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Energy Risk
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International Petroleum Analysis October 24, 2007

World Petroleum Perspectives
Monthly Review and Outlook

Summary

Since our last monthly report November crude oil achieved a peak at around $90.00 per barrel close to expiration, but as we issue this report the December contract has thus far remained below its previous peak of around $88.50 per barrel. While those believing that $100.00 per barrel before the end of 2007 is achievable may yet be proven right, we remain of the mind that by year end WTI will be trading well below current levels. We concede that even if we are close to the mark it will not be a straight path. Reflecting potential rallies will be any new geopolitical events and the possibility, if not the likelihood, that the U.S. dollar will continue to weaken. Although the long-term inverse correlation between crude oil prices and the dollar is not consistent, over the last couple months traders have embraced the relationship wholeheartedly.

On the other side of the coin, our balances still point to a modest recovery in global inventories by year end, not so much the result of the most recent OPEC agreement but rather a “self-market correction” brought about by refiner/buyer behavior. In addition, although we have not, nor are currently, anticipating a recession in the United States, we would still look for a further moderation in OECD demand growth, which will partially, but clearly not completely, offset ongoing gains in China, India, OPEC, and select other non-OECD countries and regions. Finally, active managed commodity funds that report to the CFTC remain net long, though below the all-time record set back on July 31. As we move toward the end of the year, we have assumed that these funds will progressively close out net length and lock in profits previously achieved.

With regard to our global balances, we have made little revision relative to our previous assessment. In terms of price, at this point we retain our forecast WTI average for next year of $65.00+ per barrel. Although we concede that non-OECD oil demand will rise further, we believe, right or wrong, that this phenomenon will be offset if our forecast that U.S. gasoline demand will witness a modest decline in 2008 is close to the mark. We also concede, however, that from an “event risk” standpoint, probabilities point to higher and not lower prices, assuming that the odds of a U.S. strike against Iranian facilities continue to rise.

+ World oil demand is forecast to rise by 1.2%, or some 960 MB/D next year.

+ Non-OPEC supplies are expected to increase by about 715 MB/D in 2008.

+ With no net global stock change for the year, the “call” on Saudi crude averages about 8.8 MMB/D.

Viewpoint

Since the publication of our previous monthly report on world oil markets the November NYMEX crude oil contract managed to achieve a peak at around $90.00 per barrel close to expiration. With December now the prompt month, as we issue this report the contract has thus far remained below its previous peak of around $88.50 per barrel.

Those believing that $100.00 per barrel before the end of 2007 is achievable may yet be vindicated, but we believe that by year end WTI will be trading well below current levels.

We fully concede that even if we are close to then mark it will not be a straight path, with longs and Wall Street extremely reluctant to yield. Any potential short-term rallies could easily be fed by any unexpected geopolitical events and the possibility, and more probably the likelihood, that the U.S. dollar will continue to weaken.

As we have previously discussed, the long-term inverse correlation between crude oil prices and the dollar is not consistent. However, over the last couple months traders have embraced the relationship wholeheartedly.

Some have bought crude under the belief that a lower dollar reflects the Fed's determination to keep rates low at any cost to avert recession. Others have simply looked at the charts, saw that the trade was working, and proceeded accordingly.

On the other side of the coin, our global, but particularly U.S. balances still point to a modest recovery in inventories of both crude and refined products by year end. In our minds this comes about not so much the result of the most recent OPEC agreement but rather what we might term a "self-market correction" brought about by refiner/buyer behavior.

Such a perspective reflects our long-held adage that in the final analysis OPEC production variability is not determined by official agreements, but rather the incremental/decremental needs of refiner/buyers. The agreements merely reflect nominations already in effect.

Although we have not, nor are currently, assuming a 2008 recession in the United States as integral to our Base Case, we are still looking for a further moderation in OECD demand growth, which will partially, but clearly not completely, offset continued 2008 gains forecast for China, India, OPEC, and select other non-OECD countries and regions.

Finally, those entities we term "active" managed commodity funds that report to the CFTC remain net long, though below the all-time record set back on July 31. The latest data point for October 16 revealed that managed funds held net length of 87,998 contracts on October 16 corresponding to a prompt settlement of $87.61 per barrel. This marked a gain in net length of 47,237 contracts from August 21 when the prompt NYMEX crude contract settled at $69.47 per barrel.

Our Base Case has assumed that as we move toward the end of the year, these active funds will progressively close out net length and lock in profits previously achieved. We would also suggest that if inventories gain as we forecast, the current backwardation will modestly diminish, thereby deterring any new passive length entering the market.

In terms of our fundamental global balances, we have made little revision compared to last month's report. With regard to price, at this point we retain our forecast WTI average for next year of $65.00+ per barrel.

While fully acknowledging and assuming that non-OECD oil demand will rise further in 2008, we believe, right or wrong, that this fact will be offset by our forecast that U.S. gasoline demand will witness a modest decline in 2008. If we are correct, it would mark the first annual decline in U.S. gasoline demand since 1990.

We also concede, however, that from the standpoint of geopolitical risk, the price bias is likely higher and not lower, assuming that the odds of a U.S. strike against Iranian facilities continue to rise as we have been anticipating over the past year or so.

Global Oil Demand

World oil demand is forecast to gain by 1.2%, or about 960 MB/D in 2008. This marks an upward revision from our previous assessment by only 15 MB/D.

OECD oil demand is expected to rise by 0.3%, or 150 MB/D next year, a reduction from previous forecast growth by 20 MB/D. In contrast, non-OECD oil demand is anticipated to increase by 2.1%, or some 805 MB/D, an upward revision from last month by 35 MB/D.

United States

U.S. refined product demand growth has moderated considerably over the past month, and the latest four-week rolling average reveals almost no growth versus the comparable period in 2006.

Given the DOE's tendency to revise downward implied demand from the weekly preliminaries once the Petroleum Supply Monthly is released, we would not be surprised to see second half U.S. refined product demand modestly weaker than we have assumed.

The only product showing material growth at this point is residual fuel oil, while implied distillate demand is currently increasing by less than 1.0%. All other products are registering demand declines versus last year, including motor gasoline.

While higher pump prices are leading to reductions in discretionary driving, our models indicate that the current rate of decline is greater than the capacity to cut back driving on a short-term basis.

The data likely reflect some potentially longer lasting effects, such as a permanent preference for the more fuel-efficient vehicle within multi-vehicle households. If the current trend continues, however, the data may also finally reflect the impact of consumer purchase/lease preference for more fuel-efficient vehicles such as those offered by Toyota at the expense of ultra large SUVs.

We have long anticipated that higher gasoline prices and, as or more important the belief that higher prices will continue indefinitely, would lead to a modest increase in average fleet fuel efficiency.

This impact would more than offset the decremental fuel efficiency impact of ethanol blends. Also, since it is a structural phenomenon, it could offset any recovery in discretionary miles driven per vehicle if pump prices decline.

Our models anticipate that such a scenario will evolve for 2008, and combining all factors we believe that U.S. gasoline demand will decline modestly next year.

If reasonable, barring a recession in 2008, moderate growth by most other product demand will more than offset weaker gasoline, still bearing in mind that from the standpoint of price determination U.S. gasoline is the single most important refined product market in the world.

From a pure "barrel" standpoint, however, assuming a normal winter total U.S. refined product demand is forecast to rise by 0.7%, or about 135 MB/D next year, a slight moderation in growth from our estimated gain of 0.9% for 2007 versus 2006.

Europe

The OECD Europe refined product demand picture is showing few signs of improvement, with even weaker gasoline demand in select countries partially offset by periodic recoveries in gas oil demand, depending upon the data point and the country.

Overall, however, there is no evidence that compel us to revise our conservative outlook for next year. Preliminary data for the mid to late third quarter reveal an accelerated weakness in gasoline demand in all major countries, partially offset by more of a mixed picture for gasoil, which has been impacted by variability in pre-winter secondary stocking patterns.

In Germany, for example, the carryover surplus in consumer gas oil stocks from last winter has now been eroded, but pre-season stockpiling has thus far gotten off to a slow start, presumably in anticipation of lower prices before a full pre-season refill is required irrespective of price.

On balance, we have made little revision to OECD Europe demand outlook for next year. We are looking for a decline of 0.7%, or some 80 MB/D versus 2007, a moderation from our estimated 1.5% fall for this year versus 2006. We would note, however, that the IEA is currently looking for a rise in demand next year of 1.7%, which we clearly believe is too optimistic.

Japan and South Korea

Recent data confirm the oil demand picture in Japan is even weaker than we have estimated. We believe that once final data are in hand third quarter Japan oil demand will have declined by over 1.6% versus the third quarter of 2006, and even our estimate may be too optimistic.

As we have discussed previously, the decline in Japan gasoline demand appears structural in nature, reflecting a maturing population with a preference for smaller and more fuel-efficient vehicles.

Heavy fuel oil demand remained stronger relative to the rest of the barrel in the third quarter, boosted by a heat wave in August which compounded incremental fuel oil demand as a result of offline nuclear units.

Adjusting for weather and other temporary/variable impacts, however, we have made little revision to our outlook for 2008. We anticipate that Japan oil demand will decline by 0.2%, or about 10 MB/D next year, and as with Europe implies a moderation from our estimated 1.5% decline for 2007 versus last year.

As we have discussed previously, the demand picture in South Korea lies in contrast to that of Japan, with consumption generally increasing as petrochemical feedstock demand continues to rise, complementing relatively resilient demand for other products.

Preliminary August data interrupted this trend, adversely impacted by weaker middle distillate demand which likely reflected a drawdown of secondary stocks previously accumulated in advance of the July diesel tax hike.

On balance, we have made little change to our outlook for 2008 South Korea oil demand, anticipating a gain of 2.1%, or some 40-45 MB/D over 2007.

Non-OECD

As previously discussed in theses pages and is now common knowledge to virtually everyone, China remains a major engine of global oil demand growth. We estimate that third quarter implied demand rose by 6.0%, or about 430 MB/D, accounting for some 43% of estimated world oil demand growth.

The holiday season led to robust implied gasoline demand growth, but was complemented by gains in middle distillates, petrochemical feedstocks and other products, more than offsetting declines in heavy fuel oil demand.

Elsewhere, we estimate that third quarter OPEC oil demand rose by 5.7%, or around 395 MB/D, accounting for another 39% of world oil demand growth.

Thus, China and OPEC alone are accounting for over 80% of the recent growth in world oil demand, with the remainder reflecting gains in India, the FSU, and select other countries, more than offsetting the stagnant to declining picture in the OECD.

For 2008 we expect this influence to continue, and we anticipate that non-OECD oil demand will rise by 2.1%, or some 805 MB/D next year, an upward revision from last month's report by 35 MB/D.

Global Oil Supply

Non-OPEC

Our non-OPEC supply assessment for 2007 remains largely on track, and we estimate a gain of some 715 MB/D this year. In our December 2006 report we forecast a rise for 2007 averaging 775 MB/D, and thus the gain for 2007 is expected to come in a bit below our long-standing expectations, even though our conservative outlook has remained consistently below the IEA and consensus estimates.

We are looking for an increase in non-OPEC supplies from the third to the fourth quarter averaging about 270 MB/D, influenced by an end to North Sea seasonal platform maintenance, a recovery in Mexico production from hurricane-induced downtime in the third quarter, as well as underlying gains in Brazil.

For 2008 we anticipate a rise in non-OPEC supplies averaging around 715 MB/D, by coincidence the same increase we estimate for 2007. This marks a cut from last month by 80 MB/D.

Our revision largely reflects a modest reassessment for the FSU, where we are now looking for a gain in production for next year averaging 400 MB/D, with roughly one half of our increase originating from Russia partly reflecting Sakhalin II. Rising Tengiz output next year influences our forecast 200 MB/D rise in Kazakhstan.

OPEC and Inventory

With regard to OPEC, we note that one factor that analysts claim is restraining prices at the present time is evidence through tanker activity that incremental OPEC supplies are already on the water and being delivered to the market in advance of the "official" November 1 date when the extra 500 MB/D of "real oil" under the latest agreement was supposed to be produced.

Some analysts have been suggesting that the agreement was "too little, too late", but the latest news simply confirms once again our long-standing beliefs in the reality of the market versus the rhetoric of OPEC meetings.

We have tended to believe that OPEC agreements to increase or decrease production largely reflect incremental or decremental refiner crude oil requirements that were previously agreed to, and the latest developments once gain confirm our view.

Our long-standing Base Case for the second half of 2007 has suggested that following our anticipated drawdown in crude oil inventories, refiners would once again come into the market for incremental crude, stabilizing and rebuilding stocks as we move to the end of the year and into 2008, and this would have occurred whether OPEC met or not.

OPEC "10"
Targeted Vienna "Quotas"
v.
Estimated November Production
(MB/D)

	"Quota"	**Production**	**Prod. Vs. "Quota"**
Algeria	1,358	1,340	-18
Indonesia	871	850	-21
Iran	3,818	3,720	-98
Kuwait	2,487	2,475	-12
Libya	1,704	1,730	+26
Nigeria	2,173	2,015	-158
Qatar	824	800	-24
S. Arabia	8,987	8,800	-187
UAE	2,546	2,495	-51
Venezuela	2,485	2,410	-75
Total	27,253	26,635	-618

What we are now seeing is somewhat of the opposite of what occurred last year. You will recall that analysts and OPEC were concerned about high inventories in 2006 during the late summer and early autumn, culminating in Nigeria calling for a special OPEC meeting to "cut" production.

In reality, refiners were already in the process of reducing nominations in line with requirements, subsequently drawing down stocks, leading to a major draw in the United States in December.

While OPEC has gotten much credit for the reduction in inventories, we always believe the market will by and large "self correct" due primarily to the behavior of the refiner/buyer.

Returning to the current situation, a good part of the crude oil price gain from late August to mid October has been attributed to a response to declining inventories in the third quarter. OECD stocks fell by an average of 360 MB/D. We estimate that non-OECD stocks and oil at sea fell by an average of about 385 MB/D during the period for a total estimated third quarter net global stock draw averaging 745 MB/D.

We estimate that end-September usable commercial stocks stood at 14 days of forward demand, almost 2 days below end-September 2006. Our balances suggest global stocks will be roughly stable at 14 days at year end, but within the quarter we are looking for modest further draws followed by a stock recovery in late November and through December.

For 2008, we anticipate no net change in global stocks for the year, with end-2008 usable commercial supplies remaining at about 14 days of forward demand.

With regard to OPEC in the context of this scenario, we are looking for the call on the "OPEC 10" to increase by an average of about 295 MB/D in 2008 versus 2007, taking into account higher Angolan output and relative stagnation in Iraq.

Within the "OPEC 10" we are looking for select and marginal increases in output, and are optimistic the market will witness some recovery in Nigerian production.

The implication in turn is that the "call" on Saudi crude oil production will average around 8.8 MMB/D, only about 100 MB/D higher than our estimated average for 2007.

Implications for Price

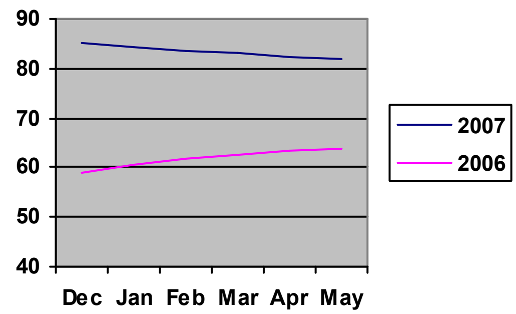
As previously discussed, following the peak in the November NYMEX contract at around $90.00 per barrel prior to expiration, the December contract has eased off its high of about $88.50 per barrel, but as we issue this report has shown great reluctance to fall materially below $85.00 per barrel.

Traders are still hoping a weaker dollar will lead to higher crude oil prices, although it would not surprise us to see this trade du jour erode in popularity by the end of the year, based on historical experience.

Active, CFTC-reporting managed funds still retain substantial net length, and hypothetically if they were to "go flat", based on average contract/price relationships over the past year or so it would imply downside risk in WTI down to the mid $70s or somewhat lower, which does not strike us as unreasonable given our view that global stocks will recover modestly by year end.

In addition, however, we would look for other traders/investors who do not report to the CFTC to lock in profits before year end, including some passive investors if, as we expect, the current backwardation as illustrated in our graph below eases as inventories recover.

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



Given where WTI has been trading since the beginning of October, WTI would have to average in the mid $60s per barrel in December for the fourth quarter to average $75.00 per barrel, and we concede the period average is likely to come out somewhat above, although if sentiment changes dramatically and there are no interruptions in supply such a price decline is achievable, based on our calculated price "layers" in effect at the present time.

The question on many minds is that even if prices do decline significantly by year end and the first quarter witnesses customary seasonal weakness, does it just represent a respite on a recovery to $100.00 per barrel in 2008?

After all, our own balances are relatively constructive by historical standards, and even if demand growth falls short of expectations there is perhaps just as good a chance that non-OPEC supply growth will come up short as well.

One can argue all day that such high prices may or may not be fundamentally justified, but the fact remains that if $90.00 per barrel was achieved in 2007 and the 2008 balance is relatively constructive, what could prevent WTI from averaging somewhat above 2007, just as 2007 averaged above 2006?

It may be tough to argue with such logic based on this year's experience, since we are not assuming a recession as integral to our Base Case.

In our view, however, it boils down largely to the fate of the U.S. gasoline market versus continued growth in dynamic non-OECD regions, reflecting our bias, right or wrong, that in the final analysis the fate of the largest and most visible market in the world will be more important to traders and funds and thus have more price influence than non-OECD oil demand.

Actual and Forecast Prompt NYMEX Crude Oil Prices By Quarter

	2007	**2008**
Q1	**$58.24**	**$67.00**
Q2	**$64.85**	**$70.00**
Q3	**$75.40**	**$64.00**
Q4	**$78.00**	**$60.00**
Yr.	**$69.12**	**$65.25**

If so, and if our view that U.S. gasoline demand will experience a modest decline in 2008 is even close to the mark, then it should have a somewhat weakening impact on gasoline prices and therefore crude oil prices than we experienced in 2007. Not only will demand be somewhat weaker, but the market would realize that refining capacity is easily able to handle the weaker demand.

If all this comes to pass, then active managed funds are unlikely to retain net length to the extent they have for most of 2007. On balance, at this juncture we retain our forecast WTI average for next year of $65.00+ per barrel.

As previously discussed, however, we remain quite concerned about the prospects for a U.S. strike against Iranian facilities. We do not believe Iran would hold crude oil off the market in response, but the market will most assuredly assume that Iran would attack other crude flows in the Arabian Gulf and therefore $100.00 per barrel would be easily achieved.

We do not believe it would hold there for long, however, since if there is any material disruption in supplies it would automatically trigger an IEA strategic stock release, and no one wants to be the last buyer.

Nonetheless, taking this scenario into consideration and the rising odds of it occurring, we concede that if we are off on our forecast WTI average for next year, the odds favor higher prices and not lower.

October 24, 2007

Table 1

OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 10/23/07	Q1	Q2	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20786	20649	20880	20759	20769	0.9	20997	20747	20929	20943	20904	0.7
Motor Gasoline	9028	9390	9491	9238	9287	0.6	8995	9337	9465	9194	9248	-0.4
Jet Fuel	1602	1641	1707	1661	1653	1.8	1642	1682	1749	1702	1694	2.5
Distillate	4399	4134	4134	4302	4242	1.7	4562	4228	4128	4451	4342	2.4
Residual	820	733	668	632	713	4.8	836	748	681	645	728	2.0
Other	4937	4751	4880	4926	4873	-0.1	4962	4753	4904	4951	4892	0.4
Canada	2200	2102	2146	2092	2135	2.4	2277	2116	2169	2114	2169	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	818	779	771	2.5	742	765	830	791	782	1.5
Kerosene	80	79	90	80	82	1.0	81	79	91	81	83	1.0
Gasoil/Diesel	675	487	506	592	565	4.4	742	477	511	599	582	3.1
Fuel Oil	138	96	84	131	112	-0.2	141	94	83	128	111	-0.8
Other	283	344	356	295	320	1.4	280	348	359	298	321	0.6
Mexico	1992	2006	2020	2056	2018	2.1	2011	2026	2040	2077	2039	1.0
United Kingdom	1518	1414	1408	1577	1479	0.2	1517	1415	1408	1579	1480	0.0
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	411	415	418	-1.9	437	391	402	407	409	-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	368	476	465	577	471	1.0
Fuel Oil	147	43	41	52	71	2.0	147	43	41	52	71	0.0
Other	96	93	105	104	99	1.0	97	94	106	105	100	1.1
France	1751	1588	1800	1616	1689	-1.2	1732	1579	1790	1625	1681	-0.4
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	936	744	925	792	849	-0.8
Fuel Oil	91	92	61	81	81	-3.7	92	93	62	82	82	1.0
Other	68	115	143	100	106	0.0	69	116	143	100	107	0.5
Italy	1587	1557	1548	1514	1551	-2.6	1552	1495	1518	1487	1513	-2.5
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	343	313	326	301	321	-2.5
Kerosene	66	73	76	63	70	1.1	67	73	77	64	70	0.8
Gasoil/Diesel	585	482	595	565	557	1.0	591	487	601	570	562	1.0
Fuel Oil	228	402	268	255	288	-11.8	194	341	236	225	249	-13.6
Other	140	102	125	142	127	0.9	141	103	126	143	128	1.0
Germany	2312	2287	2361	2543	2376	-2.9	2322	2279	2362	2544	2377	0.0
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	537	588	524	569	554	-1.8
Kerosene	97	139	144	121	125	1.0	99	140	145	122	126	1.0
Gasoil/Diesel	1091	925	1039	1210	1066	-5.1	1102	927	1041	1213	1071	0.4
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	429	420	394	468	428	-1.2
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	301	260	281	344	296	-1.5
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	409	415	-2.0	424	398	407	405	409	-1.5
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	993	937	912	-2.3	897	770	973	928	892	-2.2
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	622	560	560	-0.9	564	481	621	554	555	-0.8
OECD Europe	11745	11093	11723	12039	11650	-1.5	11626	10972	11658	12024	11570	-0.7
Japan	5561	4337	4252	5049	4800	-1.5	5589	4295	4222	5054	4790	-0.2
Naphtha	665	570	569	779	645	1.4	673	579	577	790	655	1.4
LPG	895	615	567	695	693	1.4	918	624	572	702	704	1.6
Gasoline	995	960	915	923	948	-2.5	965	940	906	914	931	-1.8
Kerosene	1006	448	360	646	615	1.1	1036	455	365	656	628	2.1
Gasoil/Diesel	1206	1080	939	1242	1117	-4.6	1169	1058	920	1243	1098	-1.7
Fuel Oil	320	315	499	355	372	-2.4	352	299	484	344	370	-0.6
Other	198	175	205	223	200	-0.7	194	174	206	225	200	-0.3
Direct Crude	277	175	200	186	209	-5.1	282	166	192	178	205	-2.2
South Korea	2137	1974	1845	1971	1982	2.4	2190	2023	1882	2001	2024	2.1
Australia	869	829	826	881	851	0.9	878	837	839	890	861	1.1
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45394	43097	43797	44960	44312	0.2	45674	43123	43844	45216	44464	0.3

Table 2

World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 10/23/07	Q1	Q2	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20786	20649	20880	20759	20769	0.9	20997	20747	20929	20943	20904	0.7
Canada	2200	2102	2146	2092	2135	2.4	2277	2116	2169	2114	2169	1.6
Mexico	1992	2006	2020	2056	2018	2.1	2011	2026	2040	2077	2039	1.0
United Kingdom	1518	1414	1408	1577	1479	0.2	1517	1415	1408	1579	1480	0.0
France	1751	1588	1800	1616	1689	-1.2	1732	1579	1790	1625	1681	-0.4
Italy	1587	1557	1548	1514	1551	-2.6	1552	1495	1518	1487	1513	-2.5
Germany	2312	2287	2361	2543	2376	-2.9	2322	2279	2362	2544	2377	0.0
Austria	229	216	240	292	244	-0.5	224	218	242	296	245	0.4
Belgium	438	429	398	468	433	-1.7	429	420	394	468	428	-1.2
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	301	260	281	344	296	-1.5
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	409	415	-2.0	424	398	407	405	409	-1.5
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	993	937	912	-2.3	897	770	973	928	892	-2.2
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	622	560	560	-0.9	564	481	621	554	555	-0.8
OECD Europe	11745	11093	11723	12039	11650	-1.5	11626	10972	11658	12024	11570	-0.7
Japan	5561	4337	4252	5049	4800	-1.5	5589	4295	4222	5054	4790	-0.2
South Korea	2137	1974	1845	1971	1982	2.4	2190	2023	1882	2001	2024	2.1
Australia	869	829	826	881	851	0.9	878	837	839	890	861	1.1
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45394	43097	43797	44960	44312	0.2	45674	43123	43844	45216	44464	0.3
Non-OECD	37524	38798	39284	37777	38346	2.1	38279	39629	40146	38550	39151	2.1
FSU	4216	3188	3124	3819	3587	-0.6	4195	3172	3108	3800	3569	-0.5
Non-OECD Europe	2536	2383	2411	2547	2469	-0.6	2519	2367	2396	2531	2453	-0.6
China	5223	7653	7603	5268	6437	5.2	5432	7960	7907	5479	6694	4.0
OPEC	7396	6845	7294	7322	7214	5.7	7845	7247	7721	7743	7639	5.9
Argentina	484	526	507	544	515	0.1	484	528	509	546	517	0.3
Brazil	1881	2149	2220	2203	2113	0.3	1872	2138	2242	2225	2119	0.3
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	2120	2164	2163	3.4	2230	2227	2165	2209	2208	2.1
Other Asia	4066	4148	4044	3821	4020	-0.9	4025	4135	4003	3833	3999	-0.5
Int. Bunkers	2058	2073	2069	2071	2068	-0.5	2061	2072	2067	2067	2067	0.0
Refinery F/L	3280	3291	3293	3309	3293	0.6	3345	3348	3336	3334	3341	1.4
Grand Total Demand	82918	81895	83081	82737	82658	1.1	83953	82752	83990	83766	83615	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 10/23/07	Q1	Q2	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
Grand Total Demand	82918	81895	83081	82737	82658	1.1	83953	82752	83990	83766	83615	1.2
Inventory Change	-920	374	-746	-2	-323		-336	955	-589	-405	-94	
SUPPLY	81997	82269	82335	82736	82334	0.6	83617	83707	83401	83361	83522	1.4
United States	5174	5199	5223	5295	5223	1.7	5323	5317	5310	5303	5313	1.7
United Kingdom	1580	1570	1510	1575	1559	3.7	1580	1523	1525	1528	1539	-1.3
Norway	2455	2165	2210	2392	2306	-3.9	2455	2143	2166	2344	2277	-1.2
Denmark	385	380	380	385	383	-0.6	380	380	380	380	380	-0.7
Netherlands	52	51	52	54	52	-0.5	52	51	51	53	52	-1.0
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	3027	3105	3112	-4.6	3087	3102	2966	3043	3050	-2.0
Canada	2675	2475	2715	2740	2651	4.6	2745	2745	2765	2765	2755	3.9
Argentina	670	660	635	650	654	-1.3	650	650	650	650	650	-0.6
Brazil	1835	1805	1865	1915	1855	3.6	1915	1920	1925	1925	1921	3.6
Colombia	520	515	495	505	509	-3.5	515	510	510	510	511	0.5
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	705	705	709	-4.9	710	705	705	705	706	-0.4
Syria	400	395	385	390	393	-2.5	390	390	390	390	390	-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	625	635	629	-1.6	635	630	630	635	633	0.6
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	495	505	495	10.8	505	505	500	500	503	1.5
India	685	680	685	690	685	3.1	690	690	690	690	690	0.7
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	11352	11310	11476	4.4	11895	12161	11750	11706	11878	3.5
China	3745	3765	3760	3775	3761	2.5	3785	3780	3790	3785	3785	0.6
NGL	4818	4814	4864	4918	4854	1.3	4879	4876	4928	4983	4916	1.3
Ref. Gain/Other	1866	1843	1869	1862	1860	1.1	1889	1862	1890	1885	1881	1.2
Non-Conventional	1160	1165	1171	1185	1170	2.0	1189	1194	1200	1215	1199	2.5
Total Non-OPEC	48718	48489	48297	48565	48517	1.5	49530	49411	49004	48973	49230	1.5
OPEC SUPPLY	33279	33780	34038	34171	33817	-0.5	34087	34296	34398	34388	34292	1.4
OPEC NGL	1710	1750	1760	1765	1746	5.5	1770	1775	1775	1775	1774	1.6
OPEC CONDENSATE	1695	1725	1725	1730	1719	4.0	1755	1760	1775	1775	1766	2.8
OPEC CRUDE SALES	29874	30305	30553	30676	30352	-1.1	30562	30761	30848	30838	30752	1.3
Saudi Arabia	8600	8750	8650	8800	8700	-4.7	8750	8800	8800	8900	8813	1.3
Iran	3869	3795	3773	3771	3802	-0.2	3692	3826	3778	3768	3766	-1.0
Iraq	1905	2075	2145	2085	2053	6.3	2025	2025	2125	2025	2050	-0.1
Kuwait	2300	2500	2525	2525	2463	2.5	2525	2525	2550	2550	2538	3.0
Qatar	800	810	815	815	810	0.0	810	810	810	810	810	0.0
UAE	2410	2475	2550	2525	2490	1.8	2525	2525	2525	2525	2525	1.4
Algeria	1315	1345	1355	1345	1340	0.0	1345	1345	1345	1345	1345	0.4
Angola	1565	1615	1690	1725	1649	14.2	1750	1755	1760	1760	1756	6.5
Nigeria	2125	2005	2175	2210	2129	-6.1	2275	2285	2290	2290	2285	7.3
Libya	1700	1700	1715	1715	1708	3.9	1715	1715	1715	1715	1715	0.4
Venezuela	2415	2375	2310	2310	2353	-8.3	2300	2300	2300	2300	2300	-2.2
Indonesia	870	860	850	850	858	-5.9	850	850	850	850	850	-0.9
Inventory Change	-920	374	-746	-2	-323		-336	955	-589	-405	-94	
Assumed Inventory Position(c)												
Days Supply of MOV	50	50	50	49	49		50	49	49	49	49	
Days Supply of UC	15	15	14	14	14		14	15	14	14	14	
Days Supply of MOV+	65	65	64	64	64		64	64	63	63	63	
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.