



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

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### **ENERGY MARKET REPORT FOR JULY 14, 2005**

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An Iraqi oil official stated that Iraq has resumed Kirkuk crude exports to the Turkish port of Ceyhan after flows were halted for five days. Pumping resumed at a rate of 15,000 barrels an hour. The flow was suspended since Saturday due to a shortage of output. A shipping source however stated that crude oil exports to the port of Ceyhan were at a standstill on Thursday following sporadic pumping. The source added that storage of Iraqi Kirkuk crude has been drawn down to 1 million barrels. Meanwhile exports in the south were normal.

#### **Market Watch**

US Energy Secretary Sam Bodman on Thursday expressed concern that major oil producers are having a hard time meeting growing world demand.

Saudi Arabia has hired two additional very large crude carriers to the US in August, increasing spot oil exports to 11.3 million barrels. Saudi Aramco's chartering arm, Vela International Marine, chartered the Sylt to ferry 275,000 tons of crude to the US Gulf from Ras Tanura on August 12 and a Chevron VLCC to carry up to 290,000 tons to the US Gulf on August 2-3. Earlier this week, Vela was reported to have booked two VLCCs and one Ultra Large Crude Carrier to the US Gulf in early August.

The US House of Representatives is expected to vote Thursday on motion calling on lawmakers to reject an energy bill provision that shields makers of MTBE from certain lawsuits. Opponents of the MTBE liability waiver argue that the provision enables MTBE manufacturers to shift the costs of contamination cleanup to taxpayers.

The Labor Department reported that the US consumer price index fell by 0.1% in May. Core prices, excluding food and energy, increased by 0.1% for a second month.

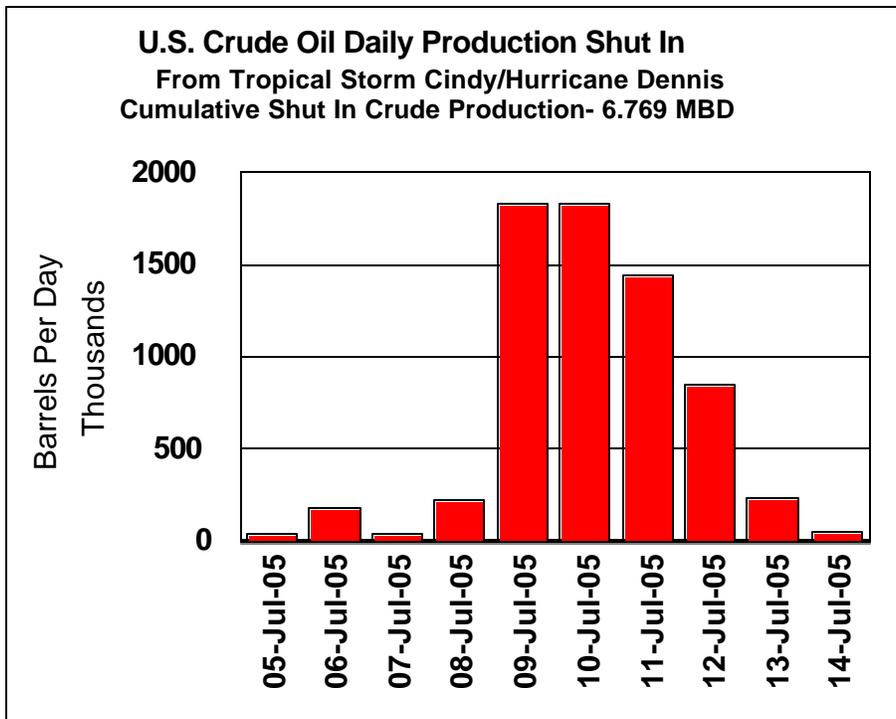
Iraq's Prime Minister Ibrahim al-Jaafari will sign oil and power agreements with Iran's government next week to help solve an energy crisis in Iraq. The deals comprise a 40 km oil pipeline between the Iraqi center of Basra and Iran's Abadan port, using Iran's Caspian ports to import refined fuels into Iraq from central Asia and linking the electricity grid of the two countries.

Teikoku Oil Co said that a regional official of Japan's Ministry of Economy, Trade and Industry has granted the company test drilling rights for crude oil and natural gas in a disputed area of the East China Sea.

Oil Movements reported that OPEC's crude exports will increased by 120,000 bpd to 24.31 million bpd in the four weeks ending July 30.

#### **Refinery News**

Exxon Mobil Corp reported a disruption requiring use of the flare at its 564,000 bpd Baytown, Texas refinery on Thursday afternoon. Market sources stated that the Baytown refinery was believed to have



lost its fluid catalytic cracking unit due to a thunderstorm related power outage. Other sources however said lightning struck ExxonMobil's petrochemical plant.

The Texas Natural Resource Conservation Commission reported that Valero's Houston refinery is undergoing unplanned maintenance in Complex One on Thursday. The work will be done while refinery units continue to operate. It said a regenerator and regenerator stack will undergo maintenance.

ConocoPhillips' 217,000 bpd Sweeny refinery in Old Ocean, Texas is operating normally

despite a lightning strike that caused power problems earlier this week.

CHS Inc said it will spend \$325 million to install a coker and modify other processes at its 55,000 bpd refinery in Laurel, Montana. It said it planned to start construction on the unit in early 2006 and finish in August 2008.

Royal Dutch/Shell's 418,000 bpd Pernis refinery in Rotterdam is preparing to restart after it was shut on Thursday due to a power outage. A company spokeswoman said there was no impact on production at the refinery. A small fire occurred at the plant following the outage

### **Production News**

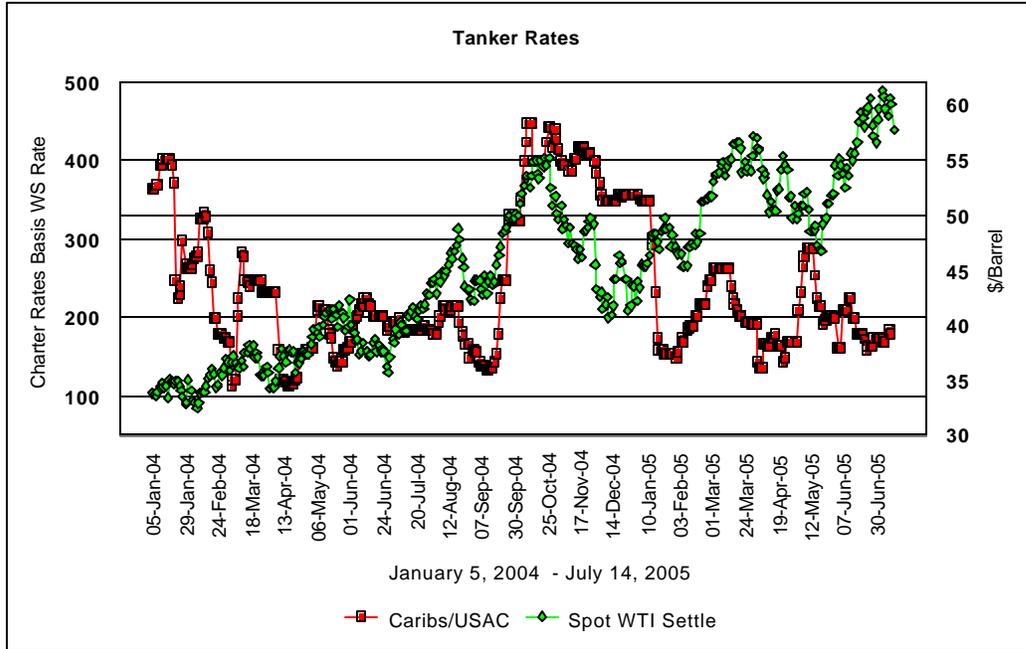
According to the US Minerals Management Service, there was a further recovery in the amount of oil and gas shut in due to Hurricane Dennis. It said there is 54,431 bpd of crude shut in or 3.63% of production in the Gulf of Mexico. It is down from 15.43% on Wednesday.

BP started to pump water from flooded portions of the Thunder Horse platform on Wednesday in hopes to increase the scale of those operations in order to return the vessel to its upright position. The company said it does not appear the Hurricane Dennis damaged the platform. It said some other factor allowed water to flood two the four pontoons it floats on.

Oil officials said Venezuela's operations at its refineries were not impacted by Hurricane Emily as it passed north of the country's northeastern coast early Thursday. Officials also stated that Venezuela has eased tanker traffic restrictions at the country's ports. Hurricane Emily temporarily delayed some oil tankers from sailing. Tanker loadings at the northeastern Jose oil port continued but the port captain advised tankers to anchor in the port until he cleared them to sail.

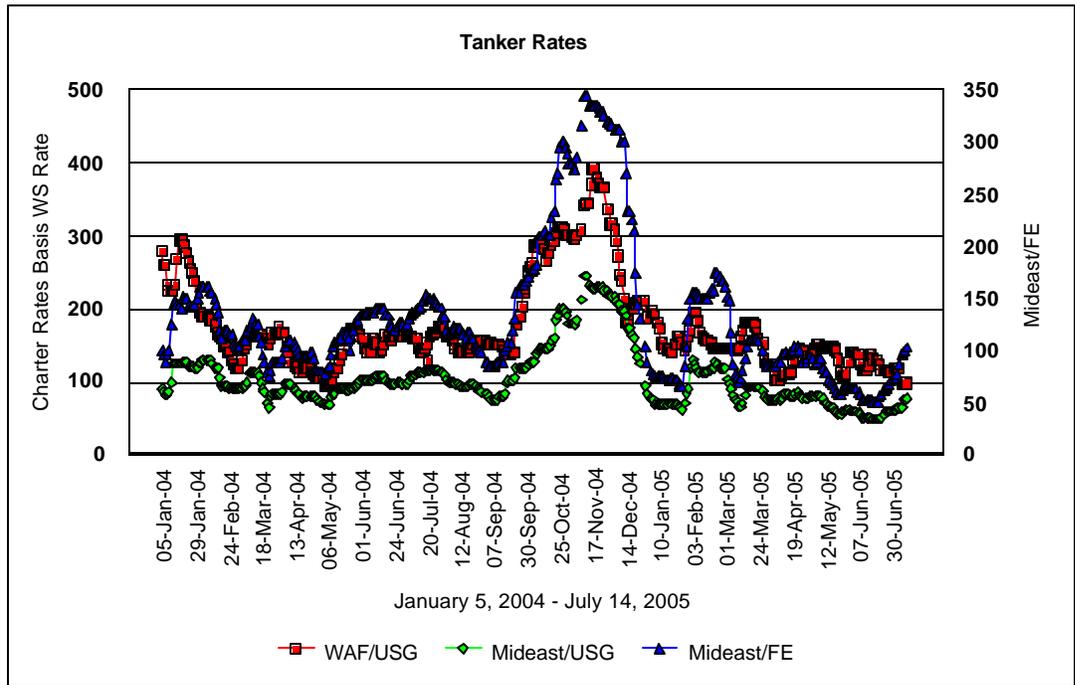
OPEC's news agency reported that OPEC's basket of crudes increased to \$54.53/barrel on Wednesday, up from Tuesday's \$54.31/barrel.

An analyst reported that oil product stocks held in independent Amsterdam-Rotterdam-Antwerp storage tanks mostly increased last week. The analyst reported that ARA gasoline stocks increased by 100,000 tons to 800,000 tons in the week ending July 14<sup>th</sup>. Meanwhile gas oil stocks fell by 50,000 tons to 1.95 million tons from 2 million tons in the previous week while naphtha stocks increased by 25,000 tons to 100,000 tons and jet fuel stocks increased by 50,000 tons to 350,000 tons.



Singapore's International Enterprise reported that the country's middle distillate stocks increased by 696,000 barrels on the week to 9.533 million barrels. Light distillate stocks fell by 107,000 barrels to 9.129 million barrels while fuel oil stocks increased by 961,000 barrels to 13.101 million barrels.

Tokyo Electric Power Co. said its total oil consumption in June increased by 7.2% year on year. The company's low sulfur fuel oil totaled 283,000 kiloliters or 1.8 million barrels in June, up from 257,000 kl last year. Its crude oil consumption was stable from a year earlier at 103,000 kl or 648,000 barrels.



Southeast Asia is seeking to lower the use of oil in generating electricity to decrease its oil dependence. Thailand, Singapore and the Philippines have made strides in the past five years to replace fuel oil or diesel with natural gas in domestic power plants. Indonesia is increasing its efforts to switch over the one-third of its power plants still consuming diesel and fuel oil. It hopes to cut the oil content to 5% by 2008. Pumping more natural gas into power plants should help curb the need for crude oil imports from the Middle East but it will put greater pressure on ASEAN, Association of South East Asian Nations, neighbors. Singapore, which shifted more than 50% of its power generation to gas after starting up pipelines from Malaysia and Indonesia, suffered blackouts in 2002 and 2004 when supplies from Indonesia were disrupted.

**Market Commentary**

The oil complex sold off sharply as concerns over supplies eased in light of the forecast track showing Hurricane Emily may head away from the main refining area in the Gulf of Mexico. The market posted an intraday high of 59.90 on the opening and continued to trade lower. It retraced more than 62% of its move from a low of 55.90 to a high of 61.90 and breached its support trendline as it traded below the 58.00 level. The market extended its losses to more than \$2.70 as it posted an intraday low of 57.25 late in the session. It bounced off its low ahead of the close and settled down \$2.21 at 57.80. Volume in the crude was excellent with over 251,000 lots booked on the day. Open interest in the crude market built by a total of 20,509 lots as of Wednesday. Open interest in the August contract fell by 19,571 lots while open interest in the September contract built by 25,790 lots. Given today's move in the market it is likely that much of the longs that came into the market on Wednesday were forced out during today's session. The product markets settled more than 6 cents lower, with the heating oil market settling down 6.10 cents at 165.69 and the gasoline market settling down 6.07 cents at 169.35. The heating oil market also posted its high of 171.10 early in the session but quickly backfilled its gap from 170.25 to 169.20. The market sold off more than 8.4 cents as it posted an intraday low of 163.30 late in the session. Similarly, the gasoline market traded to a high of 175.50 on the opening but settled into negative territory during the remainder the session. It sold off to a low of 167.00 ahead of the close. Volumes were good in the products, with 51,000 lots booked in the heating oil and 54,000 lots

booked in the gasoline market.

The crude market on Friday is seen retracing today's sharp losses. The market will remain concerned

Technical Analysis		
	Levels	Explanation
CL 57.80, down \$2.21	Resistance	59.90 Thursdays high
		59.00, 59.58 38% and 50% retracement (57.25 and 61.90)
	Support	57.25 Thursdays low
		56.70, 55.90 Previous lows
HO 165.69, down 6.10 cents	Resistance	171.10 Thursdays high
		169.60 38% retracement (163.30 and 179.80)
	Support	163.30 Thursdays low
		162.50, 159.90 Previous lows
HU 169.35, down 6.07 cents	Resistance	175.50 Thursdays high
		170.00, 173.70
	Support	167.00 Thursdays low
		165.30 to 165.20 Gap (July 5th)

about the forecast track of Hurricane Emily, which has intensified into a Category 3 hurricane. The National Hurricane Center continued to state that a ridge of high pressure should keep the hurricane on a west-northwestward track and added that its forecast shows continued strengthening. Technically, the crude market is seen finding support at its low of 57.25 followed by its previous lows of 56.70 and 55.90. However if it remains supported ahead of the weekend it is seen finding resistance at 59.00 followed by 59.58 and its high of 59.90.

