



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 24, 2010

US Secretary of State Steven Chu said the US has maintained its policy towards oil producers in calling for market transparency and sees continued importance in its relationship with Saudi Arabia despite falling second to China as the top importer of Saudi Arabia's oil.

He also said there is an excess capacity in the oil market due to a lingering recession and the US would like to see oil price stability.

Market Watch

Nigeria rejected claims by Royal Dutch Shell Plc and other foreign groups that planned reforms threaten \$50 billion of investment and the country's status as Africa's biggest energy producer.

Morgan Stanley is subleasing half of International Petroleum Group's clean-oil storage tanks at Horizon Terminal in Singapore. It is leasing 50,000 cubic meters of storage on Jurong Island from Kuwait's IPG. Morgan Stanley has also leased 150,000 cubic meters of clean-oil storage at Royal Vopak NV's terminals, bringing its total amount of clean-oil storage in Singapore to 200,000 cubic meters.

The US CFTC said it fined UBS AG \$130,000 for exceeding the NYMEX's position limits on certain natural gas, heating oil and platinum futures contracts. The CFTC said on more than one occasion between December 2006 and March 2008, UBS exceeded the position limits set in a NYMEX rule restricting positions held during the current delivery month for futures contracts.

A senior Iranian oil official said Iran is prepared to deal with any sanctions on its gasoline imports that may be imposed over the country's nuclear program. Managing director of National Iranian Oil Products Distribution Co, Farid Ameri said Iran has stockpiled enough gasoline and added that its refineries could produce enough gasoline to meet domestic demand in case of any sanctions. Iranian media in January that Iran increased its stockpile of gasoline to 2.4 billion liters.

US Secretary of State Hillary Clinton said she hoped the UN Security Council would endorse new sanctions against Iran in 30-60 days over its nuclear program.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, said it was still waiting for negotiations with the government before deciding whether to reinstate a ceasefire in the Niger Delta. It said it had seen no progress in the two weeks since Vice President Goodluck Jonathan took over as acting head of state due to the ill-health of President Umaru Yar'Adua.

DOE Stocks

Crude – up 3.034 million barrels
Distillate – down 591,000 barrels
Gasoline – down 895,000 barrels
Refinery runs – up 1.4%, at 81.2%

Refinery News

Total SA confirmed that a weeklong strike at its French refineries has ended, excluding its Dunkirk refinery. Workers voted to return to work after Total pledged on Tuesday to neither close nor sell plants in France, excluding Dunkirk, for the next five years.

**February
Calendar Averages**
CL – \$76.17
HO – \$1.9850
RB – \$1.9924

A minor explosion over the weekend at United Refining Co's 70,000 bpd Warren, Pennsylvania refinery injured one employee.

Suncor Energy is still restarting units at its 135,000 bpd Edmonton refinery in Canada after an incident last week cut hydrogen and steam production.

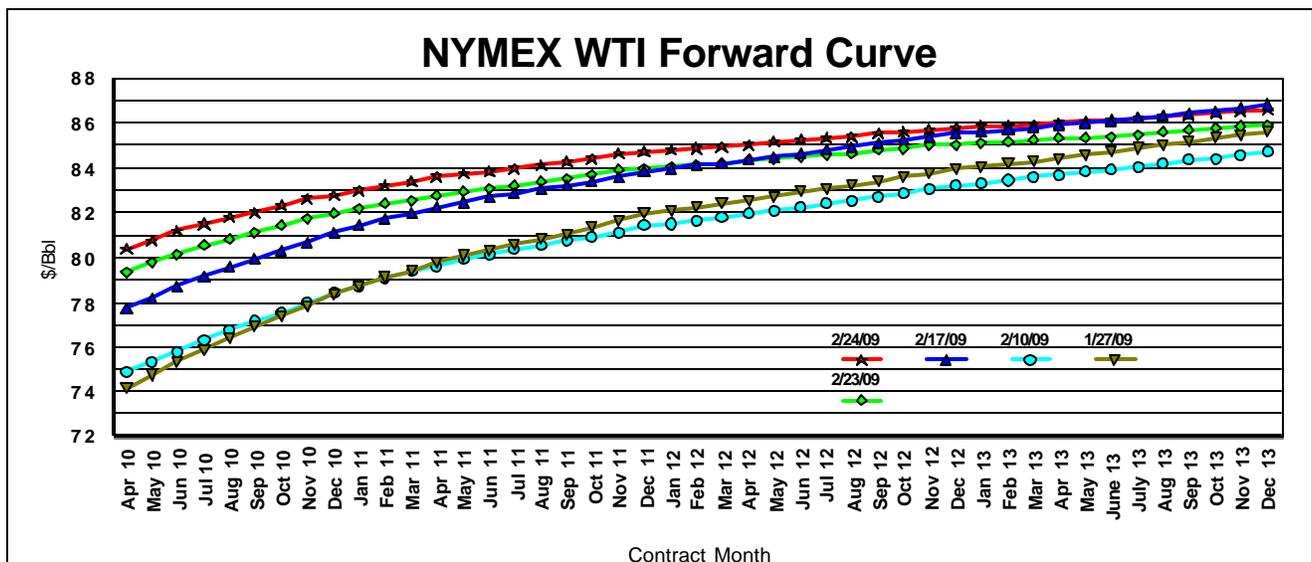
Indonesia's Pertamina has started its hydrocracker unit at its Balikpapan refinery, which was shut last month after it suffered a fire.

Algeria's Sonatrach said it plans to increase its refining capacity to 40 million tons/year by 2016 from its current level of 26 million tons.

China's crude oil imports in January increased by 33.39% on the year to 17.106 million tons or 4.03 million bpd while its exports fell by 70.93% on the year to 126,811 tons. China's crude oil imports from Saudi Arabia fell by 7% on the year to 2.91 million tons or 685,000 bpd while its imports from Iran fell by 50% on the year and 25% on the month to 256,000 bpd. China's gasoline exports in January fell by 175.7% on the year to 600,533 tons from a year high of 979,074 tons in December. Its diesel exports in January increased by 247% on the year to 463,800 tons. Combined stocks of gasoline, diesel and kerosene held by China's top two oil companies increased by 3% in January from December as domestic sales fell by 6%.

India's refiners processed 3.31 million bpd of crude in January, up 3.8% on the year. India's domestic oil product sales in January fell by 1.6% on the year to 11.52 million tons.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending February 20th fell by 4.84 million barrels on the week and by 20.24 million barrels on the year to 88.06 million barrels. Japan's gasoline stocks fell by 30,000 barrels on the week but increased by 1.11 million barrels to 14.58 million barrels while its kerosene stocks fell by 1.06 million barrels and by 820,000 barrels on the year to 13.64 million barrels and naphtha stocks fell by 1.49 million barrels to 8.62 million barrels. Japan's crude runs fell by 90,000 bpd on the week and by 230,000 bpd on the year to 3.89 million bpd. Its refinery utilization rate fell by 1.9% on the week to 81.1%. The PAJ also



reported that the country's total oil product sales increased by 10.1% on the week and by 12.8% on the year to 3.69 million bpd. Japan's gasoline sales fell by 2.3% on the week and by 3.5% on the year to 940,000 bpd while its kerosene sales increased by 7.3% on the week and by 2.3% on the year to 650,000 bpd and gas oil sales increased by 8.4% on the week and by 18.1% on the year to 570,000 bpd. Naphtha sales increased by 22.9% on the week and by 89.7% on the year to 660,000 bpd while jet fuel sales increased by 55.4% on the week and by 22.4% on the year to 130,000 bpd.

Japan's Ministry of Finance reported that the country's crude oil imports in January fell by 3% on the year to 18.125 million kiloliters or 3.68 million bpd.

Russia is expected to export 6.2 million tons of Urals crude from Primorsk in March.

Exports of Nigeria's Qua Iboe crude will average about 393,000 bpd in April. In March, Nigeria is due to export an average of 398,000 bpd of Qua Iboe crude but one of the cargoes has been delayed until the first two days of April.

Production News

Nexen Inc said production at its Buzzard North Sea offshore oil field has been restored to full production after it was curtailed by repair work earlier this month. The Buzzard oil field is producing between 200,000 and 220,000 bpd of oil equivalent after falling to 50,000 bpd on February 16th.

Norway's North Sea Statfjord crude stream is scheduled to load about 221,000 bpd in March, up from 183,000 bpd in February.

Royal Dutch Shell Plc has temporarily shut down Norway's 50,000 bpd Draugen oil field due to extreme cold and wind affecting the operation of the platform on the field. The field was shut on Saturday. Shell is working to resume production but is not able to give a date on when production will resume.

Mexico's Communications and Transport Ministry reported that the country's three Gulf coast oil export ports of Pajaritos, Dos Bocas and Cayo Arcas were closed on Wednesday due to adverse weather conditions.

Total SA said it is committed to working in Nigeria and had no plans to scale back its onshore or offshore operations.

China National Offshore Oil Corp produced 47.66 million tons of oil equivalent in 2009, up 11% on the year. Its output of refined products and chemicals increased by 52.6% on the year to 32 million tons.

Brazil's Petrobras said crude production in Brazil in January fell 0.7% on the month to 1.973 million bpd as it performed maintenance in the offshore Campos Basin. Its international output fell to 147,000 bpd in January compared with 150,300 bpd in December, as a result of maintenance in wells of the Akpo field.

Brazil's OGX estimated recoverable oil reserves from its OGX-5 well at 30 million to 90 million barrels.

An Indonesian Oil Ministry official said the country's oil production could be impacted by new environment laws. It previously stated that it would produce 965,000 bpd of crude and condensate this year compared with 949,100 bpd in 2009. Environment Minister Gusti Muhammad Hatta has stated that he intends to enforce a new environment law that allows the government to cancel the operating permit of any company found to be breaching the terms of its environmental impact assessment.

Canadian Oil Sands Trust said it is formulating plans to increase production at Syncrude Canada Ltd by more than expected by 2020. It said it plans a series of small projects that will raise production of synthetic crude from Syncrude's upgraders to 425,000 bpd by the end of the decade. Its goal is to produce 25,000 bpd more than previously expected from the projects.

OPEC's news agency reported that OPEC's basket of crudes fell to \$75.75/barrel on Tuesday from \$76.14/barrel on Monday.

Market Commentary

As if reacting to the words of a prophet, the energy markets rallied on statements by Federal Reserve Chairman Ben Bernanke that the U.S. economy is showing early signs of recovery. Crude oil once again moved higher along with the equities markets as the dollar lost against the euro. This market continues to focus on demand growth and not the current supply/demand situation. Despite bearish inventory numbers, crude oil traded above \$80.00 a barrel. This is the third time in the last four sessions that prices have settled at or above the \$80.00 level, time will tell if prices can sustain their strength above it. The April contract traded in an inside fashion, overshadowed by yesterday's range. We would look for this market to continue to react to economic news and for moves to the upside to be contained until definitive signs of a recovery surface. Open interest reflects that new shorts entered the market yesterday. Should we see strength sustained above the \$80.00 level we would look for these shorts to cover.

Crude oil Apr. 10 269,101 +4,054, May 10 161,587 +1,662, June 10 162,045 +6,321 Totals 1,280,235 +16,763 Heating oil MAR.10 23,351 -8,832 APR10 76,630 +2,963 May 10 41,225 +2,037 Totals: 304,732 -2,131 Gasoline MAR.10 19,075 -11,730 APR10 84,877 +8,258 May 10 45,169 +1,504 Totals: 264,553 +246

Crude Support Based on February	Crude Resistance Based on Feb
79.35, 78.71, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
2.0125, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	, 2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.1930, 2.2270, 2.3350,

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