



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 22, 2008

US Acting Deputy Secretary of Energy Jeffrey Kupfer said oil prices were too high and not beneficial for the US economy. He said the US has been resilient in the face of high energy prices but added that a rally on oil to more than \$118/barrels was an economic threat. Reiterating comments made by US Energy

Secretary Sam Bodman, he said the US would not delay its plan to purchase more oil for its SPR. He said the amount of oil the US was buying to fill its oil reserve amounted to about a 10th of 1% of world production and was not putting undue stress on world supplies. He also stated that fundamentals of supply and demand was a major factor. He said fundamentals were tight.

The International Energy Forum ended on Wednesday with producers and consumers agreeing a weak dollar has pushed prices higher and the cost of extracting more oil has increased. The IEF called on international organizations like the International Monetary Fund to examine what can be done to cushion the impact of high oil prices.

OPEC's Secretary General Abdullah al-Badri said he did not expect OPEC to meet before its next scheduled gathering in September. He reiterated OPEC's view that there was no shortage of oil supply and prices were driven by speculation. He also stated that OPEC planned to spend \$160 billion to add 5 million bpd of additional oil production capacity by 2012. He also stated that OPEC countries planned to invest about \$50 billion to increase refining capacity by about 3 million bpd. Separately, Kuwait's Oil Minister Mohammad al-Olaim said the increase in oil prices stem from a shortage in refining capacity, the weak US dollar and geopolitics rather than market fundamentals.

April Calendar Averages

CL – 110.84

HO – 315.71

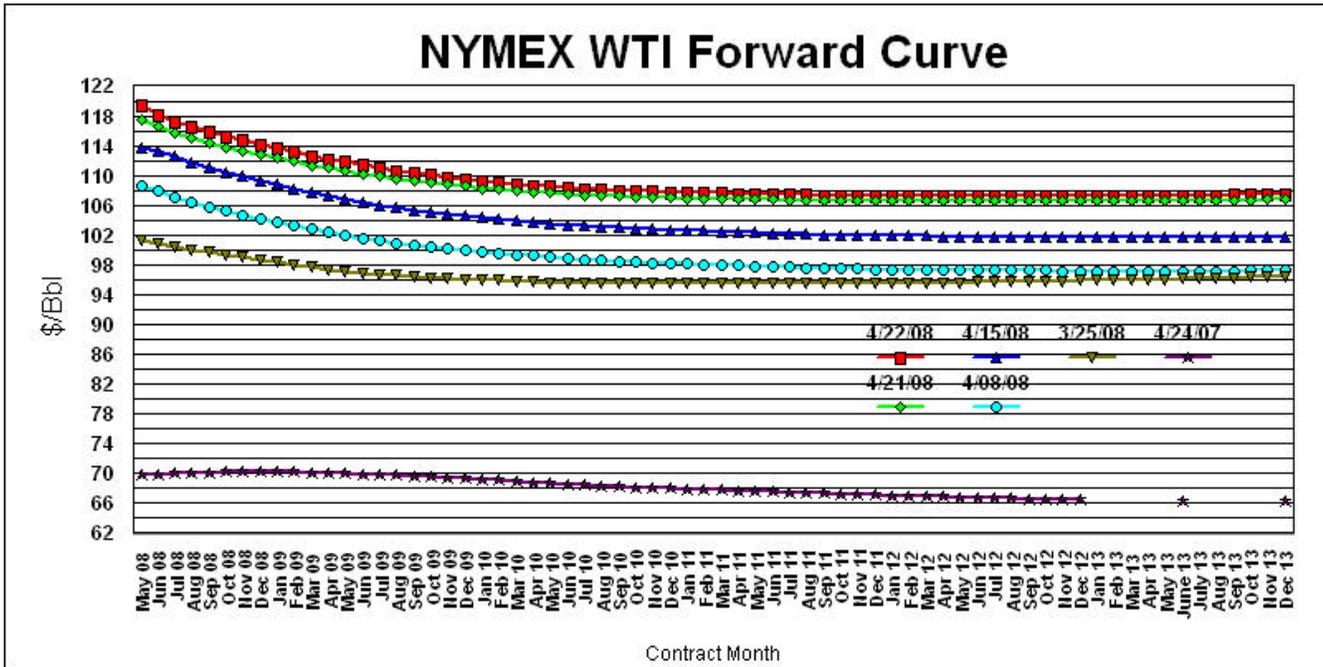
RB – 283.66

Meanwhile, the head of Libya's National Oil Corp Shokri Ghanem said there is little that can be done to lower record oil prices due to a lack of spare global capacity.

Market Watch

The EU has launched a public consultation over the oil reserves member countries hold. The consultation was launched on Tuesday. The EU's executive commission is seeking views on how to revise a directive that advises member states on how much oil to hold for emergencies.

The NYMEX announced that it would cut margin requirements for its ethanol futures contracts at the close of business on Tuesday. It cut margins for the Chicago and New York ethanol swap futures contracts to \$5,400 from \$6,750 for customers while margins for the NYMEX ethanol physical futures contract would fall to \$5,400 from \$6,075 for customers.



Saudi Arabia's Oil Minister Ali al-Naimi said fears the world lacks oil to fuel future economic growth are unfounded. However he said ensuring investment to increase output is the major issue facing the energy industry. He said Saudi Arabia was working to ensure the world market is always well supplied. He said limited capacity was the real source of current global supply tightness and represents the greatest threat to ensure adequate energy to fuel future economic growth.

The executive director of the IEA, Nobuo Tanaka said there was a risk that record oil prices could tip the world economy into a recession.

The strike at France's Fos-Lavera terminal blocked 26 ships in the harbor as unions continued their protest against reform plans to privatize loading activities at France's state run ports. Four chemical carriers, a gas transporter, 18 oil tankers, two cargo vessels and a container carrier were held up because of strike action. The Lavera terminal, which was closed on Monday because of staff shortages following limited stoppages, was still blocked to tankers for safety reasons, while the Fos terminal was operating. Workers on Sunday voted to suspend major strike action until Wednesday however they said they would continue more limited protest actions.

Nigeria's Minister of State for Oil, Odein Ajumogobia said recent disruptions to Nigeria's oil production due to rebel attacks was not significant. He said 25,000-30,000 bpd of production was affected due to last week's pipeline sabotage. However Royal Dutch Shell confirmed that it shut in 169,000 bpd of Bonny Light crude production due to the pipeline sabotage on Monday. Royal Dutch Shell said it was unable to access the Soku-Buguma and Buguma-Alakiri pipelines, which feed the Bonny Light terminal, to begin repairs after they were sabotaged by rebels.

Nigeria's blue collar oil workers union, Nupeng, has called off industrial action at Chevron following successful negotiations over labor related issues however it could join a strike call at ExxonMobil. The white collar union, Pengassan, issued a 14 day ultimatum on ExxonMobil on April 14 over its alleged failure to provide adequate compensation and work related benefits. The ultimatum expires on Wednesday.

Iran's Oil Minister Gholamhossein Nozari said US pressure on international oil firms to cut ties with Iran would backfire by hindering efforts to add new supply to meet rising world demand. Separately, a top Iranian official said talks with the UN's IAEA officials were positive.

According to a Reuters survey, gasoline prices increased in many areas around the world in the month to mid-April due to record oil prices and refinery maintenance shutdowns. The average retail price of gasoline in the US increased to \$3.51/gallon in the latest week. The UK's Automobile Association said Britain's average petrol price increased by 1.3 pence to 1.08 pounds or \$2.15 over the past month. However prices in many emerging economies were kept unchanged by government subsidies. In China, the April gasoline price was unchanged from the previous month at 68 cents/liter. Venezuela's gasoline price remained the least expensive at 3 cents/liter.

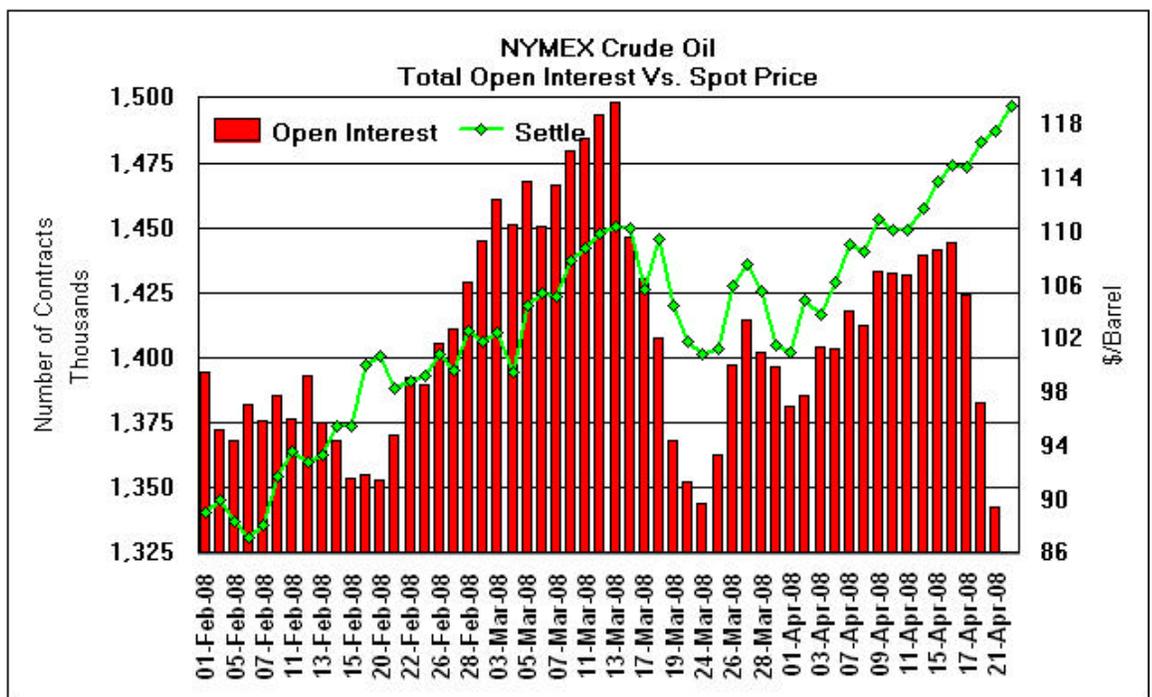
According to a MasterCard Advisors LLC report, US gasoline demand in the week ending April 18 increased by 2.1% on the week to 9.318 million bpd. Demand was up 3.1% on the year. In the latest four weeks, demand was down 1.5% on the year.

Refinery News

The US Coast Guard stated that dense fog halted ship traffic along the Houston Ship Channel on Tuesday morning. Five inbound ships were waiting to enter the channel.

Management and union officials at the 200,000 bpd Grangemouth refinery in Scotland began talks to avoid a strike planned for the weekend. Management had made no new proposals at talks with the union on Monday evening to avert the strike called over the refinery's pension plan and the two day strike was still set to proceed on Sunday. Ineos has started shutting down one of the refinery's three crude distillation units as part of a safety shutdown ahead of the strike. A shutdown of the refinery would reduce flows of North Sea crude to Britain and impact Britain's gas supplies, if the Forties pipeline which feeds the refinery, is forced to close.

ConocoPhillips' Humber refinery in northern England was partially shut for maintenance, reducing fuel supplies as workers threaten to close Scotland's Grangemouth processing plant. Maintenance on the 221,000 bpd refinery's hydro-desulfurization unit may be completed within days after starting early this month. About 75% of its light oil production is distributed in the UK with the remainder exported to markets in western Europe and the US.



NYMEX Petroleum Options Most Active Strikes for April 22, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	10	8	C	130	09/17/2008	4.5	800	28.77
LC	12	8	C	150	11/17/2008	2.68	750	31.10
LC	6	9	C	125	05/14/2009	8.18	750	21.10
LC	12	8	C	135	11/17/2008	4.64	500	28.37
LC	12	8	C	110	11/17/2008	12.59	500	21.44
LC	1	9	P	90	12/16/2008	2.61	500	36.82
LC	12	8	C	125	11/17/2008	6.82	500	26.05
LO	6	8	C	120	05/15/2008	3.75	7,103	39.20
LO	6	8	P	100	05/15/2008	0.31	6,451	42.92
LO	6	8	P	110	05/15/2008	1.57	5,992	39.53
LO	9	8	P	80	08/15/2008	0.37	5,421	38.76
LO	6	8	C	125	05/15/2008	2.13	4,526	39.76
LO	8	8	P	112	07/17/2008	5.65	4,025	35.33
LO	6	8	P	90	05/15/2008	0.04	3,998	46.42
LO	9	8	P	115	08/15/2008	8.12	3,985	33.89
LO	9	8	P	105	08/15/2008	4.05	3,350	34.45
LO	12	8	C	115	11/17/2008	10.29	3,028	32.30
LO	8	8	P	95	07/17/2008	1.3	2,903	38.13
LO	12	8	P	100	11/17/2008	4.63	2,751	32.48
LO	6	8	C	131	05/15/2008	1.03	2,503	40.86
LO	12	8	P	97.5	11/17/2008	3.92	2,375	32.69
LO	12	8	P	105	11/17/2008	6.31	2,300	32.10
LO	8	8	C	120	07/17/2008	6.38	2,052	35.54
LO	6	8	C	109	05/15/2008	10.41	2,051	40.18
LO	6	8	C	108	05/15/2008	11.23	2,043	40.69
LO	6	8	C	82	05/15/2008	36.07	2,025	74.78
LO	6	8	C	83	05/15/2008	35.07	2,000	72.29
LO	7	8	C	125	06/17/2008	3.77	1,895	37.12
LO	6	8	P	95	05/15/2008	0.12	1,852	44.80
LO	12	9	P	80	11/17/2009	3.78	1,750	31.08
LO	6	8	P	115	05/15/2008	3.18	1,644	39.16
LO	6	8	P	117	05/15/2008	4.07	1,614	39.15
LO	12	8	C	160	11/17/2008	1.92	1,603	36.56
LO	6	8	P	109	05/15/2008	1.36	1,540	39.87
OB	6	8	C	3.8	05/27/2008	0.0087	808	44.60
OB	6	8	C	2.75	05/27/2008	0.3054	401	39.72
OB	6	8	C	2.9	05/27/2008	0.1988	354	37.93
OB	9	8	C	2.93	08/26/2008	0.2404	248	34.32
OB	9	8	C	2.98	08/26/2008	0.2197	248	34.55
OB	6	8	C	2.83	05/27/2008	0.2459	239	38.76
OB	8	8	C	2.82	07/28/2008	0.2891	235	34.43
OB	8	8	P	2.8	07/28/2008	0.1216	225	34.00
OH	6	8	P	3	05/27/2008	0.0359	2,025	35.03
OH	6	8	C	3.33	05/27/2008	0.1283	890	35.45
OH	8	8	C	3.42	07/28/2008	0.1651	445	32.24
OH	8	8	P	3.08	07/28/2008	0.1113	445	31.43
OH	6	8	C	3.26	05/27/2008	0.1606	240	35.18
OH	6	8	P	3.26	05/27/2008	0.1235	240	35.15

Wood Mackenzie forecast that diesel and other middle distillates would drive refinery runs into the foreseeable future. It said refineries were running at high production rates to capture high margins on diesel and jet fuel and at the same time producing unneeded gasoline and loss making products such as fuel oil.

Chevron Corp said its plan to build a new continuous catalyst regeneration unit at its Pascagoula, Mississippi refinery was on schedule. The unit would increase the refinery's gasoline production by 14,285 bpd. The work was expected to begin in early 2008 and end in 2010.

Lohrmann International GmbH said it would shut a 90,000 bpd Ingolstadt refinery in Germany this summer and ship the plant to Haldia, India. Shipment of refinery units to Haldia is expected to begin in June or July and last between six to 12 months. It is expected to bring the refinery onstream by 2010.

China's implied oil demand increased 8% on the year in March to 7.26 million bpd as refiners increased their imports to stock up ahead of the Olympics. Demand increased by 6.2% in the first quarter, aided in part by China's tax rebate on imported fuels. Meanwhile, China's General Administration of Customs reported that its crude imports in March totaled 17.298 million tons while its crude imports in January-March totaled 45.529 million tons, up 14.8% on the

year. It also reported that China's oil exports totaled 399,957 tons in March while in January-March its exports totaled 578,711 tons, up 11.9% on the year.

South Korea's Korea National Oil Corp said the country's oil imports in March fell by 9.8% on the year to 72.897 million barrels as refiners used their inventories amid increasing oil prices. South Korea's end-March private oil stocks fell 10.7% to 65 million barrels while crude inventory alone fell 35.6% to 14.43 million barrels.

Russia's Lukoil Holdings said it planned to invest \$6.309 billion on its refining business by 2017. The investment would enable Lukoil to add 240,000 bpd of crude oil processing capacity. Separately, Lukoil said it was in talks with Germany's Sunimax over supplying crude to Germany via the Druzhba pipeline. Lukoil has been supplying German oil refineries through seaborne exports.

A senior export official in Colombia said the country is likely to have an exportable surplus of fuel ethanol for the first time at the end of 2008. Colombia is expected to more than double ethanol output to 2.8 million liters/day by 2010 from about 1.2 million liters/day. The official said the US would be primary market for Colombian ethanol and added that the European Union could eventually take import Colombian supplies of ethanol.

Production News

Iraq's Oil Ministry reported that the country's oil shipments fell to 1.918 million bpd in March from 1.935 million bpd in February. The fall in exports was attributed to a decline from the northern Kirkuk fields while exports from Basra were slightly higher despite heavy fighting in the final week of the month. Its northern exports totaled 320,000 bpd, down from 350,000 bpd in February while its southern exports totaled 1.598 million bpd, up 13,000 bpd on the month. Iraq pumped about 2.5 million bpd in March.

Iraq's Oil Minister Hussain al-Shahristani said record oil prices would fund Iraq's reconstruction effort and help increase its production. The first post-Saddam licensing round is scheduled for this summer, increasing its production by 1.5 million bpd. He said Iraq planned to increase its production to 4.5 million bpd within 5 years.

Britain's J-Block oil and gas fields remained offline after shutting down on Sunday while ConocoPhillips was aiming to restart the field on Tuesday.

BP said that the Azerbaijan International Operating Co has started up oil production from the Deep Water Gunashli platform complex as scheduled. Production is expected to increase throughout 2008 as other predrilled wells are brought onstream. The complex is expected to produce 320,000 bpd, increasing production at the Azeri-Chirag-Gunashli field to over 1 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$108.93/barrel on Monday from \$107.75/barrel on Friday.

Market Commentary

The U.S. dollar dropped to an all time low against the euro today, bottoming out at \$1.60. The European Central Bank said that it would not cut interest rates because of inflation fears. Ever growing global demand for raw materials has also helped to push prices higher. Troubles in Nigeria and Scotland continue to disrupt supply, adding to an already aggressive market. With the May contract having expired, we would look for a little bit of a retracement, but are also aware of tomorrow's DOE/API numbers. We would look for profit taking to come into the market and for the June contract to retrace to at least \$111.47 and possibly \$109.16. The shape of the forward curve is still indicating a bull market, with the front end pulling further away from the back end. The May/June spread settled at

\$1.30, leaving room for the June/July to test the \$1.94 mentioned in our previous wire. Heating oil continues it's unseasonal rally as the May contract experience higher lows and higher highs. This product continues to be supported by the demand factor for jet fuel and diesel. Our objective for the May contract continues to be \$347.69, however we would also look for a bit of a pullback to \$3.2523. Heating oil lost ground today to both the gasoline and the crude oil, which is not surprising this time of year. We would look for more pressure on both of these spreads as the U.S. summer driving season approaches. Once again the May gasoline contract found support around the \$2.9560 area and now as a double bottom there. Although slow stochastics are in over bought territory, we would not look for much of a sell-off barring any major changes in stock levels. The June gasoline to June crude oil crack spread gained momentum today and should continue to do so. We still like buying the gasoline and selling the crude oil based on seasonality. Total open interest for crude oil is 1,342,583 down 40,141, May08 27,885 down 36,422, June08 369,363 down 7,141 and Dec08 197,521 up 1,619. Total open interest for heating oil 229,554 down 428, May 32,782 down 2,815 and June 74,536 up 1,998. Total open

interest for gasoline, 267,202 up 1,619, May 46,406 down 3,283 and June 82,794 up 2,978.

		Explanation	
CL	Resistance	123.56, 124.62	Basis trendlines
	Support	118.98	Tuesday's high
HO	Resistance	117.61, 116.90, 115.94	Basis trendline, Tuesday's low
	Support	115.01, 114.45, 113.74, 111.74, 109.15, 106.84	Previous lows, 38%(99.33 and 118.98), 50%, 62%
RB	Resistance	345.45, 347.69	Basis trendline
	Support	335.00	Tuesday's high
HO	Resistance	330.90, 328.06	Tuesday's low
	Support	326.06, 325.23, 322.47, 321.16, 317.13, 315.57	Previous lows
RB	Resistance	307.95	Basis trendline
	Support	302.50	Tuesday's high
HO	Resistance	300.00, 298.80, 295.56	Tuesday's low
	Support	288.90, 288.79, 286.81, 286.61, 285.91	Previous low, Basis trendline, low, 38%(259.08 and 302.50)