



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 11, 2005

The IEA revised down its world oil demand growth forecast for 2005 by about 7%, citing the impact of Hurricanes Katrina and Rita. It also cut its expected demand growth forecast for the third quarter by 25%. World oil demand in 2005 is expected to increase by 1.26 million bpd to 83.4 million bpd. However the growth rate was cut by 90,000 bpd from its September assessment. It also revised down its 2006 oil demand growth forecast by 100,000 bpd to 1.75 million bpd. The IEA also stated that Chinese apparent demand growth for 2005 is mostly unchanged and expected to grow 3.2% this year to 6.6 million bpd. However demand growth is expected to rebound to 7% in 2006 to 7.1 million bpd. The IEA stated that US refinery system outages following

Hurricane Katrina and Rita could make product shortages difficult to offset. It said the absence of a normal seasonal build in heating oil inventories is of concern should the winter season prove colder than average. The tightening in the product market could subsequently spill over into next year as the postponement of some fall refinery maintenance will lead to a heavier maintenance schedule in 2006. The IEA said that by the end of October, additional oil made available to the market in response to Hurricane Katrina will total 54 million barrels. It said that crude accounts for about 68% of the total while gasoline accounts for 16% and middle distillates accounts for 13%. The IEA cut non-OPEC supply growth by 330,000 bpd to 170,000 bpd this year but anticipated a recovery to 1.3 million bpd in

Market Watch

Private forecaster AccuWeather said it expects this winter to be colder than normal in the US Northeast. Overall, New England will be the hardest hit with a cold and snowy winter expected. The forecast said temperatures in the Northeast could be as much as 3.5 degrees Fahrenheit colder than normal, while most other regions, including the Southwest, interior West and Midcontinent, will be warmer than normal.

Exxon Mobil's President Rex Tillerson said crude oil prices are unlikely to remain at record levels in the long term. He said Exxon Mobil was not encountering any difficulty in keeping its large network of refineries flowing with oil.

Saudi Arabia's central bank governor, Hamad al-Sayyari, said high oil prices are probably impacting world economic growth and consumer countries should do more to encourage investment in the oil industry. US Treasury Secretary John Snow, who will attend a meeting of G20 finance ministers and central bankers including Sayyari said prices are way too high. Saudi Arabia's central bank governor said a shortage of refining capacity, not crude production, is driving prices higher and blamed what he said was unfair taxation of the oil industry by many industrialized countries.

Austria's central bank governor Klaus Liebscher said a further rise in oil prices is the biggest inflation risk for the euro zone.

2006. The call on OPEC crude this year and next has been raised by 300,000 bpd to an average of 28.4 million bpd.

According to Euroilstock, total crude and product stocks increased by 2.86 million barrels to 1.136 billion barrels. Distillate stocks fell by 3.45 million barrels in September to 371.1 million barrels. However distillate stocks is still 10.63 million barrels higher than a year ago. It reported that gasoline stocks were stable at 139.57 million barrels but 5.96 million barrels higher on the year. Crude stocks increased by 7.08 million barrels on the month to 489.54 million barrels. Europe's refineries took in 12.55 million bpd of crude in September, up 250,000 bpd on the month.

The EIA reported that the US average retail price of diesel increased by 0.6 cents/gallon to a record \$3.15/gallon in the week ending October 11th.

Refinery News

Total's Port Arthur, Texas refinery is restarting several processing units on Tuesday following a shutdown of the entire refinery ahead of Hurricane Rita. It is resuming normal operations in 7-10 days. The restart follows the restoration of electrical power by Entergy Corp.

Citgo Petroleum restarted several units over the weekend at its 410,000 bpd Lake Charles, Louisiana refinery. It restarted two crude distillation units, a fluid catalytic cracking unit and two delayed coking units.

Valero Energy Corp said it expected its 250,000 bpd Port Arthur, Texas refinery to resume operations by the end of the week. It is in line with its original time estimates to make repairs and restart the refinery. Separately, Valero has started maintenance on a 47,000 bpd coker unit, a 20,000 bpd hydrocracker and a 28,000 bpd distillate hydrotreater at its Delaware City refinery. It also stated that it delayed maintenance at its Corpus Christi, Texas refinery from September to October. It is scheduled to perform maintenance on a 36,000 bpd hydrocracker unit seen lasting 18 days. It is also scheduled to perform maintenance on a 55,000 bpd catalytic cracking unit, a 9,500 bpd alkylation unit and a 104,000 bpd crude unit at its McKee refinery in October. Also a diesel hydrotreater is scheduled to undergo maintenance at its Paulsboro, NJ refinery in October and November.

The Justice Department stated that Exxon Mobil Corp will spend \$571 million to install pollution reduction equipment on seven US refineries in a settlement with the US government.

Royal Dutch/Shell said crude oil is being delivered to its 130,000 bpd Berre refinery in France as the blockade of Marseille port was suspended. The refinery is however operating at slightly reduced output while the de-bottlenecking of the port takes place. France's 207,000 bpd Innovene refinery at Lavera is expected to start increasing its production by the end of the week. Labor unions decided to resume work and the oil terminal reopened on Monday night but it appears the strike is only being put on hold. The labor unions said they would review the situation in two weeks. Meanwhile, the strike involving workers at Total's 328,000 bpd Gonfreville refinery is scheduled to continue until Wednesday.

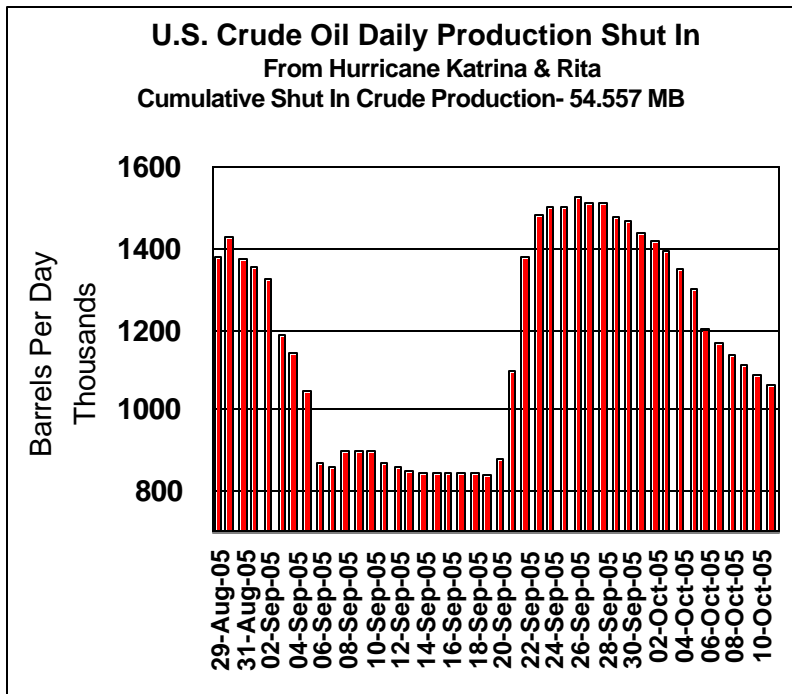
China's West Pacific Petrochemical Co Ltd will resume diesel exports in November and December to compensate for sharply lower overseas sales of kerosene. It plans to export 40,000 tons of diesel each month in November and December.

South Korea's SK Corp is cutting runs at its 850,000 bpd refinery in Ulsan to 93.5% of capacity in November. Average runs for November will be adjusted to 795,000 bpd.

Production News

According to the MMS, shut in oil production in the Gulf of Mexico continued to show improvement over the long weekend. It reported a total of 1.063 million bpd of crude oil production shut in as of Tuesday, down from 1.163 million bpd on Friday.

Shell Pipeline reported an increase in crude oil flowing through its US Gulf of Mexico pipelines on Monday and expects the rates to continue increasing as more production returns on line. In the eastern Gulf, Na Kika and Petronius have resumed production and total flow rates of the eastern Gulf is currently 120,000 bpd. In the western Gulf, Amberjack is fully operational and flowing. Current total flow rate out of the western Gulf of Mexico is about 260,000 bpd.



Explorer Pipeline expects its Lake Charles, Louisiana origination point to resume operations on Tuesday with product moving on the Louisiana-Texas line by Thursday and its Port Arthur, Texas operations fully operational by the end of the week. Explorer expects to receive products from Lake Charles area refineries on Thursday. It said its main Houston-Tulsa pipeline segment should be running at 75% of capacity by the end of the week.

Chevron Corp has restarted output at its Genesis and Petronius offshore platforms in the US Gulf of Mexico. The company said its onshore fields that produce Light Louisiana Sweet grades are in the process of being repaired following damage from Hurricane Katrina.

Louisiana's Department of Natural Resources said restored crude oil production in Louisiana stood at 46,069 bpd or 22.7% of normal, up from 43,592 bpd or 21.5% on Monday. It said there was still 157,070 bpd of crude production shut in.

According to USA Today, Iraq's oil production has fallen below prewar levels to its lowest production level in a decade. It is producing about 1.9 million bpd. It said that from January through August, Iraq produced an average of 1.864 million bpd, down from the average daily production in 2004 of 2.07 million bpd.

Separately, an Iraqi oil official said Iraq has cut the official selling price for its Basra Light crude oil for shipment to the US and Asia but raised the price to European customers. SOMO has set the November price of Basra Light to US buyers at a discount of \$10.90 to the second month WTI contract, down 65 cents from the October price of WTI minus \$10.25. SOMO set the price of Basra Light to Asian buyers at the average of Oman/Dubai minus \$2.85/barrel, down 20 cents on the month. The price of Basra Light bound to Europe was set at Dated BFO minus \$8.80/barrel, up from minus \$9.35/barrel in October.

The UK North Sea loading plan for the Brent, Forties and Oseberg crude oil streams show daily loadings at 1.1 million bpd for November, up from 1.04 million bpd in October. Meanwhile, the North

Sea Forties crude stream is scheduled to load 585,000 bpd in November, up from 535,000 bpd in October. Separately, the November loading program for North Sea Ekofisk scheduled the loading of 18.5 million barrels, up from 17.2 million barrels in October.

The UK North Sea Flotta crude system has scheduled the loading of 87,000 bpd for November, up from 81,000 bpd in October. Meanwhile, Norway's North Sea Troll crude system has scheduled the loading of 307,000 bpd for November, up from 284,000 bpd in October.

An Iranian oil official said Iran has shut down the Soroush and Nowruz oil fields to allow Royal Dutch Shell to carry out repairs. The official said Shell decided to carry out repairs due to marketing problems with selling the heavier crude from the fields.

The Caspian Pipeline Consortium, pumping oil from Kazakhstan and Russia to the Black Sea said its exports fell in September by 2.4% from August. It said crude shipments stood at 2.4 million tons in September or 624,556 bpd, down from 640,124 bpd in August and 653,153 bpd in July.

Russian Railways transported 165.265 million tons of crude oil and products in January-September or 4% on the year. Russian Railways projects its crude and oil product shipments to increase 1-1.5% annually to 225 million tons by 2008.

Russia's main Black Sea export terminal of Novorossiisk reopened on Tuesday after being closed since midday on Sunday due to strong winds.

South Korea's Samsung is expected to build four ice-class 70,000 ton tankers for Russia's Lukoil to help it export crude from the Arctic to Western markets.

The Turkish government favors a pipeline from its Black Sea coast at Samsun to its Mediterranean oil terminal of Ceyhan as an alternative route for Russian crude exports. The Turkish government is looking to reduce the volume of crude that passes through the straits, which it sees as unsustainable due the danger of accidents and spills. The projected capacity of the Samsun-Ceyhan pipeline would be 1.6 million bpd of crude oil.

Total SA dismissed media speculation that it had ditched plans to expand the Sincor heavy oil project in Venezuela. Press reports said that Total and ConocoPhillips had abandoned plans to expand the Sincor project over a dispute on changes in the way the country plans to develop its heavy oil sands reserve.

China's General Administration of Customs reported that China imported 10.85 million tons of crude oil in September, up 4.8% on the year. In the first nine months of the year, China imported 93.96 million tons of crude, up 4% on the year. It imported 2.76 million tons of oil products, up 10.6% on the year.

In a report filed with the US Securities Exchange Commission, PDVSA's oil production fell by 643,000 bpd between 2001 and 2003 due to a strike. It produced an average of 2.451 million bpd in 2003, down from 3.094 million bpd two years earlier.

Petroecuador exported 136,805 bpd of crude oil in September, up 22% from 111,975 bpd in August.

OPEC's news agency reported that OPEC's basket of crudes increased to \$53.97/barrel on Monday, up from Friday's \$53.72barrel.

Market Commentary

The oil market gapped higher this morning from 62.00 to 62.45, its intraday low, in light of the IEA report stating that demand would remain resilient. It reported that while it cut its world demand growth estimates for 2005, demand growth in 2006 is expected to rebound. The crude market quickly retraced more than 38% of its move from a high of 68.10 to a low of 60.35 as it traded to a high of 63.40 early in the session. The market however settled in a mostly sideways trading pattern from 62.60 to 63.40 before it rallied to its high of 63.60 ahead of the close. It settled up \$1.73 at 63.53. Volume in the crude was much better with over 224,000 lots booked on the day. The product markets also ended the session in positive territory, with the gasoline market settling up 3.26 cents at 183.32 and the heating oil market settling up 4.61 cents at 201.79. The gasoline market opened close to 2 cents higher at 182.00 and quickly rallied to a high of 184.00. It however erased its gains and sold off to a low of 180.00, where it held good support. It bounced off its low and traded back towards its high ahead of the close. Meanwhile, the heating oil market was well supported by a private weather forecast calling for colder than normal winter in the Northeast. The market gapped higher from 197.50 to 199.00, which it later backfilled as it posted a low of 198.25. However the market remained supported and rallied to a high of 202.25 ahead of the close amid the weather forecast. Volumes in the product markets were better with 56,000 lots booked in the gasoline and 49,000 lots booked in the heating oil.

The crude market will remain within its recent trading range as traders await the release of the weekly petroleum stock reports on Thursday. The market posted an island reversal as it gapped higher and settled on its high. Stochastics are also ready to cross to the upside after it found support near the 60.00 level on Monday. The market is seen finding support at 62.90 followed by its gap from 62.45-62.00 and 61.00.

Meanwhile resistance is seen at its high of 63.60 followed by 64.22, 64.80-64.99 and 65.14.

Technical Analysis		
	Levels	Explanation
CL 63.53, up \$1.73	Resistance 64.22, 64.80 to 64.99, 65.14 63.60	50% retracement (68.10 and 60.35), Remaining gap, 62% Tuesday's high
	Support 62.90 62.45 to 62.00, 61.00	
HO 201.79, up 4.61 cents	Resistance 204.48, 207.77, 209.00 202.25	50%, 62% retracement (218.45 and 190.50), Previous high Tuesday's high
	Support 200.00 198.25 to 197.50, 195.00	
HU 183.32, up 3.26 cents	Resistance 186.00 to 190.00 184.00, 185.50	Remaining gap Tuesday's high, Previous high
	Support 180.00 177.00, 176.50, 175.00	