



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 13, 2005

US Interior Secretary Gale Norton said about 90% of offshore Gulf of Mexico oil and gas platforms should be capable of producing by the end of September but some will be constrained by the lack of onshore processing capacity. Meanwhile, US Energy Secretary Sam Bodman said the Energy Department has not received any new requests from US refiners to borrow SPR crude. It has already loaned 12.6 million barrels to six US refineries. He did not say how soon the Energy Department will announce winning bids for the 30 million barrels of oil offered for sale from the SPR.

The head of the American Petroleum Institute, Red Cavaney said oil companies are interested in buying crude from the SPR but with four major refineries still shut the government may not be able to sell all the oil it planned to sell.

Market Watch

The Federal Trade Commission was directed by a Senate panel on Tuesday to send interim updates to Congress on its investigation into why US retail gasoline prices have rallied this year. An agency report on the investigation has to be sent to Congress by November 6. Separately, Sen. Mark Pryor proposed an amendment to a bill funding the Commerce Department that calls for the FTC to investigate the fuel price impact of Katrina.

German Chancellor Gerhard Schroeder said a rise in gasoline and diesel prices over the past week is a concern. Meanwhile, French President Jacques Chirac wants oil companies to make further cuts in petrol prices to help soften the impact of rising fuel and energy costs.

Two weeks after Hurricane Katrina made landfall in the Gulf Coast, Venice, Louisiana remains waterlogged, without power or phones. The devastation in Venice and other southern Louisiana towns is likely to slow the pace of recovery of pipelines and platforms offshore for months. Damage to natural gas processing plants and oil terminals in the area is also constricting the flow of products from the increasing number of platforms that are operating. The pipeline and pumping station problems have producers discussing other ways to bring products to shore, including temporary pipelines and using tankers to shuttle oil between platforms and the shore. Chevron's oil terminal remains out of service due to flooding. About 400,000 bpd of oil normally flow through the terminal. It could not give a time frame for repairs.

Venezuela's President Hugo Chavez is offering Caribbean countries affordable fuel, debt relief and anti-poverty funding. Thirteen countries have signed on to Chavez's PetroCaribe initiative, which some say is an attempt by the President to increase his influence in a region where the US has long been the main trading partner.

A senior European financial markets regulator said there is no real need to further regulate hedge funds as their impact on the market is less than generally realized.

The NYMEX announced that it will cut margins on its gasoline and heating oil contracts on September 14 at the close of business. It will cut the margin in the October Gasoline contract and NY Harbor Gasoline Calendar Swap from \$14,175 to \$10,800 while the other months are cut from \$9,450 to \$8,100. It will cut the margin on the October Heating Oil contract and NY Harbor Heating Oil Calendar Swap from \$9,450 to \$8,100.

Meanwhile, an industry source said the government is considering whether to sell less than the 30 million barrels it had offered from the SPR as it received low bids for some of the oil on offer.

The IEA's chief Claude Mandil said its initial 30 day inventory release is adequate for now and does not need to be extended to cover fuel shortages caused by Hurricane Katrina. He said the IEA could decide to extend its oil release of just under 2 million bpd. The IEA board of governors meets on Thursday to review the volume and time scale for its oil release.

Showa Shell Sekiyu KK said it will export 150,000 barrels of gasoline to the US as part of the IEA's collective effort to ease the supply situation in the US. It is estimated to load either later this week or early next week. Japan's TonenGeneral Sekiyu said it will ship as much as 22,000 kl of alkylate to the US in early October.

An oil official stated that a pipeline carrying crude from the fields near Kirkuk to a refinery had a leak and caught fire during a pumping test. Crude oil flows through the line were halted about two weeks ago after an insurgent attack. The fire apparently was the result of pressure tests before reopening the line. A crude pipeline connecting the 300,000 bpd Baiji refinery and Baghdad was set on fire on September 5 near the city of Samarra and an explosion hit a crude pipeline running from Khanaqin to the 110,000 bpd Daura refinery. Kirkuk crude stocks in Ceyhan stood at about 1 million barrels.

An OPEC spokesman said OPEC is considering increasing its formal oil production limit by at least 500,000 bpd at its meeting next week. He said the final decision would be made next week.

British Finance Minister Gordon Brown reiterated his call for OPEC to increase its production to meet rising world demand for crude oil. He called on OPEC to increase its production by 500,000 bpd ahead of its meeting. He also stated that the extra 1.5 million bpd released by OPEC should be extended for a longer period. He said there must be concerted world action to bring down high oil prices and stabilize the market for the long term. He said leading oil producers should use some of their oil revenues to increase investment in production and refining capacity.

Refinery News

Motiva Enterprises LLC's 225,000 bpd refinery in Convent, Louisiana returned to normal operation while the 240,000 bpd Norco, Louisiana refinery was at 95% of capacity. It is running with nearly all units online. It is expected to resume full operation over the next few days.

In a report filed with the Texas Natural Resource Conservation Commission, Flint Hills stated that it was undergoing maintenance. It said flare entry is necessary to install a valve needed for a future piping connection for the No. 2 Sour Water Stripper.

Three Los Angeles refineries hit by a blackout on Monday were expected to resume operations on Tuesday. Valero Energy Corp's 78,000 bpd refinery in Wilmington, California lost power on Monday afternoon. It is in the process of restarting some processing units and expects to restore crude throughput capacity at about 50% of capacity by Wednesday. Also some units at Shell Oil's 100,000 bpd Wilmington, California were shut on Monday. Meanwhile, ConocoPhillips was working to bring its 139,000 bpd Wilmington refinery to normal operations after power was restored.

Exxon Mobil, which borrowed 6 million barrels of crude from the US SPR, said it did not need to borrow any more. The Baton Rouge refinery had to borrow oil earlier this month after its crude oil supply was cut off by the hurricane.

Huntsman Corp said it would restart an MTBE unit on September 19 at its refinery in Port Neches, Texas following an unplanned shutdown in late August. It expects the restart to be completed on September 26.

Production News

The MMS said the amount of crude production shut in fell by 13,916 bpd to 846,720 bpd as of Tuesday. The shut in production is equivalent to 56.45% of daily production in the Gulf of Mexico. It reported that a total of 19.69 million barrels was shut in since August 26.

Colonial Pipeline has allocated the 27th cycle nominations on Mainlines 1 and 2, north of Collins, Mississippi as current nominations exceed its ability to meet its 10 day lifting cycle. This follows its decision last week to freeze nominations on the 26th cycle and to eliminate half of the 27th cycle.

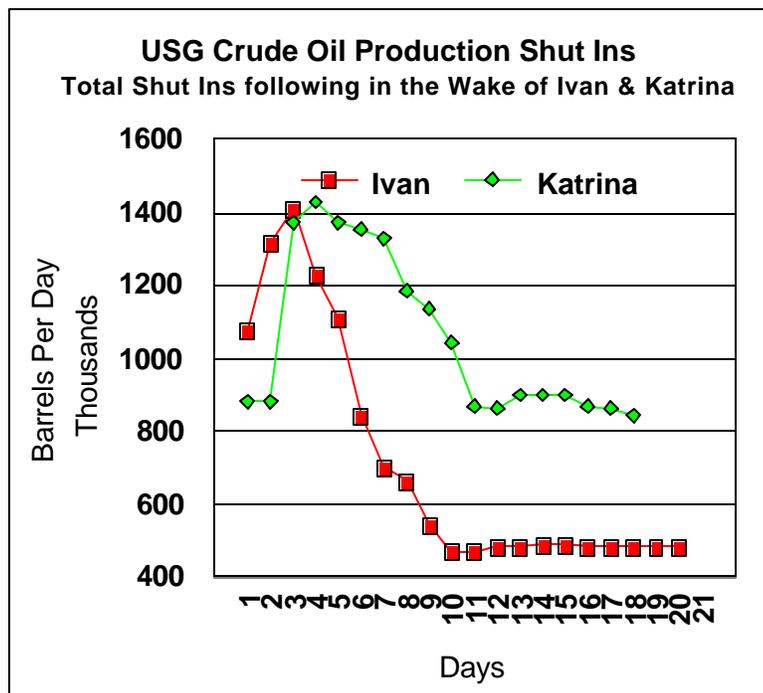
Mexico's Pemex is attempting to sell 3.5 million barrels of oil in the Mediterranean region that it cannot sell to the US after Hurricane Katrina damaged refineries on the Gulf Coast.

The October loading program for Gullfaks crude scheduled the loading of 14.535 million barrels, up from 11.115 million barrels in September.

OPEC's statistical bulletin said OPEC had about 20% more active drilling rigs in operating in 2004 than the previous year. OPEC had 272 active rigs in 2004, up 18.8% on the year from 229 rigs.

KazMunaiGaz said its oil and gas condensate output increased 6% on the year to 6.202 million tons in January-August. In January-August, the company's processing at its Atyrau refinery increased 31.7% on the year to 2.501 million tons of oil.

Officials reported that India's domestic sales of oil products increased by 13% in August to 8.81 million tons. Diesel sales, which accounted for a third of all refined products sold in India, increased by 23.6% to 3.17 million tons while petrol sales increased 20% to 755,700 tons.



Russia's Sibneft hopes to return to its former rates of production growth by buying new licenses and increasing its exploration. Sibneft's crude production fell to 22.13 million tons in January to August from 22.47 million tons last year.

Gas oil exports from former Soviet Union ports in the Baltic and Black Sea increased by 7.1% on the month in August to 2.99 million tons. Fuel oil exports however fell by 18.2% on the month to 3.72 million tons while gasoline exports were 16.5% lower on the month at 657,000 tons in August.

Separately, gas oil flows through the main pipeline feeding the Latvian export terminal of Ventpils has stopped due to high storage levels and weak demand in Europe.

Thailand's PTT Plc reported that the country's total product consumption in January-July increased by 2.7% on the year to 737,200 bpd. Its total petroleum demand increased 4.7% to 1.178 million bpd on the year. Its total oil imports increased by 3.7% on the year to 1.052 million bpd. Its crude imports increased by 0.8% on the year to 853,400 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.73/barrel on Monday, down from Friday's \$57.58/barrel.

Petroecuador exported 3.46 million barrels of crude in August, down 37.5% on the year from 5.54 million barrels.

Market Commentary

The oil market ended the session in negative territory after posting an inside trading day. It opened down 21 cents at 63.55 and traded in a range from 63.70 to 63.05 before the market posted a double top at its high of 63.85 amid the strength in the product markets. The market however failed to breach its resistance and sold off to a low of 62.65. The market, which held good support at its previous low of 62.55, bounced off its low as the product markets erased its losses ahead of the close. It settled down 23 cents at 63.11. Volume in the crude was good with over 222,000 lots booked on the day. The gasoline market settled up 1.79 cents at 189.16 after it posted a low of 185.50 early in the session and erased its losses as it rallied to a high of 192.00 amid talk that one of the refineries in Wilmington, California was having difficulty with its restart following Monday's power outage in the Los Angeles area. The refineries however reported that they were resuming operations. The market traded back towards 187.00 where it found some further support ahead of the close. Similarly, the heating oil market posted a low of 180.00 before it retraced its losses and rallied to a high of 185.00. It settled up 2.59 cents at 184.02. Volumes in the product markets were good with 51,000 lots booked in the gasoline market and 52,000 lots booked in the heating oil market.

The oil market on Wednesday will seek further direction from the weekly petroleum stock reports, which are expected to show draws of close to 2 million barrels in crude stocks, draws in gasoline stocks of about 1 million barrels and draws of about 3 million barrels in distillate stocks. The market is seen finding support if the reports do show the draws in stocks following its recent sell off. Support is

seen at its lows of 62.65, 62.55, 62.41 and 61.98. Meanwhile resistance is seen at 63.85 and 65.10 and 65.15.

Technical Analysis		
	Levels	Explanation
CL 63.11, down 23 cents	Resistance 65.10, 65.15	Previous highs
	63.85	Double top
	Support 62.65, 62.55 62.41, 61.98	Tuesday's low, Monday's low 62% retracement level (57.20 and 70.85), Previous low
HO 184.02, up 2.59 cents	Resistance 190.00, 193.00 185.00	Monday's high Tuesday's high
	Support 182.00, 180.00 179.30, 179.00 to 177.50	Tuesday's low Previous low, Gap (August 8th)
	Resistance 193.00 192.00	Monday's high Tuesday's high
HU 189.16, up 1.79 cents	Support 187.00, 185.50 184.00	Tuesday's low Double bottom