



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 10, 2005

OPEC's President Sheikh Ahmad al-Fahad al-Sabah said OPEC, including Iraq, is currently producing 30.3 million bpd, up 600,000 bpd from its level in April. He said OPEC will maintain the higher output of about 30.3 million bpd in June to help control crude prices. Separately, OPEC's Secretary General, Adnan Shihab-Eldin attempted to reassure the oil market that crude oil supply is sufficient to meet demand. He said OPEC is pumping above its production quotas and as a result oil supply is running 2 million bpd ahead of demand. He also stated that OPEC is working to maintain its cushion of spare capacity.

Meanwhile, Iran's governor to OPEC, Hossein Kazempour Ardebili dismissed a recent comment by

Market Watch

The EIA reported in its new SPR delivery schedule that its crude delivery in April was cut by 2,000 barrels to 3.741 million barrels while its crude delivery in May was also cut by 2,000 barrels to 1.939 million barrels. Its delivery in August was increased by 1,000 barrels to 2.249 million barrels.

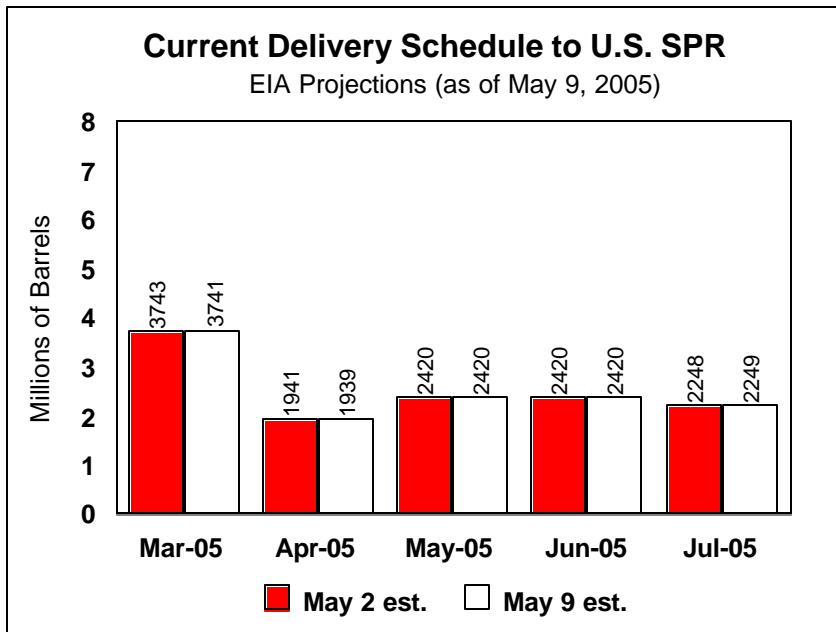
The head of the petroleum division of the DOE's EIA said WTI crude is likely to remain in the low to mid-\$50/barrel range for the balance of 2005. He said rising demand and tightening supply are the reasons behind surging oil and gasoline prices. He said rising demand for crude oil in the US and China is responsible for 60% of the increase in world demand.

Newly appointed Iraqi Oil Minister Ibrahim Bahr al-Uloum said he would make some changes in the ministry's senior posts as he works towards a long term goal of tripling the country's oil production. He said the ministry's long term goal is to increase the country's crude oil production from about 2 million bpd to between 5 million and 6 million bpd by harnessing the expertise of foreign oil companies. In the immediate future, he reiterated that his first priority is to increase output and return Iraq's exports to 1.75 million bpd from current levels of less than 1.5 million bpd. He also stated that Iraq will set up a national oil company this year in line with market oriented arrangements adopted by other Gulf countries.

Iran confirmed on Tuesday that it would resume some nuclear work imminently, despite warning that it could be put before the UN Security Council.

Venezuela's President Hugo Chavez said Argentina, Brazil and Venezuela have agreed to form a joint Petrosul initiative to integrate energy resources. The projects include oil and gas development in Argentina, the construction of a refinery in northern Brazil able to process heavy Venezuelan crude and oil exploration in the Orinoco basin in Venezuela.

The New York Board of Trade said it will introduce new contracts on a revised and renamed version of the benchmark Reuters CRB index of commodity futures, starting July 11. Reuters said it formed an alliance with Jefferies Financial Products LLC to modernize the index and rename it the Reuters/Jefferies CRB Index. The revamped index will include 19 futures contracts, up from the previous 17. It will now include unleaded gasoline, aluminum and nickel while Platinum will be dropped. It will list March, June, September and December contracts and will start trading with the September 2005 contract.



OPEC's President that its quota system is no longer in force. He said that even though OPEC members are not adhering to their individual quota allowances it does not mean the group is abandoning its quota system altogether.

A senior OPEC delegate said Saudi Arabia has at least 1.5 million bpd of spare capacity it could tap to meet any increase in demand. He said that market perceptions that OPEC is pumping flat out are misguided.

An Iraqi Oil Ministry official stated that saboteurs attacked a crude oil pipeline complex near the Kirkuk fields in northern Iraq on Tuesday. The official did not say whether the latest attack could further delay restarting exports from the northern fields to Turkey. On Monday, an official at Iraq's SOMO said the flows to Turkey's port of Ceyhan would not resume until the security situation in the north improved.

Separately, a SOMO official said the company will meet with crude oil customers in Amman next week to renew contracts for sales of Basra Light crude for the second half of 2005. He said it has not been decided yet how many barrels a day Iraqi will export during the second half of the year.

A Chevron official stated that a 10,000 bpd oil pipeline in Nigeria's southern delta has been closed by probable sabotage just two weeks after it was repaired. The pipeline from the Makaraba oilfield to the Escravos export terminal was originally shut by ethnic violence two years ago. A company spokesman said Chevron was still investigating the cause of the break in the line and was not ruling out sabotage. The pipeline was carrying about 10,000 bpd at the time of the attack as Chevron was restoring production from the field gradually. The company still has about 140,000 bpd of oil production in the area closed due to extensive sabotage two years ago.

Saudi Aramco notified its buyers in Japan and other Asian countries that its term crude volume in June will remain unchanged from May. It will fully supply the originally contracted term volumes of crude to Asian refiners. This follows its notification to its buyers in the US and Europe that they too would receive the same term volumes on the month.

In the latest Short Term Energy Outlook, the EIA stated that gasoline prices may have seen its peak for the year, barring sharp disruptions in crude oil supply or refinery operations. Retail gasoline prices are now projected to average \$2.17/gallon, still high by historical standards but well off its previous estimate of \$2.28/gallon. It reported that the WTI price for the second quarter is expected to average \$51/barrel, down \$6/barrel from its previous estimate. Monthly average WTI prices are projected to remain above \$50/barrel for the rest of 2005 and 2006. The EIA also stated that world petroleum demand growth is expected to remain high, despite high oil prices. Projections for 2005 and 2006 call for world oil demand growth averaging 2.1 million bpd or 2.5% per year, down from the 3.3% growth in 2004. China's demand growth is projected to fall to an annual average of 650,000 bpd in 2005 and 2006 from over 1 million bpd in 2004. The EIA reported that US petroleum demand growth in 2005 and 2006 is estimated to average 1.8% per year, less than the 2.4% growth recorded in 2004.

Demand is estimated at 20.86 million bpd in 2005 and at 21.25 million bpd in 2006. It cut its forecast for US second quarter oil demand by 80,000 bpd to 20.59 million bpd. Motor gasoline demand growth is projected to average 1.8%. Gasoline demand in the second quarter is expected fall by 10,000 bpd to 9.31 million bpd while its third quarter estimate was increased by 10,000 bpd to 9.35 million bpd and its fourth quarter estimate was increased by 30,000 bpd to 9.28 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by 10 cents/barrel on Monday to \$47.82/barrel, down from Friday's \$47.92/barrel.

Refinery News

ConocoPhillips' 250,000 bpd refinery at Belle Chase, Louisiana was down following a power outage early on Tuesday. The power failure was due to a problem with a 115 kilovolt transmission line. There is no estimate as to when the refinery will resume operations.

PDVSA's El Palito refinery is currently restarting its catalytic cracking unit. The unit will be fully operational by Thursday.

Nigeria's 125,000 bpd Warri oil refinery resumed operations a week after it was closed for a planned upgrade of its power plant. The power plant's refitting would lead to the reactivation of the refinery's gasoline unit and an increase in capacity to about 85% from 65% before the repairs.

Total started its maintenance at its 328,000 bpd Gonfreville refinery in northern France on April 26. The maintenance work is expected to continue until mid-May. Separately, Total has begun to restart its 99,000 bpd Grandpuits oil refinery following its turnaround.

India's Reliance Industries will operate its Jamnagar refinery at full capacity by September-October after repairing its hydrogen unit. The 660,000 bpd refinery, currently operating at 97% of capacity, is exporting 400,000 tons of diesel and 300,000 tons of petrol a month.

Indonesia's Pertamina plans to shut its 120,000 bpd Dumai refinery in July instead of June for maintenance.

Production News

The June loading program for North Sea Brent crude scheduled 16 cargoes totaling 8.1 million barrels, up from 7.145 million barrels set for loading in May.

The June loading program for the Ekofisk North Sea crude system fell to 560,000 bpd from 608,000 bpd in May.

Britain's North Sea Flotta crude oil system plans to load 2.4 million barrels or 80,000 bpd in June, down from 84,000 bpd in May.

Norsk Hydro said it will shut in all fields that contribute to the 300,000 bpd Oseberg crude oil stream for the first 10 days of June.

Danish Underground Consortium's oil production from its 14 fields in the Danish part of the North Sea increased by 4.9% year on year in April to 323,700 bpd.

Norway's Statoil ASA has started talks with Korea National Oil Corp to renew a crude oil storage deal in South Korea. Statoil has a storage capacity of 11.3 million barrels in Yosu, South Korea.

BP Plc said it started filling the head pump station on its Baku-Tbilisi-Ceyhan pipeline with oil. It will become operational in six months when the first oil from the pipeline is delivered into tankers.

Indonesia's Pertamina may not issue its monthly tender to buy oil products for June, due to high domestic stocks and lower demand. It is also expected to cut its total imports of oil products in June by 21% to 8.04 million barrels. It had planned to purchase 5 million barrels of gas oil in June but sources stated that company will cap imports at 4.2 million barrels.

Sources stated that China's increase in retail diesel prices by 4% effective Tuesday may trigger a slowdown in exports and help increase domestic production to meet summer electricity demand.

Petroecuador reported that it exported 17.64 million barrels of crude oil in the first four months of the year, up 26% from 14.03 million barrels reported last year.

Market Commentary

The NYMEX oil market ended in positive territory but well off its high as the gasoline led rally lost momentum on some late profit taking. The crude market opened up 12 cents at 52.15 and held good support at 52.10 as it rallied to a high of 53.00 within the first hour of trading. It was continuing Monday's late day rally. The market later breached that level and rallied to a high of 53.10 amid the strength in the gasoline market. The energy complex, particularly the gasoline market, was well supported following the news that ConocoPhillips' Belle Chase, La refinery was shutdown due to a power outage. The crude market however erased its gains and traded back towards its early low of 52.10 before it breached that level and sold off even further to a low of 51.65 on late profit taking ahead of Wednesday's release of the weekly petroleum stock reports. The June crude contract bounced off its low and settled up just 4 cents at 52.07. Volume in the crude market was good with 279,000 barrels booked on the day. Meanwhile, the gasoline market, which lent much support to the complex, gapped higher on the opening from 149.20 to 149.50 and quickly gained upside momentum following the reports of the refinery problem. There were reports that differentials for cash gasoline in the US Gulf increased by 2.75 cents to 1.25 cents under the NYMEX gasoline futures. The gasoline market however erased its early gains and seemed to be holding support 151.40 before further selling ahead of the close, pushed the market back towards its low. It however bounced off its low and settled up 2.30 cents at 151.03. The heating oil market also ended in positive territory but well below its intraday high. The market opened at 144.30 and rallied to a high of 149.90 amid the strength in the rest of the complex. However the heating oil market also erased all of its early gains and traded to a low of 144.10 late in the session as traders took profits ahead of Wednesday's release of the weekly petroleum stock reports. It settled up 94 points at 144.96. Volumes in the product markets were good with 56,000 lots booked in each the gasoline and heating oil markets.

Technical Analysis		
	Levels	Explanation
CL Resistance 52.07, up 4 cents Support	53.18, 54.10, 54.40 53.10	62% retracement(55.88 and 48.80), Previous highs Tuesday's high
	51.65, 51.00, 50.65 50.25, 49.50, 48.80 to 48.50	Tuesday's low, Monday's low Previous lows
HO Resistance 144.96, up 94 points Support	150.46 149.90	62% retracement (156.30 and 141.00) Tuesday's high
	144.10 141.60, 141.20-141.00	Tuesday's low Previous lows
HU Resistance 151.03, up 2.3 cents Support	155.10, 155.50, 158.14 153.50	50% retracement (168 and 142.20), Previous highs, 62% Tuesday's high
	149.50 to 149.20 145.20, 144.80, 142.20	Opening gap (May 10th) Previous lows

The crude market on Wednesday will seek further direction from the weekly petroleum stock reports after the market retraced its sharp gains late in the session ahead of the reports. The market is expecting to see builds in crude stocks of about 1.5 million barrels, a small build in distillate stocks of less than 500,000 barrels and a build in gasoline stocks of about 1 million barrels. The market is seen finding resistance at 52.25 followed by its high of 53.10. More distant resistance is seen at 53.18 followed by 54.10 and 54.40. Meanwhile support is seen at 51.65, 51.00 followed by 50.65. More distant support is seen at 50.25, 49.50 and 48.80-48.50.