week. The combined futures and options report showed that the funds increased their net long position by 6,070 contracts to 75,349 contracts on the week. The funds cut their total short position by 9,596 to 98,999 on the week. The funds have likely cut some of their long position during the past few trading sessions. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market increased their net long position by 1,712 contracts to 20,077 contracts while non-commercials in the RBOB market increased their net long position by 5,005 contracts to 56,375 contracts on the week.





Crude Support	Crude Resistance
55.45, 54.49, 53.45, 52.33, 46.68, 45.10, 44.50, 43.80, 40.00, 38.95, 32.25, 29.66, 28.63, 26.65, 25.50	61.60
Heat Support	Heat resistance
1.2715, 1.2300, 1.1359, 1.1095, 1.0520	1.5520, 1.6025, 1.6475, 1.6688, 1.6715
Gasoline support	Gasoline resistance
1.5370, 1.5260, 1.3560, 1.3400, 1.3180, 1.2700, 1.2625, 1.1680, 1.0128, .9590	1.7372, 1.7555, 1.8800, 2.0700

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