



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 10, 2006

The IEA stated in its monthly oil market report that world oil demand in the fourth quarter would increase by 2.6% on the year. It forecast fourth quarter demand growth of 2.2 million bpd on the year. The IEA however cut its outlook for 2006 world oil demand growth to 1.1% from 1.2% to 900,000 bpd. Demand growth for 2007 was unchanged at 1.7% or 1.5 million bpd. It also stated that world demand for OPEC oil is expected to increase by 1.6 million bpd in the fourth quarter due to lower output levels from non-OPEC countries. Non-OPEC production for the fourth quarter was revised down by 200,000 bpd to 51.7 million bpd and estimated 2006 growth at 700,000 bpd. However in 2007, non-OPEC supply is expected to rebound and grow 1.7 million bpd to an average of 52.7 million bpd.

In regards to OPEC's oil production, the IEA stated that OPEC production fell by 335,000 bpd in October to 29.4 million bpd. It stated that Saudi Arabia's oil production fell by 100,000 bpd to 9.05 million bpd while Iran's production fell by 100,000 bpd to 3.75 million bpd. Iraq's oil production in October fell below 2 million bpd to 1.92 million bpd as southern exports were disrupted due to bad weather and northern exports were halted by sabotage. The IEA stated that OPEC's agreement to cut

Market Watch

US Light Louisiana Sweet and Heavy Louisiana Sweet increased in cash trading amid talk of limited imports of foreign sweet crude for December.

The US DOE said it was adopting new rules to acquire crude for the SPR that would require the department to consider the effects of its purchases on oil markets and prices. The rules are expected to take effect on December 8.

EU Economic and Monetary Affairs Commissioner Joaquin Almunia said the European economy has absorbed the high oil prices. However he stated that second round inflation effects could feed through in 2007. He also added that there was a risk that a slowdown in the US housing market could cause GDP growth to slow more than expected in 2007 but added that he did not expect any effect on Europe.

The ICE said physical delivery against the expired ICE November gas oil futures contract fell to 318 lots or 31,800 tons, down from 110,100 tons in October.

Italy's Eni SpA said it started legal action against PDVSA after the government ordered the seizure of the Dacion oil field on April 1.

Deutsche Bank stated that despite the potential for better US-Iranian relations post elections, Iran's net exports are expected to fall. It stated that production at Iran's four major oil fields is declining and reinvestment seems insufficient to prevent oil production from falling. It also noted that pressure from the demand side on net exports is considerable due to a population bubble, rapid GDP growth, low gasoline prices and Iran's increasing car industry.

NYMEX Petroleum Options Most Active Strikes for November 10, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	C	2.1	11/27/2006	0.0001	50	46.76
GO	12	6	C	2	11/27/2006	0.0001	25	39.38
LO	12	6	P	60	11/14/2006	0.99	17,925	30.78
LO	4	7	P	60	03/15/2007	1.94	9,050	26.51
LO	12	6	C	60	11/14/2006	0.58	8,542	30.76
LO	12	6	C	62	11/14/2006	0.1	7,694	30.52
LO	12	6	C	61	11/14/2006	0.26	4,861	30.50
LO	4	7	P	67	03/15/2007	5.16	4,200	25.80
LO	5	7	P	60	04/17/2007	2.16	3,100	26.41
LO	6	7	P	60	05/17/2007	2.35	2,750	26.40
LO	12	6	C	61.5	11/14/2006	0.17	2,592	30.85
LO	1	7	P	59	12/14/2006	1	2,370	27.67
LO	12	6	P	59.5	11/14/2006	0.72	2,055	30.75
LO	12	6	P	55	11/14/2006	0.01	1,933	34.72
LO	12	6	P	59	11/14/2006	0.5	1,892	30.66
LO	12	6	P	58.5	11/14/2006	0.33	1,758	30.54
LO	1	7	P	60	12/14/2006	1.32	1,749	27.13
LO	1	7	C	65	12/14/2006	0.83	1,698	27.73
LO	6	7	C	75	05/17/2007	1.55	1,650	24.69
LO	6	7	P	55	05/17/2007	1.21	1,550	28.03
LO	2	7	P	60	01/17/2007	1.62	1,475	27.02
LO	2	7	P	55	01/17/2007	0.53	1,410	29.04
LO	1	7	C	63	12/14/2006	1.44	1,351	27.71
LO	4	7	P	55	03/15/2007	0.81	1,200	27.82
LO	12	6	P	58	11/14/2006	0.22	1,200	31.23
LO	6	7	P	52	05/17/2007	0.77	1,200	29.00
LO	1	7	C	66	12/14/2006	0.62	1,188	27.85
LO	3	7	P	60	02/14/2007	1.77	1,101	26.74
LO	2	7	C	63	01/17/2007	2.79	1,060	26.69
LO	2	7	C	66	01/17/2007	1.62	1,051	26.56
LO	3	7	P	55	02/14/2007	0.67	1,050	28.35
LO	12	6	C	60.5	11/14/2006	0.4	1,048	30.77
LO	12	7	P	67.5	11/13/2007	6.07	1,000	24.06
OB	4	7	C	2	03/27/2007	0.0839	110	34.01
OB	2	7	C	1.8	01/26/2007	0.0483	10	35.49
OB	2	7	C	1.72	01/26/2007	0.0699	10	34.72
OH	1	7	C	1.72	12/26/2006	0.0946	200	31.65
OH	12	6	C	1.73	11/27/2006	0.034	150	33.22
OH	3	7	C	1.9	02/23/2007	0.0664	106	28.95
OH	3	7	C	1.81	02/23/2007	0.0968	100	28.11
OH	1	7	C	2	12/26/2006	0.0155	100	33.91
OH	3	7	P	1.81	02/23/2007	0.1153	100	28.15
OH	2	7	C	1.91	01/26/2007	0.0494	75	30.11
OH	2	7	P	1.71	01/26/2007	0.0597	75	28.84

its production by 1.2 million bpd would actually yield a reduction of 600,000 bpd to 900,000 bpd. The IEA also stated that offline refinery capacity in November would fall to 1.6 million bpd. It revised up its estimate for OECD offline capacity in October by 500,000 bpd to 2.7 million bpd. Offline refinery capacity in the OECD is estimated to fall to 600,000 bpd in December.

Kuwait notified its customers in Asia that it would supply full contracted volumes for December, despite OPEC's agreement to cut production. Kuwait is believed to have supplied full contracted volumes of crude oil in November as well. Traders stated that Kuwait may have reduced supply by ceasing to offer additional crude.

Iran's chief nuclear negotiator, Ali Larijani said his country would not compromise on its disputed nuclear program. He stated that Iran would review its relations with the IAEA if the UN Security Council proceeded with the European draft

resolution imposing sanctions against the country. Iran has warned repeatedly that it would respond to UN sanctions by blocking the IAEA's inspections of its nuclear program. He warned that if the Russian changes to the draft were not included, the UN resolution would not make Iran change its mind about its nuclear program. He however said Iran was prepared to renew negotiations with European Union's

foreign policy chief Javier Solana or to hold talks in any other format. Meanwhile, Russia's Foreign Minister Sergey Lavrov said at the start of his talks with Iran's chief nuclear negotiator that their discussions would focus on ways to resume negotiations.

The Jerusalem Post reported that Deputy Minister of Defense, Ephraim Sneh said Israel had to be prepared to thwart Iran's drive for nuclear capability at all costs as sanctions are unlikely to work. He said he was not advocating an Israeli preemptive military strike against Iran. He said he still hoped the international community would institute effective sanctions against Iran. Meanwhile, Israel's Prime Minister Ehud Olmert said Iran posed a serious threat that needed to be addressed.

Refinery News

Valero Energy Corp's 190,000 bpd St. Charles, refinery in Norco, Louisiana was operating at normal rates following a turnaround. The refinery's 190,000 bpd crude unit, its 200,000 bpd vacuum unit and 70,000 bpd coking unit underwent planned work.

Total Petrochemicals was beginning to restart units in the crude and fluid catalytic cracking complexes at its 232,000 bpd refinery in Port Arthur, Texas. Total shut the units in September for planned maintenance.

Lukoil Romania shut its 50,000 bpd Petrotel refinery until mid-December for maintenance. The refinery was shutdown last week.

Enbridge Inc has cut shipments on its oil pipeline system from Western Canada due to high stocks in the US Midwest amid refinery turnarounds. A company spokesman said the volumes going into the system were exceeding those being taken out. Crude throughput on lines 1-4 stood at 1.79 million bpd on Wednesday, down 250,000 bpd from the November month average of 2.04 million bpd.

According to traders and ship brokers, BP was loading three Very Large Crude Carriers in Rotterdam this month that would take about 650,000 tons of surplus fuel oil out of Europe, mainly to Asia.

Glencore and Select Energy have each won a tender by Azerbaijan's Socar for 600,000 barrels of Azeri Light crude for loading at the port of Ceyhan. Glencore's cargo is expected to load on December 4-6 while Select's is expected to load on December 8-10.

Russia's OAO Rosneft is expected to export 12 million tons of crude oil and oil products to China this year. It said was willing to export 20 million tons of crude oil and oil products to China in 2007.

BP's Baku-Supsa pipeline may be shut until the end of December due to technical problems. The pipeline, which supplies 155,000 bpd of Azeri oil to the Georgian port of Supsa, was closed on October 21 for 10 days of maintenance, however BP said anomalies have forced its indefinite closure. The BP led Azerbaijan International Operating Co has booked the entire Azeri 400,000 ton quota of the Baku-Novorossiisk pipeline to compensate.

According to Reuters, Japanese refiners, which cut imports of Iranian crude this year due to tensions over Iran's nuclear program, increased purchases by 12% in the third quarter compared with the second quarter. Despite the increase, imports in the third quarter were down 14% on the year. Total Japanese crude imports increased by 4% on the quarter to 4.085 million bpd as refineries returned from spring maintenance. Meanwhile, China cut its third quarter crude imports by 3% on the quarter to 2.855 million bpd, with Saudi Arabia as its top supplier. Saudi Arabia exported 483,851 bpd of crude to China.

China's crude imports fell 20% in October to 10.82 million tons. It was down 3.8% on the year from 11.25 million tons reported last year. It cut its imports of refined oil to 2.7 million tons, down 21% on the month.

Production News

The leader of Niger Delta Development Monitoring and Corporate Watch said the occupation by militants of the Tebidaba oil flow station operated by Agip would be over soon. The youth leader said Ijaw leaders and militants would give the order to vacate the oil facility.

Britain's RMT union said more than 900 striking North Sea divers and support staff ended a ten day strike and accepted a pay offer from employers.

An Iraqi oil official said Iraq resumed crude oil exports from its southern oil terminal on Friday after exports were halted on Thursday evening due to bad weather conditions. The official said exports resumed at about 70,000 barrels/hour or 1.68 million bpd.

Norway's North Sea Gullfaks crude system is expected to load 276,000 bpd in December, down 38,000 bpd on the month. The North Sea Forties crude system is scheduled to load 55,000 bpd in December, up from 503,000 bpd in November. Meanwhile, the North Sea Oseberg system is expected to load 6.6 million barrels, down from 7.37 million barrels in November. The North Sea Statfjord crude system is scheduled to load 9.41 million barrels in December, unchanged on the month.

Norway's Petroleum Directorate said officials have given Italy's Eni permission to drill a fifth exploration well at its Goliat prospect in the Arctic Barents Sea. The prospect is one of the largest oil and gas discoveries in recent years off Norway. The Norwegian Petroleum Directorate said that the field holds estimated recoverable reserves of 250 million barrels of oil equivalents.

Ecuador's Petroecuador said its oil production fell by 15% to 151,666 bpd on Friday due to a protest by people of an Amazon community who blocked roads. The road blockades have cut the supply of fuel used for electricity generation needed to operate its Shushufindi oilfields. The company's daily output stood at 178,683 barrels last week. It has accumulated losses of 25,000 barrels since the demonstration started. Separately, a Sinopec led oil consortium, Andes Petroleum, halted its operations in Ecuador on Friday after locals invaded its oil block, which produces 60,000 bpd.

Kuwait Oil Co said it planned to produce 4 million bpd of crude in 2020.

OPEC's news agency reported that OPEC's basket of crudes increased to \$56.41/barrel on Thursday from \$55.18/barrel on Wednesday.

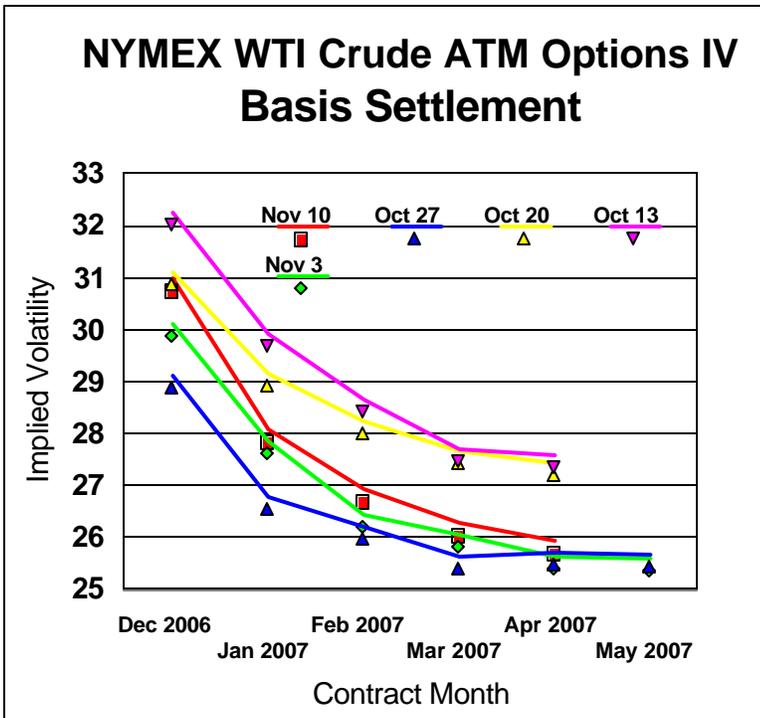
Market Commentary

The oil market opened lower after the IEA reported in its latest oil market report that it cut its world oil demand forecast for 2006 for the third consecutive month. The crude market may have also been pressured amid reports that the siege of the Tebidaba flow station in Nigeria may be ending soon. It opened at 60.50 and quickly posted a high of 60.70. However the market continued to retrace its previous gains and sold off to 60.00 where it held some support. The market, which traded in a sideways trading pattern, later breached its support and sold off to a low of 59.45 in a late bout of selling ahead of the close. It settled down \$1.57 at 59.59. Volumes in the crude market were lighter today with 165,700 lots booked on the day. Volume on Globex was about the same with about 162,000 lots booked during the open outcry session. The heating oil market also opened lower as it retraced some of its previous gains. It posted a high of 173.50 on the opening and continued to trade

lower as it backfilled its previous gap. It held some support at 171.55 before further selling ahead of the close, pushed the market to a low of

		Levels	Explanation
CL	Resistance	61.33, 61.70, 61.90	Previous highs
	Support	60.00, 60.50, 60.70	Friday's high
	Support	59.45	Friday's low
HO	Resistance	175.70, 178.20, 178.25	Previous highs
	Support	172.60, 173.50	Friday's high
	Support	169.50	Friday's low
RB	Resistance	162.00, 163.50, 168.50	Previous highs
	Support	158.00, 158.50	Friday's high
	Support	155.50	Friday's low
		155.00, 152.75	Previous lows

169.50. It settled down 4.90 cents at 169.66. Meanwhile, the RBOB market gapped lower on the opening from 158.50 to 158.00. It quickly backfilled its gap as it posted a high of 158.50. The market however traded to 156.50 and settled in a sideways trading pattern. It however sold off to a low of 155.50 before it retraced some of its losses and settled down 3.96 at 156.56. Volumes in the product markets were light with 30,000 lots booked in the heating oil market and about 15,000 lots booked in the RBOB market.



The NYMEX crude oil option market continues to see strong interest in December close to the money strikes. Unlike the past several days in which calls have been the dominant focus, today saw a burst of trading in puts with the December \$60 put leading the way with nearly 18,000 lots changing hands.

The oil market is seen retracing some of today's sharp losses. The market is seen remaining in its recent trading range as it waits for further developments on the Iranian front and reports on how much production OPEC members are really cutting. Support is seen at its low of 59.45 followed by 59.10, 58.90 and 58.30. Meanwhile resistance is seen at 60.00, 60.50 and 60.70. More distant resistance is seen at 61.33, 61.70 and 61.90.