



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 24, 2005

Iraqi oil officials stated that Iraq's oil exports through Turkey's Ceyhan port are expected to remain shut for another 10 days. An oil official said oil exports may resume after 10 days if the Iraq-Turkey pipeline is not sabotaged once again. Exports to Turkey's port of Ceyhan have been idle since December 18 when a section of the pipeline was sabotaged. It has been hit several times since and repairs are ongoing. Meanwhile, saboteurs blew up a gas pipeline feeding a northern power station and a refined products pipeline connected to the Baiji refinery over the weekend. Separately, oil exports from Iraq's southern oil terminals resumed following a suspension caused by a power outage and bad weather. Shipping sources stated that the loading rate at the Basra oil terminal stood between 1.51-1.87 million bpd. On Sunday, there were about 10 ships at berth or at anchorage around Basra. The delay is estimated at 9 days for each ship.

OPEC Ministers said strong prices mean OPEC producers meeting later this week may be able to resist cutting output even though supplies are running in excess of

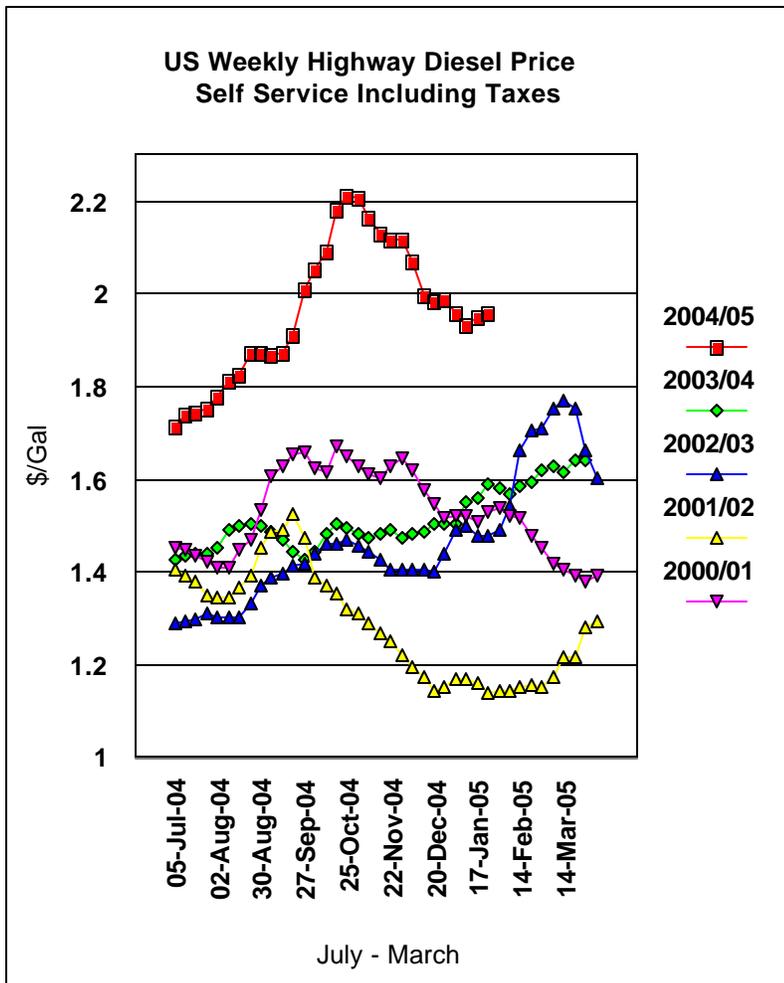
Market Watch

According to the US Coast Guard, restrictions on shipping in the New York Harbor were lifted early Monday morning. However further delays could be possible. Sources stated that oil products barge traffic was experiencing delays. A Coast official said the Kill Van Kull, a narrow body of water separating Staten Island from New Jersey was closed to ship traffic due to weather conditions on Saturday and Sunday. The delays should take two or three days to resolve.

The Climate Prediction Center reported that there was a total of 231 Heating Degree Days in the week ending January 22, up 0.9% on the year and up 11% from normal. The total was up from its previous estimate of 215 HDD. The total HDD on an oil home heating customer weighted basis stood at 337, up 9.1% on the year and up 28% from normal. It has previously estimated 300 HDD. In the week ending January 29, it estimated the total HDD at 196, down 20.6% on the year and down 5% from normal. It also estimated a total of 291 HDD on an oil home heating customer weighted basis, down 11% on the year but up 11% from normal.

BBC News reported that Iraq announced the arrest of man said to be a key ally of Abu Musab al-Zarqawi. Sami Mohammad Ali Said al-Jaaf is accused of being involved in 32 car bombings. The announcement came hours after a suicide bomb near interim Prime Minister Iyad Allawi's party offices. At least 10 people were injured in the blast which was claimed by Zarqawi supporters in a statement on an Islamist website. On Sunday, an audio message on the internet, purportedly voiced by Zarqawi called on Sunni Muslims to fight against the January 30 vote.

Fundamentalist Islamic leaders in Saudi Arabia are telling militants intent on fighting infidels to join the insurgency in Iraq instead of taking up Osama bin Laden's call to oust the Saudi royal family.



demand. Iran's Oil Minister Bijan Zanganeh said OPEC producers were still oversupplying world oil markets with crude oil but said OPEC's decision at its upcoming meeting was open. He said OPEC preferred to keep the price of its basket of crudes below \$40/barrel. Separately, Indonesia's Oil Minister Purnomo Yusgiantor said current price strength means OPEC should maintain existing production limits at Sunday's meeting. Also, Algeria's Oil Minister Chakib Khelil said that OPEC would adopt a consensus decision at its next meeting and added that he believed the consensus would be in defense of a stable oil price. He said OPEC did not want to see prices fall below \$10/barrel or rise above \$50/barrel.

Meanwhile, Venezuela's Oil Minister Rafael Ramirez said the recent increase in world oil prices is due to US threats to Iran and added that OPEC must review oil market fundamentals before deciding on a production level at its January 30 meeting. He said he believed that OPEC will not increase its oil production at its meeting.

Iraq's Oil Ministry said the country will not send a delegation to OPEC's January 30 meeting because it clashes with election.

According to Petrologistics, OPEC produced 29.6 million bpd in January, down 800,000 bpd on the month. It reported that Saudi Arabia's production in January was down 500,000 bpd at 9.3 million bpd. Meanwhile, Iraq's oil production was unchanged at 1.9 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by \$0.95/barrel to \$41.63/barrel on Friday compared with \$40.68/barrel on Thursday. It said its basket of crudes increased by \$1.54/barrel to \$41.42/barrel in the week ending January 20.

The US Bureau of Land Management concluded that oil and natural gas exploration in the northeastern corner of the National Petroleum Reserve-Alaska can be conducted with minimal impact on wildlife. The area is viewed as having the highest oil and gas potential within the National Petroleum Reserve. Interior Secretary Gale Norton is expected to sign off on the Bureau of Land Management's recommendation next week. The Bureau of Land Management however concluded that more than 400,000 acres surrounding Lake Teshekpuk should be opened for exploration with restrictions. The government estimates the area contains about 2 billion barrels of recoverable oil and 3.5 tcf of natural gas.

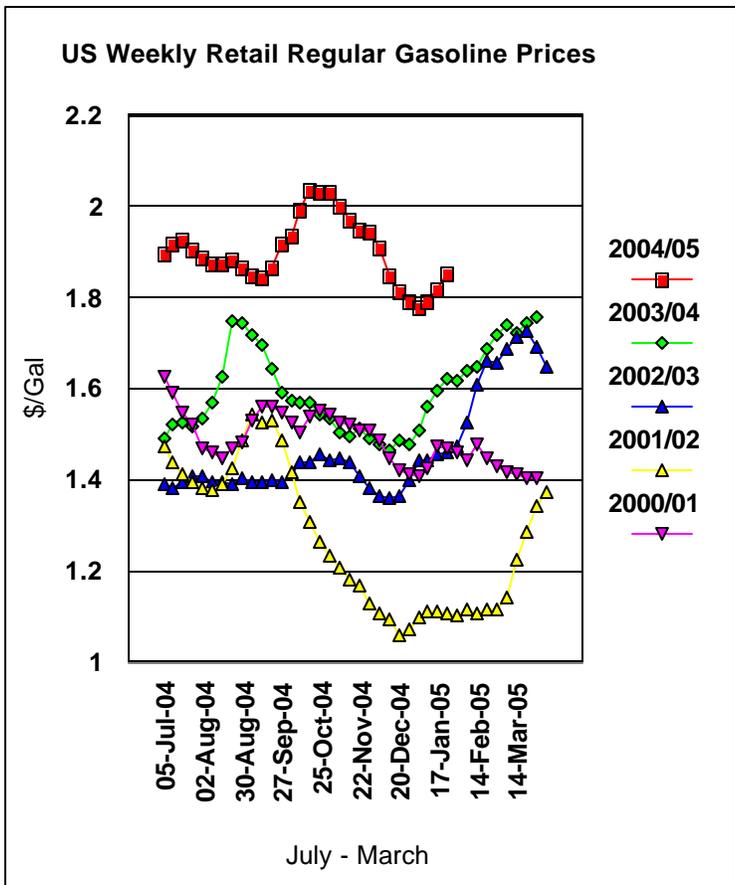
The EIA reported that the US average retail price of diesel increased by 0.7 cents/gallon to \$1.959/gallon in the week ending January 24th. It reported that the average retail gasoline price increased by 3.4 cents/gallon to \$1.853/gallon.

Refinery News

Valero's Three Rivers, Texas refinery said its sulfur recovery unit is set to restart on Monday.

Germany's Miro refinery said it aims to increase oil products output this year after suffering setbacks from a fire last July. The planned crude oil processing is 16 million tons in 2005, up from 14.6 million tons in 2004 and 15.3 million tons in 2003. It plans to produce 5.5 million tons of gasoline, 3.5 million tons of diesel and 3.5 million tons of light heating oil in 2005.

Italy's API plans to restart a vacuum distillation unit at its 80,000 bpd Falconara refinery on Tuesday after 10 days of routine maintenance. The refinery is also due for a partial 14 day turnaround at the end of May to clean the furnaces of a visbreaker and thermal cracker.



Production News

The Norwegian government approved Statoil's request to restart its remaining 100,000 bpd production at its Snorre-A platform in the North Sea. Statoil welcomed the approval to resume its production however it said it would wait to restart its main production until its Vigdis field and Snorre-A's 25,000 bpd subsea satellite were producing at a stable rate.

Euroilstock stated that Europe's refinery output increased by 3% in December to 13.274 million bpd. It reported that distillate production increased by 214,000 bpd or 3.7% on the month to 6 million bpd in December. It is however down 0.8% on the year. Gasoline output stood at 3.44 million bpd in December, 115,000 bpd or 3.5% higher on the month. It stated that capacity utilization stood at 94.08% in December, up from 91.04% in November.

Nigerian oil unions put off a decision on whether they would go ahead with a threatened strike until Tuesday after a scheduled meeting with labor ministry officials. Earlier Nigerian authorities called a meeting with the country's main oil unions and Wasco Oil Service Co on Tuesday to avert a planned strike protesting alleged police harassment of union members. However Wasco's managers have until now refused direct talks with union leaders. The senior staff of Pengassan and the blue collar Nupeng union plan a lockout at Wasco unless the company recalls two of its expatriate managers who it said were responsible for the alleged harassment last Friday. Union members said the dispute could snowball into a regional or nationwide strike after a few days if the strike does not yield the desired results. The head of Nupeng said if the meeting with the minister of Port Harcourt failed to resolve the dispute, the unions would immediately begin a strike at Wasco.

Shipping brokers stated that larger oil tankers were being loaded on Monday at the export terminal of Ventspils in Latvia. The draft limit on tankers loading at Ventspils was increased to 12.6 meters, up from 12.4 meters over the weekend and 12 meters on Friday. A trader said a 12.6 meter draft limit was not quite enough to allow 70,000 tons former Soviet Union gas oil cargos to be loaded but said the arb to the US was starting to look workable. High freight rates and the problems at Ventspils have kept the transatlantic heating oil arb shut in recent weeks. Recent sailings consisted of two gasoline cargoes, a 45,000 ton and 25,000 ton cargo being loaded for export to New York.

Russia's Rosneft will draw on output from Yuganskneftegaz as it supplies China with an average of 80,000 bpd of oil starting in February. The move is a shift for Yuganskneftegaz, which traditionally has supplies European buyers. The European market is not expected to notice the shift as 4.3 million bpd of Russian oil flows to Europe through Russia's state owned pipeline network. Until recently, Yukos had been a major supplier of crude oil to China, exporting on average about 250,000 bpd of crude. However the company suspended its crude exports of railborne crude to China in late September. The railroads expect to see 10 million tons of crude moved through its transportation system to China in 2005.

Crude production from Russia's East Siberia and the Far East could reach about 50 million tons/year or 1 million bpd. A Natural Resources Ministry official said the volumes would be sufficient to ensure the planned Taishet-Pacific pipeline is fully utilized. The Russian government is still considering a branch on the Taishet-Pacific pipeline to Daqing in China which would increase the pipeline's capacity to 80 million tons/year.

An Iranian government spokesman said more than \$1 billion worth of gasoline and other oil products is smuggled out of Iran each year. Under a five year economic plan developed by the pro-reform government, petrol prices were due to increase gradually to international levels from March 2005. However Iran's parliament voted this month to maintain fuel subsidies that keep Iran's petrol prices among the lowest in the world at just 10 cents/liter for another year. The difference in gasoline prices between Iran and its neighboring countries has initiated large scale contraband of the product through Pakistan, Afghanistan, Iraq and Turkey.

Iran's OPEC governor and a board member of the National Iranian Oil Co, Hossein Kazempour Ardebili demanded an apology from BP Plc over recent comments that it would not be signing any oil and gas deals with Iran because they would be offensive to the US government. He said BP owes Iran a public apology for us to reconsider them for the Bangestan oil field or any other oil deal in the country.

Two senior Kuwaiti oil officials visited the US government's Minerals Management Service earlier this month to learn more about offshore leasing and tendering programs. Managing director of Project Kuwait, Hashim M. El-Rifai and commercial manager of Project Kuwait, Abdullah al-Kalooti visited the MMS. Project Kuwait is \$7 billion plan to double production from country's northern oil fields with the help of foreign oil companies.

Venezuela's Oil Minister Rafael Ramirez said Brazil's Petrobras to increase spending in exploration and production in Venezuela. Petrobras is considering investments in the exploration and production of natural gas, crude oil from Venezuela's Orinoco extra heavy oil reserves, trade and shipping. Separately, Venezuela's Oil Minister said the country expects to resolve a dispute with ConocoPhillips over the development of the Corocoro oil field project. The project has been put on hold over what the government says is a \$200 million discrepancy in the investment budget submitted by ConocoPhillips.

Market Commentary

The NYMEX energy complex opened higher in follow through buying seen in overnight trading on Access after a blizzard slammed into the Northeast over the weekend.

Also, the updated weather forecast, which showed normal to above normal temperatures for most of the country, provide the market with further support as they were now calling for colder temperatures. The March crude contract opened up 37 cents at 48.90 and quickly posted the day's trading range. It traded to an intraday high of 49.15 amid the strength in the heating oil market but sold off to its intraday low of 47.80 within the first hour of trading after it failed to test its previous high of 49.35. It was also pressured amid the news that the Norwegian government had given Statoil permission to resume its production at the Snorre-A platform. The market however erased most of its losses and traded in and out of positive territory as it settled in a range from 48.80 to 48.25. The market later traded to 48.90 ahead of the close and settled up 28 cents at 48.81. Volumes in the crude market were good with 180,000 lots booked on the day. Meanwhile, the heating oil market, which provided much support to the complex, also opened up 1.13 cents at 139.50 and quickly posted its intraday high of 141.50. However the market erased its gains as it sold off to a low of 137.80. The market later settled in a range from 137.80 to 139.90 for most of the day before further buying on the close pushed the market above the 140.00 level. It settled up 1.95 cents at 140.32. Similarly, the gasoline market posted its intraday high of 131.10 early in the session before it gave up its gains and sold off to a low of 128.25. It however settled down 6 points at 129.90. Volumes in the products were good with 50,000 lots booked in the heating oil and 35,000 lots booked in the gasoline market.

The crude market will remain supported in light of the colder weather forecasts. The market will also remain concerned over the upcoming Iraqi elections amid the sabotage attacks ahead of the election. The March crude contract is seen finding support at its double bottom of 47.80-47.75 followed by 46.71. More distant support is seen at 45.20 followed by 45.05. Meanwhile resistance is seen at its high of 49.15 followed by 49.35 and 50.40.

Technical Analysis		
	Levels	Explanation
CL 48.81, up 28 cents	Resistance 49.35, 50.40	Previous highs
	Support 47.80, 47.75, 46.71 45.20, 45.05	Monday's high Double bottom, Previous low Previous lows
HO 140.32, up 1.95 cents	Resistance 142.20 141.50, 141.70	Previous high Monday's high, Previous high
	Support 137.80, 135.90 131.90	Monday's low, Previous low Previous low
HU 129.90, down 6 points	Resistance 133.85 131.10	Previous high Monday's high
	Support 128.25, 127.00 123.50	Monday's low, Previous low Previous low