

**W** The  
Windham Group



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR NOVEMBER 12, 2004**

---

The northern Iraqi export pipeline to Ceyhan was restarted Thursday night after being shut down Wednesday after a brief restart. Pipeline flow rates were reported to be at or near post war highs of 520,000 b/d. Elsewhere in Iraq, armed militants attacked a main Kurdish party headquarters in Mosul as well as assassinated a senior Mosul police officer in the city.

Nigerian President Obasanjo Friday ordered the state oil company to reduce the price of kerosene, ahead of next week's planned general strike. A Nigerian committee on Friday proposed a fuel price compromise between unions and the government to avert the strike. The committee had suggested reducing prices by 5 naira to 46-49 naira per litre on all products. This suggestion would be a 50% reduction in the recent price hike by the government in petroleum products that had prompted the call for a general strike. Meanwhile the Nigerian

government sent police reinforcements to the southeastern state of Anambra on Friday after government buildings and vehicles were destroyed in two days of political violence.

#### **Refinery News**

Kinder Morgan Partners said today that its 60-mile San Jose products pipeline that was shut in following an explosion earlier this week may return to service by Sunday. The company put a temporary clamp on the pipeline Thursday night, in order to allow rescue crews and investigators safe access to the scene.

#### **Market Watch**

The new incoming EU Energy Commissioner reportedly is committed to stockpiling oil reserves and is in favor of raising the minimum level of national oil stocks to 120 days from the current level of 90 days and placing one-third of the reserves into a stockpile which could be drawn on at times of crisis. Such a plan would give the EU Energy Commission the power to co-decide on reserves' emergency release.

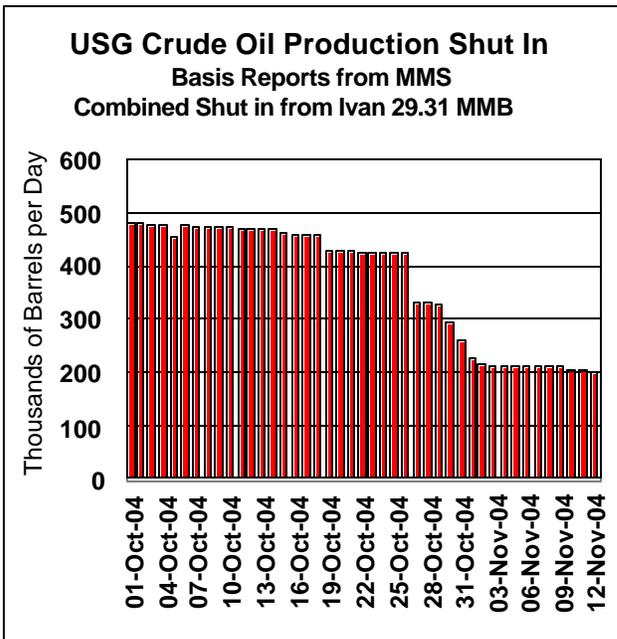
Private weather forecaster Freeze Notis today called for above normal temperatures starting early next week in the Midwest and moving into the Northeast by the middle of next week. They saw temperatures running some 4 degrees above normal through November 22<sup>nd</sup>. WSI Corp forecasters are calling for the Northeast to average 4-8 degrees below normal until the middle of next week., with the Northeast seeing only normal temperatures by next weekend. Both Freeze Notis and WSI note that the December temperature outlook is unclear given the conflicting forecasts from various forecasting models.

The National Petroleum Council said today that it will release a much-awaited study on the U.S. refining industry and crude oil inventory levels by December 1<sup>st</sup>. The report is expected to see the NPC lowering its suggested minimum operating levels of crude oil stocks to ensure refiners have the flexibility to deal with supply interruptions. The last time the group issued such a review, back in 1998, they placed the minimum operating inventory level at 270 million. Industry sources now expect this level to be placed between 260-270 million.

The SPR reported that on November 7<sup>th</sup> its last batch of oil it was loaning out was sent to the Premcor refinery in Memphis on November 7<sup>th</sup>. The refinery also took an early batch of 500,000 barrels back in early October.

**Production News**

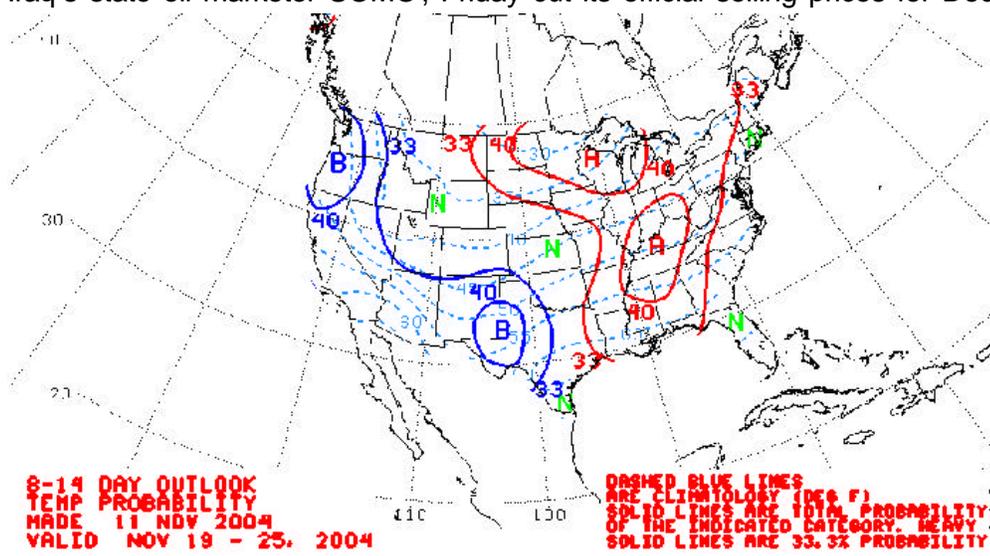
The U.S. Minerals Management Service reported this afternoon that some progress had been made in returning USG shut in production to service over the past two days. The agency reported that since Wednesday some 4,633 b/d of crude production and 13.2 Mmcf/d of natural gas production returned to service.



The OPEC basket reference price for Thursday was pegged at \$37.16, its lowest price since July.

The U.S. Bureau of Land management reported today that it has approved ConocoPhillips request to produce oil from the National Petroleum Reserve-Alaska, in what could be the first commercial oil production from the area. The production from the area would be part of an expansion project from ConocoPhillips adjacent Alpine field. The company plans to establish two production pads in the northeast part of the NPR-A. The company is still seeking approval for development of three other sites as well. Oil produced from the area is not expected to flow into the Alaskan Pipeline until 2008

Iraq's state oil marketer SOMO, Friday cut its official selling prices for December to Europe and the United States and revised October level as well to reflect the fall in sour crude values. SOMO cut the Basra Light crude price to the United States by 80 cents from November levels to a discount of \$12.05 below second month WTI. It revised the October U.S. price downwards, cutting by \$1.30 to \$10.82.



**Market Commentary**

The oil markers seemed to take a pause in their downward march today. While all three markets had been much firmer for much of the early morning hours on Access, as it appeared European traders were taking some profits on recent short positions, Access values though began to erase most of these gains in the final hour of trading. As a result by the time the NYMEX regular day session began prices opened near unchanged values and appeared to basically flounder in light volume as traders looked for direction. It appeared the early morning rally in natural gas helped to kick-start the upward move in the oil markets. But the upward move though withered as locals were unable to breach yesterday's highs in the products nor a modest trendline at the \$48.05 level, basis December crude, before lunch time. As a result some light long liquidation helped to bring prices back down to opening price levels, again on light volume. Prices basically floated sideways for the remainder of the day, as all three markets posted inside trading sessions as most seemed content to await until Monday to gain not only

Technical Analysis		
	Levels	Explanation
<b>CL</b> 47.32, down 0.10	<b>Resistance</b> 49.70, 50.37, 51.10 47.57, 48.05, 48.35, 49.00	Nov 5th high, 38 retracement, Nov 3 high Small trendline, Past three day highs
	<b>Support</b> 47.10 & 46.78 46.53 & 46.42-46.40	Triple bottom & 62% retracement Aug-Oct bull move 62% retracement July-Dec, Gap
<b>HO</b> 136.36, down 0.02 cents	<b>Resistance</b> 140.75, 142.90-143.20 137.24, 137.90, 139.30,	Wednesday's high, last week's highs Small trend line, Friday and Thursday's highs
	<b>Support</b> 135.50. 134.40, 133.90 131.34	Past two day's los, Wed Low and Tues low 62% retracement
<b>HU</b> 125.69, up 1.25 cents	<b>Resistance</b> 133.10-132.80, 131.29 126.80 & 129.00	Last week's double top, 38% retracement bear move Last two day's highs, Wednesday's high
	<b>Support</b> 124.60, 123.70, 123.00 122.95, 122.25	This week's lows 62% retracement of the aug-Oct bull move

trading 34,000 lots each.

We feel that without a significant political event in Nigeria or the Middle East, or a dramatic shift in weather forecasts for the next two weeks in the U.S., this market will look to continue to erode again next week. This trend we feel will remain in place at least until the next inventory reports, which appears as the only fundamental near term event that can shake this prevailing conventional wisdom in the market place.

***Please note that due to this week's Veterans Day holiday, the release of the CFTC's Commitment of Traders Report will be delayed until Monday.***

a new weather outlook but also an update on the Nigerian and Iraqi situations. Final volume in the crude was estimated at 181,000 contracts with heating oil and gasoline