



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 22, 2006

The Trans Alaska Pipeline may return to normal service later on Wednesday as oil inventories at the Valdez tanker terminal were falling after loadings resumed late Tuesday night. A tanker that had been delayed for several days by high winds

and seas finished loading and departed the terminal Wednesday morning. Another tanker entered the facility later on Wednesday morning and started loading crude oil which should help further draw down the high inventories at the terminal. Alyeska officials were reviewing their options before deciding whether to increase flows on the Trans Alaska Pipeline System.

The Joint Pipeline Office stated that oil tanker loadings in the port of Valdez remained suspended due to bad weather. Alaskan oil production has been cut by about two-thirds as high inventories at Valdez have forced the Trans Alaska Pipeline to limit the amount of oil it ships to Valdez.

An Iranian oil official stated that Iran wanted a further OPEC output cut because oil prices continued to trend lower. Separately, Iran's OPEC governor Hossein Kazempour Ardebili said OPEC members were leaning towards a further cut in output when it meets on December 14. He said the level of the cut would be dictated by the assessment of the group's ministerial monitoring committee and stock levels at that time. This was despite comments made by Iran's Oil Minister Kazem Vaziri-Hamaneh earlier in the week that OPEC was still undecided about cutting production further. He stated that the impact of the current cut needed to be assessed. Meanwhile, Kuwait's Oil Minister Sheikh Ali al-Jarrah al-Sabah said that OPEC would cut its oil production further in December if prices deteriorate. He added that the size of the cut would depend on the situation in the market. He also stated that a range of \$55-\$60/barrel was satisfactory. It was not clear if he was referring to OPEC's basket price.

Market Watch

A senior Iranian oil official said parliament's budget supplement of \$2.5 billion to import gasoline was not sufficient to last until March. The official said that considering the growing trending of prices of oil and oil products in the world market, the \$2.5 billion would not be sufficient to import gasoline until the end of the year.

DOE Stocks

Crude – up 5.1 million barrels

Distillate – down 1.2 million barrels

Gasoline – up 1.4 million barrels

Refinery runs – down 0.23%, at 87.1%

Refinery News

The Houston Ship Channel was shut for two hours as a precaution due to a fire at a chemical plant along the waterway on Tuesday night. The US Coast Guard said operations on the Houston Ship Channel were normal on Wednesday.

Indonesia's Pertamina said it planned to build a new cracking unit at its 348,000 bpd Cilacap refinery to produce gasoline. The new unit would have a capacity of between 40,000 bpd and 50,000 bpd. It is expected to begin operation in 2010.

The Shetland Island Council reported that Brent crude loadings from Sullom Voe increased to 390,675 tons in the week ending November 21. It was up from 237,680 tons reported the previous week.

The Petroleum Association of Japan reported that the country's kerosene stocks fell by 159,990 kiloliters or 1.01 million barrels to 5.12 million kl or 32.18 million barrels in the week ending November 18. It reported that crude stocks increased by 2.96% on the week to 18.16 million kl or 114.21 million barrels on the week while gasoline stocks fell by 2.27% to 2.13 million kl or 13.37 million barrels on the week. It reported that kerosene production increased by 83,890 kl to 507,000 kl while gasoline production increased by 17,777 kl to 1.08 million kl.

Meanwhile, Japan's Ministry of Finance reported that the Japan's crude imports fell by 7% on the year in October to 18.706 million kl or 3.8 million bpd.

South Korea's Korea National Oil Corp reported crude imports increased by 6.6% on the year to 74.25 million barrels in October. It stated that domestic oil product demand in October increased by 6.9% on the year to 61.82 million barrels.

Production News

A joint venture of Agip and Nigerian Petroleum Development Co shut down the 50,000 bpd Okono/Okpoho oilfield on Wednesday following an armed attack on the oilfield. Suspected militants kidnapped seven oil workers, including foreign oil workers. Italy's Foreign Ministry later stated that a British hostage was killed in a military operation, which released six other hostages. It said two kidnapers were killed an Italian hostage was wounded in the operation.

Marathon Oil Corp restarted production at its Brae Alpha platform, which was shutdown earlier in the week due to a minor gas leak. It resumed production at a reduced level late Tuesday.

OPEC's news agency reported that OPEC's basket of crudes increased to \$54.90/barrel on Tuesday, up from Monday's \$54.03/barrel.

Market Commentary

The oil market opened relatively unchanged and traded to a high of 60.35 early in the session as the market awaited the release of the weekly petroleum stock reports. The market however quickly erased its gains and sold off sharply in light of the larger than expected build in crude stocks. The DOE reported a build of over 5 million barrels in crude stocks and a build in total petroleum stocks of 3.8 million barrels. The market extended its losses to \$1.77 as it posted a low of 58.40. The market later bounced off that level and erased its losses as traders covered their positions ahead of the Thanksgiving weekend. The market settled down 93 cents at 59.24. Volume in the crude market remained light ahead of the holiday, with 105,000 lots booked on the day. Crude volume on Globex was better with 175,000 lots booked during the open outcry session. The heating oil market opened down 91 points at 172.40 and posted a high of 173.45 early in the session. The market quickly sold off its high following the release of the DOE report and traded to 166.90, where it held some support. However the market extended its losses to over 7 cents as it sold off to a low of 166.30 ahead of the close. It settled down 6.66 cents at 166.65. Similarly, the RBOB market quickly posted a high of 163.80 ahead of the release of the weekly petroleum stock reports. The market sold off sharply in light of the unexpected build in gasoline stocks of 1.4 million barrels reported by the DOE. The market

traded to a low of 158.00 before it retraced some of its losses ahead of the weekend. It settled down 4.6 cents at 159.67. Volumes in the product markets were light with 34,000 lots booked in the heating oil market and about 21,000 lots booked in the RBOB market.

The oil market is still seen remaining in its recent trading range after the market was able to retrace its earlier losses ahead of the weekend in spite of the bearish inventory reports. The market is seen finding support at its lows of 58.40 and 58.00. Meanwhile resistance is seen at 59.50 followed by its

highs of 60.35 and 60.40. More distant resistance is seen at 61.40 and 62.60.

		Levels	Explanation
CL	Resistance	60.40, 61.40, 62.60	Previous highs
	59.24, down 93 cents	59.50, 60.35	Wednesday's high
	Support	58.40	Wednesday's low
		58.00	Previous low
HO	Resistance	173.90, 175.70, 178.20	Previous highs
	166.65, down 6.66 cents	168.00, 173.45	Wednesday's high
	Support	166.30	Wednesday's low
		164.10, 162.40	Previous lows
RB	Resistance	164.50, 168.50, 170.00	Previous highs
	159.67, down 4.6 cents	160.00, 163.80	Wednesday's high
	Support	158.00 to 156.75	Remaining gap (November 21st)
		153.30, 150.00	Previous lows