



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 30, 2007

OPEC ministers said OPEC has no power over many of the factors supporting the oil markets. OPEC's President Mohammed bin Dhaen al-Hamli said OPEC would always step in to meet supply shortfalls but the surge in oil prices is due to speculative investment and international political tensions. He said another increase of 500,000 bpd would not lower oil prices. He said the oil market was increasingly driven by forces beyond OPEC's control, including geopolitical events and the growing influence of financial investors. He said OPEC is worried by record

Market Watch

Goldman Sachs advised investors to take profits following the surge in oil prices above \$90/barrel. In a report, Goldman Sachs stated that while it remained structurally positive on the market as industry cost inflation continues to support long dated oil prices and the expansion in production capacity is still lagging, it is more cautious on the near term upside potential for oil prices. Goldman Sachs said crude oil prices are likely to fall near term as weaker refinery margins motivate refiners to cut their demand. However it said the downward price pressure could be temporary. Factors potentially weighing on prices include increasing oil exports from the Middle East and West Africa, a slowing US economy and adequate heating oil stocks in Europe and the US. Other downward pressures could come from retail fuel price caps in China. It also stated that tighter monetary policy in some emerging market may lower oil demand growth.

Lehman raised its price forecast for Brent crude by \$10 to \$85/barrel for the fourth quarter. It forecast that WTI would average \$2.50 above Brent.

An analyst at Guinness Atkinson Asset Management said record oil prices may ease off this week as Mexico increases its production after bad weather forced the country to suspend exports. He said the disappearance of the short term factors that have caused oil to spike to \$93/barrel should bring prices back to between \$80 and \$85/barrel.

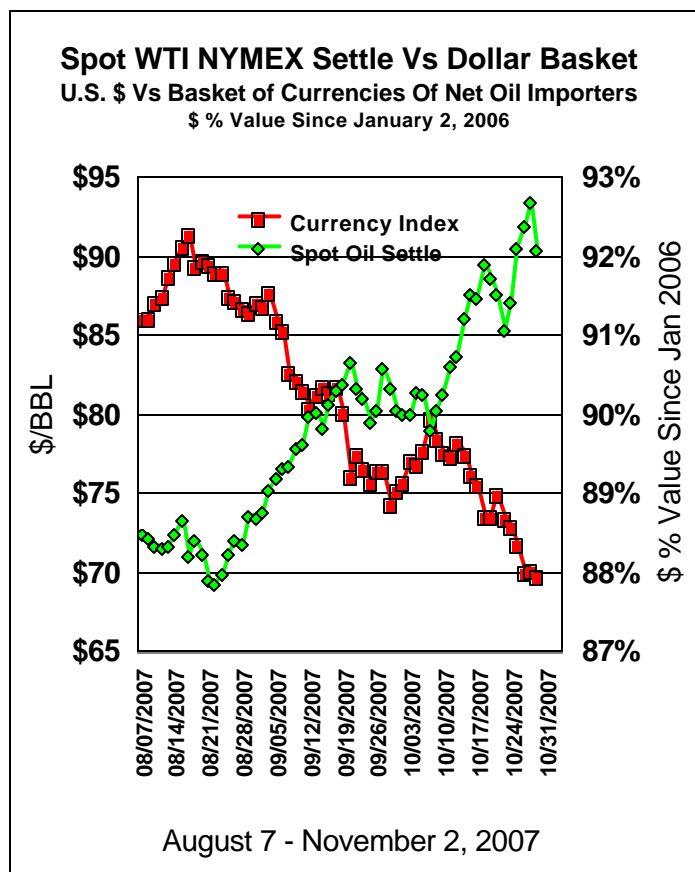
The global head of oil and gas at ABN Amro Bank NV said high oil prices could damper merger and acquisitions in the oil and gas sector. Another issue that has prompted questions in the industry is the impact of the subprime crisis in the US on the ability of oil and gas companies to raise finance for costly projects.

US consumer confidence weakened for a third month in October to its lowest level since the aftermath of Hurricane Katrina. The Conference Board's index fell to 95.6 from a revised 99.5 in September.

According to the Standard & Poor's Case Shiller national home price index, the decline in prices of existing US single family homes accelerated in August and was the worst decline since 1991. Its composite index of 10 major metropolitan areas fell 0.8% in August to 214.35.

The NYMEX announced that margins would increase on its light, sweet crude oil futures, financial crude oil contract and crude oil calendar swap from \$4,725 to \$6,413 for the December contract as of the close of business on Tuesday. It also announced that it would increase margins from \$4,725 to \$5,400 for the other months.

oil prices that could damage the economies of importing nations and lower oil demand growth.



However OPEC's President said that OPEC ministers did not plan to discuss further increases in their production at an OPEC heads of state summit in mid-November. He said OPEC has a spare production capacity of 3.5 million bpd. Qatar's Oil Minister Abdullah al-Attiyah said OPEC should not be blamed for \$93/barrel oil. He said the oil markets were out of control and added that a production increase from OPEC would not help lower prices.

The head of the EIA, Guy Caruso said a tight world market is the main reason behind record high oil prices and producers need to increase their production. He said additional oil from OPEC could relieve some of the pressure in world oil markets. Meanwhile, the White House reiterated that it considered energy prices to high but said the economy would weather the impact. White House spokeswoman Dana Perino added that the White House did not play politics with oil reserve, it is there for emergencies.

The executive director of the IEA, Nobuo Tanaka said current high oil prices could hurt the world economy. However he said the

agency was not calling for a release of oil from its strategic stocks. Separately, he said the world would need to invest \$5 trillion until 2030 to ensure new energy supplies. The figure is \$700 billion higher than its previous forecast last year of \$4.3 trillion. He also stated that a lack of experienced professionals may cause constraints on future supply.

Turkey called on the US to take urgent measures against Kurdish rebels based in Iraq and said the future of bilateral ties depended on the US' stance on the issue. Turkey's Prime Minister Recep Tayyip Edrojan said the safe haven that Kurdistan Workers' Party rebels enjoy in northern Iraq would dominate his talks with US President George W. Bush on November 5. Turkey's Prime Minister said the country still considered diplomacy its favored route to resolve the problem but the threat of military action remained.

Iraqi Kurds blamed the Turkish military for the failure of talks between Iraq and Turkey over Kurdish rebels and urged new talks. During a meeting on October 19, a delegation from Iraq offered proposals to avert a threatened Turkish military incursion into northern Iraq to attack the camps of the Kurdistan Workers' Party rebels. However Turkey said it was not satisfied with the proposals.

Iran's official news agency, IRNA, reported that Iran's President Mahmoud Ahmadinejad shrugged off the new US sanctions targeting Iran. He said Iran would not succumb to US pressure. He said he was not interested in talks with the US. Meanwhile Russia's Foreign Minister Sergei Lavrov was heading to Iran for talks with Iran's President to discuss nuclear and bilateral issues. He said unilateral sanctions would not help solve the Iranian nuclear problem. He said talks were the way to ease an escalating international standoff over Iran's nuclear ambitions.

US officials said the five permanent members of the UN Security Council and Germany plan to meet in London this week to discuss new UN sanctions on Iran. It was unclear whether the meeting would take place on Thursday or on Friday.

According to MasterCard Advisors, US retail gasoline demand fell to 9.509 million bpd in the week ending October 26, down 1% from the previous week's 9.605 million bpd. Last week's retail gasoline demand was down 2% on the year. It also reported that US retail gasoline prices increased last week by 3 cents to \$2.82/gallon, the highest level since early August.

The EIA reported that US total oil demand in August fell by 383,000 bpd or 1.8% on the year to 21.051 million bpd. It was revised downwards by 191,000 bpd or 0.9% from its previous estimates. Gasoline demand in August totaled 9.592 million bpd while distillate demand fell by 26,000 bpd to 4.188 million bpd. It reported that crude input to refineries in August averaged 15.679 million bpd, slightly below the estimate of 15.72 million bpd. Crude oil imports averaged 10.284 million bpd in August up from the estimated level of 10.154 million bpd. Crude oil stocks ended August at 4.35 million barrels below estimated levels. Total crude and product stocks ended August at 1.028 billion barrels, up from an estimated 1.019 billion barrels.

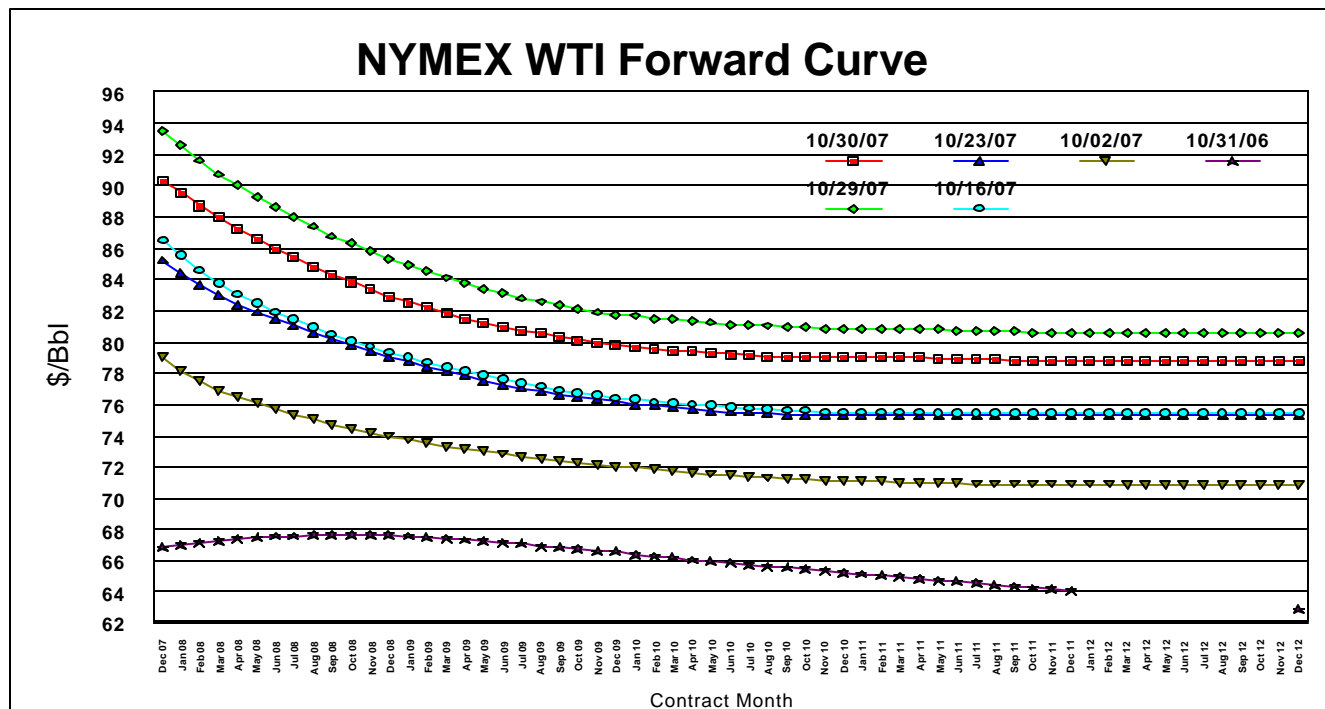
Refinery News

ConocoPhillips said it would shut a wet gas compressor at its Borger, Texas refinery from October 30 to November 2 to repair equipment.

Shell Oil is expected to restart a hydrotreater unit at its joint venture 340,000 bpd Deer Park, Texas refinery on Tuesday. Production at the refinery was reduced after a small fire on Saturday shut the hydrotreater.

Delek US Holding shut a SCOT unit at its 55,000 bpd Tyler, Texas refinery to repair a leak.

Total's 328,000 bpd Gonfreville refinery is not expected to resume full operations for another week, three weeks later than initially scheduled. The refinery started a major turnaround on August 20 and was initially expected to restart on October 15.



NYMEX Petroleum Options Most Active Strikes for October 30, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	12	7	C	90	11/13/2007	2.71	7,097	35.82
LO	5	8	P	73	04/17/2008	1.24	5,000	26.20
LO	4	8	P	74	03/14/2008	1.14	4,600	27.62
LO	12	7	C	100	11/13/2007	0.37	4,035	40.79
LO	12	7	P	80	11/13/2007	0.17	3,557	39.98
LO	2	8	P	74	01/16/2008	0.64	3,480	32.29
LO	1	8	C	100	12/13/2007	1.15	3,283	35.19
LO	1	8	P	85	12/13/2007	1.97	3,186	31.93
LO	12	7	C	98	11/13/2007	0.55	3,155	39.43
LO	5	8	P	87	04/17/2008	5.92	3,100	25.16
LO	6	8	P	80	05/15/2008	3.32	3,057	24.57
LO	2	8	P	90	01/16/2008	5.32	3,000	28.97
LO	6	8	P	60	05/15/2008	0.2	3,000	27.24
LO	6	8	C	90	05/15/2008	4.26	2,787	24.26
LO	12	7	C	96	11/13/2007	0.81	2,645	37.90
LO	12	7	C	92	11/13/2007	1.82	2,622	35.86
LO	12	7	P	92	11/13/2007	3.44	2,568	35.93
LO	2	8	P	87.5	01/16/2008	4.01	2,425	28.86
LO	12	7	P	89	11/13/2007	1.87	2,386	35.76
LO	12	7	P	85	11/13/2007	0.69	2,345	36.79
LO	2	8	P	86	01/16/2008	3.35	2,303	28.95
LO	1	8	P	84	12/13/2007	1.67	2,230	32.08
LO	12	7	C	95	11/13/2007	0.98	2,178	37.08
LO	12	8	C	84.5	11/17/2008	6.66	2,100	23.44
LO	12	8	P	84.5	11/17/2008	8.18	2,100	23.66
LO	12	7	P	90	11/13/2007	2.33	2,081	35.80
LO	1	8	C	92	12/13/2007	2.94	2,064	32.30
LO	3	8	P	75	02/14/2008	0.94	2,048	28.38
LO	1	8	C	93	12/13/2007	2.61	2,007	32.58
LO	6	8	P	81	05/15/2008	3.67	2,000	24.46
LO	2	8	P	70	01/16/2008	0.33	1,740	33.62
LO	12	9	P	70	11/17/2009	4.82	1,650	23.07
LO	12	7	C	58.5	11/13/2007	31.88	1,650	105.92
LO	12	7	C	59	11/13/2007	31.38	1,650	103.84
LO	1	8	C	95	12/13/2007	2.05	1,638	33.17
LO	1	8	P	88.5	12/13/2007	3.36	1,628	31.75
LO	12	9	P	55	11/17/2009	1.59	1,500	25.28
LO	12	7	C	61	11/13/2007	29.38	1,500	95.71
OB	2	8	C	2.25	01/28/2008	0.1487	465	29.97
OB	3	8	C	2.22	02/26/2008	0.1928	450	30.13
OB	3	8	P	2.22	02/26/2008	0.1142	450	29.92
OB	12	7	C	1.95	11/27/2007	0.3032	450	33.22
OB	1	8	C	2.47	12/26/2007	0.0415	400	31.26
OB	1	8	P	2.3	12/26/2007	0.1232	300	29.80
OB	3	8	C	2.5	02/26/2008	0.0865	300	31.26
OH	1	8	C	2.55	12/26/2007	0.0693	312	27.88
OH	1	8	P	2.33	12/26/2007	0.0507	310	27.30
OH	12	7	P	2.25	11/27/2007	0.0159	150	29.53
OH	12	7	P	2.37	11/27/2007	0.0475	150	29.57

China's Zhenhai Refining & Chemical Co Ltd is scheduled to shut a crude unit for one month of planned turnaround. It is scheduled to shut a 100,000 bpd crude unit in November and is expected to process 379,600 bpd, 3% less crude than in October.

TransCanada Corp nearly doubled the cost of its proposed Keystone pipeline linking Alberta's oil sands to the US Midwest to \$5.2 billion and increased the line's capacity to 590,000 bpd. It said it would file a regulatory application next month for additional pumping stations to expand Keystone to 590,000 bpd from 435,000 bpd. TransCanada eventually plans to extend the pipeline down to the US refining hub on the Gulf Coast.

Germany's MWV said the country's oil product sales in September totaled 6.47 million tons, down 19% on the year. It reported that Germany's gasoline sales fell by 6.9% on the year to 1.77 million tons while its diesel fuel sales fell by 3.8% to 2.52 million tons, its heating oil sales fell by 43.2% to 1.72 million tons and its fuel oil sales increased by 3.8% to 460,000 tons.

Brazil's Union of Sugarcane Industries said the country's ethanol consumption showed no sign of slowing, with ethanol production at

over 1.45 billion liters in October. It said about 54% of Brazil's 415 million metric ton sugarcane crop would be turned into ethanol. It still estimated an 18.8 billion liter ethanol production total this season.

Production News

Pemex said it would restart 600,000 bpd of crude oil production Tuesday or Wednesday after it was shut over the weekend due to strong winds in the Gulf of Mexico. Mexico's main oil export terminals remained closed on Tuesday due to bad weather. However Pemex hoped shipments could resume later in the day. The ports of Pajaritos, Cayo Arcas and Dos Bocas were shut for a third day due to stormy weather. Pemex said it was waiting for authorities to reopen the three oil ports to resume its production. Meanwhile, the Pacific coast oil port of Salina Cruz reopened on Tuesday.

The Nigerian National Petroleum Corp declared a force majeure on oil exports from the Okono and Okpono fields. The move follows an attack on the Mystras floating production, storage and offloading oil vessel off the southern coast of Nigeria. The Mystras facility usually produces two cargoes of 850,000 barrels of Okono and Okpono crude oil for Nigeria's monthly export plan.

The head of Libya's National Oil Co, Shokri Ghanem said world oil production has a ceiling of 100 million bpd. He said once the ceiling is reached, world oil production would start to decline.

China's Sinopec stated that it processed 115.8 million tons of crude in January-September, up 6.5% on the year. Its crude production increased by 2.3% on the year to 30.69 million tons.

China's CNOOC Ltd increased its production of oil and gas in the third quarter by 3.8% to 476,937 bpd of oil equivalent while total revenue fell 1.8% to \$2.44 billion.

		Explanation	
CL	Resistance	93.70, 95.49	Previous high
	90.38, down \$3.15	91.10, 92.45, 93.68	Tuesday's high
Support		89.53	Tuesday's low
		89.19, 88.13, 87.85, 87.54	50% (84.68 and 93.70), 62%, basis trendline, previous low
HO	Resistance	247.23	Previous high
	242.46, down 4 cents	244.00, 245.75, 246.65	Tuesday's high
Support		241.50	Tuesday's low
		240.67, 240.16, 237.98, 235.79, 234.65	Previous low, 38% (228.72 and 247.23), 50%, 62%, Previous low
RB	Resistance	233.35, 236.05, 238.36	Previous highs
	225.71, down 7.03 cents	228.50, 230.30, 231.10, 232.90	Tuesday's high
Support		224.28	Tuesday's low
		224.25, 223.05, 221.44, 218.63	38% (209.53 and 233.35), previous low, 50%, 62%

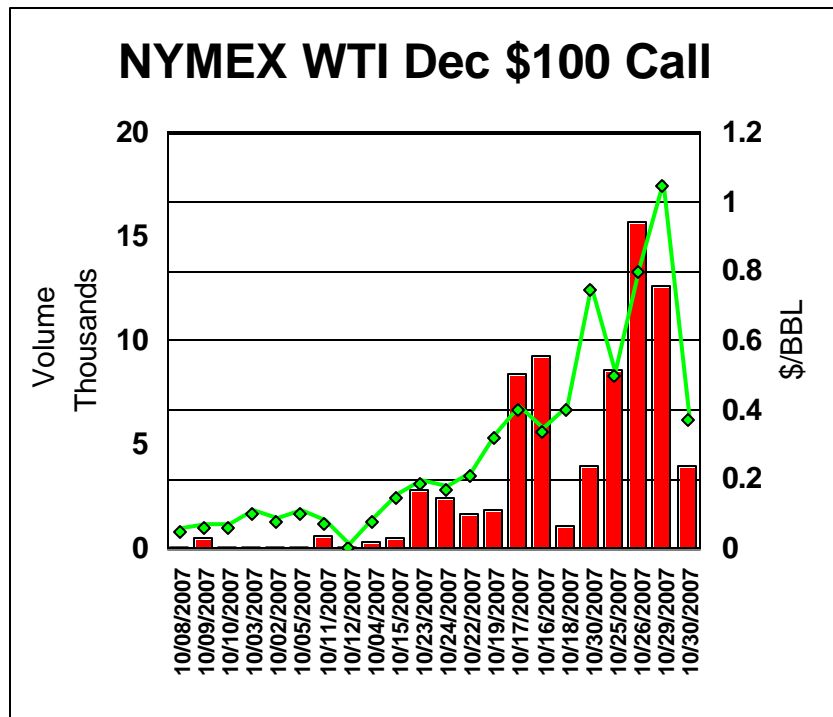
Construction is on schedule at Shell's 140,000 bpd Pearl gas-to-liquids project in Qatar with a cost of up to \$18 billion. Shell however declined to state when the plant would start operations.

Qatargas' chief executive said Qatar would not discuss new gas production projects from its North Field until at least 2011-2012, when projects underway and a study of the field are completed. Qatar is expected to increase total production of liquefied natural gas to 77 million tons per year in 2010, up from 31 million tons. Qatar has also been considering a plan to double capacity at the under construction Ras Laffan refinery to 292,000 bpd from 146,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$85.84/barrel on Monday from \$84.80/barrel on Friday.

Market Commentary

The crude oil traded off its record high and broke a four day rally, as traders took profits and positioned themselves ahead of Wednesday's release of the DOE report and a Federal Reserve interest rate decision. The market was pressured in light of Goldman Sachs' report advising investors to take



profits following the surge in oil prices above the 90.00 level. The market posted a high of 93.68, failing to test its resistance at its high of 93.70, and continued to trade lower. The oil market traded to 91.10, where it held some support. However the market later extended its losses to \$4 as it tumbled a low of 89.53 amid the bearish Goldman Sachs report. The December crude contract settled down \$3.15 at 90.38. The Dec/Jan spread continued to come in and settled at 79 cents. The crude market on Wednesday will be driven by the weekly petroleum stock reports, which are expected to show builds in crude stocks of less than 1 million barrels and draws in product stocks of 300,000 barrels and 1.1 million barrels in gasoline stocks and distillate stocks, respectively.

The market will also be driven by the Federal Reserve interest rate decision. The market is expecting a quarter percentage point cut, however if the Fed does not cut, crude prices may continue to fall. The market is seen finding support at 89.53, 89.19, 88.13, 87.85, 87.54. Resistance is seen at 91.10, 92.45, 93.68, 93.70 and 95.49. The product markets also sold off sharply ahead of the Wednesday's release of the weekly petroleum stock reports and the November contracts' expiration. The RBOB market opened at its high of 232.90 in overnight trading and retraced its gains. The market extended its losses to 8.46 cents as it sold off to a low of 224.28 amid the sharp losses in the crude market and settled down 7.03 cents at 225.71. The heating oil market also settled down 4 cents at 242.46 after it sold off to a low of 241.50. The product markets will likely continue to trade lower early in the session ahead of the release of the inventory reports before they retrace their losses ahead of the November contract expiration. In the RBOB, support is seen at 224.28, 224.25, 223.05, 221.44 and 218.63. Meanwhile resistance is seen at 228.50, 230.30, 231.10, 232.90 followed by 233.35, 236.05 and 238.36.