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ENERGY MARKET REPORT FOR NOVEMBER 16, 2007

Leaders of OPEC are scheduled to meet in Saudi Arabia on Saturday and Sunday to discuss the challenges a potential world recession, the weak dollar and rising environmental concerns present to their near \$1.8 billion a day revenue. A decision this week on altering oil output by the group has been ruled out, as oil officials are scheduled to meet on December 5 to discuss the consequences of near \$100/barrel oil and the prospect of weaker demand. Venezuela's Oil Minister Rafael Ramirez said OPEC leaders are likely to

discuss the possibility of creating a currency basket to price their crude. However OPEC Secretary General Abdullah Salem el-Badri said OPEC would not discuss changing the pricing of crude oil from dollars into other currencies, adding it was an issue for member countries to decide for themselves.

Iran's Oil Minister Gholamhossein Nozari said it was too early to say what action OPEC may take when it meets in early December, leaving the door open for a possible production increase to lower prices. Meanwhile, Algeria's Oil Minister Chakib Khelil said oil prices would remain close to current levels though early 2008 but would not breach \$100/barrel. He said he expected prices to level off or

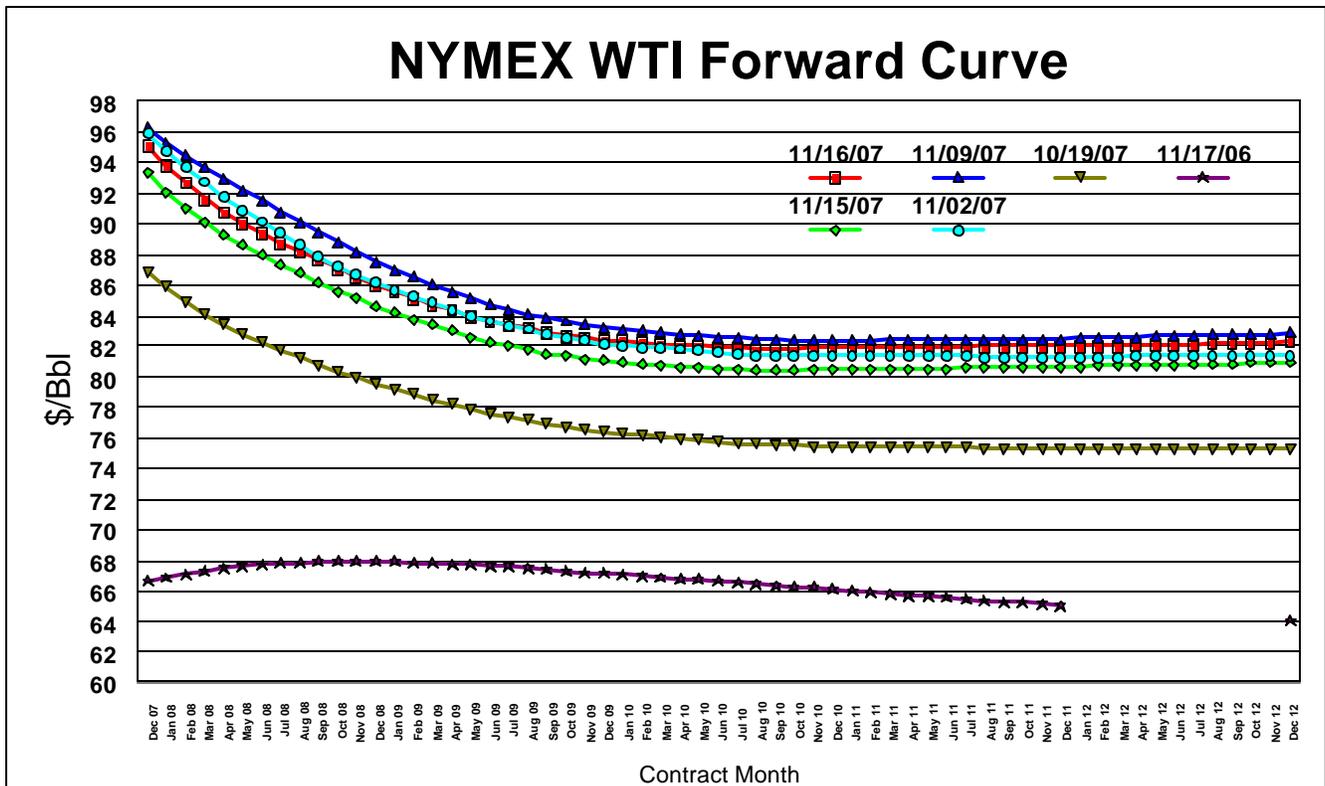
Market Watch

A Saudi Arabian Interior Ministry spokesman said the country was building up a special 35,000 strong force to protect its energy installations from attacks by militants. Saudi Arabia started recruiting and training the industrial security force a year ago following a failed attack by al Qaeda on the world's largest oil processing plant at Abqaiq. The network's Saudi branch has vowed more strikes on oil facilities after the attack. The force currently has 9,000 personnel either in training or already active and would reach full strength of up to 35,000 in three to four years.

Venezuela's President Hugo Chavez said in an interview with a French television station that Venezuela would develop nuclear power for peaceful purposes. He has defended Iran's right to nuclear energy and has offered his services as a mediator to talk with the US and its allies.

The dollar fell against the euro on Friday after a report showed the biggest fall in US industrial production since January and lower than expected US capital inflows in September. The euro rose to a session high of \$1.4672 before easing back to \$1.466.

Qatar's Deputy Prime Minister Abdullah bin Hamad al-Attiyah said the country is concerned the US currency's slide on world markets was eroding the oil and gas exporter's purchasing power. When asked whether pricing oil in euros would solve the problem of dollar weakness, he said OPEC's share of world crude output was too small for it to make such a switch. A Gulf wide shift could weigh further on the dollar, reducing demand for US assets.



even decline due to reduced demand in the second quarter of 2008. He also stated that he saw no immediate reason for OPEC to raise production at its next meeting in Abu Dhabi on December 5. Separately, Nigeria's Oil Minister Odein Ajumogobia said OPEC would discuss a possible increase in oil supplies when the ministers meet on December 5.

US Energy Secretary Samuel Bodman said he had asked for an OPEC supply increase but said the decision was up to OPEC.

The IEA's executive director Nobou Tanaka said world crude stock levels are expected to continue to fall unless oil producing countries, including OPEC act to fill inventories.

Oil shipments through a pipeline from Iraq's Kirkuk oilfields into Turkey's Ceyhan export terminal resumed at a rate of 20,000 barrels/hour 480,000 bpd. Total inventory of Kirkuk crude at Ceyhan stood at 3.68 million barrels on Friday. Shipments were halted earlier in the week when saboteurs attacked the pipeline.

A meeting of world powers on tougher sanctions on Iran has been cancelled after China pulled out. Britain, France, Germany, the US, Russia and China were due to meet on November 19 to assess reports about Iran's nuclear program from the UN and from EU foreign policy chief Javier Solana. Meanwhile, Russia announced that the UN's IAEA would soon start inspecting and sealing atomic fuel bound for an Iranian reactor.

Iran's President Mahmoud Ahmadinejad welcomed a key report on his country's nuclear program by the UN's IAEA and criticized Western governments for basing their policies on the wrong information. In the UN's IAEA report released on Thursday, it stated that Iran was still defying the ultimatums to suspend uranium enrichment but said it had made some progress in revealing the extent of its nuclear program.

Refinery News

BP said it expects to start up the No. 1 fluid catalytic cracking unit at its 463,000 bpd Texas City, Texas refinery on November 16, although the process could be delayed by another two weeks.

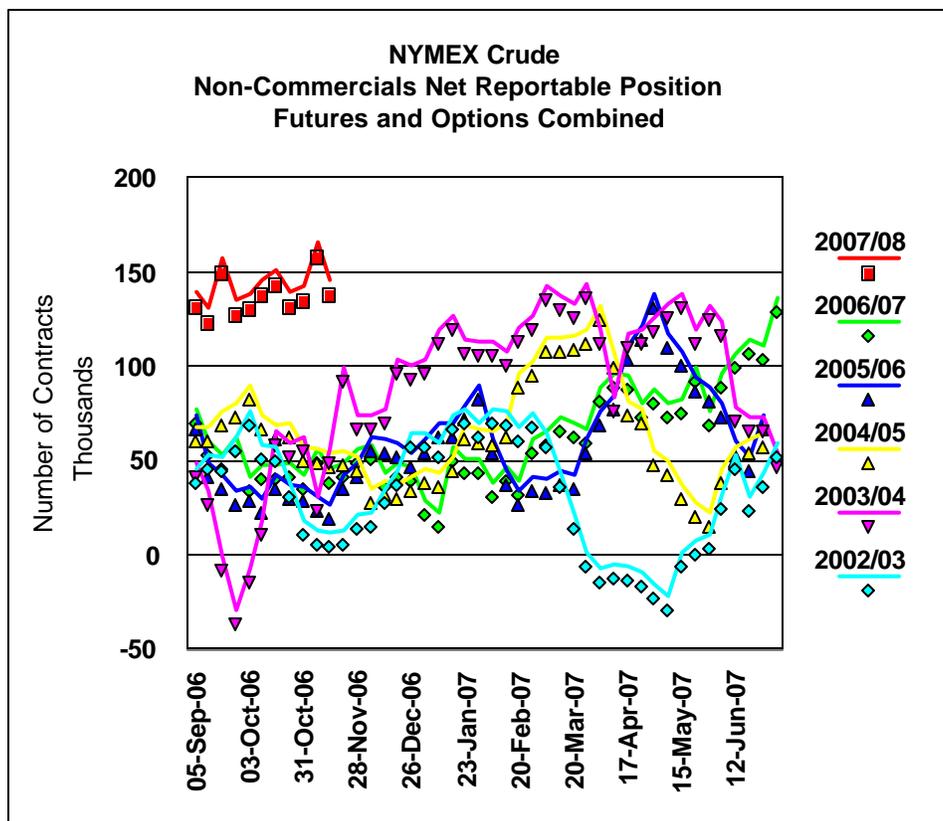
Tesoro Corp said its 95,000 bpd refinery on Oahu would be operational at full capacity by mid-December. The refinery was damaged by heavy rain on November 4 and had to close its main gas refining operations for repairs. The majority of its production returned within four days but the refinery has reduced operations to between 70,000 and 80,000 bpd.

The chief executive of the Lithuanian Mazeikiu refinery confirmed on Friday the plant resumed operations following its maintenance turnaround. The refinery was shut for maintenance on September 22. The refinery was operating at 140,000 bpd, short of its full rate as a fire damaged vacuum distillation unit is still being repaired.

Indonesia's Pertamina may not have to shut its crude distillation unit at the 120,000 bpd Dumai refinery for planned maintenance. It had previously stated that it intended to shut the unit as part of scheduled maintenance.

India's Essar Oil Ltd said it planned to raise the capacity of its Vadinar refinery to 700,000 bpd from 220,000 bpd.

Nippon Oil Corp expects to refine 3-4% less crude in December than a year earlier. Nippon Oil last year estimated its crude refining volume for December at 5.2 million kiloliters or 1.06 million bpd, up 4% on the year.



Bulgaria, Russia and Greece are likely to set up a project company for a planned trans-Balkan oil pipeline by the end of the year. The three countries have agreed to own and build a 174 mile pipeline from Bulgaria's Black Sea port of Burgas to Greece's Alexandroupolis on the Aegean Sea.

Traders said South Korean refiners are expected to export at least four fuel oil cargoes or 320,000 tons to Singapore this month due to poor Chinese demand and higher refining runs. South Korean refiners are exporting 460,000 tons for November loading overall, well above this year's monthly average of 280,000 tons.

Striking French energy workers have suspended the blocking of Fos-sur-Mer liquefied natural gas terminal operated by Gaz de France. The CGT union said the blocked ships should be unloaded Friday afternoon.

Production News

Shell said it was restarting its Ursa platform in the US Gulf of Mexico following an extended outage for repairs. The platform, which produces about 100,000 bpd, was shut around November 3. The Mars platform was shut on November 3 for planned work but its outage was extended after a small export pipeline leak was discovered. The Mars crude pipeline system transports about 300,000 bpd of sour crudes to the Louisiana Offshore Oil Port.

Nigeria's provisional crude oil loading plan for January indicates 13 cargoes of Qua Iboe crude would be exported. The cargoes would contain 950,000 barrels of crude each. Four cargoes of Yoho crude would also be shipped along with two cargoes of Oso condensate crude.

Angola is set to export 1.87 million bpd in January, down from a record 1.95 million bpd in December, according to trade sources.

Russia's Lukoil said it expects its hydrocarbon production growth to slow to 2% this year from 12% in 2006.

OPEC's news agency reported that the OPEC basket price increased to \$87.01/barrel on Thursday from \$86.57/barrel on Wednesday.

Market Commentary

With the December crude oil contract expiring today, January is now the spot month. Opening unchanged on the week, January was unable to surpass the highs of last week and settled lower for the first time in seven weeks. Although they are in an over bought situation, the slow stochastics on the weekly chart have not crossed to the downside yet, with daily stochastics indicating a possibly sideways movement in prices. Since the beginning of August, the January contract has traded in two minor periods of congestion prior to continuing higher. We would look for prices to trade sideways between \$96.00 and \$88.00, prior to picking a direction. The January 10500/7700-ratio spread we wrote about in yesterday's wire has been gun to work in our favor, gaining .13 cents from yesterday's settlement. We want to be long the January 105.00 call and short the January 77.00 put on a 1 by 3 ratio. The 105.00 call settled today at 0.54 cents and the 77.00 put settled at 0.14 cents. Total open interest in crude oil is 1,396,477 down 57,272, DEC.07 35,806 down 73,611 JAN.08 386,225 up 11,458,

FEB.08

93,516 down 1,294.

Support for January, comes in 88.20, 86.90, 85.65, 83.91 and 81.75. Resistance is set 94.67, 95.20, 96.90

		Explanation	
CL	Resistance	94.67, 95.20, 95.65, 96.90, 97.65	Previous highs
	93.84, up \$1.77	94.36	Friday's high
HO	Support	93.15, 92.50, 91.81	Friday's low
	258.71, up 2.84 cents	90.50, 90.20, 89.13, 88.20, 86.90, 85.65	Previous lows
RB	Resistance	262.20, 263.64, 266.00	Previous highs
	237.54, up 3.92 cents	261.28	Friday's high
RB	Support	257.95, 255.50	Friday's low
	237.54, up 3.92 cents	253.35, 250.40, 249.02, 248.29, 248.02	Previous lows, 50% (230.58 and 266.00), Previous low
RB	Resistance	241.29, 245.00, 246.20, 248.81	Previous highs
	237.54, up 3.92 cents	239.29	Friday's high
RB	Support	236.35, 233.20	Friday's low
	237.54, up 3.92 cents	231.04, 230.40, 229.75, 225.25, 222.21	Previous lows, 50% (210.68 and 248.81), 62%, Previous low

and 97.65. Meanwhile the RBOB market, which continued to trade within Tuesday's trading range, retraced Thursday's losses and settled in a positive territory amid the gains in the oil market. The market extended its gains to over 5.6 cents as it rallied to a high of 239.29 early in the session. It erased some of its gains before the market rallied back to its high ahead of the close. It settled up 3.92 cents at 237.54. The heating oil market continued to trend higher and settled up 2.84 cents at 258.71. It traded to a high of 261.28 early in the session before it retraced some of its gains ahead of the close. The markets are seen trading mostly sideways ahead of next week's Thanksgiving holiday. In the RBOB market, support is seen at 236.35, 233.20, 231.04, 230.40, 229.75, 225.25 and 222.21. Resistance is seen at 239.29, 241.29, 245.00, 246.20 and 248.81.

According to the latest Commitment of Traders report, non-commercials in the crude market cut their net long position by 78,250 contracts to 27,566 contracts in the week ending November 13. The funds cut their total long position by 26,712 contracts to 225,232 contracts and increased their total short position by 51,538 contracts to 197,666 on the week. The combined futures and options report showed that non-commercials cut their net long position by 20,301 contracts to 138,250 contracts. The non-commercials cut their net long positions after the market failed to test the \$100 level. The funds have likely continued to cut their net long position in recent days. The non-commercials in the RBOB market increased their net long position by 892 contracts to 48,682 contracts while non-commercials in the heating oil market cut their net long position by 211 contracts to 21,018 contracts.