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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 16, 2004

The executive director of the IEA, Claude Mandil, said he expects oil prices to weaken in light of sufficient world supplies and signs that higher energy costs are damaging world economic growth. He added that recent price strength was not justified by fundamentals as world oil supplies exceed demand. He also said he expected China to start building strategic oil reserves from next year in order to secure a stable supply to its domestic market in case of serious supply disruptions. China's government plans to set up about 13.8 million metric tons of strategic crude stocks between 2006-2008. The IEA however said the risk of supply disruptions has also increased as trade and flows through maritime and pipeline choke points have expanded.

An Iraqi oil official stated that flows through Iraq's northern oil export pipeline have fallen to 200,000 bpd after a series of sabotage attacks and could remain below capacity for over a month. Sabotage attacks on five oil wells and a pumping station over the past three days have halted production at the Khabbaz oilfield, which feeds the main export pipeline. Oil has also been diverted for domestic use after a sabotage attack on a domestic pipeline south of Mosul transporting oil from the Ain Zala field. Meanwhile tanker loadings at Turkey's port of Ceyhan has been halted since Monday after saboteurs triggered an explosion on the pipeline transporting crude from Iraq's northern Kirkuk field. The northern oil pipeline will be fixed within three days.

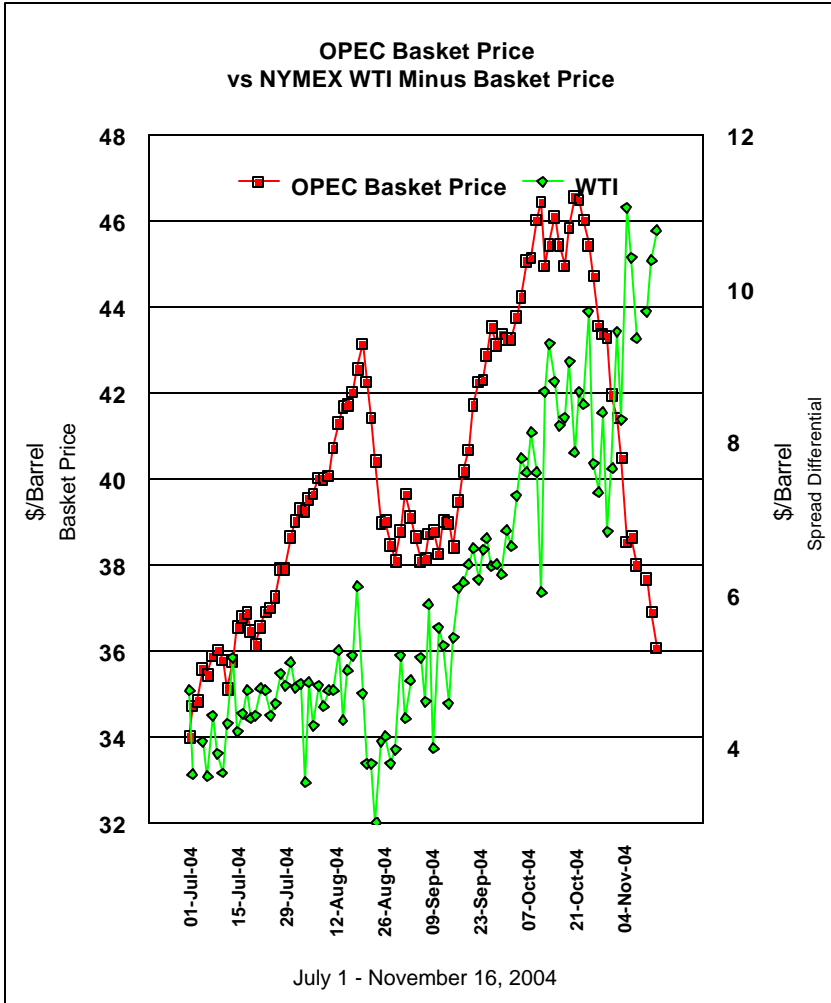
Market Watch

Shipping brokers stated that Saudi Arabia has booked four more very large crude carriers to the US, increasing December spot shipments to 17 million barrels. Saudi Arabia has booked the Younara Glory, the Crude Creation, the Folk Star and the Marjan to haul 290,000 tons each from December 16-23. Spot bookings fell to 3 VLCCs or six million barrels in November, down from 16 million barrels in October and 14 million barrels in September.

A Moscow appeals court has upheld an earlier ruling ordering Russia's Yukos to pay 39.1 billion rubles or \$1.36 billion in tax related penalties for 2001. Yukos said it has transferred \$3.5 billion to tax officials, towards the \$18.5 billion it owes in back taxes. A Yukos official said the company will continue to put priority on maintaining output and exports despite its tax problems.

Germany's Chancellor Gerhard Schroeder said everyone was concerned about the effect of high oil prices and the strong euro on Germany's export sector.

The Belgian government on Tuesday approved a bill that allows it to curb price increases of petrol products by lowering excise duties in the event of a sudden and sharp increase in oil prices.



Iran's Oil Minister, Bijan Zanganeh, said OPEC has no capacity to increase production this year but added that it could do so next year as part of efforts to lower high world oil prices. He said it was still unclear what decision OPEC would take at next month's meeting in Egypt. Separately, the oil minister stated that Iran believes OPEC needs to cut production back to quota levels to increase falling prices for its lower quality crude supply. The ten OPEC members produced 27.89 million bpd in October, 890,000 bpd above its ceiling, according to a Reuters survey.

A Nigerian warlord, Majahid Dokubo Asari, said he would stop disarming because the government had failed to disarm a rival warlord. He said the government had lied about how many weapons were handed over by rival warlord Ateke Tom. Asari said the ceasefire would still stand despite the disagreement over the weapons recovery. Meanwhile, talks between Asari and the

government to address a wide range of issues, including greater self determination and resource control for Ijaw, are continuing.

OPEC's news agency reported that its basket of crudes fell by 85 cents/barrel to \$36.11/barrel on Monday from \$36.96/barrel on Friday. It also stated that OPEC's basket of crudes fell by \$3.33/barrel to average \$38.87/barrel in the week ending November 11 from \$42.20/barrel in the previous week.

According to the EIA, Canada supplied the US with 1.711 million bpd of crude in September, up about 200,000 bpd from August's 1.512 million bpd level. Saudi Arabia fell to second place with exports at 1.567 million bpd in September, down from August's 1.755 million bpd. Mexico was the third largest supplier of crude to the US in September with 1.527 million bpd, down from August's 1.588 million bpd. Venezuela and Nigeria maintained their fourth and fifth place positions with 1.07 million bpd and 1.012 million bpd respectively. Iraq exported 623,000 bpd to the US in September, down from August's 816,000 bpd.

Refinery News

Alon USA plans to shut down a diesel hydrotreater at its 61,000 bpd Big Spring, Texas refinery on November 25 to allow for maintenance. According to a report filed with the Texas Commission on Environmental Quality, the planned maintenance involves shutting down and examining an off gas compressor associated with the unit.

According to the Texas Natural Resource Conservation Commission, Valero's Corpus Christi, Texas refinery will undergo maintenance from November 16-19 due to an economizer tube leak.

A partial power failure on Monday at Valero Energy Corp's 160,000 bpd McKee refinery forced some units to shutdown.

Western Refining Company LP plans a \$151 million construction project at its 107,000 bpd refinery in El Paso, Texas that will include conversion to ultra low-sulfur diesel production.

Supplies of naphtha from Venezuela's Amuay-Cardon refinery were not affected by a fire at a unit which was shut for maintenance. An official said the refiner had enough naphtha in storage to prevent a supply shortfall.

The Hovensa oil refinery in St. Croix plans to close its fluid catalytic cracking complex for four to six weeks of maintenance in late January. An official declined to say how the closure would affect fuel production.

Production News

According to the Interior Department, US peak crude oil production in the Gulf of Mexico is expected to increase 44% over the next decade while natural gas production is expected to increase by 13% due to federal incentives encouraging energy companies to drill in deeper waters. Gulf oil production will increase to 2 million bpd in 2006, up from this year's 1.562 million bpd. It said production could reach 2.248 million bpd in 2011.

Angola's provisional January crude oil lifting programs planned slightly lower volumes than December.

Lukoil's Vice President Leonid Fedun said high oil prices will mean record results for the company this year. He also stated that Lukoil faced no back tax demands from officials. Separately, Lukoil has proposed to Russia's pipeline monopoly Transneft that it build a pipeline linking Kharyaga in the Timan-Pechora oil and gas province with the port of Indiga in the Murmansk Region first. The company official said building the Kharyaga pipeline would enable Lukoil to increase oil supplies from Timan-Pechora. The pipeline is expected to have an annual throughput capacity of 25 million metric tons.

Ecuador's oil products exports revenue in September increased by 107% to \$42 million from \$20.48 million last year. According to the central bank, exports increased by 28% to 1.46 million barrels in September from 1.14 million barrels in the previous year.

Market Commentary

Unlike Monday's opening, the crude market gapped higher on Tuesday from 46.95 to 47.20 as the market continued to retrace its losses. The oil market immediately traded to a high of 47.40 amid reports that Iraq's oil exports through its northern pipeline was cut to 200,000 bpd, down from a capacity of 500,000 bpd. The complex was also supported amid weather forecasts calling for milder weather this week which would give way to below normal temperatures next week. The December crude contract held resistance at 47.40 and traded to 46.50, where it held some support. However the market later breached that level as traders rolled their positions ahead of the December contract's expiration on Friday. It posted an intraday low of 46.07 ahead of the close and settled down 76 cents at 46.11. Volumes were excellent with over 210,000 lots booked on the day. Similarly, the product markets also ended near their lows, with the heating oil market settling down 1.62 cents at 132.69 and the gasoline market settling down 1.59 cents at 122.20. The heating oil market also gapped higher

from 134.95 to 135.50 and quickly posted an intraday high of 136.60. However as the buying stalled, the market erased its gains and traded to a low of 132.50 ahead of the close. Meanwhile, the gasoline market posted an inside trading day after failing to test Monday's high of 125.70 as it posted a high of 125.50. The market also erased its gains and traded to a low of 121.90 ahead of the close. Volumes in the product markets were good with 42,000 lots booked in the heating oil market and 32,000 lots in the gasoline market.

The oil market will seek further direction from the weekly petroleum inventory reports on Wednesday. The market's daily stochastics, which seemed to have crossed to the upside following Monday's session, look ready to cross back to the downside once again. The market is expecting to see builds across the board, with a 2 million barrel build in crude stocks and builds of about 1 million barrels in each distillate and gasoline stocks. If the market does continue to show builds in crude stocks, the market will likely trade lower with initial support seen at 46.07. More distant support is seen at 45.90, 45.25,

followed by 44.55 and 43.15. Resistance is however seen at its highs of 47.40 followed by 48.35 and 49.00.

Technical Analysis		
	Levels	Explanation
CL 46.11, down 76 cents	Resistance 47.40, 48.35, 49.00	Previous high Tuesday's high, Previous highs
	Support 46.07 45.90, 45.25, 44.55, 43.15	Tuesday's low Previous lows, retracement levels
HO 132.69, down 1.62 cents	Resistance 137.90, 139.30 136.60	Previous highs Tuesday's high
	Support 132.50 130.50, 129.00	Tuesday's low Previous lows
HU 122.20, down 1.59 cents	Resistance 126.80, 129.00 125.50, 125.70	Previous highs Double top
	Support 121.90, 120.70 119.50 to 118.24	Tuesdays low, Previous low Gap (September 17th)