



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 10, 2005

The executive director of the IEA, Claude Mandil, said the world's oil supply is not peaking. He said current shortage concerns could be addressed by increasing exploration investment in the Middle East and in the countries of the former Soviet Union. He also reiterated previous calls for developing countries to improve their energy related statistical data.

According to the Lundberg survey, retail gasoline prices increased an average of 10 cents to \$2.93/gallon in the past two weeks ending October 7.

Market Watch

In its monthly Short-Term Energy Outlook due Wednesday, the EIA is expected to cut its estimate of 2005 world oil demand by upwards of 400,000 bpd to about 83.73 million bpd. Top EIA analysts believe that high prices have hurt and will continue to pressure demand.

Rates for crude oil tankers in the Caribbean are rising amid a small number of available vessels as refiners seek to secure crude for the second half of October. Lingering damage to US refineries by Hurricanes Katrina and Rita has left some previously booked ships in the Gulf of Mexico without buyers. Others are facing such logistical hurdles as finding an available dock or storage tank because several large marine terminals in Texas and Louisiana either have not returned to normal operations or are booked solid.

Refinery News

According to the EIA, about 2.1 million bpd in US refining capacity remains offline, accounting for about 900,000 barrels in lost daily gasoline production due to Hurricanes Katrina and Rita. It said eight refineries were completely shut as of last Friday night. It also stated that in addition to lost gasoline production, about 500,000 bpd of distillate fuel and 200,000 bpd of jet fuel production is lost.

Valero Energy Corp began to restart a sulfur unit at its Port Arthur, Texas refinery following a shutdown of the whole refinery ahead of Hurricane Rita's arrival. The restart process is seen taking a week until October 14.

Big West Oil has delayed its seasonal maintenance for one week at its Bakersfield, California refinery. The turnaround is scheduled for October 27 to November 19. It will perform maintenance on a crude unit, hydrotreater, hydrocracker, coker and reformer unit.

Shell Oil Co is undergoing planned maintenance at its 136,000 bpd refinery in Anacortes, Washington. Turnaround started on September 27 with the shutdown of a distillate hydrotreater.

Workers at Total's 328,000 bpd Gonfreville refinery voted on Monday to continue their strike until Wednesday. Workers serving the oil sector at France's port of Marseille will resume work later on Monday after they suspended a 13 day strike. Earlier, France's 207,000 bpd Innovene oil refinery and chemicals complex at Lavera near Marseille is running at minimum rates due to a strike by port workers. Local port agents said the number of oil, gas and petrochemical tankers delayed by the Fos-Lavera port strike has increased to 45 vessels. There are 30 tankers that haul crude and refined products, 10 petrochemical tankers and five gas carriers delayed at the port.

Separately, Total was restarting its Donges refinery after it briefly lost power on Monday. It said a problem with the local electricity grid caused the 231,000 bpd refinery to lose power.

Saudi Aramco is expected to reopen a 44,000 bpd hydrocracker at Ras Tanura refinery on October 24 following maintenance. The unit was shutdown for repairs on September 30.

India's refining capacity is expected to increase to 8.7% to 138.47 million tons a year by April 1, 2006.

Belarus' Statistics and Analysis Ministry stated that crude oil processing of Belarus' two refineries increased by 7.2% on the year to 14.555 million tons in January-September.

Production News

Chevron Corp said it would proceed with production on the Blind Faith field in the deep water Gulf of Mexico, with first production set for the first half of 2008. The field potentially holds 100 million barrels of oil equivalent.

The November Brent loading program for North Sea Brent crude scheduled the loading of 14 cargoes totaling 7.03 million barrels, up from 5.8 million barrels in October.

The November loading program for North Sea Statfjord crude scheduled the loading of 10.26 million barrels, unchanged on the month. The Oseberg crude system has scheduled the loading of 8.45 million barrels, down from 9.7 million barrels in October.

Denmark's North Sea DUC oil stream is scheduled to load 220,000 bpd in November, down from 232,000 bpd in October.

Russia's main Black Sea export terminal of Novorossiisk remained shut on Monday after it was closed on Sunday due to strong winds.

Russia's Federal Customs Service reported that Russian companies' oil product exports to countries outside the Commonwealth of Independent States increased by 17.1% on the year to 60.92 million tons in January-August. Total oil product exports amounted to 62.969 million tons in the period.

The Azerbaijan International Operating Co increased its oil production by 83.41% on the year to 8.705 million tons in January-August. It said oil exports from Azerbaijan increased by 33.24% on the year to 8.687 million tons in January-September. Socar's oil exports via the Baku-Novorossiisk pipeline were down to 1.175 million tons in January-September from 1.985 million tons last year.

Georgia's Black Sea port of Batumi increased crude and refined products shipments by 39% in the first nine months of 2005 due to increased Azeri crude volumes. Its shipments increased to 6.858 million tons from 4.938 million tons in January-September 2004. In September alone, crude shipments totaled 636,000 tons, up from 469,000 tons in August.

Kuwait Petroleum Corp has set its crude oil official selling price at \$3.10/barrel below the average of Oman and Dubai assessments for November term supply to Asia. It is down 10 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes fell by 55 cents/barrel to \$53.72/barrel on Friday. It also reported that the basket of crudes fell \$1.08/barrel to \$56.55/barrel in the week ending October 6th.

Market Commentary

The oil market settled slightly lower after the market erased its earlier losses on thin trading due to the Columbus Day holiday. The market opened 59 cents lower at 61.25 as it gave up some of Friday's gains. The market was pressured during today's session after it failed to breach its previous trading range on Friday and posted an inside trading day. The November crude contract breached Friday's low and extended its losses to \$1.49 as it posted a low of 60.35. The market however bounced off its low and erased its losses as it posted an intraday high of 62.00 ahead of the close. It settled down just 4 cents at 61.80. Volume was moderate with 199,000 lots booked on the day. The gasoline market however settled down 2.86 cents at 180.06. The market opened down more than 3 cents at 179.80 and quickly settled in a sideways trading pattern. It however breached its support and sold off to a low of 199.95. The gasoline market however bounced off its low and traded back above the 180.00 level ahead of the close. Unlike the crude and gasoline markets, the heating oil market settled in positive territory. The market traded to a high of 19 6.00 and settled in a sideways trading pattern before further selling late in the session pushed it to a low of 190.50. However the market bounced off its low and rallied to a high of 197.50 ahead of the close. It settled up 1.17 cents at 197.18. Volumes in the product markets were light with 44,000 lots booked in the gasoline and 46,000 lots booked in the heating oil market.

The crude market is seen trading sideways as traders will seek further direction from the weekly petroleum stock reports due on Thursday. The market, which failed to test its support at the 60.00 level, technically looks oversold. It is seen finding support at 61.50, 61.00 followed by 60.35 and 60.00. Meanwhile resistance is seen at 62.00, 62.10 to 62.60 followed by 63.31, 64.22 and its gap from 64.80 to 64.99.

Technical Analysis		
	Levels	Explanation
CL 61.80, down 4 cents	Resistance 63.31, 64.22, 64.80 to 64.99 62.00, 62.10 to 62.60	38%, 50% retracement (68.10 and 60.35), Remaining gap Monday's high, Remaining gap
	Support 61.50, 61.00 60.35, 60.00, 59.05	Monday's low, Previous lows
HO 197.18, up 1.17 cents	Resistance 201.18, 204.48 197.50, 198.50 to 200.50	38% and 50% retracement level (218.45 and 190.50) Monday's high, Remaining gap
	Support 195.75, 193.75, 192.00 190.50	Monday's low
HU 180.06, down 2.86 cents	Resistance 186.00 to 190.00 182.00, 185.50	Remaining gap Monday's high
	Support 178.50, 177.00 175.00	Monday's low Previous low