HORNSBY & COMPANY, INC.

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Energy Risk
Management Services

International Petroleum Analysis August 21, 2007

World Petroleum Perspectives
Monthly Review and Outlook

Summary

Since our last monthly report WTI has declined by almost $5.00 per barrel on a point to point basis. Within the period, however, the prompt NYMEX crude oil contract managed to achieve an all-time record settlement high of $78.21 per barrel. This high thus far for 2007, however, coincided with rising subprime mortgage concerns across all financial markets, and subsequently crude oil prices declined as managed funds reduced record net length in order to improve liquidity. Thus far WTI has found support at around $70.00 per barrel, stabilized by declining U.S. crude oil stocks, Federal Reserve moves on short-term rates, and periodic concerns over developing storm activity that may impact production and/or refining facilities in the Gulf of Mexico or on the Gulf Coast.

From a fundamental standpoint our global oil balances through the remainder of the year and through 2008 have not been materially revised either way from last month's report. We would still suggest the IEA is too bullish on world oil demand for the remainder of this year and particularly next year, despite incremental fuel oil and crude oil requirements in Japan to replace offline nuclear generating capacity. With regard to the impact of the subprime crisis, we view weaker oil prices as reflecting primarily a funds flow phenomenon, i.e. closing out length to raise cash, as opposed to the market discounting the eventual broad adverse impact on U.S. and perhaps global economic activity.

As a result, we see no need to revise down our outlook for world oil demand directly in response to financial market concerns. Having said this, we still envision a lagged response to higher oil prices continuing to work its way through the international system through at least 2008. As such, the bulk of world oil demand gains are anticipated to generate primarily from select areas and countries outside the OECD, including OPEC and China. In terms of price, our Base Case still assumes that WTI will fall below $70.00 per barrel before year end, with 2008 averaging around $60.00 per barrel.

+ World oil demand is forecast to rise by 1.2%, or some 990 MB/D in 2008.

+ Non-OPEC supply is expected to gain by about 790 MB/D next year.

+ Saudi crude oil sales are anticipated to average about 8.8 MMB/D in 2008, with no net change in global stocks for the year as a whole.

Viewpoint

Since our last report on the world oil market WTI has declined by almost $5.00 per barrel on purely a point to point basis. Within this time period, however, the prompt NYMEX crude oil contract was able to achieve an all-time record settlement high of $78.21 per barrel on July 31.

This high thus far for 2007, however, happened to coincide with growing concerns about the subprime mortgage market across all financial markets, manifesting itself through massive losses at a number of hedge funds and banks and a decline in global equity markets.

Subsequently, crude oil prices declined as well reflecting actively managed, CFTC-reporting commodity funds reducing their record net length in order to boost cash levels and/or meet margin calls in other markets.

Thus far WTI has found support at around $70.00 per barrel, stabilized by declining U.S. crude oil stocks and Federal Reserve moves on short-term rates to add liquidity to the financial system.

In addition, prices have been influenced by periodic concerns over developing storm activity that may ultimately impact production and/or refining facilities in the Gulf of Mexico or on the Gulf Coast.

Turning to fundamentals, our forecast world oil balances through the remainder of the year and through 2008 have not been materially revised either way relative to last month's report.

As such, we still believe the IEA is too bullish on world oil demand for the remainder of 2007 and particularly next year, despite incremental fuel oil and crude oil now required by TEPCO in Japan to replace offline nuclear generating capacity.

With regard to the impact of the subprime mortgage crisis, we believe weaker oil prices primarily reflect a funds flow phenomenon, i.e. the closing out of previously established length in order to raise cash, as opposed to the market now discounting an eventual broad, adverse and multiplier impact on U.S. and global economic activity.

From our perspective, we therefore see no need to revise down our outlook for world oil demand in direct response to these financial market concerns since we believe this impact, in and of itself, will be relatively minor in the context of our conservative Base Case.

Having said this, we still envision a lagged response to previously higher oil prices continuing to work its way through the international system through at least 2008.

As such, the bulk of world oil demand gains are anticipated to continue to originate from select areas and countries outside the OECD, including OPEC and China.

In terms of our crude oil price forecast, our Base Case still assumes that WTI will fall below $70.00 per barrel before year end, with 2008 averaging around $60.00 per barrel.

Global Oil Demand

For 2007 we are looking for world oil demand to increase by 1.1%, or about 915 MB/D, marking a marginal increase from last month's expectations and reflecting a fine tuning of a number of countries in both directions, including higher fuel oil demand and crude for direct burning in Japan.

For next year we anticipate world oil demand rising by 1.2%, or some 990 MB/D, an upward revision from our previous outlook by 45 MB/D, once again reflecting modest adjustments to select countries and the assumption that TEPCO nuclear plant downtime will continue into next year.

OECD oil demand in 2008 is forecast to rise by 0.4%, or around 190 MB/D, while non-OECD oil demand is expected to gain by 2.1% or some 800 MB/D.

United States

The most recent U.S. implied product demand data for the last four weeks revealed a moderation in implied gasoline demand growth to only 0.4%.

While it remains to be seen whether this was an aberration or not, it is consistent with our Base Case as consumers exhibit a lagged response to higher retail prices by curtailing discretionary driving at the margin.

For 2008, our models suggest that although discretionary driving should recover modestly under our outlook for somewhat lower retail pump prices next year, this factor is expected to be more than offset by the effect of a marginal improvement in average fleet fuel efficiency.

The net effect is a small decline in implied domestic gasoline demand, adjusted for continued incremental needs for conventional supplies from Mexico.

With regard to other products, our Base Case assumes normal weather for the 2007-2008 heating season and a 2.5% gain in manufacturing output for 2008 as a whole.

On balance, we are looking for U.S. refined product demand to rise by 1.2% or about 245 MB/D this year, with 2008 growth pegged at a more modest 0.6%, or some 125 MB/D, reflecting our gasoline demand outlook outlined above.

Europe

Preliminary data for the early part of the third quarter suggest a modest rebound in OECD Europe oil demand, but on balance the recovery appears somewhat transient in nature.

More final June data suggest an aggregate decline in oil demand of almost 4.0%, but this was partially impacted by consumer drawdown of stocks, particularly gas oil in Germany and France.

The data suggest that some modest restocking may have begun in July, thus helping to improve year-over-year implied demand, but on average we would look for the consumer to delay a full restocking, if even needed, until well into the fall under the belief that prices may decline further.

With regard to gasoline, for OECD Europe as a whole the declines in implied demand appear to have moderated to a degree, although the data may be subject to revision.

On balance, we see no new, underlying trends to suggest a need to materially revise our outlook for OECD Europe oil demand, despite relatively healthy economic activity in a number of countries.

As such, for 2007 we expect demand to decline by 1.5%, or about 180 MB/D, with 2008 OECD Europe oil demand anticipated to fall at a more modest pace of 0.4%, or some 50 MB/D.

Japan and South Korea

The primary change in expectations with regard to Japan oil demand through the remainder of the year and into 2008 is due to the need for incremental heavy fuel oil and crude for direct burning by TEPCO to replace nuclear electric generating capacity now offline following the earthquake of July 16.

The nuclear plant that was affected, the Kashiwakazi-Kariwa plant, has a capacity of 8.212 gigawatts from seven units, the largest nuclear plant in the world and representing almost one half of the company's total nuclear generating capacity.

TEPCO previously estimated that for the month of August some 80-85 MB/D of incremental heavy fuel oil and crude would be sufficient to replace the output of the nuclear plant, although incremental LNG supplies might also be sought.

Under the assumption that the incremental hydrocarbons will be needed at least through the first half of next year, we have revised our outlook for Japan oil demand accordingly. In terms of other product demand, we have seen nothing in preliminary data for the early part of the third quarter that would impel us to revise elsewhere.

As such, for 2007 we now anticipate Japan oil demand to decline by only 0.3%, or some 15 MB/D, compared to our previous forecast for a decline of 1.2%, or about 60 MB/D. For next year we forecast Japan oil demand to be flat with 2007, an upward revision of around 65 MB/D from our last report.

In South Korea, early third quarter data suggest a moderation in oil demand growth relative to the pace of the second quarter, though rebounding from the estimated decline in June, which was adversely impacted by declines in mid barrel and heavy fuel oil demand, offsetting gains in transport fuels and petrochemical feedstocks.

Diesel taxes were increased by 7.5% effective July 1, and thus we would not be surprised to see at least some moderation in diesel fuel demand growth through the remainder of the year.

For this year we are looking for South Korea oil demand to gain by 2.4%, or 45 MB/D and unchanged from last month, while 2008 oil demand growth is expected to slightly moderate to a 2.3%, or 45 MB/D annual rate.

Non-OECD

As has been the case for the past several months, world oil demand growth continues to derive strength from select groups of countries outside the OECD. OPEC has been, and will remain, the strongest source of growth, and we forecast close to a 6.0%, or 425 MB/D rate of increase for next year.

With regard to China, implied demand growth in June was "only" +3.0%, and reflected reduced heavy fuel oil use by power plants in response to higher import prices. Elsewhere, demand for petrochemical feedstocks and other products more directly sensitive to real GDP growth more than offset the decline at the heavy end of the barrel.

For this year we expect China implied oil demand to rise by 4.7%, or about 285 MB/D, a slight upward revision from last month. For 2008 we forecast implied demand growth of 4.1%, or some 265 MB/D, roughly unchanged from our previous assessment.

India has also been responsible for a good portion of non-OECD oil demand growth thus far in 2007, influenced in part by rising naphtha demand as petrochemical feedstock to offset natural gas shortages.

We look for this situation to partially reverse next year, and as such we anticipate 2008 India oil demand to gain by 2.1%, versus our estimated rate of growth for 2007 of 3.3%.

In all, we expect non-OECD oil demand to rise in 2007 at a rate of 2.0%, or about 735 MB/D, with 2008 demand gains pegged at 2.1%, or some 800 MB/D.

Global Oil Supply

Non-OPEC

Updated numbers on non-OPEC production confirm that our assessment for 2007 remains broadly on track. Data for July suggest non-OPEC gains versus July of 2006 averaging almost 700 MB/D, with the FSU accounting for almost 75% of the increase.

The bulk of the remainder of the rise was accounted for by Brazil, Canada, and even the U.K., which witnessed a transient recovery versus last year due largely to the different timing of downtime for platform maintenance plus gains from the Buzzard field.

By the fourth quarter, we anticipate that non-OPEC supply will be up by about 710 MB/D, influenced by continued builds in Brazil including the startup of Devon's Polvo field.

For 2007 as a whole, we estimate that non-OPEC production will rise by about 940 MB/D, reflecting the fact that in the first quarter the year-over-year comparisons were more favorable in the FSU due a lack of weather-related downtime that adversely impacted output in the first quarter of 2006.

In terms of 2008, we anticipate a gain in non-OPEC production averaging some 790 MB/D, implying a 10 MB/D upward revision from last month's report. The modification reflects the fine tuning of a number of countries.

In contrast, the latest IEA assessment looks for a 2008 non-OPEC production gain of about 1.0 MMB/D, which we expect will be revised down over time.

OPEC and Inventory

Our customary table for the OPEC "10" illustrated below suggests little expected change in production for September relative to August. Once again, in terms of Saudi Arabia, we do not sense that refiners need incremental sour crude quite yet, as opposed to the consensus view of the Kingdom actively keeping barrels off the market.

OPEC "10"
Targeted Qatar "Quotas"
v.
Estimated September 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	2,015	-90
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	26,410	+5

Elsewhere within OPEC, Iraq production is recently averaging a bit above our trend line forecast due to higher exports out of the south and the sale of three cargoes from Ceyhan. We have decided to modestly revise up our expectations for the remainder of the year and through 2008, though not to the extent of recent production levels.

For next year we now look for Iraq production to average about 2.05 MMB/D, higher than last month's assessment by about 25 MB/D. We still believe, however, that if we are off the mark production will likely come in below our forecast and not higher.

We estimate that Angola production will be up by 170 MB/D this year, with a more modest gain of 40 MB/D expected for 2008. For next year we forecast an average total OPEC crude oil sales rate averaging about 30.7 MMB/D, up from our 2007 estimate by some 275 MB/D.

Reflecting higher sales from most other countries due to modest capacity expansions, however, we believe Saudi sales will be about flat with 2007, averaging around 8.8 MMB/D.

Putting together our view of demand and supply, for this year as a whole we expect a slight draw in global inventories, with the year-end days supply of usable commercial inventories targeted about one day lower than end 2006.

As previously discussed, however, year-end global stocks are expected to be somewhat leaner on crude and more ample on products relative to the current profile. For next year we expect little net change in stocks, anticipating a relatively normal quarterly pattern.

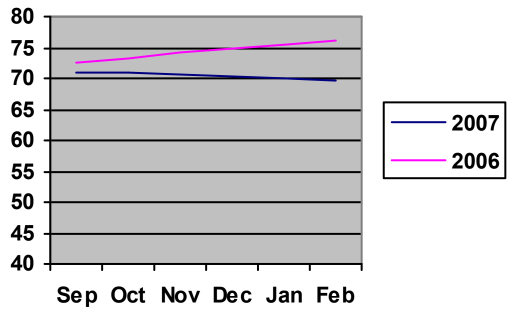
Implications for Price

As we issue this report the prompt NYMEX crude oil contract has thus far successfully found support at around $70.00 per barrel. The extent to which this support will be maintained will in no small manner be a function of the willingness, or in some cases need, by active CFTC-reporting managed funds to liquidate the sizeable net length that remains in place.

As highlighted previously, on August 14 these funds still held net length of 81,310 contracts at a NYMEX settlement of $72.38 per barrel. In comparison, at roughly the same point in 2006 funds held net length of 83,794 contracts at a NYMEX settlement of $73.05 per barrel.

Thus, a "snapshot" would suggest a roughly equivalent price profile composed of fundamentals, passive length, and active fund speculative positions.

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



Last year, following mid August the prompt NYMEX crude oil contract began a progressive decline, falling toward $63.00 per barrel by mid September. Could the same pattern be repeated this year?

First off, we must always be wary of history repeating itself, even though it often does. Last year, markets weakened due a virtual lack of a hurricane season, and as a result managed funds liquidated net length, becoming essentially flat by early October with WTI trading below $60.00 per barrel. The market also became increasingly concerned about rising global stocks, which culminated in OPEC's elusive production "cuts" in the fall.

This year, we have already witnessed some reversion to the mean with the development of Hurricane Dean, and we would expect additional hurricanes to develop and pass through the Caribbean before it is all over.

In addition, global refined product inventories are lower, although as previously discussed we anticipate a reduction in the current deficits by year end.

In contrast, there is a difference this year with concerns over credit markets and the extent to which such realities ultimately have broader macroeconomic impacts.

As we have previously discussed, we regard the weakness in oil prices in response to such concerns as largely a funds flow issue, and do not believe the credit crisis will impact global oil demand to the extent that many now believe.

Nonetheless, we must recognize that further fund length liquidation carries a relatively high probability, barring any further geopolitical developments that will reward funds for remaining net long to a significant degree.

Actual and Forecast Prompt NYMEX Crude Oil Prices By Quarter

	2007	**2008**
Q1	**$58.24**	**$56.00**
Q2	**$64.85**	**$64.00**
Q3	**$69.00**	**$62.00**
Q4	**$63.00**	**$58.00**
Yr.	**$63.77**	**$60.00**

On balance, at this juncture we will retain our Base Case price forecast that calls for a weakening in WTI back below $70.00 per barrel as we proceed through the remainder of the year.

Our fourth quarter forecast average remains at $63.00 per barrel, although we would emphasize this would lie above last year's fourth quarter average by some $3.00 per barrel. For 2008, we still anticipate that WTI will average about $60.00 per barrel.

August 21, 2007

Table 1

OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 8/20/07	Q1	Q2E	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20786	20677	20957	20893	20828	1.2	20960	20798	21044	21019	20955	0.6
Motor Gasoline	9028	9407	9498	9249	9295	0.7	8996	9417	9436	9231	9270	-0.3
Jet Fuel	1602	1646	1707	1661	1654	1.9	1642	1687	1749	1702	1695	2.5
Distillate	4399	4139	4155	4428	4280	2.6	4524	4192	4199	4468	4346	1.5
Residual	820	724	668	632	711	4.5	836	738	681	645	725	2.0
Other	4937	4761	4929	4924	4888	0.2	4962	4763	4979	4973	4919	0.6
Canada	2200	2102	2131	2092	2131	2.2	2277	2116	2154	2114	2165	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	754	814	779	770	2.3	742	765	826	791	781	1.5
Kerosene	80	79	90	80	82	1.0	81	79	91	81	83	1.0
Gasoil/Diesel	675	487	501	592	564	4.1	742	477	506	599	581	3.1
Fuel Oil	138	96	85	131	112	0.0	141	94	84	128	112	-0.8
Other	283	344	349	295	318	0.8	280	348	352	298	320	0.6
Mexico	1992	2006	2010	2026	2008	1.6	2011	2026	2030	2046	2028	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	1588	1802	1616	1689	-1.2	1741	1579	1792	1625	1684	-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	280	242	184	229	-3.4	207	273	236	179	224	-2.5
Kerosene	95	111	121	87	104	1.1	96	112	122	88	104	0.8
Gasoil/Diesel	955	752	935	784	856	-1.6	945	744	925	792	852	-0.5
Fuel Oil	91	92	63	81	82	-3.2	92	93	63	82	83	1.0
Other	68	115	143	100	106	0.0	69	116	143	100	107	0.5
Italy	1587	1557	1516	1514	1544	-3.1	1563	1510	1490	1487	1513	-2.0
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	323	332	307	329	-3.5	346	316	326	301	322	-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	402	240	255	281	-13.9	201	354	211	225	248	-12.0
Other	140	102	125	142	127	0.9	141	103	126	143	128	1.0
Germany	2312	2287	2371	2543	2378	-2.8	2347	2282	2373	2544	2386	0.3
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	600	532	577	564	-3.0	539	591	524	569	556	-1.5
Kerosene	97	139	144	121	125	1.0	99	140	145	122	126	1.0
Gasoil/Diesel	1091	925	1050	1210	1069	-4.9	1124	927	1052	1213	1079	0.9
Fuel Oil	69	80	115	98	91	-1.7	70	76	116	99	90	-0.4
Other	116	184	196	171	167	0.8	117	186	198	173	168	1.0
Austria	229	216	240	292	244	-0.5	224	218	242	296	245	0.4
Belgium	438	429	398	468	433	-1.7	433	425	394	468	430	-0.7
Denmark	217	192	196	205	202	-0.3	215	190	198	209	203	0.2
Finland	224	217	215	211	217	-0.4	222	219	217	214	218	0.6
Greece	307	265	284	347	301	-1.3	304	263	281	344	298	-1.0
Iceland	12	15	25	24	19	1.5	12	16	26	25	20	2.0
Ireland	123	113	123	133	123	0.4	125	115	125	135	125	1.1
Luxembourg	51	47	46	45	47	1.5	52	48	47	46	48	2.0
Netherlands	432	406	411	414	416	-1.8	428	402	407	409	412	-1.0
Norway	189	186	192	203	193	0.8	192	188	194	205	195	1.1
Portugal	193	280	264	286	256	0.4	195	283	266	289	258	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	635	560	563	-0.3	564	481	633	565	561	-0.3
OECD Europe	11745	11093	11717	12043	11650	-1.5	11702	11010	11656	12041	11602	-0.4
Japan	5561	4337	4441	5097	4859	-0.3	5574	4305	4439	5113	4858	0.0
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	522	355	378	-1.0	352	299	506	344	375	-0.7
Other	198	175	208	223	201	-0.3	194	174	209	225	200	-0.3
Direct Crude	277	175	219	186	214	-2.9	282	166	210	178	209	-2.3
South Korea	2137	1974	1845	1971	1982	2.4	2201	2023	1882	2001	2027	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	45394	43124	44037	45116	44418	0.4	45714	43223	44152	45337	44606	0.4

Table 2

World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 8/20/07	Q1	Q2E	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
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Mexico	1992	2006	2010	2026	2008	1.6	2011	2026	2030	2046	2028	1.0
United Kingdom	1518	1414	1398	1577	1477	0.0	1518	1416	1399	1580	1478	0.1
France	1751	1588	1802	1616	1689	-1.2	1741	1579	1792	1625	1684	-0.3
Italy	1587	1557	1516	1514	1544	-3.1	1563	1510	1490	1487	1513	-2.0
Germany	2312	2287	2371	2543	2378	-2.8	2347	2282	2373	2544	2386	0.3
Austria	229	216	240	292	244	-0.5	224	218	242	296	245	0.4
Belgium	438	429	398	468	433	-1.7	433	425	394	468	430	-0.7
Denmark	217	192	196	205	202	-0.3	215	190	198	209	203	0.2
Finland	224	217	215	211	217	-0.4	222	219	217	214	218	0.6
Greece	307	265	284	347	301	-1.3	304	263	281	344	298	-1.0
Iceland	12	15	25	24	19	1.5	12	16	26	25	20	2.0
Ireland	123	113	123	133	123	0.4	125	115	125	135	125	1.1
Luxembourg	51	47	46	45	47	1.5	52	48	47	46	48	2.0
Netherlands	432	406	411	414	416	-1.8	428	402	407	409	412	-1.0
Norway	189	186	192	203	193	0.8	192	188	194	205	195	1.1
Portugal	193	280	264	286	256	0.4	195	283	266	289	258	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	635	560	563	-0.3	564	481	633	565	561	-0.3
OECD Europe	11745	11093	11717	12043	11650	-1.5	11702	11010	11656	12041	11602	-0.4
Japan	5561	4337	4441	5097	4859	-0.3	5574	4305	4439	5113	4858	0.0
South Korea	2137	1974	1845	1971	1982	2.4	2201	2023	1882	2001	2027	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	45394	43124	44037	45116	44418	0.4	45714	43223	44152	45337	44606	0.4
Non-OECD	37524	38799	39080	37749	38288	2.0	38301	39594	39969	38488	39088	2.1
FSU	4216	3188	3047	3781	3558	-1.4	4174	3156	3001	3705	3509	-1.4
Non-OECD Europe	2536	2383	2411	2547	2469	-0.6	2519	2367	2396	2531	2453	-0.6
China	5223	7653	7459	5268	6401	4.7	5458	7960	7758	5479	6664	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	2149	2209	2203	2110	0.2	1900	2138	2231	2225	2123	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	2181	2112	2164	2161	3.3	2230	2227	2156	2209	2206	2.1
Other Asia	4066	4148	4044	3821	4020	-0.9	4025	4135	4068	3844	4018	0.0
Int. Bunkers	2058	2072	2072	2071	2068	-0.4	2056	2066	2071	2069	2065	-0.1
Refinery F/L	3280	3292	3326	3320	3304	1.0	3336	3336	3366	3354	3348	1.3
Grand Total Demand	82918	81923	83116	82865	82705	1.1	84015	82817	84121	83825	83695	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 8/20/07	Q1	Q2E	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
Grand Total Demand	82918	81923	83116	82865	82705	1.1	84015	82817	84121	83825	83695	1.2
Inventory Change	-914	368	28	130	-97		-607	577	38	31	9	
SUPPLY	82004	82290	83144	82995	82609	1.0	83408	83394	84159	83856	83704	1.3
United States	5174	5241	5273	5295	5246	2.1	5323	5317	5310	5303	5313	1.3
United Kingdom	1580	1570	1270	1491	1478	-1.7	1580	1523	1282	1446	1458	-1.3
Norway	2455	2165	2289	2392	2325	-3.1	2455	2143	2243	2344	2297	-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	3165	3145	3105	3141	-3.7	3087	3102	3082	3043	3078	-2.0
Canada	2675	2475	2740	2740	2658	4.9	2745	2745	2765	2765	2755	3.7
Argentina	670	660	665	670	666	0.6	670	670	670	670	670	0.6
Brazil	1835	1805	1900	1915	1864	4.1	1915	1920	1925	1925	1921	3.1
Colombia	520	515	515	520	518	-1.8	520	520	515	520	519	0.2
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	705	720	725	718	-3.8	730	725	725	730	728	1.4
Syria	400	395	405	405	401	-0.3	405	405	405	405	405	0.9
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	505	500	505	496	11.1	505	505	500	500	503	1.3
India	685	680	690	690	686	3.3	690	690	690	690	690	0.5
Malaysia	720	700	720	720	715	-3.4	720	720	720	720	720	0.7
Brunei	135	135	130	130	133	0.0	135	135	130	130	133	0.0
Other Asia/Pacific	585	605	605	610	601	2.3	610	610	615	615	613	1.9
FSU	11492	11750	11795	11584	11655	6.1	12010	12279	12326	12105	12180	4.5
China	3745	3765	3760	3750	3755	2.3	3750	3750	3750	3750	3750	-0.1
NGL	4818	4814	4864	4918	4854	1.3	4879	4876	4928	4983	4916	1.3
Ref. Gain/Other	1866	1843	1870	1864	1861	1.1	1890	1863	1893	1886	1883	1.2
Non-Conventional	1160	1165	1171	1185	1170	2.0	1189	1194	1200	1215	1199	2.5
Total Non-OPEC	48718	48532	48914	48807	48743	2.0	49677	49565	49561	49337	49535	1.6
OPEC SUPPLY	33286	33758	34231	34189	33866	-0.4	33731	33829	34598	34519	34169	0.9
OPEC NGL	1710	1750	1760	1760	1745	5.4	1765	1765	1765	1765	1765	1.1
OPEC CONDENSATE	1695	1725	1725	1725	1718	3.9	1725	1725	1725	1725	1725	0.4
OPEC CRUDE SALES	29881	30283	30746	30704	30403	-0.9	30241	30339	31108	31029	30679	0.9
Saudi Arabia	8600	8750	8875	8800	8756	-4.0	8500	8600	9000	9000	8775	0.2
Iran	3876	3773	3791	3814	3813	0.1	3841	3674	3803	3799	3779	-0.9
Iraq	1905	2075	2175	2025	2045	6.0	2025	2025	2125	2025	2050	0.2
Kuwait	2300	2500	2525	2525	2463	2.5	2400	2475	2550	2550	2494	1.3
Qatar	800	810	810	810	808	-0.3	810	810	810	810	810	0.3
UAE	2410	2475	2475	2480	2460	0.6	2410	2450	2480	2480	2455	-0.2
Algeria	1315	1345	1345	1345	1338	-0.2	1345	1345	1345	1345	1345	0.6
Angola	1565	1615	1635	1645	1615	11.8	1645	1655	1660	1660	1655	2.5
Nigeria	2125	2005	2175	2310	2154	-5.0	2310	2350	2375	2400	2359	9.5
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	-914	368	28	130	-97		-607	577	38	31	9	
Assumed Inventory Position(c)												
Days Supply of MOV	50	50	50	49	49		50	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.