



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 10, 2005

According to a port agent, a brief resumption of pumping through Iraq's northern oil pipeline over the weekend has increased its inventories at the Ceyhan export terminal to 2.4 million barrels. Iraqi authorities Saturday and Sunday pumped about 800,000 barrels of crude through the pipeline that links the Kirkuk oil fields with the Turkish port of Ceyhan.

Meanwhile a senior Iraqi oil official said Iraq's oil exports in August are expected to exceed July's average of 1.6 million bpd. Iraq's Oil Minister, Ibrahim Bahr al-Uloum said last week that Iraq is targeting an average of 1.7 million bpd to 1.8 million bpd of exports by the end of the year. He expects production to reach an average of 2.5 million bpd by the end of the year.

Venezuela's Oil Minister Rafael Ramirez said OPEC has done all it can to increase its oil supply. However he said world oil prices would likely remain at their current levels. He said OPEC countries were producing all they could and called on consuming countries to do their part to help ease the price.

Refinery News

An 80,000 bpd gas oil hydrotreater at BP's Texas City, Texas refinery was shut overnight due to a leak. The unit is expected to resume operations in a few days. The refinery is operating at about 80% of its capacity. Currently, the gas oil hydrotreating unit, three residual hydrotreaters, a 36,000 bpd catalytic cracker and a 27,000 bpd isomerization unit are out of service.

Market Watch

Unocal Corp shareholders voted on Wednesday to sell their company to Chevron Corp for about \$18 billion. For Chevron, the acquisition provides oil and natural gas reserves in Asia and North America at a time when the company's oil and gas production has been declining. Chevron chief executive David O'Reilly said the acquisition of Unocal Corp would be beneficial to shareholders whether or not oil prices remain at their record high.

The head of Venezuela's Seniat tax authority reported that Venezuela will defeat in court any appeals from world oil companies accused of tax evasion during an oil industry audit. He said oil firms misread the country's tax law when signing operating contracts in the country that included a preferential 34% income tax rate. The discounted rate was designed to encourage investment at aged field. He said oil companies should have been paying the standard 50% tax rate for oil operations.

PDVSA and Uruguay's Administracion Nacional de Combustibles, Alcohol y Portland signed an agreement to jointly develop an oil block in the Orinoco tar belt to help meet Uruguay's energy needs. Venezuela also agreed to invest in ANCAP's 50,000 bpd Teja refinery to increase production capacity and upgrade the refinery's units to be able to process Venezuela's extra heavy crude.

The Occupational Safety and Health Administration started an investigation into a fire over the weekend at Sunoco's Philadelphia refinery. A fire burned for four hours in the larger of the refinery's two crude units at its 330,000 bpd refinery. A source familiar with the refinery said the crude unit is expected back online by the end of the week.

Kuwait Petroleum Corp restarted a gasoline producing unit at its 80,000 bpd refinery in Rotterdam following the completion of its maintenance work.

Production News

Saudi Arabia will supply US refiners with 75% of full allocations in September, unchanged from the past few months. Earlier this month, Saudi Arabia cut prices to the US for its crude from 35 to 75 cents/barrel. However traders said they still did not lower them enough to compete with domestic grades.

The North Sea Brent Bravo oil and gas platform restarted late Tuesday after shutting down on Monday due to a leak. It is expected to resume normal operations later on Wednesday.

BP's 120,000 bpd Schiehallion North Sea oilfield is expected to remain shut until the end of the month as BP repairs fire damage at a field facility. Unplanned outages and scheduled maintenance at North Sea oilfields have cut about 10% of crude oil production from the region in August.

The North Sea Brent crude system is scheduled to load an average of 184,000 bpd in September, down from 265,000 bpd in August.

Norway's North Sea Statfjord crude system plans to load 12 cargoes in September, down from 17 cargoes in August. It is expected to load 10.26 million barrels, down from 14.535 million barrels in August. The September cut was expected due to production problems from wells at the Snorre field. Meanwhile the Ekofisk crude system has scheduled to load 16.65 million barrels in September, up from 16.4 million barrels in August.

Total said its Obagi oil field in Nigeria remains shut in due to local unrest. Production at the field was halted last week. A Total spokeswoman said talks continue between the company and local communities.

The Russian port of Kaliningrad on the Baltic Sea remained closed to crude and refined products loading operations for a second consecutive day due to strong winds.

Nigeria's central bank reported that Nigerian oil production increased by 50,000 bpd to 2.5 million bpd in June. Total production for the month was 75 million barrels compared with 75.95 million barrels in May.

Oil production in Russia increased by 0.3% on the year to 10.269 million tons between August 1 and 0. Oil companies produced 9.48 million tons, up 1% on the year while oil supplies to refineries increased by 3% on the year to 5.076 million tons.

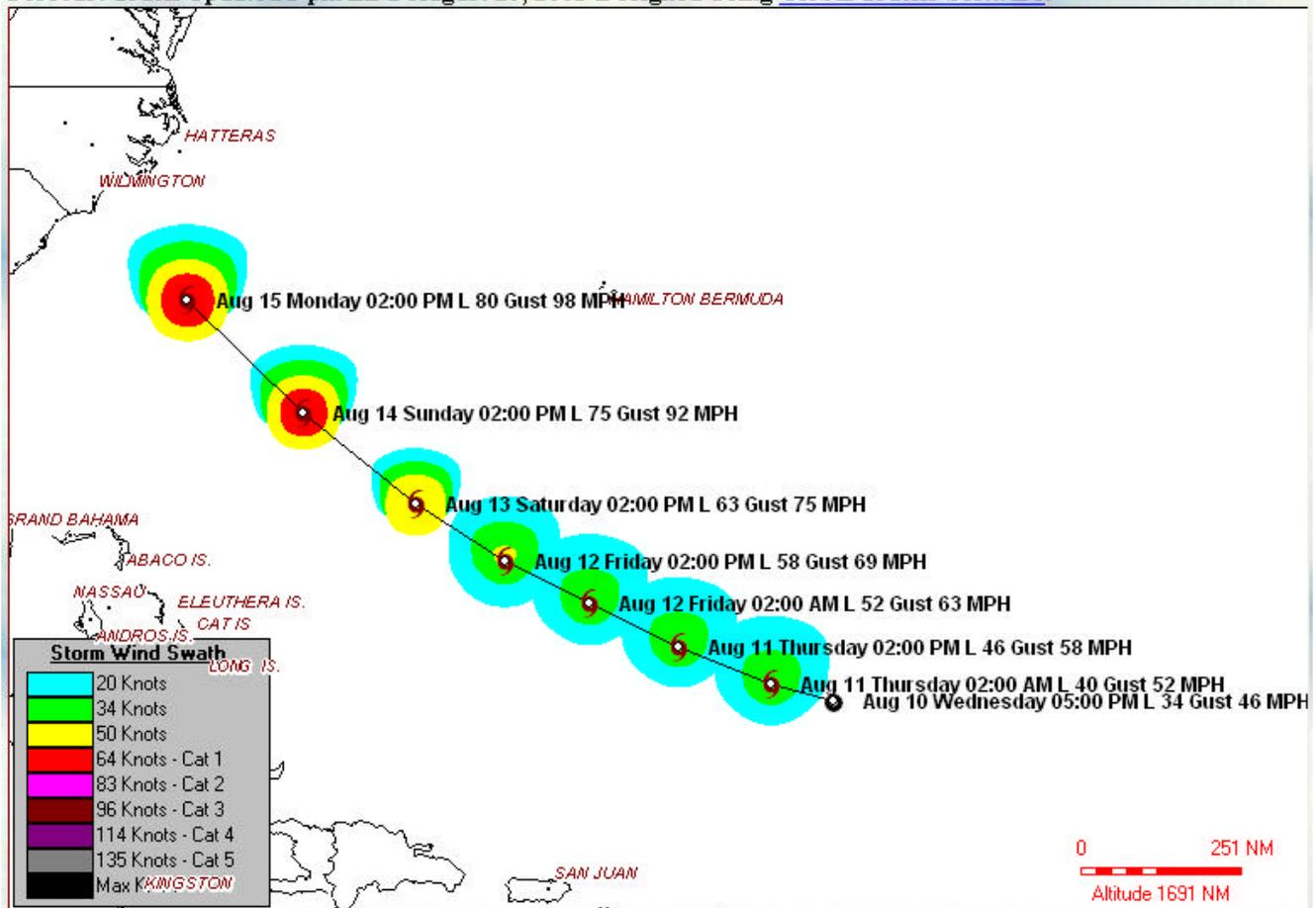
Russia's Surgutneftegaz' oil production increased by 8.2% on the year to 36.678 million tons in January-July.

Russia's eastern Sakhalin-1 project will produce the first oil on schedule this year and reach peak production of 250,000 bpd by the end of 2006.

BP said the first oil in the Baku-Tbilisi-Ceyhan pipeline has crossed the Georgian border on its way to the Mediterranean market. The pipeline will take a million barrels of oil per day from oilfields in the Caspian Sea via Georgia to the Ceyhan Terminal on the Mediterranean coast of Turkey.

Total Azeri oil production was up 30% on the year at 11.3 million tons or 391,000 bpd in January-July. The growth rate accelerated from 25% in January-June as BP readies supplies to fill a major pipeline from the Azeri capital of Baku to the Turkish port of Ceyhan on the Mediterranean. BP said output from its Chirag and Azeri oilfields was 6.07 million tons or 210,000 bpd in January-July compared with 3.53 million tons last year. Azerbaijan's Socar said its output was unchanged at 5.23 million tons or 181,000 bpd in the first seven months. Exports of 6.57 million tons or 227,000 bpd in January-July were 34% higher on the year while exports of refined products increased to 1.32 million tons from 1.24 million tons last year.

Forecast Track Updated 5 pm EDT August 10, 2005 Designed Using [Global Tracks Software](#):



The Azerbaijan International Operating Co has resumed oil exports via the Baku-Supsa pipeline. Exports were halted on August 1 due to maintenance at the oil terminal in Supsa.

Kuwait Petroleum Corp has set its oil official selling price at a \$2.45/barrel discount to the average of Oman and Dubai for September liftings for Asia.

Indonesia's Vice President Jusuf Kalla said Indonesia may increase domestic oil product prices in January or before to reduce fuel subsidies in an effort to ease the country's budget deficit.

A unit of Chinese oil major CNPC said it has a total of 321 million tons or 2.34 billion barrels of proven oil reserves. The Xinjiang Oilfield Co said that over the past five years it pumped 50.69 million tons of crude oil with an average annual increase of more than 400,000 tons.

Petroecuador exported 31.39 million barrels of crude oil in the first seven months of the year, up 17% from 26.75 million barrels reported last year. It reported that crude exports in July fell by 2.9% on the month to 145,322 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.45/barrel on Tuesday, down from \$56.57/barrel on Monday.

Market Commentary

The energy complex traded sharply higher in afternoon trading, despite the lack of any supportive news. The oil market opened 43 cents higher at 63.50 and traded to a high of 63.85 before it erased its gain and sold off to a low of 62.91 following the release of the DOE and API reports. The market traded lower amid the unexpected builds in crude stocks. The market however bounced off its low and retraced its losses as it traded back towards its previous high. The market breached its resistance at its previous high of 64.00 and quickly rallied to a new record high of 65.00 ahead of the close. It settled up \$1.83 at 64.90. Volume in the crude was excellent with over 279,000 lots booked on the day. Open interest in the crude continued to build, with a build of 11,419 lots reported as of Tuesday's session. Open interest in the September contract fell by 15,911 contracts while open interest in the October and November contracts built by 21,732 lots and 4,682 lots, respectively. The product markets were well supported despite the lack of any new refinery glitch. The gasoline market settled up 7.39 cents at 189.63 after it rallied to a new record high of 189.90. The market traded to a low of 184.00 early in the session as the crude market retraced its gains following the release of the DOE and API reports. However the gasoline market bounced off that level and rallied to its record high ahead of the close as it remained supported by the draws reported in gasoline stocks. The heating oil market also settled up 6.22 cents at 183.88 after it traded to a low of 178.10 amid the build in distillate stocks. However it too bounced off its low and rallied to a high of 184.20 on the close. Volumes in the product

markets were good with 54,000 lots booked in the gasoline and 53,000 lots booked in the heating oil market.

The oil market on Thursday will likely see some

Technical Analysis		
	Levels	Explanation
CL 64.90, up \$1.83	Resistance 65.90	Basis trendline
	Support 65.00	Wednesday's high
	64.00, 63.85	Wednesday's low, Opening gap (August 8th)
	62.91, 62.80 to 62.45	
HO 183.88, up 6.22 cents	Resistance 185.65	Basis trendline
	Support 184.20	Wednesday's high
	182.50, 180.00	Wednesday's low
	178.10	
HU 189.63, up 7.39 cents	Resistance 191.53	Basis trendline
	Support 189.90	Wednesday's high
	187.50, 186.00	Wednesday's low
	184.00	

retracement as traders take some profits following today's sharp rally. The market, which looks over bought, has continued to find support just below the 63.00 level. The market is seen finding resistance at its high of 65.00. More distant resistance is seen at 65.90, basis a trendline. However the market is seen finding support at 64.00, 63.85 followed by 62.91 and its opening gap from 62.80 to 62.45.

