



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 22, 2005

US Energy Secretary Samuel Bodman said he was confident that Saudi Arabia can meet its target to increase crude production capacity. He also stated that Saudi Arabia's joint refinery venture with Royal Dutch Shell Group is planning to add about 300,000 bpd of capacity. In addition, Saudi Arabia is planning to expand its capacity to 12.5 million bpd by the end of 2009 from 11 million bpd currently. In regards to prices, he stated that some oil ministers also agreed that oil prices in the mid-\$50/barrel range are too high.

The IEA's executive director, Claude Mandil said the price of oil is excessively high with production outstripping consumption. He said current prices are too high, even at \$50/barrel.

Refinery News

Exxon Mobil Corp said operations resumed at its 190,000 bpd joint venture refinery in Chalmette, Louisiana after it suffered damage due to Hurricane Katrina in late August. The refinery is the first of three in the region that were damaged by the hurricane to return to full operation. Meanwhile, ConocoPhillips' 247,000 bpd Belle Chase refinery is seen resuming partial operations in December and full operations in early 2006. Murphy Oil's 120,000 bpd refinery in Meraux is not expected to return to operation before the end of the first quarter of 2006. According to a filing with the Texas Commission for Environmental Quality, BP Plc's refinery in Texas City, Texas, which was shut ahead of Hurricane Rita, is ready to restart. The South Houston Green Power Site said that it would begin to supply steam to the refinery on

Market Watch

T. Boone Pickens said in the near term, energy markets are in for a reprieve that could last through next year, with prices falling to \$50/barrel. While most analysts expect prices to rise with the onset of winter and expect demand to rebound next, he sees a flat year ahead, with US economic growth slowing down and energy demand remaining sluggish.

Goldman Sachs cut its projected US WTI price at the end of the year by \$4/barrel to \$62/barrel. It also cut its 2006 price forecast for US crude oil by \$4/barrel to \$64/barrel due to a warm start to the winter season. It also lowered its winter heating oil forecast to \$1.89/gallon to \$2.10/gallon. Goldman Sachs predicted world oil demand growth to rebound in 2006 after a slight fall this year due to record high oil prices.

Venezuelan officials signed an agreement Tuesday to provide 12 million gallons of discounted home heating oil to low income Massachusetts residents. Citgo is offering the fuel.

The US Energy Department said it would add a Mississippi site to its list of possible locations to build a new storage site for the SPR. The energy law passed by Congress required the Energy Department to expand capacity of the SPR from 727 million barrels to 1 billion barrels. The government announced in September it wanted to expand three existing SPR sites in underground salt caverns and to build a new site in Louisiana or Texas that could hold up to 160 million barrels.

November 26. The plant will begin to gradually supply steam to the refinery. The filing said it estimates this process to take seven days because of the size of the refinery.

Valero Energy Corp restarted all of the units at its 135,000 bpd refinery in Houston, Texas after a power outage. The units are in the process of ramping up to full rates. The refinery was shut after a power outage caused several units to shut.

Delek's planned maintenance at its Tyler, Texas refinery is expected to last for most of December. It will shut down a sulfur recovery and amine unit November 28 for about 21 days. During the maintenance, the fluid catalytic cracking unit and alkylation unit will be shut down to reduce the production of sulfur at the plant.

Mexico has granted Arizona Clean Fuels permission to build and own a pipeline that would take Mexico's crude to a planned US refinery. The new refinery would have a capacity of 150,000 bpd.

Indian Oil Corp has cut refinery runs by 5-10% in November from October levels due to falling margins and lower domestic sales.

Production News

The MMS reported that a total of 621,233 bpd of crude production remained shut in as of Tuesday, down from 633,064 bpd reported on Monday. It stated that 41.4% of daily oil Gulf production remained offline.

Louisiana's Department of Natural Resources reported that restored oil production in the state was 55.5% of normal production on Tuesday, up from 55.1% on Monday. It said output stood at 112,704 bpd, up from 111,969 bpd on Monday.

UAE's Oil Minister Mohammed bin Dhaen al-Hamili said the UAE is working to increase its oil production capacity to 3.5 million bpd in the next few years. The country's current production is 2.5 million bpd while an additional capacity of 200,000 bpd is expected to come on stream by the end of the year or early next year.

Saudi Aramco is seeking 300,000 barrels of 95 octane gasoline for December delivery following the shutdown of its 235,000 bpd Yanbu refinery for maintenance.

Alberta is extending higher oil output limits at least until the end of the year as more than 40% of US Gulf of Mexico production remains shut in due to damage caused by Hurricane Katrina. The Alberta Energy and Utilities Board said the higher limit generated 15,000 extra barrels of oil a day.

Russia's President Vladimir Putin said that Russia needed to diversify its energy export routes to minimize political risks.

Russia is seeking to increase oil shipments from the Baltic Sea port of Primorsk to a new all time high in December. According to a preliminary schedule, Primorsk's planned loadings are expected to total 5.1 million tons, up from 5 million tons in November. Also, Novorossiisk is expected to load 3.95 million tons or 934,000 bpd, up from 3.84 million tons or 938,000 bpd in November. Ukraine's Black Sea Yuzhny is expected to load about 330,000 tons or 78,000 bpd, down from 490,000 tons or 120,000 bpd in November. Tuapse is expected to receive 367,000 tons or 87,000, down from 390,000 tons or 95,000 bpd in November. Lithuania's Baltic Sea port of Butinge is likely to receive about 600,000 tons or 142,000 bpd, unchanged on the month.

Throughput at Russia's seaports in January-September totaled 302.6 million tons, up 13.1% on the year. The ports in the Northwest Baltic region increased their handling by 21.8% to 132.4 million tons while the throughput by the southern Black Sea ports increased by 11.5% to 117 million tons.

Azerbaijan's SOCAR has tendered to sell two 85,000 ton cargoes of Urals crude for loading at Russia's Black Sea port of Novorossiisk in December.

Tengizchevroil, which is developing Kazakhstan's Tengiz oilfield, announced the launch of a southern route across the Caspian Sea. The southern route will enable Tengiz crude to be exported from Kazakhstan through Aktau across the Caspian to Baku, Azerbaijan and onwards to Batumi, Georgia on the Black Sea for further shipment to international markets. The southern route will also enable TCO to access the Baku-Tbilisi-Ceyhan pipeline.

India's Oil Ministry reported that the country's crude production in October fell by 7.2% on the year to 2.68 million tons or about 630,000 bpd. India's domestic oil product sales fell by 3.4% in October. Indian refineries processed 10.44 million tons or about 2.48 million bpd of crude, down 2.5% on the year. The refinery utilization rate in October stood at 96.5% of capacity, down from 99% last year.

Shipping agents stated that delays for oil tankers transiting the Turkish Straits increased to about 14 days for a round trip to the Black Sea, up from 8 days last week. Delays increased to seven days to pass north through the Dardanelles and Bosphorus and the same again for the return trip due to shorter daylight hours and increased tanker traffic. Shipping agents said 21 tankers were waiting to pass north through the straits while 18 were waiting to come south.

South Korea's Prime Minister Lee Hae-chan asked the UAE to help supply crude oil for its strategic stockpile. A member of a visiting South Korean delegation said that UAE officials would study the request.

Indonesia has raised December export allocations of term crude and condensates to 1.752 million barrels, up from 1.54 million barrels in November.

OPEC's news agency reported that OPEC's basket of crudes increased by 66 cents/barrel to \$50.15/barrel on Monday. OPEC also reported that the basket of crudes fell by \$2.47/barrel to \$50.11/barrel in the week ending November 17, down from \$52.58/barrel the previous week.

Market Commentary

The oil market gapped higher from 57.95 to 58.65 on the opening, as it remained supported amid the cold weather forecasts. The weather forecasts released late Monday showed below normal temperatures for most of the country during the next 8-14 days. The market quickly rallied to a high of 59.00. However as it failed to test its previous high of 59.05, the market retraced its gains and partially backfilled its gap as it posted an intraday low of 58.36. The January crude contract later bounced off its low and held good support at 58.50. It settled in a sideways trading pattern during the remainder of the session and ended the session up \$1.14 at 58.84. Volume was slightly better today but still light with 135,000 lots booked on the day. Meanwhile the heating oil market, which was well supported amid the cold weather forecasts, settled up 2.66 cents at 173.61. The market gapped higher from 173.50 to 175.00 and quickly rallied to a high of 176.00. The market later retraced its gains and settled in a range as it posted an early low of 174.10. However the market later breached its support and backfilled its opening gap as it posted a low of 173.10 ahead of the close. The gasoline market opened 3.27 cents higher at 149.00 and rallied to a high of 150.15. It however gave up its gains and traded down to 146.50. The market, which failed to breach that level, bounced off its support and traded towards the 149.00 level ahead of the close. It settled up 3.02 cents at 148.75. Volumes in the

product markets were better today with 37,000 lots booked in the heating oil and 46,000 lots booked in the gasoline market.

The oil market on Wednesday will likely remain supported ahead of the long Thanksgiving holiday weekend. The market will remain supported amid the cold weather forecasts. This is despite the release of the weekly petroleum stock reports which are expected to show builds across the board. The reports are expected to show builds of about 500,000 barrels in each crude stocks and distillate stocks and a build of about 1 million barrels in gasoline stocks. Technically, the market is seen holding its support as stochastics are trending higher. The market is seen finding support at 58.50, 58.36-57.95

followed by 57.10 and 56.35. Meanwhile resistance is seen at its highs of 59.00, 59.05 and its gap from 59.10 to 59.50. More distant resistance is seen at 61.25.

Technical Analysis		
	Levels	Explanation
CL Resistance 58.84, up \$1.14 Support	59.05, 59.10 to 59.50, 61.25 59.00	Previous high, Gap (November 10th), Previous high Tuesday's high
	58.50, 58.36 to 57.95 57.10, 56.35	Remaining gap Previous lows
HO Resistance 173.61, up 2.66 cents Support	176.40, 177.50 175.50, 176.00	Previous highs Tuesday's high
	173.10 170.25, 168.00, 167.95	Tuesday's low Previous lows
HU Resistance 148.75, up 3.02 cents Support	151.50, 153.00 149.00, 150.15	Previous highs Tuesday's high
	148.00, 146.50 145.50, 144.00	Tuesday's low Previous lows