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ENERGY MARKET REPORT FOR JULY 6, 2005

Tropical Storm Dennis is following quickly on the heels of Tropical Storm Cindy. Tropical Storm Dennis was upgraded to a hurricane this evening. Meteorologists at Weather 2000 expect it to become a major hurricane and say it could reach category 3 status within 36 and 48 hours with winds in excess of 111 mph. National Hurricane Center expects Dennis to make landfall along the Florida Panhandle while some private weather forecasters expect it to be much farther to the west.

Iran's Oil Minister Bijan Zanganeh said OPEC should wait to see the response of the market to recent production increases before deciding on any new increase.

Market Watch

According to a report by the US Government Accountability Office, gasoline blends in the US reduce vehicle emissions but also strain gasoline supply systems. It said the proliferation of special blends reduces efficiency and raises costs. It also limits the number of suppliers for some these fuels, posing challenges when traditional supplies are disrupted.

Saudi Arabia's ambassador to the UK and former intelligence chief, Prince Turki al-Faisal reiterated that Saudi Arabia could immediately add an additional 500,000 bpd of crude oil into the market if necessary. He also stated that Saudi Arabia plans to increase its production capacity to 12.5 million bpd from about 11 million bpd over the next couple of years. He said Saudi Arabia is concerned about what impact current oil prices could have on the world economy.

Indonesia state electricity generator PT Perusahaan Listrik Negara will cut its oil consumption at power plants to 5% in the next three years from 30%. About 30% of its plants use oil products such as diesel and fuel oil, 40% coal, 19% natural gas, 5% geothermal energy and 6% hydropower. The company will consume 8.82 million kiloliters of diesel, 2.57 million kl of marine fuel oil and 0.05 million kl of industrial diesel oil this year.

A court in the Russian region of Chukotka has told oil firm Yukos it must hand back a 14.5% stake in its former partner Sibneft after their failed merger.

According to a Reuters survey, OPEC's oil production increased by 210,000 bpd in June to 30 million bpd. Production from OPEC's ten members, excluding Iraq, stood at 28.13 million bpd in June, up 170,000 bpd from May. It reported that Nigeria increased its production to 2.45 million bpd, up from 2.36 million bpd in May. The UAE's output increased by 50,000 bpd to 2.38 million bpd. Saudi Arabia's oil production was steady at 9.5 million bpd. Meanwhile Iraq's oil production increased by 40,000 bpd to 1.87 million bpd.

Shipping agents reported that crude oil loadings at Iraq's southern export terminals are continuing as normal, but berthing has been suspended due to high winds.

Refinery News

Operations at Chalmette Refining LLC's 183,000 bpd Louisiana refinery were resuming late Wednesday morning after it was disrupted by a power outage caused by Tropical Storm Cindy. A company spokeswoman would not say which units may have been affected.

Murphy Oil Corp's 120,000 bpd refinery resumed normal operations after it was shut overnight by a power outage. Separately, it is resuming 80,000 bpd of oil production and 75 mmcf/d of natural gas after production was shut in ahead of Tropical Storm Cindy.

Valero Energy Corp said it reduced crude rates by 15,000 bpd at its 85,000 bpd Krotz Springs, Louisiana refinery due to pipeline delays and storm related ship delays. It also stated that crude throughput at the 190,000 bpd St. Charles refinery was down by 25,000 bpd. It said intake at its 100,000 bpd fluid catalytic cracking unit fell 30,000 bpd after the storm.

A temporary power interruption at Motiva's Norco, Louisiana refinery led units to shut down on Wednesday due to Tropical Storm Cindy. A company spokeswoman said the unit were stabilized and resuming operations. She could not say whether gasoline or diesel production had been affected.

The Texas Natural Resource Conservation Commission reported that BP's fluid catalytic cracking unit 2 will perform rapping of the electrostatic precipitator at its Texas City, Texas refinery on Wednesday.

ExxonMobil's 246,000 bpd Antwerp refinery is expected to shut down for scheduled maintenance in September. The plant will be among the first northwest European refineries to shut for fall maintenance.

Production News

The US Minerals Management Service reported that 190,506 bpd of crude oil production was shut in on Wednesday. The cumulative shut in oil production since Tuesday is 246,715 barrels.

The LOOP reduced crude deliveries to refineries after a BP pipeline went offline Tuesday night. The BP operated line is one of four pipelines that link the crude offloading terminal to Gulf Coast refiners. The LOOP is ready to resume deliveries once it gets approval from BP.

Meanwhile BP Plc has decided to evacuate non-essential personnel from its oil and gas rigs in the eastern Gulf of Mexico. The rigs may lie in the path of Tropical Storm Dennis, which is expected to be upgraded to hurricane status within 24 hours. The evacuations come as non-essentials from the western Gulf are returning to the rigs in the aftermath of Tropical Storm Cindy. Offshore operations for Chevron Corp and Unocal Corp are returning to normal after both companies evacuated workers on Tuesday and suspended small amounts of production due to the storm. Also, Marathon Oil Corp was returning its workers to its fields. It was working to resume production of 2,400 bpd of crude and 9.5 mmcf/d of natural gas from its Gulf of Mexico platforms.

PDVSA has not delayed cargoes of crude oil and products despite the presence of Tropical Storm Dennis.

Venezuela's Cerro Negro extra heavy crude joint venture is returning to normal operations after a disruption was caused when workers were exposed to toxic gas. Operations at Venezuela's Jose terminal were briefly halted last week after 10 workers inhaled the gas during a loading procedure.

The stoppage caused a bottleneck that forced companies exporting crude from Jose to slow crude processing unit.

OPEC's news agency reported that OPEC's basket of crudes increased to \$53.90/barrel on Tuesday from Monday's \$53.41/barrel.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe increased to 291,992 tons in the week ending July 5th, up from 252,669 in the week ending June 21st.

Loading delays at Esso's Rotterdam oil complex in the Netherlands have increased gas oil barge market differentials. Talk of loading delays at the Esso complex also pushed gasoline markets higher as it coincided with unconfirmed talk of a reformer outage at Shell's 416,000 bpd Pernis refinery.

Algeria's ROD oilfield has been producing 75,000 bpd since May. Output from the Rhourde Oulad Djemma field started in October and reached about 40,000 bpd in December.

Royal Dutch/Shell is in the midst of a four week output test at the 190,000 bpd Soroush and Nowruz oilfields offshore Iran. If the fields produce 190,000 bpd or more on 21 of the 28 days of test, Shell will hand operating control of the fields back to the National Iranian Oil Co.

Russia's Rosneft and Kazakh's KazMunaiGas signed a deal on Wednesday to invest \$23 billion in a 55 year production sharing agreement for the Kurmangazy oilfield in the Caspian Sea. Kazakhstan's first deputy energy minister Baktykozha Izmukhambetov said recoverable reserves at Kurmangazy were estimated at 980 million tons or about 7 billion barrels.

Kazakh companies produced 30.776 million tons of oil and condensate in January-June, up 9.5% on the year.

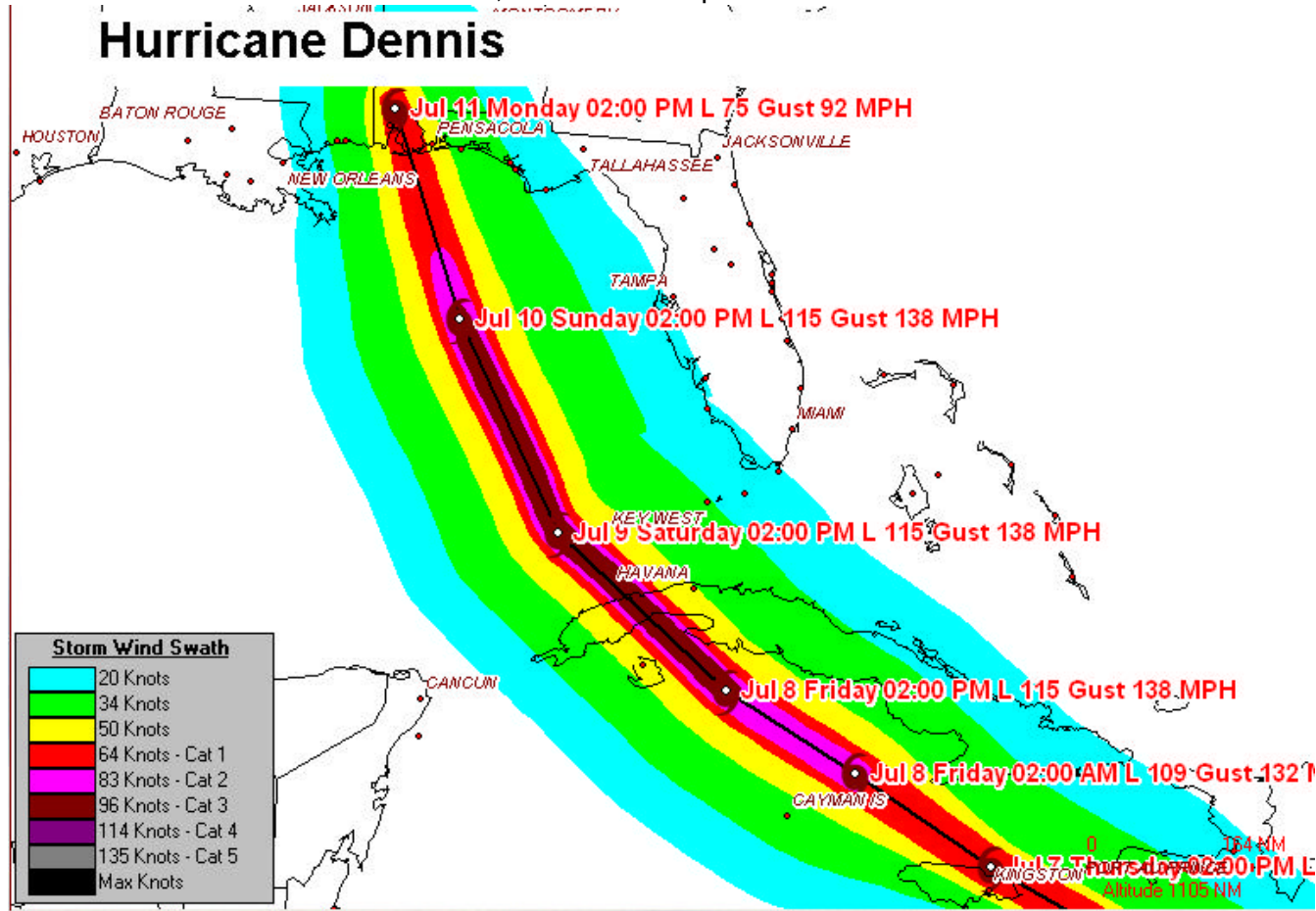
China's Sinopec Corp has increased July diesel exports to 230,000 tons, up from last month's 120,000 tons.

The Petroleum Association of Japan said Japan's gasoline stocks fell for a third straight week last week, falling more than 4% to 2.01 million kiloliters or

Technical Analysis		
	Levels	Explanation
CL 61.28, up \$1.69	Resistance	63.06
		61.35
	Support	60.85
	60.15 to 60.10, 59.25 to 59.15	Opening gaps July 6th and July 5th
HO 179.48, up 6.24 cents	Resistance	184.03
		179.80
	Support	178.00
	176.00, 173.00	Wednesday's low, Tuesday's low
HU 178.99, up 10.81 cents	Resistance	180.74
		179.35
	Support	175.00
	171.40, 170.24, 167.43	Wednesday's low, 38% and 50% (155.50 and 179.35)

12.64 million barrels in the week ending July 2. Gasoline production totaled 1.19 million kl or 1.07 million bpd, up about 7% from the previous week. The average refinery operating rate was 83.2%

compared with the previous week's 83.1%. Japan's commercial crude oil stocks totaled 19.45 million kl or 122.34 million barrels in the week, down from the previous week's level of 19.57 million kl.



Market Commentary

The oil market gapped higher once again from 60.10 to 60.20 after it breached Tuesday's high of 60.10 in overnight trading amid the supply concerns. Tropical Storm Cindy made landfall overnight after forcing producers to shut in some of their US Gulf of Mexico oil and production. Meanwhile, the market was further concerned about Tropical Storm Dennis. Forecasters said it was gaining strength in the southern Caribbean and is forecast to arrive in the Gulf of Mexico over the weekend, threatening further disruptions to oil and gas facilities. The crude market partially backfilled its gap as it traded to a low of 60.15. However it quickly bounced off that level and traded to a high of 60.85 and settled in a sideways trading range for most of the session. It later found further buying ahead of the close, which pushed it to a new high of 61.35. It settled sharply higher at 61.28, up \$1.69. Volume in the crude was excellent with over 250,000 lots booked on the day. Meanwhile, the gasoline market settled 10.81 cents higher at 178.99 amid the reports of several refinery disruptions due to effects of Tropical Storm Cindy. The market traded to a low of 171.40 early in the session and quickly bounced off that level. The gasoline market extended its gains to over 11 cents as it rallied to a high of 179.35 ahead of the close. The heating oil market also ended the session sharply higher as it settled up 6.24 cents at 179.48. The market opened at its low of 176.00 and never looked back. It traded mostly sideways after it breached the 178.00 level. However the market found further buying ahead of the close and rallied to a high of 179.80. Volumes in the product markets were good with 63,000 lots booked in the gasoline market and 41,000 lots booked in the heating oil market.

The oil market on Thursday will be further supported as traders continue to watch for developments on Tropical Storm Dennis, which is expected to become a hurricane. The National Hurricane Center stated that conditions are expected to remain favorable for intensification. It is expected to become a major hurricane in 48 hours. It stated that several of the models have shifted somewhat to the left, taking the storm to the central rather than the eastern Gulf of Mexico. The market will also seek further direction from the weekly petroleum stock reports which are expected to show draws in crude stocks of about 1 million barrels in crude stocks, builds in distillate stocks of about 1 million barrels and slight draws of less than 500,000 barrels in gasoline stocks. However, even if the reports are bearish, the market's losses may be limited amid the fears of further production disruptions as Tropical Storm Dennis makes it way into the Gulf of Mexico. The market is seen finding support at 60.85 followed by its gap from 60.15-60.10 and 59.25-59.15. Meanwhile resistance is seen at its high of 61.35 followed by 63.06.