



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR JANUARY 9, 2006**

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OPEC's President Edmund Daukoro said he is concerned about a US gasoline supply crunch in the foreseeable future. He said gasoline supplies could become even tighter in the coming weeks as US refiners head towards scheduled maintenance postponed by last year's hurricanes.

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said Indonesia sees no need for OPEC to cut its production in the second quarter because prices are expected to remain high. He said he was targeting a price of \$50-\$55/barrel for Indonesian crude this year. Meanwhile, Algeria's Energy Minister Chakib Khelil said he did not expect OPEC to cut output later this month as prices would remain strong at above \$50/barrel during the first half of the year.

Iraq's cabinet said Ibrahim Bahr al-Uloum returned to head Iraq's Oil Ministry just weeks after he resigned to protest the government's domestic fuel price increase. He will replace Deputy Prime Minister Ahmad al-Chalabi,

#### Market Watch

The US National Weather Service reported that US demand for heating fuels is expected to be about 34% below normal this week as mild temperatures continue to hold. Demand for heating oil in the week ending January 14 is expected to be 34% below normal.

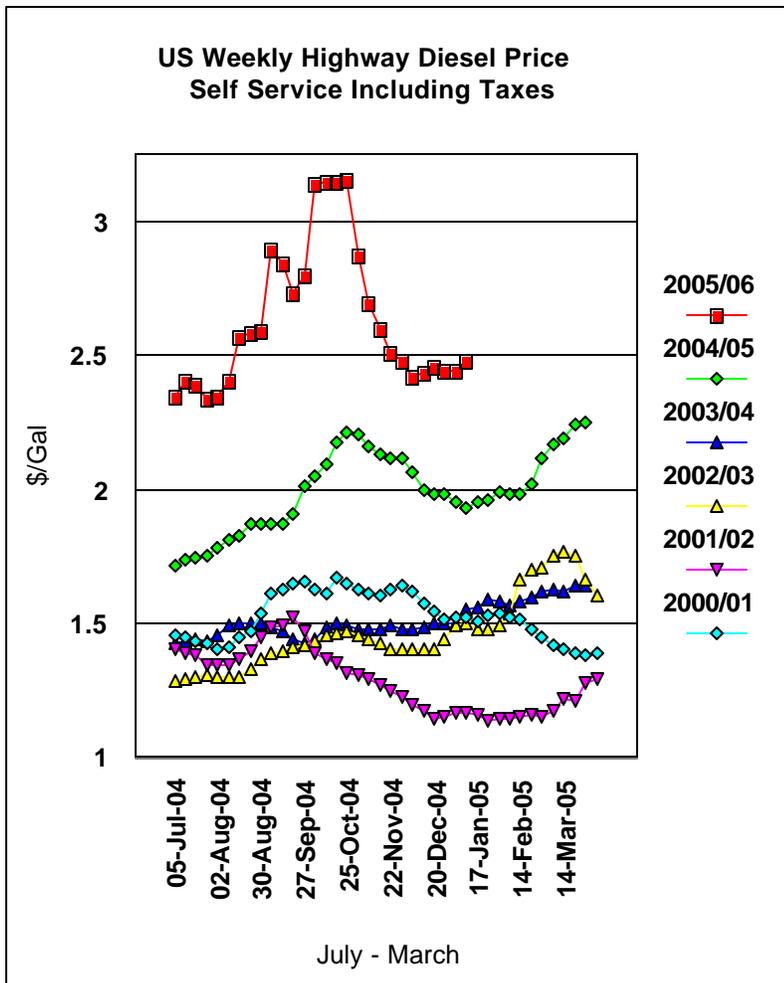
According to shipping brokers, Europe has provisionally booked up to 30 cargoes of gasoline to the US in the last 10 days. They said most of the 37,000 ton cargoes were booked to the New York harbor area for loading up to January 24, from Northwest Europe, the Baltic and the Mediterranean.

Traders stated that large volumes of high sulfur fuel oil are headed for northwest Europe via Baltic ports from the former Soviet Union this week. They said Shell was prominent among oil companies and trading houses loading fuel oil cargoes in the Baltic that are being moved to Europe due to closed arbitrages to Asia and the US.

IntercontinentalExchange in February is scheduled to launch an electronically traded WTI crude futures contract. Pending regulatory approval, ICE's WTI futures will begin trading on February 3.

Central bankers from major countries said the world economy is growing at a dynamic pace and may even accelerate in 2006 as threats fade and companies increase their investments. European Central Bank President Jean-Claude Trichet said the surge in oil prices has failed to restrain economic output.

US financier, George Soros predicted that the US economy could suffer a recession in 2007 due to falling housing prices as the US tightens interest rates, with a reasonably significant change that the world economy could slow as a result. He said there was a risk that the US Federal Reserve would increase rates more than necessary to curb inflation, resulting in a hard landing for the US economy. He expects the federal fund rate to peak at 4.75%, up from 4.25%.



who has acted as the country's acting oil minister since al-Uloum took leave December 27 ahead of formally resigning on January 2.

Iraq has cut contracted Basra light crude oil volumes by 48.8% due to a backlog of exports from previous months. Iraq's SOMO has decided to cut planned January contracts of about 45 million barrels by 22 million barrels to about 23 million barrels.

According to the Lundberg survey, retail gasoline prices increased nearly 9 cents/gallon to \$2.33/gallon on Friday.

The EIA reported that the US average retail price of diesel fuel increased by 4.3 cents/gallon to \$2.485/gallon in the week ending January 9<sup>th</sup>. It also reported that the average retail price of gasoline increased by 8.9 cents/gallon to \$2.327/gallon.

**Refinery News**

Citgo Petroleum Corp's two week maintenance turnaround of a coker and crude unit at its 165,000 bpd refinery in

Corpus Christi, Texas is expected to end by the end of the week. The outage began around January 1, nearly a week ahead of the date suggested by trading sources in earlier reports today.

Exxon Mobil Corp plans to shut a fuel processing unit at its Baytown, Texas refinery for maintenance starting January 12.

Shell's 412,000 bpd Pernis refinery was slowly returning to normal operations following a utility failure last week.

Total SA denied talk that its 227,000 bpd Leuna refinery in Germany was in shutdown.

Saudi Arabia's 400,000 bpd Samref refinery is due to shutdown for 30 days of maintenance in mid-February.

Woodside Petroleum Ltd said it had shutdown operations at its 90,000 bpd Cossack Pioneer and its 9,000 bpd Ocean Legendre oil fields due to an approaching cyclone in far western Australia.

**Production News**

The MMS reported that about 402,259 bpd of oil production remains shut in the Gulf of Mexico as of Monday, January 9<sup>th</sup>.

Louisiana's Department of Natural Resources said restored oil production in the state remained at 60.9% of normal on Monday, unchanged from Friday. It said output stood at 123,630 bpd.

Dow Jones Newswires reported that OPEC produced a total of 29.73 million bpd of crude production in December, down from 30.22 million bpd in November. The ten OPEC members produced a total of 28.08 million bpd, down from 28.37 million bpd. It reported that Iraq's oil production fell by 20,000 bpd to 1.65 million bpd. Meanwhile, Saudi Arabia's oil production fell by 30,000 bpd to 9.4 million bpd.

Saudi Arabia has kept February crude supply to world majors unchanged from January. US buyers of Saudi crude will lift similar volumes of crude oil in February as in January.

Denmark's North Sea DUC oil stream is scheduled to load 214,000 bpd in February, up from 213,000 bpd in January.

Indonesia's crude oil and condensate production in December fell to 1.057 million bpd from 1.064 million bpd in November. Its output in December fell short of the government's 2005 average target of 1.075 million bpd.

Production problems have shut in 50,000 to 60,000 bpd of production from the Karachaganak oilfield in Kazakhstan.

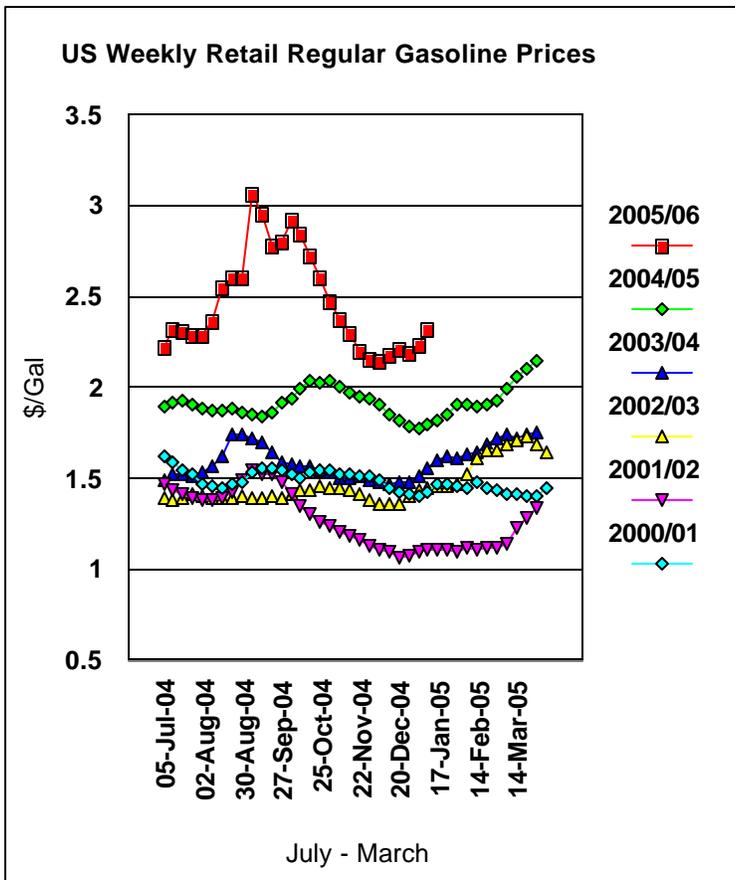
OPEC's news agency reported that OPEC's basket of crudes increased to \$56.78/barrel on Friday, up from \$56.61/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$3.68/barrel to \$55.51/barrel in the week ending January 5.

India's Bharat Petroleum Corp Ltd said its crude oil imports in the financial year ending March 2007 are likely to increase 20% to 12 million tons or about 240,000 bpd.

Nigeria's Oil Minister Edmund Daukoro said he does not see any problem with plans by China's CNOOC Ltd to buy a 45% stake in Nigeria's Akpo deepwater field for \$2.27 billion. The deal is expected to be completed in the first half of the year. Wood Mackenzie estimated Akpo's recoverable reserves of light oil condensate at 620 million barrels and natural gas at 2.5 trillion cubic feet.

**Market Commentary**

The oil market opened slightly lower at 64.15 and quickly posted its high of 64.25 on the opening. The market, which failed to test its resistance at its previous high of 64.45, erased its recent gains and sold off amid the sharp losses seen in the product markets. The crude market extended its losses to over \$1.30 as it posted a low of 62.90. The oil market however bounced off its low and traded back above



the 63.50 level ahead of the close. It settled down 71 cents at 63.50. Volume in the crude market was excellent with over 245,000 lots booked on the day. Open interest in the crude market built by 15,619 contracts amid continued buying in the market. While open interest in the February contract fell by 3,506 contracts, open interest in the March and April contracts increased by 8,130 contracts and 3,567 contracts, respectively. The product markets led the complex lower, with the gasoline market leading it lower. The gasoline market settled down 4.78 cents at 176.77. The market opened down 1.95 cents at 179.60 and quickly posted its high of 180.50. The market, which failed to test its resistance, retraced more of its previous uptrend and sold off to a low of 175.80. The February gasoline contract bounced off its low and settled in a sideways trading pattern ahead of the close. The heating oil market gapped lower on the opening from 179.00 to 178.25 in follow through selling seen on Access. However the market quickly backfilled the gap as it posted a high of 179.00. It later erased its gains and sold off to a low of 174.00 amid the lack of any supportive weather forecasts. It later retraced its losses ahead of the close and settled down 3.29 cents at 176.77. Volumes in the product markets were good with 52,000 lots booked in the gasoline and 56,000 lots booked in the heating oil market.

The crude market is seen trading sideways after the market failed to breach its recent top. Its stochastics are also looking overbought and ready to cross to the downside. The markets are also seen remaining under pressure amid expectations of further builds in product stocks. The market is seen finding resistance at its highs of 64.25 and 64.45 followed by a gap from 65.10 to 65.60 and more distant

resistance at 66.90. Meanwhile, support is seen at 62.90 followed by 62.60, 62.50 and 61.75 to 61.25.

Technical Analysis		
	Levels	Explanation
<b>CL</b> 63.50, down 71 cents	<b>Resistance</b> 65.10 to 65.60, 66.90 64.25, 64.45	Gap (October 4th), Previous high Monday's high, Friday's high
	<b>Support</b> 62.90 62.60, 62.50, 61.75 to 61.25	Monday's low Previous lows, Gap (January 3rd)
<b>HO</b> 176.77, down 3.29 cents	<b>Resistance</b> 181.50, 181.75, 182.40, 185.50 177.50, 179.00	Previous highs Previous high, Monday's high
	<b>Support</b> 174.00 173.33, 171.25, 170.50	Monday's low 62% (165.80 and 185.50), Previous lows
<b>HU</b> 176.77, down 4.78 cents	<b>Resistance</b> 181.90 182.05, 183.50, 183.90 178.00, 180.50	Previous highs Monday's high
	<b>Support</b> 175.80, 175.50 173.00, 171.28, 168.13	Monday's low, Previous low Double bottom, 38%, 50% (154.75 and 179.30)