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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 3, 2004

OPEC's President Purnomo Yusgiantoro said he was not concerned by this week's fall in oil prices. He said he expected OPEC to keep its quota steady at its current official output limits when it meets next week. When asked whether the price fall may prompt OPEC into cutting its official production ceiling at 27 million bpd, he stated that currently he did not see that. He also stated that he believed OPEC's basket of crudes should be priced between $28 and $32/barrel.

A senior OPEC delegate said OPEC cannot rule out cutting oil production if oil prices fall further before the producer group meets next Friday. Falling prices have introduced uncertainty ahead of the meeting. Meanwhile, a senior official from Venezuela's OPEC delegation said OPEC will study the possibility of production

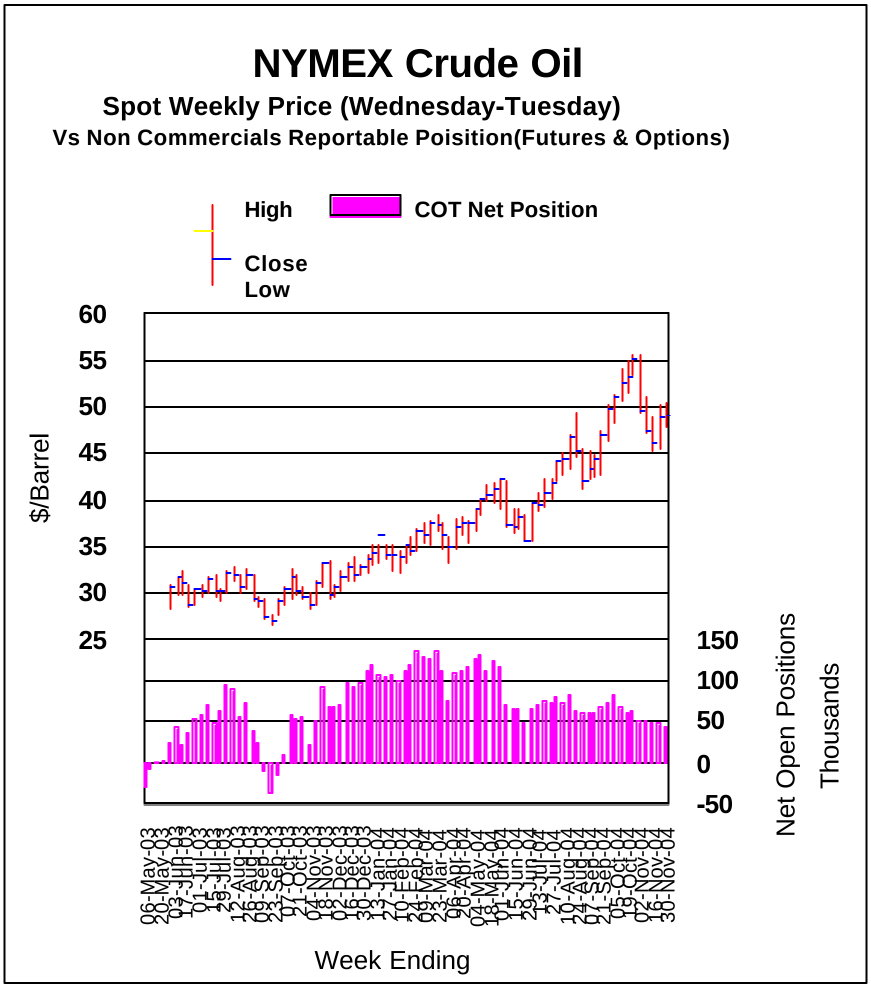
Market Watch

Analysts stated that a repeat of the market conditions that led to fears of a US gasoline supply crunch this year is unlikely to occur in 2005. They stated that the chances of having a tight Atlantic Basin gasoline market in the first and second quarter of 2005 are much lower than in 2004. US gasoline stocks are building even though refiners are currently maximizing distillate production at the expense of gasoline to build winter heating oil stocks and meet strong growth in diesel consumption.

The head of Pemex, Luis Ramirez, said that he does not think the price of Mexico's crude oil will reach its $27/barrel target next year. He said Pemex expects its crude exports next year to average between $20 and $24/barrel. Next year's budget calls for Pemex to produce 3.44 million bpd of crude oil next year of which it would export about 1.9 million bpd.

Singapore Petroleum Co Ltd said it had stopped supplying jet fuel to China Aviation Oil Singapore since December 1. SPC said CAO also owed it $15.3 million for a cargo of jet fuel, adding that it would make adequate provisions. Separately, Platts reported that CAO suffered losses of $550 million at the end of November due to a series of risky trades that were originally designed to save the company from a loss of $5.8 million in the first quarter of the year. The company kept moving back its trade positions and enlarging the volume in the hope that the oil market would trend downwards. By October 2004, CAO was holding positions on trades involving 52 million barrels of oil as oil prices reached its highs. Amid its worsening cash position, the company started to close out its positions and by November 25, its realized losses reached about $318 million. The company exited speculative derivatives trading by November 30.

The US Labor Department announced that US employers added 112,000 workers in November, fewer than even the lowest forecast and a sign that increased costs for oil and raw materials made companies reluctant to hire. The jobless rate fell to 5.4% from 5.5%.



cuts at its meeting next week. He said OPEC delegates will discuss the current price fall at a market monitoring committee meeting leading up to the formal OPEC meeting.

OPEC's news agency reported that OPEC's basket of crudes fell to $35.42/barrel on Thursday from $38.03/barrel on Wednesday.

IEA chief economist Fatih Birol urged OPEC to keep pumping at current levels to meet demand. He also stated that prices will continue to fall in 2005.

According to a Dow Jones survey, total OPEC production in November stood at 30.12 million bpd, up from 29.84 million bpd in October. It reported that Iraq's production fell to 2.05 million bpd from 2.33 million bpd due to sabotage.

The Pilots' Association for the Bay & River Delaware said almost 90% of the oil traffic is back to normal following days of intense oil spill cleanup on the Delaware River.

Refinery News

Alon USA will perform planned maintenance on a sulfur recovery unit at its 61,000 bpd refinery in Big Spring, Texas later this month.

Sunoco Corp said it continues to run its 330,000 bpd Philadelphia refinery at about half its normal rate. It however stated that it is taking in about 2 million barrels of crude oil at the refinery. A source did not know when processing rates would be increased but suggested the refinery would probably return to normal rates soon.

PDVSA's refineries in Venezuela are diverting some cargoes to Curacao's La Isla refinery instead of exports to make up a shortfall following the November 18 fire and blackout. Sources stated that refinery is scheduled to receive 2 shipments this weekend of reformulated and unleaded gasoline.

Production News

Baker Hughes reported that the number of rigs searching for oil and gas in the US fell by 6 to 1,245 in the week ending December 3rd. The number of rigs searching for oil fell by 4 on the week to 173 while the number of rigs searching for gas fell by 2 to 1,070.

Norway's Statoil said the 130,000 bpd Snorre A platform and 75,000 bpd Vigdis field remained shut on Friday amid ongoing repairs. Oil safety authorities said it may take days before even a limited restart of production could be allowed. Trade sources said the outage would cause delays to December cargoes of Statfjord and Gullfak.

Norway's Oil and Energy Minister Thorhild Widvey said Norway expects oil and gas companies to file plans for seven new offshore projects containing over 250 million barrels of oil and 40 billion cubic meters of gas by mid-2005. The Ministry stated that the total estimated resources in the seven projects could trigger investments of about 25 billion Norwegian crowns or $4.09 billion.

Russia's main Black Sea port of Novorossissk was shut on Friday following gale warnings and strong winds.

Russia's Natural Resources Minister Yuri Trutnev said the threat of license withdrawal hanging over Yukos' Yuganskneftegaz is likely to be lifted if it is sold at auction this month. Meanwhile, Yukos lost an appeal against the sale of its Yuganskneftegaz unit. In its appeal, Yukos argued that tax officials could raise the money in other ways than selling its production unit.

Separately, Russia's President Vladimir Putin welcomed possible bids by Indian firms for the assets of Russia's Yukos. India's Oil and Natural Gas Corp has said it is keen to bid for Yukos' assets.

Russia's state railways plans to rebalance its traffic next year by encouraging more cargoes to be exported via land borders and by reducing shipments via major ports. A spokeswoman for the company said it is entitled to increase prices by 8-8.5% next year. However it wants the government to allow it to increase tariffs by 12% on destinations to major Russian ports and keep prices unchanged on inland destinations.

Traders stated that oil traders who purchase Nigerian crude from the government are threatening not to lift any January barrels in response to steep official prices in December. Nigeria set its Bonny Light and Qua Iboe official selling price at Dated Brent-Forties-Oseberg plus two cents for December and Forcados at Dated flat. Dealers said it was too early to say whether traders will carry out their threats. Nigeria's National Petroleum Corp said it has yet to be officially informed of a possible boycott of its Nigerian January loading crude program.

Nigeria's President Olusegun Obasanjo said Nigeria wants to increase its crude production capacity to 4 million bpd from its current capacity of 2.8 million bpd.

Kazakhstan's Kazmunaigaz said its crude oil output will increase 6.2% in 2005 to an average of 187,000 bpd.

Market Commentary

The oil market continued its downward trend for the fourth consecutive trading session as it gapped lower from 43.25 to 42.53 in follow through selling seen on Access. The market was further pressured as the US Labor Department reported weak US job data. It sold off to its intraday low of 42.05, the lowest level seen since mid-September. However the market bounced off that level and backfilled its gap as it posted its high of 43.60 within the first hour of trading. The market later erased some of its gains and traded sideways during the remainder of the session. It settled relatively unchanged from its opening at 42.54, down 71 cents. It is the lowest settlement since September 10th when it settled at 42.00. Volume in the crude market was excellent with over 209,000 lots booked on the day. Open interest in the crude market built by 3,398 contracts to 692,132 contracts, with open interest in the January contract falling by 6,828 contracts while the February and March contracts built by 5,419 contracts and 3,712 contracts, respectively. Meanwhile, the heating oil market also settled down 2.13 cents at 123.59 after it gapped lower on the opening from 124.75 to 123.50 amid the continuing sell on prompted earlier in the week by the builds in distillate stocks and the mild weather forecasts. It also posted the day's trading range within the first hour of trading as it sold off to a low of 122.00 and backfilled its gap as it traded to a high of 126.50. Similar to the crude market, the heating oil market remained rangebound during the remainder of the session as it held good resistance at 126.00. It too ended near its opening price level. The gasoline market gapped down from 112.75 to 112.40 and quickly posted the day's range from a low of 111.30 to a high of 115.45. It later traded in a range from 112.80 to 114.90. Volumes in the product markets were moderate with 47,000 lots booked in the heating oil and 34,000 lots booked in the gasoline market.

The Commitment of Traders report was non-eventful as it reported that non-commercials increased their net long positions by 62 contracts to 5,815 contracts in the week ending November 30th. However the combined futures and options report showed that non-commercials in the crude market cut their net long positions by 2,612 contracts to 44,778 contracts on the week. Given the market's sharp sell off in the last few trading sessions, non-commercials have reversed their position to net short. Non-commercials in the heating oil market increased their net short position slightly from 10,139 contracts to 10,427 contracts on the week. Meanwhile non-commercials in the gasoline market cut their net long position from 11,418 contracts to 10,639 contracts.

The oil market on Monday is seen retracing some of its losses after it found support at its low of 42.05 and ended the session near it opening price level during today's session. Technically, however the market is still seen trending lower as its stochastics still have room to the downside. The market is seen finding support at its low of 42.05 followed by 41.95 and 41.65. More distant support is seen at 40.55. Meanwhile resistance is seen at 43.35 followed by its high of 43.60. More distant resistance is seen at 44.60 followed by 45.35.

Technical Analysis			
		Levels	**Explanation**
		44.60 to 45.35	Backfills gap
	Resistance	43.35, 43.60	Friday's high
CL	42.54, down 71 cents		
	Support	42.05	Friday's low
		41.95, 41.65, 40.55	Previous lows, Basis trendline
		130.50 to 132.20	Backfills gap
	Resistance	126.50	Friday's high
HO	123.59, down 2.13 cents		
	Support	122.00	Friday's low
		120.00	Previous low
		118.00 to 119.60	Backfills gap
	Resistance	115.45	Friday's high
HU	113.49, down 65 points		
	Support	111.30	Friday's low
		110.40	Previous low