



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 23, 2005

According to the EIA, 2.2 million bpd of gasoline and 1.2 million bpd of distillate production was shut in ahead Hurricane Rita. It said 600,000 bpd of jet fuel production was also shut in. It said in addition to the four refineries that remain shut following Hurricane Katrina, another 15 refineries have shut down in preparation for Hurricane Rita. The total amount of refining capacity shutdown amounts to about 5 million bpd. US Energy Secretary Sam Bodman warned that local fuel supply disruptions will occur due to Rita. He said gasoline imports would be needed over the next one to three weeks to help replace lost supply.

The IEA's executive director Claude Mandil said the IEA is on alert ahead of Hurricane Rita and will meet on Saturday to assess the impact of the storm on the US. He said if the storm causes crude or fuel supply disruptions then the IEA could order another release from emergency reserves. Meanwhile, independently of any IEA plan, some European oil companies have started arranging gasoline exports to the US in the expectation that supplies would be disrupted. Traders said that in the past 24 hours, four gasoline ships have been fixed for prompt sailing from Europe to the US.

Venezuela's Energy Minister Rafael Ramirez dismissed the possibility of OPEC supplying more oil to world markets. He said current oil prices respond to structural changes in demand and geopolitical tensions in the Middle East. Meanwhile, Venezuela's President Hugo Chavez said that \$50/barrel for oil was a fair level.

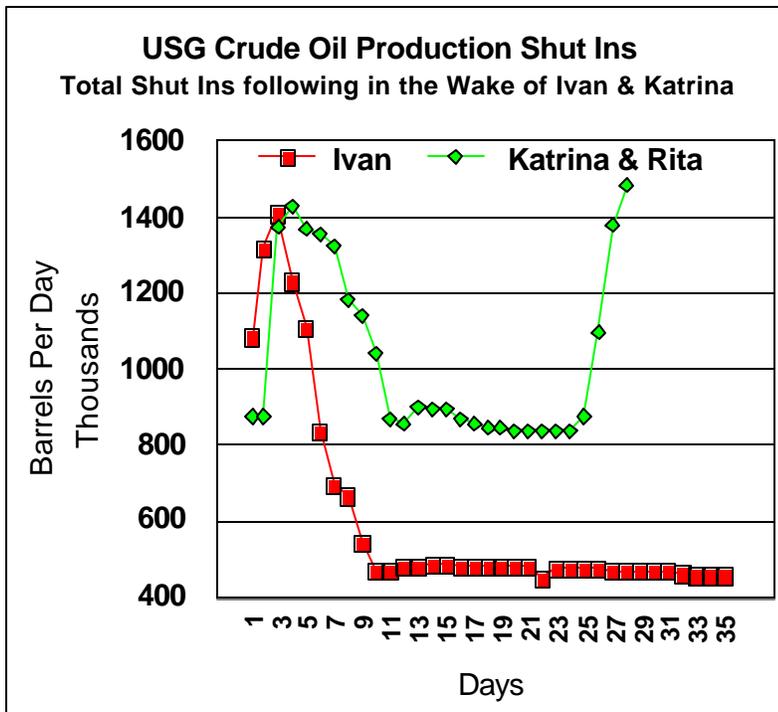
Refinery News

Valero Energy Corp reduced runs at its 190,000 bpd Memphis refinery, as crude supplies declined after pipelines serving the plant from the Gulf were shutdown ahead of Hurricane Rita. Valero also reported that its Krotz Springs, Louisiana and Lima, Ohio refineries are operating at reduced rates due

Market Watch

Saudi Arabia's Foreign Minister, Prince Saud al-Faisal said there is no oil shortage and added that prices should fall to \$40-\$45/barrel. He said he now believes \$60/barrel cannot be supported by true oil market conditions.

The EPA has granted a federal waiver to sell conventional gasoline in the Dallas/Fort Worth area to help prevent fuel shortages caused by the temporary shutdown of refineries and terminals. It granted a second RFG waiver for the Richmond, Virginia area after the state government said it expected continued RFG shortages in the coming weeks due to the lingering results of Hurricane Katrina and new refinery shutdowns due to Hurricane Rita. The new waiver for Dallas/Fort Worth and the extension of the Richmond waiver followed the EPA's decision to waive RFG requirements for the Houston-Galveston region until September 26.



to pipeline closures. The 190,000 bpd Memphis refinery is operating at 130,000 bpd while the 85,000 bpd Krotz Springs refinery is operating at 48,000 bpd and the 170,000 bpd Lima refinery is running at 123,000 bpd. Meanwhile, the DOE reported that Valero is returning its Corpus Christi and Three Rivers refineries in Texas to normal operations. On Thursday, Valero said it was operating the facilities at slightly reduced rates due to feedstock and product storage issues.

Citgo Petroleum Corp is returning its 157,000 bpd Corpus Christi, Texas refinery to normal capacity after slightly cutting runs ahead of Hurricane Rita. However, Citgo's Lake Charles, Louisiana refinery remained shut on Friday. Meanwhile, its 160,000 bpd Lemont, Ill refinery is operating at

normal rates despite interruptions of crude oil supply to the Midwest.

Meanwhile, Colonial Pipeline Co will shut line 1 and 2 periodically on Friday as Rita's effects on refinery operations has limited the supplies available in the Gulf Coast region. It expects to be able to continue intermittent deliveries on its mainlines over the next several days as refineries not impacted by the storm produce additional product. The Capline Pipeline System is operating at 62% of its normal capacity due to Hurricane Rita. Separately, the LOOP halted operations on a pipeline that carries crude oil to Capline Pipeline and LOOP's tank farm in St. James, Louisiana due to rising water. The LOOP continues to deliver crude to its customers from its storage facility in St. James.

Exxon Mobil Corp's 494,000 bpd Baton Rouge, La refinery continues to run at normal rates even as other refineries cut back their operations ahead of Hurricane Rita.

Plantation Pipe Line Co said its refined oil products pipeline system originating in Baton Rouge, Louisiana was running normally and was not expected to be affected by Hurricane Rita.

Venezuela's Energy Minister Rafael Ramirez said the Chalmette, Louisiana refinery damaged by Hurricane Katrina will not restart operations until sometime in the first quarter of 2006.

Total SA's 328,000 bpd Gonfreville refinery was still operating at minimum rates as a strike by shipping workers entered its third day on Friday. The refinery is due to halt operations completely late on Friday. It started to reduce production for safety reasons due to the strike called late Tuesday by part of the plant's staff over wages.

Reliance Industries Ltd is planning to increase the capacity of its Jamnagar refinery to 60 million tons/year by the 2008-2009 financial year. Its current capacity is 33 million tons/year.

Production News

According to the MMS, the amount of oil and natural gas production shut in by the hurricanes in the Gulf of Mexico increased on Friday. It reported that 1.487 million bpd of crude production was shut in or 99.1% of the Gulf of Mexico's daily oil production. The cumulative lost oil production reached 30.28 million barrels.

The Renewable Fuels Association reported that ethanol production reached a record of 258,000 bpd in July, up from its previous record of 249,000 bpd reported in June. Production in July was up more than 18% on the year.

Ethnic militants in Nigeria caused further cuts in Nigeria's production as Chevron shut a second production platform as a safety precaution. The militants have threatened to blow up oil facilities after their leader was arrested and charged with treason. Chevron shut the 20,000 bpd Robertkiri platform, bringing the total impact of the crisis to 28,400 bpd after one of its other flow stations was taken over by militants. Niger Delta People's Volunteer Force said he and a force of 6,000 men had taken over 10 oil flow stations and would not abandon them until their leader was freed from custody. They said if police tried to retake the facilities by force, his group would begin to blow them up. Meanwhile, Royal Dutch Shell started a partial evacuation of two oil flow stations as a precautionary measure.

Iraq's government said in its National Development Strategy that Iraq aims to build sustainable oil production and exports while creating a transparent energy sector. Under the national strategy, the oil ministry has prepared medium and long term plans to increase crude output capacity to 3.5 million bpd by 2007. Current production stands at about 2.1 million bpd.

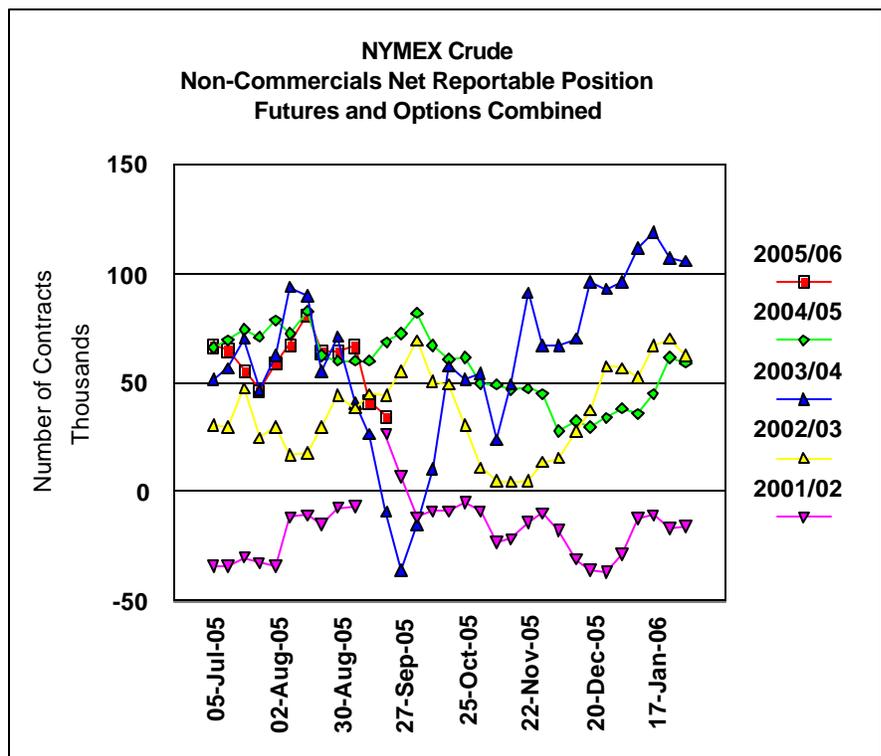
ING Bank said Russia will gradually improve the quality of refined oil products exports to world markets as a new tax system encourages firms to speed up refinery upgrades.

China's Ministry of Commerce reported that China has set next year's crude oil import allocation for non-state controlled firms at 14.5 million tons and the refined oil product allocation at 8.05 million tons.

Indonesia's President Susilo Bambang Yudhoyono said the country plans to increase domestic fuel prices on October 1. Indonesia's President needs to increase fuel prices to cut increasing fuel subsidies.

Separately, Indonesia's Pertamina is still seeking to buy 5-10% of its 15 million barrel October oil products import requirement. Its efforts to secure adequate oil product supplies for November are hindered by purchases of much of the oil supply on the world market in advance of possible Hurricane Rita related disruptions.

OPEC's news agency reported that OPEC's basket of crudes



increased by 38 cents/barrel to \$59.28/barrel on Thursday.

Market Commentary

The oil complex gave up more of the storm premium as Hurricane Rita lost some strength and hopes built that the refineries would escape major damage, despite the storm still tracking towards the Port Arthur and Beaumont, Texas refining areas. The November crude contract opened down 50 cents at 66.00 and quickly posted an intraday high of 66.20. However the market surprisingly continued to sell off. It backfilled its previous gap from 64.85 to 64.80 and extended its losses to \$2.65 as it sold off to a low of 63.85 ahead of the close. The crude market settled down \$2.31 at 64.19. Volume in the crude was light with 154,000 lots booked on the day. Meanwhile, the product markets also settled sharply lower, with the gasoline market settling down 5.38 cents at 208.56 and the heating oil market settling down 9.68 cents at 194.90. The gasoline market opened down 6.94 cents at 207.00 and quickly posted a high of 212.00. The market, which remained in negative territory throughout the session, sold off to a low of 200.40 as the market's concerns over the hurricane eased. It later bounced off that level and retraced some of its losses ahead of the close. The heating oil market also sold off sharply as it posted a low of 191.00 late in the day after trading 10 cents higher earlier in the session. Volumes in the product markets were moderate with 51,000 lots booked in the gasoline and 48,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market increased their net short positions from 8,248 contracts to a net short position of 13,103 contracts in the week ending September 20th. The combined futures and options report also showed that non-commercials in the crude cut their net long positions from 41,170 contracts to 34,923 contracts on the week. The non-commercials have likely continued to add to their net short positions as concerns over the hurricane eased. Meanwhile, non-commercials in the gasoline market cut their net long position by 1,414 contracts to 25,869 contracts while non-commercials in the heating oil market cut their net long position by 3,245 contracts to 1,780 contracts on the week.

The oil market next week will be driven by the damage assessment reports following Hurricane Rita's landfall on Saturday. Even though the market saw some liquidation ahead of the weekend, the market may be supported especially if Hurricane Rita has a large impact on the Gulf coast. The hurricane is expected to make landfall as a Category 3 storm in the Beaumont/Port Arthur, Texas area, which may get flooded and any delay in returning the refineries to operations will once again raise concerns in the market. The market is seen finding support at its low of 63.85 followed by 63.25. Meanwhile

Technical Analysis		
	Levels	Explanation
CL 64.19, down 2.31 cents	Resistance 66.20, 67.90, 68.10 65.00	Friday's high, Previous highs
	Support 63.85 63.25	Friday's low Double bottom
HO 194.90, down 9.68 cents	Resistance 201.00, 208.80 195.50, 198.50, 200.00	Friday's high, Previous high
	Support 191.00, 188.50 182.75	Friday's low, Backfills gap Previous low
HU 208.56, down 5.38 cents	Resistance 212.00, 220.25 210.00	Friday's high, Previous high
	Support 200.40 194.14, 191.50	Friday's low 62% retracement (178 and 220.25), Previous low

resistance is seen at 65.00 followed by 66.20, 67.90 and 68.10.