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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 22, 2005

Kuwait's Energy Minister and OPEC President, Sheikh Ahmed Fahed al-Sabah, said there was no need for OPEC to consult on possible production cuts before the March meeting and added that OPEC is unlikely to cut output at its upcoming March 16th meeting. He said stock levels were acceptable and prices were currently too high to warrant a cut in OPEC's production. He said he agreed with Saudi Arabia's Oil Minister Ali al-Naimi's comments that commercial oil inventories in industrial countries are currently at an appropriate level with 51 days of forward cover. Saudi Arabia's Oil Minister said inventories should not increase above 52 days of demand cover in the second quarter. However other OPEC ministers have stated that they may decide to cut production if

Market Watch

The Climate Prediction Center reported that the total Heating Degree Days in the week ending February 19th stood at 157, up from its previous estimate of 148 HDD. It is 12.8% on the year and down 14% from normal. It also estimated 225 HDD on an oil home heating customer weighted basis on the week, up from its previous estimate of 207 HDD. The Climate Prediction Center also predicted a total of 165 HDD for the week ending February 26th, up 1.2% on the year but down 3% from normal. On an oil home heating customer weighted basis, it predicted a total of 240 HDD, up 10.1% on the year and up 5% from normal.

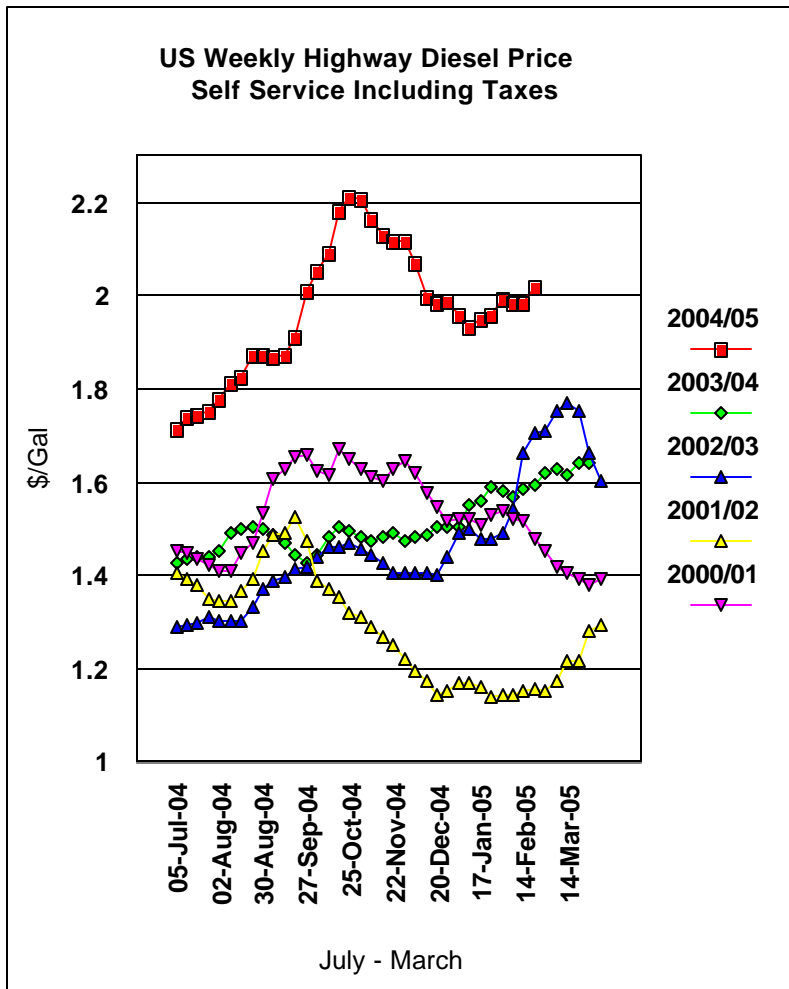
Meanwhile, private forecaster Meteorlogix predicted temperatures would average near normal on Tuesday and be slightly below normal on Wednesday and at least 6-12 degrees Fahrenheit below normal through Saturday in the Northeast. The six to ten day outlook for the region called for temperatures to be near to below normal.

The EIA and API will delay the release of its weekly US petroleum inventory reports until Thursday at 10:30 am EST, due to the US Presidents Day holiday.

Officials stated that Nigerian troops fought for several hours against a group suspected of killing civilians and stealing crude oil in a remote Niger Delta community. The raid on Odiama was launched on Saturday in response to the killing of 12 people in a boat ambush earlier this month by people involved in a bitter dispute over an oil-rich parcel of land. Tensions have been high in the fishing community since Royal Dutch/Shell started developing an oilfield at Obioku, which has been claimed by rival communities in the Odiama area.

Iraq's Interim Vice President Ibrahim al-Jaafari was chosen as his Shi'ite ticket's candidate for Iraq's next prime minister after Ahmad Chalabi dropped his bid. Pressure from within the ranks of the winning Iraqi United Alliance forced Chalabi to withdraw.

The European Commission's director for conventional energies said the IPE should release figures on how many trading parties active on its oil markets are speculative players. The NYMEX has revealed that about one third of oil was being bought by speculators.



stockpiles rise and prices fall.

OPEC's news agency reported that OPEC's basket of crudes increased by 44 cents/barrel to \$43.12/barrel on Monday from \$42.68/barrel on Friday.

The EIA reported that the US average retail price of diesel increased by 3.4 cents/gallon to \$2.02/gallon in the week ending February 21st. It also reported that the US average retail price of gasoline increased by 0.7 cents/gallon to \$1.905/gallon on the week.

Refinery News

Citgo Petroleum Corp cut operating rates at its crude unit and fluid catalytic cracking unit at its 165,000 bpd Corpus Christi, Texas refinery. The east plant of the refinery had to switch blowers at a sulfur recovery heater, which caused plant workers to reduce feedstock to the No. 2 FCC, a crude unit, the No. 4 platformer unit and a unibon unit.

Flint Hills Resources is planning to remove, repair and reinstall two pressure relief devices in the

hydrocracker unit on Tuesday.

ConocoPhillips is planning to perform maintenance on several units at its 145,800 bpd Borger, Texas refinery in early March. It will shut its sulfur recovery unit 43 starting March 1-4 for inspection and repairs. It will also shut its atmospheric residuum desulfurization units 41, 42, and 44 for maintenance. It also reported that it expects to return its fluid catalytic cracker to normal operation by March 21 after three weeks of planned turnaround.

BP said seasonal maintenance on several hydrogen units, which started February 16 at its Texas City, Texas refinery is seen concluding no earlier than the end of February.

Tesoro Petroleum's planned maintenance turnaround at its Anacortes, Washington refinery is plant-wide with the exception of a fluid catalytic cracking unit. The work at the 114,000 bpd started in early February.

Praxair's hydrogen unit 3 at BP's Texas City, Texas refinery was shut on February 17 for maintenance that is expected to last until March 1.

Total will shut its 104,000 bpd Milford Haven refinery in the UK in early April for six weeks of maintenance work.

Oman Refinery Co signed a deal to upgrade the 85,000 bpd Mina al-Fahal oil refinery to increase its gasoline production. The project will enable the plant to produce more gasoline from condensate processing. The overall aim is to meet domestic gasoline demand as well as reduce imports of the gasoline additive, MTBE. The project will increase the refinery's processing capacity to 106,000 bpd when the project is completed at the end of 2006.

Russia's Lukoil plans to overhaul the Lukoil-Odessa refinery at a cost of about \$500 million. Lukoil and the Oil Industry Research Institute are reviewing a draft long term program for the refinery's development until 2014. The program envisages further improvement of the refinery with an increase in its capacity by 50% to 4 million tons.

Production News

Colonial Pipeline Co Inc announced it allocated its Line 2 distillate line for the seventh cycle from Collins, Mississippi to Greensboro, North Carolina. It will again restrict the amount of distillate products it will accept from each of its shippers as demand for space on its mainline continues to exceed available capacity.

The Houston Ship Channel opened for inbound traffic on Tuesday morning after the channel was closed late Monday due to dense fog.

Pemex said that it replaced 57% of its crude production in 2004, up from a rate of 14% just three years earlier. The head of Pemex, Luis Ramirez, said its \$40 billion in investments over the past four years has helped increase crude production by 12.3%. He said of the 3.4 million bpd of crude the company produced in 2004, 1.4 million bpd came from new projects. He added that Pemex will need to maintain the level of its annual investments over the next 10 years if Mexico is to avoid becoming a net importer of crude oil.

Local shipping agents stated that delays for oil and gas tankers at the Turkish Straits fell to 4 days for a round trip journey to the Black Sea. The delays were about two days to pass north through the Dardanelles and Bosphorus and two days south again.

Kazakhstan's crude oil and gas condensate output in January increased by 15.4% on the year to 5.361 million tons or 1.31 million bpd.

The governor at Russia's Primorsk region, Viktor Gorchakov said Russia plans to start to build an oil terminal at Perevoznaya Bay in mid-2005. The pipeline's construction will also start this summer at Taishet in East Siberia. The pipeline infrastructure will include 44 intermediate pumping stations and 14 reservoirs. Russia's government expects to start loading oil products via the terminal as soon as August or September 2006. While the pipeline is under construction, oil products will be delivered to the terminal by railroad.

India's crude oil imports in January increased by 7.6% to 8.69 million tons or about 2 million bpd while imports in April-January increased by 7.2% to 81.08 million tons or 1.95 million bpd. Its refined products exports in January increased by 66% on the year to 1.45 million tons while its April-January exports increased by 24.2% to 14.48 million tons. India's oil consumption has been rising on the back of rapid economic growth.

China is set to cut back gasoline exports in March from the previous two months and may keep shipments in the second quarter unchanged versus the first quarter. The lower exports are due to rising domestic consumption and heavy refinery maintenance works in the second quarter. Total

Chinese gasoline exports in March are expected to fall 16% to 360,000 tons from 430,000 tons in January and February.

Korea National Oil Corp said South Korea's crude oil imports increased by 4.8% on the year in January to 62.5 million barrels. Its oil products production reached 81.7 million barrels in January, up 4.5% on the year. Domestic consumption of oil products increased by 1.8% in the month from a year earlier and exports of refined petroleum products remained strong, increasing by 13.5%. Private oil inventories at the end of January fell by 24% to 61.2 million barrels from the end of December levels as refiners also drew on stocks to meet higher demand. The average crude processing rate at South Korea's five oil refiners increased to 99.6% last month from 97.3% a year ago.

Market Commentary

In an astonishing trading session, the crude market rallied over \$2 after it resumed trading following a three day holiday weekend. The market soared amid forecasts of colder temperatures in the US Northeast. The March crude contract, which was expiring at the close, gapped sharply higher from 48.50 to 49.11, its intraday low, and never looked back as it continued to climb following its sharp gains in overnight trading. The market also seemed to have been well supported by the cold weather forecasts in Europe as the market attempted to catch up following the long weekend. The market breached the 50.00 level within the first hour of trading and traded to 50.60 where it held some resistance. However the market later breached that level and rallied to a high of 51.40 ahead of its expiration. It settled up \$2.8 at 51.15. Meanwhile the April crude contract also gapped higher from 49.25 to 49.75 and quickly breached the 50.00 level. In a surprising move higher, the April crude contract soared even further to a high of 51.70 ahead of the close. It settled up \$2.41 at 51.42, the highest settlement since late October. Volume in the crude market was excellent with over 226,000 lots booked on the day. Meanwhile, the heating oil market rallied over 9 cents during today's session in light of the weather forecasts calling for below normal temperatures. The market gapped higher from 135.50 to 138.70, its intraday low and remained well support throughout the session. The market breached its previous highs and rallied to a high of 144.40 on further buying ahead of the close. It settled up over 9 cents at 144.02. The gasoline market, which gapped higher from 127.00 to 128.00, rallied to a high of 132.80. However unlike the crude and heating oil markets which traded to their highs on the close, the gasoline market retraced some of its gains ahead of the close. It settled up 4.55 cents at 130.89. Volume in the product markets were good with 59,000 lots booked in the heating oil market and 55,000 lots booked in the gasoline market.

The crude market on Wednesday is seen retracing some of its sharp gains as the market awaits the release of the weekly petroleum stock reports on Thursday. Technically, the market is seen holding resistance at

Technical Analysis		
	Levels	Explanation
CL 51.42, up \$2.41	Resistance 52.00, 52.50, 52.80	Previous highs
	Support 51.00, 50.60	Tuesday's high
HO 144.02, up 9.09 cents	Resistance 146.80	Previous high
	Support 144.40	Tuesday's high
HU 130.89, up 4.55 cents	Resistance 142.60, 141.00	Opening gap (February 22nd)
	Support 138.70 to 135.50	Opening gap (February 22nd), 50% (45.27 and 51.70)
HU 130.89, up 4.55 cents	Resistance 134.00, 135.00, 135.50	Previous highs
	Support 132.80	Tuesday's high
	Support 130.70, 128.00 to 127.00	Opening gap (February 22nd)
	Support 126.65, 125.20	50% and 62% retracement (120.50 and 132.80)

its high of 51.70. However if it does breach that level further resistance is seen at 52.00 followed by 52.50 and 52.80. Meanwhile support is seen at 51.00 followed by 50.60 and its gap from 49.75 to 49.25. More distant support is seen at 48.49.