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Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 5, 2004

Iraq resumed exporting oil to Turkey on Friday, following repairs to three pipelines that were attacked earlier this week. Throughput was estimated at 250,000 b/d, similar to levels recorded before the attacks. Iraqi police though reported that saboteurs on Friday attacked a gas pipeline near Kirkuk feeding a power station in Baiji.

Refinery News

The Chinese refiner, Sinopec denied rumors that it had raised ex-refinery prices of refined oil products. The company said it had only made an internal price adjustment between subsidiaries.

The Indian government made it officials today as it raised retail prices of oil and products and cooking fuel by 8%, bring them back more in line with global crude oil prices.

Production News

The U.S. Minerals Management Service reported this afternoon that little progress had been made in the past 24 hours in returning production in the US Gulf that had been shut in due to Hurricane Ivan. The agency

Market Watch

Star Gas Partners, the major propane and heating oil distributor announced that it has received a bank waiver and financing commitment that allows the company to continue to borrow funds under its Credit Agreement with its lenders to support its working capital requirements through December 17th. Meanwhile the privately held Suburban Fuel, a heating oil retailer in Smithtown, NY, filed for Chapter 7 bankruptcy protection today. The company had over 1,000 retail customers. An attorney for the firm said that the company had "so many fixed priced contracts that they could just not keep up." Suburban Fuel's customers included members of Heat USA, a heating oil buying group that combines the buying power of its 30,000 members iin the U.S.

German Chancellor Schroeder said Friday that current level of oil prices and the euro exchange rate did not warrant immediate political measures. Meanwhile Germany reported that its manufacturing production dropped by 1.2% in September, while the U.K. a decline of 0.4%.

The future of open out-cry trading on the IPE remains cloudy. The exchange confirmed today that last month they had signed a lease to keep open its trading floor through 2011. This despite earlier comments by the owners of the exchange that open out cry trading would be fazed out sooner rather than later. An exchange spokesperson said simply that "there has been a shift in our policy since 2001" and that the exchange will seek to develop electronic and open out cry side by side.

A group of prominent Saudi religious scholars this week have declared support for militants fighting U.S. – led forces in neighboring Iraq, saying holy war against occupiers was a duty.. The group said Muslims should unite to expel the "colonial alliance" from their country..

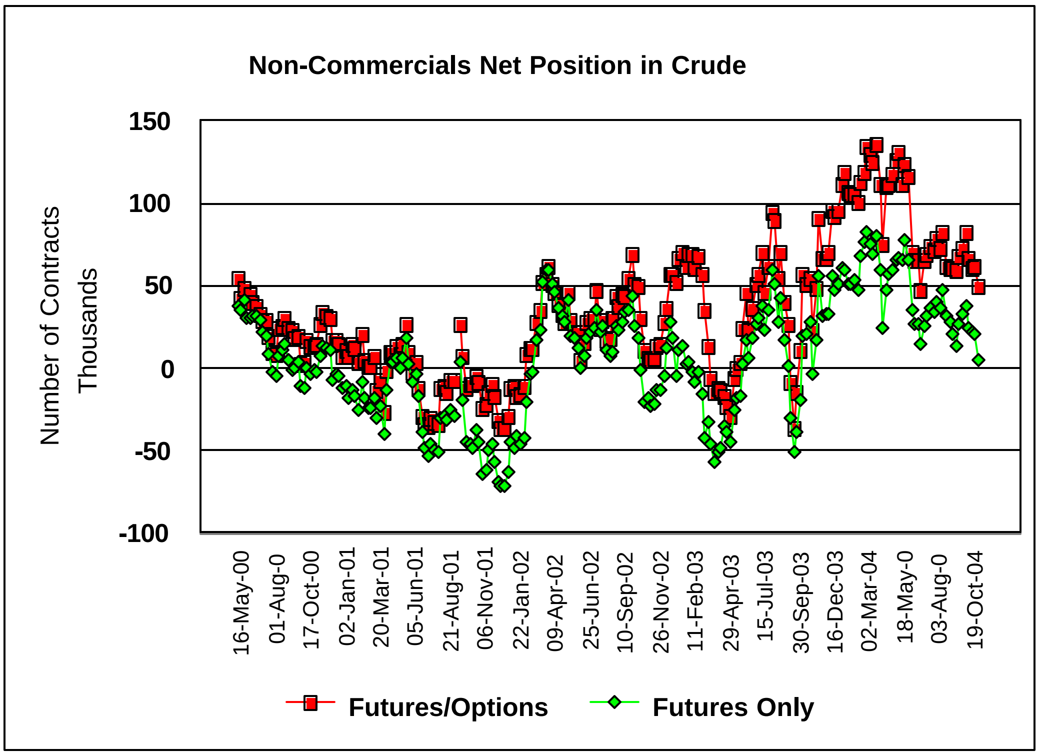
Mexico's Energy Minister today said on Friday that his nation could be importing oil by 2017 if it does not hike spending on exploration.

reported that crude oil production levels improved by only 38 barrels per day, leaving some 212,369 b/d still shut in. Gains for natural gas production were even worse with just 0.74 Mmcf/d returning over the past 24 hours, leaving some 742.16 Mmcf/d still off line.

Tanker delays at the Turkish straits to the Black Sea appear to have eased slightly as the backlog of vessels lessened, but waiting times for northbound ships was 6-7 days while southbound ships were waiting from 3-4 days.

Venezuela's Ameriven extra-heavy oil upgrading project is expected to reach full capacity of 180,000 b/d of synthetic crude production in January. Production at the facility began last month and is running around 150,000 b/d.

Oil Movements reported today that OPEC crude oil shipments from all 11 producers is expected to rise by 260,000 b/d in the four week period ending November 20th, from the last period ending October 23rd.



The OPEC reference basket crude oil price fell 91 cents per barrel on Thursday to $40.53.

The U.S. Energy Department on Friday said that 700,000 barrels of crude oil from the SPR that Premcor had requested last month will be delivered November 3-7th. Premcor has already received 500,000 barrels of crude from the SPR. So far, five refiners have signed deals with the DOE to borrow 5.4 million barrels.

Market Commentary

The oil markets continued their roller coaster ride today. With little fresh news in the market, traders continued to search for the next momentum trade. While prices opened modestly better this morning, selling pressure returned to this market and once again it appeared that the bearish attack in natural gas, due to the lack of a strong start to the heating season, helped to lead the energy markets lower through mid morning. It seemed that initially the downside target were those set on Access over night. ($48.43 in Dec crude; $1.3620 in Dec heat; $1.2700 in Dec gasoline). Heating oil saw its double bottom at $1.3700 breached allowing prices to fall some two cents with crude oil breaching its lows of the prior two days at $48.75 and $48.65. This market did not seem to find support until it reached $48.30, some 2 cents away from its 50% retracement of the bull move in crude oil from August through October. Prices eventually stabilized by mid day and within the final hour of trading it appeared short covering by many traders allowed prices to quickly rebound and actually finish higher for the day, at least in the oil markets. Final volume today for crude was estimated at 222,000 contracts with heating oil and gasoline trading 55,000 and 47,000 lots respectively.

All three markets today traded below their 50-Day moving averages, but despite this widely discussed moving average in the media, the breaching of this level did not seem to unlock any fresh selling as had been widely discussed in the market. It is interesting that the natural gas market has been a driving force for at least price direction for the energy markets overall for the past several days. What this seems to signal to us is that this market is becoming even more weather sensitive than many of us would expect it to be. As a result we would look at next week's weather forecasts as a key in setting the tone for the volatility and direction for trading. We still look for this market to be searching for a near term bottom at these price levels. We see support in crude again to be found at the $48.30-$48.28, followed by $47.23, $46.53 and $45.80-$45.60. Resistance we see at $49.70, $51.10, $51.97 and $52.84.

Tonight's Commitment of Traders report showed that the non-commercials drastically reduced their overall crude oil positions during the week ending November 2nd and saw their net long position in crude oil drop by 15,700 lots in the futures only report, while the futures and options combined position contracted by 11,800 lots. Non-commercial positions in heating oil, also saw a contraction on the week by 4300-4800 long positions, and now stand at a net short position for the first time since April of this year. The gasoline market also saw non-commercials reduce their net length over the period by 6900-7500 lots but this group still remains net long by over 11,000 contracts.