



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 25, 2005

The head of the IEA, Claude Mandil, called on OPEC to refrain from cutting its oil output at its March meeting. He also stated that high oil prices are damaging economic growth and top producers should avoid saying that prices will stay at current levels.

Meanwhile, an Indonesian government official said he will urge OPEC to also refrain from cutting its production level at its meeting in March. He said there is no need to cut production in light of the high oil prices.

According to Petrologistics, OPEC producers are producing 29.8 million bpd in February, up 600,000 bpd from revised January levels. The ten OPEC producers are estimated to produce 27.93 million bpd in February, up 490,000 bpd from a revised January level. Saudi Arabia increased its supply by 400,000 bpd to 9.5 million bpd in February. Iraq's production increased by 100,000 bpd to 1.86 million bpd in February while Nigeria and Venezuela both increased their production by 50,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by \$0.52/barrel to \$45.24/barrel on Thursday.

Refinery News

Valero Energy Corp plans to perform maintenance work at its Texas City, Texas refinery in Complex 3 on March 5. The work is expected to be completed within about 24 hours.

Production News

Market Watch

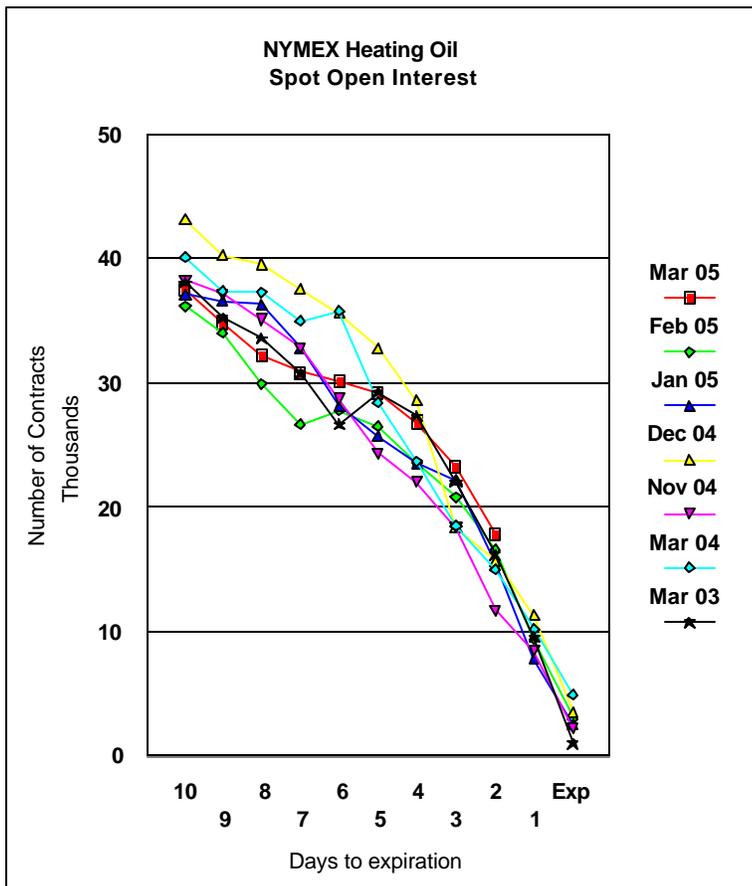
Norway's Oil and Energy Minister Thorhild Widvey is scheduled to meet with new US Energy Secretary Samuel Bodman in Washington, D.C. next Friday. They are expected to discuss liquefied natural gas exports from Norway to the US, Norway's 19th licensing round and US companies' involvement on the Norwegian Continental Shelf.

Russia's Finance Ministry reported that Russian crude oil export duty could increase to a record high of \$102/ton from April 1. The current export duty was set at \$83/ton on February 1.

Venezuela's President Hugo Chavez said the US is preparing a plan to destabilize Venezuela because US government officials see his leftist revolution as undermining the region's stability.

The NYMEX announced today that as of the close of business on February 28th it will increase the margins on all months of its Gulf Coast vs. Gulf Coast heating oil spread swap futures contract and its NYH gasoline vs. heating oil spread swap futures contract by \$1472 to \$2363 for customers. Margins on all months of the USG jet fuel vs NYH heating oil spread swap though will be reduced by \$418 to \$473. Margins on all months of the USG heating oil crack spread swap futures and the USG gasoline crack spread swap futures will be increased by \$340 to \$2835. Margins on the heating oil up-down spread swap futures contract will also be increased by \$77 to \$540. Margins on the gasoline up-down swap futures contract though will decrease \$351 to \$540.

Buckeye Partners LP's product pipeline system is operating normally after an electrical power failure last Friday shut a pumping station for two days.



Baker Hughes reported that the total number of rigs searching for oil and natural gas in the US fell by 14 to 1,281 in the week ending February 25. It reported that the total number of rigs searching for oil fell by 8 to 189.

Statoil ASA is scheduled to submit a plan to develop its Statfjord natural gas Late Life Project to the Norwegian Oil and Energy Ministry. The company has previously stated the project would deliver an extra 94 million barrels of oil and between 30 billion cubic meters and 40 billion cubic meters of natural gas.

Russia's pipeline monopoly Transneft's draft schedule showed Novorossiisk loading 4.1 million tons of oil in March or 969,000 bpd, up from 3.9 million tons in February. However traders stated that the March figure included 700,000-900,000 tons of February oil. Meanwhile loadings at Primorsk on the Baltic were set to increase to 4.8 million tons or 1.13 million bpd in March from 4.5 million tons in February.

Russia's Industry and Energy Ministry said oil and gas condensate output in Russia increased by 4.9% on the year to 30.515 million tons from February 1-24. It reported that country's diesel fuel exports increased by 10.7% to 807,000 metric tons from February 1-10. Its gasoline exports also increased by 17.1% on the year to 166,400 metric tons during the first ten days of the month. The ministry also reported that oil exports from Russia to countries outside the Commonwealth of Independent States increased by 17.2% on the year to 15.123 million tons from February 1-24.

Adverse weather conditions interrupted oil loadings at Russia's main Black Sea port of Novorossisk on Friday.

Turkish maritime authorities closed the Bosphorus shipping channel to tanker traffic due to heavy fog. At least seven tankers were waiting at both ends of the Bosphorus while 11 tankers at the Dardanelles were scheduled to cross the strait on Friday. Current shipping delays through the Turkish straits for daylight restricted tankers are four days for a round trip journey.

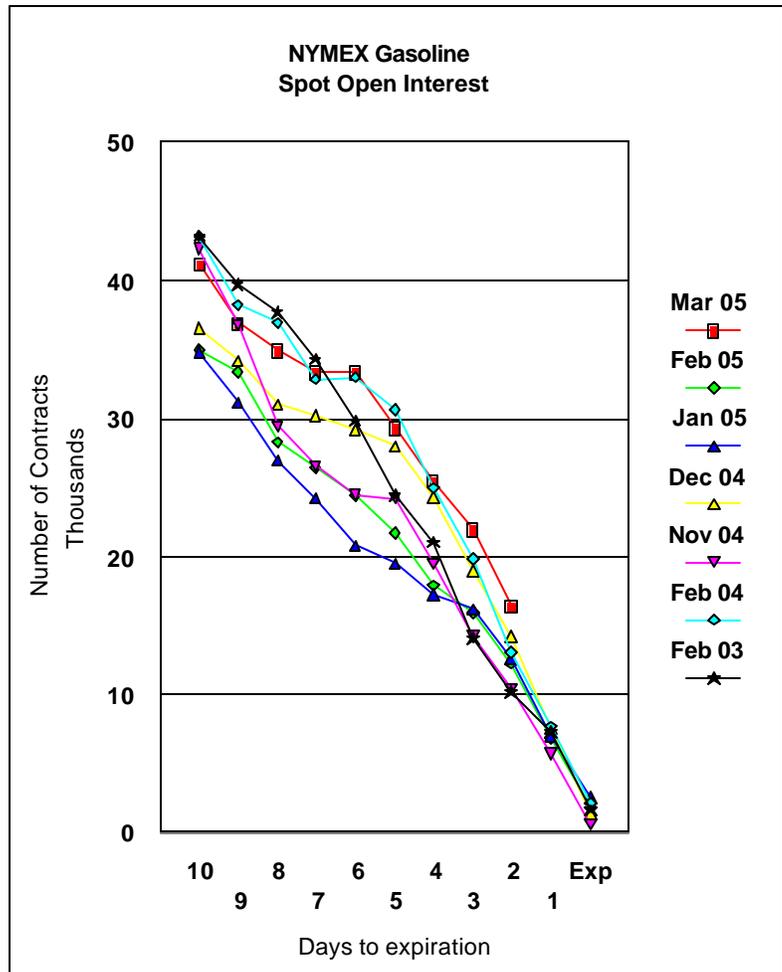
Indonesia estimated crude oil production would fall 6% in 2005 from last year's 968,200 bpd. In January, its crude production fell by 2.2% to 952,600 bpd from 974,000 bpd in December. Its condensate output was steady at 133,000 bpd in January, unchanged on the month.

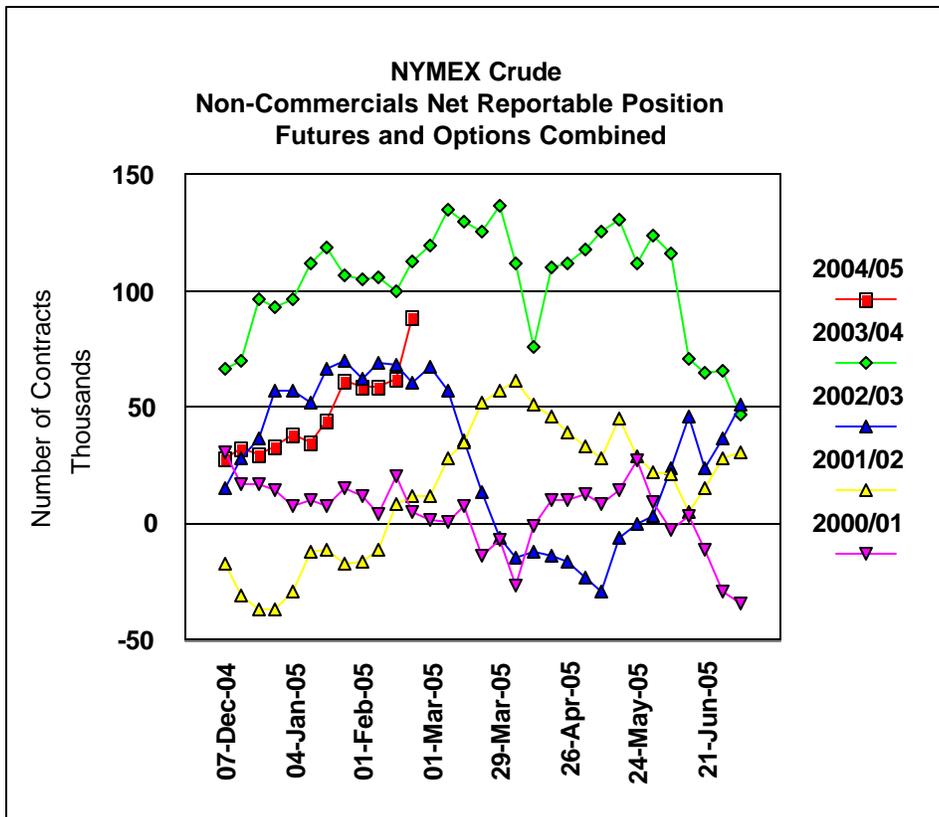
Nigeria lowered the official selling price of its Bonny Light crude by 10 cents to Dated Brent plus 45 cents. The price of Qua Iboe crude was similarly lowered to Dated Brent plus 45 cents while Forcados blend was kept steady at Dated Brent plus 35 cents.

Japan's AOC Holdings Inc said it will sign a production sharing contract, through its oil and gas exploration unit Arabian Oil Co with Egyptian General Petroleum Co for the offshore Northwest October oil and gas field in the Gulf of Suez. Arabian Oil will start exploration work in the field soon after the contract is signed. The company expects to start commercial production of crude and natural gas in 2007.

Market Commentary

The oil market ended slightly higher after posting an inside trading day following the recent volatile sessions. The market opened down 34 cents at 51.05 and quickly posted its intraday low of 50.95 as it continued to retrace its recent gains. The market however bounced off its low and settled in a sideways trading range from 51.00 to 51.50 for most of the session before some buying ahead of the close pushed the market to a high of 51.90. However as the market failed to test Thursday's high of 52.05 the market retraced some of its gains and settled up just 10 cents at 51.49. Volume in the crude was lighter today, with 187,000 lots booked on the day. Meanwhile the product markets ended the session in negative territory for the second consecutive day following the markets' run to the upside earlier in the week. The heating oil market, which settled down 1.09 cents at 145.41, opened 1 cent lower at 145.50 and traded to a high of 146.50 early in the session before it breached Thursday's low of 144.30 and sold off to a low of 143.30. However the market traded mostly sideways and rallied to a high of 147.00 late in the session. The market later erased some of its gains ahead of the close. The gasoline market also ended the session lower after the market posted its intraday high of 127.50 early in the session. It traded off to a low of 124.00, where it held good support. It attempted to trade back towards its high but quickly found some selling that pushed it near its low at the end of the session. Volumes in the product markets were also lighter during today's session, with 64,000 lots booked in the heating oil and 63,000 lots booked in the gasoline market. Open interest in the heating oil market built by only 717 contracts with open interest in the March contract falling by 5,490 contracts to 17,816. Meanwhile open interest in the gasoline market also built by 141 contracts with open interest in the March contract falling by 5,463 contracts to 16,492. March open interest, as of Thursday, in both the heating and gasoline market are still well above the average ahead of their expiration on Monday.





According to the latest Commitment of Traders report, non-commercials in the crude market increased their net long positions from 31,628 contracts to 54,176 contracts in the week ending February 22nd. The combined futures and options report also showed that non-commercials in the crude increased their net long positions from 62,805 contracts to 88,592 contracts on the week. This was amid the market's continued strength, which pushed it over the 50.00 level on Tuesday. Given the market's move during the past few session, non-commercials have likely added to their net long

positions as open interest continued to climb. Meanwhile, non-commercials in the heating oil market cut their net short positions from 9,844 contracts to 3,224 contracts while non-commercials in the gasoline increased their net short position from 17,657 contracts to 25,093 contracts on the week.

The oil market, which failed to test its previous high, is seen holding good resistance as its stochastics look ready to cross to the downside. The market is seen

Technical Analysis		
	Levels	Explanation
CL Resistance 51.49, up 10 cents Support	52.05, 52.50, 52.80 51.90	Thursday's high, Previous highs Friday's high
	50.95, 50.46 49.75 to 49.25, 48.66	Friday's low, Thursday's low Opening gap (February 22nd), 50% (45.27 and 52.05)
HO Resistance 145.41, down 1.09 cents Support	152.00, 152.50 147.00, 149.25	Thursday's high, Previous high Friday's high
	143.30 142.50, 138.70 to 135.50	Friday's low Wednesday's low, Opening gap (February 22nd)
HU Resistance 125.45, down 2.93 cents Support	132.50, 132.80, 134.00 127.50, 129.50, 130.80	Thursday's high, Previous highs Friday's high
	124.00 123.25, 122.85	Friday's low Previous lows

retracing its recent gains barring any bullish news over the weekend. Even though the weather forecasts are still supportive, other fundamentals such as inventories should provide little support to the market as we have mentioned before. The market is seen finding resistance at its high of 51.90, 52.05 followed by its previous highs of 52.50 and 52.80. Meanwhile support is seen at 50.95, 50.46 followed by its gap from 49.75 to 49.25.

