

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 OCTOBER 4, 2007

US Department of Energy Secretary Samuel Bodman said the US government had not plans to purchase oil to place in the country's SPR. He said the DOE would continue to place oil it receives as part of its royalty in kind program into the SPR. In regards to OPEC, he said OPEC members and other oil producers should keep the oil markets well supplied. He noted that OPEC's decision to increase its production by 500,000 bpd starting November 1 was a good decision but added that OPEC should increase its output beyond that amount.

Iranian President Mahmoud Ahmadinejad said the world could not stop the country's nuclear program. He made his comments after French foreign minister Bernard Kouchner called on the European Union to take the

lead in widening financial sanctions on Iran. Separately, the head of the UN's IAEA, Mohamed ElBaradei urged the world to give Iran more time to prove its nuclear intentions are peaceful, warning that attempts to isolate the country were boosting its hardliners.

Market Watch

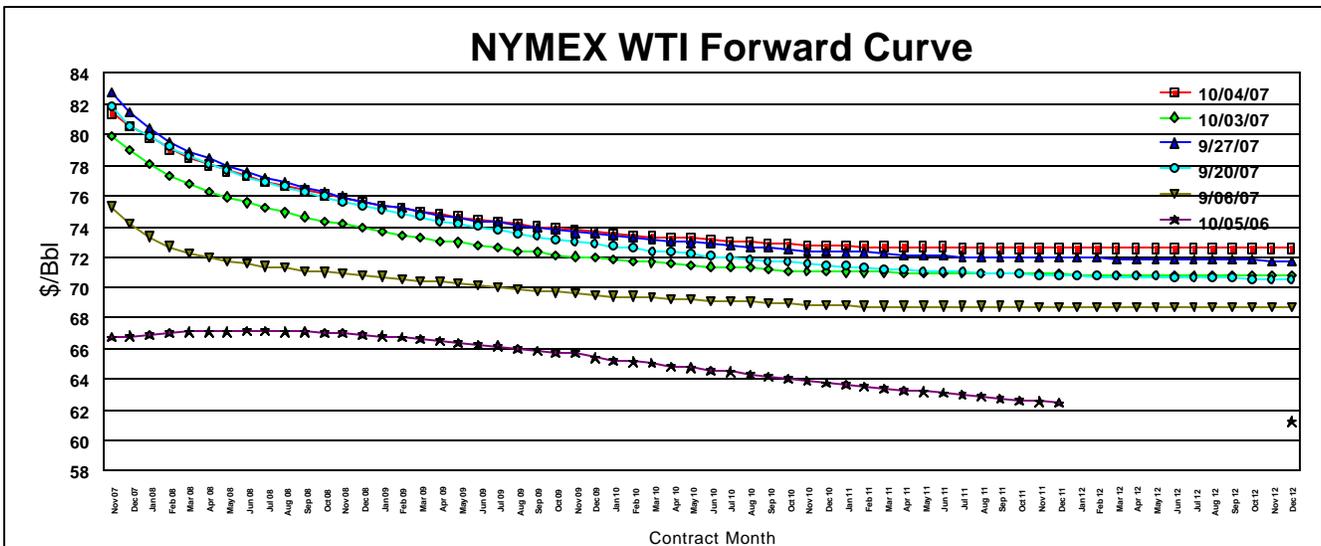
SABB Bank said Saudi oil exports this year may fall as much as 12% from last year's record to \$165 billion as the country restricts production as part of its OPEC quota. It said Saudi Arabia's average production may fall as much as 6% to 8.65 million bpd while the average price of Saudi crude could be \$59/barrel, close to last year's record of \$60.50.

According to the Commerce Department new orders at US factories fell by 3.3% in August, the largest decline since January. Orders were dragged down by a 39.9% fall in the non-defense aircraft category and an 8.5% decline in automotive orders. Orders for non-defense capital goods excluding aircraft, fell by 0.5%.

Federal Reserve Bank of Dallas President Richard Fisher said that rising oil prices may reflect broader world economic strength.

The Climate Prediction Center said long range weather forecasts are predicting a warmer than average winter in most places except the northwest of the country. Forecasters believe the emergence of a La Nina condition, unusually cold ocean temperatures in the equatorial Pacific Ocean, would be the main factor behind the anticipated warmth for much of North America.

A French official said the CIA warned counterparts in Europe of the possibility of attacks in several countries. The CIA warned that al-Qaeda agents may be planning suicide or bombing attacks in London and cities in Italy, France and Germany. It warned of the possibility of attacks taking place this month. The official said the CIA mentioned Paris' sewage system among the suggested targets.



A shipping source stated that Iraq was pumping nearly 600,000 bpd of Kirkuk crude through its northern pipeline to Turkey. He said there was about 3.7 million barrels of Kirkuk crude in storage at the pipeline's terminal in Turkey's port of Ceyhan after it loaded 1.1 million barrels in a tanker that berthed on Wednesday.

According to Oil Movements, oil shipments from OPEC are expected to increase by 280,000 bpd to 24.18 million bpd in the four weeks ending October 20 from the previous four week period. Sailings from OPEC Middle East countries are forecast to increase by 150,000 bpd to 17.24 million bpd in the four weeks ending October 20. It said OPEC was currently producing about 860,000 bpd less than at this time last year.

According to a consultant, Brazil is expected to see 54.7% of sucrose from its 2007-08 sugar cane crop used for ethanol production, up from 49% of the previous crop. The proportion of the 2008-09 crop used for ethanol could be even higher at 57%.

Refinery News

Louisiana Offshore Oil Port said it did not expect a weather disturbance in the Gulf of Mexico to affect its operations. The US National Hurricane Center said a tropical or subtropical depression could form in the Gulf of Mexico or the western Atlantic over the next day or two. The weather models show the Gulf system would make landfall in Louisiana after crossing the oil and natural gas producing northern Gulf coast over the next day or so. Meanwhile Plananalytics said a large area of thunderstorm activity moving across the Caribbean toward the Bahamas could intensify and head for the southern Gulf of Mexico as a tropical storm or weak hurricane early next week.

A hydrogen plant at ExxonMobil Corp's 155,000 bpd oil refinery in Torrance, California was restarting after it was shut on Wednesday.

ConocoPhillips said it would resume normal operations at its 139,000 bpd refinery in Wilmington, California over the weekend as it continues to recover from Wednesday's power outage. Meanwhile, Valero Energy Corp said it 135,000 bpd refinery in Wilmington, California was continuing its restart process. Gasoline reached a 30 cent premium over the price of NYMEX RBOB gasoline in Thursday morning trade in the Los Angeles wholesale market.

Chevron Corp said all units were operating as planned at its 260,000 bpd refinery in El Segundo, California on Thursday after repairs to a continuous catalytic reformer compressor were completed.

Alon USA Energy reported minor snags including flaring at its 70,000 bpd Big Spring, Texas refinery on Thursday. It however said there was no effect on production. It said a crude vent gas compressor flared due to high pressure in the suction drum on Wednesday while an acid gas port detected leaks.

Venezuela's PDVSA restarted its fluid catalytic cracking unit and alkylation units at its 135,000 bpd El Palito refinery following a power outage. It said it shut the units as a preventive measure following a power outage.

Harvest Energy Trust said it planned to shutdown crude oil processing operations at its 115,000 bpd Newfoundland refinery earlier than expected in order to perform seasonal maintenance. The company has moved forward the planned turnaround from April or May 2008 to November as a way to maximize seasonal refining margins.

Pertamina's 120,000 bpd Dumai refinery is operating at 75% of its capacity following an outage at a crude unit. It shut the refinery on September 27 and restarted it the next day. Pertamina said it still planned to perform scheduled maintenance at the Dumai refinery in the last week of October.

A National Iranian Oil Co said it is scheduled to shut a crude unit at its Bandar Abbas refinery in January and a second in May to increase its capacity by 40%. The source said the shutdowns at the 110,000 bpd units, set to last for about 30 days each, would allow the company to increase the refinery's capacity to 320,000 bpd.

Production News

Suncor Energy Inc said total production at its oil sands facility during September averaged about 282,000 bpd. Year to date production averaged 230,000 bpd.

Industry sources stated that Nigeria's oil production could increase by 500,000 bpd by July 2008 if security in the Niger Delta continued to improve and a new offshore field starts on time. Workers have been slowly returning to the Forcados and EA oilfields closed by attacks while Royal Dutch Shell has already restored about 65,000 bpd of the 477,000 bpd output lost in the western Niger Delta. Shell hopes to restore another 270,000 bpd from Forcados and EA by July next year. Meanwhile a new offshore oilfield, Agbami, is expected to add another 230,000 bpd from June.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area fell by 95,000 tons on the week to 600,000 tons in the week ending October 4. It was down 45,000 tons on the year. Naphtha stocks fell by 27,000 tons on the week and by 41,000 tons on the year to 59,000 tons while gas oil stocks increased by 81,000 tons on the week and fell by 20,000 tons on the year to 1.92 million tons. Fuel oil stocks fell by 43,000 tons on the week and by 130,000 tons to 420,000 tons while jet fuel stocks fell by 133,000 tons on the week and by 5,000 tons on the year to 320,000 tons.

Russia's Transnefteproduct said it still planned to start up a new diesel terminal on the Baltic Sea before the end of the year. However traders at several companies, which are to be clients of the project and ship a combined 8.5 million tons a year of low sulfur diesel, said the plan was facing delays of some months.

Indonesia's Pertamina purchased 1.8 million barrels of Asia-Pacific crude, down from 3 million barrels for November arrival.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.869 million barrels to 11.108 million barrels in the week ending October 3. It also reported that light distillate stocks fell by 347,000 barrels to 7.755 million barrels while middle distillate stocks built by 435,000 barrels to 8.062 million barrels on the week.

Ecuador's Economy Minister said the country expects to increase Occidental Petroleum's former oil fields output to 105,000 bpd by December from current production of 90,453 bpd.

Qatar has increased its September retroactive official selling price for Qatar Marine crude to \$74.05/barrel, up \$6.50/barrel from August. It set its Qatar Land official selling price for September at \$77.71/barrel, up \$6.87/barrel from August.

OPEC's news agency reported that OPEC's basket of crudes increased to \$74.96/barrel on Wednesday from \$74.66/barrel on Tuesday.

Russia's Gazprom said that Ukraine significantly cut gas consumption in recent days without saying whether the reduction was linked to its threat to cut off supplies over unpaid debts. It said Ukraine had cut gas consumption by almost 23% in the first three days of October. Gazprom said on Tuesday that it may reduce gas supplies to Ukraine if the country failed to repay a \$1.3 billion debt for earlier deliveries.

Market Commentary

Initially trading lower on the day, crude oil prices made a quick about-face and headed back up towards the \$81.00 level. This change in direction was most likely caused by a weaker dollar, and reports that a tropical storm heading towards the Gulf of Mexico could possibly change into a hurricane and hit shore some time next week. This market has proven to be very news sensitive lately, and with tomorrow's unemployment number due out, we should have another exciting day. All in all we still think this market is struggling to find direction and hasn't found concrete fundamentals to aid in its search. Once again we find the front month spread totally detached from the outright movement in prices, which leaves us wondering if the outright movement is a true reflection of where the value should be. The Goldman rolls officially start tomorrow and this should prove an interesting move on the November/December spread. It is difficult to get a clear picture of where prices are headed, but our bias is to the downside. Total open interest in crude oil is 1,432,405 up 6,361, November 312,071 down 5,898 and December 252,757 up 9,214. Support for November, comes in at 78.40, 77.30, 76.79 and 75.70. Resistance is set at 82.00, 83.85, 84.10, 84.58 and 86.70. The product markets also ended the session in positive territory, with the RBOB market settling up 5.63 cents at 205.22 and the heating oil market settling up 5.26 cents at 223.13. The RBOB market posted a low of 198.25 early in the session and quickly

bounced off that level. The market retraced more than 62% of its move from a high of 212.24 to its low of 194.85 as it extended its

		Explanation	
CL	Resistance	82.02, 83.85, 84.10, 84.58, 86.70	Previous highs
	81.44, up \$1.50	81.75	Thursday's high
Support		80.67, 80.33, 79.99, 78.91	Thursday's low
		78.40, 77.30, 76.79, 75.70	Previous lows
HO	Resistance	228.25	Previous high
	223.13, up 5.26 cents	224.25	Thursday's high
Support		222.25, 220.92, 219.89, 218.85, 215.52	Thursday's low
		214.98, 214.52	Previous lows
RB	Resistance	208.40, 208.55, 212.24	Previous highs
	205.22, up 5.63 cents	205.99	Thursday's high
Support		203.40, 203.03, 202.12, 201.21, 198.25	Thursday's high
		197.65, 194.85	Previous lows

gains to 6.4 cents. It posted a high of 205.99 late in the session in what seemed to have been fund buying. The November RBOB crack spread settled at 4.75. The crack spread is seen finding resistance at 5.297 and 5.4155, basis a trendline. Similarly, the heating oil market posted a low of 215.52 before it bounced off that level and never looked back. The market, which was lagging behind the RBOB market, caught up and extended its gains to 6.38 cents as it posted a high of 224.25 late in the session. The markets on Friday will remain headline driven. While strong employment numbers would initially support the complex, it may end hopes of further interest rate cuts and send a negative signal for the oil market. The RBOB market is seen finding resistance at 205.99, 208.40, 208.55 and 212.24. Meanwhile support is seen at 203.40, 203.03, 202.12, 201.21 and 198.25. More distant support is seen at 197.65 and 194.85.