



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 7, 2006

Nigerian authorities stated that gunmen attacked Agip's Brass oil export terminal in the Niger Delta on Thursday. The gunmen attempted to storm the terminal, which exports about 200,000 bpd but were repelled following an exchange of fire with soldiers guarding the facility. They failed to enter the facility and instead went to a residential facility where they kidnapped three Italian and a Lebanese expatriate oil worker. Operations at the Brass terminal were not affected.

According to Oil Movements, OPEC achieved an oil output reduction of about 800,000 bpd since the group announced its cut in late October. OPEC's oil exports are expected to fall by 520,000 bpd to 24.23 million bpd in the four weeks ending December 23 compared with 24.75 million bpd in the four weeks ending November 25. It said that in contrast to previous weeks, eastbound OPEC shipments were declining while westbound shipments have been in steady decline for weeks. It said OPEC oil in transit fell by 50 million barrels since early October to 396 million barrels.

Market Watch

The Climate Prediction Center of the US National Oceanic Atmospheric Administration said the El Nino weather pattern was forecast to continue through May 2007.

Tropical Storm Risk, a British hurricane forecasting group said it expected a busier than normal Atlantic hurricane season in 2007 with 16 tropical storms of which nine would strengthen into hurricanes. It said five tropical storms would strike the US, with two coming onshore as hurricanes.

J.P. Morgan forecast a price of \$64.05/barrel for WTI in 2007. It estimated the price of WTI at \$68/barrel in the first quarter, \$62.34/barrel in the second quarter, \$63.89/barrel in the third quarter and \$62.05/barrel in the fourth quarter.

According to a Massachusetts Institute of Technology research paper, scientists have engineered baker's yeast to produce ethanol faster and more efficiently. The scientists engineered the yeast to speed up ethanol production by about 50%. It could help move US ethanol production beyond its current centralized location in the Midwest to areas across the country. The yeast would more efficiently ferment either cornstarch or the sugars in woody bits of plants that could yield cellulosic ethanol.

The US Interior Department on Thursday ordered BP Plc's American unit to pay \$32.3 million in additional royalties and interest due on the company's coal bed methane production that occurred in New Mexico from June 1991 to May 2006.

US President George W. Bush said a new strategy was required in Iraq that could include talks with Iran and Syria and US troop cuts. However he said he would await further reviews from the Pentagon and State Department before determining a new way forward. He said he was working on a speech to

outline his new strategy for Iraq, which the White House hoped would be possible before the Christmas holiday.

The Iraq Study Group called for a major increase in investments by US energy companies in Iraq. The report stated that the US should help Iraq maximize its capacity. However the continuing violence in the country has kept it from reaching its oil producing potential. The Iraq Study Group called on the US and Iraqi militaries as well as private security contracts to make pipeline protection a priority. The report also urged the Iraqi government to modernize, to create a transparent contracting procedure and reorganize the oil industry as a commercial enterprise.

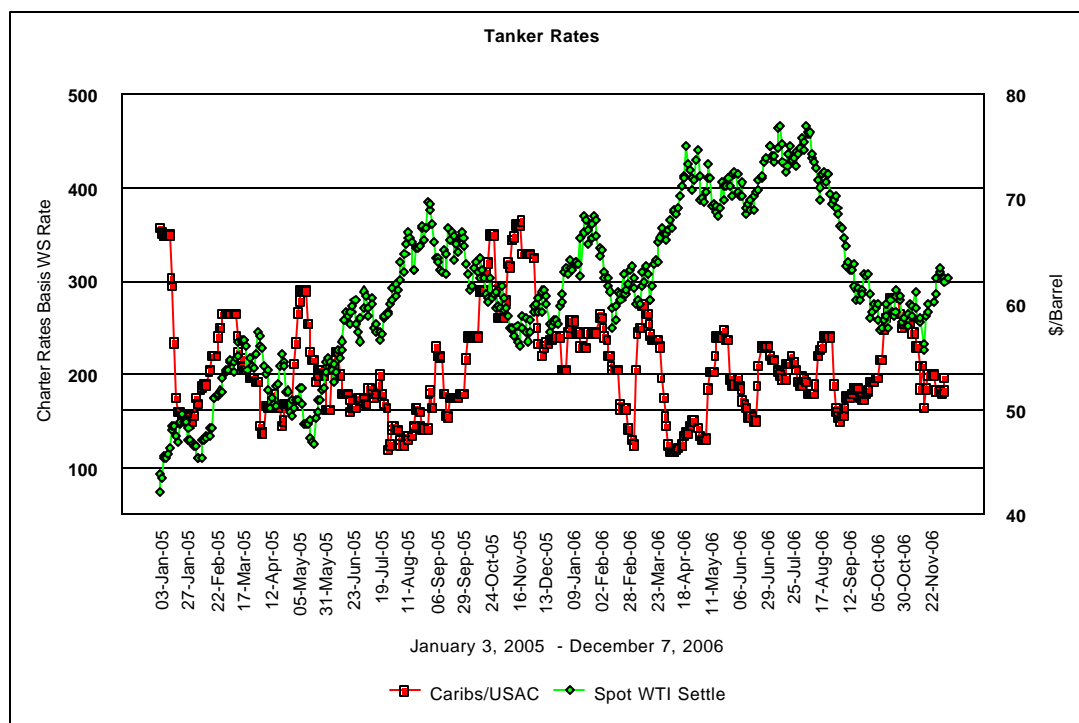
A Saudi Interior Ministry official said two Saudi security personnel were wounded when gunmen opened fire at a checkpoint in the Red Sea port city of Jeddah on Thursday. This followed a statement by Interior Minister Prince Nayef bin Abdul-Aziz on Monday that the militants were planning a series of suicide bombings and assassinations.

The EIA reported on Wednesday, that US residential heating oil prices increased by 6.2 cents/gallon to \$2.441/gallon in the week ending December 4.

Refinery News

According to reports filed with the California's pollution regulation and public safety agencies, three refineries reported problems in their operations on Wednesday and Thursday. ExxonMobil Corp's 150,000 bpd refinery in Torrance, California reported flaring on Wednesday. The refinery continued to operate. Tesoro reported that it shutdown a unit at its 166,000 bpd refinery in Martinez, California on Wednesday. A company spokeswoman said the malfunction lasted about an hour on Wednesday night. Meanwhile, Conoco reported flaring amid an overhaul at its 76,000 bpd refinery in Rodeo, California. It said there was no impact on operations.

BP Plc began restarting an ultracracker unit at its 460,000 bpd refinery in Texas City, Texas on Wednesday. The restart is expected to last through Monday. BP has been repairing and restoring operations at the Texas City refinery following a precautionary shutdown in September 2005 due to Hurricane Rita. BP planned to restore 300,000 bpd in crude intake at the refinery by the end of the year. It has been processing 200,000 bpd of crude oil.



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PDVSA said it contained a fire on Thursday following an

explosion on a natural gas pipeline. The pipeline runs through an area operated by oil company Petrocumarebo. However a source stated that explosion occurred miles away from any of the company's facilities. Initial reports stated that the fire broke out at Petrocumarebo's installations.

An Iraqi oil official said Iraq would increase sales of Basra Light crude via term contracts to 1.65 million bpd for the first half of 2007, up 100,000 bpd on the last six months of the year. The official said modestly higher output from the country's southern oilfields has allowed Iraq's State Oil Marketing Organization to increase supplies to some existing customers and add Italy's ERG and Austria's OMV.

Georgia's Black Sea port of Batumi cut crude and refined products shipments in November 2006 as some volumes were rerouted towards the Baku-Ceyhan oil pipeline. The source said volumes fell to 759,700 tons in November from 929,700 tons the previous month and 1.03 million tons in November 2005. The terminal however increased crude and refined products shipments to 10.9 million tons in the first 11 months of the year from 8.8 million tons a year ago. The terminal is expected to load 12 million tons of oil from Batumi in 2006.

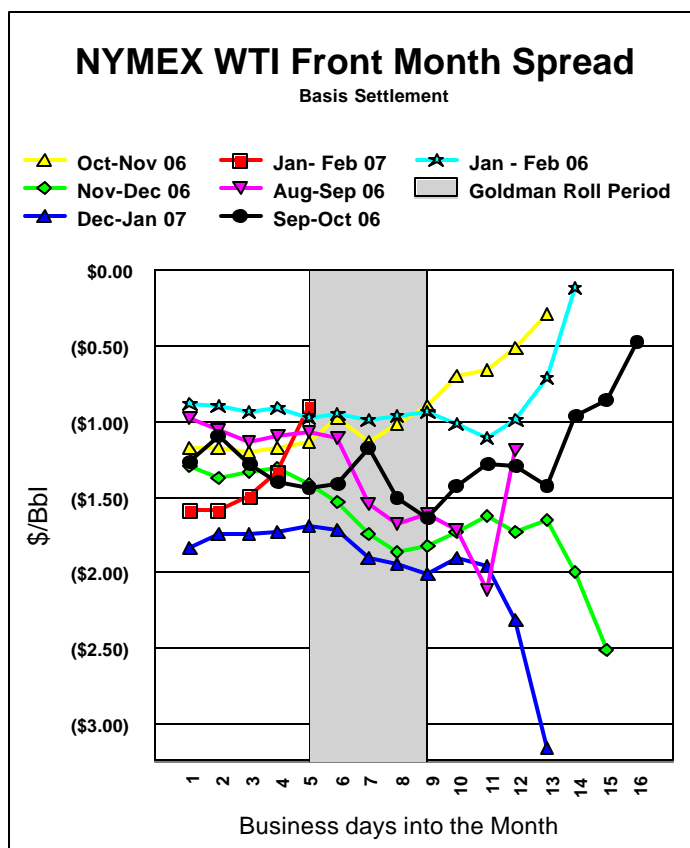
Russia's Energy Ministry said it wanted its export routes to be divided up to guarantee full free access to all producers to all export destinations. An agency within the Energy Ministry said it would take several months to work out the new system.

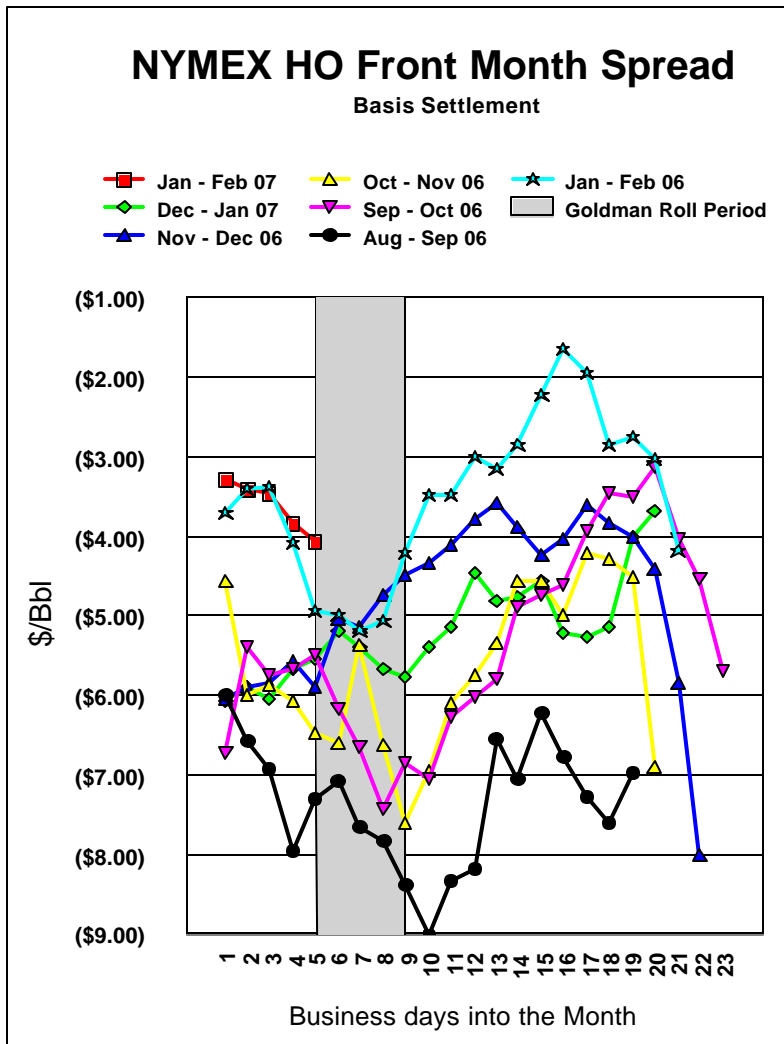
The Kazakh-China crude pipeline is expected to deliver 2 million tons of oil by the end of the year but has yet to sign up enough suppliers to fill it to capacity. The pipeline from Atasu in Kazakhstan to the Chinese border at Alashankou was expected to run at full rates of 200,000 bpd by the end of 2007 when an expansion at China's Dushanzi refinery would be finished.

Brazil's Petrobras exported 14.52 million barrels of oil last month, mostly from its heavy crude Marlim field. The oil was bound for the US Gulf Coast, US West Coast, the Caribbean, South America, Europe, India, South Korea and China.

Japanese oil product deliveries over the four weeks ending December 2 fell by 5.7% on the year to 14.26 million kiloliters or 89.7 million barrels, according to Reuters calculations based on data from the Petroleum Association of Japan. Reuters showed that kerosene sales fell by 3.2% over the past four weeks to 2.5 million kl or 560,000 bpd due to mild weather that limited demand for the heating fuel. Gasoline sales fell by 1.8% on the year to 4.45 million kl or 1 million bpd.

Sources stated that Indonesia would import 2.4 million barrels a month of sweet crude through term contracts during the first quarter of next year, down from 4.65 million barrels in December. It is expected to purchase 600,000 barrels each of Malaysian Tapis crude, Brunei Seria Light crude, Vietnamese Bach Ho and





Sudanese Nile Blend crude.

Production News

Suncor Energy Inc reported that production at its oil sands facility in November averaged 257,000 bpd, including 246,000 bpd of synthetic crude oil and about 11,000 bpd of bitumen. Year to date oil sands production at the end of November averaged 258,000 bpd. Suncor was targeting average oil sands production of 255,000-260,000 bpd of synthetic crude oil in 2006.

Canada's Nexen said it planned to spend about C\$2.9 billion or \$2.5 billion in 2007 to increase its production by 50%. It estimated that production is expected to increase to between 230,000 and 260,000 bpd of oil equivalent or to 275,000-305,000 boe/d before royalties. The increased production would come from expansion of its Athabasca oil sands operations and projects in the Gulf of Mexico and offshore West Africa.

Statistics Norway increased its 2006 forecast for investment in the country's oil and gas sector to 99.9 billion crowns from a previous forecast of 99.5 billion.

It raised its estimate for oil and gas sector investment in 2007 to 100.2 billion crowns or \$16.45 billion, up from an 88.5 billion crown forecast made in September. It also stated that several oil and gas development projects were up for governmental approval in the first half of 2007, meaning possible further upside to investment growth.

Russia increased its pressure on Royal Dutch/Shell's Sakhalin-2 venture on Thursday by suspending water permits, a move that could cause further delays to the project. Russia's Resources Ministry said it suspended 12 water use licenses of Sakhalin's top contractor Starstroi. In September, Russia revoked environmental permits accusing Shell of violating their terms, a charge Shell denied. Sakhalin Energy said it and Starstroi were analyzing the documents and orders from the water resources agency.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$59.10/barrel on Wednesday from \$59.19/barrel on Tuesday.

Market Commentary

The oil market gapped lower from 61.85 to 61.80 and quickly posted a double bottom at 61.55 as the market continued to retrace its previous gains. The market remained range bound within Tuesday's trading range amid the lack of any news. The crude market bounced off its low and traded towards the

62.50 level, where it held some resistance. It traded sideways for most of the session before it breached its resistance and posted a high of 62.65 ahead of the close. This was amid the narrowing of the Jan/Feb crude spread, which came in to 89 cents from \$1.33 on Wednesday, despite the lack of any fundamental reason. The spread came in as the Goldman Sachs roll period began. The January crude contract settled up 30 cents at 62.49. Volume in the crude market was better with 173,000 lots booked on the day. Volume on Globex was excellent with about 338,000 lots booked during the open outcry session. The heating oil market opened down 2.23 cents at 177.60 and quickly posted a low of 176.80. The market bounced off its low and settled in a sideways trading pattern as it traded to a high of 179.00. The market settled down 1.52 cents at 177.88. The Jan/Feb heating oil spread widened to 4.06 cents from 3.84 cents on Wednesday. Meanwhile, the RBOB market gapped lower from 161.50 to 161.35 and traded to 160.75 before it retraced its early losses and traded to a high of 163.50. The market however once again erased its gains and sold off to a low of 160.50. In choppy trading, it later traded back towards its high ahead of the close. It settled up 19 points at 162.32. Volume in the product markets were better today with 40,900 lots booked in the heating oil market and over 20,000 lots booked in the RBOB market.

The oil market on Friday is seen remaining range bound as it continued to hold its support. The market is seen supported by the prospect that OPEC would cut its production further at its meeting next week. The tension over Iran's nuclear work is expected to continue providing a floor for prices as well. The market is seen finding initial support at 61.55 followed by 61.20. More distant support is seen at

60.88, 60.35 and 60.20. Meanwhile, resistance is seen at its high of 62.65 followed by 63.00, 63.20, 63.50 and 63.75.

	Levels	Explanation
CL 62.43, down 1 cent	Resistance 63.00, 63.20, 63.50, 63.75	Previous highs
	Support 62.65	Thursday's high
HO 179.83, down 1.06 cents	Resistance 61.55	Double bottom and 38% retracement (58.00 and 63.75)
	Support 61.20, 60.88, 60.35, 60.20	Previous low, 50% retracement, Previous low, 62%
RB 162.32, up 19 points	Resistance 181.80, 182.50, 182.80	Previous highs
	Support 179.00	Thursday's high
	Resistance 176.80	Thursday's low
	Support 176.20, 176.06, 173.50	Previous low, 62% (169.15 and 187.25), Previous low
	Resistance 164.25, 168.00, 168.50, 171.00	Previous highs, Double top
	Support 163.00, 163.50	Thursday's high
	Resistance 161.00, 160.50	Thursday's low
	Support 160.25, 158.70, 157.71	50% retracement (149.50 and 171.00), Previous low, 62%

NYMEX Petroleum Options Most Active Strikes for December 7, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	1	7	P	73	12/14/2006	10.51	2,600	48.57
LO	1	7	P	74	12/14/2006	11.51	2,500	52.83
LO	1	7	P	75	12/14/2006	12.51	2,400	57.06
LO	6	7	P	60	05/17/2007	2.18	2,150	28.12
LO	3	7	P	55	02/14/2007	0.4	2,110	29.22
LO	1	7	P	60	12/14/2006	0.2	1,999	29.01
LO	1	7	C	63	12/14/2006	0.75	1,922	28.42
LO	6	7	P	55	05/17/2007	1.1	1,650	29.85
LO	2	7	C	66	01/17/2007	1.19	1,403	26.31
LO	3	7	P	59	02/14/2007	1.04	1,348	27.76
LO	12	7	C	68.5	11/13/2007	6.24	1,200	26.17
LO	12	8	P	69.5	11/17/2008	7.68	1,200	22.76
LO	12	8	C	69.5	11/17/2008	7.25	1,200	22.65
LO	12	7	P	68.5	11/13/2007	6.54	1,200	26.22
LO	3	7	C	68	02/14/2007	1.49	1,154	26.49
LO	2	7	C	85	01/17/2007	0.01	1,150	33.03
LO	2	7	C	80	01/17/2007	0.01	1,150	26.95
LO	1	7	P	61	12/14/2006	0.41	1,142	28.75
LO	1	7	P	77	12/14/2006	14.51	1,100	65.25
LO	12	10	C	67.5	11/16/2010	8.87	1,000	23.01
LO	1	7	C	65	12/14/2006	0.21	969	28.49
LO	1	7	C	64	12/14/2006	0.42	926	28.60
LO	6	7	C	90	05/17/2007	0.22	900	26.76
LO	2	7	P	62	01/17/2007	1.6	821	26.70
LO	12	7	C	75	11/13/2007	3.72	800	25.02
LO	9	7	C	85	08/16/2007	1.1	750	25.96
LO	9	7	C	70	08/16/2007	4.49	750	26.31
LO	5	7	P	62	04/17/2007	2.53	725	27.19
LO	2	7	C	64	01/17/2007	1.93	711	26.36
LO	3	7	C	64	02/14/2007	3.04	710	26.77
LO	3	7	P	50	02/14/2007	0.09	703	30.84
LO	1	7	P	72.5	12/14/2006	10.01	700	46.41
LO	1	7	P	72	12/14/2006	9.51	700	44.30
LO	6	7	P	65	05/17/2007	3.94	700	26.56
OB	5	7	C	2.2	04/25/2007	0.0571	745	35.03
OB	2	7	P	1.66	01/26/2007	0.0817	515	33.49
OB	1	7	P	1.75	12/26/2006	0.1372	275	33.38
OB	2	7	P	1.68	01/26/2007	0.093	275	33.68
OB	4	7	C	1.96	03/27/2007	0.0884	250	33.51
OB	4	7	C	1.9	03/27/2007	0.108	250	32.95
OB	2	7	P	1.6	01/26/2007	0.0545	100	33.76
OB	2	7	C	1.7	01/26/2007	0.0642	100	33.84
OH	2	7	C	1.83	01/26/2007	0.0816	1,025	32.57
OH	2	7	C	1.9	01/26/2007	0.0559	1,007	33.22
OH	1	7	C	2.01	12/26/2006	0.0025	310	31.68
OH	1	7	P	1.77	12/26/2006	0.04	200	27.53
OH	3	7	C	2.17	02/23/2007	0.0223	127	33.57