



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 22, 2005

Iraq's southern oil exports have been halted due to sabotage induced electricity outage. Electricity was cut through Baghdad and many parts of Iraq early on Monday after an attack on a major electricity feeder line between Baiji and Baghdad. A government spokesman said repairs were under way. Later, an official of the South Oil Co said that oil exports from southern Iraq had resumed.

Ecuador's government and oil protest leaders started talks on Monday. The protest leaders have called a 24 hour truce to allow for the negotiations. However after the talks, a source stated that it will be the people of the

Market Watch

The eleventh tropical depression formed in Mexico's Bay of Campeche on Monday. The US National Hurricane Center said the storm is weak and is expected to move quickly ashore. It could strengthen into a tropical storm before making landfall Monday night.

The Iraqi parliament speaker said Monday evening a draft constitution was submitted but stated that there are pending points that all parties will try to resolve within the next three days.

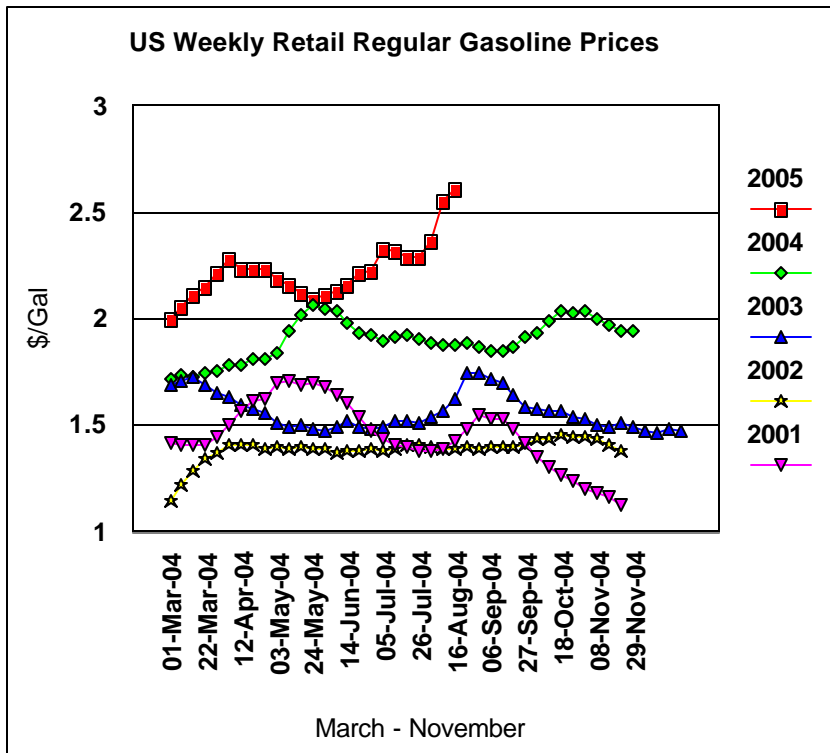
Gasoline prices in Europe are expected to strengthen this week on low supplies in the US, while fund buying should support distillates and fuel oil is likely to remain pressured on lack of exports. Shipping brokers have reported 1.2 million tons fixed to take gasoline to the US from northwest Europe and Mediterranean ports. European refinery maintenance will also be a factor with Neste's Porvoo refinery due to go down for as much as five weeks.

Kuwait's parliament's financial and economic committee said that it completed a review of a long delayed bill to open up some northern oilfields to foreign investment. The head of the committee, Abdelwahab al-Haroun said the bill has been amended and approved by the committee to be special bill confined to the development of four northern oilfields. The committee reiterated that foreign companies would not be allowed to sign production sharing agreements but instead would be offered operating and service contracts. It specified that foreign companies' development cost would be set at \$1.5/barrel and pay 25% tax on the contract. The Kuwaiti government will also have the right to reduce oil production from the fields operated by foreign contractors, in accordance with OPEC decisions.

A senior official at China's National Development and Reform Commission has ruled out the possibility of a domestic oil crisis. He said China's current production, consumption, inventory, imports and exports of oil products are generally well balanced. He blamed natural disasters and gains in world oil prices for the recent oil shortfalls in South China.

Venezuela's PDVSA will conduct a two year survey starting this year to certify the total reserves held in the Orinoco river belt. The survey will examine each of 27 oil blocks in the area. PDVSA will conduct reserve surveys on its own to study 14 blocks while the rest will be examined by foreign companies.

According to DEBKAFfile, Osama bin Laden has come out of hiding in Afghanistan and set out is about to set out for Iraq. Some of the signals schedule his date of arrival as the second half of September. His arrival in Iraq is planned to signal the launching of the largest offensive against the US army.



Orellan and Sucumbios provinces that will decide if the protest continue or not. Meanwhile, General Gonzalo Mesa in charge of restoring order in the two provinces said security forces are now in control of 100% of oil installations in the area, the two principal airports and various main and secondary roads. Teikoku Oil Co said it expects to resume normal crude oil output in Ecuador within the next few days. It holds a 40% stake in onshore block 18, where the average crude production is 25,000-30,000 bpd. Output by Petroecuador increased to 90,000 bpd on Monday, up from 54,000 bpd on Sunday. Officials said it may take until November for full production to be restored. Canada's EnCana Corp has restarted some of its crude

production in Ecuador. Separately, Venezuela's President Hugo Chavez promised an oil loan to Ecuador to help it meet export commitments. Ecuador asked Venezuela for an oil loan after declaring a force majeure on oil exports on Thursday. Top officials from Ecuador is expected to go to Caracas, Venezuela to discuss the loan that Venezuela offered to extend to Ecuador.

The Center for Global Energy Studies stated that even as high oil prices are starting to slow demand, lagging new oil production and OPEC's new \$50/barrel price target will keep prices high this year and next. It said there is little prospect of oil prices falling far. It said oil demand will grow by 1.4 million bpd next year while production from non-OPEC countries will only add 800,000 bpd due to delays starting up some projects, leaving OPEC with more leverage.

The EIA reported that US retail diesel prices increased 2.1 cents/gallon to \$2.588/gallon in the week ending August 22.

Refinery News

According to a report filed with the Texas Commission on Environmental Quality, part of a hydrocracker unit at Exxon Mobil Corp's refinery in Beaumont, Texas failed on Saturday. A bypass valve on the hydrocracker butane absorber failed. The operating status of the unit was not specified nor was any impact on production.

Citgo Petroleum Corp notified the Texas Commission on Environmental Quality of a leak in the hydrofluoric acid alkylation unit No. 2 at its Corpus Christi, Texas refinery. The unit was shutdown on Thursday. It is continuing to work to restart the unit. It said the shutdown will not have any significant impact on products production.

Alon USA reported that low suction pressure shut a crude vent gas recovery compressor at its Big Spring, Texas refinery on Friday night.

Premcor's Memphis refinery was restarted on Friday and was operating over the weekend after a power outage shut the refinery on August 12.

Venezuela's La Isla refinery in Curacao is expected to restart an 18,500 bpd reformer unit this week as originally planned. The unit will be operating normally by September 5. The unit was shut due to a pipe leak. Officials have stated that no shipments were interrupted because of the problem.

Separately, PDVSA restored operations to 400,000 bpd at its 635,000 bpd Amuay refinery following a fire at a pipeline hub last week. It cut runs at the refinery and shut some units after a lightning strike sparked a fire last week. Output at the refinery is expected to increase later this week when a distillation unit is brought back online. Meanwhile the 305,000 bpd Cardon refinery expects to restart a 77,000 bpd catalytic cracking unit this week after it was shut for work last month.

Kuwait Petroleum Corp's 80,000 bpd refinery in Rotterdam was shut completely following problems with two steam boilers at the plant. The refinery is expected to remain shut for at least two days.

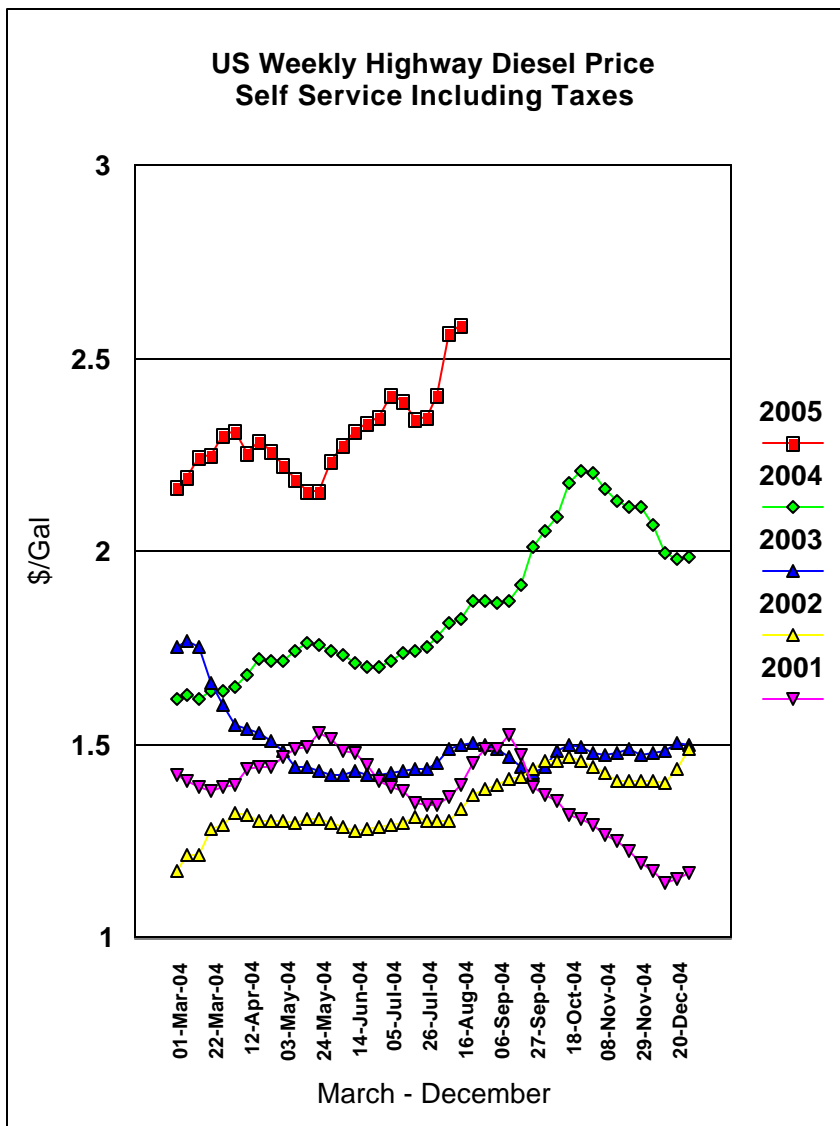
Production News

Protesters in Nigeria lifted a week long siege of oil facilities in Nigeria ahead of its scheduled talks with Royal Dutch/Shell. The protest by five communities over compensation for an oil spill and fire in 2003 had originally shut in a 14,000 bpd pumping station. However the impact increased to 25,000 bpd on Sunday when villagers blockaded a pipeline intersection known as Agbada-2. Shell fully restored its production after the siege was lifted.

Separately, the Nigeria Labor Congress said it will resist any attempt by the government to increase local fuel prices. The Petroleum Products Pricing Regulatory Agency will consider a 60% increase to 80 naira per liter of petrol at a meeting due to be held on Tuesday.

Shell has shut in 10,000 bpd of Brent crude production and 4.7 million cubic meters of gas production at its UK North Sea Bravo platform following a leak on Thursday. The Alpha platform was also shutdown.

Euroilstocks reported that distillate



production in July increased by 126,000 bpd to 6.03 million bpd. Total oil product output was down 0.6% or 76,000 bpd at 12.85 million bpd while crude throughput increased 0.4% to 11.98 million bpd. Gasoline production was up 0.2% at 3.28 million bpd, while fuel oil output fell 0.9% to 1.72 million bpd.

Saudi Aramco is proceeding with projects to maintain production at Marjan, Zuluf and Safaniya oil fields. It said one project included construction engineering, partial procurement and fabrication of well head jackets, drill decks and scrapper decks. Work also includes offshore installation of subsea pipelines and two subsea power cables. Sources estimate that the Marjan has a production capacity of 450,000 bpd, Zuluf has a capacity of 800,000 bpd and Safaniyah has a capacity of 1.5 million bpd.

Norsk Hydro ASA found more oil at its Troll field. Officials from the company said besides ongoing development drilling at the Troll field, a nearby prospect was being drilled, but they declined to comment on reports of a 110,000 bpd find.

Brazil's Petrobras said one of the offshore projects in Nigeria is expected to face technical delays to come on stream. The Akpo field and the Agbami field were both expected to come on stream in 2008.

Repsol won drilling rights to a 500 square km block in Venezuela's Orinoco oil belt. Early production is expected to start in 2009 with full production in 2011. Repsol gave not estimate of the reserves in the block. However any new production would help Repsol reverse falling crude production, which was down about 6% in the first half of 2005.

Russia's main Black Sea terminal of Novorossiisk was shut on Saturday due to a storm, delaying crude exports of over 900,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$57.53/barrel on Friday, up from \$56.51/barrel on Thursday. It also reported that the basket of crudes increased by \$1.48/barrel to \$58.26 in the week ending August 18, up from \$56.78/barrel in the previous week.

The Press Trust of India reported that India's Finance Minister P. Chidambaram said there is no alternative to raising domestic oil product prices given persistently high world crude prices.

Thailand expects its demand growth for crude oil in 2005 to be flat from last year as a result of a free float of domestic prices of gasoline and diesel curbing sales. Crude imports in the first six months of the year were down about 9,000 bpd from last year to 847,577 bpd.

Japan's Modec Inc said crude production from the Baobab field in West Africa had started from August 9. Crude oil production from the field is expected to increase to about 65,000 bpd in early 2006 and the production of associated natural gas is expected to increase to about 15 million cubic feet/day by the end of the year.

Fuel oil imports into China's southern Huangpu port fell in August to 800,000-850,000 tons, the lowest level since May.

PetroKazakhstan announced that its board had accepted a \$4.18 billion takeover bid from China National Petroleum Corp. The deal, which comes just weeks after CNOOC's failed bid to buy Unocal, is a further sign of China's determination to secure oil and gas assets abroad to fuel its economy.

Market Commentary

Early in the session, the crude market was poised to continue trading higher following its move late last week as it bounced off its low and gapped higher. The expiring September crude contract opened up

25 cents at 65.60 in light of the news that Iraq had halted its southern oil exports following a power outage. It erased some of its gains and posted a low of 65.00. However it bounced off its low and rallied to a high of 66.25 amid the strength in the natural gas market, which rallied on a revised weather forecast showing higher temperatures across the country than previously expected. The oil market however erased its gains and traded back towards its low as the rally in the product markets fizzled out before posting a recovery ahead of the close. It settled up 10 cents at 65.45. Meanwhile, the October crude contract settled down 14 cents at 65.65 after it traded off its high of 66.60 to its low of 65.45. Volume in the crude market was light with 171,000 lots booked on the day. Meanwhile, the gasoline market settled down 4.23 cents at 186.16. The market traded within last Thursday's trading range as rallied to a high of 191.00 early in the session. The market however failed to find further upside momentum and settled in a range before it breached its support and sold off to a low of 184.80 ahead of the close. The market bounced off its low and rallied more than 2 cents in the last few minutes of trading. The heating oil market opened unchanged at 183.50 and traded to a low of 182.30 early in the session before it rallied to a high of 186.00. The market however sold off sharply and backfilled Friday's opening gap as it posted a low of 180.50 ahead of the close. It settled down 1.12 cents at 181.16. Volume in the gasoline market was good with 43,000 lots booked on the day, while volume in the heating oil market was lighter with 27,000 lots traded.

The market is seen retracing more of its late losses and trade higher following last week's failure to remain pressured. The market is seen remaining supported. There are still some refinery problems that may keep the markets supported. The market will also await the results of the talks between the government and protest leaders in Ecuador as the action may resume if talks with the central government are not successful. Technically, the market is seen finding support at today's low of 65.45

followed by
64.50 to
64.30.
Meanwhile
resistance is
seen at 66.00,
66.60 and
66.85. More
distant
resistance is
seen at 67.00
to 67.10.

Technical Analysis		
	Levels	Explanation
CL 65.65, down 14 cents	Resistance 66.85, 67.00-67.10 66.00, 66.60	Previous highs Monday's high
	Support October 65.45 64.50 to 64.30	Monday's low Opening gap
HO 181.16, down 1.12 cents	Resistance 186.50, 188.50 183.00, 186.00	62% retracement (193.30 and 175.50), Previous high Monday's high
	Support 180.50 175.50, 175.00-173.50	Monday's low Previous low, Remaining gap
HU 186.16, down 4.23 cents	Resistance 183.00, 183.35, 185.56 180.00, 182.00	Monday's high, 50% and 62% (192.70 and 174.00)
	Support 177.50 174.00	Monday's low Previous low