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ENERGY MARKET REPORT FOR DECEMBER 4, 2007

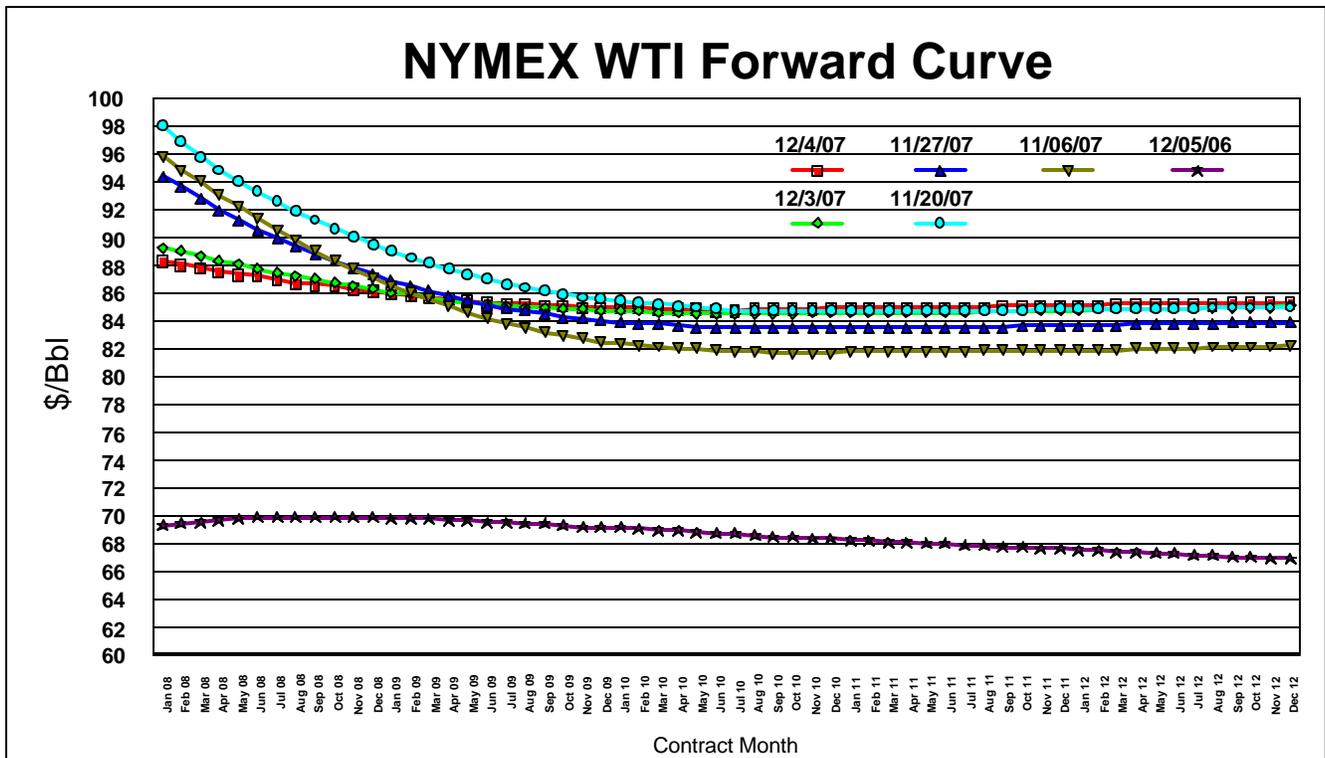
An OPEC delegate said OPEC ministers face a choice of either leaving its oil output unchanged or increasing it by no more than 500,000

bpd during Wednesday's meeting. He said an increase of over 500,000 bpd was unlikely. A senior OPEC delegate said OPEC may need to lift output to send a message to the oil market.

Market Watch

US Deputy Treasury Secretary Robert Kimmit said international oil firms are not afraid of insecurity in Iraq and are ready to begin investing once Iraq enacts oil laws. He said the absence of oil laws was now the main hurdle to a wave of international investment as violence has subsided.

OPEC Secretary General Abdullah Salem al-Badri said world oil demand is expected to increase by 1.3 million bpd in 2008. He also stated that OPEC has a reserve output capacity estimated at 3-4 million bpd. He said high oil prices were due to geopolitical factors and refining problems rather than market fundamentals. He added that OPEC was willing to meet market needs if market fundamentals indicated additional supplies were required. He also reaffirmed that OPEC does not want to price oil against a basket of currencies. He said it was an issue for individual members rather than the group. Qatar's Oil Minister Abdullah al-Attiyah said there was no need for OPEC to increase its output. He said oil inventories are sufficient and there is no extra demand for OPEC crude for the winter. Iran's OPEC governor, Hossein Kazempour Ardebili also stated that OPEC did not need to increase its oil production now but could do so in the future if needed. He said Iran could supply additional oil if OPEC chose to increase its production. Venezuela's Energy and Mines Minister Rafael Ramirez said the country did not support an increase in OPEC's production. He said oil demand showed no sign of weakening and a recent fall in crude prices was a clear indication of speculation. He said there was no consensus within OPEC on the course it should take. The head of Libya's OPEC delegation Shokri Ghanem said oil prices around \$90/barrel were still reasonable when adjusted for inflation. He said falling oil prices showed that there was no need for OPEC to increase its output. However he added that OPEC remained committed to meet real demand for oil. However Saudi Arabia's Oil Minister Ali al-Naimi said OPEC's options were open for its Wednesday meeting. Indonesia's OPEC governor Maizar Rahman said Indonesia would support an increase in OPEC production if it is needed to bring down oil prices.



US Energy Secretary Sam Bodman said OPEC needs to increase its production to help build world oil inventories, which are lower than the five year average. He downplayed comments from several OPEC ministers that OPEC did not need to increase its production due to lower prices. In regards to the National Intelligence Estimate report, he said it is not expected to ease market concerns about supply disruptions or lower crude prices.

Iran's Foreign Minister Manouchehr Mottaki welcomed the National Intelligence Estimate report. The report could undermine US efforts to convince other world powers to agree on a third package of UN sanctions against Iran for defying demands to halt uranium enrichment. The report said Iran would be capable of producing enough enriched uranium that could be used in a nuclear weapon in 2009 at the earliest but added that this was very unlikely.

US President George W. Bush insisted on Tuesday that Iran remained dangerous and urged continued international pressure despite the National Intelligence Estimate report stating that Iran halted its nuclear arms program in 2003. He said all options remained on the table in dealing with Iran but insisted that the US was stressing diplomacy to resolve the nuclear standoff. The chief US envoy to the IAEA, Gregory L Schulte said the report raised hopes that diplomacy could still end the standoff with Iran. He however said Iran should remain under pressure. US Secretary of State Condoleeza Rice vowed to pursue tougher UN sanctions against Iran. Meanwhile, Britain said it favored increasing the pressure on Iran over its nuclear program despite the report. Britain's Prime Minister Gordon Brown said Iran's nuclear program posed a serious security threat. France called for world powers to maintain the pressure on Iran despite a US intelligence report downgrading the risk posed by its nuclear program. France's Foreign Ministry said it appeared that Iran was not fulfilling its international obligations. However China's UN ambassador questioned the need for new UN sanctions against Iran following the release of the NIE report. Russia's President Vladimir Putin told Iran's top nuclear negotiator Saeed Jalili that the country's nuclear program should be transparent and remain under control of the IAEA. A senior IAEA official said the report confirmed the IAEA's assessment that Iran

posed no imminent danger. Separately, Israeli Prime Minister Ehud Olmert vowed to continue working with Washington to prevent Iran from obtaining nuclear weapons.

The EU said it would keep using pressure to persuade Iran to halt its uranium enrichment. EU Foreign Policy Chief Javier Solana's spokeswoman said the US National Intelligence Estimate report would not change the EU's dialogue-pressure approach.

The NUPENG junior staff union dropped a threat to call a strike after reaching a deal over a dispute at the Nigerian Liquefied Natural Gas Co. The union issued a seven day ultimatum to the government to settle its grievances or risk a nationwide strike from Wednesday. The union had demanded that the NLNG and its contractors allow its members to unionize, reinstate workers fired because they had formed a union and investigate an alleged police assault on members during a peaceful protest.

According to MasterCard Advisors LLC, US gasoline demand increased by 0.8% or 71,714 bpd in the week ending November 30 to 65.719 million barrels or 9.388 million bpd. The four week average demand was 65.25 million barrels or 9.321 million bpd. Retail gasoline prices were unchanged at an average \$3.09/gallon over the week.

Refinery News

Goldman Sachs stated that a slowdown in the world economy may reduce the demand for oil. It said refiners are more at risk from an economic slowdown in the US and Europe. It increased the 2007 estimate by 11% to \$7.31/barrel from its previous estimate of \$6.61/barrel. It estimated European oil refining margins to average \$7.30/barrel next year, down from its previous forecast of \$7.50/barrel. The average European margins would be \$7.80/barrel for 2009 compared with its previous estimate of \$8.00. Its 2010 estimate has been lowered by 3% to \$7.30/barrel.

A 63,000 bpd fluid catalytic cracking unit at BP Plc's Texas City refinery, shut in September 2005 ahead of Hurricane Rita, was resuming operations. The company has forecast that the 437,000 bpd refinery would return to full operations in the first quarter of 2008.

Alon USA was cutting rates on its 70,000 bpd crude unit at its Big Spring, Texas refinery by nearly 30% until Wednesday afternoon to fix a leak in another unit.

Venezuela's 300,000 bpd Cardon refinery was shutdown following a power outage. The refinery was in the process of restarting units on Wednesday afternoon. It would be fully operational in seven days.

Italy's Saras SpA said maintenance work at one of its distillation units at the 300,000 bpd Sarroch refinery has ended.

Turkey's Bosphorus straits were closed due to poor weather conditions.

Russia's main Black Sea port of Novorossiisk was closed following forecasts of severe weather. The Tuapse port remained open although a gale warning had also been issued for the immediate area surrounding the port.

Georgia's Black Sea port of Batumi shipped 669,200 tons of crude oil and refined products in November 2007, down from 759,700 tons in the same months a year ago.

Production News

Iraq's Oil Minister Hussein al-Shahristani said Iraq would likely keep its exports steady in December at about 2 million bpd.

Iraq has issued a new tender to sell 6 million barrels of Kirkuk crude from its northern fields.

Saudi Arabia has increased its January official selling prices for Arab Light crude bound for Europe via Sidi Kerir by 40 cents to BWAVE minus \$1.60. However the price of Arab Heavy was reduced by \$1.10/barrel to BWAVE minus \$6.65. Meanwhile it increased the price of its Arab Extra Light crude to US customers by \$4.70/barrel to WTI minus \$3.90 while the price of its Arab Light crude prices was increased by \$4.30/barrel to WTI minus \$6.85. Its Arab Medium price was increased by \$3.70 to WTI minus \$10.05 and its Arab Heavy crude price was increased by \$3.10 to WTI minus \$13.25. Its Arab Super Light crude bound for Asia was increased by \$1.30 to the Oman/Dubai average plus \$7.05, its Arab Extra Light crude price was increased by \$1.10 to the Oman/Dubai average plus \$5.35 while the Arab Light crude price was increased by 40 cents to the Oman/Dubai average plus \$1.45. Its Arab Medium crude price was cut by 50 cents to the Oman/Dubai average minus \$1.85 and its Arab Heavy price was cut by \$1.30 to the Oman/Dubai average minus \$5.10.

Norway's StatoilHydro said a fire on a mobile drilling rig at its Troll gas and oilfield in the North Sea was quickly extinguished. It said there was no impact on production from the fire on the Songa Dee drilling rig.

Oil facilities in Ecuador's Orellana province is expected to remain under the control of the military to guarantee normal operations. Petroecuador's oil production was cut by a total of 145,000 barrels following eight days of protests in Orellana. On Tuesday, Petroecuador's oil production totaled 176,087 barrels.

Kazakh Energy Minister Sauat Mynbayev said ExxonMobil was against increasing Kazakhstan's stake at the expense of other members of the consortium developing the Kashagan oilfield. Kazakhstan, in a dispute with the consortium over cost overruns and production delays at the oilfield, wants participants to hand over parts of their stakes to increase KazMunaiGas' interest in the oilfield.

OPEC's news agency reported that the basket of crude fell further to \$84.28/barrel on Monday from \$85.91/barrel on Friday.

Market Commentary

Crude oil prices have fallen 11% since reaching a high of \$99.29 on November 21st but are 36% higher than a year ago. Although temperatures are low, weather forecasters are calling for warmer weather by the middle of next week. OPEC is meeting tomorrow and there are expectations for an increase in production. The forward curve appears to be pointing towards a contango market. This is evident in the

January/February spread, which experienced a low of 0.16 cents on the day. One particular spread of interest on the trading floor today

		Explanation	
CL	Resistance	93.38, 94.32, 95.17, 97.28, 99.29	Double top
	Support	89.98, 88.99	
HO	Resistance	87.34	Tuesday's high
	Support	87.14, 86.43, 84.65, 84.00, 78.30	
	Resistance	253.53, 259.86, 266.65, 268.61, 270.57	Previous highs
RB	Support	252.80	Tuesday's high
	Resistance	248.76	Tuesday's low
	Support	246.05, 243.61, 239.49, 238.79, 232.90	Previous lows, 62% retracement, Previous low
RB	Resistance	226.93, 228.53, 236.09, 239.77	Previous highs
	Support	226.89	Tuesday's high
	Resistance	222.85	Tuesday's low
		220.19, 218.20, 217.52, 212.90, 212.82	Previous lows, 62%(198.39 and 248.48), Previous lows

was the December08/January 09 spread. Barclays was a seller of this spread, selling the December and buying the January. If the forward curve maintains front-end weakness, this spread should weaken and the January09 will gain strength against the December08 contract. Unless tomorrow's inventory numbers indicate otherwise, we would look for continued weakness in the market and look for a test of the \$84.65 support area. For now the initial upside objective would be \$94.32, top of daily channel on the January chart. Should this level become penetrated the next upside level would be \$95.17. Fibonacci retracement numbers based on the low of \$68.22, and the recent high, \$99.29, are as follows; 38.2% - \$87.42, 50% - \$83.76 and 61.8% - \$80.09. Total open interest in crude oil is 1,385,182 down 19,397, JAN.08 338,875 down 26,155, FEB.08 136,018 up 13,614. Similar to the crude market, the heating oil and RBOB markets posted inside trading days as traders await a decision from OPEC. The heating oil market posted a high of 252.80 early in the session and quickly sold off to its low of 248.76 after the market failed to test its previous high. The market later bounced off its low and retraced its losses as it gradually traded back into positive territory. It settled up just 7 points at 251.18. The RBOB market also settled up 16 points at 225.17 after it traded sideways. The market posted a high of 226.89 and sold off to a low of 222.85 early in the session. The RBOB crack spread has continued to widen to 6.25 after posting a recent low of 4.149. The January RBOB crack is seen finding resistance at 6.494, its 62% retracement level off a high of 7.94 and its low of 4.149. The markets will be driven by OPEC's decision on Wednesday. If OPEC does decide to increase its output, the markets will continue to trend lower. In the heating oil, support is seen at 248.76, 246.05, 243.61 followed by 239.49, 238.79 and 232.90. Resistance is seen at 252.80, 253.53, 259.86, 266.65, 268.61 and 270.57. In the RBOB market, support is seen at 222.85, 220.19, 218.20, 217.52 followed by 212.90 and 212.82. Resistance is seen at 226.89, 226.93 followed by 228.53, 236.09 and 239.77.