



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 18, 2005

Venezuela's Oil Minister Rafael Ramirez said Venezuela sees world oil markets as well supplied and does not favor an increase in production at OPEC's meeting in June. Separately, Algeria's Oil Minister Chakib Khelil said OPEC is unlikely to discuss any slowdown of its current high oil production levels at next meeting in June, despite the recent fall in prices. He said high prices and speculation were more likely to be on the agenda for the June meeting.

An Iraqi oil official said a new act of sabotage to an oil facility has delayed resumption of crude pumping

Market Watch

The AAA estimated 37.2 million Americans would travel 50 miles or more from home, up 2.2% from last year even as gasoline prices soar on the year. It said about 31.1 million travelers or 84% plan to travel by motor vehicle, up 2.2% on the year. It said holiday auto travelers will find gasoline prices nationwide currently averaging \$2.16/gallon, down 8 cents in the last month but up 19 cents from last year's record level.

Saudi Aramco has chartered five very large crude carriers to the US in June carrying 10.5 million barrels. The tankers are booked to load during June 10-21. The crude is expected to be delivered to the Loop terminal. This comes after Saudi Aramco confirmed that it booked eight VLCCs to carry 16.8 million barrel to the US Gulf in May. Separately, Saudi Aramco said it wants to increase its share of oil exports to Asia. It said it wants to remain in its three major markets of Asia, Europe and North America but send a higher percentage of its exports to the Asian market.

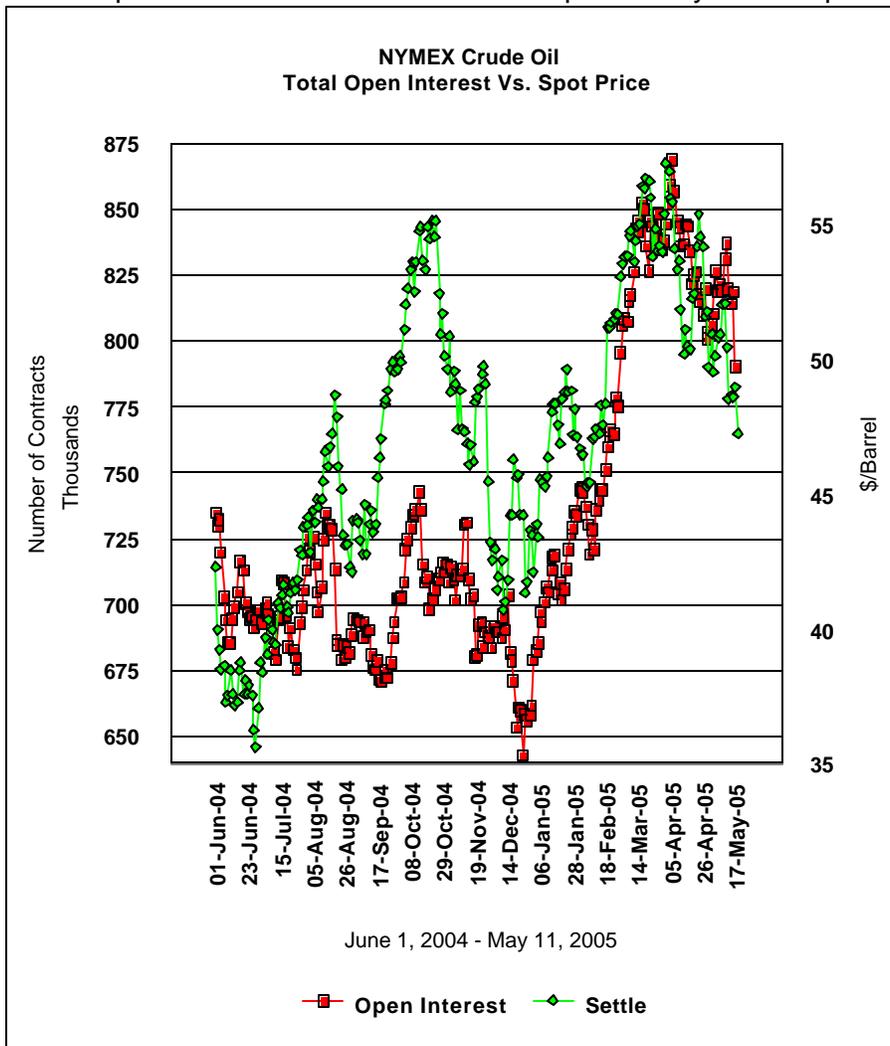
The US quietly dropped its warning issued to its citizens to leave Saudi Arabia. However a State Department travel warning said militants were still targeting foreigners and Saudi government facilities. The statement said US citizens should defer non-essential travel to Saudi Arabia but dropped a phrase which was in place since last April which "strongly urged" any US citizens in the country to leave.

Venezuela's Oil Minister Rafael Ramirez said PDVSA will begin paying contracted oil firms local currency instead of dollars to bring oil operations in line with ongoing currency controls. Venezuela imposed strict currency controls in early 2003 to halt capital flight. On Sunday, President Hugo Chavez said he had ordered a halt to reimbursing oil firms in dollars.

China's National Bureau of Statistics reported that power generation in China increased by 12.7% on the year in April to 189.206 billion kilowatt hour. The government also reported that industrial production in April grew by 16% from a year ago.

Qatar will begin commissioning its first gas to liquids plan in November, two months ahead of schedule. Qatar Petroleum said problems with deliveries of equipment for the \$3 billion Oryx project has been resolved, allowing commissioning to start earlier.

from Iraq's northern oil fields to the Turkish port of Ceyhan. Iraqi authorities managed to resume crude oil pumping for two days last week before insurgents attacked the export installations.



The API reported that US demand for crude oil and petroleum products in April increased by 2% from a year earlier to 20.604 million bpd. Gasoline consumption fell by 0.6% in April to 9.016 million bpd, marking the first monthly decline since August. In regards to supply, crude oil and petroleum product imports increased by 6.1% in April to 13.215 million bpd. Crude oil imports increased to 10.21 million bpd. Imports accounted for 64.1% of domestic demand in April, up from 61.6% a year earlier. Domestic crude oil production totaled 5.4 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by 13 cents/barrel to \$45.60/barrel on Tuesday, up from Monday's \$45.47/barrel.

The DOE reported that propane inventories in the week ending May 13th increased by 3.12 million barrels to 37.772 million barrels. It reported that inventories in the East Coast increased by 78,000 barrels to 2.522 million barrels, while inventories in the Midwest increased by 886,000 barrels to 12.816 million barrels and Gulf Coast inventories built by 2.16 million barrels to 21.855 million barrels on the week.

Refinery News

A fluid catalytic cracking unit at BP's 260,000 bpd Carson, Calif refinery was shut over the weekend. The unit is expected to resume operations on Wednesday.

An Iraqi Oil Ministry official said Iraqi crews have rebuilt a 20,000 bpd refinery in southern Iraq that was destroyed in the Gulf War more than a decade ago. The Samawa refinery will be inaugurated on June 1 and help stop the shortage in domestic fuel production.

Workers at five refineries operated by Total extended a strike for a third day on Wednesday after the government planned to scrap the Pentecost holiday to generate more tax revenue. Total's 160,000 bpd Mardyck refiner was working normally, the 231,000 bpd Donges refinery in western France was

shut down and its 119,000 bpd Feyzin refinery, its 155,000 bpd La Mede refinery, its 99,000 bpd refinery in Grandpuits and its 328,000 bpd Gonfreville plant were operating at reduced rates.

India's Reliance Industries plans to shut a 330,000 bpd crude unit and a 180,000 bpd fluid catalytic cracking unit for maintenance starting in mid-September. The turnaround could limit sales of diesel and gasoline from the 660,000 bpd Jamnagar refinery. The turnaround is expected to last 40 days.

Ukraine's Ukratnafta plans to refine 340,000 tons of oil in May, down 41.3% on the year. In June, the refinery plans to increase its crude refining to a record 900,000 tons.

Production News

During a recent meeting, Russian Minister of Industry and Energy Viktor Khristenko and Norway's Minister of Oil and Energy Torild Widvey expressed the two countries' intention to explore and develop Russian and Norwegian deposits on the Barents Sea shelf at their recent meeting.

China's National Bureau of Statistics reported that the country's oil production increased by 4.4% on the year in April to 14.74 million tons or 3.6 million bpd. In the first four months of the year, crude production increased by 4.8% to 59.47 million tons. The volume of crude processed in April increased by 10.2% on the year to 23.94 million tons while crude processed in January-April increased by 8.8% to 96.44 million tons.

India's Oil Minister Mani Shankar Aiyar said he wanted the country to significantly expand refining capacity and emerge as a large exporter of petroleum products. India's refining capacity is expected to increase 12% to 140 million tons a year or about 2.8 million bpd by 2007 and to 3.6 million bpd by 2012. The government expects domestic demand to grow 4-5% from the next two decades although analysts say growth would slow down if fuel prices rise. The country's Oil Minister also stated that India needs to review domestic fuel prices to ease the burden on state energy companies which have been selling petrol and diesel at the same rate for the past six months. Oil companies suffered a revenue loss of 200 billion rupees or \$4.6 billion in 2004/05 due to government controls on prices.

Japan's Nippon Oil Corp said its wholesale gasoline shipments fell in the first half of the month. Its gasoline shipments fell by 5.4% in the first 15 days of May compared with a year earlier.

Separately, the Petroleum Association of Japan reported that gasoline inventories increased by 1.8% to 2.23 million kl or 14.03 million barrels in the week ending May 14 from the previous week.

Ecuador's Energy Ministry reported that the country's average oil production increased by 3% to 530,344 bpd in January-April, up from 513,211 bpd last year. The country's total January-April production was 63.64 million barrels, up from 62.1 million barrels last year.

Ukrainian state oil and natural gas company, Naftogaz Ukrainy plans to purchase 2 million tons of oil annually from Libya. Meanwhile, Ukraine's Foreign Minister Boris Tarasyuk said Ukraine was interested in receiving oil from Azerbaijan. He said the country was ready to import up to 40 million tons of oil from Azerbaijan.

Syria's Sytrol is proposing to increase June official selling prices for its light crude by \$1.25/barrel compared with May's prices. It is proposing Syrian Light at Dated minus \$2 fob Baniyas compared with Dated minus \$3.25 in May. It is proposing to increase Syrian Heavy by \$1.30/barrel to Dated minus \$12 fob Tartous.

Market Commentary

The NYMEX oil market continued Tuesday's late rally on Wednesday as the market gapped slightly higher from 49.00 to 49.08. The market posted a high of 49.35 early in the session as the weekly petroleum stock reports were being released. The crude market surprisingly held on to some of its gains despite the reports showing crude stock builds once again. Both the DOE and API reports showed builds in crude stocks of 4.3 million barrels and 2.53 million barrels, respectively. The DOE also reported that total petroleum stocks built for the fourth consecutive week, this time by 8.2 million barrels. However the market later erased its gains on the mostly bearish stats and breached Tuesday's low of 48.05 as it traded to 47.30 by mid-day. The market, which failed to erase much of its losses later in the afternoon, ended the session even weaker. It sold off to a low of 47.00 on the close and settled down \$1.72 at 47.25. Volume in the crude was excellent with over 289,000 lots booked on the day. Open interest in the crude market fell by a total of 27,779 lots, with open interest in the June contract falling by 38,281 lots as traders continued to liquidate their June positions ahead of its expiration on Friday. Meanwhile, open interest in the July contract built by 9,102 lots. The product markets also ended sharply lower with the gasoline market settling down 2.08 cents at 141.44 and the heating oil market settling down 1.57 cents at 135.82 as both markets sold off even further on the close. The gasoline market traded to a high of 144.40 early in the session but quickly sold off to 141.50 following the release of the DOE and API reports, which showed a build of 1.1 million barrels and a draw of 317,000 barrels, respectively. The market later bounced off its low and retraced some of its losses as it traded back above the 143.00 level. However the market quickly sold off to a low of 141.00 on a late bout of selling. Similar to the crude market, the heating oil market gapped higher on the opening and traded to a high of 138.80 early in the session. However the heating oil market followed the crude market lower and traded to 136.00 following the release of the DOE and API reports. The market later retraced most of its losses only to see it sell off once again on the close to a low of 135.60. Volumes in the product markets were good with 57,000 lots booked in the gasoline market and 43,000 lots booked in the heating oil market.

The crude market on Thursday is seen remaining pressured following today's weak close. The market is also seen trending lower in light of the continued builds reported in crude stocks. The market is seen remaining under pressure so long as the inventory reports continue to show crude stock builds. Technically, the crude market is also seen trading lower as its daily stochastics are still trending lower. It is seen finding resistance at 48.30 followed by its high of 49.35 and its gap from 49.70 to 50.25.

Support is however seen at its low of 47.00 followed by 45.92 and 45.75.

Technical Analysis		
	Levels	Explanation
CL 47.25, down \$1.72	Resistance 49.70 to 50.25, 50.77 48.10, 49.35	Remaining gap (May 12th), 62% (53.10 and 47.00) Wednesday's high
	Support 47.00 45.92, 45.75	Wednesday's low Basis trendline support and Feb 9th low
HO 135.82, down 1.57 cents	Resistance 139.70, 141.65 & 143.60 138.80, 139.40 to 140.00	Retracements of the down move from 14990-13340 Wednesday's high, Remaining gap (May 12th)
	Support 135.60, 134.70, 133.40 130.25-127.6	Wednesday's low, Previous lows Gap from Feb 22nd
HU 141.44, down 2.08 cents	Resistance 145.60, 145.70 to 146.30 143.00, 144.40	50% (153.50 and 137.70), Remaining gap (May 12th) Wednesday's high
	Support 141.00, 139.30 & 137.70 135.61	Wednesday's low, Previous lows Bottom of Channel support