



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 13, 2004

According to sources, crude oil output and exports from Nigeria are flowing normally as a strike over increasing fuel prices entered its third day. Earlier Wednesday, the head of Nigeria's Nupeng told its members to halt work at the country's oil production facilities but said export loadings will continue until storage tanks at the terminals are depleted. However an official of Pengassan said the union had not received the order from the Nigeria Labor Congress to shut down upstream operations. The unions once again threatened to extend the strike if arrests continued. Meanwhile, Royal Dutch/Shell said it expects a loss of 13,000 bpd, rather than 20,000 bpd due to the pipeline fire on Tuesday. The pipeline affected was a support line rather than the main trunk. Separately, a Nigerian court on Wednesday

declined to rule on a government motion seeking an injunction against the three day general strike over fuel prices. A judge stated that Nigeria Labor Congress should go to an appeal court to dispute an earlier high court judgment barring it from staging strikes about matters unrelated to work conditions.

Market Watch

The DOE reported its revised SPR delivery schedule on Wednesday that the delivery schedule for September was increased by 811,000 barrels to 1.28 million barrels from its previous estimate. The delivery in October was cut by 727,000 barrels to 1.607 million barrels while delivery in November was also cut by 1.17 million barrels to 1.792 million barrels. However delivery during March was increased by 739,000 barrels to 5.381 million barrels.

According to Bloomberg data, about 59 VLCCs have been booked to load and ship oil from the Persian Gulf to refineries worldwide in November. It stated that oil tanker rates for shipping crude from the Persian Gulf to Asia remained near record highs as oil companies and traders waited for supplies to release loading schedules for November. A shipping broker said there was still potential for the market to reach new records.

Russia's Federal Property Fund may sell a stake in Yukos' Yuganskneftegaz by the end of November. It did not specify the size of the stake to be sold or how the sale may be structured.

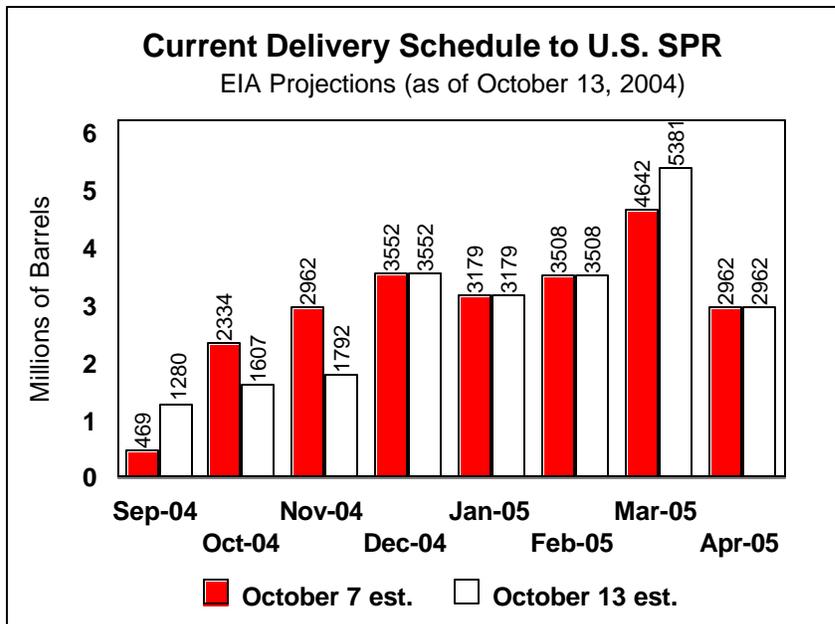
Ivanhoe Energy Inc signed a memorandum of understanding with Iraq's Oil Ministry to study the development of a heavy oil field in northern Iraq. Under the agreement, Ivanhoe will evaluate the shallow Qaiyarah oil field.

The NYMEX will cease trading its Brent contract on October 29. The Brent contract was launched on September 5, 1001 but the terrorist attacks six days later caused a flight of liquidity to London's IPE. The contract never recovered from the loss of liquidity.

Insurgents fired mortars at the al-Shuaiba oil refinery. The refinery was not hit however three Iraqi National Guard members were wounded. The refinery reported no disruptions to its operations.

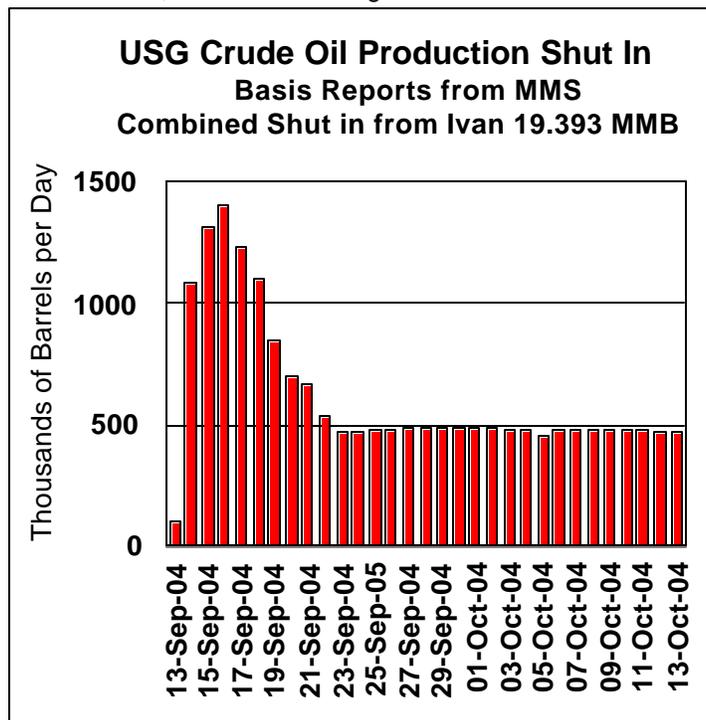
Venezuela's Oil Minister Rafael Ramirez said oil prices are seen remaining high. He however did not specify what price level Venezuela anticipates for crude. Venezuela's government has previously stated that it supports an increase in OPEC's current official price target of \$22-\$28/barrel to adjust for what it calls the structural changes in oil markets.

Algeria's Energy and Mines Minister Chakib Khelil said markets are currently well supplied and warned that prices could crash. He said current high demand would start to cut demand.



According to the API, US demand for crude and products in September averaged 20.525 million bpd, up 592,000 bpd from a year ago. Gasoline demand increased by 1.8% to 9.089 million bpd while demand for distillate stocks increased by 3.5% to 4.007 million bpd. On the supply side, damage to pipelines and platforms in the Gulf of Mexico caused by Hurricane Ivan cut total domestic crude oil production to the lowest level in more than 50 years. US oil production in September fell 15% from a year earlier to 4.853 million bpd. Imports of crude oil and refined products fell by 3.2% in September to 12.454 million bpd.

OPEC's official news agency reported that OPEC's basket of crudes increased by 45 cents/barrel on Tuesday to \$46.49/barrel, a new all time high.



Refinery News

Louis Dreyfus will completely shut its 225,000 bpd Wilhelmshaven refinery for at least two weeks starting November 12. The shutdown will come after most of Europe's refineries set for fall work plan to have returned to production. During October, an average of 1.1-1.5 million bpd of crude distillation capacity across Europe is expected to be down for work, falling to about 400,000 bpd in November.

Production News

The MMS reported that there was no change in the amount of oil production resuming in the Gulf of Mexico. It reported that there was still 471,328 bpd of crude and 1.706 bcf of natural gas shut in.

Royal Dutch/Shell Group has started repairs on three of its Gulf of Mexico oil pipelines and expects to return them to service within a month. The Odyssey, NaKika and Delta lines are seen back up by mid-November, provided weather conditions are favorable.

Operations at the LOOP remained somewhat restricted on Wednesday with the limitations likely lasting through the week due to a power failure at an onshore pump station. The power failure is limiting offloading rates for larger ships by up to 20%-25%.

Pemex reported that one of its pipelines in Veracruz exploded early on Wednesday. Dow Jones reported that a crude pipeline ruptured on Wednesday, causing a fire. A failure in the pumping system led to a temporary increase in pressure that ruptured the line. However Reuters reported that one of its pipelines transporting liquid gas fuel exploded. A Pemex spokeswoman said the explosion appeared to have been caused by a surge in pressure inside the pipeline.

Norway's 25,000 bpd Varg oilfield in the North Sea, which was due to shutdown on Tuesday amid the expanding rig workers' strike, will be shut later on Wednesday due to technical work. Production will be halted if a shuttle tanker can begin unloading oil from the Petrojarl Varg production ship. Closing the Varg oilfield will widen the conflict that started in July to about 580 workers from 500 and cut a total of 55,000 bpd of Norway's 3 million bpd output. Most of the workers would leave on Friday once the shutdown procedures are completed.

According to trading sources, exports of North Sea Brent, Forties and Oseberg will be around steady in November from the previous month. A total volume of 33.4 million barrels or 1.11 million bpd has been scheduled to load for November, unchanged from October.

Germany's MWV said total sales of oil products in Germany in September fell by 3.5% to 9.994 million metric tons. German heating oil sales increased by 26% to 2.46 million tons in September compared with the previous month but remained 10% below the same period last year. Heating oil sales were up from 1.95 million tons in August, as consumers started stocking up ahead of peak winter demand. It also stated that diesel sales increased 3% on the month to 2.53 million tons, though it was also 0.6% down from September 2003. Meanwhile sales of heavy fuel oil in September fell to 490,000 tons, down 10.8% on the year.

Russia's Black Sea port of Novorossiisk reopened on Wednesday after it was closed on Tuesday due to adverse weather conditions.

Russia's Baltic Sea terminal of Vysotsk will slightly increase crude and refined products shipments in the fourth quarter of 2004, exporting about 750,000 tons in October to December. An official at the terminal said it had exported a total of 450,000 tons of oil and 390,000 tons of refined products in May-September.

Black Sea gas oil exports from the former Soviet Union fell more than a third in September from the previous month to 613,000 tons. Exports from the Baltic Sea ports increased by 237,000 tons to 1.9 million tons, limiting the fall in total shipments which fell 3.2% from August to 2.51 million tons. Meanwhile total fuel oil exports fell 100,000 tons from August to 3.7 million tons in September.

Kazakhstan's State Statistics Agency reported that its oil and gas condensate exports increased by 17% in the first eight months of the year to 33.5 million metric tons or 1.01 million bpd compared with 870,000 bpd in the same period of 2003.

Market Commentary

The NYMEX oil complex was led sharply higher by the strength in the heating oil market, which rallied to a new record high of 150.00 and posted a 6.5 cent trading range despite the absence of any news. It seemed the complex rallied amid bargain hunting following the markets' early sell off. The crude market gapped lower on the opening from 52.37-51.75 as the market continued to trend lower following Tuesday sell off. The market which seemed to have shrugged off the news of the possible extension of the general strike in Nigeria traded to a low of 51.50, where it held good support. It quickly bounced off that level and backfilled its opening gap. The market however later breached the 52.50 level and rallied to a high of 53.95 amid the strength in the heating oil market. It retraced some of its late gains and settled up \$1.13 at 53.64. Volume in the crude market was excellent with over 267,000 lots booked on the day, of which 150,000 lots traded via spreads. The heating oil market, which led the complex higher, gapped lower on the opening from 145.00 to 144.40 and immediately posted an intraday low of 143.50. However the market bounced off that level and quickly backfilled its gap. It traded to a new high

of 150.00 ahead of the close and settled up 4.46 cents at 149.91. Similarly, the gasoline market gapped lower from 137.50 to 136.50 and quickly posted its intraday low of 136.00. It however bounced off its low and traded to 138.00 where it held some resistance. The market later rallied more than 3 cents as it posted an intraday high of 141.20 ahead of the close. It settled up 2.80 cents at 140.83. Volumes in the product markets were excellent with over 72,000 lots booked in the heating oil and 55,000 lots booked in the gasoline market.

The crude market will seek further direction from Thursday's release of the weekly petroleum stock reports which are expected to show builds in crude stocks of 1 million barrels and draws of 1 million barrels in each distillate and gasoline stocks. Technically the market, which failed to continue its trend reversal, is still seen remaining strong after the market was able to retrace its losses. The market is seen finding resistance at its high of 53.95 followed by 54.05.

More distant resistance is seen at 55.05, basis its trendline. Meanwhile, support is seen at 52.50 followed by its low of 51.50. More distant support is seen at its previous low of 50.75.

Technical Analysis		
	Levels	Explanation
CL 53.64, up \$1.13	Resistance 55.05 53.95, 54.05	Basis trendline Wednesday's high, Previous high
	Support 52.50, 51.50 50.75, 50.50-49.97	Wednesday's low Previous low, Gap
HO 149.91, up 4.46 cents	Resistance 153.30 150.00	basis trendline Wednesday's high
	Support 149.10, 146.30 143.50	Wednesday's low
HU 140.83, up 2.8 cents	Resistance 141.45 to 141.50 141.20	Previous highs Wednesday's high
	Support 140.30, 136.70 136.00	Wednesday's low