The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 22, 2005

Market Watch

The EIA and API announced that the release of their weekly petroleum stock reports would be delayed by one day to Thursday, December 29 at 10:30 am and to Thursday, January 5 at 10:30 due to the Christmas and New Years holiday, respectively.

Shell Petroleum Development Company of Nigeria declared a force majeure following a fire and explosion of a pipeline. The attack on the pipeline Tuesday resulted in the shut in of 180,000 bpd crude oil and closed three flow stations feeding into the Bonny export terminal. The declaration of a force majeure in the Niger Delta was expected to delay Bonny Light crude shipments by about six days. The delays will affect January cargoes as the December shipments have been loaded. About 10.5 Bonny Light cargoes were expected to load in January, totaling 99.8 million barrels or just over nearly 322,000 bpd. Shell later stated that repair work on the pipeline was completed. Meanwhile, Nigeria's President Olusegun Obasanjo has placed security forces in the Niger Delta on high alert following an attack on a pipeline.

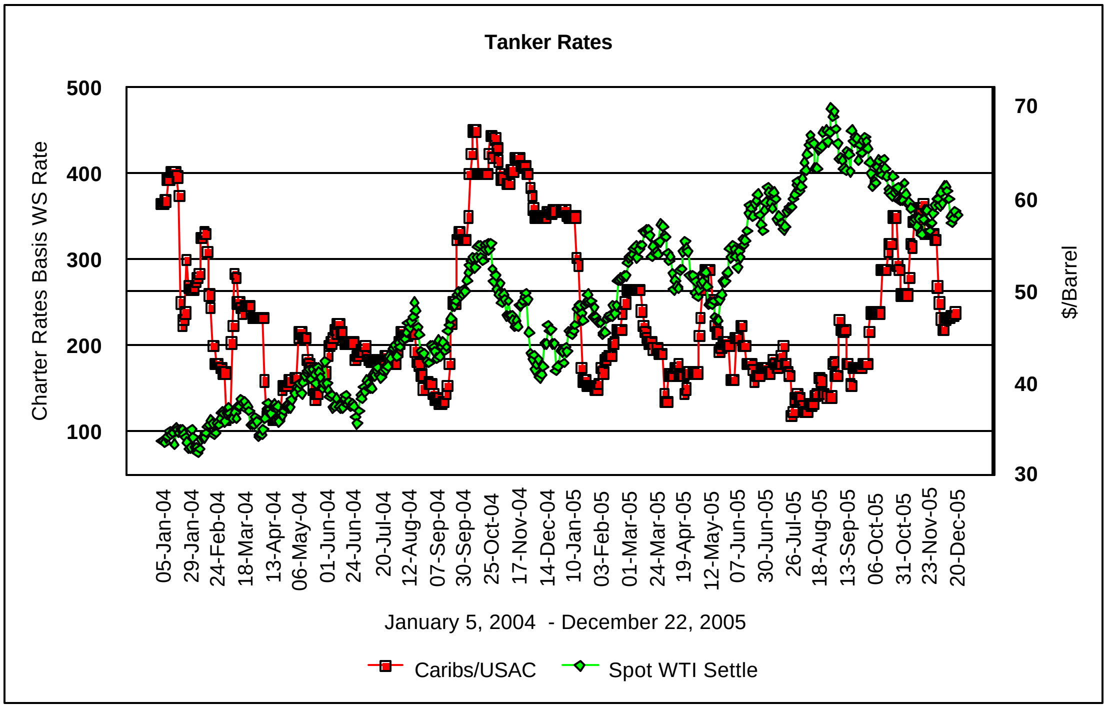
A senior Iraqi oil official said Iraq resumed pumping crude oil from northern oilfields via a pipeline to the Turkish terminal of Ceyhan on Wednesday at 100,000 bpd. Export flows from northern Iraq were halted after sabotage blasts in October hit the gathering center for at least four oilfields. Meanwhile, Iraq's southern oil exports in December increased by 7.4% on the month. The first 20 days of December averaged 1.3 million bpd compared with an average of 1.21 million bpd reported in November. An oil official said SOMO is expected to defer 20 million barrels of December nominations to January, which would force Iraq to pay high demurrage bills.

OPEC's Secretary General Adnan Shihab-Eldin said oil prices next year are likely to remain near current levels of $45-$55/barrel. He said prices in that range does not hurt the world economy. He also stated that the oil market is well balanced ahead of the winter's peak. Meanwhile, OPEC is likely to reduce its crude oil production after the winter. However OPEC is not expected to change its production policy for the first quarter.

Oil Movements reported that a seasonal fall in crude demand is expected to cut OPEC's seaborne exports by 150,000 bpd to 24.7 million bpd in the four week period ending January 7. It said OPEC stocks at sea on the way to consumers had fallen 20 million barrels from a peak of 503 million barrels in early December.

Refinery News

Citgo Petroleum's Corpus Christi, Texas refinery halted its gasoline production late Wednesday due to a problem. It is expected to resume gasoline production by the end of the day on Thursday.



US oil refiners are expected to shut a large amount of fuel production early next year for maintenance after the government requested a delay in maintenance during the fall to make up for hurricane disruptions. The heavy maintenance at refineries will likely cause higher prices this spring and summer by cutting into stocks. A Reuters survey showed more than 500,000 bpd of fuel production would be shut in January, with other peaks in maintenance activity scheduled for March and May.

PDVSA is restarting an 18,500 bpd fluid catalytic cracking unit and a 4,000 bpd alkylation unit at its Puerto La Cruz refinery after completing planned maintenance. A source said both units should be processing at normal rates this weekend.

Kuwait's Oil Minister Sheikh Ahmad Fahad al-Ahmad al-Sabah said Kuwait plans to form a joint venture with PetroChina Co Ltd to build a refinery in South China. He said China's demand for crude oil next year should grow by 350,000 bpd.

China's Urumqi Petrochemical Co has started a new gasoline unit which will allow it to produce high octane gasoline more easily. The refinery has a processing capacity of 5 million tons a year or 100,000 bpd.

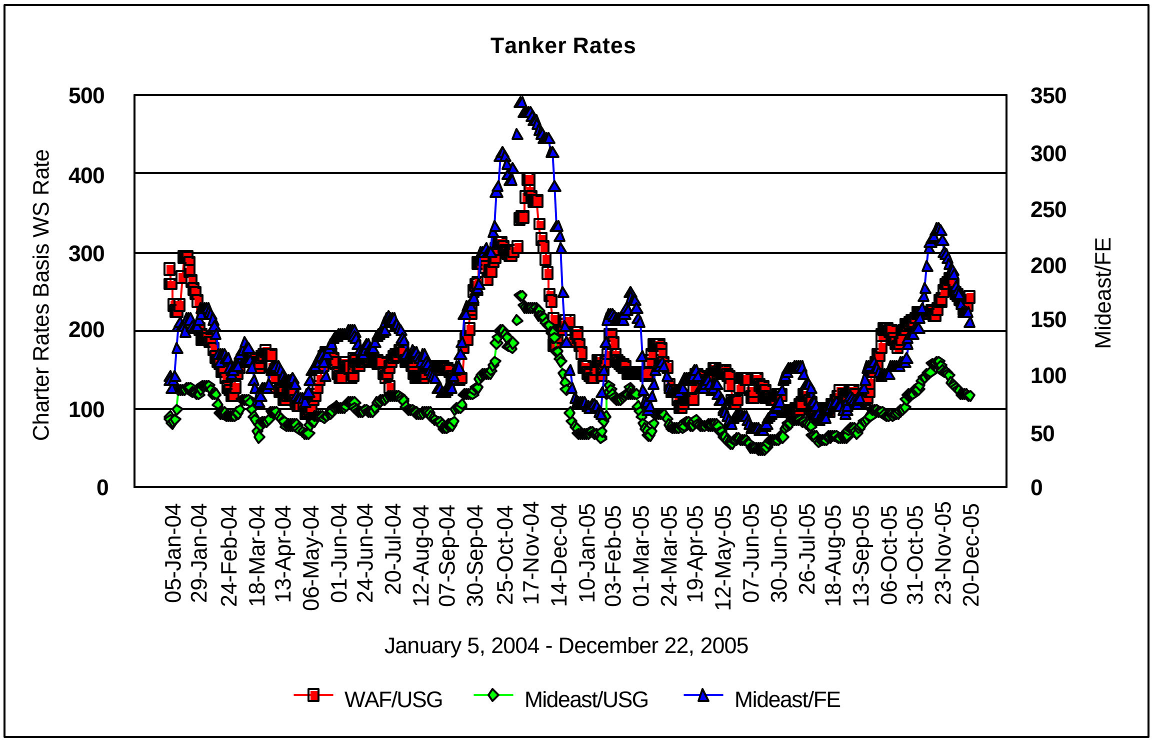
Production News

The MMS reported that about 412,687 bpd of crude production remained shut in the Gulf of Mexico on Thursday. It is down from 414,495 bpd reported on Monday.

Traders and shipping sources said about 120,000 tons of gas oil was fixed from Asia to Europe for lifting in the first half of January.

Crude shipments from Venezuela to China have reached 140,000 bpd as it seeks to diversify its markets away from the US.

According to forecasts by Russian and international banks, brokerages and research institutes, Russia's oil output growth is seen at 2.9% to 9.7 million bpd in 2006 compared with a growth of 2.7% in 2005.



Nigeria has cut its January official selling price for Bonny Light and Qua Iboe to Dated BFO plus 55 cents, down 70 cents from the December price. It also cut its official selling price for Escravos crude to Dated BFO plus 35 cents while its price for Forcados crude was cut to Dated BFO plus 65 cents.

India's official data reported that Indian refineries processed 1.3% more crude oil in November than a year ago. Total refinery throughput totaled 10.58 million tons or about 2.57 million bpd while domestic crude production totaled 623,000 bpd, down 8.6% on the year due to a fire at an offshore platform that reduced output since June. India's exports of refined oil products fell by 14.6% in November to 1.74 million tons from the same month a year ago. Exports of diesel fell by 26.5% while petrol exports fell 81% during the month because Reliance Industries had shut some units of its refinery for maintenance.

Taiwan's Bureau of Energy stated that its oil product consumption in October increased 9.3% on the year to 837,219 bpd. Average oil product consumption in the first 10 months stood at 815,585 bpd, up 1.5% on the year. Refinery throughput in October increased by 8.9% on the year to 1.14 million bpd.

Singapore's International Enterprise reported that the country's light distillate stocks fell by 96,000 barrels to 7.76 million barrels in the week ending December 21. It reported that middle distillate stocks built by 50,000 barrels to 7.976 million barrels while residual fuel stocks built by 813,000 barrels to 11.378 million barrels.

OPEC's news agency reported that OPEC's basket of crudes increased by $0.06/barrel to $51.43/barrel on Wednesday from $51.37/barrel on Tuesday.

Market Commentary

The crude market gapped higher from 58.70 to 58.80 and quickly posted a high of 59.00 in follow through buying seen in overnight trading. The market was supported in light of the reports stating that Shell declared a force majeure on its crude exports from Nigeria following the pipeline attack. The market however retraced its gains and backfilled its gap as it traded to 58.25. The crude market held good support at that level and settled in a sideways trading pattern. However the market sold off to a low of 57.72 amid the losses seen in the natural gas market. The crude market settled slightly lower, down 28 cents at 58.28, amid light volume and the sell off in the natural gas market. Volume in the crude market was light with only 85,000 lots booked on the day. Meanwhile, the product markets ended mixed, with the heating oil market settling down 1.64 cents at 174.00 and the gasoline market settling up 42 points at 154.06. The heating oil market opened up 41 cents at 176.05 and quickly posted a high of 177.25. However the market erased its gains and traded to 174.20 before it settled in a sideways trading pattern. The mark et held its support despite the losses seen in the natural gas market amid the forecasts calling for mild weather. The heating oil market breached its earlier low and sold off to a low of 172.00 as the natural gas market continued its downward trend. The gasoline market opened slightly lower, down 14 points at 153.50 and quickly rallied to a high of 155.90. The market settled in sideways trading pattern before it sold off to a low of 152.00. However the market erased its losses and settled in positive territory. Volumes in the product markets were light with 37,000 lots booked in the heating oil market and 29,000 lots booked in the gasoline market.

The oil market during Friday's shortened trading session ahead of the Christmas holiday will likely remain range bound. However if the natural gas market continues to sell off amid the weather forecasts, the oil complex will likely follow suit. The market is seen finding support at its low of 57.72, followed by 57.55 and 56.90. Meanwhile, resistance is seen at 58.50, 59.00 followed by 59.30 and its gap from 60.80 to 61.00.

Technical Analysis

		Levels	Explanation
		59.30, 60.80 to 61.00	Previous high, Remaining gap
	Resistance	58.50, 59.00	Thursday's high
CL	58.28, down 28 cents		
	Support	57.72	Thursday's low
		57.55, 56.90	Wednesday's low, Previous low
		177.25 to 178.50	Remaining gap (December 16th)
	Resistance	175.00, 176.00	
HO	174.00, down 1.64 cents		
	Support	172.00	Thursday's low
		171.50, 169.80, 169.60, 168.25	Previous lows
		156.50, 160.20 to 160.75	Previous high, Remaining gap (December 16th)
	Resistance	154.50, 155.90	Thursday's low
HU	154.06, up 42 points		
	Support	153.10, 152.00	Thursday's low
		150.50, 150.00, 144.80	Double bottom, Previous lows