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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 6, 2008

Market Watch

The Australian unit of Royal Dutch Shell said it may bring forward a planned diesel import cargo to meet strong demand from miners in Western Australia after an explosion cut gas supplies. It said the cargo for the port of Esperance was already planned before the disruption. An explosion at a gas plant operated by Apache Corp has left mining companies, metals refiners and other industrial users in Australia's most important mining region out of fuel or scrambling for alternative sources of gas or diesel to minimize the impact on production. Newcrest, Alcoa and Fonterra Cooperative are among companies switching to diesel for energy supplies. Apache said it would be at least two months before it could resume partial gas sales from the western Australia plant. Meanwhile, BP said it was producing diesel at maximum levels at its Kwinana refinery and was investigating ways to import additional diesel from other countries to help compensate for the gas shortfall.

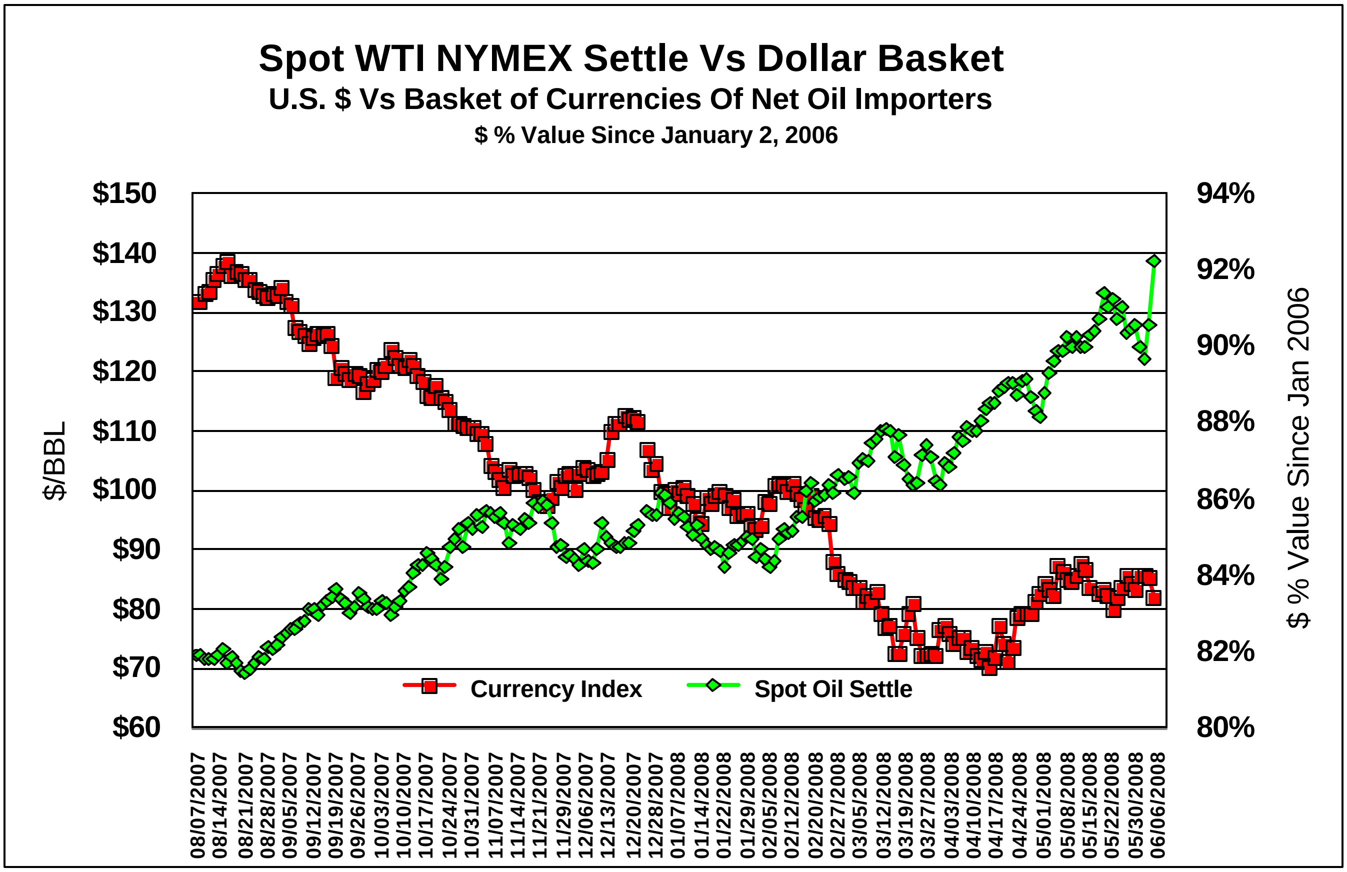
The dollar fell sharply against the euro on Friday after the Labor Department's unemployment rate posted its sharpest one-month increase in 22 years in May. The unemployment rate increased to 5.5% in May from 5% in April while non-farm payrolls fell 49,000. The unemployment rate increased to its highest level since October 2004.

The Senate failed to pass legislation that would have set up a cap and trade system to limit climate warming carbon emissions on Friday. The bill aimed to cut total US global warming emissions by 66% by 2050.

Morgan Stanley said current shipping patterns indicate that oil may reach $150/barrel by July 4. An analyst said Middle East oil shipments were similar to the end of third quarter last year when Morgan Stanley had predicted an oil price spike based on projections of inventory draws in the Atlantic Basin. It said Asia was taking an unprecedented share of Middle East exports. Separately, Morgan Stanley said it would not renew the lease on its floating storage unit in Asia at the end of the month, when the contract is set to expire. It had leaded a 240,000 ton floating storage unit in June last year. Following an unexpected fall in Chinese demand, about 5 million cubic meters or 31.5 million barrels of oil storage capacity built over the past two years is expected to sit idle. Meanwhile, an analyst at BNP Paribas said oil is expected to average $140/barrel in the third quarter. BNP increased its 2008 forecast for crude by 19% as demand for diesel has increased and on concerns that supply would be insufficient to meet demand.

May Calendar Averages
CL – 128.14
HO – 371.24
RB – 336.42

The head of Libya's National Oil Corp, Shokri Ghanem said oil prices may reach $140/barrel this month and possibly $150/barrel before the



end of the summer due to speculation and the fluctuating value of the dollar. He said the market is well supplied and added that OPEC does not need to increase production. Separately he stated that it would take at least two months, longer than previously expected, to resume output at the 45,000 bpd al-Jurf oilfield offshore Libya.

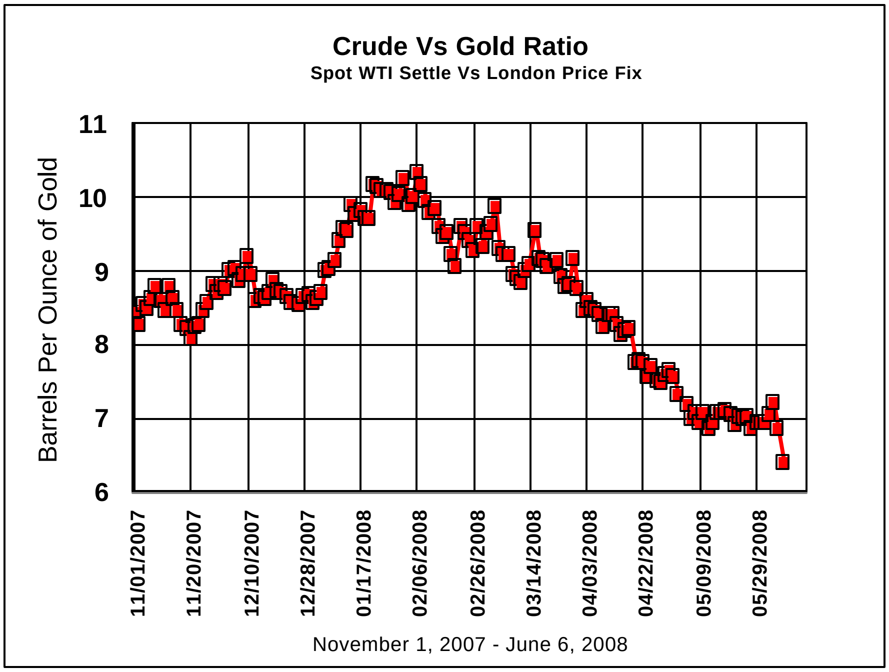
Nigeria's Pengassan union representing senior employees at Chevron Corp's Nigerian unit said the company has not responded to demands made in an ultimatum that ended yesterday and warned a strike may be imminent. A Pengassan official did not state when strike action would take place.

Israeli deputy prime minister Shaul Mofaz warned that Iran could face an attack if it continued to pursue its nuclear weapons program. He said an Israeli attack on Iran looked unavoidable. However he stressed that such an operation could only be conducted with US support. He said the sanctions imposed against Iran were not effective and said there would be no alternative but to attack Iran in order to stop the Iranian nuclear program.

Nigeria's Oil Minister Odein Ajumogobia said OPEC was ready to increase its production if it decides such action is needed.

The NYMEX's chief executive, James Newsome said speculators were not the main force behind the rally in oil prices. He attributed the surge to market fundamentals. He also stated that the NYMEX has been working with Congress and the CFTC on ways of creating more transparency in non-regulated markets.

The IEA's executive director Nobuo Tanaka said current oil prices were too high due to tight supplies. He said he was concerned current high oil prices were causing a global economic slowdown. He also



stated that the IEA would likely cut its outlook for world oil supply volumes in its report due in November. The expected revision would probably be due to a lack of investment, not reserves. Meanwhile, the IEA also said world governments had to start a $45 trillion energy technology revolution that could increase the cost of producing carbon ten-fold or risk emissions surging by 2050. It said that without taking action on government policy, emission would increase by 130% and oil demand would increase by 70% by 2050, far beyond the level many analysts believe the world is capable of sustainable production.

While India, Malaysia, Indonesia and Sri Lanka have recently increased their gasoline and diesel prices in order to ease the cost of subsidies, analysts said China would hold off until after the Olympics, driving some service stations to increase prices illegally or shutdown. The government has been focusing on fighting inflation. Aside from the increasing costs, the government's stance has undermined its own aim of introducing market based pricing to curb demand growth and promote more efficient use of resources. In India, strikes and protests against the government's decision to increase fuel prices spread around the country on Friday. Some state governments attempted to ease the burden on consumers by cutting local duties by a few percentage points however this was at the expense of their own budgets and of efforts to curb demand for fuel. Opposition parties and the government's own communist allies have called strikes and protests against this week's increase in petrol and diesel prices. However the strikes and protests have not gone down well with many people stating that they were only making a difficult situation worse. Meanwhile, in Malaysia, barely six people turned out for an opposition backed protest in Kuala Lumpur and the ruling coalition rejected calls to reconsider a 41% increase in petrol prices and a 63% increase for diesel. The fuel price increase is expected to drive inflation to a 10 year high of 4.2% this year. In Indonesia, the government scrapped the subsidies which caused the price of fuel to increase by 30% overnight. The government said it had no choice. The government's subsidy bill increased to more than $12 billion a year. The government said it too was a victim of high prices.

Oil industry sources said a drilling team exploring in an Iraqi oilfield briefly withdrew this week after they were sent away by Kurdish security forces. Engineers said the withdrawal of workers had no impact on production. However it underlines rivalries between Iraq's government and the Kurdish regional government over territory and rights to Iraq's large oil reserves. An Iraqi government oil official said members of the Kurdish Peshmerga security force had taken over the 35,000 bpd Khurmala oilfield and sent the workers away. However the Iraqi Oil Ministry said the employees were taken back to the field and by Friday Kurdish forces had left the area.

Refinery News

A fire at Magellan Midstream Partner's oil products terminal in Kansas City, Kansas was extinguished early Friday. The fire had been burning since Tuesday, when a gasoline tank at the terminal was struck by lightning. On Thursday, Magellan said pipeline volumes in and out of the terminal had resumed normal levels.

The Marseille Port Authority said the CGT trade union was calling for a 24 hour strike on Monday. The port authority also said it was already affected Friday be the strike and as a result, 50 ships were waiting to dock, among them 21 oil tankers and 24 freight ships.

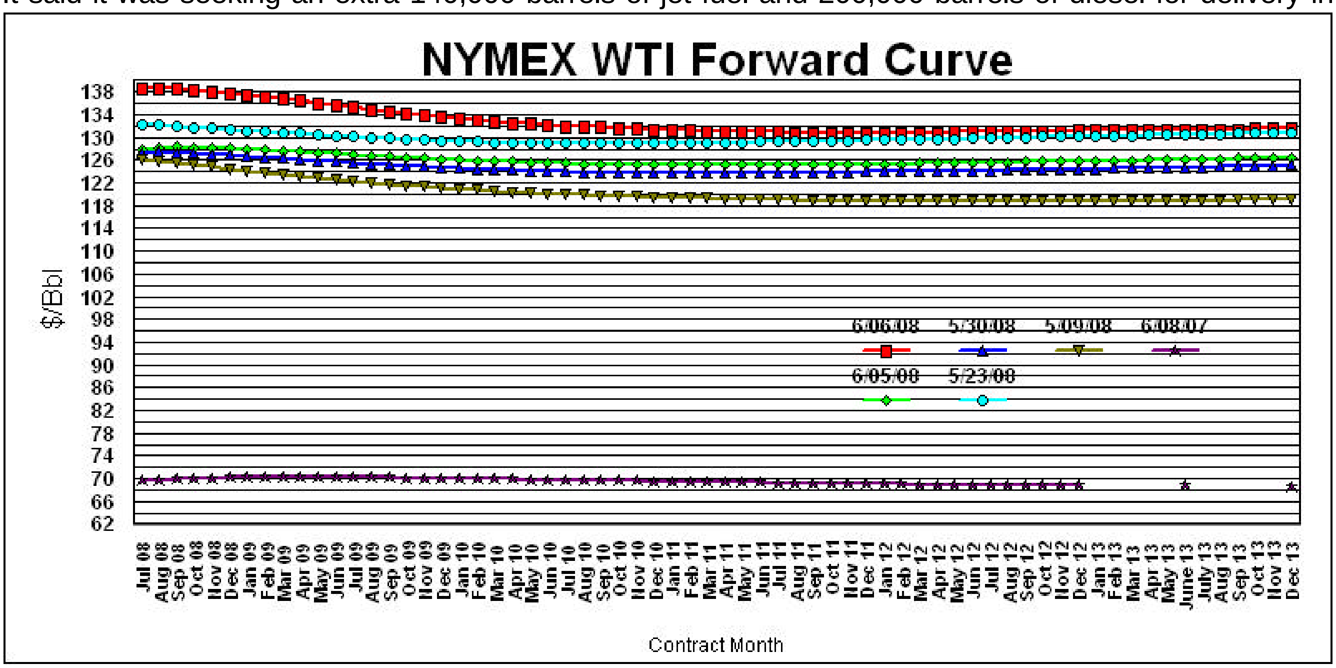
Crude runs in China's major refineries are expected to recover slightly in June due to lingering diesel shortage in many parts of the country, reversing a declining trend in the previous three months. China's twelve major refineries are expected to process 2.43 million bpd of crude in June, up from 2.41 million bpd last month. China has been facing diesel shortages at the retail sector in many cities as oil companies divert supplies to the wholesale sector to cut losses at petrol stations where prices have remained unchanged since November.

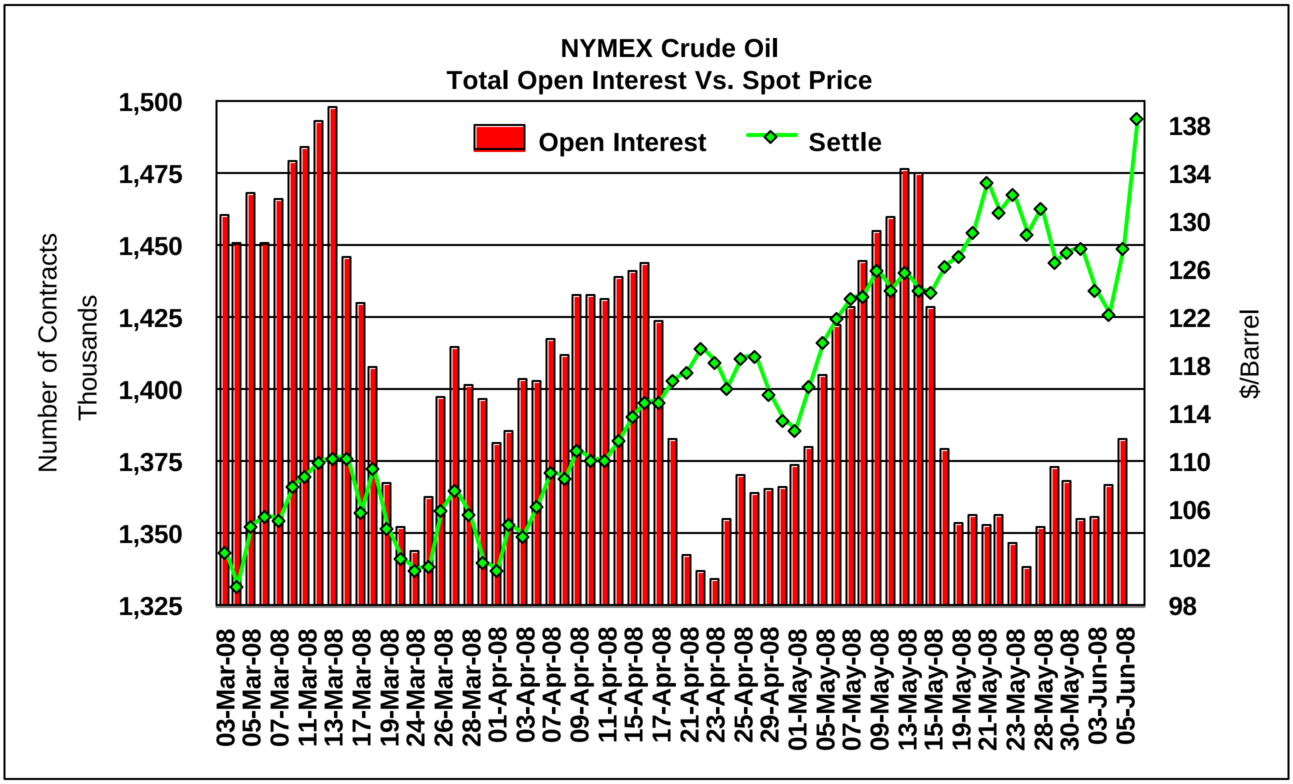
Sinopec's Jinling refinery is expected to process 133,800 bpd in June, down from 202,500 bpd in May due to maintenance work. It shutdown a 160,000 bpd crude unit, a 1.5 million tons/year hydrocracker, a 1.6 million ton/year coking unit and other units in mid-May. Also, Sinopec Corp's Tianjin unit said it planned to shutdown a 110,000 bpd refinery in September for 45 days of regular maintenance.

Reliance Industries Ltd said a fire had damaged a 120,000 ton/year unit at its Nagothane petrochemical plant in western India. Other units at the plant were operating normally.

India's Mangalore Refinery and Petrochemicals Ltd has imported its first cargo of Arab Super Light crude oil and said it aimed to buy several cargoes of Oman crude this year as it diversifies its slate. It said it imported a 90,000 ton cargo of Arab Super Light. It has also increased its term deal with Iran to 133,000 bpd from 106,000 bpd last year and has been in talks with the Seychelles to sell petrol and diesel.

Indonesia's Pertamina said it planned to buy extra jet fuel and diesel for June delivery to build stocks. It said it was seeking an extra 140,000 barrels of jet fuel and 200,000 barrels of diesel for delivery in





June. In July, Pertamina is expected to buy 11.49 million barrels of oil products in July, including 3.96 million barrels of gasoline, 5.6 million barrels of diesel and 1.5 million barrels of fuel oil.

Production News

Three oilfields in Indonesia's central Sumatran province of Riau with a combined output of 400,00 bpd have resumed operations since late Thursday after lightning struck power transformers. Two of the fields, the Duri and Minas, are operated by Chevron and have a combined output of 379,000 bpd while the other is a 21,000 bpd field operated by PT Bumi Siak Pusako.

Chevron said that a power outage at its operations in Sumatra, including its Minas oilfield in Indonesia, had been resolved.

Azerbaijan's Azerbaijan International Operating Co produced 15.582 million tons of oil in January to May, up 12.8% on the year. Of the total, AIOC produced 2.548 million tons of oil at the Chirag field, down from 2.942 million tons last year and 12.838 million tons of oil at the Azeri field, up from 10.872 million tons last year. Its oil exports increased by 21.13% on the year to 14.9 million tons in January-May.

UK's Cairn Energy Plc said it would invest in projects that make money when oil is $60/barrel or higher, indicating increasing readiness among oil companies to invest in high cost projects. A few years ago, oil companies demanded a project to be profitable at around $25/barrel. Separately, Total said it planned on the basis of a long term oil price of $80/barrel and tested projects at a $60/barrel minimum.

Germany's BAFA said the country's crude oil imports bill in the 12 months to April 2008 totaled 47.2 billion euros or $73.67 billion, up 18% on the year. Crude imports fell by 2.9% on the year to 106.8 million tons.

OPEC's news agency reported that OPEC's basket of crudes increased to $118.77/barrel on Thursday from $118.56/barrel on Wednesday.

Market Commentary:

The price of crude oil surged over $15.00 in the past two trading sessions as the dollar continued to weaken. Investors once again entered the market through that ever-spinning revolving door, hoping to reap the benefits of rising oil prices. So far the halting of subsidies on fuel prices in Malaysia and India does not appear to have impacted the demand factor enough to put a lid on prices. The U.S. unemployment figure indicated job losses fell for the fifth straight month in a row, adding to recession fears. Israeli deputy Prime Minister, Shaul Mofaz, put Middle East tensions back into the mix by stating that if Iran continued with its nuclear program, Israel would attack. If those fundamentals weren't enough to push prices higher a statement by a Morgan Stanley analyst that prices can reach $150.00 a barrel by July 4th added extra fireworks to this already explosive market. The July crude oil posted the largest one-day gain ever, trading above the initial limit move of $10.00. This week's trading session is the first time in six weeks that prices traded out of the previous week's range, trading lower at the beginning of the week and finishing higher on the week. This is an indication that prices should begin next week trading higher, possibly reaching the predicted $150.00 market. Slow stochastics on the daily spot continuation chart have crossed to the upside but are not yet in overbought territory. The front end of the forward curve has moved higher, pulling away from the deferred. The July/August spread, however had difficulty gaining strength and in fact remains weak in comparison to the outright movement in prices. Perhaps putting pressure on this spread was the beginning of the index rolls, whereby length is rolled to deferred contracts. Once these rolls are over, we may see the July begin to gain strength against the August, fueled by further short covering. Gasoline once again broke out of the upward channel on the spot continuation chart, which now opens the possibility for prices to reach $3.7190, the projected move off of this channel. On the slow stochastics, %k has crossed back above %D in neutral territory. We would look for at least a test of the aforementioned upside level up until the DOE/API numbers are released. The gasoline could not hold its strength against the crude oil today and crack spreads came under pressure. The July gasoline to July crude oil crack spread has surpassed the $11.30 support number, and is now approaching the $6.84 support level. Heating oil stole the show today, reaching its limit move and closing for the five minute recovery rule. With the breakout of the ascending channel on the spot continuation chart, the projected move for this product is $496.25. We would not discount this out of the realm of possibilities given heating oil's recent strength. At this point in time the only thing that we can see holding this market down is if diesel wanes. With an explosion at one of Australia's gas plants that supplies metal refiners and mining companies leaving shortages, Royal Dutch Shell has said that it is looking into importing diesel to make up for any shortages. This factor will again supply unseasonable strength for heating oil. Total open interest for crude oil is 1,382,791 up 15,568, July08 324,029 down 2,218, August08 143,402 up 5,749, December 08 192,199 down 1,042. Total open interest for heating oil is 214,916 up 4,183 July08, 65,994 up 302, August08, 28,140 up 881. Total open interest for gasoline, 246,607 down 1,420, July 84,201 down 4,158, August08, 31,769 up 1,777.

The Commitment of Traders report showed that non-commercials in the crude market slightly increased their net long position by 2,429 contracts to 28,296 contracts in the week ending June 3 following a large decline of 24,363 contracts in the previous week. Meanwhile, the combined futures and options report showed that non-commercials cut their net long positions further by 4,624 contracts to 94,752 contracts on the week. However funds have reversed their recent cut in their net long position as the market retraced its previous losses and rallied to a new record high. Open interest saw a large increase of over 15,000 lots as of Thursday's session. The non-commercials in the heating oil market cut their net long position by 969 contracts to 15,075 contracts while non-commercials in the RBOB market increased their net long position by 2,105 contracts to 64,557 contracts on the week.

July Crude Support	July Crude Resistance
127.43,122.54,120.65,119.36,109.60,98.60, **85.40**	141.00,147.54,150.00
Heating oil support	**Heating oil resistance**
3.5425, 3.5100, 3.3500, 3.1680, 3.0980	4.0315,4.0475,4.0640
Gasoline support	**Gasoline resistance**
3.3075,309.20,3.0730, 3.0400, 3.0250, 2.9255	3.63.45,3.755,34655