



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 2, 2005

US Energy Secretary Sam Bodman said the Bush administration opposes a Republican proposal that oil companies voluntarily contribute some of their record profits to the Low Income Home Energy Assistance Program. On Tuesday, Senate Finance Chairman Charles Grassley sent a letter to US energy companies urging them to donate 10% of their profits to the fund. The US Energy Secretary also criticized a Democratic proposal to import a windfall profit tax on oil companies that fail to reinvest in refineries or exploration. He said the Bush administration

would announce within weeks measures aimed at easing high fuel prices. The Energy Secretary stated that the Bush administration is considering creating a natural gas and refined products reserve.

Deputy assistant energy secretary Mark Maddox said the US will see an increased flow of imported distillate fuel this winter, particularly from Asia. Also, the president of the National Petrochemical & Refiners Association, Bob Slaughter said if additional heating oil supplies are needed this winter, imports are likely to be available from Canada, the Virgin Islands and perhaps Europe if winter conditions are not severe.

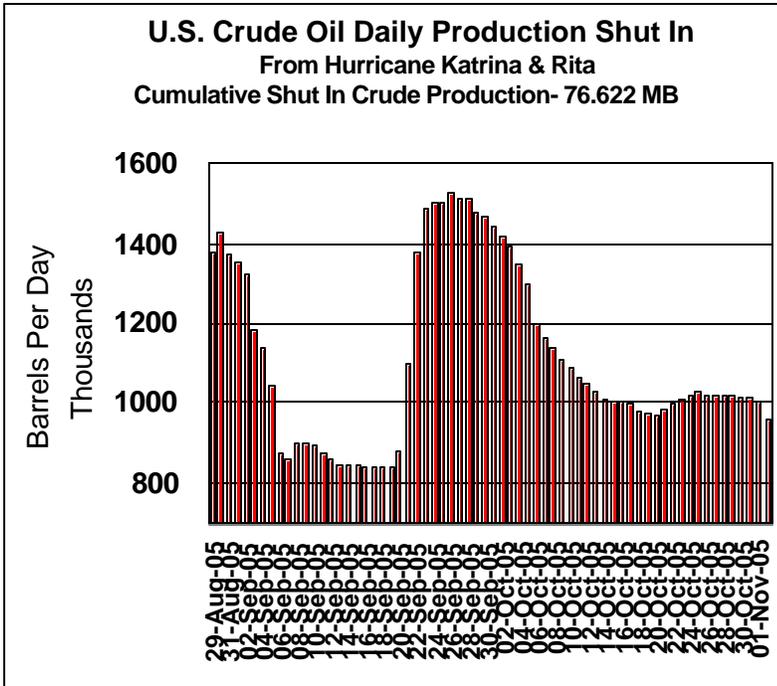
The DOE reported that US inventories of propane totaled 69.427 million barrels, up 1.329 million barrels on the week. It reported that inventories in the East Coast fell by 15,000 barrels to 4.871 million barrels while inventories in the Midwest increased by 192,000 barrels to 24.025 million barrels

Market Watch

The DOE is looking at the Richton salt dome in Mississippi's Perry County to increase the national SRP. It is one of five sites government officials are considering for the expansion. The Richton site would store 160 million barrels.

The Minnesota Department of Commerce has temporarily suspended a law requiring that diesel contain a portion of clean burning biodiesel made largely from soy due to quality problems. The 10 day suspension went into effect on Friday. The quality problem involved soy-based biodiesel that was delivered for blending with regular diesel.

The recovery of Iraq's oil industry is being hampered by the attacks. Insurgents have continued to blow up North Oil Co's facilities. North Oil Co said it is attempting to repair a gathering center hit last week by four explosions. However officials said it would take at least a month to restart exports. Oil Minister Ibrahim Bahr al-Uloum said even with cash injections, continued violence and economic stagnation will cap exports at no more than 3.5 million bpd for the next two years. Officials have stated that until Iraq is secure, the oil sector will continue to struggle.



and inventories in the Gulf Coast increased by 1.13 million barrels to 38.356 million barrels on the week.

Refinery News

Shell said its 418,000 bpd Pernis refinery in Rotterdam would be completely shut in about a week if a strike at the refinery continues. The strike, which started on Monday, is over workers' pension rights. Some traders however stated that Shell may seek to avoid a full shutdown of the refinery to make it easier to resume full production once the strike is over. On Tuesday, Shell declared force majeure on supply of petrochemicals from its 900,000 ton/year naphtha cracker in Moerdijk. Later on Wednesday, a union leader said the plan to cut production at the Pernis refinery to 33% of capacity by

Thursday was canceled. Its current production stands at about 50%-60% of capacity. Shell said it asked the FNV trade union to continue their talks, a few hours before the union was set to widen the action to hit NAM, the largest gas producer in the Netherlands. The planned strikes at two of NAM, have been suspended for 24 hours due to the talks. A union spokesman said talks between Shell and union representatives are likely to yield results

Citgo Petroleum Corp said it planned to shut a coking unit at its Corpus Christi, Texas refinery on Wednesday.

Production News

According to the MMS, the amount of crude oil shut in the Gulf of Mexico continued to fall to 957,978 bpd, down from 1 million bpd reported on Tuesday.

Germany's total primary energy use fell by 1% in the first nine months of the year. Germany consumed 351.1 million tons of coal equivalent in January-September compared with 354.8 million tons last year.

The Caspian Pipeline Consortium said its exports in October stood at 2.5 million tons or 630,000 bpd compared with 2.4 million tons or 625,000 bpd in September.

Russia's Energy Ministry reported that Russia's oil production increased by 90,000 bpd or 0.9% in October to 9.62 million bpd. Output in January-October averaged 9.41 million bpd, up 2.7% on the same period last year. Russia's gasoline production increased to 26.37 million tons in January-October from 24.85 million tons in the same period last year. Its gasoline output in October stood at 2.694 million tons. Its diesel fuel output increased to 49.17 million tons from 45.32 million tons. It reported that Russian oil exports via state pipeline monopoly Transneft fell by 160,000 bpd or by 3.7% on the month to an average of 4.33 million bpd. Oil exports and transit via Russia's Transneft to countries outside the Commonwealth of Independent States increased by 5.6% on the year to 18.293 million tons in October. It also reported that seaborne exports increased to 107.63 million tons or 2.6 million bpd in the first 10 months of 2005 from 96.04 million tons or 2.31 million bpd last year. In

October alone, crude exports fell slightly on the month from all major ports, excluding the Black Sea port of Novorossisk, which increased exports by 4.6% over September to 4.2 million tons and 300,000 tons above the schedule. Crude oil supplies to Russian refineries fell 1.4% on the year to 17.8 million tons in October.

A Russian government source stated that Russian companies may increase annual oil exports to China by rail to 15 million tons in 2006-2007.

Canadian Natural Resources is considering building a new 125,000 bpd heavy oil upgrader near its Primrose oil sands development. It would allow Canadian Natural to bring on an extra 240,000 bpd incremental heavy oil production over the next 10-15 years.

Japan is considering building up strategic oil product stocks to increase its government held crude oil reserves as tight world refining capacity squeezes fuel supplies. Officials stated that the US is also considering asking private refiners to keep a minimum amount of fuel in storage as a buffer against supply disruptions.

A senior government official said India's crude oil imports in September increased by 11.9% on year to 8.5 million tons. However in the April to September period, India's crude oil imports fell by 3.77% on the year to 48.5 million tons. In September, India imported 800,000 tons of oil products compared with 690,000 tons last year. Its oil product imports in the April to September period increased to 5.24 million tons from 3.19 million tons.

Saudi Aramco has increased the price of crudes to Europe for loading from the Saudi port of Ras Tanura. Its Arab Light crude was increased by 40 cents/barrel to BWAVE minus \$5.90 while Arab Medium was increased by 55 cents/barrel to BWAVE minus \$8.80 and its Arab Heavy crude was increased by 80 cents/barrel to BWAVE minus \$11.75/barrel. For buyers in the US, Saudi Arabia set the price for Arab Extra Light at a discount of \$4.05 to the WTI, down \$1.25. It also cut the Arab Light crude price by 60 cents to WTI minus \$7.65, its Medium grade was unchanged at WTI minus \$10.55 and its Arab Heavy was increased by 10 cents to WTI minus \$14.60. Meanwhile, prices for Arab Super Light and Arab Extra Light to Asia in December fell while prices for heavier grades increased. Its Arab Super Light crude was cut by \$1.00 to the Oman/Dubai average plus \$5.15, while Arab Extra Light was cut by 30 cents to the Oman/Dubai average plus \$2.50. Arab Light crude was increased by 30 cents to the Oman/Dubai average plus 5 cents, its Arab Medium was increased by 70 cents to the Oman/Dubai average minus \$2.05 and the Arab Heavy grade was increased by \$1.30 to the Oman/Dubai average minus \$4.55.

OPEC's news agency reported that OPEC's basket of crudes fell to \$52.91/barrel on Tuesday, down from Monday's \$52.99/barrel.

Market Commentary

The crude market, which continued to trend lower, posted an outside trading day. The market opened down 30 cents at 59.55 and extended its losses to 45 cents as it traded to a low of 59.40 following the release of the DOE and API reports. However the market quickly bounced off that level and rallied to its intraday high of 60.40. The market, which failed to sustain its gains, sold off sharply to a low of 58.75 late in the session as the market seemed to have shrugged off the reports. The oil market later retraced some of its losses and traded back above the 59.00 level and settled down just 10 cents at 59.75. Volume in the crude was good with over 197,000 lots booked on the day. Meanwhile, the product markets also ended in negative territory, with the gasoline market settling down 3.45 cents at 156.91 and the heating oil market settling down 2.21 cents at 178.29. The gasoline market also posted an outside trading day as it traded to a high of 162.20 early in the session. The market later

sold off to a low of 155.25 before it retraced some of its losses ahead of the close. The heating oil market also posted a high of 181.80 early in the session. However the market quickly retraced its gains and sold off to a low of 175.00 in light of the DOE report showing a smaller draw in distillate stocks and the API showing an unexpected build of over 2 million barrels. The market later retraced its losses and settled down 2.21 cents at 178.29.

The oil market is still seen trading lower within its downward trend channel. However it is seen finding support as it continues to find good buying on dips. The market is seen finding support at 58.75

followed by 58.30 and 57.09. Meanwhile resistance is seen at 60.40 followed by 60.50-60.55 and 61.40.

Technical Analysis		
	Levels	Explanation
CL 59.75, down 10 cents	Resistance 60.50 to 60.55, 61.40	Remaining gap, Previous high
	Support 60.40	Wednesday's low
	Support 58.75	Wednesdays low
HO 178.29, down 2.21 cents	Resistance 186.00 to 187.50	Gap (October 31st)
	Support 181.80, 182.00	Wednesday's high, Tuesday's high
	Support 175.00	Wednesday's low
HU 156.91, down 3.45 cents	Resistance 162.20, 164.50, 167.00	downward trend line, Previous highs
	Support 160.30, 161.00	Tuesday's high
	Support 155.25	Wednesday's low
	Support 153.00, 151.80	Previous lows