



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 25, 2005

An Iraqi oil official said Iraq halted oil exports in the north since Saturday due to insufficient production. Iraq resumed pumping Kirkuk crude from Thursday until early Saturday to the Ceyhan port following brief suspension Thursday caused by an explosion on the northern export pipeline. The official said about 580,000 barrels of crude were pumped before Saturday's suspension.

Crude stocks at Turkey's port of Ceyhan now stand at 1.8 million barrels. This is contrary to reports last Friday that the exports remained on hold on Friday.

OPEC producers and major consuming nations should join forces to maintain tactical stocks of oil near key markets in order to reduce volatility and lower prices. A Columbia University professor, David Nissen, wrote in Petroleum Intelligence Weekly that producers should acquire storage facilities in major consuming regions and sell the right to use that stored oil to the host country's government as a way to supplant or augment its own strategic reserves.

The EIA reported that the average US retail price of gasoline fell by 2.8 cents to \$2.289/gallon in the week ending July 25th. It also reported that the average US retail price of diesel fell by 5 cents to \$2.342/gallon on the week.

Market Watch

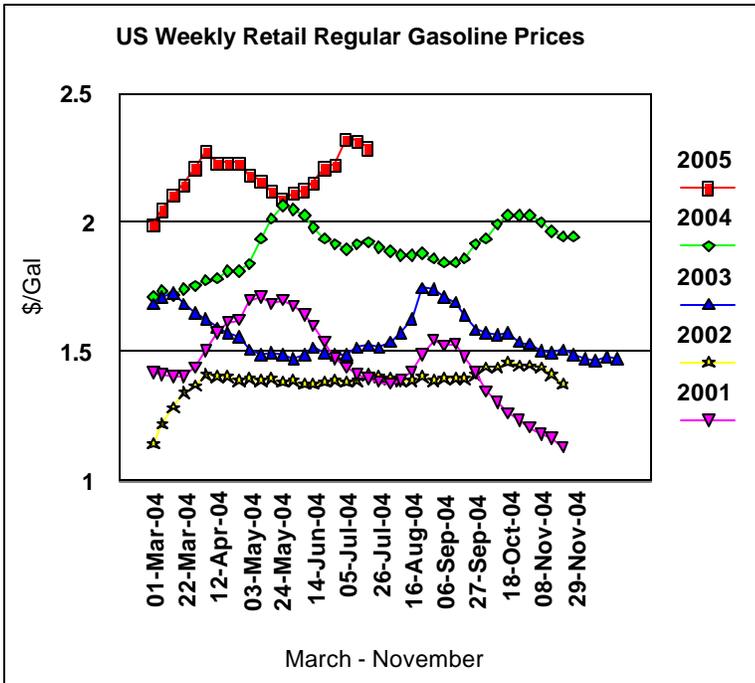
President of the Lundberg Survey, Trilby Lundberg said the US gasoline price average has remained stable in the last two weeks. She said pump prices have been helped by adequate gasoline supplies and relatively tempered hurricanes in the Gulf of Mexico.

Lehman Brothers raised its forecast for Brent crude in the second half of the year to \$55/barrel. It lifted its 2006-2009 Brent price forecast to \$50/barrel from \$40/barrel.

Schlumberger Ltd chief executive Andrew Gould, in a bullish appraisal of commodity prices, faulted the market for giving too much weight to falling Chinese oil demand and not enough to the weakness of non-OPEC oil supply.

The board of directors of Unocal Corp was prepared to accept a takeover offer from China's CNOOC Ltd until Chevron Corp raised its bid. Unocal's board told chief executive Chuck Williamson on July 17 to inform Chevron it was inclined to shift its support to CNOOC unless Chevron increased its bid.

Shell Trading was seen in the market buying a large quantity of medium sour Mars crude on the last day of Aug-Sep rollover period. Market participants said it could be related to Pemex's force majeure on up to 10 million barrels of US bound heavy, sour Maya crude due to production and export interruptions caused by Hurricane Emily.



Refinery News

PDVSA has shut a 15,000 bpd catalytic cracking unit at its Puerto La Cruz refinery due to a power snag. The unit should be running normally by Wednesday. Separately, PDVSA said it is restarting a 77,000 bpd catalytic cracking unit at its Cardon refinery after the unit was shut late last week.

Shell Deer Park Refining's 340,000 bpd refinery is operating at normal rates following five days of reductions forced by delays in shipments of crude from Mexico's Pemex.

Production News

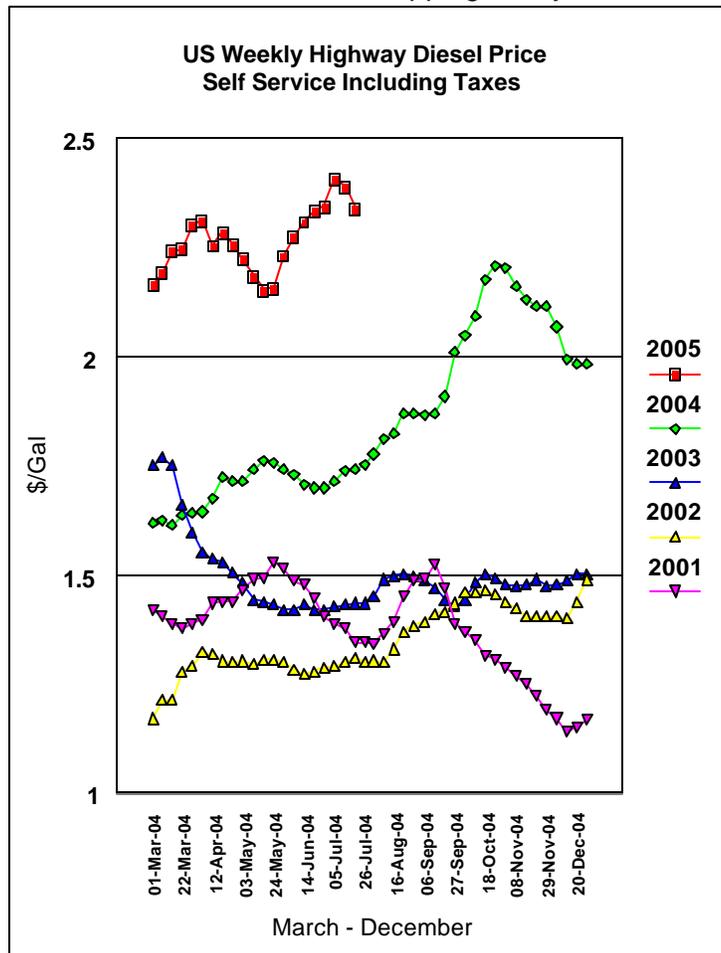
Inbound vessel traffic in the Houston Ship Channel is normal following an increase on Friday and Saturday. The increase was due to shipping delays associated

with last week's Hurricane Emily.

According to Petrologistics, OPEC's production increased by 600,000 bpd in July to 30.3 million bpd. It reported that the increase was mainly due to the UAE's production, which increased to 2.5 million bpd from 2.15 million bpd. Iraq also increased its supplies by 150,000 bpd to 1.95 million bpd in July. It reported that Saudi Arabia's production increased slightly by 100,000 bpd to 9.5 million bpd. Production from the ten OPEC members, excluding Iraq, increased by 500,000 bpd to 28.4 million bpd.

Norway's Statoil ASA said more oil has been found in block 31 in the deepwater part of the Angolan continental shelf. It is its seventh discovery in block 31 and it has been named Juno. A production test flowed at a rate of 2,676 bpd. Separately, Statoil said production from the Hulda gas and 30,000 bpd Veslefrikk oil fields in the North Sea was shut down on July 23 following the discovery of an internal crack in a conventional lifeboat system.

Ecopetrol said Colombia's total crude oil



production fell to 530,216 bpd in May, down from 535,647 bpd last year. In January-May, production averaged 524,508 bpd compared with 526,580 bpd in the same period last year. Colombia expects oil production to fall to an average of 510,000 bpd this year.

China's apparent oil demand increased by just 0.7% in June, reversing the previous month's contraction but still underscoring signs of weaker demand for oil. Overall June consumption appeared to increase more than 400,000 bpd from a month earlier to 6.31 million bpd. In the first half of the year, implied demand was up 2.6% at 6.25 million bpd, well below conservative estimates of over 5% annual growth. Demand growth may have been limited due to limits on retail prices that prompt an increase in exports and cut sales in domestic markets and strong hydropower and coal generation that cut the need for oil to use in power plants. Net product imports in June recovered to 520,000 bpd from 110,000 bpd in May but were still about a third below the same period of 2004.

China's Customs General Administration said China's oil imports fell 0.1% in June from a year earlier to 11.3 million tons.

Indonesia has purchased a total of about 11.2 million barrels of oil products for August, up from about 10.83 million barrels in July. Imports for gasoline were higher at 4.2 million barrels, up 1.1 million barrels on the month. It also purchased a total of 1.2 million barrels of kerosene for August. Fuel oil imports were also higher at 520,000 barrels, up from 370,000 barrels in July while imports of gas oil fell to 5.2 million barrels, down from July's 7.36 million barrels. Meanwhile, Pertamina is seeking via tender 2.65 million barrels of petroleum products for September, up from 1.98 million barrels in August. It is expected to increase its import volumes for August and September in a bid to raise national stock levels to 22 days from the current 18.5 days.

Thailand's PTT Plc reported that total oil consumption in January-May increased 3.5% to 749,600 bpd. Its oil and product demand was up 5.8% on the year at 1.189 million bpd.

The main oil production unit of Russia's Sibneft, Sibneft-Noyabrskneftegaz, fell by 3.8% on the year to 15.384 million tons in January-June. Sibneft's Omsk refinery processed 7.3 million tons of crude oil and produced more than 2.4 million tons of gasoline.

OPEC's news agency reported that OPEC's basket of crudes increased \$0.58/barrel to \$51.81/barrel on Friday, up from \$51.23/barrel on Thursday. It reported that the basket of crudes fell by \$2.07/barrel to an average of \$52.02/barrel in the week ending July 21, down from \$54.09/barrel.

**Market
Commentary**

The oil market opened 67 cents lower at 57.80 on profit taking amid the absence of any bullish news over

Technical Analysis		
	Levels	Explanation
CL 59.00, up 35 cents	Resistance 59.65, 60.39 59.15	Previous high and 50% (62.80 and 56.50), 62% Monday's high
	Support 58.50, 57.90 57.65, 57.35	Monday's low, Previous low
HO 160.66, up 2.47 cents	Resistance 164.84, 165.40, 167.70 161.10	38% retracement, Previous high, 50% (179.80 and 155.60) Monday's high
	Support 160.00, 158.00 156.00, 155.60, 154.00	Monday's low, Previous lows
HU 170.64, down 2.16 cents	Resistance 174.25, 175.50, 177.02 171.40, 173.50, 173.70	50% (186 and 162.50), Previous high, 62% Monday's high, Previous highs
	Support 168.50 167.50, 165.10	Monday's low Friday's low, Previous low

the weekend. The market traded lower in light of some reports stating that China's oil demand growth in June was lower than expected. Also the market's concern over the tropical wave that strengthened into Tropical Storm Gert dissipated as it moved through Gulf of Mexico without any impact to the oil infrastructure. The market sold off a low of 57.65 early in the session before it bounced off that level and retraced its losses. It retraced about 38% of its move from a high of 62.80 to 56.80 as it rallied to a high of 59.15 on the post close. It settled up 35 cents at 59.00. Volume in the crude remained light with 105,000 lots booked on the day. The product markets however ended mixed with the heating oil market settling up 2.47 cents at 160.66 and the gasoline market settling down 2.16 cents at 170.64. The heating oil market opened down 1.89 cents at 156.30 amid the losses seen in overnight trading. The market bounced off its low of 156.00 and never looked back as it rallied above Thursday's high of 161.00 to 161.10 ahead of the close. The gasoline market posted an inside trading day as it failed to find the momentum to break out of Friday's range. It traded to a low of 168.50 early in the session and rallied to a high of 171.40. Volumes in the product markets were good with 41,000 lots booked in the heating oil market and 44,000 lots booked in the gasoline market.

The oil market will likely continue to trade in a range as traders await the release of the weekly petroleum stock reports on Wednesday amid the lack of any other news. The market is seen finding support at 58.50 followed by 57.90 and its low of 57.65. More distant support is seen at 57.35. Meanwhile resistance is seen at 59.15 followed by 59.65 and 60.39, its 50% and 62% retracement level off a high of 62.80 and a low of 56.50.