



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 16, 2009

Iran's OPEC governor, Ali Mohamed Khatibi said OPEC is worried that non-OPEC oil producers could capture an expected rise in crude demand next year. Though he did not comment what OPEC may decide in the future, the concern indicates OPEC may consider an output increase when demand rebounds to avoid losing market share to non-members.

Algeria's Oil Minister Chakib Khelil said the world crude oil market remains very fragile and

Market Watch

Interior Secretary Ken Salazar said the US Department of the Interior will terminate the agency's oil and natural gas royalty-in-kind program and replace it with a more transparent program. It is the first of several decisions expected as the Secretary restructures the oil and natural gas leasing program and accelerates the federal government's renewable energy leasing. The move follows another Government Accountability Office report criticizing the Interior Department's royalty programs, saying the agency's Minerals Management Service could not adequately account for the government's RIK stocks, resulting in millions of dollars in foregone revenue.

According to a draft EU document, the European Union has joined the US in calling for action to improve transparency in oil markets. The US is expected to call on the Group of 20 nations to increase oil market transparency when the group meets on September 24-25. It said the G20 should commit to improving energy security by increasing oil market transparency and contain speculation. Such action would include reporting comprehensive data on domestic oil markets and taking steps to oversee the over-the-counter markets so that regulators have a more complete view into the actions of market participants.

The US Labor Department said the US consumer price index increased by 0.4% on the month in August, unchanged on the month. It reported that core CPI, excluding food and energy prices, increased by 0.1% as expected. Energy prices increased by 4.6% in August from July but was down 23% over the past 12 months.

Federal Reserve data showed that US industrial production increased for a second consecutive month in August. The 0.8% increase was slightly stronger than the 0.6% increase analysts expected. The report also showed that July's gain was revised up to 1% from the originally reported 0.5%. The capacity utilization rate increased to 69.6%, although that was still 11.3 below the average from 1972 through 2008.

SemGroup LP said it reached an agreement in principle with producers. It said it will file its fourth amended plan of reorganization and is on schedule to emerge from chapter 11 in November as planned.

the development of prices over the short term will mainly depend on economic recovery. He said market fundamentals indicate that demand is weak, that stocks remain high and that OPEC's spare production capacity is rising. He said he hopes prices will fluctuate around the average levels of about \$60-\$70/barrel but added a growing surplus of supply poses a real challenge to short term

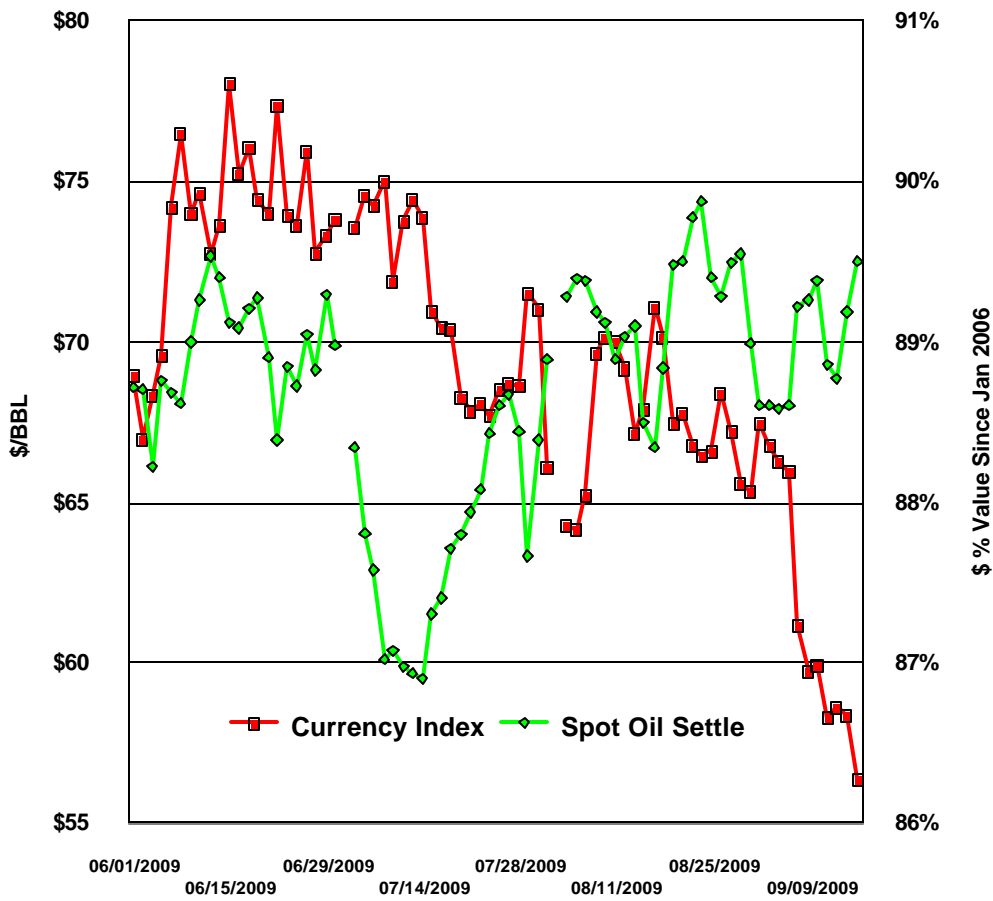
DOE Stocks

Crude – down 4.729 million barrels
Distillate – up 2.237 million barrels
Gasoline – up 547,000 barrels
Refinery runs – down 0.3%, at 86.9%

market stability. He added that Algeria’s compliance with its OPEC quota currently stands at 98% and other members should observe better quota discipline and return to at least 80%.

A Kuwaiti OPEC delegate said OPEC may need to cut oil production next year to match a fall in demand for OPEC’s crude. OPEC estimated in a report that demand for its crude will fall by 460,000 bpd in 2010 from 2009.

Spot WTI NYMEX Settle Vs Dollar Basket
U.S. \$ Vs Basket of Currencies Of Net Oil Importers
\$ % Value Since January 2, 2006



The IEA’s Deputy Executive Director, Richard Jones, said the supply and demand balance looks good but added that a very fast economic recovery could be a problem. He said that although energy markets are well balanced for now, this does not mean OPEC should think it will be wise to cut production. He said if OPEC cuts production, particularly if it is designed to raise the price, it could have a negative impact on economic output.

Iran’s Oil Minister Massoud Mirkazemi said Iran is prepared to deal with any possible sanctions on its imports of gasoline that world powers may impose over

Iran’s disputed nuclear program. The US and Europe may target fuel imports if Iran refuses to enter talks over its nuclear program. President Mahmoud Ahmadinejad rejected as impossible imposing sanctions on Iran’s gasoline imports, urging the Oil Ministry to build refineries more quickly to make the country self sufficient in gasoline production.

Nigeria’s militant group, the Movement for the Emancipation of the Niger Delta said it will extend a two month old ceasefire in the Niger Delta by 30 days but warned the government an amnesty program

had not yet helped settle the issues. It said it will allow for more time for talks but threatened renewed strikes on the oil industry if substantive negotiations are not held. The truce was due to end at midnight on Tuesday.

Refinery News

Colonial Pipeline will allocate gasoline shipments on Line 1 north of Collins, Mississippi for cycle 54 as demand for space exceeds capacity.

BP Plc reported unplanned flaring due to an equipment breakdown on Wednesday morning at its 265,000 bpd refinery in Torrance, California. A notice filed with California pollution regulators did not say which units were involved. The equipment problem did not have a significant impact on production Wednesday morning. Separately, BP reported a leak in an exchanger linked to a fluid catalytic cracking unit at its 417,000 bpd refinery in Texas City, Texas.

Exxon Mobil Corp's idled 115,000 bpd fluid catalytic cracking unit at its 562,500 bpd Baytown, Texas refinery will be down for nearly two months for planned maintenance.

Spain's Repsol said its 120,000 bpd La Coruna refinery is operating at 80%. The coking unit at the refinery has been closed due to low demand.

The Petroleum Association of Japan reported that crude stocks in the week ending September 12th fell by 40,000 barrels on the week and by 9.38 million barrels on the year to 93.72 million barrels. Japan's gasoline stocks built by 260,000 barrels on the week and by 140,000 barrels on the year to 12.6 million barrels while kerosene stocks built by 280,000 barrels on the week but fell by 4.01 million barrels on the year to 19.05 million barrels. Naphtha stocks fell by 100,000 barrels on the week to 11.02 million barrels. Japanese refiners ran their facilities at an average 73.9% of total capacity last week, down 2.9% on the week and down 1.5% on the year. The Petroleum Association of Japan also reported that total oil product sales increased by 2% on the week but fell by 14.2% on the year to 2.72 million bpd. Gasoline sales fell by 4.1% on the week and by 5.3% on the year to 980,000 bpd while kerosene sales fell by 25.1% on the week but increased by 36.5% on the year to 160,000 bpd and gas oil sales fell by 15.1% on the week and by 29.5% on the year to 500,000 bpd. Naphtha sales increased by 7.6% on the week but fell by 8.1% on the year to 340,000 bpd while jet fuel sales increased by 13.8% on the week but fell by 18.1% on the year to 115,000 bpd.

<p style="text-align: center;">September Calendar Averages</p> <p>CL – \$69.82</p> <p>HO – \$1.7645</p> <p>RB – \$1.7965</p>
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Production News

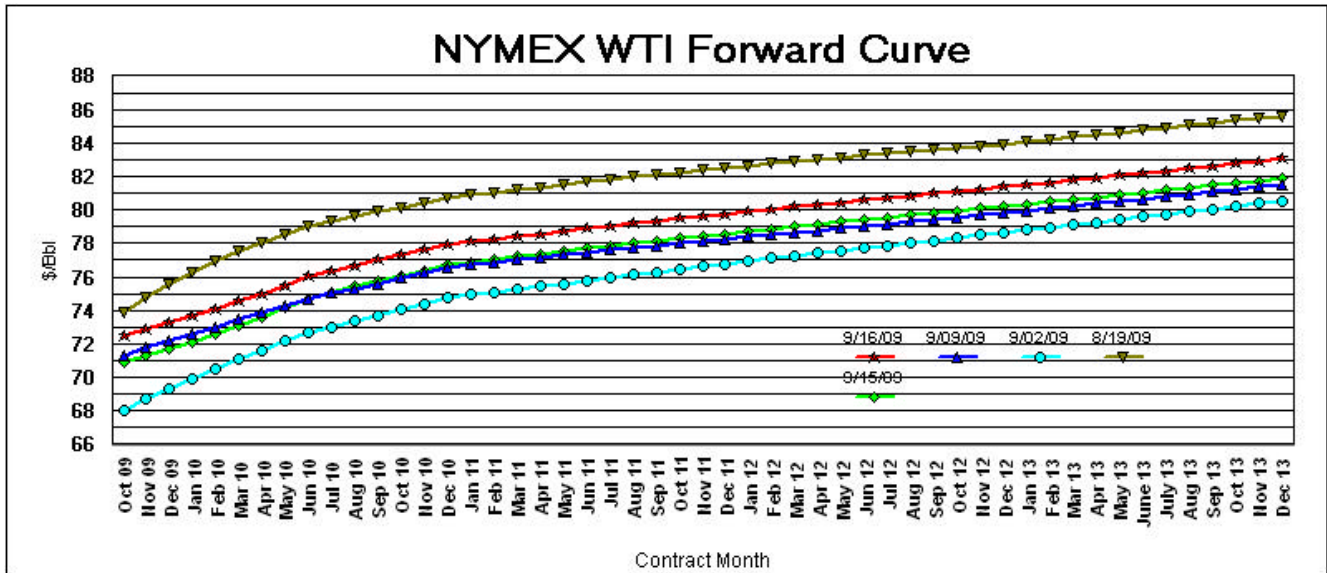
Royal Dutch Shell Plc said its Muskeg River oil sands mine in northern Alberta is operating at full production as an environmental protest entered its second day. Shell said it has allowed the Greenpeace protestors to continue their action, which is aimed at spreading the message that development of Canada's oil sands worsens climate change. It said its offer to discuss concerns about oil sands development and their vision for the energy future still stands. Greenpeace has not yet responded.

Marathon Oil Corp produced first oil from its Volund field in Norway. The field is expected to reach peak production of about 25,000 bpd, which will be produced via the Alvheim floating production storage and offtake or FPSO unit with processing capacity of about 140,000 bpd.

Angola's crude oil exports are expected to fall to 1.82 million bpd in November, down from 1.9 million bpd scheduled in October. The preliminary program indicated that 57 cargoes of crude oil would be loaded onto ships in November, down from 62 cargoes in October when planned exports reach a 2009 high.

Venezuela's President Hugo Chavez signed a \$16 billion investment deal with China over three years to increase its oil output by several hundred thousand bpd in Venezuela's Orinoco belt. He said that between a recently signed Russian project and the deal with China, output would increase by 900,000 bpd.

Colombia's crude oil output in August increased to an average 660,000 bpd from 603,000 bpd in the same month last year. Oil production in August was slightly higher than in July, when output reached 657,000 bpd. The average crude output in the first seven months of the year was 648,000 bpd. Foreign and domestic companies extracted an average 1.06 bcf/d of natural gas in August, up from 872 million cubic feet a year earlier and higher than July's revised 1.03 bcf/d.



Total SA said it does not intend to keep its refinery units recently shut in response to an oversupplied market for the long term. Total halted operations at its Dunkirk refinery and part of its Normandy refinery until the profitability of refining crude improves. Separately, Total said that after production fell in 2009, oil and gas production will increase in 2010, although it did not state by how much. It said the Kashagan oil field will start operations in 2012. Total also said it expects an oil supply crunch by the year 2014-2015.

Danish shipping and oil company Maersk has told at least one buyer it will delay September and October loading shipments of its al Shaheen crude. Work on a project to expand the field's capacity may have led to a delay of a day or two in the loading program for the heavy sour grade. The project aims to expand production at the field to 525,000 bpd from the end of this year.

Russia's domestic oil prices for October delivery fell by 1,000 roubles from September to about 7,375 roubles or \$238.10/ton due to ample supply. Russia's TNK-BP was the first oil major to trade volumes for delivery in October. Industry sources said TNK-BP may deliver over 1 million tons of crude locally in October, flat from September.

OPEC's news agency reported that OPEC's basket of crudes increased to \$66.95/barrel on Tuesday, up from Monday's level of \$66.47/barrel.

Market Commentary

Crude oil bounced up and down today, gaining strength from a weak dollar and an optimistic outlook regarding the economy. A larger than expected draw in inventories helped to push the price of crude

oil above \$72.00 a barrel, dragging both heating oil and gasoline with it. The front month crude oil spread has been narrowing, perhaps giving a hint to the 3.7 million barrel draw in Cushing stock levels. A narrowing of this spread takes away the incentive to stockpile crude oil, thereby impacting storage. Lower crude oil imports may signify that demand is stronger elsewhere and shipments have gone that route. With the overall EIA report supportive for crude oil and bearish for products, cracks were up only slightly. It appears that this market is trying to build a floor but without a consistent economic outlook, we feel that it will be difficult for this market to sustain strength. We would continue to look for crude oil to be range bound between \$75.00 and \$67.00.

Crude OCT.09 111,923 -22,462 NOV.09 274,811 +9,019 DEC.09 170,254 -2,516 JAN.10 57,366 -859
 FEB.10 29,188 -450 MAR.10 31,746 -839 Totals: 1,197,629 -22,709 Heating OCT.09 41,245 -5,143
 NOV.09 57,768 +1,770 DEC.09 53,994 -453 JAN.10 30,452 +661 FEB.10 16,860 +294 MAR.10
 5,842 +886 Totals: 317,062 -1,415 GASOLINE (RB OCT.09 50,402 -3,926 NOV.09 62,268 +2,212
 DEC.09 31,072 -1,763 JAN.10 18,893 +747 FEB.10 5,155 +272 MAR.10 9,597 +487 Totals: 203,784
 -1,841

Crude Support	Crude Resistance
67.00, 66.23, 64.70, 63.38, 62.70, 61.61, 60.95	73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.6600, 1.4870, 1.4220, 1.4130, 1.3720	1.8480, 1.9440, 2.0420, 2.0465
Gasoline support	Gasoline resistance
1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

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