



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 28, 2005

Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC has not agreed to increase its production ceiling by another 500,000 bpd. He said the world oil supply is sufficient and the market does not need additional supply of crude oil. Meanwhile, Algeria's Energy Minister Chakib Khelil said OPEC does not need to increase oil production at this time since markets are sufficiently well supplied. He however reiterated that OPEC was ready to act to increase output if necessary.

Indonesia's Oil Minister Purnomo Yusgiantoro said OPEC's target price band should be around \$32-\$38/barrel based on market fundamentals and adjusted for inflation and exchange rate. OPEC has yet to decide on a new target. He also stated that he had not been in contact with OPEC's President regarding a possible second output increase of 500,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes stood at

Market Watch

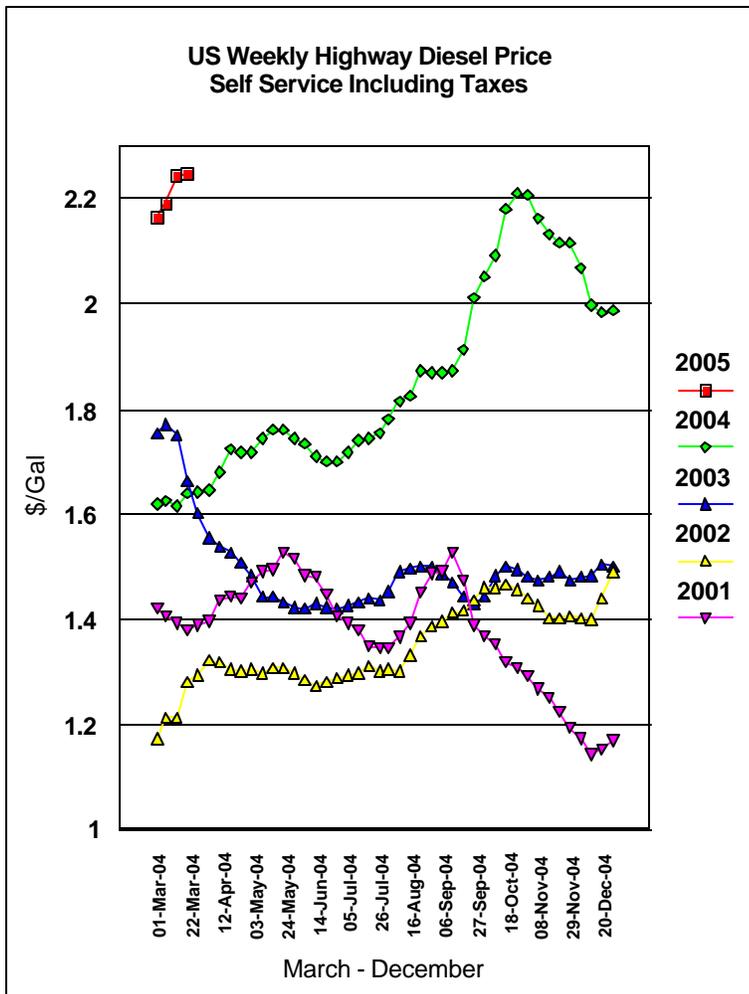
The Climate Prediction Center reported a total of 130 Heating Degree Days for the week ending March 26th, up from its previous estimate of 118 HDD. It is up 35.4% on the year and up 7% from normal. It also reported a total of 183 HDD on an oil home heating customer weighted basis, up from its previous estimate of 167 HDD. It is up 18.1% on the year and up 8% from normal. The CPC also reported a total of 85 HDD in the week ending April 2nd. It is down 12.4% on the year and down 22% from normal. It reported a total of 124 HDD on an oil home heating customer weighted basis, down 16.2% on the year and down 19% from normal.

Mexico's Pemex will unveil a new type of contract aimed at enticing foreign companies to help it extract oil from mature fields. The contracts would replace the fixed fee multiple service contracts which Pemex has offered to private companies in the gas sector but failed to gain much interest among big foreign players. Pemex aims to increase crude oil production to 4 million bpd by 2007, up from 3.38 million bpd in 2004.

Japan's Tokyo Electric Power Co and Kansai Electric Power Co expect their electricity sales to fall in the business year starting in April due to a slow economic recovery. TEPCO forecast its sales to fall by 0.9% to 283.5 billion kilowatt hours, from an estimated 286 billion in the current year to March 31. Separately, Kansai Electric said it expected its electricity sales to fall to 140.6 billion kilowatt hours in the year starting April 1 from an estimated 142.8 billion this year.

Meanwhile, Japan's TEPCO will buy more oil than expected for its thermal power plants in April as stockpiles fell and nuclear operating rates remain low. TEPCO will buy about 500,000 kiloliters or 3.1 million barrels of crude and low sulphur fuel oil next month. The unseasonably strong demand is due to a late winter cold snap that increased electricity demand, thinning oil inventories while nuclear power plants were still running below par.

The Chicago Mercantile Exchange launches electronic trading in fuel ethanol futures at 9:05 am on Tuesday, March 29. Its trading hours are from 9:05 am to 1:30 pm, Monday-Friday. The trading months will initially include the first three consecutive months from May to July 2005.



\$50.12/barrel on Thursday.

The EIA reported that the US average retail price of diesel increased by 0.5 cents/gallon to \$2.249/gallon in the week ending March 28th. It also reported that the US average retail price of gasoline increased by 4.1 cents/gallon to \$2.15/gallon on the week.

Refinery News

US refinery disruptions are seen falling to 408,250 bpd in mid-April compared with mid-March levels of 966,500 bpd. Meanwhile US catcracker outages will fall to 126,000 bpd by the end of April after peaking at near 800,000 bpd during the end of March.

BP's Texas City, Texas refinery is currently operating at normal rates following the explosion in its isomerization unit last Wednesday. According to a report to the Texas Commission on Environmental Quality, it had a release valve on a stripper tower lift prematurely at midnight on Sunday resulting in emissions of benzene and hydrogen sulfide.

According to a report to the Texas Commission on Environmental Quality, a feed line leak in a fluid catalytic cracker at Premcor's Port Arthur, Texas refinery forced the reduction of charge through the unit on Sunday. The unit charge was reduced to 25,000 bpd. The unit's normal processing rate is 80,000 bpd.

Shell was forced to shut its 73,000 bpd catcracker at its 159,000 bpd Martinez, Calif refinery during the past 48 hours. The unit is seen down for two to three weeks of unscheduled maintenance. It is also considering work in late April on a distillate desulfurization unit to correct a separate problem.

Valero shut its 37,000 bpd hydrocracker at its 144,000 bpd Benicia, Calif refinery for unplanned maintenance over the past 48 hours. The hydrocracker is seen completing repairs mid-week.

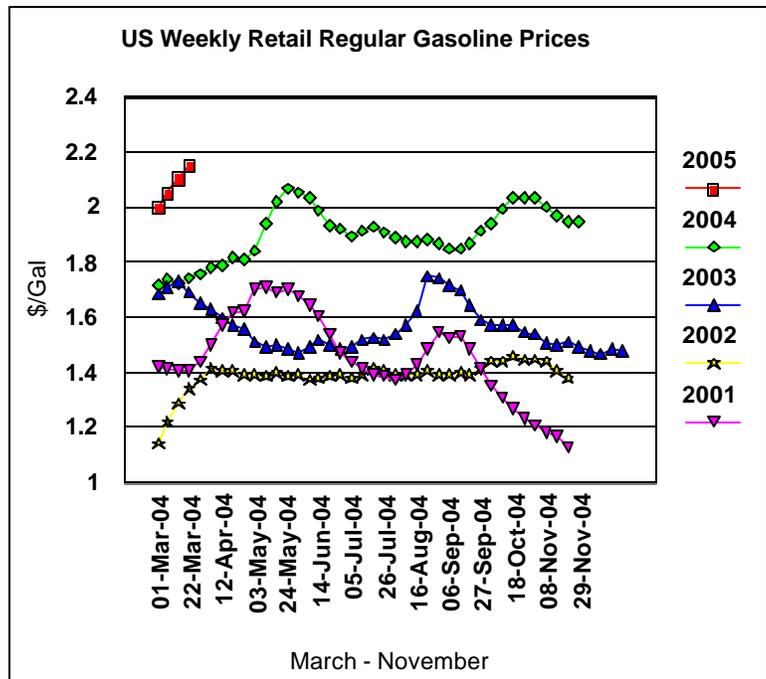
A 44,000 bpd fluid catalytic cracking unit at Marathon Ashland Petroleum's 72,000 bpd Texas City, Texas refinery was briefly shut on an unplanned basis on Saturday. The unit was shut due to a loss of power. According to a report, after power was restored, the unit was restarted in a controlled manner.

ConocoPhillips reported emissions from two gasoline production units while it was restarting units at its Borger, Texas refinery on Saturday.

Alon USA's crude oil refinery in Big Spring, Texas will perform maintenance on a fluid catalytic cracking unit in early April. Work to repair potential leaks on the plant's catcracker is set to start on April 5. It did not say whether production would be limited during the maintenance.

ChevronTexaco Corp will delay the return of a crude unit at its 325,000 bpd Pascagoula refinery for several weeks to early April.

PDVSA is currently restarting a 64,000 bpd flexicoker at its Amuay refinery following a two month overhaul. The unit should return to full capacity by April 5. Meanwhile it plans to shut one of its three hydrotreaters in May for 15 days of work. A source said exports from the refinery would not be hurt by hydrotreater work in May, as the refinery's two other hydrotreaters will be operating during the maintenance period.



Kuwait's 270,000 bpd Mina Abdullah refinery will undergo scheduled maintenance in April. It is scheduled to shut one unit, reducing its output by 42,500 bpd.

Production News

Kuwait Oil Co said a major oil gathering center at a northern Kuwait oilfield will be able to produce more than 250,000 bpd by the end of April. It said it will reach more than 250,000 bpd when a gas booster station and export pipeline are finished at the end of April. The center is currently operating at 100,000 bpd.

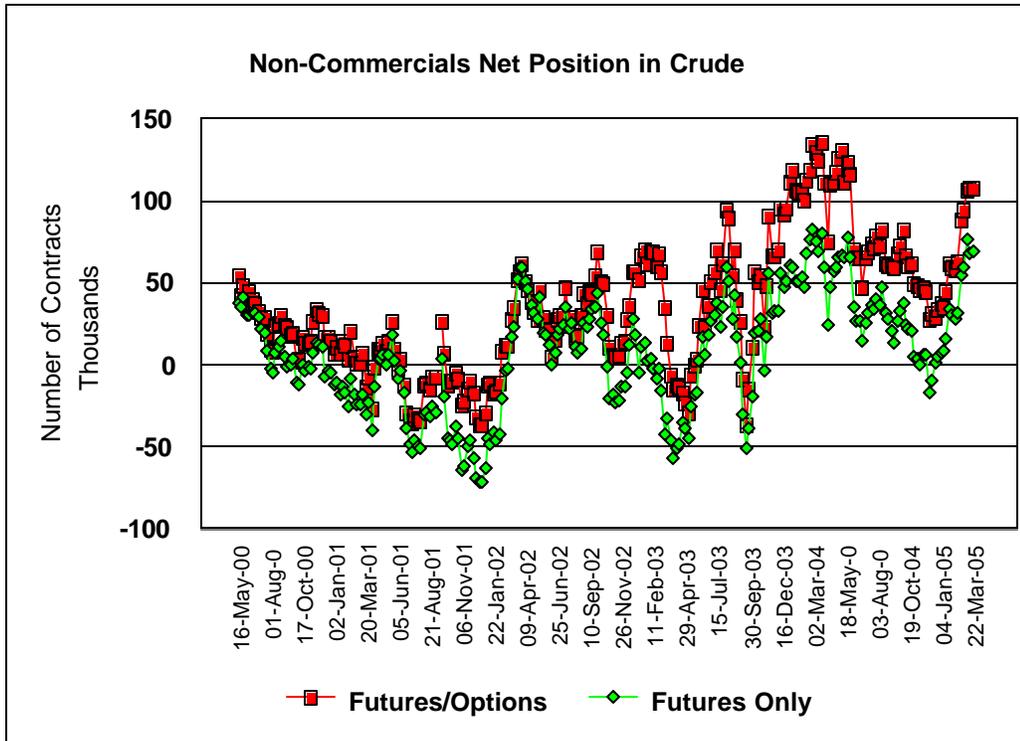
Russia's Sibneft said it won an auction for two oilfields in the Khanty-Mansiisk region of Western Siberia, with oil reserves of almost 50 million tons or 365 million barrels. Under the auction terms, Sibneft can explore the fields for five years, with an option to continue to the production phase.

Russia will approve an expansion of the Caspian Pipeline Consortium only if CPC shareholders increase tariffs on crude oil transportation.

Venezuela's PDVSA increased its proven reserves by 192 million barrels after drilling at two fields in the east of the country. It found 132 million barrels of crude after drilling two new wells at the Tacata field and 60 million barrels at the Chaguaramal field.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate output increased to 10.24 million tons or 1.32 million bpd in January-February, up 12.2% year on year. Its crude oil output in January-February increased by 6.3% on the year to 8.429 million tons.

PetroChina is planning to build China's largest commercial oil storage tanks, with 1 million cubic meters or 6.3 million barrels of capacity. Work on the complex is expected to start around the middle of this year. The first section which will be able to hold up to 400,000 cubic meters of oil, is due to come on line in 2007. The storage facility would mostly hold fuel oil rather than crude.



Indonesia imported about 12.4 million barrels of oil products for April, down 7% from this month. The imports for April, which included gasoline, 0.5% sulphur gas oil, jet A-1, kerosene and fuel oil were down 1 million barrels from the 13.42 million barrels of products that Pertamina took in March. Traders stated that decline in imports was partly due to the restart of Pertamina's 60,000 bpd crude unit at its

Balikpapan refinery in early March.

Separately, Indonesia's Oil Minister Purnomo Yusgiantoro said Indonesia wants Australia's Santos Ltd to speed up oil and gas exploration in the Jeruk field in East Java province. The Jeruk field has the potential to produce 150,000 bpd of crude oil. Indonesia expects to increase its crude oil production by about 25% to 1.182 million bpd by 2008.

Japan's Nippon Oil Corp has agreed with China Oil to increase consignment oil refining for PetroChina Co from the current level of 20,000 bpd to 30,000 bpd in April.

Market Commentary

The oil market ended in negative territory amid some profit taking following the long holiday weekend as concerns over the effect of an explosion at BP's Texas City, Texas refinery last week dissipated. The market, which posted an inside trading day opened down 50 cents at 54.15 and settled in a sideways trading pattern early in the session from 53.95 to 54.30. In light volume trading, the market breached its support level and sold off to a low of 53.60. The market however bounced off its low and settled in a range before it breached its high and rallied to a high of 54.65 ahead of the close. The May crude contract however erased its gains and traded back towards the 54.00 level on the close. It settled down 79 cents at 54.05. Volume in the crude was light with only 122,000 lots booked on the day. The product markets also ended in negative territory, with the heating oil market settling down just 8 points at 154.76 while the gasoline market settled down 2.65 cents at 157.27. Similar to the crude market, the heating oil market posted an inside trading day. It opened down 1.84 cents at 153.00 and settled in a range from 152.50 to 153.35 early in the day. However, in light volume, the crude market bounced off its low and rallied to a high of 155.50 in afternoon trading. It later retraced some of its gains ahead of the close. The gasoline market opened down 2.82 cents at 157.10 amid some profit taking. It extended its losses to over 4.4 cents as it sold off to a low of 155.50 on light volume trading. However the market bounced off its low and rallied to a high of 158.40 before it saw

some profit taking ahead of the close. Volumes in the product markets were good with 36,000 lots booked in the heating oil and 37,000 lots booked in the gasoline market.

According to the latest Commitment of Traders report released last Friday, non-commercials in crude market increased their net long positions by 1,824 contracts to 69,509 contracts in the week ending March 22nd. Non-commercials cut their total long positions by 1,887 contracts while they cut their total short positions by 3,711 contracts on the week. The combined futures and options report also showed that non-commercials increased their net long positions by 919 contracts to 108,624 contracts on the week. Non-commercials in the crude however have likely cut their net long positions amid the recent profit taking. Meanwhile, non-commercials in the product markets increased their net long positions. Non-commercials in the heating oil market increased their net long positions from 5,538 contracts to 8,817 contracts while non-commercials in the gasoline market increased their net long positions from 37,741 contracts to 42,865 contracts.

The crude market on Tuesday may continue to trade lower as the market's fears over supplies have dissipated. Technically, the crude market is also seen trading lower as its stochastics are still trending lower. The market is initially seen finding support at 53.60 followed by its previous lows of 53.48-53.40. More distant support is seen at 52.20. Meanwhile resistance is seen at 54.65, followed by 54.90. More distant resistance is seen at its gap from 55.30 to 55.69.

Technical Analysis		
	Levels	Explanation
CL 54.05, down 79 cents	Resistance 55.30 to 55.69 54.65, 54.90	Remaining gap (March 23rd) Monday's high, Thursday's high
	Support 53.60, 53.48, 53.40 52.20	Monday's low, Previous lows Previous low
HO 154.76, down 8 points	Resistance 157.90, 158.50 155.50, 156.00	Previous highs Monday's high, Previous high
	Support 153.90, 152.50 152.30, 150.10	Monday's low Previous lows
HU 157.27, down 2.65 cents	Resistance 160.20 to 160.30 158.40	Double top Monday's high
	Support 156.50, 155.50 154.90, 153.50	Monday's low Previous lows