



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 23, 2007

OPEC President and UAE Energy Minister

Mohammed al-Hamli said OPEC was concerned about the potential impact of the near record price of oil. He said there was so far little sign of

any impact on expansion. He said OPEC was ready to pump more oil if needed but it was not clear whether the group would need to increase its production before the end of the year. OPEC's President also stated that increasing production would do little to lower the price of oil as crude supplies were already sufficient.

The head of OPEC's research division, Hasan Qabazard said a fair price for both oil producers and consumers would be about \$60-\$65/barrel. He blamed political tensions, including the dispute between Iran and the West over Iran's nuclear program and abductions in Nigeria's oil industry for the rising oil prices. He also stated that the shortage of gasoline in the US, as a result of refinery capacity constraints, contributed to high oil prices.

Iraqi Foreign Minister Hoshiyar Zebari said US and Iranian envoys are scheduled to hold talks in Baghdad on Tuesday to discuss Iraq's worsening situation.

The EIA reported that the US average retail price of gasoline fell by 9.1 cents/gallon to \$2.958/gallon in the week ending July 23.

Refinery News

Total PetroChemicals USA cut its output at several refinery units Monday, including a fluid catalytic cracking unit at its Port Arthur, Texas refinery due to a blower outage in its Shell Claus Off-Gas Treating or SCOT unit. It has cut operations to minimum rates at the plant's distillate hydrotreaters 1 and 2 and its unibon unit to minimize the release at the tailgas thermal oxidizer.

Market Watch

Japan said it would work with UN inspectors to check the Kashiwazaki-Kariwa nuclear power plant after an earthquake last week caused radiation leaks. A nuclear safety official said no date for the IAEA checks have been set however Japan's Nikkei business daily reported that four IAEA inspectors would visit the site as early as August.

Venezuela's President Hugo Chavez said a proposed Venezuelan constitutional reform that would eliminate term limits would only apply to the presidency and not to governors and mayors.

According to a report filed with Texas environmental regulators, a process upset occurred at ConocoPhillips' 146,000 bpd refinery in Borger, Texas on Sunday. The filing did not disclose which unit experienced the upset.

Chevron Corp began restarting a 200,00 bpd crude distillation unit at its refinery in El Segundo, California on Saturday.

A 43,000 bpd hydrocracker unit at BP Plc's 266,000 bpd Carson, California refinery began restarting over the weekend after it was shut since March 15, when a fire broke out and damaged instrumentation.

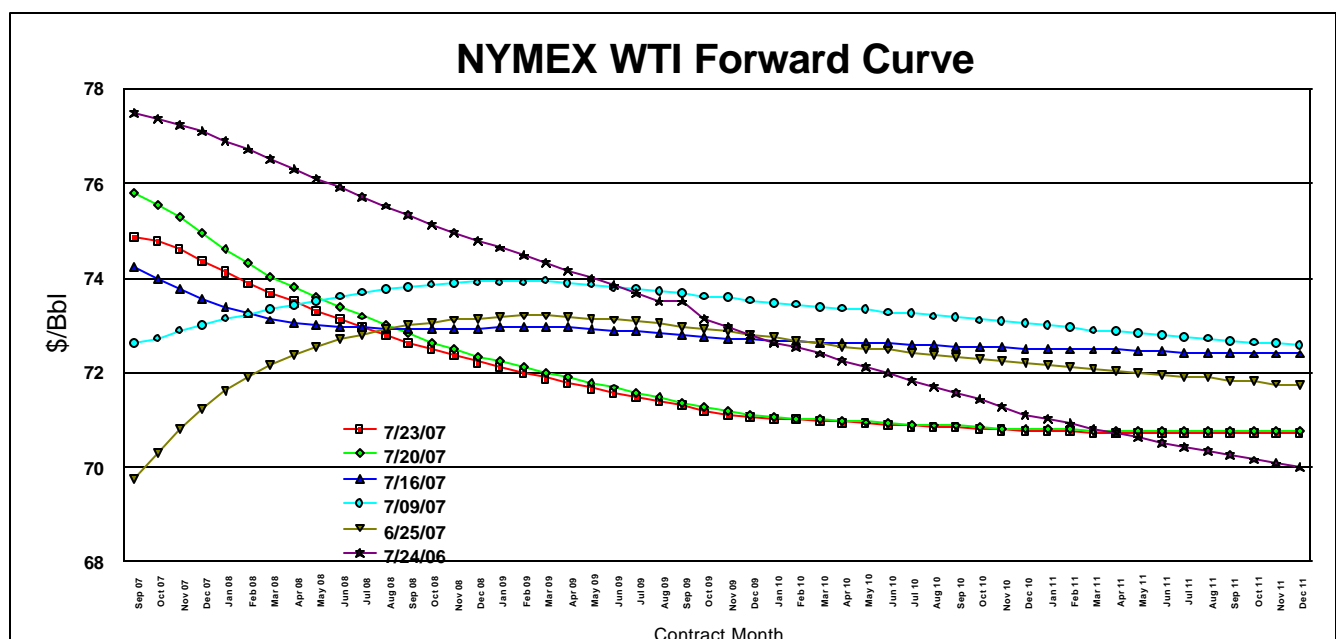
Alon USA Energy Inc started changing catalyst in a diesel hydrotreater at its 67,000 bpd refinery in Big Spring, Texas on Sunday. The catalyst change is expected to last a week.

A coker unit at Shell's Deer Park, Texas refinery resumed full operations late last week following a brief outage. The unit was shut following a mechanical problem last Thursday.

Valero Energy Corp said that repairs to a fluid catalytic cracking unit at its Ardmore, Oklahoma refinery were taking longer than expected. It has delayed the restart until sometime later this week. The unscheduled shutdown of its fluid catalytic cracking unit on July 6 resulted in lost gasoline production of about 30,000 bpd and a loss in diesel production of about 15,000 bpd. Separately, it confirmed the unplanned shutdown of a 30,000 bpd hydrocracking unit at its 171,000 bpd McKee refinery in Sunray, Texas and said the unit was also expected to restart later this week. The unit was shut Saturday due to an instrumentation problem.

Husky Energy Inc said it is expected to complete repairs at its Lima, Ohio refinery and begin restarting units in about a week. On Thursday, the 165,000 bpd refinery lost power to a portion of the plant due to a small fire in an electrical substation. A company spokesman said it was taking advantage of the shutdown to perform some maintenance on processing units.

A 190,000 bpd crude distillation unit at Hovensa LLC's 500,000 bpd refinery in St. Croix resumed normal operations after rates were cut this month for some work.



According to Credit Suisse, a sharp rally in crude oil prices cut into the profitability of US refineries last week. Gross profit margins across the US fell between 15 and 54%. In the US Gulf Coast, margins fell \$7.85/barrel to \$13.43/barrel while in the Midwest margins fell by \$15.20/barrel to \$16.76/barrel. Northeast margins fell by \$5.58/barrel to \$4.85/barrel. West Coast margins fell by \$5.74/barrel to \$17.19/barrel.

Kinder Morgan Energy Partners LP said the FERC approved a proposed rate structure for the company's \$400 million expansion of its CalNev pipeline system into Las Vegas. The expansion involves the construction of a new pipeline, increasing system capacity to 200,000 bpd. Capacity could be increased to more than 300,000 bpd with the addition of pump stations. The expansion is expected to be completed in 2010.

Norway's Statoil ASA said it was planning a full shutdown of its Mongstad refinery in 2008.

ExxonMobil's Nansei Sekiyu KK is expected to restart its 100,000 bpd crude distillation unit on Wednesday. The restart of the Nishihara refinery in Okinawa has been delayed for inspection and repair of damage sustained from a typhoon.

Russia's Prime Tass reported that the country's crude oil refining increasing by 5.2% on the year to 111.48 million metric tons in January-June. Russia's oil exports to countries outside the Commonwealth of Independent States increased by 5.5% on the year to 112.24 million tons in January-June, while Russia's oil exports to CIS countries fell 2.2% on the year to 18.3 million tons.

Kuwait National Petroleum Co increased the budget for Kuwait's planned 615,000 bpd refinery to about \$14 billion. A spokesman for KNPC said the budget was now 4 billion dinars or \$13.94 billion, up from the original estimate of 1.85 billion dinars. It is expected to complete the construction of the refinery by the end of 2011, a year later than the original schedule.

Production News

A small amount of production has resumed at one of Royal Dutch Shell's Forcados oilfields in Nigeria. Shell said the South Bank flow station, which is connected to the Forcados oil export terminal, restarted production in April. Shell declined to specify how much was currently being produced at the 36,000 bpd flow station. A Shell spokeswoman said a force majeure was still in place for Forcados and would be until all contracts have been fulfilled from the time of its declaration.

Saudi Aramco said that operations resumed at a fire damaged pier at the Ras Tanura oil export terminal. It said crude and oil product exports from the terminal were unaffected. It was able to divert exports to other berths. The Ras Tanura terminal has the capacity to load 5.5 million and 6 million bpd of oil.

Husky Energy Inc announced its White Rose oilfield off the Canadian east coast has increased output to 140,000 bpd following a 16 day turnaround. The planned maintenance outage, which ended Wednesday, tied in output from a seventh production well, increasing capacity at the field from its original 135,000 bpd.

China's apparent oil demand increased 2.1% on the year in June as refiners cut fuel imports and raised exports, in its slowest expansion rate since January 2006. Implied demand reached 7.23 million bpd last month and 6.92 million bpd in the first six months of the year, up 4.4% on the year.

The General Administration of Customs said China imported 14.12 million tons in June, up 20% on the year. Imports in the first half were up 11.1% at 81.54 million tons. China's customs data showed that the country bought 24% more crude from Iran in the first six month of the year compared to a year ago. China bought about 10.9 million tons or 440,000 bpd of crude from Iran in the first half of the year. The increase was due to some spot purchases by Sinopec Corp. The General Administration of Customs also reported that China's gasoline exports in June increased by 340% to 526,458 tons.

Pemex reported that Mexico's crude oil production increased to 3.206 million bpd in June from 3.11 million bpd in May. It said exports fell to 1.737 million bpd in June from 1.759 million bpd in May.

Ecuador's Central Bank reported that the country's oil production is expected to fall by 5.4% on the year in 2007 to 185.12 million barrels or 507,000 bpd. It expects Petroecuador to produce 93.68 million barrels while private companies produce 91.44 million barrels.

OPEC's basket of crudes increased further to \$73.67/barrel on Friday from \$73.23/barrel on Thursday. It also reported that OPEC's basket of crudes increased by 86 cents/barrel to \$72.72/barrel in the week ending July 20.

Market Commentary

The crude oil market dipped lower today on a statement by the head of OPEC, stating that OPEC was becoming concerned about the recent run-up in prices and its effect on the world economy. The price of crude oil is currently running 22% higher on the year with an all time high of 78.40, set on July 14, 2006. Early indication for stock levels are calling for a draw of 1.1 mln in crude, with builds of .51 in gasoline and .73 in distillates. With the expected build in products, our initial reaction to these estimates is to look for further declines in prices. Refinery problems are slowly being resolved, which should lead to more product production. Our initial downside target for the September crude contract is 73.11 based on the trend line drawn off of the 64.37 low in May. Support is set at 74.30, 73.80, 73.11, 72.66 and 72.28. Resistance is set at 75.35, 75.65, 76.44, 77.07, 77.29 and 77.45. With our expected sell-off in prices we would also like to sell the Dec07 and buy the Dec 08, looking for negative numbers on this spread. The RBOB market settled sharply lower amid further reports that refineries were resuming their normal operations following the completion of planned and unplanned maintenance. The market posted a high of 216.23 in overnight trading and continued to trend lower. It sold off to 210.58, where it held some support. However the market later breached that level and extended its losses to over 6.9 cents as it posted a low of 209.55 late in the session. It settled down 6.05 cents at 210.41. Meanwhile the RBOB crack spread also continued to trend lower and settled down at 12.76. The gasoline market also led the heating oil market lower. The heating oil market settled down 3.61 cents at 205.61 after the market sold off to a low of 204.70 early in the session. The market retraced some of its

losses and traded to 207.29 in afternoon trading before it settled in a sideways trading pattern ahead of the close. The

		Levels	Explanation
CL	Resistance	76.44, 77.07, 77.29, 77.45	Monday's high
	Support	75.35, 75.65, 75.69	
HO	Resistance	74.44	Monday's low
	Support	74.30, 73.95, 73.80, 73.11, 72.66, 72.28	Previous lows
RB	Resistance	211.90, 212.00, 212.48, 212.84, 214.29	Previous highs
	Support	206.55, 207.29, 209.27	Monday's high
RB	Resistance	204.70	Monday's low
	Support	203.20, 202.40	Previous lows
RB	Resistance	220.10, 222.00	Previous highs
	Support	210.75, 212.00, 212.94, 215.20, 216.23	Monday's high
		209.55	Monday's low
		207.88, 205.38	Previous low, Basis trendline

product markets will likely retrace some of its sharp losses early on Tuesday. The RBOB market is seen finding support at 209.55, 207.88 and 205.38. Meanwhile resistance is seen at 210.75, 212.00, 212.94, 215.20 and 216.23. More distant resistance is seen at 220.10 and 222.00.