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ENERGY MARKET REPORT FOR JANUARY 5, 2005

Qatar's Oil Minister Abdullah bin Hamed al-Attiyah said Qatar implemented its cut of 40,000 bpd agreed at the December meeting. He also stated that it is still to early to forecast what decision OPEC will make when the group meets on January 30. However he did note that OPEC may cut its output if needed to prevent a drop in prices in the second quarter.

Iran's Oil Minister Bijan Namdar Zangeneh said it is too early to gauge what OPEC will decide at its late January meeting. Meanwhile, the UAE's Energy Minister Mohamed al-

Market Watch

A senior analyst at the EIA said US distillate stocks will likely return to normal levels by the end of January if temperatures in the Northeast remain normal and refiners continue to produce at record levels. He stated that with temperatures expected to remain normal to above normal through at least the first two weeks of January and refiners making record amounts of heating oil and other distillate fuels, inventories could fall by less than usual or even remain flat. The EIA also stated that world oil demand growth this year will outpace growth in supply and keep markets tight. It said unless growth in demand falls short of the 2 million bpd it expects, the markets will remain tight despite day to day swings in prices.

Separately, the EIA said it will delay the release of the US weekly petroleum stock reports on Wednesday, January 19 until 5 pm EST due to the Martin Luther King holiday on Monday, January 17 and President George W. Bush's second inauguration on Thursday, January 20.

Saudi Arabia's Oil Minister Ali al-Naimi said Saudi Arabia is willing to pursue longer term supply contracts with Asian consumers. He said Saudi Arabia would be interested in striking take or pay deals, where the seller is guaranteed payment even if the buyer does not accept all the supply it is contracted to take. He stated that the biggest problem facing sellers of crude into Asia was the lack of a regional crude marker. However he ruled out using any of the its grades as a sour benchmark for sales East of Suez.

Iraq's Oil Ministry plans to double the size of the country's 15,000 strong oil security force amid the continued sabotage attempts. The force, previously overseen by private security firm Erinys Co is expected to increase to 30,000. Erinys' contract to train, supply and manage the oil security force lapsed at the end of 2004 and the Oil Ministry chose not to extend the contract.

Hamili said OPEC is comfortable with current oil price levels.

OPEC's news agency reported that OPEC's basket of crudes increased to \$36.57/barrel on Tuesday, up from \$35.67/barrel on Monday.

Refinery News

Shell and Pemex's 340,000 bpd refinery in Deer Park, Texas was returning to normal after heavy fog on the Houston Ship Channel caused a cutback on Monday.

BP Plc's Texas City, Texas refinery will restart its ultraformer unit on January 5. A report filed with the Texas Commission on Environmental Quality did not indicate when the unit was shut or why.

Alon USA's Big Spring, Texas refinery has delayed planned maintenance on a sulfur unit until mid-January. Maintenance work to repair possible tube leaks was postponed until January 14 from January 9 and will include other repairs.

ExxonMobil shutdown its hydrocracking unit at its Baytown, Texas refinery for turnaround on January 5-7.

BP shut its resid hydrotreater at its Texas City, Texas refinery for turnaround on January 5. It is expected to resume operations following the completion of the turnaround on January 17.

Valero announced that it will perform maintenance at several of its refineries. It is scheduled to perform maintenance on its heavy oil cracker, alkylation unit and MTBE unit at its Corpus Christi, Texas refinery in January. It is also expected to perform maintenance at its catcracker and expand its alkylation unit at its St. Charles, Louisiana refinery in January followed by plant wide maintenance at its Ardmore, Oklahoma and Three Rivers, Texas refinery in March and April, respectively. It will also perform maintenance on its hydro-desulfurization unit and distillate fractionator at its Aruba refinery in June and its distillate hydrotreater at its Paulsboro, NJ refinery in April.

Suncor Energy has started repairs on a fire damaged oil sands upgrader in Alberta. However a company official could not say when the unit would return to operation.

BP resumed full operations at its Rotterdam refinery following a lengthy shutdown of a 200,000 bpd crude distillation unit. The crude unit at the 400,000 bpd Nerefco refinery returned to normal operations at the start of January. The unit was shutdown due to a fire on November 23 during an attempt to restart the unit from its maintenance shutdown.

China's main oil refineries started the new year with higher production to meet pre-holiday demand and an anticipated demand growth. Ten refineries are expected to increase January runs by 1.3% from December to 8.4 million tons. China's Qilu Petrochemical Corp has increased its January runs to 880,000 tons or 208,600 bpd above its nameplate capacity. Meanwhile, Jinxi Petrochemical Corp plans to keep its 2005 crude runs at the same level with 2004 at 6 million tons or 120,000 bpd.

Production News

According to the US Coast Guard, heavy fog interrupted traffic in the Houston Ship Channel and as many as 60 ships were waiting to enter or exit the waterway on Wednesday. The traffic resumed early on Wednesday however it stated that it may take up to five days before the line of waiting ships is reduced to the daily average of 15. It was unknown how many of the waiting ships may be tankers carrying oil for Houston area refineries.

Saudi Aramco announced that it cut its prices of Arab Extra Light crude bound to the US in February by 20 cents/barrel to \$5.10/barrel under WTI. However it increased its price for Arab Light to the US by 20 cents/barrel to \$8.30 while its Arab Medium crude was increased by \$1.30/barrel to \$10.35/barrel under WT and its Arab Heavy crude price was increased by \$2.50/barrel to \$12.40 under WTI. Meanwhile its Arab Extra Light crude bound to Europe was cut by 80 cents/barrel to \$3.15 under the IPE weighted average, while its Arab Light crude was unchanged at IPE minus \$6.60/barrel. Its Arab Medium was increased by 75 cents/barrel to IPE minus \$9.30/barrel and its Arab Heavy was increased by \$1.40/barrel to IPE minus \$11.30/barrel. Its price Arab Extra Light crude bound to Asia was cut by 40 cents/barrel to the Oman/Dubai average plus \$3.10/barrel, its Arab Light was unchanged at the Oman/Dubai average minus \$0.15/barrel, its Arab Medium was increased by 40 cents/barrel to the Oman/Dubai average minus \$2.40 and its Arab Heavy was increased by 60 cents to the Oman/Dubai average minus \$4.85/barrel.

Royal Dutch/Shell cut its crude oil output on its 140,000 bpd Draugen platform offshore Norway on Wednesday after bad weather delayed the repair of damaged loading equipment.

Ecuador's Central Bank reported that Ecuador's average oil production increased by 27.6% to 524,269 bpd between January and November from 410,689 bpd in the previous year. Petroecuador said its average crude production stood at 195,955 bpd in the first 11 months of the year.

Market Commentary

The oil complex ended in negative territory after the weekly petroleum stock reports showed larger than expected builds in product stocks. The February crude contract, which posted an inside trading day, opened lower this morning and traded mostly sideways as traders awaited the release of the inventory reports. The crude market later posted a high of 44.00 as the DOE report showed a draw in crude stocks of 3.3 million barrels and the API showed draws in crude stocks of 9.2 million barrels. However the market just as quickly erased its gains and sold off amid the sell off in the products in light of the builds reported in distillate and gasoline stocks. The crude market sold off to a low of 42.60 before it bounced off that level and traded mostly sideways for the remainder of the session. It settled in a range from 43.80 to 43.20. It settled down 52 cents at 43.39. Volume in the crude was good with 175,000 lots booked on the day. The heating oil market settled down 2.82 cents at 121.84 in light of the builds reported in distillate stocks. The market traded off its high of 124.20 early in the session and quickly sold off to a low of 119.00 following the DOE and API reports which showed distillate stocks built by 2 million barrels and 4.6 million barrels, respectively. The market however held support at its low and

erased some of its losses ahead of the close. It traded in a range from 123.00 to 120.80 during the remainder of the session. Similar to the crude market, the gasoline

Technical Analysis		
	Levels	Explanation
CL 43.39, down 52 cents	Resistance 44.57, 45.95 44.00, 44.13, 44.40	62% retracement (46.65 and 41.20), Previous high Wednesday's high, Previous highs
	Support 43.15, 42.60 41.92, 41.25-41.10	Wednesday's low Previous lows
HO 121.84, down 2.82 cents	Resistance 127.88, 128.50, 129.30 124.20, 126.45, 126.50	38% retracement (145.80 and 116.80), Previous highs Wednesday's high, Previous highs
	Support 120.80, 119.00 119.80	Wednesday's low Tuesday's low
HU 117.10, down 11 points	Resistance 121.00, 121.20 117.90, 118.00	Previous highs Double top
	Support 115.90, 114.50 111.50	Wednesday's low Tuesday's low

market posted an inside trading day. The market failed to test its previous high as it posted its intraday high of 117.90 before the market quickly sold off amid the builds reported in gasoline stocks. The market traded to a low of 114.50 before the market erased some of its losses and traded in a range from 117.80 to 115.90 for most of the session. It settled down 11 points at 117.10. Volumes in the product markets were good with 52,000 bts booked in the heating oil and 42,000 lots booked in the gasoline market.

The crude market on Thursday is still seen trading within its recent range after the market was able to bounce off its low despite the inventory reports. Technically, the market is seen holding resistance its high of 44.00 followed by 44.13, 44.40 and 44.57. More distant resistance is seen at a previous high of 45.95. Meanwhile support is seen at 43.15, 42.60, 41.92 and 41.25-41.10.