



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 2, 2007

French Foreign Minister Bernard Kouchner said the West had to continue to work on sanctions if it was to be taken seriously by Iran. He said the situation in Iran was dangerous and that a nuclear armed Iran would make the situation in the Middle East even more complicated.

The executive director of the National Iranian Oil Co said a weak dollar has increased oil prices to record highs and prices should remain high even if OPEC continues to increase output. He said the US should take measures to strengthen its currency if it does not want oil prices to continue rising.

OPEC has withdrawn the new crude oil production quotas from its website after a sharply lower allocation for Venezuela drew protests from the country. Venezuela's quota was cut by 750,000 bpd. Separately,

Market Watch

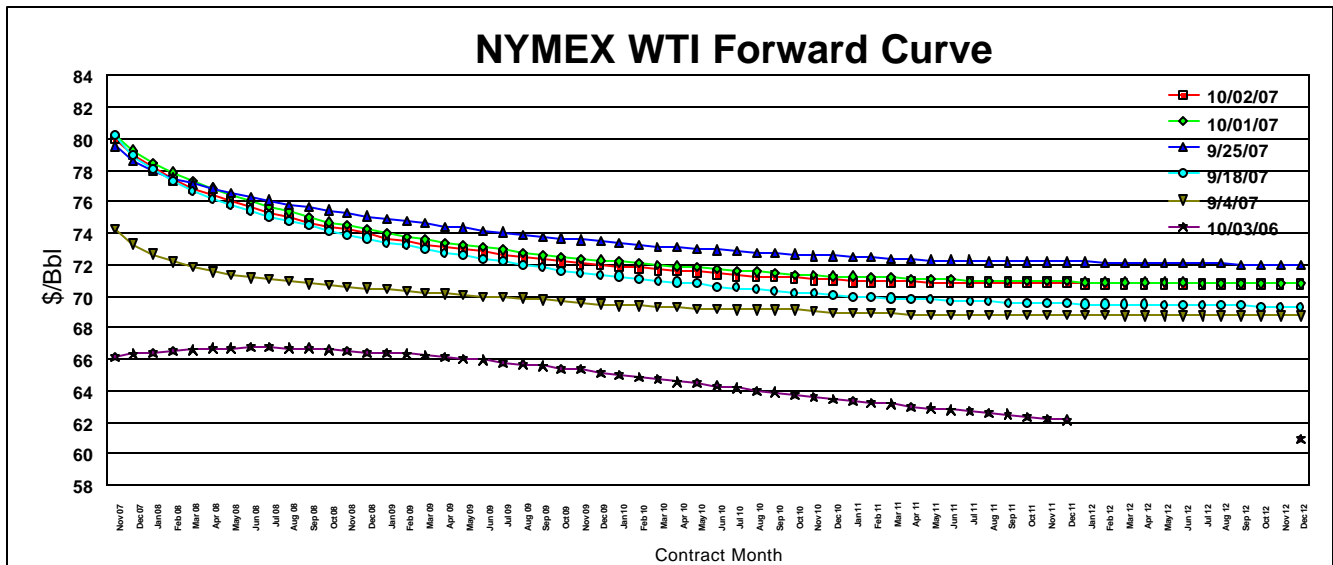
The Colorado State University hurricane research team said the La Nina weather phenomenon in the eastern Pacific would likely extend the Atlantic hurricane season this year, with four more storms forming and two becoming hurricanes. It increased its season forecast from 15 to 17 storms, of which six would be hurricanes. Thirteen storms have already formed this year and four of those have become hurricanes.

Credit Suisse raised its long term forecast of WTI and Brent crude. It raised its long term WTI forecast to \$60/barrel from \$50/barrel and its long term Brent forecast to \$58/barrel from \$48/barrel.

DEBKAFfile reported that the entire staff of Russian nuclear engineers and exports employed in building the nuclear reactor at Bushehr had abruptly left on Friday and flew back to Russia. It stated that the Russians' departure may have been prompted by another crisis in the Russian-Iranian dealings, Russia or Iran were tipped off that a US or Israeli attack is imminent on the Bushehr plant and Iran's other nuclear installations or Russia has learned that an Iranian pre-emptive attack is imminent against US targets in Iraq and the Persian Gulf and or Israel.

According to Citigroup, US ethanol prices are expected to remain weak for the next six months due to a large amount of new production capacity coming on line but would improve in the first quarter of 2008. It forecast US ethanol capacity at 8.5 billion gallons in 2007, up from 5.4 billion gallons last year. Capacity is expected to reach 12.7 billion gallons by 2008 and 13.4 billion gallons by 2009.

IntercontinentalExchange Inc reported that average daily volume in September increased by 34% at ICE Futures Europe to 598,651 contracts and 22% at ICE Futures US to 241,898 contracts. In the third quarter, average daily volume increased by 34% at ICE Futures Europe to 552,537 contracts and 23% at ICE Futures US to 208,022 contracts.



Venezuela's Oil Minister Rafael Ramirez said OPEC has apologized to Venezuela for mistakenly publishing that Venezuela would have a new, lower oil production quota starting in November. He also stated that OPEC should not increase its oil production again after November. He said the oil market remained unstable and that prices were expected to continue at current levels.

Angola's Sonangol said it would find an oil production quota of 2.5 million bpd starting next year acceptable. OPEC has stated that it would be assigned an oil output ceiling in 2008.

According to a report by MasterCard Advisors LLC, US gasoline demand increased by 0.88% or 82,857 bpd on the week to 66.682 million barrels or 9.526 million bpd in the week ending September 28. It reported that demand was up 1.2% on the year. The report also showed that the average price of gasoline increased by 2 cents to \$2.81/gallon on the week.

The EIA reported that US oil demand in July averaged 20.641 million bpd, down 0.5% from 20.74 million bpd a year ago. It showed that gasoline demand set a record high in July at 9.622 million bpd, up 0.2% from the revised 9.607 million bpd set a year ago. The EIA reported that distillate demand increased by 1% to 3.988million bpd. It also reported that crude oil imports fell by 0.8% on the month in July to 9.902 million bpd, down 3.2% on the year. Imports from Canada fell to 1.797million bpd in July from 1.873 million bpd in June while imports from Mexico increased to 1.469 million bpd from 1.392 million bpd in June. Imports from Saudi Arabia fell from 1.501 million bpd to 1.434 million bpd in July.

Chief economists for Chevron and Total said oil prices were likely to remain denominated in dollars despite the currency's weakness. They said several world economies are linked to the dollar, making it unlikely that oil prices could be denominated in a different currency. Meanwhile, an Iranian official said Iran has increased its oil export earnings in non-dollar currencies to 85%.

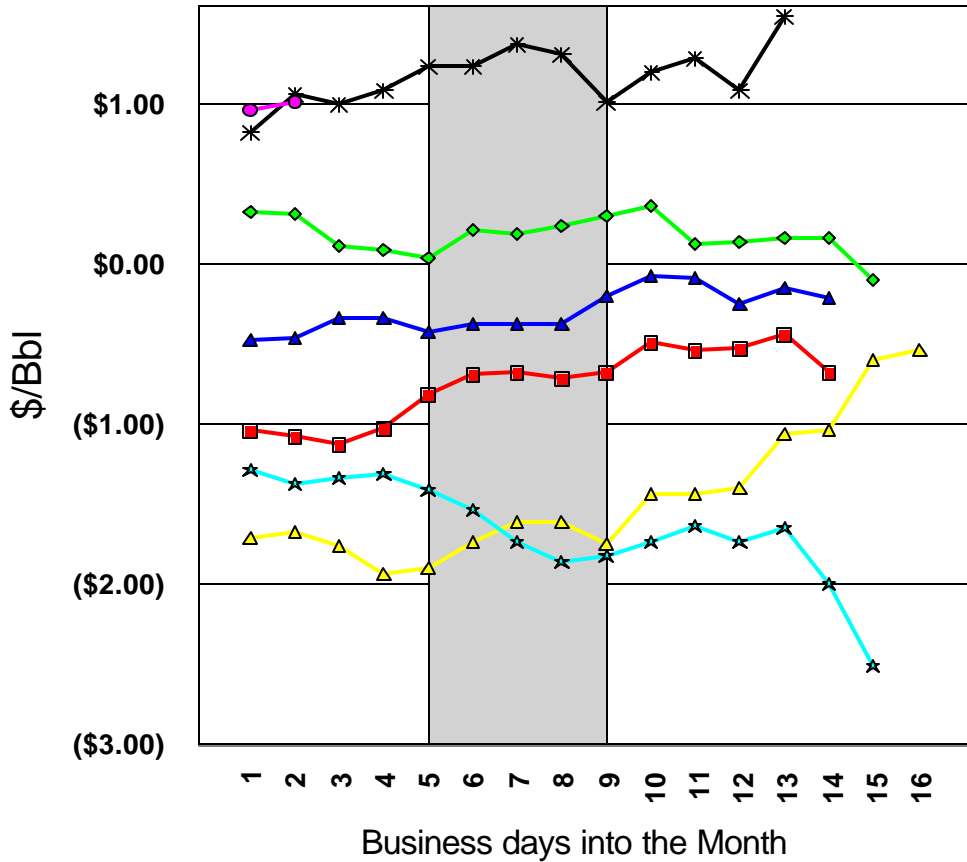
Refinery News

API chief economist John Felmy warned that US oil companies may scale back expanding their refineries or shut some facilities if they face high costs to meet future mandatory cuts in greenhouse gas emissions. He said oil companies would have to balance increasing their refining capacity to produce more gasoline and other petroleum stocks with spending money on upgrades at their facilities and buying government permits to emit emissions.

NYMEX WTI Front Month Spread

Basis Settlement

- * Oct-Nov 07
- ◆ Sep-Oct 07
- ▲ Aug-Sep 07
- Jly-Aug 07
- ▲ Jun-Jly 07
- ★ Nov 06-Dec 06
- ◆ Nov-Dec 07
- Goldman Roll Period



Two processing units at Valero Energy Corp's 83,000 bpd refinery in Houston, Texas were restarting on Tuesday following a partial power outage. The outage, which lasted about 10 minutes, shut a regenerator and a crude unit.

Suncor Energy said production at its oil sands project was cut by 65,000 bpd to 175,000 bpd following a small fire on Tuesday morning. The fire was at one of the company's two upgraders. It said it was too early to say when full production would resume.

Pemex has delayed a planned shutdown of units at the Salina Cruz refinery to November due to reduced fuel production at the company's domestic refining network in September. Pemex

had originally planned to shut a 45,000 bpd fluid catalytic cracking unit for 24 days in October for maintenance. In September, a rebel attack on Pemex's pipeline shut off supplies to the Tula and Salamanca refineries, forcing the plants to reduce production during the month.

Japan's Showa Shell Sekiyu KK said it has delayed restarting its No. 5 crude distillation unit at Keihin refinery by five days to October 8. The 120,000 bpd crude distillation unit has been shut for regular maintenance since late August. The delay was not the result of any problem.

Production News

A processing unit at the Syncrude Canada Ltd oil sands operation in Alberta was shutdown, cutting output at the refinery by 70,000 bpd of synthetic crude. Canadian Oil Sands Trust said a coker suffered an operational problem on Sunday. The company said repairs could take a few days but if an investigation reveals the need to remove coke deposits, it could stay down for three weeks.

NYMEX Petroleum Options Most Active Strikes for October 2, 2007

Symbol	Month	Year	Call/Put	Strike	Exp date	Settle	Volume	IV
LO	8	8	P	56	07/17/2008	0.91	14,600	28.15
LO	8	8	P	62	07/17/2008	1.79	7,300	26.55
LO	11	7	P	75	10/17/2007	0.43	4,082	32.43
LO	7	8	P	60	06/17/2008	1.3	3,600	27.78
LO	11	7	C	85	10/17/2007	0.41	3,557	29.57
LO	3	8	P	68	02/14/2008	1.49	3,260	26.85
LO	3	8	C	85	02/14/2008	1.64	3,254	23.76
LO	11	7	P	73	10/17/2007	0.22	3,218	33.98
LO	4	8	C	69	03/14/2008	9.5	2,900	27.38
LO	12	7	C	70	11/13/2007	9.51	2,900	32.46
LO	11	7	P	78	10/17/2007	1.07	2,618	30.17
LO	12	7	C	50	11/13/2007	29.04	2,450	77.37
LO	11	7	P	76	10/17/2007	0.59	2,269	31.66
LO	12	7	C	90	11/13/2007	0.29	2,256	27.48
LO	12	7	P	62	11/13/2007	0.09	2,252	37.15
LO	11	7	P	80	10/17/2007	1.86	2,008	29.22
LO	11	7	C	83	10/17/2007	0.81	1,962	29.45
LO	12	7	C	51.5	11/13/2007	27.54	1,950	72.35
LO	11	7	P	70	10/17/2007	0.08	1,936	36.82
LO	12	7	C	85	11/13/2007	0.92	1,810	27.20
LO	7	8	P	66	06/17/2008	2.45	1,800	26.06
LO	11	7	C	80	10/17/2007	1.91	1,453	29.22
LO	3	8	P	70	02/14/2008	1.94	1,352	26.20
LO	11	7	C	82	10/17/2007	1.09	1,344	29.19
LO	12	7	P	69.5	11/13/2007	0.46	1,225	31.98
OB	1	8	C	2	12/26/2007	0.1163	235	29.44
OB	11	7	C	2.2	10/26/2007	0.0136	200	36.99
OB	11	7	P	2.04	10/26/2007	0.1045	200	35.45
OB	12	7	C	2.07	11/27/2007	0.0615	100	30.45
OB	11	7	C	2.1	10/26/2007	0.0304	100	35.95
OH	11	7	C	2.6	10/26/2007	0.0008	425	31.99
OH	11	7	C	2.14	10/26/2007	0.0744	303	28.65
OH	11	7	C	2.29	10/26/2007	0.0217	200	29.53
OH	11	7	P	2.11	10/26/2007	0.0396	194	28.61
OH	5	8	C	2.09	04/25/2008	0.1659	150	27.20
OH	4	8	C	2.13	03/26/2008	0.1548	150	27.09
OH	5	8	P	2.09	04/25/2008	0.1597	150	27.18
OH	4	8	P	2.13	03/26/2008	0.1526	150	27.09
OH	1	8	C	2.25	12/26/2007	0.09	145	27.15
OH	1	8	P	2.11	12/26/2007	0.0715	145	26.82
OH	12	7	C	2.18	11/27/2007	0.0931	117	27.42
OH	12	7	C	2.19	11/27/2007	0.0886	100	27.45
OH	12	7	P	2.06	11/27/2007	0.0418	100	27.30
OH	12	7	P	2.19	11/27/2007	0.0967	100	27.45

from 715,100 bpd in August.

Russia's Gazprom said it would cut supplies to Ukraine if Kiev failed to agree repayment terms on a \$1.3 billion debt for earlier deliveries. Previous pricing disputes with Ukraine and Belarus have led to

BP Plc said it started production from Angola's Greater Plutonio oil project on Monday with initial production at 80,000 bpd. The offshore oil development can produce up to 240,000 bpd.

Nigerian crude exports are expected to increase in November as oil prices remain near record highs. Nigeria is set to ship 2.15 million bpd, up 130,000 bpd from the previous month. Increased loadings from the Bonny Light and Forcados export terminals helped offset declines in Brass River shipments. The Forcados export terminal is expected to load 3.5 cargoes. Most of the crude continues to come from storage as major repairs are still needed throughout the Forcados energy complex.

Russia's Energy Ministry reported that the country's oil output fell to 9.87 million bpd in September 2007, down 0.3% on the month. Exports via pipeline monopoly Transneft increased by 6.8% to 4.55 million bpd. Russia's seaborne crude exports are expected to increase by 8% on the month in September to 12.252 million tons or 2.99 million bpd.

Kazakh and Russian oil exports via the Caspian Pipeline Consortium to the Black Sea fell by 9.9% in September to 644,100 bpd

significant cuts in deliveries to Europe. Supplies to some EU countries fell by as much as 20% for a few days in January 2006 after Gazprom and Ukraine failed to agree on the price of Russian gas imports.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.51/barrel to \$75.92/barrel on Monday.

Libya raised the October official selling price for its Essider crude to dated BFO minus 70 cents/barrel, up 10 cents from the previous month.

Market Commentary

With signs of a strengthening dollar, it appears that funds, who were investing in commodities may be rethinking their investments and getting out of commodities. This could be one of the main reasons for today's sell-off in prices. It is also the start of turnaround for refiners, who will be taking units off line to prepare for switching over to the production of distillate. This will have a negative impact on demand, and in turn

put pressure on crude oil. With tomorrow's API/DOE numbers calling for a slight draw in crude stocks and slight builds in products, we would view these

		Explanation	
CL	Resistance	81.24, 82.02, 83.85, 84.10, 84.58, 86.70	Previous highs
	80.05, down 19 cents	80.43	Tuesday's high
	Support	78.87	Tuesday's low
HO	Resistance	223.99, 228.25	Previous high
	216.23, down 1.84 cents	218.31	Tuesday's high
	Support	214.52	Tuesday's low
RB	Resistance	199.70, 205.24, 208.40, 208.55	Previous highs
	198.28, up 15 points	198.95	Tuesday's high
	Support	197.55, 196.25, 194.85	Tuesday's low
		192.52, 191.94, 191.53	Previous low, 62% retracement

expectations as neutral, but would pay strict attention to the PADD III numbers. Goldman's index roll is expected to begin this Friday. We have examined this spread during the last 5 roll periods and compared the current November/December of 2007 with that of 2006. In five of the six series, if you would have bulls spread on day 1 and unwound on day ten, you would have made a profit. With the current front month spread appearing to be detached from the rest of the market, this same scenario appears to be forming. We would like to buy the November contract and sell the December contract. Should this spread fail to take out the 1.30 resistance level, then we would think twice and take our profits. Total open interest in crude oil was 1,420,830 up 7 lots. The November was 327,060 down 13,855 with December at 236,930 up 5,330. Support for November, comes in at 78.40, 77.30, 76.79 and 75.70. Resistance is set at 81.24, 83.85, 84.10, 84.58 and 86.70. The RBOB market continued to retrace its previous gains early in the session before late day buying pushed the market to its high ahead of the close. The market breached its previous low and retraced more than 50% of its move from a low of 179.40 to a high of 212.24 as it extended its losses to over 3.2 cents. It posted a low of 194.85 but quickly bounced off that level on some late buying. The market traded to a high of 198.95 ahead of the close. Unlike the crude market, the RBOB market ended in positive territory as it settled up 15 points at 198.28. The heating oil market settled down 1.84 cents at 216.23 after it failed to breach its earlier highs. The market opened at a high of 218.31 in overnight trading before it continued to retrace its previous gains. The heating oil market held some resistance at 217.20 early in the session before it continued to trade lower to a low of 214.52. The market however bounced off its low and traded back towards the 217.00 level ahead of the close. The oil complex will await the release of the weekly petroleum stock reports, which are expected to show draws in crude stocks of 1 million

barrels, builds in gasoline stocks of 400,000 barrels and builds in distillate stocks of 1 million barrels. If the reports fail to show draws in crude stocks, the oil markets will continue to trend lower. The RBOB market is seen finding resistance at 198.95, 199.70 and 205.24. More distant resistance is seen at 208.40 and 208.55. Meanwhile support is seen at 197.55, 196.25, 194.85, 192.52, 191.94 and 191.53.