The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 11, 2004

As the Nigerian strike entered its second day, a Nigerian union leader, Adams Oshiomhole, said a general strike in Nigeria may be extended beyond Thursday if the government continues to crack down on protesters violently. The Nigeria Labor Congress will hold a meeting on Thursday to decide whether the strike would be extended beyond four days. Nigeria's white collar Pengassan oil union said they will continue to take part in a four day strike until it formally ends Thursday. It said will halt the country's exports starting Wednesday after it called on all its members to stop working in support of the strike, including members who are responsible for monitoring crude loadings at the terminals. Separately, an oil pipeline fire in Nigeria has forced Royal Dutch/Shell to cut production by about 20,000 bpd for a few days. It said it was diverting crude supplies from a major pipeline supplying the Bonny export terminal to a

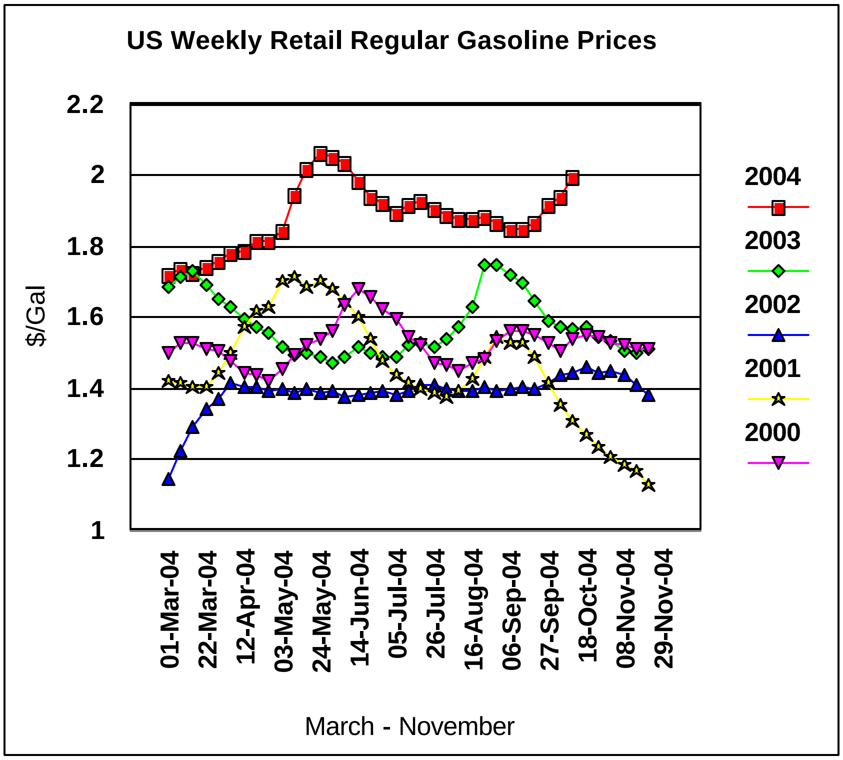
<u>Market Watch</u>

The DOE will loan Premcor a further 700,000 barrels of light, sweet crude from the SPR to offset supplies disrupted by Hurricane Ivan. The crude will be delivered in early November to Premcor's Memphis, Tenn refinery via the Capline pipeline. The DOE has awarded six separate loans of SPR crude in the wake of Hurricane Ivan or a total of 5.4 million barrels of light, low sulfur crude oil. A DOE spokeswoman said the US DOE will continue to review requests as they come in from refiners looking for loans from the SPR.

Saudi Arabia will keep its world crude supplies steady next month as the country maintains its crude production aimed at lowering oil prices. Saudi Aramco notified its customers in Europe that they will receive similar term supplies in November as in October. It also notified its customers in Japan that it will maintain full term supply volumes of crude oil for November. A major oil company will receive 100% of contractual volumes under its US delivered contract with Saudi Aramco for supplies due in December, up from about 15% below contract for November arrivals.

Russia's government said it would sell part of Yukos' Yugansk at a price reported to be well below expectations. The Justice Ministry said it had decided to sell some assets of Yugansk to recover more than $8 billion in tax arrears. Dresdner Kleinwort Wasserstein has valued Yugansk at $15.7 to $18.3 billion. The head of the Moscow division of the Justice Ministry said the sale of a minority stake in Yuganskneftegaz would not yield enough to cover Yukos' outstanding tax debts of $3.73 billion for 2000 and 2001, but he didn't say how many shares would be sold or provide any details on the sale. Trade in ruble shares of Yukos was suspended for the second time on Tuesday after shares fell by 12% on news officials want to sell parts of its main unit. Meanwhile, the Moscow Arbitration Court ruled that Yukos must pay $1.34 billion in fines and penalties as part of $4.1 billion back tax claim for 2001. Separately, Interfax news agency reported that tax debts of $3 billion that have been recovered from Yukos will be transferred to the federal budget.

The IPE said physical delivery against the expired October IPE gas oil contract fell to 633 lots or 63,300 tons compared with 100,000 tons in September.

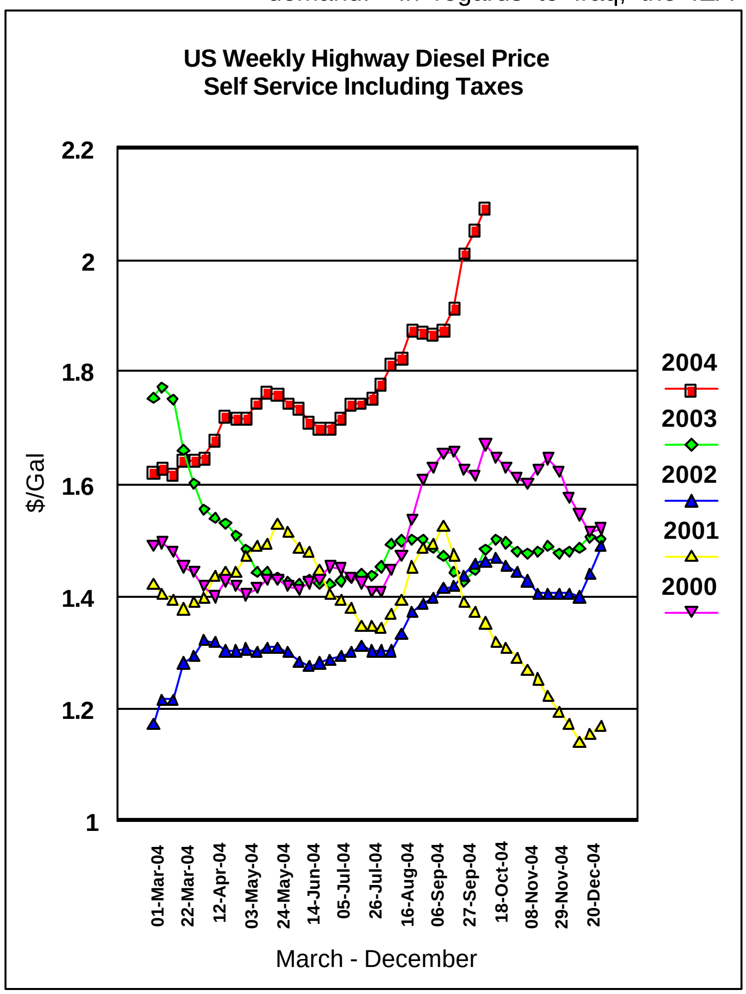


smaller pipeline. It said it would not declare a force majeure.

The IEA reported that world oil demand grew 22% faster than anticipated in the third quarter. Demand through September was 82 million bpd, 600,000 bpd more than it forecast earlier. It revised upwards its 2004 growth rate estimate by 240,000 bpd or 8% to 2.7 million bpd, bringing total demand up to 82.4 million bpd, up 3.4% on the year. It stated that demand will only retreat next year when the economy contracts under the weight of high oil prices. The IEA growth rate for 2005 was cut by 320,000 bpd to 1.45 million bpd. It said that IEA cut its Chinese growth rate forecast for 2004 to 14.6% from 15.3% and cut its estimates for next year to 5.6% from 7.6%. It said the major factors behind the slowdown in China's demand growth were control on electricity use, which reduced gas oil demand. In regards to Iraq, the IEA reported that Iraq's September gross crude oil production reached 2.5 million bpd with imports increasing to 1.8 million bpd. The ten OPEC members increased their production from 27.43 million bpd in August to 27.59 million bpd in September. The IEA also increased its estimated call on OPEC oil for 2004 by 300,000 bpd to 27.9 million bpd while its call for 2005 was unchanged at 27.6 million bpd. It also stated that OECD oil stocks continued to increase in August, however it warned that heating oil stocks remain below typical winter levels. It said total oil stocks increased to 2.592 billion barrels in August, an increase of 7.5 million barrels on the month and 12 million barrels above the same period of 2003. Crude stocks however fell by 700,000 bpd in August to 889 million bpd. However despite the fall, crude stocks remain within the normal range.

Saboteurs attacked an oil pipeline in central Iraq on Tuesday. The overnight attack set a section of a pipeline linking the northern Kirkuk fields to the 110,000 bpd Dora refinery on fire.

The head of Iraq's SOMO said Iraq expects to maintain exports steady at 1.8 million bpd this month as Baghdad continues to find new term customers for its northern Kirkuk crude. The exports are flowing at 250,000 bpd from the north through a pipeline linking Kirkuk fields to



Turkey's Ceyhan port and 1.6 million bpd from two southern terminals offshore the Gulf. He stated that Total has signed term contracts to buy 3 million barrels of Kirkuk crude and Exxon has agreed to buy another 2 million barrels. Turkey's Tupras has a contract for 5.5 million barrels while Portugal's Portugal and BP Plc each have two million barrels.

OPEC's official news agency reported that OPEC's basket of crudes increased by 85 cents/barrel to $46.04/barrel on Monday, up from $45.19/barrel on Friday.

The EIA reported that the average US retail price of gasoline increased by 5.5 cents to $1.993/gallon in the week ending October 12th. It also reported that the average retail price of diesel increased by 3.9 cents to $2.092/gallon on the week.

Refinery News

Kuwait's Mina al-Ahmadi refinery was operating near full capacity on Tuesday following a partial emergency outage on Sunday as a result of steam units malfunction. A spokesman for Kuwait National Petroleum Corp said there was no disruption to domestic or international refined products shipments has occurred as a result of the incident.

Production News

The MMS reported that there was little improvement in the Gulf of Mexico oil production in the last four days. It stated that as of Tuesday morning, 471,328 bpd of crude was shut in while 1.706 bcf of natural gas was still shut in. It also reported that 8,892 bpd of oil was shut in due to the effects of Tropical Storm Matthew.

The Minerals Management Service reiterated that it could take up to six months to restore 325,000 bpd of oil production in the Gulf of Mexico currently shut in due to damage caused by Hurricane Ivan. It said about 150,000 bpd of the total 475,000 bpd of shut in oil production from the Gulf of Mexico should resume by the end of October. It said it could take six months to restore the majority of the lost Gulf of Mexico output is due to heavy damage to some of the pipelines that transport crude to the mainland.

Norway's North Sea Troll crude system has scheduled to load about 310,000 bpd of oil in November, down from 327,000 bpd in October. Meanwhile, the Statfjord crude system has scheduled to load 484,500 bpd or 14.54 million barrels of oil in November, up from 441,300 bpd or 13.68 million barrels in October.

The Norwegian Petroleum Directorate said Norway's oil production increased to 2.6 million bpd on average in September from 2.5 million bpd in August. It said that Norway's final August petroleum output totaled 112.6 million barrels of oil equivalents.

Kazakhstan's Statistics Agency reported that Kazakhstan has increased its output of oil and gas condensate to 43.3 million tons in the first 9 months of 2004 from 37.6 million tons in the same period last year. Oil production was 37.4 million tons compared with 33.3 million tons between January and September 2003.

Russia's main Black Sea port of Novorrossiisk was shut on Tuesday due to adverse weather conditions.

According to shipping brokers, delays for oil tankers transiting the Turkish straits increased to 7 days for the round trip journey as winter weather set in and freight rates increased to 30 year highs. They stated that waiting times through the Dardanelles and Bosphorus northbound were now four days with a three day wait to pass south again.

Market Commentary

The oil market ended in negative territory for the first time since October 4 after traders took some profits despite the supportive news released overnight. The market opened up 28 cents at 53.92 in light of the news that Nigeria's general strike was still ongoing while Shell reported that it shut 20,000 bpd of crude production due to a pipeline fire in Nigeria. The market was also buoyed by the IEA report which stated that demand is increasing faster than expected. The oil market immediately traded to an intraday high of 54.05. However the market retraced its gains after failing to breach its overnight high of 54.45 and sold off to a low of 52.70. The crude market just as quickly retraced its losses and traded back towards the 54.00 level, where it once again found further selling pressure. The market surprisingly erased its gains and traded to a low of 52.37 on a late bout of selling ahead of the close. It settled down $1.13 at 52.51. Volume was excellent in the crude with over 308,000 lots booked on the day, of which 167,000 lots traded via spreads. Open interest in the crude market continued to increase as it built by 4,265 lots to 734,249 lots. Open interest in the November contract fell by 10,727 lots while open interest in the December contract built by 12,938 contracts. Meanwhile, the product market also settled in negative territory with the gasoline market settling down 2.47 cents at 138.03 and the heating oil market settling down 1.62 cents at 145.45. The gasoline market opened 40 points higher at 140.90 and traded to an early high of 141.30 before the market sold off to a low of 138.30. The market bounced off the low and traded to a high of 141.45. It however erased its gains and sold off to its low of 137.50 on the close. Similarly, the heating oil market also traded to low of 145.30 after it opened up 93 points at 148.00. It retraced its earlier losses and traded to a high of 148.70 before it too erased its gains and sold off even further to a low of 145.00 on the close. Volumes in the product markets were good with 46,000 lots traded in the gasoline and 55,000 lots traded in the heating oil market.

The oil market, which continued to trade lower on Access despite the MMS report showing little improvement in the amount of oil still shut in the Gulf of Mexico, may continue to trade lower after it settled sharply lower and stochastics crossed to the downside. The market's losses are however seen limited amid the continuing strike in Nigeria. The market will seek further direction from Thursday's release of the weekly petroleum stock reports which are expected to show builds in crude stocks of about 1.5 million barrels and draws in distillate and gasoline stocks of 1 million barrels each. The market is seen finding initial support at its low of 52.37 followed by its gap from 52.17-52.12. More distant support is seen at its previous low of 50.75. Meanwhile resistance is seen at 53.25 to 54.05 while resistance is seen at 54.65 basis its resistance line.

Technical Analysis			
		Levels	**Explanation**
		54.65	Basis resistance line
	Resistance	53.25, 54.05	Tuesday's high
CL	52.51, down $1.13		
	Support	52.37	Tuesday's low
		52.17-52.15, 50.75	Remaining gap, Previous low
		152.20	basis trendline
	Resistance	147.20, 148.70	Tuesday's high
HO	145.45, down 1.62 cents		
	Support	145.00	Double bottom
		142.00	Previous low
	Resistance	141.45 to 141.50	Intraday highs
HU	138.03, down 2.47 cents		
	Support	137.50	Tuesday's low
		135.30	Previous low