



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR JUNE 9, 2005**

---

OPEC's President Sheikh Ahmad al-Fahad al-Sabah said OPEC has reached a consensus to keep production at current levels. However he said OPEC will discuss the possibility of increasing OPEC's production when it meets next week. He said OPEC is currently producing more than 30 million bpd and added that it will have to increase its output in the third quarter to build stocks in anticipation of a demand surge during the second half of the year. He said there is no shortage of oil however factors other than supply have pushed prices to record highs. Separately, OPEC's President said the EU and OPEC are considering joint

#### Market Watch

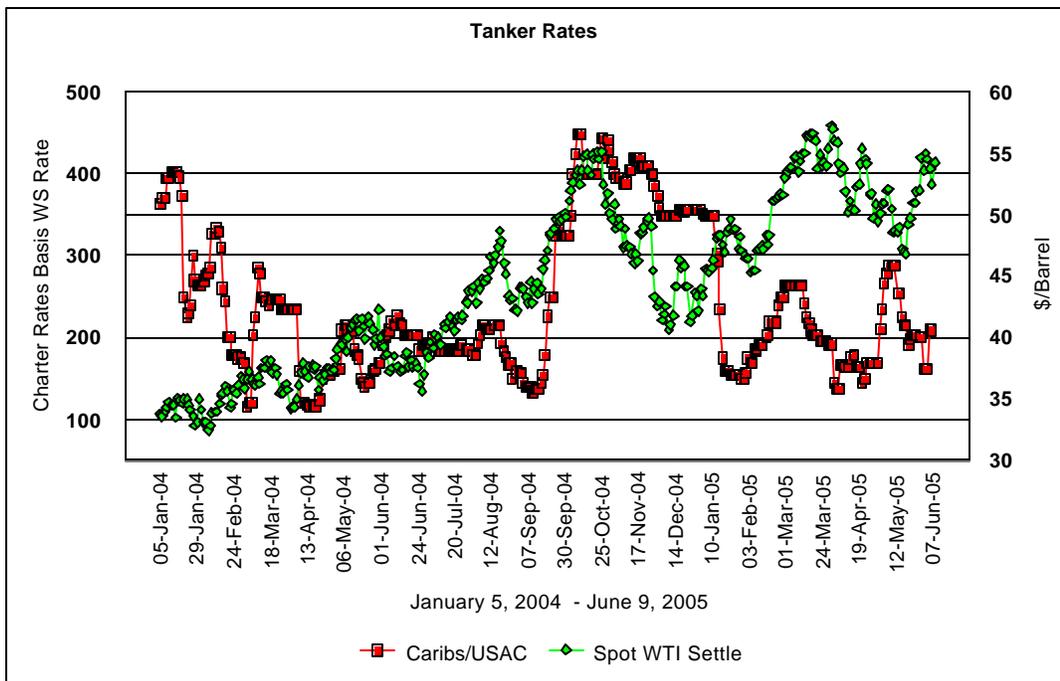
Chevron Corp has started evacuating non-essential staff in the eastern and central portions of the Gulf of Mexico amid reports that the season's first storm, Tropical Storm Arlene developed in the Caribbean Sea and is moving towards the Gulf. A Chevron spokesman said the company's production is not affected. Staffing and operations at its Pascagoula, Miss refinery continue as usual, but it is watching the storm. Meanwhile, Total is also evacuating non-essential workers from three offshore Gulf of Mexico facilities located in the path of Tropical Storm Arlene. A company spokesman said it will shut in production at three of its facilities. Also, operations at the Louisiana Offshore Oil Port are normal. There are no current plans to halt operations as it monitors Tropical Storm Arlene. Separately, Apache Corp expects to suspend a small amount of production due to Tropical Storm Arlene. Apache's platforms in the Eugene Island/ship Shoal area of the Gulf have an automatic shutdown mechanism during storms that will likely go into effect this weekend. It plans to evacuate workers Friday morning from the area. Anadarko Petroleum Corp is also evacuating non-essential workers from its Marco Polo offshore platform in the US Gulf of Mexico.

UK Foreign Minister Jack Straw is confident that Iraq will meet its deadlines for drafting and approving its new constitution. He also called on Europe to put aside divisions over the US led invasion of Iraq and help the country build a new democratic future. Iraq must draft its new constitution by mid-August and approve it in a referendum two months later, opening the way for elections in December.

Norsk Hydro said it signed a memorandum of understanding with the Iraqi Oil Ministry to help it study its oil and natural gas fields. While Norsk Hydro said it will wait for a more normal security situation for its own exploration and development in the country, its assistance in studying Iraq's petroleum reservoirs would likely lay the groundwork for its future entry.

Kuwait's Oil Minister Sheikh Ahmad al-Fahad al-Sabah wants parliament to hold a special session to pass the draft law for foreign investment in the country's northern oil fields. He said a tender would be launched toward the end of 2005 once parliamentary approval is obtained. Project Kuwait plans to use foreign firms to help double production in the north, bringing output to 900,000 bpd.

The American Trucking Associations' seasonally adjusted truck tonnage index fell by 0.9% in April, the third consecutive monthly decline. Cumulatively, the seasonally adjusted index fell 4% over the past three months. The seasonally adjusted index now stands at 114.3, down from 115.3 in March.



investments in oil refineries. He also said the EU and OPEC would be happy with any oil price provided it did not hamper economic growth. Meanwhile, Nigeria's Presidential adviser on energy, Edmund Daukoru said OPEC could decide to increase actual production when it meets next

week if oil prices are high enough. He said OPEC will do what it can to moderate prices. However the one key member that has not weighed in yet is Saudi Arabia. Saudi Arabia's Oil Minister Ali al-Naimi had promised earlier to meet refiners' demand but an increase in the Saudi Arabia's price has turned off some buyers.

A Gulf source said OPEC may increase its production ceiling at its June 15 meeting, however the move would be largely symbolic and would not put more oil in the market. The source said the only OPEC member with spare capacity, Saudi Arabia, is not likely to increase its production due to a lack of buyers for the extra crude.

US Energy Secretary Sam Bodman said the Bush administration would like OPEC to increase its oil production. He said the US is in relatively constant touch with oil ministers of OPEC and non-OPEC countries about their production. Meanwhile, the crude market's rally has given new urgency to the Bush administration's campaign to pass a comprehensive energy legislation before Congress goes on its summer recess in August.

Shipping agents said crude oil loadings at Iraq's Basra oil terminals have been halted since late Tuesday due to bad weather conditions. Meanwhile, an Iraqi oil official said Iraq has limited its crude oil contract sales to just over 1.45 million bpd for the second half of 2005, a cut of about 80,000 bpd on the first half as it faces output problems at southern oilfields. Iraq's SOMO expects to sign final Basra Light contracts with its customers over the next few days. Separately, Turkey's Tupras will start lifting Kirkuk crude sales on Friday. However the northern pipeline linking Kirkuk oil fields to the port of Ceyhan stopped early Thursday due to a shortage of oil for export. Tupras will lift 500,000 barrels of Kirkuk crude stored at the Ceyhan port via a pipeline on June 10. The company is scheduled to lift and additional 1 million barrels on June 26 aboard an oil tanker and another 500,000 barrels on June 28 via the pipeline. An official said an incident at a pipeline near the Baiji refinery did not affect the export flow.

According to Euroilstock, European petroleum stocks in May increased by 0.9% on the year to 1.111 billion barrels. It is up 2.4% on the year. It said crude oil stocks increased by 2.6% on the month and by 1.8% on the year to 479.17 million barrels. Its gasoline stocks fell by 0.5% on the month to 147.65

million barrels, but it was up 7.7% on the year. It also reported that while middle distillate stocks were unchanged on the month at 347.7 million barrels, stocks were up 2.4% on the year. Refinery utilization was down at 90.47% in May from 91.15% in April.

Oil Movements reported that OPEC's crude oil exports in the four weeks ending June 25 fell by 280,000 bpd to 24.15 million bpd, with most of the fall seen in westbound oil. Westbound chartering, sailings and oil in transit are declining. It said spot VLCC freight rates from the Gulf were under pressure amid the export downturn.

OPEC's news agency reported that OPEC's basket of crudes fell to \$50.21/barrel on Wednesday, down from \$50.74/barrel on Tuesday.

**Refinery News**

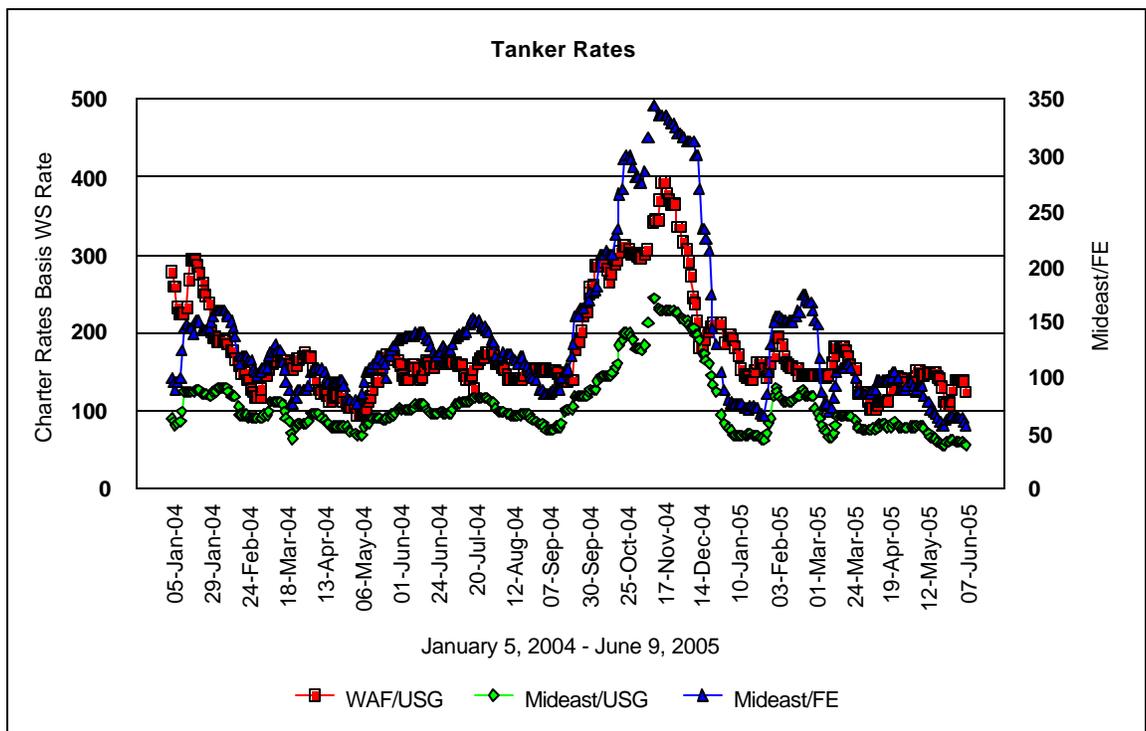
ConocoPhillips' refinery in Borger, Texas is operating at capacity following reports of operational problems early in the week. The crude stills were depressurized following operational problems. However the event did not impact the plant's production.

According to a report filed with the Texas Commission on Environmental Quality, a compressor in a propylene unit failed at Marathon Ashland's refinery at Texas City, Texas. The report did not say whether production had been impacted by the incident.

Total Petrochemicals USA reported a maintenance plan to shut two diesel hydrotreaters at its Port Arthur, Texas refinery. Emissions associated with the shutdown are set to start June 18 and last until June 21. No restart date was given.

Hyundai Oilbank Corp is likely to increase its July crude processing rates by 15% from June as it completes ongoing plant maintenance work later this month. Its crude runs could reach 300,000 bpd in July, compared with 260,000 bpd in June.

Russia's Rosneft plans to invest \$111 million on rebuilding its refinery at Komsomolsk-on-Amur in the Far East of Russia. The rebuilding involved adding an 800,000 tons per year diesel hydrotreating unit to produce diesel with



sulphur content of less than 0.003%. It also considering building a slow coking complex, which would increase gasoline production by 160% and diesel production by 80% over 2003 to 1.27 million tons and 2.39 million tons, respectively. Fuel oil production would however fall while crude oil yield at the refinery would increase to about 80%.

Venezuela will start up an Orimulsion plant this year even though the fuel is under increased attack by Foreign Minister, Ali Rodriguez, who has been both PDVSA president and oil minister. China's ambassador to Venezuela, Ju Yigie said the orimulsion plant will be completed and begin initial output by the end of the year. Venezuela's Foreign Minister said the fuel pushes down fuel oil prices, one of Venezuela's main export products.

### **Production News**

The North Sea Brent crude oil system is scheduled to load an average of 248,000 bpd in July, down from 270,000 bpd in June.

The North Sea Statfjord crude stream is scheduled to load 12.825 million barrels, up from 10.26 million barrels in June. Meanwhile, the July loading plan for the Ekofisk North Sea crude stream increased to 569,000 bpd, up 9,000 bpd from the current month.

Norway's parliament has approved Statoil's plan to extend the life of the country's largest oilfield. The Statfjord oilfield late life plan aims to extend the life of the field until 2020 and extract the remaining gas. Additional recoverable volumes of oil from the late life project are estimated at 32 billion cubic meters of gas, 25 million barrels of oil and 60 million barrels of condensate.

Denmark's North Sea DUC oil system is scheduled to load 232,000 bpd in July, down from 240,000 bpd in June.

Kuwait has raised the official selling price for its crude sales to Asian buyers for July by 25 cents/barrel to the Oman/Dubai average minus \$1.30/barrel.

Russian companies' oil production increased by 1.3% on the year to 10.28 million tons between June 1 and June 8. Oil supplies to refineries fell by 2.7% on the year to 4.734 million tons in the period. Russian companies exported 904,000 tons of oil to the countries of the Commonwealth of Independent States during June 1-8, up 6.2% on the year.

Fuel oil and gas oil exports from the former Soviet Union via Baltic and Black Sea ports in May fell on the month due to refinery maintenance and increased agricultural demand. Total fuel oil exports fell by 525,000 tons in May to 3.47 million tons while gas oil exports fell by 400,000 tons to 2.42 million tons. Meanwhile gasoline exports increased by 115,000 tons to 906,000 tons and naphtha exports increased by 90,000 tons to 471,000 tons.

Singapore's International Enterprise reported that the country's middle distillates stocks fell by 985,000 barrels in the week ending June 8 to 6.799 million barrels. Its light distillate stocks built by 482,000 barrels to 8.93 million barrels while residual fuel stocks fell by 18,000 barrels to 11.299 million barrels on the week.

India's Petroleum and Gas Minister Mani Shankar Aiyar called for Caspian states to increase their exports outside the Mediterranean and use the route via Israel to supply Asia and help cut India's dependence on oil from the Middle East. He said the country is ready to use its pipeline from the Mediterranean port of Ashkelon to Eilat on the Red Sea for transporting large volumes of Caspian crude.

Tokyo Electric Power Co said its total oil consumption in May increased by 87.7% year on year to 155,000 kiloliters or 975,000 barrels. Its crude oil consumption in May also increased by 56.1% on the year to 89,000 kl or about 556,000 barrels.

South Korea's SK Corp will keep its diesel exports in July unchanged on the month at 240,000 tons. It is down 14% from May's export level of 280,000 tons.

Indonesia's government will open bidding for the development of 27 new oil and gas blocks on Friday. It is the first round of tenders for a total of 70 oil and gas blocks that the government will offer in 2005 and 2006. The Indonesian government intends to take a 60%-80% share in the blocks offered.

**Market Commentary**

The oil complex settled sharply higher amid fears that Tropical Storm Arlene's expected move into the Gulf of Mexico could disrupt oil and gas supplies. The oil market opened about 40 cents higher at 52.95 as it retraced Wednesday's losses. The July crude contract quickly posted an intraday low of 52.90 before it bounced off that level and never looked back. The market seemed to have found some resistance at 53.50 but it later breached that level and continued to retrace its previous losses amid reports that oil companies started precautionary evacuations of their facilities in the Gulf ahead of the approaching storm. Even though the storm is not expected to cause much damage, the news of evacuations sparked further buying, which helped push the market about \$2 higher. It rallied to a high of 54.50 ahead of the close and settled up \$1.74 at 54.28. Volume in the crude was excellent with over 273,000 lots booked on the day. Meanwhile the heating oil market, which led the complex higher, settled sharply higher at 162.56, up 7.28 cents. The heating oil market opened up 1.47 cents at 156.75 in follow through strength seen in overnight trading following its sell off late Wednesday. The market posted a low of 156.60 early in the session and continued to retrace its previous losses. The market extended its gains to over 8 cents as it rallied to a high of 163.40 ahead of the close. Similarly, the gasoline market settled up 7.39 cents at 157.14 as it quickly rallied over 3 cents in the last few minutes of trading to a high of 158.40. The market retraced its recent losses as it bounced off its low of 150.50 on the opening. Volumes in the product markets were good with 63,000 lots booked in the heating oil market and 49,000 lots booked in the gasoline market.

The oil market will likely remain supported as Tropical Storm Arlene is expected to enter the Gulf of Mexico by Friday. Even though the storm is not expected to cause major production shut ins, the market will remain concerned ahead of the weekend. The latest hurricane update stated that Tropical Storm

Arlene has not become better organized. However the forecast is calling for some moderate strengthening. It is expected to move

Technical Analysis		
	Levels	Explanation
<b>CL</b> 54.28, up \$1.74	<b>Resistance</b> 55.00, 55.40 54.50	Wednesday's high, Double top Thursday's high
	<b>Support</b> 54.00, 53.50 52.90, 52.45, 52.25-52.05	Thursday's low, Previous low, Opening gap (June 1st)
<b>HO</b> 162.56, up 7.28 cents	<b>Resistance</b> 165.10, 167.10, 168.36 163.40	Previous highs, Basis resistance line Thursday's high
	<b>Support</b> 160.00, 158.00 156.60, 155.00	Thursday's low, Previous low
<b>HU</b> 157.14, up 7.39 cents	<b>Resistance</b> 161.73, 162.40, 164.50 158.40	Basis resistance line, Previous highs Thursday's high
	<b>Support</b> 155.25, 154.00, 152.00 150.50, 149.00	Thursday's low, Previous low

into the eastern Gulf of Mexico on Friday and Saturday. Technically, the crude market is seen finding resistance at 54.50 followed by 55.00 and 55.40. Meanwhile support is seen at 54.00, 53.50 followed by its lows of 52.90 and 52.45. More distant support is seen at 52.25-52.05.