



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 6, 2011

The EIA reported that crude oil stocks in the Midwest Padd II district increased by 1.02 million barrels to 107.22 million barrels, a record high in the week ending April 1st. This follows the completion of the extension of the Keystone pipeline, which runs from Steele City, Nebraska to Cushing, Oklahoma. The pipeline has been delivering Canadian crude to Cushing terminal. Stocks in Cushing, Oklahoma fell by 16,000 barrels to 41.87 million barrels last week.

OPEC members said the group could do little to control prices driven by speculators betting on worst-case scenarios and has already supplied the market with the oil it needs. UAE Oil Minister Mohammed bin Dhaen al-Hamli said OPEC member countries recognized the world economy was fragile but could do little to control a market that was not driven by supply and

Market Watch

The Mortgage Bankers Association said applications for US home mortgages fell last week as a drop in refinancing outweighed an increase of loan requests for home purchases. Its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase loan demand, fell by 2% in the week ending April 1st. The MBA's seasonally adjusted index of refinancing applications fell by 6.2% while the index of loan requests for home purchases increased by 6.7% to its highest level of the year.

The Chicago Federal Reserve Bank's Midwest Manufacturing Index in February increased by 1.3% to 83.3.

Atlanta Federal Reserve Bank President Dennis Lockhart said he does not see the need to increase interest rates before the end of the year. He said the Federal Reserve should complete its \$600 billion bond program, known as QE2, as planned. He said the QE2 program has helped the economy.

According to a Reuters survey, Brent crude oil prices are expected to fall back to \$120/barrel by the end of June, with some analysts calling for prices to fall towards \$100/barrel by the end of the quarter.

Russia's Economy Ministry increased its forecast for the average 2011 oil price by 30% and increased the full year inflation target but left its forecast for economic growth unchanged. The average oil price forecast for 2011 was increased to \$105/barrel from \$81/barrel.

The Alberta government proposed new environmental rules that would revoke a number of oil sands leases, including those which already have active projects, in an effort to protect sensitive habitat, wildlife and forest land. The government unveiled a plan to set aside two million hectares or about 20% of Alberta's oil sands zone, for conservation. Lease maps show that a number of major energy producers have properties in the area. Conventional oil and gas companies would be governed by softer regulations, allowing them to keep their leases and further develop projects. New leases would not be issued for land in the protected zones. The consultation process is scheduled to end in 60 days. The provincial minister for Sustainable Resource Development, Mel Knight said he wants to have the final draft legislation before the Cabinet in 90 days.

According to a forecast issued by Colorado State University, the 2011 Atlantic hurricane season is expected to produce above average activity. It said the June 1-November 30 season would likely have 16 named storms, nine hurricanes and five major hurricanes. The forecast showed that there is a 47% chance of a major hurricane making landfall along the Gulf Coast between Brownsville, Texas and the Florida Panhandle. The probability of a major hurricane making landfall in the US during the 2011 season is 72%.

DOE Stocks

Crude – up 1.952 million barrels
Distillate – up 195,000 barrels
Gasoline – down 357,000 barrels
Refinery runs – up 0.3%, at 84.4%

demand. He said international markets were choosing to ignore market fundamentals. Iraq's Deputy Prime Minister Hussein al-Shahristani said so far there is no sign high oil prices of more than \$120/barrel have damaged economic growth. He said OPEC had done all it could to calm the current rally.

Britain's Secretary of state for energy & climate change, Chris Huhne said Saudi Arabia is taking cautious steps to stabilize oil markets amid the unrest across the Middle East. This week he met with Saudi Arabia's Oil Minister Ali Al Naimi and both agreed that recent spikes in oil prices were not reflective of market fundamentals but rather a result of traders' fears of the outcome of regional unrest.

Meanwhile, the deputy executive director of the IEA, Richard Jones said the current price of oil is harming global economic growth and is a mounting concern for consuming countries. However he said that the world oil market was well supplied even with a loss of 1.5 million bpd from Libya. He said the recent rally in oil prices reflected fears over Middle East turmoil rather than a supply shortage. Separately, the IEA said some oil exports have resumed from Libya but added that the civil war in the country continued to cause a significant disruption to its oil supply. Between 1 million and 1.5 million bpd of Libyan oil production remained shut in.

Rebels fighting Muammar Gaddafi's forces have asked the UN to help them restart oil and gas exports from ports they control. A UN statement did not provide any information on what the UN may do. Later, it was reported that a tanker left the Libyan port of Tobruk on Wednesday carrying the first cargo of oil since the rebel government was recognized from some countries. AIS live ship tracking data showed that the Liberian registered tanker, Equator, which has the capacity to carry up to 1 million barrels of oil, had its destination registered as Singapore.

The government of Libyan leader Muammar Gaddafi has imported 19,000 metric tons of gasoline as the capital suffers from fuel shortages. It imported a cargo of gasoline from a foreign tanker that was anchored in Tunisian waters, loading it aboard a Libyan ship and taking it to the port of Zawiyah.

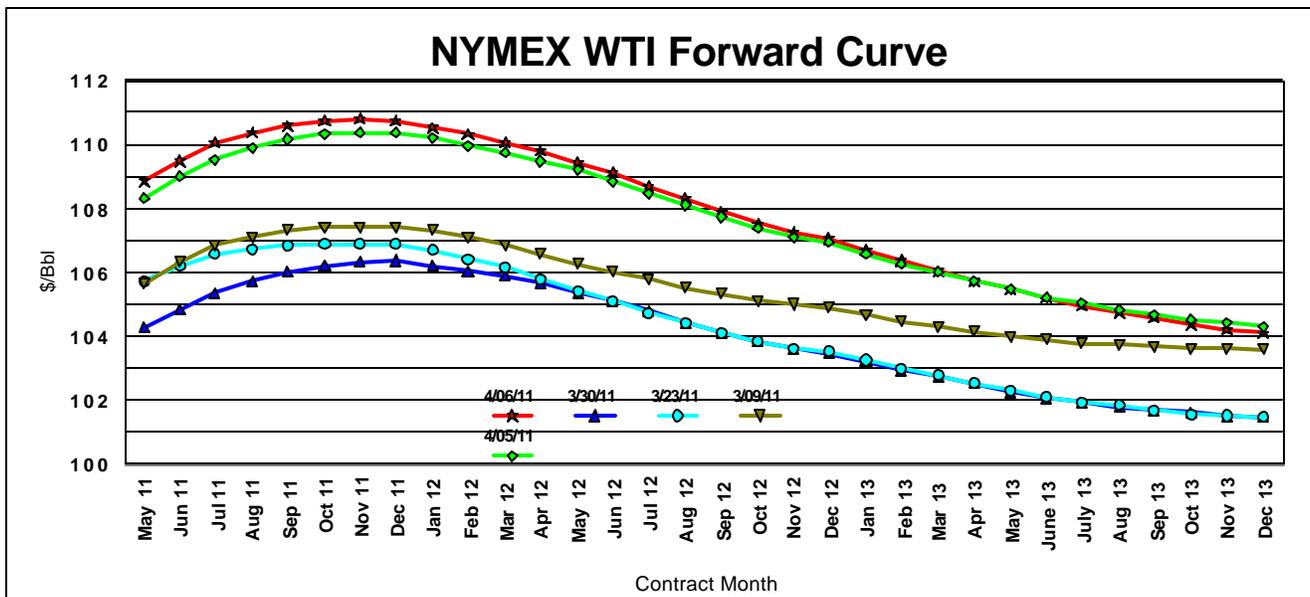
White House spokesman Tommy Vietor said Libya's Muammar Gaddafi has sent a letter to the White House recently. The White House did not respond to questions about the details of the letter.

NATO officials said Muammar Gaddafi was using human shields to foil air strikes on his forces. NATO dismissed rebel complaints that its air strike campaign was slackening off, saying relieving the siege of Misrata remained the priority but conceded that Gaddafi's army was proving a resourceful, elusive target. It said the pace of its air campaign has not abated despite the use of human shields by Muammar Gaddafi's forces. It said it would do everything it could to protect the population. Meanwhile, the UK said it was moving four Typhoon jets from policing the Libya no-fly zone to ground attack roles following criticism from rebels that NATO forces were failing to protect Misrata. The move was aimed at further increasing NATO's ground attack capability.

Libyan rebels said the loss of ground to Muammar Gaddafi's forces is a normal occurrence and would not prevent rebels from overthrowing the Libyan leader. They reported heavy fighting with the forces of Muammar Gaddafi on the Mediterranean Coast road on Wednesday.

According to the AAA Daily Fuel Gauge Report, the average US retail gasoline prices increased by 2 cents to \$3.71/gallon. A week ago, gasoline prices averaged \$3.60/gallon while a month ago, prices averaged \$3.51/gallon.

**April
Calendar Averages
CL – \$108.40
HO – \$3.1705
RB – \$3.1786**



Refinery News

Chevron reported a hydrotreater leak at its Sweeny, Texas refinery.

BP is delaying the restart of a 60,000 bpd fluid catalytic cracking unit at its 475,000 bpd Texas City, Texas refinery for about a week. The restart of a 240,000 bpd crude unit at the refinery was also delayed by two weeks.

Tesoro warned of planned flaring at its 96,860 bpd refinery in Wilmington, California between April 7th and 8th.

Sunoco Inc was able to relight the flare associated with the fluid catalytic cracking unit at its 178,000 bpd refinery in Marcus Hook, Pennsylvania on Tuesday afternoon. The successful lighting of the flare would lead the way for the restart of the unit, which is expected to start on Thursday.

Valero Energy Corp reported an equipment malfunction at its 142,000 bpd Corpus Christi, Texas refinery led to nitrogen oxide emissions.

Alon USA Energy Inc's fluid catalytic cracking unit at its 80,000 bpd refinery in Krotz Springs, Louisiana was shut on Tuesday. Alon said the unit is currently in restart mode.

China's WEPEC restarted refining operations of its 200,000 bpd refinery on Wednesday following a 40 day overhaul turnaround.

An official of the proposed Imo refinery said Nigeria should approve the new \$2.5 billion refinery. Nigeria's national oil company had already signed an agreement in principle supporting the 100,000 bpd refinery in the south-eastern part of the country. It is expected to increase its production at Imo to 200,000 or 250,000 bpd, with first refined oil by 2016.

Traders and ship brokers said at least 125,000 tons of South Korean low-sulfur diesel and jet fuel have been booked for shipments to the West, amid tight gas oil supplies in Europe and an open jet arbitrage window. The East-to-West arbitrage window for gas oil remained shut.

The Petroleum Association of Japan reported that the country's commercial crude oil inventories fell by 3.4% on the month as refineries increased production of oil products amid shortages due to last

month's earthquake and tsunami. The association cautioned however that the number of refineries which were able to contribute to the latest data was less than usual. It reported that crude oil stocks fell to 14.99 million kiloliters or 94.28 million barrels in the week ending April 2nd, down from 15.52 million kiloliters in the week ending March 5th. The refinery utilization rate fell to 84.5% on average last week, down from 87.5% a month ago.

Production News

Iraq's Deputy Prime Minister Hussain al-Shahristani said the country's proven oil reserves total about 173 billion barrels. He said the Kurdish region of Iraq is currently exporting about 115,000 bpd via a pipeline to the Turkish port of Ceyhan. He also stated that Iraq would invite companies to bid for the right to explore for oil and gas in 12 new areas. He said the new exploration licenses would be offered in all parts of the country and include areas with a very high probability for oil and gas discoveries.

Italy's Eni SpA said significant loss of production from Libya would weigh on this year's production. It said the oil and natural gas facilities in Libya were not damaged by the unrest in the country. Its daily production in Libya was about 280,000 bpd before the unrest started in February. The company also stated that it has delayed an agreement on the sale to Gazprom of a part of Eni's stake in the Elephant oil field in Libya.

Portuguese fuel and oil company Galp Energia expects to more than double its Angolan oil production to 40,000 bpd by 2017.

Ecuador's central bank reported that the country exported 9.92 million barrels of crude in February, up 3% from 9.6 million bpd a month earlier.

The head of Brazil's ANP, Haroldo Lima said that the country's National Petroleum Agency was studying tightening oversight of the country's ethanol sector in the hopes of increasing production of the fuel.

Industry consultancy C1 Energy said China may increase retail gasoline prices by 500 yuan or \$76.43/ton or 5.5% and diesel prices by 400 yuan or about 5% starting on Thursday. The larger percentage increase for gasoline prices indicated that the government was attempting to ease the supply shortage.

OPEC's news agency reported that OPEC's basket of crudes increased to \$116.60/barrel on Tuesday from \$115.07/barrel on Monday.

Qatar increased its March retroactive official selling price for Qatar Marine crude to \$109.35/barrel, up \$8.55/barrel from February. The March Qatar Land crude price was set at \$111.75/barrel, up \$8.95/barrel from February.

South Korea's GS Caltex said it would cut domestic gasoline and diesel prices by 100 won or \$9.2 cents/liter for three months from April 7th.

Market Commentary

After an initial lower opening, crude oil traded up to a 30-month high, driven by air strikes in Libya. At the forefront of this market has been the unrest in the Middle East, which continues to overshadow overflowing crude oil inventories. Uprising in Tunisia, Egypt, Libya, Yemen, Bahrain and Syria have caused concern in regards to supply disruptions and elections in Nigeria are being watched. Demand as well as a less than expected draw in inventory numbers for gasoline, made it the weaker market out of the three. As a result, crack spreads came under pressure. As mentioned in our wire of

yesterday, prices should work within an area of congestion, prior to working higher based on the situation in the Middle East.

Crude oil: May 11 315,901 -15,495 June 11 185,607 +12,204 July 11 136,535 +6,627 Totals 1,566,762 +6,664 Heating oil: May 11 104,115 -1,725 June 11 56,916 +207 July 11 34,401 -207 Totals 305,837 +216 Rbob: May 11 103,837 +310 June11 49,286 +1,348 July 11 27,727 -89 Totals 286,614 +1,630

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10880	111.65	30810		30130	
10695	11563	27980		26965	
10136	121.26	26680	33510	26300	32450
10000		27375		25683	35915
9622		23685		25145	36310
9540		22960		24240	
9267				23631	
9635				23414	
8385					

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