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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 23, 2005

An Iraqi oil official said an explosion damaged an oil export pipeline in northern Iraq on Thursday. The official said it did not disrupt exports to Ceyhan in Turkey because no oil was flowing through the pipeline in any case. Meanwhile, Iraq's Director General of Economics and Oil Marketing, Shamkhi Faraj said Iraq aims to increase its oil exports by about 250,000 bpd in July by freeing extra crude from its southern Basra refinery and restarting shipments of Kirkuk from the north. However he stated that sustaining higher sales of 1.65-1.7 million bpd would depend on whether violence could be kept under control in the north. Separately, Turkey's Tupras is expected to start loading the first seaborne cargo of Iraqi Kirkuk crude from the Turkish port of Ceyhan since December. Iraq's SOMO on Monday issued a tender to sell 4 million

Market Watch

China's CNOOC Ltd offered to buy Unocal Corp for \$18.5 billion in cash to secure oil and gas supplies for China, topping the price Chevron Corp agreed to pay. It bid \$1.5 billion more than Chevron's cash and stock plan. Chevron said its agreement is highly likely to be completed, while CNOOC will face an extensive regulatory process in the US. There will be issues about foreign holdings of strategic assets. Taking over Unocal would more than double CNOOC's oil and gas production and increase its reserves to about 4 billion barrels of oil equivalent.

An ethnic Ogoni group from Nigeria's Niger Delta accused Shell of undermining a new government initiative to reconcile Ogoni communities with the oil company. Shell was forced out of Ogoniland in 1993 by protests and attacks against installations over Ogoni demands for a larger share of oil profits and anger at environmental damage. The Movement for the Survival of the Ogoni People accused Shell of carrying out a divide and rule strategy by sending representatives to tour community projects it is developing in some of the region at an inappropriate time. It described the projects as bait to encourage villages that benefit from them to invite Shell back into their lands. A spokesman for Shell rejected MOSOP's accusations.

Cameroon has accused Nigeria of launching a series of attacks in the disputed oil-rich Bakassi peninsula. Nigeria has denied the claims, saying the clashes involved local fishermen. The International Court of Justice has awarded the peninsula to Cameroon, however Nigerian forces have not withdrawn as planned last September. The Bakassi peninsula is believed to contain up to 10% of the world's oil and gas reserves.

Shell and Russia's Gazprom are studying a possible gas to liquids plant in Russia. Shell already has a 14,000 bpd GTL pilot project in Malaysia and is building a plant in Qatar which has a capacity of about 140,000 bpd.

The Labor Department reported that the number of US workers filing first time claims for unemployment benefits fell more than expected last week to 314,000. The 20,000 decline for the week ending June 18 left claims at the lowest level in two months.

barrels of crude from Ceyhan for July 1-10 loading.

Oil Movements reported that OPEC's crude oil exports will fall by 60,000 bpd to 24.24 million bpd in the four weeks ending July 9. It said exports actually on the water are recovering as expected.

Refinery News

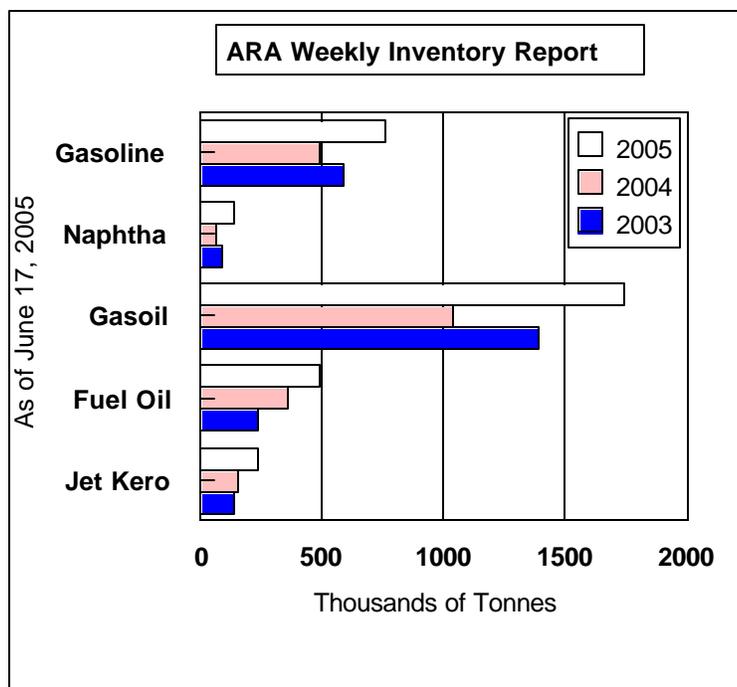
BP Plc's Texas City, Texas refinery experienced a problem on Wednesday when a compressor associated with a fluid catalytic cracking unit tripped. A report filed with the Texas Commission on Environmental Quality did not indicate the duration of the repair or how gasoline production was affected. Meanwhile, the refinery warned that the electrostatic precipitator at FCC 1 could trip Thursday during an aeration step test.

An ultraformer unit at BP Plc's 460,000 bpd Texas City, Texas refinery suffered a problem on Wednesday.

Diesel prices in Los Angeles increased 4 cents to 13.5 cents over the NYMEX August contract, in light of reports that a coker unit at Chevron Corp's 260,000 bpd refinery in El Segundo, California was shutdown.

Valero Energy Corp is scheduled to perform maintenance work on a fluid catalytic cracking unit at its 175,000 bpd McKee plant in October. Its previously announced plans to make improvements to run increased sour crude at the refinery have been delayed. Meanwhile, work at the refinery's Aruba refinery is moving along at a slower schedule than initially anticipated. The reactivation of a visbreaker at the plant, originally scheduled for September, is now expected during the early fourth quarter.

Indian refineries processed 10.33 million tons or 2.43 million bpd of crude oil in May, down 6.1% on the year due to refinery maintenance. Crude oil production in May stood at 2.83 million tons or 666,000 bpd. Officials at state-run refining firms said they expected domestic demand and refinery throughput to remain lower than last year as demand has fallen. The government's decision on Monday to increase petrol and diesel prices by about 7% following a seven month freeze is also expected to dampen demand for oil products.



Production News

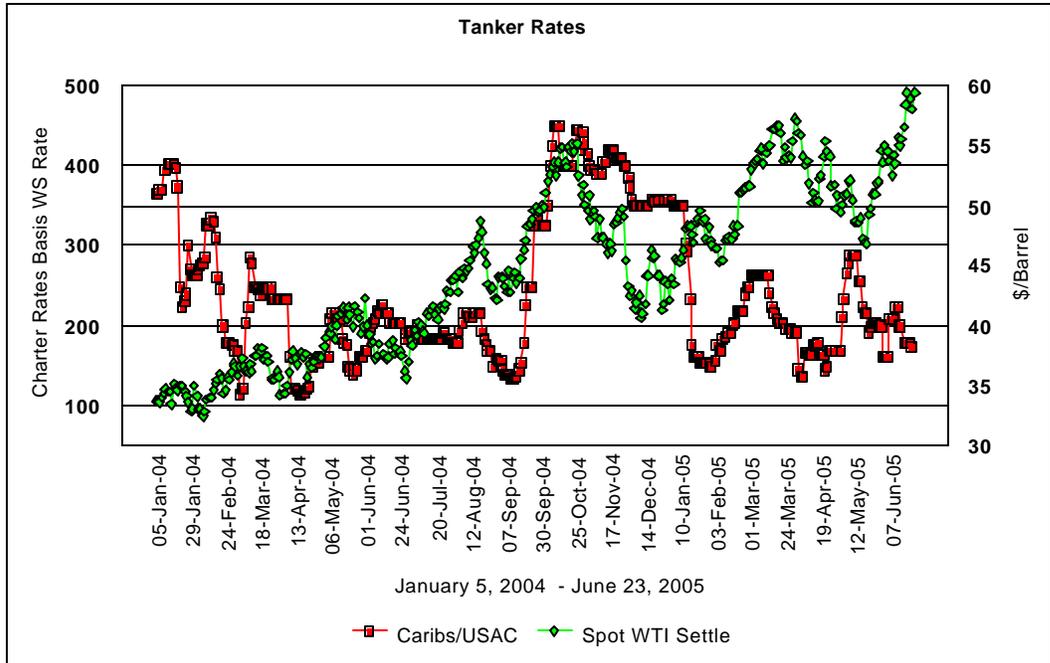
Oil product stocks held in independent Amsterdam-Rotterdam-Antwerp storage increased this week. Inventories of gas oil stood at 1.75 million tons in the week ending June 23, up 50,000 tons on the week. The ARA data showed that gasoline stocks increased by 25,000 tons to 775,000 tons on the week while naphtha stocks increased by 15,000 tons to 150,000 tons. Fuel oil stocks increased by 25,000 tons to 500,000 tons while jet fuel stocks remained unchanged at 250,000 tons.

Abu Dhabi will supply Asian refiners with at least 3 million barrels of additional crude in August. Lifters estimated total additional volumes would be of at least 3 million

barrels or 100,000 bpd, similar to the volumes supplied in July, after key fields returned from maintenance.

Russia's Economic Development and Trade Ministry reported that Russian companies' oil refining increased by 4.5% on the year to 82.6 million tons in January-May. In January-May, gasoline production increased by 5.3%

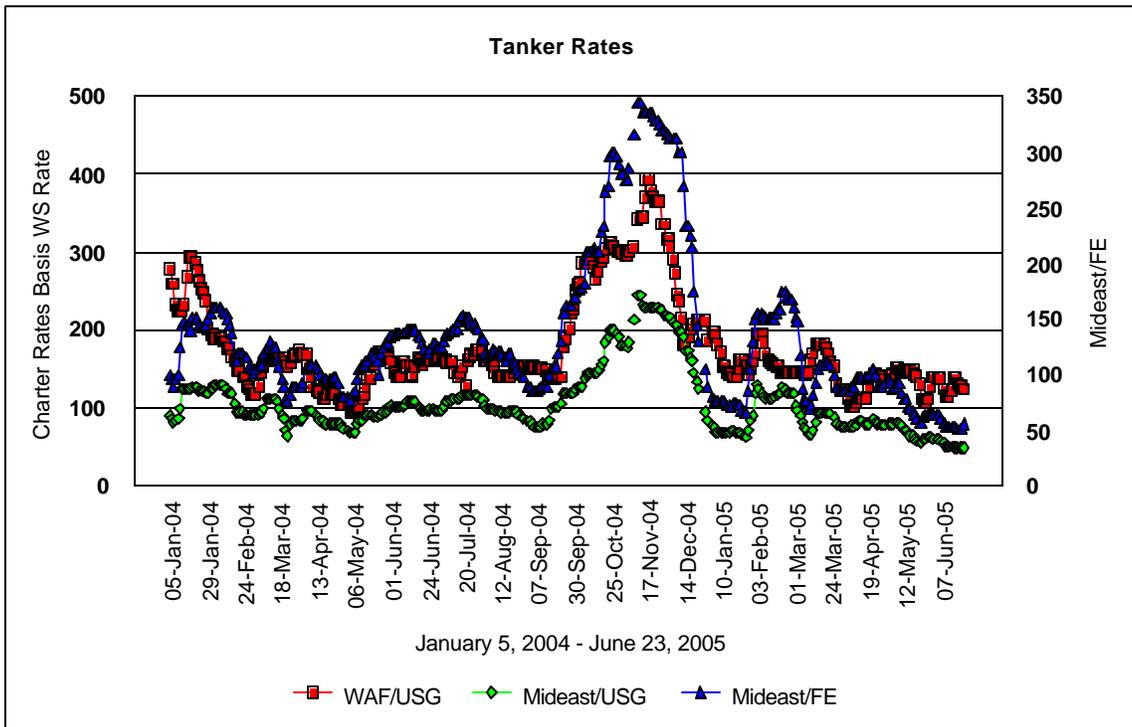
on the year to 12.7 million tons, diesel production increased by 6% to 23.9 million tons while heating oil production increased by 4.6% on the year to 23.2 million tons.



Yukos President Steven Theede said Yukos' average daily oil production is 600,000 barrels. However Yukos' processing and marketing vice president Frank Rieger said that in 2005 Yukos expected its daily oil production to fall to 400,000 bpd because the company could not invest in its production facilities. Yukos could also not project its investment until it has an agreement on restructuring and finalizing all the back tax claims against the company. The company's production in 2004 increased by 6.4% on the year to 86 million tons. It processed 40.4 million tons of oil in 2004, up from 38.1

million tons in 2003. Its oil exports totaled 51.4 million tons in 2004, up from 43 million tons in 2003. Its oil products exports totaled 19.7 million tons last year.

Separately, chairman of Yukos' board of directors said Yukos will not declare bankruptcy or



liquidate itself. He said that even without its production unit, Yuganskneftegaz, Yukos could still be Russia's sixth largest oil company. He added that the company's operations would be even more efficient if the authorities would agree to negotiate with Yukos over the tax dispute.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.54/barrel to \$52.34/barrel on Wednesday from \$52.88/barrel on Tuesday.

Singapore's International Enterprise said the country's residual fuel stocks fell by 600,000 barrels in the week ending June 22 to 11.68 million barrels. It reported that middle distillate stocks increased by 293,000 barrels to 7.76 million barrels while light distillate stocks increased by 124,000 barrels to 8.327 million barrels on the week.

Lithuanian Prime Minister Algirdas Brazauskas said at a joint news conference with KazMunaiGaz oil executives that the company was examining the 53.7% stake in Mazeikiu Nafta. He said the Kazakh company had expressed interest in acquiring the stake. The Lithuanian government holds 40.66% of Mazeikiu Nafta and has to approve any decision to sell Yukos' shares according to an existing shareholders' agreement.

India's Oil Ministry reported that the country produced 2.83 million tons of crude oil in May. The country's refineries processed 10.33 million tons of crude in May compared with 11 million tons a year ago.

ExxonMobil has agreed in principle that it will obtain a 6.75% production split from Indonesia's Cepu block based on an oil price above \$45/barrel. Pertamina decided last year not to extend a contract for ExxonMobil for Cepu block development after it expires in 2010, however the government ordered officials to work out a deal in an effort to improve Indonesia's investment image and increase oil production.

Brazil's Petrobras plans to raise its international output target for 2010 by more than 20% and will also increase its investment in the US, Nigeria and Venezuela. In its strategic plan through 2010, Petrobras aims to increase its current oil and gas production outside Brazil to 600,000 barrels of oil equivalent/day.

Shipping agents stated that fuel oil imports into China's Huangpu will nearly double in June at 1.32 million tons, bouncing back to normal levels after months of weakness due to poor end user margins. Imports are increasing ahead of anticipated peak power demand during the summer.

Market Commentary

The crude market retraced some of Wednesday's losses and opened about 20 cents higher at 58.30, its intraday low. The market quickly bounced off its low and continued to trend higher despite the lack of any supportive news. The August crude contract traded to 59.30, where it held some resistance. However the market later breached that level as it was well supported by the strength in the product markets and continued to trade higher on light volume. The market once again tested its resistance at 60.00 but failed to sustain its gains as it retraced some of its move higher amid the lack of supportive news. The market erased some of its gains ahead of the close and settled up \$1.33 at 59.42. Volume in the crude was lighter today with 166,000 lots booked on the day. The product markets retraced its previous losses and ended the session in positive territory. The heating oil market settled up 5.30 cents at 167.56 after it extended its gains to over 6 cents as it traded to a high of 168.30 late in the session. Similar to the crude market, the heating oil market opened at its intraday low of 163.25 and never looked back. The market may have been supported by talk that a coker unit at Chevron's El Segundo refinery in California was shutdown. The gasoline market was also well supported as it

opened at its low of 162.20 and never looked back. It breached its previous highs and rallied to a high of 166.45. Volumes in the product markets were good with 47,000 lots booked in each the heating oil and gasoline markets.

The crude market is seen trading sideways as it has found good resistance at the 60.00 level. The market has traded to its high several times and failed to find further upside momentum. We still believe the market should not be at these levels given the fundamentals. The market is seen finding

support at 59.00 followed by its low of 58.30. More distant support is seen at 58.17, basis its support line and its previous low of 57.85.

Technical Analysis		
	Levels	Explanation
CL 59.42, up \$1.33	Resistance 62.69 59.95 to 60.02	Basis trendline Triple top
	Support 59.00, 58.30 58.17, 57.85	Thursday's low Basis support line, Previous low
HO 167.56, up 5.3 cents	Resistance 170.00 168.30	Thursday's high
	Support 166.00 163.25	Thursday's low
HU 165.67, up 4.42 cents	Resistance 168.00 166.45	Previous highs Thursday's high
	Support 163.40, 162.20 160.00	Thursday's low Previous low