



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 13, 2006

Iraq is expected to restart its exports from its southern Basra terminal later on Friday after exports were halted late Thursday due to bad weather conditions. Bad weather had slowed southern oil exports for three days before it led to a complete suspension on Thursday. Iraq's exports stood at 1.4 million bpd before its was halted.

Refinery News

A boiler in a fluid catalytic cracking unit suffered an upset on Friday at ConocoPhillips' 146,000 bpd refinery in Borger, Texas.

Market Watch

China's UN ambassador said that the country feared referring Iran's nuclear program to the UN Security Council may complicate the issue and could harden the positions of some parties. Meanwhile, Britain, France, Germany and the US said that their talks with Iran over its nuclear ambitions were at an impasse and the issue should be shifted to the Security Council. White House spokesman Scott McClellan said that the only alternative is to refer the dispute to the UN Security Council. The move could eventually lead to international sanctions on Iran. Separately, President George W. Bush said he would not prejudge what the UN Security Council would do with Iran. He said he wants the issue solved diplomatically.

US Treasury Secretary John Snow said he expects next month's meeting of G8 finance ministers to put energy supplies and costs at the top of its agenda.

Valero Energy Corp said it was pushing back some planned maintenance at several refineries. It said the expansion of its coking capacity to 70,000 bpd at its 275,000 bpd refinery in Aruba would be pushed from the beginning of January to the second half of the month. Also work planned on a crude distillation unit at its Corpus Christi, Texas refinery scheduled to start at the beginning of January was rescheduled to begin on January 20 and last for about 20 days. In the Midwest, it is also delaying the refinery maintenance at its 190,000 bpd refinery in Memphis from February to March. Planned maintenance on a fluid catalytic cracking unit and coker unit at its Lima, Ohio refinery would also be pushed back from March to April.

Russia's Interfax reported that a fire broke out at Rosneft's refinery in the Komsomolsk region. Ten 60 ton oil product storage tanks caught fire. An official stated that the fire was extinguished and added that there was no risk to operations.

Neste Oil reported an explosion and fire at its 1 million tons a year Nynas refinery south of Stockholm.

Production News

Royal Dutch Shell has declared force majeure on 106,000 bpd of Nigerian Forcados crude following a pipeline explosion. The measure releases the company from its contractual export commitments while repairs to the Trans-Ramos pipeline, expected to take 3-4 days are carried out. Meanwhile, production at Shell's 120,000 bpd E.A. oilfield resumed on Friday following a two day closure due to an armed attack in which four workers were abducted. Tanker loadings of crude oil at the offshore field were not interrupted.

An analyst reported that gas oil stocks held in Amsterdam-Rotterdam-Antwerp storage tanks increased to 2.025 million tons this week on increasing exports from the former Soviet Union and reduced flows to the US. Gas oil stocks in ARA storage tanks increased by 105,000 tons in the week ending January 13th. Its gasoline stocks increased by 40,000 tons to 845,000 tons on the week while fuel oil stocks fell by 20,000 tons to 530,000 tons. Its naphtha stocks fell by 5,000 tons to 55,000 tons while jet fuel stocks fell by 5,000 tons to 385,000 tons on the week.

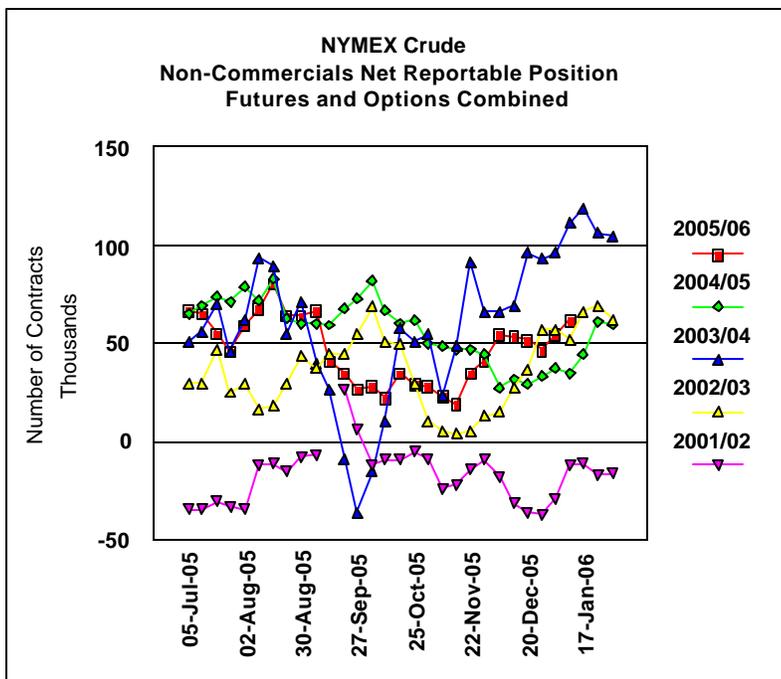
Norway's Petroleum Directorate said Norway's December crude production increased by 1.7% on the month to 2.35 million bpd.

Turkey suspended northbound traffic along the Dardanelles Strait on Friday after a dry bulk ship carrying coal ran aground. Despite the closure, which was only expected to disrupt traffic on Friday, delays for oil tankers on their way to Black Sea ports fell 17 days, down from 24 for a round trip voyage through the Turkish Straits last week.

Russia's Tatneft said it produced 500,000 bpd of oil in December.

Russia's Lukoil Holdings said its oil production increased by 4.5% in 2005 to 90.1 million tons or 1.804 million bpd. It said its oil exports in 2005 increased by 2.3% to 46.6 million tons. It stated that it exported 6.89 million tons of crude and oil products through its Baltic Terminal of Vysotsk in 2005.

Russia's Baltic Sea port of St. Petersburg increased its oil product exports by 18% in 2005 to 10.8 million tons.



China's net imports of crude oil in 2005 totaled 118.75 million tons, up 1.2% on the year. Its net imports of oil products last year totaled 17.42 million tons, down 34% on the year. China's total apparent oil consumption totaled 317.67 million tons in 2005, down 0.3% on the year. It produced 181.5 million tons of crude in 2005, up 3.7% on the year.

India's state oil marketing companies' oil product sales fell to 8.19 million tons in December from 8.45 million tons reported last year. Its naphtha sales fell to 450,000 tons from 610,000 tons last year while gasoline sales increased to 690,000 tons in December from 680,000 tons last year. Its kerosene sales also increased to 770,000 tons from 750,000 tons a year earlier.

OPEC's news agency reported that OPEC's basket of crudes increased by \$.74/barrel to \$57.61/barrel on Thursday.

Indonesia purchased 5.27 million barrels of sweet crude in its tender for March arrivals, less than its February imports.

Market Commentary

The crude market continued to retrace its recent gains and gapped lower this morning from 63.86 to 63.40. The market quickly posted a low of 63.25 early in the session amid reports that production at Shell's E.A. oilfield resumed on Friday following a two day closure. The market however bounced off its low and backfilled its opening gap as traders covered their positions ahead of the long holiday weekend. The oil market rallied to a high of 64.10 late in the session. It ended a shortened session down just 2 cents at 63.92 as concerns persisted over Iran. Volume was excellent given the shortened trading session, with 214,000 lots booked on the day. The heating oil market also gapped lower on the opening from 171.00 to 170.00 as it continued to retrace its previous gains. The market sold off to a low of 169.60 but quickly bounced off that level and backfilled its gap. It traded to a high of 172.50 within the first hour of trading and remained range bound during the remainder of the session. The heating oil market settled up 37 points at 171.50. Meanwhile, the gasoline market also settled up 1.26 cents at 173.11. Similarly, the gasoline market gapped lower from 171.60 to 170.50 and posted a low of 170.00. However it retraced its losses and rallied to a high of 173.90 ahead of the early closing as traders covered their positions. Volumes in the product markets were good with over 45,000 lots booked in each the heating oil and gasoline markets.

The Commitment of Traders report showed that non-commercials in the crude market cut their net short positions by 13,681 contracts to a net short position of 722 contracts in the week ending January 10th. The combined futures and option report also showed that non-commercials in the crude market increased their net long position by 7,823 contracts to 62,133 contracts on the week. It is not surprising to see such an increase as open interest continued to build as new longs came into the market. Meanwhile, non-commercials in the heating oil market also increased their net long positions by 2,693 contracts to 10,015 contracts while non-commercials in the gasoline market increased by 3,654 contracts to 32,078 contracts on the week.

The crude market on Tuesday will likely trade lower barring any major developments over the long weekend. The market is seen finding resistance at its high of 64.10 followed by 65.05 and its gap from 65.10 to 65.60. More distant resistance is seen at 66.90. Meanwhile support is seen at 63.50, 63.25, 62.60 and 62.50. Further support is seen at its gap from 61.75 to 61.25.

Technical Analysis		
	Levels	Explanation
CL 63.92, down 2 cents	Resistance 65.05, 65.10 to 65.60, 66.90 64.10	Previous high, Gap (October 4th), Previous high Friday's high
	Support 63.50, 63.25 62.60, 62.50, 61.75 to 61.25	Friday's low Previous lows, Gap (January 3rd)
HO 171.50, up 37 points	Resistance 177.25, 179.00 172.50, 175.70	Previous highs Friday's high, Thursday's high
	Support 169.60, 169.10 167.00, 165.80	Friday's low, Wednesday's low Previous lows
HU 173.11, up 1.26 cents	Resistance 176.70, 177.50, 180.50, 181.90 173.90	Thursday's high, Previous highs Friday's high
	Support 172.00, 170.00 169.10, 168.33, 165.70, 165.12	Friday's low Previous low, 50% (154.75 and 181.90), Previous low, 62%