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ENERGY MARKET REPORT FOR NOVEMBER 19, 2004

According to shipping sources, northern Iraqi crude export flows remained halted on Friday. Flows of Kirkuk crude through the northern export pipeline to the port of Ceyhan have been halted for the past week, however vessels continue to be supplied from storage tanks. Meanwhile, loadings of crude at Iraq's Basra Oil Terminal have been halted for the past two days due to stormy weather. Loading in the past month had been more or less running at full capacity rates of 80,000 barrels/hour. A source later said exports could resume as early as Saturday as the weather started to improve.

Russia's OAO Yukos received a claim for 169.947 billion rubles or \$5.95 billion in back taxes for 2003. This brings the total tax claim against Yukos to \$20.4 billion, of which the company has already paid \$3.9 billion. In addition, Yuganskneftegaz, Yukos' largest unit faces a bill of \$3.4 billion. Meanwhile, Russia's government on

Market Watch

Goldman Sachs stated that its heating oil forecast remains skewed to the upside given the tight inventory situation. It said the market is vulnerable to a supply disruption or an unexpected increase in winter demand due to colder than normal weather. It also stated that should speculators increase their net length, it would place upward pressure on both WTI and petroleum products.

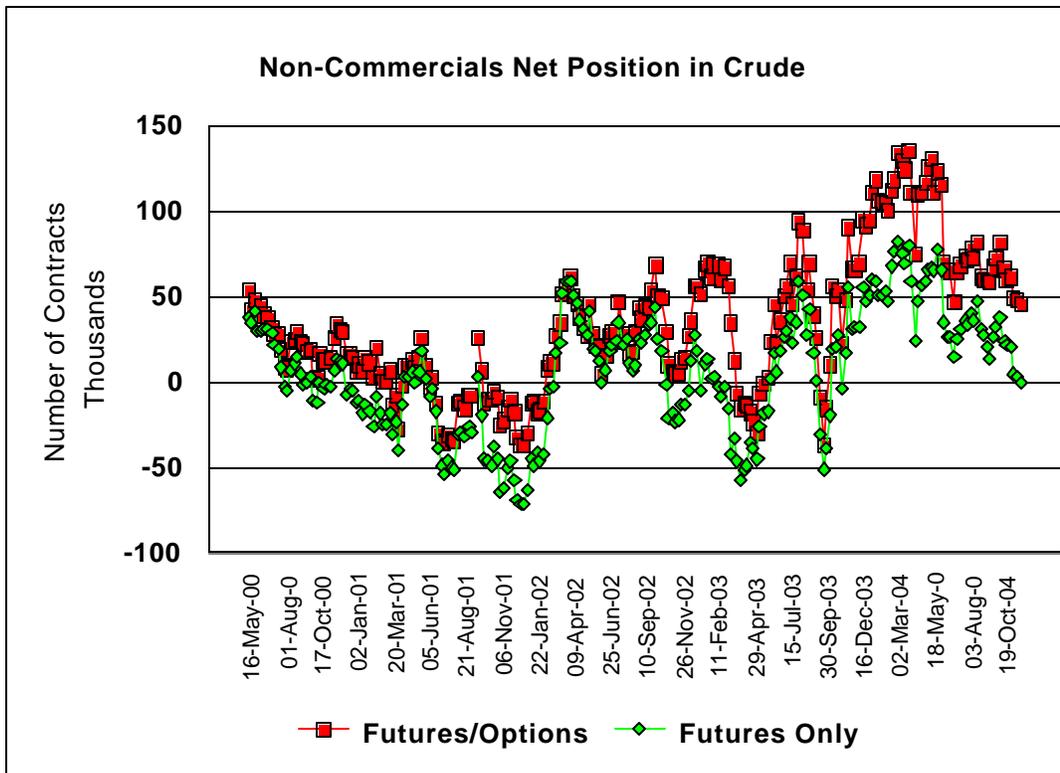
Russia's President Vladimir Putin said high oil prices are a danger to Russia's economy. He said Russia is not to blame for the recent record highs set on world oil exchanges. He added that Russian companies, including Yukos, are increasing production and supplies of oil to foreign markets this year. However he hinted that Russia would be prepared to cooperate with OPEC if it ever became necessary to support oil prices again.

Total chief executive Thierry Desmarest said he saw a fairly strong possibility crude oil prices would continue to fall and the price of Brent crude could return to about \$30/barrel in 2005.

German Deputy Finance Minister Caio Koch-Weser said that high oil prices and the sharp fall of the dollar posed increased risks for world growth next year. Separately Germany's Finance Minister Hans Eichel said he expects raw materials and energy prices to increase over the long term in light of the growing world economy.

The NYMEX's new Brent crude futures contract in Dublin set a daily volume record of 8,901 lots on Thursday compared with average daily volume of 4,600 lots. However it was still a fraction of the volume of its rival in London. Traders in Dublin said they would like to see Brent volumes consistently increase to about 10,000 lots a day by the end of the year.

Strong enquiry in the Caribbean ahead of the US Thanksgiving holiday lifted transatlantic freight rates this week. Brokers said typical 37,000 tons cargoes were booked throughout the week at W385 from Europe to the US, but ended closer to W400 on Friday.



Friday set a December 19 auction date for Yuganskneftegaz with a starting price of \$8.65 billion, well below the \$20 billion which Yukos said the unit is worth. The Federal Property Fund said it would sell all voting shares of Yugansk, representing 76.79% of its capital. Energy and Industry Minister Viktor Khristenko said the forced sale by the Russian government will

not have any impact on Russian oil exports. In response, Russia's Yukos reiterated that it regards the sale of its main unit, Yuganskneftegaz, as government theft and called on international investors to condemn the December 19 auction.

OPEC's news agency reported that OPEC's basket of crudes increased to \$36.20/barrel on Thursday, up from \$35.49/barrel on Wednesday.

Refinery News

PDVSA's 320,000 bpd La Isla refinery in Curacao was still shut on Friday morning following a power failure on Thursday. The company which provides electricity to the refinery was restoring power to the generating units on Friday morning. However it was unclear when the plant would restart operations.

Italy's ERG's 230,000 bpd Isab Sud refinery is still planning to restart on Saturday. It shut the refinery for routine maintenance and to bring the refinery in line with new European Union standards that cut maximum sulphur levels to 50 ppm from 150 ppm currently for gasoline and 350 ppm for diesel. The closure of the refinery has cut diesel and gasoline supply out of the Mediterranean market. ERG was heard seeking cargoes of fuel oil.

Production News

Baker Hughes reported that the number of rigs searching for oil and gas in the US increased by 9 to 1,268 in the week ending November 19th. The number of rigs searching for oil in the US increased by 7 to 186 while the number of rigs searching for natural gas increased by 1 to 1,080.

Analysts stated that refineries can increase FSU gas oil and fuel oil exports in December, helping to ease winter shortage fears. Gas oil shipments from FSU ports in the Baltic, Black Sea and Far East fell by 55,000 bpd in October from 745,000 bpd in the previous month. Fuel oil exports fell by 115,000

bpd in October to 835,000 bpd. Steady supplies in November, instead of usual fall from October, also look likely as refineries in the former Soviet Union increase throughput of cheaper sour crudes.

Russia's Black Sea port of Novorossisk was closed on Friday for the second day even though an earlier gale warning had been lifted.

Shipping brokers stated that delays for daylight restricted oil tankers transiting the Turkish Straits eased from 15 to 12 days for a round trip journey from the Black Sea on Friday.

Anadarko Petroleum Corp said capital spending would be \$2.9 billion to \$3.1 billion next year, in line with 2004 and added that production volume would increase 7% to 11%. It said the planned production amounts to 160 million to 165 million barrels of oil equivalent compared with expected 2004 output of 148 million to 151 million barrels of oil equivalent. Its forecasted increase is despite the company's plan to sell about one-fourth of its oil and gas producing properties.

An Oil Ministry official in India stated that the country's petroleum products sales in October increased by 3.8% on the year to 9.29 million tons.

China's gasoil imports are likely to be just below 200,000 metric tons in December due to uncertainties over domestic diesel demand and unusually high imports in November.

Market Commentary

The oil complex ended the session sharply higher, with the gasoline market leading the way. The crude market opened 38 cents higher at 46.60 and quickly posted an intraday low of 46.50. The December crude contract however never looked back as it bounced off that level and rallied ahead of its expiration at the close. The market traded above the 48.00 level and held some resistance there before it traded to an intraday high of 48.90 as traders liquidated their positions ahead of its expiration. It settled up 2.22 at 48.44. The January crude contract also settled up 2.51 at 48.89 after it rallied to a high of 48.95 on the close. Early in the session, the January crude contract bounced off its low of 46.75 and traded sharply higher. Volume in the crude market was excellent with over 244,000 lots booked on the day. Meanwhile, the gasoline markets which led the complex higher, opened up 87 points at 124.70 and quickly rallied early in the session. The market bounced off its low of 124.30 and traded towards the 130.00 level early in the session amid reports that PDVSA's refinery in Curacao was still shut following a power failure on Thursday. The market later rallied to a high of 131.50 ahead of the close.

This was amid rumors that an oil company was told to liquidate their product shorts. The heating oil market also settled sharply higher at 148.26, up 5.26 cents on continued

Technical Analysis			
		Levels	Explanation
CL	Resistance	49.24, 49.60-49.70	38% retracement (55.30 and 45.50), Previous high Friday's high, Previous high
		48.89, up \$2.51	
	Support	January 47.95, 46.75	Friday's low
		46.00, 45.50	Previous lows
HO	Resistance	149.35, 151.50	62% retracement (161.00 and 130.50), Previous high Friday's high
		148.26, up 5.26 cents	
	Support	146.50, 145.80	Friday's low
		143.05	
HU	Resistance	132.70, 133.10, 135.53	50% retracement (144.70 and 120.70), low, 62% Friday's high
		131.09, up 7.26 cents	
	Support	127.30	Friday's low
		124.30	

good buying. There seemed to have been a spillover from the strength seen in gas oil futures in London. The market opened 80 points higher at 143 .80 and rallied to a high of 149.20 before the market settled in a range from 146.60 to 148.50 during the remainder of the session. Volumes in the product markets were good with 54,000 lots booked in the gasoline market and 55,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market continued to cut their net long positions from 3,686 contracts to 662 contracts in the week ending November 16th as the market fell to a low of 45.45. It is the smallest position seen since the week ending November 4th of last year. The combined futures and options report also showed that non-commercials cut their positions by 2,436 contracts to 46,662 contracts on the week. Meanwhile, non-commercials in the gasoline market also cut their net long positions in the gasoline market from 8,193 contracts to 6,213 contracts while non-commercials in the heating oil market increased their net short positions from 6,050 contracts to 10,997 contracts on the week.

The oil market on Monday may retrace some of today's sharp gains. However the market seems to have found its near term bottom as it technically looks poised to continue trading higher with its stochastics trending higher. The market will likely remain supported through next week's short trading week ahead of the Thanksgiving holiday. The market is seen finding support at 47.95 followed by its low of 46.75. Resistance is however seen at its highs 48.95, 49.10 followed by its 38% retracement level at 49.24. More distant resistance is seen at previous highs of 49.60-49.70.