



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 19, 2007

White House spokesman Tony Fratto said the Bush administration was keeping close tabs on the energy markets and added that President George W. Bush would like to see prices decline from record highs. He decline to comment on whether the rising oil prices would prompt the administration to change its policies regarding the SPR.

The President of the Kurdish region in northern Iraq, Massoud Barzani called on Turkey to engage in direct talks with his autonomous regional government as tensions mounted over a threatened Turkish incursion against Kurdish rebels. He said the Iraqi Kurds were not responsible for the fighting between Turkey and the rebels from the Kurdistan Workers' Party, or PKK. He urged Turkey to hold negotiations with the Kurdish authorities in regional capital, Irbil. There has been no sign of imminent military strikes while the US and the Iraqi government have called for restraint. A spokesman for Kirkuk's oil company said it would not affect crude oil exports and that there was only minor damage to the pipeline.

A former head of Venezuela's PDVSA, Luis Giusti said Saudi Arabia would likely call for an additional 500,000 bpd increase in OPEC production by year end in response to record high prices. OPEC Finance and Oil Ministers are scheduled to meet with heads of state at a summit in Riyadh on November 17-18.

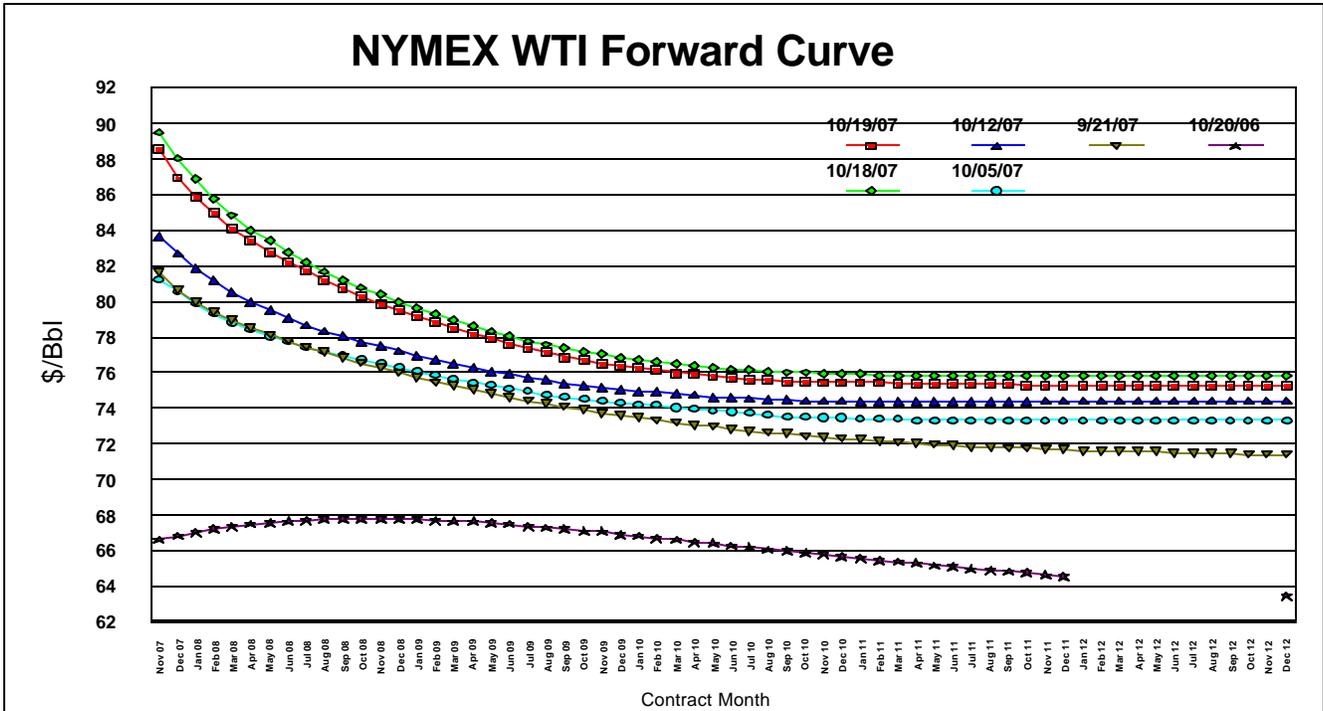
A section of an Iraqi pipeline connecting Kirkuk's northern oil fields to the Baiji refinery was blown up on Friday. It was the latest in a spate of attacks on oil and gas pipelines in the past month.

Refinery News

Market Watch

Credit Suisse reported that US gasoline supply growth would outpace demand by about 250,000 bpd next year. The increase in supply is expected to come from refinery expansion projects and repairs. Meanwhile, US gasoline demand growth is expected to lag below normal at about 1%. It stated that the recovery of two major oil refineries operated by BP Plc in Whiting, Indiana and Texas City, Texas could add about 200,000 bpd of gasoline production by the middle of next year. Ethanol production could contribute another 60,000 bpd and oil refinery expansion projects could contribute about 50,000 bpd. It also stated that European gasoline shipments to the US could increase by 30,000 bpd as drivers there continue to favor diesel.

A member of the European Central Bank said the new rally in oil prices posed a risk for inflation development and economic development. However he said the current price levels were unlikely to last.



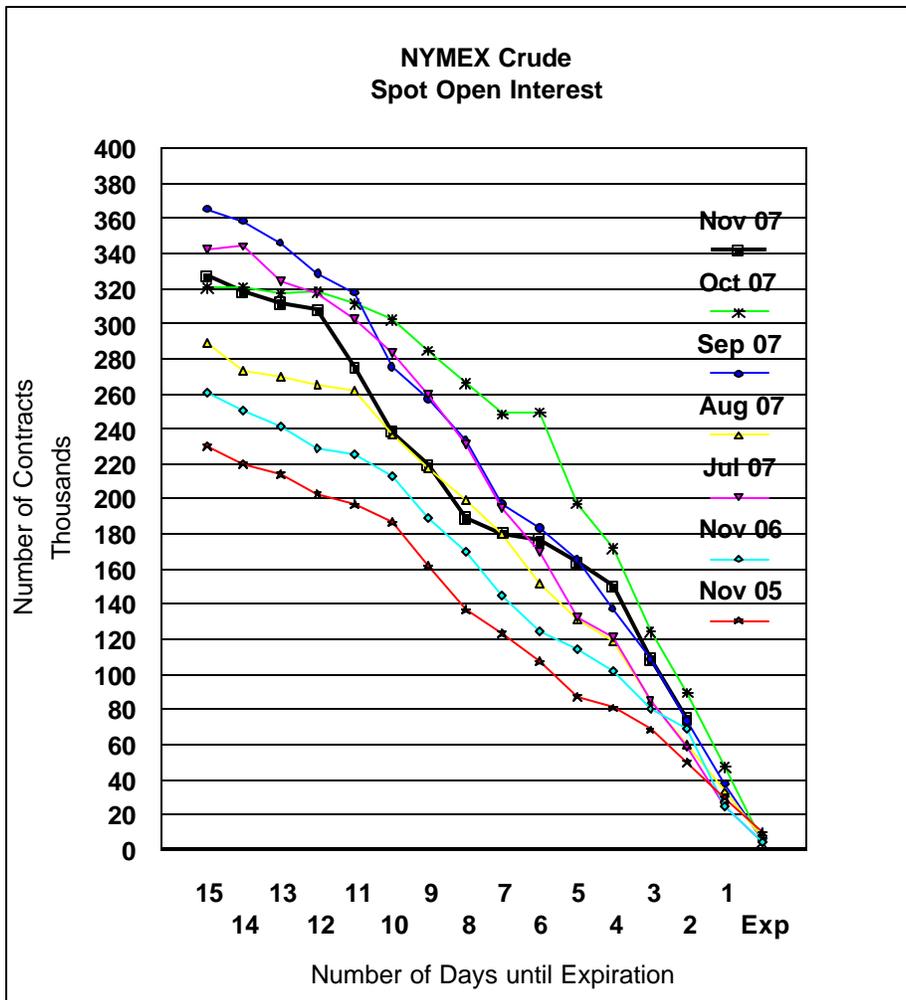
BP Plc said it would restart a hydrocracker unit at its Texas City, Texas refinery by Tuesday. The hydrocracker was shut unexpectedly Thursday after a lube oil turbine tripped. The company expects to begin restart efforts on Friday.

Valero Energy Corp said it was restarting a crude unit at its 325,000 bpd Port Arthur, Texas refinery following an unplanned shutdown due to Hurricane Humberto in mid-September. The restart is expected to take three days. It said that despite the unit's restart, the refinery would remain below its full capacity due to problems with a coker unit. The coker unit has been operating at 80,000 bpd, about 25,000 bpd below its full capacity.

Separately, Valero Energy Corp announced plans to shut major units at four refineries for work in the first quarter of 2008. It is scheduled to perform 20 days of maintenance at its 100,000 bpd fluid catalytic cracking unit at its St. Charles refinery in Norco, Louisiana. The work is scheduled to take place in February. It is also scheduled to shut a crude unit at the West Plant of its Corpus Christi, Texas refinery, closing 400,000 bpd of crude for 14 days in January. In February, Valero would also shut a 37,500 bpd hydrocracker unit at its Benecia, California refinery. The unit would be offline for 12 days. In March, Valero is scheduled to begin 42 days of turnaround at a 50,000 bpd crude processing unit at its Quebec refinery.

PDVSA said its Cardon refinery suffered an early morning electricity outage that left the plant partially shut. The company said its gasoline supply to local and overseas markets would not be affected because enough finished products was held in storage tanks.

Russia's TNK-BP's refinery in Ryazan is scheduled to shut several units for repairs until November 13, cutting output of high octane gasoline. It said its capacity to produce certain high quality gasoline products has been affected by 12%.



Russia's Tatneft suspended oil supplies to Ukraine's Kremenchug refinery pending a resolution of a dispute between different management groups. The refinery processes 180,000 bpd of Russian crude which is supplied by different Russian companies. However all supplies are coordinated by Tatneft.

Production News

Euroilstock reported that Europe's September oil products output fell by 60,000 bpd on the month to 13.082 million bpd in September. It is down 141,000 bpd on the year. It reported that gasoline production fell by 29,000 bpd to 3.366 million bpd while middle distillate production fell by 32,000 bpd on the month to 6.29 million bpd. Euroilstock reported that refinery crude intake in September fell by 97,000 bpd to 11.967 million bpd while

the utilization rate fell to 91.35% from 92.09% in August.

Russia's Energy Ministry reported that the country's crude throughput in September fell by 1.5% on the month but increased by 3.9% on the year to 18.703 million bpd. It also reported that gasoline production fell by 6% on the week and by 3% on the year to 2.819 million tons while gasoil production fell by 5% on the month and increased by 3.7% on the year to 5.294 million tons. It also reported that fuel oil production increased by 5.1% on the month and year to 5.019 million tons.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate output totaled 50.258 million tons in January-September, up 5.2% on the year.

China's Resources Ministry confirmed that PetroChina's Jidong Nanpu oilfield holds 7.3 billion barrels of crude.

South Korea's Korea National Oil Corp said the country's crude oil imports fell by 7.6% on the year to 68.31 million barrels or 2.28 million bpd, the lowest level since April. Imports were also down 1.8% on the year. In line with lower imports, crude processing rates for September fell by 4.7% on the year to 69.89 million barrels or 2.33 million bpd.

Brazil's Petrobras said its overall domestic and international production of oil and gas fell to 2.28 million bpd of oil equivalent in September. It was down from 2.32 million bpd of oil equivalent in

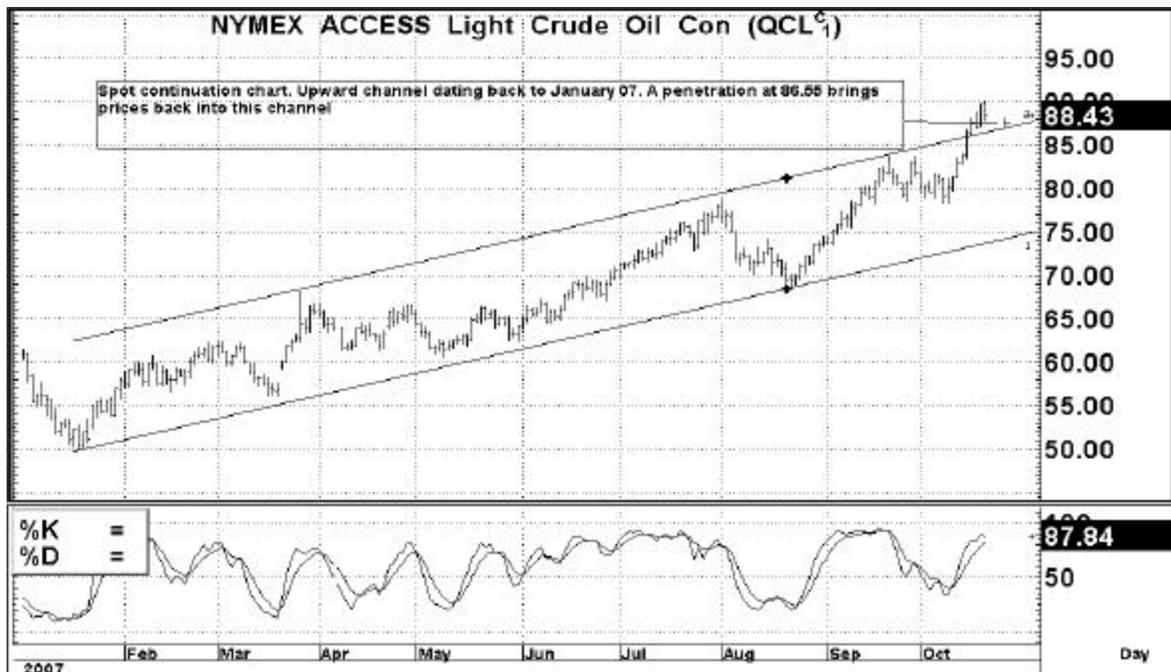
August. Its production from domestic fields fell to 1.769 million bpd in September from 1.807 million bpd in August. Its international production increased to 128,500 bpd in September from 124,867 bpd in August.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$81.14/barrel on Thursday, up from Wednesday's \$81.09/barrel level.

Market Commentary

With a two day lapse in response to the overall stock level situation, crude oil sold off today on what one would think must be profit taking. Current stockpiles for crude oil are 7.8% above the 5-year average and demand is weakening. Yet, prices for crude oil are 6.1% higher on the week and 52% higher than a year ago. For the first time in nine trading sessions, crude oil settled below the bottom of the upward channel that began on October 9th. Perhaps it's time for a pull back in prices, and we would look for a test of the upward channel that began back in January of this year. A test back to the top of this channel would bring prices back to 86.55. Should prices penetrate this level and settle back into the channel, we could possibly see the 78.35 support level. Bear in mind that November goes off the board on Monday, therefore we would concentrate on December. Total open interest in crude oil is 1,469,079 down 2,740, November 75,389 down 33,356, December 425,140 up 22,461 and January 147,092 up 22,461. Support for December, comes in at 85.70, 85.08, 83.60, 83.00, 82.00, 80.80 and 79.00. Resistance is set 89.00, 90.47. Similar to the crude, the product markets ended the session in negative territory on profit taking. The RBOB market opened higher in overnight trading and posted a high of 219.40. However the market retraced most of Thursday's gains during today's session. The market traded to 215.00 early in the morning and settled in a two cent trading range for much of the day. However it later sold off to a low of 214.62 before it traded back towards the 217.00 ahead of the close. It settled down 1.64 cents at 216.87. Meanwhile, the heating oil market also settled down 1.87 cents at 233.06 after it sold off to a low of 231.60 ahead of the close. It too retraced most of its Thursday's gains as traders took profits. Even though the product markets may continue to retrace some of their recent sharp gains, the markets' losses are limited, as the upward trend remains intact. The RBOB market is seen finding support at 216.00, 214.62 followed by 213.75, 210.51, 208.22, 207.52 and 204.78. Meanwhile resistance is seen at 217.10, 218.25, 219.40, 220.19 and 222.00.

The Commitment of Traders report showed that non-commercials increased their net long positions by 18,808 contracts in the week ending October



16th. It showed that non-commercials cut their total short positions by 15,040 contracts on the week. The combined futures and options report also showed that funds increased their net long position by 5,199 contracts on the week. Given the market's move the past few trading sessions, funds have continued to add to their position. The report also showed that non-commercials in the product markets increased their net long positions, with the funds in the RBOB market increasing their net long position by 2,338 contracts to 49,483 contracts while funds in the heating oil market increased their net long position by 8,152 contracts to 34,927 contracts on the week.

		Explanation	
CL	Resistance	89.00, 90.47	Friday's high
	88.60, down 87 cents	87.15, 87.55, 88.49	
Support		86.26	Friday's low
		85.84, 85.70, 85.08, 83.50, 83.00 82.00	Previous lows
HO	Resistance	236.65, 240.00	Basis trendline
	233.06, down 1.87 cents	234.05, 235.80, 236.44	Friday's high
Support		231.60	Friday's low
		230.88, 230.54, 229.24, 224.40, 223.22	Previous lows
RB	Resistance	220.19, 222.00	Previous highs
	216.87, down 1.64 cents	217.10, 218.25, 219.40	Friday's high
Support		216.00, 214.62	Friday's low
		213.75, 210.51, 208.22, 207.52, 204.78	Previous low, 38% (194.85 and 220.19), previous low, 50%, previous low