

W The
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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 16, 2011

According to a SpendingPulse report released by MasterCard Advisors, US gasoline demand in the week ending August 12th increased 0.3% on the week to 9.136 million bpd. Despite a modest rise of 29,000 bpd from a week ago, demand was down 4.6% or 437,000 bpd from a year ago. Demand in the latest four weeks averaged 9.195 million bpd, down 3.4% on the year. It reported that the US average retail price of gasoline fell by 7 cents to \$3.63/gallon.

The Venezuelan Foreign Ministry stated that Venezuela would host a summit for bilateral talks with Iran next month as the two member states of OPEC look to strengthen their alliance.

Iran welcomed a Russian attempt to revive talks with six world powers concerning its uranium enrichment program.

After meeting Russian Security Council secretary Nikolai Patrushev, the Secretary General of Iran's National Security Council, Saeed Jalili said Russia's proposal could be used to re-launch the talks that stalled in January. Later, Iran's President Mahmoud Ahmadinejad welcomed the proposal to restart talks. He said Iran is ready to make suggestions to cooperate and interact.

Market Watch

The US National Hurricane Center said a large tropical wave over the eastern Caribbean Sea still has a low 20% chance of becoming a tropical cyclone during the next 48 hours.

Fitch Ratings affirmed the US's credit rating at AAA and said the outlook for the rating was stable.

The US Federal Reserve said US industrial production increased in July by 0.9% following a revised 0.4% increase in June. It also reported that industries used 77.5% of their capacity compared with a revised 76.9% in June.

The US Commerce Department said US home construction fell slightly in July. US housing starts in July fell by 1.5% on the month to a seasonally adjusted annual rate of 604,000. Total housing starts for June were revised down to an annualized pace of 613,000. Housing starts increased 10.8% in June.

The Labor Department said US import prices increased in July as both fuel and non-fuel costs increased. The price of goods imported to the US increased by 0.3% in July. Import prices however fell by 0.1% in the past three months as world energy prices came off their peaks. It reported that import fuel prices increased 0.4% in July following a 2.1% decline in June. Petroleum import prices increased 0.6% on the month.

The Euro zone economy slowed sharply in the second quarter, mainly due to sluggish growth in Germany and stagnation in France. The Eurostat agency reported that the 17-nation Euro zone grew by just 0.2% on the quarter, slightly under forecasts and well below the first quarter's growth of 0.8%. Germany's GDP growth fell to 0.1% in a seasonally adjusted basis from a revised 1.3% in the first quarter. France's economy stagnated in the second quarter while the region's high debtors particularly Greece, Italy, Spain, Portugal and Ireland saw little or no growth.

The InterContinental Exchange will launch a lower sulfur gasoil futures contract in September, in a bid to capture more liquidity in the market. Its existing 1,000 parts per million sulfur content will continue to trade until and including January 2015 while the new 10-ppm contract will start from January 2012 to December 2016.

API Stocks

Crude – up 1.745 million barrels
Distillate – down 1.293 million barrels
Gasoline – down 5.374 million barrels
Refinery runs – up 0.5%, at 87.2%

US Defense Secretary Leon Panetta said Libyan leader Muammar Gaddafi's forces have been weakened and his days appear to be numbered. Meanwhile, NATO confirmed information from a US defense official that Libyan government forces launched a Scud type missile for the first time in the six-month civil war on Sunday but that the rocket landed in the desert and caused no damage. It said the use of the

Scud missile was no military threat. It said the attack was a sign of growing desperation among government loyalists and did not suggest an escalation of force.

Refinery News

Valero is likely to commit to shipping crude on Enterprise Products Double E Pipeline, a 450,000 bpd oil pipeline that would run from Cushing, Oklahoma to Houston and could begin operating before 2013. Enterprise and its partner Energy Transfer have been scrambling to drum up commitments from oil shippers to help it build the line.

Plains All American Pipeline LP was given conditional clearance by Alberta regulators to restart the northern section of the 187,000 bpd Rainbow pipeline. The line has been shut since April 28th when it leaked 28,000 barrels of crude. The Alberta Energy Resources Conservation Board imposed four major conditions on the restart, including weekly aerial monitoring and the completion of work on 10 sites excavated along the line's route. The pipeline will also operate at reduced pressure after the restart.

Tesoro Corp is restarting unspecified process units at its 93,500 bpd refinery in Kapolei, Hawaii after the units were shut due to failure of a piping component.

PetroChina's 410,000 bpd Dalian refinery may need another 10 days to restart its 200,000 bpd crude unit after it suffered a fire a month ago. The outage at the crude unit forced the refinery to cut crude throughput last month to below 1.2 million tons or 283,000 bpd or a third less than its peak rates.

A petrochemical plant in the Chinese city of Dalian, ordered to shut down after public protests over the weekend, started to halt operations.

Taiwan's government data showed that the country's crude oil imports in June fell 2.2% on the month to 24.1 million barrels as lower refining margins cut demand for Middle Eastern crude, with imports from Saudi Arabia falling over 18%.

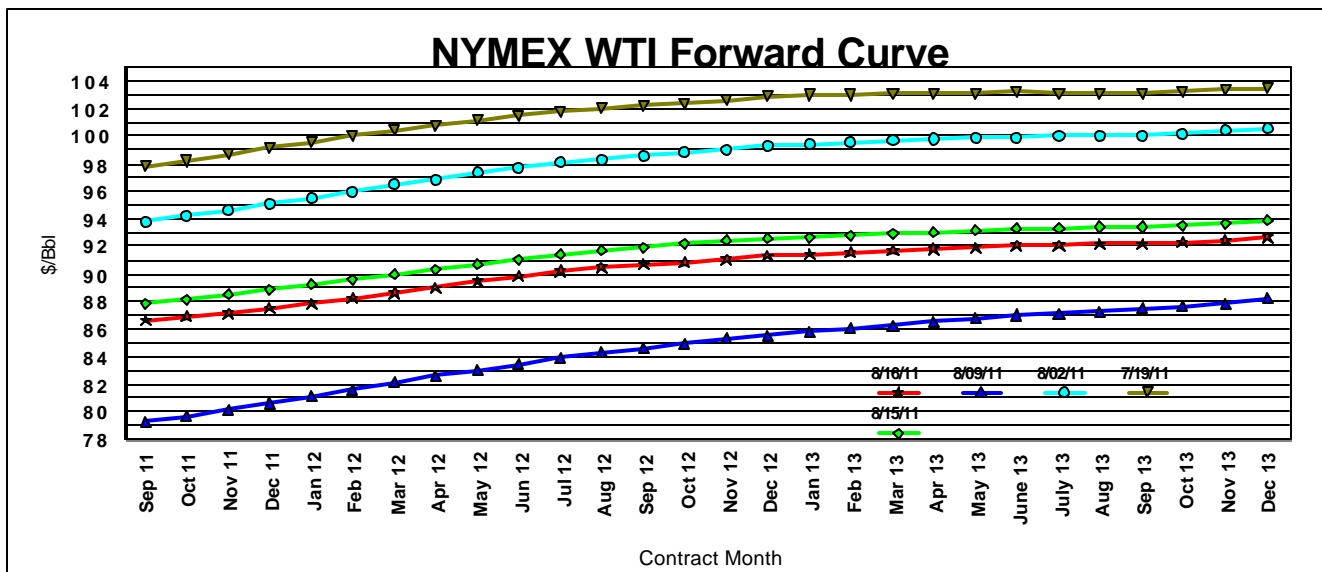
Production News

Norway's Statoil said a recent North Sea oil discovery might be the worlds biggest so far this year. It said it discovered oil in the Aldous Major South prospect in the North Sea and estimated its size at between 200 million and 400 million barrels of oil equivalent. It said the prospect was connected to the Avaldsnes discovery made by Sweden's Lundin Petroleum and together the discoveries were estimated to have 500 million and 1.2 billion barrels of recoverable oil equivalent. Statoil said its North Sea oil discovery could start production in six to eight years from now.

Separately, Statoil and its partners will invest nearly \$2.7 billion to increase volumes from its Asgard B platform in the North Sea. Its plans to compress gas on the seabed. The project is expected to improve recovery from the Midgard prospect and the Mikkel field by about 278 million barrels of oil equivalent.

Royal Dutch Shell confirmed the discovery of two leaks on an undersea pipeline at its Gannet Alpha platform in recent days. It said the second leak

**August
Calendar Averages**
CL – \$86.94
HO – \$2.9296
RB – \$2.8404



was continuing to spill crude into the North Sea after the main leak was effectively plugged. On Monday, it estimated 216 metric tons or 1,300 barrels of oil has already spilled into the sea.

Ghana National Petroleum Corp signed a memorandum of understanding with Saudi Arabia's PetroSaudi International to jointly explore, develop and produce oil and gas and related services in Ghana. Ghana began pumping oil last December from its Jubilee oilfield.

Angola is scheduled to export 1.57 million bpd of crude oil in October, including the Girassol and Dalia streams. It is down from 1.67 million bpd scheduled for export in September.

Brazil's ANP said the country's oil and gas reserves could increase to about 50 billion barrels of oil equivalent with the country's presalt deposits, up from current reserves of 14 billion boe.

Georgia's Kulevi oil terminal on the Black Sea shipped 267,191 tons of crude and oil products in July, 20.9% less than in June. Shipments of Tengiz oil from Kazakhstan through Kulevi in July totaled 79,961 tons.

The Belarusian national oil company Belarusneft is pulling out of developing Iran's Jofeir oilfield over differences with the National Iranian Oil Co. The semi official Mehr news agency reported that the differences between the two countries stemmed from the manner of the field's production, Belarusneft compensation from the development of the field and some technical issues.

Vietnam's Petrolimex will commission its 500,000 cubic meter oil terminal in the second quarter of 2012. It will lease out the 29 tanks in the terminal to third party customers. The terminal would consist of 12 tanks totaling 125,000 cubic meters to store gasoline, 10 tanks of 230,000 cubic meters for gasoil and 7 tanks with 150,000 cubic meters to hold fuel oil.

Iraq's Oil Ministry said it will hold a meeting in Amman, Jordan on September 11th to brief international oil companies on Iraq's fourth licensing round to explore for gas and oil in 12 exploration blocs. The Ministry qualified 41 international companies to compete for blocs in the new bidding round.

Sri Lanka and Russia's Gazprom have discussed oil exploration off the island's northwestern coast and purchase of liquid natural gas. Sri Lanka's government has stated that seismic data shows the potential for more than 1 billion barrels of oil under the sea. Meanwhile, Cairn India is preparing to drill for oil in one of the eight blocks in Sri Lanka's northwestern Mannar basin this month.

The Thai government will temporarily suspend the state Oil Fund's levies on diesel and gasoline beginning at the latest in September. The government plans to revoke the measure once its income boosting policies take effect.

OPEC's news agency reported that OPEC's basket of crudes increased to \$104.78/barel on Monday from \$103.81/barrel on Friday.

Market Commentary

Crude oil was boosted early in the session by weakness in the dollar and strength in the equities, peaking the October contract at \$88.12. A slowing of the European economy reinforced demand concerns, and sent prices retreating from their highs. With global economic growth still showing signs of slowing, prices will continue to encounter difficulty above the \$90.00 level. With open interest in crude oil falling, especially in the front two months, it is apparent that skepticism surrounds this market. The October contract stopped just below \$88.17, the 50% retracement from the recent high of \$100.62 and low of \$75.71. Prices will remain under pressure, encountering difficulty to the upside.

Crude oil: Sept 11 170,220 -32,811 Oct 11 253,216 10,544 Nov 11 144,991 +1,966 Totals 1,562,834 -11,944 Heating oil: Sept 11 63,912 -3,698 Oct 11 57,415 +1,375 Nov 11 37,720 +33 Totals 310,704 +76 Rbob: Sept 11 58,321 -2,598 Oct 11 31,227 +1,641 Nov 11 33,028 +1,011 Totals 253,499 +1,919

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7552		27020	32777	25145	33369
7487	8817	26680	33370	24240	35915
7365	8988	27375	33510	23631	36310
6423	9122	23685		23414	
6394	9726	22960			
6119	9872				
	10071				
	10222				
50-day MA	94.39				
200-day MA	95.25				

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