



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 27, 2006

Saudi Arabia's Oil Minister Ali al-Naimi said OPEC may cut its production further during its December 14 meeting. He said OPEC's 1.2 million bpd cut in October had not resulted in equilibrium between demand and supply. He said OPEC ministers would review the impact of the 1.2 million bpd cut before taking steps to reduce their production further. He also stated that any decision taken at the December meeting would not be based on the oil price. Meanwhile, OPEC's President Edmund Daukoru said concern by oil ministers over high US oil stocks would likely lead the group to cut its production by a further 500,000 bpd in December. The remarks were similar

to those made by his fellow OPEC officials. Qatar's Oil Minister Abdullah bin Hamad al Attiyah said there was a possibility of OPEC deciding to cut its output further while the UAE's Oil Minister stated that he was very concerned about high US oil inventories.

OPEC's director of research, Hasan Qabazard said oil prices between \$50-\$60/barrel was reasonable for OPEC and did not harm world economic growth. He stated that there was no specific inclination at this time to reduce production and added that OPEC's decision to cut production by 1.2 million bpd led to relative stability in the market.

Market Watch

Private forecaster Planalytics said temperatures are expected to fall 10-15 degrees below normal in the Midwest by Wednesday. The cold air is expected to continue East where temperatures are expected to fall 6-10 degrees below normal by the weekend and moderate the following week. The US National Center for Environmental Prediction's Global Forecasting System showed colder temperatures would remain in the US Midwest and East Coast next week. Also, Accuweather stated that storm system moving out of the West would unleash a bitter blast of cold air across much of the country, reaching the east Coast by the weekend.

China's demand for oil and Saudi Arabia's position as the world's top exporter has become the basis for a trade partnership that analysts say could upset Saudi Arabia's relationship with the US. Bilateral trade is expected to reach \$20 billion for 2006, up 30% on the year. China risks being seen as trying to lock up Saudi oil at the expense of the US or India. Trade relations between China and the Gulf Cooperation Council countries are expected to grow beyond the current \$32 billion estimate that they reached in 2005 in various commodities and services.

The NYMEX announced that it would begin trading and clearing RBOB European look alike options and RBOB Average Price options. It would also begin trading RBOB Crack Spread options and RBOB Calendar Spread options on November 27.

NYMEX Petroleum Options Most Active Strikes for November 27, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	P	61	05/17/2007	3.1	5,400	28.89
LO	3	7	P	58	02/14/2007	1.43	4,850	29.41
LO	1	7	P	61.5	12/14/2006	2.18	3,925	29.11
LO	6	7	P	65	05/17/2007	4.78	3,175	27.98
LO	6	7	P	60	05/17/2007	2.77	2,600	29.23
LO	2	7	P	60	01/17/2007	1.82	2,100	28.65
LO	2	7	P	58	01/17/2007	1.16	2,066	29.32
LO	12	7	P	66	11/13/2007	5.73	1,550	26.80
LO	6	7	P	55	05/17/2007	1.48	1,501	30.84
LO	1	7	P	73	12/14/2006	12.68	1,475	43.35
LO	2	7	C	80	01/17/2007	0.03	1,425	30.41
LO	3	7	P	60	02/14/2007	2.07	1,425	28.90
LO	1	7	P	55	12/14/2006	0.16	1,382	31.67
LO	1	7	P	60	12/14/2006	1.35	1,274	29.15
LO	12	7	P	65	11/13/2007	5.29	1,200	26.91
LO	12	7	P	60	11/13/2007	3.55	1,200	28.19
LO	6	7	P	66	05/17/2007	5.31	1,100	27.95
LO	1	7	C	60	12/14/2006	1.67	1,081	29.17
LO	1	7	P	74	12/14/2006	13.68	1,000	46.44
LO	1	7	P	58	12/14/2006	0.62	976	29.59
LO	1	7	P	59	12/14/2006	0.93	926	29.25
LO	1	7	C	62	12/14/2006	0.84	899	29.24
LO	1	7	P	56	12/14/2006	0.26	898	30.99
LO	1	7	P	75	12/14/2006	14.68	700	49.49
LO	2	7	C	75	01/17/2007	0.11	659	29.33
LO	1	7	P	76	12/14/2006	15.68	600	52.51
LO	2	7	P	52	01/17/2007	0.26	587	32.96
LO	12	7	C	70	11/13/2007	5.47	550	26.13
LO	12	7	C	73	11/13/2007	4.32	550	25.57
LO	5	7	C	63	04/17/2007	4.98	550	28.16
LO	5	7	P	63	04/17/2007	3.67	550	28.03
LO	12	7	P	63	11/13/2007	4.53	550	27.39
LO	1	7	P	57	12/14/2006	0.41	512	30.35
LO	2	7	C	72	01/17/2007	0.25	510	29.08
LO	2	7	P	61	01/17/2007	2.25	502	28.50
LO	1	7	C	64	12/14/2006	0.36	501	29.08
OB	2	7	C	1.73	01/26/2007	0.0455	230	31.88
OB	1	7	C	1.69	12/26/2006	0.0241	210	31.45
OB	1	7	P	1.75	12/26/2006	0.1613	175	32.38
OB	1	7	P	1.5	12/26/2006	0.0178	100	31.07
OH	1	7	C	1.95	12/26/2006	0.0097	1,050	31.45
OH	1	7	C	1.85	12/26/2006	0.0261	840	30.45
OH	2	7	C	1.9	01/26/2007	0.048	175	31.45
OH	2	7	P	1.9	01/26/2007	0.1579	175	31.68
OH	1	7	C	1.75	12/26/2006	0.062	172	29.61
OH	1	7	C	1.83	12/26/2006	0.0314	100	30.26
OH	1	7	P	1.9	12/26/2006	0.1579	100	31.30

An official at the National Iranian Oil Co said the amount of crude oil stockpiled in OECD member countries would reach a record high of 85 days by year end if OPEC decided against an output cut at its December meeting. He said the average daily oversupply of oil stood at 1.2 million bpd in the first ten months of the year. He said the impact of OPEC's decision to cut production by 1.2 million bpd would be felt in the near future.

Mortar attacks set ablaze oil storage tanks in northern Iraq. A source at the North Oil Co said output from the region could be reduced for some time.

On Saturday, US Vice President Dick Cheney met with Saudi Arabia's King Abdullah, who expressed concern about the security situation in the Middle East. However neither side gave specifics about their discussions. With Iraq on the brink of a civil war, the Bush administration has started a new push to break the cycle of violence by enlisting the help of moderate Arab nations while also tackling the Israeli-Palestinian conflict. President George W. Bush is scheduled to meet with Iraq's Prime Minister Nuri al-Maliki in Jordan on

Wednesday and Thursday to discuss the security situation in Iraq.

Refinery News

Valero Energy Corp restarted its 260,000 bpd refinery in Port Arthur, Texas on Friday following a power outage on Thursday. Valero said the power outage had no material impact on the refinery's output. Among the units affected by the outage were the crude unit, delayed coking unit, diesel hydrotreater, fluid catalytic cracking unit, gasoline hydrotreater, reformer, saturated gas plant, two SCOT units, three gulfining units and four sulfur recovery units.

Flint Hills Resources began the restart of an HF alkylation unit at the west plant of its 288,000 refinery complex in Corpus Christi, Texas on Monday. The startup could continue through December 17.

Total cut operations on a wet gas compressor feeding a fluid catalytic cracking unit on Sunday at its 240,000 bpd Port Arthur, Texas refinery. The wet gas compressor malfunctioned, causing an emissions event.

ConocoPhillips was restarting a unit at its 247,000 bpd refinery in Sweeny, Texas on Sunday. The unit was shut on November 21 for emergency repairs.

Marathon Petroleum Co quickly extinguished a small fire at its 72,000 bpd refinery in Texas City, Texas on Sunday. The fire was confined to an unidentified unit at the refinery.

Chevron Corp restarted a hydrogen recovery unit at its 243,000 bpd refinery in Richmond, California on Friday. The refinery's operations were unaffected by the problem.

Venezuela's PDVSA on Saturday said an operational event had affected a unit at its 640,000 bpd Amuay refinery. A Venezuelan newspaper on Saturday reported that there had been an explosion at the facility.

Canadian Oil Sands Trust said repairs to a heavy oil upgrader at Syncrude Canada Ltd was extended by a day due to bitter winter weather, keeping production as much as 100,000 bpd below capacity. Full production at Syncrude's coker 8-2 is not expected to return until Tuesday due to weather delays.

Kuwait's 466,000 bpd Mina al-Ahmadi refinery shut three oil product units for planned maintenance expected to last one month. It shutdown a 40,000 bpd jet fuel producing hydrocracker, two 36,000 bpd atmospheric residue desulfurisers and some support units. The refinery is expected to shut its three main crude processing units next year for routine maintenance.

Kuwait National Petroleum Co postponed the award of a tender for a new 615,000 bpd refinery by three months to March due to delayed bidding by international companies. Eleven international companies were bidding for the new refinery, which is due to be completed by 2010. A KNPC official said it was likely to award in September or October 2007 a tender for a major upgrade project to increase the refining capacity of two of the three existing refineries. The Supreme Petroleum Council last week initially approved the project, which involves upgrading the 460,000 bpd Mina Ahmadi and the 270,000 bpd Mina Abdullah refineries.

Germany's MWV said the country's heating oil sales in 2006 is estimated to increase 6% from last year's level of 24.74 million tons. It stated that sales at the end of October stood at 21.17 million tons, up 5.9% on the year. An official said year on year sales are expected to fall sharply in November however the decline is expected to be cancelled out by an increase in December, when consumers should purchase more to pre-empt an increase in value added tax starting in January.

The Petroleum Association of Japan pressured the government to lower the minimum commercial oil stock it required refiners to maintain. He said the mandatory stock level should be lowered to 60-65 days from 70 days.

China's apparent demand for oil increased by 4.1% on the month in October to 6.54 million bpd. In the first ten months of the year, implied demand increased by 7.7% to 6.59 million bpd.

According to customs data, China's exports of crude oil to North Korea resumed in October after exports were halted in September. China exported 58,685 tons of crude in October, up 67.7% on the year. In the year through October, exports of Chinese crude oil to North Korea stood at 428,328 tons, down 0.8% on the year.

Azerbaijan's Socar announced a tender for 1.7 million barrels of Urals crude in two cargoes, loading from Russia's Black Sea port of Novorossiisk in December. The cargoes are expected to load between December 20 and December 31.

Traders said Indonesia's Pertamina was seeking a total of 480,000 barrels of gasoline for December loading via tender.

Traders stated that cargo surcharges for shipping on the Rhine River were removed after water levels increased. Low water surcharges were imposed by shipping companies during the past two weeks because vessels were unable to sail fully laden.

Production News

Oil production in Alaska increased to above 700,000 bpd as flows through the Trans Alaska Pipeline were restored to normal levels. North Slope producers pumped more than 739,000 bpd on November 23, up from 268,000 bpd on November 20 when flows were restricted due to high inventories at the port of Valdez.

Crude loadings at Agip's Brass River terminal in Nigeria have been delayed by up to 5 days after a militant attack disrupted production earlier in the month. On Friday, Italy's Eni SpA declared force majeure on 60,000 bpd of crude oil produced at the Okono/Okpoho oilfield.

Denmark cut its production estimate for 2007 to 125.8 million barrels from a previous estimate of 128.3 million barrels. However it increased its forecast for oil production during 2008-2010. In 2008, it is expected to produce 127.7 million barrels, up from a previous forecast of 115.7 million barrels. In 2009, it is expected to produce 123.3 million barrels, up from a previous forecast of 103.2 million bpd and in 2010, Denmark is expected to produce 115.1 million barrels, up from a previous estimate of 89.9 million barrels.

Royal Dutch Shell Plc said it may take a stake in a 3 billion barrels Iranian oil field as part of an agreement between China's Sinopec and Iran. A Shell spokesman said Shell helped Sinopec prepare a development plan for the Yadavaran field and had an option to participate in the project.

The International Energy Forum said Nigeria, Russia and Venezuela were among major oil producers that had yet to fully comply with the Joint Oil Data Initiative, a world oil database. JODI covers 95 countries which together account for 95% of the world's oil production and consumption.

OPEC's news agency reported that OPEC's basket of crudes increased to \$55.29/barrel on Friday, up from \$54.98/barrel on Thursday. It also reported that OPEC's basket of crudes fell by 17 cents/barrel to \$54.89/barrel in the week ending November 24.

Market Commentary

The oil complex opened higher in light of talks of further OPEC output cuts and forecasts for colder weather next week. The crude market opened 41 cents higher at 59.65 amid the statement made by Saudi Arabia's Oil Minister Ali al-Naimi that OPEC may cut its production further during its December meeting. The market was also well supported by reports that a mortar attack set ablaze oil storage tanks in northern Iraq, increasing concerns over security in the country as sectarian fighting continues. The market quickly traded above the 60.00 level before it erased its gains and posted a low of 59.55. However the market later bounced off that level and traded to 60.25 and settled in a sideways trading pattern as it attempted to test its low. The market, which found good support amid the supportive news and weather forecasts, rallied to a high of 60.37 ahead of the close. It settled up \$1.08 at 60.32. Volume in the crude market remained light following the long Thanksgiving weekend, with 121,000 lots booked on the day. Crude volume on Globex was also light with 115,000 lots booked during the open outcry session. The heating oil market posted an inside trading day as it failed to breach its previous trading range. The market opened up 2.35 cents at 169.00 in light of the private weather forecasts calling for colder than normal temperatures next week. The market posted a low of 168.50 and rallied to a high of 171.50. It however erased some of its gains ahead of the close and settled up 3.87 cents at 170.52 as the forecasts for colder temperatures moderated. The RBOB market also opened 75 points higher at 160.50 and erased some of its early gains as it traded below 159.00. However the market rallied to a high of 161.25 amid the strength in the heating oil market. The market later erased its gains once again and posted a low of 158.50 before it settled up just 8 points at 159.75. Volumes in

the product markets were light with 33,000 lots booked in the heating oil market and 17,000 lots booked in the RBOB market.

The Commitment of Traders report showed

		Levels	Explanation
CL	Resistance 60.32, up \$1.08	60.40, 61.40, 62.60	Previous highs
		60.37	Monday's high
	Support	59.55	Monday's low
		58.40, 58.00	Previous lows
HO	Resistance 170.52, up 3.87 cents	173.45, 173.90, 175.70	Previous highs
		171.50	Monday's high
	Support	168.50	Monday's low
		166.30, 164.10, 162.40	Previous lows
RB	Resistance 159.75, up 8 points	163.80, 164.50	Previous highs
		161.25	Monday's high
	Support	158.50	Monday's low
		158.00 to 156.75, 153.30	Remaining gap (November 21st), Previous low

that non-commercials cut their net long positions by 4,916 contracts to 12,437 contracts in the week ending November 21st. They cut their long positions as the market traded lower. The combined futures and options report showed the non-commercials increased their net long position by 3,003 contracts to 41,301 contracts on the week. Non-commercials in the heating oil market increased their net shorts by 350 lots to 5,891 contracts while non-commercials in the RBOB market increase their net long position by 3,098 contracts to 10,297 contracts on the week.

The oil market will remain in its recent trading range as the market continues to wait to see the impact of OPEC's 1.2 million bpd output cut. It is seen finding support amid talk of further OPEC output cuts during the December 14th meeting and the increasing concern over security in Iraq following the mortar attacks on the oil storage tanks. The market is also seen holding its recent range as it awaits for further development on the Iranian front. The market is seen finding support at its low of 59.55 followed by 58.40 and 58.00. Meanwhile resistance is seen at its highs of 60.37, 60.40 and 61.40. More distant resistance is seen at 62.60.

