



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 5, 2005

Analysts stated that signals from OPEC that it would be comfortable with higher oil stock levels reinforce the view that it is unlikely to cut production when it meets on December 15. However the greater level of oil inventories in consuming nations could ultimately make it difficult for oil prices to rise much higher and would eventually prompt OPEC to reduce supplies.

According to the Lundberg survey, the US retail price of gasoline fell 11 cents/gallon in the past two weeks to \$2.13/gallon.

The EIA reported that the average retail price of diesel fell 5.4 cents to \$2.425/gallon in the week ending December 5th. It also reported that average retail price of gasoline fell by 0.7 cents to \$2.147/gallon on the week.

Meanwhile, President George W. Bush said high gasoline prices amounted to a tax on consumers and businesses and called on Congress to pass legislation to promote construction of more oil refineries to increase fuel supplies.

Refinery News

Market Watch

According to the US National Weather Service, US demand for heating oil is expected to be about 16% above normal this week as colder weather reached the Northeast and the North Central regions. In the Northeast, heating oil demand should be about 14% above normal.

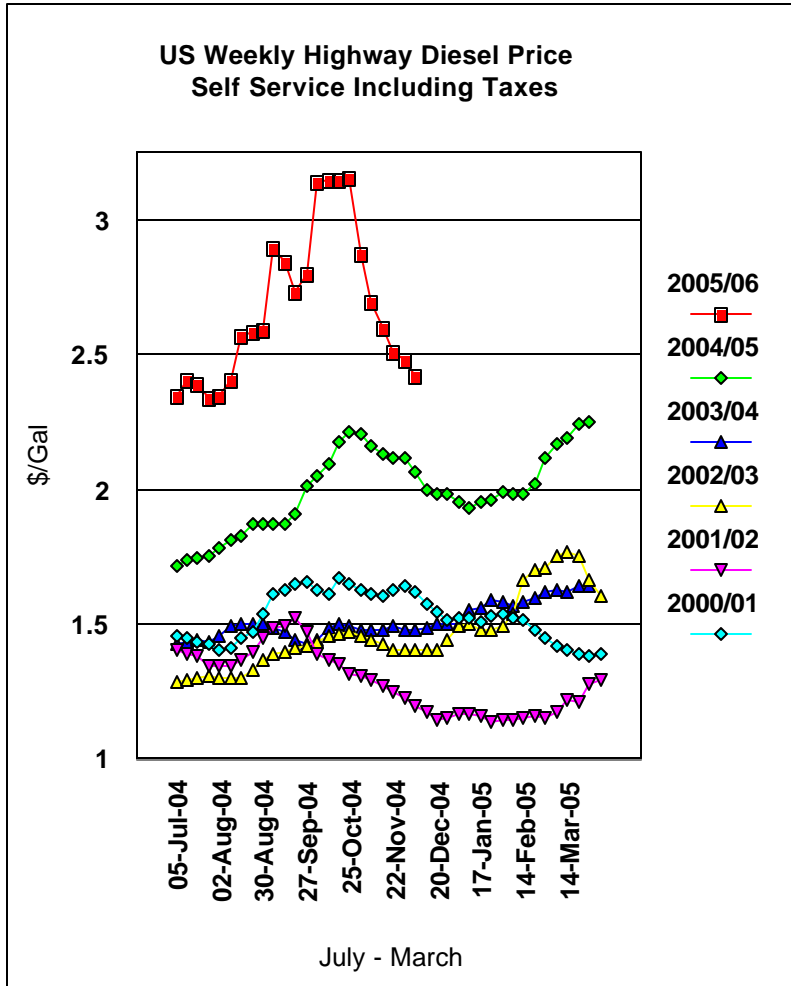
The Renewable Fuels Association said they welcomed a Federal Trade Commission report showing there is enough competition in the ethanol industry to prevent one or more companies from setting prices or supply. The FTC said that the level of concentration in ethanol production would be unlikely to provide the opportunity or incentive for one or more firms to act anti-competitively. However it cautioned that it could not exclude the possibility that future ethanol producer mergers may raise the potential for anti-competitive effects on segments or aspects of the industry.

An Iranian official said Iran's latest candidate for the post of oil minister, Kazem Vaziri, would attend OPEC's December 12 meeting, after defending his candidacy in parliament on Sunday. Iranian President Mahmoud Ahmadinejad nominated acting Oil Minister Vaziri to hold the position permanently on Saturday. The parliament has so far rejected three other candidates for the post. Iranian officials are not convinced the acting Oil Minister will win the parliament's approval.

The New York Times reported that the head of Royal Dutch Shell Oil Co, John Hofmeister, believes the most recent round of high oil prices is inflated and is concerned about a decline in demand.

ConocoPhillips's Seagas Pipeline Co acquired the remaining 50% interest in the Seaway products pipeline from BP Amoco Seaway Products Pipeline Co.

The International Monetary Fund stated that Saudi Arabia would see strong economic growth in 2005 with a massive external surplus. It said Saudi Arabia should see its GDP rise over 6% this year amid record high oil prices. It said Saudi Arabia should see its current account surplus widen to 30% of GDP this year while its fiscal surplus reaches 15.5% of GDP as a result of windfall export revenues.



Gasoline production at BP's Texas City, Texas refinery will be delayed due to extensive repairs required after the plant was shut by Hurricane Rita.

Lyondell-Citgo Refining LP restarted its fluid catalytic cracking unit at its 268,000 bpd refinery over the weekend.

Kuwait and China signed a memorandum of understanding on setting up a joint oil refinery and petrochemical projects estimated at a total cost of \$5 billion. It is expected that the project studies and the necessary approvals will be completed and secured in 2006 and will be followed by an expected project execution period of four years.

Russia's head of the Federal Energy Agency, Sergei Oganesyans said that a planned Pacific coast refinery could have a capacity of 20 million tons or 400,000 bpd. He said the Federal Energy Agency supported a plan to build the refinery at Nakhodka on the Pacific coast. However that location is not the one chosen by pipeline

monopoly Transneft, which is about to start building a pipeline from Eastern Siberian oilfields to Perevoznaya Bay.

Production News

Colonial Pipeline said it would allocate space on its distillate line for its 35th cycle. Current nominations on Line 02 exceed Colonial's ability to meet its 10 day lifting cycle.

The MMS reported that the US Gulf of Mexico oil and natural gas production shut in as a result of the hurricanes showed steady improvement over the weekend. It said about 509,270 bpd of crude production remained offline.

According to a Reuters survey, OPEC's output in November totaled 29.88 million bpd, up 210,000 bpd on the month. The ten OPEC producers increased their production by 240,000 bpd to 28.14 million bpd from October's revised level of 27.9 million bpd. Saudi Arabia increased its production to 9.55 million bpd last month, up from 9.4 million bpd in October. Meanwhile, Iraq's production fell to 1.74 million bpd from 1.77 million bpd.

Venezuela's PDVSA repaired two oil pipelines carrying 400,000 bpd of oil to the Amuay-Cardon refinery complex after they were damaged in a weekend explosion that officials blamed on sabotage. Earlier, it said PDVSA was not forced to cut oil production because it could load crude at two of its

western ports, Miranda and Salinas, while the pipelines were repaired. The explosion shut 400,000 bpd of capacity at the Ule pipeline, which connects western oil fields with the Amuay refinery.

Iraq expects 2005 oil revenues to average more than 31.4% over 2004 levels due to rising oil prices. Iraq expects oil revenues at the end of this year to reach \$23 billion compared with \$17.5 billion from oil exports in 2004. It also expects to earn about \$28.5 billion from oil sales next year.

Saudi Aramco increased its official selling price to Northwest Europe for its Arab Light and Arab Medium grades of crude. The official selling price from Ras Tanura for Arab Light was increased to minus \$5.30 against the Brent weighted average from minus \$5.90, while Arabian Medium was increased to minus \$7.45 from minus \$8.80 the previous month. Its price for Arab Heavy was priced at BWAVE minus \$9.90. Meanwhile its Arab Light crude for the US was set at WTI minus \$7.95, its Medium grade was set at WTI minus \$10.35, up 20 cents and its Arab Heavy was set at WTI minus \$14.05, up 55 cents. Its Arab Extra Light crude to Asia was priced at the Oman/Dubai average plus \$2.15, down 35 cents, its Arab Light was set at the Oman/Dubai average minus 10 cents, down 15 cents, its Arab Medium crude was set at the Oman/Dubai average minus \$1.85, up 20 cents and its Arab Heavy was set at the Oman/Dubai average minus \$4.05, up 50 cents.

Azerbaijan's Socar said the country's oil product exports increased by 3.05% on the year to 1.998 million tons in January-November.

Russia's Tatneft produced 23.22 million tons of oil in January-November, up 0.97% on the year. In November, the company's output amounted to 2.037 million tons or 1.62% over its target.

Japan's Natural Resources and Energy Agency reported that Japan will continue to release oil reserves for the fourth consecutive month from Tuesday through January 4 in a concerted action with the IEA. Japan's Ministry of Economy, Trade and Industry stated that although the prospect of an oil supply shortage has declined on the world market, the IEA has maintained its policy of seeking an additional joint oil stock release if necessary.

Indonesia's Pertamina will sign a joint operating contract for East Java's Cepu oil block later this month with Exxon Mobil Corp. Exxon Mobil confirmed that the two sides were making progress toward a final deal on Cepu. The Cepu oil block has estimated reserves of 600 million barrels of crude.

India's oil products sales in October fell by 4.3% on the year to 8.9 million tons. Its diesel sales fell by 5.7% on the year to 3.3 million tons. Meanwhile, India's gasoline sales in October increased slightly to 700,000 tons from 690,000 tons a year ago.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.16/barrel to \$51.87/barrel on Friday, up from \$50.71/barrel on Thursday. It also reported that OPEC's basket of crudes fell by \$0.33/barrel to \$50.13/barrel in the week ending December 1st.

Market Commentary

The oil market settled in positive territory but well off its high after the market retraced its gains ahead of the close. The market gapped higher from 59.55 to 59.95 amid the cold weather forecasts. The market partially backfilled its gap as it posted a low of 59.65. However the market bounced off that level and settled in a sideways trading pattern before it rallied to a high of 60.80. The market later erased most of its gains as it traded back below the 60.00 level ahead of the close. It settled up 59 cents at 59.91. Volume in the crude market was good with 177,000 lots booked on the day. Meanwhile, the heating oil market also gapped higher from 179.00 to 179.25 in follow through buying before it retraced its gains and quickly backfilled its gap as it posted a low of 178.25. The market later

bounced off its low and rallied over 6 cents as it traded to a high of 183.30. However the market erased its gains and traded back towards its low ahead of the close as the natural gas market also sold off in light of a new weather forecast. It settled up 1.76 cents at 178.96. Unlike the crude and heating oil market, the gasoline market settled down 2.15 cents at 158.98. The market posted a low of 160.25 early in the session before it rallied to a high of 163.90. However the market saw a sharp sell off ahead of the close. It erased all of its gains and posted a low of 158.50. Volumes in the product markets were good with 42,000 lots booked in the heating oil market and 44,000 lots booked in the gasoline market.

The crude market posted a mostly neutral trading session after it ended near its opening price. The market is seen trading in a range as traders await the release of the weekly petroleum stock reports. The market's losses however may be limited as it the market continues to be driven by the weather forecasts. The latest forecast by the National Weather Service as still calling to below normal temperatures for most the eastern half of the US. The market is seen finding support at its gap from

59.65 to
59.55
followed by
58.50 and
57.10.
Meanwhile
resistance is
seen at
60.30, 60.80
followed by
61.25 to
61.40.

Technical Analysis		
	Levels	Explanation
CL 59.91, up 59 cents	Resistance 61.25 to 61.40 60.30, 60.80	Remaining gap Monday's high
	Support 59.65 to 59.55 58.50, 57.10	Remaining gap (December 5th) Friday's low, Previous low
HO 178.96, up 1.76 cents	Resistance 183.30, 183.50, 188.25 180.25	Monday's high, Previous highs
	Support 178.25 174.25, 170.00, 168.25	Monday's low Friday's low, Previous low
HU 158.98, down 2.15 cents	Resistance 164.80, 167.00, 168.00 160.00, 163.90	Previous highs Monday's high
	Support 158.50 156.85, 156.60, 154.35, 152.10	Monday's low Friday's low, 38%, 50% and 62% (144.80 and 163.90)