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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 29, 2004

OPEC's President Purnomo Yusgiantoro said oil prices should fall further in the near future as production is returning to normal in the Gulf of Mexico and US oil inventories have increased.

OPEC's news agency reported that OPEC's basket of crudes fell by $1.16/barrel to $43.59/barrel on Thursday from $44.75/barrel on Wednesday.

Refinery News

According to the Texas Natural Resource Conservation Commission, Shell Oil's Deer Park refinery will undergo maintenance on Friday.

Indian Oil Corp said it could take at least a week to restart its fluid catalytic cracking unit at its 274,000 bpd Koyali refinery. The unit was shut earlier Friday following an explosion.

China's Qilu Petrochemical Corp is keeping its November

Market Watch

Analysts stated that China's interest rate increase on Thursday would not make crude demand growth slow any more than they already expect. Cambridge Energy Research Associates estimates the power industry will make up more than 40% of China's oil demand growth this year, due to increased use of diesel fired generators. It forecast China's oil demand growth would peak around 14% in 2004 before slowing to nearly 10% next year and to 7% in five years.

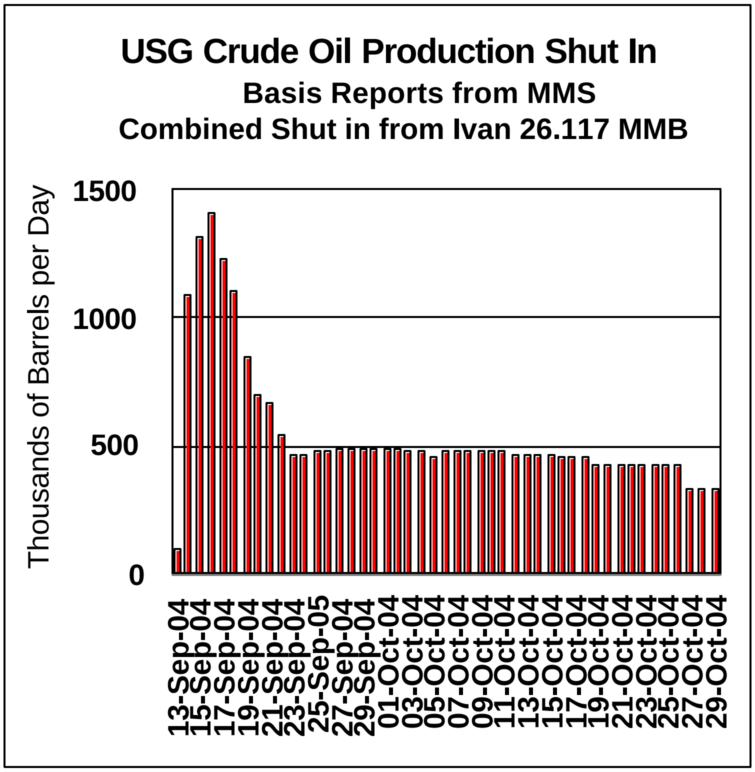
A Nigerian committee tasked with designing ways to cushion the impact of increasing fuel prices recommended loans to bus operators on Friday. However unions which have threatened to strike said it stopped short of their demands. The committee recommended that the federal government provide 100 million naira to each of the 36 states, while regional governments contribute double that amount to help public transport operators. The Nigeria Labor Congress has insisted on a reversal of a 20% fuel price increase to avert a strike. It will meet on Sunday to decide on the timing and duration of the next walkout.

Barclays Capital has increased its oil price forecast by $7/barrel for next year, predicting that US crude prices will average $47.80/barrel. It increased its 2004 forecast to $43.60/barrel. It also increased its Brent crude price forecast to $40.10/barrel while its 2005 forecast was increased to $44.60/barrel.

European Trade Commissioner Pascal Lamy said high oil prices have hit EU growth but the strength of the euro against the dollar was partly offsetting the impact.

The NYMEX confirmed it would launch a Brent crude futures contract in Dublin on November 1, pending final regulatory approval and system testing. The open outcry will start at 10 am Dublin time and continue until 7:30 pm and will be complemented by after hours electronic trading on the NYMEX Access system.

Separately, the NYMEX will expand the expiration position limits for its crude futures and certain other crude oil contracts, effective November 16 for its December 2004 contract. It said the position limits, which are in place during the last three trading days, will increase to 1,500 contracts from 1,000.



crude processing rate steady at 800,000-810,000 tons, representing about 97% of its total refining capacity.

Production News

The MMS reported some improvement in the amount of oil and natural gas production shut in the Gulf of Mexico. It stated that 327,372 bpd of crude was shut in, down from 332,072 bpd while 1.199 bcf/d of natural gas was shut in, down from 1.227 bcf/d.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 1 to 1,251 in the week ending October 29. It said the number of rigs searching for oil increased by 1 to 179 while the number of rigs searching for natural gas remained steady at 1,071.

The Middle East Economic Survey reported that Saudi Arabia has halted 50,000 bpd of Arab Light crude aid to Bahrain as production from the Abu Safah field shared by the two countries has increased. In the last four years, with Bahrain's share of Abu Safah Arab Medium output at 75,000 bpd, the country had received about 125,000 bpd in crude aid from Saudi Arabia. Expansion work on Abu Safah this summer almost doubled production to about 280,000-290,000 bpd, increasing Bahrain's share of the field output by about 75,000 bpd to 150,000 bpd.

ChevronTexaco Corp reported an increase in its third quarter profit in light of the record oil and natural gas prices. Its net income in the third quarter increased to $3.2 billion from $2 billion in the year earlier quarter. It said record high oil prices increased results at the company's exploration and production operations and added that higher margins due to increased demand for refined products increased results at its international downstream operations. It said net oil equivalent production fell 13% or 116,000 bpd from the 2003 quarter. It added that damage from Hurricane Ivan is expected to restrict production in the fourth quarter by about 50,000-60,000 bpd. It also stated that it expects a loss of about 30,000 bpd of oil equivalent for some part of the first quarter.

Venezuela is currently organizing a licensing round for low productivity oil fields in an effort to increase oil production. Deputy Oil Minister Luis Vierma said the operating licenses would be sold to domestic oil firms but foreign oil companies will have the opportunity to team up with local companies to develop the fields that produce about 1,500-2,000 bpd.

According to shipping brokers, delays for daylight restricted oil tankers transiting the Turkish Straits increased to 11 days for a round trip on Friday. They said delays had lengthened to five days to pass north and six days south from about 8 days in total earlier in the week.

Russia's Finance Ministry reported that Russia's crude oil export duty will increase to a record $101/ton from December 1 from $87.90/ton in October in response to higher oil prices.

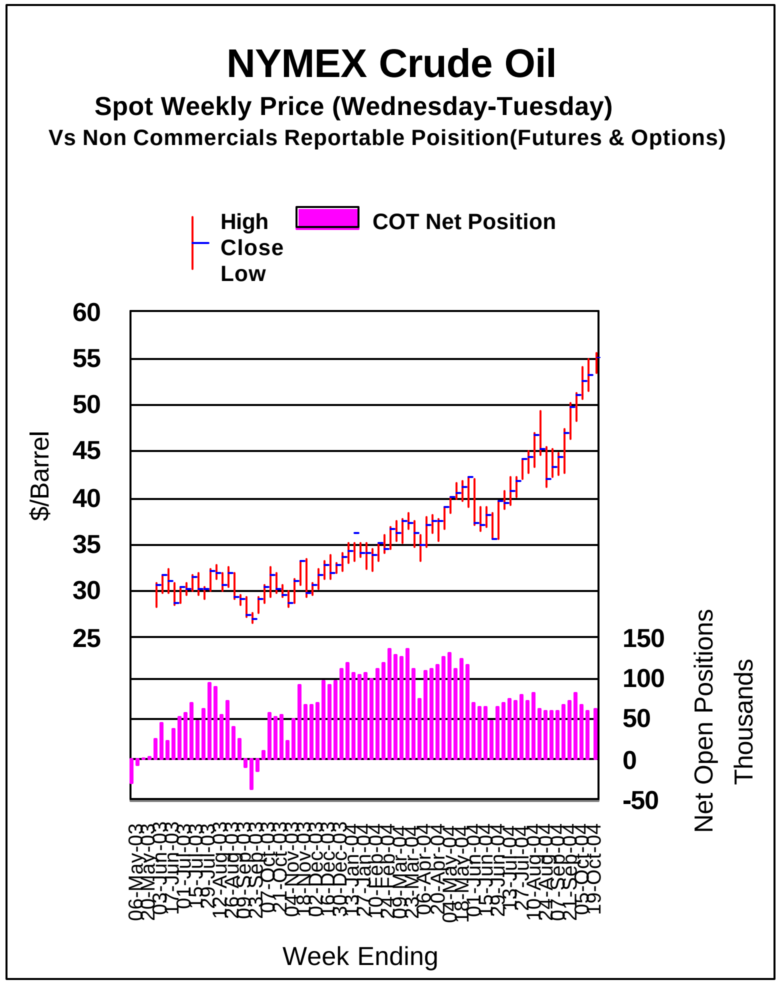
Russian crude pipeline monopoly Transneft has cut its export forecast for 2004 by 2% to 237 million tons or 4.75 million bpd.

Russia's Tatneft increased its proved oil reserves by 15.9 million tons in the first nine months of 2004. At the start of 2004, it said its proved reserves stood at 836.6 million tons. It plans to increase that by 30 million tons by the end of the year.

Lithuania's Mazeikiu reported sharply higher nine month profits, boosted by additional volumes from Russia and higher refining margins. Its net profits increased to $165.5 million. It refined 6.28 million tons of feedstock in the first nine months, 1.26 million tons more than last year's level.

Japan's Ministry of Economy, Trade and Industry reported that Japan's crude oil imports in September increased by 10.1% from a year earlier to 20.57 million kl or 4.31 million bpd. It said its crude throughput in September totaled 18.23 million kl or 3.82 million bpd, unchanged on the year.

A lifter of Indonesia's Duri crude said a pipeline carrying crude to the 125,000 bpd Balongan refinery started to leak about 10 days ago, preventing the refinery from processing its normal volume. Traders said this had forced Pertamina to allocate more Duri and Minas crude for November loading to its affiliates and term lifters.



Market Commentary

The NYMEX oil market settled in positive territory, stemming two days of losses, following some late short covering ahead of the weekend. The crude market opened 18 cents higher at 51.10 as the market retraced some of Thursday's sharp losses. It quickly rallied to a high of 51.50 before it erased its gains and posted its intraday low of 50.65. However the market retraced its losses but sold off once again after failing to test its earlier high. The market which held good support at its low traded above the 51.00 level and rallied to a high of 51.80 on good buying ahead of the close. The December crude contract settled up 84 cents at 51.76. Volume in the crude market was good with over 196,000 lots booked on the day, of which 86,000 lots traded via spreads. The expiring November

Technical Analysis			
		Levels	**Explanation**
CL	**Resistance**	52.80	Thursday's high
		51.80	Friday's high
	51.76, up 84 cents		
	Support	50.65	Friday's low
		50.60, 50.05-49.55	38% retracement level (42.45 and 55.65), Previous gap
HO	**Resistance**	151.50	Previous high
		146.65	Friday's high
	146.41, up 28 points		
	Support	143.40	Friday's low
		142.66, 142.25	38% retracement(113 and 161), Previous low
HU	**Resistance**	136.00	Previous high
		133.10	Friday's high
	132.85, up 2.8 cents		
	Support	129.35	Friday's low
		128.50, 127.10	Previous low, 50% retracement (109.50 and 144.70)

product contracts ended mixed with the November heating oil contract settling down 70 points at 144.62 and the November gasoline market settling up 2.14 cents at 131.46. The November heating oil contract posted the day's trading range from a high of 145.70 to a low of 142.00 within the first hour of trading. It remained range bound during the remainder of the session as it was unable to breach its high ahead of its expiration. Unlike the November contract, the December heating oil contract settled up 28 points at 146.41 after it posted the day's range early in the session from a high of 146.65 to a low of 143.40. The market traded sideways before it attempted to test its high ahead of the close in a late bout of short covering. The November gasoline contract posted an inside trading day after it posted a double bottom at 128.50 early in the session. It also traded mostly sideways before short covering ahead of its expiration pushed the contract to its high of 133.25 ahead of the close. Meanwhile, the December gasoline contract traded to a low of 129.35 before it rallied to a high of 133.10 ahead of the close. It settled up 2.8 cents at 132.85. Volumes in the product markets were good with 60,000 lots booked in the heating oil market and 48,000 lots booked in the gasoline market.

According to the latest Commitment of Traders report, non-commercials in the crude market continued to cut their net long positions, by 1,381 contracts to 20,963 contracts in the week ending October 26th. The combined futures and options report however showed that non-commercials increased their net long positions from 60,766 contracts to 61,992 contracts on the week. However given the markets' move during the past few trading sessions, non-commercials have continued to cut their net long positions. It is also interesting to note that while non-commercials in the heating oil market cut their net long positions from 5,967 contracts to 3,681 contracts, non-commercials in the gasoline market increased their net long positions from 15,808 contracts to 18,046 contracts on the week.

The oil market on Monday will be driven by any news released over the weekend as it seeks further direction. It will be concerned with the possible strike in Nigeria as the Nigeria Labor Congress is scheduled to meet on Sunday and decide the timing of its next walkout. However the market seems to be holding good support as it traded off its low and settled at its high during today's session. The market is seen holding support at its low of 50.65, 50.60 followed by 50.05. More distant support is seen at 49.55, where it would backfill its gap. Meanwhile resistance is seen at 51.80 followed by its previous high of 52.80.