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ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 28, 2004

Venezuela's Energy Minister Rafael Ramirez said world oil producers do not have much capacity to increase its production to ease prices. He said prices are likely to remain high for much of next year.

According to Oil Movements, OPEC's exports will increase by 280,000 bpd from the previous four weeks to 24.55 million bpd in the four weeks ending November 13. Last week, it said shipments of crude from OPEC were expected to increase by 40,000 bpd from the previous four weeks to 24.39 million bpd of the four weeks ending November 6. It said spot chartering from Gulf producers to world markets increased by 1.346 million bpd in the first 10 days of November to 8.983 million bpd compared with the first 10 days of October. Oil in transit remained steady at 430.77 million barrels compared with levels four weeks ago.

OPEC's news agency

Market Watch

Russia's Vedomosti newspaper reported that Yukos will be able to pay off the remainder of its 2000 tax bill in the next few days, but will get a new tax bill for 2002 almost immediately. Judicial orders have frozen most of Yukos' bank accounts, preventing it from paying its tax arrears. However its banks have received notification from the tax inspectorate that Yukos will be allowed to make tax payments again. Yukos has paid \$3.2 billion of a \$3.45 billion claim for 2000. A top Kremlin official suggested that the sale of Yuganskneftegaz may be avoided. However he said if Yukos failed to pay its taxes, the sale would go ahead.

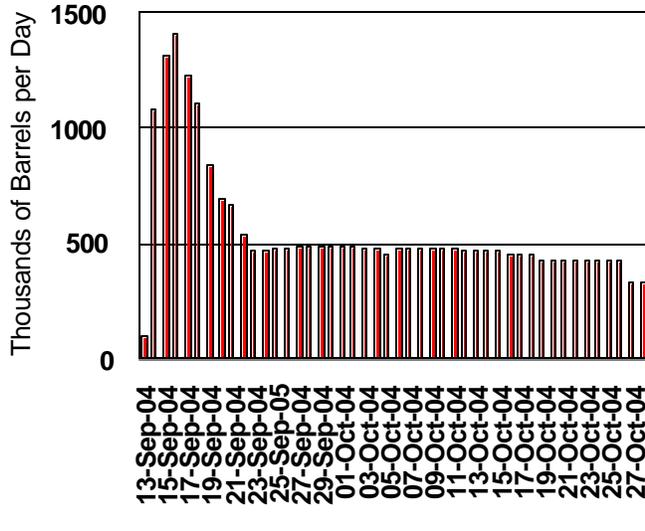
Lukoil Holdings will begin new contract negotiations with Iraqi officials once the new government is firmly in place. The company will honor the oil contracts it signed with Iraq in March and will continue to train Iraqi oil workers. Lukoil plans to negotiate a joint venture to develop the West Qurna oil field. It is also planning to invest as much as \$1 billion in Venezuela's energy sector.

A senior Kremlin official said the merger of Russia's Gazprom and Rosneft will not close this year. Russia's President Vladimir Putin gave the merger his approval last month.

China increased its interest rates for the first time in nine years. Its one year interest rate was increased to 5.58% from 5.31% while its one year deposit rate was increased to 2.25% from 1.98%. The move increases risks of a harder landing of China's economy with slowing import growth already pointing to sharply decelerating investment activity.

The IPE is proceeding with its plans to close its trading pits in the morning starting Monday. According to the chief operating officer at the IntercontinentalExchange, the IPE never considered delaying the cutback, in light of the NYMEX's plan to set up a competing trading floor in Dublin. Meanwhile, the NYMEX said it has secured commitments from dozens of traders to do business on the Dublin floor. It is finalizing regulatory approval and is making sure the technology is ready.

**USG Crude Oil Production Shut In
Basis Reports from MMS
Combined Shut in from Ivan 25.789 MMB**



reported that OPEC's basket of crudes fell by 73 cents to \$44.75/barrel on Wednesday from \$45.48/barrel on Tuesday.

Refinery News

Premcor Inc will include maintenance on its fluid catalytic cracker during the first quarter maintenance turnaround at its Port Arthur, Texas refinery. Additionally, maintenance at its 175,000 bpd Delaware City, Delaware refinery which started September 25 is seen concluding in the first week of November. Separately, Premcor said its Memphis, Tennessee refinery will run below planned rates due hurricane damage to pipelines carrying crude oil. It has been running at about 140,000 bpd.

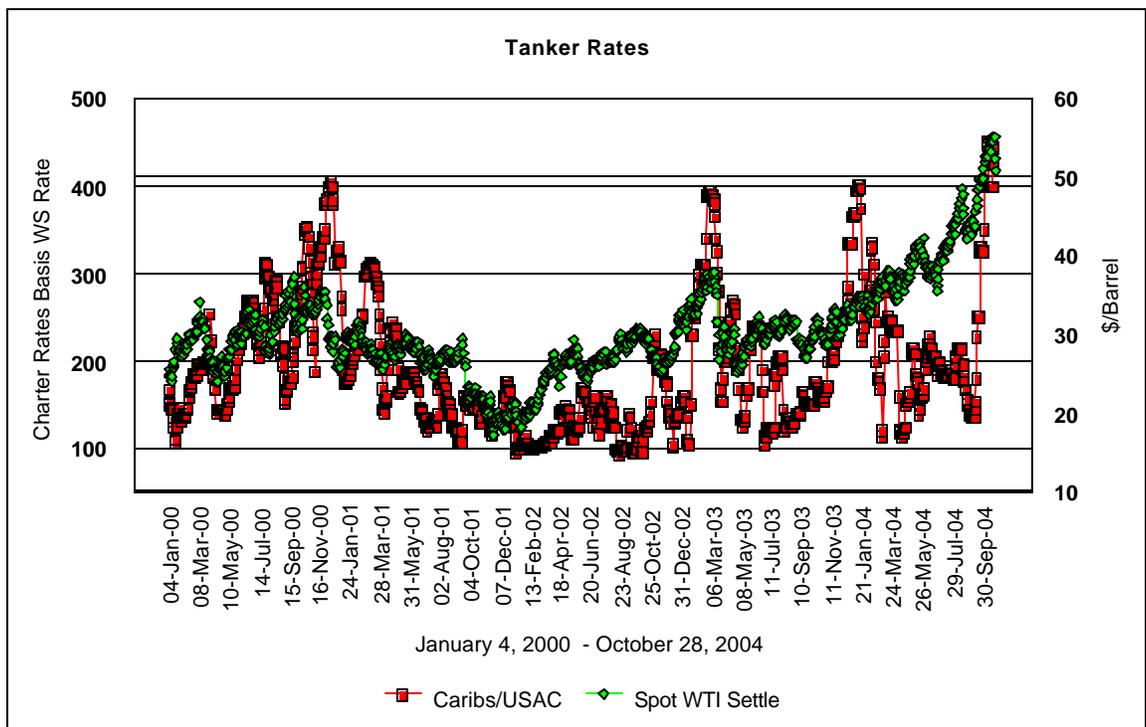
Production News

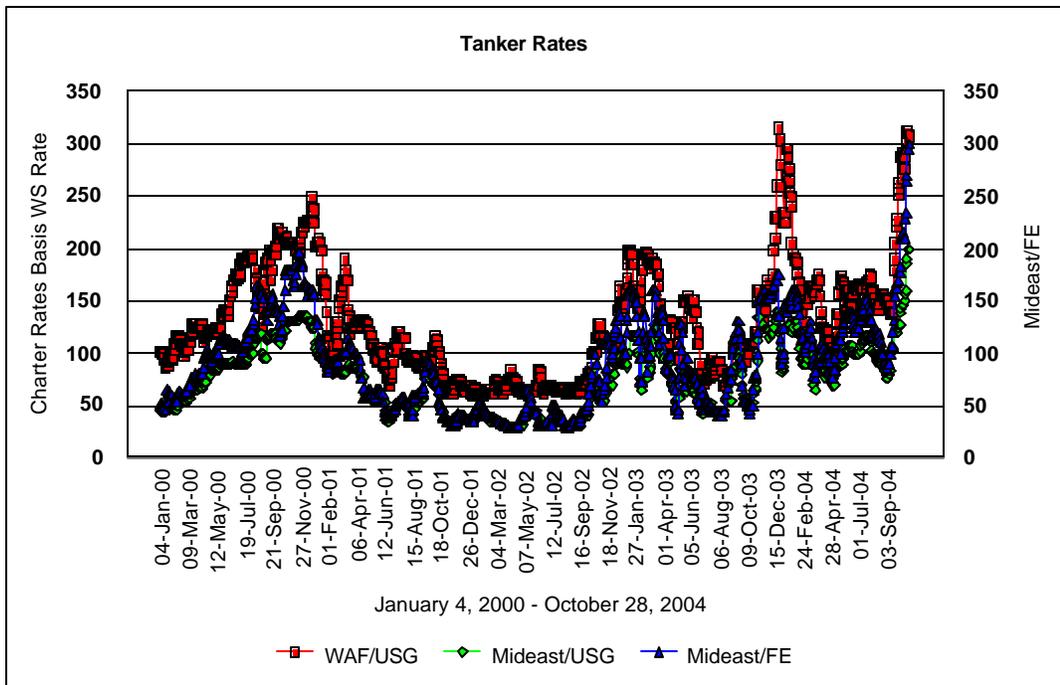
The MMS reported no change in the amount of oil production shut in the Gulf of Mexico. It stated that there was still 332,072 bpd of crude shut in. Meanwhile the amount of natural gas production shut in fell to 1.227 bcf/d from 1.314 bcf/d.

Royal Dutch/Shell expects to lose an average of 50,000 bpd of crude oil equivalent output in the Gulf of Mexico during the fourth quarter of the year due to damage inflicted by Hurricane Ivan. It has previously stated that it expects the Cognac field, which produced 6,000 bpd of oil and 210 mmcf/d of natural gas before the storm to come fully back on line by mid-November. The Ram Powell field is expected to return to pre-hurricane levels of 17,700 bpd of oil and 244 mmcf/d of natural gas in the first quarter of 2005. The Main Pass 252 field, which produces 1,800 barrels of oil and 94 mmcf/d of natural gas is not expected to resume operations until early 2005.

ExxonMobil Corp reported a 56% increase its quarterly profit, driven by increasing oil and gas prices. Its net income in the third quarter increased to \$5.68 billion compared with \$3.65 billion in the year earlier. Oil and gas production in the third quarter increased to 3.91 million bpd of oil equivalent from 3.87 million bpd of oil equivalent last year.

Suncor Energy Inc's third quarter profit increased by 16% as output from its oil sands business reached a record and oil prices surged.





It earned C\$337 million or \$276 million, up from C\$291 million a year earlier. Suncor would have earned 25% more if over a third of its production had not been sold forward at \$22.50/barrel. It said its oil sands production averaged 237,500 bpd, up 2.6% from last year.

According to a union official, work has resumed on oil rigs off Norway after the government called

an end to the four month long labor dispute to avert a complete halt of oil and gas production. The strike cut 55,000 bpd of oil output from two North Sea fields and delayed drilling of new production and exploration wells. The union has stated that it will continue to press its demands, which are over contract terms.

The Nigeria Labor Congress will decide Sunday on the date to resume its suspended nationwide strike against the increase in fuel prices. It decided on Tuesday to meet Sunday and make a final decision if President Olusegun Obasanjo failed by Saturday to respond to a recommendation by a committee set up by the government to design measures to cushion the effect of the price increase.

A rebel Nigerian warlord, Mujahid Dokubo-Asari said he started handing over weapons to the government in return for cash. He said the handover has started earlier this week through a disarmament committee set up after peace talks were called at the end of September to diffuse a growing crisis in the Niger Delta. Talks between Asari and the government to address a wide range of issues including greater self determination and resource control for Ijaws are expected to resume this week.

An industry analyst stated that gas oil inventories held in ARA storage tanks fell by 100,000 tons to 1.225 million tons in the week ending October 28th due to demand from refiners. The year on year deficit stood at 75,000 tons. Traders say German consumers have held off buying large heating oil purchases this year, seeking to minimize costs in the face of record prices. ARA fuel oil stocks also fell 100,000 tons to 300,000 tons on the week while gasoline stocks fell by 25,000 tons to 525,000 tons. Naphtha stocks were unchanged at 75,000 tons while jet fuel stocks fell by 15,000 tons to 220,000 tons on the week.

BP's Russian venture, TNK-BP, will increase its reserves by at least 830 million barrels after it bought new deposits in East Siberia and Russia's north. TNK-BP said it has acquired four companies with exploration and production licenses in East Siberian Krasnoyarsk and Taimyr regions and the Yamalo-Nenets region in Russia's north.

Market Commentary

The energy complex settled sharply lower for the second consecutive trading session, with the December crude contract settling down \$1.54 at 50.92. The crude market gapped lower this morning from 52.10 to 51.62 and traded to 51.40 in follow through selling seen in overnight trading. Some in the market attributed the pressure to a report stating that China increased its interest rates in an attempt to slow its economy. However the oil market bounced off that level and backfilled its opening gap as it traded to an intraday high of 52.80. It later retraced its

gains and sold off even further amid the weakness in the product markets. The crude market breached its earlier low of 51.40 and posted an intraday low of 50.78 ahead of the close. It retraced nearly 38% of its move from a low of 42.45 to its recent high of 55.65 as it traded to its low. Volume in the crude market was excellent with over 279,000 lots booked on the day. Meanwhile, the product markets were also pressured as traders took profits ahead of the November contracts' expirations on Friday. The heating oil market gapped lower from 148.85 to 147.10 and traded to 147.00. However the market backfilled its gap and traded to its high of 150.60 before it traded off its high as sell stops were triggered. The market extended its losses to 4.55 cents as it traded to a low of 145.00 ahead of the close. It settled down 4.23 cents at 145.32. Meanwhile, the gasoline market also settled down 4.29 cents at 129.32. The market also gapped lower on the opening from 133.00 to 132.40 but quickly backfilled its gap as it traded to a high of 134.70. However it too saw some profit taking and sold off to its low of 128.50 ahead of the close as sell stops were triggered. Volumes in the product markets were good with 69,000 lots booked in the heating oil market and 56,000 lots booked in the gasoline market.

The crude market seems to have posted its near term top after it continued its slide during today's session. The market may continue to trade lower as its stochastics are still trending downwards. However the market is seen

holding support at its low of 50.78 followed by 50.60. More distant support is seen at 50.05 and 49.55, where it would backfill a previous gap. Meanwhile resistance is seen at 51.55 and 52.80. More distant resistance is seen at 54.00 and 55.65.

Technical Analysis		
	Levels	Explanation
CL 50.92, down \$1.54	Resistance 54.00, 55.65	Wednesday's high
	Support 51.55, 52.80	Thursday's high
	Support 50.78	Thursday's low
	50.60, 50.05-49.55	38% retracement level (42.45 and 55.65), Previous gap
HO 145.32, down 4.23 cents	Resistance 150.60	Thursday's high
	Support 146.90, 149.10	
	Support 145.00	Thursday's low
	143.50	Previous lows
HU 129.32, down 4.29 cents	Resistance 134.70	Thursday's high
	Support 131.00	
	Support 128.50	Thursday's low
	127.80, 126.00	50% retracement (111.10 and 144.50), Previous low