



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 8, 2005

Iraq's Director General of Economics and Oil Marketing, Shamkhi Faraj said the country's oil exports are expected to fall this month from July's 1.6 million bpd. Exports by year end could increase to 1.7 million bpd if the country can maintain steadier production and exports from its northern oilfields. Iraq is hoping by the end of the year to pump an extra 100,000 bpd of northern Kirkuk crude and 50,000 bpd from southern fields, which would lift overall production close to 2.3 million bpd from current level of just over 2.1 million bpd.

The AAA reported that US retail gasoline and diesel prices set new record highs on Monday. It reported that US average price of gasoline reached \$2.339/gallon while diesel reached \$2.462/gallon. The gain comes as a

Market Watch

The US has closed its embassy and two consulates in Saudi Arabia on Monday due to a threat against US buildings. US citizens in the country have been urged to keep a low profile, in the embassy's second warning in a month. The US embassy and consulates in Saudi Arabia will remain closed until it is determined prudent to reopen them. Australia and Britain have also revised their travel advice because of credible reports of terror attacks. However Saudi authorities said they have no information of an imminent attack in the country.

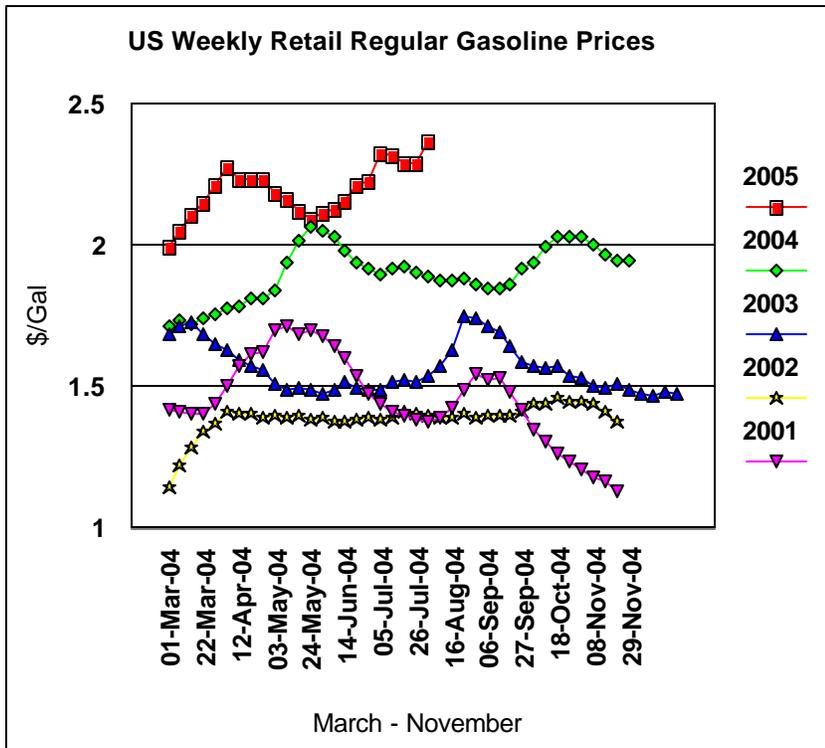
The US Interior Department said it will sell 17.9 million barrels of royalty in kind crude oil to six companies, increasing available supplies to refineries in the US market. It signed contracts with the six companies to purchase 97,265 barrels of royalty oil a day over a six month period, starting October 1.

A sandstorm has prevented a crucial meeting of Iraqi leaders called to break the constitutional deadlock with a week left before a deadline on writing the new charter. The meeting will resume on Tuesday and continue over the following days in order to reach a consensus on the constitution before forwarding it to parliament on August 15. According to legislators, at least 18 key issues remain to be settled.

PDVSA has blocked Venezuela's Fedepetrol oil union from selecting workers for oil industry contracts. It said the move aims to sideline organized labor and give out jobs to supporters of President Hugo Chavez.

Iran resumed its uranium conversion at its facility near Isfahan. The move will likely cause Iran to be sent to the UN Security Council for possible sanctions, having ignored warnings from US and European officials.

PinnacleSports.com, an online oddsmaker for baseball games, soccer and horse racing introduced gasoline price gambling to its Web site on Friday. It is basing its gasoline betting on the average price of regular unleaded as reported to AAA.



several US refinery outages over the past three weeks has tightened supplies and pushed up spot market fuel prices.

The EIA reported that the US average retail price of gasoline increased by 7.7 cents/gallon to \$2.368/gallon in the week ending August 8th. It also reported that the average retail price of diesel increased by 5.9 cents/gallon to \$2.407/gallon on the week.

Refinery News

Exxon Mobil restarted its 238,000 bpd Joliet, Illinois refinery over the weekend. The plant has been shut for a week.

Sunoco Inc. shut a crude oil unit at the Girard Point portion of its

330,000 bpd Philadelphia refinery following a weekend fire. A company spokesman would not say how long the unit would be down but said Sunoco will remain a reliable supplier of product given its other refining capacity in the Northeast. Two employees were working on a valve in the crude unit when unprocessed oil caught fire.

ConocoPhillips had an electrical power interruption on Saturday that resulted in an unspecified operational upset and flaring at its 146,000 bpd Borger, Texas refinery. This followed the shutdown of a sulfur recovery unit for repairs. The unit is slated for restart on Wednesday.

Repairs on a naphtha reformer unit at Valero Energy Corp's refinery in Ardmore, Oklahoma has forced reductions in the plant's production of gasoline and distillate. The 20,000 bpd unit is down for 14 days to address catalyst circulation issues. The work will result in a 17,000 bpd reduction in gasoline production and a 15,000 bpd reduction in distillate output. Separately, Valero is restarting a 20,000 bpd coker unit at its Corpus Christi, Texas refinery after completing repairs over the weekend. The outage reduced production of jet and diesel fuel. Meanwhile, there were reports of a fire at a fluid catalytic cracking unit at Valero's McKee oil refinery in Texas.

BP restarted one of two fluid catalytic cracking units at its Texas City, Texas refinery on Monday. The 62,000 bpd catcracker was restarted on Monday. The refinery delayed its restart for five days due to problems with a section of piping that required replacement. The 36,000 bpd catcracker did not full restart on Wednesday due to problems with an associated unit.

A 115,000 bpd fluid catalytic cracking unit at Motiva's Norco, Louisiana refinery was restarted late Friday after it was shut Thursday due to a leak.

Diesel prices in California rallied 9 cents in the Los Angeles spot market due to continued refinery outages. A crude processing unit at Chevron's 260,000 bpd refinery in Los Angeles was shut following a fire on July 20. It said last week the unit could be down until August 13 for repairs. The company continues to honor its supply contracts but has cut off some non-contract customers.

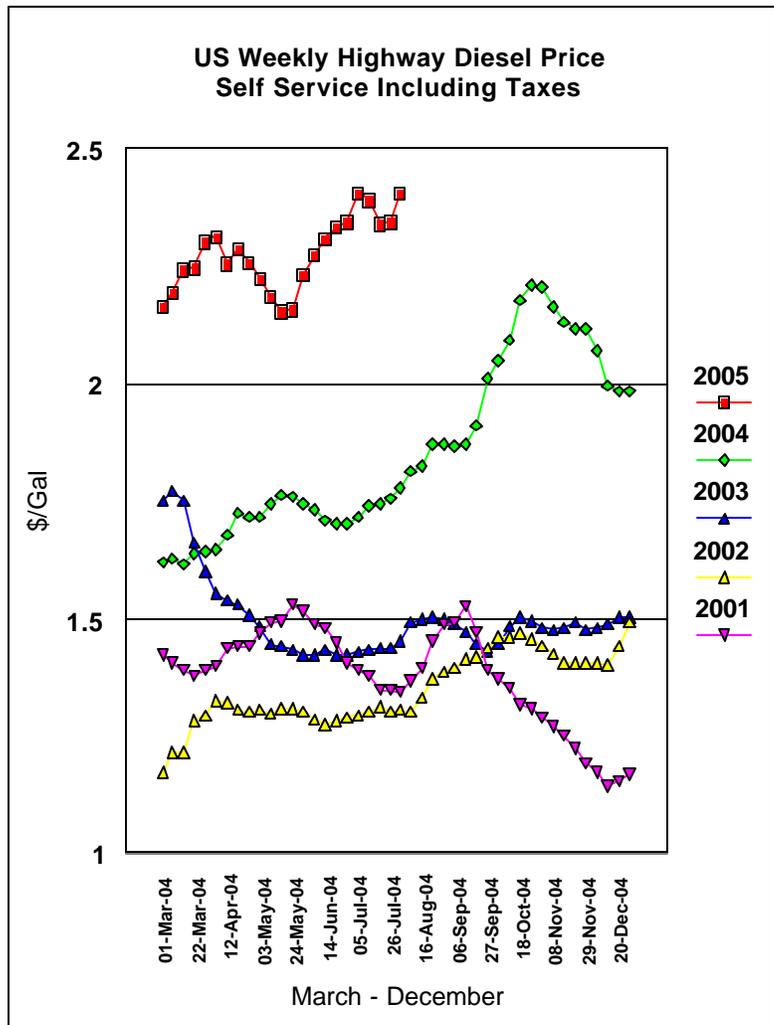
A fluid catalytic cracking unit at Kuwait Petroleum's 80,000 bpd Europoort refinery in Rotterdam is in the process of restarting following a two week shutdown.

Shell reported that the Pernis refinery, shut on July 14 due to a power outage was approaching full production after lengthy efforts since July 17 to restart the refinery.

Production News

Shell has shut in 10,000 barrels of Brent crude production and 4.7 million cubic meters/day of gas production at its North Sea Bravo platform following a leak on Sunday. A worker reported a hydrocarbon leak. The shutdown will also affect the Brent Alpha platform.

The Royal Bank of Scotland said record high oil prices may have been a factor in slower decline rates in May for UK North Sea oil and gas production. It said UK North Sea oil and gas production in May was steady on the year, the first time in twelve months that output has not fallen. Its combined oil and gas production stood at 3.406 million bpd, up 0.1% from the 3.402 million bpd reported last year.



Norway's Statoil and Norsk Hydro plan a phase 3 development of Troll gas and oil field that could cost about \$8 billion. Estimated earlier to hold 1.3 billion barrels of recoverable oil, the field has already produced more than 1 billion barrels. Hydro has set a goal of increasing the total recoverable oil to about 1.8 billion.

Indian Oil Corp has purchased 8 million barrels of crude in a spot tender for October and is seeking more after a platform fire cut domestic supplies. It purchased 6 million barrels of Nigerian and 2 million barrels of Yemeni crude via a spot tender that closed last week. It also issued two new tenders to buy end of September and October loading sweet crude.

OPEC's news agency reported that OPEC's basket of crudes increased by 22 cents/barrel to \$55.29/barrel on Friday. It also reported that OPEC's basket of crudes increased by \$2.48/barrel to \$54.99/barrel in the week ending August 4.

Wholesale diesel in China's coastal centers is at parity to pump prices following last month's increase. However consumption is stifled by limited supply. Both gasoline and diesel supplies are thin due to high production costs which are weighing on Chinese refineries.

Technical Analysis		
	Levels	Explanation
CL 63.94, up \$1.63	Resistance 65.00	Basis trendline
	Support 64.00	Monday's high
	63.50 62.80 to 62.45	Opening gap (August 8th)
HO 178.94, up 5.82 cents	Resistance 181.50 to 181.60	Previous highs
	Support 179.40	Monday's high
	178.00, 176.00 175.00 to 173.50	Opening gap (August 8th)
HU 185.70, up 2.48 cents	Resistance 191.03	Basis trendline
	Support 187.40	Monday's high
	184.80 to 183.50 181.25	Opening gap (August 8th) Friday's low

Market Commentary

The oil complex settled sharply higher following reports of some refinery problems and the news that the US closed its embassy and two consulates in Saudi Arabia due to a threat of terrorism. The crude market gapped higher from 62.45 to 62.80 and quickly rallied to a high of 64.00. The market was well supported by the strength in the heating oil market, which traded over 6 cents higher on the day while the gasoline market posted an all time high. The oil market later erased some of its gains and traded back towards the 63.50 level. However the market bounced off that level on further buying ahead of the close and settled up \$1.63 at 63.94. Volume in the crude was good with over 224,000 lots booked on the day. The heating oil market also gapped higher from 173.50 to 175.00 and never looked back. It rallied over 6 cents as it posted an intraday high of 179.40. The market later remained supported and settled in a sideways trading pattern. It settled up 5.82 cents at 178.94. Meanwhile, the gasoline market settled up 2.48 cents at 185.70 after it gave up some of its earlier gains. The market gapped higher from 183.50 to 185.50 and rallied to a new high of 187.40 amid the reports of further refinery problems. It however gave up some of its gains ahead of the close following the news that Exxon Mobil did restart its Joliet, Illinois refinery. Volumes were good with 47,000 lots booked in the heating oil and 46,000 lots booked in the gasoline.

The oil market is seen retracing some of its gains early on Tuesday and will likely remain rangebound barring any further reports of refinery problems. The market, which looks overbought, is seen finding resistance at its high of 64.00. Further resistance is not seen until 65.00 basis a trendline. Meanwhile support is seen at 63.50 followed by its opening gap from 62.80 to 62.45.