



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 29, 2009

The IEA's executive director, Nobuo Tanaka, said it is still very concerned that too rapid an oil price increase could derail any economic recovery and consumer countries should seize the moment to improve energy efficiency.

The IEA cut its 2008-2014 oil demand forecast due to the economic recession. It said demand

will grow by 0.6% or 540,000 bpd on average between 2008 and 2014. It previously forecast an annual growth of 1 million bpd. Oil demand will increase to 89 million bpd in 2014 from 85.8 million bpd in 2008. This year, demand is expected to fall to an average of 83.2 million bpd. It said the largest impact of lower spending has been on non-OPEC supply, which is expected to decline by 400,000 bpd between 2008-14 compared with its previous estimate of 1.5 million bpd growth. The IEA stopped short of saying the fall in non-OPEC supply is irreversible, blaming barriers to investment for lower production and saying there is enough oil left in the ground to allow output to expand. OPEC

Market Watch

A French government sources said France wants the Group of Eight to discuss ways of regulating oil prices at its summit in Italy next month. The next G8 summit is scheduled to take place from July 8-10.

Enterprise Products Partners LP agreed to buy Teppco Partners LP for about \$3.3 billion, creating the largest US energy partnership. The partnerships will combine almost 48,000 miles of pipelines, more than 200 million barrels of oil, oil products and natural gas liquids storage and 27 billion cubic feet of natural gas storage.

Citigroup raised its average 2009 US oil price forecast to \$55.70/barrel from \$47.50/barrel. Its fourth quarter 2009 estimate was revised to \$60/barrel from \$50/barrel, which is below current price levels. It also raised its average 2010 US oil price forecast to \$65/barrel from \$55/barrel.

Iraq's Vice President Tareq al-Hashemi will boycott an auction on Tuesday to award contracts for eight oil and gas fields, saying parliament needs more time to study the country's first major oil tender since 2003.

Hovensa postponed major capital maintenance projects and let go of 270 contractors due to the economic downturn. The layoffs happened on Friday at the Hovensa refinery in St. Croix.

Japan's Trade Ministry said it approved Tokyo Electric Power Co's request to restart operations at its No. 6 nuclear generator at its quake-hit Kashiwazaki-Kariwa plant.

June Calendar Averages

CL – \$69.69
HO – \$1.7913
RB – \$1.9575

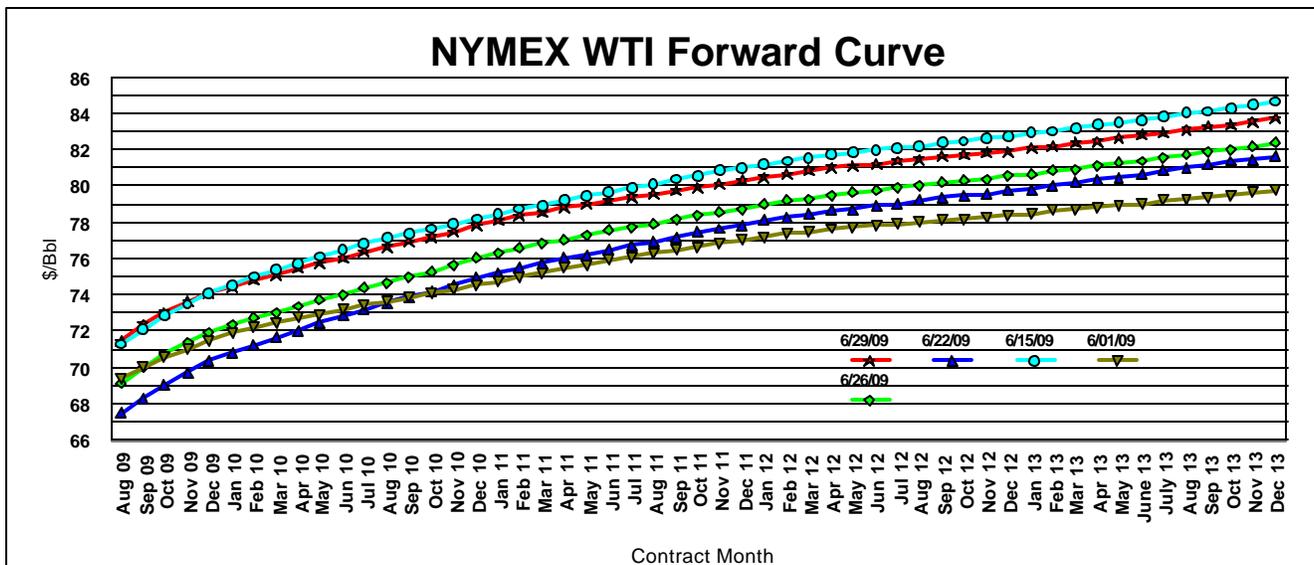
members are expanding supplies more slowly than previously believed, in part because of weaker demand and lower income from oil sales. OPEC is expected to add 1.7 million bpd of additional supply capacity by 2014, about half of the increase previously expected. In regards to Iraq, the IEA said Iraqi plans to increase its oil output to 6 million bpd by 2017 are likely over optimistic. It forecast Iraqi oil output capacity will fall to as low as 2.23 million bpd in 2010/11 before gradually rising to 2.7 million bpd by 2014. The IEA stated that oil companies will add new crude oil processing capacity, totaling 7.6 million bpd from 2008 to 2014 globally. In addition to crude processing capacity, refiners will add 7.9 million bpd of hydrotreating or desulphurization capacity and 6.5 million bpd of upgrading capacity by 2014.

The EIA said US oil demand in April at 18.471 million bpd was 216,000 bpd more than previously estimated but down 1.297 million bpd on the year. US oil demand was revised upwards by 1.18% from the EIA's earlier estimate of 18.255 million bpd and was down 6.56% from last year's level of 19.768 million bpd. Gasoline demand averaged 8.948 million bpd in April, down 1% or 90,000 bpd below its previous estimate. Distillate demand was revised down 2.9% or 103,000 bpd to 3.46 million bpd. The EIA also reported that the refinery runs in April averaged 14.354 million bpd, down 3% on the year.

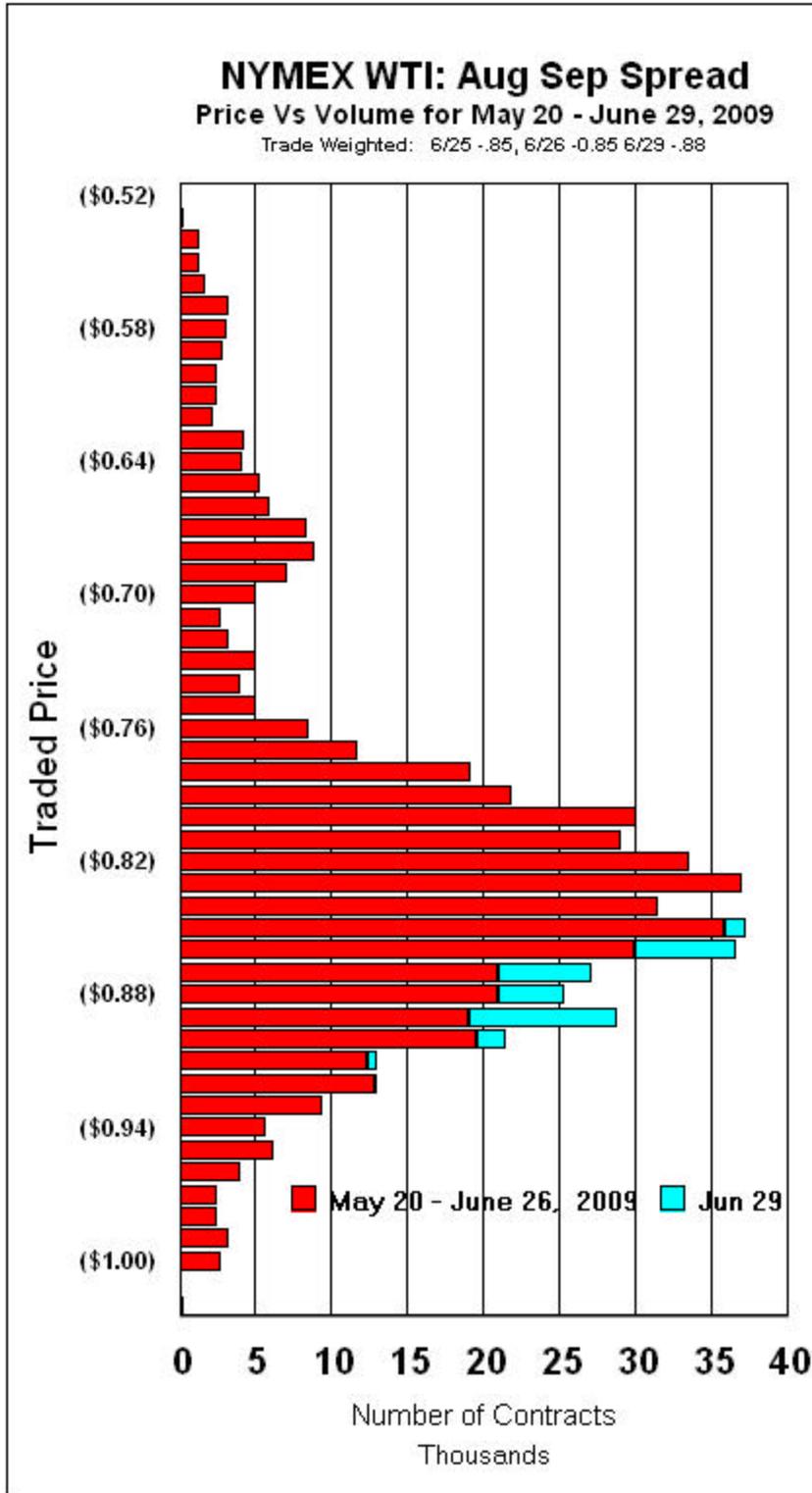
The EIA reported that US crude oil imports in April were relatively unchanged on the month but fell by 5.2% on the year to 9.406 million bpd. Canada was the largest crude oil source for the US for the 38th consecutive month in April. Crude imports from Canada increased by 9,000 bpd to 1.854 million bpd. Mexico held the second place ranking for the third consecutive month at 1.177 million bpd, up 85,000 bpd on the month. Imports from Saudi Arabia increased by 77,000 bpd to 1.021 million bpd, making it the third largest source while Venezuela was the fourth largest supplier with 803,000 bpd.

Algeria's Energy and Mines Minister Chakib Khelil said there was no need for OPEC to increase its crude oil production, despite rising prices. He said he considered OPEC compliance with existing output cuts satisfactory and assessed the level at 80%. Qatar's Oil Minister Abdullah al-Attiyah said he did not see any need for OPEC to increase its oil production when it meets in September. Separately, Iran's OPEC governor said both the EU and OPEC agreed that \$70-\$80/barrel is a fair crude oil price until the world economy stabilizes.

A partial recount of Iran's disputed election won by President Mahmoud Ahmadinejad started on Monday. In a sign that the process would not put into question the president's victory, IRNA news agency said recounting so far in a Tehran district gave him more votes than in the June 12 election. The Guardian Council is recounting 10% of the total ballot boxes and will announce its final results



later on Monday. Meanwhile, Pro-reform cleric Mehdi Karoubi, the fourth in the official count, reiterated his call for an annulment in a letter to Iran's Guardian Council. He said the annulment of the election is the only way to regain the people's trust. An official at the National Iranian Oil Co said unrest in Iran has not affected the operations of its domestic energy sector or dealings with foreign oil companies.



The EIA reported that the US retail average price of diesel fell by 0.8 cents to \$2.608/gallon in the week ending June 29th. It also reported that the US average retail price of gasoline fell by 4.9 cents to \$2.642/gallon on the week.

According to the Lundberg survey, the US average retail price of gasoline was relatively unchanged in the last two weeks at \$2.6613/gallon on June 26th.

Refinery News

Credit Suisse said refining margins fell in most regions of the US last week. Margins in the Gulf Coast fell by \$3.80 to \$6.62/barrel in the week ending June 26th while margins in the Midwest fell by \$3.61 to \$9.34/barrel. Margins in the Northeast fell by \$2.97 to \$4.88/gallon while margins in the West Coast fell by \$2.80 to \$10.28/barrel and margins in the Rockies increased by \$1.93 to \$21.35/barrel.

ExxonMobil Corp restarted a crude unit at its 567,000 bpd refinery in Baytown, Texas after two furnaces resumed operations. It said there was no impact to supply. Separately, ExxonMobil Corp said operations were normal at its 150,000 bpd refinery in Torrance, California following an early morning problem in an operating unit. The upset had minimal impact to production.

A power failure at Valero Energy Corp's 199,000 bpd refinery in Texas City, Texas caused an

emissions event on Saturday. The brief power outage did not impact the refinery's production.

BP Plc is in the process of restarting a 64,000 bpd fluid catalytic cracking unit at its 405,000 bpd Whiting, Indiana refinery.

Adria-Wien pipeline, which carries crude to OMV's Schwechat refinery, was shut on Friday after heavy rainfalls led to the risk of a landslide. It was not immediately clear when it would restart operations.

Saudi Aramco has further extended the shutdown of its Ras Tanura hydrocracker after a planned restart in early June failed. The company is offering 90,000 tons of cracked A961 fuel oil for July 17-18 lifting from Ras Tanura.

Nippon Oil Corp plans to refine 3.37 million kiloliters of crude in July to meet domestic demand, down 24% on the year. It is up 70,000 kl from its earlier plan to refine 3.3 million kl in July.

Japan's Idemitsu Kosan Co plans to refine 2.1 million kiloliters or 426,000 bpd of crude in July, down 26% on the year due to lower demand and exports. It plans to refine 7 million kl or 479,000 bpd of crude in July-September, down 17% on the year.

According to government data, India's domestic oil products sales in May fell by 1.4% to 11.48 million tons on the year. Crude oil imports increased by 18.8% to 12.02 million tons while refined products imports fell by 15.6% on the year.

Production News

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, said its fighters attacked a Royal Dutch Shell oil facility in the Niger Delta on Monday. Shell said it shut in some production as a precautionary measure while it investigates reports of attacks on two well clusters in its Estuary field in the western Niger Delta, which feeds into its Forcados oil export terminal. Nigeria is still exporting Forcados crude from stocks of 23 million barrels following the militant attack. Separately, the MEND said it sunk a gunboat with between 20 and 23 soldiers on board. A Joint Task Force spokesman denied its forces had clashed with MEND fighters.

The Nigerian National Petroleum Corp said Nigeria is currently pumping 1.739 million bpd of crude oil and 560,000 bpd of condensate. It said the total amount of production shut in by years of militant attacks and funding shortfalls currently stood at 1.26 million bpd.

Nigeria raised its official selling price for its crude grades for July. It raised the official selling price of its Bonny Light crude and Qua Iboe crude by 70 cents to Dated Brent plus \$1.70/barrel. It increased the price of its Escravos crude by 60 cents to Dated Brent plus \$1.10, while the price of its Agbami crude was increased by 70 cents to Dated Brent plus \$1.10 and the price of its Brass Blend crude was increased by 75 cents to Dated Brent plus \$1.75/barrel. It also increased the price of its Pennington crude by 90 cents to Dated Brent plus \$3.10/barrel and increased the price of its Forcados crude by 55 cents and Amenam crude by 95 cents to Dated Brent plus \$1.35 and Dated Brent plus \$1.40/barrel, respectively.

Abu Dhabi National Oil Co will slightly increase its supply cuts on its main crude grades to Asia in August. ADNOC will supply Murban, Lower Zakum, Umm Shaif and Upper Zakum crudes at 19% below contracted volumes in August compared with 18% in July.

Angola is set to export about 1.76 million bpd of crude oil in August, down from 1.86 million bpd in July but well above its implied OPEC target. Angola has stated that its OPEC quota is 1.656 million bpd while an OPEC internal document suggests Angola's output limit is 1.52 million bpd.

ExxonMobil Corp is beginning to drill the first of three deepwater exploration wells off the coast of Libya.

Ecuador's central bank reported that the country exported 1.39 million barrels of crude oil in April, up 4.5% on the year.

The National Development and Reform Commission said China will raise its retail gasoline and diesel prices by almost 10% to a record high. China's gasoline and diesel prices will increase by up to 600 yuan to 7,530 yuan/ton or \$81.50/liter and 6,790 yuan/ton or \$84.50/liter, respectively.

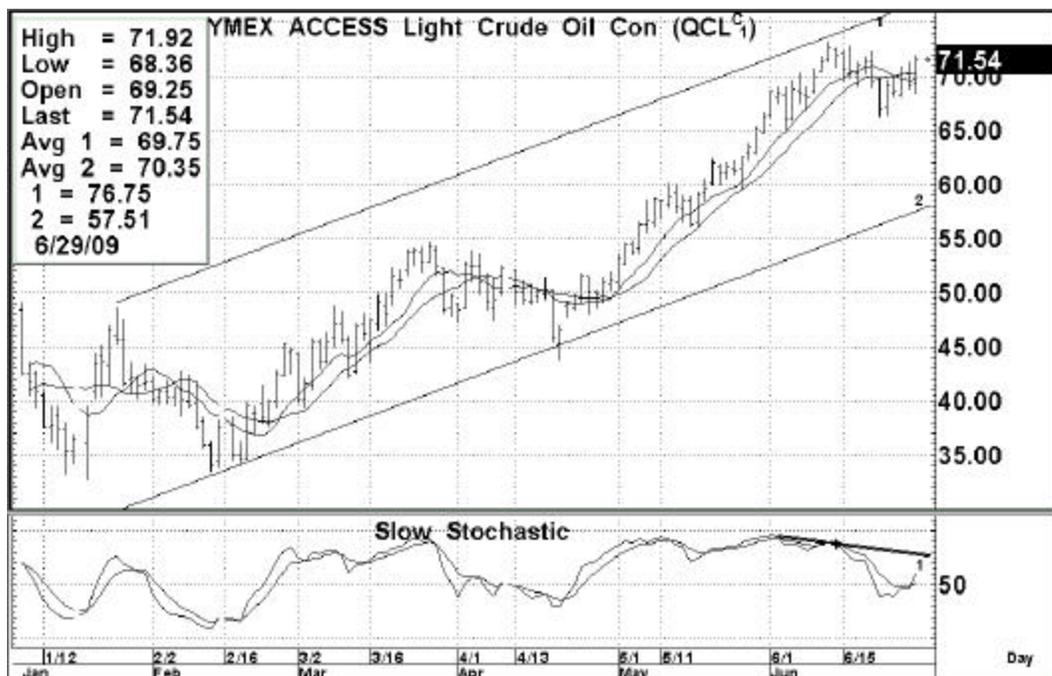
OPEC's news agency reported that OPEC's basket of crudes increased further to \$69.29/barrel on Friday from \$68.54/barrel on Thursday. OPEC's news agency reported that OPEC's basket of crudes fell by \$1.80/barrel to \$67.97/barrel in the week ending June 26th.

Market Commentary

Crude oil approached the \$72.00 level today in response to a militant attack on a field operated by Royal Dutch Shell Plc. The attack forced the closing of the Estuary field, which is located near the Forcados export terminal. Militant attacks have cut Nigeria's oil exports by more than 20 percent so far. In the meantime, the IEA has cut its oil demand forecasts by 3 million barrels a day for every year through 2014. Demand for crude oil is still soft, while supplies run high. The August crude oil contract traded in an outside fashion, obtaining a higher high and lower low, than the previous session, settling \$2.33 higher on the day. The August contract continues to trade around the 14-day moving average (70.35), and the 9-day moving average (69.76). Prices traded above and below these two numbers, settling higher than both. Slow stochastics have crossed to the upside in neutral territory, with percent K crossing above percent D. with prices penetrating and settling above the \$71.00 level. We would look for a test up around \$73.00 with a break above this level needed for the upside to continue.

Crude Oil AUG.09 255,959 -12,651 SEP.09 138,145 -286 OCT.09 52,799 -529 NOV.09 28,677 -953
 Totals: 1,127,201 -24,272 N.Y. Heating Oil (HO) JUL.09 12,038 -3,670 AUG.09 67,452 +1,986
 SEP.09 37,370 +735 OCT.09 25,752 +514 Totals: 289,271 -1,890 NEW YORK HARBOR RBOB (RB)
 JUL.09 13,019 -3,898 AUG.09 77,063 -2,717 SEP.09 43,584 +141 OCT.09 25,065 -198 Totals:
 206,549 -7,228

Prices remain within the ascending channel. With the 14-day moving average crossing above the 9-day, we would look for sideways to more upside price movement. Slow stochastics support higher prices, with percent K crossing above percent D.



Crude Support	Crude Resistance
70.35, 69.75, 68.05, 67.35, 64.85, 60.50 , 59.85, 58.90, 56.75, 55.45, 54.49,	72.15. 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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