



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 20, 2005

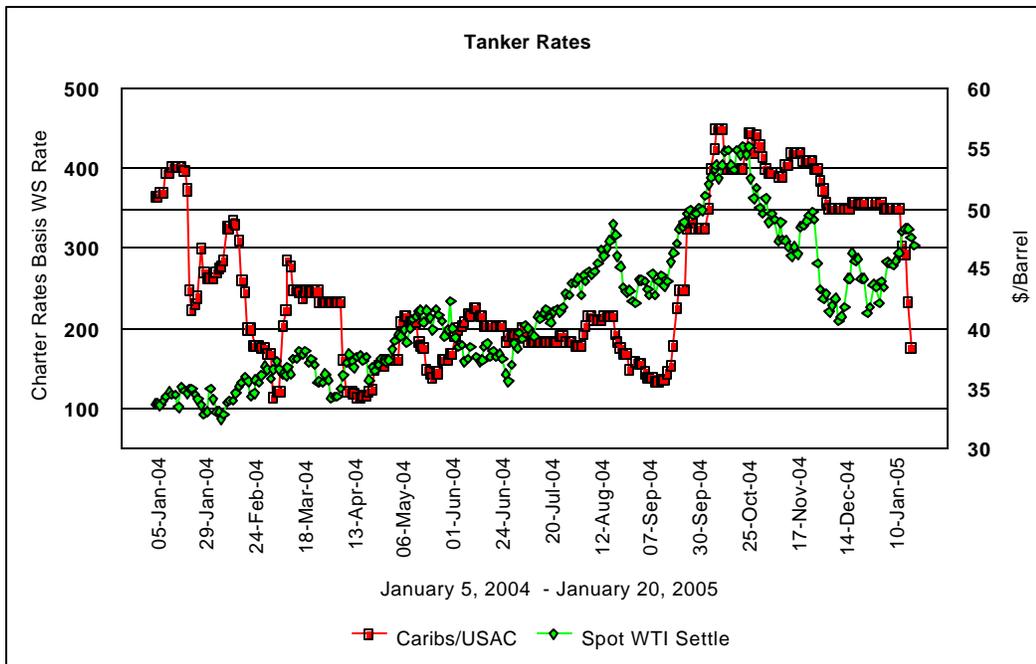
Russia's Yukos suspended some crude export contracts late on Wednesday. However traders stated that the move would not cut total Russian oil supplies. They stated that the overall volume of Russian exports will not be affected as Yuganskneftegaz's oil will be exported by Rosneft. Russia has been keen to stress that Yukos' problems will not lead to a fall in export supplies. The announcement stating that Yukos suspended its export contracts prompted Hungary's MOL to sign a five year supply contract with Lukoil for the shipment of 5 million tons of crude yearly to Hungary and Slovakia. Yukos supplied Hungary and Slovakia with over half their oil imports or 350,000 tons a month each. The MOL contract is unlikely to be the last pipeline export deal to be seized by rivals. Traders said Yukos' supplies to Poland were proceeding as normal but official in the Baltic state of Lithuania said they were searching for new suppliers to ship to the Mazeikiu refinery as Yukos was falling behind with deliveries. Also, Austria's OMV said it would obtain oil from other sources if Yukos failed to honor a 10 year supply deal due to start in January 2006.

Market Watch

Private weather forecasters stated that a snowy weekend in the eastern US could cause the cold snap to linger through the middle of next week. Although longer term forecasts call for a quick warm up, a lot of snow could radiate cold into the atmosphere, keeping temperatures substantially below normal for a longer period. A big snowstorm is expected to sweep across the Upper Plains and over the East Coast from New York to North Carolina this weekend. According to Earthsat, the longer range forecasts are for slightly below normal temperatures in the Midwest and about normal to slightly warmer than normal in the Northeast. Meanwhile, the National Weather Service said above normal temperatures are forecast during February for a large part of the eastern half of the US, including most of the Northeast. It said Maine and Rhode Island were the only Northeast states that had the best chance of avoiding above normal temperatures next month.

Iraq's majority Shiites are embracing the January 30 elections while the Sunni leaders are seeking the postponement of the vote and militant Sunni clerics are calling for a boycott. The plan by Sunni Arabs to boycott the elections would appear to be against their own self interests, damaging their chance for representation in a new government that will draw up a permanent constitution expected to settle some of Iraq's most enduring racial and religious issues.

The Washington Post reported that Iran's President Mohammad Khatami believed the chance of a US attack on Iran was low since US forces are involved elsewhere. However he stated that if an attack occurred it would fail. When asked about the New Yorker magazine article that the US had conducted secret reconnaissance missions inside Iran to help identify potential nuclear, chemical and missile targets, he said Iran is strong enough to defend itself. Meanwhile President George W. Bush said on Monday that the US would not rule out military action against Iran if it was not more forthcoming about its suspected nuclear weapons program.



Separately, Yukos' trading arm Petroval is still marketing oil product shipments out of Baltic ports despite declaring a force majeure on some existing crude oil contracts. Lithuania's Mazeikiu Nafta also stated that it was unaffected by the suspension of some crude export contracts by Yukos.

The IEA executive

director Claude Mandil said OPEC should refrain from further oil production cuts at its January 30 meeting to allow a build up of stocks. He acknowledged supply was slightly above demand as inventories had recovered however he saw uncertainty in future demand, especially in Asia, political turmoil in the Middle East and winter weather patterns.

According to Oil Movements, OPEC oil shipments are expected to fall by 650,000 bpd in the four weeks ending February 5. It said total booked oil shipments or seaborne exports from OPEC fell to 23.66 million bpd, down from 24.31 million bpd in the four weeks ending January 8. Shipments from Gulf producers to Asia fell over 500,000 bpd while exports west increased by 140,000 bpd. It said long haul arrivals to the US will increase to a seven month peak in early February. It also stated that crude oil stocks at sea, which reached a record in December, were also declining. OPEC 11 oil in transit to world markets fell by 21.74 million barrels to 422.68 million barrels to February 5 from four weeks earlier.

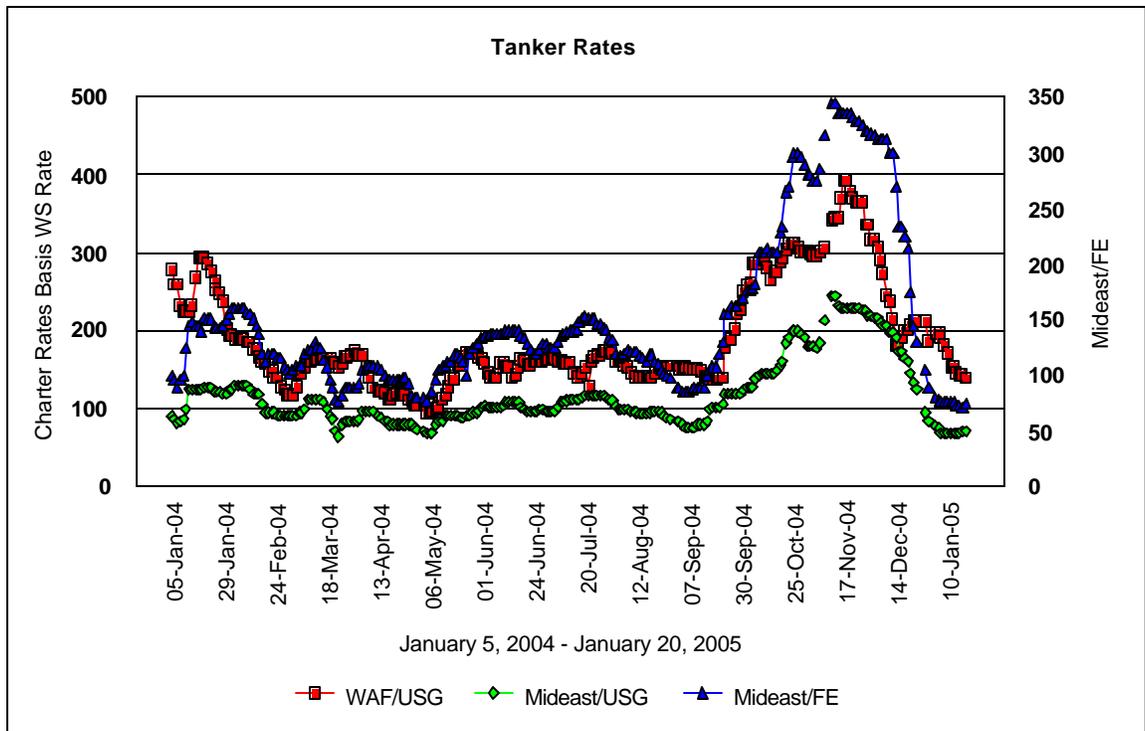
OPEC's news agency reported that OPEC's basket of crudes fell by 45 cents/barrel to \$41.52/barrel on Wednesday compared with \$41.97/barrel on Tuesday.

The EIA stated late Wednesday that with gasoline inventories being better poised early this year to endure any potential supply problems that may occur prior to the peak summer driving season, gasoline prices may not increase as much as during the prior two years. It said gasoline inventories continued to increase above the average rate for this time of year.

Refinery News

BP is scheduled to shut a fluid catalytic cracking unit at its 420,000 bpd refinery in Whiting, Indiana for maintenance in March. The refinery's catcracker can process 165,000 bpd.

Abu Dhabi National Oil Co shut a 140,000 bpd condensate splitter for a maintenance shutdown that is due to last three to four weeks. Once the unit is restarted, the refinery's other 140,000 bpd splitter will be taken down, also for three to four weeks.



Thailand's largest refiner, Thai Oil PCL said refining capacity will increase by about 5% from March following its annual maintenance. It is running at its full capacity of 220,000 bpd. It is scheduled to change the catalyst at its hydrocracking unit 1 in February through early March. Inspection and maintenance will also be carried out at its crude distillation unit from February 18-28 and its minor distillers from February 17-28.

Production News

Nigerian oil workers threatened to launch a strike in the Niger delta hub of Port Harcourt on Monday, cutting over 500,000 bpd of Nigeria's oil production and shutting down one of the country's four oil refineries. They said they would only call off the strike if two expatriates blamed for cutting worker benefits leave the country. The oil unions blame the executives from Malaysian-owned oil drilling firm Wasco for removing benefits from more than 50 workers last year. Nigeria's Pengassan issued the ultimatum and added that the strike could spread nationally with other unions joining the action. Workers at Wasco have been on strike since Monday.

Suncor Energy Inc announced that preliminary assessment of the damage caused by an early January fire indicates production at its oil sands facility should return to full rates sometime in the third quarter. During the repair period, oil sands production is expected to average about 110,000 bpd, about half of the refinery's normal capacity. To mitigate the effect of the reduced production during the recovery period, Suncor said it will bring forward as many maintenance projects as possible.

The EIA reported that Russia's export revenues in 2005 will increase to \$90.3 billion, up from \$89.6 billion last year. Russia's oil production is expected to increase by 200,000 bpd this year to 9.5 million bpd. With domestic oil consumption of about 2.6 million bpd, Russia should have net oil exports of 6.9 million bpd in 2005.

Kazakhstan's Kazmunaigas said that its crude oil output in 2004 increased by 12.6% on the year to 8.9 million metric tons or about 178,000 bpd. The company attributed the hike to increased investments in

industrial construction, drilling of new wells and extracting oil more efficiently. It exported 6.7 million tons in the year. The volume of oil transportation through pipelines increased by 12% to 38.4 million tons while oil transportation by tankers increased by 57% to 4 million tons.

According to China Logistics Information Center, the country's crude oil production in December increased by 2% on the year to 14.92 million tons. During the entire year of 2004, the country's crude production increased by 2.9% to 174.5 million tons. Diesel output in December increased 20.5% to 9.37 million tons. The volume of crude processed in December increased by 12.1% from a year ago to 24.47 million tons while the amount processed in the 12 month period increased to 13.7% to 273.07 million tons.

Russia's port of Vitino halted oil loadings due to border control problems and uncertain supply. The port's general director said the last tanker left on December 17. However he stated that shipments could restart before the end of the month, with a possible Lukoil cargo. The head of the port's White Sea complex said the first loadings of the year would happen in the first three weeks of February.

Kazakhstan, which agreed in principle with a Western consortium on buying out BG's stake in the Kashagan oilfield, will hold a new round of talks in two weeks. The government is locked in talks with the Eni-led group on buying all or part of BG's 16.67% in the offshore Caspian deposit which BG had originally agreed to sell to other project partners.

Singapore's International Enterprise announced that the country's total light distillate stocks fell by 1.459 million barrels to 8.378 million barrels in the week ending January 19. It reported

Technical Analysis		
	Levels	Explanation
CL 47.31, down 55 cents	Resistance	48.35, 49.50
		47.50
	Support	March
		46.40, 46.33
		Thursday's low, 38% retracement (41.20 and 49.50)
		50% retracement, Previous lows
HO 133.98, down 28 points	Resistance	136.50, 139.50
		134.20
	Support	131.90
		131.00-130.80, 128.15
		Thursday's high, Previous high
		Thursday's low
		Remaining gap (January 13th), 50% (116.80 and 139.50)
HU 125.76, down 56 points	Resistance	127.70, 130.30, 133.85
		126.50
	Support	123.50
		122.80 to 122.20, 121.21
		Previous highs
		Thursday's high
		Thursday's low
		Remaining gap (January 13th), 38% (106.50 and 130.30)

that middle distillate stocks fell by 370,000 barrels to 7.873 million barrels while fuel oil stocks increased by 583,000 barrels to 11.275 million barrels on the week.

Market Commentary

The energy complex settled in negative territory following the release of weekly petroleum stock reports late Wednesday which showed large builds in crude stocks. The crude market gapped lower from 47.50 to 46.90 as it opened down 65 cents in follow through selling seen in overnight trading in light of the builds seen inventories. The market backfilled its gap as it posted an intraday high of 47.50 within the first hour of trading amid the strength in the heating oil market following the news that Con Edison notified its interruptible customers to switch over their dual fired plants from their natural gas to oil. The February crude contract however erased its gains and sold off to a low of 46.40 as the market was still pressured by the reports. It later bounced off its low and retraced some of its losses as it traded back above the 47.00 level ahead of its expiration. It went off the board down 64 cents at

46.91. The March crude contract also settled down 55 cents at 47.31 after the market backfilled its opening gap as it posted an intraday high of 47.80 early in the session. It too sold off its high and traded to a low of 46.71 before it erased some of its losses ahead of the close. Volume in the crude market was good with 220,000 lots booked in the crude market. The heating oil market also settled down 28 points at 133.98 after it traded to a high of 136.50 early in the session amid the news of the switchover request. The market was able to backfill its opening from 133.85 to 132.60 as it rallied to its high. However the market erased its gains and posted a low of 131.90. The market later settled in a range before it traded back above the 134.00 level ahead of the close. Meanwhile, the gasoline market opened at its intraday low of 123.50 and rallied to a high of 126.50 amid the strength in the heating oil market. It however retraced most of its gains and traded towards the 124.00 level and settled in a range ahead of the close. It settled down 56 points at 125.76. Volumes were good with 57,000 lots booked in the heating oil and 40,000 lots booked in the gasoline market.

The oil market on Friday is seen trading in a range as it continues to erase today's losses ahead of the weekend. However the market's gains may be limited amid the moderating weather forecasts calling for normal to above normal temperatures following the cold snap this weekend. Technically, the market is seen finding resistance at today's high of 47.50 followed by 48.35 and 49.50. Meanwhile support is seen at 46.40, 46.33 followed by 45.35, 45.00 and 44.75.