



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 22, 2004

Nigeria's white collar oil workers' union, Pengassan, suspended its strike action on Tuesday. A communiqué signed by the union said the strike was suspended to allow management to enact most of the union's demands within a week. The demands include the release of withheld promotions for staffers, the payment of hazard allowances and end-of-year gifts. The strike had entered its second day on Wednesday but failed to disrupt the country's 2.3 million bpd of oil exports.

The Iraqi government said engineers fixed a major oil pipeline in northern Iraq after it was sabotaged earlier this week. The pipeline leads from the northern oil fields to the Turkish port of Ceyhan. However Iraqi oil flows are still halted to the port of Ceyhan.

OPEC delegates said OPEC has been studying the possibility of increasing

Market Watch

Russia's Yukos may ask a US judge on Wednesday to find Gazprom in breach of a court order for participating in the auction of Yukos' Yuganskneftegaz. Gazprom said it sold Gazpromneft, its oil unit which attended Sunday's auction but did not make a bid. Analysts said Gazprom was attending to shield itself from potential litigation by selling the unit. If Gazprom is found in contempt of the US court order that barred it from taking part in the sale, it could leave the supplier of energy to millions of Europeans exposed to foreign asset freezes. Separately, Yukos has applied to export 280,000 tons of crude to China by rail in January. In September, Yukos stated that it would cut supplies to China's CNPC from October and undersupply a total of 1 million tons by the end of 2004.

Separately, Yukos' management board has approached Prime Minister Mikhail Fradkov with a new proposal to pay its remaining tax bills. Following the sale of its subsidiary, Yukos still has tax claims of about \$18 billion.

Saudi Arabia said it recalled its ambassador to Libya and will ask that Libya withdraw its ambassador over an alleged Libyan plot to assassinate Saudi Crown Prince Abdullah. In October, a US court sentenced the prominent US Muslim activist Abdurahman al-Amoudi to 23 years in jail for illegal financial dealings with Libya and his role in the plot.

China Aviation Oil late Tuesday said it signed an agreement with parent China Aviation Oil Holding co and the newly created subsidiary of CAOT Pte Ltd to enable the latter to carry on the business of jet fuel procurement on an agency basis. CAOT was set up as a wholly owned subsidiary of CAO earlier this month after the latter filled for bankruptcy following a \$550 million loss in oil derivatives in late November. CAO said its subsidiary CAOT had received offers for the entire 460,000 tons of jet fuel it has sought in its January/February 2005 import tender.

The NYMEX will allow spread trading in its light, sweet crude futures and North Sea Brent futures at its Dublin exchange during the Christmas and New Year holidays when the New York trading floor is closed and the Dublin trading floor is open.

its target price band as well as the possibility of changing the composition of the basket price. Sources stated that one proposal would see the current seven crude basket replaced with an 11 crude version that would represent each member country. The current basket price includes six OPEC crudes and one non-OPEC grade.

OPEC's news agency reported that OPEC's basket of crudes fell to \$38.26/barrel on Tuesday, down from Monday's \$38.34/barrel.

Refinery News

BP Plc restarted a fluid catalytic cracker at its 437,000 bpd refinery in Texas City, Texas on Wednesday after an electrical problem shut the unit.

ExxonMobil Corp will shut the hydrocracking unit at its Baytown, Texas refinery on January 5 for two days of maintenance work.

Japan's Idemitsu Kosan Co plans to refine 8.4 million kiloliters or 587,000 bpd of crude in the first quarter of next year. It is up about 20% higher on the year. In December, the company is expected to process 578,000 bpd of crude.

Japan's Nippon Oil Corp said it expects to cut its crude processing rate for January 2005 by about 4% from a year earlier as mild weather cuts demand for heating oil.

South Korea's Yeochon Naphtha Cracking Center reduced its operating rates at its naphtha crackers to 90% from full capacity due to lower demand.

Production News

Colonial Pipeline shut its Line 4 which takes oil products from Greensboro, North Carolina to Dorsey Junction in Woodbine, Maryland. Emergency maintenance work started on Monday afternoon when the line was shut. Line 4 will resume operations as soon as possible.

Royal Dutch/Shell Group declared a force majeure effective from midnight affecting 114,000 bpd of Nigerian Bonny Light crude. A company spokesman said the measure followed a community dispute in the eastern Niger Delta where some production has been shut in since December 5 when villagers blocked some flow stations operated by the company. Separately, a source stated that there would likely be five to eight days of delays for Bonny Light cargoes loading for the balance of December and the whole of January. Meanwhile, ChevronTexaco Corp said it would not be able to deliver 20,000 bpd of crude oil.

Norway's Petroleum Safety Authority said it would bar Statoil from restarting its Snorre and Vigdis oilfields in the North Sea, which had been planned to take place by the end of the week.

According to a Pemex official, there was an explosion along a Pemex pipeline that caused at least five injuries and caused an oil spillage headed for the Coatzacoalcos River.

Russian oil production and export growth is likely to slow by almost 40% in 2005 as the problems with Yukos, higher taxes and a pipeline bottleneck puts the brakes on the boom. According to a Reuters poll, average oil output growth in 2005 is estimated at 5.6% to 484 million tons or 9.72 million bpd, down from 9% growth in 2004 and record 11% in 2003.

Venezuela's Hamaca heavy oil project has increased production to an average of 200,000 bpd after bringing an upgrading unit on line this year.

Japan's Ministry of Finance reported that the country's imports of crude oil and condensate in November increased by 11.4% on the year to 20.47 million kiloliters or 4.29 million bpd. Its crude oil imports are expected to fall during the first quarter compared with the same quarter a year ago due to warmer than normal weather this winter. The increase in crude imports reflects refiners increasing their crude runs to maximize the production of kerosene. Kerosene stocks in November stood at 4.759 million kiloliters, up from last year's 5.14 million kl.

Separately, the Petroleum Association of Japan reported that kerosene stocks totaled 4.651 million kl in the week ending December 18, down from 4.809 million kl. It reported that refiners processed a combined 4.779 million kl of crude, down from 4.895 million kl in the previous week.

Market Commentary

The oil market opened relatively unchanged at 45.75 and settled in a 20 cent trading range early in the session as traders awaited the release of the weekly petroleum stock reports. The February crude contract immediately posted an intraday high of 45.95 before it quickly tumbled to its low of 43.65 following the unexpected builds seen crude and product stocks. The market's move may have been exaggerated by the lack of activity. The market later bounced off its low and retraced some of its losses before it once again settled into a sideways trading pattern. The market settled in a range from 43.85 to 44.50 during the remainder of the session as traders covered some of their positions ahead of Thursday's shortened trading session and the long holiday weekend. The February crude contract settled down \$1.52 at 44.24. Volume was lighter today with only 122,000 lots booked on the day. The heating oil market also settled down 4.09 cents at 135.85 after the market tumbled amid the builds reported in distillate stocks. The heating oil market opened up 31 cents at 140.25 and immediately traded to a high of 141.20. However the market quickly sold off to its low of 133.50 following the release of the DOE and API reports showing unexpected builds in distillate stocks. The market later retraced some of its losses and settled in a range from 134.20 to 136.20 during the remainder of the session. Similar to the heating oil market, the gasoline market posted a trading range of more than 6 cents during the first hour of trading. The market posted an intraday high of 118.70 but quickly sold off following the builds reported in gasoline stocks. The market tumbled to a low of 112.25. The January gasoline contract however bounced off that level and retraced its losses ahead of the close. It settled down 2.13 cents at 114.56. Volumes in the product markets were light with 45,000 lots booked in the heating oil market and 40,000 lots booked in the gasoline market.

The crude market during Thursday's shortened trading session is seen retracing its sharp sell off as traders will be reluctant to remain short over the long

Technical Analysis			
		Levels	Explanation
CL	Resistance	46.15, 46.20, 46.65	Previous highs
		44.60, 45.95	Wednesday's high
	Support	43.65	Wednesday's low
		43.30, 43.10	Previous low, 62% retracement (40.90 and 46.65)
HO	Resistance	141.20, 142.00	Wednesday's high, Previous high
		136.20	
	Support	133.50	Wednesday's low
		130.33, 130.05	62% retracement (120.15 and 146.80), Previous low
HU	Resistance	118.70, 119.90	Wednesday's high, Previous high
		115.40	
	Support	112.25	Wednesday's low
		111.60	Previous low, 62% retracement (106.50 and 119.90)

weekend. The market is seen finding support at its low of 43.65 followed by 43.30 and 43.10. Meanwhile resistance is seen at 44.60 followed by its high of 45.95. More distant resistance is seen at 46.15, 46.20 and 46.65.

Please note that the NYMEX will close early at 1 pm Thursday and remain closed until Monday, December 27th. Access trading however will resume on Sunday night at 7 pm. Also, please note that we will not issue a market report on Thursday evening ahead of the Christmas holiday.