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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 8, 2005

OPEC's President Sheikh Ahmad al-Fahd al-Sabah said OPEC did not need to cut production but would discuss rolling over a 2 million bpd offer of spare capacity when it meets on December 12. Several OPEC ministers have stated that they are comfortable with current prices and see no need to adjust output when OPEC meets next week. OPEC's President has previously stated that OPEC may keep pumping oil at current high levels until March next year. Meanwhile Qatar's Energy Minister Abdullah al-Attiyah said the most important topic at the OPEC meeting would be production quotas for the second quarter of 2006.

Market Watch

US officials played down Venezuelan President Hugo Chavez's decision to sell heating oil at discounted rates to low income Americans, describing it as corporate philanthropy. A State Department spokesman said the oil shipments by Citgo Petroleum were an example of an American company fulfilling a civic responsibility. US Energy Secretary Sam Bodman also offered a similar response to questions about the program.

Britain's Chancellor of the Exchequer Gordon Brown said the British Treasury has assumed an oil price of about \$55 next year.

Chevron Corp set a \$14.8 billion capital spending and exploration budget for 2006, a 35% increase over its planned spending for 2005. The company said \$4.9 billion in spending was targeted at the US for the year, a \$1.1 billion increase over the plan for 2005. It said of the growth in spending over 2005, \$3 billion was aimed at its upstream operations, in part to cover higher costs and in part to develop projects added with the acquisition earlier this year of Unocal Corp.

Venezuela's Energy Minister Rafael Ramirez said Venezuela would propose a price band for oil during next week's OPEC meeting. He however declined to say where that band would come in. He also declined to comment on a recent call from Nigerian officials for a basket price of \$50/barrel. He said that OPEC's production would have to be reviewed now that the Gulf of Mexico production that was cut due to the hurricane is resuming.

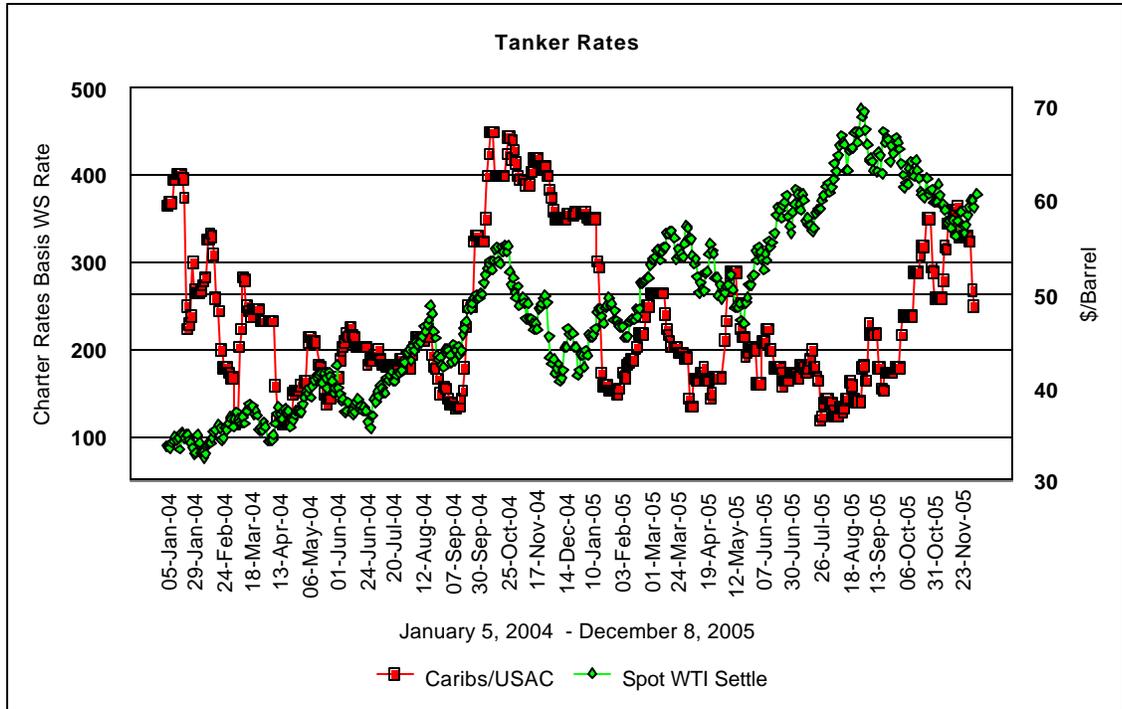
According to Oil Movements, OPEC's oil exports increased by 150,000 bpd to 24.91 million bpd in the four weeks ending December 24. It said oil in transit had peaked ahead of the northern hemisphere winter and was still falling.

A senior Iraqi official said Iraq has increased its Basra crude term contracts 9% for the first half of 2006. He said Iraq would increase its sales contracts with foreign companies by 130,000 bpd to 1.6 million bpd. He added that while the Basra crude term contracts for the first half of 2006 have been rolled to the same companies, Iraq has plans to acquire more customers for its light blend loaded at its

southern offshore terminal. He stated that the State Oil Marketing Organization, SOMO, is expected to defer about 2 million barrels from current Basra crude oil contracts to the first half of next year.

Refinery News

A fluid catalytic cracking unit



at Motiva’s Port Arthur, Texas refinery is operating normally following its shutdown for about 5 hours late on Tuesday. According to a report filed with the Texas Commission on Environmental Quality, the 275,000 bpd refinery cut feed to the fluid catalytic cracking unit following a rise in the unit’s pressure and a release of emissions.

PDVSA said a 60,000 bpd fluid catalytic cracking unit at its La Isla refinery is expected to resume operations by Monday or earlier after it was shutdown due to a small fire last Sunday. The company expected no impact on shipments. Earlier, PDVSA said the fire trimmed the refinery’s processing volumes to 160,000 bpd from 200,000 bpd processed normally.

Saudi Aramco is planning a feasibility study for a new oil refinery on the southern island of Mindanao in the Philippines. Saudi Aramco President Abdullah Saleh Jummah asked officials at Petron Corp and Aramco to perform the study. The proposed plant could export its output to China and the US.

Production News

The MMS reported continued improvement in the amount of crude production still shut in following the hurricanes. It reported that a total of 464,858 bpd of crude production remain shut on Thursday, down from 476,035 bpd on Wednesday.

Louisiana’s Department of Natural Resources reported that restored crude oil production was 56.6% of normal on Thursday, up from 56.1% of normal on Wednesday. It said production stood at 114,881 bpd on Thursday.

Suncor Energy Inc said it sees an increase in oil sands production in 2006 as it recovers from a fire that halved production at the start of the year. It is targeting production of 260,000 bpd in 2006. Year to date oil sands production at the end of November averaged about 162,000 bpd.

Kuwait Petroleum Corp said Kuwait raised the official selling price for its crude oil sales to Asian buyers for January by 15 cents/barrel to \$2.20 below the average of Oman/Dubai quotes. Its official selling price for December was set at \$2.35/barrel below the Oman/Dubai average.

Singapore's International Enterprise said the country's onshore stocks of oil products fell across the board in the week ending December 7. It said onshore stocks of middle distillates fell by 710,000 barrels to 6.966 million barrels while onshore stocks of light distillates fell by 230,000 barrels to 7.152 million barrels. It also reported that residual fuel stocks fell by 217,000 barrels to 8.995 million barrels on the week.

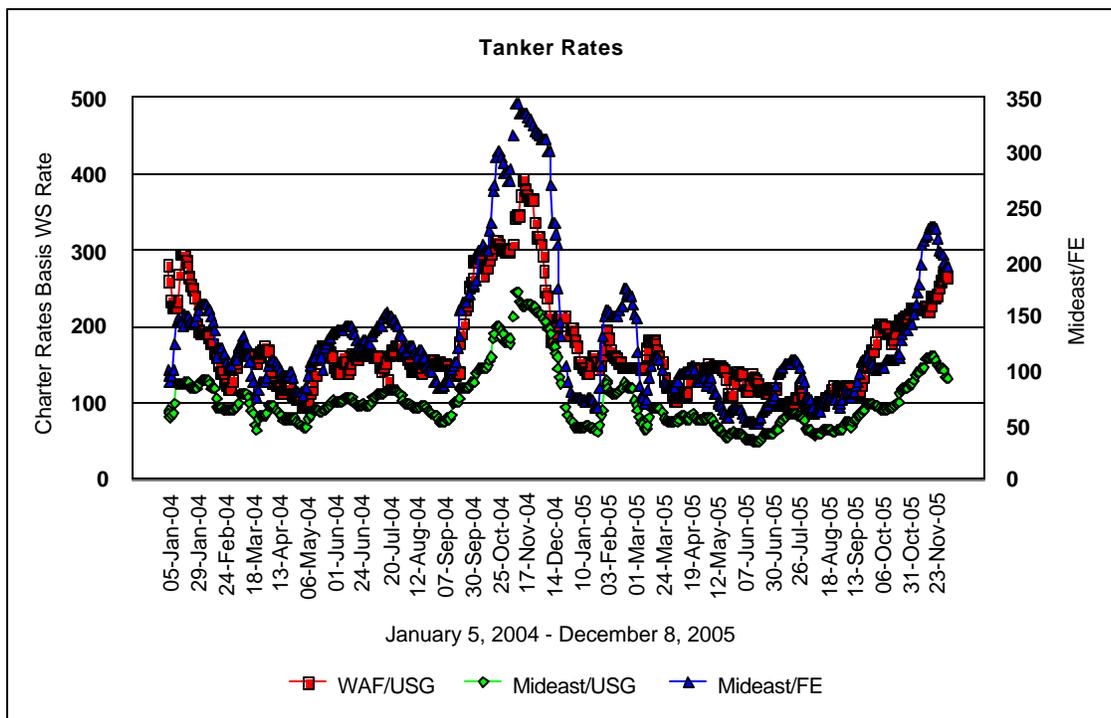
Indonesia's Pertamina expects its January oil product imports to fall by 31% on the month to 8.5 million barrels on weaker domestic demand and relatively high stocks. In December, Pertamina bought 12.36 million barrels of oil products as demand softened after retail price hikes in October to ease the burden of costly fuel imports. Domestic consumption was down by about 20% and oil product stocks were currently at 26 days. Meanwhile, traders stated that Indonesia's Pertamina has bought 1.8 million barrels of RON gasoline per month over the first quarter of 2006.

The Baku-Tbilisi-Ceyhan oil pipeline should be completed by the end of March but may be further delayed. The contractor working on the pipeline's Turkish section has promised to finish work by March 7. However the head of the SOCAR said the work would not be finished until March 20 and indicated that further delays may be possible.

OPEC's news agency reported that OPEC's basket of crudes increased slightly to \$52.88/barrel on Wednesday from Tuesday's \$52.85/barrel.

Nippon Oil Corp said it reached an exploration and production sharing agreement with Libya's National Oil Corp. The agreement covers the offshore areas 2 and 40, which Nippon Oil won with Mitsubishi Corp and Japan Petroleum Exploration Co in October.

Ecuador's central bank reported that the country's oil export revenues totaled \$454.38 million in October, up from \$435.25 million reported last year. In terms of volume, Ecuador exported 10 million barrels in October, down 15% on the year.



Market Commentary

The oil market posted an outside trading after it rallied on the close amid the strength in the natural gas market. Early in the session, the market breached its previous low of 59.11 as it traded to a low of 59.10. However the market quickly bounced off that level and never looked back. The crude market traded to 60.00 and held good resistance at that level as it settled in a sideways trading pattern. The market later found further buying, which helped it breach its resistance. It extended its gains to over \$1.50 as it rallied to a high of 60.80 ahead of the close. The surge in the oil market was prompted by the strength in the natural gas market, which posted a high of 15.10 ahead of the close. The crude market settled up \$1.45 at 60.66. Volume in the crude was good with over 196,000 lots booked on the day. Meanwhile, the heating oil market also settled sharply higher, up 4.66 at 178.32 after it posted an outside trading day. The heating oil market opened at its low of 172.50 and quickly bounced off that level. It retraced its losses and rallied to 178.00, where it found some resistance. However the heating oil market later found further buying amid the strength in the natural gas market and rallied to a high of 179.00. This was amid the weather forecast calling for cold temperatures and snow on Friday. The gasoline market, which was leading the oil markets higher, settled up 5.90 cents at 162.66. The gasoline market also opened at its intraday low of 157.10 and rallied to 160.25 before it found some resistance. The market settled in a range before it extended its gains to over 6.4 cents as it rallied to a high of 163.20 ahead of the close. Volumes in the product markets were good with 47,000 lots booked in the heating oil and 52,000 lots booked in the gasoline market.

Technically, the market is seen remaining strong after it settled above its three month downward trendline. The crude market on Friday is also seen remaining supported if the natural gas market continues to trend higher amid the weather forecasts. The market is seen finding support at 60.00 followed by 59.50, 59.10 and 58.50.

Meanwhile, resistance is seen at 60.80, its gap from 61.25 to 61.40, 62.50 and 62.70.

Technical Analysis		
	Levels	Explanation
CL	Resistance 61.25 to 61.40, 62.50, 62.70	Remaining gap, Previous highs
	Support 60.00, 59.50 59.10, 58.50	Double top Thursday's low, Previous low
HO	Resistance 183.30, 183.50, 188.25 179.00, 179.98	Monday's high, Previous highs Thursday's high, Basis trendline
	Support 176.00 172.50, 168.25	Thursday's low, Previous low
HU	Resistance 163.90, 164.80, 167.00, 168.00 163.20	Previous highs Thursday's high
	Support 160.00, 158.75 157.10, 156.50, 155.70	Thursday's low, Previous lows