



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR SEPTEMBER 22, 2005**

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The IEA's executive director Claude Mandil said it will be able to act quickly to release more oil stocks in the event that Hurricane Rita causes major damage to energy facilities in the US Gulf of Mexico.

Meanwhile the U.S. Energy Secretary said this afternoon that there would be disruptions in U.S. gasoline supplies in the next one to three weeks because of the impact of Hurricane Rita on the Texas refining hub. He also noted that the Bush administration was prepared to launch a new program to sell crude from the SPR if needed as well loan crude oil from the reserve if requested by refiners.

Oil tanker traffic to and from the Port of Houston via the Houston Ship Channel has been halted Thursday, according to the Houston Pilots Association. The Coast Guard though has officially not closed the channel and said that officially the channel would not be closed until 12 hours before the hurricane-making landfall.

According to Oil Movements, OPEC's exports are expected to increase by 230,000 bpd to 24.47 million bpd in the four weeks ending October 8. The group noted that westbound shipments are going up from OPEC, despite demand for crude in the Atlantic basin falling in the short term. The group noted that chartering in the spot oil tanker market by Saudi Arabia was at a two year high.

As of 5 PM EDT the National Hurricane Center noted that Hurricane Rita was going through a weakening phase of an eye wall replacement and that wind speeds had dropped to 145 mph. They saw the storm moving back over warmer pool of water in the next 12-24 hours which normally would

#### Market Watch

**The NYMEX announced today that its ACCESS trading session on Sunday will start at 10 am EDT instead of its normal 7 PM start time.**

An EU official said the EU has sufficient levels of oil stocks to offset the impact from Hurricane Rita. However the official said the UK risks falling below a mandated minimum of 90 days worth of stocks.

IMF managing director Rodrigo Rato said higher oil prices are a growing threat to the world economy.

Market rumors were heard of tanker owners are withholding vessels from oil firms attempting to move petroleum products to the US in anticipation of much higher rates after Hurricane Rita hits the mainland.

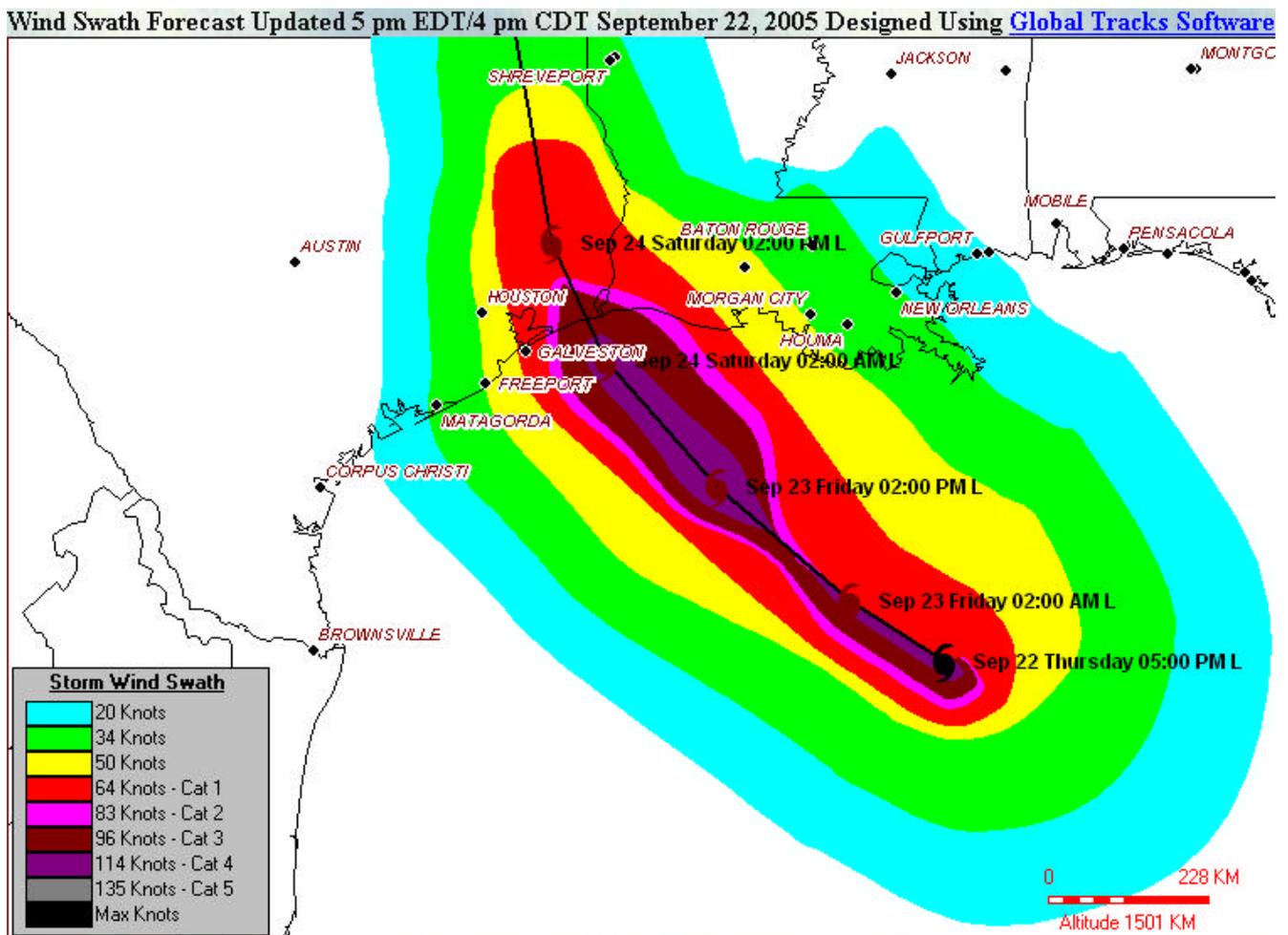
The head of the Federal Trade Commission said today expressed doubts about proposals to toughen laws against gasoline profiteering and in fact such measures would be difficult to enforce and could disrupt the market process.

The Saudi Foreign Minister today warned today that Iraq is heading toward disintegration and risked sparking a wider regional conflict. While he said he did not believe the country was engulfed in full scale civil war, but felt the trend was heading in that direction.

add in further development but with the prospects for increasing shear potential, this should keep the storm from developing further. As a result forecasters were keeping forecasted winds at 145 mph with some weakening just before landfall. As alluded to in its morning forecast discussion, the NHC continued to nudge eastward its projected landfall of the storm, which this evening is now east of Galveston.

**Refinery News**

As of this evening of the 17.1 million barrels per day of U.S. refining capacity, 29% has been shut in by Hurricanes Rita and Katrina. Some 18 Texas refineries are threatened by Hurricane Rita, with a combined production capacity of 4.1 million barrels per day. Some 13 refineries in Texas and 2 in Louisiana were fully shuttered Thursday as Hurricane Rita approached. Two other refineries, Valero’s Corpus Christi and Valero Three Rivers were operating at reduced rates. In addition the LOOP remains offline, along with TEPPCO four crude lines from Texas City, Houston, Baytown and Red Bluff Texas. TEPPCO also shut its products pipeline from Houston to El Dorado, KS, along with the Dixie propane pipeline from Mt. Belvieu, TX. The Colonial Pipeline though reported to be operating at normal rates as of this afternoon.



API reported that currently there is a total of 21 U.S. oil refineries which account for 27.5% of the nation’s refining capacity that are in the path of Hurricane Rita. The group warned that the approaching storm is likely to cause “serious” disruptions to U.S. crude oil and refined product pipelines. The group urged consumers to refrain from topping off their gasoline tanks to save fuel supplies.

Exxon Mobil said at midday though that operations at its 493,000 b/d Baton Rouge refinery remained normal, while Flint Hills' Corpus Christi refinery was back up and running despite plans Wednesday to shut the unit down.

Entergy Corp restored minimal electrical service to ExxonMobil's joint venture refinery in Chalmette, which Hurricane Katrina shut down more than three weeks ago. Entergy said it was still not able to deliver a significant amount of power to the refinery, just enough to operate equipment used to clean the plant.

Motiva is proceeding with a \$3.8 billion plan to double the capacity of its Port Arthur, Texas refinery. Under the plan, the refinery's capacity would increase from 285,000 bpd to 570,000 bpd. A company spokesman could not confirm the report but said the company is starting a process engineering study to find a Gulf refinery to expand.

A strike by shipping workers at Total SA's 328,000 bpd refinery in Normandy entered its second day on Thursday. The refinery's production was cut to minimum rates. The labor union said that negotiations over wages were blocked, which could completely shut operations at the refinery.

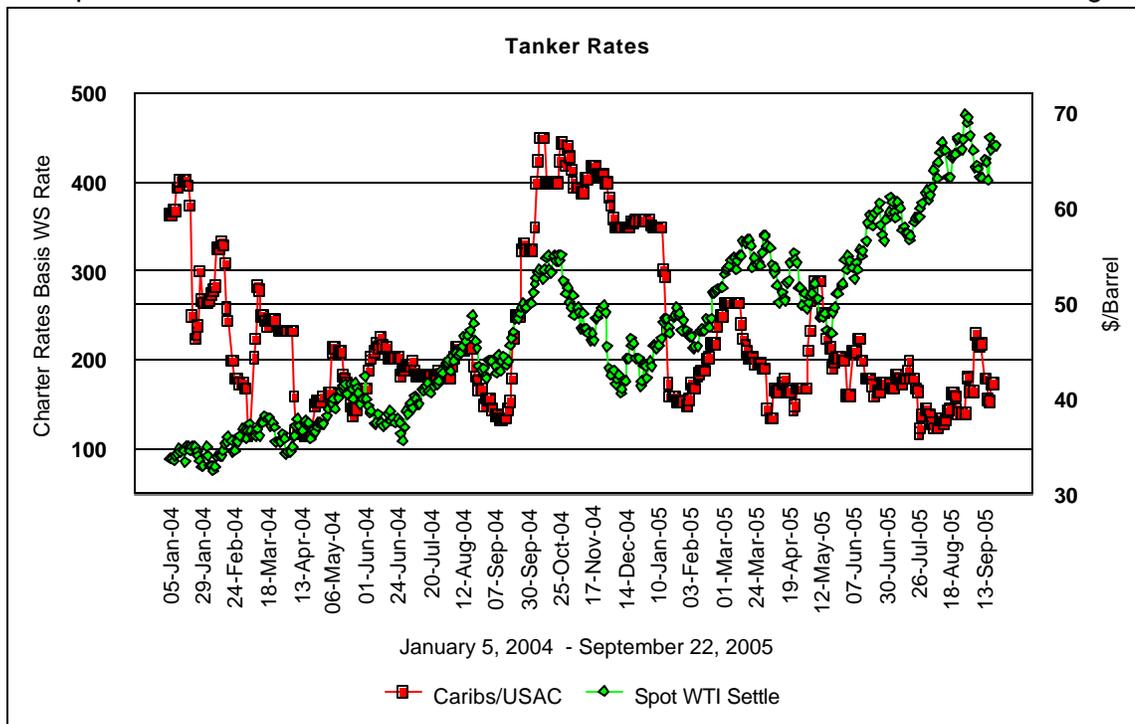
The EPA has granted a waiver to allow conventional gasoline to be sold in the Houston-Galveston area.

**Production News**

The U.S. Minerals Management Service reported that there was a further increase in the amount of crude oil and natural gas production shut in across the Gulf of Mexico. As of midday some 1.379 mbd of crude oil production and 6.69 bcf of offshore natural gas production had been shut in. The cumulative lost oil production has now reached 28.483 million barrels and 131.757 bcf of natural gas.

Royal Dutch Shell said Hurricane Rita has shut in 161,000 barrels of oil and 438 mmcf/d of natural gas production.

Royal Dutch Shell's staff in Nigeria's Port



Harcourt stayed home for a second consecutive day as the company readied plans to evacuate oil workers should mounting tension spill into violence. A source said oil operations continued to run

smoothly. A separatist militia leader whose arrest set off tense protests will be charged with treason. An aide to the militia leader said that protesting militants had taken over at least four flow stations run by Shell. Shell would neither confirm nor deny that facilities had been seized. Meanwhile hundreds of troops and riot police manned checkpoints in Port Harcourt after local militants blocked roads and threatened violence. Separately, a militia leader said militia fighters took over a Chevron Corp oil flow station and shut down its production. Production shut in was estimated at 8,000 b/d by some observers.

Shell Oil reported that its Brent Bravo North Sea oil and glass platform remains shut-in following the discovery of a gas leak at the facility back on August 18<sup>th</sup>. Some 10,000 b/d and 4.7 Mmcf/d of natural gas production remains shut in. No firm restart date has been given.

Russia's Federal State Statistics Service reported that the country's oil production increased by 2.5% on the year to 269.7 million tons in January-July. In July, its oil production totaled 39.8 million tons, up 1.1% on the year. Its oil exports fell by 0.6% on the year to 146.6 million tons in January-July, while its exports in July fell by 7.8% on the year to 21.7 million tons.

India's Ministry of Petroleum and Natural Gas reported that the country's refineries processed 10.78 million metric tons of crude in August, up from last month's 10.53 million tons. The refinery utilization rate in August stood at 99.6% of capacity, up from 97.4% last month. India's crude oil production fell by 16.1% in August to 2.41 million tons from 2.87 million tons a year ago.

The Petroleum Association of Japan reported that Japan's kerosene stocks increased by 5% to 4.1 million kiloliters or 25.79 million barrels in the week ending September 17. The stock build came even as the average operating rate of Japanese oil refineries fell to 86.3% from 88.6% in the previous week. Gasoline stocks also increased to 2.02 million kl or 12.71 million barrels from the previous week's 2 million kl. Japan's commercial crude stocks totaled 18.65 million kl or 117.3 million barrels, up 18.09 million kl in the previous week.

Singapore's International Enterprise reported that the country's total oil product stocks fell by 2.587 million barrels to 27.996 million barrels in the week ending September 21. It reported that light distillate stocks fell by 696,000 barrels to 7.855 million barrels while middle distillate stocks fell by 996,000

barrels to 8.266 million barrels. It reported that residual fuel stocks fell by 895,000 barrels to 11.875 million barrels.

South Korea's National Oil Corp reported that crude oil imports increased by 0.8% to 68.4 million barrels in August.

Technical Analysis		
	Levels	Explanation
<b>CL</b> 66.50, down 30 cents	<b>Resistance</b> 68.10, 69.10 66.60, 67.10, 67.90	Wednesday's high, Previous high Thursday's high
	<b>Support</b> 66.05 65.00, 64.85 to 64.80	Thursday's low Previous low, Opening gap
	<b>Resistance</b> 206.00, 208.80, 209.50	Previous high Thursday's high, Wednesday's high
<b>HO</b> 204.58, up 71 cents	<b>Support</b> 200.50 192.50, 192.00 to 188.50	Double bottom Previous low, Opening gap
	<b>Resistance</b> 215.00	Thursday's high, Previous high
<b>HU</b> 213.94, up 8.63 cents	<b>Support</b> 208.50 204.00, 203.50 to 201.00	Thursday's low, Opening gap

OPEC's news agency reported that OPEC's basket of crudes increased by 60 cents to \$58.90/barrel on Wednesday.

ARA stocks for the week ending September 22<sup>nd</sup> stood at 1,875,000 tons of gasoil down 50,000 tons from the previous week, while jet fuel stocks and gasoline stocks rose by 45,000 and 25,000 tons respectively.

### **Market Commentary**

The oil market ended the lightly traded session in negative territory in light of the hurricane updates stating that Hurricane Rita weakened and was moving further east of Houston area refineries. The market opened up 90 cents at 67.70 and rallied to a high of 67.90. However as the market failed to test its previous high of 68.10, the market erased some of its gains and found some support at 67.15. However the market later found some profit taking as the hurricane was downgraded to a category 4 and was forecast to move further eastward than previously expected. It sold off to a low of 66.05 ahead of the close and settled down 30 cents at 66.50. The market was lightly traded with only 157,000 lots booked on the day. The product markets however ended in positive territory but well off the highs. The gasoline market, which opened close to 8 cents higher at 213.25, quickly rallied to a high of 220.50. It retraced more than 62% of its move from a high of 245.00 to a low of 178.00 as it rallied to its high. However the market erased its gains and sold off sharply to a low of 204.00 amid some profit taking. It later bounced off its low and traded back towards the 215.00 level ahead of the close. The heating oil market posted an inside trading day after the market posted a high of 208.80 early in the session and sold off to its low of 200.50. The market failed to breach its support amid the sharp sell off seen during much of the afternoon. Similar to the gasoline market, the heating oil market retraced some of its late losses but still ended well below its opening highs. Volumes in the product markets were light with 50,000 lots booked in the gasoline and 38,000 lots booked in the heating oil market.

Even though the market took some profits today on the hurricane updates, the market is seen supported ahead of the weekend as the hurricane is expected to make landfall on Saturday. The National Hurricane Center shifted the hurricane's track eastward, however it said Hurricane Rita is still expected to make landfall as a dangerous hurricane of at least a category three with coastal storm surge flooding of 15-20 feet above normal tide levels expected. The market may remain supported amid the production and refinery closures, which may take a few days to resume operations after the hurricane passes, barring any major damage. While the new track indicates a lessening threat to refineries in the Houston area, there is a threat to refineries near Port Arthur and Lake Charles, Louisiana. Technically, the market is seen finding support at its low of 66.05 followed by 65.00. More distant support is seen at its gap from 64.85 to 64.80. Meanwhile, resistance is seen at 66.60, 67.10 followed by 67.90. More distant resistance is seen at 68.10 followed by 69.10.