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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 15, 2006

Market Watch

Saudi Arabia's reduced its spot crude oil shipments to the US in September compared with its shipments in July and August. Saudi Arabia has hired between three and four Very Large Crude Carriers on the spot market in September. In August, Saudi Aramco chartered eight VLCCs carrying 16.4 million barrels to the US and 10 VLCCs in July.

According to financial publication, Emerging Markets, Iran's Central Bank Governor Ebrahim Sheibany said the country may shift reserves out of US dollars in retaliation against the US Treasury Department's designation of Iranian state owned Bank Saderat as a financier of terrorism. The US designation of the Iranian bank as a financier of terrorism effectively cut the bank off from any dealings with the US financial system.

The head of the IMF, Rodrigo Rato, said the world economy is expected to face testing times due to the danger of inflation, unbalanced trade flows and deadlocked world trade talks.

European Union foreign policy chief Javier Solana stated that talks aimed at persuading Iran to halt its nuclear program were progressing well. He said he hoped for a new meeting with Iran's top nuclear negotiator, Ali Larijani, in the coming days. Meanwhile a French Foreign Ministry official stated that Iran's chief nuclear negotiator was ready to consider suspending its uranium enrichment.

In its monthly oil market report, OPEC cut its demand estimate for its oil by 320,000 bpd for the fourth quarter to 28.86 million bpd due to slowing economic growth. It also cut its demand estimate for its oil for 2006 by 170,000 bpd to just below 30 million bpd while demand for OPEC oil in 2007 is estimated at 28.1 million bpd, down 200,000 bpd from its previous forecast. It also eased its world oil demand growth forecast by 100,000 bpd to 1.2 million bpd. It estimated world demand at 84.38 million bpd this year and about 1.3 million bpd higher in 2007 at 85.68 million bpd. OPEC cut its oil demand forecast for North America in the second and third quarter by 200,000 bpd to 25.11 million bpd and 100,000 bpd to 25.75 million bpd, respectively. Its demand estimate for China was left mostly unchanged at 7.1 million bpd, up 8% on the year. Growth is seen slowing to just under 6% or 420,000 bpd next year to 7.5 million bpd. In regards to oil production, OPEC reported that its production stood at 29.789 million bpd in August, up 90,400 bpd on the month due to an increase in Venezuela's production. The ten OPEC members, excluding Iraq, produced 27.73 million bpd.

US Ambassador John Bolton said attacks on Iraq's oil industry and other critical public facilities have decreased to an average of two per week in the last quarter compared with five weekly during the previous quarter. However he stated that the attacks were still impacting the country's revenues and power generation. He said the attacks posed significant challenges to stability, reconstruction and the transition to Iraqi security forces.

Officials in Yemen confirmed four suicide car bombers were killed after they attempted to blow up two oil facilities on Friday with bomb-laden cars. They stated that the targets included the Safer oil refinery and the Ash Shihr oil export terminal. Operations at the terminal were not impacted. The attacks were timed to coincide with shift changes at the installations. The attempts came days after al-Qaeda's Ayman al-Zawahiri, called on Islamic militants to target oil facilities in the Gulf region.

Refinery News

ExxonMobil restarted its fluid catalytic cracking unit at its 150,000 bpd Torrance, California refinery on Wednesday evening after a mechanical failure shut the unit on Saturday.

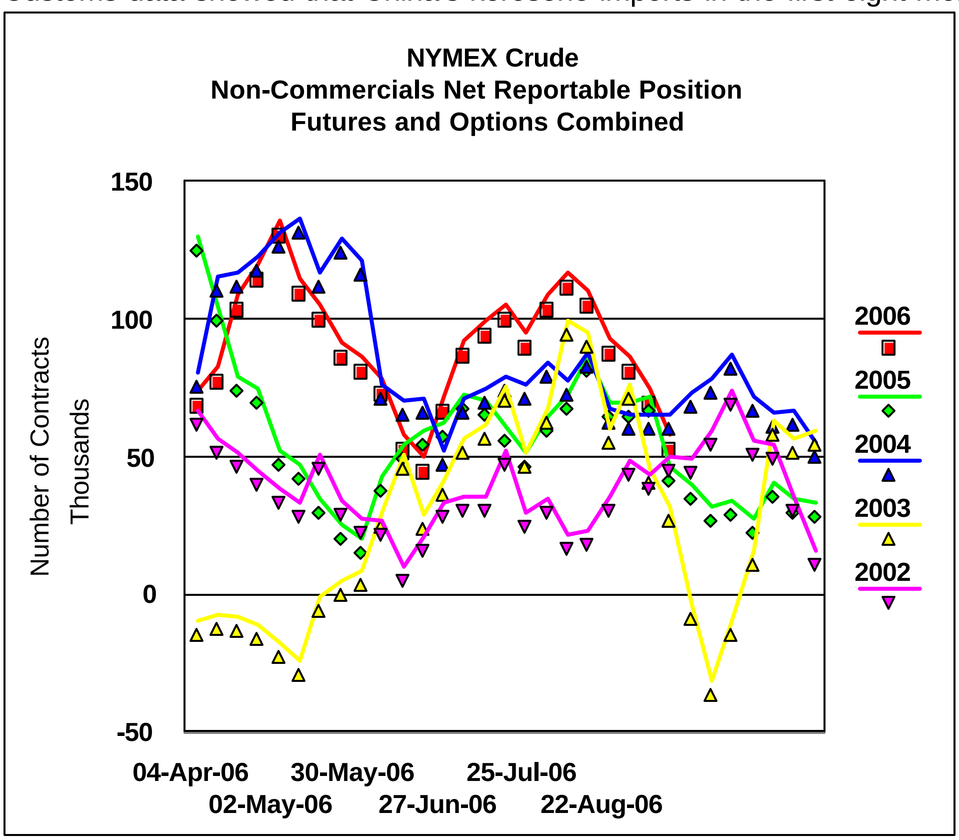
Hovensa's 150,000 bpd fluid catalytic cracking unit at its St. Croix refinery was restarted following a brief shutdown. Hess said there was no significant maintenance work planned at the refinery through the rest of the year.

Colonial Pipeline extended allocations on its main Mississippi to North Carolina distillate line to the 54th cycle as demand for line space exceeded capacity.

Statoil ASA said some units at its Kalundborg oil refinery was closed for planned maintenance. It said work on its condensate refinery unit, which is expected to be complete within eight to 10 days, has cut the refinery's distillation capacity by 35%-40%.

Indonesia's Pertamina plans to shut a 20,000 bpd fluid catalytic cracking unit at its 130,000 bpd Musi refinery on Sumatra Island in December. It also plans to shut a 200,000 bpd crude distillation unit at its Balikpapan refinery for about 30 days next February or March for maintenance.

Customs data showed that China's kerosene imports in the first eight months of the year increased by 92.8% to 3.37 million tons. In August alone, imports of kerosene totaled 540,000 tons. Meanwhile diesel imports in the first eight months were relatively flat at 260,000 tons, with imports in August totaling 30,000 tons.



Venezuela's Oil Minister Rafael Ramirez said the country was currently shipping 200,000 bpd of oil to China, up from a recent official estimate of 150,000 bpd. He said Venezuela aimed to export 300,000 bpd next year and increase its exports to 500,000 bpd by 2009 or 2010.

Production News

Normal oil loadings resumed at Nigeria's Brass River and Escravos oil terminals on Friday after the oil unions suspended their three day strike on Thursday. The unions ended their strike, saying they were satisfied that the government would address their concerns over insecurity in the Niger Delta.

Kazakhstan's State Statistics Agency stated that Kazakhstan's crude oil and gas condensate production totaled 42.517 million tons in the first eight months of the year, up 4.4% on the year. Its crude oil production in the first eight months of the year increased by 6.2% on the year to 35.354 million tons, with production in August increasing by 7.9% to 4.63 million tons.

Ecuador's central bank reported that the country's average oil output in July stood at 542,935 bpd, down from 547,645 bpd last year. Petroecuador said it averaged 290,032 bpd in July while private companies' oil production averaged 252,903 bpd. Separately, Ecuador's Energy Minister Ivan Rodriguez said that figures showing Petroecuador's oil production at about 200,000 bpd could have been inflated by as much as 10%. He ordered a probe after authorities discovered pipelines rigged up in pumping stations to redirect some oil through measuring devices in what appeared to be an effort to exaggerate output levels. He said Petroecuador employees could be involved in the scam that officials believe could have gone on for more than four years.

OPEC's news agency reported that OPEC's basket of crudes increased to $59.22/barrel on Thursday from a revised $58.95/barrel on Wednesday.

Market Commentary

The oil market gapped lower from 63.00 to 62.90 as the market remained pressured amid the reports that oil loadings at Nigeria's Brass River and Escravos oil terminals returned to normal following the suspension of the warning strike on Thursday. The market was also pressured by OPEC's monthly oil report, in which it cut its world demand growth estimates following the estimate cuts by the IEA earlier in the week. The market quickly sold off to a low of 62.05 in follow through selling. It however found support at that level and erased its losses as it rallied to a high of 63.60 on short covering. It remained mostly range bound ahead of the close and settled up 11 cents at 63.33. Volume in the crude market was excellent with over 276,000 lots booked on the day. The gasoline market opened down 72 points at 154.50 and quickly sold off to a low of 154.10. The market bounced off its low and extended its gains to over 3.7 cents as it rallied to a high of 158.95 on short covering ahead of the close. It later retraced some of its gains and settled up 2.28 cents at 157.50. The heating oil market however settled in negative territory, down 87 points at 170.23. The market sold off to a low of 168.60 early in the session before it erased its losses and rallied to a high of 172.50 as traders bottom picked. The market later retraced some of its gains ahead of the close and traded back towards the 170.00 level ahead of the close. Volumes

Technical Analysis

		Levels	Explanation
		64.20, 64.75, 65.75	Previous highs
	Resistance	63.60	Friday's high
CL	63.33, up 11 cents		
	Support	62.05	Friday's low
		61.61 to 61.00, 59.60	Gap(March 22), Previous low
		174.00, 177.50	Previous highs
	Resistance	171.10, 172.50	Friday's high
HO	170.23, down 87 points		
	Support	170.00, 168.60	Friday's low
		167.25, 167.00, 164.00	Previous lows
		162.25, 166.70	Previous highs
	Resistance	158.95	Friday's high
HU	157.50, up 2.28 cents		
	Support	154.10, 153.50	Friday's low
		151.50, 147.00	Previous lows

in the product markets were lighter today with 16,000 lots booked in the gasoline market and 51,000 lots booked in the heating oil market.

The Commitment of traders report showed that non-commercials in the crude market cut their net long positions for the fourth consecutive week. The funds cut their net long positions by 10,297 contracts to 37,020 contracts in the week ending September 12 in the combined futures and options report. The futures only report should non-commercials in the crude market also cut their net long positions by 16,938 contracts to 52,659 contracts on the week. The non-commercials have continued to cut their net longs amid the market's continued sell off in recent days. However non-commercials in the product markets increased their net long positions, with non-commercials in the gasoline market increasing their net long positions by 182 contracts to 1,762 contracts while non-commercials in the heating oil market increased their net long positions by 326 contracts to 7,355 contracts on the week.

The oil market on Monday will seek further direction from any headlines seen over the weekend. However its losses are seen limited as its stochastics crossed to the upside following today's retracement late in the session. The market will seek further developments regarding the standoff over Iran's nuclear program. The market is seen finding support at its low of 62.05. If the market does breach the 62.00 level, more distant support is seen at a gap from 61.61 to 61.00 followed by 59.60. Meanwhile resistance is seen at 63.60 followed by 64.20, 64.75 and 65.75.