



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 11, 2007

The official Islamic Republic News Agency reported that Iran answered all IAEA questions over its P-1 and P-2 centrifuges during three days of talks. The talks were the latest attempt by the IAEA to address outstanding questions on a program that many Western countries believe is a cover for weapons development.

Separately, Iran's former nuclear negotiator, Hassan Rowhani criticized the country's policy over its controversial nuclear program and added that sanctions were impacting the economy. He said Iran's enemies were increasing.

The IEA said world oil demand is expected to grow more slowly than expected in the fourth quarter as record high prices prompt some consumers to

Market Watch

The US DOE issued a solicitation seeking to exchange up to about 13 million barrels from federal leases in the Gulf of Mexico for oil that meets the specifications of the SPR. It said the bids are due by November 6. The royalty in kind contracts would start in January 2008 and deliveries of crude would begin on or after February 1, 2008 and must be completed no later than July 31, 2008. The DOE said it had no immediate plans to issue bids to purchase and replace 11 million barrels of SPR crude that were sold in response to Hurricane Katrina.

The Labor Department reported that the number of US workers filing new claims for unemployment insurance fell a larger than expected 12,000 last week. Initial claims for state unemployment insurance benefits fell to 308,000 in the week ending October 6 from an upwardly revised 320,000 the prior week. The number of continued claims fell for the second consecutive week, falling by 15,000 to 2.52 million in the week ending September 22.

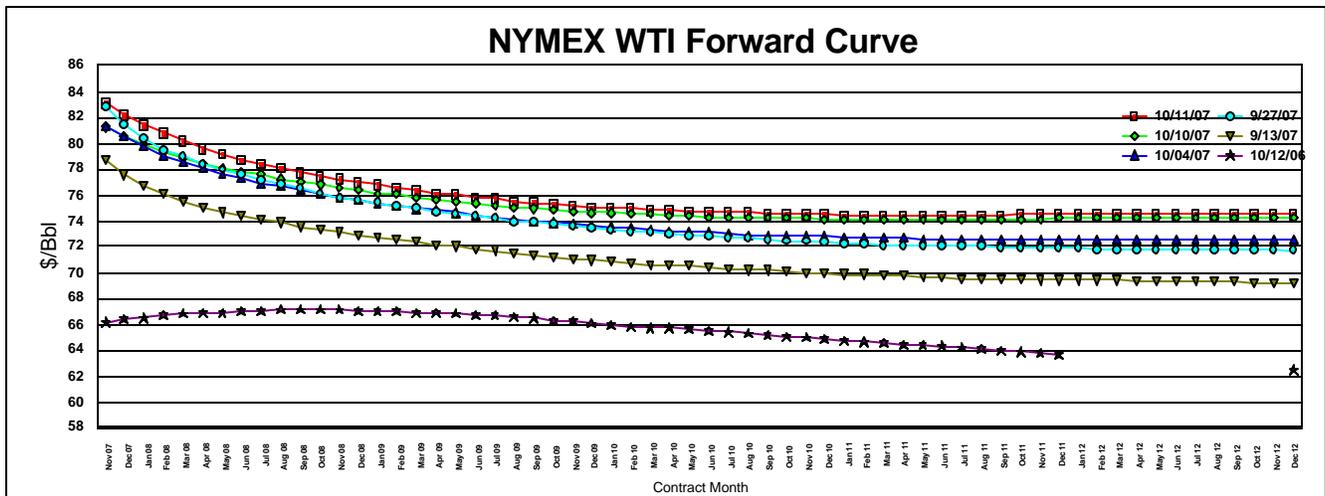
NYMEX Holdings Inc said average daily volume increased by 13% on the year in September. It traded 1.6 million contracts/day in September compared with 1.4 million last year. Electronic trading volume increased by 178% at the NYMEX's CME Globex platform.

A total of 56,900 metric tons of gasoil will be physically delivered against the expiry of the ICE October gasoil futures contract. Product is expected to be sold within the Amsterdam-Rotterdam-Antwerp area.

DOE Stocks

Crude – down 1.7 million barrels
Distillate – down 600,000 barrels
Gasoline – up 1.7 million barrels
Refinery runs – up 0.3%, at 87.8%

seek alternatives. It estimated that demand would increase by 2.03 million bpd in the fourth quarter on the year, down 320,000 bpd from its previous estimate. It estimated world demand would average 87.64 million bpd in the last quarter of 2007, down from its previous estimate of 87.8 million bpd. It also cut its forecast for world demand growth in the first quarter of next year by 50,000 bpd to 2.55 million bpd.



Demand for OPEC oil in the fourth quarter is estimated to be between 32.2 million bpd and 32.7 million bpd, about 200,000 bpd less than its previous estimate. OPEC oil consumption in the fourth quarter is estimated to average 87.08 million bpd. The IEA raised its estimate of Venezuela's oil production by 20,000 bpd or 0.84% in September to 2.38 million bpd. In regards to China's demand, the IEA stated that China's oil demand would increase by 5.7% on the year to 7.6 million bpd in 2007 and increase by 5.6% to 8 million bpd in 2008. The IEA also reported that oil inventories in the OECD fell by 21 million barrels in August to 53.5 days of demand. The IEA stated that world crude oil refining would reach a seasonal low in October. It estimated that world refinery runs would fall to 73 million bpd in October, down 200,000 on the month. It said that as seasonal refinery maintenance ends, crude runs are expected to rebound to 75.5 million bpd in December.

Shipping sources stated that the flow of oil from Iraq's northern Kirkuk oilfields via its pipeline to Turkey was still halted on Thursday for the third consecutive day after pumping stopped due to a power outage. A source stated that the flow was expected to restart soon. There was about 5.6 million barrels of Kirkuk crude in storage at Turkey's port of Ceyhan.

According to Oil Movements, OPEC's oil exports are expected to increase by 670,000 bpd to 24.49 million bpd in the four weeks ending October 27. Sailings from Middle East countries are forecast to rise by 720,000 bpd to 17.58 million bpd in the four week period. It said OPEC was currently pumping about 200,000 bpd less than last year.

Refinery News

Valero Energy Corp said a brief malfunction at its 325,000 bpd Port Arthur, Texas refinery on Wednesday had no material impact on operations. It filed a report with the Texas Commission on Environmental Quality following a release of wet gas to the refinery's safety control flare system due to a problem at unit K2300.

Traders stated that a 67,000 bpd coker unit at Chevron Corp's 258,000 bpd refinery in El Segundo, California was in the process of being taken out of service for two months of planned maintenance.

According to the Texas Natural Resource Conservation Commission, Alon repaired a gas line going to its sulfur recovery unit after a leak caused by corrosion was detected.

A catcracker at PDVSA's 135,000 bpd El Palito refinery was still down following a power outage last week.

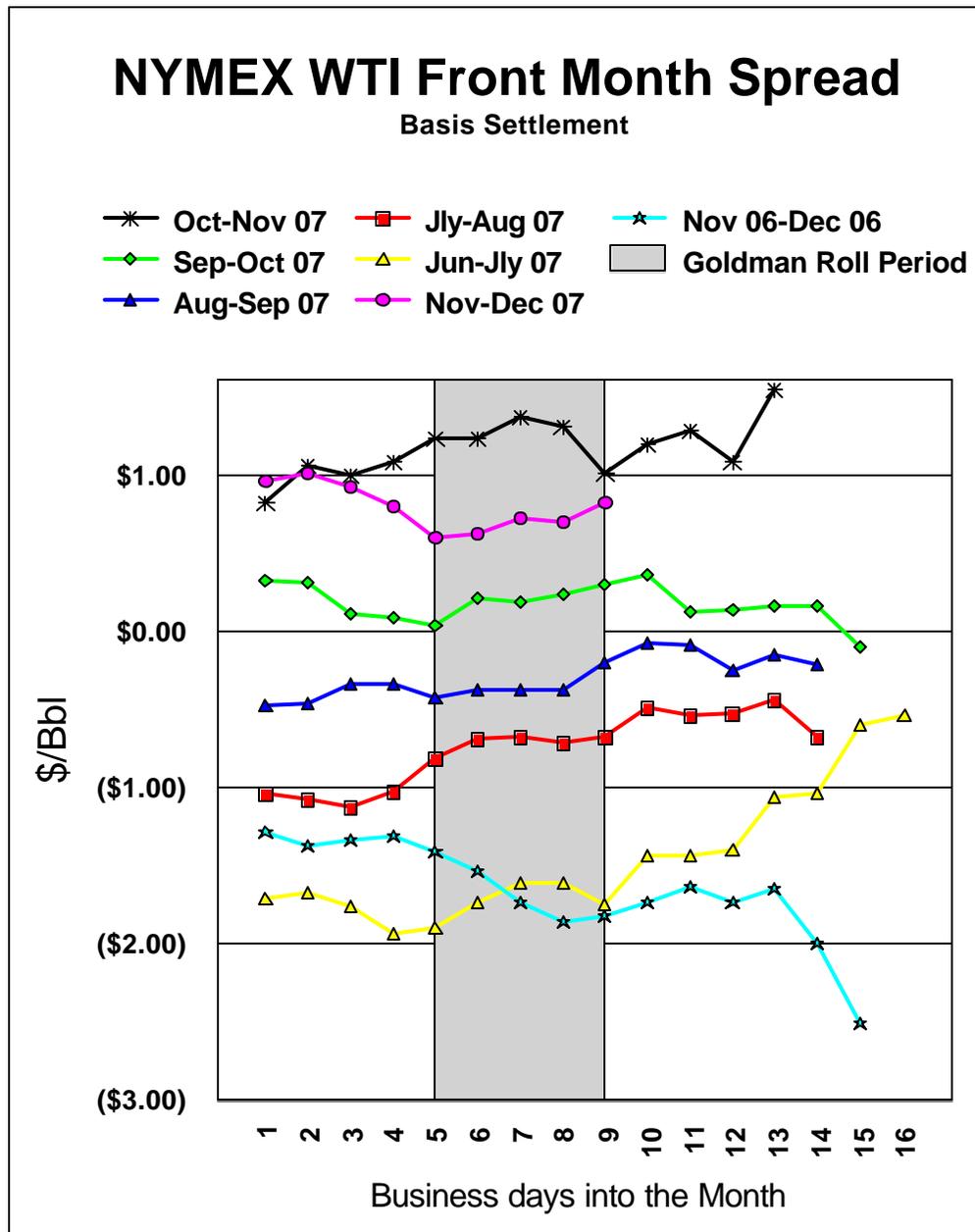
Canadian Oil Sands Trust said production at the Syncrude Canada Ltd oil sands operation is not expected to return to full capacity for at least a week due to an outage of a processing unit at the end of September. It said production from the coker unit was now about 55,000 bpd.

Japan's Cosmo Oil co said it restarted its crude distillation unit at its 80,000 bpd Sakai refinery earlier on Thursday as planned following the completion of regular maintenance.

Production News

BP Plc cut the amount of oil production it expects to lose because of an October 6 fire at its Prudhoe Bay oil field in Alaska by 10,000 bpd to 20,000 bpd. It initially estimated the fire at Gathering Center 2 would cut production by 30,000 bpd for 2 weeks.

Chevron Corp said a strike by workers at its Escravos, Warri, Port Harcourt, Abuja, Onne and Lagos facilities in Nigeria ended without disrupting production or exports. The strike action started on



Tuesday.

Saudi Aramco has pledged all contracted volumes of crude oil to its South Korean customers in November, ending 11 consecutive months of cuts. Earlier, refining officials in Japan confirmed they would also receive full contracted volumes in November from Saudi Aramco following cuts for October. The increase is expected to equate to as much as a 350,000 bpd increase in exports.

Preliminary loading plans showed that crude loadings from Odessa are expected to fall by 52,000 bpd on the month in October while loadings from Novorossiisk are expected to increase by 26,000 bpd.

Loadings from Yuzhny are expected to increase by 36,000 bpd while exports from Tuapse are expected to fall by 22,000 bpd on the month.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.675 million barrels to 12.783 million barrels in the week ending October 10. It also reported that Singapore's light distillate stocks fell by 648,000 barrels to 7.107 million barrels while its middle distillate stocks fell by 1.45 million barrels to 6.612 million barrels on the week.

The Petroleum Association of Japan reported that kerosene stocks held by Japanese refiners increased by 98,035 kiloliters to 4.25 million kl in the week ending October 6. Crude stocks increased by 235,680 kl on the week to 15.84 million kl or 99.6 million barrels. It reported that gasoline stocks also increased by 132,268 kl to 1.949 million kl while naphtha stocks increased by 17,967 kl to 1.923 million kl and gas oil stocks increased by 7,673 kl to 1.605 million kl on the week. The PAJ reported that crude runs totaled 4.06 million kl, down 82,359 kl on the week.

Japan's Oil Information Centre reported that the country's benchmark retail price for regular gasoline increased the second consecutive week to 144.7 yen or \$1.23/liter or \$4.66/gallon on October 9 from 144 yen on October 1.

OPEC's news agency reported that OPEC's basket of crudes increased by 89 cents/barrel to \$75.36/barrel on Wednesday.

Tokyo Electric Power Co increased its oil and natural gas imports in September as it increased the usage of thermal power plants to fill a loss in output after the closure of its Kashiwazaki-Kariwa nuclear plant. It said its imports of fuel oil more than tripled to 633,000 kiloliters or 3.98 million barrels in September, up from 190,000 kl last year. Its fuel oil consumption increased to 604,000 kl, up from 236,000 kl last year. TEPCO's imports of crude oil totaled 249,000 kl, up from 95,000 kl last year while its crude consumption increased to 209,000 kl from 83,000 kl.

China National Offshore Oil Corp has started constructing China's first plant to use cold energy from liquefied natural gas. The cold energy would be sourced from LNG imports at CNOOC's Fujian terminal, which plans to take in 2.6 million tons of LNG per year in its first phase. The first phase is expected to be operational in early 2009.

Market Commentary

With crude oil runs increasing by 0.3% to 87.6% and imports falling by 384,000 barrels, stock levels fell 1.67 million barrels, sending prices above our first line of resistance set at 82.20. Total stocks for gasoline

rose by 1.68 million barrels and remain below the lower end of the five-year average, with demand

		Explanation	
CL	Resistance	83.85, 84.10, 84.58, 86.70	Previous highs
	83.08, up \$1.78	83.67	Thursday's high
	Support	82.20, 81.25	Thursday's low
		80.50, 79.60, 78.35, 77.30, 76.79	Previous lows
HO	Resistance	228.25, 234.48	Previous high, Basis trendline
	224.73, up 3.01 cents	227.11	Thursday's high
	Support	224.15, 222.90, 221.72	Thursday's low
		217.37, 214.15	Previous lows
RB	Resistance	208.40, 208.55, 212.24	Previous highs
	206.66, up 3.30 cents	207.62	Thursday's high
	Support	206.00, 204.65, 203.19	Thursday's low
		199.51, 198.05, 198.00, 197.65, 194.85	Previous lows

falling by 0.4% to 9.2 million barrels per day. Distillate stocks decreased by 563,000 barrels but remain in the upper half of the average range with demand increasing 1.3% to 4.2 million barrels per day. Over all this paints somewhat of a neutral picture, but with demand from China and India still on the rise, and a healthier looking stock market, fears of slackening demand are dissipating. Therefore any longs in the market aren't being given any concrete reason to liquidate, leaving the bulls on the run. Add to the mix a weaker dollar, which would tend to increase the price of crude. Based on the pennant formation we mentioned previously, the next upside target would be 84.75 which is just shy of the 84.99 top of the upward channel that began in the beginning of the year. Total open interest in crude oil is 1,433,187 down 7,737, November 189,300 down 29,878 and December 326,784 up 17,279. Support for November, comes in at 82.20, 80.50, 79.60, 78.35, 77.30 and 76.79. Resistance is set at 83.85, 84.10, 84.75, 84.99 and 86.70. The product markets ended the session in positive territory amid the strength in the crude market. The RBOB market, which posted two consecutive inside trading days, bounced off an overnight low of 203.19 and never looked back. It continued to trend higher and breached its recent highs before it was further supported by the strength in the oil market in light of the supportive inventory report. The gasoline market rallied to a high of 207.62 early in the session and settled in a sideways trading pattern during the remainder of the session. It settled up 3.30 cents at 206.66. The November RBOB crack spread, which settled at \$3.717, is still seen trending towards its support at 3.00. Meanwhile, the heating oil market was well supported by the draw in distillate stocks of 600,000 barrels. Distillate stocks were down 9.74% below last year's level but 3.98% above the 5 year average. The heating oil market also bounced off a low of 221.72 in overnight trading and extended its gains even further on the report. The market extended its gains to over 5.3 cents as it posted a high of 227.11. The market later erased some of its gains ahead of the close and settled up 3.01 cents at 224.73. The product markets are seen retracing some of today's sharp gains. However its losses will be limited as traders buy on dips. The RBOB market is seen finding support at 206.00, 204.65, 203.19 followed by 199.51, 198.05, 197.65 and 194.85. Meanwhile resistance is seen at 207.62, 208.40, 208.55 and 212.24.