



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 15, 2005

According to a shipping source, crude oil exports from Iraq's northern oilfields via pipeline to the Turkish terminal of Ceyhan were on hold on Monday after almost no pumping for the past 10 days. Storage of Iraqi crude at Ceyhan stood at about 2.4 million barrels, with about 500,000 barrels to be delivered to Tupras.

The EIA reported that US retail gasoline prices increased by 18.2 cents/gallon to \$2.55/gallon in the week ending August 15. It also reported that US retail diesel prices set a 10 year record at \$2.567/gallon.

Diesel prices increased 16 cents to \$2.567/gallon in the week ending August 15.

Market Watch

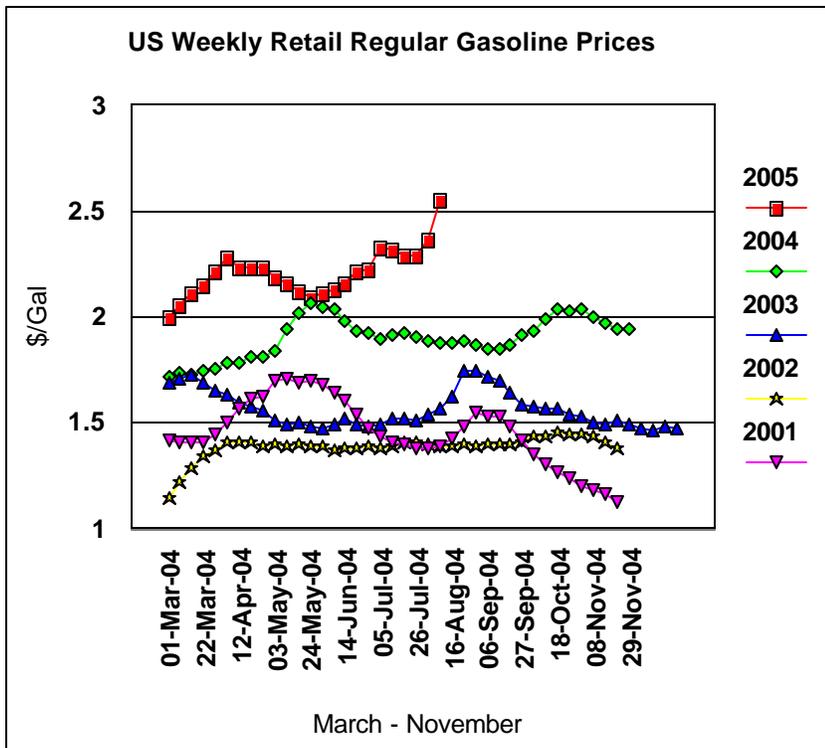
The IEA's chief economist said record high world oil prices will cut world economic growth by 0.8 points in 2005 and widen the current account gaps both in rich and emerging economies. Fatih Birol said China's oil demand will catch up with US demand of 11 million bpd by 2030. He said new production expected to come on stream in oil producing nations by the end of the year can increase supply in early 2006, but even that would fall short of meeting the demand rise in the short term.

Venezuela's President Hugo Chavez said the US market is not essential for Venezuela's oil industry. He said Venezuela could easily find other buyers of its oil. He also stated that Venezuela would not cut oil supplies to the US unless the Bush administration provokes such a move.

Russia's President Vladimir Putin said he is unhappy that Russia's Urals crude sells at a discount to Brent crude. He said something should be done to narrow the gap. Separately, a Russian government commission plans to consider abolishing the fuel oil export duty, as well as some other changes to customs policies. The current duty for fuel oil exports amounts to \$56/ton and it is scheduled to increase to \$57.40/ton on August 27.

Harvest Natural Resources will challenge the remaining \$84.2 million from a Venezuelan tax claim after paying a partial amount of \$751,000 last week. Venezuela's SENIAT tax agency is investigating Harvest and 21 other foreign and domestic energy companies holding oil field operating agreements for back tax claims for the 2001 to 2004 period.

Iran is determined to press on with its nuclear program. US President George W. Bush said over the weekend that he would consider using force against Iran as a last resort. Iran's New President Mohmoud Ahmadinejad nominated acting Tehran mayor Ali Saeedlou, to the key post of oil minister on Sunday leaving foreign investors guessing how the country's future oil policy would unfold.



Refinery News

ConocoPhillips' Wood River refinery continues to return to capacity. It has no estimate on when the refinery will return to normal operations.

Premcor Inc has restored some power at its 190,000 bpd Memphis refinery. Its main crude distillation unit is back in operation following a brief shutdown last week. A source said the refinery's other units are expected to remain offline until mid-week.

Chevron Corp said Sunday that a coker unit and crude unit at its El Segundo, California refinery were in line for restart over the weekend. No information on whether the units had restarted successfully was available.

Alon shut a boiler at its Big Spring, Texas refinery on Saturday. A carbon monoxide boiler was shut following loss of the main boiler feed water pump. A report filed with the Texas Commission on Environmental Quality did not say when restart was planned. Separately, Alon plans to perform maintenance work at its Big Spring, Texas refinery starting August 27. The work will focus on a catalytic reformer unit. The catalytic reformer unit will be shut for catalyst regeneration from August 27-28. While the unit is shut, the sulfur recovery unit, gas oil hydrotreater, diesel hydrotreater, reform splitter and light ends unit will all be shut.

A sulfur recovery unit at Murphy Oil Corp's 120,000 bpd Meraux, La refinery shutdown briefly and restarted around midday Monday.

Thai Oil PCL said its board approved a plan to spend \$217.6 million on a capacity expansion project. It will raise its capacity to 150,000 bpd from 100,000 bpd. The project is expected to be completed in mid-2007.

Production News

BP has increased its purchase of light sweet Nigerian crude for September loading after shutting down high pressure processing units at its 460,000 bpd Texas City, Texas refinery last week. It bought four 950,000 barrel cargoes of Nigerian sweet Qua Iboe and Brass River crude last Thursday in addition to one cargo it had purchased earlier increasing its total purchase to 4.75 million barrels.

Total expects to resume within two days 35,000 bpd of oil production shut in for two weeks by community clashes. The Ogbogu flow station would have resumed production on Monday had it not been for a break in a pipeline which has delayed the restart to Tuesday or Wednesday.

Norway's newly formed shipping company, Kirkenes Transit, said it will start loading Russian natural gas condensate in November at its new terminal in northern Norway. It has agreed with a Siberian

petroleum company to load 20 70,000 deadweight metric tons cargoes, capable of carrying 530,000 barrels of oil equivalent from November through May of next year. The condensate will be shipped to Rotterdam from the western European market. The head of the company said northwestern Russian oil terminals were nearing full capacity and the new terminal will debottleneck crude exports from the Russia.

Oil supplies to Belarus' two refineries increased by 9.1% on the year to 11.816 million tons in January-July. Russia's oil supplies increased by 11.1% on the year to 10.781 million tons.

Russia's Samaraneftgaz estimated that its output would fall to 9.24 million tons in 2005 from 12.6 million tons in 2004.

According to China's National Bureau of Statistics, China's crude throughput in July increased by 7.2% to 24.624 million tons while its throughput in January-July increased by 7.6% to 169.627 million tons. Its crude production increased by 4.2% in July to 15.456 million tons while its production in the first seven months increased by 4.7% to 105.254 million tons. Its gasoline output in July increased by 5.4% to 4.531 million tons while in the first seven months increased by 3% to 30.860 million tons. China's fuel oil production increased by 13.4% to 1.824 million tons in January while production in January-July increased by 11.8% to 13.533 million tons.

OPEC's news agency reported that OPEC's basket of crudes increased 86 cents/barrel to \$59.14/barrel on Friday. It also stated that its basket of crudes increased by \$1.79/barrel to \$56.78/barrel in the week ending August 11.

The Caspian Pipeline Consortium transported 2.5 million tons of oil in July, up 34% on the year. In July, Russian companies' oil exports through the CPC amounted to 485,200 tons.

Japan is shipping about 100,000 tons of ultra low sulfur diesel to North America this month, given a rare export opportunity in the face of US refinery problems.

Market Commentary

The oil market settled in negative territory following Friday's record breaking trading session, which saw the crude market post a high of 67.10. The market opened down 51 cents at 66.35 and quickly tested its resistance at 67.00, its intraday high. However as the market failed to breach that level, the market took some profits. The market sold off more than \$1.50 to a low of 65.35 amid some profit taking.

However its losses were limited as it bounced off that low. It retraced about \$1 of its losses and traded back towards the 66.50 level ahead of the close. It settled down

Technical Analysis		
	Levels	Explanation
CL 66.27, down 59 cents	Resistance	67.40 Basis trendline
	Support	67.00, 67.10 Double top
	Support	65.35 Monday's low
HO 186.92, down 3.63 cents	Resistance	64.60, 64.00 Previous low
	Resistance	193.30 Friday's high
	Support	191.00 Monday's high
HU 196.21, down 4.27 cents	Resistance	186.10 Monday's low
	Support	183.30 Thursday's low
	Resistance	201.45 Friday's high
	Support	199.80 Monday's high
	Support	195.70 to 195.25 Remaining gap
		189.50 Previous low

59 cents at 66.27. Volume in the crude was excellent with 219,000 lots booked on the day. The gasoline market also retraced some of its gains as traders took profits. The market opened down 3.98 cents at 196.50 and quickly traded to a low of 196.50. The market retraced some of its losses but once again found some selling, which pushed it to a low of 195.70 late in the session following news that some refineries were returning to normal operations. It settled down 4.27 cents at 196.21. Meanwhile, the heating oil market posted an intraday high of 191.00 early on Monday and never looked back as it continued find some profit taking. The market sold off more than 4.4 cents as it traded off to a low of 186.10 ahead of the close. It settled down 3.63 cents at 186.92. Volume in the product markets were lighter with 43,000 lots booked in the gasoline market and 51,000 lots booked in the heating oil market.

The crude market on Tuesday will likely continue to trade in its recent trading range after failing to breach its resistance at 67.00. Its daily stochastics still seem ready to cross back to the downside. The market is seen finding resistance at 67.00 followed by 67.10 followed by 67.40. Meanwhile, support is seen at 65.35 followed by 64.60 and 64.00.