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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 21, 2005

Nigeria's local Guardian newspaper reported that an unknown militia group claimed responsibility for a Shell pipeline attack and indicated that its actions were linked to the impeachment of a governor. The paper quoted a spokesman for the group as saying it was tired of giving verbal warnings to the Nigerian government to stop the prosecution of the former

governor of Bayelsa state. The group warned it would intensify its attacks if the former governor is not released within one week. Meanwhile, Royal Dutch Shell said that 180,000 bpd of oil production was not shut in, up 10,000 bpd from Tuesday's shut in level. It shut down a Bonny flow station. Shell said it and local officials were still working Wednesday to put out a fire caused by the pipeline blast. It said it was waiting for a damage assessment before it could decide whether it would declare force majeure on its crude exports.

Market Watch

Canada may require that biofuels be included in all gasoline and diesel fuel sold in the country following nearly identical election campaign promises. Canada's Liberal Prime Minister Paul Martin and Conservative leader Stephen Harper said they would require that renewable fuels, such as ethanol and biodiesel, make up 5% gasoline and diesel fuel. They both stated that they would change the requirement by 2010. Three of Canada's 10 provinces, Ontario, Saskatchewan and Manitoba, already require some renewable fuels but there is not a national standard.

OPEC's President and Kuwait's Oil Minister Sheikh Ahmad al-Fahd al-Sabah said OPEC is allowing oil stocks to build up to between 54 and 55 forward days in the next three months. He said oil prices are at an acceptable level despite easing recently due to the warmer winter weather.

The DOE reported that US inventories of propane totaled 64.946 million barrels in the week ending December 16, down 3.6 million barrels on the week. It reported that propane inventories in the East Coast increased by 36,000 barrels to 4.863 million barrels, while inventories in the Midwest fell by 1.863 million barrels to 20.399 million barrels. It reported that inventories in the Gulf Coast fell by 1.611 million barrels to 37.315 million barrels.

Refinery News

ConocoPhillips is on track to complete a partial restart of its 253,000 bpd Alliance refinery in Belle Chase, Louisiana by the end of the year with a full restart in January. However a person familiar with the refinery's operations cautioned that delays in obtaining needed hardware could stall the facility's return to full operation until February.

Nippon Oil Corp will process more crude in January than it did last year to meet increased domestic demand amid the cold weather. It is expected to lift its crude refining volume by 6% on the year to 1.02 million bpd in January.

Production News

Louisiana's Department of Natural Resources stated that restored crude oil production in Louisiana was 60% of normal on Wednesday, up from 59.5% on Tuesday. It said output was 121,962 bpd, up from 120,837 bpd on Tuesday.

According to Petrologistics, Saudi Arabia's oil production is expected to fall by 200,000 bpd on the month to 9.2 million bpd in December. It said OPEC's production is expected to remain unchanged in December at 30.21 million bpd. Meanwhile Iraq's oil production is expected to increase by 100,000 bpd in December to 1.85 million bpd.

Kuwait's Oil Minister Sheikh Ahmad al-Fahd al-Sabah said the government is committed to an \$8.5 billion project involving multinationals to increase its oil production, despite reservations by some members of parliament. He said Kuwait needed Project Kuwait, which involves upgrading its four major northern oilfields to increase its oil production. Parliament is due to hold a special session on January 23 to discuss the plan.

Russia's Sibneft bought a firm with an oil license on Russia's Sakhalin island from TNK-BP. It bought a 75% stake in TNK-Sakhalin, which has the right to explore the Lopukhov field with estimated reserves of about 100 million tons of oil equivalent or 733 million barrels.

Russia's seaports handled 372 million tons of export and import cargoes in January-November, up 12% on the year.

Russia plans to cut January oil loadings via the Baltic Sea port of Butinge by more than 30% on the month. Sources said Transneft has allocated a preliminary 468,000 tons or 111,000 bpd for exports via the outlet, down from 682,000 tons in December. The preliminary schedule also showed overall Russian seaborne exports would fall marginally in January to 2.77 million bpd, down 25,000 bpd in December.

Azerbaijan's SOCAR tendered to sell an 85,000 ton or 623,000 barrel cargo of Urals crude for loading at Russia's Black Sea port of Novorossiisk on January 30-31.

The Danish Energy Authority said Denmark has lowered its forecast for oil production from its North Sea fields in 2005 by 0.5% to 379,000 bpd from a previous forecast in May. In 2006, the annual oil production is seen falling to 347,000 bpd, up from its previous forecast of 341,000 bpd. In 2007, oil production is expected to fall to 334,000 bpd, while 2008 and 2009 production is expected to total 348,000 bpd and 333,000 bpd, respectively.

China's National Bureau of Statistics reported that China's refined oil production in November increased by 4.8% on the year to 24.21 million tons. Its oil products output in the first 11 months increased by 7% to 261.39 million tons.

OPEC's news agency reported that OPEC's basket of crudes fell to \$51.37/barrel on Tuesday from \$51.62/barrel reported on Monday.

Nippon Oil Corp will import 50,000 kiloliters of kerosene in January from Asia to meet increased domestic demand. It said kerosene inventories would fall to 3.42 million kl by the end of December. In

the week ending December 17, kerosene stocks stood at 4.1 million kl, down 8.4% on the week. The stocks level was down 11.8% on the year. Meanwhile, gasoline stocks fell to 2.16 million kl or 13.59 million barrels on the week while Japan's commercial crude stocks totaled 16.68 million kl, down from 16.71 million kl. The average operating rate of Japanese oil refineries was 92.3% in the week ending December 17.

Market Commentary

The oil market ended a choppy session with modest gains as the complex was mostly supported by the weekly petroleum stock reports. The market opened up 32 cents at 58.30 and traded to a high of 58.60 following the release of the DOE and API reports which showed draws in product stocks. The market however held resistance at that level and erased its gains as it sold off to a low of 57.55. However the market bounced off its low and breached its earlier high as it traded to a high of 58.70 and settled in a sideways trading range during the remainder of the session. It settled up 47 cents at 58.56. Volume in the crude market was lighter with 132,000 lots booked on the day. The product markets ended in positive territory, with the heating oil market settling up 3.61 cents at 175.64 and the gasoline market settling up 2.76 cents at 153.64. The heating oil market opened up 47 cents at 172.50 and rallied to 175.00 before it erased its gains and traded to a low of 171.50. However the market bounced off its low and rallied to 175.90 before it continued to trend higher. It surged to a high of 176.40 ahead of the close. The market rallied in light of the draws reported in distillate stocks. The gasoline market traded to an early high of 154.40 following the release of the DOE and API reports showing draws in gasoline stocks. The market however erased its gains and posted a double bottom at 150.50. The market bounced off that level and breached its earlier high and rallied to a high of 154.40 ahead of the close. Volumes in the product markets were better with 45,000 lots booked in the heating oil market and 47,000 lots booked in the gasoline market.

The oil market is seen trading sideways after the market bounced off its low and rallied to its high on the close. The market is also seen driven by the weather forecasts. Technically, the market is seen finding

support at 58.00 followed by its lows of 57.55 and 56.90. Meanwhile, resistance is seen at its double top of 58.70 and its previous high of 59.30. More distant resistance is seen at its remaining gap from 60.80 to 61.00.

Technical Analysis		
	Levels	Explanation
CL Resistance 58.56, up 47 cents Support	60.80 to 61.00	Remaining gap
	58.70, 59.30	Double top, Monday's high
HO Resistance 175.64, up 3.61 cents Support	58.00	Wednesday's low, Previous low
	57.55, 56.90	Wednesday's low, Previous low
HO Resistance 175.64, up 3.61 cents Support	176.50 to 178.50	Remaining gap (December 16th)
	176.40	Wednesday's high
HU Resistance 153.64, up 2.76 cents Support	174.10, 171.50	Wednesday's low
	169.80, 169.60, 168.25	Previous lows
HU Resistance 153.64, up 2.76 cents Support	160.20 to 160.75	Remaining gap (December 16th)
	154.40, 156.50	Wednesday's high, Monday's high
	153.00	
	150.50, 150.00, 144.80	Double bottom, Previous lows

