



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 27, 2005

A shipping source said Iraq stopped pumping oil from its northern oil field to the Turkish port of Ceyhan on Friday. The source could not say when the flow would restart. Total crude stocks in storage at Ceyhan stood at 2.6 million barrels. Separately, Iraq's SOMO has informed some contract buyers of its crude that cargoes due to load in late June from Basra will be delayed by 10-11 days. Cargoes due to load in the last 10 days of June have been delayed to the first 10 days of July. According to shipping data, exports from Basra to date in May are around 1.36 million bpd, down from 1.43 million bpd in April.

Market Watch

The Saudi Press Agency reported that Saudi Arabia's King Fahd was admitted to the hospital for medical tests on Friday. Saudi official sources stated that King Fahd had been running a fever and had water in his lungs which required hospitalization. Saudi Arabia later declared a state of alert, following the news that the King was hospitalized. It cancelled all leave of its security forces and put forces on standby.

In internet statement posted by al-Qaeda in Iraq, the militant group challenged Iraqi authorities, saying the government crackdown will not deter them.

Russian pipeline monopoly, Transneft will increase its tariffs for dispatching crude oil from June 1 by an average 8.3%. The increase will help pay for the reconstruction of trunk pipelines and the building of a new pipeline from Eastern Siberia to the Pacific Ocean. The tariff will be 8.4897 roubles or \$0.303 per ton of oil per 100 km for supplies to Russian refineries and to countries that have signed a customs union with Russia. For other exports, it will be \$0.3032.

Meanwhile, Russia's government raised the export duty on light products to the US to \$104.10/ton from \$81.40/ton and the export duty on heating oil to \$56/ton from \$43.80/ton starting on June 27.

South Korea's Finance Minister said high oil prices and a firm won currency are casting a shadow over South Korea's economy, which may require revamped economic policies including a possible extra budget to increase growth. The economy grew at a slower than expected pace of 0.4% in the first quarter from the previous three months, as a tentative recovery in domestic consumption failed to offset slowing exports.

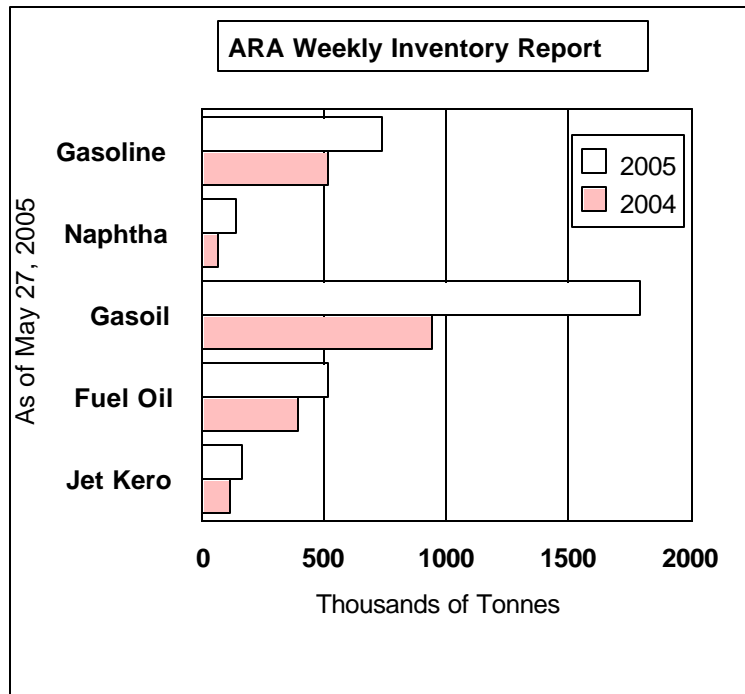
Refinery News

According to a filing with the Texas Commission for Environmental Quality, a sulfur recovery unit in Complex 1 at Valero's 85,000 bpd refinery in Houston, Texas was shut down for less than an hour on Thursday. Complex 1 is set to undergo unanticipated online maintenance on May 31.

Maintenance work planned at Deer Park Refining's 340,000 bpd Houston, Texas refinery may impact gasoline production if the catalytic cracking unit rate needs to be reduced to facilitate catalyst exchange. The maintenance work started on May 25 and is seen ending on June 24.

BP Plc is restarting its fluid catalytic cracking unit 1 at its 460,000 bpd Texas City, Texas refinery on Friday. The startup procedure is seen lasting until May 30th.

Huntsman Corp said it is restarting its MTBE plant in Port Neches, Texas after it was shut down due to a leak on May 24. The plant will reach full capacity on May 28. It said the outage cut about 18,000 bpd of MTBE production.



Taiwan's Formosa Petrochemical Corp aims to restart a 70,000 bpd residue desulphurization unit on Saturday following a shutdown due to a technical problem. The refinery is then expected to bring a 150,000 bpd crude distillation unit at its 450,000 bpd Mailiao refinery back to full operation shortly afterwards.

Production News

Colonial Pipeline froze fuel nominations on its pipeline from Mitchell to Norfolk, Virginia because demand for space outpaced the line's capacity. The freeze, which prevents shoppers from adding new supply to the section of the pipeline will affect cycles 14, 15 and 16.

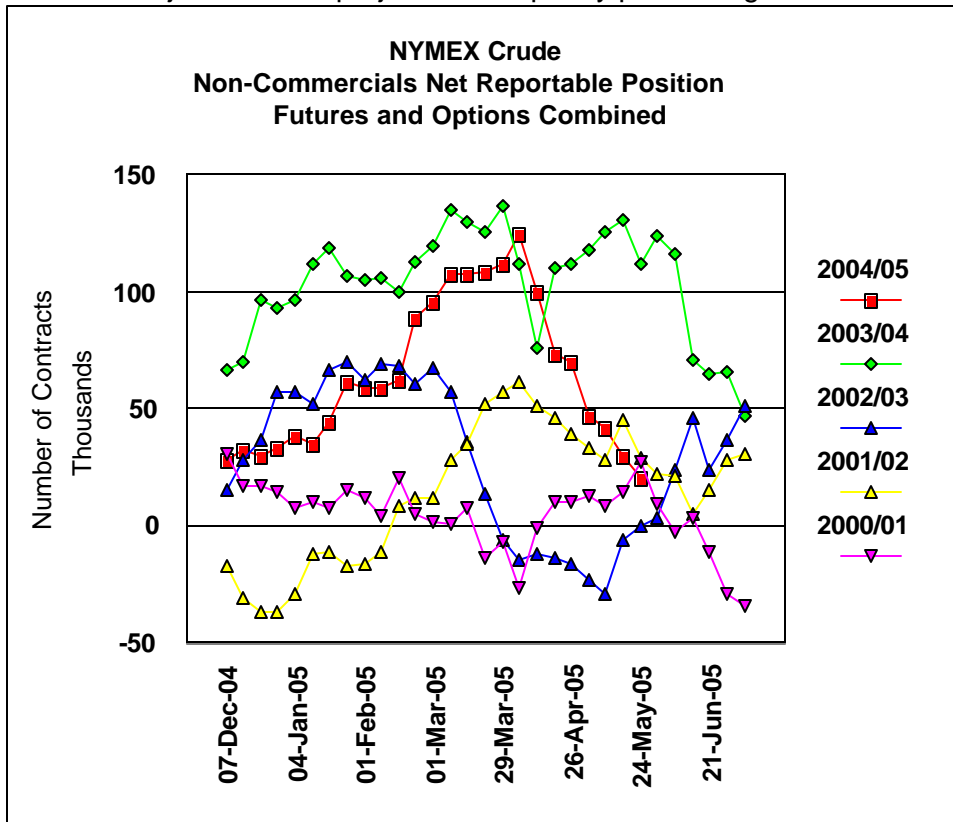
According to the EIA, ethanol production in the US reached a record of 243,000 bpd in March. It was up 14% from 214,000 bpd reported last year. Ethanol consumption totaled 237,700 bpd.

Gas oil stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area nearly doubled from the same week last year as a price contango prompted stockpiling. Gas oil stocks built by 150,000 tons on the week to 1.8 million tons. It is up from 950,000 tons reported last year. Meanwhile, gasoline stocks fell by 75,000 tons to 750,000 tons on the week. Naphtha stocks fell by 25,000 tons to 150,000 tons while fuel oil stocks built by 200,000 tons to 525,000 ton and jet fuel stocks remained unchanged at 175,000 tons.

Norway's Statoil, a minority partner in Venezuela's Sincor heavy crude project, said the project is pumping about 200,000 bpd, within the legal limits for the project. PDVSA's President Rafael Ramirez said the project's original contract was for 114,000 bpd and that the government was preparing measures to increase the royalty rate on any additional output to 30% from 16.6%. A Statoil spokeswoman said the 200,000 bpd limit was authorized under a separate approval and that the company hopes to clear up the issue.

Royal Dutch/Shell increased its output in Nigeria, however its success came amid worsening violence and a budget shortfall that forced it to miss a government deadline to end gas flaring by 2008. It produced an average of 1 million bpd through its Nigerian joint venture operations in 2004, up 10%

from a year earlier. Even as its overall output increased, the number of community protests against Shell grew 10% last year to 176 while the volume of lost crude oil fell sharply to 5.2 million barrels from 45 million barrels a year ago. On the environmental front, Shell said it will miss by a year a 2008 government deadline to end gas flaring. It blamed the delay on the government for underfunding its share of the joint venture project and on poorly performing subcontractors.



OAO Russian Railways said it plans to transport 690,000 tons or 168,590 bpd of oil to China in June. Its oil shipments in May will total 680,000 tons and reiterated that its plans to ship 10 million tons of oil to the country in 2005. The June plan includes 230,000 tons from Yukos, 430,000 tons from Rosneft and 30,000 tons from Sibneft.

Russia's Energy Minister reported that gas oil production in the first quarter increased by 105.5% on the year to 14.42 million tons while its fuel oil production increased by 103% on the year to 14.09 million tons.

Russia's gasoline production increased by 106.6% on the year to 7.71 million tons.

Officials stated that oil product imports by Indonesia for June fell to the lowest level this year as it faces a credit squeeze and lower demand. Pertamina will import 7.54 million barrels or 250,000 bpd in June, down 26% on the month and 44% below this year's high in March when it imported 13.42 million barrels. The company said it would maintain its normal oil product stockpiles and added that the government was continuing to inject funds to enable it to keep up imports. Indonesia reduced June diesel imports by 12% to 4.4 million barrels while gasoline imports were down 37% at 1.9 million barrels.

Market Commentary

The oil market ended the session higher as traders covered their position

Technical Analysis		
	Levels	Explanation
CL	Resistance 53.25, 54.25 52.00	Previous highs Friday's high
	Support 51.50, 51.22, 50.65 49.65, 48.92, 48.05	Friday's low, Thursday's low Previous lows
HO	Resistance 149.90 145.60, 145.85	Previous high Friday's high, Thursday's high
	Support 144.00, 141.80 141.05, 138.25, 136.70	Friday's low, Thursday's low Previous lows
HU	Resistance 149.27, 151.25, 152.85 148.00	38% (168.00 and 137.70), Previous high, 50% Friday's high
	Support 145.00, 143.50	Friday's low, Thursday's low

ahead of the long Memorial Day weekend. The July crude contract opened up 34 cents at 51.35 and quickly settled in a sideways trading pattern between 51.70 and 51.35. The market was supported early in the session amid reports that Iraq's SOMO would delay some of its crude cargoes scheduled to load in late June. The market later, which held good resistance at its early high, erased its gains and posted an intraday low of 51.22. It however bounced off its low and rallied to a high of 52.00 ahead of the close. The market was supported amid the short covering ahead of the weekend and the news that Saudi Arabia's King Fahd was hospitalized. It settled up 84 cents at 51.85. Volume was light during the shortened trading session, with 130,000 lots booked on the day. The product markets ended mixed with the gasoline market settling up 2.75 cents at 147.53 and the heating oil market settling down 25 points at 144.58. The gasoline market opened at its low of 145.00 and never looked back. The market traded to 146.25 and traded in a range before further buying ahead of the close pushed the market to a high of 148.00 ahead of the close. Meanwhile, the heating oil market posted an inside trading day after it failed to breach Thursday's high. The market rallied to a high of 145.60 early in the session before it retraced its gains and traded to a low of 144.00. Unlike the crude and gasoline market, the heating oil market failed to find the upside momentum to push it higher ahead of the close. Volumes in the product markets were good with 43,000 lots booked in the gasoline and 42,000 lots booked in the heating oil market.

The oil market next week will likely retrace some of its gains, barring any bullish news over the long weekend. Given the fundamentals, the market is seen trading lower. The market is seen finding resistance at its high of 52.00 followed by more distant resistance at 53.25 and 54.25. Meanwhile support is seen at 51.50, 51.22 and 50.65. More distant support is seen at 49.65, 48.92 and 48.05.