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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 20, 2004

According to oil officials and port agents, the flow of crude oil through Iraq's northern pipeline has been halted since Saturday while exports from the south are currently running at their normal level of about 1.8 million bpd. A port agent said the flow of Kirkuk oil from northern Iraq was halted midday Saturday, with vessels now waiting to load crude as storage tanks there are empty.

Saudi Aramco said its security force remains on alert at all times following a message purportedly from Osama bin Laden threatening oil facilities in the country. An internet statement purportedly from the Saudi wing of al-Qaeda has urged attacks

on oil facilities. It said company communities are protected by multiple levels of armed guards, while facilities, refineries and terminals are guarded by multiple levels of armed Saudi Aramco security personnel working in close coordination with Saudi government security forces.

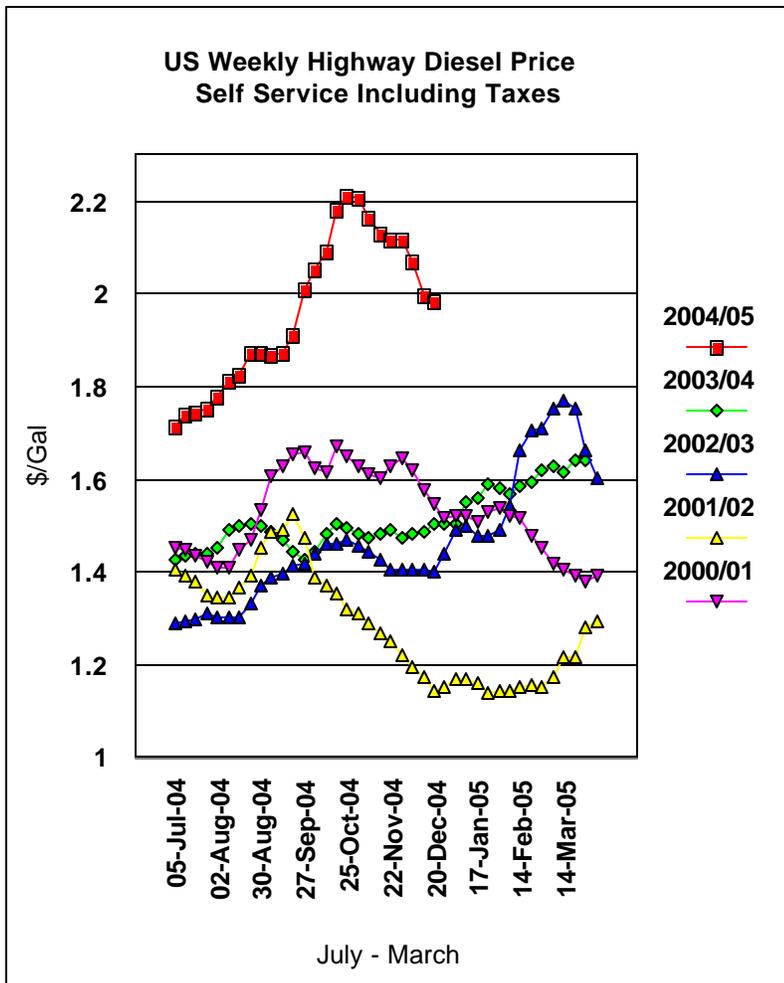
The Center for Global Energy Studies said Saudi Arabia's need for oil prices of well above \$30/barrel will ensure that crude output cuts agreed at OPEC's December 10 meeting will materialize. While it agreed that OPEC would need to cut its production next year, it said the decision to cut 1 million bpd of overproduction was premature and the result of its focus on short term issues.

Market Watch

Saudi Aramco's chartering unit, Vela International Marine booked two very large crude carriers to the US in January, increasing shipments for the month to 8 million barrels. It booked the Soro and the Suva tanker to transport 280,000 tons each to the US Gulf loading on January 7 and January 12. The spot bookings are considerably lower on December, when Saudi Arabia booked nine VLCCs to carry 18.4 million barrels of crude to the US for arrival in January.

A senior central bank official said Saudi Arabia expects a healthy world economy in 2005 to sustain demand for its oil and petrochemical exports through next year and beyond. The official also stated that the weak dollar is not causing serious discomfort to Saudi Arabia because European and Japanese exporters are absorbing some of the slide to keep their goods competitive.

The National Weather Service estimated that for the week ending December 18th there was 233 HDD in the US, on an oil home heating customer weighted basis. It is up 0.9% on the year and 3% higher than normal. It also forecast 248 HDD for the week ending December 25th, up 28.5% on the year and up 3% from normal.



Members of Nigeria's Pengassan and Nupeng at the country's Department of Petroleum Resources will start strike action Tuesday in protest over allowances owed. However a source close to the DPR management said the authorities were confident of resolving the conflict before it even started. The unions' source warned the strike could disrupt crude lifting at Nigeria's export loading terminals as well as certification of imported petroleum products before they are released for consumption.

The head of Yukos said the company would continue operating its auctioned oil unit, Yuganskneftegaz at least for the next several weeks, but warned that a lack of cash is hurting production and exports. He said production declines would accelerate at Russia's top oil exporter without new capital investment. A small Russian company, Baikalfinansgroup, won the Yukos auction. The unit's sale to the company leaves Yukos with little hope of maintaining solvency. Lawyers for Yukos vowed to challenge the auction in courts around the world.

Baikalfinansgroup bid \$9.35 billion for Yuganskneftegaz while Gazprom, which was expected to submit a winning bid did not place any bid for the company. However analysts believe that Gazprom is behind the small company that won the Yukos auction.

Yukos has defaulted on two December loading crude cargoes that had been scheduled to load from the Baltic port of Primorsk. Traders said Yukos would not be supplying a December 17-18 cargo to Swedish refinery Preem or a December 20-21 cargo to ExxonMobil. However its other deliveries in the month should proceed as scheduled. Meanwhile the sale of Yukos' main unit should not affect overall Russian crude exports however confusion is guaranteed as Yukos' main unit falls into unknown hands.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.03/barrel to \$37.87/barrel on Friday from \$36.84/barrel on Thursday. It said the basket of crudes increased by \$0.84/barrel to \$35.05/barrel in the week ending December 16, up from \$34.21/barrel the previous week.

The EIA reported that the average price of diesel fuel in the US fell once again, by 1.3 cents/gallon to \$1.984/gallon in the week ending December 20th.

Refinery News

BP Plc's Texas City, Texas refinery experienced two problems on Sunday that resulted in reduced feed rates after a control valve malfunction in the resid hydrotreating unit and over pressuring of the de-isopentanizer tower at the aromatic recovery unit.

Alon USA has scheduled maintenance for a catalytic cracking unit at its Big Spring, Texas refinery between December 27 and January 3.

ExxonMobil Corp is scheduled to shut an alkylation unit at its Baytown, Texas refinery on December 28 for maintenance. A report to the Texas Commission on Environmental Quality estimates one day of emissions associated with the unit shutdown but does not state the duration of the work or give a restart date.

Premcor Inc's first quarter maintenance turnaround at its Port Arthur, Texas refinery is set to start January 3 for about a month. Maintenance work at the 255,000 bpd refinery will include seasonal repairs to units starting with its hydrocracking unit which is expected to be shut on January 3 until February 4. On January 6, an atmospheric vacuum unit will start undergoing maintenance until February 6 while two sulphur recovery units are also shut until January 24. A delayed coking unit is also scheduled for shutdown on January 6 until February 2.

Flint Hills Resources LP plans to expand its crude oil processing capacity at its 280,000 bpd Pine Bend refinery in Minnesota by 50,000 bpd in 2007.

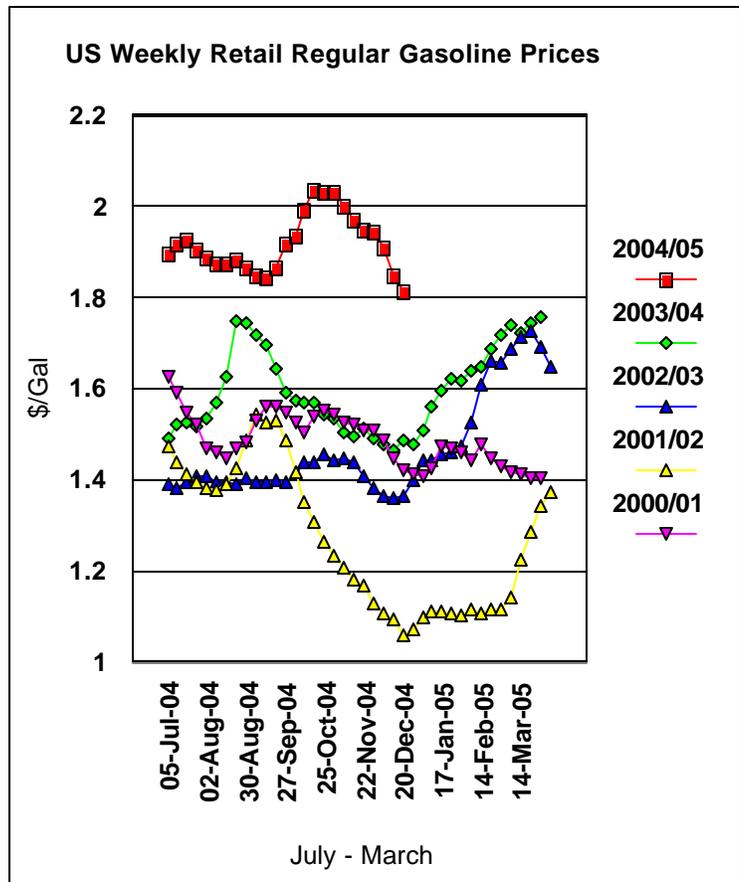
BP's 175,000 bpd Coryton refinery in England has scheduled a turnaround during the first quarter of next year. A company spokeswoman declined to say what unit would be down or how significantly its output would be affected.

A catcracker at Preem's 210,000 bpd Lysekiil refinery has been shutdown since the weekend, reducing the refinery's throughput to 55-60%.

Nippon Oil Corp said it restarted a 127,000 bpd crude distillation unit at its Marifu refinery on December 16. The unit was shut on December 11 due to a heat exchanger malfunction.

Production News

Statoil ASA is expected to hand in its North Sea Snorre startup report to the Norwegian Petroleum Safety Authority for consent to resume its operations. A gas leak in late November forced the shutdown on both Snorre A and Vigdis fields, shutting about 205,000 bpd. Industry experts said once Statoil is given consent, startup could start as early as Tuesday or Wednesday.



Indian Oil Corp has provisionally targeted crude oil imports of 31.06 million metric tons next financial year starting April 2005. It is down from this year's plan to import more than 33 million tons of crude.

Industry officials said wholesale diesel prices in China's east coast fell further in the past two weeks as a mild winter eased a power shortage. However rising crude futures were encouraging independent dealers to replenish their stock, which could lift prices in the coming weeks due to strong demand from key sectors. China has scaled back diesel imports sharply in December to about 160,000 tons.

Market Commentary

The NYMEX oil complex saw a quiet trading session ahead of the holidays, with the expiring January crude contract posting an inside trading day. The oil markets opened lower in follow through selling seen in overnight trading after the weather forecasts showed a more moderate forecast compared to forecasts seen late last week. The January crude contract opened down 43 cents at 45.85 and quickly posted a high of 46.00. The market failed to test its previous highs despite the mostly bullish news of continuing problems in Iraq and an internet statement purportedly from the Saudi wing of al-Qaeda calling for attacks on oil facilities. The market seemed to have shrugged off the news and instead focused on the change in weather forecasts. The oil market continued its sell off on light volume trading as it traded to a low of 44.90 by mid-day. The market later retraced its losses but still held good resistance at its high of 46.00 ahead of its expiration. It settled down 79 cents at 45.78. Volume in the crude market was light with 154,000 lots booked on the day. Meanwhile, the heating oil market settled down 4.07 cents at 139.88 amid the changes in the weather forecasts as the natural gas market also settled down 50 cents at 6.952. The heating oil market opened down 4.07 cents at 141.00 and quickly posted an intraday high of 143.00 before it continued its sell off on the weather forecasts. The market traded to a low of 138.65, where it held good support. The market traded mostly sideways before it retraced some of its losses ahead of the close. Similar to the crude market, the gasoline market posted an inside trading day. It opened down 1.51 cents at 117.50 and quickly traded to a high of 118.00. However the market also continued to retrace Friday's gains as it traded to a low of 114.80.

It settled down 3.79 cents at 115.22. Volumes in the product markets were light with 44,000 lots booked in the heating oil and 30,000 lots booked in the gasoline market.

Technical Analysis		
	Levels	Explanation
CL 45.78, down 79 cents	Resistance	46.65, 46.86
		46.20
		Feb
	Support	45.10, 45.05
		44.85, 43.03
HO 139.88, down 4.07 cents	Resistance	146.80, 146.95, 148.50
		142.00
	Support	138.65
		136.00
HU 115.22, down 3.79 cents	Resistance	122.82
		118.00, 119.90
	Support	114.80
		114.40, 111.60

The crude market will continue to see light trading session as we head into the holidays. The market will likely continue to trade in a range ahead of Wednesday's release of the weekly petroleum stock reports after the market mostly focused on the weather forecasts. The crude market is seen finding support at its lows of 45.10, 45.05 followed by 44.85 and 43.03. Meanwhile resistance is seen at its high of 46.20 followed by 46.65 and 46.86.

