



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 23, 2004

Iraq's Oil Minister Thamer al-Ghadhban said Iraq's oil shipments to its southern export terminal at Basra have fallen by more than 50% to 900,000 bpd due to a leak. Iraq's southern oil exports are expected to return to normal within less than a week. A shipping agent said flows through the pipeline had been stopped by a leak from erosion. In regards to northern Iraq, he said six oil wells attacked by saboteurs continued to blaze. Pipeline flows from Kirkuk oilfields to the terminal of Ceyhan remained at a standstill.

According to Petrologistics' preliminary estimate, OPEC's oil output is expected to be slightly higher in November compared with October at 30.6 million bpd. Saudi Arabia is forecast to supply 9.48 million bpd in November, up 100,000 bpd on the month. Iraq's oil output is expected to total 2.2 million bpd this month. Meanwhile, Nigeria's output is expected to remain steady in November at 2.4 million bpd despite concerns that unions would call a strike.

Market Watch

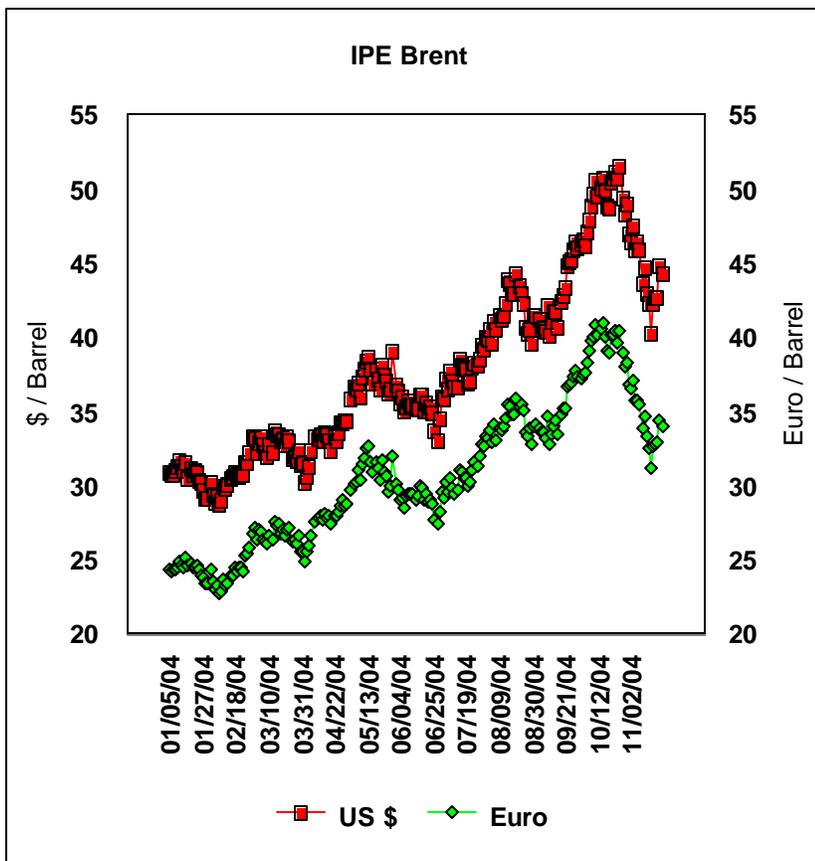
Russian tax authorities officially sued OAO Yukos for 72.04 billion rubles or \$2.5 billion in 2002 tax fines. This however does not represent new liabilities for Yukos. Tax authorities are required to turn courts to enforce the payment of penalties in cases where a company has been found guilty of tax evasion for prior years. Russia has presented Yukos with a total tax bill of \$20.4 billion for 2000-2003.

The Nigeria Labour Congress said it has no plans to resume the nationwide strike it suspended last week after the government lowered the prices of petroleum products to 49 naira/liter from 53 naira/liter.

Recent market activity has raised questions about the link between the dollar and oil prices. According to accepted opinion, a fall in the dollar's value lifts commodity prices as investors shift assets into better stores of value. However, the recent weakness in the dollar does not seem to have sparked an increased interest in oil as seen in the gold market. Pundits say that oil market fundamentals exert a much stronger influence and the effects of a weaker dollar are not straightforward. Oil has increased on its own fundamentals. An economist at the DOE stated that throughout the 1990s, the dollar remained steady against its major counterparts while oil prices gyrated. He said oil prices have been driven by the supply and demand fundamentals. However economists state that oil prices could put a further damper on the dollar by slowing economic growth and spurring capital outflows.

Venezuela's PDVSA is expected to transfer as much as \$3.5 billion to a social development fund in 2005. The head of Venezuela's development bank said the money will fund infrastructure projects and a number of development initiatives.

Convoys of French truckers headed for Paris, blocking key roads into the capital in a protest against high fuel prices. The truckers said they face higher fuel taxes than in many other European states and face competition from truck drivers in countries where fuel costs are less expensive. The government is watching the protest closely. Nationwide blockades by truckers paralyzed France in 2000 before the government agreed to lower the tax rate on petrol.



Venezuela’s President Hugo Chavez said an OPEC output cut is not needed. His comments ran counter to a statement by Venezuela’s Energy Minister Rafael Ramirez who said Venezuela would support a cut in OPEC production at the December 10 meeting.

OPEC’s news agency reported that OPEC’s basket of crudes increased by \$1.09/barrel on Monday to \$38.62/barrel compared with \$37.53/barrel on Friday.

Cambridge Energy Research Associates estimated that world crude supplies should outstrip demand by about 400,000 bpd through the fourth quarter. It also forecast that the oversupply would push WTI prices down to the low \$40s and Dated Brent to the upper \$30s if there were no major disruptions.

Refinery News

BP Plc reported that the restart of one of its crude distillation units undergoing maintenance at its 400,000 bpd Nerefco refinery in Rotterdam was delayed after a fire started at the unit. There was no immediate information on the extent of the damage or when the unit would be restarted.

Alon USA’s refinery in Big Springs, Texas is planning maintenance on a diesel unit on Thursday and Friday.

PDVSA’s La Isla refinery in Curacao delayed the restart of its 60,000 bpd catalytic cracker following a power outage last week. The restart is expected to take another week while an associated alkylation unit requires 3 weeks. The rest of the 320,000 bpd refinery’s major units are expected to be restored by the end of the week.

Saudi Aramco is operating its 200,000 bpd condensate splitter at 80% of its capacity. A source said the fields cannot supply enough condensate for the splitter to run at full capacity.

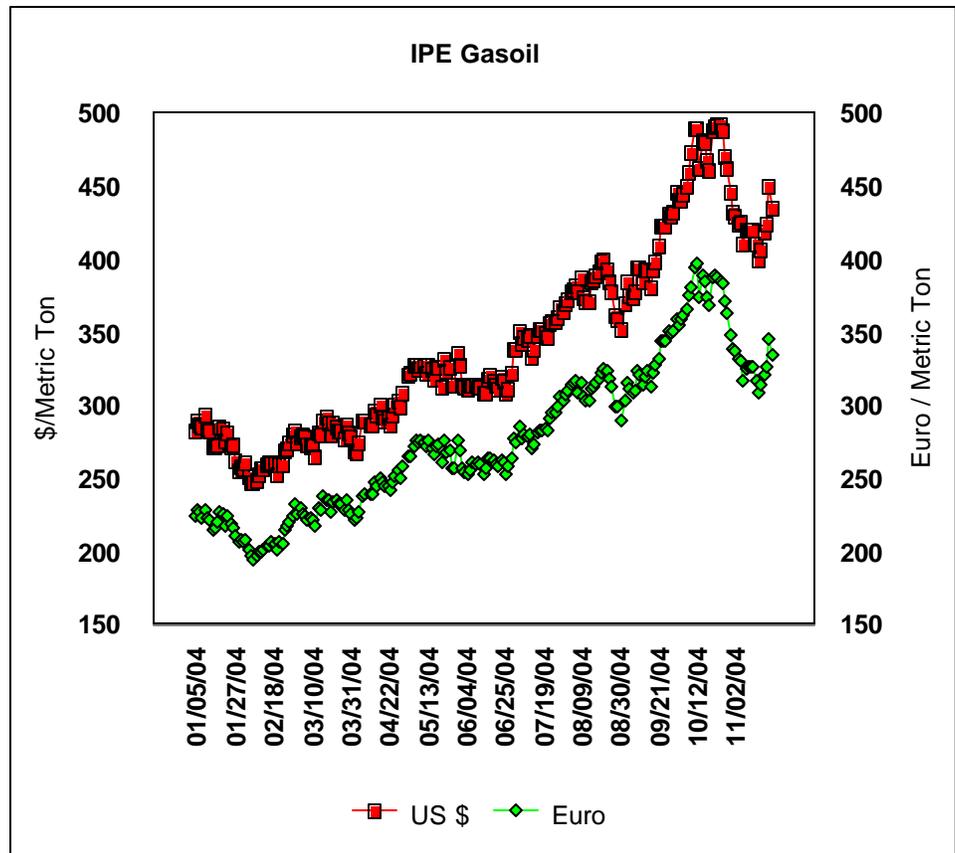
China’s Maoming Petrochemical Corp plans to run close to its 270,000 bpd capacity in December. The refinery is expected to process about 1.1 million tons of crude in December or 260,800 bpd, steady from November.

Production News

Colonial Pipeline Co. Inc. again restricted the amount of distillate products it will accept from each of its shippers into the distillate mainline Line 2 between Collins, Mississippi and Greensboro, NC on its 34th

cycle. The 34th cycle shipments were placed on allocation because nominations currently exceed the company's ability to maintain its 10 day lifting cycle.

Kinder Morgan reported that a pipeline leading from Colton, California to Las Vegas, Nevada was taken out of service on Monday when a gasoline leak was discovered. The pipeline transports gasoline, diesel and jet fuel from Colton, California to its Barstrow, California terminal and then to the Las Vegas terminal operated by Kinder Morgan Partners. The oil products pipeline is expected to return to service on Wednesday morning.



PetroCanada said it deployed equipment to assist in the clean up of a discharge of oily water which occurred early Sunday morning at the Terra Nova field. It said that oil production has been suspended pending a review of the incident by the Canada-Newfoundland Offshore Petroleum Board.

UBS reported that US oil refining profit margins were up at six week highs last week, supported by low distillate stocks while Asian and European crack spreads reached new record highs. It said despite refiners returning from a heavy autumn turnaround season, distillate inventories continued their two month slide last week, which could be supportive for US cracks. US average gross refining profit margins were up 23 cents to \$6.24/barrel.

Norway's Statoil is still assessing a plan to extend the life of its Statfjord oil and gas field in the North Sea. However the recent increase in oil prices has not increased its prospects. The \$1.92 billion plan to extend production at the field until 2020 is expected to be presented to the Norwegian government by the end of February.

The Nigerian National Petroleum Corp said acts of vandalism on Nigeria's oil pipelines have fallen compared with last year. It said there were 581 cases of vandalism in the first nine months of 2004 against 779 cases in all of 2003.

Ecuador's Energy Ministry stated that the country's average oil production increased by 33.2% to 522,682 bpd between January and September from 392,361 bpd in the same period of 2003. Petroecuador said its production averaged 194,445 bpd in the first nine months.

Russian crude and refined product shipments through northwestern ports increased by 79.3% year on year in the first 10 months of 2004. Cargoes loaded in the region, which includes ports on the Baltic and Barents Seas and

supplies NorthWest Europe and the US increased to 63.8 million tons. Much of the increase flowed through the port of Primorsk, where scheduled volumes increased to 1 million bpd in October from 372,000 bpd in the same month of 2003.

In the Bosphorus Straits, 8 ships are delayed inbound and four ships outbound due to high winds. The supply problems would ordinarily be expected to push the price of regional crude higher. However prices have not increased due to freight problems. Traders stated that prices could start to be affected if the delays worsened.

Russia's main Black Sea port of Novorossiisk reopened on Tuesday following several weather related closures. However shipping sources said gale force winds are expected to shut the terminal again later in the evening.

Mexico's Pemex has discovered a new deep sea oil deposit in the Gulf of Mexico. It said the new deposit is in the Bay of Campeche and could hold as much as 100 million barrels of crude oil.

Market Commentary

Despite the crude market's continued profit taking in overnight trading, it opened up 19 cents higher at 48.83 as the news that Iraq's southern oil exports were cut further to 900,000 bpd lent some support. The crude market posted a low of 48.80 but quickly bounced off that level and traded to a high of 50.25. The market traded mostly sideways before selling ahead of the close pushed the market back near its low. The January crude contract erased its early gains and traded back near the 48.80 level on the close. It settled up 30 cents at 48.94. Meanwhile, the heating oil market also gave up most of the day's gains as it settled up just 9 points higher at 144.58. The market opened 71 points higher at 145.20 and traded to 144.80 early in the session. However the market found support at that level and rallied to a high of 148.30 amid good activity seen in the Dec/Jan heating oil spread, which settled at 1.21. The market however surprisingly erased its gains and sold off to its low of 144.25 ahead of the close. The gasoline market also settled off its high at 130.63, up 1.69 cents on the day. It opened 31 points higher at 129.25 and posted a low of 129.00. However similar to the rest of the complex, the market bounced off its low and posted a high of 134.20. The market later erased most of its gains as it traded back towards 130.00 on the close. Volumes were better during today's session, with 195,000 lots booked in the crude, 66,000 lots booked in the heating and 49,000 lots booked in the gasoline market.

The crude market on Wednesday will be driven by the weekly petroleum stocks reports early in the session. However even if the reports do show the expected builds across the board, the market is seen retracing its losses and covering its shorts ahead of the long Thanksgiving holiday weekend. The reports are expected to show builds of about 1 million barrels in crude stocks, builds of about 700,000

Technical Analysis		
	Levels	Explanation
CL 48.94, up 30 cents	Resistance 50.40, 50.85, 51.00 50.00, 50.25	50% retracement (55.30 and 45.50), Previous highs Tuesday's high
	Support 48.80, 48.35 46.75	Tuesday's low, Monday's low Previous low
HO 144.58, up 9 points	Resistance 149.35, 151.50 148.30, 148.80, 149.20	62% retracement (161.00 and 130.50), Previous high Tuesday's high, Previous highs
	Support 144.25 143.05	Tuesday's low Friday's low
HU 130.63, up 1.69 cents	Resistance 135.53, 136.00 134.20, 134.70	62% retracement (144.70 and 120.70), Previous high Tuesday's high, Previous high
	Support 129.00, 128.60 124.30	Tuesday's low, Monday's low Friday's low

barrels in distillate stocks and 1 million barrels in gasoline stocks. The crude market is seen holding support at its low of 48.80 followed by 48.35. More distant support is

seen at its previous low of 46.75. Meanwhile, resistance is seen at 50.00 followed by its high of 50.25. More distant resistance is seen at 50.40, 50.85 and 51.00.

It is interesting to note that Brent and Gasoil prices have retraced their prices back to the congestion area seen before they rallied to their highs in late October. As seen in the accompanying charts, they have traded back to the mid-30s in the Brent contract and 300 Euro level in the gasoil contract breaching their support lines, unlike the Brent and gasoil prices denominated in US dollars.