



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 13, 2006

A Nigerian union leader warned that Nigeria's two oil unions, Pengassan and Nupeng, are expected to renew their suspended nationwide strike soon following the government's failure to full its promises. The president of Pengassan declined to say when the strike would begin. He said the government has yet to address the issues. The government had promised to address the concerns raised by workers, especially the incidence of insecurity in the Niger Delta.

Officials said Agip's Tebidaba flow station remained under siege with close to 40 Nigerian oil workers and soldiers being held inside. However they stated that gunmen who invaded an Agip oil flow station in Nigeria's southern delta over the weekend have vacated the facility. Attackers took over the Clough Creek flow station in Bayelsa state on Saturday night and left on

Market Watch

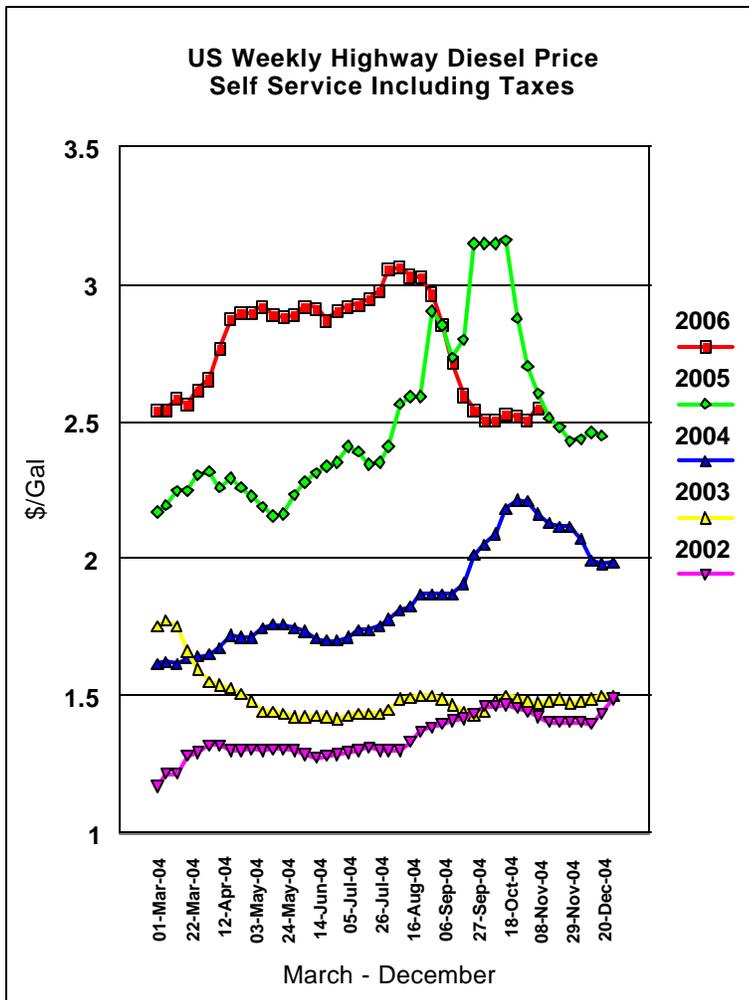
According to the National Weather Service, US heating demand is expected to be about 16% below normal this week. Demand for heating oil is expected to be just under 30% lower than normal. Temperatures in the Northeast are expected to average between 2 and 10 degrees Fahrenheit above normal through Friday.

British Prime Minister Tony Blair is expected to call for Iran and Syria to join efforts to stem violence in Iraq as the US and UK review their strategy. In a foreign policy speech, he is expected to argue the need for a broad Middle East strategy that makes clear to Iran and Syria that they can help in the region if they renounce terrorism and in the case of Iran, its nuclear ambitions.

Saudi Arabia's Interior Minister, Prince Nayef said Iraq has become a major center for Islamic militancy in the region. Saudi Arabia is concerned that sectarian violence between Shi'ite and Sunni Muslims could lead to a civil war and eventual break-up of Iraq.

The official Saudi Press Agency said Saudi Arabia was seeking the creation of a new commodities market exchange in the country. Al-Enma Bank and the Public Pension Agency signed a tentative agreement for the creation of the Saudi Commodities Market, although additional studies would be conducted and final approval of the project by the government is still needed. Saudi Arabia's Minister of Finance Ibrahim al-Assaf said the purpose of the market is to facilitate the interaction of different commodity exchanges, increase local product exports, upgrade Islamic friendly funds and provide more job opportunities.

The Consumer Federation of America said nine of 13 automakers have worse fuel economy averages now than they did 10 years ago. It said the market is essentially replacing more fuel efficient vehicles with less fuel efficient vehicles. The CFA said it was lobbying Congress to pass laws that increase the fuel economy of the US automotive fleet. It said buyers were concerned about the national security implications of dependence on foreign oil but the fall in gasoline prices had contributed to less demand for more fuel efficient cars. It said the US automakers' strategy of increasing the number of flex fuel vehicles is ineffective because there are only 1,000 fueling stations that sell the 85% ethanol to 15% gasoline blend that flex fuel vehicles run on.



Sunday. It was the second raid on Clough Creek in two weeks. Protesters invaded the Tebidaba flow station on November 6 to press demands for compensation for oil spills. They were now demanding money before vacating the flow station.

A senior Gulf oil official said OPEC would rollover its 1.2 million bpd output cut through the end of the year.

According to trade sources, Saudi Arabia is expected to continue to enforce its OPEC output cut in full through the end of the year. It is expected to keep its crude supplies to Europe steady in December. However Saudi Arabia is expected to increase its oil sales to some refiners in Asia in December, suggesting the US and Europe may bear the brunt of the supply cuts. However traders at two US producers said Saudi Arabia is not expected to significantly cut December crude allocations to the US. Two refiners in Japan were notified by Saudi Aramco that it would supply them about 4-5% less crude than stipulated under their contract next month, a smaller cut than November's 7-8% cut. A refinery in

Taiwan received a similar notice while two Southeast Asian refiners would receive 100% of their allocations for December following a cut in November.

US Energy Secretary Samuel Bodman said he was not concerned about the impact of the 1.2 million bpd output reduction announced by OPEC in October. However he said another reduction in OPEC's production in the near term would not be good for world economies. He said intervention in the oil market that restricts supply is ineffective. He said high oil prices could restrict development in a way that stifles business growth. In regards to Russia, the US Energy Secretary expressed concern that Russia was developing its oil reserves at too slow a pace.

Venezuela's Oil Minister Rafael Ramirez said OPEC managed to halt the decline in oil prices by cutting its production. Meanwhile, Iran's OPEC governor Hossein Kazempour Ardebili said the world crude market remained oversupplies despite the OPEC output cut. He said OPEC was committed to its production cut. He also stated that OPEC ministers reached the understanding to cut production further if needed.

US President George W. Bush said Iran must face economic isolation if it proceeds with its nuclear program. He said Iran was a threat to world peace. Meanwhile, Israeli Prime Minister Ehud Olmert started a five day US visit aiming to measure Washington's thinking on the nuclear standoff with Iran. Iran's nuclear program was likely to dominate discussions during his visit with President George W. Bush. He said he had no objections to the US negotiating with Iran on the nuclear issue to achieve a

peaceful compromise but did not rule out military action. He said Israel would not tolerate the possession of nuclear weapons by Iran. He also arrived with expectations that he could make small scale moves on the Palestinian front. On Sunday, the Palestinian Foreign Minister, Mahmoud Zahar accepted an Arab proposal for a peace conference with Israel.

Iran's Foreign Ministry said the country was ready to consider any official US request to hold talks. Meanwhile, Iran's President Mahoud Ahmadinejad declared that Israel was destined for disappearance and destruction.

The EIA reported that the US average retail price of diesel increased by 4.6 cents/gallon to \$2.552/gallon in the week ending November 13. The EIA also reported that the US average retail price of gasoline increased by 3.2 cents/gallon to \$2.232/gallon in the latest week.

Refinery News

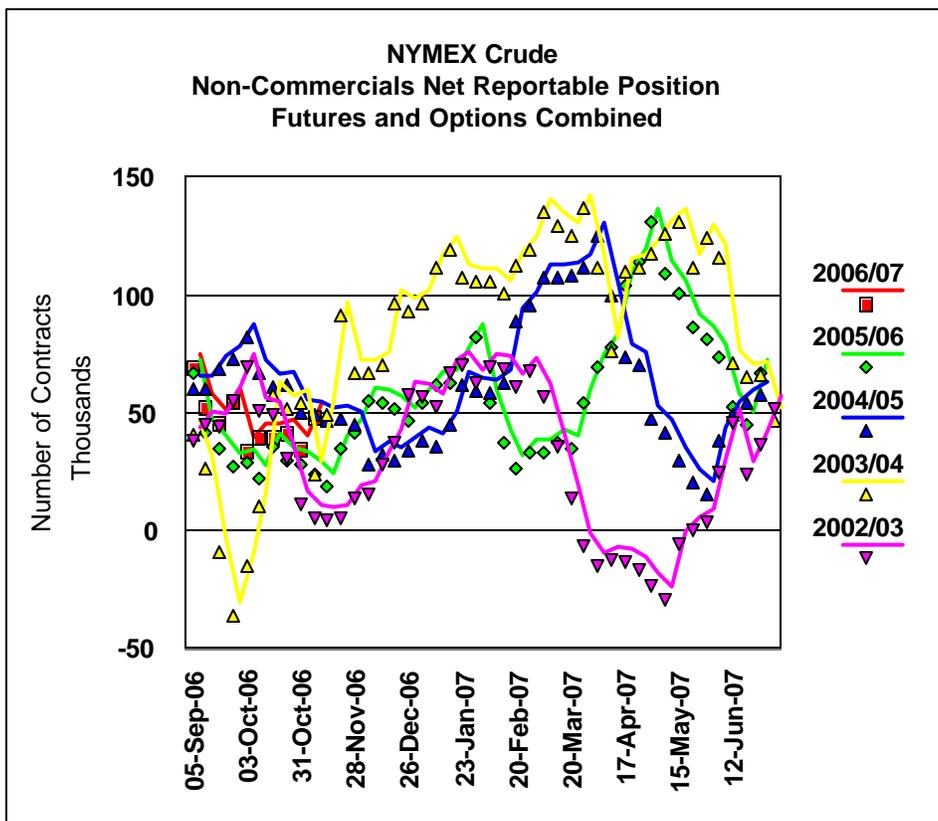
Colonial Pipeline said it would allocate shipping space for heating oil, jet and diesel on its main distillate line between Collins, Mississippi and Greensboro, North Carolina for the 65th cycle. It is the third consecutive cycle that the pipeline has apportioned space on the line.

Enbridge Inc said it cut crude runs by 5% on its mainline Canadian system, which usually supplies 2 million barrels of crude from Alberta to refineries in the US Midwest. It said the cut was necessary because of a number of unexpected US refinery turnarounds.

Motiva cut operations of its fluid catalytic cracking unit at its Port Arthur, Texas refinery after it started repairs to its air pollution equipment on Saturday. Repair of a leak in a carbon monoxide boiler associated with the fluid catalytic cracker required the shutdown of a scrubber unit. Emissions are expected to last until the morning of November 18.

Valero Energy Corp repaired a malfunctioning sulfur recovery unit at its 158,000 bpd McKee refinery in Texas over the weekend. Meanwhile, Valero Energy Corp reduced the amount of feedstock being taken in by delayed coking and gulfining units at its 260,000 bpd Port Arthur, Texas refinery on Sunday.

Alon USA is scheduled to shut an alkylation unit at its 70,000 bpd Big Spring, Texas refinery on Monday afternoon for maintenance seen last until November 17.



Chevron Corp said submitted an environmental permit application to the Mississippi Department of Environmental Quality to construct a major gasoline production unit and other minor units at its 325,000 bpd Pascagoula refinery. It said the unit would increase the refinery's gasoline production by 15% or 18,000 bpd. Construction would likely begin during the first quarter of 2008, pending approval. The company has already started another expansion to increase its fluid catalytic cracking unit's capacity by 10%. Work is on schedule to be completed at the end of 2006.

Louisiana's Governor Kathleen Blanco and Kuwait Oil Minister Sheikh Ali al-Jarrah al-Sabah on Sunday signed an initial agreement to study building a joint venture oil refinery in Louisiana. The agreement between Louisiana and Kuwait Petroleum Corp would set up teams to explore the steps, approvals and incentives required for the project's viability.

Credit Suisse reported that refining margins in the US Gulf increased by \$1.78 to \$8.24/barrel while margins in the Northeast increased by \$1.96 to \$8.26/barrel. It reported that Midwest margins increased by \$1.31 to \$13.26/barrel while margins in the Rockies increased by 66 cents to \$17.53/barrel and West Coast margins increased by \$3.43 to \$24.93/barrel.

Italy's IES SpA has shut its Mantua refinery for two weeks of planned maintenance. The maintenance is expected to last until November 25.

PetroChina said it was starting up an expanded 700,000 ton per year naphtha cracker in Northwest China, almost on schedule. All of its units are expected to operate by the end of the month.

China's West Pacific Petroleum Corp is expected to keep its November runs at a low of 153,000 bpd as declining oil prices eat into profits.

Japan's Cosmo Oil Co is expected to shut two crude distillation units for scheduled maintenance in 207. It is scheduled to shut its 110,000 bpd crude distillation unit 1 and its 130,000 bpd crude distillation unit 2 for about a month.

Riverstone Holdings, Carlyle Group and Dominion Energy LLC said they would build up to 300 million gallons of biofuel refining capacity in Alberta, Canada. The refinery would include a combined 100 million gallon ethanol facility, a 100 million gallon canola oil crush facility and a 100 million gallon biodiesel facility. Construction is expected to begin in the first quarter of 2007, with production expected to start in mid-2008.

Russia's main Black Sea port of Novorossiisk was shut on Sunday due to bad weather conditions.

Ship agents stated that weather related delays for oil and gas tankers transiting the Turkish Straits increased to 8 days for a round trip voyage to the Black Sea, up from four to five days last week. Delays had increased to four days to pass north through the Dardanelles and Bosphorus and another four to pass south again.

Russia's OAO Transneft said it would increase the Baltic Pipeline System capacity to 1.49 million bpd by the end of November from the current 1.3 million bpd. It originally planned to increase the capacity to 1.4 million bpd.

Production News

The average daily loading rate of the nine main North Sea crude systems is scheduled to increase by 6,000 bpd on the month in December to 83.86 million barrels or 2.705 million bpd.

NYMEX Petroleum Options Most Active Strikes for November 13, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	P	1.45	11/27/2006	0.0118	39	35.68
GO	12	6	C	1.6	11/27/2006	0.0197	32	36.15
GO	12	6	C	1.58	11/27/2006	0.0254	20	35.84
LO	12	6	C	60	11/14/2006	0.06	10,068	37.05
LO	1	7	C	80	12/14/2006	0.01	5,210	36.38
LO	12	6	P	58	11/14/2006	0.23	4,527	38.08
LO	1	7	C	75	12/14/2006	0.02	3,975	31.32
LO	12	6	C	59	11/14/2006	0.29	3,886	38.33
LO	12	6	P	58.5	11/14/2006	0.42	3,830	37.55
LO	12	6	P	60	11/14/2006	1.48	3,215	37.11
LO	12	6	C	59.5	11/14/2006	0.14	2,675	37.41
LO	12	6	C	58.5	11/14/2006	0.5	2,673	37.55
LO	2	7	C	70	01/17/2007	0.54	2,532	26.85
LO	1	7	C	65	12/14/2006	0.54	2,369	27.84
LO	1	7	P	54	12/14/2006	0.23	2,174	30.43
LO	12	6	P	59	11/14/2006	0.7	1,879	37.47
LO	6	7	P	48	05/17/2007	0.42	1,800	30.25
LO	12	6	C	60.5	11/14/2006	0.03	1,754	39.11
LO	12	8	P	50	11/17/2008	2	1,500	25.28
LO	4	7	C	70	03/15/2007	1.53	1,400	25.46
LO	4	7	P	60	03/15/2007	2.11	1,400	26.36
LO	1	7	C	63	12/14/2006	1.01	1,322	27.77
LO	6	7	P	55	05/17/2007	1.3	1,250	28.02
LO	1	7	P	58	12/14/2006	0.9	1,244	28.02
LO	1	7	C	67	12/14/2006	0.28	1,201	28.26
LO	5	7	P	60	04/17/2007	2.33	1,200	26.35
LO	1	7	P	55	12/14/2006	0.33	1,167	29.75
LO	3	7	C	75	02/14/2007	0.36	1,042	25.60
LO	5	7	C	63.5	04/17/2007	4.58	1,040	25.73
LO	2	7	P	50	01/17/2007	0.15	1,038	31.07
LO	12	6	P	59.5	11/14/2006	1.06	1,008	37.43
LO	6	7	C	80	05/17/2007	0.74	1,000	25.14
LO	2	7	P	58	01/17/2007	1.17	1,000	27.21
OB	12	6	C	1.68	11/27/2006	0.0071	162	36.45
OB	1	7	C	1.8	12/26/2006	0.0158	100	35.91
OB	1	7	C	1.7	12/26/2006	0.0331	67	34.99
OB	1	7	C	1.78	12/26/2006	0.0184	60	35.76
OB	12	6	C	1.58	11/27/2006	0.0288	50	35.53
OB	2	7	C	1.8	01/26/2007	0.0408	50	35.57
OH	1	7	C	1.9	12/26/2006	0.0211	280	33.22
OH	1	7	C	1.72	12/26/2006	0.0722	201	31.45
OH	12	6	C	1.91	11/27/2006	0.0012	200	36.61
OH	2	7	C	1.8	01/26/2007	0.0692	101	29.38
OH	2	7	P	1.72	01/26/2007	0.0748	100	28.84
OH	3	7	C	1.9	02/23/2007	0.0558	53	29.22
OH	12	6	C	1.95	11/27/2006	0.0006	52	36.91
OH	3	7	P	1.59	02/23/2007	0.0365	50	28.65
OH	12	6	C	1.85	11/27/2006	0.0034	50	36.30
OH	12	6	P	1.5	11/27/2006	0.0033	50	34.91

The Louisiana Offshore Oil Port was shut for eight hours on Sunday due to bad weather.

Denmark's North Sea DUC crude system is scheduled to load 213,000 bpd in December, down from 220,000 bpd in November.

Kazakhstan's State Statistics Committee reported that its crude oil and gas condensate production increased by 4.8% on the year to 53.261 million tons in January-October.

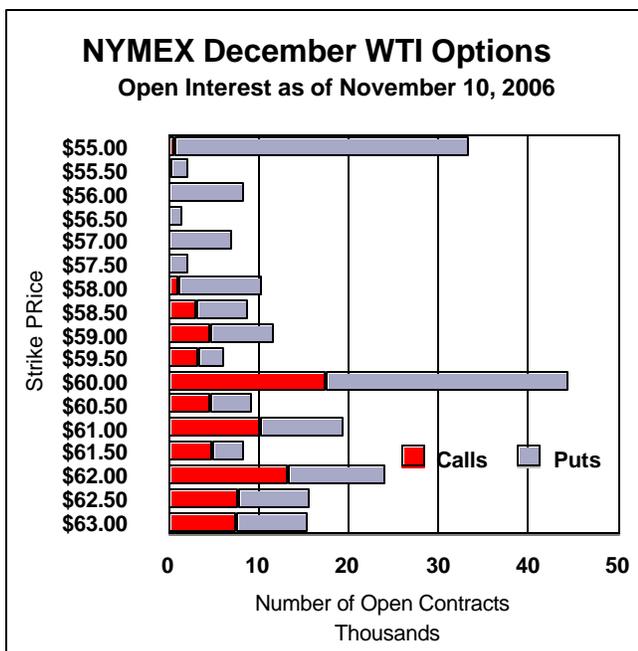
Kazakhstan's oil production increased by 6.8% on the year to 44.795 million tons in January-October. It also reported that crude oil exports increased to 41.1 million tons in January-September 2006, up 1.2% on the year. Its oil product exports fell by 5.6% on the year to 2.628 million tons.

Russia's Natural Resources Minister Yuri Trutnev told TNK-BP he was satisfied with its plans to deal with idle oil wells.

Separately, Russia's Energy Ministry has rejected a plan to expand the capacity of a Chevron-led oil pipeline from Kazakhstan to the Black Sea. The consortium has been

seeking to expand its capacity from 700,000 bpd to 1.3 million bpd. Shareholders in the Caspian Pipeline Consortium proposed adding \$2.50 to the current pipeline transit fee of \$27.38/ton of oil to obtain Russia's approval. Russia has complained that low transit fees were delaying repayment of \$5.3 billion in loans which CPC raised from its private shareholders, which would in turn delay when Russia starts receiving its profits as a shareholder.

Chinese consortium Andes Petroleum restarted operations at its Tarapoa oil block in Ecuador on Saturday after reaching a deal with local residents who had invaded the installation to demand jobs. Production at the facility was cut to 14,000 bpd from 42,000 bpd after protests started on Thursday. It has started pumping oil through the private OCP pipeline that transports heavy crude from the fields in the Amazon to the Pacific Coast to be shipped abroad. Ecuador's oil production fell by about 200,000 barrels in the last two weeks following three separate protests. France's Perenco Ecuador Ltd has lost more than 140,000 barrels due to a 16 day strike in Belleza parish, where communities are asking for 48 kilometers of road to be paved. Petroecuador saw its output fall by 15% due to stoppages in other parts of the Amazon.



Brazil's Petrobras said its P-50 rig would reach its full capacity of 180,000 bpd in December. Petrobras started production at the rig in April and originally expected the rig to reach full capacity in October. However problems with drilling equipment delayed the ramp up schedule. Its current production stood at 154,000 bpd. Petrobras is also expected to complete the ramp up of its 100,000 bpd FPSO Capixaba rig, which it started in May. Also, by year end, Petrobras would start production at its P-34 rig that is scheduled to produce 60,000 bpd from the Jubarte field. It is also expected to start production from its 100,000 bpd FPSO Cidade do Rio de Janeiro that would pump oil from the Espardarte field. It is expected to reach an average domestic oil output of 1.91 million bpd in December. Separately, it stated that an independent company started certifying oil reserves in the joint venture Carabobo

1 block in Venezuela's Orinoco region, which is expected to produce 200,000 bpd of extra heavy crude. Half of the output from Carabobo 1 would be exported and the other half would be refined in a 200,000 bpd joint venture refinery with PDVSA to be built at the port of Suape. It said it would receive environmental impact studies in December and expects to receive licenses by July 2007. The refinery is due to start production in 2011. PDVSA said the Carabobo 1 block has 11 billion barrels of reserves.

Iraq's State Oil Marketing Organization set the December price for its Basra Light crude bound for the US at a discount of \$8.20 from the second month WTI price, up 70 cents from November's \$8.90 discount. The price of its Basra Light crude bound for Europe was set at dated BFO minus \$6.15, down 20 cents from November. The price of its Basra Light crude bound for Asia was set at the Oman/Dubai average minus \$2.90, down 10 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes increased to \$56.57/barrel on Friday from \$56.41/barrel on Thursday. It reported that OPEC's basket of crudes increased by \$1.58/barrel to an average \$55.74/barrel in the week ending November 10.

Market Commentary

The oil market gapped lower from 59.45 to 58.80 as it continued to retrace its previous gains. The market seemed to shrug off reports that Nigeria's oil unions may resume their strikes soon. The market quickly sold off to a low of 58.25. The market continued to trend lower as the market continued to await for reports regarding compliance on the OPEC output cut. Traders reported that Saudi Arabia was expected to increase its sales volumes to its Asian customers while volumes would remain steady for its US and European customers. The market, which has continued to trade in a range, bounced off its low and partially backfilled its gap as it posted a high of 59.20. However the market found resistance at that level and erased its late gains as it traded back towards the 58.50 level ahead of the close. It settled down \$1.01 at 58.58. Volume in the crude market was light with 176,500 lots booked on the day. Volume on Globex was also light with less than about 160,000 lots traded during the open outcry session. The heating oil market also gapped lower from 169.50 to 167.25 and quickly sold off to a low of 165.00 amid weather reports showing that heating oil demand this week is expected to be about 30% less than normal. The market however bounced off its low and partially backfilled its gap as it traded to a high of 167.60 before it once again retraced some of its gains ahead of the close. It settled down 3.66 cents at 166.00. The RBOB market gapped lower from 155.50 to 153.25 and sold off to a low of 152.50. However the market retraced its losses and rallied to a high of 156.00 ahead of the close. It settled down 1.85 cents at 154.71. Volumes in the product markets were light with 39,000 lots booked in the heating oil market and 18,000 lots booked in the RBOB market.

The Commitment of Traders' report showed that non-commercials in crude market cut their net short position by 6,517 contracts to

		Levels	Explanation
CL	Resistance	60.70, 61.33, 61.70, 61.90	Previous highs
	58.58, down \$1.01	59.20 to 59.45	Remaining gap (November 13th)
	Support	58.25	Monday's low
		57.60, 57.05	Previous lows
HO	Resistance	173.50, 175.70	Previous highs
	166.00, down 3.66 cents	167.60 to 169.50	Remaining gap (November 13th)
	Support	165.00	Monday's low
		162.40	Previous low
RB	Resistance	158.50, 162.00, 163.50	Previous highs
	154.71, down 1.85 cents	156.00	Monday's high
	Support	153.50, 152.50	Monday's low
		149.50	Previous low

4,794 contracts in the week ending November 7th. The combined futures and options report showed that non-commercials in the crude market increased their net long positions by 14,067 contracts on the week. Given the market's retracement, non-commercials have likely cut their net longs during the past few trading sessions.

The oil market is still seen trading within its recent trading range from 57.00 to 63.00. The market, which will likely continue to trade lower amid the lack of any news, is seen finding support at its low of 58.25. More distant support is seen at 57.60 and 57.05. Meanwhile, resistance is seen at its gap from 59.20 to 59.45 followed by 60.70. More distant resistance is seen at 61.33, 61.70 and 61.90.

Tomorrow is expiration date for the December crude oil options. Today saw the over 10,000 lots traded in the December \$60 call. Judging by the open interest levels it would appear that the \$60 level is where the crude market could be pinned against by the close tomorrow. It would take a wave of strong selling to threaten the \$55 strike where over 32, 617 lots still were open coming into the trading day today. Outside of the Expiring December contract implied volatilities in the crude oil ATM options retraced some of Friday's gains.