



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 25, 2005

The General Secretary of Nigeria's NUPENG, Elijah Okougbo, said it will not halt oil exports even it joins a general strike called to protest an expected increase in local fuel prices. He said halting exports of crude oil could lead to the collapse of democracy in Nigeria, when all the union wants is a change in policy. Nigeria's fuel pricing agency approved an increase in fuel prices. Prices are expected to increase by 40-60% to 70-80 naira/liter. The Nigerian Labor Congress has promised to resist any increase and is likely to call a general strike over the issue.

Refinery News

The Shell Oil-Pemex 340,000 bpd refinery at Deer Park, Texas was running normally. It denied talk that the refinery was having problems.

Market Watch

BP Plc is evacuating non-essential workers from its eastern Gulf of Mexico ahead of arrival of Tropical Storm Katrina. BP's deepwater structures on the eastern side of the Gulf include the Marlin, Horn Mountain and Thunder Horse platforms. Royal Dutch/Shell is also evacuating 120 non-essential workers from the eastern Gulf of Mexico. It said production would not be affected by the evacuations. It said most forecast models indicate Tropical Storm Katrina will remain east of Shell's Gulf of Mexico operations.

According to a Cleveland Fed study, Federal Reserve policymakers can ease damage that higher oil prices inflict on economic growth by holding interest rates unexpectedly low. The economists estimate that the funds rate will increase 2 percentage points in response to a 10% increase in oil prices and that economic output will fall 0.5%. They stated that holding rates lower will cause output to fall by just 0.2%.

IMF managing director Rodrigo Rato warned high oil prices posed significant risk to world economic expansion and said prices were not likely to fall in the near term.

Petrobras chief executive Jose Sergio Gabrielli de Azevedo said US oil prices are high due to the US' limited oil refining ability and inefficient energy use. He expects oil prices to continue to rise for the next two to three years.

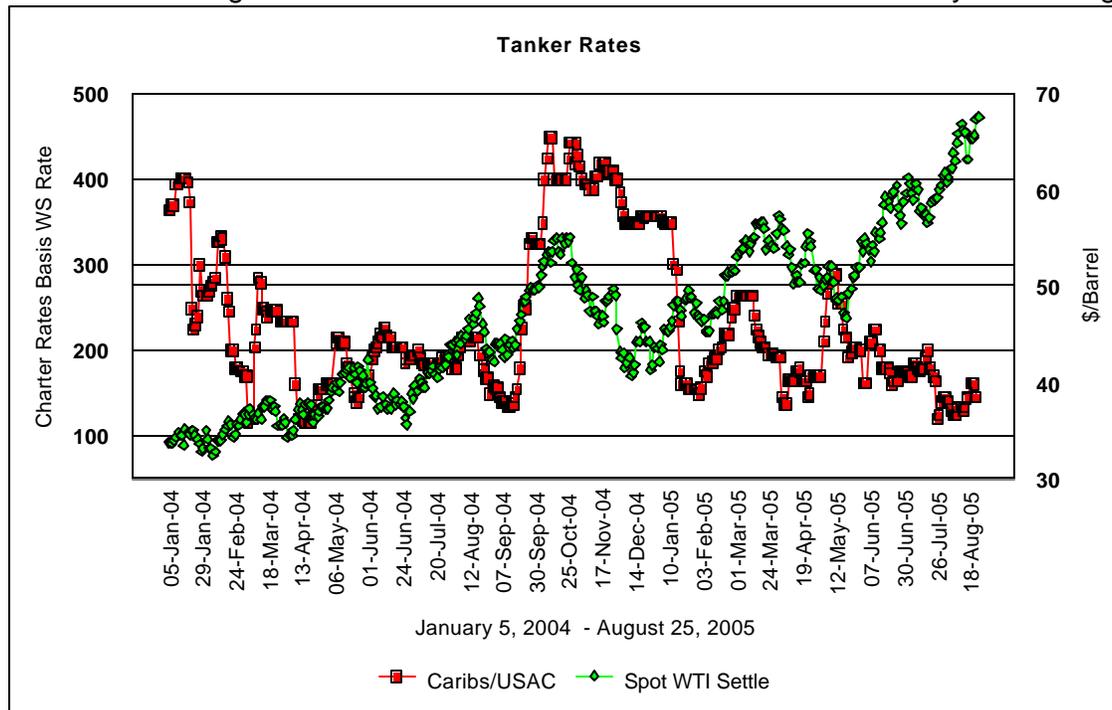
Financial betting firms said they are willing to take wagers on \$100/barrel once the price breaches the \$70/barrel level.

Venezuela's PDVSA and China National Petroleum Co signed a preliminary agreement to create a joint venture that will develop oil fields in eastern Venezuela. The company would exploit deposits in the Zumano area. The region reportedly holds 400 million barrels in oil reserves.

Tesoro's Golden Eagle refinery in Martinez, California shut its fluid catalytic cracking unit on Wednesday.

Huntsman Corp will keep the 18,000 bpd MTBE unit at its Port Neches, Texas chemical plant shut for 48 days of unscheduled maintenance and repairs. It declared force majeure on deliveries of MTBE due to the maintenance.

An unexpected shutdown of the flare gas recovery compressor system at Total's Port Arthur, Texas refinery resulted in flaring on Wednesday afternoon, according to a report filed with the Texas Commission on Environmental Quality. It also reported that repairs to a leak discovered in the sulfur dioxide controlling section of a scrubber associated with the fluid catalytic cracking unit resulted in



about ten hours of emissions. Total also stated that its hydrocracker is expected to restart Thursday following the completion of maintenance.

Total is planning a partial turnaround at its 223,000 bpd Lindsey refinery in the UK starting August 31

and last about 40 days. It is also planning upgrades at its 230,000 bpd Donges refinery.

PetroChina plans to process 9 million tons or 2.12 million bpd of crude in August. Crude runs at PetroChina's refineries totaled 69.12 million tons or 2.38 million bpd in the first seven months of the year, up 9.56% on the year. The August run rate is about 10% lower than the daily average for the January-July period.

Production News

Despite the disruption in crude oil loadings from Ecuador, West coast refiners are not scrambling the way the market had anticipated. Sources stated that Valero had no problem replacing two cargoes of Oriente crude, totaling about 800,000 barrels. In addition, BP Plc is seen in the market offering foreign crudes as a result of problems at the Texas City refinery. Also, Oman crude appears to be plentiful on the West Coast for October delivery.

Petroecuador said it produced 158,080 bpd on Thursday, up from 135,084 bpd on Wednesday. Separately, Ecuador's Finance Minister Magdalena Barreiro said the protests that cut oil production cost the government \$200 million, down from its previous estimate of \$500 million. It estimated a loss of 4 million barrels of oil production.

China's General Administration of Customs said the country imported 11.1 million tons or 2.62 million bpd of crude in July, up 15% on the year. In the first seven months of the year, China's crude oil

imports increased 5.4% on the year. Also, despite increasing reliance on foreign crude, China has increased its crude oil export this year due to rising onshore joint venture production, with shipments to the US more than doubling over last year. In the first seven months of the year, more than 20,000 bpd of Chinese crude was exported to the US, up 118% on the year. Meanwhile, China's apparent oil demand increased 3% in July, the highest rate in four months but well below full year forecasts. Net imports of products fell as domestic refineries, constrained by retail price caps on diesel and gasoline that prevent them from passing world price increases on to consumers, cut overseas buying and kept exports high to increase margins.

BP Plc's Schiehallion oil facility in the UK North Sea began restarting production Saturday following a fire in July. It has a normal output of about 120,000 bpd.

Norsk Hydro has found oil and gas in an exploration well near the Oseberg North Sea field and plans to start production later this year. The licensees are planning to convert the exploration well into a production well and begin production in the third quarter.

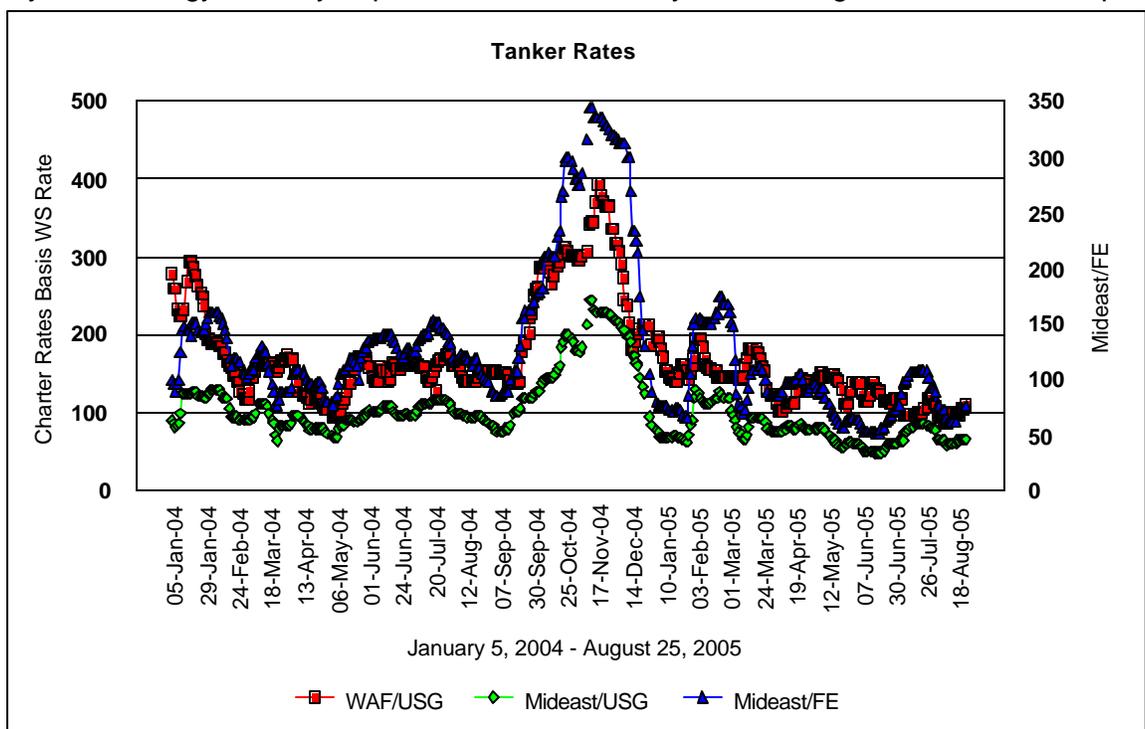
The Rhine River at Karlsruhe was reopened to inland waterways shipping early on Thursday after water levels fell. The Rhine had been closed to shipping on Tuesday afternoon after heavy rain in recent days raised water levels.

Abu Dhabi National Oil Co will supply an estimated 3 million barrels of term crude oil over contracted volumes to its Asian customers in October. It will be the fourth consecutive month that the producer is shipping extra crude to its customers.

Germany's BAFA said oil product sales in Germany fell by 0.2% in the 12 months ending June. Sales of oil products totaled 118.4 million tons compared with 118.7 million tons a year earlier. It also reported that oil products exports increased by 19% to 25.1 million tons and imports increased by 4.8% to 34.7 million tons. Crude imports increased 3.2% to 111.3 million tons.

Russia's Industry and Energy Ministry reported that the country's oil and gas condensate output increased

1% on the year to 29.729 million tons during August 1-August 23. Oil companies' oil production increased 1.4% on the year to 27.347 million tons in the period. Separately, Russian



companies' oil exports and transit to countries outside the Commonwealth of Independent States increased by 20.1% on the year to 15.111 million tons.

Russia plans to increase its crude export duty to a record of at least \$175/ton or \$23.97/barrel starting October 1, up 25% from the current \$140/ton. Export duty on oil products will increase to \$106.60/ton from the current \$104.10/ton starting August 27.

Russia's Lukoil will cut crude oil exports from September via its Baltic Sea port of Vysotsk as high export duties prompt it to switch to oil products exports. Lukoil will export between 25,000-40,000 tons in September. Vysotsk exported a total of 1.572 million tons of crude oil, 1.088 million tons of vacuum gas oil and 825,094 tons of gas oil in the first seven months of the year.

Syria's Sytrol has cut the September official selling price for its light crude to Dated BFO minus \$5/barrel. It also cut its heavy Souedie crude price for September to Dated BFO minus \$13.50 from Dated minus \$9.75 in August.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 1.082 million barrels to 11.448 million barrels in the week ending August 24. It reported that light distillate stocks fell by 881,000 barrels to 7.647 million barrels while middle distillate stocks fell by 328,000 barrels to 8.359 million barrels.

The Indonesian Petroleum Association reported that the country's crude and condensate production could fall by 50% within a decade from the current level of 1.07 million bpd if investments do not increase. Indonesia has stated that production at its ageing oil fields is declining at 5% or more a year.

Indonesia's chief economic minister Aburizal Bakrie said the country will increase fuel prices before January 2006 and will keep increasing them until they match market levels at the end of next year.

OPEC's news agency reported that OPEC's basket of crudes increased to \$58.90/barrel on Wednesday, up from \$58.15/barrel on Tuesday.

Market Commentary

The oil market opened 67 cents lower at 66.65 as traders took profits after the market rallied to a new high of 68.00 in overnight trading on Access. The market opened lower in light of the latest hurricane forecast stating that Tropical Storm Katrina would likely to remain in the eastern side of the Gulf of Mexico,

away from the US oil and natural gas producing areas. The National Hurricane Center shifted its projected track eastward and stated that the

Technical Analysis		
	Levels	Explanation
CL 67.49, up 17 cents	Resistance 68.00, 69.35 67.70, 67.75	Overnight high, basis trendline Thursday's high, Previous high
	Support 67.00 66.40, 65.30	Thursday's low, Wednesday's low
	Resistance 188.50, 189.60, 191.00 187.50	Previous highs Thursday's high
HO 186.95, up 41 points	Support 186.00, 184.00 183.55, 180.20	Thursday's low, Wednesday's low
	Resistance 202.90 197.00	Previous high Thursday's high
	Support 194.00, 192.50 192.20	Thursday's low

storm would likely make landfall in the middle of Florida's panhandle. The crude market however traded to 67.30 as it attempted to test Wednesday's high of 67.40 amid the talk of a refinery problem at Shell's Deer Park refinery, which Shell later denied. The market, which later erased its gains and sold off to a low of 66.40 as it failed to test Wednesday's high, bounced off that level and rallied to a high of 67.70 amid the strength in the gasoline market. The market settled up 17 cents at 67.49. Volume in the crude was light with only 130,000 lots booked on the day. Meanwhile the gasoline market continued to lend support to the complex as it settled up 3.79 cents at 196.37. The market opened at its low of 192.20 and quickly rallied amid the talk of a problem at Shell's Deer Park Refinery and reports that a catcracker unit was shut at Tesoro's Golden Eagle refinery in Martinez, California. The market however gave up some of its gains as Shell denied the rumors. It however found further buying on its dip and rallied to a high of 197.00 ahead of the close. The heating oil market also remained supported amid the strength in the gasoline market. It rallied from a low of 183.55 to a high of 187.50 ahead of the close and settled up 41 points at 186.95. Volumes in the product markets were good with 41,000 lots booked in the gasoline and 32,000 lots booked in the heating oil market.

The market on Friday may initially see some profit taking following today's sharp gains. However it is likely to find some support as traders cover their positions ahead of the weekend. Even though the hurricane forecasts continue to indicate that Hurricane Katrina will track towards the eastern Gulf of Mexico and make landfall in Florida's panhandle after it crosses southern Florida on Friday, the market will remain on edge as the ultimate path is still uncertain. The market is seen finding support at 67.00 followed by 66.40 and 65.30. Resistance is seen at 67.70, 67.75 followed by 68.00 and 69.35.