



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 14, 2005

Saudi Arabia's King Abdullah said he is working to cut high oil prices. In his first interview since coming to power, he stated that Saudi Arabia was producing over 10 million bpd.

Democratic Rep. Edward Markey of Massachusetts has asked the Bush administration to explain why it would not tap the government's emergency heating oil stockpile, even though the price trigger was met to give the administration the option to tap the reserve. The 2 million barrels in the heating oil reserve would give Northeast consumers adequate supplies for about 10 days, the time required for ships to carry heating fuel from the Gulf of Mexico to New York Harbor.

Separately, Energy Secretary Sam Bodman said the Energy Department has not received any new requests from oil refineries to borrow crude from the SPR. It has already agreed to loan refineries some 13.2 million barrels of oil. Also, 11 million barrels of oil from the stockpile were sold directly to oil companies. The Energy Secretary also stated that there is no reason to tap the heating oil reserve. The Bush administration has declined to tap into the reserve because it believes heating oil supplies are currently adequate.

Market Watch

Refco, LLC a unit of Refco Inc continues to meet all its obligations at the NYMEX and is in good standing, according to a NYMEX statement. This follows reports that the company's former chairman and chief executive, Phillip Bennett was charged with securities fraud on Wednesday. He was accused of hiding at least \$430 million in bad debts. The NYMEX said all customer positions and funds held by Refco, LLC were segregated from firm assets in compliance with Commodity Futures Trading Commission regulations and NYMEX rules. The NYMEX said it has restricted the withdrawal of any capital, including any excess capital, by Refco LLC, without NYMEX's prior approval. Refco has halted activities at its Refco Capital Markets unit, a fixed income, equities and foreign exchange brokerage, for 15 days and frozen its accounts. Also, Refco Securities, LLC said it was unwinding clients' and its own positions.

European Monetary Affairs Commissioner Joaquin Almunia said the high price of oil is not having second round effects on inflation in Europe so far. He said high oil prices cut euro zone growth by 0.3 to 0.4%.

Japan's Finance Minister Sadakazu Tanigaki said rising price of oil is the biggest worry for the global economy. He is expected to attend a meeting of finance ministers and central bank governors of the Group of 20 countries this weekend, during which oil and Chinese currency reform are expected to be the focus.

Refinery News

Chevron Corp has restarted its 325,000 bpd Pasgacoula, Mississippi refinery which was shutdown prior to Hurricane Katrina.

Citgo's refineries along the US Gulf Coast are increasing production and should be back to normal within two weeks. Its 425,000 bpd Lake Charles, Louisiana refinery is running at about 50% and should reach full production in one to two weeks. Its joint venture Lyondell-Citgo refinery in Houston should reach full capacity of 270,000 bpd in four days after runs were cut by 50% due to pipeline problems after Hurricane Rita. Citgo's CEO Felix Rodriguez said Venezuela was also sending 1.6 million barrels of gasoline to help stabilize the US market.

Westlake Chemical Corp said its olefins petrochemical complex in Lake Charles, Louisiana has been restarted.

Big West Oil has cancelled its planned extensive turnaround at the 70,000 bpd refinery in Bakersfield, California. Crude, coker, hydrotreater and hydrocracker maintenance was scheduled from October 27 to November 19.

Royal Dutch Shell said that intake and production at its 130,000 bpd Berre L'Etang oil refinery in France returned to normal after operating below capacity due to the blockade at the port of Marseille. Meanwhile the force majeure on ethylene supplies remained in place.

Separately, workers at Total's 328,000 bpd Gonfreville refinery are scheduled to vote on Friday whether to continue a strike which unions are threatening to widen to other plants if management fails to resolve the wage dispute soon.

Japan Energy Corp said it delayed the restart of a 44,000 bpd gasoline desulphurization unit at its Mizushima refinery by about a month due to technical problems. It will not restart the unit until early November.

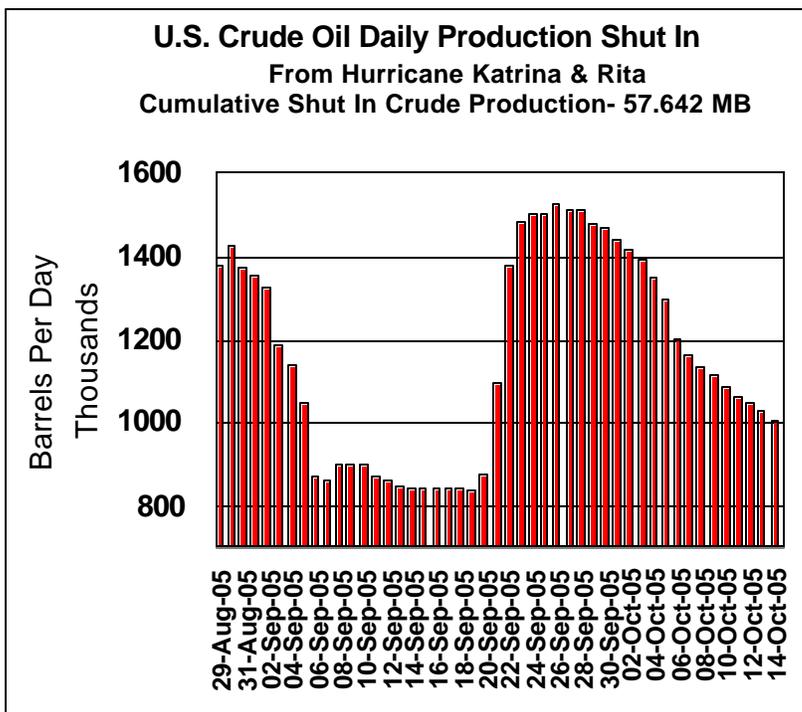
Production News

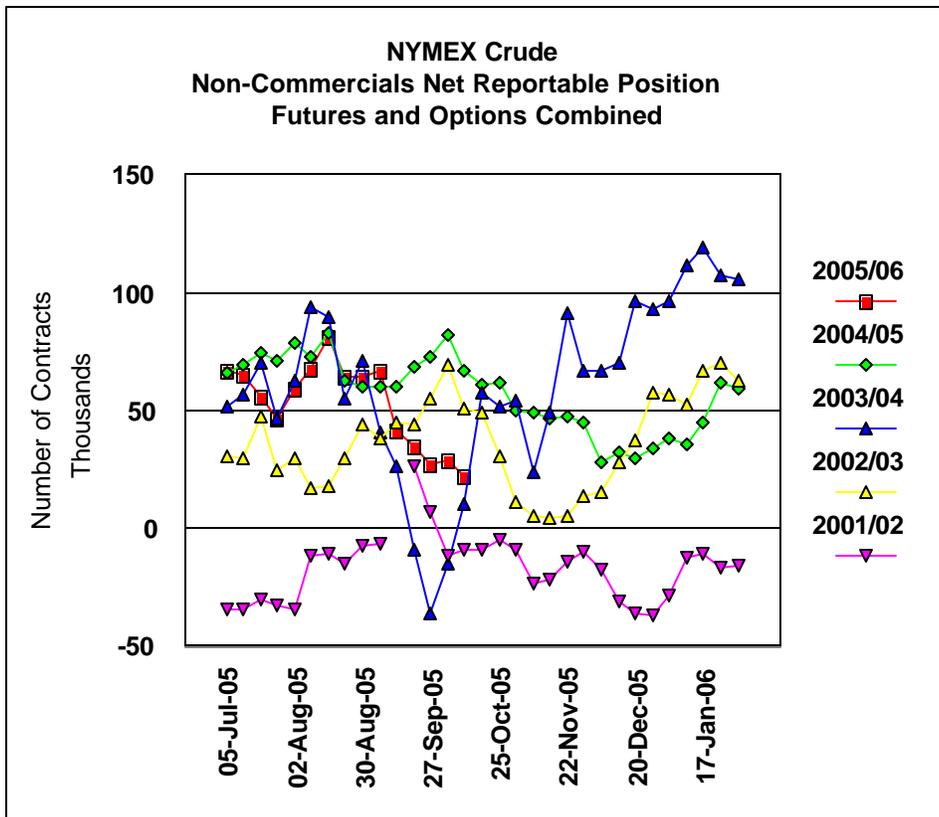
PDVSA resumed talk of sabotage at western oil fields after the main valve of an inactive natural gas well leaked. It said it quickly controlled the gas leak and it suspects the valve was opened intentionally. The National Guard will investigate the gas leak with PDVSA but has not yet blamed it on sabotage.

According to the MMS, shut in oil production stood at 1.009 million bpd on Friday, down from 1.031 million bpd reported on Thursday.

Louisiana's Department of Natural Resources said restored crude oil production in Louisiana was 25.75% of normal on Friday, up from 23.5% on Thursday. It said output stood at 52,313 bpd on Friday, up from 47,735 bpd on Thursday.

Enbridge Inc has chosen Kitimat, British Columbia over Prince Rupert as the endpoint of its proposed Gateway oil pipeline from Alberta. It said Kitimat is the best bet to be the





terminus of the 400,000 bpd pipeline because of its deepwater port and abundance of industrial land. Gateway is one of two proposals aimed at shipping fast growing volumes of oil sands derived crude to the West Coast, where it could be loaded on to tankers and sent to Asia as well as to the US West Coast.

Meanwhile, Altex Energy Ltd said it plans to build a crude pipeline to the US Gulf Coast from Alberta to compete with other proposals. It said its pipeline with an initial capacity of 250,000 bpd would help expand the market for Canada's oil sands, from which oil

output is scheduled to nearly triple over the next 10 years.

Gas oil stocks in independent ARA storage tanks fell over the past week as shipments from Asia were diverted west. Gas oil inventories fell by 100,000 tons to 1.9 million tons in the week ending October 13th. The fall in inventories was in part due to gas oil from South Korea, which had been bound for northwest Europe was instead diverted to Colombia as the arb to the US and Caribbean looked more favorable. Meanwhile gasoline stocks fell by 30,000 tons to 520,000 tons while naphtha stocks fell by 15,000 tons to 75,000 tons. Fuel oil stocks increased by 90,000 tons to 480,000 tons while jet fuel stocks fell by 30,000 tons to 350,000 tons.

Norway's outgoing government lowered its forecast for 2006 oil and gas production by 6% on Friday because oil production would not meet earlier expectations. It estimated oil and gas output would total 256.3 million standard cubic meters of oil equivalent in 2005 and increase next year to 260.4 million. Its estimates are down from its previous estimates of 264 million for 2005 and 277 million for 2006.

Russia's Federal State Statistics Service reported that crude oil production increased by 2.2% on the year in Russia to 309.7 million tons in January-August. In August, oil production totaled 40 million tons, up 0.8% on the year and up 0.5% on the month. Russian refineries processed 135.8 million tons of oil in January-August, up 5.9% on the year while its oil refining in August totaled 17.9 million tons, up 6.2% on the year. Russia's oil exports in January-August fell 1.7% on the year to 167.2 million tons while in August, its exports totaled 20.4 million tons, down 9.4% on the year.

Russian Industry and Energy Minister Viktor Khristenko said no gasoline price increases are expected before the end of the year.

Russia's Sibneft is expected to cut its oil production by about 5% this year. It produced 34 million tons or 680,000 bpd in 2004.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$55.23/barrel on Thursday, down from \$55.37 on Wednesday.

Indonesia's fuel subsidy bill will fall almost 40% to 54.3 trillion rupiah or \$5.36 billion in 2006 under a target agreed by a working party on the budget. The 2006 subsidy target indicated there would be no need to further increase domestic fuel prices.

According to Ecuador's central bank, the country's average oil production increased by 1% to 527,065 bpd in the first eight months of the year, up from 522,754 bpd reported last year.

Mexico's Pemex is close to forming an alliance with Brazil's Petrobras to share information and technology related to deep water exploration. It said that under the first phase of the alliance, Petrobras would give Pemex technology to help it explore for oil in deep waters of the Gulf of Mexico while Pemex would give Petrobras information about its reserves and deposits. In the second phase, the companies would work together on exploration and production.

Market Commentary

The energy complex saw a recovery in prices late in the session on short covering ahead of the weekend. On the opening, the oil market gapped lower from 62.45 to 61.90 and partially backfilled it as it traded to 62.15. However the market continued to trend lower and extended its losses to over \$1.80 as it posted a low of 61.20. The market settled in a sideways trading pattern before some late short covering allowed the market to see a sharp recovery ahead of the close. The market traded to a high of 62.70 by the close and settled down 45 cents at 62.63. Volume in the crude market was good with over 234,000 lots booked on the day. Similarly, the product markets also posted a recovery with the gasoline market leading the way. The gasoline market gapped lower this morning from 174.50 to 168.50 in follow through selling seen in overnight trading on Access. The market quickly posted an early high of 170.50 before it continued to sell off to a low of 165.00. The gasoline market later retraced some of its losses and settled in a sideways pattern before further short covering ahead of the weekend pushed the market to its high of 175.50 ahead of the close. It settled down just 93 points at 174.86 after seeing losses of over 10 cents earlier in the day. Meanwhile, the heating oil market also gapped lower from 196.00 to 192.30 and sold off to a low of 190.25 early in the session before it posted a recovery of over 5 cents late in the session. The market rallied to a high of 196.00 and settled down 4.69 cents at 195.00.

Volumes in the product markets were slightly lighter today with 47,000 lots booked in the gasoline and 46,000 lots booked in the heating oil market.

Technical Analysis		
	Levels	Explanation
CL Resistance 62.63, down 45 cents Support	64.15, 64.70, 64.80-64.99 62.70	Thursday's high, Previous high, Remaining gap Friday's high
	62.00 61.20, 60.35	Friday's low, Previous low
HO Resistance 195.00, down 4.69 cents Support	201.00, 203.00, 204.35 196.00	Previous highs, 50% retracement (218.45 to 190.25) Friday's high
	194.25, 193.50 190.25, 187.00	Friday's low, Previous low
HU Resistance 174.86, down 93 points Support	177.00, 183.25, 184.50 175.50	Previous highs Friday's high
	170.00, 167.00 165.00	Friday's low

The latest Commitment of Traders report showed that non-commercials continued to increase their net short positions by 13,319 contracts to 40,570 contracts in the week ending October 11th. The combined futures and options report showed that non-commercials cut their net long position by 6,517 contracts to 22,285 contracts on the week amid the market's recent sell off. Meanwhile non-commercials in the heating oil market reversed their position from a net long position of 5,146 contracts to a net short position of 896 contracts. The non-commercials in the gasoline market however increased their net long positions by 3,718 contracts to 23,863 contracts on the week.

The market is seen continuing to trade within its recent trading range as it seems to have found support at the 60.00 level. The market will likely continue to trade higher on Monday following today's sharp rally ahead of the close. Resistance is seen at 62.70 followed by more distant resistance at 64.15, 64.70 and its gap from 64.80 to 64.99. Meanwhile support is seen at 62.00 followed by its low of 61.20 and its previous low of 60.35.