

W The
Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 19, 2005

An Iraqi oil official said Iraq's oil exports from southern oil fields in the first 17 days of July stood at 1.35 million bpd. A total of 23 million barrels were exported between July 1 and 17. Iraq's southern oil production stood at about 1.7 million barrels. In regards to its northern exports, Iraq has exported a total of 4.2 million barrels from its northern oil fields via the Turkish port of Ceyhan.

Market Watch

A top aide to Sen. Pete Dominici said he does not see the Senate accepting a bill that includes a safe harbor provision for manufacturers of a gasoline additive called MTBE. Meanwhile, Rep. Joe Barton is expected to see outline his plan for including the MTBE liability waiver in the final bill.

Fitch Ratings said that hedge funds were an important source of capital to the market and could promote liquidity and diffuse credit risk but was concerned that the behavior of these investment vehicles may exacerbate risks.

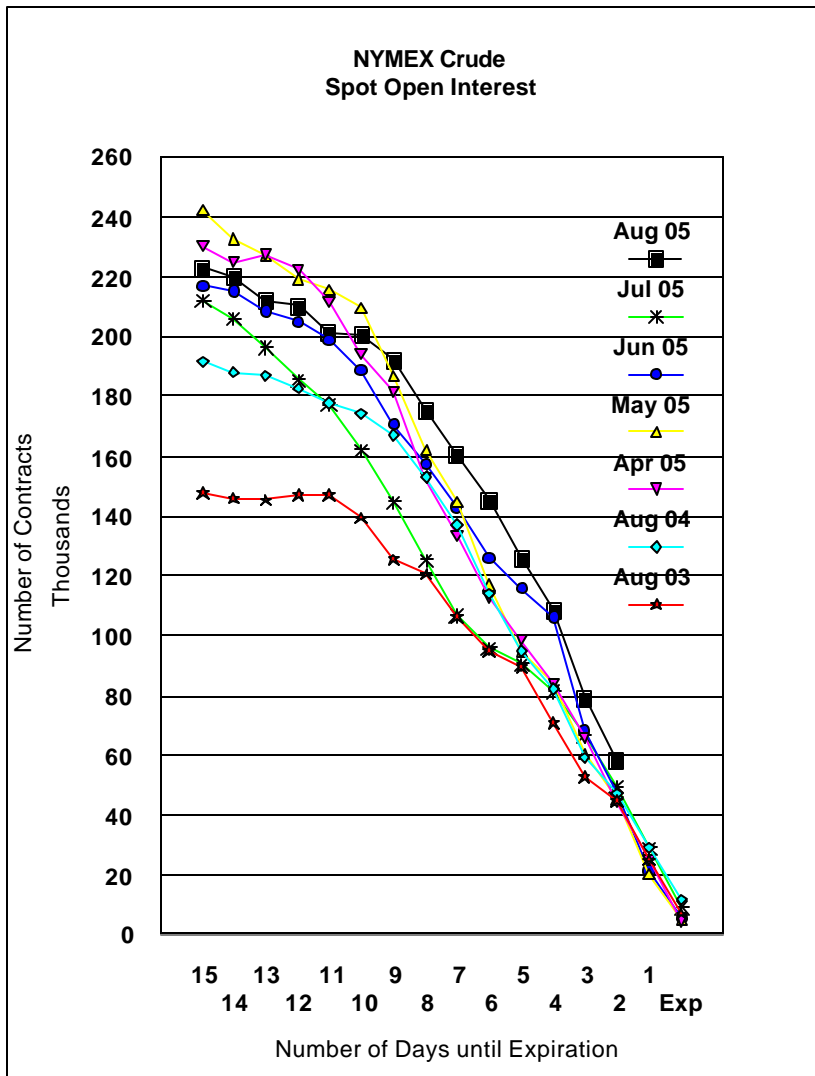
China's State Electricity Dispatch Center predicted that China will suffer the worst energy shortfall in 20 years this summer. It said about 4,700 businesses will stagger week long shutdowns over the next month to ease the electricity crunch. Beijing Electric Power Corp said the staggered shutdowns would ease power demand by 280,000 kilowatts. It also raised prices on July 1 in a bid to cut consumption. The government will allow businesses to adopt a temporary six day week schedule to offset shutdowns and catch up with their original production plans this fall.

A fall in China's two surveys of purchasing managers last month indicates a likely slowdown in industrial production in June for the first time since March. The average forecast of 10 economists surveyed by Reuters is for an increase of 15.9% from a year earlier but down from 16.6% in May and 16% in April. A separate PMI produced by the National Bureau of Statistics fell to 51.7 in June from 57.9 in March.

Nigeria's junior oil minister, Edmund Daukoru said he is not concerned by recent forecasts that world oil demand growth will not be strong later this year and in 2006 as previously expected. He said what matters is there is still some tightness in the system and prices remain high.

Three members of the committee drafting Iraq's new constitution were killed as they left a Baghdad restaurant on Tuesday. Police sources said the three members, believed to be Sunni members of the committee, were shot as they left the restaurant. The committee is due to deliver Iraq's new constitution by August 15.

Refinery News



Chevron Corp's Pascagoula, Mississippi refinery partially resumed operations on Monday after it was shut down due to Hurricane Dennis. The refinery is expected to return to full capacity by the end of the week. A company spokesman said its customers would continue to be supplied, despite any shortfall in the refinery's production.

China's refining sector lost 2.79 billion yuan or \$337.1 million in the first five months of 2005 as high prices and domestic price caps cut earnings. Earnings from January through May were at their lowest in three years as the cost of oil on international markets increased about 30% from the start of the year.

Production News

Pemex stated that Mexico has halted 2.95 million bpd in oil production until midweek and grounded all shipments as offshore operations were frozen due to Hurricane Emily. Pemex, which normally produces 3.4 million bpd of crude, said it would start restoring production on Wednesday and should be fully operational on Friday. It halted 1.87 million bpd in oil exports due to high seas. It could

not say if there would be delays to shipments from tankers at sea rerouting to avoid Hurricane Emily.

Mexico's Transport Ministry reported that it has reopened its Dos Bocas oil export port as it brings production and exports back on track after Hurricane Emily moved through the southern Gulf of Mexico. Its Cayo Arcas terminal however remained closed.

The MMS reported that 113,115 bpd of oil production and 651.51 mmcf/d of natural gas production in the Gulf of Mexico was shut in ahead of Hurricane Emily. The shut in production equals 7.54% of the Gulf's daily oil production. The cumulative shut in oil production associated with Hurricane Emily is 125,966 barrels.

Apache Corp said it shut in 82 mmcf/d of natural gas production and 6,400 bpd of oil production in anticipation of Hurricane Emily. It has shut in production in 14 fields in its southern production area in the Gulf of Mexico. It also stated that a total of 87 essential and 61 non-essential workers were evacuated from platforms off the South Texas coast. Meanwhile, Royal Dutch/Shell said it was shutting in onshore oil and natural gas production in South Texas ahead of Hurricane Emily. It will shut in 4,000 bpd of oil production. On Monday it evacuated three offshore facilities in the far west Gulf of Mexico, shutting in 1,000 bpd of oil production and 20 mmcf/d of natural gas production. Even

as the company was moving workers away from Hurricane Emily, it was returning workers evacuated ahead of Hurricane Dennis. Shell returned 60 workers to its eastern Gulf of Mexico operations area on Monday and was continuing redeployments to facilities in the central and eastern Gulf of Mexico.

Kerr-McGee Corp was returning workers to offshore operations in the far western US Gulf of Mexico on Tuesday because the threat from Hurricane Emily had passed. It also planned to begin restoring the 60,000 boe/d of shut in production throughout the day on Tuesday.

Iraq signed a preliminary agreement to export 150,000 bpd of crude oil to Abadan refinery in southwest Iran, taking gasoline, gas oil and kerosene in return.

The Norwegian Petroleum Directorate reported that Norway's oil production fell to 2.29 million bpd in June, down from 2.65 million bpd in May. Its production was mainly down due to maintenance on fields. It expects production to average almost 3 million bpd in 2005.

Sources stated that end user heating oil stocks in Germany increased to 46% by the start of July, up from 45% at the start of June. Heating oil stocks are still below the 51% level reported last year. German heating oil sales were 24.1% lower in June compared with the same month last year.

The Canadian Association of Petroleum Producers said Canada is expected to produce 3.9 million bpd by 2015, up from its current production level of 2.6 million bpd. Oil sands production from Alberta's 175 billion barrel reserve is projected to increase to 2.7 million bpd over the next decade from just over 1 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by 6 cents/barrel to \$52.38/barrel on Monday, down from Friday's 52.44/barrel.

Russian oil company Slavneft's oil production increased by 13.3% on the year to 11.9 million tons in January-June. The company refined 11.1 million tons of oil in the period, up 7.8% on the year. In June, the company produced 1.99 million tons of oil, up 11.2% on the year and refined 1.95 million tons of oil, up 6.7% on the year. Its gasoline production in January-June stood at 2.02 million tons, up 27.1% on the year.

Russia's Federal Tariff Service has decided to remove Total's privileged long term tariffs on oil transportation via Russia's oil pipeline monopoly Transneft. It decided to increase the tariff 30% to make it equal the tariffs paid by other oil producers in the Timano-Pechora oil and gas province in Russia's West Siberia.

The energy council in Japan urged the government to reduce the amount of oil that refiners are required to hold to 60-65 days of consumption from the current minimum of 70 days. The council said the government at the same time should increase national oil stocks to maintain energy security for Japan. As of the end of May, Japan had 50.99 million kiloliters of crude oil in its national oil stocks, equivalent to 92 days of consumption.

Taiwan's oil product demand in May totaled 3.54 million kiloliters of oil equivalent, down 1.3% on the year and up 9.8% on the month. Its refinery throughput stood at 5.314 million kl, down 0.3% on the year. Its crude imports in May stood at 31.927 million barrels, down 3.3% on the month and down 4.1% on the year.

Market Commentary

The oil market ended slightly higher as it recovered from its earlier losses late in the session ahead of Wednesday's release of the weekly petroleum stock reports. The oil market traded in negative territory for much of the session after it traded off its high of 57.75 on the opening. It sold off to a double bottom at 56.80 and settled in a 40 cent trading range from 56.80 to 57.20 for much of the day. The market traded lower as concerns over crude production disruptions dissipated with Hurricane Emily downgraded to a category 1 storm early Tuesday and forecast to make landfall in Mexico. Late in the session, however the market bounced off its low and traded back towards the 57.50 level. It settled up 14 cents at 57.46. Volumes were good with 233,000 lots booked on the day. Open interest in the crude market fell by a total of 12,009 contracts to 829,786 contracts. Open interest in the August contract fell by total of 21,123 lots to 57,814 lots as traders continued to liquidate their positions. However as of Monday's session, there was still more open interest in the market ahead of its expiration on Wednesday compared with previous months. The product markets ended mixed with the gasoline market settling up 2.62 cents at 167.35 and the heating oil market settling down 15 points at 163.01. The gasoline market opened 27 points higher at 165.00 and settled in a sideways range from 165.50 to its low of 163.50. However the market bounced off its low and retraced its losses. The market rallied to a high of 167.50 late in the session as it backfilled Monday's opening gap from 166.50 to 167.40. The heating oil market however backfilled its gap as it posted an intraday high of 165.30 on the opening and never looked back. It erased its gains and sold off to a low of 162.30. Similar to the crude market, the heating oil market settled in a sideways range for most of the day. Volumes in the product markets were good with 41,000 lots booked in the gasoline market and 46,000 lots booked in the heating oil market.

The oil market on Wednesday is seen supported by the weekly petroleum stock reports. The DOE and API reports are expected to show draws in crude stocks of about 3 million barrels due to storm related disruptions, draws in gasoline stocks of about 1 million barrels and builds in distillate stocks of about 1 million barrels. If the market does see large draws in crude stocks as expected following the supply disruptions, the market is seen holding its resistance at 57.75 and 57.90. Meanwhile support is seen

at 56.80-56.70 followed by 56.15 and 55.90.

Technical Analysis		
	Levels	Explanation
CL 57.46, up 14 cents	Resistance 58.90 57.75, 57.90	Previous high Tuesday's high, Monday's high
	Support 56.80 56.70, 56.15, 55.90	Double bottom Previous low, Basis trendline, Previous low
HO 163.01, down 15 points	Resistance 165.67, 169.90, 171.10 164.00, 165.30	Basis trendline, Previous highs Tuesday's high
	Support 162.30, 161.60 159.90, 157.50	Monday's low Previous lows
HU 167.35, up 2.62 cents	Resistance 169.60, 173.70, 175.50 167.50	Basis trendline, Previous highs Tuesday's high
	Support 163.50, 162.50 158.20, 155.50	Tuesday's low, Monday's low Previous lows