



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 13, 2007

The IEA cut its estimate for world demand for the rest of this year and 2008 as high oil prices slow consumption in the US, Europe and Japan. It cut its estimate for the fourth quarter by 500,000 bpd to 87.14 million bpd. The IEA said world demand next year would be 87.69 million bpd, down 300,000 from its previous estimate. It cut projected fourth quarter demand growth by 570,000 bpd to 1.46 million bpd and cut growth in the first quarter by 180,000 bpd to 2.37 million bpd. The IEA sees demand for

OPEC oil in the fourth quarter running between 31.7 million bpd and 32 million bpd. In regards to China, the IEA said China's 10% increase in fuel prices could spark a rebound in sluggish demand growth by improving consumer access to fuel supplies. It estimated that China's apparent oil product demand would increase by 5.4% this year from 2006 to 7.5 million bpd. The IEA also stated that world refinery throughput is expected to average 73.5 million bpd in the fourth quarter, down 700,000 bpd from its previous estimate. Global refinery runs are expected to average 73.1 million bpd in November as throughput recovers from 72.3 million bpd in October. Refinery runs are expected to reach 75 million bpd by December as refineries return from seasonal maintenance. The IEA reported that Iraqi crude oil pipeline flows to the Turkish port of Ceyhan increased to 395,000 bpd in October, the highest level since the US invasion of Iraq.

Market Watch

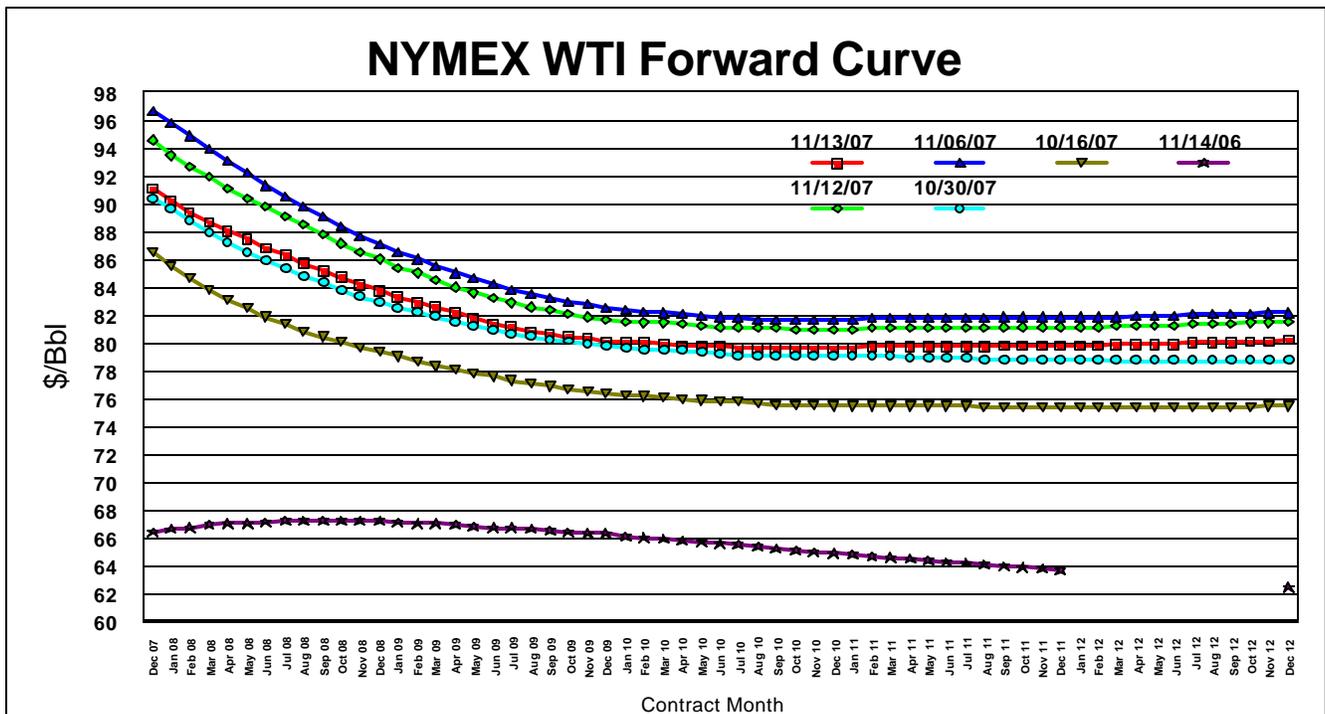
According to AccuWeather, temperatures in the eastern two thirds of the US, from Texas to New England, are forecast to be above normal from December through February. The Northeast US is expected to see above normal temperatures in 75% of the days between December and February after normal to slightly below normal temperatures in November. It said the winter was shaping up to resemble the winter of 1998-99.

The US Department of Energy and other regulatory agencies have been exploring the feasibility of gasoline products with a higher ethanol blend. The assistant secretary for energy efficiency and renewable energy, Alexander Karsner said the Energy Department and the EPA would test for E12, E15 and eventually E20.

Oil traders have provisionally booked 228,000 tons of gasoil and diesel from the US to Europe loading in early to mid-November. Shipbrokers and traders said six 38,000 ton cargoes were booked from the US Atlantic coast to destinations in the Mediterranean and Atlantic Ocean.

Royal Dutch Shell said it would reorganize its Nigerian units to cut costs after militant attacks on its oil facilities in the Niger Delta reduced output.

Dupont Co said its planned three additional equity investments in biofuels facilities in a bid to establish a regional presence in new markets.



Ministers of oil, finance and foreign affairs from OPEC member countries are scheduled to meet on Friday to review a joint declaration to be made at a summit of their heads of state. Saudi Arabia's Oil Minister Ali al-Naimi said OPEC would not announce a production increase at its meeting this weekend. He said there would be no discussion by head of state or their oil ministers on short term supply and demand at the summit, which would concentrate on longer term strategies of producers. However he left the door open to action when the group meets in Abu Dhabi on December 5, signaling the group was watching the market carefully. He said a decision on an increase at the Abu Dhabi meeting was still premature. He also stated that crude prices that have risen towards \$100/barrel did not reflect supply and demand fundamentals. In regards to Saudi Arabia's production capacity, he reiterated that the country's capacity stood at 11.3 million bpd and would increase by another 500,000 bpd within the next two to three months. He said rising production and contractor costs in the oil industry have not delayed Saudi Arabia's plans to increase capacity to 12.5 million bpd by 2009. Meanwhile, OPEC's Secretary General Abdullah Salem el-Badri said that world oil markets were well supplied. He said OPEC would review its current production levels at the next official ministerial meeting in December in Abu Dhabi.

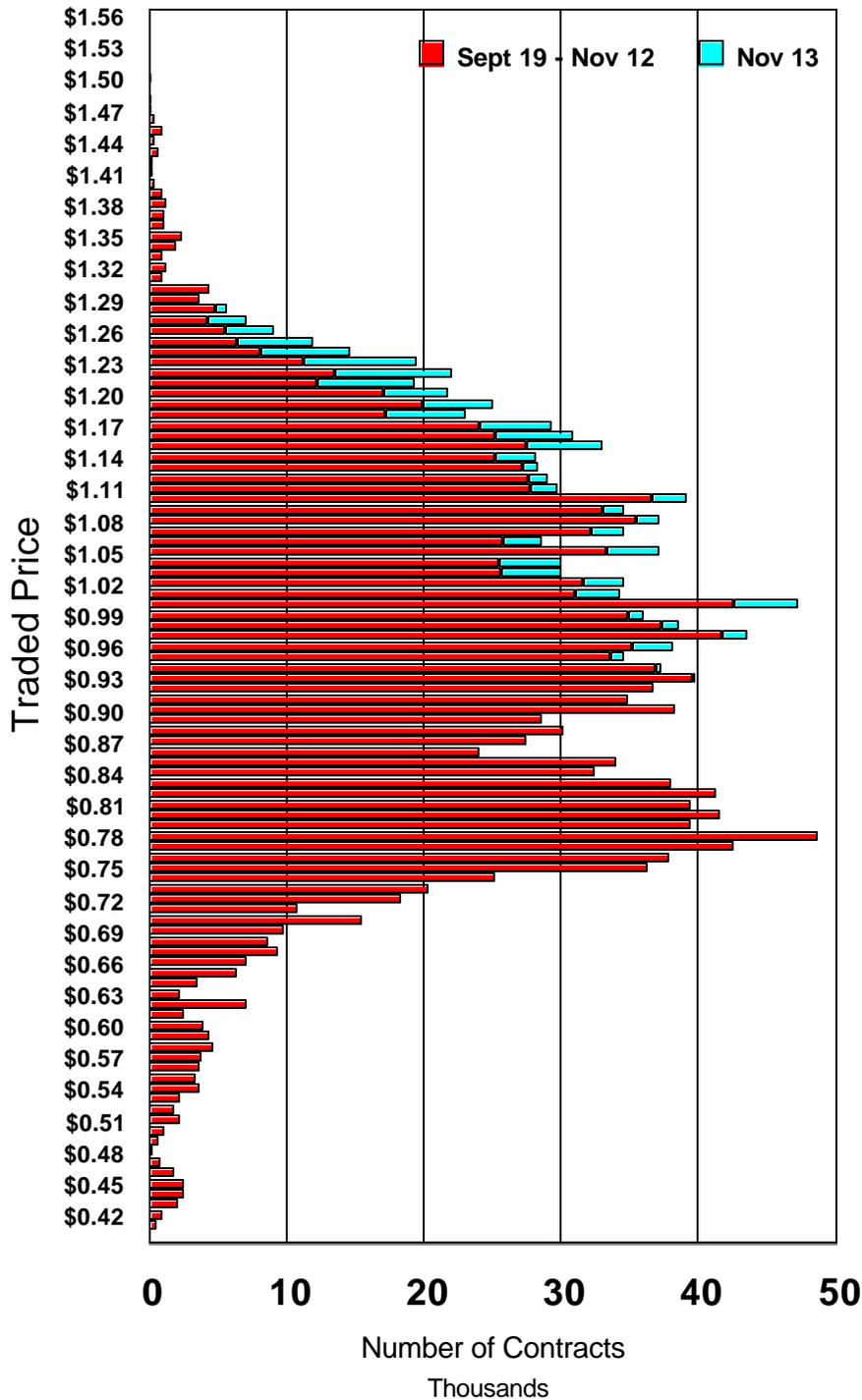
Algeria's Energy and Mines Minister Chakib Khelil said he expected oil prices to remain near current levels in the next few months. He once again called on producers and consumers to work together to tackle speculation, which he blamed for driving oil prices to nearly \$100 a barrel. He said there seems to be a clear correlation between the oil price and speculative activity.

Venezuela's President Hugo Chavez said that oil prices had to stabilize at around \$100/barrel and added that OPEC was not responsible for the current high prices of oil. He said oil prices could jump as high as \$200/barrel if the US decided to move against Iran. He said his government would be willing to help as a mediator to ease tensions between Iran and the US. He also stated that Venezuela would make a series of proposals during the upcoming meeting of OPEC heads of state, including a new way to gauge the price of oil and a formula to shield poor countries from escalating oil prices.

NYMEX WTI: December January Spread

Price Vs Volume for September 18 - November 13, 2007

Trade Weighted Avg: 11/13 1.14 11/12 1.06 11/9 .996 11/8 .77 11/7 .84



Ecuador's Oil Minister Galo Chiriboga said the country is set to rejoin OPEC on November 17. Ecuador was suspended from OPEC in 1992 when the country could not afford to pay its dues and over disagreement on production quotas.

US Energy Secretary Samuel Bodman said oil producing countries' lack of willingness to supply world markets was increasing energy prices. He said world oil stocks are below their five year average. He said he has asked OPEC ministers to increase their production but said he has had no guidance about whether OPEC would raise its daily crude production. Separately, he expressed concern over Italy's business relations with Iran, saying he hoped Italy would support sanctions against the country. However he said relations between the US and Italy would remain sound.

Diplomats stated that Iran recently rejected an approach by the IAEA's director Mohamed ElBaradei for a meeting ahead of the publication of the IAEA's report on Iran's disputed nuclear program. The diplomats said the head of the IAEA wanted to visit Iran ahead of the publication of the report, which could come as soon as Wednesday afternoon or Thursday. The report would determine whether Iran was cooperating with an IAEA investigation into its disputed nuclear

program. The diplomats said that Iran has given the UN's IAEA blueprints showing how to mold

uranium metal into the shape of warheads in an apparent concession meant to head off the threat of new UN sanctions.

Turkish military helicopters bombed suspected Kurdish rebel positions in northern Iraq. An Iraqi official said several empty villages and an abandoned police post were hit without causing casualties. Separately, security sources said four Turkish soldiers have been killed in clashes with Kurdish separatist fighters in the southeast of the country.

ExxonMobil evacuated the families of staff at its 400,000 bpd Qua Iboe terminal on Tuesday following an armed attack on Monday.

The EIA reported that the US average retail price of gasoline increased by 9.8 cents/gallon to \$3.111/gallon in the week ending November 12. It also stated that the US average retail price of diesel increased by 12.2 cents to \$3.425/gallon on the week.

Refinery News

Valero Energy Corp said its 325,000 bpd refinery in Port Arthur, Texas was running at 260,000 bpd, the approximate throughput level prior to a November 8 fire on a diesel hydrotreater heater. It said all units except for the diesel hydrotreater and a kerosene hydrotreater have restarted.

BP Plc has completed eight weeks of scheduled maintenance turnaround at its 160,000 bpd refinery near Toledo, Ohio and is expected to restart its processing units soon. It is expected to resume normal operations by December.

The Magellan Pipeline said it would replenish its supplies within the next week. The company had previously expected the Midwestern system to be back to historical levels by October.

Maintenance work at BP's 400,000 bpd Nerefco refinery in Rotterdam is on schedule. It shut one of three main units at the refinery on October 15 for maintenance.

Russia's OAO Rosneft said it planned to refine 1 million bpd of oil in 2008.

According to Germany's MWV, the country's total sales of oil products fell by 11.5% on the year to 6.83 million metric tons in October. It reported that heating gasoil sales fell by 26% to 2.01 million tons while high sulfur fuel oil sales fell by 9.2% to 470,000 tons. Germany's gasoline sales fell by 6.8% to 1.81 million tons while diesel sales fell by .10% to 2.54 million tons.

ExxonMobil reported to regulators that it had slowed the FCC unit at its Beaumont, Texas refinery to fix a leaky clamp on an associate compressor. The unit had just returned to service from unscheduled maintenance back on November 8th.

Total reportedly has shut its reformer at the 227,000 b/d Leuna refinery in Germany on Tuesday.

Production News

Nexen Inc said the Buzzard platform was restarted following repairs made over the weekend. It said production was returning to full rates. The platform was temporarily closed late last week when routine post storm inspections revealed damage to one of the power generation turbine stacks.

Iraqi Kirkuk crude flow to Turkey's export terminal of Ceyhan was halted on Tuesday. Total inventory of Kirkuk crude available at Ceyhan stood at 4.2 million barrels.

Saudi Aramco chief executive Abdallah Jum'ah said world oil production would not peak for several decades as long as the energy industry continued to invest in new projects and national and private oil companies increased their cooperation.

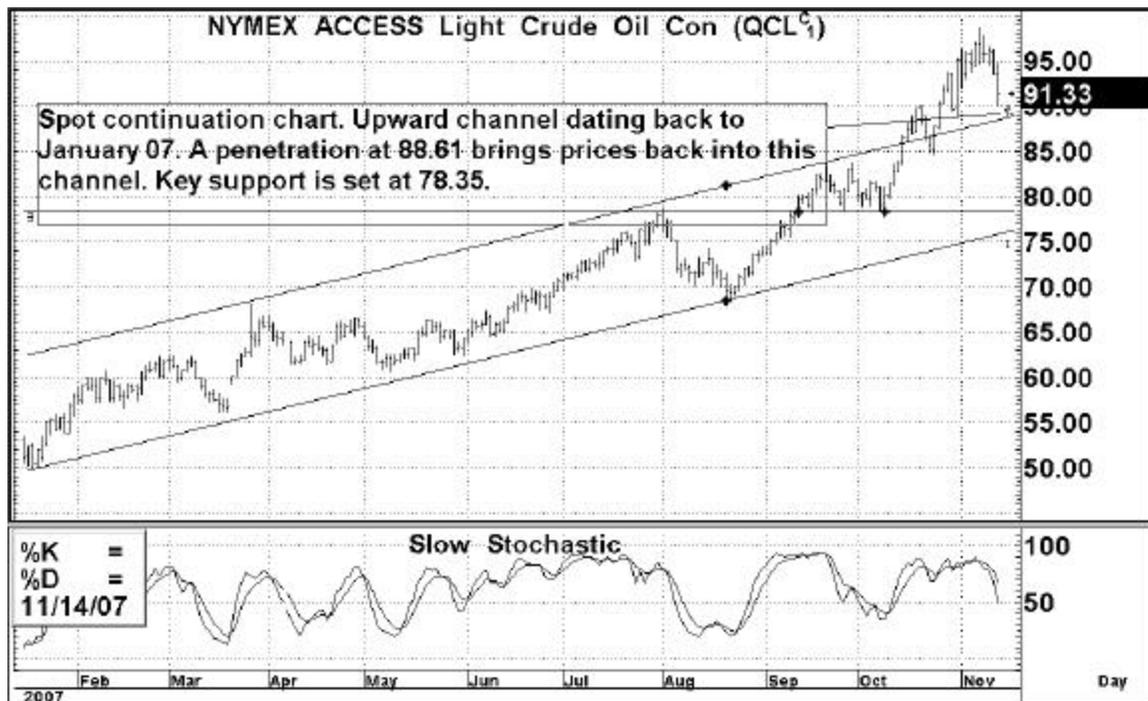
Denmark's North Sea DUC crude oil stream is scheduled to load about 174,000 bpd in December, down from 220,000 bpd in November.

The National Iranian Oil Co said Iran cut its Iran Light crude price for December to the Oman/Dubai average plus \$1.70, down \$1 on the month. It however increased the price of its Iran Heavy crude to the Oman/Dubai average minus \$1.49, up 85 cents while its Forozan crude price was also increased by 85 cents to the Oman/Dubai average minus \$1.40. Iran increased the price of its Iranian Light crude bound for Europe by \$1.25 to BWAVE minus \$1.70. Its Iran Heavy crude price was increased by \$1.30 to BWAVE minus \$2.70 and its Forozan crude price was increased by \$1.20 to BWAVE minus \$2.40.

Russia's Black Sea port of Novorossiisk was reopened after it was shut due to stormy weather. A severe storm sank at least four ships and split open a small oil tanker over the weekend, halting all shipments of crude oil and fuel from the port for over 24 hours.

Kazakhstan's State Statistics Committee said the country's crude oil and gas condensate production reached 55.982 million tons in the January-October period, up 4.6% on the year. It said oil production increased by 2.1% to 45.999 million tons. It also stated that the country's crude oil exports increased by 11.5% on the year to 45.8 million tons in January-September.

According to Ecuador's central bank, the country's average oil production fell by 6% to 508,000 bpd in the first nine months of the year from 543,000 bpd in 2006. Petroecuador averaged 255,857



bpd in the first nine months while private companies' output averaged 252,143 bpd.

India said it would not raise prices of petrol and diesel for now as the government is compensating retailers for selling cheap fuel at a time when world crude prices have increased. The government has not raised state administered retail fuel prices this year even though crude has rallied. It said it would

not revise prices until world oil prices stabilize. Separately, India's Petroleum Secretary said the country hopes to export 40 million tons of oil products in the year to March 2008.

OPEC's news agency reported that the OPEC basket of crudes fell further to \$88.80/barrel on Monday from \$89.71/barrel on Friday.

Market Commentary

In response to higher prices, the IEA has revised downward, by 500,000 barrels per day, its demand figure for 2008. Based on previous economics, demand typically wanes as prices rise. Perceived shortages in supply tend to bring about further exploration. All of the aforementioned, coupled with the inability for prices to reach the \$100.00 mark prior to options expiration, led to a sell off today. The December contract bottomed out at \$90.13, prior to rising on news that Turkey had sent aircraft over the Iraqi border. Although a sell off in prices has and should have been expected, we cannot be convinced that the \$100.00 mark is not beyond the horizon. We would like to see a break of and settlement below \$78.35 before we would say that the bull run is turning. The December contract is still above the upward channel on the spot continuation chart that began back in January of this year and needs to settle below \$88.61 in order to test the \$78.35 support level. Total open interest in crude oil is 1,537,508 down 19,393, December 257,852 down 40,701, January 334,452 up 18,171 and February 93,692 up 2,919. Support for January, comes in at 88.20, 86.90, 85.65, 83.91 and 81.75. Resistance is set 93.00, 93.55, 94.67, 95.20, 96.90 and 97.65. The product markets once again sold off sharply amid the continued sell off in the crude market. The RBOB market posted a high of 241.29 in overnight trading before it continued to retrace its previous gains. The market retraced almost 50% of its move from a low of 210.68 to a high of 248.81 as it extended its losses to over 11 cents and posted a low of 230.40 ahead of the close. The market retraced some of its losses and settled down 9.98 cents at 231.67. The heating oil market also retraced almost 50% of its move from a low of 230.58 to 266.00 as it sold off to a low of 249.02. The market extended its losses to over 9 cents before it retraced some of its losses ahead of the close and settled down 8 cents at 250.21. The markets are seen retracing some of their sharp losses on Wednesday as the markets settled in a sideways trading pattern ahead of the release of the weekly petroleum stock reports on Thursday. The RBOB market is seen finding support at 230.40, 229.75, 225.25 and 222.21. Meanwhile resistance is seen at 233.15, 235.25, 240.00, 241.29, 245.00, 246.20 and 248.81.

		Explanation	
CL	Resistance	94.67, 95.20, 96.90, 97.65	Previous highs
	Support	90.10, 89.13	Tuesday's low(January contract)
HO	Resistance	90.55, 91.20, 92.60, 93.00, 93.55	Previous highs
	Support	88.20, 86.90, 85.65, 83.91, 81.75	Tuesday's high(January contract)
RB	Resistance	262.20, 263.64, 266.00	Previous highs
	Support	251.25, 253.60, 258.18	Tuesday's high
RB	Resistance	249.02	Tuesday's low
	Support	248.29, 248.02, 244.11, 241.53	50% (230.58 and 266.00), Previous low, 62%, Previous low
RB	Resistance	245.00, 246.20, 248.81	Previous highs
	Support	233.15, 235.25, 240.00, 241.29	Tuesday's high
RB	Resistance	230.40	Tuesday's low
	Support	229.75, 225.25, 222.21	50% (210.68 and 248.81), 62%, Previous low

On the option front today the two most active contracts strikes were by far the expiring December \$90 put and call which traded a 20,000 and

11,605 times respectively. While there seemed to be strong selling pressure to get the \$90 puts into the money, by late in the afternoon session the market failed to reach that level and bounced back by the close. Looking beyond the expiring December contract, the next major focus for traders was the February and March \$85 puts which recorded over 6,000 lots each traded on the day.

