



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 23, 2007

Iraq's Foreign Minister Hoshiyar Zebari promised to rein in Kurdish separatists following talks with his Turkish counterpart, Ali Babacan. He said Iraq would restrict the movement of PKK rebels and target their funding. Turkey's Prime Minister Tayyip Erdogan said Turkey was giving diplomacy a chance but reminded Iraq that Turkey's parliament had given the mandate for a military incursion at any time. Turkey's government said it would exhaust all diplomatic channels before launching any strike into northern Iraq to root out the PKK separatists. He said Turkey would consider imposing trade sanctions on Iraq in response to incursions by Kurdish PKK fighters from across the border. Turkey's Foreign Minister later met Iraqi President Jalal Talabani and said

Iraq had promised to support Turkey in fighting terrorism. He rejected any ceasefire by Kurdish rebels. He said ceasefires were possible between states and regular forces but added that the problem was that Turkey was dealing with a terrorist organization. Turkish military helicopters airlifted commando

Market Watch

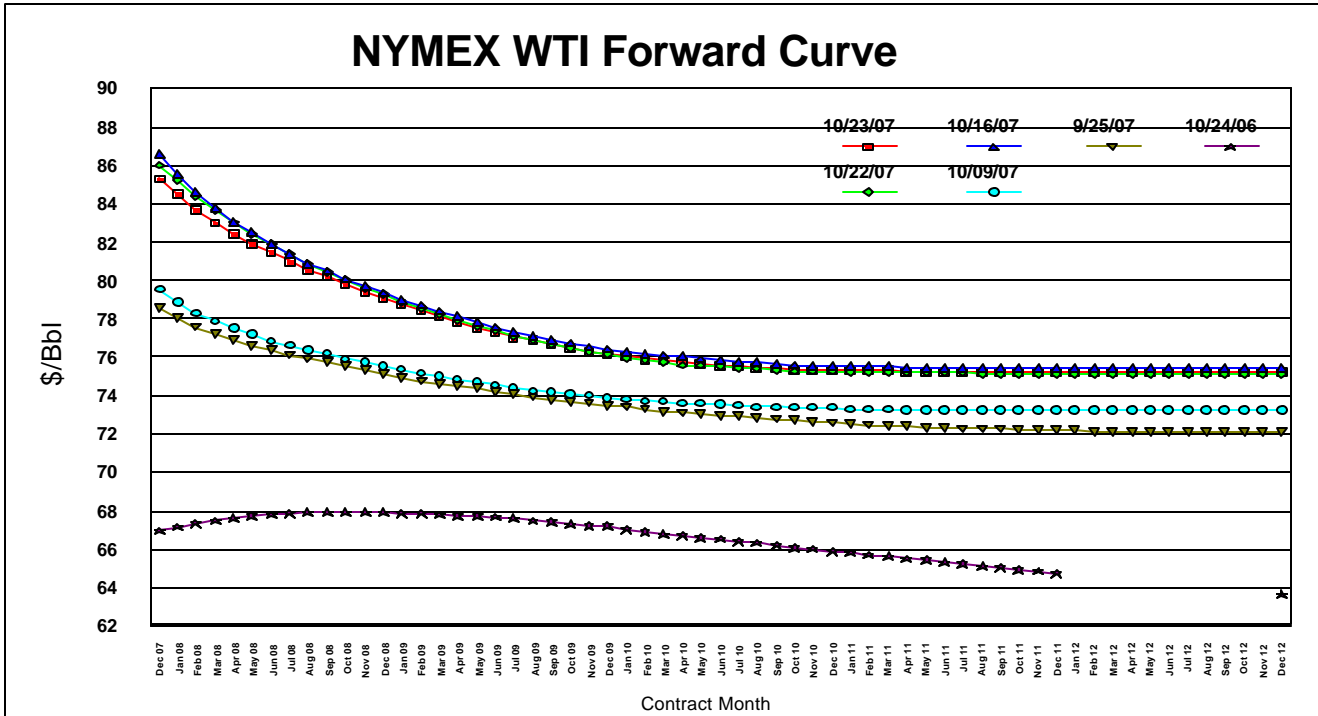
According to MasterCard Advisors, US retail gasoline demand fell 1% to 9.605 million bpd in the week ending October 19. Gasoline demand was 2% higher on the year, while the four week moving average was up 1.9% on the year at 9.591 million bpd. It said the largest decline in gasoline demand last week occurred on the West Coast. US retail gasoline prices increased by 3 cents to \$2.79/gallon on the week.

The US EIA chief Guy Caruso said the US consumers have not yet seen the full effect of record high oil prices on gasoline and heating oil prices. He said since Labor Day, crude oil prices have rallied \$25/barrel which would translate to a gasoline price increase of 30 cents/gallon. Instead, US gasoline prices have risen on average about 6-7 cents/gallon, due to tight refinery margins. He said gasoline prices are likely to continue rising, although they are unlikely to rise as much as 30 cents. He also stated that heating oil prices are likely to be higher this winter than the EIA previously forecast.

Ecuador's Energy Minister Galo Chiriboga said OPEC has accepted Ecuador back as an active member. OPEC sent a letter to Ecuadorean authorities two weeks after Ecuador officially asked to regain its active membership status.

Indonesia's President Susilo Bambang Yudhoyono said increasing oil prices may hurt Indonesia's state budget because of the country's large oil subsidies. The government is set to spend 56.4 trillion rupiah or \$6 billion on subsidizing oil in 2007. It has proposed 46.7 trillion rupiah for oil subsidies next year. Meanwhile, Indonesia's Pertamina is expected to import 13.3 million barrel of oil products for November, up 18% from October and above forecasts.

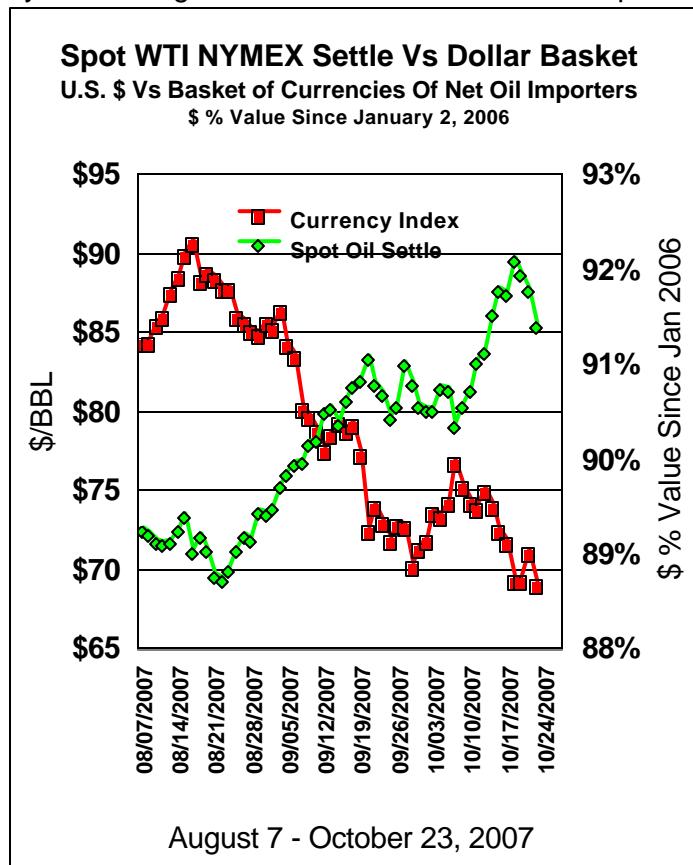
The UK Met Office said this winter is likely to be warmer than average, particularly in northern Europe, but cooler than last year.



Refinery News

Royal Dutch Shell shut an MTBE unit at its Deer Park, Texas refinery on October 22. It is seen restarting on January 19.

Finland's Neste Oil's new diesel line at its 200,000 bpd Porvoo refinery was still shut. Its hydrocracking unit has been shut since mid-September to replace a faulty valve.



Total SA said its 221,000 bpd Immingham refinery in England resumed normal operations following maintenance work. Meanwhile its 328,000 bpd Gonfreville refinery is set to restart fully from a major turnaround early next week after two weeks delay. It should resume full operations in the beginning of next week. It started a major turnaround on August 20 and was initially expected to restart on October 15.

Pemex said it is scheduled to shut a fluid catalytic cracking unit and some related units at the Salina Cruz refinery on Sunday or Monday for 22 days of planned maintenance work. Pemex originally planned to shut the 45,000 bpd unit in early October but delayed the planned maintenance due to reduced fuel production at the Salamanca and Tula refineries in September after pipeline attacks halted crude supplies to those plants.

Ukraine's largest refinery, Kremenchug has called tenders to buy 200,000 tons crude from Russia and Ukraine as its stocks run low due to a dispute with Russia's Tatneft. Tatneft last

week halted its crude delivery, saying it wanted the situation with the management to be clarified. The Kremenchug refinery usually processes 180,000 bpd of Russian crude. The refinery would cover about 70% of its needs should it secure the November volumes it was seeking from both Ukrainian and Russian suppliers.

South Korea's S-Oil Corp said would lift its November crude runs to 565,000 bpd in November, up from 400,000 bpd in October. S-Oil's No. 2 crude distillation unit would restart on October 29 from a three week turnaround.

SK Energy may lift its November crude processing rates to 780,000 bpd from the current 720,000 bpd.

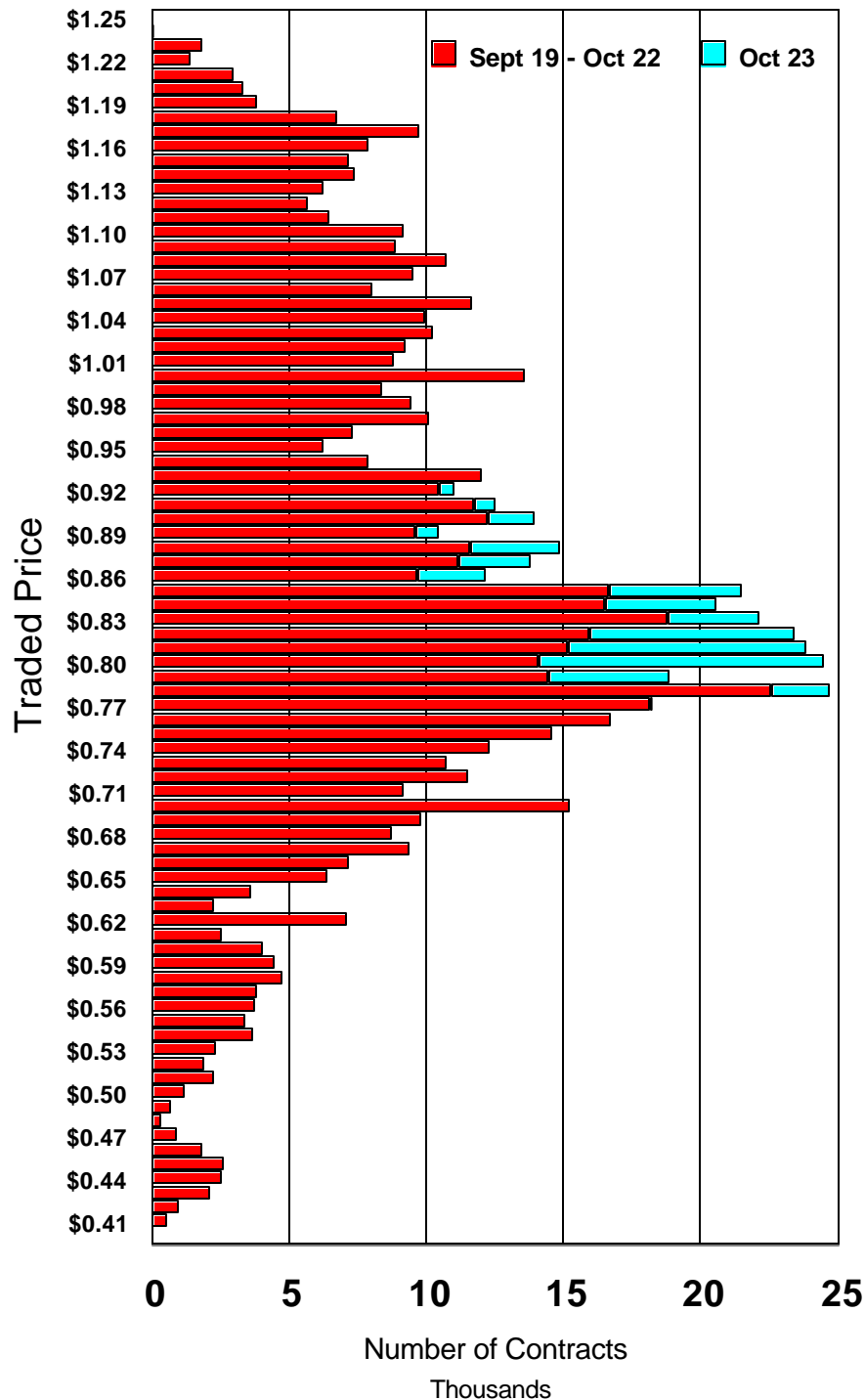
Sinopec Corp said it would add a main refining unit at its Maoming refinery that could reduce the sulfur content in gasoline and diesel. It is expected to start building a 1.8 million ton per year or 36,000 bpd atmospheric residue desulphurizer next year to meet the country's fuel standards. The unit would cut sulfur content in diesel to 500 parts per million from 2,000 ppm and that of gasoline to 150 ppm from 500 ppm.

Production News

NYMEX WTI: December January Spread

Price Vs Volume for September 18 - October 23, 2007

Trade Weighted Avg: 10/23 .83 10/22 .87 10/19 1.11 10/18 1.16 10/17 1.11



Royal Dutch Shell said all personnel working on its EA field in the western Delta area of Nigeria have been evacuated after an attack on the facility on Saturday.

BHP Billiton Ltd said costs at the Atlantis and Neptune oil fields in the Gulf of Mexico have increased as much as 35%. It said its share of project costs at the 200,000 bpd Atlantis South oil and gas project off the US have increased to \$1.63 billion from \$1.5 billion. Construction costs at the 50,000 bpd Neptune oil and gas field have increased by 35% to \$405 million. The field had been scheduled to begin production during the first quarter of next year and is expected to produce heavy sweet crude.

Saudi Aramco said it would invest as much as \$90 billion between 2007 and 2012 as the company to increase crude oil production capacity by almost a third and domestic refining capacity by about 86%. The largest part of Aramco's capital expenditure program, about \$31 billion, would be spent on expanding crude production capacity by 2.95 million bpd to 12.2 million bpd by 2012.

OPEC's news agency reported that OPEC's basket of crudes fell to \$80.23/barrel on Monday from \$81.55/barrel on Friday.

Market Commentary

NYMEX Petroleum Options Most Active Strikes for October 23, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	3	8	P	71.5	02/14/2008	1.03	6,600	27.64
LO	9	8	P	62	08/15/2008	1.16	5,200	26.73
LO	12	7	P	75	11/13/2007	0.26	5,136	37.96
LO	12	7	P	70	11/13/2007	0.07	4,212	41.69
LO	12	7	P	80	11/13/2007	0.83	3,483	33.98
LO	3	8	P	80	02/14/2008	3.17	3,303	25.31
LO	12	7	C	90	11/13/2007	0.9	3,276	31.22
LO	1	8	P	80	12/13/2007	1.8	3,153	29.56
LO	1	8	P	75	12/13/2007	0.81	3,063	32.23
LO	12	7	C	100	11/13/2007	0.11	2,837	36.55
LO	2	8	P	84.5	01/16/2008	4.61	2,820	26.39
LO	9	8	P	68	08/15/2008	2.2	2,600	25.50
LO	12	7	C	86	11/13/2007	2.17	2,149	30.86
LO	1	8	P	70	12/13/2007	0.34	2,038	35.08
LO	6	8	P	81	05/15/2008	5.22	1,925	23.46
LO	6	8	C	95	05/15/2008	1.5	1,787	23.14
LO	1	8	C	110	12/13/2007	0.11	1,727	35.51
LO	1	8	C	68	12/13/2007	16.62	1,700	39.37
LO	12	7	C	64	11/13/2007	21.27	1,700	60.66
LO	1	8	C	85	12/13/2007	3.28	1,437	28.35
LO	12	7	P	86	11/13/2007	2.89	1,427	30.78
LO	5	8	C	84	04/17/2008	4.28	1,410	23.55
LO	5	8	P	81	04/17/2008	4.81	1,410	24.12
LO	12	7	P	78	11/13/2007	0.53	1,361	35.58
LO	12	8	C	79.5	11/17/2008	6.64	1,350	22.75
LO	9	8	C	80.5	08/15/2008	6.08	1,350	23.00
LO	12	8	P	79.5	11/17/2008	7.02	1,350	22.79
LO	9	8	P	80.5	08/15/2008	6.38	1,350	23.07
LO	12	7	P	72	11/13/2007	0.13	1,349	40.80
OB	1	8	C	2.12	12/26/2007	0.1048	205	27.42
OB	11	7	C	2	10/26/2007	0.1103	205	35.99
OB	12	7	P	2.02	11/27/2007	0.036	200	29.49
OH	1	8	P	2.05	12/26/2007	0.0144	200	26.76
OH	1	8	P	2.15	12/26/2007	0.0328	200	26.76
OH	11	7	C	2.45	10/26/2007	0.0005	155	33.22
OH	11	7	C	2.05	10/26/2007	0.2498	152	49.22
OH	11	7	C	2.33	10/26/2007	0.0148	112	32.61
OH	11	7	P	2.25	10/26/2007	0.0088	112	32.45
OH	11	7	P	2.1	10/26/2007	0.0001	100	39.38
OH	12	7	C	2.46	11/27/2007	0.03	100	27.80

With guesstimates for tomorrows DOE/API release calling for builds in crude oil and gasoline, crude oil prices tumbled for the third straight day. This could either be a change in direction or a period of consolidation prior to another run up. Either way the initial downside objective is 78.35 and then we will have to re-evaluate the market. The Dec/Jan spread did not reach our objective 1.36 and peaked at 1.25. Having broken the trend line of .97, this spread is poised to test the .62 support level. Should this level become penetrated .40 to .30 would be the next object for Dec/Jan. The Dec07/Dec08 spread is another spread that has traded back into the upward channel after breaking out. Currently this spread is also under pressure. We would look for continued downside movement on this spread with an initial test of the 5.50 area. Total open interest in crude oil is 1,412,681 down 45,695, December 431,104 down 17,087 and January 149,810 up 1,103. Support for December, comes in 83.60, 83.00, 82.00, 80.80 and 79.00. Resistance is set 89.00, 90.47. Guesstimates for tomorrow's

numbers are:

crude dist gasoline runs
 Reuters +0.1 -0.3 +1.1
 Dow Jones +0.3 +0.2 +1.1 +0.3%

Meanwhile, the product markets ended the session in negative territory once again as the market continued to retrace their recent gains ahead of the release of the weekly petroleum stock reports. The RBOB market posted a high of 215.00 early in the morning before it continued to sell off. The market breached its support at 210.10 and sold off to a low of 209.53 ahead of the close. The market was pressured amid the expectations that the reports would show builds in gasoline stocks. It settled

down 2.45 cents at 210.89. The heating oil market settled down 1.11 cents at 229.98 after it failed to breach Monday's trading range as it posted an inside trading day. The market posted a high of 233.05 in overnight trading and sold off to 229.25, where it held some support. However the market later posted a low of 229.23 and remained rangebound as traders positioned themselves ahead of the reports. The markets will seek further direction from the inventory reports following its recent retracement. While the markets may be pressured by the expected builds in crude and gasoline stocks, the markets will find support. In the RBOB, support is seen at 209.53, 208.22, 207.52, followed by 204.78 and 204.53. Meanwhile resistance is seen at 211.60, 214.75, 216.85, 219.40, 220.19 and 222.00.

		Explanation
CL	Resistance	87.00, 88.49, 89.00, 90.47
	Support	85.75, 86.79
85.27, down 75 cents		Previous highs Tuesday's high
		Tuesday's low, Monday's low
HO	Resistance	234.33, 236.44, 236.65
	Support	231.05, 233.05
229.98, down 1.11 cents		Previous highs Tuesday's high
		Tuesday's low, Monday's low
		38% (214.15 and 236.44), 50%, Previous lows, 62%
RB	Resistance	216.85, 219.40, 220.19, 222.00
	Support	211.60, 214.75
210.89, down 2.45 cents		Previous highs Tuesday's high
		Tuesday's low
		Previous low, 50% (194.85 and 220.19), previous low, 62%