ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 20,2004

OPEC's President Purnomo Yusgiantoro said OPEC sees oil demand increasing toward the winter. He said he has requested that OPEC and non-OPEC producers increase their production to ensure that there is enough supply. He said it is the best thing that OPEC can do for now to cool down oil prices.

A spokesman for the Nigeria Labor Union said the unit is mobilizing its members for possible strike action in reaction to increasing fuel prices.

Oil Movements said oil exports from OPEC estimated to hold steady in the coming weeks. Shipments of crude from OPEC are forecast to increase by 40,000 bpd to 24.39 million bpd for the four weeks ending November 6, up from 24.35 million bpd in the four weeks ending October 9. It also stated that spot charter fixtures from the Gulf increased by 1.346 million bpd to 8.983 million barrels, up from 7.637 million bpd in

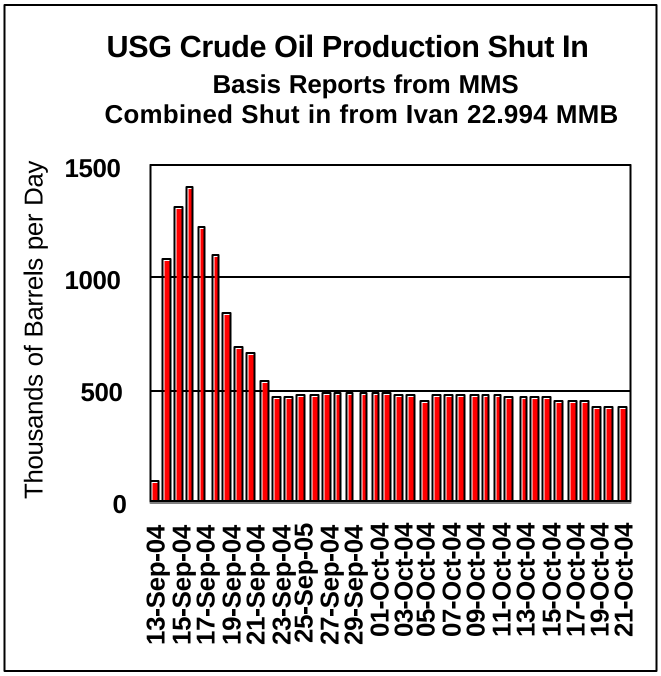
Market Watch

Boone Pickens, who oversees more than $1 billion in energy related hedge funds, said he does not believe the market will see $35/barrel crude again. In May, he predicted oil would climb to $50/barrel.

The National Oceanic and Atmospheric Administration made few changes to its previous forecast, saying it continues to call for cooler than normal weather in the US South and parts of the mid-Atlantic states. However for the Northeast and the entire mid-section of the nation from Minnesota to Texas, the NOAA repeated that there are equal chances of above, below and normal temperatures in December, January and February. It also stated that an El Nino in the tropical Pacific will linger into early 2005 but will remain much weaker than the 1997-1998 El Nino.

Federal Reserve Governor Ben Bernanke said supply uncertainty and unexpected strong world demand growth account for most of this year's sharp run up in crude oil prices, while speculation and monetary policy have had less effect. He said increasing prices have delivered a significant shock to the US economy but said the US Federal Reserve is likely to proceed with its measured campaign of interest rate increases.

Germany's Chancellor Gerhard Schroeder expressed concern over the level of oil prices on the world market but said he opposed a proposal by France's Finance Minister Nicolas Sarkozy to cut taxes for businesses most affected by high prices. He also called for more transparency in oil price movements. He said there was no indication oil supplies were tight and that high oil prices were mainly the result of speculation. Germany's Finance Minister Hans Eichel said it was important to increase transparency in the oil markets by improving information about supply and demand. He criticized the US for not making enough effort to reduce its dependency on crude. He stated that European nations did not have enough oil in stock to use to dampen surging crude prices. He said that national oil reserves should only be used in times of a supply squeeze.



the first 10 days of October. Oil in transit fell slightly to 489.76 million barrels of oil in the four week period ending November 9, down from 490.9 million in the four week period ending October 9.

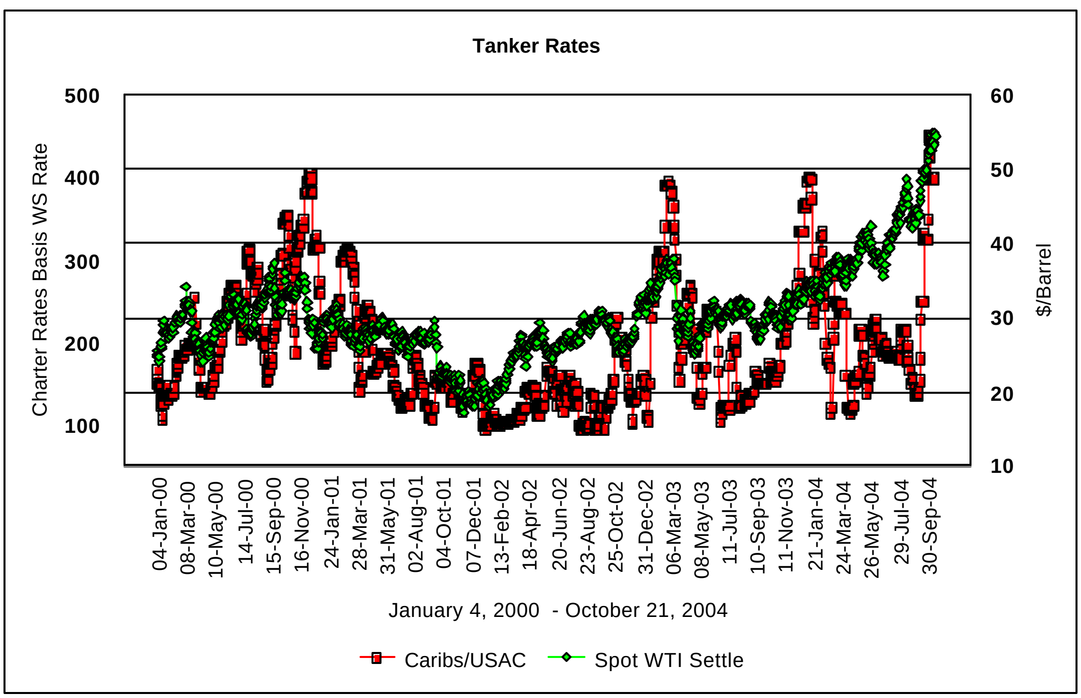
The head of the IEA, Claude Mandil reaffirmed the agency's policy only to use strategic oil stocks to make up for a supply disruption. He said the market is well supplied. He stated that the IEA has no intention of using its stocks to reduce prices.

According to Euroilstock, European refiners cut their total production by 292,000 bpd on the month in September to 13.293 million bpd. It said refiners cut middle distillate production by 94,000 bpd to 6.063 million bpd while gasoline production was cut by 76,000 bpd to 3.431 million bpd. It stated that capacity utilization fell from 95.25% to 93.4% on the month.

Iraq's Oil Minister Thamer al-Ghadhban said sabotage of Iraq's oil infrastructure has cost the country $7 billion in lost revenue since exports resumed after the war. He also stated that despite the persistent sabotage, Iraq has managed to return production capacity back to its pre-war level of 2.8 million bpd. The ministry is targeting output of 3 million bpd next year.

UN Secretary General Kofi Annan said January elections in Iraq were still feasible but it was up to the Iraqi people to decide whether the vote should go forward amid continuing violence. He said it is up to Iraq to plan and organize the January elections and that he would add US staff in the country before the vote if security allowed.

OPEC's news agency reported that OPEC's basket of crudes increased by 89 cents/barrel to $45.87/barrel on Wednesday from $44.98/barrel on Tuesday.



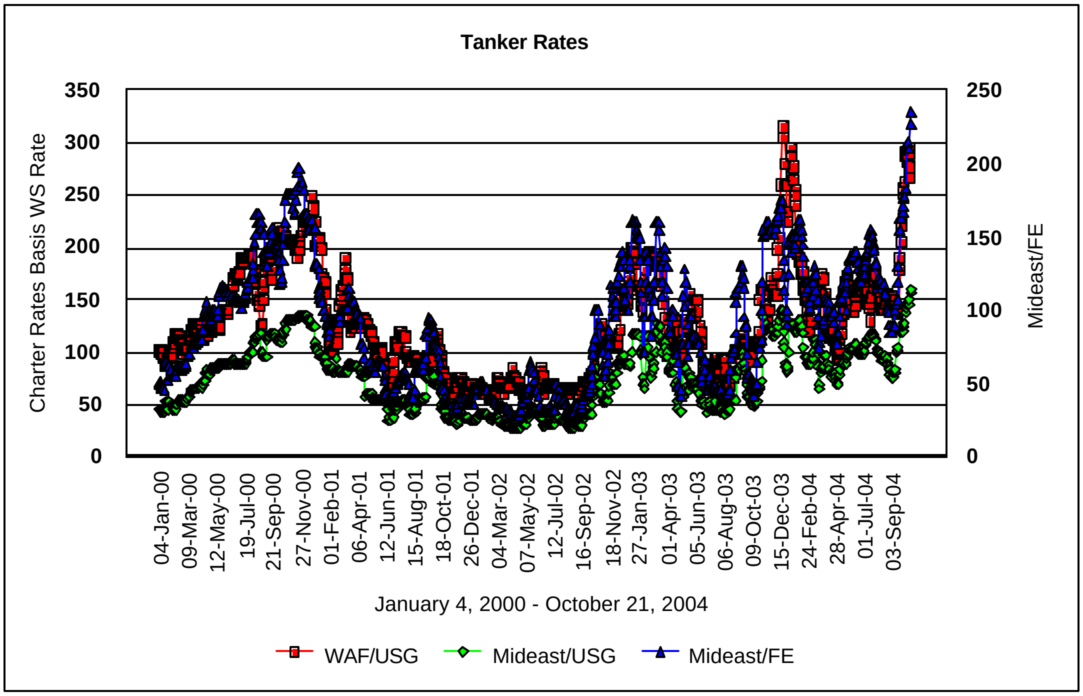
Production News

According to the MMS report, there was again no change overnight in the amount of Gulf of Mexico oil and natural gas production that remains shut. It said there is still 428,785 bpd of crude production shut in while 1.544 bcf of natural gas production remains shut in.

Shell Oil has resumed crude and natural gas production at its Cognac platform in the Gulf of Mexico and expects to increase its output to pre-Hurricane Ivan levels by mid-November. Production at the platform will reach 90%of normal levels for crude and 70% for natural gas in the coming day. It is expected to operate at full capacity by early December. It also estimates that output at its Ram-Powell platform will return to 70% by early December and to full capacity in the first quarter of 2005. Production at the Main Pass 252 platform is expected to resume operations in early 2005.

A storm that swept through southern California shutdown two pipelines sending gasoline and jet fuel to Phoenix and Las Vegas. Kinder Morgan said it hopes to reopen the pipelines by Friday night. It said that Phoenix should have no problems with gasoline, jet fuel or diesel supply. However terminals at Barstow, California and Las Vegas could see temporary drops in gasoline and diesel supply. Kinder Morgan said it is working to ensure customers are adequately served.

An industry analyst reported that gas oil inventories in the Amsterdam-Rotterdam-Antwerp storage tanks fell by 75,000 tons to 1.325 million tons in the week ending October 21st. It also reported that ARA gasoline stocks fell by 50,000 tons to 550,000 tons while naphtha stocks increased by 25,000 tons to 75,000 tons on the week. Fuel oil inventories were unchanged at 400,000 tons while jet fuel stocks increased by 10,000 tons to 235,000 tons on the week.



Russia's Resources Ministry said it may revoke three Siberian production licenses from Yukos if it failed to improve development of the fields in three to six months. The ministry said the three fields in question were Zapadno-Ugutsky, Kinyaminsky and Ugutsky, all belonging to Yukos' Siberian unit Yugansk.

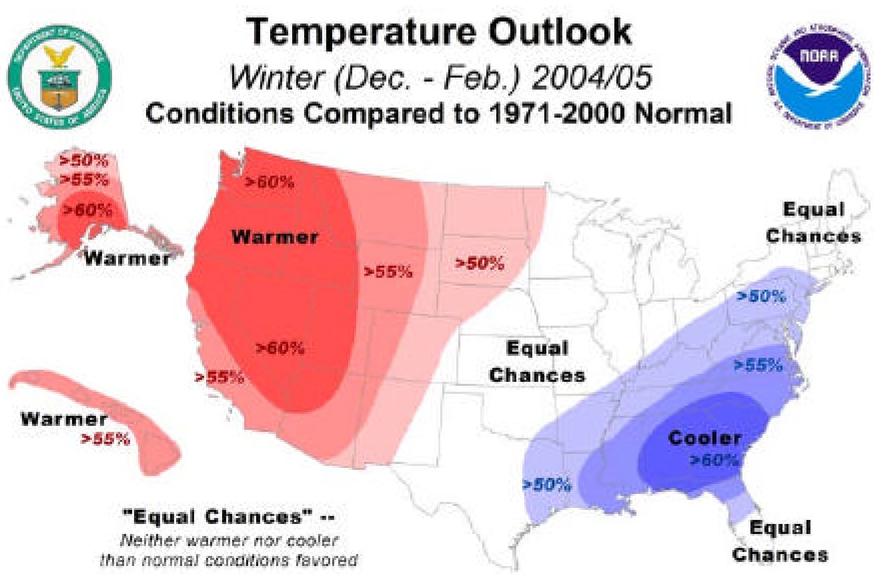
Kazakhstan which is keen on buying out a 16.67% stake in the Kashagan oilfield held by BG said it might eventually seek to buy just part of that share.

Abu Dhabi has allocated at least 3 million barrels or 96,000 bpd of extra crude oil for loading in December. The extra cargoes above the full term volumes mainly bound for Japanese and South Korean refiners are more than the 2-3 million of incremental barrels in November.

Singapore's International Enterprise reported that the country's onshore stocks of middle distillate increased by 1.102 million barrels to 8.162 million barrels in the week ending October 20. It stated that light distillate stocks fell by 5,000 barrels to 8.535 million barrels while onshore inventories of residual fuel increased by 92,000 barrels to 11.885 million barrels in the same period.

Japan's Ministry of Finance said Japan's imports of crude oil and condensate in September increased 2.9% to 19.02 million kl or 3.99 million bpd. It reported that Japan's crude and condensate imports for the April-September period fell by 1.9% year on year to 117.11 million kl or 4.03 million bpd. It stated that due to lower than normal levels of commercial stocks of kerosene, oil refiners quickly increased its output and stocks of kerosene and thus pushed the country's imports of crude oil and condensate higher in September. In September, Japan's heavy fuel oil imports totaled 251,000 kl while imports of gasoline and naphtha increased by 1.9%on year to 2.456 million kl.

Meanwhile, forecasts of normal winter temperatures in Japan have increased expectations that sales of heating fuel will increase compared with last year when warm weather cut demand by up to 30%. However domestic stocks of kerosene are more than 10% below year ago levels and any cold snap would strain supplies to their limit. Stocks of kerosene have not built as quickly this year after several refinery maintenance and unscheduled closures reduced Japan's refining capacity by 20% in June.



South Korean refiners have started producing ultra-low-sulfur diesel due to tighter environmental regulations and could halt all exports of their usual 0.5% sulfur gasoil by October next year in favor of the lower sulfur grades. South Korea's five refiners said 18%-50% of their diesel production is ultra-low-sulfur product, depending on the refiners' market share and the state of their secondary refining capacity.

China's General Administration of Customs reported that the pace of growth in China's imports of crude oil slowed down, increasing by just 5.7% year on year to 10.35 million metric tons as world oil prices reached historic highs. The September growth rate for crude oil imports was 31.7percentage points slower than in August. In the first nine months, China's crude oil imports increased by 34.3% year on year to 90.3 million tons or 2.42 million bpd. Meanwhile China's crude oil exports fell 37% year on year to 460,896 tons or 112,612 bpd as the country continued to reduce offshore sales to meet its growing domestic energy needs.

Ecuador's Central Bank said oil products export revenues in August increased by 41% to 31.32 million from $22.15 million in the same month last year. Its exports increased by 27% to 1.23 million barrels in August from 967,000 barrels last year.

Market Commentary

The oil market opened relatively unchanged at 54.45 and quickly posted an intraday high of 54.60 as it continued to trend higher following Wednesday's supportive weekly petroleum stock reports. However the December crude contract held good resistance at that level after failing to test its overnight high of 54.95. The market retraced its gains on some light profit taking and traded to a low of 54.01. However the oil market later bounced off its low and settled in a trading range from 54.10 to 54.60 during the remainder of the session as it failed to find the momentum to breach its high amid the light trading volume. The market however did settled up 6 cents at 54.47. Volume in the crude was good with 162,000 lots traded on the day, of which 50% traded via spreads. Meanwhile, the heating oil market remained well supported and settled up 1.91 cents 157.95. The market opened unchanged at 156.05 and traded to a low of 155.50 within the first hour of trading. However the November heating oil contract retraced its move and gradually traded to its earlier high of 157.00 before the market rallied to a new record high of 158.30 on further buying ahead of the close. The heat cracks, basis the December contract, traded as high as $12.30 as the market remained supported by concerns over winter supplies following Wednesday's weekly petroleum stock report. Similarly, the gasoline market settled up 90 points at 141.22 after the market posted an intraday low of 139.40 early in the session. The market however retraced its losses and traded to a high of 141.50 in sympathy with the heating oil market. Volumes in the product markets were lighter today, with 47,000 lots booked in the heating oil market and 37,000 lots booked in the gasoline market.

The oil market, which will likely retrace some of its upmove early on Friday, is however still seen remaining supported ahead of the weekend as its stochastics have crossed back to the upside. As stated previously, the market will continue to trend higher as long as the market remains concerned over the winter fuel supplies. The crude market is seen finding support at 54.10 and 54.01 followed by its previous low of 52.70. Meanwhile resistance is seen at its high of 54.60 followed by 54.95, 55.00 and 55.20.

Technical Analysis			
		Levels	**Explanation**
		54.95, 55.00, 55.20	Overnight high, Previous highs (continuation chart)
	Resistance	54.60	Thursday's high
CL	54.47, up 6 cents		
	Support	54.10, 54.01	Thursday's low
		52.70, 51.95	Wednesday's low, Previous low
		162.24	Basis trendline
	Resistance	158.30	Thursday's high
HO	157.95, up 1.91 cents		
	Support	155.50	Thursday's low
		154.25, 150.70, 148.70	Wednesday's low, Previous low
		142.00, 142.50	Previous highs
	Resistance	141.50	Thursday's high
HU	141.22, up 90 points		
	Support	139.40	Thursday's low
		138.80, 135.70, 133.00	Wednesday's low, Previous low