



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 13, 2004

Iraqi oil officials stated that saboteurs attacked Iraq's northern export pipeline late Friday and added that Iraqi crude flow was halted on Sunday. Earlier, officials said oil is still flowing intermittently to Turkey's Ceyhan port. Sabotage reduced last month's shipments of Kirkuk crude to Ceyhan to 3.8 million bpd, compared to the 7.5 million bpd that had been scheduled to load. Separately, a senior Iraqi oil official said Iraq plans to limit sales of Kirkuk crude during January to Turkey's Tupras in order to rebuild stocks at the Ceyhan export terminal. Also, Iraq's southern oil exports were halted due to power

cuts at the main Basra offshore terminal. The power outages were caused by a militant attack on an electricity plant north of Baghdad.

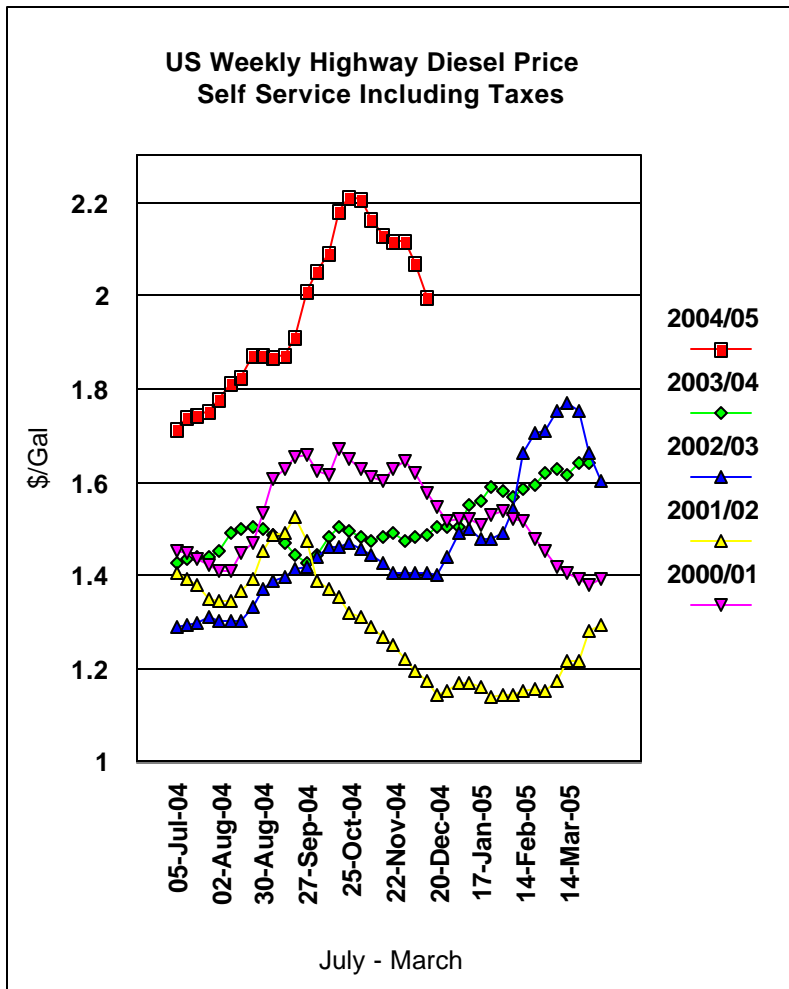
Saudi Arabia has cut its crude allocations to major oil companies for January compared with December. European refiners however stated that their supplies had been held around steady for January compared with December at up to 30% below full contract volume. Meanwhile, customers in Asia said they expected a modest cut of about 8% for January compared with full contract volumes received for December. Sources stated that Saudi Aramco is expected to supply at least two of its US customers with the same volume of crude in January that they received in December, about 80% of contract volumes.

Market Watch

Yukos' top shareholder threatened to sue whoever buys its Yuganskneftegaz unit. The shareholder said the auction of Yugansk was illegitimate and said it believed the sale would be treated as invalid by an English court and other European courts applying similar principles of international law. Gazprom is widely expected to win the December 19 auction. Other shareholders said last week that they were unlikely to decide on legal action until after the auction.

Shell Nigeria said it resolved a dispute between it and a local community that had shut two of the company's flowstations. Hundreds of Kula villagers last Sunday invaded Shell's Ekulama 1 and 2 flowstations, forcing the company to shut in 70,000 bpd while technical problems shut in an additional 30,000 bpd. The locals also invaded a flowstation operated by ChevronTexaco, shutting in 20,000 bpd.

The Climate Prediction Center reported that there were 171 heating degree days on an oil home heating customer weighted basis in the week ending December 11th. It is down 19% from normal and down 25% on the year. It estimates 227 HDD on an oil home heating customer weighted basis for the week ending December 18, down 1.7% on the year.



Industry sources stated that crude oil output from the UAE would fall close to its official OPEC quota in January. The UAE's production is expected to fall to about 2.4 million bpd, slightly higher than its output quota of 2.356 million bpd.

OPEC's President Purnomo Yusgiantoro said OPEC estimates world demand will fall 1 million bpd by the second quarter of 2005 due to slow economic growth. He said world demand is expected to fall to 82 million bpd in the second quarter of 2005 from 83 million bpd in the first quarter.

Iran's Oil Minister Bijan Namdar Zangeneh said OPEC's decision to cut production by 1 million bpd is meant to ensure that prices remain in a reasonable range of about \$30-35/barrel for Iranian crude. Meanwhile, Qatar's Energy Minister Abdullah bin Hamad al-Attiyah said the country would support lowering OPEC's official output ceiling if an expected fall in demand materialized in the second quarter of 2005.

The Deputy executive director of the IEA, William Ramsay said stocks of crude and refined products are likely to be sufficient before any cut in production by OPEC reaches the market. He said world oil demand is likely to fall as usual between the first and second quarters of next year but added that this is not necessarily affected by OPEC's decision last week to rein in some 1 million bpd of excess production.

OPEC's news agency reported that OPEC's basket of crudes fell to \$33.92/barrel on Friday, down from Thursday's \$34.29/barrel level. It also reported that the value of OPEC's basket of crudes fell by \$4.29/barrel to \$34.21/barrel in the week ending December 9th from \$38.50/barrel the previous week.

The EIA reported that the average US retail price of diesel fell by 7.2 cents to \$1.997/gallon in the week ending December 13th.

Refinery News

ExxonMobil Corp plans to close its 800,000 ton per year naphtha cracker in Singapore for up to 40 days of maintenance during the second quarter of 2005. The unit will be shutdown to prepare for a future debottleneck, which would eventually increase capacity at the cracker by at least 100,000 tons per year.

Marathon Ashland Petroleum said a fluid catalytic cracker at its 70,000 bpd St. Paul, Minnesota refinery was operating normally following a glitch Saturday evening.

Nigeria's NNPC expects to restart a fluid catalytic cracker at its 150,000 bpd Port Hartcourt refinery in the first quarter of next year.

Production News

Kinder Morgan Energy Partners LP returned to service on Friday two petroleum products pipelines in California and Arizona that were shut in earlier in the day. The company shut the lines as a precaution following two accidents.

The US MMS reported that there was no improvement in US Gulf oil and natural gas production. It stated that there was still 151,777 bpd of crude oil and 594.23 mmcf/d of natural gas shut in the Gulf of Mexico.

BP said oil and natural gas production at its deepwater Gulf of Mexico Holstein development started initial output last week. At peak production, the facility will produce more than 100,000 barrels of oil and 90 million cubic feet/day of gas.

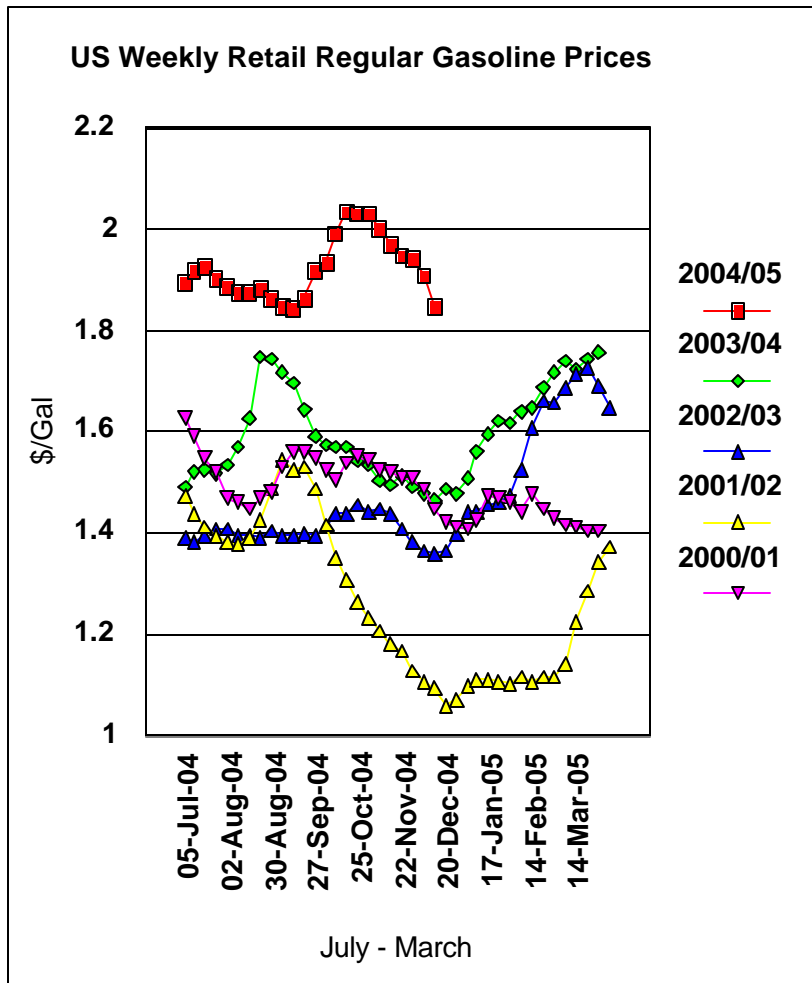
A Norwegian Petroleum Safety Authority official said work to enable production to resume at the Snorre and Vigdis oilfields in the North Sea could still take a few weeks. The 130,000 bpd Snorre field and the linked 75,000 bpd Vigdis were closed on November 28 due to a gas leak at Snorre where work to repair the damaged well continues.

Norway's Statoil plans to take part in 18-20 oil and gas exploration wells off Norway next year. Statoil has an exploration budget of 1.8 billion Norwegian crowns or \$290.8 million for next year, compared with about 1.1 billion crowns in 2004.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate output totaled 54 million tons or 1.23 million bpd in January-November, increasing from 46.8 million tons or 1.06 million bpd in the same period of 2003.

India's Ministry of Commerce reported that the value of India's oil imports surged 56% from a year ago to \$19.9 billion in the first eight months of the current fiscal year.

Market Commentary



India's Ministry of Commerce reported that the value of India's oil imports surged 56% from a year ago to \$19.9 billion in the first eight months of the current fiscal year.

The oil market posted an inside trading day and ended in positive territory during today's session following Friday's sell off. It opened relatively unchanged at 40.72 and quickly posted an intraday high of 41.65 amid the news that Saudi Arabia cut its allocations to oil majors for January in line with OPEC's decision to cut its overproduction starting in January. The market was also buoyed by the news that Iraq's northern oil exports were once again disrupted due to a sabotage attack while exports in southern Iraq were also halted due to power outages caused by a militant attack on an electricity plant. The crude market however erased its gains and traded to a low of 40.40, holding good support at its previous low of 40.25. It later bounced off that level and erased most of its losses as it traded back above the 41.00 level on good buying ahead of the close. The oil market settled up 30 cents at 41.01. Volume in the crude was excellent with over 209,000 lots booked on the day. Meanwhile, the heating oil market settled sharply higher at 125.70, up 3.13 cents amid the cold weather forecasts, even though some forecasts state that temperatures will return to normal later this week. The market opened more than 1 cent higher at 123.70 and immediately posted its intraday low of 123.60. The market however bounced off that level and traded to a high of 127.80. Similar to the crude market, the heating oil market failed to breach Friday's range and posted an inside trading range. It retraced its earlier gains as it traded to 124.00 before it found further buying ahead of the close. The gasoline market also posted an inside trading day after failing to breach Friday's range. The market opened 11 points higher at its low of 108.10 and quickly posted an intraday high of 111.70. Similar to the rest of the complex, the gasoline market erased most of its gains in afternoon trading. It however bounced off and retraced some of its losses ahead of the close. It settled up 2.13 cents at 110.12. Volumes in the product markets were good with 47,000 lots booked in the heating oil market and 52,000 lots booked in the gasoline market.

The crude market, which technically looks oversold, is seen trading mostly sideways ahead of Wednesday's release of the DOE and API reports. The market is seen remaining supported amid the continuing problems in the North Sea, Nigeria and Iraq. It is also likely to remain supported by the weather forecasts calling for colder than normal temperatures for most of the country. The crude

market is seen finding resistance at 41.65 followed by more distant resistance at 43.10-43.20. Support is however seen at its low of 40.40 followed by 40.25 and 40.10.

Technical Analysis		
	Levels	Explanation
CL 41.01, up 30 points	Resistance 43.10-43.20	Double top
	41.65	Monday's high
	Support 40.40	Monday's low
HO 125.70, up 3.13 cents	40.25, 40.10	Previous low, Backfills gap
	Resistance 131.50, 132.20	Double top, Backfills gap (Dec 2)
	127.80	Monday's high
HU 110.12, up 2.13 cents	Support 123.60	Monday's low
	122.30, 120.15	Previous lows
	Resistance 113.80, 115.70	Friday's high, Previous high
	111.70	Monday's high
	Support 108.10	Monday's low
	106.50	Double bottom