

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 22, 2004

Russia's state pipeline operator OAO Transneft said it has agreed to accept crude oil as payment for Yukos' transportation fees. Yukos is expected to give Transneft about 400,000 tons a month of crude, out of its total production of 7.2 million tons to cover transport fees. Yukos' chairman Viktor Gerashchenko said Yukos was doing all it can to pay a \$7 billion back tax bill and stave off bankruptcy. Meanwhile, Yukos' Yugansk unit has been forced to start reducing its oil output after a power utility cut it off for non-payment of bills. A source at Yugansk said it would reduce its production by 35,000 bpd but feared a much larger reduction if the regional utility extended the power cut.

OPEC's President Purnomo Yusgiantoro renewed his call Wednesday for non-OPEC producers to increase production.

OPEC's news agency reported that OPEC's basket of crudes increased by 51 cents/barrel to \$40.71/barrel on Tuesday from \$40.20/barrel on

Market Watch

US Treasury Secretary John Snow said high energy prices are an obstacle to the world economy and will be discussed at the upcoming Group of Seven meeting. He said the cost of crude oil was being artificially inflated by speculation and by geopolitical tensions and should fall in the period ahead.

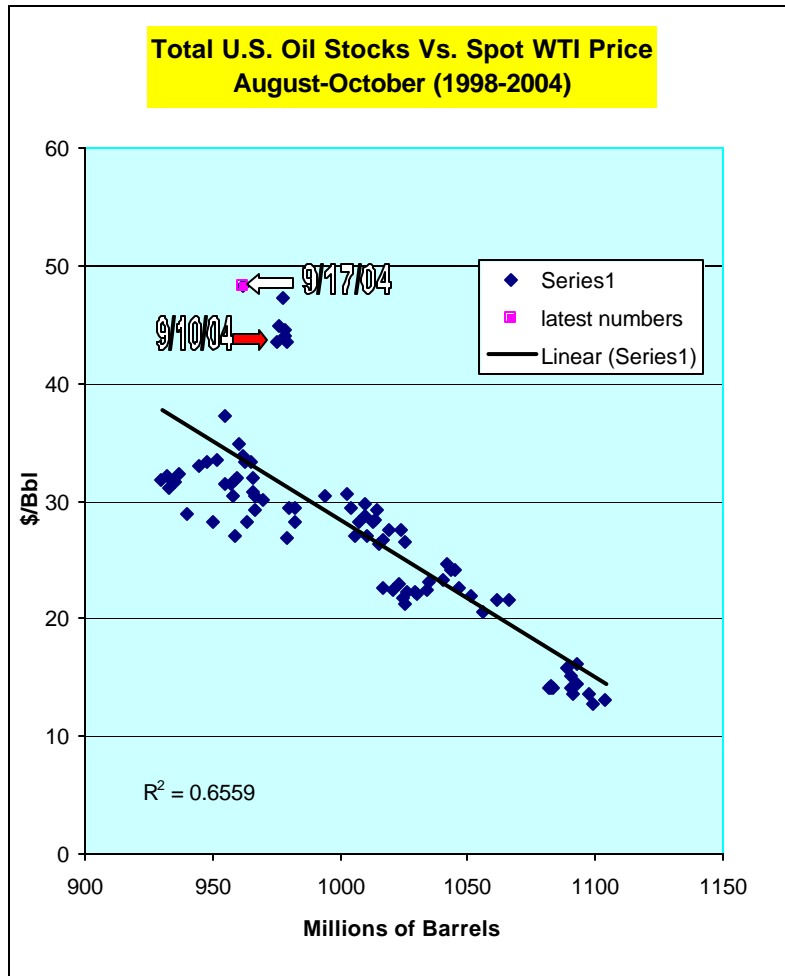
Shell Oil Co said it was in talks with more than 20 potential buyers of its 66,000 bpd Bakersfield, California refinery. It expects negotiations with potential buyers to continue into the fourth quarter, when an announcement would be made if an agreement is reached. Its statement comes days after US Sen. Barbara Boxer questioned Shell's commitment to a sale of the plant.

Iraq has signed a \$15 million contract with a unit of China's Sinopec to build eight oil storage facilities in southern Iraq. An oil official stated that the storage tanks will stabilize crude production in the south. He said work to build the Faw Peninsula storage tanks, which will have a capacity of 350,000 bpd would start as soon as the Iraqi cabinet ratifies the contract.

According to traders and analysts, fuel oil exports out of the former Soviet Union are falling this month as rising export tariffs and seasonally higher domestic demand prompt refiners to sell the product in domestic markets. Shipments from FSU ports in the Baltic, Black Sea and Far East increased a tenth in August from the previous month and 18% from a year earlier to 995,000 bpd. Total FSU oil product exports increased by 243,000 bpd or 13% from a year ago to 2.2 million bpd in August.

Royal Dutch/Shell said that talks with the Libyan government on initiating energy deals in that country were going well.

Royal Dutch/Shell has no objection in principle to the Kazakh government's wish to buy a stake in a project to develop the country's Kashagan oilfield. Kazakhstan has stated that it wants to buy in if BG sells its 16.67% stake in Kashagan and other consortium members agree.



Monday.

According to the EIA, US proven crude oil reserves fell last year for the first time in five years as energy companies replaced just over half the oil they produced. Oil companies replaced only 58% of the US crude they drilled with new reserves in 2003. Total US crude oil reserves stood at 21.891 billion barrels at the end of 2003, down 3.5% from the year before. The amount of crude discovered last year totaled 1.232 billion barrels, up 30% on the year. Separately, the EIA said the US oil industry should recover quickly from this week's large fall in imports and inventories. It said backed up imports will start to come ashore, leading to a substantial recovery in inventories.

Refinery News

A catalytic cracker unit at Flint Hills Resources LP's Corpus Christi, Texas refinery experienced a brief outage Tuesday. The catcracker was shut following a pressure transmitter malfunction in the wet gas compressor associated with the unit.

A source stated that most units at ChevronTexaco's 325,000 bpd refinery in Pascagoula, Mississippi are back on line

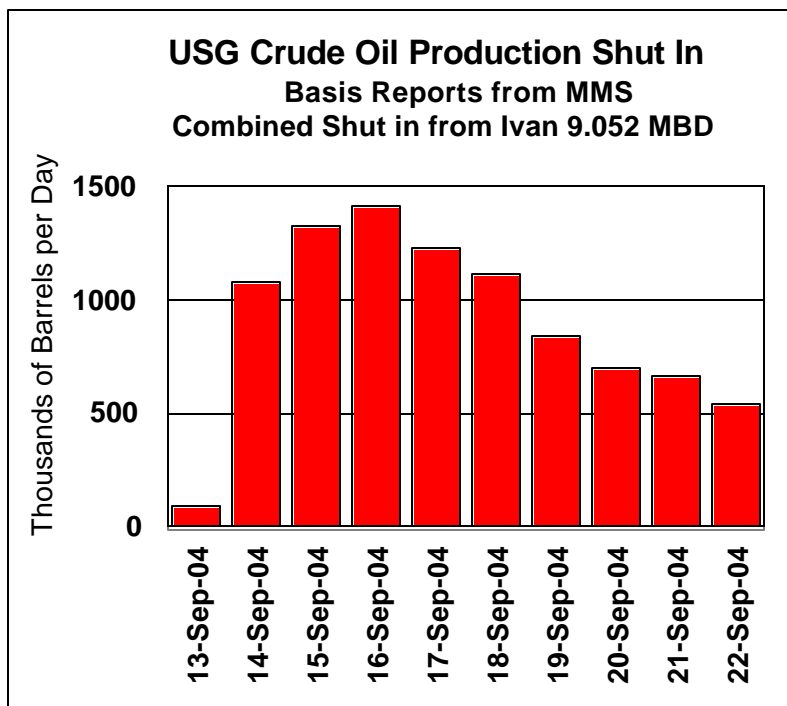
after the refinery was shut in preparation for Hurricane Ivan.

Reuters reported late today that the Bush administration is reviewing two requests from U.S. refiners to borrow crude oil from the SPR due to the current supply disruption caused by Hurricane Ivan. The SPR made such crude loans back in 2002 when Hurricane Lili disrupted crude oil imports in the USG.

ConocoPhillips reportedly will push up its planned maintenance work at its 200,000 b/d Ponca City refinery from mid-October to September 23rd.

Production News

The US Minerals Management Service stated that a total of 9.1 million barrels of crude oil and 38.6 bcf of natural gas has been shut in due to Hurricane Ivan. It stated that 543,723 bpd of crude oil and



2.4 bcf/d of natural gas remained shut in the wake of the hurricane.

According to a LOOP official, the LOOP will delay the offloading of a very large crude carrier after it finishes unloading a crude oil tanker due to heavy seas. He said the vessel will be unloaded once the seas calm. The LOOP was shut by Hurricane Ivan from September 13 to September 17.

ChevronTexaco reported that its Gulf of Mexico crude oil production was at 60% of its Gulf production capacity.

Statoil's Asgard field in the Norwegian Sea is producing 163,000 bpd of oil and exporting 36.2 million cubic meters of gas.

South Korea's Korea National Oil Corp said crude oil imports into South Korea in August increased by 29.9% on the year to 67 million barrels despite higher crude oil prices. Crude imports in the January-August period totaled 525.4 million barrels, up from 519.6 million barrels in the same period last year. The country's refiners processed a total of 67.2 million barrels of crude in August, up from 56.4 million barrels reported last year. Domestic consumption of petroleum products totaled 60.7 million barrels in August, up from 58.4 million barrels last year.

Market Commentary

The oil market opened relatively unchanged as traders awaited the release of the weekly petroleum stock reports. It quickly traded to a low of 46.42 following the release of the DOE and API reports which showed large draws of 9.1 million barrels and 12.9 million barrels, respectively. The market traded lower as these draws seemed to have already been priced in the market. However the market surprisingly bounced off its low and never looked back. It seemed the market remained focused on the fact that there is still production shut in the Gulf of Mexico due to Hurricane Ivan. The market quickly breached Tuesday's high of 47.20 and extended its gains to close to \$2 as it rallied to a high of 48.65 ahead of the close. It settled up \$1.59 at 48.35. Volume was excellent with over 253,000 lots traded in the crude market. Meanwhile, the gasoline market settled sharply higher at 134.30, up 5.34 cents. The gasoline market opened up 29 points at 129.25 and traded to a low of 127.00 following the release of the reports showing large draws in gasoline stocks. However similar to the crude market, it erased its early losses and traded higher as buy stops were triggered above 130.00. The market traded to a high of 134.40, where it held some resistance. However the market retraced its move and rallied to a high of 135.50 ahead of the close. It erased some of its gains in the last few minutes of trading, still ending sharply higher. Similarly, the heating oil market posted a low of 129.00 in light of the expected draws seen in the

Technical Analysis		
	Levels	Explanation
CL 48.35, up \$1.59	Resistance 49.40	Previous high
	Support 47.85	Wednesday's high
	Resistance 48.65	
	Support 46.95, 46.42	Wednesday's low
HO 134.44, up 4.15 cents	Resistance 140.00	
	Support 135.20	Wednesday's high
	Resistance 132.70, 129.50	
	Support 129.00	Wednesday's low
HU 134.3, up 5.34 cents	Resistance 136.20, 136.50	Previous highs
	Support 135.50	Wednesday's high
	Resistance 132.60, 128.90	
	Support 127.00	Wednesday's low

DOE and API reports. However the market bounced off its low and rallied higher. It traded to 134.60 and held some resistance at that level and erased some of its gains. The market however once again erased its losses and traded to a new record high of 135.20 ahead of the close. It settled

up 4.15 cents at 134.44. Volumes in the product markets were excellent with over 68,000 lots booked in the gasoline market and over 64,000 lots booked in the heating oil market.

The crude market on Thursday will likely retrace some of its sharp gains. However the market will remain supported amid continued concerns over the production in the Gulf of Mexico which is still shut in. Technically,

the market still has some room to the upside. The market is seen finding resistance at its high of 48.65 followed by more distant resistance at its previous high of 49.40. Meanwhile support is seen at 47.85 followed by 46.95 and 46.42.