



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 20, 2005

An official at CFDT, one of the main unions which called the strike over the annulment of the Pentecost holiday and to press wage demands, said the five day strike may come to an end during the weekend after Total offered to meet most employee requests during a meeting on Friday. The strike has so far caused the closure of its 231,000 bpd Donges refinery, its 119,000 bpd Feyzin refinery and the 155,000 bpd Provence or La Mede refinery. The three refineries account for about half of the 1.092 million bpd capacity. Earlier, Total, Europe's largest refiner and largest exporter of gasoline from Europe to the US, said it is taking all measures to ensure supplies to service stations. It does not expect

Market Watch

Federal Reserve Chairman Alan Greenspan said a modest easing in oil demand due to higher prices should keep crude oil inventories rising in the US and elsewhere for some months. He said inventory accumulation is likely to continue unless demand rises, output declines or storage capacity is depleted. He said the magnitude of energy consumption can have significant impact on how the US economy performs in coming years.

The average US on-highway diesel prices have continued to exceed the price of gasoline. Analysts stated that the inversion reflects a fundamental change in the marketplace. The development suggests that the seasonal link between diesel and heating oil is eroding as diesel assumes a greater role. Diesel demand continues to make strong gains, not just in the US, where imports are high and railroads are congested but also in Europe, where diesel is the main transportation fuel and China, where it is used for power generation. In the US, diesel demand grew by 6.6% last year while gasoline demand increased by only 1.4%. In the eight months ending February 28, diesel consumption increased by 5.3%. Diesel fueled cars make up just 2%-3% of the US automobile market, but what is behind the growth in diesel demand is strong demand from truckers and farmers. Last year, the American Trucking Association's index of tonnage increased 5.7% while the index is up 4% so far this year. It expects it to increase 3%-3.5% in 2005 as a whole. Diesel is the only major US fuel for which commercial inventories have shrunk in the year. Total inventories of crude and petroleum products have increased 6% from last year while inventories of diesel have fallen 3%. Moreover the amount of demand inventories will cover has fall to 20 days compared with 22 days last year and a typical cushion of 23 days. Also, strong demand from China has pulled supplies in from the Mediterranean, tightening European supplies. An analyst stated that with diesel demand expected to grow by 3.5% in both the US and Europe this year, prices will remain high throughout the year on both sides of the Atlantic.

Venezuela's tax agency, Seniat plans to take punitive measures against several foreign oil companies that have operating contracts in coming days. It will likely fine several companies for failing to keep up their tax obligations. Later this year, Seniat will begin a second phase of its "cero evasion" plan which will include all other oil companies operating in Venezuela. An initial tax review of 32 oil operating contracts covers the four year period of 2000-2004.

shortages in the short or medium term.

OPEC's President Sheikh Ahmad al-Fahad al-Sabah said there is no reason for OPEC to cut its output even as rising crude inventories put pressure on oil prices. He said OPEC should sustain its production of 30.3 million bpd to allow stocks to build further. He appeared to have reversed his earlier stance, when he stated that OPEC could possibly cut its output if inventories continued to increase. He said he is not worried about rising inventories and falling prices because demand is expected to increase in the second half of the year. OPEC's President also stated that OPEC would only be concerned if crude inventories for the OECD reached 56 days forward demand cover, up from 53 days. He said OPEC is content to allow oil prices to fall into the \$40-\$45/barrel range. He said only a downward revision in the forecast for world oil demand growth in the second half of the year may require a change in OPEC thinking.

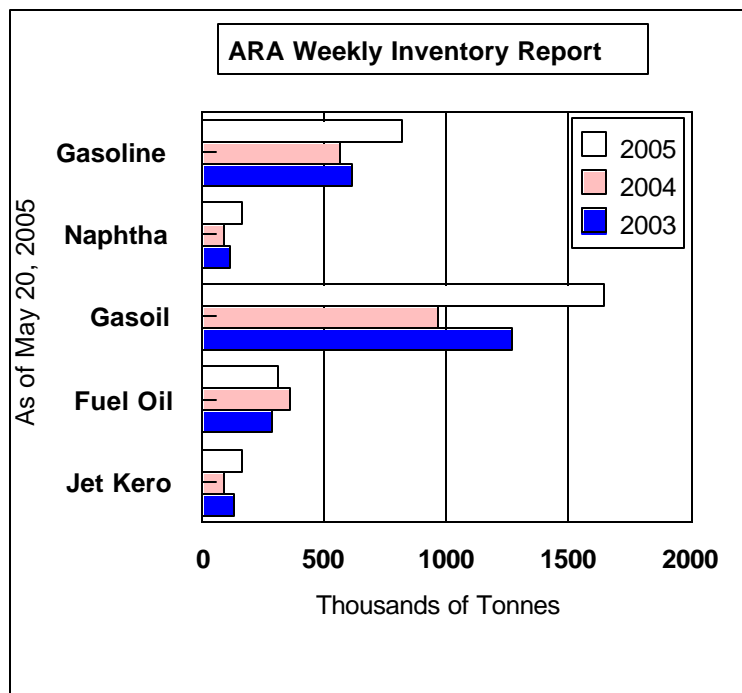
The Middle East Economic Survey reported that total crude oil production by OPEC increased by 200,000 bpd in April to reach 29.88 million bpd from March's level of 29.68 million bpd. OPEC-10 members' production, excluding Iraq, increased by 230,000 bpd to 27.96 million bpd compared with 27.73 million bpd in March. Saudi Arabia continued to increase its production to 9.5 million bpd, up 100,000 bpd on the month. Meanwhile, Iraq's production fell by 30,000 bpd to 1.92 million bpd.

An Iraqi oil official said Iraq's northern oil pipeline is pumping sporadically. It pumped 340,000 barrels from Thursday to Friday morning, bringing inventories of crude oil at Turkey's port of Ceyhan to nearly 2 million barrels. Iraq needs to fill its storage facilities in Ceyhan before deciding how to sell the accumulated crude.

OPEC's news agency reported that OPEC's basket of crudes fell by 46 cents/barrel to \$44.65/barrel, down from Wednesday's level of \$45.11/barrel.

Refinery News

BP is shutting down a fluid catalytic cracking unit for repair work at its 460,000 bpd Texas City, Texas refinery. It started shutting down the unit on Thursday and the process is seen taking until early Saturday to complete.



According to a filing with the Texas Commission on Environmental Quality, Valero Energy Corp's refinery in Three Rivers, Texas will have four days of flaring following a leak. The report did not say whether the current leak was associated with any turnaround efforts.

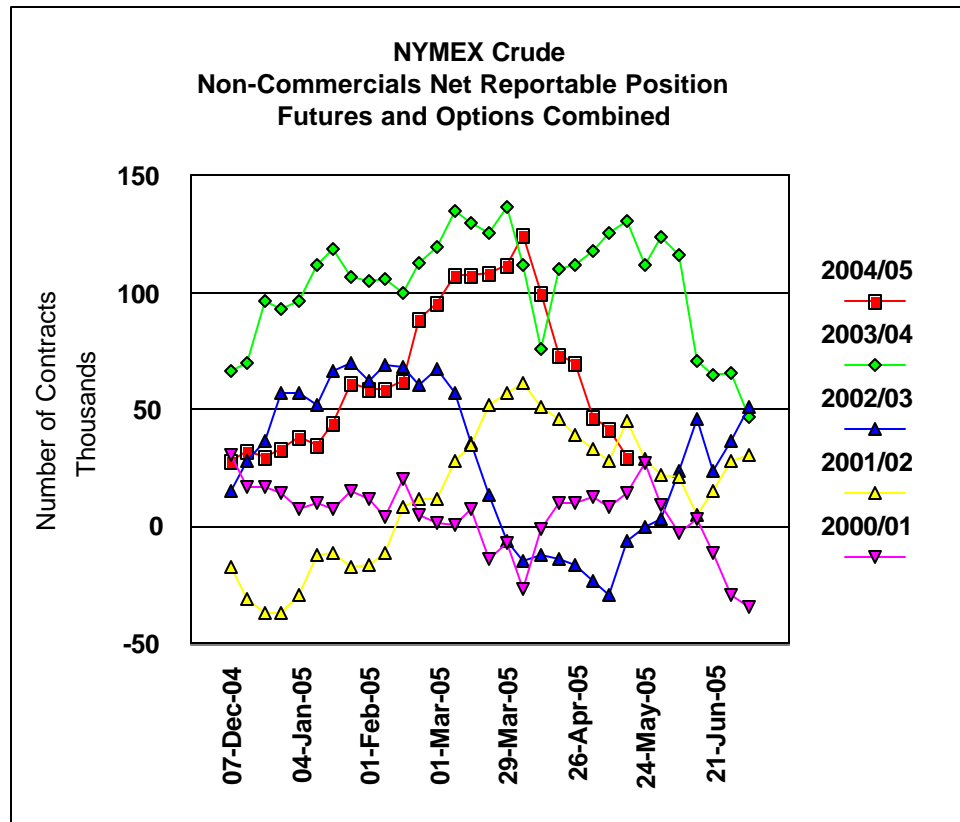
Citgo's fluid catalytic cracking unit at its 165,000 bpd Corpus Christi, Texas refinery will begin to resume operations on Friday following its maintenance. The restart process is expected to take a few days.

A 35,000 bpd hydrocracking unit at Tesoro's 165,000 bpd Martinez, California refinery, which was shut on Monday for unplanned maintenance is expected to

resume operations by next Monday.

Alon USA will shut down a low sulfur gasoline unit at its 61,000 bpd refinery in Big Spring, Texas for three days starting in early June for planned maintenance. The unit will be shut to change catalyst, while production in the long term will not be affected. Production from the unit, which has a capacity of 8,000 bpd will be reduced slightly in the short term.

BP's 200,000 bpd Grangemouth refinery is in the midst of a three week shutdown for planned maintenance work. The shutdown cut the crude distillation capacity in Europe to an average of 950,000 bpd or 5.8% of the total.



Japan's Nippon Oil Corp said it expects its refinery operation rate to increase to an average 92% in the year ending March 2006. Its refineries operated at an average 87% of their capacity in the year ending March 2005.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 7 to 1,315 in the week ending May 20. The number of rigs searching for oil in the US fell by 4 to 146 while the number of rigs searching for gas increased by 11 to 1,169.

Gasoline and gas oil inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area increased this week, as higher forward prices encouraged stockpiling. Gasoline stocks increased by 75,000 tons to 825,000 tons in the week ending May 20th while gasoil stocks increased by 100,000 tons to 1.65 million tons. Meanwhile naphtha stocks increased by 25,000 tons to 175,000 tons while jet fuel oil stocks remained unchanged at 175,000 tons and fuel oil stock fell by 75,000 tons to 325,000 tons on the week.

Nigeria's Central Bank reported that the country's oil production was unchanged at 2.32 million in March. It revised its February production figure to 2.32 million bpd from 2.36 million bpd reported earlier. Its oil exports increased to 57.97 million barrels in the month compared with 53.5 million barrels in February. Separately, traders stated that Nigeria's export loading schedules showed 66.5 million barrels of crude planned for shipment in May, from 63.5 million barrels in April. Its Bonny Light exports fell to 430,000 bpd from 475,000 bpd in April while Forcados crude exports increased to about 400,000 bpd from 350,000 bpd in April.

The Russian government will increase oil export duties to \$136.20/ton starting from June 1, up from \$102.60/ton.

Russia's TNK-BP is eyeing Yuko's 53.7% stake in Lithuania's refiner Mazeikiu Nafta. The company is seeking to expand through acquisition and was interested in troubled Yuko's majority holding in the Baltic states' only refinery.

Market Commentary

The June crude contract went off the board slightly lower after the market breached its early trading range and posted the day's trading range from 46.20 to 47.50 in the last 30 minutes of trading. The market opened up just 8 cents at 47.00 and quickly settled in a sideways trading range from 46.75 to 47.25. The market seemed to have been waiting to hear the outcome of the meeting between the French labor unions and Total after a total of three of its refineries were shutdown. The market, which was holding some resistance at 47.00, failed to breach that level and sold off to a low of 46.20. However the market just as quickly bounced off its low and rallied to a high of 47.50 ahead of its expiration at the close. It settled down 12 cents at 46.80. The July crude contract also settled down 9 cents at 48.65. It traded to a high of 49.05 early in the session and settled in a sideways trading pattern before selling off to a low of 48.20 ahead of the close. Volume in the crude was good with 273,000 lots booked on the day. Meanwhile, the product markets also ended in negative territory after they sold off their highs earlier in the day on rumors that the talks between total and union officials could bring an end to the strike at Total's refineries in France. The gasoline market opened relatively unchanged at 143.60 and quickly posted the day's high of 144.50 amid reports that the strike at Total's refineries entered its fifth day and three of the five affected refineries were shutdown. The market later settled in a sideways trading pattern before it sold off to a low of 139.70 on a wave of selling prompted by rumors of a possible end to the strike. However the market just as quickly retraced some of its losses ahead of the close. It settled down 1.73 cents at 141.91. Similarly, the heating oil market posted the day's high of 140.00 early in the session before it sold off to a low of 135.90 late in the session amid the market talk of a possible end to the strike. The heating oil market settled down 1.32 cents at 136.73. Volumes in the product markets were good with 49,000 lots booked in the gasoline and 47,000 lots booked in the heating oil market.

The latest Commitment of Traders report indicated that non-commercials in the crude market reversed their net long position to a net short position of 2,308 contracts in the week ending May 17th. It is the first time non-commercials in the crude are net short since mid-December. The combined futures and option report

showed a fall in their net long positions of 12,097 contracts to 29,692 contracts on the week. Non-commercials in the crude have likely continued to increase their short

Technical Analysis		
	Levels	Explanation
CL 48.65, down 9 cents	Resistance	49.85, 50.51, 50.98, 51.00
		49.05
	Support	48.20
		47.73
HO 136.73, down 1.32 cents	Resistance	141.65 & 143.60
		140.00, 141.20
	Support	135.90
		135.60, 134.70, 133.40
HU 141.91, down 1.73 cents	Resistance	145.60, 145.70 to 146.30
		144.50, 145.40
	Support	139.70
		139.30, 137.70

positions amid the continued sell off in the market. Meanwhile, non-commercials in the heating oil market also reversed their net long position of 4,336 contracts to a net short position of 6,802 contracts on the week while non-commercial in the gasoline market maintained a net long position of 13,123 contracts, down from 22,474 contracts during the previous week.

The crude market on Monday will be headline driven. It may trade lower following reports late on Friday stating that the strike at Total's refineries may come to end during the weekend. If the strike does end, the product markets are seen trading lower and pressuring the crude market. The crude market is seen finding support at today's low of 48.20 followed by 47.73, basis its trendline. Meanwhile, resistance is seen at 49.05, 49.85, 50.51, 50.98-51.00.