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Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 29, 2004

An Iraqi oil official stated that Iraq's southern oil exports have been restored at full capacity on Wednesday after exports were halted due to bad weather. The oil loading at the oil terminal of Basra has been running at 1.92 million bpd since Tuesday evening after the weather cleared. However there are no loading operations currently at the Khor al-Amaya terminal. Meanwhile, crude exports and the flow of oil via the northern pipeline that carries crude to the Turkish port of Ceyhan were still suspended following the recent sabotage attacks during the weekend of December 18-19.

Market Watch

The EIA reported that record output of heating oil and other distillate fuels by US refiners will likely leave inventories of heating fuels in good shape by the middle of the winter. Increased output from refineries coupled with mild weather has increased inventories at a time when they normally decline. It said that while stocks of distillates remain below their five year range for this time of the year, the cushion they provide will become more comfortable if they can be kept from falling for a few more weeks.

China Aviation Oil Corp said it will submit a restructuring plan on January 21 as required by the Singapore High Court. Earlier this month, the court granted CAO a six week extension to submit its restructuring plan after the company declared \$550 million worth of losses from derivatives trading.

Saudi officials stated that a suicide attacker attempted to drive a bomb laden car into the Saudi Interior Ministry in Riyadh but failed and instead detonated the car outside the ministry. An official said a second explosion occurred following a failed attempt to storm a recruiting center for emergency troops.

OPEC's news agency reported that OPEC's basket of crudes fell to \$34.81/barrel on Tuesday, down from Monday's \$35.30/barrel.

Refinery News

Citgo Petroleum Inc plans to shut a 80,000 bpd fluid catalytic cracker for maintenance on January 8-24 at its Corpus Christi, Texas refinery. Work on the fluid catalytic cracker's regenerator, heat exchangers, cooling tower is set to start after two days of shutdown procedures.

Shell Oil said a leak at its 334,000 bpd Deer Park, Texas refinery over the weekend was more serious than it initially seemed. A leak in the caustic gas scrubber at an olefins unit in the refinery on Saturday led to the shutdown of the unit completely by Sunday. It is not known when the unit will be restarted. Italy's Agip declared force majeure on a gasoline cargo over the weekend after bad weather forced it to stop loading from a jetty at its 100,000 bpd Gela refinery. It was unable to supply at least one cargo, due for delivery to Glencore on Christmas Day.

Chevron Texaco stated that its facilities in Indonesia, Thailand were unaffected by tsunamis that hit the region. It said its facilities were fully operational.

China's Yanshan oil refinery will increase its capacity by 18% in two years to meet rising demand and produce cleaner fuels. By the end of 2006, the plant will have 10 million tons per year in refining capacity or 200,000 bpd compared with the current 170,000 bpd.

Production News

The Renewable Fuels Association reported that the US ethanol industry produced 226,000 bpd in October. Ethanol production was up 20% on the year from 188,000 bpd produced in October 2003. The ethanol industry is expected to produce more than 3.4 billion gallons in 2004, up from a record 2003 production of 2.81 billion gallons.

Delays in restarting Statoil's Snorre and Vigdis oilfields have led to a downward revision to January's Statfjord crude loading plan to 358,000 bpd from 441,000 bpd.

The Shetland Islands Council reported that Brent crude liftings from Sullom Voe terminal fell to 156,390 tons in the week ending December 28, down from 469,927 tons the previous week.

Russia's Rosneft will replace Yukos as Russia's main supplier to China next year after it bought Yukos' main unit Yuganskneftegaz. The head of the state railways said Rosneft would supply 4 million tons of crude to China by rail in 2005. Meanwhile Lukoil will ship up to 3 million tons. The move by Rosneft and Lukoil will help Russia meet its obligations to increase supplies to China to 10 million tons from 6 million tons this year. The official added that Yukos still planned to deliver up to 3 million tons to China next year from its remaining oil units.

Separately, a Russian newspaper, Kommersant, reported that Rosneft has sold its stakes in joint ventures with Gazprom back to the gas monopoly for \$1.7 billion to fund its purchase of Yukos' oil unit, Yuganskneftegaz. Gazprom has agreed to buy back the stakes in the Arctic ventures to help Rosneft pay for Yuganskneftegaz.

Kazakh Prime Minister Danial Akhmetov said the construction of the Atasu-Alashankou oil pipeline linking the Kazakhstan town of Atasu with China's western provinces will be completed by the end of 2005. The pipeline's annual throughput capacity is expected to be 10 million tons at first and will double by 2011.

South Korea's Energy Ministry reported that demand for oil in the country was expected to fall by 1.1% to 754.6 million barrels in 2004 from a year ago due to high world crude prices. Crude oil imports were forecast to increase by 2.7% this year to 826.9 million barrels.

Market Commentary

The oil complex settled sharply higher amid concerns over security in Saudi Arabia following the news of a blast in the country's capital, Riyadh. Early in the session, the crude market traded mostly sideways after it opened up 43 cents in follow through buying seen in overnight trading. The market,

which traded in a range from 42.10 to 42.35 early in the session, quickly traded to 42.80 follow the release of the DOE report, which showed larger than expected draws in crude and

Technical Analysis		
	Levels	Explanation
CL 43.64, up \$1.87	Resistance 44.40, 44.57 43.80	Previous high, 62% retracement (41.20 and 46.65) Wednesday's high
	Support 43.05, 42.75, 42.40 41.40, 41.20, 39.90	
HO 127.74, up 5.53 cents	Resistance 128.70 to 132.50 128.50	Remaining gap (December 27th) Wednesday's high
	Support 124.10, 123.10 119.00	
HU 108.43, up 3.86 cents	Resistance 110.80 to 112.50 109.00	Remaining gap (December 27th) Wednesday's high
	Support 105.60, 104.50 103.50	

distillate stocks of 800,000 barrels each. The market however erased its gains as it failed to test its previous high of 42.83, where it would start backfilling its gap. The January crude contract sold off to a low of 41.40 before the market retraced its losses. It traded within its early trading range amid the light volume trading. However the oil market later rallied on the news of a blast near the Saudi Interior Ministry. Sources stated that militants attempted to storm the Saudi Interior Ministry but were blocked before their car exploded. The January crude contract backfilled its previous gap as it traded to a high of 43.80 on further buying seen ahead of the close. The market settled up \$1.87 at 43.64. Volume was better today, with 140,000 lots booked on the day. The heating oil market, which traded mostly sideways ahead of the weekly petroleum stock reports, sold off sharply to a low of 119.00 early in the session. The market was pressured in light of the API showing a build of 525,000 barrels in distillate stocks while the EIA also stated that distillate inventories may be at comfortable levels amid the increased production and mild weather so far this winter. The market however bounced off its low and rallied more than 6 cents to a high of 128.50 ahead of the close. Meanwhile the gasoline market traded to 107.00 early in the session in light of the API showing a 2.7 million barrel draw in gasoline stocks. The market traded to its previous low of 103.50 before it too erased its losses and rallied once again. The market traded to a high of 109.00 ahead of the close. It settled up 3.86 cents at 108.43. Volumes in the product markets were also better with 65,000 lots booked in the heating oil and 49,000 lots booked in the gasoline market.

The oil market during Thursday's shortened trading session will remain supported amid the renewed concern over security in Saudi Arabia. It will also be driven by the expiration of the January product contracts during tomorrow's session. The crude market is seen finding support at 43.05, 42.75 and 42.40. More distant support is still seen at its previous lows of 41.40, 41.20 and 40.90. Meanwhile resistance is seen at 43.80 followed by 44.40, 44.57, its 62% retracement level.

Please note the NYMEX will close early at 1 pm Thursday and remained closed until Monday, January 3rd. Access trading however will resume on Sunday evening at 7 pm. Also, please note that we will not issue a market report on Thursday evening ahead of the New Year.

Happy New Year!