



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 3, 2006

The US consulate in Lagos, Nigeria warned that a militant group may have imminent plans to launch a campaign of bombings on oil facilities and hostage takings. It said the attacks allegedly would be carried out sometime during the first week of November and would include 10-20 simultaneous bombings of land based targets and a series of separate attacks on oil installations in which

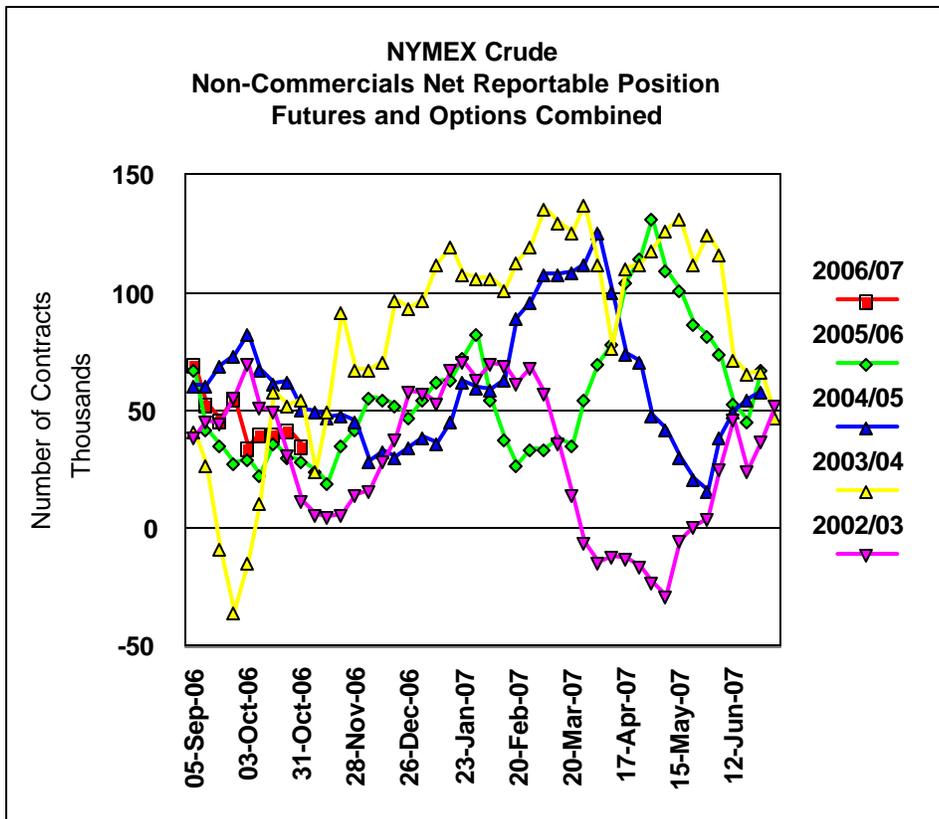
expatriate workers would be taken hostage. No details were available as to the specific targets of the planned attacks. Later, the Movement for the Emancipation of the Niger Delta said oil companies operating in the Niger Delta must vacate the place in 72 hours or risk attacks. It said militant groups had declared "Operation Black November" during which they planned to attack the companies. Separately, Nigerian government officials said they made contact with gunmen who kidnapped a British and US oil worker from an offshore oil prospecting vessel. The gunmen claimed to have acted on behalf of the Ezetu community to back demands for jobs and the building of a local hospital.

Market Watch

According to a video released by opposition leaders, Venezuela's Energy Minister Rafael Ramirez demanded that PDVSA workers support President Hugo Chavez or lose their jobs. The video was released by the electoral campaign of Manuel Rosales, the top opposition candidate preparing to face President Chavez on December 3. The opposition denounced the statements as electoral intimidation and abuse of power by President Hugo Chavez.

Russia's Deputy Foreign Minister, Sergei Kislyakl said Russia would not support a draft UN resolution imposing sanctions against Iran without significant changes. The current draft orders all countries to prevent the sale and supply of equipment, technology and financing contributing to Iran's nuclear and ballistic missile programs. It would also freeze assets of people and entities involved in the nuclear programs and prevent them from traveling except for special events. Russia's demands are expected to include softening the sanctions and redefining an exemption for a nuclear reactor Russia is building for Iran. Meanwhile Russia's Foreign Minister Sergey Lavrov said Russia was still open to international measures against Iran. However he stated that the measures would have to be reasonable. Negotiations on the draft resolution are expected to possibly last weeks. The permanent members of the UN Security Council and Germany are scheduled to meet on Friday to attempt to forge a UN resolution amid Russia's opposition to the current draft.

An Iranian Navy chief said Iran has successfully test fired three new models of sea missiles in the Persian Gulf. He stated that the successful launch should send a message to the US to cease military maneuvers in the region. He said the weapons were suitable for covering all the Strait of Hormuz, the



Persian Gulf and the Sea of Oman. The three new types of missiles, named Noor, Kowsar and Nasr, have a range of about 170 kilometers or 106 miles.

The EIA's administrator, Guy Caruso said any crude production cuts made by OPEC in the Mideast would not affect US oil inventories until mid-December because it takes oil shipments from the Mideast about 40 days to reach the US market. He said heating oil supplies were probably sufficient for the winter even with the OPEC output cut, adding that there were currently large inventories of crude and petroleum products.

According to a report issued by the Joint Economic Committee of the US House of Representatives and Senate, OPEC is the cause of market instability due to its oil output policies. The report criticized OPEC for not announcing a new oil price target and communicating short run production decisions to the market in an informal manner. It said OPEC has refused to endorse a long term price band and opportunistically has sought to extract as much revenue from the market as feasible. It added that the group's oil revenue would approach \$600 billion, up from about \$200 billion before 2003.

Refinery News

BP said a bomb threat was called in to its Whiting, Indiana refinery early Friday. It said it was cooperating with all local authorities to address the threat. The company said operations at the refinery were normal even though the nonessential workers were told to stay home.

ExxonMobil Corp suffered a brief outage of a boiler associated with a fluid catalytic cracking unit at its 563,000 bpd refinery in Baytown, Texas. In a filing with the Texas Commission for Environmental Quality, the company said the boiler was promptly returned to service. Separately, it reported that a gofiner unit at its 563,000 bpd Baytown, Texas refinery was still down following a small fire. It said there was minimal impact on production. It was operating at reduced rates for three days. The unit, which desulfurizes heavy feedstock ahead of feeding the fluid catalytic cracking unit, is expected to restart over the weekend.

According to a report filed with the Texas Commission on Environmental Quality, a boiler at Valero Energy's Corpus Christi, Texas refinery malfunctioned on Thursday. Workers began repairs soon after the incident to return the boiler in Complex 8 to normal operation. The report did not state the operating status of the units in the complex.

Total Petrochemicals USA's Port Arthur, Texas refinery shut a reformer unit on Wednesday in order to perform repairs. The work is seen lasting until about November 10. The repairs to the reformer unit, like those initiated on a sulfur recovery unit this week, were unplanned. The reformer and sulfur recovery unit restarts are seen coinciding with the resumption of operations at a number of other units that have been down for weeks of planned maintenance.

ExxonMobil Corp's 275,000 bpd refinery in Antwerp shutdown operations for planned maintenance. The entire Antwerp refinery is expected to be offline for about a month of routine maintenance.

India's Bharat Petroleum Corp Ltd's fire stricken catalytic cracking unit at its Mumbai refinery is expected to resume operations on November 8, enabling the refinery to run at its full capacity of 240,000 bpd. The catalytic cracking unit was shut on September 25 due to a fire.

Taiwan's Formosa Petrochemical Corp is expected to shut its No. 2 73,000 bpd residual fluid catalytic cracking unit for a 40 day maintenance period starting in March 2007.

Germany's primary energy use is forecast to increase by 1.4% on the year in 2006 to 493 million tons of coal equivalent.

Shipping sources stated that strong winds and sea swells prompted the closure of Russia's main Black Sea port of Novorossiisk. The adverse weather has also kept the CPC oil export terminal closed.

China's National Development and Reform Commission stated that the government was planning future cooperation with the IEA and its member countries to build underground oil reserve facilities. It said it intended to conduct technology cooperation with the IEA and its members on the construction of oil reserve facilities. It is also expected to share information and cooperation with the IEA on how to release oil reserves in urgent situations and would consult with the agency on drafting regulations for its oil reserves.

China is expected to increase its gasoline exports in November to 330,000 tons from 200,000 tons in October as refiners seek to draw down domestic supplies. Meanwhile, China is expected to continue importing diesel after profits improved on falling international prices and an import tax cut to 2% from 6% effective this month. Diesel imports are expected to total 70,000 tons in November, down from 130,000 tons in October.

South Korea's refiners are expected to slightly increase their November exports of fuel oil to 410,000 tons from 400,000 tons in October.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in North America increased by 28 to 2,115. It reported that the number of rigs searching for oil increased by 2 to 291.

Reuters reported that OPEC's oil production in October increased by 70,000 bpd on the month to 29.54 million bpd. It stated that the ten OPEC members produced a total of 27.64 million bpd. Nigeria's oil production increased to 2.35 million bpd in October, up 310,000 bpd from September.

Striking North Sea divers may not be able to return to work for several weeks even if talks to resolve the pay dispute Monday are successful. The employers said when the strike started on Wednesday, an agreed shutdown process for pressurized equipment had not been followed. They said there was the possibility that several weeks of recommissioning would have to take place in order to ensure a safe environment for the diving teams.

Azerbaijan's SOCAR and Russia's Russneft signed an agreement to jointly develop the Govsany and Zyk onshore oilfields in Azerbaijan. The fields have an estimated 20 million tons of oil in recoverable reserves.

Indonesia's Pertamina and Singapore Petroleum Co. Ltd have signed a memorandum of understanding to cooperate in searching for oil and gas.

OPEC's news agency reported that OPEC's basket of crudes was unchanged at \$54.25/barrel on Thursday.

Market Commentary

The oil market opened 42 cents higher at its low of 58.30 following reports that the US consulate in Nigeria warned that a militant group may have plans to launch a campaign of bombings on oil facilities in the first week of November. The market later extended its gains to \$1.47 as it rallied to a high of 59.35 amid reports that BP's Whiting, Indiana refinery received a bomb threat early Friday. The market was also supported as the militant group, the Movement for the Emancipation of the Niger Delta, said oil companies operating in the Niger Delta had to vacate the region within 72 hours or risk attacks. The market later retraced some of its gains and settled in a sideways trading range ahead of the close. The crude market settled up \$1.26 at 59.14. Volume in the crude market was light with 110,800 lots booked on the day. Meanwhile, the heating oil opened at a low of 165.50 and rallied to its high of 168.80 amid the strength in the crude market. It later retraced some of its gains and settled in a range ahead of the close. It settled up 3.78 cents at 167.75. The RBOB market also settled up 4.92 cents at 152.57 after it also opened at its low of 149.50 and rallied amid the supportive news reports. The market partially backfilled its previous gap as it rallied to a high of 154.00 early in the session. It however retraced some of its gains and traded mostly sideways ahead of the weekend. Volumes in the product market were light with 22,500 lots booked in the heating oil, 15,800 lots booked in the RBOB market and 3,145 lots booked in the gasoline market.

The Commitment of Traders report showed that non-commercials increased their net short positions by 6,286 contracts to 11,311 contracts in the week ending October 31st as the market continued to sell off. The combined futures and options report showed that non-commercials cut their net long positions by 6,684 contracts to 34,638 contracts on the week. However the non-commercials have likely cut some of their net short positions, as the market seems to have found some support. Meanwhile, the non-commercials in the heating oil market increased their net short positions by 275 contracts to 8,724 contracts while non-commercials in the RBOB market cut their net long positions by 1,980 contracts to 4,078 contracts on the week.

The oil market is seen remaining supported amid the threats of possible attacks against oil facilities in Nigeria. Technically,

		Levels	Explanation
CL	Resistance	59.45, 59.65-59.90, 61.00	Remaining gap, Previous high
	59.14, up \$1.26	59.35	Friday's high
	Support	58.60, 58.30	Friday's low
		57.60, 57.05, 56.55	Previous lows
HO	Resistance	170.00 to 171.90	Remaining gap (October 30th)
	167.75, up 3.78 cents	168.80	Friday's high
	Support	166.70, 165.50	Friday's low
		162.40	Previous low
RB	Resistance	157.50, 159.75, 160.00	Previous highs
	152.57, up 4.92 cents	154.00 to 154.75	Remaining gap(October 30th)
	Support	151.00, 149.50	Friday's low
		145.50, 144.25	Previous lows

the market also seems to have found some support as it continues to trade in a sideways trading range. The market is seen finding support at 58.60 followed by its low of 58.30. More distant support is seen at 57.60, 57.05 and 56.55. Meanwhile resistance is seen at 59.35 followed by 59.45 and its gap from 59.65 to 59.90. More distant resistance is seen at 61.00.