



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 14, 2004

The general strike in Nigeria over fuel prices will end at midnight on Thursday, as originally planned. However the strike may resume within weeks unless the government cuts the fuel prices. Meanwhile crude oil output at Royal Dutch/Shell Group's Nigeria unit should return to normal within days following a pipeline fire that forced the company to cut output by 13,000 bpd. It said a technical team is currently working to bring the facility back on line.

OPEC's President Purnomo Yusgiantoro said he expects oil prices to continue increasing through the end of the month due to increased demand.

According to Oil Movements, OPEC exports increased by 130,000 bpd to 24.29 million bpd for the four weeks ending October 23. It shipped 23.93 million bpd for the previous four weeks. It said fixtures booked out of the Middle East will increase in November to the highest rate in two years.

OPEC's news agency reported that OPEC's

Market Watch

The EIA stated that US heating oil prices may not ease because fuel inventories in the Central Atlantic region may have already peaked. It said heating oil stocks in the region, which is a distribution point for heating fuel for both New England and the Central Atlantic states, are below the lower end of the average range for this time of year and may have peaked on September 10.

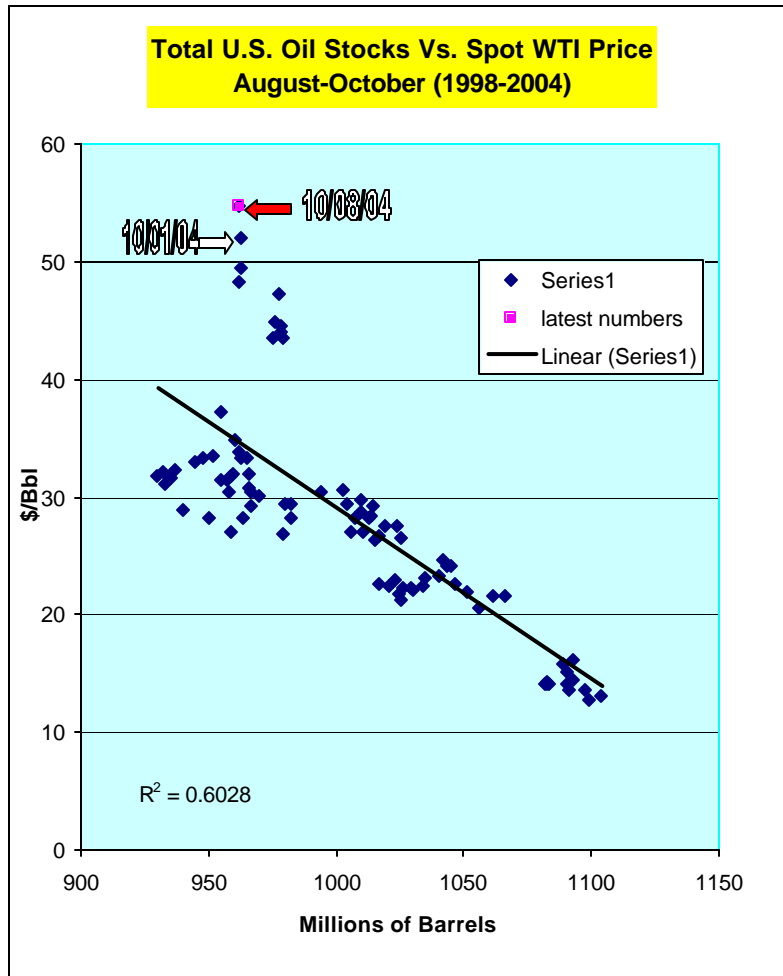
The NYMEX will increase the margins on its light, sweet crude oil futures, calendar swap and e-miNY futures contracts at the close of business Friday. The margins on the December 2004 through March 2005 contracts will increase to \$4,050 from \$3,375 for customers.

The NYMEX President James Newsome said the exchange aims to set up a Dublin based rival to London's Brent crude oil futures. He said it would be a look alike Brent contract.

Prime Tass news agency reported that Tyumenenergo, a Siberian utility, has threatened to reduce power supplies to Yukos starting Friday for non-payment of bills. It said Yukos has paid only 40% of its electricity in October. It has previously reduced supplies to Yukos' Yugansk for a few days in September, forcing the company to slightly curb oil output.

Separately, the Russian government will put 76.8% of Yukos' Yugansk up for sale at an auction with a starting price of slightly more than \$4 billion. The starting price was based on Dresdner Kleinwort Wasserstein's valuation on \$10.4 billion. Dresdner Kleinwort Wasserstein however stated earlier that its standalone enterprise value was \$18.6-\$21.1 billion while deducting the liabilities and its tax debts, its equity value range would fall to \$14.7-\$17.3 billion.

Venezuela's President Hugo Chavez will propose funding a one third increase in spending next year with higher taxes on oil companies and revenue from exports of crude. The budget plan forecasts a 34% increase in spending to 66.8 trillion bolivars or \$35 billion from 49.9 trillion bolivars initially approved for this year's budget. Venezuela is taking advantage of record high oil prices to help finance new literacy, healthcare and other social programs. The 2005 budget plan is based on economic growth of 5% and daily oil exports of 2.87 million bpd.



basket of crudes fell by \$1.50/barrel to \$44.99/barrel on Wednesday from \$46.49/barrel on Tuesday.

Refinery News

A fire started at Tesoro Petroleum's 170,000 bpd Golden Eagle refinery near Martinez, California early Thursday. A source stated that there was no damage to the refinery. The fire started at a fuel pump between fuel storage tanks on the refinery grounds. It was not clear whether the refinery shut any processing units as a precaution during the fire.

Production News

The MMS reported that there was once again no change in the amount of oil production shut in the Gulf of Mexico. It stated that there was still 471,328 bpd of oil and 1.706 bcf of natural gas still shut in.

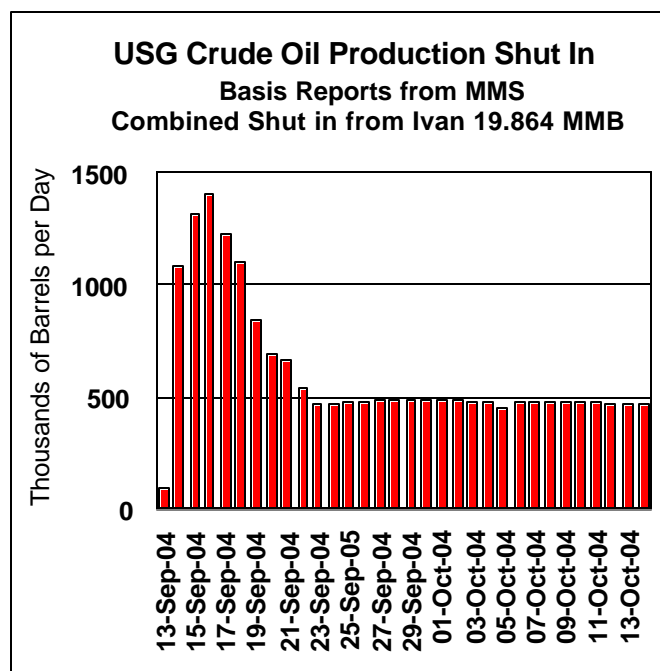
Apache Corp said 30% of its Gulf of Mexico oil production remained shut in due to hurricane damage. It estimated net production was down by 9,385 bpd. It also said that output at sites it owns but does not operate was down 5,260 bpd while its natural gas production was down 10.8 mmcf/d.

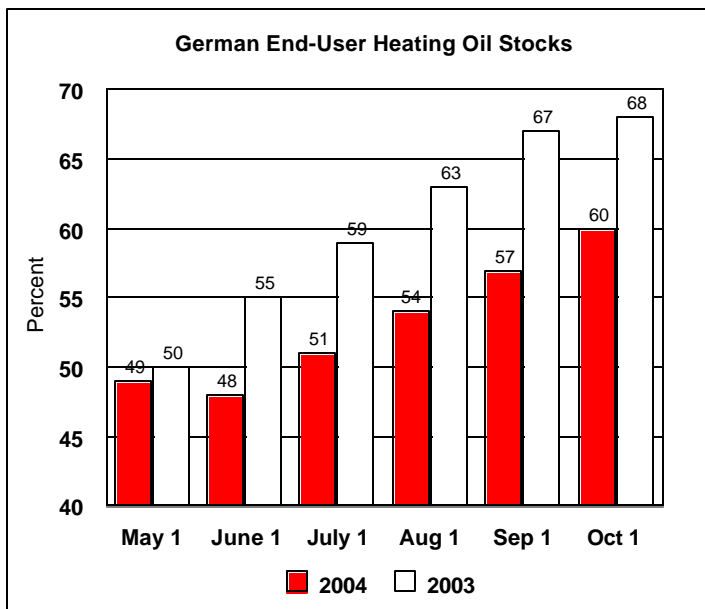
According to trading sources, German consumer stocks of heating oil increased by 3% last month to 60% of capacity on October 1. However it remained well below the 68% reported last year.

Russia's main Black Sea port of Novorossisk stopped loading crude on Thursday due to adverse weather conditions.

Russia's Soyuzresurs hopes to complete a 6.5 million tons per year crude oil and product terminal near the Black Sea port of Novorossisk by December 2006. It said construction would begin in February. The new terminal will have an initial capacity of five million tons a year or 100,000 bpd of crude oil and 1.5 million tons of diesel fuel. However total capacity will increase to 15 million tons a year within 10-12 years.

Singapore's International Enterprise reported the country's residual fuel stocks increased by 11.6% or 1.221 million barrels to 11.793 million barrels in the week ending October 13. It reported that light





million barrels of crude oil in reserve in August, enough for 110 days and meeting the country's target reserve level for 2004. By 2008, the country aims to increase its reserves to 238 million barrels which would be sufficient for 135 days.

Market Commentary

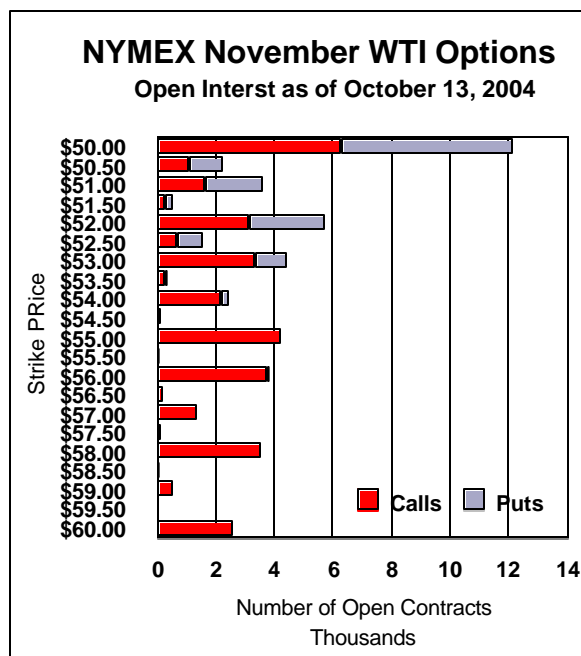
The oil market opened 16 cents higher at 53.80 as the market continued its upward trend ahead of the release of the weekly petroleum stock reports. The November crude contract posted its intraday low of 53.35 but quickly bounced off that level amid the strength in the heating oil market. The market shrugged off the build seen in crude stocks and traded to 54.60 as the complex rallied in light of the unexpected draws reported in distillate stocks. The crude market, which was holding good support at 54.00 found some further buying ahead of the close and posted an intraday high of 54.88. The November crude contract settled up \$1.12 at 54.76, a record settlement. Volume in the crude market was excellent with over 267,000 lots booked on the day. Open interest in the crude market built by 1,383 contracts as traders rolled their positions from the November contract to the December contract. Open interest in the November contract fell by 12,134 lots while open interest in the December contract built by 14,238 lots. The heating oil market which led the complex higher once again settled up 5 cents at 154.91 in light of the unexpected distillate stock draws. The market opened down 50 points at 149.40, its intraday low and never looked back. It traded to an early high of 153.40 following the release of the stock reports before the market continued to rally. It extended its gains to over 5 cents as it posted an intraday high of 155.00 ahead of the close. Meanwhile, the December heat crack spread settled \$1 higher at 11.08. The gasoline market also posted its intraday low of 139.00 early in the session ahead of the weekly petroleum stock reports. However the market bounced off that level and traded to 142.25 amid the strength in the heating oil market. It traded mostly sideways before some late buying pushed it to a high of 142.50 on the close. It settled up 1.13 cents at 141.96. Volumes in the product markets were good with 62,000 lots booked in the heating oil and 46,000 lots booked in the gasoline market.

The oil market, which may retrace some of today's sharp gains amid the news that crude margins will be raised at the

distillate stocks increased by 665,000 barrels to 8.54 million barrels while middle distillate stocks fell by 262,000 barrels to 7.06 million barrels on the week.

According to the Petroleum Association of Japan, commercials stocks of kerosene in Japan increased to 4.2 million kiloliters in the week ending October 9, up 160,495 kl on the week. It said the country's gasoline stocks also increased by 57,813 kl to 1.933 million kl. Its total product stocks increased by 443,090 kl to 12.429 million kl while crude oil stocks fell by 414,705 kl to 17.944 million kl. Total oil product production increased by 46,597 kl to 3.709 million kl. In the week ending October 9, the oil refiners processed a combined 3.7 million bpd of crude oil, down from 3.79 million bpd in the previous week.

South Korea's Korea National Oil Corp held 159



close of business on Friday, is still seen trending higher. The market may be driven by the expiration of the November crude options. The oil market is technically seen finding resistance at 54.88 followed by more distant

Technical Analysis		
	Levels	Explanation
CL 54.76, up \$1.12	Resistance 54.88	Basis trendline Thursday's high
	Support 54.00 53.35, 52.00, 51.50	Thursday's low, Previous low
HO 154.91, up 5 cents	Resistance 155.00	basis trendline Wednesday's high
	Support 153.80, 151.90 149.40	Thursday's low
HU 141.96, up 1.13 cents	Resistance 142.50	basis trendline Wednesday's high
	Support 141.50 140.50, 139.00	Thursday's low

resistance at 55.45, basis its resistance line. However the market is seen finding support at 54.00 followed by its low of 53.35. More distant support is seen at 52.00 and 51.50, its previous low.