



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 23, 2004

The US DOE said it will enter into negotiations to make available a limited quantity of crude oil from the SPR to help relieve supply shortages. This followed earlier statements that the Bush administration is set to approve requests from two refineries to borrow oil from the SPR to make up for oil supplies disrupted by Hurricane Ivan. White House spokesman Scott McClellan said the loaning of crude oil from the SPR for supply disruptions caused by a natural event fits into the Bush administration's view the SPR is there to deal with supply disruptions. He also stated that President George W. Bush is in close contact with the Department of Energy but insisted that any announcement would be made by the DOE. According to a congressional source, the loans would be for two to three weeks. A separate government source said the two loans for emergency oil would be for 100,000 barrels-200,000 barrels and for 1 million-2 million barrels.

Market Watch

The reformation of Tropical Storm Ivan may disrupt the pace of repair work on offshore oil and gas facilities in the Gulf of Mexico but is unlikely to lead to further shut ins of capacity. ExxonMobil Corp said the reformed Tropical Storm Ivan will not affect its offshore operations. It has minimal shut ins based on third party facilities in the Gulf. It also stated that there are small outages to onshore production and pipeline transit of crude due to power outages along the Gulf Coast. Meanwhile, ChevronTexaco Corp, Anadarko Petroleum Corp, ConocoPhillips and Marathon Oil Corp said their offshore operations were unaffected by the new storm.

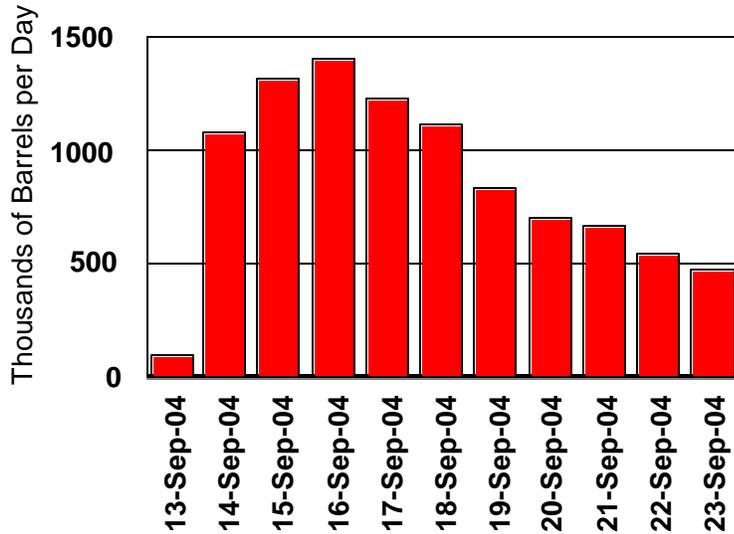
The New York Times reported that Iraq's Grand Ayatollah Ali al-Sistani has expressed concern that nationwide elections could be delayed and may withhold his support in protest over the planned vote. It said that Sistani wants changes made that would increase Shi'ite representation in the country's political process before the elections.

The head of Fortum Oil said it will be watching out for acquisitions but added that there will be no upstream acquisitions. He said its priority is refining. The Fortum group said last year it would spin off its oil operations to focus on its power and heat business. He also stated that he saw no threat to Fortum's supplies from Yukos.

Nigeria has targeted rebel militia in the Niger Delta with rockets fired from helicopter gunships. The attacks on rebel militia are the latest in a two week operation in Africa's top oil exporter to hunt down warlords who have been fighting turf wars in the southeastern Rivers state. Oil companies said their output from the Port Harcourt area has been unaffected by the latest violence.

The NYMEX announced that it will increase the margins on its heating oil futures at the close of business Friday. The margins on the spot heating oil contract for customers will increase from \$3,713 to \$4,725. Margins for the second through sixth month will increase to \$4,388 while margins for the 7th through 11th will increase to \$4,050.

**USG Crude Oil Production Shut In
Basis Reports from MMS
Combined Shut in from Ivan 9.56 MBD**



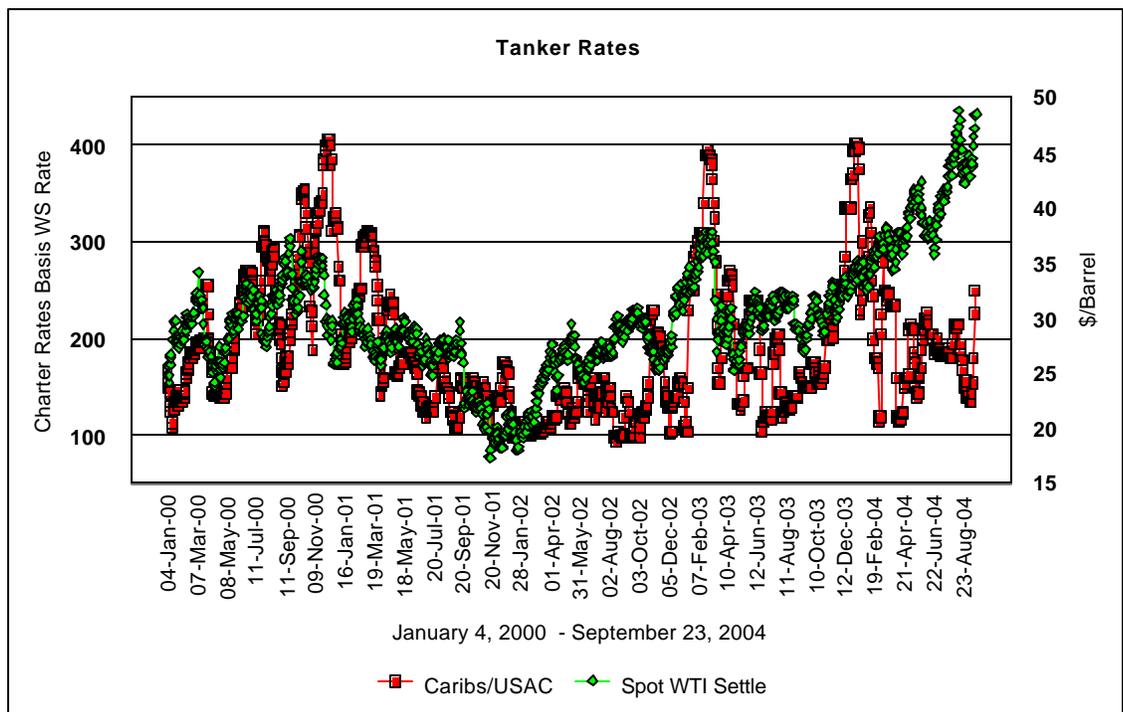
In 2002, the SPR loaned crude oil to refiners after oil supplies were disrupted by Hurricane Lilly.

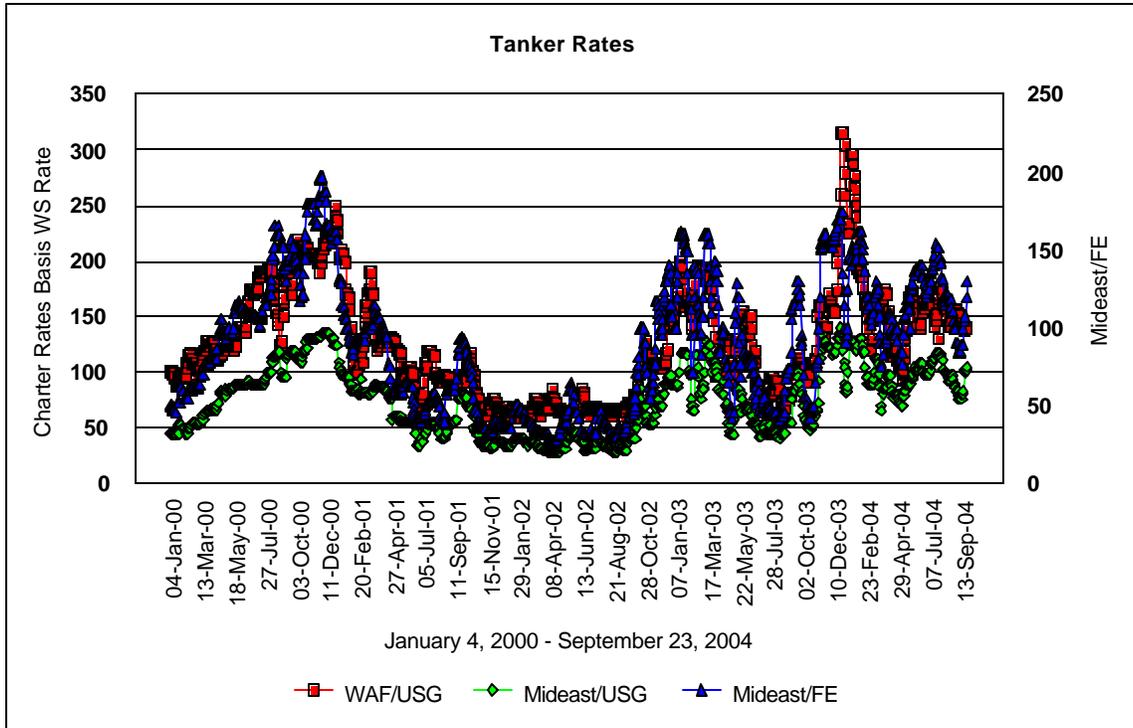
The US Minerals Management Service reported that Hurricane Ivan has so far shut about 9.6 million barrels of oil and nearly 41 bcf of natural gas. It said about 471,542 bpd or 28% of Gulf of Mexico oil production is still shut in while 2.33 bcf/d or 8% of natural gas production is still shut in.

According to a source at Yukos' marketing and transportation subsidiary, Petroval said its seaborne oil exports will be delivered to markets no matter what happens over its finances. The source said there should be no problems in shifting oil and refined production from facilities in Russia and Lithuania to buyers through October and beyond. Separately, the head of state owned railways RZhD, Gennady Fadeyev said he does not expect Yukos' tax problems to disrupt its rail oil shipments to

China in October as companies in China are prepared to cover the delivery costs. He said RZhD was shipping Yukos' crude to china according to plan, with 2.8 million tons left of this year's 6.5 million ton program. Meanwhile, Russia's Yukos is seeking to regain full power supplies in Siberia and restore production volumes by paying part of its debt. Siberian utility Tyumenenegro said Yukos had paid 11 million roubles out of its total debt of 260 million roubles or \$8.9 million for power supplies and promised to borrow money to cover the remaining debt. The utility said it is ready to review proposals from Yukos on the terms and volumes of the debt coverage and added that it will restore power supplies to Yugansk after the payment schedule is agreed on.

Iraq's southern oil exports on Thursday were still running near full capacity at 1.9 million bpd despite reports that saboteurs attacked the country's north-south pipeline halting pumping along the line. Sources reported the attack had no impact on oil exports. The pipeline, which was attacked near Najaf is mainly used for feeding Iraqi





refineries. A shipping agent said three tankers were loading at least 1.6 million bpd of Basra Light crude at the Basra Oil Terminal while one vessel was loading about 300,000 bpd from Khor al-Amaya.

OPEC's news agency reported that OPEC's basket of crudes

increased by \$1.04/barrel to \$41.75/barrel on Wednesday from \$40.71/barrel on Tuesday.

Refinery News

ConocoPhillips will restart a fluid catalytic cracker at its 223,000 bpd Sweeny, Texas refinery on September 27 following the completion of maintenance work.

ExxonMobil said its 363,000 bpd refinery in Beaumont, Texas is not likely to alter its operation due to the reformed Tropical Storm Ivan.

Citgo Petroleum Corp said it does not expect production at its 324,000 bpd Lake Charles, Louisiana refinery to be affected by Ivan.

A 54,000 bpd catcracker at PDVSA's El Palito refinery was forced to shutdown on Sunday due to a boiler rupture. It aims to restart the unit in 24-48 hours. So far this month, El Palito has exported 1 gasoline cargo, 1 jet fuel shipment, 1 diesel cargo and a residual fuel cargo.

Exports of products from Venezuela's 940,000 bpd Amuay-Cardon refinery complex remained below normal on Thursday due to continuing problems at the refinery. Sources stated that several ships had been waiting since earlier this week to dock and load products. They said the delays may be due to production problems at the plant.

Production News

The Louisiana Offshore Oil Port said it will likely not restart offloading crude tankers in the Gulf of Mexico on Thursday afternoon as previously expected. It said that based on current conditions and forecast, it will likely be Friday morning when it restarts loading following the reformation of Tropical Storm Ivan. Meanwhile, the LOOP continues to supply Gulf Coast refineries with crude in storage tanks.

According to the US Coast Guard Houston Vessel Traffic Center, operations along the Houston Ship Channel were normal early Thursday as Tropical Storm Ivan threatened the Texas coast.

The Shetland Islands Council reported that Brent crude liftings from the Sullom Voe terminal increased to 403,311 tons in the week ending September 21 from 79,870 tons during the previous week. It said 322,783 tons are bound to the US Gulf.

Singapore's International Enterprise reported that the country's onshore residual fuel stocks fell by 1.19 million barrels in the week ending September 22 to 8.833 million barrels. It said light distillate stocks increased by 85,000 barrels to 9.033 million barrels while middle distillate stocks increased by 568,000 barrels to 8.281 million barrels.

Market Commentary

The NYMEX oil market opened down 44 cents at 47.91 following the overnight news that the DOE was considering requests by two refiners to borrow oil from the SPR to make up supplies disrupted by Hurricane Ivan. The market quickly posted an intraday low of 47.50 before it erased its losses and traded to 48.35. In a yo-yo pattern, the market retraced its gains and tested its low of 47.50 once again. Despite the headlines stating that the Bush administration was set to accept the requests by the two refiners, the market held good support at its low. The market shrugged off the news and bounced off its support as traders believed the oil loans would be small and not enough to fill the breach left by the recent crude draws. It breached its resistance and rallied to a new intraday high of 49.00. The September crude contract later settled in a range from 49.00 to 48.50 before some selling pressure pushed it to 48.40 ahead of the close. It settled up 11 cents at 48.46. Volume in the crude market was excellent with over 228,000 lots booked on the day, of which 120,000 lots traded via spreads. Meanwhile, the gasoline market traded settled just 2 points higher at 134.32. It opened down 50 points at 133.80 and quickly posted an intraday low of 132.30 in follow through selling seen in the crude market. The market however bounced off its low and traded to 134.80 where it held some resistance. The market which also failed test its low, later breached its early high and rallied to a high of 136.40. However the market retraced some of its gains ahead of the close and traded back towards the 134.00 level on the close. The heating oil market also retraced some of its gains late in the session after it rallied to a high of 136.30 amid the strength in the crude market. The market rallied to its high from a low of 131.80. Volumes in the product markets were good with over 51,000 lots booked in the gasoline market and 46,000 lots booked in the crude market.

The oil market on Friday is seen retracing some of its gains amid reports that the DOE will start talks with refiners to make a limited quantity of crude oil from the SPR available. However the market's losses will likely remain limited ahead of the weekend. The market is seen holding some resistance at its high of 49.00 and 49.40 followed by more distant resistance at 50.00. Support is however seen at 48.40 followed by its low of 47.50, 46.95 and 46.42.

Technical Analysis		
	Levels	Explanation
CL 48.46, up 11 cents	Resistance 49.40	Previous high
	Support 47.50, 46.95, 46.42	Thursday's high
		Thursday's low, Wednesday's low
HO 135.29, up 85 points	Resistance 140.00	
	Support 136.30 134.60 132.70, 131.80	Thursday's high Thursday's low
HU 134.32, up 2 points	Resistance 138.00 136.40, 136.50	Thursday's high, Previous high
	Support 134.20 132.30	Thursday's low