



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 4, 2005

Iran's Deputy
International
Affairs Minister
N.H. Nejad
Hossinian said
reiterated that he
is confident that
world oil prices
will continue to
rise in the near
term.

According to Oil
Movements,
OPEC crude oil
exports are
expected to fall by
120,000 bpd to
24.3 million bpd in
the four weeks
ending August 20.

Refinery News

BP intended to
restart its 62,000
bpd fluid catalytic

cracking unit at its Texas City, Texas refinery on August 3. However a source said it was not known whether the restart took place.

Valero Energy Corp restarted a crude unit at its St. Charles refinery in Norco, Louisiana on Wednesday. The unit was shut for a week following a heater tube failure on July 27. The unit was initially scheduled to restart on Monday but repairs took longer than expected. The outage was expected to cut gasoline production by 12,000 bpd and distillate production by 35,000 bpd. Separately, Valero Energy Corp responded to reports that a diesel hydrotreater had been taken off line at the Texas City, Texas refinery by saying there was not impact to production at the refinery.

Market Watch

Osama bin Laden's lieutenant Ayman Zawahiri appeared on a new videotape warning the US of horrors worse than Vietnam and to hold UK's Prime Minister Tony Blair responsible for further destruction in London. However in response President George W. Bush said the US would not be deterred from its course in Iraq. According to Debka, an attack in Jordan was foiled this week. The scheme was to blow up the Iraqi-Jordanian oil pipeline from Kirkuk to Zarqa and to torch hundreds of American and Jordanian tanker trucks waiting outside Jordanian pumping stations. The Jordanian-Iraqi border terminals were also to have been attacked at the same time.

Total SA said it considered as groundless claims by Venezuela government seeking back taxes related to its activities in the country and said this could hamper talks to extend its Sincor heavy oil project.

Separately, PDVSA will start signing transitional joint venture agreements with foreign oil companies. The temporary ventures will give PDVSA a majority stake in these projects. The Venezuelan government has been negotiating with oil companies to convert 32 privately run oil fields into joint ventures with PDVSA. The full migration of contracts into a new legal framework is expected to be completed by the end of the year.

Kazakhstan plans to conclude an intergovernmental agreement in October to build a pipeline between Azerbaijan's Baku and the Kazakh port of Aktau on the Caspian Sea. The annual throughput capacity of the pipeline is projected at 30 million tons.

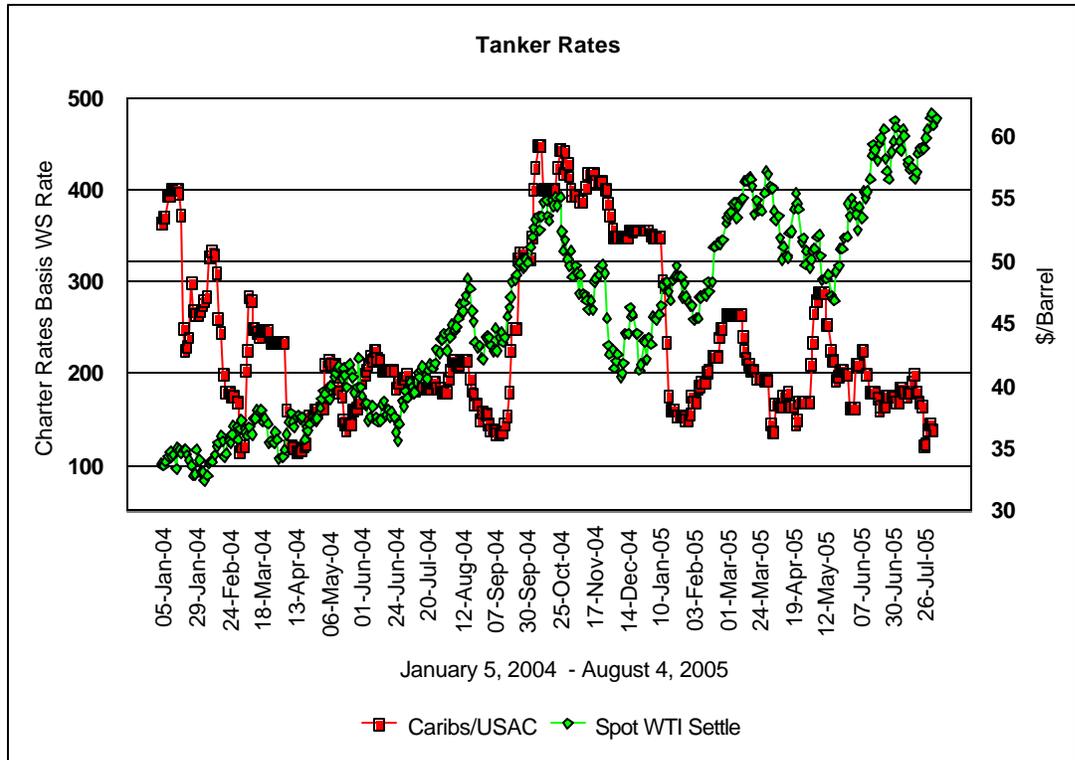
Exxon Mobil Corp said it is assessing restart options for later this week at its 245,000 bpd refinery in Joliet, Illinois. The refinery was shut on July 30 after a water cooling system failure.

Premcor Inc is planning preventative maintenance on units associated with a fluid catalytic cracking unit at its Port Arthur, Texas refinery on August 5 to August 12. It was not clear from a report filed with the Texas Commission on Environmental Quality whether FCC operations would be affected as a result.

Frontier Oil Corp plans a turnaround in March 2006 at its 52,000 bpd Cheyenne refinery in Wyoming. It plans to perform maintenance on its cat cracker and alkylation unit.

PDVSA will shut a 15,000 bpd fluid catalytic cracking unit at its Puerto La Cruz refinery for 45 days of planned maintenance in September or October. It will also perform maintenance on its alkylation unit.

Maintenance on the 40,000 bpd gas condensate unit at Statoil's Kalunborg oil refinery will start on September 2 and last up to 37 days. The outage will coincide with a one week shutdown of the Kaarstoe condensate processing in Norway and a shut in of Statoil's 94,000 bpd Sleipner condensate field.



Reliance Industries Ltd said it would double its Jamnager refinery to 1.2 million bpd, helping restore a capacity cushion for the world's overstretched refiners by the end of the decade. If demand continues to expand at about 2% a year, as predicted this year and next, refiners would have to add over 10 million bpd of capacity by 2010 just to keep up.

China's overall crude processing rates will fall to 2.24 million bpd this month, down 90,000 bpd from July due to maintenance at two refineries. Zhenhai Refining & Chemical Co Ltd will keep runs at near 360,000 bpd or 90% of its capacity while Maoming Petrochemical Corp will operate at full capacity of 266,000 bpd. Meanwhile, the 226,000 bpd Gaoqiao refinery will keep August operating rates steady at 200,000 bpd following a cut of 4% in July while Yanshan refinery will also maintain a 3% output reduction this month to 141,000 bpd, unchanged on the month.

Production News

The EIA reported that Saudi Arabia is currently producing 9.6 million bpd of crude oil, above its 9.099 million bpd official OPEC quota. An OPEC delegate has stated that Saudi Arabia plans to keep its oil output steady at 9.5 million bpd in August. The EIA said Saudi Arabia's net oil export revenue are forecast to increase to \$150 billion this year, up from \$116 billion last year, mainly due to higher oil prices and increased production.

Chevron Corp will shutdown four North Sea fields for planned maintenance over the next two months. The Alba and Erskine fields will be shutdown for planned maintenance starting August 19. The planned maintenance could affect as much as 78,000 bpd of oil production from the two fields.

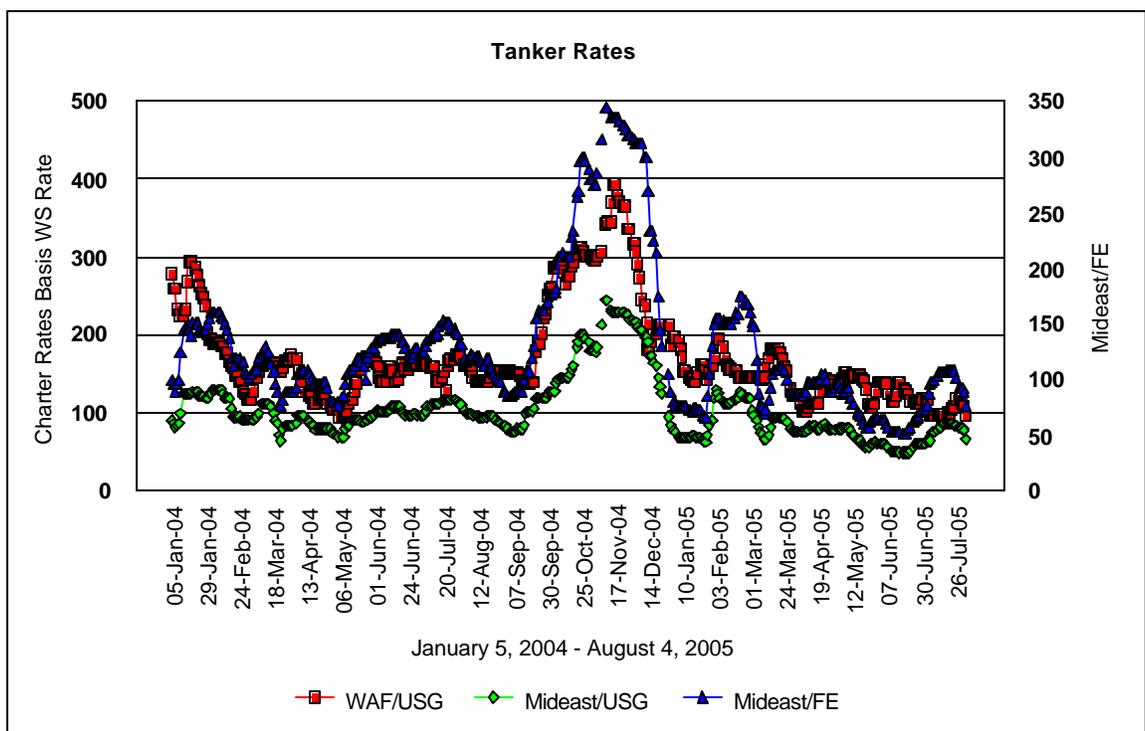
Norway's Statoil ASA said it is reinforcing lifeboats from the Kristen and Veslefrikk fields after defects were discovered. It said the goal is to restart the 30,000 bpd Veslefrikk oilfield once repairs, preventive maintenance and inspection on the platform are completed. The company expects to start production within two weeks.

Nigeria's top oil official Edmund Daukoru said the country's oil output growth has been stunted by Western multinationals diverting investments away from traditional oilfields to higher returns in natural gas. The divestment has contributed to Nigeria's production rate flattening out at 2.45 million bpd, instead of the 3 million bpd expected by now. He said its output targets will have to be scaled back as a result.

Singapore's International Enterprise reported that the country's light distillate stocks fell by 622,000 barrels to 6.953 million barrels in the week ending August 3rd. It reported that middle distillate stocks fell by 561,000 barrels to 8.462 million barrels while its residual fuel stocks fell by 277,000 barrels to 11.835 million barrels on the week.

OPEC's news agency reported that OPEC's basket price increased by 30 cents/barrel to \$55.43/barrel on Wednesday.

Former Soviet Union fuel oil exports from Baltic ports increased for the sixth consecutive month in July as refineries in Russia increased their output. Fuel oil shipments increased by 180,000 tons or 7% from June to 2.74 million tons in July.



Russia's Economy Minister German Gref said Russia will cut export duties on fuel oil as part of plans to reduce heavy taxation of the oil sector and ease exports.

Exxon Mobil Corp's Kizomba-B project in Angola neared its plateau output of 250,000 bpd at the end of July and should reach its planned peak this month.

Sonatrach's In Amenas gas project in Algeria is expected to produce 170,000 barrels of oil equivalent natural gas and 60,000 barrels of light oil at its peak. However its start up has been delayed until early 2006.

An Indian parliamentary panel urged the government to slash customs duty on petrol and diesel to help limit any increase in domestic oil prices. The panel suggested the duty be cut to 5% as the existing 10% duty encouraged refining firms to push up retail prices of petroleum and diesel.

ConocoPhillips and eight local firms have been awarded oil and gas exploration rights in Indonesia. Conoco has won the Amborip VI block offshore Papua, one of 13 areas being offered by the government under the direct offer process. Another 14 areas offered under a tender process are expected to be awarded by the end of the year.

Market Commentary

The oil market ended the session in positive territory following the recovery in the gasoline market ahead of the close. The market posted an inside trading day after it seems to have posted its near term top during Wednesday's session. The market opened up 34 cents at 61.20 and traded to a low of 61.00. However the market quickly bounced off that level amid the strength in the natural gas market following the release of the EIA natural gas storage report which showed a smaller than expected build of 37 bcf. The market rallied to a high of 62.10 and failed to test its previous high of 62.50. It erased its gains and traded back below the 61.50 level. Its losses were limited amid the renewed strength in the gasoline market late in the session. The crude market settled up 52 cents at 61.38. Volume in the crude was lighter today with 169,000 lots booked on the day. Meanwhile, the gasoline market which lent support to the complex late in the session settled up 3.14 cents at 180.23. The gasoline market posted an intraday low of 178.10 early in the session and quickly bounced off that level as it remained supported amid continuing reports of refinery problems. The market breached its previous high of 182.00 and posted a new high of 182.40. The gasoline market, which erased some of its gains later found some further buying ahead of the close. The heating oil market, similar to the crude, posted an inside

trading day. It traded to a low of 169.00 and rallied to a high of 172.25 before it erased some of its gains. It settled up 1.89 cents at 170.78. Volumes in

| Technical Analysis | | |
|---------------------------------|--|---|
| | Levels | Explanation |
| CL 61.38, up 52 cents | Resistance 62.50, 62.80 61.50, 62.10 | Wednesday's high, Previous high Thursday's high |
| | Support 61.00, 60.70 60.21, 60.10, 59.50 | Thursday's low, Wednesday's low 38% (56.50 and 62.50), Previous lows |
| HO 170.78, up 1.89 cents | Resistance 173.50, 173.75 172.25 | Wednesday's high, Previous high Thursday's high |
| | Support 169.00, 168.60 168.11, 166.80, 166.45 | Thursday's low, Wednesday's low 38% (159.40 and 173.50), Previous low, 50% |
| HU 180.23, up 3.14 cents | Resistance 182.40 181.00 | Thursday's high |
| | Support 178.10 176.80, 174.20 to 173.00 | Thursday's low Wednesday's low, Backfills opening gap |

the product markets were lighter with 44,000 lots booked in the gasoline market and 37,000 lots in the heating oil market.

The oil market, which failed to confirm that the recent uptrend had ended by settling in positive territory today, is seen remaining supported ahead of the weekend, especially if the gasoline market continues to lead it higher. However, if the market does manage to settle in negative territory on Friday, we would expect that the market trade lower next week after posting its near term top on Wednesday. Its stochastics still seem ready to cross back to the downside. The market is seen finding support at 61.00 followed by 60.70. More distant support is seen at 60.21 and 60.10. Meanwhile resistance is seen at 61.50, 62.10 followed by 62.50 and 62.80.