



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 3, 2005

According to the head of the petroleum division of the EIA, John Cook, high prices has helped to slow US gasoline demand growth. He said the slower demand growth and ample inventories of both gasoline and crude oil will lead it to lower its forecast for summer gasoline prices. He said high crude oil and gasoline prices have cut half a percentage point off year on year growth in gasoline demand in the US.

US Energy Secretary Samuel Bodman said world oil supply was at the edge of usable capacity. He also stated that prices at \$50-\$55/barrel should encourage more investment in the oil sector and in refining capacity but warned OPEC that

Market Watch

According to the American Trucking Association, its advanced seasonally adjusted for hire Truck Tonnage Index decreased by 3.3% in March. On a seasonally adjusted basis, the tonnage index fell to 111.6 following a revised 2.9% decline in February. ATA chief economist stated that tonnage volumes fell as consumer spending decelerated and as higher energy costs weighed on economic growth. Year to date, tonnage increased 3.9% compared with a year ago.

OECD Secretary General Donald Johnston said higher oil prices have not translated into a sharp acceleration in world inflation.

Iraq failed to name an Oil Minister as its new government was sworn in on Tuesday, increasing uncertainty in an industry already troubled by guerrilla sabotage attacks. An aide to Iraq's Prime Minister Ibrahim al-Jaafari said hours earlier that oil engineer Ibrahim Bahr al-Uloum was expected to be sworn in as Iraq's Oil Minister on Tuesday.

Saudi Aramco is seeking to export up to 240,000 metric tons of high sulfur fuel oil for May to June loading. Its three spot cargoes are expected to provide some relief to the supposedly tight supply situation for on-specification fuel oil, which has been exacerbated by the high cost of blending stocks.

The Moscow Arbitration Court postponed hearings scheduled for May 13 of a suit filed by Yuganskneftegaz against its former parent company Yukos demanding 62.4 billion rubles for oil supplied in July through December.

Iraq's new government will seek to settle all the country's prewar debt this year to increase the potential for economic recovery and accelerate rebuilding. Iraq's Finance Minister Ali Allawi said that without reaching a final agreement on the \$120 billion external debt it would be difficult to link Iraq with international markets and expand the banking system. He did not state when the next round of talks would start after \$39 billion of payments owned to a group of 19 mostly industrial countries known as the Paris Club was reduced by 80% last year. He however stated that along with major postwar food and security deals, oil field development contracts would come under scrutiny and greater accountability with tougher monitoring rules.

Iran insisted that it will resume some nuclear activities that were suspended in an attempt to gain international confidence. However it said uranium enrichment would not resume as long as talks between Iranian and European negotiators have not collapsed.

it was not in its long term interest to maintain high prices, which could dampen demand. He said current oil prices is a global problem that will take years to solve.

Venezuela's Oil Minister Rafael Ramirez stated that OPEC is supplying enough oil to world markets to meet demand, but it would not be enough to bring prices below \$45/barrel anytime soon. He said high oil prices are not due to any shortages in supply but to restrictions in refining capacity. He added that US policy in Iraq was also supporting prices. Venezuela's Oil Minister, also head of PDVSA, dismissed rumors that some of the country's oil installations had been taken over by the military due to recent sabotage.

Ministers of the IEA warned that energy costs are hurting the economy and endorsed moves to cut growing energy imports through increased conservation. A communiqué released following a ministerial meeting of the IEA stated that they can achieve a sustainable and secure energy future through stronger actions to cut the growing energy import dependence as world energy reserves narrow to fewer sources, lessen their economic vulnerability to high and volatile energy prices through energy efficiency measures and reduce the environmental impact of the world's increasing reliance on fossil fuels. It said investment was key to lowering oil prices and played down the impact of speculation.

According to a shipping source, Iraq's northern oil exports to Turkey remained down on Tuesday after a leak halted pumping on Friday. Iraqi authorities briefly pumped oil through the line to the port of Ceyhan overnight on Thursday, with about 100,000 barrels exported before the flow was stopped due to the leak. Separately, sources stated that Iraq exported a total of 1.43 million bpd of crude in April, down 30,000 bpd in March. The flow from the southern oil terminal was interrupted for two days by bad weather in early April. They stated that about 41.5 million barrels of crude were exported from the Basra and Khor al-Amaya terminals in April, down from 45.2 million barrels in March.

According to a Reuters survey, OPEC's oil production increased by 130,000 bpd to 29.83 million bpd in April as it increased its output in an effort to increase world stockpiles and lower record oil prices. The ten OPEC members produced 27.95 million bpd, up from a revised 29.7 million bpd in March. Saudi Arabia, Nigeria, Kuwait and the UAE increased their production by 30,000-60,000 bpd each.

OPEC's news agency reported that OPEC's basket of crudes fell by 11 cents/barrel to \$47.79/barrel on Monday, down from \$47.90/barrel on Friday.

Refinery News

ConocoPhillips shutdown its delayed coker unit at its Sweeny refinery in Texas following an electrical outage early on Monday morning, according to state environmental filings. The unit is expected to be restarted in about 3 days.

The Texas Commission on Environmental Quality reported that Valero Energy's Houston refinery shut a blower in complex 1 of the refinery on Monday.

Nigeria has shut its 125,000 bpd Warri oil refinery for a scheduled refitting of its power plant, which will lead to the reactivation of the refinery's gasoline unit. The refinery's utilization is expected to increase from 65% to 85% of capacity following the repairs, which are due to last until May 9. The company has a stock of refined petroleum products that would last for about 30 days.

India's Mangalore Refinery and Petrochemicals Ltd resumed normal production at its refinery on April 28 following a two week partial shutdown.

China's Gaoqiao refinery plans to keep May crude processing rates steady to levels in the last two months at about 200,000 bpd or 88% of its capacity.

An official at Thailand's Energy Ministry reported that the country will need one or two new refineries in the next five years. The country's six main refineries are operating at about 80% of their combined 1 million bpd capacity.

Production News

Shell said it would delay repairs to its Mars platform in the Gulf of Mexico because of loop ocean currents. The repairs on the Mars tension leg platform will take about two weeks and it said weather permitting it expects to complete them in the first half of July. Shell will first complete repairs at the Auger platform in the Gulf of Mexico, which will begin around June 1 and take about 10-14 days to complete.

Norway's Petroleum Safety Authority gave Statoil ASA permission to restart exploration drilling at its Guovca prospect in the Barents Sea following a three week halt. Drilling was halted on April 12 following unplanned oil and mud discharges from Ocean ASA's Eirik Raude rig. Both Statoil and the government's safety authority said drilling would not be restarted until both Statoil and Ocean Rig could document that exploration could be continued without any further discharges.

Oil companies are betting that heavy oil in Alaska will result in a large payoff. So far, BP and ConocoPhillips spent over \$1 billion on research, development and drilling for heavy oil and investing millions more into the effort. In five years, heavy oil production on the North Slope should be about 100,000 barrels. BP and ConocoPhillips are each pumping about 30,000 bpd of heavy oil. Meanwhile ExxonMobil is producing just 15,000 bpd, bringing the total to 75,000 bpd. BP and ConocoPhillips want heavy oil to help keep the pipeline somewhat full until a natural gas pipeline is built, a proposed project that is at least 10 years away. They stated that after the natural gas pipeline is built, heavy oil should account for between one-quarter to one-third of the oil produced on the North Slope.

The Iraqi Oil Ministry will sign a memorandum of understanding with Norway's Statoil later this month for the provision of technical studies. Under the agreement, Statoil will provide assistance to the Iraqi oil sector by setting up a center for Iraqi oil industry data, conducting geological and reservoir studies of Iraqi fields and conducting technical studies on the development of Iraq gas fields.

Russia's Vedomosti daily reported that TNK-BP may stop exporting crude oil to Ukraine. TNK-BP agreed to reduce its prices in April, however Ukrainian authorities now want the initiative to continue until June 1.

Russia's Energy Ministry reported that Russian oil exports via Transneft fell by 180,000 bpd in April to 4.23 million bpd. It also reported that Russia's oil production was stagnant for the seventh consecutive month with production falling in April to 9.3 million bpd from 9.33 million bpd in March. Crude oil supplies to Russian refineries fell by 2.1% on the year to 17.402 million tons in April. Russia's diesel production increased by 3.7% on the year to 4.55 million tons in April while its exports increased by 5.1% on the year to 2.2 million tons. It reported that during January-April, Russian companies' oil production increased to 152.307 million tons from 147.31 million tons in the same period last year. Oil exports via Transneft, including oil in transit from Kazakhstan and Azerbaijan increased by 10% on the year to 69.563 million tons in January-April, up from 63.733 million tons reported last year.

A ChevronTexaco led group pumping oil by pipeline from Kazakhstan and Russia to the Black Sea said its exports increased slightly in April to reach a new all time high of 655,000 bpd. In March exports increased by 50,000 bpd from February to 642,000 bpd.

Azerbaijan's Socar produced 2.961 million tons in January-April, down 0.3% on the year. Of the total, the company's combined onshore and offshore oil production fell to 2.646 million tons in January-April this year from 2.668 million tons a year ago.

Russia's Lukoil Overseas started exploratory drilling at Tyub-Karagan oil field on the Kazakh part of the Caspian Sea shelf on April 30. The Tyub-Karagan field's probable oil reserves are estimated at 324 million tons. The maximum annual output at the field is expected to amount to 7 million tons.

Market Commentary

The NYMEX oil market continued to trade within Friday's trading range as it once again posted an inside trading day. The market opened 70 cents lower at 50.22 in follow through selling seen in overnight trading as it retraced some of Monday's late gains. The market quickly settled in a sideways trading pattern as it traded to a high of 50.65 and failed to find the momentum to trade back towards Monday's high of 51.05. The market quickly found support just below the 50.00 level at 49.90 as it continued to trade sideways. The June crude contract however breached its support level and sold off to a low of 49.30 on further selling seen ahead of the close. It settled down \$1.42 at 49.50 as it failed to test its previous support levels. The market remained rangebound as traders remained reluctant to take a position ahead of Wednesday's release of the DOE and API reports. Volume in the crude market was good with 196,000 lots booked on the day. Similarly, the heating oil market posted an inside trading day once again. The market opened down 1.62 cents at 144.70 and quickly retraced some of its early losses as it posted an intraday high of 146.20. However the market erased its gains and remained range bound for most of the session before it breached its support level and sold off to a low of 143.30 on the close. It settled down 2.72 cents at 143.60 as traders positions themselves ahead of the weekly petroleum stock reports. Meanwhile the gasoline market opened down 2.65 cents at 148.80 and quickly posted an intraday high of 149.90. However the market continued to retrace Monday's late gains and sold off to a low of 144.70 as it breached its support at its previous low of 146.90. Volumes in the product markets were good with 39,000 lots booked in the heating oil and 48,000 lots booked in the gasoline market.

The crude market will be driven by the weekly petroleum stock reports after traders failed to take a position ahead of the reports. The DOE and API reports are expected to show builds in crude stocks of close to 1 million barrels and small builds of less than 500,000 barrels in distillate and gasoline stocks. If the market does see the builds across the board, the market is seen continuing its downward trend.

Technically, the market is also seen trading lower as its stochastics are still pointing lower. The market is seen finding support at its low of 49.30 followed by further

Technical Analysis		
	Levels	Explanation
CL 49.50, down \$1.42	Resistance 51.05, 51.60, 51.69, 51.85 50.00, 50.60	Previous highs, 38% (55.88 and 49.10), Previous high Tuesday's high
	Support 49.30 49.17, 49.10, 48.70 to 48.50	Tuesday's low Previous lows
HO 143.60, down 2.72 cents	Resistance 146.95, 148.00, 148.65, 149.00 145.00, 146.20	Monday's high, Friday's high, 50%, Previous high Tuesday's high
	Support 143.30 142.00, 141.50, 141.00	Tuesday's low Previous lows
HU 145.94, down 5.51 cents	Resistance 153.50, 155.50 149.90, 151.90	Previous highs Tuesday's high, Monday's high
	Support 144.70 142.50	Tuesday's low Previous low

support at its lows of 49.17-49.10. More distant support is seen at 48.70 and 48.50. Meanwhile, resistance is seen at 50.00 followed by its high of 50.60. More distant resistance is seen at 51.05, 51.60 followed by 51.69 and 51.85.