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### **ENERGY MARKET REPORT FOR APRIL 27, 2005**

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The head of the IEA, Claude Mandil, said oil prices are likely to remain high for a long time due to tight supplies. He said experts had underestimated the growth of China and India and corresponding rises in oil demand. He said speculators in the oil market could only add a few dollars to the price of oil. He said speculators can strength price trends but added that they do not set the trend. He said a \$10 increase in the price of oil would push world growth down by 0.4%.

On Wednesday, President George W. Bush will propose building new oil refineries at closed military bases and started construction of new nuclear power plants. He will also propose adding vehicles that use

#### **Market Watch**

The chief investment officer of J.P. Morgan's Private Client Services forecast oil prices will retreat from their high levels later this year due to a pull back in world demand. He said oil prices will fall to average between \$45/barrel to \$48/barrel this year. He said the substantial rise in demand seen so far could be short lived, since some of that has been driven by emerging economies building up oil reserves. He said its outlook on the economy suggests that there will be a slowdown in the economy, which will start to take some of the pressure off energy demand.

Saudi Arabia's Crown Prince Abdullah said Saudi Arabia will host a meeting in Riyadh during the fourth quarter to discuss oil and other energy issues between oil producing and consuming countries.

Oil traders and shipping sources stated that more than 800,000 tons of Asia bound fuel oil is being shipped from northwest European ports in the last decade of April and the first decade of May.

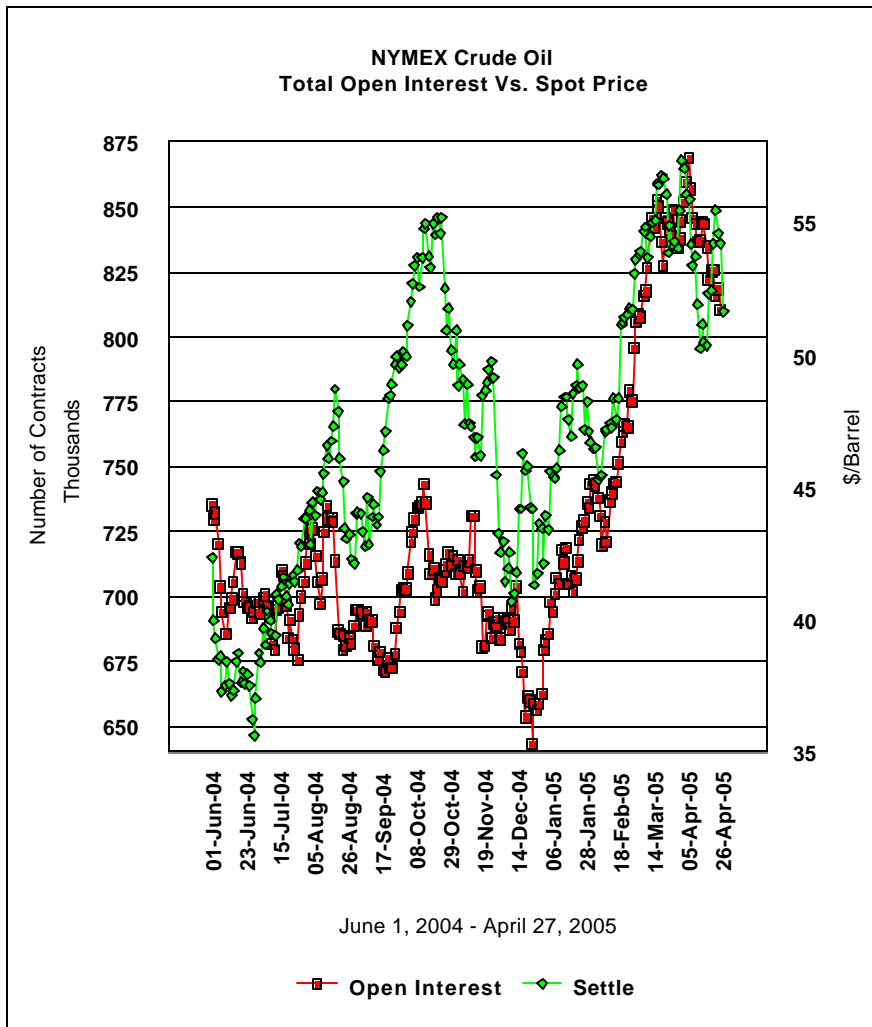
An Iraqi Oil Ministry official stated that Iraq is seeking foreign investors to build a \$2 billion refinery and help avert fuel shortages. He said officials met with representatives of more than 10 companies to discuss building the 300,000 bpd refinery.

Meanwhile, Japan Petroleum Exploration Co said it agreed with Iraq's oil ministry to provide technical assistance for a possible restart of oil exploration activities there that were halted 20 years ago. It will study untapped layers in Basra. The company also said it would conduct technical studies on potential oilfield developments near Baghdad and assess exploration prospects in northeastern and western Iraq. It said the company aimed to reach a longer term agreement with the Iraqi government in the future to explore and develop oil and gas projects there.

The owner of World-Wide Shipping group and Norway's Bergesen said freight prices for shipping crude oil have peaked and are unlikely to match the highs seen late last year. He said oil freight would be capped by an increase in new vessels entering the market in 2005.

An official at Russia's Economic Development and Trade Ministry reported that Russia's government wants a new appraisal of Gazprom and Rosneft in preparation for the merger of the two companies to be completed by mid-May. On Tuesday, an official stated that the government was considering several options for the merger of Gazprom and Rosneft. One option dictates that under the merger Yuganskneftegaz would remain part of Rosneft. Yuganskneftegaz was originally supposed to be spun off and sold as a separate company.

New orders for US durable goods fell unexpectedly by 2.8% in March, the largest decline since September 2002, as orders for aircrafts fell sharply.



clean burning diesel fuel to the list of automobiles eligible for \$2.5 billion in tax credits over 10 years to encourage further use of this technology. He is expected to call on federal agencies to encourage construction of new oil refineries at the sites of former military bases closed in recent years.

Nigeria's oil union, Nupeng, has threatened to extend a strike by fuel tanker drivers in Lagos state to other parts of the country. The chairman of Tanker Drivers Association said the drivers have no intention of calling off the strike without getting their tankers free of charge from the government. The government had seized 40 tankers, which were parked at unauthorized locations. The white collar union, Pengassan, has also threatened to join the strike in sympathy with Nupeng.

OPEC's news agency reported that OPEC's basket of crudes fell by 27 cents/barrel to

\$49.90/barrel on Tuesday, down from Monday's \$50.17/barrel.

The EIA stated that a sharp increase in Russia's exports to the US in the week ending April 22 increased total US imports to nearly 11 million bpd. According to the EIA, imports of crude oil from Russia has averaged more than 100,000 bpd over the past 11 months, with an increase to 229,000 bpd in January and February.

The DOE reported that total propane inventories totaled 31.534 million barrels in the week ending April 22, up 1.394 million barrels in the week ending April 22. It reported that propane inventories in the East Coast fell by 219,000 barrels to 2.07 million barrels while inventories in the Midwest increased by 594,000 barrels to 10.68 million barrels and inventories in the Gulf Coast built by 999,000 barrels to 18.272 million barrels on the week.

### Refinery News

PDVSA's Amuay refinery has put feed into its 106,000 bpd catcracker for the first time since the March 31 power failure. However gasoline exports are not expected to resume this week as expected earlier. The catcracker will reach maximum load in the next 48 hours. The only clean product export from Amuay since April 6 was heating oil for Vitol. It will export 1 cargo each of jet fuel and heating oil. Its 64,000 bpd flexicoker has finished its startup. Meanwhile its 20,000 bpd alkylation unit will be started on Thursday.

Amerada Hess Corp has not heard any indication that Venezuela plans to sell its stake in the 495,000 bpd Hovensa refinery, jointly operated by the company and PDVSA.

China's Qilu Petrochemical Corp plans to increase its crude processing rates in May by 19% as some units resume operation following its maintenance. Crude runs were forecast to be 186,000 bpd in May or 89% of its total capacity of 210,000 bpd. It plans to increase its 2005 crude imports by 23% from last year to 130,000 bpd following the expansion of an ethylene producing unit.

Nippon Oil Corp said it planned to lower the amount of crude oil it refines in May by 10% from a year earlier, mostly because of increased maintenance days. It is expected to refine about 4 million kl of crude or about 811,587 bpd during the month.

Idemitsu Kosan Co plans to cut its May crude runs to 1.89 million kl or 383,000 bpd from an estimated 2.74 million kl in April. It plans to start maintenance at its 140,000 bpd Hokkaido refinery at the end of May. Meanwhile, Japan Energy said it has not changed its plan to process 5.93 million kl or about 405,000 bpd for the April-June period.

### **Production News**

Russia's TNK-BP said its proved reserves under SEC rules were 8.017 billion barrels for liquids on a lift of field basis, of which proved developed reserves were 6.139 billion barrels.

According to Russia's Economic Development and Trade Ministry, Russian companies' crude oil refining increased 3.9% on the year to 49.3 million tons in January-March

Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said Qatar will delay new projects to convert gas into naphtha, diesel and other liquids for three years. The country wants to study the projects further and avoid problems with infrastructure, shipping and contractors.

Brazil's Petrobras is in talks with Venezuela's PDVSA on converting its current operating contracts into joint ventures with a PDVSA majority stake. PDVSA President Rafael Ramirez earlier this month stated that foreign oil companies had six months to switch their current contracts to comply with recent legislation that includes higher taxes and requires majority participation from PDVSA.

The Petroleum Association of Japan stated that Japan's gasoline stocks fell to 2.22 million kiloliters of 13.96 million barrels in the week ending April 23 from 2.24 million kl in the previous week. The average operating rate of Japanese oil refineries was 83.1% compared with the previous week's level of 83.2%. It also reported that commercial crude oil stocks stood at 17.25 million kl or 108.5 million barrels, up from the previous week's 16.92 million kl.

India's Reliance Industries Ltd exported 10.2 million metric tons of petroleum products in the 2004-2005 financial year ended March 31. In 2003-2004, Reliance exported a total of 7.5 million metric tons.

Indonesia's Pertamina cut its May oil product imports by more than 10% to 328,000 bpd due to weaker domestic demand. Imports have been falling since the government cut subsidies and raised retail fuel prices by about 30% from March 1.

Thailand's Commerce Ministry reported that the country's crude oil imports in March increased by 27.7% on the year to 4.189 million tons.

## **Market Commentary**

The oil complex sold off sharply, with the June crude contract settling down \$2.59 at 51.61, following the release of the DOE and API reports. The crude market traded mostly sideways ahead of the reports but quickly sold off to 52.80. However the market continued on its downward trend before it found some support at 52.15 amid the sharp sell off in the gasoline market. The crude market which failed to retrace much of its losses, breached its support and sold off to a low of 51.55 ahead of the close. The market was pressured following the DOE and API reports, which showed unexpected large builds in crude stocks of 5.5 million barrels and 4.7 million barrels, respectively. Volume in the crude market was good with over 239,000 lots booked on the day. It was however surprising to see the sharp sell off in the gasoline market, with May gasoline contract settling down 8.32 cents at 154.19. The market traded sharply lower following the release of the weekly petroleum stocks reports, despite the fact that the reports were not as bearish as the market seemed to believe. The market traded to a high of 161.25 early in the session before it started to sell off on spread activity. The gasoline market tumbled following the reports to 155, where it held some support. It retraced some of its losses as it traded back towards the 157.00 level. However the market once again found some selling pressure and extended its losses to over 8.7 cents as it posted an intraday low of 153.80 ahead of the close. Meanwhile, the heating oil market also settled down 3.39 cents at 147.40 after the market sold off sharply to a low of 147.00 ahead of the close. Similar to the crude and gasoline markets, the heating oil market posted an intraday high of 150.70 before it sold off sharply following the release of the reports, despite the draws reported in distillate stocks. The market, which was holding some support at 148.50, breached that level and sold off to its low on the close. Volumes were good with 66,000 lots booked in the gasoline market and 50,000 lots booked in the heating oil market. Open interest in the crude market fell by a total of 8,177 to 810,502, with open interest in the June crude contract falling by 13,802 lots to 244,324 contracts.

The crude market will likely retrace some of today's sharp sell off early in the session. However after the market was able to break downwards, the market is seen trending lower as its stochastics have crossed to the downside. The market technically is seen finding support at its low of 51.55 followed by

its previous low of 51.01. More distant support is seen at its gap from 50.15 to 49.55.

Meanwhile, resistance is seen at 52.00, 53.00 followed by its high of 54.10.

<b>Technical Analysis</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b> 51.61, down \$2.59	<b>Resistance</b>	54.10 Wednesday's high
		52.00, 53.00
	<b>Support</b>	51.55 Wednesday's low
	51.01, 50.15 to 49.55	Previous low, Opening gap (February 22nd)
<b>HO</b> 147.40, down 3.39 cents	<b>Resistance</b>	150.70 Wednesday's high
		148.00, 149.25, 150.00
	<b>Support</b>	147.00 Wednesday's low
	145.50	Previous low
<b>HU</b> 154.19, down 8.32 cents	<b>Resistance</b>	161.25 Wednesday's high
		156.00, 157.25, 158.80
	<b>Support</b>	153.80 Wednesday's low
	151.50 to 151.00	Opening gap (April 19th)