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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 24, 2004

According to a Gulf source, Saudi Arabia will continue to produce 9.5 million bpd through the end of the year to meet the requirements of its customers.

OPEC's President Purnomo Yusgiantoro said OPEC has no plans yet to adopt the Euro for oil sales, despite the US dollar's fall. He also stated that he did not know what decision on production levels OPEC will make during its next meeting on December 10.

OPEC's news agency reported that OPEC's basket of crudes increased by 7 cents/barrel to $38.69/barrel on Tuesday compared with $38.62/barrel on Monday.

Refinery News

ExxonMobil reported that its entire Louisiana refinery was shutdown due to a power loss. Murphy Oil also stated that its 120,000 bpd Meraux, Louisiana refinery was shut due to a power loss.

The Shell Deer Park refinery in

Market Watch

The DOE reported that US heating oil supplies fell slightly last week, keeping inventories tight ahead of peak seasonal demand. The DOE added that the US market will not be able to rely on a significant increase in heating oil imports from Europe and Asia during peak demand this winter because supplies are also thight in those two regions. It also stated that the national price of heating oil increased by 0.8 cents/gallon over the last week to $2.025/gallon. It is up 61 cents/gallon on the year.

According to Accuweather, this winter is expected to be cooler than normal. Accuweather meteorologist Joe Bastardi said it will not be brutally cold but it will be colder than normal in the eastern US and to the south. The US Northeast will see temperatures up to 2 degrees Fahrenheit below normal for the winter. He said December could be much colder than normal.

Saudi Oil Minister Ali al-Naimi will attend a meeting on January 6 between leading oil exporters and Asian customers in New Delhi. The Oil Minister and a delegation of Saudi oil policy and marketing executives will attend the meeting initiated by India to review the Asian premium applied to crude oil imports into Asia from the Middle East.

A Nigerian government official said Nigeria is expected to cut the size of the offshore oil blocks it plans to offer in 2005 by 50%. He said after reducing the size of the blocks, the government will decide exactly how many prospects will be offered under the 2005 licensing round.

Deer Park, Texas was operating at reduced rates Wednesday after a temporary power outage that cut the service of a compressor at an 85,000 bpd delayed coker unit. The compressor is expected to be back in service by Wednesday evening.

PDVSA's catalytic cracker at its La Isla refinery in Curacao is still undergoing work and is not expected to return to service until the end of next week. The refinery was shut last week due to a power outage. It is operating at 160,000 bpd, down from its normal capacity of 195,000 bpd.

ERG began the restart of its 230,000 bpd Isab Sud refinery in Sicily over the weekend as scheduled. It is steadily increasing production and bringing more units on line.

A strike that shut Belgian Refining Corp's 115,000 bpd refinery in Antwerp is expected to end on Thursday after workers reached a deal with management.

Iraq plans to build an oil refinery in the Kurdish north near the borders with Turkey and Syria. Sources stated that the refinery would be situated in the Kurdish town of Zakho, near a pipeline that pumps Iraqi oil to Turkey. The proximity of the pipeline would make it easier to transport Iraqi oil to the new facility.

Production News

Industry sources reported that Saudi Arabia will export larger volumes of Arab Light crude in 2005 to capture more the increasing premium of its high value, low density crudes compared with heavy grades. Saudi Aramco is expected to run more of its dense crudes domestically next year, freeing up as much as 300,000 bpd of extra Arab Light crude for export.

ExxonMobil will not ship its Azeri crude production via a new pipeline to Turkey's Ceyhan terminal until at least 2010 as it has committed its production to the Georgian port of Batumi. It said it signed a deal with Azeri firm Azpetrol to supply up to 10 million tons of oil to Batumi by rail in 2005-2010.

Russia's Lukoil Holdings plans to export about 33,000 bpd of crude to China in the first quarter of 2005. Earlier, Lukoil said it would ship 60,000 tons of crude by the end of November and another 100,000 tons in December. These volumes would partly make up for the 400,000 tons a month in oil deliveries to China that Yukos suspended in October.

Shipping sources said crude exports from Russia's main Black Sea port of Novorossiisk are down by about one third in the past week because of frequent weather related closures. Shipping agents said the port was closed again on Wednesday following gale force winds and strong sea swells.

Italy's Eni is unlikely to bid for the assets of Russia's Yukos because of the political and legal risks involved. Media reports in Italy and Russia have speculated that Eni is plotting a joint bid for a controlling stake in Yukos' main production unit, Yugansk, in conjunction with Russia's Gazprom. However sources said such a deal is not currently under serious consideration. Meanwhile, Russia's OAO Lukoil Holdings is not considering buying Yuganskneftegaz.

Kuwait's Heavy Engineering and Shipbuilding Co has signed an $81 million deal to upgrade facilities at a state oil company. The deal includes adding a unit in gathering center 27 and modernizing a water injection plant in the al-Manaqeesh oilfield.

Market Commentary

The NYMEX crude market settled in positive territory after the market erased its earlier losses ahead of the long Thanksgiving holiday weekend. The market opened at 48.60, down 34 cents and traded mostly sideways ahead of the release of the weekly inventory reports. The January crude contract which traded to a high of 49.00 quickly sold off to a low of 47.80 amid the weakness in the product markets after the inventory reports showed larger than expected builds in product stocks. The crude market however bounced off that level and retraced its losses as the natural gas market rallied following the release of the natural gas inventory report showing a surprising draw of 49 bcf. The crude market breached its resistance at 49.00 and traded to a high of 49.25, where it found further resistance. However the market quickly breached that level ahead of the close as the continuing rally in the natural gas market prompted further buying in the oil market. It traded to a high of 49.60 and settled up 38 cents at 49.32. Volume was good with over 172,000 lots booked on the day. Open interest in the crude market built by a total of 11,083 lots to 692,591 lots with the majority of the builds seen in the February through May contracts amid the market's rally head of the close on Tuesday. The heating oil market also settled in positive territory after it too pared its losses amid the strength in the natural gas market, which was also supported by the private weather forecast calling for a colder than normal winter this year. The market opened down 88 points and traded to 145.50 ahead of the weekly petroleum stock reports. However the market quickly sold off to a low of 140.50 amid the builds seen in product stocks. The market however bounced off that level and traded to a high of 146.20 ahead of the close. It settled up 58 points at 145.16. Unlike the crude and heating oil markets, the gasoline market settled down 1.06 cents at 129.57. It traded to a low of 126.40 in light of the builds seen in gasoline stocks. However the market also bounced off its low and retraced its losses. the market rallied to a high of 130.50 but gave up some of its gains on the close. Volumes in the product markets were good with 54,000 lots traded in the heating oil market and 47,000 lots in the gasoline market.

The crude market is seen retracing some of its gains barring any bullish news over the weekend. The market will likely give up some of its gains after it was mostly supported ahead of the weekend as traders covered their short positions while the strength in the natural gas market also provided some further support. The oil market is seen finding initial resistance at its high of 49.60 followed by 50.00 and 50.25. More distant resistance is seen at 50.40. Meanwhile, support is seen at 47.80 followed by its previous low of 46.75.

Technical Analysis

		Levels	Explanation
		50.40, 50.85, 51.00	50% retracement (55.30 and 45.50), Previous highs
	Resistance	49.60, 50.00, 50.25	Wednesday's high, Tuesday's high
CL	49.44, up 50 cents		
	Support	47.80	Wednesday's low
		46.75	Previous low
		148.30, 148.80, 149.20	Previous highs
	Resistance	146.20	Wednesday's high
HO	145.16, up 58 points		
	Support	140.50	Wednesday's low
		138.50	Previous low
		134.20, 135.53, 136.00	Previous high, 62% (144.70 and 120.70), Previous high
	Resistance	130.50	Wednesday's high
HU	129.57, down 1.06 cents		
	Support	126.40	Wednesday's low
		124.30	Previous low