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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 22, 2009

Saudi Arabia's Oil Minister Ali al-Naimi said OPEC does not need to cut output next year. He also stated that Saudi Arabia will continue exploring for natural resources despite slowing world energy demand and remains committed to its investment plans. He said the Saudi economy remained strong despite the world economic downturn and that therefore the country's investment plans have not changed. He said if oil prices remain at \$70/barrel,

Market Watch

Banc of America-Merrill Lynch said refinery profits from producing heating oil may double to \$10/barrel as the world economy recovers. It said demand for distillate fuels is increasing as car sales increase and industrial activity accelerates. Refiners will soon need to produce more distillate after curbing output when profits were weak.

BP Plc may have fixed a very large crude carrier to load North Sea Forties crude oil early next month. BP is heard to have fixed the Front Opalia to load Forties crude on October 1-5 at Hound Point, Scotland and ship it to the US Gulf of Mexico at a cost of Worldscale 40. Vitol Holding B.V. has fixed the Bunga Kasturi Tiga to load Forties crude in early October. Traders said the arbitrage window from the North Sea to the Gulf was briefly open early this month, prompting traders to book tankers and cargoes to take advantage of the arbitrage opportunity.

Total said oil prices at around \$70/barrel are enough for the company to continue investing in the sector for now. It also said it will increase its investments in Angola this year by about 50% to around \$4 billion compared to 2008.

China's commodity imports slowed rapidly in August as local demand fell. China was the leader of world commodity markets in the first half of the year, with soybeans, copper, crude oil, iron ore, coal, nickel and aluminum among the traded commodities heading to China in record volumes. However August trade data issued by China's Customs office on Tuesday showed most commodity imports retreating sharply from their highs. Shipments of nickel and zinc to China fell by 50%. Both metals are used in steelmaking, an industry in which China dominates the world. Analysts see the fall in Chinese demand as a pause rather than a halt, since resuming world consumption will add to the demand for Chinese exports, while low freight rates and rising domestic production costs will keep imports attractive.

China's President Hu Jintao promised to fight climate change by setting a new target to rein in the growth of carbon emissions as the economy develops. He said China will seek to cut carbon dioxide emissions per unit of GDP by a notable margin by 2020 from the 2005 level.

API Stocks

Crude – up 276,000 barrels

Distillate – down 1.882 million barrels

Gasoline – up 3.815 million barrels

Refinery runs – down 0.9%, at 83.7%

investment in future energy supply should ensure no future shortages. Saudi Arabia's Oil Minister said the country does not plan to change its oil production in the near future, with production to remain at about 8 million bpd.

Qatar's Minister of State for International Cooperation, Khalid Bin Mohammad al-Attiyah is no longer so concerned about oil

demand. He said there will always be demand for oil.

September Calendar Averages
CL – \$70.25
HO – \$1.7761
RB – \$1.7985

On Tuesday, Gary Gensler of the Commodity Futures Trading Commission testified before the House Agriculture Committee on efforts to bring more transparency to the over-the-counter derivatives market. He said US financial regulations must cover the entire market without exception. Mary Schapiro of the Securities and Exchange Commission also testified and said that the administration's proposal needed to be strengthened to stop market participants from shopping for favorable regulation. The White House's plan would require OTC derivatives to go through central clearinghouses and would encourage trading to move onto regulated exchanges. It would also require dealers to register and operate under federal guidelines.

Meanwhile, US Senator Jack Reed introduced legislation to regulate derivatives such as credit default swaps. The legislation would require standardized credit default swaps and other unregulated derivatives to be traded through a clearinghouse and would subject derivatives dealers to new capital and margin requirements.

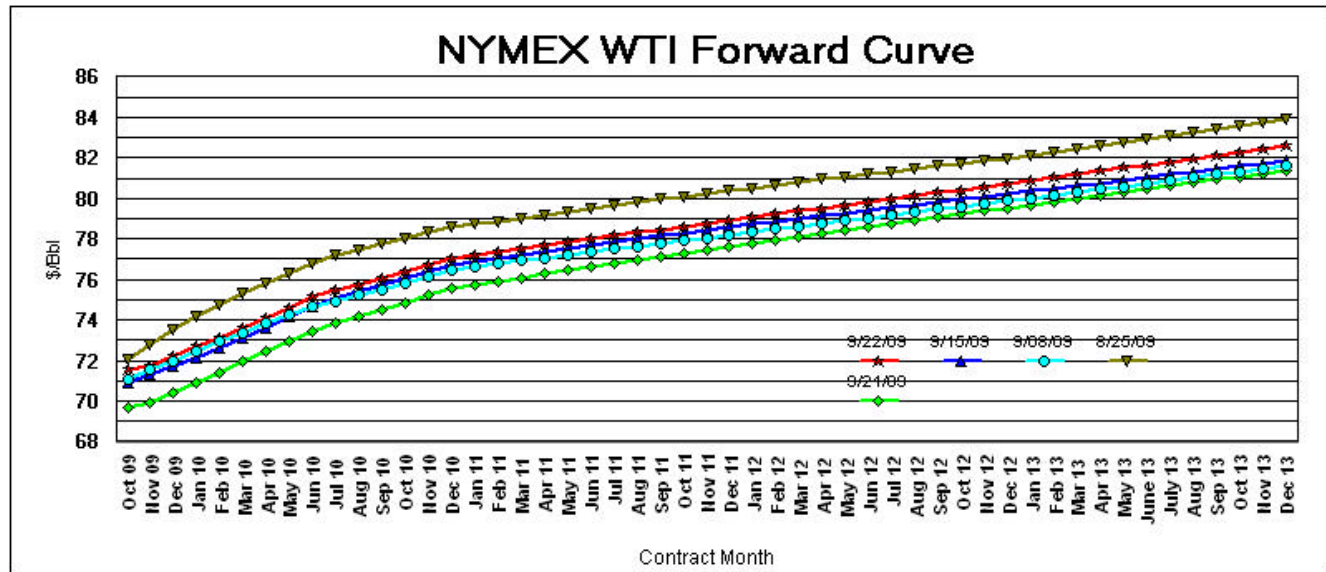
US Treasury Secretary Timothy Geithner said that the financial markets have improved considerably and that the US economy is seeing the first signs of growth. However he said the US is in the beginning of its recovery and still has unacceptably high unemployment. The US unemployment rate reached 9.7% in August.

According to the MasterCard SpendingPulse report, US gasoline demand averaged 9.09 million bpd in the week ending September 18th, up 1.4% on the week. Gasoline demand is up 4.2% on the year. The four week moving average of US gasoline demand fell by 1.7% on the year to 9.03 million bpd. Retail gasoline prices fell by 2 cents/gallon to \$2.53/gallon.

The chief of Iran's Atomic Energy Organization, Ali Akbar Salehi said that the country's scientists have managed to build a new generation of high capacity centrifuges.

Iran's President Mahmoud Ahmadinejad renewed a demand that US led foreign troops operating in neighboring countries of Iraq and Afghanistan leave the region.

EU foreign policy chief Javier Solana said he did not expect Russia and China to oppose Western powers if they call for new sanctions on Iran for refusing to freeze its nuclear program. He added that he does not expect Wednesday's meeting of the six powers on Iran to result in any major decisions.



He said he and the six foreign ministers will discuss the group's forthcoming meeting with Iran on October 1st.

Refinery News

ConocoPhillips will shut a 110,000 bpd crude distillation unit, a 41,000 bpd hydrocracker and a 38,000 bpd reformer unit at its 306,000 bpd Wood River refinery in Illinois for the start of expansion work to increase the amount of heavy Canadian crude oil the refinery can process.

Valero Energy Corp said planned work on a control system in complex 3 of the west plant of its 315,000 bpd Corpus Christi, Texas refinery is not expected to impact production. The work started on Monday and is planned to continue through September 28th.

Delek US Holdings restarted a fluid catalytic cracking unit its 58,000 bpd Tyler, Texas refinery Monday evening after equipment failure led to the shutdown of the unit.

Venezuela's 140,000 bpd El Palito refinery will start producing gasoline as soon as Wednesday after it was shutdown in March. However the refinery is not likely to return to full capacity until next year. The El Palito refinery was shut for a scheduled 70 days to expand the processing capacity of its catalytic cracking and alkylation units. The improvements however took longer than anticipated. Also a fluid catalytic cracking unit at its 305,000 bpd Cardon refinery has also started a restart process.

According to Reuters calculations, China's apparent oil demand in August increased by 2.9% on the year but fell by 5.4% on the month to 7.715 million bpd. China's crude demand increased by 9.3% on the year but fell by 3.1% on the month to 8.061 million bpd while gasoline demand fell by 2.2% on the year and by 10.2% on the month to 1.493 million bpd. Kerosene demand increased by 23.8% on the year and by 0.1% on the month to 361,778 bpd, diesel demand fell by 3.1% on the year and by 2.1% on the month to 2.977 million bpd and fuel oil demand fell by 1.7% on the year and by 30.6% on the month to 457,886 bpd. Its crude production increased by 1.6% on the year and by 1.1% on the month to 3.844 million bpd while its gasoline production increased by 11.7% on the year but fell by 6.3% on the month to 1.635 million bpd and kerosene production increased by 50.6% on the year and by 3.1% on the month to 354,803 bpd. Diesel production increased by 5.7% on the year but fell by 2.1% on the month to 3.03 million bpd and fuel oil production fell by 22.2% on the year and by 0.2% on the month to 290,229 bpd. China's net crude imports increased by 17.4% on the year but fell by 6.7% on the month to 4.218 million bpd.

Russia's Energy Ministry reported that the country's oil refining runs in August increased by 0.4% on the month and by 0.3% on the year to 4.91 million bpd. It reported that Russia's gasoline production increased by 3.3% on the month and by 2.4% on the year. In August, Russian refineries produced 192,000 tons/day of gas oil, up 0.1% on the month but down 0.9% on the year. Fuel oil production in August averaged 169,800 tons/day, up 0.5% on the month and up 1.5% on the year. Jet kerosene production averaged 28,200 tons/day, up 7.5% on the month but fell by 8.7% on the year.

Production News

Suncor Energy Inc's Canadian oil sands production is up about 25% this year compared with last year, while its costs are down 15%. It said production from Suncor's core Canadian oil sands business would increase to about 300,000 bpd during 2009.

Venezuela's Oil Minister Rafael Ramirez said the country aims to build an oil price floor of \$80/barrel to increase its oil production in the coming years. The goal is to double oil production to 6 million bpd by 2030. He said current production in Venezuela stands at about 3 million bpd but that by 2015 the government aims for production to reach 4.7 million bpd and by 2030 production could reach 6 million bpd.

Saudi Aramco's chief executive officer, Khalid al-Falih said it sees little chance of pumping crude from idle fields next year because a recovery in world demand has yet to begin. Saudi Arabia has idled about 4 million bpd or about 30% of its crude oil production capacity. He said he does not expect a major shift in demand unless there is an acceleration of the economic recovery, which is not yet apparent.

Nigeria is expected to export 12 950,000 barrel cargoes of Qua Iboe crude in November, unchanged on the month. Daily shipments in November will average 380,000 bpd, up from 368,000 bpd in October. The Escravos crude oil stream is expected to ship five full cargoes or 158,000 bpd in November, down from 6 cargoes or 184,000 bpd in October. Exports of Agbami crude are expected to average 228,000 bpd in November, up from 220,000 bpd in October. Amenam shipments are expected to be similar to October's volumes at 127,000 bpd while Yoho crude shipments are expected to remain steady at 95,000 bpd.

A Daqing Oilfield Co official said it can produce an oil and gas equivalent of 20 million-25 million metric tons annually for many decades. He said the oilfield will continue to be a large energy supplier to the country up to 2060. Daqing, with accumulated proven oil reserves of 6.36 billion tons, produced about 43 million tons of oil equivalent of oil and gas last year.

Russia's OAO Lukoil Holdings said it has postponed the launch of the Yuri Korchagan field in the Caspian Sea by three months until March 2010 but that it would not affect the company's production plan. It had initially planned first commercial oil from Yuri Korchagan, which is expected to reach peak output of 2.3 million tons a year or 46,000 bpd, by December this year. The company gave no reason for the delay.

Brazil's Petrobras pegs development of recently discovered offshore oil fields as economically viable at little less than \$45/barrel. Petrobras previously said development of the ultra deepwater fields was viable at about \$35/barrel. Petrobras currently has proven reserves of 14 billion barrels. Oil from subsalt fields Tupi, Iara, Guara and Parque das Baleias could have production of between 10.6 billion and 16 billion barrels.

Callon Petroleum Co said oil prices are not expected to rally above \$90/barrel or fall below \$50/barrel in the short term.

OPEC's news agency reported that OPEC's basket of crudes increased by 31 cents to \$68.40/barrel in the week ending September 18th from \$68.09/barrel the previous week.

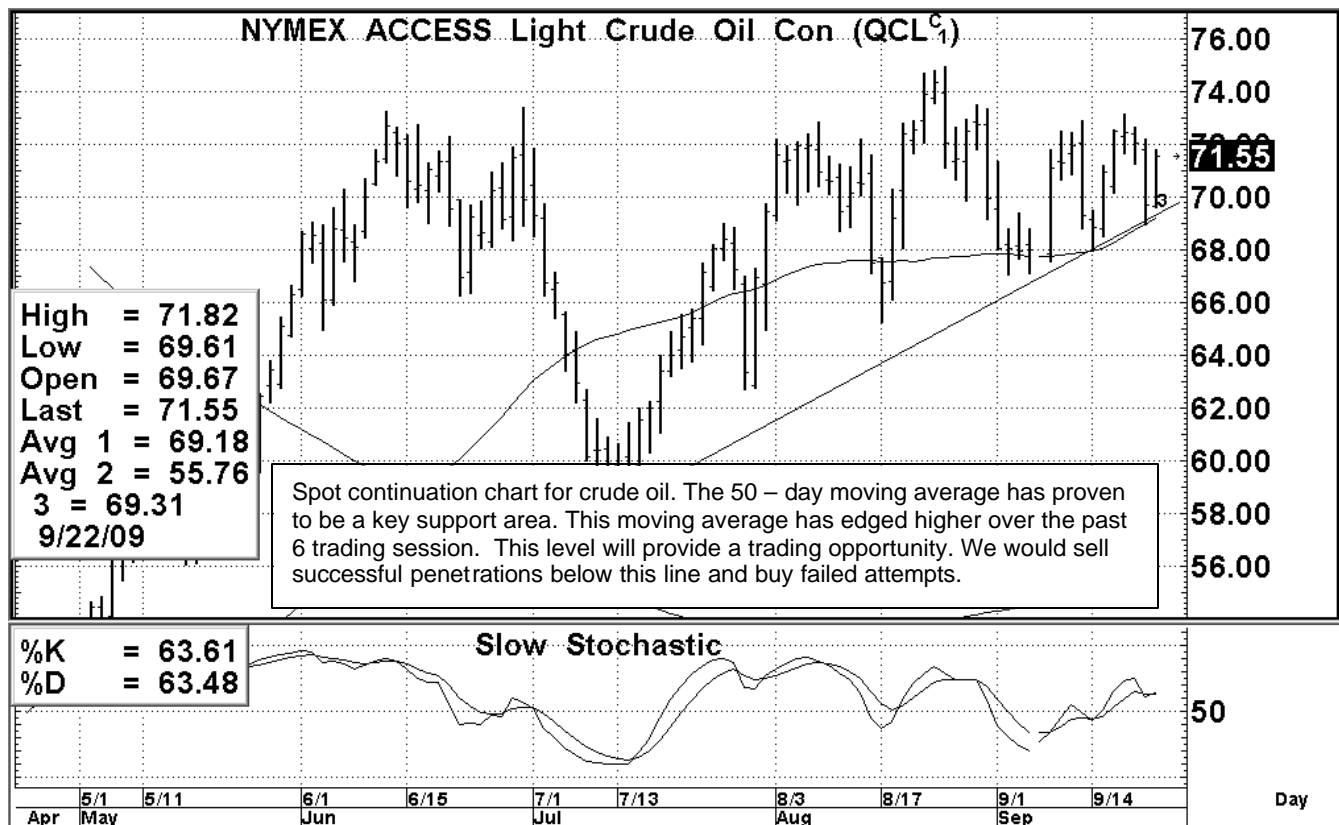
Market Commentary

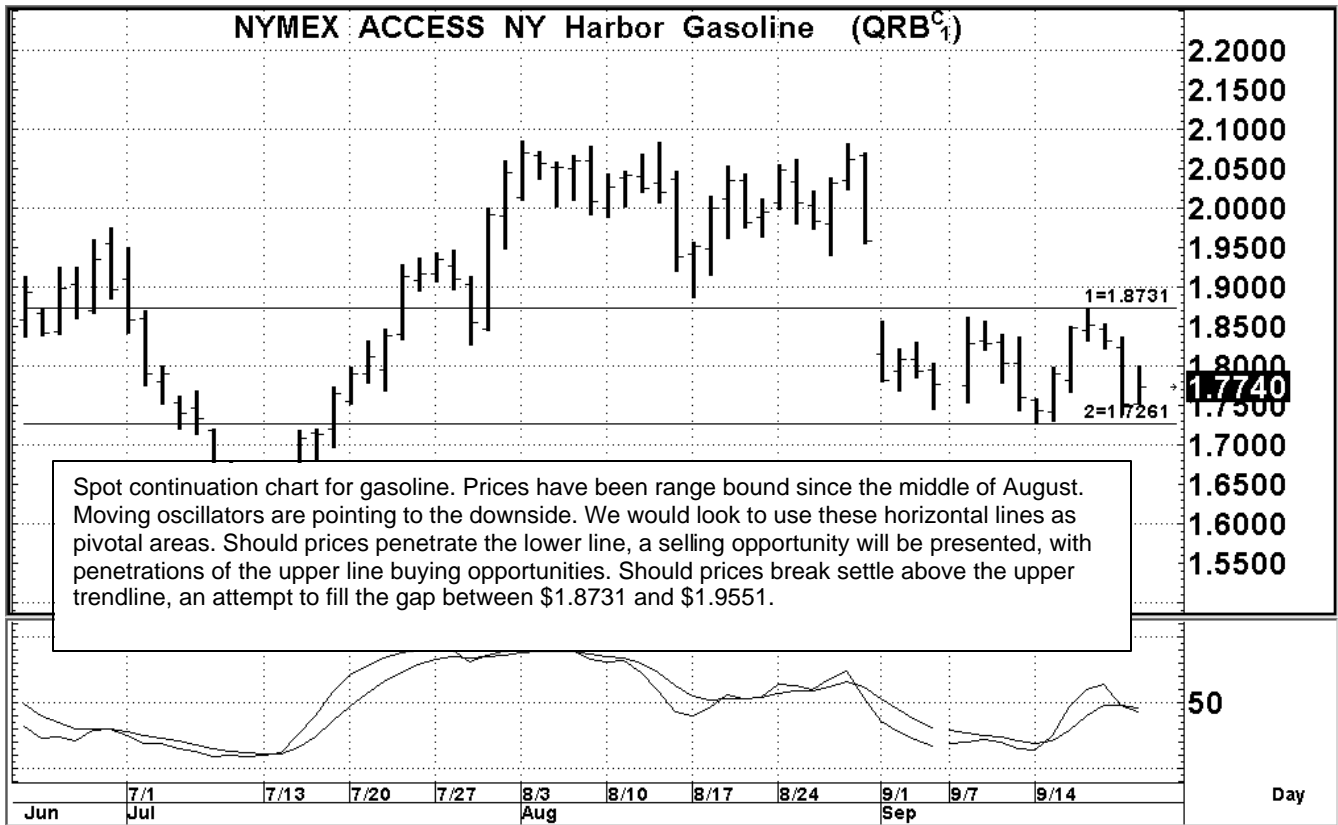
As the dollar weakened, crude oil prices rose for the first time in four days. The dollar fell to its lowest level in a year against the euro, causing investors to turn to commodities as an inflation hedge. The October contract experienced an inside trading session and settled higher on the day. Today's market reaction to the economic situation has caused technicals to turn to the upside. Slow stochastics have crossed and turned to the upside in neutral territory. The 50-day moving average based on a spot continuation chart is proving to be a key support area. The spot month contract has not settled below this number since August 17 despite several penetrations. We would look to use this number as a pivotal area, selling breaks below and buying failed attempts. Crude oil should continue to trade in a range bound pattern between \$67.00 and \$75.00, reacting to any shift in the dollar.

The oil market traded lower following the release of the API report, which showed an unexpected build in crude stocks of 276,000 barrels on the week. Total crude stocks are up 16.8% on the year. It reported a large build of 3.344 million barrels in Padd 3 alone while stocks in Padd 5 fell by 2.32

million barrels. It reported the build in crude stocks as crude imports increased by 219,000 bpd to 9.241 million bpd. It also showed that crude runs fell by 92,000 bpd to 14.643 million bpd on the week. The API however reported that crude stocks in Cushing, Oklahoma fell by 1 million barrels. Meanwhile the API reported an unexpected draw in distillate stocks of 1.882 million barrels on the week. Distillate stocks are up 30.1% on the year. It reported a large draw of 1.497 million barrels in Padd 2. The API reported the draw in stocks as apparent demand increased by 24.1% on the week and by 19.6% on the year to 4.577 million bpd while apparent demand basis its three week moving average increased by 29% on the week and by 53.4% on the year to 4.109 million bpd. Days of forward supply fell from 42.6 days to 41 days. It showed that distillate production fell by 139,000 bpd or 3.3% on the week to 4.132 million bpd. The API reported a larger than expected build in gasoline stocks of 3.815 million barrels on the week. It reported that apparent gasoline demand fell by 8.1% on the year to 8.453 million bpd while apparent demand basis its three week moving average fell by 4.6% on the week to 8.953 million bpd.

Crude OCT.09 19,771 -32,023 NOV.09 312,113 +10,056 DEC.09 171,554 +540 JAN.10 59,495 -517
 FEB.10 27,762 -1,161 MAR.10 31,626 -503 Totals: 1,150,974 -19,971 Heating OCT.09 32,953 -1,880
 NOV.09 59,781 -428 DEC.09 56,246 +167 JAN.10 31,250 +341 FEB.10 17,119 +60 MAR.10 15,423
 -261 Totals: 315,545 -1,135 GASOLINE (OCT.09 38,544 -5,332 NOV.09 70,301 -2,785 DEC.09
 32,857 -947 JAN.10 20,686 -111 FEB.10 5,939 +47 MAR.10 10,884 +620 Totals: 206,913 -8,436





Crude Support 67.00, 66.23, 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance 73.24, 73.85, 75.00, 76.13
Heat Support 1.6600, 1.4870, 1.4220, 1.4130, 1.3720	Heat resistance 1.8430, 1.9440, 2.0420, 2.0465
Gasoline support 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	Gasoline resistance 1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

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