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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 8, 2004

Leaders of the Nigerian blue-collar oil union NUPENG said today that its members were bracing for a "total strike" next week, but leaders declined to estimate the impact that the strike would have on production though. The white-collar union, PENGASSAN, is due to meet on Tuesday to finalize its strategy for the strike. The Nigerian government though threatened that any workers joining the strike would lose their jobs. In addition today armed police prevented unionists from marching in the streets of the regional capital of Abuja.

The Suez Canal was effectively closed Saturday, for the first time since 1975, when a Liberian-flagged oil tanker broke down and ran aground inside the canal. As of Monday, shipping remained blocked and delays were expected to take at least two or more days to resolve as Egyptian officials were trying to lightering the stranded tanker in an attempt to refloat it.

The Climate Prediction Center reported this morning that they estimated 112 heating degree days were record during the week ending November 6th on a oil home heating customer weighted basis. This was 14% warmer than normal, but still 49%

Market Watch

Reuters published a survey of some 10 oil analysts today and 6 of them called for oil prices to push above recent highs once again this winter, due to low heating oil stocks and continued instability in the Middle East.

Iran warned again today that it would strike back against Israel or any other country that attacked its nuclear facilities.

Comments from two Chinese central bankers Monday suggested that the Chinese government will resist pressure from its trading partners for a quick revaluation of its yuan currency. Last month Beijing raised interest rates for the first time in nine years, and as a result heightened market anticipation that a currency revaluation would soon be in the cards.

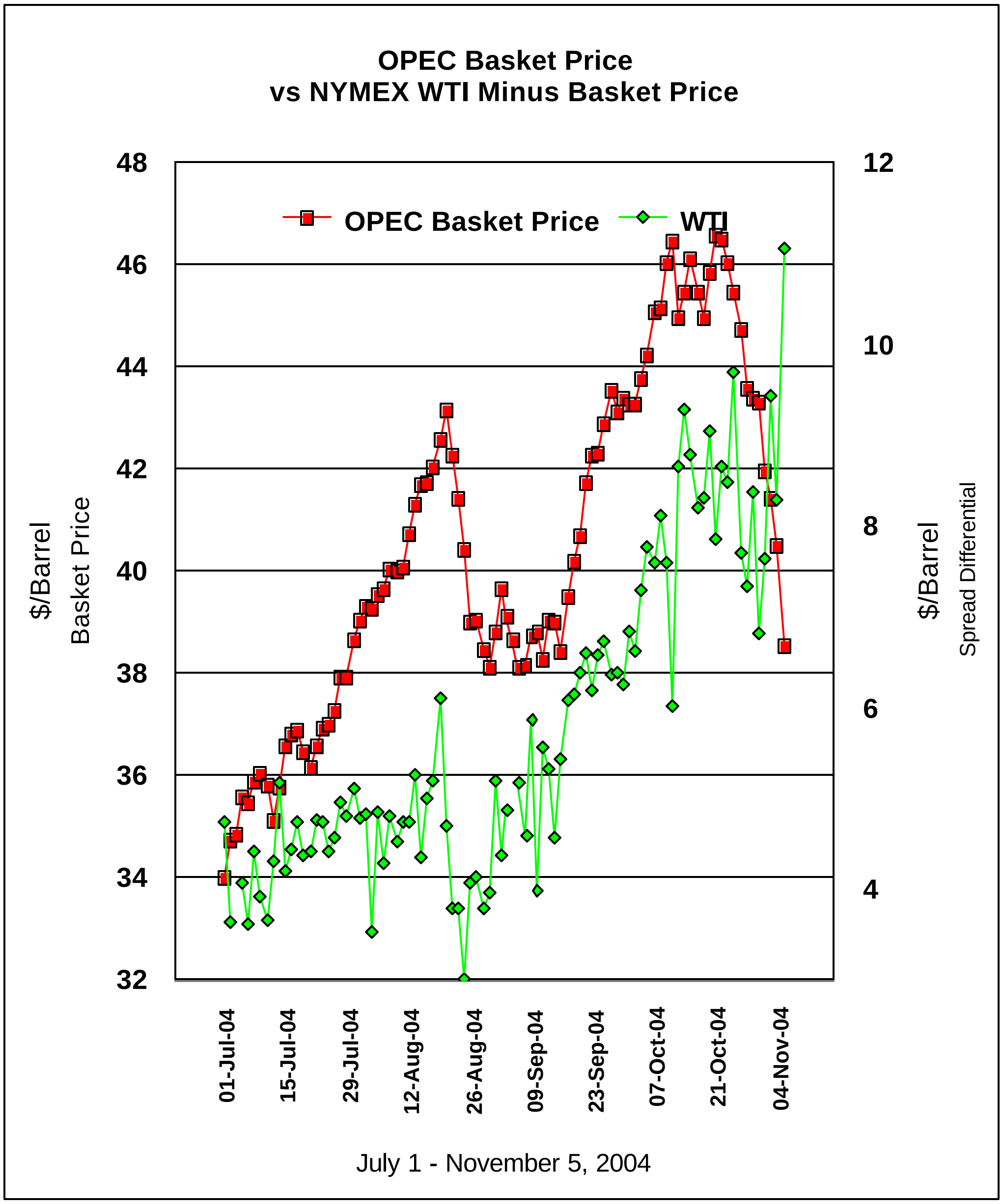
Chinese officials estimate that Chinese imports of crude oil are expected to reach 115 million tones this year, accounting for 45% of the nation's total oil consumption. Imports in 2003 totaled 91 million tones.

The Chinese government plans to increase residential electricity prices by 9% effective November 10th.

India's Petroleum Minister said today that his government may review last week's decision to increase gasoline, diesel and cooking gas prices by 8%. The minister also said that the government is no longer planning to issue oil bonds to state run oil companies to compensate them for their revenue losses due to recent high global oil prices which can not be recovered at the retail level.

Iraqi Prime Minister Allawi Monday dismissed a call by Saudi clerics urging resistance against U.S. forces in Iraq. The Iraqi newspaper, Al-Sabah said that "most of those leading terror in Iraq are Saudis".

PDVSA has resumed contract talks with the company's three largest oil unions this week.



colder than a year ago. For the current week ending November 13th, the CPC is estimating 170 HDD, some 17% colder than normal and 6.3% colder than the same period a year ago.

Refinery News

Western Refining was forced to shut its 29,500 b/d FCC unit at its El Paso, TX refinery, over the weekend, for unscheduled repairs that are expected to last through Tuesday.

The 18,000 b/d visbreaker at Shell's 80,000 b/d Reichstett oil refinery in France was taken off line following a fire on Sunday evening.

Sinopec bought another 60,000 tonnes of spot gasoil for November loading today, bringing its monthly purchases to 120,000 tonnes.

Shell Oil's Deer Park reported that it was restarting the catalytic cracking unit at its 340,000 b/d refinery this morning. The restart could take as long as Friday, the company reported.

A line fire late Friday reportedly forced Tesoro to take off line its 42,000 b/d FCC unit at its 114,000 b/d refinery on Anacortes, Washington. The refiner was hoping to have the unit back up by Tuesday.

Lundberg Survey reported over the weekend that pump prices in the U.S. for gasoline over the last two weeks fell by an average of 2.6 cents to $2.04 per gallon.

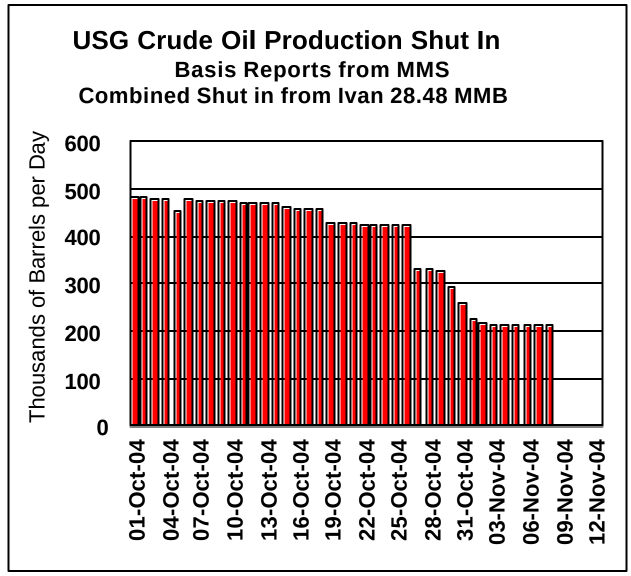
Production News

Iraqi crude oil shipments from the north, continued over the weekend and into Monday. Iraqi official reported that they resumed pumping on Friday at 250,000 b/d and by Saturday the flow rate along the pipeline was up to 400,000 b/d up some 14% from flow rates along the line before the recent attacks.

Port officials in Ceyhan, Turkey estimated at some 2.3 million barrels of crude was in storage tanks there.

OPEC's reference price for its basket of crude oils stood at $38.56 on Friday. This was the first time since September 16th that the basket price has been below $40.00 level.

The Norwegian Varg oilfield saw production reduced by 10,000 b/d to 15,000 b/d late Saturday. The production unit had been totally shut late Friday but saw production partially restored on Saturday. Production will remain restricted until further notice.



Venezuela's PDVSA announced that it plans to boost spending on oil and natural gas exploration and production next year by $100-$300 million. Officials expected Venezuelan oil production to increase by 90,000 b/d to 3.25 million b/d.

The U.S. Minerals Management Service reported this afternoon that only modest progress was made over the weekend in returning production shut in following the damage to offshore production facilities from Hurricane Ivan. The agency reported that production gains today totaled only 111 b/d from Friday's levels, while only 0.6 MMcf/d of natural gas production was returned.

Mexico's main oil loading ports reopened this weekend after weather conditions improved. Poor weather conditions had closed the ports of Pajaritos and Dos Bocas on Wednesday. Both of these ports reopened on Saturday while the offshore terminal at Cayo Arcas reopened on Friday.

Market Commentary

The oil futures market this morning opened basically on defensive as moderate heating demand continued to weigh on this market. In addition the news that Iraqi oil exports through its northern pipeline not only continued uninterrupted over the weekend, but flow rates had even jumped over recent highs seemed to keep the bulls at bay. But despite several attempt to test Friday's lows, all three markets held these support levels throughout the day, but found equally limited interest in challenging

Technical Analysis

		Levels	Explanation
		$50.95-$51.10 $51.11	Wed and Thursday's highs & 38% retracement
	Resistance	$49.59 & 49.70	Past two day's highs
CL	49.09, down $0.52		
	Support	$48.60 & $48.30, $48.28	Past two day's lows and 50% retracement level
		$47.63 & $47.46	Weekly trendline and daily trendline
		$1.40, $1.4320	Thursday and Wednesday's highs
	Resistance	$1.3825-$1.3850	Past two days highs
HO	136.64, down 0.77 cents		
	Support	$1.35	Recent low
		1.3134 & 1.29-$1.285	62% retracement of the Aug-Oct bull move, gap
		13280-133.10, 135.23	Thursday and Wed Highs, 50% retracement
	Resistance	$1.285 &$1.2910	Past two day Highs
HU	127.53, down 1.15 cents		
	Support	1.2575	Past two day's lows
		$1.2350-$1.232	gap from Sep 21st

Friday's highs, with natural gas prices continuing to spiral lower throughout the day. As a result all three markets posted inside trading days with limited volume. Crude oil saw 151,000 contracts traded, the lightest trading session in two weeks, while heating oil and gasoline saw 34,000 and 31,000 lots booked on the day, the smallest daily traded volumes since the first half of October.

We continue to feel that this market is searching for a near term bottom, at least a pause in its down trend as traders await this week's inventory numbers before committing further to this bear trend. Daily stochastics also appear to be approaching over sold levels and as a result we could not recommend rushing into this market and establishing new shorts here, but rather look for some type of bounce possibly breaching today's highs and running back to retest the highs from Wednesday and Thursday of last week, before we could be tempted to take a short position.

We look for support in the December crude market tomorrow to be again found at the $48.60, with more significant support at the $48.28-$48.30 level. More distant support we see at $47.63 and $47.46 with additional support at $46.53. Resistance we see at $49.59 and $49.70, followed by the highs from Wednesday and Thursday last week at $50.95-$51.10. Additional resistance we see at $51.97 and $52.84.