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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 15, 2006

Israel began pulling out forces from southern Lebanon and made plans to hand over territory Tuesday on the first full day of its ceasefire. Israel and Hezbollah forces avoided any escalation, raising hopes that the UN imposed ceasefire could stick as governments were preparing to deploy international troops into southern Lebanon. The Israeli army withdrew from Marjayoun in southern Lebanon. Israel said it planned to begin relinquishing captured positions and handing them to the Lebanese army on Wednesday. The military hoped to complete the evacuation of its forces from Lebanon by next week. UN officials said the UN was hopeful that the first announcements of new troops would be made at a formal meeting expected to take place on Thursday. Separately, an Iranian hard-line cleric warned Israel that Iran's 2,000 kilometer range missiles would land in Tel Aviv if Israel attacked Iran.

Market Watch

A US District Judge on Monday denied a motion by Louisiana Gov. Kathleen Blanco to temporarily halt a Gulf of Mexico oil lease sale.

Iran's President Mahmoud Ahmadinejad said Iran would not yield to western pressure to give up its nuclear program. Iran has previously stated that it would respond to a demand by the US, Britain, China, Russia, France and Germany to halt its uranium enrichment by August 22. The UN Security Council have given Iran until August 31 to halt its nuclear program or face possible sanctions. Iran's chief nuclear negotiator Ali Larijani also stated that Western threats and pressure would not resolve Iran's nuclear issue but could push the country to review its nuclear policy.

Refinery News

Glencore has booked a medium sized dirty petroleum tanker to move crude from South Korea to the US West Coast. Glencore is scheduled to load the 114,000 ton tanker on September 2. Meanwhile, an undisclosed company is expected to load another medium sized crude tanker in early September.

Colonial Pipeline has adjusted its shipping schedule to allow shippers to attend a conference in Georgia this week. The pipeline has no products scheduled to ship on Tuesday, Wednesday and Thursday this week.

Deer Park Refining stated that its 67,000 bpd fluid catalytic cracking unit at its refinery was operating at or near normal rates while troubleshooting continued on a compressor associated with the unit. It said work should be completed in several days.

ConocoPhillips' 44,000 bpd refinery in Santa Maria, California was hit by a brief power outage on Tuesday morning. Separately, ConocoPhillips was scheduled to perform repairs at its 223,000 bpd

refinery in Sweeny, Texas on Tuesday that would affect the regenerator flue gas stack and the fluid catalytic cracking unit. A report filed with the Texas Commission for Environmental Quality said work involved repairing an oil leak on a blower to the electrostatic precipitator.

The hydrogen plant at Chevron's 260,000 bpd El Segundo, California refinery went off line early Monday. Chevron would not say how long the hydrogen plant is expected to be down or by how much refinery output has been affected. Traders stated that the refinery has cut production at its hydrotreater and hydrocracker.

PDVSA is scheduled to shut a 75,000 bpd fluid catalytic cracking unit at the Cardon refinery in September for planned work.

The 400,000 bpd Nerefco refinery in the Netherlands is expected to go into turnaround in September.

Chevron's 210,000 bpd Pembroke refinery in Wales is scheduled to undergo routine maintenance in September and October.

Venezuela's Oil Minister Rafael Ramirez said Venezuela has approved the sale of PDVSA's share in the Lyondell-Citgo refining joint venture in Houston. He said PDVSA would receive \$1.3 billion for its share of the refinery.

Refineries in China maintained strong output growth in July despite maintenance and unplanned outages that cut production from June's near record rates. China's National Bureau of Statistics reported that refineries processed 25.55 million tons or 6.02 million bpd of crude in July, up 7.8% on the year. It reported that China's crude throughput in the first seven months of the year increased by 5.9% to 174.68 million tons. China's gasoline production increased by 0.2% on the year to 4.518 million tons in July. China's crude production in July increased by 1.9% to 15.74 million tons and increased by 2% in the January through July period to 107.4 million ton.

An explosion at PetroChina's Daqing refinery on Monday killed three people at its main gasoline producing facility. The explosion at the 1.8 million ton per year or 36,000 bpd ARGG unit occurred when workers were preparing for regular maintenance.

Taiwan's Chinese Petroleum Corp said it shutdown a 100,000 bpd crude distillation unit at its 300,000 bpd Talin refinery on schedule last Friday. The planned maintenance is expected to last for about a month.

Saudi Aramco's SASREF refinery in Jubail is scheduled to shut a 67,000 bpd hydrocracker for two weeks of maintenance in the first half of September.

Production News

Iran's Oil Minister Kazem Vaziri Hamaneh said Iran recently increased its oil production by 120,000 bpd. He also stated that Iran would not cut its oil exports due to possible UN sanctions over its nuclear program. The UN Security Council has set August 31 as the deadline for Iran to halt its nuclear activities. Separately, traders stated that Iran bought several cargoes of gasoline for delivery in September. Traders stated that Iran was still financing imports despite a threat to stop and impose fuel rationing. They stated that at least four cargoes would be delivered in the first half of the September, with payment due 30 days later. Iran's Oil Minister has previously stated that the government could impose rationing on September 23 after parliament cut the import budget to \$2.5 billion in the year ending March 2007, down from \$4 billion the previous year.

Nigeria has scheduled to export 1.84 million bpd of crude oil in September, down more than 10% on the month after a pipeline leak at the Bonny Light field disrupted production. The September export schedule showed planned loadings of 55.3 million barrels, down from 63.85 million barrels in August.

The US embassy in Nigeria said it had received reports that a US citizen was among the oil workers kidnapped in the southern city of Port Harcourt. Authorities said that at least five workers, two Britons, a German, an Irish and Polish worker were kidnapped by armed men at a nightclub on Sunday. Diplomats said the US citizen may have been abducted in a separate incident in the same city. Later on Tuesday, a Nigerian government official stated that two Norwegians and two Ukrainians workers kidnapped from a ship off the coast of Nigeria were released following a week in captivity. They were handed over to authorities in Port Harcourt. Meanwhile, Nigeria's President Olusegun Obasanjo said the kidnappings in the Niger Delta were unacceptable and ordered the military to respond by using force. He ordered security forces to start patrols of the Niger Delta creeks and threatened to sanction companies for paying ransoms.

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said the country would offer 33 new exploration areas to world and local energy companies in an effort to increase the country's oil production. Bidding would begin on August 28.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$69.54/barrel on Monday from \$70.34/barrel reported on Friday.

Iran has left its September official selling prices for crude sold to its Asian customers unchanged from August. It set its Iran Light crude price at the Oman/Dubai average plus 47 cents, its Iran Heavy crude price was set at the Oman/Dubai average minus \$3.09 and its Forozan crude was set at the Oman/Dubai average minus \$3.04. Meanwhile its prices for its crude bound for Europe were increased. The price for its Iran Light crude was set at BWAVE minus \$5.15, its Iran Heavy crude was set at BWAVE minus \$6.90 and its Forozan crude was set at BWAVE minus \$6.80.

Ecuador's central bank reported that the country's oil export revenue totaled \$587.77 million in June, up 21% on the year. Ecuador exported 10.11 million

Technical Analysis		
	Levels	Explanation
CL 73.53, down 82 cents	Resistance 74.55, 75.60 to 76.20 73.50, 73.90	Previous high, Remaining gap (August 10th) Tuesday's high
	Support 73.00 72.60, 72.55, 72.50, 71.45	Tuesday's low Previous lows
	Resistance 205.00, 207.30 to 210.00, 215.35 203.50, 204.00	Previous high, Remaining gap (August 10th), Previous high Tuesday's high
HO 201.47, down 2.59 cents	Support 201.60 198.80, 197.70, 197.60, 197.30	Tuesday's low Previous lows
	Resistance 206.80, 212.00 to 216.50 200.25, 202.00, 203.20	Previous high, Remaining gap (August 10th) Tuesday's high
HU 199.05, down 7.38 cents	Support 198.50 195.50, 195.00, 193.00, 192.50	Tuesday's low Previous lows

barrels in June 2006, down 12% from 11.52 million barrels shipped last year. Separately, Petroecuador reported that it exported 187,859 bpd of crude in July, down 11% from 210,937 bpd in June.

Drilling activities in oil blocks 2, 3 and 4 in the Joint Development owned by Nigeria and Sao Tome may not get underway until the middle of 2007 due to a shortage of drilling rigs.

Market Commentary

The crude market opened relatively unchanged at 73.50 as the cease fire between Israel and Hezbollah was holding. The market further retraced Monday's losses and rallied to a high of 73.90 led by a rally in the gasoline market. However the crude market erased its gains and settled in a sideways trading pattern amid the light volume trading. The market traded to a low of 73.00 and settled down 48 cents at 73.05 as traders liquidated their positions ahead of Wednesday's release of the weekly petroleum stock reports. Volume in the crude market was light with 169,000 lots booked on the day. The gasoline market opened up 95 points at 20.00 and led the complex higher early in the session as it retraced its recent sell off. The market rallied to a high of 203.20 amid the expectations that the weekly petroleum stock reports would show a draw of about 2 million barrels in gasoline stocks. The market however failed to sustain its gains and erased its gains ahead of the close. It posted a low of 198.50 and settled up 11 points at 199.16. The heating oil market also settled in positive territory, up 88 points at 202.35. The market gapped higher from 202.10 to 202.70 and quickly posted a high of 204.00. However the market erased its gains and posted a low of 201.60 before it settled in a sideways trading range. Volumes in the product markets were light with 27,000 lots booked in the gasoline market and 45,000 lots booked in the heating oil market.

Technically, the oil market is still seen trending lower. However it will be mostly driven by the DOE report, which is expected to show draws in crude stocks of about 1 million barrels, draws in gasoline stocks of about 2 million barrels and builds in distillate stocks of close to 1 million barrels. The market's downward trend will be limited if the report does show the draws in crude stocks and gasoline stocks following the news that BP was shutting the Prudhoe Bay oilfield last week. The market is seen finding support at its lows of 73.00 followed by 72.60-72.50 and 71.45. Meanwhile resistance is seen at 73.50, 73.90 followed by 74.55 and its gap from 75.60 to 76.20.