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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 27, 2004

OPEC's President Purnomo Yusgiantoro has called on the US to tap its emergency crude reserves to force prices down from its highs. OPEC's request is unusual as in the past, OPEC has regarded government stockpiles as a threat to its own market influence. In response, the White House said the US would not use its SPR to manipulate oil market prices. It has consistently rebuffed calls to use its SPR. It has stated that stocks are held in case of a severe supply disruption. White House spokesman Trent Duffy said the US was in continuous discussions with OPEC and non-OPEC to take actions to ensure sustained world economic growth.

Market Watch

The EIA stated that US refineries need to operate at about 92% of capacity, up from 89.2% before there can be a significant increase in distillate fuel inventories.

Ireland's Central Bank stated that a sharp increase in oil prices is the main cause for concern for the euro area and world economy. It said given the recent oil market developments it appeared inflation in the euro area would remain above 2% for the rest of the year.

The New England Fuel Institute said low income families in the US will need more government financial aid than is currently available to pay their heating bills this winter. Residential heating oil prices are running at record highs over \$2/gallon due to low inventories and high oil prices.

Nigeria's blue-collar oil workers' union, Nupeng, said Nigerian trade unions will call a nationwide strike from November 4 if President Olusegun Obasanjo's government fails to lower retail fuel prices.

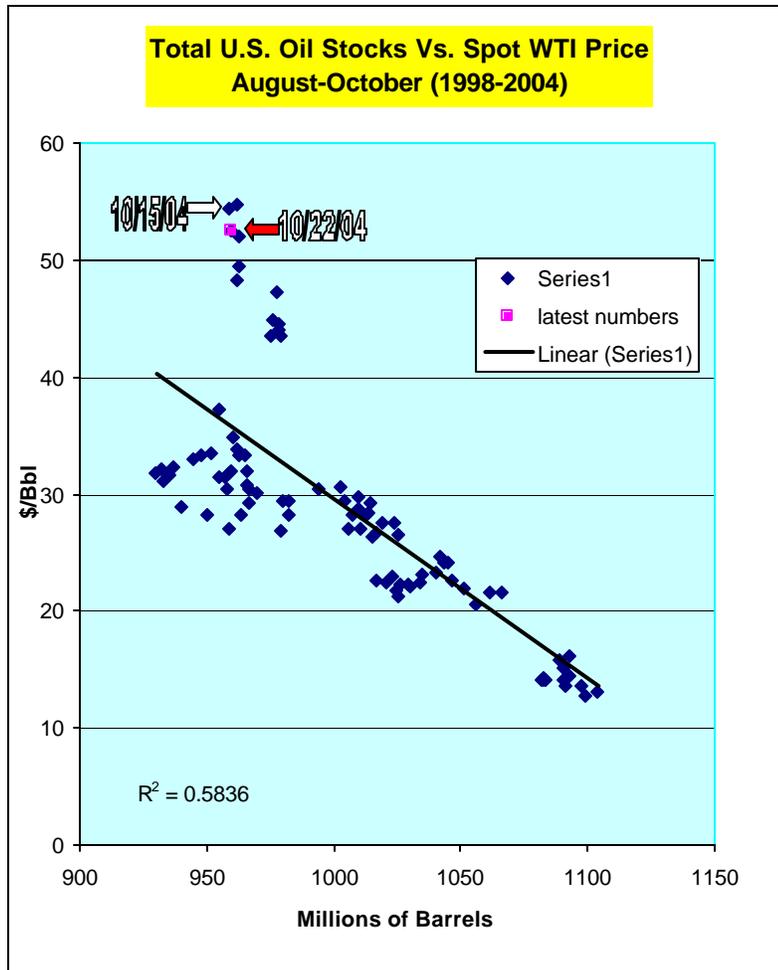
US Secretary of State Colin Powell said he has personally asked officials in Saudi Arabia and Nigeria to increase its crude oil production amid record high prices.

OPEC's news agency reported that OPEC's basket of crudes fell by 58 cents/barrel to \$45.48/barrel on Tuesday from \$46.06/barrel on Monday.

Refinery News

Deer Park Refining Ltd is planning to perform maintenance at its Deer Park, Texas refinery from November 1-15. It said should there be an unforeseen problem, the catalytic cracking unit may need to be shutdown. The maintenance work involves replacing two high pressure distillate pumps.

The crude unit at ExxonMobil Corp's Torrance, California refinery is seen back in operation by Wednesday night. The unit was shut on Sunday as a result of a leak in the heater pipe.



China's West Pacific Petrochemical Co. Ltd plans to cut its refining rate by about 3% in November as it processes more medium crude grades. The refinery's crude runs in November were forecast at 720,000 tons or 87% of its crude processing capacity of 10 million tons a year.

Japan's refiners said they would increase or keep crude runs at a high level in November to top up lagging kerosene stocks ahead of the winter. Nippon Oil Corp said it planned to refine 5.2 million kiloliters or about 1.09 million bpd of crude oil in November. Idemitsu Kosan said it planned to process 2.4 million kl or about 505,000 bpd of crude oil in November compared with an estimated 2.24 million kl or about 454,000 bpd in October. Cosmo Oil Co and Showa Shell Sekiyu said they have not fixed their plans for crude runs for November but stated that they would likely run their refineries at a higher level in order to increase kerosene output.

Production News

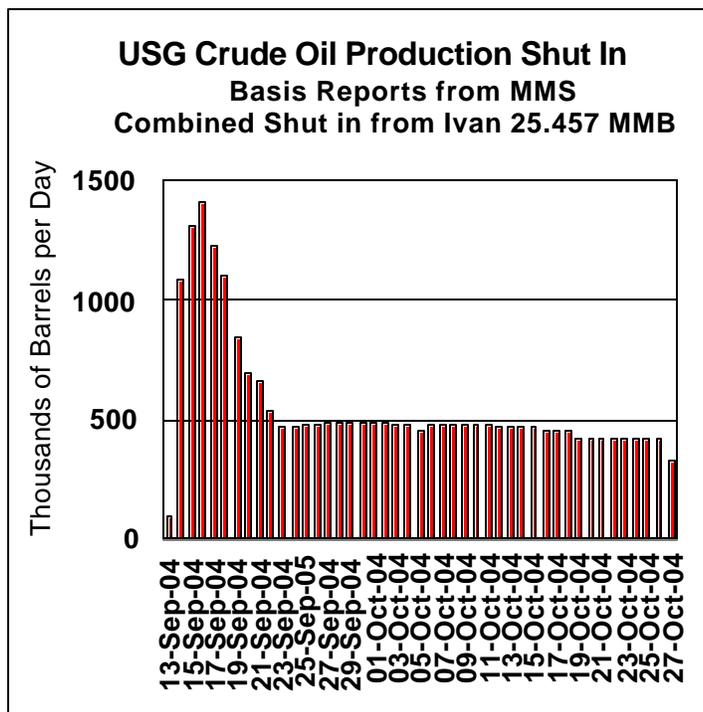
The MMS reported that US oil production in the Gulf of Mexico increased more than 5% to 80.47% of its normal rate on Wednesday. It said there was 332,072

bpd of crude oil shut in, down from 426,172 bpd, where it had been since Friday. It also reported that there was 1.314 bcf/d of natural gas still shut in, down from Tuesday's 1.514 bcf/d.

The Shetland Islands Council reported that Brent crude liftings from Sullom Voe fell in the week ending October 26 to 89,805 tons to 370,403 tons in the previous week.

The head of Russia's Federal Energy Service, Sergei Oganesyanyan, said Russia still lacks crude pipeline export capacity despite claims by crude pipeline monopoly, Transneft that shippers are under-using the system. He said production is being held back due to the lack of pipeline export capacity.

Russia's Lukoil said its oil production increased by 7.9% in the first nine months of the year to 64.08 million tons or 1.71 million bpd. It said its main subsidiaries produced 61.41 million tons of crude in January-September, up 9.5% year on year.



Bahrain plans to hold talks with Saudi Arabia after it stopped receiving 50,000 bpd of crude supplies from Saudi Arabia. A Bahraini government official said Saudi Arabia halted supplies because an informal oil agreement between the two countries had expired. He said a Bahraini delegation was due to travel to Saudi Arabia soon to discuss the issue.

India's Oil Ministry reported that the country's refineries processed 63.25 million tons or 2.5 million bpd of crude oil in the first half of fiscal 2004/05, 7.4% more than a year ago. Domestic sales of refined products increased 6.1% to 54.69 million tons while exports increased by 2.1% on year to 7.46 million tons in April-September. India's crude oil production increased by 4.2% to 16.98 million tons or 680,000 bpd while imports increased by 12.4% to 49.97 million tons or 2 million bpd in April-September.

Market Commentary

The energy complex sold off sharply following the release of the weekly petroleum stock reports. The oil market opened slightly lower at 55.05 and remained range bound ahead of the release of the reports. The market breached its previous highs and posted an intraday high of 55.65 as the complex remained supported by the continued draws reported in distillate stocks. However the crude market just as quickly retraced its gains and fell about \$2.75 from its high to 52.90 as traders focused on the larger than expected builds reported in crude stocks of 4 million barrels. The market tumbled as the build reported in crude stocks overshadowed the continued fall in distillate stocks. The market later bounced off that level and settled in a range from 53.00 to 54.00 before the market breached its support level and sold off even further to a low of 52.10 ahead of the close. The December crude market settled down \$2.71 at 52.46. Volume in the crude market was excellent with over 292,000 lots booked on the day, of which 134,000 lots traded via spreads. Meanwhile, the product markets settled more than 7 cents lower, with the heating oil market settling down 7.26 cents at 149.55 and the gasoline market settling down 7.64 cents at 133.61. The heating oil market opened 19 points higher at 157.00 and quickly posted an intraday high of 159.00 in light of the continued draws reported in distillate stocks. However the market erased its gains and fell to 151.50 as the oil complex sold off amid the reports showing larger than expected builds in crude stocks. The heating oil market settled in a range before further selling pushed the market to its lows. The heating oil market posted a 10 cent trading range as it tumbled to a low of 148.85 ahead of the close. Similarly, the gasoline market also posted its intraday high of 141.70 early in the session before it quickly sold off. The market traded to a low of 136.50 and held some support at that level before further selling pushed the market to its intraday low of 133.00 ahead of the close. Volume in the heating oil market was excellent with over 83,000 lots booked on the day while volume in the gasoline market was lighter with 63,000 lots booked on the day.

The crude market on Thursday may continue to trade lower as it technically looks weaker. The market, which posted an outside trading day and settled near its low still has room to move lower after its stochastic crossed to the downside. However the market's downside will be limited if any bullish news report is released. It will have to be seen if today's

fall in prices is confirmed by tomorrow's price action. The market is seen testing its low of 52.10 followed by 51.95. More distant support is seen at a previous low of 51.25. Resistance is however seen at 53.00, 53.90 followed by its high of 55.65.

| Technical Analysis | | |
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| | Levels | Explanation |
| CL 52.46, down 2.71 cents | Resistance 55.65 53.00, 53.90 | Wednesday's high |
| | Support 52.10 51.95, 51.25, 50.60 | Wednesday's low Previous lows, 38% retracement level (42.45 and 55.65) |
| | Resistance 159.00 151.50, 154.00 | Wednesday's high |
| HO 149.55, down 7.26 cents | Support 148.85 148.70, 143.50 | Wednesday's low Previous lows |
| | Resistance 141.70 134.75, 138.25 | Wednesday's high |
| HU 133.61, down 7.64 cents | Support 133.00 132.20, 130.00 | Wednesday's low Previous lows |