



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR NOVEMBER 6, 2006**

---

Suspected militants invaded an oil production facility operated by Italy's Agip at Tebidaba in southern Nigeria on Monday. It was unclear whether the attack was part of the threat to launch a campaign of 10-20 bombings, attacks on oil facilities and kidnappings in the first week of November. The Tebidaba flow station pumps 50,000 bpd of crude to the Brass tanker terminal. Another Agip flow station in Clough Creek was invaded last week. The youths vacated the facility on Friday and the company said the impact on production was minimal. Meanwhile Nigeria's Energy Minister Edmund Daukoru said he expected a British and American kidnapped from an oil industry ship off Bayelsa last week to be freed soon. Separately, Nigeria's Energy Minister said Nigeria would announce new bids for 56 oil exploration blocks soon.

OPEC's President Edmund Daukoru said that all OPEC members would fully implement their production cuts. However he stated that the oil market may not feel the effects of OPEC's production cuts until later this month. He said the oil market was oversupplied, as global oil stocks still remained high. He stated that if prices remain low and stocks remain high, OPEC would cut its production further in December. Separately, the oil ministers of Saudi Arabia, Kuwait, Qatar and the UAE and independent producers Oman and Bahrain

#### Market Watch

Venezuela's President Hugo Chavez said Venezuela could stop exporting oil if the run-up to the December elections is marred by violence or sabotage by the country's political opposition.

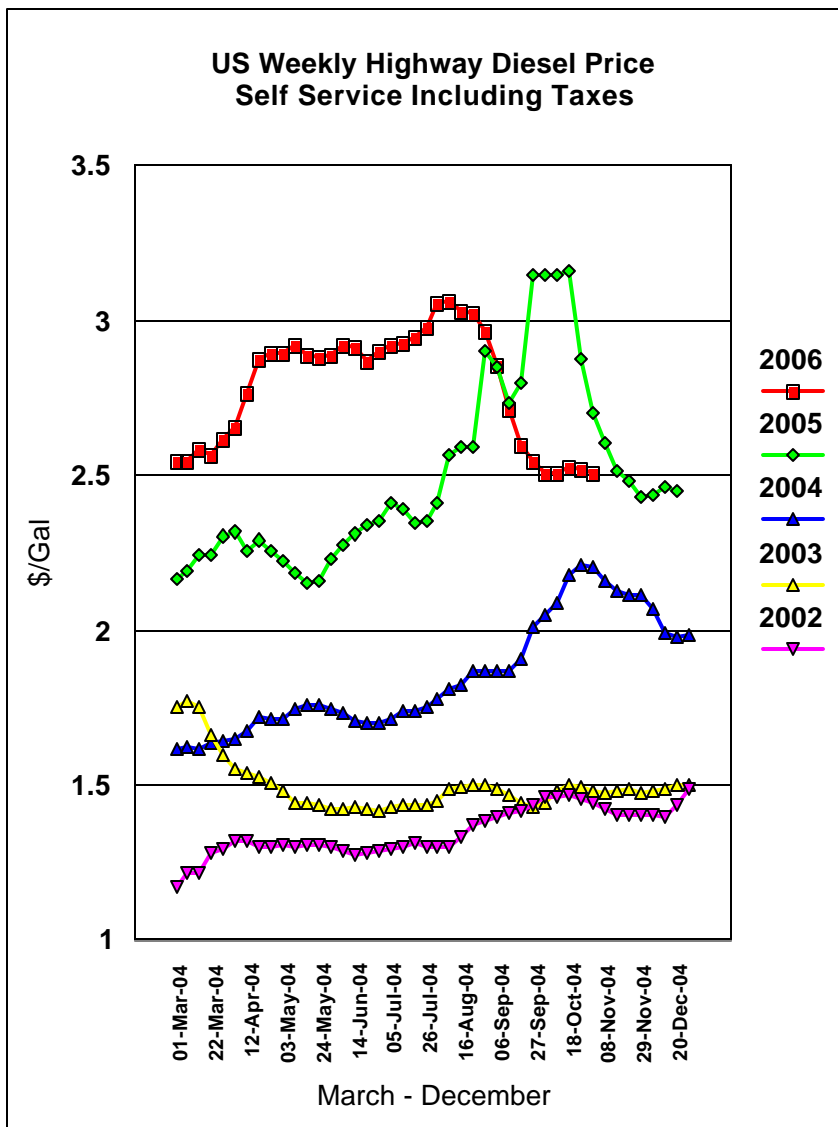
Norway's Statoil ASA said it agreed to buy Gulf of Mexico assets from Anadarko Petroleum Corp for \$901 million to expand its portfolio of deepwater oil discoveries and prospects in the area.

A senior Kuwait Petroleum Corp official said Kuwait was seeking opportunities in Iraq's upstream sector but added that it had no plans to build a refinery in the country.

Mexico's Pemex is expected to invest \$16 billion in 2007. The planned investment represents an increase over the \$10 billion a year which Pemex has invested on average over the past six years.

Royal Dutch Shell said two new pipelines across the Gulf from Iran may be needed to meet increasing gas demand in the Middle East. The pipelines would need to have capacity of 1.25 billion cubic feet/day of gas to meet expected shortfalls in supplies by 2015. It said the pipeline to UAE and Oman could originate in Iran or Qatar.

Gold prices have tracked a declining oil price in recent months after reaching a high of \$730/ounce in mid-May. A portfolio manager said gold and oil prices may influence each other in the near term but added that there was no strict correlation between the two commodities. He forecast more volatility and a doubling of prices.



are scheduled to meet on Wednesday to discuss world oil markets and plan to pool oil product resources to cover any regional shortages.

Saudi Arabia's Oil Minister Ali Naimi said OPEC would take further action at its December meeting if the oil market remained imbalanced. He said that economies had proven tough enough to withstand higher oil prices and added that low world oil prices were not sustainable. He also said he saw opportunities for investors to research, develop and market new resources of energy, which could help supplement conventional energy resources.

Industry analyst, Trilby Lundberg said US retail gasoline prices are expected to stabilize. The Lundberg survey showed that the US average retail price of gasoline stood at \$2.18/gallon on November 3.

The EIA reported that the US average retail price of diesel fell by 1.1 cents/gallon to \$2.506/gallon in the week ending November 6. The

EIA also reported that the US average retail price of gasoline fell by 1.8 cents /gallon to \$2.20/gallon in the latest week.

### Refinery News

The Louisiana Offshore Oil Port suspended the offloading of an oil tanker on Monday due to high winds. Its suspension of offloading is expected to remain in effect until Tuesday. Its onshore operations were normal, with the facility making crude oil deliveries out of storage at a normal pace.

Traffic on the Houston Ship Channel resumed on Monday after it was halted earlier in the morning due to fog. At the time of the closure, six vessels were waiting to enter the channel.

ExxonMobil's gofiner unit at its 583,000 bpd Baytown, Texas refinery returned to service late Friday following a fire on Thursday. Separately, ExxonMobil said it started planned maintenance of its hydrocracking unit at its 150,000 bpd Torrance, California refinery on Monday. The rest of the refinery units were normal on Monday.

The Kuwait National Petroleum Co said part of an oil refinery shutdown following an explosion was expected to resume operations in about three days. An explosion in the heavy oil unit at the Shuaiba

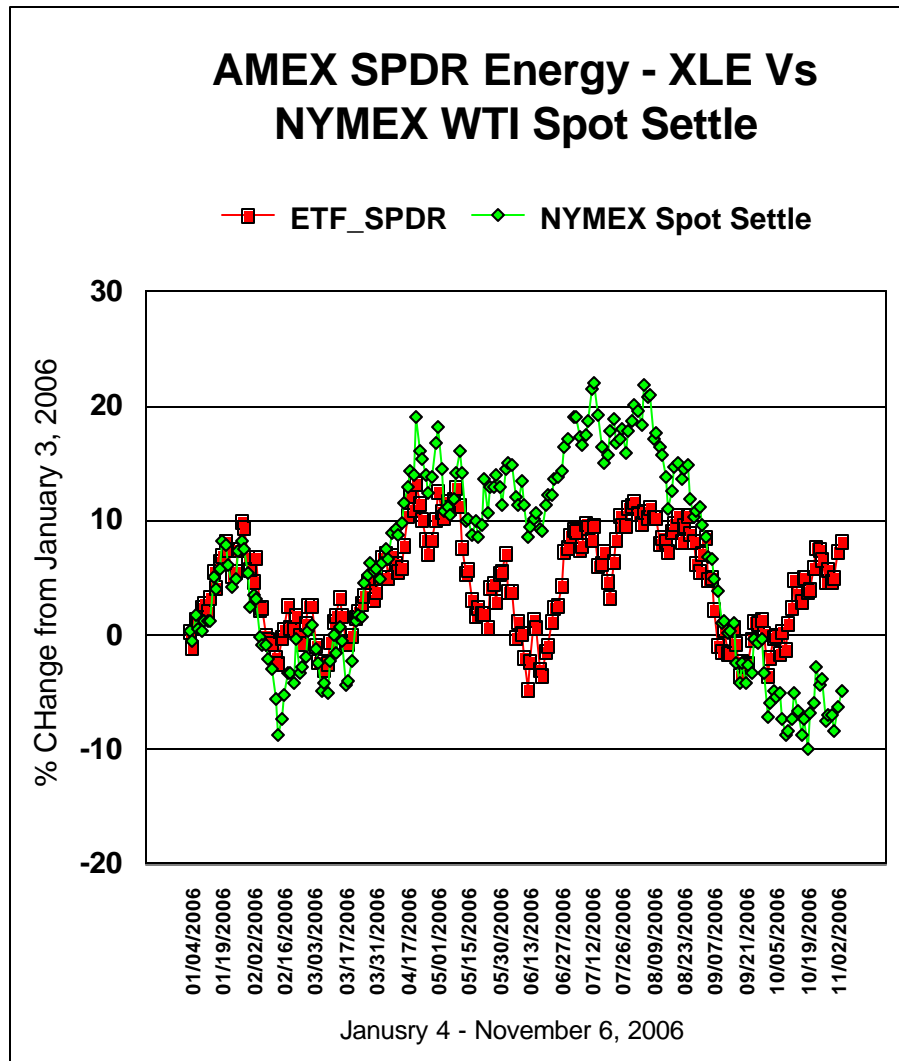
refinery cut production from 200,000 bpd to about 120,000 bpd. The heavy oil unit was shutdown

while other units were temporarily closed as a precautionary measure.

Some units at ConocoPhillips' 275,000 bpd Wilhelmshaven refinery in Germany were still operating below normal rates on Monday after weekend power cuts forced them to shut for a few hours. German utility E.ON said an overload of its northwest German high voltage grid was responsible for the temporary power cuts.

ExxonMobil Corp's 105,000 bpd Ingolstadt refinery in Germany shutdown completely due to power cuts over the weekend. The refinery is expected to resume full operations before the end of the week.

Neste Oil said output from its main Porvoo refinery is expected to fall by about 100,000 tons due to a three week shutdown of a fluid catalytic cracking unit at the refinery. The closure is not expected to impact deliveries



as Neste uses supplies from its inventories.

Operations at Galp's 213,000 bpd Sines and 91,000 bpd Matosinhos refineries returned to normal on Monday as workers resumed work following a two day strike. However the head of Galp's workers union said no agreement had yet been reached with the company over a 5,000 euro or \$6,357 bonus payment for each worker and added that new strikes could take place if negotiations stalled.

Reuters reported that complex Rotterdam refineries' profits increased by 9 cents over the week to \$4.10/barrel. Gasoline cracks stabilized at about \$4/barrel while middle distillates also stabilized. US Gulf refineries cracking Brent crude saw margins almost unchanged at \$4.84 while those cracking light Texas crude saw margins fall by \$1.17 to \$2.92/barrel.

Japan's Taiyo Oil Co. Ltd said it planned to shut its two crude distillation units at its Kikuma refinery for inspection for about a week in June or July 2007. The shutdown is part of the inspection of the crude distillation units at its Kikuma refinery following an accident earlier this year.

Japan's Idemitsu Kosan Co Ltd said it planned to shut two crude distillation units for planned maintenance in 2007. It is expected to shut a 140,000 bpd crude distillation unit at its Hokkaido refinery around June-July 207 and a 220,000 bpd crude distillation unit at its Chiba refinery in the second quarter of next year.

**NYMEX Petroleum Options Most Active Strikes for November 6, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	P	1.45	11/27/2006	0.0202	260	35.22
GO	12	6	P	1.52	11/27/2006	0.0463	20	34.91
GO	12	6	P	1.5	11/27/2006	0.0374	20	35.07
LO	12	6	P	75	11/14/2006	14.98	6,115	66.29
LO	2	7	C	65	01/17/2007	2.05	5,735	26.30
LO	12	6	P	72	11/14/2006	11.98	5,000	54.14
LO	12	6	C	60	11/14/2006	1.1	4,868	30.81
LO	3	7	P	61.5	02/14/2007	2.27	4,700	26.11
LO	1	7	C	68	12/14/2006	0.42	4,534	27.90
LO	12	6	C	62	11/14/2006	0.39	3,558	30.84
LO	6	7	P	60	05/17/2007	2.33	3,340	26.61
LO	6	7	P	70	05/17/2007	6.93	3,240	25.20
LO	6	7	C	67	05/17/2007	4.13	2,500	25.04
LO	5	7	P	55	04/17/2007	0.99	2,500	27.66
LO	6	7	P	52	05/17/2007	0.78	2,500	29.24
LO	5	7	P	58	04/17/2007	1.59	2,500	26.88
LO	6	7	P	58	05/17/2007	1.81	2,250	27.22
LO	1	7	C	64	12/14/2006	1.28	2,130	27.67
LO	4	7	P	58	03/15/2007	1.37	2,050	26.80
LO	4	7	P	55	03/15/2007	0.81	2,050	27.76
LO	1	7	P	78.5	12/14/2006	16.75	1,500	41.75
LO	1	7	P	77	12/14/2006	15.25	1,500	38.39
LO	3	7	P	61	02/14/2007	2.08	1,400	26.17
LO	12	6	C	59.5	11/14/2006	1.36	1,316	30.68
LO	12	10	C	100	11/16/2010	1.87	1,250	20.07
LO	12	6	C	61.5	11/14/2006	0.52	1,204	30.85
LO	1	7	C	62	12/14/2006	2.06	1,177	27.63
LO	12	6	P	59.5	11/14/2006	0.84	1,090	30.65
LO	1	7	C	61	12/14/2006	2.56	1,022	27.68
LO	4	7	P	45	03/15/2007	0.08	1,000	30.58
LO	2	7	P	45	01/17/2007	0.03	1,000	33.22
LO	12	6	P	74	11/14/2006	13.98	1,000	62.29
OB	12	6	C	1.8	11/27/2006	0.0044	260	41.53
OB	1	7	C	1.65	12/26/2006	0.055	250	34.38
OB	5	7	P	1.8	04/25/2007	0.135	150	32.57
OB	5	7	P	1.9	04/25/2007	0.1909	110	33.16
OB	12	6	P	1.5	11/27/2006	0.0378	100	39.18
OH	3	7	C	1.9	02/23/2007	0.0749	505	28.76
OH	12	6	C	1.75	11/27/2006	0.0412	400	33.61
OH	12	6	P	1.55	11/27/2006	0.0066	275	34.15
OH	12	6	C	1.65	11/27/2006	0.0948	105	33.72

Poland's President Lech Kaczynski said that PKN Orlen SA would not back out of an agreement to purchase Lithuania's Mazeikiu Nafta refinery despite financial setbacks. He said PKN Orlen was determined to complete the deal by the end of the year.

**Production News**

BP Plc's Valhall field resumed operations on Sunday following storm related lifeboat damage. However it is expected to take time to reach its plateau output capacity. It usually produces 100,000 bpd of oil equivalent.

A representative for North Sea divers' union, RMT said striking divers were hopeful of resolving their pay dispute after starting indirect talks with their employers. The strike started after divers rejected a three year pay offer, which included a 20% increase in wages effective November 1 followed by a further 5% on April 1, 2007.

Total made two significant oil and gas finds in British territorial waters in the North Sea. It said one discovery at Jura West could begin production in 2008.

Saudi Aramco increased the prices of its crude supplies bound for the US. It increased the price of its Arab Extra Light to WTI minus \$3.85 while the price of its Arab Light was increased by 15 cents to WTI

minus \$6.85, its Arab Medium was increased by 65 cents to WTI minus \$8.55 and its Arab Heavy was increased by 90 cents to WTI minus \$10.80. Meanwhile, its prices for Saudi oil destined for Europe were cut. It cut the price of its Arab Extra Light at Ras Tanura to BWAVE minus \$2.55 while the price of its Arab Light was cut by 50 cents to BWAVE minus \$5.55. Its Arab Medium was cut by 25 cents to BWAVE minus \$7.20 while its Arab Heavy crude price was unchanged at BWAVE minus \$8.70. Its price of Arab Super Light crude bound for Asia was cut by 10 cents to the Oman/Dubai average plus \$6.00 while the prices of its Extra Light and Arab Light were both cut by 15 cents to the Oman/Dubai average plus \$2.95 and the Oman/Dubai average minus 10 cents, respectively. Its Arab Medium was unchanged at the Oman/Dubai average minus \$2.70 and its Arab Heavy was increased by 20 cents to the Oman/Dubai average minus \$5.30.

Qatar Petroleum said it cut its October retroactive official selling price for Qatar Land crude to \$58.57/barrel, down \$4 from September. The Qatar Marine crude official selling price was set at \$55.87/barrel, down from \$59.71/barrel for September.

India's Petroleum and Natural Gas Minister Murli Deora said India was considering a cut in gasoline and diesel prices, in line with the fall in international oil prices.

OPEC's news agency reported that OPEC's basket of crudes fell to \$54.07/barrel on Friday from \$54.25/barrel on Thursday.

### **Market Commentary**

The crude market opened 16 cents higher at 59.30 and traded to 59.90 amid the reports that militants invaded a 50,000 bpd Nigeria oil production facility operated by Italy's Agip at Tebidaba on Monday. This followed the warnings by the US consulate on Friday that militants were planning widespread attacks on production facilities in Nigeria during the first week of November. The market was supported by the news after it mostly shrugged off the reports of the attack in overnight trading. The market later retraced some of its gains and posted a low of 59.25. However the market bounced off that low and continued to trend higher in light of Saudi Arabia's Oil Minister stating that OPEC could cut its production further in December if the market remained imbalanced. The market rallied to a high of 60.55 before it retraced some of its gains ahead of the close. It settled up 88 cents at 60.02.

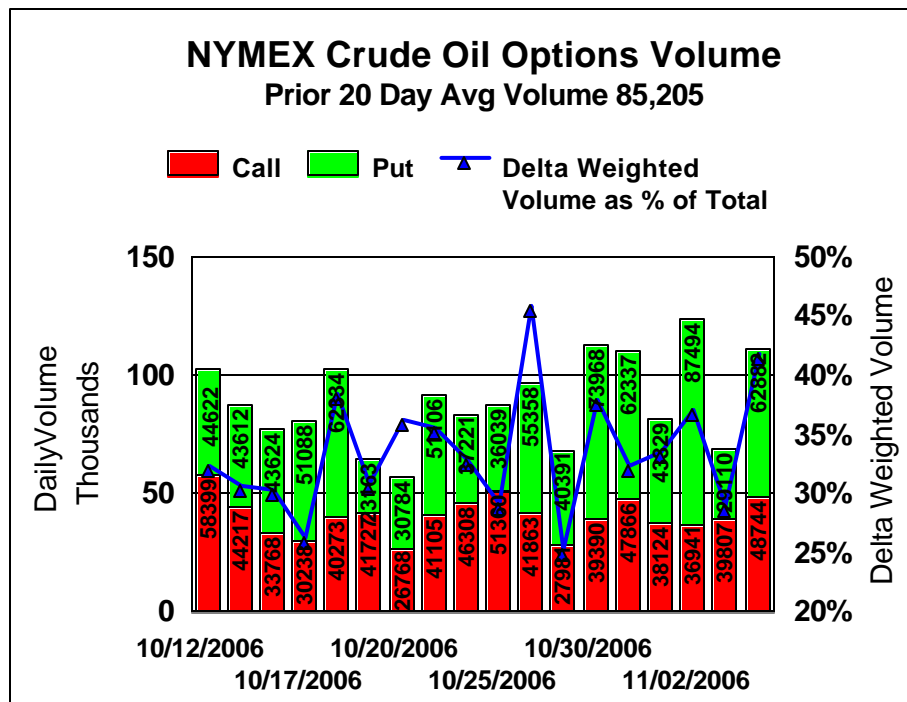
Volume in the crude market was light with only 96,600 lots booked on the day. Meanwhile, the heating oil market gapped higher from 168.80 to 169.50, its low. It

		Levels	Explanation
CL	<b>Resistance</b>	61.00, 61.70	Previous highs
	60.02, up 88 cents	60.55	Monday's high
	<b>Support</b>	59.75, 59.25	Monday's low
HO	<b>Resistance</b>	174.70, 178.20	Previous highs
	171.84, up 4.09 cents	173.70	Monday's high
	<b>Support</b>	171.20, 169.50 to 168.80	Opening gap(November 6th)
RB	<b>Resistance</b>	157.50, 159.75, 160.00	Previous highs
	154.33, up 1.76 cents	156.50, 162.40	Monday's high
	<b>Support</b>	153.25	Monday's low
		149.50, 145.50, 144.25	Previous low, Double bottom, Previous low

rallied to a high of 173.70 amid the strength in the crude market. It later settled in a sideways trading pattern and erased some of its gains ahead of the close. It settled up 4.09 cents at 171.84. The RBOB market also opened at its low of 153.25 and quickly rallied to a high of 156.50 before it retraced some of its gains and settled in a 2 cent trading range for much of the day. The market, which traded towards the 153.50 level ahead of the close, settled up 1.76 cents at 154.33. Volumes in the product

markets remained light, with 33,600 lots booked in the heating oil market and 14,300 lots booked in the RBOB market.

Despite the rally in crude oil prices today the crude oil options market today saw puts account for the majority of the interest on the day for the seventh time out of the last eight trading sessions. The most active strike was the December \$75 put in what appeared to be a liquidation trade.



The oil market will remain supported amid the possibility of further attacks on Nigerian oil facilities while OPEC continues to state that all its members would comply with the 1.2 million bpd output cut. The market is also seen remaining supported in light of the Saudi statement that OPEC could cut its production further in December if the market remained imbalanced. The market is seen finding support at 59.75 followed by its low of 59.25. More distant support is seen at its lows of 58.30, 57.60 and 57.05. Meanwhile resistance is seen at its high of 60.55 followed by 61.00 and 61.70.