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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 31, 2006

OPEC's Secretary
General

Mohammed
Barkindo said it was
too early to
speculate about the
likely level of
compliance with the
planned 1.2 million
bpd output cut. He
stated that OPEC
may cut its
production in 2007
as demand
weakens.

Separately, he
stated that OPEC
should not be
blamed if oil prices
remain high. He
said refining
bottlenecks are
likely to continue in
the medium term
and added that it
was up to
consuming nations
to deal with the
problem. He said
OPEC members
were investing in
downstream
refining and
marketing as well

as upstream exploration and production. He said OPEC expected to increase crude oil production capacity by 5-6 million bpd in the short to medium term but added that the imbalance in supply and

Market Watch

The US Commodities Futures Trading Commission said it had no plans to change the way it regulates US trading on foreign boards of trade. This comes after a CFTC review of exchanges outside the US prompted by ICE's decision to list a WTI crude contract. The ruling effectively allows ICE to continue trading its WTI contract free from the same regulations imposed on NYMEX by the CFTC. The CFTC endorsed the existing practice of information sharing assurances as a condition to operating under a no action letter. It said it did not believe it should address competitive concerns.

ICE Futures said its set volume and open interest records for the Brent crude futures contract. It reached a volume record of 265,355 contracts and an open interest record of 577,446 contracts. It also stated that its WTI crude futures contract reached a new open interest record of 416,424 contracts on Monday.

NYMEX Holdings Inc on Tuesday set the size of its planned initial public offering at 6 million shares. It had previously set the expected price of its IPO at \$48-\$52/share.

Iran's parliament agreed to amend this year's budget to finance more gasoline imports. However it still has to debate the amount of cash allocated for the purpose. Lawmakers had originally cut the budget for fuel imports to \$2.5 billion from \$4 billion for the financial year ending March 2007. However the high price of oil meant the amount approved was spent on imports well before the end of the year.

The head of Total warned that tensions around Iran could destabilize the oil market.

Saudi Arabia's ambassador to the US, Prince Turki al-Faisal, warned against a quick US pullout from Iraq. He stated that withdrawal of US forces should only follow intense dialogue between the US and Iraq on their future relationship. He also stated that dividing the country along ethnic lines would unleash massive ethnic cleansing.

demand would continue in coming years, as the investments in downstream projects would take longer to filter through. Separately, OPEC's Secretary General said a report on climate change published by the British government had no basis in science or economics. The report written by former World Bank chief economist Nicholas Stern said that failure to tackle the climate change could increase world temperatures by 5 degrees Celsius or 9 degrees Fahrenheit over the next 100 years, causing severe floods and droughts, uprooting as many as 200 million people.

Traders stated that Nigeria is expected to increase its crude exports in December, despite its pledge to cut production by 100,000 bpd under OPEC's agreement to cut a total of 1.2 million bpd. Nigeria is scheduled to export 2.09 million bpd of crude in December, up 50,000 bpd on the month. However West Africa crude traders stated that Nigeria's crude oil loading programs for December were mostly unchanged from November levels. They stated that sellers were likely to load 5% less oil.

A UAE industry source stated that the country would cut spot cargoes and nominations to meet its OPEC pledge to cut 100,000 bpd starting November 1. Abu Dhabi's ADNOC has notified its customers that its November crude exports from the Murban field would be cut by 3% while its crude exports from the Umm Shaif field would be cut by 5%.

China indirectly urged Iran not to escalate its standoff with the permanent members of the UN Security Council. China's Foreign Ministry said that China was consulting with its fellow UN Security Council members on a draft resolution that would impose sanctions on Iran. Meanwhile, a senior Russian lawmaker said Russia would likely support a draft UN resolution that would impose sanctions against Iran, a statement that contradicts recent comments made by Russian officials of the draft resolution. However he stated that Russia would continue efforts to encourage talks between Iran's top nuclear negotiator, Ali Larijani, and the EU's foreign policy chief Javier Solana.

Refinery News

Colonial Pipeline has frozen loading nominations on its main distillate line north of Collins, Mississippi for cycle 62.

ConocoPhillips suffered a problem at its 146,000 bpd Borger, Texas refinery on Monday. A report filed with the Texas Commission for Environmental Quality did not state any details of the problem.

A 28,000 bpd residual fluid catalytic cracker unit at Qatar Petroleum's 137,000 bpd refinery was shut following an unplanned outage earlier this month. The unit is expected to remain down until the end of December. The company has managed to continue its gasoline exports via its 12,000 bpd reformer. The shutdown has led the company to sell a total of 180,000 tons of October and November loading cargoes of spot fuel oil.

Japan's Cosmo Oil Co Ltd shut a 75,000 bpd crude distillation unit at its Yokkaichi plant on Sunday for cleaning, which is expected to last about 10 days. The shutdown followed the restart of its 80,000 bpd No. 5 crude distillation unit after planned maintenance.

Japan's Ministry of Economy, Trade and Industry reported that Japan's oil product sales fell by 12.1% on the year to 16.16 million kiloliters or 3.39 million bpd. It reported that kerosene sales totaled 818,000 kl in September, down 33.3% on the year but up 3.9% on the month. Japan's gasoline sales fell by 5.5% on the year to 4.85 million kl. In regards to crude stocks, Japan's commercial crude stocks totaled 17.54 million kl at the end of September, down 3.7% on the year but up 1.5% on the month. Crude throughput at Japanese refineries in September stood at 18.91 million kl, down 5.3% on the year. It also reported that Japan's kerosene stocks increased by 17.9% on the month to 5.05 million kl.

South Korea signed an agreement with Kuwait for joint storage of 2 million barrels of crude oil. The agreement with Kuwait would give South Korea first rights to purchase the crude from Kuwait Petroleum Corp, which it could exercise in case of an oil shortage. The Kuwait and previous Total agreements meant Korea National Oil Corp would have joint storage deals for 27 million barrels of crude.

The New York Times reported that China discontinued its oil shipments to North Korea in September. Early Tuesday, Chinese and US government officials said North Korea agreed to rejoin multinational disarmament talks in a diplomatic breakthrough.

Brazil's government decided to increase the ethanol mix in gasoline from 20% to 23% starting November 20. A 23% mix would use an additional 70 million-75 million liters of anhydrous ethanol per month or close to 350 million liters between December and April.

Production News

Nigerian villagers, who invaded three Shell oil facilities and a Chevron facility in Nigeria's southern delta region, vacated the facilities on Tuesday. Members of the Kula community initially agreed to leave after talks with the Rivers state government but decide to stay after accusing Shell of declining to sign a commitment to meet their terms. A community spokesman however warned that protesters would return if their terms were not met after three weeks. He said the community would shut the oilfields permanently if Shell and Chevron failed to deliver on the agreement. Chevron restarted its Robertkiri platform. However Shell's restart of the Ekulama II may be delayed by suspected vandalism during the occupation.

Russia's Lukoil said it planned to increase its oil and gas production by 8.2% a year in 2007-2008. It said its capital investment would amount to \$8.25-\$8.6 billion a year in 2007-2008. Lukoil previous stated that it would invest \$100 billion over the next 10 years to double oil and gas production to 4 million bpd and increase refining capabilities by more than 70% to 2 million bpd. It said its oil production in the first nine months of the year increased by 6.6% on the year to 1.923 million bpd.

The head of Transneft said his company, Rosneft and Gazprom Neft would equally share 51% of a pipeline from Burgas on the Bulgarian coast to Alexandroupolis in Greece. The remaining 49% stake would be shared by Greece and Bulgaria. The pipeline was designed to bring Russian crude to the Mediterranean and bypass the Turkish straits. The announcement means Russia's government has abandoned the idea of inviting foreign majors such as Chevron or TNK-BP to take a share in the project. The pipeline is expected to come onstream in 2009 and initially pump up to 200,000 bpd and triple in three or four years.

OPEC's news agency reported that OPEC's basket of crudes fell to \$54.87/barrel on Monday from \$55.53/barrel on Friday.

Market Commentary

The oil market gapped lower once again from 58.25 to 57.82 amid reports of easing tension in Nigeria as the Nigerian villagers that invaded four oil facilities, vacated the facilities after reaching a deal with the Shell and Chevron late Monday. They have given the oil companies three weeks to deliver on their agreement. There were also reports that Nigeria was expected to increase its oil exports in December, which was later contradicted by reports that Nigeria's loadings would fall by 5%. The crude market quickly backfilled its gap as it traded to 58.25 before it continued to sell off. The market extended its losses to over \$1.30 as it posted a low of 57.05. However the market bounced off its low and never looked back as it retraced all of its earlier losses ahead of the close. It posted a high of 58.80 on the

close as traders covered their short positions and settled up 37 cents at 58.73. Volume in the crude market was light with 146,000 lots booked on the day. Crude volume on Globex was much better, with over 229,000 lots booked as of the close of the open outcry session. The heating oil market also gapped lower once again from 160.00 to 159.00, which it partially backfilled as it traded to 159.50. The market sold off to a low of 157.00 before it retraced its losses ahead of the close as traders liquidated their November positions ahead of its expiration at the close. The November heating oil contract settled down 1.46 cents at 158.69. The December heating oil contract settled up 70 points at 166.70. Meanwhile, the November RBOB contract gapped lower from 145.50 to 145.25 and sold off to a low of 141.00 late in the session before it bounced off that level and rallied to a high of 148.00 ahead of its expiration. It settled down 1.34 cents at 144.66. The December RBOB contract settled up 88 points at 148.88 after it rallied to a high of 149.00 ahead of the close. The market which was holding resistance at 148.00 early in the session, sold off to a low of 144.25 as it continued to trend lower. It however bounced off that level ahead of the close. Volumes in the product markets were light with 41,000 lots booked in the heating oil market, over 29,000 lots booked in the RBOB market and over 3,500 lots booked in the gasoline market.

The crude market will seek further direction from the weekly petroleum stock reports, which are expected to show builds in crude stocks of 2.7 million barrels. However product stocks are expected to continue to fall, with expectations of draws in distillate stocks and gasoline stocks of over 1 million barrels each. If the reports show the builds in crude stocks, the market's gains will remain limited. Resistance is seen at its high of 58.80 followed by its gap from 59.65 to 59.90 and the 61.00 level.

More distant resistance is seen at 61.70 and 61.90. Meanwhile, support is seen at 58.10, 57.25 and 57.05. More distant support is seen at 56.55.

		Levels	Explanation
CL	Resistance	59.65-59.90, 61.00, 61.70, 61.90	Remaining gap, Previous highs
	58.73, up 37 cents	58.80	Tuesday's high
	Support	58.10, 57.25, 57.05	Tuesday's low
		56.55	Previous low
HO	Resistance	170.00 to 171.90	Remaining gap (October 30th)
	166.70, up 70 points	167.10	Tuesday's high
	Support	164.00, 163.40	Tuesday's low
		157.00	Previous low
RB	Resistance	153.00 to 154.75	Remaining gap (October 30th)
	148.88, up 88 points	149.00	Tuesday's high
	Support	146.00, 144.25	Tuesday's low
		141.00	

NYMEX Petroleum Options Most Active Strikes for October 31, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	P	1.45	11/27/2006	0.0666	45	35.15
GO	12	6	C	1.6	11/27/2006	0.01	28	37.38
GO	1	7	C	1.58	12/26/2006	0.0296	22	30.65
LO	12	6	P	55	11/14/2006	0.33	10,765	34.26
LO	12	6	P	54	11/14/2006	0.21	4,757	35.24
LO	12	6	C	60	11/14/2006	0.94	3,636	32.19
LO	1	7	C	70	12/14/2006	0.27	2,868	30.41
LO	4	7	C	65	03/15/2007	3.36	2,750	26.18
LO	1	7	P	54	12/14/2006	0.43	2,706	30.75
LO	5	7	C	70	04/17/2007	2.29	2,635	25.78
LO	6	7	P	60	05/17/2007	2.8	2,464	27.20
LO	4	7	P	45	03/15/2007	0.18	2,374	33.14
LO	2	7	P	45	01/17/2007	0.07	2,373	34.48
LO	12	6	P	58	11/14/2006	1.12	2,295	32.01
LO	4	7	C	70	03/15/2007	1.71	2,251	25.82
LO	5	7	C	65	04/17/2007	4.11	2,100	26.30
LO	12	6	C	59	11/14/2006	1.34	2,031	32.08
LO	3	7	C	62	02/14/2007	3.96	1,975	26.73
LO	1	7	C	60	12/14/2006	2.72	1,900	29.09
LO	6	7	P	55	05/17/2007	1.46	1,500	28.36
LO	12	6	C	62	11/14/2006	0.41	1,448	32.19
LO	1	7	P	59	12/14/2006	1.67	1,424	29.06
LO	12	6	P	53	11/14/2006	0.13	1,416	36.20
LO	3	7	C	72	02/14/2007	0.92	1,403	27.11
LO	12	6	C	65	11/14/2006	0.12	1,383	34.40
LO	12	6	P	76.5	11/14/2006	17.77	1,375	64.29
OB	3	7	C	2.2	02/23/2007	0.0155	27	39.30
OB	3	7	C	1.6	02/23/2007	0.1292	20	33.61
OH	1	7	C	1.72	12/26/2006	0.0797	600	28.95
OH	1	7	P	1.95	12/26/2006	0.2432	600	32.92
OH	12	6	P	2.04	11/27/2006	0.3735	600	40.61
OH	2	7	P	1.55	01/26/2007	0.0237	325	29.30
OH	2	7	C	1.78	01/26/2007	0.0874	300	28.61
OH	2	7	P	1.68	01/26/2007	0.0601	200	28.74
OH	12	6	P	1.65	11/27/2006	0.0496	161	32.22
OH	12	6	C	1.65	11/27/2006	0.0666	153	32.30
OH	12	6	P	1.6	11/27/2006	0.03	126	32.53
OH	3	7	C	1.75	02/23/2007	0.116	102	28.03
OH	1	7	C	1.71	12/26/2006	0.0848	101	29.03
OH	5	7	C	1.75	04/25/2007	0.1393	101	27.65
OH	2	7	P	1.69	01/26/2007	0.0639	101	28.69
OH	1	7	P	1.65	12/26/2006	0.0446	100	29.26
OH	5	7	P	1.75	04/25/2007	0.1197	100	27.55
OH	1	7	P	1.71	12/26/2006	0.0694	100	28.99
OH	3	7	P	1.75	02/23/2007	0.0992	100	27.97