



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 13, 2006

The President of Nupeng, Nigeria's oil union, said Nupeng and Pengassan started a three day warning strike on Wednesday to protest the lack of security in the Niger Delta. Oil companies stated that union members had largely complied with the directive to strike. An official stated that while the workers' action could disrupt operations at the terminals, he added that management had taken steps to prevent this. Nigeria's Minister of State for Petroleum Edmund Daukoru said the strike would not hamper oil production. He said he did not expect much impact from the strike. However a shipping agent said a tanker due to load a million barrels of crude at Agip's Brass offshore export terminal in Nigeria has been delayed due to the start of a three day strike called by oil unions. Also, the loading of an oil tanker at Nigeria's Escravos export terminal was suspended due to the strike. Later on Wednesday, union leaders stated that they would advocate that the oil unions' decision making council should suspend the strike following a meeting with the government.

Market Watch

The EIA said the recent decline in oil prices does not represent the start of a downward trend in energy costs. The EIA expects oil prices to increase to an average of about \$70/barrel later this year, due to strong economic growth and increased winter demand.

According to Accuweather, Europe is heading for a milder than normal winter this year, at a time when winter fuel stocks are high. While stock levels are already high, more heating oil is heading to Europe from the US. The supply situation has helped put an end of the ICE gas oil future's rally.

The speaker of Iraq's parliament, Mahmoud al-Mashhadani, said a plan to partition the country into three autonomous regions is politically dead. He said that legislation to implement a concept known, as federalism would likely be postponed indefinitely following a meeting of political leaders on Wednesday. The federalism plan would create a Shiite region in southern Iraq similar to the autonomous zone in the north controlled by the Kurds. Sunnis have opposed the plan, on grounds that it would leave them only with vast area of desert in the middle of the country, devoid of oil reserves in the other regions. The parliament speaker said the country was not prepared for federalism because its government is not strong enough to provide security and services.

Venezuela's President Hugo Chavez holds a lead over his main opponent, Manuel Rosales, ahead of December's elections. The first major poll showed President Hugo Chavez had 58% of public's support while his opponent had just 17%. President Chavez has dominated the opposition with his ability to inspire pride in the country's poor and his costly literacy and health programs. Meanwhile his main opponent has promised a monthly handout to the unemployed and a credit card, with which poor families can directly tap 20% of the country's oil income.

Iran's response three weeks ago to the incentive proposal offered extensive negotiations to resolve the standoff but only if proceedings against Iran in the UN Security Council were stopped. Iran stopped short of rejecting demand to halt its uranium enrichment program, stating the issue could be resolved with talks. It suggested that ending its uranium enrichment should not be a prerequisite to negotiations. Meanwhile the US on Wednesday said time had come to punish Iran, adding that it was up to the UN to back international diplomacy with sanctions. Separately, a British government minister said punitive sanctions on Iran would likely prove ineffective and added that there was no military solution to the standoff. He said Iran probably had the resources to endure UN sanctions. An EU spokeswoman later stated that a meeting between European Union foreign policy chief Javier Solana and Iraq's chief nuclear negotiator Ali Larijani would not take place as planned on Thursday. She said the aides to the two officials would instead meet in Paris.

DOE Stocks

Crude – down 2.9 million barrels
Distillate – up 4.7 million barrels
Gasoline – up 100,000 barrels
Refinery runs – down 0.64%, at 93%

The DOE reported that US inventories of propane totaled 65.684 million barrels in the week ending September 8, up 1.923 million barrels on the week. It reported that propane inventories in the East Coast built by 362,000 barrels to 5.362 million barrels, while inventories in the Midwest built

by 518,000 barrels to 26.032 million barrels and inventories in the Gulf Coast built by 836,000 barrels to 31.39 million barrels.

The API reported that total US petroleum demand in August fell by 2.1% on the year to 20.874 million bpd. August gasoline deliveries were 1.7% higher on the year at 9.618 million bpd while diesel deliveries were 9% higher on the year at 3.344 million bpd. It reported that distillate demand increased by 4.4% on the year to 4.15 million bpd while residual fuel demand fell by 37.3% to 635,000 bpd. In regards to stocks, the API reported that crude stocks in August increased by 7% on the year to 333.2 million barrels while gasoline stocks also increased by 7.6% on the year to 208.8 million barrels. Distillate stocks fell by 1.2% on the year to 137.7 million barrels. The API reported that crude imports fell by 19% on the year to 10.108 million bpd while product imports increased by 5.5% to 3.556 million bpd. The US refinery utilization rate increased in August to 94%, up from July's 92.6%.

Refinery News

Chevron is expected to shut the 68,000 bpd catalytic cracking unit at its 325,000 bpd refinery in Pascagoula, Mississippi for eight weeks of maintenance.

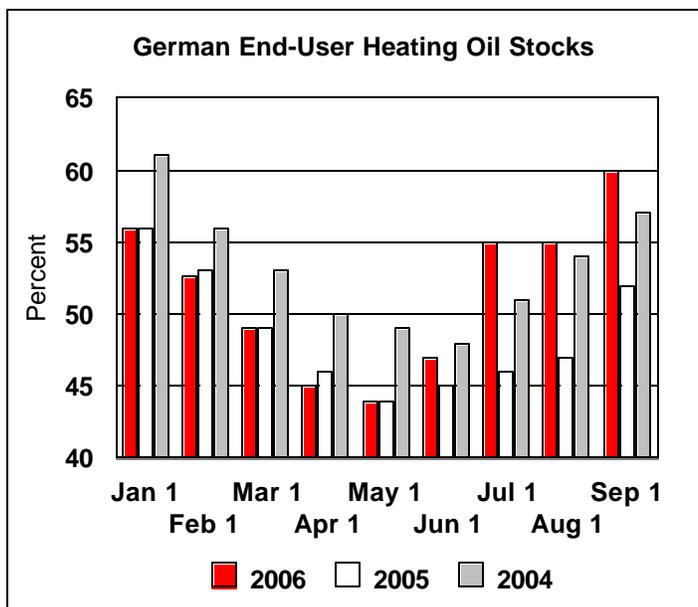
Shell Canada Ltd's 155,000 bpd Scotford upgrader in Alberta shut in some production following an operational problem. A leak occurred on Tuesday at the upgrader's residue hydroconversion unit, which was shutdown.

Encana Corp said it was in the final stages of a deal to take an interest in a Chicago area refinery, where it would build an upgrader for its oil sands production. Under the deal, Encana would give the unnamed refiner a stake in its oil sands holdings. It said it would announce the transaction at the end of September.

Japanese refiners are expected to start selling ethyl tertiary butyl ether or ETBE blended regular gasoline at 50 retail stations and other prefectures starting the summer of 2007 as a pilot project ahead of plans to adopt ethanol blended gasoline in 2010-2011. The Petroleum Association of Japan said refiners were considering importing ETBE, likely from Europe, before the end of this year. The imported ETBE would be blended with gasoline at Nippon Oil's Negishi refinery during the pilot project stage.

China's refinery throughput in August increased by a lower than expected 3.5% on the year to 25.14 million tons or 5.92 million bpd. Crude throughput in the first eight months of the year increased by 5.7% to 199.15 million tons or 5.98 million bpd.

Iraq's Oil Minister Hussain al-Shahristani said a new pipeline from the northern Iraqi oil fields of Kirkuk to an export terminal at Ceyhan would be up and running by the end of the year. He did not disclose what the capacity of the new pipeline would be, although reports put it at 500,000 bpd. Iraq's Oil Minister also stated that Iraq was targeting oil production of 6 million bpd in the next 10 years. Iraq has been producing about 2.1 million bpd.



Lithuania's Mazeikiu Nafta refinery, whose supply pipeline has been cut by Russia due to a leak, said it was receiving crude from Venezuela. It said it was considering various alternative crude supply sources and was selecting the most effective supply routes.

Kazakhstan's State Statistics Committee reported that Kazakhstan's crude oil exports fell to 31.38 million tons in the January-July 2006, down 3.2% on the year. It reported that oil product exports fell to 1.901 million tons in January-July, down 6.6% on the year.

Traders stated that German consumer stocks of heating oil increased to 60% of capacity as of September 1, up from 55% the previous month. Stocks were also up from year earlier levels of 52%.

Germany's MWV stated that the country's oil product sales in August 2006 totaled 7.11 million tons, down 8.9% on the year. It reported that gasoline sales fell by 5.8% to 1.9 million tons while sales of light heating oil fell by 17.4% to 2.23 million tons. It reported that diesel sales fell by 2.5% to 2.48 million tons while fuel oil sales fell by 8.9% to 500,000 tons.

According to the Shetland Island Council, Brent crude loadings from Sullom Voe increased to 253,744 tons in the week ending September 12, up from 80,213 tons the previous week.

The Petroleum Association of Japan reported that Japan's kerosene stocks increased for the 19th consecutive week despite refinery outages that reduced production. It reported that Japan's kerosene stocks increased by 202,464 kiloliters or 4.6% to 4.63 million kl or 29.12 million barrels in the week ending September 9. Gasoline stocks totaled 2.03 million kl or 12.77 million barrels, up 4.2% on the week. Crude stocks fell just 0.14% to 17.38 million kl or 109.32 million barrels. Refiners ran their facilities at an average 85.4% of total capacity of 4.78 million bpd, down from 87.4% the previous week.

South Korea's Ministry of Commerce, Industry and Energy said South Korea was seeking a stockpiling deal with Saudi Arabia as part of its effort to secure oil supplies. South Korea could store up to 22 million barrels of crude oil in its storage tank under the proposed deal with Saudi Arabia, which would allow South Korea to use the oil in case of a supply disruption.

Glencore won a tender by Azerbaijan's Socar for an 80,000 ton cargo of Azeri Light crude loading at the Black Sea port of Batumi. The cargo is expected to load on October 6-7.

NYMEX Petroleum Options Most Active Strikes for September 13, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
GO	10	6	P	2	09/26/2006	0.447	0.4481	100	63.98
GO	10	6	C	1.7	09/26/2006	0.011	0.012	54	46.30
GO	10	6	C	1.6	09/26/2006	0.031	0.0323	50	43.07
LO	12	6	P	60	11/14/2006	1.11	1.07	6,426	31.79
LO	12	6	C	75	11/14/2006	0.64	0.75	6,023	29.58
LO	12	6	P	54	11/14/2006	0.34	0.33	5,207	35.60
LO	12	6	P	50	11/14/2006	0.14	0.14	5,176	38.22
LO	12	6	C	80	11/14/2006	0.27	0.39	4,697	31.16
LO	10	6	P	60	09/15/2006	0.01	0.04	3,655	40.07
LO	12	6	P	64	11/14/2006	2.22	2.24	3,616	29.46
LO	12	6	C	68	11/14/2006	2.28	2.24	3,610	29.22
LO	2	7	P	45	01/17/2007	0.07	0.07	3,550	33.11
LO	12	6	P	58	11/14/2006	0.77	0.74	3,202	33.15
LO	12	6	P	55	11/14/2006	0.42	0.41	2,782	34.97
LO	12	6	P	62.5	11/14/2006	1.76	1.7	2,650	30.64
LO	11	6	P	65	10/17/2006	2.41	2.48	2,623	30.57
LO	10	6	C	65	09/15/2006	0.3	0.36	2,599	36.63
LO	12	6	P	70	11/14/2006	5.45	5.72	2,579	27.91
LO	11	6	P	62	10/17/2006	1.22	1.24	2,269	31.51
LO	12	6	P	65	11/14/2006	2.64	2.69	2,027	29.24
LO	3	7	P	56	02/14/2007	1.03	1.02	2,000	30.72
LO	12	6	P	62	11/14/2006	1.58	1.55	1,910	30.53
OH	12	6	C	2.7	11/27/2006	0.0055	0.0057	603	44.14
OH	11	6	P	1.7	10/26/2006	0.0319	0.0315	242	30.99
OH	11	6	P	1.78	10/26/2006	0.0609	0.06	242	30.57
OH	1	7	P	1.92	12/26/2006	0.1218	0.1223	161	29.53
OH	1	7	C	2	12/26/2006	0.0836	0.0842	150	29.99
OH	10	6	P	1.99	09/26/2006	0.2478	0.2315	150	36.30

BP Plc agreed to supply an unspecified number of liquefied natural gas cargoes destined for Atlantic basin market to Gazprom through early 2007.

Production News

A Department of Transportation official said approval of a plan to bring BP's Prudhoe Bay field to near normal production rates would take seven to eight weeks. He said it would take BP a week or two to clean out sediment from inside of the transit line segment on the eastern half of

the field and then another six weeks to inspect the line through the use of a smart pig.

Royal Dutch Shell Plc has restarted its Mars oil and natural gas field in the US Gulf of Mexico following 24 hours of planned repairs.

A senior official from Nigerian National Petroleum Co said the majority of Nigeria's crude production capacity lost due to security concerns in the Delta region would recover in the first half of the next year, led by the restart of 120,000 bpd from its EA field by February. The Forcados loading terminal is expected to restart deliveries within the first half of 2007.

The President of Saudi Aramco, Abdallah S. Jum'ah said Saudi Arabia's oil production was depleting at 1%-2% a year. He said the rate, mainly from natural field declines, is expected to continue for the next few years. Saudi Arabia is in the process of adding a net 1.5 million bpd in production capacity by 2009. He stated that Saudi Arabia's idle capacity would be maintained at 1 million-2 million bpd. He also challenged the idea that oil supplies were depleting, saying that just 18% of the world supply of crude has been tapped. He said the world has potentially 4.5 trillion barrels in reserves, enough to last 140 years at current demand levels. He said new technology and better recovery rates would make it

possible to find enough new oil resources to add 1 trillion barrels to world reserves over the next 25 years.

BP Plc said it has cleaned up 900 of the 1,000 barrels of gas oil that spilled from a pipeline at the Port of Long Beach. The leak was first discovered on Friday in an industrial area near a railcar storage yard. The oil was contained within an industrial storm sump at the facility. Investigators were working to determine the cause of the spill.

Platts reported that October Syncrude Sweet Blend differentials to the NYMEX light sweet crude fell 95 cents/barrel to minus \$3.80/barrel. Traders stated that the differentials fell on forecasts of increased synthetic crude supplies. Syncrude Sweet Blend's production in October is expected to increase by about 100,000 bpd following the restart of a new 125,000 bpd coker at its Mildred Lake, Alberta facility at the end of August. Some traders stated that thin demand from the US and Canadian refiners were putting downward pressure on the differentials.

Brazil's sugarcane industry association, Unica reported that Brazilian ethanol exports in August reached 379 million liters due to continuing demand from the US for the biofuel. The country's total ethanol exports for the May 2006-April 2007 season are forecast to fall to 3 billion liters, down from an August estimate of a possible 3.5 billion liters.

An official at Brazil's Petrobras said it was seeking to export 3.5 billion liters of ethanol in 2011, up from last year's 40 million liters. Brazil exported a total of 2.5 billion liters of sugar cane based fuel last year.

Iran's Oil Minister Kazem Vaziri said Iran was willing to negotiate with Japan's INPEX beyond a September 15 deadline it set to finalize a deal to develop the Azadegan oilfield.

A government source said Chad has given Petronas until the end of Thursday to pay taxes or else it would not be allowed to sell oil.

OPEC's news agency reported that OPEC's basket of crudes fell by 28 cents/barrel to \$60.42/barrel on Tuesday.

Market Commentary

The oil market opened in positive territory in light of the news that Nigeria's oil unions started their three day warning strike to protest the lack of security in the Niger Delta. Even though Nigeria's Oil Minister said the strike was not expected to impact production, there were reports of loading suspensions

at two terminals. The market sold off to a low of 63.50 following the release of the weekly petroleum stock reports, which showed builds in

Technical Analysis		
	Levels	Explanation
CL 63.97, up 21 cents	Resistance 65.75, 66.50	Tuesday's high, Monday's high
	Support 64.75	Wednesday's high
	Support 63.50	Wednesday's low
HO 175.97, down 4.57 cents	Resistance 63.45, 63.40, 62.20	Previous lows
	Resistance 181.90, 183.70	Tuesday's high, Monday's high
	Support 176.00, 177.50	Wednesday's high
HU 155.21, down 4.25 cents	Support 172.70	Wednesday's low
	Resistance 162.25, 166.70	Previous lows
	Support 158.20	Tuesday's high, Monday's high
HU 155.21, down 4.25 cents	Resistance 155.00, 153.55	Wednesday's high
	Support 151.50, 147.00	Wednesday's low, Tuesday's low
	Support 151.50, 147.00	Previous lows

products stocks and a build in total petroleum stocks of 4.4 million barrels. However the crude market's losses were limited and bounced off its low amid the larger than expected draw in crude stocks of 2.9 million barrels. The market rallied to a high of 64.75 late in the session. The crude market later retraced some of its gains ahead of the close amid reports stating that Nigeria's oil unions were advocating that their decision making council suspend the strike following a meeting with the government. The oil market settled up 21 cents at 63.97. Volume in the crude market was excellent with 283,000 lots booked on the day. The gasoline market opened 1.69 cents higher at 157.00 and rallied to a high of 158.20 ahead of the release of the weekly petroleum stocks reports. However the market traded to 155.25 amid the build in stocks. The market later retraced its losses and settled in a sideways trading pattern before a late sell off pushed the market to a low of 155.00. The gasoline market, which posted an inside trading day, settled up 10 points at 155.31. Meanwhile, the heating oil market settled down 1.69 cents at 174.28. The market posted a high of 177.50 on the opening and quickly sold off to a low of 172.70 following the release of the DOE report, which showed a large build of over 4 million barrels. The market remained mostly range bound after it retraced some of its losses. Volume in the gasoline market remained light with 18,000 lots while volume in the heating oil market was better with 64,000 lots booked on the day.

The oil market on Thursday will continue to be driven by headlines. The market will seek further development on the strike in Nigeria, which may be suspended following a meeting between the oil unions and the government. The market, which technically looks oversold, is seen finding support at 63.50 followed by 63.45 and 63.40. More distant support is seen at 62.20. Meanwhile resistance is seen at 64.75, 65.75 and 66.50.