



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 4, 2011

The IEA's executive director Nobuo Tanaka said the effects of sustained oil prices at current levels would be worrisome to the global economy but added that there is so far no need for governments to undertake an emergency release from oil stockpiles. He said European refiners have not requested extra crude to make up for Libya.

A Saudi official said Saudi Arabia has not changed its view of the optimal level for oil prices and is still seeking \$70 to \$80/barrel.

Kuwait Petroleum Corp chief executive Farouk Al Zanki said he thought the oil prices was too high as political unrest in the Middle East continues to keep crude well supported. He said Kuwait would like to see world oil prices decline but does not expect them to fall below \$90/barrel. He said oil prices between \$90 and \$100/barrel are fair. He also stated that Kuwait is currently producing in line with its OPEC quota.

Kuwait Foreign Minister Sheikh Mohammad al-Salem al-Sabah said Kuwait would officially recognize Libyan rebel forces within days. Italy recognized Libya's opposition interim national council and promised economic reconstruction measures for rebel held eastern Libya. Only France and Qatar

Market Watch

The National Weather Service forecast that US heating demand this week is expected to be 24.7% below normal. Demand for heating oil this week would average 13% below normal while heating demand for natural gas would average 25.2% below normal.

The US Department of Transportation Secretary Ray LaHood announced a series of initiatives aimed at increasing scrutiny of the country's oil and natural gas pipeline infrastructure following a series of gas pipeline failures during the last year. Under the federal government's plan, pipeline owners and operators would be called upon to accelerate work on pipelines and the Department of Transportation plans new regulations on reporting and inspection requirements.

CME Group Inc said its daily trading volume increased by 31% in March from a year earlier to 14.4 million contracts. The level represented a 2% decline from February. A record 85% of last month's total 331 million contracts were traded electronically. Meanwhile the IntercontinentalExchange Inc said its average daily volume in March increased by 16% from a year earlier to 1.49 million contracts, which was down 14% on the month. Brent crude futures and options saw volume increase by 21% year over year. Gasoil futures and options volume was up 31% while WTI crude futures and options volume was up 18%.

The European Union's statistics office Eurostat said producer prices in the 17 countries using the euro increased by 0.8% on the month for a 6.6% year on year increase. It revised down producer price data for January to 1.3% month on month from 1.5% and to 5.9% year on year from 6.1%.

Atlanta Federal Reserve Bank President Dennis Lockhart said US inflation is likely to remain low for now but policymakers will keep a close eye on potentially self-fulfilling consumer expectations for higher prices. He said US consumers are a lot more cautious about their spending than they were before the recession. He said the more subdued approach to spending, even if negative for short term economic growth, is healthy in the long run, helping address international imbalances characterized by high savings overseas and excess spending at home.

**April
Calendar Averages**
CL – \$108.21
HO – \$3.1530
RB – \$3.1601

have so far recognized the council based in the eastern Libyan city of Benghazi, which is fighting government forces. The Libyan rebels insisted on Monday that Muammar Gaddafi's entire family must leave before there can be a truce with regime forces, as reports said his sons are offering to oversee a transition that would include democratic reforms. The rebels said the succession of a Gaddafi son was not acceptable. They said the interim national council would respect the legitimate rights of foreigners and foreign companies in Libya. Separately, the head of Italy's Eni Paolo Scaroni visited Benghazi to discuss energy cooperation with the rebel movement.

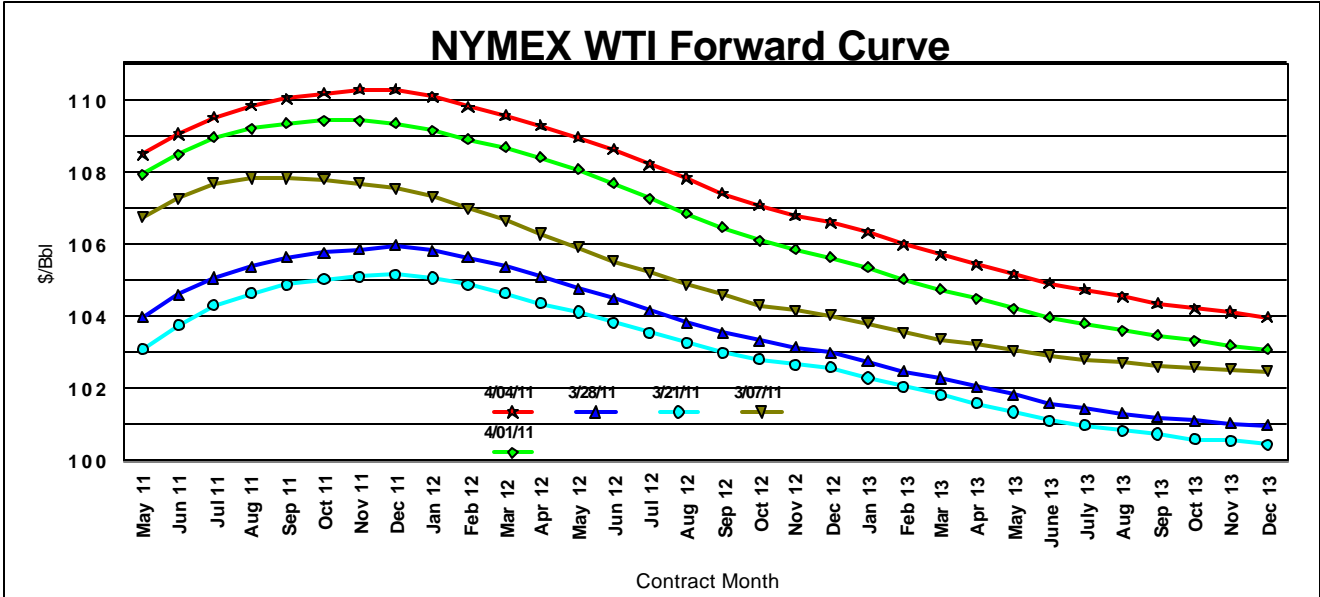
A Turkish official said the official Libyan government and leaders of the rebel opposition are offering ideas of how to reach a ceasefire in the country. Libya's rebel government in Benghazi indicated they too would visit Ankara to discuss a possible ceasefire in the wake of Monday's visit by Deputy Foreign Minister Abdelati Obeidi.

Al Jazeera television reported that forces loyal to Muammar Gaddafi had bombarded the Misra oil field in eastern Libya. The Misra oil field, operated by Arabian Gulf Oil Co is under the control of rebels. Heavy fighting between Libyan rebels and forces loyal to Muammar Gaddafi resumed on Sunday on the outskirts of the oil town of Brega. Separately, Libyan rebels said Muammar Gaddafi's troops attacked oil fields in the remote south.

The Pentagon said the US has agreed to a NATO request to conduct air strikes on Libya through Monday because of recent poor weather. The US military had planned to begin withdrawing its combat jets and Tomahawk missiles from the air campaign against Libya's regime this weekend, as NATO allies were to take the lead in bombing Muammar Gaddafi's forces.

Shipping data provider Lloyds List said an oil tanker is due Tuesday in Libya's rebel held east, which if completed, would be the first crude export since the opposition struck a deal with Qatar. However a person familiar with the shipping arrangements said it was still unclear if the ship could reach the port of Tobruk, where the oil is supposed to be loaded. The tanker has a dead weight tonnage of 149,997 tons or 1.1 million barrels.

The international contact group on Libya is scheduled to meet in the Qatari capital of Doha next week. The group was created to map out a future for the North African country. It was set up with the aim of



providing leadership and an overall political direction to the international effort, a forum for coordinating the response and a focal point for contact with the Libyan parties.

Iranian President Mahmoud Ahmadinejad asked the UN's Secretary General Ban Ki-moon to stop US and European intervention in the region. His call came a day after Iran blamed rising tensions between Iran and the Gulf Arab states on a "Western and Zionist conspiracy." Iran's President predicted that the price of crude oil would increase to \$150/barrel in the future due to political circumstances and not market factors.

Police and armed men in civilian clothes opened fire on anti-government demonstrators in the Yemeni cities of Taiz and Hudaida on Monday as efforts to oust President Ali Abdullah Saleh gathered pace. Meanwhile, Gulf Arab nations urged Yemen's government and opposition to sit down for talks in a bid to overcome more than two months of deadly violence amid a brutal crackdown on anti regime protests. The Gulf Cooperation Council called on all parties in Yemen to return to national dialogue. US State Department spokesman Mark Toner said the latest violence in Yemen, in which police and armed men shot at anti-government protesters is appalling.

The EIA reported that the US average retail price of diesel increased by 4.4 cents to \$3.976/gallon in the week ending April 4th. The price of diesel is up 96.1 cents or 31.9% on the year. The EIA also reported that the US average retail price of gasoline increased by 8.8 cents to \$3.684/gallon in the latest week. The price of gasoline is up 30.4% or 85.5 cents on the year.

Refinery News

ExxonMobil Corp's 150,000 bpd refinery in Torrance, California restarted a unit that was shut on Friday due to a mechanical malfunction.

Tesoro Corp said flaring may occur at its 97,000 bpd Wilmington, California refinery starting on Tuesday.

The summer driving season in the US could disappoint European refiners and traders again this year as prices at over \$4/gallon at the pump stunts demand. European refining margins for gasoline fell into negative territory in mid-March, falling to almost minus \$6/barrel, the lowest level since December 2008. US refineries however have seen margins of \$3.80/barrel.

Workers at Greece's Hellenic Petroleum SA, walked off the job on Sunday in a 10 day protest over wage cuts and staffing policies that is expected to affect refinery operations in the coming days. According to the Panhellenic Union of Employees, the shutdown of the three refineries would begin to cause wider supply disruptions that would be felt across Greece within a few days.

Traders said Japanese power producers are importing larger amounts of heavy sweet barrels for crude fired generation to replace nuclear capacity lost following last month's earthquake. However at the same time, the extended shutdown of some refineries with upgrading capacity in Japan is cutting demand for Middle East heavy sour crudes.

Demand for oil products in Thailand, excluding bitumen and liquefied petroleum gas, in February fell 0.7% on the year to 614,324 bpd.

Production News

US Interior Secretary Ken Salazar said the US Bureau of Ocean Energy Management has not struck a deal with BP to allow the oil company to resume deepwater drilling in the Gulf of Mexico. BP however said it is close to reach an agreement to resume drilling at existing wells.

According to a Dow Jones survey, OPEC's crude oil production fell by 411,000 bpd to 29.343 million bpd in March. It showed that Libya's crude production in March stood at 343,000 bpd, down more than 1 million bpd from 1.396 million bpd in February. Nigeria's oil production also fell by 107,000 bpd to 2.043 million bpd in March. Saudi Arabia however increased its production by 500,000 bpd in March to 9.05 million bpd.

Several cargoes of Forties crude oil loading this month are delayed due to a brief drop in production from the North Sea Buzzard oilfield last week. The number of cargoes affected and duration of the delays were not immediately clear.

Total SA confirmed the company's output in Gabon has been suspended since Friday as a result of a strike to protest against the hiring of foreign workers in the national oil company. Gabon's oil workers' union called for a strike starting early Friday. Total and Royal Dutch Shell are the main oil players in Gabon, which produces between 220,000 and 240,000 bpd.

Australia's Woodside Petroleum said production from its Cossack, Wanaea, Lambert and Hermes fields on the North West Shelf have been shut as part of a redevelopment project and would resume during the second quarter of 2011.

The Petroleum Safety Authority of Norway said Statoil has received consent to carry out exploration drilling of a well in the Norwegian Sea.

Mexico's Pemex made an oil discovery in southeastern Tabasco state with an exploratory well that initially produced more than 3,700 bpd of crude and 8 million cubic feet/day of natural gas.

Ecuador's Minister of Non-renewable Natural Resources Wilson Pastor said the country expects to increase its oil output by more than 4% next year to surpass 526,000 bpd due to increased public and private investments. The three state owned companies, Petroecuador, Petroamazonas and Rio Napo plan to invest \$1.5 billion in 2011 while private sector companies plan to invest \$450 million.

Russia's Energy Ministry reported that the country produced an average 10.2 million bpd of crude and gas condensate in March, down 0.3% on the month. The country produced 43.13 million metric tons of oil in March. It reported that exports via Transneft increased by 8.1% to 4.42 million bpd from 4.09 million bpd in February.

A senior Iraqi oil official said Iraq's crude oil exports fell by 2% in March to 2.159 million bpd from 2.202 million bpd in the previous month due to bad weather and damage to part of the northern export pipeline from an act of sabotage. He said about 1.687 million bpd were exported in March from southern terminals in the Basra ports, down from 1.708 million bpd exported in February while 472,000 bpd were exported from Kirkuk and Kurdish oil fields in March compared with 494,000 bpd exported in February.

Russian and Kazakh oil exports via the Caspian Pipeline Consortium fell in March by 1.3% on the year to 723,345 bpd.

Azerbaijan's SOCAR said the country increased its oil exports via Russia to 541,536 tons in January-March 2011 from 448,780 tons in the same period last year.

PDVSA has signed a term fuel oil and diesel supply contract with Argentina to begin shipping 12 million barrels a year of oil products next month. PDVSA vice president Asdrubal Chavez said the contract provides for annual delivery of 9 million barrels of fuel oil and 3 million barrels of diesel.

Royal Dutch Shell Plc said it signed a preliminary agreement with Australia's Marstel Holdings for a new diesel import terminal at Newcastle in New South Wales state. The facility, scheduled for completion during 2012, would include ship import capabilities, three 18 million liter diesel tanks and truck loading facilities.

Abu Dhabi National Oil Co posted the official selling prices of its Murban crude oil at \$112.55/barrel retroactively for March term supply, up \$8.95/barrel on the month.

South Korea's SK Energy gasoline and diesel prices cuts could be followed by other refiners facing government pressure to rein in energy costs. SK Energy said it would lower gasoline and diesel prices by 100 won per liter for three months from April 7th to help the government curb inflation. GS Caltex said it would soon lower its gasoline and diesel prices.

Market Commentary

Crude oil hit its highest level in almost 2 ½ years as signs of economic growth brought about expectations of increasing demand and as the situation in Libya continues. The May crude oil contract retreated from the \$108.80 resistance area, settling at \$108.47. Market participants have been reluctant to sell this market while the situation in the Middle East continues to overshadow the underlying fundamentals. The 3-2-1-crack spread also gained on anticipation that demand for diesel will increase with ongoing reconstruction in Japan. Technical indicators are in over bought territory but do not show signs of turning to the downside. Based upon a monthly spot continuation chart, there is a trend line set at \$115.63, making it our target area.

Crude oil: May 11 338,384 -6,625 June 11 167,363 +3,049 July 11 127,113 Totals 1,547,722 +10,057
 Heating oil: May 11 107,117 -2,211 June 11 56,339 +896 July 11 34,968 +396 Totals 308,259 -820
 Rbob: May 11 102,651 -197 June 11 48,591 +1,630 July 11 26,465 Totals 280,940 +6,360

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10695		30810		30130	
10136		27980		26965	31970
10000	10880	26680	33510	26300	32450
9622	111.65	27375		25683	35915
9540	11563	23685		25145	36310
9267	121.26	22960		24240	
9635				23631	
8385				23414	

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