



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 9, 2005

A senior OPEC delegate said OPEC will pump more oil to meet increasing demand if ministers do not decide to formally increase OPEC's output ceiling at its meeting. However the delegate said the extra supplies may not lower oil prices because speculators and a fear of a supply shortage are fueling the rally.

OPEC's Economic Commission Board see high prospects for a quota rollover next week but urged the cartel to keep close tabs on anticipated demand growth. It estimated world demand growth at 1.9 million bpd, up 200,000 bpd from its previous assessment.

Indonesia's OPEC governor, Maizar Rahman said Indonesia will support a decision to roll over OPEC's current output ceiling at its upcoming meeting, due to persistently high crude prices in the world market. He also said OPEC is unlikely to cut its production.

Venezuela's Oil Minister said he was comfortable with oil prices at their current level. Meanwhile, Venezuela's President Hugo Chavez stated that OPEC is producing at full capacity and there is no spare capacity left.

Market Watch

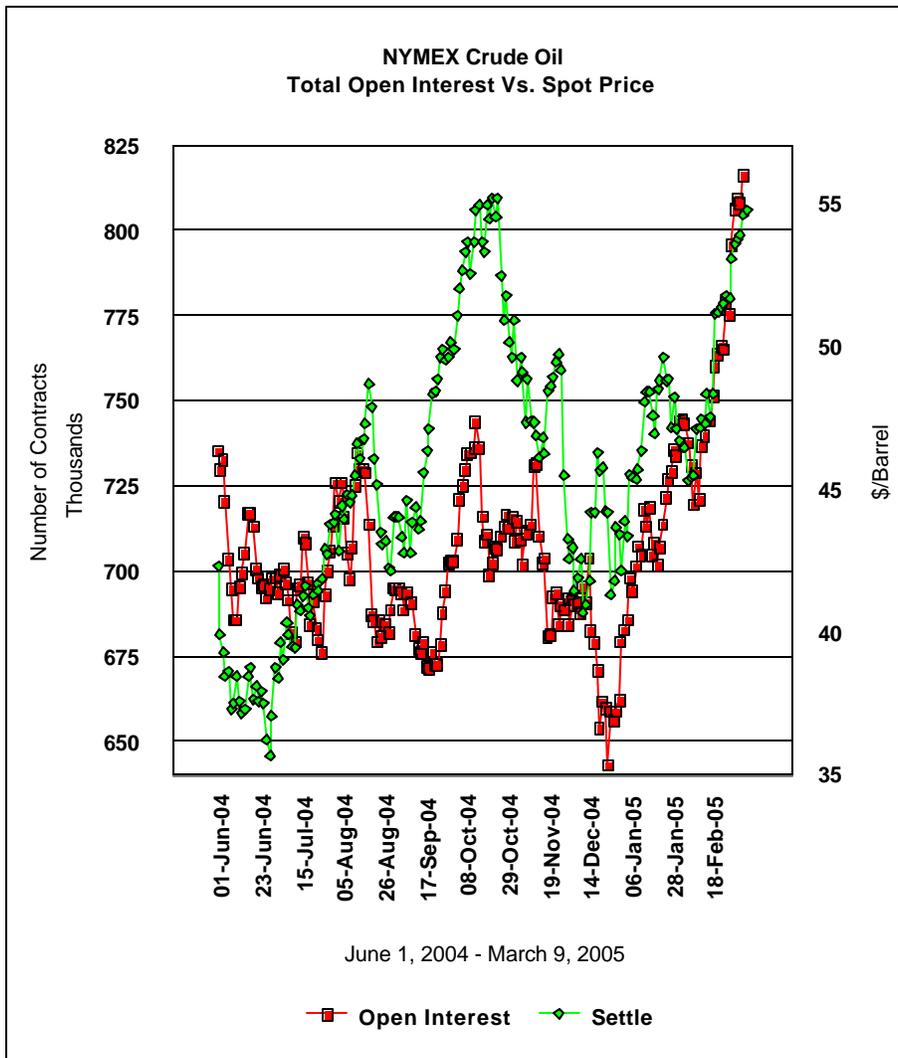
The EIA stated that crude oil imports will likely play a critical role in the oil markets this spring as petroleum demand increases and the US economy grows. US refineries may undergo heavier than usual refinery maintenance this year, leaving less time to prepare for spring's demand increase.

Saudi Aramco notified its customers that it has kept April crude supply steady to term customers in the US and Europe. Customers said they had expected no change in supply, despite surging oil prices. Saudi Aramco will supply oil majors at about 28-30% below contract volumes in April. US majors will receive about 25-30% less than their full annual contracts while European refiners will receive about 27-30% less than their full contracts.

ExxonMobil Corp reiterated its forecast of increasing oil and gas production by about 3% each year on average over the long term.

Venezuela's President Hugo Chavez said Venezuela is looking to accelerate talks with France's Total on the \$5 billion heavy crude upgrading project. Total is a partner with PDVSA at the Sincor crude upgrading project. Sincor processes more than 200,000 bpd of heavy crude into 160,000 bpd of marketable synthetic crude. He said Total SA is to double its oil production from 200,000 bpd to 400,000 bpd.

South Korea's Finance Ministry officials stated that high world oil prices are unlikely to have a major impact on South Korean economic growth and inflation this year due to the cushioning effect of a firmer won. An official stated that oil prices appeared to have risen sharply in dollar terms however they have not risen as much in terms of other currencies.



US Energy Secretary said the Bush Administration is in frequent contact with OPEC members to let them know that the US is concerned about high oil prices. Meanwhile, the White House said it would not use the country's SPR as a way to try to reduce increasing gasoline prices. White House spokesman Scott McClellan said the stockpile was to be held in reserve in the event there is a disruption of supply. This follows a call from US Sen. Chuck Schumer and others on the Bush administration to tap the SPR to lower gasoline prices ahead of the summer driving season.

The EIA reported that the price of US retail heating oil reached a record high of \$2.09/gallon, up 4.5 cents/gallon on the week due to a cold snap in the East Coast and a rally in crude oil prices.

Iraq's State Oil Marketing Organization has increased its April official selling price for its Basra Light crude to the US, Europe and Asia. Basrah Light bound to the US was priced at second month WTI minus \$7.90/barrel compared with minus \$8.80/barrel in March. Its price for Europe was increased to Dated Brent minus \$6.95/barrel compared with minus \$7.15 in March while its price of Asia was increased to average Oman/Dubai minus \$1.75/barrel compared with minus \$2.00/barrel in March.

OPEC's news agency reported that OPEC's basket of crudes increased to \$49.01/barrel on Tuesday, up from \$48.15/barrel on Monday.

Refinery News

ExxonMobil Corp's 494,000 bpd refinery in Baton Rouge, Louisiana resumed normal operations after a power outage early Wednesday shutdown most of the refinery's units. Most of the refinery's units were affected by the power outage, triggering the plant's flaring system.

Shell shut a gasoline unit at its 470,000 bpd Singapore refinery due to technical problems and has purchased high octane gasoline to cover the shortage.

Production News

Royal Dutch/Shell said it should be able to say by Friday when its 140,000 bpd Draugen field in the North Sea can restart. The field was shut last Friday after a gas condensate leak was discovered.

Statoil plans to increase its Statfjord loading schedule for April to 399,000 bpd from March's 359,000 bpd while its Gullfaks loading schedule is cut to 371,000 bpd in April from March's 386,000 bpd.

Shell Oil said it would delay the maintenance shutdown of its Mars platform in the Gulf of Mexico by at least a month to mid-April to late May due to water currents. The repairs will take an estimated 14 days to complete.

Nigeria's Central Bank reported that the country's oil production, including condensates and natural gas liquids increased by 10,000 bpd in January to 2.24 million bpd from 2.23 million bpd in December. Its exports increased to 1.79 million bpd in January from 1.78 million bpd in December.

The head of TNK-BP's downstream operations said Russian oil firms, seeking to upgrade refineries and increase refined product flows to Europe, need clearer government policies on export routes, tariffs and quality before committing investments. He said that while investments are ongoing at all major refineries, significant near term growth in product exports depended on resolving these issues.

Russian oil product exports to non-Commonwealth of Independent States Countries increased by 9.1% on the year to 5.488 million tons in January.

Azerbaijan oil officials stated that the country's crude oil production increased by about 5% year on year in January-February 2005 to 2.6 million tons or 323,000 bpd, mainly due to increasing output from a BP-led group. The group said its output from the Chirag and Azeri oilfields reached 1.148 million tons or 143,000 bpd in January-February 2005 compared with 1.032 million tons or 126,000 bpd in January-February 2004. Azeri state oil company, SOCAR, said its output was flat year on year at 1.452 million tons or 180,000 bpd.

Industry sources stated that Japan may face a gasoline glut this summer as unusually high spring inventories and lighter refinery maintenance increase supplies in the face of stagnant demand. They said Japan looks set to have an oversupply of the gasoline unless refiners begin scaling back their processing rates. Japan's gasoline inventories were at 2.38 million kiloliters of 15 million barrels in the week ending March 5, up 11.7% on the year. Refiners were operating at 93% of capacity last week, attempting to keep pace with increasing demand for kerosene amid a late winter cold spell but at the same time building gasoline inventories.

SK Corp will export 160,000 tons of spot gas oil as well as 112,500 tons of jet fuel for April.

Market Commentary

The oil market ended in positive territory after the market surged to its high despite the mostly bearish inventory reports. The crude market opened 24 cents higher at 54.83 as it continued to rally amid the strength in the heating oil market. It traded to an early high of 55.10 as it held good resistance at Tuesday's high of 55.15. The market sold off to a low of 54.16 following the release of the DOE and API reports which showed crude stocks built by 3.2 million barrels and 6.24 million barrels, respectively. The market surprisingly bounced off its low as it continued to find good buying on dips, despite the report showing larger than expected builds in crude stocks. The crude market breached its highs of 55.10-55.15 and rallied to its previous high of 55.65, where it held good resistance. The market, which failed to breach that level, sold off ahead of the close and settled just 18 cents higher at 54.77. Volume in the crude was excellent with over 304,000 lots booked on the day. Open interest in the crude market as of Tuesday's session built by 8,112 lots to a new record of 816,226 lots. Open

interest in the April contract fell by 12,301 lots while open interest in the May and June contracts built by 9,372 lots and 5,887 lots, respectively as trader rolled their positions and continued to add to their long positions. Meanwhile the product markets ended mixed with the heating oil market settling up 87 points at 153.25 and the gasoline market settling down 24 points at 153.29. The heating oil market gapped higher from 153.50 to 153.95 in light of the weather forecasts. The market however backfilled its gap and traded to a low of 151.30 following the release of the weekly petroleum stock reports. However the market bounced off its low and continued to climb to a high of 155.60 late in the session. However a late bout of selling pushed the market to 152.90 ahead of the close. The gasoline market, which opened 77 points higher at 154.30, sold off to a low of 151.80 following the DOE and API reports. However the market later bounced off its low and breached Tuesday's high of 154.95 as it posted a high of 156.00 amid reports that ExxonMobil Corp's 494,000 bpd refinery in Baton Rouge, Louisiana had shut most of its units following a power outage. The market however erased its gains and traded to 152.70 ahead of the close in light of reports that the refinery was resuming normal operations. Volumes in the product markets were good with over 59,000 lots booked in the heating oil market and over 53,000 lots booked in the gasoline market.

The oil market, which surprising continued to trade higher despite the weekly petroleum stock reports, is seen retracing more of its rally after failing to breach its top at 55.65. If the market does manage to breach its resistance at 55.65 more distant resistance is seen at 56.00 followed by 57.27, basis a trendline.

Meanwhile support is seen at its low of 54.16 followed by its previous low of 53.70. More distant support is seen at its triple bottom from 52.91-52.86.

Technical Analysis		
	Levels	Explanation
CL 54.77, up 18 cents	Resistance 55.65, 56.00, 57.27	Wednesday's high&Previous high,basis trendline
	Support 55.00	
HO 153.25, up 87 points	Resistance 54.16	Wednesday's low
	Support 53.70, 52.91-52.86	Tuesday's low, Triple bottom
HO 153.25, up 87 points	Resistance 159.00	Previous high(continuation chart)
	Support 155.60	Wednesday's high
HU 153.29, down 24 points	Resistance 152.00, 151.30	Wednesday's low
	Support 148.60, 145.80	Tuesday's low, Previous low
HU 153.29, down 24 points	Resistance 156.58	Basis trendline
	Support 155.60, 156.00	Wednesday's high
HU 153.29, down 24 points	Resistance 152.50, 151.80	Wednesday's low
	Support 150.10, 147.80	Previous lows