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ENERGY MARKET REPORT FOR FEBRUARY 23, 2005

OPEC's President Sheikh Ahmad al-Fahad al-Sabah said OPEC will act if oil prices continue to rise. He said OPEC will strive to prevent prices from rising exceptionally high and to work for the stability of prices and the continued guarantee of crude oil on world markets. Separately, Nigeria's Presidential Adviser on Petroleum Edmund Daukoru said OPEC will increase its oil production when it meets to review its output policy on March 16 if prices increase further.

A senior Venezuelan government official said Venezuela will continue to be a reliable oil supplier to the US. Venezuela's Foreign Minister Ali Rodriguez said that just as the US has tried to diversify its suppliers of oil, Venezuela has the right to diversify its markets and is looking to sell more oil to China.

Market Watch

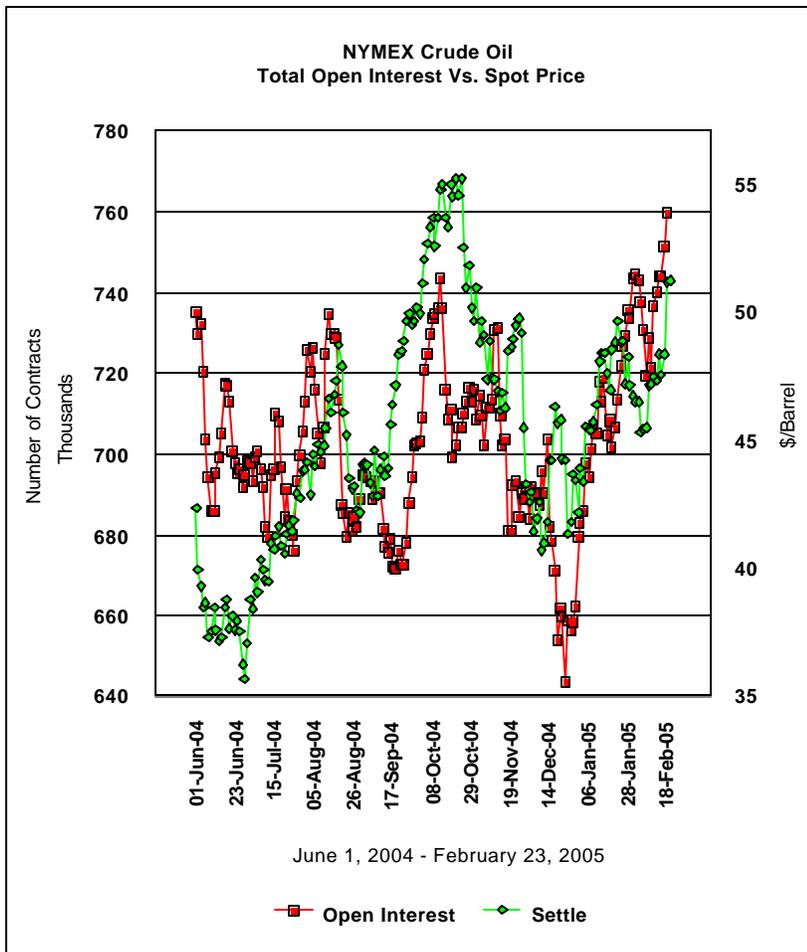
According to UBS, US refining margins fell for a third consecutive week, this time by 6.3% or 41 cents to \$6.09/barrel in the week ending February 19 as the gasoline inventory build weighed on the market. Gulf Coast margins fell by 56 cents to \$3.45/barrel while WTI based East Coast margins fell by 72 cents to \$3.30/barrel. Meanwhile margins in the Midwest fell by 25 cents to \$5.87/barrel while margins in California fell by 90 cents/barrel to \$15.95. Margin in the West Coast increased by \$1.69 to \$13.33/barrel. European margins were also lower a second consecutive week, down 51 cents/barrel to \$3.78 while margins in Asia improved by 12 cents/barrel to \$8.09.

Deutsche Bank sharply increased its oil price forecast to \$40/barrel for Brent in 2005, up 16% from its previous estimate of \$34.50 due to expected low supply growth, under-investment in energy infrastructure and a weak dollar.

Iran's President Mohammed Khatami said the US would pay a heavier price than Iran if it tried to infringe upon Iran's independence. President George W. Bush has accused Iran's clerical leaders of sponsoring terrorism, trampling on human rights and secretly building nuclear arms, although he stressed that diplomatic efforts to resolve the differences were only just beginning. Iran has dismissed the US charges as propaganda and accuses the US of conducting arrogant and destructive policies in the Middle East in support of its ally, Israel.

Iraq's interim Prime Minister Ayad Allawi said he is forming a coalition to fight for the post of prime minister after Iraq's dominant Shi'ite political party nominated a conservative for the job. He would not provide details of the proposed coalition but promised it would seek to establish a government which believes in Iraq and its principles.

BP's chief executive John Browne reiterated his company's refusal to consider investment in Iran's oil and gas resources. He said it is not right for BP to be in Iran given the hostility between Iran and the US.



Refinery News

Iraq's Oil Ministry reported that it has repaired one of the production lines of Iraq's Doura refinery after the refinery was sabotaged on December 30. The refinery, which had been running at 110,000 bpd, lost half of its product capacity after they attacked one of the pipelines feeding the refinery. The Oil Ministry did not state whether the refinery returned to full capacity.

BP's 175,000 bpd Coryton refinery is due to restart in mid-March after it was shut in mid-February.

Russia's TNK-BP plans to shut its 200,000 bpd Saratov refinery for about a month starting in mid-March. The Saratov refinery should return to normal operations around the middle of April.

Japan's Cosmo Oil Co and Kyokuto Petroleum Industries Ltd said they had suspended waterborne oil product shipments from their facilities in Chiba prefecture bordering Tokyo

due to high waves. However refining operations at Cosmo's 240,000 bpd refinery and Kyokuto's 175,000 bpd refinery were unaffected.

Production News

The Houston Ship Channel was closed to incoming traffic due to dense fog on Tuesday afternoon but is expected to reopen on Wednesday.

The Norwegian Petroleum Directorate estimated total recoverable petroleum resources on the Norwegian Shelf as of December 31, 2004 at 12.9 billion standard cubic meters of oil equivalents. It said the recoverable petroleum resources consist of both the original marketable and the remaining petroleum resources.

Norway's Statoil has nominated blocks in the Norwegian Sea and the Barents Sea for Norway's 19th licensing round. Acreage will be offered by mid-2005 and licenses are expected to be awarded in the first quarter of 2006. It also reported that pilot production has started from its Topas discovery in the North Sea. The company said the structure contains just over 10 million barrels in estimated recoverable oil reserves. It said it will consider drilling more wells in the area based on the pilot production phase.

Kuwait's Prime Minister Sheikh Sabah al-Ahmad al-Sabah inaugurated a new south pier at Mina al-Ahmadi refinery's oil export terminal. The new pier will help Kuwait National Petroleum Co in the export of refined petroleum products.

Azerbaijan's SOCAR has awarded a tender to lift a 140,000 ton or 1.026 million barrel cargo of Urals crude to Total. The cargo will load at Russia's Black Sea port of Novorossiisk on March 23-24.

Japan's Ministry of Economy, Trade and Industry reported that Japan's kerosene stocks fell by 7.2% to 2.36 million kiloliters or 14.84 million barrels in the week ending February 19. It reported that total product stocks fell by 3% to 11.099 million kl. Traders stated that kerosene stocks are likely to show a further decline this week as temperatures in northeast Japan remain below normal. The Ministry of Economy, Trade and Industry stated that the average operating rate of Japanese oil refineries was 93.8% in the week ending February 19 compared with 91.8% in the previous week.

Meanwhile, Japan's Finance Ministry reported that the country's crude oil imports fell by 6.1% on the year in January to 20.644 million kiloliters or 129.85 million barrels. Imports are also sharply lower than December's 23.163 million kl or 4.7 million bpd, which were down 1.6% from 2003. Meanwhile, researchers at the Institute of Energy Economics Japan, the country's projected oil demand from utilities will fall by 19.1% to about 140,000 bpd in the year starting in April.

Ukraine will impose a 20% value added tax on oil imports from March 1 to increase budget revenues.

Pemex said it expects to tender multiple service contracts for three or more blocks in its Chicotepec oil and gas fields. It estimates that there are 130 billion barrels of oil equivalent in Chicotepec. However just 12 billion barrels are listed as proven.

Market Commentary

The NYMEX crude market ended the session in negative territory despite the continued strength in the heating oil market, which settled up 4.29 cents at 148.31 amid the cold weather forecasts. The crude market opened 32 cents lower at 51.10 amid the reluctance to push the market higher following Tuesday's sharp gains. The market seems to believe that OPEC will be less likely to cut its output following the comments made by OPEC's President. He stated that it was unlikely for OPEC to cut its output in light of the high oil prices. The crude market posted an inside trading day as it retraced almost 50% of Wednesday's move from a low of 49.75 and a high of 51.70. It traded to a low of 50.88 before it bounced into positive territory early in the session amid the strength in the heating oil market. The market rallied to a high of 51.60 before it erased its gains and settled in a range. The April crude contract which failed to breach its high late in the session, sold off ahead of the close and settled down 25 cents at 51.17

despite the rally in the heating oil market. Volume in the crude market was good with 184,000 lots booked on the day. open interest in the crude market

Technical Analysis		
	Levels	Explanation
CL 51.17, down 25 cents	Resistance 52.00, 52.50, 52.80 51.60, 51.70	Previous highs Double top
	Support 51.00, 50.88 49.75 to 49.25, 48.49	Wednesday's low Opening gap (February 22nd), 50% (45.27 and 51.70)
	Resistance 148.95, 150.60, 152.50 148.75	Previous highs Wednesday's high
HO 148.31, up 4.29 cents	Support 145.00, 143.90 142.50, 138.70 to 135.50	Wednesday's low, Opening gap (February 22nd)
	Resistance 134.00, 135.00, 135.50 132.00, 132.80	Previous highs Wednesday's high, Tuesday's high
HU 131.14, up 25 points	Support 130.50, 128.80 128.00 to 127.00	Wednesday's low Opening gap (February 22nd)

continued to build amid the rally in the market. Open interest in the March contract fell by 16,861 lots amid the contract's expiration. However open interest in the April contract built by 15,740 lots while the May and June contracts also saw builds of 3,432 and 1,617 contracts, respectively. The heating oil market opened down about 1.5 cents at 142.50, its intraday low as traders took some profits following Tuesday's rally. The market however bounced off that level and never looked back. It quickly breached its previous high and rallied to a high of 145.50 before it settled in a sideways trading pattern. However the market later breached its resistance on good spread activity and rallied over 4.7 cents as it traded to a high of 148.75 ahead of the close. Similar to the crude market, the gasoline market posted an inside trading day after failing to breach Tuesday's range. The market opened down 1.39 cents at 129.50 and quickly traded to a low of 128.80. However the market bounced off its low and retraced its losses as it traded to 131.80. The market settled in a sideways trading range before it rallied to a high of 132.00 ahead of the close. It settled up just 25 points at 131.14. Volumes in the product markets were excellent with over 83,000 lots booked in the heating oil and 58,000 lots booked in the gasoline market.

The oil complex on Thursday will be driven by the weekly petroleum stock reports which are expected to show builds of about 1 million in crude stocks, draws of about 2 million barrels in distillate stocks and builds of about 1 million barrels in gasoline stocks. If the reports fail to show the expected draws in distillate stocks, the markets are seen retracing today's sharp gains. The crude market is seen finding resistance at its high of 51.60 to 51.70 followed by more distant resistance at 52.00, 52.50 and 52.80. Support is however seen at 51.00 followed by its low of 50.88. More distant support is seen at its gap from 49.75 to 49.25 followed by 48.49.