



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 11, 2005

According to the IEA's Oil Market report, weakening economic growth and inflated fuel costs slowed oil demand growth in the world's largest energy importing regions in the first quarter. Incremental demand in China, Europe and the US was less than expected for the quarter. It stated that China's demand was down to 4.5% following a 19.3% level last year. It cut its annual China demand growth projection by 30,000 bpd to 470,000 bpd or 7.4%, compared with 16% last year. In the US, first quarter demand slowed from a growth of 340,000 bpd or 1.7% last year

to 250,000 bpd or 1.2%. Europe saw the largest decline of 170,000 bpd, down 1.1% from last year and is now expected to fall by 30,000 bpd or 0.2% on average this year. However it reported that higher than expected demand in other parts of Asia and the CIS left its annual forecast for world oil demand growth unchanged at 1.78 million bpd or 2.2% from its previous report. It said this year's slowdown in growth means the outlook for fourth quarter world demand does not appear as likely to stretch producer countries as in the same period last year. On the supply side, the IEA revised upwards its forecast for increased output from non-OPEC producers by 55,000 bpd to 955,000 bpd. It stated that world oil supply increased by 435,000 bpd to 84.5 million bpd in April due mostly to OPEC's

Market Watch

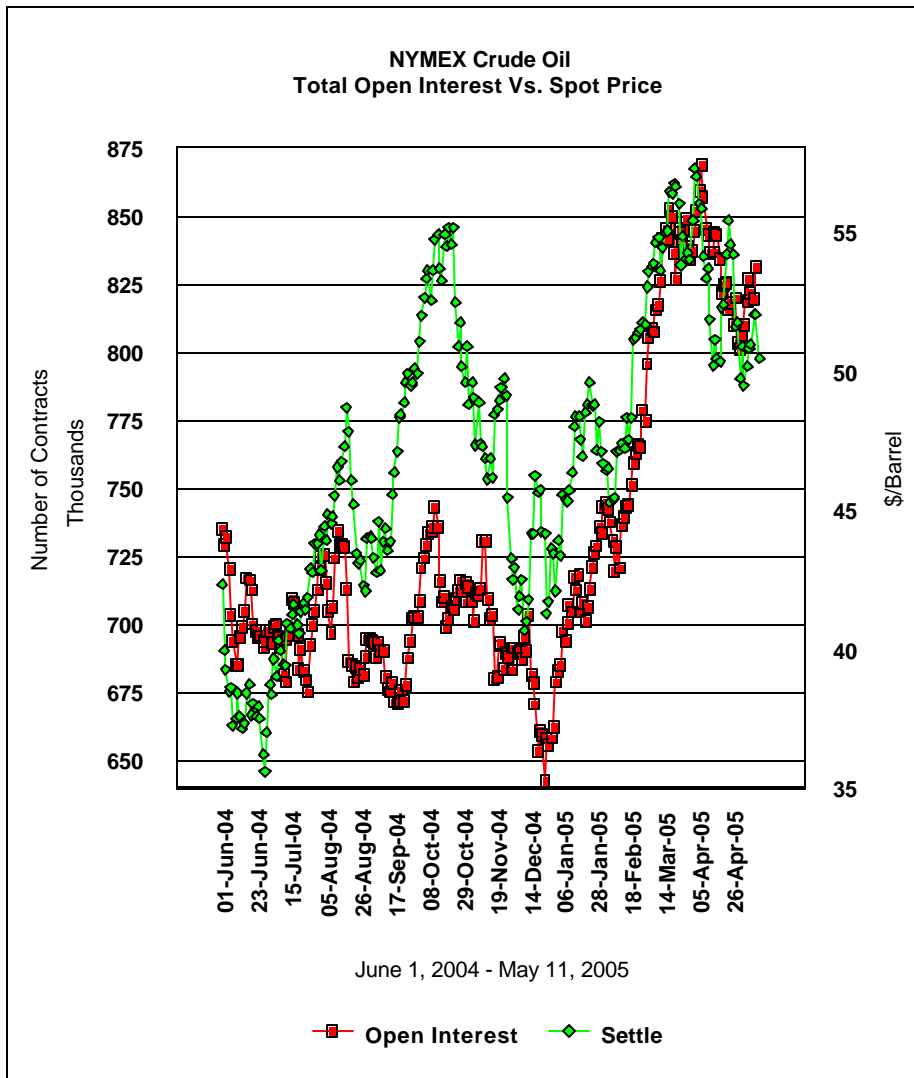
The head of the White House National Economic Council, Allan Hubbard, said the White House wants oil prices to fall by about half to about \$25/barrel. However he acknowledged that it would take time to expand world energy supply in order for prices to fall significantly.

An oil economist said projections of rising world oil production are underplaying oil depletion rates, covering what could amount to a worrying 2.3% supply shortfall this winter. He said leading the shortfall is a rapid rate of decline in output from oil fields outside OPEC. Even though producers in the former Soviet Union and West Africa are drilling to increase production from aging fields, two thirds of the new output will go to replenish depleted wells.

New Hampshire Gov. John Lynch on Tuesday signed legislation prohibiting the use of the additive MTBE in gasoline after January 1, 2007. He also called on Congress to remove from federal energy legislation a provision that would protect MTBE manufacturers from lawsuits.

Kuwait's Interior Ministry reported that the country has increased its security around its oil installations, ports and embassies in response to "circumstances in the area." An official said there were no specific threats made.

Russia's President Vladimir Putin ordered his government on Wednesday to draft legislation that would limit foreign investment in areas of the economy linked to national security, enterprises working on state military orders, natural monopolies and strategic natural resources.



increased production. It reported that OPEC's production increased by 480,000 bpd to 29.4 million bpd. The IEA also reported that OECD oil stocks increased by 22 million barrels or 240,000 bpd in the first quarter compared with a five year average draw of 380,000 bpd. The end-March OECD forward demand stock cover has increased to 53 days, two days above last year's level. It however warned that although stocks may be returning to levels seen in the second half of 2003, the stocks levels are not sufficient to offset capacity constraints or increased future demand.

Iranian oil officials dismissed the IEA report suggesting that Iran's crude exports had recently fallen to its lowest level in two years. It reported that Iran's crude oil exports stood at 2.35 million bpd while Iran's Oil Ministry has stated that its exports were close to 2.7 million bpd in

February and March.

Venezuela's President Hugo Chavez said if OPEC reinstates an oil price band, the level should be set between \$40 and \$60/barrel.

An Iraqi police official said a mortar round struck the Iraqi Oil Ministry complex in Baghdad on Wednesday. A senior Oil Ministry official said there were no casualties in the attack. However another Iraqi official later denied reports that mortar rounds had exploded near the government's oil and interior ministries.

The DOE reported that US propane inventories totaled 34.652 million barrels in the week ending May 6, up 1.467 million barrels. It reported that propane stocks in the East Coast increased 14,000 barrels to 2.444 million barrels while stocks in the Midwest increased by 676,000 barrels to 11.93 million barrels and inventories in the Gulf Coast increased by 742,000 barrels to 19.695 million barrels.

OPEC's news agency reported that OPEC's basket of crudes increased by 34 cents/barrel to \$48.16/barrel on Tuesday, down from Monday's \$47.82/barrel.

Refinery News

ConocoPhillips said some units at its 250,000 bpd Belle Chase, Louisiana refinery remained down on Wednesday following a power outage early Tuesday, with no estimated time of return.

Premcor Inc shut two sulfur processing trains on sulfur recovery unit 545 at its 250,000 bpd refinery in Port Arthur, Texas on Tuesday.

Alon USA Energy Inc said a turnaround carried out in March increased its crude processing capacity at its Big Spring, Texas refinery by 13% to 70,000 bpd.

Total has shut some units at its 352,000 bpd Antwerp refinery in Belgium from the beginning of May for several weeks of maintenance work.

Royal Dutch/Shell's German refineries resumed operations after following maintenance work. Traders stated that the restarts have improved supply of oil products. Its 78,000 bpd Gothenburg refinery is restarting following a partial shutdown since early April. Its 67,000 bpd Fredericia refinery which was scheduled to shutdown on April 3-22 will restart on Friday, May 13.

Iraq's Oil Ministry last month signed two contracts with a US and Czech firm totaling \$110 million to upgrade the Doura refinery. Hydrocarbon Supply Ltd signed a contract worth \$67.3 million to improve the quality of the gasoline produced at the refinery. Meanwhile, a Czech company, Prokp, signed a contract worth \$43 million aimed at increasing the refinery's capacity from 110,000 bpd to 170,000 bpd.

Thailand's Rayong Refinery has cut its crude processing rate by 34% to 95,000 bpd following a planned shutdown of a secondary unit. The 148,000 bpd refinery shut a 70,000 bpd diesel hydrotreating unit on Tuesday for two weeks of maintenance.

Production News

Norway's Petroleum Directorate reported that the country's oil production increased to 2.74 million bpd in April from 2.72 million bpd in March.

The Shetland Islands Council reported that Brent crude liftings from Sullom Voe increased to 274,653 tons in the week ending May 10, up from 175,650 tons in the previous week. The liftings were headed towards the US Gulf.

The June loading program for North Sea Flotta crude scheduled a total of 2.4 million barrels, down from 2.6 million barrels in May. Meanwhile the June loading program for North Sea Forties crude scheduled the loading of 18.6 million barrels, up from May's 17.2 million barrels. Separately, the June loading program for North Sea Ekofisk crude scheduled 16.8 million barrels to load, down by 2.05 million barrels on the month. The North Sea Gullfaks stream is expected to load about 375,000 bpd in June, up from 359,000 bpd in May while the North Sea Statfjord crude stream is expected to load 342,000 bpd in June, up from 331,000 bpd in May.

Denmark's North Sea DUC oil stream is scheduled to load 12 cargoes in June, up from 11 in May. The June program is equivalent to 240,000 bpd, up from 213,000 bpd in May.

Russia's Federal Customs Service reported that the country's exports of refined oil products increased by 14.5% on the year in January-March to 21.077 million tons. Its oil product exports to countries outside the Commonwealth of Independent States increased by 11.2% on the year to 20.281 million tons in January-March. Its crude oil exports increased by 0.3% on the year to 55.24 million tons.

Russia's Surgutneftegaz's oil production increased 7.8% on the year to 20.557 million tons in January-April.

Crude production on Russia's continental shelf is expected to total 10 million tons annually by 2010 and 95 million tons by 2020. Its recoverable shelf reserves are expected total 13 billion tons of crude.

The National Iranian Oil Corp increased its June prices for its crude sales. It set the June official selling price for Iranian Light at \$4.70 under BWAVE for Sidi Kerir lifters, up 75 cents from May. It however cut the price of Iranian Heavy by \$1 to \$6.90 under BWAVE. For Mediterranean lifters buying fob Kharg Island, it raised the light crude price to BWAVE minus \$6.25 and its heavy crude price to BWAVE minus \$8.45/barrel. Iran also raised its June official selling price for buyers in Northwest Europe by about \$1 on the month.

Petroecuador reported that its oil export revenue totaled \$153.15 million in April, up from \$118.84 million reported last year. It exported 3.78 million barrels of crude oil in April, down 12.5% on the year. It exported 17.64 million barrels of crude oil in the first four months of the year, up 26% on the year.

Colombia's June export program for sweet Cusiana crude will consist of 1.65 million barrels, unchanged on the month.

Market Commentary

The oil market gapped lower this morning from 51.65 to 51.38 as it continued Tuesday's late sell off. The market was pressured amid the expectations that the weekly petroleum stock reports would show builds across the board. The market also traded lower in light of the IEA report stating that weakening economic growth and increased fuel costs lowered oil demand growth in China, Europe and the US in the first quarter. The market settled in a range from 51.50 to 51.10 early in the session before it quickly sold off to a low of 50.90 in light of the 2.7 million barrel build reported in crude stocks and 6.9 million barrel build reported in total petroleum stocks. However the market just as quickly bounced off its low and backfilled its gap as it rallied to a high of 51.80 amid the draw of 6.1 million barrels reported by the API, even though it seemed to have been making up for 10 million barrel build reported last week. The market, which settled in a range and tested its high amid reports that the White House and the US Capitol building were evacuated, quickly sold off to its low of 50.25 as selling in the complex picked up after an all clear signal was issued following the evacuation. The market, which later erased some of its losses,

failed to test the 51.00 level and settled down \$1.62 at 50.45. Volume in the crude was excellent with over 277,000 lots booked on the day. The product

Technical Analysis		
	Levels	Explanation
CL 50.45, down \$1.62	Resistance 52.25, 53.10, 53.18 51.00, 51.80	Tuesday's high, 62% retracement(55.88 and 48.80) Wednesday's high
	Support 50.25 49.50, 48.80 to 48.50	Double bottom Previous lows
HO 140.31, down 4.65 cents	Resistance 144.00, 145.00 141.50, 142.00	Wednesday's high
	Support 140.00 138.50	Wednesday's low Previous low
HU 148.20, down 2.83 cents	Resistance 151.25, 153.50 148.50	Wednesday's high, Tuesday's high
	Support 146.30 145.70, 144.80, 142.20	Wednesday's low Previous lows

markets ended the session in negative territory, with the heating oil market settling down 4.65 cents at 140.31 and the gasoline market settling down 2.83 cents at 148.20. The heating oil market also gapped lower on the opening from 144.10 to 143.50. It traded in a 2.5 cent trading range from 142.50 to its high of 145.00 immediately following the release of the DOE and API reports which showed larger than expected builds in distillate stocks. The market later breached its low and sold off even further to a low of 140.00 late in the session. Similarly, the gasoline market gapped lower from 149.50 to 148.30 and traded in a range from 148.00 to 151.00 following the release of the reports. It later posted a high of 151.25 amid the crude market's strength. However it too sold off to a low of 146.30 late in the session before it retraced some of its losses ahead of the close. Volumes in the product markets were good with 53,000 lots booked in the heating oil market and 51,000 lots booked in the gasoline market. Open interest in the crude market built by a total of 11,757 lots, with open interest in the June contract fell by 12,793 lots while open interest in the July contract built by 14,387 as traders seemed to have rolled their positions. Open interest in the August and September contracts also increased by 5,464 lots and 3,273 lots, respectively.

The oil market is seen remaining pressured following today's weak closing. The market is also seen trading lower in light of the DOE report showing further builds in stocks. Technically, the market failed to sustain its early gains and its stochastics look really to cross back to the downside. The market is seen finding resistance at 51.00, 51.80 followed by 52.25. More distant resistance is seen at 53.10 and 53.18. Meanwhile, support is seen at 50.25 followed by 49.50 and its previous lows of 48.80 to 48.50.