



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 9, 2007

In a statement released following a high level security meeting chaired by Turkey's Prime Minister Recep Tayyip Erdogan, Turkey said it had given instructions for preparations for a possible cross border military operation into Iraq to chase separatist Kurdish rebels. The government has decided to seek parliamentary authorization. Meanwhile, although Turkey has not confirmed any attack in Iraqi territory, the Turkish military has stated that it was carrying out an operation to track down Kurdish rebels following a deadly attack that killed 13 Turkish soldiers on Sunday. The Turkish military said that as part of the operation, Turkish troops have been bombing areas near the border with Iraq to try to prevent rebels from fleeing to their bases in northern Iraq. In the city of Irbil, the Kurdish governor warned Turkey on Tuesday its troops would sustain heavy losses if they invaded the Kurdish-run northern Iraq.

Market Watch

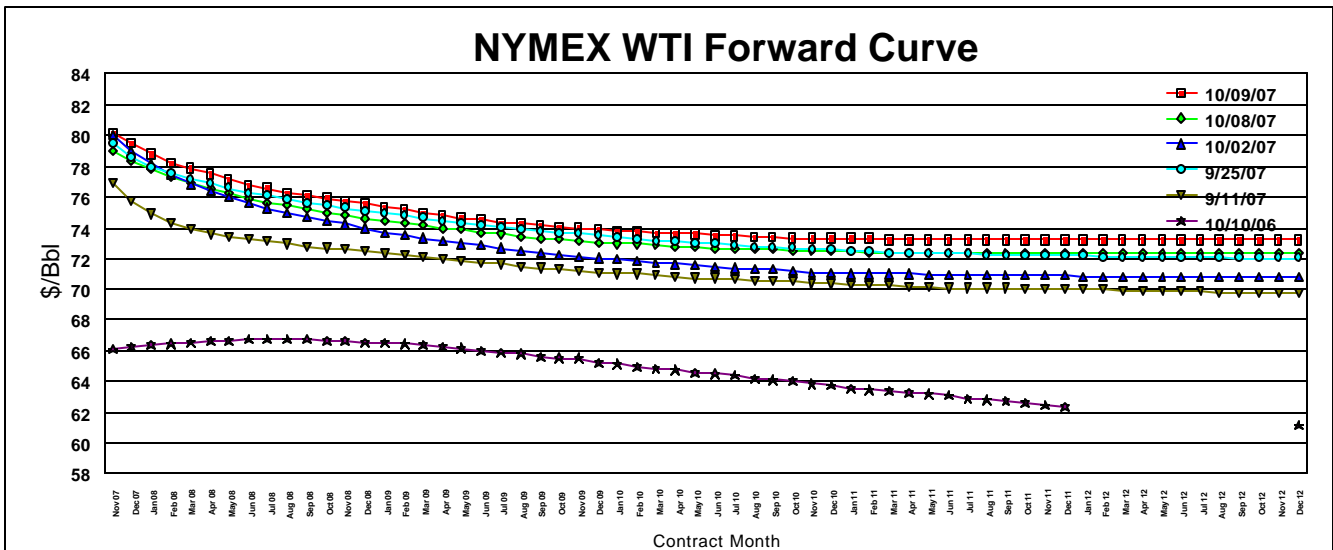
The National Oceanic and Atmospheric Administration predicted that the US would have warmer than normal temperatures this winter in most of the country, except for the northern Plains and Northwest states. It said this winter is expected to be 2.8% warmer than the 30 year norm but is expected to be 1.3% cooler than last year. The Northeast and the Mid-Atlantic are expected to be above average.

Saudi Arabia's King Abdullah has issued a royal decree detailing a set of rules for a committee created to choose future kings and crown princes in the country. He outlined regulations to implement a succession law aimed at ensuring a smooth transition of power. On the death of the monarch, the committee would immediately hold a meeting to name the crown prince as king and then the new ruler would have 10 days to inform the commission of his choice of crown prince.

Iran's caretaker Oil Minister, Gholamhossein Nozari, signaled that he expected to remain in the post by outlining plans he would pursue once nominated by President Mahmoud Ahmadinejad. Iran's President still has to formally propose Nozari to parliament for approval.

Qatar's Oil Minister Abdullah al-Attiyah said OPEC's agreement to increase its production by 500,000 bpd has so far failed to lower oil prices. He reiterated that speculation, rather than the fundamentals of supply and demand, were keeping the oil price near \$80/barrel. He also stated that Qatar had no plans to alter the dollar denominated pricing of its oil despite the weakness in the dollar.

A shipping agent said total inventory of Iraqi Kirkuk crude oil available at Ceyhan in Turkey stood at 6.45 million barrels on Tuesday.



The EIA reported in its Short Term Energy and Winter Fuels Outlook that US consumers would pay 10% more to warm their homes this winter, with the seasonal cost for all heating fuels averaging \$997, up \$88 on the year. It reported that heating oil prices are expected to average \$2.88/gallon in the October 1 to March 31 period compared with \$2.48/gallon last year. It stated that households heating primarily with heating oil could expect to pay an average of \$319 or 22% more this winter due to a 16% increase in prices and a 5% increase in consumption. It also stated that WTI prices are estimated to average \$73.50/barrel in 2008, up from \$68.84/barrel in 2007. The agency forecast an average price of regular gasoline of \$2.76/gallon during the fourth quarter, up 50 cents or 22% on the year. The price is seen holding close to that level in the first quarter of 2008 and then reach \$3/gallon by May. In regards to world oil demand, the EIA reported that consumption in the fourth quarter of 2007 is estimated to increase by 1.8 million bpd on the year to 87.41 million bpd. Total world consumption in the fourth quarter is down from its previous estimate of 87.47 million bpd. World demand in 2007 is estimated to increase by 1.12 million bpd to 85.78 million barrels, down from an increase of 1.27 million bpd to 85.72 million bpd estimated last month. World oil demand in 2008 is expected to increase by 1.4 million bpd in 2008 to 87.15 million bpd, down 140,000 bpd from last month's estimate. It reported that non-OPEC production is expected to increase by 590,000 bpd to 49.86 million bpd in 2007 and increase to 50.72 million bpd in 2008. Meanwhile OPEC production in 2007 is estimated at 30.32 million bpd while production in 2008 is estimated to increase to 31.51 million bpd, up from 31.38 million bpd estimated last month. At the end of July 2007, OECD inventories stood at 2.67 billion barrels, near year earlier levels and near the high end of the 5 year range. In regards to the US, total domestic petroleum consumption is estimated to average 20.78 million bpd in 2007 and 20.99 million bpd in 2008, down from its previous estimates of 20.89 million bpd and 21.11 million bpd, respectively. It estimated that gasoline demand is estimated to total 9.32 million bpd in 2007 and 9.42 million bpd in 2008, down 10,000 bpd from its previous estimates. Distillate demand is estimated to total 4.23 million bpd in 2007 and 4.28 million bpd in 2008. The EIA also stated that gasoline inventories are expected to remain tight during the rest of the year. Total gasoline stocks were estimated at 192 million barrels at the end of September 30, 12 million barrels below the average over the last 5 years. At the start of the second quarter next year, total inventories are expected to be 205 million barrels, 2 million barrels below the 5 year average. Meanwhile distillate inventories as of September 30 were estimated at 136 million barrels, down 13 million barrels on the year. Total distillate inventories at the end of March 2008 are expected to be 115 million barrels, down 4.5 million barrels from March 2007 but still within the normal range.

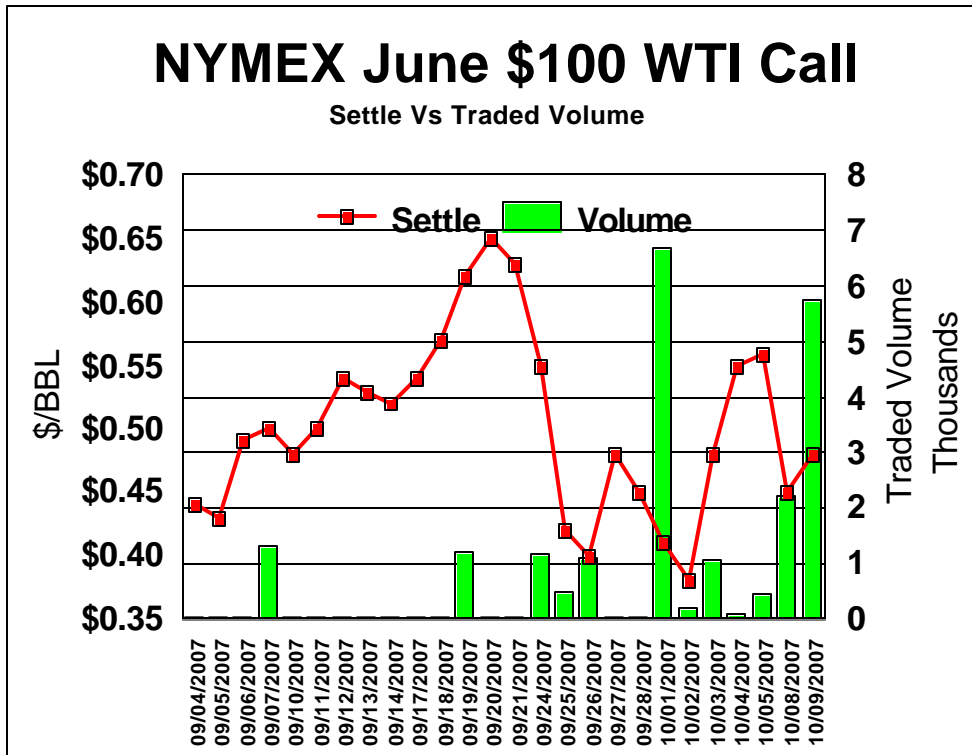
NYMEX Petroleum Options Most Active Strikes for October 9, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	8	C	100	05/15/2008	0.48	5,750	23.23
LO	11	7	C	80	10/17/2007	1.56	4,270	30.20
LO	11	7	P	75	10/17/2007	0.19	4,002	35.53
LO	12	7	C	80	11/13/2007	2.41	3,471	26.92
LO	9	8	C	80	08/15/2008	4.22	3,425	21.83
LO	1	8	P	65	12/13/2007	0.35	3,019	32.52
LO	1	8	P	60	12/13/2007	0.14	2,800	35.64
LO	11	7	C	82	10/17/2007	0.74	2,511	30.22
LO	11	7	C	81	10/17/2007	1.1	2,459	30.28
LO	12	7	C	60	11/13/2007	19.54	2,450	50.36
LO	12	8	C	90	11/17/2008	1.87	2,350	20.33
LO	11	7	P	76	10/17/2007	0.28	2,300	34.07
LO	11	7	P	80	10/17/2007	1.3	2,252	30.18
LO	2	8	C	135	01/16/2008	0.01	2,000	36.03
LO	2	8	P	45	01/16/2008	0.01	2,000	38.45
LO	12	7	C	91	11/13/2007	0.2	1,926	28.32
LO	12	7	P	64	11/13/2007	0.05	1,916	33.69
LO	1	8	P	70	12/13/2007	0.84	1,771	29.67
LO	12	8	P	60	11/17/2008	1.92	1,650	26.23
LO	3	8	C	82	02/14/2008	2.63	1,600	23.71
LO	3	8	C	92	02/14/2008	0.64	1,600	23.47
LO	2	8	P	56	01/16/2008	0.1	1,500	32.59
LO	11	7	C	85	10/17/2007	0.18	1,441	30.49
LO	12	7	C	90	11/13/2007	0.24	1,280	27.66
LO	11	7	P	78	10/17/2007	0.6	1,273	31.27
LO	12	7	P	75	11/13/2007	1.03	1,237	28.59
LO	12	7	P	77	11/13/2007	1.58	1,204	27.65
LO	6	8	P	60	05/15/2008	0.91	1,200	28.28
LO	11	7	P	76.5	10/17/2007	0.34	1,075	33.37
LO	12	7	C	85	11/13/2007	0.83	1,052	27.02
LO	11	7	C	90	10/17/2007	0.01	1,050	31.88
LO	12	7	P	62	11/13/2007	0.03	1,020	35.37
LO	9	8	C	90	08/15/2008	1.58	1,000	20.88
LO	12	7	C	58	11/13/2007	21.54	1,000	56.43
OB	12	7	C	2.3	11/27/2007	0.0125	202	28.69
OB	1	8	C	2.03	12/26/2007	0.1043	200	26.40
OB	1	8	P	2.03	12/26/2007	0.0907	200	26.38
OB	5	8	C	2.24	04/25/2008	0.1611	200	27.94
OB	5	8	C	2.06	04/25/2008	0.2502	200	28.07
OB	12	7	P	1.9	11/27/2007	0.0293	200	26.80
OH	2	8	P	2.19	01/28/2008	0.1099	475	25.88
OH	2	8	C	2.19	01/28/2008	0.1359	475	25.96
OH	12	7	P	2.18	11/27/2007	0.0759	475	27.38
OH	12	7	C	2.18	11/27/2007	0.0986	475	27.42
OH	1	8	C	2.3	12/26/2007	0.0706	295	25.78
OH	2	8	C	2.3	01/28/2008	0.0908	256	26.32
OH	3	8	C	2.4	02/26/2008	0.0674	253	26.49
OH	11	7	C	2.2	10/26/2007	0.0445	200	27.38
OH	11	7	C	2.29	10/26/2007	0.0169	200	27.99

The head of the EIA, Guy Caruso said US gasoline prices would face continued upward pressure in 2008. He also expressed concern that the lack of spare capacity in the world oil production network was driving crude oil prices. He also raised a yellow flag of caution over low inventories of propane. Heading into the winter, propane stocks were 59.3 million barrels, down from 71.1 million barrels a year ago and about 7 million barrels less than the five year average. The head of the EIA also stated that he expected OPEC to increase its oil production again, possibly at their December meeting. He said the group would need to increase its output even more to meet expected fourth quarter demand. However he stopped short of calling on OPEC to raise its crude production.

The EIA stated that the US average retail price of gasoline fell by 1.8 cents/gallon to \$2.77/gallon in the week ending October 8. It also reported that the US average retail price of diesel fell by 1.3 cents/gallon to \$3.035/gallon on the week.

Euroilstock reported that European crude and oil product inventories fell in September by 12.34 million barrels on the month and by 18.36 million barrels on the year to 1.133 billion barrels. It reported that

crude stocks fell by 5.54 million barrels on the month and by 3.59 million barrels on the year to 478 million barrels in September. Gasoline stocks also fell by 340,000 barrels on the month and by 6.8 million barrels to 123.08 million barrels while middle distillate stocks fell by 5.25 million barrels on the month and by 5.04 million barrels on the year to 391.13 million barrels. It reported that crude intake increased by 100,000 bpd to 12.162 million bpd while capacity utilization increased to 92.84% from 92.09%.



Refinery News

Hess Corp shutdown a 65,000 bpd fluid catalytic cracking unit at its Port Reading, New Jersey refinery for unplanned repairs on Monday night. It was repairing a wet gas compressor and was hoping to restart the refinery on Wednesday.

Royal Dutch Shell said it would perform maintenance to replace a valve on a coker wet gas compressor at its 340,000 bpd Deer Park, Texas refinery.

Chevron Corp's 260,000 bpd refinery in El

Segundo, California filed a notice with California's South Coast Air Quality Management District of plans to use the refinery's flare system from October 10-19. The planned flaring is not due to an equipment failure.

According to a notice filed with the California Emergency Services Office, a hydrotreater shut down and a fluid catalytic cracking unit wet gas compressor malfunctioned on Tuesday at Shell Oil Co's 156,000 bpd refinery in Martinez, California.

Valero Corp said it started a 29 day planned turnaround at a 110,000 bpd crude unit at its Paulsboro, NJ refinery. It said the crude unit was still operating but the preliminary work for the shutdown process has started.

US ethanol production capacity has increased about 28% this year to almost 6.9 billion gallons per year. The Renewable Fuels Association said the US has 129 ethanol distilleries, with 76 plants under construction and 10 undergoing expansion. If all the new plants and expansions come on line in 2008, or later, total US capacity would be nearly 13.7 billion gallons/year.

Irving Oil said it started a planned 40 day maintenance shutdown at its 300,000 bpd refinery in Saint John, New Brunswick. It was performing maintenance on its cooling tower, alkylation unit and other parts of the facility.

Syncrude Canada Ltd is still working on a malfunctioning coker unit at its 350,000 bpd Fort McMurray, Alberta oil sands project that has cut production at the site by about 20% for more than a week. The repairs were initially expected to take only a few days.

Merrill Lynch said world refining margins were likely to further weaken in October after they fell 12% earlier in the month due to completion of refinery maintenance. Global refining margins averaged \$3.84/barrel in the first week of October from \$4.35 in the previous week. Margins in Asia fell by 57% as gasoline cracks came under pressure. US margins fell 14% in the first week of October from the week before due to an increase in domestic product inventories while European margins fell by 4%.

According to Reuters, European refining margins fell over the last week due to a fall in gasoline prices. Margins for complex European refineries using Brent crude fell to \$1.84 in the week ending October 5, compared with \$3.22 for the previous week.

Total SA said it planned a turnaround at its Feyzin refinery on October 15, the same day as units at its 331,000 bpd Gonfreville refinery return to service. The planned maintenance at Feyzin would last five to six weeks.

Japan's Showa Shell Sekiyu KK's Tao Oil Co Ltd restarted its 120,000 bpd crude distillation unit at its Keihin plant on October 8 as scheduled after planned maintenance. The unit was shut since August 27.

Production News

Marathon Oil Corp said it expected its oil and gas production in the third quarter to increase 10% on the quarter. It also stated that it expected its third quarter refining and wholesale marketing margins to be about half of last year's margins due to higher costs of oil and other feedstocks. Its oil and natural gas available for sale during the third quarter is expected to total 371,000 bpd. It said it expected its refinery use to fall slightly in the third quarter to 1.24 million bpd from 1.28 million bpd in the second quarter.

The head of OPEC affairs at the Iranian Ministry, Javad Yarjani said Iran would increase its actual oil production to 4.047 million bpd from November 1 in line with its OPEC agreement. He also stated that Iran's production capacity was now between 4.2 million and 4.3 million bpd.

Sources stated that Saudi Arabia is likely to hold its crude oil supply to European customers steady in November. Meanwhile, other regions, such as Asia, are more likely to absorb any increase in Saudi oil production in November, when an OPEC agreement to increase supply takes effect.

The Norwegian Petroleum Directorate said Norway's oil production increased to 2.18 million bpd in September from 2.08 million bpd in August.

Norway's Oseberg crude system is scheduled to load about 180,000 bpd or 5.4 million barrels in November, down from 194,000 bpd in October.

German consumer heating oil stocks increased to 60% of capacity as of October 1, up from 58% of capacity at the start of September. However it is down from 65% reported last year.

Azerbaijan's crude oil production increased by 34% on the year in January-September 2007 to 30.8 million tons. The BP led group said its production from the Chirag and Azeri oilfields increased by 48.5% to 24.2 million tons in January-September 2007 compared to 16.3 million tons in the same period of 2006. In September alone, production fell to 1.55 million tons from 2.97 million tons in

August due to planned maintenance at fields. Azerbaijan's Socar said its output fell to 6.6 million tons in January-September from 6.7 million tons in the same period last year. It exported 22.2 million tons in January-September, up from 15.6 million tons in the same period last year. Exports of refined products fell to 2.2 million tons from 2.3 million tons last year.

Azerbaijan's Socar announced a tender for 1 million barrels of Azeri Light crude for loading at the Turkish port of Ceyhan on November 1.

Kuwait said it aimed to invest in a major oil storage being built by the China National Aviation Fuel Holdings. The company is expected to complete the 1.9 million barrel storage base for clean oil products in southern Guangdong province by mid-2009. Kuwait Petroleum International is interested in taking a stake in the venture, which CNAF plans to turn into one of China's first government emergency stockpile for transport fuels.

OPEC's news agency reported that OPEC's basket of crudes fell to \$75.37/barrel on Monday from \$76.23/barrel on Friday.

Market Commentary

Unable to take out Monday's low, prices rebounded, only to fail up at the highs of yesterday. Based on a 60-minute chart, prices have been trading in a sideways pattern bouncing between the listed support and resistance numbers. This provides for in and out trading, buying and selling the listed numbers. There is a pennant formation on the spot continuation chart, with a bottom of 78.44 and top of 83.76. The current breakout level at the top of this formation is 80.43, with the initial projected objective of 82.20, with an ultimate goal of 85.74. On the downside the breakout level is 78.33 with an initial objective of 76.56 and an ultimate objective of 73.02. Prices need to settle above or below the breakout points to give a clear indication of direction. Our examination of the forward curve indicates a slightly stronger front end, with the middle to back flattening. Due to our bearish view of the market we would look for a further flattening of the backwardation, with a possibility of the front end dipping back into contango. Total open interest in crude oil is 1,409,228 down 19,154, November 238,589 down 36,262 and December 282,586 up 4,086. Support for November, comes in at 78.35, 77.30, 76.79 and 75.70. Resistance is set at 82.00, 83.85, 84.10, 84.58 and 86.70. Similar to the crude market, the RBOB market posted an inside trading day. The RBOB market retraced Monday's sharp losses amid the strength in the oil market and reports of some refinery problems. The market was also supported amid the EIA's Short Term Energy Outlook, which stated that product stocks are expected to remain tight during the remainder of the year. The RBOB market traded to a low of 198.05 in overnight trading before it bounced off that level and retraced its losses after it held support at Monday's low. The market rallied to a high of 204.40 before it once again erased some of its gains ahead of the close. It settled up 2

cents at 202.02. The November RBOB crack spread settled at \$4.588. The crack spread held resistance at its downward trendline,

			Explanation
CL	Resistance	81.75, 82.02, 83.85, 84.10, 84.58, 86.70	Previous highs
	Support	80.00, 78.39	Double top
HO	Resistance	77.92, 77.30, 76.79, 76.11, 75.70	Tuesday's low
	Support	221.96, 223.90, 224.25, 228.25	38% (68.46 and 83.76), Previous lows, 50%, Previous low
HO	Resistance	218.53, up 2.57 cents	Previous highs
	Support	218.20, 215.40, 214.15	Tuesday's high
RB	Resistance	204.52, 206.71, 208.40, 208.55, 212.24	Tuesday's low
	Support	204.40	50% (197.50 and 228.25), Previous low, 62%
RB	Resistance	201.60, 199.50, 198.05	Previous highs
	Support	198.00, 197.65, 195.82, 194.85, 192.52	Tuesday's high
			Tuesday's low
			Previous lows, 50% (179.40 and 212.24), Previous lows

which comes in at 4.942, with support seen at 4.00. The heating oil market breached its support and posted a low of 214.15 early trading. The market however bounced off that level and extended its gains to over 4.5 cents as it rallied to a high of 220.50. It however retraced some of its gains and settled up 2.57 cents at 218.53. The markets are seen trading sideways ahead of the release of the weekly petroleum stock reports on Thursday. The RBOB market is seen finding support at 201.60, 199.50 and 198.00. More distant support is seen at 197.65, 195.82, 194.85 and 192.52. Meanwhile resistance is seen at 204.40, 204.52, 206.71 followed by more distant resistance at 208.40, 208.55 and 212.24.