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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 8, 2007

A late autumn storm sweeping across the North Sea Wednesday was forcing oil companies to shut down production platforms.

ConocoPhillips announced it was in fact shutting down five North Sea platforms reducing production by 1400,000 b/d. BP yesterday announced it was shutting 80,000 b/d. This morning StatoilHydro reported that it was shutting down some 320,000 b/d of production as well. The Port of Rotterdam was also expected to be closed this evening for approximately 24 hours due to the storm.

Federal Reserve Chairman Bernanke said today that a host of economic problems, including the severe housing slump, will cause business growth to slow noticeably in the coming months. He

Market Watch

The Chinese government reported that in September, Saudi Arabia continued to be its biggest supplier of imported crude oil, accounting for 18.2% of its imported crude oil supplies. Angola was the second largest supplier in September accounting for 11.65% of imports. Angolan sourced imports have risen 32% from year ago levels. Iran remains China's third largest supplier but those levels have declined by 18% from the same time a year ago.

Saudi King Abdullah urged Iran to avoid escalation in its standoff with the West concerning its nuclear program and called for a solution that would resolve the situation that would allow for Iran to use atomic energy for peaceful purposes. The Saudi king elaborated on the kingdom's atomic proposal last week, which would set up a centre according to safety and environmental standards under IAEA supervision that would deal with uranium enrichment.

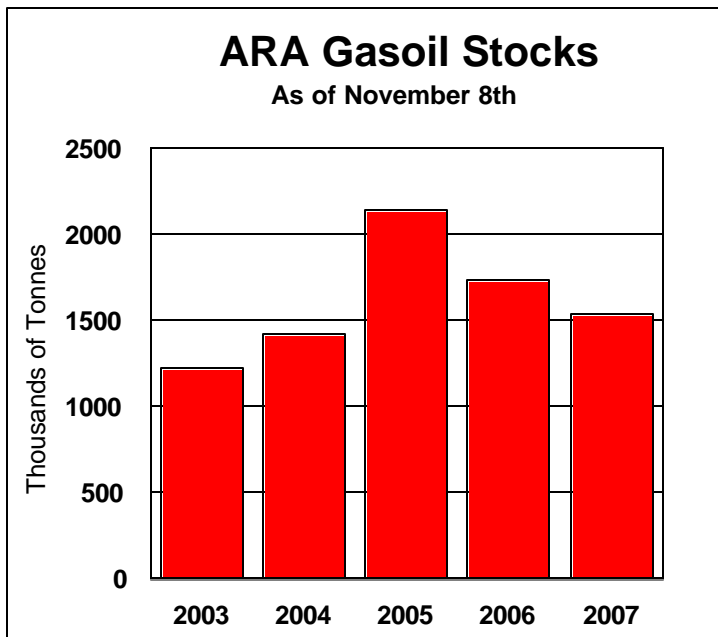
BusinessEurope, a group representing more than 20 million small to medium sized European business firms, called on the European Central Bank Thursday not to raise interest rates in the near future and to avoid moves that could further boost the level of the euro relative to the dollar and Asian currencies. The ECB decided to leave its key interest rate unchanged at 4.0%. The head of the ECB said that recent movements in foreign exchange have been abrupt, sharp and unwelcome. He said it is now clearer that a strong dollar is in the interest of the U.S.

A spokesman for the IMF said today that the surge in global oil prices is likely to have a moderate impact on world economic, and the IMF saw prices remaining high going forward. The group saw the effects of high energy prices though as manageable.

Turkey's leading pro-Kurdish party called on the government Thursday to grant autonomy to the mainly Kurdish southeast section of Turkey.

Debka.com reported today that the Israeli intelligence chief on Tuesday briefed Israeli officials that based on new intelligence information, that Iran would have the capacity to build a nuclear bomb by 2009, much earlier than the 2010 or 2011 time frame its experts had earlier projected.

stressed that the Federal Reserve Bank was keeping all options open, saying the Fed would be closely watching economic growth and the threat of inflation. He noted that there was a lot of “uncertainties” at present.



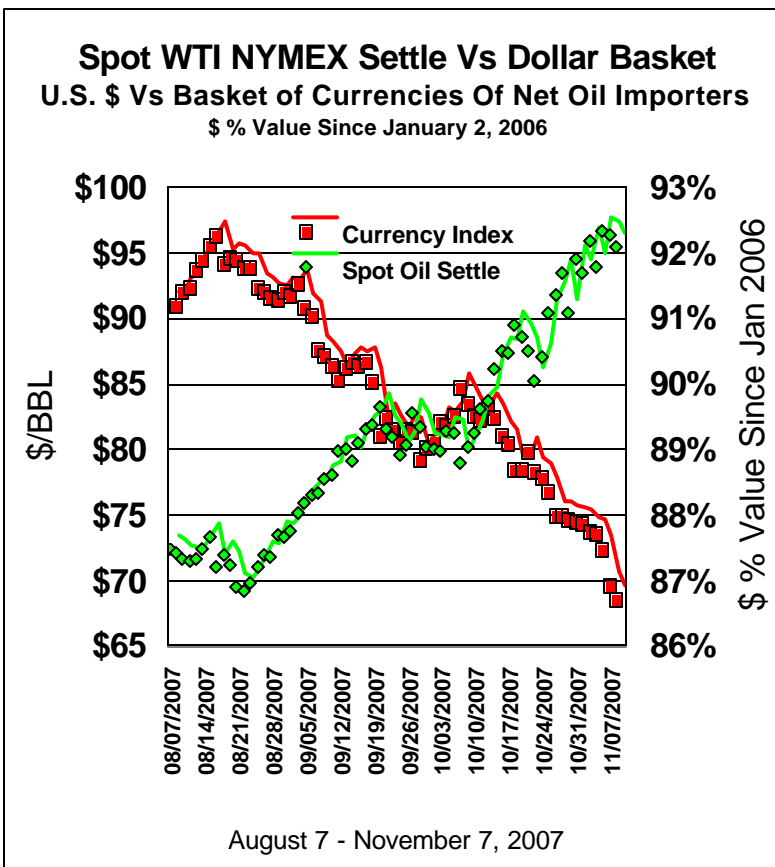
The OPEC secretary general called for tighter regulation of the oil markets to reduce the speculative investment, which they see as the driving force in oil prices currently. He reaffirmed that there is no shortage of crude oil in the world markets. He noted that on December 5th OPEC will review the situation and OPEC is ready to increase supply if there is a fundamental reason to do so. But currently that is not the issue he noted. He declined to detail how the markets should be regulated.

Reuters reported that a diplomatic source noted that Iran and the IAEA had more talks on Thursday to resolve doubts about Iran's nuclear work, a week ahead of the release of a key IAEA report that will be instrumental on

the debate of strengthening sanctions on Iran. Six world powers agreed last week to draft a third round of UN sanctions unless reports by the IAEA and the EU's top diplomat due in mid-November indicate that Iran has moved toward full cooperation with transparency and suspension demands.

The CEO of ConocoPhillips said today that world oil demand will be constrained by supply, as a result of the inability of supply globally to reach more than 100 million b/d. The ConocoPhillips official said that environmental issues such as green house emissions concerns will prevent the oil supply infrastructure expanding beyond the 100 million level.

BP's CEO said that the era of cheap energy is behind us and predicted that world oil prices would remain relatively high for the foreseeable future. He looks for oil to trade between \$60-\$80 per barrel range for the “medium term”. He said oil market speculators may be adding \$20 a barrel to oil prices, but noted that they are not primarily responsible for the price rise. He said that high prices are driven primarily by the fact that there is real tightness in

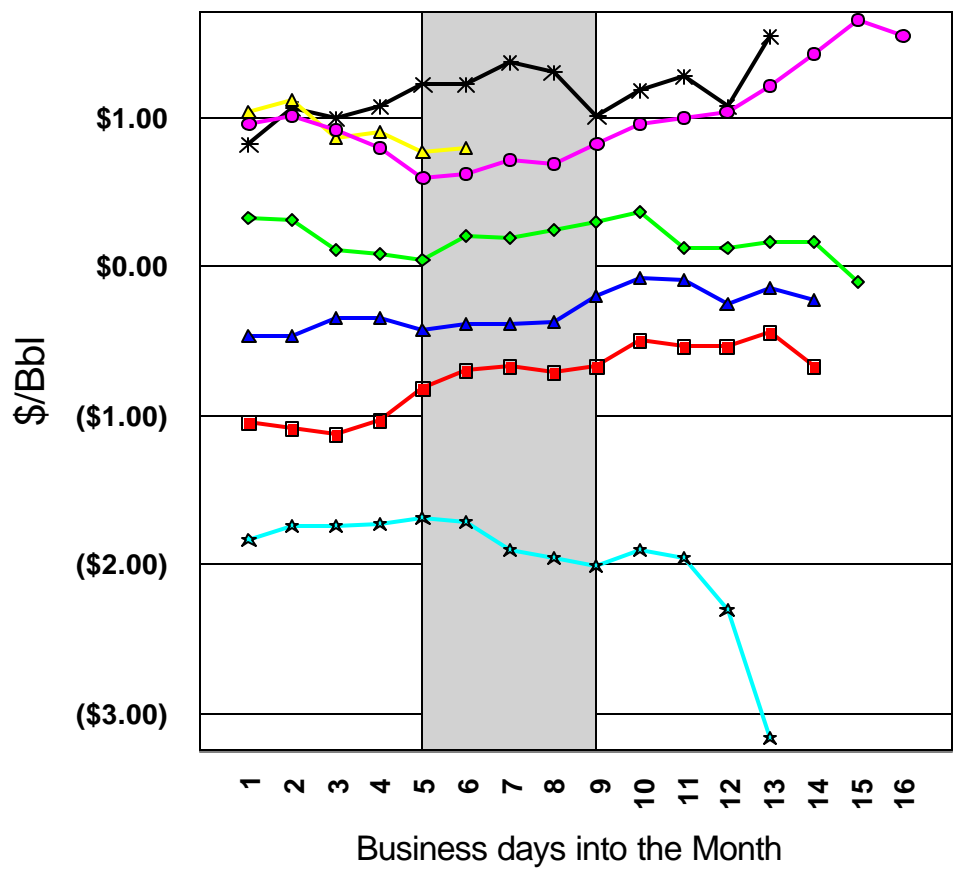


supply and demand. He did see some fuel switching would occur by consumers as they move to natural gas from oil that would restore the historical price relationship between oil and natural gas, which recently has been disconnected.

NYMEX WTI Front Month Spread

Basis Settlement

- ✱ Oct-Nov 07 ■ Jly-Aug 07 ✱ Dec 06- Jan 07
- ◆ Sep-Oct 07 ▲ Dec 07-Jan 08 □ Goldman Roll Period
- ▲ Aug-Sep 07 ● Nov-Dec 07



Refinery News

Valero reported that a power outage at its 325,000 b/d refinery at Port Arthur, Texas caused a fire in a heater in the diesel hydrotreater unit Thursday morning. The unit has a processing capacity of 50,000 b/d. Operators expect that the unit will remain off line for at least two to four weeks. The company reported that most processing units at the refinery were back in operation.

Alon USA Energy said it will reduce rates at its California refining facilities for planned maintenance through the first quarter of 2008. The company will be shutting down the #2 unit at its Long Beach refining center in November.

ExxonMobil said its FCC unit at the Beaumont, Texas

refinery was back in service following completion of unscheduled maintenance work that was started back on October 12th.

PDVSA confirmed that operators at its 200,000 b/d Puerto La Cruz have taken the 80,000 b/d Distillation #1 offline for a 34 day maintenance period.

Latvian officials reported that the Ventspils oil terminal has handled 11.2 million tones of crude oil and products in the first 10 months of this year, up 6.4 million tones from a year ago.

BP officials said today that its Texas City refinery would reach full crude processing rates by the first quarter of 2008.

Production News

One oil tracking analyst said today that in the four weeks ending November 24th, OPEC production increased only by 50,000 b/d as oil field maintenance outages in the UAE appear to have prevented OPEC in increasing oil output by its planned 500,000 b/d increase.

OPEC's basket reference crude oil price rose to \$90.71 per barrel; on Wednesday, up \$1.58 per barrel from Tuesday.

Iraq's SOMO marketing arm said it has issued a sell tender for 6 million barrels of Kirkuk crude for lifting by November 30th.

Yemini officials reported that 12 people were killed when Yemini tribesman clashed with the security personnel of an Ukrainian oil firm during a protest. Six guards and six tribesman were killed in the clash.

Iraq and Iran signed an agreement Wednesday to build two pipelines one to export Iraq's crude oil to Iran and the other to pump oil products from Iran to Iraq. The crude oil pipeline would run from Basra to the Iranian refinery at Abadan and pump some 100,000 b/d. The pipelines would be financed by a \$1 billion loan granted by Tehran to Baghdad earlier this year.

China and Kazakhstan agreed to move forward with plans to construct a natural gas pipeline in 2008-2009 that would give China access to Caspian Sea gas reserves. The pipeline would have an annual capacity of 40 billion cubic meters.

The U.S. Department of Energy awarded today contracts to Shell Oil, Sunoco, and BP to deliver 12.3 million barrels of royalty oil to the U.S. SPR. Flows of oil will start in January at a rate of approximately 70,000 b/d and last for about six months. Separately the DOE said it had no immediate plans to issue bids to buy 11 million barrels of oil it sold to U.S. refiners after Hurricane Katrina.

Democratic presidential candidate Senator Clinton today called on the Bush administration to release oil from the nation's crude oil SPR and heating oil reserves to boost commercial supplies and lower prices. But later in the day Energy Secretary Bodman said the Bush Administration would not change its policy of using the government's oil reserve for only major supply disruptions and not use it to curb prices. He also noted the DOE's decision to buy 12 million barrels of crude for the SPR will not have a "materially affect" on oil prices. He also said he was "hopeful" to see OPEC increase production levels here in the near term.

BP said today that it is on track to start up its 200,000 b/d Atlantis oil platform in the Gulf of Mexico by the end of this year.

Market Commentary

NYMEX Petroleum Options Most Active Strikes for November 8, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	2	8	P	70	01/16/2008	0.14	12,720	35.73
LO	1	8	P	70	12/13/2007	0.11	10,500	49.22
LO	6	8	C	100	05/15/2008	3.91	9,926	28.14
LO	6	8	C	120	05/15/2008	1.42	9,350	32.79
LO	12	7	C	100	11/13/2007	0.47	6,655	42.91
LO	12	7	P	95	11/13/2007	1.58	5,412	40.54
LO	7	8	P	70	06/17/2008	0.93	5,000	27.63
LO	6	8	P	90	05/15/2008	6.11	4,916	26.70
LO	1	8	C	110	12/13/2007	1.02	3,568	45.14
LO	1	8	P	90	12/13/2007	2.32	3,379	37.46
LO	12	8	C	200	11/17/2008	0.35	3,350	39.73
LO	6	8	C	92	05/15/2008	6.34	3,335	26.74
LO	12	7	C	60	11/13/2007	35.46	3,300	164.88
LO	12	8	C	90	11/17/2008	6.87	3,100	24.44
LO	6	8	P	92	05/15/2008	7.16	3,085	26.80
LO	5	8	P	90	04/17/2008	5.52	2,855	27.41
LO	5	8	P	80	04/17/2008	1.97	2,500	27.56
LO	7	8	P	75	06/17/2008	1.67	2,500	26.93
LO	12	7	C	50	11/13/2007	45.46	2,450	229.98
LO	1	8	P	95	12/13/2007	4.58	2,354	37.95
LO	5	8	P	92	04/17/2008	6.59	2,200	27.72
LO	5	8	C	92	04/17/2008	6.42	2,200	27.69
LO	1	8	P	80	12/13/2007	0.52	2,161	42.06
LO	2	8	P	81	01/16/2008	1.03	1,850	33.70
LO	2	8	P	75	01/16/2008	0.38	1,709	34.84
LO	2	8	P	85	01/16/2008	1.81	1,580	32.92
OB	5	8	C	2.74	04/25/2008	0.1428	175	30.70
OB	5	8	C	2.8	04/25/2008	0.1264	175	31.07
OB	4	8	P	2.6	03/26/2008	0.2108	100	32.30
OB	4	8	C	2.6	03/26/2008	0.1879	100	32.24
OB	5	8	C	2.6	04/25/2008	0.1898	100	29.86
OB	5	8	P	2.6	04/25/2008	0.2145	100	29.92
OB	12	7	P	2.5	11/27/2007	0.124	100	40.03
OH	2	8	P	2.48	01/28/2008	0.0885	325	30.42
OH	2	8	C	2.74	01/28/2008	0.1015	325	32.01
OH	4	8	P	2.45	03/26/2008	0.1376	276	28.47
OH	4	8	C	2.9	03/26/2008	0.0651	275	30.61
OH	1	8	C	2.36	12/26/2007	0.2831	150	31.22
OH	1	8	P	2.55	12/26/2007	0.0826	150	30.68
OH	12	7	C	2.63	11/27/2007	0.0708	150	34.68
OH	12	7	C	2.24	11/27/2007	0.3673	150	37.22
OH	12	7	P	2.4	11/27/2007	0.0142	150	33.84
OH	2	8	C	3.2	01/28/2008	0.0311	127	37.68
OH	1	8	C	3	12/26/2007	0.0261	105	35.22
OH	1	8	P	2.5	12/26/2007	0.0631	100	30.67
OH	4	8	C	2.6	03/26/2008	0.1399	100	28.95
OH	8	8	C	2.65	07/28/2008	0.1165	100	25.99
OH	8	8	C	3.1	07/28/2008	0.0484	100	28.51

The oil market remained on its roller coaster today, as traders seemed to struggle with the global macro picture. While the market was stronger in the morning as weakness in the dollar and news of some 320,000 b/d production disruption in the North Sea seemed to support the market. The product values received an additional boost by news of Valero's refinery problem. But this bullish mood was erased in the afternoon as the relatively gloomy economic picture painted by Fed Chairman Bernake seemed to drive the oil market and stock market lower in the early afternoon. Volume today was still strong despite a rather slow start in the morning session. Final volume by the end of the afternoon's Globex session saw 637,200 lots traded in the crude market with 74,388 in the heating oil and over 93,000 in the gasoline market.

This afternoon's open interest report appeared to show a bit of confusing picture for the crude market. Despite seeing a decline in futures open interest on Tuesday, Wednesday's trading activity showed that crude open interest rebounded by 32, 543 contracts. In addition option open interest in the crude oil market saw calls grow by 16,920 lots with puts still

continuing to outpace calls as they swelled by 25,342 lots. Nearly half of this gain in the crude oil put

open interest came in the front two contract months. In the calls though December continued to see a contraction in total open interest as traders continued to cash out in deep in the money calls as well as the \$100 strike which fell by another 1140 lots, dropping total open interest in this strike to 42,099 lots, some 11,000 less than was open back on October 26th. January calls posted the strongest monthly gains in open interest with much of this centered in the far out of the money strikes, the 115,120, 130, 135 and 150 strikes.

Today's price action, that of an inside trading session appears to point to the recent bull market taking a time out as traders attempt to gain a clearer picture of the global market trend. But we feel that with next Tuesday's option expiration there will still be one more push to attempt to trigger buying associated with covering crude oil positions at the \$100 strike level. We continue to look at the US dollar value though as market signal for a reverse correlation to the crude oil market. With the loss in value in the dollar late in the session today we feel this will support the bulls again tomorrow. We look for support in the December contract to be found again at the two week trend line which tomorrow will be at \$94.86. Additional support we see at \$94.95, followed by \$94.62-\$94.41. More distant support we see at \$93.77 and \$92.28. Resistance we see at \$97.69 and \$98.62.