



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 8, 2005

OPEC's President Sheikh Ahmad Fahad al-Sabah said OPEC members will begin talks on Saturday on whether to increase its oil production in an attempt to ease high oil prices. He however cast doubt on whether OPEC would actually implement the increase. He said world oil supplies are currently almost 1 million

bpd above demand. He said OPEC, excluding Iraq, is currently producing 28.3 million-28.4 million bpd. Meanwhile, a senior OPEC official warned that an OPEC production increase would raise more concerns over the group's lack of spare capacity as most members are now running at full capacity.

According to a shipping source, oil flows resumed through Iraq's northern pipeline. The source said the flow started on Thursday and some 200,000 to 300,000 barrels had arrived overnight. Storage of Iraqi Kirkuk crude at Ceyhan stood at 3.95 million barrels on Friday. Repsol loaded a 650,000 barrel vessel on July 5 while on Saturday a 1 million barrel vessel is due to arrive to load for Total. ExxonMobil has chartered a 1 million barrel vessel which is due to arrive at Ceyhan on July 10. Turkey's Tupras is due to load 1 million barrels on July 11-12.

In a communiqué issued at the conclusion of the G8 meeting, the G8 leaders warned that oil prices will have a major impact on the world economy. They said they saw no end to the demand that has driven oil prices higher. They called for timely and comprehensive information on oil reserves and called for more investment in oil production and refining. They called for oil-producing countries to open up more to foreign investment.

Refinery News

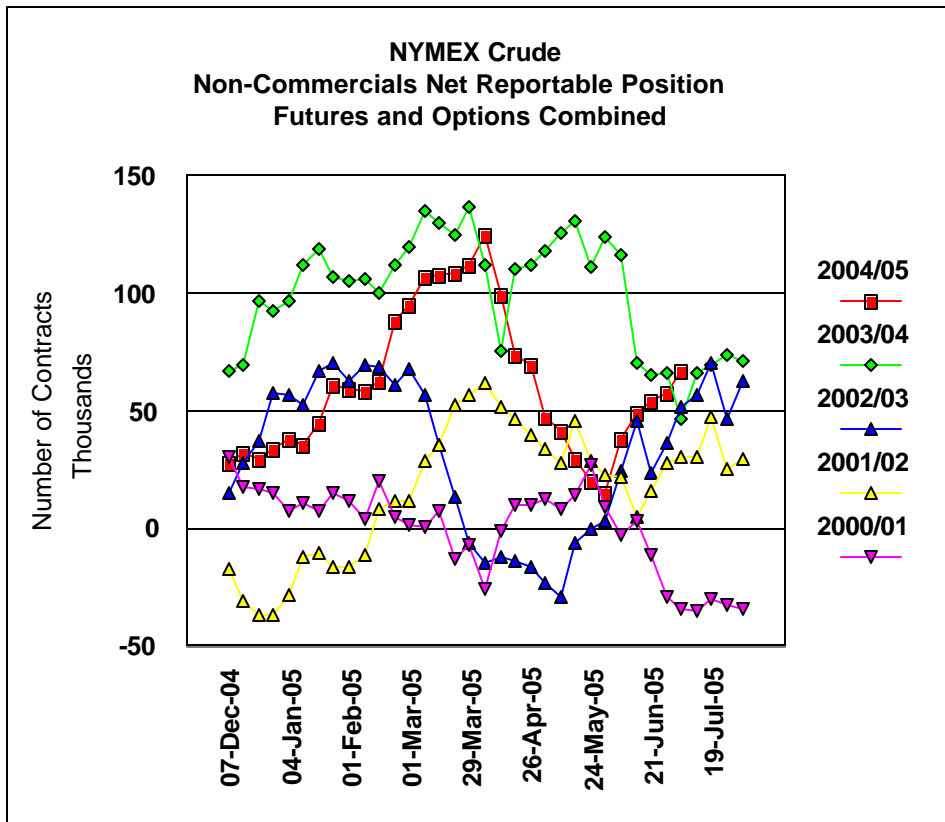
ExxonMobil Corp, Saudi Aramco and China's Sinopec signed a \$3.5 billion deal to expand a refinery in south China. The agreement will triple the capacity of a refinery in Fujian province to 12 million tons/year and add an 800,000 tpy ethylene cracker. The agreement also gives the foreign partners access to China's protected retail sector.

Production News

Market Watch

According to a Reuters survey, oil analysts estimate the US average crude price in 2005 above \$51/barrel. Brent crude is forecast to average \$49.48/barrel in 2005.

Diplomats and medical sources stated that after six weeks of Saudi Arabia's King Fahd was taken to the hospital, he is still on a respirator with no sign of substantial improvement. Sources said his health has fluctuated and may have deteriorated a few days ago. Analysts expect a smooth transition if King Fahd dies. The government has been keen to show that state affairs are being conducted as usual



The US Minerals Management Service said offshore platform evacuations have shut in 220,326 bpd of oil production and 1.041 bcf/d of natural gas production in the Gulf of Mexico. The production shut ins represent 14.69% of the oil and 10.41% of the natural gas production capacity in the Gulf. Meanwhile Dow Jones Newswires survey showed that more than 400,000 barrels of oil and 1.1 bcf of natural gas in the Gulf of Mexico was shut due to Hurricane Dennis.

Shell has shut in 290,000 bpd of oil and 730 mmcf/d of natural gas production in the Gulf of Mexico. It evacuated 588 of its

workers on Thursday with an additional 275 scheduled to evacuate on Friday. The company intends to maintain minimal personnel levels on its projects in the central Gulf. Meanwhile, Murphy Oil Corp shut in 80,000 bpd of oil and 75 mmcf/d of gas production from its Medusa and Front Runner platforms on Friday ahead of the approaching Hurricane Dennis. It has also started to evacuate both essential and non-essential workers as well. Separately, Marathon Oil Corp plans to evacuate five Gulf platforms starting on Friday in preparation for Hurricane Dennis. It will evacuate three platforms at South Pass and shut in production at the platforms. It will also evacuate workers at Vermillion and Ewing Bank. Also, Chevron Corp shut in less than 10,000 bpd and 100 mmcf/d of natural gas production. Most of its major projects continue to produce. It said the production shut ins are mostly due to decisions by third party pipelines to halt operations due to the storm. It expects to evacuate about 1,000 workers from the Gulf of Saturday. It intends to produce until it is no longer possible. ConocoPhillips has started to evacuate personnel from two platforms in the Gulf of Mexico. However it has yet to shut in production. The company evacuated 16 non-essential workers from the Garden Banks and Green Canyon platforms on Thursday and is expected to evacuate an additional 94 workers on Friday. ExxonMobil Corp has not halted its oil and gas production at its Gulf of Mexico operations but has evacuated 80 workers. Also, BP Plc said it is evacuating essential workers from its operations in the eastern Gulf of Mexico. The company declined to disclose the amount of production that has been shut. Kerr McGee Corp is shutting in 31,000 bpd of oil equivalent in the US Gulf. It is evacuating workers from the Neptune production platform, and Main Pass and Brenton Sound areas in the eastern Gulf. Anadarko Petroleum Corp was evacuating nonessential workers on Friday and preparing to shut in the Marco Polo platform by Friday night.

The Louisiana Offshore Oil Port plans to stop offloading oil tankers on Saturday due to Hurricane Dennis. The LOOP will continue to meet refiners' demand with crude held in storage tanks on shore.

The North Sea Brent crude system is scheduled to load an average of 265,000 bpd in August, up from 248,000 bpd in July.

The August loading program for North Sea Oseberg crude scheduled the loading of 9.3 million barrels, up from 9.2 million barrels in July.

Traders stated that four cargoes or 2.4 million barrels of July crude loadings from the North Sea Forties stream has been canceled following a pipeline problem in June. Also, the Oseberg stream had two cargoes cancelled in July after fields were slower than expected in coming back from maintenance in early June.

Denmark's North Sea DUC oil stream is scheduled to load 213,000 bpd in August, down from 232,000 bpd in July.

OPEC's news agency reported that the OPEC's basket of crudes increased slightly to \$54.82/barrel on Thursday from Wednesday's \$54.80/barrel.

According to a Chevron spokesman, some crude production at its Cabinda field in Angola has been shut in since late Thursday due to labor disputes. He said an illegal strike has reduced its production. He declined to say how much production had been affected by the dispute.

Total Azeri crude production stood at 9.52 million tons or 386,000 bpd in January-June, up 25% from last year's 7.68 million tons. BP said output from its Chirag and Azeri fields stood at 5.05 million tons or 205,000 bpd in the period while Socar produced 4.47 million tons or 181,000 bpd. Azeri companies' oil exports increased by 23.35% on the year to 5.42 million tons in January-June. Azerbaijan's Socar exported 772,395 tons of oil via the Baku-Novorossiisk pipeline in January-June from 1.278 million tons in the same period of 2004. Meanwhile, Azerbaijan International Operating Co exported 1.041 million tons in January-June.

Oil and oil product transportation from Kazakhstan and Turkmenistan to Georgia via Azerbaijan's railway system increased by 23.35% on the year in January-June to 6.5 million tons.

Oil transportation through Ukraine's pipeline system fell by 8% on the year to 25.219 million tons in January-June.

Thailand's Energy Minister Viset Choopiban said ethanol mixed gasoline accounts for 25% of premium gasoline consumption in Thailand. However demand for gasoline, which lost government price subsidies last October, fell by 7% to 127,000 bpd in the first four months of 2005 from a year earlier. Meanwhile, diesel consumption increased 9.5% in the same period to 366,500 bpd.

Ecuador's Energy Ministry reported that the country's average oil production increased by 2.2% to 531,388 bpd in the first six months of the year from 519,886 bpd last year. Petroecuador said it averaged 199,829 bpd or 38% of the total while private companies produced 331,559 bpd.

Market Commentary

The oil market remained supported early in the session as Hurricane Dennis strengthened and continued to head towards the US Gulf Coast. The market gapped higher 61.00 to 61.40 and quickly rallied to its high of 61.90 within the first hour of trading. The oil market settled in a sideways trading pattern before it started to retrace some of its gains. The market backfilled its gap and traded to 60.10 as traders attempted to push the market below the 60.00 level despite the reports of several oil companies shutting in production in the Gulf of Mexico ahead of the arrival of Hurricane Dennis. The

oil market later erased some of its losses only to find further selling once again ahead of the close. It breached its earlier low and sold off to a low of 59.55 on the close amid the hurricane forecasts showing that Hurricane Dennis is expected to make landfall near the Florida panhandle. It settled down \$1.10 to 59.63. Volume in the crude was excellent with over 213,000 lots booked on the day. The product markets also ended their lows, with the heating oil market settling down 5.68 cents at 171.81 and the gasoline market settling down 4.22 cents at 176.34. The heating oil market opened relatively unchanged at 177.50 and quickly rallied to a high of 179.40. However the market failed to test its resistance at its previous high of 179.80. It erased its gains and sold off more than 6 cents on the day to a low of 171.30 ahead of the close. The gasoline market, which breached its resistance, traded to a high of 186.00 early in the session before it started to erase its gains. The market sold off to a low of 176.00 ahead of the close. Volumes in the product markets were good with 53,000 lots booked in the heating oil market and 68,000 lots booked in the gasoline market.

The latest Commitment of Traders report showed that non-commercials continued to increase their net long positions. They increased their net long positions by 10,750 contracts to 32,758 contracts in the week ending July 5th. The combined futures and options report also showed that non-commercials increased their net long positions by 9,877 contracts to 67,299 contracts on the week. Given the market's move in the past few trading sessions, non-commercials are continuing to add to their position. Non-commercials in the product markets have also increased their net long positions. Non-commercials in the heating oil market increased their net long position from 5,097 contracts to 7,852 contracts while non-commercials in the gasoline market increased their net long position from 28,716 contracts to 35,304 contracts on the week.

The oil market on Monday will be driven by reports regarding the effects Hurricane Dennis will have on production as it is forecast to make landfall over the weekend anywhere from the Louisiana coast to the Florida Panhandle. While the National Hurricane Center has stated that its forecast track for Hurricane Dennis was adjusted slightly towards the east, Accuweather continued to state that Hurricane Dennis could move more westward. If the hurricane does move westward as it makes its way through the Gulf of Mexico, the market is seen remaining well supported. The market is seen finding

support at 59.55 followed by 59.05, 58.90 and 58.19. Meanwhile resistance is seen at 60.00, 61.00 and its high of 61.90.

Technical Analysis		
	Levels	Explanation
CL 59.63, down \$1.10	Resistance 61.90 60.00, 61.00	Friday's high
	Support 59.55 59.05, 58.90, 58.19	Friday's low Thursday's low, 50% and 62% (55.90 and 61.90)
HO 171.81, down 5.68 cents	Resistance 179.40 174.00, 176.00	Friday's high
	Support 171.30 169.85, 167.50	Double bottom 50% and 62% retracement (159.90 and 179.80)
HU 176.34, down 4.22 cents	Resistance 186.00 180.00, 183.50	Friday's high
	Support 176.00 175.05, 174.35, 171.40	Friday's low Thursday's low, 38% (155.50 and 186.00), Previous low