



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR JANUARY 4, 2006**

---

OPEC's President Edmund Daukoro said OPEC does not need to consider an output cut when it meets on January 31. He said OPEC should consider a cut only if there is large fall in prices. Meanwhile, Indonesian officials said some OPEC members are expected to propose that OPEC cut its crude oil production by 1 million bpd at its meeting.

Iraq's southern oil exports recovered to about 1.5 million bpd after exports were halted for a week at the end of December. Iraq's exports in the south resumed on Monday after weather improved and logistics problems at the Basra terminal in the Gulf were fixed.

#### **Refinery News**

Exxon Mobil's 557,000 bpd Baytown, Texas refinery shutdown a 42,000 bpd flexicoker unit on January 2 for a week of unplanned maintenance.

Alon USA will shut the No. 2 sulfur recovery unit at its Big Spring, Texas refinery on January 13 for repairs.

Marathon Petroleum Corp restarted a 30,000 bpd crude unit at its 70,000 bpd St. Paul, Minnesota refinery after a fire in early December.

Minnesota Pipe Line Co is seeking to build a 300 mile pipeline to bring more crude oil from Canada to Twin Cities refineries. It said the existing pipeline is at capacity. The project, scheduled for completion

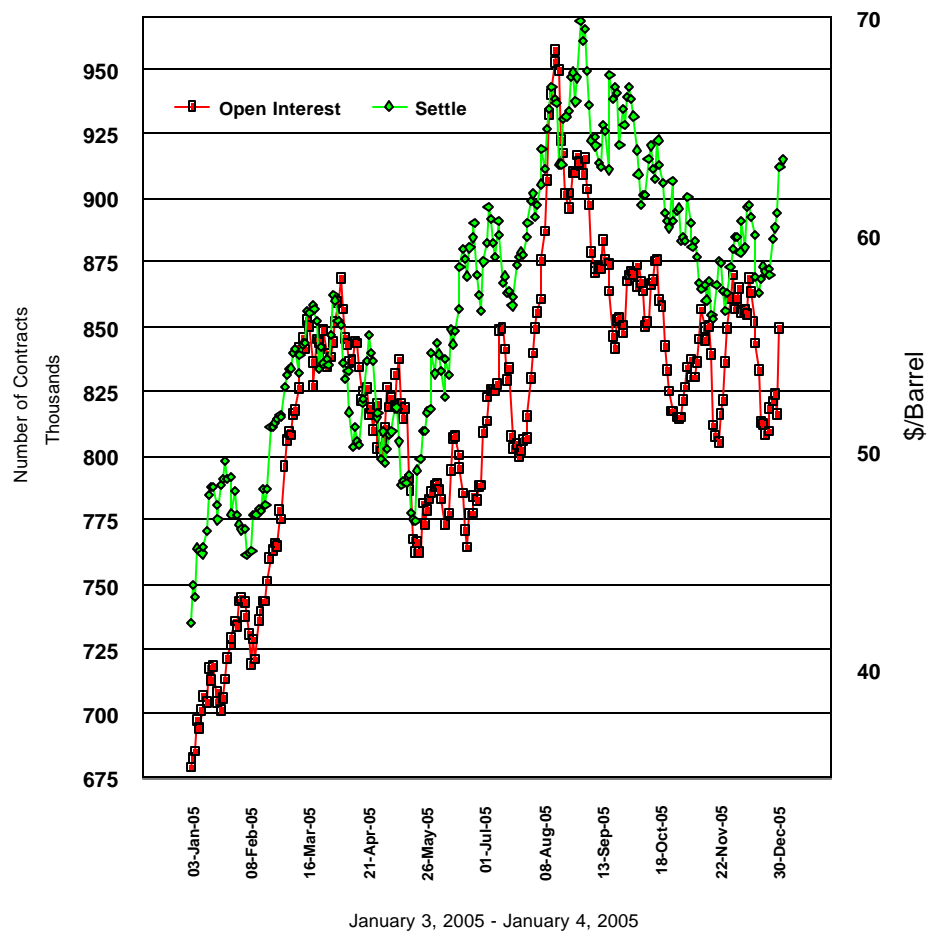
#### **Market Watch**

Iraqi police officials said gunmen ambushed a convoy of 60 fuel tankers on a road north of Baghdad. The gunmen destroyed 19 of the tankers. The convoy was part of a major government effort to ease fuel shortages in Baghdad following the recent closure of Iraq's Baiji refinery after supplies were halted for 10 days due to threats made against tanker drivers.

The European Union said it hoped a deal between Ukraine and Russia to end a dispute over gas would secure long term supplies of gas to the 25 nation bloc in the long term. The EU presidency said Russian gas would remain an important part of supply in the European Union. Russia's President Vladimir Putin said that a deal to supply natural gas at higher prices to Ukraine would secure stable long term export supplies for Europe. Under the deal, Ukraine would pay on average \$95 per 1,000 cubic meters for gas imports from Russia and Central Asian states of Turkmenistan and Kazakhstan, up from about \$50.

The US CFTC said Shell units will pay a \$300,000 penalty for pre-arranged crude oil trading. It said it found that on five occasions between November 2003 and March 2004, trading for Shell Trading US Co and Shell International Trading and Shipping Co allegedly prearranged trades for crude oil futures contracts.

**NYMEX Crude Oil  
Total Open Interest Vs. Spot Price**



in 2008, would initially bring another 100,000 barrels of crude oil to refineries owned by Flint Hills Resources and Marathon Oil.

**Production News**

Saudi Aramco has cut its February official selling prices to Northwest Europe for all its benchmark crude oil grades. The official selling price from Ras Tanura for Arab Extra Light was cut by 40 cents to a discount of \$2.95 against the BWAVE, Arab Light was cut by 75 cents to a discount of \$6.05 against BWAVE, Arab Medium was cut by \$1.20 to a discount of \$8.65 against BWAVE and Arab Heavy was cut by \$1.40 to a discount of \$11.30 against BWAVE.

Louisiana's Department of Natural Resources stated that restored crude oil production in the state remained at 60.9% of normal on Wednesday,

unchanged from Tuesday. It said output stood at 123,630 bpd.

Turkey closed its Bosphorus waterway to tankers of more than 200 meters in length on Wednesday due to fog.

Chevron Corp said it made another deepwater oil discovery at the Big Foot Prospect in the US Gulf of Mexico. Chevron Corp owns a 60% interest in Big Foot.

Qatar increased its December retroactive official selling price for Qatar Land crude by \$1.96/barrel from November's level to \$56.56/barrel. The December Qatar Marine crude official selling price was set \$1.88/barrel higher at \$53.88/barrel.

China's Sinopec Corp will resume paying a 6% tariff on imported diesel fuel this month after Beijing waived the duty in the last quarter of 2005 to encourage imports. Sinopec has already contracted to buy 36,000 tons of diesel this month to replenish domestic stocks. Separately, China's State Administration of Taxation said China reinstated export tax rebates for gasoline and naphtha. The

government suspended export tax rebates of 11% for gasoline and 13% for naphtha in September to help increase domestic supplies.

An official at China National Petroleum Corp said crude output from China's Daqing oil field fell by 3% to 44.95 million tons or 902,694 bpd last year due to increasing production costs. According to Chinese newspaper reports, aging infrastructure, amid a lack of fresh capital investment, has made it increasingly harder and more expensive to separate oil from water at the field's wells.

China's Xinjiang Uygur Autonomous Region produced 24.1 million tons of crude in 2005, up 1.5 million tons on the year.

Singapore trader Hin Leong Trading said it started to build a 2.3 million cubic meter or 14.5 million barrels oil storage facility in Singapore. It is expected to be completed in 2007.

India's oil product sales in November fell by 1.2% on the year to 8.87 million tons. India's diesel sales in November increased by 6.5% on the year to 3.3 million tons, while its gasoline sales increased to 700,000 tons from 630,000 tons the previous year. Meanwhile India's exports of petroleum products in November fell by 15% on the year to 1.7 million tons due to rising domestic demand for oil products.

OPEC's news agency reported that OPEC's basket of crudes increased to \$55.60/barrel on Tuesday, up from \$53.47/barrel on Wednesday.

### **Market Commentary**

The oil markets posted inside trading days as they failed to breach Tuesday's trading range despite the late rally. The oil market opened down 49 cents at 62.65 and posted a low of 62.50 early in the session as it continued to retrace its previous gains. The market was pressured amid the news that Russia and Ukraine had reached an agreement on gas prices, breaking a stalemate that threatened supplies to Europe. The crude market posted a high of 63.10 and traded mostly sideways. However the market later found further buying, which pushed the market to a high of 63.65 ahead of the close. It settled up 28 cents at 63.42. Volume in the crude market was good with 201,000 lots booked on the day. It is interesting to note that open interest in the crude market built by a total of 33,622 lots to 849,868 as funds came back into the market at the start of the new year. It is likely that they continued to do some further buying during today's session. The heating oil market also posted an inside trading day. It opened at its low of 178.50 and started retracing its losses. The market rallied to a high of 182.40

ahead of the close. It settled up 2.13 cents at 181.77. The gasoline market also settled sharply higher, up 3.40 cents at 178.45 after posting an inside trading day. The market

<b>Technical Analysis</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b>	<b>Resistance</b> 63.42, up 28 cents	63.85 to 63.90, 64.30, 65.10 63.65, 63.80
	<b>Support</b>	62.50 61.75 to 61.25
<b>HO</b>	<b>Resistance</b> 181.77, up 2.13 cents	185.50, 188.50 182.40
	<b>Support</b>	180.00 178.50, 177.97, 175.65, 173.33
<b>HU</b>	<b>Resistance</b> 178.45, up 3.40 cents	182.05, 183.50, 183.90 178.90, 179.30
	<b>Support</b>	178.00, 176.50, 174.00 173.00, 169.92

Remaining gap (October 13th), Previous highs  
Wednesday's high, Tuesday's high

Wednesday's low  
Gap (January 3rd)

Tuesday's high, Previous high  
Wednesday's high

Double bottom, 38%, 50% and 62% (165.80 and 185.50)

Previous highs  
Wednesday's high, Tuesday's high

Double bottom, 38% retracement (154.75 and 179.30)

posted a double bottom at 173.00 and settled in a sideways trading range as it traded to an early high of 175.00. However the market later breached that level and rallied over 3.8 cents as it posted a high of 178.90 ahead of the close. Volumes in the product markets were good with 42,000 lots booked in the heating oil market and 41,000 lots booked in the gasoline market.

The crude market on Thursday will seek further direction from the weekly petroleum stock reports, which are expected to show draws in crude stocks of about 1 million barrels, builds of less than 1 million barrels in distillate stocks and draws of less than 500,000 barrels in gasoline stocks. If the reports show builds in products stocks, the markets are seen retracing their gains, especially given the weather forecasts. The market is seen finding support at its low of 62.50 followed by its gap from 61.75 to 61.25. Meanwhile resistance is seen at 63.65, 63.80 and its gap from 63.85 to 63.90. Meanwhile more distant resistance is seen at 64.30 and 65.10.