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ENERGY MARKET REPORT FOR MARCH 7, 2005

On Sunday, OPEC issued a formal statement saying that the producer group was concerned about the continued strength in oil prices despite the fact that the market is well supplied and world crude stocks have continued to build. OPEC's President Sheikh Ahmad Fahad al-Ahmad al-Sabah expressed concern over the sharp increase in oil prices but indicated that it is not likely to act on that concern by formally increasing output when it meets on March 16. He said increasing prices are the result of the late cold snap, refinery outages and bottlenecks, expectations that oil demand will remain strong this year, concerns that non-OPEC producers are not increasing their output fast enough and increased investment by speculators. Meanwhile, Iran's OPEC Governor Hossein Kazempour Ardebili hinted that OPEC would probably leave its 27 million bpd production ceiling unchanged due to high prices. He said OPEC faces a choice of either cutting its output ceiling or leaving it

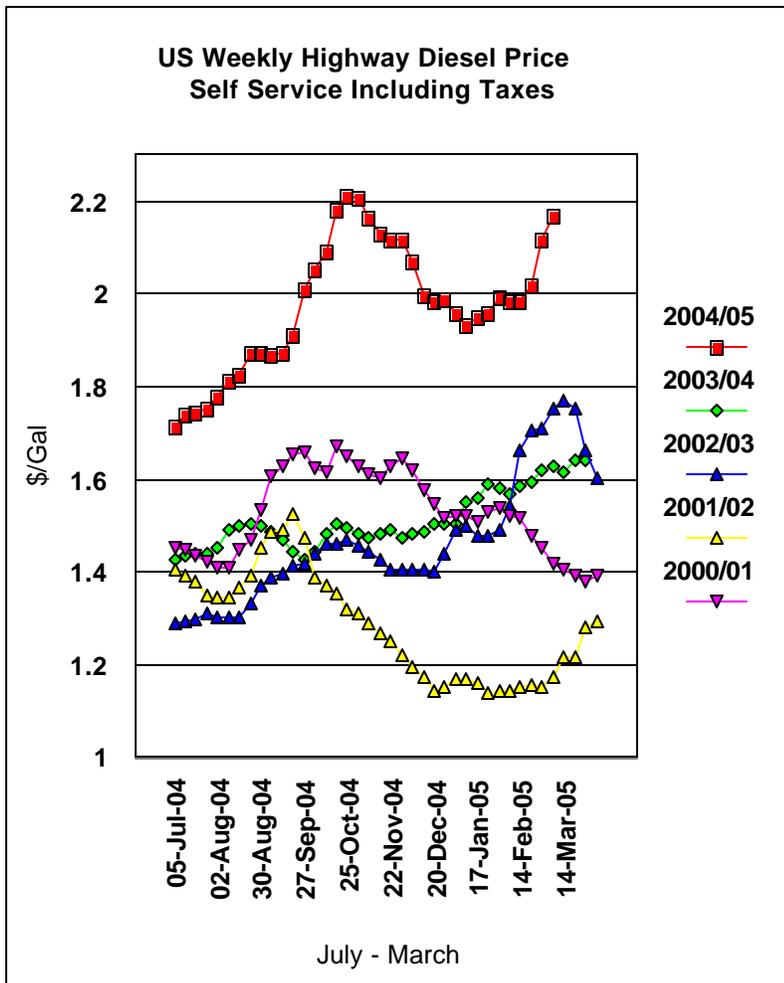
Market Watch

The EIA said this week's report will not show revised data for gasoline. It said it has found no errors to show that its petroleum data is faulty. It said it has no plans to revise previously published data even as the US Gulf Coast has shown an uncharacteristically sharp increase in gasoline stocks. EIA officials stated that there is a notion that gasoline prices are high and will remain high through next winter and Gulf Coast refiners may be holding product rather than sell off winter blends of gasoline as they have in years past.

Traders stated that European fuel oil supplies on the Amsterdam-Rotterdam market are set to tighten over the coming weeks with about 1 million tons of heavy product bound to the US and Asia. Glencore has booked a very large crude carrier to load a 270,000 tons cargo bound for Asia in mid-March. Koch has also fixed a vessel for a similar sized cargo for lifting at the end of March, also bound to Asia. The opening of the arbitrage to the US over the past few weeks for fuel oil has prompted the fixing of about 500,000 tons of the product to the US in the first half of March. The flows to Asia and the US will soon affect the ARA market.

London's IPE plans to close its open outcry pits for Brent and gas oil futures on April 7, making way for fully electronic trading. The first full day of electronic trade will be on April 8. It said the decision was taken to maintain and enhance the competitive position of the IPE as well as to take advantage of the greater acceptance and adoption of electronic trading. Since November 1, the IPE has held fully electronic morning sessions, delaying the start of open outcry trade until 2 pm and has hailed electronic trade so far as a success. Meanwhile, the NYMEX plans to expand its Dublin open outcry trading floor by April 1, before the IPE closes its open outcry pits, to accommodate displaced Brent traders.

The US dollar recovered from Friday's losses in European morning trade on Monday as it shrugged off a warning from Warren Buffett about the size of the US current account deficit and the need to finance it with foreign investment. The yen was weak as data showed a slowdown in corporate capital expenditure in Japan. Capex spending increased 3.5% quarter on quarter in the fourth quarter of 2004, down from 14.4% in the previous three months, leading to speculation that fourth quarter GDP growth data could be revised down still further.



unchanged. He said at \$53/barrel, any cut may send the wrong signal to the market. He added that Iran was happy with the current level of oil prices and thinks OPEC should keep its \$2-\$28/barrel price band target suspended rather than change it. Venezuela's Oil Minister Rafael Ramirez said recent high prices are fair for oil producing countries and there is a consensus within OPEC to keep them at current levels. Algeria's Energy Minister Chakib Khelil also said OPEC producers do not need to lift supply at its upcoming meeting.

Adel al-Jubir, the political adviser to Saudi Arabia's crown prince said crude oil prices are unrealistically high and do not reflect any physical shortages in the world markets. He blamed the current high oil prices on a lack of refining capacity and on specialized gasoline blending requirements that make it difficult to shift fuel supplies from one country to another. He also stated that the expectation that prices will fall significantly is unrealistic.

Nigeria's President Olusegun

Obasanjo called for OPEC to take action to cut oil prices. He said excessive and volatile oil prices are not in the best interests of producers and consumers. He said there is a need for price stability and supply security. Nigeria's President said OPEC should use its price modulating mechanism to lower oil prices.

Venezuela's President Hugo Chavez said the US called him a destabilizing force in the South American region, giving the US administration an excuse to seek control of Venezuela's oil. He said the US made up charges against Iran and Venezuela because of US difficulties in Iraq. On Friday, Venezuela's President said Venezuela would cut off its oil supplies to the US if it attempted to "hurt" his country. Separately, Venezuela's President Hugo Chavez said oil prices are expected to remain a band between \$30-\$40/barrel in the near future and will remain in the band for some time.

The EIA reported that the US average retail price of diesel continued to climb, increasing up 5 cents/gallon to \$2.168/gallon in the week ending March 7. The EIA also reported that the US average retail price of gasoline increased by 7.1 cents/gallon to \$1.999/gallon on the week.

According to the Lundberg Survey, gasoline prices increased by 6.71 cents/gallon to \$2/gallon in the two weeks ending March 4.

OPEC's news agency reported that OPEC's basket of crudes increased by 1 cent/barrel to \$48.37/barrel on Friday from \$48.36/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$2.64/barrel to \$46.59/barrel in the week ending March 3.

The Climate Prediction Center reported 178 Heating Degree Days in the US in the week ending March 5th. It is up from its previous estimate of 173 HDD. It is also up 71% on the year and up 12% from normal. It reported a total of 255 HDD on an oil home heating customer weighted basis, up 91.7% on the year and up 19% on the year. It estimated that the US would see a total of 142 HDD, up 5.2% on the year and down 3% from normal. It also estimated a total of 208 HDD on an oil home heating customer weighted basis, up 7.8% on the year and up 3% from normal.

Iraqi Oil Ministry officials said Iraq started talks with a number of international companies to build a 200,000-300,00 bpd refinery in Amman. Iraq's Oil Minister Thamer al-Ghadhban confirmed there were talks but did not specify companies or the exact location of the proposed refinery. Iraq's three main refineries in Baiji, Baghdad and Basra are currently operating below capacity due to power cuts and a lack of crude oil.

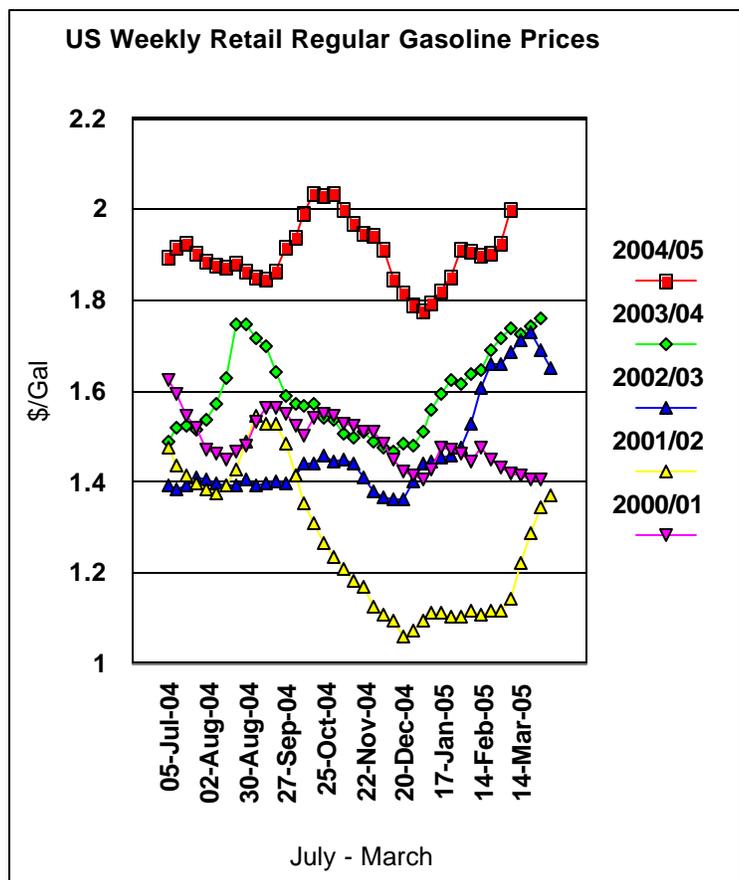
A Shi'ite parliamentary alliance, United Iraqi Alliance, is supporting former Oil Minister Ibrahim Bahr al-Uloum to become Oil Minister once again in the new government. Support from the alliance makes him the leading candidate to take over the post from the current minister. However no final agreement has been reached between political forces negotiating the composition of the cabinet.

Production News

A.P. Moeller-Maersk said Danish Underground Consortium's oil production from its 14 fields in the Danish part of the North Sea increased by 14.3% year on year to 315,900 bpd.

Royal Dutch/Shell expects to start new production from two Iranian offshore oilfields in the next few days. Shell is planning to double existing production of 50,000 bpd from the offshore Soroush field and start 90,000 bpd of production from the offshore Nowruz field. The increase in production from Soroush was delayed from a planned December start after Shell suffered damage at the facility.

Saudi Aramco has increased its April official selling price for its crude loading at Sidi Kerir for European lifters by \$1.25/barrel to \$1.60/barrel. It set Arab Extra Light at 30 cents under the IPE Brent crude weighted average (BWAVE), up \$1.60/barrel of March levels. Arab Light was increased by \$1.50/barrel to BWAVE minus \$4.00 while Arab Medium and Arab Heavy were increased by \$1.25/barrel to BWAVE minus \$8.10 and BWAVE minus \$9.40, respectively. Its prices to the US were increased from \$0.25 to \$1.05/barrel on the



month. Its Arab Extra Light was set at WTI minus \$3.10, up \$1.00, its Arab Light was set at WTI minus \$6.25, up \$1.05, its Arab Medium was set at WTI minus \$8.65, up \$0.80 and its Arab Heavy was set at WTI minus \$11.55/barrel, up \$0.25. Meanwhile its Arab Super Light bound to Asia was set at the Oman/Dubai average plus \$6.75, up \$1 on the month. Its Arab Extra Light was set at the Oman/Dubai average plus \$3.40, up \$0.55, its Arab Light was set at the Oman/Dubai average plus \$0.65, up \$0.40, its Arab Medium was set at the Oman/Dubai average minus \$1.70, up \$0.15 and its Arab Heavy was set at the Oman/Dubai average minus \$4.55, down \$0.40.

China's crude oil imports have limited impact on world oil prices, shrugging off statements that the country's increasing demand for oil has caused an increase in world prices. A government official said the increase in oil prices is a result of the recovery in the world economy, increased demand, speculation by funds and incidents that hinder production in oil producing countries. China's Foreign Minister Li Zhaoxing said the sharp increase in China's demand for oil is largely being met domestically.

Ecuador's central bank reported that the country's oil export revenues totaled \$327.38 million in January, up from \$273.64 million reported last year. In terms of volume, Ecuador exported 11.27 million barrels in January, up 10.8% on the year.

Kuwait Oil Company reported this evening that it had shut a crude gathering center in the northern part of the country as a precaution this evening following a small fire at a gas liquefaction unit. The company noted that the fire was out and that work was underway to restart the 380,000 b/d gathering center.

Market Commentary

The NYMEX crude market opened down 68 cents at 53.10 amid the prospect that OPEC will leave its output ceiling unchanged. OPEC announced over the weekend that it is concerned over the sharp increase in oil prices. It however indicated that it is not likely to act on that concern by formally increasing output when it meets on March 16. The crude market quickly posted an intraday low of 52.91 as it continued to hold support at its recent lows. The market which posted a triple bottom, continued to trade within Friday's trading range. It traded to a high of 53.50 within the first hour of trading before it settled in a sideways trading range as it also seemed to have ignored the Saudi statements.

The oil market however breached its resistance and rallied to a high of 53.95 on a late wave of buying after it continued to hold good support at its lows. It settled up 11 cents at 53.89.

| Technical Analysis | | | |
|---------------------------|----------------------|------------------------------|--|
| | | Levels | Explanation |
| CL | Resistance | 55.20, 55.65 | Thursday's high, Previous high(continuation chart) |
| | 53.89, up 11 cents | 53.95-54.00, 54.35, 54.70 | Double top |
| | Support | 52.91-52.86 | Triple bottom |
| HO | | 52.48, 51.83, 51.50 | 50% and 62% (49.75 and 55.20), Previous low |
| | Resistance | 152.75 | Thursday's high |
| | 148.50, up 16 points | 148.75, 149.60, 151.60 | Monday's high, Friday's high |
| HU | Support | 145.80 | Monday's low |
| | | 144.63, 142.71 | 50% and 62% (136.50 and 152.75) |
| | Resistance | 152.60, 153.20, 154.50 | Thursday's high |
| 150.53, down 36 points | 151.40, 151.90 | Monday's high, Friday's high | |
| | Support | 147.80 | Monday's low |
| | | 147.50, 145.50, 143.38 | Previous low, 50% and 62% (136.50 and 154.50) |

Volume in the crude market was excellent with over 200,000 lots booked on the day. The product markets ended mixed once again, this time the heating oil market settled up 16 points at

148.50 while the gasoline market settled down 36 points at 150.53. The heating oil market opened down 1.54 cents at 146.80 and traded to a low of 145.80 early in the session. It however retraced its losses and settled in a sideways trading range before it rallied to a high of 148.75 on late day buying seen ahead of the close. Meanwhile the gasoline market continued to trade within Thursday's trading range as it quickly found support at 147.80 early in the session. The market bounced off that level and traded to 150.00 before it settled in a sideways trading pattern for most of the session. However the market later breached its resistance and traded to a high of 151.40 ahead of the close. Volumes in the product markets were good with over 45,000 lots booked in the heating oil market and 40,000 lots booked in the gasoline market.

The crude market on Tuesday will likely continue to trade in its recent trading range as most traders will seek further direction from the weekly petroleum stock reports on Wednesday. The market is still seen holding support at its lows of 52.91-52.86. If the market does breach its triple bottom, as its daily stochastics are still trending lower, further support is at 52.48, 51.83 and its previous low of 51.50. Meanwhile resistance is seen at 53.95, 54.00 followed by more distant resistance at 55.20 and 55.65.