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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 2, 2005

OPEC and European Union representatives met in Vienna to discuss ways of keeping oil prices in check. OPEC's President Sheikh Ahmad al-Fahd al-Sabah said he wanted OPEC to continue pumping at full capacity to moderate prices and told EU officials that consumer states must do their of building refineries and cutting oil taxes. OPEC's President said a shortage of refineries to produce gasoline and other fuels was to blame for the price spike. He also blamed the financial markets that trade oil. He also stated that other OPEC members support keeping production unchanged when the group meets on December 12. However he said OPEC had yet to decide if it would continue to offer an additional 2 million bpd of spare capacity to the market. OPEC's President stated that oil prices would remain above $40/barrel through the next quarter as OPEC maintains its production. He said the price of oil would never go below $40-$45/barrel in the next quarter.

Market Watch

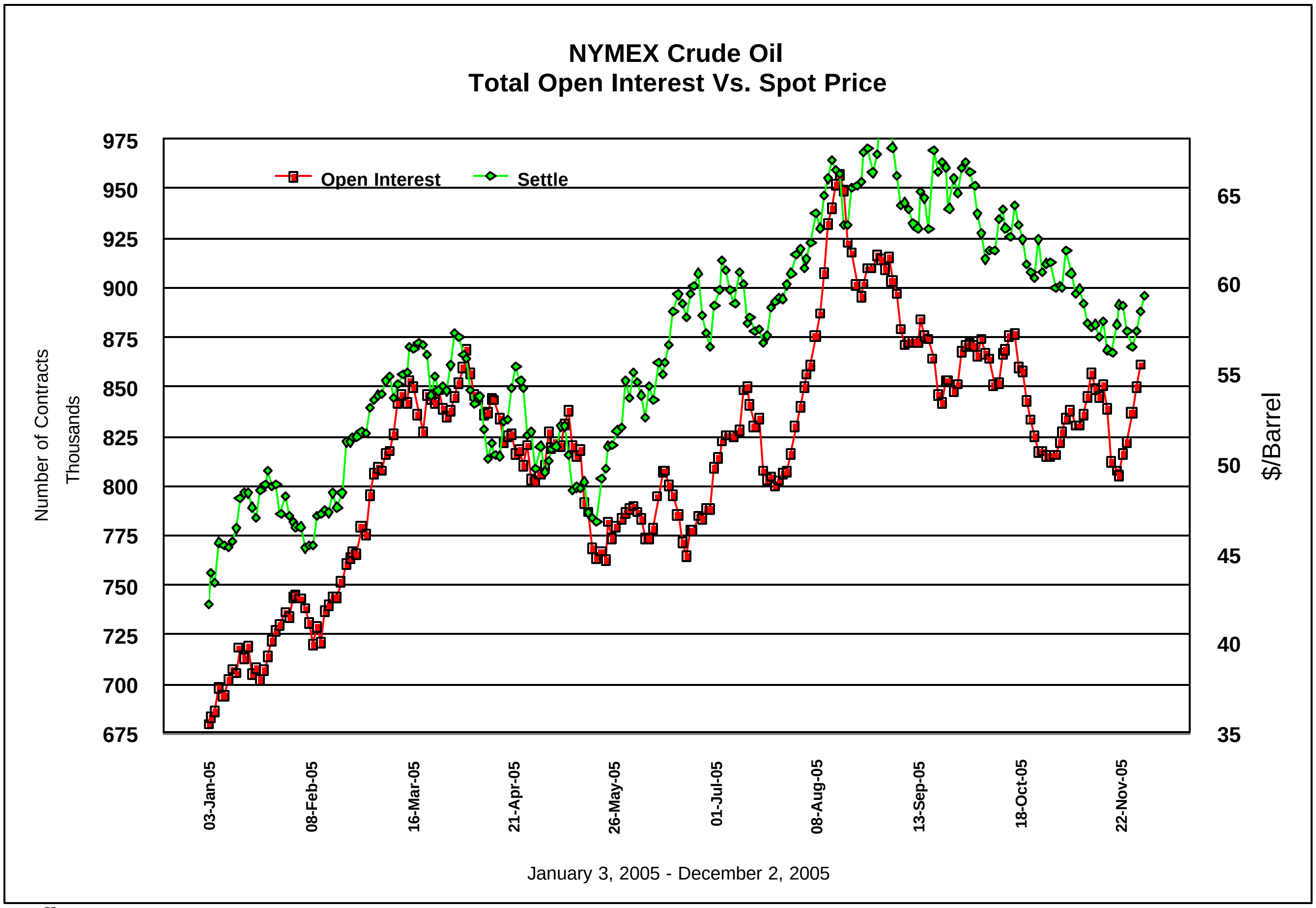
Analysts stated that signals from OPEC that it would comfortable with higher oil stock levels reinforce the view that OPEC is unlikely to cut output when it meets December 12.

Singapore is expected to make a decision by the middle of next year on whether to build a large underground oil storage facility. The storage would most likely be used for commercial purposes. Singapore currently has about 88 million barrels of oil tank storage. It said about 55-60% of the added capacity would store fuel oil with the rest slated for clean fuels, such as diesel, jet fuel, gasoline and naphtha.

The Kurdistan Democratic Party last year signed a deal with Norway's DNO to drill for oil near the border city of Zakho. Drilling started on Tuesday without the approval of the central government, raising a potentially explosive issue at a time of heightened ethnic and sectarian tensions. In Baghdad, political leaders were surprised by the deal. Iraq's Sunni Arab minority fear a disintegration of Iraq into separate ethnic and religious regions, if they begin to have energy deals with foreign countries and governments. Iraq's neighbors also fear the possibility of Iraqi Kurds using revenue generated by oil to fund an independent state that may lead Kurds in Turkey, Iran and Syria to revolt.

The head of the EIA, Guy Caruso, said heating oil and diesel fuel prices are expected to remain high as refineries that make the products struggle to start operating again following hurricanes Katrina and Rita. He expects the premium to continue over the next few months.

White House economic adviser Al Hubbard said President George W. Bush believes that gasoline prices are still too high even though they have fall from record highs. The US retail price of regular gasoline fell to an average of $2.15/gallon, the lowest level since late June.



Refinery News

Valero Energy Corp is estimating higher than normal emissions in a section of its Port Arthur, Texas refinery. A leak is suspected based on emissions that started Wednesday at a cooling tower associated with the catalytic reforming unit.

Production News

The MMS reported little improvement in the amount of crude production still shut in the Gulf of Mexico. It reported that a total of 539,074 bpd of crude production remained shut in on Friday, down from 547,074 bpd on Thursday.

Louisiana's Department of Natural Resources stated that onshore crude oil production in southern Louisiana reached 114,014 bpd or 56.1% of the region's capacity.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 31 to 1,460 in the week ending December 2. It reported that the number of rigs searching for oil fell by 11 to 264 on the week.

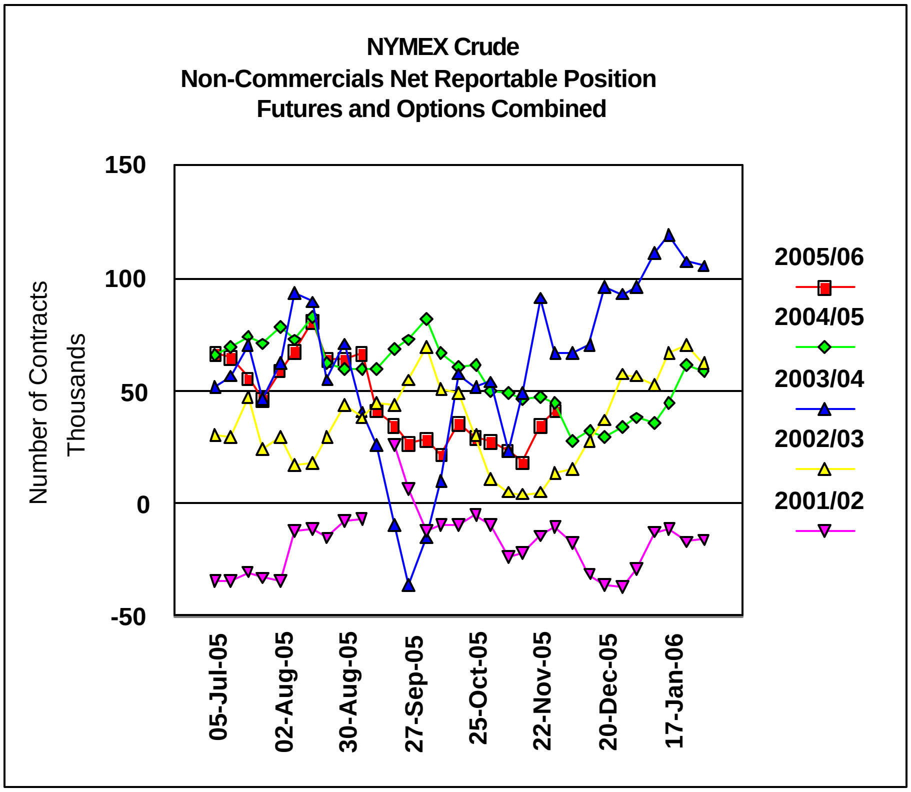
Traders stated that European gas oil stocks held in independent Amsterdam-Rotterdam-Antwerp storage tanks increased as price contango and logistical problems encouraged traders to store the product. Gas oil stocks increased by 35,000 tons to 2.095 million tons in the week ending December 2. Gasoline stocks increased by 110,000 tons to 720,000 tons while naphtha stocks increased by 5,000 tons to 65,000 tons on the week. However fuel oil stocks fell by 40,000 tons to 550,000 tons while jet fuel stocks also fell by 45,000 tons to 370,000 tons on the week.

Shipping agents stated that delays for oil tankers transiting the Turkish Straits increased by 15 days for a round trip on Friday. The shipping agents estimated 24 oil tankers were waiting to pass north to pick up cargoes from the Black Sea and 27 oil and gas tankers waiting to pass south again through the Dardanelles and Bosphorus. Agents stated that increased oil demand ahead of the winter and shorter daylight hours have added to the congestion.

Russia's oil production in November was relatively unchanged on the month at 9.63 million bpd. Meanwhile Russia's news agency Prime-Tass reported that Russia's crude exports outside of the former Soviet Union in November was 19.19 million tons or 4.68 million bpd, up 12% on the year. Russia's Baltic Sea port of Primorsk loaded 4.83 million tons while the Black Sea port of Novorosssiisk increased its exports in November to 4.24 million tons from 4.22 million tons the previous month. Crude exports to Lithuania for Mazeikiu Nafta increased in November to 768,200 tons from 649,400 tons in October. The Druzhba pipeline to central Europe also increased its loadings to 5.793 million tons in November.

Crude supplies to Russian refineries fell by 1.2% on the year to 17.438 million tons in November. Oil supplies to Gazprom's refineries amounted to 572,200 tons in October.

The Caspian Pipeline Consortium, pumping oil from Kazakhstan to the Black Sea, said its exports in November increased to an all time high due to good weather. Its crude shipments increased to 2.8 million tons in November or 733,000 bpd compared with 2.5 million tons or 630,000 bpd in October.



Crude oil supplies to Ukrainian refineries fell by 27.17% on the year to 16.069 million tons in January-November. In November, oil supplies to refineries amounted to 1.012 million tons, down 48.2% on the year and 20.1% on the month.

Russia's TNK-BP and the Lithuanian government are closer to an agreement over the company's bid for control of the Mazeikiu Nafta refinery. TNK-BP is hoping to purchase Yukos' 53.7% stake in the refinery. However the Lithuanian government has received offers from various other companies.

A senior government official in India stated that India's crude oil imports in October fell by 2.9% on the year to 7.77 million tons.

Ecuador's central bank reported that the country exported 702,000 barrels of oil product in September, down 52% from 1.46 million barrels last year. Its oil product exports revenue in September totaled $32.03 million, down 25% on the year.

OPEC's news agency reported that OPEC's basket of crudes increased by $1.02/barrel to $50.71/barrel on Thursday from $49.69/barrel on Wednesday.

Market Commentary

The oil market continued to trend higher amid the strength in the product markets. The markets remained supported amid the increased product demand as seen in the recent DOE and API reports as well as the supportive weather forecasts calling for colder than normal temperatures for the next two weeks. The crude market opened up 33 cents at 58.80 and posted its intraday low of 58.50 within the first hour of trading. However the market bounced off its low and never looked back as it remained well supported by the strength in the product markets. The market extended its gains to over $1 as it backfilled a gap from 59.10 to 59.50 and posted a high of 59.55 ahead of the close. The January crude contract settled up 85 cents at 59.32. Volume in the crude was excellent with over 222,000 lots booked on the day. Open interest in the crude market built by a further 11,631 contracts as of Thursday, increasing the total build in open interest the past few trading sessions to over 55,000 contracts as new longs have come into the market. Meanwhile, the product markets settled sharply higher once again, with the heating oil market settling up 3.33 cents at 177.20 and the gasoline market settling up 4.87 cents at 161.13. The heating oil market gapped higher from 174.50 to 176.25 but quickly backfilled it as it traded to a low of 174.25. The market later bounced off its low and rallied over 5 cents. It backfilled a previous gap from 177.50 to 178.50 and rallied to a high of 179.00 while the natural gas market rallied over 90 cents ahead of the close. This was amid the weather forecasts. The gasoline market, which also gapped higher from 157.20 to 157.50 on the opening, backfilled its gap before it rallied to its high of 161.85 ahead of the close. It is interesting to note that the gasoline market has been leading the complex higher in the last few trading sessions. Volumes in the product markets were good with over 48,000 lots booked in the heating oil and 54,000 lots booked in the gasoline market.

Technical Analysis			
		Levels	**Explanation**
		60.40, 61.25 to 61.40	Basis trendline, Remaining gap
	Resistance	59.55	Friday's high
CL	59.32, up 85 cents		
	Support	59.00, 58.75	
		58.50, 57.10	Friday's low, Previous low
		182.00, 183.50	Double top, Previous high
	Resistance	179.00	Friday's high
HO	177.20, up 3.33 cents		
	Support	175.75, 175.00	
		174.25, 170.00, 168.25	Friday's low, Previous low
		164.80, 167.00, 168.00	Previous highs
	Resistance	161.85	Friday's high
HU	161.13, up 4.87 cents		
	Support	160.00, 159.00	
		156.85, 155.34, 153.33	Friday's low, 38% and 50% retracement (144.80 and 161.85)

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net short position by just 709 contracts to 43,773 contracts in the week ending November 29th. The combined futures and options report however showed that non-commercials continued to increase their net long positions by 6,374 contracts to 41,593 contracts on the week. Given the builds in open interest over the past few days, non-commercials have increased their net long positions. Meanwhile, non-commercials in the heating oil market cut their net short position by 1,156 contracts to 5,111 contracts while non-commercials in the gasoline market cut their net long positions by 3,605 contracts to 17,706 contracts on the week.

The oil market may retrace some of its sharp gains next week, however its losses are seen limited. It will likely attempt to breach its resistance, basis its downward trend channel, as its stochastics are still trending higher. The market will remain supported as long as the product markets hold onto their gains. Technically, the crude market is seen finding support at 59.00, 58.75 followed by its lows of 58.50 and 57.10. Meanwhile resistance is seen at 59.55 followed by 60.40 and its gap from 61.25 to 61.40.