



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 13, 2005

An Iraqi oil official said Iraq halted efforts to resume sustained crude oil exports through Turkey on Friday after the main pumping station that feeds its northern pipeline was sabotaged. The blast at the Athana crude gathering and pumping station came as Iraq was resuming crude flows to storage tanks at Turkey's

Ceyhan port on Thursday. A few hours ahead of the blast, shipping sources said Iraq had resumed pumping crude to Turkey and was exporting almost 500,000 bpd on that route.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.52/barrel to \$45.87/barrel on Thursday, down from Wednesday's \$47.39/barrel.

Refinery News

BP Products North America reported an upset at a fluid catalytic cracking unit at its 460,000 bpd Texas City, Texas refinery which caused flaring and opacity on Thursday. The unit was stabilized and operations did return to normal on Friday morning. A disturbance in the feedstock being supplied to the cat cracker caused the upset.

PDVSA's catalytic cracking unit at its El Palito refinery resumed operations following the completion of work on the unit. The unit was down for about two weeks of unplanned work.

India's Bharat Petroleum Corp Ltd will expand the capacity of its Bombay refinery to 240,000 bpd by the end of June.

Production News

Market Watch

Top energy analysts told US Energy Secretary Samuel Bodman that they were concerned that government underfunding of its energy statistics unit was jeopardizing the quality of data that can regularly influence oil prices and be used as a basis for OPEC production decisions. An analyst stated that the EIA needs an annual budget close to \$125 million to produce timely data and objective analysis.

The NYMEX will launch three freight swaps contracts on ClearPort starting on Sunday evening. The new contracts will be cash settled based on calendar month averages for tanker routes assessed by Platts. The new contracts are Freight Route TC1 swap 75,000 mt Arab Gulf to Japan clean freight, Freight Route TC4 swap 30,000 mt Singapore to Japan Clean Products Freight and Freight Route TC5 swap 55,000 mt Arab Gulf to Japan clean products freight.

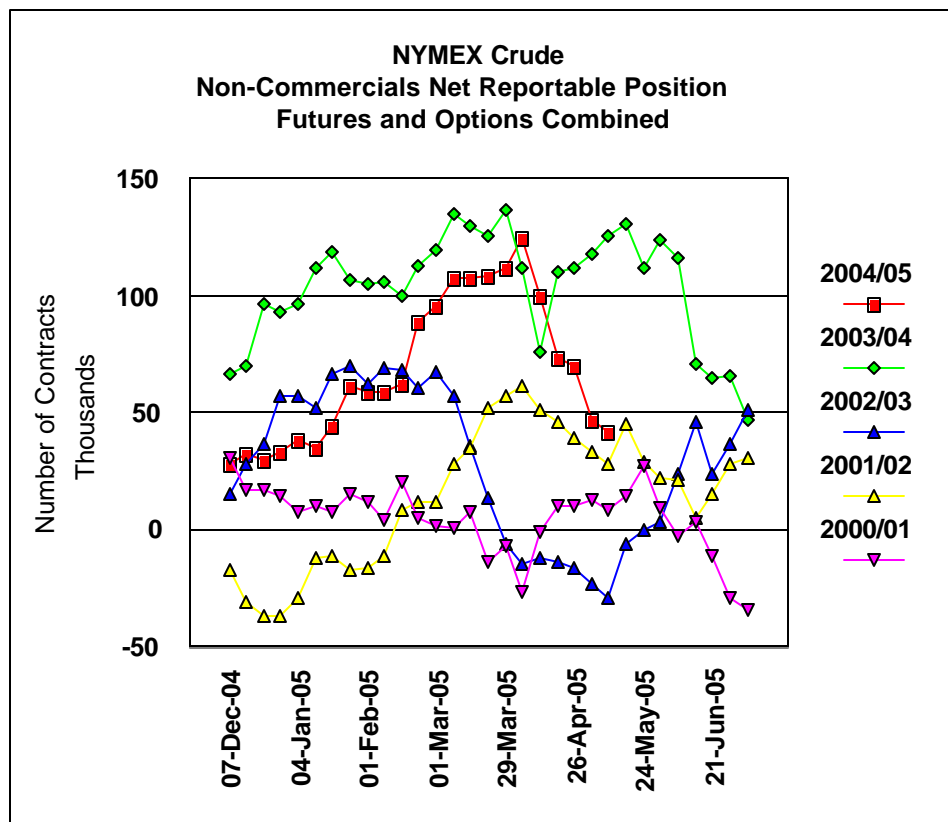
Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 16 to 1,308 in the week ending May 13th. The number of rigs searching for oil in the US fell by 5 to 150 while the number of rigs searching for natural gas fell by 11 to 1,158.

Norway's government cut its forecast for total 2005 oil and gas production to match the 2004 level but stated that output would grow through 2008 due to increasing gas volumes. It cut its forecast for 2005 oil production to 3.2 million bpd from an earlier projected 3.3 million bpd. It cut its forecast due to continued delays in restoring the 130,000 bpd Snorre field to full capacity after a gas leak shut it in late 2004. Norway's total petroleum production is expected to peak in 2008 and then begin to fall gradually due to declining oil. It reported that investment in the petroleum sector is likely to increase in 2005 to a record 84.7 billion crowns from 69.6 billion crowns in 2004.

Norway's Statoil failed to find oil or gas in the Barents Sea at the Guovca prospect. It was the second dry well this year for Norway's oil industry in the Arctic, where some officials say a quarter of the world's remaining petroleum resources may lie. However Statoil said it was still optimistic about the Barents Sea.

Russia's Transneft has not yet made its final decision on the route of the Taishet-Nakhodka oil pipeline. Officials earlier said that the pipeline is expected to start in Taishet and run via the town of Skovorodino on the Russian-Chinese border to an oil terminal in Perevoznaya Bay in Russia's Primorsky Region.

Russia's Tyumenneftegaz produced 874,800 tons in January-April, up 26.7% on the year. Meanwhile Russia's Sibneft produced 11.039 million tons of crude oil in January-April, relatively unchanged on the year. In April, it produced 2.737 million tons of oil, up 0.6% on the year.



Russia's Transneft transported 6.9 million tons of crude oil product in the first quarter of the year, up 50,000 tons on the year.

Kazakhstan's oil and gas condensate production increased by 13% on the year in January-April as groups led by BG and Chevron increased their production. Its output totaled 21.046 million tons or 1.33 million bpd in January-April. Its crude production of 17.22 million tons was 6.7% higher than in the same period last year.

Oil and oil product transportation via Azerbaijan's railways

increased by 17.8% on the year in January-April to 4.046 million tons.

China's customs data showed that crude oil imports to China increased by 22.5% year on year to 12.25 million tons in April. In the first four months of the year, crude imports increased 4.4% year on year to 41.89 million tons.

Thailand plans to ban sales of MTBE and gasoline 95 and use ethanol blended gasoline known as gasohol from January 1, 2006.

Market Commentary

The oil market settled in positive territory following two consecutive days of sharp losses as a bout of short covering ahead of the weekend lifted prices from its lows. The market, which retraced some of Thursday's sharp losses in overnight trading on Access, opened just 4 cents lower at 48.50 before it continued its downward trend. The market breached Thursday's low and sold off to a low of 47.75. However the market bounced off that level and rallied to a high of 49.00 on short covering ahead of the weekend. It later erased some of its gains and settled up 13 cents at 48.67. Volume in the crude was good with over 248,000 lots booked on the day. Open interest in the crude market fell by a total of 17,699 lots to 820,177 lots, with open interest in the June contract falling by 16,750 lots to 126,055 lots as traders liquidated some of their position. Meanwhile the gasoline market remained in negative territory throughout the session. It opened down 90 points at 142.30 and quickly posted its intraday high of 143.00 before it continued on its downward trend, despite its strength during the overnight session. The market breached Thursday's low of 142.50 and sold off to a low of 139.05. However it too bounced off that level and erased some of its losses ahead of the close as it settled in a range from 140.00 to 142.00. It settled down 1.98 cents at 141.22. The heating oil market also settled down 93 points at 137.03 after it traded off its low of 135.55 late in the session and posted a high of 137.60. Volume in the product markets were good with 57,000 lots booked in the gasoline and 48,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market continued to cut their net long positions from 8,403 contracts to 85 contracts in the week ending May 10th. The combined futures and options report showed that non-commercials in the crude market cut their net long positions from 47,083 contracts to 41,789 contracts on the week. Given the market's sell off in recent days, it is likely that non-commercials have liquidated more of their positions. Non-commercials in the heating oil market increased their net long position from 846 contracts to 4,336 contracts while non-

commercials in the gasoline market cut their net long positions from 26,146 contracts to 22,474 contracts on the week.

Even though the crude market was

Technical Analysis		
	Levels	Explanation
CL 48.67, up 13 cents	Resistance 49.70 to 50.25, 50.70, 51.27 49.00	Remaining gap (May 12th), 50%, 62% (53.10 and 48.30) Friday's high
	Support 48.00, 47.75 47.70, 47.50, 46.58	Friday's low Previous lows, basis trendline
HO 137.03, down 93 points	Resistance 141.80, 143.35, 144.90, 145.00 137.60, 139.40 to 140.00	38%, 50%, 62% (149.90 and 136.80) Wednesday's high Friday's high, Remaining gap (May 12th)
	Support 136.50, 135.55 134.90	Friday's low Previous low
HU 141.22, down 1.98 cents	Resistance 146.70, 148.00, 149.30 143.00, 145.70 to 146.30	38%, 50%, 62% retracement (153.50 and 142.50) Friday's high, Remaining gap (May 12th)
	Support 140.00, 139.05 136.75	Friday's low Previous low

able to erase its losses ahead of the close and posted a mostly neutral trading session, the market may continue to test its downside. Its daily stochastics are also still trending lower. The market is seen finding resistance at its high of 49.00 followed by its remaining gap from 49.70 to 50.25. More distant resistance is seen at 50.70 followed by 51.27. Meanwhile support is seen at 48.00, 47.75 followed by 47.70, 47.50 and 46.58.