HORNSBY & COMPANY, INC.

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Energy Risk
Management Services

World Petroleum Perspectives
Monthly Review and Outlook

Summary

Since our last monthly report, prompt WTI has strengthened by about $4.00 per barrel. Factors contributing to the rise included the beginnings of a crude oil stock draw in PAD II reflecting a modest recovery in crude oil runs as refinery units begin their restarts from a prolonged spring turnaround season. The overall sentiment toward crude oil has improved in both absolute terms and relative to products, aided by the ever-present geopolitical factors ranging from Nigeria, to Iran, to Gaza. Nigerian unrest as well as concern over an eventual showdown with Iran are not likely to go away for the foreseeable future, and as such we believe it prudent to modestly raise our forecast third and fourth quarter WTI averages from the values first forecast for these periods almost one year ago by $3.00 per barrel. While we continue to believe that the refined product balance, both in the United States and globally, will continue to improve, it is unlikely to have a materially adverse impact on crude oil prices.

In this report we provide our first official look at 2008. At this point we would envision another year of a relatively balanced market, forecasting a slight pickup in world oil demand growth largely influenced by a more modest decline in OECD Europe, and a smaller gain in non-OPEC supplies relative to our estimates for 2007. Iraq oil production is anticipated to remain stagnant through at least the end of next year. While we have decided to be somewhat optimistic and assume a modest recovery in Nigerian production in 2008, we concede we do not have a great deal of confidence in this perspective and if we are off the mark the odds would tend to favor lower production than we assume. Elsewhere in OPEC, we expect that modest expansions in capacity will be fully utilized with the exception of Saudi Arabia. For 2008 our Base Case projects that WTI will average about $60.00 per barrel, marking a slight erosion in both real and absolute terms from our expected average for 2007.

+ World oil demand is forecast to rise by 1.2%, or some 960 MMB/D in 2008, once again paced by growth outside the OECD.

+ Non-OPEC supplies are anticipated to gain by 675 MB/D next year, a deceleration from our conservative growth rate for 2007.

+ Saudi crude oil sales are forecast to average almost 8.9 MMB/D in 2008, a slight rise over our expected average for this year.

Viewpoint

Since our last monthly world oil market report, prompt WTI has strengthened by about $4.00 per barrel. Recently the prompt contract attempted to surge past $69.00 per barrel, but ran into stiff resistance that was confirmed by the release of weekly DOE inventory data revealing a substantial crude oil stock build for the week ending June 15. Following July's expiration, however, August is now attempting an assault on $70.00 per barrel.

Current U.S. crude oil inventories are in surplus by any historical measure, and at almost 350 million barrels are approaching what we estimate to be effective shell capacity.

Factors contributing to the net rise in price over the past month have included the beginnings of a crude oil stock draw in PAD II reflecting a modest recovery in crude oil runs.

A number of previously offline refinery units have begun their restarts from what has been one of the most prolonged spring turnaround seasons in history. The major exception remains BP's Whiting Indiana refinery, where crude units are expected to remain offline for several more months.

Overall sentiment towards crude oil has improved in both absolute terms and relative to products, aided by the ever-present geopolitical factors ranging from Nigerian militant attacks, to a possible Iranian nuclear confrontation, to violence in Gaza. Managed funds have recognized the risk, choosing to increase net length over the past month and adding to price momentum.

Nigerian unrest in particular is not likely to end anytime soon, despite what appear to be publicized efforts to resolve disputes by the new President, Umaru Yar'Adua.

Concerns over an eventual showdown with Iran are probably well founded, even though we still do not believe that any military action by the United States would lead to a major reduction in Gulf crude oil flows.

Putting this all together, we believe it is prudent to modestly raise our forecast third and fourth quarter WTI averages, values we first forecast at $62.00 and $60.00 per barrel, respectively, for these periods about one year ago.

At this point we suggest an upward revision of $3.00 per barrel per barrel for both quarters, implying in turn a WTI average for this year of about $62.75 per barrel.

While we continue to believe that refined product inventories, both in the United States and globally, will continue to recover, such a scenario is unlikely to have a materially adverse impact on crude oil prices given the market's ongoing concerns about producer country supply availability.

In our current report we provide our first official look at global balances for 2008. At this point we envision another year of a relatively balanced market with no net global stock build or draw. We expect a slight pickup in world oil demand growth, largely influenced by a more modest forecast decline in OECD Europe relative to this year, and a deceleration in non-OPEC supply growth.

Iraqi oil production is anticipated to remain stagnant through at least the end of next year. There is absolutely no evidence that conditions will stabilize sufficiently to induce an influx of needed capital, even if a new oil law is eventually approved.

In terms of Nigeria, we have decided to be somewhat optimistic and forecast a modest recovery in production next year, but remaining well below effective capacity. Having said this, however, we fully concede that we do not have a great deal of confidence in this perspective. If our forecast is off the mark the odds likely favor lower production than we assume.

Elsewhere within OPEC, we expect that modest expansions in producing capacity will largely be fully utilized irrespective of any OPEC "agreements" with the exception of Saudi Arabia.

For 2008 our Base Case embraces a WTI average about $60.00 per barrel, implying a modest erosion in both real and absolute terms from our expected average for 2007.

Global Oil Demand

For 2007 we expect a rise in world oil demand of 1.1%, or about 860 MB/D, little changed from last month's report, with growth focused outside the OECD. We continue to lie in contrast to the IEA, which in its latest monthly report revised demand up for this year to a 2.0% rate of increase.

The revision implies a substantial acceleration in demand growth versus 2006 as we proceed though the year. While clearly anything is possible, in our years of experience we have consistently witnessed substantial time lags in adjusting to persistently higher prices, and as such we believe the IEA forecast carries relatively low odds of occurring.

For 2008, we anticipate a rise in world oil demand of 1.2%, or some 960 MB/D. The slight acceleration in growth relative to our outlook for this year derives from our belief that OECD Europe oil demand will decline at a more modest pace.

In addition, we would look for a slight pickup in demand growth outside the OECD. These factors offset what we anticipate will be a deceleration of consumption gains in the United States.

United States

Taken at face value, the weekly implied demand data for the U.S. as reported by the Department of Energy suggest little response to higher prices. In terms of some products such as diesel fuel, short-term conservation may be difficult and therefore demand more closely reflects underlying growth in manufacturing activity, which is now moderating to the pace we have assumed for 2007.

In reality, however, the DOE has revised down preliminary implied demand estimates consistently for the last several months once the Petroleum Supply Monthly is released, often across the product spectrum.

In the case of motor gasoline, there are other factors at play in addition to incomplete initial data gathering. We have previously discussed how exports on a weekly basis are mere extrapolations of previously surveyed data. The DOE has tended to underestimate gasoline exports, and therefore overestimated implied domestic demand, for the last several months.

Exports of conventional gasoline supplies to Mexico have been rising over the last several months since Pemex is short refining capacity. We emphasize this volume is "real" demand, but it has distorted the picture that most analysts have of what U.S. consumers are doing in response to higher prices.

Taking the export factor into account and adjusting for the reduction in fleet fuel efficiency due to E10 blends, implied gasoline demand growth is nil in the United States. This would be consistent with the vehicle miles traveled data from the Department of Transportation, which reveal either stagnant or an actual reduction in driving compared to the comparable period in 2006.

We believe that in 2008, somewhat lower real retail pump prices will lead to a modest recovery in miles driven per vehicle. However, at the same time, we are looking for a modest improvement in average fleet fuel efficiency, which will lead to essentially no growth in gasoline demand next year.

Placing this into the context of the entire barrel, we anticipate U.S. refined product demand will gain by 0.7%, or some 135 MB/D in 2008, a deceleration from our estimated growth of 1.1% in 2007.

Europe

Early and preliminary second quarter demand data for OECD Europe reveal little change in overall momentum. Whereas demand for Europe as a whole rose modestly over the comparable period in 2006, implied demand in Germany plummeted, led by a substantial decline in gas oil demand.

As we have previously discussed, German consumers entered this past winter with brimming stocks, and relatively mild weather in the first quarter allowed consumers to live off their own home storage, precluding the need to refill from distributors, thus negatively impacting *implied* demand, i.e. demand as reported in the industry statistics.

Home gas oil demand was adversely impacted in France and Italy as well, but not to the extent of Germany, given the substantial capacity of the average German household.

Gasoline demand has continued to decline in the second quarter by varying degrees across major countries. These factors have been partially offset by somewhat stronger jet fuel and kerosene consumption.

For 2007, we anticipate OECD Europe refined product demand to decline by 1.1%, or about 130 MB/D, roughly unchanged from last month's assessment.

Our outlook for next year suggests a moderation in the rate of decline in OECD Europe oil demand. Our Base Case anticipates a fall of only 0.4%, or some 45 MB/D. Under somewhat lower retail gasoline prices, we would look for more modest declines in gasoline demand, as well as a deceleration of the substitution of heavy fuel oil by alternative energy sources.

Japan and South Korea

Preliminary and early second quarter oil demand in Japan showed no signs of reversing the weak trend in evidence for the previous six months.

Despite a temporary cool spell in April, heating fuel demand remained relatively weak. Gasoline consumption continued its decline reflecting the maturation of the population, while heavy fuel oil and crude oil for direct burning continue to fall as alternatives become available.

For this year we are looking for Japan oil demand to contract by 1.2%, or around 60 MB/D. Our 2008 outlook is premised on the assumption that the decline in gasoline demand will moderate to a degree.

We also assume normal weather for the first quarter which partially offsets continued declines in heavy fuel oil demand and crude for direct burning. In all, we are looking for 2008 Japan oil demand to decline by 0.8%, or about 40 MB/D.

The South Korea demand picture continues to lie in contrast to that of Japan, with early second quarter demand rising at low double-digit annualized rates. Milder weather adversely impacted heating fuel consumption, primarily kerosene.

However, this effect was more than offset by relatively strong rates of growth in naphtha as petrochemical feedstock, gasoline, and diesel demand.

For 2007 we anticipate South Korea oil demand to rise by 2.1%, or around 40 MB/D. With regard to 2008, our outlook suggests a modest acceleration in demand growth to 2.3%, or some 45 MB/D.

Non-OECD

Oil demand outside the OECD continues to be underpinned primarily by China and OPEC. The significance of this influence transcends the volumetric gains, since China has tended to pull incremental crude out of the Atlantic Basin and, as we have previously discussed, contributed to the widening light/heavy crude oil differentials in evidence over the last few years.

In terms of OPEC, rising local demand by definition reduces the crude available for international waterborne trade, thus adding some premium that reflects a rising scarcity of volumes available on a non-contractual basis.

For example, many are unaware that Saudi Arabia's oil demand is likely to reach 2.2 MMB/D this year, suggesting that under our balances exports will average under 7.0 MMB/D.

China implied oil demand continued relatively strong in the early part of the second quarter, bolstered across the board reflecting robust transport and petrochemical feedstock demand.

For 2007 we forecast China implied demand to rise by 4.5%, or some 275 MB/D. Next year we would look for China to register among the most robust rates of growth in oil demand among the non-OECD group, but a slight moderation relative to 2007 reflecting an increase in alternative boiler fuel availability. We anticipate a gain in China implied demand next year of 4.1%, or about 260 MB/D.

There is little reason to suspect that OPEC oil demand growth will moderate next year, and between China and OPEC such gains will more than offset the declines we are seeing in select Asian countries.

In sum, we would look for non-OECD oil demand to rise by 1.9%, or about 720 MB/D this year, with 2008 growth pegged at 2.1%, or around 795 MB/D.

Global Oil Supply

Non-OPEC

Following progressive downward revisions totaling about 500 MB/D since the beginning of the year, the IEA's outlook for non-OPEC production growth now lies close to our own long-standing assessment, good, bad or indifferent.

The reasons cited by the Agency for the cuts are those that we have emphasized, primarily lags in new projects coming online and larger than expected depletion rates in mature reservoirs.

For this year we anticipate a gain in non-OPEC supplies of 975 MB/D, roughly unchanged from last month's assessment. Of the total, FSU increases account for over 60%, helped by buildup of Sakhalin 1, with production through our current 2008 horizon complemented by late 2008 Sakhalin 2 output plus startups at Timan Pechora and the North Caspian.

Other net non-OPEC gains for 2007 are expected from Brazil, forecast to be up by 88 MB/D this year, somewhat short of the companies' targets due to pressure problems at Golfinho. Elsewhere, Canadian production is anticipated to rise by 185 MB/D in 2007 reflecting buildups in synthetic crude oil output and gains at the Terra Nova and White Rose fields.

The remainder of our expected aggregate rise in non-OPEC output derives from modest buildups in a number of countries, more than offsetting expected declines elsewhere, including the North Sea and Mexico.

For 2008 we forecast a rise in non-OPEC output averaging some 675 MB/D, marking a deceleration from our expectations for 2007. U.S. output should finally be helped by the startup of Thunder Horse, but decline rates should begin to accelerate onshore.

We are looking for a more moderate fall in North Sea production next year, with Mexico continuing to be adversely impacted by Cantarell declines. FSU production is expected to rise, but at a slightly slower pace than we expect for this year, as should also be the case in Brazil.

OPEC and Inventory

Our customary table laid out below provides our estimates for July OPEC "10" production which are largely unchanged from June with the exception of Nigeria, which is marginally lower.

As we issue this report the general strike in Nigeria continues, but as of yet there has been no major incremental disruption to supply. Nonetheless, despite apparent efforts by President Umaru Yar'Adua to work to resolve Niger Delta issues, there is little reason for optimism for the remainder of 2007.

Saudi production is estimated to remain at about 8.6 MMB/D for July, since refiners have more than adequate sour crude oil supplies at present. We believe that over time this condition will change, however, and later in the third quarter we would look for Saudi deliveries to return to 9.0 MMB/D or so before falling off again in the fourth quarter. As previously discussed, we believe that Saudi Aramco will provide incremental crude to refiners as needed on a low-key basis, without the need for any largely irrelevant special OPEC meeting.

OPEC "10"
Targeted Qatar "Quotas"
v.
Estimated July Production
(MB/D)

	"Quota"	Production	Prod. Vs. "Quota"
Algeria	1,316	1,340	+24
Indonesia	844	850	+6
Iran	3,699	3,720	+21
Kuwait	2,410	2,450	+40
Libya	1,651	1,730	+79
Nigeria	2,105	2,005	-100
Qatar	798	800	+2
S. Arabia	8,707	8,600	-107
UAE	2,467	2,495	+28
Venezuela	2,408	2,410	+2
Total	26,405	26,400	-5

In terms of Iraq, there remains little reason for optimism and we do not expect any recovery in output through the remainder of the year. Offsetting this stagnation will the continued buildup in Angola, which we estimate will average about 170 MB/D above the average of 2006.

Looking at 2008, we anticipate a rise in total OPEC crude oil deliveries of some 310 MB/D. We forecast a further gain in Angolan output and modest increases in production capacity which we believe will be fully utilized with the exception of Saudi Arabia.

We would like to be optimistic and assume a modest recovery in Nigerian production next year, but with output remaining well below effective capacity. Our Base Case assumes Nigerian output will average less than 2.4 MMB/D in 2008, a gain of 160 MB/D over our estimate for 2006. We fully concede, however, that if we are off the mark production is likely to be lower than we assume.

For Iraq, we anticipate that production will not increase at all next year. There is occasional optimism in the press about structuring a new oil law, but we do not believe that even if any compromises are reached, it will have any impact on output through the end of 2008. We do not look for any return to stability in the country, and expect continued insurgent attacks on oil facilities.

Putting our demand and supply numbers together, in the second half of the year we anticipate minimal net change in global inventories, with lower crude oil supplies offset by rising refined product stocks.

Our outlook lies in contrast to the latest IEA assessment, which claims that if OPEC maintains the status quo, their balances imply a third quarter global inventory draw averaging 1.0-1.5 MMB/D, which would be unprecedented in the history of the industry.

As we have discussed, we expect OPEC to meet any incremental refiner requirements in the second half of the year, which under our numbers leads to a slight net stock draw in the third quarter.

Even if we held our OPEC deliveries constant with the second quarter, however, our implied stock draw would fall well short of what the IEA expects. In this regard, we note that the IEA forecast assumes a 1.7 MMB/D upswing in world oil demand from the second to third quarter.

In contrast, our outlook estimates a 945 MB/D upswing over the same periods, in the range of last year's experience, which is also what the 2006 IEA's own data base reveals. Although anything can happen, based on all current evidence as well as historical precedent we believe the IEA forecast is off the mark in terms of the implied third quarter stock draw.

For 2008, our balances do not suggest any significant net change in stocks for the year as a whole, and at the end of next year the forecast days supply of usable commercial inventories lies in line with our target for the end of 2007.

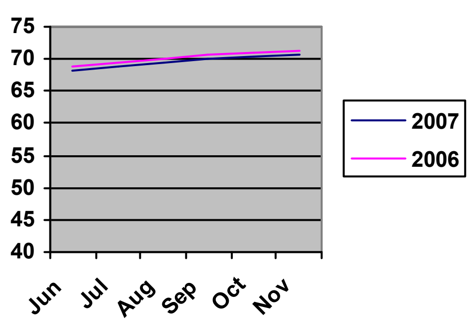
Implications for Price

As we issue this report the prompt NYMEX crude oil contract is attempting an assault on $70.00 per barrel, despite U.S. crude oil inventories standing at the highest level this decade.

WTI is recovering as PAD II stocks begin to decline, with traders now willing to sell Brent and buy WTI. Nigerian production concerns continue, while the market remains unconvinced that U.S. gasoline stocks will be adequate for the summer, with RBOB pulling crude oil up in sympathy.

Our customary term structure table reveals that the current level and shape of the curve has now approached that of the same point in 2006. We would note that in the two months following the expiration of the July contract last year, the prompt contract managed to trade up beyond $70.00 per barrel before declining back below $60.00 in the fourth quarter.

Current Six-Month NYMEX Crude Oil Term Structure 2007 vs. 2006



While such a move cannot be ruled out for this year, we believe that rising gasoline inventories will help keep a lid on crude, even as crude gains relative strength in response to our expected progressive stock decline.

Nonetheless, based on the recent behavior of the market and the fact that geopolitical issues will remain in the forefront of traders' minds, we have decided to raise our forecast third and fourth quarter WTI averages by $3.00 per barrel from our outlook for the second half of the year that was first established one year ago.

As a post mortem, we note that one year ago we forecast first and second quarter 2007 WTI averages of $55.00 per barrel and $63.00 per barrel, respectively. First quarter WTI averaged $58.24 pr barrel while it appears the second quarter will average around $64.85 per barrel. While we have thus far ended up on the conservative side, we do not believe it has been material given all the uncertainty.

We would now look for WTI to average $65.00 per barrel in the third quarter and $63.00 per barrel in the fourth. We sense, however, that if we are off the mark, the odds would favor a somewhat higher average for the third quarter followed by a somewhat lower average for the fourth, assuming no material or sustainable disruption in crude oil production during the current hurricane season.

Actual and Forecast Prompt NYMEX Crude Oil Prices By Quarter

	2007	2008
Q1	$58.24	$56.00
Q2	$64.85	$64.00
Q3	$65.00	$62.00
Q4	$63.00	$58.00
Yr.	$62.77	$60.00

For 2008, we anticipate a modestly lower average for the year at about $60.00 per barrel. Despite our view of a generally balanced market, if we are correct that Nigerian production will recover modestly in the context of flat U.S. gasoline demand, the net effect should be some weakening of light/sweet crudes relative to heavy/sour grades.

In addition, we expect a further reduction in passive length held by institutions in the first quarter of next year in response to negative returns realized in 2007.

June 21, 2007

Table 1

OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 6/20/07	Q1	Q2E	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20468	20815	20938	20844	20766	1.1	20673	20868	21082	20986	20902	0.7
Motor Gasoline	9028	9458	9476	9268	9308	0.8	9030	9454	9472	9266	9306	0.0
Jet Fuel	1569	1655	1707	1699	1657	2.3	1608	1697	1749	1741	1699	2.5
Distillate	4399	4193	4155	4428	4294	2.9	4524	4192	4199	4468	4346	1.2
Residual	763	658	668	587	669	-0.1	778	672	681	598	682	2.0
Other	4709	4850	4931	4864	4839	-0.4	4733	4853	4981	4913	4870	0.6
Canada	2200	2093	2131	2092	2129	2.1	2277	2107	2154	2114	2163	1.6
Naphtha	73	72	68	77	73	1.0	74	72	69	78	73	1.0
LPG	219	271	223	137	213	1.3	217	280	225	139	215	1.3
Gasoline	731	750	814	779	769	2.2	742	762	826	791	780	1.5
Kerosene	80	79	90	80	82	1.0	81	79	91	81	83	1.0
Gasoil/Diesel	675	485	501	592	563	4.0	742	475	506	599	581	3.1
Fuel Oil	138	96	85	131	112	0.0	141	94	84	128	112	-0.8
Other	283	341	349	295	317	0.5	280	344	352	298	319	0.6
Mexico	1992	1967	1990	2026	1994	0.9	2011	1986	2010	2046	2014	1.0
United Kingdom	1518	1414	1398	1577	1477	0.0	1518	1416	1399	1580	1478	0.1
Naphtha	84	74	60	89	77	1.0	85	75	61	90	78	1.0
LPG	133	132	113	131	127	1.0	134	134	114	132	128	1.0
Gasoline	446	399	404	415	416	-2.3	437	391	396	407	408	-2.0
Kerosine	247	201	218	214	220	0.8	248	202	220	215	221	0.5
Gasoil/Diesel	364	471	460	571	467	1.0	369	477	465	578	472	1.2
Fuel Oil	147	43	37	52	70	0.7	147	43	37	52	70	0.0
Other	96	93	105	104	99	1.0	97	94	106	105	100	1.1
France	1751	1606	1802	1616	1694	-0.9	1741	1596	1792	1625	1689	-0.3
Naphtha	167	144	223	249	196	1.0	169	146	225	252	198	1.0
LPG	163	94	76	130	116	1.0	164	95	77	131	117	1.0
Gasoline	212	283	242	184	230	-3.1	207	276	236	179	224	-2.5
Kerosene	95	111	121	87	104	1.1	96	112	122	88	104	0.8
Gasoil/Diesel	955	760	935	784	858	-1.3	945	752	925	792	854	-0.5
Fuel Oil	91	99	63	81	84	-1.0	92	100	63	82	84	1.0
Other	68	115	143	100	106	0.0	69	116	143	100	107	0.5
Italy	1587	1588	1531	1514	1555	-2.4	1563	1538	1503	1487	1523	-2.1
Naphtha	68	78	47	37	57	1.0	68	78	47	38	58	1.0
LPG	147	98	104	145	123	1.0	149	99	105	146	125	1.0
Gasoline	353	329	332	307	331	-3.0	346	323	326	301	324	-2.0
Kerosene	66	73	76	63	70	1.1	67	73	77	64	70	0.8
Gasoil/Diesel	585	482	592	565	556	0.9	591	487	598	570	562	1.0
Fuel Oil	228	425	254	255	291	-11.0	201	374	223	225	256	-12.0
Other	140	103	125	142	127	1.0	141	104	126	143	129	1.0
Germany	2312	2359	2395	2543	2402	-1.8	2368	2354	2396	2544	2416	0.6
Naphtha	256	224	217	251	237	1.1	260	227	219	254	240	1.1
LPG	135	135	117	114	125	1.1	137	136	118	115	127	1.1
Gasoline	548	606	532	577	566	-2.7	539	597	524	569	557	-1.5
Kerosene	97	139	144	121	125	1.0	99	140	145	122	126	1.0
Gasoil/Diesel	1091	985	1073	1210	1090	-3.0	1146	987	1075	1213	1105	1.4
Fuel Oil	69	85	115	98	92	-0.5	70	80	116	99	91	-0.4
Other	116	185	196	171	167	1.0	117	187	198	173	169	1.0
Austria	229	220	244	292	246	0.4	224	222	247	296	248	0.5
Belgium	438	429	402	468	434	-1.5	433	425	398	468	431	-0.7
Denmark	217	192	200	205	203	0.2	215	190	202	209	204	0.2
Finland	224	222	220	211	219	0.7	222	224	222	214	221	0.6
Greece	307	265	284	347	301	-1.3	304	263	281	344	298	-1.0
Iceland	12	15	25	24	19	2.0	12	16	26	25	20	2.0
Ireland	123	116	126	133	124	1.4	125	117	127	135	126	1.1
Luxembourg	51	47	46	45	47	2.0	52	48	47	46	48	2.0
Netherlands	432	411	416	414	418	-1.3	428	406	412	409	414	-1.0
Norway	189	187	193	203	193	1.0	192	189	195	205	195	1.1
Portugal	193	282	266	286	257	0.9	195	285	269	289	259	1.0
Spain	924	793	1003	937	915	-2.0	915	777	983	928	901	-1.5
Sweden	381	333	309	320	336	-1.3	378	330	306	316	332	-1.0
Switzerland	280	273	288	348	297	-0.4	275	271	282	355	296	-0.6
Turkey	576	481	634	560	563	-0.4	564	481	633	565	561	-0.3
OECD Europe	11745	11234	11783	12043	11701	-1.1	11724	11148	11721	12041	11658	-0.4
Japan	5561	4347	4323	5034	4816	-1.2	5431	4299	4325	5052	4777	-0.8
Naphtha	665	570	571	779	646	1.5	673	579	580	790	655	1.4
LPG	895	615	569	695	694	1.5	918	624	575	702	705	1.6
Gasoline	995	960	934	933	955	-1.8	975	940	924	923	941	-1.5
Kerosene	1006	448	364	646	616	1.3	1036	455	370	656	629	2.1
Gasoil/Diesel	1206	1080	1054	1280	1155	-1.3	1145	1069	1064	1293	1143	-1.0
Fuel Oil	320	315	440	313	347	-9.1	256	283	427	304	317	-8.5
Other	198	175	208	223	201	-0.3	194	174	209	225	200	-0.3
Direct Crude	277	184	182	165	202	-8.3	235	175	175	158	186	-8.0
South Korea	2137	1955	1845	1971	1977	2.1	2201	2004	1882	2001	2022	2.3
Australia	869	829	830	881	852	1.0	882	837	843	890	863	1.2
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45076	43345	43946	45005	44343	0.3	45306	43356	44121	45243	44506	0.4

Table 2

World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 6/20/07	Q1	Q2E	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20468	20815	20938	20844	20766	1.1	20673	20868	21082	20986	20902	0.7
Canada	2200	2093	2131	2092	2129	2.1	2277	2107	2154	2114	2163	1.6
Mexico	1992	1967	1990	2026	1994	0.9	2011	1986	2010	2046	2014	1.0
United Kingdom	1518	1414	1398	1577	1477	0.0	1518	1416	1399	1580	1478	0.1
France	1751	1606	1802	1616	1694	-0.9	1741	1596	1792	1625	1689	-0.3
Italy	1587	1588	1531	1514	1555	-2.4	1563	1538	1503	1487	1523	-2.1
Germany	2312	2359	2395	2543	2402	-1.8	2368	2354	2396	2544	2416	0.6
Austria	229	220	244	292	246	0.4	224	222	247	296	248	0.5
Belgium	438	429	402	468	434	-1.5	433	425	398	468	431	-0.7
Denmark	217	192	200	205	203	0.2	215	190	202	209	204	0.2
Finland	224	222	220	211	219	0.7	222	224	222	214	221	0.6
Greece	307	265	284	347	301	-1.3	304	263	281	344	298	-1.0
Iceland	12	15	25	24	19	2.0	12	16	26	25	20	2.0
Ireland	123	116	126	133	124	1.4	125	117	127	135	126	1.1
Luxembourg	51	47	46	45	47	2.0	52	48	47	46	48	2.0
Netherlands	432	411	416	414	418	-1.3	428	406	412	409	414	-1.0
Norway	189	187	193	203	193	1.0	192	189	195	205	195	1.1
Portugal	193	282	266	286	257	0.9	195	285	269	289	259	1.0
Spain	924	793	1003	937	915	-2.0	915	777	983	928	901	-1.5
Sweden	381	333	309	320	336	-1.3	378	330	306	316	332	-1.0
Switzerland	280	273	288	348	297	-0.4	275	271	282	355	296	-0.6
Turkey	576	481	634	560	563	-0.4	564	481	633	565	561	-0.3
OECD Europe	11745	11234	11783	12043	11701	-1.1	11724	11148	11721	12041	11658	-0.4
Japan	5561	4347	4323	5034	4816	-1.2	5431	4299	4325	5052	4777	-0.8
South Korea	2137	1955	1845	1971	1977	2.1	2201	2004	1882	2001	2022	2.3
Australia	869	829	830	881	852	1.0	882	837	843	890	863	1.2
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45076	43345	43946	45005	44343	0.3	45306	43356	44121	45243	44506	0.4
Non-OECD	37488	38764	39073	37741	38267	1.9	38246	39566	39963	38483	39064	2.1
FSU	4195	3188	3047	3781	3553	-1.5	4153	3156	3001	3705	3504	-1.4
Non-OECD Europe	2536	2383	2411	2547	2469	-0.6	2519	2367	2396	2531	2453	-0.6
China	5223	7617	7459	5268	6392	4.5	5458	7921	7758	5479	6654	4.1
OPEC	7396	6845	7294	7322	7214	5.7	7845	7247	7721	7743	7639	5.9
Argentina	484	526	507	544	515	0.1	486	528	509	546	517	0.4
Brazil	1881	2159	2209	2203	2113	0.3	1900	2149	2231	2225	2126	0.6
Other L. A.	1499	1587	1737	1816	1660	0.8	1514	1603	1771	1834	1681	1.3
Egypt	558	569	569	575	568	2.5	569	583	583	589	581	2.4
South Africa	451	484	499	510	486	2.0	460	496	509	521	496	2.1
Other Africa	1056	1101	1158	1169	1121	1.6	1075	1118	1180	1188	1140	1.7
Non-OPEC M. E.	634	621	635	639	632	2.2	653	634	648	651	647	2.3
India	2187	2140	2112	2164	2151	2.8	2230	2185	2156	2209	2195	2.1
Other Asia	4066	4169	4044	3821	4025	-0.8	4025	4157	4068	3844	4023	0.0
Int. Bunkers	2054	2072	2072	2070	2067	-0.5	2047	2072	2071	2069	2065	-0.1
Refinery F/L	3269	3304	3319	3313	3301	1.0	3310	3350	3360	3349	3342	1.2
Grand Total Demand	82564	82110	83019	82746	82609	1.1	83551	82921	84084	83726	83571	1.2

Note: Demand by country is shown on an "inland" basis, i.e., excluding bunkers and refinery fuel/loss.

Table 3

World Oil Supply
(Thousands of Barrels Daily)

BASE CASE 6/20/07	Q1	Q2E	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
Grand Total Demand	82564	82110	83019	82746	82609	1.1	83551	82921	84084	83726	83571	1.2
Inventory Change	-832	484	-41	90	-75		-800	829	-83	7	-12	
SUPPLY	81732	82593	82977	82836	82535	1.0	82751	83750	84002	83733	83559	1.2
United States	5174	5270	5273	5295	5253	2.3	5323	5317	5310	5303	5313	1.1
United Kingdom	1580	1541	1270	1491	1470	-2.2	1580	1494	1282	1446	1451	-1.3
Norway	2455	2292	2289	2392	2357	-1.8	2455	2269	2243	2344	2328	-1.2
Denmark	385	380	385	390	385	0.0	385	380	385	390	385	0.0
Netherlands	52	51	53	54	53	0.0	52	51	53	54	53	0.0
Other OECD Europe	460	460	460	460	460	0.0	460	460	460	460	460	0.0
Non-OECD Europe	305	305	305	305	305	0.0	305	305	305	305	305	0.0
Mexico	3150	3155	3150	3155	3153	-3.4	3087	3092	3087	3092	3089	-2.0
Canada	2675	2730	2740	2740	2721	7.4	2745	2745	2765	2765	2755	1.2
Argentina	670	665	665	670	668	0.8	670	670	670	670	670	0.4
Brazil	1835	1860	1900	1915	1878	4.9	1915	1920	1925	1925	1921	2.3
Colombia	520	520	515	520	519	-1.6	520	520	515	520	519	0.0
Ecuador	365	365	365	365	365	1.4	365	365	365	365	365	0.0
Peru	105	105	105	105	105	0.0	105	105	105	105	105	0.0
Trinidad & Tobago	130	130	135	130	131	5.0	130	130	135	130	131	0.0
Other L. A.	75	80	80	80	79	17.8	75	80	80	80	79	0.0
Bahrain	37	37	38	38	38	0.0	37	37	38	38	38	0.0
Oman	720	720	725	730	724	-2.9	730	725	725	730	728	0.5
Syria	400	400	405	405	403	0.0	405	405	405	405	405	0.6
Other Middle East	365	365	365	65	290	-19.4	365	365	365	65	290	0.0
Congo	195	195	195	195	195	0.6	195	195	195	195	195	0.0
Egypt	625	630	630	635	630	-1.4	635	630	630	635	633	0.4
Gabon	265	265	265	265	265	-1.9	265	265	265	265	265	0.0
Tunisia	130	130	125	125	128	0.0	130	130	125	125	128	0.0
Other Africa	365	375	380	380	375	8.7	365	375	380	380	375	0.0
Australia	475	475	475	475	475	6.3	475	475	475	475	475	0.0
India	685	690	690	690	689	3.6	690	690	690	690	690	0.2
Malaysia	720	720	720	720	720	-2.7	720	720	720	720	720	0.0
Brunei	135	135	130	130	133	0.0	135	135	130	130	133	0.0
Other Asia/Pacific	585	590	590	595	590	0.4	585	590	590	595	590	0.0
FSU	11492	11661	11685	11529	11592	5.5	12010	12185	12211	12048	12113	4.5
China	3745	3750	3750	3750	3749	2.1	3750	3750	3750	3750	3750	0.0
NGL	4818	4814	4864	4918	4854	1.3	4879	4876	4928	4983	4916	1.3
Ref. Gain/Other	1858	1847	1868	1862	1859	1.1	1880	1866	1892	1884	1880	1.2
Non-Conventional	1160	1165	1171	1185	1170	2.0	1189	1194	1200	1215	1199	2.5
Total Non-OPEC	48710	48873	48761	48759	48776	2.0	49611	49511	49399	49282	49451	1.4
OPEC SUPPLY	33021	33720	34216	34077	33759	-0.6	33140	34239	34603	34451	34108	1.0
OPEC NGL	1710	1725	1725	1735	1724	4.2	1745	1745	1745	1745	1745	1.2
OPEC CONDENSATE	1695	1705	1710	1725	1709	3.4	1725	1725	1725	1725	1725	1.0
OPEC CRUDE SALES	29616	30290	30781	30617	30326	-1.0	29670	30769	31133	30981	30638	1.0
Saudi Arabia	8600	8750	9000	8800	8788	-3.7	8200	8900	9200	9100	8850	0.7
Iran	3611	3775	3806	3782	3744	-0.5	3695	3774	3778	3686	3733	-0.3
Iraq	1905	2075	2025	2025	2008	4.0	2025	2025	2025	2025	2025	0.9
Kuwait	2300	2500	2525	2525	2463	2.5	2300	2525	2550	2550	2481	0.8
Qatar	800	810	810	810	808	-0.3	810	810	810	810	810	0.3
UAE	2410	2425	2445	2450	2433	-0.5	2410	2450	2450	2465	2444	0.5
Algeria	1315	1320	1320	1320	1319	-1.6	1320	1325	1325	1325	1324	0.4
Angola	1565	1615	1635	1645	1615	11.8	1645	1655	1660	1660	1655	2.5
Nigeria	2125	2085	2275	2310	2199	-3.0	2310	2350	2375	2400	2359	7.3
Libya	1700	1700	1700	1700	1700	3.4	1705	1710	1715	1715	1711	0.7
Venezuela	2415	2375	2380	2390	2390	-6.9	2390	2390	2390	2390	2390	0.0
Indonesia	870	860	860	860	863	-5.3	860	855	855	855	856	-0.7
Inventory Change	-832	484	-41	90	-75		-800	829	-83	7	-12	
Assumed Inventory Position(c)												
Days Supply of MOV	50	50	50	49	49		49	49	49	49	49	
Days Supply of UC	15	15	15	15	15		15	15	15	15	15	
Days Supply of MOV+	65	65	65	65	65		64	64	64	65	65	
Days Supply of S/C	14	14	14	14	14		14	14	14	14	14	

a) OPEC supply measured on a delivered sales basis, i.e. accounting for tanker transit and storage time lag, plus net producer stock change.
b) Includes share of Neutral Zone, shared equally.
c) MOV: Minimum Operating Volume; UC: Usable Commercial; S/C: Strategic/Compulsory.