



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 7, 2007

The IEA in its annual World Energy Outlook released today said consumers face higher oil prices as the risk of a supply shortfall continues to hang over this market. The agency estimated that the world needs to invest \$5.4 trillion in the world's oilfields by 2030 or risk creating a greater supply short fall. The agency sees demand growing at an annual rate of 1.3% through 2030 and will reach 116.3 million b/d. If the growth rate in China and India is faster than demand by 2030 could reach 120 million b/d. The group also estimated that China would become the world's largest oil consumer by 2010. The agency raised its estimate for crude oil prices from last year's report. It now sees the nominal price of crude at \$65.00 in 2010, up \$7.21 per barrel from last year's estimate. The noted that the nominal price could hit \$107.59 by 2030 up over \$10 per barrel from last year's estimate. The IEA also estimated that given the growth in the developing world and in OECD, global carbon emissions would rise by 57% by 2030 based on current trends, which could result in a long term global temperature increase of 5-6 degrees. The agency noted that China alone was responsible for 58% of the increase in carbon emissions worldwide from 2000-2006. The agency estimated that by 2030 China based on current trends will install more power plants than are installed now in the United States. The agency sees world energy demand being met fossil fuels, which will account for 84% of this demand. Oil will remain

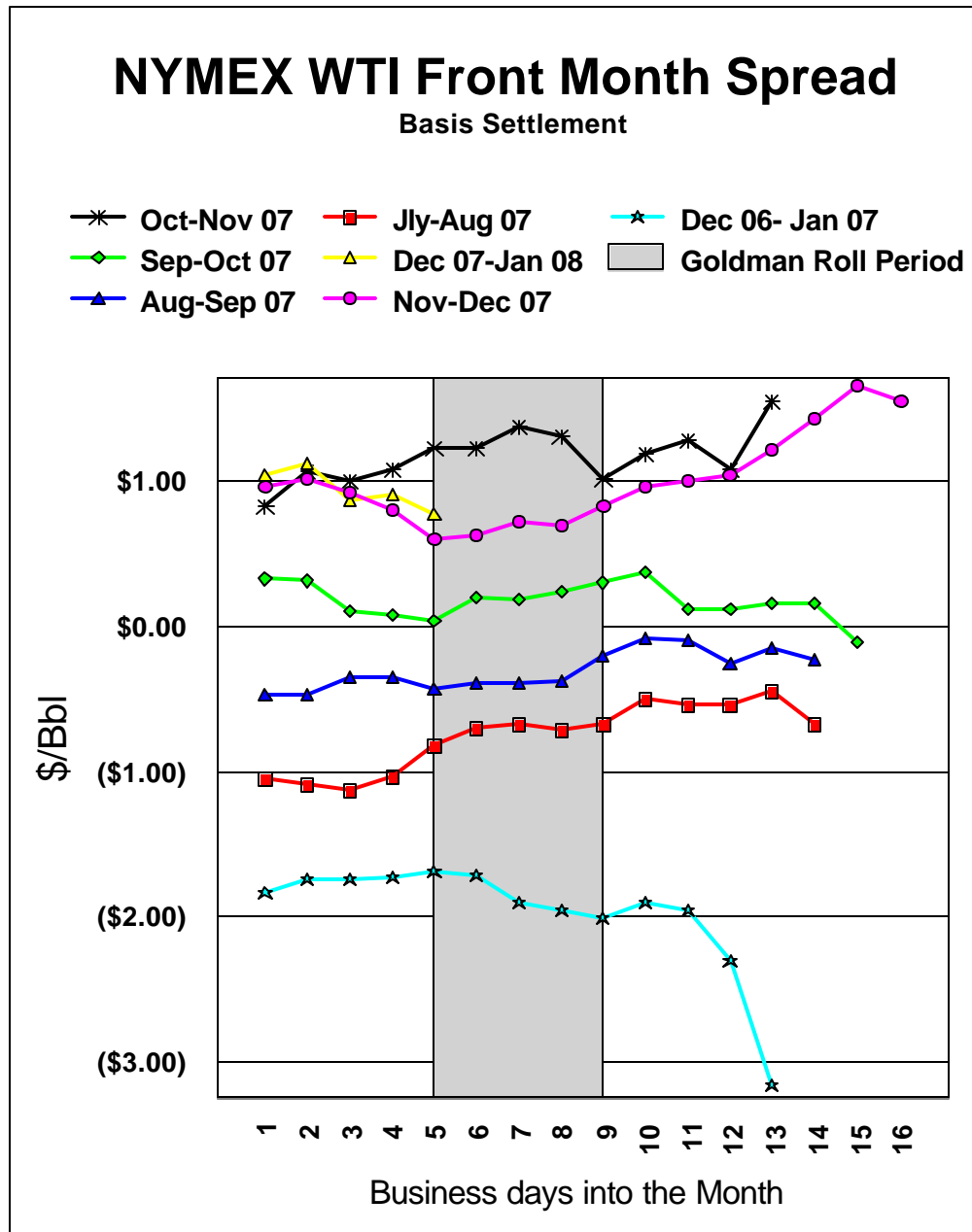
Market Watch

Federal Reserve Governor Frederic Mishkin said today that the Federal Reserve must not "overreact" to rising oil prices and is taking a longer-term view of their effect on inflation as the U.S. economy slows. He believes oil prices will come down from their recent highs but the outlook remained uncertain. Meanwhile Fed Governor Lockhart said that so far the impact of rising energy prices has been absorbed by the economy, but one can not help to be concerned that these rising prices will impact inflation.

The U.S. White House said today that U.S. crude prices are "too high" but declined to comment on the latest weakness in the U.S. dollar saying it does not discuss "currency movements". Later in the day President Bush said that current high prices were the result of high demand and not because of instability over Iran.

A senior Russian diplomat said today that Russian President Putin gave Iran no secret messages about its nuclear programme during his recent visit to Tehran, despite Iranian officials noting that the Russian President delivered a "special message" to the Iranian leadership last month. Russian officials said it is the Russian position to resolve all the problems through negotiations. Meanwhile Iran has announced it has reached a key target of 3,000 centrifuges for uranium enrichment.

the single largest fuel source, but its share in primary global demand will fall from 35% to 32%, while coal will supply 28% of world energy demand up from the current 25% share.



The head of the IEA today said that oil-producing nations could do more to help high prices. "At current prices the market is signaling that stocks need to be higher, something in the power of producers to address." IEA's chief economist said today that oil prices at \$100 will "hurt the economy definitely, (the) economy of the OECD countries and also developing countries.

The German Economy Minister today said the surge in oil price is increasing the risks to economic growth even though the strength of the Euro recently has offset it to some extent.

Japan's nationwide average gasoline price rose by Y4.9 from a week earlier to a record Y149.9 per liter

as of Monday, topping its previous high set this past August. The average retail price for diesel also set a new record on the week at Y127.8 per liter, as kerosene also set a record on the week as well.

The U.S. Department of Energy said today that the Bush Administration has no plans to open the SPR or the Northeast Heating Oil Reserve in an attempt to stem the surge in oil prices.

Refinery News

Singapore's onshore product stocks for the period ending November 6th showed that middle distillates rose to a five week high by 394,000

DOE Weekly Inventory Stats - November 2, 2007

Crude Oil Stocks down 800,000 barrels
 Gasoline Stocks down 800,000 barrels
 Distillate Stocks up 100,000 barrels
 Refinery % Operated Unch

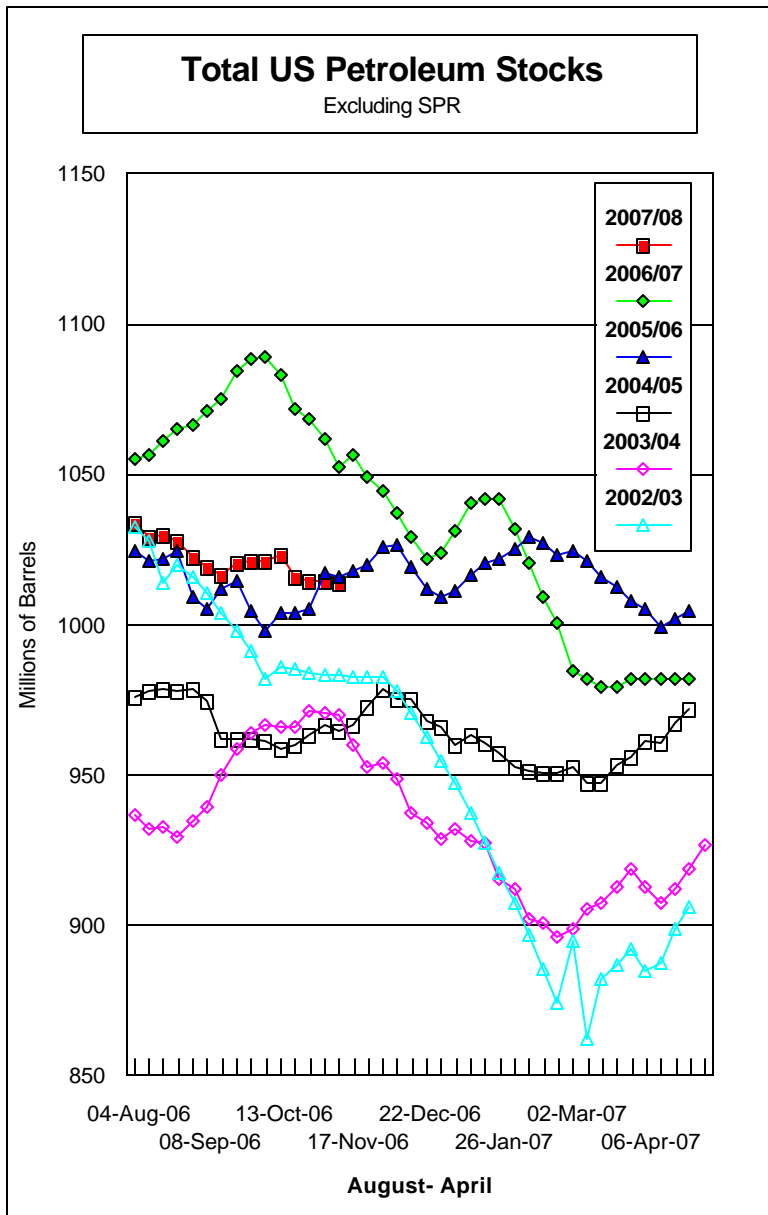
barrels to 8.06 million barrels while light end stocks and fuel oil stocks declined by 147,000 and 471,000 barrels respectively.

French fishermen are expected to end their six-day strike that blocked ports and oil depots over rising fuels costs following an offer of emergency aid from the French president. EU Commission though questioned the wisdom of his offer to the fishermen. Sarkozy's offer is expected to cost \$30.8 million a quarter. Meanwhile France's two biggest energy unions called for a strike on November 14th to protest against the French government's plans to reform special pension rights in the public sector.

Total said it expects to have fewer maintenance shutdowns in its refineries in the final quarter of 2007 than it had in the third quarter.

Production News

BP reported this morning that it would shut its 80,000 b/d Valhall oilfield from Thursday night due the approach of a North Sea storm. ConocoPhillips though still has not made a definitive decision on 5 of its 16 production platforms on whether they will be shutdown. Forecasters are looking for storm with gale force winds to sweep the area, with wave swells expected to be as large as 46-49 feet. Norwegian weather forecasters said wave swells could reach over 50-55 feet.

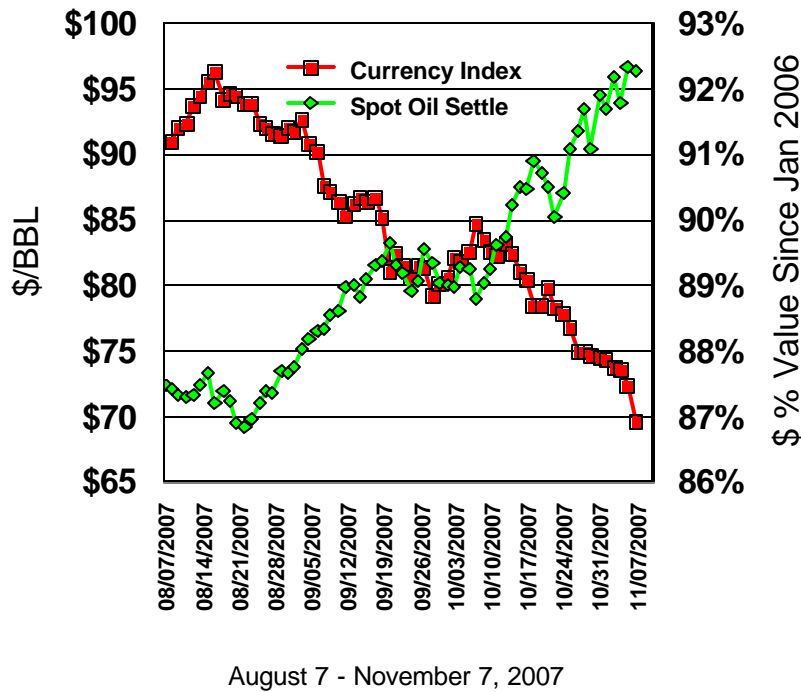


The Iraqi Kurdish government said today that it has signed seven new oil and gas contracts with international firms, including Reliance, OMV and MOL. All the production-sharing agreements give 15% of profits on any commercial discoveries to the operators, with the rest going to Iraq. Kurdish officials said that five more deals are pending final negotiations

The Mexican Transport Ministry said today that the oil exporting port of Salina Cruz reopened on Wednesday. The port was closed all day Tuesday. The port typically ships 300,000 b/d.

Enbridge reported that its estimated costs for its new pipeline projects has climbed by more than \$1 billion. The firm's Southern Lights pipeline, which will carry ultra-light oil from the Midwest to the oil sands region for blending is now expected to cost \$2.2 billion up from its original estimate of \$1.5 billion. The U.S. portion of the Southern Access project will boost capacity of oil lines from Alberta to

Spot WTI NYMEX Settle Vs Dollar Basket
U.S. \$ Vs Basket of Currencies Of Net Oil Importers
 \$ % Value Since January 2, 2006



refineries in the Midwest in 2009 will now cost \$2.1 billion up 300 million from prior estimates. The company also noted that the cost of the Waupisoo line, which will move 350,000 b/d from the tar sands region to Edmonton, will now cost C\$600 million, up C\$100 million from earlier estimates. The company said that higher contractor and labor costs are behind these cost overruns.

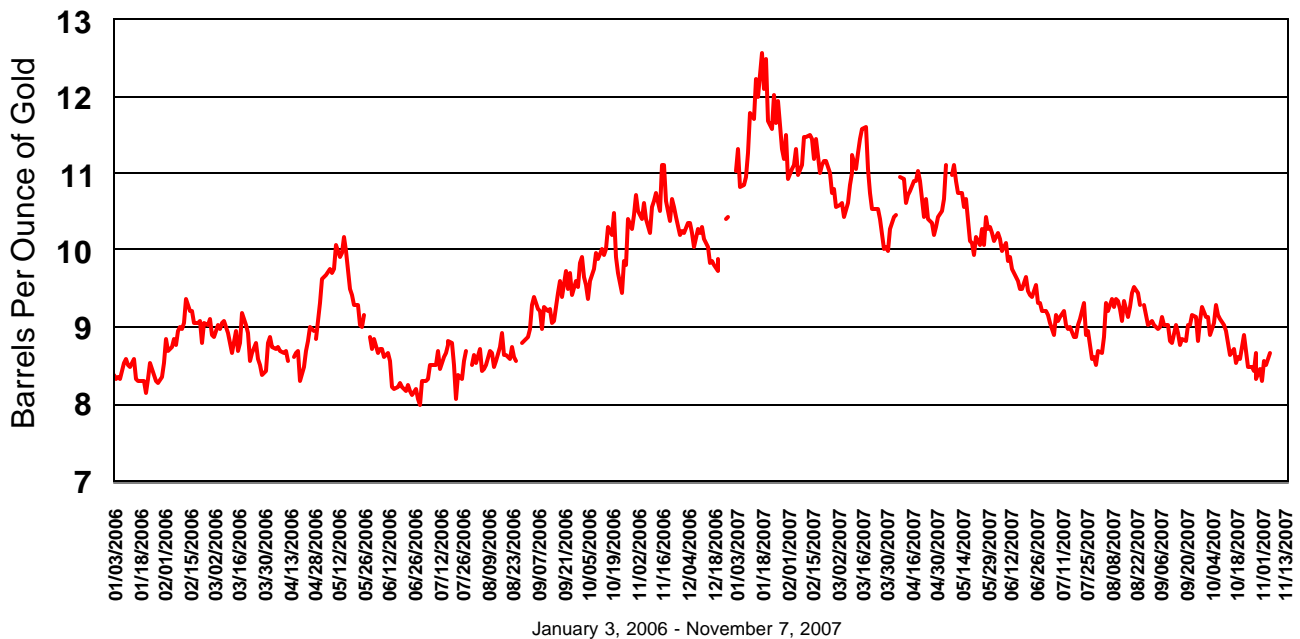
Brent crude oil exports in the week ending November 6th fell to 337,531 tonnes down from 460,685 tonnes in the previous week.

Market Commentary

The oil market started the morning firmer as a result of the dollar in continued free fall. While the EIA stats did show total oil stocks declining on the week by 900,000 barrels, it appeared that many traders were disappointed that the

crude oil stock draw down was not even larger and they did not get the explosive kick to the upside

Crude Vs Gold Ratio
 Spot WTI Settle Vs London Price Fix



that would send this market to the \$100 level finally. As the U.S. stock market at midday began to tumble it appeared to trigger sympathy selling in the oil markets, as traders appeared willing to finally take some profits. By the end of the session over 785,000 crude oil contracts had changed hands, with 448,361 lots in the December contract trading. While this was excellent volume it fell just short of the record volume day recorded last January, as over 800,000 crude contracts were booked.

It is also interesting to note that at midday the exchange reported that open interest in the crude oil futures on Tuesday dropped by 16,084 lots, with the December contract falling by 28,817 lots. Crude oil options saw call open interest decline by 5382 lots while puts grew by over 88,129 lots. It appears that much of the crude oil call open interest decline came in December as net total open interest in the calls dropped by 16,189 lots most many position holders in deep in the money calls booked out of positions. This was also the case to a lesser extent in January where call open interest declined by a net 659 lots. But puts in the December contract saw

NYMEX Petroleum Options Most Active Strikes for November 7, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	12	7	C	100	11/13/2007	0.83	8,736	43.47
LO	6	8	C	100	05/15/2008	4.2	7,116	28.47
LO	6	8	C	120	05/15/2008	1.56	6,750	33.11
LO	12	8	C	100	11/17/2008	4.14	4,351	25.01
LO	6	8	C	90	05/15/2008	7.55	3,825	26.74
LO	6	8	C	94	05/15/2008	5.93	3,500	27.25
LO	3	8	P	80	02/14/2008	1.17	3,323	31.30
LO	12	7	P	95	11/13/2007	1.37	3,089	40.50
LO	12	7	P	90	11/13/2007	0.22	2,814	40.89
LO	6	8	P	70	05/15/2008	0.55	2,733	26.84
LO	6	8	C	180	05/15/2008	0.39	2,725	47.57
LO	2	8	P	90	01/16/2008	3.21	2,705	33.01
LO	12	7	C	90	11/13/2007	6.58	2,611	40.82
LO	3	8	C	100	02/14/2008	4.06	2,605	33.37
LO	1	8	C	120	12/13/2007	0.63	2,570	51.68
LO	2	8	P	94	01/16/2008	5.03	2,551	33.40
LO	1	8	P	86	12/13/2007	1.16	2,422	38.74
LO	2	8	C	100	01/16/2008	3.62	2,323	34.78
LO	1	8	P	85	12/13/2007	0.99	2,134	39.08
LO	2	8	C	135	01/16/2008	0.39	2,050	46.76
LO	6	8	P	55	05/15/2008	0.03	2,000	28.59
LO	1	8	P	95	12/13/2007	4.2	1,942	37.94
LO	1	8	C	130	12/13/2007	0.37	1,932	57.74
LO	12	7	C	98	11/13/2007	1.35	1,862	41.55
LO	1	8	C	115	12/13/2007	0.87	1,724	48.60
LO	1	8	C	110	12/13/2007	1.25	1,577	45.48
LO	2	8	P	89	01/16/2008	2.84	1,500	32.98
LO	5	8	C	90	04/17/2008	7.69	1,500	27.51
LO	5	8	C	94	04/17/2008	5.99	1,500	28.07
OB	1	8	P	2.2	12/26/2007	0.0423	300	38.49
OB	5	8	C	2.3	04/25/2008	0.3632	235	30.36
OB	5	8	P	2.64	04/25/2008	0.2329	235	30.18
OB	5	8	C	2.64	04/25/2008	0.1802	235	29.88
OB	1	8	C	2	12/26/2007	0.4543	200	40.76
OB	3	8	C	2.33	02/26/2008	0.2609	200	34.84
OB	12	7	P	2.41	11/27/2007	0.0735	200	38.99
OB	12	7	C	2.9	11/27/2007	0.0066	166	45.99
OB	5	8	C	3.4	04/25/2008	0.0426	160	34.95
OB	5	8	C	3.48	04/25/2008	0.0373	160	35.51
OB	1	8	C	2.6	12/26/2007	0.0805	158	39.57
OB	2	8	P	2.12	01/28/2008	0.0413	150	36.34
OH	1	8	P	2.05	12/26/2007	0.0021	275	33.22
OH	6	8	P	2.14	05/27/2008	0.0593	250	25.34
OH	6	8	P	2.04	05/27/2008	0.0366	250	25.28
OH	1	8	P	2.15	12/26/2007	0.0059	225	33.38
OH	2	8	C	2.93	01/28/2008	0.0739	216	36.61
OH	2	8	C	3	01/28/2008	0.0625	207	37.43
OH	3	8	C	2.7	02/26/2008	0.1409	169	33.78

open interest grow by 3,120 lots and in January by 12,145 contracts.

It appears that this market may finally be taking a pause in its march toward triple figures, given the profit taking that appears to have been going on in the front month contract in both futures and options. We would look for the December contract to attempt to re-test the support tomorrow at the lows from the past two days at \$94.62-\$94.41. Additional support we see at the support line from this most recent two-week rally which tomorrow would come in at \$94.01. More distant support we see at \$93.77, \$92.63 and \$90.63. But one must remember that we saw a similar trading pattern last Thursday when crude oil made a new high but only to settle lower on a day with a \$4.00 plus trading range. We continue to feel though that the key to any follow through for a sell off is dependent on the movement of the dollar tomorrow. If it continues on its recent path of weakness we feel the global macro approach towards commodities will remain in place and buyers will return to this market. One must note that despite today's price action there were still willing buyers for significant upside potential. The June \$180 call today traded between 50-60 cents today 2725 times.