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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 2, 2004

Market Watch

The president of the United Arab Emirates, Shiekh Zayed bin Sultan al-Nahayan, died Tuesday. Under the UAE constitution, Vice President and Prime Minister Sheikh Maktoum bin Rashid al_Maktoum, ruler of Dubai, will act as president until the federal council meets within 30 days to elect a new president.

Turkish military leaders warned today that a civil war could start if Iraqi Kurds take control of the oil resources on northern Iraq, by asserting control over Kirkuk. The officials hinted that Turkey may be drawn into such a conflict. Turkish officials called on the resources of Kirkuk to be shared equally by all of the citizens of Iraq.

The NYMEX Brent contract saw smaller trading interest today with just under 3000 lots traded by 1300 GMT, while the IPE's electronic system had recorded over 20,500 lots traded. Final volume on the day reached 3907 lots on the NYMEX contract.

The governor of the Bank of Japan said today that he expected the Japanese economy to move to a sustainable growth path, but warned of a possible negative impact from higher oil prices. He warned that while the current high prices have had limited impact on the Japanese economy to date, he saw indirect impact on the Japanese economy through other economies that are less energy efficient than Japan.

The Russian government is expected to announce within six weeks, the route of its new Pacific pipeline that will move crude oil some 2500 miles from eastern Siberia to the Pacific port of Nakhodka. The pipeline is expected to have a capacity of 1-2 million b/d and begin operations by early 2007.

Reuters published its latest price survey of energy consultants and analysts, and it found that the group has raised their price outlook to $39.90 for U.S. crude prices up 15.7% from its previous suvery some 6 weeks ago.

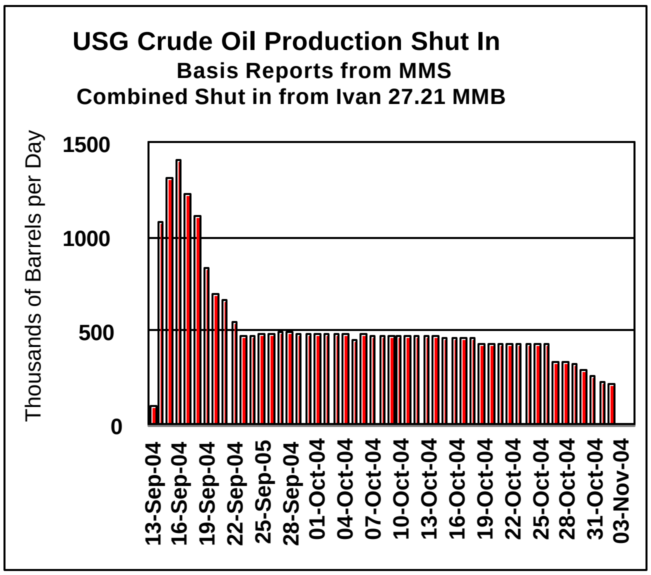
Iraqi saboteurs continued their campaign against the Iraqi oil infrastructure, striking pipelines in the northern part of the nation three times in the past 24 hours. Yesterday's attack against the Iraqi-Turkish export pipeline near Kirkuk was followed by two additional blasts Tuesday, with one being in the Qoshqaya region northwest of the city that connected the Bai Hassam oil field to the main export pipeline. This attack has resulted in a large blaze that has spread into storage tanks near the pipeline. The second attack disrupted shipments to Iraq's biggest refinery at Baiji. Iraqi officials said that the northern export system is "technically" down as a result. The pipeline had restarted pumping briefly late Monday after the first attack but levels were limited to 40,000 b/d before being shut down following the next wave of attacks. Officials noted that attacks on oil facilities in the north and central part of Iraq have intensified in the past several weeks as U.S. forces have pressed their offensive against Sunni areas. Imports of refined products have also been disrupted. Port officials in Ceyhan noted that Iraqi crude in storage there is currently at 3.5-4.0 million barrels, which will allow only near term loadings to continue. Officials said they expected to have the main export line back up within 2-3 days. Officials at the North Oil Company also reported this afternoon that saboteurs had blown up the Al-Ghabaza oil well, a key oil well in an area some 35 kilometers south of Kirkuk. The loss of this well was expected to reduce crude production from northern Iraq.

Refinery News

Alon USA reported that due to its planned maintenance work on a fuel gas treater at its Big Spring, Texas refinery, the company will idle the crude unit associated with it.

SK Corp, South Korea's largest refiner, reported that it plans to cut December-lifting gas oil exports to 1.2-1.5 million barrels, some 33% less than November's anticipated levels. October export levels were estimated to have been as high as 3.6 million barrels.

South Korea's S-Oil Corp has sold November-lifting spot gas oil at a similar volume to October at 80,000 tonnes The company has not finalized its export program for December yet.



Tesoro petroleum restarted the coking unit at its Golden Eagle refinery in Martinez, California, after a 51-day overhaul.

Statoil announced it began a partial planned shutdown at its 110,000 b/d refinery in Kalundborg, Denmark. The work is expected to last some three weeks. Market traders estimate that the work will affect up to 50% of the refinery's capacity.

Kuwait's 460,000 b/d Mina Ahmadi refinery was operating at 400,000 b/d following its restart from an emergency shutdown over the weekend. The refinery was expected to return to full operations by Wednesday. The 200,000 b/d Shuaba refinery was operating at 140,000 b/d today and was expected to resume normal operations within a few days.

ExxonMobil's Joliet refinery reportedly has returned to full capacity following completion of planned maintenance work on an 85,000 b/d diesel fuel hydrotreater. The unit had been shut since mid-October for planned work that was supposed to have taken less than two weeks.

Citgo Petroleum said Tuesday that its crude vacuum expansion project at its 320,000 b/d refinery at Lake Charles would be completed ahead of schedule. The project is expected to increase crude processing capacity at the facility by 105,000 b/d by the first quarter of 2005. Originally the work had been expected to be completed by April 2005.

Production News

The U.S. Minerals Management Service reported this afternoon that gains continued to be made in returning production shut in from Hurricane Ivan. The MMS reported that as of today some 218,427 b/d of crude production remained shut in down 5,606 b/d from yesterday. Natural gas production shut in today totaled 752 MMcf/d down 152 MMcf/d from Monday.

Saudi Arabia reportedly continued to pump at least 9.5 million b/d of oil in October, basically unchanged from September levels.

BP reported that it has brought back on line crude oil production from all the platforms it operates in the Gulf of Mexico and that this effort has significantly reduced the amount of U.S. output still shut in offshore as a result of Hurricane Ivan. The company noted that its normal USG daily crude production was averaging some 350,000 b/d before Hurricane Ivan and that its current production is running at 330,000 b/d. They noted that the resumption of operations at its Marlin and Horn Mountain platforms was behind the recent production gains in government figures. The company noted that repairs to the MPOG line, which had problems at two locations, will continue for another couple of weeks. Meanwhile Shell Oil estimates that its output from the 17,700 b/d Ram-Powell platform will be back on line in early December and at full capacity buy early 2005.

OPEC reported this morning that its reference basket price for crude oil stood at $43.31 for Monday, down 8 cents from Friday.

Yukos reported that its crude oil and natural gas condensate output in October declined by 10,000 b/d or 0.6% to 1.73 million b/d. Meanwhile Russian officials reported that the nation's production levels remained basically flat for the month of October overall at 9.41 million barrels per day, down just 10,000 b/d, but still 7.1% above year ago levels. The Russian pipeline monopoly Transneft reported that Russian crude exports via pipelines rose by 6% in October to 4.09 million barrels per day.

Turkey's Bosphorus Straits was closed to tanker traffic Tuesday due to heavy fog, but the Dardanelles Straits which had been closed for part of Monday due to fog was open Tuesday.

Shipping sources reported that Iraqi exports in October averaged 1.76 million b/d down 2.3% from September operating levels.

Iraq's state oil company SOMO reportedly met with its long term customers last week to discuss renewing these contracts for 2005. An announcement on these contracts is expected by the middle of November. The company declined at this point to answer if volumes will be increased next year.

Technical Analysis

		Levels	Explanation
		51.73 & 52.47	38% & 50% retracement of the past week sell off
	Resistance	50.50	Monday's mid-morning high
CL	49.62, down $0.51		
	Support	49.30	Monday's low
		48.48 & 46.53	50% & 62% retracement level (Aug-Oct bull move)
		147.28 & 149.90	38% and 50% retracements
	Resistance	141.40	Tuesday's high
HO	139.22, down 1.54 cents		
	Support	138.80,136.05	Tuesday's low & 50 day Moving average
		137.00 & 131.34	50% & 62% retracement of the Aug-Oct bull move
		136.43 & 138.38	50% and 62 % retracement of the last week bear move
	Resistance	134.47 & 134.70	38% retrace of the last week sell off & Monday's high
HU	128.77, down 0.31 cents		
	Support	128.15 & 128.36	Monday's low and 50 day moving average
		127.10 and 122.95	50% and 62% retracement (109.50 and 144.70)

The Nigerian strike coalition is expected to stage a street rally Wednesday in Lagos and then be followed by similar protests around the country as the Nigerian Labour Congress attempts to mobilize worker's support for the planned November 16th strike start date.

Market Commentary

The oil markets appeared to take a breather today from yesterdays severe sell-off. The crude oil and gasoline markets both posted inside trading days with the heating oil market barely breaking below yesterday's low late in the session. While the crude and gasoline markets opened stronger this morning helped in part by news of additional attacks in Iraq on the oil infrastructure there, sellers returned and pushed prices back into negative territory by mid morning, with crude oil moving just below $50.00. With the markets failing to breach yesterday's lows by mid morning, traders appeared to content to move to the sidelines and await tomorrow's inventory statistics. Volume was modest for much of the session and only saw a brief pick up late in the day as prices came under late selling pressure as traders received the MMS latest report of production gains as bearish, pushing all three markets down to new lows for the day. Final volume was estimated at 154,000 contracts in crude with heating oil and gasoline trading 46,000 and 31,000 lots respectively.

Market expectations for tomorrow's API and EIA oil inventory reports appear to be running around a 2.0-2.5 build in crude stocks, with an 800,000 build in gasoline stocks with distillate stocks showing either a few hundred thousand barrel build or draw down.

The inventory reports tomorrow will be the principal driver for prices tomorrow. But if this report comes in within expectations we feel that the bearish trend will remain intact, given the inability of significantly bullish stories over the past two days to even hold up or support prices for any length time. It appears to us that profit taking continues to weigh on this market for the near term. But it is interesting to note that open interest figures do not overwhelming support this perspective since crude oil saw only a 3836 lots reduction in open positions Monday despite its significant sell off, while heating oil and gasoline saw contraction of open positions of 1012 and 56 lots respectively.

The market continues to be focused on the 50 day moving average as a critical support level for this market, a belief at least perpetuated several times a day by CNBC. The gasoline market for the second day in a row hovered just above this support level, which tonight in the December contract was at $1.2836. We would look at this market as a barometer for tomorrow. If this contract breaches this support level tomorrow and we see an increased selling pressure in the gasoline market, we would place more weight on this moving average as a key technical point for the more important heating oil and crude markets. We see support in the crude tomorrow starting at the past two day's double bottom of 49.55-$49.30. Additional support we see then at $48.33, $48.28 and more distant support at $46.53. Resistance we see at $50.40-$50.50 followed by $51.77, $52.47-$52.50, and $53.22.