



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 2, 2005

Indonesia's Energy Minister Purnomo Yusgiantoro said OPEC should keep its output ceiling unchanged when it meets on June 15. He said OPEC should continue to produce at current levels until oil prices fall. He said the supply of crude oil is currently more than sufficient and stated that the reason for the recent price surge is partly due to a shortage of US refining capacity. He stated that in the months ahead, the world crude market is unlikely to face any serious supply shortage, despite an expected increase in US gasoline demand during the summer driving season and strong heating oil demand in the winter. Meanwhile, Qatar's Oil Minister Abdullah bin

Market Watch

The EPA ordered California, New York, and Connecticut to continue using air pollution reducing gasoline additives. The states had asked the EPA to waive a 1990 requirement in the Clean Air Act that gasoline contain an oxygenate to help fight pollution. They argued that they could meet federal air standards without the oxygen content requirement for reformulated gasoline. The EPA said California failed to prove that the waiver would help it attain federal standards while New York and Connecticut failed to deliver sufficient technical data.

According to the EIA, US demand for distillates is outpacing demand for gasoline. Over the past four weeks, gasoline demand has averaged over 9.3 million bpd or 1.8% above last year's level while distillate demand has averaged 4.1 million bpd, or 5.2% above last year's level. Analysts noted that rising diesel demand from truckers, moving products from China from the West Coast and higher jet fuel use by airlines. The US has also been exporting more diesel to Europe and to South America.

An executive at Marathon Oil Corp said oil price levels have steadied at higher levels, averaging closer to \$35/barrel over the long term rather than below \$25/barrel as the industry is accustomed to. Marathon expected to produce about 420,000 to 480,000 bpd of oil equivalent by 2008.

Sources stated that negotiations for a \$5 billion heavy crude upgrading project in Venezuela has been put on hold until the partners resolve an outstanding \$1 billion tax issue.

Norway's statistics agency increased its estimate for investment in the country's oil and gas sector by 4% to a record high of 92 billion Norwegian crowns or \$14.21 billion from its previous estimate of 88.5 billion crowns. Oil and gas investment is seen falling to 65.1 billion crowns in 2006.

The NYMEX hired JP Morgan Chase & Co. as an investment adviser as it evaluates an offer from two investment firms, Blackstone Group LP and Battery Ventures to buy a 20% stake for \$185 million. The offer from Blackstone and Battery would split equity in the exchange from the right to trade. The firms are also offering to buy the trading rights for up to 75 seats.

Hamed al-Attayah said OPEC is unlikely to cut output if prices remain high. He however remains concerned that rising oil inventories could coincide with lower than expected demand in the second half of the year.

Iraq's northern oil exports to the port of Ceyhan resumed late on Wednesday after exports were halted for five days. Iraqi crude oil stocks at the terminal stood at about 2.8 million barrels. Meanwhile, Iraq's SOMO has increased its sale of crude in storage to Turkey's Tupras to 2.2 million barrels.

According to Oil Movements, OPEC's crude oil shipments fell by 290,000 bpd to 24.26 million bpd in the four weeks ending June 18. It said the fall reflects decreasing demand from buyers. It said long haul tanker arrivals to the US are also off and should be reflected in a draw in inventories. It said shipments from the Middle East should fall by 330,000 bpd to 17.3 million bpd while eastbound exports from the Middle East are expected to increase by 0.4% to 12.4 million bpd and westbound exports are likely to fall 7.3% to 4.9 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$49.30/barrel on Wednesday, up from \$47.60/barrel on Tuesday.

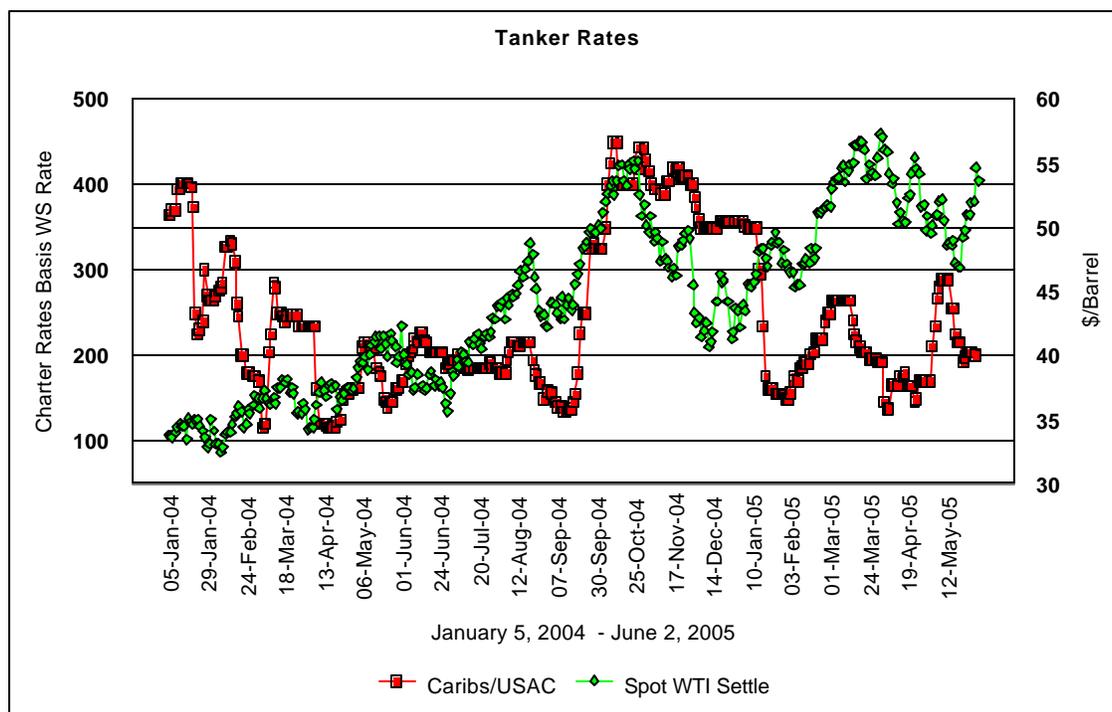
Refinery News

BP Petroleum Plc is restarting a fluid catalytic cracking unit at its 460,000 bpd Texas City, Texas refinery on Thursday. The unit was shut to perform maintenance.

Maintenance work on a fluid catalytic cracking unit at Deer Park Refining's 340,000 bpd Houston, Texas refinery has not cut its runs while catalyst is being exchanged. The maintenance started on May 25 and is scheduled to end on June 24.

A planned 10 day strike by Hellenic Petroleum workers starting June 10 could cut its output by 50% and disrupt fuel supplies to local and export markets. Hellenic Petroleum workers said they would start a strike on June 10 after wage talks with company officials broke down. However the company played

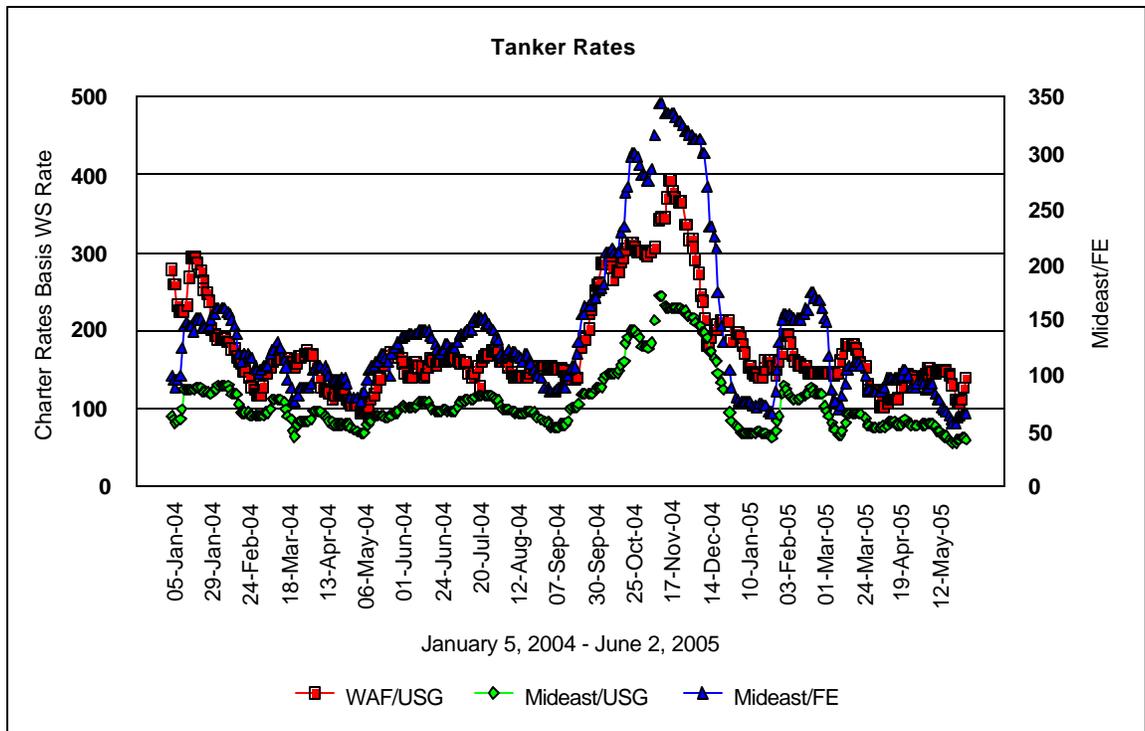
down the possible impact on its production. A company official said he did not expect any disruption even if the strike were to proceed.



Production News

Russian Energy Ministry data showed that Russia's oil production in May

increased by 30,000 bpd on the month to 9.33 million bpd. However its production remained below its high of 9.42 million bpd reported last year. Production has fallen due to seasonal factors, the Yukos crisis and higher taxes.



Russia's oil and gas condensate output was 191.753 million tons or 9.31 million bpd in January-May, up 3.9% on the year. Russia's fuel oil production increased to 22.967 million tons in January-May from 22.157 million tons reported last year. In May, its fuel oil output totaled 4.255 million tons. Meanwhile its diesel fuel production increased to 23.815 million tons from 22.508 million tons reported last year. Its diesel production in May totaled 4.8 million tons. It reported that oil exports via Transneft increased by 11% to 89.065 million tons or 4.32 million bpd. It seaborne oil exports increased by 15% on the year in the January-May period to 53.33 million tons or 2.59 million bpd. The rise was mainly due to new capacity at the Baltic port of Primorsk, which exported 23.53 million tons or 1.14 million bpd in January-May, up 43% on the year. Its oil exports to countries in the Commonwealth of Independent States fell by 8.6% on the year to 2.864 million tons in May. Its oil exports to countries outside the Commonwealth of Independent States increased by 17.3% on the year to 20.121 million tons in May. The Energy Ministry also reported that crude oil supplies to Russian refineries fell by 3.8% on the year to 17.932 million tons in May.

Total former Soviet Union fuel oil exports from Baltic and Black Sea port fall in May due to a fall in flows from Ukraine. Fuel oil shipments fell by 206,000 tons on the month to 3.22 million tons. Exports from the Baltic region increased by 67,000 tons to 2.461 million tons while exports from the Black Sea fell to 748,200 tons, down 290,000 tons on the month.

Russia is scheduled to ship 4% less crude oil from its main ports in June as the country's production growth slows and the export duty on crude increases. Oil loadings at the main export outlets of Primorsk, Novorossisk, Tuapse, Yuzhny and Butinge are expected to total 2.35 million bpd in June, down from 2.44 million bpd in May. The scheduled crude loadings from Primorsk will increase from 1.13 million bpd in May to 1.15 million bpd in June while exports from Novorossisk will fall to 867,000 bpd from 934,000 bpd in May. Crude loadings from the Black Sea port of Yuzhny will fall to 122,000 bpd, down from 172,000 bpd in May while loadings at Butinge will fall to 101,000 bpd from 136,000 bpd.

The Chevron led Caspian Pipeline Consortium, which pumps oil from Kazakstan and Russia to the Black Sea, said its exports fell in May by 40,000 bpd to 614,000 bpd.

Azerbaijan's Socar reported that the country's oil product exports fell to 769,902 tons in January-May, down 10.84% on the year. Socar exported 355,141 tons of oil products during the period. Meanwhile, Socar's oil production fell by 0.1% on the year to 3.729 million tons in January-May.

Market Commentary

The oil market ended in negative territory after the complex erased its earlier gains ahead of the close. The crude market ended lower following seven consecutive trading sessions of gains. Early in the session, the oil market was well supported by the continued fund buying despite the mostly bearish inventory reports. The July crude contract, which was trading in a range from 54.15 to 54.40 ahead of the reports, traded to 53.90 before it rallied to its high of 55.40 despite the DOE showing builds across the board. The DOE reported yet another large build in total petroleum stocks of 7.4 million barrels in the latest week, which the market surprisingly shrugged off. The crude market however retraced its gains and traded to 53.80 before it once again traded in positive territory. In a yo-yo pattern, the market was later unable to find further upside momentum and erased its gains ahead of the close. It posted an intraday low of 53.50 on the close and settled down 97 cents at 53.63. Volume in the crude market was good with 251,000 lots booked on the day. Meanwhile the heating oil market, which continued to support to the complex early in the session, settled up 22 points at 154.22. The market posted a low of 153.00 on the opening and quickly extended its gains to 5.5 cents as it rallied to a high of 159.50. The market rallied following the release of the DOE and API reports, which showed builds of about 700,000 barrels. The heating oil market later retraced some of its gains and held some support at 155.00, which it later breached ahead of the close as it traded to 154.00. Similar to the crude market, the gasoline market traded to a high of 156.00 early in the session despite the DOE report showing a build in gasoline stocks of 1.3 million barrels. The market however retraced its gains and settled in its early trading range before further selling ahead of the close pushed the market to its low of 151.00. It settled down 2.88 cents at 151.54. Volumes in the product markets were good with 57,000 lots booked in the heating oil and 45,000 lots booked in the gasoline market.

The oil market on Friday will likely retrace its gains further early in the session following today's sharp gains despite the mostly bearish stats. Technically, the crude market is seen find resistance at 54.75 followed by its high of 55.40. More distant resistance is seen at 55.45. Meanwhile support is seen at 53.50

followed by 52.50. More distant support is seen at 52.25-52.05, 50.90 and 50.65.

Technical Analysis		
	Levels	Explanation
CL 53.63, down 97 cents	Resistance 55.45, 55.80, 57.20 54.75, 55.40	Previous highs Thursday's high
	Support 53.50, 52.50 52.25-52.05, 50.90, 50.65	Thursday's low, 38% retracement (48.05 and 55.40) Opening gap (June 1st), Previous lows
HO 154.22, up 22 points	Resistance 159.50, 159.80, 161.50 158.00	Thursday's high, Previous highs
	Support 153.00 150.18, 147.30, 146.10, 144.42	Thursday's low 38% (135.10 and 159.50), 50%, Previous low, 62%
HU 151.54, down 2.88 cents	Resistance 156.00, 156.40 152.50, 155.00	Thursday's high, Previous high
	Support 151.00 149.31, 147.25, 147.05, 145.19	Thursday's low 38%(138.50 and 156.00), 50%, Previous low, 62%