



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 11, 2005

OPEC spokesman Abdel-Rahman al-Khrejji, said any OPEC decision for a second 500,000 bpd increase would be based on market need not other factors. He said any terror acts in producer or consumer nations may temporarily impact oil prices but added that he does not expect OPEC to implement such an output increase without long term repercussions to the energy markets.

Iran's OPEC governor, Hossein Kazempour Ardebili said world oil markets will remain unstable for the next three years. He said the rise in real OPEC production in July compared to June may have some downward impact on current oil prices. He said the

Market Watch

The IEA hailed a plan by the Group of Eight to promote energy efficiency and cleaner fuels to fight global warming. The G8 leaders agreed on the plan last week at their summit in Gleneagles in Scotland where they recognized climate change required urgent action but set no targets for reducing emissions of greenhouse gases that cause it. He also welcomed calls from the G8 group for more investment in refining.

European Union Economic and Monetary Affairs Commissioner Joaquin Almunia warned that high oil prices could cut economic growth forecasts for the euro zone. The commissioner's spokeswoman warned oil prices of about \$60/barrel could cut 0.2-0.3% of its third quarter growth forecasts, lowering overall growth in the euro-zone to 1.4% this year.

Iraq is planning to issue new tenders by the end of the year for contracts to develop 11 southern oil fields in a bid to increase production by 3 million bpd. The development plan falls within Iraq's long standing target of increasing its production to 5-6 million bpd by the end of 2010.

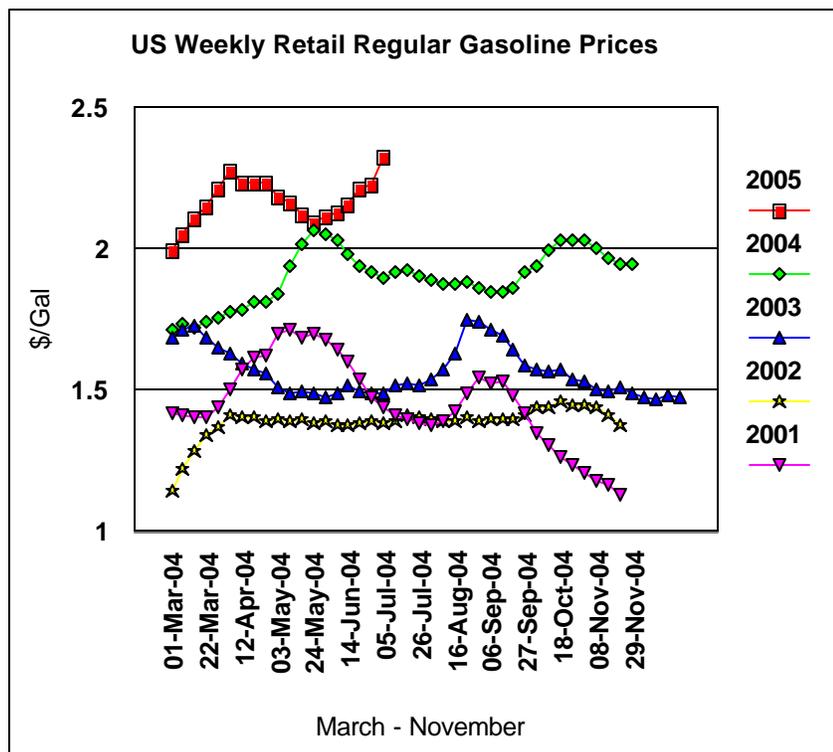
OAQ Lukoil Holdings is confident its ownership structure will not prevent it from participating in auctions for oil and gas deposits deemed strategic.

Nigerian political reform talks have failed to resolve a dispute over how to share the country's oil wealth. Delegates from Nigeria's Niger Delta boycotted political reform talks on Monday. The walk out is a disappointment to President Olusegun Obasanjo, who had billed the talks as a way for all sections of society to have a say in political change. The dispute over resource control drove a wedge between the Niger Delta in the mainly Christian south and the Muslim dominated north. The delta states receive 13% of the nation's oil revenue at the moment and the rest is shared between all 36 states and the federal government. Delegates from the delta want 25%, rising to 50% over five years.

According to a memo written for Britain's Prime Minister Tony Blair by Defense Secretary John Reid, the US and Britain are drawing up plans to withdraw the majority of its troops from Iraq by the middle of next year. It said that the US plans assume that 14 out of 18 provinces could be handed over to Iraqi control by early 2006, allowing a reduction in overall US led forces in Iraq to 66,000 troops. Britain's Defense Secretary did not dispute the authenticity of the document but said no decision had been made. Analysts consider the tenacity of the Iraqi insurgency to be the major impediment to troop withdrawals.

The American Trucking Association reported that its seasonally adjusted monthly truck tonnage index increased 0.8% from its previous estimate.

underlying reasons behind current instability in oil prices will continue to push prices higher for at least the next three years, though he stated that it is difficult to predict how far prices will rise.



According to Euroilstock data, European stocks of gasoline and middle distillates fell in June despite higher refinery throughput. Total oil and oil product inventories increased by 0.19% on the month and by 38.14% on the year to 1.114 billion barrels. It reported that May's total was revised up from 1.111 billion barrels to 1.114 billion barrels. Crude stocks increased by 4.38% on the month and by 14.76% on the year to 479.54 million barrels. Meanwhile, gasoline stocks fell by 1.7% on the month but increased by 13.01% on the year to 145.95 million barrels while distillate stocks fell by 0.37% on the month and increased by 7.55% on the year to 349.58 million barrels.

The Lundberg survey showed that gasoline prices increased to a record high of \$2.33/gallon in the two weeks ending July 8th.

The EIA reported that the average retail price of gasoline increased by 10.2 cents/gallon to \$2.328/gallon in the week ending July 11th. It also reported that the average retail price of diesel increased by 6 cents/gallon to \$2.408/gallon.

Refinery News

Chevron Corp's 325,000 bpd refinery in Pascagoula, Mississippi was shut as a safety precaution.

Motiva said its Norco, La refinery was not damaged by Hurricane Dennis. A company spokeswoman however declined to comment about the status of the units restarting following the outages caused by Tropical Storm Cindy.

Shell Deer Park Refining's catalytic cracking unit at its Deer Park, Texas refinery is operating at reduced capacity following its restart on Thursday. The 67,000 bpd catcracker should reach normal rates by Wednesday.

Valero Energy Corp suffered a power outage at its Corpus Christi, Texas refinery on Sunday and Monday at its west plant. It did not say whether the outage impacted production.

Suncor Energy's 70,000 bpd Sarnia refinery experienced a fire on Sunday. The fire was contained to the facility's naphtha producing units. The remainder of the plant is operating normally.

Nearly all European refineries are back online following a heavy spring and summer maintenance program. However the 250,000 bpd Dreyfus refinery in Wilhelmshaven, Germany, which is due to restart by mid-July following a two to three week shutdown. Also, the Koch refinery is likely to come back up in about a week after it was shut since early June for work to expand capacity by 20% to 80,000 bpd. This year's autumn shutdown program will start with Neste's 200,000 bpd Porvoo refinery in Finland for five weeks starting in late August.

South Korea's SK Corp has closed a distillation unit for a scheduled maintenance shutdown starting Monday. Its 250,000 bpd No. 5 crude distillation unit will be shut for 13 days for repairs, lowering the average run rates at its 850,000 bpd Ulsan refinery to 675,000 bpd in July. Meanwhile, a 45,000 bpd fluid catalytic cracking unit that has been shut for repairs will resume operations on July 18.

Belarus will shutdown two oil refineries for planned maintenance later in the year to upgrade equipment and increase refining. The 239,000 bpd Naftan oil refinery will suspend two thirds of its capacity for a planned maintenance for a month starting July 15. The 323,000 bpd Mozyr refinery will shut two thirds of its capacity during planned maintenance in October. Oil supplies to its two refineries increased by 10.9% on the year to 9.576 million tons in January-June.

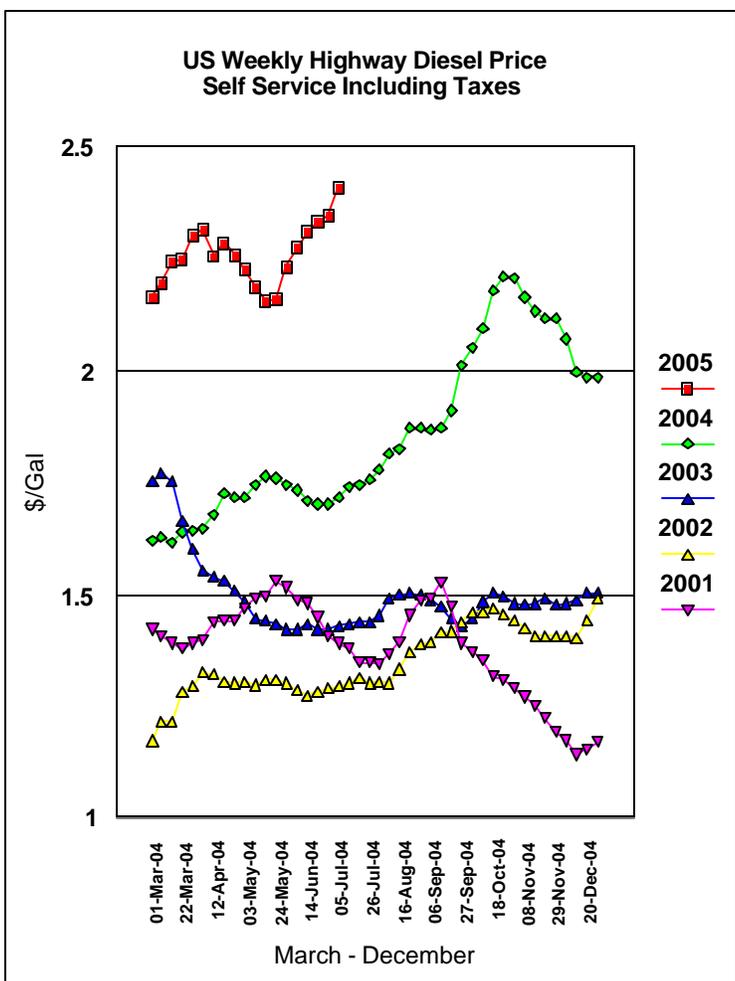
Indonesia's President Susilo Bambang Yudhoyono said Indonesia has decided to build a new oil refinery in Tuban, East Java as part of its long term plan to meet domestic oil products demand. The refinery will have a capacity of 150,000 bpd to 200,000 bpd. Indonesia has attempted to attract foreign investors to build new refineries but domestic oil products prices have made investors reluctant to realize the projects.

Saudi Arabia is in talks to invest in a second major refinery in China following reports that it will participate in a refinery and petrochemical project in southern China. Saudi Aramco and Sinopec are working together to explore the feasibility of developing a new refinery.

Production News

The US Minerals Management Service reported that 1.444 million bpd of crude production is shut in the Gulf of Mexico.

The shut in oil production is equivalent to 96.2% of daily production of oil in the Gulf of Mexico. The cumulative shut in oil production from July 8-11 is 4.038 million barrels. Meanwhile, an MMS official said confirmed the data on suspended oil and gas production in the Gulf of Mexico. He said Tuesday's report is expected to show a drop in suspended production but declined to offer an estimate.



The Louisiana Offshore Oil Port expects to resume offloading oil tankers by Monday morning after operations were suspended on Saturday. Inspections on Sunday turned up no significant damage. The port was able to make deliveries to Gulf Coast refineries from stored crude via pipeline over the weekend without interruption.

Chevron reported that it began returning workers to Gulf of Mexico oil fields and platforms and expects oil and natural gas production to resume early this week. Chevron evacuated about 1,000 workers and shut in about 10,000 bpd of crude production and about 100 mmcf/d of natural gas production. A more specific estimate of when production will return is not possible until staff returns to assess the safety of the platforms and any damage sustained. Meanwhile, Apache expects to have more than 90% of its oil production shut in due to Hurricane Dennis restored by Tuesday morning. It suspended more than 90% of its daily oil production of 65,000 bpd and more than two thirds of its daily natural gas production of 650 mmcf. Separately, ExxonMobil Corp said shut in oil production remains at 40,000 bpd. A spokesman for Marathon Oil said the company had no estimated time for when its shut in oil and gas production would resume but added that workers were preparing to return to the platforms to examine equipment.

Saudi Arabia has notified its customers that it will keep crude supplies steady in August. It will keep August crude supplies to US refiners steady at about 25% below contract levels. European refiners have been receiving about 70-75% of contract volumes. A Saudi oil industry source said Saudi Arabia has kept its production unchanged at about 9.5 million bpd because of a lack of buying interest for the 1.5 million bpd of Saudi high sulfur crude left in reserve.

Chevron said a strike over pay in Angola's Cabinda oil fields ended on Sunday and production is resuming. A Chevron spokesman was unable to say how much production had been lost due to the strike.

Statoil ASA said production on two oil platforms Veslefrikk and Huldra has resumed after the platforms were shut since on July 6.

The August loading program for North Sea Forties crude scheduled the loading of 12.75 million barrels, down from July's 16.8 million barrels. The North Sea Statfjord crude system plans to load 17 cargoes in August, up from 14 in July. The loading plans show a daily loading rate of 469,000 bpd from July's 386,000 bpd. Meanwhile the August loading program for Ekofisk scheduled the loading of 16.4 million barrels, down from 16.8 million barrels in July.

The UK North Sea loading plan for Brent, Forties and Oseberg crude fell to 980,000 bpd for August, down from 1.09 million bpd in July.

OPEC's news agency reported that OPEC's basket of crudes increased by \$0.12/barrel to \$54.94/barrel on Friday.

Iraq has cut the August official selling price of its Basra Light crude to US buyers by 70 cents/barrel and for European buyers by \$1.30/barrel. SOMO set the price of Basra Light crude to US buyers at a discount of \$7.35/barrel to the second month WTI. It cut the August price to European buyers to a discount of \$7.25 to Dated BFO prices from a discount of \$5.95/barrel in July. Iraq has also cut the Asian price by 35 cents to a discount of \$1.55 to the average of Oman/Dubai quotes.

Iran has cut its August prices for crude oil to buyers lifting from Sidi Kerir and Kharg Island and for customers in Northwest Europe. The National Iranian Oil Corp set the August official selling price for Iranian Light for Sidi Kerir at a discount of \$4.90/barrel to BWAVE. It also cut prices for its Heavy and

Foroozan crude by \$1.50 at Sidi Kerir to BWAVE minus \$7.05 and \$6.95, respectively. It cut the August price for Iranian Light from Kharg Island by \$1.40 from July to BWAVE minus \$6.20/barrel.

Nigeria's central bank reported that the country's oil production increased by 150,000 bpd to 2.45 million bpd in May. Its April production level was revised down to 2.3 million bpd from 2.36 million bpd reported earlier. Nigeria's oil output is expected to rise sharply in the final quarter of 2005 when the 225,000 bpd Bonga field is expected to come on stream.

According to customs data, China's imports of crude oil in June fell as retail price caps and signs of declining demand in the country, encouraged refiners to cut processing rates and draw from inventories. Shipments of crude in June stood at 11.12 million tons or 2.71 million bpd, down from 11.27 million tons or 2.74 million bpd in June 2004. Crude oil imports in the first six months of the year were 63.42 million tons, up 3.9% on the year.

The Caspian Pipeline Consortium exported 2.299 million tons of oil in June, up 21.9% on the year. In June, Russian companies' oil exports through CPC amounted to 234,000 tons.

Indonesia's president postponed a trip to China, Thailand and Brunei on Monday to focus on the issue of domestic oil shortages.

Indonesia has purchased 400,000 barrels of diesel for August, bringing the total purchase to match its tender request. Overall Pertamina purchased 1.68 million bpd of gasoil, fuel oil, gasoline and jet fuel for August. Pertamina said it will increase national oil product stocks to 22 days by the end of July from the current 19 days. It has stated that it would import a total of 13.08 million barrels of oil products in August and 14.5 million barrels in September.

Japan Energy Corp started shipping diesel oil to China United Petroleum Corp under a one year contract effective through next March. The contract calls for Japan Energy to supply 140,000 kiloliters of diesel oil.

Market Commentary

The oil market gapped lower this morning from 59.55 to 58.60 in follow through selling seen in overnight trading as Hurricane Dennis seemed to have limited impact on oil and gas facilities in the Gulf of Mexico. Some oil companies were reporting that they began returning their workers to their platforms and their production is expected to resume as soon as assessments are made. The crude market partially backfilled its gap as it traded back towards the 59.00 level early in the session. However the market, which failed to backfill its gap, erased its gains and traded to a low of 58.02 before it settled in a sideways trading pattern for much of the day. Late in the session, the market rallied to a high of 59.10 on further buying on the close. The market seemed to have been supported

by the MMS report indicating that about 1.444 million bpd of crude production was shut in and a total of over 4 million barrels was

Technical Analysis		
	Levels	Explanation
CL 58.92, down 71 cents	Resistance 61.01, 61.90	Basis trendline, Friday's high Remaining gap (July 11th)
	Support 59.10 to 59.55	
	Support 58.02 56.70	Monday's low Previous low
HO 168.18, down 3.63 cents	Resistance 175.10 169.20 to 171.30	Basis trendline Remaining gap (July 11th)
	Support 167.16, 166.10 165.00	Basis trendline, Monday's low Previous low
	Support 179.35, 181.30, 186.00 175.80 to 176.00	Previous highs Remaining gap (July 11th)
HU 173.21, down 3.13 cents	Support 170.05 167.15, 165.30	Monday's low 62% retracement (155.50 and 186.00), Previous low

shut in since Friday. The market settled near its high at 58.92, down 71 cents. Volume in the crude was excellent with over 193,000 lots booked on the day. Meanwhile the heating oil market settled down 3.63 cents at 168.18. The market gapped lower from 171.30 to 168.00 in follow through selling seen in overnight trading. The market partially backfilled its gap as it traded to a high of 169.20. However the market, which failed to fully backfill its gap, traded in a sideways trading pattern. Similarly, the gasoline market gapped lower this morning from 176.00 to 173.00 and partially backfilled the gap as it traded to a high of 175.80 within the first hour of trading. However the market gave up its gains and traded to a low of 170.05 before it quickly retraced some of its late losses amid the strength in the crude market. The volumes in the product markets were good with 54,000 lots booked in the heating oil market and 50,000 lots booked in the gasoline market.

The oil market on Tuesday will likely see some follow through from today's late rally on the close after it ended near its high. The market is seen finding resistance at its gap from 59.10-59.55. It will likely settle in a sideways trading pattern once again ahead of the release of the MMS report late in the session. An MMS official stated that there will likely be a substantial drop in shut in production as oil companies resume their production. If there is no substantial improvement, the market will once again rally ahead of the close. The market is seen finding support at its low of 58.02 followed by more distant support at its previous low of 56.70.