



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 1, 2005

US Energy Secretary Sam Bodman said the Bush administration remains concerned about adequate US natural gas and heating oil supplies this winter as production remains shut in the Gulf of Mexico. He said that even though unseasonably warm temperatures during the past month have helped curb demand for home heating fuel, consumers should not assume the entire winter will be mild. He urged consumers and businesses to conserve energy to help ensure heating fuel supplies are available this winter. Separately, the Energy Secretary said record high energy prices and concerns about fuel supplies has led to venture capitalists searching for investment opportunities in alternative fuel and clean energy projects.

An Iraqi oil official said Iraq's oil exports in November fell by 140,000 bpd on the month to 1.21 million bpd due to bad weather, power outages and technical problems. It is the lowest production level in two years. The official said crude production from southern oil fields in November was 1.65 million bpd, down from its normal average of 1.85 million bpd. He said Iraq's State Oil Marketing Organization had to defer about 22 million barrels from November to December, increasing December's nominations to 60 million barrels.

Market Watch

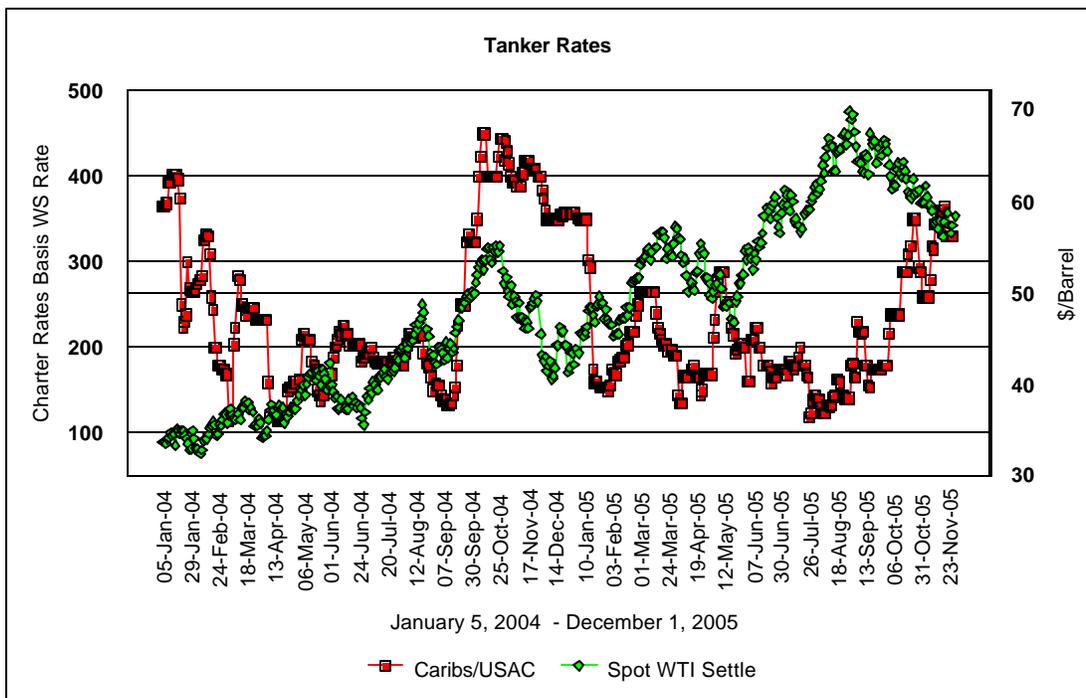
OPEC's President Sheikh Ahmad al-Fahd, Nigeria's Petroleum Minister Edmund Daukoru and OPEC's Secretary General Adnan Shihab-Eldin will meet with officials from the European Union to discuss ways to stabilize the energy markets. EU Energy Commissioner Andris Piebalgs said the second joint meeting would review oil market developments and decisions taken by both sides since June.

The UK Treasury said the G7 still sees oil prices a threat to growth.

The chairman and chief executive of Valero Energy Corp, Bill Greehey said he expects retail gasoline prices to hover between \$2.00 and \$2.25/gallon in 2006. He also stated that Valero will continue to look for refineries to purchase and will also expand the refineries it owns. Valero plans to add about 400,000 bpd of crude processing capacity at its 18 refineries over the next five years.

US Senate Democratic leader Harry Reid called on the Justice Department to investigate if major oil company executives lied to Congress when they testified that their companies did not participate in a 2001 task force that prepared the Bush Administration's energy policy. The heads of Exxon Mobil Corp, BP Plc's US unit, ConocoPhillips, Chevron Corp and Shell Oil were asked to clarify statements made at a November 9 hearing on the industry's rising profits.

OPEC's President Sheikh Ahmad al-Sabah said he would not propose production cuts at its December 12 meeting. He said he would propose to maintain OPEC's current production level.



Venezuela's Oil Minister Rafael Ramirez said OPEC should closely watch rising oil production levels in the US Gulf of Mexico at its next meeting. He said Venezuela would study the world oil market before taking a position on OPEC's production levels. He however said that he expects oil prices to

remain near current levels next year and that OPEC should begin studying a new preferential price band for its oil basket.

Meanwhile, the head of Nigeria's department of petroleum resources said OPEC should defend \$50/barrel for its oil basket. He said such a price is needed to pay for investment in capacity. Separately Nigeria's top oil official, Edmund Daukoru, said that OPEC had built up world stocks sufficiently to provide a cushion for world consumers.

According to Oil Movements, OPEC's crude oil shipments are expected to increase by 390,000 bpd to 25.01 million bpd in the four weeks ending December 17 compared with 24.62 million bpd in the four weeks ending November 19. It added that westbound exports were unlikely to rise until January but could find support if colder weather moves into the US Northeast.

Refinery News

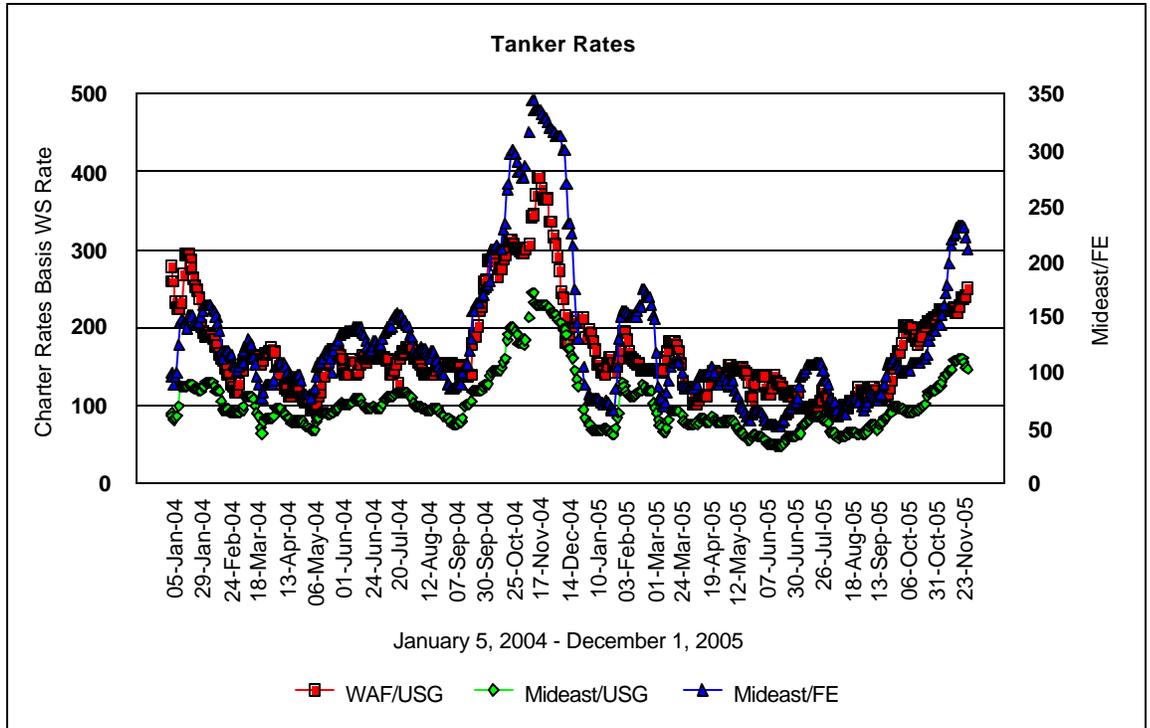
Sunoco Inc shut a crude unit at its 330,000 bpd refinery in Philadelphia for 10-14 days of planned maintenance.

Giant Industries has no restart date for its 62,000 bpd Yorktown, Virginia refinery following a fire last week because the firm has had to first clean up asbestos found in the plant. Workers will begin assessing damage to the plant on Thursday but that it would likely take another week to determine when its fluid catalytic cracking unit would resume operation.

Saudi Aramco is not planning to become a swing supplier of oil products with spare refining capacity, dampening hopes for further plant expansions that could help ease high fuel prices. It aims to maintain spare crude production capacity to give consumers a cushion in the event of supply shocks. Aramco, which has a refining capacity of 4.095 million bpd is already planning to build two new 400,000 bpd refineries in Saudi Arabia and is in talks over joint projects in the US, China and South

Korea. Saudi Aramco plans to build a 250,000 bpd refinery in northeast China's Qingdao with China Petroleum & Chemical Corp.

South Korea's Inchon Oil Refinery Co plans to cut its crude oil processing rates for January by 12.5% on the month to 140,000 bpd due to weaker refining margins.



Syria has agreed to a \$1.2 billion deal with China to build a refinery in eastern Syria and is in talks with Russia over a \$2.4 billion petrochemical and refining complex. Syria has signed a memorandum of understanding with China's CNPC to construct a 140,000 bpd refinery. Syria's deputy Prime Minister Abdullah al-Dardari said it is also in talks with Total over building another refinery.

Production News

The MMS reported that US Gulf of Mexico oil and natural gas production showed virtually no recovery on Thursday. It said about 547,074 bpd was still shut in, down from 547,223 bpd reported on Wednesday.

Louisiana's Department of Natural Resources said restored crude oil production in Louisiana was 56.1% of normal on Thursday, up from 55.7% on Wednesday. It said output was 114,014 bpd, up from 113,223 bpd on Wednesday.

A western diplomatic source said a recent proposal by Saudi Arabia calling on oil consuming countries to provide more demand data to producers would have a better chance of materializing if OPEC members were more open about their own pricing policies. The source said he believed a recently released global energy database, which tracks more supply and demand data from oil producing and consuming nations, could be the proper mechanism for increased oil data transparency.

Suncor Energy Inc is targeting average oil sands production of 260,000 bpd and natural gas production of 205-210 mmcf/d in 2006. It set its 2006 capital spending budget at C\$3.5 billion. Suncor said it has entered into hedging agreements for 7,000 bpd during 2006 and 2007, locking in a minimum price of \$50/barrel for WTI crude. The company said it would consider future hedges up to 30% of crude production if strategic opportunities are available.

Azerbaijan's SOCAR has tendered to sell an 80,000 tons or 586,000 barrel Azeri light crude cargo. The cargo is scheduled to be loaded at the Georgian Black Sea port of Batumi on December 24-25.

Shipping sources stated that water levels on the Rhine River in south and central Germany increased slightly on Thursday following recent rain but remain far below normal following a long period of dry weather. Shipping companies are still imposing cargo surcharges as water levels are below the minimum that vessels need to sail fully loaded along much of the river.

Royal Dutch Shell and BP Plc signed a letter of intent on Thursday to convert oil fields they operate in Venezuela into joint ventures with PDVSA. Venezuela is forcing 22 companies that operate 32 oil fields under contract to convert fields into joint ventures where PDVSA would hold a majority stake. A total of 15 companies that operate 26 fields have agreed to operate as joint ventures.

Libya raised its December official selling price for Essider crude by 25 cents from November to dated BFO minus \$1.15/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$49.69/barrel on Wednesday, down from Tuesday's \$49.78/barrel.

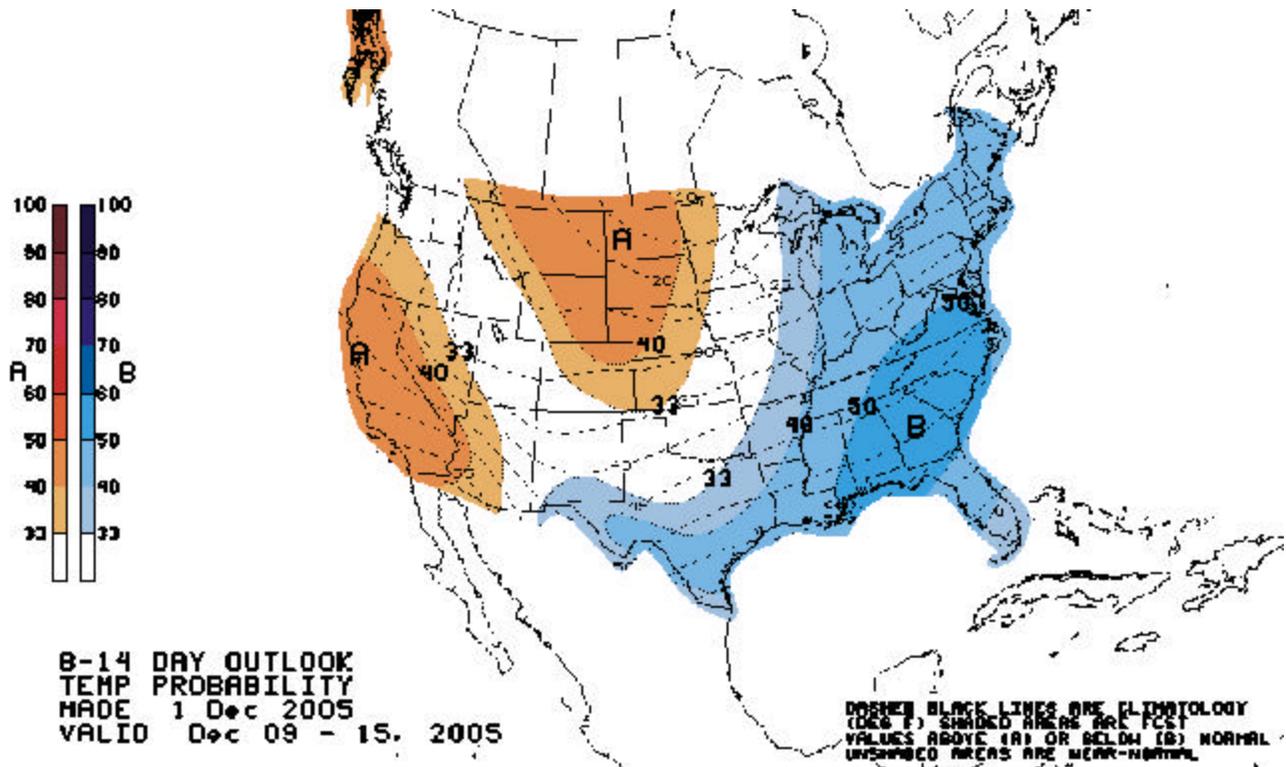
Market Commentary

The energy complex ended the session sharply higher once again in follow through buying. The markets were well support by the cold weather forecasts. Accuweather said colder than normal weather will take hold in the US Northeast for the next two weeks. The markets were also supported by the comments made by Energy Secretary Sam Bodman that the Bush administration was still concerned over heating oil supplies this winter. The market opened up 23 cents at 57.55 and quickly tested its resistance at 58.00 as the natural gas market remained supported in light of the EIA report showing a 49 bcf draw in natural gas storage. The crude market however failed to test its high and sold off to a low of 57.10. The market settled in a sideways pattern for most of the session before the market breached the 58.00 level and rallied to a high of 58.80. It settled up \$1.15 at 58.47. Volume in the crude market was excellent with over 209,000 lots booked on the day. Meanwhile the product markets settled sharply higher, with the heating oil market settling up 4.90 at 173.87 and the gasoline market settling up 6.55 cents at 156.26. The heating oil market opened at 169.00 and rallied to 171.50 early in the session before it sold off to a low of 168.25. The market however bounced off its low and traded mostly sideways before further buying pushed the market to its high of 174.50 ahead of the close. The

gasoline market posted its low of 150.00 early in the session and never looked back as it rallied over 7.4 cents to a high of 157.20 ahead of the close.

Technical Analysis			
	Levels	Explanation	
CL	Resistance 58.47, up \$1.15	59.00, 59.05, 59.10 to 59.50 58.80	Previous highs, Remaining gap Thursday's high and Previous high
	Support	58.00, 57.10 56.00, 54.77, 54.45	Thursday's low Wednesday's low, Basis trendline, Previous low
HO	Resistance 173.87, up 4.90 cents	175.92, 177.50 174.50	Basis trendline, Previous high Thursday's high
	Support	170.00, 168.25 165.25, 164.00	Thursday's low Wednesday's low, Previous low
HU	Resistance 156.26, up 6.55 cents	158.10 to 159.25 157.20	Remaining gap Thursday's high
	Support	155.00, 150.00 144.80	Thursday's low Wednesday's low

Volumes in the product markets were good with over 52,000 lots booked in the heating oil market and over 44,000 lots booked in the gasoline market.



The oil market is seen remaining supported following its late rally. However if the market does retrace some of its sharp gains on Friday, the losses are seen limited by the weather forecasts which are calling for colder than normal temperatures. Even though the oil market continues to trade in its downward trend, the market looks like it still has some more upside as its stochastics are trending higher. The market is seen finding support at 58.00 followed by its low of 57.10. More distant support is seen at 56.00. Meanwhile, resistance is seen at 58.80, 59.00, 59.05 and its gap from 59.10 to 59.50.