



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 17, 2005

Industry sources stated that Iraq's northern oil pipeline is pumping sporadically. A port agent said Iraq pumped another 450,000-500,000 barrels through the pipeline before halting the flow again late in the afternoon on Wednesday. An Iraqi oil official said engineers would restart the pipeline Thursday or Friday but warned that continuing insurgent attacks were hampering the flow of crude. Saboteurs attacked three pipelines in northern Iraq. Two of the pipelines linked the Kirkuk oil fields with the Baiji refinery while the third pipeline linked the Doura refinery.

Venezuela's Oil Minister Rafael Ramirez said the country would propose and support a cut in OPEC's oil production if oil prices fall following the winter. He added that OPEC's oversupply has fallen to about 600,000 bpd from 1 million bpd late last year.

Market Watch

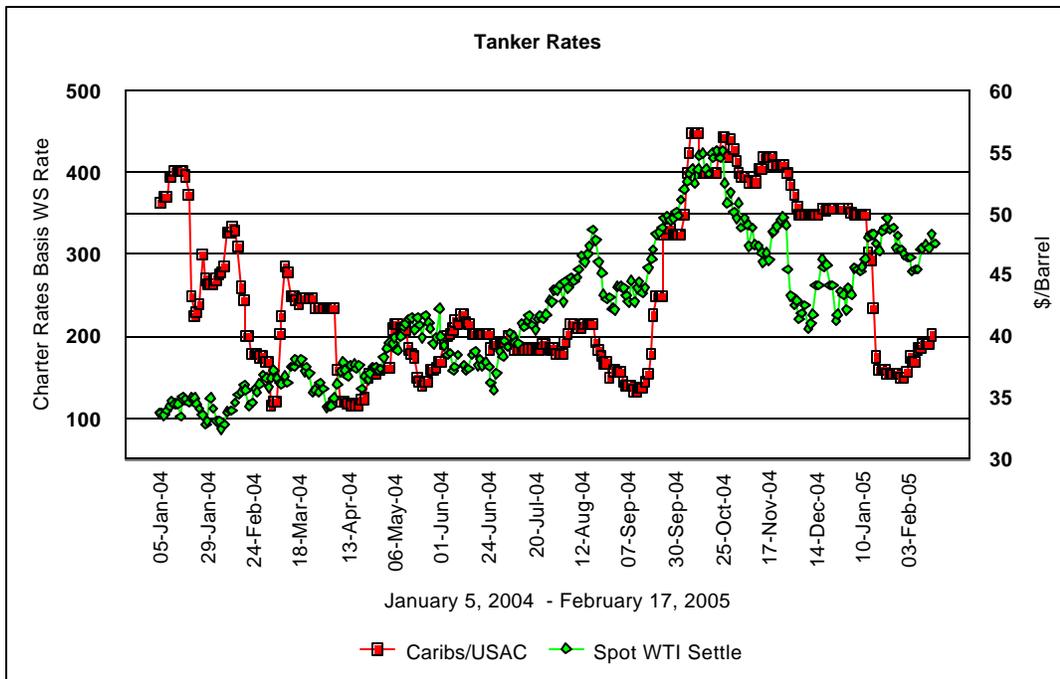
The Cambridge Energy Research Associates said strong demand growth in China and political tension in the Middle East will keep oil prices high in 2005. Its average price projection for 2005 is in the low to mid-\$40. It expects China's oil demand growth to moderate to 8.5% in 2005 compared with 17% growth in 2004. China's oil demand is expected to moderate as the country restrains its economic growth and more power generation comes on line.

BP PLC chief executive John Browne said that talk within the Russian government about restricting access to the country's oil and gas assets was a proposal and not a certainty. He stated that past projects would not be affected if such limits were introduced.

The Minerals Management Service will hold a lease sale March 16 for oil and gas deepwater offshore blocks in the central and eastern Gulf of Mexico. The central Gulf of Mexico lease sale will offer 4,063 blocks which may contain 276-654 million barrels of oil and 1.59-3.3 trillion cubic feet of natural gas. The eastern Gulf of Mexico lease sale will offer 124 blocks with an estimated 65 million to 85 million barrels of oil and 265-340 million cubic feet of natural gas.

The NYMEX is negotiating a lease on a London premises for its Brent open outcry contract. However industry sources said it could be six months before it can start trading in London. On Monday, NYMEX president James Newsome said the exchange was in talks on a site. However he stated that the exchanged had not formally applied for approval from UK regulator, the Financial Services Authority.

The Times reported that 35 Greenpeace protestors stormed the IPE on Wednesday, the day the Kyoto Protocol came into force. Greenpeace had hoped to paralyze oil trading at the exchange, which did occur but not without a fight from the floor brokers. It reported that eighteen police vans and six police cars surrounded the exchange and at least 27 protestors were arrested. A small band blocked the entrance to the building for the rest of the evening. Greenpeace later started a second protest at the annual dinner of the Institute of Petroleum.



Separately, he stated that PDVSA has no plans to halt oil supplies to the US even though it is studying the possible sale of some parts of the Citgo refinery and gasoline distribution company. Also, PDVSA's head Rafael Ramirez said the company's review of its US refining arm is based on economic

concerns and not on a policy aimed at reducing oil sales to the US. He said Venezuela's study of Citgo focused only on refineries not processing Venezuelan crude and on weeding out unprofitable assets. He also stated that PDVSA was in talks with Citgo to revise PDVSA's supply contracts, which official say sell crude to the affiliate at deep discounts and do not give the Venezuela government good returns.

Meanwhile, UAE Oil Minister Mohamed al-Hamli said that current oil prices were reasonable. Separately, he stated that the UAE plans to increase its oil stockpiles in order to meet any supply crunch on world markets. He said it has plans to increase its production capacity in order to meet any emergency needs of the oil markets.

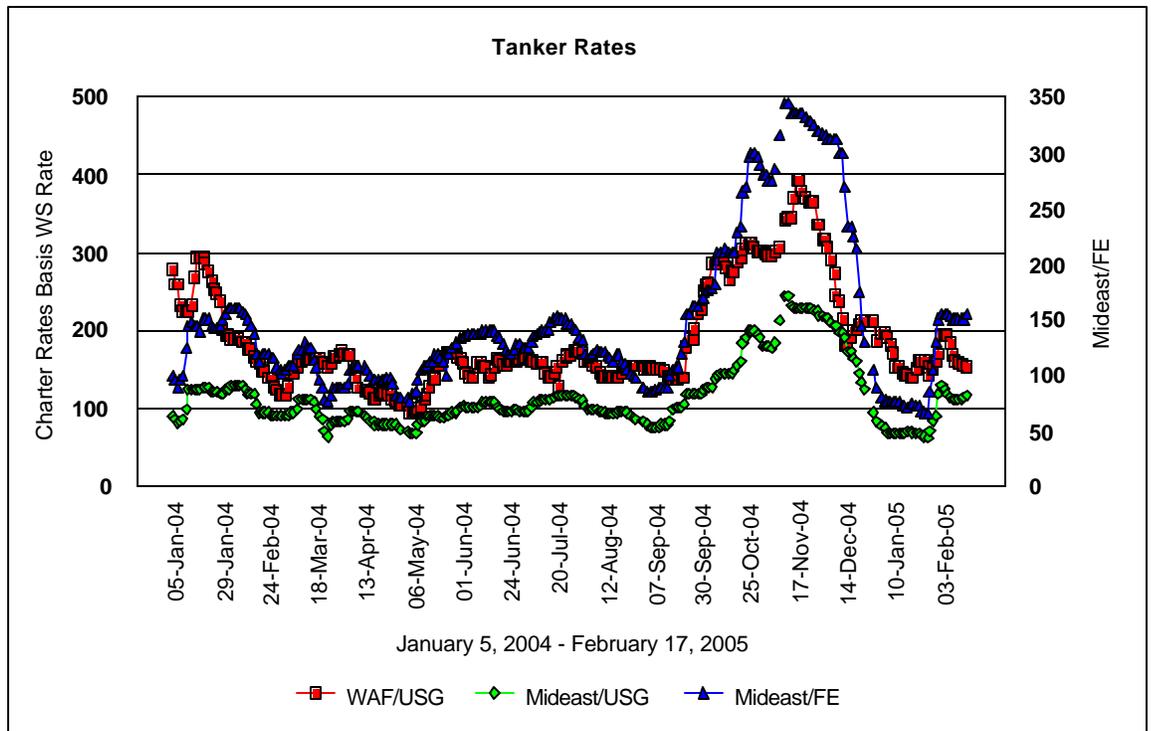
Algeria's Energy Minister Chakib Khelil said oil prices are too high to justify a cut. He said it would be politically difficult for OPEC to reduce its output with such high prices. He added that if oil demand is again revised up it could smooth out what is typically a sharp seasonal fall in demand going into the second quarter. He also stated that OPEC needs to increase the group's spare capacity to prevent supply and price shocks.

OPEC's news agency reported that OPEC's basket of crudes increased to \$41.87/barrel on Wednesday from \$41.84/barrel on Tuesday.

The Council of Economic Advisers said the Bush administration believes that while oil prices have rallied in recent months, they will only have a minor affect on US economic growth in 2005. It said that every \$10/barrel increase in the price of crude, reduces the overall US GDP by about 0.4% over a year.

According to Oil Movements, OPEC's crude shipments in the four weeks ending March 5 are expected to total 23.83 million bpd, down 10,000 bpd from the previous four week period. It said the decline in long haul arrivals on US shores could mean a tighter market at the end of March. Arrivals to March 19 will be 6.04 million bpd, down 350,000 bpd from the previous four week period.

Iraq's Shi'ite alliance won a small majority of seats in the country's new National Assembly. The Iraqi Electoral Commission said a coalition of mainly Shi'ite Islamist religious parties had been allocated 140 seats in the 275 seat National Assembly. Meanwhile,



Iraq's Kurdish parties said they would not support a theocratic government. A party official said they want separation between religion and state. The Kurdish parties have apparently agreed to support the Iraqi National Congress's candidate for prime minister in return for the largely ceremonial presidency. Top Shi'ite politicians are preparing to choose a nominee for prime minister with a secret ballot expected to take place on Friday. Meanwhile, Iraq's interim prime minister cautioned the winning Shi'ite alliance against pursuing their agenda of weeding out members of Saddam Hussein's Baath Party, saying it would cause further problems in the country. He urged the incoming government to focus on national unity.

Refinery News

According to the Texas Natural Resource Conservation Commission, BP is scheduled to shut the catcracker's waste heat boiler at its 470,000 bpd Texas City, Texas refinery for about 16 hours on February 17.

Western Refining Co will begin the process of restarting several units after completing planned turnaround at its El Paso, Texas refinery. Maintenance at the 107,000 bpd refinery started on February 4. It performed maintenance on a crude unit, distillate hydrotreater, jet hydrotreater, reformer and a sulfur plant.

Premcor Inc will shut it's a fluid catalytic cracking unit, sulfur recovery unit 543 and SCOT unit at its Port Arthur, Texas refinery on Sunday for about 29 days of planned turnaround maintenance. The work is part of previously reported extensive maintenance planned in the first quarter.

ConocoPhillips will begin planned turnaround of its fluid catalytic cracker unit at its 145,800 bpd Borger, Texas refinery starting March 1. The maintenance is expected to be completed by March 15.

Royal Dutch/Shell will partially shut its 78,000 bpd Gothenburg refinery in Sweden for about two weeks from early April. The largest of its three crude distillation units will undergo maintenance while its gas oil desulfurization unit will also be shut for a catalyst change.

Showa Shell Sekiyu expects its average operating rates for 2005 to be above 92%.

Taiwan's Formosa Petrochemical Corp plans to shut one of its three crude distillation units for 40-50 days of maintenance in June. It may also shut its 73,000 bpd desulphurization unit and a 63,000 bpd hydrotreater for routine maintenance.

Thai Oil PCL has shut its 100,000 bpd crude distillation unit for 11 days of routine maintenance. The maintenance has led to a 25-30% decline in the refinery's crude processing rate to 154,000-165,000 bpd from its 220,000 bpd capacity.

India's Haldia Petrochemicals Ltd plans to fully shutdown its naphtha cracker in the first half of April. The 520,000 ton per year naphtha cracker will undergo two weeks of maintenance work and some minor debottlenecking during the shutdown.

Production News

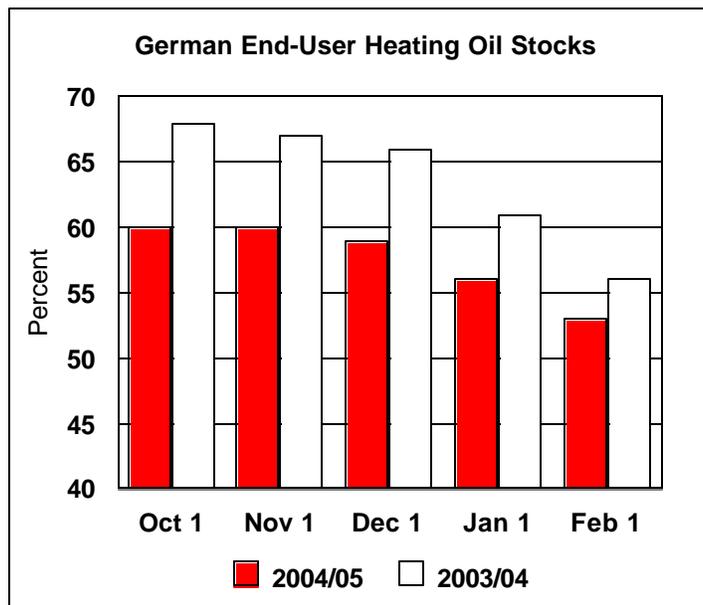
A senior Iranian oil official said Iran has fully resumed crude production at its Gachsaran oilfield, after 8,000 bpd of crude production was taken offline due to a blast at a connecting gas pipeline. An official at the National Iranian Oil Co said the 8,000 bpd of oil production resumed on Wednesday and added that the associated 23-24 million cubic meter/day gas pipeline also resumed operation.

Royal Dutch/Shell restored some oil output from the southeastern Abia state which was closed last month by protests. Last week it restarted 12,000 bpd out of a total 35,000 bpd affected at the Imo River 1 and 3 platforms, but a new attack on Shell staff on Wednesday forced the company to evacuate some workers.

Russia's main Black Sea port of Novorossisk was open on Thursday after it closed on Wednesday due to adverse weather conditions.

German end user heating oil stocks fell to 53% as of February 1st, down from 56% the previous month as high prices deterred buyers. It is also down from last year's level of 56%.

Oil and oil product transportation from Kazakhstan and Turkmenistan via Azerbaijan's railway system decreased 11.6% on the year in January to 898,000 metric tons.



Total SA will increase its refinery investments by nearly 70% to 5 euros per ton of capacity over the next three years mainly to meet increasing demand for diesel. It will also use a higher spending budget to increase its capacity to process increasing supplies of heavy crudes. Europe is short of middle distillate fuels such as diesel and jet fuel as its refiners have over invested in gasoline production in recent decades while motorists are increasingly switching from petrol to diesel. It forecasts diesel use among European car users to increase to 68% of total consumption by 2010 compared with the current 55%.

Singapore's International Enterprise said the country's fuel oil stocks increased by 1.966 million barrels to 13.254 million barrels in the week ending February 16. Middle distillate stocks increased by 1.081 million barrels over the same period to 7.31 million barrels while light distillate stocks fell by 635,000 barrels to 8.384 million barrels.

China's demand for fuel continues to increase, according to a Sinopec official. He projected an average 4% annual increase in refined oil product consumption for each of the next 18 years. Consumption is seen reaching 190 million tons annually by 2010. By 2020, consumption of gasoline and diesel is expected to reach 220 million to 290 million tons.

Indian Oil Corp plans to import a total of about 700,000 metric tons of ultra low sulfur gasoline and diesel in February and March.

Market Commentary

The NYMEX oil market opened about 20 cents higher at 48.55 as the market continued to find support amid the OPEC talk of a possible output cut. The market immediately posted a double top at of 48.65. The March crude contract however quickly gave up its gains as it failed to find the momentum to trade higher. The market was further pressured amid the weakness in the natural gas market following the release of the EIA natural gas inventory report showing a draw of 98 bcf, which was below most market expectations. The market found support just below the 48.00 level as it retraced its losses and traded back towards the 48.50 level. However the market was once again pressured and sold off to a low of 47.40 ahead of the close amid the continuing sell off in the natural gas market, which traded below the 6.00 level. Also, some OPEC members backed off talk of a possible cut in production, with Algeria's Oil Minister stating that prices are too to justify a cut. The crude market settled down 79 cents at 47.54. Volume in the crude was excellent with over 227,000 lots booked on the day. The heating oil market, which also posted an inside trading day, opened down 40 points at 133.80 immediately posted its intraday high of 134.30. However the market traded lower to 132.50 amid the initial sell off in the natural gas market following the release of the EIA natural gas report. The market later retraced its losses and settled in a range before it sold off even further as it followed in the natural gas market's footsteps. It traded to a low of 131.00 and settled down 2.92 cents at 131.28. Similarly, the gasoline market posted an intraday high of 128.45 as it failed to test Wednesday's high of 128.80 and never looked back. The market continued to retrace its recent gains and traded to 126.00 where it held some support.

However the market later breached that level and tumbled to a low of 123.30 ahead of the close. It settled down 4.63 cents at 123.65 as it retraced most of Wednesday'

Technical Analysis		
	Levels	Explanation
CL 47.54, down 79 cents	Resistance 48.65, 49.65 to 49.70 48.00	Double top, Previous highs
	Support 47.40 46.95, 46.60, 46.15	Thursday's low Wednesday's low, Previous low, 62% (44.60 and 48.65)
HO 131.28, down 2.92 cents	Resistance 134.55, 135.00, 136.80 134.30, 134.40	62% (142.00 and 122.50), Previous highs Double top
	Support 131.00, 129.50 128.80, 127.75, 126.97	Thursday's low Wednesday's low, Previous low, 62% (122.50 and 134.20)
HU 123.65, down 4.63 cents	Resistance 128.80-129, 129.90 - 130.10 126.50, 127.30, 128.45	Previous high Thursday's high
	Support 123.30, 122.85 120.50 to 120.55	Thursday's low, Wednesday's low Double bottom

s gains. Volumes in the product markets were good with 39,000 lots booked in the heating oil market and 47,000 lots booked in the gasoline market.

Technically, the crude market looks like it has posted its near term top after the market failed to breach its high at 48.65. Stochastics also look ready to cross to the downside. The market is seen finding resistance at 48.00 followed by its high of 48.65. If the market does breach its double top, further resistance is seen at 49.65 to 49.70. Meanwhile support is seen at its low of 47.40 followed by 46.95, 46.60 and 46.15.