

W The
Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 11, 2005

An Iraqi Oil Ministry official said Iraq will resume oil exports to Turkey next week after completing repairs of its northern pipeline. The official said there was already 1.3 million barrels of oil stored that will now be pumped once operations resume.

According to Platts, total OPEC production fell by 460,000 bpd to 29.29 million bpd in January from December's 29.75 million bpd. Production from the ten OPEC members, excluding Iraq, averaged 27.44 million bpd, down 470,000 bpd from December's 27.91 million bpd. Saudi Arabia accounted for the largest cut of 400,000 bpd to cut its output towards 9 million bpd. Smaller reductions of 20,000 bpd each came from Kuwait, Libya and Qatar and 80,000 bpd

Market Watch

Iraqi officials stated that they need a few days maximum to complete their count following the January 30 national elections. Officials had expected to announce a final count by Thursday but later said the process had been delayed due to the need to recount about 300 boxes.

Russia's Foreign Minister Sergey Lavrov shrugged off the US' warnings against Russian arms sales to Venezuela, saying the deal was in line with international law. The US State Department said it is troubled by the deal that provides Venezuela with more than 100,000 AK-47 rifles, MiG-29 fighters and attack helicopters. The US is concerned that some of the weapons may be turned over to leftist rebels in Colombia. Meanwhile, Venezuelan ambassador to Russia also dismissed the US objections.

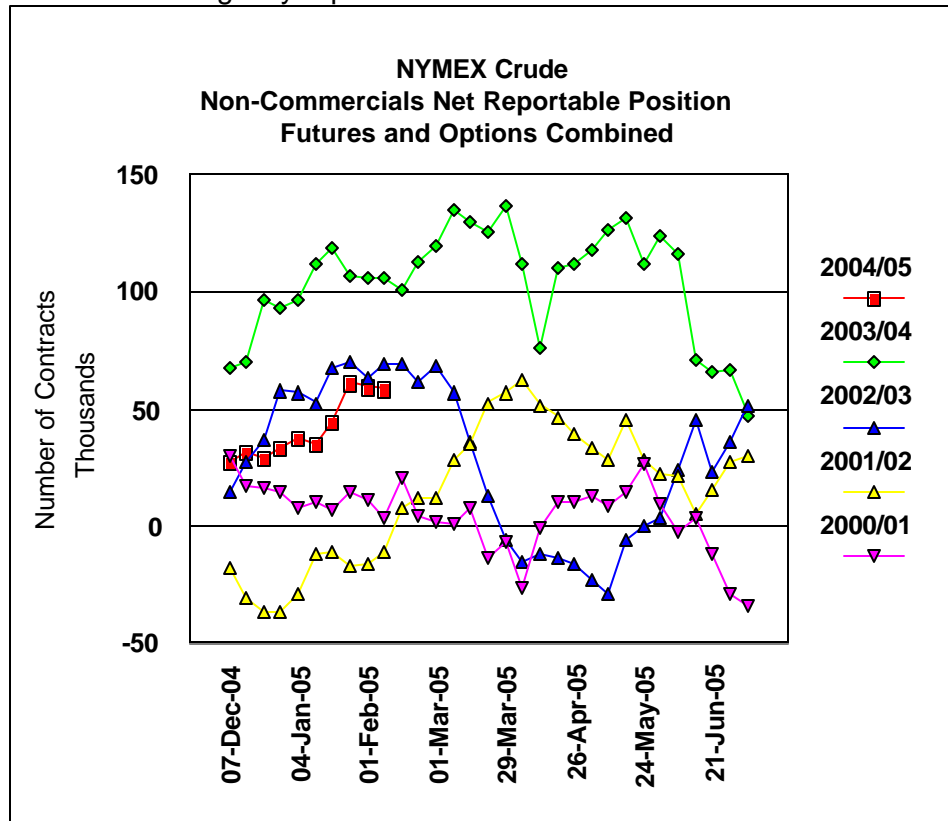
Lithuanian parliamentary chairman, Arturas Paulauskas said Russia's Yukos could soon give up control of Mazeikiu Nafta, the only refinery in the Baltics. He said that Yukos was set to relinquish control of the refinery as it faces billions of dollars of tax demands from Russia. Yukos currently owns 53.7% of Mazeikiu and is the main supplier to the refinery. Lithuania's government has sent a proposal to Yukos to purchase another 10%, which could give it control.

ChevronTexaco said talks aimed at resolving a dispute between the company and the Ugborodo community that besieged the company's terminal last week are progressing satisfactorily. ChevronTexaco agreed with government representatives, company officials, security forces and community leaders that ways should be found to resolve the dispute.

Iranian cleric and former President Akbar Hashemi Rafsanjani said the US will not stop Iran from pursuing nuclear technology and added that the US should not attempt military action in the country. US Secretary of State Condoleezza Rice urged Iran to give up what she said is a nuclear weapons program. US officials have stressed diplomacy but have not ruled out an attack on nuclear sites, which Iran insists are to meet electricity demand. He reiterated that Iran could not give up its uranium enrichment but could work out a diplomatic solution by offering further assurances the fuel was not being diverted to making bombs.

from the UAE. Algeria's production remained unchanged from its December level of 1.29 million bpd while Nigeria increased its production by 20,000 bpd to 2.3 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$40.54/barrel on Thursday from \$39.94/barrel on Wednesday.



A senior Indonesian energy official said a committee currently reviewing Indonesia's membership in OPEC may be ready to make a recommendation on the issue to government officials by the end of February. The committee is expected to consider a number of factors including the political and diplomatic repercussions of quitting OPEC as well as the country's oil production.

US Senator Diane Feinstein called on federal officials to investigate the widening price differential between crude oil prices in

California and the US benchmark. The request to the Government Accountability Office alleges that oil companies may be keeping prices for California's heavy grades of oil artificially low to reduce the royalties they must pay for extracting oil from public lands. The GAO will decide whether to act on the request in the coming weeks.

Refinery News

Citgo's Corpus Christi, Texas refinery is scheduled to begin restarting a fluid catalytic cracker on Friday after it was shut on Thursday due to mechanical problems.

The Texas Natural Resource Conservation Commission reported that a crude unit at Alon USA's Big Springs refinery in Texas will be shut from Friday through Sunday for a scheduled turnaround.

ConocoPhillips reported that a gas compressor went offline at its Sweeny refinery in Texas early Thursday. According to a report filed with a state environmental agency, the compressor was restarted.

Premcor Inc plans to shutdown its catalytic cracking unit, electrostatic precipitator and fractionating unit for turnaround. The work is expected to start February 20 to March 9. A report with the Texas Commission for Environmental Quality did not specify whether production would be impacted by the repairs.

According to a report filed with the Texas Commission for Environmental Quality, ExxonMobil scheduled three weeks of maintenance on a flare gas recovery compressor at its Baytown, Texas refinery. The work is scheduled for February 21 to March 13. The work will follow 15 days of maintenance on a hydroformer valve.

Essar Oil Ltd said it expected its refinery at Vadinar in the western state of Gujarat to be completed within two years, later than previously expected. The refinery which will have a capacity of 210,000 bpd has been delayed due to financial problems and environmental issues.

Production News

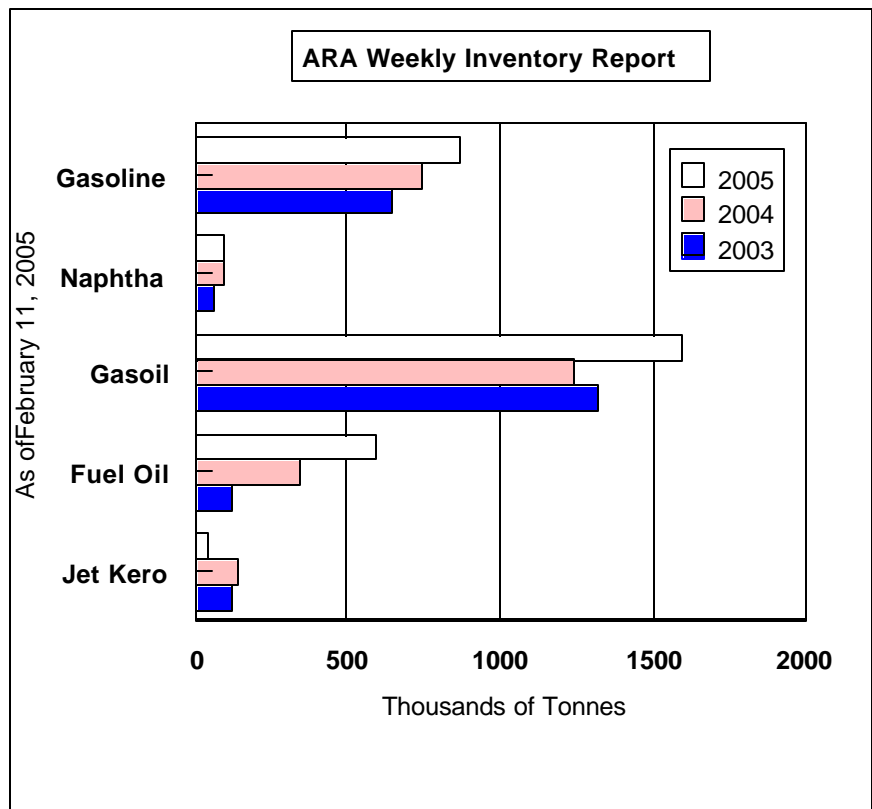
Colonial Pipeline Co Inc will restrict the amount of distillate products it will accept from each of its shippers as demand for space on its mainline continues to exceed available capacity. The latest restrictions affect 6th cycle liftings on Colonial’s distillate mainline. It is the 12th consecutive restriction placed on distillate nominations on Line 2 since late October.

Explorer Pipeline Co announced that its gasoline, diesel fuel and jet fuel shipments from the Gulf Coast to the Midwest on February’s 5th and 6th cycles are restricted due to over-nominations.

Russia’s Natural Resources Minister Yuri Trutnev urged Russia’s oil companies to reduce their dependence on offshore holding companies. Companies including OAO Lukoil Holdings and Sibneft are largely owned by offshore holding companies and may find themselves blocked from major acquisitions after the ministry said that only strictly Russian companies will be allowed to bid for country’s oil, gas and mineral assets. He said some fields may be developed by foreign companies in consortia in which Russian companies hold a 50% stake plus one share. Russia’s Federal Agency for Mineral Resources plans to hold 270 auctions in 2005 for licenses to develop oil fields in Russia.

The Norwegian Directorate reported that Norway’s January crude production fell by about 360,000 bpd on the year to 2.582 million bpd due to the supply disruption at Statoil ASA’s 205,000 bpd Snorre and Vigdis fields and Royal Dutch/Shell’s 140,000 bpd Draugen fields.

Norway’s Oil and Energy Ministry approved a plan by Statoil to develop the Skinfaks and Rimfaks fields in the North Sea which have recoverable reserves of about 11 million standard cubic meters of oil equivalent. Statoil estimates development costs for the project at about 3.4 billion Norwegian crowns or \$515.7 million. The plan calls for development of the Skinfaks field to be tied back to the Gullfaks C platform and for the expansion of the Rimfaks field. The project



will also prolong production from the Gullfaks area.

An analyst stated that gas oil inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 25,000 tons to 1.6 million tons in the week ending February 11th. It is up 28% from 1.25 million tons a year ago. The ARA data showed an increase of 25,000 tons in gasoline stocks to 875,000 tons while naphtha stocks fell by 25,000 tons to 100,000 tons. Fuel oil stocks increased by 145,000 tons to 600,000 tons while jet fuel stocks fell by 175,000 tons to 50,000 tons on the week.

A.P. Moeller-Maersk said Danish Underground Consortium's oil production in the Danish part of the North Sea increased by 11.7% year on year in January to 321,500 bpd. Its output was however 1.3% lower from December's level.

Russia's main Black Sea port of Novorossiisk has reopened following a six day closure and has exported its first crude cargo since February 4. The closure of the port forced pipeline operator Transneft to halt pumping after storage tanks at Novorossiisk were filled to capacity. A source said pumping would likely resume as more vessels are loaded.

Russia's Rosneft, which recently acquired Yukos' former unit Yuganskneftegaz, said its crude production increased by 11% to 430,000 bpd in 2004. It also stated that media reports about it taking massive loans through its subsidiaries were premature. Separately, analysts stated that Rosneft's move to borrow \$4.6 billion from its units could delay government plans to merge the company with Gazprom. There are concerns that Rosneft subsidiaries' liabilities have increased by about \$5 billion, thereby reducing the value of the assets for the merger.

ExxonMobil has abandoned its Nakhichevan field on the Caspian Sea after failing to find commercial deposits.

France's Total is in talks with Venezuela's government to launch a new \$5 billion project to develop heavy oil in the Orinoco region. It hopes to reach a preliminary agreement before the end of the first half of the year. The project, Sincor II, will involve Total, Statoil and PDVSA, the original three partners in the Sincor heavy crude venture.

Ecuador's Central Bank reported that the country's average oil output increased by 8.9% to 538,322 bpd in December from 494,387 bpd reported a year earlier. Production increased by 1% on the month from

533,699 bpd. The country's 2004 oil production was 192.32 million barrels, up 26% on the year. Petroecuador said it averaged 203,290 bpd in December while it

Technical Analysis			
		Levels	Explanation
CL	Resistance	47.55, 47.78, 48.25-48.60	Previous high, 62% (49.75 and 44.60), Remaining gap Friday's high
	Support	47.48	
HO	Resistance	46.75, 46.45, 46.10	Friday's low, Thursday's low 50% and 62% (44.60 and 47.30), Previous low
	Support	45.95, 45.63, 44.60	
HU	Resistance	133.50, 134.55, 135.00	Previous high, 62%(142.00 and 122.50), Previous high Friday's high
	Support	133.00	
HU	Resistance	130.25, 129.70, 128.75	Friday's low, Thursday's low 38%, 50% and 62% retracement(122.50 and 132.30)
	Support	128.56, 127.40, 126.24	
HU	Resistance	131.58, 132.50, 134.00	62% retracement (138.40 and 120.55), Previous highs Friday's high
	Support	130.10	
HU	Resistance	127.60, 126.25	Friday's low, Thursday's low 50% retracement(120.55 and 129.90), Backfills gap
	Support	125.23, 124.00	

averaged 197,117 bpd in all of 2004.

Market Commentary

The NYMEX oil market opened slightly lower at 46.92, down 18 cents as the market retraced some of Thursday's sharp gains which were triggered by the release of the IEA report. The March crude contract quickly posted an intraday low of 46.70. However the market surprisingly did not retrace more of Thursday's gains as it bounced off that level and rallied to its intraday high of 47.48. The market, which failed to test the 47.50 level, once again retraced some of its gains later in the session only to have it bounce back into positive territory ahead of the close. The market settled up just 6 cents higher at 47.16. Volume in the crude was good with over 199,000 lots booked on the day. Open interest in the crude market built by a total of 9,091 contracts as the market rallied on Thursday. Open interest in the March contract fell by 15,529 contracts while open interest in the April and May contract built by 17,189 lots and 4,886 lots, respectively amid some spread rolling. Unlike the crude, the product markets settled in negative territory with the heating oil market settling down 1.55 cents at 130.58 and the gasoline market settling down 1.12 cents at 128.37 as the markets retraced some of their recent gains. The heating oil market opened down 1.23 cents at 130.90 and quickly sold off to a low of 130.25 amid some profit taking following Thursday's rally. The market however held good support at that level and extended its gains to 133.00 within the first hour of trading. In a yo-yo pattern, the market later gave up its gains and remained mostly in negative territory as it tested its low ahead of the close. The gasoline market also posted the day's trading range within the first hour of trading as it traded to its intraday low of 127.60 early in the session. The market, which retraced some Thursday's gains, however bounced off its low and erased its losses as it rallied to a high of 130.10. It later erased some of its gains once again and remained range bound during the remainder of the session. Volumes in the product markets were good with 43,000 lots booked in the heating oil and 45,000 lots booked in the gasoline market.

According to the latest Commitment of Traders report, non-commercials continued to cut their net long positions, by 3,395 contracts to 27,557 contracts in the week ending February 8^h. The combined futures and options report also showed that non-commercials in the crude market cut their net long positions slightly from 59,319 contracts to 58,602 contracts as the market continued to sell off. Meanwhile non-commercials in the heating oil market increased their net short position from 4,430 contracts to a net short position of 8,299 contracts on the week as the market sold off to its recent low of 122.50. Non-commercials in the gasoline market also cut their net long position from 20,973 contracts to 16,895 contracts on the week.

The oil market on Monday will likely remain supported after it was able to bounce off its low and settle in positive territory during today's session despite the profit-taking seen in the product markets. Technically, the stochastics still have room to the upside. The market is seen finding support at its low of 46.75 followed by 46.40 and its previous low of 46.10. More distant support is seen 45.95, 45.63 and 44.60. Meanwhile resistance is seen at its high of 47.48, 47.55, 47.78 followed by its gap from 48.25-48.60.