

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Zachariah Yurch & Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 7, 2007

An Iraqi Oil Ministry official said a crude pipeline in northern Iraq, carrying oil to the Baiji refinery in northern Iraq, was bombed by militants early Friday. Repairs at the site are expected to be completed within a day and crude exports are not expected to be affected.

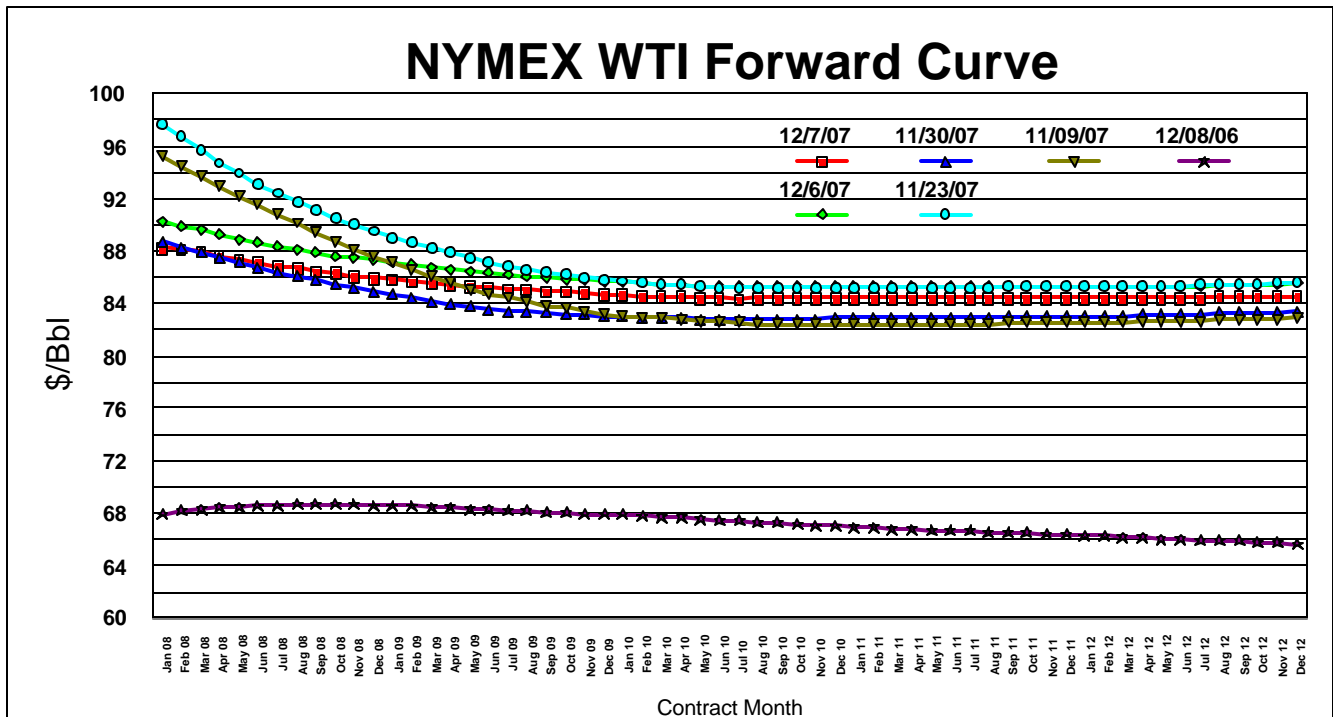
Market Watch

The Colorado State University hurricane research team predicted that 13 tropical storms would develop in the 2008 Atlantic hurricane season, of which seven would strengthen into hurricanes. It said three of the hurricanes would be category 3 storms or higher.

Japan's Ministry of Economy, Trade and Industry said the government has agreed to fund the IEA's investigation into types of funds entering the oil markets. The investigation is expected to take about a year. As part of the investigation, IEA intends to host a meeting of financial and energy officials as early as February to identify the types of funds going into the oil markets.

Russian Foreign Minister Sergey Lavrov said Russia hoped talks would continue with Iran, despite US Secretary of State Condoleezza Rice's calls for new UN sanctions. Despite strong support from NATO allies, Rice was unable to persuade Russia's Foreign Minister on the urgency of new sanctions. US Secretary of State vowed to pursue UN sanctions against Iran and keep pressure on Iran to suspend uranium enrichment. Separately, senior Pentagon officials said the National Intelligence Estimate downplaying Iran's nuclear ambitions has not changed the way the Defense Department views the country. An official said it remained unclear whether Iran has fully honored a pledge to end the weapons flow into Iraq. Meanwhile, France continued to push for continued negotiations to tighten international sanctions against Iran, saying that its concerns about Iran's nuclear program were not allayed by the National Intelligence Estimate report released earlier in the week. French presidential spokesman David Martinon said the pressure on Iran needs to be increased and added that the only way to do that is sanctions. He urged Iran to cooperate fully with the IAEA and suspend its uranium enrichment.

According to a Lehman Brothers survey, global spending on exploration and production by oil and natural gas companies is expected to increase more than 11% to \$369 billion in 2008. Spending outside North America is seen increasing 16% on the year to \$267 billion. In the US, exploration and production spending is expected to increase by 3.5% to \$81 billion due to uncertainty about natural gas prices. Canadian spending is expected to fall 12% to \$20.3 billion.



Refinery News

Enbridge Inc has finished an expansion of its North Dakota pipeline system, providing a much needed outlet for oil from the US Rockies. The pipeline is now increasing its capacity from 80,000 to 110,000 bpd. The pipeline carries oil from Minnesota and North Dakota to Clearbrook, Minnesota.

A leak at ExxonMobil Corp's 562,500 bpd Baytown, Texas refinery that caused flaring on Thursday has not affected production, according to a filing with the Texas Commission for Environmental Quality.

Canadian Oil Sands Trust said it would shutdown coker 8-3 for about two to four weeks of repairs following a fire on December 5. The trust said expected 2007 production to remain within the range of 110-111 million barrels despite the coker shutdown.

Sinopec is expected to nearly double its crude runs at its Gaoqiao refinery in December to 206,000 bpd after its main crude unit comes back online after a retooling.

Lithuania's Mazeikiu plans to shut its main refining units for maintenance in 2009. The 197,000 bpd refinery restarted production in November following a 45 day maintenance shutdown.

Hyundai Oilbank said that crude onboard a tanker, which spilled thousands of tons of oil earlier in the day following a collision, was destined for its Daesan refinery in South Korea. The tanker was waiting to unload its cargo of some 260,000 tons of crude oil when it was struck by a barge.

Production News

Azerbaijan's crude oil production increased by 30.5% on the year in January-November to 38.11 million tons. The BP led group said its output from the Chirag and Azeri oilfields increased by 43.3% to 30.03 million tons or 665,335 bpd in January-November. Meanwhile, Azerbaijan's Socar said its output fell to 8.08 million tons or 179,018 bpd from 8.24 million tons or 182,563 bpd in the same period last year. Officials stated that Azerbaijan's oil exports totaled 27.9 million tons or 618,144 bpd in

January-November compared with 19.85 million tons or 439,790 bpd in the same period last year. Exports of refined products fell to 2.7 million tons from 2.75 million tons last year.

Kazakhstan's President Nursultan Nazarbayev said Kazakhstan wants either cash compensation or a larger stake in the Kashagan oilfield in a statement on Kazakhstan's demand in its dispute with Western oil firms. The disagreement between Kazakhstan and the Eni-led consortium has been escalating for months due to cost overruns and delays in the start of production at the oilfield. The oilfield is now expected to start operations in 2010, instead of the original 2005 target.

Indonesia's BPMIGAS said the oil exploration spending budgets are expected to increase to \$2.2 billion next year, up from about \$1.8 billion in 2007. Indonesia has been offering new exploration rights and financial incentives for its oil fields in a bid to stem a steady decline in production. Indonesia's oil production in November was 823,000 bpd, down from 825,300 bpd in October.

Brazil's Petrobras said it struck natural gas and light oil in two wells in the offshore Espirito Santo basin. It provided no reserve estimate but said the finds confirmed high oil and gas potential in the area and should increase recoverable reserves there.

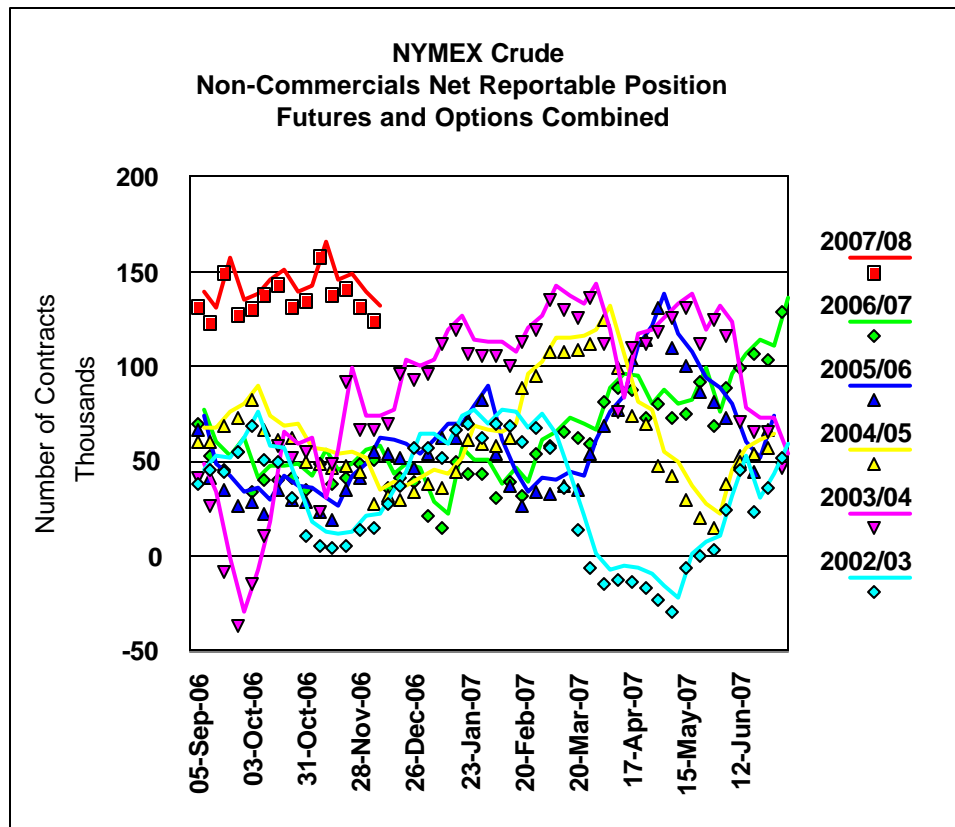
OPEC's news agency reported that OPEC's basket of crudes fell to \$84.48/barrel on Thursday from \$85.50/barrel on Wednesday.

Shell restarted its Ormen Lange gas field in the Norwegian Sea after a shutdown on Friday and production is expected to increase to regular levels within hours.

An explosion damaged a major gas pipeline running through Ukraine but supplies to Europe continued to run smoothly. Pipeline operator Ukrtransgaz said an explosion occurred on Thursday evening near a compression station. It gave no indication how long repairs would take.

Market Commentary

On expectations that heating oil and crude oil supplies will be enough to meet demand, today's market lost yesterday's gains. Crude oil inventories are 0.7% greater than the five – year average as is heating oil supplies, which are 0.6% above the same average. Signs of a stabilizing economy coupled with a lower than expected jobless rate added to the pressure on today's market. Any run-up in



		Explanation	
CL	Resistance 88.28, down \$1.95	91.52, 93.38, 94.32, 95.17, 97.28, 99.29 89.00, 90.62, 90.73	Friday's high, Thursday's high
	Support	87.30, 87.07 86.43, 84.65, 84.00, 78.30	Friday's low
HO	Resistance 250.47, down 4.03 cents	255.40, 257.29, 259.86, 266.65, 268.61 254.98	Previous highs Friday's high
	Support	247.47 244.50, 243.61, 239.49, 238.79, 232.90	Friday's low Previous lows, 62% retracement, Previous low
RB	Resistance 226.90, down 3.23 cents	236.09, 239.77 228.00, 231.39	Previous highs Friday's high
	Support	224.76 218.75, 218.20, 217.52, 212.90, 212.82	Friday's low Previous lows, 62%(198.39 and 248.48), Previous lows

prices was escalated more by a lack of selling than an abundance of buying. Unable to take out the highs of yesterday, crude oil traded

below the bottom of the upward channel that began in August with the January contract settling below this channel (\$88.65) at \$88.28. As expected the January/February spread narrowed as the Goldman roll technically began today. For next week, we would look for more of the same with prices working towards the major support level of \$78.35. The \$93.38 resistance level is our upside objective and our initial downside objective still remains the \$84.65 support area and ultimately \$78.35. 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 1,390,354 up 2,289, JAN.08 301,142 down 7,985, FEB.08 169,957 up 8,531. The product markets also sold off and settled sharply lower, with the heating oil market settling down 4.03 cents at 250.47 and the RBOB market settling down 3.23 cents at 226.90. The heating oil market posted an inside trading day after it traded to a high of 254.98 early in the day and failed to test its previous high. The market erased its gains and sold off to a low of 247.47 ahead of the close. Meanwhile the RBOB market breached its previous high as it posted a high of 231.39. The market however erased its gains and sold off to a low of 224.76 ahead of the close. The RBOB crack bounced back and breached its resistance at 6.50 as it settled up at 7.018. It is seen finding resistance at 7.237. The markets, which surprisingly sold off, are seen continuing to trade in their recent range. In the heating oil market, support is seen at 247.47, 244.50, 243.61 followed by 239.49, 238.79 and 232.90 while resistance is seen at 254.98, 255.40, 257.29, 259.86, 266.65 and 268.61. In the RBOB market, support is seen at 224.76, 218.75, 218.20, 217.52, 212.90 and 212.82 while resistance is seen at 228.00, 231.39, 236.09 and 239.77.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 12,030 contracts to 47,072 contracts in the week ending December 4. It showed that the funds cut their total long position by 15,745 contracts on the week. The combined futures and options report also showed that non-commercials cut their net long positions by 7,359 contracts to 125,041 contracts. Given the market's move in the last few trading sessions, the funds have continued to cut their net long positions. The non-commercials in the product markets also cut their net long positions. The funds in the heating oil market cut their net long position by 5,068 contracts to 17,386 contracts while funds in the RBOB market cut their net long position by 8,931 contracts to 41,662 contracts on the week.