



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 1, 2005

According to an Iraqi oil official, Iraq's crude oil exports from its southern offshore terminal increased to an average of 1.48 million bpd in March from 1.35 million bpd in February. The official said Iraq's southern crude oil production stood at 1.8 million bpd in March. He said Iraq's SOMO has to defer about 15 million barrels of crude oil exports from January and February to April. He said SOMO met all its crude oil sales obligations in April. The official also stated that there was about 700,000 barrels at storage facilities in the port of Ceyhan, but it is not enough to be exported.

OPEC's news agency reported that OPEC's basket price increased to \$50.23/barrel on Thursday from \$48.80/barrel on Wednesday.

Refinery News

Market Watch

The IEA said oil importing countries should implement emergency oil saving policies if supplies fall as little as 1-2 million bpd. A warning to set up demand restraint policies in the transport sector, such as driving bans or shorter working weeks, is contained in a study to be published next month during the annual IEA meeting of energy ministers. It suggests measures such as reducing motorway speed limits by 25%, shortening the working week, imposing driving bans on certain days, providing free public transport and promoting car pooling measures.

TEPPCO Partners LP said it acquired crude oil storage and terminal assets in Cushing, Oklahoma. It acquired eight tanks with 945,000 barrels of storage as well as connections to several pipelines from Koch Supply and Trading LP. It also bought crude pipeline assets from BP Pipelines.

Concerns are mounting that oil prices in the US this year could trigger an economic recession, however experts said an oil price spike is not big threat yet. They stated that because the market is not in a supply shock situation, the higher prices could simply correct themselves by eventually pushing demand lower. The surge in prices is different from recent spikes because it is driven by global economic strength, not by a sudden cutoff in oil production, which has a better chance of grinding economies to a halt.

The Institute for Supply Management said the pace of growth in US manufacturing was little changed in March from a month earlier. It said its factory index fell to 55.2 from 55.3 in February. Its new order index increased to 57.1 from 55.8 while its production index fell to 56.5 from 56.7. Oil costs have increased price pressures for manufacturers however orders still remain strong enough to allow some companies to pass the added costs on to customers.

The Financial Times reported that Eurozone manufacturing growth has slowed, adding to fears that the region's economic recovery has been halted. The overall eurozone PMI stood at a four month low of 50.4, compared with 51.9 in February, almost certainly reflecting the combined effect of higher oil prices and the euro's strength against the dollar.

Valero Energy Corp's Three Rivers, Texas refinery announced plans to shut down a fluid catalytic cracker on April 10 for maintenance. The shutdown is expected to last about 22 days. The company has previously announced plans to conduct maintenance at the Three Rivers plant as part of an effort to increase sour crude processing capacity at its refineries.

PDVSA will likely delay or cancel up to 3 gasoline cargoes out of 10, 2 heating oil cargoes out of 6 and 2 jet fuel cargoes out of 4 due to Thursday's power outage at its Amuay refinery. Primary crude units and related hydrotreating units, including a 200,000 bpd crude unit and two 125,000 bpd units will return to service first. In final phases of restart preparation, the refinery's 108,000 bpd catcracker, alkylation units and delayed coker will return to service. The restart of the 64,000 bpd flexicoker unit will be delayed until mid-April.

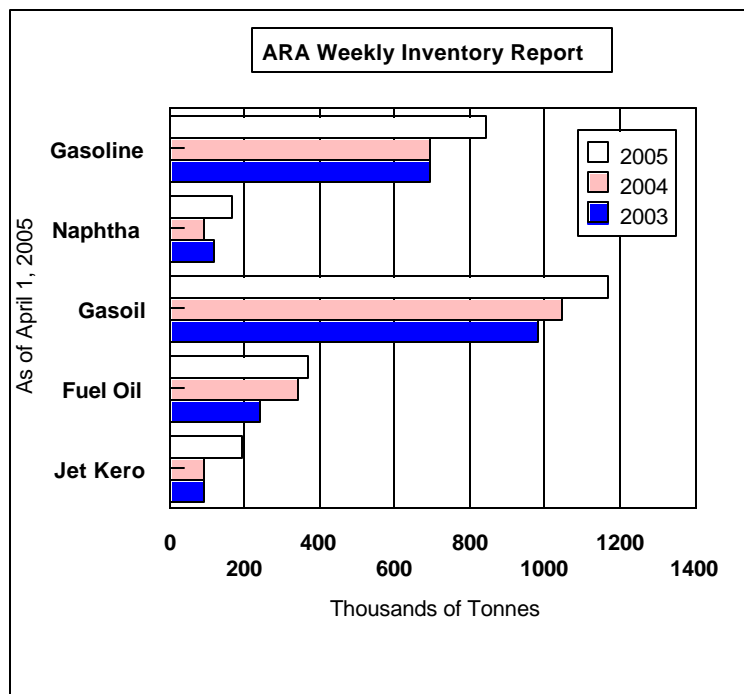
BP halted maintenance on the 60,000 bpd hydrocracker at its 450,000 bpd Texas City, Texas refinery for an indefinite period. The hydrocracker was shut late February for planned work and was last seen down an additional 2-3 weeks before the tragic isomerization unit explosion. Oil workers may be allowed at the hydrocracker in about 2-3 weeks. Meanwhile, a 20,000 bpd section on the 60,000 bpd heavy oil hydrocracker remains out of service due to problems.

ChevronTexaco experienced a minor operational problem on Friday, leading to heavy smoke and flaring at its 260,000 bpd El Segundo, California refinery.

A fire started at Kyushu Oil Corp's storage tank in its refinery located in Oita city on Friday. Kyushu Oil said its oil refining operations at the 155,000 bpd refinery were unaffected by the fire.

Indian Oil Corp will start a new 36,000 bpd hydrotreater at its 150,000 bpd Mathura refinery during April 10-15. The unit was initially scheduled to start between late March and early April.

SK Corp plans to complete upgrading two desulphurization units in the second half of the year. The work is aimed at meeting increased demand in the world market for cleaner fuels. In South Korea, the maximum sulphur content in gasoline will be cut by a third to 50 parts per million by 2006.



Production News

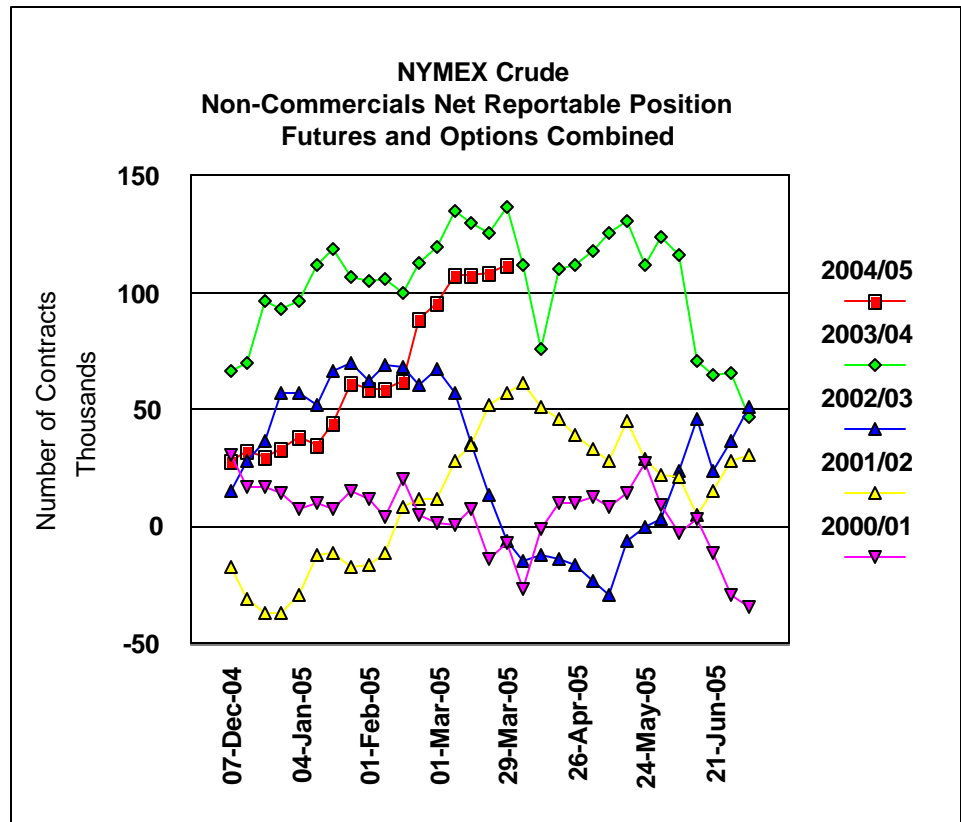
Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 2 to 1,329 in the week ending April 1st. The number of rigs searching for oil in the US fell by 7 to 171 while the number of rigs searching for gas increased by 5 to 1,157.

Oil product inventories in the Amsterdam-Rotterdam-Antwerp tanks were mostly lower on the week. Gas oil stocks fell about 6% or 75,000 tons to 1.175 million tons in the week ending April 1st. The decline is attributed to refinery maintenance and arbitrage shipments to the Mediterranean. Gasoline stocks fell by 50,000 tons to 850,000 tons as exporters

drew heavily from gasoline stocks for cargoes to the US amid a spate of US refinery problems. Meanwhile, naphtha stocks increased by 25,000 tons to 175,000 tons while fuel oil stocks fell by 25,000 tons to 375,000 tons and jet fuel stocks increased by 25,000 tons to 200,000 tons.

Shipping sources stated that bad weather forced Russia's main Black Sea port of Novorossiisk to close on Friday.

Russian Railways stated that the volume of crude oil and oil products delivered via rail to Russian ports in 2004 increased by a third to 54.2 million metric tons.



Total former Soviet Union fuel oil exports from the Baltic and Black Sea ports fell in March amid refinery maintenance and winter weather slowed shipments. Fuel oil flows fell for the third consecutive month, falling by 2.4% to 2.95 million tons from 3.02 million tons in February. Exports from the Baltic ports were steady at 2.12 million tons while exports from the Black Sea ports fell to 822,000 tons, down 15% from 971,000 tons in February.

India's Petroleum Minister Mani Shankar Aiyar said Indian Oil Corp and Saudi Aramco are in talks on forming a joint venture for commercial crude storage in India. Separately, India is building storage facilities for a further 5 million metric tons of crude, aiming to complete and fill these by early 2008, under a plan to build strategic crude oil reserves.

Market Commentary

The oil market continued its upward trend ahead of the weekend as it remained well supported by the product markets. The complex remained supported by the news of the power outage at PDVSA's Amuay refinery which is expected to cause a delay or cancellation of up to 3 gasoline after most of its units were shut on Thursday. It also continued to trend higher following the Goldman Sachs report, which stated that oil prices could rise to as much as \$105/barrel. The crude market opened up 15 cents at 55.55 in follow through strength seen in overnight trading and retraced some of its gains as it posted a low of 55.15. However the market bounced off its low and never looked back. The market traded to 56.85, where it held some resistance. However the market breached its resistance levels and rallied to a high of 57.70 amid the strength in the product markets. The May crude contract however erased some of its gains ahead of the close but still settled sharply higher at 57.27, up \$1.87. The oil market may have also been supported as more money flowed into commodity funds at the start of the second quarter. Volume in the crude was excellent with over 256,000 lots booked on the day. The gasoline market continued to trend higher amid the refinery news. It opened 1.19 cents higher at

167.50 and posted a low of 165.70 early in the day. However the market quickly bounced off that level and never looked back as it traded to a new high. The market extended its gains to over 7 cents to a high of 173.60 ahead of the close and settled up 6.79 cents at 173.10. The heating oil market also settled sharply higher at 166.38, up 4.77 cents. Similar to the crude and gasoline, the heating oil market bounced off its low of 160.80 and rallied over 5.89 cents to 167.50 ahead of the close. Volumes in the product markets were good with over 53,000 lots booked in the gasoline and 54,000 lots in the heating oil.

According to the latest Commitment of Traders report, non-commercials in the crude market increased their net long positions from 69,509 contracts to 73,792 contracts in the week ending March 29th. This was amid the fall in their total short positions of 7,238 contracts to 90,222 contracts. The combined futures and options report also showed that non-commercials increased their total net long positions from 108,624 contracts to 112,002 contracts on the week. Given the market's strength in last two trading sessions, non-commercials have more than likely continued to increase their net long positions. However, non-commercials in the product markets cut their net long positions in the week ending March 29th. Non-commercials in the heating oil cut their net long positions from 8,817 contracts to 3,878 contracts while non-commercials in the gasoline market cut their net long positions from 42,865 contracts to 40,505 contracts on the week.

Technically, the crude market is still seen trending higher as its stochastics still have room to the upside. The market is also seen headline driven similar to the past few trading session when it has rallied on news of refinery problems as it remains skittish. The market is seen finding support at 57.00, followed by 55.71, its low of 55.15 and 55.10, its 50% retracement level. Meanwhile resistance is seen

Technical Analysis		
	Levels	Explanation
CL 57.27, up \$1.87	Resistance 58.10 57.70	Previous high Friday's high
	Support 57.00 55.71, 55.15, 55.10	38% retracement(52.50 and 57.70), Friday's high, 50%
HO 166.38, up 4.77 cents	Resistance 168.38 167.50	Basis trendline Friday's high
	Support 165.00, 164.10 160.80, 159.00-156.60	Friday's low, Opening gap (March 31st)
HU 173.10, up 6.79 cents	Resistance 174.32 173.60	Friday's high
	Support 171.30, 169.30 166.88, 165.70, 164.80	38% retracement (156.00 and 173.60), Friday's low, 50%

at its high of 57.70 followed by its previous high of 58.10.