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## ***ENERGY RISK MANAGEMENT***

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## **ENERGY MARKET REPORT FOR NOVEMBER 19, 2007**

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OPEC pledged to provide adequate, timely and sufficient oil supplies to the market during its heads of state meeting on Sunday. A final declaration of the summit also said it recognized the importance of energy in fighting poverty but it made no mention of the weak dollar.

Saudi Arabia's Oil Minister Ali al Naimi said oil price fluctuations have nothing to do with OPEC. He said there were many other factors affecting prices. He said OPEC wants to avoid a situation in which record high oil prices would help push the world economy into recession. He said Saudi Arabia could double domestic and foreign refining capacity to 6 million bpd in five years from its current capacity of

### Market Watch

The National Weather Service forecast US heating demand is expected to be about 16% below normal in the week ending November 24 as mild weather persists over much of the country. Demand for heating oil is expected to average 8.2% below normal.

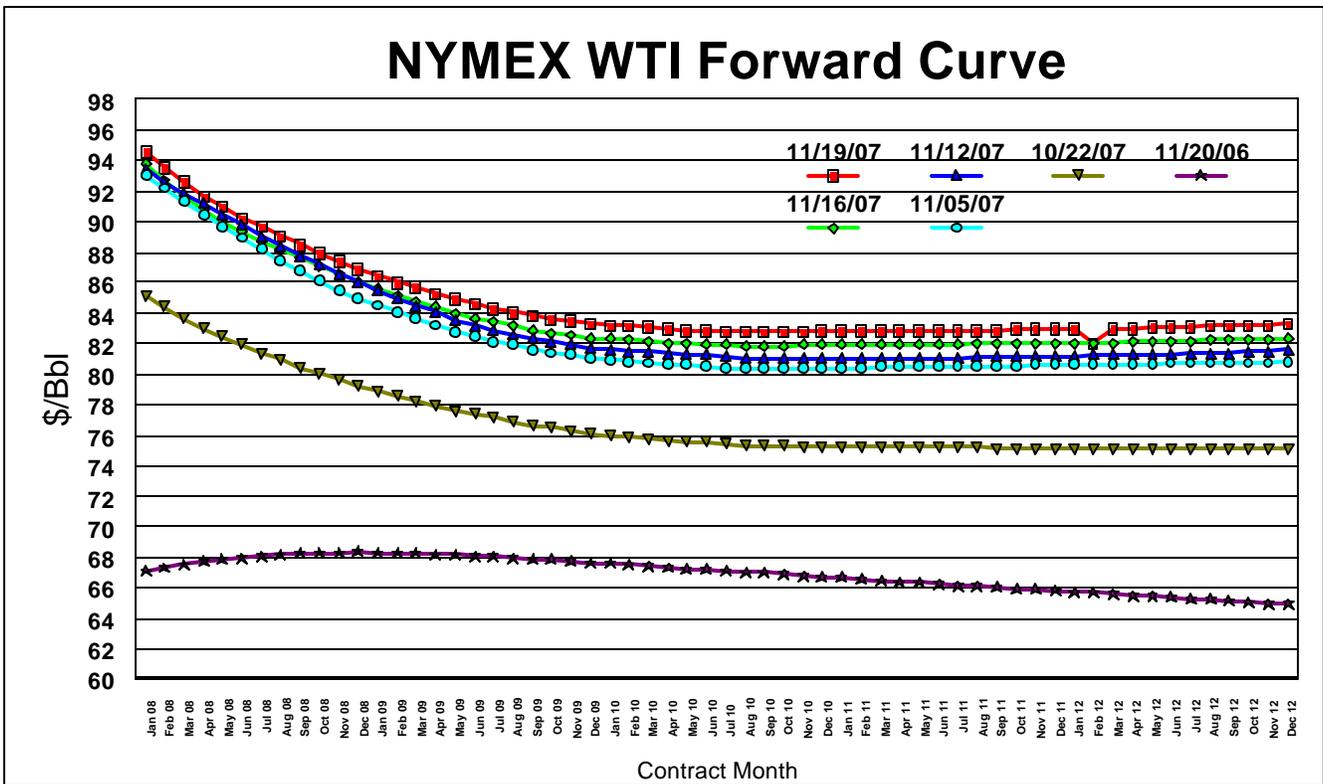
Meteorlogix said temperatures in northwest Europe and northeast US are expected to get milder over the coming week, reducing demand for heating while stormy seas could pose North Sea oil and gas production problems.

The NYMEX said it would introduce two new commodity index products in February. Its MACI would reduce the burden of rolling index commodities forward every month and tracks the effects of contango and backwardation in the markets. The NYMEX will list financially settled futures and options contracts for the MACI, which is a six month rolling strip index, as well as for the Backwardation Contango Index.

Gulf currencies rallied on Monday after UAE policymakers called for a region wide review of dollar pegged exchange rates and Saudi Arabia signaled it could be willing to discuss reform. A source familiar with Saudi currency policy said Saudi Arabia could consider revaluing the riyal with other Gulf oil producers but added that it had no plans to drop its peg to the dollar to track a currency basket. The source said the Saudi government could consider revaluing the currency, which the central bank has kept stable at 3.75 to the dollar since June 1986. Qatar, Bahrain, the UAE and Saudi Arabia have agreed with Oman and Kuwait to keep their currencies pegged to the dollar until monetary union in 2010.

Separately, Ecuador's President Rafael Correa said he favored pricing oil in currencies other than the US dollar during the OPEC head of state summit.

France's ethanol sector could collapse if the French government goes ahead with plans to cut subsidies. The French ethanol sector is heavily reliant on subsidies in the form of a lower TIPP fuel tax that makes the fuel competitive with gasoline at the pumps. Industry sources said ethanol currently benefits from a 0.33 euro/liter discount when sold at petrol pumps but that amount could soon be halved.



3.2 million bpd. Separately, a senior Iranian oil official said OPEC would most likely discuss the issue of whether to increase output at its meeting in Abu Dhabi on December 5.

China's Foreign Ministry said China withdrew from talks on Iran's nuclear program planned for Monday due to a scheduling conflict. The talks planned for Monday among representatives of the five permanent members of the UN Security Council and Germany was put off because China said it would not attend the meeting.

Iran's President Mahmoud Ahmadinejad said Iran would not use oil as a weapon even it was attacked by the US over its nuclear program. He said there were other means at its disposal to respond. He said Iran would study a Gulf Arab proposal to set up a body in a neutral country that would provide enriched uranium to Middle East users, including Iran and ensure it is used for peaceful purposes only. Meanwhile, Iran's deputy chief nuclear negotiator, Javad Vaeedi said Iran's cooperation with the UN's IAEA would depend on world powers' legal and logical behavior. He said he was meeting a senior aide of European Union foreign policy chief Javier Solana on Wednesday. Wednesday's talks are aimed at preparing an upcoming meeting between Solana and Iran's chief nuclear negotiator Saeed Jalili, who said that imposing a third round of UN sanctions on Iran would impact its cooperation with the IAEA.

Russia's Foreign Ministry said Iran had to do more to clear up suspicions over its nuclear activities.

Former Secretary of State Colin Powell said Iran was far from acquiring a nuclear weapon and added that a US military strike against Iran was unlikely. He said there was no base of support among Americans for such an action and added that the US military already had enough on its hands in Iraq and Afghanistan.

Venezuela's President Hugo Chavez arrived in Iran on Monday to further boost its ties with Iran. He is expected to discuss various political and economic issues with his Iranian counterpart.

Saudi Aramco said twenty eight people were killed when a fire broke out in a gas pipeline near the Hawiyah gas plant in Saudi Arabia overnight. The fire was caused by a gas leak in the pipeline. The Hawiyah program would produce 310,000 barrels of ethane and NGL products by 2008 through the plant and an expansion of the Juaymah gas fractionation plant near Ras Tanura. Saudi Aramco sources said the fire was unlikely to cause serious delays to the Hawiyah project.

According to the Lundberg survey, the average price of gasoline in the US increased to \$3.09/gallon in the two weeks ending November 16, up 12.93 cents/gallon.

The EIA reported that the US average retail price of gasoline fell by 1.2 cents/gallon on the week to \$3.099/gallon in the week ending November 19. It also reported that the US average retail price of diesel fell by 1.5 cents/gallon to \$3.41/gallon on the week.

### **Refinery News**

Flint Hills Resources shut several processing units at its 288,000 bpd Corpus Christi, Texas refinery on Sunday for about a week of maintenance.

Valero Energy Corp reported flaring on Saturday at its 245,000 bpd Texas City, Texas refinery caused by a tower in complex 7 of the refinery.

BP Plc reported flaring at its 265,000 bpd refinery in Carson, California on Saturday due to planned work on a reformer unit.

Western Refinery shut a diesel hydrotreater unit at its El Paso, Texas refinery for unplanned maintenance on Saturday. In a filing with the Texas Commission on Environmental Quality, the company did not state when the unit would resume operations.

South Korea's SK Energy is expected to start its 60,000 bpd residue fluid catalytic cracking unit in April 2008, about three months ahead of schedule. The construction of the unit is about 80% complete.

Japan's Nippon Oil Corp restarted its 120,000 bpd No. 1 crude distillation unit at its Negishi refinery in Yokohama on November 16, a day ahead of schedule. The unit had been shut since October 4 for scheduled maintenance.

Russian refining runs fell by 4.8% on the month in October to 4.35 million bpd from 4.57 million bpd in September.

Abu Dhabi National Oil Co may decide next year whether to go ahead with the multi-billion dollar upgrade of its Ruwais refinery. The plans to expand the 420,000 bpd refinery and integrate it with a major petrochemical complex are presently being studied by Adnoc's refining subsidiary Takreer.

Bulgaria's Black Sea ports at Varna and Burgas closed on Monday due to strong winds.

China National Petroleum Corp urged its international unit to buy more oil resources from world markets and strictly control exports to increase supply to the local market. The firm asked its refineries to try to increase their crude processing over planned levels and increase diesel and premium gasoline output.

Separately, China's National Development and Reform Commission said China would continue to move towards liberalizing the price of resources and utilities as it pushes for greater efficiency.

**Production News**

Iraq awarded a tender for the sale of 2.6 million barrels of Kirkuk crude. Italy's API was awarded 1.6 million barrels on Friday while ExxonMobil Corp was awarded 1 million barrels.

The average daily loading rate of the nine main North Sea crude systems is expected to increase to 2.582 million bpd in December from 2.566 million bpd in November.

Norway's Troll oil system is set to load 244,000 bpd in December, up from 205,000 bpd the previous month. The North Sea Flotta crude system is scheduled to load 84,000 bpd in December, up from 65,000 bpd the previous month.

Nigeria's provisional crude oil loading plan for January indicated that eight full cargoes containing 950,000 barrels each of Bonny Light crude would be exported as well as one partial cargo of the grade containing 450,000 barrels.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate output totaled 55.982 million tons in January-October 2007, up 4.6% on the year. It reported that Kazakstan's crude oil production in January-October totaled 45.999 million tons, up 2.1% on the year. It reported that crude oil production in October alone increased by 0.3% on the year and by 4.4% on the month to 4.834 million

tons in October.

Colombia's Ecopetrol SA cut its crude oil production at the La Cira-Infanta field to about 10,000 bpd from 12,500

		<b>Explanation</b>	
<b>CL</b>	<b>Resistance</b>	95.20, 95.65, 96.90, 97.65	Previous highs
	<b>Support</b>	95.15	Monday's high
<b>HO</b>	<b>Resistance</b>	93.50, 93.16	Monday's low
	<b>Support</b>	91.81, 90.50, 90.00, 88.20, 86.90, 85.65	Previous lows
<b>RB</b>	<b>Resistance</b>	262.20, 263.64, 266.00	Previous highs
	<b>Support</b>	261.80	Monday's high
<b>RB</b>	<b>Resistance</b>	258.35, 257.05	Monday's low
	<b>Support</b>	255.62, 255.05, 253.35, 250.40, 249.02	Basis trendline, Previous lows
<b>RB</b>	<b>Resistance</b>	241.29, 241.48, 245.00, 246.20, 248.81	Previous high, 62% (248.81 and 230.40), Previous highs
	<b>Support</b>	238.60, 240.44	Monday's high
<b>RB</b>	<b>Resistance</b>	236.45, 235.95	Monday's low
	<b>Support</b>	233.20, 231.04, 230.40	Previous lows

bpd since Thursday as a result of protests. Workers from an Ecopetrol contractor started striking Thursday to demand higher wages.

BHP Billiton Ltd began producing oil at the \$760 million Stybarrow venture off the northwestern Australian coast. BHP said the venture, which is 50% owned by Woodside Petroleum Ltd, has a capacity of 80,000 bpd. Production is expected to reach between 50,000 and 60,000 bpd within several months.

OPEC's news agency reported that OPEC's basket of crudes increased to \$87.54/barrel on Friday from \$87.01/barrel on Thursday. OPEC's basket of crudes fell \$2.33/barrel to an average of \$87.35/barrel in the week ending November 16.

**Market Commentary**

With a lack of any new fundamentals and expectations for builds in stockpiles, crude oil prices initially came under pressure ahead of the Thanksgiving Holiday. As the week progresses, volume during this

time typically wanes. We would look for this pattern to hold and for prices to trade with in the \$90.00 to \$96.00 range. As a result, we would look to buy and sell the January contract at the listed support and resistance numbers. Total open interest in crude oil is 1,382,255 down 11,222, DEC.07 3,785 down 32,021 JAN.08 396,959 up 10,734, FEB.08 96,520 up 3,004. Support for January, comes in 90.00, 89.10 88.20, 86.90, 85.65, 83.91 and 81.75. Resistance is set 94.67, 95.20, 96.90 and 97.65. Meanwhile the product markets continued to follow in the crude market's footsteps and settled in positive territory after they retraced their earlier losses. The RBOB market continued to retrace its previous losses in overnight trading before the market sold off to a low of 235.95 early in the session amid the selling seen in the oil market. The RBOB market however bounced off its low and retraced some of its earlier losses ahead of the close. The market settled up 62 points at 238.16. The heating oil market also settled up 1.71 cents at 260.42 after it retraced its earlier losses. The market, which posted a high of 261.80 in overnight trading, sold off to a low of 257.05 amid the crude market's losses. The markets are seen trading sideways and holding their support levels ahead of the release of the weekly inventory reports on Wednesday. Even though the markets have given up some of their previous gains, the markets are still holding above their upward trending support line. The RBOB market is seen finding support at 236.45, 235.95, 233.20 followed by 232.20, 231.04 and 230.40. Resistance is seen at 238.60, 240.44, 241.29, 241.48, 245.00, 246.20 and 248.81.