



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 4, 2008

The US DOE solicited bids for royalty-in-kind oil to fill the SPR by up to 13 million barrels from August to December. The DOE said continuing the RIK program would fill the SPR at a fill rate of about 76,000 bpd over the six month period. Earlier, US Under-Secretary of Energy Bud Albright said the US government would soon take a decision about issuing tenders for purchasing crude oil for strategic reserves.

Market Watch

Lehman Brothers increased its 2008 and 2009 London Brent crude price estimates to \$93/barrel from \$86/barrel and to \$83/barrel from \$78/barrel, respectively.

Mexico's President Felipe Calderon said the outlook for Mexico's oil industry was too grim for political bickering to stand in the way of an oil industry reform. He said Mexico's proved oil and gas reserves were expected to fall by a further 8% to 13.5 billion barrels of crude equivalent between 2008 and 2012. Meanwhile, a senior Mexican senator said lawmakers from Mexico's ruling party, the National Action Party, would have a draft oil reform proposal ready next week with clauses to encourage drilling in deep water oil fields on the US maritime border. He said the party was also considering measures to allow Pemex to partner with other state firms in deep sea oil.

The Labor Department said reported that the unemployment rate in March stood at 5.1%, up from 4.8% in February. It said nonfarm payrolls fell by 80,000 in March, its biggest decline in five years after falling by 76,000 in both January and February. The data suggests additional interest rate cuts by the Fed are likely, even though the already aggressive response by officials does not leave them too much room fro additional easing.

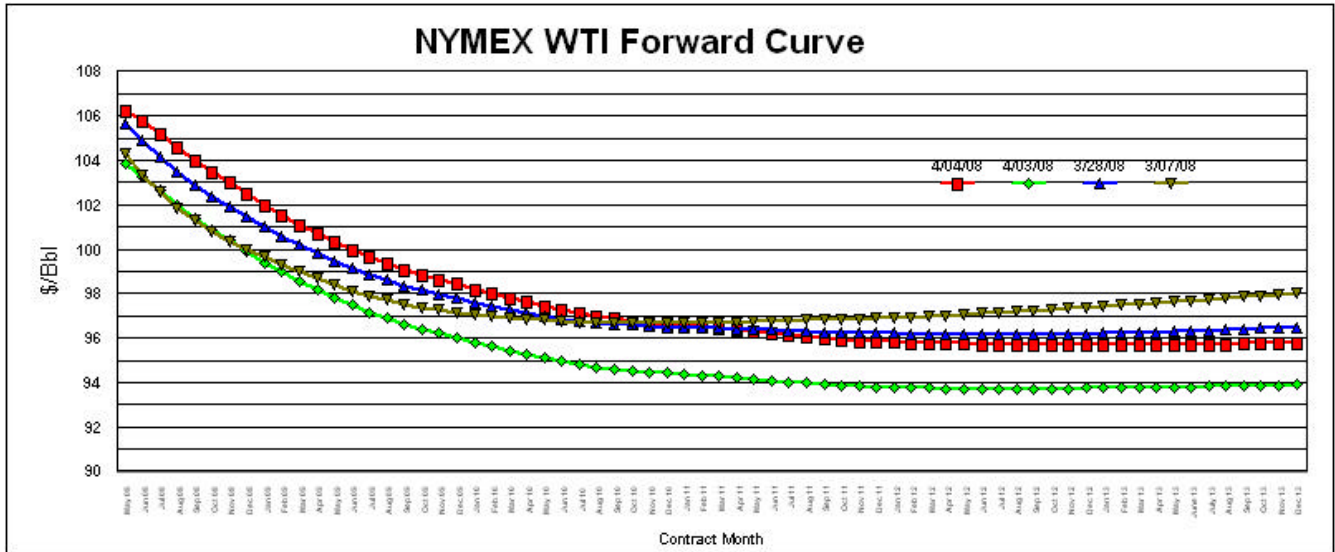
Ecuador's Oil Minister Galo Chiriboga said OPEC was worried about a possible decrease in US oil demand and added that OPEC planned to informally meet in Rome this month to analyze the market. He said a slower US economy is expected to lower its demand this year however rapid growth in India and China could offset its effect on the market.

Royal Dutch Shell said it had put out a fire on a section of the Trans-Niger pipeline that pumps oil to the Bonny export terminal after it started on Sunday. As previously reported, its output and exports were unaffected by the fire.

April Calendar Averages

CL – 103.97
HO – 293.64
RB – 272.35

Iran's President Mahmoud Ahmadinejad has rejected a reported new package of incentives being worked on to entice Iran to suspend its nuclear enrichment program. He said Iran's nuclear program was a



non-negotiable subject. The Washington Times reported last month that the five permanent members of the UN Security Council were preparing a package of incentives aimed at Iran's recently elected parliament. The proposal included economic, technological and security benefits, including help with developing a civilian nuclear energy program.

Refinery News

ExxonMobil reported a major fire at its 149,500 bpd Torrance, California refinery on Friday morning. Its hydrotreater was shut as a result of the fire while the rest of the refinery was operating normally.

Marathon Oil Corp said plant maintenance was taking longer than in past years, keeping utilization near the lowest level since 2005. It said the turnaround season would extend into the second quarter as well. Upgrading of refineries to handle more inexpensive grades of oil and the lack of skilled workers was slowing the pace of maintenance projects. The EIA reported that US refiners were operating their plants at 82.4% of capacity last week. Meanwhile ConocoPhillips said it cut output at some plants as profit margins fell 35% on the year.

ConocoPhillips reported flaring at its Sweeney refinery late Thursday due to a problem at a hydrogen unit. A report filed with the Texas Commission on Environmental Quality did not say whether the incident impacted operations at the 270,000 bpd refinery.

Valero Energy Corp said it expects its 30,000 bpd hydrocracking unit at its 170,000 bpd refinery in Benicia, California to remain shut for 10 days to two weeks following a Wednesday shutdown. Its operations have been reduced due to the shutdown of a hydrocracker following a malfunction in a heater outlet pipe on the unit. Separately, Valero Energy Corp said it was working on one of two diesel hydrotreaters at its 295,000 bpd refinery in Port Arthur, Texas.

Neste Oil said a fire at a new diesel line in the 206,000 bpd Porvoo oil refinery in Finland was extinguished after it started early Friday. It said operations at the rest of the refinery were not affected by the fire. Neste started maintenance at the refinery last week, shutting down partial operations. The maintenance is expected to last until the end of April.

Oman Sohar refinery's 75,200 bpd residual fluid catalytic cracker was partially shutdown early on Thursday due to a leakage. The company had yet to confirm the duration of the unplanned shutdown but traders said the Middle East Gulf gasoline market was expected to tighten.

South Korea's S-Oil Corp has notified one of its term lifters that it may defer May naphtha supplies for a month due to last week's power outage at its refinery. It notified lifters that it would roll over May volumes to June as its secondary units, which restarted operations this week, were not producing fuel that meet required specifications.

Germany's Environment Minister Sigmar Gabriel said he stopped the government's plans to raise compulsory bioethanol blending levels in fossil gasoline. Politicians and industry groups had criticized the plans to raise the level to 10% for some gasoline grades from 5%.

Japan's retail gasoline prices fell further this week after a special tax expired. The temporary gasoline tax that had been in place for 30 years and added 25.1 yen/liter to the price of petrol expired on March 31. The average pump price of regular gasoline was 134.3 yen or \$1.31/liter or \$4.96/gallon on Thursday. It was down 7.9 yen from April 1 and down 18.6 yen from March 31.

Indonesia's Energy Minister Purnomo Yusgiantoro said Indonesia had no plans to increase subsidized fuel prices despite the rising subsidies. The country's combined fuel and electricity subsidies are expected to reach nearly 200 trillion rupiah or \$21.71 billion this year.

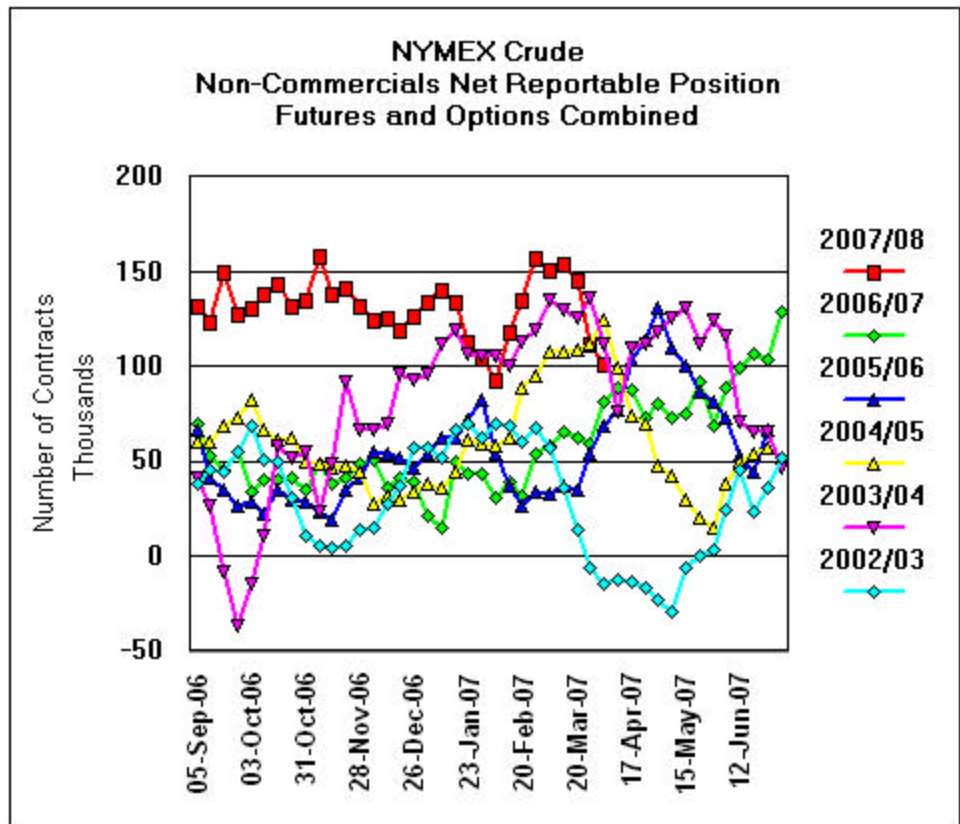
Production News

According to a Bloomberg News survey, OPEC's production fell by 85,000 bpd on the month to 32.35 million bpd in March. Production by the 12 members bound by quotas, except Iraq, fell by 30,000 barrels to 29.97 million bpd. It reported that Nigeria's production fell by 80,000 bpd to 1.96 million bpd.

The bading program for North Sea Forties crude has increased by a total of two 600,000 barrel cargoes, bringing the total number of cargoes loading in April to 32. The additional cargoes are scheduled to load April 19-21 and April 28-30 and have been allocated to Shell. The total loading program has increased by 40,000 bpd to 640,000 bpd.

Russia's Lukoil cut its 2008 oil output forecast, saying its oil production is expected to increase by 1.8-2% without acquisitions, down from its previous estimate of 5%.

Petroecuador said it asked Petrobras to respond to charges of a contract breach that could lead to the end of its oil extraction deal at an Ecuadorean oilfield. Petrobras has been accused of breaching its contract by transferring part of an oil block without



proper government approval. However Petrobras has denied any wrong doing and said in a statement that would provide Petroecuador all the documentation requested.

BP chief executive Tony Hayward met the chairman of Rosneft, Igor Sechin this week amid rumors the Kremlin was maneuvering for control of BP's Russian joint venture. The BP official denied the meeting was related to recent raids on the Moscow offices of BP and its 50% owned joint venture TNK-BP or probes into possible tax fraud or ecological violations at TNK.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$98.63/barrel on Thursday from \$96.48/barrel on Wednesday.

Market Commentary

Prices moved higher today in response to a weak dollar and news of a fire at Exxon Mobil's Torrance, CA refinery. Technically speaking, prices basis the May crude oil contract traded and settled above the bullish pennant formation mentioned in yesterday's wire. This move now sets up prices to test the \$111.00 level. Supporting this move is the formation of the forward curve where the front end is continuing to pull away from deferred months. Based on these factors and the continued bleak economic outlook the \$111.00 aforementioned level is not out of the realm of possibilities. The May/June crude oil spread is indicating further roll play, as longs rolled from the May contract into the June, July and August contracts. With maintenance programs continuing in Europe, exports to the U.S. are suffering amid the strong global demand for diesel. This is providing unseasonable strength to the heating oil market which settle up 6.93 cents on the day basis the May contract. Slow stochastics for this contract are in oversold territory but have not crossed to the upside. Given the seasonality of this market, it is a difficult buy to make. With this in mind we would look to buy and sell at the listed support and resistance numbers. News of the Exxon Mobil refinery fire pushed Carbob for delivery in April to a 30 cents premium to NY futures from 23 cents yesterday. The RBOB market settled up 3.24 cents at 275.67 amid the refinery news. Stock levels are still in the upper half of the average range, with demand trailing that of previous years. The RBOB market is seen finding resistance at its highs of 276.89 followed by 277.50, 278.36 and 280.00. Total open interest for crude oil is 1,403,881 up 18,252, May08 323,038 down 3,396, June08 197,436 up 6,706 and Dec08 199,797 up 1,873.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 6,819 contracts to 47,073 contracts in the week ending April 1. The non-commercials increased their total short positions by 5,872 contracts to 178,361 contracts on the week. The combined futures and options report showed that non-commercials in the crude market cut their net long position by 10,708 contracts to 101,559 contracts on the week. Given the market's move during the last few trading sessions, the non-commercials have likely added to their net long positions. Meanwhile, the non-commercials in the heating oil market cut their net long position by 2,074 contracts to 22,933 contracts on the week while non-commercials in the RBOB market increased their net long positions by 2,531 contracts to 43,961 contracts.

		Explanation	
CL	Resistance	106.44, 106.78, 108.90, 110.35, 111.80, 112.58	Previous highs
		106.09, 106.38	Friday's high
	Support	105.00, 104.70, 104.03	Friday's low
		103.21, 99.84, 99.55, 98.35, 97.54, 95.51, 86.34	Previous low, 50%(86.33 and 101.86), Trendline, 62%, Previous low
HO	Resistance	300.00, 305.39, 305.56, 305.63, 308.00, 308.74	Previous highs
		299.69	Friday's high
	Support	296.90, 296.35, 293.00	Friday's low
		291.42, 284.89, 283.75, 279.23, 275.08, 273.27	Previous lows
RB	Resistance	277.50, 278.36, 280.00, 286.57	Previous high, Basis trendline
		276.89	Friday's high
	Support	272.75, 270.62	Friday's low
		271.00, 268.72, 266.44, 263.22, 259.20, 259.08	38%(259.08 and 278.36), 50%, 62%, Previous lows