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ENERGY MARKET REPORT FOR NOVEMBER 28, 2007

Top Gulf OPEC officials expressed alarm Wednesday at oil prices threatening to reach \$100 but reiterated that the markets were well supplied. OPEC President Mohammed bin Dhean al-Hamli said he was concerned about high oil prices but noted that the world economy had thus far weathered the rising

cost of energy. He said he was unaware of a reported proposal by Gulf members to increase production by 750,000 bpd at OPEC's December 5 meeting. He also stated that OPEC had spare production capacity of about 3 million bpd. He said there was no shortage of crude in the market. Earlier, Saudi Arabia's Oil Minister Ali al-Naimi said the country had spare capacity of about 2.3 million bpd and would add another 500,000 bpd of capacity in December. It is currently producing 9 million bpd. Saudi Arabia's Oil Minister said OPEC would study data before deciding on its output policy at its meeting. He said he was not aware of any early proposals to increase OPEC's production. He added that prices near \$100/barrel were not justified by market fundamentals. Meanwhile, Iraq's Oil Minister Hussain al-Shahristani said Saudi Arabia would have to shoulder any production increase as the rest of the group is at full capacity.

Ecuador's President Rafael Correa said the country would urge OPEC to use a stronger currency than the US dollar for its transactions. Meanwhile, Ecuador's Oil Minister Galo Chiriboga said it was unlikely OPEC would decide to raise its oil production during its meeting on December 5.

According to a Reuters survey of 21 banks, funds, consultants and traders, a majority expect OPEC to increase its output by at least 500,000 bpd. The survey showed that as many as 17 of those polled expected an increase in production while four expected no increase.

Market Watch

According to Wood Mackenzie, rising oil prices would limit oil exploration companies' returns. It said oil and gas explorers need oil to be at \$70/barrel to match returns they used to make when prices stood around \$30/barrel. The average return on exploration for hydrocarbons in the past three years was just under 15% assuming oil prices remain at \$70/barrel in real terms.

The Federal Reserve said US economic growth slowed in October and the first half of November home prices were pushed lower and tighter credit took some would be buyers out of the market. Separately, Federal Reserve Bank of Dallas President Richard Fisher said the US economy faces growth risks. However he does not believe the economy would slip into a recession and remain worried by the outlook for inflation.

US President George W. Bush said that the US would support Israel if the country was attacked by Iran. He however did not elaborate on what that support would entail.

Representatives from the five permanent members of the UN Security Council and Germany are scheduled to meet on Saturday in Paris to discuss Iran's nuclear program. The talks would come a day after talks in London between the European Union's foreign policy chief Javier Solana and Iran's chief nuclear negotiator Saeed Jalili. On Tuesday, Iran said it would put forward new initiatives at the meeting with Solana on Friday but it would not suspend sensitive nuclear work as demanded by the UN.

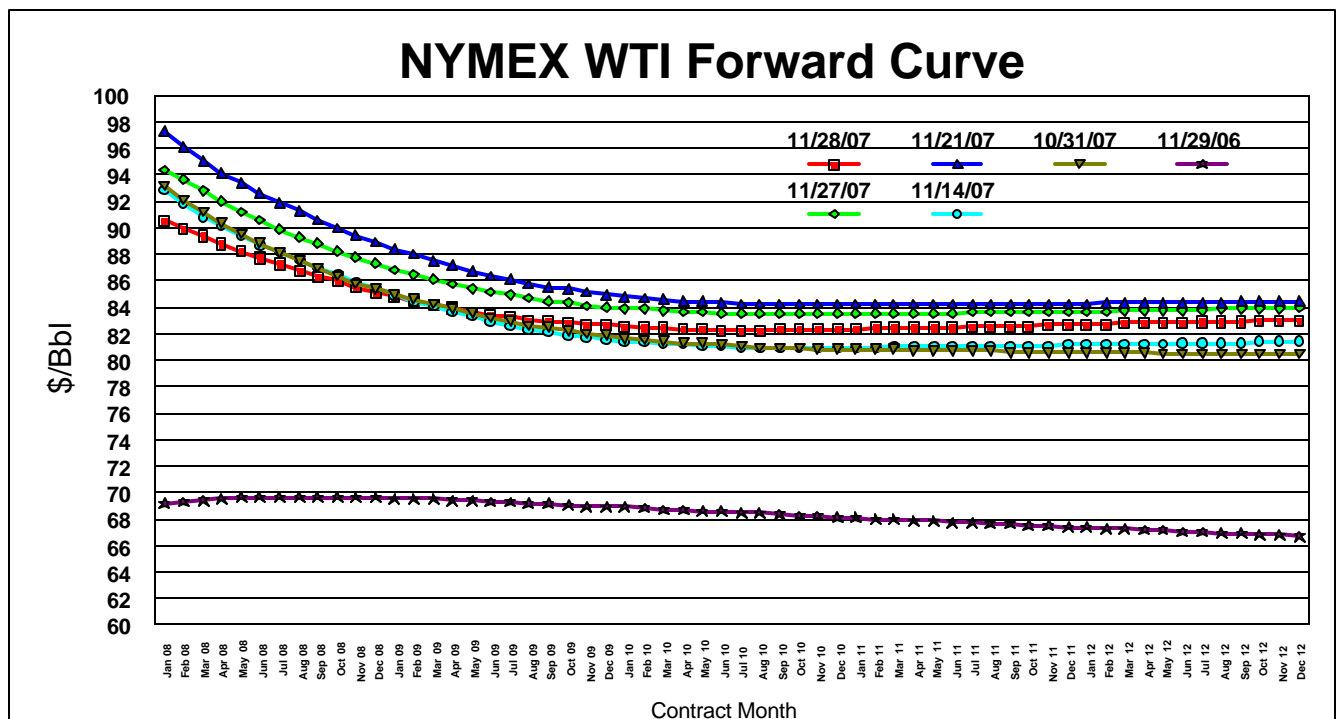
Saudi Arabia said it arrested 208 militants for involvement in cells planning an imminent attack on an oil installation as well as attacks on clerics and security forces. It said a cell of eight militants led by a foreign resident planned an attack on an oil facility in the Eastern province. Saudi state television reported that 18 of those arrested belonged to a cell led by an expert in launching missiles who had slipped into the country. It said they planned to smuggle eight projectiles into the country.

The EIA stated that the average US price of heating oil increased by 7.2 cents on the week to a record \$3.29/gallon. The price is up 91 cents from a year ago and set a new record high for the eighth consecutive week.

Venezuela's President Hugo Chavez said CNN may have been instigating his murder when the network showed a photograph of him with a caption that read "Who killed him?" The caption appeared to a production mistake. Venezuela's President has called for a probe.

Refinery News

Colonial Pipeline Co said it was freezing nominations on 5 day cycles designated as 67 and 68, meaning that no new or additional nominations would be accepted for gasoline or distillate north of Collins, Mississippi as of Wednesday. Nominations for cycle 69 would be limited by allocation.



Delek US Holding reported a problem at a fluid catalytic cracking unit at its 58,000 bpd refinery in Tyler, Texas on Tuesday.

US ethanol production capacity has increased to 7.23 billion gallons/year, up from than a third since January 1. According to the Renewable Fuels Association, total US ethanol production capacity would increase to 13.4 billion gallons/year if all the new plans and expansions come on line in 2008.

Japan's Cosmo Oil Co restarted its 85,000 bpd crude distillation unit at the Yokkaichi refinery on Sunday. The unit was closed for maintenance and was originally scheduled to restart by mid-November but was delayed due to an unspecified problem.

Russia's Black Sea port of Novorossiisk was reopened after it was closed for two days because of high winds and strong sea swells.

The Petroleum Association of Japan reported that the country's crude oil inventories increased by 3.46 million barrels in the week ending November 24 to 105.73 million barrels. It also reported that gasoline stocks fell by 550,000 barrels to 12.42 million barrels while kerosene stocks fell by 480,000 barrels to 27.65 million barrels on the week. It reported that naphtha stocks increased by 520,000 barrels to 11.9 million barrels. The PAJ reported that crude runs increased by 400,000 bpd to 4.34 million bpd. Japanese refineries operated at an average rate of 88.6% of total capacity of 4.89 million bpd, up 7.3% on the week.

China is scheduled to complete filling the first phase of strategic crude oil reserves by early next year. The first phase would have a capacity of 100 million barrels. Meanwhile the second and third phases are planned to larger with capacity of 200 million barrels each.

Production News

Abu Dhabi National Oil Co is expected to supply full term volumes to its lifters in January and has offered additional supplies above standard contracts to at least two buyers.

Pemex said Mexico's oil production has recovered in November after production was cut in October due to bad weather. Mexico's production fell to about 3 million bpd in October amid port closures.

Petroecuador's oil production fell by 20% to 139,436 bpd due to a three day protest by Amazon dwellers demanding funding for public projects. It said protesters in the Amazon province of Orellana blocked roads leading to oil fields, cutting off fuel needed to operate several wells. Petroecuador said government officials would travel to the area to negotiate a deal with protesters.

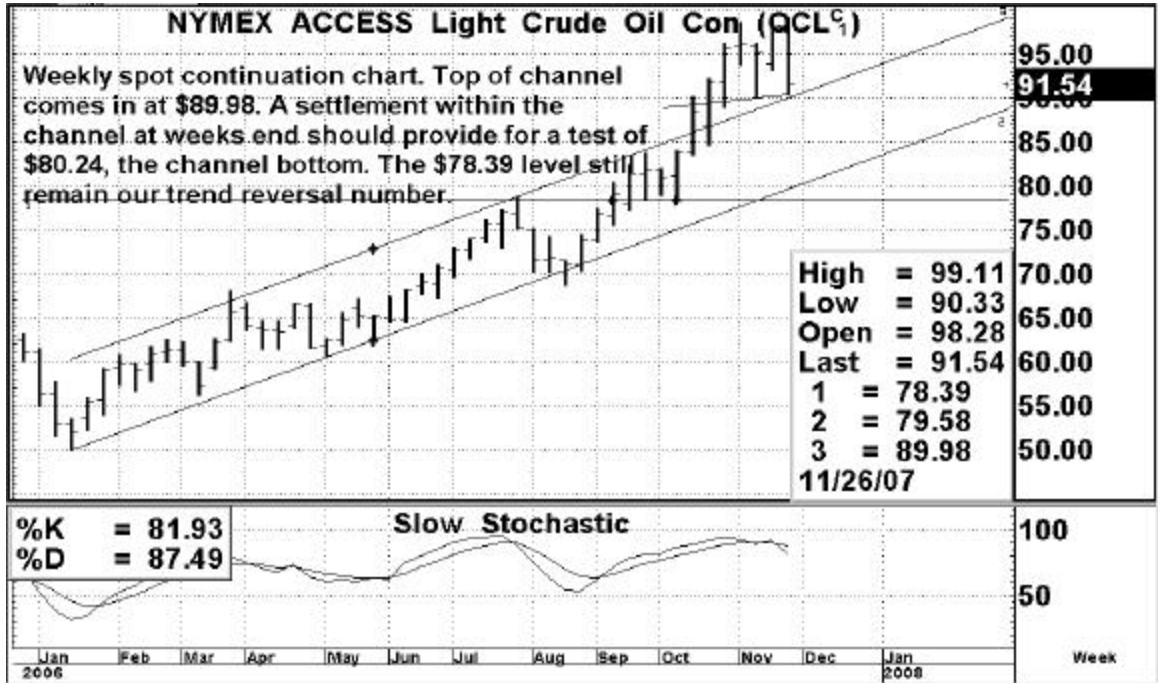
Iraq's Oil Ministry said it aimed to increase its production by 1 million bpd by 2010 through rehabilitating existing oilfields with technical help from foreign companies. An Iraqi senior Oil Minister official said Iraq currently produces 2.9 million bpd. He said Iraq's aim was to increase its production to 4.5 million bpd by 2011. In regards to exports, he said oil exports have increased to 1.9 million bpd and would reach 2 million bpd by the end of the year.

OPEC's news agency reported that OPEC's basket of crudes fell to \$90.27/barrel Tuesday from \$91.84/barrel on Monday.

Saudi Aramco set its December contract price for propane at a record high of \$860/ton, up \$130 from November due to strong crude oil. It also raised its butane price by \$130 from November to \$885/ton.

Market Commentary

Prices continued lower as the dollar recovered again today and overall DOE/API numbers were bearish. A less than expected draw in crude oil stocks in addition to higher import numbers and builds of over 600,00 barrels



per day at Cushing, OK, helped to bring crude oil prices to their biggest two day loss since January. Weak draws in distillate stocks and better than expected builds in gasoline added to the pressure at a time when total fuel demand was down 2.3% from the previous week. Total crude oil stocks were off by 400,000, at 313.2 million barrels and are in the upper half of the average range for this time of year. Total distillate stocks fell 100,000 barrels and are in the middle of the average range for this time of year. Gasoline stocks built by 1.4 million barrels, which was more than expected. With PADD 3 crude stocks decreasing by 3.4 million and PADD 1 gasoline stocks up 1.4 million, the gasoline cracks came under light pressure. Meanwhile distillate stocks at PADD 1 were off 900,000, lending strength to that crack. Our trend reversal target for crude oil still remains \$78.39, and based upon the weekly spot continuation chart, we would like to see prices settle below \$89.98. Total open interest in crude oil is 1,404,428 down 3,889, JAN.08 380,770 down 6,134, FEB.08 108,949 up 1,745. Support for January, comes in 89 .98, 89.00, and 88.30. Projected resistance is set 100.00, 101.45, 104.28 and 107.11. Meanwhile, the heating oil market continued to trade lower and retraced nearly 38% of its move from a low of 230.58 to a high of 272.72 as it sold off to a low of 256.71 late in the session. The market settled down 7.96 cents at 257.38. The RBOB market settled sharply lower at 227.57, down 9.73

		Explanation
CL	Resistance 90.62, down \$3.80	97.28, 99.11, 99.29, 100.00, 101.45 92.15, 95.22 Previous highs Wednesday's high
	Support	90.33 90.20, 89.98, 89.13, 89.00, 88.30 Wednesday's low Previous lows
HO	Resistance 257.38, down 7.96 cents	269.45, 272.72 260.00, 265.00, 268.04 Previous highs Wednesday's high
	Support	256.71 256.62, 255.50, 253.35, 251.65, 250.40 Wednesday's low 38% (230.58 and 272.72), Previous lows, 50%, Previous low
RB	Resistance 227.57, down 9.73 cents	243.21, 248.44, 248.81, 250.00 230.00, 231.40, 238.00, 239.83 Previous highs Wednesday's low
	Support	226.90 225.25, 222.21, 216.02 Wednesday's low 62% (210.68 and 248.81), Previous lows

cents after the market retraced almost 62% of its move from a low of 210.68 to a high of 248.81. The market, which posted a high of 239.83

early in the session, sold off amid the larger than expected build in gasoline stocks. It sold off to a low

of 226.90 ahead of the close. The markets, which have continued to trend lower, are seen retracing some of their sharp losses. In the heating oil support is seen at 256.71, 256.62, 255.50 followed by 253.35, 251.65 and 250.40. Resistance is seen at 260.00, 265.00, 268.04, 269.45 and 272.72. In the RBOB market, support is seen at 226.90, 225.25, 222.21 and 216.02. Resistance is seen at 230.00, 231.40, 238.00, 239.83, 243.21, 248.44, 248.81 and 250.00.