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ENERGY MARKET REPORT FOR OCTOBER 22, 2010

The US National Hurricane Center said Tropical Storm Richard in the northwestern Caribbean Sea will strengthen into a hurricane this weekend before hitting Belize and Mexico's Yucatan Peninsula on Monday. It said after crossing the Yucatan,

Market Watch

The US Labor Department said the number of mass layoffs by US employers fell for a third consecutive month in September as the manufacturing sector laid off fewer workers. It said the number of mass layoff actions defined as job cuts involving at least 50 people from a single employer, fell by 60 to 1,486, the lowest level since May. A total of 133,379 workers were affected.

Russia's Deputy Economy Minister Andrei Slepnev said there is no certainty that Russia will sharply increase export duties on oil products starting in 2011.

Germany's Ifo think tank reported that Germany business sentiment increased in October to 107.6 from 106.8 in September.

the remnants of Tropical Storm Richard could move into Mexico's Bay of Campeche before possibly tracking towards the northern Gulf of Mexico. Elsewhere, the NHC said there was a low pressure system one hundred miles south of the Cape Verde Islands with a 30% chance of strengthening into a depression and another about 1,000 miles east of the eastern Caribbean Islands with a 10% chance of developing.

France's Senate is moving towards the passage of President Nicolas Sarkozy's state pension reform that would raise the retirement age to 62 from 60 while the industrial action in protest of the reform continues. French riot police were deployed in force to break a blockade of the main fuel refinery supplying Paris on Friday. Riot police took control of the entrance to the Grandpuits oil refinery.

The IEA said France has made available 14 million barrels of fuel stocks from its industry stocks to alleviate shortages created by the nationwide strike but added that the country still has sufficient stocks levels and will be able to quickly replenish them. Meanwhile, the head of oil sector lobby UFIP said France has enough fuel supply to last for several weeks or months, even if refineries shut by the strikes are not restarted quickly. The French Committee of Strategic Oil Reserves said France still has 90 days of oil left in its strategic reserves to cope with strike induced shortages. At the beginning of October, France had 17 million tons of crude oil and oil products in its reserves, enough for an estimated 98.5 days of demand.

Refinery News

**October
Calendar Averages**
CL – \$81.94
HO – \$2.2676
RB – \$2.1166

Colonial Pipeline said it was allocating its main gasoline line north of Collins, Mississippi for cycle 62, as nominations on its line exceed its ability to meet the 5 day lifting cycle.

Enbridge Inc said it will ration space next month on its mainline pipeline system, which carries the majority of Canada's crude oil exports to the US because of high demand and capacity cuts following a pipeline break last month. It cut nominated volumes on Line 5, 6A, 14 and the portion of line 62 running downstream from Superior, Wisconsin by 9% for November.

ExxonMobil Corp reported an equipment failure at its 238,600 bpd refinery in Joliet, Illinois. The failure was followed by the release of nitrogenoxide to the flare stack Thursday morning.

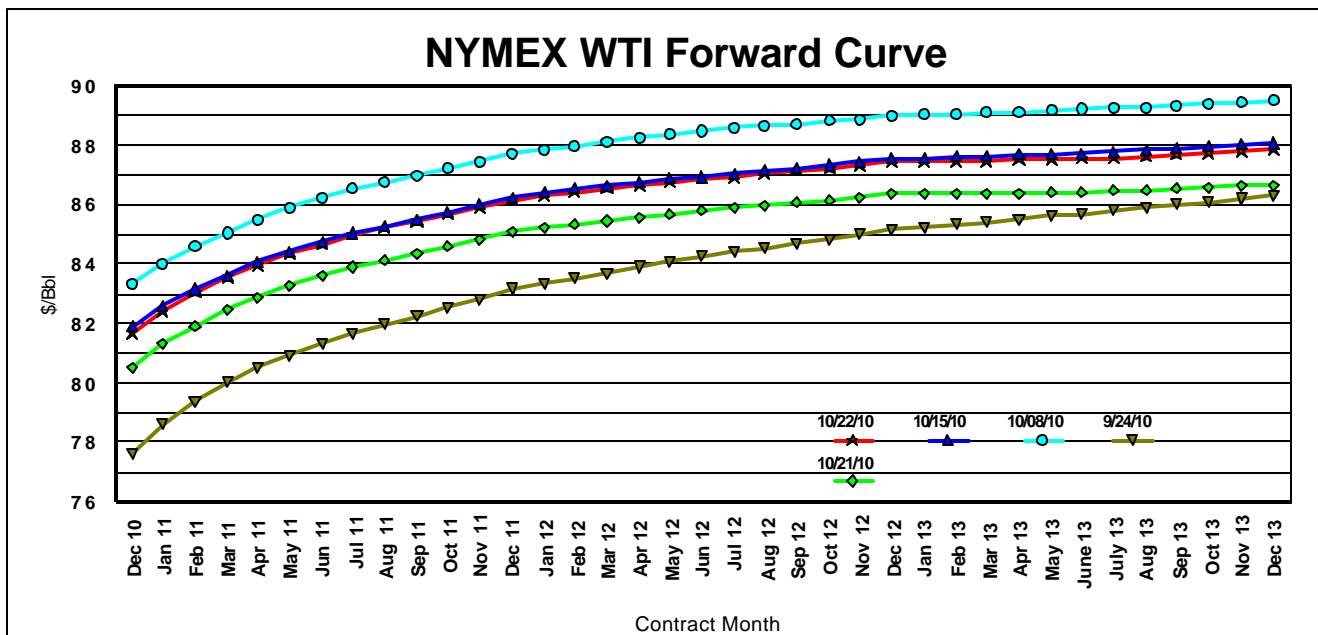
BP Plc began the process of restarting a resid hydrotreater unit train 400 at its 456,000 bpd Texas City, Texas refinery following a maintenance outage.

ConocoPhillips experienced flaring at its 120,000 bpd Rodeo, California refinery on Friday. The cause is unknown.

Chicago gasoline prices fell 2.5 cents to 3.75/3.25 cents under the November RBOB on rumors that a unit at Marathon Oil Corp's Robinson, Illinois refinery resumed operations.

The strike at France's oil ports of Fos-Lavera continued for the 26th consecutive day on Friday. French dock workers union, the Federation Nationale Des Ports et Docks said it does not plan to ease up on strike actions. The union said that although negotiations with the government have moved forward on some fronts, the parties still have not come to an agreement on the issue of compensation for hardship. Port authorities reported that 75 vessels carrying petroleum-related cargoes were offshore waiting to unload. It said that 17 crude tankers and 14 petroleum products tankers were waiting outside Fos-Lavera, with 18 crude oil tankers and 5 product tankers off the port of Marseille.

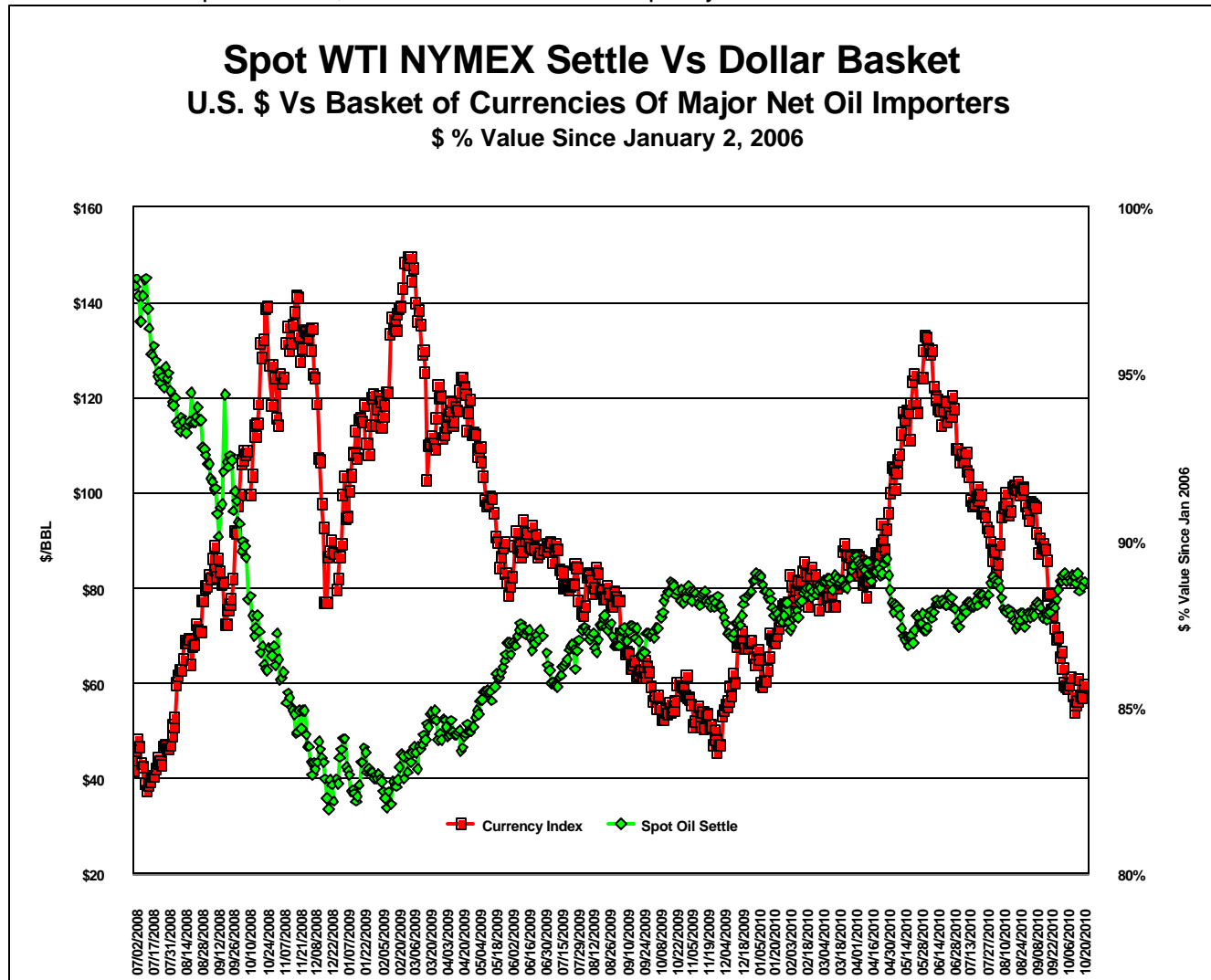
A CGT union source said workers at Total's 230,000 bpd Donges refinery voted to extend their strike over pension reforms until October 29th. Separately, Total confirmed that an appeal court in Paris ruled it could resume its operations to transform its Flanders refinery into a storage unit, overruling a



previous court's decision that ordered Total to stop its 137,000 bpd refinery restructuring and to resume refining operations.

A crude oil pipeline feeding into Total's Vlissingen refinery in the Netherlands has been shut due to a leak. The pipeline repair work may take about a week. The refinery is currently operating at reduced rates. It has about three days of crude oil stocks.

India's Reliance Industries plans to shut one of its crude units and a coker unit at its 600,000 bpd Jamnagar refinery for three to four weeks starting the last week of October. The refinery will process about 1 million bpd of crude, down 19% from its full capacity as a result.



SK Energy Co is scheduled to restart its smaller naphtha cracker at its Ulsan refinery in November, partly due to recovering petrochemical margins. The unit, with an annual ethylene capacity of 190,000 metric tons, was shut on October 27, 2008.

According to a provisional loading program, about 2.1 million metric tons or 513,100 bpd of Russian Urals crude will be exported from the Baltic Sea port of Primorsk in the first ten trading days of November. Russia is also expected to export 1.03 million tons of crude from the Black Sea port of Novorossiisk.

China Aviation Oil Corp issued a tender seeking up to 1.2 million barrels of jet fuel for loading between November and December.

Production News

Statoil restarted production at the Oseberg South crude oil platform in the North Sea. Output was restarted on October 20th and will reach normal levels of 25,000 bpd in several days. It shut the platform for repairs on September 20th after detecting some exhaust leakage from one of the platform's injection compressors. It also said that its Troll B platform was restarted on Thursday evening following an outage.

Separately, Statoil said it is set to begin a series of drilling projects with Eni and Ludin in the Barents Sea after successfully testing an emergency response plan for spills. It will soon begin four exploration well in the Barents Sea.

Husky Energy Inc completed 16 days of scheduled maintenance at its 65,000 bpd White Rose field in Newfoundland. It said production resumed and will ramp up in the next few days.

Iraq's State Oil Marketing Organization said the country's crude oil exports so far this year averaged 1.876 million bpd, down 1.6% from the average the previous year. It reported that 1.463 million bpd was exported via the southern Basra export terminal so far this year while 403,000 bpd was export via the Turkish Mediterranean port of Ceyhan. It also reported that about 10,000 bpd was transported on trucks to Jordan. In September, Iraq exported 2.02 million bpd, the highest level reached this year.

Mexico's Pemex said the country's oil production in September increased by 0.4% on the month to 2.57 million bpd. Its oil exports however fell to 1.337 million bpd from 1.351 million bpd in August. IN the first three quarters of 2010, crude production averaged 2.584 million bpd.

Azerbaijan's State Statistics Agency reported that the country produced 38.551 million metric tons or 1.04 million barrels of crude from January to September, up 1.9% on the year.

Nigeria will increase exports of its Qua Iboe crude in December to 13 cargoes, up from 11 cargoes scheduled to load in November. All 13 of the December cargoes will be full cargoes of 950,000 barrels each. Nigeria will export about 200,000 bpd of Bonny Light crude in December, down from 285,000 bpd originally scheduled to load in November.

Nigeria National Petroleum Corp has invited companies to apply to lift Nigerian crude from January 1 to December 31, 2011. It said applicants must show commitment to the development of the Nigerian economy by investing in the oil industry or other sectors.

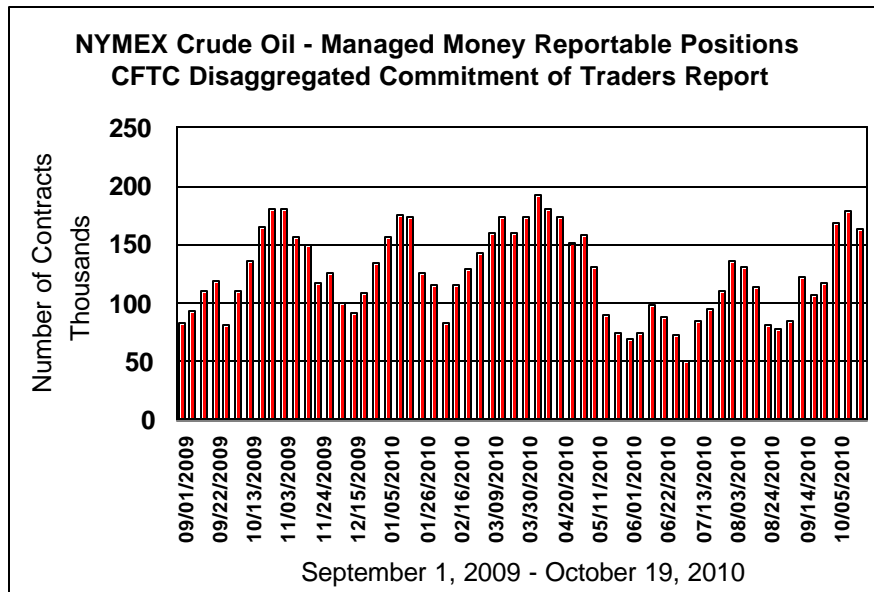
Nigeria National Petroleum Corp cut the official selling price of its Qua Iboe crude and Bonny Light crude by 10 cents to a premium of \$1.50 over Dated Brent for November.

OPEC's news agency reported that OPEC's basket of crudes increased by 55 cents to \$79.26/barrel on Thursday from \$78.71/barrel on Wednesday.

Market Commentary

Crude oil traded higher mid-session, gaining support from economically positive news out of Germany, continued strikes in France and fears that Tropical Storm Richard would develop into a hurricane. According to a report by Ifo, a Munich based research company, Germany's business sentiment reached its strongest level in 3 ½ years. A choppy trading session ensued as the dollar fluctuated above and below unchanged. Market participants are antsy as they await word from the U.S. Federal Reserve regarding its response to monetary easing at its upcoming November 2-3

meeting. This market remains choppy as it responds to supply and demand and global economic news. Technical, crude oil looks constructive as it held above the weekly support line at \$79.43. At the start of next week, we should see higher prices heading back up towards the \$83.50 level.



The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 28,496 contracts to 100,830 contracts in the week ending October 19th. The combined futures and options report showed that non-commercials cut their net long position by 17,722 contracts to 191,813 contracts on the week. The combined futures and options disaggregated report showed that managed money

funds cut their net long position by 15,097 contracts to 163,641 contracts following four weeks of gains. The producer/merchants cut their net short position by 7,226 contracts to 140,239 contracts while swap dealers cut their net short position by 4,238 contracts to 70,068 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 8,660 contracts to 32,905 contracts while non-commercials in the RBOB market cut their net long position by 2,384 contracts to 64,696 contracts on the week.

Crude oil: Dec 10 399,236 -11,377 Jan 11 162,664 -4,337 Feb 11 67,930 +502 Totals 1,396,929 -10,572 Heating oil: Nov 10 35,674 -3,503 Dec 10 96,254 +285 Jan 11 64,697 +2,562 Totals 327,096 +280 Rbob: Nov 10 38,156 -2,235 Dec 10 93,195 +1,207 Jan 11 47,739 -1,166 Totals 278,159 -558

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7943	8350	21860		20130	
7921	8270	21650	23775	18750	22345
7760	8461	20700		18240	24880
7598	8610			16010	27085
7298	8715				

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