



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR SEPTEMBER 20, 2005**

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OPEC's communiqué confirmed that it would offer 2 million bpd of spare capacity available October 1 through December if warranted. It opted to keep the target production quota unchanged. An OPEC official confirmed that Nigeria's Oil Minister Edmund Daukoru would take over the presidency of OPEC starting in January. The group meets next December 11 and March 8, 2006. Nigeria's Oil Minister said he considers it unlikely that the 2 million bpd would be needed. He said the decision would have a small impact on the market. He hoped oil prices would fall below \$60/barrel because prices above that level impacts the world economy. Later Saudi Arabia's Oil Minister Ali al-Naimi said he believed the oil markets would be reassured by OPEC's offer of spare capacity. He stressed the decision to offer spare capacity was not a suspension of OPEC's output quotas, saying it was only a temporary measure. OPEC's President said OPEC wants to see oil prices a little lower than current levels.

The IEA will consider extending its 30 day oil plan if Hurricane Rita causes major disruptions to

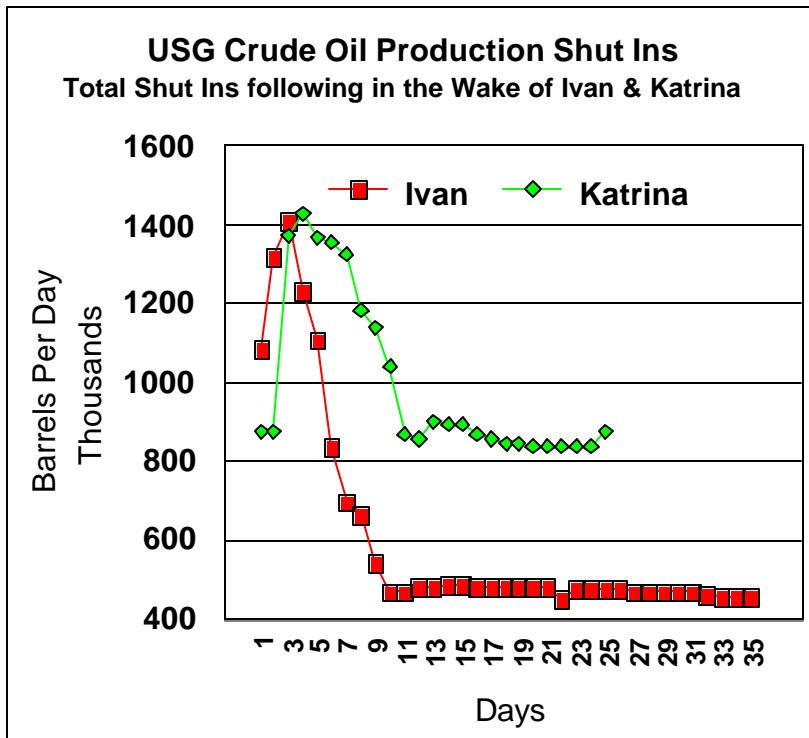
#### Market Watch

Anadarko Petroleum evacuated non-essentials from its deepwater Marco Polo platform late Monday and early Tuesday in preparation for the arrival of Hurricane Rita. It said it was shutting in its Marco Polo platform on Tuesday. Also, Murphy Oil Co is evacuating all repair and production crews from its two operating Gulf of Mexico platforms ahead of Hurricane Rita. Murphy's Medusa platform has remained out of service since Hurricane Katrina while its Frontrunner platform was shut in on Tuesday. It shut in 34,000 barrels of oil equivalent/day. Kerr-McGee evacuated all non-essential workers from its US Gulf of Mexico offshore platforms as Hurricane Rita approaches. Its current net oil and gas production of 110,000 barrels of oil equivalent/day remains unaffected by the evacuations. Meanwhile, ExxonMobil Corp is evacuating 100 non-essential workers from several of its Gulf of Mexico oil and gas platforms in preparation for Hurricane Rita. Apache Corp also evacuated 260 of its workers from the Gulf of Mexico in anticipation of Hurricane Rita. The company said no production has been shut in. ConocoPhillips has started evacuating personnel from three of four Gulf of Mexico oil and gas production platforms ahead of Hurricane Katrina. Nexen Inc shutdown one of its US Gulf of Mexico oil and gas fields ahead of Hurricane Rita and has evacuated personnel from other projects. It shutdown its Aspen field, which pumps about 15,000 barrels of oil equivalent/day. BP Plc said it is evacuating all of its workers from offshore operations in the eastern and central US Gulf of Mexico. Its non-essential workers are also being evacuated from operations in the western Gulf of Mexico.

Saudi Arabia has hired three more very large crude carriers to the US in October, raising spot oil exports for the month to 10.5 million barrels.

European Union oil experts will meet again on Wednesday to discuss coordination of its oil reserves while it waits for a decision by OPEC to add capacity to the world oil market.

The NYMEX and its Dubai partner have yet to decide when to launch their proposed Dubai Mercantile Exchange.



supplies. The head of the IEA, Claude Mandil said the IEA would make a decision in one week to 15 days. Meanwhile he questioned OPEC's ability to live up to its offer of an extra 2 million bpd of oil. He said OPEC will be able to make more crude oil available but it would be 1-1.5 million bpd, instead of 2 million bpd. He said OPEC's decision will be seen as a positive move by the market but any extra production will be sour, heavy crude oil that is harder to refine.

**Refinery News**

Valero Energy Corp's Port Arthur, Texas refinery is operating at planned rates despite a fire in the delayed coking unit on Monday. Valero said late Monday that it started prestorm preparation at its Texas City and Houston refineries.

Valero, ExxonMobil and Deer Park Refining have said they have started preparations ahead of the arrival of Hurricane Rita. Valero has started testing emergency systems, developing operating plans and securing supplies like generators and pumps. Deer Park is monitoring the storm and activating its emergency operations center. A big risk for refineries is power outages. Based on the last major storm to damage the Houston electrical grid, some refiners in the area could be without power for at least two weeks if Hurricane Rita hits the city.

PDVSA's Amuay refinery is restarting a 90,000 bpd sulfur unit following its planned maintenance. Venezuela's Oil Minister Rafael Ramirez said the country's refining network will be operating at full capacity for the rest of the year and there are no more programmed shutdown for any units.

Suncor Energy's Athabasca Upgrader 2 facility was restarted after it was shutdown due to a fire in January. It said current crude production is at 200,000 bpd and it is expected to ramp up to full capacity of 225,000 bpd over the next few days.

Kuwait's Oil Minister Sheikh Ahmad Fahad al-Sabah said Kuwait is looking to build an oil refinery in the US. The refinery could have a capacity of 200,000-250,000 bpd.

**Production News**

The MMS reported that US Gulf of Mexico oil and gas volumes shut in mostly due to Hurricane Katrina increased Tuesday as producers evacuated offshore facilities in preparation for the arrival of Hurricane Rita. Shut in oil production reached 877,275 bpd of oil or 58% of total Gulf oil production, up from 56% reported on Monday.

Crude oil exports from Iraq's terminals at Basra were loading normally on Tuesday despite the unrest in the southern port city.

Oil exploration and production in Saudi Arabia is likely to face a setback as the country will miss its 2005 target for obtaining new drilling rigs.

Petroecuador exported 34.85 million barrels of crude oil in the first eight months of the year, up 8% from 32.29 million barrels reported last year. It exported 3.46 million barrels of crude oil in August, down 37.5% from 5.54 million barrels reported last year.

Pemex produced 3.41 million bpd of crude oil in August, up from 3.35 million bpd reported last year. It exported an average of 1.77 million bpd of crude during the month, down from 1.82 million bpd in August.

Russia's Energy Minister Viktor Khristenko said Russia's oil production growth will slow further in 2006 from about 2% expected this year.

Russia's Lukoil will start exporting fuel oil via its expanded Baltic Sea outlet of Vysotsk as high crude oil export duty prompts companies to switch to products shipments. Lukoil will start shipping fuel oil via Vysotsk in October and plans to export 450,000 tons this year.

Japanese refiners are likely to cut crude oil imports as part of a world effort to ease US shortages caused by Hurricane Katrina, as a tight domestic market is making it hard for them to commit further fuel exports. Refiners will use crude stocks in their private tanks to offset the reduction.

OPEC's news agency reported that OPEC's basket of crudes increased by 94 cents/barrel to \$57.56/barrel on Monday.

### **Market Commentary**

The oil market retraced its early losses ahead of the October contract's expiration amid reports that Hurricane Rita strengthened to a category 2 hurricane. The market was also supported amid the report that production shut ins in the Gulf of Mexico increased as oil companies prepared ahead of Hurricane Rita. The October crude contract settled down \$1.16 at 66.23 and posted a mostly neutral trading session. The market opened down more than \$1 as traders took some profits following Monday's rally and sold off to a low of 64.80. However it erased its losses and rallied to a high of 66.60 ahead of its expiration as the market remained nervous in the face of a threat of further supply disruptions. Similarly, the November contract also settled down \$1.31 at 66.20 after it pared its losses ahead of

the close. It posted an inside trading day after it opened at 66.30 and sold off to a low of 65.00. The November contract however bounced off its low

<b>Technical Analysis</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b> 66.20, down \$1.31	<b>Resistance</b>	67.64, 68.00, 69.10
		66.75
		Nov
	<b>Support</b>	66.00, 65.00
		64.85 to 64.80
<b>HO</b> 201.13, down 2.71 cents	<b>Resistance</b>	207.20, 209.50
		202.00, 205.00, 205.34
	<b>Support</b>	196.50, 195.25, 192.50
		192.00 to 188.50
<b>HU</b> 197.66, down 6.61 cents	<b>Resistance</b>	207.00, 211.50
		201.00, 204.90
	<b>Support</b>	197.00, 195.50, 191.50
		188.00 to 186.00

and traded to a high of 66.75 ahead of the close. Volume in the crude market was excellent with over 209,000 lots booked on the day. Meanwhile, the product markets also retraced their early losses amid the concerns over Hurricane Rita. The gasoline market settled down 6.61 cents at 197.66 after the market bounced off a low of 191.50 and posted a high of 201.00 in afternoon trading. The heating market, which also erased Monday's gains early in the session as it sold off to a low of 192.50, bounced off that level and pared its losses. The market rallied to a high of 2 02.00 ahead of the close. It settled down 2.71 cents at 201.13. Volume in the product markets were lighter with 44,000 lots booked in the gasoline and 38,000 lots booked in the heating oil market.

The crude market on Wednesday will remain driven by the developments of Hurricane Rita. According to the latest NHC update, Hurricane Rita strengthened to a category 2 and is likely to strengthen and arrive at the Texas coast as an intense hurricane by the weekend. Its track has changed little since early Tuesday and still shows the storm making landfall southwest of Houston. Its forecast indicates landfall midway between Houston and Corpus Christi. The market will also seek for direction from the weekly petroleum stock reports which are expected to show small builds in crude stocks of less than 500,000 barrels and draws in gasoline and distillate stocks of less than 500,000 barrels. The market is seen finding support at 66.00, 65.00 and its gap from 64.85-64.80. Meanwhile resistance is seen at 66.75 followed by 67.64, 68.00 and 69.10.

