



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 24, 2004

A Gulf OPEC delegate said Saudi Arabia can increase its oil production to 10.5 million bpd immediately if needed from its current output of 9.5 million bpd. He added that the world oil market is currently well supplied and that prices should decline by the end of the year. He stated that there are few if any additional steps OPEC can take to prevent future price spikes.

A North Oil Co engineer said its main northern pipeline is fixed but not yet pumping. He added that Iraq is however exporting 250,000 bpd of oil to Turkey along a backup pipeline. He said the North Oil Co was awaiting orders from the government to resume exports through the main northern pipeline, which saboteurs blew up on September 2. He also stated that northern exports had not been affected by an attack on Thursday on the main pipeline linking Iraq's northern and southern oilfields. An Iraqi oil official said the attack cut a flow of between 750,000 and 1 million bpd which was being pumped from the south to

Market Watch

The US Energy Department said it signed a deal to lend crude from the SPR to Placid Refining Co. LLC. Placid will receive about 300,000 barrels of crude, with flows starting on Friday for its refinery in Port Allen, Louisiana due to supply disruptions in the wake of Hurricane Ivan. Its 49,000 bpd refinery is currently operating at reduced rates due to a lack of oil. The DOE also approved a loan of 1.4 million barrels of crude from the SPR to Shell Oil. The first 900,000 barrels of oil will begin flowing on Saturday. Meanwhile, ConocoPhillips is preparing a formal request to the US DOE to ask for oil from the SPR for its Alliance refinery in Louisiana. A source stated that Alliance's 257,000 bpd Belle Chase refinery has still not recovered from Hurricane Ivan. The source did not state how much oil ConocoPhillips will request.

Separately, US Treasury Secretary John Snow said the loan of some crude oil stocks to refiners would only be a limited release from the country's SPR.

According to shipping brokers, Saudi Arabia has booked two more very large crude carriers to the US for loading in October, increasing its spot shipments for the month to 16 million barrels for arrival ahead of winter demand. Vela International Marine had provisionally hired the Olympic Legacy to carry 285,000 tons of crude oil to the US for loading on October 23. It has also booked the Hempstead to lift a similar load on October 30. The bookings are in addition to another six confirmed spot shipments booked by Saudi Arabia since last Thursday that are due to reach US shores in November.

Royal Dutch/Shell has evacuated non-essential staff from two flow stations in the Niger Delta, where government forces have been attacking rebel militia. The evacuation was a precautionary measure taken after the company noted troop movements around the installations at Soku and Ekulama. A company spokesman said oil production has not been affected. Oil companies are on heightened alert after a commander of the rebel Niger Delta People's Volunteer Force said they would attack oil installations unless the military halted a two week old operation. Companies fear a repeat of last year's uprising, which forced companies to shut 40% of the country's production.

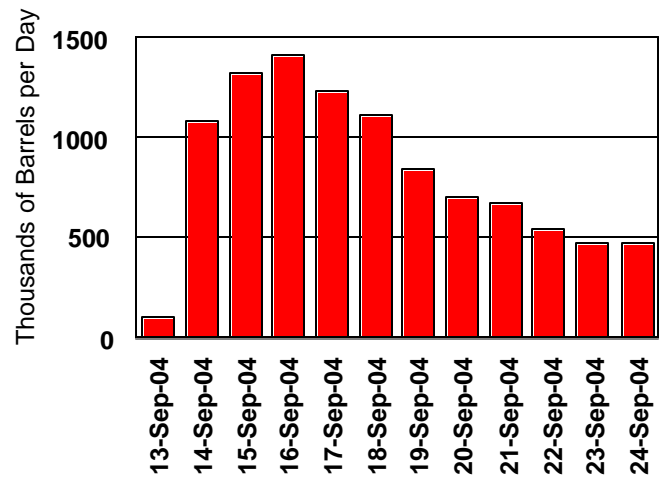
the north of the country. Later on Friday, an oil security official stated that saboteurs blew up one of a group of pipelines feeding an Iraqi oil refinery at Baiji.

Siberian utility Tyumenenergo restored full power supplies to Yukos' main Siberian oil unit, Yuganskneftegaz, a move that will allow Yukos to restore its production volumes. Separately, Russia's President Vladimir Putin said Russian state energy firms can bid for Yukos' assets if bailiffs put them up for sale to recover a large back tax bill.

According to Oil Movements, OPEC crude oil shipments from all 11 OPEC producers increased by 330,000 bpd in the four week period ending October 2. Forward ship chartering shows OPEC's crude oil exports increased to 24.010 million bpd, up from 23.68 million bpd on September 4. Shipments or exports from OPEC producers in the Gulf increased by 500,000 bpd to 17.82 million bpd.

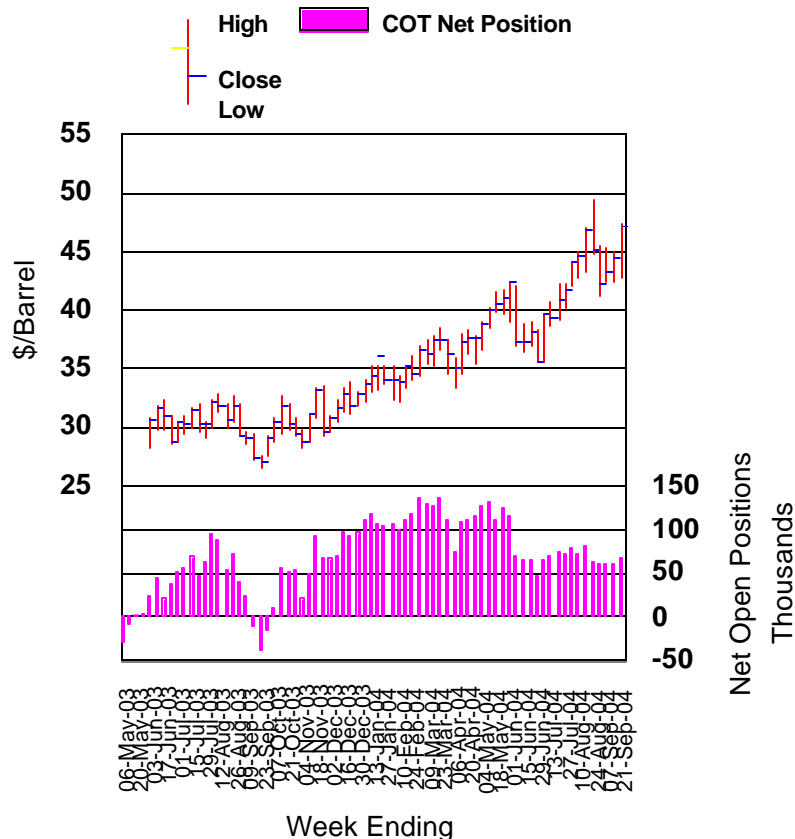
OPEC's news agency reported that OPEC's basket

USG Crude Oil Production Shut In
Basis Reports from MMS
Combined Shut in from Ivan 10.031 MBD



NYMEX Crude Oil

Spot Weekly Price (Wednesday-Tuesday)
 Vs Non Commercials Reportable Position (Futures & Options)



of crudes increased by 52 cents/barrel on Thursday to \$42.27/barrel from \$41.75/barrel on Wednesday.

Refinery News

ConocoPhillips plans to shut a unit associated with diesel production at its 145,800 bpd Borger, Texas refinery on October 3 in order to perform maintenance. The world is expected to take 24 to 40 hours to complete.

Italy's ERG will delay the shutdown of its 230,000 bpd Isab Sud refinery in Sicily by at least two weeks until mid-October.

Production News

The US Minerals Management Service said that more than 10.03 million barrels of oil and 43.3 bcf of natural gas has been shut by Hurricane Ivan since September 13. Oil production is still down 471,469 bpd, while natural gas production is still down nearly 2.33 bcf/d.

Oil tanker unloading operations at the Louisiana Offshore Oil Port returned to normal on Friday morning after rough seas calmed enough to allow offloading to resume Thursday night. A port official said LOOP offloadings will be behind schedule until November 1 after the backlog accumulated during more

than 5 days when the port suspended its offloading operations due to Hurricane Ivan.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 7 to 1,239 in the week ending September 24th. It said the number of rigs searching for oil in the US increased by 2 to 165 while the number of rigs searching for natural gas increased by 5 to 1,073.

An industry analyst said gas oil stocks held in the Amsterdam-Rotterdam-Antwerp storage tanks fell by 100,000 tons to 1.6 million tons in the week ending September 24th. It is down 18% on the year from last year's level of 1.95 million tons. Gasoline inventories increased by 75,000 tons to 675,000 tons while naphtha stocks increased by 10,000 tons to 90,000 tons. Meanwhile, fuel oil stocks fell by 150,000 tons to 300,000 tons while jet fuel stocks fell by 30,000 tons to 200,000 tons.

Petroecuador has resumed its normal production level of 204,000 bpd after security forces took control of wells that had been seized by the protesters, who were demanding public subsidies. During almost three days of protests, Petroecuador lost nearly 19,000 barrels in output.

According to the Petroleum Association of Japan, commercial stocks of kerosene in Japan increased by 4.8% on the week to 3.39 million kiloliters in the week ending September 18. It reported that Japan's oil refiners processed 3.81 million bpd of crude oil, up from 3.79 million bpd the previous week. Refinery operating rates in Japan averaged 79.9% of capacity compared with 79.5% a week earlier.

Fuel oil imports into China's largest product terminal, Huangpu, were 1.1 million to 1.2 million tons in September.

Market Commentary

The crude market ended the session in positive territory as it extended its gains for the seventh consecutive session amid the continuing concerns over supply. This was despite the reports that the US DOE has granted oil loans to refiners affected by Hurricane Ivan. Early in the session the market, which posted an inside trading day, retraced some of Thursday's gains as it opened down 26 cents at 48.20 and traded to an intraday low of 47.90. Even though the DOE announced it started granting crude loans from the SPR, the market failed to test Thursday's low of 47.50. Traders continued to believe that the volume of oil was too small to cover what was lost due to the disruptions. The market bounced off its low and traded to 48.75, before it settled in a range from 48.75 to 48.25 during most of the session. However the market found some short covering ahead of the weekend, which pushed the market to its intraday high of 48.90. It settled up 42 cents at 48.88. Volume was light in the crude with 148,000 lots booked on the day. Meanwhile the heating oil market and gasoline market settled up 50 points each at 135.79 and 134.82, respectively. Similar to the crude market, the heating oil market posted an inside trading day. It traded to a low of 133.10 early in the session before it bounced off that level and traded to a 135.10 where it held some resistance. Trading was light as it settled in a range. However the market later found some short covering which pushed it to its high of 136.00 on the close. The gasoline market also

open lower and traded to a low of 131.00 before it settled in a range for most of the session. However the market later breached its earlier high and posted a high of 135.50 ahead of the close. Volumes in the product markets were good with 44,000 lots booked in the

Technical Analysis			
		Levels	Explanation
CL	Resistance	49.40	Previous high
		48.90, 49.00	Friday's high, Thursday's high
	Support	47.90, 47.50	Friday's low, Thursday's low
		46.95, 46.42	Previous low
HO	Resistance	140.00	
		136.00, 136.30	Friday's high, Thursday's high
	Support	133.10	Friday's low
		132.70, 131.80	Thursday's low
HU	Resistance	138.00	
		135.50, 136.40	Friday's high, Thursday's high
	Support	131.00	Friday's low
		130.41, 127.00	28% retracement (111 and 136.40), Previous low

heating oil market and 52,000 lots booked in the gasoline market.

According to tonight's Commitment of Traders report, non-commercials in the crude market increased their net long positions by 13,544 contracts to 26,742 contracts in the week ending September 21st. Non-commercials increased their total long positions from 104,068 lots to 114,804 lots. Meanwhile the futures and options report also showed that non-commercials increased their net long position by 8,259 contracts to 68,314 contracts on the week. Given the market's trend in the last few trading sessions, non-commercials have continued to increase their net long positions. Non-commercials in the product markets were mixed with non-commercials in the heating oil market increasing their net long positions from 5,285 contracts to 7,417 contracts while non-commercials in the gasoline market cutting their net long positions from 9,112 contracts to 5,659 contracts.

The crude market early next week will likely retrace some of its recent gains, barring any bullish news over the weekend. However the market's losses will be limited as traders position themselves ahead of next week's release of the weekly petroleum stock reports. Technically, the crude market still has some room to the upside, with its daily stochastics still trending higher. The crude market is seen finding resistance at its high of 48.90, 49.00 and 49.40. Support is however seen at 47.90, 47.50 followed by 46.95 and 46.42.