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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 28,2004

NATURAL GAS MARKET NEWS

Energen Corp. raised its earnings forecast for 2005 in part due to a new 3.1 Bcf natural gas hedge at the NYMEX equivalent price of $7.81 per Mcf. The hedge also includes an unidentified acquisition in the fourth quarter of 2005. With this acquisition, Energen will have 64% of its 60.8 Bcf of natural gas production for 2005 hedged at an average of $5.87 per Mcf.

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.

EIA Weekly Report

	10/22/2004	10/15/2004	Net chg	Last Year
Producing Region	933	925	8	878
Consuming East	1894	1880	14	1847
Consuming West	422	418	4	396
Total US	3249	3223	26	3121

NYMEX reportedly is planning to release a report before the end of this year detailing the types of participants in the natural gas and crude oil futures markets.

Generator Problems

MAAC – The 1,148 Mw Peach Bottom 2 nuclear unit is running at 86% capacity, down 14% on the day. The unit was at full power yesterday.

MAIN – The 1,120 Mw Braidwood 1 nuclear unit is currently operating at 88% capacity, up 40% on the day. Yesterday, the unit was running at 48% power as it ramped up after exiting a refueling and maintenance outage earlier in the week. The unit shut for the refuel on October 4.

SERC – The 1,129 Mw Catawba 2 nuclear unit shut early this morning after an electrical fault caused control rods to drop into the core. There were no complications during the trip.

WSCC – The 830 Mw High Desert natural gas-fired plant curtailed output early this morning by 767 Mw. Reasons for the curtailment have yet to be disclosed. The company though noted that it was exiting this outage.

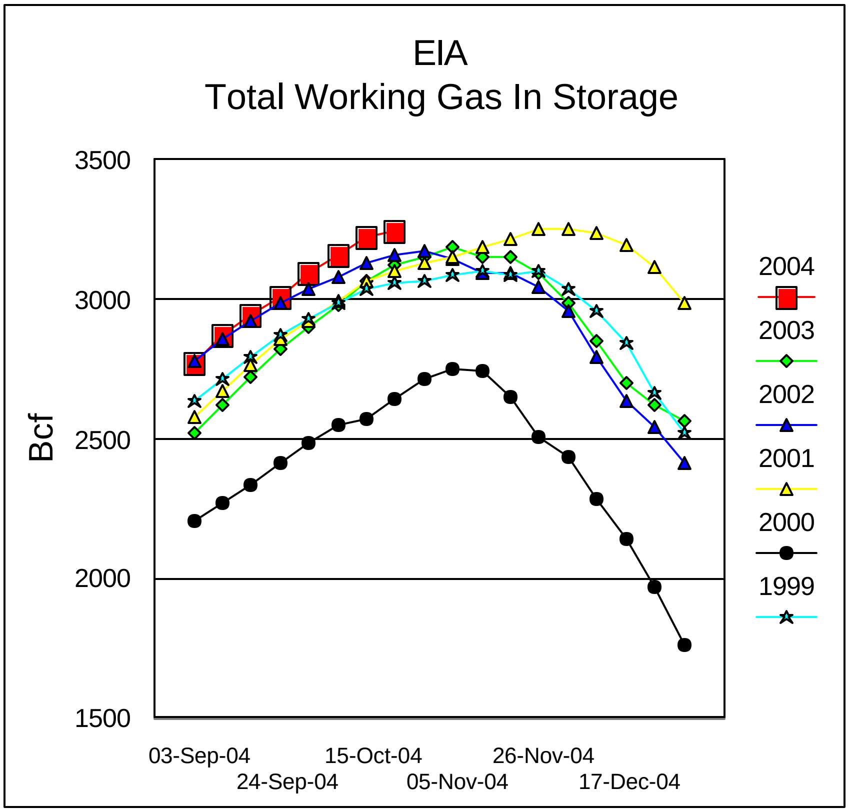
Based on the latest NRC reports, total nuclear generation output this morning reached 77,641 Mw down 812 Mw or 1.0% from yesterday's levels. Total generation was some 1.39% lower than the same date a year ago.

Canadian Gas Association
Weekly Storage Report

	22-Oct-04	15-Oct-04	24-Oct-03
East	245.9	247.0	262.0
West	221.6	219.8	201.1
Total	467.5	466.8	463.1

The Minerals Management Service reported that there is heightened interest in its latest sale for royalty-in-kind natural gas as we enter the winter heating season. The agency said on Wednesday that it sold 387,000 Mmbtus of natural gas produced daily that is collected as part of the program. The gas was sold to 10 companies, but were not named, and delivery will begin November 1st.

PEMEX said today that it has postponed until November 9th a decision on a tender for $900 million gas production contract for the Pandura-Anahuac block in the Buros gas field. This tender in conjunction with five blocks award last year is hoped to halve Mexico's gas imports by 2007.



PIPELINE RESTRICTIONS

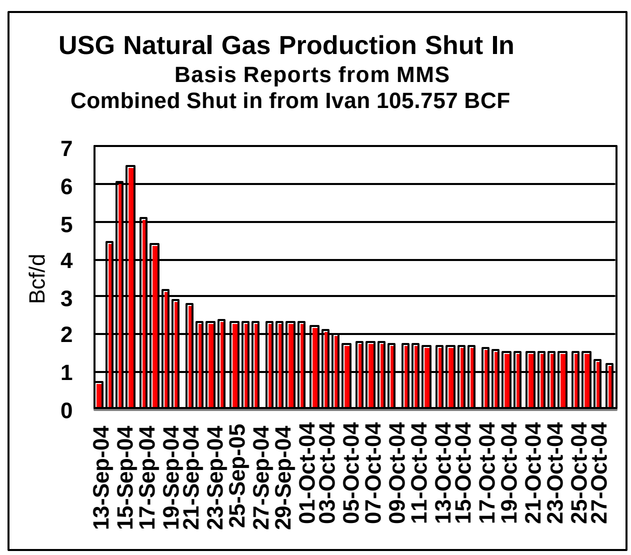
Texas Eastern Transmission Corp. said that the 24-inch line between Longview and Fagus has been nominated to capacity. No increases in physical supply between Longview and Fagus will be accepted.

Gulf South Pipeline Company said that based upon its initial review of nominations, NNS demand and other factors, Gulf South will be required to schedule available capacity and implement scheduling reductions for Longview – Palestine 8-inch – Index 11 – Area 8.

El Paso Natural Gas Company said effective immediately, it is declaring an Unauthorized Overpull Penalty situation. The Washington Ranch storage facility is currently on maximum withdrawal. El Paso urges its customers to immediately review their supply/demand balance and the performance of suppliers to insure sufficient gas is being delivered to El Paso to cover the gas being taken off the system. After resumption of Line 1200 maintenance in the San Juan Basin, there is still some available capacity from San Juan, and there is ample capacity available from the Premian/Waha area. To insure system integrity, El Paso will place limits on scheduled volumes at interconnects that are under performing

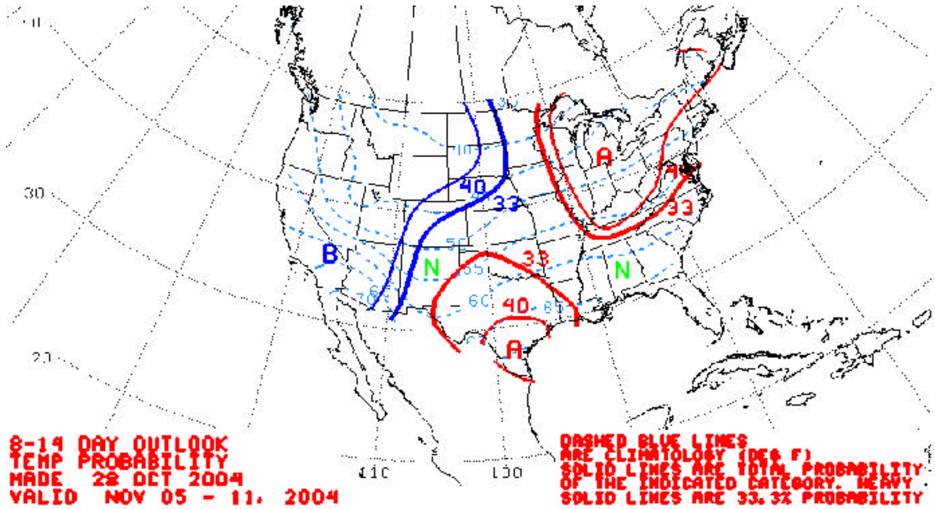
PIPELINE MAINTENANCE

El Paso Natural Gas Company said that Line 1200 repairs between San Juan Mainline and Gallup stations will resume today, following resolution of the valve problem that was preventing isolation of the line. When Line 1200 repairs are complete, Line 1201 will be taken down for repairs, resulting in the same capacity reduction into November. The capacity of the San Juan Basin will be reduced by 35 MMcf/d effective Cycle 2, October 28 and will continue through November 11.



Alliance Pipeline said that it has cancelled scheduled maintenance at Paddle River for today. Also, Alliance reported that unforeseen difficulties have arisen that will delay the start-up of the

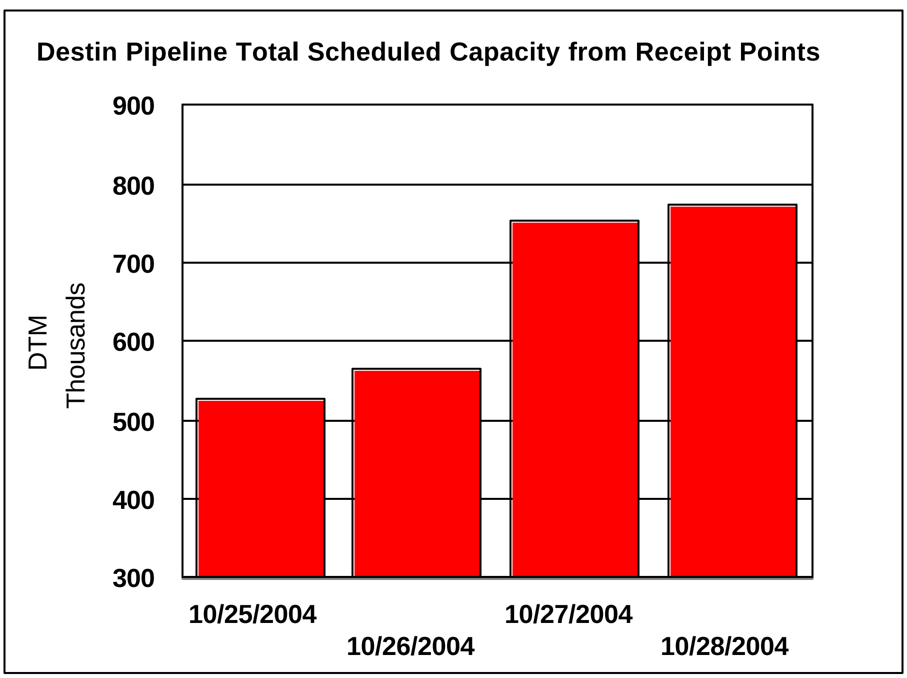
Loreburn Mainline Compressor Station. At this time it is unclear when it will return to service. The compressor went offline for regular scheduled maintenance on October 26.



Questar Pipeline Company stated it will be performing maintenance at its Fidlar compressor station on November 9-11. To facilitate the maintenance, the company will reduce the capacity at the ML 80 scheduling point to 240 MMcf/d for gas days November 9, 10, and 11. Capacity will return to normal in cycle 1 for gas day November 12. Based on current nominations this represents a 64% reduction to fixed nominations.

ELECTRIC MARKET NEWS

A top MISO executive said yesterday that perhaps the biggest item the Midwest Independent Transmission System Operator lacks as it works toward launching energy markets Mar 1 is a process for working with the Ontario Independent Market Operator to manage transmission line congestion. MISO is on schedule with the myriad measures it must have in place before March, Chief Operating Officer John Bear told the FERC, but he and Vice President Stephen Kozey asked for "polite inquiry" from FERC to encourage the IMO to work out a plan. FERC has no authority over Ontario, and so its intervention cannot be official. Reliability measures are on track, but coordination and allocation of capacity on critical flowgates are lacking. Kozey also said the FERC and MISO need to create incentives for the IMO to coordinate with MISO.

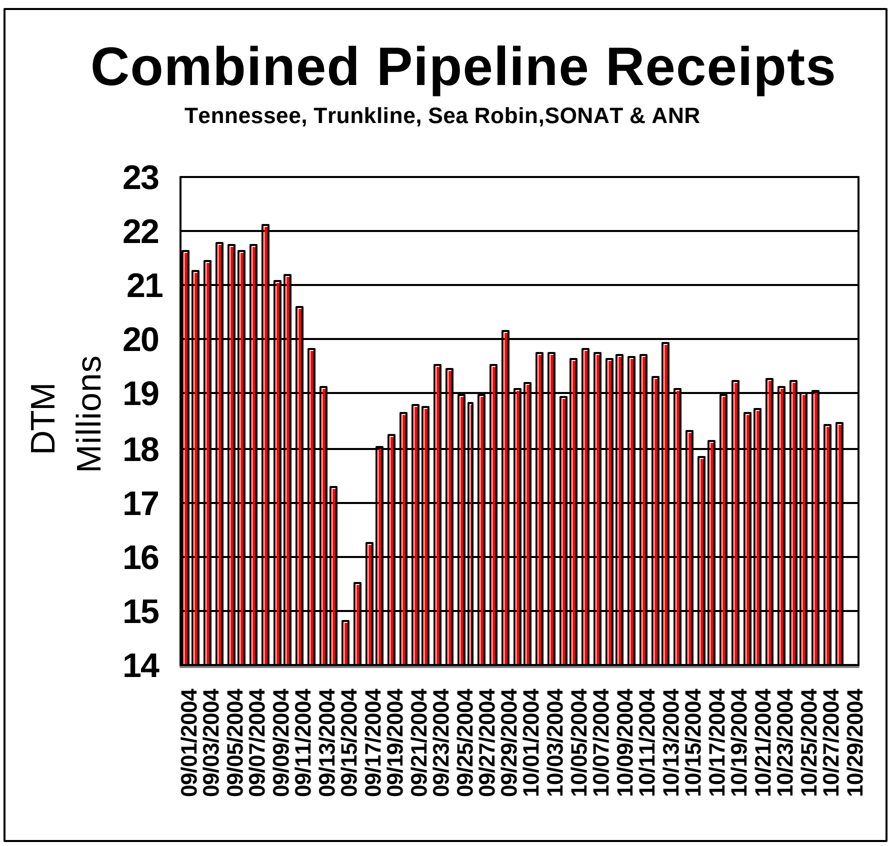


NYMEX will introduce two new coal futures contracts, one for Eastern coal and one for Western coal, on NYMEX ClearPort on October 31 for the November 1 trading session. "The addition of these two new coal contracts will broaden the reach of the NYMEX Division energy complex and create synergies and new trading opportunities for the coal industry," said NYMEX President James E. Newsome. The Eastern Rail CSX and Western Rail Powder River Basin coal swap futures contracts will be available for trading on the NYMEX ClearPort trading platform from

7:00 PM ET Sundays through 2:30 PM ET Fridays, with a 45-minute break each day between 2:30 PM ET and 3:15 PM ET. Off-exchange transactions can also be submitted solely for clearing through NYMEX ClearPort. January 2005 will be the first listed month and the contract will be available for the current year and the next two years. It will be cash settled against the corresponding Platts indexes published in Platts Coal Trader, the CSX Big Sandy/Kanawha 12,500 Btu/lb, 1.0% sulfur index for the Eastern contract, and the PRB 8,800 Btu/lb, 0.8 lbs. sulfur per million Btu index for the Western contract. Each contract will be for 1,000 tons. As part of the exchange's liquidity provider program on NYMEX ClearPort, any trader who makes a bid or offer that is subsequently accepted will receive $3.50 per contract for the Eastern Rail CSX swap futures contract and $1.75 for the Western Rail PRB swap futures contract. The participant on the other side of the trade will pay an all-inclusive fee of $7.00 per contract for the Eastern Rail CSX swap futures contract and $3.50 per contract for the Western Rail PRB swap futures contract. Fees for a transaction submitted solely for clearing on NYMEX ClearPort will be $4.35 per contract per side for exchange members and $5.00 per contract per side for non-members for the Eastern contract and $2.25 per contract per side for Exchange members and $2.50 per contract per side for non-members for the Western contract. The trading symbols are QX for the Eastern Rail CSX Coal Swap, and QP for the Western Rail PRB Coal Swap.

The Calgary-based consulting firm RiskAdvisory reported that while most utilities, regulators, marketing companies and consumers agree that hedging is an effective tool that utility companies should use in managing commodity price risk, most point to the current regulatory process as inadequate to enable utilities to effectively deal with price problems that exist today.

Texas Pacific Group's $2.35 billion purchase of Portland General from Enron, appears to have cleared two major regulatory reviews as both the FTC and the Department of Justice said that they have no further anti-trust concerns regard the takeover. The Oregon Public Utility Commission expects to issue an order in early 2005 on whether it will approve the purchase.



The NYMEX announced today that it will decrease the margins on its NYISO Zone A, G and J electricity futures contracts at the close of business Friday. Customers will see a reduction of $675 to $2700 per contract for Zone A and Zone G contracts and a $1350 reduction to $2700 for the Zone J contract. Margins on inter-month spreads on all three contracts will be cut by $675 to $1350 for customers.

The California Public Utilities Commission ordered utilities in the state Thursday to boost their power supplies on a fast track schedule that Governor Schwarzenegger has sought. The utilities in the state must meet a power reserve target by June 2006, some two years faster than originally planned. This new reserve requirement will be set at 15-17% versus a current reserve margin of 7%.

MARKET COMMENTARY

The natural gas market opened weaker this morning as cash prices continued to tumble in front of the upcoming weekend and the prospects for limited or no heating and cooling demand over the near term. But this morning's EIA storage report came in below most market expectations today. This seemed to help spark a short covering rally that ultimately elected stops above $8.95 and $9.00 that sent prices quickly up to $9.20 by mid morning, dragging oil prices up with it. But with reports of continued weakness in the cash markets, (cash Henry Hub was reported to have been booked at as low as the $6.20's) coupled with an emerging consensus that the significance of today's small injection rate was more a factor of storage being full and no place to put gas, rather than an improved supply/demand picture of gas, helped the bull move to stall out. Natural gas values began to erode throughout the afternoon and ended up near their lows for the day. Volume during this sell off though was not noteworthy, making us cautious over this market's ability to continue to head straight lower, but rather subject to continued bouts of quick and significant volatility like this morning. Final volume on the day was very modest with just 63,000 futures traded.

We continue to feel that if oil prices remain on the defensive coupled with the current moderate weather forecasts for the next 8-14 days and news that shut in production of natural gas in the USG continues to finally demonstrate progress to returning to service, it should keep the bulls to the sidelines of this market. But rest assured that if the expected artic air in Canada in early November shows signs of flooding southward into the U.S., reluctant bulls will quickly rush back into this market. As a result we feel it is extremely risky to be short calls in this market for the next 3-6 weeks. We feel that while this market has downside potential left, we feel that long puts or put spreads offer the only sound policy of attempting to trade this market.

We see minor resistance in this market at $8.90, $8.94, $9.00, and $9.04 with more significant resistance at $9.20, $9.46 and $9.845. Support we see at $8.62, $8.592, $8.575, with more significant support at the $8.38-$8.38 gap from October 20th. More distant support we see at $8.11 and $7.68.

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