



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 28, 2006

Iraq's Oil Minister Hussain al-Shahristani said Iraq has exported an average of 1.65 million bpd of crude oil this year. He said that insurgent attacks idled the main export pipeline in the north for most of the year leaving Iraq dependent on the south to export its crude. He said production averaged 2.3 million bpd this year. He added that Iraq could have produced about 3 million bpd and exported 2.25 million bpd if it could pump crude through its northern pipelines. Iraqi officials have stated that they were aiming for a production target of 4.3 million bpd within the next four years, however sabotage and lack of foreign investment may make the goal unachievable. Iraq's Oil Minister said Iraq's oil law would be presented to the government at the start of January.

Refinery News

According to the EIA, Venezuela halted its finished gasoline exports to the US in October for four months after suffering refinery glitches throughout the year. Exports to the US were estimated at 480,000 barrels in September and 832,000 barrels in August. October exports of gasoline blending components from

Market Watch

The European Union's Energy Commissioner Andris Piebalgs urged Russia and Belarus to resolve their pricing dispute to avoid any disruption of gas supplies to EU countries in early 2007. Belarus has threatened to disrupt the transiting of supplies. About 80% of Russian exports to Europe are pumped via Ukraine with the remainder going through Belarus.

Royal Dutch Shell signed a secret protocol with Russia's government as part of its deal to sell half of the Sakhalin-2 project to Gazprom, allowing Shell to increase spending. Shell is allow to increase its spending in the Sakhalin project to \$15.8 billion from the previously approved \$12 billion.

The Dubai Mercantile Exchange delayed the launch of its Oman crude oil futures contract until at least March. The contract, the first sour crude oil futures, was expected to launch in mid-February. A source said the launch could be delayed further as the DME addresses concerns over the physical delivery process.

According to the American Trucking Associations, its truck tonnage index fell by 3.6% on the month to the lowest level since late 2003. It was down 8.8% on the year. On a seasonally adjusted basis, the tonnage index fell to 106.8 from 110.8 in October.

DOE Stocks

Crude – down 8.1 million barrels

Distillate – up 500,000 barrels

Gasoline – up 3 million barrels

Refinery runs – up 0.22%, at 90.9%

Venezuela to the US were also lower at 1.41 million barrels, compared with 1.93 million barrels in September.

The US Coast Guard said work to plug Plains All American Pipeline's damaged High Island Pipeline System was halted on Wednesday night due to bad weather. Workers were able to plug half of the damaged

line. The US Coast Guard said operations to plug the other half of the line would not resume until Sunday. Plains however reported that an inspection of the damaged pipeline system revealed the line was severed. The company could not say how long it would take to repair the pipeline but it was likely to require the installation of a new section of pipe.

ExxonMobil Corp's 349,000 bpd Beaumont, Texas refinery suffered a mechanical problem with a boiler associated with its fluid catalytic cracking unit on Wednesday. Separately, ExxonMobil said it would shut a 28,000 bpd alkylation unit at its Baytown, Texas refinery in January for three weeks of maintenance.

Traders said Deer Park Refining was planning a 38 day turnaround at its 340,000 bpd Houston area refinery in January. It is expected to shut a crude distillation unit, a hydrocracker and a reformer unit.

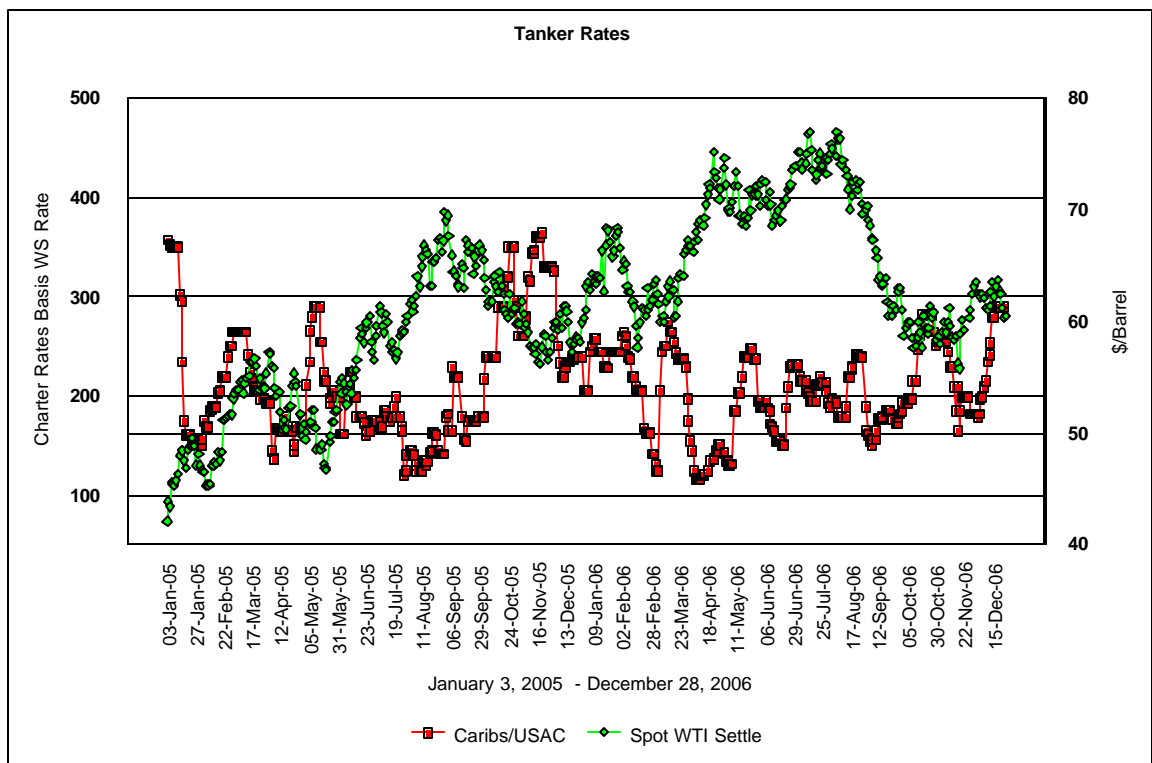
Imperial Oil Ltd said output at its Edmonton refinery would be reduced by 87% until early January as a catalytic cracker undergoes unplanned maintenance. The unit is not expected to resume operations until January 8-10.

South Korea's five refiners are expected to increase their crude runs in January by 0.83% or 20,000 bpd on the month to 2.43 million bpd.

Thailand's Alliance Refining Co is scheduled to shut a 55,000 bpd hydrotreater at its 160,000 bpd Star Petroleum refinery for two weeks of maintenance in April.

Iraq halted its oil exports from its southern Basra terminal on Wednesday as strong winds and high sea swells forced port operators to suspend berthing operations. Loading operations were however continuing at about 70,000 barrels/hour. There was no immediate indication when operations would resume.

BP said its crude output from Azerbaijan was normal over the weekend and early this week at about 650,000 bpd. However traders said about 500,000 barrels less Azeri crude arrived at Ceyhan than expected, forcing a delay to a



cargo due to load in late December.

Azerbaijan's Socar said it has canceled its January crude exports of 620,000 barrels from Russia's Black Sea port of Novorossiisk to meet its domestic demand.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.076 million barrels to 10.151 million barrels in the week ending December 28. It also reported that light distillate stocks fell by 1.249 million barrels to 7.246 million barrels while middle distillate stocks fell by 374,000 barrels to 7.957 million barrels on the week.

Japan's Ministry of Economy, Trade and Industry reported that the country's oil product sales fell by 1.5% on the year in November to 19.2 million kiloliters or 4.03 million bpd. It reported that fuel oil led the decline in sales, falling by more than 12% on the year as utilities burned less oil due to mild winter weather. LNG sales however increased by 12.8% on the month while crude oil used for direct burning was down 8% at 119,000 bpd. Kerosene sales also fell by 4.1% on the year to 2.42 million kl due to the mild weather. Gasoline sales fell by 2.5% on the year to 1.019 million bpd. Japan's MITI also reported that its crude imports in November fell by 2.6% on the year 4.095 million bpd while refinery throughput fell by 4.7% to 4.006 million bpd. Japan's commercial crude oil stocks totaled 18.27 million kl at the end of November, down 1.5% on the month but up 3.5% on the year.

Sinopec Corp has certified proven oil and gas reserves in shallow sea off eastern Shandong province. A total of 6.883 million tons of crude and 482 million cubic meters of proven natural gas reserve has been found, which would translate into 600,000 tons/year or 12,000 bpd of crude production capacity by the end of 2010.

Production News

Two different armed groups have lifted their sieges of two oilfield stations in Nigeria, releasing more than 20 oil workers. About 18 staff at Agip's Tebidaba oilfield were released on Tuesday following five days of captivity while five workers at Shell's Nun River facility were freed on Tuesday following a 12 day siege. Shell said it started to resume production of 14,000 bpd from Nun River. However industry sources stated that Agip's Tebidaba facility still has not resumed its 40,000 bpd production.

Royal Dutch Shell said it declared two oil finds commercially viable at its Brazilian BS-4 block in the Santos basin. Shell said more work was needed to further evaluate the discoveries and define a field development concept that is considered economic. The BS-4 block showed 1.6 billion barrels of total in-place heavy oil accumulations.

Libya maintained its January official selling price for its Essider crude steady at dated BFO minus \$1.60/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.43/barrel on Wednesday from \$57.45/barrel on Tuesday.

Market Commentary

The oil market ended the session in positive territory, following a four day sell off, in light of the weekly petroleum stock reports, which showed larger than expected draws in crude stocks. The crude market opened 21 cents higher at 60.55 and traded to 60.70 following the release of the DOE report. The report showed a larger than expected draw of 8.1 million barrels, with a draw of over 7 million barrels in Padd 2. The market erased its gains and posted a low of 60.05. However the oil market quickly retraced its losses and rallied to a high of 60.85 as it was supported by the DOE report, which also showed that total petroleum stocks fell by 7.4 million barrels on the week. The market later erased

some of its gains and settled in a sideways trading pattern. It settled up 19 cents at 60.53. Volume in the crude market was light with 62,250 lots booked during the open outcry session. Meanwhile, the heating oil market posted an inside trading day after failing to breach Wednesday's trading range. In light trading, the market traded to 161.00 early in the session amid the build reported in distillate stocks by the DOE and API reports of 500,000 barrels and 2.6 million barrels, respectively. The market later settled in sideways trading pattern before it sold off to a low of 160.80 later in the session. The heating oil market however retraced its losses and settled up 1.43 cents at 162.31. Similarly, the RBOB market also posted an inside trading day. It sold off to a low of 158.00 in light of the builds reported in gasoline stocks. However the market later retraced its losses and posted a high of 160.75 before it settled in a sideways trading pattern ahead of the close. It settled up 91 points at 159.80. Volumes in the product markets were light with 23,575 lots booked in the heating oil market and 19,000 lots in the RBOB market.

The oil market is seen trading higher during Friday's shortened trading session ahead of the New Year's holiday weekend. The market is also seen trading higher as traders liquidate their positions in the January product contracts ahead of their expiration at the close. The crude market is seen finding support at

60.05 followed by 60.00 and 59.50. Meanwhile resistance is seen at 60.85 followed by 61.15, 62.60 and 62.95.

Technical levels		
	Levels	Explanation
CL 60.53, up 19 cents	Resistance 61.15, 62.60, 62.95	Previous highs
	Support 60.85	Thursday's high
	Support 60.05 60.00, 59.50	Thursday's low Previous lows
HO 162.31, up 1.43 cents	Resistance 163.00, 168.50	Previous highs
	Support 162.80	Thursday's high
	Support 161.80, 160.80 160.50, 157.00	Thursday's low Previous low
RB 159.80, up 91 points	Resistance 161.40, 163.50, 165.70	Previous highs
	Support 160.75	Thursday's high
	Support 159.25, 158.00 156.25, 155.25, 153.00	Thursday's low Previous lows