



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR SEPTEMBER 2, 2011**

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The National Hurricane Center said Tropical Depression 13 strengthened into Tropical Storm Lee on Friday in the Gulf of Mexico. It is south of the Louisiana Coast and has maximum sustained winds of 35 mph. The center of the storm is expected to approach Louisiana's

#### Market Watch

The US Labor Department said the US economy failed to add jobs for the first time in almost a year. It reported that nonfarm payrolls were unchanged in August. Data for the previous two months were revised down by a total 58,000 to show payroll increases of 85,000 jobs in July and only 20,000 in June. The unemployment rate was unchanged at 9.1% in July.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 122.5 in the week ending August 26<sup>th</sup> from 122.7 the previous week, which was originally reported as 122.8. The index's annualized growth rate fell to minus 4.3% from minus 2.1%.

The EU's statistics office Eurostat said energy costs pushed euro zone producer prices higher in July as Brent oil prices rallied, however overall inflation pressures were moderate. It said higher crude oil prices increased the Producer Price Index in the Euro zone by 0.5% in July from June. Producer prices increased 6.1% on the year in July, up from 5.9% in June.

The CME Group Inc's daily trading volume increased to an all time record in August. Its daily volume in August averaged 17.1 million contracts, up 46% on the year and 35% on the month. It reported that its daily volume of energy contracts increased by 8.5% on the year.

southern coast over the weekend. The storm has forced several producers to halt some oil and gas production in the Gulf of Mexico. Meanwhile, Katia regained hurricane status on Friday afternoon as the weather system in the open Atlantic Ocean, remains on a north northwesterly path towards the US East Coast. It strengthened to a Category 1 hurricane with winds of 75 mph. The NHC's five day projection showed Katia avoiding landfall, staying well to the north of Puerto Rico and the Bahamas, but continuing on a path that eventually could bring it near the US East Coast.

The US Bureau of Ocean Energy Management said nearly 50% of the US Gulf of Mexico crude oil production and 33% of natural gas production was shut in on Friday as Tropical Storm Lee formed off the Louisiana Coast. It said 666,321 bpd or about 47.6% of Gulf oil production was shut while 1.743 mmcf/d or 33% of natural gas production was shut in on Friday. Royal Dutch Shell said its offshore Gulf of Mexico operations have seen minimal production impact from Tropical Depression 13. Shell evacuated 500 workers and may evacuate more workers, weather permitting. It has shut in production at its Auger, Enchilada, Brutus and Europa fields. Meanwhile, Nexen Inc said it shutdown its deepwater operations as a precaution. It said the shutdown would temporarily impact production in the US Gulf of Mexico until the storm passes. Its production in the Gulf of Mexico currently averages about 22,000 bpd of oil equivalent. BHP Billiton Ltd evacuated all its Shenzi and Neptune platforms and is expected to move its DD1 and CR Luigs drilling vessels into a safe position on Friday. Chevron Corp has shut in some Gulf of Mexico oil and gas production and was evacuating workers

**September  
Calendar Averages**  
**CL – \$87.69**  
**HO – \$3.0246**  
**RB – \$2.8662**

from offshore facilities. The Louisiana Offshore Oil Port temporarily suspended tanker offloadings early Friday due to poor sea conditions. It said deliveries to landside customers are continuing from storage and offloadings will resume when weather conditions improve. Meanwhile, the Port of New Orleans was operating normally on Friday and expected little if any impact on operations from the storm brewing in the Gulf of Mexico.

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The European Union lifted sanctions on 28 Libyan companies in effort to support the rebel forces that have taken control of Tripoli and overthrown the regime of Muammar Gaddafi. The companies include National Commercial Bank, Gumhouria Bank, Sahara Bank, Sirte Oil Co, Waha Oil Co and Libyan Arab Airlines. Meanwhile, five international oil companies have returned to Libya and are working to resume their operations.

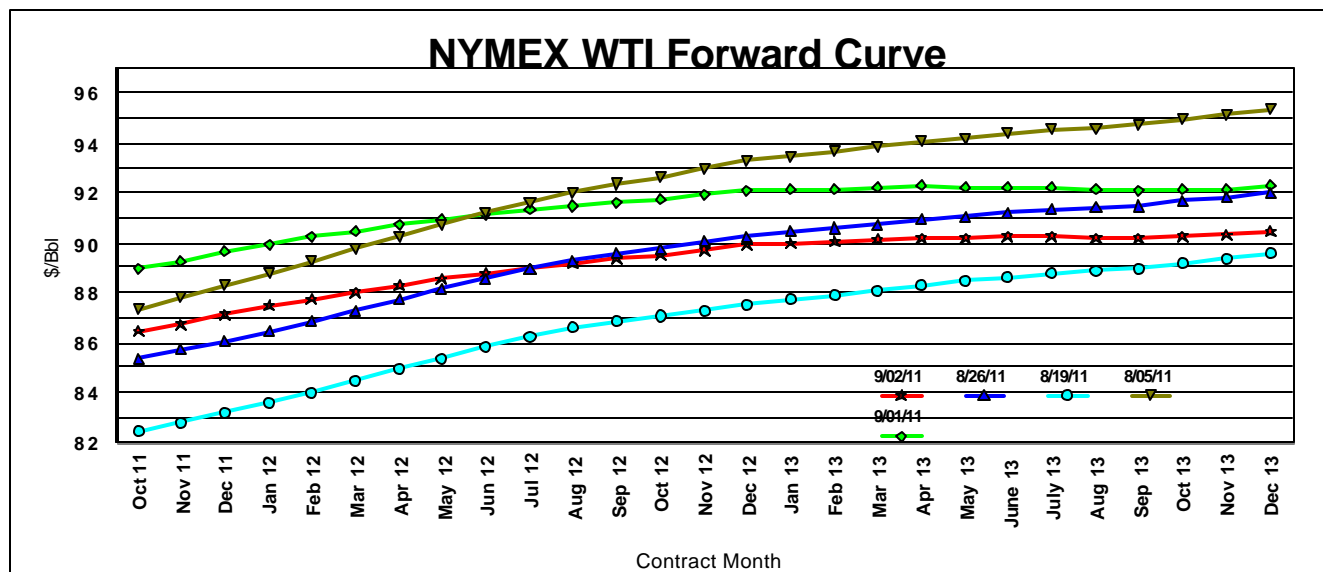
The European Union banned imports of crude oil from Syria on Friday, widening sanctions to protest President Bashar al-Assad's crackdown on dissent. The embargo was imposed not just on the purchase, import and transport of oil and other petroleum products from Syria but also financial and insurance services provided for such transactions. About 95% of Syria's oil exports go to the EU, providing a significant portion of the regime's revenues.

**Refinery News**

Colonial Pipeline said it would allocate Linden Delivery Line segment L2-IMTT, servicing deliveries to IMTT Bayonne, for Cycle 48.

ConocoPhillips' 238,000 bpd refinery in Linden, NJ has resumed production. The refinery was taken out of service on Saturday evening as a precaution ahead of Hurricane Irene.

Delek US Holdings reported a process upset at the sulfur recovery plant at its 60,000 bpd Tyler, Texas refinery. It said sulfur shedding procedures were implemented and normal operations were restored as quickly as possible.



Sunoco restarted a second crude unit in the Point Breeze section of its Philadelphia, Pennsylvania refinery following the successful restart of the No. 137 crude unit. The larger No. 137 unit was shut over the weekend due to flooding following Hurricane Irene while the smaller No. 210 was shut following a fire on August 24<sup>th</sup>.

### **Production News**

Maintenance work has forced delays to as many as 14 of the 24 North Sea Forties crude oil cargoes scheduled to load in September and another cargo has been dropped entirely. The delays follow problems at Britain's Buzzard oilfield and maintenance on the BP Plc operated Forties pipeline.

Russia's Energy Ministry reported that the country's crude oil production increased to a new post-Soviet high of 10.275 million bpd in August from 10.258 million bpd in July. Russia's Energy Ministry expects Russia's 2011 output to average 10.23 million bpd, up from 10.145 million bpd in 2010. It also reported that the country's seaborne crude oil exports supplied to ports by Transneft fell to 2.58 million bpd in August from 2.59 million bpd in July.

Russia's Transneft stated that the country is likely to increase its crude oil exports via the Baltic Sea ports in 2012 by 40% to about 100 million tons.

China's State Oceanic Administration ordered a subsidiary of ConocoPhillips to halt all operations at the Penglai 19-3 oilfield in northern China's Bohai Bay, saying the company failed to seal a leak that has lasted more than two months. ConocoPhillips has been requested to draw up a new environmental impact assessment report for the oilfield and would only be allowed to resume operations once the report has been approved by the government. The Penglai 19-3 oilfield has seven production platforms, with total output of 8.4 million tons/year or 168,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$111.21/barrel on Thursday from \$111.40/barrel on Wednesday.

### **Market Commentary**

An unchanged U.S. employment rate for the month of July combined with strength in the dollar, forced a 2 percent drop in crude oil prices, with the October contract dipping to a low of \$85.42. Impeded job development increased concerns about demand. Despite today's weakness, crude oil was able to hold on to its weekly gain for the second week in a row. Volume was light ahead of the three-day Labor Day weekend. Next week should begin with a move to the downside, testing support around the \$84.00 level. The inability of this market to move above \$90.00 indicates reluctance to hold on and add to length. Gasoline tried to hold on to its strength due to the shutting in of offshore production. As refiners prepare for Tropical Storm Katy, nearly half of the platforms in the Gulf Coast have been shut and staff has been evacuated.

Crude oil: Oct 11 283,290 -3,206 Nov 11 185,589 +7,721 Dec 11 209,366 -2,165 Totals 1,527,954 +4,167 Heating oil: Oct 11 95,851 -1,669 Nov 11 43,110 +923 Dec 11 52,967 -847 Totals 305,976 -2,846 Rbob: Oct 11 81,365 -71 Nov 11 41,878 +2,746 Dec 11 44,442 -1,788 Totals 253,187 +1,942.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 16,348 contracts to 152,688 contracts in the week ending August 30<sup>th</sup>. The combined futures and options report showed non-commercials increased their net long position by 20,112 contracts to 200,609 contracts on the week. Meanwhile the disaggregated futures and options report showed that managed money funds continued to increase their net long position by 18,422 contracts to 161,617 contracts on the week.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7552	8988	27020	32777	25145	33369
7487	9122	26680	33370	24240	35915
7365	9726	27375	33510	23631	36310
6423	9872	23685		23414	
6394	10071	22960			
6119	10222				
<b>50-day MA</b>	<b>91.42</b>				
<b>200-day MA</b>	<b>95.33</b>				

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