



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 8, 2005

According to the EIA's Short Term Energy Outlook, total energy demand is likely to remain relatively flat on the year compared with 1.5% growth between 2003 and 2004. However energy demand is expected to recover in 2006 at a rate of about 2%. It reported that world petroleum demand is expected to increase by 1.4% to 83.6 million bpd

in 2005 and by 2.1% to 85.4 million bpd, down from its previous estimates of an increase of 1.5% to 83.7 million bpd in 2005 and an increase of 2.2% to 85.6 million bpd in 2006. Total US oil demand in 2005 is estimated at 20.6 million bpd, up 100,000 bpd from its previous estimate while demand in 2006 is estimated at 21 million bpd, unchanged from its previous estimate. The EIA stated that total US refinery output this year is projected to fall by about 0.3% compared with 2004 due to hurricane outages. A warm October and an increase in product imports are also helping to maintain total product inventories at levels close to the average of the last few years. However inventories of gasoline, distillate and jet fuel are below normal levels and it estimates a slow recovery from now through early summer. The EIA reported that refinery capacity is expected to be restored to pre-Katrina levels by the end of February. It stated that the price of WTI crude is expected to average \$57/barrel in 2005 and \$64-\$65/barrel in 2006. The US retail price of gasoline is seen averaging \$2.29/gallon in 2005, down from \$2.34/gallon in its previous report. In regards to winter heating expenditures, it stated that households heating primarily with heating oil could expect to pay on average \$325 more this winter than last, down from its previous estimate of \$378. Households heating primarily with propane can expect to pay on average \$230 more this winter, down from its previous estimate of \$325. However should colder weather prevail, expenditures could be significantly higher.

Market Watch

ConocoPhillips agreed to take a 50% stake in a 400,000 bpd pipeline from Alberta to Illinois proposed by TransCanada Corp. About two thirds of Canada's 1.5 million bpd in exports to the US come from Alberta's oil sands province, where output is expected to double by 2010 and triple by 2015. Most of Canada's oil shipments are delivered to the Midwest but the industry is also seeking new markets in the US Gulf Coast. Meanwhile, Exxon Mobil is switching direction on a pipeline running from Patoka, Illinois to Nederland, Texas with a capacity of 66,000 bpd. Also, Canada's Enbridge Inc is reversing its Spearhead pipeline that flows from Chicago to Cushing, Oklahoma. The project has initial shipper commitments of 60,000 bpd and it expects those to increase to 70,000 bpd in 2009. However pipeline companies may find it difficult to find US refiners that can process heavy Canadian crude.

Iraq's southern oil exports were suspended early Tuesday due to a combination of adverse weather conditions and a lack of tugs to guide ships. Loadings fell to about 1.2 million bpd from 1.8 million bpd on Monday.

Refinery News

Flint Hills Resources LP plans to restart a fluid catalytic cracking unit at its 288,000 bpd Corpus Christi, Texas refinery on November 12. The unit was shut for maintenance on November 7.

Japan's Maruzen Petrochemical Co. Ltd has no plans to conduct maintenance at the 480,000 tons per year naphtha cracker at its Goi plant next year.

Production News

The MMS reported an improvement in the amount of crude oil production still shut in following the hurricanes. It reported a total of 738,617 bpd of crude production shut in as of Tuesday, down from 773,097 bpd on Monday.

The Louisiana Department of Natural Resources stated that restored crude oil production in hurricane stricken areas of Louisiana increased to 51.1% of normal on Tuesday, up from 50.1% on Monday. Crude production totaled 103,804 bpd, up from 101,789 bpd.

According to Dow Jones Newswires, OPEC's production fell by 220,000 bpd to 30.06 million bpd in October as Saudi Arabia eased back supplies and Iraq had problems with its southern exports. The ten OPEC members, excluding Iraq, produced 28.23 million bpd in October, up 20,000 bpd on the month. Saudi Arabia's output fell by 100,000 bpd to 9.45 million bpd. Meanwhile, Iraq's production fell by 240,000 bpd to 1.83 million bpd.

Saudi Arabia is expected to maintain its crude oil supply to Asian lifters at full contracted volumes for December. Saudi Aramco exports about 3-4 million bpd of crude oil to refiners in Asia, with its largest customers in Japan, South Korea, China and India.

The Norwegian Petroleum Directorate reported that Norway's oil production fell to 2.5 million bpd in October from 2.54 million bpd in September. It also produced 334,000 bpd of natural gas liquids and condensate in October, compared with 381,000 bpd reported in September.

The first shipments of oil from the Baku-Tbilisi-Ceyhan pipeline are increasingly likely to miss the original year end deadline. BP Plc cited testing procedures and safety precautions as the reason for the delay. The company plans to reach maximum export levels of 1 million bpd by late 2008.

Gas oil exports from former Soviet Union ports in the Baltic and Black Sea increased by 228,000 tons or 8.9% on the month to 2.8 million tons in October. Fuel oil exports however fell by 427,000 tons or 10.7% to 3.57 million tons. Its gasoline exports increased by 24,000 tons or 2.4% on the month to 958,000 tons while naphtha exports also increased by 110,000 tons or 26% to 526,000 tons.

Russia's Petersburg Oil Terminal transported 9.13 million tons of oil in January-October, up 17.5% on the year. It transported 6.48 million tons of heavy oil products in January-October and 2.65 million tons of light oil products. In October, it transported 912,000 tons of oil products.

Azerbaijan's crude oil production increased by 37.2% to 17.65 million tons or 426,000 bpd in January-October year on year due to BP's increased output from its second Caspian Sea deposit.

Petrobras reported that Brazil's net exports of oil and oil products by the end of the year will reach 100,000 bpd. In 2006, oil and oil products exports are expected to earn the company \$2 billion. Two new platforms are scheduled to come onstream in coming months, adding up to 240,000 bpd to its current 1.733 million bpd production. Petrobras plans to bring an additional 14 platforms on stream by 2010 and aims by then to export at least 240,000 bpd of oil and oil products more than it imports.

Ecuador's central bank reported that the country's oil export revenues totaled \$3.88 billion between January and September, up 35% from the \$2.87 billion reported last year. It exported 96.01 million barrels in the first nine months of the year, down 0.6% from the 96.58 million barrels shipped last year. Separately, Petroecuador said it exported 140,565 bpd of crude in October, up 2.7% from 136,805 bpd in September.

Canadian Natural's total hydrocarbon output is expected to increase by 10% over 2006. It is seeking to bring an extra 300,000 bpd, including 240,000 bpd of bitumen production, of crude onstream.

Yemen Oil and Gas has set the December official selling price for Marib Light crude at a \$1.20/barrel discount to dated Brent, up 30 cents from the previous month. It also set the price for Masila crude at a \$2.35 discount to dated Brent, up 95 cents from November.

OPEC's news agency reported that OPEC's basket of crudes fell to \$52.86/barrel on Monday, down from Friday's \$54.25/barrel.

Lithuania said it would join an international legal battle over the frozen assets of Yukos that is being waged by the Russian company's Dutch based unit. Yukos wants to sell its 53.7% stake in Lithuania's refinery Mazeikiu Nafta. Lithuania has a 40.6% stake in Mazeikiu and under the ownership terms it has a final say on who the buyer will be. It is seeking for the sale to proceed and the Dutch freeze on the refinery to be lifted.

Market Commentary

The oil market posted an inside trading day after it failed to find the momentum to test its previous high amid the light trading volume. The December crude contract opened slightly lower at 59.40 and quickly posted an early high of 59.80. However the market erased its gains and sold off to a low of 58.90 as the oil markets remained pressured by the short term weather forecasts. The market later bounced off its low and erased its losses as it rallied to a high of 59.85 on short covering ahead of the close. The market's gains were limited as the weekly petroleum stock reports were forecast to show builds across the board. It settled up 24 cents at 59.71. Volume in the crude was light with 195,000 lots booked on the day. The gasoline market also settled in positive territory as it rallied to its high late in the session. The market opened slightly higher at 155.70 and quickly posted a high of 156.70. However it erased its gains and breached its previous low as it sold off to a low of 153.25. The market later bounced off its low and rallied to a high of 156.75 on some late short covering. Meanwhile, the heating oil market settled in negative territory despite its late rally. The market traded to a high of 178.00 on

the opening but quickly sold off to a low of 175.30 amid the warm weather in the Northeast. However the market bounced off its low as it failed to test its previous

Technical Analysis			
		Levels	Explanation
CL	Resistance	61.60, 61.85	Previous high
	59.71, up 24 cents	59.85, 59.95 to 60.50	Tuesday's high, Remaining gap (November 7th)
	Support	58.90, 58.60	Tuesday's low, Monday's low
		58.30, 56.41	Previous low, Basis support line
HO	Resistance	181.75, 183.50, 186.00-187.50	Previous highs, Gap (October 31st)
	177.85, down 76 points	178.50, 179.00	Tuesday's high, Monday's high
	Support	175.30, 174.65	Tuesday's low, Monday's low
		174.00, 173.80, 172.70	Previous lows
HU	Resistance	159.26, 162.70, 163.00	Basis trendline, Previous highs
	156.23, up 62 points	156.75, 158.50 to 159.10	Tuesday's high, Remaining gap (November 7th)
	Support	153.25	Tuesday's low
		153.00, 151.80	Previous lows

low and rallied to a high of 178.50 ahead of the close. It settled down 76 points at 177.85. Volumes in the product markets were light with 43,000 lots booked in the gasoline and 44,000 lots booked in the heating oil market.

The crude market on Wednesday will be driven by the weekly petroleum stock reports after today's gains were limited by the expectations of builds across the board. The market is expected to see builds in crude stocks of about 1.5 million barrels, builds in distillate stocks of about 500,000 barrels and builds in gasoline stocks of about 1 million barrels. The market will continue to trend lower if the DOE and API reports show larger builds in stocks. The crude market is seen breaching its support levels at 58.90 followed by 58.60 and 58.30. More distant support is seen at 56.41, basis its support line. Meanwhile resistance is seen at its high of 59.85 and its gap from 59.95 to 60.50. More distant resistance is seen at 61.60 and 61.85.