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### **ENERGY MARKET REPORT FOR DECEMBER 16, 2004**

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Shipping sources reported that bad weather has closed the Turkish port of Ceyhan, halting Iraq's oil exports. However exports of Kirkuk crude through the pipeline from northern Iraq to Ceyhan continued to flow at about 18,000 barrels/hour. Total oil stocks at Ceyhan were at about 1.7 million barrels. The flow through the pipeline restarted on Tuesday after a two day interruption due to a sabotage attack in Iraq. Meanwhile, Iraq's southern exports were flowing normally at 1.3 million bpd on Thursday.

OPEC said in its monthly Oil Market Report that it expected the surge in oil demand to slow next year, due to estimated weaker economic growth in the US and China. OPEC forecast demand growth of 1.5 million bpd next year compared with 2.5 million bpd this year. Its estimates that fourth quarter demand for its oil at 28.78 million bpd and 28.34 million bpd

#### **Market Watch**

The Washington Post reported that a man identified as Osama bin Laden, speaking on an audiotape, praised the attack on a US consulate in Saudi Arabia and criticized the Saudi regime as weak and controlled by the US. He also warned that Saudi rulers would be toppled in a popular uprising if they did not allow their people to choose a true Muslim leadership. The speaker called for the ousting of the Saudi royal family as a precursor to any political change and derided efforts made by the government to initiate reform. Meanwhile BBC reported that the speaker in the tape called on his supporters to attack Gulf oil supplies. In Washington, an intelligence official said an analysis of the tape had determined with high confidence that the tape contains the voice of Osama bin Laden. The tape appeared the same day another dissident, Saad al-Faqih, had called for anti-monarchy protests in Saudi Arabia. BBC reported that Saudi police made several arrests as anti-monarchy protestors attempted to stage demonstrations. There were reports of gunshots and at least six arrests in Jeddah. There were also reports of minor protests outside government offices in Tabur and Hail.

A source at Iraq's Communications Ministry reported that a senior official in the ministry was killed in Baghdad on Thursday. An unknown group of armed men opened fire as Qassim Imhawi was traveling to work.

Russia's Yukos should hear later on Thursday whether a US bankruptcy court will attempt to hold up the sale of its main unit, Yuganskneftegaz this weekend. A US bankruptcy judge scheduled a hearing in Houston, Texas on Thursday into an application by Yukos for US Chapter 11 bankruptcy protection. The judge will use the hearing to decide whether to issue a temporary restraining on the Russian auction. Lawyers stated that Russia will almost certainly not defer to the jurisdiction of the US court even if the judge issues a staying order in the case. A lawyer at the Moscow Arbitration Court said Yukos' decision to file for bankruptcy protection in the US will have no effect in Russia. Separately, Yukos' chief financial officer, Bruce Misamore, said Russian authorities raided the Moscow offices of the company on Thursday. He also stated that he believed Russia may seek retaliation for the company's filing this week.

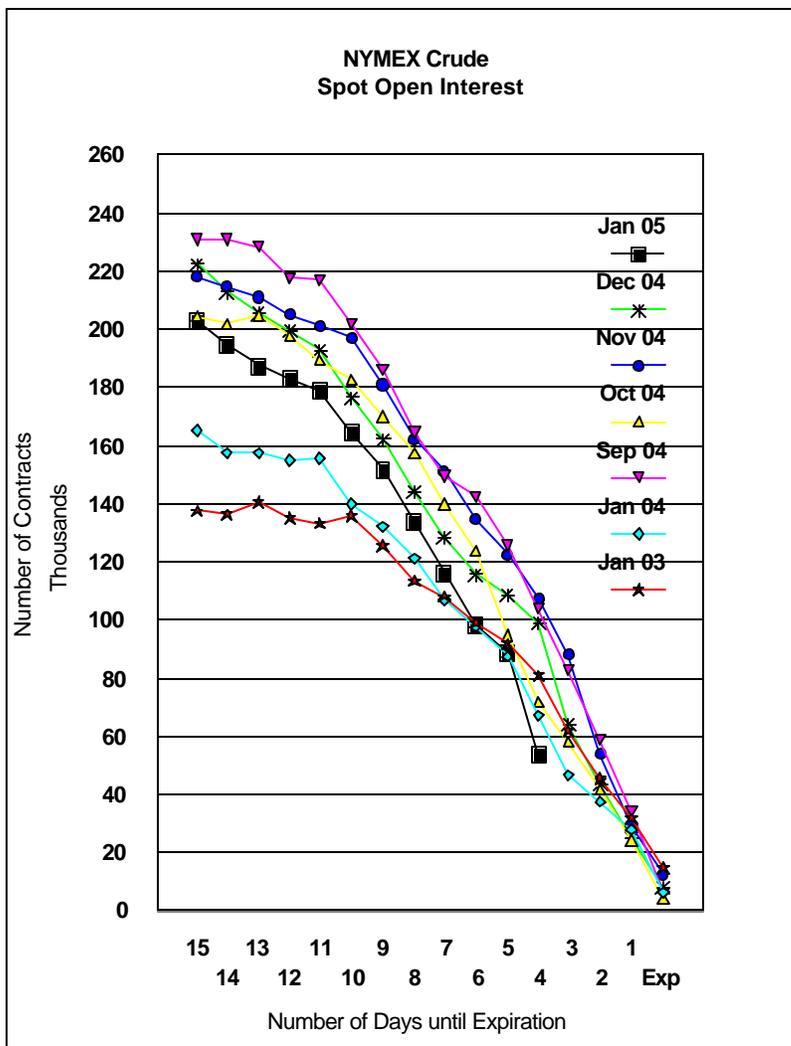
for the first quarter next year. It however increased the call for its oil by 240,000 bpd to 28.34 million bpd and by 140,000 bpd to 27.14 million bpd for the first and second quarter next year. Total non-OPEC supply growth is forecast at 1.17 million bpd this year and 1.22 million bpd next year.

Libya's OPEC governor Hammouda al-Aswad said Libya will cut its output by 80,000 bpd in line with OPEC's decision to cut its excess production by 1 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$36.47/barrel on Wednesday from \$34.72/barrel on Tuesday.

Oil Movements reported that crude oil shipments from OPEC are expected to increase by 250,000 bpd to 24.31 million bpd for the four week period ending January 1. A week earlier the four week average stood at 25.06 million bpd.

According to the chief economist of the API, US winter fuel stocks are adequate to meet demand due to high domestic refinery production of heating oil. He said while supplies are low, they are adequate to meet winter demand.

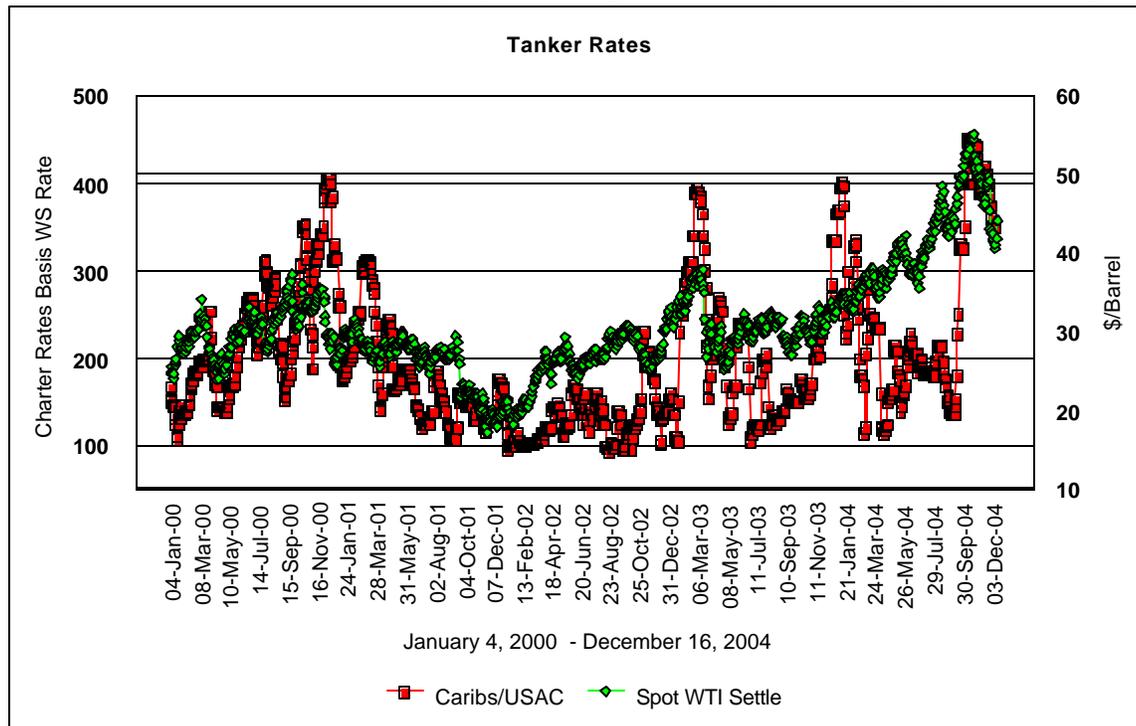


### Refinery News

Premcor Inc said that a coking unit at its Port Arthur, Texas refinery was temporarily shut on Wednesday morning. It said wet gas flared from a delayed coking unit due to a temporary electrical problem.

The turnaround activity on catcracker unit in the US is mostly seen in the late-January to mid-March period. Overlapping unit shutdowns will total 898,000 bpd. The refineries scheduled to undergo turnaround include, Hovensa's St. Croix, Amerada Hess' Port Reading, NJ refinery, Valero's Ardmore, Okla refinery, Alon's Big Springs, Texas refinery, Citgo's Corpus Christi, Texas refinery, ConocoPhillips' Sweeny, Texas refinery, ExxonMobil's Baton Rouge, La refinery, Premcor's Port Arthur, Texas refinery, Valero's St. Charles, Louisiana refinery and Valero's Corpus Christi, Texas refinery. The heaviest crude unit downtime for the first quarter will be in Padd 3 when 563,000 bpd is shut during January and February. The refineries scheduled for crude unit turnaround include, Premcor's Port Arthur, Texas refinery, ChevronTexaco's Pascagoula, Mississippi refinery, Alon's Big Springs, Texas refinery and Western's El Paso, Texas refinery.

Syncrude Canada Ltd's synthetic crude production is expected to be cut by 10% or 25,000 bpd for three weeks as crews slowly bring a processing unit back up following a power outage.

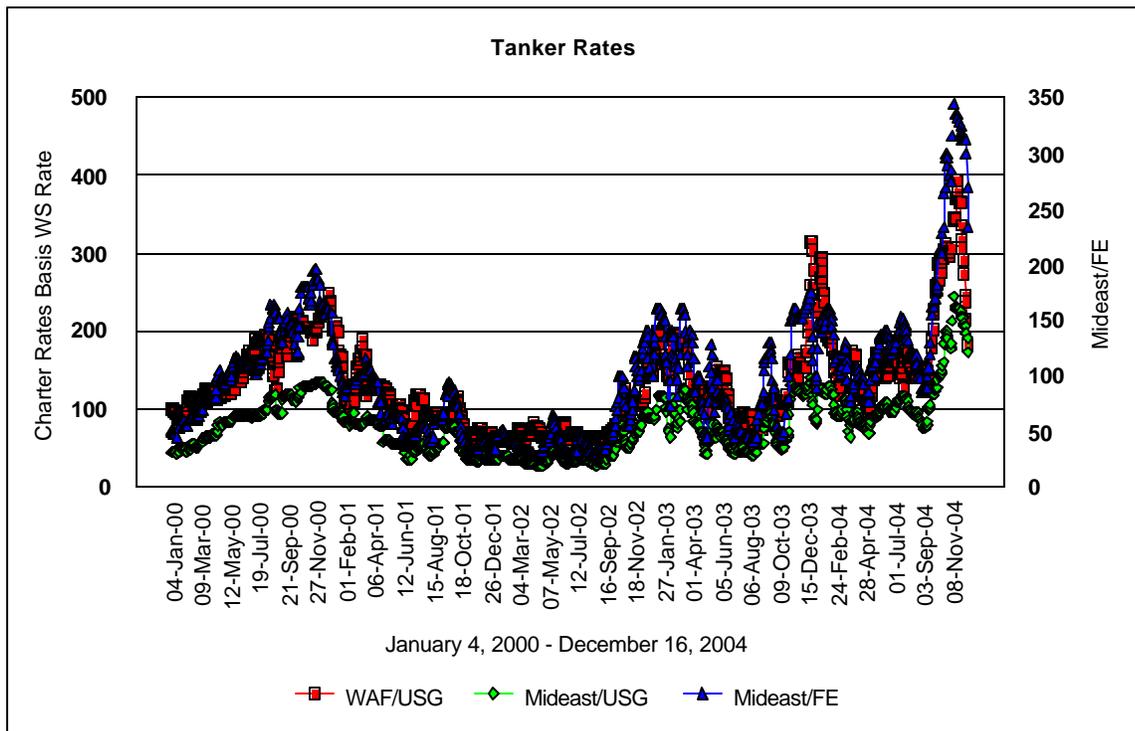


**Production News**

The Houston Ship Channel was reopened on Thursday after it was closed to traffic since Wednesday evening following an overnight collision between a ship and a barge at the

Vopak Terminal in Deer Park, Texas. There was no immediate word on when shipping would resume. Separately a spokeswoman for Valero's Houston and Texas City, Texas refineries said production has not been impacted by the closure of the Houston Ship Channel. The closure did not affect ship traffic to Baytown or Texas City, Texas.

The US MMS reported that there was no improvement in the amount of oil and natural gas shut in the Gulf of Mexico. It stated that the amount of crude production shut in remained at 151,777 bpd while 594.29 mmcf/d of natural gas remained shut in. The



cumulative lost oil and natural gas production has reached 35.34 million bpd and 140 bcf, respectively.

An industry source reported that gas oil stocks in Amsterdam-Rotterdam-Antwerp storage tanks increased by 25,000 tons in the week ending December 16<sup>th</sup> to 1.55 million tons. It is up 300,000 tons higher than the same week last year. The source also stated that gasoline stocks increased by 25,000 tons to 750,000 tons while naphtha stocks were unchanged at 150,000 tons. Fuel oil stocks fell by 75,000 tons to 425,000 tons while jet fuel stocks also fell by 25,000 tons to 200,000 tons on the week.

Iraq's Oil Ministry has awarded the country's first post war oilfield development contracts to Turkish and Canadian firms. Turkey's Everasia won the contract to develop the Khurmala Dome field in the north and Canada's Ironhorse Oil & Gas Inc will develop the Himrin field. If approved by the cabinet, the agreements will be the first oil deals with foreign firms Iraq has struck since the end of Saddam Hussein's rule. The projects aim to realize Khurmala's potential to produce 100,000 bpd and raise output at the Himrin field. The two projects are expected to produce 160,000 bpd

Norway's Statoil expects it may be able to maintain oil and gas production from Norwegian fields at 1 million bpd of oil equivalent per day until 2015. Statoil said earlier that it was increasing its output target for 2004 to 1.4 million boed from 1.35 million boed.

Singapore's International Enterprise said the country's residual fuel stocks increased by about 1.5 million barrels in the week ending December 15 to 12.602 million barrels. Its light distillate stocks fell by 803,000 barrels to 8.534 million barrels while middle distillate stocks increased by 275,000 barrels to 6.968 million barrels.

Algeria's hydrocarbon export earnings are expected to reach a new record of over \$30 billion this year, up by 25% on last year. According to data from the Algerian Ministry of Energy and Mines said oil and natural gas exports were up 5.4% at 70.1 million tons of oil equivalent versus the same period in 2003. Algeria's crude oil exports were 27.6 million tons or about 1.1 million bpd in the first half.

The Washington Times reported that Ukraine's government on Wednesday sought to increase transit fees for Russian oil, a move designed to generate revenue without risking a public backlash ahead of the December 26 presidential vote.

### Market Commentary

The oil market opened down 34 cents at 43.85 in follow through selling seen in overnight trading following Wednesday's sharp rally. The market traded lower as traders took profits. The market however

Technical Analysis		
	Levels	Explanation
CL 44.18, down 1 cent	<b>Resistance</b> 44.45-44.50, 45.35	62% retracement level (50.40 and 40.25) Double top, Backfills gap (Dec 2)
	<b>Support</b> 43.00, 42.85, 42.35 41.80	Thursday's low, 38%,50% retracment (40.25 and 44.45) Wednesday's low
HO 138.12, down 72 points	<b>Resistance</b> 141.25, 144.96 141.10	Previous high, 62% retracement (160.30 and 120.15) Thursday's high
	<b>Support</b> 139.40, 137.00, 136.00 130.05	Thursday's low Wednesday's low
HU 113.78, down 2.39 cents	<b>Resistance</b> 118.00 to 119.60 116.00, 117.15	Gap (Dec 2) Thursday's high, Wednesday's high
	<b>Support</b> 113.00, 111.60 111.83, 110.50	38% retracement (106.50 to 117.15), Thursday's low 50% retracement, Wednesday's low

retraced its earlier losses and rallied to a high of 44.50 as traders sought to build on Wednesday's gains. However the buying interest gave way to a wave of selling that pushed the market to its low of 43.00. The market later settled in a range from 43.30 to 43.90 before further buying ahead of the close pushed the market back above the 44.00 level. It settled down just 1 cent at 44.18 in a late bout of short covering. Volume in the crude market was good with 199,000 lots booked on the day, of which 120,000 lots traded via spreads. Open interest in the crude market fell by a total of 21,912 contracts to 682,222 lots, with open interest in the January contract falling by 34,929 contracts ahead of its expiration next Tuesday. Meanwhile open interest in the February contract built by 10,534 contracts to 160,531 contracts as traders rolled some of their positions forward. Meanwhile, the heating oil market settled down 72 points at 138.12 after posting a 5 cent trading range. The market opened down about 34 points at 138.50 and sold off to 136.50 amid the losses seen in the natural gas market following the release of the EIA natural gas storage report, showing a slightly lower than expected draw of 61 bcf. The market however quickly bounced off its low and rallied to a high of 141.10. In a yo-yo pattern, the heating oil market, which was unable to test its previous high of 141.25, erased its gains and sold off sharply to a low of 136.00 before it retraced its losses and settled in a range ahead of the close. Unlike the crude and heating oil market, the gasoline market posted an inside trading day. The gasoline market posted about a 4 cent trading range after it sold off from its high of 116.00 early in the session to a low of 111.60. The market settled down 2.39 cents at 113.78. Volumes in the product markets were good with 52,000 lots booked in the heating oil market and 67,000 lots booked in the gasoline market.

The oil market on Friday is seen remaining supported ahead of the weekend amid the news that Osama bin Laden has called on his supporters to attack Gulf oil supplies. The market is seen finding support at its low of 43.00, 42.85 and 42.35. Meanwhile resistance is seen at its highs of 44.45-44.50 followed by more distant resistance at 45.35, where it would backfill its gap.