



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 1, 2005

Iraq's oil pipeline in northern Iraq on Monday was once again sabotaged, keeping exports to Turkey idle. A bomb was detonated next to one of the pipeline running through the Riyadh area near the refining center of Baiji. The export pipeline to Turkey's Ceyhan port was sabotaged last week, further delaying repairs.

OPEC's President Sheikh Amhad al-Fahd al-Sabah has started consulting OPEC members over a further 500,000 bpd increase in production to lower oil prices. He said OPEC should come up with a decision within the next 14 days and added that if agreed an increase would take effect in May. OPEC's Secretary General Adnan Shihab-Eldin said OPEC is ready to increase its oil production by another 500,000 bpd if oil prices

Market Watch

The head of Schlumberger said a lack of investment in oil and gas infrastructure over the last several years will keep energy prices high for years.

The President of Germany's BGA exporters association expects the euro to strengthen and oil prices to retreat in the nearer term. He said he believed the euro, currently under \$1.30, would rise towards \$1.40 by the end of the year, while oil prices would retreat towards the \$40s by mid-2005. He however stated that an oil price of over \$80 was also possible within three years.

BBC News reported that eight suspected militants were killed in a gun battle with Saudi security forces in the northern town of Al-Ras. Saudi security forces have been waging a campaign against Islamic militants blamed for a series of attacks on foreign workers and government offices.

Venezuela's President Hugo Chavez said 1.5 million people will be trained to form a military reserve that will be ready to defend the country. The reserve troops will serve under Military Reserve Commander Julio Quintero Vilorio, a staunch Chavez ally. He did not say who the enemy could be but he has repeatedly accused the US of planning to invade Venezuela and seize its oil reserves. However President Hugo Chavez said this week that he did not want to be an enemy of the US while a US senator met with him on Saturday in an attempt to improve relations.

Smith Barney reduced its rating on the energy sector to market weight from overweight, saying the valuations in the sector are unattractive.

The US ethanol futures contracts closed weak on Monday amid thin volume. The CBOT June ethanol contract ended down 1-1/2 cents at \$1.20/gallon while the CME contracts did not trade with the May remaining at \$1.21/gallon. Open interest in the CBOT contracts fell by 5 contracts to 241 while open interest in the CME contracts fell to zero late Friday.

The Tokyo Commodity Exchange said it would raise the daily trading limit for crude oil futures effective Tuesday. The limit on all contracts for crude oil futures other than the prompt month will be 1,350 yen, up from 900 yen.

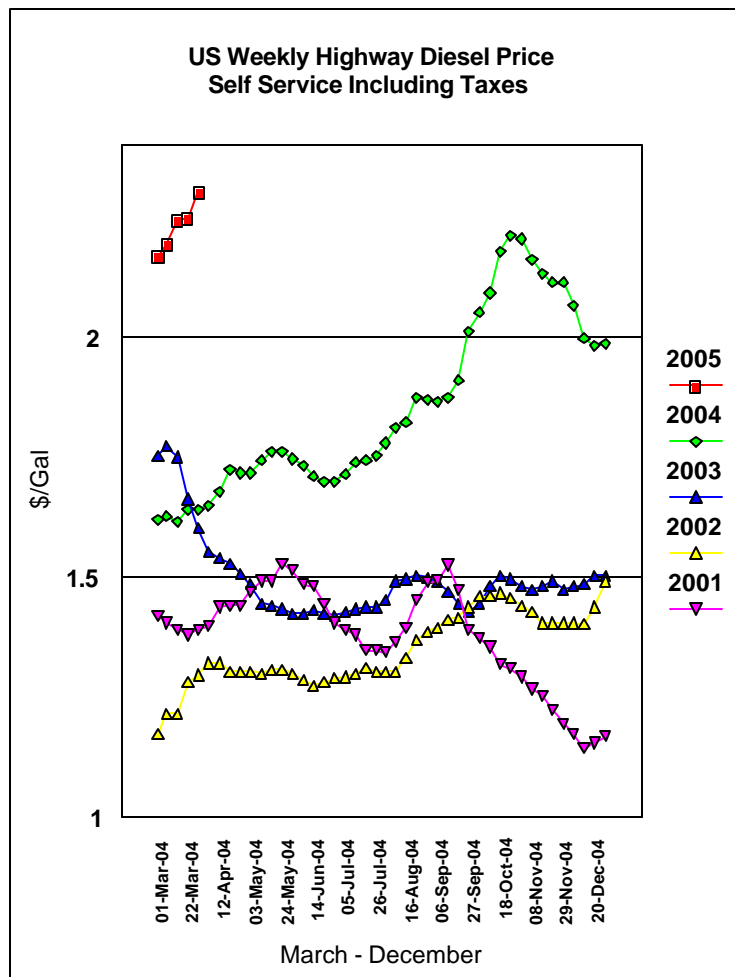
remain near record levels. He said OPEC had already lifted production by an estimated 300,000-500,000 bpd in March over February.

Separately, Nigeria's Presidential Adviser on Petroleum Edmund Daukoru said a further production increase could happen within two weeks if prices remained above \$55/barrel for at least the next 10-14 days. Qatar's Oil Minister Abdullah al-Attiyah said he was ready to support a second 500,000 bpd increase. He said OPEC's President had yet to contact him on the increase. Indonesia's Oil Minister Purnomo Yusgiantoro expressed similar sentiment by stating that the country supports a second increase of 500,000 bpd to OPEC's official quota. He however stated that he has not been contacted by OPEC's President regarding the second increase in production.

Meanwhile, Venezuela's Oil Minister Rafael Ramirez said it is too early for OPEC to start discussions on another increase in production. He said there has been no change in the market conditions.

According to an OPEC delegate, OPEC's ten members bound by the output quota will pump 28.1 million bpd in April, up 400,000 bpd from estimated production the previous month. Saudi Arabia plans to increase production to 9.5 million bpd this month while Kuwait is expected to produce 2.55 million bpd. Planned April output will put OPEC 600,000 bpd above its official production ceiling.

Nigeria's Pengassan union said Nigeria's oil unions will hold talks with government officials on Monday before a three day warning strike due to start next week. The country's two main oil unions have



called for a three day warning strike from April 11 which they have threatened to escalate to an indefinite strike if concerns over welfare and job cuts are not addressed. Nigeria's Presidential Adviser on Petroleum Edmund Daukoru said he was optimistic that government and oil unions would reach an agreement to avoid a strike.

Norway's Oil and Energy Minister Thorhild Widvey said she was concerned crude prices were too high and would like to see them lower. She said that with non-OPEC producing at maximum capacity, any increase in world output must come from OPEC.

US Treasury Secretary John Snow said that high energy prices will take some toll on the US economy. He said high oil prices would act like a tax and reduce some economic output.

OPEC's news agency reported that OPEC's basket of crudes increased to \$51.65/barrel on Friday from \$50.23/barrel on Thursday.

The Washington Post reported that a Sunni

Muslim was selected as speaker of the new Iraqi parliament on Sunday, an important step in forming the new Iraqi government. The selection of Hachim Hasani was a result of compromises by all sides in the new assembly. With the speaker named, lawmakers said they hope to choose the country's other leaders and a cabinet within days.

The EIA reported that the average retail price of diesel in the US increased by 5.4 cents to \$2.303/gallon in the week ending April 4. It also reported that the US average retail price of gasoline increased by 6.4 cents to \$2.217/gallon on the week.

According to the DOE's SPR delivery schedule, 6.149 million barrels of crude was scheduled to be delivered in March, down 5,000 barrels from its previous estimate while deliveries in April are expected to fall by 15,000 barrels to 3.921 million barrels.

ChevronTexaco Corp said it agreed to acquire Unocal Corp for about \$18 billion in stock and cash, adding a valuable portfolio of discovered and underdeveloped deepwater oil assets. The acquisition is subject to approvals by Unocal shareholders and certain regulatory agencies. Full integration of the two companies is expected to be completed in six months.

Refinery News

PDVSA said it successfully restarted a 75,000 bpd crude unit at the Amuay refinery on Monday morning and expects the remainder of the refinery to resume operations by the end of the week. This follows the shutdown last week, which was caused by a power outage.

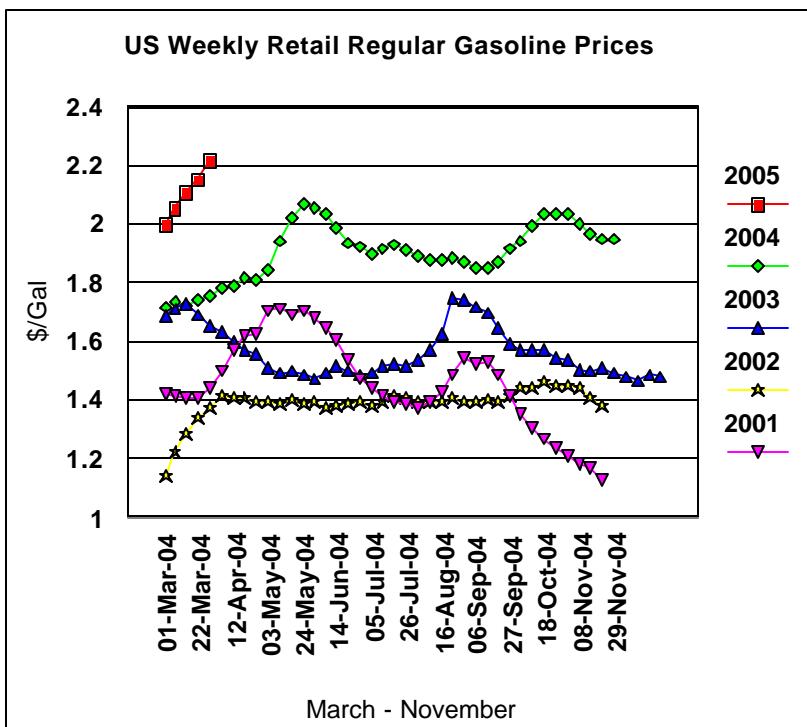
Crown Central restarted a fluid catalytic cracker at its La Gloria refinery in Tyler, Texas over the weekend following seasonal maintenance on several units.

According to a report filed with the Texas Commission on Environmental Quality, upcoming planned maintenance at Valero Energy's Three Rivers, Texas refinery will include work on a residual fuel unit as well as a hydrocracker. The maintenance is expected to start April 10.

Lithuania's Mazeikiu Nafta was still not receiving oil supplies on Monday. A spokesman said it would run through its reserves by Monday night leading it to halt production. He said the Baltic region's refinery was quickly depleting its reserves after supplies to its abruptly stopped on Friday night. Meanwhile, Lithuania's government said during the weekend that a deal had been struck with Russia's Lukoil and two other companies to supply oil to the country's refinery.

Kuwait's Mina Abdullah oil refinery started 30 days of planned maintenance work at a 42,500 bpd hydrocracker on Sunday.

India's Haldia Petrochemicals Ltd closed its 520,000 ton per year



naphtha cracker on Sunday for planned maintenance. The unit will undergo 19 days of maintenance work and a minor debottleneck during the shutdown. It is scheduled to restart on April 12.

The Philippines' Petron Corp plans to put its third 18,000 bpd hydrotreater on a trial run this month and is expected to skip diesel imports.

Production News

According to a leading Saudi drilling contractor, Nabors Industries Ltd, Saudi Arabia is expected to continue adding rigs in the coming months. Saudi Aramco has yet to formally request bids. Over the last year, the rig count in Saudi Arabia has increased to 78 rigs from 44. The Saudi ramp up is part of its campaign to add production capacity, reasserting control over the market and driving down prices to a sustainable level.

BP Plc increased its production slightly in the first quarter compared with the same period last year and is on course to reach its full year output targets. It said it produced 4.09 million barrels of oil equivalent per day in the first three months of the year. It said it was on course to meet its production target for 2005 of 4.1 to 4.2 million boepd. It increased its production 10% last year, driven primarily by the growth in Russia's oil production. It is ramping up production at a number of new projects in the Gulf of Mexico and Africa that it hopes will increase its non-Russian production. BP's Russian product fell slightly in the first quarter to 960,000 bpd from 972,000 bpd in the previous quarter, largely due to seasonal factors.

Turkey's Dardanelles strait was closed to all traffic on Sunday after two ships collided in the shipping channel. The Bosphorus waterway was closed to southbound traffic. It is not clear when the Dardanelles would reopen. At least 21 tankers were waiting at both ends of the Dardanelles to pass through the straits.

Russia's Energy Ministry reported that Russian daily oil and gas condensate output increased by 4.7% in January-March 2005 to 114.266 million tons or 9.31 million bpd from 110.429 million tons or 8.89 million bpd last year. It however said its output was flat in March at 9.33 million bpd compared with February in another sign of a slowdown in the country's industry, where production has failed to increase over the past six months after five years of impressive growth. Oil exports in the first three months of the year via Transneft increased by 11% to 52.24 million tons or 4.25 million bpd, up from 47.657 million tons or 3.84 million bpd last year. Its seaborne oil exports increased by 17% on the year to 31.134 million tons or 2.54 million bpd. Its exports through Novorossiisk totaled 11.652 million tons, up from 11.577 million tons last year. Its exports through the port of Tuapse increased to 1.146 million tons from 1.099 million tons while its exports through Odessa increased to 2.374 million tons from 1.775 million tons last year. In March, Russia's crude oil exports through the pipeline network increased on the year to 4.61 million bpd.

Azerbaijan's SOCAR produced 2.216 million tons of crude in January-March, down 0.6% on the year. It said Azerbaijan's oil product exports fell to 271,981 metric tons in January-March from 517,603 tons in the same period last year.

Petroecuador said it lost about \$3 million in revenue last week after its production was cut by 58,000 bpd between Thursday and Saturday due to protests and sabotage. It said the majority of disruption in production stemmed from protests carried out by 300 security personnel whose contracts with Petroecuador had expired.

Chinese Premier Wen Jaibao will visit India this week seeking cooperation in energy. An official in China said there is a basis for cooperation between the two countries because they are both

developing countries with oil demand. However he stated that specifics of any cooperation still needed to be researched. Analysts said a deal could increase agreements for each country to refrain from trying to buy certain assets to prevent bidding wars or working on joint projects in areas of interest.

Glencore has fixed 47,000 tons of gasoline to move from Taiwan to the US West Coast for loading in early April, taking advantage of the open arbitrage window.

Wholesale diesel in western China climbed above official ceilings on a seasonal increase in demand, while gasoline sales were hit by the increase in retail prices. A PetroChina official said diesel is tight while gasoline sales are much slower and stocks are increasing.

A Sinopec official said China's petrochemical industry requires a new refining and chemical distribution system, more joint ventures and expanded exploration and production efforts. He said that to further capitalize on China's growing energy demands, the country's refinery and chemical distribution system would have to be overhauled. He said small chemical plants and refineries should be closed.

Japan told China it may allow Japanese companies to conduct test drilling for natural gas and oil in disputed waters in the East China Sea, unless China provides details on its gas projects in the waters and stop its ongoing explorations in line with Japan's repeated demands. China has rejected Japan's repeated demands to provide gas project data and halt exploration.

Market Commentary

The NYMEX oil complex ended in negative territory after the oil market rallied into record territory early on Monday. The May crude contract opened up 38 cents at 57.65 and quickly rallied to a high of 58.20 as it continued to trend higher following its overnight strength on Access. This was despite reports that OPEC was starting consultations on increasing its production by a further 500,000 bpd. The crude market retraced some of its gains and traded to a low of 57.10 after it failed to test its overnight high of 58.28. However the market bounced off its low and settled in a sideways trading pattern as it held good resistance at 58.00. The oil market later retraced its gains and sold off into negative territory amid the sell off in the gasoline market. The May crude contract extended its losses to 67 cents as it traded to a low of 56.60. It settled down 26 cents at 57.01. Volume in the crude was good with over 213,000 lots booked on the day. The energy complex may have been pressured late in the session amid the late reports that one of four crude processing units at PDVSA's Amuay refinery was restarted earlier on Monday while the rest of the refinery is expected to resume operation by the end of the week. The

gasoline market settled down 94 cents at 172.16 following the late sell off. Early in the session, the gasoline market traded in a range from 174.50 to an early low of 171.50.

Technical Analysis		
	Levels	Explanation
CL 57.01, down 26 cents	Resistance	59.89 Basis trendline
		58.20, 58.28 Monday's high, Overnight high
	Support	56.60 Monday's low
HO 164.22, down 2.16 cents		56.02, 55.35, 55.15, 54.90 38%, 50% (52.50 and 58.20), Previous lows
	Resistance	169.26 Basis trendline
		168.30 Monday's high
HU 172.16, down 94 cents	Support	164.00 Monday's low
		161.12, 160.80, 159-156.60 38% (149.50 and 168.30), Previous low, Gap
	Resistance	175.36 Basis trendline
	174.80 Monday's high	
	Support	170.55 Monday's low
	167.62, 165.70, 163.80-161.90	38% (156.00 and 174.80), Previous low, Gap

However the market later breached its resistance and rallied to a high of 174.80 before it sold off and retraced all of its gains ahead of the close. The gasoline market sold off to a low of 170.55 as traders took some profits, possibly on the refinery news. Similarly, the heating oil market posted its intraday low of 164.22 after the market posted a high of 168.30 early in the day. It settled down 2.16 cents at 164.22. Volumes in the product markets were good with 46,000 lots booked in the gasoline and 43,000 lots booked in the heating oil market.

The oil market is seen trading a range ahead of Wednesday's weekly petroleum stock reports. It may continue to retrace some of today's earlier gains amid the news that PDVSA's Amuay refinery is expected to resume operations by the end of the week. The crude market is seen finding initial support at 56.60 followed by 56.02, 55.35, 55.15 and 54.90. Meanwhile resistance is seen at 58.20, 58.28 and 59.89.