



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 28, 2005

Venezuela's Oil Minister Rafael Ramirez said Venezuela does not see any sign that high oil prices are cutting world demand despite concerns from some industry analysts. Energy analysts have stated that oil prices could begin to erode demand. However Venezuela's Energy Minister said more economically developed countries may not feel the impact of higher prices.

According to the DOE, postponed October drawdowns of crude from the SPR will more than offset scheduled repayments of crude, resulting in a new flow of

40,000 bpd from the SPR in November. It said it would not schedule any paybacks to the SPR during December through February. In March, a total of 2.5 million barrels of crude is scheduled to be returned to the SPR followed by 3 million barrels in April and 1.9 million barrels in May.

Refinery News

Exxon Mobil Corp said it had no startup date for its 190,000 bpd refinery in Chalmette, Louisiana.

Flint Hills Resources will start shutting down a catalytic cracking unit at the West Plant of its Corpus Christi, Texas refinery on November 5 in order to perform maintenance.

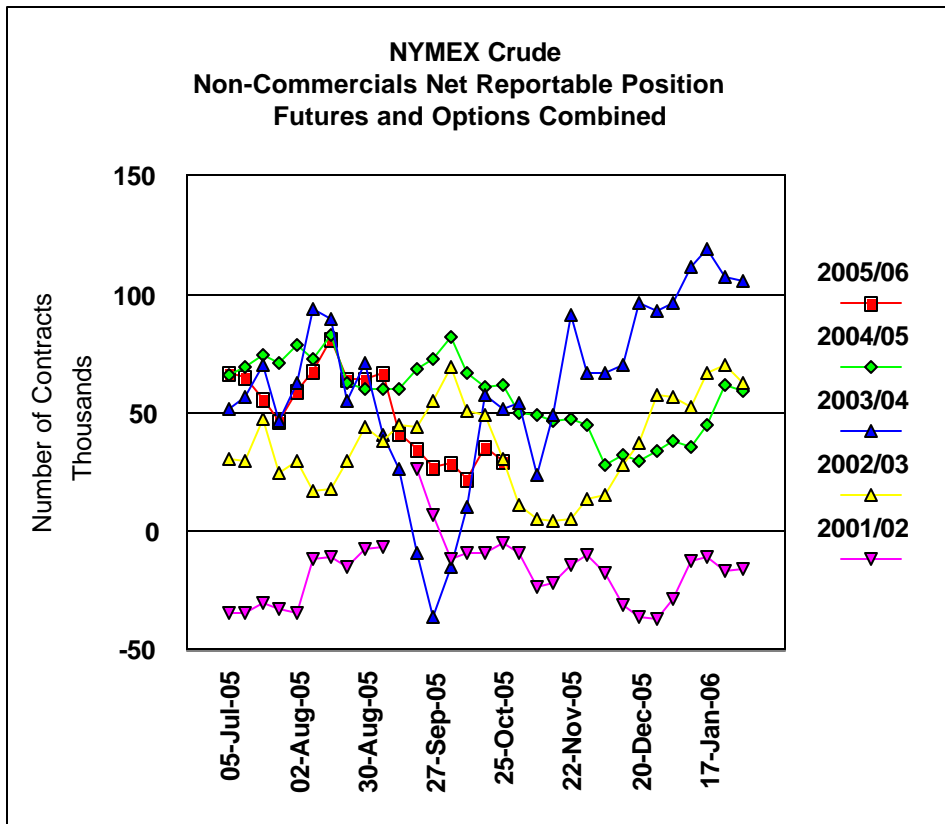
Royal Dutch Shell Plc has rejected demands made by Dutch workers in a dispute over pension arrangements, which will likely result in labor action on Monday. The conflict is about a proposal by Shell to raise the retirement age of workers and require employees to start paying pension premiums.

Market Watch

Senator Judd Gregg, chairman of the Senate Budget Committee said he would consider a windfall profit tax on oil companies to generate funds for the Low Income Home Energy Assistance Program. He said he was concerned that US oil companies were reporting record high profits while some families would be unable to pay their natural gas and home heating oil bills due to high energy prices.

Anadarko Petroleum Corp reported a nearly 50% increase in quarterly profit as record high oil and gas prices offset damage from recent hurricanes. Its net income for the third quarter increased to \$596 million from \$399 million a year ago. Third quarter oil and gas sales volumes averaged 426,000 barrels of oil equivalent per day. It said volumes for the year would be cut by about 2.2 million barrels of oil equivalent due to outages and delayed development activity.

Chevron Corp reported a net income of \$3.6 billion for the third quarter of 2005, up from \$3.2 billion reported last year. It estimated that the hurricanes reduced third quarter earnings by more than \$600 million. The storms reduced its crude and natural gas production in the third quarter by about 90,000 barrels of oil equivalent/day.



Work stoppages are planned at its 420,000 bpd Pernis refinery and at Shell Moerdijk, a petrochemical plant. Shell said it could not make any further concessions on pension demands.

European refineries are set for only sporadic maintenance work next month, indicating plentiful pre-winter fuel supply. Planned turnarounds will take an average of 115,000 bpd or 0.7% of European crude distillation during November. It will be down from about 300,000 bpd or 1.8% of capacity in October. The peak month for this year's autumn turnarounds was September, with an

average of 564,000 bpd or 3.5% of production shut in. Traders fear that the strike next week at Pernis could also have a big impact, depending on its duration.

China's Sinopec Corp said it would delay or slow down refining projects due to slower demand growth in China. Sinopec, which did not specify which projects it would postpone, said it would cut its capital expenditure for the year by 4 billion yuan to 58 billion yuan.

Production News

According to the MMS, oil production shut in the Gulf of Mexico showed a slight improvement on Friday. It reported that a total of 1.018 million bpd of crude production remained shut in. The cumulative shut in oil production reached 71.613 million barrels of oil.

Louisiana's Department of Natural Resources said restored crude oil production was 36% of normal on Friday. It said output stood at 73,084 bpd, up from 71,154 bpd on Thursday. It said just over 130,000 bpd of crude production may still be shut in.

Venezuela's Petrozuata heavy oil project shut a crude upgrading facility on Thursday for 28 days of planned maintenance. It will continue pumping tar oil while the upgrader is down and mix it with lighter crudes to make the fuel marketable.

Norway's Statoil hopes to restart production at its Aasgard B oil, gas and condensate platform in the North Sea this weekend after a fire halted it almost two weeks ago. Statoil stated that it aimed to restart the facility this week.

Britain's August oil output fell to its lowest level for over 16 years. Seasonal field maintenance and rapid decline rates combined to bring total oil output down to 6.063 million tons. It is down 13.1% on the month.

Russian Railways stated that it transported 5.763 million tons of oil to China in January-September, up 23.2% on the year.

Mazeikiu Nafta said oil exports via the Lithuania port of Butinge on the Baltic Sea fell by 34% on the year to 4.19 million tons in January-September. It said 14.8 million tons of oil and diesel fuel were transported through its pipeline system, down from 15.24 million tons last year. In January-September, Mazeki Nafta's refinery refined 6.75 million tons of oil, up from 6.279 million tons in the same period last year.

Russia's Finance Ministry reported that Russia would keep its crude oil export duty close to the current record high of \$179.90/ton when new rates become effective on December 1. The rate was likely to come down slightly to \$179.20-\$179.50/ton. The export duty on refined oil products are also expected to remain close to its current record highs of \$133/ton for light products and \$71.90/ton for heavier fuel oil.

China's apparent oil demand increased 9.7% in September, its fastest growth in eight months as refiners curbed fuel exports and increased output to record highs. The demand surge is expected to extend into October as China's government pressures its oil companies to address a shortfall in domestic supplies.

China reiterated that it would reform its pricing system for refined oil and natural gas to make it better reflect international prices.

Japanese refiners are expected to increase their diesel exports slightly in November as inventories increase, although weak demand and high shipping costs to Europe and the US limit overseas opportunities. Refiners in Japan plan to export 265,000 kiloliters or 220,000 tons of diesel next month, up from 230,000 kl or 193,000 tons shipped in October. Nippon Oil Corp said they planned to raise its November crude runs to about 1 million bpd from 974,000 bpd in October.

Indian Oil Corp said that Reliance and other stand alone refineries will give discounts on oil products sold to state run oil marketing companies. Discounts on oil products supplied by stand alone refineries, including Reliance, will total INR27 billion in the current financial year that started April 1.

Thailand's Energy Ministry reported that the country's demand for oil products in September fell by 1.3% on the year to 611,475 bpd. Meanwhile, its oil product exports increased by 26.1% in September to 3.691 million barrels as an end of fuel subsidies cut domestic demand and prompted firms to export surpluses. Exports of 95 octane gasoline in September increased almost 50% from a year earlier to 818,124 barrels while exports of 91 octane gasoline increased to 484,581 barrels. Exports of diesel fell by 8.9% from a year ago to 1.002 million barrels.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.62/barrel to \$53.79/barrel on Thursday.

Ecuador's oil industry needs at least \$500 million of investment to improve its infrastructure. Petroecuador lacks funds and its oil industry has attracted little foreign investment in recent years. Petroecuador's growth in oil production is about 3% annually. Ecuador's Economy Minister

Magdalena Barreiro said the lack of production is not due to a lack of oil but due to a lack of investment.

Separately, Petroecuador exported 38.95 million barrels of crude in January-September, up 7% from 36.38 million barrels reported last year. It exported 4.1 million barrels of crude in September, up 0.2% from 4.09 million barrels last year.

Market Commentary

The NYMEX oil market, which posted an inside trading day, ended slightly higher following a thin trading session. The market opened 31 cents higher at 60.90 and quickly rallied to a high of 61.40 in follow through strength seen overnight. The market however erased its gains and traded to a low of 60.60, where it held some support. It later bounced off its low and settled in a sideways trading pattern before it once again erased its gains and fell to a low of 60.55. The December crude contract later retraced its losses ahead of the close and settled up 13 cents at 61.22. Volume was light with 165,000 lots booked on the day. The product markets once again ended mixed, with the gasoline market settling up 3.16 cents at 162.42 and the heating oil market settling down 1.04 cents at 184.35. The gasoline market opened at its low of 158.50 and traded to an early high of 160.50. The market however later rallied to a high of 162.70 ahead of the close. The heating oil market opened down 39 points at 185.00 and quickly sold off to a low of 183.00. It however bounced off that level and rallied to a high of 186.25 before it once again tested its support. However in choppy trading ahead of the close, it retraced some of its losses but still ended the session in negative territory. Volume in the product markets were light with 42,000 lots booked in the gasoline and 47,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market increased their net short positions by 11,966 contracts to 38,084 contracts in the week ending October 25th amid the market's downward trend. The combined futures and option report also showed that non-commercials in the crude market cut their net long position by 5,727 contracts to 29,664 contracts on the week. Meanwhile non-commercials in the gasoline market increased their net long position by 1,671 contracts to 25,409 contracts on the week while non-commercials in the heating oil market increased their net short positions by 2,224 contracts to 6,810 contracts on the week.

The crude market is still seen trading in its downward trend. The market is seen finding support at 61.00 followed by 60.55 and 60.25. More distant support is seen at 59.30 and 59.15. Meanwhile

resistance is seen at its highs of 61.40, 61.50, 62.95 and 63.20.

| Technical Analysis | | |
|-----------------------------------|---|---|
| | Levels | Explanation |
| CL 61.22, up 13 cents | Resistance 62.95, 63.20 61.40, 61.50 | Previous highs Friday's high, Thursday's high |
| | Support 61.00, 60.55 60.25, 59.30, 59.15 | Friday's low Previous lows |
| HO 184.35, down 1.04 cents | Resistance 194.50 186.25, 187.50, 190.00 | Double top Friday's high, Thursday's high |
| | Support 183.00 182.30, 179.00 | Friday's low Previous lows |
| HU 162.42, up 3.16 cents | Resistance 167.46, 168.00 162.70 | 38% retracement (186 and 156), Previous high Friday's high |
| | Support 160.50, 158.70 158.50, 156.00 | Friday's low, Previous low |