



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 15, 2005

Saudi Prince
Alwaleed bin Talal
said Saudi Arabia
would prefer oil prices
in the \$40/barrel
range instead of the
current prices of
around \$50/barrel.
He said Saudi Arabia
had recently raised its
preferred price range
from the \$30/barrel
range to the
\$40/barrel range.

OPEC's Secretary
General Adnan
Shihab-Eldin said
OPEC is on schedule
to increase its output
in April to increase its
crude stocks builds.
Crude production will
near 30 million bpd,
allowing for larger
cushion of crude
inventories in large oil
consuming countries.
He said there are no
indications high
prices have hurt the
world economy but
OPEC is on alert of a
global slowdown as
economies plateau.
He also stated that a
further quota increase

Market Watch

US Treasury Secretary John Snow warned that high energy prices and weak growth in Europe and Japan were taking a toll on the US economy.

The Finance Ministers from the Group of Seven will call on oil producing countries to increase supply in an effort to lower oil prices during their meeting on Saturday. The IMF this week said that high oil prices are a key risk to the world economy both over the short and long term. The G7 is concerned that oil prices have remained stubbornly high for a long time and may fall by as much as previously expected. It will also call on countries to adopt energy saving policies. A G7 official said the world will have to adapt to high oil prices which increasingly look permanent.

NYMEX President James E. Newsome said the NYMEX will soon announce plans to open a new exchange in Dubai offering a benchmark Middle East crude futures contract. He said the exchange concluded talks with the Dubai government and added that it hoped to have a formal agreement within the next couple of weeks. It said the beginning of trading would probably not take place until the end of the year or the start of next year. The NYMEX is considering the combination of an open outcry trading system and an electronic trading or could trade on a completely electronic platform.

The Federal Reserve Bank of New York said the general business conditions index of its Empire Manufacturing Survey fell to 3.12 in April from an upwardly revised 20.18 in March. However the Labor Department said US import prices increased by 1.8% in March and excluding a 10.6% increase in the cost of imported petroleum, import prices increased by 0.3%. Over the past 12 months, import prices increased by 7.1%, reflecting a 36.1% surge in the cost of petroleum.

The University of Michigan said its consumer sentiment index fell to 88.7 in April from 92.6 in March. Analysts stated that the decline was due to record gasoline prices.

Russia's Federal Tax Service said it has no claims against Russia's Lukoil at this time.

Venezuela's Vice President Jose Vicente Rangel said that while Venezuela's President Hugo Chavez may have political differences with the Bush administration, Venezuela wants to improve relations with the US. He said Venezuela does not want problems with the US.

Mitsubishi Corp and Royal Dutch/Shell are having informal talks about a joint gas to liquids project in Qatar. The two companies aim to start mass production of GTL fuels as early as 2009. The GTL process will produce virtually sulfur free fuels that can burn more efficiently than products derived from crude refining.

of 500,000 bpd is still on the group's agenda.

In its monthly Oil Market Report, OPEC said new production capacity from OPEC producers will help oil stocks in coming months and be enough to cope with an expected late year demand increase. It said OPEC's capacity will increase by 1.6 million bpd to 32.7 million this year as new facilities start in Kuwait, Nigeria and the UAE and smaller expansions emerge in Algeria, Iran and Venezuela. The increased OPEC supply will help make up the lower than expected production from countries outside of OPEC. It reported that OPEC's production increased by 300,000 bpd to 29.76 million bpd in March, with Saudi Arabia increasing its production by 155,000 bpd to 9.35 million bpd. According to the report, oil inventories are expected to increase by 2 million bpd in the current quarter and by a further 1 million bpd in the third quarter. The call on OPEC's crude was increased by 100,000 bpd to 29.1 million bpd amid its lower non-OPEC supply growth estimate of 990,000 bpd, down 70,000 bpd. It left its forecast of world oil demand growth this year unchanged at 1.89 million bpd. It estimates China's demand will grow at 600,000 bpd.

The director general of Iraq's SOMO, Dhiaa al-Bakkaa, said Iraq's oil exports could increase to 2 million bpd by the end of September from current levels of 1.5 million bpd if security in the country improves. Its production by the end of the third quarter could increase to 2.8-3 million bpd. Production in April is running at an average of 2.3 and 2.4 million bpd of which 1.5-1.55 million was being exported. Repeated sabotage of oil infrastructure, including major export pipelines, has cut Iraq's production and export capability over the past two years. However the head of SOMO said damage caused by insurgents was declining.

According to the EIA, total US oil imports increased by 0.7% to 9.911 million bpd in February. Saudi Arabia remained the top supplier for February, with shipments of 1.514 million bpd, down 88,000 bpd on the month. It reported that Canada exported 1.488 million bpd, down 76,000 bpd while Mexico exported 1.451 million bpd to the US, up 31,000 bpd on the month. Meanwhile, Venezuela's exports to the US increased by 8,000 bpd to 1.357 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$47.50/barrel on Thursday from Wednesday's \$47.84/barrel.

Refinery News

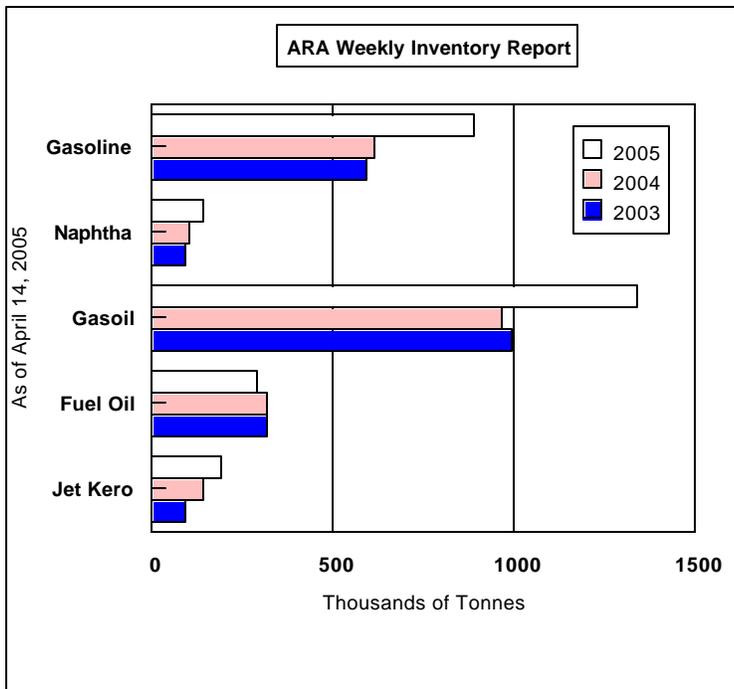
The Texas Natural Resource Conservation Commission reported that BP's fluid catalytic cracking unit 1 at its Texas City, Texas refinery will restart on Friday after it was in hot standby due to the debutanizer section outage.

According to the Texas Natural Resource Conservation Commission, unit 29 at its Borger refinery will restart on Friday after the unit was shut to repair the main fractionator.

Premcor Inc's fluid catalytic cracking unit at its Memphis, Tennessee refinery will be shut for 3-5 days following an unplanned unit shutdown on Thursday. Its crude units were cut due to the unit shutdown.

India's Mangalore Refinery and Petrochemicals Ltd shut down a 74,000 bpd crude distillation unit on Thursday as the water level in the local Netravati River has fallen significantly. Industry sources said the No. 1 crude distillation unit may resume operations within a week. MRPL may also shut its second CDU and one of two 24,000 bpd hydrotreating units if the situation worsened. Separately, India's Oil Minister Mani Shankar Aiyar said that Mangalore Refinery and Petrochemicals Ltd will import 500,000 to 1 million tons of crude from Qatar.

Production News



Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 21 to 1,348 in the week ending April 15. The number of rigs searching for oil in the US increased by 3 to 173 while the number of rigs searching for natural gas increased by 18 to 1,175.

Royal Dutch/Shell said it shut 8.5 million cubic meters of gas/day from its Brent Alpha North Sea platform since Wednesday due to a leak involving the flaring system. It said oil production was not affected.

Statoil's new Barents Sea well will remain shut at least through the weekend as officials investigate an oil spill from the drilling rig. It shutdown drilling on the Eirik Raude rig after a spill of 1.6 cubic meters of hydraulic oil at its Arctic Guovca

exploration prospect was reported on Tuesday. It will halt drilling until the PSA completes a joint investigation with the Pollution Control Authority and until Statoil and rig owner, Ocean Rig, confirm that it can be resumed safely and in an environmentally prudent manner.

Traders stated that North Sea sweet crudes Oseberg and Brent are heading into Asia for the first time in half a year as trader take advantage of a contango in European markets and a narrower Brent/Dubai spread. Total and Statoil are each moving 2 million barrel VLCCs of Brent to be loaded in late April or May. Statoil was also reportedly moving Oseberg crude to Asia.

An industry analyst stated that gas oil inventories in the Amsterdam-Rotterdam-Antwerp area increased by 200,000 tons in the week ending April 14 to 1.35 million tons, well above last year's level of 975,000 tons. Near record prices on underlying gas oil futures on the IPE are putting off buyers in Europe from replenishing their household heating oil tanks. Gasoline inventories increased by 25,000 to 900,000 tons while naphtha stocks fell by 25,000 tons to 150,000 tons. Meanwhile fuel oil stocks were unchanged at 300,000 tons while jet fuel stocks increased by 25,000 tons to 200,000 tons.

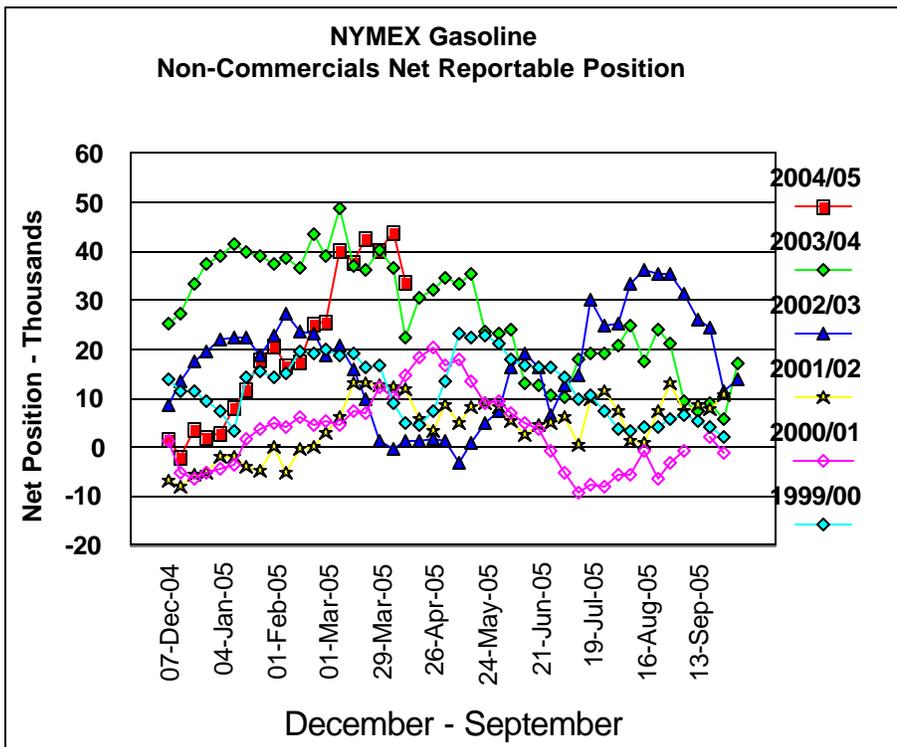
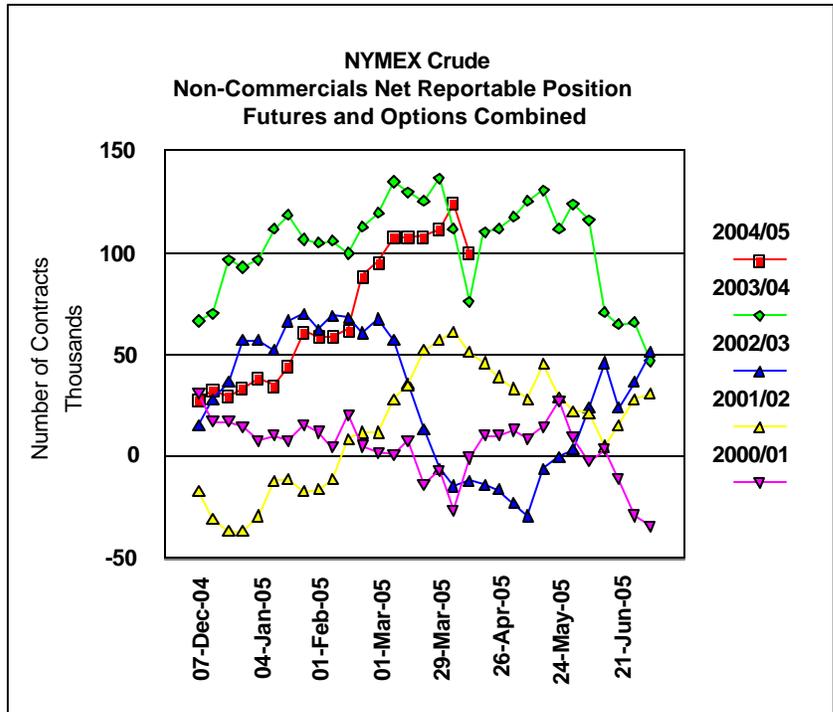
Kuwait Oil Co is planning to increase its northern oil production capacity by 50,000 bpd by 2007 from its Sabriya field discoveries in the Jurassic Zone. It will look at bids from four contractors to build a 50,000 bpd early production facility to handle sour crude from the Jurassic Zone. Production from North Kuwait currently stands at about 460,000 bpd. Later this month, a fourth newly rebuilt gathering center will increase its production capacity to 800,000 bpd. The early production facility will increase its production capacity from 800,000 bpd to 850,000 bpd.

Russia's main Black Sea port of Novorossisk was shut on Friday due to bad weather conditions.

Kazakhstan's crude oil and gas condensate exports reached 4.566 million tons in February or 1.24 million bpd, up 31.2% on the year. Kazakhstan's Statistics Agency reported that the country's oil and gas condensate production increased by 13% on the year to 15.757 million metric tons or 1.3 million bpd in the first quarter of 2005. Kazakhstan's crude oil production increased by 7% on the year to 12.902 million tons.

Azerbaijan's State Statistics Committee reported that oil product production in Azerbaijan in January-March fell 9.9% on the year to 1.493 million metric tons. The output of auto gasoline amounted to 149,300 tons in the period, down 15% on the year while the output of gasoline for the petrochemical industry increased by 8.2% on the year to 76,200 tons. Kerosene output was at 157,900 tons, down 1.3% on the year while fuel oil output stood at 688,600 tons, down 9.6% on the year. Its diesel output fell to 403,200 tons. In January-February, Azerbaijan exported 281,982 tons of oil products, down from about 508,000 tons in the same period of 2004.

An official at Transneft said increasing oil transportation tariffs will not be necessary to finance Taishet-Nakhodka oil pipeline until the construction is completed. He said the company is ready to finance the pipeline itself with its own and borrowed funds. The project is expected to obtain full approval from different government bodies by the end of the year. He added that there is 95% chance that the pipeline will have a branch to China.



PetroChina Co said its total oil and gas output in the first quarter this year increased by 6.2% to 243 million barrels of oil equivalent. Its crude production increased by 3.6% on the year to 199 million barrels while its natural gas production increased by 20% on the year to 260.9 billion cubic feet. It processed 187 million barrels of oil in the first quarter, up 7.5% on the year.

Ecuador's Central Bank stated that the country's oil export revenues totaled \$326.17 million in February, up 31.5% from the \$248.07 million reported last year. In terms of volume, Ecuador exported 10.19 million barrels in February, up 12% on the year.

Market Commentary

The oil market posted an inside trading day as it failed to find any momentum to breach Thursday's trading range. The market opened down 83 cents at 50.30 in follow through selling seen in overnight trading on Access following Thursday's late rally. The market erased some of its losses as it traded to a high of 50.70. However the market sold off to 50.03 where it held good support for much of the day. The May crude contract, which was trading in a range, later breached its earlier low and posted an intraday low of 50.00, where it was met with strong support ahead of the May option expiry at the close. The market bounced off its low and traded back above 50.50 ahead of the close. It settled down 64 cents at 50.49. Volume in the crude market was excellent with over 243,000 lots booked on the day. The heating oil market also settled in negative territory, down 2.24 cents at 145.99 after it erased most of Thursday's gains. The market opened down 2.33 cents at 145.90 and quickly posted an intraday high of 147.10. However the market continued to retrace Thursday's gains as it sold off to a low of 144.40 in afternoon trading. It later bounced off its low and retraced some of its losses as it traded towards 146.50 ahead of the close. Similarly, the gasoline market posted its intraday high of 149.20 after it opened down 1.81 cents at 148.60. The market sold off to its low of 146.20 within the first hour of trading before it retraced some of its losses and settled in a range. It settled down 2.03 cents at 148.38. Volumes in the product markets were good with 39,000 lots booked in the heating oil market and 43,000 lots booked in the gasoline.

The latest Commitment of Traders report indicated that non-commercials in the crude market cut their net long positions from 29,062 contracts to 59,650 contracts in the week ending April 12th. Non-commercials cut their total long positions by 19,055 contracts to 154,538 contracts on the week. Meanwhile the futures and options report showed that non-commercials in the crude market cut their

net long positions by 25,199 contracts to 99,585 contracts on the week. Given the market's continued sell off, non-commercials have continued to cut their

Technical Analysis		
	Levels	Explanation
CL 50.49, down 64 cents	Resistance 53.65, 53.85, 53.90 50.70, 51.40 to 51.70, 52.98	Previous highs Friday's high, Gap (April 13th), 38% (58.20 and 49.75)
	Support 50.00, 49.75 to 49.50 48.50, 48.15	Friday's low, Remaining gap(February 22nd) Previous low, Basis support line
HO 145.99, down 2.24 cents	Resistance 149.50 to 151.00 147.10, 148.80, 148.85	Gap (April 11th) Friday's high, Previous highs
	Support 144.50, 144.40 143.50, 143.00	Double bottom Previous lows
HU 148.38, down 2.03 cents	Resistance 151.30, 152.10-152.80 149.20	Thursday's high, Remaining gap (April 13th) Friday's high
	Support 146.20 144.70	Friday's low Previous low

net long positions. Non-commercials in the heating oil market liquidated their net long positions of 5,039 contracts and switched to a net short position of 1,831 contracts on the week while non-commercials in the gasoline market also cut their net long positions by 10,215 contracts to 33,728 contracts on the week.

The crude market on Monday will likely test its lows once again after it failed to find the momentum to continue Thursday's late rally during today's session. Barring any bullish news that market is seen testing its low of 50.00 followed by its remaining gap from 49.75 to 49.50. More distant support is seen at 48.50 followed by 48.15. Meanwhile, resistance is seen at its high of 50.70 followed by its gap from 51.40-51.70. More distant resistance is seen at 52.98, its 38% retracement level.

