

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 2, 2005

The IEA said Friday that its 26 members will release 2 million bpd of oil stocks over the next 30 days to help offset the loss of production and refining capacity in the US. US Energy Secretary Samuel Bodman said out of the total 60 million barrels of crude and gasoline to be released by the IEA, the US will sell about 30 million barrels of oil from its SPR.

The US contribution will reach the market in 11-145 days. It is in addition to the 9.1 million barrels of oil the US has authorized to release from its SPR. Meanwhile, the European members of the IEA will provide about 1.1 million bpd of gasoline supplies. Germany will contribute 120,000 bpd, France 92,000 bpd and Spain 70,000 bpd. Japan is also expected to make a large contribution.

According to the EIA, the US has lost production of about 42 million gallons/day of gasoline or 10% of its normal consumption after refineries were shutdown and some were forced to reduce runs following Hurricane Katrina. It said nine major oil refineries remained offline in Louisiana and Mississippi and several other facilities had reduced output. The EIA said some of the refineries should be able to resume operations in one to two weeks while other facilities may take several months to come back on line. On Thursday, the Bush administration loaned three refineries 8.5 million barrels of crude from the SPR.

Market Watch

European oil firms have booked 10 more cargos of gasoline to the US since Hurricane Katrina battered the US Gulf Coast, bringing the total to 30. However brokers warned of an impending ship shortage on the increased demand.

According to the South Carolina Petroleum Marketers Association, gasoline shortages are expected to last into next week. It said the pipeline that from the Gulf Coast that provides most of the gasoline to all but the coastal areas of South Carolina have started operating but only at about 25% of its capacity. It has recommended that retailers limit their gasoline purchases to \$30 or 10 gallons until more fuel comes into the state.

Analysts stated that the US government's move to avert fuel shortages could increase imports and help refiners resume some of their operations but they are unlikely to reverse an upsurge in prices.

Nigeria's Labor Congress said it would announce its plans for a nationwide strike on Monday. The planned strike is in protest over a recent increase in the price of gasoline by the Nigerian government as a result of increasing oil prices. The National Union of Petroleum and Natural Gas Workers or Nupeng has stated that it would abide by the decisions of NLC. The Petroleum and Natural Gas Senior Staff Association of Nigeria has also threatened to embark on a strike if the government failed to rescind the recent price increase.

Refinery News

ExxonMobil refinery in Baton Rouge, Louisiana is expected to increase its production of gasoline and other products over the next several days and will promptly ramp up production rates further as supply from the LOOP and other sources increase above today's levels. The US Department of Energy has approved ExxonMobil's request for a loan of up to 6 million barrels of oil to help it gain access to additional crude supplies at Baton Rouge.

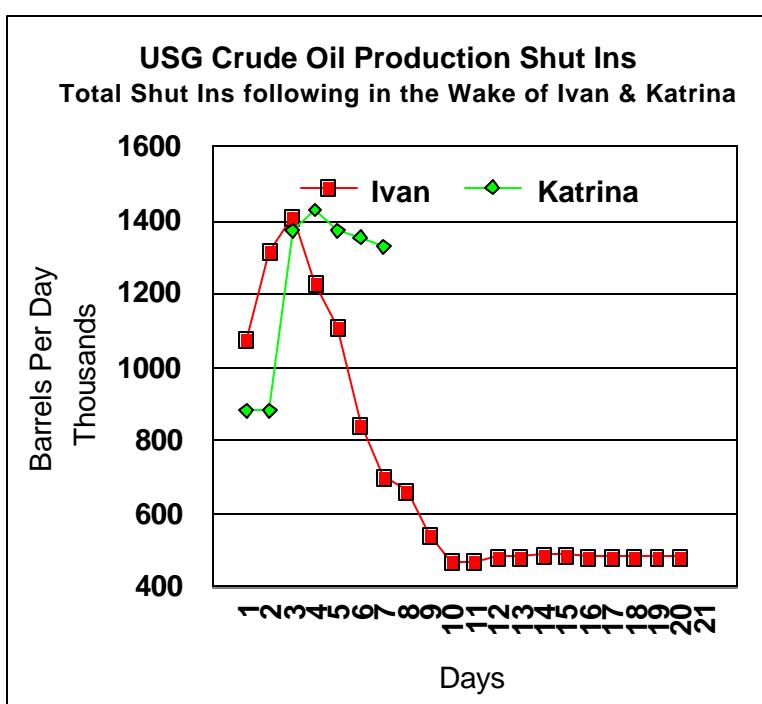
Motiva Enterprises continues to assess the damage, including flooding, at its refinery in Norco, Louisiana. A Shell Oil Products spokesman said teams in Norco are gathering information but access to the refinery is limited. Motiva also stated that it is making good progress working through its restart plan at its 235,000 bpd Convent, Louisiana refinery. It previously stated that it hopes to get the refinery up within a week.

Valero Energy Corp is making good progress at its 260,000 bpd St. Charles refinery in Norco, Louisiana and expects to restart the facility next week. However Valero's chief executive William Greehey said fuel shortages are inevitable given the number of refineries off line. He said crude oil supplies have improved with the opening of the SPR but he added that there is a lot of uncertainty about the condition of some shuttered refineries.

A mechanical problem at the Sinclair Refinery has reduced oil refining capacity in Wyoming by about 13%. A malfunction occurred on a catalytic cracking unit over the weekend and forced the refinery to temporarily shut the unit, cutting its refining capacity from 66,000 bpd to 46,200 bpd.

Venezuela's 200,000 bpd Puerto La Cruz refinery was shut down by a power blackout on Friday. However it is expected to resume normal operations by midnight. A PDVSA official said shipments of products would not be affected.

ExxonMobil plans to fully shut down its 246,000 bpd refinery in Antwerp in 2006. The turnaround will last for one month for regular maintenance work.



China's oil refineries are running at 2.3 million bpd in September, up from 2.24 million bpd in August to meet demand and replenish low supplies ahead of autumn harvesting.

Production News

There was little improvement in the amount of oil and natural gas production shut in by Hurricane Katrina as of Friday. The MMS reported that the amount of production shut in stood at 1.328 million bpd or 88.5%, down from 1.36 million bpd or 90.43% on Thursday. The cumulative amount of production shut in stood at 8.761 million barrels.

The Louisiana Offshore Oil Port resumed pumping operations at its offshore oil port facilities in the Gulf of Mexico late Thursday. The first supertanker at the LOOP started offloading on Thursday

afternoon and deliveries through its Locap pipeline began about an hour later. On Thursday, it stated that offloading and delivery rates would be restricted to about 40,000 bpd due to the use of emergency generators. When commercial power is restored, both the LOOP and Locap will be able to operate at maximum capacity. Utility operator Entergy said one of the two key electrical facilities servicing the LOOP may be restored as soon as Friday night. It said the second facility has suffered severe infrastructure damage and may not be restored for seven to nine days.

Throughput rates on Colonial Pipeline's Houston to Greensboro, North Carolina refined products main lines continue to outpace expectations Friday with operations currently pegged at 66% of normal transportation volumes and rates expected to reach 85% by late this weekend. Its distillate fuel line is at 63% of capacity.

Plantation Pipe Line Co said restored power at its Collins, Mississippi pump station will enable it operate its 620,000 bpd oil products pipeline at 95% of capacity. It said it would return to full capacity when electricity is restored at two smaller pump stations.

Royal Dutch/Shell said it was ramping up production at its Auger production facility in the Gulf of Mexico. It said that in addition to Auger, which produces about 75,000 bpd of oil and 180 mmcf/d of natural gas, it is also ramping up its North Padre Island and Fairway facilities.

Meridian Resources Corp said its well platforms and production facilities in the Biloxi, Mississippi area sustained heavy damage as a result of Hurricane Katrina. It said most production wells could be back up in 20 days and added that substantially all repairs could be finished within 60 days.

Russia's Industry and Energy Ministry stated that Russia's oil production in August averaged 9.488 million bpd, up 1.2% on the year. Its production in January-August totaled 310.42 million tons, up 2.6% on the year. It reported that Russia's oil exports increased by 15.1% on the year to 19.367 million tons in August. Oil exports increased to 149.589 million tons in January-August from 133.95 million tons in the same period last year. The Energy Ministry reported that Russian pipeline crude exports in August increased by 190,000 bpd from July to 4.48 million bpd mainly due to larger shipments from Baltic Sea Butinge and Black Sea Yuzhny. Transneft exported 86.04 million tons or 2.6 million bpd in January-August, up from 76.07 million tons or 2.29 million bpd in the same period last year. Crude exports through Novorossiisk stood at 4.45 million tons or 1.05 million bpd in August.

Azerbaijan's SOCAR has decided to halt exports of cracked fuel oil from this month as the country needs to build up stocks of heating fuel for the winter season.

OPEC's news agency reported that OPEC's basket of crudes increased by 27 cents/barrel to \$61.37/barrel on Thursday.

Market Commentary

The NYMEX oil market gave up more of its recent gains during today's shortened session as the IEA decided to release 2 million bpd of oil stocks over the next 30 days to help ease the fuel crisis threatening the US. The crude market settled down \$1.90 at 67.57 and is down more than \$3 from its high of 70.85 posted earlier this week. The October crude contract gapped lower from 68.25 to 68.00 amid the sell off seen in overnight trading on Access in light of the news that the IEA was considering a release of its emergency oil reserves. It backfilled its gap as it posted an intraday high of 68.60 but quickly sold off to a low of 67.20 within the first hour of trading. The market however bounced off its low and tested its high only to see the market sell off once again ahead of the close. The market, which traded back to its low on the close, sold off even further during the five minute post close session, sending prices to a low of 66.90. This followed the IEA announcement and the statement

made by the US Energy Secretary, Samuel Bodman that the US would sell 30 million barrels of oil from its SPR, in addition to the oil it has already agreed to loan oil companies. Volume was light with 130,000 lots booked on the day. Meanwhile the gasoline market, which has driven the complex higher in recent days, settled down 22.53 cents at 218.37. The market created an island reversal as it gapped lower from 233 to 223.80 on the opening. The gasoline market partially backfilled the gap as it traded to a high of 227.00. However it gave up its gains amid the IEA news and reports that the pipelines were continuing to increase their operations. The market traded to a low of 216.00 on the close but quickly fell even further to a low of 213.50 on the post close following comments made by the Energy Secretary. The heating oil market also posted a high of 214.50 early in the session but gave up more than 13 cents as it traded to a low of 206.50 on the post close. It settled down 10.374 at 209.11. Volumes in the product markets were light with 39,000 lots traded in the gasoline and 36,000 lots traded in the heating oil market.

The oil market found some relief from its recent surge in prices during today's session amid the IEA's announcement that it will release stocks from its reserves. The pipelines have also reported that they are increasing their throughput. However the market's are seen limited as refiners are still struggling to restart their refineries and while more gasoline cargoes are heading towards the US, shipping brokers are warning of an impending ship shortage due to the increased demand. The market is technically seen finding support at its low of 66.90, 66.80, 66.30 and 65.90. However resistance is seen at 68.00, 68.60 and 69.60. More distant resistance is seen at 70.25 and 70.85.

Technical Analysis		
	Levels	Explanation
CL 67.57, down \$1.90	69.60, 70.25, 70.85 68.00, 68.60	Previous highs Friday's high
	Support 66.90 66.80, 66.30, 65.90	Friday's low 50% (62.75 and 70.85), Previous lows
HO 209.11, down 10.74 cents	221.00 214.50	Previous high Friday's high
	Support 206.50 205.07, 204.00, 200.15, 199.00	Friday's low 38%(179.30 and 221), Previous low, 50%, Previous low
HU 218.37, down 22.53 cents	245.00 227.00 to 233.00	Previous high Opening gap
	Support 213.50 209.50, 204.70	Friday's low 50% retracement (174 and 245), previous low