



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 29, 2006

OPEC stated that it has not made either an official or unofficial agreement to cut its production. An OPEC spokesman dismissed reports that some OPEC members had reached an informal

Market Watch

Kurdish officials in Iraq threatened secession over Baghdad's failure to recognize its right to sign exploration contracts. Iraq's Oil Minister previously stated that the central government was not bound by contracts signed between international companies and the Kurdistan government.

agreement to cut their production. He said Nigeria's move to cut supply was a unilateral act. Nigeria's National Petroleum Corp said there was a 5% cut in its crude supplies but it was not part of any agreement. Venezuela informed the OPEC Secretariat of its decision to cut production by 50,000 bpd starting October 1. Venezuela's Oil Minister Rafael Ramirez confirmed that Venezuela would cut its production, with the intention of mitigating the fall in oil prices. Separately, an OPEC official said OPEC has no plan to hold a meeting ahead of its scheduled meeting in December. He said OPEC members were continuing to hold consultations about the market.

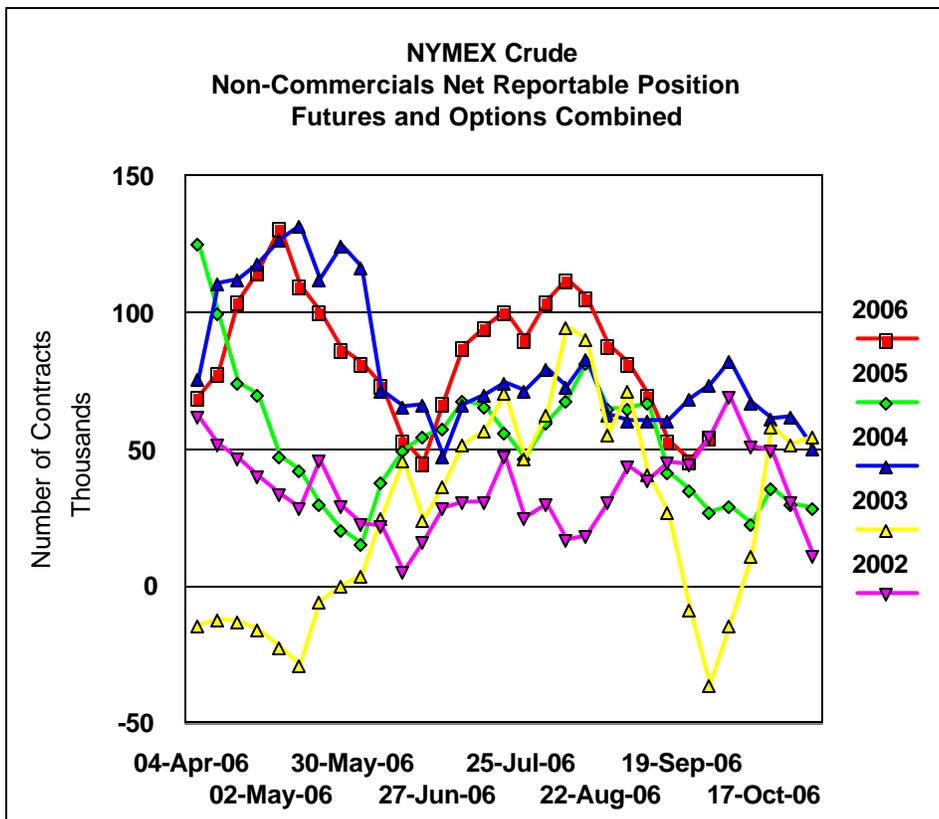
Venezuela's President Hugo Chavez said that current oil prices were high enough for OPEC members. He said the price of oil between \$50/barrel and \$60/barrel was adequate.

The US State Department said ministers from the US, Britain, France, Germany, Russia and China are expected to consult with the EU's foreign policy chief, Javier Solana, this weekend on the next moves in getting Iran to halt its nuclear program.

Analysts believe that Iran may suspend its uranium enrichment program for a limited period, as the divisions at the UN may not last if it continues hold out much longer. The suspension of its uranium enrichment program could trigger trade and security incentives and stave off sanctions. However analysts stated that a deal depends on whether Iran can ensure any halt to its nuclear program is not seen as a precondition for talks and whether it can set a time limit for any halt so the West offers rewards quickly.

Refinery News

Chevron Corp shut its fluid catalytic cracking unit at its 325,000 bpd Pascagoula, Mississippi refinery two days earlier than planned. The unit was shutdown on Wednesday instead of over the weekend to expand its current capacity of 63,000 bpd to 68,000 bpd. The refinery expansion would increase daily gasoline production to about 500,000 bpd. The unit is expected to be down for about eight weeks.



ExxonMobil Corp said that no restart date has been set for the fluid catalytic cracking unit at its 188,000 bpd Chalmette, Louisiana refinery, which was shut due to a fire last week.

ExxonMobil shut the fluid catalytic cracking unit at its 330,000 bpd Fawley refinery on Friday for planned maintenance.

Ineos Plc has closed the 36,000 bpd hydrocracker unit at its 190,000 bpd Grangemouth refinery in Scotland for six weeks of scheduled maintenance.

Workers at Total SA's petrochemical plant in Carling, France started a

one day strike on Friday to protest a plan to restructure the company's production units. A Total spokesman said operations at the refinery were completely halted.

Gas oil stocks in the independent Amsterdam-Rotterdam-Antwerp storage tanks increased by 15,000 tons to 1.905 million tons in the week ending September 29. Gasoline stocks increased by 60,000 tons to 745,000 tons while fuel oil stocks fell by 40,000 tons to 570,000 tons on the week. Naphtha stocks increased by 10,000 tons to 105,000 tons while jet fuel stocks increased by 5,000 tons to 370,000 tons on the week.

India's Oil and Natural Gas Corp has issued its first tender to sell Sokol crude from Russia's Sakhalin oilfield. The state run oil company, which has a 20% stake in Sakhalin-1 field, has offered 700,000 bpd for loading on November 20.

PetroChina has filled a new oil product pipeline in northwest China. PetroChina started pumping fuels in the 10 million ton per year or 200,000 bpd line in mid-August and filled it up early this week. The pipeline, together with a crude line also built by PetroChina along a similar route, is expected to eventually connect to the China-Kazakhstan crude pipeline.

Japan's Ministry of Economy, Trade and Industry reported that Japan's oil product sales in August fell by 8.3% on the year to 17.47 million kiloliters or 3.545 million bpd. It reported that gasoline sales fell by 4% on the year to 5.61 million kl or 1.137 million bpd. Japan's kerosene sales also fell by 25.1% in August while diesel sales fell by 5% and jet kerosene sales fell by 12.9% on the year. Japan's refineries' operating rates in August averaged 87.4% of their 4.78 million bpd total capacity, down from 89.2% last year. Crude throughput fell by 1.6% on the year to 20.62 million kl or 4.183 million bpd, triggering a 4% decline in oil imports to 20.01 million kl or 4.06 million bpd.

Poland's Grupa Lotos SA said it planned to sign a long term contract to purchase oil from Kuwait within six months. It said it would buy 1 million barrels of crude from Kuwait Petroleum Corp in November. It declined to say if the oil to be supplied under the long term agreement would come from Kuwait Petroleum Corp. The agreements are the first steps in a strategy aimed at diversifying oil supplies to the Gdansk refinery.

Production News

BP Plc shut the Lisburne oil field in Alaska on Thursday due to a natural gas leak. The Lisburne field flows into the Prudhoe Bay system. BP said flow through Prudhoe Bay is expected to be cut by 25,000-30,000 bpd. Meanwhile, the US Department of Transportation's Office of Pipeline and Hazardous Material Safety Administration is investigating the incident at the Lisburne field.

INPEX Holdings Inc said it was not aware of a deadline to finalize a deal to develop Iran's Azadegan oilfield. A spokesman for INPEX said it has been preparing to start work at the field once the Iranian side completes a mine clearing mission, but added it did not know how long that work would take.

China National Petroleum Co said it was ready to return to Iraq to develop the 90,000 bpd Ahdab field in central Iraq, reviving a deal signed during Saddam Hussein's ruling, it is officially invited to do so. Iraq's Oil Ministry said earlier this week that Iraq's Oil Minister, Hussain al -Shahristani, would visit China and discuss the contracts signed with Iraq's former government.

OPEC's news agency reported that OPEC's basket of crudes increased sharply to \$57.57/barrel on Thursday from a revised level of \$55.92/barrel on Wednesday.

Market Commentary

The oil market gapped lower from 62.60 to 62.05 after OPEC continued to deny reports that OPEC ministers had informally agreed to cut their production. Nigeria appeared to be alone in its decision to cut its supplies. The market partially backfilled its gap as it traded to 62.45, where it held resistance for much of the session. The market continued to sell off to a low of 61.45 despite the reports that Venezuela was joining Nigeria in cutting its output by 50,000 bpd starting October 1. The market later bounced off its low on short covering ahead of the weekend. It rallied to a high of 63.10 on the close and settled up 15 cents at 62.91. The October gasoline contract posted a low of 147.00 early in the session and settled in a sideways trading pattern for most of the session. The market later rallied to a high of 159.00 late in the session before it erased some of its gains as traders liquidated their positions ahead of its expiration. It settled up 4.81 cents at 154.92. The November gasoline contract settled up 1.36 cents at 155.39 after it posted a high of 156.50. Meanwhile, the heating oil market settled down

2.92 cents at 168.46. The market gapped lower from 170.80 to 168.80 and posted a low of 166.50. It however bounced off its low

Technical Analysis			
		Levels	Explanation
CL	Resistance	64.00, 65.15, 65.20	Previous highs
	62.91, up 15 cents	63.10	Friday's high
	Support	61.45	Friday's low
HO	Resistance	179.10, 181.80	Previous highs
	175.35, down 54 points	176.00	Friday's high
	Support	172.10, 171.30	Friday's low
HU	Resistance	156.90, 163.00, 164.75	Double top, Previous highs
	155.39, up 1.36 cents	156.50	Friday's high
	Support	154.25, 152.00, 151.00	Friday's low
		148.85, 148.60	Previous lows

and rallied to a high of 172.00 late in the session before it erased its gains on liquidation. The November heating oil contract also rallied to a high of 176.00 ahead of the close and settled down 54 points at 175.35.

The Commitment of Traders report showed that non-commercials in the crude market continued to cut their net long positions by 8,813 contracts to 13,685 contracts in the week ending September 26. The combined futures and options report showed that non-commercials increased their net long positions by 8,913 contracts to 54,721 contracts on the week. Meanwhile, non-commercials in the gasoline market cut their net short positions by 618 contracts to 2,365 contracts while non-commercial in the heating oil market switched from a net long position of 1,094 contracts to a net short position of 249 contracts.

The crude market on Monday will be driven by headlines as the EU's foreign policy chief is expected to hold consultations with major powers over the weekend. Talks over Iran's refusal to halt its uranium enrichment are still a concern that could drive the market higher. It is yet to be seen whether there will be a push for UN sanctions as the Bush administration has stated that was willing to let talks between the EU and Iran continue. If the talks fail to renew the urgency of imposing sanctions on Iran, the market is likely to continue trading lower. The market is seen holding support at its low of 61.45 followed by further support at 60.10. More distant support is seen at 59.65-59.55 and 59.25. Meanwhile resistance is seen at 63.10 followed by 64.00, 65.15 and 65.20.