



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 23, 2005

Iraq's oil exports from its Basra terminal have returned to normal with oil pumping at a rate of 67,000 barrels per hour or 1.6 million bpd on Wednesday. Oil loadings were halted on Monday due to a power outage. A source said loadings were briefly halted again on Tuesday but export operations were gradually restored.

A senior official from Iraq's SOMO said BP Plc, Cepsa, Total SA won Iraq's second Kirkuk crude tender this year, taking 1 million barrels each. The Kirkuk crude is scheduled to load in the Turkish port of Ceyhan from August 28 to September 6.

Refinery News

Huntsman Corp declared force majeure on deliveries of gasoline additive MTBE due to unscheduled maintenance on an 18,000 bpd MTBE unit at its Port Neches, Texas plant. The force majeure is seen lasting 45 days.

Sources stated that Shell

Market Watch

The EIA stated that the failure of oil prices to fall much despite a build in crude inventories is pointing to the resilience of the oil market. It said higher stocks could pay off this winter, by keeping prices from rising as high as they otherwise would. It said the builds in crude inventories are likely the result in part of refineries having more operating problems during the period than usual.

Deutsche Bank's chief economist, Norbert Walter, said the price of oil has reached its cyclical peak and will remain close to \$60/barrel for the next two years. He said it will be two years before conservation takes effect and new supplies become available.

The Commerce Department reported that US orders for durable goods fell by \$10.6 billion or 4.9%, the largest decline since January 2004. This followed a 1.9% increase in June.

Venezuela's President Hugo Chavez expects world oil prices to remain around \$65/barrel for the next two years. He added that market volatility could push crude prices to as much as \$90/barrel over that period. Separately, on Tuesday he offered to sell oil at a lower price to poor communities in the US. He did not say how Venezuela would go about providing petrol to poor communities.

In mid-July, Venezuela's tax auditors and a prosecutor raided the offices of Chevron Corp and 21 other energy companies that owe Venezuela \$3 billion in back taxes. The raid is part of President Hugo Chavez's push to squeeze more money out of foreign companies that want to produce oil in the country. President Hugo Chavez wants to use the revenue to pay for homes, clinics and schools for the 58% of Venezuelan families who live on less than \$200 a month. However despite this, oil companies have not been discouraged. The oil companies want to invest \$30 billion in Venezuela. Chevron and Repsol plan to seek approval for a \$6 billion investment in the Orinoco Belt. Chavez wants to attract \$10 billion more from foreign companies to help increase Venezuela's oil production to 5 million bpd by 2009.

suffered a hydrogen plant malfunction at its 160,000 bpd refinery in Martinez, California. The problem has forced Shell to sell prompt volumes of heavy crude to an independent refinery in the San Joaquin Valley.

PDVSA's Amuay refinery will increase its production during the next month to compensate for lost production during a refinery fire a week ago. Starting Wednesday, it will run as much as 530,000 bpd until the end of August, up from its usual run of 425,000 bpd. A refinery manager said together with the Cardon refinery, September production should reach about 750,000 bpd.

Tesoro Petroleum Corp will partially shutdown its 60,000 bpd refinery at Mandan, North Dakota in September for a couple of weeks. It will upgrade some units and reduce sulfur dioxide pollution.

Indonesia's Pertamina started its gasoline making units at its Balongan refinery in July.

Syria is scheduled to shut its 130,000 bpd refinery in Baniyas for nearly four weeks starting on September 15. The shutdown is expected to last about 25-26 days.

Indian Oil Corp Ltd is planning to expand the capacity of its 120,000 bpd Panipat refinery to 300,000 bpd by 2008.

Production News

Ecuador's crude production continued to rebound after it was halted last week due to protests. Ecuador's Energy Ministry reported that the country's oil production increased to 452,015 bpd from 417,025 bpd on Tuesday. On Tuesday, the SOTE pipeline transported 315,200 bpd, up from 218,000 bpd on Monday. Meanwhile, the protesters were close to reaching a deal with private energy companies on Wednesday. Under a draft proposal, oil companies including Occidental Petroleum Corp, Petrobras and EnCana Corp would pave 160 miles of new roads. Also, about two thirds of the 25% income tax paid by the companies would be steered toward local health, environment and development projects. In exchange protesters would agree to call a permanent end to the attacks and the government would end a state of emergency.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe fell to 270,809 barrels in the week ending August 23, down from 279,161 tons the previous week.

Nigeria increased its September official selling price for Bonny Light and Qua Iboe crude to Dated plus \$1.50, up 50 cents on the month. Its Escravos crude was priced at Dated plus \$1.10, up 50 cents on the month while its Forcados crude was priced at Dated plus \$1.30, up 40 cents on the month. Its Brass Blend crude was priced at Dated plus \$1.60, up 55 cents and its Pennington crude was priced at Dated plus \$3.70, up 95 cents on the month.

Some fuel stations in Nigeria closed on Wednesday ahead of an expected 60% increase in pump prices. The Petroleum Products Pricing Regulatory Agency issued a statement after a long meeting on Tuesday night instructing NNPC to recover costs on fuel sales. Meanwhile, the Nigeria Labor Congress vowed to resist any price increase. Despite record high revenues from oil exports, NNPC has been losing about 300 million naira or \$2.3 million a day to fuel subsidies. If the company were to fully recover its costs, prices would increase to 80 naira per liter.

Russia's Economy Development and Trade Ministry reported that the country's crude exports in January-July were unchanged on the year at 147 million tons or 5.09 million bpd. Crude production increased by 2.5% on the year to 270 million tons. Gasoline production totaled 18.2 million tons in

January-July, up 5.9% on the year. It also reported that Transneft increased its crude deliveries by 6.9% on the year to 109 million tons to countries outside the Commonwealth of Independent States.

South Korea is scheduled to ship 134,000 tons of diesel to Europe next month, increasing its west bound exports to nearly 300,000 tons amid thin regional demand.

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said Indonesia's average crude oil production is expected to reach 1.06 million to 1.08 million bpd this year, falling short of the government's target of 1.125 million bpd. However the government has forecast that oil products demand will increase to 65.6 million barrels this year, up 10% from its previous estimate.

PetroChina Co said its crude oil and natural gas production in the first half of 2005 increased by 5.3% on year to 481 million barrels of oil equivalent. It produced 397 million barrels of crude oil, up 2.1% on the year. It processed 379 million barrels of crude oil, up 7.4% on the year.

China National Petroleum Corp found crude oil reserves totaling 300 million tons or 2.19 billion barrels in the first half of 2005.

India's Petroleum Ministry reported that India's crude oil production in July totaled 2.75 million tons, down 3.9% on the year. The fall in crude production was mainly due to lower output caused by a fire Oil & Natural Gas Corp's oil platform in Mumbai High last month. India's refineries processed 10.86 million tons of crude in July compared with 10.479 million tons a year earlier. India's domestic oil product sales fell by 5.5% in July from a year ago as floods hit demand in its most industrialized region.

OPEC's news agency reported that OPEC's basket of crudes increased by 5 cents/barrel to \$58.15/barrel on Tuesday.

Market Commentary

The oil complex continued to rally during Wednesday trading session as the market remained supported by concerns heightened by the tropical storm and the larger than expected draws in gasoline stocks.

The oil market opened up 40 cents at 66.11 in follow through buying seen in overnight trading following Tuesday's hurricane forecast

Technical Analysis			
		Levels	Explanation
CL	Resistance	67.70, 67.75, 69.00	Previous highs, basis trendline
	67.32, up \$1.61	67.40	Wednesday's high
	Support	67.00, 66.00	
HO	Resistance	188.50, 189.60, 191.00	Previous highs
	186.54, up 4.60 cents	187.10	Wednesday's high
	Support	184.00, 182.00	
HU	Resistance	194.84, 202.90	62% retracement (202.90 and 181.80), Previous high
	192.58, up 6.78 cents	193.00	Wednesday's high
	Support	190.00, 186.85	
		184.50	Wednesday's low

stating that the hurricane could move into the Gulf of Mexico after crossing Florida. The market sold off to a low of 65.30 following the release of the DOE and API reports showing larger than expected builds in crude stocks. It however bounced off its low and never looked back as it rallied above the

67.00 level and posted a high of 67.40 ahead of the close. It settled up \$1.61 at 67.32 as it was well supported by the strength in the products, especially the gasoline market. Volume was better today with 171,000 lots booked on the day. The gasoline market posted an 8.50 cent trading range as it rallied from a low of 184.50 to a high of 193.00 following the release of the DOE and API reports, which showed larger than expected draws in gasoline stocks. The market drew further support from the news that Huntsman Corp declared a force majeure on deliveries of MTBE. The gasoline market settled up 6.78 cents at 192.58. The heating oil market also rallied as it followed in the gasoline market's footsteps. It held good resistance at 184.00 early in the session as it sold off to a low of 180.20 following the release of the weekly stock reports. However, the market quickly bounced off its low and rallied to a high of 187.20 ahead of the close as the gasoline market led the complex higher. It settled up 4.60 cents at 186.54. Volume in the product markets were good with 54,000 lots booked in the gasoline and 46,000 lots booked in the heating oil market.

The oil market on Thursday is seen remaining supported amid the continued strength in the gasoline market following the release of the weekly petroleum stock reports and the news that force majeure was declared on deliveries of MTBE. Also, even though the latest hurricane forecast track shows Tropical Storm Katrina turning northward toward the Florida Panhandle after it enters the Gulf of Mexico, the market may still remain supported as it continues to trend higher. The market is seen finding resistance at its high of 67.40 followed by 67.70 and 67.75. More distant resistance is seen at 69.00. Meanwhile support is seen at 67.00, 66.00 and today's low of 65.30.