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ENERGY MARKET REPORT FOR JULY 7, 2005

Near simultaneous explosions rocked several London subway stations and buses during the morning rush hour on Thursday, killed dozens and injured hundreds of others. UK Prime Minister Tony Blair said it is reasonably clear that the bomb attacks are acts of terrorism. He said other G8 leaders are united in condemning the attacks. UK Foreign Secretary Jack Straw, who temporarily took the place of Tony Blair as Chairman of the G8 session said the deadly bombings have the hallmark of an al-Qaeda related attack. He said neither Britain's police nor the intelligence services had any warnings of the attacks. Meanwhile world leaders condemned the deadly attacks on London's transport system in a global pledge of solidarity and promised to cooperate to track down the terrorists.

Market Watch

The DOE said it stands ready to lend refiners crude oil from the SPR if Hurricane Dennis or any other storm cuts supplies. It said it is always prepared to work with refiners in order to minimize the impact on US consumers of any disruption in supply.

Meanwhile, the EIA said a strong recovery in distillate stocks last week to above normal levels was encouraging, but winter supply concerns remain. An EIA analyst, Doug MacIntyre said he estimates winter heating oil prices will start out much higher than in 2004 as demand continues to increase and the hurricane season threatens to disrupt some supply. Domestic petroleum inventories have reached comfortable levels to deal with short term refinery outages but could suffer if the outages last for weeks.

The FBI was increasing inquiries about possible threats to the Houston area, which has 12% of the US refining capacity. The Houston area remained at a "yellow" alert or an elevated level of risk. Major refiners declined to discuss changes they may be making to security at their US plants. The US Coast Guard said the security level along the Houston Ship Channel was unchanged on Wednesday morning because it had not received any intelligence of specific threats against the Houston Ship Channel.

Saudi officials have privately warned US and European counterparts that OPEC would have a difficult time meeting demand in 10-15 years. Saudi Arabia calculates that there is a 4.5 million bpd gap between world demand and its supply. The IEA has stated that OPEC will need to increase its production from 30-50 million bpd to 50 million bpd by 2020 to meet rapidly rising demand.

According to a Bloomberg survey, analysts estimate oil prices will average \$53/barrel in the third quarter and \$52/barrel for the entire year.

Japan's Vice Finance Minister Koichi Hosokawa said high oil prices will have a limited impact on Japan's economy. However he said the impact on the world economy should be monitored closely. He said Japan's economic recovery remained firm.

Nigeria's Senate on Wednesday confirmed Edmund Daukoru as the country's oil minister, following his nomination by President Olusegun Obasanjo.

China's annual economic growth is seen slowing to 8.9% in the second quarter of this year compared to 9.4% in the first three months. Economic growth is expected to slow further to 8.7% for the third quarter before reaccelerating to 8.8% in the final three months of the year. GDP growth for the full year is likely to come in at 9%, with growth in the first half seen at 9.2%.

OPEC condemned the attacks in London and pledged to keep the oil markets stable. In a letter to British Prime Minister Tony Blair, OPEC President Sheikh Ahmad Fahad al-Sabah said OPEC is ready to ensure that such acts were not allowed to disrupt the stability in world energy markets, particularly oil market stability.

Iran's Oil Minister Bijan Zanganeh said the market was not facing a shortage of oil but was actually oversupplied.

According to Oil Movements, OPEC's crude oil shipments increased by 530,000 bpd to 24.49 million bpd in the four weeks ending July 23. The majority of the increase in oil shipments is heading west.

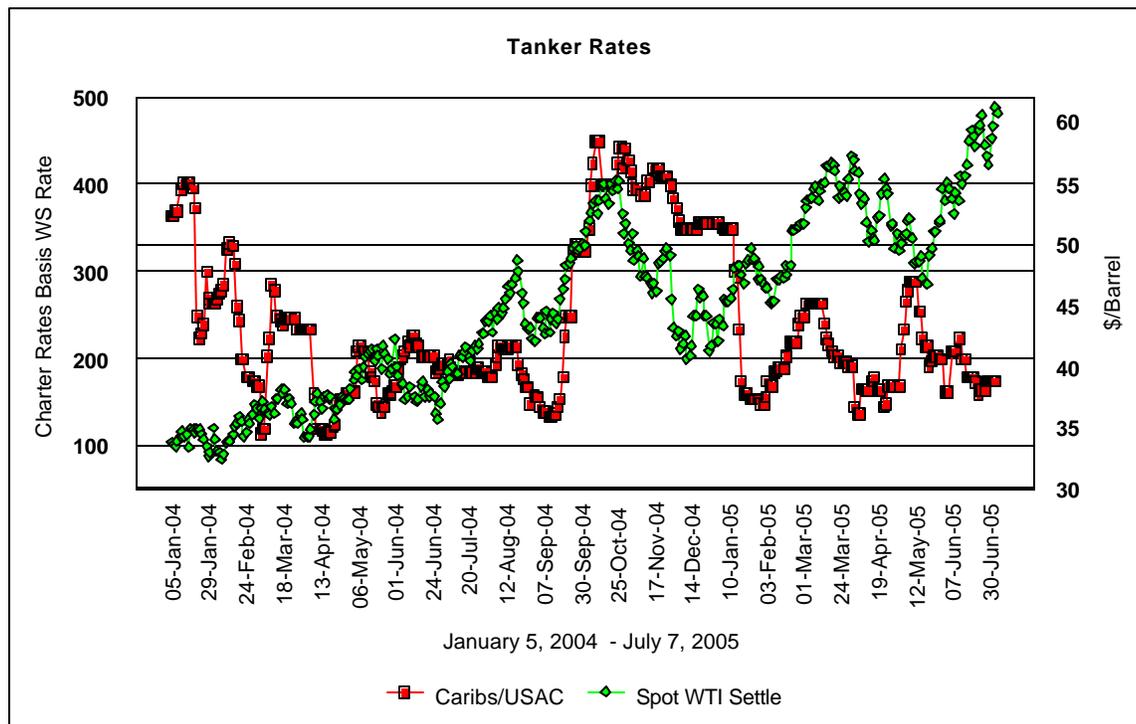
Refinery News

Valero's St. Charles refinery in Norco, Louisiana has resumed operations following Tropical Storm Cindy. Power failures in the area resulted in the refinery reducing its crude rates by 25,000 bpd and its catalytic cracking unit rates by 30,000 bpd. Meanwhile, Valero's Krotz Spring refinery continues to operate at a reduced rate. It cut its rates by 15,000 bpd as a result of reduced crude pipeline supply and tropical storm related ship delays. The problems persisted on Thursday, keeping rates 15,000 bpd below normal.

Chalmette Refining LLC remained in its startup process after a power outage caused by Tropical Storm Cindy shut down its 183,000 bpd Louisiana refinery.

Shell Deer Park Refining is restarting a fluid catalytic cracking unit at its 340,000 bpd Texas refinery. The 67,000 bpd catalytic cracking unit is in restart, with initial production expected by early Saturday. The unit should return to normal operations next week following several failed attempts to restart the unit. Gasoline production at the refinery has been reduced by an undisclosed amount during the shutdown.

The Petroleum Corporation of Jamaica has shut its 35,000 bpd refinery in Kingston, Jamaica in advance of Hurricane Dennis.



South Korea's S-Oil Corp said it restarted two of its crude distillation units following the completion of maintenance. It restarted its 240,000 bpd No. 2

crude distillation unit on Thursday following a 22 day turnaround. However its July crude processing rates are unlikely to increase to full capacity due to weakening margins.

Indonesia's Pertamina said it plans to shut its 230,000 bpd crude distillation unit at its Cilicap refinery complex for maintenance for about 30 days in September.

Indian Oil Corp has resumed operations at its 1.5 million ton/year fluid catalytic cracking unit at the 13.7 million ton/year Koyali refinery after a fire at the unit forced a temporary shutdown last year.

India's Bharat Petroleum Corp will complete the expansion of its 9 million ton/year refinery by January 2006. The refinery's capacity will be expanded to 12 million tons/year.

Production News

The US Minerals Management Service reported that 47,957 bpd or 3.2% of crude production is offline in the Gulf of Mexico. It is an improvement from Wednesday's level of 12.5%.

Anadarko Petroleum Corp will evacuate non-essential workers from its Gulf of Mexico offshore operations on Friday in anticipation of Hurricane Dennis' arrival.

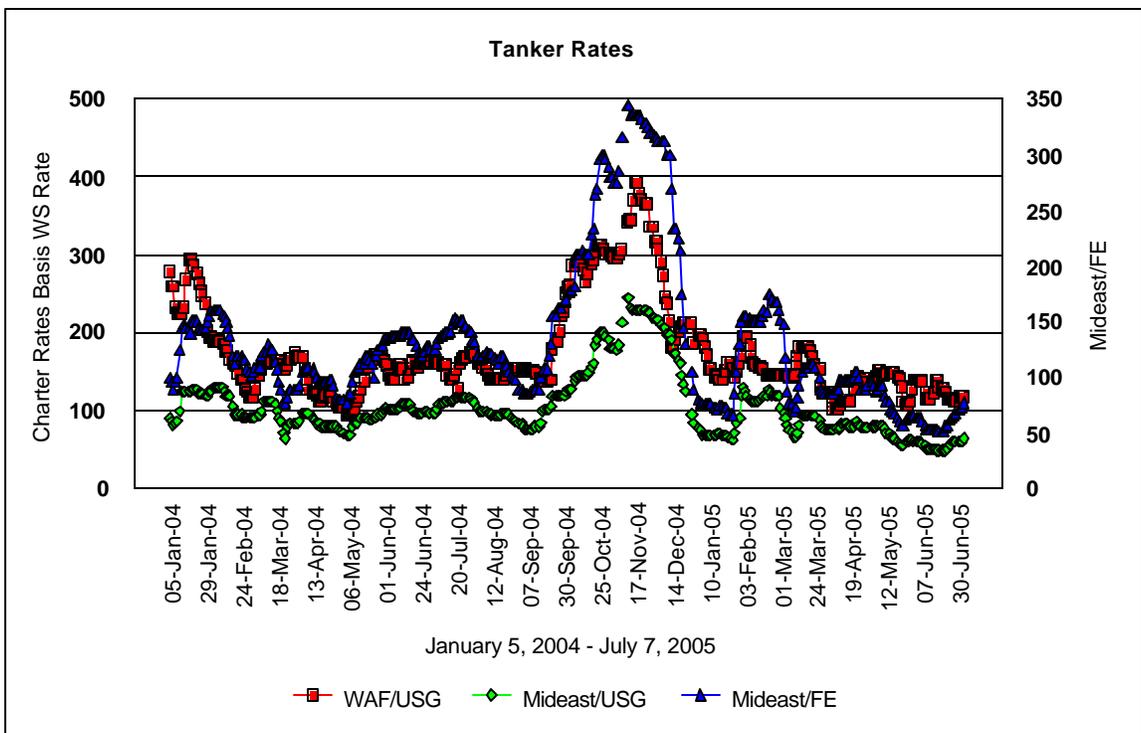
Meanwhile, Chevron Corp said it is planning for a Category 2 hurricane in the Gulf of Mexico and may begin to evacuate non-essential workers as early as Thursday afternoon. It said production, which was shut in Tuesday and Wednesday due to Tropical Storm Cindy, was normal by Thursday. Separately, BP Plc is evacuating both essential and non-essential workers from its oil and gas rigs in the Gulf of Mexico, except for those located in the far West Gulf.

Gas oil stocks held in the Amsterdam-Rotterdam-Antwerp storage tanks increased to 2 million tons on Thursday as weak consumer demand and price contango encouraged stocks to be built up. It is up 21% from last week's total of 1.65 million tons.

Shell reported that a flow station in the Niger Delta has reopened after protestors shut it down. It said there was no significant impact on production. The 40,000 bpd Awoba flow station was shutdown on Wednesday

and reopened on Thursday morning. Ethnic Ijaw activists organized the shutdown to push for a greater share of oil wealth.

Russia's Surgutneftegaz's oil production increased by



8% on the year to 31.215 million tons in January-June.

Russia's Rosneft expects oil production from its Yuganskneftegaz subsidiary to increase to 52 million tons in 2005, to 57 million tons in 2006 and to 70 million tons in 2009.

China is set to complete construction of 16 storage tanks under the first phase of its strategic crude stockpiling program at the end of August. The government could start buying crude for the reserve as early as the fourth quarter of the year. Each of the 52 tanks that will be eventually built at the Zhenhai storage base will have a capacity of 629,000 barrels. The first 16 tanks will have the capacity to store 10 million barrels of crude.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 1.525 million barrels to 12.140 million barrels in the week ending July 6th. It also reported that middle distillate stocks increased by 328,000 barrels to 8.837 million barrels while light distillate stocks fell by 164,000 barrels to 9.236 million barrels on the week.

Indonesia's Pertamina will import 13.08 million barrels of oil products and 12 million barrels of crude in August. It also plans to import 14.5 million barrels of oil products and 7 million barrels of oil in September in a bid to increase inventories. It is part of its plan to keep national oil stocks at a level of 22 days.

Singapore trading firm Hin Leong is considering building an onshore oil products storage facility of more than 1 million cubic meters or 6.3 million barrels. The proposed facility is one of several expansion projects that should help cement Singapore's position as the largest commercial oil storage provider in Asia.

Ecuador's Central Bank reported that the country's oil export revenues totaled \$1.87 billion between January and May, up 29% from \$1.45 billion registered in the same period of 2004. It exported a total of 53.73 million barrels during the period, up 3% on the year.

Market Commentary

The oil market saw a recovery in prices late in the session as concerns over the strengthening of Hurricane Dennis overshadowed the uncertainty created by the bomb attacks in London's subway stations and buses early Thursday. In overnight trading, the crude market plunged close to \$5 from a high of 62.10 to a low of 57.20 as traders liquidated their positions amid concerns that the bombings in London

would lead to an economic slowdown. The market however recovered some of its losses and opened the open outcry session at 60.32, down 96 cents. It traded

Technical Analysis		
	Levels	Explanation
CL 60.73, down 55 cents	Resistance	63.32 Basis trendline
		61.00, 61.35 Thursday's high, Wednesday's high
	Support	60.50, 59.80 Thursday's low
HO 177.49, down 1.99 cents	Resistance	184.94 Basis resistance line
		178.15, 179.80 Thursday's high, Wednesday's high
	Support	176.00, 173.80, 172.30 Thursday's low
HU 180.56, up 1.57 cents	Resistance	183.56 Basis resistance line
		181.30 Thursday's high
	Support	180.00, 177.90 Thursday's low
	175.05	

mostly sideways before further selling pushed the market to a low of 59.40 following the release of the DOE and API reports which showed large unexpected builds in distillate stocks. The market later retraced some of its losses and settled in a range before it once again sold off to a low 59.05 late in the session. It however bounced off that level and retraced most of its losses as it traded back towards its high of 61.00 ahead of the close. The market was supported by concerns that Hurricane Dennis will cause further production shut ins in the Gulf of Mexico and disrupt refining operations along the Gulf Coast. It settled down 55 cents at 60.73. Volume in the crude market was excellent with over 260,000 lots booked on the day. The heating oil market opened down 1.73 cents at 177.75 and sold off to a low of 171.30 in light of the builds reported in distillate stocks. The market, which posted a high of 178.15 early in the session, retraced its losses and traded back towards its high ahead of the close. Unlike the crude and heating oil market, the gasoline market settled in positive territory at 180.56, up 1.57 cents. The market, which posted a low of 175.05, later retraced its losses and rallied to a high of 181.30 on the close. Volumes in the product markets were good with 49,000 lots traded in the heating oil market and 53,000 lots traded in the gasoline market.

The market on Friday will continue to retrace its losses as the market remains concerned over Hurricane Dennis, which is expected to make landfall late Sunday or early Monday. The National Hurricane Center stated that environmental conditions remain favorable for strengthening. Its forecast shows a borderline category 4 hurricane in 12 hours. Hurricane Dennis is expected weaken over Cuba but it is expected to gather strength when it emerges in the southeastern Gulf of Mexico. It is expected to remain major hurricane as it makes landfall. Technically, the crude market is seen finding support at 60.50 followed by 59.80 and its low of 59.05. Meanwhile resistance is seen at its highs of 61.00 and 61.35. More distant resistance is seen at 63.35, basis a trendline.