



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 29, 2005

An Iraqi railway spokesman said fighters attacked a train carrying petroleum products. It was the first such attack in Iraq. The seven tanker convoy was

Market Watch

Members of Iraq's constitution drafting committee said the draft of Iraq's new constitution is almost finished and should be completed on schedule by the end of the month. Meanwhile Iraq's Planning Minister Barham Salih said Iraq's Kurds want at least partial control over northern oil resources in a post war political system that ends uneven distribution of wealth. He said negotiations to decentralize power over the economy were part of talks over a new federal constitution for post-Saddam Hussein Iraq. He said the federal structure should guarantee balanced development.

attacked less than a kilometer away from the Doura refinery. Separately, the US military reported that US fighter jets bombarded the Iraqi village of Haditha, near the Syrian border. The air attack was apparently launched after US and Iraqi troops came under fire from three buildings in the village. In other incidents, Aljazeera learned that six Iraqi soldiers were killed and eight wounded during an attack by fighters against two Iraqi army checkpoints south of Baquba.

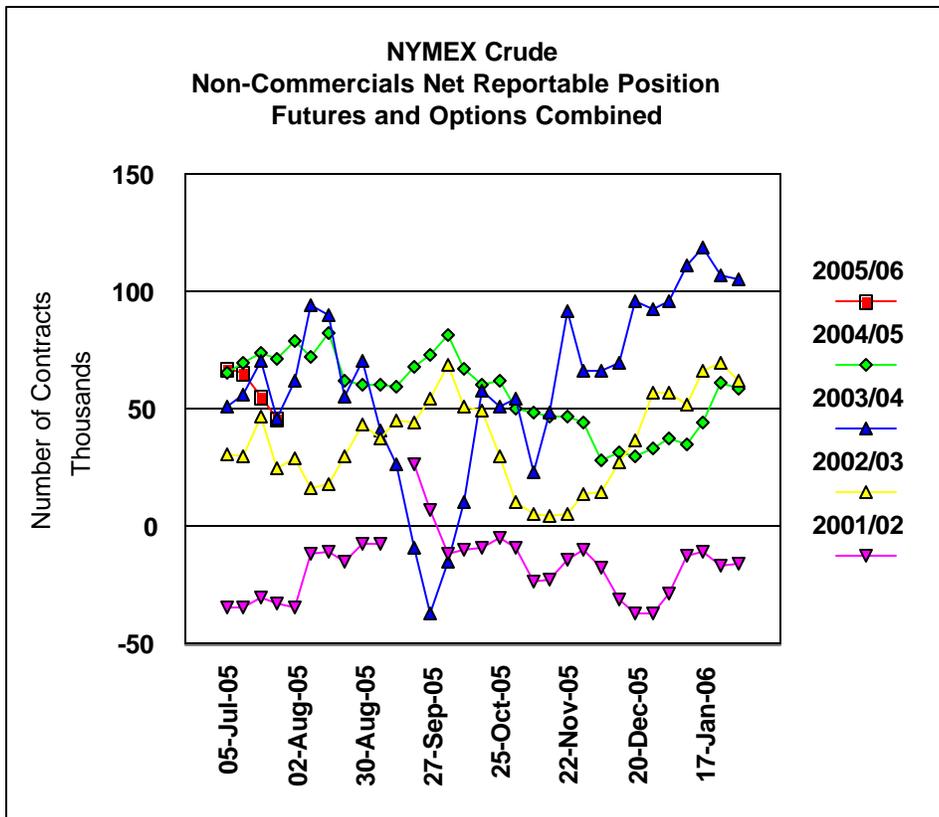
Refinery News

BP confirmed that a fire at its Texas City refinery on Thursday forced it to shut a 60,000 bpd desulphurization unit. Two resid hydrotreaters unaffected by the fire were shut as a precautionary measure. It said its gasoline production is down 35,000 bpd or about 13% of the refinery's total daily gasoline production. In addition, the refinery's crude oil throughput has been cut by 70,000 bpd. The cause of the blast at the unit was not immediately known. This followed the deadly explosion at the refinery in late March that killed 15 workers and injured 170 others. BP could not estimate when the hydrotreating production will return to normal but said the priority was finding the cause. Company and government officials were working on Friday to determine the cause of the blast.

Murphy Oil Corp said it would know the status of an 18,000 bpd kerosene hydrotreater at its 110,000 bpd Meraux, Louisiana refinery until Monday afternoon. On Thursday, the company said overall runs would not be affected and that feed would be rerouted to other units.

Marathon Corp shut a reformer unit at its 72,000 bpd refinery in Texas City, Texas on Thursday after hydrocarbon was found leaking into the no. 1 cooling tower.

Imperial Oil will shutdown a crude unit at its 195,000 bpd Strathcona refinery near Edmonton, Alberta for 13 days from August 2. The facility is however expected to still produce gasoline and asphalt during the maintenance period.



Chevron Corp said it expects to spend about \$150 million on an expansion for the fluid catalytic cracker unit at its Pascagoula, Mississippi refinery scheduled to be completed by late 2006. The expansion would increase the capacity of the unit, which is currently 63,000 bpd, by 25% and will provide greater volumes of gasoline and other light products.

China's Maoming Petrochemical Corp will keep its 5% production cut in August to 266,000 bpd, the same level as in July, despite higher retail fuel prices. The company also stated that it plans to shut a 40,000 bpd

desulphurization unit between late September and early October for routine maintenance.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 2 to 1,412 in the week ending July 29. The number of rigs searching for oil increased by 8 to 189 while the number of rigs searching for natural gas increased by 7 to 1,221.

BP shut in 120,000 bpd of crude production at its North Sea Schiehallion oil field following a fire in staff facilities at the field.

According to the Aberdeen Petroleum Report, UK oil production in May increased 8.3% on the month to 1.7 million bpd.

Russia's Rosneft and BP, which are jointly developing the Sakhalin-5 oil and gas project, have started drilling an exploratory well off the northeast coast of Sakhalin Island.

Indian Oil Corp will imports up to 200,000 tons or 1.5 million barrels of extra crude to offset supply loss due to the fire at Oil and Natural Gas Corp's platform at Bombay High. Production has fallen by 110,000 bpd. Officials stated that 10 people were killed and the navy has rescued more than 350 people. Reports stated that the fire was caused by an oil rig colliding with the platform. Federal oil minister, Mani Shankar Aiyar, said that 70% of production would be restored over the next four weeks.

Separately, Indian Oil Corp said that it may report a loss in the second quarter if domestic fuel prices are not increased in line with the rise in world prices.

Russia's Economic Development and Trade Ministry stated that Russian companies' crude oil refining is expected to increase by 2.6% on the year to 200 million tons this year. In January-June, refining of crude oil and gas condensate increased to 99.8 million tons.

Oil shipments via Ukrainian seaports fell 46.4% on the year to 5.149 million tons in January-June. Oil product shipments via the ports fell by 16.1% on the year to 3.225 million tons in January-June.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$53.13/barrel on Thursday, up from \$52.86/barrel on Wednesday.

Unocal Corp reported that its net income for the second quarter increased to \$475 million from \$341 million a year earlier. It attributed the increase to higher world oil and natural gas prices, increased international production and lower exploration costs.

Market Commentary

The oil market gapped higher this morning from 60.15 to 60.30 in follow through strength seen in overnight trading following the news of a fire at BP's Texas City refinery. This followed the news of a fire at Murphy Oil Corp's Louisiana refinery, which pushed the market higher on Thursday. The market held some support at 60.50 and rallied higher. It breached the 61.00 level and posted a high of 61.05. However the market erased its early gains and backfilled its opening gap as it sold off to a low of 60.10. The market later retraced some of its losses ahead of the close and settled up 63 cents at 60.57. Volume in the crude was better today with 184,000 lots booked on the day. Meanwhile, the product markets ended mixed with the expiring August gasoline contract settling up 1.67 cents at 173.87 and the heating oil contract settling down 93 points at 163.62. The gasoline market was well supported by the news of the refinery fire. It gapped higher from 173.60 to 174.50 and traded mostly sideways. The market later rallied to a high of 176.00 amid the news that BP's gasoline production at the Texas City refinery was cut by 35,000 bpd. It however erased its gains and sold off to a low of 171.50 ahead of its expiration. The September gasoline contract settled up 1.52 cents at 172.61. Similar to the crude market, the heating oil market erased its earlier gains and sold off to a low of 163.00 as traders liquidated their positions ahead of the close. The September heating oil contract also traded off its high and settled down 9 points at 167.62. Volumes in the products were light with 42,000 lots booked in the gasoline and 36,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market cut their net long positions by 6,970 contracts to 11,929 contracts in the week ending July 26th. The combined futures

and option report also showed that non-commercials cut their net long positions by 9,279 contracts to 46,309 contracts on the week. However

| Technical Analysis | | |
|---------------------------------|-------------------|--------------------|
| | Levels | Explanation |
| CL 60.57, up 63 points | Resistance | 61.80, 62.10 |
| | | 61.05 |
| | Support | 60.10 |
| | | 58.80, 58.60 |
| HO 167.62, down 9 points | Resistance | 170.45, 172.50 |
| | | 170.00 |
| | Support | Sep |
| | | 166.80 |
| HU 172.61, up 1.52 cents | Resistance | 173.50, 174.83 |
| | | 173.00 |
| | Support | Sep |
| | | 171.00 |
| | | 164.00, 163.00 |
| | | 167.80 |

given the market's recent trading, non-commercials have likely increased their net long positions as it holds good support just under the 59.00 level. Non-commercials in the heating oil market, increased their net long position slightly from 9,563 contracts to 9,699 contracts while non-commercials in the gasoline market cut their net long position from 32,273 contracts to 28,285 contracts.

The oil market on Monday will likely retrace some of its gains. However its losses are seen limited as the market continues to find good buying. It is seen finding support at its low of 60.10 followed by 58.80 and 58.60. Meanwhile resistance is seen at its high of 61.05 followed by 61.72, basis its trendline. More distant resistance is seen at 61.80 followed by 62.10.