



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 15, 2005

According to Oil Movements, a seasonal fall in demand is expected to push OPEC's crude shipments down by 110,000 bpd to 24.77 million bpd in the four week period ending December 31. Crude oil shipments are forecast to fall by 230,000 bpd in the four weeks ending December 24.

Market Watch

Saudi Aramco said it would drill 6 more wells in 2006 compared with 2005. Saudi Arabia has pledged to increase its oil output capacity to 12.5 million bpd.

Refinery News

Valero Energy Corp confirmed that lightning struck a steam boiler earlier Thursday at its 210,000 bpd Texas City, Texas refinery. It said the impact of the incident was unclear. However a report in The Galveston County Daily News said the lightning strike forced the cutback of a large amount of refining at the facility, according to a Valero spokesman.

According to a source, an alkylation unit and fluid catalytic cracker at Shell's Martinez, California refinery were taken out of service last Friday in advance of a January planned turnaround. The units are expected to be down for at least three weeks.

PDVSA restarted a 50,000 bpd fluid catalytic cracking unit at its La Isla refinery on Wednesday and plans to have the unit running at full capacity by the weekend. The 200,000 bpd refinery was forced to shut the catcracker unit on December 4 after a pipe caught fire near the unit. The refinery reduced its crude runs by 40,000 bpd while the repairs took place.

Valero Energy Corp and EnCana Corp announced that they are no longer pursuing a proposed project in which EnCana would have supplied heavy crude oil from western Canada to be processed at Valero's refinery in Lima, Ohio. Valero said the \$2 billion cost to convert the 170,000 bpd Lima refinery just did not allow for returns that were sufficient to compete with its other strategic investment opportunities.

Norsk Hydro ASA would consider investment in Sonangol's planned 200,000 bpd refinery in Angola should it be part of the state company's requirement for partnering on several exploration and production blocks.

Production News

The MMS reported a moderate improvement in the amount of crude oil production still shut in due to the hurricanes. It stated that about 462,282 bpd or 28.4% of daily oil production in the Gulf remained shut in.

Louisiana's Department of Natural Resources said restored crude oil production in hurricane stricken areas of Louisiana was 59.3% of normal on Thursday, up from 58.8% on Wednesday. It said production stood at 120,381 bpd, up from 119,451 bpd on Wednesday.

The average daily loading rate of the nine main North Sea crude oil streams is set to fall 7% on the month in January. January crude loadings totaled 2.807 million bpd, down from 3.018 million bpd in December.

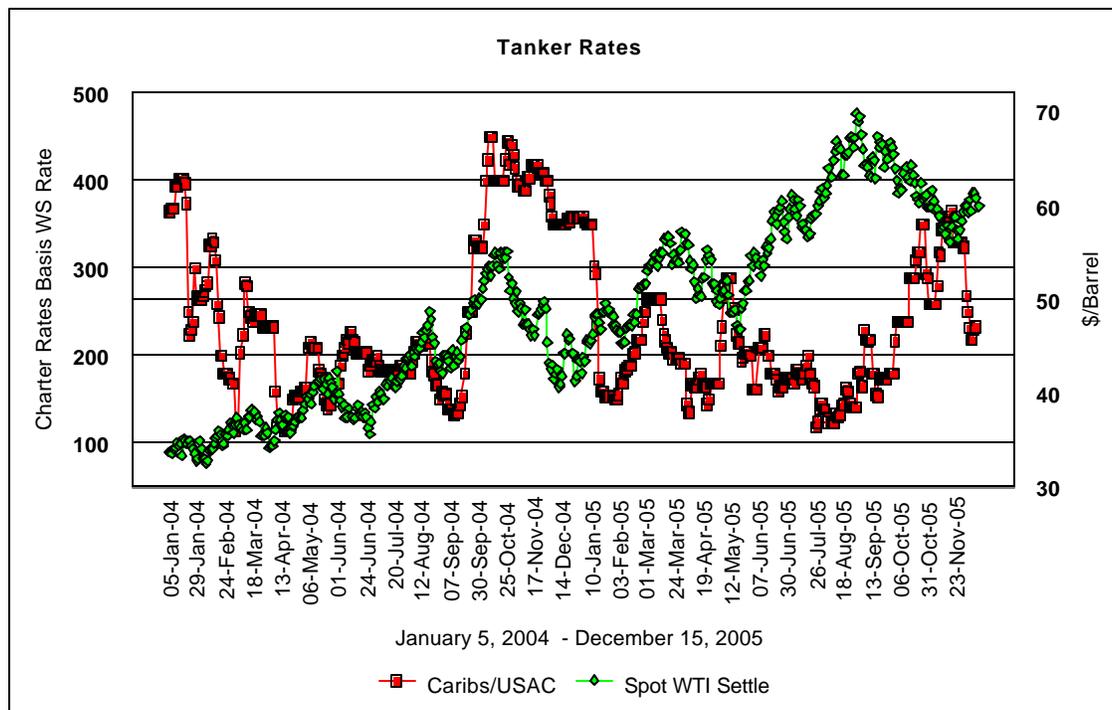
Norway's Norsk Hydro said it expected growth of its oil and gas production to slow to 6% per year on average in 2005-2010 from an earlier projected 8% for 2001-2008. The company said it aimed for oil and gas production of 615,000 barrels of oil equivalent per day in 2006 and 750,000 boed in 2010. Separately, the company stated that its reserve replacement rate for 2005 was up to 115%, up from about 80% on the year.

Norway's Statoil said it was allocated 10 operatorships and holdings in six production licenses in the latest annual round of awards in predefined areas on the Norwegian continental shelf.

Nigeria's central bank reported that the country produced a total of 2.47 million bpd in October, up from a revised 2.34 million bpd in September.

Local shipping agents Leth Mastership said delays for oil tankers transiting the Turkish Straits increased to 21 days for a round trip on Thursday. It reported that more than 60 oil tankers were waiting to pass in both directions through the Dardanelles and Bosphorus.

Kazakh oil started flowing into a new pipeline to China on Thursday. The pipeline, from Atasu in

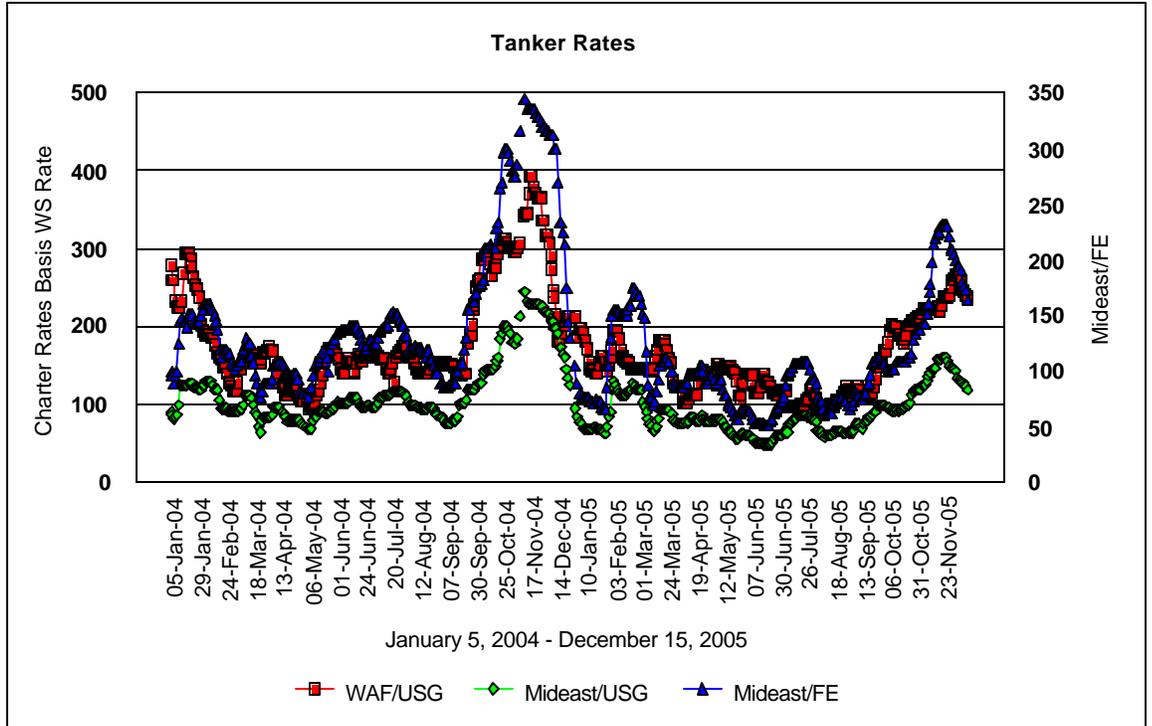


central Kazakhstan to Alashankou in China's northwestern Xinjiang region will initially transport up to 10 million tons or 210,000 bpd of Kazakh and Russian oil to China.

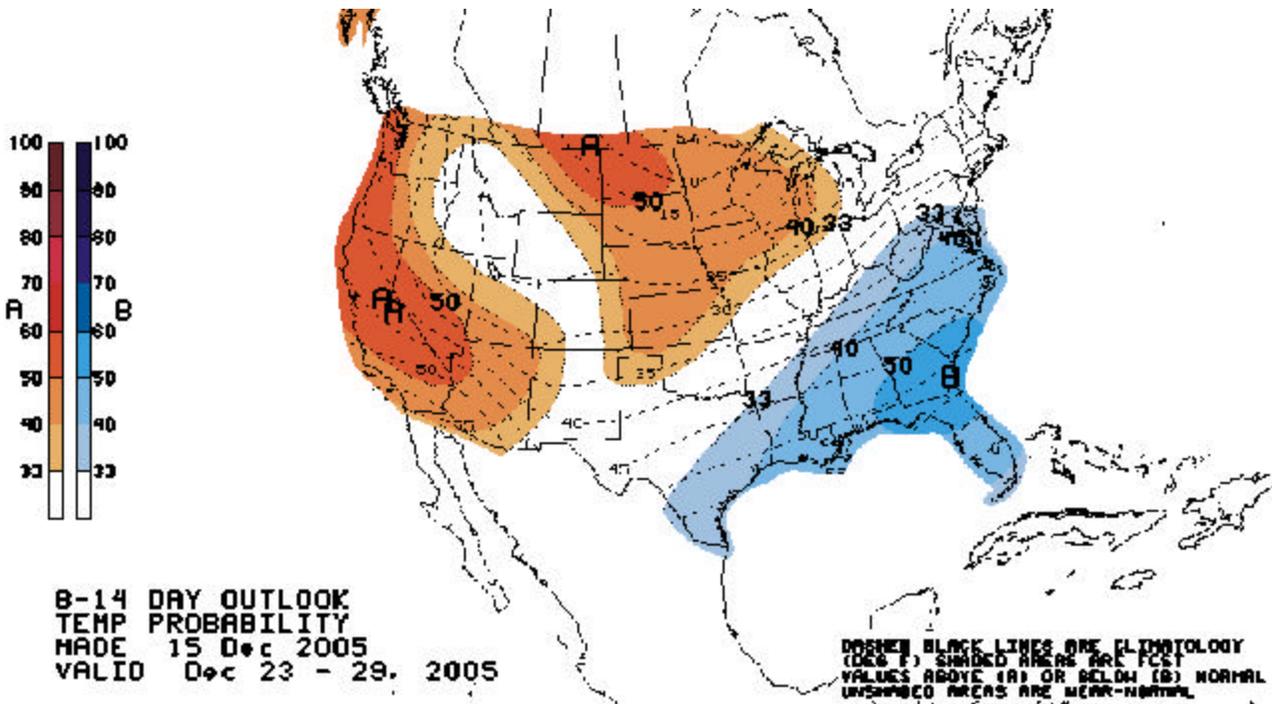
Russia's Lukoil increased its oil products transportation by water to

9.4 million tons in January-October, up 64.9% on the year. Its crude oil transportation by water fell by 8.5% on the year to 3.2 million tons in January-October.

BP Azerbaijan said the average daily oil extraction from BP led projects in Azerbaijan would increase by more than 70% next year. The 2005 average level is expected to be 260,000 bpd while the 2006 level is expected to be 439,000 bpd.



Total Russian oil exports in the first quarter of 2006 will increase by 110,000 bpd due to larger shipments via Black Sea and Baltic ports while exports via Lithuania would fall by more than a third. A preliminary export schedule by Transneft showed Lithuania's Baltic Sea port of Butinge will receive



only 1.36 million tons or 110,000 bpd compared to 2 million tons in the fourth quarter, a 30% cut. Meanwhile, Novorossiisk would receive 11.68 million tons or 951,000 bpd and Primorsk would receive 15.025 million tons or 1.224 million bpd. Tuapse would receive 1.25 million tons or 102,000 bpd while

Odessa would see an increase of 450,000 tons to 2.7 million tons or 220,000 bpd. Ukraine's other Black Sea port of Yuzhny will also see a large schedule of 2.3 million tons or 187,000 bpd compared with 1.9 million tons or 151,000 bpd in the fourth quarter.

Azerbaijan's SOCAR tendered to sell 200,000 tons of diesel fuel L-62 via Georgia's Black Sea ports in January. The diesel would be loaded at the ports of Poti and Batumi during January.

Ukraine's State Statistics Committee reported that Ukrainian companies increased their oil production by 4.3% on the year to 2.803 million tons in January-November.

Singapore's International Enterprise stated that the country's residual fuel stocks increased by 1.57 million barrels to 10.565 million barrels in the week ending December 14. It reported that Singapore's light distillate stocks increased by 704,000 barrels to 7.856 million barrels while its middle distillate stocks increased by 960,000 barrels to 7.926 million barrels.

Brazil's Petrobras increased its oil production in November as temporarily halted production and an offshore well was restarted. Its domestic production increased by 0.6% to 1.734 million bpd in November, up from 1.723 million bpd in October. Meanwhile, Petrobras' overseas oil production also increased to 159,633 bpd in November from 153,493 in October.

OPEC's news agency reported that OPEC's basket of crudes increased by 18 cents/barrel to \$54.62/barrel on Wednesday, up from \$54.44/barrel on Tuesday.

Market Commentary

The oil market ended the session sharply lower amid the sell off in the heating oil and natural gas markets. The energy complex traded lower in light of moderating weather forecasts, with forecast models showing the week after Christmas reverting to normal. The crude market gapped lower from

60.80 to 60.45 following Wednesday's sell off on the close but it quickly backfilled its gap as it posted a high of 61.20. The crude market was

| Technical Analysis | | |
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| | Levels | Explanation |
| CL 59.99, down 86 cents | Resistance 61.20, 61.75, 61.90 60.40, 61.00 | Thursday's high, Previous highs |
| | Support 59.95 59.70, 59.65, 59.03, 58.95 | Thursday's low Monday's low, 38% (56.00 and 61.90), Previous low, 50% |
| HO 178.73, down 5.77 cents | Resistance 185.50, 186.00 180.75, 184.00 | Thursday's high, Previous high |
| | Support 178.50 to 177.80 175.63, 173.25, 173.18 | Remaining gap 50% retracement (165.25 and 186.00), Previous low, 62% |
| HU 161.68, down 2.39 cents | Resistance 167.00, 167.10 163.90, 166.00 | Thursday's high, Previous high |
| | Support 160.75 159.70, 158.58, 157.10, 156.50 | Thursday's low Previous low, 38% (144.80 and 167.10), Previous lows |

supported amid the early strength in the natural gas market following the release of the EIA natural gas report, which showed a larger than expected draw of 202 bcf. However as the natural gas market failed to maintain its gains following a bullish report, the rest of the energy complex also retraced its gains. The crude market breached the 60.00 level and posted a low of 59.95 on the close. It settled down 86 cents at 59.99. Volume in the crude was excellent with over 259,000 lots booked on the day. Meanwhile, the heating oil market settled sharply lower at 178.73, down 5.77 cents. The market opened down 1.75 cents at 182.75 but quickly retraced its losses and posted a high of 185.50 amid the strength seen in the natural gas market following the storage report. However the heating oil

market erased its gains and sold off as the natural gas market's strength was short-lived. The January heating oil contract retraced nearly 38% of its move from a low of 165.25 to a high of 186.00 as it sold off to a low of 178.50 on the close. The markets shrugged off the report and continued to focus on the weather forecasts. The gasoline market also erased its early gains and sold off to a low of 160.75 ahead of the close. It settled down 2.39 cents at 161.68. Volumes in the product markets were good with over 50,000 lots booked in the heating oil and 43,000 lots booked in the gasoline market.

The oil complex is seen retracing some of its late losses early on Friday. However, similar to the past few sessions, the complex will remain driven by the natural gas market. The markets gains will be limited amid the weather forecasts, which are calling for moderating temperatures. The oil market's gains are also seen limited as stochastics crossed to the downside and are still trending lower after the market settled below the 60.00 level during today's session. The market is seen finding resistance at 60.40 followed by 61.00, 61.20, 61.75 and 61.90. Meanwhile support is seen at 59.95, 59.70, 59.60, 59.03 and 58.95.