



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 12, 2005

OPEC will go ahead with its planned January 30 meeting despite the request from Iraq to move the date of the meeting to avoid a clash with Iraq's elections. The decision was reached by a consensus of the group's 11 members. An OPEC official said it was unclear if Iraqi Oil Minister Thamer al-Ghadhan would attend or send a representative.

Saudi Arabia will continue to produce 9 million bpd in February, unchanged on the month. A Gulf source downplayed the significance of lifters' reports of lower February crude oil nominations.

According to Euroilstock, total European inventories fell by 36.02 million barrels on the month to 1.068 billion barrels in December. It is down 20.9 million barrels from last year's level. Crude stocks fell by 30.52 million barrels on the month to 452.67 million barrels amid end of the year destocking and supply disruptions at North Sea oilfields. Euroilstock data also showed that distillate stocks fell by 3 million barrels to 347.63 million barrels while gasoline stocks fell by 1.44 million barrels to 131.33 million barrels on the month.

Market Watch

Plains All American Pipeline said it acquired crude oil pipeline assets in south Louisiana from Shell Pipeline Co for some \$12 million. The assets include the Terrebonne Bay, Golden Meadow and Turtle Bayou gathering systems. It also included the Cocodrie to Houma pipeline and the Cocodrie and Patterson stations.

The American Petroleum Institute said its next weekly petroleum stock report will be delayed until 5 pm on Wednesday, January 19. It made its decision after the EIA said it would delay its release due to the Martin Luther King Holiday on Monday, January 17 and President George W. Bush's second inauguration on Thursday, January 20.

Sources stated that Iraq's decision to cut its export contracts by 10% from February through June will not affect the volume of oil shipped during the period. They stated that the move is aimed at clearing out a backlog of delayed shipments that stretch back to December. They said production is not a problem and cargos will continue to load at their normal pace, meaning that world oil supplies will not tighten.

According to the National Bank of Kuwait, the country's total revenues increased 32% year on year to 6 billion dinars or \$20.5 million in the first eight months of the 2004-05 fiscal year due to high oil prices. It said total expenditures for the same period increased by 12% from a year ago to 2.88 billion dinars.

Separately, the Kuwaiti government has submitted new data requested by parliament on Project Kuwait, a \$7 billion development plan to double crude oil production at existing fields in northern Kuwait. The new drafts resemble service operation deals and economic model defining the relation between the government and potential foreign oil companies. The modification of the project contracts were meant to end any suspicion that they may violate the constitution or any other laws.

European fuel oil stocks fell by 1.5 million barrels to 111.8 million barrels while naphtha stocks increased by 440,000 barrels to 24.64 million barrels. Crude intake at Europe's refineries increased by 290,000 bpd to 12.219 million bpd while refinery utilization stood at 93.27%, up from 91.04%.

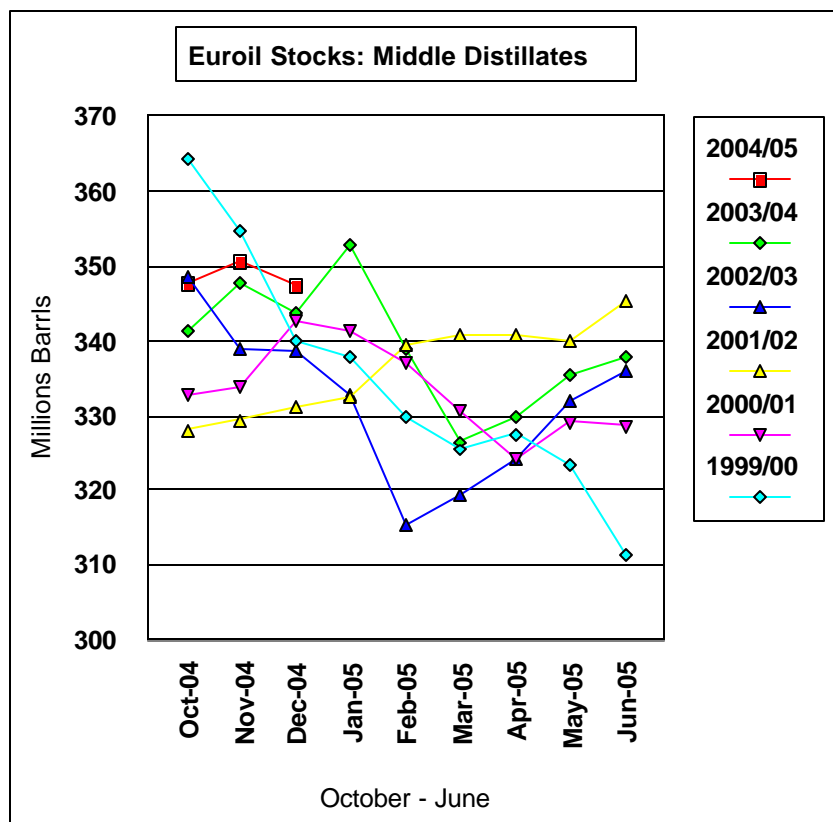
OPEC's news agency reported that OPEC's basket of crudes fell to \$39.45/barrel on Tuesday from Monday's \$40.12/barrel.

The EIA stated that US retail home heating oil price fell for the third consecutive week due to warmer temperatures. The home heating oil price fell by 0.7 cents/gallon to an average of \$1.944/gallon but up 38 cents/gallon on the year.

Refinery News

A fluid catalytic cracker at ExxonMobil's Baton Rouge, La refinery will be shut on or about January 25 for two to three weeks of planned turnaround maintenance.

ExxonMobil will shut its 105,000 bpd Ingolstadt refinery in Germany for five weeks starting in February. The refinery is expected to be shut for planned maintenance from February 10 to March 18. Separately, Bayernoil said that its 120,000 bpd Neustadt refinery in Germany would be partially shut for maintenance work in April.



Production News

The US Coast Guard said traffic was moving normally along the Houston Ship Channel on Wednesday morning.

Kinder Morgan Energy Partners' CalNev and West Line pipelines are likely to resume operation on Friday, after it was shut due to severe rain in California. It said it is working to restore service and based on initial assessments and barring unforeseen issues, the pipelines will return to service on Friday.

The Sullom Voe terminal in the North Sea halted shipping operations for the second consecutive day due to high winds. Meanwhile the Shetland Islands Council reported that Brent crude liftings from the Sullom Voe terminal increased to 377,388 tons in the week ending January 11, up from

371,691 tons the previous week. It said 132,060 tons were bound for the US.

Norway's Petroleum Safety Authority approved Statoil's request to restart its 75,000 bpd Vigdis satellite and subsea production equipment on Snorre, restoring just under 100,00 bpd of its production. Work on the Snorre A platform will continue.

Denmark's A.P. Moeller-Maersk said gale force winds that battered northern Europe over the weekend caused only minor disruptions to oil and gas production in the North Sea.

Meanwhile, Denmark's DONG resumed production from its 40,000 bpd North Sea Siri field on Wednesday after a four day outage due to bad weather conditions. Full production of 40,000 bpd at Siri should be reached later on Wednesday. A 250,000 barrel vessel loaded on Tuesday, reducing stocks in the 300,000 barrel tank which allowed DONG to restart production. The 42,000 bpd South Arne oil field also returned to full production after bad weather forced it to lower its production on Saturday.

Royal Dutch/Shell has restored 65,000 bpd of its oil production in Nigeria after ending a community dispute that had shut in 100,000 bpd for about a month. Output from the Ekulama II flow station resumed production earlier this week, adding to two other flow stations reopened last week. Repairs are still ongoing on the Ekulama I flow station. However Shell has seen output hit in two separate disputes which resulted in vandalism of a pipeline at Egbema, shutting in about 44,000 bpd since December. It was also forced to shut in 8,000 bpd at the Odeama flow station since last week when villagers raided the platform. Shell sources said they are repairing 34 leaks points at Egbema and are working on resolving the community dispute at Odeama. Shell said it will not lift a force majeure declared on December 22 until both Ekulama platforms resume operations. It has warned that it will be unable to meet its export contracts this month.

BP Plc said it failed to meet its target of producing 4 million barrels of oil equivalent per day in 2004. Its average production for 2004 is estimated at 3.995 million boe/d and 4.09 million boe/d in the fourth quarter.

Russia's Rosneft said it is working to stabilize operations at Yuganskneftegaz and is unaware of any interruptions to exports from the former Yukos unit. A company spokesman said the company has paid Yugansk employees the salaries they were owed for November and December and added that Rosneft also started paying off debts Yugansk owed its electricity supplier.

Germany's MWV said total sales of oil products in Germany in December increased by 8% on the year to 10.112 million metric tons. Heating oil sales increased by 15.2% on the year to 2.71 million tons while gasoline sales fell by 1.3% to 2.09 million tons.

Russia's Transneft said it is ready to build a pipeline to the Pacific coast by 2008 after it received state approval for the plan. It said the pipeline is likely to cost \$11 billion and have a capacity of 1.6 million bpd.

Gas oil exports from the former Soviet Union via Baltic and Black Sea ports increased in December as mild weather cut demand. Total gas oil shipments increased to 3.11 million tons in December, up 577,000 tons from a revised 2.53 million tons in November. Total fuel oil exports fell to 3.74 million tons in December from 4.15 million tons in November.

Indonesia's crude oil and condensate production met a government budget target of 1.07 million bpd over 2004. In the 2005 budget, Indonesia has estimated crude oil and condensate production will increase to an average of 1.13 million bpd. Indonesia's crude production increased to 974,000 bpd in December from 963,800 bpd in November while condensate production increased to 133,000 bpd in December from 128,900 bpd in November.

China's crude oil imports increased by 34.8% in 2004 to 120 million tons, according to the General Administration of Customs.

Industry sources stated that a mid-winter cold snap in Japan has increased home heating fuel demand over the past two weeks, increasing expectations that kerosene sales will recover to year ago levels. The colder weather may not be enough to prompt Japanese oil companies to import kerosene from overseas however as storage tanks are brimming thanks to strong refinery margins.

India's state firms sold 8.23 million tons of oil products in December, up 0.2% from the same month a year ago. Diesel sales fell by 0.6% to 3.39 million tons over the same period.

Market Commentary

The crude market continued to trade within Monday's trading range as it failed to breach its range despite the volatility. The market initially traded lower following the release of the weekly petroleum stock reports showing the builds in product stocks. However the market seemed to have been supported by the draw in crude stocks of 3 million barrels reported by the DOE as well as the draw of 5.6 million barrels reported in total petroleum stocks. The market traded to a high of 46.60 before it erased its gains and extended its losses to 68 cents as it posted an intraday low of 45.00. However the market once again failed to breach that level and bounced back into positive territory to test its intraday high ahead of the close. It settled up 69 cents at 46.37. Volume in the crude market was excellent with over 256,000 lots booked on the day. The product markets also settled in positive territory with the heating oil market settling up 68 points at 130.04 and the gasoline market settling up 81 points at 121.85. The heating oil market opened up 1.14 cents at 130.50 and quickly posted its intraday high of 130.80. It however traded mostly sideways as traders awaited the release of the DOE and API reports. The market sold off immediately following the reports, which showed larger builds in distillate stocks. However the market erased its losses and traded back towards the 130.00 level amid the crude market's strength. The market later sold off sharply to a low of 125.85 before it traded back towards its high ahead of the close once again. The gasoline market also traded sideways early in the session ahead of the reports. However similar to the crude and heating oil markets, the gasoline market traded to its low of 117.50 before it bounced off that level later in the session and traded to a high of 122.20. Volumes in the product markets were good with 47,000 lots booked in each the heating oil and gasoline markets.

The crude market which continues to bounce off its lows, is still seen holding its support as its stochastics are still trending higher. However the market's gains may be limited by the reports that Norwegian and Nigerian crude production is resuming following the

Technical Analysis		
	Levels	Explanation
CL	Resistance 46.37, up 69 cents	Monday's high, 50% retracement (54.75 and 40.90) Wednesday's high
	Support	Triple bottom Previous lows
HO	Resistance 130.04, up 68 points	Previous highs Wednesday's high
	Support	Previous low Wednesday's low, Previous low
HU	Resistance 121.85, up 81 points	Monday's high Wednesday's high
	Support	Wednesday's low 50% retracement (106.50&126.00) Previous low

recent production shut ins. The market may also be pressured by the moderating weather forecasts calling for normal temperatures in the Eastern third of the country to above normal temperatures for the rest the country despite the shorter term cold weather forecasts. The market is seen finding support at 45.05-45.00 and 44.75. More distant support is seen at its previous low of 43.20 and 42.60. Meanwhile, resistance is seen at its high of 46.60 followed by 47.30 and 47.83.