



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 24, 2006

Saudi Arabia's oil production was not affected by an attempt to storm an oil facility in Buqayq, which processes about 7 million bpd of crude oil. Saudi Arabia's Oil Minister Ali al-Naimi said the foiled bombing attempt at the oil facility did not affect operations or oil flows at the facility. He denied reports stating that the flow of oil was halted briefly. An Interior Ministry official said two cars exploded at a side entrance of the Abqayq facility following a firefight with security guards as suicide bombers attempted to attack the facility. The two

suicide bombers were killed in the attempt to break into the oil complex. The blasts caused a limited fire, which was brought under control.

Market Watch

An extraordinary daytime curfew in Baghdad and the nearby provinces of Diyala, Babil and Salaheddin appeared to have curbed the wave of attacks on Sunni mosques that followed Wednesday's bombing that destroyed the Shi'ite Askariya shrine in Samarra. Meanwhile, Iraq's most influential Shi'ite political leader called Friday for Sunni-Shi'ite unity as religious figures sought to calm people and pull the nation from the brink of civil war. Iraq's ambassador to the UN, Samir Sumaidaie, said the bombing of a Shi'ite shrine and the reprisal attacks would not provoke a civil war.

Iraq's Deputy Prime Minister Ahmad Chalabi reiterated that oil deals signed between companies and provinces such as Kurdistan need to be coordinated and approved by the Iraqi government. He said any negotiations should be conducted in a framework of openness and transparency in accordance with the Constitution and the laws of Iraq.

Bank of England chief economist Charlie Bean said there is a risk that energy prices would increase further, which would continue to squeeze margins for business and individuals.

A Nigerian court has ordered Royal Dutch Shell to pay \$1.5 billion to the Ijaw people of the Niger Delta region. The Ijaw have been fighting since 2000 for compensation for environmental degradation. They took the case to court after Shell refused to make the payment ordered by Nigeria's parliament.

Refinery News

Total said its 160,000 bpd Flandres refinery in Mardyck, France is expected to restart in the middle of next week. The refinery was shut on February 10 following an outage at its power unit.

Production News

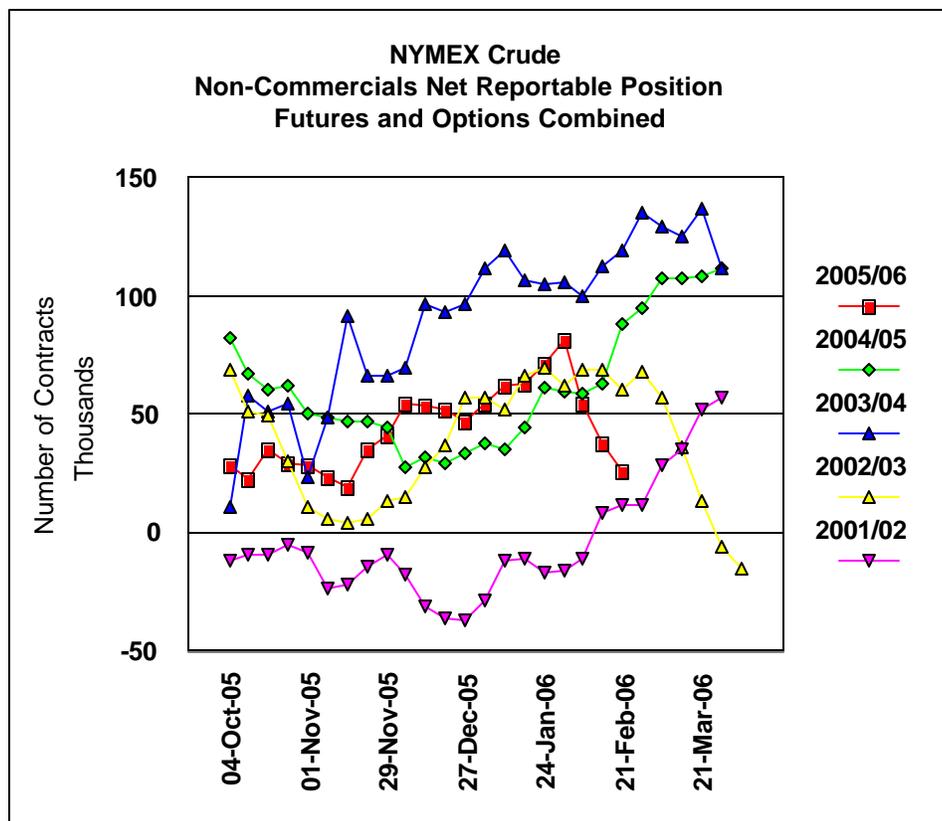
Ecuador's OCP pipeline resumed operations on Friday and is transporting about 100,000 bpd. Ecuador's President Alfredo Palacio also lifted the state of emergency after protesters in Ecuador agreed late Thursday to end the 4 day strike that prompted the closure of the pipeline.

Ecuador's Petroecuador delayed two oil shipments that were originally scheduled to leave the port of Balao on February 27 and 28. The shipments of 360,000 barrels of crude are expected to leave the port between March 2 and 4.

Petrologistics reported that fuel oil and gas oil exports from the former Soviet Union in February look set to remain close to January levels. Fuel oil shipments in January from FSU ports in the Baltic, Black Sea and Far East fall by 195,000 bpd from the previous month to 920,000 bpd. Its gas oil exports fell by 50,000 bpd to 980,000 bpd.

India's government reported that the country's crude oil production in January totaled 2.78 million tons, down 4.5% on the year. It was 8.3% below the government's output target of 3.03 million tons for the month. During the April-January period, the first 10 months of the current fiscal year to March 2006, India produced 26.81 million tons of crude compared with 28.47 million tons the previous year. India's refineries processed 11.65 million tons of crude in January compared with 11.07 million tons last year. Refinery runs in January were 1.8% below the government's target of 11.87 million tons. India's crude oil imports in January increased 5.7% on the year to 9.02 million tons while imports of refined products fell by 8.9% on the year to 730,000 tons. India exported 2.17 million tons of oil products in January, up 49% on the year.

OPEC's news agency reported that OPEC's basket of crudes fell to \$55.18/barrel on Thursday, down from \$55.72/barrel reported on Wednesday.



Thailand is expected to import a third less low sulfur fuel oil than initially expected this year due to high prices, although it is still expected to import more than in 2005 due to meet increasing power demand. The Electricity Generating Authority of Thailand is expected to buy 1.2-1.4 million tons of low sulfur fuel oil for 2006, down from earlier projections of 2-2.1 million tons.

Market Commentary

The oil complex traded sharply higher in light of the news of an attempted terrorist attack on Saudi Arabia's Abqaiq facility, which processes about 7 million bpd of crude. The

crude market gapped higher from 61.15 to 61.70, its intraday low, and continued to trend higher. The market traded to 62.85 and settled in a sideways trading pattern as Saudi Arabia's Oil Minister Ali al-Naimi said the foiled bombing attempt at the oil facility did not affect operations or oil flows at the facility. The market however later breached the 63.00 level on further buying ahead of the weekend. The market later retraced some of its gains and settled just below the 63.00 level at 62.91, up \$2.37. Volume in the crude market was good with over 220,000 lots booked on the day. The gasoline market gapped higher from 151.95 to 152.60 and quickly rallied to a high of 156.00 as it continued to trend higher. The market however retraced its gains and sold off to a low 151.00. The market later bounced off that level and traded back towards its high as traders covered their shorts ahead of the weekend. It settled up 3.72 cents at 155.06. The heating oil market also gapped higher on the opening from 167.40 to 169.50, its intraday low. The market traded to a high of 172.25 and settled in a sideways trading pattern from 171.00 to 172.25. The heating oil market however breached its early high and rallied to a high of 173.50 ahead of the close. It settled up 6.41 cents at 172.67. Volumes in the product markets were good with 55,000 lots booked in the gasoline market and 45,000 lots booked in the heating oil market.

According to the Commitment of Traders report non-commercials in the crude market increased their net short positions by 11,627 contracts to 30,128 contracts in the week ending February 21st. The non-commercials cut their total long positions by 17,173 contracts to 112,024 on the week. The combined futures and options report showed that non-commercials in crude market cut their net long positions by 11,314 to 26,171 contracts amid the market's previous losses. Meanwhile, non-commercials in the gasoline market cut their net long position by 10,271 contracts to 21,618 contracts as traders start to get out of the gasoline contract. The non-commercials in the heating oil market increased their net long position by 440 contracts to 849 contracts on the week.

The oil market on Monday will be driven by the news over the weekend. Barring any further bullish developments in Saudi Arabia, the market is seen retracing some of today's sharp gains. The other wild cards the market will remain concerned with are Iran, Nigeria and Iraq. Technically, the market is

seen finding support at 62.50 followed by its gap from 61.70 to 61.15. Meanwhile resistance is seen at 63.25, 63.95, 64.49 and 64.60.

Technical Analysis		
	Levels	Explanation
CL 62.91, up \$2.37	Resistance 63.95, 64.49, 64.60	Previous high, 50% (69.78 and 59.20), Previous high Friday's high
	Support 62.50 61.70 to 61.15	
HO 172.67, up 6.41 cents	Resistance 174.50, 175.85, 179.66	Previous high, 50% and 62% (192.00 and 159.70) Friday's high
	Support 171.50 169.50 to 167.40, 164.00	
HU 155.06, up 3.72 cents	Resistance 156.50, 156.90, 158.80	Previous high, 38% (189.50 and 136.75), Previous high Friday's high
	Support 153.00, 151.00 147.00, 143.40	