



## ***ENERGY RISK MANAGEMENT***

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

**[www.e-windham.com](http://www.e-windham.com)**

---

### **ENERGY MARKET REPORT FOR AUGUST 11, 2005**

---

The head of the EIA, Guy Caruso, said oil prices are being driven higher by very tight market fundamentals and there are no magic solutions to push them lower. Also, strong world oil demand, fueled by high consumption in the US and China, has helped push oil prices higher.

Demand has proved inelastic in the face of the record prices of the past year. The EIA expects demand to show growth for the year as a whole. The head of the EIA said the price impact on oil demand has been relatively limited in part because of strong economic growth and consumers' rising disposable income.

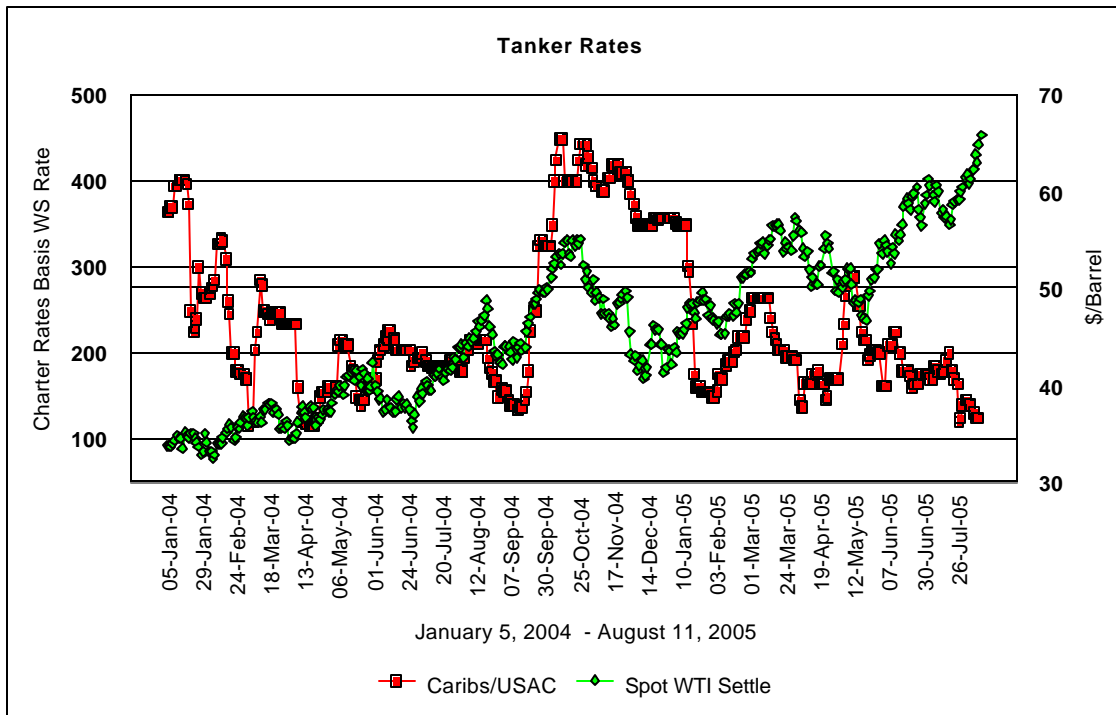
#### Market Watch

The US Treasury Secretary John Snow reiterated that high energy prices are an unwelcome development for the economy. He said high energy prices strip between 0.3% and 0.6% off the US GDP. He however stated that the question of releasing oil from US strategic reserves to lower oil prices was off the table.

The board of governors of the International Atomic Energy Agency approved a resolution demanding that Iran suspend all nuclear activities.

According to the American Trucking Associations, seasonally adjusted truck tonnage index contracts 0.2% in June following a 0.7% increase in May. June's decline was the fourth in the last five months and lowered the index to 114.9. June's decline was unexpected as economic reports covering June data were mostly positive and June on a seasonally adjusted basis sees an increase in tonnage levels.

The IEA reported in its monthly report that non-OPEC countries are failing to produce as much crude as expected this year, leaving OPEC to fill the supply gap. It cut its projection for non-OPEC supply growth by 205,000 bpd to 675,000 bpd. Non-OPEC countries are expected to pump an average of 50.8 million bpd. It said unscheduled outages in the US Gulf, Mexico, Norway and the UK account for 150,000 bpd of the lower growth estimate this year. However in 2006, non-OPEC supply growth is seen rebounding by 1.25 million bpd to 52 million bpd. Its estimate is down by 150,000 bpd from its previous report. The IEA increased its call on OPEC crude in the fourth quarter by 300,000 bpd to 29.3 million bpd. It also increased its call for OPEC crude in 2006 by 200,000 bpd to 28.3 million bpd. It stated that world oil demand was revised down by 150,000 bpd in 2005 and 120,000 bpd in 2006. It cut its oil demand forecasts for China's economy as growth in fuel consumption continues to slow from last year's levels. The IEA cut its estimate for 2005 oil consumption by 40,000 bpd to 320,000 bpd and cut its estimate for 2006 by 20,000 bpd. The IEA also reported that OPEC's crude production increased by 285,000 bpd to 29.6 million bpd in July as the UAE increased output from fields that had been in maintenance. The ten OPEC members, excluding Iraq, bound by quotas produced 27.7 million bpd in July, up 240,000 bpd on the month. The IEA said the high oil prices are magnifying the



impact that any supply disruption could have on the world economy. However it said it would not encourage oil importing countries to tap their strategic oil reserves simply to ease prices.

Venezuela's Energy Minister Rafael Ramirez dismissed the possibility of OPEC supplying more

oil to the world markets. He said OPEC has done everything it can so far to increase its production capacity. Separately, Venezuela's President Hugo Chavez said he expects world oil prices to continue rising.

An explosion struck a crude pipeline in central Iraq early Thursday. The explosion affected a crude pipeline carrying crude oil from the Baiji refinery to the Doura refinery.

According to Oil Movements, oil shipments by OPEC are expected to increase by 150,000 bpd in the four weeks ending August 27 to 24.38 million bpd. The head of Oil Movements said both eastbound and westbound shipments are up on the week.

AAA stated that US drivers should expect further increases at the pumps due to the rallying cost for crude oil and several refinery problems. Gasoline prices at the pump are at a record near \$2.40/gallon.

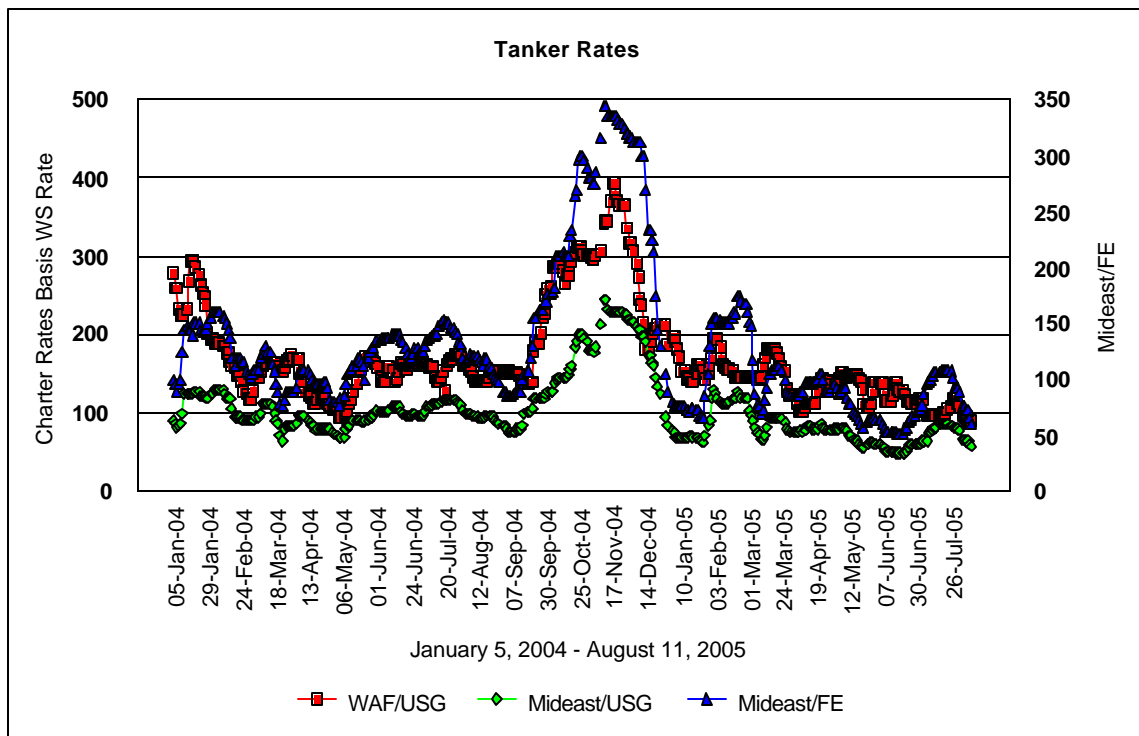
### Refinery News

Chevron Corp still plans to restart its 66,000 bpd coker unit at its El Segundo, California refinery on Thursday. Chevron shut the unit for maintenance after a fire shut down a 200,000 bpd crude unit at the refinery on July 20. The crude unit is expected to resume operations on Sunday.

BP said it shut all of its high pressure units at its 470,000 bpd Texas City, Texas refinery for inspections. The units that operate over 1000 psi are the residual hydrotreater, the ultracracker, the gas oil hydrotreater and a hydrogen recovery unit. All but the hydrogen recovery unit were already off line due to other incidents. The residual hydrotreater caught fire on July 28, while the ultracracker has been shut since March 23 following an explosion and fire at an isomerization unit and the gas oil hydrotreater had a leak on Wednesday. It expects the impact on production to be minimal as a result of the shutdowns.

ConocoPhillips is working to restore normal operations at its 288,300 bpd Wood River, Illinois refinery following a power outage on Wednesday. The restart is seen taking about three days.

A spokeswoman at



Ameren Corp, which provides electricity to the refinery, said two of the seven power lines to the refinery were out of service last night due to storms in the area. All of the lines were back in service on Thursday morning.

**Production News**

A 10 inch oil pipeline exploded in East Texas on Thursday. The line exploded before noon when it was struck by a construction crew. A Sunoco spokesman said a pipeline flowing to the Longview area was also shut.

Norway's North Sea Troll crude system has scheduled the loading of 8.6 million barrels in September or 287,000 bpd, down from 277,000 bpd in August. Meanwhile, the North Sea Flotta crude system plans to load 65,000 bpd in September, down from 84,000 bpd in August. The North Sea Gullfaks system is scheduled to load 13 cargoes in September, up from 8 cargoes in August as out at the field is restored following the completion of maintenance.

The UK North Sea loading plan for the Brent, Forties and Oseberg crude oil system show loadings of 980,000 bpd in September, steady from August. The combined plan lists a total of 29.367 million barrels, down from 30.266 million barrels in August. The Forties crude system is scheduled to load 510,000 bpd in September, up from 411,000 bpd in August. The Oseberg crude system scheduled the loading of 8.55 million barrels, down from 9.3 million barrels in August.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe increased to 254,435 tons in the week ending August 9 from 210,436 tons in the previous week.

China's net imports of oil products, excluding LPG, fall by 35% on the year to 1.19 million tons in July. It also well below June's level of 1.76 million tons. Apparent demand in the first half of the year increased by 2.6%.

India's Oil and Natural Gas Corp will restore 70,000 bpd out of 123,000 bpd of crude oil capacity lost last month when a fire destroyed a platform in its Bombay High field. A senior official said crude bound for the old platform would be diverted by August 31 to its nearby NQ platform, which will be connected to other platforms in the field.

Russia's port of Kaliningrad on the Baltic Sea is expected to remain closed at least until Friday due to stormy weather.

The Georgian government expects its part of the Baku-Tbilisi-Ceyhan oil pipeline to be fully filled by October 12. Currently only 2.3 million barrels of oil of the necessary 10 million barrels was pumped into the pipeline.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 660,000 barrels to 11.175 million barrels. It reported that light distillate stocks built by 979,000 barrels to 7.932 million barrels while middle distillate stocks built by 511,000 barrels to 8.973 million barrels.

OPEC's news agency reported that OPEC's basket of crudes increased to \$57.30/barrel on Wednesday, up from Tuesday's \$56.45/barrel.

China's regulated price system for refined oil products is under scrutiny due to a widening gap between local and international prices. However a meeting between government and state oil companies this weekend is unlikely to produce any quick solution due to potentially difficult social and economic implications of deregulating price controls.

**Market Commentary**

The energy complex settled sharply higher once again as the markets posted record highs amid the mounting refinery problems. The crude market opened relatively unchanged at 64.89 after the market breached its resistance at 65.00 and posted a high of 65.30 in overnight trading. The market was initially supported by the release of the IEA report, which stated that non-OPEC countries are failing to deliver as much oil as expected this year. The crude market posted a low of 64.60 early in the session and never looked back as it quickly rallied to a record high of 66.00 following reports of further refinery glitches. The market found some further buying above 65.00 in light of reports that BP is shutting several units at the Texas City, Texas refinery until they can be inspected. The market was also supported by the news that ConocoPhillips' Wood River refinery was restoring normal operations following a power outage on Wednesday. The market later settled in a sideways trading range. It settled up 90

cents at 65.80. Volume in the crude was excellent with over 287,000 lots booked on the day. Open interest in the crude market once again built,

Technical Analysis			
	Levels	Explanation	
CL 65.80, up 90 cents	Resistance	66.35 66.00	Basis trendline Thursday's high
	Support	65.25, 64.60 62.91, 62.80 to 62.45	Thursday's low Wednesday's low, Opening gap (August 8th)
HO 189.85, up 5.97 cents	Resistance	195.63 190.40	Basis trendline Thursday's high
	Support	187.20 183.30	Thursday's low
HU 194.98, up 5.35 cents	Resistance	196.98 195.25	Basis trendline Thursday's high
	Support	192.00 189.50	Thursday's low

by a total of 19,814 contracts. Open interest in the crude market fell by 19,684 lots in the September contract while the open interest in the October and November contracts built by 17,984 lots and by 11,315 lots, respectively. The product markets also settled higher, with the gasoline market settling up 5.35 cents at 194.98 and the heating oil market settling up 5.97 cents at 189.85. The gasoline market traded to a low of 189.50 and never looked back as it quickly found further buying. The market rallied over 5.6 cents as it posted a record high of 195.25 early in the session. It later settled in a range as it remained supported by the refinery news. The heating oil market also posted a new record high of 190.40 as it extended its gains to over 6.5 cents on the day. Volumes in the product markets were good with over 60,000 lots booked in the gasoline and over 50,000 lots booked in the heating oil market.

The oil market on Friday is seen retracing some of today's gains early in the session. However the market's losses are seen limited as it remains supported by the refinery problems. The market is seen finding resistance at its high of 66.00 followed by 66.35. Meanwhile support is seen at 65.25 and 64.60. More distant support is seen at 62.91, 62.80 to 62.45.