



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 22, 2006

The US ambassador to the UN, John Bolton, said a claim by Iran's President Mahmoud Ahmadinejad that Iran was not seeking to make a nuclear bomb was not credible. This followed comments made by Iran's President that his country did not need a nuclear bomb.

Refinery News

Citgo shut the largest of three reformers at its 425,000 bpd refinery in Lake Charles, Louisiana due to a mechanical problem.

Japan's Idemitsu Kosan Co shut a 49,000 bpd kerosene and gas oil desulphurization unit at its Aichi refinery following a fire on Friday. The company spokesman said the fire was minor and had been extinguished.

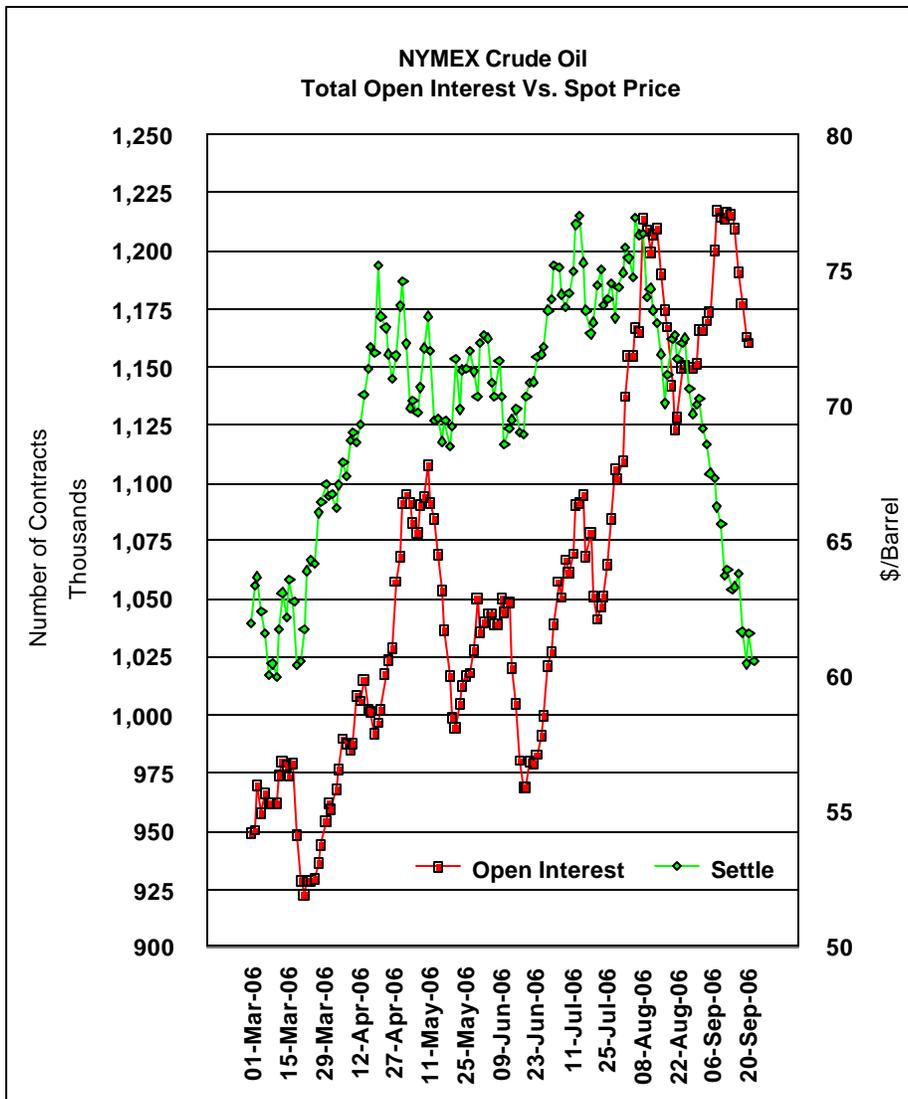
Shipping sources stated that the first oil products cargo following a two week break would load at the Wilhelmshaven port, which serves ConocoPhillips'

Market Watch

The NYMEX announced it would launch a physically delivered WTI-Brent crude spread on CME Globex on September 24, trade date September 25. The new spread would replace the spread between the financially settled WTI and Brent futures. The financially settled spread will be listed from CME Globex at the close of business on September 22. The NYMEX also announced that it would launch a Singapore 380 cst fuel oil futures on September 24. It is the first NYMEX contract to feature physical delivery outside of the US. In regards to volume, the NYMEX stated that 313,000 NYMEX contracts traded on CME Globex on September 19.

Amaranth Advisors LLC informed its investors during a conference call that it had no plans to liquidate. However it stated that it would not continue include energy trading in its strategy. The founder of the fund, Nicholas Maounis, said the firm increased its exposure to energy trading during the year because it was making substantial returns. He said Amaranth earned \$1.26 billion in energy and commodities trading in 2005 and this year through August, the firm reported energy and commodities trading profits of about \$2.17 billion. He said the firm has received substantial redemptions requests. He added that the firm was working on a plan for redemptions and would disclose it soon.

Some observers believe the InterContinental Exchange could face increased oversight in the aftermath of Amaranth's \$4 billion loss in natural gas trades. Critics said the lack of oversight at the ICE is what let Amaranth make the natural gas trades. The ICE is exempt from reporting trading data for over the counter trades to the Commodity Futures Trading Commission. Critics said the loophole permitted Amaranth to add to its bet that natural gas prices would rise at a future date. This summer, the Senate's Permanent Subcommittee on Investigations, concluded that the CFTC needed to extend its oversight to over the counter trades in order to detect and prevent price manipulation and excessive speculation. To date, however the CFTC has not taken any action in response to the congressional report. It has declined to comment on the Amaranth debacle.



275,000 bpd refinery, on September 27. A source said the 37,000 ton cargo of gasoline was being shipped across the Atlantic by Colonial.

Gas oil stocks in independent Amsterdam-Rotterdam-Antwerp storage tanks increased over the past week as imports from the US countered steady demand from Germany. Gas oil stocks increased by 15,000 tons to 1.89 million tons in the week ending September 22. Meanwhile gasoline stocks fell by 45,000 tons to 685,000 tons on the week. Naphtha stocks increased by 5,000 tons to 95,000 tons while fuel oil stocks increased by 15,000 tons to 610,000 tons and jet fuel stocks increased by 60,000 tons to 365,000 tons on the week.

A preliminary oil export schedule by Transneft showed Russia would export 11.833 million tons or 2.8

million bpd via six ports in October compared with 2.87 million bpd in September. It showed that Russia would not send any oil to Lithuania for the third consecutive month. Exports from Russia's Black Sea port of Novorossiisk are expected to increase to 3.781 million tons in October, up from 3.767 million tons in September. Exports from Russia's Baltic Sea port of Primorsk are expected to fall to 5.737 million tons in October from 5.861 million tons in September. Its exports through the port of Yuzhny are expected to increase to 555,000 tons from 240,000 tons the previous month while exports through Tuapse are expected to fall by 3,000 tons to 451,000 tons and exports through the port of Odessa are expected to fall to 680,000 tons from 735,000 tons on the month. Russia's exports through the port of Gdansk are expected to fall by 71,000 tons to 629,000 tons.

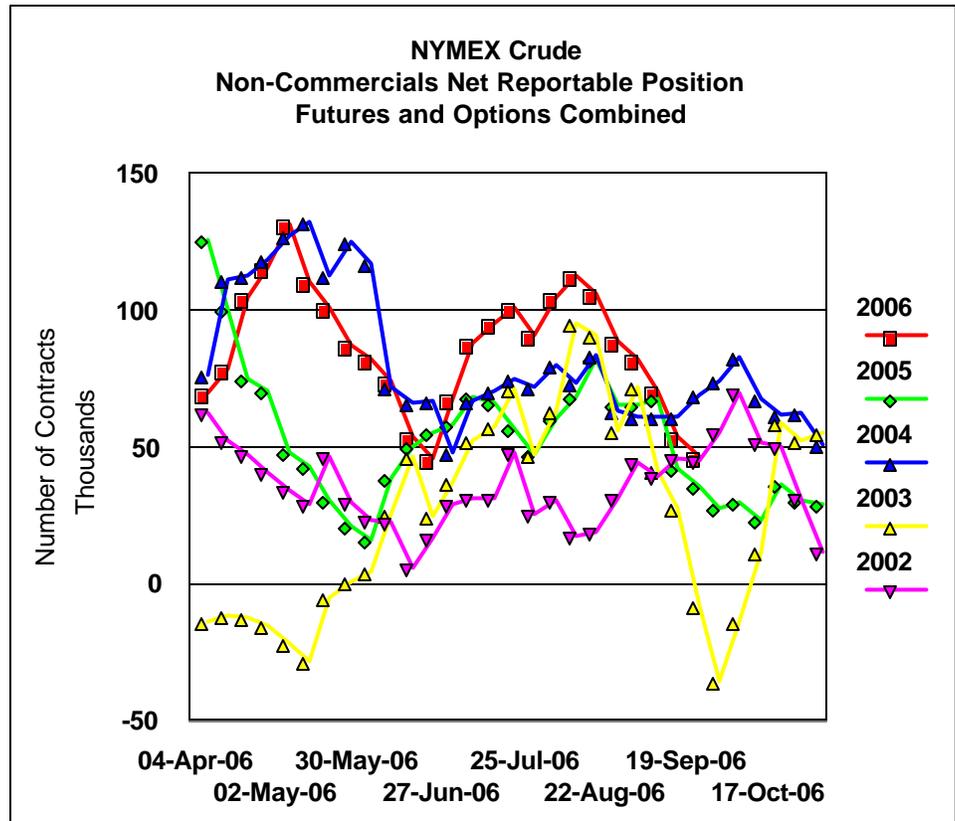
India's Ministry of Petroleum and Natural Gas reported that India's oil product sales in August fell by 3.3% on the year to 9.05 million tons from 9.36 million tons last year. Diesel sales totaled 3.13 million tons in August, down 1.2% on the year while petrol sales increased by 0.2% on the year and naphtha sales increased by 14.3% on the year.

Indonesia's Pertamina said it purchased 10.38 million barrels of oil products for October. It said it would import an additional 1.2 million barrels of kerosene for October delivery and 600,000 barrels of spot gasoline. It also said it planned to import 10 million barrels of oil products for November delivery.

Thailand's Commerce Ministry stated that the country's crude oil imports increased by 3.31% on the year in August to 4.26 billion liters.

Production News

BP Plc said it was restarting production from the eastern portion of its Prudhoe Bay oilfield in Alaska after its restart was approved by the US Department of Transportation. It said three of the four flow stations currently on warm standby would return to full production. It anticipates that safely restarting the field would take about a week. The resumption of production on the eastern portion of the field would add 200,000 bpd of production. Its current production from the rest of the Prudhoe Bay oilfield is about 250,000 bpd.



Shipping sources stated that the flow of oil from Iraq's northern oilfields through its pipeline to Turkey could resume next week. Pumping through the pipeline was halted on September 3. A source stated that a 600,000 barrel vessel was being loaded at Ceyhan from oil in storage, leaving 400,000 bpd in storage tanks. The 600,000 barrel vessel was for Italy's ERG, which won SOMO's latest sale tender.

According to Petrologistics, OPEC produced 400,000 bpd less crude so far in September compared with August's production level due to lower production from Saudi Arabia and Iran. OPEC has produced 30.1 million bpd to date in September, down from 30.5 million bpd in August. Preliminary data showed Saudi Arabia produced about 9 million bpd in the first half of September, down from 9.25 million bpd reported in August. Iran produced 3.9 million bpd so far in September, down 100,000 bpd on the month.

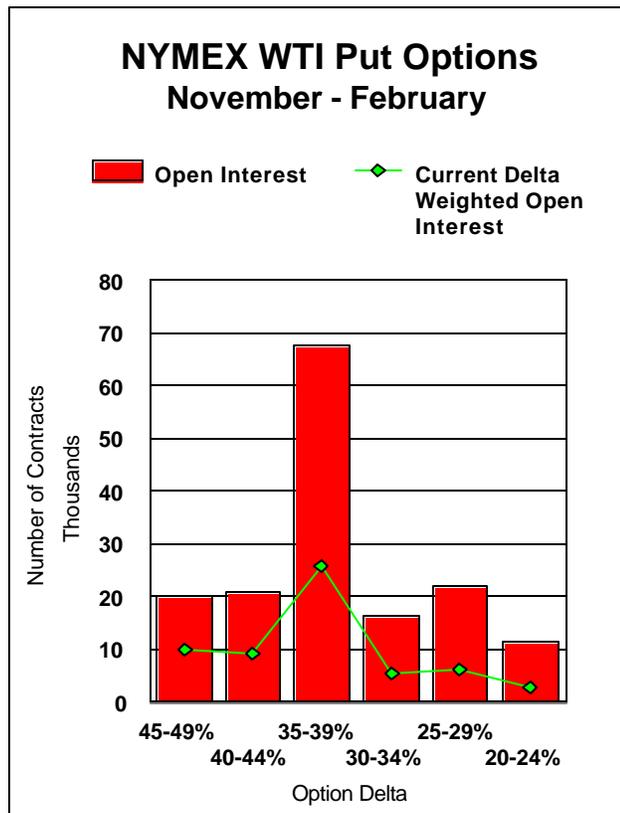
Nigeria's Oil Ministry reported that the country was losing about 700,000 bpd of crude oil production due to militant attacks and other damage, cutting its production to 2.3 million-2.4 million bpd. The official also said the Nigerian government would revoke Royal Dutch Shell's oil license in the country's Ogoniland. He said it decided to revoke its oil license because Shell halted its operation in Ogoniland in 1993 and it has no future plans for the license. Meanwhile Shell said it believed negotiations with the government on the licensing matter was ongoing.

Indonesia's Mines and Energy Minister Purnomo Yusgiantoro said the country signed five production sharing contracts with foreign oil firms in a bid to increase its production. Indonesia pumped 860,500 bpd in August, down from 887,000 bpd of crude in July, the lowest in three and a half decades.

Total said it aimed to start production in 2010 from its 50,000 bpd Tempa Rossa oilfield in Italy. The oil would be pumped to Eni's 90,000 bpd refinery in Taranto.

Petroecuador's crude Orient production is expected to average 69.86 million barrels or 191,417 bpd in 2006, down 4% from its previous estimate. Production averaged 193,875 bpd between January and August.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$55.99/barrel on Thursday from a revised level of \$56.23/barrel on Wednesday.



Market Commentary

The oil market continued to retrace its recent losses as it opened up 11 cents at 61.70 and quickly posted a high of 61.80 in follow through buying seen overnight. However the market failed to sustain its gains and just as quickly sold off to 60.50, where it held support for much of the session. The market bounced off that level and traded back towards its high. However the market once again retraced its gains and sold off to a low of 60.20 ahead of the close. The market is likely to have been pressured in light of the announcement that BP was restarting production from the eastern portion of its Prudhoe

Bay oilfield after its restart plan was approved. It settled down \$1.04 at 60.55. Volume was light with only 118,000 lots booked on the day. Meanwhile, the gasoline market which posted an inside trading day, rallied to 150.00 on the opening as it continued to retrace its previous losses. The market however found some selling pressure early in the session and sold off to 147.00. The gasoline market later bounced off its early low and rallied to a high of 150.50, where it posted a double top. The market, which failed to breach its resistance once again sold off ahead of the close and posted a low of 146.50 amid the weakness in the crude market. It settled down 2.82 cents at 147.12. The heating oil market also settled down 3.16 cents at 164.72 after it erased its early gains. The market rallied to a

high of 167.50 on the opening and quickly sold off. The market found some support at 164.00 and retraced

Technical Analysis		
	Levels	Explanation
CL	Resistance	62.20, 65.15, 65.20
		61.80
	Support	60.20
HO	Resistance	168.00, 169.30, 176.20
		165.00, 166.25, 167.50
	Support	163.50
HU	Resistance	151.00, 159.00, 162.00, 162.25
		150.50
	Support	146.50
		144.80, 143.40, 138.50

NYMEX Petroleum Options Most Active Strikes for September 22, 2006									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
GO	10	6	P	1.79	09/26/2006	0.3188		75	76.29
GO	11	6	C	1.55	10/26/2006	0.058	0.0674	35	39.99
GO	10	6	C	1.5	09/26/2006	0.0169	0.0311	25	46.91
LO	12	6	P	55	11/14/2006	0.72	0.67	7,179	32.76
LO	6	7	P	60	05/17/2007	3.23	3.13	4,170	27.89
LO	12	6	C	72	11/14/2006	0.36	0.48	3,926	31.66
LO	12	6	P	62	11/14/2006	3.05	2.63	3,677	30.36
LO	11	6	C	64.5	10/17/2006	0.68	1.04	2,726	32.06
LO	12	6	P	65	11/14/2006	4.92	4.34	2,360	30.47
LO	12	6	C	68	11/14/2006	0.81	1.06	2,111	30.60
LO	11	6	P	55	10/17/2006	0.4	0.34	2,080	35.06
LO	2	7	C	65	01/17/2007	3.12	3.58	1,900	28.21
LO	11	6	P	58	10/17/2006	0.99	0.82	1,806	32.65
LO	6	7	C	75	05/17/2007	2.12	2.47	1,558	26.31
LO	1	7	P	56	12/14/2006	1.22	1.1	1,400	31.67
LO	3	7	C	66	02/14/2007	3.3	3.74	1,375	27.29
LO	11	6	C	81	10/17/2006	0.01	0.02	1,330	42.18
LO	12	6	P	50	11/14/2006	0.24	0.21	1,327	36.98
LO	11	6	P	60	10/17/2006	1.74	1.42	1,213	31.99
LO	11	6	C	70	10/17/2006	0.13	0.24	1,151	34.29
LO	12	6	P	56	11/14/2006	0.93	0.82	1,131	32.61
LO	2	7	P	63	01/17/2007	3.86	3.51	1,075	28.22
LO	11	6	C	65	10/17/2006	0.58	0.91	1,054	32.05
LO	2	7	P	45	01/17/2007	0.11	0.1	1,051	31.85
LO	12	6	C	80	11/14/2006	0.08	0.12	1,042	34.63
LO	12	6	C	78	11/14/2006	0.12	0.17	1,014	34.13
LO	1	7	P	60	12/14/2006	2.37	2.12	1,007	29.88
LO	3	7	C	65.5	02/14/2007	3.5	3.95	1,000	27.35
OB	2	7	C	2	01/26/2007	0.0335		300	36.03
OB	12	6	C	1.68	11/27/2006	0.0584		150	37.53
OB	5	7	C	2.06	04/25/2007	0.088	0.0961	150	30.67
OB	5	7	P	1.74	04/25/2007	0.1096		150	29.07
OB	11	6	P	1.7	10/26/2006	0.1806		75	41.61
OB	1	7	C	1.84	12/26/2006	0.0405		50	35.65
OH	12	6	C	1.74	11/27/2006	0.0908	0.1076	175	30.45
OH	12	6	P	1.74	11/27/2006	0.0864	0.075	170	30.42
OH	11	6	C	1.85	10/26/2006	0.0197	0.0272	107	33.91
OH	11	6	P	1.7	10/26/2006	0.0686	0.055	106	31.76
OH	11	6	P	1.65	10/26/2006	0.045	0.0354	102	31.72
OH	11	6	P	1.75	10/26/2006	0.0997	0.0817	102	32.49
OH	11	6	C	1.9	10/26/2006	0.0132	0.0186	100	34.68
OH	11	6	P	1.55	10/26/2006	0.0159	0.0119	100	32.15

some of its losses ahead of some further selling ahead of the close. It posted a low of 163.50. Volumes in the product markets were also light with 15,000 lots booked in the gasoline market and 44,000 lots booked in the heating oil market.

The crude oil options market again saw puts account for the majority of trading activity for the fourth day in a row, but overall volume was light with just over 85,000 lots traded. This was just slightly better than Monday's volume but the second smallest volume since late August. The option market though appears could act as a downward price factor if prices continue to work lower, given the substantial open interest in put options at strikes just below current levels. The biggest open interest is in the December \$60 put which could be a trigger point for

some naked sellers of these options to be forced to cover. There is over 47,000 lots open in this strike as of Thursday's close.

The Commitment of Traders' report showed that non-commercials in the crude market continued to cut their net long positions, by 14,522 contracts to 22,498 contracts in the week ending September 19th.

The combined futures and options report also showed that non-commercials cut their net long positions by 6,851 contracts to 45,808 contracts on the week. The funds have cut their net long positions even further in recent days amid the market's continued sell off. Open interest in the crude market also continued to decline in recent days, indicating a further cut in their net long positions. Meanwhile non-commercials in the gasoline market switched from a net long position of 1,762 contracts to a net short position of 2,983 contracts on the week while non-commercials in the heating oil market cut their net long positions by 6,261 contracts to 1,094 contracts on the week.

The oil market on Monday will likely remain pressured by the late announcement that BP was restarting its production at the eastern portion of its Prudhoe Bay oilfield. The market, which failed to sustain its early gains, will likely test its support at the 60.00 amid the lack of any supportive news over the weekend. The market is seen finding more distant support at its previous lows of 59.80, 59.60-59.55 and 59.25. Meanwhile, resistance is seen at a double top of 61.80, 62.20 followed by more distant resistance at 65.15 and 65.20.