



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 29, 2005

Indonesia's Energy Minister Purnomo Yusgiantoro said the country would ask OPEC not to cut its crude production during its next meeting on December 12. He said OPEC should not cut its production as oil prices may rise in the coming months due to a colder than expected winter.

Refinery News

According to a notice filed with the Texas Commission on Environmental Quality, a boiler malfunctioned at Valero Energy Corp's 210,000 bpd refinery in Texas City, Texas on Monday. A Valero spokeswoman said the boiler malfunction did not have a significant impact on production at the refinery.

Shell Oil Co's Deer Park Refining shut a sulfur recovery unit at its 340,000 bpd Deer Park, Texas refinery on Monday.

The synthetic crude upgrading unit of Venezuela's Petrozuata should resume processing on Thursday after a longer than expected stoppage for maintenance and should recover full capacity by December 6.

The maintenance started on October 28 and was scheduled to last 28 days. The head of the project said a short delay of a few days was caused by labor issues and said there were no technical problems involved.

Market Watch

BP Plc's chief executive said market forces are doing their part in pushing prices lower but lingering concerns about future supply shortfalls is providing a price floor. BP CEO John Browne said the fact that oil prices have eased considerably since late August is a tribute to the efficiency of the world energy market. He also stated that thin world spare oil production capacity cushion and linger geopolitical concerns in the Middle East has led oil market participants to build a security risk premium into current prices. Separately, in regards to its Thunderhorse oil platform, BP's chief executive said it would likely begin producing next summer. He said the weather has not allowed the company to connect the platform to the wells on the seabed. The platform is expected to produce 250,000 bpd of oil when it reaches full capacity.

Meanwhile, BP's Spanish President Luis Javier Navarro said the IEA needs reforming to include large consuming nations like China and India. He said hurricanes in the US Gulf of Mexico that shutdown key refineries highlighted the need for reform. The executive director of the IEA, Claude Mandil responded by stating that the IEA is always reforming and is working closely with China and India.

The Organization for Economic Cooperation and Development stated that the US economy should continue to expand at a healthy rate over the next couple of years, with both inflation and unemployment edging lower. US gross domestic product should increase 3.6% for 2005 followed by growth of 3.5% in 2006 and 3.3% in 2007. It said inflation should fall from 2.7% in 2005 to 2.5% in 2006 and 2.3% in 2007. It also stated that despite the rise in oil prices, broad consumer prices have remained relatively stable in major economies, without a significant slowdown in economic activity.

Crude processing at Lukoil's refineries is expected to increase to 47.6 million tons this year from 45.3 million tons last year.

India's Reliance Industries Ltd will restart its 180,000 bpd fluid catalytic cracking unit at its Jamnagar refinery next week. The unit was shut for maintenance in the first week of October and was expected to restart on November 26, however the shutdown was extended.

PetroChina's Lanzhou unit plans to cut processing volumes in December by 13% to build crude stocks. The processing rate for next month is set at 165,000 bpd, down from November's estimate at 190,000 bpd. Lanzhou is expected to increase its crude runs to full capacity of 200,000 bpd next year, up 11% on the year.

China's Dalian refinery plans to process crude at 200,000 bpd in December, unchanged on the month.

Production News

According to the MMS, a total of 564,229 bpd of US Gulf of Mexico oil production remains shut in as of Tuesday, down from 594,421 bpd reported on Monday.

The director of Russia's Federal Energy Agency, Sergei Oganesyanyan called on the government to create an oil product reserve equivalent to 5-7% of Russia's annual oil product consumption to help curb domestic prices with government intervention when necessary.

Ukraine's President Viktor Yushchenko said that a deal to ship Kazakhstan's oil to European customers is almost complete. The project involves shipping Kazakh oil to Ukraine's Black Sea port of Odessa and to a pipeline to Brody and on to northern Europe. Ukraine is seeking ways to reduce its energy dependence on Russia.

Workers building an oil platform on the Caspian Sea for the BP led Azerbaijan International Operating Company have gone on strike for an indefinite period. AIOC said the workers wanted more pay and had refused an offer of a 35% rise over two months. A spokeswoman for AIOC said the strike had not yet had any impact on the firm's timetable for producing oil from the fields.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$50.04/barrel on Monday, down from \$50.42/barrel on Friday.

Nippon Oil Corp said it would reduce its crude oil purchases in December and possibly in January from a year earlier after low heating demand forced it to cut refining. Nippon Oil reduced its crude buying since November, when it cut its refining volume by 15% on the year to 4.4 million kiloliters or 922,500 bpd as an unseasonably warm start to winter cut kerosene demand.

Market Commentary

The oil complex ended the session in negative territory once again amid the mild weather as well as the expectations that the weekly petroleum stock reports would show slight builds in product stocks. The crude market opened up 39 cents at 57.55 and quickly posted an intraday high of 57.75. However the market failed to find further upside momentum and retraced its gains. The market traded to a low of 56.65 and settled in a sideways trading pattern for most of the afternoon. The oil market however sold off to a low of 56.25 ahead of the close. It settled down 86 cents at 56.50. Volume in the crude was better today with 192,000 lots booked on the day. Meanwhile, the heating oil market also settled down 2.59 cents at 160.97. The market opened up 1.44 cents at 165.00 and rallied to a high of 167.50 early in the session. However the market just as quickly erased its gains as the market focused on the

mild temperatures and the expected builds in stocks. It extended its losses to over 2.5 cents as it posted a low of 160.50 ahead of the close. The gasoline market also traded to a high of 144.70 early in the session before it erased all of its gains. The market held some support at 141.00 but later found further selling ahead of the close. It traded to a low of 139.00 and settled down 2.31 cents at 139.51. Volumes in the product markets were good with 59,000 lots booked in the heating oil and 50,000 lots booked in the gasoline market.

The oil complex will be driven by the expiration of the December product contracts as well as the weekly petroleum stock reports. The markets are expecting small draws in crude stocks of about 100,000 barrels, builds in distillate stocks built of more than 500,000 barrels and builds in gasoline stocks of 1-1.5 million barrels on the week. If the market does see the builds in stocks, the oil market is seen breaching its low of 56.25 and testing the 55.00 level. More distant support is seen at 54.45. Meanwhile resistance is seen at 56.75, 57.10 followed by its high of 57.75. More distant resistance is seen at 58.25, 58.80 and 59.00.

Technical Analysis		
	Levels	Explanation
CL 56.50, down 86 cents	Resistance 57.75, 58.25, 58.80, 59.00 56.75, 57.10	Tuesday's high, Previous highs
	Support 56.25 55.09, 54.45	Tuesday's low Basis trendline, Previous low
HO 160.97, down 2.59 cents	Resistance 167.50 168.00 164.00, 166.00	Tuesday's high, Previous high
	Support 160.50 160.10, 153.36, 153.30	Tuesday's low Previous low, Basis trendline, Previous low
HU 139.51, down 2.31 cents	Resistance 144.70, 145.00 to 145.50 140.50, 142.00	Tuesday's high, Remaining gap
	Support 139.00 136.50, 136.00	Tuesday's low Previous lows