



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 19, 2005

OPEC President Sheikh Ahmad al-Fahd al-Sabah said Saudi Arabia will provide most of OPEC's 500,000 bpd supply increase next month. On Monday, he stated that OPEC will increase its supply in May although it will delay a formal increase in its production quotas until its June 15 meeting. He left open the possibility for more than a 500,000 bpd increase in its output ceiling which stands at 27.5 million bpd.

Saudi Arabia has booked a seventh very large crude carrier to the US in May, increasing spot exports for the month to 14 million barrels. It provisionally

booked a vessel, La Esperanza to transport 285,000 tons of crude to the US between May 17 and 18. Earlier it was reported that it also provisionally booked a vessel, Courtney Bay, to carry 290,000 tons

Market Watch

Despite PDVSA's plans to sell off US refining assets held by Citgo, Valero said it has never been notified that the plants are for sale. On Sunday, Venezuela's Oil Minister Rafael Ramirez confirmed that the country is taking offers from buyers interested in two refineries held by Citgo.

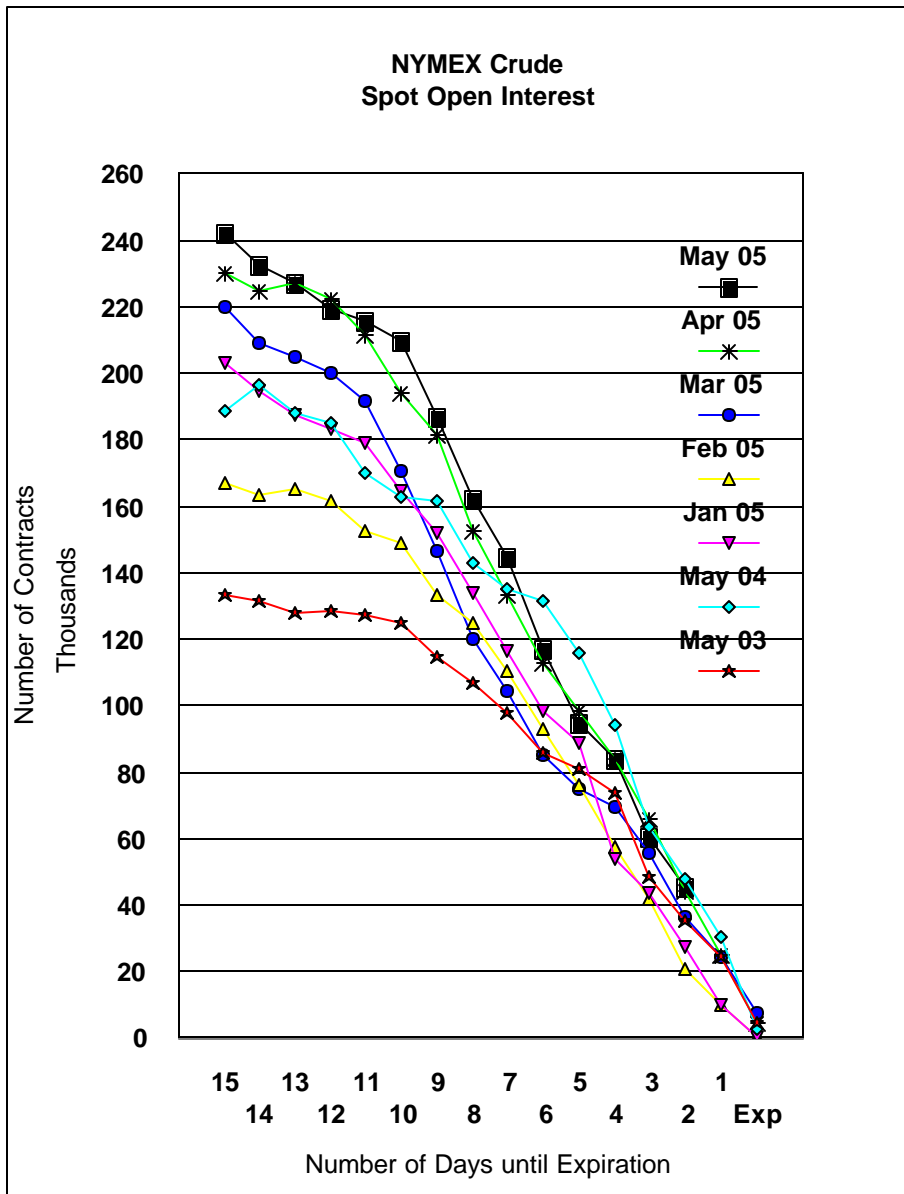
An Indonesian government panel has proposed that Indonesia cease being a member of OPEC and become an observer because of the financial costs of membership. It said that an observer, Indonesia would be free from OPEC's annual membership fee of \$1 million and contributions of \$52,016 a year to the OPEC fund. Indonesian legislator and former Mines and Energy Minister, Ginandjar Kartasasmita, said Indonesia was not benefiting as a member if it was a net oil importer. It estimates crude production will fall 6% in 2005 from last year's 968,200 bpd but it aims to increase output by about 25% to 1.18 million bpd in 2008.

Russia's Rosneft has won a court ruling to impound the remaining assets of Yukos, including two oil units, Samara and Tomsk and two of its five Russian refineries, Syzran and Angarsk. The managing director of main Yukos shareholder Menatep said seizures of the remaining assets could be imminent.

Blackstone Group, a private equity firm, may bid for a stake in the NYMEX as early as this week. NYMEX members stated that Blackstone is expected to seek a 20% equity stake with an eye toward shaping the NYMEX for an initial public offering. A NYMEX spokeswoman said the exchange has not received any formal offers and no deals have been considered by the board. Last year, the NYMEX turned down a buyout offer from Parthenon after considering it for four months.

The NYMEX, the Budapest Stock Exchange and the Budapest Commodity Exchange will work together to develop a standardized Urals crude oil futures contract in Budapest.

The Bureau of Labor Statistics reported that the US Producer Price Index increased by 0.7% in March, led by a 3.3% increase in energy costs. The index for finished energy good increased by 15.9% in the first quarter of 2005 compared with an increase of 25.4% in the fourth quarter of 2004.



of crude to the US Gulf on May 11. Five other similar sized shipments have been fully booked for early May loading.

Qatar's Energy Minister Abdullah al-Attiyah said the oil market's fall from record highs signals that the market is returning to a more stable state as speculative funds withdraw from the market. He said the oil is amply supplied with crude and added that there was no need for OPEC to lift its quotas by another 500,000 bpd. He said OPEC is watching prices carefully and can intervene if needed.

An Iraqi oil official stated that Iraq's southern oil exports from the Basra terminal have been cut to minimal levels for 12 hours due to a lack of tugs that help oil tankers berth and unberth at loading terminals. The official did not state how much Iraqi oil exports were reduced. Normal Iraqi exports from the south stand at 1.5 million bpd.

Sources stated that Venezuela was in the market

seeking to purchase Iraqi Basra crude in recent weeks. A trader said Venezuela has acquired a few Basra cargoes in the last 60 days. Some industry sources suggested that PDVSA could be purchasing the crude top run in its 1.1 million bpd domestic refining network to make up for new oil output problems.

The IEA stated that China may see more volatile demand growth, contributing to price volatility, as its share of world consumption increases. Oil demand in China increased by about 16% last year, almost double the rate of its economic growth. Total consumption this year estimated at 6.88 million bpd, accounts for 8% of world demand. However its share is likely to expand as the developed world posts more restrained growth rates. It said there is a potential for more violent price swings if China's economy expands at an uneven rate.

An aide to President George W. Bush played down any short term fixes to increasing gasoline prices and said Bush remains focused on his goal of a broad energy bill. President Bush is scheduled to meet on Tuesday with leaders of the House and Senate energy and finance committees to press for

the passage of a broad energy bill. On Wednesday, President Bush will deliver what the White House has billed as a major speech on energy policy. Meanwhile a senior Bush administration official said that while the Gulf of Mexico holds billions of barrels of oil, there is no quick fix to increase US supplies as it will take years to get at those reserves. He said once the government leases an offshore tract to an energy company for exploration it can take five to ten years for drilling to begin and actual production could take another five years after an oil field is discovered.

Rep. Lois Capps is trying once again to strip out one of the provisions from the White House backed comprehensive energy bill. The House Energy and Commerce Committee last week signed off on an energy bill that includes a provision to protect manufacturers of MTBE from certain lawsuits. The House is expected to vote on the energy bill package on Wednesday or Thursday. Rep. Lois Capp said she is asking the House Rules Committee to allow a vote on an amendment to kill the MTBE language. It would also strip the bill of a provision that would give MTBE manufacturers nearly \$2 billion taxpayer fund subsidies and require a national phase out of MTBE in four years.

OPEC's news agency reported that OPEC's basket of crudes fell by 56 cents/barrel on Monday to \$46.52/barrel, down from Friday's \$47.08/barrel.

Refinery News

ExxonMobil said reports suggesting that a catcracker at its Baytown, Texas refinery was shut for unplanned maintenance was inaccurate. A company spokeswoman said the Baytown refinery is operating normally. Reuters had reported that the catcracker would be shut for six days.

ConocoPhillips restarted its 31,000 bpd fluid catalytic cracking unit its Borger, Texas refinery after it was shut on April 9 for unplanned maintenance. This followed earlier reports that the unit was still shut following repair work.

Valero Energy Corp shut a coker unit on Saturday at its 260,000 bpd St. Charles, Louisiana refinery for up to two weeks of unplanned maintenance. Production loss is estimated to be about 8,000 bpd for gasoline and about 25,000 bpd for distillates.

BP stated that a fire started at its Texas City, Texas refinery on Friday night and was quickly extinguished in about an hour. It did not state which unit the fire occurred in or whether any of its units had been damaged.

The Texas Natural Resource Conservation Commission reported that the Sweeny Refinery in Texas will undergo maintenance on April 19. It said that after installing a new controller system, the emergency trip condition will be tested. It will cause a shutdown of the electrostatic precipitator and will cause a condition of high opacity.

A crude unit at ChevronTexaco's 210,000 bpd Pembroke refinery in Wales resumed operations after it was shut for more than three weeks due to a crude line fault.

Algeria's Sonatrach is targeting a 15 day rolling maintenance shutdown program at its 335,000 bpd Skikda refinery in June.

Japan's Tosoh Corp said it restarted its 493,000 tons per year naphtha cracker in Yokkaichi. The unit was restarted on April 16 and returned to full capacity on Tuesday.

Thailand's Star Petroleum Refinery is scheduled to shut its 20,000 bpd platformer for maintenance work in the first quarter of next year.

Production News

Industry analysts stated recent oil and mud discharges from a drilling program in the Norwegian Barents Sea threaten to delay exploration and development in the area. The leaks from Ocean Rig ASA's Eirik Raude rig may give environmentalists politicians the lobbying leverage they need to hinder or prevent further development of environmentally sensitive areas. The Barents Sea is estimated to hold 8 billion barrels of oil equivalent. Statoil and Norsk Hydro ASA's exploration drilling in the Barents Sea was halted indefinitely last week following the accidental oil leak.

Terasen Inc has completed a \$100 million expansion of a pipeline that ships Canadian crude to the US Rocky Mountain states. The expansion of the Express Pipeline increased capacity by 108,000 bpd to 280,000 bpd.

BP will begin drilling for oil and gas in the Turkish section of the Black Sea in June. BP and its project partner Turkish state oil firm TPAO have leased a drilling rig and plan to complete the first 1,500 meter deep well by September.

Algeria's Energy and Mines Minister Shakib Khelil said it will invest millions into oil exploration along the Moroccan border, an area that is considered dangerous due to the two countries' differences over the Western Sahara. His comments came after Morocco said chances of discovering profit making oil in the region were intact. Algeria's Energy Minister said the decision was part of the country's plan to develop exploration of new wells to increase its production and export of oil and natural gas. Algeria is currently producing 1.3 million bpd, well in excess of its OPEC quota of 800,000 bpd.

An official at the Nigerian National Petroleum Corp said developing Nigeria's deep water oil blocks will cost \$10 billion through 2009. However he stated that rising oil prices will shore up development of the offshore oil fields.

BP further delayed the loading of the first cargo with Azeri crude from the Turkish port of Ceyhan to the fourth quarter of 2005 from a previous plan to load crude early in the second half of the year.

The governments of Azerbaijan and Kazakhstan may sign an agreement on Kazakh oil exports via the Baku-Tbilisi-Ceyhan pipeline in 9-12 months.

The head of TNK-BP said Russia may increase its oil export duty to a record high of \$120-\$125/ton from June 1. Russia previously increased its oil export duty by 24% to \$102.60/ton starting April 1.

Russia's TNK-BP will increase oil floating storage capacity at the Black Sea port of Kavkaz by 20% this year to ship more crude and products to Mediterranean markets. It is expected to install three 100,000 ton floating storages in the port, one for crude, another for fuel oil and a third for vacuum gas oil.

Russia's Tyumen Region increased its oil and gas condensate production by 3.9% on the year to 77.63 million tons in January-March. In March, oil and gas condensate output increased to 26.83 million tons from 25.62 million tons last year.

An official at Sinopec said China's diesel and gasoline demand growth is set to slow this year as sales of cars and farm vehicles expand at a slower pace. Demand for diesel and gasoline is estimated to grow 10% in 2005 on the year compared with 18-19% in 2004. Gasoline demand will decline as automobile sales grow at a decreasing rate. It is also expected to fall due to the government's push towards the use of cars powered by alternative fuels such as gasohol, an ethanol blended fuel. Gas oil

demand will also slow down, resulting from macro-control policies on industrial sectors and gradually easing power shortages. Also consumption of gas oil for power generation will decline.

China's Sinopec Corp will start filling diesel into the 1,060 mile pipeline in southwest China by next week. The line is expected to be filled in the third quarter. It said about 5,000 tons of diesel will flow in first followed by gasoline.

India's Oil Minister Mani Shankar Aiyar said India's crude oil production increased by 2% in the year ending March 31 to 34.04 million tons from 33.37 million tons in the preceding year. India imported 95.3 million tons of oil during the year or 5.42% more than the previous year's 90.4 million tons.

Venezuela's Oil Minister Rafael Ramirez said private firms will pay a 50% tax rate instead of a 34% preferential rate as President Hugo Chavez seeks to maximize oil revenue amid record crude prices. Analysts stated that the new tax could make some operations economically unfeasible.

Petroecuador's crude oil production has been hit by vandalism and robbery. It said theft of pumps, generators and other equipment, in addition to vandalism by criminals hoping to claim compensation for oil spills has reduced production to 195,180 bpd as of Tuesday from 204,000 bpd on March 24.

Market Commentary

The energy complex ended the session sharply higher, with the crude market settling up close to \$2. The oil market stemmed its two-week fall in prices amid the strength in the gasoline following the talk of several refinery problems. The gasoline market, which gapped higher as it opened 2 cents higher at its intraday low of 151.50, never looked back as it continued to extend its gains. The market was again talking of the problem at the Coffeyville, Kansas refinery while BP also reported that a fire started at its Texas City, Texas refinery while Valero shut a coker unit at its St. Charles, Louisiana refinery which was cutting gasoline production by 8,000 bpd and distillate production by 25,000 bpd since Saturday. The market gradually traded to 155.00 before it extended its gains even further to 7.76 cents as it posted an intraday high of 157.20 ahead of the close. It settled up 7.57 cents at 157.01. Meanwhile, the May crude contract, which expires on Wednesday, followed in the gasoline market's footsteps and rallied ahead of the close. It opened 63 cents higher at 51.00 in follow through strength seen in overnight trading. It posted a low of 50.90 and never looked back as it bounced off that level and retraced its recent losses. The market traded to 51.95 and settled in a sideways trading range as it also held good support at 51.50. The May crude contract, which found good support at 51.50, it breached its resistance at 52.00 and traded to a high of 52.35 amid the strength in the gasoline market. It settled up \$1.92 at 52.29. Similar to the gasoline market, the heating oil market also settled sharply higher, up 5.07 cents at 149.30. It opened at 145.50 and

Technical Analysis		
	Levels	Explanation
CL 52.29, up \$1.92	Resistance 52.98, 53.65, 53.90, 53.98 52.35	38% retracement (58.20 and 49.75), Previous high, 50% Tuesday's high
	Support 51.50 50.90, 49.85, 49.75	Tuesday's low, Previous lows
HO 149.30, up 5.07 cents	Resistance 151.90, 152.66, 155.65 149.90	Previous high, 38% retracement (168.30 and 143), 50% Tuesday's high
	Support 147.40 145.50, 143.00	Tuesday's low, Previous low
HU 157.01, up 7.57 cents	Resistance 160.50, 163.87 157.20	50% and 62% retracement (174.80 and 146.20) Tuesday's high
	Support 153.30 151.50-151.00, 147.10-147.00	Gap (April 19th), Previous lows

quickly started to retrace its recent losses. It breached its resistance levels as it rallied to a high of 149.90 ahead of the close. Volumes were good with over 238,000 lots booked in the crude, 59,000 lots booked in the gasoline and 35,000 lots booked in the heating oil market. Meanwhile, open interest in the crude market in the crude market fell by a total of 9,316 lots, with open interest in the May contract falling by 14,818 lots as traders liquidated some of their positions ahead of its expiration on Wednesday. As seen in the accompanying chart, there is somewhat more open interest left in the May contract compared with the previous expiring contracts.

The oil market will seek further direction from the DOE and API reports, which are expected to show builds in crudes of more than 1 million barrels, builds in distillate stocks of about 500,000 barrels and a small build in gasoline stocks. The market will also see a volatile trading session ahead of the May crude contract expiration at the close. Technically, the market may continue to retrace its recent losses as its stochastics are ready to cross to the upside. It is seen finding support at 51.50, followed by its low of 50.90. More distant support is seen at its previous lows of 49.85-49.75. Meanwhile, resistance is seen at its high of 52.35 followed by 52.98. More distant resistance is seen at 53.65, 53.90 and 53.98.