



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 25, 2009

G8 foreign ministers gathered for three days of talks overshadowed by the crackdown in Iran as they seek to increase efforts to rebuild Afghanistan. The meeting is laying down the groundwork for the G8 summit in two weeks in L'Aquila, Italy. Tensions have been rising between Iran and the West over Iran's suppression of mass street protests sparked by President Mahmoud Ahmadinejad's contested re-election. The meeting was initially scheduled to focus on stabilizing Afghanistan and Italy had extended an invitation to Iran to join the

Market Watch

According to a Reuters survey, while analysts increased their price forecasts, they warned that prices are likely to remain volatile over the next year as demand for oil is slow to recover. The survey showed that WTI crude is expected to average \$56.59/barrel in 2009 and increase to \$70.35/barrel in 2010 and to \$79.65/barrel in 2011. It also showed that Brent crude is expected to average \$56.11/barrel in 2009, \$69.19/barrel in 2010 and \$78.20/barrel in 2011.

Morgan Stanley estimates that crude oil prices can reach new highs by 2012 due to a recovery in demand, tight supplies and expectations of a weakening dollar.

Mercuria said spot oil prices are likely to trade at a discount to forward futures until at least the end of the year as inventories lower nearby prices. It said the contango reflected very high oil stocks that have built up on land and at sea as supply has outstripped demand.

The Labor Department said the number of US workers filing new claims of unemployment benefits increased by 15,000 to 627,000 in the week ending June 20th. This suggests the labor market remains weak despite recent signs of stabilization. Economists had expected a 3,000 decline. The four week average of new claims increased to 500 to 617,250 last week. The number of continuing claims increased by 29,000 to 6,738,000 after falling by 126,000 the previous week.

The US Commerce Department reported that the US economy was not as weak in the first quarter as earlier believed. It said GDP fell at a 5.5% annual rate in the first quarter, down from its previous estimate of a fall of 5.7% in the first quarter. Its price index for personal consumption fell 0.9% in January through March, compared to the previously estimated 1% decline and the fourth quarter's 4.9% decline.

The Baltic Exchange's main sea freight index fell by 1.28% or 48 points to 3,703 on Thursday. The Baltic's Capesize index fell by 1.14% on Thursday.

The Investment Company Institute said total money market mutual fund assets increased by \$34.22 billion to \$3.709 trillion for the week ending Wednesday, June 24th. Taxable government funds increased by \$11.82 billion, taxable non-government funds increased by \$25.85 billion and tax exempt funds fell by \$3.45 billion. It said assets of retail money market funds fell by \$6.55 billion to \$1.229 trillion and assets of institutional money market funds increased by \$40.77 billion to \$2.48 trillion.

June Calendar Averages

CL – \$69.62
HO – \$1.7950
RB – \$1.9631

Group of Eight. However Iran's Foreign Minister Manouchehr Mottaki declined the invitation as his government faces strong condemnation from the West over violence against protesters, arrests of opposition members and a media clampdown. On Friday, an expanded G8 meeting with regional players will be held to shore up peace efforts in

Afghanistan. Also on Friday, UN Secretary General Ban Ki-moon is due to attend a meeting of representatives from the Middle East, the European Union, Russia, the US and the UN to try to start Israeli-Palestinian talks.

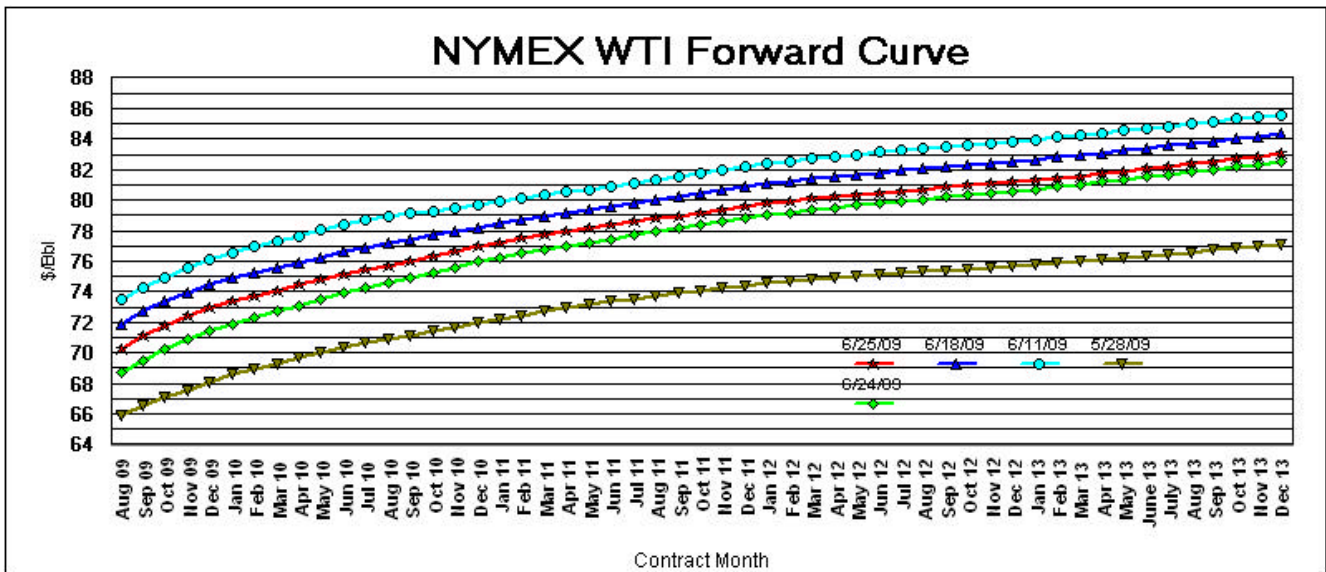
OPEC said the world oil market is in a delicate and precarious state. It said it is ready to move quickly to adjust crude production levels if such action proved necessary. OPEC said oil prices are now closer to levels that can support sound investment plans for future production but are not supported by fundamentals of supply and demand.

Oil Movements reported that OPEC's crude oil exports, excluding Angola and Ecuador, are forecast to fall by 290,000 bpd to 22.66 million bpd in the four weeks ending July 11th. It estimated OPEC is delivering on well below 75% of the promised cutbacks.

Nigeria's President Umaru Yar'Adua said he will grant amnesty to gunmen in the Niger Delta if they lay down their weapons by October 4th and cease fighting. The government estimates as many as 20,000 militants could participate in the program, however skeptics question whether an amnesty alone will be enough to halt its widespread oil theft, pipeline bombings and kidnappings for ransom.

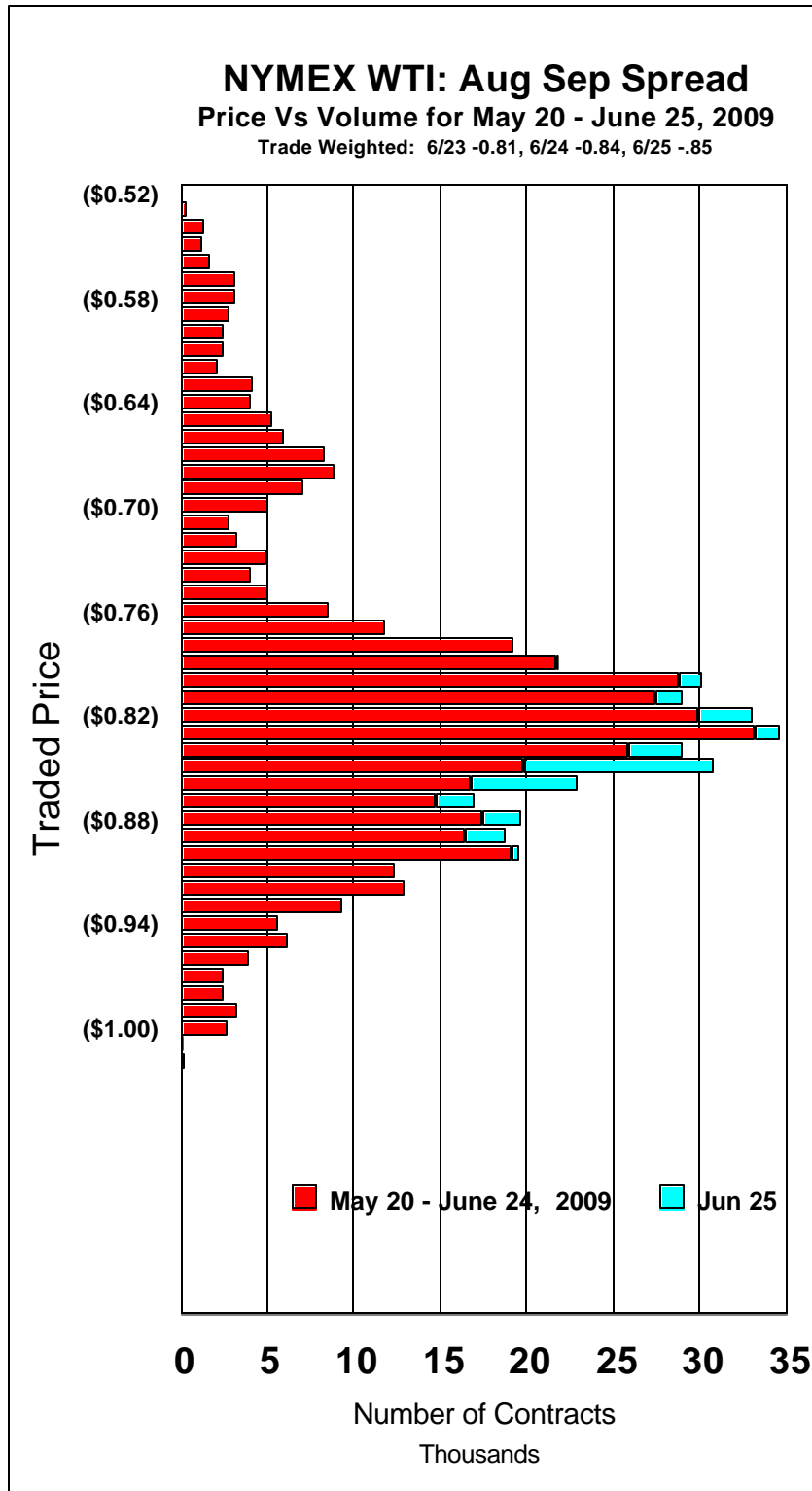
A report by the Senate Permanent Subcommittee on Investigations concluded that index traders, operating under exemptions granted by the Commodity Futures Trading Commission, often exceed speculative position limits in wheat futures. The report makes recommendations that have the potential to spill over into energy as lawmakers renew their efforts for greater regulation over index funds and other investors. The report said the CFTC needs to analyze the impact of index trading in other commodities, including oil to determine whether excessive speculation from those entities is even more widespread. It said that in order to understand the role of index trading in energy and other non-agricultural commodity markets, the CFTC will need to improve its data collection and analysis efforts for both the OTC markets and index trading. It said the CFTC should undertake this effort to bring additional transparency to the impact of index trading on energy futures markets.

US Senate Majority Leader Harry Reid said he believes market manipulation is behind the spike in gasoline prices and added that federal regulators should investigate the matter.



Refinery News

ExxonMobil reported some operational issues at its 562,000 bpd refinery in Baytown, Texas, which caused flaring. Its hydrocracker unit at the refinery is still down for work. The unit was shut for repairs on June 18th.



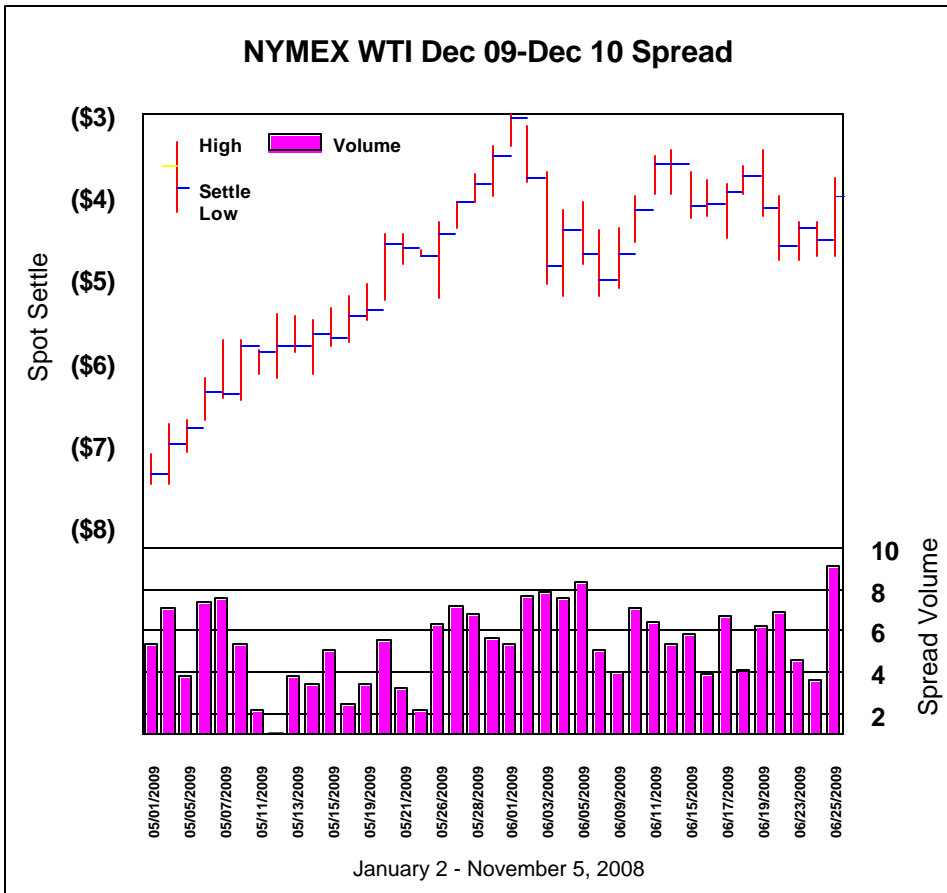
Valero Energy Corp said there was no impact on production at its 199,000 bpd Texas City, Texas refinery following a brief power outage that affected a hydrogen unit and another unit.

Lion Oil Co said a fire at its El Dorado, Arkansas refinery early Thursday reduced its crude oil throughput to about 60% of capacity. The fire occurred at the crude unit's pump and was quickly extinguished. Crude throughput is expected to return to normal rates by Saturday.

Nigeria's 125,000 bpd Warri refinery in the Niger Delta was shutdown last week after a militant attack shut in one of its crude oil supply pipelines late last month. The refinery had been operating for the past few weeks on surplus supplies. A Nigerian National Petroleum Corp official said the 110,000 bpd Kaduna refinery in Nigeria resumed operations earlier this month after being closed for routine maintenance in November. The remaining two refineries in Port Harcourt have not been able to resume normal operations for months.

Indian Oil Corp will shut its 160,000 bpd Mathura refinery in northern India for about a month starting Friday for planned maintenance. The shutdown is likely to be over in 30-35 days.

Japan's Mitsubishi Chemical Corp will delay the restart of its 375,000 ton per year No. 1 naphtha cracker

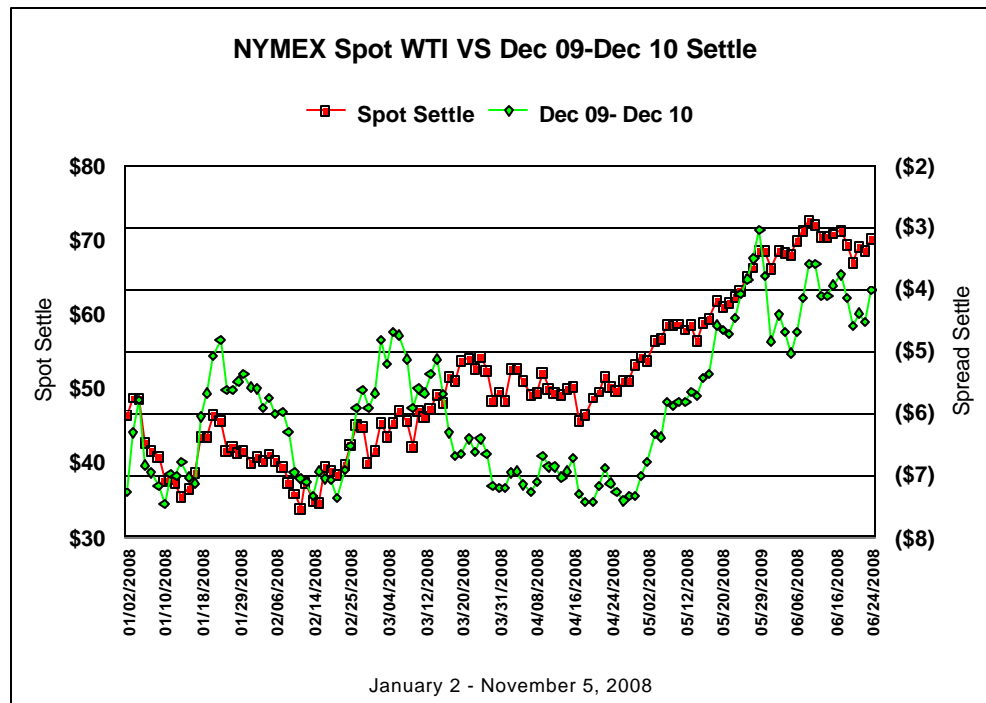


at its Kashima refinery by about nine days to July 5 or 6 due to an oil leak. The company will also move back the start of scheduled maintenance on the 476,000 ton/year No. 2 cracker at the plant by about nine days from its initial schedule of June 28th.

Japan has concluded a basic agreement with the UAE to start receiving oil from Abu Dhabi National Oil Co to help stock up its oil reserves. The joint project with ADNOC is expected to start this fall, with stocks of oil from ADNOC being stored in a reserve base of Nippon Oil Corp in Kagoshima, southern Japan.

Gas oil inventories in independent tanks in the

Amsterdam-Rotterdam-Antwerp area in the week ending June 25th increased by 0.48% on the week and by 102.3% on the year to 2.723 million tons. Imports of gas oil to the ARA independent tanks came from India, Norway, Russia, South Korea, the UK and the US. Gasoline inventories increased for the fourth consecutive week to 725,000 tons, up 2.69% on the week. However gasoline inventories fell by 9.83% on the year. Fuel oil inventories fell by 11.09% on the week but increased by 2.56% on the year to 561,000 tons while naphtha stocks increased by 31.52% on the week



and by 30.11% on the year to 121,000 tons and jet fuel stocks increased by 13.64% on the week and by 178.85% on the year to 725,000 tons.

Trade sources said gas oil barges from German refineries are being sent up the Rhine River and into the Amsterdam-Rotterdam-Antwerp storage terminal in a reversal of the usual trend because of oversupply. An oil trading company said it sent up to 50,000 tons back up the river so far in June.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.698 million barrels to 21.281 million barrels in the week ending June 24th. It also reported that the country's light distillate stocks increased by 553,000 barrels to 10.072 million barrels while middle distillate stocks built by 1.216 million barrels to 13.139 million barrels.

Production News

Royal Dutch Shell said it shutdown one of its pipeline junction points in Nigeria's Niger Delta following reports of a militant attack on its infrastructure. Shell said it received reports of an attack on a Shell operated pipeline at Krakrama manifold and added that it was shutdown. An emergency team has been mobilized to limit the environmental impact. The Movement for the Emancipation of the Niger Delta said it

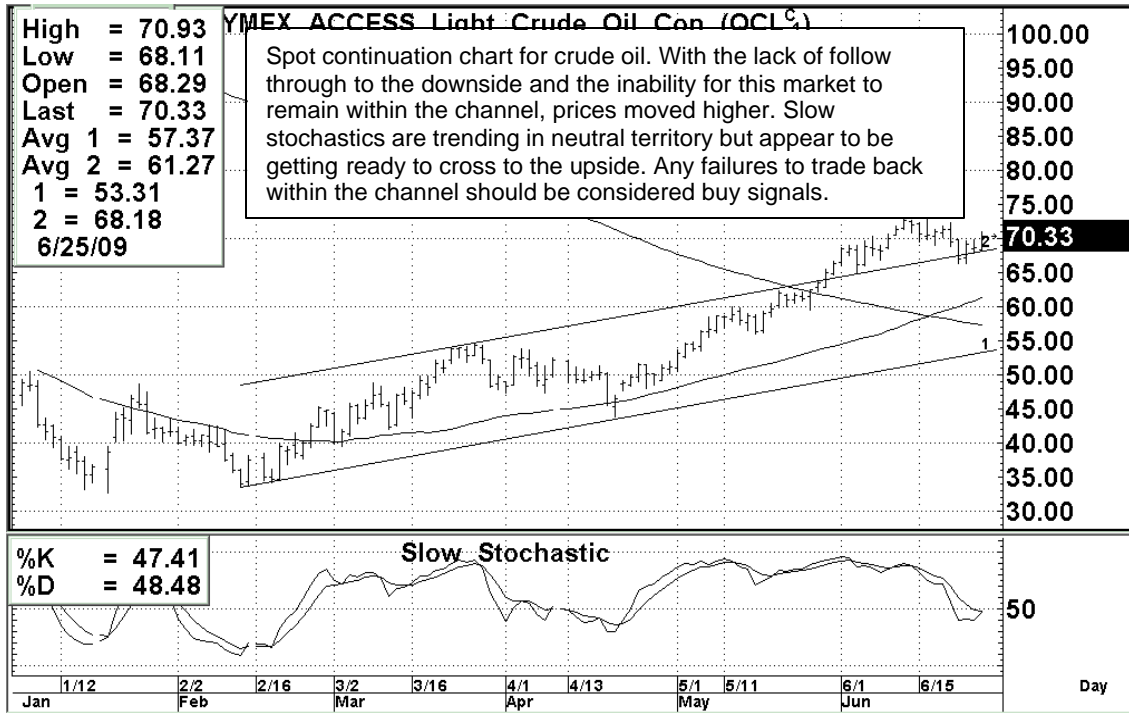
NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/25/2009									
CONTRACT				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	8	9	C	80	1.35	1.27	210	0	0
AO	9	9	C	80	2.53	2.34	210	0	0
AO	7	9	C	80	0.18	0.17	210	0	0
LC	12	9	P	70	6.2	7.01	500	0	0
LC	9	9	C	100	0.08	0.1	500	0	0
LC	12	9	P	60	2.89	3.37	500	0	0
LO	8	9	P	65	1.04	1.65	3473	1.75	0.9
LO	12	9	C	100	1.04	1	3202	1.05	1.02
LO	8	9	C	73	1.66	1.43	2845	1.74	1.25
LO	8	9	C	75	1.07	0.94	2348	1.16	0.82
LO	12	9	P	60	2.89	3.37	2106	2.95	2.95
LO	8	9	P	55	0.13	0.22	2056	0.16	0.12
LO	8	9	C	80	0.29	0.3	1882	0.3	0.22
LO	8	9	P	50	0.04	0.07	1842	0.08	0.04
LO	10	9	P	60	1.91	2.4	1675	1.89	1.89
LO	8	9	P	62	0.58	0.94	1670	0.75	0.5
LO	8	9	C	78	0.51	0.47	1655	0.5	0.39
LO	9	9	P	65	2.25	2.99	1602	2.66	2.3
LO	8	9	C	72	2.03	1.74	1587	2.1	1.66
LO	12	9	P	55	1.86	2.19	1500	0	0
LO	8	9	P	60	0.39	0.64	1441	0.6	0.31
LO	8	9	C	82	0.17	0.19	1236	0.16	0.14
LO	9	9	P	60	1.2	1.65	1189	1.66	1.15
LO	8	9	C	71	2.45	2.09	1080	2.6	1.9
LO	12	9	C	73.5	7.31	6.75	1010	0	0
OB	7	9	C	1.9	0	0.0074	406	0.026	0.026
OB	7	9	P	1.9	0.0017	0.0649	380	0	0
OB	10	9	P	1.5	0.0468	0.0635	320	0	0
OB	9	9	P	1.65	0.0452	0.0644	320	0	0
OB	9	9	C	1.86	0.1598	0.1448	275	0	0
OB	9	9	P	1.86	0.1202	0.1524	275	0	0
OB	8	9	P	1.9	0.0992	0.1394	253	0	0
OB	8	9	P	1.65	0.0187	0.0356	250	0	0
OH	8	9	P	1.5	0.0107	0.0167	500	0	0
OH	8	9	C	2.25	0.0098	0.0084	500	0	0

sabotaged a Royal Dutch Shell pipeline. Cawthorne Channel 1, 2 and 3 flow stations feeding the Bonny export terminal have been effectively shut in. Separately, Nigeria's President Umaru Yar'Adua met visiting Russian President Dmitry Medvedev and signed several agreements, including one for a

joint venture between NNPC and Russia's Gazprom for investments in gas infrastructure and transportation. MEND said it will ensure that the agreements signed by the two countries on oil and gas exploitation are worthless. It said the destruction of installations is the fate that awaits the gas pipelines to be built by Gazprom if justice is not factored into the process.

Iraq's Oil Minister Hussain al-Shahristani said the ministry has selected a company to develop the Nassiriya oilfield and has sent its choice to the cabinet for approval. Italy's Eni, Japan's Nippon Oil and Spain's Repsol were invited to bid for the contract but Repsol was no longer considered to be in the running. Iraq's Oil Minister declined to identify the selected company to Reuters. Iraqi official said Nassiriya could pump 100,000 bpd within 18 months.

Values for Russian Urals crude have increased this week, propelled by anxiety over tighter supply in July. The provisional July loading program for Urals indicates fewer loadings out of Black Sea ports of Primorsk for July 6-10,



due to pipeline maintenance. Maintenance work can curtail loadings by five or six cargoes, compared with a typical monthly loading volume of 60-61 cargoes.

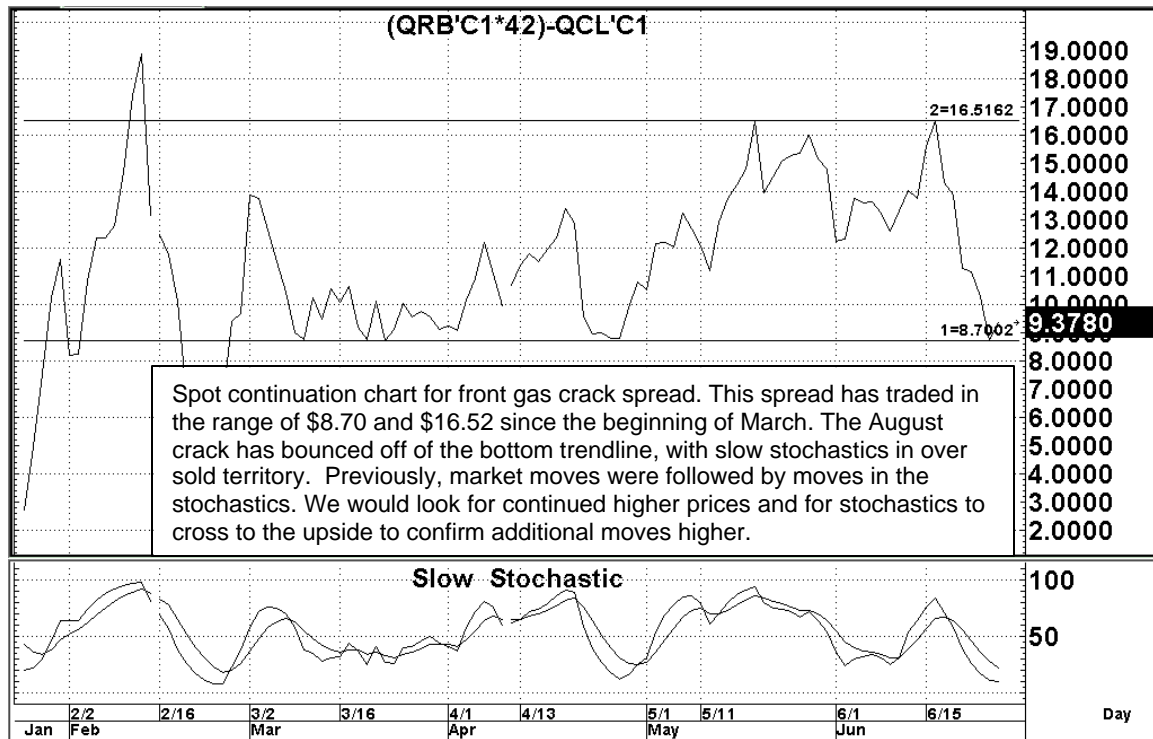
Ecuador's central bank reported that the country's average oil production fell by 3% to 499,000 bpd in the first four months of 2009 from 514,000 bpd in 2008. Petroecuador's production averaged 282,000 bpd in the first four months while private companies' output was 217,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$68.01/barrel on Wednesday, up from \$66.61/barrel on Tuesday.

Market Commentary

A militant attack on Royal Dutch Shell Plc's pipeline that supplies an export terminal in Nigeria, pushed crude oil, gasoline and heating oil higher today. Exxon Mobil Corp. reported that there were operational problems at its Baytown, TX refinery late yesterday and today. Outages were reported at Valero Energy Corp.'s Baytown, Texas and Marathon Oil Corp's Texas City, Texas refineries, adding to today's higher move. Gasoline proved to be the strongest of the three markets with crack spreads rising after six straight days of weakening. As the U.S. summer driving season kicks in, demand should pick up, dragging the price of gasoline higher. Based upon a spot continuation chart for the front gasoline crack spread, prices have been trading within the range of \$8.70 and \$16.52 since the

beginning of March. Yesterday's low bounced off of the bottom trendline of this channel, with prices moving higher today. Moving oscillators appear to be getting ready to cross to the upside, with percent K



moving higher and percent D moving lower. On previous moves in either direction, the market moved first and then stochastics followed. The same scenario appears to be taking place. Should percent K cross above D, this would provide confirmation that the gasoline crack will move out. Crude oil continues to struggle on the downside as it closely follows the equities markets. The August contract has been unable to remain below the upper trendline on the ascending channel basis a spot continuation chart. Any failed attempts to trade below this level should be considered buy signals.

The December 2009-December 2010 spread exploded higher today once near term resistance at - \$4.31 was breached earlier in the day. Volume today in the spread surged to over 9100 lots traded on Globex, the highest level since December 10th of last year when over 10,000 lots were traded. The spread that day postewd an extremely wide trading range of \$1.76 and finished the trading session settling up 86 cents from the prior day.

Crude Oil (CL) Crude Oil (CL) AUG.09 262,273 +1,077 SEP.09 133,424 +4,937 OCT.09 49,832 +997 NOV.09 28,821 +1,694 Totals: 1,123,254 +13,978 N.Y. Heating Oil (HO) JUL.09 20,255 -3,454 AUG.09 59,478 +1,338 SEP.09 36,547 +493 OCT.09 24,688 +425 Totals: 287,825 + 238 NEW YORK HARBOR RBOB (RB) JUL.09 19,513 -6,778 AUG.09 75,749 +494 SEP.09 43,149 -484 OCT.09 23,233 +703 Totals: 209,589 -5,649

Crude Support	Crude Resistance
Spot 200 day MA 57.37 50 day MA 61.27 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, 131.80,1.2700, 1.2625 1.1680	2.0650, 2.1600

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