The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 20,2004

The US Minerals Management Service announced that there was still about 700,000 bpd of crude and 2.9 bcf/d of natural gas shut in the Gulf of Mexico as a result of Hurricane Ivan. In stated that since September 13 through early Monday about 7.8 million barrels of crude and 33.3 bcf of natural gas was kept out of the US market. Separately, Shell Oil said it saw no significant impact from Hurricane Ivan on its oil and gas production facilities in the Gulf of Mexico and expects full or near full recovery in output this week. It said several of its fields had already resumed full production rates in the wake of the storm while others were increasing their output. A spokesman said some minor damage has been found but nothing significant. Meanwhile ExxonMobil Corp said it had about 18,000 bpd of crude oil and less than 450 mmcf/d of natural gas shut in. It is down from about 55,000 bpd and 740 mmcf/d shut in last week.

Market Watch

Saudi Arabia has booked a sixth very large crude carrier to the US for loading in October, increasing spot shipments for the month to 12 million barrels. Vela International Marine has booked the Atlantic Liberty to carry 285,000 tons of crude oil to the US for loading October 17-19.

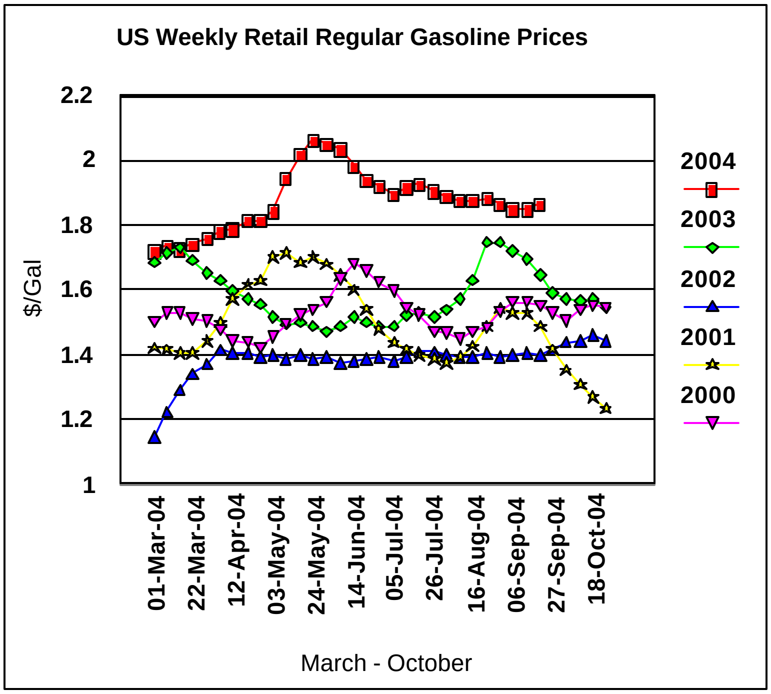
Iraq has put out a tender to buy equipment for the construction of a new refinery in northern Iraq. The refinery, which will be built in Quwasanjaq will have a capacity of 20,000 bpd and is expected to open late 2005 or early 2006. The total cost of building the refinery would be $60 million.

An official at the Rotterdam port said much of the port was closed Monday after Dutch trade unions staged protests against the government's planned social reforms with further protests scheduled elsewhere in the country. A port spokesman said about 4,000-5,000 workers out of a total of 60,000 were on a one day strike. However he stated that the oil and chemicals terminals were not affected.

The chief executive of the IPE, Richard Ward, stated that oil futures markets are far too complex to blame current high prices on speculation alone. He added that oil markets have become much more headline driven than in the past.

An official at Sinochem Corp said high oil prices may help push China's inflation rate above 7% by the end of the year and beginning of next year. China's CPI grew 5.3% year on year in August, unchanged from the previous month's result.

Russia's Yukos announced Sunday that it has suspended 400,000 tons a month or 98,000 bpd of rail borne oil exports to China National Petroleum Corp due to lack of funds. It said it would re-route oil initially scheduled for China to other destinations. Meanwhile, China National Petroleum Corp said it expects crude supplies from Russia's Yukos to continue as normal in September despite the Yukos decision to suspend deliveries by rail. The head of the railways Gennady Fadeyev said Yukos has prepaid rail shipments until the end of September and added that it has not yet changed its oil shipment plan to China for this year. He said Yukos still planned to shipped 6.5 million tons to China in 2004, up from an initial 5.5 million. Later on Monday, Russia's Interfax news agency



reported that Russia's Yukos has also decided to suspend oil supplies to its Lithuanian refinery Mazeikiu until the end of the year. However a Yukos spokesman denied that report and stated that Yukos has no plans to suspend oil supplies to Lithuania.

Separately, Russia's OAO Transneft is confident Yukos will pay the funds necessary to pay for oil shipments in October. A company official said Transneft had no intention of transporting Yukos' crude free and added that in the unlikely event that it stopped taking Yukos' crude, Transneft was prepared to take crude from other sources.

An official at the IEA, Kenji Kobayashi said Yukos' decision to cut off oil shipments to China National Petroleum Corp is not of much concern to the world oil market.

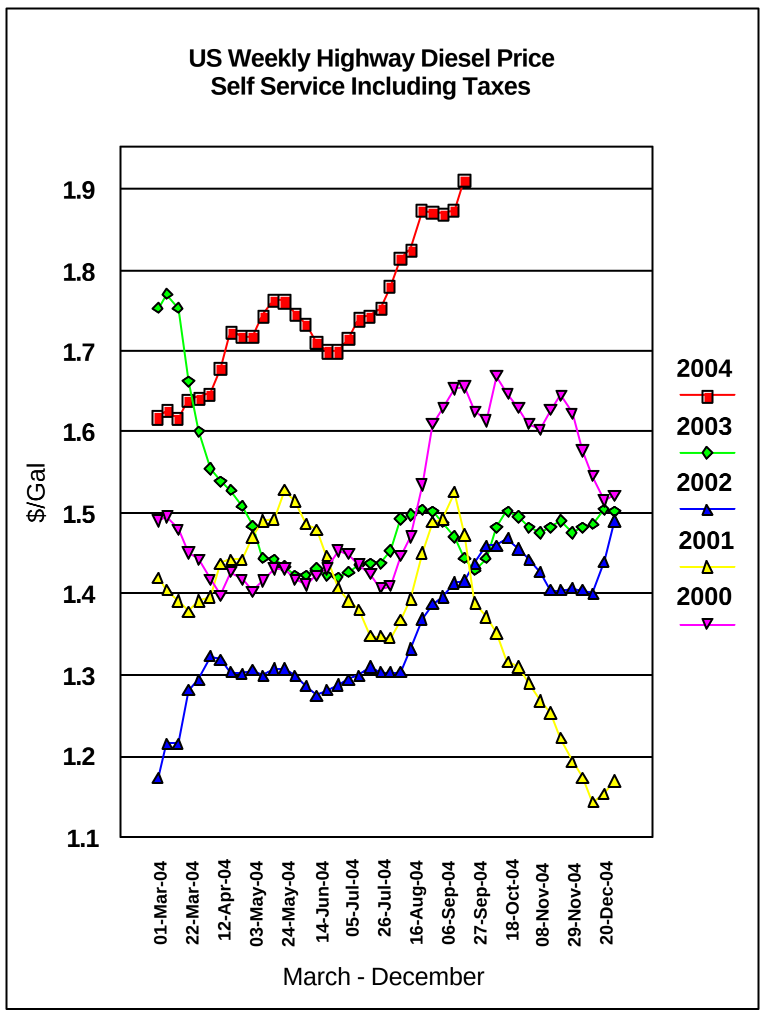
Algeria's Energy Minister Chakib Khelil said oil prices are expected to remain at current levels for the next six months due to the strong global economy. He said oil prices are expected to remain above $30/barrel in the middle term.

US Energy Secretary Spencer Abraham said OPEC appears to be making a serious effort at expanding production capacity to meet growth in world oil demand.

According to CGES, the oil market will remain tight and oil prices high, unless oil demand growth slows down this winter. It said the current tight oil market will only ease if oil demand growth is less than the 1.6 billion of expected new capacity. It however stated that if oil prices remain high over the coming winter it may trim next year's demand growth back to a level which can be met by supply.

OPEC's news agency reported that OPEC's basket of crudes increased $1.06/barrel on Friday to $39.50/barrel, up from $38.44/barrel on Thursday. It also reported that the basket price increased 20 cents to an average of $38.82/barrel in the week ending September 16 from $38.62/barrel in the previous week.

The EIA reported that the average US retail price of gasoline increased by 2 cents/gallon to $1.866/gallon in the week ending September 20th. It also reported that the



average retail price of diesel increased by 3.8 cents/gallon to $1.912/gallon on the week.

Refinery News

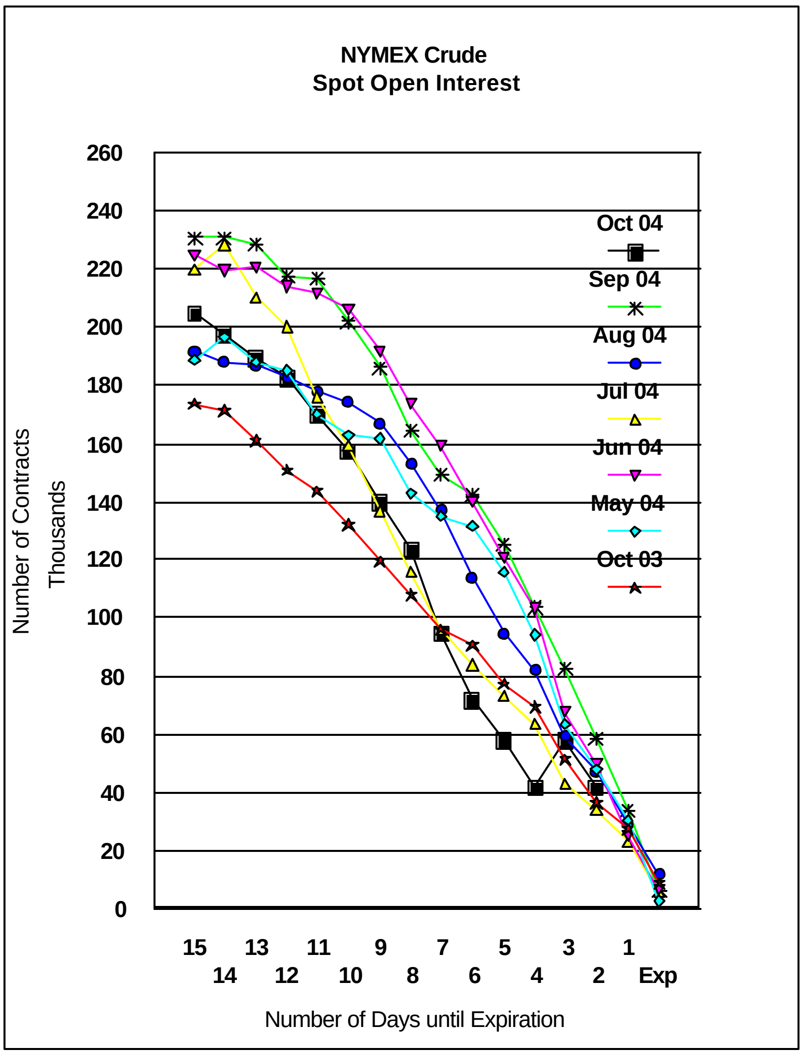
ChevronTexaco's 295,000 bpd Pascagoula, Mississippi refinery is still shut after it was shut ahead of the Hurricane Ivan. Its planned maintenance on a 150,000 bpd crude unit, which was to begin September 16, has now been delayed until the refinery restart is comp lete. The crude unit turnaround may begin as early as next week or first week of October. The scheduled maintenance on a hydrocracker and reformer is still set for the second week of October. Separately, ChevronTexaco said it was shipping oil products from its fuel terminal at Pascagoula, Mississippi.

Valero Energy Corp will have its 245,000 bpd St. Charles refinery in Louisiana and its 243,000 bpd Texas City, Texas refinery back at planned operating rates on Saturday. Separately, Valero Energy Corp expects to restart a coker unit component at the East Plant on September 29 following its scheduled maintenance.

Deer Park Refining's 67,000 bpd hydrocracker at its Deer Park, Texas refinery was shut for about a half day ending Sunday at 9 am.

The 58,000 bpd coker unit at Hovensa's oil refinery in St. Croix returned to service as expected on Saturday. The coker unit was shut by an electrical storm early last week.

BP restarted a fluid catalytic cracking unit at its 435,000 bpd Texas City, Texas refinery on Sunday.



Italy's Agip and Kuwait Petroleum International will shut a gasoline and diesel production unit for three weeks in October at their 160,000 bpd Milazzo refinery. During the shutdown a desulphurization unit will be installed. The unit is necessary to ensure gasoline and diesel produced at the refinery meets European Union specifications due to come into effect on January 1, 2005. The EU requires that the sulphur content of the fuels must be at a maximum of 50 parts per million starting next year, down from 150 ppm.

China's West Pacifica Petrochemical Corp Ltd plans to restart a reforming unit next month to produce cleaner gasoline.

Production News

Pemex reported that Mexico's crude oil exports averaged 1.816 million bpd in August, up 1.806 million bpd in July. Pemex said crude oil production averaged 3.354 million bpd in August, down from 3.363 million bpd in July.

Kazakstan's KazMunaiGaz said that its crude output for the first 8 months of 2004 increased 12% on the year to 5.85 million tons or about 178,000 bpd. The company has a full year production target of 8.66 million tons compared with 7.5 million tons in 2003.

Refiners in China are keeping gasoline exports low in October as domestic demand is healthy, with PetroChina set to export a fairly steady 100,000 tons. PetroChina exported about 90,000 tons in September, down from 210,000 tons in August.

Market Commentary

The oil market on Monday gapped higher from 45.80 to 46.10 on the opening following its strength in overnight trading on Access. The market was well supported by reports that Yukos suspended 98,000 bpd of rail borne crude exports to China. The October crude contract, which expires at the close of business on Tuesday, traded to a high of 46.25 despite some reports stating that China National Petroleum Corp expects crude supplies from Russia's Yukos to continue as normal in September. The market later erased its gains and traded to 45.50 where it once again found some buying amid headlines stating that Russia's Yukos was halting shipments to its Lithuanian refinery Mazeikiu until the end of the year. It traded to its intraday high of 46.40. However just as quickly the market once again erased its gains as Yukos denied the reports. It traded to a low of 45.30 and held good support as it settled in a range during the remainder of the session. It failed to breach its high as it tested that level ahead of the close and settled up 76 cents at 46.35. Volume in the crude was excellent with over 226,000 lots traded on the day, of which 128,000 lots traded via spreads. Open interest in the crude built by a total of 3,062 lots to 679,003 lots. Open interest in the October contract fell by 16,234 lots while open interest in the November contract built by 16,972 lots as traders rolled their positions ahead of the October contract's expiration on Tuesday. Meanwhile the product markets also settled in positive territory, with the gasoline market settling up 42 points at 127.45 and the heating oil market settling up 18 points at 126.59. The gasoline market also gapped higher on the opening from 127.30 to 127.70 and immediately posted an intraday high of 127.90. The market however retraced its gains and traded to 125.20 but quickly bounced off that level and traded back above the 127.00 level amid the continuing buying seen in the crude. However similar the crude market, the gasoline market just as quickly gave up its gains and posted an intraday low of 125.10. It later retraced its losses and settled in its earlier range ahead of the close. The heating oil market opened up 44 points at 126.85 and traded to a low of 125.00. However the market bounced off that level in follow strength seen in the crude and traded to a high of 127.50. In a yoyo pattern, the heating oil market erased its gains and sold off to a low of 124.70. It later retraced its losses and traded in a range from 125.00 to 126.80 ahead of the close. Volumes in the product markets were good with 32,000 lots booked in the gasoline market and 39,000 lots booked in the heating oil market.

The crude market on Tuesday will remain volatile ahead of the October crude contract's expiration at the close. The crude market will likely remain supported amid the headlines regarding Yukos as well as on expectations of draws in Wednesday's petroleum stock reports. Technically, the crude market is seen holding initial resistance at its high of 46.40 followed by its previous high of 47.10. Support is however seen at 45.75, its low of 45.30 followed by more distant support at 44.30 to 44.00.

Technical Analysis			
		Levels	**Explanation**
CL		47.10	Previous high
	Resistance	46.40	Monday's high
	46.35, up 76 cents		
	Support	45.75, 45.30	Monday's low
		44.30 to 44.00	Opening gap
HO		128.90	Previous high
	Resistance	127.50	Monday's high
	126.59, up 18 points		
	Support	125.00, 124.70	Monday's low
		123.60	Previous low
HU		131.20, 132.30	Basis trendline, Previous high
	Resistance	127.90	Monday's high
	127.45, up 42 points		
	Support	126.00, 125.10	Monday's low
		123.60, 123.05-123.00	Remaining gap