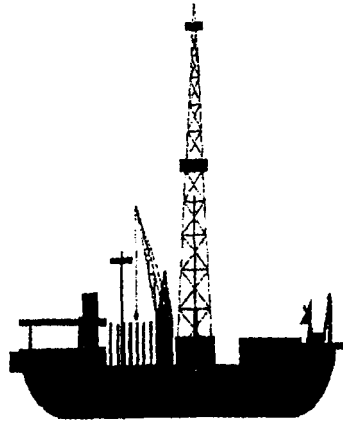


# RISK ASSESSMENT AND CONTROL

## ENRON NORTH AMERICA PORTFOLIO WATCH LIST UPDATE AS OF 4/7/2000



**Distribution:**

**Baxter, Cliff**  
**Bowen, Ray (via cc:Mail)**  
**Buy, Rick**  
**Delainey, Dave**  
**Donahue, Jeff (via cc:Mail)**  
**Haedicke, Mark (via cc:Mail)**  
**Lydecker, Richard (via cc:Mail)**  
**Skilling, Jeff**  
**Sutton, Joe (via cc:Mail)**

**PLEASE NOTIFY RICK CARSON AT X3-3905  
WITH QUESTIONS OR COMMENTS**

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Cost & Carry Values as of 2-29-2000. Market Values from Merchant Portfolio Report Dated 3-31-2000.

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**GOVERNMENT  
EXHIBIT**  
24588  
Crim No. H 04-0025

**RISK ASSESSMENT & CONTROL  
 PORTFOLIO WATCH LIST – UPDATE AS OF 4/7/2000  
 VALUES INDICATED ARE FOR ENRON NORTH AMERICA**

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**RESTRUCTURED ASSET ACTIVITY**

<b>In Progress / Partially Completed *</b>	<b>Restructurings Completed</b>
Brigham Exploration	Carrizo Oil & Gas
C-Gas	Costilla Energy
Crown Energy	Forcenergy
Enserco Offshore	Ice Drilling
Eugene Offshore Holdings, LLC *	Inland Resources
Gasco Distribution	Repap Resources
Hogan Exploration	Transcoastal Marine
Hughes Rawls LLC	TriPoint, Inc.
Industrial Holdings	Qualitech Steel
Kafus Industries / Canfibre	
Lyc0 Energy *	
Nakornthai Strip Mill *	
Queen Sand Resources *	
Sierra Well Service	

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**WATCH**

Assets displaying early warning signs of potential weakness that deserve close attention.

**Bonne Terre Exploration** (Limited Liability Company) JEDI II & Balance Sheet

- *Bonne Terre converted two seismic acreage options to leases this past week in the Cameron Parrish project which will require an outlay from JEDI II / Enron of approximately \$1 MM. An oil spill estimated at 1,000 barrels recently occurred in the Black Bayou Louisiana field, with approximately 3 acres effected. Clean up and re-mediation efforts are mostly complete and potential costs / fine and insurance issues are being examined. Maximum capital for the LLC of \$40 MM has now been drawn down and the promote period is over. Any dollars spent going forward will be un-promoted, meaning that Enron / JEDI II would be obligated for 62.5% of the costs, should the decision be made to invest. Bonne Terre is trying to sell down a certain group of prospects that have been identified and a couple of these will probably be drilled 100% Bonne Terre. ENA Engineering believes this process (which will better define the value of the LLC), will likely take most of this year to accomplish. The value of the properties to date on a PV10 basis is approximately \$1.5MM.*

~~Car. Val. \$1.5MM, Bank Value \$1.5MM, Cap. Val. \$1.5MM~~

**Cypress Exploration** (Working Interest) Balance Sheet

- *The New York based investment-banking firm of Allen & Co., has received capital commitments from investors of approximately \$53 MM that will be allocated to the LLC. In the due diligence process of Energy Investment Company ("ECI") of Lafayette Louisiana, the Managing Member, Allen & Co., identified certain "issues" that will require remedy. A possible remedy could include the buy-out of the overriding royalty interest held by a principal of ECI. Discussions between the parties regarding the due diligence findings are continuing.*

~~Car. Val. \$53MM, Bank Value \$53MM, Cap. Val. \$53MM~~

**DPR Holding Company, LLC** (Senior Debt & Private Equity) JEDI II & Balance Sheet

- *The slope work at the Eagle seam in the Panther mine continues to progress slower than expected, with the major issue being delays in obtaining permits. DPR has strong economic incentives to begin this work as soon as possible. Enron is entitled to 19% of the post income participation certificate ("IPC") distributions from the three mines that flow up to DPR and as a result of the Panther mine currently being cash flow negative, part of our post-IPC distribution must be used for principal and interest debt service. The Dakota Agreement is also in violation of its current ratio covenant test at Dec-31-99, with a current ratio of .81 vs. a requirement of 1.00. The borrowers are seeking approval to amend the DPR transaction to include certain non-cash items that are currently excluded.*

~~Car. Val. \$14.971MM, Bank Value \$14.971MM, Cap. Val. \$14.971MM~~

(Transfer to ENA CLO #1)

\$14.971 MM

**Ecogas Corporation** (Private Equity & Revolving Debt) Balance Sheet

- *An information memorandum will be delivered to the banks this week for a large warehouse finance facility for the Company. Specific asset third-party financing of approximately \$8.8 MM is also expected shortly, for the Nelson Covel project in San Antonio. ENA and Ecogas are working on a turnkey contract for the Fresh Kills (Staten Island), New York project, from Nepco (an Enron subsidiary). Negotiations continue with Montauk to purchase and sell certain entities to obtain 100% ownership. Randy Maffet (ENA) has begun negotiations with Frito Lay, related to the approximate \$400K in penalties owed to them.*

~~Car. Val. \$7.6MM, Bank Value \$7.6MM, Cap. Value \$7.6MM~~

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**WATCH - (Continued)**

**Lewis Energy Group ("LEG") (Limited Partnership & Term Loans) JEDI I (Gross #'s)**

- *LEG has reached an agreement in principal on the restructure of its bank debt, but remain weeks away from finalizing, with active drilling on hold until closing. Discussions continue between ENA and Rod Lewis regarding a buyout of JEDI I's 35% equity interest. Publicly traded Calpine (NYSE: "CPN"), has made an undisclosed offer to buy the entire LEG Company. The CFO of LEG has resigned, but will stay until restructuring of the bank debt is complete.*

~~Cost: \$1.00 MM    Market Value: \$1.00 MM    Carry Value: \$1.00 MM~~  
(Transfer to ENA CLO #1) \$ 4.683 MM

**Linder Energy LLC: (66.7% Membership Interest) JEDI II & Balance Sheet**

- *Informal discussions are continuing with Roger Linder, the principal of Linder Energy, regarding the possible buy-out of our interest. Linder believes the current strong commodity price environment may allow for refinancing at a lower cost of capital. Distributions have trended up recently, reflecting a stronger price environment and the RAC Q-1-2000, quarterly revaluation showed a slight increase in the valuation of the asset.*

~~Cost: \$1.70 MM    Market Value: \$1.70 MM    Carry Value: \$1.70 MM~~

**LSI Electric Specialty Corp (Sr. Term Loan, Preferred Stock and Warrants) JEDI II & Balance Sheet**

- *The Company has forecasted EBITDA in the \$2.0 - \$2.5 MM range for full year 2000 and should post slightly positive net income for Q-1-2000. A review of pro-forma financials indicates that the Company will be in violation of debt covenants at Dec-31-99, requiring waivers from Enron. ENA is prepared to waive the violations to allow Deloitte & Touche, to issue an unqualified audit opinion on LSI's year-end financials. The \$250K LSI principal and interest payment due to the ENA CLO Trust #1 on Mar-31<sup>st</sup> is late, but is expected the week of April 10<sup>th</sup>.*

~~Cost: \$3.00 MM    Market Value: \$3.98 MM    Carry Value: \$4.41 MM~~  
(Transfer to ENA CLO Trust #1) \$4.275 MM

**Mariner Energy (Private Equity & Debt) JEDI I & Balance Sheet (Gross #'s)**

- *The new ENA 3-year \$115 MM term loan with Mariner closed on March 22<sup>nd</sup>, with a first advance of \$30.9 MM to Mariner Energy LLC, \$30 MM of which was transferred to Mariner Energy, Inc. by way of an equity contribution. Payments to vendors totaling \$23 MM were made with part of the proceeds. Part of the proceeds (\$75 MM), were used to take out existing Mariner debt with ENA / JEDI. The new term loan provides for a 15% fixed interest rate. Two five-year warrants were also issued to ENA for the right to purchase up to 900,000 common shares of Mariner LLC.*

~~Cost: \$120.00 MM    Market Value: \$127.40 MM    Carry Value: \$224.10 MM~~  
(Transfer to Iguana) \$ 75.000 MM

**Oconto Falls (Sub-Debt / Equity & IPC's) Balance Sheet**

- *Members of ENA and RAC toured the Oconto Falls facility the week of March 27<sup>th</sup>. The trip was prompted by a Dec-31-99 covenant default on a fixed charge coverage ratio test. Based on a satisfactory review of operations at the facility, a default waiver certificate has been circulated internally. Operations appear to be on track with a second tissue machine scheduled to begin production by July 4<sup>th</sup>, followed by a 60-90 day ramp-up process. The Company is taking out many of the original equity investors (at cost +10%) and replacing them with trading partners that are also signing off-take agreements. The ENA base case projection for full year 2000 EBITDA is \$4MM,*

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increasing to \$14 MM in 2001. The ENA Commercial Group believes that it is likely that Oconto Falls will buy out our equity before year-end.

~~Cost: \$5.00 MM, Market Value: \$17.00 MM, Carry Value: \$17.00 MM~~  
(Transfer to ENA CLO Trust #1) \$ 5.000 MM

## WATCH – (continued)

### WB Oil Company (Private Equity) Balance Sheet

- No updates since our last report.

~~Cost: \$2.00 MM, Market Value: \$1.00 MM, Carry Value: \$1.00 MM~~

## TROUBLED – Assets for which the returns are considerably less than originally projected.

### Brigham Exploration Co. (Sub-debt, Common Stock & Warrants) JEDI II & Balance Sheet

- As a result of agreeing to the refinancing entered into between Shell Capital and Brigham, Enron has received a re-strike on our 1 MM warrants. The shares now strike at \$2.31335, (closing price on Apr-7<sup>th</sup> of \$2 7/16) which represented the average weighted price of Brigham common stock over the 20-day period from Feb-22<sup>nd</sup> through March 12<sup>th</sup>. EBITDA for '99 increased 43% to \$9.5 MM from \$6.6 MM last year, while operating cash flow increased to \$7.5 MM (\$0.53 / diluted share) in '99, a 245% increase from \$2.2 MM (\$0.17 / diluted share) for '98. Total production for '99 was 6.3 BCFE, down from 6.6 BCFE in '98 due to divestitures. Adjusting for divestments, production would have grown 3% year over year. Proved reserves at year end '99 were 84 BCFE, down from 97.8 BCFE at year end '98, due to 36 BCFE in divestments.

~~Cost: \$10.00 MM, Market Value: \$10.00 MM, Carry Value: \$10.00 MM~~

### C-Gas (Private Equity) JEDI 1 (Gross #'s)

- The bids received for the sale of the Company have not been as good as anticipated and no formal offers have been made. The ENA Commercial and Engineering groups believe that the value of the Company exceeds any bid received to date and accordingly may consider closing the sale process for now. A possible merger combination between C-Gas and Great Lakes (a JV between Range Resources & First Energy) is now viewed as unlikely. The Company is operating under a 31 well (21 - Roserun and 10 - Clinton) drilling budget for year 2000.

~~Cost: \$2.70 MM, Market Value: \$2.65 MM, Carry Value: \$2.65 MM~~

### Crown Energy (Private Equity) Balance Sheet

- On March 27<sup>th</sup> MCNIC (subsidiary of MCN Energy) delivered to Crown a notice of default regarding its working capital loan, and demanded payment of the outstanding principal balance plus all accrued interest. Crown Management believes that the working capital loan was fully satisfied and replaced by the working capital line of credit and no default has occurred under the working capital loan or working capital line of credit. MCNIC, immediately following its notice of default, proposed an extension on the working capital loan, provided Crown also relinquished operational control of Crown Distribution to MCNIC. Neither the MCNIC working capital loan or working capital line to Crown Distribution contain cross-default provisions giving MCNIC the right to declare a default or to seek control over the assets of Crown Ridge or the Company's interest in Crown Ridge. While it is difficult to predict possible outcomes at this time, the issues described present significant material risks to the Company.

~~Cost: \$2.00 MM, Market Value: \$2.00 MM, Carry Value: \$2.00 MM~~

### EnSerCo Offshore (formerly NorAm) (Senior Term Loan) EnSerCo

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- *No major changes since our last report. Marketing efforts for the sale of the rig are ongoing, with some modest amounts of interest indicated. Legal pursuit against the guarantors continues following unsuccessful mediation.*

**Cost: \$127MM, Market Value: \$127MM, Carry Value: \$697MM**

**TROUBLED** – continued

**Eugene Offshore Holdings, LLC** (Sr. & Subordinate Revolvers) JEDI 1 (Gross #'s)

- **RESTRUCTURING COMPLETED** - JEDI and ENA consented to the proposed merger of Magellan Exploration LLC with 3TEC Energy Corp (NASDAQ: "TTEC"). JEDI will receive 390,000 warrants from 3TEC that will have a four-year term and a \$10 strike price (current 3TEC price: \$3.50), JEDI will also have net exercise rights and piggyback registration rights. JEDI also received an offer and signed an LOI of \$2.7 MM for Breton Sound 34. Enron will retain an exploration option on Eugene Island 30.

**Cost: \$125MM, Market Value: \$125MM, Carry Value: \$251MM**

**Gasco Distribution** (Term Loan with Warrants) JEDI 1 (Gross #'s)

- *No major updates since our last report. Gasco has agreed to a \$1.6 MM payoff on the term loan and will also fully pay their trade credit to ENA, amortizing the \$600K over a five-year period. Since Gasco is a regulated LDC, approval from state regulators (in the five states served by Gasco) will be required. Formal closing on the term loan payoff is anticipated in early May.*

**Cost: \$125MM, Market Value: \$125MM, Carry Value: \$125MM**

**Hughes Rawls LLC** (LLC Membership and Senior Loan) JEDI I & Balance Sheet (gross #'s)

- *The ENA Commercial team made a site visit to the Company on April 4<sup>th</sup>. It is now viewed as unlikely that the April 26<sup>th</sup> payoff date for the senior revolver and the promissory note will take place on time. Options are being examined and could include a sale of the entire LLC (Denbury and Comstock have been performing due diligence), with expected bids in the \$7 - \$8 MM range. Another possibility is a declaration of default by Enron, followed by a sale of the assets. Final strategy will be influenced by the CS-26 well, which was a work-over well that Enron non-consented to last December. There is a 400% non-consent provision associated with the well that will have implications on the total consideration JEDI I and Enron would receive in a default situation.*

**Cost: \$125MM, Market Value: \$125MM, Carry Value: \$125MM**

**Ice Drilling** (Term Loan with Warrants) EnSerCo

- **RESTRUCTURING COMPLETED** - No major updates since our last report. A reconciliation of the amounts owed indicates C\$1,057,836 (US\$719,616) outstanding on the original US\$10 MM (gross) loan after the sale of assets placed in receivership. A negotiated settlement on the deficiency with the guarantors was unsuccessful and legal action is now underway.

**Cost: \$125MM, Market Value: \$125MM, Carry Value: \$125MM**

**Industrial Holdings "IHII"** (Term Loan / Currently @ LIBOR + 10%) EnSerCo

- *The ENA Commercial Group met this past week with the Company and Deutsche Bank regarding the Company's re-capitalization effort. One plan currently being considered would provide a \$5 MM pay-down of our note (\$2.5 MM net to Enron), with the remaining balance of the note being converted to a new class of debt that will include cost-less warrants. The ENA Commercial Group has modeled the deal to provide a 25% IRR, inclusive of the upside provided by the warrants.*

**Cost: \$125MM, Market Value: \$125MM, Carry Value: \$125MM**

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**TROUBLED – continued**

**Inland Resources** (Cumulative Convertible Preferred) JEDI II

- **RESTRUCTURING COMPLETED** *The asset will remain in the "Troubled" category pending performance until Jun-30-2000. If performance in the restructured format meets expectations, the asset will move back to the "Watch" category. As of Mar-15-2000, the Company had \$3.5 MM of borrowing base availability under its ING Credit Agreement and no outstanding letter of credit obligations. Substantially all vendors of the Company are on current terms. Inland reinitiated its drilling program in Oct-99 based on liquidity generated from the financial restructuring. The Company plans to drill as many as 50 wells this year. Enron owns approximately 12.6% of the outstanding common stock of Inland (2,920,975 shares) and also holds preferred shares with a face value of \$10 MM. Inland common stock closed on Apr-7<sup>th</sup> at \$4.00*

**Kafus Industries, Ltd., Canfibre of Riverside, Inc.** (Debt & IPC's) Balance Sheet

- *A deal approval sheet is being drafted internally that will allow for an approximate \$3.5 MM cash infusion by Enron into the Riverside, CA, medium density fiberboard ("MDF") plant. The investment will be at the project level and will be structured as a 12-month term loan, (non-amortizing, bullet) that will be backstopped by a yet to be determined amount of Kafus common stock. The cash infusion is designed to remedy technical problems that have resulted in the plant producing at less than optimal levels. The EPC contract at Riverside mandated a tight set of performance standards from the contractor, Stone & Webster, that have not been met to date. Total volumes from the plant for Feb-2000 were 1.4 MM sq. ft., with approximately 50% of that volume off-spec.*

	\$ 12.570 MM (Riverside)
	\$ 15.000 MM (Other Kafus)
(Transfer to ENA CLO Trust #1)	\$ 57.242 MM
(Transfer to Condor)	\$ 15.000 MM

**Queen Sand Resources, Inc.** (Equity – Preferred & Common) JEDI II & Balance Sheet (Gross #'s)

- **RESTRUCTURING PARTIALLY COMPLETED** *Queen Sand continues in discussions with CIBC and its high yield bondholders regarding a possible restructuring. QSRI's \$125 MM, 12 1/2% senior notes due 2008, were quoted on Mar-30<sup>th</sup> at 42.00 bid, +2730 bps to Treasuries with a YTW of 33.3%. The Company's LTM (last twelve months) Total Debt / PV10 is 118%, with Total Debt / Book Capitalization of 134%. ENA continues to seek investors willing to take JEDI out of its equity position.*

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**Sierra Well Service** (Senior Secured Notes with Warrants and Preferred Stock) JEDI II

- Sierra has filed an S-1 registration statement for an IPO. The S-1 describes that the Enron / JEDI II Series B Preferred Stock and the Series C Preferred Stock, will be converted into 833,556 shares of common stock, representing approximately 28.8% of the outstanding. The Enron / JEDI II Preferred Class A shares will be taken out at par in cash (approximately \$5.125 MM). The shares of Sierra will be listed on the Nasdaq National Market under the symbol "SRVC". The IPO is projected to raise approximately \$60 MM – exact terms of the offering will be disclosed in the subsequent S-1A filing. All the shares are being offered by the Company. Prudential Securities will act as lead manager, with Johnson Rice & Company and Simmons & Company International acting as co-managers.

Cost: \$100.00 MM      Market Value: \$100.00 MM      Carry Value: \$100.00 MM  
 (Transfer to ENA CLO Trust #1)      \$50.166 MM

**TROUBLED – continued**

**Transcoastal Marine Services** ("TCMS") (Subordinated Debt with Warrants) JEDI II

- RESTRUCTURING COMPLETED. The asset will remain in the "Troubled" category as a result of recent developments. TCMS announced on Mar-21<sup>st</sup> that the \$15 MM equity placement required by its financial institutions by Mar-31-2000 would not be completed on time. As a result, TCMS is in default on its senior and subordinated debt obligations. The Company's senior lender, Bank One, has notified Enron that ENA CLO Trust I, was "blocked" from receiving our Mar-31<sup>st</sup> interest payment. Enron will continue to maintain dialogue with the Company regarding future strategy. TCMS expects that the opinion on its 1999 year-end financial statements will discuss going concern issues principally due to non-compliance with its credit agreements. Enron has had preliminary conversations with Bear Stearns regarding the sale of our warrants. TCMS has engaged Simmons & Company to assist it in evaluating strategic alternatives.

Cost: \$10.00 MM      Market Value: \$10.00 MM      Carry Value: \$10.00 MM  
 (Transfer to ENA CLO Trust #1)      \$ 10.00 MM

**LOSS**

No future cash flows projected and FMV of the asset has been written off. Residual recovery possible.

**Belco Oil & Gas** (Warrants) JEDI I

- The Belco warrants are out of the money to the extent that it is not likely that any value will be realized unless another transaction is consummated with Belco that would involve re-pricing the warrants, which strike at \$27.50.

Cost: \$2.50 MM      Market Value: \$0.00 MM      Carry Value: \$0.00 MM

**Lycro Energy** (Private-Convertible Preferred & Common) JEDI I and Balance Sheet

- RESTRUCTURING PARTIALLY COMPLETED The ENA Commercial Group has met recently with Bobby Lyle, the main principal of Lycro and agreement was made to delay until Jun-30<sup>th</sup> the pay-off of our preferred and common stock investment. The previously agreed upon payoff of \$2.5 MM (Enron would receive approximately \$0.50 cents on the dollar) remains intact.

Cost: \$5.00 MM      Market Value: \$0.00 MM      Carry Value: \$0.00 MM

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Nakornthai Strip Mill (NSM) -Thailand (Subordinated Notes w/Warrants) Balance Sheet

- **RESTRUCTURING PARTIALLY COMPLETED.** *The shares of NSM remain de-listed on the Stock Exchange of Thailand (SET), because of negative shareholder equity at the end of 1999. The shares will remain suspended pending reorganization under Thailand bankruptcy provisions. Any further meaningful recovery from this investment for Enron is viewed as unlikely.*

**Car. 33,100 MM, Curr. Value: 5.0**

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