



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 20, 2004

Nigeria's Presidential Adviser on Petroleum Edmund Daukoru said oil flows would not be disrupted if trade unions stage a further round of industrial action over another increase in domestic gasoline prices. His comments followed a decision by marketers of petroleum products in Nigeria to increase the price of gasoline by 40%.

Indonesia's new President Susilo Bambang Yudhoyono reappointed Purnomo Yusgiantoro as the country's oil minister. The decision means Indonesia will keep the OPEC presidency until the end of the year.

OPEC's news agency reported that OPEC's basket of crudes fell by 49 cents to \$44.98/barrel on Tuesday from \$45.47/barrel on Monday.

Refinery News

ExxonMobil Corp shut the hydrocracker unit at its Beaumont, Texas refinery early Tuesday. The unit was depressurized following the shutdown of a second stage feed

Market Watch

According to Platts, this year's contributions to the SPR totaled 32.21 million barrels as of the end of September. The 32.21 million barrels of crude delivered into the SPR has cost US taxpayers \$1.235 billion.

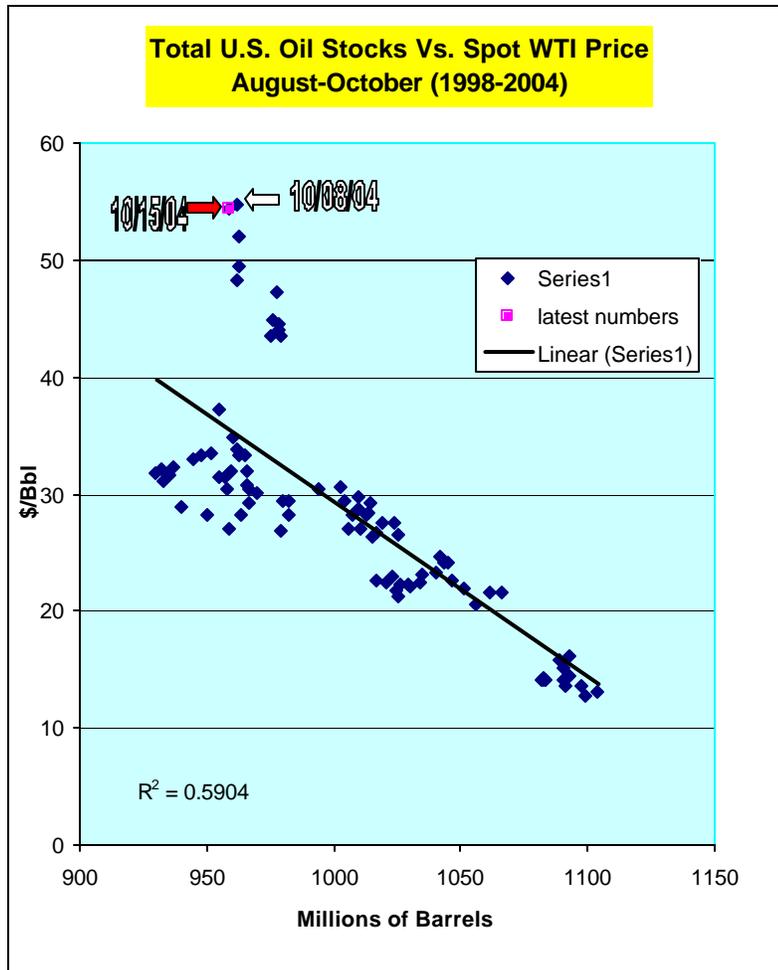
EU Commissioner Joaquin Almunia said high oil prices will lead the European Union Commission to lower its current forecast of 2.2% growth in euro zone GDP. The Commission is due to release updated economic forecasts for the euro zone on October 26. EU Commission President Romano Prodi said that world strategy was needed to tackle the high oil prices. Meanwhile the European Commission has withdrawn its proposal to have a law to coordinate policy on managing European Union oil stocks in the event of a supply crisis. Separately, the Union of Industrial and Employers' Confederations of Europe pegged European growth at 2.6% for 2004 and 2005 but added that current oil prices could cut 0.3-0.5 percentage points off that figure if oil prices remained high.

Russia's Zarubezhneft has confirmed it is merging with Gazprom in a share-for-assets swap that analysts say will further consolidate the government's control over Russia's energy resources. The deal comes after the government's decision last month to merge Gazprom with Rosneft by the year end to increase its control in the world's largest natural gas producer to over 50% from 38.37%.

London's IPE will consider scrapping its plans to shorten its open outcry trading day starting November 1. The IPE has convened a board meeting for Friday. It has previously stated that it will delay the start of open outcry for its Brent contract until 2pm from its current opening at 10am.

Kazakhstan's lower house of parliament passed a law on Wednesday that will give the state first refusal rights on stakes in oil and minerals joint ventures that foreign companies want to sell. The law appeared to be a reaction to a controversy over BG's stake in the Kashagan oilfield, which other members of the ENI led consortium had already agreed to buy, but which Kazakhstan has said it wants. It was not clear if the new law would be retroactive.

The head of Lukoil, Vagit Alekperov, said he expected ConocoPhillips to increase its share in Lukoil to 10% by the end of the year as planned. ConocoPhillips formed a strategic alliance with Lukoil, in which it holds 7.6%, in early October, and pledged to increase its stake to 10% this year and increase it to 20% over the next two or three years.



pump associated with the hydrocracker.

BP will shut a hydrogen unit at its Praxair BP Texas City refinery for the month of November for turnaround and process upgrades. The refinery expects to restart the unit at the end of November or early December.

Japan's Nippon Oil Corp is operating its 145,000 bpd crude distillation unit at its Sendai refinery at 50% of capacity following a fire on Saturday at the refinery site. It halted operations at a vacuum flasher unit and gasoil desulfurization unit at the refinery after the fire started in a unit associated with the vacuum flasher unit.

Production News

The MMS reported that there was a slight improvement in the amount of crude shut in the Gulf of Mexico. It stated that there was 428,785 bpd of crude shut in on Wednesday, down from 429,158 bpd on Tuesday. It however stated that 1.554 bcf of natural gas was still shut in, unchanged from Tuesday.

ChevronTexaco Corp said the company has no time frame for the return of the Petronius oil and gas platform which was damaged last month by Hurricane Ivan. It

said damage assessments and repairs are still ongoing.

The Shetland Islands Council reported that Brent crude liftings from Sullom Voe increased to 370,403 tons in the week ending October 19 from 229,841 tons during the prior week.

Russia's Yukos has resumed full rail supplies to China after reducing the supplies by two thirds several weeks ago when it failed to pay carriage charges. It suspended all deliveries to China National Petroleum Co, representing some 400,000 tons per month or 100,000 bpd in September.

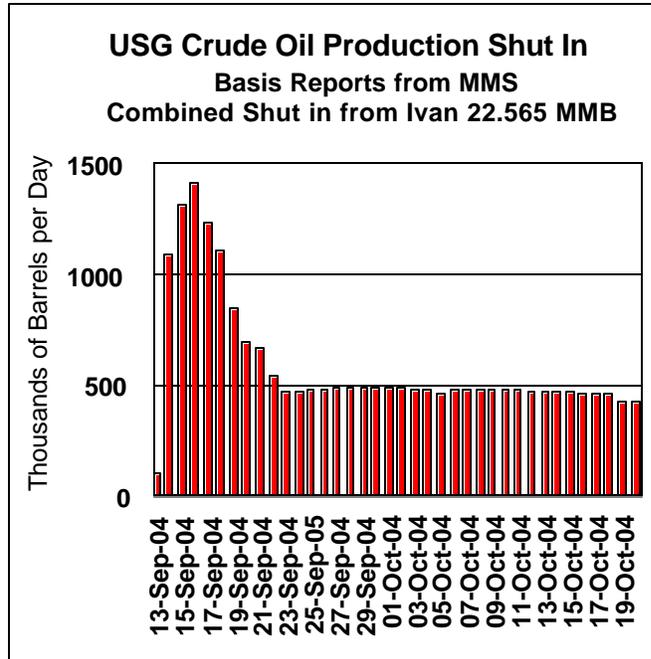
Russia's Ritek, a Lukoil unit, estimated its 2005 oil production at 4.2 million metric tons, up from the 3.6 million tons expected in 2004. It oil production increased by 23.6% on the year to 1.691 million tons in the January-June 2004 period.

Azerbaijan's SOCAR tendered to sell its final, 1 million barrel Azeri Light crude cargo of 2004 for loading at the Georgian Black Sea port of Supsa on November 21-22.

Shipments from former Soviet Union ports in the Baltic, Black Sea and Far East fell by 4.5% in September from the previous month to 950,000 bpd, according to Petrologistics. Gas oil shipments in September fell by 10,000 bpd from the previous month but increased by 45,000 bpd from last year to 800,000 bpd as domestic demand increased. Exports of light products such as naphtha, gasoline and jet fuel fell by 55,000 bpd from August and 25,000 bpd from September a year ago to 335,000 bpd last month.

Nigeria's Presidential Adviser on Petroleum Edmund Daukoru said Nigeria is using just 10% of its 445,000 bpd refining capacity because vandalism and lengthy repairs prevent the plants from operating. The low volume of crude oil processed locally means the country will continue to import gasoline and diesel at a cost of about \$2 billion a year. He stated that only the 150,000 bpd Port Harcourt refinery is operating.

According to the Petroleum Association of Japan, commercial stocks of kerosene in Japan increased by 3.1% to 4.33 million kl in the week ending October 16 following a 4% increase in the previous week. It however represents a 14.6% year on year fall from 5.07 million kl reported last year. It said kerosene stocks are expected to increase to 4.6 million-4.7 million kl by the end of October. Its gasoil stocks fell by 3.8% in the week ending October 16 to 1.36 million kl. Total oil product inventories increased by 4.39% to 12.48 million kl. It also reported that oil refiners processed a combined 3.8 million bpd of crude oil in the latest week, up from 3.7 million bpd the previous week.



China's Sinopec Corp plans to skip November gas oil imports into China for a second month in a row, as international prices continue to outpace domestic levels.

South Korea said the average crude import costs could increase by 25% while local demand falls this year. The Energy Ministry said the average import price would increase to about \$34.50/barrel this year, up from \$27.50/barrel in 2003. Crude imports for 2004 were likely to remain at last year's level of about 804 million barrels and firmer prices could trigger a 25% increase in overall crude import costs to \$28.8 billion.

Market Commentary

The NYMEX energy complex settled sharply higher, stemming a two day fall in prices, following the release of supportive weekly petroleum stock reports. The November crude contract gapped higher on the opening from 53.55 to 53.65 in follow through buying seen in overnight trading. The market quickly backfilled its gap as it traded to a low of 53.40 ahead of the release of the weekly petroleum stock reports. However the market bounced off its low amid the larger than expected draws in distillate stocks and the smaller than expected build in

Technical Analysis			
		Levels	Explanation
CL	Resistance	55.00, 55.20	Wednesday's high
		54.58	
	Support	54.00, 53.85	
		52.70, 51.95	
HO	Resistance	161.03	Basis trendline
		156.50	Wednesday's high
	Support	154.70	Wednesday's low, Previous low
		150.70, 148.70	
HU	Resistance	142.00, 142.50	Previous highs
		141.25	Wednesday's high
	Support	138.80	Wednesday's low, Previous low
		135.70, 133.00	

crude stocks. The DOE also reported that total petroleum stocks fell by 3.1 million barrels on the week. The November contract rallied to a high of 55.10, where it held resistance as it settled in a trading range for most of the session. However the market later

found further buying interest and was pushed to a high of 55.20 as traders liquidated their positions ahead of the November contract's expiration at the close. It settled up \$1.63 at 54.92. The December contract also settled up \$1.77 at 54.41 after the market traded to a high of 54.58 ahead of the close. Similar to the November contract, the December contract traded from its low of 52.70 to a high of 54.60 and settled in a range following the bullish reports. Volume in the crude was excellent with over 232,000 lots booked on the day. The heating oil market which settled up 5.19 cents at 156.04 bounced off its low of 150.70 following the DOE and API reports which showed larger than expected draws in distillate stocks. The market rallied more than 5.6 cents as it traded to a new high of 156.50 by mid-day. The market later settled in a range before it attempted to test its high ahead of the close. The gasoline market also bounced off its early low of 135.70 and never looked back following the stock reports. The market rallied to a high of 141.25 and held good resistance at that level as the market settled in a trading for the remainder of the session. It settled up 4.59 cents at 140.32. Volumes in the product markets were good with 57,000 lots booked in the heating oil and 46,000 lots booked in the gasoline market.

The crude market will remain supported after the market erased its two day slide and rallied on the weekly petroleum stock reports. Even though the market was trading lower in the past few sessions, stochastic look ready to cross to the upside once again. The oil markets will remain supported as long as draws in distillate stocks continue to stoke fear in the market over winter supplies. The crude market is seen targeting its high of 54.58 followed by further resistance at previous highs seen in the November contract of 55.00 and 55.20. Meanwhile, support is seen at 54.00, 53.85 followed by its low of 52.70 and 51.95.