



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 23, 2005

Iraq's crude oil exports from the Basra oil terminal were at a standstill on Tuesday following a power outage. There was a power failure at the main pumping station in Basra. Earlier sources stated that oil loadings at Iraq's

Market Watch

A Venezuelan lawmaker accused US religious broadcaster Pat Robertson of shedding his Christian values by calling for the assassination of Venezuela's President Hugo Chavez. The comments by Robertson are expected to add further tension to US-Venezuelan relations following President Chavez's accusations that US leaders are plotting to oust him or kill him. Top US officials denied that any such act was being contemplated.

Separately, Venezuela's President Hugo Chavez offered to sell Venezuela's oil at a lower price to poor people in the US who cannot afford the price of gasoline.

Basra terminal are running at a rate of 840,000 bpd after they were halted on Monday due to a power outage. Its normal export rate is 1.5 million bpd. Separately, Iraq is on schedule to award nearly all of its three million barrel Kirkuk crude tender later on Tuesday.

OPEC's Acting Secretary General Adnan Shihab-Eldin said he does not expect oil prices to fall sharply but sees a slight chance that OPEC's basket of crudes will be down \$7 by this winter. He said the market is well supplied and there are several factors keeping oil prices high.

Saudi Arabia's Foreign Minister Prince Saud al-Faisal said the country will continue its efforts to moderate the increase in oil prices. He blamed the sharp price increase on a shortage of refinery capacity in consumer countries. He said Saudi Arabia has a balanced policy to keep prices moderate so that they do not affect the world economy.

Nigeria's Petroleum Minister, Edmund Daukoru said a discussion on raising OPEC production quotas would be academic for now and added that OPEC is encouraging members to produce at capacity. He said constrained refinery capacity was the main reason for record high oil prices and all producers could do was ensure crude was available when additional refineries are installed.

Refinery News

BP Plc is scheduled to perform maintenance on part of fluid catalytic cracking unit at its Texas City, Texas refinery Tuesday afternoon. The work is planned for the electrostatic precipitator stack high temperature trip on fluid catalytic cracking unit No. 1.

A coker unit at Lyondell-Citgo Refining Co's Houston refinery experienced an interruption in operations on Monday. A report filed with the Texas Commission on Environmental Quality did not specify the operating status of the coker or whether there will be any impact on production.

Venezuela's PDVSA has restarted a distillation unit at its Amuay refinery, lifting processing levels to about 535,000 bpd. It shut the crude unit three weeks ago for maintenance and was processing about 410,000 bpd on Monday before the unit was restored.

Kuwait's 270,000 bpd Mina Abdullah refinery will shut a 80,000 bpd crude distillation unit and other units for 20 days of scheduled maintenance.

Japan's Idemitsu Kosan Co said it will raise its crude runs at its 140,000 bpd Hokkaido refinery in northern Japan to full capacity starting in early September. It has been running the refinery below full capacity due to work at two crude oil storage facilities.

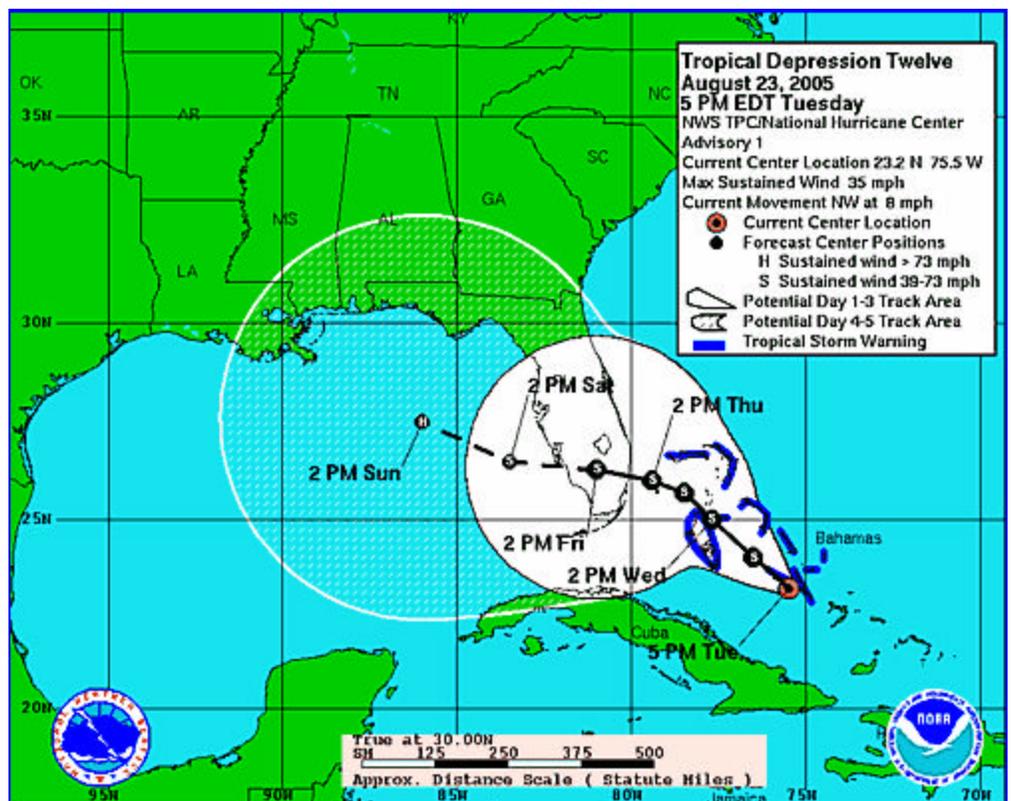
Production News

Ecuador's average oil production stood at 363,061 bpd late Monday as it slowly recovers following the protests that forced it to declare a force majeure on its oil exports last week. Petroecuador's oil production stood at 90,502 bpd while private companies' oil production stood at 272,559 bpd. Petroecuador later stated that its production increased to 105,000 bpd. According to the Oil Ministry, private companies will recover their normal levels of output of about 335,000 bpd between Tuesday and Wednesday. EnCana Corp lifted its force majeure on its exports of Ecuadorian crude. Its production is back up to about 85% of normal production. Meanwhile talks between the government and local leaders are expected to continue. Protesters came close to suspending the talks during the first day of meetings, accusing the government of violently suppressing protests in the Orellana province.

Shell's Brent Bravo UK North Sea oil and gas platform remained closed on Tuesday after a leak forced the company to shut in production since Thursday. The company declined to state when normal operations would resume.

Floods and rising water levels have halted shipping along part of the Rhine River. The disruptions are affecting deliveries of heating oil and gasoline. Barge operators said any reopening of the Rhine is unlikely before Wednesday.

Russia's main Black Sea



port of Novorossiisk reopened on Tuesday after a gale warning was cancelled. The terminal was shut on Saturday due to a storm.

Russia's Industry and Energy Ministry stated that Russia's oil export transit through Ukraine increased by 2% to 31.58 million tons in January-July. Russian oil export transit through the territory of Ukraine is expected to fall to 45 million tons this year from 54 million tons last year. Separately, Russia's Economic Development and Trade Ministry said oil exports were close to flat on the year at 14 million tons in January-July.

A Ukrainian Energy Ministry official said the country will cut its port charges at Yuzhny by 50% starting September 1, bringing the charges into line with those of nearby Odessa.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$58.10/barrel on Monday from Friday's \$57.53/barrel.

Jordan, which is normally a fuel oil importer, turned exporter on Tuesday with an offer to sell up to 300,000 tons a year of excess supplies after converting to natural gas for power generation. The additional 20,000-30,000 tons per month of fuel oil will add to the 400,000-500,000 tons a month of supplies sold primarily by Russia, Iran and South Korea to small refineries in China.

Venezuelan oil shipments to China have surpassed 68,000 bpd, up from an average of 12,300 bpd in 2004. The Venezuelan government is seeking to increase its oil sales to Asia, primarily China, to 300,000 bpd by 2012.

China's Sinopec Corp is expected to cut its diesel exports to less than 100,000 ton in September.

South China's Guangdong province is expected to import 1.1 million to 1.2 million metric tons of high sulfur fuel oil a month in August and September. Last year, during the peak demand months of August through October, monthly imports averaged 1.8 million tons.

Korea National Oil Corp stated that South Korea imported 66.7 million barrels of crude oil in July, up 6.6% on the year. Its refineries ran 69.2 million barrels of crude oil during July, up 16.4% on the year. Commercial stocks of crude oil stood at 13.6 million barrels, up 3.5% on the year.

Market Commentary

The oil market ended the session with slight gains spurred by short covering ahead of Wednesday's release of the weekly petroleum stock reports. The crude market posted the day's trading range within the first hour of trading as it rallied to a high of 66.10 in follow through buying seen in overnight trading. However the market quickly erased its gains and sold off to a low of 64.65 amid the sharp sell off in the product markets. The natural gas market also sold off sharply as concerns over tropical weather eased as forecasters stated that a low pressure area in the Bahamas is unlikely to strengthen enough and head far enough west to threaten production in the Gulf of Mexico. The oil market later bounced off that level and settled in a sideways trading range from 65.00-66.00 during the remainder of the session. The October crude contract settled up 6 cents at 65.71. Volume in the crude was light with 145,000 lots booked on the day. The product markets ended mixed, with the gasoline market settling down 36 points at 185.80 and the heating oil market settling up 78 points at 181.94. The gasoline market posted its high of 186.80 on the opening but quickly sold off to a low of 181.80, within the first hour of trading. The market however bounced off that level and retraced most of its losses as it traded back towards the 186.00 level. It traded in a range from 183.10 to 186.50 ahead of the close amid the expectation that gasoline stocks built on the week. The heating oil market also settled in a sideways trading range after it posted a range from 182.80 to 178.80 early in the session. Volumes in the

product markets were good with 49,000 lots booked in the gasoline and 38,000 lots booked in the heating oil market.

The oil market on Wednesday will be driven by the weekly petroleum stock reports, which are expected to show small builds in crude stocks of less than 500,000 barrels, builds in distillate stocks of 1.5 million barrels and draws in gasoline stocks of 1 million barrels. However the market will be supported amid the latest National Hurricane Center forecast showing that tropical depression 12 may become a tropical storm or even a hurricane. It said the tropical depression may cross Florida sometime Thursday or Friday and then move west across the Gulf of Mexico, although its path is still uncertain. Technically, the market is seen finding resistance at its highs of 66.10, 66.60 followed by 66.85 and 67.00-67.10. Meanwhile support is seen at 65.50 followed by 65.00, 64.65 and 64.50 to 64.30.

Technical Analysis		
	Levels	Explanation
CL 65.71, up 6 cents	Resistance 66.85, 67.00-67.10 66.10, 66.60	Previous highs Tuesday's high, Monday's high
	Support 65.50, 65.00 64.65, 64.50 to 64.30	Tuesday's low, Opening gap
HO 181.94, up 78 points	Resistance 186.50, 188.50 182.80, 186.00	62% retracement (193.30 and 175.50), Previous high Tuesday's high, Monday's high
	Support 180.50, 178.80 175.50, 175.00-173.50	Monday's low, Tuesday's low Previous low, Remaining gap
HU 185.80, down 36 points	Resistance 191.00, 191.25 186.80	Previous highs Tuesday's high
	Support 183.10 181.80, 181.60	Tuesday's low, Previous low