



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 26, 2005

According to the EIA, the US distillate fuel supply is improving as distillate imports last week reached the highest level since January and most of the increase in refinery production was in distillate fuel rather than gasoline. It however stated that with the first bout of much colder than normal weather in the East Coast this week, demand is likely to increase. The EIA said US fuel demand increased last week as dealers stockpiled heating oil for winter and farmers burned diesel for the Midwest harvest but it was still lower than a year ago. However, an analyst at the EIA, Doug MacIntyre said there may not have been much growth on consumption as heating oil wholesalers pulled stocks from primary to secondary and tertiary storage ahead of the winter.

Market Watch

BP Plc's chief executive John Browne said there is some evidence of restraints in world oil consumption due to high prices. He also stated that high prices are causing consumers to purchase more oil products using credit, which increases their sensitivity to the total spending on oil products.

Officials from the Iraqi Oil Ministry are negotiating with an international company to set up an advanced security system to protect pipelines from suspected sabotage attacks.

US broker-dealer Interactive Brokers Group said it will enter a confidentiality agreement with Refco Inc regarding its plan to bid for Refco's exchange listed futures business. The agreement would allow Interactive Brokers Group access to Refco's data, allowing the broker dealer to conduct due diligence for its proposed \$858 million purchase of the business.

China stated a new outbreak of bird flu was free of any human infections. However there were three people on a French island off Africa were being tested on Wednesday in what were thought to be the first suspected human cases outside Asia. Sixty two people have died from the virus after close contact with birds in Cambodia, Indonesia, Thailand and Vietnam. H5N1 cannot pass between humans but scientists fear it could mutate to do so, unleashing a pandemic that could kill large numbers.

An Iraqi oil official stated that Iraq's southern oil exports are returning to normal, with loadings at the Basra oil terminal running at 1.75 million bpd.

Norway's Oil Minister Odd Roger Enoksen said non-OPEC oil producing countries should increase capacity to help meet demand growth.

The DOE reported that US inventories of propane totaled 68.098 million barrels, up 558,000 barrels in the week ending October 21. It reported that inventories in the East Coast increased by 541,000

barrels to 4.886 million barrels while inventories in the Midwest increased by 4,000 barrels to 23.833 million barrels and inventories in the Gulf Coast fell by 45,000 barrels to 37.226 million barrels.

Refinery News

ConocoPhillips' Bayway refinery in Linden, NJ continues to restart following Tuesday's shutdown after a brief power outage. There is no estimate of when the 238,000 bpd refinery will return to full capacity.

Separately, ConocoPhillips stated that utilization rates at its Gulf coast refineries are expected to return to the levels seen before Hurricane Katrina and Rita after its Alliance refinery resumes operations. Its 255,000 bpd Alliance refinery is expected to begin partial operations in December and return to full operations in early 2006. Its Sweeny refinery and Magnolia field have returned to normal operations. It said its 239,000 bpd Lake Charles refinery in Louisiana is expected to return to normal operations next week. Meanwhile, ConocoPhillips said it is operating its sulfur recovery unit at its Borger, Texas refinery at reduced rates while the unit restarts. The unit was shutdown due to process problems.

ConocoPhillips said it is still in the competition among western oil companies to partner with Saudi Arabia's Saudi Aramco in building a new refinery. A decision on a partner is expected by late 2005 or the early part of next year.

Murphy Oil Corp expects to resume operations at its Meraux, Louisiana refinery at the start of the second quarter of 2006.

Workers at Total's Gonfreville oil refinery voted on Wednesday to officially end the month long strike that was suspended on Saturday.

PDVSA shut an 18,500 bpd fluid catalytic cracking unit for planned work this week.

SK Corp is operating its refinery at a higher than planned 800,000 bpd in October due to high refining margins.

Production News

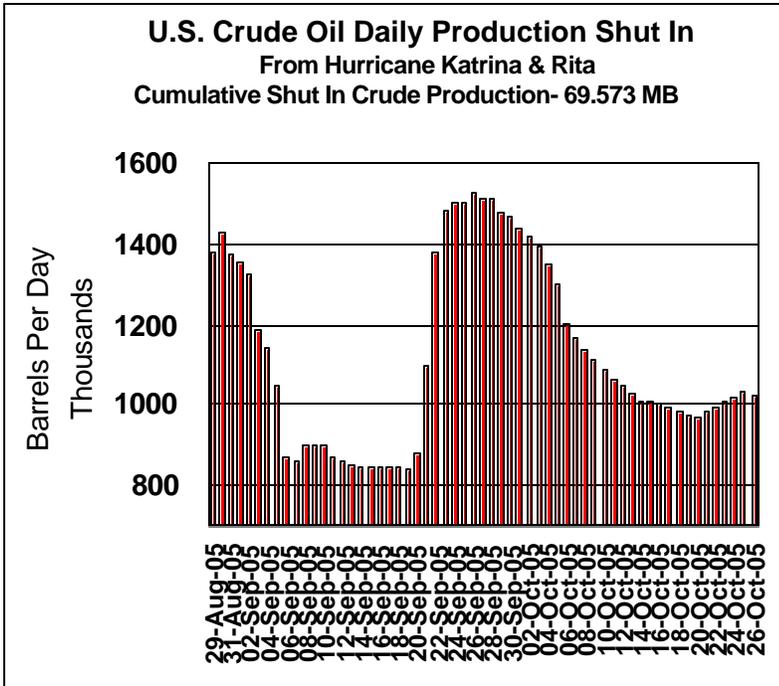
According to the MMS report, total crude production shut in the Gulf of Mexico fell to 1.023 million bpd on Wednesday, down from 1.034 million bpd reported on Tuesday. A total of 69.573 million barrels of crude has been shut in since August 26.

Louisiana's Department of Natural Resources stated that onshore crude production in southern Louisiana has reached 69,596 bpd or 34.3% of the region's capacity. It is up from 68,740 bpd reported on Tuesday.

An Iraqi official stated that Iraq plans to increase its prices of gasoline and diesel in December in an effort to stem fuel smuggling into neighboring countries and discourage Iraq's black market. Official said the price of premium gasoline and diesel would increase by 200% while the cost of regular gasoline would increase by 150% and bottled household gas would double.

Syria's Sytrol has increased the November official selling price for its light crude to dated BFO minus \$2.50 fob Banias. It is up 25 cents from its October price. It however cut the price of its heavy Soedie crude to dates minus \$14.25 from dated minus \$12.75 in October.

The China Petroleum and Chemical Industry Association reported that crude production in China is expected to total 180 million tons in 2005, up 3.2% on the year. Its output of oil products was expected



to increase 4% on the year to 2 70 million tons. It produced 135.6 million tons of crude in the first three quarters, up 4.2% on the year.

China's National Development and Reform Commission reported that China would closely watch the supply and demand situation in the oil product market and increase domestic supply. The government is expected to urge local oil companies to reduce exports and would also ask local oil companies to import to help increase the supply on the domestic market by the end of the year.

According to Japan's Ministry of Finance, the country's crude oil imports increased by 15.4% on the year to 21.939 million kiloliters or 4.6 million

bpd in September. Imports were largely unchanged from August's 22.217 million kl or 4.5 million bpd. Japan however imported 5.4% less oil products, mostly gasoline and naphtha in September from a year earlier following a 15.5% decline in August. Separately, the Petroleum Association of Japan reported that stocks of kerosene increased by 3.8% to 5.07 million kl or 31.89 million barrels in the week ending October 22. It reported that gasoline stocks increased by 17.7% on the year to 2.21 million kl or 13.9 million barrels. Total oil product stocks increased by 15% to 14.52 million kl or 91.33 million barrels while Japan's commercial crude stocks totaled 18.43 million kl or 115.92 million barrels in the week ending October 22.

Indonesia's Pertamina bought 12.68 million barrels of oil products for November, down 17%. Imports of middle distillate fell to 8.88 million barrels, down from October's 10.56 million barrels. Fuel oil imports fell by 75% to only two cargoes totaling 200,000 barrels from 800,000 barrels in October.

Market Commentary

The oil market posted an outside trading day after the market failed to maintain its early gains. The crude market opened down 44 cents at 62.00 and quickly sold off to a low of 61.50

Technical Analysis		
	Levels	Explanation
CL	Resistance 62.95, 63.20 61.50, 61.75, 62.05	Wednesday's high, Previous high
	Support 60.66, down \$1.78 60.60 to 60.50 59.30, 59.15	Remaining gap Previous lows
HO	Resistance 185.61, down 3.38 cents 194.50 187.50, 190.00	Double top
	Support 185.00 182.30, 179.00	Wednesday's low Previous lows
HU	Resistance 158.45, down 6.93 cents 168.00 160.00, 165.00, 165.21	Wednesday's high
	Support 157.50 157.00, 156.00, 153.30	Wednesday's low Previous lows

following the release of the DOE and API reports showing builds in crude stocks of 4.4 million barrels and 6.7 million barrels, respectively. The market however retraced its losses and rallied to a high of 62.95 amid the strength in the heating oil market in light of the DOE reporting a draw in distillate stocks of 1.6 million barrels. The market however failed to maintain its gains and tumbled to a low of 60.60 ahead of the close. It settled down \$1.78 at 60.66. Volume in the crude was better today with over 182,000 lots booked on the day. The heating oil market, which pushed the complex higher early in the session, erased its gains late in the session on expectations that distillate stocks would increase in coming weeks. The heating oil market rallied over 5.5 cents as it posted a high of 194.50 following the release of the DOE report showing a larger than expected draw of 1.6 million barrels. However the market's rally was short-lived as it erased its gains and tumbled to a low of 185.00 ahead of the close. It settled down 3.38 cents at 185.61. Similar to the crude market, the gasoline market also posted an inside trading day. The market rallied to a high of 168.00 in follow through strength seen in the heating oil market. However it too gave up its gains and sold off to a low of 157.50. It settled down 6.93 cents at 158.45. Volumes in the product markets were good with 56,000 booked in the heating oil and 55,000 lots booked in the gasoline market.

The crude market continues to trade in its downward trend. The market, which failed to maintain its sharp gains early in the session, is seen trading lower as it will likely backfill its remaining gap from 60.60 to 60.50. The market is seen finding further support at 60.00 followed by its previous lows of 59.30 and 59.15. Resistance is seen at 61.50, 61.75, 62.05, 62.95 and 63.20.