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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 23, 2010

Qatar's Oil Minister Abdullah bin Hamad al Attiyah said OPEC is not planning any emergency meeting before October. Last week, OPEC agreed, as expected, to keep its oil production steady. In regards to Qatar's oil production, he said the country's current production is 900,000 bpd. He said Qatar will comply with its OPEC quota. He added that the country's spare capacity is 150,000 bpd.

Middle East peace envoy Tony Blair warned Iran on Monday the world will do whatever it takes to stop Iran from obtaining a nuclear weapon.

Separately, Brazil's Foreign Minister Celso Amorim urged the international community to negotiate with Iran

Market Watch

According to Mercuria, oil prices will be volatile in a \$65-\$90/barrel range in the short term. It said the basic components of price volatility are still in play. It said the next time there is synchronized economic growth across all regions of the world, another price spike is likely to occur as the basic problems have not disappeared. It said increasing numbers of financial investors, synchronized growth and restricted supply had been behind the oil price spike towards \$150/barrel in 2008.

BP's chief executive Tony Hayward said if oil prices fall below \$60-\$70/barrel for an extended period of time, it will impact investments in developing new energy supplies.

Canadian producers of crude from oil sands have an opportunity to gain more market share in the Gulf Coast market. Canadian high sulfur or heavy crude, shipped by pipeline, has struggled to compete against less expensive, seaborne shipments of oil from Mexico, Saudi Arabia and Venezuela. However Mexico's heavy crude output is declining, Saudi Arabia has cut exports of high-sulfur crude and Venezuela's exports to the US have declined amid an unstable political relationship between the two countries. Canada's oil sands industry is expected to double its production within the next 10 years to 3.1 million bpd. While Canada supplies 25% of US oil imports, only 2.2% of the crude refined in the Gulf Coast region came from north of the border last year. Canada's government is aiming to help heavy oil producers expand in the US Gulf market.

The National Association of Realtors said sales of previously owned US homes fell less than expected in February. It said sales fell by 0.6% on the month to an annual rate of 5.02 million units. January's sales were unrevised at 5.05 million units.

The Federal Housing Finance Agency reported that US home prices in January fell by 0.6% on the month. Prices are 13.2% below their April 2007 peak. It also revised down its estimate for the December increase in home prices to 2% from 1.6%.

The US EPA said oil and natural gas industries should be added to list of sectors that are required to report their greenhouse gas emissions. The petroleum industry is a major emitter of methane, which is estimated to trap more than 20 times as much heat as carbon dioxide.

The Baltic Exchange's main sea freight index fell for the sixth consecutive session on Tuesday. The index fell by 1.71% or 57 points to 3,280 points. The Baltic's capesize index fell by 3.19% on Tuesday with average capesize earnings falling to \$29,010. The Baltic's panama index fell by 0.64% while the Baltic's supramax index fell by 1.41%.

API Stocks

Crude – up 7.514 million barrels
Distillate – down 2.534 million barrels
Gasoline – down 81,000 barrels
Refinery runs – down 0.5%, at 80.8%

rather than impose further sanctions over its nuclear program. The reiteration of Brazil's position suggested that efforts by the US, Germany and UK to change Brazil's mind on sanctions are faltering.

Nigeria's white collar oil workers' union, the Petroleum and Natural Gas Senior Staff Association or PENGASSAN, protested the murder of two colleagues in the Niger Delta and gave the government two weeks to hunt down the killers. It has issued a 14 day ultimatum to government and security agencies.

According to a report by MasterCard Advisors LLC, US gasoline demand increased by 1.4% or 133,000 bpd to 9.656 million bpd in the week ending March 19th. It reported that gasoline demand in the week increased by 1.8% on the year. In the past four weeks, gasoline demand increased by 1.5% on the year to 9.546 million bpd. It also reported that the US average retail price of gasoline increased by 4 cents to \$2.80/gallon on the week.

Refinery News

ExxonMobil Corp said a 100,000 bpd fluid catalytic cracking unit and a 23,500 bpd alkylation unit at its 150,000 bpd Torrance, California refinery were shut over the weekend for planned work. The work is due to last a few weeks. The refinery has stockpiled supplies to meet its contractual obligations.

BP Products North America will resume production of an ultraformer unit at its Galveston, Texas refinery following the completion of repair work. The restart of ultraformer unit No. 4, which was shut for repairs on March 19th, will restart on March 27th.

Holly Corp is planning to perform turnaround work on its 24,000 bpd fluid catalytic cracking unit at its 125,000 bpd refinery in Tulsa, Oklahoma during the fourth quarter of 2010. It did not specify the time the work on the unit will take place.

New electrical generating equipment is expected to arrive in Curacao in early April, which would allow PDVSA to restart its La Isla refinery in mid-April. The refinery has been shut due to a power outage on March 1st.

Chevron plans to shut its 110,000 bpd refinery in South Africa for maintenance from early April to mid-May. It said it has implemented procedures to ensure that its customers have sufficient supplies of Caltex fuel and other refined petroleum products during the maintenance period.

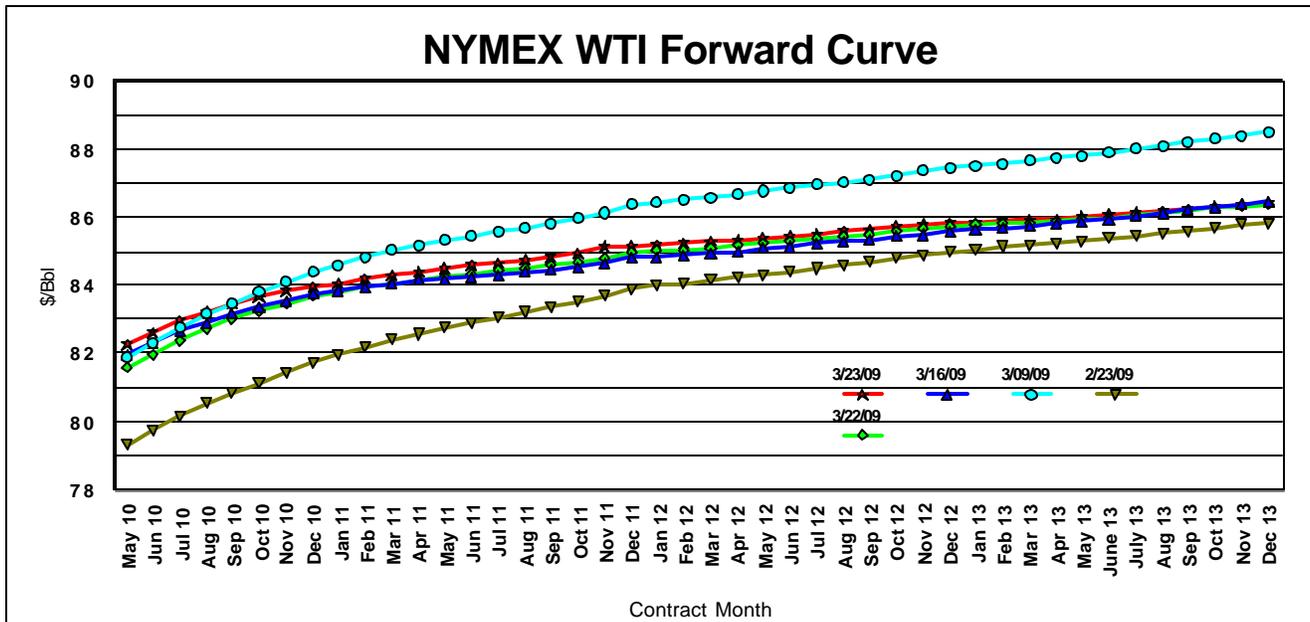
Dubai's Emirates National Oil Co expects to start new units at its Jebel Ali refinery in May. The refinery is expected to reach full capacity of 120,000 bpd in the third quarter, up from the current level of 72,000 bpd.

Bahrain plans to shut a 70,000 bpd crude unit at its 267,000 bpd Sitra refinery for maintenance in the first quarter of 2011. It is planning to conduct four weeks of work on its 60,000 bpd hydrocracking unit. It will also shutdown its crude unit and 70,000 bpd vacuum distillation unit.

PBF Investments, an energy fund, is interested in bidding on Valero's Paulsboro, New Jersey refinery. Valero has previously stated that it was pursuing strategic alternatives for the 195,000 bpd refinery.

Suncor Energy Inc is seeking outside experts to help increase the reliability of its oil sands upgraders. Following several fires at its two upgraders near Fort McMurray, Alberta, Canada, Suncor has been forced to reexamine operations at the plants. A fire shut down Suncor's 125,000 bpd upgrader 1 unit in

**March
Calendar Averages**
CL – \$81.19
HO – \$2.0913
RB – \$2.2558



February, days after it completed repairs to its larger, 175,000 bpd upgrader 2 unit.

Taiwan's Formosa Petrochemical Corp said it will be able to use liquefied petroleum gas to meet 25% of the feedstock requirement of its ethylene plants in the fourth quarter. Currently Formosa is able to use LPG to meet about 15% of its feedstock requirement, about 130,000 metric tons a month.

Russia plans to export 10 cargoes totaling 1 million metric tons of Urals crude from its Baltic Sea port of Primorsk between March 31st and April 5th. Russia also plans to export five cargoes totaling 520,000 tons of Urals crude from the Black Sea port of Novorossiisk and two cargoes totaling 160,000 tons of Siberian Light from Tuapse in the first two weeks of April. Russia plans to export 6.2 million tons or 1.47 million bpd of Urals crude from Primorsk by the end of March, up from the 4.8 million tons planned for February.

German residential heating oil stocks fell to 52% of capacity as of March 1st from 56% as of February 1st. Due to the extended cold in Germany, the percentage decline this year slightly exceeded the average for 2003-2009, when stocks fell to 52% in March from 55% in February.

Production News

Iraq's Oil Ministry said sales from Iraqi crude oil exports in February totaled \$4.229 billion compared with \$4.416 billion in January. Iraq's State Oil Marketing Organization or SOMO sold its crude in February at an average monthly price of \$73.04/barrel compared with \$73.97/barrel in January. Iraq exported an average of 2.067 million bpd in February, up from 1.925 million bpd in January.

Nigeria will export at least 1.9 million bpd of crude in May. According to provisional programs, at least 63 cargoes will be shipped in May, including at least 41 standard sized 950,000 barrel cargoes and 12 cargoes of 975,000 barrels each.

Occidental Petroleum Corp is using profit from Phibro LLC energy-trading unit to fund oil exploration. Phibro oversees as much as \$1 billion in assets. Occidental is increasing its spending on drilling rigs, natural gas processing plants and new pipelines by 19% this year to almost \$12 million/day. Occidental's chief executive Ray R. Irani said he wants to increase production by 5% to 8% this year and next after discovering more than twice as much oil and gas in 2009 as the company pumped.

Petrobras plans to declare the Tupi field in the Santos Basin commercial by October. The declaration will allow Petrobras to move forward with a pilot production project at the field. Petrobras has estimated Tupi had recoverable reserves of between five billion and eight billion barrels of oil equivalent. The platform for the pilot project is expected to arrive in Brazil in October. The platform will have installed capacity to produce 100,000 bpd of oil.

Brazil's ethanol production in 2010/11 is estimated at 27.4 billion liters, up from 24 billion liters in 2009/10.

OPEC's news agency reported that OPEC's basket of crudes fell by 43 cents to \$76.75/barrel on Monday from \$77.18/barrel on Friday.

Indonesia's Mines and Energy Minister Darwin Saleh said the country may remove electricity and fuel subsidies by 2014-2015 so that energy prices reflect market levels, reducing the financial burden on the government. Separately, an official at the coordinating economic ministry said the government was considering ways to help the poor if energy prices are raised and subsidies are gradually scaled back. Indonesia's Finance Minister Sri Mulyani Indrawati has previously stated that spending on subsidized electricity and fuel would increase to 143.8 trillion rupiah or \$15.77 billion in 2010, up from a previous budget target of 106.5 trillion rupiah.

Market Commentary

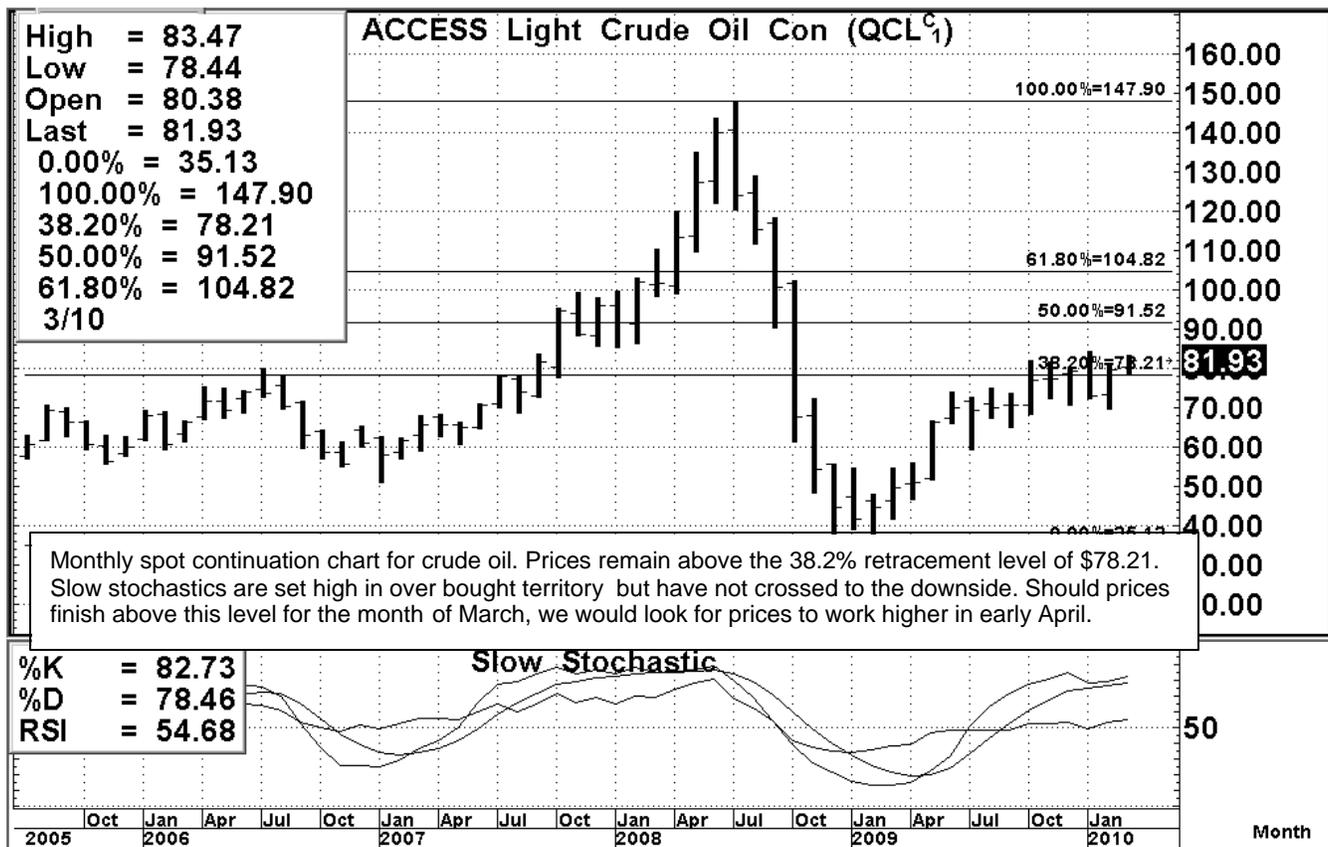
Crude oil continued to chase the equities markets, settling 3.8 percent higher on the day. Early session activity saw prices move lower in response to the movement in the dollar. Forecasts calling for lower inventory numbers for both gasoline and heating oil helped to push prices above \$82.00. Crude oil is once again approaching the \$83.00 level, where it has failed to hold onto recent strength. Despite bearish fundamentals, technically it appears that this market has found a floor above the \$78.21 retracement number derived from the range of \$35.13, January's low, and the all time high of \$147.90. Two out of the last three monthly sessions, prices have settled above \$78.21 and when having done so, continued higher the next month. Currently, the spot month contract is holding this level to the downside, with moving oscillators indicating further upside potential. Should the May contract close above this level for the month of March; we would look for an attempt at January's high of \$84.45. Gasoline cracks came under pressure again today, keeping our downside objective of \$12.25 in sight. Barring any major shift in the demand factor of this market, we would continue to look for both the heating oil and gasoline crack spreads to narrow.

Crude oil May 10 336,159 -6,384, June 10 164,968 +1,360, July 92,066 +1,599 Totals 1,300,489
Heating oil APR10 42,050 -7,160, May 10 83,547 +2,501 June10 51,104 +183 Totals: 322,063 -
3,597. Gasoline APR10 42,867 -5,054, May 10 110,502 +2,447 Totals: 320,710 -1,254.

The API reported a larger than expected build in crude stocks of 7.514 million barrels on the week, with builds of 2.565 million barrels and 2.428 million barrels in Padds 3 and 5, respectively. It reported the build in crude stocks as imports increased by 1.272 million bpd to 9.189 million bpd. Also crude runs fell by 24,000 bpd to 13.836 million bpd on the week. Meanwhile, the API reported a larger than expected draw in distillate stocks of 2.534 million barrels on the week. It reported draws of 1.743 million barrels and 1.069 million barrels in Padds 1 and 2, respectively. It reported the draw in stocks as production fell by 104,000 bpd or 2.7% on the week to 3.731 million bpd while imports fell by 8,000 or 3.8% to 202,000 bpd. Also, apparent distillate demand increased by 3.4% on the week but fell by 5.2% on the year to 4.295 million bpd while apparent demand basis its three week moving average fell by 3.1% on the week and by 4.1% on the year to 4.238 million bpd. Gasoline stocks fell slightly by 81,000 barrels on the week, with a draw of 1.277 million barrels in Padd 1. The API reported the draw despite the increase in gasoline production of 149,000 bpd or 1.6% on the week to

9.39 million bpd and an increase in imports of 76,000 bpd or 87.4% on the week to 163,000 bpd while apparent demand fell by 2.9% on the week and by 0.1% on the year to 9.565 million bpd.

Crude Support	Crude Resistance
78.43, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	83.40, 84.83, 85.05, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.3350, 2.5040,



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