

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 24, 2005

Saudi Arabia's Oil Minister Ali al-Naimi said the price of oil will likely remain at current levels of \$40-\$50/barrel throughout 2005. He also added that OPEC planned to alter the composition of OPEC's reference basket of crude because it currently consists of lighter, sweeter grades, not heavier, sour crudes which are mainly produced in the Middle East. He said the existing crudes are not really representative of OPEC's true production balance. Separately, Venezuela's Energy Minister Rafael Ramirez said OPEC should maintain its current production level despite the rise in prices.

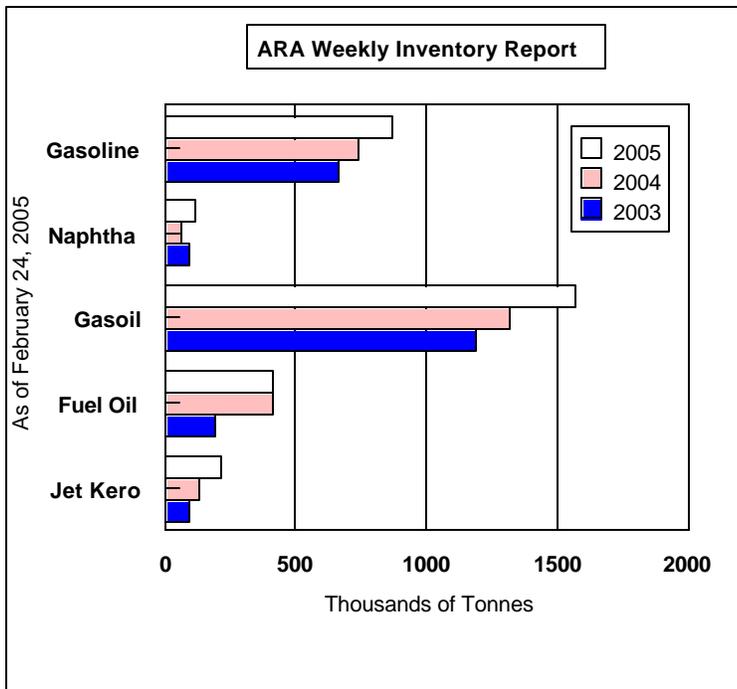
According to Oil Movements, shipments of OPEC crude in the four weeks ending March 12 will increase by 250,000 bpd to 23.99 million bpd. However it said that a fall of little over 500,000 bpd in the rate of arrivals of tankers to the US will pressure the US markets. It expects arrivals at the US shores to drop sharply with the effect showing up as early as next week.

Market Watch

Analysts stated that US gasoline prices are likely to continue rising and reach record levels which could help push crude prices above \$60/barrel amid good demand, tight global supply and lingering concerns about meeting stringent clean fuel specifications. Even though US inventories of motor fuel stand about 8% above year ago levels, analysts said scheduled refinery maintenance in the US and Europe in March and April and stockpiling will soon deplete any surplus. The EIA stated that sufficient US gasoline inventories remain in question as we head into spring. It stated that gasoline stocks are estimated to total 215.8 million barrels at the end of May, 11.4 million barrels more than last year's level. However it stated that with more than three months away from the driving season, stocks can be depleted. The current scenario of strong refined product demand, low forward cover, tight refining capacity sets the stage for a spring gasoline price spike that could increase the US average for regular gasoline to \$2.50/gallon. However analysts stated that the rally may not last very long given the refining industry's ability to increase gasoline production.

Venezuela's Foreign Minister Ali Rodriguez said US accusations against President Hugo Chavez were a sign of an impending attack against Venezuela. He dismissed as impertinent, charges that Venezuela limits free speech, associates with Colombian guerrillas and is a destabilizing force in the region. He did not specify what sort of attack he was referring to but he repeated Chavez's assertions that the Bush administration is behind a plot to assassinate Venezuela's President.

Venezuela's Energy Minister Rafael Ramirez said Venezuela is not willing to negotiate a reduction in a tax increase to ExxonMobil Corp's Cerro Negro heavy crude upgrading project. The royalty taxes for Cerro Negro and three other heavy crude upgrading projects were increased to 16.6% from 1%.



The EIA reported that US inventories of propane totaled 33.865 million barrels in the week ending February 19, down 2.5 million barrels on the week. Propane inventories in the East Coast fell by 500,000 barrels to 2.93 million barrels while stocks in the Midwest fell by 901,000 barrels to 11.402 million barrels and stock in the Gulf Coast fell by 1.06 million barrels to 18.508 million barrels.

Refinery News

Western Refining Co shut a fluid catalytic cracker and a sulfur recovery unit at its El Paso, Texas refinery for unplanned maintenance on Tuesday. The fluid catalytic cracker was shut due to an unexpected loss of instrument air. However it expects the outage to brief with the catcracker expected to return to service no later than Friday.

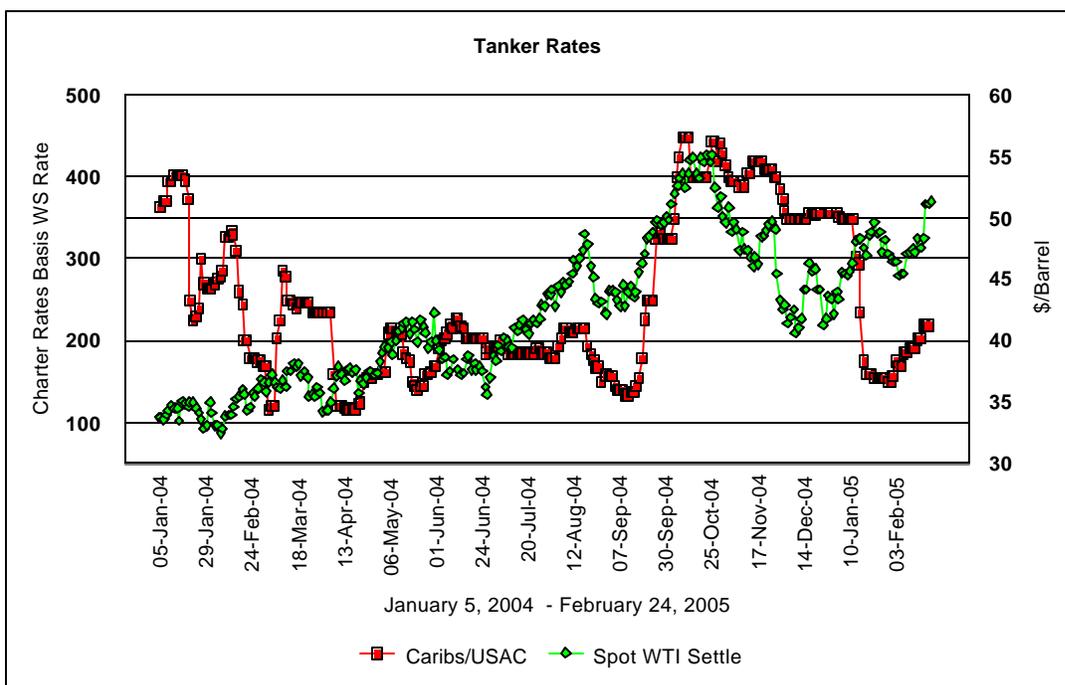
Production News

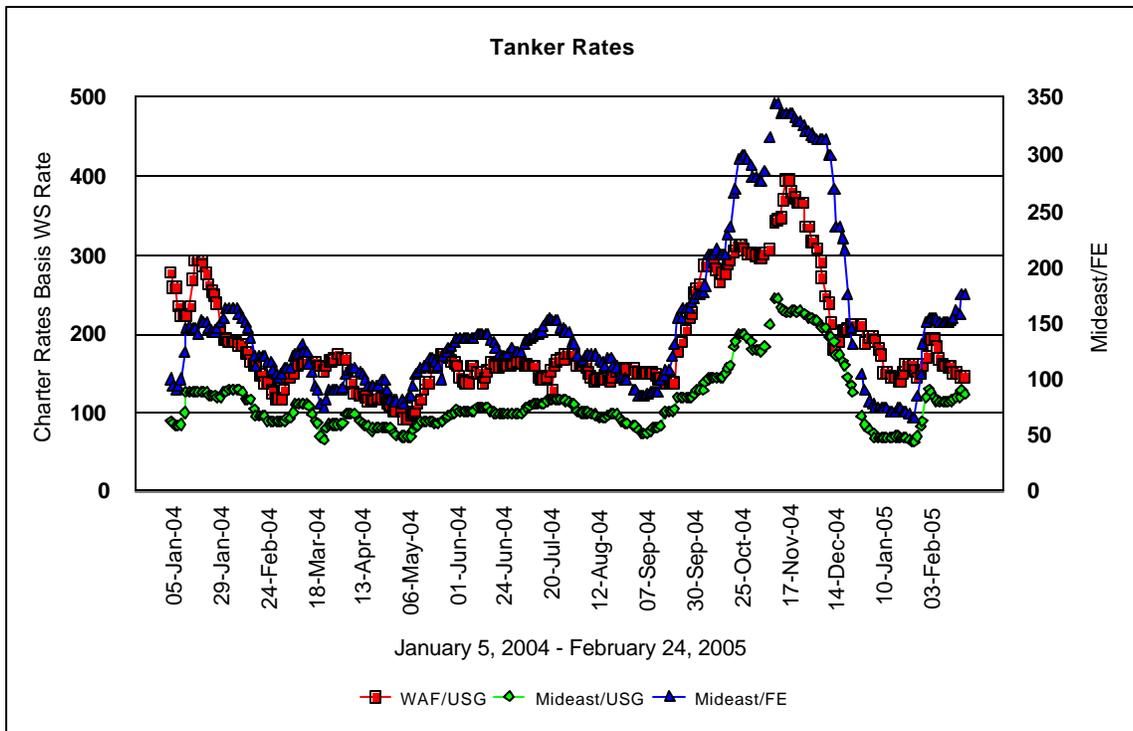
Vessel traffic on the Houston Ship Channel is operating normally on Thursday despite tornado warnings and forecasts of severe thunderstorms.

ExxonMobil Corp restarted a crude oil pipeline supplying its Torrance, California refinery on Wednesday night. It was taken out of service on Monday as a precaution due to recent heavy rain.

BP has started production from its North Sea Clair field. It said production at the field will increase up to 60,000 bpd. The field has recoverable reserves of 250 million barrels of oil.

An analyst stated that gas oil stocks held in storage in the Amsterdam-Rotterdam-Antwerp area fell by 125,000 tons from the previous week to 1.575





million tons in the week ending February 24. Gasoline stocks increased by 50,000 tons to 875,000 tons while naphtha stocks increased by 25,000 tons to 125,000 tons on the week. Meanwhile fuel oil

stocks fell by 125,000 tons to 425,000 tons while jet fuel stocks increased by 25,000 tons to 225,000 tons.

German oil and gas producers association, WEG, said oil and gas production by its members in 2004 fell by 6% on the year to 20.6 million tons and by 3.2% to 26.4 billion cubic meters, respectively. Domestic oil output amounted to 3.5 million tons, down 7.5% year on year while output abroad of 17.1 million tons was down by 5.9%. Domestic gas production totaled 19.5 billion cubic meters, down 7.5% on the year while output abroad totaled 6.9 bcm, up 11.7%.

China's General Administration of Customs reported that the country's crude oil imports fell by 24% on the year to 7.8 million tons in January. Imports of light diesel fell by 13.5% on the year to 96,591 tons in January while fuel oil imports increased by 53.1% to 2.9 million tons. It reported that kerosene imports fell by 16.1% to 261,718 tons. Meanwhile, China exported 470,926 tons of gasoline in January.

Ecuador's central bank reported that the country's oil export revenues totaled \$270.02 million in December, up 6% on the year. Ecuador exported 10.52 million barrels in December, up 8% on the year.

Market Commentary

The energy complex saw another volatile trading session with the crude market posting a trading range of more than \$1.50 while the products posted trading ranges of about 7 cents on the day. The oil market opened higher amid the continuing strength in the products, especially the heating oil, as the weather forecasts remained supportive. The crude market traded to a high of 51.85 before the market sold off to 51.00 immediately following the release of the weekly petroleum stock reports. However the market just as quickly retraced its losses and found resistance at its early high. In choppy trading, the market once again sold off, this time to its intraday low of 50.46. However the market bounced off that level and continued to rally to its high of 52.05 as the selling seemed to be limited by the perspective that prices will likely remain high following the comments made by Saudi Arabia. Saudi Arabia's Oil

Minister stated that prices would remain between \$40 and \$50/barrel in 2005. Despite the losses seen in the product markets following the release of the weekly petroleum stock reports, the crude market was able to settle in positive territory at 51.39, up 22 cents. Volume in the crude market was excellent with over 244,000 lots booked on the day. Meanwhile the product markets ended in negative territory with the heating oil market settling down 1.81 cents at 146.50 and the gasoline market settling down 2.76 cents at 128.38. The heating oil market opened sharply higher at 151.00 and immediately posted an intraday high of 152.00. However the market quickly gave up its gains and retraced more than 50% of its move from a low of 128.70 to its high of 152.00 as it traded to a low of 144.30 following the inventory reports. The market later retraced some of its losses but still remained in negative territory during the remainder of the session. The gasoline market also posted an intraday high of 132.50 on the opening before it quickly retraced its gains. The market sold off further following the DOE and API reports which showed larger than expected builds in gasoline stocks. The gasoline market backfilled its gap from 128.00-127.00 as the market sold off to a low of 125.50 ahead of the close. Volumes were excellent with over 80,000 lots booked in the heating oil and 76,000 lots booked in the gasoline market.

Technically, the crude market looks like it may have found its near term top as its stochastics look ready to cross to the downside. Also fundamentals should provide little support to the market as stocks are well above previous year levels. However if the market does breach its high of 52.05, more distant resistance is seen at 52.50 followed by 52.80. Meanwhile support is seen at its low of 50.46 followed by its gap from 49.75 to 49.25 and 48.66, its 50% retracement level.

Technical Analysis		
	Levels	Explanation
CL 51.39, up 22 cents	Resistance 52.05, 52.50, 52.80 51.50	Thursday's high, Previous highs
	Support 50.46 49.75 to 49.25, 48.66	Thursday's low Opening gap (February 22nd), 50% (45.27 and 52.05)
HO 146.50, down 1.81 cents	Resistance 152.00, 152.50 147.00, 149.25	Thursday's high, Previous high
	Support 144.30 142.50, 138.70 to 135.50	Thursday's low Wednesday's low, Opening gap (February 22nd)
HU 128.38, down 2.76 cents	Resistance 132.50, 132.80, 134.00 129.50, 130.80	Thursday's high, Previous highs
	Support 125.50 123.25, 122.85	Thursday's low Previous lows