



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 2, 2006

A Kuwaiti oil official said the country's 100,000 bpd production cut would come from spot sales. Meanwhile, a National Iranian Oil Co official said Iran was cutting its crude exports by 122,000 bpd and would halt sales of spot cargoes to Europe and the Mediterranean. Iran is expected to cut its overall production by 176,000 bpd. However oil refiners in Japan, India, Taiwan and South Korea are expected to receive full volume of crude in November.

Trade sources stated that Algeria has cut its November oil supplies in line with OPEC's decision to cut production by a total of 1.2 million bpd. Algeria pledged to cut supplies by 59,000 bpd. Sources stated that Algeria's Sonatrach delayed export cargoes that were scheduled to load in late November to December, effectively cutting supplies. Meanwhile, the director of PDVSA said the majority of Venezuela's 138,000 bpd cut would come from four extra heavy oil projects in the Orinoco River basin. The Cerro Negro, Petrozuata and Ameriven partnerships are expected to each cut 17,000 bpd. He added that Sincor, the fourth project, was currently undergoing maintenance on an upgrader, causing its output to fall significantly.

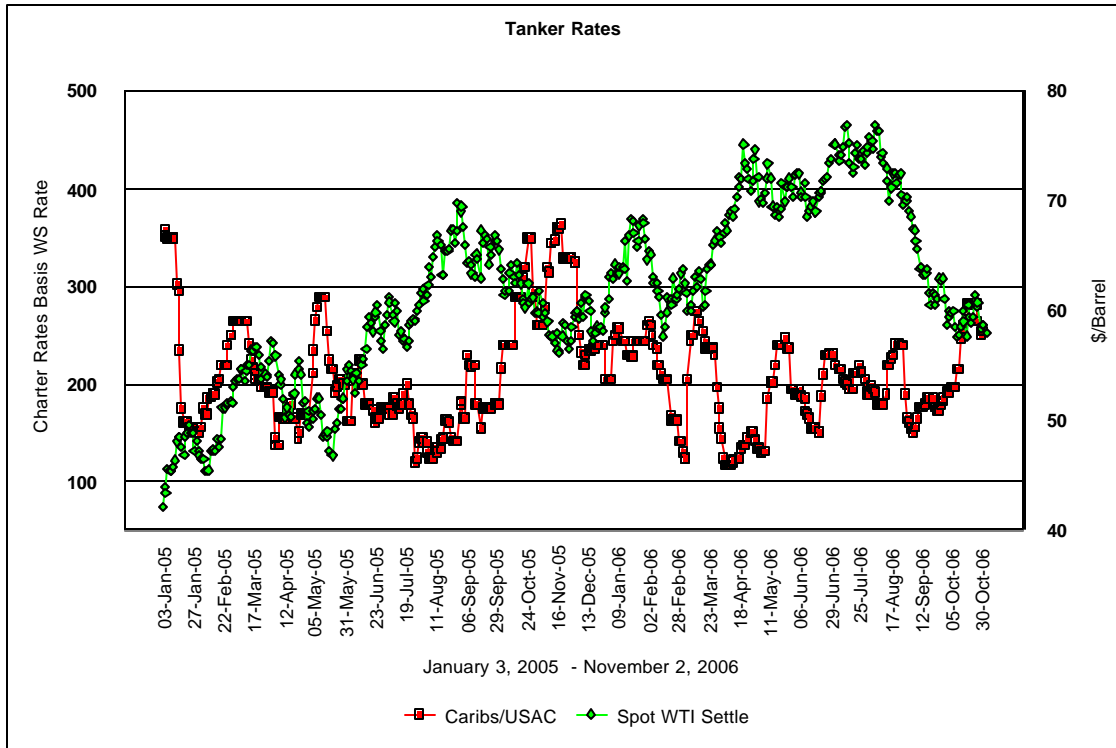
Market Watch

The OECD's chief economist, Jean-Philippe Cotis said world growth was able to withstand the impact of rising oil prices because firms and consumers have shared the burden of higher energy costs.

The NYMEX announced that it obtained authorization to offer its electronic clearing and trading systems at a number of international sites. It has obtained authorization from Alberta, Canada, British Virgin Islands, Czech Republic, Denmark, Dubai International Financial Center, Finland, Guernsey, Channel Islands, South Korea, Luxembourg, Malaysia, Monaco, New Zealand, Poland and Russia.

Analysts stated that the NYMEX's unleaded gasoline contract is likely to see increased volatility as the contract is phased out by the year end. Open interest in the contract fell below 17,000 contracts. Trading is expected become thin while the RBOB market is expected to increasingly provide a reference for overall gasoline fundamental shifts.

ICE chief executive officer Jeffrey Sprecher said the exchange would focus on taking market share from the NYMEX's heating oil and gasoline markets. He however did not state what strategies he had to increase growth in its heating oil and RBOB futures contracts, which were introduced in April. ICE has obtained more than half of the world's trade in crude oil futures after introducing its WTI contract, however it has yet to see growth in the other US futures. Separately ICE received antitrust clearance on Thursday from the Federal Trade Commission for its \$1 billion takeover of the NYBOT. The NYBOT deal would give ICE its own clearing house, where OTC and futures deals are guaranteed, as well as agricultural and financial futures it can list on its electronic platform.



Norway's Energy Minister Odd Roger Enoksen said world oil prices were reasonable. He said Norway was pumping at peak production of about 3 million bpd with no possibility of increasing its oil production further.

Iran's Revolutionary Guards test fired dozen of missiles, including long range Shehab-3 during its military maneuvers. The head of the Revolutionary Guards said the 10 day maneuvers, named Great Prophet, would take place in the Gulf and the Sea of Oman and several provinces of the country. The Shehab-3 is capable of carrying a nuclear warhead and believed to have a range of more than 2,000 km. Debkafile said the military maneuvers would demonstrate whether or not the Shehab-3 stands up to Iran's boasts of its capabilities. It stated that it would pose strategic threats to Israel, US deployments in the Middle East and Iran's neighbors. Iran's maneuvers followed US led naval exercises involving 25 countries in the Gulf on Monday to train forces to block the transport of weapons of mass destruction and related equipment.

Russia and China indicated that they would not support the draft UN resolution imposing sanctions against Iran for its refusal to halt its nuclear program. China's UN Ambassador, Wang Guangya said there were still different views on what kind of actions the council needed to take under the current circumstances. He said the major concern was that some members were seeking sanctions like those in the resolution that the council approved on October 14 to punish South Korea for conducting a nuclear test. While both Russia and China agreed in principle to sanctions, they have continued to publicly call for dialogue instead of UN sanctions.

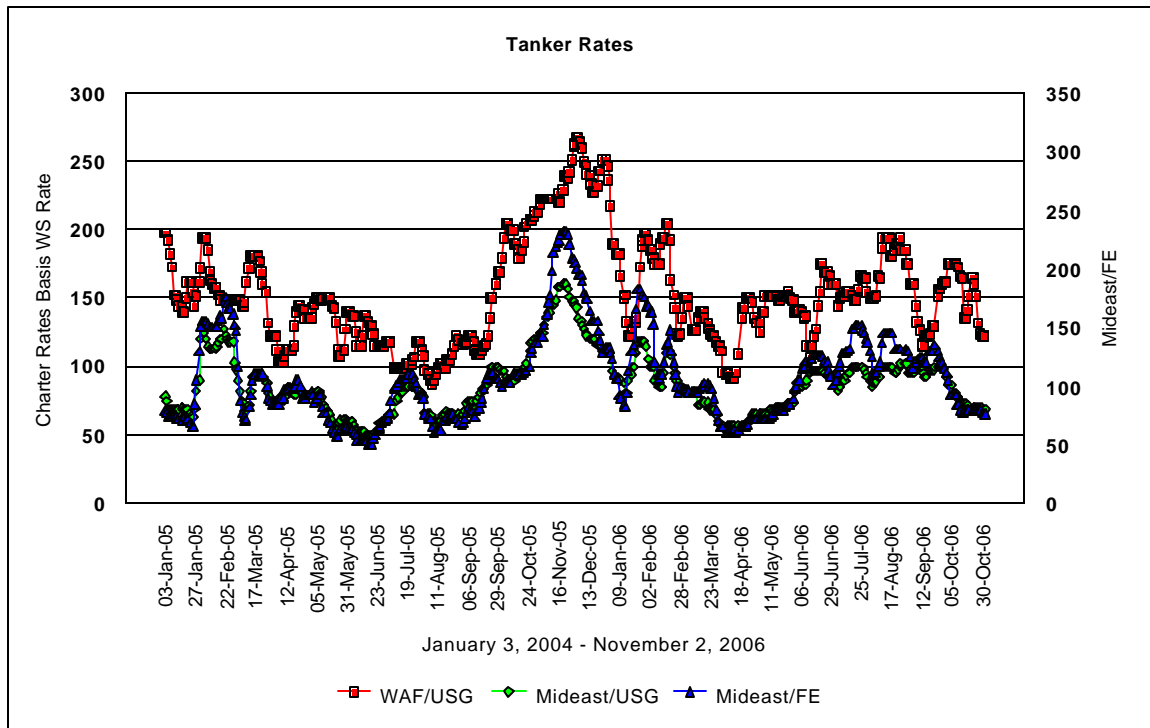
Oil Movements reported that OPEC's crude exports were expected to fall by 480,000 bpd to 24.56 million bpd in the four weeks ending November 18.

The head of the IEA Claude Mandil supported the findings of a British report that warned about the economic and social implications of global warming. The report stated that a failure to tackle climate change would result in a reduction of world GDP by up to 20%. He said developing countries, such as China, should be part of any world agreement to reduce emissions. In regards to prices, he stated that oil prices were still too high.

Refinery News

Colonial Pipeline said it was allocating space on its main distillate line between Collins, Mississippi and Greensboro, North Carolina.

California's Energy Commission reported that crude oil



runs in California fell by 11% or 192,000 bpd in the latest week to its lowest level since November 5, 2004. Despite the lower input, crude stocks fell by 11.4% or 1.975million barrels to 15.3 million barrels. Production of CARB reformulated gasoline fell by 6.7% to 995,429 bpd on the week. Meanwhile production of ultra low sulfur diesel fell by 12.8% on the week and was 7.6% below a year ago.

Louisiana's Governor Kathleen Blanco plans to sign an agreement with Kuwait to build a 400,000 bpd refinery in the state. She said a memorandum of understanding between Louisiana and Kuwait was being drafted. The possibility of building a new refinery in Louisiana has caused some concern among environmentalists, who have cited health problems. A new oil refinery in Louisiana would be first one built in the US in over 30 years.

Chevron's 210,000 bpd Pembroke refinery is scheduled to restart next week following 35 days of maintenance work. The refinery is one of several European refineries that are due to restart in November following heavy maintenance during September and October. According to Reuters, a total of 464,000 bpd or 5% of northwest European crude distillation capacity was affected by planned maintenance shutdown in October. It was down from 612,000 bpd in September.

ExxonMobil Corp's 330,000 bpd UK Fawley refinery resumed operations following a month of planned maintenance on its 75,000 bpd fluid catalytic cracking unit.

A senior Iraqi oil official said Iraq resumed crude oil exports to Jordan for the first time since the US led invasion of Iraq. He stated that Iraq started supplying Jordan's al-Zarqa refinery with 10,000 bpd of Kirkuk crude from reservoirs near Iraq's Baiji refinery. The official said the amount would be increased to 30,000 bpd from the beginning of next year.

NYMEX Petroleum Options Most Active Strikes for November 2, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	C	1.5	11/27/2006	0.0342	15	35.45
GO	12	6	C	1.56	11/27/2006	0.0188	5	36.38
LO	12	7	P	57	11/13/2007	2.83	8,500	26.68
LO	12	6	P	55	11/14/2006	0.34	6,440	31.99
LO	12	6	P	57	11/14/2006	0.86	6,363	30.17
LO	12	6	P	53	11/14/2006	0.12	6,128	34.20
LO	12	7	C	69	11/13/2007	4.81	4,500	24.34
LO	1	7	P	55	12/14/2006	0.63	3,865	28.69
LO	12	6	P	58	11/14/2006	1.32	3,352	30.13
LO	1	7	P	57	12/14/2006	1.16	3,331	28.42
LO	12	6	C	62	11/14/2006	0.17	2,965	30.53
LO	6	7	P	50	05/17/2007	0.76	2,775	29.66
LO	2	7	C	64	01/17/2007	1.66	2,210	26.32
LO	12	6	P	61	11/14/2006	3.41	2,192	30.42
LO	12	6	C	60	11/14/2006	0.49	2,154	30.08
LO	12	6	C	66.5	11/14/2006	0.02	2,150	35.03
LO	12	6	C	59	11/14/2006	0.79	2,105	30.16
LO	2	7	P	54	01/17/2007	0.68	2,104	28.13
LO	12	7	P	45	11/13/2007	0.76	2,025	30.03
LO	12	6	P	73	11/14/2006	15.12	2,000	59.60
LO	12	6	P	72.5	11/14/2006	14.62	2,000	57.85
LO	12	6	P	76	11/14/2006	18.12	1,800	69.98
LO	12	6	P	77	11/14/2006	19.12	1,800	73.33
LO	1	7	P	77	12/14/2006	17.38	1,700	43.14
LO	6	7	P	60	05/17/2007	2.94	1,700	26.37
LO	6	7	P	55	05/17/2007	1.57	1,700	27.96
LO	2	7	P	50	01/17/2007	0.25	1,521	30.02
LO	12	6	P	76.5	11/14/2006	18.62	1,500	71.66
LO	12	6	P	77.5	11/14/2006	19.62	1,500	75.00
OB	6	7	C	1.84	05/25/2007	0.1455	200	30.17
OB	4	7	P	1.84	03/27/2007	0.1891	200	33.49
OH	12	6	C	1.8	11/27/2006	0.0124	300	34.84
OH	1	7	C	1.77	12/26/2006	0.0459	275	28.92
OH	12	6	P	1.9	11/27/2006	0.2637	202	37.07
OH	12	6	C	1.96	11/27/2006	0.002	200	36.30
OH	1	7	P	1.87	12/26/2006	0.1941	200	30.92
OH	2	7	C	1.92	01/26/2007	0.0372	150	30.18
OH	12	6	C	1.76	11/27/2006	0.0187	100	34.38
OH	12	6	C	2.1	11/27/2006	0.0004	75	38.14
OH	4	7	C	1.8	03/27/2007	0.0956	75	27.80
OH	4	7	C	1.9	03/27/2007	0.0651	75	28.38
OH	1	7	C	1.78	12/26/2006	0.043	50	29.03
OH	12	6	P	1.86	11/27/2006	0.2261	50	36.15
OH	12	6	P	1.69	11/27/2006	0.0868	50	33.84

Latvia's oil products export terminal of Ventspils remained shut on Thursday due to strong winds, forcing gasoline and gas oil cargoes to halt loading operations. The port, which was closed on Wednesday afternoon, is expected to resume cargo loadings by noon on Friday and resume normal operations on Saturday.

Oil transportation via the Caspian Pipeline Consortium increased by 1.5% on the year to 2.551 million tons in October. Russian oil exports via CPC amounted to 318,500 tons in October.

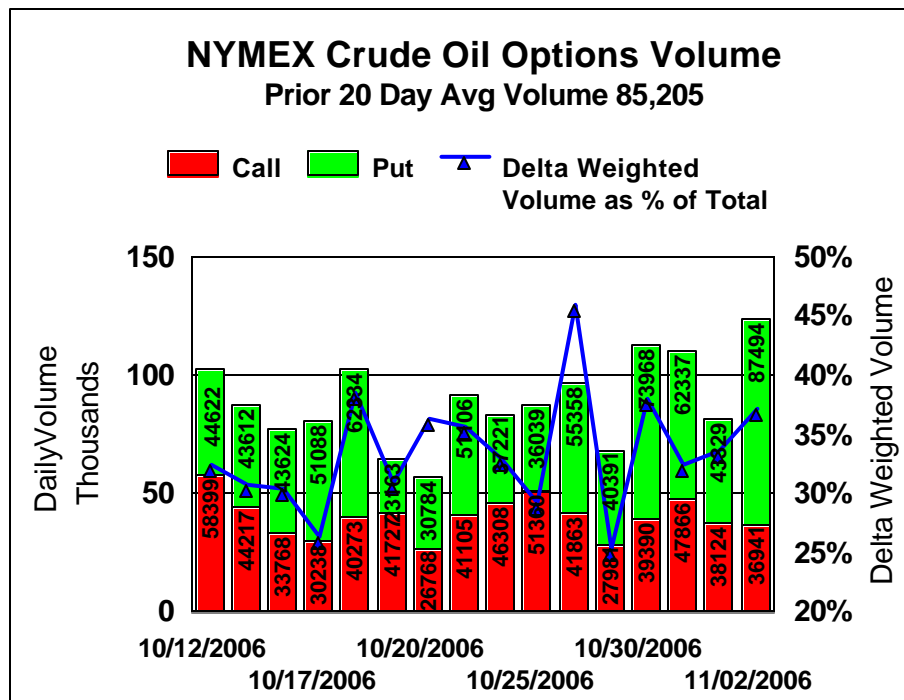
Britain's Venture Production Plc said it planned to build and operate a new pipeline in the North Sea to export oil from its fields in the Greater Kittiwake Area. The pipeline is expected to start up in late 2007. Currently oil from four fields in the GKA is exported via a tanker from the Kittiwake platform. The pipeline would provide a fixed link between the platform and the existing Forties Pipeline System.

According to the Petroleum Association of Japan, Japan's kerosene stocks increased by 1% to 5.45 million kiloliters or 34.26 million barrels in the week

ending October 28. It reported that crude stocks stood at 18.56 million kl or 116.73 million barrels, up 320,000 barrels while gasoline stocks stood at 2.14 million kl or 13.48 million barrels, up 620,000 barrels on the week. Japanese refiners ran their facilities at an average of 74.8% of total capacity of 4.8 million bpd.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 2.989 million barrels to 12.763 million barrels in the week ending November 1. It reported that light distillate stocks increased by 576,000 barrels to 7.358 million barrels while middle distillate stocks fell by 207,000 barrels to 8.255 million barrels on the week.

Sinopec Corp has purchased a 30,000 ton diesel cargo for November following a new import tax cut. Effective from November, the import taxes for diesel and jet fuel were lowered to 2% from 6% and 5%, respectively.



The director of China's Centre for Renewable Energy Development at the National Development and Reform Commission said China aimed to use 6.7 million tons of ethanol and 11 million tons of biodiesel by 2010. China unexpectedly emerged as an exporter of ethanol this year but this 10% level of biodiesel use could leave the country seeking imports, given plans to produce 3 million tons by 2010.

Production News

Royal Dutch Shell resumed operations at its Ekulama 2 and Belema flow stations, with

a combined production capacity of 47,000 bpd of production in Nigeria. It resumed operations after villagers vacated the flow stations they had taken over last week. Its Ekulama 1 flow station remained shut due to damage suffered in an earlier attack.

The Norwegian Oil Industry Association said a strike over wages by more than 800 divers and diving personnel employed in the UK oil and gas industry could impact offshore operations in Norway if workers there decide to take sympathy action. Norwegian continental shelf operations could be affected because the employers involved in the negotiations over wages with the UK divers' union have ships and crews that operate in both UK and Norwegian waters.

Separately, the Norwegian Oil Industry Association said several lifeboats need to be modified to make them safe for human use. Seven Norwegian oil and gas platforms are affected however production is not expected to be halted while remedial work takes place.

A British and American oil worker was kidnapped from a Norwegian oil service ship off the coast of Nigeria's southern state of Bayelsa on Thursday. There was no immediate claim of responsibility for the abduction.

According to Dow Jones, OPEC's crude oil production in October increased by 90,000 bpd on the month to 29.67 million bpd. The ten OPEC members increased their production by 140,000 bpd to 27.69 million bpd.

Russia's Energy Ministry reported that the country's oil production fell to 9.71 million bpd in October from 9.75 million bpd in September and a record high of 9.76 million bpd in August. Production peaked in August after ExxonMobil increased its production at its Sakhalin-1 production site. In regards to exports, deliveries by Transneft to Europe fell by 6.5% in October to 4.2 million bpd from 4.49 million bpd. It reported that Russia's seaborne crude exports supplies to ports fell by 4% on the month to 2.6 million bpd in October.

Brazil's Petrobras said it exported a record of 14 million barrels of oil in October. It exported an average of 453,000 bpd in October, resulting in a total of \$700 million in revenues for the month.

OPEC's news agency reported that OPEC's basket of crudes increased to \$54.25/barrel on Wednesday from \$53.37/barrel on Tuesday.

Abu Dhabi National Oil co set the official selling price of its Murban crude retroactively at \$59.35/barrel for October, down \$3.90 on the month. Its Lower Zakum was set at \$59.40/barrel, its Umm Shaif was set at \$58.75/barrel and its Upper Zakum was set at \$55.75/barrel.

Market Commentary

The oil market opened down 61 cents at 58.10 as it continued to retrace Wednesday's gains. The market extended its losses to over \$1 as it sold off to a low of 57.60. It was pressured in light of reports that Shell resumed operations at two of its Nigerian flow stations that were shut last week after villagers invaded them. The crude market however bounced off that level and erased most of its losses as it rallied to a high of 58.95 late in the session. The market later once again sold off on a late bout of the selling ahead of the close and settled down 83 cents at 57.88. Volume in the crude market was light with over 113,000 lots booked on the day. Volume on Globex was better with over 210,000 lots booked as of the close of the open outcry session. Meanwhile, the heating oil market also settled down 1.18 cents at 163.97 after it opened down more than 2 cents at 163.00 in light of the weather forecasts calling for above normal temperatures. The market sold off to a low of 162.40 amid the weakness in the crude market. It however bounced off its low and rallied to a high of 166.25 before further selling ahead of the close pushed the market back into negative territory. The RBOB market, which posted an inside trading day, sold off and posted a double bottom at 145.50. The market

however bounced off that level and rallied to a high of 150.00. The RBOB market, which failed to breach its resistance, retraced its gains and settled down 1.83 cents at

		Levels	Explanation
CL	Resistance	59.45, 59.65-59.90, 61.00	Remaining gap, Previous high
	57.88, down 83 cents	58.95	Thursday's high
	Support	57.60	Thursday's low
		57.05, 56.55	Previous lows
HO	Resistance	167.15, 170.00 to 171.90	Remaining gap (October 30th)
	163.97, down 1.18 cents	166.25	Thursday's high
	Support	162.40	Thursday's low
		157.00	Previous low
RB	Resistance	150.50, 153.00 to 154.75	Remaining gap (October 30th)
	147.65, down 1.83 cents	150.00	Thursday's high
	Support	145.50	Double bottom
		144.25	Previous low

147.65. Volumes in the product markets remained light, with 19,500 lots booked in the heating oil market and 16,000 lots booked in the gasoline market.

Option volume today in the products remained relatively subdued once again with just over 2100 lots booked in the heating oil, 424 lots in the RBOB and just 23 lots in the unleaded contract. But crude oil options saw an over 50% jump in volume on the day, led by puts which posted the largest daily traded volume since September 21st. The most active strike on the day was the December 2007 \$57 put which traded 8500 times.

The oil market is seen remaining in its recent trading range amid the lack of any momentum to either trade above the 60.00 level or below the 57.00 levels. The market is seen waiting for further reports stating whether OPEC members are complying with their recent decision to cut total oil production by 1.2 million bpd. The market is also seen remaining range bound as talks continue over the draft UN resolution, proposed by the UK, France and Germany, which would impose sanctions against Iran. The market is seen testing its support at its low of 57.60 followed by 57.05. More distant support is seen at 56.55. Meanwhile resistance is seen at its high of 58.95 followed by its previous high of 59.45. More distant resistance is seen at its gap from 59.65 to 59.90.