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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR NOVEMBER 28, 2005**

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OPEC's President Sheikh Ahmad al-Fahd al-Sabah said OPEC will produce enough oil to build up global stocks and cushion consumers in the US, Europe and Japan from higher prices this winter. He said OPEC is seeking to increase stocks to 56 days of forward demand cover. OPEC's President, who is also Kuwait's Oil Minister said current oil prices are suitable to all and added that Kuwait does not see any need to cut oil production. He said OPEC would continue its efforts to stabilize the market and oil prices at acceptable levels for both producers and consumers. Meanwhile, Saudi Arabia's Oil Minister Ali al-Naimi said the oil market is currently balanced and there is no concern over supply during the winter season.

Algeria's Energy and Mines Minister Chakib Khelil said Algeria expects oil prices to remain above \$50/barrel in the first quarter of next year. He also stated that he expected OPEC would leave its output unchanged when it meets next month in Kuwait.

#### **Market Watch**

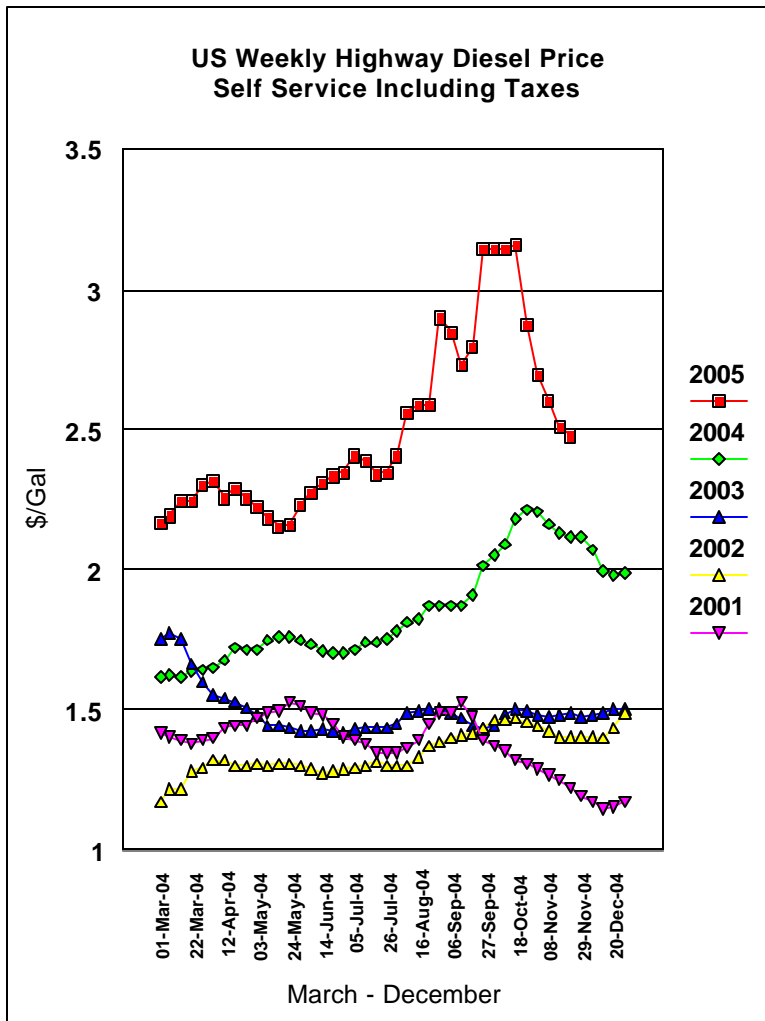
According to the National Weather Service, US demand for heating oil is expected to be about 20% below normal this week as warmer than normal temperatures return to the Northeast. In the Northeast, heating oil demand should be about 24% below normal. Total US heating demand for all fuels is forecast to be 12% below normal amid the moderate temperatures.

US Energy Secretary Samuel Bodman has asked an advisory committee of leading energy companies to formally weigh in on the ongoing debate over how long world oil and natural gas supplies can meet demand. He pointed out that there is a debate over when world oil production will peak and fall and also what the implications would be for the world economy.

Hundreds of armed troops manned check points in Nigeria's Bayelsa state on Monday as protesters staged rival rallies over the impeachment of the state governor. Oil companies said their operations were not affected but added that they were monitoring the situation closely.

On Friday, Man Group Plc said it completed the acquisition of customer accounts, balances and certain other assets of Refco's US operations. It said the acquisition comprises primarily all of the business and employees of Refco's US regulated futures and securities businesses as well as elements of their Foreign Exchange businesses.

Barclays Capital said investors should consider moving money out of gold and into oil as speculation in gold could prompt profit taking ahead of the Christmas holiday. It said oil and gold prices diverged substantially in the past three months, with oil falling 15-16% since the start of September, while gold has increased by 14%.



The head of the IEA, Claude Mandil, said world oil supplies should be stable in the months ahead as long as OPEC continues its current output policy. He said The IEA is expected to meet with OPEC members and discuss details about a demand roadmap at an upcoming energy gathering in Norway. Separately, he stated that Norway's government should maintain its oil and gas exploration and development in the Barents Sea in order to manage the country's declining output. He said Norway needs to allow exploration and development in closed areas of the Norwegian Sea.

The EIA reported that the average retail price of diesel continued to decline, falling 3.4 cents/gallon to \$2.479/gallon in the week ending October 28. It also reported that the US average retail price of gasoline fell by 4.7 cents/gallon to \$2.154/gallon on the week.

### Refinery News

Citgo Petroleum Corp's Corpus Christi, Texas refinery shut an alkylation unit on Monday. The shutdown was being carried out to repair leaking exchangers. The repair work is expected to continue

until Tuesday morning.

ExxonMobil Corp plans to overhaul a hydrogen generation unit at its 557,000 bpd Baytown, Texas refinery in December.

China's Sinopec Corp plans to trim December crude throughput at its Zhenhai refinery to increase domestic sales margins after operating at about full capacity for most of the year. Zhenhai Refining & Chemical Co is expected to process 344,000 bpd of crude next month, down 4% from November's estimate of 360,000 bpd.

### Production News

Petrologistics reported that OPEC has been pumping at a rate of 30.5 million bpd in November, up 600,000 bpd on the month. It reported that Saudi Arabia's production increased to 9.6 million bpd in November, up from 9.15 million bpd reported in October. Meanwhile, Iraq's production increased to 1.9 million bpd compared with 1.75 million bpd in October.

Statoil ASA said it restarted its 100,000 bpd Norne oilfield on Saturday after an oil leak prolonged a planned two day shutdown last week. Full output at the field is expected to resume in several days.

Venezuela's Petrozuata heavy oil project will be fully operational on December 5 after completing planned maintenance to a crude upgrading unit. During the shutdown, which started on November 27, Petrozuata reduced oil production to 80,000 bpd.

The MMS reported that US Gulf of Mexico oil and gas production shut in as a result of the hurricanes recovered slightly over the long Thanksgiving weekend. It said about 594,421 bpd of oil remained offline, down from 615,623 bpd reported last Wednesday.

Oil tankers transiting the Turkish Straits continued to face two week delays on Monday for a round trip voyage to the Black Sea as freight rates increased sharply due to the disruption. Shipping agents said tankers were facing a total delay of 13 days. They stated that 23 oil tankers were waiting to pass north through the Bosphorus and a further six to transit south again.

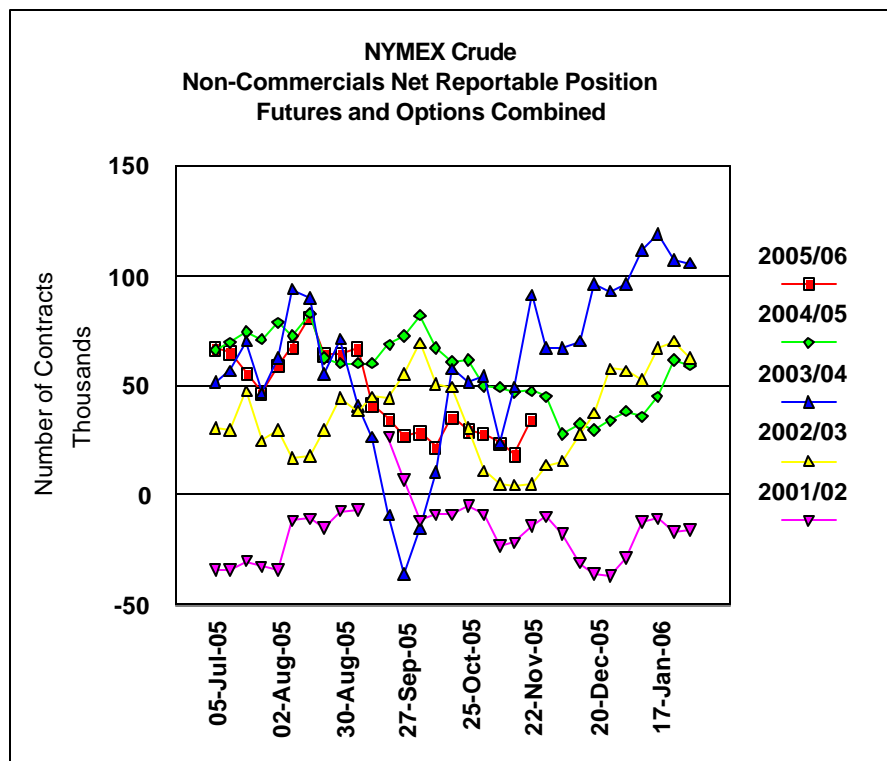
Russia's Transneft confirmed on Monday a record December oil export plan for the Baltic Sea port of Primorsk. The port is set to export 52 cargoes or 5.175 million tons, up from 5 million tons planned for November. The final schedule also showed that the Black Sea port of Novorossiisk would load 3.958 million tons or 936,000 bpd, up from its monthly total in November of 3.84 million tons. Also, the Black Sea port of Tuapse is expected to load 367,000 tons or 87,000 bpd in December, down from 390,000 tons in November.

Sudan's President Omar al-Bashir said the country's oil production will double to 1 million bpd by the end of 2006. Its production is expected to reach 600,000 bpd by the beginning of the second half of the year.

OPEC's news agency reported that OPEC's basket of crudes fell by 47 cents/barrel to \$50.42/barrel on Friday. It also reported that OPEC's basket of crudes increased by 35 cents/barrel to \$50.46/barrel in the week ending November 24.

Total SA reported the start of oil production from its Bonga oil and gas field on Monday. The Bonga field is expected to produce over 200,000 bpd of oil and over 150 mmcf/d of gas once it reaches its plateau level.

India's Oil Minister Mani Shankar Aiyar said Oil and Natural Gas Corp expects output from its existing fields to fall sharply in the next 4-5 years. The ministry wants Oil and Natural Gas Corp to focus on exploration and secure oil supplies for the country, where annual demand is expected to grow 45% over the next two decades. The company's output has stagnated at about 520,000 bpd in the past few years. India's Oil Minister said ONGC needed to do better



and find new reserves to halt the decline. Separately, India's Oil Minister said oil prices are likely to remain high for a long time, posing a challenge to the country's energy security.

India's oil companies reported that sales of oil products are expected to increase by 1% to 1 million metric tons in the fiscal year ending March 31, 2006.

Indonesia's Energy Minister Purnomo Yusgiantoro said he is worried that oil prices in the world market may increase in December and January due to a colder than expected winter in the Northern Hemisphere.

Thailand's oil product exports fell 26.2% in October from a year earlier to 98,905 bpd due to a shutdown of the 145,000 bpd Rayong refinery. Fuel oil exports led the decline with a 78.9% plunge to 31.7 million liters.

### **Market Commentary**

The energy complex ended the session sharply lower in light of the weather forecasts. The National Weather Service reported that this week's heating oil demand would be about 20% normal as warmer than normal temperatures returned to the Northeast. The oil market was also pressured amid comments made by OPEC ministers, who stated that they saw no need to cut oil production. The crude market opened down 71 cents at 58.00 in follow through selling seen in overnight trading. The market traded to a high of 58.25 and found good resistance at that level as it continued to sell off. It extended its losses to over \$2 as it posted a low of 56.70 late in the session. However the oil market later bounced off its low and retraced some of its losses ahead of the close. It settled down \$1.35 at 57.36. Volume in the crude market was light with 149,000 lots booked on the day. The heating oil market also ended down 5.36 cents at 163.56. The market gapped lower from 168.00 to 167.00 but quickly backfilled the gap as it posted its high at 168.00. The heating oil market however erased its gains and never looked back as it sold off to a low of 163.00 amid the selling pressure seen in the natural gas market ahead of its expiration at the close. The markets were also well pressured amid the weather forecasts. Meanwhile, the gasoline market also gapped lower from 145.50 to 144.25 on the opening. It partially backfilled its gap as it posted a high of 145.00 however it erased its gains and sold off to a low of 141.40 late in the session. Similar to the heating oil market, the gasoline market settled in a sideways trading range ahead of the close and settled down 3.94 cents at 141.82. Volumes in the product markets were good with over 59,000 lots booked in each the heating oil and gasoline markets.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net short positions by 13,104 contracts to a net short position of

<b>Technical Analysis</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b> 57.36, down \$1.35	<b>Resistance</b> 58.80, 59.00, 59.05 57.40, 58.25	Previous highs Monday's high
	<b>Support</b> 56.70 56.35, 55.24	Monday's low Previous lows, Basis trendline
	<b>Resistance</b> 168.00, 172.00, 174.18 164.00, 166.00	Monday's high, Previous high, basis trendline
<b>HO</b> 163.56, down 5.36 cents	<b>Support</b> 163.00 162.99, 161.90, 160.10	Monday's low Previous lows
	<b>Resistance</b> 145.00 to 145.50, 148.50 142.90, 144.00	Remaining gap, Previous high
<b>HU</b> 141.82, down 3.94 cents	<b>Support</b> 141.40 139.25	Monday's low Previous low

43,064 contracts in the week ending November 22<sup>nd</sup>. The combined futures and options report also showed that non-commercials increased their net long position by 16,205 contracts to 35,219 contracts on the week. Meanwhile non-commercials in the heating oil market cut their net short position by 2,115 contracts to 6,267 contracts while non-commercials in the gasoline market increased their net long position by 597 contracts to 21,311 contracts on the week.

The oil market is seen remaining pressured in light of the short term weather forecasts. However the market's losses are seen limited as the long term weather forecasts are showing below normal temperatures. The market is seen finding support at its low of 56.70 followed by 56.35 and 55.24. Meanwhile resistance is seen at 57.40 followed by 58.25 and 58.80, 59.00 and 59.05.