



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 28, 2005

OPEC's Secretary General Adnan Shihab-Eldin said there were signs high world oil prices were affecting economies. He said bottlenecks in the world refining system that have contributed to the current high oil prices are expected to persist until at least 2007. He said that there would be no significant improvements to world refining capacity before 2007.

The IEA said that 56 million barrels of oil and oil products have been released from inventories as part of its effort to help offset the shortage caused by Hurricane Katrina. It said 36 million barrels, out of the 56 million barrels already released, will be processed by the industry at the end of October.

Refinery News

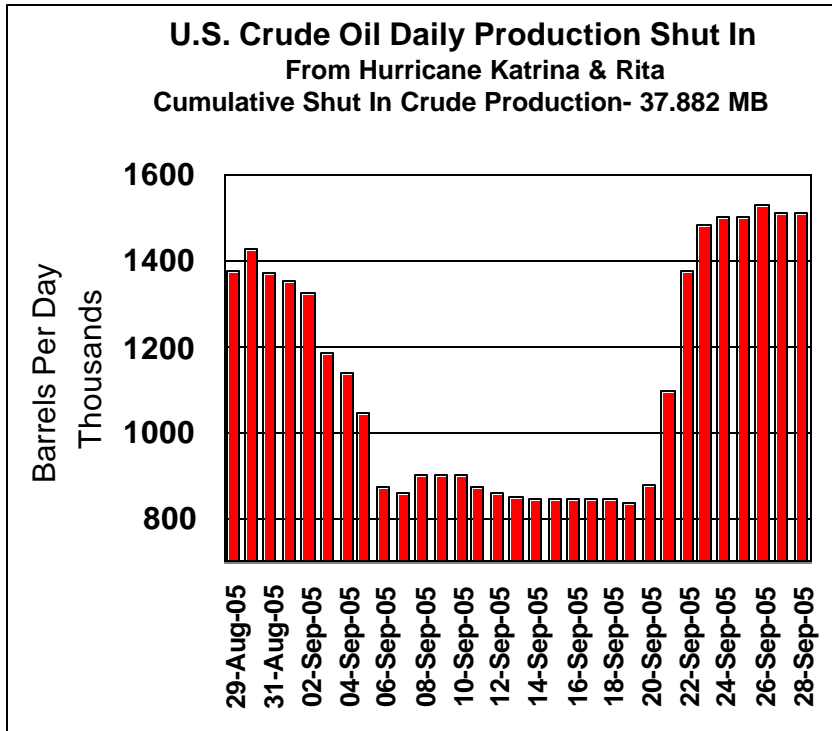
According to the EIA, twelve US refineries remain shut in the wake of Hurricanes Katrina and Rita. It said eight refineries were completely shut after Rita while eight other have restarted or are attempting to restart. Meanwhile four other oil refineries have remained offline due to Hurricane Katrina. It said that as long as 12 refineries remain shut, the amount of gasoline production shut in will amount to more than 1 million bpd, 800,000 bpd for distillate and over 300,000 bpd for jet fuel. It said at least 15% of US refining capacity could remain off line following September's hurricanes for at least another couple of weeks. It however said that domestic petroleum inventory levels, which are at or above average levels for this time of year may be sufficient to make up for lost production due to refinery outages.

Exxon Mobil Corp has resumed operations on several units at its 557,000 bpd Baytown, Texas refinery. However it will be days before the facility return to full capacity. It also stated that it has no restart schedule for its 348,000 bpd Beaumont, Texas refinery. In Louisiana, Exxon Mobil employees are working to clean up and repair the 183,000 bpd Chalmette refinery which was severely damaged by Hurricane Katrina. The company has completed a damage assessment but lack power and has no restart date.

Market Watch

Saudi Arabia and Exxon Mobil stated that the world had decades' worth of oil reserves. Saudi Arabia's Oil Minister Ali al-Naimi said the country would soon add 200 billion barrels to its current reserves estimate of 264 billion barrels. Separately, Exxon Mobil's President Rex Tillerson said that the company estimated world energy demand would increase by 50% over the next 25 years. He said that by some estimates, there was as much as 7 trillion barrels of oil yet to be discovered.

The Conference Board research group said the consumer confidence index fell to 86.6, the lowest in two years, from 105.5 in August. Federal Reserve Chairman Alan Greenspan said a marked slowdown in the housing market, if one develops, may result in an adjustment in spending by consumers. Higher energy costs are also leaving consumers with less to spend on other products.



BP said it is still too early to say how long the complete restart of its Texas City refinery will take. BP has discovered insulate damage throughout the 437,000 bpd refinery. The damage has affected several units and some piping. Meanwhile, Marathon is operating its Texas City refinery at reduced rates.

Lyondell Citgo's 268,000 bpd Houston refinery is expected to be running at its capacity on Wednesday. Efforts to restart the refinery started on Sunday. Separately, while Citgo's 410,000 bpd refinery located in the Calcasieu Ship Channel in Louisiana sustained no damage, returning the refinery to normal operations will likely take a few

weeks. The pace of Citgo's restart relies mostly on outside power provider Entergy Corp.

ConocoPhillips expects its 229,000 bpd Sweeny refinery in Texas to complete its restart and return to normal operations later this week. It also expects to begin restoring its operations at its Westlake, Louisiana refinery by mid-October. Meanwhile, the company stated that it plans to begin 45 days of work on two processing units at its Wood River, Illinois refinery on Thursday. It said it will produce at least 80% of its normal gasoline production.

A small fire following by flaring occurred Monday afternoon at or near a 45,000 bpd hydrocracker at the 260,000 bpd BP refinery in Carson, California.

Neste Oil's 200,000 bpd Porvoo refinery in Finland will return to full capacity by the end of the weekend following a month long maintenance outage. The refinery is currently operating at 60% of capacity and the main cracker is expected to restart on Wednesday.

Statoil ASA's condensate refining unit at its Kalundborg refinery in Denmark will restart on Monday following a planned maintenance shutdown. The condensate unit produces 45,000 bpd or about 40% of its 115,000 bpd capacity.

Taiwan's Chinese Petroleum Corp will close its No. 5 naphtha cracker for a routine maintenance shutdown starting October 7.

Production News

The MMS reported that the amount of oil production shut in remained relatively unchanged at about 1.512 million bpd. The cumulative shut in oil production is 37.882 million barrels.

According to initial damage assessments, Hurricane Rita has caused more damage to oil rigs than any other storm and will force companies to delay drilling for oil in the US and as far away as the Middle

East. ODS-Petrodata said it expects a shortage of rigs in the US Gulf this year. Early reports indicate numerous rigs are missing, destroyed or have suffered serious damage.

Separately, ConocoPhillips said its production facilities in the Gulf of Mexico had minimal or no damage from Hurricane Rita and production could resume shortly.

Capline Pipeline System is operating at 82% of its normal capacity. However its underwater pipelines continue to remain offline following Hurricane Rita.

A two day blockade at the Fos-Lavera ports on the Mediterranean coast has not affected the flow of crude oil and refined products inland to Germany and Switzerland.

Saudi Aramco said Saudi Arabia plans to double its drilling rig fleet to 110 by 2006 as part of the country's efforts to increase crude oil and gas production.

According to Petrologistics, OPEC's production increased by 500,000 bpd to 30.6 million bpd in September with the majority of the increase due to Saudi Arabia. The country increased its production by 300,000 bpd to 9.5 million bpd.

Nigeria's Petroleum Minister Edmund Daukoru said Nigeria will supply an additional 500,000 bpd of crude oil by the end of the first quarter of next year, mainly from the Bonga oilfield. The Bonga oilfield is expected to start production by mid-November at the latest.

OPEC's news agency reported that OPEC's basket of crudes increased by 79 cents/barrel to \$57.70/barrel on Tuesday.

Saudi Arabia's 500,000 bpd Khursaniyah oil field is on schedule to come onstream in 2007 following the start of construction and engineering. The field is scheduled to produce Arab Light and Arab Extra Light crude by December of 2007.

Market Commentary

The oil complex continued to rally during today's session despite the mostly bearish DOE and API reports, which showed unexpected builds in gasoline stocks. The gasoline market once again led the complex higher

despite the reports. The October gasoline contract settled up 17.29 cents at 233.93 amid the reports that at least 15% of US refinery capacity could remain

Technical Analysis		
	Levels	Explanation
CL Resistance 66.35, up \$1.28 Support	67.90, 68.10 67.40	Previous highs Wednesday's high
	66.25, 65.75, 65.00 64.70, 64.60	Double bottom
HO Resistance 214.11, up 7.25 cents Support	221.00 216.00	Previous high Wednesday's high
	213.50, 210.00 207.00	Wednesday's low
HU Resistance 233.93, up 17.29 cents Support	245.00 235.00	Previous high Wednesday's high
	230.00, 225.00, 221.50 217.00	Wednesday's low

offline at least another couple of weeks. The market opened up 2.86 cents at 219.50 and quickly

posted a low of 217.00 following the release of the weekly petroleum stocks reports. However the market bounced of that level and never looked back. The market completely backfilled its gap from 227.00 to 233.00 as it rallied over 18 cents to a high of 235.00 ahead of the close. Meanwhile, the crude market posted a low of 64.70 following the release of the DOE and API reports, however it was later well supported by the strength in the products markets, particularly the gasoline market. The market bounced off its low and rallied to a high of 67.40 late in the session before it gave up some of its gains ahead of the close. The market settled up \$1.28 at 66.35. The heating oil market also settled up 7.25 cents at 214.11 after it rallied to a high of 216.00 late in the day. The market posted a low of 207.00 in light of the reports but quickly retraced its losses and never looked back. Volumes were excellent with over 253,000 lots booked in the crude, 65,000 lots in the gasoline and 62,000 lots in the heating oil market.

The oil markets will remain volatile ahead of the October product's expiration at the close of Friday. The markets are likely to continue trading higher following today's strong close and the reports that the refineries will likely remain down, even though the market seemed to have shrugged that off earlier in the week. Meanwhile, the tropical wave in the Caribbean continues to move northwestward. There are indications that it could become better organized on Thursday. It is seen moving west or west-northwest over the next few days placing the system near the Yucatan or Belize coast on Friday. Accuweather also stated that if it move more to the north, then it will move into an area of shear that could limit its development. The oil market is seen finding support at 66.25, 65.75, 65.00 followed by 64.70 and 64.60. Meanwhile resistance is seen at 67.40, 67.90 and 68.10. More distant resistance is seen at 69.10.