



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 30, 2009

A Kuwaiti OPEC delegate said OPEC's spare capacity of over 5 million bpd will lessen the impact on oil prices of any disruption to Iran's oil supply if the dispute over Iran's nuclear program escalates. Saudi Arabia alone had about 4 million bpd of capacity idle, more than enough to cover for any disruption of Iran's exports of about 2.1 million bpd.

Iran's President Mahmoud Ahmadinejad lashed out at world leaders on Wednesday for demanding access to Iran's disclosed uranium enrichment plant being built near the holy city of Qom. He said

Market Watch

The US Commerce Department said GDP fell at a 0.7% annual rate from April through June, revising its earlier estimated 1% decline. The largest component of GDP, consumer spending, fell 0.9% compared to the previously estimated 1% decline and the first quarter's 0.6% decline. The government's price index for personal consumption increased 1.4% in the second quarter compared to the previously estimated 1.3% increase and the first quarter's 1.5% decline. Business investment fell at a 9.6% rate in the second quarter instead of 10.9%.

The Institute for Supply Management-Chicago said its business barometer fell to 46.1 in September from 50 in August.

ADP Employer Services' survey showed private employers cut 254,000 jobs in September, more than the 210,000 layoffs the market had been expecting. The decline however was less than the 277,000 jobs lost in August.

The National Oceanic and Atmospheric Administration said it sees equal chances of normal, above-normal, or below-normal temperatures in the West, compared with a previous forecast of above normal temperatures. It said it continues to see above normal temperatures in most of Alaska and Maine in the month. All other regions have equal chances of normal, above-normal or below normal temperatures. It also said a weak El Nino pattern is apparent.

The US Securities and Exchange Commission and the US Commodity Futures Trading Commission said they will issue a report on October 15th outlining where their regulatory frameworks differ and ways to bridge those gaps. They will recommend to Congress and the White House steps to strengthen enforcement powers, investor protection and an ongoing coordination process. The report will also discuss risk based portfolio margining, insider trading rules, product listing, and customer protection standards for advisors and broker-dealers.

Deutsche Bank is restructuring its PowerShares DB Commodity Index Tracking Fund and the PowerShares DB Agriculture Fund to satisfy position limits imposed by the Commodity Futures Trading Commission. The CFTC had earlier told Deutsche Bank to reduce the funds' positions in corn and wheat futures by the end of October. It also revoked an exemption previously granted to the bank, allowing the funds to exceed position limits on agricultural products. Deutsche Bank said it will reduce its holdings of corn, wheat, crude oil, sugar, coffee, cocoa, live cattle, copper, natural gas and gasoline. It will for the first time invest in a non-US energy commodity, Brent crude. In the DB Commodity fund, the weighting for crude oil futures will be cut to 12.4% from 35%. Brent crude, gasoline and natural gas will be added, accounting for 12.4%, 12.4% and 5.5%, respectively. Positions in corn, sugar and wheat will be cut by 50%.

DOE Stocks

Crude – up 2.8 million barrels
Distillate – up 300,000 barrels
Gasoline – down 1.6 million barrels
Refinery runs – down 1%, at 84.6%

Iran will not be harmed, no matter what happens at talks with the six major powers in Geneva aimed at resolving the crisis over its nuclear program. Officials from the UK, China, France, Germany, Russia and the US are scheduled to meet Iranian chief negotiator Saeed Jalili to discuss Iran's nuclear program. Iran's President later stated that Iran will propose to allow a third party to enrich uranium to the grade it requires for

its nuclear reactor rather than carry out the enrichment itself.

The head of the UN's IAEA, Mohammed ElBaradei said Iran was on the wrong side of the law by not declaring its second uranium enrichment plant when construction began.

US Secretary of State Hillary Clinton said Iran must meet its international obligations over its nuclear program or face "greater isolation." Separately, a senior US official said Iran must take steps to restore confidence that it has peaceful nuclear intentions.

A UK security source said British officials suspect Iran has been seeking nuclear weapons for the past few years, contrary to a US view that Iran halted work on its nuclear weapons program in 2003. The source said last week's revelation of a second nuclear plant in Iran served to support international suspicions about an Iranian cover-up to hide its nuclear weapons designs.

The Financial Times reported that Saudi Arabia is seeking a Russian pledge to halt the sale of a consignment of advanced surface-to-air missiles to Iran, as part of a Saudi agreement for a larger purchase of Russian weapons.

Total SA and Arcadia Petroleum Ltd are among companies still storing Forties crude on tankers anchored in the North Sea even after stronger prices reduced the incentive to hold stocks. At least five supertankers, each with a capacity of 2 million barrels, are holding Forties crude off the UK coast and at least one is anchored at the port of Rotterdam in the Netherlands. The number of vessels storing crude globally fell to 26 at the end of August compared with as many as 56 in April.

Refinery News

Citgo Petroleum Corp shut a unicracker unit at its 429,000 bpd Lake Charles, Louisiana refinery on Tuesday for emergency maintenance. It is unclear how long the unit will remain shut.

BP Plc reported that it expects its 265,000 bpd Carson, California refinery to flare on Thursday in a notice filed with California pollution regulators.

ConocoPhillips will shut sulfur units at its 247,000 bpd Sweeny, Texas refinery during a plant turnaround. It will shut a sulfur recovery unit and a sulfur and tail gas unit from September 30th to November 1st.

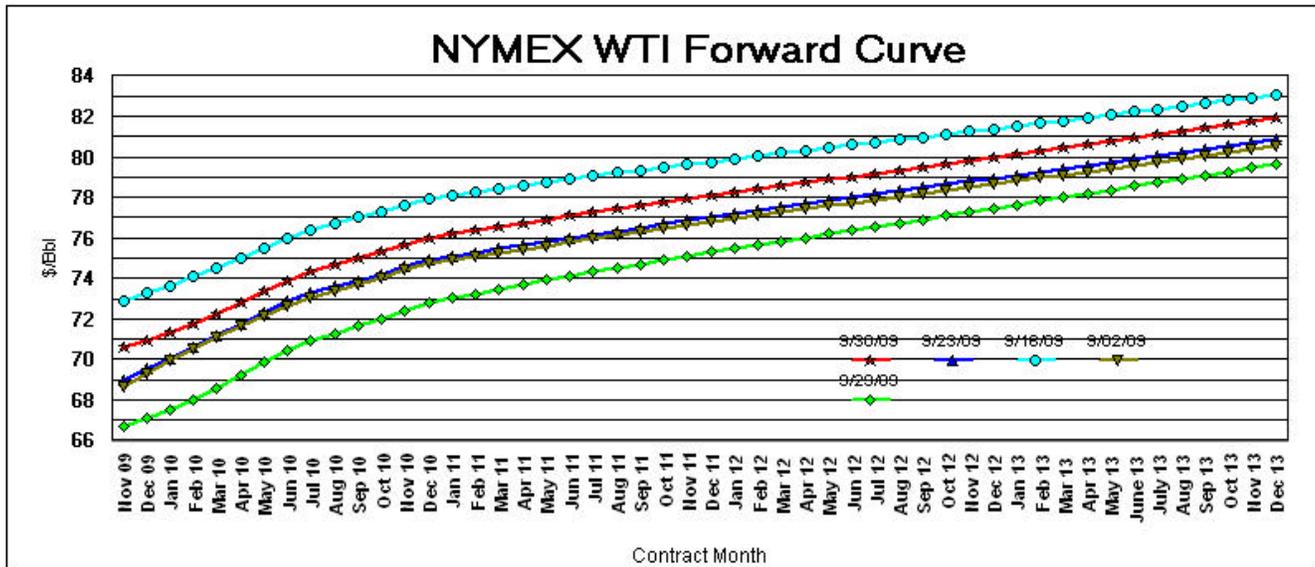
Indonesia's 120,000 bpd Dumai refinery in central Sumatra is operating normally following an earthquake of West Sumatra.

Total has started some maintenance at its 153,000 bpd Vlissingen refinery in the Netherlands. The duration of the maintenance at the refinery is not immediately known.

BP said its 137,000 bpd Kwinana refinery in Australia has been partially shutdown since Monday due to a technical failure. The refinery is expected to resume normal operations by next week.

**September
Calendar Averages**
CL – \$69.47
HO – \$1.7594
RB – \$1.7587

Indian Oil Corp will shutdown half of its 240,000 bpd Panipat refinery for 20-25 days beginning at the end of October. The company will use the planned shutdown to upgrade a diesel hydrotreater to produce Euro IV complaint diesel.



South Korea's SK Energy restarted its 240,000 bpd No. 4 crude unit after it was shut for over a month for maintenance work.

Japan's Nippon Oil Corp plans to refine 3.61 million kiloliters or 730,000 bpd of crude in October to meet domestic demand, down 10% on the year. Its September crude refining volume was estimated at 3.62 million kl, down 20,000 kl on the year.

Japan's Cosmo Oil Corp plans to cut its crude oil processing volumes for October-December by 4% on the year to 6.457 million kiloliters or 441,500 bpd. It said its planned refining volumes for October is 1.642 million kl, down 12.4% on the year.

According to an industry newsletter, OPG, China's crude oil stocks increased for the second consecutive month in August to a new record of 39 million tons or 284.7 million barrels. It is up 2.2 million barrels on the month. The record crude stocks suggest that fuel demand in China may not be as high as import data indicates, as newly added refining facilities produce fuel faster than the market can absorb. It also reported that gasoline stocks held by CNPC and Sinopec Group totaled 41.4 million barrels at the end of August, down 5.5% from 43.8 million barrels at the end of July. Diesel stocks totaled 61.4 million barrels at the end of August, down 4.6% from 64.4 million barrels at the end of July.

The Petroleum Association of Japan reported that the country's commercial crude inventories in the week ending September 26th fell by 5.84 million barrels on the week and by 17.28 million barrels on the year to 86.81 million barrels. It reported that gasoline stocks fell by 430,000 barrels on the week and by 310,000 barrels to 12.34 million barrels while kerosene stocks built by 670,000 on the week but fell by 4.32 million barrels on the year to 20.23 million barrels. It also reported that naphtha stocks fell by 860,000 barrels on the week to 11.57 million barrels. Crude runs increased by 50,000 bpd on the week and by 110,000 bpd on the year to 3.59 million bpd.

Japan's Trade Ministry reported that the country's total refined product sales in August increased by 6.9% on the month and by 4.6% on the year to 15.84 million kiloliters or 3.214 million bpd. Gasoline sales increased by 11.2% on the month and by 16.7% on the year to 1.11 million bpd while kerosene

sales increased by 30.9% on the month and by 79.8% on the year to 149,000 bpd. Japan's crude imports increased by 1.2% on the month but fell by 13.5% on the year to 3.575 million bpd. It also reported that Japan's oil product imports increased by 6.2% on the month and by 5.8% on the year to 594,963 bpd while its exports increased by 5.5% on the month but fell by 16.3% on the year to 603,390 bpd. Japan's crude inventory in August fell by 5.9% on the month and by 2.1% on the year to 98.214 million barrels while product stocks increased by 7.4% on the month but fell by 12.2% on the year to 79.694 million barrels.

Asian consumption of West African crude is likely to average 1.41 million bpd in October, down from 1.65 million bpd in September and the lowest volume since July.

Production News

Anadarko Petroleum Corp fully completed scheduled maintenance at Independence Hub, a large oil and gas development in the US Gulf of Mexico, during the third quarter.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, oppose a bid by China's CNOOC Ltd to secure 6 billion barrels of oil reserves. The group said the record of Chinese companies in other African countries suggested "an entry into the oil industry in Nigeria will be a disaster for the oil-bearing communities." Separately, Minister of State for Petroleum Odein Ajumogobia ruled out granting a China's CNOOC the six billion barrels of oil it is bidding for. He said Nigerian state oil firm NNPC could sell stakes in joint ventures with existing oil partners if China offered the right price.

Kuwait News Agency reported that Kuwait's crude oil exports to Japan in August fell by 26.6% on the year to 8.85 million barrels or 285,000 bpd. Japan is Kuwait's largest oil buyer, accounting for 20% of its total crude exports. Overall imports of crude oil in Japan fell by 13.5% on the year to 110.82 million barrels or 3.57 million bpd.

There are no reports of problems at the main oil fields operated by Chevron in Sumatra after an earthquake struck the island.

PetroChina is expected to lift its oil production by about 12.5% to 45,000 bpd at its Tuban block in Indonesia in 2010. The Tuban block currently produces about 40,000 bpd, up from 28,000 bpd in 2008.

Iraq's preliminary budget proposal for next year is 78 trillion dinars or \$66.7 billion based on an oil price of \$60/barrel. The spending plan is 14% higher than last year's budget of \$58.6 billion, revised lower due to a sharp fall in oil prices from last year's record highs. The 2010 budget is calculated on expected oil exports of 2.15 million bpd, up from about 2 million bpd in August.

Libya's National Oil Co set its October official selling price for its Essider crude at a discount of 5 cents to Dated Brent.

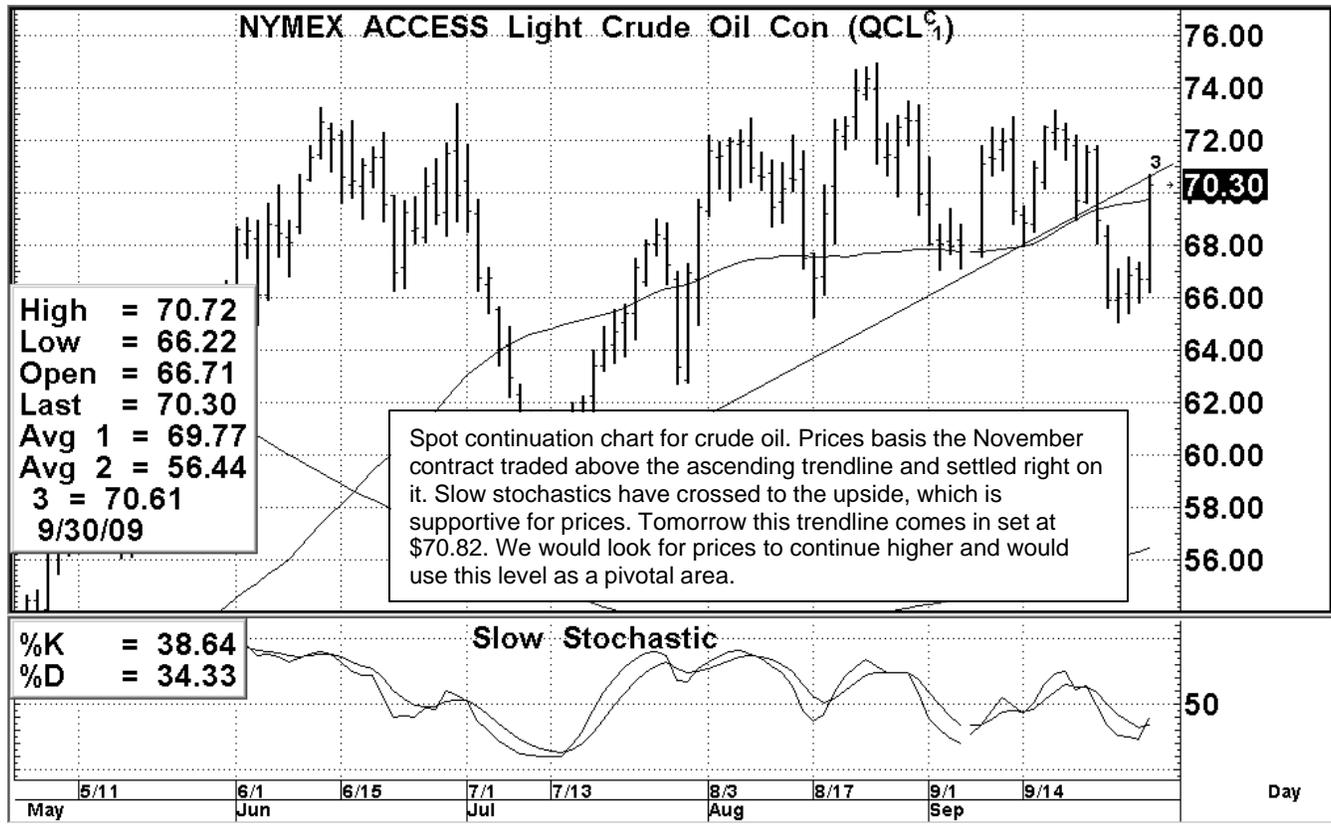
OPEC's news agency reported that OPEC's basket of crudes increased to \$64.25/barrel on Tuesday, up from Monday's \$64.07/barrel level.

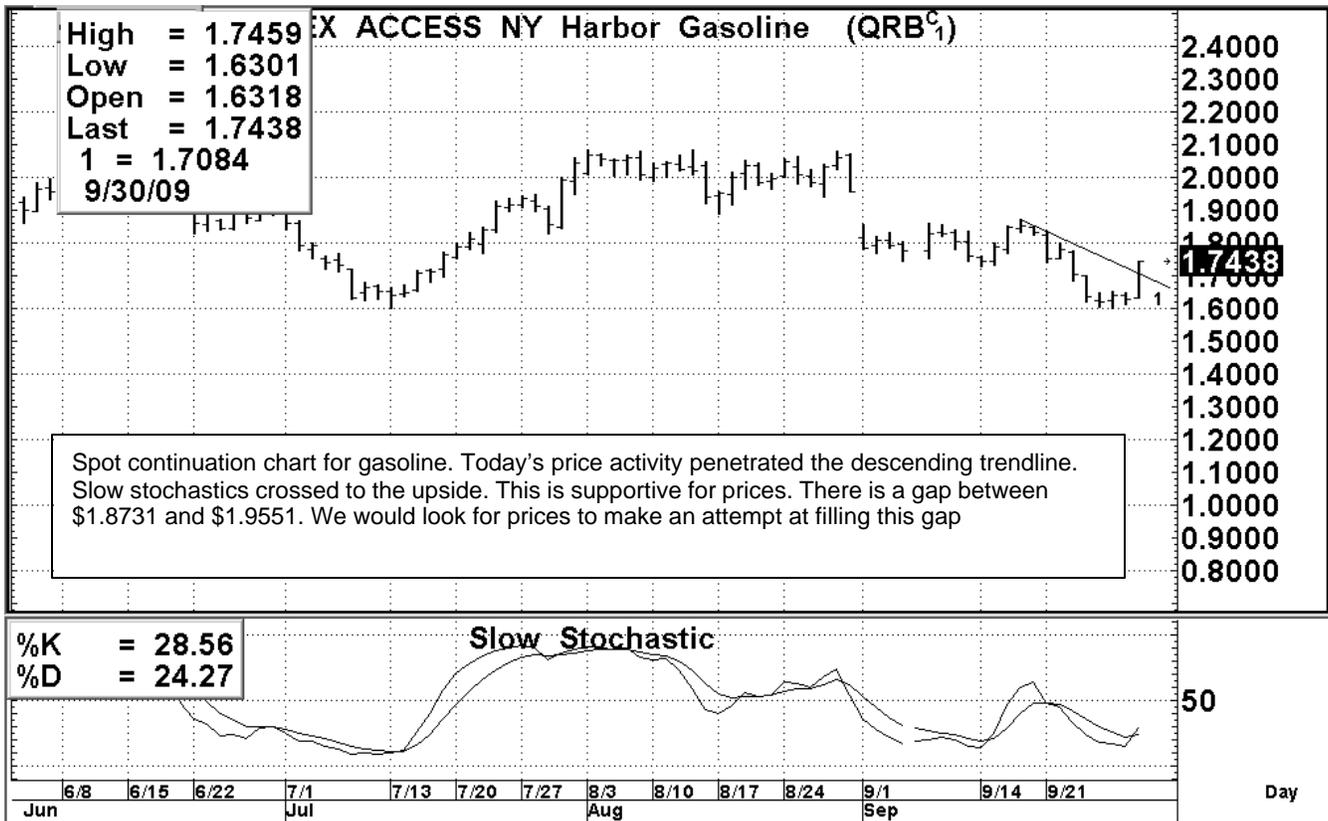
Market Commentary

Today's market activity was gasoline driven as it responded to a 1.66 million barrel decline in inventories. This decrease in inventories was in contrast to an expected build of 1 million barrels. Distillate stocks increased 300,000 barrels while crude oil stocks rose 2.8 million barrels. This is the end of the third quarter and hedge funds are net long this market. For book squaring purposes, traders who are long this market would like to reflect better earnings and crude oil appears more

appealing at \$70.00 a barrel. The spot contract for crude oil began the third quarter set at \$70.45, after bottoming at \$58.32, prices peaked at \$74.96 and finished the quarter settling at \$70.61. Gasoline, based upon a spot continuation chart, began the third quarter trading at \$1.8590, peaked at \$2.0855 and lost 9% at the end of the quarter as the U.S. peak summer driving season came to an end. Crude oil rallied back today, gaining \$3.90 at the end of the trading session. Heating oil began the third quarter set at \$1.7657, peaked at \$1.9738 and finished the session settling at \$1.8324. The supply/demand situation of this market still remains bearish for prices, while technicals are supportive. With the third quarter behind us, it will be interesting to see if investors can continue to support this market.

Crude NOV.09 303,381 -1,628 DEC.09 194,071 +4,294 JAN.10 71,392 +2,529 FEB.10 31,435 -332
 MAR.10 29,253 -506 APR.10 16,831 +101 Totals: 1,178,475 +7,788 Heating OCT.09 6,709 -7,809
 NOV.09 70,131 +1,501 DEC.09 59,493 +166 JAN.10 36,436 +1,610 FEB.10 17,627 -71 MAR.10
 15,273 -25 Totals: 311,436 -3,800 GASOLINE OCT.09 5,213 -6,873 NOV.09 83,315 -174 DEC.09
 33,350 +291 JAN.10 24,188 +294 FEB.10 7,238 +56 MAR.10 12,634 +328 Totals: 194,528 -6,053





Crude Support	Crude Resistance
64.70, 63.38, 62.70, 61.61, 60.95	73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.6585, 1.4870, 1.4220, 1.4130, 1.3720	1.8430, 1.9440, 2.0420, 2.0465
Gasoline support	Gasoline resistance
1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

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