



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 16, 2005

OPEC stated in its monthly oil market report that its downward revisions to its world oil demand estimates had come to an end. It raised its world demand growth forecast for 2006 to 1.52 million bpd or 1.8%, up 50,000 bpd from its previous estimate. It estimated that world demand would total 83.3 million bpd and 84.8 million bpd in 2005 and 2006, respectively. It also stated

that demand for its own oil in the fourth quarter this year would be 276,000 bpd higher than previously expected and stands higher than current OPEC crude production of 30 million bpd.

Market Watch

Iran's lawmakers voted on Wednesday to pump \$3 billion into gasoline subsidies. Parliament voted to withdraw about \$2.6 billion from the country's Oil Stabilization Fund and about \$402 million will be taken from domestic resources at the national oil company. Despite being the world's fourth largest oil producer, Iran has to import about 40% of the 60-70 million liters of gasoline it burns each day due to a lack of refinery capacity. The parliamentary vote must now be approved by the Guardian Council.

According to the EIA, a fall in retail gasoline prices has helped increase US demand, bringing consumption above the year ago period for the first time since Hurricane Katrina struck at the end of August. The EIA data showed that US gasoline demand over the four weeks ending November 11 averaged 9.106 million bpd, up 0.3% over the year ago period. Meanwhile distillate demand may be limited by the late arriving cold weather. The distillate demand four week average was 4.12 million bpd, up 0.8% from the same period of 2004. It also stated that US crude oil stocks remain adequate despite last week's decline. US import of crude oil fell by about 900,000 bpd last week to 9.7 million barrels, contributing to a 2.2 million barrel draw in crude stocks. Crude stocks remain 34 million barrels above year ago levels and 29 million barrels above their five year average.

The DOE reported that US inventories of propane totaled 67.47 million barrels of crude oil in the week ending November 11, down 2.883 million barrels on the week. It reported that inventories in the East Coast fell by 42,000 barrels to 4.787 million barrels while inventories in the Midwest increased by 318,000 barrels to 24.072 million barrels and inventories in the Gulf Coast fell by 3.117 million barrels to 35.795 million barrels.

The API said total domestic product deliveries in October fell more than 8% on the year to 19.099 million bpd. By product, jet fuel and heating oil deliveries fell the most year on year at 17.7% and 11.9%, respectively. Gasoline deliveries fell by 5.6% and diesel deliveries fell by 6.5% year on year. It said warmer weather during October may be part of the reason for the fall in heating oil deliveries. Total imports of petroleum products increased by 15% to 3.538 million bpd.

Refinery News

ConocoPhillips' 253,000 bpd Alliance refinery in Belle Chase, Louisiana is seen returning to service in January. The company expects one or two units to restart in December.

ConocoPhillips plans to expand nine of its 12 US refineries. The projects would shift the company's crude processing capacity toward heavier crudes to reduce dependence on sweet crude from one half to one third. The projects include \$1.3 billion expenditures spread across the East Coast and Gulf Coast, \$1.2 billion on the West Coast and \$1.8 billion in the Midwest and Rocky Mountain region. The largest project is at its Wood River refinery in Illinois. The project would add 55,000 barrels of coking capacity by early 2009. With 75,000 bpd of coking capacity in place, the refinery will be able to process Canadian crudes. Other projects include a coker and desulfurization unit at the company's Borger, Texas refinery a new crude and vacuum unit at the Billings, Montana refinery. Its East and Gulf Coast projects include an effort to increase sour crude runs at its Bayway, NJ refinery and debottleneck its Alliance refinery to run an additional 40,000 bpd of crude.

Murphy Oil's 120,000 bpd Meraux refinery is seen remaining shut through the first quarter of 2006 after it was shut due to the hurricane. Meanwhile, BP's 470,000 bpd Texas City, Texas refinery will have a limited fuel output by December.

Production News

The MMS showed virtually no recovery in the amount of crude oil shut in as a result of the hurricanes. It reported that 725,218 bpd remained shut in on Wednesday, down from Tuesday's 725,423 bpd.

ConocoPhillips said its 2005 production would be flat on the year or 60,000 bpd of oil equivalent below the company's initial forecast. Next year, production is expected to increase by 1.6% from 2005 to 1.65 million boe/d from a previous estimate of 1.7 million boe/d.

The December loading program for the North Sea Troll oil has scheduled 297,000 bpd, down from 307,000 bpd in November.

According to the Shetland Island Council, Brent crude liftings from Sullom Voe fell to 80,058 tons in the week ending November 15, down from 239,996 tons in the previous week.

Industry experts stated that production from 32 foreign operated Venezuelan oil fields has fallen at least 25,000-30,000 bpd this year as companies curtail investment ahead of government ordered contract changes set for January 1. Output has fallen from about 550,000 bpd at the start of the year after the government cut budgets for the projects and ordered the operating agreements changed to joint ventures with PDVSA by January 1. Despite the end of the year deadline to convert the contracts, analyst and government officials say there is little change the process will be completed by then.

The Petroleum Association of Japan reported that the country's kerosene stocks in the week ending November 12th increased to 5.17 million kiloliters or 32.52 million barrels as unseasonably warm weather curtailed demand. It is up 12.6% on the year and 12.9% above the five year end of November average of 4.58 million kl or 28.81 million barrels. Total oil product stocks increased by 14.9% to 14.9 million kl or 93.72 million barrels. Commercial stocks of crude increased by 9.5% from the previous week to 18.4 million kl or 115.73 million barrels after falling 3.9% in the week ending November 5th. The average operating rate of Japanese refineries eased to 88.6% from 88.9% on the week.

Separately, the chairman of the Petroleum Association of Japan said WTI crude is likely to stay in the \$55.00-\$60.00 barrel range for the time being.

China's net imports of core oil products increased by 12.5% on the month in October to 1.89 million tons. Meanwhile, exports of refined fuels nearly halved to 560,000 tons in September. China's crude oil exports totaled 350,000 tons or 82,000 bpd in October, the lowest level since May.

Traders stated that lower demand and weakening prices in Asia have made it viable to move South Korean gas oil to Europe with up to 140,000 tons booked for end of November and first half of December loadings.

Taiwan's consumption of oil products in September increased by 3.1% over a year ago to 846,424 bpd but growth slowed on the month as higher prices hit demand for gasoline, diesel and fuel oil. The average oil product consumption in the first nine months was 822,163 bpd, up 0.7% on the year. Refinery throughput in September increased 13.4% over the same time last year to 1.1 million bpd.

Thailand's PTT Plc reported that the country's total oil product consumption in January-September increased by 2.3% on the year to 727,7000 bpd. It also reported that its total oil imports fell by 5.4% on the year to 957,600 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$50.01/barrel on Tuesday from \$50.43/barrel on Monday.

Market Commentary

The oil market gapped lower this morning from 56.90 to 56.75, its intraday low, which it quickly backfilled as it traded to 57.00 ahead of the weekly petroleum stock reports. However the market breached the 57.00 level and rallied on the unexpected draws reported in crude and gasoline stocks. It rallied to 58.00 and settled in a sideways pattern before further buying late in the session pushed it to a high of 58.25. It erased some of its gains before it settled down 90 cents at 57.88. Volume in the crude market was good with over 226,000 lots booked on the day. The product markets settled in positive territory, with the heating oil market leading the markets higher. The heating oil market posted a low of 168.80 on the opening and never looked back as it bounced off that level. The market quickly rallied despite the DOE and API reports showing builds of 2.6 million barrels in distillate stocks. It traded to a high of 174.00, where it held some resistance, before further buying ahead of the close pushed it to a high of 174.50. It settled up 4.83 cents at 172.92. The heating oil market was mostly supported by the strength in the natural gas market, which settled 76.6 cents higher at 12.329 in light of weather forecasts calling for colder temperatures. The gasoline market posted an inside trading day as it opened at its low of 145.60 and rallied to a high of 149.50 amid the unexpected draws reported in gasoline

stocks. It settled up 2.66 cents to 148.30. Volumes in the product markets were light with 41,000 lots booked in the heating oil market and 35,000 lots booked in

Technical Analysis		
	Levels	Explanation
CL 57.88, up 90 cents	Resistance 59.00, 60.00, 60.40 to 60.50 58.25, 58.40 to 58.60	Remaining gap Wednesday's high, Remaining gap (November 10th)
	Support 57.60, 57.00, 56.75 56.60, 55.90, 55.39	Wednesday's low Previous lows, Basis support line
HO 172.92, up 4.83 cents	Resistance 175.50, 177.50, 183.50 174.50	Previous highs, Double top Wednesday's high
	Support 172.50, 171.00, 168.80 167.95	Wednesday's low Tuesday's low
HU 148.30, up 2.66 cents	Resistance 153.00 to 153.15 149.50, 150.59	Gap (November 10th) Wednesday's high, Basis trendline
	Support 147.50, 145.60 145.00, 144.80, 139.25	Wednesday's low Tuesday's low, Previous lows

the gasoline market.

The oil market is seen remaining supported following today's bullish reports and the strength in the heating oil market, in light of the colder weather forecasts. It is seen finding some resistance at 58.25 followed by 58.40 to 58.60. Meanwhile, further resistance is seen at 59.00, 60.00 followed by its gap from 60.40 to 60.50. Support is however seen at 57.60, 57.00 and today's low of 56.75. Meanwhile more distant support is seen at 56.60, 55.90 and 55.39.