The Windham Group

Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 3, 2005

Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC is ready to act fast and cut crude supplies if oil inventories build too much in the second quarter. He also although inventories were now at a comfortable level, OPEC's President Sheikh Ahmad Fahad al-Ahmad al-Sabah was authorized to call ministerial telephone consultations to authorize a cut should there be a need to act before the next meeting in March.

According to Oil Movements, OPEC shipments increased by 280,000 bpd in the four weeks ending February 19 to 23.88 million bpd, up from 23.6 million bpd in the four weeks ending January 22. It also stated that OPEC oil in transit to world consumers would continue falling through February, falling 30 million barrels before any recover sets in. Supplies on the water will fall to 416 million barrels in the period ending February 19 down from 436 million barrels in the four week period ending January 22.

Market Watch

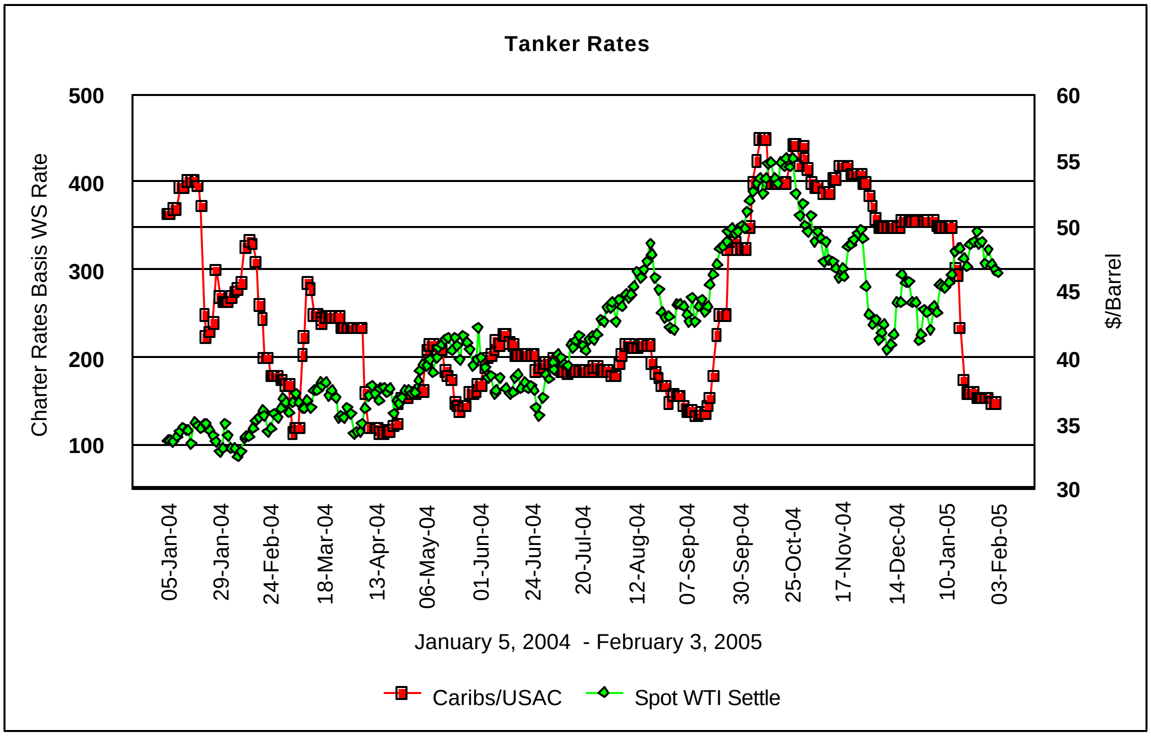
The US appears set to avoid a spike in gasoline prices this spring as strong imports and light refinery maintenance work allow suppliers to build up their inventories. However this outlook can change quickly if a major refinery is shutdown, demand surges or OPEC cuts its production. According to the latest DOE data, gasoline supplies have increased to 4% above last year's levels. The increase in inventories has been helped by high refinery output this winter compared to last year.

Saudi Arabia has booked several very large crude carriers from the Gulf to the US in February and March, increasing spot shipments for this month to 16 million barrels. Shipping brokers stated that if the February bookings were confirmed, it would double the spot shipments booked by Saudi Arabia in January to carry 8 million barrels to the US. Vela International has booked the Olympic Legacy to carry 285,000 tons of crude oil to the US Gulf loading on February 25. It also booked similar amounts on the Radiant Jewel loading on March 4 and Atlantic Liberty loading on March 12. Another vessel, La Paz has been booked to load 275,000 tons on March 2.

Traders have fixed at least 412,000 tons of gas oil from Europe to the US Atlantic Coast in early February. Shipping agents reported that BP had fixed a cargo of about 70,000 tons for loading in the next decade of February while Projector had another 70,000 ton vessel to load from the Baltics.

China confirmed that it had not provided any loans to Russia's Rosneft for its purchase of Yuganskneftegaz. This follows statements made by Rosneft that China had agreed to pay $6 billion as prepayment for oil supplies but the money has not been used to finance the purchase of Yuganskneftegaz. Separately, Rosneft said it intends to redirect authorities' claims against its recently acquired Yuganskneftegaz to the oil unit's former owners, shareholders of Yukos.

Russia's Economy Minister German Gref said Russia will make a final decision on the merger between gas monopoly Gazprom and state oil firm Rosneft this month.



Dow Jones reported that OPEC's crude oil production fell to 29.06 million bpd in January, down 291,000 bpd as Saudi Arabia cut its supplies to 9.05 million bpd in line with its pledge to cut its overproduction. Meanwhile, Iraq's production totaled 1.75 million bpd as it continued to be affected by sabotage and weather related loading delays.

OPEC's news agency reported that OPEC's basket of crudes fell to $40.62/barrel on Wednesday from Tuesday's $41.28/barrel.

The IEA stated that China's oil demand will ease as new electricity plants cut the need for oil fired generators. However it stated that filling newly created stockpiles will keep demand strong. China wants to store 100 million barrels of oil by 2008 in above ground storage tanks, the equivalent of about 35 days of imports.

The Institut Francais du Petrole said the world could face its third oil shock if political events in the Middle East were to disrupt supplies. It said if oil exports from the region are disrupted in the further due to political tensions, the world could face a real oil shock.

Refinery News

Valero Corp said it would perform maintenance to repair an exchanger in Complex I at its 138,000 bpd Corpus Christi, Texas refinery. It said it would complete its maintenance as quickly as possible and return to normal operation.

Lyondell-Citgo Refining has scheduled maintenance on two major units at its Houston refinery in the second quarter.

Tesoro Petroleum Corp said that scheduled and unscheduled maintenance had cut crude throughput levels during the fourth quarter. Continued work on refining units during the first quarter of 2005 may also reduce run rates. A boiler problem at its 166,000 bpd Golden Eagle, California refinery in January caused the average daily throughput at the refinery to fall to about 150,000 bpd to 155,000 bpd.

Shell Canada's oil sands processing plant returned to full capacity of 160,000 bpd after repairs to a unit was completed.

Italy's ENI's 100,000 bpd Gela refinery restarted gasoline production this week after completing its January maintenance. It is however not expected to reach full capacity until mid-February.

Nigerian oil refineries are processing about 250,000 bpd following lengthy repairs. The throughput figures represent a large improvement on 50,000 bpd from four plants in October but it is still short of the country's capacity to refine 445,000 bpd. The 150,000 bpd Port Harcourt plant is refining about 110,000-120,000 bpd, the 125,000 bpd Warri refinery is producing 80,000 bpd and the 110,000 bpd Kaduna refinery is producing 60,000 bpd.

Nippon Oil Corp forecast its refineries' average operation rate at 95% for January to March, compared with 89% for October to December. The company's average operating rate for the year ending March 2005 would be 88% compared with 83.5% in the previous year.

Production News

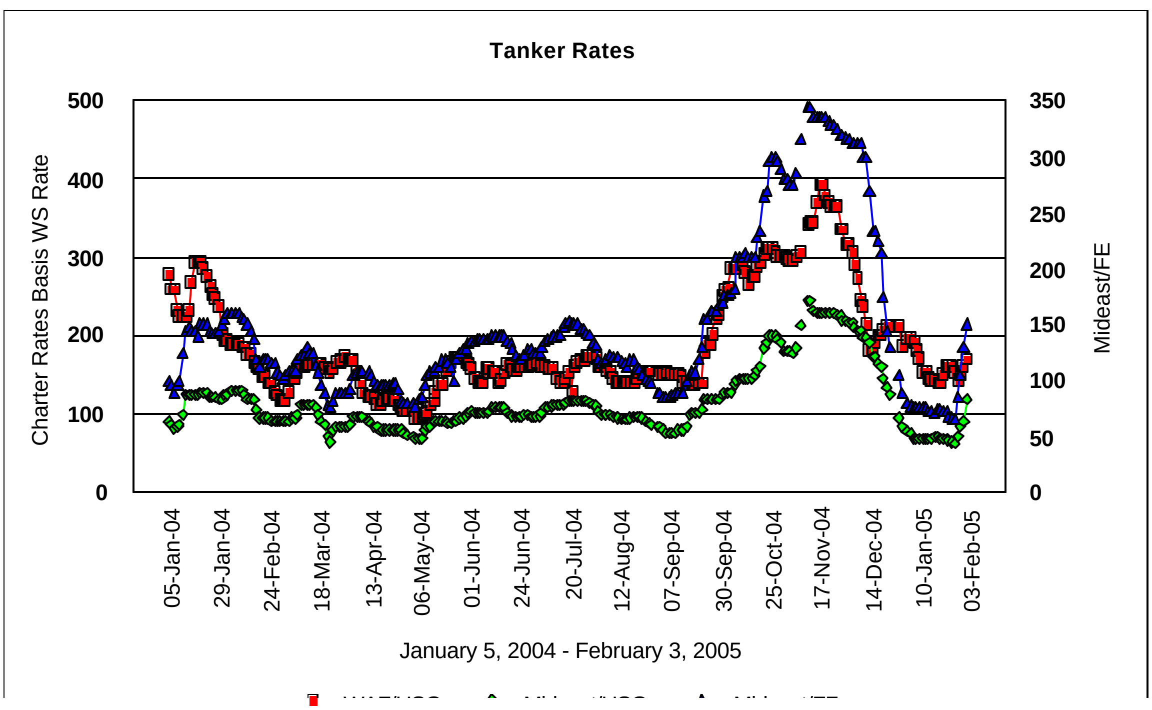
The Colonial Pipeline announced allocations of shipping orders for its five day back 5th cycle on its main distillate line from Collins, Mississippi to Greensboro, North Carolina. The distillate line has been allocated since last October because of high demand for shipping distillate fuels.

Snow and strong winds has closed Turkey's Dardanelles Straits to tanker traffic heading south into the Aegean on Thursday. However traffic heading north into the Marmara Sea was still moving and the Bosphorus Straits further north remained open.

Singapore's International Enterprise reported that the country's total fuel oil stocks fell by 894,000 barrels to 10.908 million barrels in the week ending February 2. The country's middle distillate stocks fell by 385,000 barrels to 7.029 million barrels while light distillate stocks increased by 593,000 barrels to 9.238 million barrels.

The head of Nigeria National Oil Corp said Nigeria's oil production capacity is set to increase by about 10% to 3.4-3.5 million bpd by the end of the year. The additional capacity would come from new production coming onstream at offshore projects that include Royal Dutch/Shell's Bongo project and ExxonMobil's Erha. He said Nigeria is also on target to produce 4 million bpd by 2007.

Pemex is aiming to increase its crude oil production to 3.8 million bpd in 2006 from 3.3 million bpd last year. Pemex plans to produce about 3.44 million bpd



of crude oil this year.

Enbridge Inc is on target to conclude a deal by the end of February or early March to build a pipeline from Alberta to the west coast of Canada to export Canadian oil sands output to Asia. The Gateway pipeline is expected to have initial capacity of 400,000 bpd. Enbridge forecasts that 250,000 barrels would go to Asia and the remainder to the US west coast.

The cost of Royal Dutch/Shell's Bonga deep water oilfield in Nigeria has increased by 30% to $3.5 billion but is still on schedule to start up by the middle of the year. It is working to start the 225,000 bpd field after a two year delay, which has added an extra $800 million to the costs.

Norway's Statoil said it signed two license transaction agreements with Royal Dutch/Shell. It said one agreement is a swap deal which expands the company's holdings in the Snorre and Norne fields. In addition, Statoil increased its interest in discoveries and prospects in the Norne as well as the Alve discovery in the Norwegian Sea. Meanwhile Shell is acquiring a share of the Statoil operated Kvitebjoern license in the North Sea.

Market Commentary

The NYMEX oil complex settled in negative territory once again as the markets extended the sell off seen on Wednesday following the unexpected builds reported in gasoline stocks. The crude market gapped lower from 46.45 to 46.30 and quickly started to backfill the gap as it traded to a high of 46.40. The market however sold off to a low of 45.75 after the sell off in the natural gas market spilled over the oil markets. The natural gas market was pressured following the release of the EIA natural gas report, which showed a lower than expected draw of 188 bcf. The oil market however bounced off its low and completely backfilled its gap as it traded to a high of 46.45. It settled in a sideways trading range from 46.00 to 46.45 for most of the session. The market later breached its earlier high and posted an intraday high of 46.55 on the close following a late bout of short covering on light volume trading. It settled down 24 cents at 46.45. Volume in the crude market was light with 148,000 lots booked on the day. Meanwhile, the heating oil market also settled down 2.05 cents at 127.65 after the market gapped lower on the opening from 129.30 to 128.00. The market partially backfilled its gap as it traded to a high of 128.50. However the market quickly tumbled to a low of 126.30 amid the sell off seen in the natural gas market. The heating oil market later bounced off its low and traded sideways within a range from 126.30 to 128.00 for most of the session. The market tested its resistance at 128.00 on the close as traders were caught short. The gasoline market also gapped lower this morning from 128.70 to 128.00 as it continued sell off following Wednesday's DOE and API reports showing the unexpected builds in gasoline stocks. The market partially backfilled the gap as it posted an intraday high of 128.50 early in the session. The market however sold off even further to a low of 125.80 amid the sell off in the rest of the energy complex. It later breached its earlier

Technical Analysis			
		Levels	**Explanation**
		47.55, 48.10, 48.25-48.60	Previous highs, Remaining gap (January 31st)
	Resistance	46.55, 47.10, 47.35	Thursday's high
CL	46.45, down 24 cents		
	Support	45.75, 45.58	Thursday's low, 50% retracement(41.40 and 49.75)
		45.20, 44.59	Previous low, 62% retracement
		131.50, 132.10, 133.50	Previous high
	Resistance	128.00, 128.50-129.30	Remaining gap (February 3rd)
HO	129.70, down 1.69 cents		
	Support	126.30	Thursday's low
		125.93, 125.50	62% retracement (116 and 142), Previous low
		128.40-128.70, 132.50	Remaining gap (February 3rd), Previous high
	Resistance	127.00, 127.30	
HU	129.35, down 2.1 cents		
	Support	125.00, 124.80-124.20	Thursday's low, Remaining gap (January 13th)
		123.70	50% retracement (109 & 138.40)

support and traded to a low of 125.00 ahead of the close when the market erased some of its losses. The gasoline market settled down 2.51 cents at 126.84. Volumes in the product markets were good with 42,000 lots booked in each the heating oil and gasoline markets.

The crude market on Friday will likely continue to retrace some of its losses, however barring any news or any significant changes in the weather forecasts, the oil complex's gains are seen limited. Technically, the daily stochastics are still trending lower. The market is seen finding support at its low of 45.75 followed by 45.58, its 50% retracement level. More distant support is seen at 45.20 followed by 44.59. Meanwhile, resistance is seen at its high of 46.55 followed by 47.10 and 47.35. More distant resistance is seen at 47.55, 48.10 and its remaining gap from 48.25-48.60.