

ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 22, 2005

An Iraqi shipping source stated that crude oil exports from Iraq's northern oilfields to the Turkish terminal of Ceyhan remained on hold on Friday. Storage of Iraqi Kirkuk crude at Ceyhan stood at about 1.3 million barrels, still well below the volume needed for SOMO to issue a new tender.

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said

the world oversupply in crude oil would fall to 1 million bpd in the third quarter and 600,000 bpd in the fourth quarter, down from 2.4 million bpd during the second quarter. Separately, Indonesia's OPEC governor Meizar Rahman said that the yuan's revaluation overnight is unlikely to increase China's long term oil demand. The more expensive yuan could hurt Chinese exports, which in turn would likely slow manufacturing output and lower industrial consumption of oil.

Market Watch

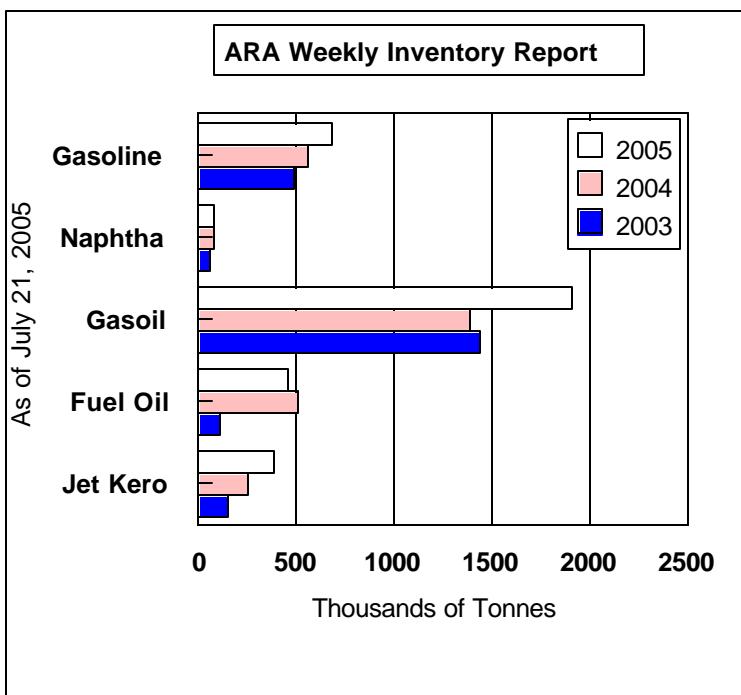
US Energy Secretary Samuel Bodman said world oil demand is strong enough to keep the market tight. His comments came as forecasters at the IEA and OPEC revised down their forecasts for growth in world oil demand this year, in part due to perceived slowing of Chinese demand. He said China's economic growth and oil demand remain strong, though he did not believe demand would get an increase from China's revaluation of the yuan.

Separately, analysts stated that China's current revaluation may cause a short term increase in Chinese oil demand but in the longer term the economic cooling expected from the revaluation is expected to be largely neutral for its oil consumption and for oil prices.

A warlord from the Niger Delta, Mujahid Dokubo-Asari, who was questioned by the secret police said he has no plan to attack oil infrastructure but said he would continue to call for the break up of Nigeria. The interrogation came as tension was high in the southern delta following an unsuccessful attempt to gain a greater share of oil revenue from the central government. Nigerian papers said the secret police's move was a sign the government was worried about militancy in the delta after delegates from the region walked out of a political reform conference because it refused to grant them a much larger share of oil revenue.

Refinery News

PDVSA was forced to shutdown an 85,000 bpd catcracker at its Cardon refinery due to mechanical problems. The unit is located at PDVSA' main export point in the Paraguana refining complex. Gasoline output has been reduced by about 80,000 bpd. There is no estimate on how long the unit will remain shut.



Valero Energy Corp suffered a power outage at its 340,000 bpd Corpus Christi, Texas refinery on Thursday. The outage affected multiple refinery complexes, containing a variety of process equipment. It said not significant impact on production is expected.

Shell Deer Park Refining's 340,000 bpd Texas refinery is operating at reduced rates due to delays in receiving shipments of crude oil from Mexico. The refinery has been at reduced rates since Wednesday, as Pemex shut in oil production and halted shipments. Deer Park hopes to return to normal rates early next week. The only issue is whether this week's delays will cause bottlenecks of tankers in the Houston Ship Channel, further delaying a return to normal rates.

TNK-BP plans to invest about \$150 million in the next five years to modernize its Lysychansk oil refinery in Ukraine. It is studying various investment projects to increase efficiency of its 124,509 bpd Ukrainian refinery, raise quality and expand the range of oil products. In the first six months of the year, the refinery refined 2.56 million tons of oil or 103,100 bpd. TNK-BP also plans to increase its oil transit via Ukraine's oil pipeline Odessa-Brody. Oil shipments via the pipe could grow to about 6 million tons by the end of the year. It has shipped 3.8 million tons of crude since the start of the year.

Production News

The MMS reported that there was 7,886 bpd or 0.53% of oil production shut in on Friday in the Gulf of Mexico. The cumulative amount of oil production shut in since July 18 is 240,024 barrels.

Pemex reported that Mexico has resumed full production of 2.95 million bpd after wells were shut in due to Hurricane Emily. Pemex started resuming its production and export operations on Wednesday. Its natural gas production also resumed at a level of 1.6 bcf/d. The company however declared force majeure on some exports of crude oil to the US. The force majeure may affect as much as 10 million barrels of short haul crude to US refiners. A trader at a US refiner said Pemex declared force majeure for shipments of up to 4 million barrels of crude in July and 5 million barrels of crude in August.

Gasoline and gas oil stocks held in independent Amsterdam-Rotterdam-Antwerp storage tanks fell this week. Gasoline stocks fell 100,000 tons to 700,000 tons while its gas oil stocks fell by 25,000 tons to 1.925 million tons in the week ending July 21st. However gasoline and gas oil stocks were still well above last year's levels. Naphtha stocks were unchanged at 100,000 tons while fuel oil stocks built by 125,000 tons to 475,000 tons and jet fuel stocks built by 50,000 tons to 400,000 tons.

Nigeria's August crude export schedules forecast about 2.15 million bpd of crude oil, slightly lower than the 2.24 million bpd scheduled for July. Traders were still compiling September loading schedules and said it was too early to give an indication of how much crude would load.

Nigeria has raised its August official selling price for Bonny Light and Qua Iboe crude to Dated Brent plus \$1, up 40 cents from July. It also increased the price of its Escravos crude to Dated Brent plus

\$.60, up 25 cents while its Forcados crude was increased to Dated Brent plus \$.90, up 40 cents and its Pennington crude was increased to Dated Brent plus \$2.75, up \$1.15 on the month.

OPEC's news agency reported that OPEC's basket of crudes fell to \$51.23/barrel on Thursday to \$52.15/barrel on Friday.

China's oil companies refrained from cashing in on a stronger yuan as they maintained short term export plans despite China's revaluation and retail price rise. China decided to raise its retail fuel prices starting

Saturday to increase refining margins. Its diesel prices are expected to increase by 6% to 4,388 yuan/ton while its gasoline prices are increased by 6.4% to 4,975 yuan/ton. Sinopec Corp said it is still reselling excess crude and gasoline supplies. It is also expected to export 170,000 tons in August. Sinopec and PetroChina will also refrain from importing any diesel. PetroChina said it would resell 120,000 tons in August.

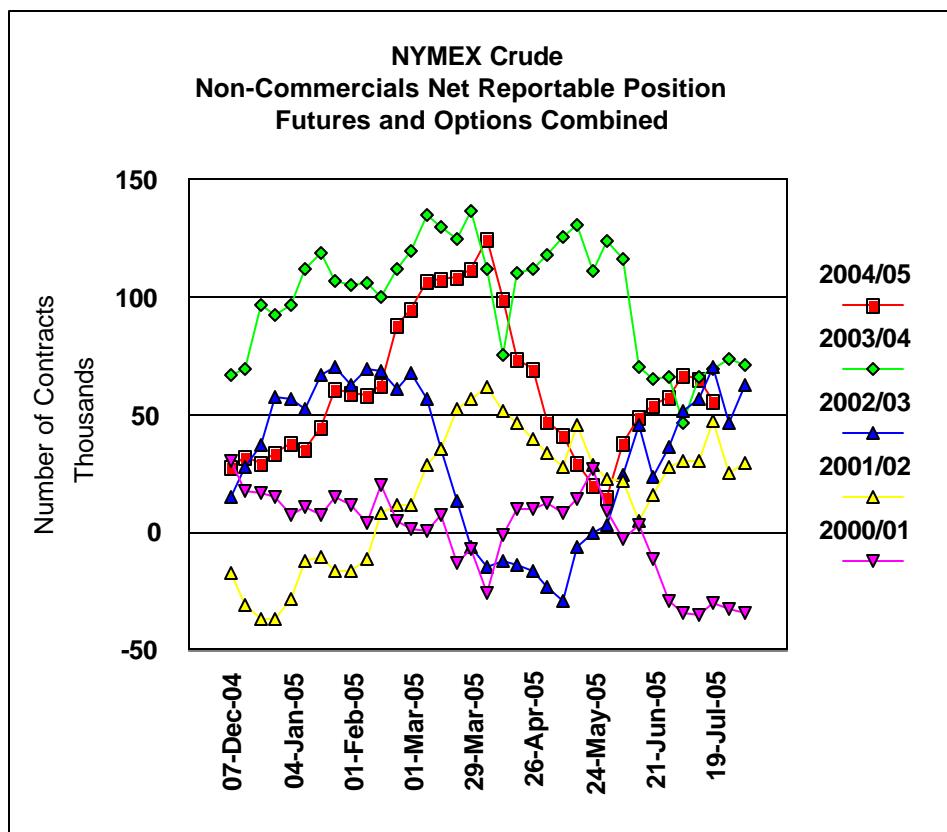
China National Petroleum Corp's crude production for the first half of the year totaled 65.45 million metric tons, up 3.9% from a year ago. It processed 59.3 million tons of crude in the first half of the year, up 10.4% on the year.

China is concerned that Russia has not fulfilled its oil supply commitments to China in the first half of the year. Under a bilateral agreement, Russia will supply 10 million tons of oil to China this year by rail. However it supplied 3.75 million tons of oil to China in January-June.

India will review domestic prices of petrol and diesel if oil companies report losses after June 20 when fuel prices were increased by about 7%.

Lithuania's Mazeikiu Nafta refined 4.42 million tons of oil in January-June, up 13.3% on the year. It exported 2.6 million tons of oil, down 43.5% on the year. It plans to refine 9.5 million tons of crude oil this year, up 9.2% on the year.

Russia will begin to build its \$11.5 billion oil pipeline to the Pacific in December. Construction is expected to start on the western half of the pipeline, from Taishet to Skovorodino. Transneft hopes the pipeline would deliver as much as 80 million tons of oil a year or 1.6 million bpd to Asian Pacific markets. It is building the pipeline in two stages. It expects to finish the first at Skovorodino in mid-



2008. Until the second stage is built, the pipeline will carry 600,000 bpd of crude, less than a third of its final capacity.

Exports from Sudan's new 140,000 bpd Dar Blend crude are likely to be at least two months behind schedule given the lack of any defined loading plan. Sudanese authorities and foreign operators have yet to inform oil traders of any dates or volumes for exports, indicating that supplies may start flowing only in October. It was not clear whether exports were being hampered by delays in commissioning the new pipeline that will carry the crude from the southeast to the coast or by production problems at the fields.

Market Commentary

The oil market retraced some of its recent losses in a technical rebound ahead of the weekend. The market also seemed to have been supported by concerns of a tropical wave in the eastern coast of the Yucatan Peninsula, which is expected to move into the Gulf of Mexico. The crude market opened 47 cents higher at 57.60 and quickly posted an intraday low of 57.35. The market bounced off that level and traded to a high of 58.10, where held some resistance. However the market continued to trend higher and rallied to a high of 58.70 ahead of the close as some light stops were triggered. It settled up \$1.52 at 58.65. Volume in the crude was light with only about 117,000 lots booked on the day. The gasoline market settled sharply higher at 172.80, up 4.70 cents following reports that PDVSA was forced to shutdown a catcracker at its Cardon refinery due to mechanical problems. The gasoline market gapped higher from 169.00 to 169.20, which it quickly backfilled as it traded to a low of 167.50. The market bounced off its low and traded towards the 170.00 and settled in a sideways trading range. However the market was further supported by the refinery news. It rallied to a high of 173.50 ahead of the close. Meanwhile, the heating oil market posted an inside trading day after failing to find the momentum to break out of Thursday's range. The market traded off its low early in the session and rallied to its high of 156.20 in light of the strength in the crude and gasoline market. Volumes in the product markets were good with 35,000 lots booked in the gasoline market and 41,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market cut their net long positions by 15,130 contracts to 18,899 contracts in the week ending July 19th. Non-commercials cut their total long positions by 13,564 contracts to 108,705 contracts. Meanwhile, the combined futures and options report also showed that non-commercials in the crude market fell by 9,679 contracts to 55,588 contracts on the week. Given the market's continued sell off, the funds have

continued to cut their net long positions. Non-commercials in the gasoline market also cut their net long positions by 6,762 contracts to 32,273 contracts on the week

Technical Analysis		
Levels		Explanation
CL 57.13, down 89 cents	Resistance 59.13, 59.65 58.70	Basis trendline, Previous high Friday's high
	Support 58.00 57.35, 56.50	Friday's low, Previous low
HO 156.89, down 2.88 cents	Resistance 160.52, 161.00 159.10	Basis trendline, Previous high Friday's high
	Support 156.20 155.60, 154.00	Friday's low Previous lows
HU 172.80, up 4.70 cents	Resistance 174.25, 175.50, 177.02 173.50, 173.70	50% (186 and 162.50), Previous high, 62% Friday's high, Previous high
	Support 170.00 167.50, 165.10	Friday's low, Previous low

while non-commercials in the heating oil market built their net long position from 6,187 contracts to 9,563 contracts on the week.

The market on Monday will likely remain supported amid the news of the refinery problems and force majeure declared by Pemex on some of its exports to the US. The market will also be supported if the tropical wave in near the Yucatan Peninsula does develop over the weekend and heads into the Gulf of Mexico. The National Hurricane Center said conditions appear favorable for some possible development over the weekend as the system moves into the Gulf of Mexico. The crude market is seen finding resistance at 58.70 followed by 59.13 and 59.65. Meanwhile support is seen at 58.00 followed by its low of 57.35 and 56.50.