



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 25, 2005

According to Iraqi oil official, Iraq will restart crude oil exports from the northern pipeline to Turkey within 10 days. Iraqi crude exports via the northern pipeline is not expected to resume until the pipeline is completely secure. Iraq has pumped little crude through the pipeline since a sabotage attack damaged the line on December 18. The line resumed pumping briefly on February 14 but was sabotaged once again the next day. The official said reserves will be built up at 200,000 bpd and held in storage near the Turkish border.

OPEC's Secretary General, Adnan Shihab-Eldin said OPEC will meet the current strong demand for crude and will not rule out a decision to increase its production to ensure there is adequate supply. He said all options are open. He said OPEC producers believe current oil prices are on the high side but see consensus building in \$40-\$50/barrel as a sustainable range.

Market Watch

The Climate Prediction Center reported that there was a total of 165 HDD in the week ending February 26th. It is up 1.2% on the year and down 3% from normal. It also reported that there was a total of 253 HDD on an oil home heating customer weighted basis, up 16% on the year and up 10% from normal. It estimated that in the week ending March 5th, the US will see a total of 173 HDD, up 66.3% on the year and up 9% from normal. It also estimated a total of 245 HDD on an oil home heating customer weighted basis, up 84.2% on the year and up 14% from normal.

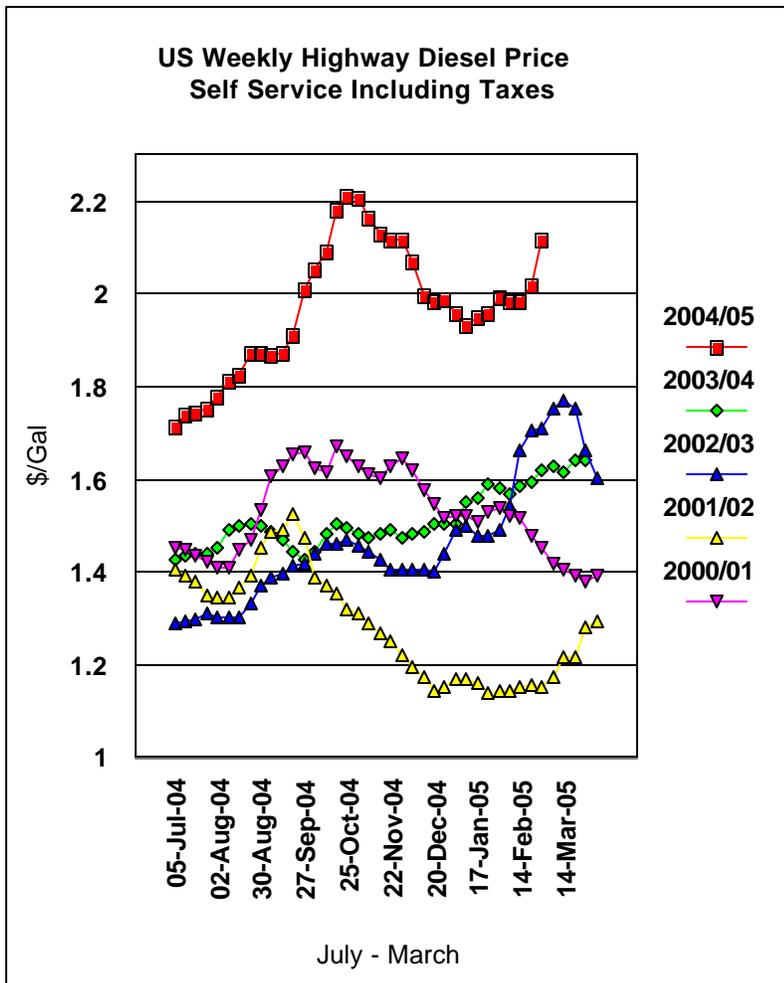
Refiners Repsol, BP and Petrogal booked four spot shipments to move about 540,000 tons of crude from the Gulf of Mexico to Europe in March. Repsol chartered a vessel, the Authentic, to carry 142,500 tons from the east coast of Mexico to Spain loading on March 19 and another similarly sized tanker. Petrogal booked the Desh Shakti to carry 130,000 tons to Sines on March 12 while BP booked the SKS Sira to carry 130,000 tons to northern Europe or the Mediterranean on March 13.

Lehman Brothers increased its price estimate for WTI oil and gas prices to \$45/barrel and \$6/mcf and \$40/barrel and \$5.75/mcf in 2006.

Brazil's Petrobras expects the price of Brent crude to average \$35-\$40/barrel this year. It however stated that it expects the price of Brent crude to fall to \$33 to \$35/barrel range in the long term. Production which stood at 1.73 million bpd in the fourth quarter is expected to increase by 15-17% in 2005.

Iran's Oil Minister Bijan Namdar Zangeneh said BP PLC is no longer welcomed to invest in Iran's oil and gas sector. He said BP's alleged disinterest in investing Iran's energy projects is solely a political gesture aimed at appeasing the US government.

Germany's national meteorological service said Germany's winter was warmer than usual despite a cold snap. In December 2004-February 2005 temperatures averaged 0.7 degrees Celcius or about half a degree above the long term average of 0.2 degrees. However temperatures have fallen and most of the country is expected to remain colder in the first days of March.



Meanwhile OPEC President, Sheikh Ahmed Fahd al-Sabah said he will not recommend a production ceiling cut during its March meeting. However he said there was a possibility of an increase in production if prices remained high and there was a supply shortage. He said almost all OPEC members, including Iran, Qatar, Venezuela, Indonesia, Saudi Arabia, Libya and Algeria, do not support any change to the production ceiling. Separately, Kuwait's Prime Minister Sheikh Sabah al-Ahmad al-Sabah said he was unhappy about the current high oil prices and added that the high prices were not in Kuwait's long term interests.

The head of OPEC affairs at Iran's Oil Ministry said OPEC has less interest in cutting its output due to high prices. However Iran's OPEC Governor Hossein Kazempour Ardebili said that OPEC members would have to keep a close eye on increasing non-OPEC production and a declining growth in world crude demand. Qatar's Energy Minister Abdullah al-Attiyah said that OPEC could leave production levels

unchanged at the March meeting. He said there was little OPEC could do to lower prices.

German Chancellor Gerhard Schroeder said that higher oil prices and the transparency of oil markets would be topics for discussion at the next meeting of the Group of Eight nations. He urged oil producers to increase their output.

OPEC's news agency reported that OPEC's basket of crudes increased by \$0.25/barrel to \$45.49/barrel on Friday compared with \$45.24/barrel on Thursday. OPEC's news agency also reported that OPEC's basket of crudes increased by \$2.28/barrel to \$43.96/barrel in the week ending February 24th.

The EIA reported that the US average retail price of diesel fuel increased by 9.8 cents/gallon to \$2.118/gallon in the week ending February 28th. The US average retail price of gasoline increased by 2.3 cents/gallon to \$1.928/gallon on the week.

Refinery News

Premcor Inc shutdown a hydrocracking unit at its 255,000 bpd Port Arthur, Texas refinery on February 27 for maintenance. Premcor said a valve associated with a drum was cracked and would be replaced, shutting down the drum and hydrocracking unit until March 3.

Valero reported that the complex one regenerator stack and associated equipment at its Houston, Texas refinery will start up on February 28 following maintenance.

LaGloria plans to shut down its sulfur recovery unit/amine system at its Tyler, Texas refinery for maintenance on February 28 to March 2. It will also shut down the crude unit and other process equipment which will minimize sulfur going to the fuel gas drum.

Operations at BP's Whiting, Indiana refinery was not affected by a small fire Saturday on a scaffold where workers were overhauling a unit at the plant. Workers were conducting planned maintenance at a unit when a fire started. Market sources said BP was undergoing a turnaround at a fluid catalytic cracking unit.

ConocoPhillips plans to restart a fluid catalytic cracker unit between March 15 and March 21 at its 146,000 bpd refinery in Borger, Texas.

Western Refining Co L.P. is investigating increased emissions at its 107,000 bpd refinery complex in El Paso, Texas. It stated that increased nitric oxide emissions were coming from a gasoline producing fluid catalytic cracking unit in the north plant of its refinery complex.

Tamoil will shut its 72,000 bpd Collombey refinery in Switzerland for about three weeks of maintenance and upgrading work starting in mid-March.

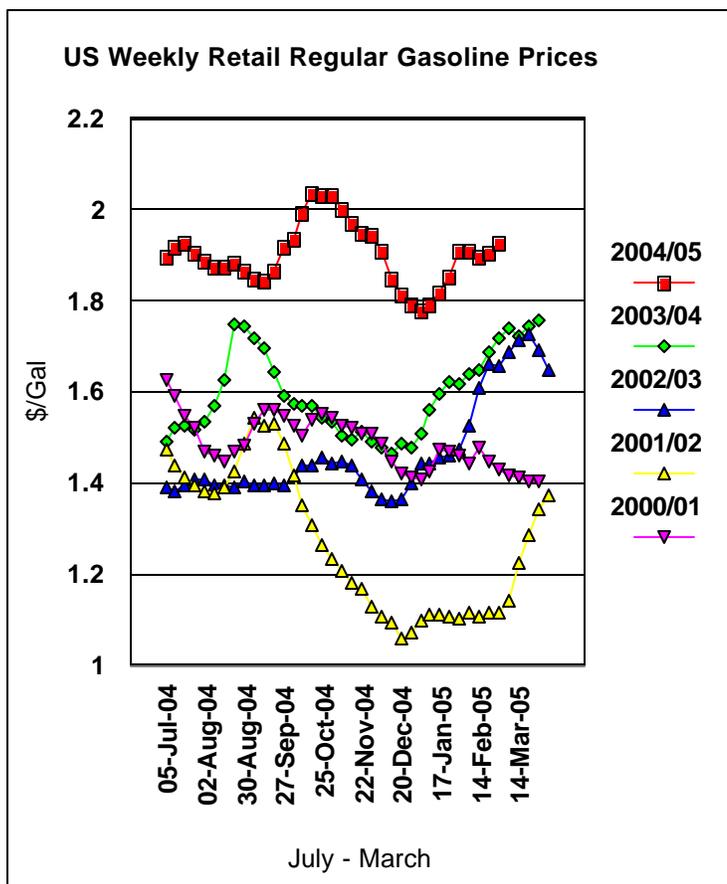
Idemitsu Kosan Inc said it will increase its crude runs in March by 22% on the year to 2.8 million kiloliters or 568,129 bpd.

Production News

BP's Olympic Pipeline is ready to restart later on Monday. The pipeline pipeline running from Puget Sound refineries to Portland, Oregon was taken out of service early Friday for planned maintenance. Traders said the maintenance outage had little if any impact on gasoline.

Nigerian oil unions gave the government and energy firms a 21 day ultimatum on Monday to address concerns over workers welfare and job cuts or face industrial action. Pengassan and Nupeng unions said they were opposed to further layoffs by the Nigerian National Petroleum Corp and Royal Dutch/Shell without due consultation.

Abu Dhabi National Oil Co in the UAE is expected to limit its extra supply of crude at 1 million barrels above its normal term allocations for April. It is less than the 2 million barrels of extra volumes allocated for March loading. It has notified its term lifters it would supply full contractual



volumes of April loading crude. Traders said regular maintenance in May and June on Das Island, where the Umm Shaif and Lower Zakum oilfields are located, might have prompted ADNOC to offer lower additional volumes for April loading as it builds stocks ahead of maintenance shutdown.

Statoil ASA said it may not be able to drill all the wells it originally hoped for on the Norwegian Continental Shelf in 2005 due to last year's rig strike, bad winter weather and a problem with one of the rigs it had planned to use. It planned 18-20 exploration wells to be drilled this year.

Russia's main Black Sea port of Novorossiisk was closed over the weekend due to adverse weather conditions.

Russia's final crude export schedule for March showed that sharply lower volumes at the Black Sea port of Novorossiisk. The overall schedule also showed that Yukos will also have two cargos in March. Pipeline monopoly Transneft scheduled 3.843 million tons or 908,000 bpd to load at Novorossiisk, down from 3.9 million tons planned in February and 4.1 million tons included in last week's draft program. The March Novorossiisk program is effectively at 3.2 million tons, far below the port's actual capacity. At Primorsk, 4.634 million tons had been scheduled compared with 4.5 million tons last month.

Russia's oil export duties may increase to a record \$101.7/ton of oil from the current \$83/ton as of April 1. A source said the export duty may be raised once monitoring of oil prices in January and February is completed.

The Russian region of Leningrad approved plans to build three new oil terminals on the Gulf of Finland that could increase Russia's export capacity to northwest Europe by 600,000 bpd by 2008. Also, Russia's TNK-BP was granted permission to continue a feasibility study for its planned terminal. The Russian section of the Gulf of Finland has at least 12 new oil export projects and if all the projects start operations, total annual oil shipments on the Baltic could push beyond 170 million tons a year or 3.4 million bpd.

Pemex said it exported 1.82 million bpd of crude oil in January, down from 1.974 million bpd in December. It said that out of its total January exports, 1.65 million bpd went to the US and other parts of the Americas and 170,000 bpd went to Europe. Its natural gas production averaged 4.61 bcf/d, up 4.539 bcf/d in December.

Brazil's Petrobras said its average oil production in 2005 is estimated to total 1.7 million bpd. Meanwhile Brazil's overall domestic consumption of oil is expected to reach 1.9 million bpd by the end of 2005.

India's government announced sharp cuts in the import taxes on crude, gasoline, gasoil, LPG and kerosene as part of its 2005-2006 budget. The customs duty on crude imports was cut to 5% from 10% while taxes on gasoline and gas oil imports were cut to 10% from 15%. Industry officials said India's decision to restructure the tax regime for the oil sector will affect oil refiners, crude oil producers and pipeline operators. Refiners will lose due to lower protection and higher excise duties while pipeline operations will be hit by a 10% tax which will make it harder to compete with the railways.

Market Commentary

The oil market ended the session in positive territory near its opening price as it continued to trade within Thursday trading range. The April crude contract opened up about 30 cents at 51.82 in follow through buying seen in overnight trading amid the strength in the heating oil market. The complex seemed to have been well supported by the weather forecasts calling for cold weather and the

expected snow storm in the Northeast. The crude market immediately posted an intraday high of 52.00 but quickly erased its gains as it failed to test its overnight high of 52.28. The market later sold off to 51.10, where it held good support. The market bounced off that level and traded mostly sideways ahead of the close. It settled up 26 cents at 51.75. Volume in the crude market was good with 181,000 lots booked on the day. Meanwhile the heating oil market gapped higher from 147.00 to 148.50 as it opened more than 3 cents higher in light of the weather forecasts. The market later backfilled its gap and traded to a low of 146.50. However the market bounced off that level and traded to a high of 150.00 late in the session as traders continued to liquidate their position ahead of its expiration at the close. It settled up 3.73 cents at 149.14. Similarly, the April heating oil contract settled up 2.56 cents at 145.42 after it gapped higher from 144.50 to 145.00. The market which backfilled its gap as it fell to a low of 143.30, later bounced off that level and later rallied to its high of 145.90 in afternoon trading. Unlike the crude and heating oil markets, the gasoline market ended the session in negative territory with the March gasoline contract settling down 89 points at 124.56. The March contract opened down 95 points at 124.50 and traded to a high of 126.50 before it sold off to a low of 121.10. However the market later bounced off its low ahead of its expiration. The April gasoline contract however posted an inside trading day after it posted its intraday high of 142.20 early in the session before it sold off to a low of 139.90. It settled down 39 points at 141.18. Volume in the product markets were excellent with 67,000 lots traded in the heating oil and 59,000 lots traded in the gasoline.

Technically, the crude market on Tuesday is still seen holding its resistance after it failed to breach its previous high of 52.05 and test its overnight high of 52.28. If the market does remain supported by the weather forecasts and it breaches those resistance levels despite the non-supportive fundamentals,

more distant upside is seen at 52.50 followed by 52.80. Meanwhile support is seen at its lows of 51.10, 50.95 and 50.46. More distant support is seen at 49.75 and 49.25.

Technical Analysis		
	Levels	Explanation
CL 51.75, up 26 cents	Resistance 52.28, 52.50, 52.80 52.00, 52.05	Overnight high, Previous highs Monday's high, Previous high
	Support 51.10, 50.95, 50.46 49.75 to 49.25, 48.66	Monday's low, Previous lows Opening gap (February 22nd), 50% (45.27 and 52.05)
HO 145.42, up 2.56 cents	Resistance 146.70 145.90 April	Previous high Monday's high
	Support 144.60 143.30, 141.00, 140.65	Monday's low, Previous lows
HU 141.18, down 39 points	Resistance 144.80 142.20, 142.70 April	Previous high Monday's high, Previous high
	Support 139.90 139.50, 138.50 to 137.00	Monday's low Previous low, Opening gap (February 22nd)