

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 27, 2011

Gulf OPEC delegates said Iran would harm itself if it disrupts the flow of oil from the Strait of Hormuz. Iran's first vice president warned that the flow of crude oil would be stopped from the crucial Strait of Hormuz in the Gulf if foreign sanctions are imposed on its oil exports.

Sources stated that Saudi Arabia and other Gulf OPEC states were ready to replace Iranian oil if further sanctions halt Iranian crude exports to Europe. European Union leaders have called for more sanctions against Iran by the end of January but have made no explicit call for an embargo on Iranian crude imports.

Separately, a senior official at Japan's JX Nippon Oil & energy Corp said only Saudi Arabia can make up for supply gap if a large part of the global market stops buying Iranian oil. Last week, the US Congress approved legislation that would embargo foreign institutions from businesses with US banks if they have dealings with the Iranian central bank, which is the main institution handling transactions related to crude oil exports from the Middle Eastern country.

Swiss oil refiner Petroplus Holdings said lenders have frozen about \$1 billion in borrowing allowances the company relies on to buy crude oil, meaning supplies for Europe's largest independent refiner could dry up within days.

The EIA reported that the US average retail price of diesel fell by 3.7 cents to \$3.791/gallon in the week ending December 27th.

Refinery News

Western Refining Corp is restarting a gasoline production unit at its refinery in El Paso, Texas. The refinery unexpectedly shut down some units on December 15th after an undisclosed problem.

Market Watch

The Conference Board said its index of consumer sentiment increased to 64.5 from a downwardly revised 55.2 in November. The survey's present situation index increased to 46.7 in December from 38.3 in November. The expectations index surged to 76.4 from 66.4 in November.

US single family home prices fell more than expected in October. The S&P/Case Shiller composite index of 20 metropolitan areas fell 1.2% on an unadjusted basis. Prices fell 0.6% in September. For the year, home prices fell 3.4% in October.

The Federal Reserve Bank of Dallas' Texas monthly manufacturing index fell by 3% in December compared with an increase of 3.2% in November. Its manufacturing output index fell 1.3% in December compared with a decline of 5.1% in November.

December Calendar Averages
CL - \$98.46
HO - \$2.9067
RB - \$2.5863

ExxonMobil Corp reported flaring at its 560,640 bpd Baytown refinery in Texas due to a malfunctioning valve on the jet vent gas system. It said production was not impacted.

Tesoro Corp said planned maintenance on some unspecified units was underway at its 166,000 bpd Golden Eagle refinery in Martinez, California.

It plans to conduct maintenance on an unspecified unit at its 96,860 bpd Wilmington, California refinery. It warned of planned flaring at the refinery from December 28-30. It said its fluid catalytic cracking unit at its 88,000 bpd Houston, Texas refinery is expected to be back at planned rates within a few days.

Valero Energy Corp said that a gasoline production unit at its Houston refinery will be at planned rates within a few days after an outage during the weekend. A wet gas compressor tripped at the 145,000 bpd refinery on Sunday, forcing the shutdown of its fluid catalytic cracking unit. The unit is expected to be back at planned rates within a few days. Meanwhile, Valero said its 156,000 bpd McKee refinery in Sunray, Texas was back at planned rates. It reported a power disruption at the refinery on Thursday.

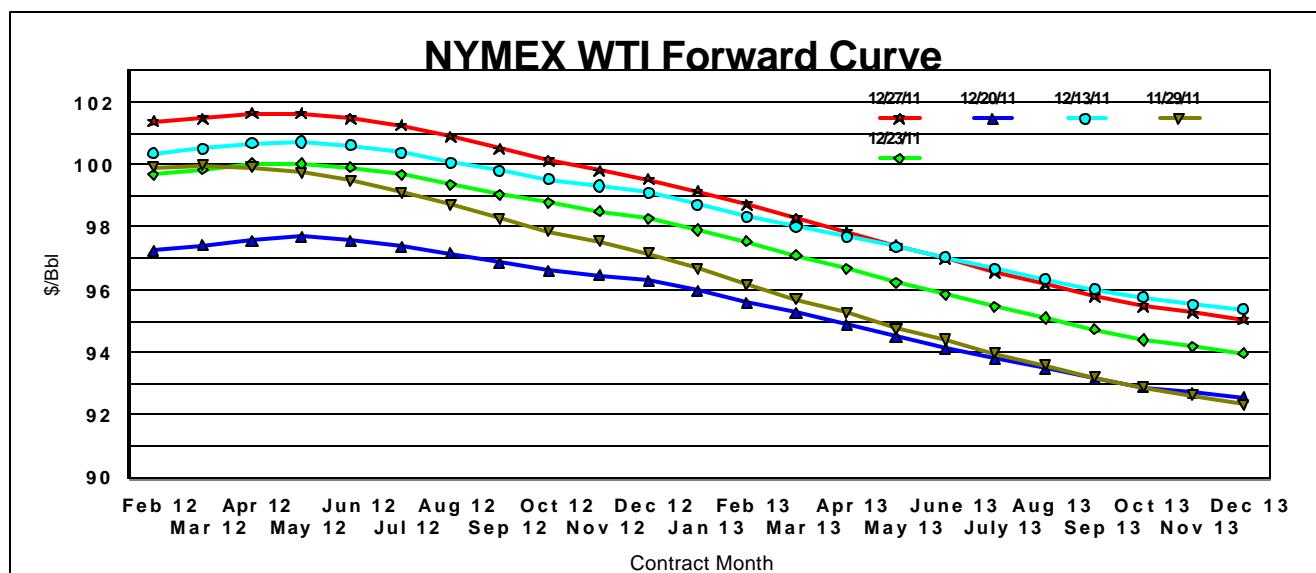
Western Refining's El Paso, Texas refinery reported a flaring event on December 25th and 26th as a result of the attempted restart of its fluid catalytic cracking unit.

Iran has signed a deal with Afghanistan to supply its neighbor with 1 million tons of fuel oil, petro and aviation fuel a year.

Production News

Canadian regulators approved Enbridge Inc's plans to build a new pipeline to move oil out of the Bakken and Three Forks oilfields. The National Energy Board said it decided there was enough commercial interest to support construction of the 76 mile Bakken pipeline project, which would carry 145,000 bpd from Steelman, Saskatchewan to a link with the company's mainline system at Cromer, Manitoba. The US portion of the Bakken project, which has yet to receive final approvals, would ship oil from North Dakota and Montana north to Steelman.

Royal Dutch Shell said an oil spill offshore Nigeria has been contained after less than 40,000 barrels leaked into the Atlantic. The December 20th spill led to the shutdown of the company's 200,000 bpd Bonga facility.



Statoil ASA said it and its partners are considering developing the Skrugard discovery in the Barents Sea by means of a floating production unit with additional capacity to process and transport oil from other prospects in the area. The production unit would have separate oil storage and offshore loading capability with a production capacity of 95,000 bpd. The discovery was made in April 2011 and volumes are estimated to be around 250 million barrels of recoverable oil equivalents.

Ecuador's Minister of nonrenewable natural resources, Wilson Pastor said the country's oil production is expected to increase 3% in 2011 to 182.6 million barrels. He said Ecuador produced 500,378 bpd in 2011 compared with 486,014 bpd in 2010.

Russian oil exports from the Baltic Sea port of Primorsk is expected to increase to 6.4 million tons in January compared with 6 million tons in December. Shipments from the Black Sea port of Novorossiisk are expected to fall to 3.715 million tons in November from 3.824 million tons in December.

China will soon put its first deepwater survey vessel into use in the South China Sea as part of an effort by the country to tap its underexplored deepwaters.

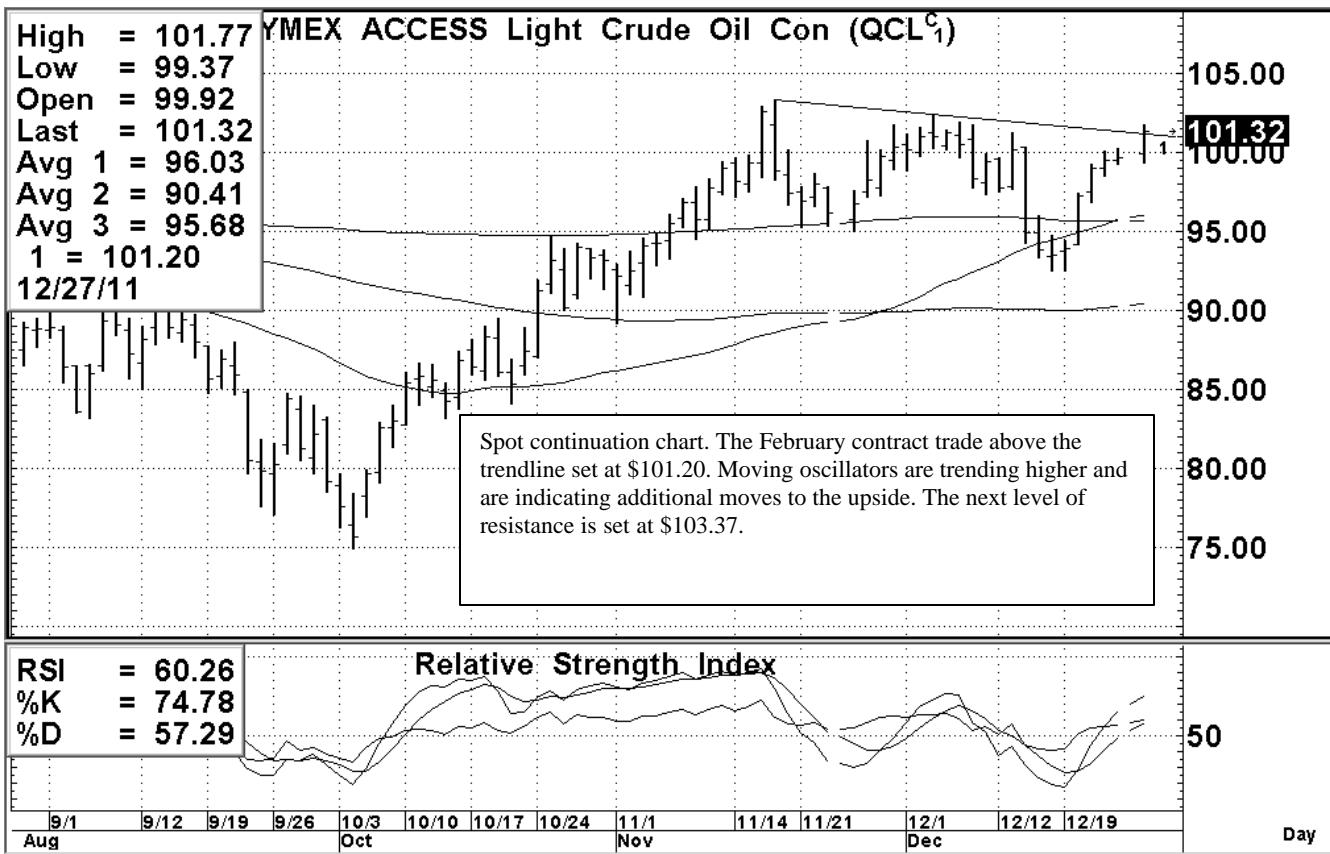
Market Commentary

In an effort to scare off the imposition of sanctions on its oil exports, Iran issued a warning stating that it would halt shipments through the Strait of Hormuz if the threat of sanctions were carried through. Better than expected December consumer confidence in the U.S. helped to prop up prices. The February contract topped \$101 a barrel, peaking at \$101.77. Today's move higher marks the sixth session in a row that prices have moved higher, the longest streak since November 2010. Volume was light, which may have exaggerated the move. As we come closer to year's end, volume will remain light, lending to wider market moves. With February trading and settling above the \$101.20 trendline, additional moves higher should be expected. The next level of resistance is set at \$103.39

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499		27505	29288		25939
9591		26975	28800	24734	26283
9251	10337	26850	30937	24516	
8916	10753	26680	31956	24480	
8581	11483			23803	
	13205				
	14727				
50-day MA	95.15				
100-day MA	90.06				
200-day MA	95.66				

MONTH	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
FEB	246021	249602	-3581	18.758%	63286	64387	-1101	16.251%	162669	162864	-195	18.546%
MAR	159546	154943	4603	12.164%	35998	35801	197	9.244%	174744	171622	3122	19.923%
APR	75166	75169	-3	5.731%	25329	24701	628	6.504%	44832	44157	675	5.111%
Dec-12	169634	170163	-529	12.934%	57527	56679	848	14.772%	96678	96761	-83	11.022%
Dec-13	73876	74134	-258	5.633%	38070	37658	412	9.776%	45817	46052	-235	5.224%
TOTAL	1311575	1308488	3087		389433	386612	2821		877105	873903	3202	

MONTH	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	64547	71875	-7328	23.118%	20878	25767	-4889	7.502%
JAN	53147	50844	2303	19.035%	73036	68020	5016	26.243%
FEB	37889	38291	-402	13.570%	45548	44841	707	16.366%
Dec-12	18502	18522	-20	6.627%	13536	13589	-53	4.864%
TOTAL	279211	283659	-4448		278307	279988	-1681	



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