



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 17, 2007

The French Foreign Minister Bernard Kouchner said the world needs to prepare for the possibility of war against Iran over its nuclear program. He said France wanted the EU to support new sanctions against Iran to pressure Iran to give up its nuclear ambitions. He also French companies, such as Total and Gaz de France had been urged not to undertake new work or contracts in Iran. Following France's remarks, Iranian President Mahmoud Ahmadinejad reiterated his commitment to developing atomic energy. However he appealed to people in the US, saying his country wanted peace and friendship with the US. The five permanent Security Council members, Britain, China, France, Russia and the US, plus Germany are scheduled to meet to discuss a new draft UN resolution on sanctions against Iran on September 21 in Washington. The US has stated that it has no ruled out using military strikes against Iran and has stated that all options were on the table. The head of the UN's IAEA, Mohamed ElBaradei criticized talk of attacking Iran as hype, saying such options should only be considered as a last resort and only if authorized by the UN Security Council. He urged both

Market Watch

A meteorologist with private weather forecaster Planalytics stated that a large majority of weather models show a tropical cyclone either developing over or moving into the Gulf of Mexico during the last half of this week.

Goldman Sachs said it expected oil prices to surge to \$85/barrel by the end of the year and added that the market was at risk of rallying as high as \$90/barrel due to tight supplies. It also forecast prices to increase as high as \$95/barrel by the end of next year. Meanwhile, Goldman Sachs raised its margin outlooks for European oil refiners in 2008. However it cut the 2007 estimate by 6% to \$6.61/barrel from its previous estimate of \$7.00. It estimated oil refining margins to average \$7.50/barrel in 2008, up from its previous forecast of \$6.50/barrel. Refining margins in 2009 are expected to average \$8.00/barrel compared with its previous forecast of \$6.50/barrel.

The former chairman of Shell, Lord Oxburgh issued a warning that the price of oil could reach \$150/barrel, with oil production peaking within the next 20 years. He said a rapid increase in the price of oil was inevitable as demand continued to outstrip supply. He added that oil majors had to invest more heavily in developing viable alternatives to oil and gas.

Morningstar said it launched five commodity futures indexes. Its new indexes have three basic strategies, used individually or in combination, for investors wanting to maximize returns from movements in commodity futures prices. Morningstar said its commodity indexes track about 20 futures each and determine the weighting for every commodity based on the dollar value of its open interest.

According to Standard & Poor's Ratings Services, Canadian oil and gas exploration and production companies use commodity price derivatives to temper cash flow volatility. It said efforts to increase cash flow certainty have become increasingly important, given rising cost pressures in the highly capital intensive industry as well as the recent softening in North American natural gas prices.

sides to back away from confrontation. He also suggested that moves to harden sanctions on Iran may be counterproductive.

The EIA reported that US crude oil imports fell by 0.8% on the month and by 2.5% on the year in July to 9.901 million bpd. Canada was the top source of crude oil imports for the 18th consecutive month. Canada exported 1.797 million bpd for crude to the US in July, down from 1.873 million bpd in June. Mexico was the second largest source of crude for the US, with its exports at 1.469 million bpd. Saudi Arabia's exports to the US stood at 1.434 million bpd down from 1.501 million bpd in June. The EIA reported that Venezuela exported 1.167 million bpd in July, up from 1.135 million bpd in June.

Iraq suspended the flow of Kirkuk crude to the Turkish port of Ceyhan since September 11 after storage facilities were full, with about 6.7 million barrels of Kirkuk crude. Iraq's SOMO awarded 4.68 million barrels of Kirkuk crude last week in a tender to four companies.

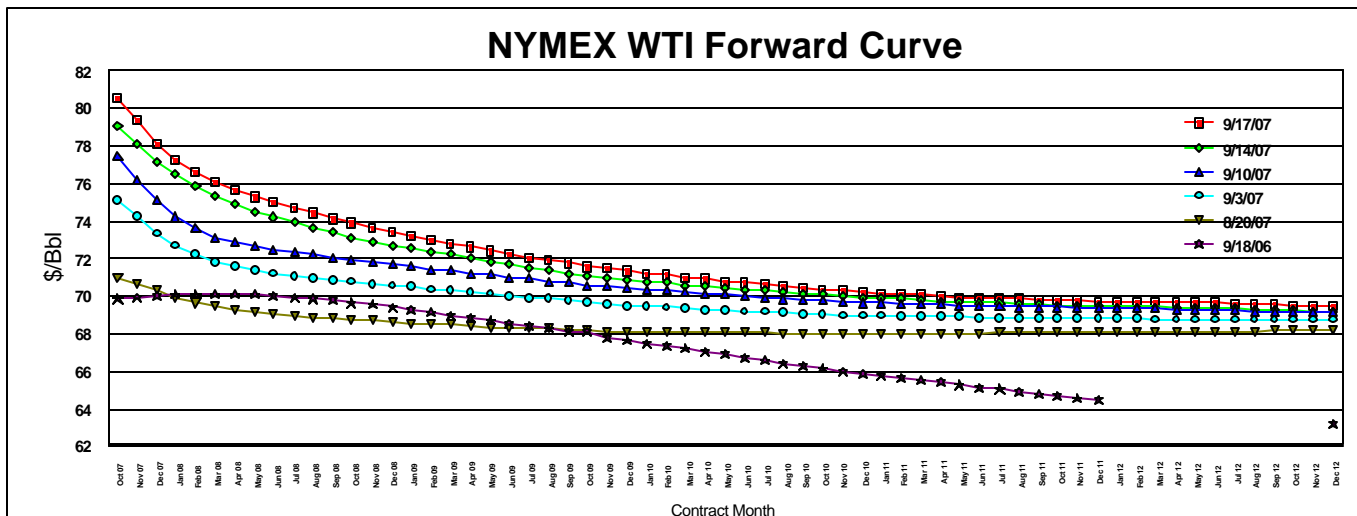
Former Federal Reserve Chairman Alan Greenspan said the US appeared set to weather the housing bubble without falling into a recession. Separately, the Former Federal Reserve Chairman Alan Greenspan said he believed the removal of Saddam Hussein was essential to secure world oil supplies. He said that without the invasion of Iraq, oil prices would likely be in the \$130/barrel range because that is where Saddam was trying to push them. He however stated that he never meant to imply that the Bush administration wanted to invade Iraq for the sole purpose of controlling oil supplies.

Refinery News

Two TEPPCO pipelines carrying gasoline and liquefied petroleum gases from the US Gulf Coast to the Midwest were operating at full capacity after it was shut last week due to a hurricane related power outage. The pipeline operations were restored early Saturday morning after power was restored.

US refining margins fell for a second consecutive week as record high crude oil prices cut profits. Credit Suisse said margins for refiners in the Midwest led the drop, despite a spate of heavy maintenance in the region, falling \$7.13/barrel to \$14.75/barrel. Margins in the Northeast fell by 92 cents/barrel to \$8.15 while margins in the Gulf Coast fell by \$3.24/barrel to \$10.17. Margins in the Rockies fell by \$4.47/barrel to \$21.70 while margins in the West Coast fell by 57 cents/barrel to \$14.11/barrel.

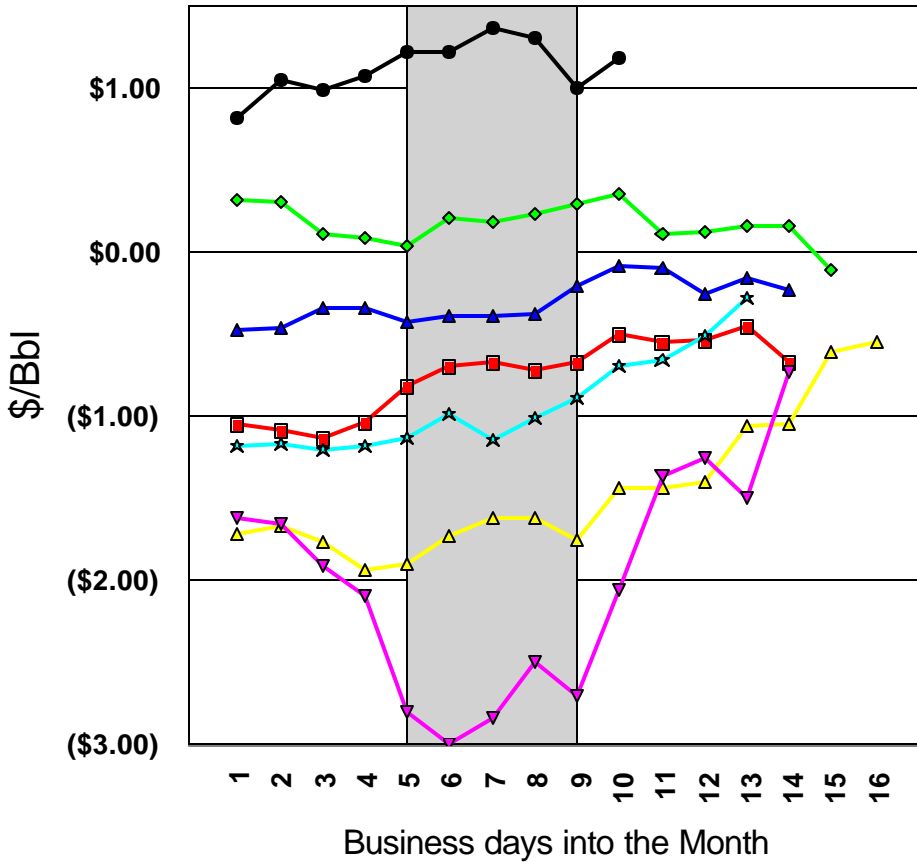
Total said the SCOT unit at its 232,000 bpd refinery in Port Arthur, Texas was shut on Sunday for about an hour. The company said the cause of the shutdown was under investigation.



NYMEX WTI Front Month Spread

Basis Settlement

- Oct-Nov 07 ■ Jly-Aug 07 ★ Oct-Nov 06
- ◆ Sep-Oct 07 ▲ Jun-Jly 07 □ Goldman Roll Period
- ▲ Aug-Sep 07 ▼ May-Jun 07



ConocoPhillips said it would conduct planned maintenance on a fluid catalytic cracking unit carbon monoxide boiler from September 16 to September 26 at its Borger, Texas refinery.

Separately, ConocoPhillips began restarting its fluid catalytic cracking unit at its 216,000 bpd Sweeny, Texas refinery. It is expected to resume operations by the end of the week.

Flint Hills Resources began restarting a reformer at the west plant of its Corpus Christi, Texas refinery on Saturday. The unit was shut for planned maintenance.

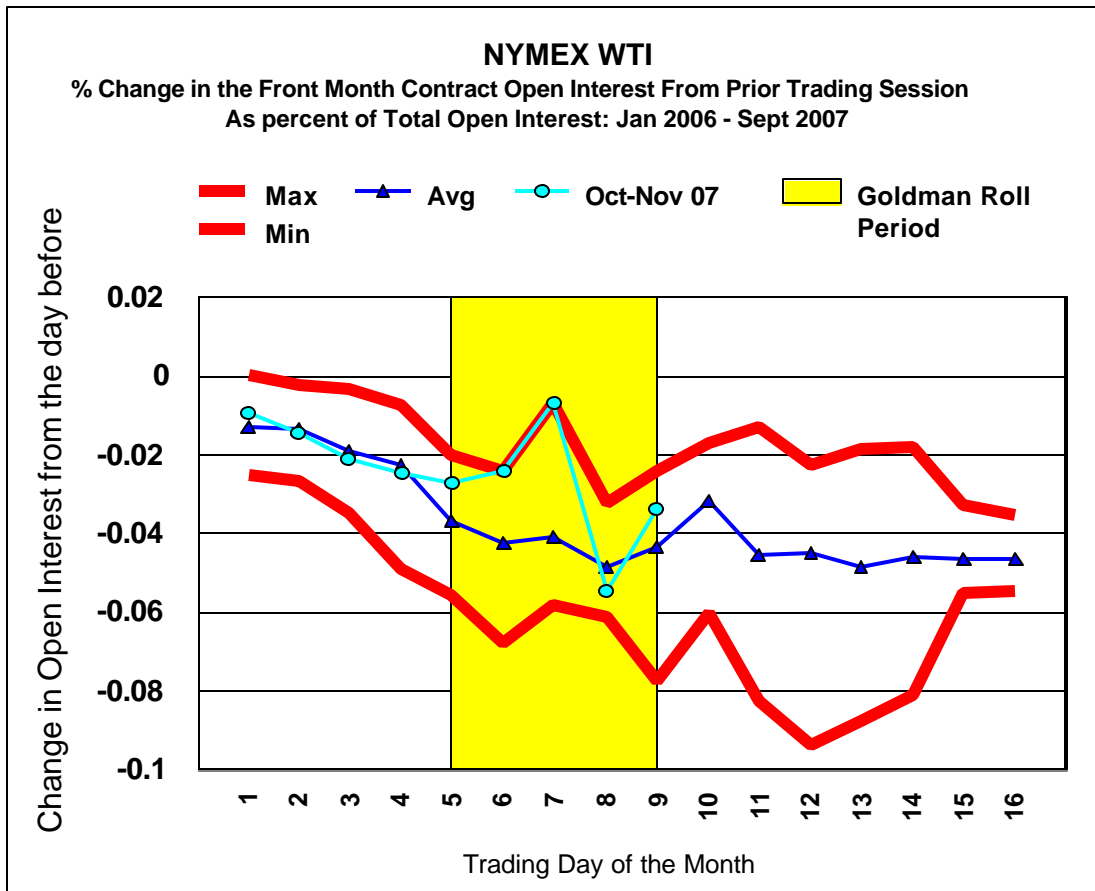
Motiva Enterprises LLC was restarting a fluid catalytic cracking unit at its Port Arthur, Texas refinery after it was shut down due to Hurricane Humberto. It was working to resume fuel production as soon as possible.

A fluid catalytic cracking unit at Pemex's Tula

refinery remained offline due to crude shortages and added that the unit would not be fully operational until later this week. It had previously stated that it would begin normalizing operations at the Tula and Salamanca refineries on Monday. Pipeline blasts early last week by a rebel group reduced crude oil supplies to the two refineries.

Repsol YPF's Puertollano refinery in Spain is scheduled to close for full maintenance at the beginning of October for four to six weeks.

The Moscow refinery is scheduled to cut processing by more than 44% to about 118,000 bpd in October due to planned maintenance at its crude distillation units. A source at the refinery confirmed that the maintenance was planned at some of the plant's crude distillation units as well as at several secondary processing units.



Production News

Angola is expected to export a record 1.8 million bpd of crude oil in November, up 70,000 bpd from its previous record high set in October. Loadings increased for Girassol, Kuito, Dalia and Plutonio grades, offsetting declines in Nemba, Hungo and Kissanje. The country's oil production was pegged at 1.86 million

bpd.

Germany's MWV said total sales of oil products in Germany fell by 11.9% on the year in August to 6.53 million metric tons. It reported that heating oil sales fell by 38.2% on the year to 1.5 million tons while sales of diesel increased by 4.2% to 2.66 million tons. It also reported that gasoline sales fell by 3.7% to 1.88 million tons.

OPEC's news agency reported that OPEC's basket of crudes fell to \$74.48/barrel on Friday from \$74.64/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$2.39/barrel to \$73.76/barrel in the week ending September 14.

Market Commentary

Several supportive factors influenced the market today. Anticipation of a rate cut by the Federal Reserve, statements from France's foreign minister that the world should prepare for war, should Iran obtain nuclear warfare and October options expiration in crude with high open interest in the 80.00 and 85.00 strike prices, with the expected rate cut most likely having the biggest influence today. Not even an increase by OPEC of 500,000 bpd has helped to lower prices and fears of an economic slow down. This increase has been thought to be too little too late. Technically speaking this market is trading on new territory, making upside targets difficult to pick. Upside targets would have to be projected from breakout points. As long as this market continues to hold major support, we do not see it breaking down. Total open interest for crude oil rose by 4,365 to 1,547,851 with October decreasing by 25,828 and November increasing by 22,073. Crude oil support comes in at 80.40, 80.08 **78.45, 78.00**, 77.52, 76.92 and 75.52. Resistance is set at 80.63 and 81.08 and 81.45. The product markets settled in positive territory as they were well supported by the strength in the crude market. The RBOB market

posted a low of 201.08 early in the session amid reports that refineries were restarting their units after they were shutdown due to Hurricane Humberto last week. However the market quickly bounced off that level and rallied to 205.19, where it held resistance for much of the day. The market later retraced some of its gains and held support at 203.00. The market traded back into positive territory and posted a high of 205.21 late in the session. It settled up 78 points at 204.42. The heating oil market posted a low of 219.10 early in the session and never looked back as it held support at that level. The market found continued buying throughout the session and rallied to a high of 223.43 late in the session. It settled up 2.09 cents at 222.87. The product markets are seen retracing some of their gains early in the session. However their losses are seen limited as long as the crude market remains well supported. The RBOB market is seen finding resistance at its high of 205.21, 206.86, 206.97, 208.70 and 212.33. Meanwhile support is seen at 203.00, 201.08 followed by 200.19, 196.64, 194.00, 193.50 and 193.40.

		Explanation	
CL	Resistance	81.08, 81.45 80.63, 80.84	Monday's high
	Support	79.10, down 99 cents 80.40, 80.08, 78.45, 78.25 78.00, 77.52, 76.92, 75.52	Monday's low
HO	Resistance	223.47, 226.17, 228.01, 228.89 223.43	Previous high, Basis trendline Monday's high
	Support	219.10 217.71, 215.57, 213.00, 212.00	Monday's low Previous lows
RB	Resistance	206.86, 206.97, 208.70, 212.33 205.21	Previous highs Monday's high
	Support	203.00, 201.08 200.19, 196.64, 194.00, 193.50, 193.40	Monday's low Previous lows