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### **ENERGY MARKET REPORT FOR NOVEMBER 11, 2004**

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Iraq's northern crude oil export line to Turkey had resumed pumping as a rate of 528,000 b/d late Wednesday, but was taken back off line several hours later. Storage tanks at Ceyhan held just 1.8 million barrels. Meanwhile in Iraq, the Kurdish governor of the northern Iraqi province of Kirkuk escaped an assassination attempt on Thursday, when a car bomb exploded near his convoy. Elsewhere clashes broke out between Iraqi security forces and insurgents in the streets of the northern oil city, Baiji. Security officials in the area said they were trying to beef up protection of the pipeline system after insurgents threatened a newly formed protection force recruited from tribes in the area. Many of these new security agents fled fearing for their lives. Reuters film footage showed a pipeline, reportedly a domestic pipeline, running to the Dora refinery had been ripped apart by a bomb. Insurgents also launched fresh attacks in Mosul, Iraq's third largest city.

The senior oil workers union Pengassan, announced today that while it will go ahead and join a general strike planned for November 16<sup>th</sup>, it would not seek to shut down the oil industry unless the strike dragged on. The union though said it was once again engaged in talks with other unions and the government to avert the strike set for Tuesday. Later in the day though a Nigerian court ruled the country's main umbrella union could not call a general strike next week, as originally planned to protest increases in domestic gasoline prices. An appeal hearing on this ruling though is set for November 17<sup>th</sup> but the judge ordered a stay on the union until a final ruling in the case.

#### **Market Watch**

Tokyo Electric Power reported Thursday it expected its power sales for the year ending in March to rise 3.9% to 286.8 billion Kwh, up slightly from its prior forecast of 286.1 billion. The company said it estimated that the average operation rate of its nuclear power plants at 65-70% for the 2004/05 business year compared with 66.9% for the April-September first half.

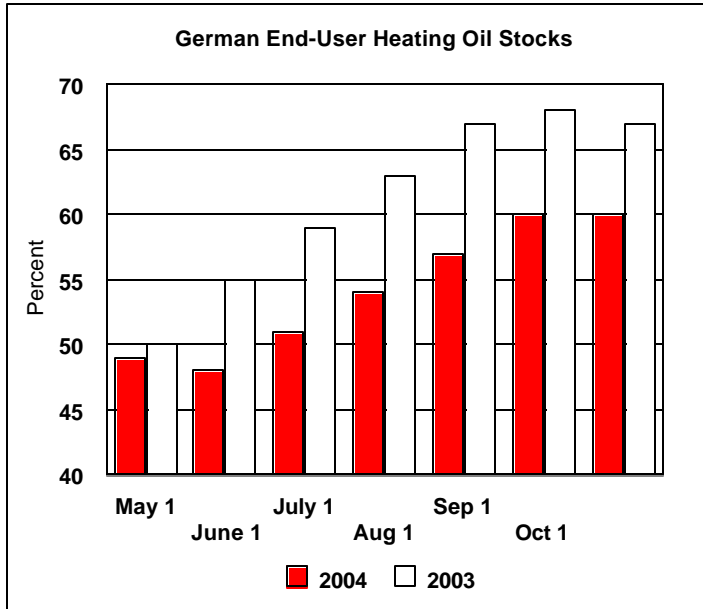
India's industrial output rose in the year through September, but slowed marginally from August. For the first nine months of this year industrial production was running up 7.7% from a year ago, versus a 7.9% gain in August over year earlier levels.

Nippon Oil, Japan's largest refiner today said it estimated Dubai crude prices will average \$35 a barrel for the business year ending in March 2005.

According to Russian tax officials Thursday, Russia's third largest oil firm TNK-BP underpaid \$87.2 million in taxes in 2001. Tax officials are currently awaiting a reply from company officials.

IPE reported that a total of 172,000 metric tons of gasoil will be physically delivered following the midday expiry of the November gasoil futures contract. Last month saw 63,000 tons delivered.

German consumer stocks of heating oil failed to build last month, remaining at 60% of capacity as of November 1<sup>st</sup>. This is the lowest seasonal level for consumer stocks in at least 20 years. A year ago stocks stood at 67% of capacity, with the 20-year average at 69% of capacity.



### Refinery News

Valero Energy said Thursday it was restarting units at its 160,000 b/d refinery in McKee, Texas, following a local power outage disrupted operations there on Wednesday.

### Production News

Norway's North Sea Troll crude stream plans to load 358,000 b/d in December up 48,000 b/d from November levels.

OPEC crude oil shipments, from all 11 members, jumped by 290,000 b/d in the four-week period ending November 27<sup>th</sup>, according to Oil Movements. Ship chartering levels show that OPEC exports rose to 24.52 million b/d, up from 24.23 million b/d in the previous period. The consultants estimate that there

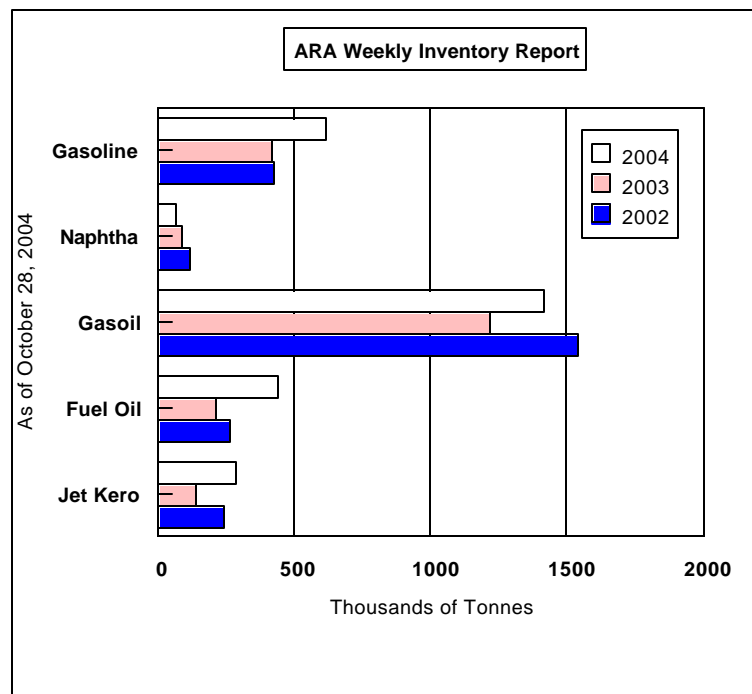
are some 28 million more barrels of crude at sea than a year ago. The group saw many of these barrels arriving in the U.S during the first half of December.

The OPEC basket price was pegged at \$37.73 Wednesday, down 30 cents per barrel.

Petroecuador exported 5.3 million barrels of crude in October, up 51% from the levels export in October 2003.

Due to the federal holiday today the U.S. Minerals Management Service did not release an updated status report on returning production shut in from Hurricane Ivan.

Royal Dutch Shell reaffirmed its commitment to U.K. North Sea production today, saying that they did not have any plans to abandon the North Sea reserves for at least 9-10 more years and believes its European and gas production can be maintained at current levels during this time period. Meanwhile Royal Bank of Scotland said in its recent monthly survey that combined oil and gas production from the U.K. North Sea reached 3.17 million



b/d in August, this represents a decline of 11% from July and a fall of almost 10% from August 2003.

### **Market Commentary**

The oil markets giveth and they taketh away. Once again the day following a “bullish” inventory report was met with bearish skepticism after traders had 24 hours to digest current and projected inventory levels. Today saw the market open lower and basically remained under pressure throughout the session, helped in part by crumbling natural gas prices which continued to set a lower low for the 6<sup>th</sup> time out of the last eight trading sessions, as weather forecasters continued to see mild temperatures for most of the country next week and into the following week. All three all markets posted inside trading sessions, but it was the crude oil market that was on the verge of breaking below recent lows, but appeared unable to breach its support levels given the relative strength of the products, even though by the end of the day both the December heat and December gas cracks settled down on the day. Final volume on the day was estimated at 213,000 contracts traded in crude oil with heating oil and gasoline trading 51,000 and 41,000 lots respectively.

We would look for these markets to possibly see additional selling pressure early on tomorrow, but like last week, as the market moves into the afternoon session we continue to feel there will be a tendency of traders to cover their shorts before the weekend allowing prices to rebound by the close. This has been the pattern for the past seven Friday trading sessions. In fact over these Friday trading sessions the market has closed between 40 and 94 cents higher than its opening price level (the average gain has been 67 cents.) Granted that the market has been in a strong bullish trend for much of this period but the past two Friday's that has been not the case.

We would look for the market to again try to test the lows of the past three days at \$47.20-\$47.10. Further support we see at \$46.78 which is a 62% retracement of the bull move from August through October, followed by the gap in the daily charts at \$46.42-\$46.40. Resistance we see at \$47.80, \$48.35, \$49.00, \$49.70 and \$51.10.