



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 5, 2005

Algeria's Oil Minister Chakib Khelil said only an economic recession in the US and China will lower oil prices. He said oil prices will tend to increase as long as the rate of growth in the US and China remains high.

Iraq's Oil Ministry reported that Iraq produced 2.16 million bpd of crude oil in July, up from 2.115 million bpd in June. It reported that the increase was due to higher production from Iraq's northern fields, which increased to 380,000 bpd in July while output in the southern fields remained unchanged at 1.78 million bpd. It said Iraq's oil exports totaled 1.6 million bpd in July. Meanwhile crude stocks at the port of Ceyhan stood at 2.2 million bpd at the end of July.

OPEC's President Sheikh Ahmad al-Fahd al-Sabah said OPEC has raised its actual production in the last two weeks by about 300,000 bpd to 30.4 million bpd.

Refinery News

ExxonMobil confirmed that it was on target to restart its 245,000 bpd Joliet, Illinois refinery by the end of the week, following earlier reports that suggested that the restart would be delayed by nine days. It said will attempt to restart the refinery over the weekend. It plans to start oil product deliveries early next week.

Market Watch

According to Energy Security Analysis Inc, US refiners will have a hard time keeping up with rising demand for distillate when new ultra low sulfur diesel rules come into effect next year. Even though the new maximum sulfur level is set at 15 ppm, refiners will have to produce 7 ppm diesel to overcome sulfur contamination issues in the distribution chain.

A summary of proposals delivered to Iran on Friday by Britain, France and Germany on Iran's nuclear program makes no mention of an offer to support Iran's oil pipelines routes from Central Asia. Earlier, Iran said the European Union had offered to support Iran as the main transit route for oil and gas from Central Asia as part of a package of incentives meant to persuade Iran to freeze its nuclear fuel activities.

Harvest Natural Resources Inc said it agreed on a fee for crude oil delivery to PDVSA as part of a process to migrate its operating contracts to joint ventures with the Venezuelan oil company. Harvest has stated that PDVSA owes its \$9.8 million for oil pumped during the first quarter. The new fee will enable Harvest to receive \$7.6 million of the first quarter underpayment.

Separately, Royal Dutch Shell has launched a defense against a \$131 million tax demand made by Venezuela's tax authority as part of a wider review of foreign companies. Shell stated that it has paid all the taxes it owes.

Motiva said a fluid catalytic cracking unit at its 226,500 bpd Norco, Louisiana refinery was in restart mode after it was shut on Thursday. Earlier, Motiva said its Norco, Louisiana refinery had an accidental release of heavy oil on Thursday.

Sunoco Inc restarted its fluid catalytic cracking unit at its Toledo, Ohio refinery on Thursday after a failed attempt on Wednesday. The 160,000 bpd refinery was operating at normal levels on Friday. The plant had been operating at minimum rates for two weeks after a compressor for the catcracker was shut following a power outage.

ConocoPhillips temporarily reduced the amount of oil feed to a fluid catalytic cracking unit at its Sweeny refinery in Old Ocean, Texas early Thursday after a compressor shutdown. Oil feed to the FCC was reduced by 1,000 barrels an hour to reduce the amount of gases flared.

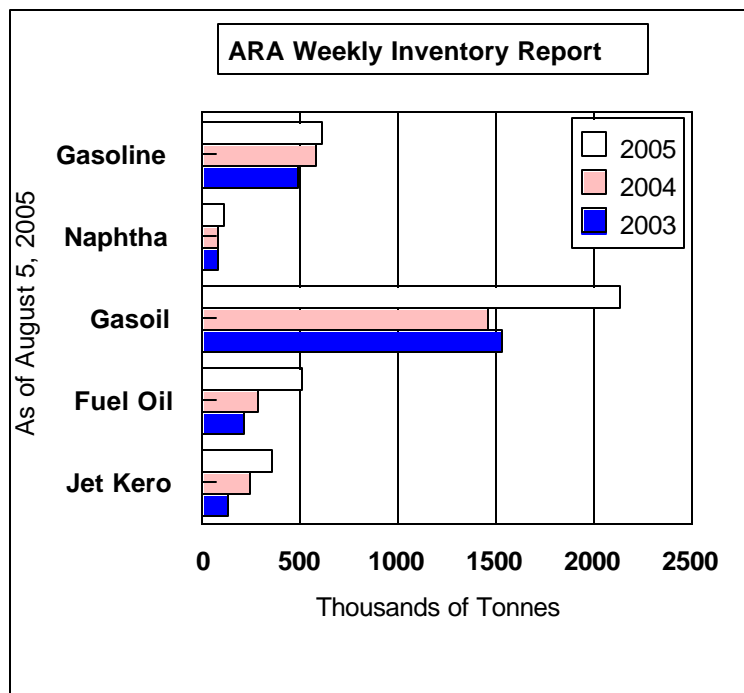
A voltage dip caused by a lightning strike Wednesday caused operational problems with several units at Delek's Tyler, Texas refinery. According to a report filed with the Texas Commission on Environmental Quality, full power was restored quickly and workers restored units to normal operations. A fluid catalytic cracking unit and a sulfur recovery unit were among the processing units affected by the outage.

Valero said planned work on a hydrotreater at its 243,000 bpd Texas City, Texas refinery would not affect production.

Planned maintenance and unplanned outages have cut at least 472,000 bpd of North Sea oil production in August. The unplanned outages have further tightened North Sea oil supply that had been reduced by at least 214,000 bpd due to scheduled maintenance.

Production News

BP Plc's Schiehallion oil facility in the North Sea remained down on Friday and is still days away from restarting.



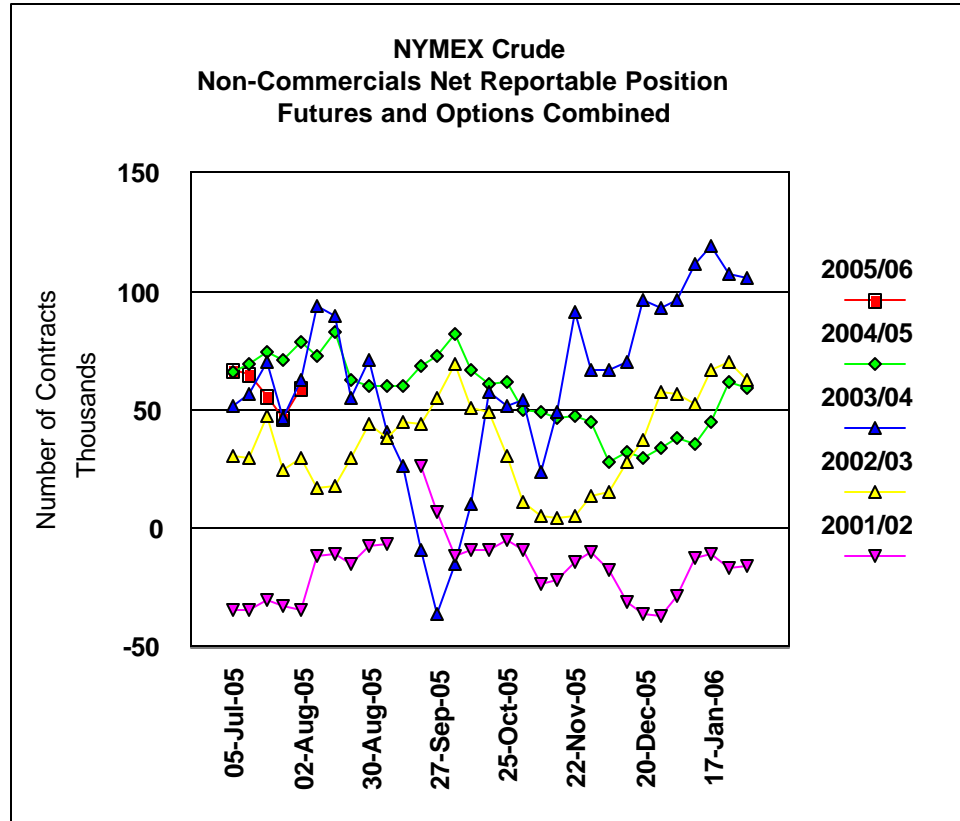
A maintenance shutdown at Statoil's 50,000 bpd Visund oil field in the North Sea will be extended. While Statoil did not elaborate a source stated that the maintenance may be extended for an additional 5 weeks. The field has already been offline for five week of scheduled maintenance.

Denmark's North Sea DUC oil stream is scheduled to load 200,000 bpd in September, down from 213,000 bpd in August.

Total SA said that production has been halted since Monday on its onshore Obagi field in Nigeria due to local unrest. It is in talks with local communities to solve the problem and resume production at the field, which produces 35,000 bpd of oil

equivalent and 6 million cubic meters of natural gas.

Gas oil stocks in the independent Amsterdam-Rotterdam-Antwerp storage tanks increased by 150,000 tons to 2.15 million tons in the week ending May 8th. It is up 46% on the year. Gasoline inventories in ARA tanks increased by 25,000 tons to 625,000 tons while naphtha stocks also increased by 25,000 tons to 125,000 tons. Meanwhile fuel oil and jet fuel stocks also increased by 25,000 tons each to 525,000 tons and 375,000 tons, respectively.



Russian Railways lowered its forecast of crude oil shipments to China this year to 7 million tons or 140,000 bpd. It is a third less than its original forecast of 10 million tons or 200,000 bpd.

Russia's Energy Ministry reported that Russia's gasoline production in the first half of 2005 increased by 5.2% on the year to 15.29 million tons. Meanwhile its fuel oil production increased by 5.8% to 27.67 million tons while its gas oil production increased by 6.4% to 28.6 million tons. It also reported that lower export duties on fuel oil helped it maintain its position as Russia's top export refined fuel with shipments abroad rising by 14% in the first half to 16.94 million tons. Its gas oil exports increased by 6% to 15.21 million tons in the first half of the year. Meanwhile its gasoline exports increased by 26% on the year to 2.89 million tons.

Oil product exports via Russia's St. Petersburg Oil Terminal increased by 26% on the year to 6.3 million tons in January-July. In July, oil product exports was 1.084 million tons.

Pemex said it expects to more than double its crude production to 800,000 bpd at its Ku-Maloob-Zaap field in less than five years. The company expects the field to help compensate for declines in the country's largest oil field. Output at the field reached 350,000 bpd in July and 180 mmcf/d of gas.

Ecuador's central bank reported that the country's oil export revenues totaled \$2.36 billion between January and June, a 31% increase from the \$1.8 billion registered last year. In terms of volume, Ecuador exported 65.25 million barrels in the first six months of the year, up 2% from the 63.93 million barrels shipped last year.

OPEC's news agency reported that OPEC's basket of crudes fell by 36 cents/barrel to \$55.07/barrel on Thursday.

Indian Oil Corp chairman Sarthak Behuria said Reliance Industries Ltd may offer discounts on petroleum products to IOC and other state run refiners. He however did not disclose the amount of discounts or which petroleum products would be involved. The government has asked Reliance and the standalone state refineries to share the burden of oil subsidies.

Market Commentary

The oil complex settled sharply higher in light of the continuing reports of refinery problems. Even though Exxon Mobil confirmed that it was restarting its Joliet, Illinois refinery over the weekend, the markets remained well supported ahead of the weekend. The crude market opened 57 cents higher at 61.95 and breached its previous high. The market erased its gains traded to a low of 61.60 before settling in a sideways trading range as it seemed to have found its top earlier in the session. However the market later breached the 62.00 level and found further buying ahead of the close which quickly pushed it to a high of 62.45 in last few minutes of trading. The market settled up 93 cents at 62.31. Volume was excellent with over 205,000 lots booked on the day. Meanwhile, the gasoline market, which supported the complex, settled up 2.99 cents at 183.22. The market continued to post a new high as it rallied to a high of 183.50 ahead of the close. The market was well supported by the reports of refinery problems, including rumors of problems at Citgo's Lemont refinery. It posted a low of 181.25 earlier in the session only to see the market trade higher ahead of the weekend. The heating oil market also settled up 2.34 cents at 173.12 as it followed suit. The market traded to a high of 173.50 ahead of the close. Volumes in the product markets were good with 51,000 lots booked in the gasoline market and 46,000 lots booked in the heating oil market.

According to the Commitment of Traders report, non-commercials in the crude market increased their net long positions from 14,141 contracts to 26,070 contracts in the week ending August 2nd. The combined futures and options report also showed that non-commercials increased their net long positions by 13,015 contracts to 59,324 contracts on the week. The non-commercials have likely continued to increase their net long position in light of the market's continuing uptrend. Non-commercials in the gasoline market also increased their net long position by 4,689 contracts to 32,974 contracts while non-commercials in the heating oil market increased their net long positions by 1,792 contracts to 11,491 contracts on the week.

The oil market on Monday will remain headline driven. If the refinery problems are resolved over the weekend, the market is seen retracing today's gains. The market continues to find resistance at its highs of 62.45 and 62.50. More distant resistance is seen at 62.80. However support is seen at 61.60 followed by 61.00 and 60.70. More distant support is seen at 60.21, 60.10 and 59.50.

Technical Analysis		
	Levels	Explanation
CL 62.31, up 93 cents	Resistance	62.80 Previous high
		62.45, 62.50 Friday's high, Previous high
	Support	61.60, 61.00, 60.70 Friday's low, Previous lows
HO 173.12, up 2.34 cents		60.21, 60.10, 59.50 38% (56.50 and 62.50), Previous lows
	Resistance	173.75, 176.30 Previous highs
		173.50 Double top
HU 183.22, up 2.99 cents	Support	170.50, 169.00, 168.60 Friday's low, Previous lows
		168.11, 166.80, 166.45 38% (159.40 and 173.50), Previous low, 50%
	Resistance	185.75 Friday's high
	183.50	
	Support	181.25, 178.10 Friday's low, Thursday's low
		176.80, 174.20 to 173.00 Previous low, Backfills opening gap