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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 12, 2008

Goldman Sachs' energy equity team, which predicted a crude rally to \$200/barrel earlier this year, cut its 2009 forecast to \$45/barrel as demand declines. It said oil prices would bottom out early next year and added that a shift from demand destruction to supply destruction would ultimately revive the oil market's rally. Goldman's commodities research team predicted world oil demand would fall by 1.7 million bpd and help pressure oil prices down to \$30/barrel in the first quarter. It said it expects that an additional 2 million bpd of OPEC supply cuts will be required in 2009, along with a 600,000 bpd reduction in non-

Market Watch

Industry sources and traders said oil firms and two OPEC producers are set to store at least 44 million barrels of oil at sea. Oil majors and independent trading houses have booked an armada of super tankers in the last month to store at least 26 million barrels of crude, mostly offshore in the US Gulf. Koch Supply and Trading, Royal Dutch Shell, BP, Vitol, Thai Oil and an oil trading house have all be linked to floating storage bookings starting in November and December. Venezuela's PDVSA has booked three Very Large Crude Carriers or supertankers, capable of holding a total of six million barrels for three years each in the last few weeks. Meanwhile, Iran is storing at least 12 million barrels on tankers offshore close to Kharg Island in the Gulf.

BNP Paribas cut its average WTI oil price forecast for 2009 to \$53/barrel from its previous forecast of \$75/barrel. It forecast that oil prices would fall to an average of \$42/barrel in the second quarter of next year before recovering to \$70/barrel in the fourth quarter. It also cut its price forecast for Brent crude to \$52/barrel from \$73/barrel.

The Labor Department said the Producer Price Index for finished goods fell by 2.2% on a seasonally adjusted basis in November. The core PPI advanced 0.1% in November.

The Commerce Department reported that total business inventories fell by 0.6% to a seasonally adjusted \$1.497 trillion after falling 0.4% in September. It fell at its sharpest rate in more than five years. Business sales fell by 3.5% to a seasonally adjusted \$1.119 trillion, the largest monthly decline since the data series was started in 1992.

The Reuters/University of Michigan Surveys of Consumers said its index of confidence for December increased to 59.1 from November's final reading of 55.3. It reported that one-year inflation expectations fell to 1.7% from 2.9% in November.

A measure of future economic growth in the US and its annualized growth rate resume their fall in the latest week. The Economic Cycle Research Institute said its Weekly Leading Index fell in the week ending December 5 to 106.9 from 109.8 in the previous week. The index's annualized growth rate declined to -29% from a revised -28.6%.

The Chinese Petroleum Society said China's top oil firms may have to scale back their investments if crude oil prices do not recover from their current lows.

An official with China's National Energy Administration said China may face an oversupply of energy over the next two years, as demand growth slows at the same time that many energy projects are set to start operations. He said given the coal and power projects under construction, tightness in energy supply may shift to a comparative surplus.

December Calendar Averages

CL – \$45.11
HO – \$1.5048
RB – \$ 1.0105

OPEC production, in order to rebalance the market.

Kuwait's state news agency, KUNA quoted a member of Kuwait's Supreme Petroleum Council as saying that OPEC should cut output by 1.5-2 million bpd at its meeting on December 17 if it

wants an oil price of \$50/barrel.

Italy's Prime Minister Silvio Berlusconi said he would not object to Russia from joining OPEC. He said Russia would bring an element of rationality and good sense. This follows comments made by Russia's President Dmitry Medvedev that Russia will do anything, from cutting production to joining OPEC, to defend its national interest and support energy prices.

The Transportation Department said US motorists drove 9 billion miles or 3.5% less in October than they did last year even as gasoline prices continued to fall. For the first 10 months of the year, highway travel was down 89.2 billion miles or 3.5% on the year. Meanwhile, the American Public Transportation Association said ridership on public transit in the third quarter was up 6.5% on the year.

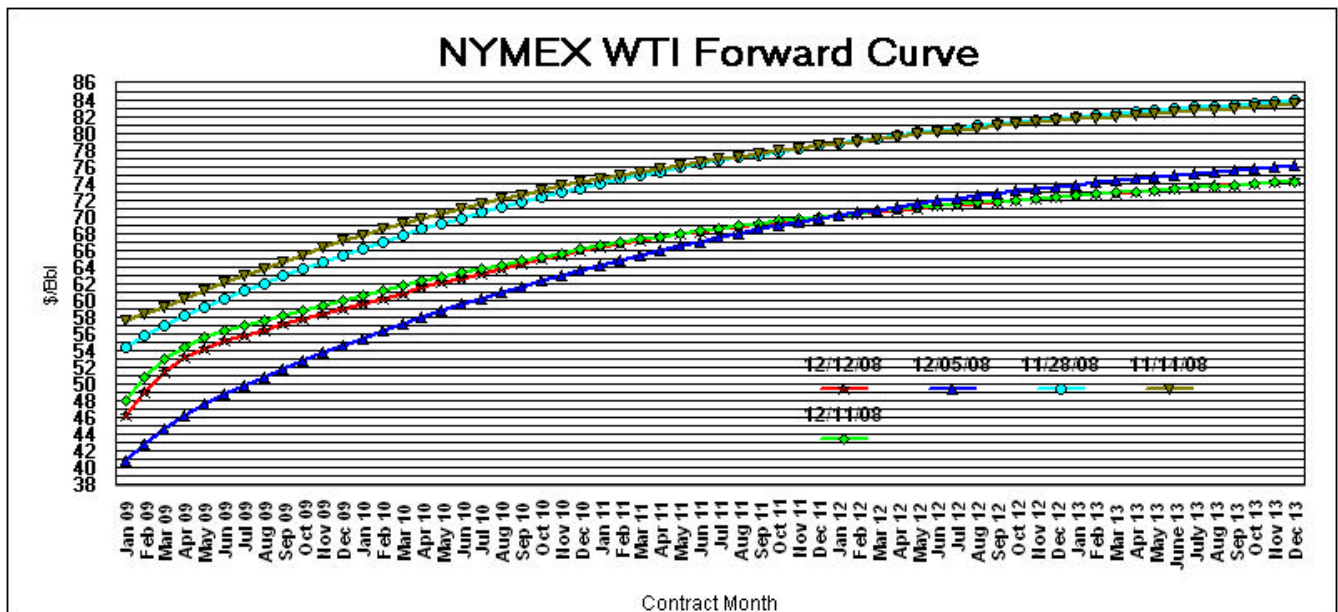
The US said the US would no longer deliver fuel aid to North Korea until it agrees to nuclear verification protocols.

Refinery News

The Louisiana Offshore Oil Port resumed unloading tankers on Friday after it was shut on Thursday due to high seas. It said deliveries to customers from onshore inventories were not affected by the closure.

BP said repairs on the River Rouge pipeline carrying gasoline, diesel and jet fuel from its Whiting, Indiana refinery to Michigan were almost completed and is expected to return to service this weekend. The pipeline was shut last Friday after it was struck by a car.

Valero Energy Corp said the planned work on a crude distillation unit at its 180,000 bpd refinery in Delaware City, Delaware was in restart. The unit was shut on November 5 for planned work. Meanwhile, its hydrotreater unit, which was shut on Tuesday to repair a leak in the exchange pipe, is still down. Separately, Valero said its crude unit and hydrotreater at its 340,000 bpd refinery in Corpus Christi, Texas were at planned rates. Several units at the refinery were shut early Wednesday



morning due to a power outage.

Strikes at the Fos-Lavera oil terminal near Marseille and at four of Total's six refineries has cut its fuel production levels. Workers at Total started a strike over pay on Friday at the Grandpuits, Donges, Gonfreville and La Mede refineries. Meanwhile, Total's 119,000 bpd Feyzin refinery was operating between 60% and 70% of its full capacity due to the strike at the Fos-Lavera oil terminal. A union official said the strike at the terminal would force the refinery to shut in 13 days if the conflict did not end before then. Striking port workers at the Fos-Lavera oil terminal blocked a total of 56 ships, including 14 oil tankers and 28 oil product vessels.

Delek US Holding's Tyler, Texas refinery should resume full production by May of 2009 following a fatal blast on November 20 at its saturates gas unit.

Australia's Caltex Australia Ltd said it shut its 110,000 bpd Lytton refinery due to problems with its system. It said its diesel supply was at half its usual capacity. A Caltex official did not give an estimate as to when the refinery will resume operations.

Production News

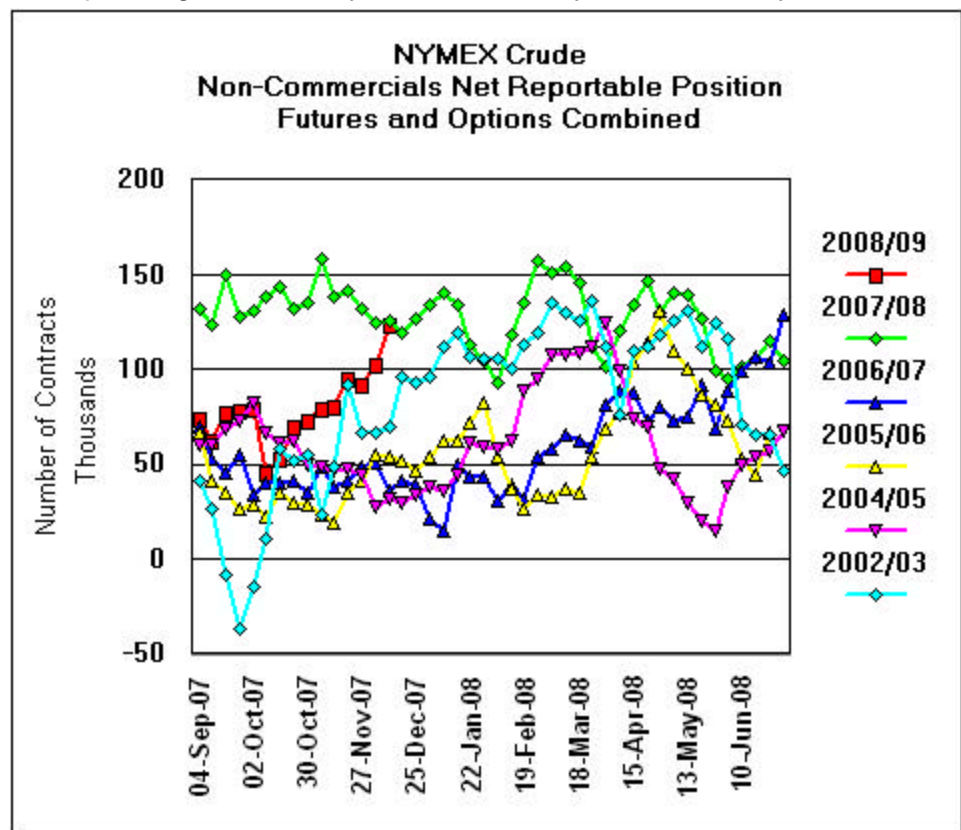
Denmark's DUC crude oil stream is scheduled to load about 174,194 bpd in January, up from 154,839 bpd in December.

Nigeria's crude oil exports, excluding shipments of Brass River, are estimated at about 1.65 million bpd in January.

Sakhalin Energy said it has started its year round oil exports as year round oil production has become possible due to the commissioning of the TransSakhalin oil and gas pipeline system. The Sakhalin-2 project could previously only load exports in the summer months as the port would freeze in the winter. It produced about 60,000-70,000 bpd of light sweet Vityaz crude for only six months a year however production could increase to 150,000-155,000 bpd once it reaches its full capacity.

Ukraine's State Statistics Committee said the country cut its crude oil output by 5.4% on the year to 2.831 million tons in January-November 2008. It said Ukraine's gasoline production fell by 24.6% on the year in January-November 2008 to 2.927 million tons. Refineries reduced gas oil production by 16.6% on the year to 3.293 million tons.

Canada's oil and gas companies have made sharp cuts to their spending plans for the

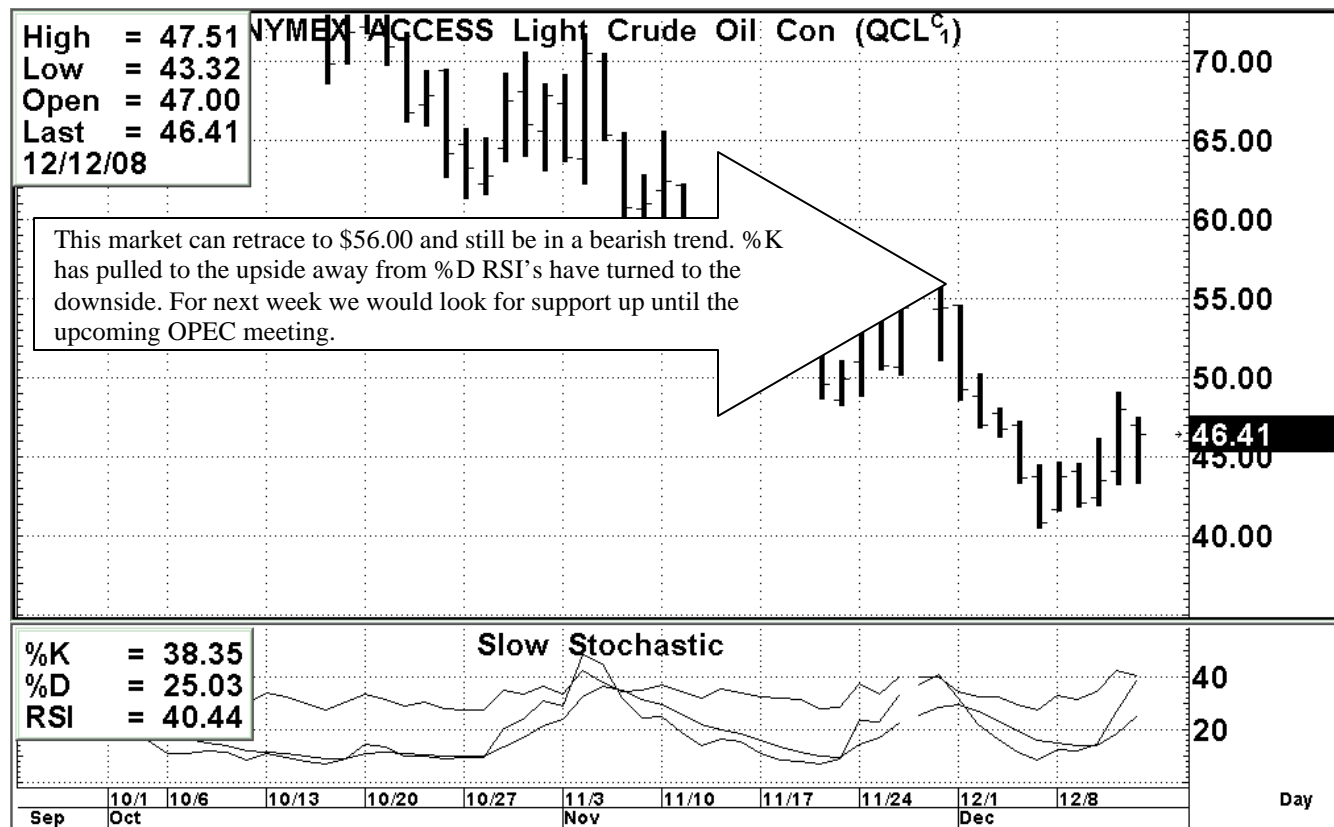


coming year. EnCana Corp and Petro-Canada reduced their 2009 capital budgets by US\$1.3 billion and C\$2.2 billion, respectively. Canada's producers are delaying future projects, largely in Alberta's oil sands, as declining commodity prices and tight credit markets have constrained their funding ability. However the oil and gas companies are aiming to maintain or increase current production levels next year to maximize all sources of cash flow amid uncertain times.

OPEC's news agency reported that OPEC's basket of crudes rebounded to \$40.12/barrel on Thursday from \$37.94/barrel on Wednesday.

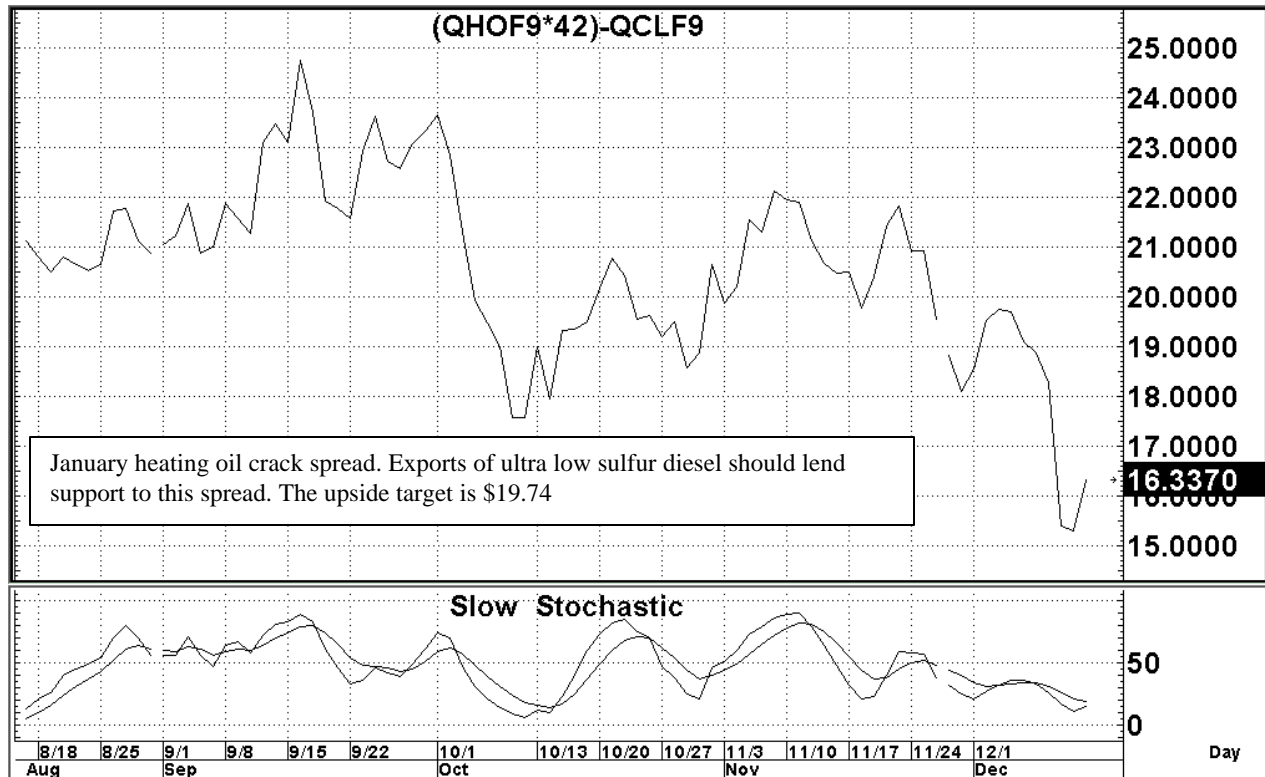
Market Commentary

Energy futures initially tumbled today after a proposed bailout for U.S. automakers was rejected in the Senate, indicating that a deeper recession is on the way, leading to further cuts in energy demand. Despite the fact that the dollar was weaker again, some of yesterday's gains in prices for crude oil, gasoline and heating oil were given back. Propping prices from falling further was a statement by the Bush administration that it may tap the \$700 billion bank-rescue fund to prevent an auto-industry collapse, easing concern about a prolonged recession that will cut fuel demand. This recent surge in prices is not too alarming given how hard and how fast they have come off. The contango condition of the forward curve has gotten steeper indicating destruction in demand. Supporting this is the January/February crude oil spread, which failed to trade back above the \$-2.80 resistance number. Again, any failure to trade above this level is a buying (buying January) opportunity, with successful moves above buying (buying January) opportunities. We would look for the January crude oil contract to be on the defensive ahead of next week's OPEC meeting as industry sources are anticipating another output cut. This market can retrace to the \$56.00 level and still remain in a bearish trend. Market activity for the gasoline and heating oil mirrored that of the crude oil with both products experiencing an inside trading session. We would expect that both of these markets would remain demand sensitive. Currently, exports of ultra low sulfur diesel to Europe remain favorable, which should provide support for the distillate crack spreads. The January heating oil crack spread appears to be rebounding, reflecting the aforementioned. This crack spread has the potential to reach \$19.74.



Open interest: Crude oil (JAN.09 129,428 -45,936 FEB.09 213,059 +25,268 MAR.09 101,323 +9,848 APR.09 49,919 +5,372 Totals: 1,159,095 +3,863, Heating oil (HO) JAN.09 34,983 -3,289 FEB.09 42,765 +3,167 MAR.09 29,748 +2,294- Totals: 224,260 +2,966 NEW YORK HARBOR RBOB GASOLINE (RB) JAN.09 55,401 +9 FEB.09 54,635 +4,810 MAR.09 25,008 +2,506 Totals: 202,939 +7,256.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 8,558 contracts to 10,807 contracts in the week ending December 9th. The combined futures and options report showed that non-commercials continued to increase their net long position for the second consecutive week by 20,575 contracts to 123,457 contracts on the week. The funds have not been this net long since mid-May. Given the market's move in recent days and its ability to hold its support at the \$40 level, the funds have likely continued to increase their net long position. Meanwhile, the combined futures and options report showed that non-commercials in the RBOB market increased their net long position by 5,948 contracts to 51,342 contracts while non-commercials in the heating oil market cut their net long position by 2,309 contracts to 5,444 contracts on the week.



Crude Support	Crude Resistance
40.45, 38.20, 36.75	50.07, 52.75, 53.75, 57.23, 60.01, 62.79, 65.56, 67.00, 72.53, 74.30,
Heat Support`	Heat resistance
1.3450, 1.3005, 1.1895	167.15, 171.85, 176.70, 2.2796, 2.3720
Gasoline support	Gasoline resistance
7760, .6840	115.75, 120.50, 121.90, 136.14