



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR OCTOBER 24, 2005**

---

Algeria's Energy and Mines Minister Chakib Khelil said he expected crude oil prices to remain above \$50/barrel for the next six months due to limited refinery capacity and strong economic growth. He also said he expected higher demand for oil during the winter season.

Suspected insurgents damaged an oil pipeline in northern Iraq. Several mortars were fired on Monday at a node of oil pipelines. It is not yet known what impact the attack would have on Iraq's oil exports from the northern oil fields. Meanwhile an official said there has been no resumption of pumping through Iraq's northern export pipeline to the port of Ceyhan. Separately, southern exports have been cut by 1 million bpd or 56% as rough weather continued to halt exports from the Basra oil terminal for the fourth day. Production was cut from 1.8 million bpd since Sunday to 800,000 bpd due to limited oil storage facilities in the area.

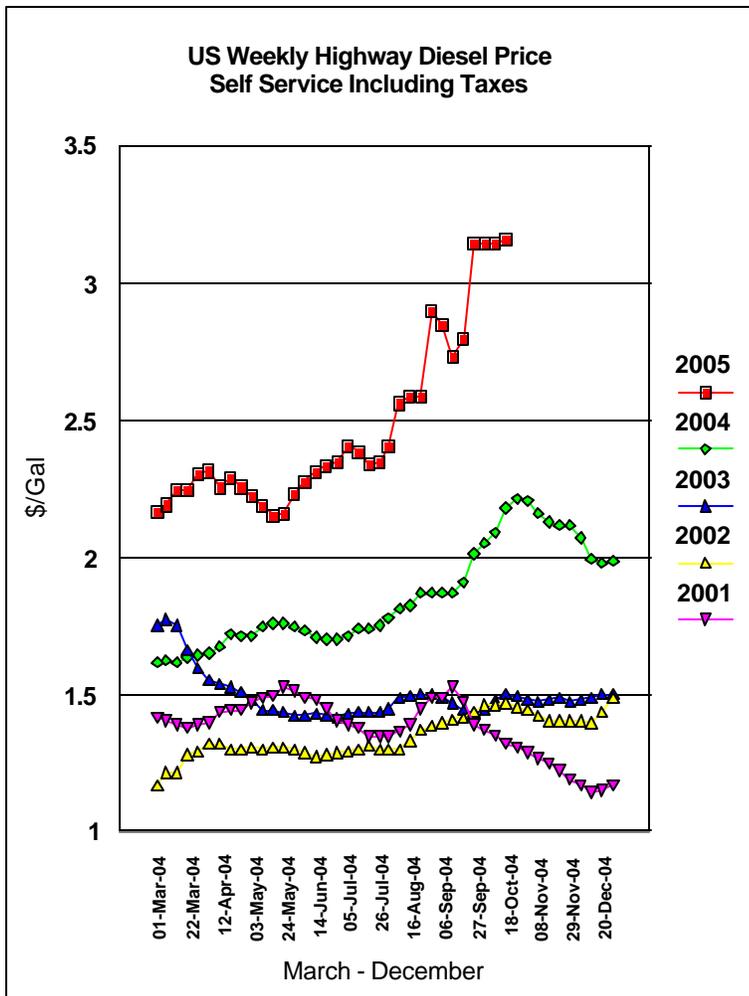
#### Market Watch

The US Energy Department said the US government has delivered nearly half of the 11 million barrels of crude oil sold from the SPR following Hurricane Katrina. The transfer of crude oil is planned to continue through November. The government has also approved loans of crude oil from the stockpile of up to 13.2 million barrels. The loans however were later reduced to 10.8 million barrels at the request of the companies involved and almost 9.5 million barrels has been delivered so far.

Man Group Plc reemerged on Monday as a potential bidder for Refco Inc futures brokerage unit and joined other possible suitors objecting to the proposed sales process. Refco has sought court approval for an agreement to sell its futures trading arm to a group led by J.C. Flowers & Co for about \$768 million. However several possible bidders, including Man Financial and Marathon Asset Management, raised objections to the process in the US bankruptcy court and voiced concerns over the breakup fee of 28%, whether the unit would be sold to the highest bidder and Refco's push to seal a deal within weeks.

Venezuela's President Hugo Chavez looks set to remain in power for another seven years unless he is ousted through violence or the price of oil tumbles. Venezuelan and foreign analysts find it increasingly difficult to envision scenarios under which pro-Chavez parties would lose congressional elections scheduled for December 4 and he would be voted out of office in presidential elections in 2006.

The EIA reported that US retail diesel prices increased by 0.9 cents/gallon to \$3.157/gallon in the week ending October 24<sup>th</sup>.



According to the Lundberg survey, US retail gasoline prices fell by an average of 25 cents/gallon to \$2.69/gallon in the last two weeks ending October 21.

The EIA said US oil demand in August increased by 1.4% on the year to a record level of 21.331 million bpd. It reported that gasoline demand was revised up by 100,000 bpd from its earlier estimate to 9.454 million bpd while distillate demand stood at 3.974 million bpd, up 2.2% on the year.

**Refinery News**

Deer Park Refining stated that the shutdown of a catalytic crack feed hydrotreater unit last week at its Deer Park, Texas refinery was shortlived and had no lasting impact on fuel production.

Valero Energy Corp reported emissions resulting from work underway at the West Plant of its Corpus Christi, Texas refinery over the weekend. The unit or units undergoing maintenance were not identified beyond their location in Complex 1, which includes a hydrodesulfurization unit, platform, hydrotreater and gasoline desulfurization

unit.

Citgo Petroleum has notified the Texas Commission on Environmental Quality that it plans to shut a hydrocracking unit for maintenance at its Corpus Christi, Texas refinery on October 29. The unit's restart date was not indicated in the report. The company previously reported six days of maintenance on a sulfur recovery unit at the refinery starting October 29. Separately, operations at Lyondell Chemical and Citgo Petroleum's Houston, Texas refinery were unaffected by a fire Saturday in a storage tank. The incident follows another fire less than a week ago amid an attempt to return to full operations following a shutdown in late September. It is still operating at 50% of capacity.

Flint Hills Resources plans to start up the gas oil hydrotreater at its Corpus Christi, Texas refinery following a maintenance shutdown. The unit will begin its restart on October 24-27.

BP Plc's Texas City refinery remains offline four weeks after Hurricane Rita but for reasons more likely linked to the accident in March than to high winds and power outages resulting from the hurricane. It is the only refinery that has not at least started to return to normal operations. The investigations of the March 23 explosion and the resulting review of safety issues may have stalled the refinery's restart more than the storm repairs.

Exxon Mobil Corp is planning four days of maintenance in early November on its hydroformer unit 4 at its Baytown, Texas refinery.

PDVSA said a fire at its Cardon refinery shutdown a 14,000 bpd alkylation unit. However the fire did not affect gasoline shipments from the refinery. Meanwhile, PDVSA has delayed 45 days of planned maintenance work on a fluid catalytic cracker at the Puerto La Cruz refinery due to problems at the Cardon refinery.

Total SA restarted its Normandy refinery in France after workers ended a strike on Saturday. Some units are returning to service on Monday and the entire refinery is expected to resume full production by about October 29. Separately, Total also stated that its 223,000 bpd Lindsey refinery in Immingham was expected to restart in early November after a planned partial maintenance shutdown since mid-September.

### **Production News**

The MMS reported that a total of 1.018 million bpd of crude production was shut in as of Monday, up from 986,805 bpd as of Friday as oil companies prepared for any possible Hurricane Wilma impact. It reported the cumulative shut in oil production at 67.517 million barrels. According to the MMS, it will take the US oil and gas industry several months to return production in the Gulf of Mexico to a level similar to that prior to Hurricanes Katrina and Rita. It said output from the Gulf has improved as companies restart production but 1.018 million bpd is still offline.

Chevron Corp is returning its workers to its Gulf platforms after non-essential workers were evacuated ahead of Hurricane Wilma. It started to evacuate 800 non-essential workers from its Gulf operations on Friday. BP also started returning non-essential workers to its central and eastern US Gulf of Mexico oil and gas platforms on Monday.

Mexico's main Gulf coast oil export ports of Pajaritos, Cayo Arcas and Dos Bocas were operating on Monday after Hurricane Wilma moved away from the Yucatan Peninsula and toward Florida.

Petrologistics revised down its estimate of OPEC's production by 300,000 bpd to 30.3 million bpd in September. He said initial forecasts also indicate that OPEC crude supplies would remain unchanged in October at 30.3 million bpd. It said September's crude production level was revised downwards due to a downward revision in Iranian crude supplies. It stated that Saudi Arabia is expected to produce close to 9.6 million bpd in October, steady from September. Iraq's output however may fall by 50,000 bpd to 1.9 million bpd.

German households are expected to hold historically low heating oil stocks ahead of the winter. This is likely to keep physical price premiums under pressure unless the winter weather projections are proved accurate. A European market analyst said there are enough primary stocks but the problem is getting the stocks to secondary and tertiary tanks. He also stated that if winter temperatures were 3-4 degrees colder than normal, Europe's first quarter heating oil demand would increase by 400,000-500,000 bpd in addition to the normal 2.6 million bpd for the peak consuming quarter.

Norway's Statoil ASA said it remains unclear when production can resume on the Aasgard B platform in the North Sea. It was shut on October 15 following a fire in the exhaust section in one of the main generators.

Crude production has resumed at Iran's Soroush and Nowruz oilfield. The two fields are currently producing about 110,000 bpd, down from the usual 130,000 bpd. The fields were shut to allow Royal Dutch Shell to carry out repairs. At that time, Iran also could not find buyers for the 130,000 bpd heavy crude produced at the facilities.

The Nigerian National Petroleum Corp has cut the official selling price for all of its grades for November by between 50 cents and \$1.35/barrel. The official selling price for Bonny Light and Qua Iboe were cut by \$1.00 to the dated Brent-Forties-Oseberg crude plus \$1.35. Its Escravos crude was cut by 75 cents to BFO plus \$1.05 and its Bras River crude price was cut by \$1.00 to BFO plus \$1.45. Its Forcados crude price was cut by 90 cents to BFO plus \$1.30.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$52.47/barrel on Friday, down from Thursday's \$52.85/barrel. It also reported that OPEC's basket of crudes fell by 45 cents/barrel to \$54.10 in the week ending October 20<sup>th</sup>.

China's Sinopec Corp has agreed with Shell to keep its term Oman crude supply unchanged at 20 cargoes or 10 million barrels in its renewed contract for 2006. Sinopec will nearly double its term crude imports from Kuwait to 30,000-40,000 bpd next year from this year's 20,000 bpd.

**Market Commentary**

The oil market opened \$1.13 lower at 59.50 and posted an inside trading day as Hurricane Wilma made landfall in southwestern Florida early Monday, missing the energy infrastructure in the Gulf of Mexico. The market quickly sold off to a low of 59.30. It however failed to test its previous low of 59.15 and bounced off its support. The market traded above the 60.00 level to 60.20 and settled in a sideways trading pattern for much of the session. The December crude contract, which traded in a 50 cent trading range, later breached its earlier high and rallied to a high of 60.50 ahead of the close. It however failed to test its resistance at 60.70 and settled down 31 cents at 60.32. Volume in the crude was light with 125,000 lots booked on the day. Unlike the crude market, the product markets settled near their lows. The gasoline market opened down 4.7 cents at 159.25 and rallied to a high of 162.20 within the first hour of trading. However the market erased its early gains and sold off to a low of 157.00 in afternoon trading. The market retraced some of its losses ahead of the close but still settled down 5.83 cents at 158.16. The heating oil market posted its intraday high of 183.25 early in the session but it once again continued to sell off. The market tumbled to a low of 179.00 ahead of the close and settled down 6.92 cents at 179.73. Volumes in the product markets were good with 40,000 lots booked in the gasoline and 57,000 lots booked in the heating oil market.

The crude market may retrace its late rally early in the session. However the market, which posted an inside trading day, looks oversold and has continued to settle above the 60.00 level. The market is seen finding support at its lows of 59.30 followed by 59.15. More distant support is seen at 58.28. Meanwhile,

resistance is seen at 60.50, 60.70 followed by 61.20 and 62.50.

Technical Analysis		
	Levels	Explanation
<b>CL</b>	<b>Resistance</b>	61.20, 62.50
	<b>Support</b>	59.30
<b>HO</b>	<b>Resistance</b>	183.25, 187.25
	<b>Support</b>	179.00
<b>HU</b>	<b>Resistance</b>	164.50, 167.10
	<b>Support</b>	157.00

	60.50, 60.70	Previous highs
	59.15, 58.28	Monday's high, Friday's high
	182.50	Monday's low
	178.10, 177.00, 176.30- 175.70	Friday's low, Basis trendline
	159.75, 162.20	Monday's high, Previous high
	156.00, 153.30	Monday's low
		Previous lows, Gap (August 3)
		Previous highs
		Monday's high
		Monday's low
		Previous lows