



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 30, 2006

OPEC's Secretary General Mohammed Barkindo said OPEC had not yet decided whether it would approve a further cut in oil supplies at its next meeting in December. He said it was premature to predict a further cut ahead of the meeting. Separately, he stated that OPEC would be more cautious about how it supplies crude to world markets because of expected and rapid growth in non-OPEC output. In regards to the weakness in the US dollar, he stated that OPEC was concerned about the falling value of the dollar. Meanwhile, the UAE's Oil Minister Mohammed bin Dhaen al-Hamli said he believed the oil markets were oversupplied and that OPEC would cut its production further if needed.

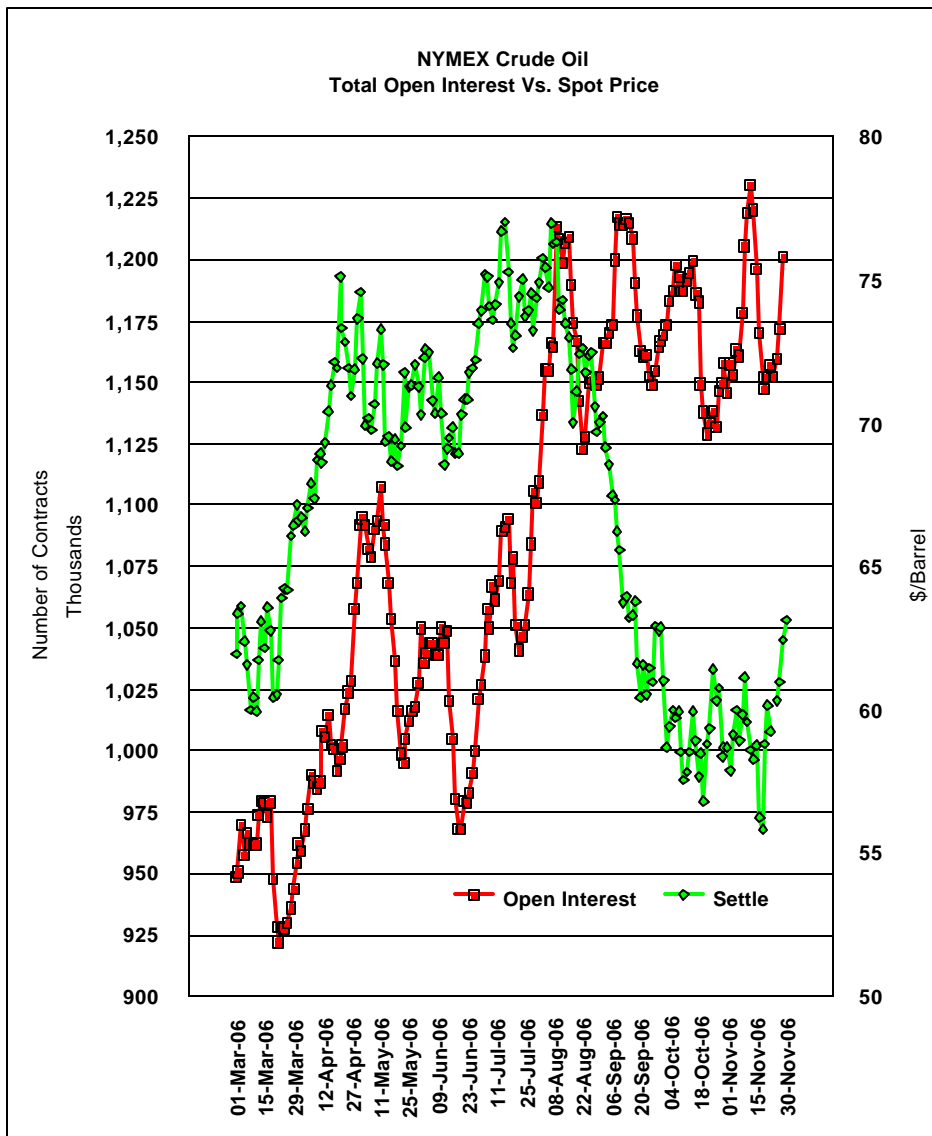
Venezuela's Oil Minister Rafael Ramirez said OPEC could cut up to 500,000 bpd of production when it meets in December. Algeria's Oil Minister Chakib Khelil said that OPEC would likely decide at its December meeting to cut production further due to expected weaker demand in the second quarter but would not implement the cut until 40 days later. He said he would support a further cut in production. However he did not state how much he believed OPEC would need to cut supplies. He later stated that OPEC could revisit any December meeting decision at its next scheduled regular meeting in the first quarter of next year, either to retract a decision to cut production or to make further cuts. Kuwait's Oil Minister Sheik Ali al-Jarrah al-Sabah however has stated that he believed there was no need for another OPEC cut if prices held above \$60/barrel.

Market Watch

Iraq's Prime Minister Nuri al-Maliki dismissed an article by a Saudi security adviser suggesting that Saudi Arabia would back the country's Sunnis in the event of a wider sectarian conflict. He said the article did not represent Saudi policies. Separately, the Iraq Study Group has decided to recommend the US military transition from a combat to a support role in Iraq over the next year. Its recommendation would be to pull US fighting forces back to bases inside Iraq and in the region, as the US military sought to begin withdrawing from combat. Its recommendation would include a call for a regional conference that could lead to direct US talks with Iran and Syria.

European spot gasoline exports to North America totaled 543,000 bpd in November, sharply higher than the 410,000 bpd shipped in October. Tankers carrying just over 2 million tons of gasoline were booked to load in November from northwest European, Mediterranean and Baltic ports to the US' Gulf and East coasts and to Mexico.

Analysts stated that easing product supply tensions in 2007 and 2008 should cut world refinery margins. However slow capacity growth should keep them from falling too far. US Gulf Coast margins should see one of the sharpest falls, with analysts forecasting a 17% fall in margins in 2007 and 23% in 2008. European margins should see a 16% drop next year followed by a 3% drop in 2008. Refiners in Asia would see margins fall 0.3% in 2007 and 20% in 2008.



Venezuela's President Hugo Chavez said that member nations of OPEC agree on maintaining oil prices at \$50/barrel. He said an oil price of \$50 to \$60/barrel is fair.

An Angolan Oil Ministry official said the country would apply to join OPEC after Angola's cabinet made the decision on Wednesday. OPEC's Secretary General Mohammed Barkindo confirmed that Angola was poised to join OPEC. An OPEC official said Angola's move to join OPEC was a welcome development. He said an application by Angola to join OPEC would be unlikely to meet any difficulty. Angola's oil production is expected to increase by 600,000 bpd next year and reach 2 million bpd. Its move is not likely to have a near term impact on oil majors producing in the country. The country has signaled that it wants to exert greater political and economic

influence. Analysts said Angola was seeking to become a regional leader, rivaling Nigeria and South Africa. Angola was the second country this week to state that it would seek to join OPEC. Ecuador's new leftist President Rafael Correa said Ecuador may rejoin OPEC. Meanwhile, an Oil Ministry official in Sudan said the country was considering joining OPEC, pending approval from President Omar Hassan al-Bashir. Venezuela's Oil Minister Rafael Ramirez said he did not expect OPEC to change the individual production quotas of member countries if new members joined the group.

US Energy Secretary Sam Bodman said he was hopeful OPEC would keep the world oil market well supplied and act moderately at its meeting next month.

The IEA expressed concern that plans by Angola, Sudan and Ecuador to join OPEC could impede foreign investment in their oil industries and slow capacity growth.

According to Oil Movements, OPEC's crude oil exports are forecast to fall by 200,000 bpd in the four weeks ending December 16 to 24.28 million bpd. It estimated that OPEC cut its production by 600,000 bpd-700,000 bpd by mid-December based on actual sailings.

An Iraqi oil official said the country's oil exports continued to fall over the last two months. Iraq's exports fell by 0.53% on the month in November to 1.49 million bpd. Iraq's exports from its northern oil fields were halted in October and November due to a sabotage attack to the export pipeline. Iraq's Basra terminal is scheduled to close for four days between December 16 and 19 for the installation of a new metering system. Total production from Iraq's southern oil fields in November fell to 1.895 million bpd from 2.07 million bpd in October.

Refinery News

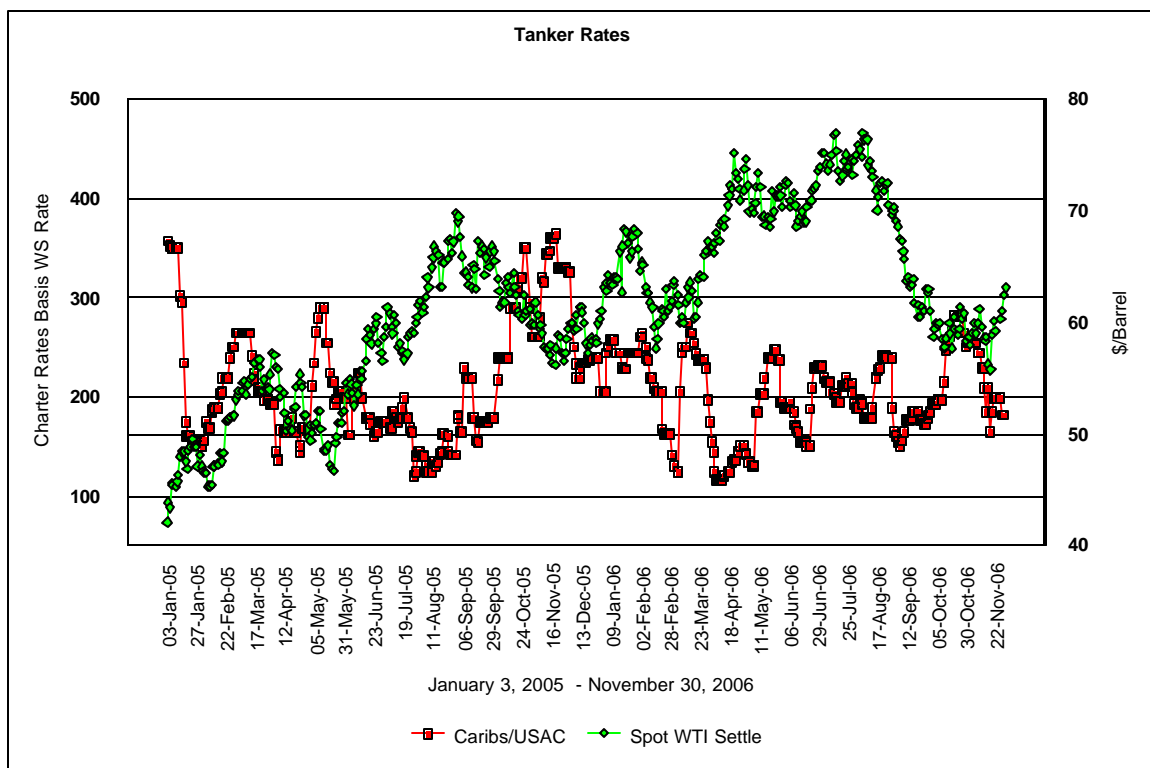
Valero Energy Corp reported a problem with two flare pilots at its 135,000 bpd Houston, Texas refinery during its restart process. The refinery began the restart process on November 21 after a plant wide overhaul started on October 3.

Neste Oil said it would invest 100 million euros or \$132 million to build a second biodiesel plant at its Porvoo refinery in Finland. Production at the new plant is expected to begin towards the end of 2008. It would have a capacity of 170,000 tons annually.

Taiwan's Formosa Petrochemical Corp was forced to shutdown its 73,000 bpd residual fluid catalytic cracker due to a mechanical problem. It was shutdown on Tuesday and is expected to resume operations by early next week.

PetroChina's Lanzhou refinery is expected to refine some 9.8 million tons of crude this year, down from its maximum capacity of 10.8 million tons.

Bayernoil's Vohburg refinery in Germany is scheduled to undergo partial maintenance in April 2007. It is expected to be shutdown on April 16 to May 10. All of Vohburg's units except for its 120,000 bpd crude distillation unit are expected to



NYMEX Petroleum Options Most Active Strikes for November 30, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	1	7	C	65	12/14/2006	0.66	5,252	28.04
LO	5	7	P	55	04/17/2007	0.88	5,200	30.92
LO	8	7	P	55	07/17/2007	1.44	4,125	30.63
LO	1	7	C	61	12/14/2006	2.68	4,009	28.20
LO	6	7	C	90	05/17/2007	0.39	3,186	27.89
LO	6	7	P	65	05/17/2007	3.71	3,100	27.73
LO	4	7	P	55	03/15/2007	0.63	2,940	30.79
LO	5	7	P	65	04/17/2007	3.49	2,600	27.70
LO	12	7	C	70	11/13/2007	6.3	2,400	26.32
LO	1	7	P	77	12/14/2006	13.87	2,325	48.30
LO	1	7	P	74	12/14/2006	10.87	2,300	38.63
LO	2	7	C	70	01/17/2007	0.8	2,240	27.58
LO	3	7	P	57	02/14/2007	0.64	2,198	29.75
LO	2	7	P	57	01/17/2007	0.44	2,101	30.82
LO	1	7	P	73	12/14/2006	9.87	2,000	35.31
LO	1	7	C	68	12/14/2006	0.14	1,824	27.76
LO	1	7	P	63	12/14/2006	1.31	1,742	27.97
LO	12	7	C	85	11/13/2007	1.95	1,700	24.97
LO	12	7	P	55	11/13/2007	2.07	1,650	30.22
LO	2	7	P	59	01/17/2007	0.73	1,623	29.70
LO	2	7	P	50	01/17/2007	0.06	1,527	35.26
LO	3	7	P	55	02/14/2007	0.4	1,507	30.40
LO	12	7	P	52	11/13/2007	1.54	1,500	31.08
OB	6	7	P	1.84	05/25/2007	0.1162	524	32.05
OB	7	7	C	1.84	06/26/2007	0.2273	500	30.63
OB	7	7	C	1.94	06/26/2007	0.1739	500	29.82
OB	5	7	P	1.9	04/25/2007	0.1392	437	32.17
OB	1	7	C	1.7	12/26/2006	0.0611	260	33.72
OB	2	7	C	1.79	01/26/2007	0.0633	125	34.11
OB	2	7	P	1.68	01/26/2007	0.0699	125	33.65
OB	4	7	C	2.15	03/27/2007	0.0635	105	35.36
OB	4	7	C	2.22	03/27/2007	0.0514	105	36.03
OB	3	7	C	2	02/23/2007	0.0389	100	35.34
OB	4	7	P	1.9	03/27/2007	0.1395	100	33.05
OB	7	7	P	1.84	06/26/2007	0.115	100	30.11
OH	1	7	C	1.85	12/26/2006	0.06	309	30.65
OH	3	7	C	1.9	02/23/2007	0.1031	206	30.53
OH	1	7	C	1.73	12/26/2006	0.1371	200	31.30
OH	3	7	P	1.77	02/23/2007	0.0589	200	30.93
OH	4	7	C	1.93	03/27/2007	0.097	200	28.76
OH	1	7	C	1.72	12/26/2006	0.145	150	31.38
OH	2	7	P	1.8	01/26/2007	0.0568	150	31.38
OH	1	7	P	1.86	12/26/2006	0.0655	147	30.76
OH	1	7	P	1.85	12/26/2006	0.06	146	30.65
OH	1	7	C	2	12/26/2006	0.0162	137	32.15
OH	1	7	P	1.8	12/26/2006	0.0379	121	30.76
OH	1	7	C	1.9	12/26/2006	0.0401	116	31.15

be shutdown for maintenance. Bayernoil is then expected to partially shutdown its Ingolstadt refinery for maintenance.

Japan's Taiyo Oil Co said it would invest 50 billion yen or \$430 million to upgrade its plant to increase its capacity to process a wider range of crude oil and make lighter products from heavy feedstocks. It said it planned to reduce its fuel oil output due to falling demand from utilities and to extract more value added, lighter oil products such as gasoline. It is expected to build new units at its Shikoku plant, including a 25,000 bpd residual catalytic cracker.

Gas oil inventories in the independent storage tanks in the Amsterdam-Rotterdam-Antwerp area increased by 76,000 tons to 1.67 million tons in the week ending November 30. Gasoline inventories fell by 43,000 tons to 730,000 tons while fuel oil stocks built by 13,000 tons on the week. Naphtha inventories increased by 4,000 tons to 82,000 tons while jet fuel stocks fell by 15,000 tons to 395,000 tons on the week.

Singapore's International Enterprise stated that the country's residual fuel stocks fell by 737,000

barrels to 14.136 million barrels in the week ending November 29. It stated that Singapore's middle distillate stocks built by 104,000 barrels to 8.326 million barrels while light distillate stocks built by 429,000 barrels to 8.108 million barrels.

Russia's Energy Ministry stated that the country's gasoline exports in October increased by 67.5% on the month to 516,000 tons. It also reported that Russia's gas oil exports increased by 14.8% on the month to 3.01 million tons while its fuel oil exports increased by 5.3% on the month to 2.943 million tons. Russia's Energy Ministry also reported that Russian refineries processed 4.49 million bpd in October, up from 4.4 million bpd in September. Refinery runs reached a record in October as firms rerouted crude volumes to domestic refining after export duty increased to a new record.

Japan's Ministry of Economy, Trade and Industry stated that the country's domestic oil product demand increased by 0.9% to 18.04 million kiloliters or 3.66 million bpd. It reported that gasoline demand increased by 4.4% to 5.06 million kl or 1.026 million bpd as refiners cut wholesale product prices in line with drops in crude purchasing costs. Japan's METI reported that the country's kerosene sales fell by 6.8% to 1.27 million kl or 258,000 bpd. It also reported that crude imports in October fell by 9.2% on the year to 3.837 million bpd. The average October refinery utilization rate stood at 73.8%, down 9% from September and down 13.3% on the year.

Analysts stated that India's domestic oil product sales increased by 1.1% on the year to 9.34 million tons. Overall consumption of oil products during the April-October period grew 2.4%, near government expectations of 2.5% annual growth for the financial year ending March 31. They stated that India's diesel sales increased by 3.4% in October while petrol sales increased by 7.1%. India's oil product imports in October increased by 44% on the year to 1.4 million tons. India's crude oil imports during October increased by 26.5% to 9.92 million tons.

Cargo surcharges have been imposed on parts of the Rhine River in Germany following a fall in water levels. Water levels at the critical point of Kaub fell below the minimum vessels needed to sail fully laden.

China Aviation Oil Singapore Corp Ltd bought 355,000 tons of jet fuel for January delivery, the full volume requested by the company via tender.

Production News

Kuwait's Oil Minister Sheik Ali al-Jarrah al-Sabah said the country planned to enlist international oil companies, including Chevron Corp to help develop the country's natural gas reserves and appointed banks, including Morgan Stanley and Lazard to reexamine how Kuwait should go about developing several northern oil fields. He also stated that Kuwait no longer planned to publicly address the issue over the quantity of Kuwait's proven oil reserves.

Norway's Norsk Hydro was awarded three offshore blocks in Brazil's eighth oil and gas licensing round in partnerships with Petrobras and Spain's Repsol.

Brazil's Petrobras said its two oil and gas fields in Bolivia resumed work after output was halted on Tuesday due to protests by peasants demanding government aid. It said the Caranda and Colpa fields were operating normally and no damage had been done to the equipment. Petrobras said total output at the two fields stood at 400 bpd of crude for domestic use and 1.2 million cubic meters of gas, which is exported to Brazil.

Russia's Rosneft said it increased its ties with its long standing partner BP Plc by agreeing to jointly bid and develop oil and gas deposits in the Russian Arctic.

Libya kept its December official selling price for its Essider crude oil steady at dated BFO minus \$1.60/barrel, unchanged on the month.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$57.28/barrel on Wednesday, up from Tuesday's \$56.48/barrel level.

Market Commentary

The oil market gapped higher from 62.50 to 62.90 in follow through buying seen on Wednesday following the supportive inventory reports. The market traded to 63.20 early in the session and settled in a sideways trading pattern after it partially backfilled its gap as it posted a low of 62.70. The market however bounced off that level and rallied to a high of 63.75 late in the session. The market later gave up some of its gains ahead of the close in a late bout of selling. It settled up 67 cents at 63.13. Volume in the crude market remained light with 132,600 lots booked on the day. Crude volume on Globex was better with over 170,000 lots booked during the open outcry session. Open interest in the crude market built by a total of 29,370 contracts as of Wednesday's session amid the buying which pushed it beyond the 62.00 level. Open interest in the first four trading contracts increased by about 14,800 lots. The December heating oil contract also gapped higher from 179.70 to 181.80 as the market remained supported by the weather forecasts. The market, which partially backfilled its gap as it posted an early low of 180.50, traded to a high of 182.60 before the market retraced its gains and further

backfilled its gap as it sold off to a low of 180.25 on the close. It settled up 1.80 cents at 181.33. The January heating oil contract settled up 1.47 cents at

		Levels	Explanation
CL	Resistance	64.70, 65.20	Previous highs
	63.13, up 67 cents	63.75	Thursday's high
	Support	62.70 to 62.50	Remaining gap (November 30th)
		61.20, 60.35	Previous lows
HO	Resistance	188.50, 191.25	Previous highs
	185.00, up 1.47 cents	187.25	Thursday's high
	Support	184.15	Thursday's low
		178.45	Previous low
RB	Resistance	172.00, 173.00	Previous highs
	170.08, up 24 points	171.00	Thursday's high
	Support	168.75, 168.25	Thursday's low
		164.25 to 164.00, 161.00	Opening gap (November 29th), Previous low

185.00. The December RBOB contract however settled in negative territory. It opened 59 points lower at 170.25 and sold off to a low of 167.50 late in the session. However the market later bounced off its low and traded to a high of 171.50 ahead of its expiration. It settled down 60 points at 170.24. The January RBOB contract settled up 24 points at 170.08.

The crude oil options market was active today with over 115,000 contracts traded. While the January \$65 call was the most active trading over 5200 contracts as it traded between 50 and 77 cents on the day before finally settling at 66 cents. But by far the most active strikes were the puts, which accounted for over 62% of the volume on the day, with what appeared to be selling in the \$55 puts in the March through December contract months, possibly driven by traders perceptions that a bottom has been put into the market.

The oil market is seen retracing some more of its gains early in the session before it continues its upward trend ahead of the weekend. The market is seen remaining supported amid the concerns over the situation in Iraq and the talks of a further output cut by OPEC. The market is also seen remaining supported amid the weather forecasts. Technically, the market is seen trading higher as its

stochastics still have room to the upside. Support is seen at its gap from 62.70 to 62.50. More distant support is seen at 61.20 followed by 60.35. Meanwhile resistance is seen at 63.75 followed by 64.70 and 65.20.