



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 26, 2011

US President Barack Obama urged Congress on Tuesday to end tax breaks for oil and gas companies and called on Republicans to support his plan. He said the dollars saved by closing the tax breaks could be invested in clean energy that would help to ease US dependence on foreign oil. However, Republicans said the plan would raise taxes and increase the price at the pump.

Market Watch

The Conference Board said its index of consumer confidence increased to 65.4 in April, up from a revised 63.8 in March, previously reported as 63.4. Consumer expectations for economic activity over the next six months increased to 82.6 from a revised 81.3 last month, previously reported as 81.1. The present situation index increased to 39.6 from a revised 37.5, previously reported as 36.9. The report shows consumers, on average, expect inflation to increase to 6.3% 12 months from now. It is down from 6.7% expected in March.

The US housing market continues to struggle as single family home prices fell for the eighth consecutive month in February. The S&P/Case-Shiller composite index of 20 metropolitan areas fell 0.2% in February from January on a seasonally adjusted basis to 139.27.

The American Trucking Association's advance seasonally adjusted For-Hire Truck Tonnage Index increased by 1.7% in March after falling a revised 2.7% in February. It reported that tonnage in March increased by 6.3% on the year.

Global securities watchdog, International Organization of Securities Commissions, IOSCO, will investigate transparency and governance at oil pricing agencies such as Platts and Argus as part of broader G20 efforts to limit speculation in commodities markets. The IOSCO said it would present its findings to the finance ministers of the world's G20 leading industrialized nations in October.

Weather Services International said May-July temperatures in Europe are expected to be above normal.

US Treasury Secretary Timothy Geithner said oil prices at current levels, while challenging were not to the levels to threaten to derail the recovery. He said the US is far ahead of its global competitors when it comes to reforming its financial system and putting the economy on the path to long term, sustainable growth.

API Stocks

Crude – up 4.911 million barrels
Distillate – up 1.525 million barrels
Gasoline – down 2.088 million barrels
Refinery runs – up 0.3% at 81.6%

The head of Saudi Aramco voiced concern about the impact of high oil prices on the world economy.

According to a SpendingPulse report released by MasterCard Advisors LLC, US weekly gasoline demand fell by 0.7% to 9.25 million bpd in the week ending April 22nd. The decline

was the fourth in the past five weeks. Demand in the last four weeks averaged 9.19 million bpd, down 2% from a year ago and the fifth straight decline. It reported that the US average retail price of gasoline increased by 4 cents to \$3.85/gallon, up 35.1% on the year.

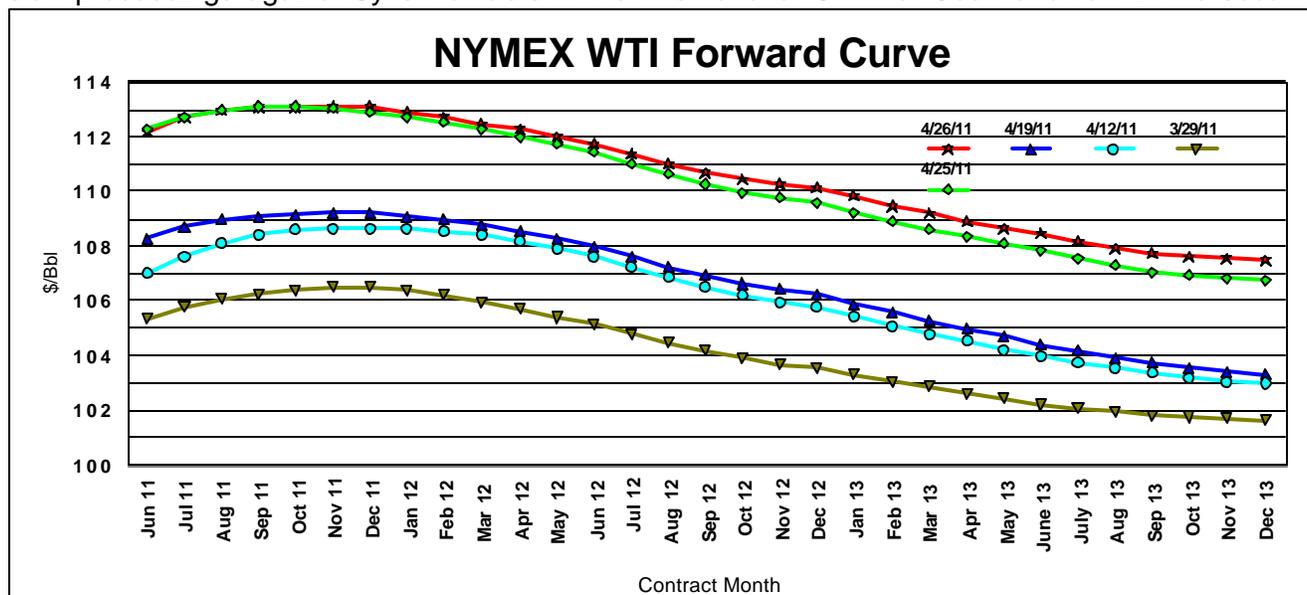
<p>April Calendar Averages CL – \$109.48 HO – \$3.2041 RB – \$3.2379</p>

The EPA said it does not plan to change its biofuel mandate despite corn prices that have increased to record levels. About 40% of the US corn crop is used to make ethanol. Earlier this year, the EPA approved allowing blends of up to 15% ethanol in gasoline for newer cars and trucks, an increase from the previous maximum blend of 10%. The USDA has forecast a record 5 billion bushels of corn will be used to make ethanol in the year ending August 31st. Separately, the EPA plans to publish guidelines on permits for companies that use diesel fuel in the hydraulic fracturing process that involves injecting a liquid mixture of water, chemicals and sand underground to break up shale rock and release natural gas.

Troops loyal to Muammar Gaddafi extended their campaign into Berber towns in Libya's Western Mountains and battled rebels around the port of the besieged western city of Misrata. A rebel spokesman said pro-Gaddafi forces had withdrawn to the outskirts of Tripoli. A rebel army officer said the Libyan army has reinforced positions around the eastern oil town of Brega and dug tunnels to hide their long range missile batteries to conceal them from attacks by NATO warplanes. Meanwhile, NATO denied Tuesday that an air strike on Muammar Gaddafi's compound was an attempt on his life, saying its mission was to protest the population, not bring regime change to Libya. The commander of NATO's Libya mission said the target of late Sunday's bombing was a command and control facility inside the compound used to direct attacks against civilians. NATO said it may send a civilian contact person to Libya's city of Benghazi in order to improve political contacts with the opposition.

Russia's Foreign Minister Sergei Lavrov said Russia would not support a new UN Security Council resolution on Libya if it calls for further foreign intervention. However he stated that Russia would support new UN action if it called for an immediate end to all violence, bloodshed, the use of force, military action and calls on all sides to immediately negotiate. Meanwhile, Libya asked Russia to convene an urgent meeting of the UN Security Council on the attempt to target Muammar Gaddafi and bombardment of civilian sites.

Syrian security forces shot dead at least 400 civilians in their campaign to stop the pro-democracy protests. Syrian human rights organization Sawasiah said the UN Security Council must convene to start proceedings against Syrian officials in the International Criminal Court and rein in the security



apparatus.

Refinery News

Marathon Oil Corp is restarting several units at its Texas City, Texas refinery after a power outage forced a shut down late Monday. The power failure that impacted Marathon's 76,000 bpd refinery also shut down BP Plc's 475,000 bpd refinery. BP said it does not have reliable power at the refinery, preventing it to restart units. The cause of the outage was unknown. The 400,000 bpd Cameron Highway Oil Pipeline is diverting barrels from Texas City refineries shut by a power outage.

Valero Energy Corp's 214,000 bpd refinery in Texas City, which was shut due to the power outage, was resuming operations after power was restored. The processing units began the restart process. Meanwhile, Valero said a hydrocracker unit at its 171,000 bpd McKee, Texas refinery is increasing to planned rates. It also stated that start up is underway at its 87,400 bpd Ardmore, Oklahoma refinery. Valero also reported that its sulfur recovery unit at its 144,000 bpd Benicia, California refinery resumed operations following a brief outage last night. It said there was no material impact to production at the refinery. Separately, Valero Energy Corp reported a quarterly profit of \$98 million in the first quarter compared with a loss of \$113 million a year earlier as it benefited from processing cheaper grades of crude at its Midwest plants. It plans to run its 14 North American refineries at 90% of their combined total throughput capacity in the second quarter of 2011. The company said it had no refinery overhauls scheduled for the third quarter of 2011. Valero's chairman and chief executive Bill Klesse said its 235,000 bpd Aruba refinery was not profitable in the first quarter of 2011.

Tesoro Corp reported a sulfur recovery unit shutdown that led to a release of sulfur dioxide at its 93,500 bpd refinery in Kapolei, Hawaii. Separately Tesoro Corp said there was no impact from the shutdown of Kinder Morgan's Trans Mountain pipeline at its Anacortes refinery. It is assessing potential alternative crude sources in the event of a longer term interruption.

Kinder Morgan Energy Partners LP plans to restart the 300,000 bpd Trans Mountain pipeline on Tuesday after the pipeline was shut on Friday due to a small leak. Kinder Morgan also said its Platte line, which carries Canadian oil from a connection to the Express pipeline at Casper, Wyoming, to Wood River, Illinois would be apportioned in May. Shippers would only get to put 48% of the space requested on the line next month. Its capacity would be 162,000 bpd.

Enterprise Products Partners LP and Energy Transfer Partners agreed to form a joint venture to build a crude oil pipeline from Cushing, Oklahoma to Houston, Texas. The project would also add about 500,000 barrels of storage capacity at Enterprise's existing crude oil storage facility in Houston. The new pipeline, which is expected to begin operations in the fourth quarter of 2012, would provide an outlet for more than 400,000 bpd of crude oil supplies currently stranded at Cushing.

CVR Energy Inc plans to build 1 million barrels of crude oil storage at Cushing, Oklahoma, increasing the company's Cushing storage by 37% from the current 2.7 million bpd already leased at the hub. It expects to complete the project during the first half of 2012. The contango in oil prices has prompted firms to add storage in the oil hub.

ExxonMobil said a desulphurization unit at its Esso refinery in Rotterdam remained out of service on Tuesday following a fire, the cause of which is under investigation. Exxon said the impact on production was minimal.

Saudi Aramco chief executive Khalid al-Falih said the company's daily refining capacity will soon increase by 50% from its current level to more than 6 million bpd. He also said the country's natural gas production capacity would increase within five years to 15 billion standard cubic feet/day.

Mexico's Pemex said it is seeking gasoline for delivery to the country's Pacific Coast following a weekend fire at its 245,000 bpd Salamanca refinery, which mainly supplies the central-west area of Mexico. The refinery produced about 60,000 bpd of gasoline and 40,000 bpd of diesel in February.

China's National Development and Reform Commission said the country will limit the construction of new vacuum distillation units with a capacity of less than 200,800 bpd and naphtha fed ethylene facilities with a capacity of less than 800,000 metric tons/year. It would also eliminate vacuum distillation units with capacity of less than 40,000 bpd by 2013 to consolidate the refining sector.

South Korea's SK Energy shut down one of the two desulphurization units at its Incheon refinery due to a fire which had been extinguished. It said it may take some time to restart the unit as it needs to establish the cause of the fire.

South Korea's S-Oil Corp has recently finished building additional refining capacity at its Ulsan facility and is currently performing test runs. It aims to start full commercial production at its Ulsan refining complex on schedule in June. The refinery expansion would allow S-Oil to process as much as 650,000 bpd, up from the current 580,000 bpd.

Libya imported gasoline from Italy's Saras in early April, taking advantage of a loophole in UN sanctions that permit purchases by companies not on a UN list of banned entities. Shipping sources said the cargo was delivered via ship to ship transfer in Tunisia before sailing to Libya. The buyer, Libya's General National Maritime Transport Co is not on a UN blacklist.

Iraq has requested additional supplies of gas oil and has signed a deal with one of its existing suppliers to purchase an extra 100,000 tons by June. Iraq's total purchase from the supplier has increased to 230,000 tons.

Estonia's main oil loading port, the Port of Tallinn, is scheduled to receive its first shipment of fuel oil from Murmansk. The 65,000 bn Stena Primorsk is scheduled to unload on Tuesday at Tallin's Muuga harbor.

Water levels on the Rhine and Danube rivers in Germany have fallen again due to a lack of rain in the past week. Ships cannot sail fully loaded on both rivers. Water levels had fallen in late March after a long period of dry weather.

Production News

Norway's Statoil said production at its Njord oil and gas platform is expected to remain down for an unspecified time after a new gas leak was discovered. It halted Njord operations on Sunday after having resumed partial production on April 16th. Normally the platform produces about 70,000 bpd of oil equivalent. Statoil also shut its 50,000 bpd Visund field earlier this month. It has no timeframe for resuming output at the Visund field.

Brazil's Petrobras said total crude oil and natural gas production increased by 2.3% on the year in March to 2.614 million bpd of oil equivalent. Petrobras' domestic crude oil production increased by 2.3% on the year to 2.04 million bpd. It was also up from 2.02 million bpd in February. Petrobras produced 142,200 bpd of crude from its international operations.

Pemex said crude oil production in the April 1-24 period averaged 2.582 million bpd compared with the total March crude production of 2.573 million bpd. Its top producing fields of Ku-Maloob-Zaap in the southern Gulf of Mexico held steady at a near record of 849,000 bpd in the April period. The mature Cantarell offshore fields averaged 467,000 bpd in the April period. Pemex also said its export terminals received an average of 1.317 million bpd in the April period.

In addition to new windfall taxes on high oil incomes announced last week, Venezuela has created a charge on lower prices that adds to oil companies' burden. Last week, Venezuela's President Hugo Chavez announced a tax on exorbitant income when crude trades above \$70/barrel. Under the new rate, companies would pay 20% of income, in addition to royalties, when oil prices are between \$40 and \$70/barrel. Venezuela's Oil Minister said a total of 320,000 bpd of oil exports will be exempt from the new windfall tax rates, including some shipments to China and exports to Caribbean nations.

A study by Russia's Ministry of natural resources warned that the quality of Russian crude is deteriorating. It said 70% of Russia oil is very heavy, viscous and hard to recover oil. The study warned that Russia produced more than 500 million metric tons of oil in 2009 but the country's current reserves can only sustain that rate of production for another 13 to 15 years.

A Russian finance ministry official said Russia will cancel export duty breaks for two more oilfields. The official said that starting May 1st, TNK-BP's Verkhnechonskoye field and Surgutneftegaz's Talakan field will pay export duties in full. The fields had preferential export duty breaks for more than a year as the government moved to support domestic companies when oil prices were falling.

China Petrochemical Corp chairman Fu Chengyu said the government should raise oil product prices in line with increases in crude prices in order to avoid fuel shortages. Sinopec Group is losing \$20/barrel of crude it processes. However he said poor margins would prompt independent refiners, who account for a quarter of China's capacity to suspend production, which could lead to severe fuel shortages.

Market Commentary

Crude oil traded in a narrow range as cautious market participants await tomorrow's meeting of the U.S. Federal Reserve. Saudi Arabian Oil Co. chief executive Khalid al-Falih's statement that oil prices are not at a comfortable level and that the impact prices may have on the global economy is a concern, compounded the pressure. Weakness in the dollar adds to the mix by limiting the purchasing power of those countries paid in dollars. Gasoline rose for the fourth straight day, spurred by refinery glitches just ahead of the U.S. summer driving season. Gasoline at the pump has been averaging \$3.89 a gallon, while gasoline sales have dipped 2% from a year ago, already showing signs of sluggish demand. Gasoline crack spreads continue to gain, supported by the unrest in the Middle East and the aforementioned refinery problems. Any sign of refineries coming back on line should stymie the rally in gasoline prices, weakening crack spreads. Coming into tomorrow's session, we would look for a knee jerk reaction to the release of the DOE numbers, which are expected to show that crude oil stockpiles fell 900,000 barrels, while gasoline is expected to decline 1.1 million and distillate stocks are expected to draw by 200,000. Prices should remain in a narrow range, awaiting a decision by the U.S. Federal Reserve.

Crude oil: June 11 350,537 -4,690 July 11 187,283 +3,081 Aug 11 72,503 +1,010 Totals 1,548,333 +675 Heating oil: May 11 30,441 -8,462 June 11 105,956 +4,486 July 11 46,387 +587 Totals 313,067 -2,308 Rbob: May 11 36,234 -6,075 June11 92,435 +2,613 July 45,380 -326 Totals 300,241 -2,251

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
11108	11348	30810			35915
10988	11468	27980		30130	36310
10845	11563	26680	33510	26965	
10484	11703	27375		26300	
10270	12126	23685		25683	

10136	14933	22960		25145	
10000				24240	
9622				23631	
9540				23414	

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