



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 16, 2005

Venezuela's Oil Minister Rafael Ramirez said oil producing countries have no spare oil production capacity left and some producers have even seen output fall. He also stated that the tightening oil market will make it easier for Venezuela to find new customers for its oil if the country decides to halt oil sales to the US.

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said oil prices in the world market are expected to fall by between \$10/barrel and \$12/barrel next

year from the current \$65/barrel level as high oil prices are forecast to hamper world economic growth in 2006. The fear factors such as security problems and terrorism threats in Saudi Arabia are expected to ease next year. He also stated that some countries have new refineries that are scheduled to start operations next year, increasing the output of petroleum products.

Algeria's Energy and Mines Minister Chakib Khelil said prospects for cutting record high oil prices are slim because of factors including high demand that are out of OPEC's control. He dismissed suggestions that OPEC was to blame for high oil prices and instead blamed factors including strong economic growth in the US, lack of refining capacity and tight markets.

Market Watch

Major oil companies are expected to begin offering ethanol-blended reformulated gasoline over MTBE-blended reformulated gasoline as early as this year. Royal Dutch/Shell is expected to start its transition to ethanol gasoline blends from MTBE blends this autumn. A Shell spokesman declined to confirm the report but said the company was continually evaluating opportunities to supply products that meet federal, state, local and Shell requirements. Meanwhile, the NYMEX's Products Advisory Committee plans to meet on August 25 to discuss the NYMEX gasoline contract and changes to the specifications based on the energy bill.

Nigerian oil unions are in state of heightened alert over government plans to privatize refining and petrochemical plants. However they have yet to issue a strike ultimatum. Union members have been instructed to remain at work and stop any prospective investors from entering the plants, pending talks with the government over the reform measures. Nigeria is planning to sell a controlling stake in its Eleme petrochemical plant within weeks and also hopes to privatize its Port Harcourt oil refinery before the end of the year.

The Federation of Electric Power Companies of Japan said lower demand prompted Japan's 10 major utilities to burn less oil for thermal power generation in July, while operations rates at their nuclear plants were mostly steady from a year ago. The utilities generated 86.27 billion kilowatt-hours of electricity last month compared with 92.57 billion kWh last July. Crude oil consumption fell to 471,490 kiloliters in July from 1.01 million kl a year ago. Consumption of fuel oil fell 33.5% to 689,585 kl in July from 1.04 million kl a year ago.

French Prime Minister Dominique de Villepine said oil prices were set to remain high for years to come and called on oil firms to invest in new refining capacity to cope with rising demand.

Refinery News

ConocoPhillips has completed the resumption of operations at its Wood River refinery. A number of units were shut at the 306,000 bpd refinery last Wednesday after it experienced a power loss during a thunderstorm.

ExxonMobil Corp said its fluid catalytic cracking unit at its Beaumont, Texas refinery is not down and reports to the contrary are inaccurate. It confirmed that there was a problem with one of the carbon monoxide boilers at the refinery. It later reported that it altered operations of its catcracker. It expects to continue to meet its contractual supply commitments.

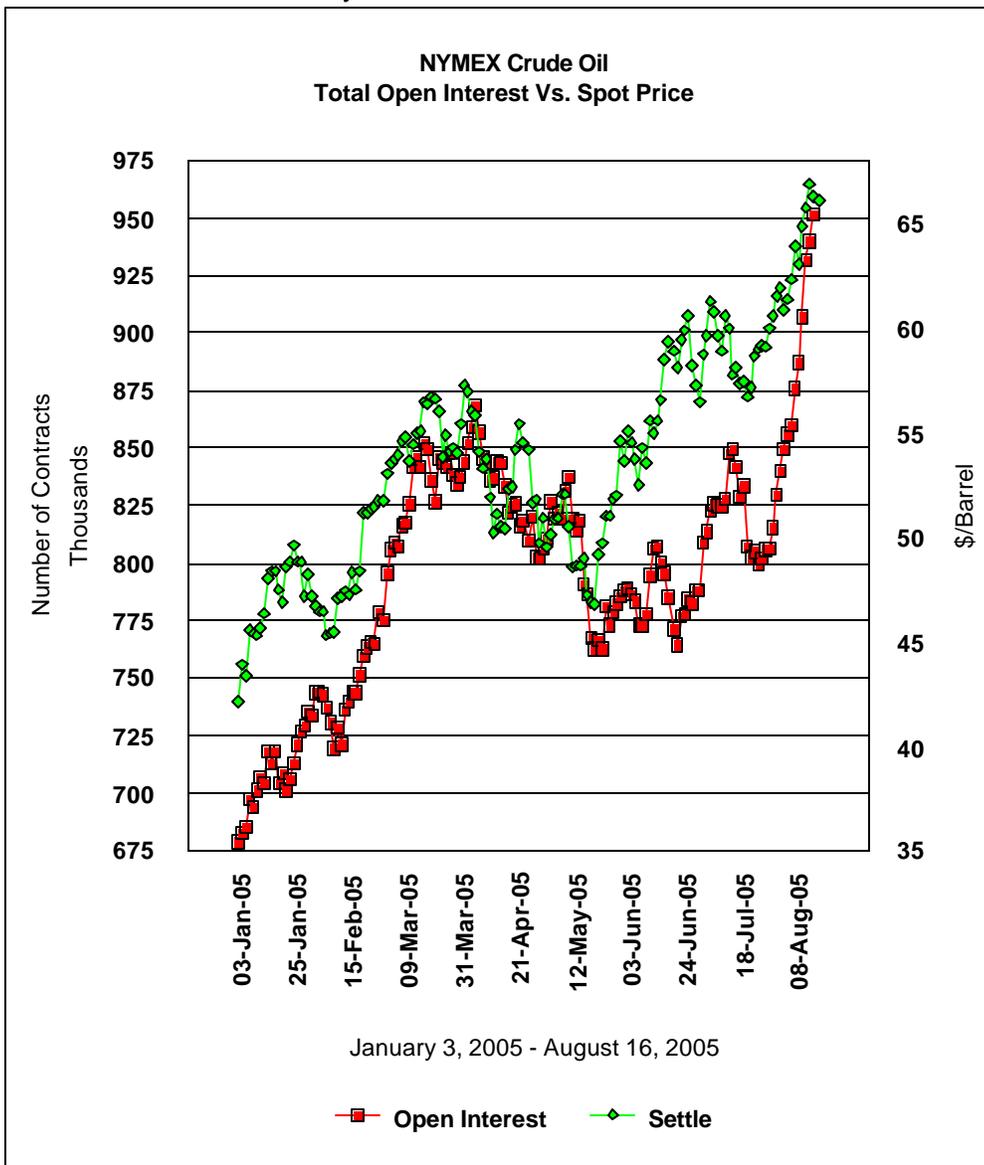
Premcor's Memphis refinery is operating at reduced rates on Tuesday, several days after a power outage forced the complete shutdown of the refinery. The refinery's crude distillation unit is operating but the rest of the refinery remained shut.

Separately, Premcor reported emissions from a leak on Monday in a unit at its Port Arthur, Texas refinery. The leak occurred in an exchanger on a catalytic reforming unit. A filing with the Texas Commission on Environmental Quality did not indicate whether production was affected at the refinery.

A coker and crude unit at Chevron Corp's 260,000 bpd El Segundo, California refinery resumed normal operations as expected. The units had been down since July 20 due to a fire in a crude unit.

Nippon Oil Corp said it shut all of its units at its 145,000 bpd Sendai refinery following a powerful earthquake in northern Japan.

Production News



Norway's oil production increased to 2.6 million bpd on average in July from 2.25 million bpd in June.

Danish Underground Consortium's oil production from its 14 fields in the Danish part of the North Sea fell by 6.2% on the year in July to 308,700 bpd.

Pemex is considering an alliance with Royal Dutch/Shell to jointly tap reserves in the Gulf of Mexico on the maritime border between Mexico and the US. It said it could invest \$5 billion in a joint venture. The potential venture may have to wait until 2010 because Mexico and the US have agreed to steer clear of deposits that lie along their shared maritime borders until that date.

Kazakhstan's State Statistics Agency reported that Kazakhstan's crude oil and gas condensate production increased to 35.66 million tons or 1.28 million bpd in January-July, up 7% on the year. Its crude oil production increased by 0.7% on the year to 28.888 million tons while in July it fell by 3.4% to 4.05 million tons.

Thailand's PTT Plc stated that oil product consumption in January-June increased by 3.3% on the year to 743,900 bpd.

Indian Oil Corp plans to submit a final bid for a 51% stake in Turpas by September 2.

Indian and Chinese oil companies will sign agreements aimed at bidding jointly for foreign oil and gas projects and reducing competition. Indian firms will sign separate memorandums of understanding with Sinopec Corp, China National Petroleum Corp and CNOOC.

Petrobras is expected to increase its oil production capacity by 383,000 bpd within the next 12 months. The increase will come as five new oil rigs are scheduled to go on stream off the Brazilian coast. In September, the P-50 platform, with a capacity to produce 180,000 bpd will start pumping from the Albacora field in the Campos Basin. It also plans to start test production of 23,000 bpd of light crude from the Golfinho field. Another three oil rigs are scheduled to come on stream during the first half of 2006.

OPEC's news agency reported that OPEC's basket of crudes fell to \$59.05/barrel to \$59.14/barrel on Monday.

Petroecuador's crude production fell by 22.5% to 156,000 bpd after protesters invaded oil fields in two Amazon provinces. Protesters in the Sucumbios and Orellana provinces are demanding foreign energy companies operating in the regions finance projects and provide more job opportunities. It said it shut its SOTE pipeline on Tuesday due to the protests. The pipeline normally carries about 350,000 bpd of crude oil.

Market Commentary

The oil market posted an inside trading day and settled in negative territory after a gasoline led rally triggered by talk that a catcracker unit was shut at ExxonMobil's Beaumont refinery ended. The September crude contract posted a mostly neutral trading session as traders were waiting for the release of the DOE and API reports on Wednesday. It opened down 27 cents at 66.00 and quickly rallied to a high of 66.85. However the market failed to test its previous highs amid statements by ExxonMobil that the catcracker unit was not shutdown. The market erased its gains and sold off to a low of 65.65 before settling in a sideways trading range ahead of the close. It settled down 19 cents at 66.08. Volume in the crude market was excellent with over 237,000 lots booked on the day. Open interest in the crude market continued to build, by 12,057 lots as of Monday's session. Open interest in the September contract fell by 7,404 lots while open interest in the October contract built by 12,979

lots alone. Meanwhile, the gasoline market which led the complex higher settled up 2.15 cents at 198.36. It opened up 79 points at 197.00 and quickly rallied to a high of 201.20 amid the talk of the refinery problem. The market however erased its gains after ExxonMobil denied reports that the catcracker was shut. It posted a double bottom at its low of 195.70 and retraced some of its losses ahead of the close. Similar to the crude, the heating oil market settled in negative territory, down 52 points at 186.40. The market, which failed to test its previous highs, posted a high of 189.60 before selling off to a low of 185.50. Volume in the gasoline market was excellent with over 65,000 lots booked while volume in the heating oil was lighter with 36,000 lots booked on the day.

The crude market on Wednesday will seek for further direction from the DOE and API reports after posting a mostly neutral trading session. The market is estimating a build in crude stocks of about 1 million barrels, a build in distillate stocks of about 1.5 million barrels and a draw of little more than 1 million barrels in gasoline stocks. If the market does show a build in crude stocks amid all the recent refinery problems, the market is seen holding its near term resistance at 67.00-67.10. More distant resistance is

seen at 68.21, basis a trendline. Meanwhile support is found at its lows of 65.65 and 65.35 followed by 64.95 and 64.60.

Technical Analysis		
	Levels	Explanation
CL 66.08, down 19 cents	Resistance 67.00, 67.10, 68.21 66.50, 66.85	Double top, Basis trendline Tuesday's high
	Support 65.65, 65.35 64.95, 64.60	Tuesday's low, Monday's low 50% retracement (62.80 and 67.10), Previous low
HO 186.40, down 52 points	Resistance 189.60, 191.00 187.00	Tuesday's high, Previous high
	Support 185.50 184.15, 183.30, 181.99	Tuesday's low 50% retracement (175 and 193.30) Previous low, 62%
HU 198.36, up 2.15 cents	Resistance 201.45 201.20	Friday's high Tuesday's high
	Support 195.70 to 195.25 193.87, 191.53, 189.50	Remaining gap 38% and 50% (181.60 and 201.45), Previous low