



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 15, 2007

Tensions have been increasing along Turkey's border with Iraq. Turkish troops fired seven to eight shells into a village in northern Iraq late Saturday, ahead of an expected parliamentary vote on whether to permit a ground incursion against Kurdish fighters. A bill which would allow an operation into Kurdish controlled Iraq anytime in the next year would be submitted to parliament following a cabinet meeting on Monday. Cabinet members were also expected to debate retaliatory measures if the US Congress passes a resolution that labeled the World War I killings of Armenians as genocide. A top Turkish general said it was too early to discuss the exact timing or scale of a possible operation against Kurdish rebels in northern Iraq. The US opposes a unilateral

Market Watch

The US National Hurricane Center said a low pressure system over the Yucatan Peninsula in Mexico could develop into a tropical cyclone over the next day or so after it moves into warm waters of the Gulf of Mexico. Weather models showed the system could threaten the US oil and gas producing region in the northern Gulf of Mexico over the next five days. It is forecast to make landfall in the northern Gulf Coast between central Louisiana and western Florida over the next few days. In addition, the system may disrupt some of Mexico's oil production in the Bay of Campeche.

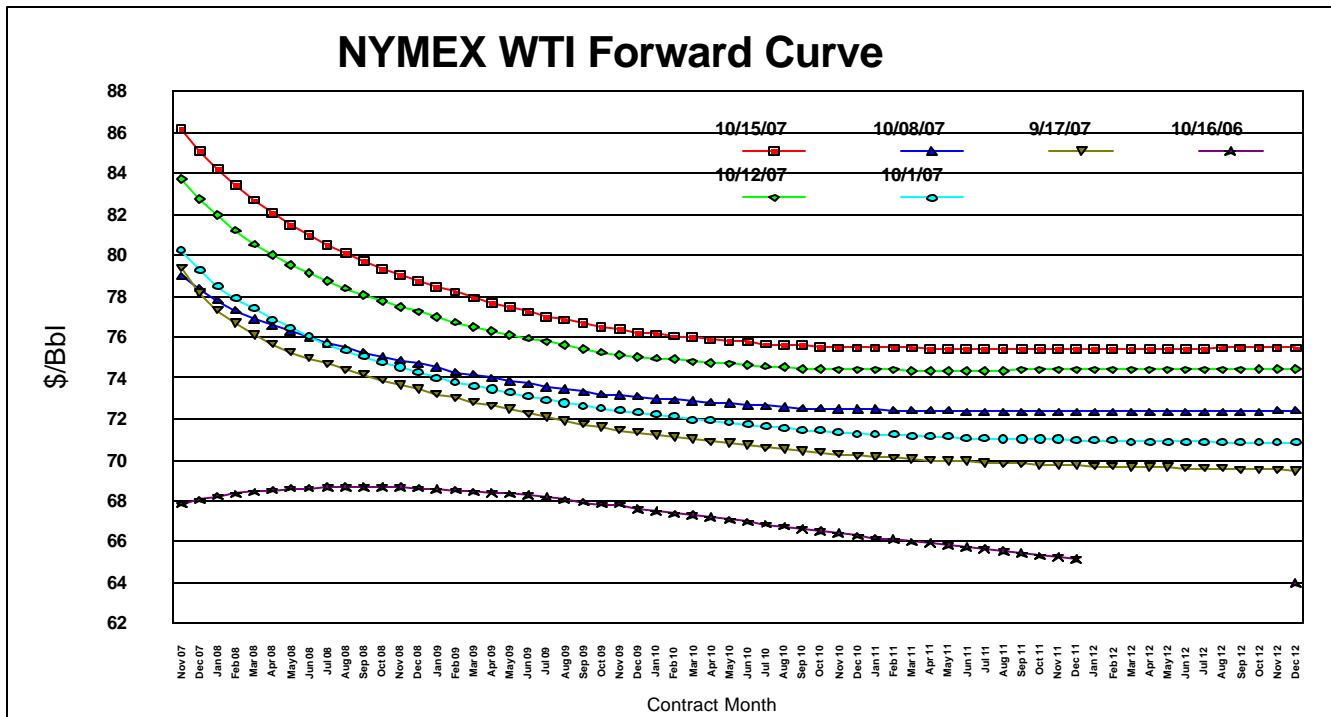
Iran's Deputy Oil Minister Mohammad Reza Nematzadeh said Iran's Oil Ministry would provide funds to import up to 15 million liters/day of gasoline, less than half the amount Iran imported before fuel rationing started in June.

Citigroup raised its long term crude oil and natural gas forecast and added that the weakness in the US dollar contributed to the recent record oil prices. It said with a support level of about \$77/barrel and resistance level of about \$85/barrel, a run at \$90/barrel is now seen a reasonable. It raised its long term forecast for crude oil to \$60/barrel from \$55/barrel. It also adjusted its 2008 WTI oil forecast to \$70/barrel from \$60/barrel. For 2009, it forecast \$65/barrel.

Goldman Sachs said infrastructure constraints facing the US ethanol market would ease, allowing for continued growth.

International Monetary Fund Managing Director, Rodrigo Rato said the US dollar was overvalued and needed to depreciate further.

ExxonMobil Corp's chief executive Rex Tillerson said that market fundamentals did not support \$86/barrel oil prices. Separately, ExxonMobil's chief executive said that even though the company filed an arbitration claim against Venezuela, ExxonMobil continued to pursue settlement talks that it believed could yield a quicker resolution. He said he hoped an amicable resolution was possible. ExxonMobil has previously stated that its stake in the Hamaca venture in the Orinoco basin had a book value of \$750 million before it was expropriated.



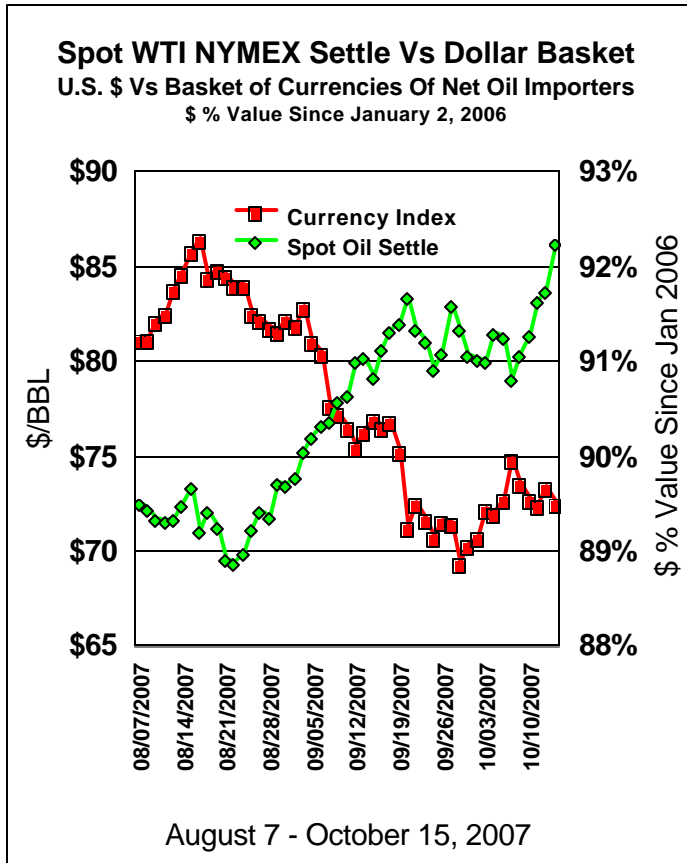
Turkish action in Iraq, fearing it could destabilize a relatively peaceful part of the country. On Friday, US Secretary of State, Condoleezza Rice urged Turkey to refrain from any major military operation. The Kurdish regional government in northern Iraq has warned Turkey against making good its threat to mount a cross border incursion. The Iraqi government urged Turkey to seek a diplomatic solution to ending attacks by Kurdish separatists in northern Iraq. Iraq's Prime Minister Nouri al-Maliki said he was prepared to hold talks with the Turkish government to defuse the crisis over a possible military incursion into northern Iraq.

OPEC stated in its latest oil market report that world oil demand remained steady despite high oil prices and gave no sign it was prepared to raise oil production to ease high prices. It left its forecast for world oil demand growth next year little changed at 1.3 million bpd. It estimated world demand at 85.72 million bpd in 2007 and 87.09 million bpd in 2008. It cut its fourth quarter estimate of non-OPEC supply by 110,000 bpd from its previous estimate to 51.04 million bpd. It cut its estimate of non-OPEC crude production this year by 30,000 bpd to 50.29 million bpd. It said demand for its crude would average 31.43 million bpd in the fourth quarter of 2007, up 100,000 bpd from its previous estimate. It also raised the call on OPEC oil for 2007 by 50,000 bpd to 31.07 million bpd while the call on OPEC oil for 2008 was increased by 10,000 bpd to 30.82 million bpd.

Algeria's Oil Minister Chakib Khelil said the US dollar would remain the oil trade currency. He said the weakness in the dollar against the euro was being counterbalanced by record high crude oil prices. He said the depreciation of the dollar against the euro has had a limited impact on the purchasing power of Algeria. He added that Algeria's light crude was priced at an average of \$84/barrel, about two to three dollars more than average global oil prices, providing further immunity from the rising euro.

An Iraqi Oil Ministry official said Iraq was in talks for a contract to supply Kirkuk crude to Turkey's Tupras after exporting about 12.5 million barrels of oil to world markets in intermittent flows through the pipeline from the Kirkuk oilfields to the Turkish port of Ceyhan since late August. Meanwhile, Iraq's SOMO issued its fourth Kirkuk sales tender in six weeks on Sunday, offering 6 million barrels for

loading from Ceyhan by November 2. Total inventory of Iraqi Kirkuk crude oil available at the Turkish export terminal of Ceyhan stood at 7.98 million barrels.



The Iraqi Kurdistan government reiterated that the oil deals it signed with foreign companies this year were legal and said most of the returns would be shared with the rest of Iraq. The Prime Minister of the Kurdistan Regional Government, Nechirvan Barzani said he had waited a long time for Baghdad to pass an oil law but the regional government decided to move ahead with its own legislation following delays. He said the contracts were in line with Iraq's constitution and with the revenue sharing provisions of the draft oil law.

Russia's President Vladimir Putin, who was scheduled to attend a summit of the five countries that surround the Caspian Sea in Iran starting Monday, postponed his visit by a day. His visit to Iran was put into doubt due to warnings that suicide attackers could attempt to kill him during his visit to Iran. A report said Russian security services had been told suicide bombers and kidnapers were training to kill or capture Russia's President. Meanwhile, Iran said the report was totally baseless.

The EIA reported that the US retail average price of gasoline fell by 0.8 cents/gallon to \$2.762/gallon in the week ending October 15. It also reported that the US average price of diesel increased by 0.4 cents/gallon to \$3.039/gallon on the week.

Refinery News

NYH RBOB cash prices increased on talk that Venezuela's PDVSA canceled US bound cargoes of the gasoline grade last week due to a local refinery outage. The price differentials for reformulated F4 gasoline in the NYH increased to 2.5 cents over the November NYMEX gasoline futures, up from about 1.4 cents over on Friday. There was no immediate confirmation from PDVSA on any cargo cancellations and it was no immediately clear how many cargoes were reportedly canceled. Oil traders estimate that at least one to as many as four RBOB cargoes were canceled.

Credit Suisse said US refining margins increased last week on the West Coast and in the Northeast amid plant outages. West Coast cracks averaged \$20.70/barrel, up \$3.43/barrel the previous week, due to several refinery outages. Margins in the Northeast increased by 74 cents/barrel to \$8.22/barrel as problems at Venezuela's El Palito refinery kept cargoes normally destined for the NYH inside Venezuela. Meanwhile, margins in the Gulf Coast fell by 45 cents to \$6.95/barrel as refineries resumed operations. Margins in the Midwest fell by 61 cents to \$11.15/barrel while margins in the Rockies fell by \$1.07/barrel to \$21.65/barrel.

ExxonMobil Corp said a 112,000 bpd fluid catalytic cracking unit at its 349,000 bpd Beaumont, Texas refinery was shut on Friday for unscheduled repairs. It said the other units at the refinery were operating at reduced rates for the duration of the repairs to the fluid catalytic cracking unit.

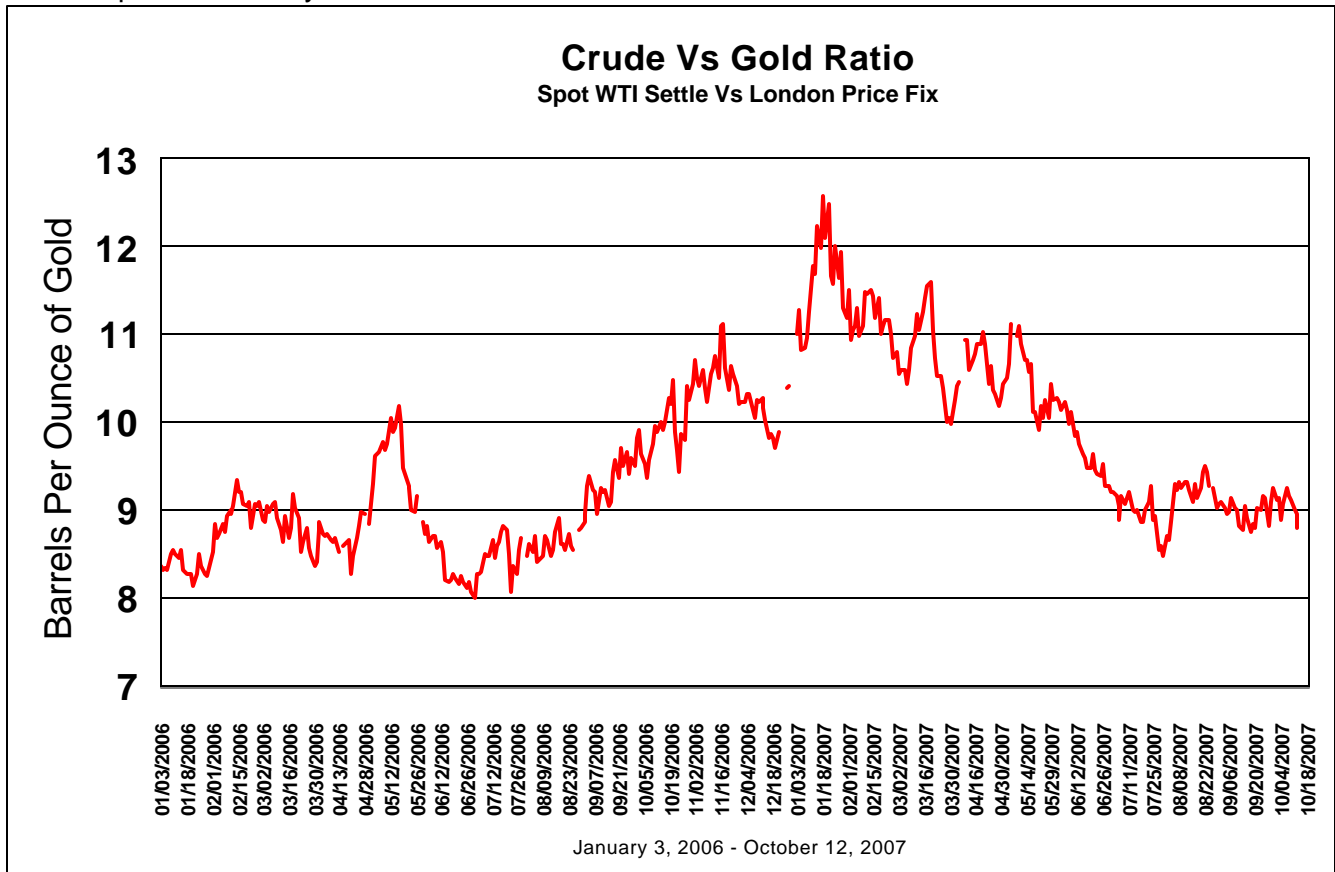
Tesoro Corp said its 100,000 bpd refinery in Wilmington, California was restarting a hydrocracker unit on Monday after the unit was shut on Saturday. It said little or no impact on refinery production was expected from the shutdown.

Chevron Corp said it its 260,000 bpd El Segundo, California refinery was operating as planned following a brief power outage on a unit Friday night. Separately, Chevron Corp said it expected the crude unit at its 320,000 bpd Pascagoula, Mississippi refinery damaged by fire in August to be repaired during the first quarter of 2008. It said plans for the repair work were underway and progressing at the refinery. It also stated that it planned to build a continuous catalyst regeneration unit at its refinery in Pascagoula, Mississippi refinery. The unit is expected to increase gasoline production at the refinery by about 10% or about 600,000 gallons/day. It is expected to begin construction in early 2008 with completion expected by mid-2010.

NYMEX Petroleum Options Most Active Strikes for October 15, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	5	8	P	65	04/17/2008	0.86	10,100	27.73
LO	11	7	C	85	10/17/2007	1.52	7,480	33.13
LO	11	7	C	90	10/17/2007	0.03	5,215	32.86
LO	5	8	P	70	04/17/2008	1.59	5,050	26.29
LO	11	7	C	86	10/17/2007	0.91	4,857	33.20
LO	12	7	C	85	11/13/2007	2.61	4,245	26.78
LO	11	7	C	87	10/17/2007	0.48	4,078	33.05
LO	12	7	C	84	11/13/2007	3.16	3,428	27.09
LO	12	7	P	80	11/13/2007	0.88	3,253	29.24
LO	12	7	C	90	11/13/2007	0.89	3,165	26.91
LO	11	7	C	88	10/17/2007	0.22	3,015	32.90
LO	6	8	P	61	05/15/2008	0.7	2,500	28.98
LO	3	8	P	72	02/14/2008	1.19	2,075	26.88
LO	11	7	P	78	10/17/2007	0.01	2,009	56.37
LO	6	8	P	80	05/15/2008	4.94	1,877	23.13
LO	11	7	P	85	10/17/2007	0.39	1,795	33.11
LO	12	7	P	84	11/13/2007	2.03	1,794	27.02
LO	11	7	P	82	10/17/2007	0.03	1,690	36.32
LO	11	7	P	84	10/17/2007	0.18	1,611	34.00
LO	11	7	C	84	10/17/2007	2.31	1,574	34.06
LO	12	7	C	87	11/13/2007	1.75	1,562	26.76
LO	11	7	C	89	10/17/2007	0.09	1,478	33.10
LO	3	8	P	78	02/14/2008	2.57	1,400	24.91
LO	1	8	P	75	12/13/2007	0.78	1,395	29.19
LO	11	7	C	82	10/17/2007	4.16	1,359	36.68
LO	12	8	C	100	11/17/2008	1.27	1,300	21.12
LO	2	8	P	81	01/16/2008	2.95	1,255	24.81
LO	12	7	C	86	11/13/2007	2.15	1,230	26.77
LO	12	7	P	70	11/13/2007	0.07	1,203	35.24
OB	5	8	P	2.2	04/25/2008	0.1144	840	26.47
OB	5	8	P	2.3	04/25/2008	0.1606	478	26.60
OB	11	7	C	2	10/26/2007	0.1615	401	31.68
OB	1	8	P	2	12/26/2007	0.0317	311	25.26
OB	1	8	C	2.15	12/26/2007	0.1048	304	25.36
OB	12	7	C	2.06	11/27/2007	0.1313	301	25.99
OB	5	8	C	2.6	04/25/2008	0.0936	300	29.21
OB	5	8	C	2.3	04/25/2008	0.1816	294	26.68
OB	5	8	C	2.4	04/25/2008	0.144	225	27.34
OB	5	8	P	2.22	04/25/2008	0.1229	152	26.49
OH	11	7	C	2.45	10/26/2007	0.0066	605	28.76
OH	11	7	P	2.1	10/26/2007	0.001	600	27.69
OH	11	7	C	2.35	10/26/2007	0.0269	218	27.99
OH	2	8	C	2.35	01/28/2008	0.1222	200	25.96

BP said it would restore full production of gasoline at its Whiting, Indiana and Texas City, Texas refineries by the first quarter of 2008. Both refineries are expected to resume normal operations by the second quarter of next year.



BP shut a unit at its 400,000 bpd Nerefco refinery for planned maintenance. Traders said BP purchased about 10 diesel 10ppm barges on Friday and had made some small gasoline purchases, also on the barge market for delivery in the Amsterdam-Rotterdam-Antwerp area.

China National Petroleum Corp said it planned to build a refinery with annual capacity of 10 million tons in Chongqing. The output of the refinery would mostly be consumed locally.

Production News

Marathon Oil Corp received approval from Canada’s Minister of Industry for its acquisition of Western Oil Sands Inc. It agreed to make significant investments in Western Oil’s sands operations, particularly the Athabasca Oil Sands Project and link Western’s resources with Marathon’s US refining and marketing operations.

The North Sea Flotta crude system is scheduled to load a total of 1.95 million barrels or 65,000 bpd in November, down from 84,000 bpd in October.

ConocoPhillips delayed the restart of two North Sea oilfields for a few days as planned maintenance had yet to be completed. The Eldfisk and Embla fields, which produce a total of 62,000 bpd of oil equivalent, are expected to resume operations on Wednesday. The fields were originally expected to restart this weekend.

StatoilHydro said that production started on October 11 at its deepwater field in the Gulf of Mexico. It said that with production from the field, its gas production in the US Gulf of Mexico is expected to grow by 40% in terms of volume.

Kazakhstan's State Statistics Agency reported that the country's combined crude oil and gas condensate output increased by 5.2% on the year in January-September to 50.258 million tons. It said crude production increased by 2.4% to 41.165 million tons while gas condensate production increased by 20.5% to 9.093 million tons. It reported that Kazakhstan's crude oil exports increased to 40.917 million tons in January-August, up 15.4% on the year. Its oil product exports increased by 10.2% on the year to 2.489 million tons.

Azerbaijan's Socar said it would begin shipments of crude and refined products next month from its Kulevi Black Sea oil terminal in a bid to further diversify its export options.

China's Daqing oilfield is expected to produce 45 million tons for crude in 2007, up from 43.31 million tons in 2006. The company stated that it made an oil and gas find with commercially recoverable reserves in Inner Mongolia.

Japan's Federation of Electric Power Companies stated that Japanese power companies consumed a total of 2.2 million kiloliters or 6.97 million barrels of crude and fuel oil in September, up 166.1% on the year due to higher electricity demand and lower operating rate of nuclear power. It reported that crude consumption increased to 1.09 million kl compared with 263,672 kl a year ago while fuel oil consumption in September increased by 97.2% on the year to 1.11 million kl. Meanwhile, fuel and crude oil consumption in April-September, first half of fiscal 2007, increased by 62.8%.

OPEC's news agency reported that OPEC's basket of crudes increased to \$77.46/barrel on Friday, up from \$76.95/barrel on Thursday. It said OPEC's basket of crudes increased by 59 cents/barrel to \$75.92/barrel in the week ending October 12.

Market Commentary

Feeding off of tensions between Turkey and Iraq, the market opened higher today. News that OPEC raised its forecast for fourth quarter demand to 31.43 million barrels per day, reports of Exxon's 349,000 barrel per day Beaumont, TX refinery experiencing problems with its fluid catalytic cracking unit and a further weakening dollar pushed the price of crude oil to another record high. This is the fifth straight day that prices have settled higher than the previous day's close, and broke out of the upward channel that began in the beginning of January. With predictions of a colder winter in comparison to last year and peaking demand under tightening supply, the upward momentum still remains strong.

Spreads

were higher through to December of 2009, thereby taking away from the front month spread, which only reflected a 20 cents gain on the

		Explanation	
CL	Resistance	86.83	Basis trendline
	86.13, up \$2.44	86.70	Monday's high
	Support	84.65, 83.50	Monday's low
		82.70, 82.20, 80.70, 79.60, 78.35, 77.30	Previous lows
HO	Resistance	235.41	Basis trendline
	230.72, up 6.08 cents	232.00	Monday's high
	Support	228.35, 226.75, 224.40	Monday's low
		223.22, 221.72, 217.37	Previous lows
RB	Resistance	218.33, 220.34, 223.33, 228.00	Previous highs
	215.75, up 7.24 cents	217.00	Monday's high
	Support	214.00, 212.95, 210.00, 208.22	Monday's low
		204.78, 203.19, 199.51, 198.05, 198.00	Previous lows

day. As the saying goes, everything that goes up must come down, but it is a matter of when. Prices may very well come off, but at what point will the trend turn is difficult to pinpoint. For now we would look for a break and settlement below the double bottom at 78.35, before prices will once again test the bottom of the aforementioned upward channel with a break and settle below this channel at 73.49 for the trend to turn. Total open interest in crude oil is 1,508,406 up 23,893, November 177,158 down 3,771 and December 392,785 up 21,083. Support for November, comes in at 84.65, 83.50, 82.70, 82.20, 80.70, 79.60, 78.35, 77.30 and 76.79. Resistance is set and 86.70. The product markets settled sharply higher amid the strength in the oil market and the supportive news. The RBOB market was well supported by the news of ExxonMobil experiencing problems with its catcracker unit and talk that Venezuela's PDVSA canceled US bound cargoes of gasoline last week. The market posted a low of 208.22 in overnight trading before it continued on its upward trend. The market extended its gains to over 7.6 cents as it posted a high of 216.14 ahead of the close. It settled up 7.24 cents at 215.75 and rallied further to a high of 217.00 on Globex. The RBOB crack spread settled at 4.485, still holding its resistance basis its trendline. It is seen finding resistance at 4.4679. The heating oil market also settled up 6.08 cents at 230.72 after it traded to a high of 230.98. The market rallied even further in late afternoon trading and posted a new high of 232.00. The markets will likely retrace some of its gains before it continues on its upward trend given the supportive news. The market is seen finding support at 214.00, 212.95, 210.00 and 208.22. More distant support is seen at 204.78 and 203.19. Resistance is however seen at 217.00, 218.33 followed by 220.34, 223.33 and 228.00.