



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 14, 2005

Iran's Oil Minister Bijan Zanganeh said there is no shortage of supply in the world oil markets and added that the current levels of OPEC production and crude prices are acceptable. He also stated that he had not been contacted by OPEC's President, Sheikh Ahmad al-Fahd al-Sabah, on the further output increase. OPEC's President said that telephone consultations among ministers on increased production had started last week. The oil ministers of Venezuela, Nigeria, Algeria, Libya and Qatar have said they see no need for the additional output.

According to Oil Movements, OPEC's total spot and contractual shipments or exports increased by 340,000 bpd to 24.42 million bpd in the four weeks ending

Market Watch

The European Central Bank said high oil prices pose risks to growth and inflation, although it currently sees no sign of price pressures building up in the euro zone. It said inflation is likely to remain somewhat above 2% in the coming months, depending on how oil prices develop.

Japan's Vice Finance Minister Koichi Hosokawa said the Group of Seven will likely discuss the issue of rising oil prices as part of a broader economic debate at its meeting in Washington this weekend.

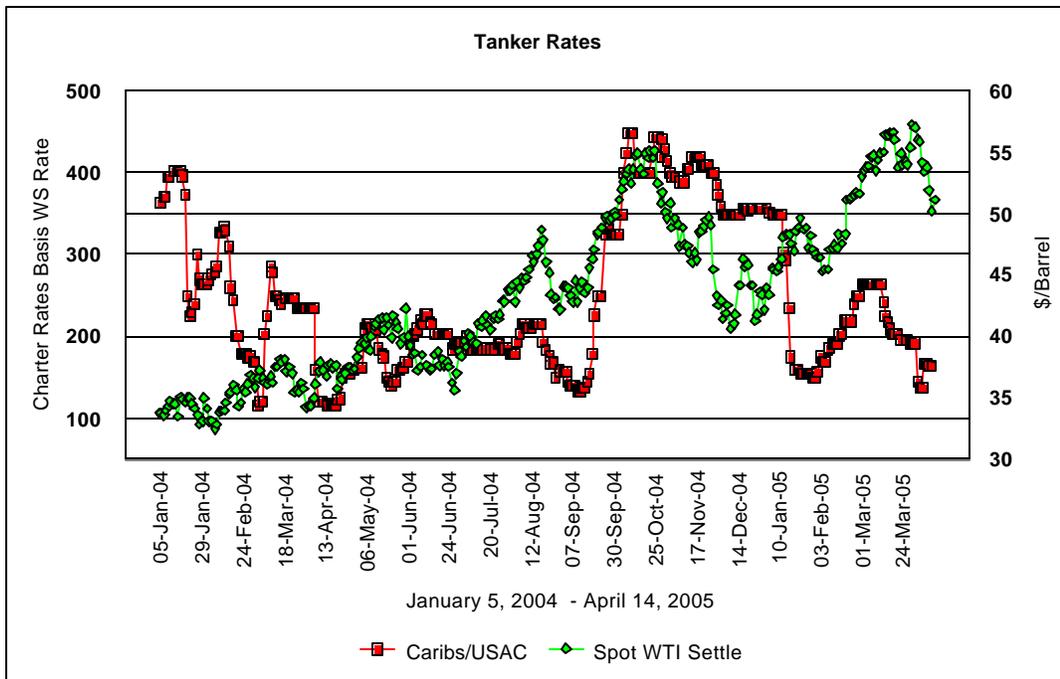
The Bank of Canada stated that the high price of oil is not yet spilling over into Canada's core inflation. It expects core inflation to remain near 1.7% through the end of 2005 and increase gradually to 2% around the end of 2006. It also stated that long dated futures suggest that oil prices should remain high well into the future, about 6-7 years.

Singapore Exchange Ltd said it decided to end talks with the NYMEX to set up an energy futures market. Singapore's exchange had started talks with NYMEX last year in a bid to increase its stagnant derivatives and options market. It gave no reason for ending the negotiations.

Venezuela's President Hugo Chavez said private oil companies may be taxed on operations that have declared losses in recent years. Venezuela's tax agency, Seniat said that only 10% of the 33 high cost operating contracts have paid taxes this year. It suspects that declaring losses might be a way for the companies to skip taxes and is making a thorough investigation of the companies' records. Venezuela's President said the government would be strict in its investigation and even harsher if it discovered that companies had not paid.

China said Tokyo's decision to issue drilling rights in a disputed area of the East China Sea was a serious provocation. However Japan's Foreign Minister Nobutaka Machimura signaled he would take a tough line in weekend talks in China. China's government said it started a protest following Japan's announcement that it was starting to review applications to drill for gas in the East China Sea. Both China and Japan claim the area as lying within their exclusive economic zone.

Oil trader David Bay Chalmers Jr and two others connected to the Bayoil oil trading firm were indicted Thursday by the US Attorney's office in New York for alleged Iraq oil kickback deals. US Attorney David Kelley said the group was charged with counts of wire fraud and conspiracy to commit wire fraud, prohibited financial transactions with suspected terrorist state and violations of the US Emergency Economic Powers Act. They also face a forfeiture order seeking \$100 million for the value of the Iraq oil allegedly purchased and resold in the kickback scheme. They knowingly paid inflated prices for Iraq oil to cover the cost of kickbacks to the Saddam Hussein regime outside the oil-for-food deal.



April 30. It said shipments increased to western and eastern consumers with the majority of the shipments heading west in a counter seasonal flow.

Nigeria's Pengassan and Nupeng unions said they had reached a deal with Labor Ministry officials and local energy firm Tidex on

Wednesday to resolve a dispute over job cuts and avert a threatened strike. The agreement with Tidex came after the unions reached a deal at talks last week with oil majors Shell and ChevronTexaco.

US President George W. Bush said the US needs to devise a national energy strategy to cope with energy prices. He said the country must think long term about its energy supplies and pursue a variety of options including increasing conservation efforts, spending more on research and developing and encouraging the use of ethanol and biodiesel fuels. He said Congress needs to pass his package of energy legislation. He noted energy prices have increased as China rising demand for crude oil has placed a new strain on world supplies.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.59/barrel to \$47.84/barrel on Wednesday from Tuesday's \$49.43/barrel.

Refinery News

PDVSA's Amuay refinery is currently processing 450,000 bpd of crude. However some of the refinery's units remain down as the refinery continues to recover from a blackout on March 31. PDVSA's President Rafael Ramirez said the refinery is processing at normal levels but must still restart a 64,000 bpd flexicoker and a few compression units. He said the refinery has deferred some gasoline cargo to the US but will use supplies from other refineries to meet its customers' demand.

Citgo restarted a crude and vacuum unit at its 165,000 bpd Corpus Christi, Texas refinery on Thursday.

A contract safety supervisor at BP's Texas City, Texas refinery claims workers had not been warned that a unit undergoing maintenance was resuming operation. He said BP's failure to disclose the refinery's octane boosting unit was starting up contributed to the deaths and injuries.

Suncor Energy Products Inc said the planned maintenance work at its Sarnia refinery has been completed. It said portions of the refinery that were shutdown during the maintenance activities will be returned to service over the next several days.

Indian Oil Corp will start producing low sulphur gasoline and diesel from its 150,000 bpd Mathura refinery by May after an upgrade. It will upgrade its 120,000 bpd Haldia refinery by July but its 274,000 bpd Koyli plant, which has been operating at 70% of capacity since a blast in October will be upgraded by June next year.

Valero Energy's CEO said today that gasoline prices should begin coming down. He noted that there is a surplus of crude and that should bring crude oil prices down as well. He noted though that the future direction of crude oil prices would be dependent on developments outside the United States. He noted though that annual refinery overhauls in preparation for the summer driving season seems to be wrapping up in good order, and thus thinks gasoline production this summer should be in good shape.

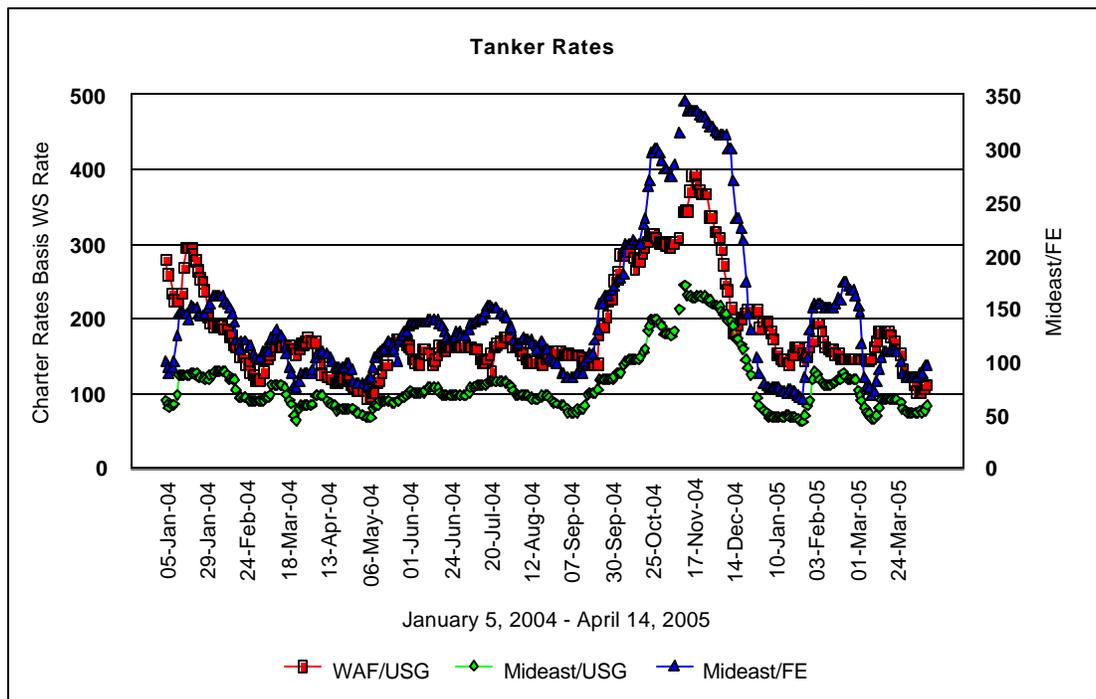
Production News

PDVSA's Rafael Ramirez said Venezuela's oil operating agreements with foreign partners must be converted to joint ventures in six months under a 2001 oil law that raises royalties and fixes a controlling stake for the state. He said the government was ordering the conversion of 32 operating agreements signed between 1992 and 1997 because they were causing big financial losses for the country.

Nigeria's Central Bank stated that Nigeria's crude oil production, including condensate and natural gas liquids, increased by 5.4% to 2.36 million bpd in February from 2.23 million bpd in January.

Bulgaria, Greece and Russia signed an agreement that paves the way for the construction of a privately funded trans-Balkan pipeline that will bypass Turkey's Bosphorus strait. Under the deal, a 285 km pipeline will link Bulgaria's port of Burgas to Greece's Alexandroupolis on the Aegean Sea, a link that is expected to provide a faster, safer and cheaper alternative to shipping crude through the Bosphorus.

The pipeline is expected to have a capacity of 700,000 bpd. The planned annual capacity will be 15 million metric tons once the first phase of construction is completed, 24 million tons after the completion of the second stage and 35 million tons on the completion



of the final stage with an option to expand it to 50 million tons. It will be able to handle exports from Azerbaijan via a Russian pipeline linking the Caspian and Black Sea. It would also allow oil from Kazakhstan to be shipped to Burgas.

Kazakhstan's oil and gas condensate output increased 12.8% in the first quarter year on year to 15.64 million tons or 1.32 million bpd.

Singapore's International Enterprise stated that the country's residual fuel stocks fell by 382,000 barrels to 10.45 million barrels in the week ending April 13. It also reported that Singapore's light distillate stocks increased by 808,000 barrels to 8.811 million barrels while middle distillate stocks increased by 103,000 barrels to 6.505 million barrels.

Australia's Santos Ltd said first oil production from its Oyong project offshore Indonesia was due in late 2005 following approval from the Indonesian government. The Oyong field is estimated to contain more than 8 million barrels of recoverable oil and 130 billion cubic feet of recoverable gas. It said oil production would start late this year at an initial rate of about 20,000 bpd.

Indonesia's Pertamina has purchased five cargoes of Asia-Pacific sweet crude for June arrival. Traders said each parcel is likely to be 600,000 barrels, bringing Pertamina's purchases to 3 million barrels.

China Petroleum & Chemical Corp said China may process 10% more crude into fuels this year. It is down from last year's growth of 14%.

China has approved 18 companies as the fourth group of non-state oil and oil products importers. The move brings the number of companies with the status of non-state crude oil importer to 19, while the number of non-state oil products importers now totals 38. For 2005, the crude oil import quota for non-state trade companies is 12.6 million metric tons, while the oil products import quota for non-state trade companies is 7 million tons.

Russia's Lukoil, which has claimed about \$100 million in losses from PetroKazakhstan, said it would claim hundreds of millions more. It said it had taken its case to the Arbitration Institute of the Stockholm Chamber of Commerce, claiming it lost about \$100 million from PetroKazakhstan during a two year oil pricing dispute. He said Lukoil might also demand the seizure of certain accounts and other

assets belonging to PetroKazakhstan. Lukoil claims PetroKazakhstan was underpaying for supplies from October 2003 to

Technical Analysis		
	Levels	Explanation
CL 51.13, up 91 cents	Resistance 53.65, 53.85, 53.90 51.40 to 51.70, 52.98	Previous highs Remaining gap (April 13th), 38% (58.20 and 49.75)
	Support 51.00, 50.50, 49.75 to 49.50 48.79, 48.50	Remaining gap(February 22nd) Basis support line, Previous low
	Resistance 149.50 to 151.00 148.80, 148.85	Gap (April 11th) Thursday's high, Previous high
HO 148.23, up 4.03 cents	Support 146.70 144.50, 143.50, 143.00	Thursday's low, Previous lows
	Resistance 155.40, 157.00 151.30, 152.10-152.80	Tuesday's high Thursday's high, Remaining gap (April 13th)
HU 150.41, up 1.98 cents	Support 149.50, 148.00 147.05, 147.00, 144.70	Double bottom, Previous low

November 2004 and ignored repeated demands by Lukoil to audit the pricing mechanism.

Market Commentary

Unlike Wednesday's trading session, the energy complex during Thursday's session ended in positive territory. The crude market saw a volatile trading session as it traded below the 50.00 level and later rallied to its high on the close. The market opened down 7 cents at 50.15 and quickly breached the 50.00 level as it posted an intraday low of 49.75. However the market's sell off below the 50.00 level was short lived as it failed to completely backfill its gap down to 49.50. It bounced off its low on some short covering in light of the strength in the heating oil market. It traded to a high of 51.04 within the first hour of trading, where it held some good resistance. The market later breached its resistance and rallied to a high of 51.40 on further buying ahead of the close. The May crude contract settled up 91 cents at 51.13. Volume was excellent with over 283,000 lots booked on the day. Meanwhile, the heating oil market, which provided much support to the complex, settled 4.03 cents higher at 148.23. The market posted an intraday low of 144.50 and never looked back as it was supported by the strength in the gas oil market. There was market talk of distillate cargoes heading to Europe, where supplies are currently tight amid the unusually cold winter and a heavy spring maintenance period. The market rallied to a high of 148.60 and held some resistance there before it extended its gains to over 4.6 cents as it rallied to a high of 148.80 on the close. Even though the gasoline market was not as strong as the heating oil market, it did trade higher in sympathy with the rest of the complex. The gasoline market, which posted a low of 147.00, rallied to a high of 151.30 within the first hour of trading before it settled in its range. It settled up 1.98 cents at 150.41. Volumes in the product markets were good with 61,000 lots booked in the heating oil and 71,000 lots booked in the gasoline market. Meanwhile open interest in the crude market only built by a total of 632 lots, however open interest in the May contract fell by 22,617 lots as traders continued to roll their positions ahead of its expiration next week.

The crude market on Friday will likely remain supported ahead of the weekend after the market failed to fully backfill its gap early in the session. Technically, its daily stochastics look ready to start crossing to the upside. The market is seen finding support at 51.00 and 50.50. If the market does breach the 50.00 level once again, the market is seen finding further support at its gap from 49.75 to 49.50. Meanwhile resistance is seen at its gap from 51.40 to 51.70 followed by 52.98. More distant resistance is seen at 53.65, 53.85 and 53.90.