



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR APRIL 8, 2005**

---

President George W. Bush acknowledged that even if Congress acts on the energy legislation, it will only address the issue of high energy costs over the long run. He however added that the current rally in gasoline and crude oil prices should motivate lawmakers to act on the legislation.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$51.85/barrel on Thursday from \$52.10/barrel on Wednesday.

#### **Refinery News**

Venezuela's Amuay refinery is currently processing about 275,000 bpd with three of its four crude units operating. It has partially delayed restart procedures.

#### **Market Watch**

According to some analysts, gasoline prices may have peaked after gasoline futures tumbled this week since it set a record high of \$1.7491/gallon Monday. They stated that gasoline futures tend to rally early in the year as traders discount fears of supply shortages during the summer driving season. The peak usually comes between April and May, followed by a dropoff before July. In 17 of the last 21 years, gasoline futures have set a high for the year early in the year before falling sharply through most of the summer.

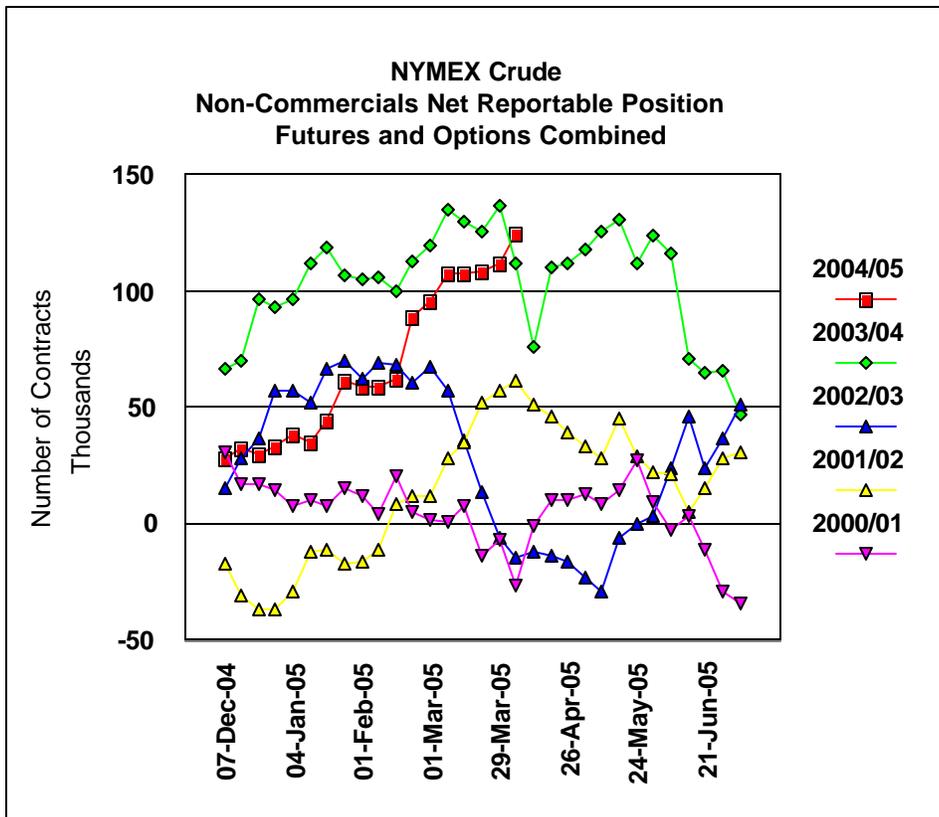
Crude oil freight rates from core exporting regions ended lower amid thin demand and a build up in prompt tonnage. Brokers said Very Large Crude Carriers rates from the Gulf to eastern destinations were slightly firmer. Rates to the US for VLCCs stood at W82 on Friday. Some brokers stated that the market had bottomed out.

Japan's Ministry of Economy, Trade and Industry plans to expand its survey of the economic impact of spikes in crude oil prices. It conducts surveys of domestic companies across industries to gauge how spikes in world oil prices affect their business plans and earnings. METI plans to expand its survey to include small and medium sized manufacturers of under \$2.7 million in capital and 300 employees. A survey in March found chemical, glass sheet, textile and pulp manufacturers to be most impacted.

According to a Bloomberg survey of economists, the economy is expected to expand at an average of 3.5% from July through December after growing an estimated 3.9% in the first six months of the year. It said increasing energy costs and higher interest rates will cut consumer spending and cause the US economy to slow later this year. However there are some economists who disagree with forecasts of a second half slowdown. An economist at Morgan Stanley said the rally in oil prices will have a more immediate, prolonged, negative effect on the economy. He stated that growth in the second quarter will slow to 3.4% from 4.1% in the previous three months before it accelerates to an average of 4% from July through December.

The IPE's move to a fully electronic market place was smooth and free of the technical glitches seen during the previous session. Thursday morning's electronic session was interrupted by two separate technical faults.

Citgo Petroleum Corp paid the US \$298 million in taxes in 2004, up 18% from the \$245 million reported last year. The elevated tax bill reflects higher revenues due to better refining margins. Venezuela's President Hugo Chavez has called Citgo's tax payments a subsidy to the US.



The refinery is currently 60-65% operational. The crude unit which was shut last week could resume operation as early as Friday night. Its catalytic cracking unit however will remain down until April 11-12 for work on a compressor unit. The resumption of normal gasoline production and export has been delayed a further 4-7 days. It said new problems emerged in restarting the 106,000 bpd catcracker and its associated 20,000 bpd alkylation unit. The cumulative losses on gasoline will amount to 1-1.3 million barrels or 4-5 export cargoes.

Citgo Petroleum shut a 10,000 bpd fluid catalytic cracker at its East plant of its 165,000 bpd Corpus Christi, Texas refinery on Friday for equipment replacement and maintenance. The unit is expected to remain shut for three days. It also reported that it had a sudden power failure on Thursday morning. It said the power outage caused the shutdown of a coker unit.

According to a report filed with the Texas Commission on Environmental Quality, workers at Valero Energy's refinery in Corpus Christi, Texas reported emissions on hydrogen sulfide and sulfur dioxide from complex I on Thursday. The cause of the emissions was not known. The report stated that an investigation was taking place. Complex I is however undergoing maintenance on a hydrotreater and gasoline desulfurization unit.

Alon USA plans to shut a crude unit at its Big Spring, Texas refinery for about 10 days of planned maintenance in April. The shutdown is scheduled for April 17. It also stated that it plans to restart a sulfur recovery unit at the refinery between April 11-18 following the addition of a new emission control device.

Japan's Mitsubishi Chemical Corp said it would restart a 450,000 tons per year naphtha cracker at its Mizushima plant in western Japan on April 11. The cracker was shut on March 31 due to mechanical problems.

**Production News**

Baker Hughes reported that the number of rigs searching for oil and gas in the US fell by 2 to 1,327 in the week ending April 8. The number of rigs searching for oil in the US fell by 1 to 170 while the number of rigs searching for natural gas remained unchanged at 1,157.

According to the Shetland Islands Council, Brent crude liftings from Sullom Voe totaled 242,178 tons in the week ending April 6, up from 221,889 tons in the week ending March 15<sup>th</sup>.

The National Iranian Oil Co increased its official selling prices for May term crude supply to Asia by 30-40 cents/barrel. It increased its official selling price of its Iranian Light crude by 40 cents to \$1.15/barrel premium to the Oman/Dubai average. The May Iranian Heavy and Forozan Blend were both increased by 30 cents/barrel to \$1.50 discount to the Oman/Dubai average. Meanwhile its Iranian Light crude to Europe was set at a \$6.20/barrel discount to the Brent weighted average or BWAVE. Iranian Heavy was set at a discount of \$8.50/barrel while Forozan Blend was set at a discount of \$8.40/barrel. Its Iranian Light to the Mediterranean was set at a discount of \$7.10/barrel while its Iranian Heavy was set at a discount of \$9.55/barrel and its Forozan Blend was set a discount of \$9.45/barrel.

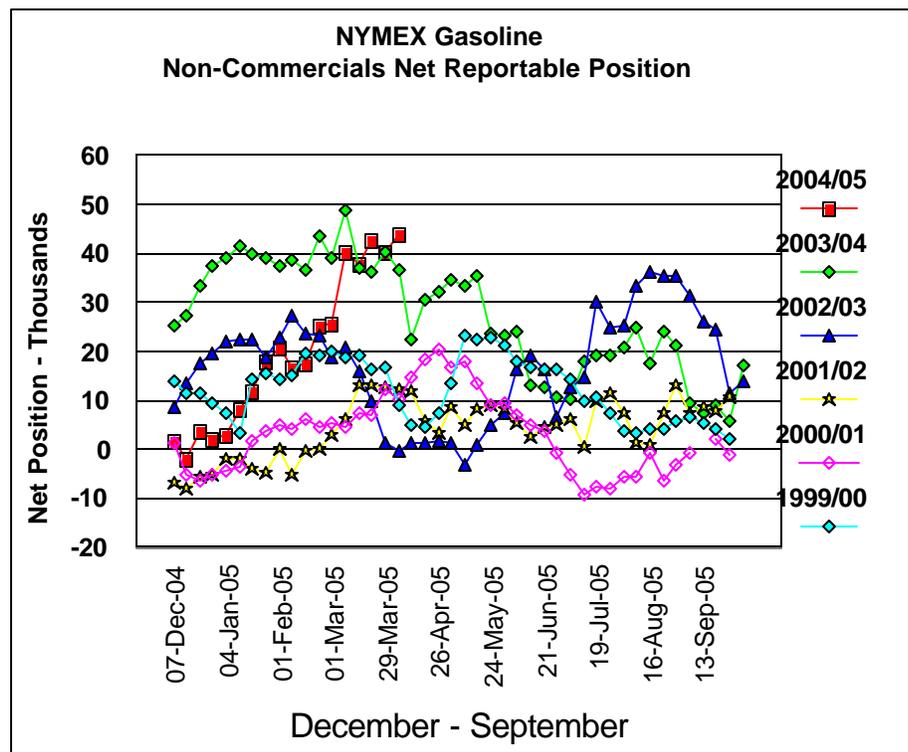
Analysts stated that European fuel oil prices will fall from record levels amid an oversupply of fuel oil. They stated that even if prompt availability is tight, fuel oil supplies are set to increase in the coming weeks as refiners across Europe start to return from maintenance and increase runs to meet petrol demand during the summer driving season.

An official at Indonesia's Mines and Energy Ministry stated that Indonesia will open 43 new areas for oil and gas exploration in 2005 in a bid to increase declining oil reserves and output. Indonesia became a net importer last year due to production problems at ageing wells however officials insist Indonesia should be able to restore its net exporter status in the longer term.

China's demand for high sulfur fuel oil is expected to fall further due to tight cashflow positions that many trading houses in China are now experiencing. Based on forecasts and tanker fixtures, fuel oil imports into southern China's Guangdong province this month may be under 1 million metric tons, unchanged on the month but about on e third less than the normal import volume. Market players have attributed this to the tight cashflow position that trade houses are faced with, which stems from end users such as power plants delaying payments for fuel oil until they receive government subsidies.

Taiwan's Formosa Petrochemical Corp has issued a tender to sell a 30,000 metric ton gasoil cargo for loading in mid-May.

Government official stated that India will not increase petrol and diesel prices for the time being despite large revenue losses by oil firms which are selling fuels at the same rates since November. Earlier, the chairman of Indian Oil Corp said oil firms wanted to increase petrol prices by 12% and diesel by 18% due to the high oil prices.



Petroecuador exported 13.86 million barrels of crude in the first three months, up 43% from 9.71 million barrels reported last year. Its oil export revenues between January and March totaled \$469.48 million, up 63% from \$287.65 million reported last year.

**Market Commentary**

The oil market ended the session in negative territory for the fifth consecutive session, with losses of close to \$4.00 on the week. The market gapped lower this morning from 53.77 to 53.26 in follow through selling seen during the past few trading sessions. The market traded to a low of 52.80 early in the session and later retraced some of its losses as it held good support at 53.00. It backfilled its opening gap and traded to a high of 53.90. However as the market failed to test the 54.00 level, it erased its gains once again and sold off to a low of 52.70 as it attempted to test its support at its previous low of 52.50. The market later traded mostly sideways ahead of the close as it failed to trigger sell stops below its support level. The May crude contract settled down 79 cents at 53.32. Volume in the crude was good with over 288,000 lots booked on the day. Open interest in the crude market fell by a total of 11,697 contracts, with open interest in the May contract falling by a total of 22,990 contracts amid the sell off in the market on Thursday. Meanwhile open interest in the June contract built by 9,583 contracts to 172,886 contracts. The product markets once again ended sharply lower, with the gasoline market settling down 3.14 cents at 153.66 and the heating oil market settling down 3.11 cents at 149.72. The gasoline market opened down 1.4 cents at 155.40 in follow through selling. It immediately posted its intraday high of 156.00 before it once again erased its gains and extended its losses to 5.8 cents as it traded to a low of 151.00. The market later retraced some of its losses and remained range bound during the remainder of the session. Similarly, the heating oil market posted an intraday high of 151.90 and quickly sold off to a low of 147.50 before settling in a range during the remainder of the session. Volumes in the product markets were good with over 69,000 lots booked in the gasoline market and 72,000 lots booked in the heating oil market.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long positions by 14,920 contracts to 88,712 contracts in the week ending April 5<sup>th</sup>. Non-commercials increased their total long positions from 164,014 contracts to 173,593 contracts on the week. The combined futures and option report also showed that non-commercials in the crude increased their net long position by 12,782 contracts on the week to 124,784 contracts, a level not seen since last May. However given the market's sell off in recent days, non-commercials have cut their net long positions as seen with fall in open interest on Thursday. Meanwhile, non-commercials in the heating oil market increased their net long position from 3,878 contracts to 5,039 contracts while non-commercials increased their net long positions from 40,505 contracts to

Technical Analysis		
	Levels	Explanation
<b>CL</b> 53.32, down 79 cents <b>Resistance</b> <b>Support</b>	54.65, 56.05, 56.59	Thursday's high
	53.50, 53.90	Friday's high
	52.70	Friday's low
	52.50, 51.95	Previous low, 50% (45.70 and 58.20)
<b>HO</b> 149.72, down 3.11 cents <b>Resistance</b> <b>Support</b>	153.80, 158.10, 160.40	Thursday's high
	150.95, 151.90	Friday's high
	147.50	Friday's low
	146.00, 145.00, 143.95	Previous lows, 50% retracement(119.60 and 168.30)
<b>HU</b> 153.66, down 3.14 cents <b>Resistance</b> <b>Support</b>	158.00, 163.20, 166.30	Thursday's high
	154.90, 156.00	Friday's high
	151.00	Friday's low
	150.70, 147.67	Previous low, 62% retracement(130.90 and 174.80)

43,943 contracts on the week. However the non-commercials in the product market have also started to liquidate their long positions in recent days.

The oil market on Monday will be driven by any headlines seen over the weekend. If the market is not supported by any bullish headlines over the weekend and fails to retrace much of today's losses, the market is still seen targeting its support at its previous low of 52.50. More distant support is seen at 51.95 as stochastics are still trending lower. Meanwhile resistance is seen at 53.50 followed by its high of 53.90. More distant resistance is seen at 54.65, 56.05 and its previous high of 56.59.