



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 9, 2006

An Agip official said nine out of about 50 oil workers being held hostage at the Tebidaba flow station in Nigeria's southern Niger Delta region have escaped. The Tebidaba flow station was still under occupation by armed militants and villagers pressing demands for oil spills to be cleaned up and compensation paid. Agip has halted 50,000 bpd of oil production from the flow station. Meanwhile, the Bayelsa state government was negotiating with the militants to try and secure the release of the remaining hostages.

Russia's Foreign Minister Sergey Lavrov said Iran's chief nuclear negotiator, Ali Larijani is expected to visit Russia for talks on Friday. He said Russia would push for a rapid start to international talks on Iran's nuclear program. While Russia has rejected the draft UN

Market Watch

PDVSA has been pressuring its six partners in the Orinoco belt to convert their operations into state dominated joint ventures. ExxonMobil Corp, ConocoPhillips, Chevron Corp, Total, Statoil and BP Plc must decide either to adhere to Venezuela's energy policy terms or to walk away from their projects. PDVSA President Rafael Ramirez has stated that the oil companies must sign the initial agreements by the end of the year.

An Iranian deputy oil minister, Mohammad Reza Nematzadehh said Iran was launching a system of smart cards for purchasing gasoline. It is a move, which analysts said paved the way for possible fuel rationing next year. Iran lacks the refinery capacity to be self sufficient in gasoline, importing about 40% of its 75 million liter/day domestic demand. Iran's parliament recently approved an increase in the budget allocation for imports of fuel to prevent a need to start rationing fuel this Iranian year ending in March 2007.

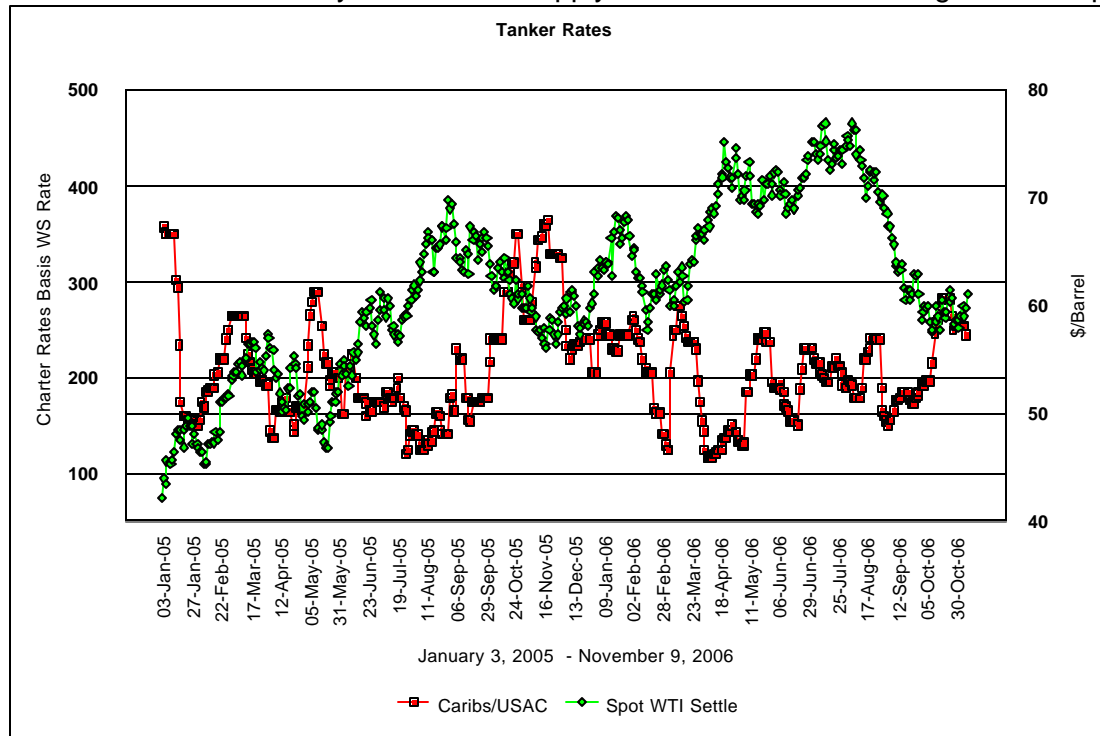
Former Nigerian military ruler Ibrahim Babangida formally announced his candidacy for president. Nigeria is scheduled to hold its election in April for a successor to Olusegun Obasanjo. However the prominence of former military rulers in national politics is a source of concern for Nigerians.

The CFTC's Commitment of Traders reports scheduled to be released on Friday will be delayed until Monday, November 13 due to the Veterans Day holiday on Friday.

The DOE said today that it will adopt new rules for acquiring crude oil for the SPR that would require the Department to consider the effects of its purchases on oil markets and prices. The rule will take effect on December 8th. The department has not formally acquired oil for the SPR on the open market since 1994, but expects to do so again once it expands storage levels to 1 billion barrels. The recent additions to the stockpile has been fulfilled by royalty-in-kind purchases.

resolution imposing sanctions against Iran, Russia has been applying its own pressure by threatening to delay its nuclear power project in Iran.

The IEA's head Claude Mandil said world oil stocks ahead of the winter demand season are not exceptionally high and do not justify OPEC's 1.2 million bpd output cut. He said stocks in the OECD countries stood at 55 days of forward supply. He said OPEC's timing to cut its production seemed



inappropriate. He also expressed concern that OPEC's move was an attempt to hold prices from falling below \$60/barrel, when they should be lower.

Separately, the IEA said China's new strategic oil reserves should only be used in the case of real

supply disruptions and not for commercial purposes. China has rented out a third of its storage capacity at its first strategic oil reserve to Sinopec, stoking fears that China would use its oil reserves more readily than OECD nations. Industry sources stated that Sinopec has secured a deal to use 10 million barrels of storage at the new tanks and is in talks to double that amount. Last week a US official said the US was concerned that China may be tempted to tap into its reserve if high oil prices were impeding its economic growth.

According to Oil Movements, OPEC's exports are expected to increase by 260,000 bpd to 24.96 million bpd in the four weeks ending November 25.

Refinery News

Motiva Enterprises has delayed the restart of a crude distillation unit and coking unit at its 240,000 bpd refinery in Norco, Louisiana. The units, which started a five week maintenance period on October 1, were expected to resume operations at the end of last week.

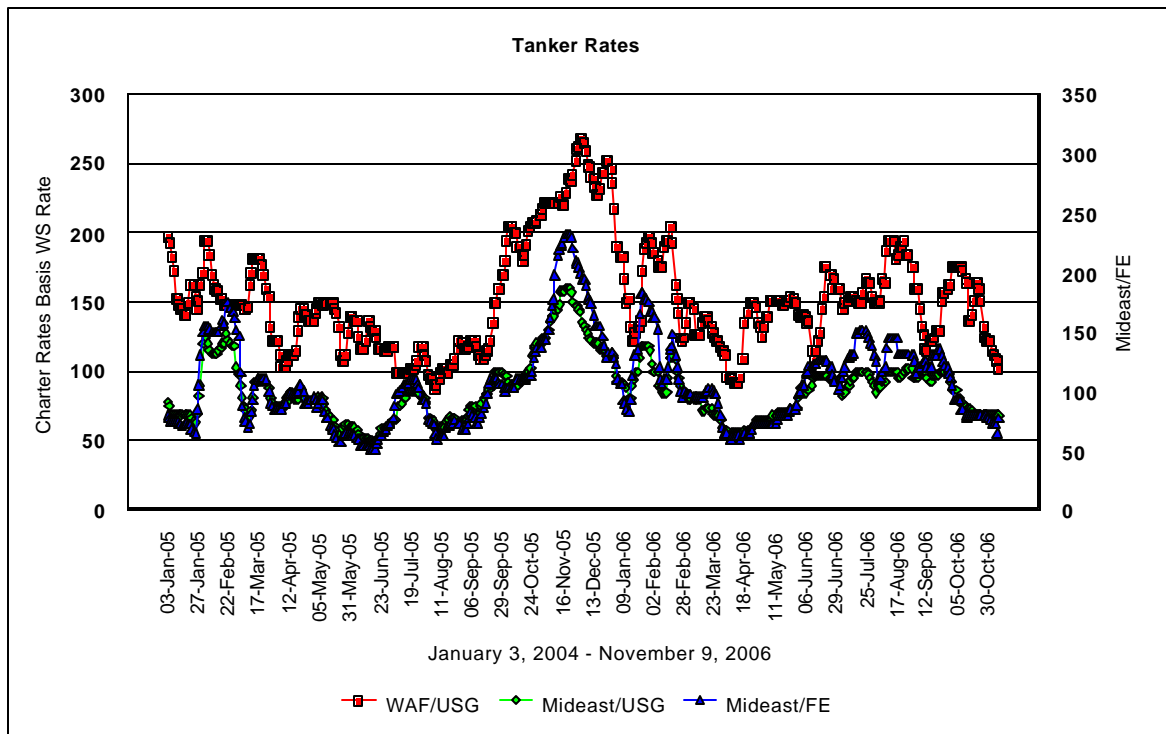
Italy's ENI is expected to partially close its 100,000 bpd Gela refinery in Sicily for 35 days of maintenance starting in mid-January. The partial shutdown, which would include maintenance on a coker and a topping unit, would cut output by about 25%.

Japan's Cosmo Oil Co Ltd restarted a 75,000 bpd crude distillation unit at its Yokkaichi refinery earlier in the day as scheduled following unplanned cleaning.

Kuwait Petroleum Corp is expected to add 110,000 bpd to 150,000 bpd of crude processing capacity at its existing refineries by 2012. It is in addition to its plan to build a new 615,000 bpd refinery. The company was previously expected to add 70,000 bpd of capacity to existing facilities.

BP said it had indefinitely postponed resuming exports via its Baku-Supsa oil pipeline between the Caspian and Black Sea due to problems discovered during routine maintenance. The pipeline was closed on October 21 for 10 days of maintenance.

Georgia's Black Sea port Batumi increased its crude and refined products shipments in October due to new volumes of Azeri crude. Its shipments increased to 929,700 tons in October, up from 871,700 tons last



year and 733,500 tons in September. In the January-October period, it loaded 10.1 million tons, up from 7.8 million tons reported last year.

Russia's Rosneft said it planned to construct a 200,000 bpd refinery with China National Petroleum Corp in China. The refinery would be supplied with Russian and Chinese oil. The companies are also expected to build 300 petrol stations in China.

Police arrested oil smugglers that built underwater pipelines to pump contraband diesel from Hong Kong across China's border. Two pipelines buried under the beach at the port of Zhuhai fed into secret underground oil storage tanks, which were destroyed following the raid. The other end of the pipelines floated on the surface of the sea, where fishing boats illegally pumped in diesel from Hong Kong.

Indonesia's Pertamina may purchase up to 3.6 million barrels of Asia-Pacific crude in its tender for January arrivals.

Production News

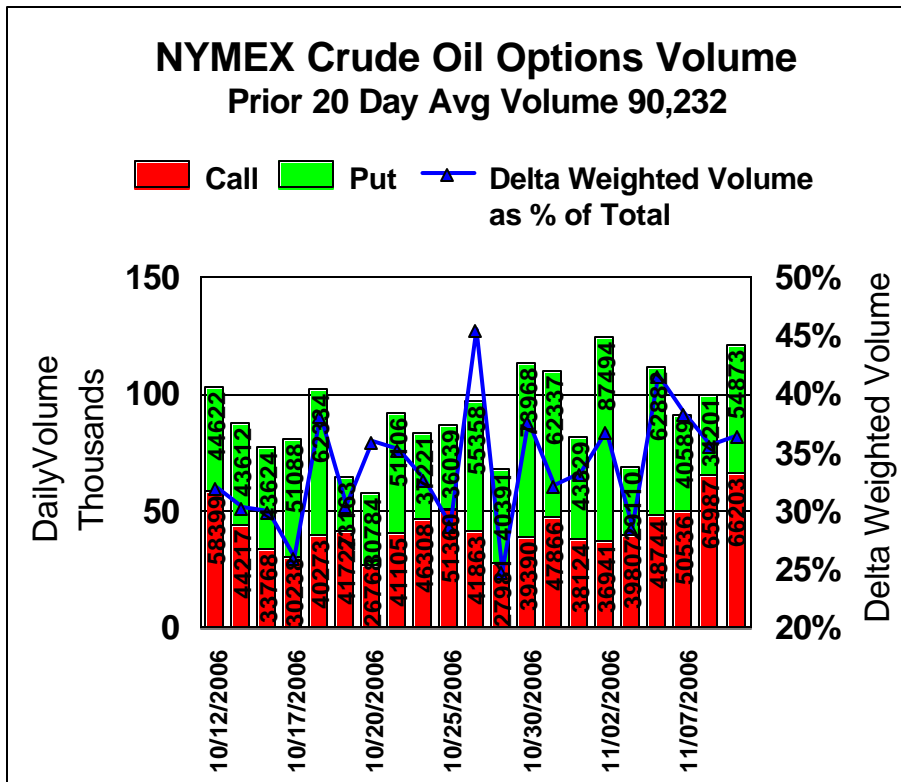
Saudi Arabia has accelerated its near term production expansion plan and may add up to an additional 1.5 million bpd in crude production in 2010-2011 to avoid potential supply disruptions and meet increasing world demand. The Saudi National Security Assessment Project said the country planned to increase its output capacity to as high as 13.5 million bpd by 2012. The first phase, increasing production to 12.5 million bpd from current capacity of 11.3 million bpd has been placed on an accelerated timeline. By June 2007, Saudi Arabia is expected to have enough spare capacity to offset all Iranian exports. It said the Khursaniyah field is expected to increase its production to 500,000 bpd by June 2007 while the Shaybah field is expected to increase 250,000 bpd to 800,000 bpd by April or May 2008. The Nuayyim field is expected online by February 2009, adding another 100,000 bpd. The Khoreis project would also add 1.2 million bpd of production.

NYMEX Petroleum Options Most Active Strikes for November 9, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
GO	12	6	C	1.6	11/27/2006	0.0499	31	34.99
GO	12	6	P	1.55	11/27/2006	0.0277	26	35.22
LO	12	6	C	62	11/14/2006	0.51	8,765	30.14
LO	12	6	C	61	11/14/2006	0.95	5,549	30.46
LO	4	7	P	57	03/15/2007	0.93	5,125	27.14
LO	12	6	P	60	11/14/2006	0.4	3,830	30.36
LO	12	6	C	60	11/14/2006	1.56	3,753	30.41
LO	12	6	C	63	11/14/2006	0.25	3,207	30.40
LO	1	7	C	66	12/14/2006	0.96	2,869	26.62
LO	2	7	C	68	01/17/2007	1.44	2,802	25.63
LO	12	6	P	74	11/14/2006	12.84	2,500	67.60
LO	2	7	P	45	01/17/2007	0.02	2,203	33.97
LO	12	6	C	61.5	11/14/2006	0.71	2,184	30.39
LO	6	7	P	60	05/17/2007	2.04	2,000	26.62
LO	3	7	P	60	02/14/2007	1.36	1,976	26.33
LO	12	6	P	61	11/14/2006	0.79	1,976	30.45
LO	12	7	C	80	11/13/2007	2.4	1,850	23.00
LO	12	7	C	70	11/13/2007	5.48	1,850	23.77
LO	2	7	C	64	01/17/2007	3	1,669	25.87
LO	12	6	P	73.5	11/14/2006	12.34	1,500	65.18
LO	12	6	C	62.5	11/14/2006	0.36	1,467	30.18
LO	12	6	P	62	11/14/2006	1.34	1,457	29.80
LO	4	7	P	60	03/15/2007	1.56	1,375	26.27
LO	6	7	C	78	05/17/2007	1.3	1,300	24.43
LO	12	6	P	59	11/14/2006	0.18	1,289	30.73
LO	12	6	P	60.5	11/14/2006	0.57	1,280	30.31
LO	1	7	C	63	12/14/2006	2.09	1,258	26.67
LO	12	8	C	80	11/17/2008	3.54	1,250	20.58
LO	12	8	P	60	11/17/2008	4.16	1,250	23.60
LO	1	7	C	62	12/14/2006	2.61	1,220	26.63
LO	4	7	P	50	03/15/2007	0.21	1,201	29.05
LO	12	6	P	75	11/14/2006	13.84	1,201	72.37
LO	12	6	C	70	11/14/2006	0.01	1,200	48.07
LO	6	7	C	75	05/17/2007	1.86	1,200	24.32
OB	12	6	C	1.7	11/27/2006	0.0181	213	35.91
OB	12	6	C	1.8	11/27/2006	0.0051	200	36.91
OB	12	6	C	1.68	11/27/2006	0.02	158	33.38
OH	2	7	C	1.92	01/26/2007	0.0618	213	29.76
OH	12	6	P	1.6	11/27/2006	0.0067	201	32.61
OH	2	7	C	2.02	01/26/2007	0.0378	200	30.72
OH	1	7	C	2	12/26/2006	0.0234	180	33.41
OH	3	7	C	1.87	02/23/2007	0.0925	130	28.15
OH	3	7	P	1.78	02/23/2007	0.08	130	27.45
OH	12	6	P	1.94	11/27/2006	0.199	100	34.45

The Norwegian Petroleum Directorate said Norway's oil production increased to 2.25 million bpd on average in October from 2.22 million bpd in September.

The North Sea Brent crude oil system is scheduled to load 8.31 million barrels in December, up from 6.67 million barrels in November.

Norway's Industri Energi union said remote operated vehicle workers at an unspecified Norwegian oil field could go on strike from December 1 if approval for action is gained from the Norwegian Confederation of Trade Unions.



Norwegian divers are not allowed by law to take sympathy action, however the associated personnel working on sub-sea operations could strike. It said the decision to remove only a few workers was strategic and would pressure the companies that are currently negotiating with UK union RMT over divers' wages.

Iran cut its December official selling price for Iranian Light and Heavy crude to the Mediterranean. It lowered the December price for Iranian Light crude from Kharg Island to BWAVE minus \$7.35 from BWAVE minus \$6.40 in November. It also cut the price of Iranian Heavy in December to BWAVE minus

\$8.80 from BWAVE minus \$7.95. The price of Iranian Light from Sidi Kerir was cut to BWAVE minus \$5.75 from minus \$4.75 in November. Iranian Heavy was lowered to BWAVE minus \$7.20 from minus \$6.30.

Ecuador's central bank said the country's average oil production increased by 3% to 542,945 bpd in the first nine months of the year from 528,725 bpd in the same period of 2005.

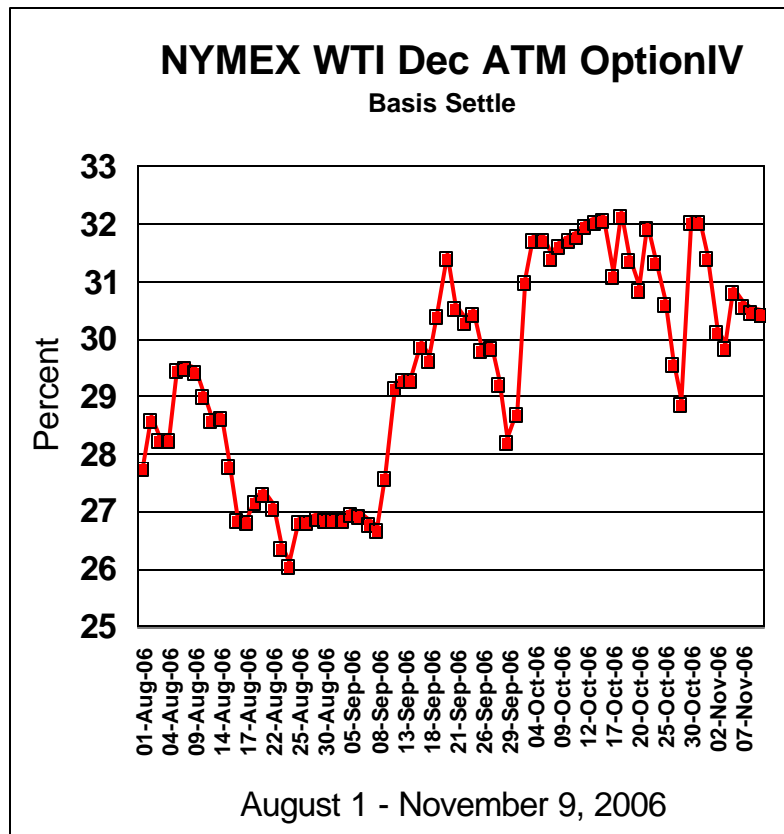
OPEC's news agency reported that OPEC's basket of crudes fell to \$55.18/barrel on Wednesday from \$55.64/barrel on Tuesday.

	Levels	Explanation	
CL	61.70, 61.90, 62.75	Previous highs	
	Resistance 61.16, up \$1.33	61.33	Thursday's high
	Support	60.50 to 60.30	Remaining gap (November 9th)
HO	59.10, 58.90, 58.30	Previous lows	
	Resistance 174.56, up 3.5 cents	178.20, 178.25, 180.20	Previous highs
	Support	175.70	Thursday's high
RB	172.70 to 172.50	Remaining gap (November 9th)	
	Resistance	168.50, 167.80	Previous lows
	Support	163.50, 168.50	Previous highs
	161.10, 162.00	Thursday's high	
	158.50	Thursday's low	
	155.00, 152.75	Previous lows	

Market Commentary

The oil market gapped higher from 60.30 to 60.90 in follow through buying seen in overnight trading. The market continued to trend higher following Wednesday's late rebound from its low. The crude market quickly rallied to a high of 61.30 and settled in a mostly sideways trading pattern after it partially backfilled its gap as it posted a low of 60.50. The market however bounced off its low and rallied to a

high of 61.33 ahead of the close. The crude market settled up \$1.33 at 61.16. Volume in the crude market was better with over 216,000 lots booked on the day. Similarly, the heating oil market also gapped higher from 172.50 to 174.50 amid the strength seen in overnight trading on Globex and quickly rallied to a high of 175.70. The market remained well supported by Wednesday's DOE report,



which showed the larger than expected draws in stocks. However the market later retraced some of its gains and partially backfilled its gap as it traded to a low of 172.70. The heating oil market later bounced off its low and traded back above the 174.00 level and settled up 3.5 cents at 174.56. The RBOB market also settled up 2.75 cents at 160.52. The market gapped higher on the opening from 158.90 to 160.50 as it continued to trend higher. The market quickly posted a high of 162.00. However the market retraced some of its gains and backfilled its gap as it sold off to a low of 158.50 in afternoon trading. The market later settled in a sideways trading pattern ahead of the close. Volumes in the product markets were light with 28,000 lots booked in the heating oil market and over 19,000 lots booked in the RBOB market.

The oil market is seen retracing some of its gains early on Friday before it once again continues to trend higher

ahead of the weekend. Technically, the market is still seen trending higher as its stochastics still have room to the upside. The market is seen backfilling its gap from 60.50 to 60.30. More distant support is seen at its previous low of 59.10, 58.90 and 58.30. Meanwhile resistance is seen at its high of 61.33 followed by 61.70 and 61.90. More distant upside is seen at 62.75.

It is interesting that on Wednesday saw aggressive trading in the December \$60 Call, with over 15,600 lots changing hands only to see this strike in the money to start the day today. Thursday's option activity saw the strong trading interest in the December \$62, \$61 and \$63 calls (see table above) trading 8,765, 5,549 and 3,207 lots respectively. This may bode well for the bulls again tomorrow as buyers of these calls may push on the market to have sellers of these strikes once again have to scramble to cover these short option positions once again.