



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 16, 2005

Saudi Arabia's Oil Minister Ali Naimi arrived at the US Department of Energy for a meeting with Energy Secretary Samuel Bodman on Monday and the chairman of the Senate Energy Committee to discuss world energy issues. Sen. Pete Domenici, chairman of the Senate Energy Committee said they discussed everything that has to do with the world situation and America's situation regarding oil. He also stated that Saudi Arabia's Oil Minister discussed the country's plan to invest billions to increase the country's oil production capacity in the years ahead. Separately, President George W. Bush said the US was asking oil producing nations to increase their output to help ease prices. He also stated that it is in the

Market Watch

The National Oceanic and Atmospheric Administration reported that US forecasters predicted on Monday that the Atlantic hurricane season would bring up to 15 tropical storms. It said from seven to nine of those storms will become hurricanes and three to five of the hurricanes will be major ones.

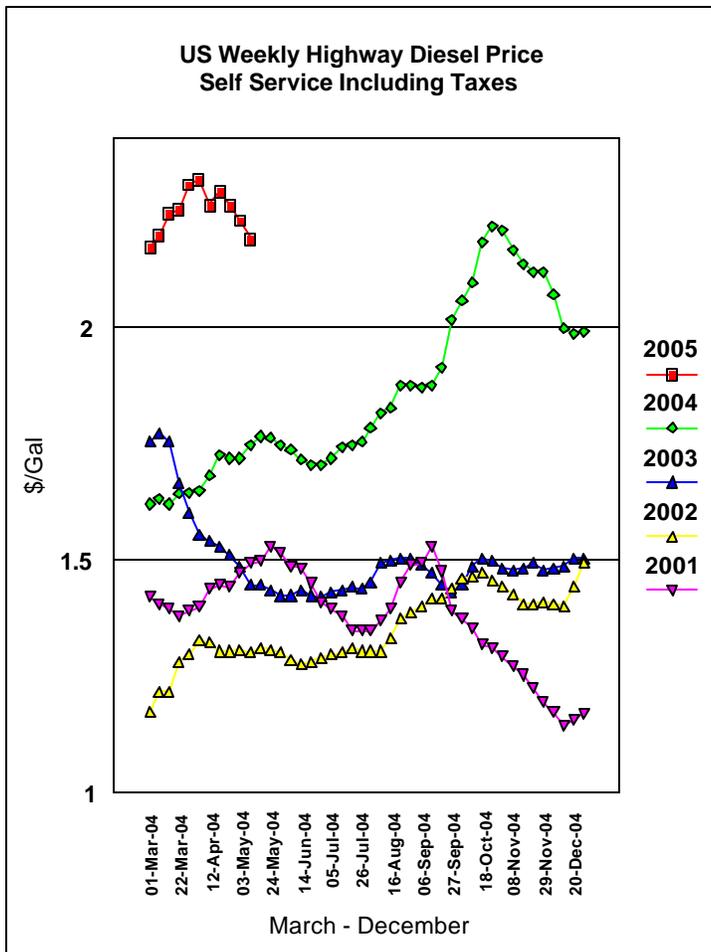
The Washington Post reported that a Senate investigation concluded that top Kremlin operatives and a Russian politician reaped millions of dollars in profits from the UN oil-for-food program by selling oil that Iraqi leaders Saddam Hussein allowed them to buy at a deep discount. The documents outline a trail of oil and money that leads directly from Iraq to the Kremlin and the former chief of staff to Russian President Vladimir Putin and former President Boris Yeltsin. The report said Iraq sought to influence and reward the Russian government because its sits on the UN Security Council that oversaw sanctions against the Hussein government. These are the latest allegations dealing with the scandal plagued UN program.

Separately, The Washington Post reported that in a paper published in March, an Israeli expert on terrorism, Reuven Paz found that 154 Arabs were killed over the previous six months in Iraq. He stated that 61% of them came from Saudi Arabia with Syrians, Iraqis and Kuwaitis together accounting for another 25%. He also found that 70% of the suicide bombers were Saudi. Many of the bombers were married, well educated and in their late twenties. The predominance of Saudi fighters on the list has caused an alarmed reaction by Saudi officials at a time when they are attempting to convince the US that they are working as allies against terrorism. Meanwhile, a researcher who monitors Islamic extremist web sties has compiled a list of more than 235 names, with more than 50% of his tally from Saudi Arabia as well.

Venezuela's President Hugo Chavez said PDVSA will no longer reimburse contracted firms for their expenses in dollars. Up until Saturday, PDVSA paid oil firms with operating contracts in dollars for expenses in Venezuela.

The Federal Reserve Bank of New York's index of manufacturing unexpectedly fell in May to minus 11.1 from 2 in April. Economists stated that inventories built by the most since the second quarter of 2000, discouraging companies from placing orders with factories. High costs of energy and other raw materials are limiting equipment purchases and economic growth.

The Intercontinental Exchange suspended trading in Brent crude futures due to a technical problem.



best interest of the US to help the economies of China and India become more energy efficient. He said it is in the US national interest to help both countries use oil and other energy sources as efficiently as possible.

OPEC President Sheikh Ahmad Fahad al Sabah said OPEC would pump 30.5 million bpd, up about 300,000-500,000 bpd from current levels to meet its estimated fourth quarter demand for its oil. He indicated that prices could move lower and added that \$40/barrel for the OPEC basket was acceptable. Meanwhile, OPEC's Secretary General Adnan Shihab-Eldin said OPEC is expected to increase its spare capacity another 1 million bpd to 3 million bpd by the end of the year. He said oil prices had to remain at sufficiently robust levels to support the investment required to meet future oil supply. OPEC's long term forecast, based on average world economic growth of 3.5% is for world demand to increase by 28 million bpd to about 111 million bpd by 2025 an annual growth rate of 1.5 million bpd. However lower world economic growth of 2.5% would translate into oil demand of 94 million bpd. By 2025, OPEC will provide

49% of the world's demand, or 55 million bpd, with non-OPEC countries providing 55-57 million bpd, up 5-7 million bpd from 2004.

Iraqi oil officials stated that crews are working to repair two sabotaged sections of Iraq's northern export pipeline and no flows are expected for another 10 days. Efforts to resume regular pumping to Turkey's port of Ceyhan were halted when saboteurs attacked a newly built section of the pipeline near the town of Zakho on the border with Turkey and another complex near Kirkuk.

The head of Iraq's State Oil Marketing Organization said it will renew contracts for sales of its Basra Light crude for the second half of 2005 with the same companies that purchase crude in the first half of the year. In the first half, SOMO contracts covered about 1.557 million bpd. He said Iraq is targeting a production level of 2.45 million bpd in May and 2.3 million bpd in June. Separately, traders at several US refiners with crude contracts with Iraq's SOMO said their companies were considering seeking cuts in their contract volumes for second half of the year when they meet with Iraqi executives this week. The complain that SOMO's pledge to pick up the tab for the cost of keeping tankers on during loading delays has fallen short of the tens of millions they saw they are owed.

The EIA reported that the retail price of diesel fuel fell by 3.8 cents/gallon to \$2.189/gallon in the week ending May 16th. It also reported that the retail price of gasoline fell by 2.3 cents/gallon to \$2.163/gallon on the week.

US Federal Trade Commission said they will not oppose Marathon Oil Corp's bid to buy Ashland Inc's stake in a joint venture of the two companies. Officials have completed their investigation into the sale of Ashland's 38% stake in Marathon Ashland Petroleum LLC without taking any action.

Refinery News

In a filing with the Texas Commission for Environmental Quality, Flint Hills said it will reduce the charge rate to a coker unit at its 300,000 bpd refinery in Corpus Christi, Texas starting Monday morning for planned maintenance.

Finland's Neste Oil said its 200,000 bpd Porvoo refinery resumed normal operations on Monday after a malfunction shut several processing units on Friday.

Total SA said it is in the process of restarting its 105,000 bpd Milford Haven refinery in Wales after seasonal maintenance, adding the facility will be fully operational within the next few days.

The Lukoil-Nizhegorodnefteorgsintez refinery refined 3.965 million tons of hydrocarbon in January-April, up 1.7% on the year. Its oil exports increased to 730,000 tons, up from 455,000 tons last year.

Russia's Kirishi refinery increased its runs by 5% in January-April on the year. It processed 5.3 million tons of crude in January-April 2005, up from 5.07 million tons in January-April 2004.

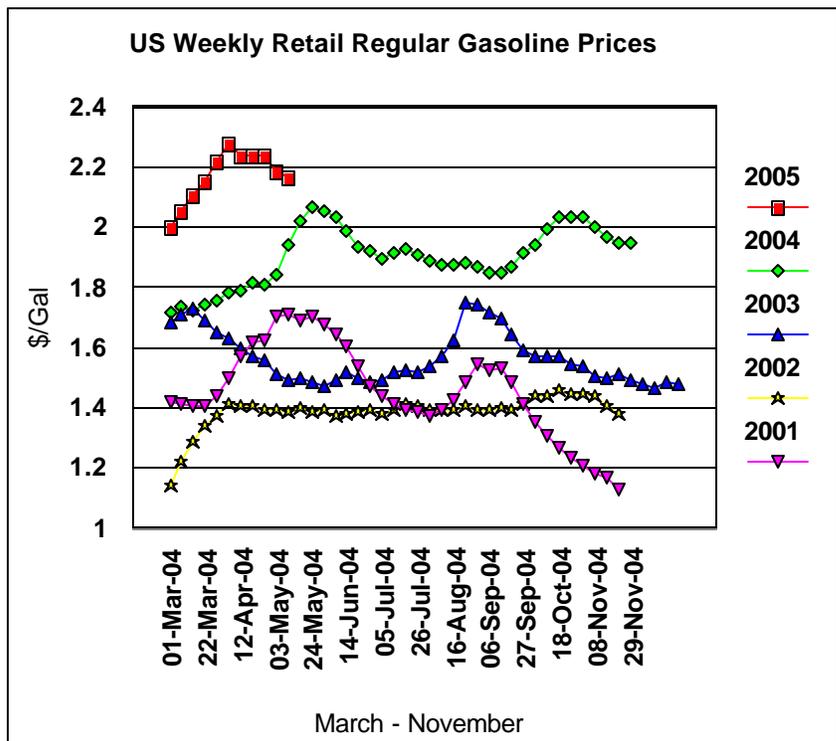
Indian Oil Corp's liquefied petroleum gas and gasoline unit at its Koyali refinery will restart operations in a week's time. The explosion at the fluid catalytic cracking unit of its 274,000 bpd Koyali refinery hit the company's plans to build stocks of low sulphur petrol and diesel.

Japan's TonenGeneral Sekiyu K.K. plans to shut three of its seven crude distillation units to conduct regular inspections and maintenance. It plans to shut its 83,000 CDU at its refinery in Kawasaki, its 156,000 bpd CDU at its Sakai refinery and its 100,000 bpd CDU at its refinery in Okinawa.

Nippon Oil Corp has restarted its 115,000 bpd crude distillation unit at its Osaka refinery after regular maintenance. The unit was shut on April 10. It is also carrying out maintenance at the sole 180,000 bpd CDU at its Murora refinery in northern Japan and the 127,000 bpd CDU at its Marifu refinery.

Production News

Venezuela's oil production may be more than 200,000 bpd lower than analysts' estimates. A former PDVSA worker said poor maintenance, labor unrest and corrupt management is cutting its production. Venezuela's production has fallen to about 2.3 million bpd, according to an opposition member on the assembly's energy commission. Meanwhile,



Venezuela's President Hugo Chavez has stated that the country's production is 3.1 million bpd.

Mexico's Energy Minister Fernando Elizondo said Mexico expects to fulfill its 2005 oil export target of 1.95 million bpd.

Petrobras' financial director Jose Sergio Gabrielli said the company became a net exporter of crude oil and oil products in the first quarter and expects to keep this position for the rest of the year. It hopes to meet Brazil's daily demand by the end of the year but 2006 is likely to be the first year when average output for the whole year is likely to exceed consumption. Its domestic crude production in April exceeded 1.7 million bpd for the first time. Next year output is expected to increase to 1.92 million bpd.

Officials from Kuwait's Petroleum Corp arrived in Japan for talks with Nippon Oil Corp and Cosmo Oil Co to increase crude oil exports to Japan. According to Japan's Ministry of Economy, Trade and Industry, Japan's crude imports from Kuwait fell by 1.7% on the year in the fiscal year ending March 31 to 17.89 million kl. In contrast, imports from Saudi Arabia increased 13.8% to 63.38 million kl or 1.09 million bpd.

Russia's Lukoil exported 1.509 million tons of crude oil and oil products via its terminal at the Baltic Sea port of Vysotsk in January-April. It exported 892,402 tons of crude oil, 534,188 tons of vacuum gas and 81,930 tons of diesel fuel.

Oil and natural gas transportation via Uzbekistan's pipeline system fell 2% on the year to 20.62 million tons in January-March.

China National Petroleum Corp and Uzbekistan's Uzbekneftegaz plan to create a joint venture to develop oil fields in Uzbekistan with low levels of oil reserves. The joint venture is to develop 23 oilfields located in the country's Bukhar-Khiva province. The Umid oil field has reserve reserves of 2.5 million tons while each of the other fields has less than 700,000 tons of oil. As part of the project, CNPC will be allowed to process oil under a tolling agreement at the Fergana oil refinery.

The Azerbaijan International Operating Co has launched the fourth of 10 wells that have been drilled by the company recently in the central part of the Azeri deposit on the Caspian Sea shelf. Currently the total daily oil output of the four wells totals more than 100,000 barrels. The company plans to produce more than 4.5 million tons of oil in the central part of the deposit in 2005.

Saudi Aramco has notified Asian customers that it would lower offer prices for its naphtha supply for the July to December period. It has offered its a-180 naphtha at \$15/ton. It also lowered its offer for full range naphtha from Rabigh by \$1.25 from current levels to an \$11 premium and cut its offer for Jabail chemical naphtha by 50 cents to \$10 premium. It cut its offer for A-310 naphtha supply from Ras Tanura to \$5-\$6 premium, compared with current premium of \$7.25.

China's Customs General Administration reported that China imported 12.25 million metric tons of crude oil in April, up 22.5% on the year. In April, it imported 10.82 million tons of oil products, down 14.8% on the year while its coal imports increased by 49.6% on the year to 7.37 million tons.

Market Commentary

The oil market opened down 75 cents at 47.92 in follow through selling seen in overnight trading on Access as the market continued its downward trend. The market was pressured following comments made by OPEC's President that OPEC would produce 30.5 million bpd to meet demand. The market traded to an early high of 48.25 before it sold off to a low of 47.60. However the market bounced off its

low and never looked back as it continued to retrace some of its losses. The market breached its earlier high and rallied to a high of 48.70 on good buying ahead of the close as it held good support at 48.00. It settled down just 6 cents at 48.61. Volume in the crude was lighter today with 182,000 lots booked on the day, of which 98,000 lot s traded via spreads. Meanwhile, the product markets ended the session in negative territory but well off their lows. The gasoline market gapped lower this morning from 139.05 to 138.50 as it continued to trend lower. The market posted an intraday low of 137.70 before it bounced off that level and backfilled its gap as it traded to 139.50 early in the session. The market, which attempted to test its low once again, bounced off its support and never looked back. It rallied to a high of 141.80 in afternoon trading before it settled in a range from 140.00 to 141.50 ahead of the close. It settled down 70 points at 140.52. The heating oil market settled down 2 cents at 135.03 but it was well off its low of 133.400. The market which gapped lower on the opening from 135.55 to 134.30, backfilled its gap as it traded to a high of 135.70 on the close. Volumes in the product markets were good with 46,000 lots booked in the gasoline and 48,000 lots booked in the heating oil market.

The oil market is seen trading in a range as the market will await the release of the weekly petroleum stocks reports on Wednesday. Even though the market may continue to retrace to its losses early in the session following today's close near its high, the market may once again trade lower and test its downside once again. The market is seen finding resistance at its high of 48.70 followed by 48.95.

More distant resistance is seen at its gap from 49.70 to 50.25. Meanwhile support is seen at 48.00, 47.60, 47.50 and 46.38.

Technical Analysis		
	Levels	Explanation
CL 48.61, down 6 cents	Resistance 49.70 to 50.25, 50.35, 51.00 48.70, 48.95	Remaining gap (May 12th), 50%, 62% (53.10 and 47.60) Monday's high, Friday's high
	Support 48.00, 47.60 47.50, 46.38	Monday's low Previous low, basis trendline
HO 135.03, down 2 cents	Resistance 139.40 to 140.00 135.70, 137.50	Remaining gap (May 12th) Monday's high, Friday's high
	Support 134.00, 133.40 130.25	Monday's low Previous low
HU 140.52, down 70 points	Resistance 145.70 to 146.30 141.80, 143.00	Remaining gap (May 12th) Monday's high, Friday's high
	Support 140.00, 139.00 137.70, 136.75	Monday's low, Previous low