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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 15, 2009

DEBKAFfile reported that Israel is preparing to attack Iran's nuclear sites and pro-Iranian targets across the Middle East after December 2009. Unconfirmed reports in the French Le Canard Enchaîné said that IDF notified special forces reservists abroad to return home in November for immediate drafting to the military operation against Iranian nuclear facilities. It also reports Israel has ordered combat rations from a French firm for these reservists to stay on long term missions far from home. French military sources said that Chief of Staff Gabi Ashkenazi met secretly in France with US armed forces Chief of Staff Adm. Mike Mullen and French Chief of Staff Gen. Jean-Louis

Market Watch

The National Oceanic and Atmospheric Administration said the El Nino phenomenon will be the dominant factor influencing weather across the US. It forecasts temperatures will be warmer than average across much of the western and central US and below average in the Southeast and mid-Atlantic from southern and eastern Texas northward to southern Pennsylvania and south through Florida. The forecast for the Northeast, called for equal chances of above, near or below normal temperatures and precipitation. In contrast to the NOAA, Accuweather forecast a weakening El Nino weather pattern that could lead to the stormiest and coldest US winter in recent years.

According to the US Labor Department, the number of US workers filing new claims for unemployment benefits fell by 10,000 to 514,000 in the week ending October 10th. It is the lowest level in nine months. The Labor Department revised down the number of new claims filed the previous week, ending October 3rd to 524,000 from 521,000. The four week moving average of new claims fell by 9,000 to 531,500 last week, down from the previous week's revised figure of 540,500. The number of continuing claims in the week ending October 3rd fell by 75,000 to 5,992,000. The unemployment rate for workers with unemployment insurance in the week ending October 3rd fell to 4.5% down from 4.6% during the prior week.

The Labor Department also reported that the rise in US consumer prices eased in September as food prices and energy costs fell. It reported that the seasonally adjusted Consumer Price Index increased 0.2% in September, down from a monthly 0.4% increase in August. The core CPI increased by 0.2% in September compared to a 0.1% increase the previous month. In annual terms, the unadjusted CPI index fell for the seventh consecutive month by 1.3%.

CME Group announced the launch of trading and clearing services for seven new options contracts on underlying futures strips for crude oil, natural gas, electricity and coal. The contracts are scheduled to begin trading on November 1st for trade date November 2nd. The European style options contracts are Crude oil option on calendar futures strip (6F), Crude oil option on quarterly futures strip (6E), Natural gas option on calendar future strip (6J), Natural gas option on summer futures strip (4D), Natural gas option on winter futures strip (6I), PJM electricity option on calendar futures strip (6O) and Central Appalachian coal option on calendar futures strip (6M).

Societe Generale plans to expand its commodity trading desks and aims to double its commodity revenues in three years. Its deputy head of commodities markets said it plans to create a new agricultural trading desk focused on grains and added that it plans to expand its metals and oil trading desks.

DOE Stocks

Crude – up 334,000 barrels
Distillate – down 1.084 million barrels
Gasoline – down 5.23 million barrels
Refinery runs – down 4.1%, at 80.9%

Georgelin to inform that Israel planned to attack Iran after December. Israel is not expected to attack Iran by air but rather use ground forces in coordinated operations on several Middle East fronts.

China's Premier Wen Jiabao said China will continue to push for a peaceful solution to the standoff over Iran's nuclear program, ahead of talks on the issue later this month. Iran and the six world powers, the US, Britain, China, France, Russia and Germany, are scheduled to meet at the end of October for a second round of talks on Iran's nuclear program.

The US House of Representatives on Wednesday approved the Iran Sanctions Enabling Act, a bill authorizing state and local governments to divest from companies doing business in Iran's energy sector. Firms such as StatoilHydro ASA, Total SA and Vitol Holdings BV continue to conduct energy business with Iran. The legislation would also expand the existing Iran Sanctions Act to cover a broader range of financial institutions and extend sanctions to oil and gas pipelines, tankers and the petroleum export supply chain.

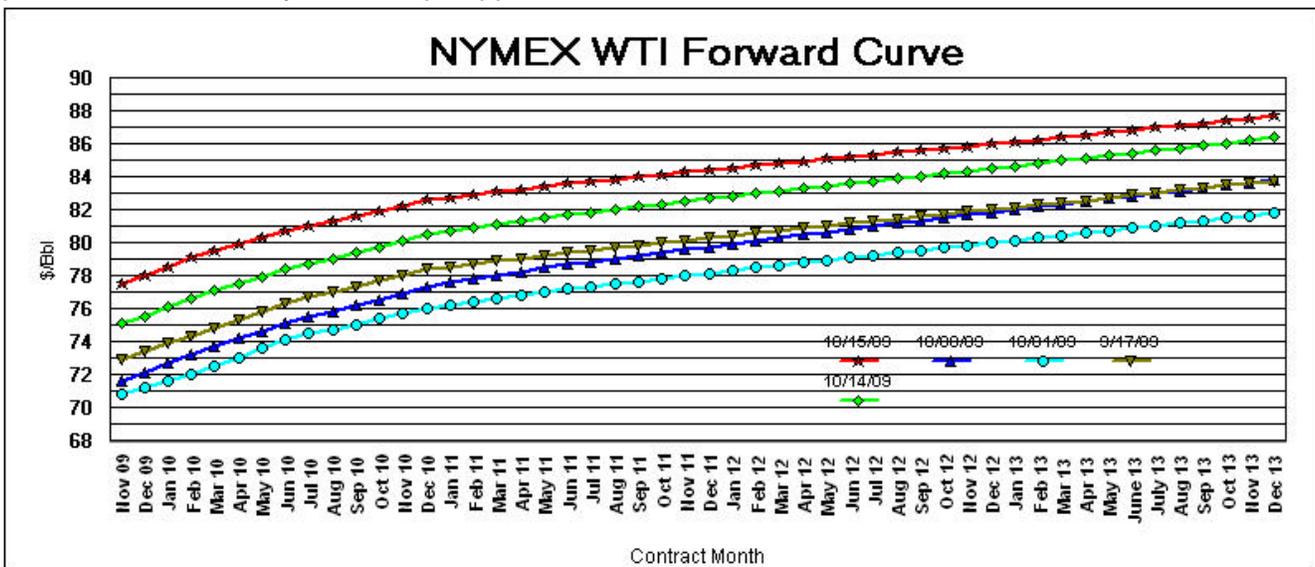
Democrats on the US House Financial Services Committee agreed to include a provision in a derivatives bill that would force financial institutions and major speculative swap players to trade their standard products on exchanges or electronic platforms.

**October
Calendar Averages**
CL – \$72.30
HO – \$1.8627
RB – \$1.7933

Nigeria's militant group, the Movement for the Emancipation of the Niger Delta threatened Thursday to resume attacks on the country's oil sector when a unilateral ceasefire lapses at midnight. Last week, the group threatened to intensify its campaign after negotiations with the government of President Umaru Yar'Adua failed to make progress.

Nigeria's Senate is expected to pass the Petroleum Industry bill that is designed to provide legal and regulatory framework for the oil industry. Senate member have resolved to pass the oil-reform bill before the year's end. The proposed legislation by the administration of President Umaru Yar'Adua currently at the National Assembly seeks to set out a new legal, regulatory and fiscal framework for operating the country's oil and gas industry.

According to Oil Movements, OPEC's exports, excluding Angola and Ecuador, are expected to fall by 100,000 bpd in the four weeks ending October 31st to 22.58 million bpd. The drop is a reversal of previous weeks as buyers built up supplies for the winter season.



Lloyd's Marine Intelligence Unit estimated average OPEC seaborne exports increased to 20.53 million bpd in the four weeks ending October 4th from 20.35 million bpd in the four weeks ending September 6th.

The IEA said it plans to open a dialogue on price volatility in a seminar in Japan early next year with market players and regulators. Some analysts believe oil prices will fall after stricter energy market regulations are in place. The US Commodity Futures Trading Commission is widely expected to introduce stricter position limits for non-physical investors in commodities before the end of 2009.

The Department of Transportation's Bureau of Transportation Statistics said airlines spent \$2.02/gallon on fuel in August, down from \$3.54/gallon a year earlier but up from \$1.90/gallon in July. It said total fuel consumption on scheduled flights was 1.43 billion gallons, down 11% on the year and 6.1% on the month.

Refinery News

Colonial Pipeline Co extended restrictions for Line 2 mainline distillate shipments to the Northeast to the 60th cycle Thursday as current nominations exceeded the company's ability to meet its five day lifting cycle. Colonial froze the 59th cycle mainline distillate shipment on Tuesday.

Shell Canada is experiencing fuel shortages at service stations in Calgary, Alberta due to longer than expected maintenance at its 98,000 bpd Scotford refinery. Planned work on the refinery started in early September and is lasting longer than expected, curtailing supplies of gasoline and diesel.

Flint Hills Resources said it is preparing to perform planned work on its sat gas unit 1 at its 300,000 bpd Corpus Christi, Texas refinery.

Chevron Corp said a planned overhaul of a 59,000 bpd hydrocracking complex at its 279,000 bpd refinery in El Segundo, California started on Wednesday afternoon. It also reported unplanned flaring that was related to returning the refinery to normal operations following a power outage at the refinery on Wednesday.

Murphy Oil restarted a sulfur recovery unit at its 35,000 bpd in Superior, Wisconsin after it was shut for repairs last weekend. It is expected to resume full operations later Thursday.

ConocoPhillips' 187,000 bpd refinery in Ponca City, Oklahoma was in the process of scheduled maintenance. Trade sources work is being conducted on a reformer and associated units however no time frame is available for how long the units will be down.

Suncor Energy Inc said repairs to its oil sands upgrader following a fire over the weekend is seen taking until the end of the month. The plant is expected to operate at reduced rates until repairs are completed. Suncor still expects full year 2009 oil sands output of 300,000 bpd.

Japan's Nippon Oil Corp plans to keep its 110,000 bpd No. 2 crude distillation unit at its Mizushima refinery shut until the end of March 2010 if domestic oil demand remains low. The unit has been shut since July 24th to cut refining amid slow domestic demand.

Saudi Arabia's fuel oil exports of at least 925,000 tons has reached the highest level for the month of October in five years due to refinery outages and as peak summer demand fell. The stream of cargoes from Saudi Aramco's refineries at Ras Tanura, Rabigh, Jubail and its joint venture plant with ExxonMobil in Yanbu could continue into the first quarter. However the large flows will likely be

capped after Saudi Aramco restarted its hydrocracking unit following an outage that sparked heavier exports.

Separately, Saudi Aramco restarted its 44,000 bpd hydrocracking unit at its Ras Tanura refinery earlier this month following an outage lasting about three weeks due to a hydrocarbon leak.

China's gasoline exports will remain high in October and November, helped by refineries operating near 90% capacity, as winter diesel demand slowly emerges. The country is expected to export an average 350,000 tons of gasoline each during the two months, largely steady to earlier estimates for September at 300,000 tons. China's diesel exports are expected to average 250,000 tons each month in October and November.

Russia's TNK-BP plans to invest \$1.3 billion over the next five years to modernize refineries in Russia and Ukraine. It said the upgrades would be implemented at refineries in the Russian cities of Saratov and Ryazan as well as in Ukraine. It will improve refining margins and allow the company to comply with safety laws and regulations.

Fuel oil inventories in independent storage in the Amsterdam-Rotterdam-Antwerp hub in the week ending October 15th increased by 52.74% on the week and by 74.71% on the year to 753,000 tons. Gasoline inventories fell by 5.53% on the week but increased by 30.37% on the year to 734,000 tons while gas oil stocks fell by 5.96% on the week but increased by 39.35% on the year to 2.716 million tons. Naphtha stocks fell by 11.86% on the week but increased by 7.22% on the year to 104,000 tons while jet fuel stocks fell by 6.73% on the week but increased by 100% on the year to 846,000 tons.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending October 10th fell by 3.85 million barrels on the week and by 22.23 million barrels on the year to 90.91 million barrels. Japan's gasoline stocks fell by 290,000 barrels on the week and by 250,000 barrels on the year to 12.86 million barrels while kerosene stocks built by 450,000 barrels on the week but fell by 3.08 million barrels on the year to 20.98 million barrels and naphtha stocks built by 550,000 barrels on the week to 11.95 million barrels. It reported that crude runs fell by 140,000 bpd on the week and by 170,000 bpd on the year to 3.31 million bpd. The refinery utilization rate fell by 2.9% on the week and by 3.1% on the year to 68%. The PAJ also reported that Japan's total oil product sales increased by 2.4% on the week and by 1.9% on the year to 2.64 million bpd. Japan's gasoline sales increased by 22.5% on the week and by 17.4% on the year to 980,000 bpd while its jet fuel sales increased by 215.3% on the week and by 46.6% on the year to 134,000 bpd. Its gas oil sales fell by 13.7% on the week but increased by 5% to 570,000 bpd while its kerosene sales fell by 15.5% on the week but increased by 15.2% on the year to 200,000 bpd.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 727,000 barrels to 18.231 million barrels in the week ending October 14th. It reported that light distillate stocks built by 449,000 barrels to 9.825 million barrels while middle distillate stocks fell by 465,000 barrels to 14.958 million barrels on the week.

Production News

Nexen Inc said it is restarting its Long Lake oil sands project in northern Alberta following an unscheduled maintenance turnaround that started in mid-September. It resumed pumping steam into wells at the thermal project to liquefy the bitumen so it can flow to the surface. Production is increasing but it has not yet reached the 12,000 to 15,000 bpd rate the project was producing before the shutdown. Long Lake has the capacity to produce as much as 60,000 bpd of synthetic crude. Nexen is not expecting to reach that level for two years.

The National Oil Workers Front, a union representing a minority of Brazilian oil workers or 30% of Petrobras' workers, started a strike on Thursday, seeking higher wages. It started its strike at the Cubatao refinery in Sao Paulo state, a refinery in Sao Jose dos Campos in Sao Paulo and oil and gas exploration fields in Sergipe, Alagoas, Para and Amazonas states. Brazil's main oil union continued working, pending further negotiations. Meanwhile, a spokesman for Brazil's Petrobras said operations at drilling sites and refineries were normal as of Thursday morning.

The Norwegian Oil Directorate said StatoilHydro made an oil discovery in the North Sea, with estimated reserves of 3-5.5 million standard meters of oil equivalents.

Russia's Transneft reduced oil exports by 1% on the year to 226.4 million metric tons in January-June.

Petroecuador exported 55.52 million barrels of oil between January and August, up 6% from 52.35 million barrels reported in 2008. It reported oil export revenue of \$2.56 billion between January and August, down 50% on the year.

Brazil's Mines and Energy Minister Edison Lobao said the country's lower house and senate should approve four bills that revise the country's oil industry rules by the end of the year. Next year, the new regulatory framework will be established and new auctions for the exploration and development of the subsalt oil region can be held. It will give Brazil's government a larger share in offshore oil reserves in the subsalt oil region.

The Brazilian Petroleum Agency will start drilling in an offshore oil patch in November. The ANP hired Petrobras in September to drill exploration wells to map so-called subsalt oil reserves that will be ceded to Petrobras from the government as part of the capitalization plan. Under the plan, the government plans to cede rights to explore and produce 5 billion barrels of oil in the subsalt region to Petrobras.

Russia will lower its oil export duty by about 4% to \$231.20/ton from November 1st. The duty was \$240.70/ton for October. The export duty on light refined products such as gasoline and gas oil will total \$168.10/ton, down from the current level of \$174.50/ton. The export duty on heavy refined products such as fuel oil will be set at \$90.50/ton down from the current level of \$94/ton. The government will officially announce the November duties at the end of the month.

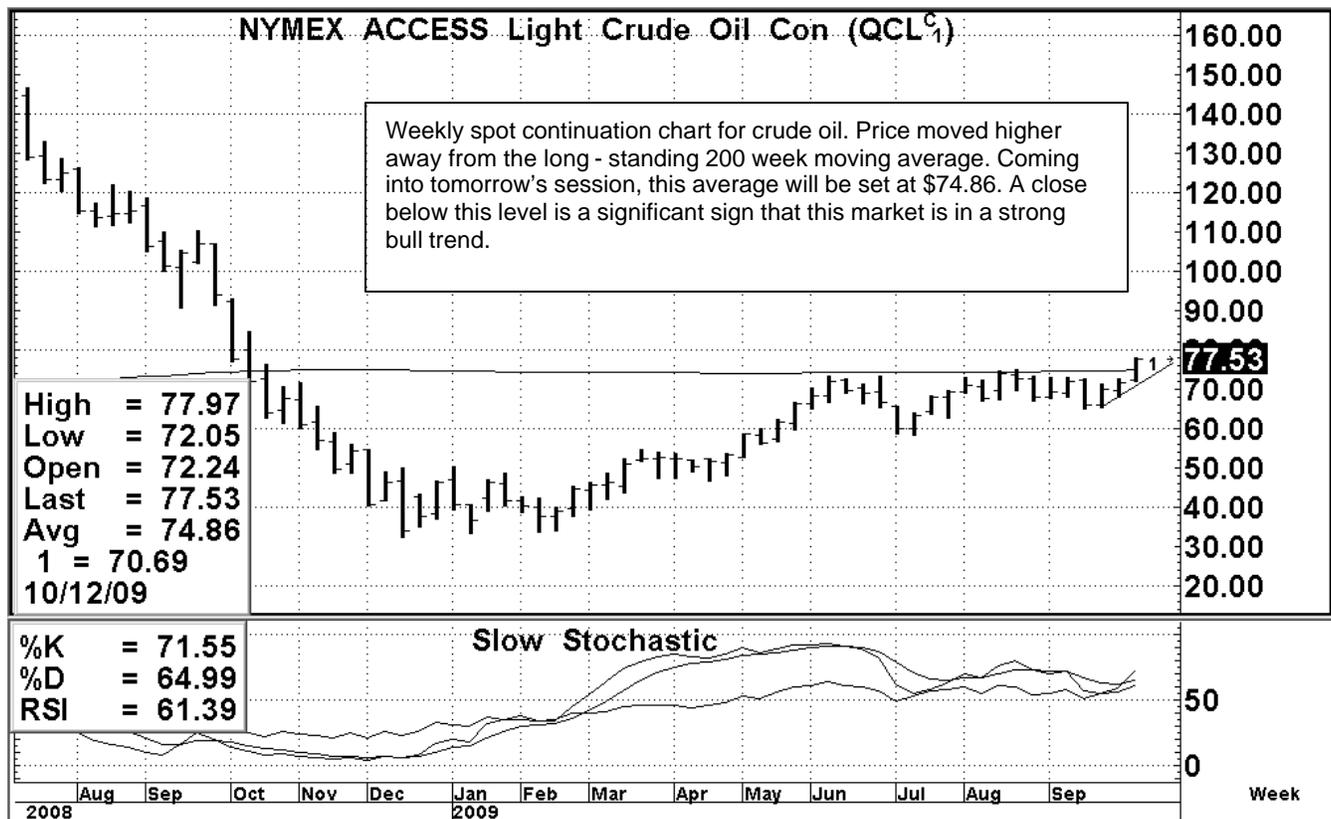
OPEC's news agency reported that OPEC's basket of crudes increased further to \$71.96/barrel on Wednesday from \$70.94/barrel on Tuesday.

Market Commentary

An unexpected decrease in product inventories supported this market today, pushing crude oil to its highest level since October 2008. It is not untypical for product inventories to decrease this time of year as refiners are in between seasonal maintenance. With the U.S. summer driving season over and the heating season yet to begin, crude oil inventories typically increase, while product inventories show decreases. It was the surprising decrease of 5.2 million barrels in gasoline supplies that gave the market its boost today. This is in marked difference to the expected 800,000 build. Distillate stocks were also expected to increase slightly but decreased by 1.1 million barrels. Should refinery utilization remain at current levels, and demand to remain steady, inventory levels for products will continue to dwindle. Crack spreads responded positively to today's inventory numbers. The cost of cracking three barrels of crude oil into two barrels of gasoline and one barrel of heating oil for the spot month contract increased 26 percent. This is the biggest one-day increase for this spread since February. The shape of the forward curve for crude oil is indicating that near term demand for crude oil may have had a sudden increase. We would focus our attention tomorrow on the 200-week moving

average for crude, as this number has been a key pivotal area. This number is set at \$74.86 for tomorrow's session. Should prices manage to settle above this level, it will indicate a key shift in market direction and prices should continue higher.

Crude NOV.09 123,692 -13,898 DEC.09 331,739 +19,753 JAN.10 148,512 +5,101 FEB.10 55,003 +2,418 MAR.10 38,623 +2,104 APR.10 19,853 +338 Totals: 1,282,346 +19,153 Heating NOV.09 46,060 -3,153 DEC.09 70,198 +4,076 JAN.10 46,793 +2,120 FEB.10 21,443 -246 MAR.10 16,502 -371 Totals: 312,824 +2,708 Gasoline NOV.09 46,849 -6,369 DEC.09 62,386 +5,326 JAN.10 33,636 +1,115 FEB.10 11,467 +674 MAR.10 16,097 +873 Totals: 207,506 +2,139.



Crude Support	Crude Resistance
76.24, 75.00, 64.70, 63.38, 62.70, 61.61, 60.95	78.60, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.9995, 1.99, 1.9629, 1.9438, 1.9390, 1.8957, 1.8877, 1.8652, 1.8558, 1.8159	2.0250, 2.0588
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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