



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 4, 2005

An OPEC official said OPEC will issue a statement on Monday reiterating that it is prepared to meet any supply shortage and that they will not cut production in light of the current oil prices. The source said the statement has been delayed for logistical reasons.

Nigeria's Presidential adviser on petroleum Edmund Daukoru said OPEC will likely lift its output quotas or allow members to informally pump above official limits at its March 16 meeting to restrain rallying crude prices. He said there was no concrete plan to lift quotas but added that oil producers are keen to prevent high prices from damaging world economic growth. He stated that high prices were already tempting extra barrels out and most OPEC members were already pumping close to full capacity.

Market Watch

Treasury Secretary John Snow said that while high energy prices are not holding back the US economy, rising energy costs have some impact on the economy and should be lower.

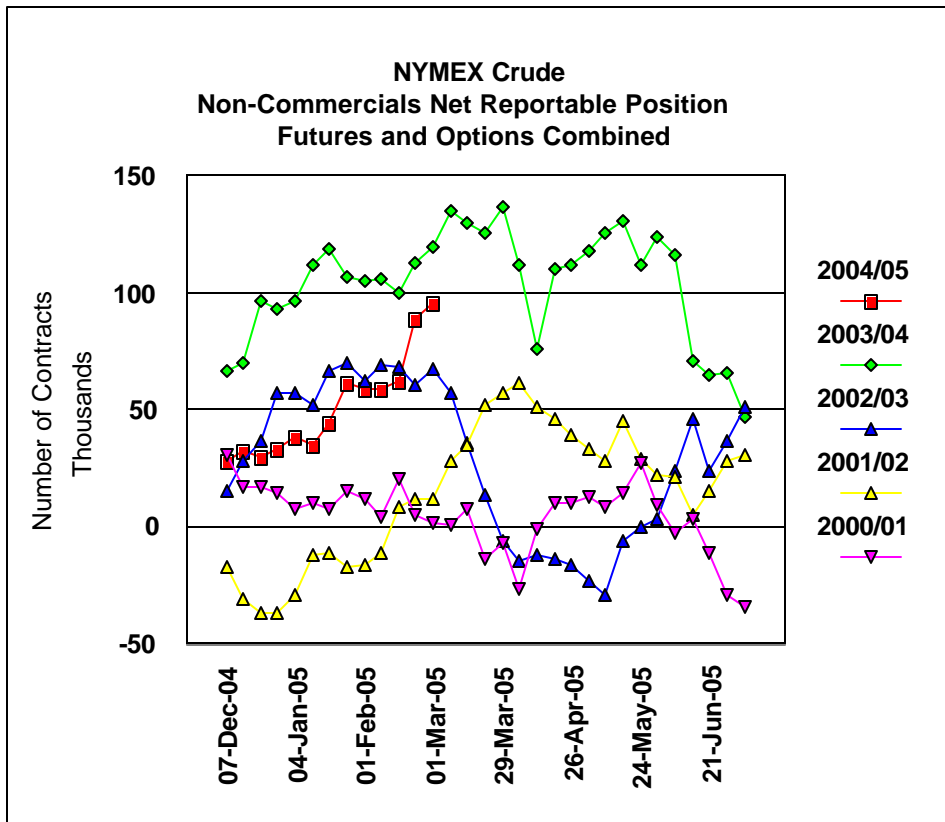
An analyst at Deutsche Bank said it will be difficult for production to meet demand globally if economies do not slow. He stated that OPEC may have to increase its production and not cut.

Russia's President Vladimir Putin has been urged to end a dispute over Gazprom's merger with Rosneft that has turned into an escalating power struggle over control of Russia's energy sources. The tensions have been heightened by fighting among various Kremlin factions over the control of Yuganskneftegaz which the government sold in December to settle Yukos' back tax bills.

Russia's Rosneft has sent Yukos a letter demanding it to pay \$3.8 billion to Yuganskneftegaz. Yukos filed an emergency motion late Thursday asking the US Bankruptcy Court in the southern district of Texas to bar any sales of company assets and to protect it from these kinds of demands until its appeal against the dismissal of its US bankruptcy filing is heard.

China's Premier Wen Jiabao will urge the country on Saturday to increase its power conservation efforts to relieve an energy shortage that is impeding economic growth. He said China's supplies of energy and raw materials are still tight.

Venezuela's President Hugo Chavez said OPEC is currently producing enough oil when asked whether OPEC needs to increase its output in light of spiraling oil prices. He also stated that Venezuela is currently producing more than 3 million bpd of crude and planned to reach 3.5 million bpd in the next few years. Venezuela's President also stated that the country wants the average price of



its crude in 2005 to increase to \$36-\$37/barrel from its 2004 level of \$33.22/barrel. Separately, he stated that Venezuela wants to supply crude oil to India under a long term agreement.

According to the IEA, the cushion provided by OECD petroleum inventories may thin further ahead of spring, keeping oil markets exposed to unexpected supply disruptions. It said OECD petroleum inventories covered just 51 days worth of oil demand in December and added that the it will likely hold steady or worsen through March. It also stated that OPEC will be able to produce 31.5 million bpd

by mid-2005, leaving a margin of less than 2 million bpd to cope with supply disruptions at the current rate of output.

Shipping sources reported that Iraqi crude exports through the northern pipeline to Turkey were still on hold on Friday. There are currently about 500,000 barrels of crude in storage at the Turkish terminal of Ceyhan.

Bloomberg reported that OPEC increased its output by 1.6% in February to 29.85 million bpd.

According to Dow Jones, OPEC's total oil products increased by 390,000 bpd to 29.45 million bpd in February. The ten OPEC producers, excluding Iraq, increased their production by 340,000 bpd to 27.65 million bpd in February. Saudi Arabia accounted for the majority of the increase with an increase of 200,000 bpd to 9.25 million bpd. Nigeria's production increased by 40,000 bpd to 2.4 million bpd while Kuwait's production increased by 50,000 bpd to 2.4 million bpd. Meanwhile, Iraq's production increased by 50,000 bpd to 1.8 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$48.36/barrel on Thursday from Wednesday's \$47.01/barrel.

Refinery News

BP Plc said it would begin restarting a hydrogen recovery unit at its 470,000 bpd refinery in Texas City, Texas on Saturday and complete the start up on Sunday.

According to a South Coast Air Quality Management District spokesman, ExxonMobil's 95,000 bpd fluid catalytic cracking unit at its Torrance, California refinery was shutdown on Wednesday morning for about 18 hours. The unit is in the process of resuming operations.

Indonesia's Pertamina plans to start a new reforming unit at its Balongan refinery in April and will halt naphtha exports to feed the unit. The new 52,000 bpd reforming unit will be started in mid-April at full capacity. However rates will eventually be reduced to 70% of capacity due to a lack of feedstock.

Production News

Baker Hughes reported that the number of rigs searching for oil and gas in the US increased by 9 to 1,290 in the week ending March 4. The number of rigs searching for oil in the US increased by 9 to 198 while the number of rigs searching for natural gas remained unchanged at 1,090.

Norway's Petroleum and Energy Minister Thorhild Widvey said any increase in oil producing capacity to fulfill the world's increasing energy demand must come from OPEC. She said Norway is producing at full capacity.

Norway's Norsk Hydro plans to increase its total production from its Oseberg field system by up to 1.5 billion barrels of oil equivalent through a major increase in exploration and development drilling.

Russia's main Black Sea port of Novorossisk resumed oil loading on Friday as a gale warning at the port was canceled.

Russia's Energy Ministry reported that Russian refineries processed 194.08 million tons or 3.89 million bpd of crude oil in 2004, up 3% on the year. Gasoline production increased by 4.1% to 30.47 million tons, gas oil production increased by 3.1% to 55.4 million tons while fuel oil production fell by 1.8% to 53.35 million tons.

A ChevronTexaco led group, pumping oil by pipeline from Kazakhstan and Russia to the Black Sea said its exports stood at 591,000 bpd in February compared with 583,000 bpd in January.

India's Oil and Natural Gas Corp is likely to take a stake in a Venezuelan oilfield as part of its quest for reserves abroad. It is likely to purchase 49% equity in the San Cristobal oilfield which has a production potential of 100,000 bpd.

Market Commentary

The crude market posted an inside trading day amid some profit taking following yesterday's rally over 55.00. The market opened down 47 cents at 51.10 and quickly posted its intraday low of 52.90. The market, which failed to breach Thursday's low of 52.86, bounced off its low and erased its losses as it rallied to a high of 54.00. In seesaw action, the market sold off once again as it traded back towards its low amid the news that OPEC had postponed its statement until Monday. OPEC was expected to reassure the markets that that it was not cutting its production level at its March 16 meeting. The market once again bounced off its low and retraced its losses ahead of the close. It settled up 21 cents at 53.78. Volume in the crude market was excellent with over 212,000 lots booked on the day. Open interest in the crude market continued to climb to a new record of 806,381 lots, up another 10,461 lots on the day amid the continued strength in the market. Open interest in the April contract fell by 5,068 lots while open interest in the May contract built by 12,810 lots. Meanwhile, the product markets ended mixed with the heating oil market settling down 74 points at 148.34 and the gasoline market settling up 14 points at 150.89. The heating oil market gapped lower from 147.70 to 147.50 and quickly posted an intraday low of 147.00. However the market bounced off its low and traded to a high of 149.60 within the first hour of trading. It later erased its gains and settled in a range during the remainder of the session as it held good support at its low. Similar to the crude market, the gasoline market posted an inside trading day after the market posted its trading range early in the session. The market traded to its low of 149.00 before it rallied to a high of 151.90 and traded sideways during the

remainder of the session as it continued to traded in and out of positive territory. Volumes in the product markets were good with 39,000 lots booked in the heating oil and 42,000 lots booked in the gasoline market.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long positions in the week ending March 1st by close to 6,000 contracts to 60,173 contracts, a level not seen since last June. The total non-commercial long position increased by 9,833 contracts to 130,797 contracts. The combined futures and options report also showed that non-commercials increased their net long position from 88,592 contracts to 95,362 contracts on the week. Given the market's continued rally, non-commercials in the crude have continued to add to their net long position. Open interest in the crude has increased by more than 30,000 lots in the last few sessions. Meanwhile, non-commercials in the heating oil market cut its net short position from 3,224 contracts to 2,857 contracts while non-commercials in the gasoline market increased its net long position from 25,093 contracts to 25,582 contracts on the week.

The crude market on Monday will be headline driven as it awaits OPEC's statement, in which it will reassure the market that it is prepared to meet any supply shortage and that it will not cut its production in light of the current oil prices. Technically, the crude market is seen retracing more its recent rally as stochastics have crossed to the downside. The market is seen finding resistance at its high of 54.00 followed by its previous highs of 55.20 and 55.65. Meanwhile support is seen at its low of 52.90 and 52.86. More distant support is seen at 52.48, 51.83 and a previous low of 51.50.

Technical Analysis		
	Levels	Explanation
CL 53.78, up 21 cents	Resistance 55.20, 55.65 54.00, 54.35, 54.70	Thursday's high, Previous high (continuation chart) Friday's high
	Support 52.90-52.86 52.48, 51.83, 51.50	Double bottom 50% and 62% (49.75 and 55.20), Previous low
HO 148.34, down 74 points	Resistance 152.75 149.60, 151.60	Thursday's high Friday's high
	Support 147.00 146.50, 144.63, 142.71	Friday's low Previous low, 50% and 62% (136.50 and 152.75)
HU 150.89, up 14 points	Resistance 154.50 151.90, 152.60, 153.20	Thursday's high Friday's high
	Support 149.00 147.50, 145.50, 143.38	Friday's low Previous low, 50% and 62% (136.50 and 154.50)