



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 18, 2004

In its monthly report, OPEC revised down its expectations of oil demand growth for next year and projected a large winter stockbuild if the group continues to produce at current levels. Current output implies a fourth quarter crude stock build of 1.92 million bpd. OPEC revised its demand estimate for crude produced by OPEC downwards by 90,000 bpd to 28.1 million bpd from 28.19

million bpd. Next year's estimate was also revised downwards by 140,000 bpd to 27.97 million bpd from its previous estimate of 28.11 million bpd. World oil demand was cut by 50,000 bpd to 81.74 million bpd for 2004 while demand for 2005 was also cut by 180,000 bpd to 83.23 million bpd. OPEC also lowered its estimate of world demand growth next year by 120,000 bpd to 1.49 million bpd. It also said a winter build of heating oil stocks is needed to replenish depleted inventories in the US.

OPEC's news agency reported that OPEC officials are holding talks on raising OPEC's target price band. No action will be taken until their meeting on December 10. OPEC's basket of crudes fell further on Wednesday to \$35.49/barrel, down from Tuesday's \$35.94/barrel.

Venezuela's Energy Minister Rafael Ramirez said Venezuela would support a cut in oil production by OPEC when it meets on December 10. He said Iran had already made a proposal to cut production at the upcoming meeting.

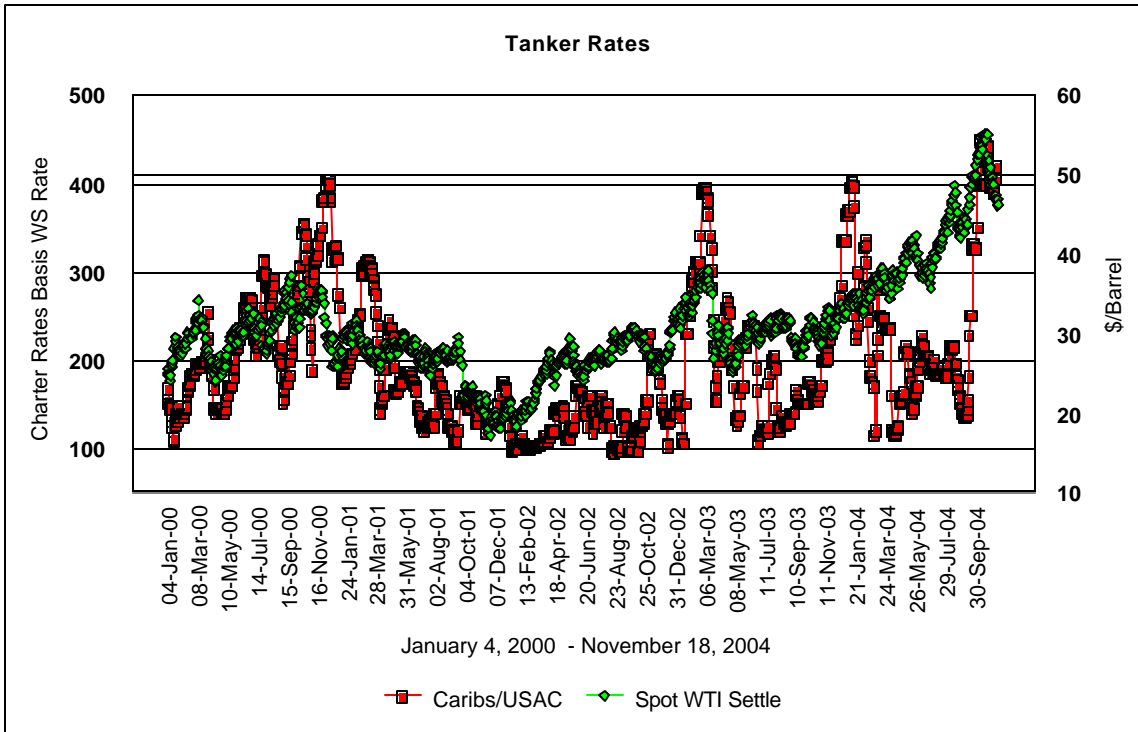
Oil Movements reported that OPEC's crude oil exports are expected to fall to 24.24 million bpd in the four week period ending December 4. Most barrels in November are heading west to the US Gulf of Mexico refiners. Last week, OPEC's four week exports averaged 24.52 million bpd.

A shipping source stated that export flows of Iraqi Kirkuk crude to the Turkish port of Ceyhan have been halted during the past week. However vessels continue to be supplied from storage tanks. A tanker loaded 1 million barrels of stored Iraqi Kirkuk crude from the port of Ceyhan. Iraqi officials earlier this week said flows along the link to Turkey were down to 200,000 bpd following the sabotage

Market Watch

According to data from EU's transport and energy commission, stocks of crude and oil products in EU's former 15 core members states stood at about 128.26 metric tons during the third quarter of 2004, equivalent to 114 days of consumption.

Russia's Yukos faces a back tax bill for 2003 that will be slightly higher than the \$6.76 billion tax bill related to 2001. Tax officials have found that Yukos owes \$18.4 billion in back taxes, penalties and interest for 2000-2002. Meanwhile, Russia's Sibneft faces a tax claim of 21 billion roubles or \$733 million for 2000-2001.



attacks but it was unclear if the oil was going to Ceyhan or being diverted for domestic use. Iraqi officials have said the sabotaged pipeline could take up to a month to repair.

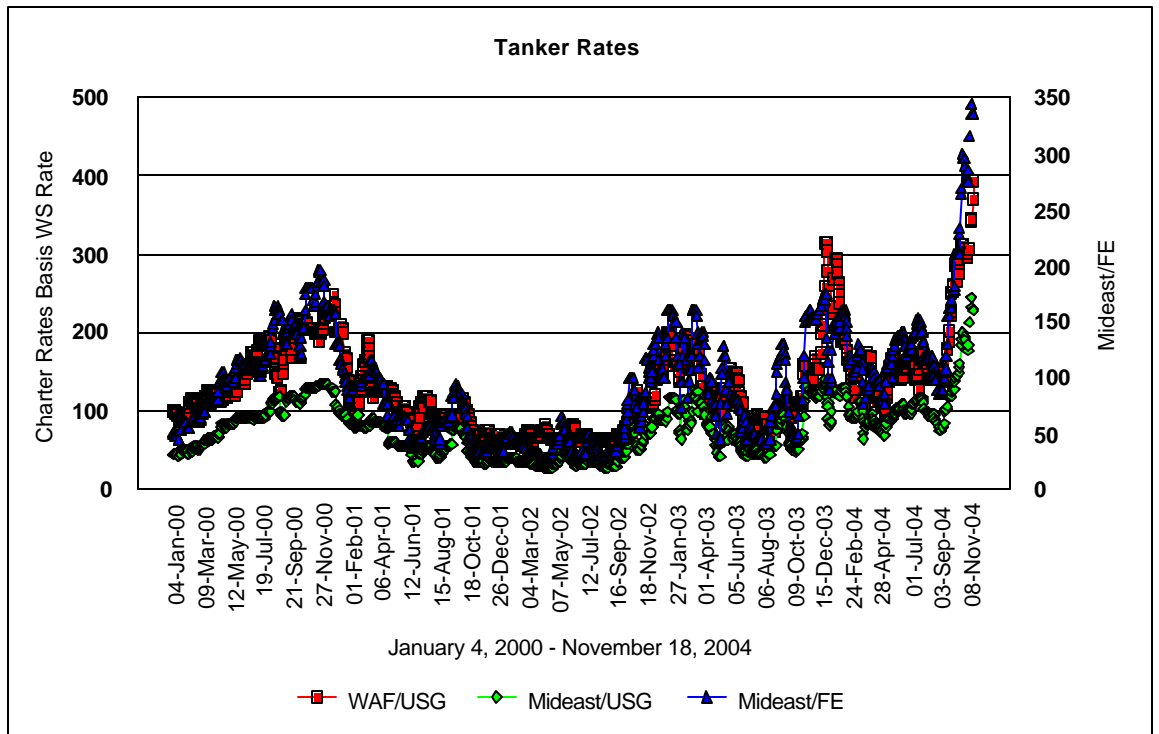
Refinery News

PDVSA's 320,000 bpd La Isla refinery in Curacao has shut down due to a power failure. A company spokesman said all the processing units were shut but added that it was not yet clear what caused the blackout.

Production News

According to the US MMS, US oil production in the Gulf of Mexico was up at 88.46% of its normal rate of 1.7 million bpd, up from 88.18% on Monday. It said 196,222 bpd of oil output remained shut, down from 200,871 bpd on Monday. It also reported that 678.47 mmcf/d of natural gas was still shut, down from 679.16 mmcf/d.

Nigeria's Central Bank reported that the country's oil production increased by 150,000 bpd in September to 2.4 million bpd from a revised level of 2.25 million bpd in August. The August figure for output of crude oil, condensates and natural



gas liquids was revised downwards from a previous estimate of 2.45 million bpd.

Singapore's International Enterprise said the country's fuel oil stocks in the week ending November 17 increased by 219,000 barrels to 11.31 million barrels. It reported that middle distillate stocks fell by 624,000 barrels to 6.26 million barrels while light distillate stocks increased by 71,000 barrels to 9.781 million barrels on the week.

The US-Kazakh joint venture TengizChevroil produced 11.3 million metric tons of oil in October, up 11.9% on the year.

Pemex reported that Mexican crude oil exports averaged 1.981 million bpd in October, up from 1.895 million bpd in September. It said crude oil production averaged 3.451 million bpd in October, up from 3.431 million bpd in September.

Market Commentary

The NYMEX oil market ended in negative territory despite the surge in the heating oil market late in the day. The crude market opened up 16 cents at 47.00 and quickly breached Wednesday's high of 47.10 as it traded to a high of 47.15. However the market erased its gains and traded to a low of 45.65 in afternoon trading. It later retraced most of its losses and traded back near the 47.00 level before it retraced its gains once again ahead of the close despite the sharp gains seen in the heating oil market. It settled down 62 cents at 46.22 amid some profit taking ahead of the December contract's expiration on Friday. Meanwhile the heating oil market, which opened slightly lower at 141.10, traded to an early high of 142.00 before it settled in a range and posted a low of 138.50. The market however once again found some further short covering which pushed the market higher. It breached its 38% retracement level at 142.15 and rallied to a high of 144.40 ahead of the close. The market was pushed to its high as buy stops were triggered above its previous high of 143.20. The December heating oil crack spread also continued to widen from 12.44 to 13.84 ahead of the close as the December heating oil contract settled up 1.86 cents at 143.00. Similar to the crude market, the gasoline market settled in negative territory, down 1.77 cents at 123.83 after it posted an inside trading day. It traded to a high of 125.30 on the opening before some profit taking pushed the market to its low of 122.00. The market later retraced its earlier move and traded to a high of 125.50. However as it failed to test its resistance at Wednesday's high, the market came off ahead the close. Volumes in were good with over 275,000 lots traded in the crude market, 65,000 lots in the heating oil market and 35,000 lots

in the gasoline market.

Open interest in the crude market continued to fall by a total of 7,449 contracts to 702,729 as of Wednesday

Technical Analysis			
		Levels	Explanation
CL	Resistance	48.05, 49.00, 49.70	Previous highs
		47.15, 47.40	Thursday's high, Tuesday's high
	Support	45.90, 45.65	Thursday's low
		45.40, 45.25, 44.55, 43.15	Previous lows, retracement levels
HO	Resistance	145.75, 148.95	50% retracement(161.00 and 130.50), Previous high
		144.40	Thursday's high
	Support	141.50, 138.50	Thursday's low
		132.50	Previous low
HU	Resistance	129.00, 129.87	Previous high, 38% retracement (144.70 and 120.70)
		125.50, 126.50, 126.80	Intraday highs
	Support	12.00, 121.00	Intraday lows
		120.70	Previous low

y's session. Open interest in the December contract fell by 20,188 contracts as traders continued to liquidate their positions ahead of its expiration on Friday.

The oil market on Friday will be driven by the December crude contract liquidation ahead of its expiration at the close. There may also be some short covering ahead of the weekend. The market is seen holding support at its low of 45.90 followed by 45.65. More distant support is seen at 45.40 followed by 45.25 and 44.55. Resistance is however seen at 47.15 followed by 47.40, 48.05 and 49.00.