

W The
Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 6, 2005

Shipping agents stated that Iraq has resumed normal crude oil exports from its southern oil terminals after bad weather cleared. Sailing and berthing at Basra and Khor al-Amaya resumed late Tuesday. Loading has resumed at a rate of 78,000 barrels/hour or 1.8 million bpd. An official said the increase in the export rate is due to accumulated stock of crude in the storage facilities following the suspension of exports during the past two days.

The head of Pengassan said Nigeria's oil unions will decide on whether to proceed with a three day warning strike on Friday.

Meanwhile, the Nigeria Labor Congress has called on the government to

Market Watch

Europe's cargo traders said they expect the US Atlantic Coast to be adequately supplied during April, May and June. The market however is expected to see a shortfall in supplies to the USAC during July and August. Market sources stated that European gasoline prices fell Wednesday to \$34/metric tons, near the level for the economics to be in place for European exports to fill gaps in the US gasoline stocks for months ahead.

Morgan Stanley said it was updating its price forecasts for commodities. It said the strength in China's demand is leading to sustained deficits in a number of key commodities.

A Saudi security official said security forces killed one of Saudi Arabia's most wanted Islamic militants on Wednesday. Abdhul-Rahman Mohammed Mohammed Yazji was No. 25 on the country's list of 26 most wanted terrorists. Two other militants and a member of the security forces were killed in a raid.

The head of Russia's Gazprom said the completion of its takeover of the state oil major Rosneft is expected to be completed in July. Investors had hoped the transaction would be finalized by Gazprom's annual general meeting scheduled for June 24. Combining Gazprom and Rosneft will create a Russian state controlled energy major to compete globally.

The head of the IMF, Rodrigo Rato, said further sharp increases in oil prices could start to weigh on the world growth. He said the oil market remained vulnerable to price shocks and that producing and consuming countries need to work together to ensure market stability.

Singapore's Minister for Trade and Industry, Vivian Balakrishnan said oil prices have not reached an alarming level and added that the country's economy is capable of growing and making the necessary adjustments for higher fuel costs.

The World Bank stated that Japan's economic growth is likely to slow significantly in 2005 as high crude oil prices and expected US interest rate hikes ahead damp global domestic demand. Its real GDP growth will likely slow to 0.8% in 2005 from an estimated 2.6% in 2004. The World Bank said oil prices are estimated to remain high in the first half of the year before it eases off in the second half. It said oil prices will average \$42/barrel in 2005.

On Friday, the IPE's crude oil and gas oil contracts will trade only on an electronic platform. Meanwhile, the NYMEX has so far struggled to steal volume from the IPE's more established Brent contract but traders are expecting an increase in activity in Dublin as soon as it becomes the only place to trade Brent open outcry.

The CBOT ethanol contract ended ½ cent lower with the June down ½ at \$1.20/gallon. The open interest increased by 1 lot to 241 lots. The CME ethanol contract did not trade on Wednesday.

reverse an increase in the price of motor gasoline announced on Monday. A Nigerian newspaper said the unions would decide next week if it would call another strike to protest the latest price increase. Gasoline retailers raised the price to 51.50 naira/liter, up from 48 naira/liter. The NLC said the newly passed legislation ending its role as the country's only national umbrella union would not stop it from calling a nationwide strike.

According to a Dow Jones survey, OPEC's total production increased to 29.89 million bpd, up 440,000 bpd on the month. Saudi Arabia contributed to the majority of the March increase, with Iran, Libya, UAE, Venezuela, Iraq and Algeria also increasing their production. Saudi Arabia's production stood at 9.4 million bpd in March, up 150,000 bpd on the month. Iraq's output was 100,000 bpd higher in March at 1.9 million bpd. Output by the ten OPEC members stood at 27.99 million bpd, up 340,000 bpd on the month.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.66/barrel to \$52.27/barrel on Tuesday from Monday's \$52.93/barrel level.

The EIA said that despite a bullish forecast for gasoline prices, it is not worried about the fall in gasoline inventories. It said US inventories remain above their historic average and could increase even further as refiners increase their production ahead of the summer.

The DOE reported that US inventories of propane totaled 26.77 million barrels in the week ending April 1, down 247,000 barrels on the week. It reported that propane inventories in the East Coast fell by 101,000 barrels to 2.105 million barrels while inventories in the Midwest fell by 181,000 barrels to 8.968 million barrels and inventories in the Gulf Coast increased by 101,000 barrels to 15.168 million barrels.

Refinery News

PDVSA's Amuay refinery is currently processing 200,000 bpd and is expected to reach 360,000 bpd by Wednesday night as the refinery recovers following the outage last week.

SK Corp shut a 40,000 bpd vacuum residual desulphurizer unit for maintenance on Monday. It is expected to remain down until April 29.

Production News

A three mile section of the Houston Ship Channel reopened to one way traffic on Tuesday as work continued to remove a tugboat that overturned on Monday. The channel is expected to be fully open later on Wednesday. Deep draft ships remain barred from the water.

Officials at PDVSA said Venezuela may seek private partners to help develop the Tomoporo oilfield in the Lake Maracaibo region, reversing a decision to exploit the field alone. The field is estimated to have 1 billion barrels of recoverable reserves. Separately, PDVSA said drilling at its Corocoro oil and natural gas field will start soon as domestically produced infrastructure for the project is completed.

Fuel oil exports from the former Soviet Union via Baltic Sea and Black Sea ports increased in March as shipments from the Ukraine increased. Total exports stood at 3.2 million tons, up 197,000 tons on the month. Still, shipments remain below 3.67 million tons exports in January, keeping the market tight both in northwest Europe and in the Mediterranean.

According to the Petroleum Association of Japan, commercial stocks of gasoline in the country continued to fall to 2.158 million kiloliters in the week ending April 2, down from 2.272 million kl the previous week. Gasoline production fell to 1.084 million kl from the previous week's 1.096 million kl. It

also showed a 2.8% on the week increase in jet fuel inventories to 705,328 kl. It stated that in the week ending April 2, Japanese refiners processed a combined 4.703 million kl of crude, up from 4.665 million kl.

The UAE is in final talks with ExxonMobil Corp for the US oil major to take a 28% stake in the development of Upper Zakum oil field. The Upper Zakum development is a key part of the country's plan to increase its output capacity from 2.5 million bpd to 3 million bpd.

Indian Oil Corp estimated a revenue loss of 84 billion rupees in the year ending March 2005 due to government control on prices of petrol, diesel, cooking gas and kerosene. A company official said the company wanted diesel prices to be increased by 5 rupees a liter and petrol prices increased by 4.5 rupees due to an increase in world oil prices, higher taxes and to recover costs for producing low sulfur fuels.

Ecuador's Central Bank reported that the country's January-February oil export revenues totaled \$653.55 million, up 25% from the \$521.71 million reported last year. In terms of volume, Ecuador exported 21.46 million barrels in the first two months of the year, up 11.5% on the year.

Market Commentary

The energy complex ended in negative territory for the third consecutive session, with the crude market settling down 19 cents at 55.85. The crude market gapped lower this morning from 55.90 to 55.40 as it continued to trend lower in follow through selling during the overnight session. The May crude contract posted a low of 55.30 and quickly backfilled its gap as it traded to an early high of 56.00 despite the report showing builds in crude stocks and builds in total petroleum stocks of 2.7 million barrels. However just as quickly the market erased its gains and tested its support level once again following the release of the delayed API report, which showed an even larger build in crude stocks. The market however failed to breach its low of 55.30 and rallied to a high of 56.90, despite the lack of any news. The crude market later erased most of its gains and traded below the 56.00 level ahead of the close amid the losses in the gasoline market. The oil market settled down 19 cents at 55.85. Volume in the crude market was good with 232,000 lots booked on the day. Meanwhile the gasoline market settled down 2.88 cents at 165.92 as it retraced most of its earlier gains. The market gapped lower this morning from 168.50 to 166.30 and traded to a low of 165.20 before the market backfilled its gap as it traded to 168.50 following the DOE report. However the market quickly gave up its gains and traded to a low of 165.00 following the release of the API reports. It found good support at that level and rallied to

a high of 169.40 before the market once again erased its gains and traded below the 166.00 level ahead of the close. The heating oil market also gapped lower from 161.80 to

Technical Analysis		
	Levels	Explanation
CL 55.85, down 19 cents	Resistance 57.20, 58.20	Tuesday's high, Monday's high
	Support 56.90	Wednesday's high
HO 158.67, down 3.44 cents	Resistance 166.30, 168.30	Tuesday's high, Monday's high
	Support 161.85, 163.80, 165.50	Wednesday's high
HU 165.92, down 2.88 cents	Resistance 158.50	Wednesday's low
	Support 156.60, 154.78	Backfills gap, basis support line
	Resistance 172.60, 174.80	Tuesday's high, Monday's high
	Support 167.80, 169.40	Wednesday's high
	Support 165.00	Wednesday's low
	Support 163.80 to 161.90	Backfills gap

160.80, which was quickly backfilled as it traded to a high of 161.85 before it traded to an early low of 158.70. The market, which later bounced off its low and failed to test its high, once again found some selling pressure on the close. The market sold off to a low of 158.50 and settled down 3.44 cents at 158.67. Volumes in the product markets were good with 54,000 lots booked in the gasoline and 47,000 lots in the heating oil.

The crude market is seen continuing its downward trend as it failed to maintain its earlier gains. The markets may also be pressured amid reports that PDVSA's Amuay refinery is expected to reach 360,000 bpd later on Wednesday. Also, the EIA stated that it was not worried about the fall in gasoline inventories and added that inventories are currently above the average range. The crude market is seen finding resistance at 56.90 followed by 57.20 and 58.20. Meanwhile, support is seen at its low of 55.30 followed by 55.15, 54.90 and 54.68, its 62% retracement level.