



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 26, 2007

Iran's Oil Minister Gholamhossein Nozari said Iran is capable of producing more oil to meet international oil market's demand but added that Iran was committed to OPEC's decision on output change.

CNBC reported that Saudi Arabia was increasing its oil output ahead of OPEC's December 5 meeting. It cited sources at Saudi Arabia's Oil Ministry.

Norway's Petroleum and Energy Aaslaug Haga said oil prices would likely remain high for a while due to global uncertainty.

She said she would not advise OPEC on whether to raise production at its meeting next week but added that high oil prices were hurting the economies of developing countries even though the world economy appeared more resilient.

According to Lloyd's Marine Intelligence Unit, OPEC seaborne crude oil exports, excluding Angola, fell by 340,000 bpd to 22.48 million bpd in the first half of November compared to the last two weeks of October.

Market Watch

The National Weather Service reported that US heating demand would be less than 3% below normal in the week ending December 1. Demand for heating oil is expected to average about 1% below normal as temperatures in the Northeast hold near or below normal for the week.

The Cambridge Energy Research Associates chairman Dan Yergin said investors worried about the weakening dollar were moving into oil, a shift that is likely to harm the US economy. It said the risk of a serious global economic downturn on the scale of the early 1980s recession has increased with the rise in world oil prices to near \$100/barrel.

According to a Reuters survey, WTI crude prices are estimated to average \$70.21/barrel in 2007, up from a previous estimate of \$68.39/barrel. The average price for WTI crude in 2008 is estimated at \$74.43/barrel, up from a previous estimate of \$70.49/barrel.

China is expected to publish an initial draft of its planned energy law by the end of the year. However the legislation is unlikely to be ready for presentation to Parliament at its annual full session in March.

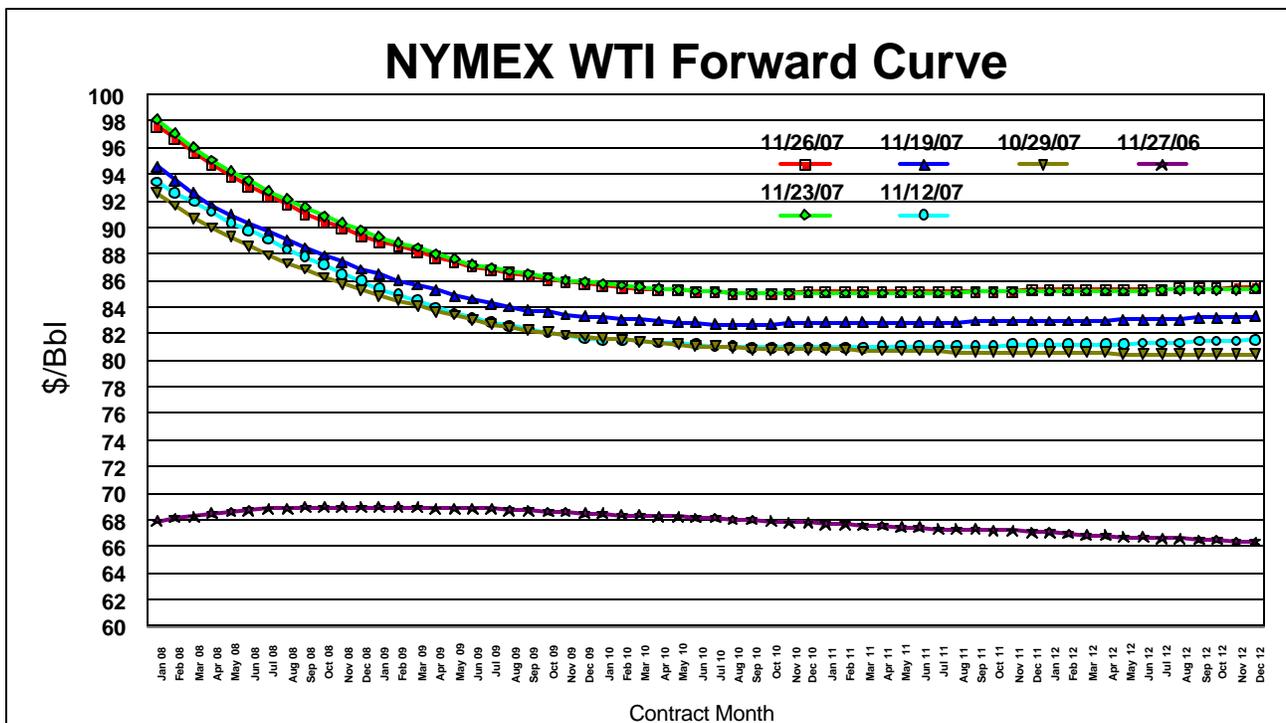
Shipping consultancy, Dahlman Rose said tanker rates for very large crude carriers in the Persian Gulf are expected to remain high due to increased oil shipments from the Middle East.

The Kurdish regional government in northern Iraq defied Iraq's government by vowing to sign more contracts with international oil companies despite the national government's opposition. The Kurdish government has signed 15 exploration and export contracts with 20 international companies since it passed its own oil law in August.

DEBKAfile reported that the head of Iran's Atomic Energy Organization, Gholam Reza Aghazadeh said uranium oxide pellets used in improved nuclear fuel rods in the 40 megawatt Arak reactor have been produced. This is a concern because the spent fuel from the heavy water facility can be used to produce plutonium. DEBKAfile also reported that the US Navy's Military Sealift Command has tendered for four tankers in November, instead of the normal one or two, to move at least 1 million barrels of jet fuel and ship fuel between Asia and the Gulf and between the US Diego Garcia Indian Ocean base and US Gulf bases in Bahrain, Kuwait and Oman. Shipping and oil industry sources suggest that the US Navy may be stocking in extra fuel ahead of extended operations off or on Iran's shores.

IAEA inspectors began examining uranium fuel that Russia is likely to send to Iran's first atomic power station. The inspectors are expected to check and seal the fuel, a key technical step if Russia is to ship the consignment to Iran. Russia has so far given no concrete date for when the fuel would be dispatched.

Al Qaeda's media wing said it would soon release a new message from Osama bin Laden.



The EIA reported that the US average retail prices of gasoline fell by 0.2 cents/gallon to \$3.097/gallon in the week ending November 26. It also reported that the average retail price of diesel increased by 3.4 cents/gallon to \$3.444/gallon on the week.

Refinery News

Refining margins fell from its six month highs around the world last week but remained at unseasonably strong levels. A complex refiner in the Rotterdam area running Brent crude saw its

margins in the week ending November 19 fall about 20% to \$7.43/barrel from \$8.10/barrel the previous week. In the US, a refinery in the Gulf running WTI crude saw its margins fall to \$4.68/barrel from \$5.09 on the back of stronger crude. Asian refiners running Dubai crude saw their profits fall to \$8.66 from \$9.51 on higher crude.

Valero Energy Corp said it had no restart time for its fluid catalytic cracking unit at its 180,000 bpd refinery in Memphis, Tennessee. The unit was shut on November 21 for unplanned maintenance. Separately, Valero said it restarted a kero hydrotreater at Port Arthur, Texas refinery.

Citgo started maintenance work at its Corpus Christi, Texas refinery. According to a report filed with the Texas Natural Resource Conservation Commission, modifications to West Plant flare gas recovery would be tested to determine if compressor performance increases with LPG introduction.

The Texas Natural Resource Conservation Commission reported that tank 1596 at Flint Hills' Port Arthur, Texas refinery would be taken out of service for inspection on November 26. Any necessary repairs would be completed from November 26 to December 10.

Shell Oil reported that it was restarting a boiler at its Deer Park, Texas refinery on November 26.

Irving Oil Ltd moved on Monday to the next step in its \$7.1 billion New Brunswick refinery proposal by telling the province how it plans to conduct an environmental impact assessment. The refinery, with a capacity of 300,000 bpd, would be its second in New Brunswick and would double its refining capacity there. It is expected to start up around 2012.

Britain's Ineos' 207,000 bpd Lavera refinery in southern France was operating normally despite press reports that the refinery was undergoing maintenance.

South Korea's SK Incheon would keep its crude processing rate steady at 210,000 bpd in December, as margins remain high.

Production News

The Thistle Alpha, a North Sea oil platform, was briefly evacuated on Sunday and about 5,000 bpd of Brent crude production has been shut in after a fire broke out on board. Exports of Brent were unlikely to be affected by the outage due to the small amount of oil involved.

Pemex may disable a 5,700 bpd offshore oil platform to make it easier to plug a leaking well that has repeatedly caught fire since an accident in late October.

Mexico's Energy Ministry reported that oil production from the country's Cantarell offshore field fell to 1.321 million bpd in October following another bout of storm disruptions. Production wells at Cantarell were affected by stormy weather last month that shut down 600,000 bpd of offshore production for several days and closed oil ports.

The Gazprom-led Sakhalin-2 oil and gas project halted oil production last week after a storm damaged its offshore facility. Damage to the buoy at Vityaz resulted in a small oil spillage and the floating storage and offtake vessel were also disengaged. Production is usually halted in early to mid December due to ice. It is expected to restart in mid May.

The UAE is planning three weeks of annual maintenance at its offshore 280,000 bpd Lower Zakum oilfield in October 2008. Lower Zakum accounts for just over 10% of the country's output, which stood at 2.57 million bpd in October.

Nigerian crude oil shipments are expected to fall in January for the second consecutive month due to further declines in loadings from the Bonny Light and Qua Iboe terminals. The January loading schedule is estimated at about 2.05 million bpd, down 50,000 bpd from the previous month. The Bonny Light and Qua Iboe terminals are expected to load about 1 million barrels less in January.

Indonesia's Pertamina is expected to spend \$50 million to explore and develop existing oil fields in Ecuador. Petroecuador and Pertamina have agreed to develop the Lago Agrio, Guanta and Dureno fields.

An official at Indonesia's oil and gas watchdog said the country's oil production in November is expected to total 823,000 bpd, down from 825,300 bpd in October.

According to Deutsche Bank, the number of oil wells drilled in the third quarter of the year means Russia would most likely achieve targeted oil production growth this year. Russia drilled 1,438 wells in the third quarter, up 19% on the previous quarter and 16% more than the same period last year. In January-September, oil companies drilled 3,855 wells.

Brazil's Petrobras is expected to invest \$2 billion to \$3 billion on a pilot production project at its Tupi mega field. It said it planned to produce an initial 100,000 bpd in 2010 or 2011 from Tupi.

Nigeria lowered its official selling price for December Bonny Light and Qua Iboe crude to dated Brent plus \$2.30, down 40 cents from the previous month. Its Escravos crude was cut by 40 cents to dated Brent plus \$1.70 while Forcados crude was cut by 35 cents to dated Brent plus \$2.10.

OPEC's news agency reported that OPEC's basket of crudes increased to \$91.52/barrel on Friday from a revised \$91.36/barrel on Thursday. It said OPEC's basket of crudes increased by \$3.36/barrel to \$90.71/barrel in the week ending November 23.

Market Commentary

The oil market traded posted a high of 99.11 in overnight trading as the dollar approached its all time low of 74.484 reached on November 23. The crude market however gave up its gains as the dollar rebounded. The January crude contract sold off to a low of 96.53 before it bounced off that level and traded back over the 98.00 level with light volume trading. The market, which failed to sustain its gains, settled in negative territory amid the talk that OPEC may increase its output at its upcoming meeting on December 5. CNBC reported that Saudi Arabia was increasing its output ahead of the meeting. The crude market settled down 48 cents at 97.70. The crude market, which continues to trade mostly sideways, is seen targeting the \$100 level despite the OPEC talk. Resistance is seen at its previous high of 99.29 followed by the 100.00 level. More distant resistance is seen at 101.45, 104.28 and 107.11. Support is however

		Explanation	
CL	Resistance	99.29, 100.00, 101.45, 104.28, 107.11	Monday's high
		98.28, 99.11	
	Support	96.53	Monday's low
HO	Resistance	283.69	Basis trendline
		271.75, 272.72	Monday's high
	Support	267.40	Monday's low
RB	Resistance	248.81, 250.00	Previous high
		246.40, 248.44	Monday's high
	Support	241.82	Monday's low
		241.65, 237.79, 236.80, 235.95, 233.20	Previous low, Basis trendline, Previous lows

seen at 96.53, 96.16, 95.35, 94.45, 93.99, 93.15 and 92.05. The product markets ended mixed with the heating oil market settling up 24 points at 270.66 and the RBOB market settling down 2.56 cents at 244.14. The heating oil market also posted a high of 272.72 in overnight trading before it sold off to a low of 267.40 early in the session. The market however bounced off its low and traded mostly sideways amid forecasts of colder than expected weather in the Northeast. The RBOB market sold off to a low of 241.82 amid the weakness in the oil market. It retraced some of its losses before it traded back towards its low ahead of the close. The product markets are seen holding their support levels as the markets continue to trade sideways ahead of the release of the weekly petroleum stocks reports. Resistance in the heating oil market is seen at 271.75, 272.72 followed by 283.69, basis a trendline. Support is seen at 267.40, 267.29, 266.36, 262.23, 258.80 and 257.05. In the RBOB, resistance is seen at 246.40, 248.44, 248.81 and 250.00. Support is seen at 241.82, 241.65 followed by 237.79, 236.80, 235.95 and 233.20.

The Commitment of Traders report, which was delayed due to the Thanksgiving holiday, showed that non-commercials in the crude market increased their net long position by 22,274 contracts to 49,840 contracts in the week ending November 20. The combined futures and options report showed that non-commercials increased their net long position by 3,304 contracts to 141,554 contracts. The funds have likely continued to add to their net long position during the past few trading sessions as traders continue to aim for the \$100 level. Non-commercial in the heating oil market increased their net long position by 1,877 contracts to 22,895 contracts while non-commercials in the RBOB market increased their net long position by 4,911 contracts to 53,593 contracts on the week.