



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 18, 2005

Iraq's oil export pipeline to Turkey was still idle on Friday after a sporadic flow of crude. Sources stated that there has been no flow since Wednesday. Meanwhile, port agents stated that a total of 20.844 million barrels of crude is expected to load at Iraq's Basra and Khor al-Amaya loading terminals in the second half of February, with more than 5 million barrels bound for Asia. Crude cargos bound for the US total about 13 million barrels.

According to a Saudi source, Saudi Arabia will keep its crude oil production steady in March at about 9 million bpd. The source said it is too early to predict whether OPEC will cut its production further.

The source added that there is no shortage of crude oil in the market and said the high price for oil is puzzling.

UAE Oil Minister Mohammed bin Dhaen al-Hamli reiterated that oil prices at current levels were reasonable. However he feared speculators would push prices higher in the second quarter despite the expectations of a stock build.

Market Watch

Several private weather forecasters predicted that heating demand in the US Northeast and Midwest will increase through early March as a stretch of slightly colder than normal weather arrives. Earthsat is expecting below normal to normal temperatures in the Northeast and Midwest. Meanwhile Accuweather said the colder weather pattern is likely to persist into next week and may continue into March.

Traders stated that Europe's gasoline refiners and traders are being forced to send tankers to New York Harbor at a loss to free up storage because high US stockpiles and low prices across the Atlantic have cut trading profits.

Lukoil Vice President Leonid Fedun said ConocoPhillips may increase its stake in Lukoil to 20% within the next year.

Venezuela's central bank reported that despite record oil export revenue in the first half of the year, Venezuela's oil economy contracted by 3.9% in the second half of 2004 compared with 2003. It stated that while the oil economy grew by 8.7% as a whole last year, it contracted 1.9% in the third quarter and 5.9% in the fourth quarter compared to the previous year.

ExxonMobil Corp revised its policy for reporting oil reserves amid the pressure from the Securities and Exchange Commission. Under the new policy, ExxonMobil replaced 83% of its production with new reserves compared with 112% it would have reported under its old policy.

The European Union is talking with oil producers with the hope of persuading them to increase production and reduce oil costs.

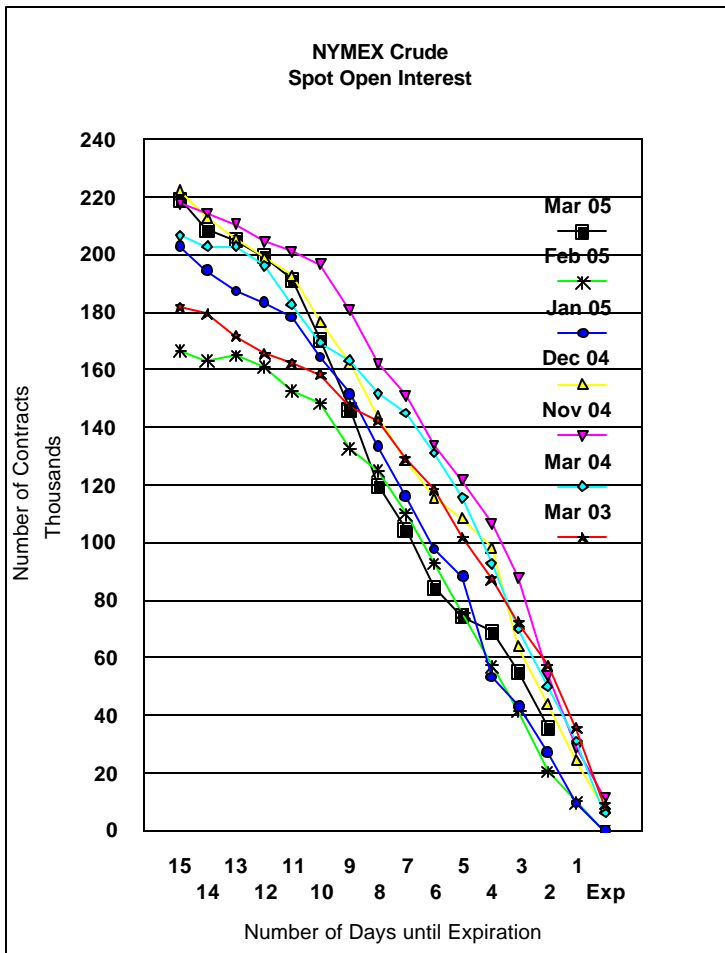
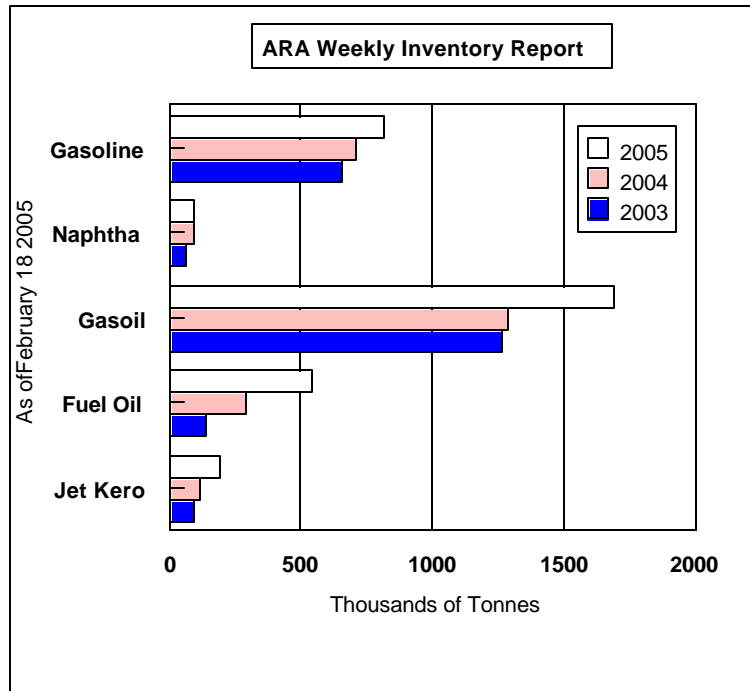
OPEC's news agency reported that OPEC's basket of crudes increased by 69 cents/barrel to \$42.56/barrel on Thursday compared with \$41.87/barrel on Wednesday.

Refinery News

ExxonMobil's 245,000 bpd Joliet, Illinois refinery resumed operations on Friday after it was shut on Thursday following a power outage.

Production News

The US Minerals Management Service is seeking to increase US crude oil production by allowing lease extensions to some deep offshore oil drillers. Primary



leases can range up to 10 years. It recognized that due to the added complexity and costs associated with planning and drilling an ultra-deep well, more time may be needed for exploration and development.

Norway's Statoil said that production resumed quickly at its 220,000 bpd North Sea Gullfaks A platform after a brief shutdown due to the detection of oil fumes. It said that fumes from a spill oil tank in one of the shafts on its Gullfaks A platform in the North Sea activated a gas detector.

Separately, Statoil said it will concentrate its North Sea oilfield maintenance work on the Gullfaks crude oil stream. Its Gullfaks A and B platforms will undergo maintenance for 19 days in July and August. Maintenance will reach a six day peak at the field in July, when up to 90% of the entire stream will be down. It has also scheduled 55 days of maintenance at the Visund platform. Statoil will have 13,000 boe/d shut in from the stream during the period. The third platform at the field, Gullfaks C, will be shut for six days of maintenance in July as will the Tordis field. Statoil stated that during the six days when

Gulfaks A, B, C, Visund and Tordis are down simultaneously, the stream will see total output all about 326,000 boe/d.

Norsk Hydro ASA said it will follow up an order from the Norwegian Petroleum Directorate and ensure that rig company, Ocean Rig ASA, conducts a thorough evaluation of spill barriers on the Eirik Raude before drilling resumes in the Barents Sea.

An analyst reported that gas oil stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area showed increased by 100,000 tons to 1.7 million tons in the week ending February 18th as mild European weather lowered heating oil demand. It is up more than 30% from 1.3 million tons a year ago. Meanwhile gasoline stocks fell by 50,000 tons to 825,000 tons while naphtha stocks remained unchanged at 100,000 tons. Fuel oil stocks fell by 50,000 tons to 550,000 tons while jet fuel stocks increased by 150,000 tons to 200,000 tons.

Kazakhstan's KazMunaiGaz said its crude production in January increased by 14% to 768,000 metric tons or about 180,000 bpd. The company has a full year production target of 9.323 million tons compared with 8.9 million tons produced in 2004.

Ukraine's Energy Ministry reported that oil transportation through Ukraine's pipeline system in January fell by 12.4% on the year to 3.902 million tons.

The National Bureau of Statistics of China stated that the country's crude oil production increased by 4.2% on year in January to 15.32 million metric tons. Diesel output in January increased 12.7% to 8.64 million tons while gasoline production increased by 5% to 4.5 million tons. It also reported that kerosene production increased by 5.3% to 806,600 tons.

India's Petroleum Secretary S.C. Tripathi said domestic oil product sales in January increased by 4% on the year to 9.37 million tons. India's diesel sales increased by 9.1% to 3.32 million tons while petrol sales increased by 10.1% to 688,300 tons.

Market Commentary

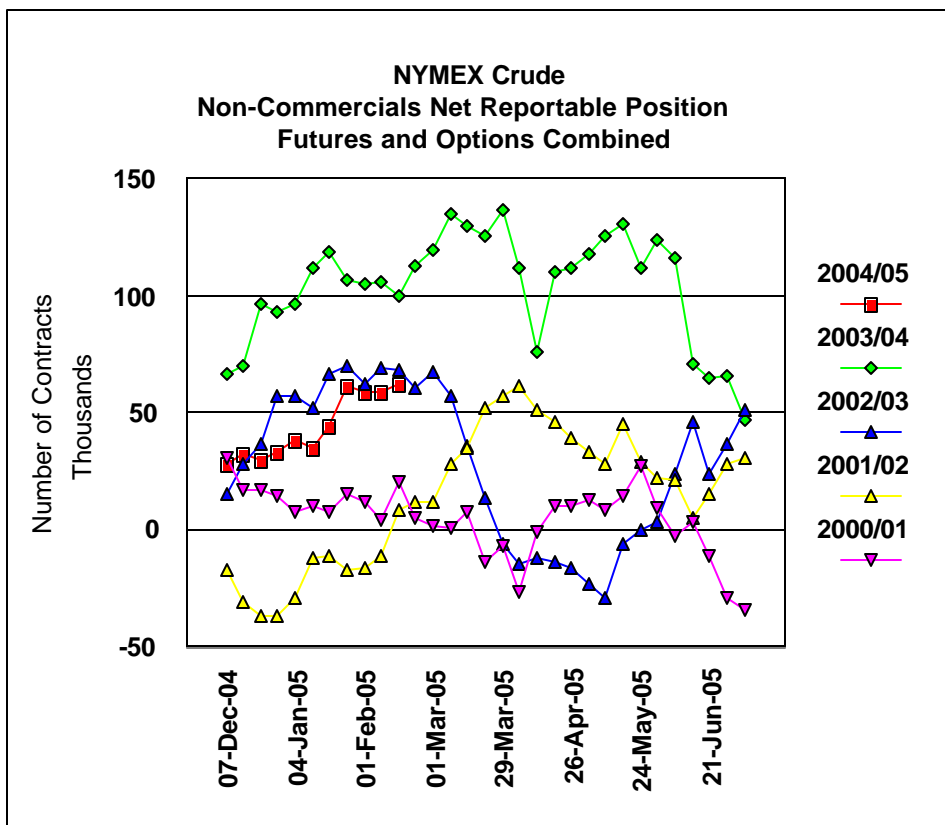
The energy complex, during Friday's shortened trading session ahead of the President's Day holiday, reversed its previous losses and settled in positive territory. The oil market opened slightly higher at 47.60, its intraday low, and never looked back as traders covered their positions ahead of the long holiday weekend.

The market rallied to a high of 48.50 within the first hour of trading. It settled in a 50 cent trading range from 48.00 to 48.50 after it failed to test its previous high of

| Technical Analysis | | |
|--------------------------|--|--|
| | Levels | Explanation |
| CL 48.35, up 81 cents | Resistance 48.65, 49.65 to 49.70 48.50 | Double top, Previous highs Friday's high |
| | Support 47.60, 47.40 46.95, 46.60, 46.15 | Friday's low, Thursday's low Previous lows, 62% (44.60 and 48.65) |
| HO 134.93, up 3.65 cents | Resistance 136.80 to 138.20 135.50 | Backfills gap Friday's high |
| | Support 133.90, 131.80, 131.00 128.80, 127.75, 126.97 | Friday's low, Previous low Wednesday's low, Previous low, 62% (122.50 and 134.20) |
| HU 126.34, up 2.69 cents | Resistance 128.80-129, 129.90 - 130.10 127.00, 128.45 | Previous high Friday's high, Thursday's high |
| | Support 124.60, 123.25, 122.85 120.50 to 120.55 | Friday's low, Previous low Double bottom |

48.65. The crude market, which posted yet another inside trading day as it continued to hold good resistance at its recent highs, settled up 81 cents at 48.35. Volume in the crude was good with 167,000 lots booked on the day. Open interest in the crude market built by a total of 34 lots, with open interest in the March contract falling by 19,404 lots ahead of its expiration on Tuesday. Meanwhile open interest in the April contract built by 10,194 contracts. Unlike the crude, the heating oil market breached its recent highs of 134.30-134.40 as it rallied to a high of 135.50 within the first hour of trading. The market opened at its intraday low of 131.80 and never looked back as traders covered their positions. The market later retraced some of its gains and settled in a sideways trading range from 134.00 to 135.00. It settled up 3.65 cents at 134.93. The gasoline market also settled up 2.69 cents at 126.34. The market posted a low of 123.25 and quickly rallied to a high of 126.00 where it held some resistance. However the market rallied to a high of 127.00 ahead of the close. Volumes in the product markets were good with 39,000 lots booked in the heating oil and 41,000 lots booked in the gasoline market.

The oil market next week is will likely continue to consolidate its trading after failing to breach its recent highs during today's session, barring any bullish news over the weekend. The market is seen holding resistance at 48.50 followed by 48.65. If the market does breach its recent highs ahead of its expiration at the close on Tuesday, more distant resistance is seen at its previous highs of 49.65-49.70. Support is however seen at 48.00 followed by 47.60 and 47.40. More distant support is seen at 46.95, 46.60 and 46.15.



The latest Commitment of Traders report showed that non-commercials in the crude increased their net long positions from 27,557 to 31,628 contracts in the week ending February 15. The combined futures and options report also showed that non-commercials increased their net long position by 4,203 contracts to 62,805 contracts. Meanwhile non-commercials in the heating oil market increased their net short position slightly from 8,299 contracts to 9,844 contracts while non-commercials in the gasoline market increased their net long position by 762 contracts to 17,657 contracts.