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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 21, 2010

The UAE's Oil Minister Mohammed al-Hamli said that \$75-\$80/barrel for crude oil prices was "good and reasonable." He said oil prices at these levels would allow producing countries to continue with projects to expand its crude oil production capacities.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 230,000 bpd to 23.1 million bpd in the four weeks ending February 6th. It stated that OPEC compliance on its agreed cuts has declined to 55%.

Iranian Foreign Ministry officials said Iran has not rejected a UN brokered offer to exchange enriched nuclear fuel but it wants a staged swap of its stockpile. Iran insists on only handing over its stocks gradually as it receives the fuel. The denial followed charges by Western diplomats that Iran had effectively rejected a proposal put forward by six major powers in talks in Vienna. Western diplomats said that

DOE Stocks

Crude – down 471,000 barrels
Distillate – down 3.263 million barrels
Gasoline – up 3.95 million barrels
Refinery runs – down 2.9%, at 78.4%

Market Watch

According to the US Labor Department, initial claims for unemployment benefits increased by 36,000 to 482,000 in the week ending January 16th. The previous week's level was revised upward to 446,000 from 444,000. It said the four week moving average increased by 7,000 to 448,250 from the previous week's revised average of 441,250. The number of continuing claims in the week ending January 9th fell by 18,000 to 4,599,000 from the preceding week's revised level of 4,617,000. The unemployment rate for workers with unemployment insurance for the week ending January 9th remained unchanged from the prior week at 3.5%.

BP Plc is moving a very large crude carrier of North Sea Forties crude to the US Gulf of Mexico. The VLCC is sailing to the Louisiana Offshore Oil Port after having been anchored off Southwold, England since early October. The tanker is expected to arrive at the LOOP on February 5th. It is the first VLCC loaded with Forties sailing to the US since mid-December.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected over much of the Western half of the US in February through April, while the outlook is unclear for temperatures in the Northeast. It said below normal temperatures are expected from West Texas across the Gulf Coast and through the southern Atlantic region, including all of Florida and as far north as Delaware in February. In the February-April period, the below normal temperatures will extend westward to New Mexico but only extends as far north as North Carolina. In the Northeast region, there are equal chances of normal, above normal or below normal temperatures through April.

Iran's insistence on a phased exchange effectively amounted to a rejection of the IAEA offer. US Secretary of State Hillary Clinton said the US and its partners will not back down in the face of Iran's defiance on its disputed nuclear program. She said the US will continue its consultations on the next steps with Britain, China, France, Russia and Germany and added that the major powers are united in working toward pressuring Iran over its nuclear program.

January Calendar Averages CL – \$80.39 HO – \$2.1199 RB – \$2.0896

Russia's state nuclear corporation, Rosatom said Russia will start up the reactor at Iran's Bushehr nuclear power plant this year. It said everything is proceeding as scheduled. Russia agreed in 1995 to build the 1,000 Mw nuclear power plant at Bushehr on the Gulf coast in the southwestern Iran.

Refinery News

A fire at an oil storage tank in Cushing, Oklahoma was extinguished Thursday morning. Traders said the fire, which started Wednesday night, was at a 55,000 bpd oil storage tank owned by SemCrude.

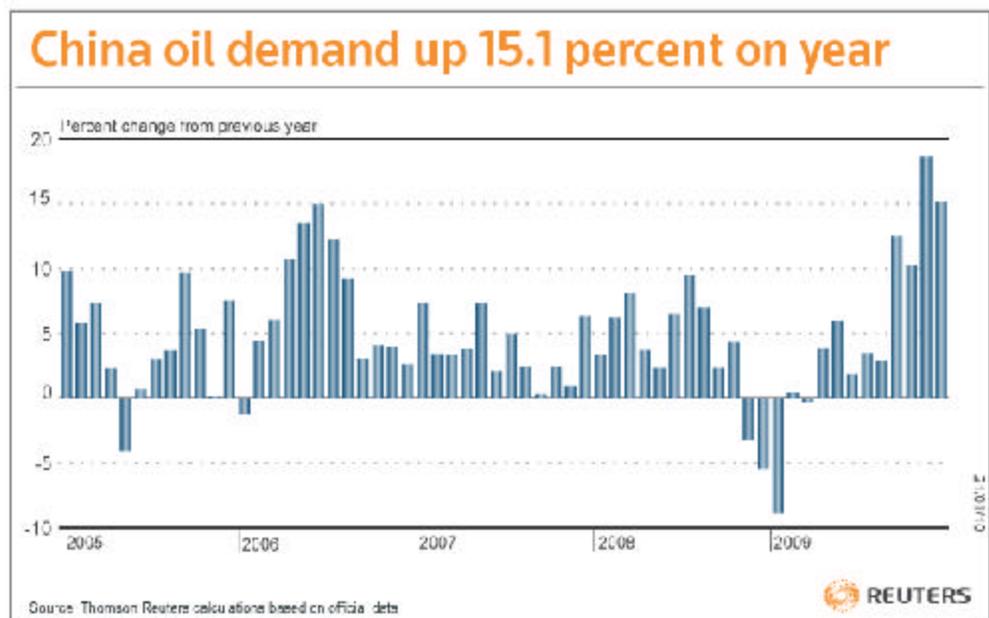
The Houston Ship Channel reopened Thursday morning after it had been closed since Tuesday afternoon due to fog.

United Refining Co is planning 16 days of maintenance work at its 70,000 bpd Warren, Pennsylvania refinery starting in mid-March. The refinery is scheduled to undergo a reformer catalyst change. The maintenance will also cover a diesel hydrotreater, gasoline hydrotreater and isomerization unit, all of which will be shut. It is also planning a 28 day maintenance outage of its 25,000 bpd fluid catalytic cracking unit at the refinery starting in mid-October.

Enbridge Inc said it will open two major pipeline projects months ahead of schedule. It expects to open its 450,000 bpd Alberta Clipper project on April 1, three months ahead of schedule. The pipeline will take crude from the Alberta oil sands to Superior, Wisconsin. The company's Southern Lights line, which will ship ultralight crudes from the US Midwest to the oil sands for blending with the tar-like bitumen produced there so it can be shipped on pipelines, is also expected to be completed well before its end of the year target.

Kazakhstan has offered to supply oil to Belarus' two refineries after Russia failed to agree on new terms for deliveries. A Kazakh official said that the country has proposed supplying oil to Belarus' refineries in the past, but that it only became viable at the beginning of this year with a customs union between the countries. He did not state how Kazakhstan was considering shipping its oil to Belarus.

China's apparent oil demand in December increased 15.1% on the year to 8.06 million



bpd. It was the ninth consecutive increase in oil demand and the second fastest on record as refiners operated at record rates. For the full year, implied oil demand increased 6.3% to 7.72 million bpd. Refineries in China processed a record 8.15 million bpd in December, up 24.8% on the year. China's crude processing for the entire year increased by 7.9% to 374.6 million tons or 7.49 million bpd. China's domestic crude oil output in December increased by 2.3% on the year to 16.07 million tons. China imported 14% more crude oil last year at an average of 4.08 million bpd, with December imports reaching a record of 5.2 million bpd. China's diesel output in December increased by 30.2% on the year to 13.24 million tons. China's gasoline exports increased by 295% on the year to 979,074 tons in December, the highest level in at least a decade while diesel exports increased by 153.7% on the year to 500,277 tons. China's kerosene exports also increased to 876,872 tons. Meanwhile, China's fuel oil imports fell by 17.9% to 2.16 million tons.

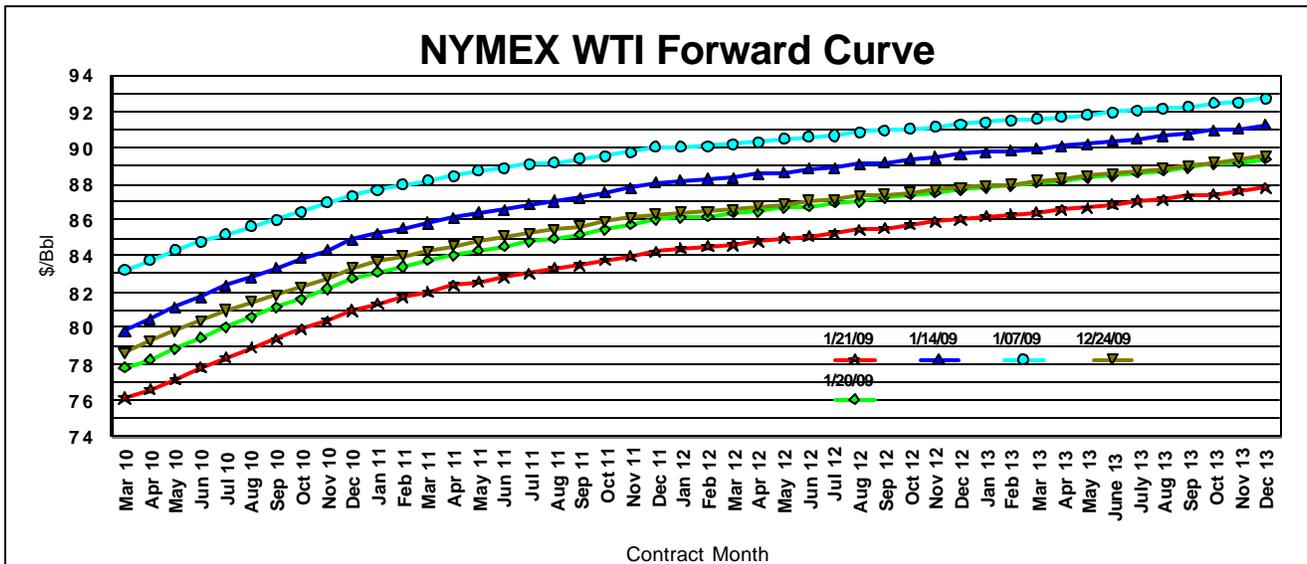
China's National Offshore Oil Corp has started producing diesel from Jatropha in the southern Hainan province. The plant is able to produce 60,000 tons/year of biodiesel. Using Jatropha as a feedstock was expected to cut 140,000 tons of emissions of mostly carbon dioxide every year. Separately, China Integrated Energy is building a biodiesel facility in northern Shaanxi province with a capacity of 150,000 tons/year, expected to start production in the third quarter of 2010.

China's National Development and Reform Commission has approved a joint venture refinery between CNPC and Venezuela's PDVSA. The companies will be able to start feasibility studies for the 400,000 bpd refinery in south China's Guangdong province.

Indonesia's Pertamina may import more diesel oil in January and February due to the suspended operations at its Balikpapan refinery's hydrocracker unit. The hydrocracker, which was shut on January 16th due to a fire, is expected to restart early next month.

Oil product stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area were mixed in the week ending January 21st. Gas oil stocks built by 3.24% on the week and by 16.19% on the year to 2.87 million tons despite expectations cold weather across much of the northern hemisphere would have drawn down inventories. Gasoline stocks fell 0.77% on the week and by 4.13% on the year to 906,000 tons while fuel oil stocks increased by 18.15% on the week and by 23.11% on the year to 879,000 tons. Naphtha stocks fell by 17.81% on the week and by 38.14% on the year to 60,000 tons while jet fuels stocks increased by 0.11% on the week and by 12.47% on the year to 902,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.316



million barrels in the week ending January 20th. It also reported that the country's light distillate stocks fell by 732,000 barrels to 9.833 million barrels while its middle distillate stocks increased by 82,000 barrels to 15.467 million barrels on the week.

Valero Energy Corp said a framework to resolve a dispute over taxes on its Aruba refinery had been worked out with Aruba's government. However the agreement is pending parliament's approval.

Production News

Venezuela's PDVSA said its four oil upgraders in the Orinoco region are working normally after a series of incidents cut output last year.

Venezuela's Oil Minister Rafael Ramirez said offers made by foreign companies to help develop Venezuela's Mariscal Sucre offshore gas field and its Junin 10 extra-heavy crude field did not meet expectations. Separately, the Oil Minister said PDVSA will buy electricity plants to avoid impact of power crisis on its oil operations.

Nigeria plans to export 13 benchmark Qua Iboe crude cargoes or 398,000 bpd in March, up from 10 cargoes in February. It also plans to export four cargoes or 123,000 bpd of Bonny Light, seven Agbami, five Akpo, four Amenam, four Antan, five Bonga, three EA, six Escravos, two Yoho and seven Brass River crude cargoes.

India's Oil & Natural Gas Corp said crude oil production fell by 3% its third quarter, ending in December, to 6.7 million tons while its natural gas output increased marginally to 6.45 billion cubic meters. It said it is likely to fall short of its fiscal year 2010 oil output target of 25.76 million tons by 1 million tons.

BP Plc's chief executive Tony Hayward said the oil company would like the opportunity to expand its presence in Russia to explore for oil and gas in the country's Arctic region.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$75.30/barrel on Wednesday from \$75.53/barrel on Tuesday.

Market Commentary

The energy markets tumbled today after the release of the U.S. Energy Department's inventory report reflected refinery cuts and declining fuel demand. Fuel demand fell by 1.8 percent based upon a four-week average, while gasoline supplies increased to their highest level since March 2008. Adding further to the downward pressure was a declining equities market, which responded to concerns that China will induce additional steps to curb economic growth and a proposal by the White House to reduce risk-taking by banks. Some market participants did not get the inventory report they were hoping for; therefore they had to liquidate length. It appears that both the technical indicators and the underlying fundamentals are in sync with one another and upon examination of both, this market is headed lower. The February crude oil contract reentered the descending channel on a daily spot continuation chart and settled below the upper trendline. Barring any major shift in the true underlying fundamentals of this market, we would look for crude oil to test the lower trendline of the descending channel.

Crude Oil MAR.10 372,963 15,902 APR 133,074 +3,418 May 71,669 +3,418 Totals 1,332,531 +7,628 Heating oil FEB 10 47,926 -2,885 MAR.10 80,517 +776 APR10 35,127 +719 Totals: 310,895 -304 Gasoline FEB.10 45,707 -4,693 MAR. 10 89,658 +5,678 APR10 40,458 -223 Totals: 279,151 +5,752.

Crude Support Based on February	Crude Resistance Based on Feb
76.00, 75.00, 73.50, 72.91, 72.60, 70.42, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	76.50, 79.15, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.7900, 1.7200 1.6600	2.1930, 2.2270, 2.3350,

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