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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 20, 2005

According to an Iraqi Oil Ministry spokesman, Iraqi oil officials denied a news report that it had resumed crude oil exports to Turkey's port of Ceyhan. An official with Iraq's SOMO also denied the news report. A shipping agent at Turkey's port of Ceyhan said pumping through the pipeline had yet to resume with Ceyhan's storage tanks still containing about 500,000 barrels of Kirkuk crude.

Qatar's Oil Minister Abdullah al-Attiyah said oil prices in a \$40-\$50 range are reasonable and increasing stock levels will help avert any threat of a price shock. He said the world oil supplies were more than sufficient to meet demand and added that inventories were building. He said

Market Watch

The House of Representatives will debate on Wednesday an \$8 billion energy bill that would increase the US oil and natural gas supplies over the long term. However the bill is not expected to provide any short term price relief. The bill would immediately protect oil companies from lawsuits over the MTBE. It also contains \$8 billion in energy tax breaks and incentives to encourage energy saving technology and more crude, natural gas, coal and nuclear production. It would also allow oil drilling in Alaska's Arctic National Wildlife Refuge. However the House Democrats are expected to try to remove the ANWR drilling language from the energy bill.

IntercontinentalExchange confirmed that the Brent crude/gas oil crack spread trading on London's IPE electronic platform has been suspended following a technical problem. It has been down since Tuesday afternoon. No timeframe is available for when the shutdown will end.

The Labor Department reported that US consumer prices increased by 0.6% in March, led by gasoline, airfares and lodging costs. Core prices, excluding energy and food, increased by 0.4% in March, the largest gain in more than two and a half years. Energy prices, which account for about a 14th of the index, increased by 4% in March.

China's economic growth has continued into 2005 despite the government's efforts to slow its growth. The latest government figures showed that the country's economy was 9.5% larger at the end of March compared with a year ago. China has not been growing at an annual rate of more than 9% since the start of 2003. Its rapid economic growth has been accompanied by an increase in exports, up 35% on the year. In an attempt to slow the economy, the government has imposed curbs on bank lending, tightened planning laws and banned some new enterprises, particularly in the property and metals sectors.

In a joint statement by the Arab Commission for Human Rights and the International Justice Organization, they expressed concerns about the unrest in al-Ahwaz town in southwestern Iran. Clashes broke out last Friday between ethnic Arabs and Iranian security forces, leaving five people dead and many injured. The confrontations were sparked by a forged letter attributed to former vice president Muhammad Ali Abtahi calling for modifications to the ethnic composition of Khuzestan. The Iranian authorities have made clear that they have no intention of changing the ethnic balance of the province in favor of non-Arab Iranians. A judiciary official said more than 140 people out of 344 arrested in southwest Iran remain in jail following the unrest. The US State Department said it was concerned about the situation and urged the government to exercise restraint.

OPEC did not need to increase its production ceiling. However he cautioned that OPEC had little spare capacity to cope with disruptions to supply. He added that it was too early to judge what OPEC would decide when it meets in June.

Meanwhile, an OPEC source stated that the high oil price is not the only factor to blame for the world economic slowdown. The source said budget deficits and low interest rates are also contributing to the economic slowdown. He stated that the oil market is currently well balanced. His comments come against a backdrop of mounting US pressure on OPEC to lower oil prices. US President George W. Bush said he will warn Saudi Arabian Crown Prince Abdullah that high prices is hurting the world economy. He said he would call on Saudi Arabia to pump more oil.

Separately, President Bush said the US must embark on a long term effort to cut its dependence on foreign sources of crude oil diversifying its sources of energy and increasing its efforts to conserve energy. He said he had no "magic wand" to immediately lower gasoline prices. He also offered no short term fix to high crude oil prices. He blamed high energy costs on the lack of a national energy policy for the past 10 years and sought to rectify that by calling on Congress to pass his energy legislation by August.

US Secretary of State Condoleeza Rice said that Russia should increase its crude production.

The EIA stated that oil prices will not fall much below \$50/barrel for a sustained period of time this year or next unless demand growth slows significantly or supplies increase. It said as long as world demand continues to grow at 2 million bpd or more without comparable increases in production capacity, there is little reason to expect a sustained fall in prices.

The Center for Strategic and International Studies stated that Saudi Arabia is accelerating plans to expand its oil production. Saudi Arabia could increase its production capacity to 12.5 million bpd before 2009 if it speeds up its oil field expansion plans. However exploration and production costs are increasing. According to Saudi Aramco, more than 50% of Saudi reserves are in only eight fields, including the Ghawar field, which has been producing crude for decades and is 48% depleted. Its other giant field, Abqaiq, is 73% depleted.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.19/barrel to \$47.71/barrel on Tuesday, up from Monday's \$46.52/barrel.

The EIA reported that US inventories of propane totaled 30.14 million barrels in the week ending April 15, up 2.4 million barrels on the week. It reported that inventories in the East Coast increased by 53,000 barrels to 2.289 million barrels while inventories in the Midwest increased by 1.457 million barrels to 10.086 million barrels. Propane inventories in the Gulf Coast increased by 873,000 barrels to 17.273 million barrels.

Refinery News

PDVSA's Amuay refinery is preparing to restart a catalytic cracking unit and should have the unit running at full capacity by Monday or Tuesday. It is still relying on production at other refineries and stocks for gasoline exports.

Venezuela's Oil Minister Rafael Ramirez said Venezuela is seeking to sell at least two refineries held by Citgo. He said Venezuela is taking offers from interested buyers but has refused to name the interested companies.

Production News

The DOE reported that the UAE is producing 2.5 million bpd of crude oil and has no more spare capacity. Its production is up 100,000 bpd from the level reported in March. It said several projects are in place to increase its production capacity to 3 million bpd by the end of 2006.

Venezuela's Oil Minister Rafael Ramirez said an upcoming tax increase for oil projects in Venezuela will not include those located in the Orinoco River tar belt. He had implied over the weekend that all oil projects in the country would have to pay a 50% tax instead of a 34% preferential rate. He however clarified that the tax increase will only apply to firms running 32 operating agreements in the country.

ChevronTexaco may resume the use of Georgia's Black Sea port of Batumi for exports of its Kazakh Tengiz crude from late 2006 as Russia is not allowing it to expand a major pipeline via its territory. It said Tengiz's crude production will increase to 26 million tons or 520,000 bpd by the end of 2006 from the current 12-13 million tons.

Kazakhstan's government has banned jet fuel exports from the country for a three month period starting Wednesday until July 20. It made its decision to ban exports due to the need to accumulate sufficient diesel stocks.

Uzbekistan's oil and natural gas condensate production fell by 16.5% on the year to 1.477 million tons in January-March. Of this, oil output fell by 9.8% on the year to 980,5000 tons, while gas condensate production fell by 27.2% on the year to 496,400 tons. The country's refineries processed 1.264 million tons of crude oil in January-March.

Ukrainian oil and gas company, Naftogaz Ukrainy, is expected to bid for licenses to develop 44 oil and gas blocks in Libya on May 1. Naftogaz and National Oil Co of Libya signed a production sharing agreement on October 2004. It expects the Libyan government to ratify the agreement in the near future, allowing the company to start geologic and exploration work in Libya.

The Petroleum Association of Japan reported that gasoline stocks increased by 0.3% in the week ending April 16 to 2.241 million kl. It reported that total product stocks increased by 164,882 kl to 9.837 million kl. The country's average refinery runs fell to 83.2% from 86.4% the previous week. Japanese refiners processed 4.419 million kl of crude or 3.97 million bpd, down from 4.585 million kl or 4.12 million bpd.

China's National Bureau of Statistics said the country's crude oil output increased by 8.3% on the year to 15.6 million metric tons in March. In the first three months of the year, crude production increased by 5% to 44.73 million tons. The volume of crude processed in March increased by 10.8% on the year to 24.68 million tons. Its crude exports reached 1.3 million metric tons in the first three months of the year. Meanwhile its crude imports totaled 29.6 million tons during the same period.

China's Ministry of Land and Resources reported that China discovered 1.1 billion metric tons of crude oil reserves, 38 billion cubic meters of natural gas reserves and 9.7 billion tons of coal reserves in 2004. It issued 323 licenses for oil and gas exploration and development.

PetroChina reported that China is expected to increase its annual crude oil imports by over 100 million tons by 2010, almost doubling current volumes. Crude oil imports into China totaled 122.7 million tons or 2.45 million bpd last year. He said to cope with the increasing oil imports, China will promote the development of related infrastructure facilities in the near future such as pipelines.

Indonesia's Pertamina and ExxonMobil resumed talks on Wednesday to end a four year stalemate over the Cepu block, ahead of the government target of May 20 to conclude a new deal. The current

deal, which expires in 2010, is mired by a dispute over how much ExxonMobil has spent on the project. The dispute has delayed development of the field, which ExxonMobil believes could hold more than 250 million barrels of oil.

Market Commentary

The NYMEX energy complex settled in positive territory for a second consecutive day, with the May crude contract going off the board up 15 cents at 52.44. The crude market gapped higher this morning from 52.35 to 52.60 in follow through strength seen in overnight trading. The market however quickly backfilled its gap as it awaited the release of the weekly petroleum stocks reports. The May crude contract immediately posted an intraday high of 53.10 in light of the unexpected draws in crude stocks reported by both the DOE and API of 1.8 million barrels and 5.35 million barrels, respectively. The market however erased its gains and sold off to a low of 52.00 within the first hour of trading. Even though the reports showed unexpected draws in crude stocks, the market seemed to have discounted them due to the fact that the majority of draws were reported in Padd 5. The market later settled in a range ahead of its expiration after it failed to breach its support at 52.00 on several attempts. The June crude contract also bounced off its early low of 53.50 and rallied to a high of 54.50 following the release of the DOE and API reports. The market however erased its gains and sold off to a low of 53.25 before it bounced back into positive territory ahead of the close. It settled up 46 cents at 54.03. Volume in the crude market was good with 252,000 lots booked on the day. Meanwhile, the gasoline market settled up 1.12 cents at 158.13. Early in the session, the market rallied to its high of 159.50 following the DOE and API reports which showed draws in gasoline stocks of 1.4-1.5 million barrels on the week. It however quickly sold off to its low of 155.25, within the first hour of trading. The market which attempted to breach its support level, failed to do so and traded back towards its high ahead of the close. Unlike, the crude and gasoline markets, the heating oil market posted an intraday high of 151.10 ahead of the close as it was well supported. Earlier, the market bounced off a low of 148.00 and traded to a high of 151.00. The market however erased all of its gains and sold off to a low of 147.75 before a late rally pushed the market to its high of 151.10 on the close. Volumes in the product markets were good with 50,000 lots booked in the gasoline and 43,000 lots booked in the heating oil market.

The crude market on Thursday may continue its overnight losses as it retraces some of today's early gains after it failed to test its highs late in the session.

Technical Analysis		
	Levels	Explanation
CL 54.03, up 46 cents	Resistance	55.05, 55.11, 56.07
		54.50
	Support	53.25
		52.10, 51.01
HO 149.30, up 5.07 cents	Resistance	151.90, 152.66, 155.65
		151.10
	Support	147.75
		145.50, 143.00
HU 157.01, up 7.57 cents	Resistance	160.50, 163.87
		159.50
	Support	155.25, 153.30
		151.50-151.00, 147.10-147.00

The market, which posted a mostly neutral trading session, also seems to have discounted the draws in crude stocks as the majority of the draws were reported in Padd 5. The market is seen finding support at its low of 53.25 followed by its previous lows of 52.10 and 51.01. Meanwhile resistance is seen at 54.50 followed by 55.05, 55.11 and 56.07.

