



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 29, 2005

OPEC's President Sheikh Ahmad Fahad al-Ahmad al-Sabah, said OPEC has suspended its talks on raising its output limits. However he stated that OPEC will need to increase its current production by 1.1 million bpd from its current production of 27.8 million bpd to 28.8 million bpd at the end of the second quarter. He said demand could grow another 2.2 million bpd this year. He said heading into the peak winter months, demand could increase even further, perhaps to 33.3 million bpd for OPEC oil. Algeria's Energy and Mines Minister Chakib Khelil said he expected OPEC to increase oil production in the third quarter to meet a sharp increase in world demand in the fourth quarter.

The head of Iraq's South Oil Co Abdul Jabbar al-Luaybi escaped an assassination attempt Tuesday in the southern city of Basra. Over the past few months, insurgents have attempted

Market Watch

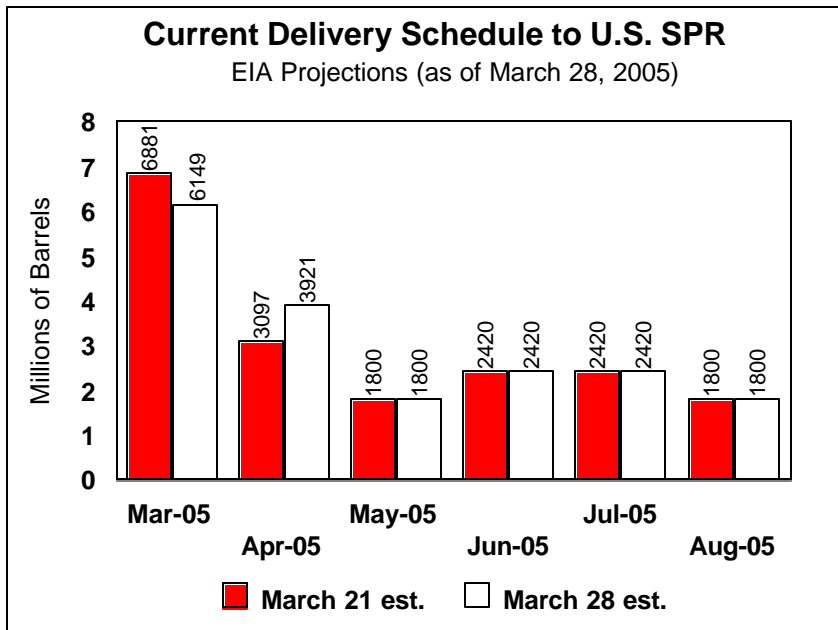
India's Finance Minister said India could cope with oil prices near record highs but warned that they could cut 0.5% of growth in the country's economy. GDP grew by 8.5% in the 2003/04 fiscal year that ended last March but the government has forecast growth will slow to 6.9% this fiscal year.

Weak economic data highlighted the fragile state of Japan's economic recovery. Japan's government stated that the jobless rate increased to 4.7% in February from 4.5% the previous month. It also showed a fall in household spending of 3.8% on the year and a sharp decline in retail sales of 2.8% in February. Japan emerged from a mild recession at the end of 2004 but the government insists its recovery is on track.

The NYMEX hopes to recover the cost of setting up a new trading floor in London within two years. NYMEX expects to spend \$12.8 million in setting up the exchange in its first year. It expects the London exchange to show revenue of \$552,000 in its first year, assuming four months of trading and to be cash flow positive in its second year. NYMEX plans to open NYMEX Europe in London sometime between July and September, depending on when it receives regulatory approval from the UK's Financial Services Authority. It expects volume to reach 5,000 contracts a day in the first year, increasing to 35,000 in the second year and to 60,000 in the third year.

China Aviation Oil's auditors, PricewaterhouseCoopers, found that it did not write any specific risk management procedures when it began options trading in 2002 or when it started taking speculative positions in oil futures in early 2003. It said the valuation methodology that it adopted for assessing the market to market values of its options was incorrect and did not reflect industry standards.

The Chicago Mercantile Exchange on Tuesday debuted electronic only trade of its new fuel ethanol futures contract. The CME ethanol contracts are traded Monday through Friday from 9:05 am to 1:30 pm CST on the CME's Globex electronic platform. The electronic CME ethanol futures, along with a competing contract launched last week at the Chicago Board of Trade, offer a change in pricing ethanol.



to kill several oil officials in an attempt to undermine the Iraqi government's efforts to revive the oil sector. The majority of the Iraqi oil production and exports are from the southern oil fields, which the head of the of Iraq's South Oil Co is supervising. Separately, at least 18 people were wounded in a car bomb explosion as the head of the city's waterworks, approached a roundabout in the Kurdish district of Rahimawa. Meanwhile, the Kurdistan Democratic Party's Kirkuk chief Najat Hasan Karim escaped an assassination attempt on Saturday.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.86/barrel to \$49.26/barrel on Monday. It also reported that OPEC's basket of crudes increased by \$0.60/barrel to \$50.74/barrel in the week ending March 24, up from \$50.14/barrel the previous week.

Nigerian oil unions will meet NNPC later on Tuesday in a bid to avert a three day warning strike called for April 11 over job losses, contract employment and other issues. White collar union Pengassan said another meeting with labor ministry officials is planned for Wednesday ahead of the strike.

On Monday, the EIA reported in its latest SPR delivery schedule that SPR deliveries in March are expected to fall by 732,000 barrels to 6.149 million barrels from its previous estimate while its SPR deliveries in April are estimated at 3.921 million barrels, up 824,000 barrels from its previous estimate.

Iraqi lawmakers failed to agree on a parliament speaker during their second National Assembly meeting on Tuesday. Shiite, Kurdish and Sunni representatives had been trying to come up with a name for the Sunni Arab candidate that legislators promised would be announced during Tuesday's session. Iraqi lawmakers will likely choose a parliament speaker on Sunday, giving Sunni Arab lawmakers time to come up with a candidate.

The New York Times reported that a cleric and tribal leader who has become a leading spokesman for Iraq's disaffected Sunni Arabs, said he would continue to view armed resistance as legitimate until the US military offered a clear schedule for withdrawal.

Refinery News

Total said it will shut its 180,000 bpd crude distillate unit at its Port Arthur, Texas refinery for four days of maintenance starting on April 4.

Valero Energy Corp said that planned maintenance, which has already started, at its 153,000 bpd refinery in Benicia, Calif will not affect the plant's fuel production. On Monday, traders stated that the refinery was experiencing problems with its hydrocracker unit.

Nippon Oil Corp said it will process 4.6 million kiloliters of crude in April, down 13% on the year. The lower crude runs for April come amid Nippon Oil's plans to shut several of its refinery units in April for regular inspections and maintenance.

Idemitsu Kosan Inc said it will process 2.69 million kiloliters of crude oil or 564,003 bpd in April, up 28% on the year.

Production News

A government official said Indonesia's oil and gas operations on Sumatra Island were not affected by the 8.7 magnitude earthquake that hit Nias Island late Monday. Operations at ExxonMobil's facilities are running smoothly.

According to lifters, the UAE is expected to supply full volumes of term crude for May loading but will not allocate additional volumes. It would be the second time this year that ADNOC does not supply additional term supply to its main lifters in Japan and South Korea. Maintenance on the 1.2 million bpd Murban oilfield prevented it from offering extra volumes of Murban crude for February loading. Limited interest in Abu Dhabi grades also cut requests for additional volumes of Lower Zakum and Umm Shaif. The UAE said it would increase its production by 44,000 bpd to 2.4 million bpd in line with OPEC's decision to increase production by 500,000 bpd. However oilfield maintenance work in May and June could prevent the UAE from fulfilling its pledge for these two months, unless it is able to increase production at its Murban and Upper Zakum fields.

Mexico's Energy Minister Fernando Elizondo said Mexico does not plan to increase its oil export target in line with OPEC's decision to increase its production quota. He said Mexico's crude oil export target would remain at 1.95 million bpd. Mexico's crude oil exports increased to an average of 1.898 million bpd in February from 1.818 million bpd in January.

Russia will further cut oil shipments from its Black Sea port of Novorossiisk in April due to maintenance and delayed March cargoes. It however will try to compensate for the fall with larger shipments from Yuzhny. Transneft's final export schedule showed that Novorossiisk was scheduled to load 3.55 million tons or 867,000 bpd in April compared with 3.843 million tons or 908,000 bpd in March. Out of the total, about 400,000 tons would be carried over from March when bad weather prevented loading. Exports from Tuapse will be unchanged at 424,000 tons or 104,000 bpd while shipments from Yuzhny will increase to 565,000 tons or 138,000 bpd from 425,000 tons or 100,000 bpd. Meanwhile, Russia's Baltic Sea export outlet of Primorsk will load a record 4.7 million tons or 1.15 million bpd compared to 4.634 million tons or 1.1 million bpd in March.

Russia's Lukoil said Russian exports of refined oil products will start to stagnate as the domestic market demands more light fuels. A Lukoil official said unlike crude exports which will grow as new pipelines come on stream, product exports would decline despite costly refinery upgrades to increase the quality but not quantity of processing.

Separately, Lukoil is in talks to buy a share in Mazeikiu Nafta, a refinery owned by Yukos. Yukos owns a 53.7% stake in the refinery. Last week a Yukos executive said Russia's pipeline monopoly had not allocated Mazeikiu any crude oil exports in the second quarter, putting the plant at the mercy of other suppliers. The Lithuanian government holds a 40.66% stake in the refinery and has proposed acquiring an additional 10% to ensure future supplies.

OAO Rosneft's Yuganskneftegaz has sued Yukos for 62.5 billion rubles or \$2.24 billion. Yuganskneftegaz filed the lawsuit with the Moscow Arbitration Court demanding Yukos pay for oil supplied from July to December last year and which it alleges Yukos never paid for.

Saudi Arabia's Oil Minister Ali al-Naimi said Saudi Arabia is prepared to increase its oil exports to India following talks with his Indian counterpart on possible joint refinery ventures. India currently imports about 430,000 bpd of Saudi crude.

China's demand for crude oil this year is expected to increase by 10% to 354 million metric tons, in line with the country's growing demand for energy to fuel its economy. The head of the China Petroleum and Chemical Industry Association said it will try to rely less on crude imports and will step up local exploration activities and increase domestic production.

South Korean refiners have bought at least 100,000 tons of gasoline for April and will keep imports high through June to cover for a shortage when maintenance work begins. South Korea has cut exports and turned to imports ahead of a heavy maintenance schedule planned in the second quarter.

Taiwan's crude oil imports in January increased by 84.3% on the year to 4.07 million tons or 29.7 million barrels, while exports of gasoline, diesel and jet fuel surged. Crude oil imports increased as the government increased its strategic oil stocks. Its gasoline exports in January increased by 179.2% on the year to 340,763 tons or 2.49 million barrels while diesel exports increased by 78.3% to 773,184 tons or 5.64 million barrels.

Repsol said it has signed a memorandum of understanding on a series of energy related deals with PDVSA.

Market Commentary

The crude market opened relatively unchanged at 54.06 after the market traded lower late on Access in light of OPEC's President stating that it suspended its talks on increasing its production quota by a further 500,000 bpd. The market, which posted an inside trading day, traded to an early high of 54.45 before it sold off and posted a double bottom at 53.60. It later bounced off its low and remained range bound for most of the session. However the market breached its early high and posted an intraday high of 54.50 amid the strength in the natural gas market as traders liquidated their April positions ahead of its expiration at the close. The crude market, which was unable to test Monday's high of 54.65, settled in a sideways pattern from 54.50 to 54.25 ahead of the close. The May crude contract settled up 18 cents at 54.23. Volume in the crude was better today but still on the lighter end, with 183,000 lots booked on the day. The heating oil market settled up 87 cents at 155.63 as it was well supported by the strength in the natural gas market. The April heating oil contract opened down 56 points at 154.20 and settled in an early trading range after it sold off to a low of 153.60. The market held good support at 154.00 and rallied to its high of 156.40 amid the strength in the natural gas market. It however retraced some of its gains ahead of the close. Meanwhile, the gasoline market ended the session mixed with the April contract settling up just 3 points and the back months settling in negative territory. The April gasoline contract opened down 97 points at 156.30 and traded to a high of 158.00, still holding resistance at its previous high of 158.40. It traded to a low of 155.40 before it bounced off that level and retraced its losses ahead of the close. The market tested its high once again ahead of the close but as it failed to breach that level, the market erased some of its gains. Volumes in the product markets were good with 48,000 lots booked in each the heating oil and gasoline markets.

The crude market will likely remain range bound ahead of the weekly petroleum stats following today's inside trading day. The market is expecting a build of about 2 million barrels in crude stocks and draws of about 1.5 million barrels in each distillate and gasoline stocks. If the reports show larger than expected draws in product stocks, the market is seen trading higher once again. Technically, the crude market is seen holding good support at its double bottom of 53.60 followed by its previous lows of 53.48 and 53.40. More distant support is seen at 52.20. Meanwhile resistance is seen at its high of 54.50, 54.65 and 54.90. More distant resistance is seen at its remaining gap from 55.30 to 55.69.

Technical Analysis		
	Levels	Explanation
CL 54.23, up 18 cents	Resistance 55.30 to 55.69 54.50, 54.65, 54.90	Remaining gap (March 23rd) Tuesday's high, Previous highs
	Support 53.60, 53.48, 53.40 52.20	Double bottom, Previous lows Previous low
HO 155.63, up 87 points	Resistance 157.90, 158.50 156.40	Previous highs Tuesday's high
	Support 154.50, 153.60 152.50, 152.30, 150.10	Tuesday's low Previous lows
HU 157.30, up 3 points	Resistance 160.20 to 160.30 158.00, 158.40	Double top Tuesday's high, Monday's high
	Support 156.50, 155.40 154.90, 153.50	Tuesday's low Previous lows