Industry Survey

GLOBAL OIL & GAS

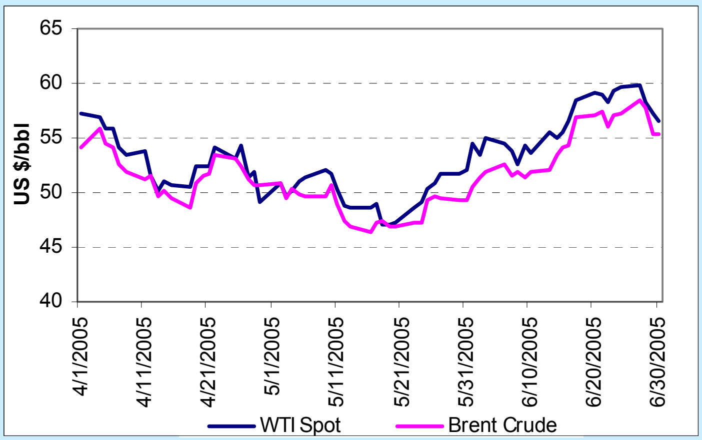
Quarterly Update (April-June 2005)

CONTENTS

1. OVERVIEW

Oil prices scaled new highs in the second quarter ended June 30, 2005. On June 27th 2005, the price of near-month delivery of West Texas Intermediate (WTI) crude on the New York Mercantile Exchange (NYMEX) crossed the US$60-a-barrel mark for the first time since the launch of the contract in 1983.

Chart 1: Crude oil prices touch record highs



Data: eia.doe.gov Chart: Cygnus Research

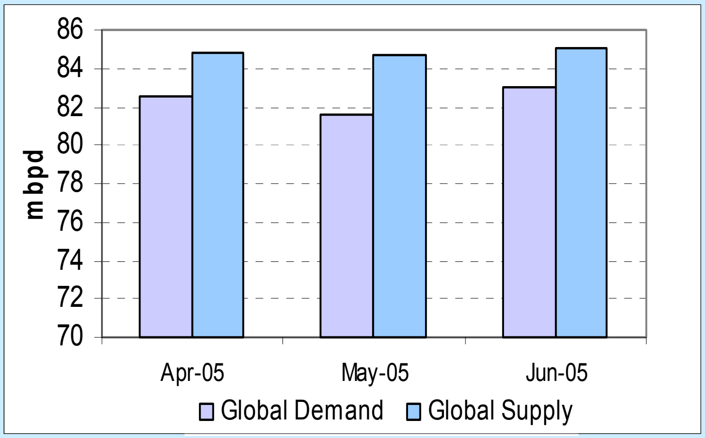
Crude prices remained in the high 50s for most of the quarter despite a surplus in the average daily oil supply (see chart 1). Tropical storms in the Gulf of Mexico, toward the end of June affected the oil markets.

Global petroleum inventories grew at a higher than average rate of 2.5m barrels per day (bpd) during the second quarter of 2005. However, the sharp hike in inventories did not push crude oil prices down. The reasons why prices have not fallen despite the biggest surplus in the last seven years are steady growth in demand, speculation and declining spare capacity.

Oil supply outpaced demand in the second quarter of 2005. The global demand for oil grew at a year-on-year (yoy) rate of 1.1% in the second quarter of 2005 as compared to a yoy growth rate of 2% in the first quarter of 2005. Consequently, a gap opened up between demand and supply. In April, for instance, the supply exceeded demand by

2.3m bpd. The gap between supply and demand increased to 3m bpd in May, but narrowed down to 2m bpd in June (see chart 2).

Chart 2: Supply outpacing demand



Source: Cygnus Research

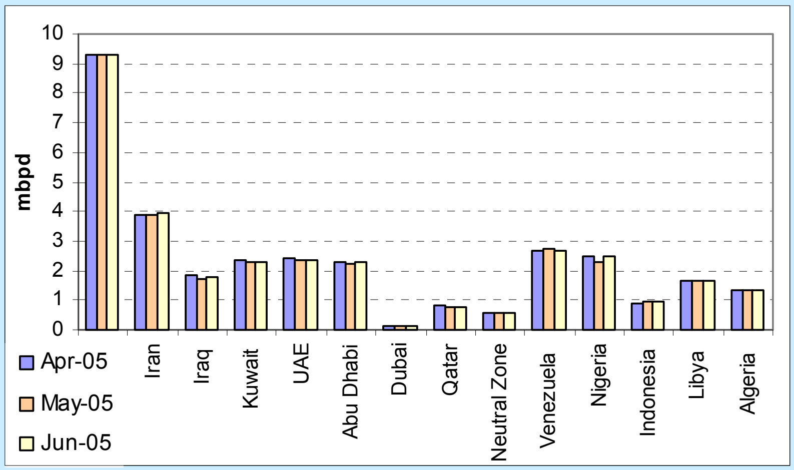
Oil consumption in China, which has driven global demand in recent times, has declined by nearly 0.5% yoy in the second quarter of 2005 after the Chinese government took steps to reduce oil consumption. Oil consumption in India, another key driver of global demand, was down 2% yoy in the second quarter of 2005. By contrast, oil consumption in countries such as Japan, South Korea and Thailand increased in the second quarter of 2005.

Meanwhile, the USA, which accounts for a quarter of the global oil consumption, reported a 0.3%-fall in demand in the second quarter of 2005. Canada is also estimated to have witnessed about 3%-fall yoy in demand in the second quarter of 2005.

The oil consumption in the European countries belonging to the Organisation for Economic Cooperation and Development (OECD) grew by more than 2% in the second quarter ended June 30, 2005. The oil consumption in European Union-15 (before enlargement) grew by 1.6% during the quarter under discussion.

The production of Organisation of Petroleum Exporting Countries (OPEC) increased in the second quarter of 2005. The average OPEC output totalled 30m bpd in the second quarter of 2005, up from 29.7m bpd in the first quarter of 2005 (see chart 3). The hike in OPEC production was driven by production increases in Nigeria and Saudi Arabia. The average non-OPEC production, meanwhile, rose marginally from 48.2m bpd in the first quarter of 2005 to 48.6m bpd in the second quarter of 2005.

Chart 3: OPEC's production



Source: Cygnus Research

BP overtook ExxonMobil in the second quarter of 2005 to become the largest public-listed producer of oil and gas in the world. BP's production averaged 4.11m barrels of oil equivalent (boe) per day as compared to ExxonMobil's 3.91m boe per day. Most leading players reported good results for the second quarter of 2005 owing to high oil prices and strong refining margins. Integrated oil and gas companies such as Exxon Mobil, BP, Royal Dutch Shell, Chevron Corporation and Conoco Phillips reported strong top-line growth for the quarter ended June 30, 2005. The bottom-line of major players, excluding Chevron, went up. Chevron, however, reported a 10%-dip in net profit for the second quarter of 2005 due to downtime for maintenance and repairs at two of its refineries.

On the regulatory front, the issue of allowing exploration and production in Artic National Wildlife Reserve was in the limelight as the US government sought ways of reducing dependence on foreign oil.

For a brief period, the dramatic late bid of China National Offshore Oil Company (CNOOC) for Unocal took centre stage in the USA. CNOOC's bid came at time when Chevron was close to taking over Unocal. It kicked off a heated political debate in the USA. However, the much-anticipated bidding war for Unocal did not materialise as CNOOC withdrew its offer due to stiff political opposition, largely motivated by national security concerns. In another significant event, Royal Dutch and Shell Transport Company were merged to form a new entity: Royal Dutch Shell.

In a recent report, the International Energy Agency (IEA) revised its world oil demand forecast for 2005 downwards due to a slowdown in China and the USA—the two leading consumers of energy.

2. MAJOR MARKETS

2.1 North America

The real gross domestic product (GDP) of the USA grew at a lower rate of 3.4% in the second quarter of 2005 as compared to a 3.8%-growth in the first quarter of 2005. This slowdown is attributed to the paring down of inventories by businesses. A 1.7%-fall in consumer credit in May following a 0.7%-growth in April caused concern, but a decline of US$44 billion in the trade balance in the second quarter of 2005 owing to a 12%-jump in export and a 2%-fall in imports raised hopes. The decline in trade balance has occurred after a gap of two years. The Canadian economy also slowed down, with the yoy growth in the second quarter estimated at about 2.5 %, about 90 basis points below the USA.

Following the slowdown in economy, oil consumption in the USA fell by an estimated 0.3% to 20.5m bpd in the second quarter of 2005. In Canada, oil consumption declined by 3.1% to 2.2m bpd in the second quarter of 2005. The preliminary data for May, 2005 indicates that demand for gas oil was strong in the USA and Canada, while demand for gasoline was comparatively lower in both countries.

The domestic crude oil production accounts for only 27% of demand in the USA. During the second quarter of 2005, the domestic crude production is estimated to have touched 5.57m bpd. The shortfall in supply was met through imports. According to Energy Information Administration (EIA), the top sources of US crude oil imports for May include: Mexico (1.75m bpd), Canada (1.72m bpd), Saudi Arabia (1.43m bpd), Venezuela (1.27m bpd), and Nigeria (1.11m bpd).

The North American upstream segment saw heightened M&A activity in recent times with integrated oil and gas companies such as Chevron rushing to acquire new assets.

In the USA, natural gas consumption totalled 1,751 billion cubic feet (bcf) and 1,626bcf respectively in April and May 2005. In US the Henry Hub natural gas spot price averaged US$7.36 per thousand cubic feet (mcf) in April 2005, fell to US$6.66

per mcf in May, then rebounded to US$7.40 in June 2005 as hot weather in the East and Southwest increased natural gas-fired electricity generation for cooling demand.

2.2 Europe

The GDP growth in major European economies excluding Germany remained sluggish in the second quarter. The closely-watched German IFO index, which measures Business sentiment, rose to a five-month high of 95 in July. However, the indices for sectors such as manufacturing, construction, wholesale trade, etc., have slumped.

In EU-15, oil consumption increased by an estimated 1.6% to an average 13.3m bpd in the second quarter of 2005 as compared to corresponding figure of the previous year. The average oil consumption of European countries belonging to the Organization for Economic Co-operation and Development (OECD) grew 2.1% to 15.5m bpd in the second quarter of 2005.

The preliminary data for May 2005 indicates that the demand for gas oil grew at a robust rate in France, Germany, Italy and UK. The demand for gasoline was relatively sluggish in May 2005, with Italy and UK posting declines. In UK oil production fell 1.4 percent month on month during the month of May 2005, to 1.72m bpd, and 3 percent yoy. Gas production fell 7.5 percent month on month to 9,549 million cubic feet daily in May but it was up 3.5 percent on a yoy basis.

Russia, a major producer and exporter of oil, is estimated to have produced about 9.11m bpd in the quarter ended June 30, 2005. Energy resources exercise heavy influence over Russian economy.

2.3 Japan

The real GDP growth in the first quarter of fiscal 2005-06 has slumped to 0.9%, following a brisk growth of 2.4% in the fourth quarter of previous fiscal. The industrial production fell to 0.1% during June on a month-on-month (MoM) basis while consumer prices declined by 0.1% MoM basis.

In Japan, oil consumption grew at an estimated 0.2% in the first quarter of fiscal 2005-06 to 4.9m bpd as compared to the corresponding figure of pervious fiscal. The preliminary data for May, 2005 indicates that demand for gasoline and gas oil was lower while the demand for fuel oil was higher.

2.4 China

China's economy surged 9.5% in the second quarter of 2005, according to National Bureau of Statistics of China, despite efforts to slowdown growth.

Oil consumption in China slowed down by 0.5% in the second quarter of 2005 to 6.26m bpd as compared to the corresponding period previous year. Oil consumption in China has slowed down in recent times due to government policies, aimed at reducing petroleum consumption. According to National Bureau of Statistics of China, domestic oil production touched 3.7m bpd in the second quarter of 2005.

China is expected to complete the first phase of a new strategic oil reserve by the end of the year, according to official sources. The crude oil for the strategic oil reserve will come from domestic sources. The initial reserve will be set up in Jiangsu province. In a bid to fulfil WTO commitments, China plans to open up its petroleum and refined oil market by the end of 2006.

To meet its growing oil needs, China's state-owned oil companies have started buying stakes in overseas oil assets. For example, Sinopec has agreed to purchase a 40%-stake in Canada's Northern Lights oil sands project, located in Canada's oil rich Alberta Province.

2.5 India

In a recent report, the Reserve Bank of India (RBI) issued the first quarter review of its Annual Policy statements for the fiscal 2005-06. RBI, in its Annual Policy Statements, said Indian economy will grow by 7% in the fiscal year ending March 31, 2006. In April-May 2005 period, industrial production was buoyant and broad-based, with growth accelerating in the manufacturing sector. Lead indicators point to robust performance in the services sector in first quarter of fiscal 2005-06.

Oil consumption in India slowed down by 2% in the first quarter of fiscal 2005-06 as compared to the corresponding period of previous fiscal. The average oil consumption totalled 2.5m bpd in the first quarter of fiscal 2005-06 while the average crude oil production amounted to 0.69m bpd. During the quarter ended June 30, 2005, according to the Ministry of Petroleum & Natural Gas, the total refinery capacity utilization fell to 96.4% as compared to 101.4% in the corresponding period of the previous year. Crude oil imports by India during the period April-May 2005 is estimated to be in the region of 19.38 million tons (about 142 million barrels) as compared to 16.08 million tons (about 118 million barrels) in the same period of the previous year.

The natural gas production in India totalled 7.98 billion cubic metres for the quarter ended June 30, 2005, up 2.7% yoy. To meet the growing demand for natural gas, India has concluded a US$22-billion liquefied natural gas (LNG) deal with Iran in the quarter under review. Under the terms of the deal, Iran will supply 4m tonnes of LNG (250bcf of re-gasified natural gas) per year to India for 25 years, starting in 2009.

3. MAJOR PLAYERS

Most oil and gas companies, excluding Chevron, reported good quarterly results owing to high oil prices and strong refining margins. The performance of major oil and gas companies is summarized in Table 1.

Table 1. Quarterly Results of Major Players (All figures in billion except share data)

Company	Revenues			Net Profit/(Loss)			Market Capitalization	EPS
	Q2 2005	Q2 2004	% growth	Q2 2005	Q2 2004	% growth	30/06/05	Q2 2005
ExxonMobil (US$)	88.57	70.69	25.3	7.64	5.79	32.0	365.84	1.20
Chevron Corporation (US$)	47.25	36.58	29.2	3.68	4.12	-10.7	117.32	1.76
BP (US$)	86.82	70.31	23.5	5.66	4.38	29.2	--	0.26
Total (€)	33.07	29.13	13.5	2.91	2.19	32.9	--	4.92
ENI (€)	15.84	12.54	26.3	1.90	1.36	39.1	--	N.A
ConocoPhillips (US$)	42.61	31.89	33.6	3.14	2.08	51.0	79.51	2.25
Repsol (€)	12.34	9.95	24.0	0.81	0.70	15.0	--	0.66
Royal Dutch/Shell (US$)	82.64	62.13	33.0	5.24	3.90	34.4	--	0.78
Halliburton (US$)	5.16	4.95	4.2	0.39	-0.06	N.M	24.18	0.76
Plains All American Pipeline LP (US$)	7.16	5.13	39.6	0.06	0.04	74.6	2.93	0.74

Source: Company Press Releases, 10Q , N.M – Not Measurable , M.Cap of Home Stock Exchanges

3.1 ExxonMobil

ExxonMobil Corporation has reported record results for the second quarter ended June 30, 2005. The revenues for the second quarter of 2005 amounted to US$88.57 billion as compared to US$70.69 billion in the corresponding quarter of 2004, up 25.3% yoy. Net profit totalled US$7.64 billion (EPS: US$1.20 per share) in the second quarter of 2005, up 32% yoy.

For the first-half of 2005, revenues totalled US$170.62 billion as against US$138.30 billion in the first-half of 2004. The net profit touched US$15.50 billion in the first-half of 2005, up 38% over the first-half of 2004.

The net income from the *upstream* segment amounted to US$4.91 billion in the second quarter of 2005, up US$1.06 billion over the second quarter of 2004 reflecting strong crude and natural gas prices, partly offset by lower production levels. Liquids production of 2,466 thousands of barrels per day (kbd) was 115kbd lower than the second quarter of 2004. The second quarter natural gas production decreased to 8,686m cubic feet per day (mcfd), compared with 9,061mcfd last year.

The net income from the *downstream* segment totalled US$2.22 billion, up US$714m from the second quarter of 2004, reflecting superior refining margins and higher refinery throughput. Petroleum product sales touched 8,259kbd, 236kbd higher than the second quarter of 2004.

The net income of the *chemical* segment touched US$814m, up US$207m from the same quarter a year ago due to improved margins partly offset by lower volumes.

During the quarter under discussion, ExxonMobil bought back US$3.7-billion worth of shares including US$3.5 billion to reduce outstanding common stock. This is US$1 billion more than the US$2.5 billion used to buy back common shares in the first quarter of 2005

3.2 Chevron Corporation

Chevron Corporation (formerly ChevronTexaco) has reported revenues of US$47.25 billion in the second quarter of 2005, up US$10.67 billion from the second quarter of 2004. The revenues totalled US$87.69 billion for the first-half of 2005, up US$18 billion over first-half of 2004. The increase in both periods was driven by higher prices for crude oil, natural gas and refined products.

Chevron reported a net profit of US$3.68billion (EPS of US$1.76 per share, diluted) for the second quarter of 2005, compared with US$4.12 billion (EPS of US$1.94 per share, diluted) in the year-ago period. The net profit in the second quarter of 2004 included an extraordinary gain of US$0.6 billion from asset sales and a benefit of US$0.2 billion from a tax-law change for certain international operations.

For the first-half of 2005, the net profit totalled US$6.4 billion (EPS of US$3.04 per share, diluted), as compared toUS$6.7 billion (EPS ofUS$3.14 per share, diluted) in the first-half of 2004, which included US$0.8 billion of benefits for the effect of special items and the tax-law change.

In the *upstream* segment, US exploration and production income of US$972m in the second quarter of 2005 increased 2% from the 2004-period. The benefit to earnings from higher prices for crude oil and natural gas was largely offset by the effects of lower production of liquids and natural gas; and higher depreciation and depletion expense.

International exploration and production income of US$1.8 billion decreased from US$2 billion in the second quarter of 2004. The 2004-period included a special-item gain of US$585m for the sale of upstream assets in western Canada and a one-time benefit of US$208m related to a change in certain income tax law.

In the *downstream* segment, US refining, marketing and transportation's earnings of US$398m decreased US$119m from the second quarter of 2005 due to downtime for maintenance and repairs at two of its refineries. Average refined product margins for operations on the West Coast were also lower. International refining, marketing and transportation segment income increased US$51m in the 2005-quarter to US$578m.

The *Chemical* operations earned US$84m in the second quarter of 2005, up US$25m over the corresponding figure in 2004. The earnings of 50%-owned Chevron Phillips Chemical Company LLC affiliate increased primarily as a result of higher product margins for commodity chemicals although the earnings were partially offset by higher feedstock costs.

3.3 BP

BP has reported revenues of US$86.82 billion for the second quarter ended June 30, 2005 as compared to revenues of US$70.31 billion during the second quarter of 2004, up 23.5%. For the first-half of 2005, the revenues totalled US$165.82 billion as compared to US$138.78 billion in the corresponding period of 2004.

The net profit for the second quarter ended June 30, 2005 totalled US$5.66 billion as compared to US$4.38 billion in the corresponding quarter of 2004. The results during the quarter were impacted by a US$700m-charge related to the March 23rd blast at BP's Texas City refinery, which killed 15 people and injured scores of others. For the first-half of 2005, the net profit amounted to US$12.32 billion as against US$9.25 billion in the corresponding period of 2004.

In the *Exploration and Production* segment, the replacement cost profit before interest and tax for the second quarter of 2005 was US$5.90 billion, up 38% over the second quarter of 2004. This result benefited from higher realizations in both liquids and gas and higher volumes, partially offset by higher operating costs and revenue investments.

In the *Refining and Marketing* segment, the replacement cost profit before interest and tax for the second quarter of 2005 was US$1.29 billion as compared to US$1.67 billion for the equivalent period in 2004. The second quarter results reflect improved refining margins, lower retail marketing margins and a higher net charge for non-operating items. The second quarter results include the net charge related to the Texas Refinery.

In *Gas, Power and Renewables* segment, the replacement cost profit before interest and tax for the second quarter was US$174m, compared with US$189m a year ago. The second quarter result is lower than the same period in 2004 due to lower contribution from the gas marketing and natural gas liquids businesses.

In addition to dealing with the fallout of the Texas refinery incident, the company is also in the process of investigating the recent effect of Hurricane Dennis, which nearly capsized its Thunder Horse platform in the Gulf of Mexico. Initial reports suggest that there has been no damage to the sub-sea equipment.

3.4 Total

Total has reported revenues of €33.07 billion in the second quarter of 2005 in comparison with €29.13m in the same period of the previous year, representing a growth of about 13.5%. The adjusted net profit for the period under discussion was €2.91 billion compared to €2.19 billion in the same period of the previous year. For the first-half of 2005, the revenues were €64.81 billion as compared to €56.10 billion during the same period of the previous year. The adjusted net profit for the first-half of 2005 totalled €5.81 billion, up from €4.13 billon in the first-half of 2004.

The *Upstream* segment reported adjusted operating income of €4.21 billion for the second quarter of 2005 as compared to €3.16 billion achieved in the same period of the previous year representing an increase of 33%. The Upstream segment benefited from higher hydrocarbon prices, more so for liquids than for gas.

The *Downstream* segment recorded adjusted operating income of €944m for the second quarter of 2005, compared to €544m in the earlier year representing an increase of 31%. This segment benefited from a sharp increase in refining margins partly offset by lower refinery throughputs.

The *Chemicals* segment reported adjusted operating income of €381m for the second quarter of 2005, which was substantially higher than €148m achieved in the corresponding period of 2004. Market conditions for base chemicals were more favourable in the second quarter of 2005 as compared to the comparable period of the previous year. The segment also benefited from improvement in the utilization rate of steam crackers.

3.5 ENI

ENI has reported second-quarter revenues of €15.84 billion as compared to €12.54 billion for the second quarter of 2004, representing a growth of 26.3% yoy. For the first-half of 2005, the company reported revenues of €32.50 billion as against €26.41 billion for the first-half of 2004.

ENI’s net profit for the second quarter of 2005 was €1.90 billion, up 39 percent from the second quarter of 2004, reflecting primarily a €1.07 billion increase in operating profit (up 41.3%), which was boosted by increase in oil prices, higher volumes of liquid and gas sales and higher operating margins.

ENI's net profit for the first-half of 2005 was €4.34 billion, up €978m from the first-half of 2004, reflecting primarily a €2.30-billion increase in the operating profit (up 40.1%).

The operating profit for the *Exploration & Production* segment for the second quarter of 2005 was €2.76 billion, up €912m from the second quarter of 2004, reflecting primarily higher liquid and gas realizations in dollars combined with increase in sales volumes.

The *Gas & Power* segment registered an operating profit of €592m as compared to €566m in the comparable period of 2004. This was due to higher natural gas volume sales and better results in natural gas transport activities outside Italy.

The *Refining & Marketing* segment recorded an operating profit of €596m in the second quarter of 2005 as compared to €301m during the second quarter of 2004, up 98% owing to higher refining margins.

The *Petrochemicals* segment has reported an operating profit of €58m as compared to €62m in the second-quarter of 2004. The fall in operating profit is due to plant write-downs and lower petrochemical volume sales.

3.6 ConocoPhillips

ConocoPhillips has reported second-quarter net profit of US$3.14 billion, compared with US$2.08 billion for the comparable quarter of 2004. Total revenues during the period were US$42.61 billion, up from US$31.89 billion in the same period a year ago. For the first-half of 2005, the revenues amounted to US$81.53 billion as compared to US$62.10 billion in the same period of 2004. The net profit for the first-half of 2005 stood at US$6.05 billion as compared to US$3.69 billion during the same period previous year.

In the upstream segment, the company produced a total of 1.76m barrel oil equivalent per day (boed), including 1.54m boed from its Exploration and Production segment and an estimated 0.22m boed from its Lukoil Investment segment. In the downstream segment, worldwide crude oil capacity utilisation stood at 97%, with the US refining facilities running near about the stated capacity. In addition, worldwide marketing margins improved during the quarter under discussion.

In the *Exploration and Production* (E&P) segment, the income from continuing operations was US$1.93 billion, up from US$1.79 billion in the first quarter of 2005 and up from US$1.35 billion in the second quarter of 2004. The increase from the first quarter was primarily the result of higher realized prices, partially offset by lower volumes and lower gains on asset sales. In addition, second-quarter results benefited from lower exploration expenses.

The *Midstream* segment income from continuing operations was US$68m, down from US$385m in the first quarter of 2005 and up from US$42m in the second quarter of 2004. The decrease from the previous quarter was primarily the result of the first-quarter net benefit to ConocoPhillips associated with a restructuring of its ownership in Duke Energy Field Services, LLC (DEFS).The increase over the second quarter of 2004 was due primarily to higher natural gas liquids prices in both DEFS and the company's consolidated operations.

The *Refining & Marketing* (R&M) segment income from continuing operations was US$1.11 billion, up from US$700m in the previous quarter and US$818m in the second quarter of 2004. The increase in second-quarter R&M earnings in 2005 over the previous quarter was primarily the result of higher US refining margins driven by higher gasoline and distillate demand, as well as increased throughput. Worldwide marketing margins and sales volumes also improved over the previous quarter. The improved results from the second quarter of 2004 were due primarily to enhanced worldwide refining margins and volumes, besides increased US marketing margins, partially offset by higher turnaround and utility costs.

In the Lukoil Investment, income from continuing operations totalled US$148m for the second quarter of 2005, up from US$110m in the previous quarter. This represents ConocoPhillips' estimate of the company's 11.9% weighted average equity share of Lukoil's income for the second quarter based on market indicators and historical production trends for Lukoil. The increase from the previous quarter was attributable to higher realized price estimates and an increased equity ownership position. At the end of the second quarter of 2005, the company's equity ownership in Lukoil was 12.6%.

The *Chemicals* segment, which includes the company's 50%-interest in Chevron Phillips Chemical Company LLC, reported income from continuing operations of US$63m in the second quarter of 2005, compared with US$133m in the first quarter of 2005 and US$46m in the second quarter of 2004. The decrease from the first quarter was largely due to lower margins from olefins and polyolefins, as well as lower margins and volumes from aromatics and styrenics. In addition, second-quarter results were impacted by higher utility costs due to higher natural gas prices. The increase from the second quarter of 2004 reflects higher margins from olefins and polyolefins, partially offset by lower margins and volumes from aromatics and styrenics, as well as higher utility costs.

3.7 Repsol

Repsol YPF has reported a net profit of €805 m in the second quarter ended June 30, 2005, up 15% yoy. For the first-half of 2005, the net profit stood at €1.65 billion, up 25.2% yoy—the best ever achieved by the company.

The revenue from continuing operations during the second quarter of 2005 stood at €12.34 billion as compared to €9.95 billion in the corresponding quarter of 2004, up 24% yoy. For the first-half of 2005 and 2004, revenue amounted to €23.78 billion and €19.31 billion respectively.

In the *Exploration & Production* segment, the operating income in the second quarter of 2005 was €724m as compared to €645m during the same quarter of 2004, up 12.2% yoy. A sharp rise in crude oil prices, higher gas realization prices in Trinidad & Tobago and Argentina boosted operating income in this segment.

In the *Refining & Marketing* segment, the operating income for the second quarter of 2005 stood at €701m as compared to €455m in the same quarter of 2004, up 54.1% yoy due to strong refining margins.

In the *Chemicals* segment, the operating income stood at €80m in the second quarter of 2005 as compared to €55m in the second quarter of 2004. Excluding non-recurring items, adjusted operating income was down 8.8% due to high costs associated with the programmed shutdown of Puertollano cracker.

The *Gas & Power* segment reported a higher operating income of €77m in the second quarter of 2005 as compared to €58m in the same quarter of the previous year due to the sale of Engas' shares.

3.8 Royal Dutch Shell

The newly-unified Royal Dutch Shell has reported revenues of US$82.64 billion for the quarter ended June 30, 2005, up 33% over revenues of US$62.13 billion in the same quarter of 2004. For the first-half of 2005, revenues totalled US$154.8 billion as compared to US$119.40 billion in the same period of 2004.The reported net profit of Royal Dutch Shell at US$5.24 billion for the second quarter of 2005 was 34.4% higher than the net profit of US$3.90 billion during the corresponding quarter of 2004. For the first-half of 2005, the net profit stood at US$11.91 billion as compared to US$8.60 billion.

In the *Exploration and Production* segment, the second quarter earnings of US$2.75 billion were 48% higher than a year ago, mainly due to higher hydrocarbon prices, offset by higher costs including higher depreciation.

The *Gas & Power* segment earnings were US$11m including a charge of US$226m mainly related to the expected divestment of power generation assets held through the joint venture, InterGen. Earnings were US$334m a year ago, which included a divestment gain of US$18m. Excluding these items, earnings were lower than a year ago. Higher earnings from higher LNG prices and volumes were more than offset by loss of earnings as a result of divestment of midstream assets and other items such as lower trading and LNG shipping results.

In the *Oil Products* segment, the second quarter segment earnings were US$2.66 billion compared to US$1.80 billion for the same period last year. In the Chemicals segment, earnings for the second quarter were US$259m and included legal and environmental charges of some US$80m compared with earnings last year of US$375m. Average price realizations were up 26% from a year ago, offset by higher feedstock cost.

The *Chemicals* segment earnings for the second quarter were US$259m compared with earnings last year of US$375m. The sales volumes were 9% lower and mainly reflected a planned reduction in lower-margin volumes with minimal impact on earnings.

3.9 Halliburton

Halliburton has reported a net profit of US$391m for the second quarter of 2005. This compares to a loss from continuing operations of US$58m in the second quarter of 2004, which included a US$200m after-tax loss from the Barracuda-Caratinga offshore engineering, procurement, installation, and commissioning (EPIC) project. For the first-half of 2005, the net profit from continuing operations was US$758m as compared to a loss of US$732m in the same period of 2004.

The consolidated revenue in the second quarter of 2005 was US$5.16 billion, up 4.2% from the second quarter of 2004. This increase was largely attributable to higher activity in the Energy Services Group (ESG), approximately half of which was derived from international growth. The consolidated operating income was US$607m in the second quarter of 2005 compared to a loss of US$26m in the second quarter of 2004. For the first-half of 2005, the consolidated revenue totalled US$10.1 billion as compared to US$10.5 billion in the same period of the previous year.

ESG segment posted second-quarter revenue of US$2.5 billion in 2005, a US$567m or 30% increase over the second quarter of 2004, and operating income of US$522m, up US$251m or 93% from the same period in the prior year. ESG is sub-divided into four divisions: Production Optimization; Fluid Systems; Drilling & Formulation Evaluation; and Digital & Consulting Solutions.

The Production Optimization's operating income for the second quarter of 2005 was US$245m, up US$124m or 102% over the second quarter of 2004. The Fluid Systems' operating income for the second quarter of 2005 was US$135m, a US$58m or 75% increase over the second quarter of 2004. The Drilling and Formation Evaluation's operating income was US$126m, a US$67m or 114% increase over the second quarter previous year. The Digital and Consulting Solutions' operating income was US$16m in the second quarter of 2005, a US$2m or 14% increase as compared to the prior year period.

The *KBR*'segment revenue for the second quarter of 2005 was US$2.7 billion, a 12%-decrease compared to the second quarter of 2004. The operating income for the second quarter of 2005 was US$122m compared to an operating loss of US$277m in the second quarter of 2004.

The *KBR* segment has two divisions: Government and Infrastructure besides Energy and Chemicals. The Government and Infrastructure's operating income for the second quarter of 2005 was US$73m as compared to US$19m in the second quarter of 2004, a 284%-increase. The Energy and Chemicals' operating income totalled US$49m in the second quarter of 2005 compared to a US$296m-loss in the second quarter of 2004.

3.10 Plains All American Pipeline

The Plains All American Pipeline has reported a net profit of US$62.3m for the second quarter of 2005. The results represent an increase of 74.6% over the net profit of US$35.7m for the second quarter of 2004. The revenues during the period were US$7.16 billion as compared to US$5.13m for the second quarter of 2004.

For the first-half of 2005, the company has reported a net profit of US$95.1m, up 50% over the net profit of US$63.6m for the first-half of 2004. For the first-half of 2005, the revenue totalled US$13.8 billion as compared to US$8.94 billion in the same period of 2004.

The earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of 2005 stood at US$96.0m, up 56% as compared to EBITDA of US$61.6m for the second quarter of 2004. The EBITDA, for the first-half of 2005, was US$162.5m, an increase of 45% as compared with EBITDA of US$112.2m for the first-half of 2004.

The segment profit for the *Gathering, Marketing, Terminalling and Storage* (GMT&S) was US$53.7m during the quarter ended June 30, 2005 as compared to US$13.5m in the second quarter of 2004. The primary drivers of the strong performance were solid pipeline volumes and favourable market conditions in 'gathering, marketing, terminalling and storage segment,' as well as the realization of additional operating and commercial synergies from past acquisitions.

The segment profit for *Pipeline Operations* totalled US$41.4m in the second quarter of 2005 as compared to US$47.7m in the same quarter of the previous year. The current results reflect the adverse impact of a less favourable volume-mix.

4. REGULATIONS

4.1 ANWR Leasing

The USA is heavily dependant on oil imports. Oil imports did not hurt as long as prices remained low and the supply-situation comfortable. With crude oil prices soaring to new highs and the geopolitical situation in the Middle East remaining uncertain, the USA has been forced to pay more attention to energy security. Now the US Government is studying the possibility of allowing exploration and production (E&P) in the Alaska's Arctic National Wildlife Refuge (ANWR) Coastal Plain.

The 19-million acre Arctic National Wildlife Refuge (ANWR) is located in the northeast corner of Alaska; 1,300 miles south of the North Pole. The Coastal Plain area, comprising 1.5m acres on the northern edge of ANWR, is bordered on the north by the Beaufort Sea, on the east by the US-Canadian border, and on the west by the Canning River.

The Kaktovik Inupiat Corporation and Arctic Slope Regional Corporation (both native corporations of Alaska) own 94,000 acres in the coastal plain surrounding the village of Kaktovik. Less than 100 miles to the west of ANWR lay the Prudhoe Bay, North America's largest oil field. The Prudhoe Bay, together with Kuparuk, Lisburne and Endicott, accounts for about 25% of US domestic oil production. According to geologists, the coastal plain of ANWR is among the promising onshore prospects in the USA, whose reserves may rival that of Prudhoe Bayfield.

Though the support for opening up ANWR to E&P is growing, the fate of this issue will be decided by the US Senate. In 1995, the then President, Bill Clinton, vetoed a budget bill that included a proposal to lease ANWR, but current US president, George Bush has publicly supported the opening up of ANWR. By a 51-49 vote, US senators accepted a proposal to include the leasing provision from a budget bill. Now the Senate and the House of Representatives of US Congress will decide on this issue.

5. MERGERS & ACQUISITIONS

The focus of mergers and acquisitions (M&As) in the oil and gas sector has shifted from multi-region mega-deals to region-specific deals. The driving force behind most deals is the pressure to replenish reserves.

To some extent, technology is also driving deals. The oil and gas companies see technology as a means of boosting the output of aging fields. Now the use of sophisticated technologies such as three-dimensional seismic studies and horizontal drilling allow exploitation of assets considered unviable earlier. A few important M&As in the second quarter of 2005 are shown in Table 2.

Table 2: Major Oil & Gas M&As*

Buyer	Target	Type	Terms of Deal	Segment of target company
Chevron Corporation, USA	Unocal Corporation, USA	Merger	US$7.5bn in cash & 168m shares of Chevron	Oil & Gas E&P
Highpine Oil & Gas, Canada	Vaquero Energy, Canada	Merger	Shareholders of Vaquero will receive for each common share of Vaquero held 0.391 of a class "A" common share of Highpine	Oil & Gas E&P
Ivanhoe Energy Inc., Canada	Ensyn Group, USA	Merger	US$10m in cash and 30m Ivanhoe Energy Common Shares	Technology provider for oil & gas segment
Whittier Energy, USA	RIMCO Production Company, Inc, USA	Acquisition	US$55m in cash & US$1m in bank debt	Oil & Gas E&P
Patina Oil & Gas, USA	Noble Energy Corporation, USA	Merger	Patina stockholders will receive shares of Noble Energy common stock, cash or a combination thereof	Oil & Gas E&P
Cooper Cameron Corporation, USA	NuFlo Technologies, USA	Acquisition	US$120m in cash	Measurement and control instrumentation for the oil and gas industry
Schlumberger Ltd, USA	Diamould Ltd, UK	Acquisition	n.a.	Electrical, hydraulic and fibre-optic connector solutions
KRG Capital Partners, USA	Varel International, USA	Acquisition	n.a.	Supplier of drill bits for the oil & gas and mining/industrial industries
Abbot Group, UK	Prosafe Drilling Services AS, Norway	Acquisition	NOK900m (£75.4m).	Drilling & Engineering Services

Table 2: Major Oil & Gas M&As*				
Buyer	**Target**	**Type**	**Terms of Deal**	**Segment of target company**
Clariant Oil Services, USA	Data Chem Inc, USA	Acquisition	n.a.	Chemicals for the Oil Industry
Toreador Resources Corporation, USA	Pogo, Hungary	Acquisition	US$9m	Oil & Gas E&P
Maverick Tube, USA	Tubos del Caribe Colombia	Acquisition	US$186m including about US$30m of assumed debt	Oil Country Tubular Goods & Land Pipes
Valero Energy Corp., USA	Premcor Inc., USA	Acquisition	US$6.9 billion in cash and stock plus the assumption of about $1.8 billion of debt.	Oil Refining
Royal Dutch Petroleum, Netherlands	Shell Transport & Trading, UK	Unification	Royal Dutch Shareholders are being offered "A" Shares under the Royal Dutch Offer, with the exception of holders of Royal Dutch New York Registered Shares who are being offered "A" ADRs. Shell Transport Ordinary Shareholders are being offered "B" Shares under the Scheme and holders of Shell Transport ADRs are being offered "B" ADRs.	Integrated Oil & Gas
NOK: Norwegian Krone. n.a. Not Available *Announced/Happened during the quarter. Source: Press Releases & Company Web Sites				

The most prominent deal was the one involving Unocal Corporation and Chevron Corporation. An unexpected late bid from China National Offshore Oil Corporation (CNOOC) created anxious moments for Chevron. In the end, however, CNOOC dropped out of the race due to political opposition and Chevron prevailed.

Unocal is one of the largest US-based independent oil and gas exploration and production companies. It develops crude oil and natural gas properties in the Gulf of Mexico, Asia, Africa, and Latin America. It has proved reserves of 6.5 trillion cubic feet of natural gas and 665m barrels of crude oil and condensate. It also produces geothermal energy in Indonesia and Philippines and makes petroleum coke, graphites, and silicon carbide materials for high-tech products such as semiconductors.

On April 4th 2005, Unocal agreed to be acquired by Chevron Corporation for a combination of Chevron's stock and cash. Chevron agreed to give US$65 in cash or 1.03 shares of Chevron common stock or a combination of cash and stock for each Unocal share. CNOOC made a counter bid to acquire all outstanding shares of Unocal for US$67 per share in cash. CNOOC's bid for Unocal had prompted negative reactions from several lawmakers in US and mounted calls for the US Congress to intervene as it was perceived as a matter of strategic and national interest. This stiff political opposition forced CNOOC to drop its bid.

Eventually, Unocal accepted an increased offer from Chevron, in which Unocal stockholders may elect to receive, for each share of Unocal stock, either US$69 in cash or 1.03 shares of Chevron stock, or a combination of US$27.60 in cash and 0.618 share of Chevron common stock, with the all-cash and all-stock elections subject to proration. Finally, Chevron may end up issuing about 168m shares of Chevron stock and pay about US$7.5 billion in cash.

The quarter under discussion also witnessed the unification of the Netherlands-based Royal Dutch Petroleum and UK-based Shell Transport & Trading into a single company: Royal Dutch Shell.

Another significant deal was the merger of Highpine Oil & Gas and Vaquero Energy in Canada. This deal creates the leading player in the exciting Pembina Nisku exploration field in West Central Alberta, Canada, on which both players are focused.
Other deals announced during the period include Whittier Energy's acquisition of RIMCO Production Company in the USA; private equity investor KRG Capital Partners' acquisition of Varel International; Abbot Group's acquisition of Prosafe Drilling Services, Norway, etc.

The direction of oil prices is expected to influence M&A activity in the near future. The current trends show that significant action is taking place in North America mainly in the upstream sector. In the last year alone, US$28-billion worth of upstream deals have taken place in the USA and about US$11 billion in Canada, out of a total global aggregate of US$68 billion, representing 57% of the total upstream deal value. This is significantly higher than the five-year average of a combined share of 43% of

USA and Canada in global upstream deals. With Chevron hoping to conclude the Unocal deal within the next few months and a few more announcements likely in the second-half, the M&A activity for the full year, 2005, is likely to surpass the levels seen in 2004.

6. OUTLOOK

The economic outlook for major developed countries continues to remain positive. The oil consumption in these countries is likely to strengthen in the second-half of 2005. Growth rates across much of developing Asia is expected to remain encouraging, though falling short of China's world beating pace of 8.5 to 9 %. India, the third largest economy within the region, is on track to post a growth of 6-7% annually, supported by solid gains in domestic spending and exports of both goods and services.

China's demand for oil has weakened considerably with the government continuing to pursue non-market pricing policies for oil products and electricity. This has slowed down oil product imports and encouraged exports. In May 2005, net product imports declined to 150kbd, significantly below 730kbd seen in the same period of 2004. A recovery in Chinese demand is expected in the second-half of the year although the International Energy Agency (IEA) has already revised downwards its growth estimate for 2005. The IEA believes that demand in the USA also will be weaker than what it had earlier forecast.

In its recent report, the IEA has revised global demand for 2005 downwards by 200kbd, to 1.58m bpd, due to a weaker outlook for China and the USA. According to IEA, the average global demand for 2005 will touch 83.88m bpd.

Non-OPEC producers are expected to enhance their output during the second-half of 2005. According to the IEA, non-OPEC crude production is expected to average 51m bpd in 2005 and the fourth quarter estimate for OPEC supply stands at 29m bpd, which is below recent output of OPEC. Non-OPEC supply together with the OPEC production is likely to meet demand in the fourth quarter, but prices may remain firm on fears about future supplies.

In US as per the Energy Information Administration (EIA) the natural gas market is likely to stay tight over the next few months when summer cooling demand is at its height. Prices are then projected to rise even further as the winter heating season enhances natural gas demand.