



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 25, 2005

Saudi Arabia believes that world oil supplies are adequate but is willing to provide as much crude as buyers demand. A Saudi foreign affairs adviser, Adel al-Jubeir said there is not shortage of crude oil in the market. Following a meeting between President Bush and Crown Prince Abdullah, al-Jubeir said Saudi Arabia is currently producing slightly over 9.5 million bpd and added that between 1.3 and 1.4 million bpd in spare capacity could be quickly brought on line if needed. He said Saudi Arabia will be able to produce 12.5 million bpd of oil within the next two or three years. He also stated that \$50/barrel is too high but declined to say what target range is sought by Saudi Arabia. President Bush was expected to press for

Market Watch

Valero Energy Corp confirmed it agreed to acquire Premcor Inc for about \$6.9 billion in cash and stock. Valero expects to complete the merger on December 31. After buying Premcor, Valero will be the largest refiner of crude oil in North America, surpassing ExxonMobil Corp. Valero's 15 refineries have a combined throughput capacity of about 2.5 million bpd while Premcor's 4 refineries have a capacity of 790,000 bpd. Valero said that while it does not expect to be required to sell any assets to complete its acquisition of Premcor, the deal would not go through if a divestiture is required. The company stated that it has no plans to start hedging fuel output to lock in cash flow needed to repay increased debt due to the Premcor deal.

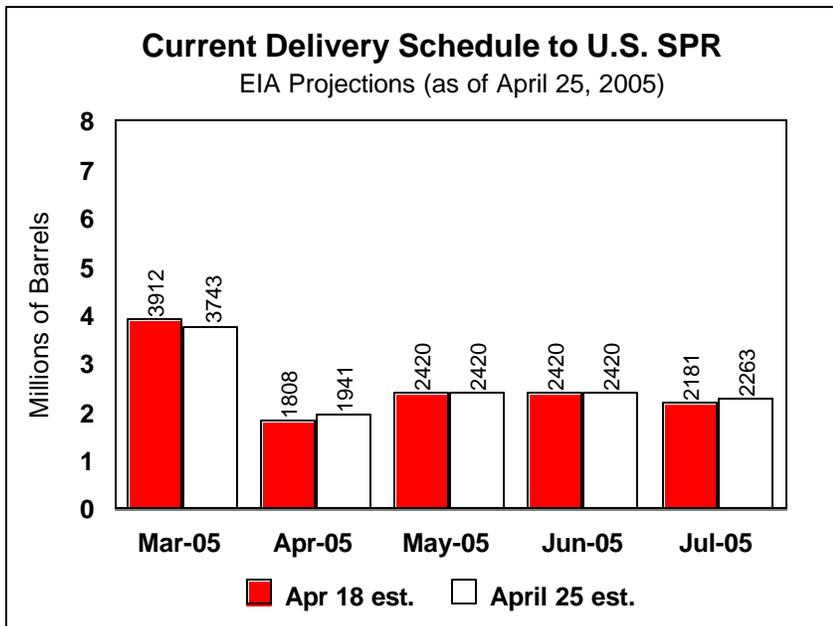
The EIA reported in its updated SPR delivery schedule that crude deliveries to the SPR in April were cut by 169,000 barrels to 3.743 million barrels while crude deliveries in May were increased by 133,000 barrels to 1.941 million barrels. It also reported an increase in August deliveries of 82,000 barrels to 2.263 million barrels.

China's top state planner said China's fast growing economy is largely self reliant in energy and is not to blame for a crunch in world energy supplies. He said the country was 94% self sufficient in energy last year, helped by its large coal industry. He said coal accounted for about 67% of China's energy consumption and 76% of energy production.

Members of Iraq's Shiite coalition emerged from a meeting on Monday saying that no agreement had been reached on a new Cabinet but further talks would be held later on Monday.

The Moscow Arbitration Court postponed its consideration of a suit filed by Russia's Yuganskneftegaz against Yukos. Yuganskneftegaz is demanding 163.1 billion rubles for damages caused by selling its oil to its former parent company at transfer prices. A preliminary hearing is scheduled for May 24. The court however ordered the main assets of Yukos frozen at the request of Yuganskneftegaz on April 19. Meanwhile, Yukos is in talks with several Russian and Western companies about selling its Lithuanian refinery Mazeikiu Nafta.

Venezuela's President Hugo Chavez said a military exchange program with the US was canceled because US officers in Venezuela were spreading a negative image of his government to the soldiers they were training. He also announced the detention of several American officers for taking pictures of military installation in Venezuela and added that the US may be planning to invade his country.



more crude production. He stated that Saudi Arabia understands that high oil prices will hurt the economies of oil consuming countries

Iraqi oil officials stated that Iraq's northern crude oil exports could resume in few days if damage from a new sabotage attack is repaired. An official said there was an attack two days ago southwest of Kirkuk. Several sabotaged sections of the Iraqi-Turkey pipeline have already been repaired over the past months and officials had expected exports to start last week. Separately, an official at Northern Oil Co said insurgents launched

another attack on Iraq's oil production using explosives to set fire to oil pumps used for domestic supplies near Kirkuk. Meanwhile, former Iraqi Oil Minister Issam al-Chalabi said Iraq's oil exports from its southern offshore terminals are expected to fall from current levels of between 1.4 million bpd and 1.5 million bpd in the coming weeks due to technical problems at the Rumeila and Zubair oil fields and reservoir. He attributed the fall in Iraq's southern oil fields output to the deteriorating water injection and pumping plants in Karmat Ali and the delay in rehabilitating oil wells.

According to analysts, fresh oil shocks may send prices over \$100/barrel and trigger worldwide recession by the end of the decade. They stated that oil production by major companies is set to peak in coming years while the huge reserves of OPEC producers are overstated, meaning declining output will not be able to meet rising world demand. The IEA said world oil output should not peak until 2030. However it said that about \$3 trillion in investment may be needed to meet an expected 60% increase in consumption.

The EIA reported that the average retail price of diesel increased by 3 cents/gallon to \$2.289/gallon in the week ending April 25th. Meanwhile, the price of gasoline fell by 0.1 cent to \$2.236/gallon on the week.

According to the Lundberg survey, the average retail price of gasoline in the US fell by 4.46 cents/gallon in the past two weeks ending April 22 to \$2.27/gallon.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.36/barrel to \$50.61/barrel on Friday from Thursday's \$49.25/barrel. It also reported that OPEC's basket of crudes fell by 85 cents/barrel to \$47.99/barrel in the week ending April 21, down from \$48.84/barrel during the previous week.

Refinery News

Total Petrochemicals USA Inc's 183,000 bpd refinery in Port Arthur, Texas suffered a power outage on Friday and Saturday. It stated that multiple units were affected which resulted in flaring at the North Flare. There were no additional details in the filing with state regulators about which units were affected.

Flint Hills Resources planned the startup early Monday of the sulfur recovery unit No. 1 at its 300,000 bpd Corpus Christi, Texas refinery. The unit was shut due to a blown fuse on the hot oil heater electrical system.

Production News

Venezuela's Oil Minister Rafael Ramirez said Venezuela's government aims to reverse a past opening to foreign oil investors it says hurt the country and added that it will not work with companies that do not accept its energy sovereignty. Analysts stated that Venezuela's aggressive drive to tighten control over its energy sector could scare off future investors and damage plans to increase its production to 5 million bpd by 2009.

Kuwait said it halted a small oil and gas leak at the al-Khafji joint Saudi-Kuwaiti offshore field and that exports and production were not affected. The leak of up to 50 barrels of oil occurred during operations of a new well in the Gulf on Sunday.

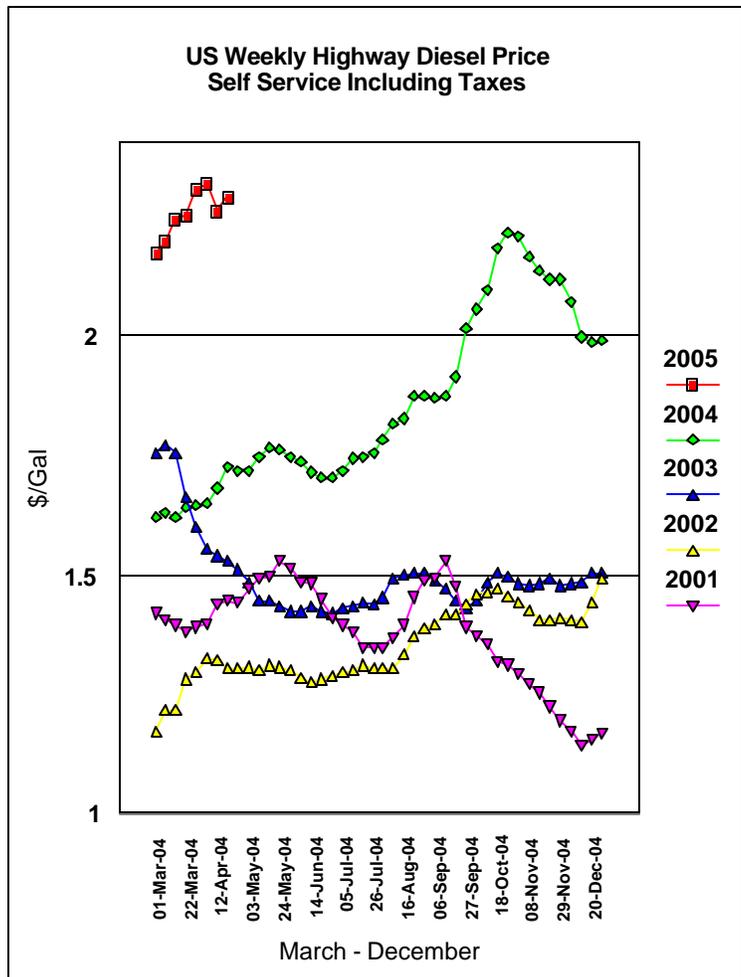
Abu Dhabi National Oil Co will supply all contracted customers of its Murban crude oil to Asian term customers for June but maintain a cut of 5% on Lower Zakum and Umm Shaif liftings. The decision partially rolls back a 5% reduction on term liftings Adnoc had imposed on three light sour grades for May. Separately, Abu Dhabi is expected to increase its crude oil supplies by over 60,000 bpd in June as its largest oilfield emerges from maintenance.

An Iranian official said Iran will shut down the 100,000 bpd Soroush oil field for four days of maintenance starting on Thursday. He said the Soroush and Nowrouz field in the Gulf would meet its joint capacity of 190,000 bpd in about 40-50 days.

The Norwegian Petroleum Safety Authority said it has granted Norsk Hydro the authorization to rebuild its Troll C platform in the Oest field in the North Sea. The rebuilding of the Troll C includes modifications of the existing infrastructure and installations of new parts in order to tie in to other reservoirs. The work will be completed between September 2005 and September 2006.

Russia's Industry and Energy Ministry reported that crude oil supplies to Russia's refineries fell by 2% on the year to 11.166 million tons in April 1-19. Meanwhile crude oil exports from Russia's companies to countries the Commonwealth of Independent States fell by 8.2% on the year to 1.839 million tons during the same period.

Russia's crude oil shipments via the Black Sea port of Novorossiisk and Yuzhny will increase by a total of 100,000 bpd in May while loadings from Baltic Sea Primorsk will remain flat compared with April. A



preliminary schedule by pipeline monopoly Transneft showed that Novorossiisk was scheduled to load 3.95 million tons or 934,000 bpd in May and 3.55 million tons or 867,000 bpd in April. Yuzhny was scheduled to export 717,000 tons or 170,000 bpd compared with 656,000 tons or 138,000 bpd in April.

Crude oil exports through Russia's Primorsk section on the Baltic Sea increased by 49.1% on the year to 13.962 million tons in January-March.

OAo Russian Railways said it plans to ship 680,016 metric tons or 161,000 bpd of oil to China in May. It said 250,000 tons will come from OAo Yukos and 300,000 tons will come from OAo Rosneft. The company also reiterated its plans to ship 10 million tons of oil to China in 2005.

Lithuania's Mazeikiu Nafta has signed a deal with Vitol SA to export 7 million tons of crude per year to the end of 2009 via its Baltic Sea Butinge loading facility. Despite that contract, Mazeikiu said earlier on Monday that it expected to ship just 5 million tons of oil through Butinge in 2005.

Energy officials from 12 Black Sea and Caucasus countries have pledged with the EU to develop major energy networks, including new pipelines to Caspian Sea oilfields. Oil companies and regional governments are keen to find alternatives to shipping Caspian oil through Turkey's Bosphorus Strait, already used to transport more than 50 million tons of oil a year. Turkey's Deputy foreign minister, Ender Arat said the Baku-Ceyhan project would start on time, despite reports of delays.

Russia's Federal Anti-Monopoly Service said it has asked the country's major oil companies for information on fuel price increases in 2005. It has given several companies until May 10 to respond. It has asked for information on the volume of raw materials extracted, the amount of oil and oil products exported, the price and volume of oil sent to refineries and retail prices at filling stations belonging to the companies during December 2004 to April 2005.

A meeting between India's Finance Minister P. Chidambaram and Petroleum and Natural Gas Minister Mani Shankar Aiyar to discuss increasing oil product prices in line with prevailing world crude prices ended Monday without a decision. The Energy Minister said the government will ensure equal distribution of the burden due to an increase in prices by splitting the costs between consumers, oil companies and the government.

A senior Petroleum Ministry official said India's state-run and private oil marketing companies exported 17.52 million metric tons of oil products in the 2004-2005 financial year ending March 31, up from 14.62 million tons a year ago. The country's installed annual refining capacity increased by 7% in 2004-2005 to 127.37 million tons a year. In the domestic market, state-run and private oil marketing companies sold 111.7 million tons of petroleum products, up 3.6%. It imported 8 million tons of oil products in the 2004-2005 financial year ending March 31, up 11%.

South Korea's exports of fuel oil are likely to increase by more than 25% in May from April due in part to higher crude processing rates at several refiners. South Korea's five oil refiners are expected to export 480,000 tons of fuel oil in May compared with 375,000 tons in April.

Market Commentary

The crude market opened 21 cents higher at 55.60 in follow through strength seen on Access as the market continued to trend higher in light of last week's refinery news. The market traded to a high of 55.88 but retraced some of its gains as it failed to test Friday's high at 55.90. The market settled in a sideways trading pattern as it traded to 55.25 and held good support at that level. However the market later breached that level and traded off to 54.65. The market, which attempted to retrace its losses, failed to trade much above 55.00 and once again found some selling pressure. The June crude

contract was able to backfill Friday's gap from 55.40 to 55.30 as it traded to its low ahead of the close. It settled down 82 cents at 54.57. The market, which was supported early in the session by the strength in the gasoline market, traded lower on the close following the meeting between President Bush and Saudi Arabia Crown Prince Abdullah amid the Saudi comments that it would provide as much crude to the market as needed. Volume in the crude market was light with 169,000 lots booked on the day. Meanwhile the gasoline market, which remained well supported early in the session, settled down 16 points at 165.07. The market opened 1.27 cents higher at 166.50 in follow through buying seen on Access and rallied to a high of 169.00 within the first hour of trading amid reports of a power snag at Total's Port Arthur, Texas refinery. The market however retraced its gains and traded back towards its early low of 166.35 before it backfilled its opening gap at 165.80. Further selling ahead of the close pushed the market to a low of 164.50. The heating oil market ended sharply lower, down 2.70 cents at 151.81 after the market erased all of its early gains. The market breached Friday's high and traded to a high of 155.80 early in the session before it retraced its recent gains. The market sold off to a low of 151.50 ahead of the close. Volumes in the product markets were good with 55,000 lots booked in the gasoline market and 41,000 lots booked in the heating oil market.

The crude market may remain pressured barring any bullish refinery news. Despite the strength in the gasoline market early in the session, the crude market held good resistance at its previous high after the market backfilled its gap and ended the session on its lows. The crude market is seen finding initial support at 54.30, followed by 54.03, 53.46 and 53.00. Meanwhile resistance is seen at 55.88, 55.90

followed by 56.07.

Technical Analysis		
	Levels	Explanation
CL 54.57, down 82 cents	Resistance 56.07, 57.23 55.88, 55.90	62% (58.20 and 49.75), Basis trendline Double top
	Support 54.30, 54.03, 53.46 53.00	Monday's low, 38% and 50% retracement (51.01 and 55.90) Previous low
HO 154.51, up 1.11 cents	Resistance 158.64, 160.40 155.80	62% retracement (168.30 and 143), Previous high Monday's high
	Support 151.50 150.91, 149.40, 147.89	Monday's low 38%, 50% and 62% retracement (143 and 155.80)
HU 165.23, up 3.23 cents	Resistance 169.40 169.00	Previous highs Monday's high
	Support 164.50 162.70, 160.29, 157.60	Monday's low Previous low, 38% and 50% retracement (146.20 and 169)