



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 21, 2006

Alyeska Pipeline Services said high winds and seas halted crude oil loadings into ships at the port of Valdez for the third time since late last week. As a result, the Trans Alaska Pipeline, which feeds the port with Alaska North Slope crude, has been forced to slow operations and producers have cut production to 284,500 bpd or 35% of its 800,000 bpd throughput capacity due to high inventories. Crude oil inventories at the terminal stood at 86.2% of capacity. Rough weather conditions started interrupting operations at the port of Valdez last Thursday. State data showed that Alaska oil production fell to 359,522 bpd as of Sunday. The average production level so far in November stood at 690,270 bpd. Production at Prudhoe Bay stood at 130,000 bpd, down from 145,132 bpd reported on Sunday and an average of 288,886 bpd in November. The Joint

Market Watch

Iraq's Deputy Prime Minister Barham Salih said senior Iraqi officials would resume negotiations on Thursday to try to resolve a dispute over a bill intended to encourage foreign investment in the oil and gas industry. He said there was still a dispute over whether regional governments should be able to sign contracts with foreign oil firms without the approval of the central government in Baghdad. Iraq's Oil Minister Hussain al-Shahristani said the Oil Ministry should have ultimate control over Iraq's oil reserves and has criticized deals signed with Norwegian and Turkish firms by the Kurdish regional government.

Private forecaster, WSI Corp said cooler weather was expected for major cities along the US East Coast during the December to February period. It said the coldest weather for the Northeast would come in December and January, before temperatures move above average in February. The western two thirds of the country is expected to be warmer than normal during the December to February period.

Venezuela's President Hugo Chavez's campaign adviser said the president's campaign was focused on obtaining 10 million votes from a total of 16 million eligible voters. However opposition strategists stated that his constant warnings about invasions and assassination plots were figments of his imagination and they were optimistic that Venezuelans were tired of his warnings. His main opponent, Rosales has strengthened his campaign as he details one social problem after another that affects the poor. He said ten of thousands of Venezuelans have become homicide statistics and noted that Transparency International recently ranked Venezuela as the second most corrupt country in Latin America. He also criticized the president's failure to obtain a nonpermanent seat at the UN Security Council, a setback attributed to his speech on the floor of the General Assembly in September. The opposition politician has generated worldwide attention for his proposal to issue a debit card that would provide hundreds of dollars to poor families from oil proceeds. However Chavez supporters have viewed opposition tactics as anti-democratic. Many poor Venezuelans cite President Hugo Chavez's expenditures, especially on subsidized food, literacy programs and healthcare as improving their lives. PDVSA said \$8.3 billion in company oil revenue has been funneled toward government social programs in the first nine months of the year.

Pipeline Office said oil tanker loading operations may remain disrupted through Thursday contrary to reports that the loadings at the port of Valdez would resume shortly as weather conditions were improving.

OPEC's President Edmund Daukoru conceded in an interview with Nigeria's This Day newspaper that some OPEC members were not complying with a 4% cut in its crude production. He said there was always some degree of non-compliance because of differing circumstances among members. Despite the concerns over compliance, he reiterated that OPEC may agree to further output cuts at OPEC's next meeting on December 14. Meanwhile, Iran's OPEC governor Hussein Kazempour Ardebili said OPEC would take into consideration such factors as the real supply by OPEC member states after the 1.2 million bpd production cut, non-OPEC production, the international oil market's demand for oil and the level of oil and derivatives in stock in major consuming countries before making any further cuts in production. Separately, Indonesia's Minister of Energy and Mineral Resources Purnomo Yusgiantoro said OPEC had no plan yet to further cut its production, despite calls from several members to do so to prevent a decline in oil prices. However he insinuated that Indonesia would support a further cut.

The head of the IEA, Claude Mandil said that oil prices were much too high and added that there was no need for OPEC to cut its output. He also stated that inventories of oil were comfortable but not excessively high.

Austria's Economics Minister Martin Bartenstein said OPEC had no reason to cut its production because prices changes have evened out.

Refinery News

Kinder Morgan has apportioned the Express crude pipeline in December by 45%, meaning that shippers could only move 55% of their nominated crude shipments. The line throughput is expected to be about 244,000 bpd.

Pasadena Refining System shut a fluid catalytic cracking unit and hydrotreater at its 100,000 bpd refinery in Pasadena, Texas following malfunctions on Sunday. The fluid catalytic cracking unit was shut after excessive vibration while the hydrotreater was shut following a small fire.

Valero Energy Corp began restarting units at its Houston refinery on Tuesday at the end of an overhaul that started on October 3.

ExxonMobil Corp extinguished a small fire on a line supplying a furnace to Lube Hydrofining unit 1 at its 563,000 bpd refinery in Baytown, Texas on Monday.

An independent panel examining safety at BP Plc's five US refineries has delayed by three weeks the date for the release of its final report. The panel said it planned to issue the report on December 19 instead of November 29 as previously planned.

Traders stated that Citgo is expected to shut its 150,000 bpd fluid catalytic cracking unit at its 429,500 bpd Lake Charles refinery for 22 days of maintenance work in January. Separately, Citgo Petroleum Corp said it was planning a year of lighter maintenance in 2007 with more extensive work in 2008. Citgo's chief executive said the company's 156,000 bpd Corpus Christi, Texas refinery would undergo 22 days of maintenance in June and July. Its refinery in Lake Charles, Louisiana is also scheduled to undergo maintenance for about a month in June and July.

A shipping source stated that Iraq has stopped pumping oil along the northern pipeline to Turkey from its Kirkuk oilfields following a brief restart. Pumping had resumed on Sunday at a low rate after a

NYMEX Petroleum Options Most Active Strikes for November 21, 2006

| Symbol | Month | Year | Call/Put | Strike | Exp Date | Settle | Volume | IV |
|--------|-------|------|----------|--------|------------|--------|--------|-------|
| GO | 12 | 6 | C | 1.8 | 11/27/2006 | 0.0009 | 50 | 39.38 |
| GO | 12 | 6 | P | 1.6 | 11/27/2006 | 0.0169 | 41 | 36.99 |
| GO | 12 | 6 | P | 1.55 | 11/27/2006 | 0.0053 | 21 | 37.22 |
| GO | 12 | 6 | P | 1.59 | 11/27/2006 | 0.0137 | 20 | 36.91 |
| LO | 5 | 7 | C | 90 | 04/17/2007 | 0.22 | 5,200 | 30.05 |
| LO | 6 | 7 | C | 90 | 05/17/2007 | 0.32 | 5,200 | 28.73 |
| LO | 1 | 7 | P | 74 | 12/14/2006 | 13.83 | 3,300 | 42.39 |
| LO | 2 | 7 | C | 70 | 01/17/2007 | 0.45 | 3,008 | 28.34 |
| LO | 5 | 7 | P | 58 | 04/17/2007 | 1.97 | 2,800 | 29.17 |
| LO | 1 | 7 | C | 65 | 12/14/2006 | 0.31 | 2,593 | 28.27 |
| LO | 1 | 7 | C | 73 | 12/14/2006 | 0.01 | 2,560 | 30.72 |
| LO | 1 | 7 | P | 75 | 12/14/2006 | 14.83 | 2,500 | 45.15 |
| LO | 1 | 7 | P | 76 | 12/14/2006 | 15.83 | 2,100 | 47.86 |
| LO | 1 | 7 | C | 63 | 12/14/2006 | 0.68 | 1,937 | 28.31 |
| LO | 3 | 7 | C | 65 | 02/14/2007 | 2.32 | 1,900 | 27.82 |
| LO | 1 | 7 | C | 67 | 12/14/2006 | 0.13 | 1,828 | 28.43 |
| LO | 3 | 7 | P | 60 | 02/14/2007 | 2.15 | 1,625 | 28.37 |
| LO | 1 | 7 | P | 77 | 12/14/2006 | 16.83 | 1,600 | 50.55 |
| LO | 1 | 7 | P | 56 | 12/14/2006 | 0.39 | 1,586 | 29.86 |
| LO | 3 | 7 | C | 70 | 02/14/2007 | 1.02 | 1,503 | 28.07 |
| LO | 1 | 7 | C | 62 | 12/14/2006 | 0.96 | 1,451 | 28.25 |
| LO | 1 | 7 | P | 55 | 12/14/2006 | 0.26 | 1,361 | 30.52 |
| LO | 1 | 7 | P | 78 | 12/14/2006 | 17.83 | 1,300 | 53.20 |
| LO | 12 | 8 | C | 68.5 | 11/17/2008 | 8.04 | 1,200 | 23.77 |
| LO | 12 | 8 | P | 68.5 | 11/17/2008 | 7.54 | 1,200 | 23.63 |
| LO | 1 | 7 | C | 64 | 12/14/2006 | 0.47 | 1,185 | 28.39 |
| LO | 3 | 7 | P | 55 | 02/14/2007 | 0.85 | 1,150 | 30.15 |
| LO | 6 | 7 | P | 58 | 05/17/2007 | 2.14 | 1,150 | 29.10 |
| LO | 3 | 7 | C | 63 | 02/14/2007 | 3.15 | 1,075 | 28.02 |
| LO | 5 | 7 | P | 56 | 04/17/2007 | 1.5 | 1,050 | 29.96 |
| LO | 3 | 7 | C | 72 | 02/14/2007 | 0.73 | 1,000 | 28.42 |
| OB | 2 | 7 | C | 1.83 | 01/26/2007 | 0.0364 | 145 | 34.15 |
| OB | 2 | 7 | P | 1.68 | 01/26/2007 | 0.1035 | 145 | 32.78 |
| OB | 12 | 6 | P | 1.75 | 11/27/2006 | 0.1107 | 145 | 37.22 |
| OB | 12 | 6 | C | 1.61 | 11/27/2006 | 0.0493 | 52 | 36.30 |
| OB | 12 | 6 | C | 1.63 | 11/27/2006 | 0.0371 | 50 | 36.30 |
| OH | 1 | 7 | C | 1.85 | 12/26/2006 | 0.0438 | 380 | 33.22 |
| OH | 2 | 7 | C | 1.9 | 01/26/2007 | 0.0575 | 311 | 31.26 |
| OH | 12 | 6 | P | 1.89 | 11/27/2006 | 0.1582 | 170 | 38.76 |
| OH | 1 | 7 | P | 1.82 | 12/26/2006 | 0.0951 | 170 | 32.99 |
| OH | 1 | 7 | P | 1.85 | 12/26/2006 | 0.1149 | 160 | 33.34 |
| OH | 12 | 6 | P | 1.91 | 11/27/2006 | 0.1776 | 160 | 39.38 |
| OH | 7 | 7 | C | 1.8 | 06/26/2007 | 0.1518 | 150 | 26.84 |
| OH | 12 | 6 | P | 1.84 | 11/27/2006 | 0.1114 | 150 | 37.99 |
| OH | 1 | 7 | P | 1.79 | 12/26/2006 | 0.0772 | 150 | 32.68 |
| OH | 12 | 6 | C | 1.8 | 11/27/2006 | 0.0104 | 110 | 37.53 |
| OH | 4 | 7 | C | 1.85 | 03/27/2007 | 0.1015 | 100 | 28.72 |
| OH | 12 | 6 | P | 1.74 | 11/27/2006 | 0.0362 | 100 | 36.76 |

month long stoppage. The source said total stocks of Kirkuk crude at the Ceyhan terminal stood at about 3.15 million barrels.

Italy's ENI said it would perform minor maintenance at its four refineries next year followed by heavy turnarounds during 2008. A company source stated that the partial shutdown would be up to two weeks on each refinery and supply would not be affected. The source said it was too early to say which units would undergo maintenance and when they would take place.

Japan's Cosmo Oil Co said on Tuesday it would spend 100 billion yen or \$850 million on refinery upgrades to increase exports of distillates to more profitable overseas markets and purchase cheaper, heavier grades of crude. It is expected to build a 25,000 bpd coking unit, a 25,000 bpd gas oil desulfurizer and a 17,000 bpd naphtha desulfurizer. Cosmo Oil said it would also export and sell between 400,000 and 600,000 kiloliters or 2.5 million and 3.8 million barrels of low sulfur gas oil every year on the US West Coast in 2007 and may increase sales volume further following the start up of the new units in

2010. Cosmo said it planned to increase exports of distillates or kerosene and gas oil to 2.3-2.4 million kl in the year starting next April from an estimated 500,000 kl this year.

Russia's Gazprom said it saw no danger of gas shortages this winter and has sufficient supplies to meet domestic demand and export obligations. Last winter, Russian exports to mainland Europe fell sharply due to a price dispute between Moscow and neighboring Ukraine.

Production News

Production at a North Sea oil platform operated by Marathon Oil Corp remained shut down on Tuesday as officials investigated a gas alert. The Brae Alpha platform was closed on Monday following the alert.

ExxonMobil urged Alaska officials on Monday to not revoke their leases at the Point Thomson oil and gas field on Alaska's North Slope region despite not proceeding with any commercial development over the last three decades. A year ago, the Alaska Department of Natural Resources found ExxonMobil and its partners to be in default of state lease terms for failing to abide by a 2001 agreement to drill development wells according to specific deadlines. The field holds 8 trillion cubic feet of gas and about 250 million to 300 million barrels of liquids, including natural gas condensates and oil.

Mexico's Pemex said the country's crude oil production fell to 3.173 million bpd in October from 3.258 million bpd in September. It reported that Mexico's crude exports totaled 1.679 million bpd in October, slightly higher than September's 1.678 million bpd level.

According to an industry source, Iran is expected to offer 17 oil blocks in its 2007 bidding round. It is expected to tender 12 onshore oil blocks and five offshore fields.

OPEC's news agency reported that OPEC's basket of crudes increased by 13 cents to \$54.03/barrel on Monday from \$53.90/barrel reported on Friday.

Market Commentary

The oil market gapped higher from 58.85 to 59.00, its low, amid the news that loadings at the port of Valdez were disrupted due to bad weather. The Trans Alaska Pipeline, which feeds the port with Alaska North Slope crude, was cut to 25% of its 800,000 bpd throughput capacity. In light volume trading, the market continued to trend higher. The market, which was holding support at the 59.50 level, rallied to a high of 60.00 as it retraced 38% of its move from a high of 63.20 to a low of 58.00. However the market breached that level and posted a high of 60.40 as traders covered their positions ahead of Wednesday's release of the weekly petroleum stock reports. The crude market settled up \$1.37 at 60.17. Volume in the crude market remained light with 112,000 lots booked on the day. Crude volume on Globex was better with over 142,000 lots booked during the open outcry session. The product markets were also well supported, with the heating oil market settling up 6.23 cents at 173.31 and the RBOB market settling up 8.22 cents at 164.27. The heating oil market gapped higher from 169.15 to 173.50 and quickly traded to 171.50 where it held some resistance. However the market breached that level and rallied to a high of 173.90 as traders positioned themselves ahead of the weekly petroleum stock reports, which are expected to show draws in distillate stocks once again. The RBOB market also gapped higher from 156.75 to 159.00, its low, amid the strength in the crude market and several refinery problems. The market was also supported by the expectations that the weekly petroleum stock reports would show draws in gasoline stocks. The market extended its gains to over 9.5 cents as it rallied to a high of 164.50 on the close. Volumes in the product markets were better with over 42,000 lots booked in the heating oil market and over 24,000 lots booked in the RBOB market.

The oil market on Wednesday is seen remaining supported ahead of the Thanksgiving holiday, with light volume trading. The market will remain supported amid expectations that the weekly petroleum stock reports would show small builds in crude stocks of about 700,000 barrels and draws in product stocks of less than 1 million barrels each. Also, if the loadings remain halted at the Port of Valdez the market will continue to trend higher ahead of the weekend. Technically, the crude market is seen finding support at 59.50 followed by its gap from 59.00 to 58.85 and a previous low of 58.15. Meanwhile, resistance is seen at 60.40 followed by 61.40 and 62.60.

| | | Levels | Explanation |
|-----------|-----------------------|--------------------------|-----------------------------|
| CL | Resistance | 61.40, 62.60 | Previous highs |
| | 60.17, up \$1.37 | 60.40 | Tuesday's high |
| | Support | 59.50, 59.00 to 58.85 | Opening gap (November 21st) |
| | | 58.00 | Previous low |
| HO | Resistance | 175.70, 178.20 | Previous highs |
| | 173.31, up 6.23 cents | 173.90 | Tuesday's high |
| | Support | 170.50, 169.00 to 167.40 | Opening gap (November 21st) |
| | | 164.10, 162.40 | Previous lows |
| RB | Resistance | 168.50, 170.00 | Previous highs |
| | 164.27, up 8.22 cents | 164.50 | Tuesday's high |
| | Support | 161.50, 159.00 to 156.75 | Opening gap (November 21st) |
| | | 153.30, 150.00 | Previous lows |