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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 18, 2005

OPEC's Secretary General Adnan Shihab-Eldin said OPEC's spare capacity is likely to increase next year as the call on OPEC crude is not increasing. He said the spare capacity cushion is likely to increase to between 2.5 million and 3.5 million bpd from the current 2 million bpd. He said that demand for OPEC crude is estimated at 28.7 million bpd next year. He also stated that OPEC is expanding production capacity and adding 500,000 bpd to 1 million bpd each year until the end of 2009 or 2010 to 38 million bpd. He added that OPEC members are adding 2 million bpd or more of new refining capacity to meet rising world oil demand.

The head of the EIA, Guy Caruso warned of a substantial fuel price rally if Hurricane Wilma hits energy facilities in the Gulf of Mexico. He said there would be a significant increase in prices if there was a further disruption in supply.

Market Watch

US Federal Reserve Chairman Alan Greenspan said energy prices will weigh on world growth but will likely take a smaller toll than surging oil prices did in the 1970s. He said despite near term impact on growth, oil prices remain below their inflation adjusted peak of 1981 and the world's economy has grown more energy efficient in recent decades. He noted oil futures for distant months had moved up close to current spot prices and he said that suggested the market did not expect oil production outside OPEC countries to be adequate to meet rising world demand. He also issued a warning on refining capacity.

Senior officials from the Asia-Pacific Economic Cooperation Forum stated that high oil prices would hurt economic growth, particularly in developing nations and emphasized the need to pursue energy security and alternative sources of energy.

European Energy Commissioner Andris Piebalgs warned that the European Union can do little to prevent its dependence on oil imports rising to 90% of consumption by 2030 and should concentrate instead on curbing rising energy demand.

Refco Inc announced that it has entered into a memorandum of understanding with a group of investors led by J.C. Flowers & Co LLC for the sale of Refco's futures brokerage business conducted through Refco LLC, Refco Overseas Ltd, Refco Singapore Ltd and certain related subsidiaries and other assets. In connection with the transaction, Refco Inc and certain subsidiaries have filed for protection under Chapter 11. However, Refco's regulated subsidiaries have not filed for bankruptcy protection. The proposed purchase price of \$768 million is equal to 103% of the net capital of the acquired businesses.

According to the Labor Department, US producer prices increased in September by 1.9% due to higher oil and gas prices. The core measure, which excludes food and fuel, increased by 0.3%. Producer prices were up 6.9% for the 12 months ended in September compared with a 5.1% year over year gain the previous month.

Refinery News

Exxon Mobil said it restarted several units at its 350,000 bpd Beaumont, Texas refinery after it was shut by Hurricane Rita in late September. Exxon said the rest of the units would resume operations with about two weeks. It also stated that it has restarted 60% of its crude production and 67% of its natural gas production from the Gulf of Mexico.

Citgo Petroleum Co plans to shut a unibon unit and a sulfur recovery unit at the east plant of its 165,000 bpd refinery in Corpus Christi, Texas at the end of October for maintenance. The unibon unit is expected to be closed on October 29 to November 2 while the sulfur recovery unit is expected to shutdown on October 29 to November 5.

PDVSA is carrying out repairs at its 180,000 bpd Puerto La Cruz refinery following an explosion over the weekend. The source provided no details on the damages and the refinery's current operations. Later a company spokesman said it shut a hydro processing unit at the refinery late Saturday following an incident. He said the rest of the refinery was operating normally.

Japan's Nihonkai Oil Co said it will shut its crude distillation unit at its 60,000 bpd Toyama refinery in northern Japan from October 21 for planned maintenance. The restart date is scheduled around October 29. During the maintenance shutdown, it will also shut other units including a reformer unit.

Abu Dhabi plans to build a refinery with a capacity of 300,000 bpd in the UAE. Abu Dhabi Oil Refining Co will build the refinery in the emirate of Fujairah.

Production News

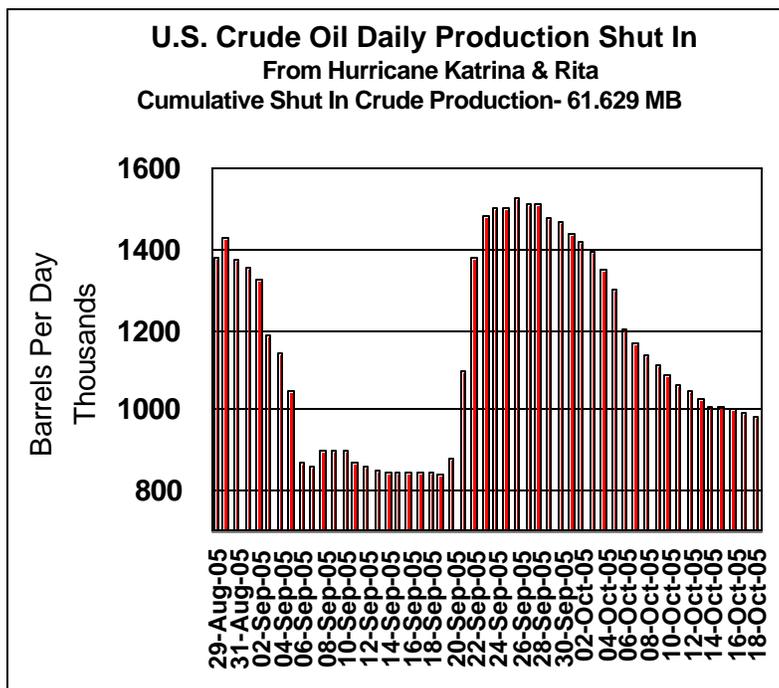
The MMS reported that a total of 982,011 bpd of crude production remained shut in on Tuesday, down from 996,291 bpd on Monday. The cumulative shut in oil production stood at 61.629 million barrels.

Louisiana's Department of Natural Resources reported that its oil production on Tuesday increased to 55,756 bpd or 27.5% of pre-storm production level of 203,138 bpd. As of Tuesday, 27% or 1,609 of the state's 5,949 wells have resumed operations.

The Asgard B oil, gas and condensate platform in the Norwegian Sea remained shut for checks on Tuesday after a weekend fire and operator Statoil said it hoped to restart production later this week. Asgard B produces 16,000 barrels of oil, 42 million cubic meters of gas and 69,000 bpd of condensate.

The 33,000 bpd Njord A oil platform in the North Sea was due to restart on Tuesday following a gas leak.

Russia's main Black Sea port of Novorossiisk reopened on Tuesday after being shut on Monday due to strong winds.



Russia's Sibneft expects its oil production to fall by 2.8% this year to 33.1 million tons or 665,000 bpd compared with 34.04 million tons last year.

Shipping companies stated that some vessel operators have imposed cargo surcharges due to low water levels on the Rhine River. Water levels at the key points of Kaub near Koblenz and at Cologne had fallen below the minimum that vessels needed to sail fully loaded.

Kazakhstan plans to introduce export tariffs on oil products on October 28. Under the ruling, the Industry and Trade Ministry should set the tariffs monthly based on the average market crude oil price submitted by the Finance Ministry. The government would set a zero tariff if the crude price does not exceed \$138/ton.

Indonesia's Pertamina is expected to defer seven gasoline import cargoes for the rest of October and also plans to reschedule oil product imports in November due to lower demand.

Thailand's PTT Exploration and Production PCL, Unocal Corp and Total have won initial approval to explore and produce oil and gas in the Gulf of Thailand.

Japan's Kawasaki Kisen Kaisha Ltd said it signed a very large crude carrier term charter contract with US Exxon Mobil Corp, starting in June 2007. It said the VLCC was likely to be used mainly for crude shipping between the Middle East and Japan.

Brazil's Petrobras said its average oil production in September increased by 2.2% on the month to 1.733 million bpd in September from 1.696 million bpd in August.

OPEC's news agency reported that OPEC's basket of crudes increased to \$55.24/barrel on Monday, up from Friday's \$54.34/barrel.

Market Commentary

The oil market opened down 76 cents at 63.60 as concerns over Hurricane Wilma eased. The market fell as the forecasts showed that Hurricane Wilma would veer away from the production regions of the Gulf of Mexico. The market remained in negative territory during the session, as it traded to a high of 64.15 early in the day. The oil market however erased some of its gains and held some support at 63.20, which

it later breached as it sold off to a low of 62.70. The market backfilled its gap as it retraced more than 50% of its move from a low of 61.20 to a high of 64.40. The November

Technical Analysis		
	Levels	Explanation
CL 63.20, down \$1.16	Resistance 64.40, 64.70, 64.80-64.99 63.30, 63.90, 64.15	Previous highs, Remaining gap Tuesday's high
	Support 62.70 62.42, 61.20, 60.35	Tuesday's low 62% retracement (61.20 and 64.40), Previous lows
HO 193.42, down 4.91 cents	Resistance 200.75, 201.00, 203.00 194.50, 195.50, 196.50	Previous highs Tuesday's high
	Support 192.10 190.25, 187.00	Tuesday's low Friday's low, Previous low
HU 173.52, down 8.01 cents	Resistance 182.00, 183.25, 184.50, 185.50 174.50, 177.20	Previous highs Tuesday's high
	Support 171.25 165.00	Tuesday's low Previous low

crude contract settled down \$1.16 at 63.20. The market was pressured despite the strengthening of the storm as it was expected to move closer to western Cuba before taking a sharp turn northeast to Florida by the weekend. Volume in the crude market was good with over 247,000 lots booked on the day. The gasoline market was the weakest as it settled down 8.01 cents at 173.52. The market opened down 5.03 cents at 176.50 and quickly posted a high of 177.20. The market however held some support at 172.25 as it settled in a sideways trading pattern before it sold off even further to a low of 171.25 ahead of the close. The heating oil market opened down 3.58 cents at 194.75 and posted a high of 196.50 early in the session. However the market retraced its gains and sold off to a low of 192.10. The heating oil market settled down 4.91 cents at 193.42. Volumes in the product markets were lighter today with 36,000 lots booked in the gasoline and 34,000 lots booked in the heating oil market.

The market on Wednesday will be driven by the DOE and API reports after the market remained in its recent trading range. The weekly petroleum stock reports are expected to show builds in crude stocks of 1.5 million barrels and draws of 1.5 million barrels in each gasoline and distillate stocks. The market is seen finding support at 62.70 followed by 62.42, 61.20 and 60.35. Meanwhile resistance is seen at 63.30, 63.90 and its high of 64.15. More distant resistance is seen at 64.40, 64.70 and a gap from 64.80 to 64.99.