



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 27, 2004

According to shipping data, Iraq's southern oil exports fell to 864,000 bpd on Monday due to bad weather conditions. Sources stated that one tanker, the Universal Brave, was loading from Basra at 36,000 barrels per hour on Monday.

A Nigerian community leader, Anab Sara-Igbe said a protest by villagers that has shut in 120,000 bpd of Nigeria's crude production may be resolved this week. He said that a memorandum of understanding had already been exchanged

between his community and Chevron, in which the US oil company promised to build more roads. Officials from Shell were visiting Kula to sound out possible projects they could invest in, while the government had already agreed to give Kula concessions such as soft loans for development projects, an upgraded hospital and a political appointment on the government's Niger Delta Development Commission.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.13/barrel to \$36.58/barrel on Friday. It also reported that the basket of crudes increased by \$2.06/barrel to \$37.72/barrel in the week ending December 23.

The EIA reported that the US average retail price of diesel increased by 0.03 cents to \$1.987/gallon in the week ending December 27th. It also reported that the US average retail price of gasoline fell from \$1.815/gallon to \$1.791/gallon on the week.

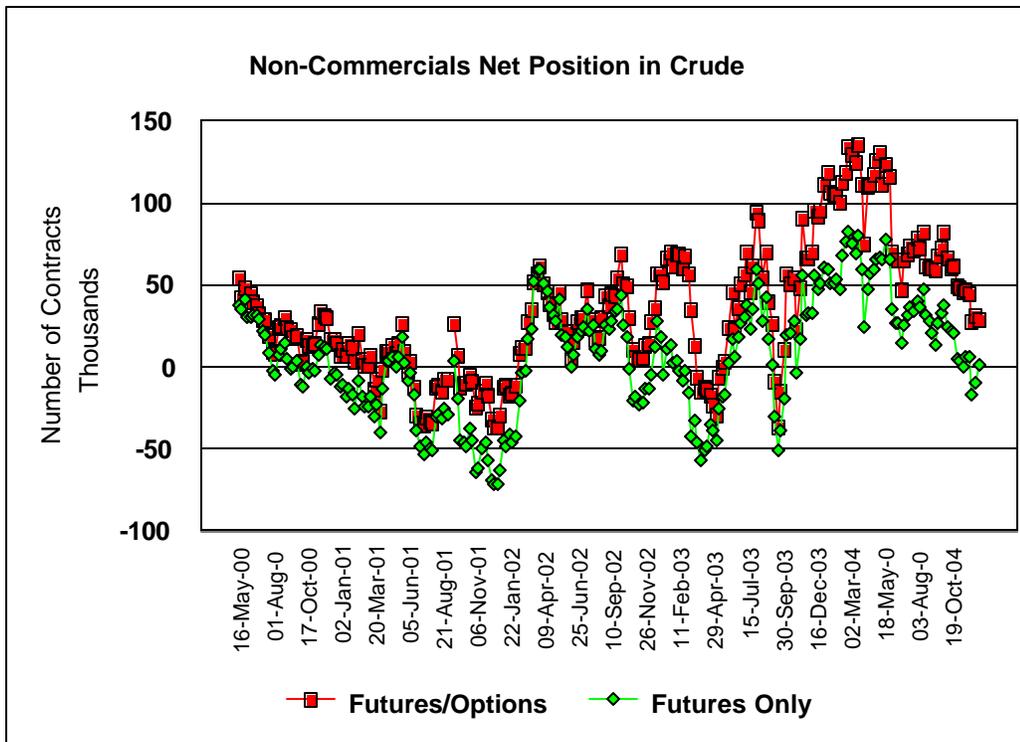
Market Watch

The Climate Prediction Center reported this morning that for the week ending December 25th the US saw some 227 heating degree days, up about 607% than originally forecast. The heating demand on an oil home heating customer related basis was 264, up 36% on the year and 10% higher than normal. For the current week ending January 1st, it is predicting 227 HDD on an oil home heating customer related basis, up 26.1% on the year but 10% lower than normal.

Saudi Arabia's Oil Minister Ali Naimi said the country's oil reserves could increase by almost 200 billion barrels to 461 billion barrels in a few years. He also reiterated his promise to continue meeting consumer demand for world crude. He added that Saudi Arabia has made plans to increase its oil production capacity to 12.5 million bpd from the current 11 million bpd.

In an audiotape broadcast by al-Jazeera television, a voice purportedly of Osama bin Laden endorsed Abu Musab al-Zarqawi as his deputy in Iraq and called for a boycott of next month's elections in Iraq.

Refinery News



According to reports filed with the Texas Commission on Environmental Quality, rare snow and freezing temperatures caused malfunctions at US Gulf Coast refineries in Texas over the long Christmas holiday weekend. In Port Arthur, Texas Premcor's 255,000 bpd refinery said the reactor in a hydrocracking unit was unable to maintain the high temperature needed to mix hydrogen with residual petroleum

liquids to produce light oils starting December 23 due to extreme cold temperatures. However the problem was fixed by early December 25. Valero Energy Corp's 100,000 bpd Three Rivers, Texas refinery reported operating problems on a fluid catalytic cracking unit, a hydrotreater and a naphtha fractionator on December 24 and 25 due to a snowstorm. Citgo Petroleum Corp's 165,000 bpd refinery in Corpus Christi, Texas reported freezing temperatures caused problems on its delayed coking unit early on December 25 that were corrected later that day.

ExxonMobil has scheduled work on its alkylation unit at its Baytown, Texas refinery starting Tuesday. It is not known when restart is expected.

Valero Energy Corp said a unit used to treat waste gas at its East Plant of its Corpus Christi, Texas refinery was unexpectedly shut on Sunday. It however did not say whether production was impacted.

Shell Oil shut the olefins unit at its Deer Park, Texas refinery on Saturday due to a leak on the compression and treating part of the plant. Flaring associated with the shutdown was expected to last until Wednesday.

Japan's Idemitsu Kosan Co said it planned to refine 2.85 million kiloliters or 578,000 bpd of crude in January compared with 2.7 million kl this month.

Japan's Nippon Oil Corp said it planned to refine 5.1 million kl or 1.03 million bpd of crude in January, down 6% from a year earlier.

Production News

Statoil's 205,000 bpd Snorre and Vidgis fields in the North Sea remained shut on Monday. Statoil said no date was set for a restart. On Thursday, Statoil said it postponed the planned restart of the fields for further work and checks.

The UAE seems set to refrain from offering extra crude oil for the first time in 10 months as refiners waited for overdue notices on supply volumes for February. Term lifters of Abu Dhabi crude have not yet been informed of their allocations for February. Murba crude production will be scaled back in February during scheduled repairs at a gas facility. Output at the 1.2 million bpd field could be cut by up to 100,000 bpd or 2.7 million barrels over the month. The planned maintenance will allow UAE's crude production to fall to nearly and possibly below its official OPEC quota.

Market Commentary

The NYMEX oil complex tumbled on post holiday selling as well as the weather forecasts calling for above average temperatures. Temperatures in the Northeast were forecast to average a bit below normal on Monday, then above to much above normal for the remainder of the week and into the weekend. Private weather forecasters said temperatures in the US Northeast would be above normal for the next 10 days. The heating oil market, which extended its losses to over 12 cents, pressured the entire energy complex. The market gapped sharply lower on the opening from 132.50 to 128.50 in follow through selling seen in overnight trading on the weather forecasts. The market quickly posted an intraday high of 128.70 before it continued its sell off. The market breached its support levels amid the lack of any buying and tumbled to a low of 120.50 on further selling ahead of the close. It settled sharply lower, down 11.53 cents at 121.08. Meanwhile, the crude market also settled sharply lower at 41.32, down \$2.86 amid the sell off in the heating oil market. The crude market also gapped lower from 43.75 to 42.60 on the opening in follow through selling seen on Access. The market partially backfilled its gap as it traded to a high of 42.83. However the market continued its sell off amid the light volume trading. The February crude contract traded to 41.75, which it later breached as it extended its losses to a low of 41.20 on the close. The gasoline market also settled down 8.81 cents at 104.12 after it too gapped lower from 112.50-110.40 on the opening. The market partially backfilled its gap as it posted an intraday high of 110.80. However the market continued to sell off amid the weakness in the heating oil market. The January gasoline contract breached its support levels and tumbled to a low of 103.50 ahead of the close. Volumes were light with only 92,000 lots booked in the crude, 49,000 lots traded in the heating oil and 31,000 lots traded in the gasoline market.

Tonight's Commitment of Traders report showed that non-commercials in the crude market reversed their position from a net short position of 9,072 contracts to a net long position of 1,638 contracts in the week ending December 21st. The non-commercials cut their total short positions from 77,382 contracts to 68,167 contracts on the week. However given the market's trading in the past few trading sessions, non-commercials have reversed their position once again to a net short position. The combined

futures and options report showed that non-commercials cut their net long position from 32,175 contracts to 29,761 contracts on the week. Meanwhile non-commercials

Technical Analysis		
	Levels	Explanation
CL 41.32, down \$2.86	Resistance	42.83 to 43.75
		42.20
	Support	41.20
HO 121.08, down 11.53 cents	Resistance	128.70 to 132.50
		124.70, 126.20
	Support	120.50
HU 104.12, down 8.81 cents	Resistance	110.80 to 112.50
		107.00, 108.00
	Support	103.50
	100.35	Monday's low Previous low

in the heating oil market cut their net short position from 21,822 contracts to 12,176 contracts while non-commercials in the gasoline market reversed their net short position from 1,892 contracts to a net long position of 3,555 contracts on the week.

The oil market on Tuesday will likely trade in a range ahead of Wednesday's release of the weekly petroleum stock reports. If the market does breach its support at 41.20 and 41.10, further support is seen at its previous low of 40.90 followed by 40.50. Meanwhile resistance is seen at 42.20 followed by more distant resistance at its opening gap from 42.83 to 43.75.