



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR FEBRUARY 9, 2005**

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Shipping sources stated Iraq's crude oil export through the northern pipeline to Turkey's Ceyhan port have yet to restart. On Monday, an Iraqi oil official said the line was operational and exports would restart in 5-6 days after it was halted in mid-December.

According to Euroilstock, total oil and product stocks fell by 11.35 million barrels on the month to 1.085 billion barrels in January. It stated that crude stocks fell by 1.24 million barrels to 455.81 million barrels. Meanwhile gasoline stocks built by 4 million barrels to 136.6 million barrels while distillate stocks built by 7.12 million barrels to 355.5 million barrels. Gasoline inventories are down 15.62 million barrels from last year while distillate stocks are up 4.76 million barrels from last year's level.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.19/barrel on Tuesday to \$39.79/barrel compared with \$39.98/barrel on Monday.

#### **Refinery News**

#### **Market Watch**

The EIA stated that even as distillate stocks continue to fall it expects the US will have sufficient supplies through the end of the year. The larger than expected decline in stocks caps three consecutive weeks of draws and widens the year on year deficit.

Saudi Aramco has kept crude allocations to major oil companies steady in March. Saudi Aramco will supply majors at about 25-30% below contract volumes in March. European refiners were receiving between 27 and 30% below contract volumes while one US refiner said it would receive about 25% under contract as it did in February.

TransCanada Corp is proposing a \$1.7 billion oil pipeline project to transport about 400,000 bpd of heavy crude oil from Hardisty, Alberta to Wood River and Patoka, Illinois. It is aiming to capitalize on growing supplies of heavy oil from oil sands by converting one of its gas lines to move crude and building new lines to refineries in the US. It is planning to convert 1,240 km of one of the pipelines that make up the mainline in Alberta, Saskatchewan and Manitoba. It would also build 1,600 km of pipeline through the Dakotas, Iowa, Missouri and Illinois.

Star Gas Partners, LP released its results for the quarter ending December 31, 2004. It reported a total net income of \$74.444 million. It reported that retail volume of home heating oil fell by 24.9 million gallons or 14.9% to 142.3 million gallons compared with 167.2 million gallons a year ago. Volume of other petroleum products fell by 3.4 million gallons or 14.6% to 20 million gallons compared with 23.4 million gallons a year ago. It stated that in December, it completed the sale of its propane business to a subsidiary of Inergy, LP. It also reported that the heating oil segment continued to lose accounts. For the three months ending December 31, 2004, the heating oil segment lost about 3,300 accounts or 0.7% of its home heating oil customer base. It believes that net customer attrition resulted from a combination of premium service/premium price strategy during a period when customer price sensitivity increased with high energy prices, the lag effect of net customer attrition related to service and delivery problems from prior fiscal years, the heating oil segment's telephone handling skills and tightened credit standards.

Valero Energy Corp said it planned to repair a compressor at its Corpus Christi, Texas refinery. The maintenance was expected to take place between 3 pm and 8 pm on Tuesday.

ConocoPhillips shut down a fluid catalytic cracker at its 197,000 bpd Ponca City, Oklahoma refinery for unplanned maintenance on Sunday. The unit was expected to return to service on Sunday. A company official was not immediately available to comment.

Planned maintenance on two reformers at Sunoco Corp's Philadelphia refinery is scheduled to begin on Friday.

Lithuania's Mazeikiu Nafta refinery has restarted after it was shut since last Friday due to supply problems.

### **Production News**

According to the Houston Ship Pilot Association, traffic is scheduled to resume moving along the Houston Ship Channel on Wednesday morning. Traffic along the channel was closed on Tuesday due to dense fog.

Kinder Morgan Energy Partners LP shut a pipeline supplying jet fuel to the San Francisco and Oakland airports after a leak was discovered. Jet fuel was being shipped to the airports via a smaller, parallel line that normally carries gasoline and diesel fuels to terminals south of San Francisco.

Venezuela's Energy Ministry stated that the country's oil production was not affected by the torrential rains that have caused flooding.

Statoil's Snorre A oilfield was producing at 100,000 bpd and is expected to continue operating at that level for some time. The field had produced 130,000 bpd before a shutdown on November 28 following a gas leak.

According to the Shetland Islands Council, Brent blend crude liftings from Sullom Voe fell to 79,257 tons in the week ending February 8 from 328,259 tons the previous week.

The March loading program for North Sea Forties crude scheduled 19.45 million barrels, up from February's 15.9 million barrels. Meanwhile the March loading program for North Sea Oseberg crude scheduled the loading of 18 cargos totaling 9.15 million barrels, up from February's 8.4 million barrels.

Turkey's maritime authorities closed the Bosphorus shipping channel to tanker traffic amid a severe winter storm. Local agents said delays increased to about 11 days for a round trip voyage to load oil out of the Black Sea. Meanwhile, the Dardanelles Strait remained open. Local agents said restricted oil tanks were waiting about 6 days to pass north through the Dardanelles and Bosphorus and five days to pass south again.

Russia's main Black Sea port of Novorossiisk remained closed for the sixth day on Wednesday due to adverse weather conditions.

Russia's Sibneft confirmed its crude output growth had fallen short of the 11%-13% it had forecast. Sibneft said crude oil production increased 8.2% to 34.04 million tons or 693,000 bpd.

The Petroleum Association of Japan reported that the country's kerosene stocks fell by 251,970 kiloliters to 2.78 million kiloliters or 17.5 million barrels in the week ending February 5. It reported that crude stocks increased by 923,614 kl to 19.75 million kl. Total product stocks fell by 429,526 kl to

11.721 million kl. The average operating rate stood at 90.3%, up from 87.3% from the previous week. Japanese refiners processed a combined 4.79 million kl of crude, up from 4.632 million kl the previous week.

**Market Commentary**

The energy complex ended in positive territory after the markets sold off sharply despite the supportive weekly petroleum stock reports. The oil market opened about 20 cents lower at 45.17 and traded slightly below 45.00 ahead of the release of the DOE and API reports. However the market quickly bounced off its low and rallied to a high of 46.40 as the complex was supported by the DOE and API reports which showed draws in crude stocks of 1 million and 4.2 million barrels, respectively. The market, which backfilled its gap from 46.15-46.25 as it extended its gains following the reports, later erased those gains and sold off to 45.00, where it held some support. However further selling pushed the market to a low of 44.60. The March crude contract once again bounced off its low and was able to trade in positive territory ahead of the close. It settled up just 6 cents higher at 45.46. Volume in the crude was excellent with over 283,000 lots booked on the day. Meanwhile the product markets also ended higher, with the heating oil market settling up 1.82 cents at 126.42 and the gasoline market settling up 2.12 cents at 123.74. The heating oil market opened slightly lower at 124.50 and posted its intraday low of 123.70 early in the session. The market quickly bounced off that level following the release of the DOE and API reports which showed draws in distillate stocks of 3 million barrels and 4.2 million barrels, respectively. The market quickly backfilled its gap from 125.80 to 127.00 and traded to a high of 129.00 in light of the larger than expected distillate stock draws. The heating oil market however gave up most of its earlier gains and traded back towards the 124.000 level before some buying ahead of the close pushed the market above the 126.00 level. The gasoline market also posted its intraday low of 120.55 before the market bounced off that level in light of the strength in the rest of the complex. The market rallied to a high of 124.00 within the first hour of trading. However the market gradually gave up all of its gains as it traded to a low of 121.00. It later traded off that level and erased its losses ahead of the close as it traded back towards its intraday high. Volumes in the product markets were good with 54,000 lots booked in the heating oil and 62,000 lots booked in the gasoline.

The oil market on Thursday will likely continue to retrace its earlier losses. Technically, the market looks oversold and its daily stochastics look ready to start crossing back to the upside. The crude market is seen holding support at its low of 44.60. More distant support is seen at 43.40 followed by 43.00.

Meanwhile resistance is seen at 45.90 followed by 46.40, 46.57 and 47.18.

Technical Analysis		
	Levels	Explanation
CL 45.46, up 6 cents	<b>Resistance</b> 46.40, 46.57, 47.18 45.90	Wednesday's high, 38% & 50% (49.75 and 44.60)
	<b>Support</b> 44.60, 44.59 43.40, 43.00	Wednesday's low, 62% retracement (41.40 and 49.75) Previous lows
HO 126.42, up 1.82 cents	<b>Resistance</b> 129.00, 129.30, 129.95 127.20	Wednesday's high, Previous high, 38% (142.00 and 122.50)
	<b>Support</b> 123.70 122.50, 121.80	Wednesday's low Double bottom, Previous low
HU 123.74, up 2.12 cents	<b>Resistance</b> 127.34, 128.00, 128.40 124.00	38% retracement (138.40 and 120.50), Previous highs Remaining gap
	<b>Support</b> 120.55, 120.50 120.23, 119.70	Double bottom 62% retracement (109.00 and 138.40), Previous low