



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 30, 2008

Nigerian unions pledged to carry on their seven day strike after failing to reach a deal with ExxonMobil during talks on Wednesday.

Earlier in the day, a spokesman for the Nigerian National Petroleum Corp, which is mediating the talks said that leaders of the Pengassan union had agreed to suspend the strike while talks continued. The seven day strike at ExxonMobil's

Nigerian affiliates has forced the company to shut in nearly all of its 800,000 bpd production.

Production from the Yoho, Oso and Qua lboe fields and its Erha offshore production facility have been disrupted.

Market Watch

Sen. Byron Dorgan said a plan to require the US government to stop filling the SPR until prices fall has enough votes in the US Senate to overcome a likely presidential veto. He said he has lined up the support of 68 senators for his plan to delay filling the SPR until the end of 2008 or until oil prices fall below \$75/barrel. He said he planned to offer his plan to a bill being debated by the Senate to reauthorize funding for the Federal Aviation Administration. President George W. Bush has lost some key support from his own party after 16 Republicans sent him a letter calling for a delay in reserve shipments.

The US Commerce Department reported that GDP grew by 0.6% in the first quarter of 2008. Price inflation indicators eased in the first quarter. The price index for personal consumption expenditures increased by 3.5% after increasing by 3.9% in the fourth quarter.

The Federal Open Market Committee decided to lower its target for the federal funds rate 25 basis points to 2%. It said recent information indicates that economic activity remains weak. It said the substantial easing of monetary policy and ongoing measures to foster market liquidity should help to promote moderate growth over time and to mitigate risks to economic activity. It said it would continue to monitor economic and financial developments and would act as needed to promote sustainable economic growth and price stability.

The NYMEX announced that it would increase the initial margin requirement on its spot RBOB contract from \$9,113 to \$9,788 for non-member customers as the close of business Thursday, May 1.

NATO said it was watching Russia's troop buildup in Georgia's Abkhazia region. It said Russia's move was increasing tensions in the region. Russia announced on Tuesday that it was sending extra peacekeeping troops to Abkhazia to counter what it said were Georgian plans for an attack, prompting the European Union to accuse it of stoking tensions.

DOE Stocks

Crude – up 3.8 million barrels
Distillate – up 1.1 million barrels
Gasoline – down 1.5 million barrels
Refinery runs – down 0.2%, at 85.4%

OPEC's President Chakib Khelil said there was no global oil market imbalance, reiterating that current high oil prices were driven by the fall in the dollar's value. Meanwhile, Kuwait's Oil Minister Mohammad al-Olaim said OPEC may hold an extraordinary meeting before its scheduled meeting in September if necessary. He said the rise in oil prices was driven by speculation, limitation of refinery capacity and

weakening of the US dollar. The head of Libya's National Oil Corp, Shokkri Ghanem also said OPEC would hold an emergency meeting, if necessary. He said OPEC currently had no plans to hold a meeting. He predicted that oil prices would continue to rise.

According to Lloyd's Marine Intelligence Unit, OPEC's oil exports, excluding Angola and Ecuador, fell by 267,000 bpd to 22.278 million bpd in the four weeks ending April 13. It said preliminary data into late April hinted at a modest recovery in exports after a more than 800,000 bpd decline in March versus February shipments, mostly to Asia.

France's ports union, part of the CGT federation, called for protests at state run ports to continue for an unspecified period to keep pressure on the government to change its reform plans. Disruptions include a 24 hour strike per week in state run ports as well as three night shifts cancelled and no overtime. The rolling strike continued to cause delays in traffic in the state run port of Marseille on Wednesday. The port said 27 oil tankers were blocked in the Fos-Lavera harbor, of which 11 were crude tankers and 16 were refined oil tankers.

According to California's Board of Equalization, California's gasoline demand fell 4.5% or 58.2 million gallons on the year in January to 115.8 million gallons. It was down 8.6% on the month. It reported that January 2008 pump price for gasoline in California averaged \$3.30/gallon, up 68 cents on the year.

Iran's supreme leader Ayatollah Ali Khamenei declared Iran was not afraid of sanctions over its nuclear program and would further step up its progress. Three sets of UN Security Council sanctions over its nuclear program have been imposed on Iran. The US has also pressured European firms and banks to reduce their dealings with Iran as another lever with which to exert pressure over the nuclear program. These measures have complicated transferring money from Europe to Iran, made it difficult for Iran to obtain letters of credit from European banks and slowed Western investment in the hydrocarbon sector. Separately, an Iranian oil official said Iran was conducting all its crude trading in euro and yen, instead of the US dollar.

A second US aircraft carrier moved into the Persian Gulf on Tuesday as the Pentagon ordered military commanders to develop new options for attacking Iran. A CBS correspondent said the planning was driven by the increasing hostile role Iran was playing in Iraq. US officials are concerned about the smuggling of weapons into Iraq for use against American troops as well as Iranian harassment of US ships in the Persian Gulf and Iran's nuclear program. The Chairman of the Joint Chiefs of Staff Mike Mullen said no attack was imminent but warned Iran not to assume the US military could not strike. Later this week, Iraq's Prime Minister Nouri al-Maliki is expected to confront Iranian officials with evidence of their hostile role and demand a halt. The US Department of State has started to draft an ultimatum in case talks fail to stop Iran.

Separately, a State Department report said Iran remained the world's most active state sponsor of terrorism. It reported that Iran has provided aid to Palestinian terrorist groups like Hamas, the Lebanese movement Hezbollah, Iraq based militants and Taliban fighters in

April Calendar Averages

CL – 112.46
HO – 318.74
RB – 288.23

Afghanistan. It concluded that Iran was a threat to both regional stability and US interests in the region. The report also listed Syria, North Korea, Cuba and Sudan as terrorism sponsors.

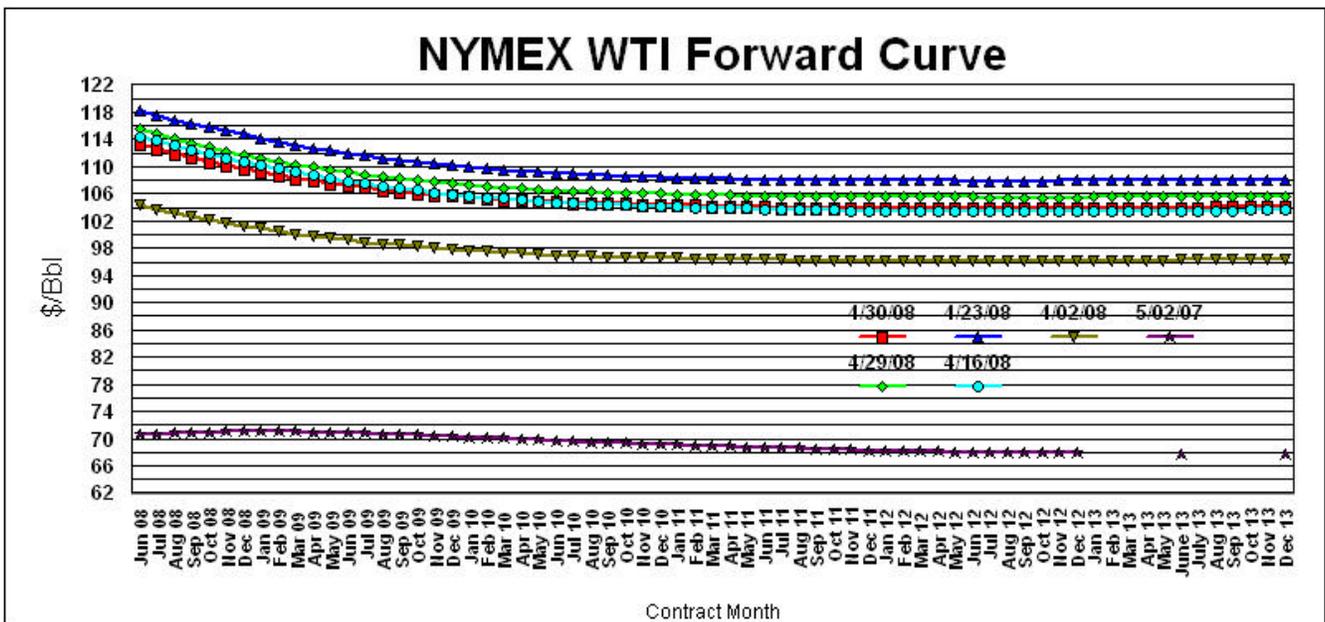
Palestinian factions are scheduled to meet with Egyptian officials in Cairo in a bid to draft a common position on a truce with Israel. The Hamas movement, which rules the Gaza Strip held similar talks in Egypt last week. Hamas said it was ready to accept a phased ceasefire that would start in the Gaza Strip and extend to the West Bank after six months.

Refinery News

Chevron Corp said it shutdown its 220,000 bpd Pembroke refinery in the UK due to a problem with a steam plant that was shut Tuesday evening. It said the refinery would continue to fulfill its supply contracts through existing stocks and by sourcing additional supplies. The refinery is heavily gasoline oriented, with large scale exports to the US.

Motiva reported that a hydrocracker unit its 235,000 bpd refinery in Convent, Louisiana was restarted last week after a turnaround that started in March. Separately, Motiva is scheduled to shut a hydrocracker unit at its 242,000 bpd refinery in Norco, Louisiana at the end of May for a one month turnaround.

Sunoco Logistics Partners LP announced that it has signed definitive agreements to acquire a refined products pipeline system located in Texas from affiliates of ExxonMobil. The system consists of about 275 miles of refined products pipeline from Beaumont and Port Arthur to Hearne, Texas and another 197 miles of refined products pipeline from Beaumont to Waskom, Texas. It also consists of 6 refined product facilities with a combined storage capacity of 1.2 million barrels. Closing of the transaction is expected within the next 60 days, subject to any necessary third party approvals.



Mexico's Pemex reported a negative refining margin of \$0.07/barrel during the first quarter compared with a positive margin of \$6.90/barrel in the year ago period. It said the refining network was operating at a low capacity during the first quarter due to a shutdown at the Salina Cruz refinery and added that the negative margin could be overcome under more optimum operating conditions. Refinery runs fell 4.5% in the first quarter to 1.28 million bpd.

Iraq's Kirkuk crude oil exports to the Turkish port of Ceyhan increased to 430,000 bpd in April, up from 323,000 bpd in March. Its crude stocks totaled 4.5 million barrels.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.302 million barrels to 18.274 million barrels in the week ending April 29. It also reported that Singapore's light distillate stocks built by 1.507 million barrels to 9.534 million barrels while its middle distillate stocks built by 855,000 barrels to 8.147 million barrels on the week.

Production News

Nexen said it resumed production from its North Sea fields, Buzzard and Scott/Telford, following the restart of the Forties pipeline and expects to reach full rates by Thursday.

Total SA resumed oil and natural gas production from its Elgin-Franklin fields on Tuesday after the closure of the Forties pipeline forced it to halt production. It is expected to reach full production later on Wednesday. The fields' capacity is 280,000 bpd of oil equivalent, including 175,000 barrels of condensate and 15.5 million cubic meters of gas.

Venezuela's PDVSA said its operations were not affected by a blackout that hit a large section of the country, including crude producing regions on Tuesday.

Indonesia's BPMIGAS reported that the country's oil production was stable in April as output resumed at some wells that were undergoing maintenance. Indonesia's crude oil production was 859,000 bpd in April, unchanged from March.

Mexico's Pemex said it was on track to meet its 2008 production target of 3 million bpd. Its first quarter crude oil production averaged 2.911 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$109.86/barrel on Tuesday from \$111.66/barrel on Monday.

According to Japan's Oil Information Center, Japan's retail gasoline prices were unchanged at 130.6 yen/liter or \$4.73/gallon on Monday. However prices are set to increase on Thursday after Japan's government restored a 25.1 yen or 24.1 cent tax on gasoline. The return of the tax and plans by Japanese refiners to increase wholesale petrol prices from May could cause an increase in retail gasoline prices next month past the previous record of 155.55 yen reached in mid-December. Japan's Prime Minister Yasuo Fukuda said restoring the tax was a difficult decision but added that losing the annual 2.6 trillion yen or \$25 billion revenue from the tax would pinch the government's budget.

Japan's Ministry of Economy, Trade and Industry reported that the country's oil product sales fell more than 10% to 18.38 million kiloliters or 3.73 million bpd. It reported that Japan's gasoline sales in March fell by 14% on the year to 4.44 million kl or 901,000 bpd while its kerosene sales fell by 26.4% to 2.24 million kl or 454,000 bpd. It also reported that the country's crude oil imports fell by 0.7% to 22.43 million kl or 4.55 million bpd in March, falling for the first time in six months. Its exports were up 7.5% on the year, with exports of gasoline at 112,706 kl in March. Japan's crude oil inventory at the end of March was down 1.566 million barrels at 90.123 million barrels while its product inventory was up 5.043 million barrels at 72.649 million barrels. Japan's METI also reported that oil demand during Japan's fiscal year ending March fell by 2.4% to 218.48 million kl or 3.75 million bpd.

Indonesia's Energy Minister Purnomo Yusgiantoro said Indonesia was considering cutting fuel subsidies in June. Several newspapers reported that the government was considering raising fuel prices by an average of 28.7% in June. The price of gasoline would increase to 6,000 rupiah or 65

cents/liter from 4,500 rupiah. The price of diesel would be set at 5,500 rupiah/liter, up from 4,300 rupiah while kerosene prices would increase to 2,500 rupiah from 2,000 rupiah under the proposal.

Market Commentary:

The crude market posted little more than a \$3 range as the market tumbled from a high of 116.70 following the release of the DOE report. The market was pressured and breached its support in light of the larger than expected build reported in crude stocks of over 3 million barrels and a build of 8.9 million barrels in total petroleum stocks. The market however retraced some of its losses as it awaited the announcement of the Fed's decision on interest rates. The oil market later sold off further to a low of 113.30 and settled down \$2.17 at 113.46 following the announcement that the Fed cut the federal funds rate by the expected 25 basis points to 2%. However, the crude market in late afternoon trading on Globex bounced off its low and traded back towards the 115 level amid a sell off in the dollar. The crude market, which will remain driven by the dollar, is seen holding resistance at 118.08, basis its previous support line on an ascending channel. The expiring April RBOB contract also sold off following the release of the DOE report as it followed in the crude market's footsteps. The RBOB market sold off from a high of 298.00 to a low of 291.00 and settled down 80 points at 293.12. The June RBOB contract settled down 2.64 cents at 290.63. The June RBOB crack rebounded to 8.605 and will likely continue to trend higher as we continue to look for a seasonal rebound in the gasoline market. Similar to the crude market, the heating oil market sold off sharply following the release of the weekly petroleum stock reports. The expiring April contract sold off to a low of 315.15 ahead of the close and went off the board down 6.95 cents at 317.70. The June heating oil contract sold off further ahead of the close and settled down 7.51 cents at 315.80. While the market technically looks ready to continue trading lower amid the rounded top we mentioned yesterday, there still remain fundamentals supporting the market. The market is seen finding support at 315.30 followed by 312.73 and 312.58 while resistance is seen at its previous highs. Total open interest in the crude market built by 1,179 to 1,365,456, with open interest in the June contract declining by 6,899 to 367,163 while open interest in the July contract built by 9,515 to 139,263. Open interest in the RBOB market fell by 10,847 to 258,089 as open interest in the May contract fell by 7,547 to 8,565 ahead of expiration and open interest in the June contract fell by 5,707 to 93,478. Open interest in the heating oil market also fell by 4,277 contracts to 226,563 with a fall of 5,896 in the May contract and a build of 226 in the June contract.

		Explanation	
CL	Resistance	118.08, 118.84, 119.93, 125.66	Previous high, Basis trendline
	113.46, down \$2.17	115.00, 116.70	Wednesday's high
	Support	113.30	Wednesday's low
		112.33, 111.97, 109.52, 107.06	Previous lows, 38%(99.10 and 119.93), 50%, 62%
HO	Resistance	329.44, 331.35, 332.24	Previous highs
	315.80, down 7.51 cents	320.25, 325.70, 327.46	Wednesday's high
	Support	315.30	Wednesday's low
		312.73, 312.58, 306.51, 300.44	Previous low, 38%(280.78 and 332.24), 50%, 62%
RB	Resistance	301.92, 306.46, 307.35	Previous highs
	290.63, down 2.64 cents	294.80, 297.33	Wednesday's high
	Support	289.84	Wednesday's low
		288.78, 283.04, 277.30	38%(258.73 and 307.35), 50%, 62%