



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 12, 2007

A senior OPEC delegate said OPEC ministers are in discussions on whether to hold an emergency meeting on January 20-21. The delegate said OPEC was considering several options, including the possibility of increasing its 500,000 bpd cut effective February 1 by an additional 500,000 bpd. He added that OPEC would not necessarily have to meet to implement a further cut as OPEC's President has the authority to authorize such a move by phone. However he said OPEC may meet regardless of whether it decided to cut production, giving the group the opportunity to issue a statement of its intention to comply with its agreed output cuts.

South Korean officials have met gunmen who kidnapped South Korean workers in Nigeria's Niger Delta. They confirmed the hostages were unharmed. Gunmen invaded Daewoo Engineering and Construction's riverside oil services base on Wednesday, kidnapping nine South Koreans and one Nigerian worker.

Refinery News

US refinery maintenance planned for the first half of 2007 is not expected to be as heavy as last year when the industry was preparing for new environmental regulations. However it is still expected to be

Market Watch

Saudi Arabia's Oil Minister Ali al-Naimi is scheduled to attend the Petrotech conference in New Delhi from January 15-19, along with Iran's Oil Minister Kazem Vaziri-Hamaneh and Nigeria's Energy Minister Edmund Daukoru. The ministers from Yemen and Sudan would also attend. The meeting would be Saudi Arabia's first public opportunity to address the decline in oil prices.

IntercontinentalExchange said that ICE futures trading volume reached a record high on January 11. Exchange wide volume totaled 847,892 contracts. ICE Brent futures set a fourth consecutive day of record volume Thursday, with 345,407 contracts and ICE WTI futures reached a record 377,672 contracts.

The USDA stated that due to the ethanol demand, the US corn surplus would fall to 752 million bushels, a three week supply, before this year's crop is ready for harvest. It said the 2006 corn crop totaled 10.535 billion bushels, slightly less than expected although still the third largest ever and that warehouses held 8.93 billion bushels of corn on December 1. Ethanol distillers are estimated to use 20% or 2.15 billion bushels of the 2006 crop to produce the fuel.

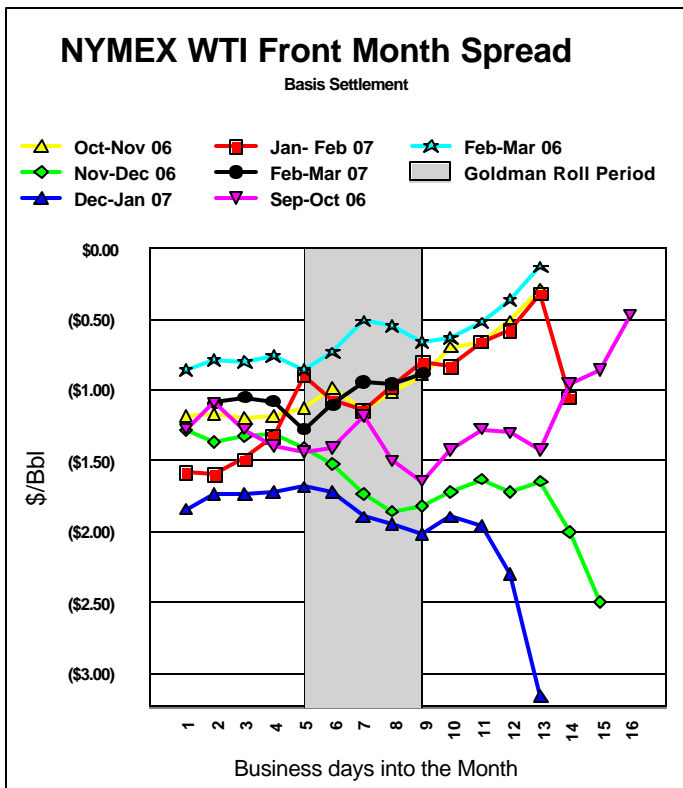
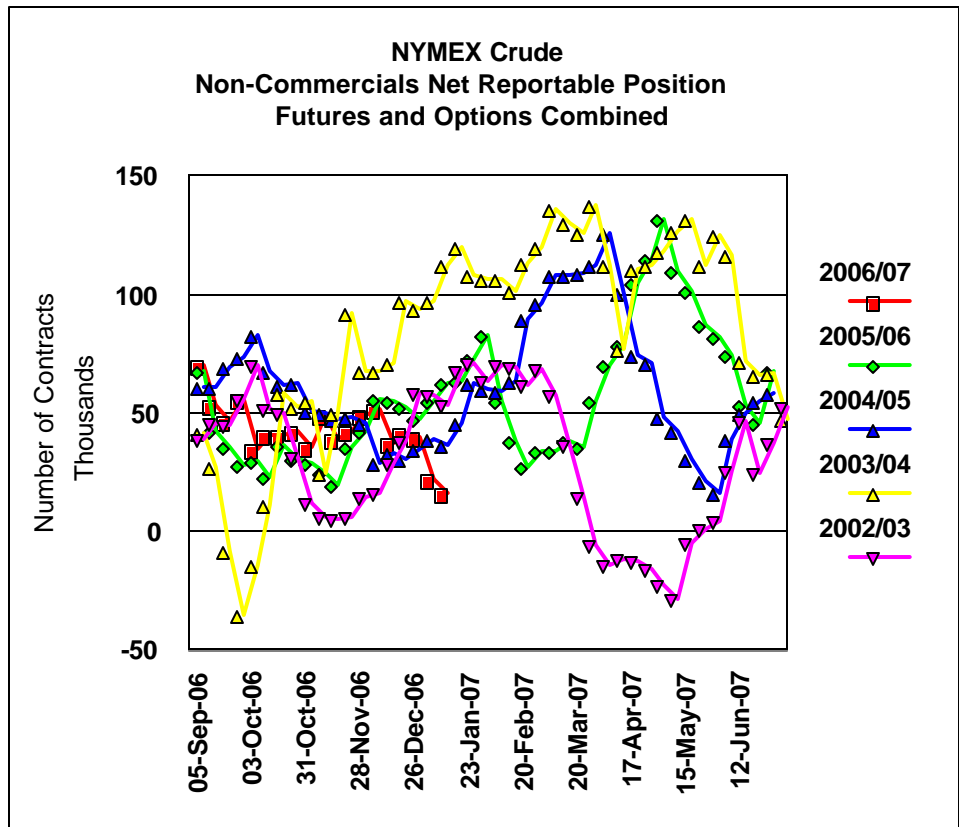
Gazprom's UK arm, Gazprom Marketing & Trading said it was aiming to increase its share of the small commercial consumer gas market in the UK by 5-10% within the next three years.

slightly heavier than normal. An analyst stated that about 1.4 million bpd of crude distillation capacity is expected to come offline in February.

Sweden's Preem said its 210,000 bpd Lysekil refinery is scheduled to undergo a full turnaround for one month in September.

China's twelve major refineries are scheduled to process 2.306 million bpd of crude in January, relatively unchanged from December's 2.311 million bpd level.

China's oil firms have so far capped diesel imports below December's level at about 30,000 tons.



The Turkish Straits reopened to shipping traffic on Friday after it was shut for two days due to heavy fog. Tankers were facing a round trip delay of about 20 days at the Bosphorus and Dardanelles straits.

Production News

According to Bloomberg, the ten OPEC members pumped 385,000 bpd over its output quota in December.

Danish Underground Consortium's oil production from the Danish part of the North Sea fell about 2.4% in December to 293,700 bpd from 300,800 bpd in November. Its production last year stood at 296,800 bpd.

The average daily loading rate of the nine main North Sea crude streams is expected to increase by 117,000 bpd to 2.645 million bpd in February from January's total of 2.528 million bpd.

Azerbaijan's crude oil production increased by 45.5% in 2006 to 32.254 million tons or 684,000

bpd. The BP-led group said its output from the Chirag and Azeri oilfield reached 23.26 million tons or 467,000 bpd in 2006 compared with 13.19 million tons in 2005. It exported 22.13 million tons or 444,000 bpd in 2006 compared with 13.3 million tons or 267,000 bpd in 2005. Exports of refined products increased to 2.926 million tons in 2006 from 2.216 million tons in 2005.

Kazakhstan's State Statistics Agency said the country's oil and gas condensate production increased

NYMEX Petroleum Options Most Active Strikes for January 12, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	C	56	05/17/2007	4.31	20,800	35.26
LO	6	7	P	49	05/17/2007	1.85	20,500	36.70
LO	2	7	P	50	01/17/2007	0.28	8,864	51.73
LO	6	7	P	55	05/17/2007	4.11	8,550	35.33
LO	3	7	P	51	02/14/2007	1.59	6,183	44.66
LO	3	7	P	45	02/14/2007	0.29	5,786	45.32
LO	4	7	C	65	03/15/2007	0.74	5,430	40.17
LO	3	7	C	53	02/14/2007	3.26	5,148	44.14
LO	2	7	P	52	01/17/2007	0.81	5,019	50.75
LO	6	7	C	55	05/17/2007	4.79	4,900	35.47
LO	12	7	P	60	11/13/2007	7.32	4,758	31.78
LO	3	7	C	52	02/14/2007	3.82	4,277	44.36
LO	5	7	C	58	04/17/2007	2.88	4,200	36.53
LO	3	7	C	62	02/14/2007	0.55	3,617	43.74
LO	5	7	C	65	04/17/2007	1.18	3,542	37.05
LO	3	7	P	53	02/14/2007	2.39	3,327	44.04
LO	12	7	P	50	11/13/2007	3.08	3,153	33.44
LO	3	7	C	60	02/14/2007	0.87	3,036	43.92
LO	7	7	C	73	06/15/2007	0.83	2,800	34.60
LO	6	7	P	53	05/17/2007	3.22	2,795	35.73
LO	2	7	P	49	01/17/2007	0.15	2,348	52.46
LO	2	7	P	51	01/17/2007	0.49	2,299	51.07
LO	3	7	P	50	02/14/2007	1.27	2,158	44.98
LO	3	7	P	61	02/14/2007	7.81	2,075	44.67
LO	5	7	P	50.5	04/17/2007	2.08	2,000	37.65
OB	7	7	C	2.25	06/26/2007	0.0238	3,400	36.11
OB	7	7	C	1.7	06/26/2007	0.1247	1,700	31.99
OB	3	7	C	1.6	02/23/2007	0.0355	300	42.87
OB	8	7	C	1.8	07/26/2007	0.103	175	32.67
OH	3	7	C	1.73	02/23/2007	0.0228	501	40.53
OH	2	7	P	1.88	01/26/2007	0.3765	286	55.37
OH	3	7	P	1.8	02/23/2007	0.2812	285	42.30
OH	2	7	P	1.87	01/26/2007	0.3665	260	53.53
OH	3	7	P	1.79	02/23/2007	0.2723	260	42.14
OH	5	7	C	1.7	04/25/2007	0.0637	250	35.38
OH	3	7	P	1.4	02/23/2007	0.0286	201	39.14
OH	3	7	C	1.9	02/23/2007	0.007	200	42.14
OH	3	7	C	1.7	02/23/2007	0.0279	200	40.22
OH	3	7	P	1.9	02/23/2007	0.3739	200	44.76
OH	4	7	C	1.6	03/27/2007	0.0774	200	35.80
OH	3	7	C	1.85	02/23/2007	0.01	150	41.76
OH	2	7	C	1.85	01/26/2007	0.0006	100	46.76
OH	2	7	C	1.86	01/26/2007	0.0005	100	46.76

by 5.7% on the year to 65.005 million tons in January-December. It also reported that its crude oil exports increased by 3.8% on the year to 49.7 million tons in January-November 2006.

An Iraqi oil official said Iraq has cut the official selling price of its Basra Light crude loading in February to customers in the US by \$1.35 on the month to second month WTI minus \$8.75. The February price to European buyers was increased by 55 cents on the month to dated BFO minus \$6.65 while the price of its Asian customers was increased by 30 cents on the month to the Oman/Dubai average minus \$2.85.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.43/barrel to \$49.13/barrel on Thursday.

ConocoPhillips said it hoped to restart production at UK North Sea gas platforms over the weekend after staff had to shutdown and evacuate them on Thursday night. The 30 staff members on the Murdoch gas platform was evacuated and production was shut in at the platform and nearby unmanned

platforms as a cargo ship in the North Sea lost power and drifted towards them. The cargo ship was tugged to shore. In another incident, a diver support boat lost power near the Britannia gas field off the coast of Scotland late Thursday night. It drifted within three miles of the Britannia gas field and the Alba field. Britannia's operator Chevron said the boat had not threatened the platform or production from it.

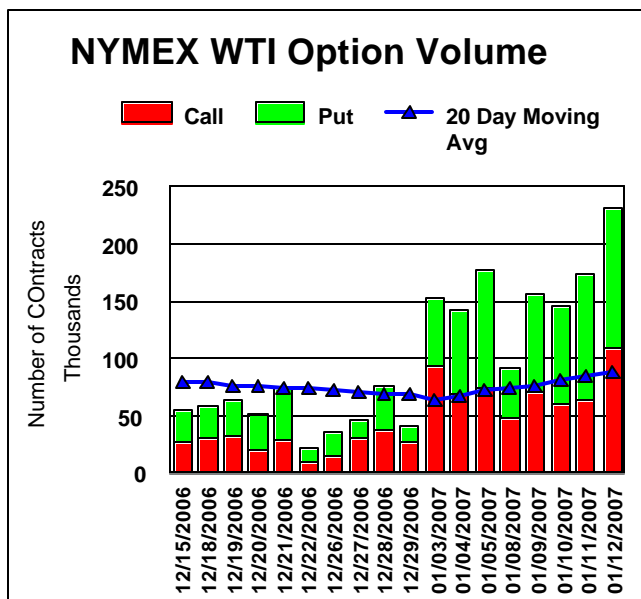
Japan Bank for International Cooperation said it would continue to consider investing in the Sakhalin-2 energy project, even though its European counterpart is no longer looking at it after Russia's Gazprom became

majority owner. On Thursday, the European Bank for Reconstruction and Development said it would no longer consider investing in the project.

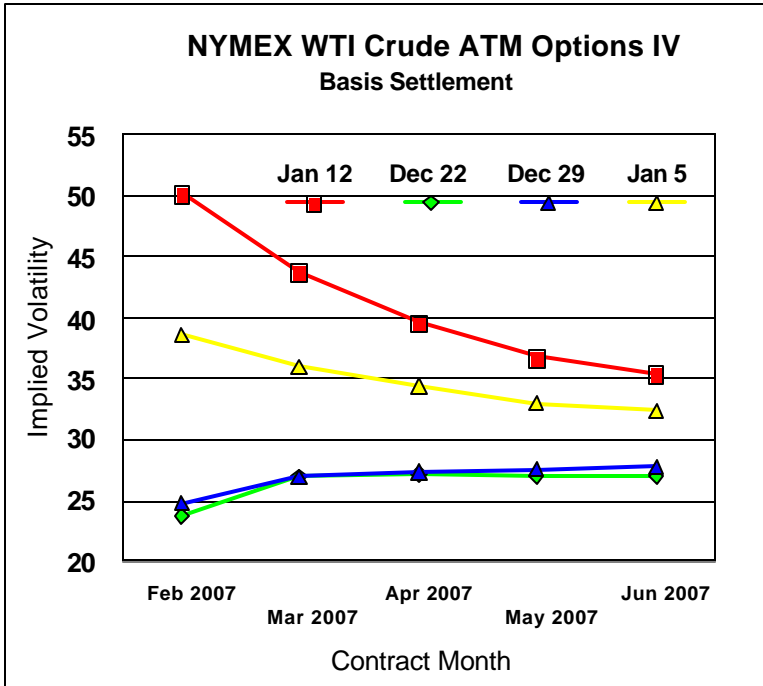
Technical levels		
	Levels	Explanation
CL 52.99, up \$1.11	Resistance	54.70, 55.05, 56.20
		53.10
	Support	52.05, 51.60
HO 150.36, up 2.32 cents	Resistance	155.20, 155.30, 156.80, 159.50
		150.80
	Support	148.00
RB 143.20, up 4.15 cents	Resistance	145.80, 149.00, 149.95
		144.00
	Support	142.00, 140.00, 139.00
	138.50, 134.87	Friday's low Thursday's low, Basis trendline

Market Commentary

The oil market opened 22 cents higher at 52.10 amid reports that OPEC members were discussing whether to hold an emergency meeting later this month and possibly cut production beyond levels already agreed to. The crude market retraced some of its early gains and posted a low of 51.60. However the market quickly bounced off its low and retraced its losses. The market breached the 52.50 level, where it was holding some resistance, and rallied to a high of 53.10 on short covering ahead of the close. The oil market settled up \$1.11 at 52.99. The possibility that OPEC may adopt a new production cut forced traders to cover their shorts ahead of the long holiday weekend. Open interest in the crude market built by a total of 24,394 lots as traders rolled some of their February positions and continued to short the market. Open interest in the February contract fell by 26,625 lots while open interest in the March contract built by 33,810 lots and open interest in the April through July contracts also built by 14,193 lots. Meanwhile, the heating oil market posted an



inside trading day as it failed to breach previous trading range. It traded to 150.20 early in the session and sold off to a low of 148.00. However the market bounced off its low and traded mostly sideways. It later breached its earlier high and rallied to a high of 150.80 ahead of the close. It settled up 2.32 cents at 150.36 amid the short covering ahead of the weekend. The RBOB market also posted an



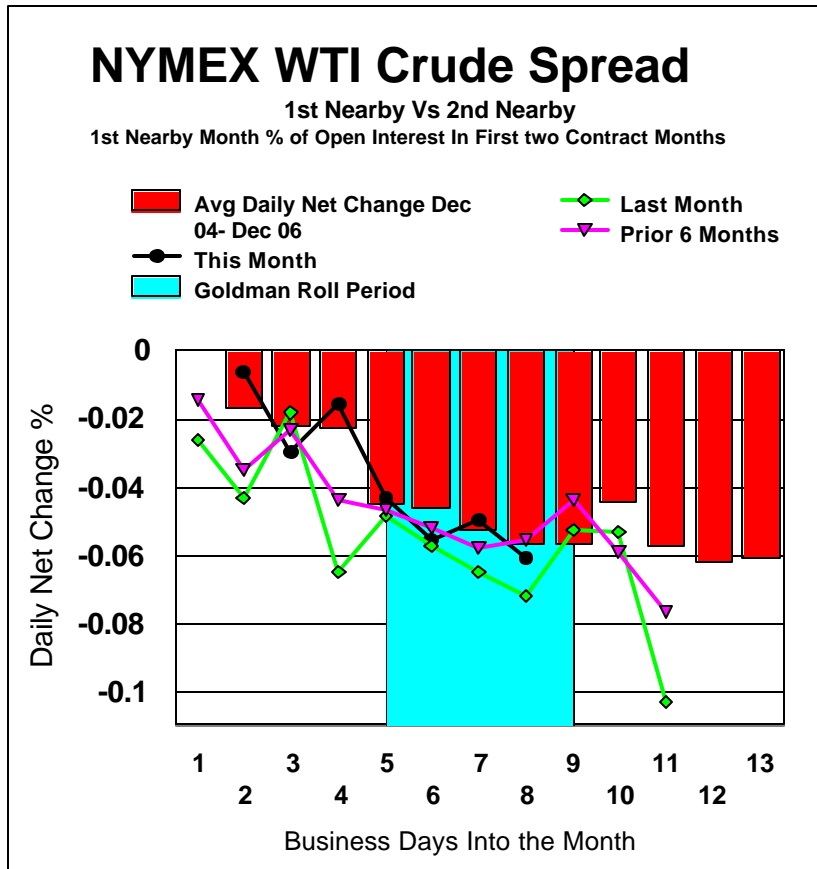
inside trading day and settled up 4.15 cents at 143.20 after the market rallied to a high of 144.00 ahead of the close.

The latest Commitment of Traders report showed that non-commercials switched their net long position of 2,194 contracts to a net short position of 22,358 contracts in the week ending January 9 amid the market's continued sell off. The combined futures and option report showed that non-commercials in the crude market cut their net long position from 21,554 contracts to 15,110 contracts on the week. Given the market's sell off and builds in open interest, non-commercials have continued to add to their net short positions. Meanwhile, non-commercials in the heating oil market increased their net short position by 1,285 contracts to 10,399 contracts

while non-commercials in the RBOB market cut their net long position by 1,521 contracts to 9,608 contracts on the week.

The NYMEX crude oil option market traded over 231,000 times on Friday, a new NYMEX volume record. The two most active strikes were the June 2007 \$56 call - \$49 put which traded over 20,500 times each on the day, due to the most part done via a single spread. Even the RBOB option market posted a new volume record today with over 6134 lots traded, with have of the activity booked via the July \$2.25 call.

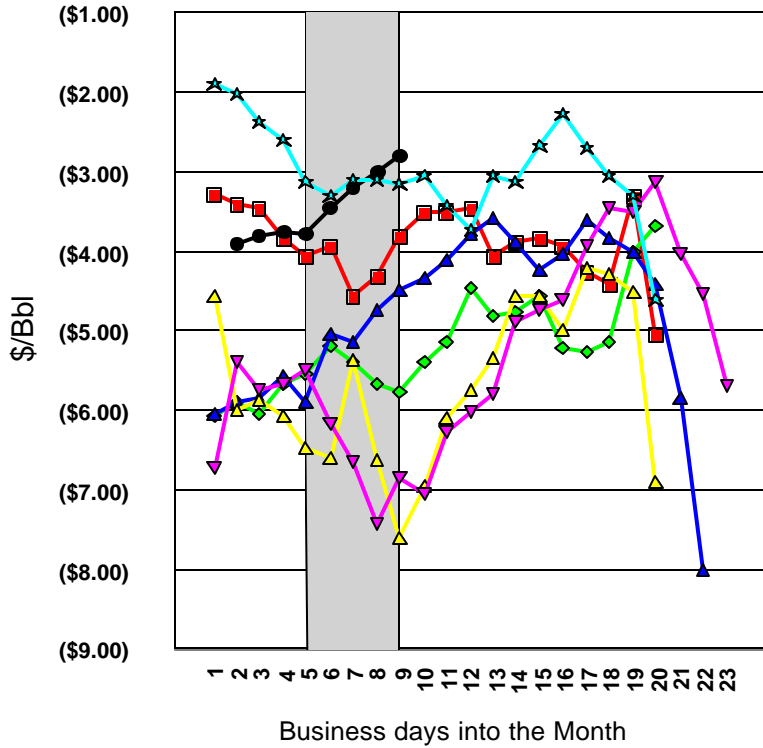
The oil market will likely be headline driven over the long holiday weekend. The market is seen awaiting any OPEC statements on a possible meeting and further output cut. Saudi Arabia's Oil Minister is scheduled to attend the Petrotech conference on January 15-19. It would be Saudi Arabia's first public opportunity to address the recent decline in prices. Technically, the market is seen retracing some of its losses as it stochastics are ready to cross to the upside. The market is seen finding support at 52.05 and its low of 51.60. More distant support is seen



NYMEX HO Front Month Spread

Basis Settlement

- Jan - Feb 07 ▲ Oct - Nov 06 ★ Feb-Mar 06
- ◆ Dec - Jan 07 ▼ Sep - Oct 06 ◻ Goldman Roll Period
- ▲ Nov - Dec 06 ● Feb-Mar 07



at 50.90 followed by 50.65 and 50.46. Meanwhile resistance is seen at 53.10 followed by 54.70, 55.05 and 56.20.