



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 10, 2005

The IEA reported that China's oil demand growth fell in April as refiners in China depleted stocks and cut petroleum product imports. It said apparent demand growth fell by 2.8% on the year in April. It also cut its estimate for China's oil demand growth in 2005. It sees 2005 growth in China of 460,000 bpd, down 10,000 bpd from last month's report and down from last year's 860,000 bpd. However it said China's demand growth may accelerate again in the second half of the year. It also stated that a revaluation of china's yuan would increase oil consumption at least in the short

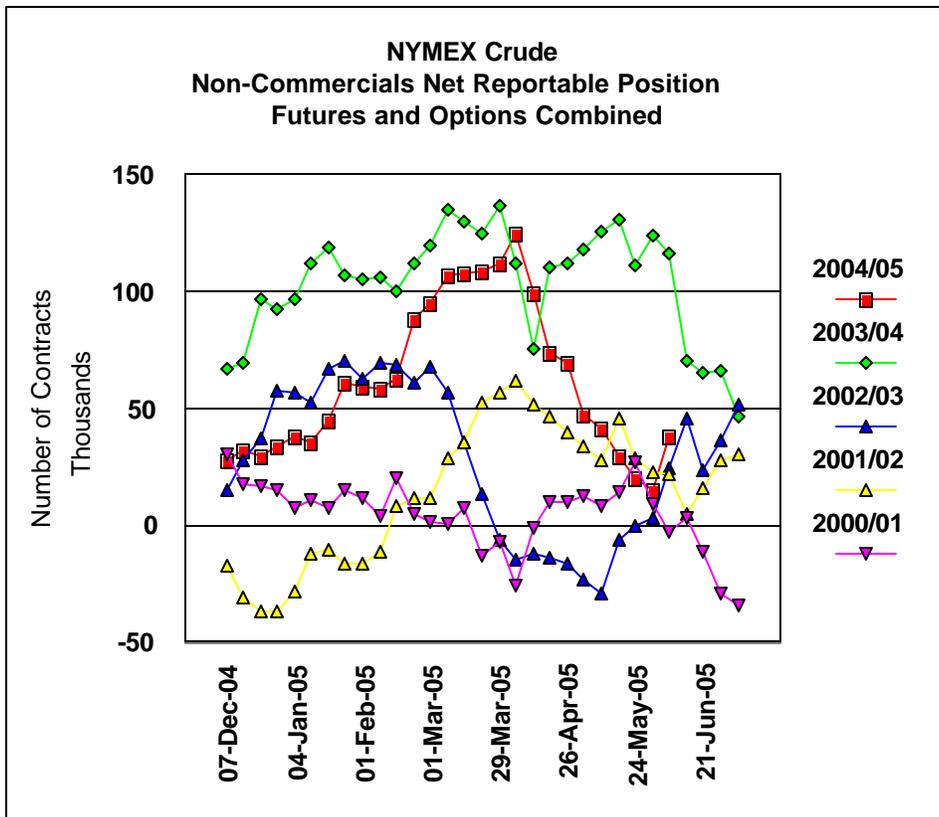
Market Watch

The Minerals Management Service reported that total oil production shut in due to Tropical Storm Arlene amount to 1.74% of the Gulf of Mexico's usual oil production. The US Coast Guard said almost a third of all offshore oil and natural gas platforms in the eastern and central Gulf of Mexico off the coast of Louisiana have been evacuated. It said 32 out of 125 platforms in the New Orleans offshore region and four platforms in the Houma region have been evacuated. It also stated that 25,474 bpd of oil have been shut in by pipeline closures in the New Orleans region. Murphy Oil Corp evacuated the Frontrunner and Medusa platforms, halting 62,000 bpd of oil production as Tropical Storm Arlene approaches. It is also shutting a shallow water platform, Viosca Knoll. Meanwhile, Chevron Corp has started evacuating core staff from some deepwater oil and natural gas production platforms in the Gulf of Mexico. The affected facilities include the Petronius platform, from which the company is in the process of evacuating essential personnel. It expects to shut in 50,000 bpd. Meanwhile, ExxonMobil reported that it shut in 3,000 bpd of oil production and 70 mmcf/d of natural gas. Marathon Oil Corp also reported that it started evacuating 25 workers from South Pass and Ewing Bank platforms in the Gulf of Mexico. Production at the three platforms at South Pass will be shut in. Production at the South Pass platform averages about 2,100 bpd of oil and 9.5 mmcf/d of natural gas. BP Plc has evacuated nonessential employees in the Eastern Gulf of Mexico. However it said oil and gas production has not been affected. El Paso said no production is being shut in at its Gulf of Mexico production areas, although it is evacuating seven platforms and one drilling rig of the coast of Louisiana. Devon Energy Corp has started shutting some of its oil and gas production facilities in the Gulf of Mexico's Eastern Shelf. It expects to restart operations by Monday. Newfield Exploration Co has shut in 25 million cubic feet equivalent of natural gas and crude oil production in the Gulf of Mexico.

German Finance Minister Hans Eichel said he was concerned that high oil prices would affect the world economy. He called for more investment in exploration and refineries, less dependence on oil, especially in the US and in poorer countries and improvements to data to create greater transparency on oil markets.

The NYMEX formally announced it formed a joint venture with Dubai to operate the first energy futures exchange in the Middle East. The NYMEX will operate the Dubai Mercantile Exchange. The new exchange will open an opportunity for the world energy futures industry to fill a time zone gap in trading between Europe and Asia. The exchange is expected to open for trading in early 2006 and trades will be cleared through the NYMEX clearinghouse in New York. The contracts traded on the DME will be tailored to the needs of the marketplace and may include physical delivery alternatives that represent the physical trade flows. The first contract to trade at the exchange will likely be high-sulfur or sour crude and fuel oil.

The IPE announced that a total of 210,500 metric tons of gasoil will be physically delivered following the midday expiry of June gasoil futures.



term as it would reduce the cost of import oil and products. Longer term effects however could be slower exports, reduced economic growth and slower oil demand growth. China's crude imports in May increased by 8.2% on the year to 10.41 million tons or 2.45 million bpd. The IEA said world demand is supported by the continued strength in US and developed Asian economies, leaving its forecast for 2005 world demand growth little changed at 1.78 million bpd. The IEA also reported that European distillate stocks will likely be adequate, countering fears of a possible shortage that has led to a

sharp rally in gas oil futures prices. It said June commercial stocks of gas oil in the Amsterdam, Rotterdam and Antwerp area reached levels not usually seen before the end of the third quarter as a result of weak demand and a shift by users towards just in time buying. In regards to OPEC's production, it reported that OPEC supply fell by 55,000 bpd in May to 29.26 million bpd due to lower output from the UAE, Venezuela and Iraq. Despite the fall in OPEC production, world oil supply increased by 260,000 bpd to 84.6 million bpd in May. The gains in supply from Saudi Arabia, Kuwait, Iran and Libya failed to make up the shortfall. It revised its call on OPEC crude supply for the fourth quarter by 300,000 bpd to 29.6 million bpd. It said total OECD oil stocks in April increased by 13.5 million barrels on the month to 2.572 billion barrels. It is 99 million barrels above last year's level.

An Iraqi oil official said Iraq hopes to resume oil exports of 350,000 bpd through its northern pipeline to Turkey in 10 days. The official said he expected repairs on two sections of the pipeline to be completed by then and efforts were underway to fill Iraqi storage facilities to prepare for a resumption of exports. Meanwhile, a shipping agent said Iraq's southern oil exports resumed from its main Basra terminal in the Gulf after interruptions over the past two days due to bad weather. Loadings were running at 1.5 million bpd.

US Energy Secretary Sam Bodman said the planned fill of the US SPR to 700 million barrels will be completed in August. He said taking steps to prepare for a severe disruption in the oil markets is vital to its economy and national security. The DOE said the US government will fill the SPR to its 727 million barrel capacity when it determines it to be in the national interest to do so. Some DOE officials have advocated filling the reserve to its 727 million barrel capacity, however with the high crude prices, it may prove difficult for President George W. Bush to authorize such a move. Separately, energy analysts stated that a likely end to US government oil purchases for the SPR is expected to have minimal effect on crude prices. They stated that if world demand increases as forecast, demand is seen absorbing any supply back in the market. The expected end to government oil buying could

potentially coincide with a start to emergency reserve buying by China. China is on schedule to complete building its first strategic oil reserve storage tanks by August. However China has not indicated when it may start filling the reserve in the face of high oil prices.

Traders stated that Saudi Arabia's crude exports to the US are expected to remain steady for the next few months. They said high inventories and a decision by Saudi Aramco to raise its contract prices to their highest levels in nearly a year kept refiners from requesting more oil.

OPEC's news agency reported that OPEC's basket of crudes increased by \$0.34/barrel on Thursday to \$50.55/barrel from \$50.21/barrel on Wednesday.

Refinery News

According to traders, a catalytic cracking unit at Premcor's 145,000 bpd Memphis, Tennessee refinery will be shut for one to two weeks for unplanned maintenance starting next week.

Some processing units at the National Cooperative Refinery Association's 81,200 bpd refinery in McPherson, Kansas were shut on Friday while output at other units was reduced as a result of a small fire that started in the morning.

Sunoco Inc said a cooling tower at the Girard Point section of its Philadelphia refinery fell on Wednesday. The tower was out of service. Industry sources said production was expected to be back to normal in one week to 10 days. They stated that Sunoco purchased up to 325,000 barrels of low sulfur diesel fuel as a result of the cooling tower collapse, indicating that distillate production at the refinery had been cut.

ConocoPhillips reported that operational problems at its Borger, Texas refinery led to flaring Thursday evening.

Total Petrochemicals USA plans to shut two diesel hydrotreaters on June 18-29 for maintenance work. A report filed with the Texas Commission on Environmental Quality did not specify whether the planned maintenance would impact production at the refinery.

Production News

Baker Hughes reported that the number of rigs searching for oil and gas in the US fell by 14 to 1,339 in the week ending June 10. The number of rigs searching for oil in the US fell by 5 to 141 while the number of rigs searching for natural fell by 10 to 1,196.

An analyst reported that gas oil stocks held in the Amsterdam-Rotterdam-Antwerp storage area increased by 50,000 tons to 1.8 million tons in the week ending June 10th. It is up 750,000 tons on the year. Gasoline stocks in the ARA area increased by 25,000 tons to 775,000 tons, up 150,000 tons on the year. Naphtha stocks also increased by 25,000 tons on the week to 175,000 tons while fuel oil stocks fell by 175,000 tons to 400,000 tons and jet fuel stocks increased by 25,000 tons to 225,000 tons on the week.

Norway's Petroleum Directorate reported that Norway's oil production fell to 2.66 million bpd on average in May from 2.7 million bpd in April.

The July loading program for North Sea Forties crude scheduled the loading of 16.8 million barrels, down from 18.6 million barrels in June. The July loading program for North Sea Oseberg crude scheduled the loading of 9.2 million barrels, up from 6.65 million barrels in June. The July loading

program for Ekofisk crude scheduled 16.4 million barrels to load, down from 16.8 million barrels in June.

The Kuwait Oil Co said a small oil spill was brought under control in Kuwait after some 100 barrels of crude spilled at a northern field.

Nigeria's Central Bank reported that Nigeria's oil production was unchanged in April at 2.36 million bpd. It said its March output figure was revised upwards to 2.36 million bpd from 2.32 million bpd. Its oil exports were estimated at 57.3 million barrels in April compared to 57.97 million barrels in March.

Iran raised July crude prices for its crude to Mediterranean buyers, increasing differentials to their highest level in 10 months. The National Iranian Oil Corp set the July official selling price for Iranian Light at \$3.40 under BWAVE for Sidi Kerir lifters, up \$1.30/barrel on the month. It also raised its price for Iranian Heavy from Sidi to BWAVE minus \$5.55, up \$1.35. For Mediterranean lifters taking crude from Kharg Island, NIOC raised the price of Iranian Light by \$1.45 to BWAVE minus \$4.80. It also raised the price of Iranian Heavy from Kharg by \$1.55 to BWAVE minus \$6.95.

Iraq's SOMO raised the July official selling price for its Basra light crude bound to Europe by 80 cents/barrel. Basra Light crude for delivery to Europe was priced at dated Brent minus \$5.95/barrel compared to dated Brent minus \$5.15/barrel in June.

Russia's Sibneft said it increased its crude production by 0.4% on the year to 13.87 million tons in January-May. In May, Sibneft produced 2.609 million tons of oil, down 4.4% on the year.

The Customs General Administration said China imported 52.3 million metric tons of crude in January-May, up 5.1% on the year. However the country's imports of oil products fell by 20.6% to 12.75 million tons.

South Korean refiners are expected to continue exporting large quantities of high sulfur fuel oil in July due to high run rates and low domestic demand. According to estimates, HSFO exports next month should be steady around June's estimate volume of 550,000 metric tons.

Petroecuador exported 22.39 million barrels of oil in January-May, up 22% on the year.

Market Commentary

The energy complex settled in negative territory, retracing Thursday's rally as the season's first tropical storm is not expected to have a major impact on production. Some operations at the evacuated operations in the Gulf of Mexico are expected to resume by Monday. The oil companies did not expect the storm to inflict lasting damage on operations. The crude market, which continued to trade within Wednesday's trading range, opened slightly lower at 54.20 and rallied to a high of 54.95 early in the session. However the market failed to test its resistance at 55.00 and retraced its gains. It traded to 53.60 where it held some support before further selling pushed the market to a low of 53.35 ahead of the close. It settled down 74 cents at 53.54. Volume was excellent with over 248,000 lots booked on the day. Meanwhile, the gasoline market was the weakest of the product markets despite the reports of some refinery problems earlier in the session. The market settled down 2.78 cents at 154.36 after it posted an inside trading day. The gasoline market rallied to a high of 158.30 early in the session. However as it failed to test its resistance at its previous high of 158.40, the market retraced its gains and sold off to a low of 154.00 ahead of the close. The heating oil market breached Thursday's high of 163.40 and posted a high of 165.50 early in the session. However the market later retraced its gains and sold off to a low of 160.55 ahead of the close. It settled down 1.82 cents at 160.74. Volumes in

the product markets were good with 52,000 lots booked in the gasoline market and 51,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market switched from a net short position of 17,401 contracts to a net long position of 1,375 contracts in the week ending June 7th. The combined futures and options report showed that non-commercials increased their net long positions from 15,275 contracts to 37,776 contracts on the week. This was amid the market's recent rally. Meanwhile non-commercials in the heating oil market also switched from a net short position of 2,356 contracts to a net long position of 5,910 contracts. Non-commercials in the gasoline market increased their net long positions from 15,793 lots to 20,176 lots on the week. Given the market's continued move higher, non-commercials have likely continued to add to their net long positions.

The market on Monday will likely continue to trade lower as Tropical Storm Arlene is not expected to have a significant impact on production. The latest update on Friday afternoon stated that it still has the opportunity to reach hurricane status before making landfall on Saturday. The overall forward speed appears to have increased and it could move to a more north-northwesterly track. Barring any further support from the heating oil market, the oil market is seen holding its resistance at its highs of 54.95-55.00. More distant resistance is seen at 55.40. Meanwhile support is seen at 53.35, 52.90, 52.45 and 52.25-52.05.

| Technical Analysis | | |
|-----------------------------------|--|--|
| | Levels | Explanation |
| CL 53.54, down 74 cents | Resistance 55.00, 55.40 54.00, 54.95 | Wednesday's high, Double top Friday's high |
| | Support 53.35 52.90, 52.45, 52.25-52.05 | Friday's low Thursday's low, Previous low, Opening gap (June 1st) |
| HO 160.74, down 1.82 cents | Resistance 167.10, 169.70 162.50, 165.50 | Previous high, Basis resistance line Friday's high |
| | Support 160.55 156.60, 155.00 | Friday's low Thursday's low, Previous low |
| HU 154.36, down 2.78 cents | Resistance 162.40, 162.68, 164.50 156.00, 158.30-158.40 | Previous high, Basis resistance line, Previous high Double top |
| | Support 154.00 150.50, 149.00 | Friday's high Thursday's low, Previous low |