The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 3, 2004

The leader of the Nigerian Labour Congress said today that Nigerian workers would disrupt the country's key oil exports and production when the strike begins on November 16th. Strike leaders felt that this disruption was the only way to gain the government's attention on rolling back the recent 25% hike in retail fuel prices. The strike leaders reported that the two key oil workers unions, Pengassan and Nupeng, were participating in the strike. One tribal leader supporting the strike today warned that Royal Dutch Shell could be a target of attack if strikers cross picket lines. Another tribal leader warned today that those oil workers that continued to work during the strike period risked being kidnapped. Some 100,000 people reportedly attended today's pre-strike rally in Lagos.

API Stocks

Crude – up 7.8 million barrels
Distillate – up 500,000 barrels
Gasoline – up 2.7 million barrels
Refinery runs – up 0.6% at 90.5%

DOE Stocks

Crude – up 6.3 million barrels
Distillate – down 900,000 barrels
Gasoline – up 500,000 barrels
Refinery runs – up 0.2%, at 89.4%

Market Watch

The U.S. Commerce Department reported that demand for U.S. factory goods took a surprise drop in September, suffering its second fall in a row as orders declined by 0.4% from August, with August orders being revised to a decline of 0.4%. This was the first back-to-back drops since December 2002.

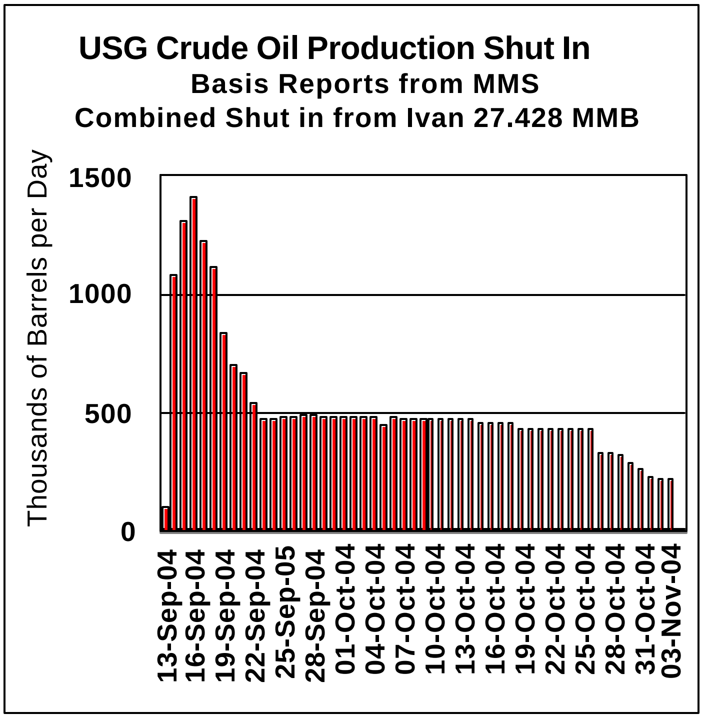
The Indian government said today that it may issue bonds to state-run firms to compensate for their revenue loss due to suppressed retail prices of petroleum products. The oil companies suffered a revenue loss of 100 billion rupees in the first six months of the fiscal year ending March 2005 because the government has not allowed them to raise prices despite soaring global crude prices.

China announced it plans to link electricity rates to coal prices in an attempt to help utilities to manage fuel costs and ease the power shortage. The current proposal could be given final approval by the end of the year. The proposal though would allow power generators to pass along only 70% of coal price increases. China has raised electricity rates twice this year. The power shortage in China shows no sign of easing as coal inventories at power plants are currently at all time lows.

The IEA warned today that European and developing nations face the prospect of economic recession if oil prices stay above $40 a barrel, no to mention $50 per barrel.

Germany's Economic Minister said today that he expected oil prices will fall significantly, and he expected this to help Germany's economy to outperform the government's growth forecast of 1.7% next year.

This week's attacks on the Iraqi northern oil infrastructure have kept the pipeline flow to its northern terminus shutdown again today. Iraqi officials said it could take as long as 10 days to repair the pipelines and wells. SOMO though said that despite the attacks it still expects to meet its export commitments from storage. SOMO has attempted to maintain stocks in Ceyhan in order always be able to meet monthly export commitments from storage. SOMO officials recently said they would only sell Kirkuk crude on the spot market if there is excess availability. Elsewhere in Iraq today, the BBC reported that a senior Iraqi oil ministry official was killed today as he left his Baghdad home.



Chinese demand for distillate continued to show up in the spot markets, as Chinese trader Unipec bought 35,000 tons of 0.2% sulfur gasoil for end on November lifting from a South Korean refiner. This brings Chinese purchases for November up to 235,000 tons up from 125,000 tons in October. Market expectations are that this buying spree will continue into December with totals possibly reaching 275,000 metric tons.

Refinery News

Hovensa Refining LLC said today that it was running its 58,000 b/d coker unit at reduced rates after starting planned maintenance early. Rates have been reduced in recent days while part of a heater is being cleaned. The company declined to specify the level of reductions. A company spokesman also said that other units at the facility were undergoing scheduled maintenance.

The Italian refiner, ERG, reported that its 230,000 b/d Isab Sud refinery would remain shut until late November. This shutdown appears will last two weeks longer than originally planned.

Indian Oil Corp has declared force majeure on crude oil imports as a result of the recent blast at its FCC unit at the 274,000 b/d Koyali refinery last week, which since has reduced operations there by 15-20%.

According to a Reuters survey, fuel oil exports from Black Sea oil ports jumped by more than 50% in October from the previous month as major refineries ramped up production.

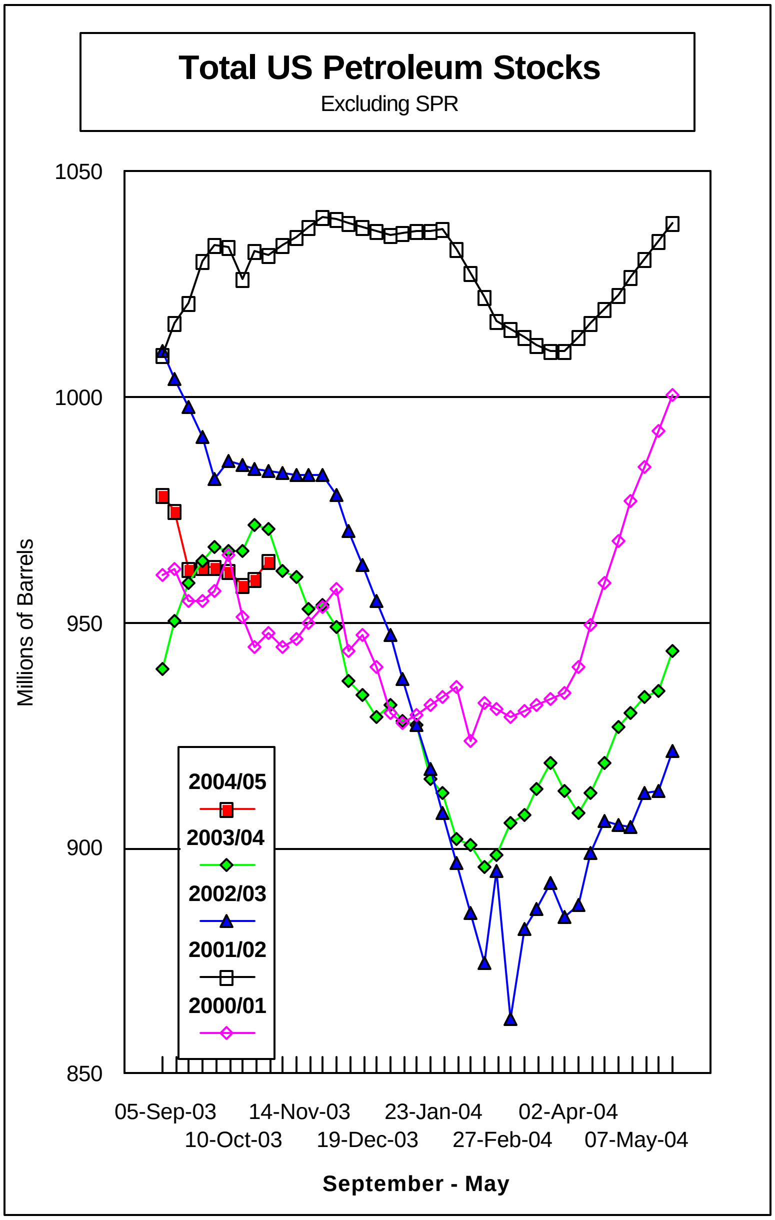
Production News

Yukos management said today that it plans to keep its 2004 production forecast of 86-87 million tones despite its overhanging tax problems. Officials though said that its 2005 production targets though will be lowered, given the inability of the company to secure financial investment. Officials also reported that it would hold a shareholder meeting on December 20th to consider whether it will declare bankruptcy or liquidate the firm as a result of its tax bill problems.

Reuters reported today that Saudi Arabia will pump at least 9.5 million b/d for the fourth consecutive month, according to its sources.

Mexico's two crude oil ports on the Gulf of Mexico, Dos Bocas and Pajaritos were closed today due to adverse weather conditions.

Apache Corp resumed production at its North Sea Forties field following resolution to an electric power failure that caused a 27-hour shutdown of the 70,000 b/d Forties Charlie platform. The company expects production to return to 65,000 b/d within 48 hours.



Saudi Arabia informed term customers that it was cutting its prices for Arab Light sold into the U.S by $1.00 a barrel and Arab Medium and Arab Heavy prices were being reduced by 75 cent per barrel for December.

OPEC's daily reference basket price for November 2nd was pegged at $41.98 this morning down $1.33 from the previous day.

The UAE announced that Sheik Khalifa bin Zayed Al Nahyan has been chosen as the new president of the Emirates, assuming the post that his father held before his death yesterday. No oil policy changes were expected.

The U.S. Minerals Management Service reported today that U.S oil production in the Gulf of Mexico today was running at 87.35% of its normal rate of 1.7 million barrels per day, a slight improvement of 3,374 barrels from yesterday. Natural gas production on the day showed only minor gain of 6 Mmcf/d from yesterday, as 745.98 Mmcf/d remains shut in.

Market Commentary

Last night's wild and volatile Access session in hindsight should have been a major warning flag for traders (and in particular us) coming into the market this morning. Last night's spike in crude oil prices following the early morning announcement by various news organizations that Bush was on the verge of victory in the 2004 presidential election, as a result of winning Ohio's electoral votes, sent crude prices up nearly a dollar in just a few minutes. But prices did recede back through the remainder of the Access session and by the end of the session were back near the levels they finished at yesterday afternoon. While the market opened a few pennies better this morning prices appeared to be taking back the value lost in the final 15-20 minutes of trading Tuesday. With the release of the API and DOE statistics the market simply cratered. Crude oil lost $1.25 per barrel. Heating oil and gasoline lost 2.7 cents and 1.8 cents respectively, as sellers flooded back into the market, nervous over the significant build in crude stocks and the overall 3.9 million barrel counter seasonal build in total oil inventories. Crude found support at levels that were close to the level of its 50 day moving average and within spitting distance of the 50% retracement of entire bull move from late August through

October. But as was the pattern last week, the market began to run counter to the conventional wisdom of the inventory report and as a result began to rebound late this morning before stalling and stagnating at levels equal to late yesterday afternoon's trading range or slightly below. But the 1 PM "witching hour" once again seemed to unlock technical interest in the market. Prices in all three markets worked higher and once yesterday's highs were breached significant follow through buying flooded into the market as traders saw an "outside" trading session and a potential key reversal day. Traders vainly searched for fundamental news to support this move. While the rumor and later confirmation of some problems at the Hovensa refinery was pointed to, the reports of the limited problems there did not seem to support this type of move, despite gasoline being the strongest of the three energy complex. Volume in gasoline was relatively modest with just 36,000 futures traded, while heating oil 52,000 contracts changing hands while crude oil posted 263,000 lots traded.

We have to look at today's price action as one in which the bull market had not been killed but rather had just gone into a brief hibernation. It seemed that the longs which had taken profits over the past week saw levels at which they finally felt comfortable returning to the market, especially when it appeared that technically the brief bear move was over. We would look for confirmation of this theory tomorrow when the open interest report is released.

We could very well be seeing a trading range established in crude oil, possibly from 48-56. We looked at today's inventory reports and see one with one nagging issue emerging, the inability of rebuilding distillate stocks going into this winter. While heating oil prices have failed to excite many people in recent days, this could quickly change at the first hint of the heating season's first prolonged cold spell. We see support in this market initially at $50.50, followed by $50.00 but more significant support $49.80, $49.50, with significant support at $48.65, $48.46, and $48.28. Resistance we see at 51.10-51.20, followed by 51.32, $52.15, $52.50 and $52.98.