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Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 14, 2005

Saboteurs have attacked an oil pipeline in northern Iraq. It was not immediately clear whether the attack damaged the Iraq-Turkey export pipeline. Another pipeline running from the Kirkuk oilfields to the 350,000 bpd Baiji refinery was also sabotaged on Friday. The head of SOMO said exports through Turkey could flow at 250,000 bpd if the sabotage stops compared to 800,000 bpd before the 2003 invasion of Iraq.

OPEC's Secretary General, Adnan Shihab – Eldin said world oil markets are still well supplied with crude despite the recent increase in prices. He said prices increased due to supply disruptions in the North Sea, Nigeria and Iraq. He said OPEC ministers will decide at the next two meetings what measures to take to prepare for the fall in demand that typically occurs in the second quarter. He added that OPEC is committed to ensuring adequate supplies to maintain market stability.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.27/barrel to \$41.08/barrel on Thursday compared with \$39.81/barrel on Wednesday.

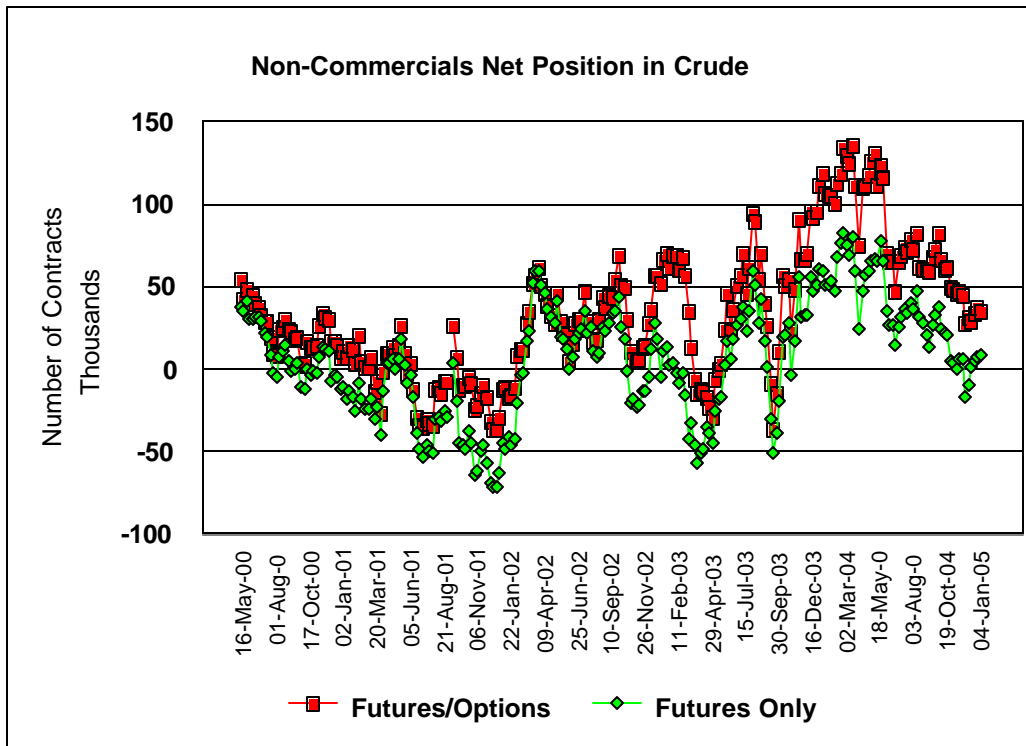
Market Watch

UN Secretary General Kofi Annan said that conditions for the January national elections were far from ideal and added that Iraqi officials should intensify efforts to make the balloting inclusive.

An Iraqi Kurdish militia commander said he is ready to send 10,000 of his armed fighters to protect pipelines and oil installations in Kirkuk. Iraq said attacks on its oil pumping network have cost the country \$10 billion in the last five months despite government attempts to curb attacks with patrol and payoffs.

Negotiations with the union representing workers at US refineries are scheduled to start during the second or third week in February. The negotiations are set to focus on a contract extension and avoid renegotiating the contract when it is to expire on January 31, 2006. The Paper, Allied-Industrial, Chemical and Energy Workers International Union has agreed to the talks. However if an agreement is not reached, the union is prepared to go into full bargaining in 2006.

Venezuela's PDVSA will hold discussions with ConocoPhillips to resolve a dispute which has suspended activity in the Corocoro oil field. The development of Corocoro has been put on hold over a \$200 million discrepancy in the investment budget submitted by ConocoPhillips. A ConocoPhillips spokesman said the firm remains committed to moving forward with the project which is expected to start operations in 2006 with a capacity of 70,000 bpd.



Refinery News

Valero Corp said it will start to bring back its Complex II at its 138,000 bpd Corpus Christi, Texas refinery on January 31 from scheduled maintenance. It is expected to start up the Complex I regenerator vent at its 85,000 bpd Houston, Texas refinery on January 17 following planned maintenance.

Venezuela's Oil Minister Rafael Ramirez said Venezuela is

considering building three new refineries to process more of heavy crude and meet regional demand. He said Venezuela was considering building a refinery in Cabruta with a capacity of 200,000 bpd which would process crude from the Orinoco region. It is also considering a 100,000 bpd refinery to process crude from western Barinas-Apure area to serve the domestic market. A smaller refinery is also under discussion. Venezuela's Oil Minister also stated that PDVSA was planning upgrades at its existing refineries to increase their deep conversion capacity.

Algeria's Sonatrach will build a 320,000 bpd advanced conversion refinery that it aims to complete by 2011. A company official said upgrade work would increase the capacity of the existing refineries by 20% to about 565,000 bpd by 2010 from the current 470,000 bpd. He said Sonatrach is aiming to increase total refinery capacity to about 700,000 bpd by 2010.

Production News

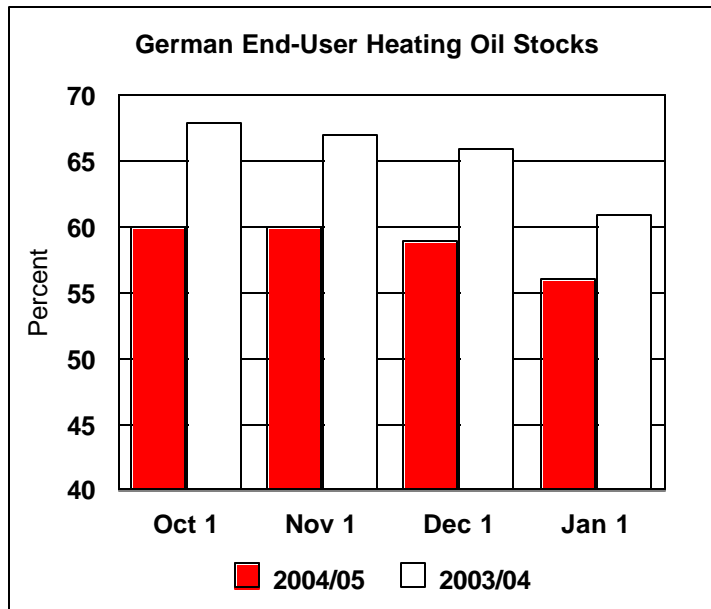
Baker Hughes reported that the total number of rigs searching for oil and natural gas increased by 16 to 1,258 in the week ending January 14th. The number of rigs searching for oil increased by 5 to 172 while the number of rigs searching for natural gas increased by 21 to 1,084.

Royal Dutch/Shell has reopened the last of four Nigerian flow stations closed in a community dispute that resulted in the shut in of 100,000 bpd of its crude. A total of 67,000 bpd has been restored from all four flow stations. It is however still repairing 34 leak points at Egbema following pipeline vandalism which shut in 44,000 bpd and are working to resolve the community dispute at Odeama, where 8,000 bpd of production has been shut in. The company said it would consider lifting a 114,000 bpd force majeure declared on December 22 after the majority of the production has been restored.

Norway's Statoil has started to restore 100,000 bpd of production at its Snorre and Vigdis oilfields in the North Sea. It has started to restore just under 100,000 bpd by restarting its Vigdis satellite and output from subsea wells at Snorre. However Shell's 140,000 bpd Draugen field remained shut on Friday as the company awaits for better weather to allow repair work of damaged loading equipment.

The Norwegian Petroleum Directorate said Norway produced a record 263 million cubic meters of oil equivalent in 2004, up 1 million cubic meters from a year ago.

Trading sources stated that German consumer stocks of heating oil fell to 56% of capacity by January 1, down from 59% a month earlier as high prices continued to deter stockpiling.



Germany's MWV said the country's refined oil product sales in 2004 totaled 85.72 million tons, down 3% on the year. It said Germany's December 2004 sales alone totaled 7.74 million tons, up 7% on the year.

Shipping agents reported that delays for oil tankers at the Turkish Straits increased to 12 days for a round trip to the Black Sea on Friday as heavy fog kept the Bosphorus waterway shut. However, the waiting times are considerably lower from this time last year when oil companies were facing delays of over a month on crude and product supplies.

Several gas oil and gasoline cargos are being held up in the Latvian port of Ventspils as the terminal remains closed to larger vessels due to stormy weather earlier this week. Sources stated that as many as 12 vessels are in or were expected to arrive in the port by Monday to load, including some bound for the US.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate exports totaled 47.56 million tons or 1.08 million bpd in January-November 2004, up 19% on the year.

A tanker that was headed to the oil port of Coatzacoalcos has run aground about 50 meters offshore as high winds and waves battered the coastal region of the Gulf of Mexico. The tanker was empty as it was heading to the port to load cargo.

Petroecuador exported 50.42 million bpd of crude in 2004, up from 43.03 million barrels exported in 2003. Its oil export revenues in 2004 totaled \$1.6 billion, up 42.6% from \$1.13 billion a year ago. Petroecuador exported 4.14 million barrels of crude in December, up 7% from 3.86 million barrels.

Market Commentary

The oil market opened down 21 cents at 47.83 as traders took some profits following Thursday's sharp gains. The market traded to a low of 47.60 early in the session as it continued to ease off its high. However the market bounced off that level as traders seemed reluctant to go home short during the long holiday weekend. It tested Thursday's high of 48.40 and held some resistance at that level. The

market later breached its resistance and rallied to its intraday high of 48.65 before the market gave up some of its gains ahead of the early closing. It traded back towards the 48.00 and settled up 34 cents at 48.38. Volume in the crude was good with 168,000 lots booked on the day. Open interest in the crude market built by a total of 13,040 contracts, with open interest in the February contract falling by 17,175 contracts and open interest in the March contract built by 21,814 contracts as traders rolled their positions. Meanwhile the product markets settled in positive territory once again as the markets remained well supported ahead of the long weekend. The heating oil market settled up 98 points at 135.09 after the market opened down 61 points at 133.50. The market traded to its low of 132.80 as it retraced some of Thursday's sharp gains. However the market later bounced off that level and extended its gains to more than 2 cents as it posted an intraday high of 136.30 ahead of the close. It erased some of its gains ahead of the close but still managed to settle in positive territory amid the cold weather forecasts. The gasoline market which traded to a low of 124.70 rallied to a high of 128.00 late in the session before settling up 2.15 cents at 127.61. Volumes in the product markets were good with 32,000 lots booked in the heating oil and 41,000 lots booked in the gasoline market.

The oil market next week will likely retrace some of its recent gains barring any bullish news over the long holiday weekend and remain in a range ahead of Wednesday's release of the weekly petroleum stock reports. The market is also seen retracing its gains if the weather forecasts change. Initial resistance is seen at Friday's high of 48.65 followed by 49.13 and 49.46. More distant resistance is still seen at the 50.00 level. Meanwhile support is seen at 47.60 followed by its gap from 46.70 to 46.60. More distant support is seen at 45.00 and 44.75.

Tonight's Commitment of Traders report showed that non-commercials increased their net long position by 1,067 contracts to 8,614 contracts in the week ending January 11th. Meanwhile the futures and options report showed that non-commercials cut their net long position from 38,058 contracts to 35,445 contracts. The non-commercials in the product markets meanwhile increased their net short positions. Non-commercials in the heating oil market increased their net shorts from 13,579 contracts to 15,035 contracts while non-commercials in the gasoline market increased their net short positions from 47,633 contracts to 54,882 contracts on the week.

Technical Analysis		
	Levels	Explanation
CL 48.38, up 34 cents	Resistance 49.13, 49.46 48.65	Previous high, 62% retracement (54.75 and 40.90) Friday's high
	Support 47.60, 46.70-46.60 45.00, 44.75	Friday's low, Remaining gap (January 13th) Previous lows
HO 135.09, up 98 points	Resistance 136.75, 141.46, 141.70 136.30	50% (156.70 and 116.80), Previous high, 62% retracement Friday's high
	Support 132.80 131.00-130.80, 125.85	Friday's low Remaining gap (January 13th), Previous low
HU 127.61, up 2.15 cents	Resistance 129.80, 130.17 128.00	Previous high, 62% retracement (144.80 and 106.50) Friday's high
	Support 124.70 122.80 to 122.20	Friday's low Remaining gap (January 13th)