



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 13, 2005

According to the IEA, world oil demand in 2005 is slower than expected due to lower than expected demand growth rates in

China and the US. It revised down its estimate for world oil demand growth this year by 200,000 bpd to 1.58 million bpd or 1.9%. It also revised down its projection for China demand growth by 100,000 bpd to 360,000 bpd or 5.5% following a 1% decline in the second quarter and 4.3% growth in the first quarter. China's oil demand fell by 4% on the month in May. Oil imports in China fell to 150,000 bpd from 750,000 bpd. It forecast world demand in 2006 at 85.62 million bpd, up 1.75 million bpd or a 2.1% growth rate. The IEA said oil supply from non-OPEC countries was set to accelerate next year and combined with growth in OPEC gas liquids output it is expected to match world oil demand growth. It said non-OPEC production was expected to increase by 1.4 million bpd to 52.4 million bpd. In addition OPEC is expected to add 300,000 bpd of gas liquids. Its call on OPEC crude is estimated at 28.1 million bpd in 2006. Meanwhile, it revised down its call on OPEC crude for the fourth quarter by 600,000 bpd to 29 million bpd. It reported that stocks of crude and products in OECD nations increased sharply by 2.5 million bpd, lifting stocks to 139 million over last year's level. It increased the days of forward supply to 54 days, up from 52.5 days last year. In regards to North Sea oil production, it said combined oil output from North Sea oil producers is expected to fall by 5% in 2006 to 4.67 million bpd compared with expected production in 2005 of 4.93 million bpd. The IEA also stated that the world oil supply sector is responding to high oil prices, although it will be some time before new oil output reaches the market. Spending on exploration and production is set to increase about 13% on the year.

Market Watch

Home Depot Inc recently announced its plans to build convenience marts that sell gasoline and food at four Home Depot stores in Nashville, Tennessee. The project is scheduled to start in December. Analysts however question whether the gas marts would be a good fit for the company.

Indonesia's Oil Minister Purnomo Yusgiantoro said the country feels OPEC should increase its oil production even beyond the current high levels in order to lower oil prices. However he acknowledged that there were limitations on OPEC's production.

Refinery News

Shell Deer Park Refining's 67,000 bpd fluid catalytic cracking unit is expected to resume normal operations on Thursday. It has been operating at reduced rates following its restart last Thursday.

ConocoPhillips' Sweeny refinery shut a unit on Tuesday due to a power outage. A power outage caused the regenerative thermal oxidizer unit to shut down. A report filed with the Texas Commission on Environmental Quality did not say whether production was affected.

Coffeyville Resources has plans to expand its 100,000 bpd refinery in Kansas by about 10%-15%. The plant will add units that will enable it to comply with new fuel standards. It plans to bring a diesel hydrotreater online in the third quarter of 2006 and start a new continuous catalytic reformer unit.

Taiwan's Formosa Petrochemical Corp is expected to delay the restart of its crude distillation unit at its refinery in Mailiao to August 10 from late July. The 150,000 bpd crude distillation unit was shut on June 11 for 50 days of maintenance.

Production News

The MMS reported that as of Wednesday there was a total of 231,789 bpd of crude oil still shut in the Gulf of Mexico. It is equivalent to 15.45% of daily production in the Gulf of Mexico. The cumulative amount of crude production shut in since Friday is 5,220,149 barrels.

BP said its Thunder Horse platform, which is listing 20 degrees, has become more secure overnight and added that some power to the platform was restored. A team of engineers is inspecting the damage and working to start pumps in an attempt to level the platform. The tilting was discovered on Monday after the facility was evacuated on Friday due to Hurricane Dennis. BP has stated that it does not know the cause of the problem. Underwater inspections of the hull did not reveal any damage. The platform was planned to come on stream later this year and pump 250,000 bpd at peak capacity and 200 mmcf/d of natural gas.

Chevron Corp is pumping out more than three-fourths of its production after Hurricane Dennis. However 25% of its production is suspended due to pipeline issues. Safety inspections and testing by third party pipeline operators are delaying the resumption of shut in production.

Venezuela's PDVSA is on alert as Tropical Storm Emily is expected to come close to Venezuela Thursday and Friday. However it has not delayed any cargoes yet.

The average daily loading rate of nine North Sea crude systems is expected to fall by 5.3% in August compared with the previous month. The majority of the fall is in the Forties stream, which is down 131,000 bpd on the month. Meanwhile, the August loading plan for Norway's North Sea Troll system shows the loading of 8.58 million barrels or 277,000 bpd, up from 265,000 bpd.

China's customs data showed that the country's net imports of oil products, excluding LPG, fell by 45% in the first half of 2005 to 8.11 million tons. Government caps on retail prices have made it difficult for refiners to turn a profit as world oil prices remain high. They have been cutting supplies to domestic markets while raising exports to try and recoup losses.

Russian companies may be able to export 5 million tons of oil annually to China through Kazakhstan's oil pipelines starting January 1, 2006. An oil pipeline from Atasu to China's Alashankou railway station is expected to be built this year and launched in January. The pipeline's annual throughput capacity is expected to total 10 million tons.

Kazakhstan's crude oil and gas condensate production in January-June increased by 8.9% on the year to 30.72 million tons or 1.29 million bpd. Kazakhstan's crude oil production increased by 2.9% in January-June to 25.238 million tons while gas condensate increased by 59% on the year to 5.882

million tons. Meanwhile its crude oil and gas condensate exports in January-May reached 24.1 million tons, up 11.5% on the year.

Kazakhstan's KazMunaiGaz produced 4.577 million tons of oil and gas condensate in January-June, up 7.8% on the year.

Indonesia expects domestic refined oil products consumption to increase by 5 million kiloliters of 31.4 million barrels this year, despite high oil prices. Indonesia has targeted domestic oil products consumption at 59.6 million kiloliters under its 2005 budget.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1/barrel to \$54.31/barrel on Tuesday.

Market Commentary

The oil market failed to break out of Tuesday's trading range and posted an inside trading day. The market, which settled down 61 cents at 60.01, was pressured ahead of the close as concerns related to Tropical Storm Emily eased. The market was also pressured early on by the IEA report which indicated that it cut its world demand growth by 200,000 bpd to 1.58 million bpd. The August crude contract traded mostly sideways early in the session. However it traded to a low of 59.90 in light of the DOE and API reports showing larger than expected builds in distillate stocks. The crude market bounced off that level and rallied to its high of 61.10. The market, which held resistance at its previous high of 61.25 erased its gains and settled in a range before further selling ahead of the close pushed the market to a low of 59.80. Volume in the crude market was excellent with over 233,000 lots booked on the day. Meanwhile, the heating oil market settled down 3.36 cents at 171.79 in light of the large distillate stock builds reported by the DOE and API. Similar to the crude, the heating oil market posted an inside trading day. It traded to an early low of 171.00 before it rallied to its high of 174.25. However the market remained pressured and sold off to a low of 170.70 late in the session. Unlike, the crude and heating oil markets, the gasoline market posted an outside trading day. It traded to a high of 179.85 early in the session before it sold off to a low of 174.00 ahead of the close. It settled down 2.12 cents at 175.42.

The oil market may continue to trade lower as concerns over Tropical Storm Emily dissipate. The forecast track has moved further south and now projects the storm to strike Mexico's Yucatan peninsula on Monday. The storm is not seen impacting the oil and gas production in the Gulf of Mexico. The market is seen finding support at its lows of 59.80 and 59.78. More distant support is seen at 59.10. Meanwhile, resistance is seen at 61.10, 61.25 followed by 61.90.

Technical Analysis		
	Levels	Explanation
CL 60.01, down 61 cents	Resistance	61.90 Previous high
		61.10, 61.25 Wednesday's high, Tuesday's high
	Support	59.80, 59.78 Double bottom
HO 171.79, down 3.36 cents		59.10 Backfills opening gap (July 12th)
	Resistance	179.40 Previous high
		174.25, 175.40 Wednesday's high, Tuesday's high
HU 175.42, down 2.12 cents	Support	170.70 Wednesday's low
		170.25 to 169.20 Opening gap (July 12th)
	Resistance	181.30, 186.00 Previous highs
	179.85 Wednesday's high	
	174.00 Wednesday's low	
	170.05 Previous low	