The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta & Zachariah Yurch
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 13, 2006

Reuters reported this morning that OPEC was expected to meet next week in Qatar according to an OPEC official. The meeting was slated to take place on October 20th in Doha. The Venezuelan oil minister continued to claim that the cartel has consensus on a 1 million b/d production cut and that it would take effect December 1st. He noted that his country would not like to see the OPEC basket price4 fall below $55 per barrel. Meanwhile Dow Jones was reporting that a public holiday in Saudi Arabia is likely to stall any decision on an oil production cut by OPEC until early November. Dow Jones noted that

Market Watch

Russia's Ministry of Natural Resources said Friday that it will revoke 19 oilfield licenses belonging to Lukoil if the company did not take immediate steps to meet license requirements. The fields have an average of 26,000 b/d of production. Government officials note that Lukoil, which bought the properties from Marathon Oil last spring have not carried out suffiecent exploration or drilling at the fields, which are estimated to hold up to 1.88 billion barrels of oil. Meanwhile Royal Dutch Shell says it has sorted out most of the ecological violations had identified as problems at its Sakhalin oil and gas project.

India said it will issue to state run oil firms a first installment of bonds worth some $1.1 billion on October 16th, in a bid to offset losses incurred due to a cap on retail fuel prices.

China's central bank reported on Friday that in September the annual growth in its M2 measure of money supply slowed to 16.8% from 17.9% in August. Market expectations had been for a 17.9% growth in September.

Britain's Chief of the general Staff General Dannatt today publicly said the presence of British troops in Iraq was exacerbating security problems on the ground and should be withdrawn soon.

NYMEX members on Thursday night voted overwhelmingly to approve an IPO for NYMEX Holding, the parent company of the NYMEX.

NYMEX reported that for the second straight day electronic trading on Globex set a new trading volume record .for its WTI contract. Some 189,927 traded Thursday, while 210,271 lots traded in the open out cry session. Floor trading has accounted for 54% of the NYMEX total daily crude volume for this month. Screen volumes have exceeded the floor three times since NYMEX launched side-by-side trading on September 4th.

Goldman Sachs reportedly has halved the returns it is forecasting for its commodity index from industrial metals as a result of slowing global growth. It has also reduced returns expected on non-energy division of the GSCI to 7% from 9%, but the firm has retained a 9% return forecast for the energy sector. The overall index has been down19.09% for 2006 with energy off 19.09%. The firm said "the recent performance of the energy markets relative to other commodity and financial markets…underscores our view that temporary factors have likely driven the energy price declines, rather than more persistent concerns over a slowdown in the U.S. or global economy."

disagreements between OPEC members over how to divide up the production cuts was still a stumbling block, while general agreement seems to exist on the need for some production reduction.

NYMEX Petroleum Options Mosat Active Strikes for October 13, 2006									
Symbol	**Month**	**Year**	**Call/Put**	**Strike**	**Exp Date**	**Settle**	**Prev Settle**	**Volume**	**IV**
GO	12	6	P	1.45	11/27/2006	0.0534		100	35.76
LO	11	6	P	58	10/17/2006	0.56	0.99	4,029	33.44
LO	6	7	P	50	05/17/2007	0.89	0.92	3,600	31.12
LO	12	6	C	64	11/14/2006	0.94	0.81	3,367	31.99
LO	11	6	P	57	10/17/2006	0.26	0.54	2,850	33.81
LO	12	6	C	63.5	11/14/2006	1.07	0.92	2,802	31.98
LO	12	6	P	50	11/14/2006	0.12	0.14	2,792	37.87
LO	12	6	C	65	11/14/2006	0.72	0.61	2,718	32.05
LO	12	6	C	62	11/14/2006	1.55	1.34	2,713	32.02
LO	11	6	C	60	10/17/2006	0.3	0.23	2,600	33.35
LO	12	6	P	60	11/14/2006	2.11	2.44	2,457	31.98
LO	11	6	P	59	10/17/2006	1.06	1.6	2,452	33.74
LO	12	6	C	70	11/14/2006	0.17	0.15	2,401	32.84
LO	12	6	P	58.5	11/14/2006	1.46	1.71	2,315	32.18
LO	3	7	P	55	02/14/2007	1.12	1.15	2,153	29.46
LO	6	7	P	60	05/17/2007	3.03	3.15	1,800	27.84
LO	12	6	P	53	11/14/2006	0.31	0.37	1,556	35.42
LO	12	6	C	61	11/14/2006	1.94	1.7	1,514	31.93
LO	11	6	C	59.5	10/17/2006	0.44	0.33	1,475	33.39
LO	11	6	C	59	10/17/2006	0.63	0.47	1,245	33.72
LO	12	6	P	59	11/14/2006	1.65	1.94	1,110	31.98
LO	12	6	C	66	11/14/2006	0.54	0.46	1,104	32.01
LO	6	7	C	65.5	05/17/2007	4.89	4.68	1,050	26.72
LO	6	7	P	65.5	05/17/2007	5.32	5.52	1,050	26.78
LO	12	7	C	80	11/13/2007	2.37	2.3	1,000	24.43
LO	2	7	P	50	01/17/2007	0.36	0.36	1,000	32.32
LO	12	7	P	60	11/13/2007	3.79	3.89	1,000	26.64
OB	4	7	C	2	03/27/2007	0.0833	0.0817	52	33.28
OB	4	7	P	1.74	03/27/2007	0.1218	0.1275	40	32.32
OH	11	6	C	1.75	10/26/2006	0.0308	0.022	256	34.61
OH	1	7	C	1.82	12/26/2006	0.089	0.0779	113	30.11
OH	11	6	P	1.55	10/26/2006	0.0028	0.0056	100	35.07
OH	11	6	C	1.73	10/26/2006	0.0387	0.028	50	34.38
OH	3	7	C	2	02/23/2007	0.0708	0.0645	50	30.55
OH	12	6	P	1.55	11/27/2006	0.0123	0.0164	50	32.45
OH	11	6	P	1.64	10/26/2006	0.0154	0.0248	50	34.68

Statoil reported this morning that all of its oil production from its Snorre A platform and Vigdis field in the North Sea will be temporarily shut down due to lack of lifeboat capacity at the A installation. These two fields currently produce 115,000 b/s and 85,000 b/d respectively. Since the production from the Vigdis field is processed on the A platform, its output was directly impacted. Work to repair the six lifeboats involved is scheduled to start as soon as possible. Statoil said the work is likely to take one to two weeks to complete. While other platforms were cited for similar deficiencies by the Petroleum Safety Authority, the other platforms were granted exemptions Thursday for continued production while corrections are made. Production at the two impacted fields cannot be restarted until the Petroleum Safety Authority has reviewed documentation from the companies involved that the corrections have been made.

Refinery News

Texas air quality regulators reported that a leak in a vapor recovery system at the BP Texas City refinery was discovered on Monday and that workers have been working to correct the problem throughout the week. It was not disclosed how production at the unit was impacted or how long repairs would last but that flaring at the unit was expected to end by Friday evening. The unit has a normal capacity of 129,000 b/d per day.

Total SA reported it has delayed the startup of its new hydrocracker at its 328,000 Gonfreville refinery until the end of October. The unit was originally slated to come on line the middle of October.

Reuters reported today that Hovensa St. Croix coker is scheduled for a turnaround during the first half of 2007.

Lithuania's 197,000 b/d Mazeikiu refinery is still running at less than half of its capacity and will need "months" to fully recover for the recent fire at the facility. Current production was estimated at only 87,600 b/d.

Production News

Shipping sources report that Iraq has pumped over one million barrels along its northern export pipeline to Turkey since Wednesday. These were the first export shipments along the line since September 3rd. Pipeline flows continued today at 18,000 b/d.

Mexico said Friday that it would not join any OPEC agreement to cut oil output, despite recent Iranian calls that non-OPEC countries should join the cartel in production cuts.

Oil production in the joint development area between Nigeria and Sao Tome and Principe could start in 2010 if everything goes as planned the joint development authority said today. Chevron which made the discovery of oil in the region recently declined comment.

Reuters confirmed that Venezuelan officials have ordered the four partnerships that produce tar oil in the Orinoco river basin to trim output at the start of October to help the country cut overall out put by its 50,000 b/d basis its recent voluntary cutback in production.

Market Commentary

The oil markets moved higher on Globex this morning on the news of Norwegian production shut ins and news reports of yet another potential OPEC production cut. The open out cry session gapped higher following in the wake of this news and quickly moved higher in what appeared to be driven in part by short covering, as some of the new shorts that came into the market yesterday, (open interest in the WTI grew by 4,471 lots) quickly bailed on their positions. The heating oil contract backfilled the gap in the chart from October 10th, while the December WTI contract started to back fill this gap as well before finding resistance mid morning and this area acted as top for trading for the remainder of the day. The markets though seemed to settle into a relatively stable and thin sideways trading pattern for much of the remainder of the day as two half-hearted attempts to push crude prices higher failed. Late long liquidation sent crude prices back near their opening levels by the close. The final floor traded volume on the day was estimated just 141,000 lots traded in the crude with 36,000 booked in the heat and 12,600 in the RBOB contract.

		Levels	Explanation
		59.10, 59.65 to 59.95, 61.30	Remaining gap, Previous high
	Resistance	$59.38; $59.45	Trend Line resistance, Friday's high
CL	58.57, up 71 cents		
	Support	$58.50-$58.40	Gap From Friday
		57.50 & 57.30	Previous lows
		176.50, 179.00 ,181.80	Previous high, Remaining gap (October 10th)
	Resistance	174.4&174.46	Thursday's high, trendline resistance line
HO	171.78, up 3.01 cents		
	Support	171.30-170.20	Gap from Friday
		167.00 166.80, 166.10, 163.60	Previous lows
		156.50, 157.00 &160.70	Previous highs
	Resistance	153.00	Friday's high
RB	151.81, up 3.09 cents		
	Support	150.25-149.80	Friday's gap
		14750 & 147	Lows from this week

While technical indicators such as daily stochastics appear to be trying to bottom out and turn higher, and RSI divergence continues to be recorded, the performance of this market still seems to lack a true bullish spark. Rather while bullish news stories come into the market they are quickly digested and the bearish tone remains. It appears to us until the Saudis clearly signal that they are onboard with an OPEC production cut and that they will actively participate in such a cut the overhang of total petroleum stocks in the U.S. market and elsewhere will continue to weigh on this market.