ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 11, 2006

The Saudi press and Platt's reported today that according to their OPEC sources, the cartel would keep its oil production levels unchanged when it meets later this week and would review the oil market situation again at the end of January. Saudi press reports noted that Saudi production had been cut by 450,000 b/d, more than the 380,000 b/d pledged by the country at the last OPEC meeting. Meanwhile Saudi Arabia reportedly has notified European and U.S. refiners that their crude supplies will remain steady in January from December. Japanese and Taiwanese customers though were informed their January levels will be cut by around 8% of contractual volumes

Kuwait's energy minister said that the group would discuss an output cut of 500,000 when they meet later this week. The goal of the group seems to be

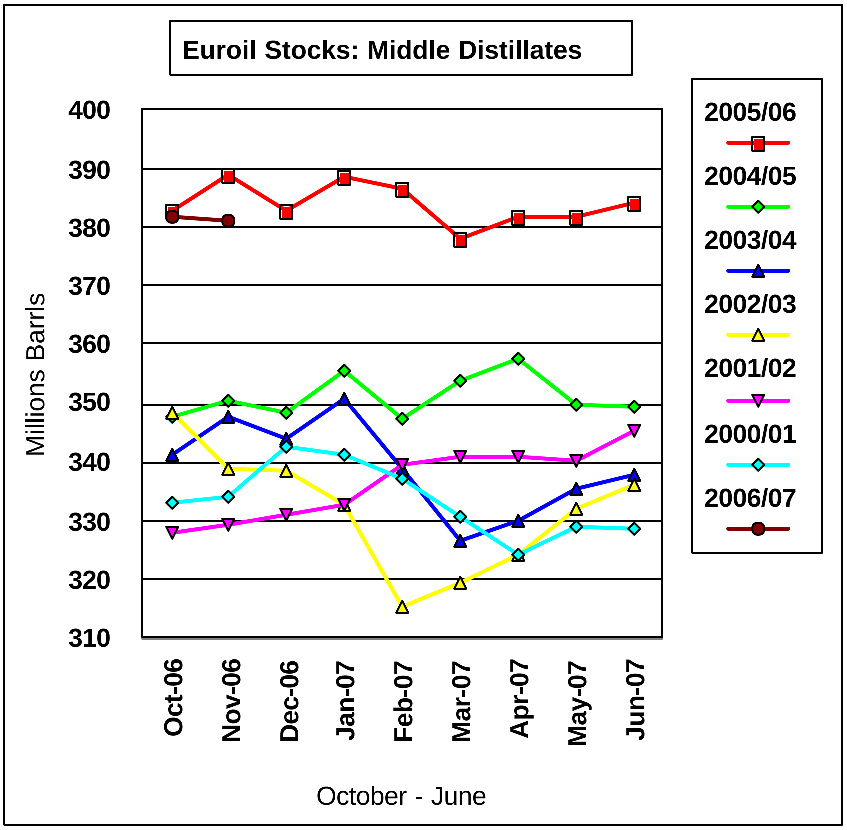
Market Watch

Japan Oil said Monday that it has bought Middle East crude to replace national oil reserves but declined to reveal the details of last month's tender results. The company had been seeking 290,000 barrels of Saudi Extra Light for delivery between February 1st and March 15th and 1.163 million barrels of Arab Extra Light and Murban, Umm Shaif and Zakum for the same delivery window. These will be the first buys for the Japanese crude reserve since 2001.

Merrill Lynch today lowered their oil price forecast for 2007 from $65 to $60 per barrel due to slowing global demand. But the company raised their 2008 price outlook for oil to $62 per barrel up from it earlier forecast of just $50 due to recovering demand and slowing production growth.

Nigerian militants that kidnapped four oil workers last week, said that will keep the hostages through Christmas as they continue to seek not ransom money but the government meeting their demands, which include the release of two jailed leaders from the delta area, compensation to the villagers for oil spills, transfer of control of oil resources from the government to local communities and reparation for the 50 years off "enslavement" by the oil industry. Agip said last week's kidnappings has not impacted production at the Brass River Terminal it remains running 140,000 b/d, some 60,000 b/d less due to previous attacks.

A group of prominent Saudi clerics have called on Sunni Muslims around the world to mobilize against Shi'ites in Iraq. The call stopped short of calling for a jihad, but said "Muslims must stand directly with our Sunni brothers in Iraq and support them by all appropriate, well-studied means." The Washington Times in a lead story today noted that U.S. and Iraqi officials fear the sectarian conflict in Iraq will become a proxy war pitting Saudi Arabia and other Sunni Muslim nations against Iran if the U.S. were to drawdown its forces. Meanwhile the Gulf Cooperation Council apparently responding to the news from Iran over the weekend that it has begun installing 3,000 centrifuges in an expansion of its uranium enrichment program, said the GCC would commission a study on establishing a common or joint nuclear program within its membership



defending the $60 price level. OPEC's director of research said the membership of the cartel were split on whether another cut in production was necessary, but he told Dow Jones that Saudi Arabia, Algeria, the UAE and Qatar favored additional cuts.

The Iranian Oil Ministry said today that that the current oil price was unfair and hoped that recent supply constraint by the cartel would push oil prices back to the "appropriate" $70 a barrel range.

The executive director of the IEA said today that stronger than expected consumption, possible supply cutbacks and higher levels of refinery maintenance means that global oil stocks face a "lot of risk short term." The group as expected does not see the market being oversupplied here especially given the risk from higher demand due to the Northern Hemisphere winter. The group is expected to release its latest supply/demand numbers on Tuesday.

The Bank for International Settlements reported that oil producing countries have reduced their exposure to the U.S. dollar to the lowest level in two years and shifted oil income into euros, yen and sterling. Russian and OPEC members cut their dollar holdings from 67% in the first quarter to 65% in the second quarter. The IMF estimates that due to the rise in oil prices since 2002, oil producing countries have amassed a current account surplus of about $500 billion, some 2 ½ times the current account surplus of China.

The U.S. Climate Prediction Center estimated this morning that for the week ending December 16th demand for heating oil should be 27.8% less than normal. Last week heating demand ran some 18%higher than normal.

Euroilstock reported today that European oil stocks increased by 1.9 million barrels and stood some 4.58 million barrels above the same time a year ago. Crude and gasoline stocks rose by 4.09 million and 770,000 barrels respectively, while middle distillates and fuel oil stocks declined by 750,000 and 2.21 million barrels respectively.

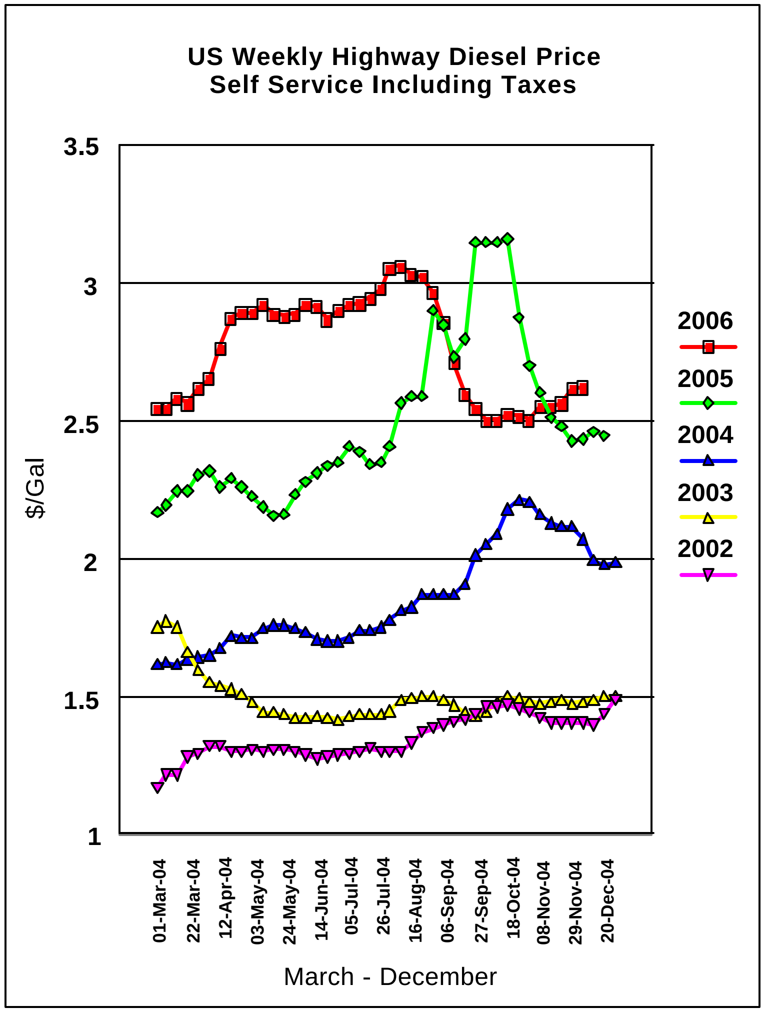
The EIA reported that the US average retail price of diesel increased by 0.3 cents/gallon to $2.62/gallon in the week ending December 11. It stated that the US average retail price of gasoline fell by 0.4 cents/gallon to $2.29/gallon on the week. The price of gasoline fell for the first time in five weeks.

Refinery News

ConocoPhillips reported a boiler problem on Sunday at its 139,000 bpd Carson, California refinery.

The US Coast Guard stated that shipping traffic on the Houston Ship Channel was halted on Monday as dense fog made it unsafe to navigate the waterway. The Coast Guard said the resumption of ship movement along the channel would depend on when the fog lifts.

Credit Suisse estimated in its weekly report today that U.S. refinery margins east of the Rockies fell last week. Margins in the Midwest were off $3.25 to $7.88 a barrel, with USG margins off $2.11 and the Northeast down $2.36. Margins on the West Coast though were up $2.18 to $26.37 per barrel.



Production News

Norwegian crude oil production in November rose to 2.41 mbd up from October's estimate of 2.32 mbd.

BP confirmed that while it had been experiencing a technical problem at an oil field in Azerbaijan, which had resulted in a 40% reduction in production in the country, since earlier this month, normal production levels should return on Tuesday.

Iraq has cut the official selling price for its Basra Light crude loading in January to customers in January. The January price is pegged at dated BFO minus $7.20 a barrel down $1.05 from December.

Technical levels			
		Levels	**Explanation**
		63.65, 63.75	Previous highs
	Resistance	62.15	Monday's high
CL	61.22, down 81 cents		
	Support	61.05	Monday's low
		60.88, 60.35, 60.20, 59.55	50%retracement(58.00 and 63.75), Previous low, 62%, Previous low
		181.90, 182.50, 182.80	Previous highs
	Resistance	174.00, 175.50 to 175.50	Remaining gap
HO	172.43, down 3.3 cents		
	Support	172.20	Monday's low
		171.10, 169.15, 168.80	Previous lows
		167.00, 168.00, 168.50, 171.00	Previous highs, Double top(171.00)
	Resistance	162.00, 162.70	Monday's high
RB	159.58, down 2.13 cents		
	Support	159.25	Monday's low
		158.70,158.00, 157.71, 155.25	Previous lows, 62%(149.50 and 171.00), Previous low

Petroecuador exported 220,195 bpd of crude oil in November, up 1.3% from 217,174 bpd in October.

OPEC's basket crude price last week rose by $1.47 per barrel and ended the week at $59.06.

NYMEX Petroleum Options Most Active Strikes for December 11, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	9	7	C	75	08/16/2007	2.43	7,250	25.48
LO	9	7	C	85	08/16/2007	0.92	7,250	25.88
LO	1	7	P	60	12/14/2006	0.28	6,461	33.51
LO	1	7	P	61	12/14/2006	0.62	3,825	32.81
LO	1	7	C	61	12/14/2006	0.84	3,548	32.81
LO	1	7	C	63	12/14/2006	0.17	3,232	33.18
LO	1	7	C	62	12/14/2006	0.41	3,114	33.01
LO	1	7	P	61.5	12/14/2006	0.88	3,043	32.99
LO	2	7	C	65	01/17/2007	1.07	2,578	26.53
LO	2	7	C	70	01/17/2007	0.23	2,350	26.91
LO	1	7	C	65	12/14/2006	0.02	2,308	34.24
LO	1	7	C	62.5	12/14/2006	0.27	1,666	33.12
LO	6	7	P	60	05/17/2007	2.39	1,650	28.07
LO	12	7	C	75	11/13/2007	3.3	1,568	24.80
LO	3	7	C	85	02/14/2007	0.02	1,500	28.47
LO	1	7	C	61.5	12/14/2006	0.6	1,378	32.98
LO	6	7	P	55	05/17/2007	1.21	1,350	29.82
LO	1	7	C	64	12/14/2006	0.06	1,275	33.41
LO	1	7	C	60	12/14/2006	1.5	1,243	33.56
LO	3	7	C	75	02/14/2007	0.25	1,200	27.47
LO	12	7	P	50	11/13/2007	1.24	1,192	30.17
LO	1	7	P	59	12/14/2006	0.11	1,186	34.54
LO	1	7	P	63	12/14/2006	1.95	1,158	33.26
LO	12	7	P	55	11/13/2007	2.13	1,050	28.82
LO	1	7	P	62	12/14/2006	1.19	1,049	33.03
LO	3	7	P	53	02/14/2007	0.26	1,020	29.89
LO	2	7	P	60	01/17/2007	1.13	913	27.20
LO	6	7	C	65	05/17/2007	4.45	745	26.74
LO	1	7	P	65	12/14/2006	3.79	709	31.80
LO	1	7	P	58	12/14/2006	0.04	667	36.09
LO	8	7	P	66.5	07/17/2007	5.42	650	26.66
LO	8	7	C	66.5	07/17/2007	4.94	650	26.60
LO	12	7	C	90	11/13/2007	0.97	650	25.22
LO	2	7	C	72	01/17/2007	0.11	534	26.92
LO	12	7	C	100	11/13/2007	0.48	516	26.35
LO	12	7	P	75	11/13/2007	10.83	512	26.18
LO	2	7	C	65.5	01/17/2007	0.93	500	26.53
LO	3	7	P	63.5	02/14/2007	2.93	500	26.87
LO	12	7	C	72.5	11/13/2007	4.09	500	25.13
OB	1	7	P	1.55	12/26/2006	0.0209	100	31.22
OB	1	7	P	1.6	12/26/2006	0.0421	100	30.99
OB	1	7	P	1.7	12/26/2006	0.1133	55	32.15
OB	1	7	P	1.65	12/26/2006	0.0738	53	31.61
OH	1	7	P	1.84	12/26/2006	0.126	300	33.22
OH	2	7	P	1.79	01/26/2007	0.0881	300	31.18
OH	3	7	C	1.84	02/23/2007	0.0721	210	28.76

Market Commentary

The oil market gapped lower from 62.00 to 61.50 amid reports that OPEC may leave its production level unchanged during Thursday's meeting and meet again in January to reassess the market situation. The market was also pressured amid the weakness in the heating oil market in light of weather forecasts calling for warmer than average temperatures for the US Northeast between December 16 and December 24. The crude market held some support at 61.25 and backfilled its gap as it rallied to a high of 62.15. However the market settled in a sideways trading pattern before it sold off to a low of 61.05 on profit taking ahead of the close. The oil market settled down 81 cents at 61.22. Volume in the crude market was light with 137,000 lots booked on the day. The heating oil market gapped lower from 175.50 to 173.80 and traded to an early low of 173.00 in follow through selling seen on Friday. The market remained pressured amid the weather forecasts. The heating oil market however retraced its losses and partially backfilled its gap as it posted a high of 175.00. The market, which failed to fully backfill its gap, sold off to a low of 172.20 ahead of the close and settled down 3.30 cents at 172.43. The RBOB market also settled down 2.13 cents at 159.58 after it too gapped lower from 161.00 to 160.50 on the opening. The market held some support at 159.50 and rallied to a high of 162.70 early in the session.

However the market gave up its gains and sold off to a low of 159.25 ahead of the close amid the weakness in the rest of the complex. Volumes in the product markets were light with 38,000 lots booked in the heating oil and 22,600 lots in the RBOB market.

The NYMEX crude oil options market finally saw calls out pace puts in activity for the first time in eight trading sessions. This was helped in part by the 7250 of the September $75 -$85 call spreads that were traded on the day.

The oil market will remain headline driven ahead of OPEC's meeting on Thursday as OPEC members are divided on the need for a further oil production cut. The market may continue to trade lower amid the reports that OPEC would leave its production levels unchanged during its meeting. However its losses will remain limited as the market continues to trade in a range. Support is seen at its low of 61.05 followed by 60.88, 60.35 and 60.20. More distant support is seen at 59.55. Meanwhile resistance is seen at 62.15 followed by 63.65 and 63.75.