



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 20, 2006

Iran's Oil Minister, Kazem Vaziri-Hamaneh said OPEC was still undecided about making a further cut in production at a meeting scheduled for December 14. He said OPEC needed to assess the impact of a November cut in prices. OPEC's Secretary General, Mohammed Barkindo, expressed similar sentiment, urging the market to give OPEC some time before judging the impact of the November cut. He said the market's skepticism about OPEC's commitment to the output cuts was premature and unfounded. He said OPEC's main preoccupation was to rebalance the market and to create a balance between supply and demand. Meanwhile, Qatar's Oil Minister Abdullah al-Attiyah said that OPEC had no choice but to agree on another cut in production, possibly by 500,000-1 million bpd. Algeria's Energy and Mines Minister Chakib Khelil said that another cut was

Market Watch

Goldman Sachs said WTI's underperformance relative to the rest of the complex was a result of poor fundamentals in the US Mid-continent rather than the world situation. It said it continued to believe that spot WTI prices, while facing more structural pressure than waterborne crudes, were substantially oversold in the current environment.

Lehman Brothers has initiated research on oil fundamentals with one of the industry's most bullish 2007 price forecasts. In its energy research report, it said prices should increase about \$6/barrel or 9% next year compared with its forecast for 2006 of \$73.50/barrel. It estimated that oil demand would grow by 1.7 million bpd next year, led by a 500,000 bpd increase in both China and OPEC members, while non-OPEC crude supply increases by 1 million bpd.

Traders stated that some low water cargo surcharges for cargo shipping on the Rhine River in central Germany remain in force despite an overall improvement in sailing conditions. Water levels at the critical point of Kaub near Koblenz remain below the minimum that vessels needed to sail fully loaded and surcharges remain in force.

The European Union's foreign policy chief, Javier Solana, said a scramble for energy resources may replace battles for territory of the past. He said Europe had to forge a united policy or face being left behind by rivals. He also warned that competition for energy could well limit the European Union's ability to push foreign policy objectives such as conflict resolution, human rights and good governance.

The NYMEX announced that NYMEX products on CME Globex would trade until 5:15pm on Wednesday, November 22. Globex is scheduled to reopen at 6:00pm on Wednesday and remain open until 1:15pm on Thursday, November 23. The NYMEX products on Globex would resume trading at 6:00pm on Thursday and remain open until 1:15pm on Friday, November 24. Its normal schedule would then resume on Sunday, November 26.

Excelerate Energy said it is focused on importing liquefied natural gas in to the UK from January 2007 through its new facility at Teesside in north-east England. The Excelerate project could deliver 3% of peak UK demand.

possible due to fears that prices could fall again the second quarter.

Iran's OPEC governor, Hossein Kazempour Ardebili said Iran was fully committed to cutting its production by 176,000 bpd. He said OPEC did not have a price on which cuts or increases in its production ceiling would be based. He said the often quoted \$60/barrel for OPEC's reference basket is not OPEC's reference price in any way. Separately, an official at the National Iranian Oil Co said Iran has cut 176,000 bpd of oil production in line with OPEC's decision to cut 1.2 million bpd. However he stated that the market needed at least a month before it can verify Iran's cut. He said the cut was made by cutting 60,000 bpd in supply to Abadan refinery along with a 116,000 bpd cut in spot market cuts to destinations in the Mediterranean and northwest Europe.

The Center for Global Energy Studies stated that deliveries of OPEC crude may have been cut to the US but not to the less transparent markets in Asia. It said weekly crude oil imports have declined by more than 1.6 million bpd since mid-September. It however added that the return of refineries from maintenance has increased oil demand and stabilized the market more than any OPEC cut.

According to the Lundberg survey, the US average retail price of gasoline increased by 4.86 cents/gallon to \$2.2306/gallon in the two weeks ending November 17.

Refinery News

Colonial Pipeline said it would allocate shipping space for the 67th cycle on the main distillate line north of Collins, Mississippi. It is the fifth consecutive cycle that has been allocated.

In a report filed with the Texas Commission on Environmental Quality, Citgo said it began restarting its fluid catalytic cracking unit at its 165,000 bpd refinery in Corpus Christi, Texas on Monday. The restart is expected to continue through noon on Wednesday.

According to a notice filed with the Texas Commission on Environmental Quality, BP Plc sees repairs to a pipeline at its Texas refinery lasting until Tuesday after a leak started on Thursday. BP evacuated 800 non-essential workers at the refinery in Texas City, Texas on Thursday due to the leak. However the 460,000 bpd refinery continued to operate.

ExxonMobil said it shut a carbon monoxide boiler in one of its fluid catalytic cracking units at its 562,500 bpd Baytown refinery for maintenance starting Monday. It said only a minimal impact to production was expected from work on the boiler. Work to repair an electrical circuit that provides power to the unit's instrumentation could last through Tuesday morning.

A sulfur recovery unit at its Delek's 55,000 bpd refinery in Tyler, Texas returned to service following routine maintenance on the control system for the sulfur recovery plant.

Trade sources stated that Venezuela's PDVSA was selling high sulfur vacuum gasoil and buying gasoline. The FCC unit at the Amuay refinery was shut on September 16 for a planned six week turnaround.

Total said a new hydrocracker at its 328,000 bpd Gonfreville refinery in France was likely to start production in the next few days following a two month delay. Traders said the start up would add diesel supply to a European market that has stabilized over recent weeks. The Gonfreville hydrocracker would have an annual production capacity of 1.3 million metric tons of sulfur free automotive diesel, 200,000 metric tons of sulfur free kerosene and 400,000 metric tons of naphtha feedstocks for petrochemicals. Supply of diesel is expected to increase considerably over the next few

months as Finland's Neste Oil and Bahrain Petroleum Co both complete new hydrocrackers of their own for planned startup in the first quarter of next year.

A Saudi Oil Ministry adviser said Saudi Arabia would offer the Saudi private sector a third new oil refinery in Jizan that would have a capacity of between 250,000-400,000 bpd. The official said the refinery would be built with a foreign partner and an initial public offering is planned once the project proves viable. Crude oil supply would come under a long term deal with Saudi Aramco.

A shipping source said Iraq has resumed pumping along the northern pipeline to Turkey from its Kirkuk oilfields following a month long halt. Total stocks of Kirkuk crude at the Turkish terminal of Ceyhan stood at about 3.1 million bpd before flows restarted.

ExxonMobil Corp is expected to load 4-6 cargoes of Russian Sokol crude next month at the Sakhalin-1 terminal, up from October and November volumes. The terminal, which has already loaded three 80,000-100,000 ton tankers this month, is currently taking about three to four days to complete loading operations. Earlier in the month, Russia's technical standards agency, Rostekhnadzor said it did not expect to clear the terminal for full scale oil exports at least until December.

Industry sources stated that fuel oil imports into South China would total about 830,000 tons this month, steady on the month. Imports may remain low into next month as demand for December arrival parcels remains low amid high inventories. This is expected to weigh on the market that has seen Asian cargo differentials falling rapidly over the past two weeks due to heavier than expected December Western inflows.

Production News

Italy's Eni SpA said that all remaining hostages at its Tebidaba pumping station were released on Sunday and said 50,000 bpd in output from the facility would resume shortly after the necessary checks have been completed. The flow station was occupied starting November 6 by a group of militants and villagers seeking compensation from the company for oil spills.

A Statoil executive said the company was in talks about developing oilfields with government officials in Iraq and the Kurdish north. He stated that the company was concerned about safety in Iraq and was watching the political process develop there.

Venezuela's PDVSA said the IEA was publishing erroneous Venezuelan oil production figures and added that the IEA was declining invitations to visit and verify supply from the country. Venezuela has stated that its production was about 3.3 million bpd. However secondary sources, including the IEA, OPEC and the US EIA, have estimated its production at about 2.5 million bpd. Critics of Venezuela's President Hugo Chavez's government said his administration has mismanaged the oil industry by appointing political to PDVSA and by using oil revenues on government social programs instead of reinvesting in PDVSA operations.

A Saudi Aramco official said the company was evaluating projects to increase crude oil production capacity beyond a target of 12.5 million bpd by 2009. Saudi Arabia has fast tracked oilfield expansion plans to increase output capacity and maintain spare capacity of at least 1.5 million bpd to meet growing world demand or cover unexpected shortfalls in supply. Development of the Moneefa oilfield is expected to bring 900,000 bpd online by mid-2011.

The deputy chairman of Kuwait Gulf Oil Co said plans to increase crude oil production capacity on the Kuwaiti side of the partitioned neutral zone, sheared with Saudi Arabia, could take two years longer than planned due to challenging market conditions. KGOC said it planned to increase its output to

350,000 bpd by adding 50,000 bpd of light crude production from the offshore Hout oilfield by 2009. However the project may be completed in 2009, 2010 or 2011.

Thailand's Commerce Ministry stated that the country's crude oil imports increased by 20.8% on the year in October to 4.64 billion liters or 940,615 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$53.63/barrel on Friday, down from Thursday's \$55.47/barrel level. It reported that OPEC's basket of crudes fell by 73 cents/barrel to \$55.01/barrel in the week ending December 17.

Market Commentary

The oil market opened down 57 cents at 58.00 amid reports that Eni's Tebidaba flow station would resume operations soon after Nigerian militants released the remaining hostages on Sunday. Also, the talk of a further output cut in December seemed to reinforce doubts over OPEC's compliance with the current cuts. The market breached its support at 58.15 and sold off to a low of 58.00 early in the session. The market later bounced off that level and traded to 58.80. It settled in a sideways trading pattern as it held support at 58.25 during the remainder of the session. In light volume trading, the crude market later traded to a high of 58.85 ahead of the close. The crude market settled down 17 cents at 58.80. Volume in the crude market was light with 108,000 lots booked on the day. Volume on Globex was better with 127,000 lots booked during the open outcry session. The heating oil market also opened lower and posted a low of 164.10 early in the session. However the market quickly bounced off that level and rallied to 166.25. It settled in a sideways trading pattern as it held some support at 164.90. The market however bounced off its support and rallied to 167.40 ahead of the close. It settled up 19 points at 167.08. The RBOB market also settled in positive territory after it rallied to its high ahead of the close. The market posted a low of 153.30 early in the session before it retraced its losses and rallied to a high of 156.75 ahead of the close. The market was supported amid reports of refinery problems. Volumes in the product markets were light with about 30,000 lots booked in the heating oil market and 16,700 lots booked in the RBOB market.

The oil market is seen remaining in its recent trading range with light volume trading ahead of the Thanksgiving holiday weekend. The market will likely retrace its losses further after the market ended the session near its high. It is also seen holding its support ahead of Wednesday's release of the weekly petroleum stock reports, which are expected to show draws in distillate stocks of about 1 million barrels and draws in gasoline stocks of about 700,000 barrels. The market is seen finding support at 58.25 and its low of 58.00. More distant support is seen at 56.15 followed by 55.08. Meanwhile resistance is seen at its highs of 58.85 and 59.00 followed by 60.10 and 61.40.

		Levels	Explanation
CL	Resistance	60.10, 61.40	Previous high
	58.88, down 10 cents	58.85, 59.00	Monday's high, Friday's high
	Support	58.25, 58.00	Monday's low
		56.15, 55.08	Previous lows
HO	Resistance	173.25, 173.50	Previous highs
	167.08, up 19 points	167.40, 167.80	Monday's high, Friday's high
	Support	164.90, 164.10	Monday's low
		162.40	Previous low
RB	Resistance	162.70	Previous high
	156.05, up 1.12 cents	156.75	Monday's high
	Support	154.00, 153.30	Monday's low
		150.00, 149.50, 145.50	Previous lows, Double bottom