



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 6, 2007

The EIA released their latest Short Term Energy Outlook this morning and it continued to look for global oil demand in the 4Q07 to grow by 1.8 million b/d over 2006 levels, unchanged from last month's report despite higher prices. The EIA sees 2008 global consumption to increase by 1.5 mbd, 100,000 b/d higher than last month's estimate. Domestically the EIA sees total oil demand to average 20.8 mbd in 2007, unchanged from last month's forecast and up 0.5% from 2006. The agency continues to look for a further increase in demand in 2008 by 1% over 2007 levels, with gasoline consumption growing by 1.0% in 2008, with distillate demand next year increasing by 1.3%. The EIA raised its 2008 crude oil price outlook to \$79.92 from \$73.50 last month, as it lowered its estimate for total oil inventories in industrialized nations to be some 20 million barrels below the five-year average by year-end.

The Nigerian oil minister said today that OPEC needs to examine whether it should raise output by a further 500,000 b/d in the coming weeks, though he doubted whether such a move would lead to lower prices. OPEC heads of state are scheduled to meet in Saudi Arabia on November 17-18th.

Market Watch

Macquarie Group, the Australian securities and banking firm, raised its forecasts for fourth quarter and 2008 crude oil prices, due to threats of supplies from the a conflict along the Turkey-Iraq border and unrest in Nigeria. They now look for the 4Q07 WTI price to average \$79.83 per barrel and \$76.00 per barrel next year, approximately a 20% jump in prior estimates. It also increased its long term forecast through 2012 to \$70 per barrel.

The head of the International Sugar Organization (ISO) said today that Europe may need to import more ethanol to meet its biofuels usage targets. The EU has set a target of 20% renewable fuel usage by 2020.

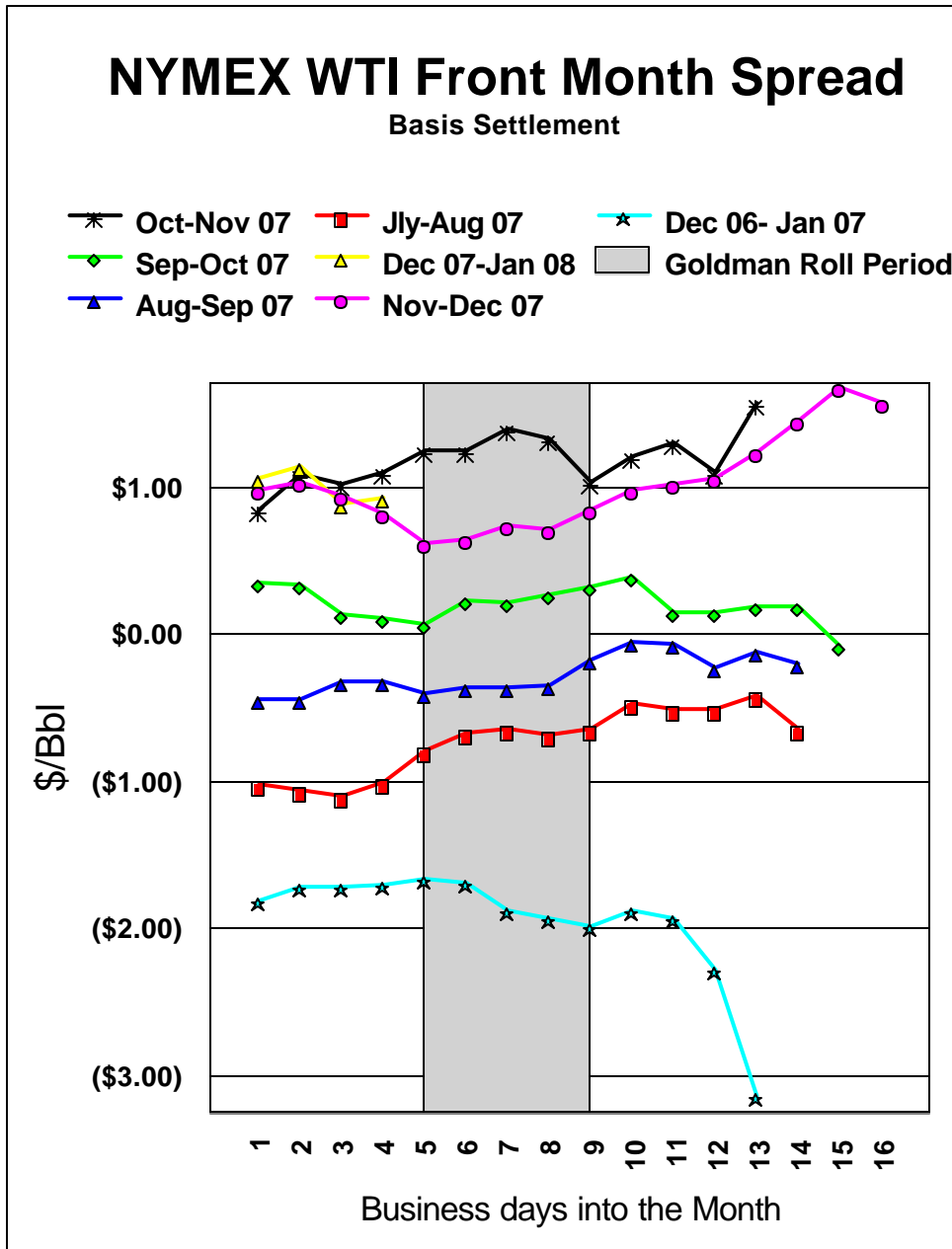
Mastercard's Spending Pulse report estimated that U.S. retail gasoline demand last week slipped for the third week in a row, and falling to the lowest level in six month at 9.378 mbd.

The S&P Goldman Sachs Commodity Index was up 9.7% in October over September and up 30.2% from a year ago. The GSCI outpaced other leading commodity indexes according to Reuters which estimated the DJAIG index up 14.7% on the year, CRB up 18.9% RICI up 24.4% and the DBLCITR up 22.7%.

Venezuela signed an agreement with China today to borrow \$4 billion to finance development projects and would repay the loan with fuel oil exports.

The NYMEX leadership noted that it is exploring the possibility of selling its building in the World Financial Center and lease it back depending on whether it fits in with a merger with another commodity exchange.

According to the latest figures released by the Chinese government, apparent petroleum demand in the first nine months of this year was at 244.4 million metric tons up 5.6% from a year ago.



Refinery News

Valero reported today that its third quarter earnings fell 20% due to the decline in refining margins. The company looked for its U.S. refining operations in the fourth quarter to be slightly lower due to maintenance activities. The company said it was looking to expand its St Charles refinery with a \$1.4 billion expansion project that would boost the plant's crude processing capacity and output of ultra-low-sulfur distillates, with a new 50,000 b/d hydrocracker plus 45,000 b/d and 10,000 b/d expansions to the crude and coker units. The company also reported it was looking to sell its Aruba refinery.

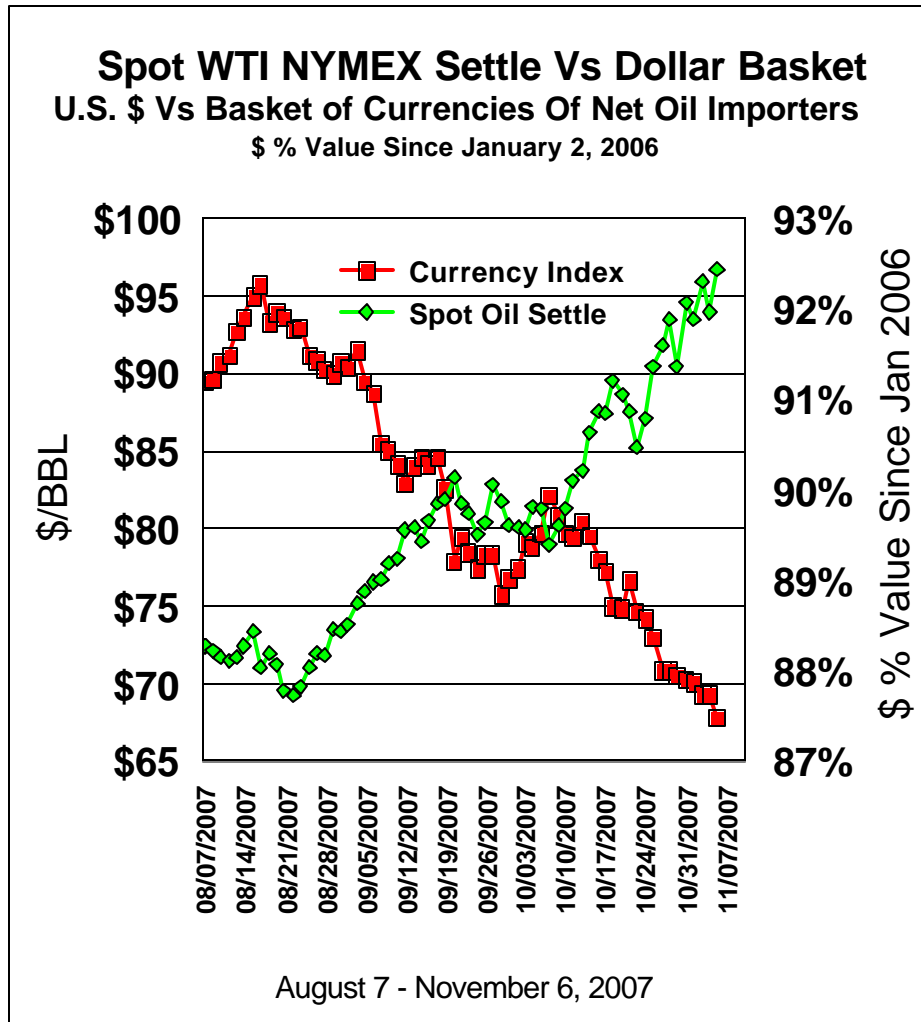
BP reported that it has restarted a compressor at its Texas City refinery after an automatic shutdown of the AU2 unit at the 470,000 b/d refinery on Sunday lasted for 10 minutes and caused the release of 17 pounds of benzene. The

company later in the day said it expects to return the entire refinery back to near full operating rates by the end of 2007. This follows a 25-month, \$1 billion renewal program that included the inspection and refurbishment of every major process unit at the refinery.

Idemitsu Kosan said today that it would triple its oil export capacity to 3 million kl per year by the end of September 2008.

Indonesia's Pertamina has shut its Dumai refinery hydrocracker units at the 120,000 b/d facility on Monday. The crude unit is expected to be shut next week for maintenance work.

Dow Jones reported this afternoon that Motiva's Convent, LA refinery crude unit had a fire early Tuesday, but refinery downstream operations not affected by the fire.



PEMEX said it plans to finish planned repair work on a gasoline unit at the Salina Cruz refinery by November 24th. The refinery shut the 45,000 b/d cat cracker last week.

Production News

ConocoPhillips said today that it may be forced to shutdown five of its sixteen oil platforms operating in the Ekofisk field in the Norwegian part of the North Sea due to a looming storm. Gale force winds with high waves are forecasted to hit Thursday night into Friday. The Ekofisk field overall produces some 236,000 b/d. While BP has evacuated some of its production staff and that it would be shutting down 80,000 b/d of production at the Valhall field. Shell though said it has not evacuated any workers

from its North Sea fields and does not plan to given current weather forecasts. Statoil also has no plans currently to remove personnel from its oil platforms either.

StatoilHydro reported that it has begun test production from a new part of its Oseberg oil and gas field on North Sea, on November 1st.

Yemen government officials reported that it has finished repairs on the crude oil pipeline that was bombed yesterday in the Marib oil basin. Officials said that the bombing had not impacted export operations.

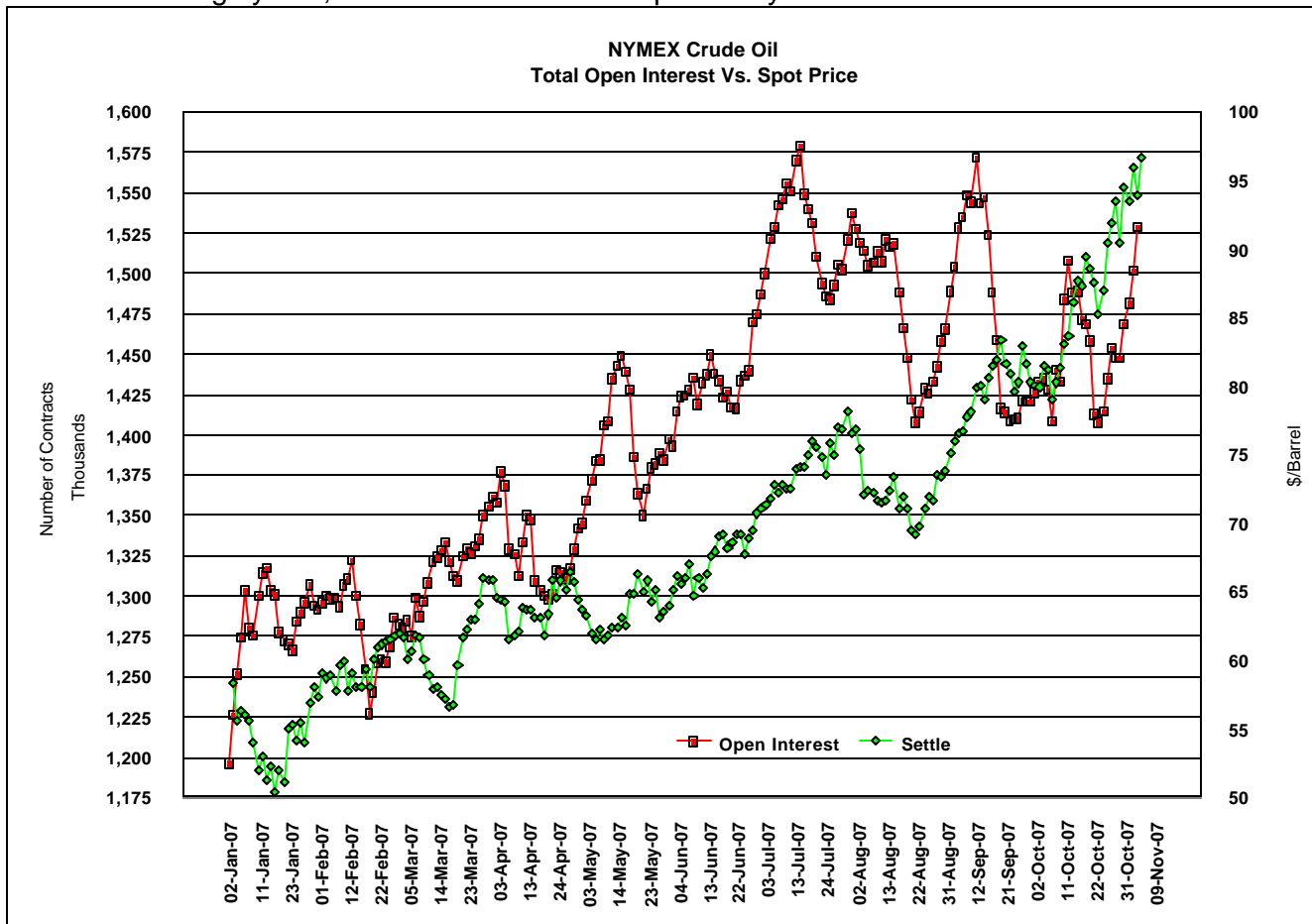
BP announced that the first cargo from Angola's greater Plutonio field departed on October 23rd with 1,039,000 barrels on board a tanker. The field is set to produce up to 240,000 b/d. BP said that operations at the project are running smoothly as officially production began on October 1st.

Total SA confirmed today that it has signed a memorandum of understanding with the local Egi community in the southern Nigerian oil-producing region, aimed at ensuring peace in the areas the company operates.

OPEC reference crude oil basket price rose to \$88.13 per barrel on Monday from \$87.57 on Friday.

Market Commentary

The U.S. dollar continued its freefall this morning, as it set yet another new record low in relation to the Euro. This helped to send oil prices to new record highs. Traders also seemed to be buying in anticipation of bullish inventory numbers tomorrow from the EIA, in particular with expectations for strong draw downs in crude oil stocks given weather restricted Mexican exports last week and higher crude runs. Market expectations for the crude stock draw began the week at a consensus for a 600,000 barrel draw, but by late this afternoon the market perspective seemed to be at 1 million barrel plus decline. Traders were also looking for distillate stocks to be down 400,000 barrels with gasoline stocks increasing by 100,000 barrels while runs improved by 0.6%.

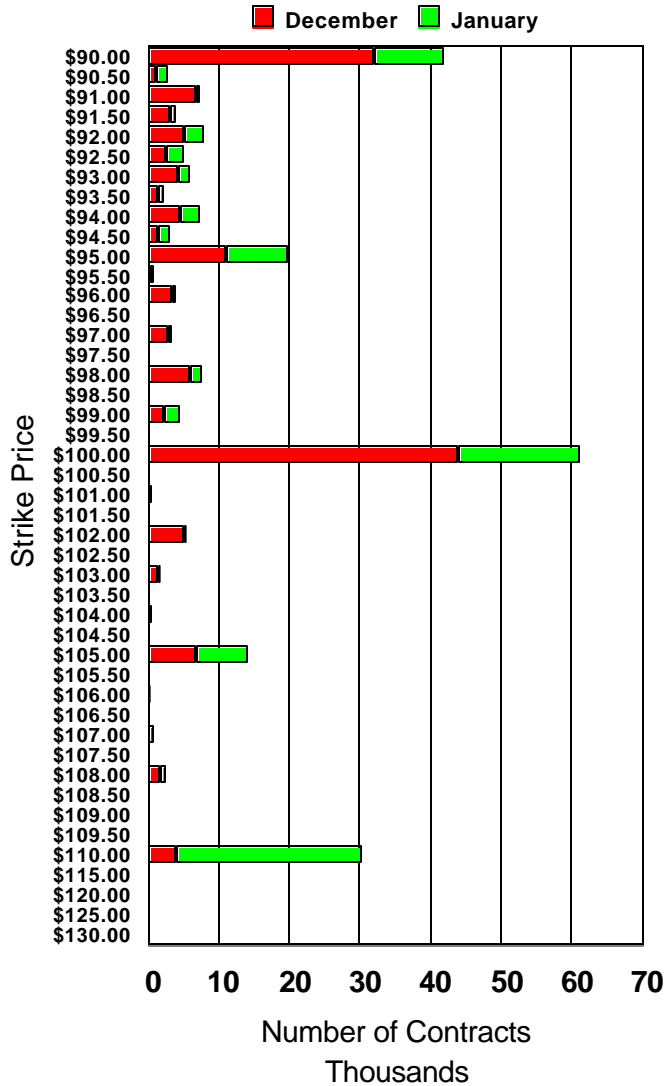


So as we feared in last night's commentary, the oil market remains a proxy hedge against the declining dollar, as global macro themes continue to flock to buying the commodities and oil in particular to hedge against declining dollar assets. The open interest reported by the exchange at midday showed that crude oil saw 28,088 new positions established in the contract basis the trading on Monday. This was the fourth consecutive session in which strong gains in open interest were posted. Over this four-day period open interest has grown by 81,322 contracts while crude prices have surged by over \$7.00 per barrel. Given today's price action it appears even more new positions were established.

While the bulls are anxiously awaiting the release of the EIA statistics tomorrow it appears that the market could be set up for a disappointment if bullish stats are not realized. While a neutral or bearish inventory number could prompt a quick burst in some profit taking that could send this market down to

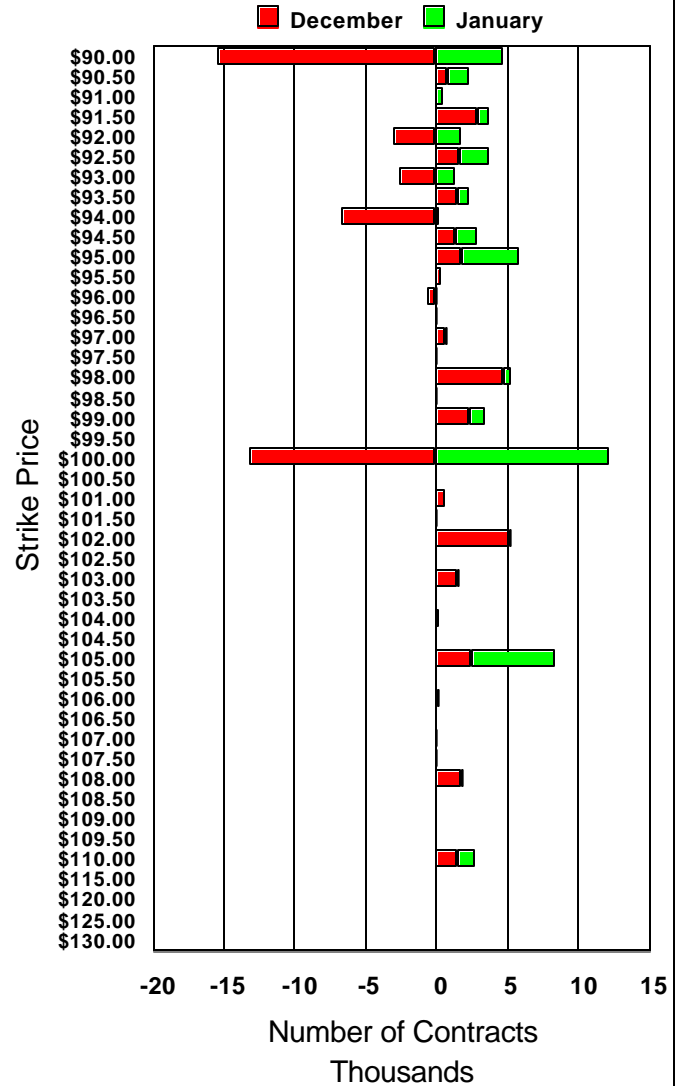
NYMEX WTI Call Options

Open interest as of November 5th close



NYMEX WTI Call Options

Open interest Change from 10/25 to 11/5



test recent new support at \$96.50 and possibly \$95.00 we would look at any sell off as a potential buying opportunity, since before the day is out we would look for the bulls to return to this market, especially if the dollar remains under pressure. In addition we feel that the bulls will remain in this market until at least next week's option expiration, as many are still looking for yet another tidal wave of buying to be triggered as the \$100 calls move into the money.