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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 18, 2005

Venezuela's Oil Minister Rafael Ramirez said OPEC should consider cutting its output at its next meeting in December if prices continue to decline. He did not specify how much OPEC should cut its output by. However he added that OPEC should closely watch oil production increases in the Gulf of Mexico to avoid having new oil supplies pressure prices lower. However he expects oil prices to remain at current levels in 2006 as demand for oil remains strong.

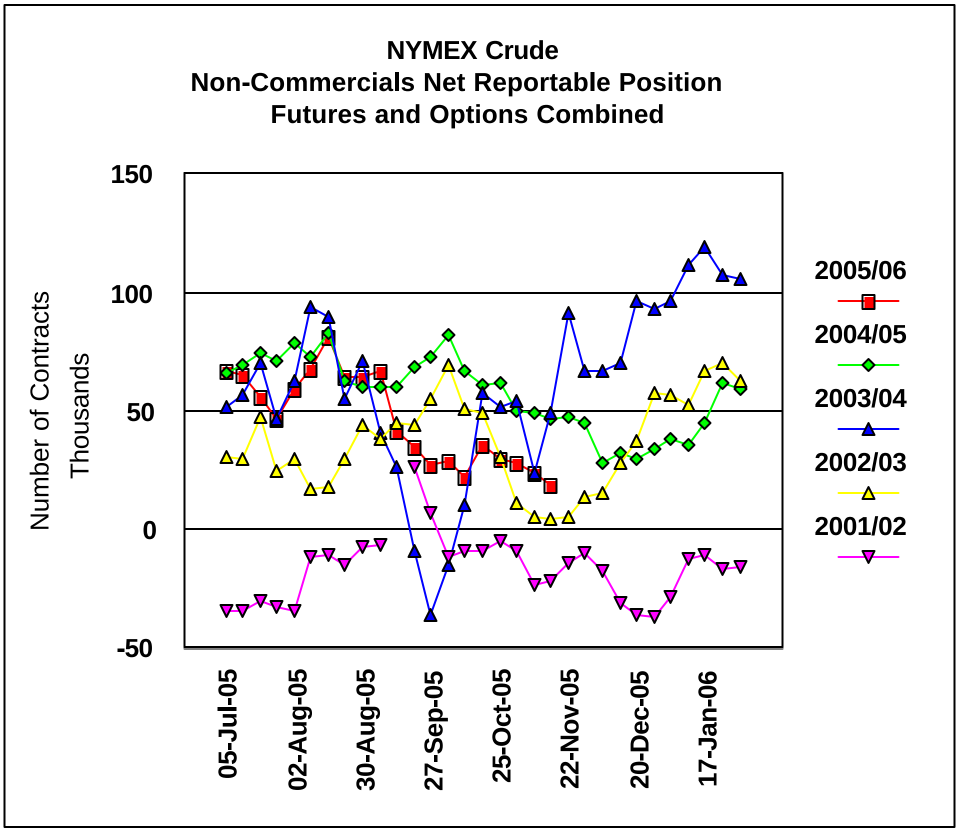
According to MEES, OPEC's total crude production increased by 35,000 bpd in October to 30.015 million bpd. The ten OPEC members produced 28.265 million bpd, up 235,000 bpd on the month. It stated that Iran's oil production increased by 165,000 bpd to 3.915 million bpd in October while Iraq's production fell by 200,000 bpd to 1.75 million bpd. Saudi Arabia's oil production in October fell by 30,000 bpd to 9.52 million bpd.

Market Watch

US Energy Secretary Samuel Bodman said the Senate push for a tax bill that contains an estimated $4.3 billion tax increase on the inventories of the largest oil companies was a windfall profit tax in disguise. He said he recognized that world oil demand was testing the supply limits of oil producing countries. He said it would take suppliers some time to provide enough oil so that there is more flexibility in the system. He implied that oil production would need to be maintained at current levels or increase at least the next couple of years. Meanwhile, the Senate voted against the measure requiring oil companies to pay a 50% excise tax on profits when oil prices were above $40/barrel. Funds generated through the tax would have been refunded to consumers through an income tax rebate. The Senate also rejected an amendment that would have eliminated a favorable tax treatment for oil majors allowing them to deduct drilling and development costs.

According to the Joint Economic Committee of the US Congress, OPEC's limit on crude production in the face of increasing world demand an its policies may mean several more years of high prices followed by a decline. It said OPEC releases its oil to the market at an artificially low rate. It said that OPEC's output is near its 1977 level while world oil demand is near 85 million bpd compared with 62 million bpd in 1977. The report also condemned OPEC to its lack of transparency, noting that inadequate data on output and production expansion plans can make for unreliable forecasts about future supply and demand.

According to a California Energy Commission report, prices in California and the US national average price were equal at their peak due to Hurricanes Katrina and Rita. While prices in California were supported by refinery upsets during the summer, nothing had a greater effect on prices than the hurricanes' impact on the US national average price. It said normally, prices in California are higher but the national average was much more volatile than normal.



Refinery News

Pasadena Refining System's Pasadena, Texas refinery suffered a fire on Thursday evening. The fire was contained to a heater in its coking unit, which has since been shutdown. The coker outage has not significantly impacted runs at the 110,000 bpd refinery. The company is planning to investigate the cause of the fire.

Oil product traders in northwest Europe said there was talk in the gasoline market of problems at BP's 172,000 bpd Coryton refinery. However little reaction was seen in the gasoline barge market to talk of the problem given the current supply glut in the region.

India's Reliance Industries Ltd will restart operations at its Jamnagar refinery in western India after its 180,000 bpd fluid catalytic cracking unit comes on stream on November 26, following a maintenance shutdown.

Japan's Kashima Oil Co plans to shut its 190,000 bpd crude distillation unit at its refinery in eastern Japan from mid-May 2006 for maintenance. The unit is expected to restart in mid-June.

Production News

The MMS continued to report an improvement in the amount of oil production shut in by the hurricanes. It reported that a total of 702,556 bpd of crude production remained shut in as of Friday, down from 717,807 bpd on Thursday.

Louisiana's Department of Natural Resources stated that onshore crude oil production in southern Louisiana reached 110,964 bpd or 54.6% of the region's capacity on Friday.

Traders stated that European oil products were weaker on Friday. An analyst reported that European gas oil stocks held in independent Amsterdam-Rotterdam-Antwerp storage tanks have increased to a new six year high of 2.255 million tons due to slow consumer demand. It is up from 2.14 million tons last week and 1.475 million tons this time last year. German consumer stocks of heating oil have been running at low levels but traders said despite the sudden cold snap, there was little sign of fresh demand emerging. Low Rhine water levels were also continuing to hamper trade in to the German market and making local refiner supplies highly competitive over imports from the ARA barge market.

Royal Dutch Shell Plc's UK North Sea Brent Bravo platform may not fully restart its production until early 2006. Production is set to resume temporarily for a week by the end of the month but normal operations may not be back before next year. The platform was shut in August after one of its legs sprang a leak.

Turkey and Russia has decided to carry out separate feasibility studies on an oil pipeline from the Turkish Black Sea town of Samsun to the Mediterranean port of Ceyhan. The feasibility studies are expected to be completed within several months. This came after the leaders of Russia, Turkey and Italy inaugurated a natural gas pipeline from Russia to Turkey under the Black Sea. At the ceremony, Russia's President Vladimir Putin raised the possibility of a second pipeline for oil or gas alongside the Blue Stream pipeline carrying Russian natural gas to Turkey.

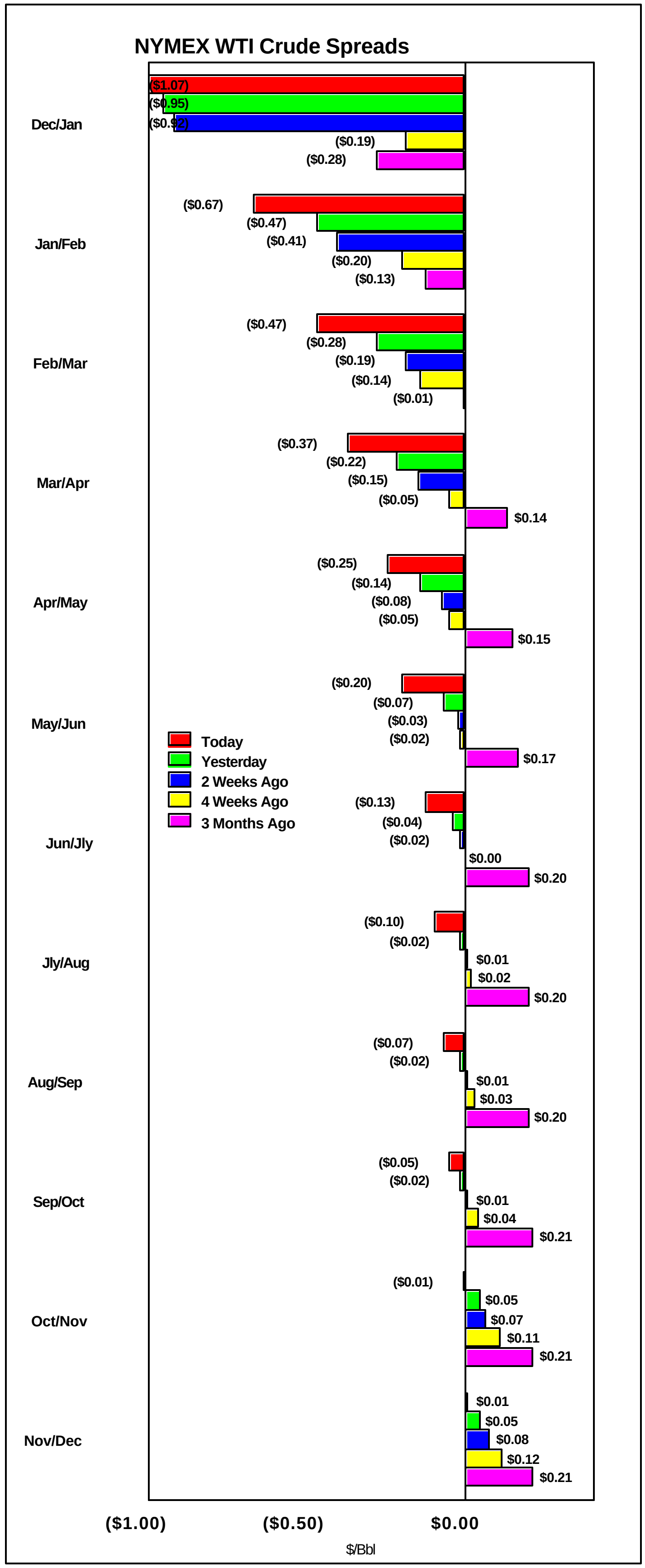
Russia's Black Sea export terminal of Novorossiisk was shut on Friday due to adverse weather conditions. A gale warning issued on Thursday remained in force. Shipping sources said the nearby CPC oil export terminal was also shut.

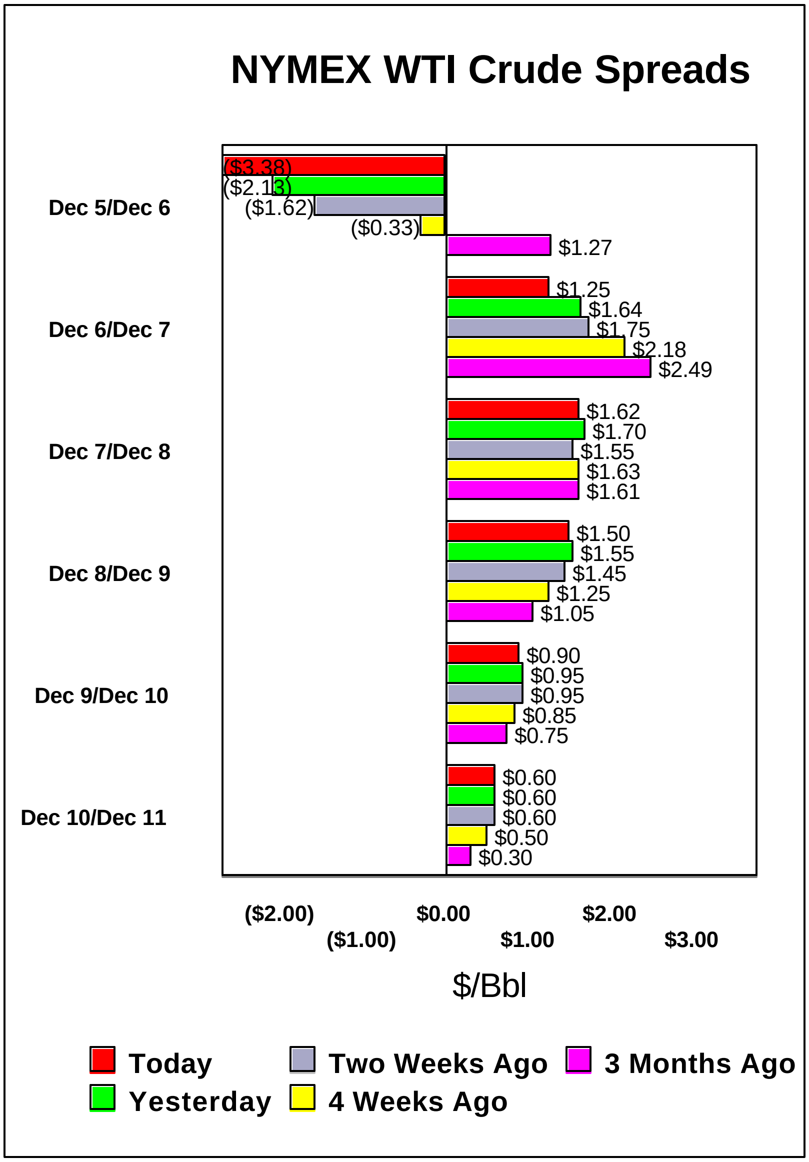
Norway's Statoil ASA and Norsk Hydro ASA are in talks with Russian oil majors to get stakes in some of Russia's largest oil and gas fields. Russia's Gazprom OAO, Rosneft Oil Co and Surgutneftegaz are seeking foreign investment, exploration and production expertise while the Norwegian companies are looking to replace the diminishing reserves in Norway.

ConocoPhillip's 281,000 bpd Ekofisk field will shutdown for at least two weeks of maintenance in June 2007.

India's Oil Ministry reported that Indian sales of oil products in October fell by 3.4% on the year to 8.7 million tons. Its diesel sales increased to 3.29 million tons in October from 2.81 million tons in September.

OPEC's news agency reported that OPEC's basket of crudes increased to $50.11/barrel on





Thursday after falling to $49.73/barrel on Wednesday.

Oil from the Baku-Ceyhan pipeline crossed the Turkish border from Georgia on its way to a Mediterranean port, where it will be exported to the West. The oil is not expected to reach Ceyhan until the spring. The pipeline is expected to eventually bring 1 million barrels of Azerbaijani crude to the southern Turkish port of Ceyhan for export to the West.

Market Commentary

The crude market gapped lower this morning from 56.20 to 55.70 in follow through selling seen in overnight trading. The market seemed to have been pressured by the long term forecasts showing that there are equal chances for above and below normal temperatures in the next few months for much of the east coast. The December crude contract sold off and posted a low of 55.40. However as the market continued to hold support at its trendline, the crude erased its gains and posted and early high of 56.50. In volatile trading ahead of its expiration at the close, the market once again gave up its gains and traded back towards the 55.50 level only to find some late short covering ahead of the close. It posted a high of 56.80 late in the session and settled down 20 cents at 56.14. The January crude contract settled up 6 cents at 57.21 after it posted the day's range early in the session. Volumes in the crude market were good with over 209,000 lots booked on the day. Meanwhile, the product markets ended the session mixed with the heating oil market settling down 8 points at 169.62 and the gasoline market settling up 25 points at 146.20. The heating oil market gapped lower from 169.50 to 168.75 as it continued to find further selling amid the weather forecasts. The heating oil market posted its four cent trading range from 168.00 to 172.00 within the first hour of trading. It later settled in a sideways trading range as it held good support at 168.75. Similarly, the gasoline market also posted its trading range from 144.00 to 148.25 within the first hour of trading. However the market gave up some of its gains and settled in a range. Volumes in the product markets were light with 32,000 lots booked in the heating oil market and 29,000 lots booked in the gasoline market.

According to the latest Commitment of Traders report, non-commercials in the crude market increased their net short positions by 8,352 contracts to 56,168 contracts amid the market's continued downward trend. The combined futures and options report also showed that non-commercials in the crude cut their net long position by 4,754 contracts to 19,014 contracts. Non-commercials have likely continued to add to their net short positions amid the continued selling seen in the past few trading sessions. Meanwhile, non-commercials in the heating oil market cut their net short positions by 576 contracts to 8,392 contracts while non-commercials in the gasoline market cut their net long positions by 646 contracts to 20,714 contracts on the week.

The oil market is seen remaining in its downward trend channel. However it is technically starting to look oversold and stochastics look ready to start crossing back to the upside. It is seen finding support at 57.00 followed by its low of 56.35. More distant support is seen at 55.87, basis its trendline. Meanwhile resistance is seen at 57.40 followed by more distant resistance at 59.05 and its gap from 59.10 to 59.50.

Technical Analysis

		Levels	Explanation
		59.05, 59.10 to 59.50	Previous high, Gap (November 10th)
	Resistance	57.40	Friday's high
CL	57.21, up 6 cents	Jan	
	Support	57.00, 56.35	Friday's low
		55.87	Basis support line
		176.40	Previous high
	Resistance	171.00, 172.00	Friday's high
HO	169.62, down 8 points		
	Support	168.00	Friday's low
		167.95, 164.50	Previous lows
		153.00 to 153.15	Gap (November 10th)
	Resistance	148.25, 151.50	Friday's high, Previous high
HU	146.20, up 25 points		
	Support	144.00	Friday's low
		145.75, 144.80, 139.25	Previous lows