



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 5, 2009

Kuwait's Oil
Minister Sheikh
Ahmad al Sabah
said OPEC is not
expected to cut its
oil output at its
next meeting on
September 9th
because current
prices are
adequate. He
said OPEC
members should
comply better with
previously agreed
cuts before
seeking further
adjustments to
output.

CFTC
Commissioner
Michael Dunn
said Congress
should grant the
Commodity
Futures Trading
Commission the
authority to set
speculative limits
in over the
counter markets.
He said unilateral
commission
action only the

Market Watch

The US Commerce Department said demand for US factory goods unexpectedly increased during June by 0.4%. It was the third consecutive increase. In May, orders for manufactured goods increased by a revised 1.1%. Excluding the transportation sector, June factory orders increased 2.3%. Demand for durable goods fell by a revised 2.2%, up from a previously estimated 2.5% decline. Inventories of manufactured goods fell by 0.8% in June.

ADP Employer Services and Macroeconomic Advisers LLC said the US private sector cut 371,000 jobs in July compared with a revised 463,000 decline in June. The market estimated a loss of 345,000 private sector jobs. Separately, ADP said the US is on track for a modest job recovery in early 2010 in line with its economy emerging from the worst recession in decades. US growth is likely to return in the second half of the year, although companies are still cutting jobs in July.

The NYMEX announced that the Cushing, Oklahoma oil storage hub added tanks over recent months and now has the capacity of nearly 50 million barrels. As of March, Cushing held about 47.5 million barrels in storage capacity. The EIA reported that stocks in Cushing built by 1.2 million barrels to 33.3 million barrels in the latest week. More oil may be flowing into Cushing tanks for contango storage. Separately, Semgroup said it added 1.45 million barrels to its oil storage capacity in the Cushing, Oklahoma storage hub since March 1st. Semgroup plans to add another 500,000 barrels of tank capacity by the end of September, bringing its total crude oil storage capacity at Cushing to 4.1 million barrels.

Barclays Capital said investors in commodities' exchange-traded products or ETFs, switched their interest from oil to natural gas in the second quarter. It said an additional \$2.8 billion worth of cash flowed to traded energy funds in the second quarter, with most of it in the natural gas market.

China's climate change ambassador Yu Qingtai said China aims to make a 5% cut in energy intensity, or the amount of energy it uses to produce each dollar of national income, in 2009. China used 3.35% less energy to generate each dollar of GDP in the first half of 2009 than a year earlier. The country has set a goal of cutting energy intensity by 20% over the five year to 2010, even as overall energy consumption continues to increase.

Venezuela's President Hugo Chavez warned that any private companies or sectors that break the law are at risk of being nationalized. However he said companies that follow the laws of the country could continue operating normally.

DOE Stocks

Crude – up 1.7 million barrels
Distillate – down 1.1 million barrels
Gasoline – down 200,000 barrels
Refinery runs – down 0.1%, at 84.5%

markets it currently regulates may not have the desired effect of reigning in excessive speculation in the futures market. He also said there should be more harmonization of international regulatory regimes. Separately, the CFTC Chairman Gary Gensler said he is sending letters to US futures exchanges seeking information about high frequency trading and practices that may give some market participants a speed advantage, in which some banks' trading terminals are placed

closer to an exchange's server.

US Commodity Funds manager John Hyland said he has not heard back from the Commodity Futures Trading Commission since the agency first disclosed it was investigating the fund's trading activity in February. The CFTC is investigating USO and others in the market over price moves that coincided with trades in and out of crude oil contracts in early February.

The official news agency IRNA said a presidential advisory committee has excluded Gholamhossein Nozari from a shortlist of candidates to be Iran's Oil Minister in Mahmoud Ahmadinejad's new cabinet. Changes in the office is not expected to have a big impact on Iran's oil supply policy as the final say in major policy issues rests with Supreme Leader President Ayatollah Ali Khamanei. The committee has proposed the managing director of state oil firm NIOC, Seifollah Jashnsaz and Industries and Mines Minister Ali Akbar Mehrabian as potential candidates that could replace Nozari at the oil ministry.

Refinery News

Valero Energy Corp has restarted a 70,000 bpd coking unit at its 185,003 bpd St. Charles refinery in Norco, Louisiana after it was shutdown due to a fire on June 9th. The unit will however run at about 50% of its capacity due to poor margins. A crude unit and vacuum unit have also resumed operations.

ConocoPhillips is not planning any major turnaround work at its 238,000 bpd refinery in Linden, NJ for the fall. The refinery is running at planned rates.

ExxonMobil Corp completed the restart of a large hydrogen unit and half of the sulfur recovery unit at its 150,000 bpd refinery in Torrance, California. The units were shut during the second week of July for planned maintenance.

According to Reuters, European refineries will cut output in August compared with the previous three months due to an expected decline in demand. Refiners in Europe are likely to run their plants at an average 80% of capacity in August and probably in September. Operating rates have been about 85% since May.

Total SA confirmed it shut a distillation unit temporarily at its 339,000 bpd Normandy refinery in northern France due to low refining margins.

The Petroleum Association of Japan said the country's commercial crude inventories fell by 3.3% to its lowest level in over four months in the week ending August 2nd. Japan's crude stocks fell by 3.42 million barrels on the week and by 5.05 million barrels on the year to 98.97 million barrels. It reported that Japan's gasoline stocks built by 490,000 barrels on the week and by 1.36 million barrels on the year to 13.71 million barrels while kerosene stocks increased by 140,000 barrels on the week and by 1.58 million barrels on the year to 16.6 million barrels and naphtha stocks fell by 210,000 barrels on the week to 10.67 million barrels. Japan's crude runs increased by 40,000 bpd on the week but fell by

August Calendar Averages
CL – \$71.66
HO – \$1.9099
RB – \$2.0591

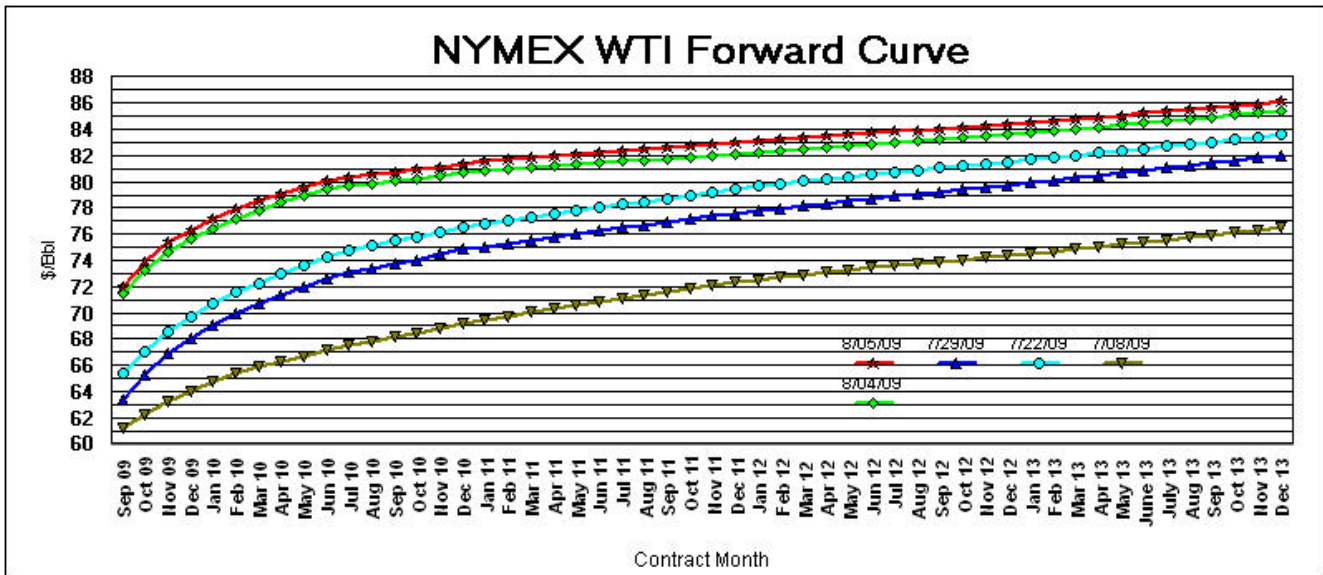
720,000 bpd on the year to 3.52 million bpd. Its refinery utilization rate increased by 0.9% to 72.8% on the week. The PAJ also reported that total oil product sales fell by 4.4% on the week and by 18.8% on the year to 2.67 million bpd, with gasoline sales falling by 12.2% on the week and by 20.9% on the year to 950,000 bpd.

Saudi Arabia will import about 34,100 bpd of gasoline in August, unchanged on the month, due to start up problems at a new residual fluid catalytic cracking unit at Rabigh Refining and Petrochemical. PetroRabigh started partial operation of its facilities in the fourth quarter of 2008. The plant has the capacity to produce up to 60,000 bpd of high octane gasoline that will be converted from fuel oil.

Russia's Energy Ministry reported that the country's oil product exports fell in July due to seasonal factors. Russian oil companies exported 106,900 tons/day of gas oil in the first 29 days of July, down 0.9% from 107,900 tons/day in June. Exports of fuel oil fell by 1.8% to 142,500 tons/day while domestic supplies fell by 1.5% on the month. Russia's exports of gasoline fell by 39.5% to 6,900 tons/day.

Nigeria is set to import 60 cargoes of gasoline between August and November. It will also import about 20 cargoes of dual-purpose kerosene for the period.

Traders are preparing to divert naphtha from the Middle East to the West instead of Asia to meet demand for production of gasoline in Europe where supplies are short due to refinery run cuts and outages. Middle Eastern naphtha cargoes are mainly from Saudi Arabia and Kuwait.



Germany's energy and water lobby group BDEW said the country's energy consumption in the first half of 2009 fell by about 8% on the year on average due to a sharp decline in demand from energy intensive industries that cut back on production during the recession. Germany's industrial sector consumed about 15% less power and gas in the first six months of 2009 compared with the year ago period.

According to a shipbroker, about 830,000 metric tons of gasoil is in floating storage off the coast of Singapore, with stockpiles likely to build as the regional contango starts to widen. The amount of gasoil stored off Singapore is about one tenth of the between 7 million and 8 million tons of middle distillates stored at sea around the world. About 5 million tons, mostly gasoil, is in floating storage off Europe, with another 2 million tons being stored off Middle Eastern and African shores.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 08/05/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	1	10C	125	0.54	0.46	600	0	0	
AO	6	10C	125	1.69	1.51	600	0	0	
AO	3	10C	125	1.05	0.93	600	0	0	
AO	2	10C	125	0.71	0.64	600	0	0	
AO	4	10C	125	1.35	1.21	600	0	0	
AO	5	10C	125	1.58	1.42	600	0	0	
LC	6	10P	55	2.9	2.89	1500	0	0	
LC	6	10P	75	8.74		750	0	0	
LC	1	10C	80	7.02	6.56	500	0	0	
LC	12	10P	50	2.52	2.5	500	0	0	
LC	12	9C	64	15.3	14.62	500	0	0	
LC	1	10C	90	3.59	3.29	500	0	0	
LC	12	10C	100	5.72	5.37	500	0	0	
LC	12	12P	50	2.95	2.93	500	0	0	
LC	12	9P	64	2.99	3.02	500	0	0	
LO	11	9P	55	0.84	0.88	23251	0.83	0.83	
LO	11	9P	45	0.23	0.23	11615	0.23	0.23	
LO	11	9P	65	2.41	2.53	10287	2.61	2.61	
LO	11	9P	50	0.46	0.47	4150	0	0	
LO	12	9P	60	2.13	2.13	4125	2.2	2.16	
LO	9	9P	70	1.54	1.93	3717	2.5	1.6	
LO	6	10P	65	5.34	5.34	3500	0	0	
LO	9	9P	65	0.45	0.64	3263	0.82	0.45	
LO	9	9C	75	1.09	1.09	3219	1.1	0.62	
LO	9	9P	60	0.12	0.19	2963	0.23	0.12	
LO	12	9C	90	2.59	2.38	2947	2.5	2.45	
LO	12	9P	65	3.24	3.29	2821	3.5	3.5	
LO	12	9P	50	0.82	0.8	2544	0.99	0.8	
LO	12	10C	100	5.74	5.39	2457	5.75	5.5	
LO	11	9P	73	4.98	5.25	2250	0	0	
LO	12	10P	65	6	6.01	2200	0	0	
LO	11	9P	67	2.91	3.06	2200	0	0	
LO	10	9C	90	0.49	0.47	2118	0.45	0.38	
LO	12	9C	75	8.12	7.62	1979	7.9	7.15	
LO	10	9C	80	2.21	2.07	1974	2.15	1.68	
LO	11	9C	90	1.42	1.33	1950	1.32	1.3	
LO	10	9P	60	0.85	0.96	1833	1.04	0.98	
LO	10	9P	65	1.66	1.84	1707	1.88	1.63	
LO	9	9C	80	0.21	0.24	1667	0.21	0.13	
LO	12	9P	70	4.77	4.88	1601	5.38	5.38	
LO	12	9C	80	5.72	5.31	1557	5.4	5.3	
OB	10	9C	2.3	0.0364	0.0383	689	0	0	
OB	9	9C	2.06	0.0902	0.0952	312	0	0	
OB	9	9P	2	0.0709	0.071	301	0.07	0.07	
OH	9	9P	1.93	0.0735		472	0	0	
OH	2	10P	2.06	0.241	0.2523	450	0	0	
OH	10	9C	1.96	0.1529	0.1256	400	0	0	

Production News

Baker Hughes Inc expects the average US rig count to fall by 45% in 2009 to 1,026 rigs but increase by about 9% in 2010 to 1,120 rigs. US drilling activity will expand slowly next year.

StatoilHydro ASA will be able to continue producing oil from the Volve field while the permanent storage vessel Navion Saga spends time in the dry dock in September, by temporarily using the vessel Navion Europe. Volve has produced 31,100 bpd of oil equivalent in 2009 for StatoilHydro.

Nigeria will export 64 full or part cargoes of crude oil in September carrying an average of 1.98 million bpd, up from a revised level of 1.75 million bpd in August. The loading program for September includes four delayed cargoes of Forcados crude and five cargoes of Bonny Light crude, both grades under force majeure.

An official from the Ministry of Petroleum of Angola said the country expects to produce 2 million bpd of oil next year, up from its current output of 1.93 million bpd. He said Angola produced 99% of its oil from offshore fields. He

added that he may resume a tender for new oil exploration licenses this year.

Saudi Aramco increased the price of its crude grades bound for the US. It set the price of its Arabian Extra Light crude bound for the US at WTI plus 25 cents, up \$2.70 on the month, its Arabian Light at WTI minus \$1.10, up \$2.60 on the month, its Arabian Medium at WTI minus \$2.40, up \$2.50 on the month and its Arabian Heavy at WTI minus \$3.10, up \$2.40 on the month. Saudi Aramco also set the price of its Arabian Extra Light crude bound for Northwest Europe at BWAVE minus \$1.60, down 65 cents on the month, its Arabian Light crude at BWAVE minus \$2.30, down 70 cents on the month, its Arabian Medium crude at BWAVE minus \$3.40, down 65 cents on the month and its Arabian Heavy crude at BWAVE minus \$3.65, down 45 cents on the month. Its Arabian Super Light crude bound for Asia was set at the Oman/Dubai average plus 10 cents, down \$2.20 on the month, its Arabian Extra Light crude at the Oman/Dubai average minus 5 cents, down \$1.95, its Arabian Light at the Oman/Dubai average minus 25 cents, down \$1.75, its Arabian Medium at the Oman/Dubai average minus \$1.20, down \$1.50 and its Arabian Heavy at the Oman/Dubai average minus \$1.85, down \$1.40 on the month.

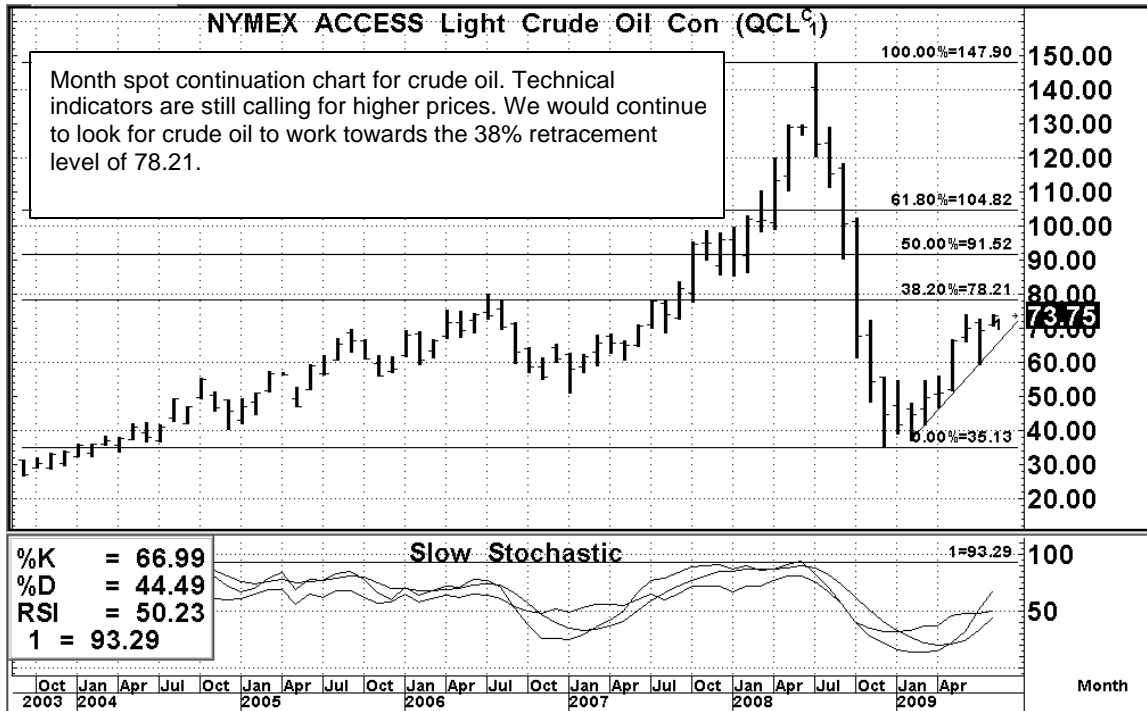
Qatar has cut its July retroactive official selling price for Qatar Marine crude to \$64.72/barrel, down \$5.38/barrel from June. It also set the July Qatar Land crude official selling price at \$65.50/barrel, down \$5.60 from June.

OPEC's news agency reported that OPEC's basket of crudes increased to \$71.53/barrel on Tuesday from \$71.34/barrel on Monday.

Market Commentary

Both heating oil and crude oil rose today as distillate stocks decreased by 1.1 million barrels and economic optimism circulated the marketplace. Crude oil gained its strength from heating oil despite stock levels increasing 1.7 million barrels, more than the expected 800,000 barrels. Additional strength came as investors hoped that the slowing down of U.S. private job losses meant that the economy was slowly improving. A weak U.S. dollar added to the bullish sentiment as investors looked to commodities as a financial hedge. Refiners continue to decrease operations in an effort to protect their margin. From a technical standpoint, crude oil remains strong. Until there is a shift to the downside in technicals, we would continue to look for minor corrections to the downside, using these corrections as buying opportunities. A break below the \$69.50 would cause us to rethink our positions.

Crude Oil (SEP.09 311,751 -8,453 OCT.09 126,185 -1,107 NOV.09 66,199 +3,067 DEC.09 157,479 -442 JAN.10 36,053 +998 FEB.10 24,596 +1,086 Totals: 1,202,598 + 188. Heating Oil (HO) SEP.09 65,775 -1,950 OCT.09 38,977 +912 NOV.09 26,228 +132 DEC.09 39,303 -25 JAN.10 21,273 -45 FEB.10 14,435 +39 Totals: 298,371 - 663. Harbor RBOB SEP.09 94,535 -962 OCT.09 36,868 +1,583 NOV.09 19,526 +1,297 DEC.09 23,381 +399 JAN.10 11,288 +143 FEB.10 3,525 +Totals: 211,080 +2,639



Crude Support	Crude Resistance
71.35, 70.65, 69.70, 69.00, 68.10, 66.20, 63.74, 62.70, 61.61, 60.95,	72.20, 73.38, 74.50, 76.13
Heat Support	Heat resistance
1.8880, 1.8775, 1.8655, 1.8000, 1.7340, 1.4220, 1.4130, 1.3720	2.0000, 2.0420, 204.65
Gasoline support	Gasoline resistance
2.0020, 1.9070, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	2.1100, 2.1600, 2.3350

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