



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 27, 2009

The head of the Libyan National Oil Co, Shokri Ghanem said OPEC is likely to agree on holding output steady when it meets in Vienna in September due to ongoing oil market volatility.

Russia's Energy Minister Sergei Shmatko said Russia has proposed a meeting with OPEC member

countries in Moscow in the autumn. He said OPEC is interested in maintaining, at a minimum, the same level of contact it has had with Russia last year.

According to Oil Movements, OPEC's crude oil exports, excluding Angola and Ecuador, will fall by 140,000 bpd to 22.53 million bpd in the four weeks ending September 12th. It estimates OPEC is complying with less than 70% of its promised cutbacks. Separately, Lloyd's Marine Intelligence Unit estimated average OPEC seaborne exports increased by 400,000 bpd to 20.7 million bpd in the four weeks ending August 16th.

Israeli Prime Minister Benjamin Netanyahu on Thursday called for crippling sanctions against Iran to halt its disputed nuclear program following talks with Germany's Chancellor Angela Merkel.

Refinery News

ExxonMobil Corp said it successfully finished restarting a major processing unit at its 150,000 bpd Torrance, California refinery.

Market Watch

According to the Labor Department, initial claims for unemployment benefits fell by 10,000 to 570,000 in the week ending August 22nd, the lowest level since August 8th. The four-week average of new claims fell by 4,750 to 566,250. It was the lowest average since the week ending August 8th. The number of continuing claims fell by 119,000 to 6,133,000. The unemployment rate for workers with unemployment insurance fell 0.1% to 4.6% in the week ending August 15th.

The Commerce Department released its second estimate of second quarter GDP, stating GDP fell at a seasonally adjusted 1% annual rate. It said inventories were cut by \$159.2 billion in the second quarter, revised from a previously reported \$141.1 billion cut. Its price index for personal consumption expenditures increased an unrevised 1.3% in the second quarter.

The US National Hurricane Center said Tropical Storm Danny, located about 575 miles south-southeast of Cape Hatteras, North Carolina, is expected to strengthen into the season's second hurricane in a couple of days as it heads more north to northeast on Friday. Meanwhile, the NHC is also monitoring a tropical wave over the far eastern Atlantic with less than 30% of becoming a tropical cyclone during the next 48 hours.

August Calendar Averages

CL – \$71.12
HO – \$1.8918
RB – \$2.0175

Valero Energy Corp said its coker unit at its 144,000 bpd Benicia, California refinery is not processing crude due to repairs. A Valero spokesman declined to give a precise estimate of how output may be affected, saying that if it's a short outage, it should not have much impact on production.

Chevron Corp said operations returned to normal at its 245,271 bpd refinery in Richmond, California following repairs to a unit.

Royal Dutch Shell Plc shut a crude distillation unit at its 140,000 bpd Wesseling refinery in Germany on Tuesday following a minor fire. The crude distillation unit is expected to come back online during the weekend after repair work is completed.

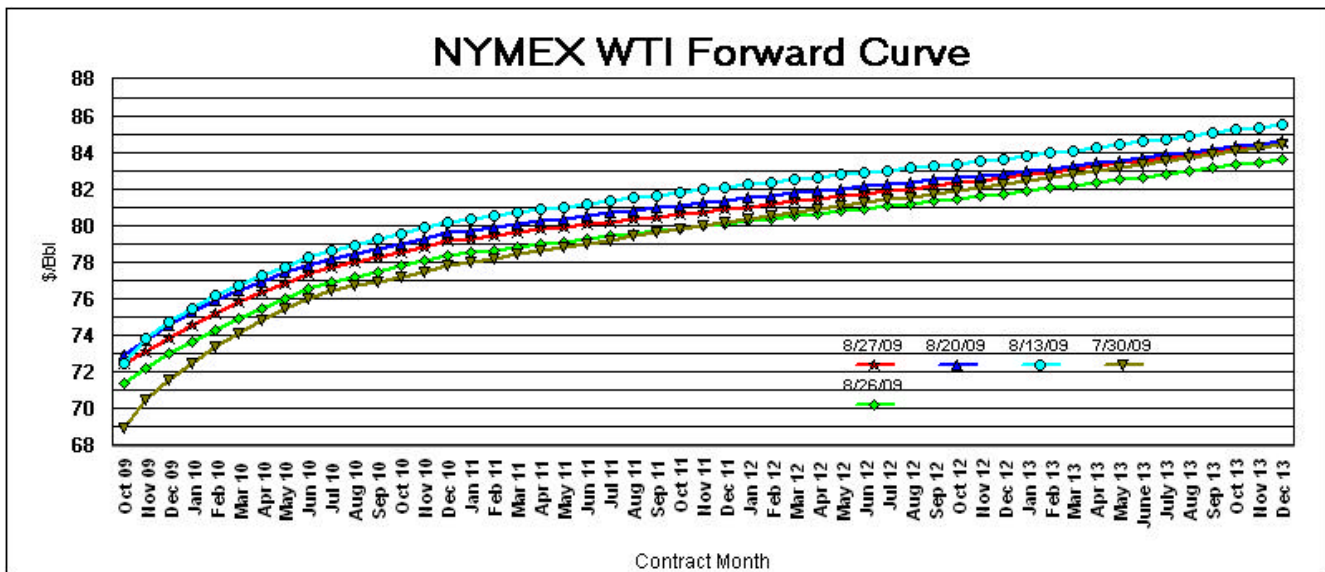
Tesoro Corp has shipped its first barrels of crude oil from the Atlantic to the Pacific Basin on a reversed Panama pipeline. Reversal of the Petroterminal de Panama pipeline, which formally flowed from the Pacific to the Atlantic, creates a new oil conduit from the Atlantic to the Pacific and gives Tesoro access to more crude for its refineries in California, Washington, Hawaii and Alaska.

Trade sources said another 290,000 tons or 2.16 million barrels of distillates are provisionally booked for the end of August loading from Asia to be kept on vessels off Europe/Mediterranean. BP is the latest company seeking to store product, as it provisionally booked to store 90,000 tons of distillate. Glencore is storing 80,000 tons of distillates while two other undisclosed charterers are also seeking to store a total of 120,000 tons of distillates at the end of August. So far, more than 70 million barrels of mid-distillates, mainly diesel, are stored in tankers, up from about 62 million barrels in June.

Western fuel oil cargoes arriving in Asia in September are likely to increase between 9 and 15% to 3.8-3.9 million tons, from this month's estimated 3.4-3.5 million tons. For September, 10 of the 18 fixtures are coming from the US Gulf Coast and the Caribbean, with the remainder from Rotterdam, the Baltics, the North Sea and the Black Sea.

ICAP Shipping estimated that by August 21st there were 64 vessels storing 51 million barrels of clean products globally, up from 52 ships holding 39 million barrels at the end of July due to lower freight rates and brimming land storage despite a narrowing price incentive for companies to hold stocks at sea.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 615,000



barrels to 19.185 million barrels in the week ending August 26th. It also reported that the country's light distillate stocks fell by 597,000 barrels to 10.029 million barrels while its middle distillate stocks fell by 733,000 barrels to 14.275 million barrels on the week.

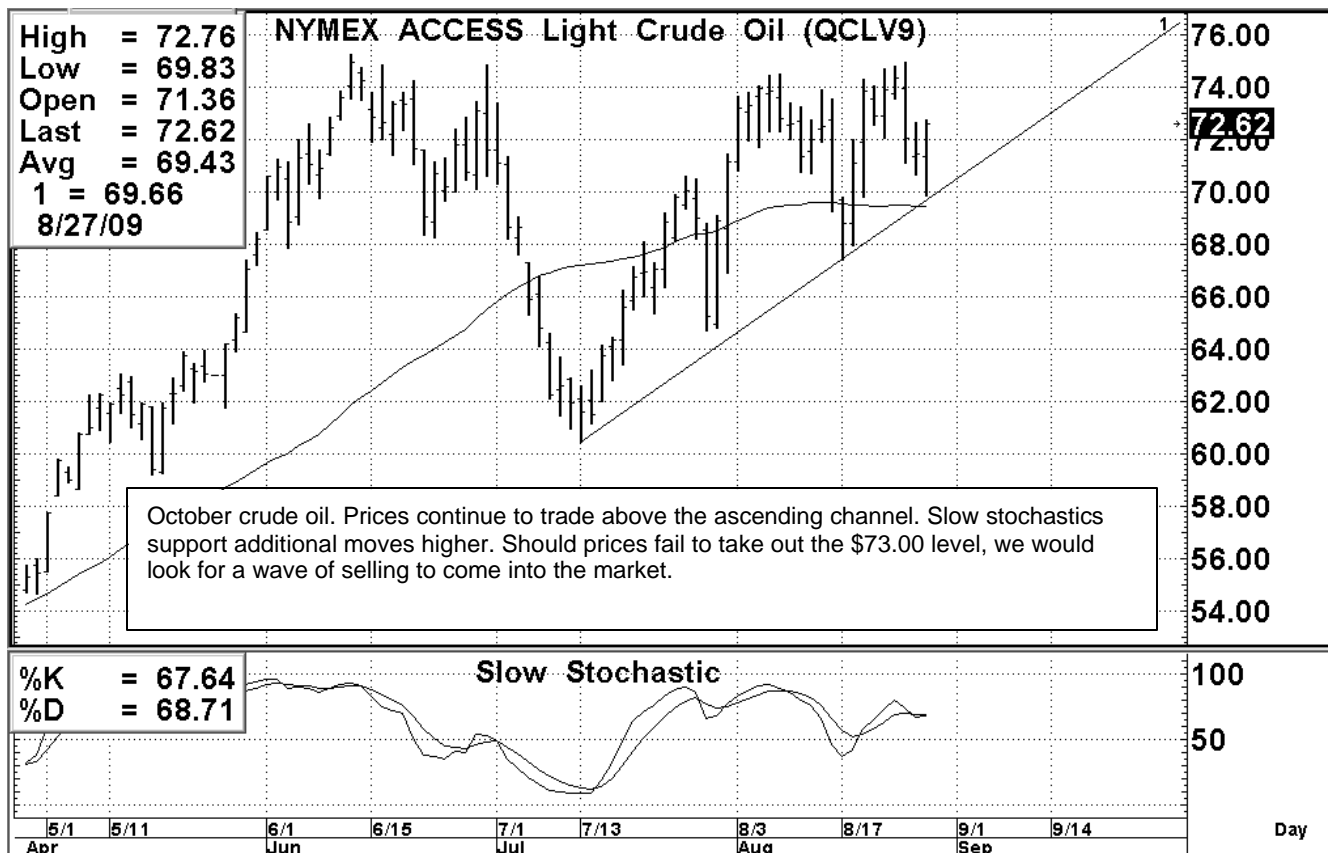
Production News

Indonesia's BPMIGAS said it may bring ExxonMobil to arbitration court if the company fails to produce 15,000 bpd of crude oil from the Cepu block by the end of August. The Cepu block began initial production last December with a volume of about 800 bpd. A BPMIGAS official said ExxonMobil promised to produce 15,000 bpd to 20,000 bpd of crude from Cepu in August however several problems, including land clearing, have caused production delays.

OPEC's news agency reported that OPEC's basket of crudes fell to \$70.44/barrel on Wednesday from \$71.71/barrel on Thursday.

Market Commentary

Crude oil prices fell below \$70.00 a barrel despite slightly better than expected economic news regarding the gross national product and weekly jobless claim. Concerns about demand and overstock inventory numbers helped to push prices lower today. As the end of the U.S. summer driving season nears, gasoline demand forecasted for the U.S. Labor Day holiday is calling for declines. Expectations are calling for a decline of as much as 13% from that of a year earlier. The fact that the holiday is falling late in the year has caused forecasters to lower their numbers as many children have returned to school. The October crude oil bounced back as equities gained and a weak dollar sent investors looking for investments in commodities. The uptrend that began in mid-July remains in tact. October crude oil traded in an outside fashion, obtaining a lower low a higher high and settling higher on the day. This is a signal that prices should continue higher. Moving oscillators are trending in the higher end of neutral territory pointing to the upside.



Crude Oil OCT.09 261,262 -6,668 NOV.09 136,055 +4,585 DEC.09 163,164 -510 JAN.10 38,256 -506 FEB.10 27,476 -1,247 MAR.10 25,383 +2,314 Totals: 1,157,030 -2,066 Heating SEP.09 16,433 -7,929 OCT.09 66,907 -1,739 NOV.09 36,887 +773 DEC.09 46,403 +1,035 JAN.10 23,724 -311 FEB.10 16,735 +420 Totals: 306,147 -7,710 Harbor SEP.09 17,275 -8,099 OCT.09 77,312 -1,919 NOV.09 34,567 +1,091 DEC.09 31,973 -468 JAN.10 15,087 +487 FEB.10 4,389 +187 Totals: 209,726 -8,065

Crude Support	Crude Resistance
69.44, 66.75, 63.38, 62.70, 61.61, 60.95,	73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.7340, 1.4220, 1.4130, 1.3720	2.0420, 204.65
Gasoline support	Gasoline resistance
1.8450, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350