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Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 6, 2004

Three Nigerian oil platforms were under occupation by protestors for the second day on Monday in a dispute over jobs, which shut 90,000 bpd of production. ChevronTexaco said its Robertkiri platform was shut on Sunday as a safety measure, cutting 20,000 bpd of production while Shell shut its Ekulama I and II flow stations, cutting 70,000 bpd of production. Both companies have stated that the disruption would not affect export commitments in the short term. Nigerian protestors and officials of Royal Dutch/Shell and ChevronTexaco Corp have agreed to establish a committee to consider local villagers' demands. Most of the protestors left the Shell facilities, leaving 20 protestors to ensure the facilities are not reopened. Nigeria's Rivers State government later on Monday requested that the protestors vacate the oil platforms within three days.

Market Watch

Islamic militants using a car attacked the US consulate in Saudi Arabia on Monday, leaving three people dead and several others injured. The Saudi Interior Ministry said three attackers were killed and two were injured and arrested. Sources stated that the attack was similar to previous incidents in the country in the past two years and may be linked to al-Qaeda or the related Salafi Jihad group.

Private forecaster, Meteorlogix, said the US Northeast is expected to have above normal temperatures throughout the week. Over the weekend and into early next week, temperatures were expected to be near normal.

According to Goldman Sachs, the mild start to the winter cut world oil demand by 492,000 bpd in October and November. It is revising down its first quarter 2005 US light crude futures forecast by \$1 to \$45/barrel and added that further downward revision may be required if early December turns to be as mild as predicted.

Merrill Lynch said its models indicate that 4Q OPEC supply is exceeding demand by 3.8 million bpd. It forecast 4Q world oil demand at 81.8 million bpd.

A Saudi Aramco official said the company is more than 3 years away from reaching its production target of 12.5 million bpd as its first major project is expected by the end of 2007. He said engineering work had started on the Khursaniya project which Aramco hoped would bring 500,000 bpd of Arab Light crude on line and increase capacity to 11.5 million bpd.

Kuwait plans to spend about \$30 billion to \$40 billion to upgrade its energy sector and to increase oil production capacity by 60% to 4 million bpd by 2020.

Iran's Oil Minister Bijan Namdar Zangeneh and a member of Parliament said the new Iranian Parliament has recognized the importance of the country's energy industries and will likely continue to allow foreign investment in development projects.

Algeria's Oil Minister Chakib Khelil said he sees no need for OPEC to change its quotas unless crude prices fall further. He said if prices fall by \$10/barrel, OPEC should take some action before the price falls to the \$22-\$28/barrel range. Meanwhile, oil ministers from Kuwait, Libya and Iran have said OPEC should consider at least eliminating production above official quotas or cutting quota limits. Libya's Oil Minister Fathi bin-Shatwan said OPEC should cut back output to comply with official quota limits or cut 1 million bpd from its official output ceiling to deal with the fall in oil prices. He also stated that the recent fall of the dollar meant that OPEC should target a price floor of \$35/barrel for its basket price instead of the current \$22/barrel. He said oil prices could fall to \$30/barrel if OPEC did not act at its December 10 meeting. He added that Libya is ready to cut back on its output of between 1.62-1.65 million bpd if OPEC takes a decision to cut back its production. Iran's Oil Minister Bijan Namdar Zangeneh said he would propose that OPEC members reduce its oversupply of oil when it meets later this week. He said OPEC needs to cut less than 1 million bpd from actual supply. Kuwait's Oil Minister echoed Iran's concerns and stated that OPEC should cut all excess supply at its meeting. OPEC's acting Secretary General Maizar Rahman said OPEC believes there is an oversupply and wants to stop inventories from increasing too much. He said there is a surplus of 1.5-2 million bpd in the market.

Separately, a senior official in Indonesia said Indonesia will ask OPEC to keep its formal production limits at 27 million bpd when OPEC ministers meet at the end of this week. Nigeria's Presidential Advisor of Petroleum Affairs, Edmund Daukoru said crude oil prices remained high despite a recent fall and added that high crude prices are not in anybody's interests.

According to a Reuters survey, OPEC's oil production fell below 30 million bpd for the first time in three months in November as renewed sabotage attacks cut exports from Iraq. It said total OPEC production stood at 29.81 million bpd, down 340,000 bpd from October. November production fell as sabotage attacks cut Iraq's crude exports to 1.3 million bpd, down 500,000 bpd from October. The ten OPEC members produced 28.09 million bpd, up 160,000 bpd from October.

An Iraqi oil official said the export pipeline from Iraq's northern oil fields to the Turkish port of Ceyhan briefly resumed pumping crude oil over the weekend but was halted again late Sunday. The North Oil Co pumped 600,000 barrels of crude to the storage facilities at Ceyhan on Friday and Saturday and exports via the terminal resumed. An official said production problems at the northern Kirkuk oil fields are now the main reason for lower oil exports from the region.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.89/barrel on Friday to \$34.53/barrel compared with \$35.42/barrel on Thursday.

The Lundberg Survey reported that between November 19 and December 3, the national average price of gasoline fell to \$1.96/gallon, bringing the total decrease since October 22 to 11 cents/gallon.

Last week, the National Petroleum Council stated that crude stocks could fall as low as 260 million barrels before US refineries would be forced to scale back operations. Refineries currently use 270 million barrels as the threshold for minimum crude inventories.

Refinery News

ExxonMobil Corp shut and restarted a boiler for a fluid catalytic cracking unit at its 557,000 bpd Baytown, Texas refinery. The unit was shut early on Sunday afternoon during an instrument check and was later restarted.

Shell Oil Co has secured federal permission to continue to operate its Bakersfield, Calif refinery until March 31, 2005 without violating an EPA agreement.

BP is targeting a second half December restart for a 200,000 bpd crude distillation unit at its Nerefco refinery in Rotterdam. The unit has been down since mid-October. It was due to restart late last month after maintenance work was completed but a refinery fire on November 23 led to the unit being kept shut.

Production News

Colonial Pipeline extended shipping restrictions for both gasoline and distillates from Mississippi to North Carolina as demand for space exceeded capacity.

Norway's Statoil said the 130,000 bpd Snorre A platform and the 75,000 bpd Vigdis satellite are expected to remain closed at least all this week for repairs.

Norwegian energy officials stated that Norway offered 21 companies a total of 28 oil and gas production licenses in the North Sea and the Arctic Barents Sea.

Crude oil and refined product cargoes through Georgia's Black Sea port of Batumi is expected to fall to 6.7-6.8 million tons in 2004. A source stated that out of the 6.7-6.8 million tons of oil shipments, 3.9 million tons will be crude.

Russia's Black Sea port of Novorossiisk was open early on Monday. However a gale warning is in place and a rising storm is expected to close the port later on Monday.

Russia's oil production is expected to increase by 6.7% on the year to 39 million metric tons in December.

Russia's Transneft plans to increase tariffs for Total SA for oil transportation from the Kharyaga oil deposit in the Timano-Pechora oil and gas province in Russia's Komi Republic.

Azerbaijan International Operating Co said its output totaled 5.944 million tons in January-November, up from 5.903 million tons in 2003.

Saudi Aramco has increased its official selling prices of crude to Northwest Europe for January. Its Arab Extra Light crude was priced at the Brent crude weighted average minus \$2.35/barrel, up 25 cents while its Arab Light was priced at Brent minus \$6.60/barrel, up 45 cents. Its Arab Medium was priced at Brent minus \$10.05/barrel, up 90 cents and its Arab Heavy was priced at Brent minus \$12.70/barrel, up \$1.10/barrel. It also reported that its price of its Arab Extra Light crude bound to the US was priced at WTI minus \$4.80. down 20 cents, its Arab Light crude was priced at WTI minus \$8.50, down 55 cents and its Medium grade bound to the US was priced at WTI minus \$11.65/barrel. Its Arab heavy crude was priced at WTI minus \$14.90/barrel, down 80 cents. Meanwhile its Arab Super Light bound to Asia was priced at the Oman/Dubai average plus \$7.15, up 80 cents, its Arab Extra Light was priced at the Oman/Dubai average plus \$3.50, up 55 cents and its Arab Light was priced at the Oman/Dubai average minus 15 cents, up 15 cents. Its Arab Medium bound to Asia was priced at the Oman/Dubai average minus \$2.80, up 20 cents and its Arab Heavy crude was priced at the Oman/Dubai average minus \$5.45, up 20 cents.

Qatar has cut its November official selling price for its Land crude to a \$2.79/barrel premium to Oman, down 61 cents on the month and doubled Marine's discount to 40 cents.

China is importing 166,000 tons of diesel in December. China had increased its November imports of diesel to 450,000 tons.

Market Commentary

The oil market opened close to 50 cents higher at 43.00 following last week's sharp fall in prices amid the news that some OPEC producers have stated that they may need to at least cut their over production or cut their production quotas. The market also traded higher on the opening in follow through buying seen in overnight trading in light of the news that protestors seized three pumping stations in Nigeria, halting production by 90,000 bpd in the country while production remained halted by 205,000 bpd in the North Sea. The crude market immediately posted a double top at 43.60. However as the market failed to breach that level, it traded off its high and traded to a low of 42.73 in afternoon trading. The market later erased some of its losses and remained rangebound during most of today's quiet trading session despite the news of output disruptions in Nigeria and Norway. The January crude contract settled up 44 cents at 42.98. Volume in the crude was light with 177,000 lots booked on the day. Mean while, the product markets ended mixed with the heating oil market settling up 1.38 cents at 124.97 and the gasoline market settling down 53 points at 112.96. The heating oil market opened up 1.71 cents at 125.30 and breached Friday's high of 126.50 as it traded to a high of 127.50 within the first hour of trading. The market however erased its gains and traded to a low of 124.80 before the market settled in a range and closed near its low. Unlike the heating oil market, the gasoline market opened just 50 points higher at 114.00 and traded to a high of 115.70 early in the session before it erased its gains and traded to a low of 112.65. Volumes in the product markets were good with 50,000 lots booked in the heating oil and 45,000 lots booked in the gasoline market.

The crude market will likely continue to retrace some more of last week's losses amid the talk that OPEC producers may cut their production during their meeting on Friday. The market is also seen remaining buoyed in light of the news that the 205,000 bpd of Norwegian oil production is expected to remain shut for at least another week while the problems of unrest in Nigeria continue to affect the country's production. The market is seen finding resistance at today's high of 43.60 followed by its gap from 44.60 to 45.35. Meanwhile support is seen at its low of 42.73 followed by 42.05. More distant support is seen at 41.95 and 41.65.

Technical Analysis		
	Levels	Explanation
CL 42.98, up 44 cents	Resistance 44.60 to 45.35 43.60	Backfills gap Double top
	Support 42.73, 42.05 41.95, 41.65	Monday's low, Previous low Previous lows
HO 124.97, up 1.38 cents	Resistance 130.50 to 132.20 127.50	Backfills gap Monday's high
	Support 124.80 122.00, 120.00	Monday's low Previous lows
HU 112.96, down 53 points	Resistance 118.00 to 119.60 115.70	Backfills gap Monday's high
	Support 112.65, 111.30 110.40	Monday's low, Previous low Previous low