



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 21, 2006

Iran's President, Mahmoud Ahmadinejad said Iran was willing to discuss the suspension of uranium enrichment under the right conditions. He said Iran was prepared to negotiate if it received fair guarantees in talks with major powers. He said Iran has not hidden anything and was working within the framework of the Nuclear

Non-Proliferation Treaty. He reiterated that Iran would use nuclear energy strictly for peaceful purposes. He insisted that Iran did not need a nuclear bomb. Separately, Iran's President Mahmoud Ahmadinejad reiterated his publicly stated policy positions during talks with the Council on Foreign Relations. The Council on Foreign Relations said Iran's President did not offer any new policies or opinions on issues ranging from Iran's nuclear program to the Holocaust.

Market Watch

Shell Oil Co said it was maintaining its oil price assumption for evaluating projects at between \$30-\$40/barrel despite the recent fall in oil prices. Separately, he said the board of Motiva would meet in the next few months to approve a project that would more than double capacity at its Port Arthur, Texas refinery.

According to a Reuters survey, analysts estimated that WTI crude would average \$68.48/barrel in 2006 and fall to an average of \$64.68/barrel in 2007. Long term forecasts showed a further decline to \$58.84/barrel in 2008 and to \$49.95/barrel in 2010.

Iraq's Oil Minister Hussein al-Shahristani said Iraq resumed its oil exports to the Turkish port of Ceyhan following a suspension of more than two weeks.

According to Oil Movements, OPEC's oil exports are expected to reverse previous declines and increase in the four weeks ending October 7. OPEC exports are expected to increase by 400,000 bpd to an average 25.34 million bpd. It said the majority of the extra oil being shipped from the Middle East is expected to head east. Middle East eastbound sailings increased by 700,000 bpd while westbound sailings fell by 400,000 bpd in the four weeks ending October 7.

Refinery News

Colonial Pipeline co announced the allocation of the 55th cycle distillate nominations for shipment on its distillate mainline, Line 2, between Collins, Mississippi and Greensboro, North Carolina. It was the second restriction Colonial has placed on distillate nominations this month.

A 30,000 bpd reformer unit that was shut on Tuesday at Citgo's Corpus Christi, Texas refinery has not affected premium gasoline production. The unit is expected to resume operations by the weekend.

Total Petrochemicals USA is scheduled to start shutting down 12 processing units on Thursday at its 233,000 bpd Port Arthur, Texas refinery for weeks of planned maintenance.

Japan's Cosmo Oil co said it would carry out a maintenance shutdown at its Sakai plant as planned following an explosion on Wednesday. The refinery is scheduled to be shut for a month of maintenance.

The Shetland Island Council said Brent crude exports from Sullom Voe fell to 237,658 tons in the week ending September 19 from 253,744 tons during the previous week.

Indian refiners processed 12.11 million tons of crude in August, up 12.2% on the year. Domestic crude output increased 12% on the year to 2.7 million tons in August. Officials stated that refiners may increase crude processing further if an increase in domestic demand is sustained.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.463 million barrels to 12.181 million barrels in the week ending September 20. It reported that light distillate stocks built by 710,000 barrels to 7.601 million barrels while middle distillate stocks fell by 630,000 barrels to 7.452 million barrels on the week.

Japan's Ministry of Finance stated that Japan's crude oil imports in August fell 1.7% on the year to 21.836 million kiloliters or 4.43 million bpd.

The Petroleum Association of Japan reported that kerosene stocks increased by 3.42% or 158,569 kl on the week to 4.79 million kl or 30.13 million barrels in the week ending September 16. Gasoline stocks totaled 1.99 million kl or 12.52 million barrels, down 1.58% on the week. Total oil product stocks stood at 14.25 million kl or 89.63 million barrels, up 7.43%. Japan's crude oil stocks increased by 5.4% to 18.32million kl or 115.23 million barrels on the week. Japanese refiners ran their facilities at an average 86% of total capacity of 4.78 million bpd in the week, mostly unchanged from 85.4% reported the previous week.

South Korea's Korea National Oil Corp said the country's total oil and product stocks increased by 1 million barrels to 75.95 million barrels. It reported that commercial oil stocks increased by 21.7% on the year to 19.13 million barrels in August while product stocks increased by 16.2% to 52.62 million barrels. Oil products demand increased by 3.6% to 62.93 million barrels or 2.03 million bpd in August, while refinery crude runs increased to 74.15 million barrels or 2.39 million bpd, up 11.4% on the year. South Korea's crude oil imports increased by 15.1% on the year to 78.69 million barrels in August.

A DOE spokesman said the US government hoped Russia and its foreign partners, could reach an agreement on the Sakhalin production that respects the rule of law. Russia said it would oppose a \$4.2 billion cost over run on ExxonMobil's project on grounds that it would cut Russia's profits. ExxonMobil said it planned to produce 250,000 bpd by the end of the year from Sakhalin-1, with exports scheduled to start at the end of September.

A Russian official said US ExxonMobil would not be able to start regular exports of Sokol crude from its De Kastri terminal in Russia's Far East before November 15 as it had yet to undergo more checks.

Brazil's Petrobras is expected to supply an average of 30 million liters of ethanol each month to Venezuela through a long term contract. The contract is likely to be for two or three years. Petrobras already made two ethanol shipments of 25 million liters each to Venezuela earlier this year and was shipping another 20 million liters to Venezuela last week.

Production News

Eni's Brass River oilfield in Nigeria has resumed normal production of about 200,000 bpd after a sabotage attack late last month damaged its pipelines. A total of about 700,000 bpd of oil was lost during the two week disruption. The company lifted its force majeure, which was put in place on August 24 and covered the loss of 50,000 bpd.

An Iraqi Oil Ministry spokesman said Iraq would tap the al-Ahdab oilfield. The development is expected to start soon with an initial output of 30,000 bpd and increasing to 90,000 bpd within two years. The development of a second field, East Baghdad, is also expected to start soon.

Statoil said it planned to make more acquisitions in the Gulf of Mexico to build a strong position in the region.

Brazil's Petrobras' oil production at four Venezuelan oil fields fell by 8.7% since May to a total of 60,800 bpd. The majority of the decline came from the largest of the four, Oritupano Leona, which saw its output fall to 44,000 bpd in September from 48,000 bpd in May.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.54/barrel on Wednesday from \$58.85/barrel on Tuesday.

Market Commentary

The crude market posted an inside trading day after it retraced some of its previous losses during Thursday's quiet trading session. The market opened slightly higher and posted a low of 60.69. However the market bounced off its low and never looked back. It traded to an early high of 61.50, where it held some resistance and settled in a sideways trading range for much of the day. The November crude contract later breached its resistance and rallied to a high of 61.80 ahead of the close. It settled up 85 cents at 61.59. Volume in the crude market was light with 133,000 lots booked on the day. The gasoline market also settled in positive territory after it too retraced some of its previous losses. The market opened down 21 points at 146.50 and quickly sold off to a low of 144.80. However the market retraced its losses and rallied to the 150.00 level, where it held some resistance as it settled in a sideways trading range. The market later breached that level and rallied to a high of 150.50 ahead of the close. It settled up 3.23 cents at 149.94. The heating oil market also settled up 3.10 cents at 167.88 after it posted an inside trading day. The market posted a low of 165.20 early in the session and quickly bounced off that level as traders did some short covering. The market traded to 167.50 before it settled in a range from 166.10 to 167.10. It however breached its resistance and continued to rally to a high of 168.00 ahead of the close. Volumes in the product markets were light with 18,000

lots booked in the gasoline market and 36,000 lots booked in the heating oil market.

The oil market, which held its support will likely

Technical Analysis			
	Levels	Explanation	
CL	Resistance	65.15, 65.20 61.80, 62.20	Previous highs Thursday's high, Wednesday's high
	Support	60.69, 60.65 59.80, 59.60, 59.55, 59.25	Thursday's low, Wednesday's low Previous lows
HO	Resistance	176.20, 177.50 168.00, 169.30	Previous highs Thursday's high, Wednesday's high
	Support	166.10, 165.20 164.60, 164.00, 159.70	Thursday's low Wednesday's low, Previous lows
HU	Resistance	159.00, 162.00, 162.25 150.50, 151.00	Previous highs Thursday's high, Wednesday's high
	Support	148.10, 144.80 143.40, 138.50	Thursday's low Previous lows

trade sideways ahead of the weekend before attempting to test the 60.00 level once again. The market is seen finding support at its lows of 60.69 and 60.65 followed by 60.00, 59.80, 59.60-59.55 and 59.25. Meanwhile resistance is seen at 61.80 and 62.20. More distant resistance is seen at 65.15 followed by 65.20.

NYMEX Petroleum Options Most Active Strikes for September 21, 2006									
Symbol	Month	Month	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
GO	11	6	P	1.35	10/26/2006	0.0145		575	40.53
GO	11	6	C	1.6	10/26/2006	0.0489	0.0439	53	40.37
GO	10	6	P	1.35	09/26/2006	0.0007		25	45.53
LO	6	7	P	60	05/17/2007	3.13	3.28	15,400	28.66
LO	6	7	P	65	05/17/2007	5.03	5.28	7,375	27.39
LO	2	7	C	65	01/17/2007	3.58	3.42	7,325	28.33
LO	12	6	P	60	11/14/2006	1.8	2.15	5,937	31.01
LO	2	7	P	45	01/17/2007	0.1	0.13	4,983	32.28
LO	2	7	P	55	01/17/2007	1	1.18	4,033	29.95
LO	12	6	C	65	11/14/2006	1.88	1.69	4,016	30.43
LO	1	7	P	56	12/14/2006	1.1	1.28	3,751	32.29
LO	1	7	P	62	12/14/2006	2.88	3.26	3,600	29.67
LO	12	6	P	55	11/14/2006	0.67	0.83	3,569	34.30
LO	2	7	C	75	01/17/2007	0.92	0.9	3,525	28.16
LO	12	6	P	70	11/14/2006	8.13	8.89	2,672	31.47
LO	12	6	P	62	11/14/2006	2.63	3.12	2,615	30.57
LO	12	6	C	70	11/14/2006	0.71	0.65	2,571	30.88
LO	12	6	P	58	11/14/2006	1.22	1.48	2,370	32.10
LO	12	6	C	75	11/14/2006	0.28	0.27	2,353	32.66
LO	12	6	P	69	11/14/2006	7.3	8.03	2,260	31.26
LO	2	7	P	61.5	01/17/2007	2.86	3.2	2,150	28.66
LO	4	7	C	64	03/15/2007	5.36		2,100	27.83
LO	12	6	C	36.5	11/14/2006	26.03	25.22	2,000	84.35
LO	12	6	P	53	11/14/2006	0.43	0.54	2,000	35.61
LO	11	6	P	70	10/17/2006	8.62	9.47	2,000	35.70
OB	2	7	C	2.1	01/26/2007	0.0225		100	34.76
OB	5	7	C	1.96	04/25/2007	0.1225	0.1173	20	29.59
OB	5	7	P	1.76	04/25/2007	0.11		20	29.07
OH	12	6	C	1.85	11/27/2006	0.0634	0.0571	310	31.72
OH	10	6	P	1.9	09/26/2006	0.2212	0.2522	310	41.84
OH	12	6	P	1.9	11/27/2006	0.1763	0.1919	310	32.88
OH	10	6	C	1.72	09/26/2006	0.0122	0.007	101	35.53