



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 14, 2007

OPEC Secretary General Abdullah al-Badri said the group did not see a need to increase its oil production at the moment as requested by the US. He said OPEC would consider the issue at its policy meeting on December 5. Meanwhile, Qatar's Oil Minister Abdullah bin Hamad al Attiyah said there was no reason for OPEC to increase its production amid a weaker outlook for oil demand and sufficient stock levels.

Market Watch

According to a report by MasterCard Advisors LLC, US gasoline demand fell by 0.98% on the week and by 1.2% on the year to 65.006 million barrels or 9.287 million bpd in the week ending November 9. The four week average demand level was 66.114 million barrels or 9.445 million bpd, down 103,000 bpd from a week ago. Retail gasoline prices increased by 14 cents or 4.8% to an average \$3.05/gallon over the week.

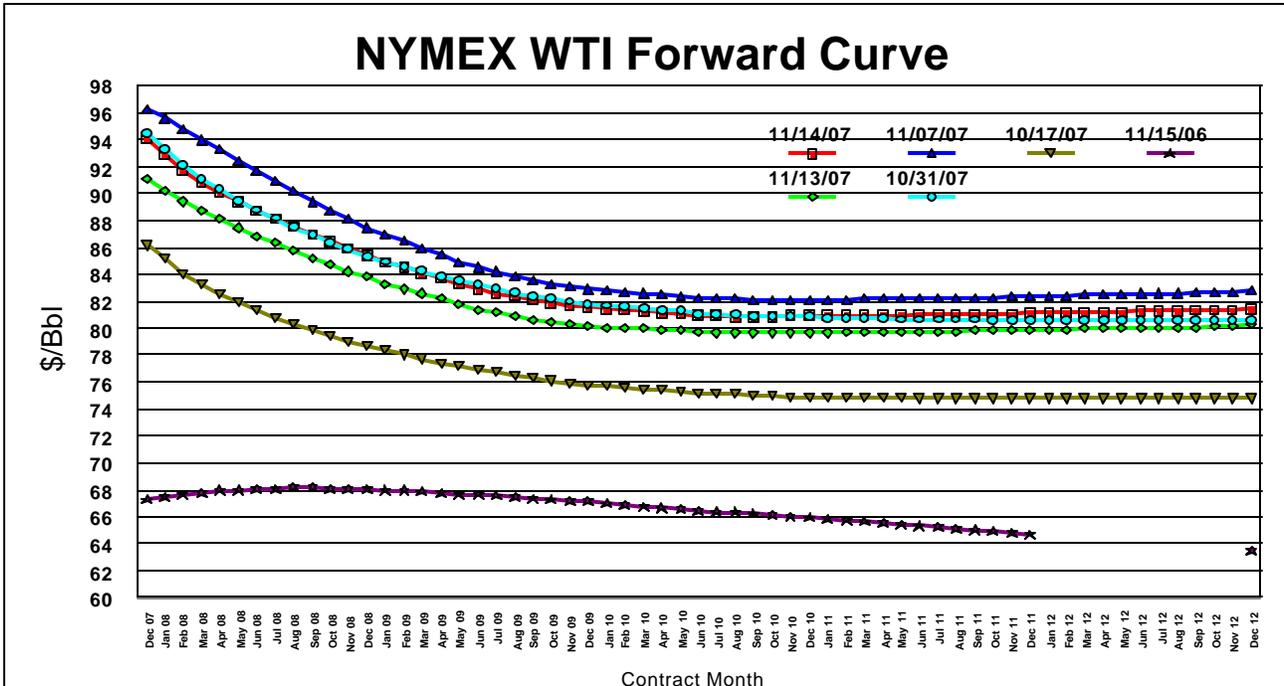
An OPEC official said there are plans for OPEC to create an investment fund to focus on carbon capture and storage and other alternative energy technologies. The creation of the fund is likely to be announced at the OPEC Heads of State meeting being hosted by Saudi Arabia on Saturday and Sunday.

Iraq's Oil Minister Hussein al-Shahristani said political differences over a proposed federal oil law in Iraq would not be resolved anytime soon. He said any deals signed between the Kurdistan Regional Government and private oil companies are illegal and void.

Venezuela's President Hugo Chavez is scheduled to briefly visit Iran early next week following the OPEC meeting.

OPEC is expected to cut its world oil demand growth forecast this year by about 50,000 bpd to 100,000 bpd to 1.2 million bpd in its monthly oil market data report due Thursday. An official familiar with the data said OPEC remained comfortable with oil stock levels within the wealthiest industrialized nations and forecast that inventories would rebuild in the first three months of 2008. The official also stated that he expected oil prices to decline towards \$70-\$75/barrel in the coming weeks, amid increased supply of crude from OPEC and others and on weaker demand caused by \$100/barrel oil prices.

The head of the EIA, Guy Caruso said OPEC needs to increase its production by a further 400,000 bpd to meet world oil demand. Separately, the EIA reported that US crude oil imports in September averaged 10.286 million bpd, down 4% on the year. Canada was the top crude supplier for the 20th consecutive month at 1.956 million bpd, up 6,000 bpd on the month but more than 200,000 bpd on the year. Saudi Arabia was the second largest source of crude with 1.441 million bpd. Mexico was the



third largest crude supplier to the US, with 1.293 million bpd. Crude oil imports from Venezuela averaged 1.146 million bpd while Nigerian crude imports averaged 1.137 million bpd. Crude imports from Iraq stood at 603,000 bpd, up 14.6% on the year.

The head of the IEA, Nobuo Tanaka said that oil stocks were at worrisome levels and that he hoped oil producing countries would listen to market signals. He said an increase in oil production would be welcome by international markets. He also stated that the long term outlook for world energy security has deteriorated over the last year. He said world energy demand was increasing unacceptably, driven by both developed countries and developing countries like China and India.

An Iraqi oil official said Iraq has struck a term deal with Turkey to supply Kirkuk crude from its northern fields and added that Iraq would sell a further 300,000 bpd to European and US refiners starting in January.

A shipping agent said no crude oil was flowing through a pipeline from Iraq's Kirkuk oil fields into Turkey's export terminal of Ceyhan on Wednesday. Total inventory of Kirkuk crude available at Ceyhan stood at 3.6 million barrels on Wednesday, down from 4.2 million barrels reported Tuesday.

Iraq's President Jalal Talabani said tensions between Iraq and Turkey have subsided and relations are improving, even as Turkish troops remained at the Iraqi border. Meanwhile, the head of Turkey's air force denied media reports that Turkish aircraft carried out cross border forays into northern Iraq targeting Kurdish rebel positions this week.

The US signaled on Wednesday that partial Iranian cooperation with the UN's IAEA would not be enough to stall steps towards a third round of sanctions against Iran. The IAEA is due to deliver a report later this week on Iran's compliance with a pledge to defuse suspicions it has a covert atom bomb program. In a gesture aimed at slowing momentum towards sanctions, Iran has turned over a blueprint showing how to mold uranium metal into spheres to fit into nuclear warheads. However the blueprints alone do not resolve outstanding questions about the nature of Iran's program.

Iran's intelligence minister accused a former nuclear negotiator, Hossein Mousavian on Wednesday of supplying information to Britain in violation of Iran's security interests. Iran's leading reformist parties and leaders have warned of an escalating crisis with the international community, calling for a review of nuclear policy.

Iran's parliament on Wednesday approved Gholamhossein Nozari as oil minister, a move that had been widely expected.

Belarus said it was considering retaliatory moves against the US in response to financial sanctions on Belneftekhim. The Bush administration has prohibited Americans from doing business with the refining and petrochemical firm and froze any assets it has under US jurisdiction.

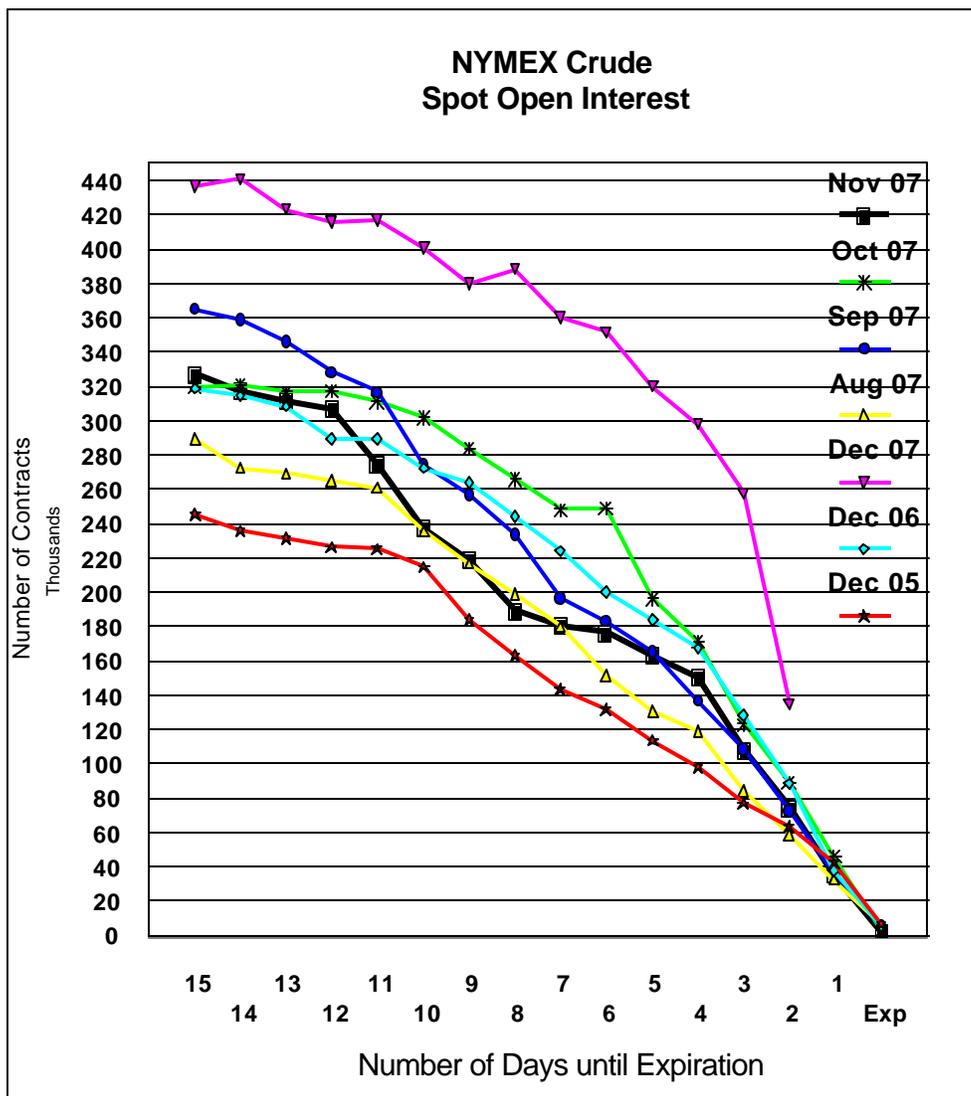
Refinery News

Sunoco reported excess emissions from a sulfur recovery unit at the Claymont section of the Marcus Hook refinery. The company also reported a problem with losing steam at the refinery on Monday, which caused flaring at its fluid catalytic cracking unit for several hours. It said the interruption was brief and did not affect fuel production.

ConocoPhillips reported a malfunction in a unit at its 247,000 bpd refinery in Sweeny, Texas associated with the restart of the alkylation unit.

Alon USA reported a power snag in the reformer substation at its Big Spring, Texas refinery.

Enbridge Inc shut two large crude pipelines on Tuesday after a worker discovered a small oil spill near Clearbrook, Minnesota. Line 3, which pumps 450,000 bpd from Hardisty, Alberta to Enbridge's hub at Superior, Wisconsin was shut for 18 hours following the discovery of the spill. The spill also forced the shutdown of the 670,000 bpd Line 4 pipeline for several hours. It said repairs were completed and both lines were operating normally.



Total SA shut a reformer unit at its 227,000 bpd Leuna refinery in Germany on Tuesday. The reformer unit was shut due to technical issues.

Neste Oil said it was still in the middle of the start up process at a new diesel production line at its Porvoo refinery in Finland which was closed in mid-September for repairs.

PKN Orlen's 197,000 bpd refinery in Lithuania was restarting its units on Wednesday after a full maintenance turnaround. The refinery was shut for maintenance on September 22.

TonenGeneral Sekiyu KK restarted most of the main production units at its 335,000 bpd Kawasaki refinery following a shutdown on November 9 due to a blackout.

Idemitsu Kosan Co Ltd said it restarted its 50,000 bpd residue fluid catalytic cracking unit at its Aichi refinery on Wednesday as scheduled. It said the shutdown had no significant impact on product shipments or on the operations of the other units at the plant.

The Petroleum Association of Japan reported that the country's oil inventories fell by 286,000 kiloliters or 1.8 million barrels to 16.36 million kl or 102.89 million barrels in the week ending November 10. The decline in crude stocks was partly due to higher refining runs. Japanese refiners ran their facilities at an average 83.5% rate of total capacity of 4.84 million bpd. Crude runs increased by 110,000 bpd to 4.04 million bpd. It reported that gasoline stocks built by 750,000 barrels to 13.26 million barrels while kerosene stocks built by 740,000 barrels to 27.4 million barrels on the week. The PAJ also reported that naphtha stocks fell by 2.51 million barrels to 10.15 million barrels on the week.

The Caspian Pipeline Consortium that operates a pipeline linking Kazakhstan's Tengiz oilfield with the Black Sea port of Novorossiisk has suspended oil shipments since November 10 due to harsh weather conditions. The resumption of oil transportation is dependent on the weather.

The Baku-Tbilisi-Ceyhan pipeline had an average throughput of 653,500 bpd in October. BP said the pipeline was on target for a throughput of 1 million bpd by late 2008.

Production News

A fire started on a damaged Mexican oil rig on Tuesday where workers were trying to control a gas leak. The Gulf of Mexico platform began leaking oil and gas when it lurched onto its side in high winds on October 23 and collided with an adjacent rig. Pemex said on Tuesday that four fire fighting boats were at the scene trying to put out the blaze.

The North Sea loading plans for the four benchmark crude oil systems show daily loadings would fall slightly to 1.47 million bpd in December, down 10,000 bpd from the previous month.

The North Sea Ekofisk crude oil system would load about 479,000 bpd in December, up from 465,000 bpd in November.

The Norwegian Petroleum Directorate reported that Norway's oil production increased to 2.247 million bpd in October from 2.133 million bpd in September.

According to Iraq's Oil Ministry, Iraq has increased its crude oil production from the Nahr Bin Omar oil field in southern Iraq to 50,000 bpd. Production before the new work was 10,000 bpd. The Nahr Bin Omar oil field has proven reserves of about 6.3 billion barrels.

Iraq's State Oil Marketing Organization cut the December official selling prices of its Basra light crude destined for the US and Asia but raised the price for European customers. Basra Light crude for delivery to the US in December was set at a discount of \$13.05/barrel to the second month WTI. It was down \$4.25 from a discount of \$8.80/barrel in November. The December official selling price for European customers is priced at dated Brent minus \$3.85/barrel, up \$1/barrel from minus \$4.85/barrel in November. Basra Light crude for delivery to Asia in December was set at the Oman/Dubai average minus \$1.05/barrel, down 60 cents from minus 45 cents in November.

Iran's crude oil exports to Asian customers held steady in the third quarter compared to a year ago levels. Its crude exports to Japan, South Korea, Taiwan and China increased 1% on the year to 1.055 million bpd in the third quarter. Meanwhile, exports of Saudi crude to Asia increased by 1% from the second quarter to 2.602 million bpd. Total imports by the four countries increased by 273,000 bpd on the year, as a 520,000 bpd increase in Chinese demand more than offset falling sales to Japan, South Korea and Taiwan.

China's Premier Wen Jiabao has called for the country to increase its refining and crude oil production to ensure supplies of oil products.

Kazakhstan Energy Minister Sauat Mynbayev said he hoped to reach an agreement with the consortium developing the Kashagan field by the end of the month. He said he was willing to extend the deadline if the talks are not completed by November 30.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$86.84/barrel on Tuesday from \$88.80/barrel on Monday.

Market Commentary

Upon examination of the open interest released for yesterday, it appears that a lot of profit taking was underway. The December contract lost over 120,000 contracts, with total open interest down just over 92,000. Draws are expected across the board for tomorrow's release of the API/DOE numbers. Crude oil is expected to decline by 300,000 bpd, gasoline, 100,000 bpd and distillates by 300,000 bpd. With lower margins in place, there is less incentive for stockpiling. All factors involved in the recent run up in prices still remain and because of this there is strong belief that another run for the \$100.00 market is still possible. As mentioned in yesterday's wire, prices for the prompt month are still above the upward channel that began back in January and need to penetrate \$88.73 to work their way back into the channel. However we would not expect the upward trend to turn without a settlement below \$78.35. With the December contract about to expire, we would turn our attention to the January/February spread. This spread has spent quite a bit of time trading between .80 cents and .88 cents. At this time

a widening premium basis January appears to be occurring, and we would look for this to continue. Should this spread dip back into the

		Explanation	
CL	Resistance	93.55, 94.67, 95.20, 96.90, 97.65	Previous highs
	94.09, up \$2.92	93.06	Wednesday's high(January contract)
	Support	91.75, 91.40, 90.20	Wednesday's low(January contract)
HO	Resistance	89.13, 88.20, 86.90, 85.65, 83.91, 81.75	Previous lows
	257.34, up 7.13 cents	258.18, 262.20, 263.64, 266.00	Previous highs
	Support	257.93	Wednesday's high
RB	Resistance	255.35, 254.05, 252.50, 250.40	Wednesday's low
	237.04, up 5.37 cents	249.02, 248.29, 248.02, 244.11, 241.53	Previous low, 50% (230.58 and 266.00), Previous low, 62%, Previous low
	Support	241.29, 245.00, 246.20, 248.81	Previous highs
		237.81	Wednesday's high
		234.60, 233.90, 232.85, 231.99	Wednesday's low
		230.40, 229.75, 225.25, 222.21	Previous low, 50% (210.68 and 248.81), 62%, Previous low

mid .80's, we would like to buy the January and sell the February, looking for this spread to widen out to the mid \$1.30 area. Total open interest in crude oil is 1,445,162 down 92,346 DEC.07 134,956 down 122,896 JAN.08 362,534 up 28,082, FEB.08 94,002 up 310. Support for January, comes in 88.20, 86.90, 85.65, 83.91 and 81.75. Resistance is set 93.00, 93.55, 94.67, 95.20, 96.90 and 97.65. Similar to the crude market, the product markets posted an inside trading day as they reversed Tuesday's sharp losses ahead of the Thursday's release of the weekly petroleum stock reports. The markets were also supported amid the news of a problem at Sunoco's Marcus Hook refinery. The market posted a low of 231.99 in overnight trading and never looked back as the market continued to retrace its previous losses. The RBOB market extended its gains to over 6 cents as it posted a high of 237.81 ahead of the close and settled up 5.37 cents at 237.04. Meanwhile, the heating oil market settled up 7.13 cents at 257.34 after the market rallied to a high of 257.93 ahead of the close. The market rallied off a low of 250.40. The product markets are seen testing their previous highs amid the expectations that the inventory reports would show slight draws across the board. In the RBOB market, support is seen at 234.60, 233.90, 232.85, 231.99 followed by 230.40, 229.75, 225.25 and 222.21. Resistance is seen at 237.81, 241.29, 245.00, 246.20 and 248.81.