



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 17, 2005

An Iraqi oil official and a shipping agent said power cuts in Iraq caused a six hour suspension of crude production from the southern oil fields. Crude production fell to 1.7 million bpd on Wednesday from its normal output level of 1.85 million bpd.

OPEC's reference basket of crudes fell under \$50/barrel on Wednesday for the first time since June 2, triggering talk of potential production cuts. OPEC's basket of crudes fell to \$49.73/barrel on Wednesday, down from \$50.01/barrel on Tuesday. An analyst stated that a production cut cannot be ruled out but there are still many variables that can affect the market and OPEC's thinking before the December 12 meeting.

According to Oil Movements, OPEC's oil exports are expected to remain mostly steady in early December, with most of the crude bound for Asia. Its seaborne exports are expected to fall by 20,000 bpd to 24.94 million bpd in the four weeks ending December 3.

Refinery News

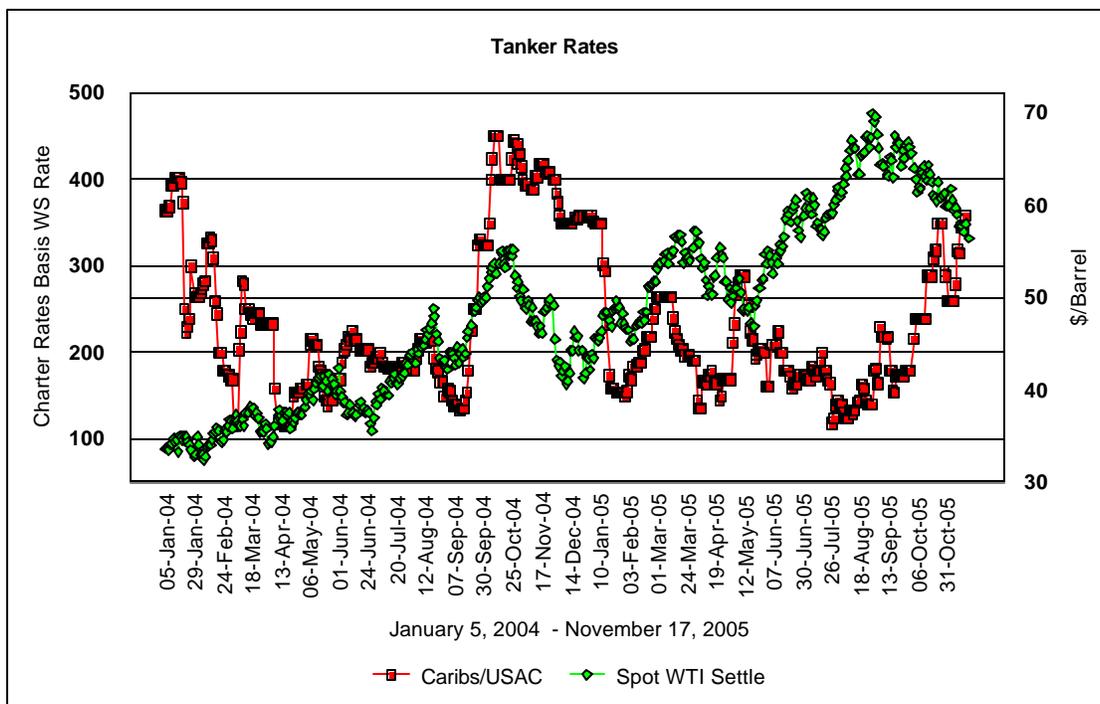
Market Watch

US Energy Secretary Samuel Bodman was briefed by Saudi Arabia's Oil Minister Ali al-Naimi on the country's production capacity plans Thursday during its visit to Saudi Arabia. They also discussed the current situation in the US Gulf of Mexico, where oil and natural gas facilities are returning to normal operations following the two hurricanes in August and September. The US Energy Secretary will join senior officials from oil producing and consuming countries in Saudi Arabia for the inauguration of the International Energy Forum's permanent secretariat. Separately, the International Energy Forum on Saturday will make public the first global database of energy production and consumption information under the Joint Oil Data Initiative.

The US Senate on Wednesday started its debate on a \$60 billion bill that provides tax breaks for the Gulf Coast and relief from the Alternative Minimum Tax and a new \$5 billion tax increase on large oil companies. The House Ways and Means Committee late Tuesday passed a \$56 billion bill, which includes a two year extension of the capital gains and dividend provisions. The House bill however lacks the \$5 billion tax on oil companies. The House could pass its version as early as Friday.

Groups of environmentalists, evangelical Christians and conservatives are pressuring lawmakers to find ways to curtail oil demand, especially in transportation and to promote alternative fuels and new technologies less dependent on fossil fuels. Environmentalists view reduced oil use as way to curtail pollution and lower the risk of climate change while conservatives and others argue that the dependence of oil imports poses a security threat. As a result, a bipartisan group of senators unveiled legislation they said would save 2.5 million bpd of oil within a decade and 10 million bpd by 2031. The legislation also includes tax breaks and loan guarantees to get automakers to switch to gas-electric hybrids, advanced diesel or other alternative technologies. It also includes new tax breaks for those who buy such vehicles for car fleets and incentives for developing alternative fuels.

Huntsman Corp's propylene oxide/MTBE manufacturing facility in Port Neches, Texas resumed operations on Thursday after a crane hit a power line at the plant and caused the unit to shut on Wednesday. The unit makes between 15,000 and 18,000 bpd of MTBE.



Indian Oil Corp is likely to double the capacity of its 120,000 bpd Panipat refinery by March instead of January.

Production News

According to the MMS, 717,807 bpd of US Gulf of Mexico oil production remained shut in on Thursday, down from 725,218 bpd on Wednesday. The cumulative oil production shut in since August 26 reached 87.84 million barrels.

Louisiana's Department of Natural Resources reported that onshore crude oil production in southern Louisiana has reached 108,747 bpd, or 53.5% of the region's capacity.

Royal Dutch Shell Plc is to swap its stake in the Tahiti Gulf of Mexico oil field for Total's interests in four natural gas fields in South Texas. The oilfield is designed to have a daily production capacity of 125,000 bpd of crude oil and 70 million cubic feet of natural gas. It is expected to start producing by mid-2008.

Russia's Federal State Statistics Service stated that Russia's oil production increased 2.2% on the year to 349.1 million tons in January-September. Its oil exports however fell by 1.5% on the year to 188.6 million tons in January-September. In September, Russia's oil production increased by 1.1% on the year to 39 million tons while exports fell by 0.6% on the year to 21.2 million tons. In January-September, crude oil refining increased by 6% on the year to 153.3 million tons.

Russia's Transneft has submitted a proposal to build an oil refinery at the end point of its planned pipeline at Perevoznaya. It already has plans for an oil terminal at Perevoznaya Bay on the Pacific Ocean as part of a strategic pipeline project, which aims to pump East Siberian oil to the Asian market. A company official said exporting refined products was more profitable than exporting crude oil so building a refinery made sense. The refinery proposal is however likely to further enrage green

activists who say the construction of the pipeline could cause damage to the bay. The environmental lobby got support from Natural Resources Minister Yuri Trutnev, who attacked the terminal location, saying Transneft has raised no convincing arguments for Perevoznaya.

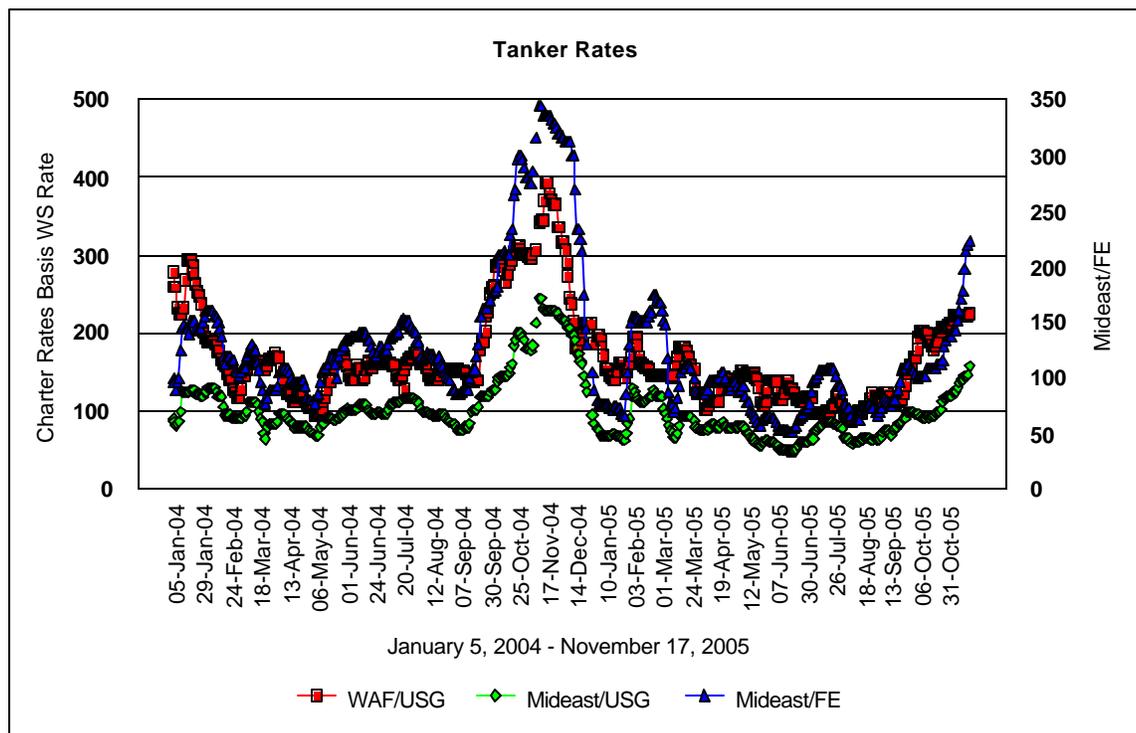
Separately, Transneft said it will export 243 million tons of oil this year below its original plan of 250 million tons.

Georgia's Black Sea port of Batumi increased its crude and refined products shipments by 27% to 7.713 million tons in January-October 2005 due to new volumes of Azeri crude. In October alone, crude shipments stood at 667,677 tons, up from 636,055 tons in September. Total shipments of oil and refined products increased to 871,651 tons in October from 710,677 tons last year but fell from 945,339 tons in September.

Kazakhstan's crude and gas condensate production totaled 51.032 million tons in January-October, up 4.6% on the year. Its crude oil production in October fell by 0.4% on the year to 4.449 million tons.

Separately, Kazakhstan's President Nursultan Nazarbayev said the country is interested in transporting oil via Ukraine's Odessa-Brody pipeline in direct mode from the Black Sea to Poland. Initially the Ukrainian government planned to use the Odessa-Brody pipeline to transport Caspian Sea oil from the Black Sea port of Yuzhny to European markets. However Ukraine was unable to secure enough oil supplies for the pipeline from companies producing oil on the Caspian shelf in 2001-2003 and had to switch to reverse mode.

An official at China's Ministry of Commerce reported that growth in China's oil imports next year is expected to continue to slow. He said in the first ten months of the year, China's crude oil imports reached 105 million tons, up 5% on the year while refined oil imports fell by 16% to 25.69 million tons. China's crude imports for the full year 2005 would total 130 million tons, up 6%.



Indonesia's Pertamina reported that the country's average daily domestic fuel consumption in November is expected to increase 33% on the month to about 160,000 kiloliters.

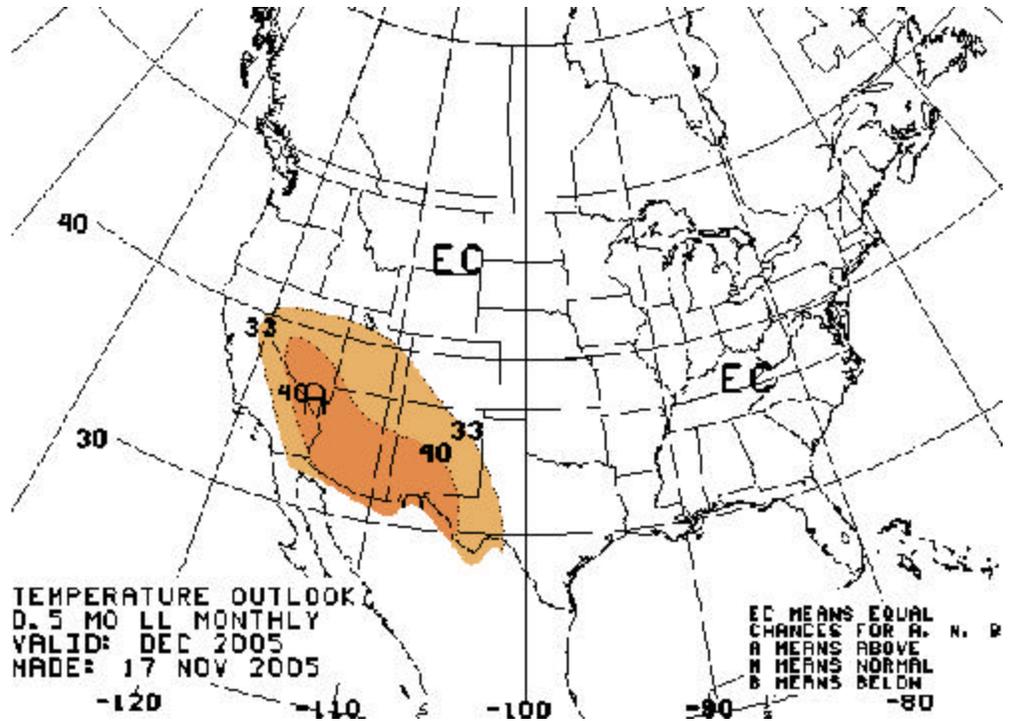
India's Oil and Natural Gas Corp

said India will begin buying 120,000 bpd of Nigerian crude in two months.

Pemex exported an average of 1.908 million bpd in October, up almost 14% from September. Its oil production however fell to 3.221 million bpd from 3.367 million bpd in September.

Petrobras reported that its domestic oil production fell slightly in October due to oil shipment difficulties in the Amazon amid the low water levels and a maintenance stoppage at an offshore oil treatment vessel.

Its output fell by 0.6% to 1.723 million bpd in October from 1.733 million bpd in September. Meanwhile, Petrobras' overseas oil production also fell to 153,493 bpd in October from 160,900 bpd in September due to an oil workers strike in Argentina and a planned production stoppage at an oil rig in Angola. Its combined production in October stood at 1.87 million bpd, down from 1.894 million bpd in September.



Traders stated that oil companies are seeking to send European fuel oil arbitrage cargoes to Asia amid expectations of a Chinese buying surge next month. A sharp decline in

Technical Analysis			
	Levels	Explanation	
CL	Resistance 56.34, down \$1.54	58.50 to 58.60 56.50, 57.00, 58.00	Remaining gap
	Support	56.20 55.90, 55.22	Thursday's low Previous low, Basis support line
HO	Resistance 169.70, down 3.22 cents	176.40, 177.50, 183.50 172.50, 174.00	Thursday's high, Previous high, Double top
	Support	169.50 168.80, 167.95	Thursday's low Previous lows
HU	Resistance 145.95, down 2.35 cents	153.00 to 153.15 148.97, 149.25, 151.50	Gap (November 10th) Basis trendline, Thursday's high
	Support	145.65, 145.60 145.00, 144.80, 139.25	Thursday's low, Wednesday's low Previous lows

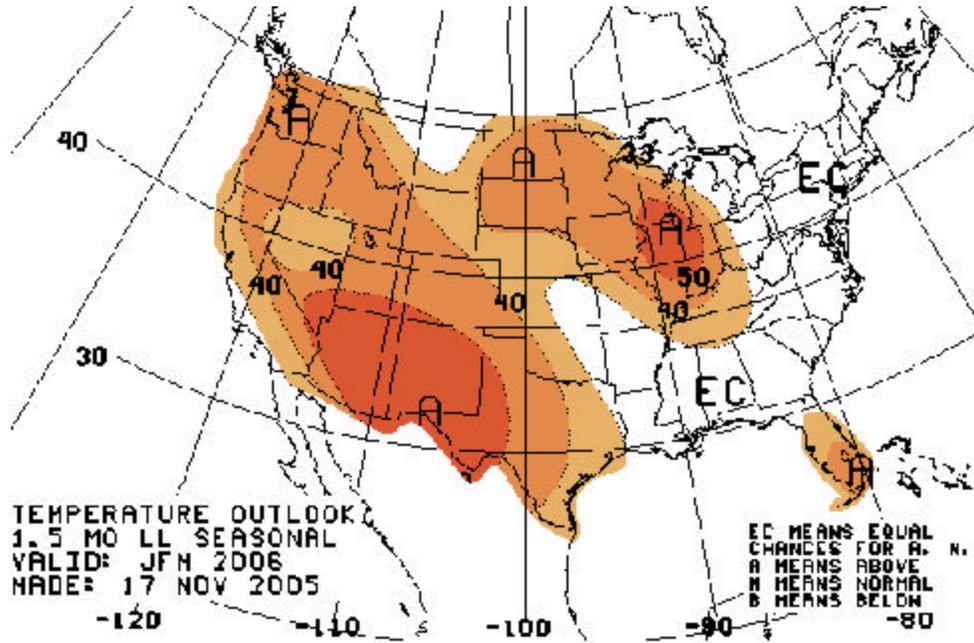
buying over recent months by China has helped raise stocks of fuel oil in Singapore, limiting the increase in Asian prices and leaving the arbitrage closed from northwest Europe to Singapore. However there may be arbitrage opportunities as traders anticipate an increase in demand.

A senior official with Indonesia's official upstream oil and gas regulatory agency dismissed suggestions that the government can take over operations of the Cepu oil block by the end of December if talks

between Exxon Mobil and Pertamina remain stalled. His comments appear to refute assertions by a government official that the government would take over the block. Last week, contract talks stalled on Exxon's insistence that the firm be Cepu's sole operator for the entirety of the 30 year contract. Pertamina prefers to be the block's operator for the first five years of the contract.

Market Commentary

The December crude contract, which expires on Friday, posted an outside trading day as it traded in a \$2.30 range. The market gapped higher on the opening from 58.25 to 58.40 and quickly posted its intraday high of 58.50.



However the market failed to sustain its gains and completely backfill its previous gap up to 58.60 and quickly gave up its gains. The market traded to 57.10, where it held some support. However the market sold off even further ahead of the close to a low of 56.20 amid the losses in the product markets. It settled down \$1.54 at 56.34. The January crude contract settled down \$1.30 at 57.15. Volume in the crude was good with over 251,000

lots booked on the day. The product markets ended in negative territory as the complex gave up its earlier gains. The heating oil market settled down 3.22 cents at 169.70 after it sold off to its low of 169.50. The market gapped higher from 174.50 to 175.50 and quickly rallied to a high of 176.40, in follow through buying seen during its overnight session. The market however gave up its gains and sold off to its low ahead of the close. This was amid the losses seen in the natural gas market after it remained supported for much of the day. Meanwhile, the gasoline market also gapped higher from 149.50 to 151.00 and rallied to a high of 151.50. However as the market failed to sustain its gains, it quickly sold off and held some support at 148.00. It later continued to find some further selling ahead of the close, which pushed it to a low of 145.65 ahead of the close. It settled down 2.35 cents at 145.95. Volumes in the product markets were light with 31,000 lots booked in the heating oil market and 33,000 lots booked in the gasoline market.

The crude market will remain volatile ahead of the December contract's expiration at the close on Friday. The market is seen retracing some of its today's late losses. The market continues to trade within its downward trending channel and is seen finding support at its low of 56.20 followed by 55.90 and 55.22, basis its trendline. Meanwhile resistance is seen at 56.50, 57.00 and 58.00. More distant resistance is seen at its gap from 58.50 to 58.60.