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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 27, 2005

Saudi Arabia's Oil Minister Ali al-Naimi said there is plenty of oil available globally to meet future demand. He said there are no takers for Saudi Arabia's offer to pump more oil. He stated that Saudi Arabia would stick to plans to gradually increase its total oil output capacity to about 15 million bpd from about 11 million bpd, keeping ample spare capacity available. He said Saudi Arabia's ongoing policy is to maintain 1.5-2 million barrels of spare capacity. Saudi Arabia's Oil Minister said the main reason behind increasing crude prices was that refining upgrading capacity had not kept pace with growth in demand for high quality fuels. He also stated that current investment will bring new production capacity on stream in three to four years and that world oil reserves were sufficient to supply world energy needs for the foreseeable future.

Market Watch

The DOE said it would not accept paybacks of loans from the SPR in the December through February period, in effort to maximize the volume of crude available to US refiners in the winter. Swaps from the SPR totaling 13.2 million barrels were approved for six refineries. The Energy Department reported that 6.525 million barrels of crude was lifted from the SPR. Paybacks of 3 million barrels of SPR crude has been set for November, 2 million barrels each for March and April and 1.5 million barrels for May.

The chairman of the President's Council of Economic Advisers, Ben Bernanke said high energy prices are a burden on households and could ultimately restrain economic growth. However he said the impact so far has been modest. He said inflation remains well controlled despite high energy prices and a favorable inflation environment is likely to persist. He stated that retail gasoline prices should decline in the months ahead but added that natural gas prices will remain high for a longer period as processing facilities recover from Hurricane Katrina and Rita.

A draft energy bill released by House Energy and Commerce Committee Chairman Joe Barton included proposals to develop a new oil refinery solely to supply the military with jet fuel and other refined products. In addition to proposing a refinery supply the military, the draft bill also calls on the administration to designate at least three closed military bases as suitable sites for new refineries. In addition to spurring construction of new refineries, his legislation includes provisions aimed at expanding existing capacity. The bill also repeats calls for the FTC to investigate gasoline prices in the wake of Hurricane Katrina. It would also limit certain gasoline fuel blends designed to burn more cleanly, encourage construction of a pipeline that ships natural gas from Alaska to the lower states, encourage consumers to carpool and enable the Energy Secretary to sell petroleum products from the country's SPR.

The NYMEX said it will start trading a new contract for New York Harbor reformulated gasoline blendstock for oxygenate blending on October 3. The new contract will feature physical delivery in the New York Harbor area for blending 10% denatured fuel ethanol. The RBOB contract will be listed for 12 consecutive months on a rolling basis, starting with the January 2006 contract.

President George W. Bush was in Texas on Tuesday to get a firsthand look at Hurricane Rita's damage to US energy resources. He said the government stands ready to release fuel from its SPR. Separately, White House spokesman Scott McClellan said the White House said it wants to work on ways to expand US oil refining capacity to increase the gasoline supply.

Energy Secretary Sam Bodman said the US government's waiver of the Jones Act to help energy companies arrange for shipments of crude oil and gasoline, will expire early on October 24. He said the decision would help increase fuel supplies in the aftermath of Hurricane Rita.

The IEA said it released 42-45 million barrels of oil inventories out of 60 million bpd it offered after Hurricane Katrina. The head of the IEA, Claude Mandil said the release included oil products from Europe, crude oil and products from the US and crude and products from Japan. He reiterated that it was still unclear whether more stocks would need to be released in the aftermath of Hurricane Rita.

Refinery News

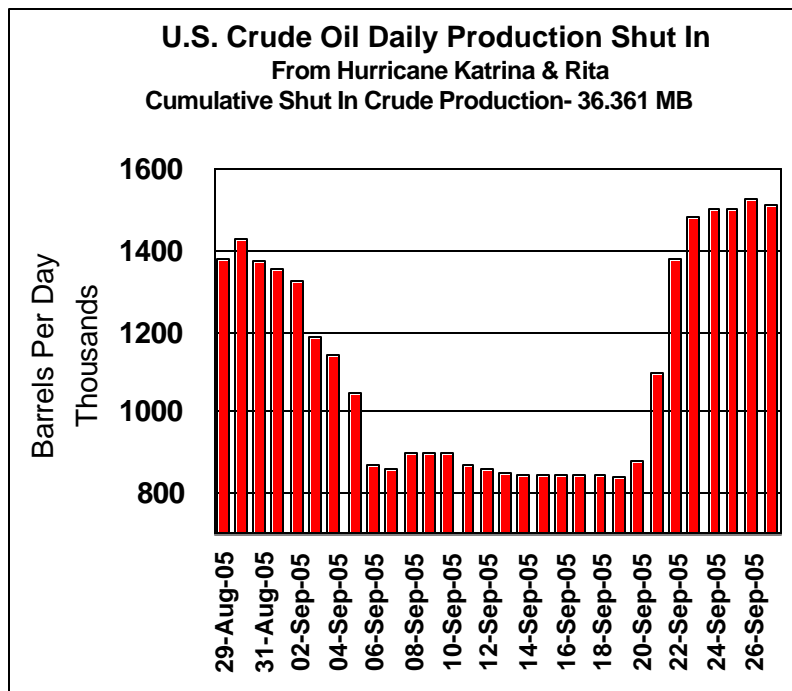
According to the EIA, thirteen oil refineries were still shut due to Hurricane Rita and four others remained offline after Hurricane Katrina. It however said that three oil refineries have begun to restart. Once those refineries are fully back online, the total amount of refining capacity shut down will be about 4 million bpd. There is a total of 2 million bpd of gasoline, 1 million bpd of distillate and 500,000 bpd of jet fuel production shut in.

Total Petrochemical USA's refinery in Port Arthur, Texas declared force majeure on all fuel deliveries to customers in the aftermath of Hurricane Rita. It said that the refinery is unable to produce fuel or even perform a full assessment of damage until power is restored. However with the use of generators, the refinery is pumping fuel stored on site before the hurricane to tankers for delivery to the Emergency Command Center. It is expected to remain shut for 2 weeks to a month.

Wholesale gasoline prices spiked about 30 cents in the US Gulf as 25% of the country's refining capacity remains shut. Differentials for M3 conventional gasoline for prompt delivery increased to 75 cents over the November NYMEX futures from 46-48 cents differential seen late Monday. Meanwhile low sulfur diesel differentials in the US Gulf increased about 29 cents. Differential for front 27th cycle of low sulfur diesel were up at 40-45 cents over the October heating oil contract on the NYMEX.

Citgo Petroleum hopes to get enough power restored on Wednesday at its 324,000 bpd Lake Charles, Louisiana refinery to start up subsystems to speed a restart once full electrical service is restored. PDVSA however still has no idea when it will have sufficient power to restart.

Exxon Mobil Corp said it appeared its facilities in the US Gulf of Mexico were not badly damaged by the passing of Hurricane Rita. However Exxon President Rex Tillerson said a full assessment would take days.



Valero Energy Corp said it had not power problems at its 96,000 bpd refinery at Three Rivers, Texas. Earlier a report filed with Texas Commission for Environmental Quality stated that the shutdown of an electrical transmission line to Houston had resulted in flaring at the refinery. Separately, the restart of its 243,000 bpd Texas City, Texas refinery was delayed by a problem getting hydrogen supply. The refinery may resume full operations by sometime this weekend. Its 135,000 bpd Houston refinery is also seen back up by the end of the week and its 250,000 bpd Port Arthur refinery is seen resuming operations within a month. It has started its repairs, though it is struggling with a lack of power and running water.

Lyondell Chemical Co's Corpus Christi, Texas and Lake Charles, Louisiana ethylene plants remain shut following the hurricane. The plants should be running by the end of the week.

Labor unions are considering widening a protest that has shutdown production at Total's 328,000 bpd Gonfreville refinery in Normandy. It is considering widening the action with a 24 hour, renewable strike from October 4. The strike would coincide with a larger protest planned by public sector, transport and energy workers on October 4. Meanwhile, a shipping workers' port blockade in southern France has stopped oil tankers from discharging but has not yet affected the refining hub's total operations of about 570,000 bpd. Separately, Its diesel fuel expansion project remains on track for mid-2006 despite strike action that has shut down the refinery.

Meanwhile, Royal Dutch Shell said its 80,000 bpd Berre L'Etang oil refinery would only be affected by a strike if shipping workers continue blocking the southern French ports until the end of the week.

Kuwait's 270,000 bpd Mina Abdullah refinery will restart a 90,000 bpd crude distillation unit on October 3 after more than three weeks of planned maintenance.

Nippon Oil is expected to increase its October crude runs by 17% on the year to 4.9 million kl. It will increase kerosene production by about 18% in October from a year earlier to 2.39 million kl or 485,000 bpd while gasoline production is expected to increase by 7.5% to 1.15 million kl or 233,000 bpd.

Production News

According to the MMS, 1.512 million bpd of crude oil production in the Gulf of Mexico was shut in, relatively unchanged from 1.527 million bpd reported on Monday. Since August 26, the combined Katrina/Rita related impact has cut a cumulative 36.36 million barrels of crude production. It also reported that Gulf of Mexico platforms evacuated totaled 683 of 819 manned platforms compared with 758 evacuated on Monday. Rigs evacuated totaled 87 of 134 compared with 101 on Monday.

Capline Pipeline System continues operating at 80% of its normal capacity. However the company's underwater pipelines remain off line following Hurricane Rita. Colonial Pipeline reported that the flow of refined products from its Houston line is running at 55% of capacity due to shortages of power. Even though the Colonial and other pipelines carrying fuel to the Midwest and eastern US escaped significant damage, about 13 Gulf refineries remain shut, limiting the amount of product being transported.

The LOOP is at full offloading rates after it fixed a power station. The LOOP experienced a back up after Hurricane Rita shut the Fourchon power station over the weekend. One of seven ships waiting to be emptied at the port has been offloaded since the restart.

The Houston Pilots Association reported that crude tankers have been entering the Port of Houston via the Houston Ship Channel since Monday.

An Iraqi police officer said a large explosion was reported at a crude oil pipeline near Latifia. The pipeline carries crude oil from southern oilfields to Dora oil refinery near Baghdad.

Chevron Corp has restarted production at both oil platforms it shut down due to threats by a militia last week. It restarted its 8,000 bpd Idama flow station late Monday in addition to the 19,000 bpd Robertkiri oil flow station.

Nigeria Liquefied Natural Gas production has resumed and the force majeure, which the company was forced to declare due to a pipeline leak and subsequent fire has been lifted.

Nigeria's junior Oil Minister Edmund Daukoru said he expects Royal Dutch/Shell Plc to start producing oil from the offshore field in mid-November. The field will initially start producing about 50,000 bpd and then increase to 200,000-250,000 bpd in three to four months.

Russian crude exports by rail fell by 30% to 15.7 million tons in the first half of 2005 year on year as oil companies rerouted volumes to pipelines or domestic refineries due to very high crude oil export duties. The railway said total exports of crude oil and refined products fell by 4.2% in the first half of 2005 to 53 million tons.

OPEC's news agency reported that OPEC's basket of crudes fell by 80 cents/barrel to \$56.91/barrel on Monday.

Indonesia's Pertamina is seeking a total of 2.88 million barrels of oil products for November delivery.

Indonesia has cut oil product imports for October by 67% from September levels to a year low of 5.96 million barrels, due to currency problems and overbuying of gasoline in the past two months. The large drop in October purchases is driven largely by gasoline, which fell by more than 85% and gas oil, which fell by more than 56%.

Market Commentary

The oil market posted an inside trading day after it opened in negative territory and gave up Monday's late gains. The market was pressured in light of comments made by Saudi Arabia's Oil Minister who stated that there was no demand for its spare capacity. He also stated that enough global output capacity would be added in the next three to four years to restore some margin of safety in the market. The crude

market opened down 42 cents at 65.40 and quickly settled in a sideways trading pattern from 65.20 to 65.85 amid the renewed strength in the gasoline market. The

Technical Analysis			
		Levels	Explanation
CL	Resistance	66.20, 67.90, 68.10	Previous highs
	65.07, down 75 cents	65.85, 65.90	Double top
	Support	64.60, 64.00	Tuesday's low
HO	Resistance	64.60, 64.00	Monday's low
	206.86, up 1 cent	62.93	
	Support	208.80, 209.50, 214.50	Previous highs
HU	Resistance	208.00	Tuesday's high
	216.64, up 3.72 cents	203.75, 200.00, 195.00	Tuesday's low
	Support	191.50	Monday's low
	Resistance	220.25, 227.00	Previous highs
		220.00	Tuesday's high
	Support	215.00-213.50, 210.00, 205.00	Opening gap
		197.00	Monday's low

oil market however breached its low and sold off to a low of 64.60 ahead of the close. It settled down 75 cents at 65.07. Volume in the crude was light with 150,000 lots booked on the day. Meanwhile, the gasoline market settled up 3.72 cents at 216.64 in light of some refineries remaining shut in the aftermath of Hurricane Rita. The market gapped higher on the opening from 213.50 to 215.00 in follow through strength seen in overnight trading amid the news of Total declared force majeure on all fuel deliveries from its Port Arthur, Texas refinery. The market quickly posted a five cent trading range as it rallied over 7 cents to a high of 220.00. This was amid a 30 cent spike in wholesale gasoline prices in the US Gulf. Meanwhile, the heating oil market rallied to a high of 208.00 and remained range bound before some selling pushed it to a low of 203.75. It however bounced off its low ahead of the close and settled up 1 cent at 206.86. Volume in the product markets were moderate with 56,000 lots booked in the gasoline and 54,000 lots booked in the heating oil market.

The oil market will be driven by the weekly petroleum stocks reports, which are expected to show draws in crude of less than 1 million barrels, draws in gasoline of about 2.5 million barrels and draws in distillate of 2 million barrels. It will also remain supported amid the refinery shutdowns. The market will also watch for further development of a tropical wave that is moving west in the Caribbean. It has the potential to become a tropical cyclone within the next 36 hours. The NHC said a slow movement to the WNW is likely, placing the system in the western Caribbean late Wednesday/early Thursday. The market is seen finding resistance at 65.85, 65.90, 66.20 followed by 67.90 and 68.10. Meanwhile support is seen at 64.60, 64.00 and 62.93.