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ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 1, 2005

OPEC's Secretary General Adnan Shihab-Eldin said OPEC will not consider cutting its production if prices are above \$50/barrel. He said current high prices are temporary due to severe winter conditions in the northern hemisphere, continued speculation in the futures market and geopolitical tension. OPEC's Secretary General also stated that OPEC may decide on a new composition of crude used in its basket at its March 16 meeting. He said OPEC will consider adding more heavy grades from a wider range of sources.

Meanwhile, OPEC's President Sheikh Ahmed Fahad al-Sabah said he wanted OPEC's basket price to fall within a range of \$28-\$35/barrel. He said he hoped to stabilize the oil market by leaving production

quotas unchanged at its March meeting. He reiterated that most OPEC ministers believe the group will keep its production quotas unchanged. He said the market was currently balanced and may even have a small excess in supply of 100,000-200,000 bpd. However he stated that OPEC could increase its production if OPEC believed a shortage of supply was driving the price rally. OPEC's President also stated that OPEC was considering changes to the composition of its crude oil basket. He said a report will be presented by the governors stipulating 11 crudes instead of seven at its meeting.

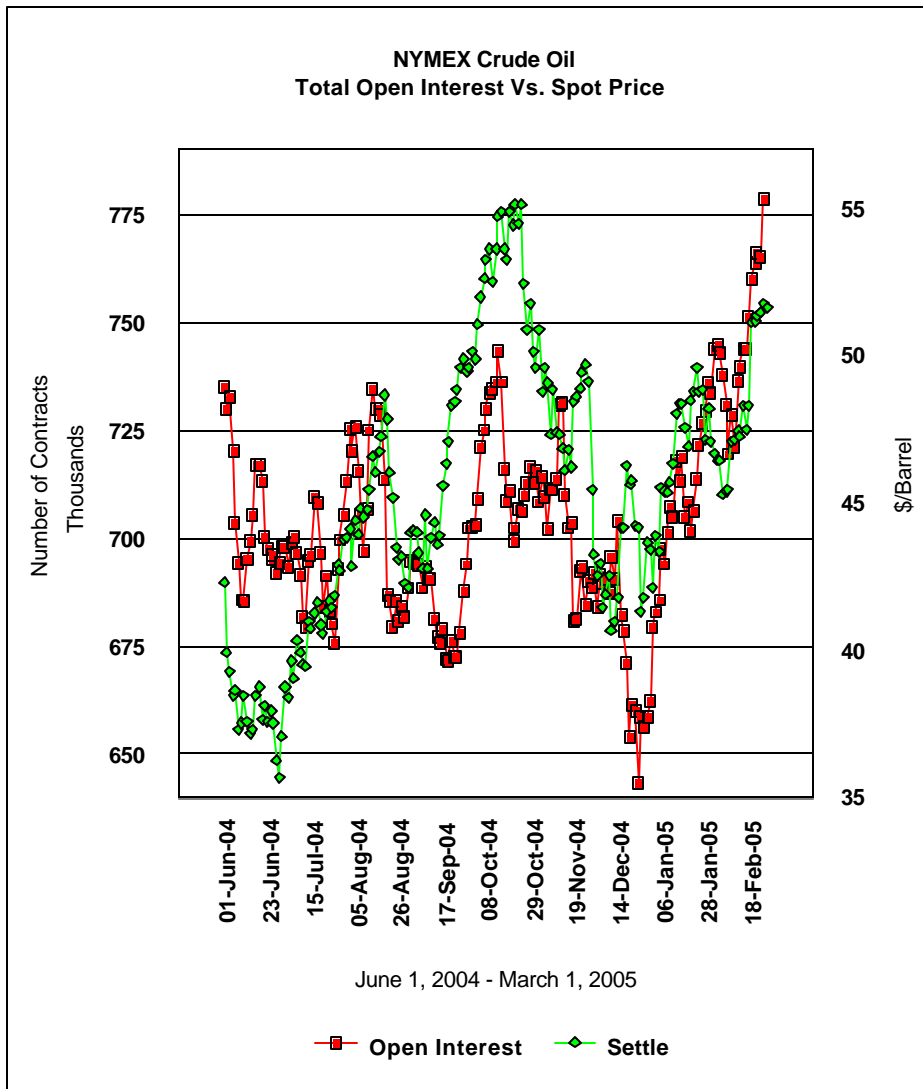
Market Watch

Analysts stated that increased world demand for distillates like diesel and increasing crude oil prices will keep heating oil futures unseasonably strong into summer, underscoring a growing disconnect between heating oil prices and traditional weather driven consumption. An analyst at the EIA said it will be difficult to get back to \$1.00 heating oil with the growth in world distillate demand.

Junior staff of Nigeria's Maritime Workers' Union went on strike on Tuesday to press for more progress in pay talks with employers. However oil exports were not affected. The strike will hit most shipping operations in the country's largest port in Lagos, Apapa and other dry cargo ports but senior shipping staff were still working and maintaining some administrative operations. Shipping agents said the action would not affect oil supply which is loaded from offshore terminals because oil unions were not involved in the dispute.

Petro-Canada said it was joining the Fort Hills oil sands mining project owned by UTS Energy Corp. Under the agreement, Petro-Canada will own 60% and operate the Alberta project while UTS will own the other 40%. They plan to evaluate options for a separate upgrader as part of their Alberta oil sands development deal.

The International Monetary Fund believes world growth in 2005 will slow to 4.3% from 5% last year mainly due to high oil prices. The IMF forecast growth in the US of 3.7% in both 2005 and 2006 after the US economy grew by 4.4% last year.



According to shipping sources, Iraq's crude oil exports totaled 1.46 million bpd in February, up from 1.43 million bpd in January. They stated that about 40.8 million barrels of crude were exported from Basra and Khor al-Amaya in February, down from 44.2 million barrels in February.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$46.26/barrel on Monday, up from \$45.49/barrel on Friday.

Refinery News

A crude unit at the Amuay section of PDVSA's Paraguana refining complex was taken out of service on Monday due to furnace problems. Separately, another crude unit will be shut 2 more weeks for planned turnaround. It will keep its crude runs at 360,000 bpd out of its normal 450,000 bpd as it operates its three other

crude units at full capacity. However problems with one of the operating units are so severe that refinery personnel have decided to shut the unit upon completion of planned turnaround currently underway.

Flint Hills Resources LP will restart a hydrocracker, a continuous catalytic reformer and other units at its 305,000 bpd Corpus Christi, Texas refinery on March 10 following scheduled maintenance. It had previously stated that Flint Hills expected work on the units to end by March 3.

Valero Energy reported that it had canceled its plans to shut a fluid catalytic cracker unit at its Houston, Texas refinery between February 21 and February 28 for maintenance. Separately, Valero said it performed maintenance on a controller at its Corpus Christi, Texas refinery on Monday. A report filed with the Texas Commission on Environmental Quality did not specify whether production would be impacted.

Deer Park Refining plans to restart a hydrogen unit at its 340,000 bpd refinery on Wednesday after it was shut on Monday to repair a malfunctioning heat exchanger.

Taiwan's Formosa Petrochemical Corp has started a routine 45 day maintenance program at its No. 2 naphtha cracker. The company shut the 900,000 ton per year cracker earlier on Tuesday and will remain closed until April 15.

China's Sinopec Zhenhai Refining & Chemical Corp plans to increase its crude throughput in March by 15.3% on the month to 1.43 million metric tons. In February, the company processed 1.24 million tons of crude, up from its original plan to process 1.23 million tons.

Production News

Yukos is meeting its first quarter supply commitments to Lithuania's Mazeikiu Nafta refinery. Prime Minister Algirdas Brazauskas said the refinery which was completely shutdown in early February due to unspecified supply problems returned to normal operations despite a cold snap.

Separately, Yukos' trading unit, Petroval, cut fuel oil exports out of Ukraine by half since the beginning of the year. Petroval usually exports between 200,000 and 250,000 tons of fuel oil a month from the Ukrainian port of Odessa during the winter months.

Russia's OAO Tatneft said its oil production in February increased by 3.4% to 515,000 bpd.

Angola's April crude oil loading schedule show a slight decline in supply compared with the previous month. Its April crude loading program showed some 31.4 million barrels of crude compared with 32.9 million barrels in March.

Oil loading resumed late on Monday at Russia's main Black Sea port of Novorossiisk after bad weather closed the terminal during the weekend.

Taiwan's Bureau of Foreign Trade reported that Taiwan imported 50.93 million tons of crude oil in 2004, up 9.17% from 46.65 million tons in 2003. It imported 6.88 million tons of natural gas, up 22.7% from 5.6 million tons in 2003. Meanwhile gasoline exports increased by 68.6% to 3.26 million tons in 2004, while exports of diesel increased by 30.4% to 5.8 million tons.

Indonesia's Pertamina is willing to seek a solution with ExxonMobil Corp over the disputed Cepu block. President Susilo Bambang Yudhoyono told government officials and Pertamina to speed up the settlement of the dispute to help improve the country's investment climate as it struggles with declining oil production. Pertamina last year said it would not extend the contract for ExxonMobil to operate the potentially important field when a deal expires in 2010. One sticking point in negotiations over the contract extension has been ExxonMobil's estimates of its Cepu spending so far. The two companies have been locked in talks since 2001 over Cepu. Indonesia has estimated crude oil production will fall 6% in 2005 from last year's 968,200 bpd.

Malaysia is confident that a dispute with Indonesia on the ownership of two deepwater oil blocks in the Sulawesi Sea can be resolved. Prime Minister Abdullah Ahmad Badawi said the oil concession are is within Malaysia's territory, contrary to Indonesia's claims.

Market Commentary

The NYMEX crude market opened 47 cents lower this morning at 51.28 as the market continued to hold good resistance at 52.00. The market, which failed to test the 52.00 level in overnight trading, immediately traded to 51.40 before it sold off more than \$1 on profit taking and posted an intraday low of 50.65. It however bounced off that level and retraced all of its losses as it rallied amid the strength in the heating oil market. The April crude contract breached its earlier high and rallied to a high of 51.85 late in the session before it retraced some of its gains and ended the session down just 7 cents

at 51.68. Volume in the crude was excellent with over 205,000 lots booked on the day. Open interest in the crude market built by a total of 13,901 lots to 779,237 lots as of Monday. Open interest in the April contract fell by 3,075 lots while the May contract built by 7,440 contracts amid the strength in the market. Meanwhile the heating oil market which provided much support to the complex, settled up 1.1 cents at 146.52. The market opened down 92 points at 144.50 and traded to 145.20 before the market sold off to a low of 140.80 on profit taking. However the market bounced off its low and held good support at 142.00 which it tested several times after it traded off its low. The market rallied to a high of 146.80 on the close. The market retraced its earlier losses as traders began to factor in forecasts of draws in distillate stocks. It also seemed to have rallied amid the strength in the gas oil market which rallied to a high near it close. The April heat crack spread rallied and settled at \$9.85, up from Monday's settlement at \$9.33. The gasoline market remained in negative territory throughout the session after it opened down 1.08 cents at 140.10. The market sold off to a low of 136.50 as it backfilled its previous gap from 137.00 to 138.50. It later bounced off its low and retraced most of its losses but still remained in negative territory as it traded to its high of 140.70 ahead of the close. It settled down 91 points at 140.27. Volumes in the product markets were good with 57,000 lots booked in the heating oil and 55,000 lots booked in the gasoline market.

The oil complex on Wednesday will mainly be driven by the weekly petroleum stock reports, which are expected to show builds in crude stocks of about 1 million barrels, draws in distillate stocks of about 1 million barrels in distillate stocks and builds in gasoline of 1 million barrels. The crude market will continue to hold its resistance as long as the weekly petroleum stock reports do not show large draws in stocks. The crude market is seen holding resistance at its highs of 51.85-52.05 followed by more distant resistance at 52.28, 52.50 and 52.80. However support is seen at 51.45, its lows of 50.65, 50.46 followed

by its gap from 49.75 to 49.25 and 48.66.

Technical Analysis		
	Levels	Explanation
CL 51.68, down 7 cents	Resistance 52.28, 52.50, 52.80 51.85 to 52.05	Overnight high, Previous highs Intraday highs
	Support 51.45, 50.65, 50.46 49.75 to 49.25, 48.66	Tuesday's low, Previous low Opening gap (February 22nd), 50% (45.27 and 52.05)
HO 146.52, up 1.10 cents	Resistance 150.00 146.80	Previous high (continuation chart) Tuesday's high
	Support 145.10, 142.00 140.80, 140.65, 139.40	Tuesday's low, Previous lows
HU 140.27, down 91 points	Resistance 144.80 140.70, 142.20, 142.70	Previous high Tuesday's high, Previous highs
	Support 139.00, 137.00 136.50, 134.30-.10	Tuesday's low, Previous lows