



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 15, 2005

The IEA said it will continue its release of 2 million bpd of oil stocks for 30 days. It said it would continue to communicate with OPEC and reassess the situation at the end of September or early October. The head of

the IEA, Claude Mandil said he would welcome a decision by OPEC to increase its oil production. However, he said greater output by OPEC would provide limited relief because OPEC mainly holds spare capacity to produce heavy crude oil while consumers mainly seek light sweet crude to produce gasoline.

Market Watch

Economists state that Russia is well prepared to handle any further oil price decline. High oil prices have given Russia the opportunity to carry out some debt buyback. The oil boom has fueled gold and foreign exchange reserves, which increased above \$150 billion this month. Its oil dollars are saved in a fund, which is forecast to increase to \$50 billion by the end of the year and to reach \$80 billion by the end of 2006. The possibility of an imminent decline in prices appears to be the least of the government's worries.

Separately, analysts stated that even though more than half of the crude production of US Gulf of Mexico remains shut in, US refiners are well supplied. BP, which asked to borrow oil from the SPR, is reassessing its needs before arranging delivery of the 2 million barrels of low sulfur crude.

In its monthly oil report, OPEC cut its forecast for 2005 world oil demand due to high oil prices. It cut its demand growth forecast for 2005 to 1.4 million bpd and revised down its projection for 2006 growth to 1.5 million bpd. Total world oil demand in 2005 is expected to increase by 1.73% to an average of 83.49 million bpd while demand in 2006 is expected to grow by 1.82% to 85 million bpd. It stated that total OPEC production stood at 30.2 million bpd in August, steady from July's level. OPEC stated that Hurricane Katrina could cut consumption by up to 200,000 bpd in September and October. The call on its crude in the fourth quarter of this year is pegged at 30.3 million bpd while demand for OPEC oil in 2006 is expected to average 29 million bpd. The report said non-OPEC supply in 2005 is expected to average 50.41 million bpd, up 610,000 bpd on the year and in 2006, non-OPEC supply is expected to increase by about 1 million bpd to 51.48 million bpd.

OPEC's Secretary General Adnan Shihab-Eldin said OPEC would consider increasing its production ceiling by almost 2% when it meets on Monday. The 2% increase in its production ceiling would not in itself add actual oil to the market as the group is already pumping above its ceiling by at least that much. Separately, Saudi Arabia's Crown Prince Sultan Bin Abdel Aziz said the country is concerned about high oil prices but reassured the oil market that the country stands ready to increase its production to fill any crude supply gap or increase in demand. However he blamed the price spike on a worldwide refining crunch and said there was no shortage of crude on the market. Meanwhile,

Qatari Energy Minister Abdullah al-Attiyah said the proposed increase of 500,000 bpd was unlikely to ease prices and urged consuming countries to facilitate licensing of new refineries to address a capacity crunch. Venezuela's Oil Minister Rafael Ramirez said Venezuela does not expect OPEC to increase oil production because few nations have the capacity to increase its production.

According to Oil Movements, OPEC shipments will increase by 280,000 bpd through October 1 to 24.54 million bpd. The head of Oil Movements, Roy Mason said the majority of extra barrels are heading to Asian buyers.

Refinery News

Valero Energy Corp said that operations at its Wilmington, California refinery continue to be impaired by problems with a third party supplier. The refinery brought a crude unit and a coker unit back online and expects to bring its fluid catalytic cracking unit back online later on Thursday. However the start up of the second crude unit and coker train is not expected for three to four days.

ConocoPhillips has restarted some units at its 139,000 bpd refinery in Wilmington, California while others remain down three days after a blackout. Meanwhile, Shell Oil Products said that some units resumed operations but the refinery is not currently producing fuel.

Exxon Mobil Corp is cleaning up, assessing damage and beginning repairs at its 183,000 bpd refinery in Chalmette, Louisiana refinery. It is working closely with Entergy Corp to restore electricity to the refinery. It said damage to supply from the utility is extensive. It statement offered no timeline for cleanup and repair or for a resumption of normal operations.

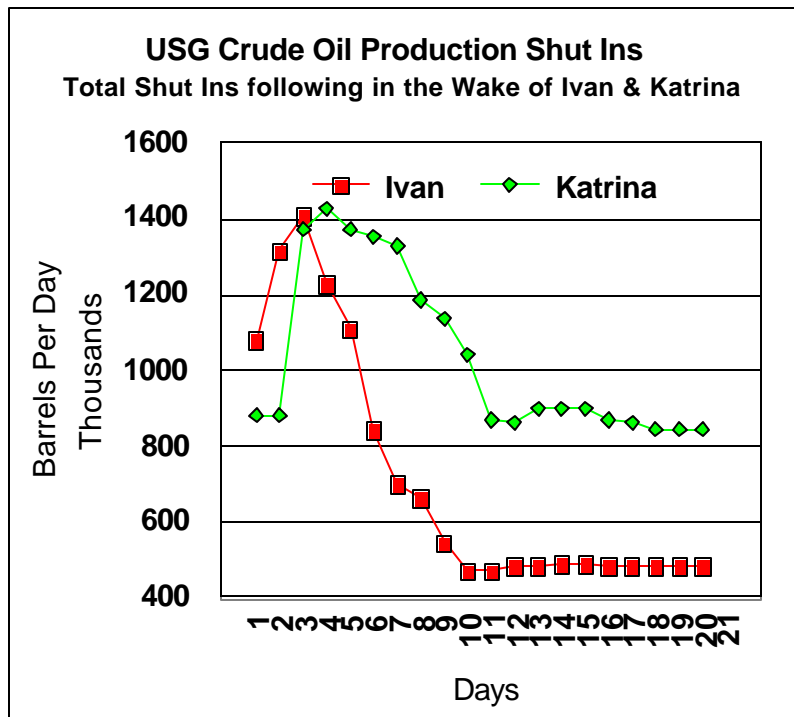
According to a report filed with the Texas Commission on Environmental Quality, ConocoPhillips plans to temporarily shut a boiler associated with a fluid catalytic cracking unit at its Borger, Texas refinery during the last week of September in order to perform maintenance. It will be shutdown on September 25 to October 2.

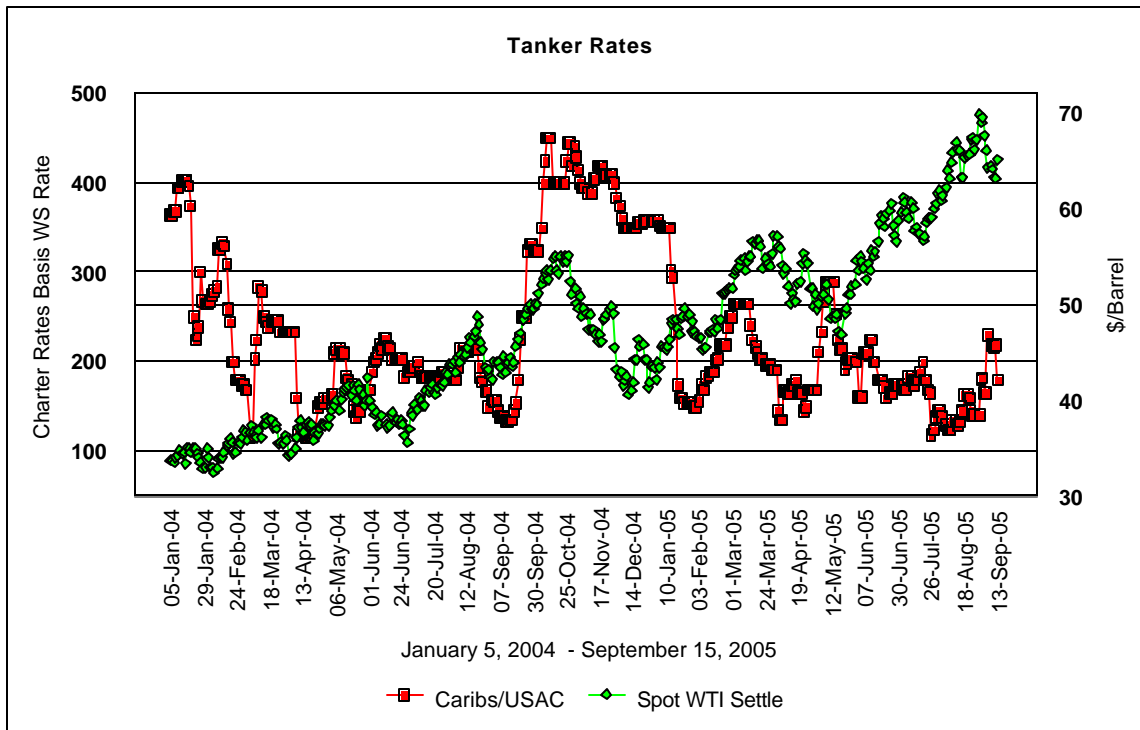
The Texas Commission on Environmental Quality also stated that BP plans to install a wet gas scrubber at one of three fluid catalytic crackers at its Texas City, Texas refinery between September 19 and October 3.

Production News

The MMS report showed little progress in the amount of shut in oil production that is returning to the market. It reported that shut in production stood at 842,091 bpd or 56% of total Gulf oil production. It is down from 843,725 bpd reported on Wednesday.

An analyst said oil product inventories in the independent ARA storage area mostly increased on the week. It reported that gasoline stocks built by 25,000 tons to 575,000 tons in the





week ending September 15th. Gas oil inventories increased by 25,000 tons to 1.925 million tons while naphtha stocks built by 25,000 tons on the week. Fuel oil inventories fell by 25,000 tons

to 475,000 tons while jet fuel stocks built by 50,000 tons to 390,000 tons on the week.

According to traders, German heating oil consumer stocks increased to 52% of capacity by September 1 compared with 47% a month earlier. However stocks are still down from the 57% reported last year.

The Shetland Island Council reported that Brent blend crude liftings from Sullom Voe fell to 256,250 tons in the week ending September 14 from 275,521 tons in the previous week.

The October loading program for Norway's North Sea Troll crude system was steady on the month at 8.8 million barrels or 284,000 bpd.

Brazil's Petrobras said its oil production fell nearly 3% in August from July due to malfunctions and rig stoppages. Petrobras' oil production averaged 1.696 million bpd last month, up 12% on the year. It said a power problem at the Albacora field rig halted gas lift operations between August 13 and 20, while unspecified problems at three wells at the Caratinga field also contributed to fall.

Russia's Industry and Energy Ministry reported that Russian companies gasoline exports increased by 14.6% on the year to 380,600 tons in August. Gasoline exports amounted to 13.4% of gasoline production, which increased by 7.2% on the year to 2.84 million tons. Fuel oil exports fell by 2.2% on the year to 3.065 million tons in August. Fuel oil exports amounted to 68.3% of fuel oil production, which increased by 10.2% on the year to 4.485 million tons in the period. Meanwhile diesel fuel exports increased by 7.6% on the year to 2.78 million tons in August. It said Russia's fuel oil production increased by 10.9% on the year to 5.125 million tons. Russia's Industry and Energy Ministry reported that oil and gas condensate production increased by 1.1% on the year to 16.882 million tons in the period from September 1 to September 13. The delivery of oil to Russian refineries fell by 3.4% on the year to 8.043 million tons in the period.

Russia's oil exports by rail to Belarus amounted to 587,300 tons in January-August, exceeding the annual target of 500,000 tons.

Azerbaijan's Statistics Committee said the transportation of oil and oil products through Azerbaijan's pipeline system increased by 5.5% on the year to 8 million tons in January-August.

OPEC's news agency reported that OPEC's basket of crudes increased by 46 cents/barrel to \$56.28/barrel on Wednesday.

China's National Bureau of Statistics reported that the country's August crude oil production increased by 3.2% on the year to 15.53 million tons. Crude production in January-August totaled 120.8 million tons, up 4.5% on the year. China's gasoline production in August increased by 2.2% on the year to 4.54 million tons while kerosene production increased by 25.7% on the year to 980,000 tons. Its diesel production increased by 8.1% on the year to 9.52 million tons while fuel oil production increased by 13.6% on the year to 1.89 million tons.

Indonesia has purchased about 3 million barrels of crude oil in its tender for November, cutting purchases by 42% from October. It purchased 5.2 million barrels for October.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 1.787 million barrels to 12.77 million barrels in the week ending September 14. Its middle distillate stocks increased by 640,000 barrels to 9.262 million barrels while light distillate stocks increased by 623,000 barrels to 8.551 million barrels.

Market Commentary

The oil market opened higher in follow through strength seen late Wednesday and into the Access session. It quickly posted a high of 65.66 as it retraced almost 38% of its move from a high of 70.85 to a low of 62.55. However the market erased its gains as the complex was pressured by the losses seen in the natural gas market following the larger than expected build reported in the EIA's natural gas storage report. The oil market also erased some of its gains in light of the OPEC report stating that it cut its oil demand estimates due to high oil prices. The market extended in losses to over \$1 as it posted a low of 63.90. It however bounced off its low amid the recovery seen in the natural gas report as the MMS report continued to show little improvement in the resumption of oil and natural gas production still shut in the Gulf of Mexico. The crude market traded back towards the 65.00 level and settled down 34 cents at 64.75. Volume in the crude was good with 205,000 lots booked on the day. Open interest in the crude market built by 11,328 contracts, with open interest in the October contract falling by 16,400 contracts and open interest in the November contract building by 26,241 contracts as the market

retraced its losses. The product markets also ended the session in negative territory with the gasoline market settling down 3.86 cents at 189.87 and the heating

Technical Analysis		
	Levels	Explanation
CL 64.75, down 34 cents	Resistance 65.72, 66.50, 66.70 65.66	38% retracement (70.85 and 62.55), Previous high, 50% Thursday's high
	Support 64.50, 64.00 63.90, 63.20	
HO 191.20, down 1.29 cents	Resistance 195.66, 196.00, 200.50 193.00	38% (221 and 180), Previous high, 50% retracement Thursday's high
	Support 190.00, 188.00 187.00, 183.50	
HU 189.87, down 3.86 cents	Resistance 196.00, 204.00 191.00, 195.00	Thursday's high, Previous high
	Support 189.50, 185.75, 185.50 184.00	

oil market settling down 1.29 cents at 191.20. The gasoline market also posted its intraday high of 196.00 early in the session before it erased its gains and sold off to a low of 185.75. However the market erased some of its losses on a late bout of short covering. Similarly, the heating oil market which sold off to a low of 187.00, erased its losses ahead of the close as traders covered their shorts in follow through strength seen in the natural gas market. It retraced most of its losses ahead of the close. Volumes in the product markets were good with 34,000 lots booked in the gasoline market and 51,000 lots booked in the heating oil market.

The oil market on Friday is seen retracing more of its earlier losses and is seen remaining supported ahead of the weekend. Technically, the market is seen trending higher as its stochastics have crossed to the upside. The market will also watch for further development of a tropical wave that could possibly make its way into the Gulf of Mexico. The market is seen finding support at 64.50, 64.00 followed by 63.90 and 63.20. Meanwhile, resistance is seen at 65.66, 65.72 followed by 66.50 and 66.70.