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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 6, 2005

Market Watch

Venezuela's Oil Minister, Rafael Ramirez said Japan's Teikoku, France's Perenco and Argentina's Tecpetrol have agreed to turn operating contracts into joint ventures with PDVSA. The three firms operate a total of five fields in Venezuela.

According to the EIA, the trigger to tap into the 2 million barrels Northeast heating oil reserve has been partly met due to the large difference between the price of heating oil and crude. Based on its first weekly survey of retail heating oil prices for the 2005-06 winter heating season the trigger was partially met, as the price difference was $1.103/gallon or 62.8% of the 5 year average. To full reach the reserve trigger, the difference in the next average weekly price of heating oil and crude will have to be $1.084/gallon. If that price difference is reached, President George W. Bush would not be required to tap into the heating oil reserve. However he would have the option to do so. It also reported that residential home heating oil prices averaged a record $2.693/gallon this week, up 47.4% on the year. Separately, according to the head of the EIA, Guy Caruso, high prices and supply dislocations are weighing on US gasoline demand and consumption will continue to remain depressed at least the next couple of weeks. It expects gasoline demand to continue to run about 200,000 bpd below last year's levels for at least the next couple of weeks.

The head of the IEA, Claude Mandil said an emergency oil stock release may be unnecessary if US oil demand continues to decline following two hurricanes and high oil prices. He said weaker demand in the US has lessened the need for a release of additional emergency oil supplies.

According to Oil Movements, OPEC's exports are expected to increase by 540,000 bpd to 24.88 million bpd in the four weeks ending October 22. The majority of the crude is expected to head west to refining centers in Europe and the US ahead of the peak winter demand.

An Iraqi oil official said suspected saboteurs blew up a pipeline in northern Iraq. The pipeline connects the Bai Hassan oil field with the Baiji refinery. It is expected to take 5 days to repair the pipeline. The attack is not expected to immediately impact oil exports because the crude export pipeline that links the Baiji refinery to the Turkish port of Ceyhan has not been pumping since early September due to a series of bomb explosions.

Refinery News

US Energy Secretary Samuel Bodman said refineries around the Texas-Louisiana border shut by Hurricane Rita will need another two to six weeks before operations restart.

Entergy Corp restored full power capacity to six refineries affected by Hurricane Rita. The six refineries include Exxon Mobil's 350,000 bpd Beaumont, Texas refinery, Valero's 255,000 bpd Premcor refinery in Port Arthur, Texas, ConocoPhillips' 255,000 bpd refinery in West Lake, Louisiana, Citgo's 324,000 bpd refinery in Lake Charles, Louisiana and Calcasieu Refining's 30,000 bpd Lake Charles refinery. All the other refineries in Entergy's service territory have at least one source of power for clean up activities, including Total's 233,5000 bpd refinery in Port Arthur, Murphy Oil's 120,000 bpd refinery in Meraux, Louisiana and Exxon Mobil's 190,000 bpd refinery in Chalmette, Louisiana.

Chevron Corp said it has begun start up procedures at its 325,000 bpd Pascagoula, Mississippi refinery, about two weeks earlier than it previously estimated. The refinery could resume normal operations by the end of October. Separately, Chevron stated that 80% of its Gulf of Mexico oil and natural gas production remains shut in the wake of Hurricanes Katrina and Rita. It said many facilities suffered damage and will need repairs. Restarting output will also depend on whether pipeline and terminals are working.

Shell's 275,000 bpd joint venture Motiva refinery in Port Arthur, Texas is expected to restart within the month. The refinery was shut on September 21 in advance of Hurricane Rita. Meanwhile its 340,000 bpd Deer Park refinery was restarted last week and continues to increase its production of gasoline, fuel, diesel and chemical products. It is days from reaching full operations.

BP may be able to produce some gasoline from its 470,000 bpd Texas City, Texas refinery by the end of the month after the restart of the plant's steam generation system.

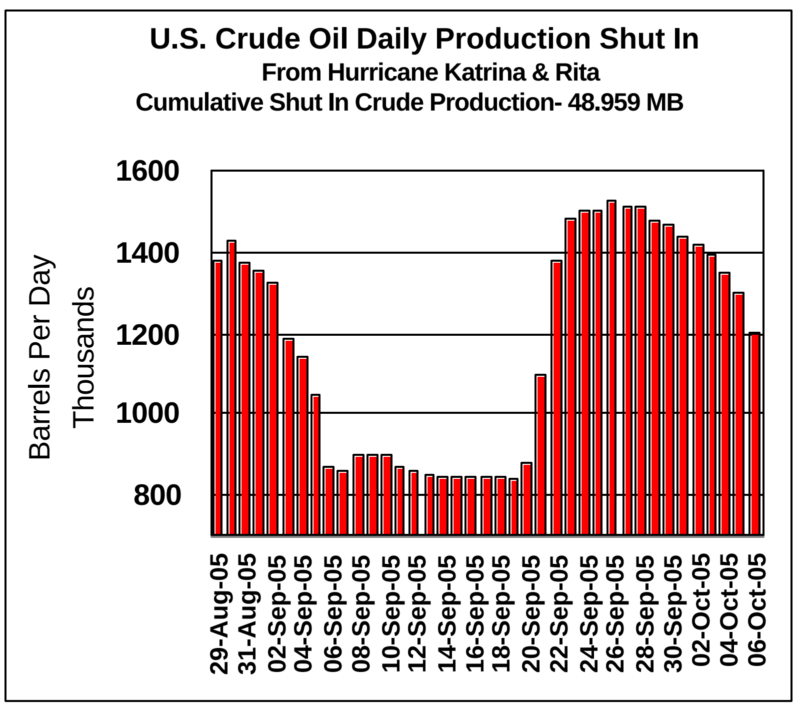
The Port Authority of Marseille said a chemical tanker has left the strike-blockaded port of Fos-Lavera in southern France, lowering the number of ships waiting offshore on Thursday to 42. It said that of the total, 28 oil and five gas tanker were still waiting offshore, some to discharge crude oil and others to load petroleum product cargoes for export. The strike at the port was extended until Friday.

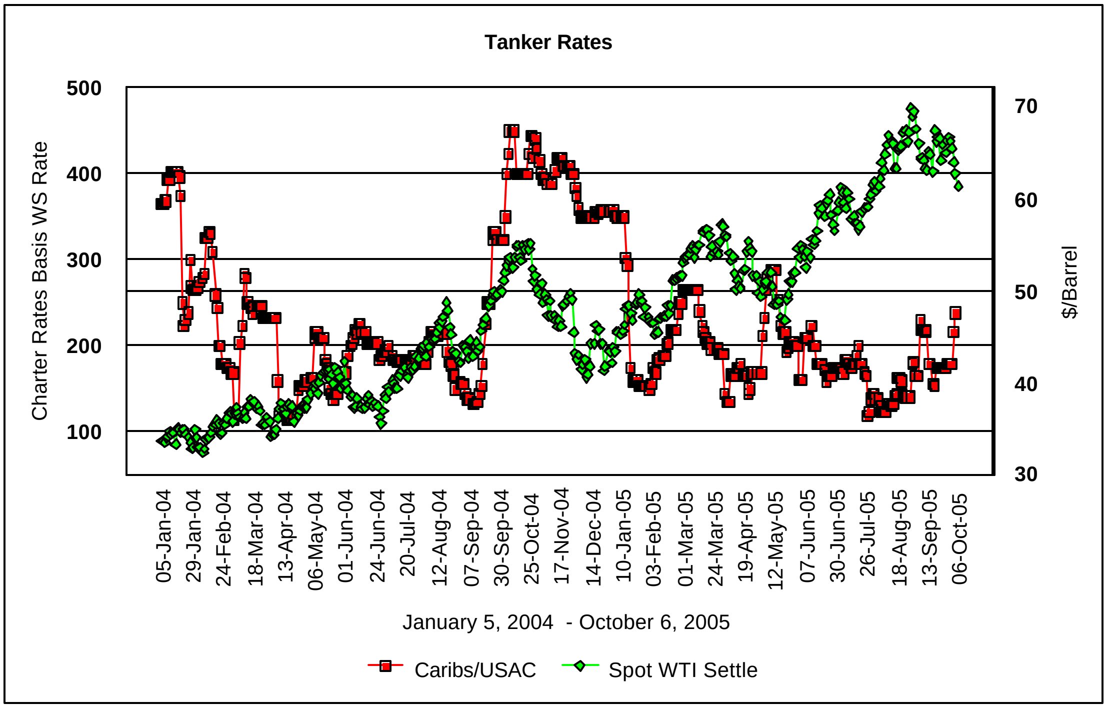
Algeria's Skikda refinery resumed operations following a fire at the crude oil export terminal. The refinery is operating normally.

Production News

The MMS reported an improvement in the amount of oil production shut in. It reported that a total of 1.202 million bpd of crude production remained shut in, down from 1.3 million bpd on Wednesday. The cumulative shut in oil production is 48.959 million barrels.

According to Dow Jones, OPEC's oil production in September was steady at 30.44 million bpd. It stated that Iraq produced 2.07 million bpd, up from 1.92 million bpd in August. Meanwhile, Saudi Arabia continued to produce 9.55 million bpd.





Nigeria has scheduled to export about 2.25 million bpd of crude oil in October, up 60,000 bpd from September. Nigeria's three refineries continue to run at about 220,000 bpd, implying Nigeria's output in October at 2.47 million bpd.

Six oil companies who are shareholders in the Caspian Pipeline Consortium that is pumping oil from Kazakhstan to Russia's Black Sea coast have agreed to a list of Russian demands in order to double its capacity. The general director of the consortium said the long delayed agreement came after the oil companies dropped opposition to Russia's demands. The 560,000 bpd pipeline links the Tengiz oilfield in western Kazakhstan to Russia's Black Sea port of Novorossisk. Its expansion to 1.35 million bpd would help transport Kazakhstan's increasing production.

Turkey is seeking to load the first crude oil coming from the Caspian Sea through the Baku-Tbilisi-Ceyhan pipeline in December.

OPEC's news agency reported that OPEC's basket of crudes fell further to $55.86/barrel on Wednesday, down from $56.48/barrel on Tuesday.

Market Commentary

The oil market ended the session in negative territory for the fifth consecutive day amid concerns over demand. The IEA said a further release emergency oil stock may be unnecessary if US oil demand continues to decline. Meanwhile, the EIA said the trigger to tap into the 2 million barrels Northeast heating oil reserve has been partly met. It also stated that high prices and supply dislocations were weighing on US gasoline demand and consumption is expected to remain depressed at least the next couple of weeks. The crude market gapped lower from 62.60 to 61.10 in follow through selling and quickly sold off to a low of 60.70 amid the losses in the natural gas market. However the market later erased some of its losses and partially backfilled its gap as it posted a high of 62.10. The market failed to completely backfill its gap and settled in a sideways trading pattern during the remainder of the session, holding support at 61.00. The November crude contract settled down $1.43 at 61.36. Volume in the crude was better with over 243,000 lots booked on the day. The product market also ended the session sharply lower, with the gasoline market settling down 6.73 cents at 184.05 and the heating oil market settling down 6.41 cents at 195.07. The gasoline market also gapped lower from 190.00 to 184.00 and extended its losses to over 11 cents as it traded to a low of 179.50. However the market retraced some of its losses and partially backfilled its gap further as it traded to a high of

186.00. The market later settled in a 4 cent trading range ahead of the close. Similarly, the heating oil market gapped lower from 200.50 to 195.10 in follow through selling. It traded to a low of 191.00 amid the losses seen in the natural gas market following the release of the EIA natural gas storage report showing a build of 44 bcf, which was in line with expectations. The market however erased its losses and partially backfilled its gap as it posted a high of 198.50. It later retraced some of its move and settled in a sideways pattern ahead of the close. Volumes in the product markets were better with 40,000 lots booked in the gasoline and 47,000 lots booked in the heating oil market.

The oil market will likely retrace some of today's sharp losses ahead of the weekend. However the market still has room to the downside and will trade lower amid the perception of a decline in demand. The market is seen holding support at 60.70, 60.60 followed by 60.00 and 59.05. Meanwhile resistance is seen at its gap from 62.10 to 62.60 followed by 63.50, 64.40 and 64.80.

Technical Analysis			
		Levels	**Explanation**
		63.50, 64.40, 64.80	38%, 50% retracement (68.10 and 60.70), Wednesday's high
	Resistance	62.10 to 62.60	Remaining gap
CL	61.36, down $1.43		
	Support	60.70, 60.60	Thursday's low, Previous low
		60.00, 59.05	Previous lows
		201.49	38% retracement level (218.45 and 191.00)
	Resistance	196.50, 198.50 to 200.50	Remaining gap
HO	195.07, down 6.41 cents		
	Support	191.00	Thursday's low
		187.00, 186.60	Previous lows
		195.35	38% retracement (221 and 179.50)
	Resistance	186.00 to 190.00	Remaining gap
HU	184.05, down 6.73 cents		
	Support	182.00, 181.00	
		179.50, 176.50	Thursday's low, Previous low