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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 31, 2005

According to Goldman Sach's Global Investment Research note, oil prices can rally as high as $105/barrel. It also raised its 2005 and 2006 NYMEX crude price forecasts to $50 and $55 respectively, from $41 and $40. Analysts stated that "the oil markets may have entered the early stages of what we have referred to as a super spike period, a multi-year trading band of oil prices high enough to meaningfully reduce energy consumption and recreate a spare capacity cushion only after which will lower energy prices return." The analysts added that resilient demand has prompted an upward revision to $50-$105, up from $50-$80. It said its range corresponds to gasoline spending in the US that reaches 3.6% of forecasted GDP, 5.3% of consumer expenditures and 5% of personal disposable income. It added that were it to assume gasoline spending reached 1970s levels to destroy demand, its upside super spike estimate would be $135.

Market Watch

The IEA is expected to urge oil importing countries to implement emergency oil saving policies to lower prices if a supply cut by as little as 1 million to 2 million bpd roils the market. A fall in supply of 1-2 million bpd would be equivalent to disruptions during the 2003 Iraqi war or the 2002 strike in Venezuela.

The IPE stated that price feed from the IPE's electronic platform to screens has been repaired after an outage which lasted several hours on Thursday. The feed from the electronic platform to screens failed overnight and no prices for Brent could be posted until around 1230 GMT. Traders were able to continue electronic trade, despite the lack of price reporting.

The Dubai government has reached an agreement with the NYMEX for a commodities futures exchange that will launch in Dubai in the third quarter of 2006. Dubai Development and Investment Authority officials will in April sign the deal governing the joint venture with officials from NYMEX. The Dubai Mercantile Exchange intends to offer futures contracts on products including crude, fuel oil and gold. The Dubai government may explore the potential for a sour crude contract based on Omani crude once the agreement is signed.

Finance officials from the Group of Seven are expected to discuss rising oil prices and its impact on the world economy at their expected meeting next month. Japan's Vice Finance Minister for International Affairs Hiroshi Watanabe said there is a growing consensus among major economies that crude oil prices will remain at current high levels for some time.

According to Oil Movements, shipments of OPEC crude will reach 24.17 million bpd in the four weeks ending April 16. It said OPEC's shipboard exports are expected to increase by 360,000 bpd.

OPEC said it has moved the date of its next ministerial meeting in Vienna from June 7 to June 15. The date of the meeting was changed due to logistical reasons.

OPEC reported that OPEC's basket of crudes fell by $0.24/barrel to $48.80/barrel on Wednesday from $49.04/barrel on Tuesday.

Suicide car bombers mounted two attacks against Iraqi soldiers in northern Iraq on Thursday, killing at least seven people. In one attack, a suicide bomber blew up his car at an Iraqi army checkpoint in Suleiman Beik, killing three Iraqi soldiers and two civilians. Meanwhile, another car bomber in the town of Samarra, detonated his car beside an army patrol, killing at least two Iraqi soldiers.

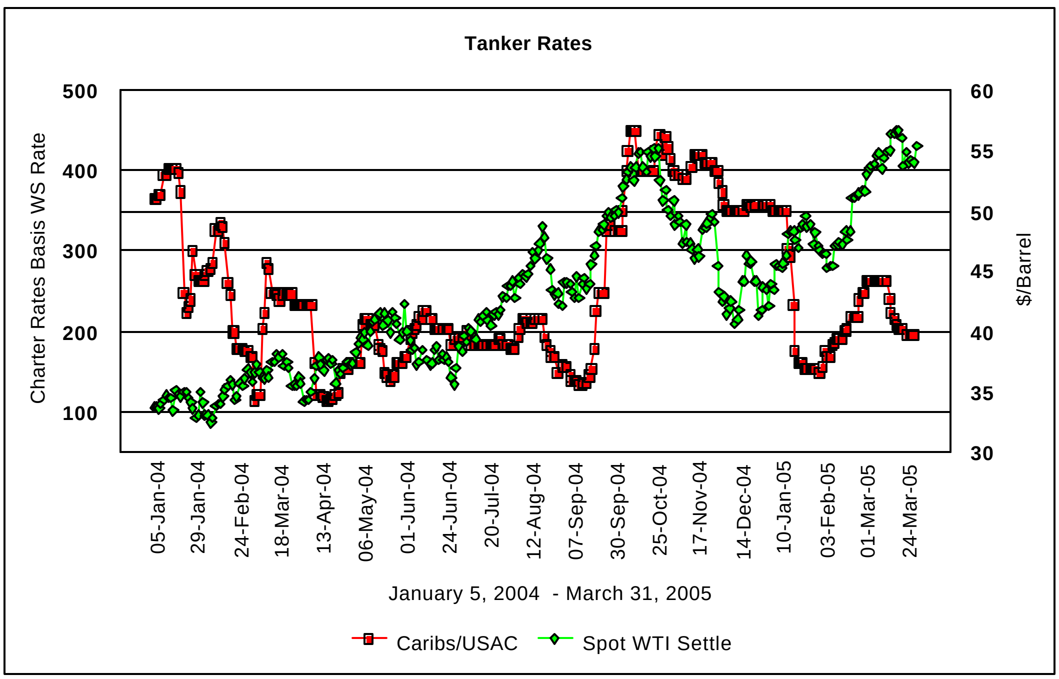
Refinery News

PDVSA's Amuay refinery reportedly sustained a boiler failure as it was restarting a flexicoker on Thursday. Later, PDVSA confirmed that it shut most of its units at its Amuay refinery due to an outage at a power plant. It said the refinery is still loading from inventories. The refinery is expected to be fully operational about 7 days.

Valero Energy Corp said it shut an exchanger at its Corpus Christi, Texas refinery leading to emission on Tuesday and Wednesday. The exchanger will be cleaned and resume operations as soon as possible to reduce emissions. A report filed with the Texas Commission on Environmental Quality did not specify whether production would be affected. Separately, planned maintenance has started at Valero Energy's 85,000 bpd refinery in Ardmore, Oklahoma. The maintenance work started on March 27 and is expected to last until late April.

Pasadena Refining System shut its 56,000 bpd fluid catalytic cracker unit and 4,500 bpd alkylation unit. Crude runs were also cut by about 50%, affecting gasoline production at the refinery, which has a 100,000 bpd capacity.

A crude distillation unit at ChevronTexaco's 210,000 bpd Pembroke refinery in Wales was shut on Friday due to a problem on a crude line.



Kuwait Petroleum said its 80,000 bpd Dutch refinery in Rotterdam was operating normally, denying market rumors of an explosion about a month ago.

Japan's Energy Corp will cut its crude oil runs in April-June by 6% on the ear due to planned shutdowns of several of its refinery units for regular maintenance.

Japan Energy will process 5.93 million kl of crude oil or 409,887 bpd during the quarter. It is scheduled to shut its 90,200 bpd crude distillation unit at its Mizushima refinery to conduct routine inspections and maintenance on April 1. In May it is also expected to shut a 140,000 bpd crude distillation unit at its Sodegaura refinery for one month. In the quarter ending March 31, Japan Energy processed an estimated 7.3 million kl of crude oil or 510,189 bpd, down 1% on the year.

Refineries in Taiwan plan to keep run rates at current high levels over the next two months. In April, refinery runs will average 1.1 million bpd or 90.5% of its total refining capacity of 1.22 million bpd.

China's main oil refineries will keep production steady in April to meet rising seasonal demand. The total runs in April are estimated at 2.13 million bpd compared with 2.12 million bpd in March.

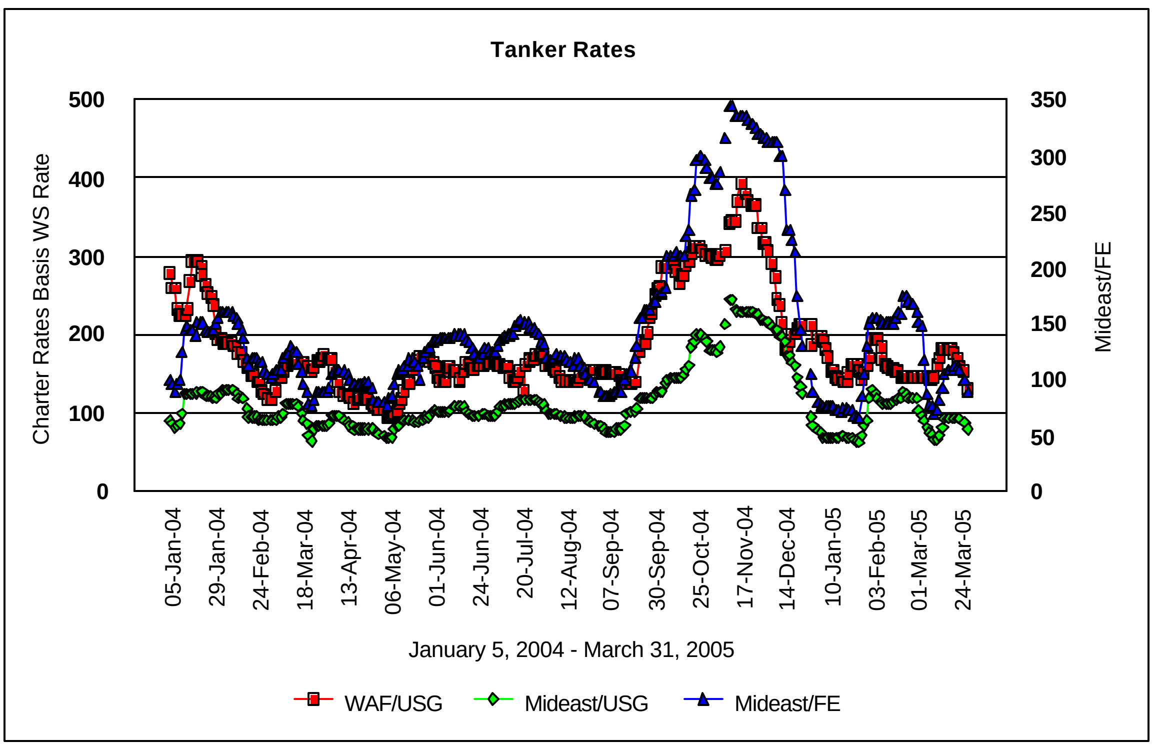
China's National Petroleum Corp has has won a bid to build a $400 million refinery in Skikda, Algeria. The refinery is expected to produce 5 million metric tons of condensate annually.

Talks between Lithuania and Russia's Yukos over the future control of the Mazeikiu Nafta refinery are scheduled to resume as early as next week. They are attempting to resolve a disputed option which both sides say gives them the right to increase their shareholdings in the refinery by 10%. Lithuania is seeking to increase its stake from the current level of 40.66% while Yukos is seeking to increase its 53.7% stake in Mazeikiu.

Production News

Royal Dutch/Shell said it replaced less than half the oil it pumped last year with new finds. Its proved reserves stood at 11.9 billion barrels of oil equivalent at the end of 2004.

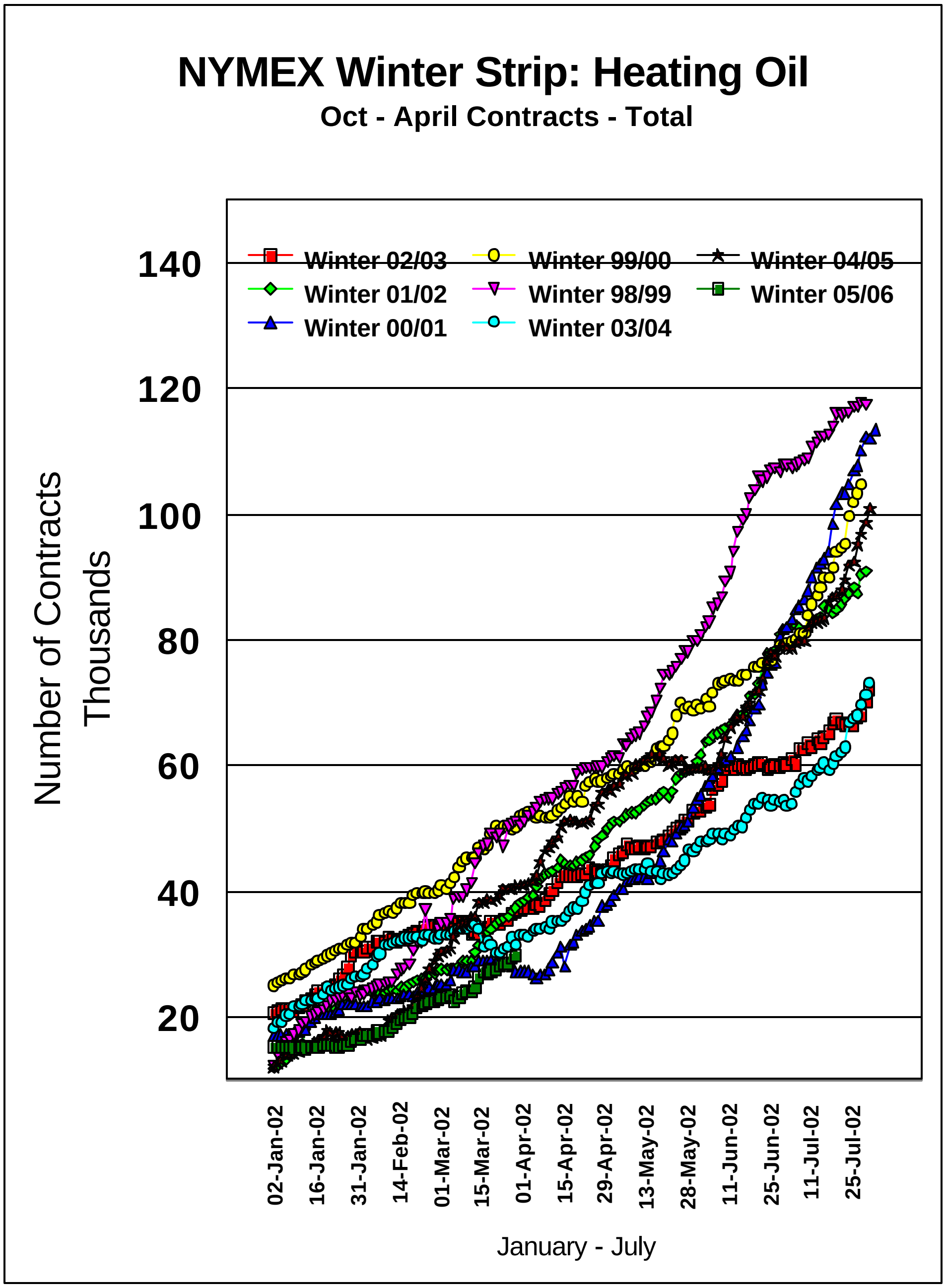
Russia's main oil port of Novorossiisk continued operations on Thursday despite a storm warning.



Norway's Oil Minister Thorhild Widvey said Norway will maintain its oil production at about 3.2 million bpd for several more years before declining.

Separately, Norway's Oil Minister Thorhild Widvey said companies' interest in exploring for oil and gas in the Arctic Barents Sea is unlikely to be spoiled by a dry well drilled by Norsk Hydro. Norsk Hydro completed the first well this month, however the well showed only traces of oil. Norway is preparing to open its 19th licensing round by mid-2005. Over half of the 61 blocks or partial blocks nominated by two or more companies in the nomination phase lie in the Barents Sea, reflecting keen interest in the Arctic area.

Kazakhstan is considering transporting oil through the Baku-Tbilisi-Ceyhan pipeline, according to news agency Prime-Tass.



Lukoil-Perm, a unit of Lukoil Holdings has started commercial production at the Sofronitskoye field in the Kungur oil province of the Perm region. It is the first of four fields prepared for production in the Kungur province. Recoverable reserves are estimated at 800,000 metric tons or almost 6 million barrels of crude. In 2005, output is expected to total 24,000 tons or 176,000 barrels with peak production expected to reach 78,800 tons or 577,000 barrels.

Japan's Ministry of Economy, Trade and Industry reported that the country's crude oil imports fell by 7.4% on year in February to 19.13 million kiloliters or 4.3 million bpd as electricity producers continued to reduce their purchases. In the April-June period, Japan will likely import lower volumes of crude oil as some Japanese oil refiners plan to shut several of their refinery units during the quarter for regular maintenance work. Crude oil throughput in the month totaled 19.7 million kl, or 4.43 million bpd. Japan's METI also reported that the country's kerosene sales increased by 11.2% on year in February to 4.41 million kl. Kerosene inventories totaled 2.03 million kl at the end of February, down 9.4% on the year. Meanwhile it reported that gasoline demand increased by 1.5% on the year to 4.63 million kl or 1.04 million bpd. Its gasoline inventories increased by 10.7% on the year to 2.48 million kl.

Libya has cut most of its April crude oil official selling prices by 10-30 cents/barrel from March. Essider crude was set at Dated Brent minus $2.80/barrel, down 30 cents from March. Sirtica, Amna and Sarir were also cut by 30 cents. Brega, Sharara, Zueitina and Abu Attifel were cut by 10 cents, while Bouri and Al-Jurf crudes were unchanged.

The Yemeni government will cancel plans to extend a production sharing agreement with Hunt Oil when it expires later this year because the deal was unjust, according to a parliament member. The official stated that the extension proposal to operate Marib block 18 would be cancelled within two months.

Market Commentary

The energy complex gapped higher this morning in follow through strength seen in overnight trading on Access. The market was well supported in light of a bullish report released by Goldman Sachs, which stated that oil prices could rise as high as $105/barrel. It raised its range to $50-$105/barrel from $50-$80/barrel due to the resilience of oil demand. The May crude contract gapped higher from 54.20 to 55.05 and partially backfilled its gap as it traded to a low of 54.90. However the market bounced off low and never looked back as it remained supported by the report as wells as talk of some refinery problems. The market later backfilled its previous gap from 55.30 to 55.69 as it rallied to a high of 56.10. It retraced more than 62% of its move from a high of 58.10 and a low of 52.50. The May crude contract however erased some of its gains and settled in a sideways trading pattern as it held good support at the 55.00 level. It settled up $1.41 at 55.40. Volume in the crude market was excellent with over 268,000 lots booked on the day. The product markets also settled sharply higher once again, with the expiring April heating oil contract settling up 5.19 cents at 161.61 and the April gasoline contract settling up 4.66 cents at 166.31. The April heating oil contract gapped higher from 161.00 to 163.10 in follow through strength seen on Wednesday and the overnight trading session. It partially backfilled its gap as it posted a low of 162.80. However the market bounced off that level and rallied to a high of 167.00. The market later erased some of its gains as traders liquidated their positions ahead of its expiration. Meanwhile, the May heating oil contract settled up 5.19 cents at 161.61. Similarly, the gasoline market gapped higher from 159.90 to 161.65, its intraday low, and rallied to a new high of 167.50 amid talk of refinery problems, including a boiler problem during restart operations on a flexicoker unit at PDVSA's Amuay refinery. The market

Technical Analysis			
		Levels	**Explanation**
		57.58 to 57.63, 58.10	Previous highs
	Resistance	56.10	Thursday's high
CL	55.40, up $1.41		
	Support	55.20	
		54.90 to 54.20	Remaining gap (March 31st)
		166.79	Basis trendline
	Resistance	163.50	Thursday's high
HO	161.61, up 5.19 cents		
	Support	161.20	
		159.00 to 156.60	Opening gap (March 31st)
		169.00	Basis trendline
	Resistance	167.95	Thursday's high
HU	166.31, up 4.66 cents		
	Support	165.50	
		163.80 to 161.90	Remaining gap (March 31st)

however erased some of its gains as traders liquidated their positions ahead of the close. The May gasoline contract settled up 4.66 cents at 166.31. Volumes in the product markets were excellent with over 90,000 lots booked in the heating oil and 69,000 lots booked in the gasoline market.

The oil market will likely retrace some of today's sharp gains. However its losses are limited amid the market's skittishness as seen during today's session when the Goldman Sachs report was released. The market's losses are also seen limited ahead of the weekend amid reports of refinery problems, which will continue to support the gasoline market. Technically, the crude market is seen finding resistance at its high of 56.10 followed by its previous highs of 57.58, 57.63 and 58.10. Meanwhile, support is seen at 55.20 followed by today's opening gap from 54.90 to 54.20.