



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 9, 2005

Iraq's southern oil exports remained halted on Tuesday due to bad weather conditions. All of Iraq's exports are halted as Iraq's pipeline from northern Iraq to Turkey also remained shut due to sabotage. Shippers in Turkey said they had no date yet for a restart.

The EIA reported that distillate imports over the past four weeks were the highest on record for the period due to strong prices. In the four weeks ending November 4, distillate imports averaged 411,000 bpd, up from 230,000 bpd last year. An EIA analyst, Doug MacIntyre said the high import level could help make up for any supply shortfall.

The DOE reported that US inventories of propane totaled 70.353 million barrels in the week ending November 4, up 926,000 barrels on the week. It reported that propane inventories in the East Coast fell by

Market Watch

The Federal Trade Commission said it would finish its investigation next spring into alleged gasoline price manipulation and oil refining capacity constraints. Any identification of unlawful conduct would result in aggressive FTC law enforcement activity.

Representatives Rahm Emanuel and Edward Markey introduced bills for a windfall profit tax on the industry. It would seek a 50% windfall profit tax for oil sold at over \$40/barrel. Half of the tax revenues would be recycled to consumers through an income tax rebate and half would go to a Low Income Home Energy Assistance Program.

Exxon Mobil's chairman and chief executive Lee Raymond said that an excise tax on oil profits would eat into the company's earnings over time and reduce its ability and willingness to invest in production growth. His remarks came ahead of the US Senate hearings inquiring into rising profits in the oil industry. Exxon Mobil reported nearly \$10 billion in profits in third quarter on high oil and natural gas prices.

Weather Derivatives forecast heating demand in the US Northeast will be 7% lower than normal through November 16.

According to Goldman Sachs, should the bird flu mutate into a global pandemic, the economic implications would be profound, potentially reducing energy demand by over 1 million bpd. It noted that the spread of Severe Acute Respiratory Syndrome(SARS) in 2003 led to a sharp reduction in civilian airline schedules in Asia as demand for tourist and business travel declined.

The NYMEX announced it is working with the Russian government to develop a crude futures contract which would be listed on the exchange's London trading floor. The contract would be listed within 60-90 days and will be called Russian Export Blend Crude Oil or REBCO.

The NYMEX also announced that margin requirements for its Heating Oil contract and New York Harbor Heating Oil swap would be cut to \$6,750 from \$8,775 effective at the close of business on Thursday. It will also cut margins on its Gasoline contract to \$6,075 from \$9,450.

42,000 barrels to 4.829 million barrels. Inventories in the Midwest fell by 271,000 barrels to 23.754 million barrels while inventories in the Gulf Coast increased by 556,000 barrels to 38.912 million barrels.

Refinery News

Shell Oil's Martinez, California refinery leaked a vapor cloud into the air and spewed oil into the surrounding community late Tuesday, forcing shut a processing unit. The leak occurred following a converter malfunction from a heat processing unit.

Saudi Aramco said its 44,000 bpd hydrocracker at its Ras Tanura refinery resumed operations. The unit was shut on September 30 for maintenance and installation of a catalyst to increase diesel output.

Total said nearly all of its units at its 231,000 bpd Donges refinery in France have resumed normal operations following a rolling maintenance shutdown program. It said only its 5,000 bpd alkylation unit remained shut and would remain so for a few weeks. It also stated that its 223,000 bpd Lindsey refinery completed its partial turnaround and should be at full capacity by mid-November.

India's Reliance Industries Ltd has extended a planned 49 day shutdown of its 180,000 bpd fluid catalytic cracker by five days. However its maintenance of its 330,000 crude distillation unit, a coker and aromatic unit was ahead of schedule.

Production News

The MMS reported that the recovery of oil and natural gas production in the Gulf of Mexico continued on Wednesday. It stated that 737,136 bpd of crude production remained shut in, down from 738,617 bpd reported on Tuesday.

Royal Dutch Shell has restored production in the Gulf of Mexico to more than 200,000 bpd of oil equivalent, increasing towards the 450,000 bpd it produced in the region ahead of the hurricanes. An additional 150,000 bpd of output is expected to resume in the fourth quarter.

The December loading program for North Sea Brent crude scheduled 19 cargoes totaling 8.5 million barrels, up from 7.03 million barrels in November.

The December loading program for North Sea Statfjord crude scheduled 10.26 million barrels, unchanged on the month. The December loading program for Gullfaks crude scheduled 11.97 million barrels also unchanged on the month.

Norway's Statoil began production at its Urd field in the North Sea on Tuesday after a 3.6 billion crown or \$542.2 million development. It said about 70,000 bpd of oil will flow from Urd to the Norne production ship. Recoverable reserves in Urd are estimated at 70 million barrels of oil and a small amount of gas.

Russia's TNK-BP, seen as the front runner to buy Lithuania's Mazeikiu Nafta, expects the first rival bids for the refinery to emerge later this week. Lithuania's government has been pressing ahead with formal talks on the sale of Mazeikiu despite major legal uncertainties.

Azerbaijan's Socar and AIOC reported that the country's oil exports increased by 41% on the year to 10.453 million tons in January-October. Socar said it exported 1.465 million tons of oil in January-October via the Baku-Novorossiisk pipeline. The AIOC plans to export 2.5 million tons of oil via Novorossiisk this year. The company's oil production in January-October increased by 90% on the year to 10.16 million tons.

Algeria's Sonatrach signed a five year contract to supply Valero Energy Corp with 80 million to 100 million barrels of oil starting in the first half of 2007. The crude would supply Valero's new refinery in St. Romuald.

Exxon Mobil is seeking to increase its output in Africa by 50% by the end of the decade as it expands in Nigeria and Angola and increases its exploration in targets like Madagascar. Exxon Mobil currently produces about 2 million bpd of oil equivalent in Africa on a gross basis. Its new projects are expected to add 4 million bpd, however part of this would offset declining production at certain operations.

Angola is scheduled to launch an oil exploration bid round on December 13. The round would include major deep water blocks 15, 17 and 18. Angola has stated that it wants to increase production to 2 million bpd by 2008 from its current production of 1.3 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$52.31/barrel on Tuesday, down from Monday's \$52.86/barrel level.

China's central bank stated that the country must reform the way it sets oil prices so that rising world costs can be better passed on to the consumer. It said rising prices had not been reflected fully in the domestic price of oil products to the detriment of the economy. China's refineries are processing crude at a loss and as a result have been cutting supplies to the domestic market and exporting the products to protect margins.

Japan's Idemitsu Kosan Co is expected to cut its purchase volume of kerosene in November by 20% from its original plan as warmer weather in the country reduced demand for heating oil.

Market Commentary

The oil complex opened lower ahead of the release of the weekly petroleum stock reports. The crude market opened down 26 cents at 59.45 and quickly sold off to a low of 58.65. The market sold off following the release of the DOE and API reports, which showed larger than expected builds in crude and gasoline stocks. In a technical bounce, the market retraced its earlier losses after it failed to test its support at its previous low of 58.60. The market rallied to a high of 60.40 as the heating oil market also provided some support to the market in light of the unexpected draws in distillate stocks. In volatile trading, the crude market however erased its gains once again as the heating oil market retraced some of its sharp gains. The December crude contract settled down 78 cents at 58.93. Volume in the crude was good with over 241,000 lots booked on the day. The heating oil market, which gave up some of its gains late in the session, was able to settle in positive territory. It settled up

1.11 cents at 178.96. The market traded to a low of 175.00 early in the session but quickly bounced off that level and rallied over 5.6 cents as it posted a high of 183.50 amid the draws

Technical Analysis			
		Levels	Explanation
CL	Resistance	61.60, 61.85	Previous highs
	58.93, down 78 cents	59.50, 60.00, 60.40-60.50	Remaining gap
	Support	58.65, 58.60	Wednesday's low, Monday's low
HO	Resistance	183.50, 186.00-187.50	Double top, Remaining gap (November 7th)
	178.96, up 1.11 cents	180.00, 182.00	
	Support	175.00, 174.65	Wednesday's low, Monday's low
HU	Resistance	160.30, 162.70, 163.00	Wednesday's high, Previous highs
	155.13, down 1.10 cents	156.00, 158.50	
	Support	154.50, 153.15	Wednesday's low
		153.00, 151.80	Previous lows

reported in distillate stocks. However as the buying fizzled, the market retraced some of its gains and traded to 178.00 ahead of the close. Similarly, the gasoline market also sold off to a low of 153.15 amid the gasoline stock builds. However it bounced off that level and backfilled its gap as it traded to a high of 160.30 before it once again retraced its gains. Volumes in the product markets were good with 52,000 lots booked in each the heating oil and gasoline markets.

The crude market will likely continue to trade lower as it continues to retrace today's earlier gains despite the mostly bearish reports. Technically, the crude market is still trading within its downward trend channel. The market is seen finding initial support at 58.65-58.60 followed by a previous low of 58.30. More distant support is seen at 56.24, basis its support line. Meanwhile, resistance is seen at 59.50, 60.00 followed by its remaining gap from 60.40 to 60.50. More distant resistance is seen at 61.60 and 61.85.