



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 6, 2005

A deteriorating pipeline controlled by Pemex ruptured in northern state of Tamaulipas on Wednesday. A pipeline linking Pemex operations in the Gulf Coast port of Tampico with Ciudad Mante to the west broke apart due to excessive pressure. An official estimated about 150,000 liters or 950 barrels of crude were spilled. The pipeline was repaired and was operating normally by Thursday afternoon. It was the second rupture in as many days. On Tuesday, a duct carrying a mixture of natural gas and oil exploded in Tabasco on the Gulf Coast, causing a fire and evacuations.

OPEC's news agency reported that OPEC's basket of crude increased to \$47.63/barrel on Thursday, up from \$47.33/barrel on Wednesday.

Market Watch

Venezuela's Oil Minister Rafael Ramirez said Venezuela has deployed military reservists to protect state controlled oil infrastructure and guard against any sabotage attempts. He said the operation started last month. Members of the military reserve are taking over the permanent surveillance of various oil installations.

According to Energy Securities Analysis Inc, non-OPEC oil production is expected to increase this year but will be disappointing due to uncertainties in Russia cutting investments and output. It expects an increase of 750,000 bpd from non-OPEC countries this year with growth in former Soviet Union countries of only 500,000 bpd. It expects non-OPEC production to increase further in 2006 and 2007. It forecast non-OPEC growth in 2006 at 1.4 million bpd, due to increased production in the deepwater US Gulf of Mexico, the Canadian oil sands and strong growth in Brazil and Angola.

The Rhode Island House on Thursday approved banning the gasoline additive MTBE, starting in 2007. According to the New England Petroleum Council, 20 states have already prohibited the use of MTBE or will ban it by January 1, 2007.

Russia's Angarskaya Neftekhimicheskaya Kompaniya may go bankrupt as a result of a court ruling obliging the company to pay 9.94 billion rubles to New Century Securities. The Moscow Arbitration Court upheld the claim filed by New Century Securities against the company on Tuesday.

The NYMEX said it will expand the position limits for its light, sweet crude futures contract, the WTI calendar swap futures contract, the crude oil average price options contract and the crude oil European style options contract for the June contract month starting on May 9. The position limits, which are in place during the last three trading days, will be increased to 2,000 contracts from 1,500 contracts.

Refinery News

Sunoco Inc will restart a reformer unit at its Philadelphia refining complex early next week. The unit has been shut for several days for repairs.

Valero's Corpus Christi, Texas refinery is expected to undergo planned maintenance in Complex I from May 6-11. The work is expected to cut gasoline and diesel production by about 7,000 bpd.

According to a report filed with the Texas Commission on Environmental Quality, a fluid catalytic cracking unit at ConocoPhillip's 223,000 bpd refinery in Sweeny, Texas was operating normally on Friday after its air blower and wet gas compressor were temporarily closed on Thursday.

PDVSA's 115,000 bpd El Palito refinery is currently operating at 40% less than normal due to a problem on a catalytic cracking unit that is expected to be resolved later on Friday.

Venezuela said it will export 3.015 million barrels of gasoline from its Amuay-Cardon refinery in May. The majority of the gasoline or 2.64 million barrels will come from Amuay.

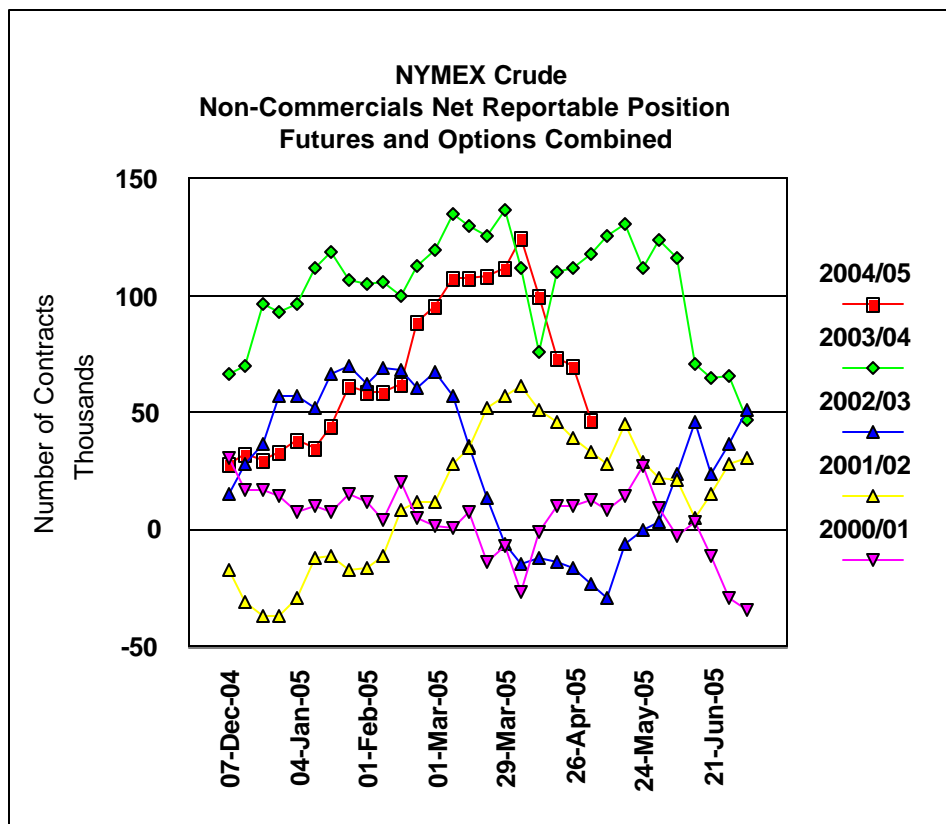
Ukraine's second largest refinery, Linos produced 547,700 tons of gasoline in January-April, down 22.4% on the year. Its diesel output fell by 21.8% on the year to 469,200 tons in January-April while its fuel oil output fell by 25.8% on the year to 552,300 tons. Oil refining fell by 22.8% on the year to 1.852 million tons in the period.

China has increased crude oil refining rates marginally in May in the face of slowing demand growth and poor profit margins due to government caps on retail oil product prices. It is processing 4% more crude this month to 2.155 million bpd.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US in April increased by 183 to 1,334. It also reported the number of rigs in the US fell by just 1 to 1,324 in the week ending May 6. The number of rigs searching for oil in the US fell by 14 to 155 while the number of rigs searching for gas increased by 13 to 1,169.

Azerbaijan plans to almost double its oil shipments via a pipeline linking Baku on the Caspian Sea and Russia's Black Sea port of Novorossiisk to 4-4.5 million tons. In 2004, shipments through the pipeline were 2.6 million tons. The rise would be



mainly due to higher oil shipments by BP before the Baku-Tbilisi-Ceyhan pipeline comes on stream later this year. BP is leading an international group developing the Azeri-Chirag-Guneshli fields, which have estimated recoverable reserves of 5.4 billion barrels and planned production of over 1 million bpd by 2009.

Indonesia's Pertamina has yet to issue a monthly import tender for June oil products as it faces delays in the delivery of some prompt supplies due to late payments. Pertamina bought a total of 10.18 million barrels of oil products for May, the lowest monthly volume so far this year, and 24% below the 13.42 million barrels bought in March. Indonesia's Energy and Mines Minister Purnomo Yusgiantoro said last month that Pertamina was facing cash problems as it waited for the government to reimburse \$2.4 billion owed to the oil company for January to March this year and used to import oil products. The government injected \$430 million into Pertamina to help it import oil products but the company said the funds only covered obligations for April.

The Indian government is expected to start constructing two crude storage facilities by early next year as part of its plan to build a strategic oil reserve. The oil reserve facilities are expected to be completed by 2010 with a capacity of 2.5 million tons each.

Ecuador's Energy Ministry reported that the country's average oil production increased by 5% to 532,940 bpd in January-March from 506,597 bpd in the same period of 2004. Petroecuador's production averaged 200,926 bpd in the first three months.

Market Commentary

The oil market continued Thursday's late rally and gapped higher on Friday from 50.95 to 51.30 in follow through strength. The market partially backfilled its gap as it traded to a low of 51.20. The market, which was holding good support at that level, breached its early resistance at 51.65 and rallied to a high of 52.23 as it broke its recent trading range on fresh buying. The June crude contract later erased its gains and backfilled its gap as it traded to a low of 50.95, where it seemed to have found support in afternoon trading. However the market breached that level and sold off to a low of 50.25 only to see it bounce back into positive territory. It traded to 51.00 on the close and then to 51.50 on the post close. The June crude contract settled up 13 cents at 50.96. Volume in the crude was excellent with over 283,000 lots booked on the day. Meanwhile, the product markets ended the session in negative territory, with the heating oil market settling down 1.26 cents at 143.11 and the gasoline market settling down 32 points at 147.60. The heating oil market posted a double top at 146.00

Technical Analysis		
	Levels	Explanation
CL 50.96, up 13 cents	Resistance 52.34, 53.18 52.23	50% and 62% retracement(55.88 and 48.80) Friday's high
	Support 50.25, 49.50 48.80, 48.70 to 48.50	Friday's low, Thursday's low Wednesday's low, Previous lows
HO 143.11, down 1.26 cents	Resistance 148.00, 148.65, 149.00 146.00, 147.50	Previous high, 50%(156.30 and 141.00), Previous high Double top, Previous high
	Support 141.20 141.00, 140.80-140.50	Friday's low Previous lows
HU 147.60, down 32 points	Resistance 151.90, 153.50 151.40	Previous highs Friday's high
	Support 146.00, 144.80 142.20	Friday's low, Thursday's low Wednesday's low

early in the session before it retraced its recent gains. The market which was holding some support at 144.00 breached that level and tumbled to

a low of 141.20 late in the session. However the market quickly retraced some of its losses ahead of the close as it followed in the crude market's footsteps. The gasoline market opened up 83 points at 148.75 and rallied to a high of 151.40 within the first hour of trading. However the market erased all of its gains and tumbled to a low of 146.00 late in the session. Surprisingly, the market bounced off its low and erased some of its losses ahead of the close amid the strength in the crude market. Volumes in the product markets remained light with 38,000 lots booked in the heating oil and 39,000 lots in the gasoline market.

The crude market on Monday may retrace its late gains, barring any bullish news over the weekend. The market is seen finding support at its low of 50.25, followed by 50.00 and its previous low of 49.50. More distant support is seen at its lows of 48.80-48.50. Meanwhile resistance is seen at its high of 52.23 followed by 52.34. More distant resistance is seen at 53.18.

The latest Commitment of Traders report showed that non-commercials in the crude continued to cut their net long positions amid the recent fall in prices. The non-commercials cut their net long positions from 26,008 contracts to 8,403 contracts in the week ending May 3rd. The combined futures and options report also showed that non-commercials in the crude market cut their net long positions by 22,761 contracts to 47,083 contracts on the week. Non-commercials in the product markets also cut their net long positions. The report showed that non-commercials in the heating oil cutting their net long positions from 3,730 contracts to 864 contracts while non-commercials in the gasoline market cut their net long positions from 31,217 contracts to 26,146 contracts.