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ENERGY MARKET REPORT FOR FEBRUARY 25, 2008

Heavy fighting between the Turkish military and PKK fighters in northern Iraq has continued, with Turkish troops firing artillery across the Iraqi border and helicopters continuing to target Kurdistan Workers' Party bases in Iraq despite pleas by the Iraqi government for Turkey to withdraw. The Turkish military said 15 soldiers have been killed since Thursday while PKK fighters say they have killed 47 troops so far. Turkey also said it killed 33 more PKK members, taking the Kurdish toll to 112 since the launch of the cross border incursion on Thursday evening. Meanwhile an official at the Northern Oil Co said Iraq's oil exports to Ceyhan would not be disrupted by a Turkish military incursion into

Market Watch

The National Weather Service forecast that US heating demand would be near normal this week as a cold spell in the northern part of the country moderates. Demand for heating oil is expected to average about 5.4% above normal this week.

Former US Federal Reserve chairman Alan Greenspan predicted crude oil prices would continue their upward move despite fears that a US recession could ripple into other regions.

The National Association of Realtors said US existing homes sales fell by 0.4% in January to 4.89 million units while prices also fell and the inventory of unsold homes increased by 5.5% to 4.19 million units.

Investor Jim Rogers said the US economy is already in recession and is set for a further slowdown with the dollar expected to remain under pressure. He said the housing and automobile sectors were in a situation worse than recession with increasing energy and food prices hitting consumer spending. He said the Federal Reserve was making the same mistakes Japan did in the early 1990s before its credit inflated bubble economy burst. He stated that he preferred investments in the agriculture sector in the light of tightening supplies worldwide.

A Nigerian tribunal is expected to rule on Tuesday whether the election of President Umaru Yar'Adua was valid, a decision that could legitimize his election or tip the country into turmoil. President Yar'Adua and his People's Democratic Party won a landslide victory in last April's elections but neutral observers accused the party of vote rigging. If the judgment goes against President Yar'Adua and he appeals, he would remain president until the Supreme Court delivers its verdict. If he were to lose the presidency, Senate President David Mark would be in line to take over the reigns of power while a new election is organized. Authorities have increased security across the country ahead of the ruling.

Mexican leftist Andres Manuel Lopez Obrador, who says he was robbed of the presidency by electoral fraud in July 2006, held a protest outside Pemex's headquarters in Mexico City against proposals to allow private investment in oil. He said if rallies did not work, they would take over the Mexico City airport, highways and the stock exchange and hold a national strike.

Feb Calendar Averages

CL – 93.88
HO – 260.86
RB – 241.47

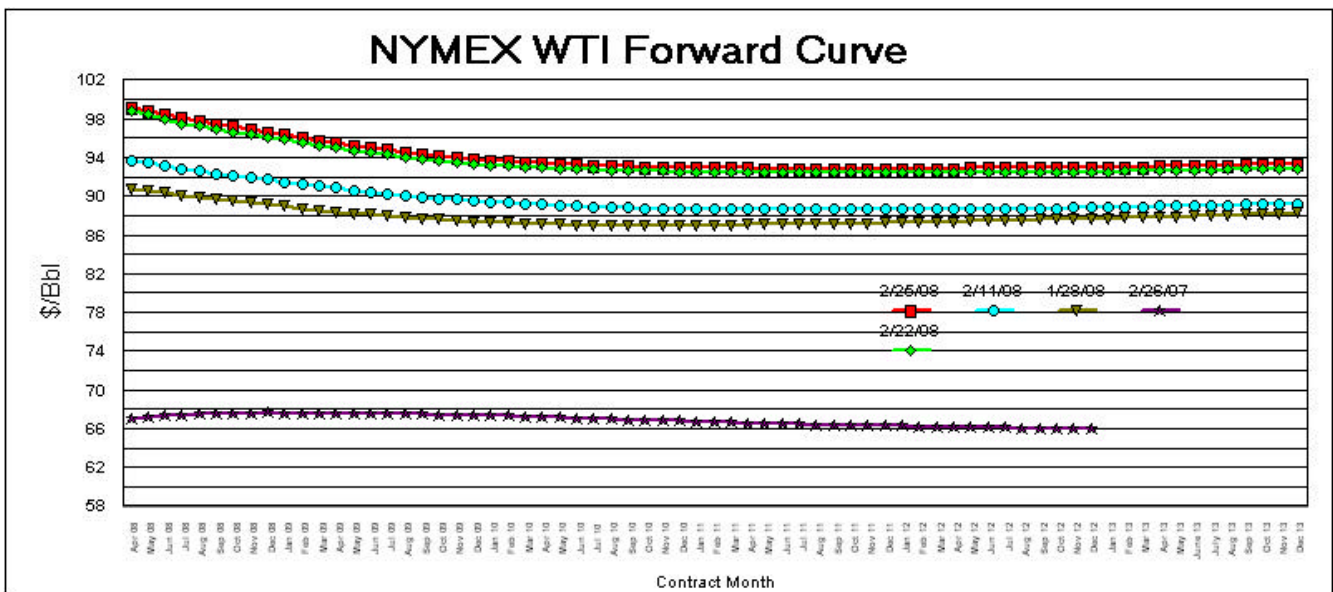
northern Iraq. Pumping of Iraqi Kikruk crude resumed on Friday night after a two day stoppage because tanks in Ceyhan had been full.

The IEA's chief economist, Fatih Birol, said a Turkish military incursion into northern Iraq was not having a major impact on oil prices. He said that oil, gas and coal prices would remain high and added that expecting prices to return to previous levels was optimistic.

A senior Iranian oil official said there was enough supply of crude in the market, despite calls by consumers seeking an increase, and saw no reason for OPEC to increase its production level. The deputy director of international affairs at the National Iranian Oil Co, Mohammad Ali Khatabi said any decision to increase its production in the next OPEC meeting would not have any justification. Meanwhile, Iran's Oil Minister Gholamhossein Nozari said Iran would support a cut in production by OPEC and expects the group to take such action when it meets in March. OPEC's President Chakib Khelil said OPEC would either keep its production unchanged or cut it next month, given rising inventories and an expected decline in demand. He said oil prices of \$101/barrel reflected the expectations that OPEC would cut its production. Separately, an OPEC delegate said OPEC was unlikely to agree on changing its production policy at its meeting on March 5, as high prices and concern about the economy balance expectations for a seasonal demand fall.

The official Yemeni news agency Saba said Yemeni forces have foiled an attempt to blow up a crude oil pipeline in the Marib province and arrested a number of saboteurs. It said interrogations were underway but the initial results indicate that the group was linked to the terrorist bombing of the pipeline last year. In November, tribesmen blew up a pipeline that carries crude oil from the Marib oil basin to storage tanks at the Ras Issa terminal for export.

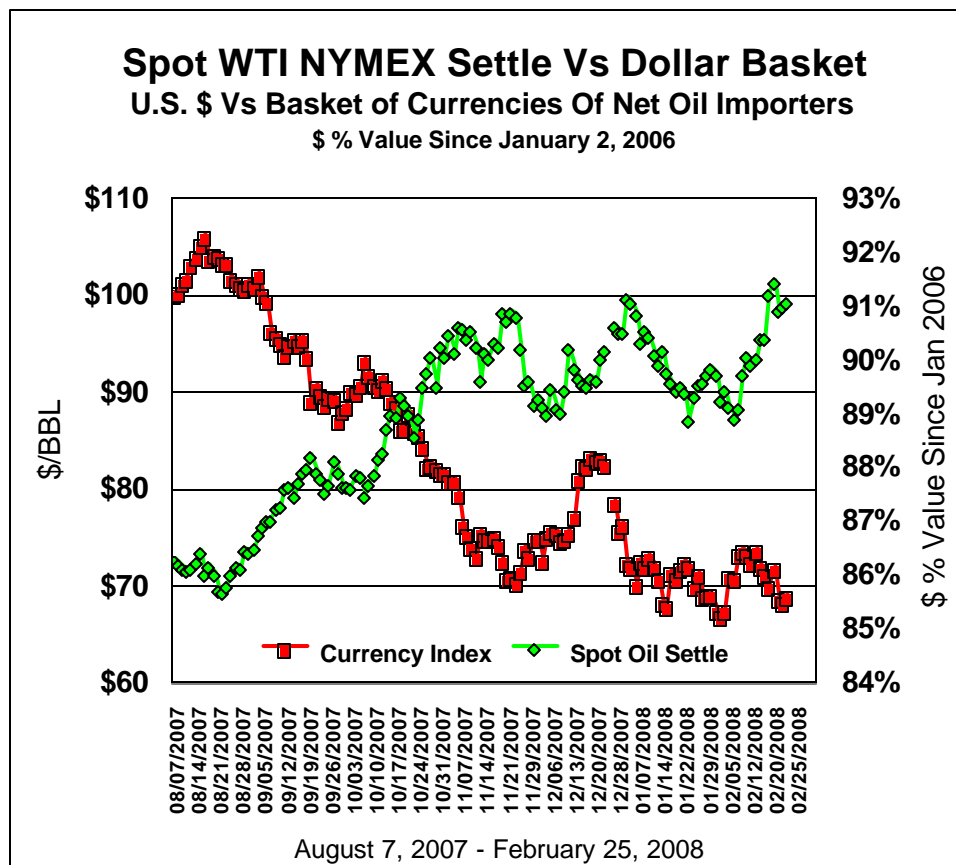
Iran's deputy chief nuclear negotiator, Javad Vaeedi said Iran warned Western countries on Sunday that they would be the ones to suffer if they pass a new UN sanctions resolution against Iran. Iran has threatened reprisals against any country supporting new sanctions. On Saturday, Iran's President Mahmoud Ahmadinejad said Iran would not be harmed by more sanctions over its nuclear work. Iran's ambassador warned France to back off its tough stance on Iran's nuclear program, suggesting there could be economic consequences for French firms doing business in Iran if new sanctions are imposed on Iran. Britain and France have stated that they hope the UN Security Council would vote



on a third round of sanctions. Senior diplomats from the US, UK, France, Russia, China and Germany started talks in Washington on Monday to agree on strategy to respond to Iran's noncompliance.

The chief UK delegate to the IAEA, Simon Smith said Iran may have continued work on nuclear

weapons past 2003, the year US intelligence said such activities stopped. He made his comments after some IAEA documentation was distributed to the agency's 35 board members.



According to Petrologistics, OPEC's crude oil supply is expected to fall by 250,000 bpd to 32.4 million bpd in February due to lower output from the Saudi Arabia and Iran. Saudi Arabia is expected to pump 9.1 million bpd, down from 9.15 million bpd in January, while Iran's supply is likely to fall by about 150,000 bpd to 4.05 million bpd. Petrologistics estimated Iraq was pumping 2.315 million bpd this month.

The militant Palestinian Hamas group said it would stop firing rockets into an Israeli town near Gaza if Israel ceases its military attacks on Palestinians. Gaza's Prime Minister, Ismail Haniyeh, and other group officials have signaled readiness to enter into a truce with Israel if it stops its campaign of military strikes and economic sanctions against the territory.

According to the Lundberg survey, the US average retail price of gasoline increased by 15.88 cents to \$3.1011/gallon in the two weeks ending February 22.

The EIA reported that the US average retail price of diesel increased by 15.6 cents/gallon to \$3.552/gallon in the week ending February 25. The EIA also reported that the US average retail price of gasoline increased by 8.8 cents to \$3.13/gallon on the week.

Britain's AA reported that drivers in Britain were spending 18.84 pounds or \$37.01 more a month on petrol. A liter of diesel averages 110.31 pence compared with 91.09 pence a year ago. The average price of petrol has increased to 104.85 pence/liter, up from 87.27 pence a year ago.

Refinery News

The US Coast Guard said ships were heading outbound only on the Houston Ship Channel after dense fog prompted the closure of the waterway on Monday. It said 21 ships were waiting to enter the channel and 16 ships were waiting to exit to the Gulf of Mexico. Ship traffic along the Sabine-Neches Waterway was also halted due to fog. The ship channel serving three refineries near Corpus Christi was also closed.

ConocoPhillips' 120,000 bpd Rodeo, California refinery reported a unit shutdown and flaring to state pollution regulators on Friday. The notice to the California Office of Emergency Services did not say which unit was shut. Separately, ConocoPhillips is expected to increase its throughput at its 275,000 bpd Wilhelmshaven refinery by March after poor refining margins caused a reduction in run rates in January and February.

Valero Energy Corp said its 182,000 bpd refinery in Delaware City, Delaware was ramping up its production to planned rates after it restarted the hydrocracker unit over the weekend. This followed a fire that shutdown the refinery on February 10. Valero Energy Corp said that a vacuum unit would remain shut for about two months at its 275,000 bpd Aruba refinery following a January 25 fire.

Shell is on track to restart several units at its 333,000 bpd Deer Park, Texas refinery

NYMEX Petroleum Most Active Strikes for February 25, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	8	P	80	05/15/2008	0.56	7,059	31.58
LO	6	8	C	120	05/15/2008	1.04	3,250	37.47
LO	4	8	C	105	03/14/2008	1.02	2,480	38.63
LO	7	8	P	86	06/17/2008	1.86	2,400	28.67
LO	6	8	P	90	05/15/2008	2.21	2,370	28.97
LO	8	8	C	110	07/17/2008	3.01	2,150	31.43
LO	8	8	P	90	07/17/2008	3.44	2,150	27.21
LO	12	8	C	105	11/17/2008	5.43	2,136	28.66
LO	4	8	C	99	03/14/2008	3.03	2,087	40.67
LO	6	8	P	98	05/15/2008	5.35	2,074	27.67
LO	4	8	C	100	03/14/2008	2.56	2,051	39.98
LO	4	8	P	85	03/14/2008	0.09	1,658	34.66
LO	4	8	C	101	03/14/2008	2.14	1,628	39.34
LO	8	8	P	80	07/17/2008	1.17	1,550	28.87
LO	5	8	P	99	04/17/2008	4.82	1,530	27.71
LO	5	8	C	99	04/17/2008	4.7	1,530	36.91
LO	4	8	C	77	03/14/2008	22.23	1,260	100.36
LO	6	8	C	80	05/15/2008	18.95	1,260	47.73
LO	7	8	P	92.5	06/17/2008	3.72	1,200	27.42
LO	9	8	P	85	08/15/2008	2.45	1,050	27.33
LO	9	8	P	95	08/15/2008	5.96	1,050	26.22
LO	8	8	P	78	07/17/2008	0.91	1,001	29.22
LO	5	8	P	85	04/17/2008	0.73	1,000	32.56
LO	5	8	P	86	04/17/2008	0.85	1,000	32.12
LO	8	8	P	73	07/17/2008	0.45	1,000	29.97
LO	12	8	C	49.5	11/17/2008	47.16	1,000	79.17
LO	7	8	P	88	06/17/2008	2.32	1,000	28.20
LO	12	8	C	48.5	11/17/2008	48.16	1,000	81.54
LO	12	8	C	110	11/17/2008	4.26	1,000	29.10
OB	9	8	C	2.9	08/26/2008	0.1374	364	32.84
OB	9	8	C	2.95	08/26/2008	0.127	364	33.32
OB	7	8	C	2.8	06/25/2008	0.14	260	31.05
OB	3	8	C	2.57	02/26/2008	0.0177	150	55.52
OB	3	8	C	2.58	02/26/2008	0.0145	143	55.68
OB	5	8	C	2.41	04/25/2008	0.3267	127	34.76
OB	8	8	C	2.65	07/28/2008	0.208	121	30.32
OH	12	8	C	3.1	11/24/2008	0.1219	500	29.44
OH	6	8	C	3	05/27/2008	0.0493	500	29.42
OH	3	8	C	2.75	02/26/2008	0.0504	220	152.73
OH	4	8	C	2.75	03/26/2008	0.1056	151	47.89
OH	3	8	C	2.6	02/26/2008	0.1854	125	274.39
OH	4	8	P	2.75	03/26/2008	0.0958	105	9.69
OH	4	8	P	2.7	03/26/2008	0.0727	100	16.00
OH	10	8	C	2.48	09/25/2008	0.3253	100	25.47
OH	5	8	P	2.67	04/25/2008	0.1212	100	27.11
OH	4	8	C	2.54	03/26/2008	0.2435	100	60.75
OH	4	8	P	2.61	03/26/2008	0.0409	100	20.61

following the completion of planned maintenance. The units are expected to resume normal operations by March 5. The units that were worked on included a crude distillation unit, a fluid catalytic cracking unit, a gasoline hydrotreater, an alkylation unit, a girbotol and three sulfur recovery units.

Sunoco Inc will start four weeks of planned turnaround maintenance at the Point Breeze section of the Philadelphia refinery at the end of the week. The 130,000 bpd crude unit is scheduled to begin the process of shutting down on Thursday or Friday and planned work on a 45,000 bpd fluid catalytic cracking unit is set to start around March 3.

BP's 230,000 bpd crude unit at its 463,000 bpd Texas City, Texas refinery is on schedule to reach normal processing rates in the first quarter of 2008. The unit is undergoing the final phase of pre-startup integrity checks. Meanwhile, an overhaul of a fluid catalytic cracking unit at BP Plc's 265,000 bpd Carson, California refinery is on track for completion in the first half of March.

Production has resumed at Tesoro Corp's 95,000 bpd Kapolei, Hawaii refinery. Production was halted due to an electrical power outage late on February 16 that also set off a small fire. Electrical power was restored to the refinery by Monday.

Kuwait National Petroleum Co said it plans to increase its crude processing capacity of its Mina Abdullah refinery to 374,000 bpd by mid-2012 from its current capacity of 270,000 bpd. It also plans to carry out maintenance at the hydrocracking unit for 26 days in June.

Saudi Arabia's new 400,000 bpd Ras Tanura refinery is scheduled for completion in late 2013 or early 2014, a delay from the initial target of 2012. Its 44,000 bpd hydrocracker is expected to resume operation in early March after an unscheduled shutdown for maintenance.

According to Credit Suisse, US refinery margins were mixed in the week ending February 22. Margins in the US Northeast increased by \$2.50 to \$9.37/barrel while margins in the Gulf Coast increased by \$1.13 to \$11.18/barrel. Margins in the West Coast increased by 2.28 cents to \$19.79/barrel while margins in the Midwest fell by 70 cents/barrel to \$7.20/barrel.

European refiners equipped with upgrading units for increased diesel and gasoline production saw their margins increase by \$2-\$3 last week as the gas oil premium to Brent crude increased on low inventories and cold weather. Simple refineries saw margins increase to \$3.10/barrel over the past five days compared with 63 cents over the past three weeks. Gas oil cracks improved over the last week to as much as \$20.20 compared with \$16.80 on February 18. In Asia, Singapore refiners using Dubai crude saw their margins increase to \$7 last week from \$5.77 the previous week.

India's government data showed that the country's crude oil imports in January increased by 7.4% on the year to 2.37 million bpd. It reported that India's oil product sales increased by 4.3% to 11.2 million tons, with diesel sales increasing by 15.9% and petrol sales increasing by 14.5%.

Russia is scheduled to ship about 2.77 million bpd of Russian Urals crude in March from its main terminals. Its loadings would be 5% higher on the year.

Nigeria's provisional crude oil loading plan for April indicates that about 4.6 million barrels of Brass River crude would be exported in seven cargoes. The plan also indicates that eight full cargoes each carrying 950,000 barrels of Forcados crude would be shipped. There would also be seven and a half cargoes of Erha crude grade and six Bonga and two Oso condensate.

Thailand's PTT is in talks to import 1-1.5 million tons/year of LNG from Indonesia's Pertamina.

Production News

Indonesia's crude oil production is expected to increase by about 7% on the month to 867,800 bpd in February due to new production coming on tap and the return of fields from maintenance.

Marathon Oil Co said its Alvhheim floating production storage and offtake ship has set sail from its dock in the west Norway town of Haugesund to the deepwater Aamoeyfjord where final work would be carried out to prepare for it to start producing oil and gas. The FPSO would produce up to 120,000 bpd of oil equivalent within 4-6 months of start up.

OPEC's news agency reported that OPEC's basket of crudes fell to \$92.62/barrel on Friday, down from Thursday's \$93.97/barrel. It also reported that the basket of crudes increased by \$2.74/barrel to an average of \$92.97/barrel in the week ending February 22.

Market Commentary

Concerns over cold weather in the northern part of the US, led to higher prices today. This move higher is in line with what appears to be speculator bullishness. Upon examination of the open interest numbers and the commitment of traders report, bulls are holding their ground. Despite further signs of an economic slowdown, with home sales falling 4.89 million, to their lowest level in nine-years, this market is resilient. If bulls have their way we could easily see crude oil trade back up to its all time high of \$101.32. Talks of OPEC making cuts at their upcoming meeting are also circulating the market place. Fears of waning demand would be the driving force behind any proposed cuts. We would look to buy and sell against the listed support and resistance numbers, waiting to see if this week's API/DOE numbers give us a clearer indication of where prices should be. Open interest in crude oil is 1,392,877 up 21,499, April08 377,489 up, 6.895, May08 150,034 up 7,051 and Dec08 20,612 up 3,559. The heating oil market continued to trend higher and rallied to yet another record high amid the weather forecasts. The market opened at 278.15 in overnight trading and erased its gains as it sold off to a low of 274.34 early in the session. However the market bounced off that level and rallied to a high of 280.05 by mid-day. The market later retraced some of its gains and traded mostly sideways ahead of the close. The heating oil market settled up 2.23 cents at 278.53. Meanwhile, the RBOB market continued to retrace its previous losses after the market posted a low of 251.85. The market bounced off that level and rallied to a high of 256.00 amid the strength in the heating oil market. It however gave up some of its gains and settled up 82 points at 254.19. The markets are seen retracing some of its gains ahead of Wednesday's release of the weekly petroleum stock reports. In the heating oil, support is seen at 277.33, 277.15 and 274.34 followed by 271.50, 269.30, 264.91 and 264.50. Resistance is seen at its high of 280.05 followed by 286.07. In the RBOB, support is seen at 253.65, 251.33 and 251.85. More distant support is seen at 246.90, 246.74, 246.50, 242.12, 239.13 and 237.50. Resistance is seen at 256.00, 258.24, 259.30, 261.00 and 261.69.

		Explanation	
CL	Resistance	100.33, 100.86, 101.38, 102.10, 103.53	Previous highs, Basis trendlines
	Support	99.70	Monday's high
	Resistance	98.55, 97.75	Monday's low
	Support	97.16, 96.87, 95.31, 93.60, 91.89, 86.34	Previous lows, 38% retracement(86.34&100.86), 50%, 62%, low
HO	Resistance	286.07	Basis trendline
	Support	280.05	Monday's high
	Resistance	277.33, 277.15, 274.34	Basis trendline, Monday's low
	Support	271.50, 269.30, 264.91, 264.50, 260.24, 255.56	Previous lows, 38% retracement(240.42&280.05), 50%, 62%
RB	Resistance	258.24, 259.30, 261.00, 261.69	Basis trendline, Previous highs
	Support	256.00	Monday's high
	Resistance	253.65, 251.33, 251.85	Basis trendline, Monday's low
	Support	246.90, 246.74, 246.50, 242.12, 239.13, 237.50	Previous low, 38%retracement(222.55&261.69), low, 50%, low, 62%