



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 30, 2005

An Iranian Oil Ministry official said OPEC is not expected to change its level of crude production at its December 12 meeting in Kuwait. The head of OPEC affairs at Iran's Oil Ministry said oil prices are satisfactory, making a change in output unlikely.

The UAE's Oil Minister, Mohammed bin Dhaen al-Hamili said \$50/barrel for oil is a fair price for consumers and allows producers to invest in meeting future demand growth. He also said markets are adequately supplied and OPEC has the spare capacity to meet any increase in demand.

Indonesia's Oil Minister Purnomo Yusgiantoro also stated that OPEC should keep producing at current rates and maintain its offer to tap all its spare capacity when it meets next month.

Market Watch

US heating oil consumers could see heating oil prices rise more than expected if a sustained cold snap hits the US Northeast this winter and adds industrial demand to household use. Problems with supplies of natural gas have made it increasingly likely that commercial users will switch to cheaper residual oil and heating oil if a sustained cold blast settles in. The head of the New England Fuel Institute said that while only a small percentage of natural gas users in New England have the ability to switch from natural gas to other fuels, it is enough extra demand to push up prices of heating oil for consumers. According to oil traders, some customers that have interruptible natural gas contracts are already switching to cheaper residual oil and heating oil. Natural gas users also face transportation constraints, which could prompt switching to distillate fuels this winter.

Iran's President Mahmoud Ahmadinejad is expected to make a fourth attempt to name an oil minister on Sunday and end months of infighting over the position. His failure to get three close allies accepted by parliament has caused stagnation in the oil industry and exposed deep differences in Iran's ruling conservative camp.

The American Trucking Associations' advanced seasonally adjusted fore hire Truck Tonnage Index increased by 0.3%. The September increase was revised down to 0.3% from the previously reported 0.4%. On a seasonally adjusted basis, the tonnage index increased to 114.2 from 113.9 in September.

The EIA stated that crude oil imports need to average well above 10 million bpd in the coming weeks as US oil refineries increase their production levels to keep commercial stocks from falling. It said refineries have been processing about 15.1 million bpd of crude into petroleum products and that could increase to 15.5 million bpd or higher in December. It said if crude imports continue to average 9.7 million bpd, substantial drops in inventories should be expected. It said crude oil inventories will likely begin to drop or US refinery will need to continue to buy imported oil, putting upward pressure on US crude oil prices in the coming weeks.

The DOE reported that US propane inventories totaled 70.824 million barrels in the week ending November 25, up 2.295 million barrels on the week. It reported that inventories in the East Coast increased by 461,000 barrels to 5.514 million barrels while inventories in the Midwest increased by 331,000 barrels to 24.457 million barrels and inventories in the Gulf Coast increased by 1.601 million barrels to 38.224 million barrels on the week.

Refinery News

Venezuela's oil refineries were idled at least 10 times this year due to fires or breakdowns, raising concerns that PDVSA lacks experienced personnel and is skimping on maintenance. Refiners are struggling to keep up with the surging demand in the US. The Paraguana refinery's production has been curtailed six times this year. An opposition lawmaker and vice president of the National Assembly's Energy and Mines Commission said there is a lack of experienced personnel. The company has not invested enough in new technologies and replacing outdated equipment. Spending on social programs may be diverting funds that PDVSA should be investing in improving its refineries. The company's social spending totaled \$4.35 billion last year compared with investments of \$3 billion on operating assets.

Taiwan's Formosa Petrochemical Corp shut a 36,000 bpd coking unit for unscheduled maintenance work and hopes to restart the unit by Friday.

Production News

Enbridge said ice storms in Minnesota slowed the flow of crude from Canada into the US Midwest on the Enbridge pipeline system on Tuesday. It was not immediately clear how much supply was affected.

The MMS reported that a total of 547,223 bpd of crude production remained shut in as of Wednesday, down from 564,229 bpd on Tuesday.

Louisiana's Department of Natural Resources said onshore crude oil production in southern Louisiana has reached 113,223 bpd or 55.7% of the region's capacity.

Hundreds of local residents working in the energy industry in Louisiana have spent much of the time since the storm trying to restart plants and terminals. Chevron's Empire oil terminal did not see crude flowing through its pipes for more than a month and did not see regular power restored for weeks. Rebuilding the energy infrastructure has been slow. Bringing in the equipment, supplies and workers has been a logistical nightmare and the scope of repair projects is daunting. Chevron was under a large amount of pressure to restart service. On November 3, booster pumps were put into service, increasing the terminal's output. Only two of the 11 storage tanks on-site are operating, but the terminal is able to handle more crude and is waiting for offshore facilities to come back on line.

According to the White House, Iraq's oil production fell to an average of 2.1 million bpd from 2.25 million bpd last year due to attacks on the infrastructure and its dilapidated condition.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe fell to 159,108 tons in the week ending November 29, down from 395,147 tons in the previous week.

Sources at Russia's Energy Ministry reported that Russia's oil output increased to a high of 9.64 million bpd in November. Output stood at 38.143 million tons in the first 29 days of November. Meanwhile, government officials have said they do not expect growth to exceed modest levels in the next five years, in contrast with previous years when Russia was the only major source of non-OPEC crude. Analysts say that the slowdown will mean that the world will have to rely on incremental

supplies from OPEC and the former Soviet Union states of Kazakhstan and Azerbaijan to cover growing demand.

India's crude oil imports in October fell by 3.8% to 7.7 million tons or about 1.82 million bpd due to refinery maintenance and falling demand. Crude imports by Reliance Industries fell by 33% because some of its units were shut down for maintenance.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$49.78/barrel on Tuesday, down from \$50.04/barrel on Monday.

Japan's Ministry of Economy, Trade and Industry reported that Japan's crude oil imports in October fell by 0.9% on the year to 20.82 million kiloliters. Meanwhile the Petroleum Association of Japan reported that Japan's average refinery operating rate increased by 88.5% of capacity in the week ending November 26 from 85.8% a week ago. Japan's refiners processed an average of 4.22 million bpd of crude oil, up from 4.09 million bpd the previous week. It reported that commercial stocks of kerosene totaled 4.758 million kl, up from 4.974 million kl the week before.

Russia's Transneft proposed to set its tariff for oil transportation through the yet to be built East Siberia-Pacific Ocean pipeline at \$38.80/ton.

Royal Dutch Shell said it does not expect the Russian government to decide before June 2006 whether to allow partners in the Sakhalin-2 gas and oil project to reclaim an extra \$10 billion in costs from project revenues.

Market Commentary

The oil markets settled in positive territory following two consecutive days of losses as the DOE and API reports showed draws in crude stocks. The markets were also supported by the sharp rally seen in the natural gas market amid the weather forecasts showing colder than normal temperatures. The crude market initially sold off to a low of 56.00 following the release of the reports as the losses in the heating oil market pressured the rest of the complex. The oil market however bounced off its low and held some resistance at 56.95. The market, which attempted to test its low, retraced its losses and rallied to a high of 57.55 ahead of the close amid the sharp rally in the natural gas market. It settled up 82 cents at 57.32. Volume in the crude market was excellent with over 249,000 lots booked on the day. Meanwhile, the December heating oil contract, which pressured the complex early in the session, went off the

board at 161.64, up 67 points. The market sold off to a low of 158.75 following the release of the DOE and API reports showing larger than expected builds in

| Technical Analysis | | |
|-----------------------------|--|--|
| | Levels | Explanation |
| CL 57.32, up 82 cents | Resistance 57.75, 58.25, 58.80, 59.00 | Tuesday's high, Previous highs |
| | Support 57.55 | Wednesday's high |
| HO 168.97, up 1.77 cents | Resistance 57.00, 56.50 | Wednesday's low, Basis trendline, Previous low |
| | Support 56.00, 54.93, 54.45 | |
| HU 149.71, up 4.15 cents | Resistance 172.75, 173.75 | Previous highs |
| | Support 170.00 | Wednesday's high |
| HU 149.71, up 4.15 cents | Resistance 168.00, 166.00 | Wednesday's low, Previous low |
| | Support 165.25, 164.00 | |
| HU 149.71, up 4.15 cents | Resistance 150.50, 151.50 to 152.50 | Previous high, Remaining gap (November 28th) |
| | Support 150.00 | Wednesday's high |
| | 148.00, 146.00, 145.25 | |
| | 144.80 | Wednesday's low |

distillate stocks. It however bounced off its low and rallied to a high of 163.00 ahead of expiration. The January heating oil contract also rallied to 170.00 and settled up 1.77 cents at 168.97. Similarly, the December gasoline contract settled up 2.98 cents at 142.49. The market sold off to a low of 138.50 and rallied to a high of 145.00 on the close amid the increase in gasoline demand. The January gasoline contract settled up 4.15 at 149.71. Volumes in the product markets were good with 72,000 lots booked in the heating oil and 62,000 lots booked in the gasoline market.

The oil market may continue to retrace its recent losses following its sharp rally ahead of the close. The market is seen remaining supported amid the strength in the heating oil market. Its losses are seen limited in light of the weather forecasts calling for colder temperatures. Private weather forecaster, Accuweather, is also calling for a blizzard next week in the eastern U.S. The crude market is seen finding support at 57.00 followed by 56.50 and its low of 56.00. More distant support is seen at 54.93 followed by 54.45. Meanwhile resistance is seen at 57.55 followed by 57.75, 58.25, 58.80 and 59.00.