



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 3, 2008

The Ministerial Monitoring Committee is scheduled to meet at 4pm on Tuesday, March 4 while the OPEC ministerial meeting is scheduled to begin at 10 am. Most OPEC ministers favor leaving production steady at their meeting on Wednesday. OPEC President Chakib Khelil said he did not believe increasing output was an option for the group when it meets on Wednesday. He said any increase in price would not have an affect on prices. The head of Libya's National Oil Co, Shokri Ghanem said OPEC was set to hold its current production levels unchanged during its meeting on March 5. He said OPEC was not concerned about high oil prices but was worried about the world economy. He added that oil prices may have further to rise due to the element of speculation in

Market Watch

Warren Buffet said oil prices seem to be headed higher long term. He said demand for oil was increasing regularly, supply was finite and most US oil field were depleting and added if these trends continued, "who knows what the equilibrium price will be." He also stated that without major government intervention, housing prices were likely to continue to decline. He added that even with declines in housing prices and any resulting economic difficulty, the US economy would be fine in the long term. Warren Buffet said the US dollar would weaken more due to its large trade deficit.

The National Weather Service reported that US heating demand would be 4.5% below normal this week. Demand for heating oil is expected to average about 10.5% below normal this week.

Saudi police arrested 28 militants of different nationalities who had been ordered by al-Qaeda to rebuild the network in Saudi Arabia and start a terrorist campaign in the country.

Russia's Gazprom has cut its gas supplies to Ukraine after talks between the two countries ended in failure. Gazprom said it would cut total shipments to Ukraine by 25% however Ukraine's Naftogas has claimed that the reduction was 35%. The European Commission has called for swift resolution despite assurances that supply to Europe would not be harmed. Gazprom said it was prepared to continue negotiations with Ukrainian officials.

South Korea's government approved a bill to temporarily cut taxes on oil products by about 10% to ease the impact of high fuel costs on inflation and on consumers. The tax on gasoline has been lowered from Won 745/liter or 79 cents/liter to Won 670/liter. The tax on gasoil was lowered from Won 528/liter to Won 475/liter and on LPG from Won 316/liter to Won 290/liter. The country's major refiners said they would immediately reduce the price of oil products to reflect the government's decision.

Mar Calendar Averages

CL – 102.45

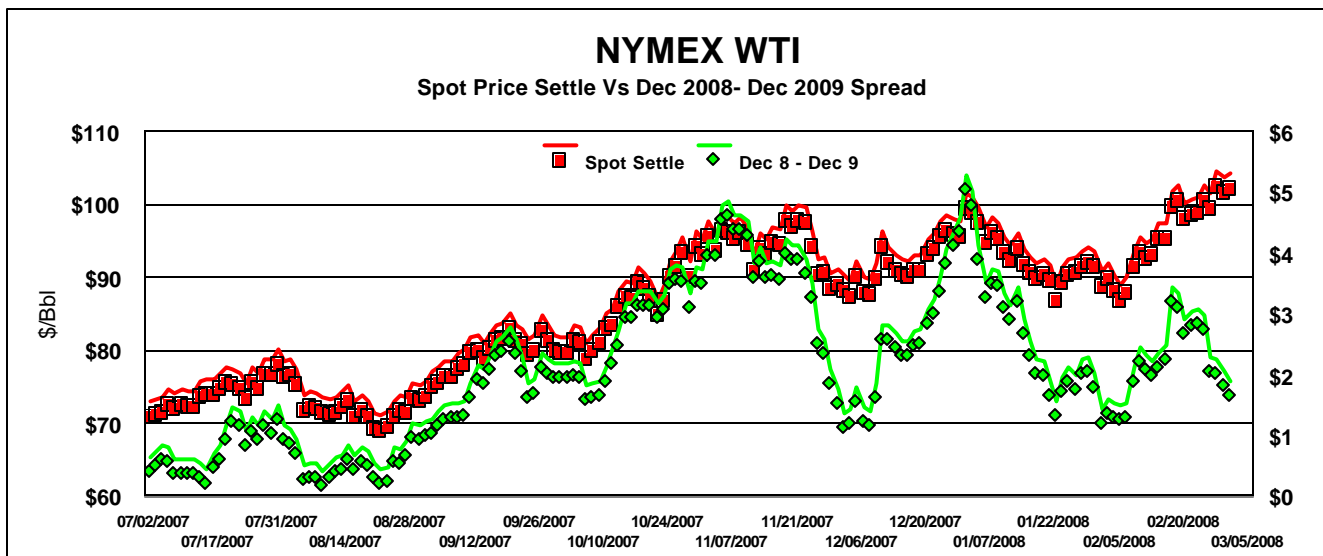
HO – 284.08

RB – 267.20

the market. He said Libya was comfortable with prices at \$100/barrel. Separately, he stated that OPEC should support Venezuela in its dispute with ExxonMobil Corp. Meanwhile, Indonesia's OPEC governor, Maizar Rahman said the country would ask OPEC to roll over production quotas instead of increasing output when the group meets on Wednesday. He said market fundamentals did not support current high oil prices. He said

oil should be around \$70/barrel given current fundamentals. He added that out of OPEC's members only Iran, Venezuela and Algeria want the group to cut production. However an OPEC source said no change would be a logical outcome, but the strength of oil prices meant increasing production could be discussed. He said OPEC may discuss a small increase of 500,000 bpd at its meeting this week. Saudi Arabia's Oil Minister Ali al-Naimi said prices would not fall below \$60-\$70/barrel as this was the minimum level at which alternatives to conventional oil were economically viable. Kuwait's Oil Minister Mohammad al-Olaim said OPEC was unlikely to increase its crude oil output. Venezuela's Oil Minister Rafael Ramirez said OPEC should either hold production steady this week or cut it, arguing that there was no point in increasing crude production. He said \$90/barrel was a long term floor for oil prices. He also stated that ExxonMobil's court order to freeze \$12 billion worth of Venezuela's assets in a dispute of compensation represented a potential threat to fellow OPEC members. Ecuador's Oil Minister Galo Chiriboga said OPEC does not need to change its oil production when it meets on Wednesday. He also stated that Ecuador would ask OPEC to support Venezuela in its dispute with ExxonMobil.

The UN Security Council on Monday imposed a third round of sanctions on Iran for refusing to suspend its nuclear program. There were 14 votes in favor, no votes against and one country, Indonesia, abstained. The permanent members of the UN Security Council, Britain, China, France,



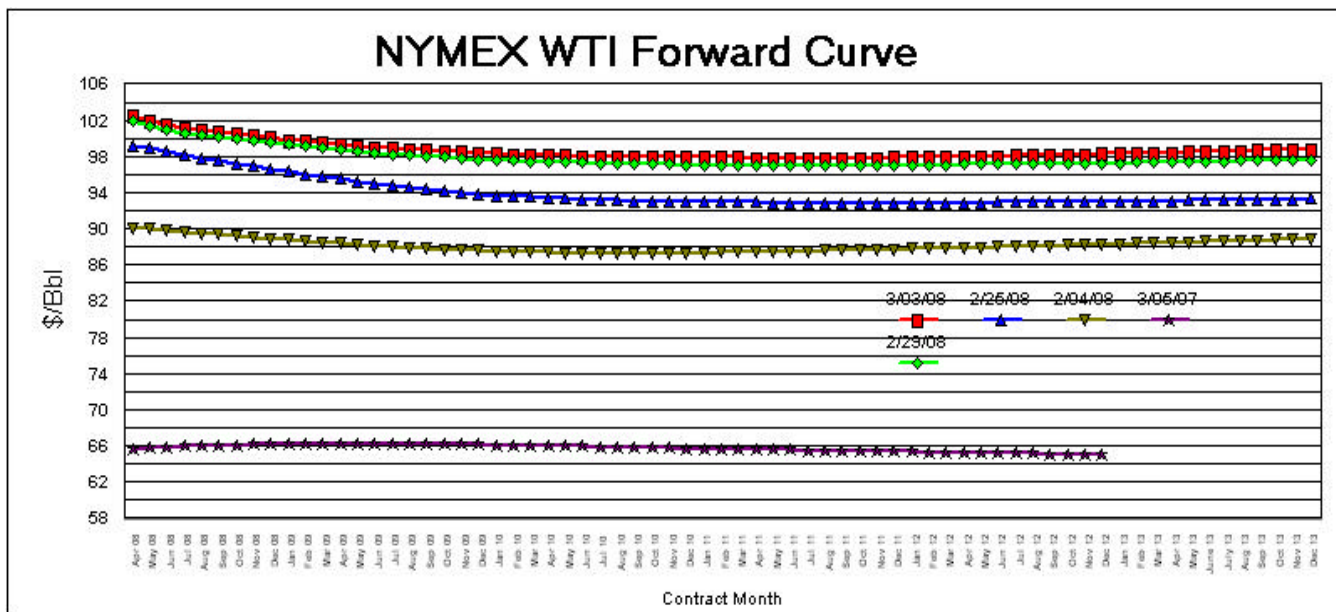
Russia and the US, in addition to Germany want EU foreign policy chief Javier Solana to resume talks with Iran's nuclear negotiator, Saeed Jalili. The resolution bans trade with Iran in good that have both civilian and military uses. It also authorizes inspections of shipments to and from Iran by sea and air that are suspected of carrying banned items. The resolution also introduces financial monitoring of two banks with suspected links to proliferation activities and calls on countries to exercise vigilance in entering into new trade commitments with Iran. Earlier, Iran warned that a new UN Security Council resolution against Iran over its nuclear program would only complicate the standoff with the West. Iran's Atomic Energy Organization deputy head, Mohammad Saedi said any irrational and unlawful

act would help resolve Iran's nuclear issue. He told world powers that they would be acting illegally if they voted to pass a third set of sanctions against Iran over its nuclear program.

Turkey's military chief, Gen. Yasar Buyukanit said the armed forces would go into Iraq against if needed and inflict heavier blows on Kurdish rebels there.

Colombia has told the UN Human Rights Council that it would not accept any provocation that could put the region's stability at risk. Colombia's police commander said documents found at the camp of a top rebel commander killed in a raid showed evidence that Venezuela's President Hugo Chavez made \$300 million payments to FARC guerillas. Venezuela's President Hugo Chavez has accused Colombia of pushing South America to the brink of war by killing a top rebel leader in Ecuador. Meanwhile, Ecuador has sent 3,2000 soldiers to the border province of Sucumbios following a diplomatic problem with Colombia over a Colombian military raid that killed a rebel leader in Ecuador. The US said it supported Colombia's efforts to respond to the threat and challenge from what it called the terrorist FARC movement.

According to the EIA, US oil demand in 2007 averaged 20.698 million bpd, relatively unchanged on the year. Total US oil demand increased by 0.5% or 11,000 bpd on the year. It reported that gasoline demand averaged 9.29 million bpd, up 0.4% or 37,000 bpd on the year while distillate demand



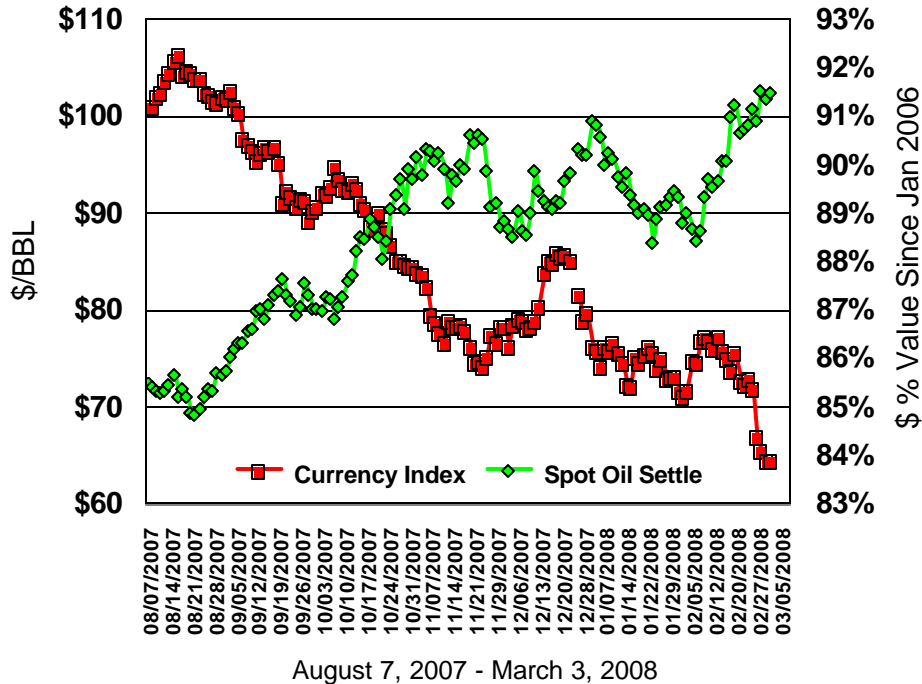
increased by 1.2% or 51,000 bpd to 4.22 million bpd. It reported that total oil inventories fell by 6.4% on the year to 964.7 million barrels. Crude oil stocks ended the year at 285.863 million barrels, down 8.5% on the year.

The EIA reported that the US average retail price of diesel increased by 10.6 cents to \$3.658/gallon in the week ending March 3. It also reported that the US average retail price of gasoline increased by 3.2 cents/gallon to \$3.162/gallon in the latest week.

Refinery News

Citgo shut several units at its 156,000 bpd refinery in Corpus Christi, Texas during the weekend for turnarounds. The work is scheduled to last 45 days. The West Plant of the refinery has been entirely shut and the crude unit and coking unit at the East Plant were also undergoing maintenance.

Spot WTI NYMEX Settle Vs Dollar Basket
U.S. \$ Vs Basket of Currencies Of Net Oil Importers
 \$ % Value Since January 2, 2006



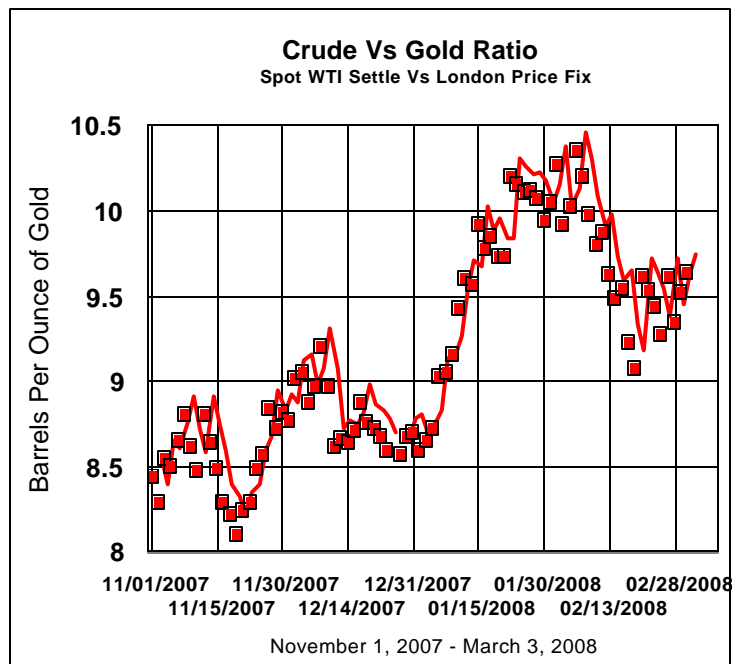
A diesel hydrotreater at Valero Energy Corp's 325,000 bpd Port Arthur, Texas refinery returned to service over the weekend. The unit was shut on November 8 following an explosion and fire. Meanwhile, a coking unit at the refinery remains at partial rates during repairs to cracks in coker drums, which is expected to last 75 days. Meanwhile, Valero returned its 210,000 bpd Delaware City, Delaware refinery to planned rates over the weekend following a power outage in early February. A 72,000 bpd fluid catalytic cracking unit at Valero's Benicia, California refinery restarted this weekend. The unit remained at

partial rates and was working to resume normal operations. The unit was shut on February 28 for pipe repairs.

ConocoPhillips said it planned to start the sulfur recovery unit at its 247,000 bpd refinery in Sweeny, Texas on Saturday morning.

Venezuela's Oil Minister Rafael Ramirez said the country is in talks with ExxonMobil over supplies to the Chalmette, Louisiana refinery. Venezuela cut commercial ties to Exxon after it won court orders freezing up to \$12 billion in Venezuela's assets but promised to honor a supply contract with Chalmette.

US ethanol supplies fell more than 6% or 685,000 barrels in December to 10.5 million barrels. The December supply loss came despite stronger output driven by the opening of new ethanol plans as the government continued to provide incentives to blend the fuel into gasoline. US ethanol production in December increased by 6% or 805,000 barrels to 15.2 million barrels.



NYMEX Petroleum Options Most Active Strikes for March 3, 2008

| Symbol | Month | Year | Call/Put | Strike | Exp Date | Settle | Volume | IV |
|--------|-------|------|----------|--------|------------|--------|--------|--------|
| LO | 6 | 8 | P | 80 | 05/15/2008 | 0.42 | 8,474 | 35.73 |
| LO | 6 | 8 | C | 102 | 05/15/2008 | 5.68 | 6,551 | 32.98 |
| LO | 5 | 8 | P | 90 | 04/17/2008 | 0.99 | 6,284 | 35.69 |
| LO | 6 | 8 | P | 90 | 05/15/2008 | 1.7 | 5,862 | 33.75 |
| LO | 5 | 8 | P | 80 | 04/17/2008 | 0.18 | 4,760 | 38.77 |
| LO | 8 | 8 | P | 83 | 07/17/2008 | 1.39 | 4,430 | 31.64 |
| LO | 8 | 8 | P | 89 | 07/17/2008 | 2.61 | 4,400 | 30.89 |
| LO | 6 | 8 | C | 96 | 05/15/2008 | 8.91 | 4,300 | 33.24 |
| LO | 4 | 8 | C | 110 | 03/14/2008 | 0.53 | 3,070 | 38.71 |
| LO | 12 | 8 | C | 105 | 11/17/2008 | 7.2 | 2,454 | 28.79 |
| LO | 6 | 8 | C | 100 | 05/15/2008 | 6.64 | 2,377 | 33.00 |
| LO | 6 | 8 | P | 85 | 05/15/2008 | 0.88 | 2,341 | 34.66 |
| LO | 5 | 8 | C | 110 | 04/17/2008 | 2.12 | 2,314 | 34.96 |
| LO | 6 | 8 | P | 102.5 | 05/15/2008 | 6.38 | 2,305 | 33.02 |
| LO | 6 | 8 | C | 102.5 | 05/15/2008 | 5.45 | 2,305 | 32.94 |
| LO | 10 | 8 | P | 90 | 09/17/2008 | 3.79 | 2,300 | 29.19 |
| LO | 4 | 8 | C | 115 | 03/14/2008 | 0.18 | 2,289 | 41.52 |
| LO | 6 | 8 | P | 100 | 05/15/2008 | 5.08 | 2,253 | 32.92 |
| LO | 10 | 8 | C | 105 | 09/17/2008 | 6.41 | 2,109 | 29.13 |
| LO | 10 | 8 | C | 125 | 09/17/2008 | 2.38 | 2,075 | 31.87 |
| LO | 12 | 8 | C | 200 | 11/17/2008 | 0.41 | 2,003 | 41.46 |
| LO | 5 | 8 | P | 88 | 04/17/2008 | 0.72 | 2,000 | 36.18 |
| LO | 4 | 8 | C | 103.5 | 03/14/2008 | 2.1 | 1,906 | 36.41 |
| LO | 6 | 8 | C | 115 | 05/15/2008 | 2.02 | 1,878 | 34.99 |
| LO | 9 | 8 | C | 120 | 08/15/2008 | 2.66 | 1,850 | 32.01 |
| LO | 5 | 8 | P | 93 | 04/17/2008 | 1.52 | 1,800 | 34.74 |
| LO | 4 | 8 | P | 103.5 | 03/14/2008 | 3.15 | 1,791 | 36.45 |
| LO | 6 | 8 | C | 105 | 05/15/2008 | 4.42 | 1,789 | 32.88 |
| LO | 5 | 8 | C | 77 | 04/17/2008 | 25.06 | 1,650 | 48.15 |
| LO | 4 | 8 | C | 73 | 03/14/2008 | 29.45 | 1,650 | 89.86 |
| LO | 4 | 8 | C | 101 | 03/14/2008 | 3.35 | 1,603 | 36.46 |
| LO | 5 | 8 | C | 96.5 | 04/17/2008 | 7.95 | 1,600 | 34.39 |
| LO | 4 | 8 | C | 69 | 03/14/2008 | 33.45 | 1,600 | 104.84 |
| OB | 6 | 8 | C | 2.74 | 05/27/2008 | 0.1558 | 781 | 34.84 |
| OB | 6 | 8 | C | 2.81 | 05/27/2008 | 0.1301 | 750 | 35.15 |
| OB | 7 | 8 | P | 2.1 | 06/25/2008 | 0.0167 | 500 | 32.26 |
| OB | 7 | 8 | C | 2.54 | 06/25/2008 | 0.2649 | 305 | 32.97 |
| OB | 5 | 8 | C | 2.8 | 04/25/2008 | 0.1018 | 253 | 36.59 |
| OB | 6 | 8 | C | 3.1 | 05/27/2008 | 0.0595 | 243 | 36.45 |
| OB | 5 | 8 | P | 2.4 | 04/25/2008 | 0.0393 | 225 | 35.95 |
| OB | 5 | 8 | C | 2.76 | 04/25/2008 | 0.116 | 208 | 36.41 |
| OB | 4 | 8 | C | 2.5 | 03/26/2008 | 0.2063 | 200 | 37.99 |
| OB | 5 | 8 | P | 2.64 | 04/25/2008 | 0.1218 | 200 | 36.07 |
| OH | 10 | 8 | P | 2.4 | 09/25/2008 | 0.0709 | 526 | 27.95 |
| OH | 4 | 8 | C | 3.25 | 03/26/2008 | 0.0142 | 526 | 41.22 |
| OH | 5 | 8 | P | 2.5 | 04/25/2008 | 0.0384 | 420 | 35.45 |
| OH | 6 | 8 | P | 2.46 | 05/27/2008 | 0.0388 | 200 | 29.32 |

Deere & Co said more research and development needs to be done on producing ethanol from cellulosic material such as switchgrass. It said ethanol would still come from mostly corn in 2015. Currently, there is no US commercial production of ethanol from cellulose. Capital costs for building an ethanol plant that uses cellulosic material is about four to five times the cost of an ethanol plant that runs on corn. The industry is also still divided on whether enzymes or thermochemical processes are the best way of turning material such as corn stalks and switch grass into alternative fuel. The cost to grow and transport cellulosic material to an ethanol plant is also much higher than corn.

Credit Suisse reported that US oil refinery margins fell sharply in the week ending February 29. Margins in the West Coast fell \$8.92/barrel to \$10.87/barrel while margins in the Gulf Coast fell by \$1.27/barrel to \$9.91/barrel. Refiners in the Midwest earned \$5.20/barrel, down \$2.52 from the previous week while margins in the Northeast fell by \$1.71/barrel to \$7.66/barrel.

Trade sources said European diesel barge premiums to ICE gasoil increased to more than \$10 on Monday. Planned spring

refinery maintenance shutdowns have cut supply in the Amsterdam-Rotterdam-Antwerp refining hub, leaving suppliers hard pressed to meet demand. The Netherlands National Petroleum Stockpiling Agency was heard seeking 20,000 tons of 10 ppm diesel on the barge market on Monday.

The oversupply of winter grade gasoline has pushed down prices in Europe, in turn causing the physical crack versus April Brent futures to collapse \$2/barrel since Friday to be valued at \$4.50/barrel.

According to provisional crude oil loading plans, Nigeria is expected to export about 1.76 million bpd of oil in April. The schedule showed a total volume of 58.3 million barrels would be exported in April. Meanwhile, traders said exports of Nigeria's Qua Iboe crude for March has been delayed by up to 10 days, possibly because of a pipeline leak.

Ecuador's 360,000 bpd SOTE pipeline resumed operations early Monday after operations were halted due to a landslide on Thursday. Petroecuador suspended the operation of the SOTE oil pipeline late Thursday after a rupture caused by a landslide.

Kazakh and Russian oil exports via the Caspian Pipeline Consortium to the Black Sea fell in February by 6.1% to 604,517 bpd from 643,998 bpd in January.

Production News

According to a Reuters survey, OPEC's 12 members bound by quotas produced 29.78 million bpd in February, down from a revised 29.89 million bpd in January. Output from all 13 OPEC members, including Iraq, fell to 32.05 million bpd in February from 32.14 million bpd in January. Saudi Arabia's production was unchanged at 9.15 million bpd. It reported that Iraq's production increased to 2.27 million bpd from 2.25 million bpd in January.

The North Sea Sullom Voe terminal in the Shetland Islands resumed normal operations after berthing was stopped due to high winds.

Royal Dutch Shell said it lifted the force majeure on exports of Nigerian Bonny Light and Forcados crude. Shell declared force majeure on both crude grades earlier this year due to pipeline leaks.

StatoilHydro ASA said it would start production at platform T at the Sleipner gas and condensate field in the North Sea within the next 24 hours. Production was halted following a gas leak at platform A.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.91/barrel to a record high of \$94.88/barrel in the week ending February 29.

Market

Commentary

The oil market traded lower in overnight trading on profit taking and posted a low of 100.77, still holding support above its trendline. The market

| | | Explanation | |
|---------------------------------|-------------------|--|---|
| CL 102.45, up 61 cents | Resistance | 103.53, 108.40 | Basis trendlines |
| | | 103.00, 103.95 | Monday's high |
| | Support | 101.42, 100.77 | Basis trendline, Monday's low |
| | | 98.91, 98.46, 97.75, 97.22, 95.15, 93.07 | Previous lows, 38% retracement(86.34&103.95), 50%, 62% |
| HO 284.08, up 3.39 cents | Resistance | 289.02, 297.33 | Basis trendline |
| | | 287.39 | Monday's high |
| | Support | 281.70, 279.88 | Monday's low |
| | | 279.18, 272.45, 269.31, 268.83, 263.10, 257.36 | Basis trendline, Previous lows, 38% (238.80&287.39), 50%, 62% |
| RB 267.20, up 21 points | Resistance | 274.10, 275.56 | Previous highs |
| | | 268.00, 270.00, 273.25 | Monday's high |
| | Support | 266.78, 265.48 | Basis trendline, Monday's low |
| | | 264.84, 262.01, 261.27, 256.85, 252.43 | Previous low, 38% retracement(238.14&275.56), 50%, 62% |

however bounced off that level early in the morning and rallied to yet another record high of 103.95 amid the continued weakness in the dollar. The market was also supported as OPEC seemed to be leaning against an output increase ahead of the OPEC meeting on Wednesday while Venezuela's movement of troops to its border with Colombia following a Colombian military raid that killed a rebel leader in Ecuador lent further support to the market. The market later settled in a sideways trading pattern for most of the session before the market erased most of its earlier gains as it traded back towards 101.50. The market bounced off that level and settled up 61 cents at 102.45. Open interest in the crude continued to build with a total increase of 16,346 lots to 1,445,328 as of Friday. Open interest in the April contract fell by 3,110 lots to 359,888 lots while open interest in the May and June contracts contract built by 3,900 lots to 176,370 lots and by 3,232 lots to 126,722 lots, respectively. Meanwhile, the product markets also ended the session in positive territory, with the heating oil market settling up 3.39 cents at 284.08 and the RBOB market settling up 21 points at 267.20. Similar to the crude market, the heating oil market bounced off an overnight low of 279.88 and rallied to a high of 287.39 amid the strength in the crude market. It erased its earlier gains in afternoon trading only to bounce back to the 284.00 level. The RBOB market breached its downward trendline and rallied to a high of 273.25 early in the session. It settled in a sideways trading pattern before it erased most of its gains in profit taking ahead of the close. The market is seen holding support as the market awaits for OPEC's decision on Wednesday and the developments in the diplomatic conflict between Venezuela and Colombia. In the heating oil market, support is seen at 281.70, 279.88 followed by 279.18, 272.45, 269.31 and 268.83. Resistance is seen at 287.39, 289.02 and 297.33. In the RBOB, support is seen at 266.78, 265.48, 264.84, 262.01, 261.27, 256.85 and 252.43 while resistance is seen at 268.00, 270.00, 273.25, 274.10 and 275.56.