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ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 18, 2005

An Iraqi oil official said Iraq is expected to resume oil exports through its northern pipeline to Turkey by the end of the week. He said it will attempt to export 400,000 bpd. Meanwhile, saboteurs set off bombs on Monday on pipelines from the northern city of Kirkuk to Baiji.

OPEC's President Sheikh Ahmad al-Fahad al-Sabah said OPEC will increase its production by 500,000 bpd to prepare for an expected demand surge later this year. He said it will postpone an increase in its formal production quotas until a June meeting. The increase would take OPEC production back above 30 million bpd. Several OPEC countries, including Algeria and Venezuela have

Market Watch

US Sen. Charles Schumer and several other senators are calling on the Federal Trade Commission to block ChevronTexaco's purchase of Unocal. They stated that the merger could increase gasoline prices further and added that the FTC should review the effect of several oil company mergers to determine the influence on gasoline prices. Senator Charles Schumer also once again called for the Bush administration to release crude held in the SPR. He introduced legislation that he hopes will be added to the supplemental spending bill that would release 1 million bpd from the SPR for 30 days while it halts scheduled deliveries into the SPR. If gasoline prices remain high, a further 30 million barrels of SPR oil over 30 days should be released.

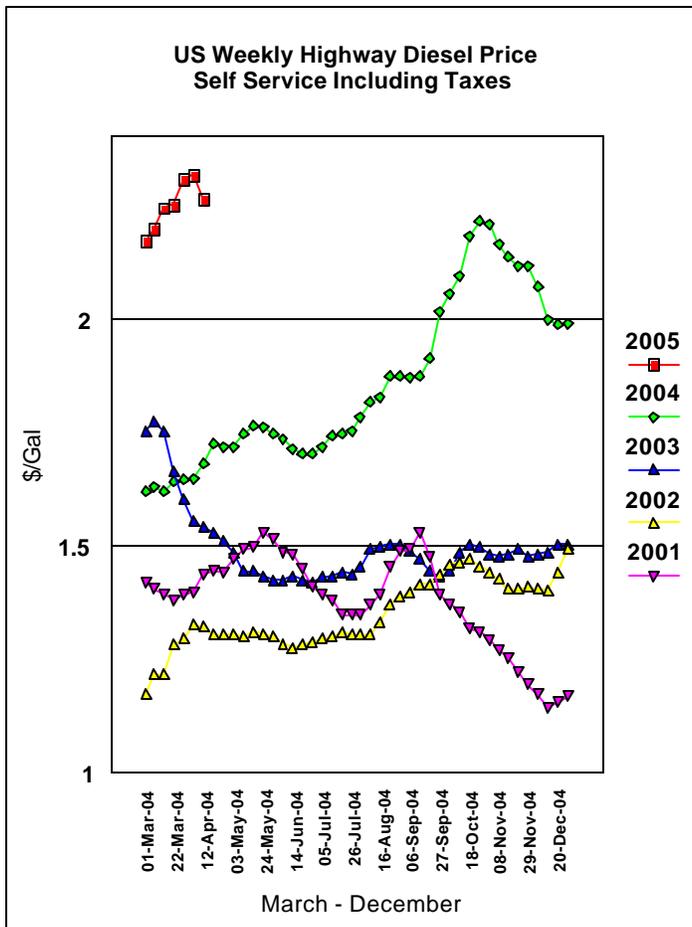
Venezuela's Oil Minister Rafael Ramirez said it plans to sell two Citgo refineries in the US and is also taking offers from interested buyers. He however stated that the sale of the refineries did not mean Venezuela was seeking to sell the entirety of its Citgo assets. He said the two refineries do not process Venezuelan crude and have constantly posted losses. Venezuela's Oil Minister and Venezuela's President Hugo Chavez have repeatedly argued that Venezuela's various contracts with refineries in the US produce losses for Venezuela. Venezuela's President said he wants Venezuela to diversify the client list for its oil production and rely less heavily on sales to the US.

An analyst at IFR Pegasus said the global sell off in markets on growth concerns will help crude oil prices fall back towards more reasonable levels, with \$30/barrel likely by this summer.

The director general of the European Commission's economic directorate, Klaus Regling, said oil prices could increase further if there were sudden shocks to supply or demand with the small amount of spare capacity in the market. He also stated that high oil prices will continue to contribute to lower growth in the economy this year. It said demand for oil continues to increase, particularly from China and India.

The G7 ministers over the weekend insisted that growth was still likely but warned that oil represented a "headwind." During the previous weekend, the IMF said growth in 2005 would lag behind that of the previous year, blaming volatility in oil prices.

The Nikkei share average fell 3.8% to close at a four month low on Monday on growing concerns about the US economy and spreading anti-Japan protests in China. The Nikkei was Asia's worst performer so far for the day, with Taiwan's TAIEX falling 2.94%, South Korea's KOSPI falling 2.35% and Hong Kong's Hang Seng falling 2% in late trading.



opposed further increases in quotas. Algeria's Oil Minister Chakib Khelil said that OPEC may increase production in the third quarter, but added that OPEC spare capacity is limited to few countries such as Saudi Arabia and Kuwait. Qatar's Oil Minister, Abdullah al-Attiyah said that OPEC must be careful not to let stocks build too fast as extra supplies lower prices. He said a second quota increase was not necessary. Meanwhile, Nigeria's Presidential Adviser on Energy said crude oil prices could fall further as stocks build in the months ahead. He said oil prices were driven higher earlier this year by rapid demand growth when stocks were low and by rising tensions in some oil producing regions. He also added that oil supply was no longer shock proof and there was insufficient spare capacity to compensate for any interruptions in supply.

Separately, Iran's Oil Minister Bijan Namdar Zangeneh said OPEC will make the final decision on the composition of a new basket of crudes at its June meeting. During its meeting in March, OPEC decided to raise the number of crudes in the basket from seven to eleven, with one major export grade crude

from each member country. The proposed new basket will have more sour and heavy crudes.

The EIA reported that the average retail price of diesel fell by 5.7 cents /gallon to \$2.259/gallon in the week ending April 18th.

OPEC's news agency reported that OPEC's basket of crudes fell by 42 cents/barrel to \$47.08/barrel, down from Thursday's \$47.50/barrel. It also reported that OPEC's basket of crudes fell by \$3.21/barrel to \$48.84/barrel in the week ending April 14, down from \$52.05/barrel the previous week.

Refinery News

Valero Energy Corp shut a coker unit at its St. Charles refinery in Norco, Louisiana on Saturday for unscheduled work. The work will cause production losses of about 8,000 bpd of gasoline and 25,000 bpd of distillate. The shutdown is expected to last 10-14 days.

A fire struck Edgington Oil's 25,000 bpd refinery in Long Beach, California on Saturday. The fire was extinguished within two hours by emergency crews and appeared to originate from a leaky above ground crude pipeline feeding the refinery. It was unclear how the fire impacted the refinery's operations.

Traders stated that ConocoPhillip's 139,000 bpd Los Angeles refining complex was operating normally after a unit was reportedly malfunctioning at the refinery last week. Also, Shell's 158,000 bpd Martinez, California refinery was operating normally after a fluid catalytic cracking unit was repaired.

ExxonMobil is shutting down the refrigeration system of its catalytic light ends unit 3 for required maintenance on a propane refrigeration compressor. The maintenance is scheduled for April 18-22.

Brazil's Refinaria Ipiranga suspended oil processing, saying it could not compete with low prices set by Petrobras. Ipiranga has a capacity to produce 15,000 bpd of refined products, which is less than 1% of Brazil's fuel consumption and its stoppage will not affect the market. Last year, the company cut its production of crude derivatives by 40% as it could not pass higher world oil prices to consumers.

India's Mangalore Refinery & Petrochemicals Ltd said its No. 1 crude distillation unit remained shut due to water shortage. However it said it will continue to operate its second CDU. MRPL shut down its 74,000 bpd CDU on Thursday as district authorities asked the refiner to stop using water from the dwindling Netrawati River to avoid scarcity of drinking water.

Thailand's Rayong refinery will shut a 70,000 bpd diesel hydrotreating unit for 15 days from May 10 for catalyst renewal.

Production News

Norsk Hydro said the Oseberg C oil and gas platform in the North Sea regained near normal production of about 70,000 bpd on Monday afternoon after a gas leak halted it briefly overnight. It said the leak, in a seal around a valve near the drilling area, had been repaired and production was resumed quickly.

Royal Dutch/Shell Group said its Brent Alpha platform was shut on April 13 after two pinhole leaks were discovered. It cut natural gas supplies from seven other fields that rely on the platform for transit. It is not clear when the Brent platform will restart.

Saudi Arabia's Oil Minister Ali al-Naimi said that Saudi Arabia has discovered a new oilfield with light Arabian grade. The new field, called Duaiban-1, flowed light quality oil of 41 degrees API at a rate of 3,300 bpd. It also flowed associated gas at 3 million standard cubic feet/day. The field's production is expected to increase during normal operations. Saudi Arabia is reportedly pumping about 9.5 million bpd this month and production is expected to increase towards the 10 million bpd level in May.

Russia's main Black Sea port of Novorossiisk was open on Monday following normal operations over the weekend as several gale warnings were issued and later cancelled.

An official at KazMunaiGaz said an agreement allowing Kazakhstan to export oil via the Baku-Tbilisi-Ceyhan pipeline will be signed by September. Access to the BTC would allow Kazakhstan to export oil from Kashagan oilfield on Kazakhstan's sector of the Caspian Sea. In 2010, Kazakhstan plans to begin transporting 500,000 bpd of oil from the Kashagan field through the Baku-Ceyhan pipeline, rising to 1 million bpd. The pipeline is scheduled to come on stream later this year, with a capacity of 1 million bpd.

Oil product exports via the Nakhodka Oil Sea Trade Port fell by 1.9% on the year to 1.647 million tons in January-March. Fuel exports through the port totaled 1.436 million tons in January-March, up from 1.384 million tons last year.

Oil shipments via Ukraine's seaports fell by 51.1% on the year to 2.76 million tons in January-March. Oil product shipments fell to 1.863 million tons in January-March from 2.336 million tons last year.

China's National Bureau of Statistics stated that crude refining runs in China increased by 10.8% in March from a year earlier at 24.68 million tons or 5.81 million bpd. It stated that March crude imports

increased by 23%. Meanwhile net imports of oil products during the first quarter fell by almost 20%, amid signs that Chinese oil demand growth could be declining. Its net product imports in March fell to 1.12 million tons or 36,000 tons/day. Imports in the first quarter were almost flat at 8.31 million tons while exports increased by 46% to 3.4 million tons. It also reported that China's crude oil production in March increased by 8.3% on the year to 15.602 million tons while the total during January-March increased by 5% to 44.731 million tons.

Pemex reported that Mexico's crude oil exports fell to an average of 1.856 million bpd in March, down from 1.898 million bpd in February. Its crude production fell to an average of 3.252 million bpd in March from 3.349 million bpd in February.

According to the Sudanese Energy Ministry, Sudan will start exporting oil in August from the Melut Basin, where Chinese and Malaysian oil companies are operating. Sudan is a small exporter of oil, with 300,000 bpd of exports this year. It expects its production to increase to between 500,000 bpd and 600,000 bpd this year.

International Enterprise Singapore said the value of the country's March oil exports increased 35.4% on the year to S\$3.464 billion due to high oil prices and large shipments. The volume of oil exports increased by 9.5% on year in March after a slight 1.9% decline in February. It reported that Singapore's oil imports in March increased by 42.2% from a year ago to S\$5.009 billion, up from February's S\$2.894 billion.

Indonesia's Pertamina has purchased just five oil cargoes or 3 million barrels for June delivery in its monthly spot tender, due to ample domestic term supplies and high import prices. It is down from nearly 6 million barrels for May delivery. The company will also take delivery of another 2.4 million barrels from within the region and a further 900,000 barrel cargo from Nigeria under term contracts.

Market Commentary

Despite the selling seen in overnight trading, when the May crude contract traded to a low of 49.66, the oil market quickly rallied to a high of 51.20 within the first hour of trading. The market seemed to have ignored the news that OPEC was informally increasing its production by 500,000 bpd in May and that Iraq was expected to restart its exports from the north by the end of the week. It was well supported by the strength in the gasoline market as it surged on talk of a refinery problem. There was talk of problems with a catalytic cracking unit and alkylation unit at its 90,000 bpd refinery in Coffeyville, Kansas. The market however retraced some of its gains and traded back towards 50.50, where it found some good support. The market however found good selling as it breached the 50.50 level and traded to a low of 49.85 late in the session. The May crude contract later bounced off its support and settled down 12 cents at 50.37. Volume in the crude market was good with over 235,000 lots booked on the day. Open interest in the crude market fell by a total of 606 contracts to 843,810 lots, with with open interest in the May contract falling by 23,553 contracts ahead of its expiration on Wednesday. Meanwhile, the gasoline market settled up 1.06 cents at 149.44, as it remained supported by the talk of refinery problems. The market opened down 1.18 cents at 147.20 and posted an intraday low of 147.10. However the market quickly rallied to a high of 151.00 amid the refinery news. It later retraced most of its gains as it traded back below 148.00 only to see the market trade back towards the 150.00 level ahead of the close. The heating oil market opened down 1.49 cents at 144.50 and quickly posted a double top at 147.10 amid the strength in the gasoline market. However the market erased its earlier gains and sold off to a low of 143.00, where it held good support as the market bounced off that level ahead of the close. It settled down 1.76 cents at 144.23. Volumes in the product markets were good with 38,000 lots booked in the gasoline market and 32,000 lots booked in the heating oil market.

The crude market on Tuesday will attempt to test its lows once again after it continued to trade within last Thursday's trading range. Technically, the market is still seen trading lower as its stochastics still have not crossed to the upside. The crude market is seen finding resistance at 50.50 followed by 51.20. More distant resistance is seen at its gap from 51.40 to 51.70. Meanwhile support is seen at 49.85, 49.75 to 49.50 followed by more distant support at 48.50.

Technical Analysis		
	Levels	Explanation
CL 50.37, down 12 cents	Resistance 51.40 to 51.70, 52.98 50.50, 51.20	Gap (April 13th), 38% retracement (58.20 and 49.75) Monday's high
	Support 49.85, 49.75 to 49.50 48.50, 47.52	Monday's low, Remaining gap(February 22nd) Previous low, Basis support line
HO 144.23, down 1.76 cents	Resistance 148.80, 148.85, 149.50 147.10	Previous highs Double top
	Support 143.00 141.80	Monday's low Previous low
HU 149.44, up 1.06 cents	Resistance 151.30, 152.10-152.80 151.00	Thursday's high, Remaining gap (April 13th) Monday's high
	Support 148.00, 147.10 146.20, 144.70	Monday's low Previous lows