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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 14, 2005

OPEC's Secretary General, Adnan Shihab-Eldin said he did not rule out an output cut in the second quarter if it is needed. He said demand will likely fall by 1.4 million bpd in the second quarter compared with the first quarter. He sees a supply excess of at least 1 million bpd in the second quarter. Meanwhile Nigeria's Presidential Adviser on oil affairs said he sees no need for an output cut ahead of its March meeting.

Iraq has resumed pumping Kirkuk crude through the export pipeline connecting Iraq's northern oilfields with Turkey's port of Ceyhan. It was the first oil to flow through the pipeline since it was halted by a sabotage attack in December. Iraq's Oil Ministry denied the pipeline was about to resume pumping oil into Ceyhan. Iraq's Oil Minister Thamer al-

Market Watch

The Climate Prediction Center reported that there was a total of 161 Heating Degree Days in the week ending February 12th. It is down slightly from its previous estimate of 164 HDD. It was down 19.9% on the year and down 16% from normal. It also reported a total of 202 HDD on an oil home heating customer weighted basis, down 16.2% on the year and down 20% from normal. Meanwhile for the week ending February 19th, it reported a total of 148 HDD, down 17.8% on the year and down 19% from normal. It also reported a total of 207 HDD on an oil home heating customer weighted basis, down 17.2% on the year and down 14% from normal.

According to preliminary results, Islamist-backed candidates are leading in Saudi Arabia's first municipal election in Riyadh. The poll is part of an official plan to bring elements of democracy to the country, with 1,800 candidates vying for 592 seats in 178 councils. Later rounds will be staged in other parts of the country over a period of two months. The polls can be seen as a small step in Saudi Arabia's measured response to calls for reform. Saudi Arabia's Foreign Minister said Saudi Arabia continues to support the process of reform in the country.

An unknown Islamist group claimed responsibility for the killing of former Lebanese Prime Minister Rafik al-Hariri on Monday in a tape aired by Al Jazeera. The group said the former Prime Minister was a Saudi agent. The statement said the attack was also in revenge for the martyrs killed by security forces of the Saudi regime. The authenticity of the tape could not be verified.

Iran's Foreign Minister Kamel Kharrazi said Iran has not program to manufacture nuclear weapons but is exercising its right to use nuclear technology for peaceful purposes. He also stated that Iran did not expect to be attacked by the US but added that the country was well prepared in case such an attack should take place.

The NYMEX said it was planning to open a trading floor in London as soon as possible. NYMEX president James Newsome said the exchange was in talks for trading floor space and had applied for an operating license with the UK Financial Services Authority. He said the new London exchange may also open a gas oil contract in competition with the IPE gas oil.

Platts stated that it started quoting euro-equivalent prices for some international crude oil and refined products in addition to its existing quotas in US dollars.

Ghadhban said on Sunday that repairs on the pipeline had not been completed. Iraq's SOMO hopes to issue a Kirkuk tender once about 5 million barrels have been stored at Ceyhan. The tanks are nearly empty but can store up to 8.5 million barrels. Separately, saboteurs attacked oil and gas pipelines near Kirkuk late Sunday and early Monday, causing fires that firefighters were struggling to extinguish. Sources stated an attack occurred at the North Oil Co's Al-Dibbish oilfield near Kirkuk. The pipeline supplied oil for internal use. It is expected to take at least three days to extinguish the fire and repair the pipeline.

OPEC's news agency reported that OPEC's basket of crudes increased to \$41.38/barrel on Friday from \$40.54/barrel on Thursday. It also reported that OPEC's basket price fell by 84 cents/barrel to \$40.13 in the week ending February 10 from \$40.97/barrel the previous week.

According to the EIA, US crude oil imports in December fell by 90,000 bpd on the month to 10.018 million bpd. Canada replaced Saudi Arabia as the largest supplier with shipments of 1.563 million bpd. Mexico remained in second place, exporting 1.552 million bpd, down 52,000 bpd from November while Saudi Arabia fell to third place, exporting 1.449 million bpd to the US, down 176,000 bpd on the month. Venezuela exported 1.334 million bpd in December, up 107,000 bpd from November.

The EIA reported that the average retail price for diesel increased by 0.3 cents to \$1.986/gallon in the week ending February 14th. It also reported that the average retail price of gasoline fell by 1.1 cent to \$1.898/gallon on the week.

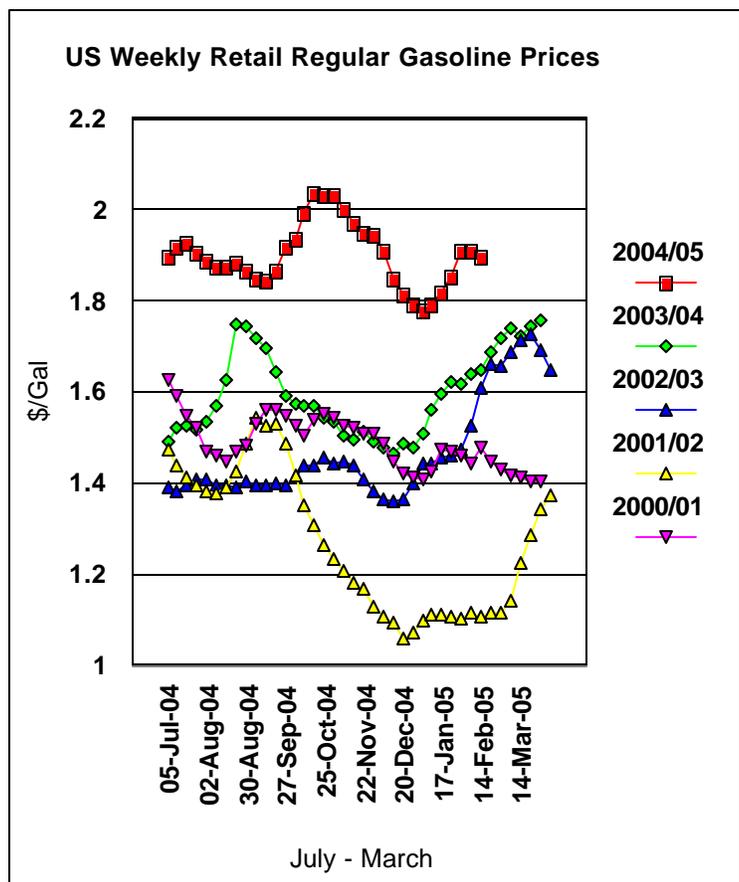
Refinery News

According to a report filed with the Texas Commission on Environmental Quality, planned maintenance work is underway at Valero Energy Corp's Texas City, Texas refinery. The work started after midnight in the Complex One section of the refinery and is expected to be completed by midnight Tuesday. The report did not specify whether the work would affect production.

Citgo Petroleum Corp restarted a fluid catalytic cracking unit at its 165,000 bpd Corpus Christi, Texas refinery over the weekend. The unit was shut on Thursday due to mechanical issues.

Premcor plans to shut its catalytic cracking unit, electrostatic precipitator and fractionating unit at its Texas refinery between February 20 and March 19 for maintenance.

LG Caltex Oil Corp is scheduled to shut its 270,000 bpd No. 4 CDU unit from April 9 through May 5 for maintenance work. It is also scheduled to shut its 130,000 bpd No. 2 CDU from August 18 through September 15.



Production News

The US Minerals Management Service said the percentage of oil production in the Gulf of Mexico that is still shut in following Hurricane Ivan fell to 7.42% from 7.98% while the percentage of gas production offline fell to 1.19% from 3.73%. The amount of production shut in equals 126,090 bpd of crude and 146.5 mmcf/d. The cumulative lost oil production from the Gulf reached 43.84 million barrels.

Kinder Morgan Energy Partners resumed operations on a jet fuel pipeline over the weekend after it was shut in last week due to a leak. It was restarted on Saturday after an eight foot section of the 12 inch pipeline was replaced and tests were run to check its integrity. It stated that a smaller parallel pipeline carried jet fuel to the airports while the pipeline was closed.

Norway's Statoil said its board had approved a plan to extend the life of its Statfjord oil and gas field in the North Sea and was awaiting for approval from its partners. It plans to submit the development plan for the Statfjord Late Life project to the Oil and Energy Ministry by the end of February. The \$1.83-2.14 billion project would extend production at the field until 2020. The strategy would yield an extra 15 million cubic meters of oil or about 100 million barrels and 30-40 billion cubic meters of gas.

BP started commercial crude production at its Azeri field off the Caspian Sea coast of Azerbaijan. BP said the field will pump 35 million barrels of crude this year or 93,000 bpd. It said light crude from the Azeri field will initially be exported via Supsa and also the existing pipeline to Novorossiisk on Russia's Black Sea coast.

Delays for oil and gas tankers at the Turkish Straits fell to 7 days for a round trip journey to the Black Sea. Delays were three days to pass north through the Dardanelles and Bosphorus and four days south again.

Crude loadings at the port of Novorossiisk were suspended on Monday due to gale winds. The port was reopened last Friday after its operations were suspended for six days as a result of gale winds and sea swelling.

The UAE's oil terminals at Das Island and Zirku Island remained closed to oil tankers on Monday after the terminals were shut on Sunday due to high winds.

Germany's MWV reported that German heating oil sales in January fell 4.1% year on year to 2.17 million tons. Its diesel sales however increased by 2.5% to 2.03 million tons year on year in January while gasoline sales were unchanged at 1.89 million tons.

Kazakhstan's State Statistics Agency reported that its crude oil and gas condensate output increased to 5.36 million tons or 1.31 million bpd in January from 4.65 million tons a year earlier. Its crude oil output totaled 4.406 million tons or 1.08 million bpd in January while its gas condensate stood at 955,300 tons.

Nigeria's central bank reported that the country exported 69.13 million barrels of crude oil in December 2004 at an average price of \$47.72/barrel. In December, its production averaged 2.23 million bpd, down from 2.33 million bpd in November.

Pemex said Mexico increased its gasoline production last year by 5% to 467,000 bpd due to demand. Pemex said its overall output of petroleum products last year was 2% higher in 2003 at 1.6 million bpd. Mexico's gasoline imports also increased last year to about 175,000 bpd from 142,000 bpd as domestic demand increased to 636,000 bpd from 600,000 bpd. In regards to diesel, it produced an average of 324,700 bpd in 2004. Its natural gas production stood at 4.57 bcf.

Russia's Lukoil said its total 2004 hydrocarbon production reached 1.83 million barrels of oil equivalent/day, up 7.5% on the year. Its crude oil output totaled 86.2 million tons or 1.73 million bpd, up 7.4% on the year.

Ukraine's Black Sea port of Odessa oil and refined products loadings fell by 23% in January year on year to 1.24 million tons. January crude oil exports fell to 635,000 tons from 795,000 tons a year ago. Its total loadings fell to 30.55 million tons in 2004 from a record 33.51 million tons in 2003 as higher transportation tariffs in Ukraine prompted Russian oil firms to use other routes.

China Energy Research Institute reported that China's net oil imports in 2005 will continue to increase by 33% on the year to 140 million tons even as the country's economic growth tempers. Total consumption will increase to 340 million-350 million tons this year from 300 million tons in 2004. Demand is expected to continue rising steadily, to as much as 380 million tons in 2010 or 7.6 million bpd and as high as 500 million tons or 10 million bpd by 2020.

Thailand's PTT PCL stated that total petroleum demand increased by 7.7% year on year to 1.133 million bpd in 2004.

South Korea's diesel exports are expected to remain unchanged in March from February at about 520,000 tons.

India's crude oil imports increased by 40.14% to \$23.46 billion in the first ten months of the financial year starting April 2004.

Oil production at Vietnam's largest oilfield, Bach Ho, has fallen by 30,000 bpd or 12.5% to 210,000 bpd due to repairs on a production vessel that is expected to last at least six months.

Market Commentary

The crude oil market gapped higher on the opening from 47.48 to 47.60 in follow through strength seen in overnight trading. The market was supported by the comments made by OPEC's Secretary General that he did not rule out a possible production cut for the second quarter. The market was also supported

by the news of the continuing sabotage attacks in Iraq. The market quickly posted an intraday high of 47.75. However as it failed to test its resistance at 47.48, its

Technical Analysis		
	Levels	Explanation
CL 447.44, up 28 cents	Resistance 47.78, 48.25-48.60 47.75	62% (49.75 and 44.60), Remaining gap Monday's high
	Support 46.60, 46.55, 46.18 46.10, 45.80	Monday's low, 38% and 50% (44.60 and 47.75) Previous low, 62% retracement level
HO 129.44, down 1.14 cents	Resistance 133.50, 134.55, 135.00 132.25, 133.00	Previous high, 62%(142.00 and 122.50), Previous high Monday's high, Friday's high
	Support 127.75 126.51, 123.70	Monday's low & 50% retracement (122.50 and 133.00) 62% retracement level, Previous low
HU 127.80, down 57 points	Resistance 131.58, 132.50, 134.00 129.90 - 130.10	62% retracement (138.40 and 120.55), Previous highs Triple top
	Support 126.20 125.23, 124.00	Monday's low 50% retracement(120.55 and 129.90), Backfills gap

62% retracement level from a low of 44.60 to a high of 49.75, the market erased its gains and traded just below the 47.00 level to 46.90, where it found some support. The market which traded sideways

and attempted to trade back towards its high, later sold off even further and posted an intraday low of 46.60. In volatile trading, the crude market bounced off its low and erased all of its losses as it tested its intraday high ahead of the close. The March crude contract settled up 28 cents at 47.44. Volume in the crude market was good with 177,000 lots booked on the day. The heating oil market also opened stronger at 131.70 and quickly posted its intraday high of 132.25. However the market erased its gains and sold off to a low of 127.75. The market later bounced off its low and erased most of its losses as it traded back towards 130.80 ahead of the close. However a late bout of profit taking pushed the market back below the 130.00 level and settled down 1.14 cents at 129.44. Similarly, the gasoline market posted its intraday high of 129.90 but quickly gave up its gains and traded to a low of 126.80, where it held some support. However the market later sold off further and posted an intraday low of 126.20 before it once again bounced off its low and erased most of its losses. The market however sold off from its high and retraced most of its late gains as it traded back towards 127.00 ahead of the close. It settled down 57 points at 127.80. Volumes in the product markets were good with 41,000 lots booked in the heating oil and 39,000 lots booked in the gasoline market.

The crude market will likely remain supported ahead of the weekly petroleum stock reports despite its earlier losses as it was able to settle in positive territory. The market will continue to be headline driven. Technically, the crude market still has some room to the upside as its daily stochastics are still trending higher. The market is seen finding support at 46.60, 46.55 and 46.18 followed by 46.10 and 45.80. Meanwhile resistance is seen at its high of 47.75 followed by 47.78 and its remaining gap from 48.25-48.60.