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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 15, 2005

Algeria's Oil Minister Chakib Khelil said OPEC may not need to cut its crude production when it meets in March. Meanwhile, Nigeria's Presidential Adviser on Petroleum and Energy Edmund Daukoru said OPEC will not need to cut its output by over 500,000 bpd at its March meeting.

Iraq's oil exports via the northern pipeline to Turkey flowed slowly and sporadically on Tuesday. A shipping source said the crude flow amounted to about 4,700 barrels per hour or just over 100,000 bpd. An Iraqi oil official however stated that the pipeline had delivered 200,000 barrels.

OPEC's news agency reported that OPEC's basket of crudes increased by 6 cents/barrel to \$41.44/barrel from \$41.38/barrel on Friday.

Market Watch

The US Energy Department said it signed contracts with Shell Trading and Vitol to deliver 78,000 bpd to the SPR. The oil will be delivered to the SPR over a 4 month period starting in April.

Traders have fixed about 120,000 tons of gas oil from the US Gulf to Europe out of a total booking of 300,000 tons in the last 10 days. In early February, oil traders fixed at least 400,000 tons of gas oil the other way, from Europe to the US.

Dutch Economics Minister Laurens Jan Brinkhorst said European Union and OPEC Ministers will meet for the first time in May or June to discuss cooperation in stabilizing oil prices. He said the political and economic impact of recent high oil prices made the meeting necessary. He said oil prices at \$30-\$35/barrel was more reasonable than \$50.

PDVSA's Board member Ivan Orellana said that the company is considering both divestiture and investment related to Citgo Petroleum Corp. It is considering selling some of its US assets to reduce its exposure to the market.

ChevronTexaco's chief executive David O'Reilly said the world has entered a new era of more expensive oil and greater competition for resources amid the increasing demand for energy from Asia. He also stated that the days of cheaper natural gas are numbered.

The Shiite coalition that won Iraq's election has chosen Ibrahim al-Jaafari as its prime minister candidate. Moves to form a new government are currently underway, however it can be several weeks before an administration is decided on.

Saudi Arabia rejected a demand from France for an international investigation into the assassination of former Lebanese Prime Minister Rafik Hariri, saying Lebanon is an independent country. Meanwhile Lebanon has also rejected calls for an international investigation.

Refinery News

Sunoco is restarting its 60,000 bpd fluid catalytic cracker at its Philadelphia refinery following a fire.

Valero Energy Corp said it was restarting some units taken down for maintenance at its 148,000 bpd Corpus Christi, Texas refinery. In January, it shut down its 92,000 bpd heavy oil cracker, its 13,000 bpd alkylation unit and its 3,000 bpd MBTE unit.

La Gloria is scheduled to shut a crude unit and other equipment at its Tyler, Texas refinery to facilitate maintenance at its sulfur recovery unit on February 28. The work is expected to take about 48 hours to complete.

The head of ExxonMobil's refining and marketing operations said oil companies are unlikely to build new refineries in the US despite high profits and the perception of a fuel capacity crunch. Refining profits will be on a long term downward trend, meaning any growth in refining output is likely to come from expansion projects, not new refineries. Other refining executives said that US demand for refined products will continue to outstrip US refinery output for at least the next five years. They stated that annual refining capacity expansions of 1.5% are a thing of the past, lost to recent investments to meet US environmental regulations lowering sulfur content in motor fuels.

SK Corp is scheduled to shut down its desulfurization unit for a two month long maintenance period starting in early May. It will lower its refinery runs during the shutdown of the 50,000 bpd desulfurizer.

Production News

The Houston Ship Channel was open to traffic Tuesday morning after fog on Monday shut the waterway.

ExxonMobil Corp said its oil products pipeline that leaked and caught fire on January 27 in eastern Pennsylvania resumed operations over the weekend. The cause of the leak is still under investigation.

Norway's Statoil said oil production from the Azeri-Chirag-Gunashli field started on February 13. The field contains in excess of 5.4 billion barrels of oil expected to be recoverable. Total oil production during 2005 from Central Azeri is forecast to average 93,000 bpd. Separately, Statoil said it submitted its plan for development and operation of its Volve discovery in the North Sea has been submitted to the Ministry of Petroleum and Energy. It said the plan calls for Volve to come on stream in the spring of 2007. Recoverable reserves are put at 70 million barrels of oil and 1.5 billion cubic meters of gas and plateau output should reach 50,000 bpd.

Iran's Gachsaran oilfield is still shut since Sunday due to a pipeline blast. However the 220,000 bpd field should return to service later on Tuesday. Production shut down at the southern Iranian field when a pipeline injecting gas pressure into the crude wells exploded.

Crude oil loading resumed at the port of Novorossiisk Tuesday after loadings were suspended on Monday due to a gale warning.

Russia's Transneft said the country's oil production is expected to grow by 5-6% this year. However the country's output growth is likely to top out soon after that. Russian production should average more than 9.7 million bpd this year and oil export capacity should grow by 300,000 bpd as Primorsk on the Baltic Sea is expanded to its design capacity of 1.2 million bpd. However production increases could slow sharply next year without a large injection of new spending. Separately, Transneft said it plans to build an oil product export terminal at the Baltic port of Primorsk, increasing the port's capacity. Primorsk's berth No. 3, which currently being built, would handle 5-6 million tons of gas oil,

gasoline and gas condensate a year, in addition to crude oil exports. The port's total designed capacity will increase to 65 million tons as it plans to increase crude oil loading capacity to 60 million tons from the current 55 million tons by the end of 2005. It also stated that it has ruled out a pipeline project from Siberia to the Barents Sea but it could build a shorter and less costly link from north Russia. It is discussing building a 500,000 bpd pipeline from Russia's northern fields to the Barents Sea with Lukoil.

The head of international upstream activity at Hungary's oil and gas company, MOL said the belief that Russian crude oil production growth will continue is flawed. He said the crude production increase in Russia has stopped in Russia. He said a major factor behind the decline would be the problems facing Yukos.

Nigeria's central bank reported that Nigeria's oil production fell by 100,000 bpd in December to 2.23 million bpd from a revised figure of 2.33 million bpd in November. December's oil production was hit by community protests which shut down several flow stations in the Niger Delta while Royal Dutch/Shell also declared a force majeure on loadings of Bonny Light crude.

The Mutineer-Exeter oilfields off western Australia are now expected to start operations at 70,000-90,000 bpd in March, three months ahead of the original schedule of June 2005. Production is expected to plateau around a month after start up at about 80,000-90,000 bpd, down from an original plateau forecast of 100,000 bpd. The field is estimated to contain proven and probable reserves of 61 million barrels compared with the original estimate of 101 million barrels.

Azerbaijan said oil output from its state oil company, Socar, and a BP led consortium is expected to total 46.75 million tons of crude oil a year or 940,000 bpd by 2008. Socar is expected to produce 8.75 million tons of crude annually in 2005-2008. Meanwhile BP is expected to produce 12 million tons of crude at its Azeri and Chirag fields in 2005, 21.3 million tons in 2006, 22 million tons in 2007 and 38 million tons in 2008.

Brazil's Petrobras said its average domestic oil production increased slightly in January by 0.3% to 1.533 million bpd. The output of natural gas from domestic fields fell by 1.9% from December to 42.6 million cubic meters/day, bringing the combined domestic oil and gas output to 1.801 million barrels of oil equivalent.

Petroecuador's oil export revenues totaled \$139.58 million in January, up 36.7% from the \$102.1 million reported last year. In terms of volume, Ecuador exported 4.79 million barrels of crude oil in January, up from 3.2 million barrels reported last year.

Market Commentary

The oil market opened slightly higher at 47.55 as the market remained supported following yesterday's late recovery in prices amid the signals from OPEC members of a possible production cut during its meeting in March. The crude market posted a trading range from 47.30 to 47.80 within the first hour of trading and settled in a sideways trading pattern for most of the day. In quiet trading the market, which briefly breached Monday's high, traded in a range from 47.30-47.80 before the market breached its support and traded to a low of 47.10 amid the weakness in the gasoline market. The March crude contract settled down 18 cents at 47.26. Volume was light with 156,000 lots booked on the day. Open interest in the crude market built by 15,324 contracts to 736,776 as the market traded higher. Open interest in the March contract fell by 10,268 lots while open interest in the April contract built by 14,504 amid some spread rolling. Meanwhile, the gasoline market settled sharply lower, down 2.16 cents at 125.64 after it posted an intraday low of 125.10 on the close. The market opened 70 points higher at 128.50 and quickly posted an intraday high of 129.00. However as it failed to find further upside

momentum, the market erased its gains and sold off to 127.00. The market was further pressured amid the news that Sunoco was restarting a catcracker unit at its Philadelphia refinery following a fire. Unlike the crude and gasoline markets, the heating oil market posted an inside trading day after it failed to breach Monday's trading range. The market traded to a low of 129.10 early in the session and held good support at that level as it traded to a high of 131.00. However the market erased its gains and traded to a low of 128.75 amid the weakness in the gasoline market. It settled down 31 points at 129.13. Volumes in the products were good with 37,000 lots booked in the gasoline and 41,000 lots booked in the heating oil market.

The oil markets on Wednesday will seek direction from the weekly petroleum stock reports, which are expected to show builds in crude stocks of about 1.5 million barrels, draws of less than 1 million barrels in distillate stocks and builds in gasoline stocks of about 500,000 barrels. Technically, the market is seen finding resistance at 47.75 and 47.80 followed by its remaining gap from 48.25-48.60. Meanwhile

support is found at 47.10, 46.60, 46.55 followed by 46.18. Further support is seen at 46.10 and 45.80.

Technical Analysis		
	Levels	Explanation
CL 47.26, down 18 cents	Resistance 48.25-48.60 47.75, 47.80	Remaining gap Double top
	Support 47.10, 46.60, 46.55, 46.18 46.10, 45.80	Tuesday's low, Monday's low, 38%&50% (44.60 & 47.75) Previous low, 62% retracement level
HO 129.13, down 31 points	Resistance 133.50, 134.55, 135.00 131.00, 132.25, 133.00	Previous high, 62%(142.00 and 122.50), Previous high Tuesday's high, Previous highs
	Support 128.75, 127.75 126.51, 123.70	Tuesday's low, Monday's low & 50% (122.50 and 133.00) 62% retracement level, Previous low
HU 125.64, down 2.16 cents	Resistance 131.58, 132.50, 134.00 129.00, 129.90 - 130.10	62% retracement (138.40 and 120.55), Previous highs Tuesday's high, Triple top
	Support 125.10 124.00	Tuesday's low Backfills gap