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ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 6, 2005

OPEC's President Sheikh Ahmad al-Fahd al-Sabah said high oil prices may prompt OPEC to increase its output ceiling when it meets on June 15. He said an increase in OPEC's production ceiling will not affect actual output because members are already producing in excess of official quotas. He said he expected OPEC's production, including Iraq, to total 30 million bpd in the third quarter. Meanwhile, Iran's OPEC governor said Iran will call on OPEC members to cut their production quotas. He conceded that political pressure was mounting on OPEC to rein in prices. He said that crude prices could fall back into the \$40-\$50/barrel range during the winter.

Market Watch

According to the latest SPR delivery schedule released by the DOE, SPR crude delivery in May was increased by 19,000 barrels to 2.061 million barrels. It reported that SPR crude delivery in June increased by 150,000 barrels to 2.475 million barrels while delivery in July was cut by 150,000 barrels to 2.240 million barrels.

Saudi Arabia's King Fahd's health is steadily improving, according to Crown Prince Abdullah.

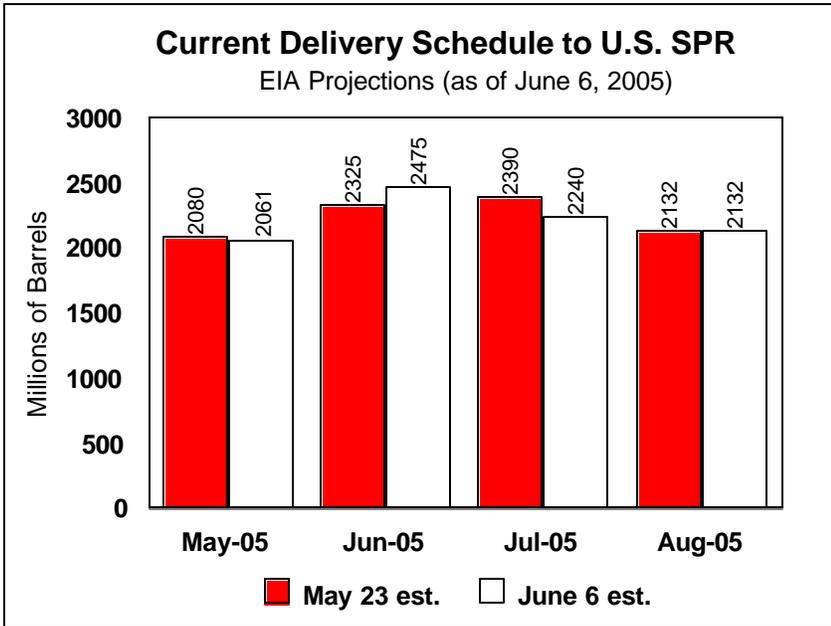
The DOE is set to lower its estimate of Chinese oil demand in its latest Short Term Energy Outlook, due out on Tuesday. The analysts declined to provide specific figures ahead of the report's official release.

Iraq's Oil Minister, Ibrahim Bahr al-Uloum has replaced the head of Iraq's SOMO. He replaced acting SOMO chief Dhiaa al-Bakkaa with Mussab al-Dujaili, a SOMO official and Iraq's former governor to OPEC.

The Omani government signed an oil and gas exploration and production agreement with Irish Circle Oil Plc covering block 49. Under the agreement, Circle Oil is committed to spend \$22 million to carry out geological and geophysical studies as well as a two dimensional seismic survey.

Executive director of India's Reliance Industries, Nikhil Meswani said India will overtake China in terms of economic growth and added that the two together will invest into the western countries in the future.

Cummins Inc is one of the few winners from China's energy gap as its generator sales have increased. Factories use Cummins emergency generators to amid the rolling brownouts. A production line of portable generator sets is now producing 18 machines a day compared to just two in December 2003.



Algeria's Energy and Mines Minister Chakib Khelil said oil prices will increase further in the second half of the year due to limited refining capacity. However he stated that OPEC members are likely to keep formal output limits unchanged when they meet next week.

The European Commission said it would ask OPEC to increase production later this week to ensure the security of supplies.

US Energy Secretary Sam Bodman said the Bush

administration would be very pleased if OPEC decides to increase its oil output quota when it meets next week. He also stated that the US wants members of OPEC and non-OPEC countries to produce at a level that satisfies demand.

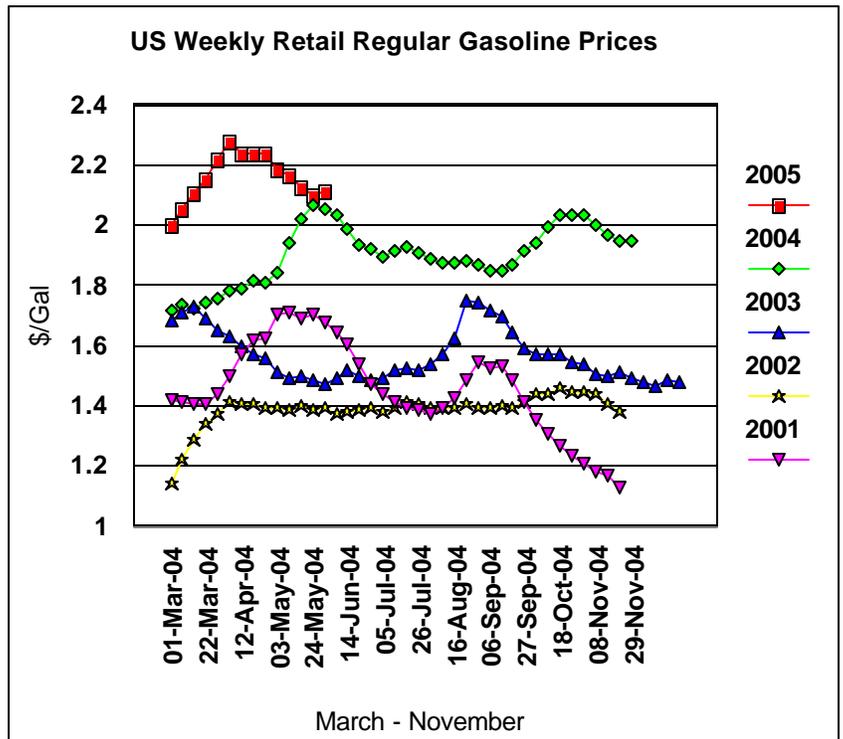
Iraq's Kirkuk crude oil exports to Turkey through its northern pipeline were still on hold on Monday after the exports were halted on Friday. Kirkuk crude in storage at the Turkish terminal of Ceyhan stood at 3.2 million barrels.

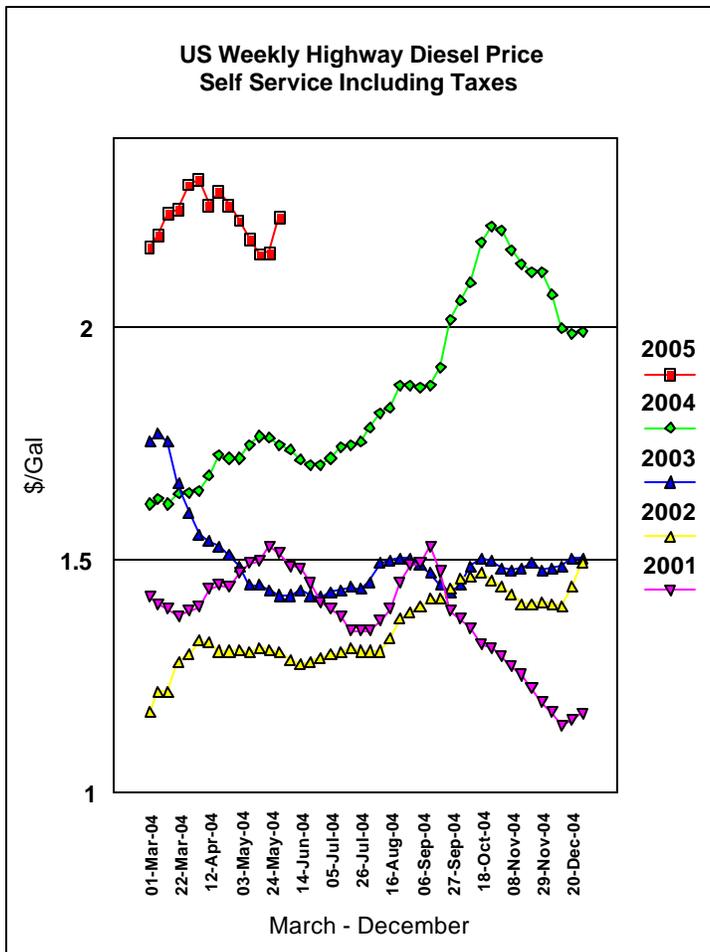
Separately, Iraqi oil industry sources said Iraq plans to cut its second half 2005 Basra Light crude sales contracts to under 1.5 million bpd to match lower export levels. Iraq's SOMO initially allocated 1.7 million bpd of Basra Light to customers in the first half of 2005. However the volume was cut early on by 10% or 170,000 bpd due to technical problems with production.

OPEC's news agency reported that OPEC's basket of crudes increased to \$50.72/barrel on Friday, up from \$50.23/barrel on Thursday. It reported that OPEC's basket of crudes increased by \$2.55/barrel to \$48.57/barrel in the week ending June 2nd.

The EIA reported that the average retail gasoline price increased by 1.9 cents/gallon to \$2.116/gallon in the week ending June 6th. It also reported that the average retail price of diesel increased by 7.4 cents to \$2.23/gallon on the week.

Refinery News





ExxonMobil Corp's fluid catalytic cracker No. 3 boiler shut on Sunday at its 557,000 bpd Baytown, Texas refinery. There was no indication whether or not the catcracker was shut or production was affected.

PDVSA will restart a 33,000 bpd thermal cracking unit on June 26 following five weeks of work. The unit was shut on May 19 for planned work.

Flint Hills Resources said gas was flared at its Corpus Christi, Texas refinery on Saturday after an incident at its ethane compressor. A report filed with the Texas Commission on Environmental Quality did not say whether production was impacted.

Japan's Cosmo Oil Co said it will delay the restart of a 110,000 bpd crude distillation unit at its 240,000 bpd Chiba refinery. The restart date has been delayed to the middle of July from its originally scheduled restart on June 13.

Production News

Indonesia's crude oil production fell to the lowest level in 34 years in May to 936,000 bpd from 953,000 bpd in April due to repairs

on several wells. A source stated that Indonesia would find it difficult to add production and would not achieve the output targeted in its budget this year due to ageing fields. Indonesia has targeted crude oil and condensate production at 1.125 million bpd in 2005.

Saudi Arabia has increased all its July official crude oil selling prices to Europe and the US but cut the prices of its lightest grades to Asia. Its prices at Ras Tanura for Saudi oil destined for Europe were increased by 30 cents to BWAVE minus \$1.95 for its Arab Extra Light crude. Its Arab Light and Medium crude were increased by 65 cents to BWAVE minus \$4.80 and BWAVE minus \$7.10, respectively. Its Arab Heavy crude was increased by 70 cents to BWAVE minus \$9.55. Meanwhile its Arab Extra Light crude was increased by 95 cents at WTI minus \$2.35, its Arab Light crude was increased by \$1.10 to WTI minus \$4.95, its Medium crude was increased by \$1.15 to WTI minus \$7.10 and its Arab Heavy was increased by \$1.20 to WTI minus \$9.45. Its Arab Super Light to Asia was cut by \$1.00 to the Oman/Dubai average plus \$4.70, its Arab Extra Light was cut by 50 cents to the Oman/Dubai average plus \$2.95 and its Arab Light was set at the Oman/Dubai average plus 85 cents. Its Arab Medium was increased by 25 cents to the Oman/Dubai average minus \$1.05 and its Arab Heavy was increased by 45 cents to the Oman/Dubai average minus \$3.45.

The Caspian Sea port of Aktau handled 4.05 million tons of oil and oil products in January-May compared with 3.06 million tons a year ago.

The Azerbaijan International Operating Co has started exporting oil from the Azeri-Chirag-Guneshli contract area in the Caspian Sea via the Baku-Batumi railway. Oil transportation via the route is

expected to amount to 40,000 bpd. The AIOC plans to export oil via this route until the Baku-Tbilisi-Ceyhan pipeline is fully operational, which is expected to take over six months.

An oil terminal at the Uyar station is expected to be launched in January 2006. Even though construction of the entire oil loading complex is to be completed in January-March 2006, the first oil tanks bound for export to China could start delivering oil to the terminal earlier than this timeframe. The terminal could accept as much as 6 million tons of oil a year.

PetroChina is expected to keep its July gasoline exports unchanged from the previous month at 120,000 tons. It usually exports a monthly average gasoline volume of 180,000 tons.

Market Commentary

The July crude contract, which settled in negative territory, failed to breach Thursday's trading range from 53.50 to 55.40. Early in the session, the oil market continued to trend higher as it gapped slightly higher from 55.15 to 55.21 on the opening. The market however failed to breach last Thursday's high and posted a double top at 55.40. The crude market quickly retraced its gains and traded to 54.35 where it held good support for most of the session. It settled in a sideways trading pattern from 54.40 to 54.90 before further selling pushed the market to a double bottom at 53.90 on some profit taking. It later bounced off its low and settled down 54 cents at 54.49. Volume in the crude was good with 186,000 lots booked on the day. Meanwhile, the heating oil market remained well supported with the heating oil market settling up 1.7 cents at 161.65 amid the concerns over distillate supplies. The heating oil market's premium over the gasoline market stood at 8.7 cents, up from Friday's settlement at 4.24 cents. The July heating oil contract retraced some of its early gains and posted an intraday low of 158.00. However the market quickly bounced off its low and continued to trend higher. The market breached its earlier high of 160.90 and rallied to a high of 163.00 in afternoon trading. It later eased off its high and traded to 160.00 only to bounce back into positive territory ahead of the close. Meanwhile, the gasoline market settled down 2.76 cents at 152.95. The market posted an intraday high of 156.00 on the opening and quickly erased its gains. The market, which was holding support at 153.50 breached that level late in the session and posted a low of 151.70. Volumes in the product markets were good with 46,000 lots booked in the heating oil and 47,000 lots booked in the gasoline market.

The crude market on Tuesday is seen remaining in a range ahead of Wednesday's release of the weekly petroleum stock reports after the market failed to breach its previous trading range despite the continued strength in the heating oil market. The crude market is seen finding support at 53.90

followed by 53.50. More distant support is seen at 52.50, 52.25-52.05. Meanwhile resistance is seen at 55.00, 55.40, 55.45 and 55.80.

Technical Analysis		
	Levels	Explanation
CL 54.49, down 54 cents	Resistance 55.45, 55.80, 57.20 55.00, 55.40	Previous highs Double top
	Support 53.90, 53.50, 52.50 52.25-52.05	Double bottom, Previous low, 38% (48.05 and 55.40) Opening gap (June 1st)
HO 161.65, up 1.70 cents	Resistance 165.10, 165.43 163.00	Previous high, Basis resistance line Monday's high
	Support 160.00, 158.00 155.40, 153.00, 152.34	Monday's low Previous lows, 38% retracement (135.10 and 163.00)
HU 152.95, down 2.76 cents	Resistance 156.00-156.20, 156.40, 159.36 154.00	Previous high, Basis resistance line
	Support 151.70, 151.00 149.44, 147.35, 147.05, 145.26	Monday's low, Previous low 38% (138.50 and 156.20), 50%, Previous low, 62%