



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 25, 2005

The chairman of Libya's National Oil Corp, Abdulla Salem El-Badri, said the recent fall in world oil demand is expected to be short lived. He warned that crude demand would bounce back in the next few weeks on colder than normal weather forecasts. He said oil prices are expected to remain strong for the foreseeable future with WTI remaining close to \$60.00/barrel. He also expressed concern over a lack of spare crude capacity. Separately, El-Badri said Libya continues to seek ways to expand its energy sector with foreign partners.

Traders stated that about 2.5-2.7 million tons of European gasoline was shipped to the US between mid-September and mid-October in response to US shortages of the product caused by Hurricane Katrina. They stated that

Market Watch

BP Plc chief executive John Browne expects oil prices to trade in the \$40/barrel range over the medium term, though the current tight supply-demand balance will likely keep prices strong in the fourth quarter of this year. He also stated that he expects the recent hurricanes in the US Gulf of Mexico to cut BP's production in the fourth quarter by 160,000 bpd of oil equivalent, bringing the total production in 2005 to about 4 million boe/d. He stated that BP's Thunder Horse platform, which will resume operations in the second half of 2006, was closed due to a defect in ballast design rather than the hurricanes.

According to the Saudi American Bank, Saudi Arabia's oil price is expected to average \$51/barrel through 2005 with crude output averaging 9.5 million bpd. The bank said Saudi Arabia would earn about \$163 billion in oil export revenues in 2005.

The Conference Board's consumer confidence index fell to 85 in October from 87.5 reported in September. Economists have stated that high gasoline prices and home heating bills that may rise by about \$400 this winter threaten to depress consumer spending and delay a recovery in confidence.

A Reuters poll showed the US economy is expected to advance at a healthy pace again in 2006 though growth is likely to slow in the latter part of the year and inflation will remain a concern. US GDP growth is estimated at 3.5% in 2005 on an annualized basis, down from 4.4% in 2004. In 2006 growth is seen moderating to 3.3%. Also, weak demand is expected to curb euro zone growth in 2006. Growth is expected to remain sluggish this year and next as high unemployment and rising energy costs discourage consumer spending. The poll showed euro zone gross domestic product growing by 1.3% this year, unchanged from the previous estimates.

A group led by Christopher Flowers dropped its \$768 million bid for Refco Inc's future brokerage business late Monday as new bidders emerge. It backed away after US Bankruptcy Judge Robert D. Drain indicated at a hearing that he would only approve bidding procedures for an auction of the futures business if it included a significantly lower breakup fee of \$5 million for the Flowers group and expense reimbursement of only \$1 million for the buyout group. A lawyer for Flowers said the group had already spent more than that amount and said it could not proceed further.

loadings from European ports have slowed down since mid-October, with total October loadings estimated at 1.7-1.8 million tons.

The US EPA extended an emergency waiver of diesel sulfur limits, allowing Iowa and Nebraska to sell high sulfur diesel for on-road use through November 13 due to the lingering impact of Hurricanes Katrina and Rita. The EPA also issued a waiver of the low sulfur diesel requirement for Florida to mitigate the impact of Hurricane Wilma on fuel supplies.

According to the EIA, crude oil imports in August averaged 10.341 million bpd, up from 10.256 million bpd in July. It said Mexico was the top source of US crude oil imports. Mexico supplied 1.614 million bpd in August. Canada was the second largest supplier of crude to the US with a total of 1.61 million bpd. Saudi Arabia was third at 1.444 million bpd, down from 1.499 million bpd in July.

US House Speaker Dennis Hastert and other senior Republicans urged oil companies to expand refineries and help lower gasoline prices. They said the oil industry must invest more money in refineries to produce more gasoline and distillate fuels. Analysts said Republicans, usually a defender of energy companies, are signaling that they will get involved if US industry fails to expand refineries on its own.

Refinery News

ConocoPhillips has restored power at its 238,000 bpd Bayway refinery in Linden, NJ after it lost power earlier on Tuesday afternoon. A source familiar with the situation said the power outage was caused by bad weather. However no timeline has been set for the restart.

Exxon Mobil said its 245,000 bpd Joliet, Illinois refinery was operating normally but declined to comment on whether the refinery was undergoing maintenance. Cash market traders said the refinery shut units for maintenance last week and was experiencing problems restarting the units. Talk of the problem supported cash differentials for gasoline in the Chicago market. Differentials rallied nearly 5 cents to as high as 10.50 cents over the November NYMEX gasoline futures contract on Monday.

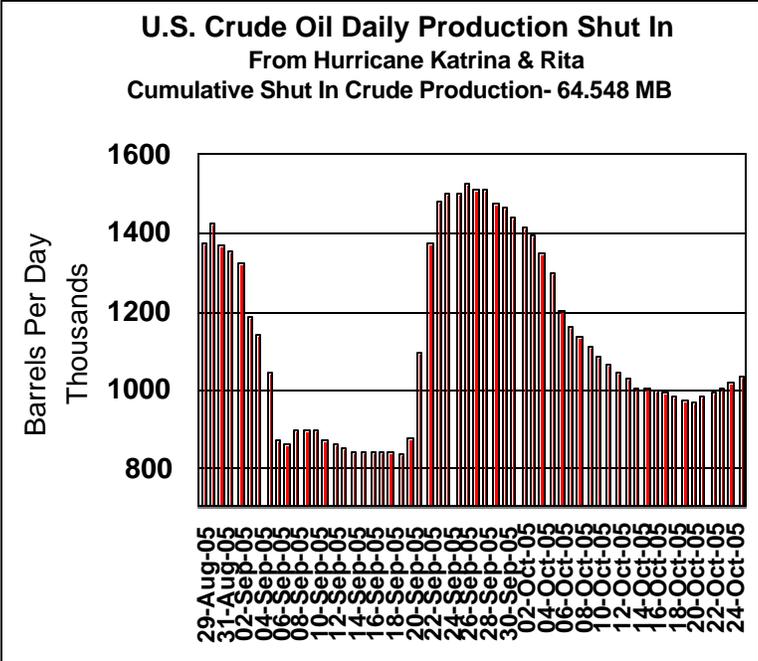
Motiva Enterprises LLC's 275,000 bpd Port Arthur, Texas refinery is expected to resume full operations by the end of the week. The refinery restarted most of its units by Tuesday after the refinery was shut ahead of Hurricane Rita and encountered problems with its internal electrical system after the storm.

Valero reported a fire at its 144,000 bpd Benicia, California refinery on Tuesday. It reported a fire in a dust control unit. No refinery unit operations were affected.

Indian Oil Corp has shut a 55,000 bpd crude distillation unit for maintenance at its Haldia refinery. The unit is expected to remain down until about the middle of November after it was shut on October 16.

Production News

According to the MMS, oil production shut in the Gulf of Mexico increased to 1.034 million bpd on Tuesday, up from 1.018



million bpd reported on Monday in the wake of Hurricane Wilma. Cumulative shut in oil production since August 26 totaled 68.551 million barrels.

Louisiana's Department of Natural Resources said onshore crude oil production in southern Louisiana has reached 68,740 bpd or 33.8% of the region's capacity.

Statoil ASA is hoping to restart production at its Aasgard field in the North Sea later this week after it was shut due to a fire. Both Statoil and the Petroleum Safety Authority are investigating the exact cause of the fire, which started in the main generator module.

The BP Plc led Baku-Tbilisi-Ceyhan oil pipeline could begin operating at the end of January. A BP spokesman said last week that the target to launch full operations by the end of the year was challenging because of extensive testing and commissioning in the Turkish section of the pipeline.

OPEC's news agency reported that OPEC's basket of crudes increased by \$0.16/barrel to \$52.63/barrel on Monday, up from \$52.47/barrel on Friday.

India's domestic refined product sales fell by 4.5% year on year in September to 8.44 million tons. Its crude oil imports fell by 20,000 tons to 8.43 million tons while refined product imports also fell by 20,000 tons to 800,000 tons in September. Meanwhile its refined products exports fell by 10,000 tons to 1.61 million tons on the month.

Nigeria's liquefied natural gas plant is expected to start producing from its two new trains shortly. The commissioning of trains four and five will increase output by 70% from 10.5 million tons per annum to 18 million tons at peak production. A sixth train, which will increase capacity to 22 million tons per annum, is due for completion late 2006.

Algeria has started to build a new liquefaction train at its Skikda liquefied natural gas plant that will replace three LNG units destroyed by an explosion in January 2004. The new train will replace the three units which had a combined annual production of three million tons.

Market Commentary

The energy complex surged in light of the first colder temperatures of the season moving into the Midwest and Northeast regions. The crude market rebounded from its previous losses and gapped higher this morning amid the strength in the heating oil and natural gas markets as traders covered their short positions in light of the weather forecasts. There were also reports

Technical Analysis		
	Levels	Explanation
CL	Resistance 62.44, up \$2.12	63.20, 63.55, 63.65, 63.90 62.55 Previous high, 50% (67.95 and 59.15), Previous highs Tuesday's high
	Support	62.00, 61.50 60.90 to 60.50 Gap (October 25th)
HO	Resistance 188.99, up 9.26 cents	190.75, 194.07, 194.50 190.00 Previous high, 38%(218.45 and 179.00), Previous high Tuesday's high
	Support	187.25, 184.50 182.30, 179.00 Tuesday's low, Previous low
HU	Resistance 165.38, up 7.22 cents	168.08, 171.50, 174.00, 174.92 167.50 38% (186.00 and 157.00), 50%, Previous high, 62% Tuesday's high
	Support	165.00, 163.00, 160.00 158.50, 157.00 Tuesday's low, Previous low

of a tropical system in the western Caribbean. The December crude contract gapped higher from 60.50 to 61.00 and partially backfilled the gap as it posted a low of 60.90. The market later bounced off its low and settled in a sideways trading range from 61.00 to 61.50. However the market breached its resistance and never looked back as it extended its gains to over \$2.20. It posted a high of 62.55 ahead of the close. The market was further supported by the strength in the product markets following the news of power outage at ConocoPhillips' Bayway refinery in Linden, NJ. The market settled up \$2.12 at 62.44. Volume was better today with 166,000 lots booked on the day. Meanwhile, the heating oil market settled up 9.26 cents at 188.99 in light of the colder temperature forecasts. It posted a low of 182.30 early in the session and never looked back. The market rallied over 10 cents as it posted a high of 190.00 ahead of the close. This was amid the strength in the natural gas market, which settled up \$1.334 at 14.338. The gasoline market also settled up 7.22 cents at 165.38 after it rallied over 9 cents to a high of 167.50 amid the talk of a problem at Exxon Mobil's Joliet, Illinois refinery and the outage at ConocoPhillips' refinery. Volumes in the product markets were good with over 43,000 lots booked in the heating oil and 49,000 lots booked in the gasoline market.

The crude market on Wednesday is seen remaining supported following today's settlement near its high. Technically, stochastics have also crossed to the upside. It will seek further direction from the weekly petroleum stock reports, which are expected to show builds in crude stocks of over 2 million barrels, draws in distillate of about 1 million barrels and a build of about 1 million in gasoline stocks. The market is seen finding support at 62.00, 61.50 followed by its gap from 60.90 to 60.50. Meanwhile resistance is seen at 62.55, 63.20 and 63.55. More distant resistance is seen at 63.65 and 63.90.