



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 15, 2005

OPEC's Secretary General Adnan Shihab-Eldin said oil prices are more realistic now that the market has become more balanced. He said there is no shortage of crude oil. OPEC's Secretary General said OPEC has not yet taken a decision on a new price target but it believes

the current price is acceptable to all and will not compromise economic growth or demand. He stated that OPEC would increase its production capacity by 1.5 million bpd next year as part of the group's plan to reach a capacity of 38 million bpd by 2010. Meanwhile, Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC has no problem with supplying the world market's demand. He said although OPEC has 2 million bpd in spare capacity, there is little demand for it.

Market Watch

A senior IEA official said high oil prices have started cutting world demand and the slowdown in consumption growth could in turn push prices lower. However the IEA's Director of Long-Term Cooperation and Policy Analysis, Noe Van Hulst, however warned that prices remain vulnerable to spikes in the event of a slower than expected recovery in Gulf of Mexico production or a cold winter.

A port manager said loading operations at Iraq's Basra oil export terminal is expected to face delays of up to 5 days, following an emergency shutdown at the facility last week. The terminal was closed for four days after poor weather conditions disrupted berthing and loading operations and was reopened on Thursday. In addition, there is a shortage of oil products at the terminal, which is adding to the delays.

Separately, Iraq's Oil Minister Ibrahim Bahr al-Uloum said Iraq is expecting its November oil exports to increase to 1.6 million bpd after they fell to 1.3 million bpd in October due to bad weather. He also stated that crude supplies to the Baiji refinery in the north had resumed four days ago after an attack on a gathering center of at least nine pipelines which feed the plant.

Refinery News

Citgo's Corpus Christi, Texas refinery is finishing several projects. It restarted two sulfur recovery units over the weekend and is currently restarting a hydrocracker.

Iraq is planning to build at least two refineries with capacities of 140,000 bpd and 300,000 bpd each to halt its shortage of gasoline.

Taiwan's Formosa Petrochemical Corp plans to shut its hydro and residual desulphurizing units for maintenance between February and March. The shutdown will last from February 10 to March 31.

Taiwan's Chinese Petroleum Corp plans to conduct a 40 day turnaround on a 100,000 bpd No. 8 crude distillation unit at Kaohsiung refinery next September. It is also due to restart a 20,000 bpd crude unit No. 7 at the refinery by the end of the month following a 30 day maintenance period.

Production News

According to the MMS, US Gulf of Mexico oil and natural gas production shut in as a result of the storms recovered slightly. It said about 725,423 bpd of crude production remained shut in, down from 727,054 bpd reported on Monday.

Norway's Petroleum Directorate said about 60 oil and gas discoveries on the Norwegian Continental Shelf have yet to be developed. Of those, about 20 discoveries are expected to be developed in the next five years, with the equivalent of 1.9 billion boe.

PDVSA's President Rafael Ramirez said oil companies operating 32 Venezuelan fields have cut oil production in an effort to win better terms from the government in ongoing contract talks. He said oil companies are trying to pressure PDVSA by lower production and added that as a result it would take control of these fields very soon. It has stated that it will take over any fields whose operations fail to sign a letter of intent to change their contracts before the end of the year.

Syncrude Canada has completed maintenance at its Fort McMurray oil sands mine as planned. It said production has restarted. Maintenance work on the vacuum distillation unit was completed as scheduled. The Syncrude facility has a production capacity of 250,000 bpd of crude, which is due to increase to 285,000 bpd in mid-2006 when the facility's current expansion stage is completed.

China's National Bureau of Statistics reported that its crude runs in the first 10 months of the year increased 7.2% on the year to 237.18 million metric tons, averaging 5.73 million bpd. Its refinery runs in October increased by 20.1% on the year to 24.25 million tons. China's crude production in October increased by 13.4% on the year to 15.45 million tons, bringing total production in the first ten months of the year to 151 million tons. It reported that gasoline production in October increased by 4.8% on the year to 4.59 million bpd while gasoline production in January-October increased by 3.7% to 44.59 million tons. However diesel production in October fell by 16.6% to 9.39 million tons.

PDVSA signed a one year oil supply contract with China National Petroleum Corp in its latest move to diversify Venezuela's export market. PDVSA will supply CNPC with 100,000 bpd of crude oil and 60,000 bpd fuel oil. As of mid-2005 Venezuela was selling China 70,000 bpd of oil products, mainly fuel oil.

Brazil's Petrobras is accelerating its investment in the refining sector to reduce its dependency on crude oil imports and to increase its ability to process domestic heavy, high-sulfur crude oil. Refineries in Brazil have the capacity to process 80% of domestic crude oil. It expects to increase that to 90% by the end of the decade. It expects to increase its crude oil production in Brazil to 2.3 million bpd by 2010, up from 1.65 million bpd.

Indonesia threatened to take over the \$2 billion Cepu oil block unless Exxon Mobil Corp and Pertamina resolve a row by the year end over who will operate the field. Pertamina has said it wanted the role of operator to be rotated among the two entities but says Exxon Mobil rejects this. Cepu, which is estimated to hold more than 500 million barrels of recoverable oil and produce up to 180,000 bpd, could increase Indonesia's production by 20%.

An official stated that China is not yet seriously considering plans to impose a windfall tax on the profits of oil firms that have benefited from recent high crude prices. He also hinted that any changes to the country's fuel pricing system would be slow.

Residents in Ecuador's oil region are warning of renewed protests if oil companies do not meet their demands for more local infrastructure development quickly. Dayuma residents in Orellana province blocked roads to pressure Petroecuador into complying with promises of more road building and the provision of clean water. They warned they could undertake open ended protests if Petroecuador and other oil companies do not comply.

Market Commentary

The oil market posted an outside trading day on Tuesday as it opened slightly lower at 57.50 following Monday's inside trading day. The market breached its double top at 58.20 and partially backfilled its gap as it traded to a high of 58.40. However the market, which failed to backfill its gap, retraced all of its gains and sold off to a low of 56.90 ahead of the close. The market was pressured late in the session as traders positioned themselves ahead of the release of the DOE and API reports, which are expected to show builds across the board. The December crude contract settled down 71 cents at 56.98. Volume was better today with 228,000 lots booked on the day. Meanwhile, the product markets also settled in negative territory with the heating oil market settling down 4.95 cents at 168.09 and the gasoline market settling down 3.97 cents at 145.64. The heating oil market opened down 54 points at 172.50 and rallied to a high of 174.00 early in the session as it held good support at Monday's low of 172.00. However the market retraced its gains and sold off sharply to a low of 167.95 ahead of the close. Similar to the crude market, the gasoline market posted an outside trading day. The December gasoline contract rallied to a high of 153.00 early in the session before it sold off to a low of 145.00 ahead of the close. Volumes in the product markets were good with 45,000 lots booked in the heating oil market and 40,000 lots booked in the gasoline market.

The oil market on Wednesday will be driven by the weekly petroleum stock reports, which are expected to show builds of about 1.5 million barrels in crude stocks, builds of about 500,000 barrels in distillate stocks and builds of about 1.5 million barrels in gasoline stocks. Technically, the crude market is seen continuing to trade lower. It is seen finding some support at its low of 56.90 followed by further support at 56.60, 55.90 and 55.56. Meanwhile resistance is seen at 57.50, 58.45 to 58.60 and 59.00. More distant resistance is seen at 60.00 and its gap from 60.40 to 60.50.

Technical Analysis		
	Levels	Explanation
CL 57.69, up 16 cents	Resistance 59.00, 60.00, 60.40 to 60.50 57.50, 58.45 to 58.60	Remaining gap Remaining gap (November 10th)
	Support 56.90 56.60, 55.90, 55.56	Tuesday's low Previous lows, Basis support line
HO 168.09, down 4.95 cents	Resistance 175.50, 177.50, 183.50 170.50, 172.25, 174.00	Monday's high, Friday's high, Double top Tuesday's high
	Support 167.95 164.50, 162.20	Tuesday's low Basis trendline
HU 149.61, up 1.11 cents	Resistance 153.00 to 153.15 148.25, 150.00	Gap (November 10th)
	Support 145.00 144.80, 139.25	Tuesday's low Previous lows