



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 28, 2005

A port agent said Iraq pumped 600,000-700,000 barrels of Kirkuk crude through its northern export pipeline earlier this week. The resumption allowed Turkish refiner Tupras to take 650,000 barrels through its pipeline to one of its refineries Tuesday, leaving crude stores in the export terminal of Ceyhan at 1.6-1.7 million barrels.

According to Oil Movements, OPEC's oil

shipments are expected to increase by 60,000 bpd in the four weeks ending August 13 to 24.52 million bpd. The head of Oil Movements, Roy Mason said shipments bound for the US continue increasing.

Refinery News

A fire at Murphy Oil Corp's 120,000 bpd Meraux, Louisiana refinery shutdown an 18,000 bpd kerosene hydrotreater. It said damage was minimal. There is no estimate on when the unit may resume operations.

Premcor Inc said it plans to overhaul its coker and hydrocracker at its 175,000 bpd refinery in Delaware City, Delaware. The overhaul is planned to start in the last week of September and last between 40 and 45 days.

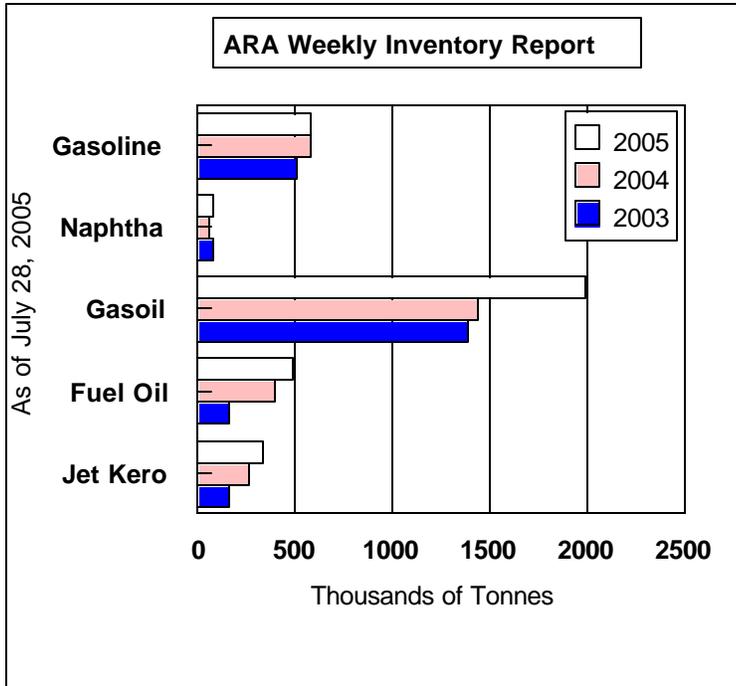
Market Watch

The House of Representatives approved the energy bill on Thursday. The bill is expected to cleared by the Senate on Friday and signed into law by President George W. Bush next week. Under the bill, oil and gas companies will receive royalty relief for production from deep water in the Gulf of Mexico, an inventory of energy deposits off Florida and other states and tax breaks for increasing the capacity of existing oil refineries. The bill will also double the US ethanol use to 7.5 billion gallons by 2012.

US Energy Secretary Sam Bodman said the energy bill is the first step in the US' long journey to become less dependent on imports. However he said it could be a decade before US no longer depends on foreign oil. He said he was hopeful the US Senate would pass the bill on Friday.

According to the EIA, total US oil consumption averaged 20.882 million bpd in the four weeks ending July 22, up 0.1% on the year and not 1.3% as it had originally reported. It reported that gasoline consumption averaged 9.494 million barrels over the past four weeks, up 1.6% on the year, not 2.4% as originally reported while distillate consumption stood at 3.982 million bpd, up 3.6% on the year, slightly higher than the 3.5% it originally reported.

Saudi Arabia announced an amnesty for minor criminals to mark what it said was an improvement in the health of King Fahd.



Royal Dutch Shell Plc said it expects to bring its 416,000 bpd Pernis refinery in Rotterdam to near normal operations by early August.

Japan's Nippon Oil Corp will refine 4.8 million kiloliters of crude oil next month or about 974,000 bpd, down 7% from a year earlier. In July it processed 4.6 million kl, about 6% lower on the year. It is expected to raise its crude runs against July to increase gasoline output, despite expectations that milder weather and higher prices will limit demand.

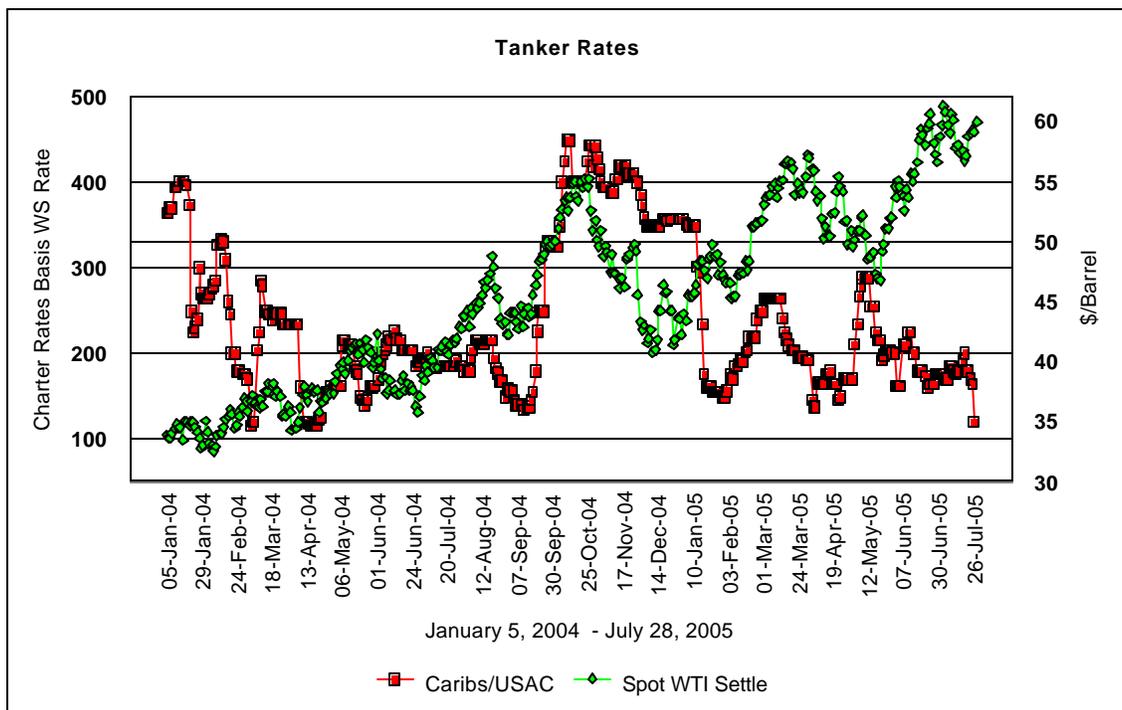
Production News

Gas oil stocks in the independent Amsterdam-Rotterdam-Antwerp storage tanks increased to 2 million tons in the week ending July 28th as the price contango encouraged traders to store the

product. Gas oil inventories increased 75,000 tons on the week. Gasoline stocks fell by 100,000 tons on the week to 600,000 tons while naphtha stocks remained unchanged at 100,000 tons. Fuel oil stocks increased by 25,000 tons to 500,000 tons while jet fuel stocks fell by 50,000 tons to 350,000 tons on the week.

Russia's Energy Ministry reported that Russia's oil production is likely to be over 9.4 million bpd in July, relatively unchanged from June's level when it increased following eight months of stagnation.

Russia's new oil products export duties are expected to come into effect starting from August 27. The export duty on light oil products will increase to \$106.60/ton from the current \$104.10/ton and the export duty on heating



oil to \$57.40/ton from \$56/ton.

Russia's Transneft plans to slightly cut its oil exports from the Baltic Sea port of Primorsk and increase shipments from the Black Sea port of Novorossiisk. The port of Primorsk will load 4.83 million tons or 1.14 million bpd of crude in August, down from 5 million tons in July. The port of Novorossiisk will load 3.89 million tons or 920,000 bpd, up from 3.775 million tons in July. Meanwhile shipments from the Black Sea port of Tuapse is expected to fall to 428,000 tons or 100,000 bpd from 508,000 tons in July.

Marathon Oil Corp said its quarterly profit increased 91%, driven by higher oil and gas prices coupled with higher refining and marketing margins. Oil and natural gas production available for sale averaged 353,000 barrels of oil equivalent/day in the quarter, while production sold averaged 368,000 barrels due to the timing of international crude oil liftings. It estimated third quarter production available for sale would fall from the second quarter to between 322,000 and 342,000 barrels.

Exxon Mobil Corp also reported a 32% increase in quarterly profit, driven by high oil prices. Its net income was \$7.64 billion in the second quarter compared with \$5.79 billion last year.

Royal Dutch Shell Plc expects its 2005 oil production to be at the lower end of the range of 3.5 million to 3.8 million bpd.

Repsol YPF SA's chief financial officer said he expects output to decline about 6% during 2005.

India's Oil and Natural Gas Corp and leading state run refiners face losses after a fire destroyed an oil platform that pumped 110,000 bpd from the Bombay High field. Officials said it may take a year to rebuild the platform. Bharat Petroleum Corp Ltd, Hindustan Petroleum Corp Ltd and Indian Oil Corp will suffer as they will need to buy sweet crude from the spot market at a higher price.

The production start-up at the Bonga oil project has been postponed from September to the fourth quarter.

Market Commentary

The market opened in positive territory after it posted a mostly neutral trading session on Wednesday as it held good support at 58.60. The market quickly posted a high of 59.70 and settled in a sideways trading range amid the lack of any news. It traded to a low of 58.80 as it attempted to test its support level. However the market bounced off that level and traded back towards the 59.50 level. The

Technical Analysis		
	Levels	Explanation
CL 59.94, up 83 cents	Resistance 60.39, 60.65 60.15	62% retracement (62.80 and 56.50), Previous high Thursday's high
	Support 58.80, 58.60 57.65, 57.35	Thursday's low, Double bottom Previous lows
HO 164.55, up 2.83 cents	Resistance 165.40, 167.70 164.90	Previous high, 50% (179.80 and 155.60) Thursday's high
	Support 163.00, 161.50 159.25	Thursday's low Previous low
HU 172.20, up 62 points	Resistance 174.25, 175.50, 177.02 173.60, 173.70	50% (186 and 162.50), Previous high, 62% Thursday's high, Previous high
	Support 171.00, 169.50 168.75, 167.80, 167.50	Thursday's low Previous lows

market later rallied to a high of 60.15 as stops were triggered above its early high in light of the news of a fire at Murphy Oil's Meraux, Louisiana refinery. It

settled up 83 cents at 59.94. Volume in the crude remained light with 150,000 lots booked on the day. The heating oil market settled up 2.83 cents at 164.55 after it retraced more than 38% of its move from a high of 179.80 to a low of 155.60. The market erased its early gains and sold off to a low of 161.50 but quickly rallied late in the session following the news of the refinery fire. It traded to a high of 164.90 ahead of the close. Meanwhile the gasoline market also erased its early gains and sold off to a low of 176.00 by mid-day. However the market bounced off its support and rallied to a high of 173.60 amid the strength in the heating oil market. It settled up 62 points at 172.20. Volumes in the product markets were good with 48,000 lots booked in the heating oil market and 51,000 lots booked in the gasoline market.

The oil complex on Friday will mostly be driven by the expiration of the August product contracts. The oil market is still seen finding good support at its lows amid the continued buying interest as it dips below the 59.00 level. Also, stochastics are still trending higher. Support is seen at its lows of 58.80 followed by 58.60 followed by 57.65 and 57.35. Meanwhile resistance is seen at 60.15 followed by 60.39 and 60.65.