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Energy Risk
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International Petroleum Analysis

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World Petroleum Perspectives Monthly Review and Outlook

Summary

Since our last report the prompt NYMEX crude oil contract has gained about \$10.00 per barrel, and has thus far attempted to reach \$100.00 per barrel twice and failed. The prospects for tight winter fuel balances, misplaced in our view, have helped account for the price rise, but perhaps the major factor, completely fueled by funds, has been buying crude oil and selling the dollar. Based on our survey of a number of commodity funds, there does not appear to be any substantive or sophisticated analysis behind the trade, but simply because the chart is attractive and the trade has worked. The justifications for the recent inverse correlation between crude oil and the dollar include the loss of purchasing power by OPEC exporters, who will therefore keep production under tight control to keep prices high. However, there is no market evidence of this behavior, and exports have begun to recover, reflecting rising refiner nominations. Another justification is that non-dollar oil consumers are not facing as high a price, and therefore demand will remain strong. In the case of OECD Europe, however, oil demand growth began to wane at \$60.00 per barrel, and a euro-deflated WTI still reveals an effective price of \$90.00+ per barrel.

From the standpoint of fundamentals, we have made little revision to our previous balances. We believe the IEA remains too robust with regard to both demand and non-OPEC supply growth, and cuts will be made to both sides of their equation in forthcoming months. For next year our numbers suggest a modest rate of growth in world oil demand coupled with a gain in non-OPEC supply that will modestly lag the improvement in demand. As such, we envision a small rise in the “call” on OPEC crude oil, largely met by Angola and select other non-Gulf OPEC members as capacity expands modestly. Thus, Saudi Arabia crude oil production will be roughly on par with the estimated average for 2007. With regard to price, simple arithmetic suggests that WTI will begin 2008 at a somewhat higher level than previously anticipated, but we believe the normal first to second quarter seasonal upswing in price will be negated next year by a continued moderation in demand expectations. The net effect, however, is an upward revision in our forecast average for WTI by \$6.25 per barrel to \$71.50 per barrel.

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- + World oil demand is forecast to rise by 1.1%, or some 940 MB/D next year.
 - + Non-OPEC supply is anticipated to gain by 765 MB/D in 2008.
 - + Saudi Arabia crude oil production is expected to average almost 8.8 MMB/D next year.
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Viewpoint

Since our last report the prompt NYMEX crude oil contract has gained about \$10.00 per barrel, and has thus far attempted to reach \$100.00 per barrel two times and failed.

The prospects for tight winter fuel balances, misplaced in our view, have helped account for a part of the price gain, but the bulk of WTI's move has been completely fueled by funds simultaneously buying crude oil and selling the dollar.

Based on our survey of a number of commodity funds, there does not appear to be any substantive or sophisticated analysis behind the trade, but the trade has largely been established simply because the chart is attractive and the trade has worked.

While CFTC-reporting active funds have bought and sold crude oil based on a number of factors aside from the dollar this year, the data would lend support to funds playing a major role in WTI's move since our last report.

To quantify, on October 23, the data point closest to the publication of our last report, funds held net length of 60,026 contracts corresponding to a prompt NYMEX settlement of \$85.27 per barrel. On November 6 at \$96.70 per barrel, funds held net length of 105,816 contracts, a rise over the period of 45,790 contracts of net length, corresponding to a price gain of \$11.43 per barrel.

Subsequently, on November 13, which happened to correspond to both December crude oil options expiration and the publication of the IEA report where fourth quarter demand was slashed, funds had reduced net length by 78,250 contracts, corresponding to a NYMEX settlement of \$91.17 per barrel.

The justifications for the recent inverse correlation between crude oil and the dollar include the loss of purchasing power by OPEC exporters, who will therefore keep production under tight control to keep prices high.

However, there is absolutely no market evidence of this behavior by any OPEC producer, and in fact crude exports began to recover, reflecting rising refiner nominations, well before the official, "real" production increase effective November 1.

Another justification for the inverse move is that non-dollar oil consumers are not facing as high a price as consumers in the United States, and therefore demand will remain strong.

In the case of OECD Europe, however, oil demand growth began to wane, subsequently turning negative, at around \$60.00 per barrel. A euro-deflated WTI still reveals an effective price of \$90.00+ per barrel, not "cheap" by any standard.

From the standpoint of fundamentals, we have made little revision to our previous balances, largely fine tuning select countries on both the demand and the supply sides of the equation.

In their most recent monthly report, as previously mentioned, the IEA reduced its global oil demand expectations as we have long anticipated. However, we believe further downward revisions are in the cards both for the fourth quarter of 2007 and for all of 2008.

By the same token, however, we believe the IEA remains too robust with regard to non-OPEC supply growth for next year, and cuts are expected to be made on this side of the equation as well.

For 2008 our numbers suggest little net global stock change for the year as a whole, forecasting a modest rate of growth in world oil demand in tandem with a gain in non-OPEC supply that will modestly lag our anticipated improvement in demand.

As such, we envision a small rise in the "call" on OPEC crude oil, largely met by Angola and select other non-Gulf OPEC members as capacity expands modestly.

As such, Saudi Arabia crude oil production is forecast to be roughly on par with the estimated average for 2007, implying a rise in surplus capacity given the new Saudi Aramco project coming onstream next month.

With regard to price, simple arithmetic suggests that WTI will begin 2008 at a higher level than previously anticipated, in large part due to the dollar/crude oil trade continuing to a degree. However, we believe the normal first to second quarter seasonal upswing in price will be negated next year by a continued moderation in demand, both expected and realized.

The net effect, however, is an upward revision in our forecast average for WTI by about \$6.25 per barrel to \$71.50 per barrel.

Global Oil Demand

World oil demand is forecast to rise by 1.1%, or about 940 MB/D in 2008, a modest downward revision from last month's report, largely reflecting fine tuning for several countries.

Within this aggregate, OECD oil demand is expected to increase by only 0.3%, or some 140 MB/D, a cut of 10-15 MB/D from our previous assessment. Non-OECD oil demand is expected to rise by 2.1%, or about 800 MB/D, unchanged from last month's report.

United States

Recent four-week rolling averages of implied U.S. refined product demand are varying around roughly unchanged with the equivalent period in 2006.

We emphasize, however, that given the DOE's consistent pattern of revising down demand once the monthly data are published in the Petroleum Supply Monthly, implied U.S. oil demand is likely running at a somewhat weaker level versus last year.

Manufacturing activity is now improving at an even more modest rate than our long-standing conservative assumptions, and distillate demand per unit of manufacturing output appears to be declining versus last year, implying some conservation effect of diesel fuel which historically has demonstrated relatively little short-term price elasticity.

Gasoline demand growth continues to moderate, on average, reflecting the continued reduction in discretionary driving in response to higher retail prices. On balance, we sense that if we are off the mark in our assessment for 2007, the odds favor somewhat lower U.S. oil demand rather than higher.

For 2008, we have made little change to our outlook. Gasoline demand is expected to decline modestly, reflecting our automotive and

light truck models which anticipate a modest improvement in average fleet fuel efficiency.

All other products are expected to register modest gains, assuming normal winter weather and no outright recession. On balance, we are looking for 2008 U.S. oil demand to rise by 0.7%, or some 135 MB/D versus our estimate for 2007.

Europe

Based on recent, albeit preliminary data, once again OECD Europe oil demand suggests little change from recent trends, with demand, on average, continuing to decline modestly versus the comparable period in 2006.

Estimated October oil demand for OECD Europe was down in a range of 2.0%-3.0%, although we believe this may be subject to modest upward revision. In addition, we believe that part of the decline was due to continued delays in German consumer gas oil stocking versus last year in hopes of somewhat lower prices.

Nonetheless, what appears to be a moderation in economic growth overall combined with continued declines in gasoline demand suggests that any material recovery over the near term is unlikely.

Although Wall Street continues to emphasize that European consumers have been somewhat sheltered from the rise in crude prices due to the weakness in the dollar versus the euro, consumer diesel prices reached all-time records in October.

Europe historically has responded to higher oil prices sooner than the United States, and there was evidence to support this once WTI hit \$60.00 per barrel.

For 2008, we are looking for OECD Europe oil demand to decline by 0.7%, or about 80 MB/D, a slight downward revision from last month's assessment.

Japan and South Korea

Preliminary late third quarter and October data suggest a modest rebound in Japan

oil demand, but a major influence on the recovery was heavy fuel oil and crude for direct burning, boosted by incremental requirements in the context of reduced TEPCO nuclear power generation. The rising demand was exacerbated by late summer heat waves.

Nonetheless, data also suggest a modest rebound in other products, including gasoline demand, which had been declining in previous months reflecting the aging population and the turn toward smaller, more fuel efficient vehicles. At this point, however, we are not inclined to extrapolate or even revise our outlook, pending updated numbers as we move through the remainder of 2007.

For 2008, we forecast a decline in Japan oil demand of 0.2%, or about 10 MB/D, about unchanged from last month and marking a modest improvement from our estimated 1.3% decline in 2007.

South Korea oil demand continues to rise versus last year, although preliminary October data suggest a slight moderation in growth.

On balance, light product demand including gasoline, jet fuel, and petrochemical feedstocks continues to more than offset stagnation or declines at the heavy end of the barrel. Diesel demand growth reversed, but this was likely temporary due to de-stocking following the summer buildup of inventory in advance of a tax hike.

For next year we are looking for South Korea oil demand to rise by 2.1%, or around 45 MB/D, unchanged from last month and a slight moderation in growth from our estimate for this year.

Non-OECD

While always subject to revision, it appears that implied oil demand growth in China is coming in about in line with our Base Case for the second half of the year. Although in September growth registered less than 3.0%, we believe that for the fourth quarter demand will recover to a 4.0% annual rate versus the previous year.

Overall, however, growth is moderating compared to rates earlier in 2007, influenced by weakening heavy fuel oil demand in response to higher prices internationally, which has restrained the local supply of product by domestic refiners.

Although this phenomenon has been felt primarily at the heavy end of the barrel, there has been some select rationing of light products as well. For 2008 we forecast implied China oil demand to rise by 4.0%, or about 255 MB/D, unchanged from last month's report.

Elsewhere, we see no evidence that overall OPEC oil demand growth is moderating, and for next year our Base Case assumes an increase of almost 6.0%, also unchanged from last month.

India oil demand continued to rise through the end of the third quarter, with gains registered for all transportation fuels more than offsetting declines in heavy fuel oil demand. For next year we anticipate a rise in demand of 2.1%, unchanged from our previous assessment.

On balance, non-OECD oil demand growth continues to offset stagnation/declines in the OECD, and for 2008 we forecast a gain in non-OECD oil demand of 2.1%, or about 800 MB/D, unchanged from last month's report.

Global Oil Supply

Non-OPEC

Non-OPEC production is witnessing a recovery in the fourth quarter from the third, due largely to the combination of the end of normal North Sea seasonal platform maintenance and a recovery from storm induced, temporary declines in Mexico, and rising production in China and Azerbaijan from the summer lows.

We estimate that fourth quarter non-OPEC supply will rise by about 435 MB/D from the third quarter average, paced by the United Kingdom and Norway. For 2007 as a whole we estimate that non-OPEC output will end up increasing by around 635 MB/D versus last year.

For 2008, our Base Case is forecasting a non-OPEC supply gain averaging about 765 MB/D, a 50 MB/D upward revision from last

month's assessment following the fine tuning of a few countries. We would emphasize, however, that our latest forecast rise still lies below that of the IEA by some 350 MB/D.

Our forecast non-OPEC increase is concentrated in the FSU, where we are looking for production in 2008 to gain by about 400 MB/D, representing some 52% of the total gain outside of OPEC.

Other, smaller increments are expected from Brazil, up by 80 MB/D, Canada, rising by 105 MB/D, with a modest increase from the United States, reflecting the startup of new fields in the Gulf of Mexico. Non-OPEC NGLs are also slated to rise versus 2007.

OPEC and Inventory

OPEC is scheduled to meet on December 5, and as we issue this report there is speculation that another official increase of "real" oil is possible. However, as discussed in previous reports we tend to be of the mind that any "official" OPEC production increases largely, if not exclusively, reflect higher refiner nominations previously scheduled.

Such appears to be the case at the present time, with a number of tanker trackers suggesting more oil on the water compared to a couple months ago. This would be consistent with our Base Case balances, which had assumed that U.S. refiners in particular would be buying more crude at the margin in advance of a recovery from autumn turnarounds and the progressive increase in runs by BP at Texas City and Whiting in order to maintain a constant days supply.

Our customary table for the OPEC "10" suggests that December production will average a bit higher than November, with virtually all of the increase coming from Saudi Arabia.

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

	"Quota"	Production	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	8,880	-107
UAE	2,546	2,495	-51
Venezuela	2,485	2,410	-75
Total	27,253	26,715	-538

With regard to global stocks, at year end we anticipate that usable commercial inventories will come in about one day of supply below the level at the end of 2006.

For 2008, putting together our demand and non-OPEC supply sides of the equation and assuming little net global stock change for the year, we forecast that the demand for OPEC "10" crude oil will average about 26.86 MMB/D, some 175 MB/D above our estimate for 2007.

The increment falls short of the forecast gap between the gain in demand and the rise in non-OPEC supply due to an increase from Angola averaging in excess of 100 MB/D, a small average gain for Iraq due simply to inordinately depressed output earlier this year, as well as increases in OPEC production of NGLs and condensate.

Within this context, Saudi Arabia production is anticipated to average about 8.8 MMB/D in 2008, higher than the 2007 average by less than 100 MB/D. Given that the Greater Khursaniyah project is scheduled to come onstream within the next month or so adding 500 MB/D of Arab Light, by definition Saudi Arabia's spare capacity will increase next year to an estimated 2.3-2.4 MMB/D.

Implications for Price

It would appear that irrespective of fundamental world oil market developments, either bullish or bearish, the fate of WTI remains locked in an inverse relationship with the dollar.

We have discussed previously that there has been no close historical relationship between the two on a long-term basis, and we wish to provide our evidence within the context of our price forecast, suggesting it has become a more recent theme for funds to jump on because, as we have previously discussed, “the trade is working”, pure and simple.

We ran correlations from 2004 between prompt NYMEX crude oil and our dollars per euro index to date and, more importantly, *discrete* time periods sine the beginning of 2004.

Once again we emphasize that our correlations *should* have a positive sign, since we ran crude oil versus dollars per euro, i.e. as the dollar weakens there are more dollars per euro implying a rising index.

We also compared the correlations with the absolute move *within* the respective year of both the dollar versus the euro and WTI. The move within the year is calculated as year-end value versus prior year-end value, which is more relevant when looking at the *intra-period* correlation between the two variables, as opposed to average year-over-year change. The results are shown below.

	Corr.	% Chg In Dollar --During Period---	% Chg In WTI
Jan. 2 2004-to date	.47	-15.2	+200.7
2004	.22	-7.8	+33.5
2005	-.66	+15.4	+40.5
2006	.15	-10.4	0.0
2007-to date	.96	-11.1	+60.2
First half 2007	.85	-3.5	+28.1
August 22 to date	.96	-8.9	+41.1

We chose to start at the beginning of January 2004 because that is when we believe the non-fundamental financial funds flow factors began to come into play and have a progressively greater influence in crude oil price determination since that point in time.

Looking at the entire period from January 2, 2004 to date, the .47 correlation clearly indicates a non-significant statistical relationship between the value of the dollar (versus euro) and WTI.

However, when looking at individual years the relationship is even weaker, i.e. in 2004 quite low at .22, despite the fact that the dollar declined while crude oil prices rose, and not even the correct sign in 2005 when both the dollar and crude oil prices appreciated in value.

In 2006 the dollar rose over the course over the year, and yet WTI was unchanged on an end-2005 to end 2006 basis. Then we come to 2007. Year to date, the correlation is strong at .96. However, in the first half of the year it was somewhat weaker.

From August 22, the date when we have indicated that WTI appeared to disconnect both from fundamentals and our calculated financial funds flow influence, to the present time, is the period that has most influenced the strong correlation thus far in 2007.

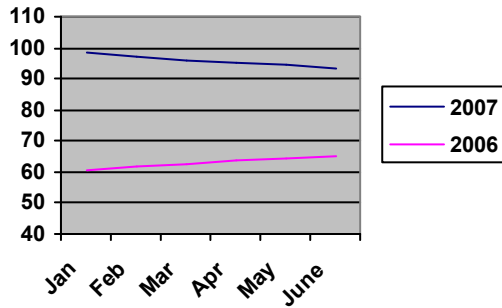
Thus, from 2004 to date, the *only* time period when the dollar/WTI relationship can be said to be most closely correlated has been the last three months as it evolved into a “major mantra”. The dollar has not been a consistent influence, and actually has been statistically insignificant in helping to determine crude oil prices for most of the past four years.

What is the implication of all this for WTI for 2008? At the outset let us emphasize that these days it is not sufficient to “get the balance right”. We have recognized that financial funds flow analysis has become just as critical as the fundamentals of demand and supply in the exercise of crude oil price determination.

As such, yet another variable to now consider is the dollar. While we would suggest that the inverse correlation between WTI and the dollar is unlikely to continue indefinitely, for the next couple months to set the stage for 2008 we are now required to give some thought on overall direction.

In this context, we do not believe a complex global analysis of comparative trade advantage is necessary. However, we need to make some working assumption with regard to future actions by the Federal Reserve. As such, at this point we believe, right or wrong, that further official rate cuts over the next three to six months carry a probability of less than 50%.

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



In all, our table above lays out our revised WTI price outlook for next year, and we now believe an average for 2008 of \$71.50 per barrel is more likely, with strength concentrated in the first half of the year.

November 26, 2007

If we happen to be right, we believe that the dollar will begin to stabilize, if only on a temporary basis, and funds will begin to unwind their long crude/short dollar positions.

In the context of 2008 WTI, this action should be complemented by a more conservative outlook for the global balance, recognizing the demand impact that has resulted from higher prices in the OECD and more moderate gains outside the OECD.

OPEC spare capacity, albeit largely in Saudi Arabia, will rise next year, and if we are close to the mark that U.S. gasoline demand will witness a modest decline, adequate refined product inventories will limit crude oil's upside.

Having said all this, it appears likely that we will begin 2008 at a higher level of crude oil prices than previously anticipated. We also believe, however, that if all the above factors come into play, particularly our U.S. gasoline scenario, then the traditional first to second quarter upswing in price will not occur.

Actual and Forecast Prompt NYMEX Crude Oil Prices By Quarter

	2007	2008
Q1	\$58.24	\$86.00
Q2	\$64.85	\$75.00
Q3	\$75.40	\$65.00
Q4	\$90.34	\$60.00
Yr.	\$72.21	\$71.50

Table 1
OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 11/26/07	Q1	Q2	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20786	20649	20900	20810	20786	1.0	21008	20744	20935	20945	20908	0.6
Motor Gasoline	9028	9390	9472	9263	9288	0.6	9006	9333	9509	9195	9261	-0.3
Jet Fuel	1602	1641	1707	1661	1653	1.8	1642	1682	1749	1702	1694	2.5
Distillate	4399	4134	4127	4329	4247	1.8	4562	4228	4044	4452	4321	1.7
Residual	820	733	715	632	725	6.5	836	748	729	645	740	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
Kerosene	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	1589	1803	1616	1690	-1.2	1732	1579	1793	1625	1682	-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	244	184	230	-3.2	207	273	238	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	116	143	100	107	0.2	69	116	143	100	107	0.5
Italy	1587	1557	1533	1514	1548	-2.8	1552	1495	1504	1487	1510	-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	587	565	555	0.7	591	487	593	570	560	1.0
Fuel Oil	228	402	262	255	287	-12.2	194	341	231	225	248	-13.6
Other	140	102	125	142	127	0.9	141	103	126	143	128	1.0
Germany	2312	2287	2318	2543	2365	-3.3	2322	2279	2319	2544	2366	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	996	1210	1056	-6.1	1102	927	998	1213	1060	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	11094	11669	12039	11637	-1.6	11626	10973	11604	12024	11557	-0.7
Japan	5561	4337	4275	5065	4810	-1.3	5589	4295	4244	5069	4799	-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	522	371	382	0.1	352	299	506	360	379	-0.7
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	1852	1971	1983	2.5	2190	2023	1889	2001	2026	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	43793	45028	44328	0.2	45686	43120	43825	45233	44466	0.3

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Table 2
World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 11/26/07												% Chng 08/07
	Q1	Q2	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	
DEMAND												
United States	20786	20649	20900	20810	20786	1.0	21008	20744	20935	20945	20908	0.6
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	1589	1803	1616	1690	-1.2	1732	1579	1793	1625	1682	-0.4
Italy	1587	1557	1533	1514	1548	-2.8	1552	1495	1504	1487	1510	-2.5
Germany	2312	2287	2318	2543	2365	-3.3	2322	2279	2319	2544	2366	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	11094	11669	12039	11637	-1.6	11626	10973	11604	12024	11557	-0.7
Japan	5561	4337	4275	5065	4810	-1.3	5589	4295	4244	5069	4799	-0.2
South Korea	2137	1974	1852	1971	1983	2.5	2190	2023	1889	2001	2026	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	43793	45028	44328	0.2	45686	43120	43825	45233	44466	0.3
Non-OECD	37524	38797	39201	37783	38326	2.1	38278	39628	40054	38554	39128	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	7531	5268	6419	4.9	5432	7960	7832	5479	6676	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	2209	2203	2110	0.2	1872	2138	2231	2225	2116	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	2072	2071	2073	2069	-0.4	2061	2072	2065	2068	2066	-0.1
Refinery F/L	3280	3290	3291	3314	3294	0.7	3343	3347	3331	3337	3340	1.4
Grand Total Demand	82918	81894	82994	82811	82654	1.1	83963	82748	83880	83786	83594	1.1

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

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Table 3
World Oil Supply
(Thousands of Barrels Daily)

BASE CASE 11/26/07												% Chng 08/07
	Q1	Q2	Q3E	Q4E	2007E	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	
Grand Total Demand	82918	81894	82994	82811	82654	1.1	83963	82748	83880	83786	83594	1.1
Inventory Change	-920	355	-724	32	-314		-377	936	-596	-358	-99	
SUPPLY	81997	82249	82271	82843	82340	0.7	83586	83684	83284	83429	83496	1.4
United States	5174	5199	5124	5295	5198	1.2	5323	5317	5310	5303	5313	2.2
United Kingdom	1580	1570	1450	1575	1544	2.7	1580	1523	1465	1528	1524	-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	3055	3105	3119	-4.4	3087	3102	2994	3043	3056	-2.0
Canada	2675	2475	2705	2740	2649	4.5	2745	2745	2765	2765	2755	4.0
Argentina	670	660	645	650	656	-0.9	650	650	650	650	650	-1.0
Brazil	1835	1805	1815	1915	1843	2.9	1915	1920	1925	1925	1921	4.3
Colombia	520	515	490	505	508	-3.7	515	510	510	510	511	0.7
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	375	375	386	-4.0	380	380	380	380	380	-1.6
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	620	625	625	-2.2	625	630	630	630	629	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	680	685	683	2.7	690	690	690	690	690	1.1
Malaysia	720	700	690	690	700	-5.4	700	700	700	700	700	0.0
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	11408	11310	11490	4.6	11895	12161	11807	11706	11892	3.5
China	3745	3765	3695	3755	3740	1.9	3785	3780	3790	3785	3785	1.2
NGL	4818	4814	4864	4918	4854	1.3	4879	4876	4928	4983	4916	1.3
Ref. Gain/Other	1866	1843	1867	1863	1860	1.1	1889	1862	1887	1885	1881	1.1
Non-Conventional	1160	1165	1171	1185	1170	2.0	1189	1194	1200	1215	1199	2.5
Total Non-OPEC	48718	48489	48049	48486	48436	1.3	49491	49381	48996	48938	49201	1.6
OPEC SUPPLY	33279	33760	34222	34357	33904	-0.3	34095	34303	34288	34491	34294	1.1
OPEC NGL	1710	1750	1780	1790	1758	6.2	1795	1800	1800	1810	1801	2.5
OPEC CONDENSATE	1695	1725	1765	1765	1738	5.1	1775	1780	1780	1785	1780	2.4
OPEC CRUDE SALES	29874	30285	30677	30802	30409	-0.9	30525	30723	30708	30896	30713	1.0
Saudi Arabia	8600	8750	8675	8800	8706	-4.6	8700	8800	8700	8900	8775	0.8
Iran	3869	3775	3892	3802	3834	0.7	3695	3758	3803	3791	3762	-1.9
Iraq	1905	2075	2145	2175	2075	7.5	2095	2095	2095	2095	2095	1.0
Kuwait	2300	2500	2525	2525	2463	2.5	2525	2525	2550	2550	2538	3.0
Qatar	800	810	825	825	815	0.6	820	820	820	820	820	0.6
UAE	2410	2475	2565	2565	2504	2.4	2550	2550	2550	2550	2550	1.8
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	2125	2155	2103	-7.2	2165	2195	2205	2205	2193	4.3
Libya	1700	1700	1735	1740	1719	4.6	1745	1745	1745	1745	1745	1.5
Venezuela	2415	2375	2295	2295	2345	-8.6	2285	2285	2285	2285	2285	-2.6
Indonesia	870	860	850	850	858	-5.9	850	850	850	850	850	-0.9
Inventory Change	-920	355	-724	32	-314		-377	936	-596	-358	-99	
Assumed Inventory Position(c)												
Days Supply of MOV	50	50	50	50	50		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.

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