



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 17, 2005

In its monthly report, OPEC increased its forecast for world oil demand growth in 2006. It expects world oil demand to grow by 1.57 million

bpd to 85.2 million bpd in 2006, an upward revision of 30,000 bpd. It cited a slightly more optimistic view of the world economy for the coming year. It cut its forecast for non-OPEC production by 148,000 bpd to 51.5 million bpd and projected demand for OPEC crude at 29.2 million bpd, an upward revision of 170,000 bpd. It stated that high prices cut demand slightly this year as OPEC revised down demand to 83.64 million bpd from 83.66 million bpd in its last report. The report stated that OPEC produced 30.2 million bpd in July, up 210,000 bpd from June.

Market Watch

Shipping brokers and traders said as much as 875,000 tons of gasoline has been booked to move from Europe to the US since last Thursday. Traders said the rally in NYMEX gasoline futures to record highs above \$2/gallon by Friday had along with strong New York gasoline cash differentials opened up the arbitrage. A shipping broker said seven or eight gasoline cargoes had also been booked from the Caribbean to the US in the last 48 hours.

The EIA said its data offer no evidence that high oil prices have significantly cut into demand. It expects prices to remain relatively high through next year. Oil demand slowed in the first six months of the year, however the EIA expects consumption to increase on the year as a whole and continue to grow into next year, keeping oil prices in the \$50s and pump prices above \$2/gallon. It warned that prices could climb even further in the next few weeks barring a significant change in the spot price over the next several days.

The API reported that US oil demand in July fell by 3% on the year to 20.255 million bpd, the largest year to year decline in three and a half years. It stated that gasoline demand fell by 0.8% to 9.28 million bpd due to high prices at the pump. Meanwhile distillate demand increased by 1.7% on the year to 3.891 million bpd. On the supply side, the API reported that US production of crude oil fell by 5.1% to 5.182 million bpd. It reported that crude stocks increased by 8.3% on the year to 318.9 million barrels, while gasoline stocks fell by 1.4% on the year to 208.5 million barrels and distillate stocks increased by 3.2% on the year to 125.8 million barrels.

Iraq on Wednesday issued a tender to sell 3 million barrels of Kirkuk crude for loading between August 28 and September 6 from the Ceyhan terminal in Turkey.

Refinery News

Premcor Inc's Port Arthur, Texas refinery reported emissions on Monday and Tuesday stemming from a problem with a reformer unit. The operating status of the reformer was unclear from a report filed with the Texas Commission on Environmental Quality.

Japan's Nippon Oil Corp said it plans to resume operations on Thursday of its 145,000 bpd refinery in Sendai. It will continue to conduct inspections on the refinery units to check for any damage to the refinery following a powerful earthquake on Tuesday.

Production News

Royal Dutch/Shell said protestors have blocked the Agbada flow station near Port Harcourt in the Niger Delta demanding more compensation for an oil spill. The flow station was shut in since Wednesday morning. The flow station's maximum output is 15,000 bpd but 14,200 bpd of production was affected.

Norway's Petroleum Directorate said the government will shallow drill in the closed northern Barents Sea area in September to better understand the area's resource potential.

Norway's shipping company, Bergesen AS expects to quadruple its exports of oil out of Russia in the next five years. The company has applied to the Norwegian authorities for a new crude loading terminal outside the Norwegian town of Kirkenes. If approved, the terminal will give the shipping company the ability to increase its exports out of northwest Russia to about 112 million barrels a year.

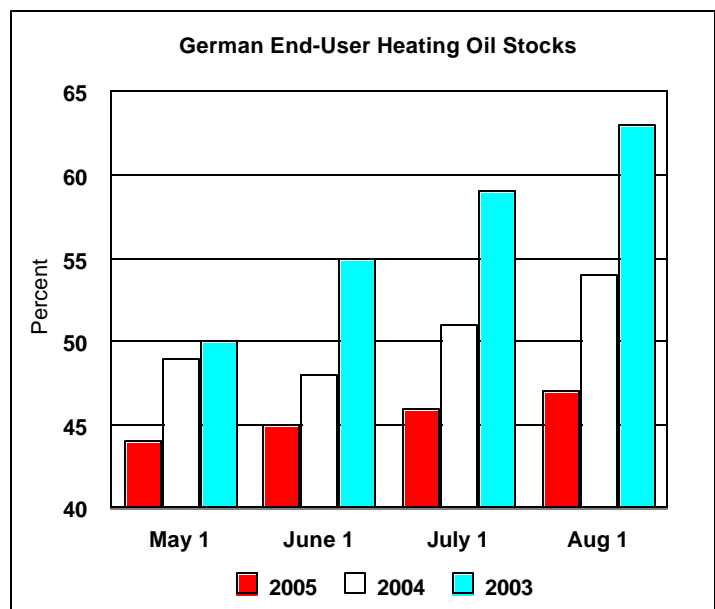
Traders reported that consumer stocks of heating oil in Germany stood at about 47% of capacity at the end of July, up from about 46% at the end of June. However it well below the 54% reported at the end of July 2004.

Petroecuador said the SOTE pipeline resumed operations on Tuesday night after it was shut for eight hours. It is transporting about 360,000 barrels. It was shut due to protests.

Oil transportation via Belarus' pipeline system increased by 2.2% on the year to 61.322 million tons in January-July.

TNK-BP said it will invest \$270 million in its first oilfield in East Siberia and connect it with Russia's first pipeline to Asia. The company said that the Verkhnechonskoye deposit could become an important source of crude fro the planned 1.6 million bpd pipeline that Russia wants to build to China and the Pacific Coast.

Russia's Tatneft has decided against building a new oil terminal on the northern White Sea and will focus instead on constructing a smaller outlet in the Baltic Sea port of Kaliningrad. It has received all necessary approvals to build a terminal in Kaliningrad. The outlet will have a capacity of 800,000 tons of crude oil and fuel oil per year and storage tanks of 48,000 tons.



India's Oil and Natural Gas Corp expects its Bombay High field to resume normal production of 261,000 bpd by April. Output fell by 123,000 bpd after a fire destroyed a platform in the offshore field last month.

The Petroleum Association of Japan reported that the country's stocks of kerosene are building up early with a 23% increase last week to 3.1 million kl or 19.5 million barrels. It is up 11% on the year. It said the average operating rate of Japanese oil refineries increased to 92% in the week ending August 13. Meanwhile, it reported that gasoline stocks fell to 1.97 million kl or 12.39 million barrels from 2.1 million kl in the week ending July 30. Gasoline production was up 4.4% at 1.25 million kl or 1.12 million bpd. Japan's commercial crude oil stocks totaled 18.58 million kl or 116.86 million barrels, down from 18.88 million kl in the week ending July 30.

OPEC's news agency reported that OPEC's basket of crudes fell to \$58.89/barrel on Tuesday, down from Monday's \$59.05/barrel.

Market Commentary

The oil market sold off almost \$3 on Wednesday following a heavy bout of liquidation. Early in the session, the oil market traded to a high of 66.60 following the release of the DOE and API, which showed larger than expected draws in gasoline stocks of 5 million barrels. However the market quickly sold off despite the mostly supportive report. The selling in the market was led by funds amid concerns that high prices will hurt demand. The market, which quickly breached the 65.00 and was holding further support at 64.00, later breached that level and sold off to a low of 63.15 ahead of the close. It retraced nearly 38% of its move from a low of 56.50 to a high of 67.10. It settled down \$2.83 at 63.25. Volume in the crude was excellent with over 284,000 lots booked on the day. Meanwhile, the gasoline market also tumbled despite the supportive draws reported in gasoline stocks. The market settled down 9.26 cents at 189.10 after the market plunged more than 10 cents to a low of 188.00. Early in the session, the market posted a new record high of 202.90 following the release of the reports. However it quickly found fund liquidation which pushed it to its low. Similarly, the heating oil market erased its recent gains after trading to a high of 188.50 early in the session. The market sold off 8.9 cents as it posted a low of 177.50 ahead of the close. The market retraced more than 38% of its move from a low of 159.40 to 193.30. It settled down 8.01 cents at 178.39. Volume in the gasoline market was good with 58,000 lots booked on the day while volume in the heating oil was lighter with 36,000 lots booked on the day.

Technically, the oil market on Thursday may continue to trade lower as it continues to see find fund liquidation

following its recent rally. Stochastics have crossed to the downside and are trending lower. The market is seen finding initial support at 63.15

Technical Analysis		
	Levels	Explanation
CL 63.25, down \$2.83	Resistance 66.60, 66.85, 67.00-67.10 64.00, 65.00	Wednesday's high, Previous highs
	Support 63.15 63.05, 62.80-62.45, 61.80	Wednesday's low 38% (56.50 and 67.10), Remaining gap, 50%
HO 178.39, down 8.01 cents	Resistance 185.00, 188.50 180.00, 182.80	Wednesday's high
	Support 177.50 177.20, 176.35, 175.00-173.50	Wednesday's low Previous low, 50% (159.40 and 193.30), Remaining gap
HU 189.10, down 9.26 cents	Resistance 200.00, 202.90 190.00, 193.75, 195.50	Wednesday's high
	Support 188.00 186.70, 184.00, 181.60	Wednesday's low 38% (160.50 and 202.90), Previous lows

followed by 63.05. More distant support is seen at its gap from 62.80-62.45 followed by 61.80. Meanwhile resistance is seen at 64.00, 65.00 and its high of 66.60.