



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 21, 2005

Saudi Arabia's Oil Minister Ali al-Naimi said the current price of oil is too high and Saudi Arabia would like to see a lower price. He said OPEC's President has started consultations about a possible additional 500,000 bpd increase in OPEC's production. He said Saudi Arabia's current oil production is 9.5 million bpd and added that it has spare capacity and is able to increase its production to 11 million bpd. He however declined to comment on how much Saudi Arabia would produce in April. He said Saudi Arabia was ready to supply as much oil as its customers demanded.

Meanwhile Indonesia's Energy Minister Purnomo Yusgiantoro said Indonesia will not oppose a second OPEC oil production increase of 500,000 bpd at any time due to high oil prices. Separately, an OPEC spokesman said OPEC is considering moving the date of its next meeting in Vienna to June 15 from June 7 due to logistical problems.

Market Watch

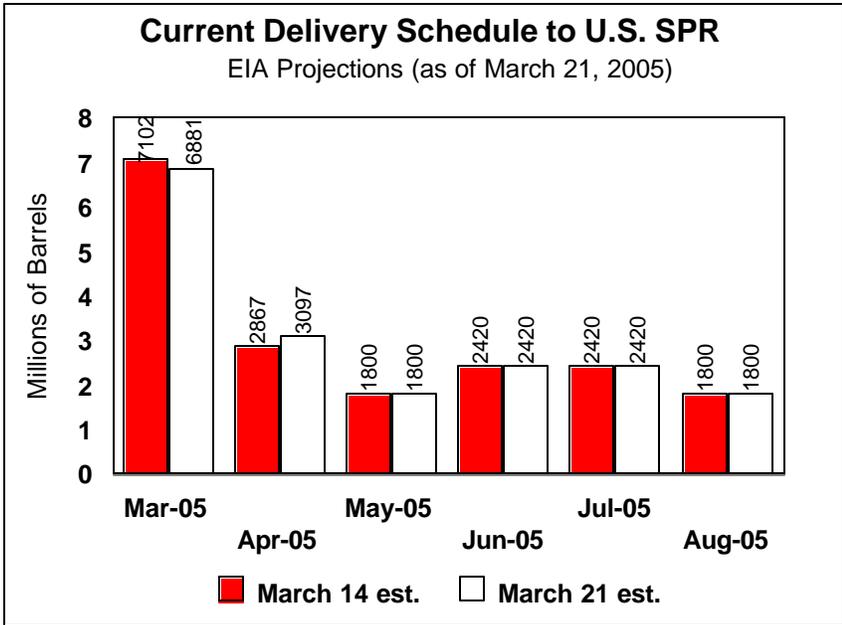
The Climate Prediction Center reported a total of 153 Heating Degree Days for the week ending March 19th. It is up 29.7% on the year and up 14% from normal. It also reported a total of 208 HDD on an oil home heating customer weighted basis, down from its previous estimate of 211 HDD. It is up 2% on the year and 12% higher than normal. It also estimated a total of 118 HDD for the week ending March 26, up 22.9% on the year but down 2% from normal. It also reported a total of 167 HDD on an oil home heating customer weighted basis, up 7.7% on the year and down 1% from normal.

The DOE revised its SPR delivery schedule on Monday, with oil shipments in March cut by 221,000 barrels to 6.881 million barrels while shipments in April were increased by 230,000 barrels to 3.097 million barrels.

US refining profits expanded last week as gasoline prices outpaced gains in crude after several refinery problems and a large decline in US stocks. US Gulf refineries using US light crude saw profits reach \$2.08/barrel from just \$0.64/barrel in the previous week. US refiners cracking Brent crude made \$2.18/barrel, up 8 cents/barrel from the previous week. The gasoline prices outweighed higher diesel premiums as last week's profit margins for upgraded Rotterdam plants fell to \$1.68/barrel from \$2.33/barrel.

A senior German government official said high oil prices and the value of the euro versus the dollar will be topics for discussion on the sidelines of this week's European Union summit.

Germany's HWWA institute cut its forecast for German economic growth in 2005 on Monday to 0.6% from 0.9% due to the effect of high oil prices and weak end to last year. It said it expected crude costs to remain much higher this year than originally forecast and this would restrain Germany's economic expansion.



The Bush administration said it would continue to talk to OPEC and non-OPEC producers about the world's need for affordable energy. So far, the Bush administration has not issued any public calls on OPEC to increase crude oil production, but White House spokesman Scott McClellan said Energy Secretary Sam Bodman has called his counterparts in OPEC to discuss the oil prices.

Nigeria's two main oil unions, Pengassan and Nupeng will stage a three day warning strike starting April 11 to protest employment issues. They stated that if the

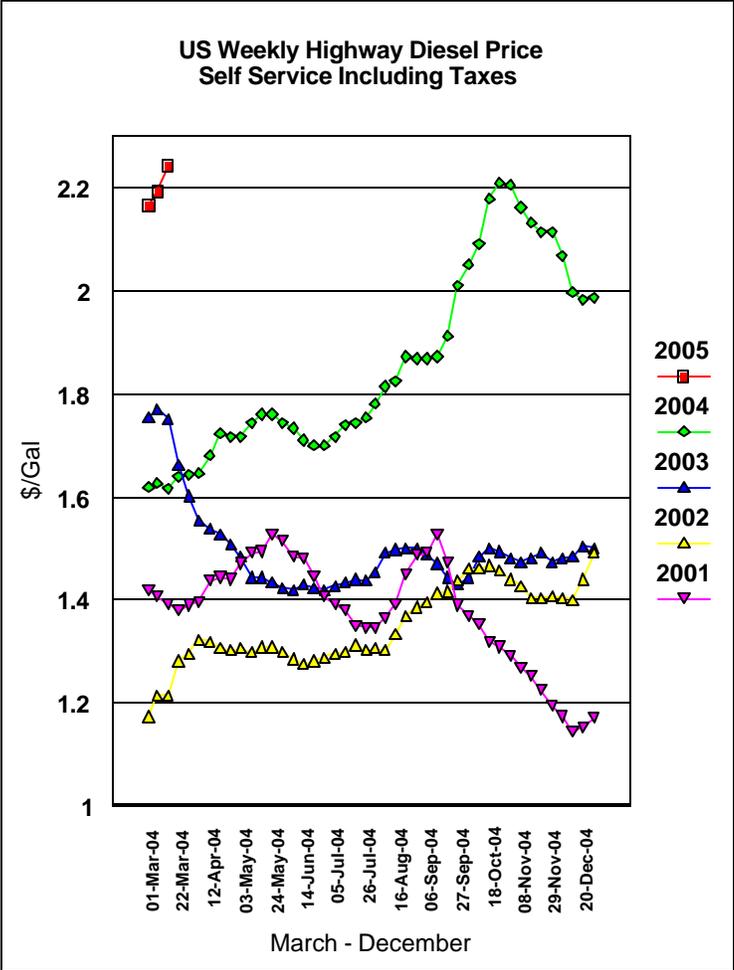
government does not take notice, it will give them two weeks and then escalate to an indefinite strike. The unions had given the government and energy firms a 21 day ultimatum in February to address concerns over workers welfare and job cuts or face industrial action.

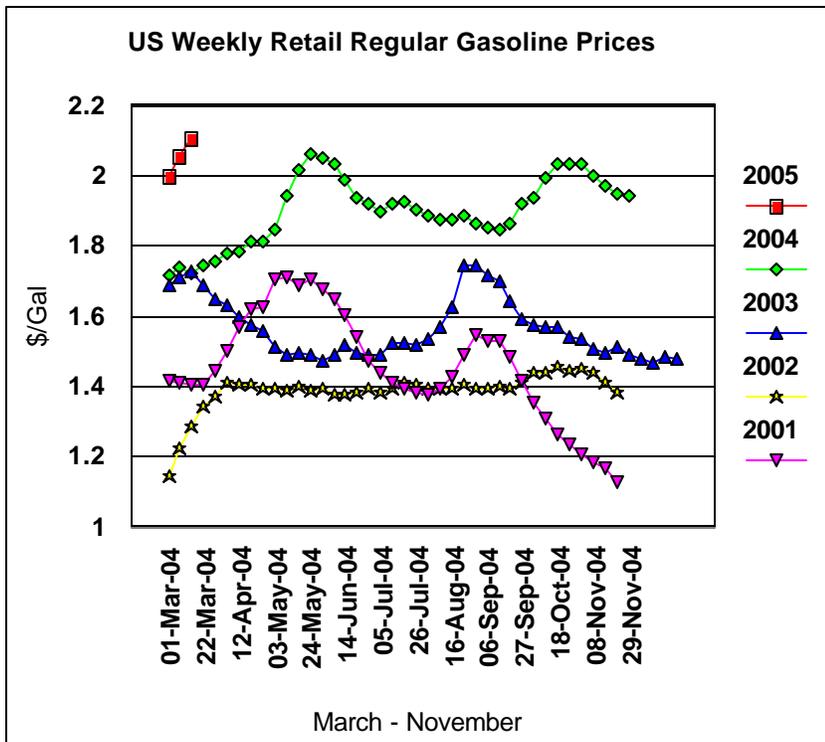
An Iraqi official said a feeder pipeline that carries crude from a Kirkuk oil field to the Baiji refinery was attacked by insurgents on Friday. Last Tuesday, insurgents blew up an oil pipeline that connects another one of Kirkuk's fields with Baiji. Iraq's northern oil exports to Turkey are still on hold on Monday, three days after the flow was due to restart.

The EIA reported that the US average retail price of diesel increased by 5 cents to \$2.244/gallon in the week ending March 21st. It also reported that the US average retail price of gasoline increased by 5.3 cents to \$2.109/gallon on the week.

According to the Lundberg survey, the average retail price of gasoline increased by 12.74 cents/gallon to \$2.13/gallon in the two weeks ending March 18.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.09/barrel to \$51.67/barrel on Friday, down from \$51.76/barrel. It reported that OPEC's basket increased by \$1.34/barrel





to \$50.14/barrel in the week ending March 17.

Refinery News

The Delaware Department of Natural Resources was investigating the cause of a small fire in a diesel pump at Premcor's 175,000 bpd refinery in Delaware City. The refinery is operating normally as the fire did not affect operations.

A fluid catalytic cracking unit at BP's Texas City refinery was restarted as planned on Friday after experiencing a brief shutdown on Thursday.

A senior Iraqi oil official said Iraq's oil ministry wants to sign a contract with international oil companies to build a 200,000-300,000 bpd

refinery by the end of the year.

China's Qilu refinery plans to cut its crude throughput in April by 18% on the month to about 170,000 bpd due to routine maintenance at a crude unit for one month. It will shut down a 3.5 million tons per year crude unit for about 30 days from April 10.

Production News

The average daily loading rate of the nine main North Sea crude systems is scheduled to increase by 1.4% in April to 93.7 million barrels.

According to the Aberdeen Petroleum Report, UK oil production in January fell by 6.7% or 118,000 bpd on the month to 1.651 million bpd.

Managing director of the National Iranian Oil Co said Iran's oil production capacity will increase to 160,000 bpd on projects for the development of the southwestern Rag Sefid and Bangestan oilfields and the offshore South Pars Oil Layer come on stream. Iran's current sustained output capacity is estimated at 3.9 million bpd.

Royal Dutch/Shell said a proposed increase in Nigeria's oil taxes could halt new offshore oil projects. The proposed measure would increase corporate income tax from 50-85% on multi-billion dollar deep water developments and could be applied retroactively. Shell is in the final stages of building a \$3.5 billion offshore development in Bonga, where production is set to start mid-year and increase rapidly to 225,000 bpd. Any increase in tax would hit the profitability of such ventures.

Russia's Yukos said it produced 1.7 million bpd of crude oil and gas condensate in 2004. Refinery throughput increased by 5.6% in 2004 to 40.2 million tons or 800,000 bpd. Its international sales of crude oil in 2004 were 44.4 million tons or 324 million barrels while its sales of petroleum products were 19.9 million tons or 147 million barrels. Its crude oil exports totaled 51.4 million tons, up 4.5% on

the year while its oil product exports were 12.2 million tons or 86 million barrels in 2004, up 2.9% on the year.

The head of Russian Railways said Russian investors are in talks with North Korea on supplying the country with oil by rail. A project is under consideration to build a railway line linking the Russian border crossing of Khasan and oil refinery in the North Korean port of Najin.

Market Commentary

The oil market opened higher amid concerns over the planned three day strike in Nigeria by the Pengassan and Nupeng oil unions. The market was supported in overnight trading despite the news that OPEC's President had started consultations within OPEC to add another 500,000 bpd to the market. The crude market opened just 8 cents higher at 56.80 and quickly breached Friday's high of 57.00 as it posted an intraday high of 57.12. The market however erased its gains and sold off to a low of 56.20, holding good support at its previous lows. The April crude contract bounced off its low and never looked back as traders liquidated their positions ahead of its expiration at the close. It settled down 10 cents at 56.62. The May contract however settled in positive territory, up 22 cents at 57.46. It traded to a high of 57.63 early in the session before it sold off to a low of 56.68. The market, which held good support at its previous low of 56.60, bounced off its low and traded back towards its high ahead of the close. Volume in the crude was excellent with over 224,000 lots booked on the day. Meanwhile, the product markets ended in positive territory with the gasoline market settling up 2.01 cents at 159.56 and the heating oil market settling up 17 points at 157.35. The April gasoline contract opened 35 cents higher at 157.90 and quickly rallied to a high of 160.00. The market however erased its gains and sold off to a low of 157.50. The gasoline market bounced off its low and retraced its losses as it traded back towards its high ahead of the close. The heating oil market also posted an intraday high of 158.50 early in the session before some profit taking pushed the market to its low of 156.00 in mid-day trading. The market however retraced some of its losses ahead of the close and settled in positive territory. Volumes in the product markets were good with 48,000 lots booked in the gasoline market and 44,000 lots booked in the heating oil market.

The crude market on Tuesday will remain headline driven as it awaits the weekly petroleum stock reports on Wednesday. The market is seen finding resistance at its high of 57.63 followed by its

previous high of 58.10 and the 60.00 level. Support is however seen at 57.00 followed by its lows of 56.68-56.60. More distant support is seen at 56.38 and 55.86.

Technical Analysis		
	Levels	Explanation
CL 57.46, up 22 cents	Resistance 60.00 57.63, 58.10	Monday's high, Previous high
	Support 57.00 56.68-56.60, 56.38, 55.86	Double bottom, 38% and 50% (53.61 and 58.10)
HO 157.35, up 17 points	Resistance 161.25 158.50, 159.70	Previous high Monday's high, Friday's high
	Support 156.00 155.35, 154.25, 153.50	Monday's low 38%, Wednesday's low, 50% (145.80 and 161.25)
HU 159.56, up 2.01 cents	Resistance 160.43 160.00	Monday's high
	Support 157.50, 154.90 153.50, 151.97	Monday's low, Friday's low Previous low and 50%, 62% (147.00 and 160.00)