



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 5, 2005

The EIA stated that US diesel prices are on track to average another all time high in October as diesel production and imports fail to keep pace with demand. It said petroleum inventories will likely continue falling this month, while refinery inputs are seen dramatically below normal for October and possibly into November. Meanwhile, the EIA also stated that US fuel demand has declined nearly

3% below last year's levels due to high prices and some distribution problems in the wake of the hurricanes. Total oil products demand over the past four weeks averaged 19.9 million bpd, down 2.9% on the year. Demand for gasoline averaged 8.8 million bpd or 2.6% below last year while distillate demand averaged 3.9 million bpd, or 3.8% below last year.

Market Watch

The EPA has extended a waiver, allowing 13 states to sell high sulfur diesel through October 25. The waiver applies to New Mexico, Texas, Louisiana, Arkansas, Alabama, Mississippi, Virginia, North Carolina, South Carolina, Georgia, Florida, Tennessee and Kentucky.

According to the Center for Strategic And International Studies, Saudi Arabia could add another 1.6 million bpd of crude capacity after 2009 if the country's current plans to increase refinery capacity remain on schedule. The increase could raise the country's capacity beyond the 12.5 million bpd it is currently planning to achieve by 2009.

The EIA also reported that US inventories of propane totaled 68.592 million barrels, up 1.203 million barrels in the week ending September 30. It reported that propane inventories in the East coast increased by 216,000 barrels to 4.254 million barrels, while inventories in the Midwest fell by 670,000 barrels to 23.854 million barrels and stocks in the Gulf coast built by 1.433 million barrels to 38.603 million barrels.

Refinery News

Citgo Petroleum declared force majeure on jet fuel and diesel at its 425,000 bpd refinery in Lake Charles, Louisiana after it was shut due to Hurricane Rita. It however stated that it could restart some units later this week. Citgo's refinery was the second refinery to declare force majeure on some of its oil products following Total at its Port Arthur, Texas refinery. Citgo said its gasoline customers have been placed on daily allocations in an effort to distribute the product as evenly as possible.

Exxon Mobil said its Baytown, Texas refinery has resumed normal operations after it was shut due to Hurricane Rita. Meanwhile, it is still at the pre-startup stage at its Beaumont, Texas refinery, which has a capacity of 348,500 bpd. It confirmed that electric power was restored to Beaumont, which is facilitating the completion of detailed unit assessments and repairs throughout the refinery. Meanwhile, Valero said problems at one unit at its 135,000 bpd Houston refinery would cost the plant

40,000 bpd of lost gasoline production and 10,000 barrels of lost distillate production. It shutdown its 65,000 bpd catalytic cracking unit for 10-12 days of repairs.

Chevron's 90,000 bpd fluid catalytic cracking unit at its refinery in Richmond, California resumed operations. The unit was taken out of service following the failure of a gas compressor on September 28.

Total said its 155,000 bpd La Mede refinery and its 119,000 bpd Feyzin refinery resumed normal operations. Output was partially reduced at the two facilities as workers took part in Tuesday's general strike over government economic policies.

BP Plc said its 220,000 bpd Lavera refinery is still operating at reduced capacity due to a strike at the port of Fos-Lavera. A BP spokesman said there had been no further decrease in output since Tuesday but was unable to confirm exactly what percentage of capacity was offline. It will continue to operate at reduced rates at least until Friday. Dockworkers have been blocking the port and the oil terminal to protest the planned privatization of a ferry company. They have extended their strike into Friday. Meanwhile, Royal Dutch Shell said its 130,000 bpd Berre refinery in France was still operating normally despite the port blockade.

Algeria's Skikda refinery is expected to resume operations on Friday after a fire at a storage tank was extinguished. An official said oil exports to Europe were not affected by the fire that broke out on Tuesday.

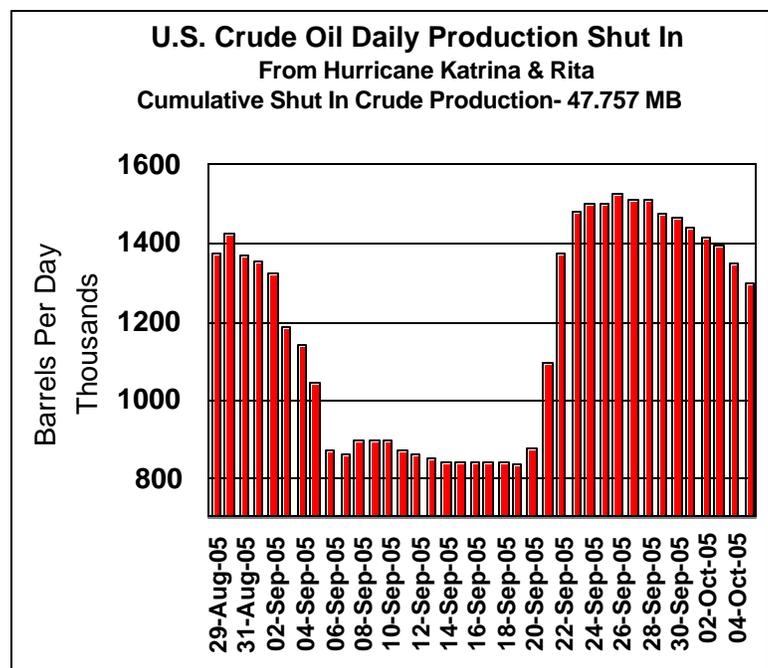
India's Reliance Industries has shut a 330,000 bpd crude unit at its 660,000 bpd Jamnagar refinery for regular maintenance.

Production News

The MMS reported that US oil production shut in as a result of Hurricanes Katrina and Rita continued to see some improvement. It reported that a total of 1.3 million bpd of crude remained shut, down from 1.35 million bpd reported on Tuesday. The cumulative shut in oil production stood at 47.757 million barrels.

The Louisiana Department of Natural Resources stated that oil production continues to slowly improve in the state. It said a total of 784 oil wells were operating in the southern 38 parishes in Louisiana, which is equal to 13.2% of the 5,949 oil wells in that part of the state. Of the remaining wells, the status of 3,131 wells or 52.6% has not been reported to the state and 2,034 wells or 34.2% were shut in.

Pemex cut some crude oil production to adjust for a drop in demand after recent hurricanes shut Gulf coast refineries. It said the production it has deferred should be back online by mid-October. The company has been forced to hold off on shipments of more than 500,000 bpd.



Meanwhile, Mexico's Transport and Communications Ministry reported that Mexico's three Gulf coast crude loading ports reopened on Wednesday after they were closed due to Hurricane Stan.

Norway's Statoil has cut crude exports from one of its major fields in October after a slower than expected restart from maintenance. Two cargoes or about 1.4 million barrels of October loading oil from the North Sea Gullfaks stream have been cancelled.

PDVSA said output at Venezuela's privately run oil fields will increase by up to 50,000 bpd in 2006 after PDVSA takes majority stake in 32 fields. Separately, Chevron Corp said it hopes to expand its presence in Venezuela by adding a new heavy oil project that could eventually produce 400,000 bpd. It is working on a plan for a second heavy crude project that would include PDVSA and Repsol.

BP Azerbaijan said an oil spill from the Baku-Supsa pipeline occurred in south Georgia on Tuesday. The Baku-Supsa pipeline transports oil from Azerbaijan to the port of Supsa on Georgia's Black Sea coast.

India's Petroleum Ministry reported that the country's exports of oil products in August increased by 33.33% on the year to 1.6 million tons. In the first five months of the current fiscal year ending March 31, 2006, its oil products exports increased by 13.1% on the year to 6.9 million tons.

The Petroleum Association of Japan reported that commercial stocks of gasoline fell sharply on the week. It reported that gasoline stocks fell to 1.984 million kiloliters, down from 2.027 million kiloliters a week ago. It reported that gasoline production fell by 124,418 kl to 1.063 million kl. Its total crude stocks fell by 681,265 kl to 18.317 million kl. Its crude runs fell by 16,749 kl to 4.632 million kl.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.63/barrel to \$56.48/barrel on Tuesday.

Ecuador's central bank reported that the country's oil exports totaled 10.3 million barrels in August, down 12% on the year.

Market Commentary

The oil complex settled sharply lower, despite the DOE and API reports, which showed large draws in stocks. The gasoline market, which led the complex lower, settled down 10.79 cents at 190.78. The market gapped

higher from 203.25 to 203.50 as it traded higher in anticipation of the stats. It quickly posted a high of 207.00 following the release of the DOE and API

Technical Analysis		
	Levels	Explanation
CL 62.79, down \$1.11	Resistance 64.80 to 64.99 63.00, 63.80, 64.20	Backfills gap
	Support 62.60 62.40, 61.80-61.70	Wednesday's low Backfills gap (August 3rd), Gap (July 29th)
	Resistance 209.00 203.00, 205.50	Wednesday's high
HO 201.48, down 3.49 cents	Support 200.50 199.00, 195.00	Wednesday's low Tuesday's low, Previous low
	Resistance 205.00, 207.00 192.00, 195.75, 200.00	Wednesday's high
HU 190.78, down 10.79 cents	Support 190.00 189.20, 187.00 to 183.50	Wednesday's low Previous lows, Gap (September 19th)

reports, which showed larger than expected draws in gasoline stocks amid the fall in production. It however erased its gains and extended its losses to over 11 .5 cents as it traded to a low of 190.00 ahead of the close. The market shrugged off the reports and seemed to have focused on the signs of weakening demand. Volume was moderate with 40,000 lots booked on the day. Meanwhile, the crude market, which also posted an outside trading day, partially backfilled its gap as it traded to a high of 64.80 early in the session amid the draws in stocks. However the market sold off as the gasoline market led the complex lower. It traded to a low of 63.30, where it held some support before further selling ahead of the close pushed the market to a low of 62.60. It settled down \$1.11 at 62.79, the lowest settlement seen since early August. Volume in the crude was better today with 188,000 lots booked on the day. Unlike the gasoline and crude markets, the heating oil market held its support. The market posted a high of 209.00 early in the session following the release of the reports showing the large draws in distillate stocks. However it quickly erased its gains and tumbled to a low of 200.50 ahead of the close. It settled down 3.49 at 201.48. Volume in the heating oil market was light with 30,000 lots booked on the day.

The oil market is seen continuing to trend lower after it settled near its low today. Stochastics also still have room to the downside. This is despite the reports showing the large draws in stocks and the slow return of refineries and Gulf of Mexico crude production. The market is seen finding support at its low of 62.60 followed by 62.40 and 61.80 to 61.70. Meanwhile resistance is seen at 63.00, 63.80, 64.20 and its gap from 64.80 to 64.99.