



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 19, 2008

According to Wood Mackenzie, OPEC needs to meet less than half of the forecast gain in demand by 2012. It said OPEC would probably have to increase production not much more than 2 or 3 million bpd by 2012 while demand is likely to increase by about 10 million bpd over the next five years, barring a major recession.

Nigeria's senior workers' union PENGASSAN said it was in talks with the government over a labor dispute with ExxonMobil and added that any strike action was postponed until next week. The union had previously threatened to call a strike in the oil sector

Market Watch

According to DEBKAfile, US Vice President Dick Cheney has been talking about possible US military action to shut down Iran's nuclear program. Vice President Cheney visited Oman on Wednesday after two days in Iraq and is scheduled to travel to Saudi Arabia, Jerusalem and Turkey. His talks have focused on the Bush administration's decision to distance itself from the National Intelligence Estimate report that concluded that Iran's nuclear program was shelved in 2003 and its belief that Iran is pressing forward with programs to build nuclear weapons, warheads and ballistic missiles. The Vice President's choice of capitals for his tour is an indication to the fact that the military option may be on again. The US would need the cooperation of Oman, Saudi Arabia, Israel and Turkey to mount a military attack on Iran.

Trade sources stated that cargoes of gasoline from Europe are seen down substantially for March. They said 19 cargoes with a total of 188,000 bpd of gasoline are fixed for March compared with 400,000 bpd in February.

The American Petroleum Institute launched the API Credit Exchange, to improve trading of renewable fuel credits electronically. It would connect buyers and sellers of renewable fuel credits. The system would not allow any actual trading but merely would serve as a bulletin board to connect buyers and sellers. The service, which requires an annual fee for use, also allows users to track their trades.

Pacific Ethanol said it expects to post a \$14.7 million loss for the fourth quarter and has warned that the company's limited liquidity would require it to obtain additional financing. If the company fails to obtain substantial additional financing, it would be unable to achieve its business objective. It would be forced to delay or abandon the construction of one or more ethanol plants and may be forced to delay or abandon its plant expansion program. It currently has two plants with a total capacity of 75 million gallons/year.

DOE Stocks

Crude – up 200,000 barrels

Distillate – down 2.9 million barrels

Gasoline – down 3.5 million barrels

Refinery runs – down 1.2%, at 83.8%

starting on Wednesday. It said it would decide on whether to call a strike next week depending on the outcome of the high level talks with the government.

The API reported that US demand for crude oil and petroleum products in February fell by 1.3% on the year to 20.997 million bpd due to higher energy prices and a weak economy. It reported that gasoline demand in February increased by 151,000 bpd or 1.7% on the year to 9.176 million bpd while distillate demand fell by 0.6% on the year to 4.571 million bpd. It also reported that crude imports in February increased by 5.5% to 9.549 million bpd.

March Calendar Averages
CL – 106.45
HO – 299.88
RB – 265.05

Refinery News

Marathon Oil Corp said it would convert to 100% ethanol blended fuel (E-10 gasohol) at 16 of its Midwest terminals beginning May 1. It would no longer offer unblended gasoline at its terminals in Indianapolis and Munci, Indiana; Louisville, Kentucky; Detroit, Romulus, Niles, Bay City, Flint, Lansing and Jackson, Michigan; Brecksville, Lima, Oregon, Lebanon and Cincinnati, Ohio and Milwaukee, Wisconsin.

The US Coast Guard reported that ships were moving again along the Houston Ship Channel Wednesday morning after ship pilots called an overnight halt in ship traffic due to fog and storms.

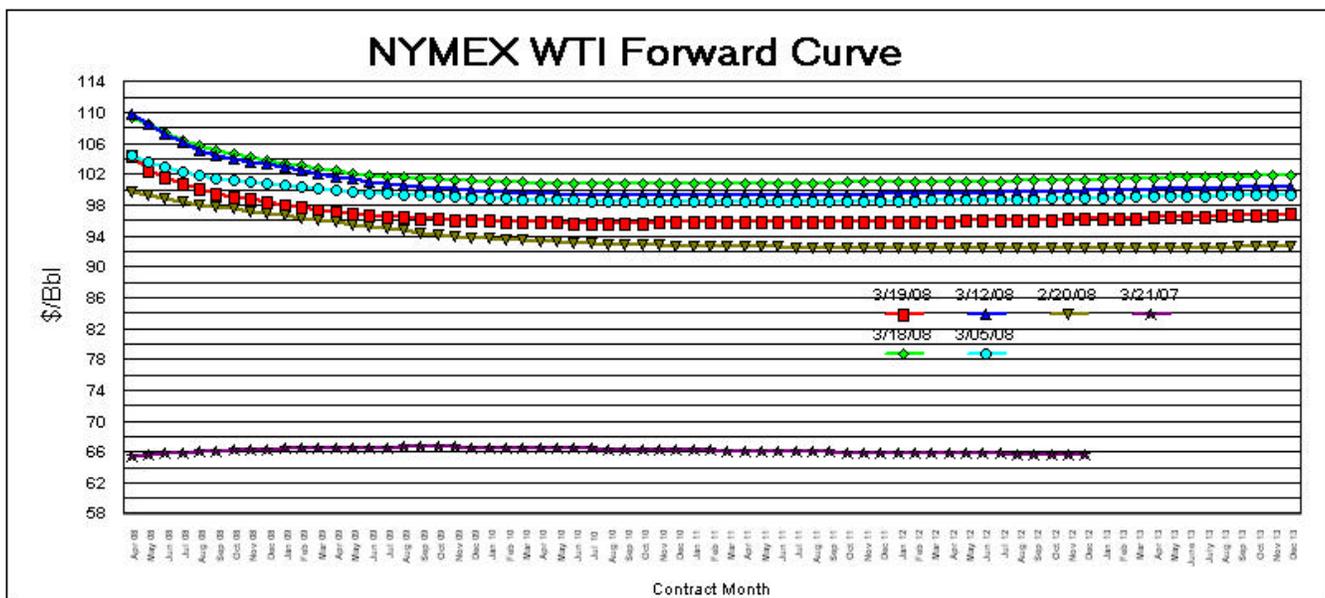
Chevron Corp's 260,000 bpd refinery in El Segundo, California was hit by a power outage on Tuesday night. Separately, Chevron is planning to work on a coker unit at its 320,000 bpd refinery in Pascagoula, Mississippi. The work is expected to take 8 weeks.

BP expects its Texas City, Texas refinery to reach full capacity of 475,000 bpd by the end of the second quarter as it restarts a crude unit, which has been shut since 2005.

Japan's Taiyo Oil Co said it increased its crude refining by 5,000 bpd to 105,000 bpd starting March 14 and expects to increase its runs to 110,000 bpd by Friday, reflecting improved margins for gas oil.

Ukraine's Fuel and Energy Ministry reported that the country's oil and gas refineries processed 1.285 million tons of crude oil and gas condensate in January-February 2008, down 45.4% on the year.

Russia's Lukoil is not scheduled to supply crude to Germany in April due to a pricing dispute. It would be the third consecutive month that the company does not supply crude to Germany.



The Petroleum Association of Japan reported that Japan's crude oil stocks built by 4.95 million barrels to 97.27 million barrels in the week ending March 15. It reported that gasoline stocks built by 860,000 barrels to 14.27 million barrels while kerosene stocks built by 20,000 barrels to 10.69 million barrels on the week. Japanese refiners ran their facilities at an average of 88.9% of total capacity of 4.9 million bpd in the March 15 week, down from 90% the previous week.

Geneva based trader Gunvor has leased its first clean oil storage tanks in Asia at a terminal in southern China. It has take about 50,000 cubic meters of storage for gas oil at the Sinochem-Gree facility in Zhuhai, increasing its overall fuel storage capacity in Asia by more than 30% to 150,000-200,000 cubic meters.

Production News

An Iraqi government adviser said the government is expected to pay up to \$2.5 billion to five top oil companies to increase the country's oil output by nearly 25%. Iraqi is close to signing technical support contracts with BP, Royal Dutch Shell, ExxonMobil, Chevron and Total. Energy adviser to Iraq's Prime Minister said the contracts, which would add 500,000 bpd to current production of 2.27 million bpd, are expected to be signed by early next month.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate output totaled 11.458 million tons in the first two months of the year, up 5.7% on the year. It reported that its crude oil production totaled 9.331 million tons in the first two months of the year, with production in February totaling 4.576 million tons.

Azerbaijan Socar has announced a tender for 600,000 barrels of Russian Urals crude to be loaded at Russia's Black Sea port of Novorossisk in April. The cargo is scheduled to load on April 14-15.

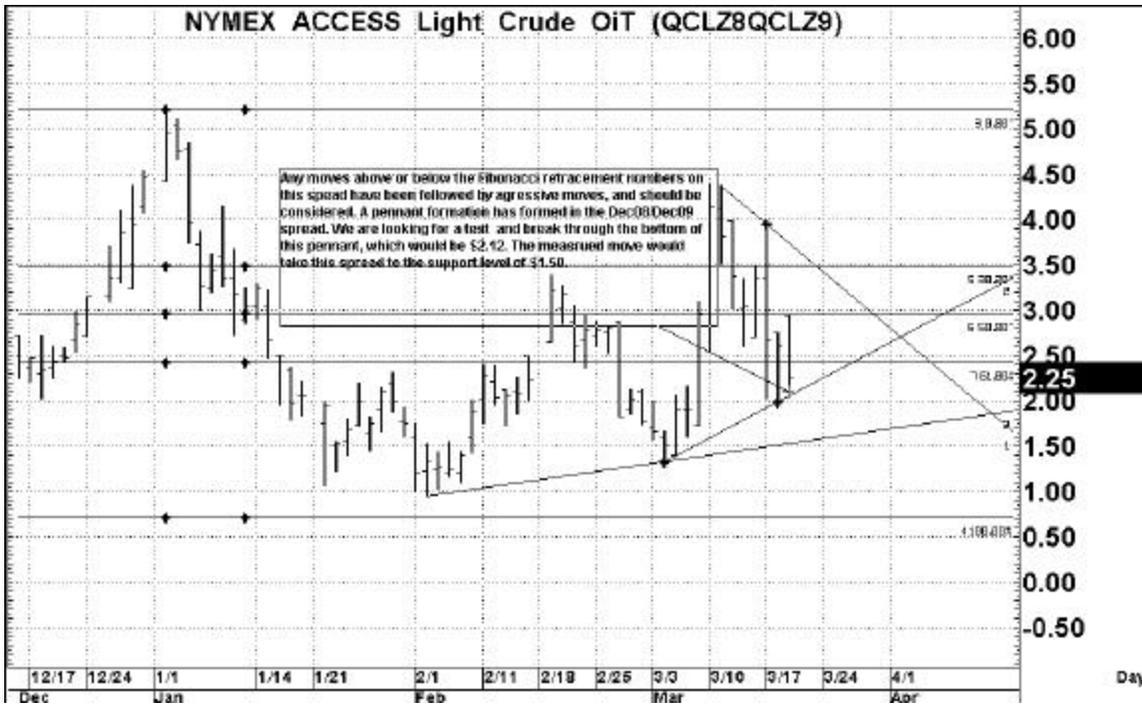
Mexico's proved oil reserves fell for the sixth consecutive year in 2007 to 14.7 billion barrels of crude equivalent from 15.5 billion a year earlier. Mexico's President Felipe Calderon stated that the figures showed the need for an objective debate on oil reform.

Indonesia may revise the oil price in its 2008 budget to between \$90-\$95/barrel due to higher world oil prices. The government and parliament's budget committee had previously agreed to a crude price of \$85/barrel for this year. Indonesia's fuel subsidy bill if forecast to reach 106.2 trillion rupiah or \$11.53 billion this year, more than twice the original budget forecast of 45.8 trillion rupiah due to increasing oil prices.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$100.10/barrel on Tuesday from \$101.41/barrel on Monday.

Market Commentary

The Federal Reserve's latest move to pull the economy out of a recession, coupled with seasonally low demand pushed prices lower today. Despite the lower than expected build in crude oil stocks, market participants continued to pressure the market. Crude oil stocks built by 200,000 barrels last week, lower than the expected 2.3 million build. This lower than expected increase in stock levels, can be attributed to a decrease in imports, which fell by 1.1 million barrels per day. At 311.8 million barrels, crude oil stocks are in the middle of the average range for this time of year. Total gasoline stocks decreased by 3.5 million barrels, greater than the expected 400,000-barrel decrease. Imports for gasoline were 901,000 barrels per day and are currently in the upper limit of the average range. Demand for gasoline based on a four- week average is set at 9.1 million barrels a day or 0.1% lower than a year ago. Heating oil stock levels decreased by 2.9 million barrels and are currently in the lower



half of the average range for this time of year. Distillate demand is set at 4.2 million barrels per day or 0.2% lower than the same four – week period last year. It is the demand figures in products that helped to prompt

today's sell off in prices. There is strong resistance building up in the May contract at \$106.60. Should prices come up to this level and fail to penetrate it, we would look to be sellers, with an initial objective of \$98.35. One spread worth taking a look at is the Dec8/Dec9 crude. It is currently trading at the bottom of a pennant formation, and appears ready to break through to the downside. Should this spread break the \$2.12 support line, we would look to be sellers with an initial objective of \$1.50. Total open interest for crude oil is 1,407,801 down 22,652, April08 34,162 down 39,726, May08 383,196 up 12,167 and Dec08 205,329 up 1,328. The product market also sold off sharply as it retraced Tuesday's gains despite the inventory reports showing larger than expected draws. The heating oil market led the products lower as it settled down 12.12 cents at 301.67. The market posted a high of 312.20 in overnight trading and seemed ready to continue holding support at Monday's low of 298.67. However the market breached its upward trending support line and sold off to a low of 298.59 before it retraced some of its losses ahead of the close. The RB/HO spread settled at -45.64 cents, up from -47.79 cents on Tuesday amid the heating oil market's sell off. The RBOB market posted yet another

inside trading day and settled down 9.97 cents at 256.03. The markets on Thursday are likely to retrace some of today's sharp losses ahead of the long holiday weekend.

		Explanation
CL	Resistance	108.90, 110.35, 111.80, 112.58, 116.13
	Support	104.00, 106.60, 107.89
HO	Resistance	101.79
	Support	101.75, 101.52, 99.55, 98.85
RB	Resistance	315.41, 319.00, 322.20, 330.40
	Support	305.00, 309.45, 312.20
RB	Resistance	300.00, 298.59
	Support	294.85, 292.39, 283.18, 273.97
RB	Resistance	268.25, 273.55, 274.35, 275.56
	Support	258.50, 262.00, 265.63
RB	Resistance	253.26
	Support	249.56, 246.55, 242.37, 238.14, 238.07

Trade Tracker

Trade	Date	Entry level	Current	Profit/Loss
Sell M08 Buy M09	3/13/18	585	540	+450.00 per contract