



632 ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 15, 2006

In its monthly oil market report, OPEC cut its forecast for 2006 oil demand growth to 1.57 million bpd to 84.64 million bpd. Its demand growth is down from its previous estimate of 1.62 million bpd. It said oil consumption is expected to increase in all major regions however the uncertainties surrounding the demand growth, particularly in North America and Asia could result in a downward revision. It stated that demand for its oil would total 28.49 million bpd down 200,000 bpd from its estimate last month.

According to the API, total US crude oil and product demand fell by 1.3% on the year in January to 20.249 million bpd. It was down 275,000 bpd on the year as warmer temperatures reduced

Market Watch

The US EPA said it was revoking the 2% oxygenate content requirement for reformulated gasoline or RFG to comply with federal energy policy legislation passed last year. The EPA said the revocation, which takes effect nationwide May 6 and in California 60 days after the regulation's publication in the Federal Register, would improve the flexibility of refiners to make cleaner burning fuel. It also stated that it would permit the co-mingling of some ethanol blended RFG with RFG blended with other oxygenates like MTBE.

The US Energy Secretary Sam Bodman said the US government should not seek to change contracts with energy companies that would allow them to avoid paying royalties on some of the oil and natural gas they drill in the Gulf of Mexico. He said current regulations that allow US oil companies to drill oil and gas on some federal lands without paying royalties were sealed by former President Bill Clinton and should not be changed. Democrats in both the Senate and House of Representatives plan to introduce legislation to end the royalty relief. The government is set to lose billions of dollars in royalties over the next five years.

Nigeria's military launched a helicopter gunship attack on targets in the Niger Delta on Wednesday. A Navy source said the attack was directed against oil barges suspected to be used in the theft of crude oil. The helicopter destroyed 8 barges. However militants from the Movement for the Emancipation of the Niger Delta said the attack was against Ijaw communities in the Gbaramatu area of the state. The militants threatened to shoot down aircraft unless military flights stopped. Separately, Britain's Foreign Minister Jack Straw said Nigeria's government must act to improve security in the Niger Delta.

Marathon Oil Corp added net proven reserves of 282 million barrels of oil equivalent in 2005. At the end of 2005, Marathon had estimated proven reserves of 1.295 billion boe, an increase of 156 million boe over the previous year's reserves.

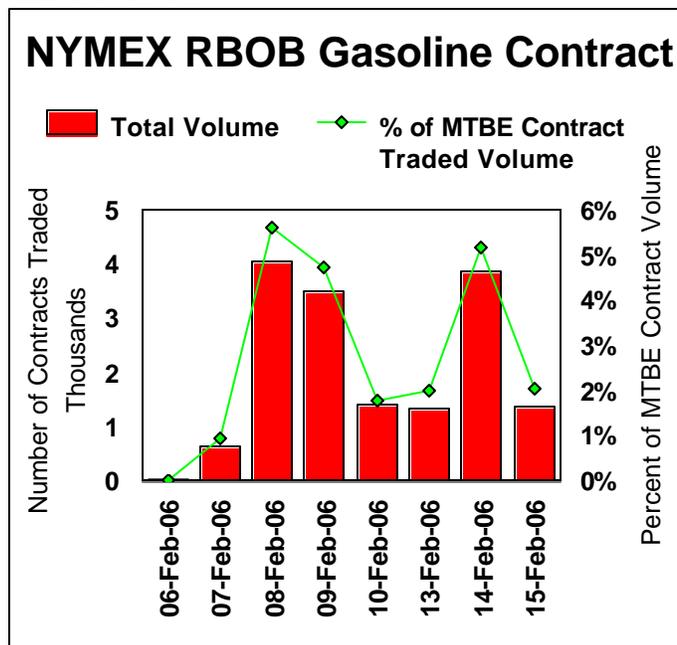
Venezuelan officials said the Venezuelan unit of Total is refusing to pay a back tax bill which may hamper a joint venture deal with PDVSA. Total's back tax bill totaled \$107.4 million for the 2001 to 2004 period. Venezuela's Seniat said it was reviewing the company's appeal on the total amount of the bill.

heating fuel use. Distillate demand fell by 3.3% in January to 4.086 million bpd amid the warmer temperatures. Gasoline demand fell by 0.2% to 8.761 million bpd while jet fuel demand increased by 4.2% to 1.579 million bpd and residual fuel demand increased by 11% to 1.089 million bpd. It reported that crude production increased to 5.071 million bpd in January from 4.897 million bpd but was still down from last year's level of 5.413 million bpd. Crude oil imports fell by 3.8% in January to 9.396 million bpd while petroleum product imports increased by 30.7% to 3.684 million bpd.

DOE Stocks	
Crude	– up 4.9 million barrels
Distillate	– up 900,000 barrels
Gasoline	– up 2.2 million barrels
Refinery runs	– down 0.35%, at 86.1%

The US is considering imposing new sanctions on Iran as it accused the country of defying the world by resuming its uranium enrichment. Meanwhile Russia urged Iran to compromise. Russia's Foreign Minister Sergei Lavrov said Iran should suspend all its atomic fuel enrichment work to give Russia's proposal a chance for success. He also stated that imposing sanctions on Iran over fears it is seeking nuclear arms would only make matters worse.

The EIA reported that US inventories of propane totaled 43.542 million barrels in the week ending February 10, down 3.783 million barrels on the week. It reported that inventories in the East Coast increased by 34,000 barrels to 4.538 million barrels while inventories in the Midwest fell by 832,000 barrels to 14.449 million barrels and inventories in the Gulf Coast fell by 2.716 million barrels to 23.376 million barrels.



Refinery News

A delayed coking unit at Motiva's 285,000 bpd refinery in Port Arthur, Texas was shut on Tuesday due to equipment problems.

Deer Park Refining LP reported a possible shutdown of a catalytic cracking unit at its Deer Park, Texas refinery. The unit has been operating at minimum rates throughput February while undergoing maintenance that started on January 27 and is expected to conclude around February 27.

Sunoco Inc moved forward its routine maintenance from the third quarter to the first quarter. It is expected to start maintenance on its 200,000 bpd crude unit at the Philadelphia refinery on February 19 for 20 days. It said refinery maintenance would cut first quarter

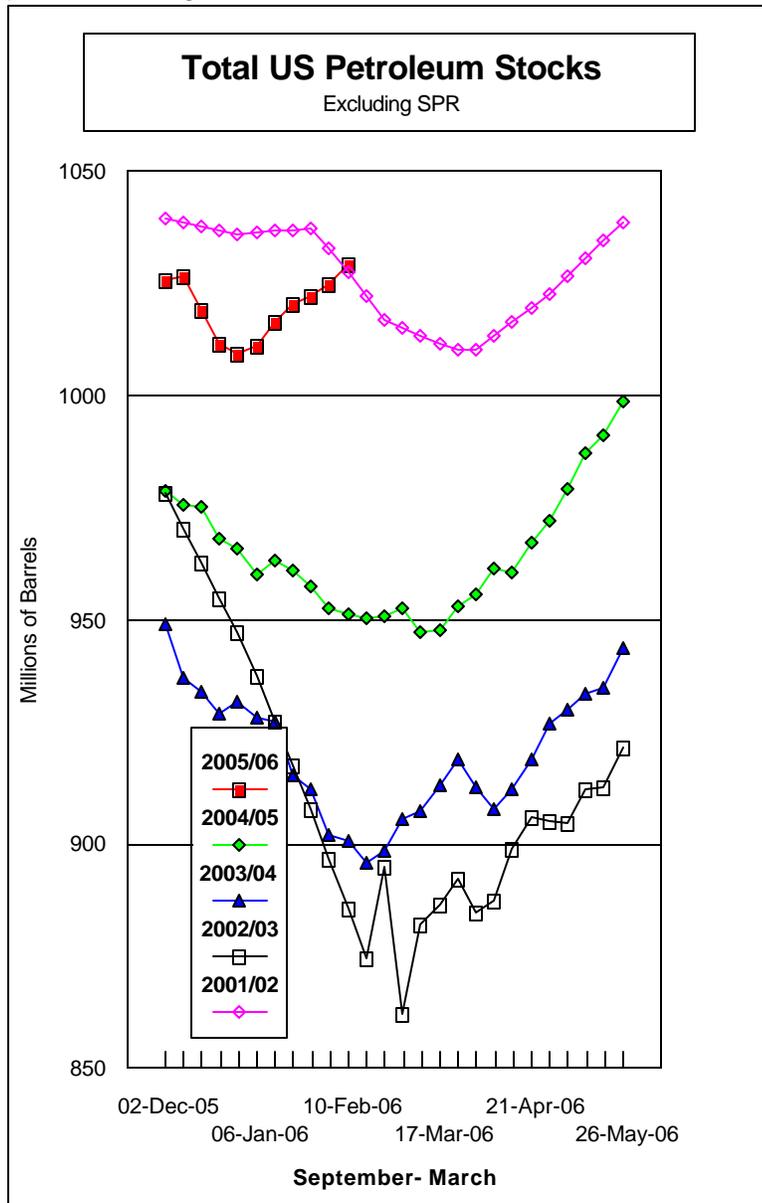
production by 4 million to 5 million barrels.

South Korea's refineries are likely to increase their jet fuel production in March at the expense of kerosene and low sulfur gasoil.

Refiners in the Middle East will have to compete with plants in Asia to supply Europe with middle distillates such as diesel and jet fuel. Europe is fundamentally short of distillate fuels, comprising heating oil, diesel and jet fuel as its refiners have underinvested in distillate production in recent decades while transport demand for diesel is increasing.

Production News

Shell officials said repair work on damaged pipelines owned by Shell Petroleum Development Co of Nigeria is 60% complete. Repair work on the Trans-Ramos pipeline started last week but Shell official said the completion of work depended on contractors being able to gain full access to the site. A Shell official however said the shut in of 106,000 bpd of crude production and the force majeure were still in place following an attack on its facilities last month.



Statoil ASA said its Statfjord A and 130,000 bpd Snorre field returned to full production early Wednesday following a temporary shutdown. The field was shut early Tuesday after gas was leaking from a small hole in a water pipe on the test separator. Separately, it said it is aiming to shutdown its 140,000 bpd Heidrun field by Monday to replace a gas flare unit.

An Iraqi oil official said Iraq's crude oil exports in the first half of February increased by 25.7% on the month to 1.36 million bpd. January's average oil export level stood at 1.09 million bpd. Meanwhile, production from the north averaged 400,000 bpd in the first 15 days of February but there were no exports through its northern pipeline to Turkey.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe fell to 256,097 tons from 342,996 tons during the previous week.

Turkey's Bosphorus Strait reopened on Wednesday after closing for about an hour due to snow and fog.

According to customs figures, China's crude oil imports increased about 70% on the year in January to 13.23 million tons or 3.1 million bpd. China's oil product imports however fell by 22% in

January to 2.62 million tons.

Taiwan's Bureau of Energy said Taiwan consumed 818,589 bpd of oil products in 2005, up 2.2% on the year. Demand for oil products in December was 825,167 bpd, up 4.4% on the year.

Russia's Minister of Economic Development and Trade German Gref said Russia intends to start negotiations with Russia's oil companies on capping the domestic price of petroleum products. He said the government would not freeze prices unilaterally.

Kazakhstan's KazMunaiGas said its oil and gas condensate production increased to 780,300 tons in January, up 12,400 tons on the year.

India's domestic sales of refined oil products fell by 1% on the year in January to 9.25 million tons. Its diesel sales increased by 3.7% while its petrol sales increased by 3.9% on the year.

OPEC's news agency reported that OPEC's basket of crudes fell by 62 cents/barrel to \$55.30/barrel on Tuesday.

Market Commentary

The oil market opened up 28 cents at 59.85 as the market retraced some of its Tuesday's losses. The market settled in a sideways trading pattern before it traded lower in light of the larger than expected builds in crude and gasoline stocks. The crude market later bounced back and posted a high of 60.00, where it held good resistance. The oil market however erased its gains and extended its losses to \$1.97 as it tumbled to a low of 57.60 on the close. The crude market settled down \$1.92 at 57.65, the lowest settlement since mid-December. Selling pressure was heightened today by the expiring March crude oil option contract, which saw some 16, 451 lots of put open interest which was out of the money at the start of the session, only to be in the money by the end of the day, of which two-thirds of this exposure being realized in the final 30 minutes of trading. To further pressure the market was the fact that some 16,000 lots of April put open interest also moved into the money by the end of the day as well. Volume in the crude market was excellent with over 322,000 lots booked on the day. The product markets ended marginally lower, with the gasoline market settling down just 1 point at 138.48 and the heating oil market settling down 25 points at 160.75. The gasoline market opened up 1.51 cents at 140.00 and quickly rallied to a high of 144.50 despite the DOE report showing a larger than expected build in gasoline stocks of over 2 million barrels. The market however erased its gains and sold off to a low of 138.25 later in the afternoon. The market later retraced some of its losses only to find some further selling pressure which pushed it back to its low on the close. Meanwhile the heating oil market posted an outside trading day after it opened in positive territory and traded to a low of 163.10. The market erased its gains and traded to 161.00 amid the unexpected builds reported in distillate stocks.

The market later breached its early high and posted a high of 163.20. However the market found resistance at that level and sold off ahead of

Technical Analysis		
	Levels	Explanation
CL 57.65, down \$1.92	Resistance 60.70 to 60.85 59.00, 60.00	Remaining gap (February 14th) Wednesday's high
	Support 57.60 57.50, 57.30, 56.90	Wednesday's low Previous lows
HO 160.75, down 25 points	Resistance 166.60, 168.25 163.20 to 163.50	Monday's high, Previous high Remaining gap (February 14th)
	Support 160.10 158.75, 156.00	Wednesday's low Previous lows
HU 138.48, down 1 point	Resistance 144.50, 147.80 142.50	Wednesday's high, Previous high
	Support 138.25 138.15, 137.70, 136.50	Wednesday's low Previous lows

the close to a low of 160.10. Volumes in the product markets were good with 60,000 lots booked in the gasoline market and 49,000 lots booked in the heating oil market. Volume in the RBOB contract was 1382.

Even though the market looks technically oversold, the oil market is seen remaining under pressure following today's sharp sell off ahead of the close. The market will remain pressured in light of the builds reported in crude stocks. The oil market is seen finding resistance at 59.00 followed by its high of 60.00. More distant resistance is seen at 60.70 to 60.85. Meanwhile support is seen at 57.60, 57.50, 57.30 and 56.90.