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Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 19, 2008

OPEC's President Khelil said Friday that the cartel would continue cutting output until the price of crude oil stabilizes. He noted that prices would have fallen even further if OPEC did not reach agreement since September in cutting 4.2 million barrels per day of production. He noted that oil prices are likely to stabilize around current levels in December before the OPEC output cuts take effect in strengthening the market. He said the most important thing for producers is how to monitor, control and regulate financial speculation, which affects the oil price whether prices go up or down. He noted, "we feel strongly that what happened in 2008 and what's happening now is due in great part to the speculation." The official though did note that OPEC compliance in November to its prior productions cutbacks was at 60%.

OPEC's Secretary general said today that oil prices between $70-$90 per barrel would be "reasonable level" for both producers and consumers. Angola's oil minister said $75 to $100 a barrel was a good price.

Market Watch

Beginning on on Sunday December 21st (for trade date Monday, December 22), the Exchange will list twenty new futures contracts on ClearPort Clearing and Trading platforms. The new futures contracts include a Brent CFD contract, various European premium gasoline contracts, two fuel oil contracts, two Asian propane contracts, and several Balance-of-month (BALMO) futures contracts.

The Indian oil minister said today the government has not yet decided when it will cut fuel prices. The minister though sees Indian demand for oil continuing to grow in 2009, despite the global economic downturn. The government is looking for demand to grow by 5-6%

The Bush Administration today finally announced a long awaited lifeline to the U.S. auto industry with a $17.4 billion loan package. The funds will come from the $700 billion TARP program passed by Congress earlier this year. GM and Chrysler were expected to access the funds immediately.

The British government today rejected a call by Saudi Arabia to ease the impact on consumers of the economic downturn by cutting fuel taxes, saying oil companies should pass on falls in wholesale oil and gas prices instead. In reply British officials noted that the removal of fuel taxes is impractical currently since given the current economic climate, the revenue shortfall for governments would just have to be made up elsewhere.

Dense sea fog halted ship traffic for a second day in a row along the Houston Ship Channel. A total of 93 ships were waiting to enter or exit the channel as of this morning. Shipping was also suspended along Calcasieu Ship Channel and the Lake Charles Ship channel. Traffic though had resumed moving in and out of Corpus Christi.

Cambridge Energy Research Associates released their latest report in which it noted that the past 12 months have seen volatility in oil prices on an unprecedented scale. They predict spare capacity will increase significantly in the next few years due to falling oil demand and as supply materializes from investments already under way. But for the medium term it looks for low prices and financial constraints will hinder new investments, Thus as the economy begins to recover, the oil market could begin to tighten again and another price cycle could begin in 2013.

According to a document obtained by Dow Jones, it noted that Saudi Arabia's new oil production target as a result of the latest OPEC production agreement will be placed at 8.05 million barrels per day, which is only marginally lower that the kingdom's previous quota in November, which was estimated at 8.48 million b/d.

Venezuela's finance minister today said it sees the need for additional efforts to stabilize world oil prices, despite this week's OPEC announcement of a further 2.2 mbd production cutback.

The Saudi oil minister today noted that speculators are currently helping to push oil prices down. He noted that he sees world demand next year will be "anemic". He said that plunging oil prices and the world's financial problems are jeopardizing the health of longer-term crude supply as producers cancel or delay drilling and refinery projects. He noted though that Saudi Arabia is still committed to a short-term target to add capacity next year by 11% to 12.5 million b/d.

December Calendar Averages
CL – $43.96
HO –$1.4846
RB – $ 1.0107

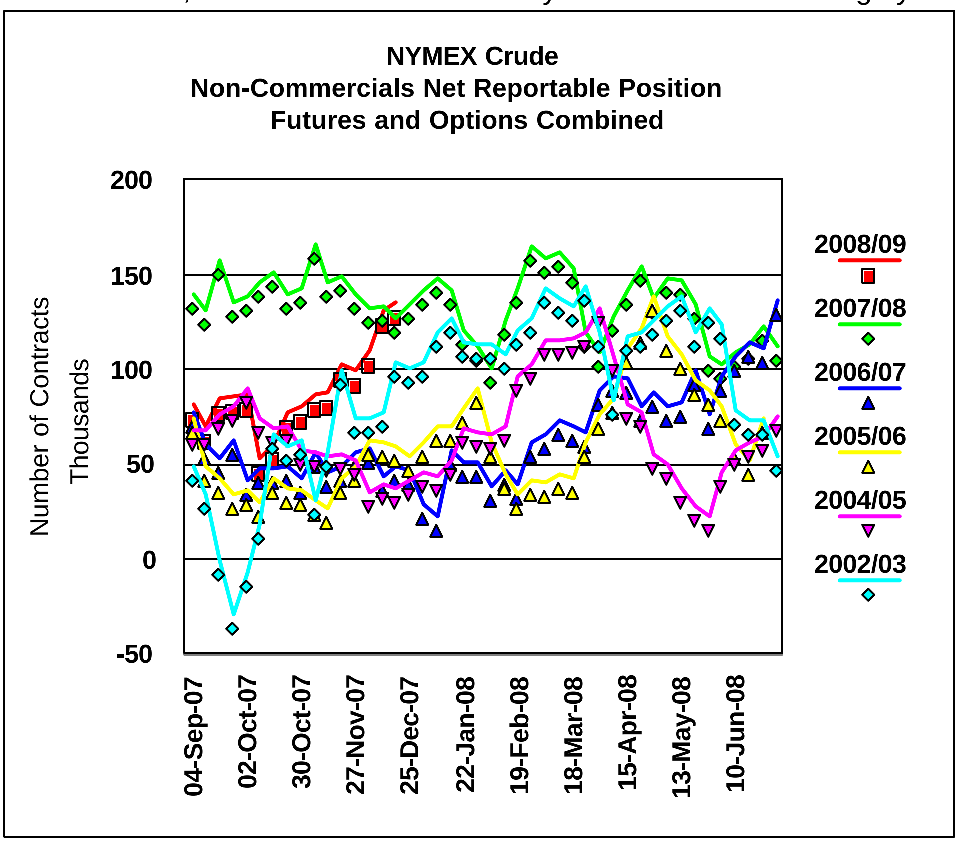
Qatar's oil minister said OPEC is not expected to meet before March of next year.

The head of the IEA said that strong crude oil inventories can help markets stabilize as they provide a buffer of oil supply. He said with this "buffer" the markets would behave better.

Refinery News

BP's Texas City Ultracracker is scheduled to be restarted Friday afternoon. Work on the 60,000 b/d unit has been ongoing since Monday.

Three Russian refineries will cut runs by 10-50% in January because of weak product demand Reuters was reporting this morning. It noted that TNK-BP's 300,000 b/d Ryazan refinery would cut by as much as 30%. The 290,000 b/d Yaroslavl refinery reportedly will cut by 10% an d the West Siberian Resources 94,000 b/d Khabarovsk refinery is rumored to be cutting by 50%



Valero said it is in the process of restarting units at its West Plant at its 340,000 b/d Corpus Christi refinery. A return to full operations is not expected until late Friday evening. A power problem last week had forced a crude and hydrotreater unit off line.

Total's 232,000 barrel per day Port Arthur, Texas refinery was shut for maintenance through January 18th.

Production News

Barclay's Capital released a research note on Friday that estimates global spending on oil and gas exploration and production will shrink by 12% to $400 billion in 2009 as the steep slide in energy prices and tight credit markets reverse a six year trend of rising budgets. Spending in the United States is seen falling $26 billion, led in part by Chesapeake Energy which will reduce spending by 51%.

Market Commentary

Due to stock levels at Cushing bursting at the seams, crude oil experienced its largest one - week drop since the Gulf War in 1991. As this market slips deeper into contango, whereby the deferred trades at a premium to the nearby, anyone who can find storage is doing so. With the prompt month trading $6.00 under the deferred, it becomes more profitable to take crude oil into storage to sell at a higher price at a later date. Further output cuts by OPEC failed to stem the sell – off in prices. At this point it is difficult to tell how much more OPEC can cut and at current price levels it will be difficult for OPEC members to balance their budgets. A strong dollar also took investors out of the market, as commodities became less appealing as a financial hedge. With the January crude oil coming off the board, February is now the prompt month. We may see a slight rebound in prices, however the chances of a drastic move higher are slim.

Open interest: Crude oil JAN.09 14,390 -42,025 FEB.09 270,928 +332 MAR.09 116,028 +3,215 APR.09 54,020 -362 Totals: 1,141,007 -32,698 Heating oil (HO) JAN.09 25,709 -3,120 FEB.09 44,769 +1,658 MAR.09 29,676 +533 Totals: 224,580 -74 NEW YORK HARBOR RBOB GASOLINE (RB) JAN.09 38,508 -3,304 FEB.09 65,940 +2,940 MAR.09 25,438 -768 Totals: 206,053 +1,745

Crude Support	**Crude Resistance**
32.25, 29.66, 28.63, 26.65, 25.50	36.75, 44.93, 47.50, 50.07, 52.75, 53.75, 57.20
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