



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 6, 2011

In its Short Term Energy Outlook, the EIA said that it expects world oil and liquid fuels demand to increase by 1.22% on the year to 88.13 million bpd in 2011 and increase by 1.58% on the year to 89.52 million bpd in 2012. Its demand estimates are down about 100,000 bpd from the previous forecast. Non-OPEC production is expected to increase by 400,000 bpd to 52.16 million bpd in 2011 and increase by 1.16 million bpd to 53.32 million bpd. OPEC's oil production in 2011 is expected to fall by 70,000 bpd to 29.7 million bpd and increase by 110,000 bpd to 29.81 million bpd in 2012. OECD stocks in 2011 is expected to fall by 36 million barrels to 2.625 billion barrels and fall by 5 million barrels to 2.62 billion barrels in 2012. US oil demand is expected to fall by 260,000 bpd to 18.92 million bpd in 2011 and increase by 110,000 bpd

Market Watch

The International Council of Shopping Centers and Goldman Sachs reported that US chain store sales fell 2.3% in the week ending December 3rd to 514.7.

European statistics agency Eurostat confirmed its estimate that GDP in the euro zone increased by 0.2% in the third quarter compared with the previous quarter. It reported that GDP in the euro zone increased by 1.4%.

An EU spokesman said the EU must make decisions this week to resolve its debt crisis, not because of pressure from ratings agencies but for the prosperity of the 27 member bloc's citizens. Standard & Poor's ratings agency said it saw a one-in-two chance of cutting the ratings of 15 euro zone countries within the next three months, citing higher systemic risks in the euro zone.

Standard & Poor's said it was considering downgrading the European Financial Stability Facility, the euro zone's bailout fund that is financed by member governments.

The top Republican on the Senate Banking Committee, US Senator Shelby criticized the CFTC's handling of MF Global's bankruptcy and said its chief is evading questions about his role in overseeing the company. Republicans accused CFTC chairman Gary Gensler of trying to preserve his reputation rather than take the heat for MF Global's collapse and its missing customer money.

Venezuela's President Hugo Chavez said he hoped ExxonMobil Corp would accept a friendly agreement on compensation after he nationalized the company's oil projects four years ago. The government has proposed paying Exxon \$1 billion, which is much less than Exxon has requested.

Saudi Aramco will start operation of its trading unit focusing on petroleum products next January. The subsidiary will replace Saudi Aramco's product sales department and handle the trade of condensate, light and middle distillates, fuel oil and other products.

API Stocks

Crude – down 5.035 million barrels

Distillate – up 1.68 million barrels

Gasoline – up 5.966 million barrels

Refinery runs – up 3.3%, at 86.8%

to 19.03 million bpd in 2012, which is down 0.05% from the previous estimates. Gasoline demand in 2011 is expected to fall by 230,000 bpd to 8.76 million bpd but increase by 20,000 bpd to 8.78 million bpd in 2012. Gasoline demand estimates were revised down 0.11% and 0.34% for 2011 and 2012, respectively. Distillate demand in 2011 is expected to increase by 90,000 bpd to 3.89 million bpd in 2011 and by

40,000 bpd to 3.93 million bpd in 2012, which is up 0.26% and 0.51%, respectively from its previous estimates. Projected total gasoline and distillate inventories at the end of 2012 are expected to average 3 million higher and 2 million lower, respectively, than their previous 5 year averages. Projected commercial crude oil stocks at the end of 2012 are expected to average 320 million barrels, about 4 million barrels above the previous 5 year average. In regards to prices, the EIA forecast that the retail price of gasoline would be \$3.53/gallon in 2011 and \$3.45/gallon in 2012. The retail price of diesel, which averaged \$2.99/gallon in 2010, is expected to average \$3.85/gallon in both 2011 and 2012. The EIA expects that the WTI price would average \$98/barrel in 2012, above its previous forecast of \$91/barrel.

According to a SpendingPulse report, US weekly gasoline demand increased by 1% on the week to 9.064 million bpd in the week ending December 2nd. Demand was however down 4% or 373,000 bpd on the year. In the latest four weeks, demand averaged 8.885 million bpd, down 4.2% or 387,000 bpd on the year. It also reported that gasoline prices fell 4 cents in the week to \$3.30/gallon, up 15% from a year ago.

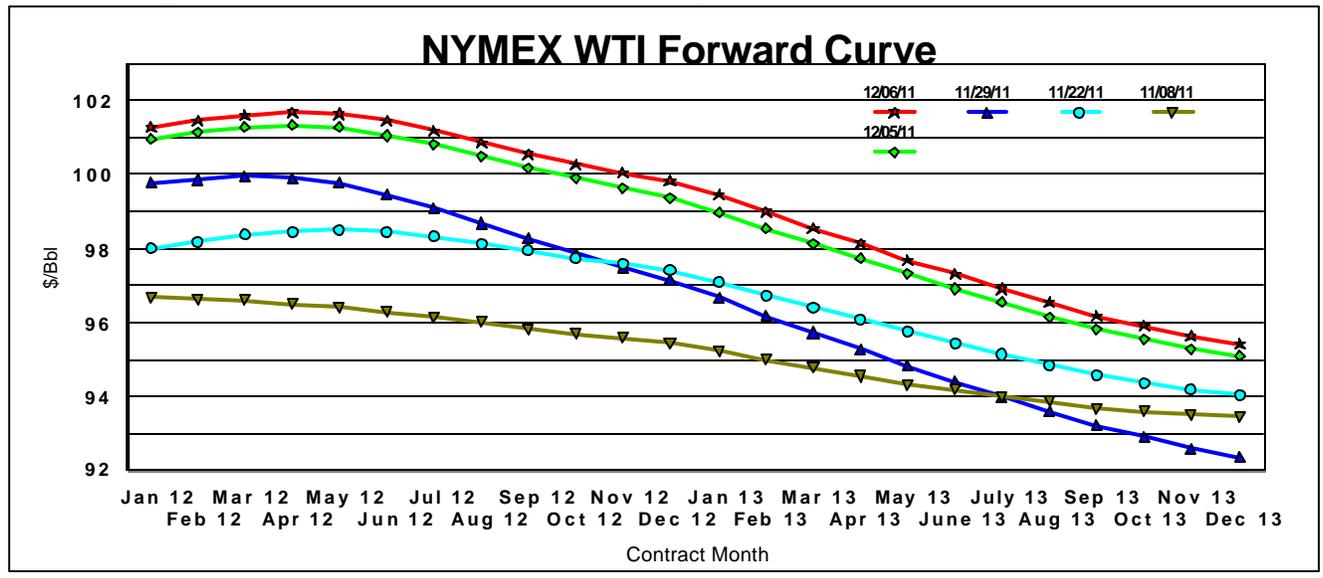
December Calendar Averages CL - \$100.86 HO - \$2.9934 RB - \$2.6083

Saudi Arabia's Oil Minister Ali Al Naimi said current oil prices of about \$100/barrel are good and are determined by market forces of supply and demand that are currently in balance. He stated that the country was producing more than 10 million bpd of crude oil and gas condensates and was committed to maintaining oil market stability, including through maintaining excess production capacity to meet changes in either supply or demand.

Saudi Aramco's chief executive Khalid Al Falih said it would continue to be very responsive to customers' crude oil requirements. He said the global markets have enough oil and gas supplies. He also stated that Saudi Aramco expects its Manifa oil field, which has a capacity to produce 900,000 bpd of heavy crude, to start up production in 2013.

Venezuela's President Hugo Chavez said that \$100-\$120/barrel was a fair price for oil on the global market.

The European Union agreed that a ban on imports of Iranian crude should be pursued and is seeing support for this stance from other large countries. EU Energy Commissioner Guenther Oettinger said that he thought a ban should be extended more widely to include both the US and Russia.



BP Plc chief executive Robert Dudley said the health of the US economy is under threat from high oil prices and the rest of the world should be concerned about the wider consequences if it does suffer damage.

Former Saudi intelligence chief Prince Turki al-Faisal said the leadership should consider acquiring nuclear weapons to counter threats from Iran and from Israel. He said that Israel is widely assumed to have a nuclear arsenal and Iran is believed by many to be developing such weapons. Prince Turki has argued for a nuclear free Middle East in the past but is now pushing the idea that Saudi Arabia may enter an atomic arms race if Iran became a nuclear power.

Refinery News

Colonial Pipeline said it shut its main distillate line north of Collins, Mississippi after experiencing a system integrity issue early Tuesday. It shut the line after about 10 barrels of diesel fuel leaked from a booster station in Alabama. It said crews are onsite for a cleanup and to make any repairs necessary to resume normal operations of the line late Tuesday. Separately, Colonial Pipeline said its Line 1 gasoline mainline resumed normal operations.

Enbridge Energy Partners LP will invest \$145 million to further expand its North Dakota crude oil system. It said its latest project will expand capacity into its Berthold terminal by 80,000 bpd and will include a rail car loading facility at the terminal to accommodate the additional volume. It currently has contractual commitments for 70% of the rail loading capacity and expects to shortly finalize agreements for the remaining capacity.

NuStar Energy said it sees the St. James oil hub in Louisiana becoming a second Cushing. It has finished phase one of the expansion for two customers of about 125,000 barrels will add another 125,000 to 150,000 barrels of storage there, reaching about 75% of refinery operations on the US Gulf Coast.

TransMontaigne Energy Partners said it is looking to add tankage and rail capacity to carry Utica shale oil into the East Liverpool terminal. It is looking to increase capacity at the terminal by 200,000 barrels.

ConocoPhillips said no planned maintenance is underway at its 120,000 bpd oil refinery in Rodeo, California. It said emissions had occurred at the 120,000 bpd refinery on November 29th at a flare compressor shut for annual maintenance and that there was flaring on December 5th for an unspecified reason.

Tesoro Corp said a distillation unit returned to normal targeted operations at its 166,000 bpd Golden Eagle refinery in Martinez, California following the completion of maintenance.

Hovensa said scheduled fourth quarter maintenance and upgrade projects have been completed at its St. Croix refinery.

Petroplus Holdings reduced runs at its 175,000 bpd Coryton refinery in the UK due to a problem at a fluid catalytic cracking unit. It said repairs were completed and the refinery is expected to return to normal operations in the coming days. The refinery is expected to run at 140,000-150,000 bpd in the fourth quarter.

India's Hindustan Petroleum Corp is planning to ship an 80,000 metric ton cargo of Syrian crude to India. Shipments of oil from Syria has all but dried up in recent months after the European Union imposed an oil embargo on the country in September.

Analysts stated that a rally in oil prices for Asian buyers for Saudi Arabian crude in January could see more oil flow east from the West African market and Atlantic Basin.

Production News

The UAE's Oil Minister Mohamed bin Dhaen Al Hamli said the country was currently producing about 2.6 million bpd.

ConocoPhillips restarted operations in Libya and hopes to restore its pre-war production level of 300,000 bpd in over a year. It said it could take several years before the company is producing 700,000 bpd of crude in Libya.

Repsol YPF SA said oil production at its Libya joint venture reached 200,000 bpd, already surpassing the company's target for next year. The ramp up at Akakus Oil Operations is the latest evidence that Libya's crude production is returning faster than expected following the toppling of Muammar Gaddafi.

Russia's deputy energy minister Yury Sentyurin said Russia expects its oil export to remain flat in 2012. He said Russia achieved a plateau of exports of about 250 million tons.

Market Commentary

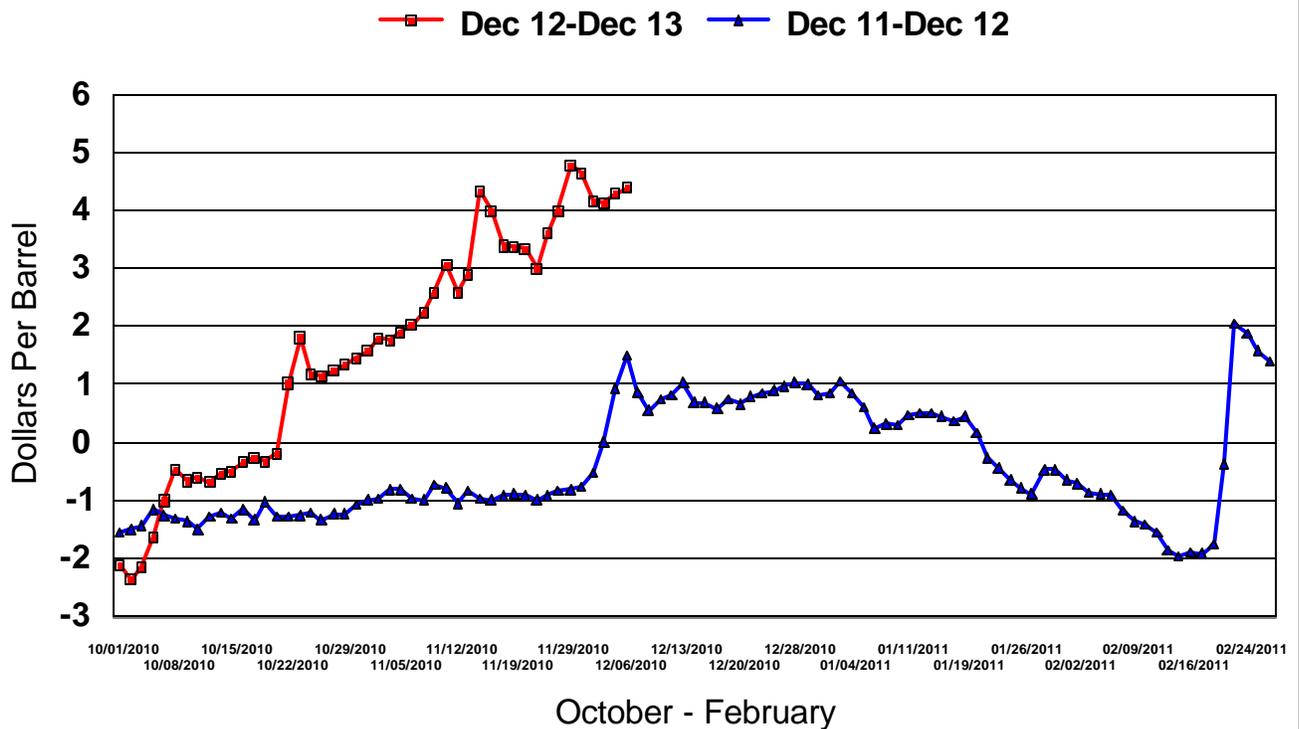
European debt concerns continue to drive this market, as prices reacted to a report that Standard & Poor's may possibly cut the credit ratings of European nations. This Friday's meeting of the European Union will be a major focal point, as it will be a determinant of market direction. With weather in the U.S. and Europe expected to be seasonally mild, prices should struggle above \$100.00. We would look for prices to trade sideways in between the range of \$101.00 and \$95.00 as we await news for Friday's meeting.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499		30622		24988	25939
9251	10337	29288	30937	24734	26283
8916	10753	28800	31956	24516	
8581	11483	26850		24480	
				23803	
50-day MA	91.70				
100-day MA	90.01				
200-day MA	95.91				

	CRUDE (NYMEX)				WTI (ICE)				BRENT (ICE)			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
JAN	125036	117874	7162	9.420%	64628	66798	-2170	15.149%	138596	150157	-11561	15.183%
FEB	272551	283789	-11238	20.534%	53273	50899	2374	12.487%	150014	153989	-3975	16.434%
MAR	116831	114405	2426	8.802%	35507	36058	-551	8.323%	95697	91301	4396	10.483%
Dec-12	170366	168603	1763	12.835%	62714	62686	28	14.700%	99768	102236	-2468	10.929%
Dec-13	76610	73973	2637	5.772%	40459	40333	126	9.484%	49693	50247	-554	5.444%
TOTAL	1327334	1316405	10929		426624	427785			912851	923239		

	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	86967	86104	863	32.335%	80951	83452	-2501	30.061%
JAN	41491	41954	-463	15.427%	35140	33385	1755	13.049%
FEB	30537	30678	-141	11.354%	32232	32204	28	11.969%
Dec-12	18312	18121	191	6.808%	12467	12071	396	4.630%
TOTAL	268959	267505	1454		269285	268197		

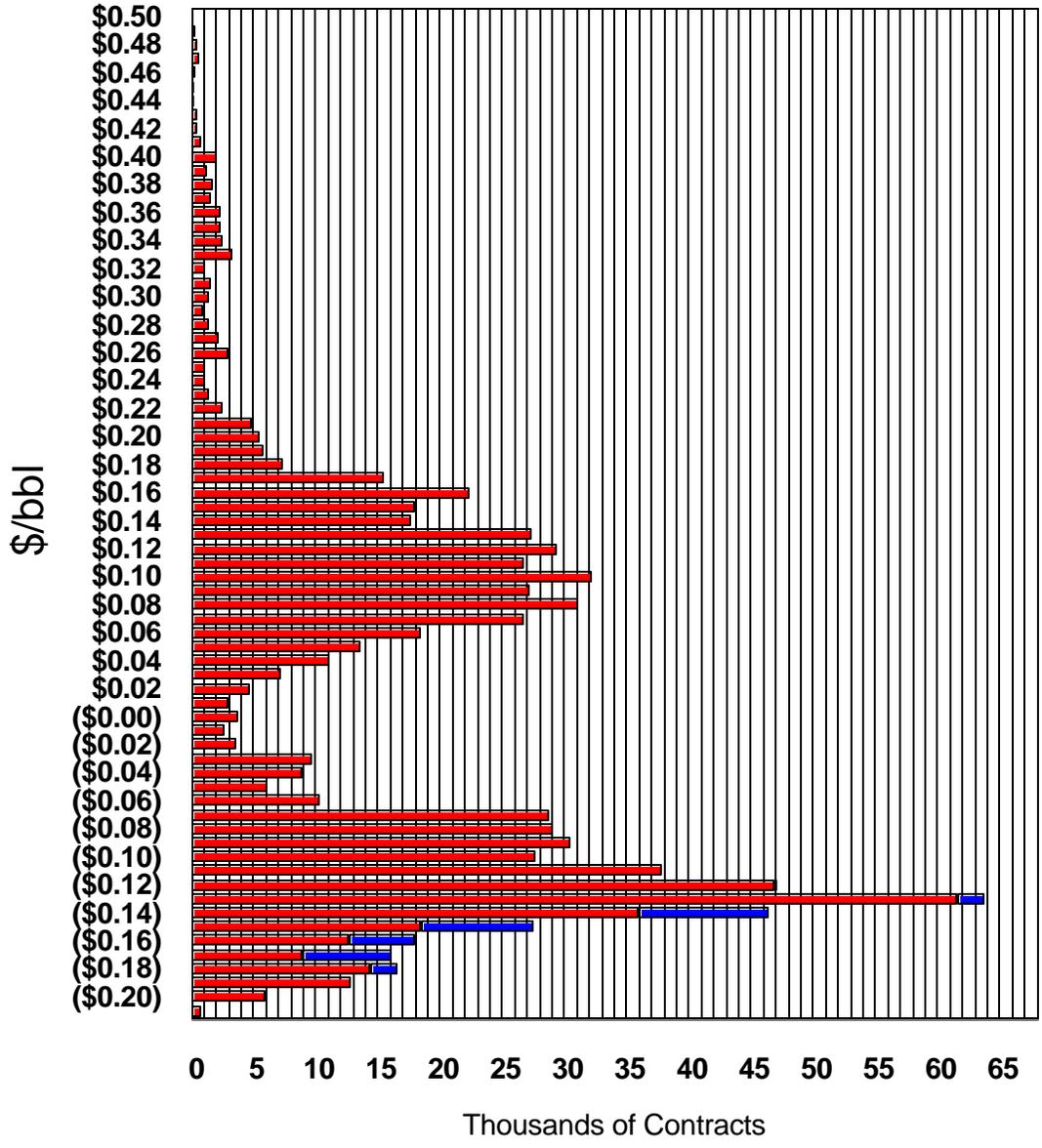
Dec Red Dec VS Spot Month Crude



NYMEX Jan-Feb WTI Spread Volume Skew

October 24, 2011-December 6 ,2011

■ Oct 24 - Dec 5 ■ Dec 6



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