



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 23, 2005

The EIA stated that US petroleum product demand in September was 116,000 bpd or 0.6% higher than previously estimated. Oil product demand in September totaled 20.097 million bpd, up from its previous estimate of 19.981 million bpd. Gasoline demand during September was revised up 106,000 bpd or 1.2% to 8.897 million bpd while distillate demand was revised up 200,000 bpd or 5.1% to 4.114 million bpd. Meanwhile US crude oil inventories at the end of September were revised up 1.5 million barrels to 307.1 million barrels. It also stated that gasoline stocks were revised up by 2.7 million barrels to 128.1 million barrels while distillate stocks were increased by 216,000 barrels to 127.7 million barrels.

The DOE reported that US inventories of propane totaled 68.529 million barrels in the week ending November 18, up 1.059 million barrels. It reported that inventories in the East Coast increased by 266,000 barrels to 5.053 million barrels while inventories in the Midwest increased by 54,000 barrels to 24.126 million barrels while inventories in the Gulf Coast increased by 828,000 barrels to 36.623 million barrels.

Market Watch

According to a Reuters poll, oil price forecasts show consumers will have to pay more for oil in 2006 than the record prices seen in 2005. The survey showed that the price of US light crude in 2006 will average \$57.87/barrel, up from the 2005 forecast of \$57.40/barrel. Goldman Sachs was the highest, forecasting US crude prices would be \$60/barrel.

Ministers from OPEC and the European Union plan to discuss high energy prices next week in Vienna prior to the OPEC meeting on December 12.

Iranian Parliamentarians rejected President Mahmoud Ahmadinejad's third oil minister nominee, Mohsen Tasalloti. Lawmakers rejected his nomination on grounds that he lacked the necessary experience to run the oil ministry. The position has been vacant for more than three months.

Traders stated that shortages of prompt high sulfur fuel oil from storage tanks and refineries in the Amsterdam-Rotterdam-Antwerp trading hub have supported barge prices for the product.

Nigerian troops entered the oil producing state of Bayelsa amid an escalating crisis over the impeachment of the state's governor. Governor Diepreye Alamiyeseigha fled money laundering charges in London and resurfaced in Nigeria, where he has immunity while in office. However his opponents want the governor impeached as the crisis has raised fears of violence in the state which accounts for a quarter of Nigeria's 2.4 million bpd of oil production. A state official said the troops were deployed as a security precaution to forestall possible violence, rather than as an operation to unseat him by force.

Euroilstock reported that Europe's total oil production in October increased by 1.2% on the month and by 3.2% on the year to 13.335 million barrels. It reported that gasoline production increased by 1.5% on the month to 3.43 million barrels while distillate production was unchanged at 6.116 million barrels. However distillate production was up 4.4% on the year. Fuel oil production increased by 2.7% on the month to 1.841 million barrels while naphtha stocks increased by 1.1% to 1.008 million barrels.

Refinery News

Indonesia's Pertamina is scheduled to briefly shut its 230,000 bpd Cilacap refinery to increase the quality of its fuel. Trade sources on Tuesday said the maintenance work had prompted Indonesia to raise its December export allocations of term crude and condensate by two-thirds from November levels to 1.752 million barrels.

China's decision to rein in refinery expansion puts it in a position of balancing its desire for a low profile in the markets against the risk of tightening world supply. Sinopec Corp said it would slow down investment in new capacity. The company said it would add refining capacity of less than 200,000 bpd each year until 2008, down from its previous plan to increase capacity by 280,000 bpd. China's decision contrasts with the trend in most other countries, where politicians are urging big oil companies to increase their refining investment. China's plans to rein in refinery expansion could leave the country short of fuels if China's oil demand yields surprises such as last year's 15% increase.

Production News

Colonial Pipeline Co on Wednesday again restricted the amount of distillate products it will accept from each of its shippers into the Line 2 as the current flow rate remains at capacity. Its 34th cycle shipments were placed on allocation.

The MMS continued to report an improvement in the amount of crude production shut in the Gulf of Mexico. It reported that a total of 615,623 bpd of crude production remained shut in on Wednesday, down from 621,233 bpd on Tuesday.

Iraq's Oil Minister Ibrahim Bahr al-Uloum said Iraq expects its oil production to reach nearly 2 million bpd by the end of the year. Its current production is about 1.8 million bpd after falling to 1.7 million bpd over the last few days due to production and electricity issues.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe increased to 395,147 tons in the week ending November 22, down from 80,058 tons the previous week.

India's Oil and Natural Gas Corp said it would import 10,000 bpd from its share of output in Russia's Sakhalin-I project by the second quarter of 2006.

OPEC's news agency reported that OPEC's basket of crudes increased to \$50.70/barrel on Tuesday, up from \$50.15/barrel on Monday.

Brazil's President Luiz Inacio de Silva and Petrobras' President Sergio Gabrielli opened the country's largest oil platform, which will allow Brazil to become self sufficient in oil next year. The platform which will produce from the Albacoara Leste field is expected to reach its output peak of 180,000 bpd in August 2006. It is scheduled to begin production in early 2006.

Colombia's government said the country must sign 30 oil exploration contracts and drill 60 oil wells every year until 2020 to reverse a decline in oil output reserves as well as to maintain its self-sufficiency. Colombia must discover at least 10 oil wells per year to increase its average oil production to 700,000 bpd from 519,000 bpd in 2005.

Separately, Venezuela's President Hugo Chavez is scheduled to meet with his Colombian counterpart, Alvaro Uribe, to discuss energy projects. They are expected to discuss plans to build a \$300 million natural gas pipeline that would connect Colombian natural gas fields with Venezuela's Paraguana refining complex. Venezuela is also interested in purchasing a stake in Colombia's Cartagena refinery. Meanwhile, Venezuela's PDVSA and Argentina's ENARSA are studying a joint venture in Venezuela's Orinoco extra heavy oil belt as part of growing energy cooperation between the two nations.

Market Commentary

The oil complex settled in negative territory after the markets opened lower amid the moderation in the weather forecasts. The crude market opened down 44 cents at 58.40 and rallied to a high of 58.70 ahead of the release of the DOE and API reports. The market however sold off and backfilled its remaining gap as it posted a low of 57.95 in light of the reports showing builds across the board. The market bounced off its low and retraced its losses on some short covering ahead of the Thanksgiving holiday weekend. It rallied to a high of 58.80 ahead of the close and settled down 13 cents at 58.71. Volume was light with 119,000 lots booked on the day. Meanwhile the heating oil market settled sharply lower amid the weather forecasts and the larger than expected builds in distillate stocks. The market gapped lower this morning from 173.10 to 171.00 and rallied to a high of 172.00. However the market sold off to a low of 168.00 in light of the reports. It later bounced off its low and retraced some of its losses ahead of the close. It settled down 4.69 cents at 168.92. The gasoline market also settled down 2.99 cents at 145.76 after it sold off to a low of 145.50 ahead of the close. It posted its high of 148.50 early in the session. Volumes in the products were good with 55,000 lots booked in the heating oil and 51,000 lots booked in the gasoline market.

The oil markets on Monday will remain supported despite the DOE and API reports showing larger than expected builds in stocks and the change in the short term weather forecast. The markets' losses are seen limited amid the longer term forecast which are calling for colder than normal temperatures.

The crude market is seen finding support at 58.50 followed by its low of 57.95, 57.10 and 56.35. Meanwhile resistance is seen at 58.80, 59.00 followed by 59.05, 59.10 to 59.50 and 61.25.

Technical Analysis		
	Levels	Explanation
CL 58.71, down 13 cents	Resistance 59.05, 59.10 to 59.50, 61.25 58.80, 59.00	Previous high, Gap (November 10th), Previous high Wednesday's high, Tuesday's high
	Support 58.50, 57.95 57.10, 56.35	Wednesday's low Previous lows
HO 168.92, down 4.69 cents	Resistance 176.00, 176.40, 177.50 170.50, 172.00 to 173.10	Previous highs Gap (November 23rd)
	Support 168.00 167.95, 164.50	Double bottom Previous low
HU 145.76, down 2.99 cents	Resistance 151.50, 153.00 148.50, 150.15	Previous highs Wednesday's high, Tuesday's high
	Support 145.50 144.00	Double bottom Previous low