



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 21, 2007

Iran's President Mahmoud Ahmadinejad said Iran would continue with its nuclear program. The UN Security Council may weigh broader sanctions if Tehran, as expected, does not stop enriching uranium by Wednesday.

Nigeria's Oil Minister Edmund Daukoru said OPEC would likely leave its oil supply ceiling unchanged at its policy meeting March 15.

Market Watch

US Vice President Dick Cheney said Britain's planned withdrawal of its forces from Iraq was a sign of progress in the southern part of the country. British forces handed over command of the main Iraqi army unit in Basra to Iraqis on Tuesday.

Refinery News

Colonial Pipeline said it has extended shipping allocations on its main distillates line to the 13th cycle due to a continued capacity crunch.

TEPPCO said it shut its 240,000 bpd refined oil products pipeline east of Indiana after a leak was found Tuesday. The line, which starts in the Texas Gulf Coast refinery area and supplies markets as far north as New York, carries gasoline, diesel, jet fuel and propane. The southern portion of the line remained in service.

Valero Energy Corp said it would be several weeks before it could attempt a partial restart of its McKee oil refinery in Sunray, Texas. Valero said damage from the fire was largely contained to a propane deasphalting unit and associated piping. It also stated that other equipment, including a cooling tower was also damaged.

ConocoPhillips said a process upset on Tuesday at its 146,000 bpd Borger, Texas refinery did not affect production.

Spain's Cepsa's 88,000 bpd Tenerife refinery is due to start planned maintenance work in March. Cepsa had planned to carry out three weeks' maintenance work on the refinery's crude distillation unit last November but delayed its turnaround plans until the beginning of the year.

Kuwait is expected to issue a new tender for its planned \$6 billion, 615,000 bpd al-Zour oil refinery after it deemed the first round of bids by international companies too costly. The new refinery coupled with planned upgrade works on two of three existing refiners, would increase Kuwait's overall refining capacity to 1.5 billion bpd from 930,000 bpd.

South Korea's Hyundai Oilbank Corp is expected to keep its crude oil processing rate for March at 310,000 bpd but may cut its rate if refining margins continue to decline.

Nippon Oil Corp is likely to refine about 7% less crude in March than a year earlier. It estimated its crude refining volume for March 2006 at 5.2 million kl or 1.06 million bpd.

The Petroleum Association of Japan reported that kerosene stocks fell by 215,000 kiloliters to 3.45 million kiloliters or 21.7 million barrels in the week ending February 17. It reported that gasoline stocks totaled 2.29 million kl or 14.4 million barrels, down 24,000 kl from the previous week. Meanwhile crude stocks fell by 128,000 kl to 16.82 million kl or 105.8 million barrels over the same period. Japanese refiners ran their facilities at an average of 86.6% of total capacity of 4.83 million bpd, down from 86.8% the week before.

Production News

BP stated that a small leak in some piping at a gas plant at the 47,000 bpd Northstar oilfield in Alaska forced the company to shut the facility on Saturday. A BP spokesman said inspectors examining tubing at the oil field have found additional areas of concern.

According to the Shetland Island Council, Brent crude liftings fell to 240,413 tons, down from 362,342 tons in the previous week.

Kazakhstan said it would give the Chevron-led Tengizchevroil joint venture one month to decide how to deal with its vast stocks of sulphur or face license suspension. The Tengizchevroil joint venture produced 13.3 million tons of oil or 291,190 bpd in 2006. It aims to nearly double output under a second generation expansion project after 2008.

Nigeria may withdraw 500 billion naira or \$3.9 billion from its windfall oil savings before elections in April for spending by the three tiers of governments.

OPEC's news agency reported that OPEC's basket of crudes fell to \$53.20/barrel on Tuesday, down from Monday's \$53.63/barrel.

Market Commentary

The oil market retraced some of Tuesday's late gains and opened 30 cents lower at 58.55. The market sold off to a low of 58.30 early in the session as the prospect of warmer than normal weather kept the market pressured. However the crude market bounced off that level and rallied above the 60.00 level in

light of the news that TEPPCO shut its 240,000 bpd products pipeline after a leak was found on Tuesday. The market was also well supported by the news that it would be

| Technical levels | | |
|------------------------------------|--|------------------------------------|
| | Levels | Explanation |
| CL 60.07, up \$1.22 | Resistance 61.35 60.63 | Previous high Wednesday's high |
| | Support 60.00, 59.00, 58.30 57.80, 57.20 | Wednesday's low Previous lows |
| | Resistance 169.80 to 171.00 169.60 | Remaining gap Wednesday's high |
| | Support 168.00, 166.10, 164.10 160.65 | Wednesday's low Previous low |
| RB 170.47, up 5.56 cents | Resistance 172.70, 174.80 171.50 | Previous highs Wednesday's high |
| | Support 170.00, 167.65, 164.60 161.00, 158.50 | Wednesday's low Previous lows |

several weeks before Valero could attempt a partial restart of its fire damaged McKee refinery in Texas. It extended its gains to over \$1.78 as it rallied to a high of 60.63 late in the session. The market settled up \$1.22 at 60.07. Volume in the crude market was good with 257,028 lots booked on the day. The heating oil market also settled sharply higher after the market rallied late in the session. The market bounced off a low of 164.10 and extended its gains to 5.10 cents as it rallied to a high of 169.60. It settled up 3.66 cents at 168.16 amid the supportive news. The gasoline market also settled up 5.56 cents at 170.47 after the market rallied to a high of 171.50 ahead of the close on the pipeline and refinery problems. Volumes in the product markets were good with 45,465 lots booked in the heating oil market and 47,600 lots booked in the RBOB market.

The oil market is seen trading mostly sideways as it awaits for the release of the weekly petroleum stock reports. The reports are expected to show builds in crude stocks of about 1 million barrels and draws in distillate stocks of about 3 million barrels while gasoline stocks are expected to remain unchanged. If the reports do show large draws in distillate stocks, the complex is seen trading higher. However its gains are still seen limited. Resistance is seen at 60.63 followed by 61.35. Meanwhile support is seen at 60.00, 59.00 and its low of 58.30. More distant support is seen at 57.80 and 57.20.