



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 17, 2004

The EIA said US distillate stocks are expected to start increasing later this month as more refineries increase their operations. However it added that the time US distillate stocks have to recover before the winter is running out. It said total distillate stocks have declined for nine consecutive weeks and remain below the lower end of the average for this time of the year. The EIA added that US distillate inventories normally increase almost 5 million barrels during November however growth may not be that large this year because refinery maintenance continued into the early part of the month.

The API reported that US demand for gasoline and heating oil fell in October as high prices caused consumers to forgo or delay purchases. Deliveries of gasoline fell by 1.1% from last year while deliveries of heating oil fell by 2.2% from last year. Total oil demand was up nearly 1% on the month. To meet demand, the US imported a record amount of crude oil and petroleum products in October. US oil production was down 9% on the year at 5.13 million barrels.

Market Watch

German households are holding off from buying heating oil in the hope that prices will fall. The six million German households reliant on oil for winter heating have held off refilling their tanks as they wait for a further fall in recent record high prices. A lack of buying had left German consumer heating oil stocks at the lowest November level for at least 20 years. German consumer stocks are at 60% of tank capacity compared with the usual 80% at this time of the year.

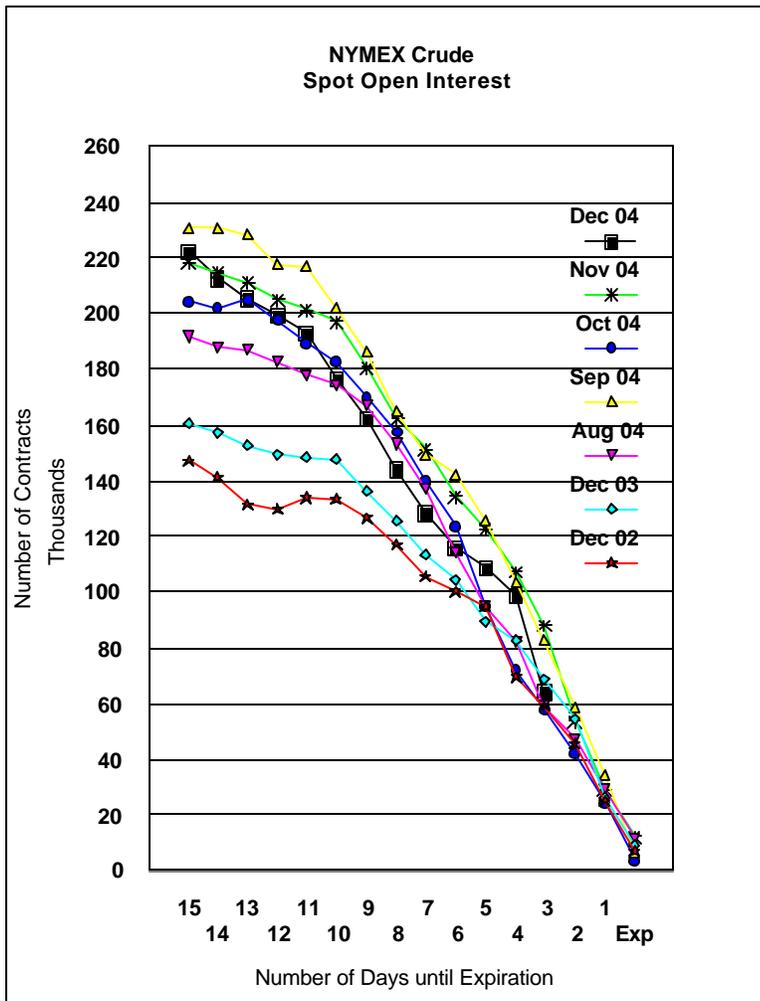
A senior Iranian official stated that unless high oil prices stabilize over the next few months, the world economy will suffer. He said that even though prices have fallen from its recent record highs, the prices remain too strong to sustain the world economy. He said there are already signs of an economic slowdown, particularly in countries such as China.

Germany's council of economic advisers stated that Germany's economy would expand at about the same pace next year as in 2004 but added that high oil prices and a strong euro were significant risks. Germany's GDP will increase by 1.4% in 2005 compared with 1.8% this year.

A shortage of light, low sulphur crude that supported the oil market for most of the year has suddenly turned into an oversupply. Light, sweet crude cargoes from the North Sea and West Africa have fallen to deep discounts against international benchmarks as refiners run down stocks and prompt supplies pile up on international markets.

Italy's ENI jumped into the European field spot market, driving prices higher as it looks to build stocks of low sulphur fuel.

The Saudi Interior Ministry said a Saudi security officer was killed in fighting with wanted militants. It said five men were arrested, including two suspected al-Qaeda sympathizers.



Saboteurs attacked a pipeline connecting the Bai Hassan oilfield to storage facilities in Kirkuk. An oil official said no crude oil has started to flow through the main export pipeline. Sunday's attack on five Kirkuk oil wells continues to afflict the country's oil network. Iraq's Oil Ministry spokesman said the well fires would only affect production marginally. However other Iraqi oil sources said the problems with Kirkuk production, rather than attacks on feeder pipelines, are preventing the resumption of pumping through the northern pipeline.

Iraqi oil exports in November are expected to total 60 million barrels, down from 65 million barrels in October. The US is the leading destination for Iraqi oil, with 26.8 million barrels or 893,000 bpd scheduled in November, up from about 670,000 bpd in October. Canada is importing 1.8 million barrels of Iraqi crude while Brazil is set to load 2 million barrels. Europe is expected to load 11.3 million barrels of Iraqi crude of 656,000 bpd, down from 550,000 bpd in October while Asia is set to load 19.7 million barrels.

The head of the IEA, Claude Mandil said

oil prices will continue to fall as long as OPEC keeps its output steady and allows petroleum inventories to increase.

Iran's Oil Minister Bijan Zanganeh said world oil markets are oversupplied with crude oil following a surge in output.

Shipping brokers stated that Saudi Arabia has booked a ninth very large crude carrier to the US, increasing spot shipments in December to 18.4 million barrels. Saudi Aramco has booked the Front Serenade to carry 290,000 tons to the US Gulf loading on December 9.

Separately, a Saudi source said the country would ease its production if it believed the oil markets were oversupplied. However the source said it was too early to say whether OPEC would decide when it meets on December 10 whether to cut its output.

Nigeria's top appeal court will decide in December whether unions will be allowed to stage strikes to protest against rising fuel prices. The NLC on Monday withdrew its threat of a strike due to start on Tuesday after the government agreed to partially reverse a 20% increase in prices.

OPEC's news agency reported that OPEC's basket of crudes fell 17 cents/barrel to \$35.94/barrel on Tuesday compared with \$36.11/barrel on Monday.

Refinery News

Valero restarted its 55,000 bpd catcracker unit at its 155,000 bpd McKee, Texas refinery after it was shut on Monday due to a partial plant power outage.

ConocoPhillips announced a plan to expand its heavy crude processing capacity at its 145,8000 bpd Borger, Texas refinery. It also announced plans to install a new coker unit at its Wood River, Illinois refinery by the fourth quarter of 2008.

ChevronTexaco Inc plans to submit federal and state permit applications to increase its Pascagoula, Mississippi refinery's gasoline production. The company is considering modifications to increase the output capacity of the fluid catalytic cracking unit by 25% to 78,570 bpd.

Production News

According to Shetlands Islands Council, Brent crude liftings from Sullom Voe fell to 0 in the week ending November 16 from 144,805 tons in the previous week.

ConocoPhillips forecast production of 1.56 million barrels of oil equivalent this year, excluding the impact of its recent acquisition of a stake in Russia's Lukoil. The company also reiterated its forecast of producing 1.62 million barrels of oil equivalent next year and 1.7 million barrels in 2006.

Suncor Energy Inc said it has increased the cost estimate for the next expansion of its Alberta oil sands plant by C\$600 million or \$504 million to C\$2.1 billion. It said much of the increase was the result of increasing the facility's capacity rather than just increasing material and labor costs. The overall goal is to increase its capacity to 500,000-550,000 bpd by 2012.

Russia's tax authorities have started an investigation into Yunganskneftegaz's tax payments. The company has received tax claims of 67.5 billion rubles for 2001 and 29.6 billion rubles for 2002. Yukos said it has paid down \$3.9 billion of a total of \$18.4 billion in claims for 200-2002.

Tax authorities have handed Russia's Sibneft a tax bill for about 21 billion rubles or about \$755 million.

Market

Commentary

The oil market gapped lower from 46.07 to 45.75 and traded in a range from 45.95 to 45.65 ahead of release of the weekly petroleum stock reports. The energy complex however

Technical Analysis			
		Levels	Explanation
CL	Resistance	48.05, 49.00, 49.70	Previous highs
	46.84, up 73 cents	47.10, 47.40	Wednesday's high, Tuesday's high
	Support	45.40	Wednesday's low
		45.25, 44.55, 43.15	Previous low, retracement levels
HO	Resistance	143.20, 145.75	Previous high, 50% retracement level
	141.14, up 8.45 cents	142.00, 142.15	Wednesday's high, 38% retracement (161.00 and 130.50)
	Support	132.50	Tuesday's low
		130.50, 129.00	Previous lows
HU	Resistance	129.00, 129.87	Previous high, 38% retracement (144.70 and 120.70)
	125.60, up 3.40 cents	126.50, 126.80	Wednesday's high, Previous high
	Support	125.10, 121.00	Wednesday's low
		120.70	Previous low

quickly rallied in light of the unexpected draws reported in distillate stocks. Despite the builds reported in crude stocks, the oil market was driven higher by the panic buying seen in the heating oil market. The crude market quickly rallied to a high of 46.55, where it held some good resistance. The market erased its gains and posted an intraday low of 45.40 only to see prices rally once again. The oil market tested its resistance at 46.50, which it failed to breach and later remained mostly rangebound. However the market breached its earlier high and posted a high of 47.10 amid the strength seen in the heating oil market. The December crude contract, which expires on Friday, settled up 73 cents at 46.84. Meanwhile the heating oil market, which led the complex higher, settled sharply higher at 141.14, up 8.45 cents. Unlike the crude market, the heating oil market opened slightly higher at 132.80 and posted a double bottom at 132.50 ahead of the inventory reports. However the market quickly rallied to an early high of 135.50 in light of the 1-1.5 million barrel draws reported in distillate stocks. The market surprisingly extended its gains to over 9.3 cents as it traded to a high of 142.00 ahead of the close. It retraced nearly 38% of its move from a high of 161.00 to a low of 130.50. The market settled up 8.45 cents at 141.14 with the December heat crack settling up at 12.44, up from Tuesday's 9.62. The market seemed to have been well supported by a private weather forecast calling for colder than normal temperatures. However market's sharp rally is surprising as the natural gas market failed to make new highs on the weather forecasts. The gasoline market settled up 3.4 cents at 125.60 after it posted a low of 121.00 and rallied to a high of 126.50 amid the strength in the heating oil market. Volumes were excellent during today's volatile session with 304,000 lots booked in the crude market. Volumes in the product markets were also good with over 68,000 lots booked in the heating oil market and over 40,000 lots booked in the gasoline market.

Open interest in the crude market fell by a total of 21,431 lots to 710,178 lots, with open interest in the December contract falling by 34,636 lots as traders continued to liquidate their December positions ahead of its expiration on Friday.

The oil complex is seen retracing some of its gains during Thursday session following today's sharp rally. The market, which failed to breach its previous high during today's rally is seen holding resistance at its high of 47.10 followed by its previous high of 47.40. However support is seen at 45.95 followed by its low of 45.40. More distant support is seen at 45.25 followed by 44.55 and 43.15. The heating oil is also seen retracing some of today's gains. Resistance is seen at its high of 142.00, 142.15 followed by 143.20. Support is seen at 136.30 followed by its low of 132.50.