The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 15, 2004

The Nigerian government over the weekend moved to reduce prices for not only kerosene but gasoline and diesel as well by 10%. This action appears to have been central in Nigerian unions Monday reportedly call off their general strike planned to start Tuesday.

A team of Iraqi oil experts are expected Tuesday to assess the damage from the weekend attack on four oil wells in northern Iraq, some 20 kilometers northwest of Kirkuk. A number of other wells also in the area were also wired with unexploded bombs, regional press reports said. Pumping along the northern pipeline to Ceyhan has been suspended since Saturday. Officials also confirmed today that a secondary pipeline which carries oil to refineries in the city of Baiji was bombed today along with a storage tank at an oil pumping station along Iraq's main oil pipeline to Turkey.

The head of the IEA and Japan's trade ministry said today that energy conservation and oil stockpiling in Asia could

Market Watch

NOAA reported that it expects the El Nino pattern in the Pacific Ocean to result in warmer than average weather for most of the U.S. West and the northern and central Great Plains. It also looks for this patter to provide colder than normal temperatures for the Gulf Coast, Southeast and Mid-Atlantic states. The outlook was contained in the latest comment from the Climate Prediction Center on the El Nino/Southern Oscillation Cycle released this morning. The NOAA is scheduled to release its monthly and seasonal weather forecasts on Thursday.

The president of Royal Dutch Shell said today that the world has sufficient oil stocks and that "…there is no real alarm, if you compare to last year, stocks in the world are pretty normal." He added that soaring prices would lead to a correction in demand and while production capacity was currently fairly close to real demand, in a year's time they saw more capacity could come on line. He noted that a combination of factors had contributed to crude prices this year, which may not be repeated, including a "huge demand increase" in China and the United States.

The Chinese government warned over the weekend that Chinese demand for electricity will create even more shortages through early 2005, especially in the booming coastal areas. The government though said it did not plan on "massively" raising electricity prices for households"

The Chinese government is examining a proposal to build an oil pipeline linking its southwestern Yuannan province with Myanmar's west coast, as an alternative route for crude oil coming from the Middle East and Africa. The pipeline rout would cut some 1200 kilometers than the current supply route.

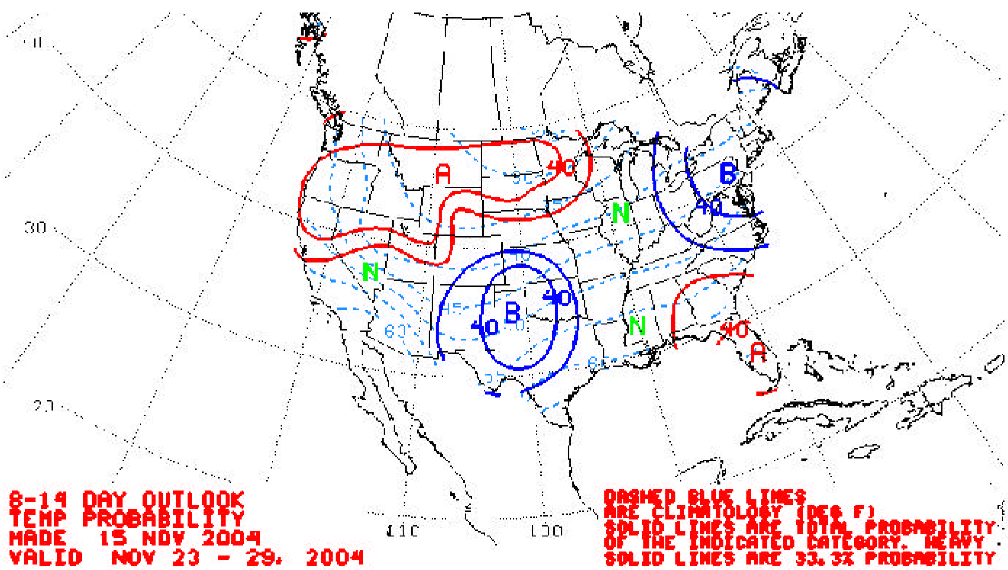
U.S. Secretary of Energy Abraham reportedly plans to resign his post today.

help ease spikes in global crude oil prices in the future. The IEA reportedly has had a series of talks with the Chinese government on strategic oil stockpiling. The IEA has urged China to purchase oil for its strategic reserves on “a step by step” basis because large purchases now would only help drive up short term oil prices. The head of the IEA suggested that maybe next year may be the right time for China to begin building their stockpile. The head of the IEA expects that it will take china several year to raise its stock levels to 90 days of net imports. He also outlined that India will also follow the IEA’s recommendation of strategic oil stock use.

The Climate Prediction Center this morning estimated that for the week ending November 13th the U.S saw some 167 heating degree days based on home heating oil customer population weighted basis. This was nearly 16% higher than normal and some 4% better than a year ago. For the current week ending November 20th the agency forecasts 152 HDD, down 5.4% from normal seasonal levels but 4.1% higher than the same week a year ago.

Refinery News

Valero reportedly is expected to resume normal operations at its 15,000 b/d McKee, Texas refinery. The refinery was shut back on November 10th due to a power failure but by mid week had both crude units back up. The 55,000 b/d catcracker is currently at 80% of capacity and is expected to be back to full capacity by this evening.



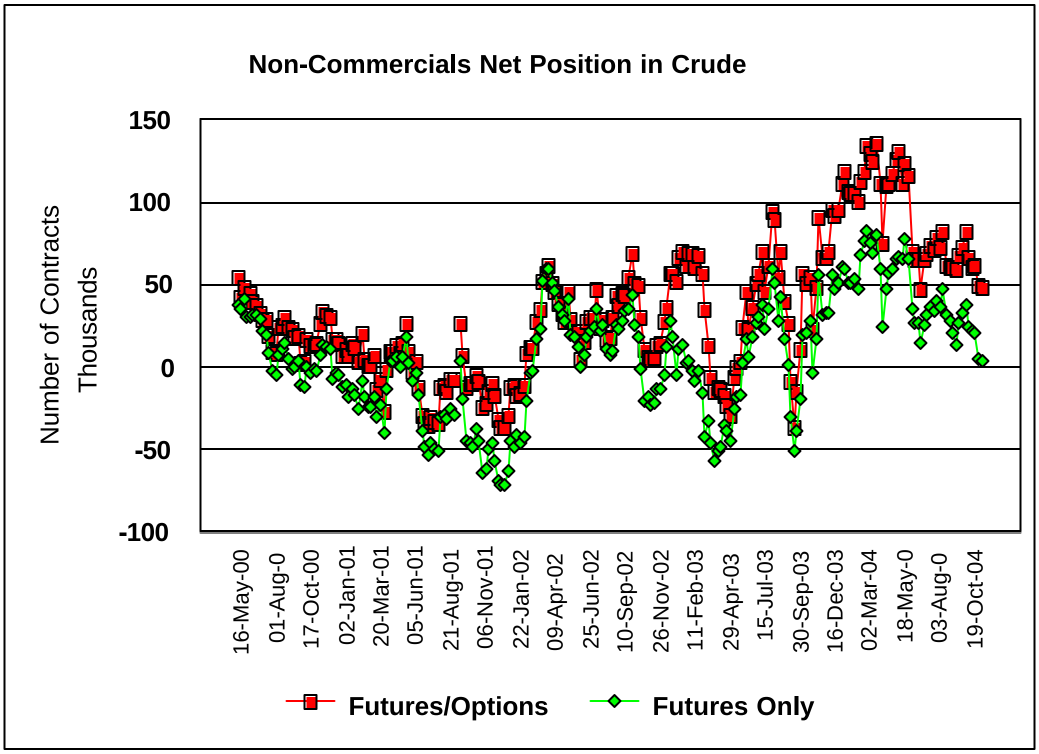
The Colonial Pipeline announced Monday that it would remain on allocations for its 33rd cycle for distillate shipments from Collins, Mississippi to Greensboro, North Carolina. This will be the fourth consecutive cycle that has been placed on allocation. A spokesman for the pipeline said that the gasoline line was not impacted.

The Indian state oil companies Monday decided to cut gasoline prices by up to 1.26 rupees a litre effective Tuesday, the government said in an attempt to pass along falling international oil prices to domestic consumers.

The 53,000 b/d hydrocracking unit at Total’s Vlissingen refinery will be down for another two weeks due to mechanical problems.

Germany’s total oil sales in October fell 6.2% from year ago levels, led by heating oil which saw October sales drop some 19.2% below year ago levels.

Japan’s Kyushu Oil Co plans to shut a 19,000 bpd crude distillation unit at its Oita refinery in May 2005 for maintenance.



Production News

The U.S. Minerals Management Service reported this afternoon that absolutely no progress had been recorded since Friday in bringing back on line production shut in from Hurricane Ivan. Some 200,871 b/d of crude oil production and 679.16 Mmcf/d of natural gas production still remained shut in. The agency also noted that starting today it would issue only two updates per week on the status of returning production to service. These reports will be issued Mondays and Thursdays at 2 PM EST. The agency noted that it expects a trend of incremental production gains to be made over the next several months. The agency also noted later in the day that it estimates it will take about another five months for oil and natural gas production in the Gulf of Mexico to return to normal levels.

Kinder Morgan Energy Partners said that its San Jose, California products pipeline resumed service on Sunday after it was shut for nearly a week. Kinder Morgan said it continues to talk with its customers so they can make alternative plans to make deliveries.

Shell Canada reported that it was forced to take one of its two production trains at its Alberta oil sands project down for repairs back on October 19th when a pump failed. As a result the 155,000 b/d normal production from the facility was reduced by 30-40%, Operators hope to have the unit back in service at the end of this month.

The CEO of Overseas Shipholding Group, the largest U.S. based oil tanker owner said this weekend that for the first time in over thirty years the world is seeing close to 100% utilization of the oil tanker fleet.

The chairman of Yukos said today that the assets of Yuganskneftegaz, the main production unit of Yukos, must be sold at the highest price recommended by Germany's Dresdner Klenwort Wasserstein, and not just at one sufficient to pay the company's back taxes for 2000-2001. He warned that any attempts by the government to sell the production unit at a lower price would lead to legal proceedings abroad. The Justice Ministry said today that the chief bailiff's degree on the valuation of the unit has not been issued yet and the date for the sale has not yet been determined, government officials told Reuters today that the sale would take place in December.

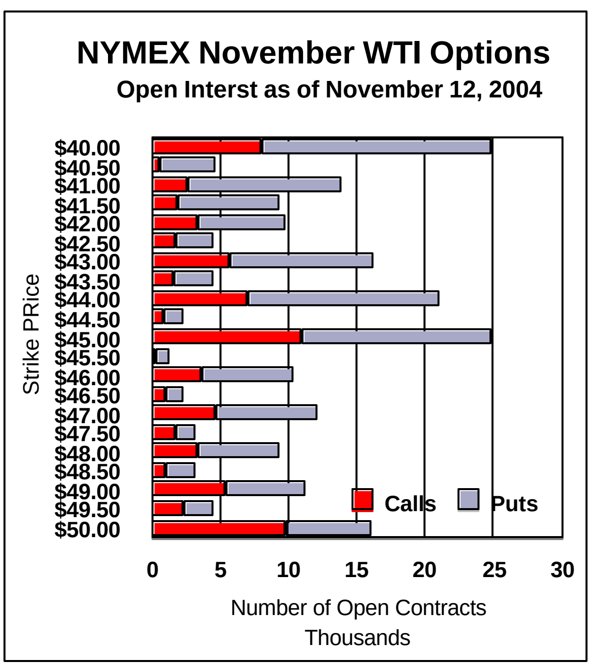
China's crude oil output in October rose some 2.2% from a year ago and over the first 10 months of this year were up some 2.9%. Diesel output in October rose 6.8% to 4.5 million tons, with year on year production up 11.1% from a year ago.

The December loading program for Flotta crude was placed at 3.2 million barrels while the Gullfaks December program was placed at 11.97 million barrels the same as November. Statfjord December program was estimated at 13.68 million barrels down 6% from November levels.

Market Commentary

The oil market opened below its triple bottom, creating a gap from 47.10 to 46.35 in follow through selling seen in overnight trading. It partially backfilled its gap as it traded to 46.50 before further selling extended the market's losses to more than $2. It traded below the 46.00 level, for the first time since late September, to a low of 45.25 amid forecasts of continued builds in inventories. The market however erased most of its losses as it was supported by the rally in the natural gas market following a revision to the National Weather Service's forecast calling for more normal temperatures. The oil market traded to a high of 46.95 ahead of the close in follow through buying seen in the natural gas market. Meanwhile, the heating oil market also settled near its high at 134.31, down 2.05 cents. It opened at 134.30 and extended its losses to more than 5.8 cents as it traded to a low of 130.50, a price level the December contract has not seen since September 22nd. But while the heating oil market led the oil markets lower this morning it failed to be the price leader on its rebound despite the recovery in natural gas prices. As a result the December heating oil crack saw erosion in values of over 50 cents. The December gasoline cracks though while demonstrating relatively stability also settled lower by 34 cents.

Crude oil again posted outstanding volume on the day with over 230,000 lots estimated changing hands on the day. Product interest was not as strong with 44,000 futures traded in heating oil and 36,000 in gasoline.



Tonight's Commitment of Traders Report shows that non-commercials basically continued to liquidate their length in this market, but the pace noticeably slowed. Currently this group has its smallest gross reportable position since July 13th, basis the futures only report and its smallest combined futures and options reportable position, since December 30, 2003. Basis a net position, the futures only report showed that non-commercials decreased their net length by 1550 lots and by just 1029 contracts in the futures and options report. Both of these net positions are the smallest since basically November 3rd of last year.

Tonight's Commitment of Traders Report appears to infer that the while commodity funds may have taken profits in recent weeks, they are not wholeheartedly seeking to reverse their position and going short. As a result this market may have lost is major selling force and could begin to be seeking a near term bottom. Tonight's daily stochastics have barely crossed back to the upside tonight for the first time since October 26th, when prices settled at $55.17. While this technical indicator is not convincingly a bullish signal it should act as a warning flag. If near term weather forecast continue to show limited near term demand then this market may continue to probe lower prices searching for its ultimate support, but if weather forecasts turn to a more supportive stance and begin to drive natural gas values significantly higher then we could see oil prices putting in a near term bottom. Many bulls though may await Wednesday's inventory report before committing to this market.

We see minor support in this market tomorrow at $46.50, followed by $46.35. $46.15 and $45.90. More significant support we see at $45.25, $44.55 and $43.15. Resistance we see at the gap from today's at $46.95-$47.10, followed by $47.62, $48.00, $49.00 and $50.45.

One should note that tomorrow is expiration day for the December WTI options. Based on current open interest levels it would appear there could be a gravitation toward the $45.00 strike level.