



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 7, 2005

Refinery News

US Gulf Coast refineries were slowly recovering from Hurricanes Katrina and Rita, with two refineries reporting this week that they were in the beginning stages of restarting. Chevron Corp said its 325,000 bpd oil refinery in Pascagoula, Mississippi was in restart mode and could resume normal operations by the end of October. Citgo also stated this week that it could restart some units at its 425,000 bpd Lake Charles, Louisiana refinery, though it was unclear when the refinery could reach full rates.

Market Watch

The National Petrochemical and Refiners Association said the US may have difficulty importing heating oil this winter from Europe due to high European distillate demand, low European inventories and the strike in France that could cut exports.

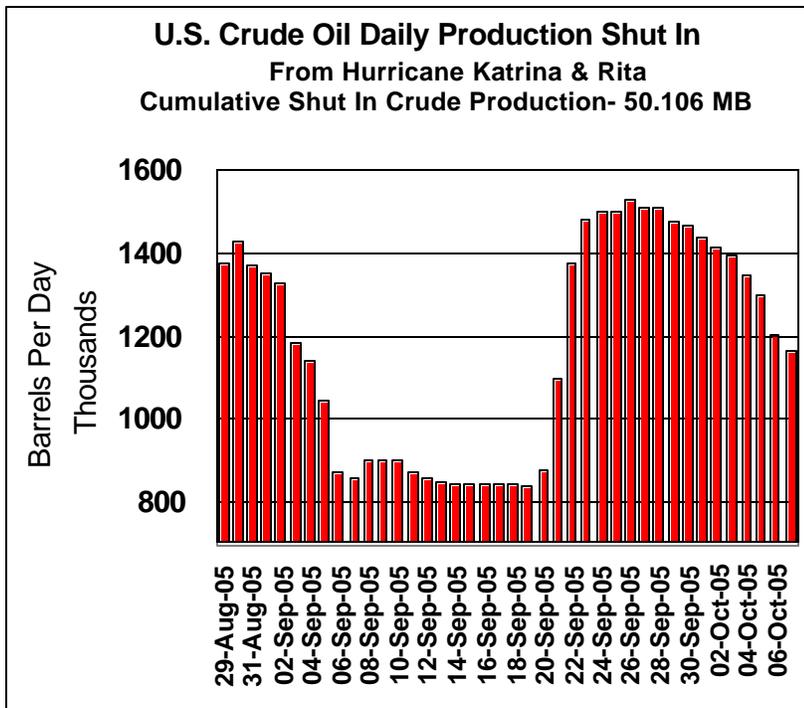
Workers at Total's 328,000 bpd Gonfreville refinery voted to continue their strike until Monday when further meetings are planned.

Refinery rates are still declining at BP's 207,000 bpd Lavera refinery in France due to a port workers' strike. BP said the refinery would continue to operate until early next week. France's Port Authority of Marseille said the strike was blocking 27 oil and five gas tankers offshore the Fos-Lavera refinery hub. Meanwhile, Shell's 126,000 bpd Berre L'Etang refinery in Marseille was operating at normal rates as of Thursday evening. Shell has stated that production at the refinery could be affected if the port workers' strike is extended. Oil companies said that six refineries in France, Germany and Switzerland, with a combined capacity of 1 million bpd could be forced to reduce output or shut down next week unless Marseille dockworkers end a blockade of the port.

Saudi Aramco unexpectedly shutdown its 44,000 bpd hydrocracker at the Ras Tanura refinery, forcing it to offer prompt straight run fuel oil cargoes for export. The hydrocracker is believed to have been shut for at least four days. The refinery's other units are still operating normally.

PDVSA plans to shut a 54,000 bpd fluid catalytic cracking unit at its El Palito refinery during the first quarter of 2006 for an expansion project. The fluid catalytic cracking unit's capacity will increase to 70,000 bpd from the current capacity of 54,000 bpd. PDVSA will also shut an 18,500 bpd fluid catalytic cracking unit at the Puerto La Cruz refinery on October 21 for planned work. The maintenance work is seen lasting 45 days.

Citgo Petroleum Corp is performing extensive checks of processing units at its Lake Charles, Louisiana refinery following the restart of a boiler unit on Wednesday.



Separately, Venezuela's heavy oil projects in the Orinoco tar belt are scheduled to shutdown for work over the next nine months. Petrozuata, a project that converts 120,000 bpd of tar oil into about 110,000 bpd of synthetic crude, will shut down an upgrading plant from October 25 to November 28 for planned work. The Cerro Negro heavy oil venture also plans to shut its upgrading plant for a month in January for planned work. In June 2006, the Hamaca project plans to shut its upgrading plant for 35 days of maintenance.

Production News

The MMS continued to report improvements in Gulf of Mexico oil and natural gas production. It reported that a total of 1.163 million

bpd of crude production was shut in as Friday, down from 1.202 million bpd on Thursday. The cumulative amount of oil production shut in stood at 50.106 million barrels.

Shell Pipeline Co is restarting its subsea pipeline in the eastern Gulf of Mexico that was shut in ahead of Hurricane Katrina. It is a significant development because several large deepwater platforms, which feed into the pipeline, had to remain off line despite being able to resume production. BP's NaKika platform resumed oil production following the restart of the pipeline.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 2 to 1,481 in the week ending October 7th. It reported that the number of rigs searching for oil increased by 6 to 209 and the number of rigs searching for natural gas fell by 9 to 1,264.

The Norwegian Petroleum Directorate said the country's oil production increased to 2.57 million bpd in September from 2.51 million bpd in August.

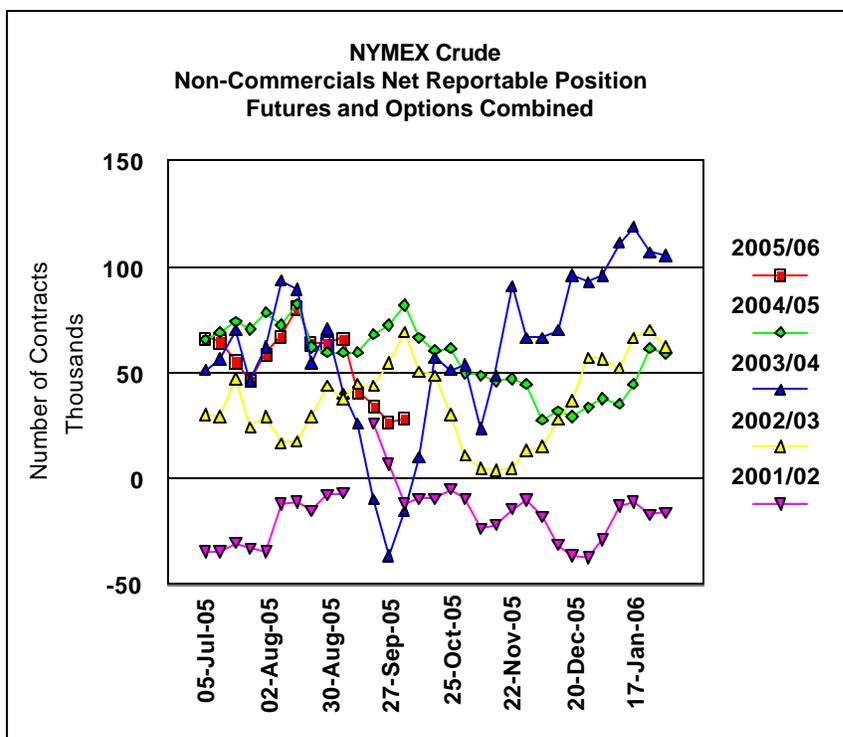
According to the Shetland Islands Council, Brent blend crude liftings from Sullom Voe increased to 304,674 tons in the week ending October 4, up from 82,791 tons reported last week.

Gas oil stocks in independent ARA storage tanks in the week ending October 6th built by 50,000 tons to 2 million tons, the highest level since the end of August. Meanwhile gasoline stocks fell by 25,000 tons to 550,000 tons while fuel oil stocks also fell by 30,000 tons to 390,000 tons on the week. Naphtha stocks increased by 15,000 tons to 90,000 tons while jet fuel stocks fell by 115,000 tons to 380,000 tons.

Russia's Energy Ministry reported that the Russian refineries' throughput in January-August increased by 6.3% on the year to 135.31 million tons. It reported that gasoline production also increased by 6.2% on the year to 21.02 million tons. Meanwhile, Russia's gasoline exports during the first eight months increased by 25.2% on the year to 3.67 million ton while its gasoil exports increased by 7.9% to 20.96 million tons and its fuel oil exports increased by 12.2% to 23.74 million tons.

Gas oil exports from the former Soviet Union ports in the Baltic Sea and the Black Sea fell by 419,000 tons or 14% in September to 2.57 million tons. Gas oil flows from the Baltic fell by 252,000 tons in September to 1.54 million tons while exports from the Black Sea fell to 1.02 million tons from 1.2 million tons in August. Meanwhile fuel oil exports increased by 275,000 tons or 7.4% to 4 million tons.

ZAO Elvay Neftegas, a joint venture of OAO Rosneft and BP said it had successfully completed drilling and testing of its second exploratory well in the Kaigansky-Vasuykansky license.



OPEC's news agency reported that OPEC's basket of crudes fell further to \$54.27/barrel on Thursday, down from \$55.86/barrel on Wednesday.

Japan's Trade Minister Shoichi Nakagawa said Japan will extend a reduction in its minimum requirement for private crude oil and oil product stocks until early November in a further contribution to an effort to ease shortages in the US. He said the cut in the stock requirement would be extended by another 30 day period after an initial 30 day cut started on September 7. The extension will expire on November 5. It cut its commercial stock level to 67 days of consumption from 70 days.

Market Commentary

The crude market ended the session in positive territory following five consecutive sessions of losses. The market however posted an inside trading day as it failed to breach Thursday's trading range. It opened 14 cents higher at 61.50 as it retraced some of its losses and settled in a sideways trading pattern for much of the day amid the light volume trading. The oil market later traded to its low of 61.10 before some short covering ahead of the weekend pushed the market to its high of 61.95. It settled up 48 cents at 61.84. Volume in the crude was light with 183,000 lots booked on the day. Similarly, the heating oil market also posted an inside trading day. The market opened relatively unchanged at 195.00 and settled in a sideways trading range from 195.75 to 193.50. However the market later in the session, breached its support and posted a low of 193.00 only to see some short covering, push the market to its high of 196.50 ahead of the close. The heating oil market settled up 94 cents at 196.01. Meanwhile, the gasoline market settled in negative territory after it sold off sharply late in the session. The market traded to a high of 185.50 early in the session and continued to trade within Thursday's trading range before the market breached its support and posted a low of 178.50. It retraced some of its losses ahead of the close but still remained in negative territory. Volumes in the product markets were good with 51,000 lots booked in the heating oil and 61,000 lots booked in the gasoline market.

According to the latest Commitment of Traders report, non-commercials in the crude market increased their net short positions by 922 contracts to 27,251 contracts in the week ending October 4th. The combined futures and options report however showed that non-commercials in the crude market increased their net long position by 1,870 contracts to 28,802 contracts on the week. The non-commercials in the product market increased their net long positions. Non-commercials in the heating oil market increased their net long positions by 223 contracts to 5,146 contracts while non-commercials in the gasoline market increased their net long position by 1,449 contracts to 20,145 contracts on the week. However, given the markets' continued sell off, non-commercials have likely cut their net long positions.

Even though, the market ended in positive territory, the market still has some room to the downside. Barring any news, the market on Monday is seen continuing to trend lower after it posted an inside trading day during today's session. The market is seen finding support at 61.10 followed by 60.70 and 60.60. More distant support is seen at 60.00 and 59.05. Meanwhile resistance is seen at 61.95

followed by its gap from 62.10 to 62.60. More distant resistance is seen at 63.50, 64.40 and 64.80.

Technical Analysis		
	Levels	Explanation
CL 61.84, up 48 cents	Resistance 63.50, 64.40, 64.80 61.95, 62.10 to 62.60	38%, 50% retracement (68.10 and 60.70), Wednesday's high Friday's high, Remaining gap
	Support 61.10, 60.70, 60.60 60.00, 59.05	Friday's low, Previous lows Previous lows
HO 196.01, up 94 points	Resistance 201.49 196.50, 198.50 to 200.50	38% retracement level (218.45 and 191.00) Friday's high, Remaining gap
	Support 193.00, 191.00 187.00, 186.60	Friday's low, Thursday's low Previous lows
HU 182.92, down 1.13 cents	Resistance 195.35 185.50, 186.00 to 190.00	38% retracement (221 and 179.50) Friday's high, Remaining gap
	Support 180.00, 178.50 177.00, 175.00	Friday's low Previous lows