



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 16, 2006

Iran's President Mahmoud Ahmadinejad said the country was about to take the final step in its nuclear program. He did not state the final step was but reiterated that Iran would celebrate its right to nuclear technology by March, the end of the Iranian year.

US foreign policy experts and advisers to the US government said the UN Security Council was unlikely to agree to any effective sanctions against Iran to deter the country from developing a nuclear weapons program. They stated that direct talks with Iran were more likely in the wake of the Democrats' takeover of Congress. A foreign policy expert stated

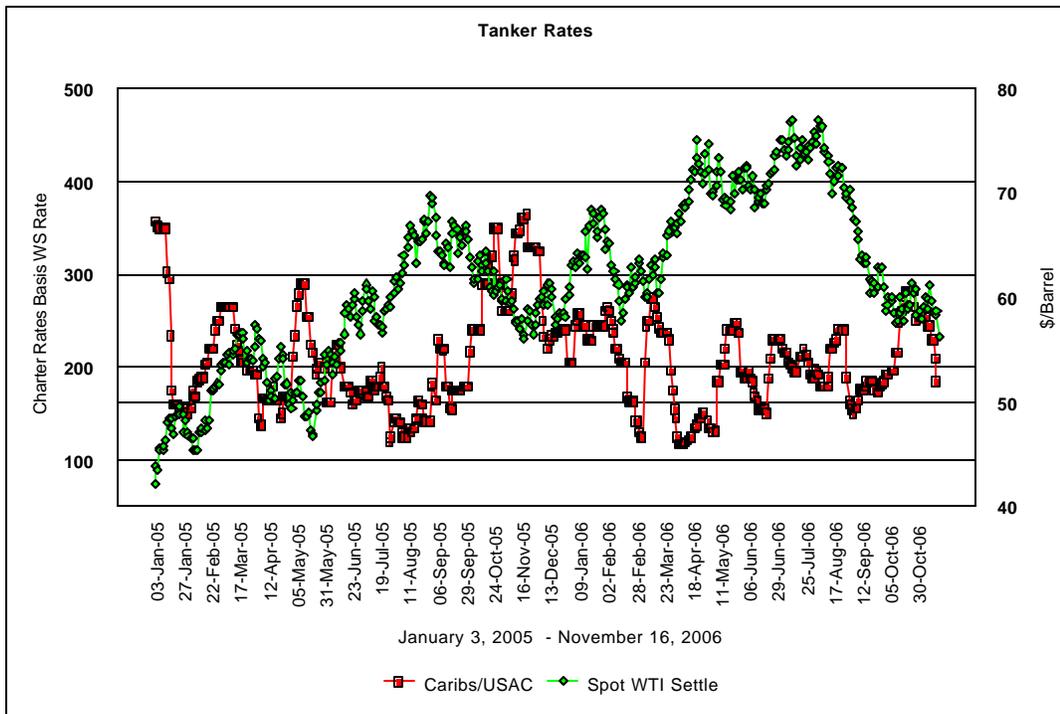
that if the UN talks failed to produce what the US government believed to be an effective package of sanctions, the most likely outcome under a new Congress may be for the US to try and form a coalition that would impose its own set of sanctions. The five permanent members of the UN Security Council and Germany have met at least five times in the last two weeks to discuss the European drafted resolution. However talks have so far been fruitless. Members remain split over the scope of sanctions.

Oil Movements reported that OPEC's exports are expected to increase by 210,000 bpd to 24.84 million bpd in the four weeks ending December 2. Oil exports are also 40,000 bpd higher in the four weeks ending December 2 compared with a revised level for the four weeks ending November 25.

Market Watch

The National Weather Service predicted that temperatures in the Northeast had equal chances of being warmer or cooler than normal during December. However temperatures are expected to be above normal during the December-February period. Meanwhile, the National Oceanic and Atmospheric Administration said the upcoming US winter would be warmer than the 30 year average over much of the country but cooler than last year's very warm winter season. Its heating degree day forecast for December, January and February projects a 2% warmer winter than the 30 year average, but about 9% cooler than a year ago. WSI Corp has forecast colder than normal temperatures in the Northeast from November through January, while the rest of the country is expected to be warmer than normal. Accuweather forecast a colder than normal winter along the US East Coast, particularly in January and February. Meanwhile, Earthsat predicted a near normal winter on the East Coast and warmer than normal winter for the rest of the country. DTN Meteorologix forecast colder temperatures in the US Northeast and Midwest in late November and early December followed by warmer temperatures in late December and January.

According to Venezuela's Datanalisis, Venezuelan President Hugo Chavez is expected to win next month's election with 52% support. The poll showed the president outstripping his rival, Manuel Rosales, governor of the western oil state Zulia, who commanded only 25.5%.



According to Petrologistics, OPEC's production in November is expected to fall by 1.1 million bpd on the month to 27.2 million bpd. Its preliminary estimates showed that Saudi Arabia is expected to cut its production by 350,000 bpd on the month to 8.8 million bpd. Iran is expected to cut its production to 3.9 million bpd from 4.06 million

bpd in October while Nigeria's production is expected to fall by 200,000 bpd to 2.15 million bpd. Venezuela's production is expected to fall by 100,000 bpd to 2.4 million bpd. It also stated that Iraq's production was running at about 2 million bpd this month.

Turkey's Prime Minister Recep Tayyip Erdogan offered training for the Iraqi police and army and urged power sharing among ethnic groups in the Iraqi oil center of Kirkuk. Turkey has been concerned that Iraqi Kurds were trying to take control of Kirkuk as part of their push for an independent state on Turkey's border.

Nigeria has charged two people with the kidnapping of seven foreign oil workers in the Niger Delta in August for ransom. They were the second set of hostage takers to be charged since August when President Olusegun Obasanjo ordered security services to crack down on kidnappers and threatened to sanction oil firms caught paying ransoms. Meanwhile, about 40 Nigerian oil workers have been held at the Tebidaba flow station in southern Bayelsa state since November 6 by protesters who invaded the facility to demand compensation for oil spills. An official said the protesters were demanding millions of naira before vacating the facility.

Refinery News

The Louisiana Offshore Oil Port resumed oil tanker offloadings on Thursday after operations were halted due to high winds and rough seas on Tuesday. A LOOP spokeswoman said cargo offloadings were seen caught up by Saturday. High winds and seas have interrupted operations at the LOOP four times in four weeks.

Crude oil flows on TEPPCO's 350,000 bpd Seaway crude oil pipeline were normal on Thursday contrary to reports stating that it had been shutdown due to high stocks at the end terminal. TEPPCO said throughput on the line was expected to average 292,000 bpd.

Magellan Pipeline said it had some shortage of diesel in some terminals in Iowa and southern Minnesota, but expected volumes to return to normal by the end of November.

The EIA reported that ethanol imports to the US in September fell to 2.194 million barrels from 3.203 million barrels in August. The majority of the imports came from Brazil, with a total of 1.449 million barrels.

Citgo reported a problem with a boiler at its 165,000 bpd refinery in Corpus Christi, Texas on Wednesday. It said the boiler was shut and operations at its No. 1 fluid catalytic cracking unit were cut to a minimum.

A portion of a sulfur recovery unit at ExxonMobil's Torrance, California refinery tripped late Wednesday, causing the release of an unknown quantity of sulfur dioxide.

According to a report filed with the Texas Commission on Environmental Quality, a leak in a line associated with a light products processing unit at ExxonMobil's 563,000 bpd Baytown, Texas refinery on Wednesday resulted in several hours of emissions.

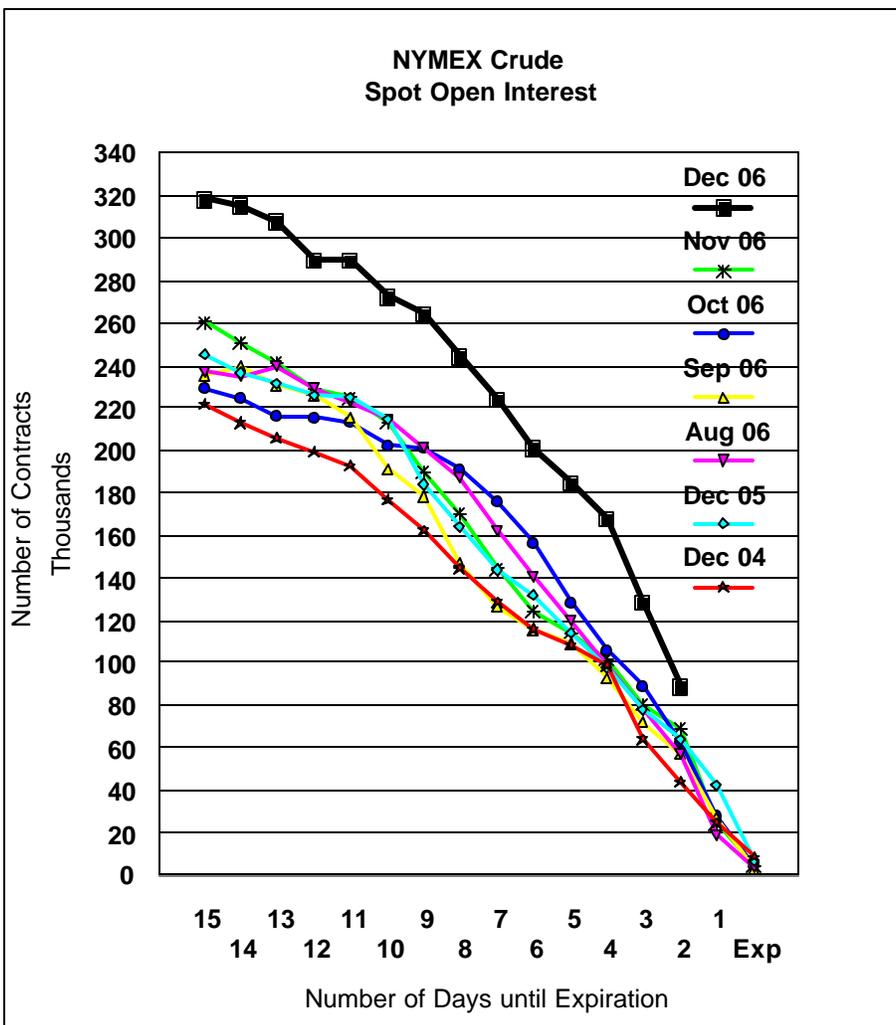
Western Refining is expected to shut a light ends unit at its 117,000 bpd El Paso, Texas refinery in order to replace equipment after a malfunction caused several hours of emissions early Wednesday.

Shell has delayed the restart of its 67,000 bpd fluid catalytic cracking unit at its Deer Park, Texas refinery until the end of November. The unit was shut on November 4 due to a problem in the unit's regeneration section.

PDVSA's 300,000 bpd Cardon refinery has been loading alkylates in recent days amid minor refinery repairs.

Venezuela's Sincor partnership has completed planned maintenance to its upgrading plant and is currently restarting the units. It said all the units should resume operations over the weekend.

Spain's Cepsa has installed a new light naphtha reformer



at its Huelva refinery as part of a massive investment program to address Spain's diesel deficit of 13 million tons a year or 300,000 bpd. The new unit, which would replace a 17,000 bpd reformer at Huelva, would mainly produce middle distillates, especially diesel. The reformer is part of Cepsa's plan to increase the refiner's middle distillates capacity by 2.7 million tons a year or 62,000 bpd by 2009.

Russia's Transneft said oil supplies to Lithuania's Mazeikiu Nafta refinery would not resume until at least March. The decision on when supplies could resume depended on the results of a study being carried out by Russia's technical standards agency RosTekhNadzor.

China cut its purchases of West African crude amid high fuel stock levels. It bought 521,000 bpd of West African crude, down from 633,000 bpd in November. Traders also attributed the cut in purchases to reduced refinery runs and cheaper alternatives.

Japan's Nippon Oil Corp said it would refine 3% more crude in December than in the same month last year to meet peak winter demand. Its chairman, Fumiaki Watari declined to specify the actual volume. However last year's estimated crude refining volume for December 2005 was 5.1 million kiloliters or 1.03 million bpd. It is expected to process 4.4 million kl or 922,500 bpd of crude in November. The increase in refining volumes would be the first in three months after the company kept October and November run rates relatively low due to sluggish domestic demand.

Singapore's International Enterprise stated that the country's residual fuel stocks built by 232,000 barrels to 14.156 million barrels in the week ending November 15. It reported that light distillate stocks fell by 401,000 barrels to 7.937 million barrels while middle distillate stocks fell by 187,000 barrels to 7.98 million barrels on the week.

Production News

Norsk Hydro ASA said it expected its Njord A floating oil platform in the North Sea to resume production Tuesday following a planned maintenance program. The 20,000-25,000 bpd platform was closed earlier this week after a collision between a shuttle tanker and the Njord B storage ship during a loading operation.

BP Plc said it was planning to submit its Norway Valhall oil and gas field redevelopment and operation plan to the authorities for approval early in 2007, about four months later than expected. The field produces 80,000-90,000 bpd of crude and about 20,000 boe/d of associated gas. The project would prolong output at Valhall to about 2050.

Canada's Addax Petroleum Corp is expected to produce up to 200,000 bpd of oil in the northern Iraq region of Taq Taq. It said it was keen to start operations in the region, where it is expected to produce 20,000 bpd by mid-2007 in the first phase of the project.

Norway's DNO said it saw no threat to its oil production contract in northern Iraq as the Kurdish and central governments fight for control of oil. The company intends to start production in the country's north in the first quarter of next year under a production sharing agreement it signed with the Kurdish Regional Government. However Iraqi's Oil Minister Hussain al-Shahristani has insisted on central control of oil and has stated that he wanted to review deals the Kurds have signed with foreign oil companies.

Iran's official IRNA news agency reported that Iranian firms would start work on the Azadegan oil field by March. Japan's INPEX Holdings had secured the right to lead the development of the oilfield however talks on the project ended without a final deal last month.

Petroecuador said it would earn \$3.2 billion in revenue this year from petroleum exports, which would be a 39% increase compared with \$2.3 billion last year. The oil revenue would be equal to about 8% of Ecuador's GDP.

Kazakhstan's Energy Minister Baktykozha Izumkhambetov called on Thursday for urgent measures to block China's CITIC Group's bid for Kazakh oil assets belonging to Canada based Nations Energy.

Angola's Sonangol said the country is expected to produce 2 million bpd in 2008, up from 1.25 million bpd produced in 2005.

OPEC's news agency reported that OPEC's basket of crudes increased to \$55.33/barrel on Wednesday from \$55.19/barrel on Tuesday.

Market Commentary

The oil market opened 19 cents higher at 58.95 and quickly rallied to a high of 59.30. However as the market failed to test Wednesday's high of 59.35, the market erased its gains. The market also traded lower as the natural gas market came off its high following the release of the EIA report, which showed a build of 5 bcf. The crude market, which seemed ready to hold support at 57.55, breached that level and continued its sharp sell off ahead of the close. It extended its losses to over \$2.60 as it posted a low of 56.15 on the close and settled down \$2.50 at 56.26. Volume in the crude market was good with over 227,000 lots booked on the day. Crude volume on Globex was better with over 300,000 lots booked during the open outcry session. Open interest in the crude market fell by a total of 23,652 lots, with open interest in the December contract falling by 39,795 contracts as traders continued to liquidate their position ahead of its expiration on Friday. As of Wednesday's close, there was still 88,931 contracts of open interest in the December contract, a record high when compared to previous expiring contracts two days ahead of expiration. The market today was pressured as traders further liquidated their December positions ahead of Friday's expiration. The product markets settled sharply lower, with the heating oil market settling down 3.19 cents at 166.05 and the RBOB market settling down 5.36 cents at 154.11. The heating oil market gapped higher from 170.70 to 171.70 and quickly posted a high of 173.25. However the market backfilled its gap and continued to sell off sharply amid the weakness in the crude market. The heating oil market extended its losses to 3.44 cents as it posted a low of 165.80 on the close. Similarly, the RBOB market gapped higher from 160.25 to 161.40 and rallied to a high of 162.70. However it backfilled its gap and continued to sell off. The market extended its losses to over 6.2 cents as it sold off to a low of 153.25 on the close. Volumes in the product markets were better with over 36,000 lots booked in the heating oil market and 26,000 lots booked in the RBOB market.

	Levels	Explanation
CL 56.26, down \$2.50	Resistance 59.30, 59.35, 60.70 57.35, 57.72, 58.10	Thursday's high, Previous highs 38%, 50% and 62% retracement (56.15 and 59.30)
	Support 56.15 56.00, 55.40	Thursday's low Previous lows
HO 166.05, down 3.19 cents	Resistance 173.25, 173.50 168.65, 169.52, 170.40	Thursday's high, Previous high Retracement (165.80 and 173.25)
	Support 165.80 165.00, 162.40	Thursday's low Previous lows
RB 154.11, down 5.36 cents	Resistance 162.70 156.86, 158.00, 159.09	Thursday's high Retracement (153.25 and 162.70)
	Support 153.25 152.50, 149.50, 145.50	Thursday's low Previous lows, Double bottom

NYMEX Petroleum Options Most Active Strikes for November 16, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	C	1.55	11/27/2006	0.0288	23	35.84
GO	12	6	C	1.54	11/27/2006	0.0329	20	35.68
GO	12	6	C	1.8	11/27/2006	0.0004	15	40.61
GO	12	6	P	1.57	11/27/2006	0.0622	15	36.22
LO	1	7	C	65	12/14/2006	0.22	6,086	28.81
LO	3	7	P	55	02/14/2007	1.08	3,560	28.93
LO	1	7	C	60	12/14/2006	1.23	3,248	28.50
LO	6	7	P	60	05/17/2007	3.15	2,865	27.72
LO	1	7	P	59	12/14/2006	2.08	2,796	28.80
LO	6	7	P	55	05/17/2007	1.7	2,650	29.32
LO	1	7	C	68	12/14/2006	0.07	2,599	29.63
LO	2	7	C	65	01/17/2007	1.08	2,519	28.38
LO	1	7	P	60	12/14/2006	2.66	2,486	28.63
LO	1	7	C	59	12/14/2006	1.65	2,050	28.75
LO	2	7	P	60	01/17/2007	2.72	1,981	28.40
LO	1	7	C	63	12/14/2006	0.47	1,926	28.77
LO	3	7	C	62	02/14/2007	2.93	1,870	27.62
LO	3	7	C	65	02/14/2007	1.81	1,850	27.32
LO	1	7	C	64	12/14/2006	0.32	1,762	28.65
LO	1	7	P	55	12/14/2006	0.6	1,714	29.85
LO	5	7	P	57.5	04/17/2007	2.13	1,675	28.24
LO	12	8	C	80	11/17/2008	3.23	1,600	21.38
LO	1	7	C	62.5	12/14/2006	0.56	1,591	28.76
LO	2	7	P	45	01/17/2007	0.07	1,559	35.68
LO	2	7	C	66	01/17/2007	0.87	1,351	28.39
LO	1	7	P	58	12/14/2006	1.57	1,274	28.74
LO	5	7	C	64	04/17/2007	3.72	1,075	26.96
LO	5	7	P	64	04/17/2007	4.85	1,075	27.08
LO	7	7	P	50	06/15/2007	1.01	1,050	31.50
LO	1	7	C	61	12/14/2006	0.92	1,004	28.75
LO	6	7	C	66.5	05/17/2007	3.36	1,000	26.63
LO	1	7	P	76	12/14/2006	17.43	1,000	50.02
LO	3	7	P	45	02/14/2007	0.1	1,000	33.08
LO	1	7	P	77	12/14/2006	18.43	1,000	52.54
LO	2	7	P	67	01/17/2007	7.56	1,000	29.11
LO	1	7	P	70	12/14/2006	11.44	1,000	35.01
OB	1	7	C	1.68	12/26/2006	0.0266	300	33.22
OB	1	7	C	1.74	12/26/2006	0.0162	300	33.91
OB	7	7	C	2	06/26/2007	0.1101	200	31.49
OB	7	7	C	2.5	06/26/2007	0.0433	200	37.34
OB	2	7	P	1.5	01/26/2007	0.045	200	30.68
OB	1	7	P	1.5	12/26/2006	0.0402	150	32.99
OH	12	6	C	1.7	11/27/2006	0.0216	231	32.84
OH	2	7	C	1.8	01/26/2007	0.0661	228	31.07
OH	2	7	C	1.9	01/26/2007	0.0394	105	32.03
OH	2	7	C	1.75	01/26/2007	0.0847	75	30.61
OH	2	7	P	1.75	01/26/2007	0.1005	75	30.65

The oil market, which remained pressured in overnight trading on Globex as traders liquidate their positions ahead of Friday's expiration, is seen retracing some of today's sharp losses. The market, which sold off sharply amid lack of any news, is seen finding support at its low of 56.15 followed by 56.00 and 55.40. Resistance is seen at 57.35, 57.72 and 58.10. More distant resistance is seen at its high of 59.30, 59.35 and 60.70.