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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 20, 2006

Iran's Economy Minister Davoud Danesh-Jafari dismissed reports that Iran had ordered government departments to withdraw currency from European countries, fearing possible sanctions over its disputed nuclear program. He said the news report was politicized. He also stated that Europe did not have the right to freeze its assets. Separately, the head of Russia's atomic energy agency said Iran is ready for talks on the proposal to conduct Iran's uranium enrichment in Russia. The proposal, under which uranium would be enriched in Russia for use in Iranian reactors, is aimed at eliminating concerns that Iran could enrich uranium for use in nuclear weapons.

Meanwhile, Iran's OPEC governor Hossein Kazempour Ardebili said it would seek an OPEC cut of 1 million bpd effective from April. He said the market is oversupplied by about 2 million bpd.

Nigeria's oil unions have threatened to withdraw from Nigeria's delta if security worsens. Meanwhile, Nigerian

Market Watch

Kuwait's ruling family asked Kuwait's Prime Minister Sheikh Sabah al-Ahmed al-Sabah to lead the country in light of the poor health of the newly named emir. Kuwait's Prime Minister, who has been Kuwait's de facto ruler for the past four years accepted the request. The announcement seemed to be an effort to prove to Kuwaitis that a leader is in place following the death of Sheik Jaber al-Ahmed al-Sabah. Crown Prince Sheik Saad al Abdullah al-Sabah was named the new emir. However it was not known if his health problems would prevent him from taking the oath of office.

The National Weather Service said that February temperatures in the Northeast had equal chances of being above or below normal.

Private weather forecaster MC Wetter said arctic air is expected to flow into central Europe at the weekend, bringing more snowfall and daytime temperatures of below zero.

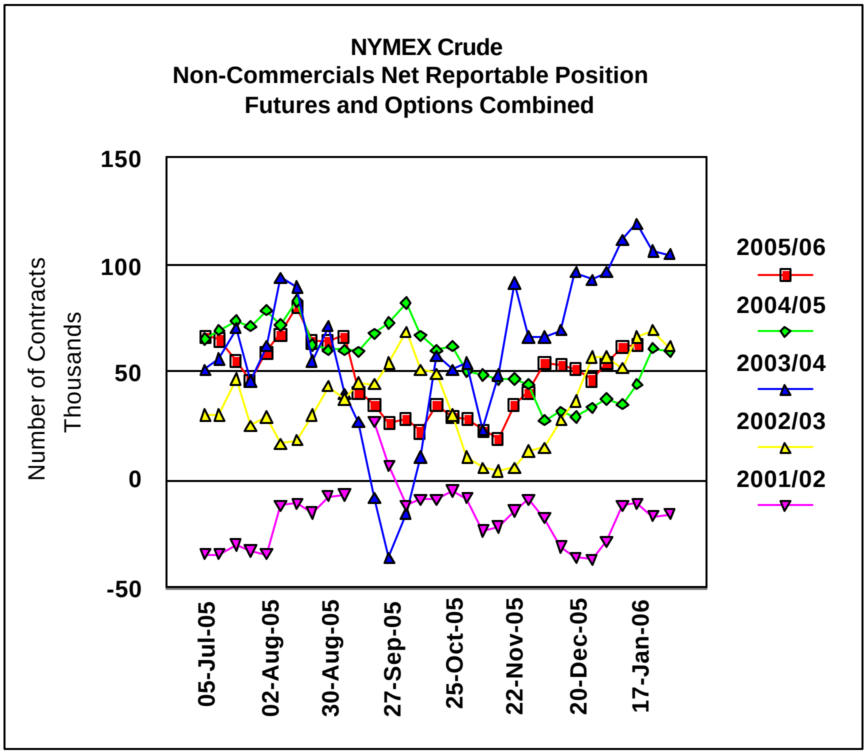
Vice President Dick Cheney said the avian flu in the US could pose economic risk as businesses, schools and transportations systems would be disrupted. He said if the avian flu arrived in the US, it would have a major impact.

According to a Reuters survey, the price of WTI crude is expected to average $57.75/barrel in 2006. Long term forecasts however showed analysts expect prices to fall by more than $15 in the next four years. US oil prices are expected to average $42.35 in 2010 while Brent crude is expected to average $38.43/barrel.

Schlumberger Ltd said despite the increased urgency to bring new oil production online, an increase in costs and drilling rig scarcity is expected to cause delays in some of projects. It said the rig count increases would be limited to onshore drilling.

Venezuela's President Hugo Chavez said Venezuela expects to receive an additional $1.5 billion in oil income this year with the return of 32 privately operated fields to state control. He also stated that Venezuela plans to replace domestic fuel consumption with gas to export an extra $9 billion worth of petroleum a year in the coming years.

Separately, Venezuela's tax authority, Seniat, has reduced a retroactive tax bill for Royal Dutch Shell by 90% to $13 million after conducting a full review of the claims.



militants holding four foreign oil workers hostage said they would resume their campaign of attacks shortly. The Movement for the Emancipation of the Niger Delta has demanded that Royal Dutch Shell pay $1.5 billion in pollution compensation to villages in the Niger Delta. The group said when Shell has paid the compensation, they would concentrate less on Shell and spread the attacks evenly between the companies operating in Nigeria. They also reiterated their demand for the release of two Ijaw leaders and insisted they would not accept ransom offers. The militants stated that the two Ijaw leaders were the only qualified mediators for talks with the government. Shell has cut its production by 210,000 bpd and evacuated 500 of its workers.

US Energy Secretary Samuel Bodman expressed confidence that OPEC would continue to adequately supply world oil markets, adding that the group understands the potential negative impact of higher oil prices. He said he has told OPEC ministers that the group needs to pump more oil rather than less. Separately, the Energy Secretary stated that following the disruptions caused by the hurricanes, emergency planners were pondering how to ensure that consequences of the collapse of energy facilities in one US region does not spread to the rest of the country.

A senior Iraqi oil official denied reported that Iraq resumed pumping crude through the northern pipeline to the Ceyhan terminal in Turkey. He said there was no pumping since Monday afternoon due to an output shortage. An Iraqi Oil Ministry spokesman said that Baghdad started pumping crude via the northern pipeline at 200,000 bpd and aimed to gradually increase it to 400,000 bpd.

OPEC said world economic growth was driving demand for crude oil. OPEC expects world oil demand to grow 1.62 million bpd in 2006 to an average of 84.83 million bpd, down 100,000 bpd from its previous forecast. It however left its forecast for world oil demand for the second quarter unchanged at 83.57 million bpd. It forecast second quarter demand for its oil would remain unchanged from its previous estimate of 27.74 million bpd while demand for all of 2006 would also remain unchanged at 28.69 million bpd.

The EIA stated that US retail heating oil prices fell by 1.7 cents on the week to an average price of $2.43/gallon. It is up 46 cents on the year.

Refinery News

Total Petrochemicals USA cut its production at its 180,000 bpd refinery in Port Arthur, Texas by 25% due to a disruption in crude tanker movements on the Sabine-Neches waterway. It started cutting production on Thursday after an accident on the channel earlier in the week cut off crude shipments.

Total has cut production of distillate products including jet fuel, diesel fuel and fuel oil. The refinery's gasoline production has not been affected so far. According to the US Coast Guard, seven ships transporting crude oil have been affected by the closure at the Sabine-Neches waterway. The waterway is expected to open on Saturday. US Energy Secretary Sam Bodman said the US government would loan 871,000 bpd of crude oil from the SPR to Total to alleviate the supply shortage that forced it to cut its runs. The DOE said crude oil flows to the refinery would begin early on Saturday. In the event that the channel remains closed through the weekend, Total said it may need to close the smaller of two crude units, despite the SPR loan.

Valero Energy Corp said its Port Arthur, Texas refinery is operating normally despite the closure at the Sabine-Neches waterway. Meanwhile, ExxonMobil Corp, which operates a 363,000 bpd refinery in Beaumont, Texas said it was monitoring the situation. Shell Oil is also monitoring the situation at its joint venture 285,000 bpd Motiva Enterprises refinery in Port Arthur.

ExxonMobil shut a fluid catalytic cracking unit at its 150,000 bpd refinery in Torrance, California on Friday. The unit is expected to remain shut for at least two weeks of unplanned maintenance.

Motiva Enterprises LLC plans to shut a fluid catalytic cracking unit, an alkylation unit and a sulfur recovery unit at its 275,000 bpd Port Arthur, Texas refinery for six weeks of maintenance work. The units are expected to shutdown on January 22.

Shell shut a fluid catalytic cracking unit at its Pernis refinery. Traders said the recent problems at Pernis have not had a significant impact on the gasoline barge market in Europe given current ample supplies in the region.

Production News

Unloading at Statoil ASA's 100,000 bpd Norne field in the North Sea would likely resume on Saturday. Stormy weather and high seas have hindered crude unloadings from the Norne production ship in the past two weeks.

Gas oil and gasoline stocks held in independent Amsterdam-Rotterdam-Antwerp storage tanks increased again as high stocks on the US East Coast made European exports to the US unprofitable. Gas oil stocks increased by 50,000 tons to 2.075 million barrels in the week ending January 20th while gasoline stocks increased by 15,000 tons to 860,000 tons on the week. Naphtha stocks also increased by 15,000 tons to 70,000 tons while jet fuel stocks increased by 50,000 tons to 435,000 tons and fuel oil stocks fell by 90,000 tons to 440,000 tons on the week.

According to the Petroleum Intelligence Weekly, Kuwait's oil reserves are only half those officially stated. It said Kuwait's remaining proven and non-proven oil reserves are about 48 billion barrels.

Russia's news agency Interfax reported that Russia is scheduled to lower its crude oil export duty to $160.80/ton, down from the current export duty of $179.60/ton starting February 1.

South Korea's gas oil exports are expected to increase next month after refiners made cuts to expected January supplies during a cold snap that increased domestic heating demand. South Korea's five oil refiners were set to export 720,000 tons of gas oil in February, up 6% from 680,000 tons booked in January. The increase in exports came as Inchon Oil Refinery Co plans to export 40,000 tons in February after it skipped its shipment for January to meet strong domestic heating fuel demand. SK Corp is expected to export 270,000 tons, while GS Caltex is expected to export 120,000 tons, S-Oil Corp is expected to export 210,000 tons and Hyundai is expected to export 80,000 tons.

OPEC's news agency reported that OPEC's basket of crudes fell by 16 cents/barrel to $59.26/barrel on Thursday.

Ukraine said the winter cold has forced it to tap more Russian gas, threatening further shortages for European customers of Russia's Gazprom. The cold air from Russia is expected to sweep over northwest Europe next week, increasing demand for heating oil. Gazprom is pumping gas at full capacity and meeting its contractual obligations.

Market Commentary

The oil market continued to trend higher following Thursday's close near its high amid the concerns over the Iranian situation and the unrest in Nigeria. The crude market gapped higher from 66.90 to 67.25 and continued to rally as geopolitical concerns and technical momentum seemed to target the 70.00 level. The February contract traded to 68.00 and held some resistance at that level before further buying ahead of its expiration at the close pushed the contract to a high of 68.80. However the market later retraced some of its gains and settled up $1.52 at 68.35. The March crude contract also settled up $1.29 at 68.48 after it gapped higher from 67.30 to 67.50 and rallied to a high of 69.15 late in the session. Volume in the crude was excellent with over 284,000 lots booked on the day. The oil market was also well supported by the strength in the heating oil market, despite the mild winter weather. The market surprisingly settled more than 7 cents higher at 186.72. The heating oil market gapped higher from 180.10 to 182.10 and extended its gains to over 9.5 cents as it rallied to a high of 189.20. It retraced some of its gains ahead of the close. The gasoline market also rallied sharply higher. The market gapped higher from 178.00 to 179.00 and posted an early high of 181.50. The market held some resistance at that level, however as the heating oil market surged higher, the gasoline market followed suit and rallied over 7 cents to a high of 184.70. The gasoline market later retraced some of its gains and settled up 4.10 cents at 181.70. Volumes in the product markets were good with 66,000 lots booked in the heating oil market and 46,000 lots booked in the gasoline market.

According to the Commitment of Traders report, non-commercials in the crude market increased their net short position by 954 contracts to 1,676 contracts in the week ending January 17th. However the combined futures and options report showed a slight increase in their net long position of 734 contracts to 62,867 contracts on the week. However given the market's recent rally, non-commercials have likely further increased their net long position. Meanwhile, non-commercials in the heating oil market cut their net long position by 4,259 contracts to 5,756 contracts. However following its recent rally, non-commercials have likely cut their short positions. The report also showed that non-commercials in the gasoline market increased their net long position by 1,653 contracts to 33,731 contracts on the week.

Technical Analysis

		Levels	Explanation
		69.90, 70.70	Previous highs
	Resistance	69.15	Friday's high
CL	68.48, up $1.29		
	Support	68.00	
		67.50 to 67.30, 65.80,65.75	Gap (January 20th), Previous lows
		189.80, 190.00, 191.00-193.50	Previous highs, Gap (October 31st)
	Resistance	189.20	Friday's high
HO	186.72, up 7.03 cents		
	Support	185.00	
		182.10 to 180.10	Gap (January 20th)
		187.50, 189.68	Previous highs
	Resistance	184.70	Friday's high
HU	181.70, up 4.10 cents		
	Support	180.00	
		179.00 to 178.00, 172.55	Gap (January 20th), Previous low

The crude market on Monday will be

driven by any news over the weekend. If there are any bullish developments over the weekend, the market is seen testing its resistance at the 70.00 level even though it looks over bought at its highs. The market is initially seen finding resistance at 69.15 followed by 70.00 and a previous high of 70.70. Meanwhile, support is seen at 68.00 followed by its opening gap from 67.50 to 67.30. More distant support is seen at 65.80 and 65.70.