



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 7, 2004

Shell said Nigeria's Pengassan and Nupeng oil unions started a two day strike at its facilities on Thursday. A company spokesman said output had not been affected and added that efforts were being made to minimize any impact of this on the company's operations. Meanwhile independent port inspectors SGS said Shell's crude loadings will be put on hold as a result of a 2 days strike by the oil unions. It said the strike was called to protest against Shell management plans.

The Norwegian Shipowners Association said Norway's three month oil rig strike is set to escalate by closing another North Sea field and increasing the cut in output by 25,000 bpd. The move will increase the amount of oil supply directly affected to 55,000 bpd. Delayed drilling of six production wells offshore Norway is increasing the total impact to an estimated 200,000 bpd. The strike that started in early July has already shut the 30,000 bpd Glitne field operated by Statoil and is set to expand to about 580 OFS rig workers from Saturday when the OFS halts Petroleum Geo-Services' Petrojarl Varg floating production, storage and offloading ship. The dispute, which is mainly over contract terms rather than pay, is deadlocked with no talks between the union and employers since mid-September.

Market Watch

The DOE released its new SPR delivery schedule on Thursday, in which it reported that the crude deliveries in October will fall by 500,000 barrels to 2.334 million barrels while deliveries in March will increase by 600,000 barrels to 4.642 million barrels.

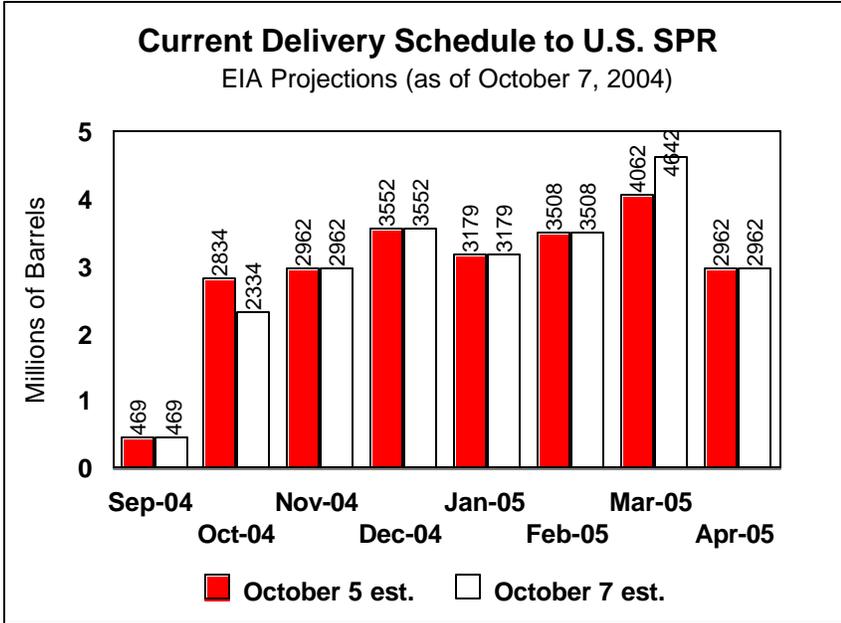
The Russian Interior Ministry has accused Tomskneft, one of Yukos' largest production units, of evading taxes of 1.05 billion rubles in 1999-2000 and stealing hydrocarbons. Meanwhile, the head of Yukos Viktor Gerashchenko said the company is prepared to pay \$8 billion in tax liabilities by July 2006 in order to avoid bankruptcy. It has struck a barter deal with Transneft to keep oil shipments flowing.

Separately, Russia's Deputy Energy and Industry Minister Ivan Materov said Russia will honor all its crude oil supply export commitments regardless of the outcome of a tax dispute with Yukos.

A senior Shell official stated that Royal Dutch/Shell will aggressively bid for new Nigerian oil and gas concessions, targeting about 50% of tenders planned by the government. He said Shell would like to add about 300,000-400,000 bpd to its portfolio from the projected new investment.

Saudi police arrested two Saudi nationals after a shootout at a checkpoint in Riyadh. An official said the two men were arrested after they refused to stop at a roadblock and fired at the police.

US Energy Secretary Spencer Abraham said he was not aware of any more requests from refiners to borrow crude oil from the SPR to offset the supply disruptions. The DOE has so far loaned 4.7 million barrels of crude



from the SPR. He also declined to estimate when oil production in the Gulf of Mexico will return to levels seen before Hurricane Ivan disrupted output.

A Kuwaiti marketing official said Kuwait sees demand for an extra 200,000 bpd of oil production it hopes to bring on stream within one or two months. Kuwait's Oil Minister Sheikh Ahmed Fahad al-Sabah said the country will increase its production by 200,000 bpd to 2.7 million bpd when repairs to oil infrastructure are completed. The ministry planned to reopen an oil gathering center by mid-October.

According to Oil Movements, OPEC's oil exports increased by 160,000 bpd

in the last four weeks from mid-September, however shipments are declining for early October. In the four week period ending October 16, OPEC shipped 23.93 million bpd. It reported an increase of 700,000 bpd in OPEC's exports in the third quarter from the second quarter.

Refinery News

ConocoPhillips' 263,000 bpd refinery in Bayway, New Jersey was operating at near full rates on Thursday, despite ongoing maintenance work on the refinery's pipe stills. The pipe stills were shut in mid-September and are scheduled for restart by mid-October.

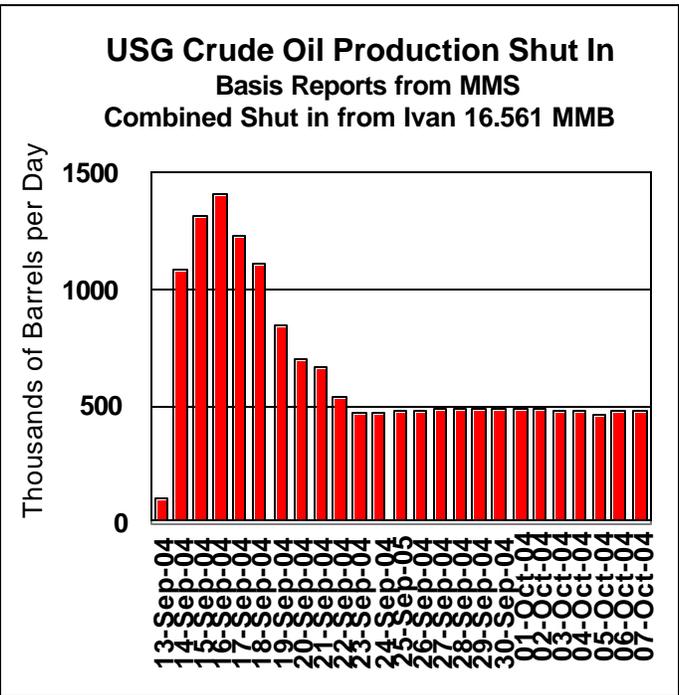
Giant Refining Co said it will restart its 61,900 bpd Yorktown, Virginia crude distillation unit on Thursday afternoon after a month of maintenance work. The refinery is expected to reach full capacity by early next week.

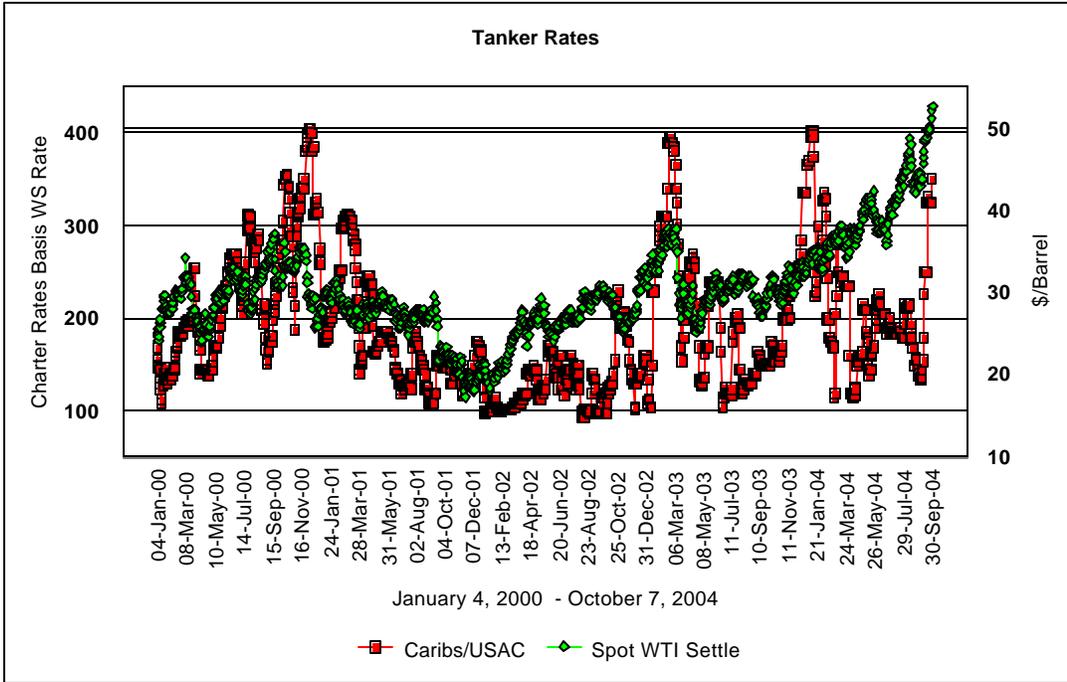
La Gloria Oil and Gas Co's attempt to restart its fluid catalytic cracking unit at its Tyler, Texas refinery failed. The unit was shut following a power failure on Monday.

Marathon Ashland Petroleum said its 76,000 bpd Texas City, Texas refinery was slowed due to a small fire in a seal of its crude distillation unit. It was not immediately clear how long the plant would remain at reduced rates.

Sunoco Inc has restarted its 180,000 bpd refinery in Marcus Hook, Pennsylvania and is expected to return to full rates by the end of the week. The refinery was shut in early September for fall maintenance.

According to the Texas Natural Resource Conservation Commission, ExxonMobil's Beaumont, Texas refinery shut a flare gas recovery compressor due to mechanical problems. Maintenance on the compressor will start and continue for about 45 days until November 21.





PDVSA's El Palito refinery has restarted an idled jet fuel unit that will increase the plant's production of the fuel by 7,000 bpd to 21,000 bpd.

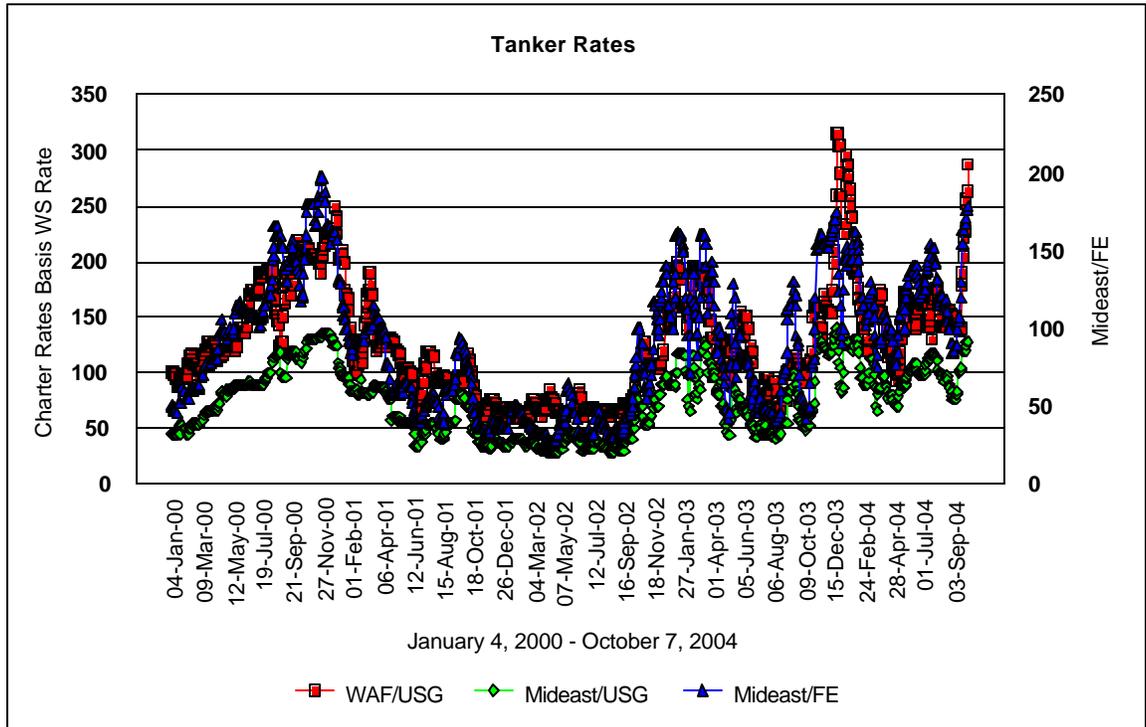
Production News
 The MMS reported that 475,176 bpd of crude production was still shut in on Thursday, an improvement of 2,950 bpd from Wednesday's level while 1.775 bcf of natural gas was still shut in, an improvement of 25.44 bcf on the

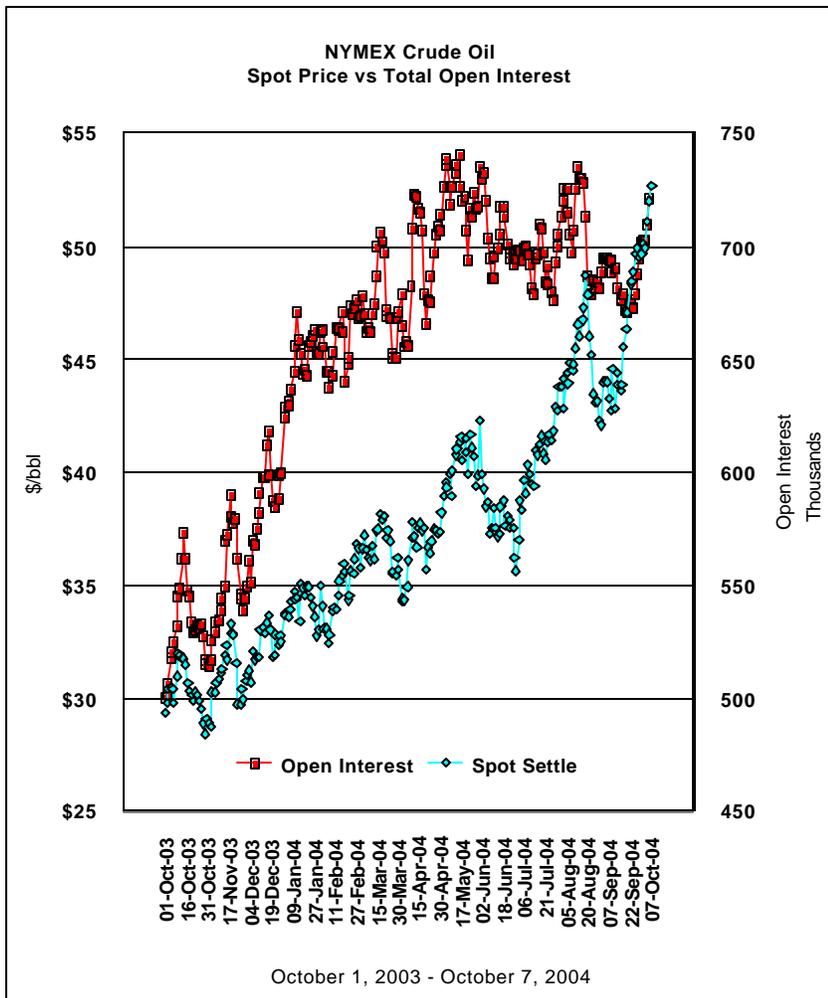
day.

Shell Oil Co expects to restore 70% of operation in its Ram Powell field in the Gulf of Mexico by early December. The Ram Powell field's production should be around 12,400 bpd of oil and 171 mmcf/d of natural gas in early December and increase to 17,700 bpd and 244 mmcf/d, respectively in the first quarter of 2005.

According to Venezuela's 2005 draft budget, the country aims to produce an average of 3.6 million bpd of oil in 2005, of which 2.9 million bpd will be exported. PDVSA is expected to produce an average of about 2.8 million bpd of oil next year. The average price for Venezuela's oil in 2005 was forecast in the draft budget at \$23/barrel.

Iraq's SOMO cut all of the November official selling prices for its Basrah Light crude for delivery to the US, Europe and Asia. Basra Light crude bound to the US is





priced at the second month WTI minus \$11.25, down \$1.75 on the month while the crude bound to Europe is priced at dated Brent minus \$9.75/barrel compared with minus \$7.25/barrel. Basra Light crude bound to Asia is priced at the Oman/Dubai average minus \$3.30/barrel compared with minus \$2.20/barrel in October. Kirkuk crude bound to Europe is set at dated Brent minus \$9.00/barrel from minus \$6.70/barrel in October. Meanwhile, trade sources said Iraq's SOMO has told customers it has introduced a new pricing policy to make itself more market oriented. A trader said the change was radical and could mean SOMO lowered prices to compete aggressively with rival grades in the physical market.

An industry analyst reported that gas oil inventories in the Amsterdam-Rotterdam-Antwerp storage tanks fell by 50,000 tons to 1.4 million tons in the week ending October 7th. It is down from last year's level of 1.725 million tons. Gasoline inventories also fell by 25,000 tons to 550,000 tons while its naphtha stocks remained unchanged at 100,000 tons. Fuel oil inventories increased by 25,000 tons to 375,000 tons while jet fuel stocks remained

unchanged at 250,000 tons.

According to the Shetlands Islands Council, Brent crude oil liftings from the Sullom Voe terminal fell to 80,760 tons in the week ending October 5 from 267,991 tons in the previous week.

The Aberdeen Petroleum Report stated that UK oil production in July fell just over 5% or 63,000 bpd from June to 1.67 million bpd.

Russia's Energy Ministry reported that Russian refineries produced more gasoil and gasoline and cut output of fuel oil in the first nine months of 2004 as oil firms continued upgrades. It reported that output of gasoil increased by 1.5% year on year to 40.612 million tons in January-September 2004 while gasoline production increased by 3% to 22.268 million tons. Production of jet kerosene increased by 8.5% to 5.897 million tons while fuel oil output fell by 3.4% to 38.936 million tons. Crude supplies to Russian refineries increased 2% in January-September 2004 to 165.2 million tons.

An Azerbaijan oil official said the country's crude production fell by 1% in January-September 2004 mainly due to lower output from a BP led group. BP said its output from the Chirag oilfield fell to 4.7 million tons or 126,000 bpd in January-September compared with 4.8 million tons or 129,000 bpd in the same period last year. Socar said its output was unchanged at 6.7 million tons or 179,000 bpd. Total Azeri oil production was therefore 11.4 million tons or 305,000 bpd compared with 11.5 million tons or 309,000 bpd in January-September last year.

The Caspian Pipeline Consortium now plans to double capacity to 1.4 million bpd by the end of 2008, six years ahead of its original schedule, if all shareholders approve the plan. The consortium is seeking to speed up its

expansion plans in time to meet an increase in Kazakh oil exports. Kazakhstan's oil output is expected to increase to at least 3 million bpd by 2015 as its Tengiz oilfield doubles output and the potentially bigger offshore Kashagan field starts pumping in 2008.

Singapore's International Enterprise said the country's light distillate stocks fell by 1.649 million barrels or 17% in the week ending October 6 to 7.875 million barrels. Middle distillate stocks fell by 70,000 barrels to 7.322 million barrels while residual fuel stocks built by 434,000 barrels to 10.572 million barrels.

China's Premier Wen Jiabao confirmed China will build its oil reserves as part of efforts to cope with record high oil prices.

Market Commentary

The oil market gapped higher this morning from 52.15 to 52.85 and quickly posted an intraday high of 53.00 as the market already concerned about supplies was further supported by an unexpected strike at Shell's Nigerian oil facilities while the ongoing strike in Norway was expected to escalate. The market however found resistance at its high and retraced its gains. It partially backfilled its opening gap as it traded to a low of 52.25. The market bounced off its low and settled in a range during the remainder of the session, unlike the previous trading session when the market posted new highs ahead of the close. The crude market settled up 65 cents at 52.67. Volumes in the crude market were excellent with 244,000 lots booked on the day, of which 142,000 lots traded via spreads. Open interest in the crude market as of Wednesday built by a total of 11,968 lots to 721,288 lots amid the market's continued rally. Open interest in the November contract fell by 4,507 lots while open interest in the December contract built by 9,079 contracts. Meanwhile, the product markets also settled higher with the gasoline market settling up 1.44 cents at 140.19 and the heating oil market settling up 1 cent higher at 143.09. The gasoline market posted a 2 cent gap on the opening from 139.00 to 141.00 and immediately posted an intraday high of 141.50 amid the strength in the crude market. The market however retraced some of its gains and backfilled its gap as it posted an intraday low of 139.00. The gasoline market bounced off its low and settled in a trading range during the remainder of the session. The heating oil market also gapped higher from 142.20 to 143.25 and traded to a high of 143.60 on the opening. It however retraced its gains and backfilled its gap as it traded to a low of 141.70. Unlike the rest of the complex, the market bounced off its low and traded to a new high of 143.70 ahead of the close. Volumes in the product markets were good with 46,000 lots booked in the gasoline market and 56,000 lots booked in the heating oil market.

The crude market on Friday may continue to retrace some of today's sharp gains. However its losses are limited ahead of the weekend, as the market will remain concerned over the strike in the Nigeria. The market may also remain supported amid the little improvement seen in the amount of oil production resuming in to the Gulf of Mexico. The market is seen finding initial resistance at its high of 53.00 followed by more distant resistance at 55.45, basis a resistance line.

Support is however found at its gap, which it failed to completely backfill from 52.25 to 52.15 followed by more distant support at its previous low of 50.75.

Technical Analysis			
	Levels	Explanation	
CL	Resistance 52.67, up 65 cents	55.45 53.00	Basis resistance line Thursday's high
	Support	52.25 to 52.15 50.75, 50.50-49.97	Remaining gap Wednesday's low, Opening Gap (October 5th)
HO	Resistance 143.09, up 1 cent	144.39, 148.90 143.70	basis trendlines Thursday's high
	Support	141.70, 140.20 138.85, 138.80	Thursday's low Double bottom
HU	Resistance 140.19, up 1.44 cents	144.50, 146.90-147.00 141.50	basis trendline, Previous highs (continuation chart) Thursday's high
	Support	139.00, 136.40 135.30-134.50	Thursday's low Remaining gap