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ENERGY MARKET REPORT FOR DECEMBER 15, 2011

Oil Movements reported that OPEC will increase its crude shipments by 140,000 bpd to 23.65 million bpd in the four weeks ending December 31st.

According to an economist from Deutsche Bank, crude oil produced from unconventional basins like the Bakken formation in North Dakota has the potential to transform the US supply picture. He said the unconventional basins would produce large amounts of crude oil that would over time cut deeply into the amount of crude the country needs to import.

US Deputy Secretary of Energy Daniel Poneman

Market Watch

The US Labor Department reported that initial unemployment claims fell by 19,000 to a seasonally adjusted 366,000 in the week ending December 10. Unemployment claims for the previous week was revised up slightly to 385,000 from an originally reported 381,000. The four week moving average of initial unemployment claims fell by 6,500 to 387,750. It reported that the number of continuing unemployment benefit claims increased by 4,000 to 3,603,000 in the week ending December 3rd. The unemployment rate for workers with unemployment insurance in the week ending December 3rd was 2.9%, unchanged from the prior week.

The Labor Department also reported that US wholesale prices increased slightly in November amid higher food and energy costs. The Producer Price Index increased by a seasonally adjusted 0.3% for finished goods in November from a month earlier. This followed a decline of 0.3% in October. The core PPI increased by 0.1%. Energy prices increased 0.1% after declining by 1.4% the prior month.

The Commerce Department said the US current account deficit narrowed in the third quarter. The measure of US international transactions registered a shortfall of \$110.3 billion during July through September. The second quarter deficit was revised down to \$124.7 billion from an initial estimate of \$118 billion.

According to the Federal Reserve, US industrial production fell for the first time in seven months during November. Overall production fell by 0.2% in November following a 0.7% increase in October. The Fed data showed that industries used 77.8% of their capacity in November, down from 78% in October. The Fed data contrasted with an Institute for Supply Management report that showed manufacturing increased in November. The ISM's manufacturing purchasing managers index increased to 52.7 from 50.8.

The New York Federal Reserve said a gauge of manufacturing in New York State showed growth accelerated in December to its highest level since May as new orders improved. The New York Fed's Empire State general business conditions index increased to 9.53 from 0.61 the previous month. New orders increased to 5.1 from minus 20.7 while inventories increased to minus 3.49 from minus 12.20.

Mid-Atlantic manufacturing activity expanded further this month. The Philadelphia Fed said its index of general business activity within the factory sector increased to 10.3 in December from 3.6 in November.

China's factory output fell again in December after new orders declined. The HSBC flash manufacturing purchasing managers' index stood at 49 in December, up from November's 47.7. New orders fell for the second consecutive month with the sub-index at 47.4.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected to stretch from the southwest across to the East Coast in the first quarter of 2012. Below normal temperatures are expected along the Pacific Coast, centered in southern California and the Pacific Northwest and stretching into the northern Plains. For January alone, above normal temperatures are expected to be centered in the south central states but stretch from across the eastern half of the US, with the exception of New England and the Florida peninsula. In those areas and across the central Plains, equal chances of normal, above normal and below normal temperatures are expected.

The closure of Credit Agricole's commodities trading desk is likely to impact its joint venture with EDF Trading. Credit Agricole intends to shut down its commodities trading business but will keep its Geneva based commodities trade finance activities.

**December
Calendar Averages
CL - \$98.95
HO - \$2.9341
RB - \$2.5785**

said the US is in consultation will all parties including China on new sanctions against Iran. The US House of Representatives passed legislation that would expand sanctions on Iran.

South Korea is expected to announce new sanctions on Iran, including a ban on petrochemical product imports. Yonhap news agency reported that the plan would not include a possible ban on crude oil imports from Iran. It may seek a waiver if the US imposed new sanctions that threaten the flow of oil from Iran by shutting down payment channels for Iranian crude.

Separately, Japan is lobbying the US to exempt it from any new sanctions that would prevent it from buying Iranian oil.

Iran's Foreign Minister Ali Akbar Salehi said Iran will place its first domestically produced high enriched uranium into its Tehran reactor by mid-February. It said that within two months, the first fuel plate produced with 20% enriched uranium would be placed in the reactor.

Refinery News

TransCanada Corp announced additional commitments to Keystone XL following a successful open season. It will proceed with an increase in capacity of Keystone XL to 830,000 bpd from 700,000 bpd. It has secured long term firm contracts in excess of 1.1 million bpd. The Keystone XL including the Houston lateral is expected to start operations by the end of 2014.

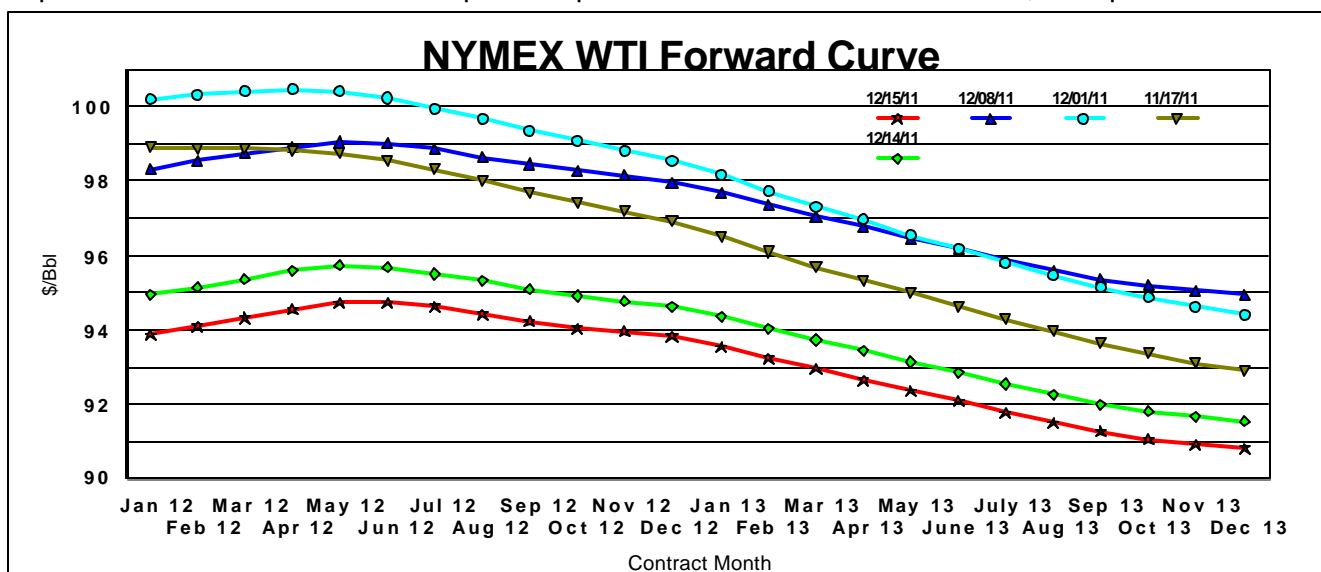
The Houston Ship Channel was closed Thursday morning due to heavy fog that limited visibility. About 50 ships were awaiting entry into the channel. Fifteen ships were in line to leave.

Sunoco Inc shut down a hydrotreater unit at its 335,000 bpd refinery in Philadelphia for unplanned work. Trade sources said Sunoco was seen halting spot sales of ultra low sulfur diesel at some of its terminals in the area due to a lack of product.

Alon USA reported a leak in a pipeline at its Bakersfield refinery.

Saudi Aramco plans to shut some units at its 550,000 bpd Ras Tanura refinery in March for planned maintenance.

Japan's Idemitsu Kosan Co said it plans to process 7.3 million kiloliters or 505,000 bpd of crude oil in



the January-March quarter for the domestic market. It is down 4% on the year.

Japan's JX Nippon Oil & Energy Corp plans to shut its 189,000 bpd crude distillation unit at its Kashima refinery. It is not clear when it will restart the unit.

Vitol SA plans to ship several tankers of West African crude to Europe this month as shutdowns and run cuts at US East Coast refineries have reduced crude imports from West Africa. It has made preparations to load four 950,000 barrel tankers at the end of December.

Japan's Ministry of Economy, Trade and Industry will terminate a temporary reduction in the volume of crude oil and oil product stocks Japan's private sector companies are required to hold at the end of the year. The level would revert to 70 days' supply after a reduction to 67 days in June.

China has started pumping oil into new reserve tanks in its landlocked northwest since September. An estimated 17 million barrels of oil or 190,000 bpd have flowed into both commercial and strategic tanks, recently completed in the Xinjian region and Gangsu province.

German household heating oil tank stocks fell to 59% of capacity at the beginning of December. It is down from 61% at the beginning of November.

Gasoline inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp oil hub in the week ending December 15th fell by 0.62% on the week but increased by 28.94% on the year to 646,000 tons. Gasoil stocks increased by 0.79% on the week but fell by 29.54% on the year to 2.051 million tons while fuel oil stocks fell by 8.5% on the week but increased by 5.26% on the year to 721,000 tons. Naphtha stocks increased by 20.45% on the week and by 186.49% on the year to 106,000 tons while jet fuel stocks fell by 6.19% on the week and by 12.18% on the year to 591,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 146,000 barrels to 17.028 million barrels in the week ending December 14th. It also reported that Singapore's light distillate stocks increased by 567,000 barrels to 11.984 million barrels while middle distillate stocks fell by 150,000 barrels to 7.696 million barrels on the week.

Italy's Union Petrolifera said consumption of refined oil products in the country fell 3.7% on the year in November to 6.04 million tons. Petrol consumption fell 8.1% to 720,000 tons while diesel demand for road vehicles fell 4.2% to 2.09 million tons last month.

Production News

Anadarko Petroleum Corp plans to proceed with the development of its deepwater Gulf of Mexico Lucius oil and gas project, which it expects to hold more than 300 million barrels of oil equivalent. First production from the Lucius project is expected in 2014.

Total SA booked a supertanker to ship North Sea Forties crude to Asia from Europe. The Eliza Very Large Crude Carrier is scheduled to load 2 million barrels of Forties crude around December 24.

India's Oil Minister Jaipal Reddy said India is considering setting up emergency crude oil reserves of an additional 12.5 million tons in the southern state of Karnataka, western Gujarat state, eastern Orissa state and Rajasthan.

India's state run fuel retailers will cut jet fuel prices starting on Friday. Indian Oil Corp is expected to cut prices of jet fuel by 1.4% to INR63,739/kiloliter starting December 16th from INR64,622.34/kl.

China's Ministry of Finance said it would cut tariffs on 730 imported products in 2012, as part of efforts to increase imports and domestic consumption. The tariffs on 730 imported products would be lowered to an average of 4.4%. The reduced import tariffs take effect January 1st and cover coal, oil products, rare earths, copper, aluminum, nickel, rubber and animal feed imports.

Russia's Finance Ministry reported that the country's crude oil export duty is expected to fall by 2% to \$397.50/ton in January from \$406.60/ton in December due to lower crude prices. The export duty on gasoline and naphtha is expected to fall to \$357.70/ton in January from \$365.90/ton in December while the export duty on other refined products, such as diesel and fuel oil, is expected to fall to \$262.30/ton in January from \$268.30/ton in December.

Market Commentary

A decline in U.S. industrial production pushed crude oil lower, with the January contract falling to the lowest level for the spot month in six-weeks. This week, thus far, has been encompassed with bearish fundamentals in the way of the European debt situation, OPEC raising its production level and inventory numbers. Our out look remains unbiased, leaning more towards the downside, due to the European debt crisis and its impact on demand. It appears that trader sentiment is also slightly bearish, with the \$95 and \$94 puts in the January contract gaining their attention. With the inability of the soon to expire January contract to maintain itself above the 200-day moving average of \$95.86, coupled with today's lower close, we would expect additional downside movement tomorrow, with the 50-day moving average, which is set at \$94.18 for tomorrow.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9418	9499	2		24988	25939
9251	9591	29288	30937	24734	26283
8916	10337	28800	31956	24516	
8581	10753	26850		24480	
	11483			23803	
50-day MA	94.18				
100-day MA	90.02				
200-day MA	95.80				

MONTH	CRUDE (NYMEX)				WTI (ICE)				BRENT (ICE)			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
JAN	222579	206704	15875	16.511%	42226	45776	-3550	9.629%	26764	45036	-18272	3.009%
FEB	108125	131740	-23615	8.021%	70888	69129	1759	16.165%	178051	177974	77	20.015%
MAR	136607	138379	-1772	10.134%	32195	32672	-477	7.342%	146637	145928	709	16.484%
Dec-12	170826	170775	51	12.672%	63810	62756	1054	14.551%	98572	96654	1918	11.081%
Dec-13	74815	74620	195	5.550%	37915	37947	-32	8.646%	46233	45330	903	5.197%
TOTAL	1348048	1346495	1553		438525	433813	4712		889577	902040	-12463	

	HEATING OIL				RBOB			
MONTH	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	87874	94102	-6228	32.456%	50137	54451	-4314	18.101%
JAN	41529	38207	3322	15.339%	49930	44855	5075	18.026%
FEB	31882	29833	2049	11.776%	43085	42551	534	15.555%
Dec-12	18504	18547	-43	6.835%	13374	13352	22	4.828%
TOTAL	270744	270267	477		276987	274100	2887	

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