



# McQUILLING SERVICES, LLC

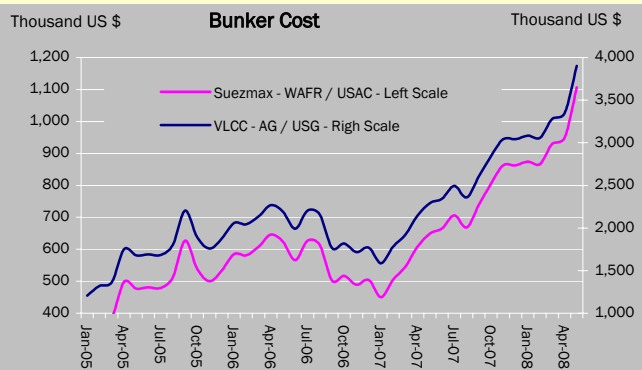
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# TANKERS

## BUNKER PRICE ANALYSIS - JUNE 2008

Route	Cargo Size	Route Description	YTD Average Spot Rate	TCE Earnings Bunker Price US \$500 / ton	TCE Earnings Bunker Price US \$630 / ton	TCE Difference (US\$/day)
	000 mt	VLCC Routes	2008 WS	(US\$/day)	(US\$/day)	(US\$/day)
TD1	280	AG / USG	110	77,000	65,500	11,500
TD2	260	AG / SING	155	110,000	100,000	10,000
TD3	260	AG / Japan	150	113,000	102,000	11,000
TD4	260	WAFR / USG	140	97,000	85,000	12,000
TD15	260	WAFR / China	130	87,000	76,000	11,000
TD6	135	BSEA / MED	185	76,500	72,000	4,500
TD5	130	WAFR / USAC	175	61,000	53,500	7,500
TD8	80	AG / SING	188	37,000	32,000	5,000
TD11	80	Cross MED	212	53,000	48,000	5,000
TD14	80	SE Asia / EC Aust	173	34,000	29,000	5,000
TC1	75	AG / Japan CPP	180	32,500	27,500	5,000
TD9	70	Carib / USG	236	45,500	40,500	5,000
TD12	55	ARA / USG	222	33,500	29,000	4,500
TC5	55	AG / Japan CPP	204	27,000	22,500	4,500
TD10	50	Carib / USAC	248	32,000	27,500	4,500
TC3	38	Carib / USAC	232	20,000	16,500	3,500
TC2	37	CONT / USAC	267	24,000	20,000	4,000
TC4	30	SING / Japan	211	10,000	6,200	3,800
TC6	30	Algeria / Euromed	261	27,000	24,000	3,000

Average **6,332**



### McQuilling Bunker and Oil Price Correlation

Crude US\$/BBL	Bunkers US\$/MT low	Bunkers US\$/MT high
70	327	332
80	371	376
90	415	420
100	459	463
110	503	507
120	547	551
130	591	594
140	635	638

High prices of crude oil have caused the price of bunker fuel to increase. The cost of bunkers is one of the major elements that make-up the voyage cost. Since January 2005 the bunker cost has more than trebled across five tanker sectors. For instance, in January 2005 the price of bunkers on an AG / USG round trip VLCC voyage was around US \$1.2 million. Presently that same voyage bears almost a US \$4 million in fuel cost. In the smaller tanker sectors and on the shorter trades, such as a Caribs / USG Aframax voyage, the cost of bunkers also increased by more than three fold since January 2005, from US \$ 115,000 per round trip voyage to US \$375,000.

The price of bunkers is highly correlated to the price of crude oil. Our voyage cost analysis (table on the left) is based on US \$630 / ton price of bunkers which is an average price in today's market. The US \$500 / ton bunkers was selected as a benchmark reflecting a US \$110 barrel of oil. Present news headlines indicate that the oil price may fall back to US \$80 per barrel level in the foreseeable future. However, the US \$110 barrel was a more realistic number for the sake of comparison. A further US \$30 dollar per barrel decrease, reflecting a US \$80 per barrel oil, would result in approximately US \$375 / ton bunkers.

The average result across five tanker sectors is a US \$6,322 / day difference in TCE cost basis a US \$130 / ton difference in the price of bunkers (from US \$500 / ton to US \$630 / ton). However, across five tanker sectors this number ranged from US \$12,000 / day on TD4 to US \$3,000 / day on TC6. Such a high swing in the cost of bunkers appears to be manageable in the presently strong market. However, if the markets cool-off and the price of bunkers remains at present highs, the TCE cost will be significantly effected and TCE earnings will diminish substantially.