The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 9, 2004

Iraqi oil officials reported this morning that crude oil flows into its northern oil export pipeline were once again suspended, after four days of operations. Officials said that the flows were halted due to production problems at the Kirkuk oil fields stemming from persistent sabotage, but failed to elaborate further or when flows would resume. Reuters meanwhile quoted witnesses as saying saboteurs attacked an oil pipeline some 44 miles southwest of Kirkuk. Exports though were continuing from crude still in storage at Ceyhan terminal. Exports from the southern oil terminals are currently running at 1.9 million b/d.

Nigeria's Presidential Adviser on Petroleum and Energy said today that the strike planned for November 16th could be averted and even if it is not, oil exports will not necessarily be impacted. He also estimated that Nigerian oil production has averaged 2.3-2.4 million b/d over the past two months. He noted that production could be pushed up to as high as 2.5 million b/d, but that community unrest and ageing facilities are the main reasons holding back production. He also noted that it was unlikely for the OPEC basket price to fall below $35 per barrel given continued strong demand for oil. He noted that the mid-$50 range for crude was too high but did not see it going back to $28. He felt the OPEC basket price will probably settle out around $35.00 per barrel.

The Nigerian National Petroleum Corporation said today that the strike will not have any effect on exports because the company has made contingency plans, but they failed to be specific on

Market Watch

Yuko's chairman said today that the firm's principal owners, including jailed magnate Mikhail Khodorkovsky, were ready to liquidate their interest in the company. The company also noted that back-tax demands and fines against the company now total $18.5 billion and that the total bills for 2001 and 2002 are even larger than the firm's revenue during those years. The company noted that it has now paid the demands for 2000.

The World Bank said Tuesday that economic growth in East Asia has peaked but will remain strong in 2005. It estimates that the group will post a combined 7.1% growth rate in 2004 with a 5.9% growth rate in 2005. The bank saw Chinese growth in 2005 to slowing to 7.8% from 9.2% this year.

The World Bank late yesterday estimated that oil prices will start to ease in 2005 but did not see crude oil prices falling below $30 per barrel until 2007.

The Federal Aviation Administration has recently relaxed regulations on airlines by allowing them to cut the amount of fuel they carry on certain international routes by up to 10% in efforts to reduce weight and save money given high fuel costs.

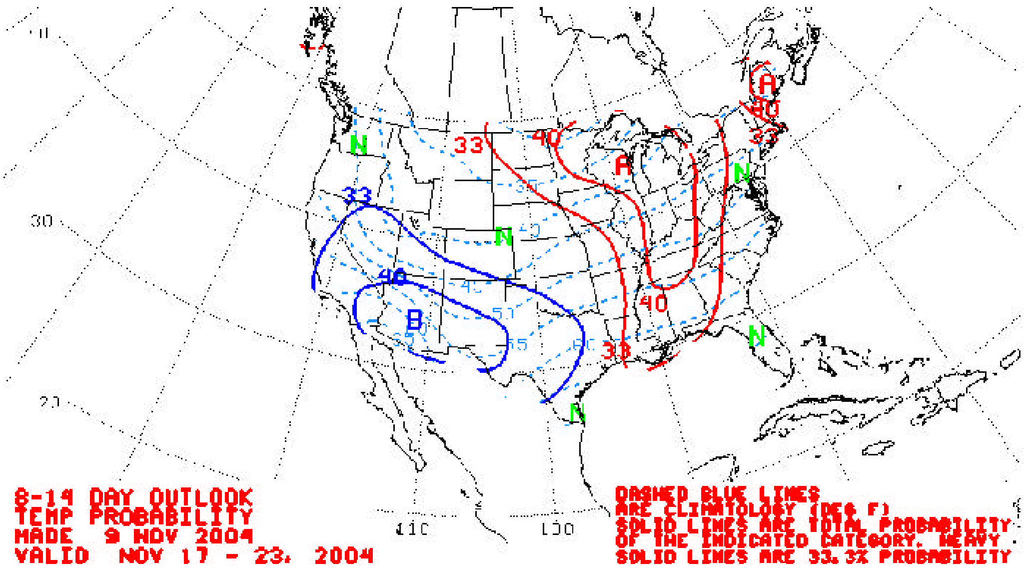
Saudi police reported that they had killed a suspected militant and arrested three others in western Saudi Arabia on Tuesday. They declined to specify when the action took place or the identity of the suspects.

The NYMEX's Dublin based Brent contract posted its highest volume of its short contract history with 6,999 lots traded on Monday, as open interest stood at 44,53 contracts. Today 7,070 lots were traded.

these plans.

Nigeria's white-collar union PENGASSAN agreed Tuesday to join a general nation wide strike next week, but union leaders seemed too ambiguous on the immediate impact on oil production and exports that the strike will have initially.

The EIA released their latest Short Term Energy Outlook today and they raised their price outlook for WTI in the fourth quarter of this year to $51.09, up some $4.63 from its market outlook from just last month. The EIA also substantially raised its price outlook for WTI in 2005 to $47.38, up $5.24 per barrel. The EIA also raised its estimates for expenditures by a typical Northeastern household this winter by 9% to 37% above last year's cost, while propane-heated households should see heating costs that will average some 26% above last year, a 4% higher estimate than just a month ago. Despite these upward revisions in prices, the EIA lowered their estimate for U.S petroleum demand in the fourth quarter by 100,000 b/d and global demand for oil by 100,000 b/d as well. They also lowered their estimates for both U.S and global demand by 100,000 b/d in 2005. Chinese demand was lowered as well for the fourth quarter and in 2005 overall by 300,000 and 200,000 b/d respectively. On the supply side, the agency saw U.S. oil supply total only reaching 8.4 million barrels per day off substantially from last months' estimate of 8.9 million barrels per day. Their estimate for 2005 domestic supply was pegged at 8.8 million barrels per day off 100,000 b/d from last month's estimate. Globally the agency estimates that fourth quarter supply will reach 84 million barrels per day and average 84.6 million barrels per day in 2005.



The Suez Canal reopened to shipping on Tuesday after tugs successfully moved the stranded Liberian flagged 154,000 tonne oil tanker. Typically there is some 1.3 million barrels per day of oil shipments pass through the canal. Some 46 vessels were backlogged going south to north, while 55 ships were waiting to move south through the canal.

The IEA said Tuesday that despite a steep decline in crude oil prices during the past two weeks, prices "are still much too high" and should fall more. The head of the IEA called on OPEC to allow world oil stocks to continue to be rebuilt and that the U.S should not use its 2 million barrel heating oil reserve to lower heating oil prices, saying the stockpile should be only used for a supply disruption.

An explosion was reported today at an oil terminal operated by PetroChina. The terminal is located in Liaoyang city in the northeastern Liaoning province. No other details were given though.

Refinery News

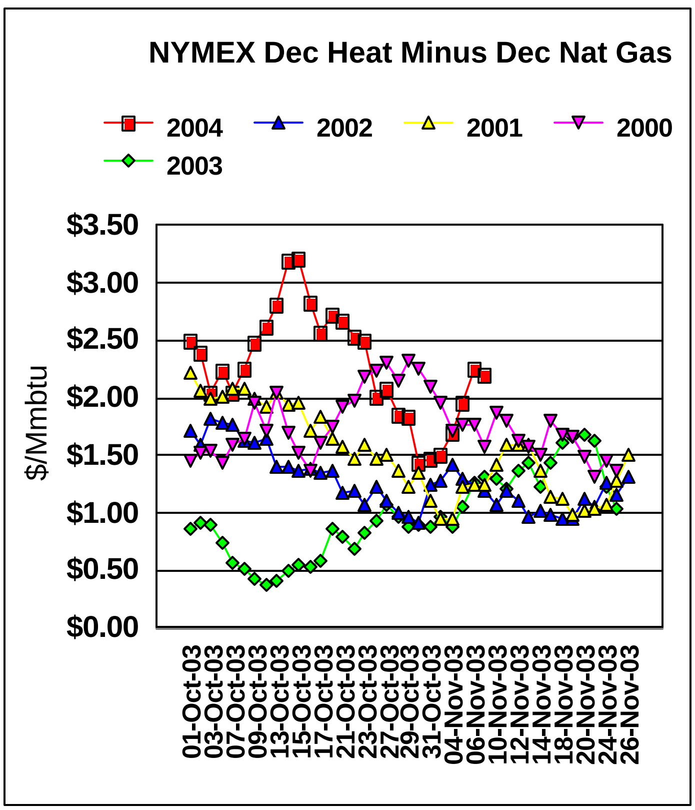
Nippon Oil said it has shut its 140,000 b/d crude distillation unit at its Mizushima refinery on Monday for minor checks. The work is expected to take a week. The unit had some earlier technical problems that kept it shut between September 28th and October 15th.

Total's 53,000 b/d hydrocracking unit at the Vlissingen refinery in the Netherlands remains off line following its recent maintenance outage. The unit had originally been expected back in service more than two weeks ago.

Premcor reportedly shut its vacuum gasoil hydrotreater at its 255,000 b/d Port Arthur, Texas refinery today. Operators are repairing a fuel gas exchanger and the work is expected to be completed by Sunday. Elsewhere the company's 80,000 b/d catcracker at its Delaware City refinery restart appears to have been delayed by two weeks, and is now not expected to be restarted until the middle of next week.

UBS reported today that they estimate that oil refining profit margins on the U.S. Gulf Coast fell last week to their lowest level since December 2003. They calculated that gross refining margins in the region fell by 54 cents per barrel to $3.04 for the week ending November 6th. This level is some 25% below the five-year average.

A component of the catalytic cracking unit at the Alon USA refinery in Big Springs, Texas was off line Monday afternoon. No official word was given if the problem impacted the output from the 60,000 b/d refinery.



Shell Oil's 67,000 b/d FCC unit at its Deer Park, Texas refinery would reach normal rates by this afternoon it reported, following its restart on Monday. The company also said it was restarting its reformer unit at the facility and it should return to normal operating levels by Wednesday afternoon.

OPIS reported today that Morgan Stanley's long term supply deal with TransMontaigne appears will begin with Morgan Stanley supplying product to TransMontaigne terminals in January 2005 with the rest of the network being supplied starting a month later. The supply deal is believed to run through December 2011.

Crown Central Petroleum said it plans to complete the sale of its 100,000 b/d Pasadena refinery to a subsidiary of Compagnie Nationale a Portefeuille (CNP) by December 1st.

Production News

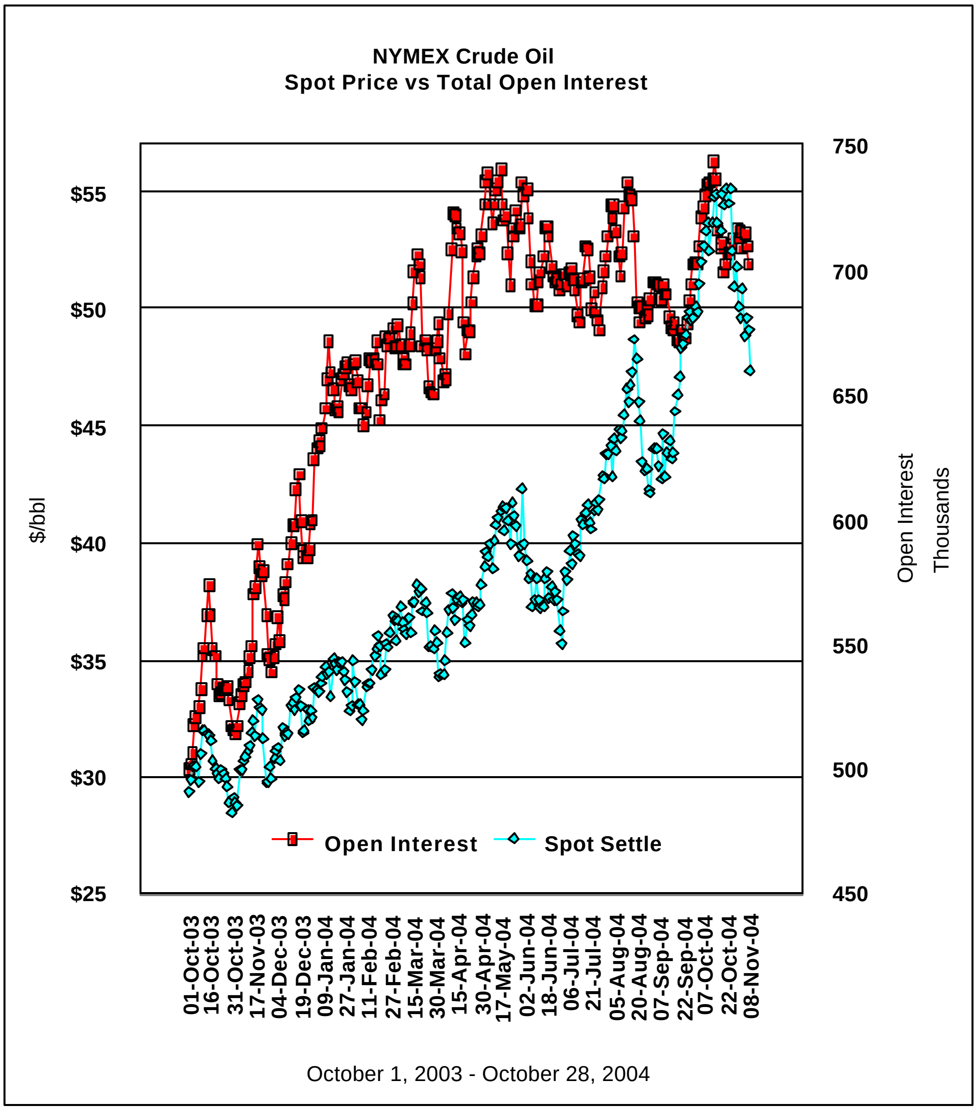
The U.S. Minerals Management Service reported today little gains had been made in returning shut in production from Hurricane Ivan again today. Only 10 b/d of production was returned to service since Monday and just 3.7 Mmcf/d of natural gas production. Since Thursday only 159 b/d of production has been returned and just 5 Mmcf/d of natural gas production.

Norway's oil production in October was estimated at 2.81 million b/d up 210,000 b/d from September production levels.

Iran today cut its December official selling prices to all destinations. Iranian Light for Asian customers was cut by 50 cents to a 22 cent per barrel discount to the average of Oman/Dubai quotes. The price cuts were an attempt to keep pace with the earlier cuts announced by Saudi Arabia.

The North Sea Brent crude oil system is estimated to load at an average rate of 321,000 b/d in December, up from the 227,000 b/d planned for November.

Saudi Arabia has booked its fourth VLCC for December loadings destined for the U.S and currently projects some 8 million barrels will be exported to the U.S. This compares with 6 million barrels projected for November loadings and the 16 million barrels and 14 million barrels loaded for U.S. destinations in October and September respectively.



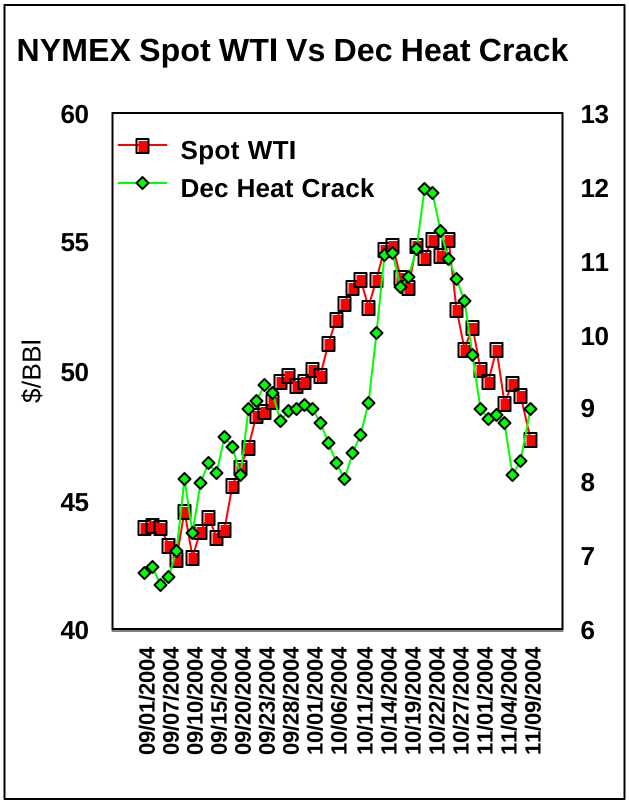
Delays for daylight restricted oil tankers transiting the Turkish Straits grew to 15 days for a round trip journey on Tuesday, up from 11 days from last week.

Gazpromneft reported that it expected to see average production output of 722,000 b/d of crude and gas condensate in 2005. This forecast includes the planned production of Gazprom and its future take over target Rosneft.

OPEC's reference basket price of seven crude oils rose 11 cents Monday to $38.67 per barrel.

Market Commentary

The oil markets resumed their downward spiral today as all three markets gapped lower following the early morning sell offs that seemed to be triggered by rumors of Arafat's death. (While we remain a doubter of the long-term fundamental impact of this event on the market, one cannot deny how prices initially moved following the initial reports of his death by news wire services this morning and how prices dropped 60 cents.) While the regular day



session saw oil prices come under pressure as natural gas prices cratered another 30 cents within the first 30 minutes of trading, the rebound in natural gas prices appeared to drag the oil market back up with it and allowed all three markets to back fill the gaps from the morning's lower openings. In fact heating oil actually was able to post positive gains on the day, but was unable to break above yesterday's highs, before coming back under selling pressure that allowed all three markets settle lower yet again for the third time out of the last four trading sessions, and settle at levels not seen since September 21st. Final volumes in the crude were excellent with 246,000 lots traded, with 53,000 and 43,000 contracts booked in heating oil and gasoline respectively.

As rumors continued to swirl around the markets of hedge funds liquidating their long positions, this afternoon's open interest report released by the exchange appeared to support these theories, as crude oil saw open interest decline Monday by 7,443, heating oil by 2,013 contracts and gasoline by 3691 lots. Crude oil open interest currently is running some 27,000 contracts less than the levels recorded a month ago, when prices were some $6.00 higher.

Just as this market seemed to be divorced from fundamentals when we were challenging the highs a month ago, the same can be said for the current market situation. News of the Iraqi northern pipeline was again taken off line this morning, along with the ability of USG producers to return only 159 barrels per day of production since last Thursday appears incapable of even causing ripple of interest in this market. Instead momentum trading remains the focus of this market. Given this atmosphere we would not be surprised to see this market digest a bullish inventory report tomorrow and within 30 minutes to an hour return to defensive and see sellers again in control of the market. Currently this

Technical Analysis

		Levels	Explanation
CL	**Resistance**	$50.43, 51.10, 5143	38% retracement, last week double top, 50% retracement
		48.60 & 49.70	Past two day's highs
	$47.37, down $1.72		
	Support	$47.20	Today's low
		46.78, 46.53, $46.40	Retracement numbers and Gap
HO	**Resistance**	142.9-143.2&144.25	Thursday and Wednesday's highs
		138.00, 138.25,13850	Past two days highs
	134.20, down 2.44 cents		
	Support	$133.90 &$131.34	Today's low & 62% retracement
		128.50-129.00	Gap from Sept 21st/
HU	**Resistance**	13129, 13385 & 136.41	Retracements of down move
		126.60,128.50,129.10	Past three daily highs
	123.39, down 4.14 cents		
	Support	123.00 & 120.53	Today's low & trend line support
		119.50-118.24	gap

market is looking for builds of 2 million in crude oil with a 1 million build in gasoline stocks. Even heating oil is expected to show 500,000-1.5 million build in stocks on the week.

With the technical damage done to this market today we have to look for this market to again see the vultures circling overhead tomorrow looking to pick off wounded bulls. We would look for another retest of today's lows before the inventory reports are released. We feel that without a significantly bullish inventory report and or a significantly bullish weather forecast (which judging by tonight's NWS 6-10 and 8-14 day temperature outlooks does not seem probable a this current time) the continued focus will be for further fund liquidation and lower prices. One dissenting note to this bearish scenario is the fact that the December heating oil crack has in the last few weeks been a keen barometer to the health of this market. In the past couple of days this spread has been resilient and has rebounded despite tremendous selling pressure in the crude and natural gas markets. If this spread again holds tomorrow and even works higher it should be a warning signal that the flat price move to the downside could be reaching an exhaustion point.