



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 30, 2005

The IEA's deputy executive director Bill Ramsay said its initial 30 day plan to release 2 million bpd of oil has not changed and will be fully implemented by the middle of October. He said it was still assessing the impact from Hurricane Rita.

Refinery News

BP's 470,000 bpd Texas City, Texas refinery could be down another six weeks, according to traders. Traders said the cogeneration plant had issues in restarting and that there was a problem with asbestos contamination at the refinery. Sources however said that BP may try to start up some gasoline units as early as next week.

Entergy Corp restored partial power to four of the seven oil refineries shutdown due to Hurricane Rita in its Texas and Louisiana service territory. It has restored partial service to ConocoPhillips 255,000 bpd Lake Charles, Louisiana refinery and Citgo's 324,000 bpd refinery in Lake Charles, Louisiana. In addition, Entergy restored transmission to a substation for Calcasieu Refining Co's

Market Watch

Low sulfur diesel is in low supply in the US Midwest during the harvest season due to the lack of product from refineries on the Gulf Coast. Diesel supply in Oklahoma, Missouri and Nebraska was about 70% of normal on Wednesday. Traders said that supply was at 16.8 days on Friday, lower than the normal 25-30 days of supply usually seen at fall harvest time.

A senior Kurdish official said oil exploration deals in northern Iraq will be negotiated with both the central Iraqi and the regional Kurdistan governments, if Iraq's interim constitution is agreed through referendum next month. However the regional government will have control of production in the region and on export abroad. Meanwhile, oil revenue would be redistributed to the whole Iraqi population under the new constitution.

Platts will bring forward its end of day assessments starting Monday to better reflect European market trading hours. Platts will assess benchmark European crude and products prices at 1630 London time, an hour earlier. London's IPE will also adapt to the new Platts' window by bringing forward its gas oil futures settlement period and creating extra sets of price markers, used by traders for hedging.

US personal spending fell 0.5% in August, the highest drop seen in more than three years. The decline was led by a fall in automobile purchases and may continue to decline amid the record gasoline prices in the wake of the hurricanes.

China's foreign exchange reserves increased by \$20.8 billion in August to \$753.2 billion at the end of the month, according to China Business News.

India's economy grew by 8.1% in the three months ending June, well ahead of the 7% growth seen in the previous quarter due to a sharp increase in industrial exports and domestic demand. Growth in the quarter was driven by the manufacturing sector, which expanded by more than 11% on an annual basis. The government is predicting a 7% growth this year, up from last year's 6.9%.

The NYMEX announced that margins for its new New York Harbor reformulated gasoline blendstock for oxygenate blending futures contract was set at \$8,100.

30,000 bpd but still needs to conduct some additional transmission feeder work to service the plant. Entergy expects to restore service to one substation serving Exxon Mobil's 350,000 bpd refinery in Beaumont, Texas. It also expects to restore clean up power soon to Murphy Oil's 120,000 bpd refinery in Meraux, Louisiana. Entergy continues to provide power to Exxon Mobil's 190,000 bpd refinery in Chalmette, Louisiana and is making repairs to the utility's facilities that serve the plant.

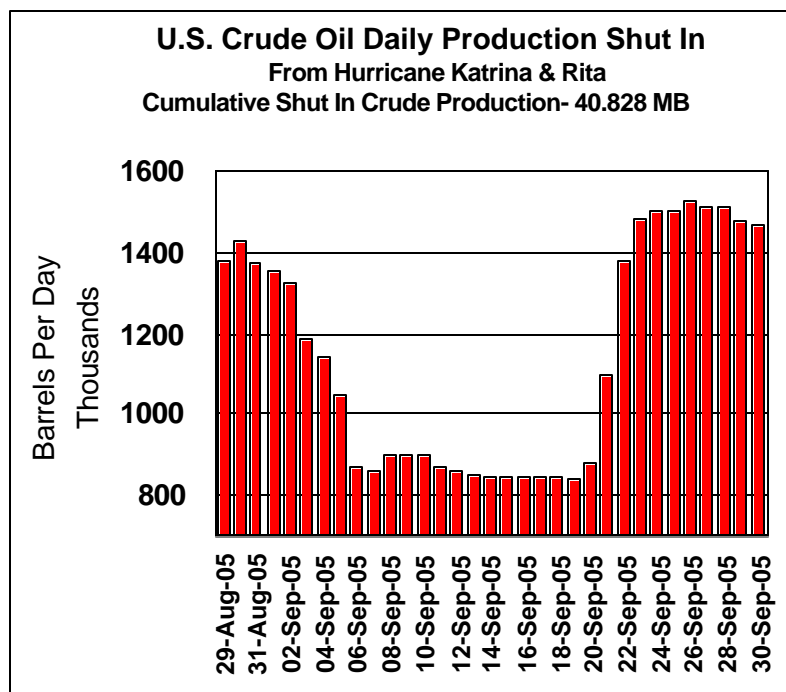
Citgo announced a force majeure on all fuel from its 324,000 bpd Lake Charles, Louisiana refinery.

Exxon Mobil said its joint venture refinery in Chalmette, Louisiana will restart in November after being shut in late August by Hurricane Katrina. It said electrical power should be restored in October which will allow the refinery to start operations in November. It also stated that its 557,000 bpd Baytown, Texas refinery would likely reach full operations in days after the plant began to restart earlier this week.

Marathon Oil Corp's Texas City, Texas refinery, which was shut down ahead of Hurricane Rita, was restarted on Thursday and is operating at normal capacity. It is currently processing 72,000 bpd. Meanwhile, its Centennial pipeline, which extends from Beaumont, Texas to Illinois remains offline due to lack of commercial power in Beaumont. The power disruption could last for up to two to six weeks but Marathon will try to operate the pipeline at a reduced rate by early next week using generators.

Flint Hills Resources will shut several processing units at its West Plant in its Corpus Christi, Texas refinery for seasonal maintenance during the first half of October. Maintenance on the gas oil hydrotreater is scheduled to start on October 1 and last until October 15.

Four labor unions in France urged the workers of Total SA's six refineries in France to go on strike Tuesday. A labor union official said the walkout will likely result in lower production at the refinery. The call for Tuesday's nationwide strike comes as a protest has plagued production at Total's Normandy refinery for several days. A union source said the strike that has shut Total's 328,000 bpd Gonfreville refinery has been extended until Monday. Meanwhile, Royal Dutch Shell said it was having problems moving product by pipeline from its Berre l'Etang 80,000 bpd refinery due to a port workers' strike. A spokeswoman said the refinery has not cut runs at the refinery as the strike entered its fourth day but could do so after the weekend. An oil industry body, UFIP, and Shell warned that refining at the Fos-Lavera port could slow down if the port strike extends into next week.



Total's 223,000 bpd Lindsey refinery at Immingham in Britain has been partially shut since mid-September for planned maintenance, which is expected to last several weeks.

Maintenance at PetroChina operated refineries and efforts to cut refining losses are set to marginally push down China's fuel oil production in October. However it is not expected to lead to another supply crunch as the country

reduces its exports. PetroChina is expected to cut runs by a total of 70,000 tons to 2.06 million tons due to extensive plant shutdowns from mid-September through October.

Italy's Anonima Petroli Italiana has postponed a planned shutdown next month of its 80,000 bpd Falconara refinery to next February due to high margins.

Production News

According to the MMS, there was little improvement in the amount of oil production shut in the Gulf of Mexico. It reported a total of 1.468 million bpd of crude production shut in or 97.8% of daily oil production in the Gulf of Mexico. The cumulative shut in oil production is 40.828 million barrels.

Exxon Mobil is expected to start pumping crude and gas from an offshore field near Russia's Far Eastern island of Sakhalin on Saturday.

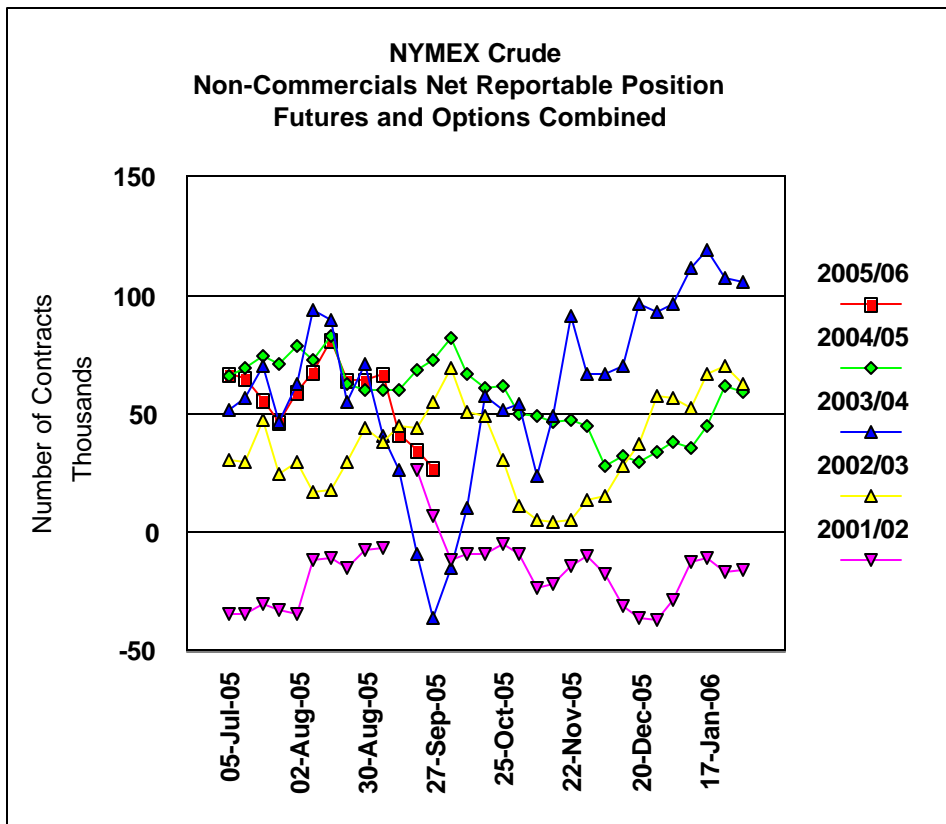
Russia's Energy Ministry reported that the country's oil output likely increased to 9.54 million bpd in September, up 0.5% from August.

Turkey's Bosphorus strait reopened on Friday after it was closed to shipping traffic earlier due to heavy fog.

Indonesia's Energy Minister Purnomo Yusgiantoro announced sharp increases in domestic fuel prices on Friday, much higher than expected, in a bid to stave off an economic crisis despite protests by thousands of protestors. He said the price of gasoline was increased by 87.5% to 4,500 rupiah or 44 cents/liter while the price of diesel was increased by 105% to 4,300 rupiah/liter and the price of household kerosene was increased by 186% to 2,000 rupiah/liter. The increases take effect on Saturday. Indonesia's President Susilo Yudhoyono said the government could not afford to keep subsidizing fuel costs.

A senior government official said India's oil products sales in August increased by 12.3% on the year to 9.1 million tons. He stated that from April through August, domestic oil products sales fell to 45.5 million tons from 45.6 million last year.

Japan's Ministry of Economy, Trade and Industry reported that Japan's crude oil imports in August increased by 6.8% on the year to 20.85 million kl or 4.23 million bpd. Japan's commercial crude oil stocks totaled 18.68 million kl at the end of August, up 14.4% on the year. It reported that crude



oil throughput at Japanese refineries fell by 1.2% on the year to 20.96 million kl. Meanwhile, gasoline inventories fell by 6.3% to 1.95 million kl as of the end of August while gasoline imports were down 8.4% to 283,126 kl. It reported that gasoline sales increased by 0.1% to 5.853 million kl in August.

According to an official at PetroChina, China's oil and gas reserves will grow steadily in the next 20 years. In 2010, onshore crude output will reach 150 million tons a year while in 2020, annual onshore crude production will increase to 170 million tons.

Separately, an analyst stated that fuel oil prices may increase 4.8% to a record high of 3,400 yuan or \$420/ton as production is failing to keep pace with demand. The IEA has stated that China's policy preventing refiners from passing costs to customers may be the reason for fuel shortages in China. China's growth in oil processing fell to 6.9% in the first eight months from 12.3% over the same period in 2004 while fuel demand increased by 9.5% in the first half of the year.

OPEC's news agency reported that OPEC's basket of crudes increased by 52 cents/barrel to \$58.17/barrel on Thursday.

PDVSA's President Rafael Ramirez said Venezuela will allow Brazil's Petrobras to extend existing operation contracts for 25 years in exchange for the company agreeing to convert current contracts into new joint venture deals. Petrobras said its shareholders still had to approve the transfer of contracts.

Market Commentary

The oil market ended in negative territory but well off its lows as it erased some of its losses ahead of the close. The market opened down 64 cents at 66.15 and quickly posted a high of 66.65. However the market breached its support and sold off to a low of 65.30 amid the selling seen in the product markets ahead of expiration. The November crude contract later retraced its losses and settled in a range from 65.70 to 66.40 ahead of the close. The market, which continued to trade within Wednesday's trading range, settled down 55 cents at 66.24. Volume in the crude was excellent with over 213,000 lots booked on the day. The product markets also ended sharply lower as traders liquidated their positions ahead of the October contract's expiration. The October gasoline contract settled down 11.35 cents at 213.81 after the market sold off despite the remaining refinery outages and the slow production recovery in the Gulf. The market shrugged off the news that BP's Texas City refinery could be down for another six weeks as it sold off to a low of 206.00 after opening more than 9 cents lower at 216.00.

The November gasoline contract settled down 4.52 at 209.68. Meanwhile, the October heating oil contract settled down 5.74 cents at 206.73 after it posted a

Technical Analysis			
	Levels	Explanation	
CL 66.24, down 55 cents	Resistance	67.20, 67.40, 67.90, 68.10 66.65	Previous highs Friday's high
	Support	65.30 64.70, 64.60	Friday's low Double bottom
	HO 212.96, down 2.49 cents	Resistance	218.45 213.50
Support		Nov 210.00, 208.00 205.70	Friday's low
HU 209.68, down 4.52 cents		Resistance	221.00 213.00
	Support	Nov 205.00 202.00	Friday's low

high of 209.00 and sold off to a low of 202.00 early in the session. The market remained under pressure as traders liquidated their positions ahead of expiration and the end of the third quarter. The November contract settled down 2.49 cents at 212.96. Volumes in the product markets were good with 59,000 lots booked in the gasoline and 54,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude increased their net short positions by 13,226 contracts to 26,329 contracts in the week ending September 27th. The combined futures and options report also showed that non-commercials cut their net long positions by 7,991 contracts to 26,932 amid the sell off seen in the market. The non-commercials are likely to have continued to add to their net short positions in the past few trading sessions. Non-commercials in the gasoline market also continued to cut their net long position by 7,173 contracts to 18,696 contracts while non-commercials in the heating oil market increased their net long position by 3,143 contracts to 4,923 contracts on the week.

Even though the oil complex ended in negative territory, the markets are seen finding some support amid the news that refineries are remaining shut for several weeks with some of them declaring force majeure. Technically, the crude market is seen finding support at 65.30, 64.70 and 64.60. Meanwhile resistance is seen at 66.65, 67.20, 67.40, 67.90 and 68.10.