



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 25, 2004

Norway's oil and gas employers dropped a threat to shut down all of Norway's oil and gas output through a lockout of striking rig workers after the government said it would order an end to the conflict. The director of the Norwegian Shipowners Association said they could end the four month oil strike this weekend. The government had earlier stated that it would intervene to end the conflict to prevent an escalation that would shut Norway's 3 million bpd of oil production starting November 8. The head of the OFS union, Terje Nustad, said workers would await a formal order from parliament, likely next week, before calling off a four month rig strike. He said the union would comply with a back-to-work order if parliament approved the government plan. The strike has lasted four months and has cut about 55,000 bpd of production.

Market Watch

The head of the IMF, Rodrigo Rato, said oil consuming countries must look at their energy policies because they are unlikely to see significant falls in the cost of crude oil soon. He said they would see some clear effects in 2005 from the current rally in prices.

According to an economist at Morgan Stanley, sustained high oil prices are putting pressure on an unbalanced economy, creating substantial and growing risk of recession next year.

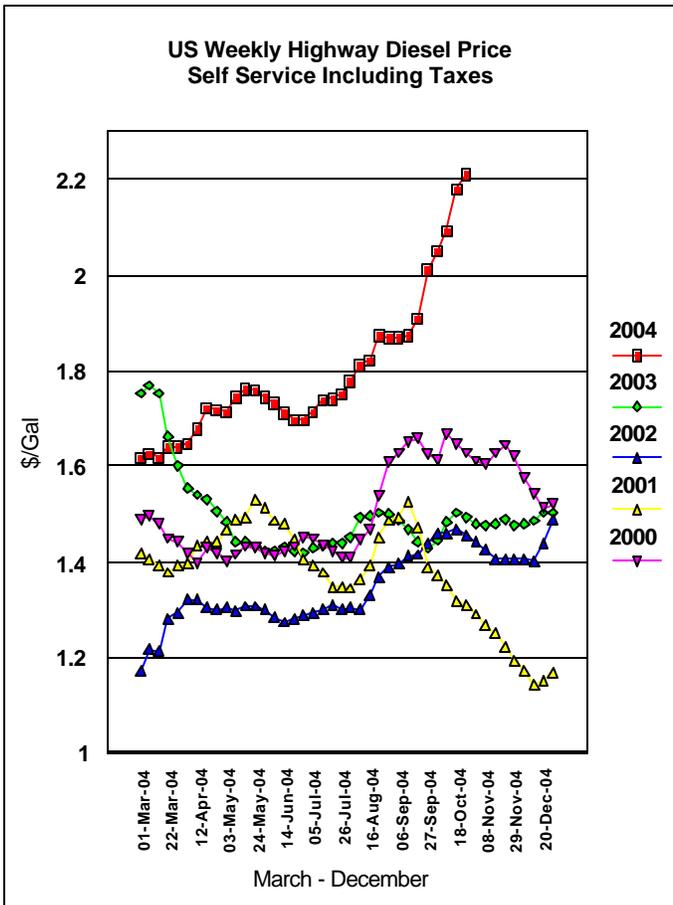
European Economic and Monetary Affairs Commissioner Joaquin Almunia said he expected oil prices to remain high in the short term, but saw them falling below \$50/barrel over the next two years. He added that he did not expect the impact of high oil prices on inflation to be great.

Vice chairman and president of China Petroleum & Chemical said high oil prices have slowed the rate of China's oil demand growth.

Iraq will pay demurrage costs for any delays in loading vessels with Iraqi crude from its two southern oil terminals in the Persian Gulf and the Turkish port of Ceyhan. An official said SOMO has not paid anyone yet but said Iraq will discuss the demurrage compensation issue with international companies in a meeting in Amman this week. The meeting will also discuss renewal of term contracts with international oil companies, which have been lifting Iraqi crude since Iraq resumed its exports.

According to security and oil officials, saboteurs blew up a section of a domestic crude oil pipeline in northern Iraq on Monday. However they stated that Iraq's exports were still flowing at 2 million bpd. The pipeline supplies Iraq's Baiji refinery designed to process 350,000 bpd. Export flows to Turkey's Ceyhan terminal were running at 300,000 bpd while exports were also running normally from the south.

The leaders of Nigeria Labor Congress are scheduled to meet on Tuesday to decide whether or not to resume strike action over gasoline price increases. However a leader of the affiliate unions said a decision on the resumption of the strike would be premature. The union leader said Nigeria's President Olusegun Obasanjo would not have the opportunity to respond to a proposal put together by a committee set up by the government to design measures to cushion the effect of the price increase.



According to Petrologistics, OPEC oil producers have increased production by 200,000 bpd to 30.7 million bpd in October. The ten OPEC members, excluding Iraq, increased their supply by 50,000 bpd to 28.4 million bpd. Iraq increased its output by 150,000 bpd to 2.3 million bpd. It reported that Saudi Arabia produced 9.5 million bpd in October compared with about 9.4 million bpd in September.

OPEC's news agency reported that OPEC's basket of crudes fell by 9 cents/barrel to \$46.52/barrel on Friday from \$46.61/barrel on Thursday. It also reported that OPEC's basket of crudes increased by 18 cents to an average of \$45.90/barrel in the week ending October 21 from \$45.72/barrel the previous week.

The EIA reported that US retail diesel prices increased by 3.2 cents/gallon to a new high \$2.212/gallon in the week ending October 25th. It also reported that the US average retail price of gasoline fell by 0.3 cents/gallon to \$2.032/gallon on the week.

Refinery News

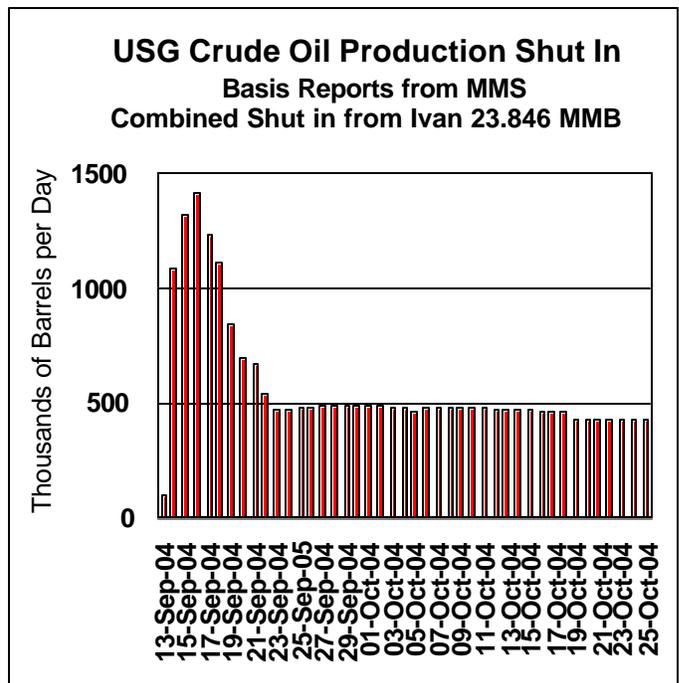
Western Refining Co, LP reported an excess opacity at the sulfur recovery unit of its North El Paso refinery on Saturday and Sunday that may continue into the week.

Production News

The MMS reported no change in the amount of oil production shut in the Gulf of Mexico. It stated that there was still 426,172 bpd of crude oil shut in while 1.517 bcf/d of natural gas production was shut in, down from 1.521 bcf/d on Friday.

Crude loadings at Russia's Baltic Sea port of Primorsk will increase to 1.03 million bpd in November. Yukos will receive 410,000 tons via Primorsk and 200,000 tons from Butinge. The Black Sea port of Novorossiisk is scheduled to load 3.7 million tons or 904,000 bpd in November compared with 928,000 bpd in October. Transneft allocated the Ukrainian port of Yuzhny 308,000 tons or 75,000 bpd in four cargoes, slightly down from October when 95,000 bpd was shipped. Volumes though Butinge in Lithuania will be steady at 289,000 tons or 71,000 bpd in three cargoes, of which Yukos will ship two. The Baltic port of Gdansk will receive 773,000 tons or 189,000 bpd compared with 167,000 bpd in October.

Russia's Yukos does not plan to resume oil exports to China by rail via Zabaikalsk on the Russian-Chinese border. However the company's vice president did not say if and when Yukos plans to restore supplies to



China National Petroleum Corp.

Venezuela will increase its oil production at the Tomoporo field by 16,000 bpd by the end of November after PDVSA finishes drilling two wells. Tomoporo is currently producing about 100,000 bpd and the company's business plan calls for output of 152,000 bpd by the end of 2005.

China's gasoline exports will fall about 10% in November amid strong domestic demand and increasing car usage. Exports are expected to fall to about 360,000 tons compared with 400,000 tons in October, continuing their recent decline as domestic demand increases. In September, China exported 488,000 tons of gasoline and an average 460,000 tons a month over the first nine months of the year.

Market Commentary

The oil market opened slightly higher at 55.20 and quickly posted an intraday high of 55.45 in follow through buying seen in overnight trading when the December crude contract traded to a high of 55.67. The market was supported by reports that Norway's oil and gas employers threatened to shut all of Norway's production in a bid to end a deadlocked conflict with striking rig workers. There were also reports that the Nigeria Labor Congress is scheduled to meet on Tuesday to decide whether or not to resume its strike action over the most recent fuel price increase. The crude market posted the day's range within the first hour after it erased its gains and traded to a low of 54.20 amid reports stating that Norway's oil and gas employers dropped their threat after the government stated it would intervene to end the strike. The crude market however bounced off its low and retraced most of its losses as it traded to 55.35. The market, which was unable to test its high once again, erased its gains and remained in negative territory. The market settled down 63 cents at 54.54. Volume in the crude market was light with 136,000 lots booked on the day. Meanwhile, the product markets settled sharply lower with the November gasoline contract settling down 4.01 cents at 139.75 and the November heating oil contract settling down 2.91 cents at 156.53. The gasoline market immediately traded to the day's high of 144.30 before it erased its gains and traded to a low of 139.75. The market later retraced some of its losses and to 143.20. However the market erased its gains and traded to an intraday low of 139.50 ahead of the close. Similar to the crude market, the heating oil market opened at 160.00 and quickly posted the day's range from a double top at 160.30 to a low of 155.70 within the first hour of trading. However the market retraced some of its losses and traded above the

159.00 level before it once again erased its gains and traded back towards its low. Volumes in the product markets were good with 41,000 lots booked in the gasoline market and 49,000 lots booked in the heating oil market.

The crude market may

Technical Analysis		
	Levels	Explanation
CL 54.54, down 63 cents	Resistance 57.21, 58.60 55.00, 55.45, 55.50	Bollinger band, Basis trendline Monday's high, Friday's high
	Support 54.20 54.01, 52.70, 51.95	Monday's low Previous lows
HO 156.53, down 2.91 cents	Resistance 164.65 159.20, 160.30	Basis trendline Double top
	Support 155.70, 155.50 154.25, 150.70	Monday's low, Previous low Previous lows
HU 139.75, down 4.01 cents	Resistance 146.30, 150.72 143.20, 144.30, 144.50	Bollinger band, basis trendline Monday's high, Friday's high
	Support 139.50 139.40, 135.70	Monday's low Previous lows

continue to sell off after failing to test its previous high during today's session. However the market's losses will be limited as the market awaits the release of the weekly petroleum stock reports on Wednesday. The crude market is seen finding initial support at its low of 54.20, 54.01 followed by more distant support at 52.70. Meanwhile resistance is seen at 55.00, followed by its high of 55.45-55.50.