



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 12, 2005

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said Indonesia does not want OPEC to reduce crude production because world oil prices are still high. He said as long as oil prices were high, OPEC would do its best to keep output levels up. Separately, Qatar's Energy Minister Abdullah al-Attiyah said it is too early for OPEC members to decide on a possible cut in production, despite US oil prices falling below \$50/barrel.

According to Oil Movements, OPEC's oil exports in the four weeks ending May 28 are expected to increase by 230,00 bpd to 24.52 million bpd. However it stated that despite the latest increase, exports from OPEC are expected to lessen in coming

Market Watch

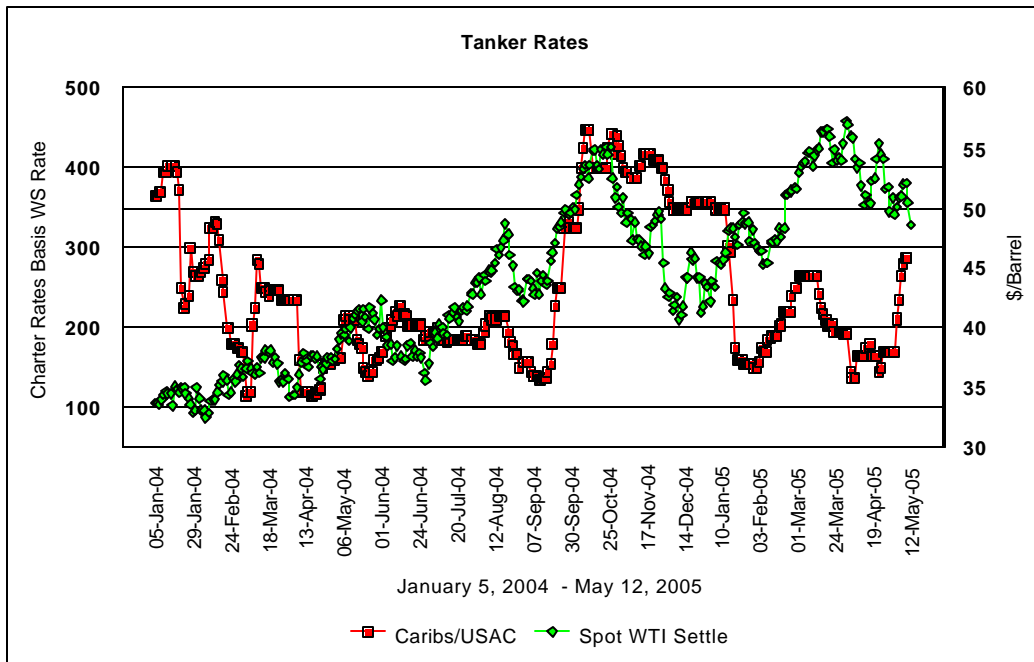
Sunoco's senior vice president for refining and supply, Joel Maness, applauds the thinking that led to US President George W. Bush's plan to site new refineries on closed military bases. He however said refiners should work on increasing capacity and reliability at their existing plants. He foresees problems with President Bush's plan, particularly with trying to obtain permits from various state and federal agencies.

According to the US Geological Survey, significant amounts of crude oil and natural gas are likely to be discovered on Alaska's North Slope. It said the area between the Arctic National Wildlife Refuge and the National Petroleum Reserve-Alaska could still yield new finds of an additional 4 billion barrels of recoverable oil, 37.5 trillion cubic feet of recoverable natural gas and 478 million barrels of natural gas liquids. It projected that 91% of the recoverable oil will probably be in accumulations of less than 250 million barrels.

Brazil's main oil workers' United Oil Workers' Federation has accepted Petrobras' profit sharing offer after months of talks. Petrobras agreed to increase the overall profit sharing awards to slightly over 700 million reais or \$285 million from 660 million reais.

Russia's Natural Resources Ministry plans to auction 32 oil and gas blocks on Russia's continental shelf with total reserves of 9 billion tons of oil equivalent by 2010. The fields that are planned to be auctioned include 20 blocks in already developed areas of the Barents and the Pechora Sea. There are also four blocks in the east of the Pechora Sea with total reserves of 640 million to 680 million tons of oil equivalent. Additionally, undeveloped blocks in the Barents Sea with total reserves of 354 million tons of oil equivalent will be auctioned. Crude oil output from Russia's continental shelf areas is expected to total 10 million tons annually by 2010 and 95 million by 2020. The ministry said financial incentives will be given to companies to encourage investment in the fields.

The IPE announced that physical delivery against the expired May gas oil futures contract fell to 677 lots or 67,700 tons from 80,200 tons in April.



weeks. He said signals from the spot charter market confirmed exports were slowing. Spot tanker charters from the Gulf have fallen in the last 10 days of May compared with the same period in April.

Euroilstock reported that total oil and product stocks in Europe fell by 0.7% on the month but increased 2.1% on the year to 1.099 billion barrels in

April. It reported that gasoline stocks fell by 1.7% in April to 144.16 million barrels amid a round of heavy shutdowns at key refineries in Europe. However gasoline stocks were still 6% higher than a year ago. Crude stocks fell by 0.7% on the month to 470.63 million barrels. Middle distillate stocks also fell by 1.7% on the month but increased by 4.7% on the year to 347.63 million barrels while fuel oil stocks increased by 3.1% on the month and fell by 0.9% on the year to 109.33 million barrels. Refinery utilization increased slightly from 92.2% to 92.73%.

OPEC's news agency reported that OPEC's basket of crudes fell to \$47.39/barrel on Wednesday from \$48.16/barrel on Tuesday.

French Finance Minister Thierry Breton said he hopes oil prices will fall further after falling to a 3 month low on Thursday.

On Friday, the Senate Energy Committee will release a portion of its energy bill related to coal, electricity, hydrogen and certain nuclear power issues that have been generally agreed upon. The full committee will meet next Tuesday through Thursday to fine tune and vote on those provisions. However other provisions in the bill related to renewable energy, oil and natural gas and motor fuel and vehicle issues are still being worked on by congressional staff. The remaining bill language is scheduled to be voted on by the committee during the week of May 23. If the schedule is maintained, the entire energy bill could be sent to the Senate floor for debate before the Memorial Day holiday recess at the end of May.

Refinery News

Citgo Petroleum Corp plans to shut a unibon unit on Friday at the east plant of its 165,000 bpd refinery in Corpus Christi, Texas. The unibon, which removes sulfur from refining feedstocks, will be shut until May 18.

Tesoro said a new coker unit will begin operations at its 108,000 bpd Anacortes, Washington refinery by April 2007. The coker will enable the Anacortes refinery to take surplus barrels from the company's Kenai, Alaska refinery.

Finland's Neste Oil said its 200,000 bpd Porvoo refinery is offline following a malfunction. However the company stated that the refinery is in the process of restarting.

Japan's Cosmo Oil Co said that crude leaked from a crude distillation unit at its 240,000 bpd refinery in Chiba. The leak apparently occurred after the company shut down the No. 1 110,000 bpd crude distillation unit on Wednesday to conduct routine inspections and maintenance.

Nippon Oil Co shut its 180,000 bpd crude distillation unit at its Muroran refinery for regular maintenance. The unit is expected to restart on June 15. It is also carrying out maintenance on a 115,000 bpd crude distillation unit at its Osaka refinery and the 127,000 bpd CDU at its Marifu refinery.

Taiwan's Formosa Petrochemical Corp's refinery will undergo a partial maintenance shutdown for 50 days starting June 11 at its 450,000 bpd Mailao refinery. It will shut a 150,000 bpd crude distillation unit, a 73,000 bpd desulfurizer and a 63,000 bpd hydrotreater unit.

Production News

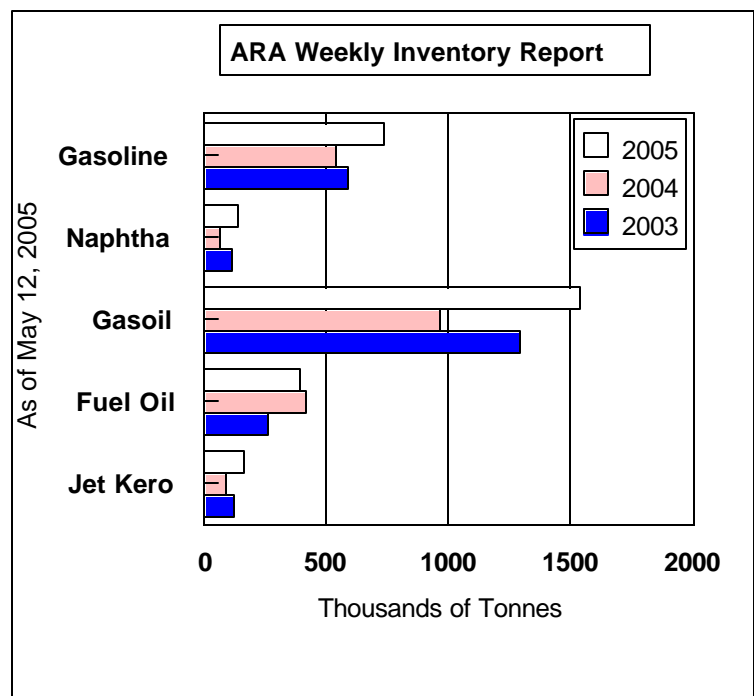
The North Sea Oseberg crude system scheduled the loading of 6.65 million barrels in June, down 1.75 million barrels in May.

Oil product stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area mostly increased in the week ending May 12th. Gas oil stocks increased by 100,000 tons to 1.55 million tons on the week, which is up 59% on the year. However gasoline stocks fell by 75,000 tons to 750,000 tons. Meanwhile, naphtha stocks increased by 50,000 tons to 150,000 tons, fuel oil stocks increased by 25,000 tons to 400,000 tons and jet fuel stocks increased by 50,000 tons to 175,000 tons.

According to MWV, the total sales of oil products in Germany fell by 8.5% on the year in April to 6.29 million tons. It reported that heating oil sales fell by 16.8% on the year to 1.38 million tons while its gasoline sales fell by 7.9% on the year to 2.05 million tons.

Russia's Surgutneftegaz plans to launch a \$1 billion pipeline in 2008 that will allow it to transport Siberian oil to the Pacific. The pipeline is expected to carry 4 million tons or 80,000 bpd of oil in 2008, rising to 6 million tons or 120,000 bpd in 2010. Its capacity however would be much higher at 26 million tons or 522,000 bpd. Separately, the company stated that it plans to bid on all the oil and gas blocks that will be auctioned in Russia's Irkutsk Region this year.

Russia's Energy Ministry reported that Russian oil products exports increased in the first quarter of the year, with gasoline leading the increase due to good export demand. Export growth of between 10 and 30% outpaced increases in Russia's domestic oil output and refinery runs. Russia exported 1.59 million tons of gasoline, up 31.4% on the year. Its fuel oil exports increased by 3% to 7.08 million



tons. Meanwhile the customs service reported that gasoline exports increased by 36.4% to 1.63 million tons while fuel oil exports increased by 12% to 9.29 million tons.

Azerbaijan's oil production increased by 16% year on year in January-April 2005 to 5.85 million tons from 5.06 million tons as BP increased its production from its second Caspian Sea offshore deposit. BP said its output from the Chirag and Azeri oilfields reached 2.89 million tons or 177,000 bpd in January-April compared with 2.09 million tons last year when it was only operating the Chirag field. Meanwhile, Socar's production was relatively unchanged at 2.96 million tons. Separately, Azeri companies' oil exports increased by 18.33% on the year to 3.404 million tons in January-April.

Indonesia's Pertamina bought 2.1million barrels of crude for July delivery in its monthly spot tender, down from 3 million barrels for its June delivery. The small spot intake will be partly offset by a higher usage of domestic supplies. Pertamina has also reduced its purchases under term contracts.

Singapore's International Enterprise reported that the country's middle distillate stocks increased by 1.19 million barrels in the week ending May 11 to 7.671 million barrels. Its light distillate stocks fell by 769,000 barrels to 8.908 million barrels while residual fuel inventories increased by 42,000 barrels to 10.75 million barrels.

Ecuador's Central Bank reported that the country's oil export revenue totaled \$1.1 billion between January and March, up 43% from the \$768 million reported last year. It exported 32.61 million barrels during the period, up 14% on the year.

Market Commentary

The NYMEX energy complex ended the session sharply lower for the second consecutive session as traders seemed to have taken a second look at the DOE report, which showed further builds in crude stocks. The oil market breached the 50.00 level in overnight trading on Access and sold off to a low of 49.62 as it extended Wednesday's losses. The June crude contract gapped lower on the opening from 50.25 to 49.45. The market partially backfilled its gap as it quickly posted an intraday high of 49.70. However the market continued to find further selling pressure which pushed it to an early low of 48.10. The market seemed ready to retrace some of its losses but as it failed to do so, the market sold off even further to 48.50 as it breached its overnight low. The June crude contract later settled in a trading range before the market sold off to a 3 month low of 48.30 in a late bout of selling on the close. It settled down \$1.91 at 48.54. Volume in the crude was excellent with over 328,000 lots booked on the day.

Meanwhile, the product markets also settled lower, with the gasoline market settling down 5 cents at 143.20 and the heating oil market settling down 2.35 cents at

Technical Analysis		
	Levels	Explanation
CL 48.54, down \$ 1.91	Resistance 49.70 to 50.25, 50.70, 51.27 48.80, 49.50	Remaining gap (May 12th), 50%, 62% (53.10 and 48.30) Thursday's low Previous lows, basis trendline
	Support 48.30 47.70, 47.50, 46.80	
HO 137.96, down 2.35 cents	Resistance 141.80, 143.35, 144.90, 145.00 139.40 to 140.00	38%, 50%, 62% (149.90 and 136.80)Wednesday's high Remaining gap (May 12th) Thursday's low Previous low
	Support 136.80 134.90	
HU 143.20, down 5 cents	Resistance 146.70, 148.00, 149.30 145.70 to 146.30	38%, 50%, 62% retracement (153.50 and 142.50) Remaining gap (May 12th) Thursday's low Previous lows
	Support 142.50 142.20, 141.30	

137.96. The gasoline market also gapped lower this morning from 146.30 to 144.00 in follow through selling seen overnight. The market partially backfilled the gap as it traded to 145.50 early in the session. However as it breached the 144.00 level, the market sold off to 142.70, where it held some support. The market bounced off that level and partially backfilled its gap even further as it posted a high of 145.70. However the market once again erased its gains and sold off ahead of the close to a low of 142.50. Similarly, the heating oil market gapped lower this morning from 140.00 to 138.05. The market partially backfilled its gap as it traded to a high of 139.40 early in the session before it sold off to 136.80. The market settled in a range and as it failed to test its upside, the market sold off to a low of 136.80 late in the session. Volumes in the product markets were excellent with over 56,000 lots booked in the gasoline and 60,000 lots booked in the heating oil market.

The crude market on Friday is seen retracing its sharp sell off ahead of the weekend. However the market's gains will be limited as the market may still have some further downside. It is likely that the market may continue its recent sell off early next week after the market retraces some its move tomorrow. The market is seen finding resistance at 48.80, 49.50 followed by its gap from 49.70 to 50.25. More distant resistance is seen at 50.70 followed by 51.27. Meanwhile support is seen at its low of 48.30 followed by 47.70, 47.50 and 46.80.