



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 23, 2009

The head of the IEA, Nobuo Tanaka said the oil market may face a supply crunch by 2014 if world GDP growth reaches 5% in the coming years. Tanaka said that if the world economy grows at a slower rate, any oil supply crunch could be delayed. Meanwhile, the IEA's chief economist, Fatih Birol said a rise in oil prices from their current levels could halt any economic recovery. He said low oil prices earlier this year of between \$30-\$40/barrel were like an additional stimulus package coming from oil producers. He said a rise beyond levels of about \$70/barrel may strangle the economic recovery in the economy. He also stated that the recession will cut investments in the energy supply sector in 2009 by more than \$100 billion. He said the IEA has not updated the G8 report but that the agency was getting signals the drop in investment will be worse than initially expected. A more detailed update will be released for the IEA world energy outlook in November.

US President Barack Obama weighed in on the violent demonstration in Iran, denouncing threats, beatings and imprisonment of protesters by the Iranian government. He said Iran's government must govern through consent, not coercion. He stressed that the US respects Iran's sovereignty and that the US is not interfering with Iran's affairs.

Market Watch

The National Association of Realtors reported this morning that sales of previously owned homes in the United States rose at a slower than expected pace in May, up 2.4% to an annual rate of 4.77 million units from a downwardly revised 4.66 million unit pace in April. Market expectations had been for a 4.81 million unit pace. However sales increased for a second straight month. This was the first time of back-to-back gains since 2005. Meanwhile the Federal Reserve Bank of Richmond released its manufacturing sentiment in the U.S. mid-Atlantic states rose to 6 in June from 4 in May and a minus 9 in April. However, manufactures' outlook for the next six month softened somewhat, signaling conditions remain fragile.

In Europe, the widely watched Markit Eurozone Flash Services Purchasing Managers Index unexpectedly slipped to 44.5 in June from 44.8 in May, the first fall since February.

An economist at China's National Bureau of Statistics said today that China's economic growth is likely to rebound strongly in the second quarter to nearly 8% from the first quarter's 6.1% rise. But he reiterated the foundations for a recovery are not yet solid, as international conditions remain severe. Meanwhile the vice governor at the People's Bank of China said the Chinese economy is headed in the right direction but the foundations of the recovery are not yet solid.

EU and OPEC officials following joint talks today said that oil markets risk another speculative bubble unless the financial sector is reformed and transparency increased. But the two sides said prices are not yet a threat to economic recovery.

Dubai announced today that it will begin setting the official price of its benchmark crude in relation to Oman oil futures. The change will take effect with July trade for September crude oil and was seen as an effort to support the development of the DME crude futures contract. The DME crude futures contract currently trades approximately 2000 lots per day.

June Calendar Averages

CL – \$69.64
HO – \$1.7994
RB – \$1.9740

Iraq's Oil Minister Hussein al-Shahristani said that plans to award eight oil and gas fields contracts will proceed as scheduled next week, despite calls from some lawmakers to cancel them. He rejected demands to postpone or cancel the bidding round.

Refinery News

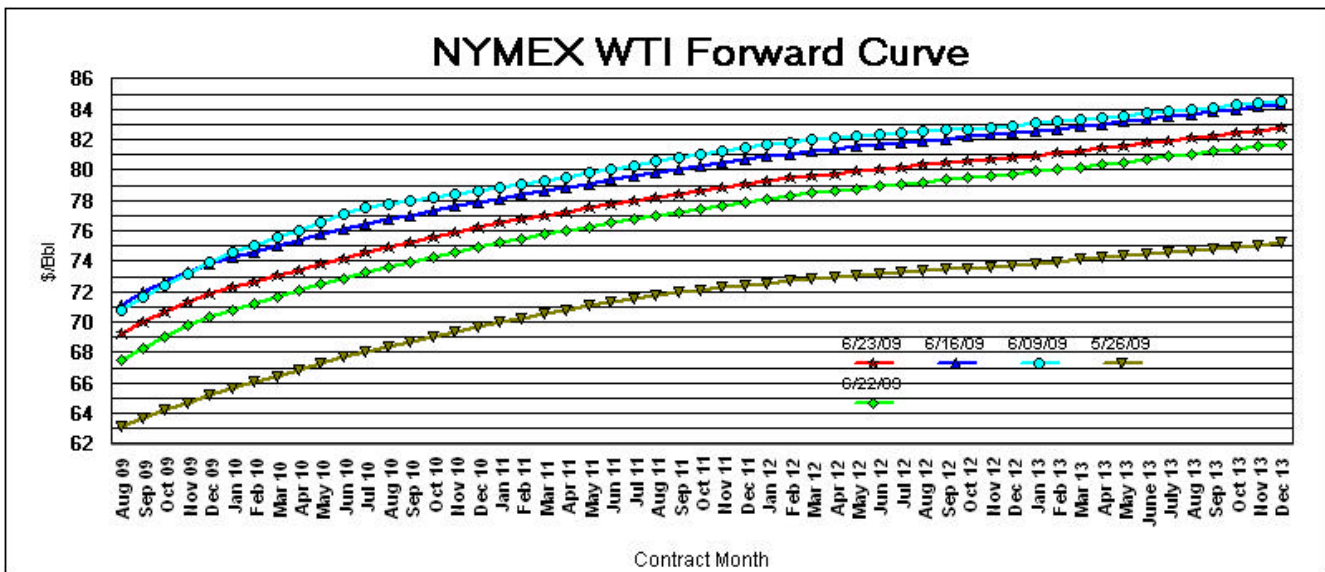
Total said delays and work stoppages on the construction project at the Lindsey refinery in England has cost it 100 million euros and was jeopardizing its investment in the HDS-3 desulphurisation unit. The company though reaffirmed that refined production at the 223,000 b/d refinery had not been effected. Separately, Total said it is preparing to restart unit 804 at its 232,000 bpd refinery in Port Arthur, Texas. It said it will start the unit in an orderly manner beginning Tuesday afternoon and ending Thursday.

Indian oil product sales have turned negative in May for the first time in seven months. May's preliminary of local product sales showed annual growth of 0.7% the lowest growth rate in three months as sales of diesel declined which accounts for over a third of the country's consumption. But officials noted that since these figures do not include imports, which were expected to be down, especially for naphtha as it was being displaced in the industrial sector by increasing natural gas consumption, total product sales should be lower. The preliminary data showed that domestic diesel sales declined 1.3% in May from a year earlier while petrol consumption rose 4.9%.

South Korea reported that its May crude oil imports fell 11.8% from a year earlier in May to 62.02 million barrels. Domestic oil products demand in May was estimated at 65.33 million barrels up 1.6% from year earlier levels. End of May private oil stocks were pegged at 70.14 million barrels versus 70.62 million barrels in May 2008. Crude runs in May were estimated at 64.07 million barrels down 15.1% from a year ago.

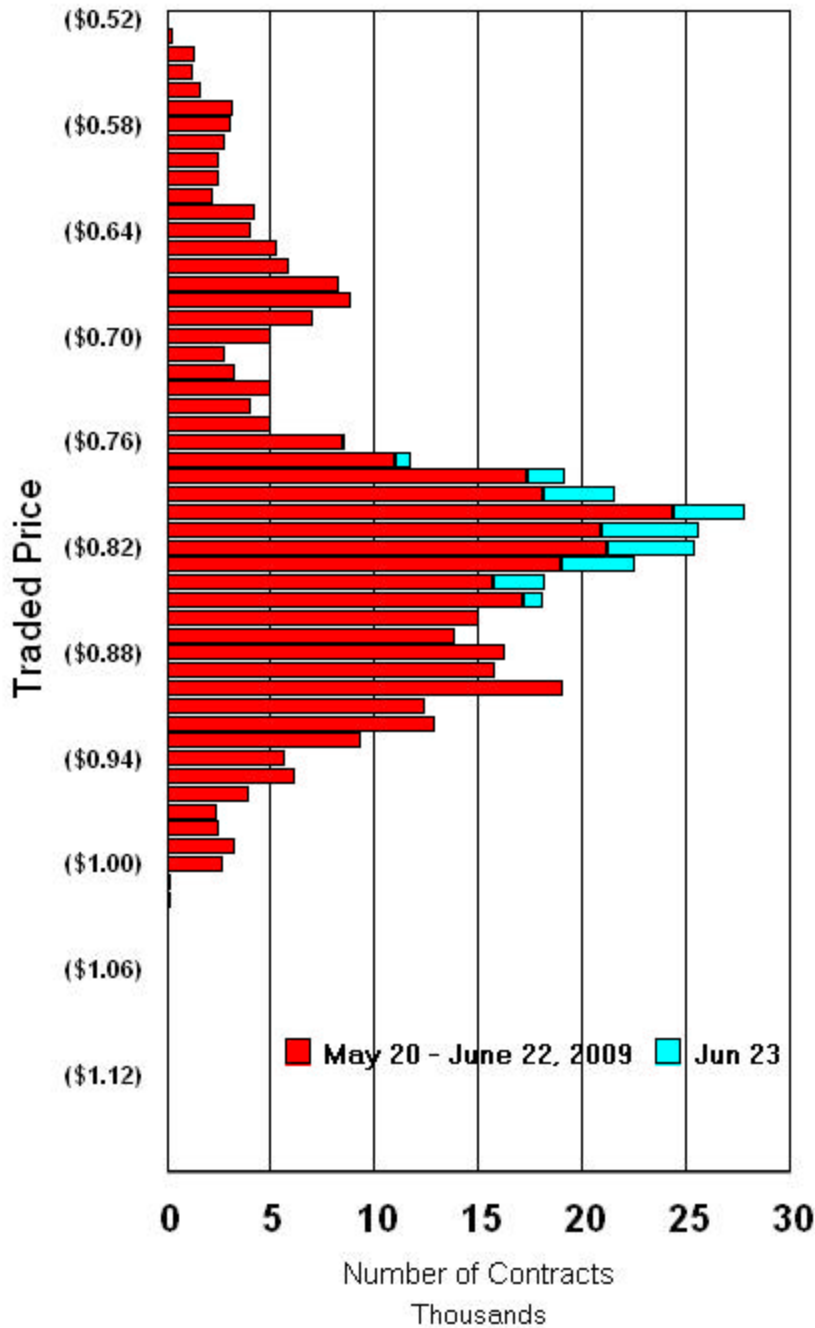
The U.S. Coast Guard reported this morning that an oil spill occurred Monday in the Sabine Neches Waterway at the Motiva dock near Port Arthur, Texas. Ship traffic though was not impacted and cleanup was underway. The spill was light crude oil and was estimated at 100 gallons.

Petrochina said it will build fuel storage tanks with total capacity of 765,000 cubic meters and an 80,000 deadweight ton fuel port in Guangzhou's Nansha district. The project is expected to be completed and put into operation by the end of this year, with monthly fuel movement of 500,000 tons.



NYMEX WTI: Aug Sep Spread Price Vs Volume for May 20 - June 23, 2009

Trade Weighted: 6/19 -0.50 6/22 -0.86, 6/23 -0.81



The Democratic leadership in the House of Representatives said overnight that the House of Representatives are expected to vote on an energy and climate change bill on Friday. But they noted that some issues are still under consideration, which appeared may lead to an amendment to the bill dealing with the treatment of ethanol and other biofuels.

Production News

Royal Dutch Shell said today it was still checking on its oil operations in the Niger Delta after militants said they had launched three attacks over the weekend against its facilities. MEND said on Sunday it had attacked Shell pipelines at Adamakiri and Kula, both in the Rivers state as well as the Afremo offshore oilfields, which are some 14 miles from the Forcados oil fields. Meanwhile the Nigerian military reported today that its security forces arrested nine gunmen suspected to be involved in last week's pipeline attack on the Agip pipeline that forced that company to shut in 33,000 b/d of crude production and 2 million cubic meters of gas per day. Separately, Eni SpA has declared force majeure on crude oil exports from Nigeria's Brass River.

Tensions in Iran continue to run high, with opposition groups calling for oil exports to be halted.

Kuwait's Oil Minister today said that OPEC will not cut output at its meeting in September, but would press for more compliance with

already agreed to cuts. He noted that Kuwait was unconcerned by the recent fall in oil prices.

Nigeria will export twelve 950,000 barrel cargoes of Qua Iboe crude in August. Schedules so far indicate eight cargoes of Agbami crude, five Escravos crude, four Amenam, plus three of Yoho crude and one of Oso condensate.

OPEC's Secretary General said today that while member compliance to production quotas had slipped to 75% he hoped that the group would move toward greater compliance in the near future. He said he would like to see oil prices reach \$80 per barrel by the end of the year. He said the current level of oil prices of \$60-\$70 is comfortable as it allows some investment, but higher prices would be better.

OPEC reported that its reference crude oil basket price dropped sharply to \$67.41 on Monday from \$70.27 on Friday.

Chevron announced its first oil production from the Frade Field in Brazil. The field is expected to achieve peak production of 90,000 b/d of crude oil and NGL's by 2011. The crude production is expected to find its way to the global export market, while natural gas production is expected to be directed toward meeting Brazilian domestic energy demand.

Iraq's North Oil Company said it hopes to bring output up to 800,000 b/d within two years, an increase of 100,000 b/d as it seeks to improve output from wells at its Ajeel and Himreen fields. Meanwhile Iraq's Kurdish government claimed that oil and gas contracts due to be awarded by the federal government at the end of the month as "unconstitutional".

AOC Holdings said Tuesday it now expects production at the Yme oil field to start in 2010, rather than as originally planned in the 4th quarter of this year. The expected delay in operations is due to a delay in construction of a floating oil production and storage system.

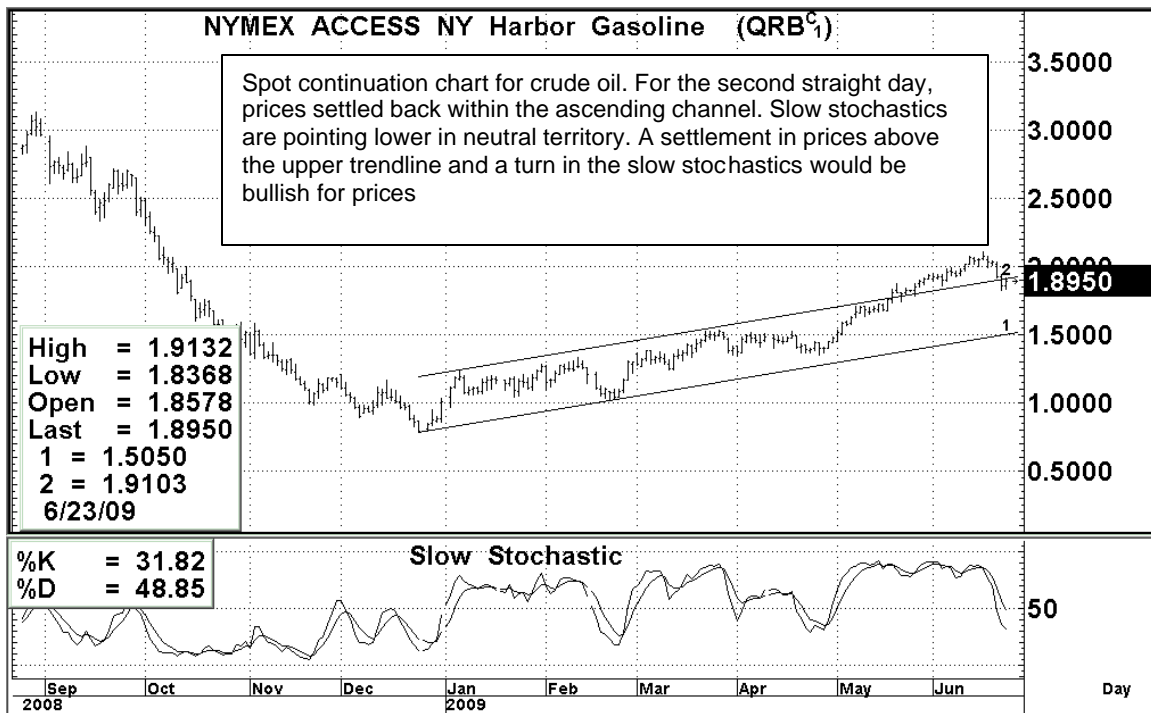
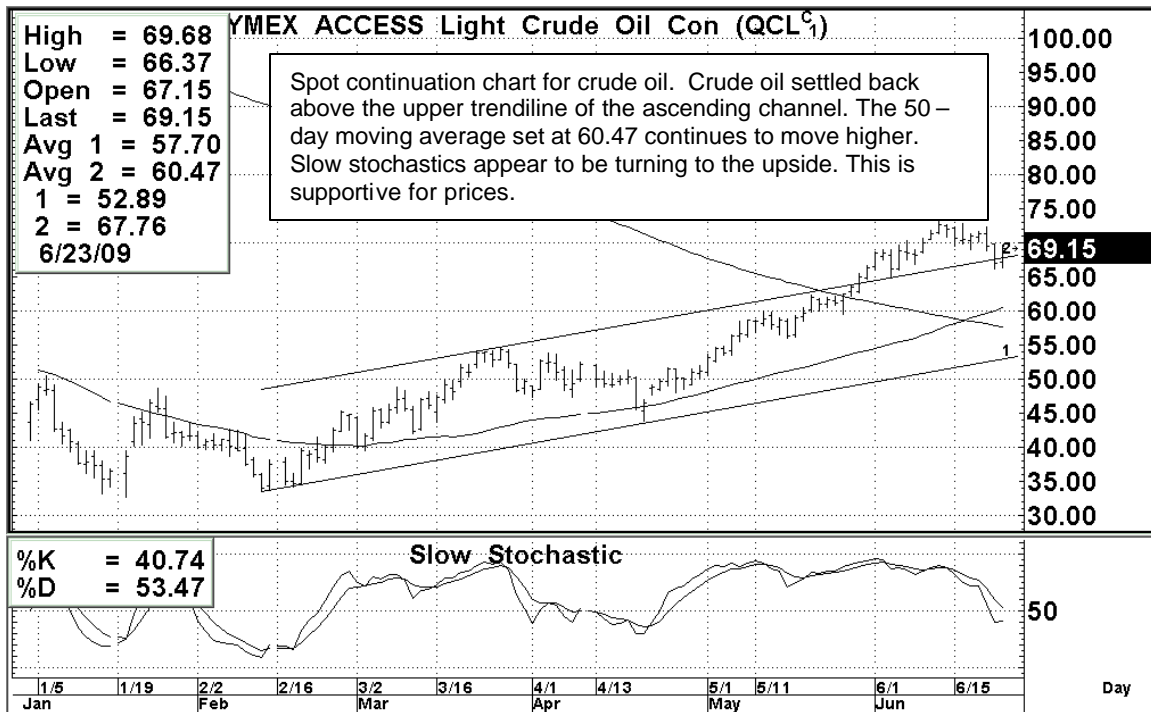
Market Commentary

A weak dollar forced investors to use commodities as a financial hedge, thereby pushing energy markets higher. Crude oil rose over \$2.00 a barrel at one point today, topping out at \$69.68. Crude oil has become more of a financial instrument, as investors continue to use it to hedge against the dollar. Rather than trading against the true fundamentals of this market, it appears that one must follow the direction of the dollar and trade crude oil based off of that. From a technical standpoint, crude oil appears to be headed higher. Gasoline climbed for the first time in five days despite expectations of inventory increases. This rise in gasoline did little to help the gasoline crack spreads, which lost value again today. Gasoline cracks have been weakening since the beginning of last week due to poor demand. Rumor has it that a large speculative fund is long the gasoline. If this is the case, negative inventory numbers should force further liquidation adding pressure to gasoline and crack spreads. The July contract settled below the upper trendline on an ascending channel, with stochastics pointing to the downside. The expected builds in inventories should help keep prices within this channel.

Crude Oil (CL) AUG.09 270,746 -7,160 SEP.09 133,560 +787 OCT.09 50,229 +2,040 NOV.09 29,537 +296 Totals: 1,137,773 -23,743 N.Y. Heating Oil (HO) JUL.09 29,709 -3,181 AUG.09 53,309 +748 SEP.09 35,074 +364 OCT.09 23,799 +431 Totals: 287,650 -1,285 NEW YORK HARBOR RBOB (RB) JUL.09 29,977 -6,452 AUG.09 73,820 -343 SEP.09 44,600 -45 OCT.09 22,583 +802 Totals: 217,905 -5,628

The API reported a smaller than expected draw in crude stocks of just 72,000 barrels on the week. It reported a draw of 1.403 million barrels in Padd 2 while crude stocks in Padd 3 built by 2.434 million barrels. It reported the draw in crude stocks as crude runs increased by 379,000 bpd to 14.96 million bpd while crude imports fell by 737,000 bpd to 8.613 million bpd on the week. The API reported larger than expected builds in product stocks of 2.343 million barrels in distillate stocks and 3.693 million barrels in gasoline stocks. The API showed that distillate stocks saw the largest build in Padd 1 of 3.095 million barrels on the week. It reported that build as production increased by 142,000 bpd to 4.042 million bpd. Apparent distillate demand fell by 6.3% to 4.016 million bpd while apparent demand basis its three week moving average fell by 2% to 4.086 million bpd. Meanwhile, the API

reported a build in gasoline stocks as production increased by 253,000 bpd to 9.288 million bpd. It however showed that apparent demand increased by 0.8% to 9.086 million bpd while apparent demand basis its three week moving fell by 2.7% to 9.072 million bpd.



Crude Support	Crude Resistance
Spot 200 day MA 57.70 50 day MA 60.47 67.35, 64.85, 60.50 , 59.85, 58.90, 56.75, 55.45, 54.49,	74.50, 76.10, 81.80
Heat Support	Heat resistance
1.6780, 1.6512, 1.6235, 1.5615	1.9090
Gasoline support	Gasoline resistance
1.7150, 1.6960, 1.5370, 1.5260, 1.3560, 1.3400, 1.3180, 1.2700, 1.2625 1.1680	2.0650, 2.1600

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