



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 4, 2004

Platts reported that saboteurs blew up a crude oil pipeline near the southern Iraqi city of Karbala early on Monday. The explosion caused a temporary halt in pumping on one of two main export lines in southern Iraq. Meanwhile, industry officials stated that saboteurs attacked a pipeline linking southern and northern oilfields but exports were unaffected. Exports of oil from the south were continuing smoothly on Monday. North Oil Co officials said oil was also flowing from the northern Kirkuk oilfields to Turkey's Ceyhan port through another pipeline.

Nigerian militia leader, Moujahid Dokubo-Asari said that any new military offensive against his fighters would undo his agreement with the government to calm fighting in Nigeria's south. He agreed on Friday to disarm his fighters and end weeks of battles against troops. He said he would continue with a political struggle for greater autonomy for his

Market Watch

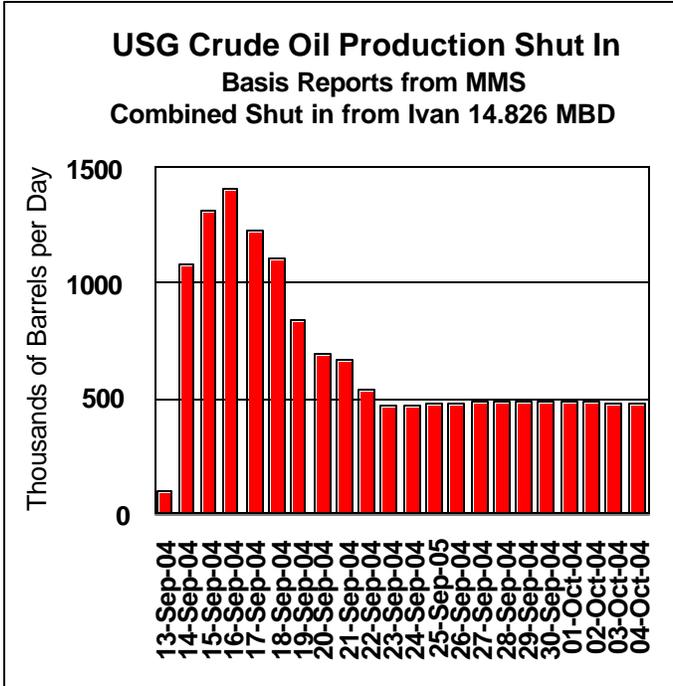
The API will begin publishing this week additional information in its weekly petroleum stock reports. A figure for crude oil inventories at Cushing, Okla will be included with the regional crude oil inventory figures. It will break down data on finished reformulated gasoline(RFG) into three subcategories based on oxygenate used, ether, alcohol or none. The categories for oxygenated gasoline and other finished gasoline will be replaced with conventional gasoline blended with alcohol and other conventional gasoline. Gasoline blending components will be subdivided into categories, including reformulated blendstock for oxygenate blending (RBOB) for blending with ether, RBOB for blending with alcohol, conventional blendstock for oxygenate blending (CBOB), gasoline treated as blendstock (GTAB) for reformulated gasoline, GTAB for conventional gasoline and other blending components. Distillate fuel oil production, stocks and imports will have an additional category for ultra low sulfur diesel.

Protests by French fisherman against high fuel prices has halted the movement of oil tankers into the terminal of Fos-sur-Mer and Lavera. The agents said two crude oil tankers and three petroleum product tankers had been stopped from sailing into an out of the Mediterranean oil terminals.

A senior official at Shell's operations in Malaysia said crude oil customers could look to alternative energy sources such a hydro and nuclear if oil prices do not fall. He said high energy prices resulted in short term gains for upstream operations of oil companies but customers could ultimately be forced to look for alternative sources of energy.

Nigeria's Director for Petroleum Resources, Macaulay Ofurhie said the country plans to hold a new round of oil licensing next year in which 25-30 blocks will be made available. He said the emphasis in the new round would be deep and ultra deep blocks although some areas would be available inland.

The NYMEX President is expected to host a reception in London for commodities traders and brokers on October 14, amid speculation that the NYMEX plans to open a rival to the IPE in London. A NYMEX spokeswoman played down the significance of the London invitation.



follow Ijaw people.

Kuwait's Energy Minister Sheikh Ahmad al-Fahd al-Sabah said he expects oil prices to start falling in the second quarter of next year. He also stated that Kuwait was on schedule to have up to 200,000 bpd of spare production capacity as early as next week and will bring that oil to the market if needed to help lower prices. He added that an additional capacity of 180,000 bpd-200,000 bpd will be available to Kuwait by the middle of October following the completion of work on a damaged oil gathering center at a northern oil field. The Oil Minister reiterated that fears over global geopolitics, economies or terror attacks were among factors behind the oil price spike, not the lack of supplies or OPEC policy.

Venezuela's Oil Minister Rafael Ramirez said OPEC will likely increase its production ceiling at its next meeting on December 10 to account for current production above the group's official quota. He said the majority of OPEC members have reached maximum production and that there is not much

flexibility for the group to increase output in the short term.

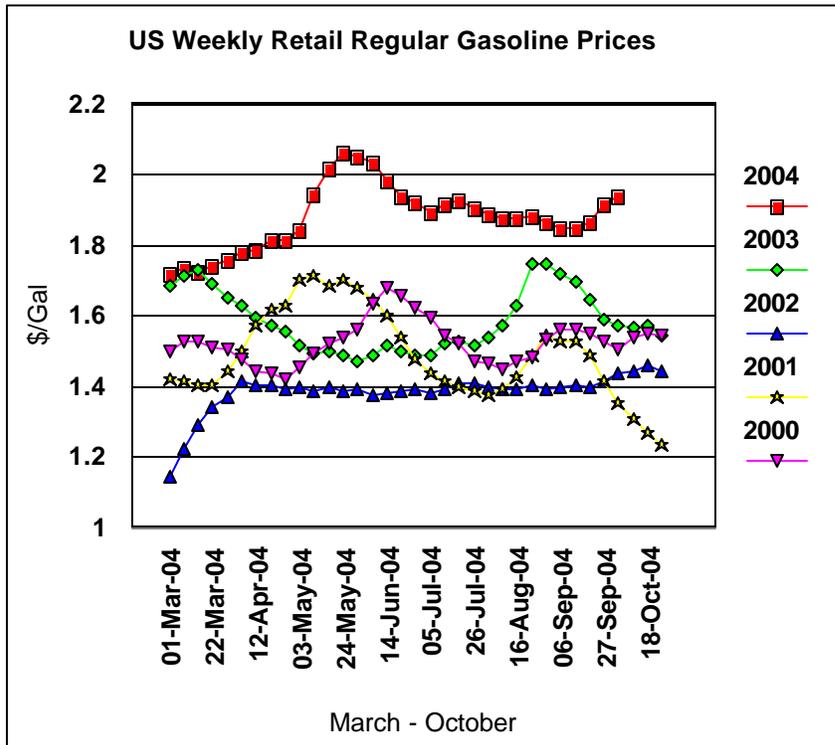
OPEC's news agency reported that OPEC's basket of crudes fell to \$43.29/barrel on Friday from \$43.39/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$2.17/barrel to an average of \$43.11/barrel in the week ending September 30, from a revised \$40.94/barrel the previous week.

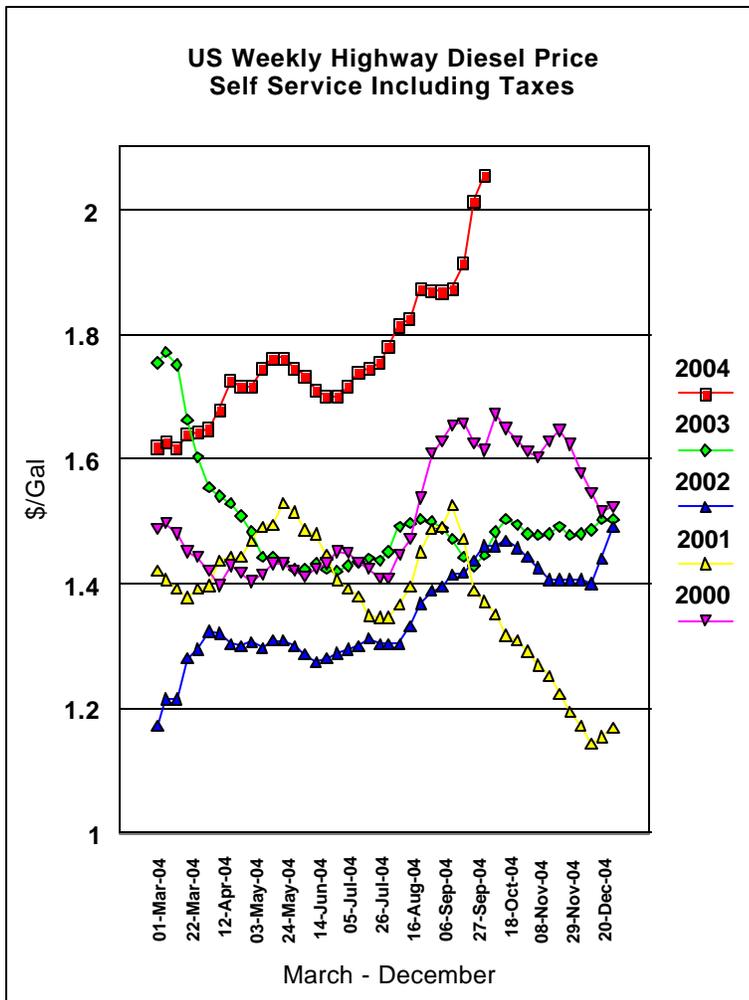
A senior IEA official welcomed a call for the IEA to adopt more transparent oil market data to avoid more oil supply shortages and price shocks. The IEA is working alongside other multinational institutions in the Joint Oil Data Initiative to improve the quality of world market data.

The MMS reported that production in the Gulf of Mexico was slowly recovering. It stated that about 480,285 bpd of crude oil was still shut in, down from 484,458 bpd on Friday while 1.98 bcf of natural gas was still shut in, down from 2.321 bcf. The cumulative amount of crude shut in is 14.83 million barrels while the cumulative amount of natural gas shut in is 66.13 bcf.

The EIA reported that the average retail price of gasoline increased by 2.1 cents/gallon to \$1.938/gallon in the week ending October 4. It also reported that the average retail price of diesel continued to climb, this time by 4.1 cents/gallon to \$2.053/gallon.

Federal Reserve Board Governor Ben Bernanke said the US economy





should be able to withstand oil prices at current levels although they are weighing on growth.

Refinery News

Taiwan's Formosa Petrochemical Corp will reduce its oil products exports in November due to a partial refinery turnaround. It is expected to shut a 150,000 bpd crude distillation unit for 30 days of maintenance, starting in early November.

Production News

An official of United Oil Workers' Federation said workers at the Duque de Caxias refinery in Rio de Janeiro and the Barueri fuel distribution terminal in Sao Paulo started a partial 24 hour strike on Monday. However the protest did not disrupt output. Meanwhile, union leaders said the company had called a new round of wage talks for Tuesday. Unions have stated that the strike action could be expanded if their demands were not met.

BP Plc said overall production in the third quarter is expected to total 3.88 million boe/d, up 11% from 3.502 million boe/d in the third quarter of last year, but down 2% from 3.971 million boe/d in the second quarter of 2004.

ExxonMobil shutdown the first ultradeep well on its Azeri offshore field after failing to find commercial deposits. The results of drilling on the Zafar-Mashal field had been expected to

give a clue as to whether the Caspian country's shelf contained more significant reserves or whether its potential has been overestimated.

Russia's Energy Ministry reported that Russian oil and gas condensate output increased about 10% year on year in January-September 2004 to 341.2 million tons or 9.13 million bpd from 311.1 million tons or 8.35 million bpd a year earlier. It said Russia's oil output reached a new post Soviet high of 9.42 million bpd in September, up 50,000 bpd on the month, as continued output increases by most companies compensated for flat production at Yukos. Russia's crude oil exports via Transneft increased by 17% to 146.32 million tons or 3.92 million bpd from 124.9 million tons or 3.33 million bpd in January-September 2003. In September, loadings via Lithuania's Butine port stood at 400,000 tons or 98,000 bpd compared with 600,000 tons in August and 812,000 bpd last year. Shipments are expected to further decrease to 305,000 tons in October. The Ukrainian port of Yuzhny will receive 400,000 tons in October as oil starts to flow along the Brody-Odessa pipeline.

An Indian Oil Ministry stated that India's crude oil imports increased 12.2% in the April-August period to 2 million bpd as local demand increased by 6.3% and exports increased by 1.7%. Crude imports increased by 17.8% in August to 8.22 million tons on the year. Exports of refined products increased 1.7% in April-August but fell 14.5% in August after Indian Oil Corp's 150,000 bpd Mathura refinery was shutdown in July.

Market Commentary

The oil market opened lower at 49.60 in follow through selling seen in overnight trading following the news that militants in Nigeria withdrew a threat to target oil operations. The crude market which posted an inside trading day, posted its intraday low of 49.55 early in the session before it retraced some of its losses and traded to a high of 49.95. It traded sideways during most of the session as it failed to breach its early trading range amid the light

volume trading throughout the session. The market however traded back towards its high and posted a new intraday high of 49.97 ahead of the close. It settled down 21 cents at 49.91. Volume was light with only 113,000 lots traded on the day. The product markets also fell in sympathy with the crude market. The gasoline market settled down 1.53 cents at 133.69 after it too posted an inside trading day. The market opened down 1.32 cents at 133.90 and immediately posted an intraday high of 134.50. The market later traded off its high and traded to 133.40, where it held some support. However further selling pushed the market to its low of 132.80 late in the session before it traded back towards the 134.00 level ahead of the close. Similar to the crude market, the heating oil market also posted an inside trading day. It posted the day's trading range from a high of 139.00 to its low of 137.90 within the first hour of trading. The market retraced some of its losses and traded sideways during the remainder of the session. Volumes in the product markets were also light with 27,000 lots booked in the gasoline and 26,000 lots booked in the heating oil market.

The crude market will continue to trade sideways as it continues to find resistance as its previous highs ahead of the release of the weekly petroleum stock reports. The market is seen finding resistance at its high of 49.97 followed by 50.15-50.25 and 50.47.

Meanwhile, support is seen at its lows of 49.55, 49.20 followed by 48.40.

Technical Analysis		
	Levels	Explanation
CL 49.91, down 21 cents	Resistance 50.15-50.25, 50.47 49.97	Previous highs, Overnight high Monday's high
	Support 49.55, 49.20 48.40, 47.90	Monday's low, Friday's low Wednesday's low, Previous low
HO 138.56, down 1.02 cents	Resistance 144.05 139.00, 139.80	basis trendline Monday's high, Double top
	Support 137.90, 137.00 134.70	Monday's low, Friday's low Wednesday's low
HU 133.69, down 1.53 cents	Resistance 135.80, 140.00 134.50, 135.50	Previous high, basis trendline Monday's high, Friday's high
	Support 132.80, 132.30 130.00	Monday's low, Friday's low Wednesday's low