



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 6, 2007

Iran's acting oil minister again today said that his nation-wanted OPEC to keep its current production ceiling when it meets next week. He noted that there "currently is enough oil in the market. Our efforts are for OPEC to keep its current (production) ceiling." Meanwhile OPEC's president said today that the oil market remains well balanced with no shortage of supplies.

The Middle East geopolitical situation again returned to the forefront of traders minds as news reports out of Syria, reported that Israeli jets had violated Syrian air space on Thursday night and had dropped "ammunition" over a deserted area of northern Syria before air defense units successfully drove off the planes. While the Israeli military officials declined to have an official comment on the report, Israeli radio quoted an unnamed Israeli army source as saying no airstrike had been carried out. Tensions between Israel and Syria have been rising in recent months. Both

Market Watch

Iran said today it had reached a deal with Russia on a timetable for the start-up of its first nuclear power plant, which has been built by Russian contractors. Russian officials though said talks have not been completed.

China's president said today that pressing institutional and structural problems are constraining China's economic development and "arduous efforts" are needed to maintain good growth. He noted that there is an imbalance in international payments; pressure on resources and the environment damage is a mounting problem.

Iran's supreme leader, Ayatollah Ali Khameni, rejected reports of a power struggle within the Islamic Republic's leadership and once again expressed praise and support for President Ahmadinejad.

The British commanding officer in southern Iraq said that the U.K. has been fighting a proxy war with Iran in southern Iraq, as its forces had been engaged recently in fierce clashes with the Madhi Army.

FTC warned today that U.S. drivers could end up paying more for gasoline under legislation that aims to ensure consumers get a full gallon of fuel when the fuel expands during hot weather. A bill in Congress wants service stations to add special equipment to their pumps to make automatic temperature adjustments to the fuel. The FTC said that the costs for this new equipment is considerable, and probably would ultimately fall on consumers in the form of higher gasoline prices. Supporters of the bill say the equipment is already in use in Canada.

The CME said today that it would introduce clearing services for OTC ethanol basis swaps starting October 5th. OPIS will provide the cash market prices used to calculate the daily settlement prices. Initial locations offered will be New York Harbor, Los Angeles and the Gulf Coast. Final settlement will be calculated as the cumulative average of the basis value during the final month of clearing and will occur on the business day immediately following the last clearing day.

The head of the Federal Reserve in St. Louis said today that current financial market volatility has the potential to hit economic growth and has probably increased the chances of a recession, but does not expect a strong contraction to occur if the economy tips into recession.

countries' leaders have said they do not want a war, while accusing the other side of arming for a conflict. Syria says it last fired at Israeli warplanes in June 2006, when Israeli aircraft flew over the summer residence of the Syrian president. In addition Dow Jones and the Associated Press reported that Palestinian militants had infiltrated Israel and attacked an army post over the border from Gaza. An Islamic group reported that six militants were killed on Thursday by Israeli helicopter fire during a thwarted attack on an Israeli military post near the border with the central Gaza strip.

The U.S. State Department today warned of a terrorist threat to Americans and other Western interest in Nigeria. The potential targets include official and commercial installations in the capital Abuja and the commercial city of Lagos. But American officials later in the day seemed to be downplaying the warning, saying it was based on "very nonspecific threat information".

DOE Stocks

Crude – down 3.9 million barrels
Distillate – up 2.3 million barrels
Gasoline – down 1.5 million barrels
Refinery runs – up 1.8%, at 92.1%

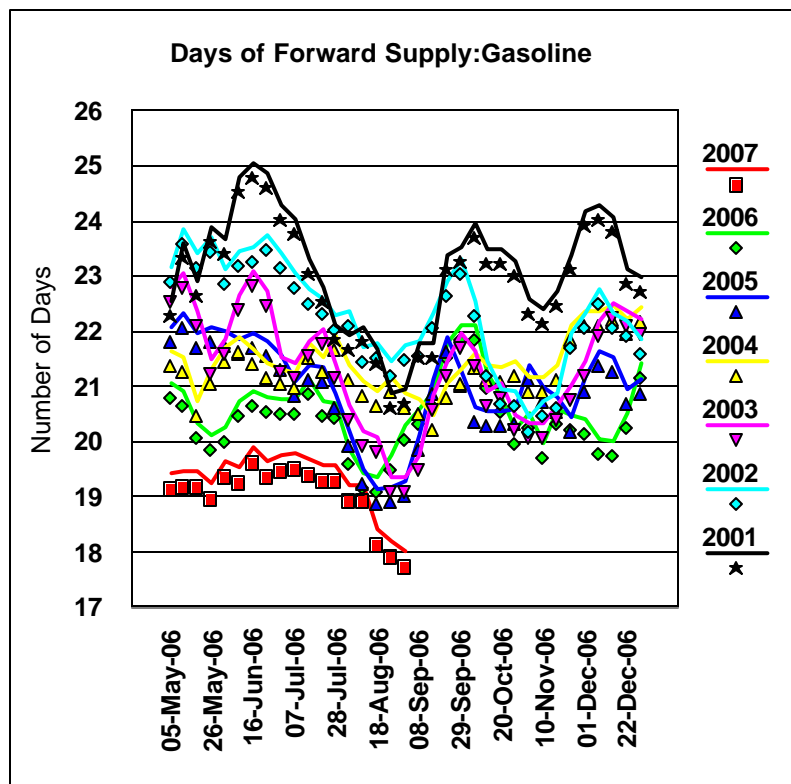
The new head of the IEA said that near record crude oil prices are sending a message to OPEC that the world oil market is very tight. He also said he would like to see China and India join the IEA. But he noted their was stumbling blocks for them to become members since legally India and China have to be members of the OECD first and that China only held around 10 days of emergency oil stockpiles, while members hold up 90 days of forward supplies in stocks.

Refinery News

The EIA reported today that U.S. gasoline supplies dropped to their lowest level since September 2, 2005

Transneft said it would need at least another 18 months to fix the pipeline to Lithuania before gaining permission to reopen the pipeline leak. The pipeline was shut back in 2006 following a leak. Russian

officials though have not aggressively sought to re-establish its crude shipments to Lithuania following the sale of Mazeikie, a refinery and export terminal to a Polish company, rather than to Russian companies that sought to buy the complex.



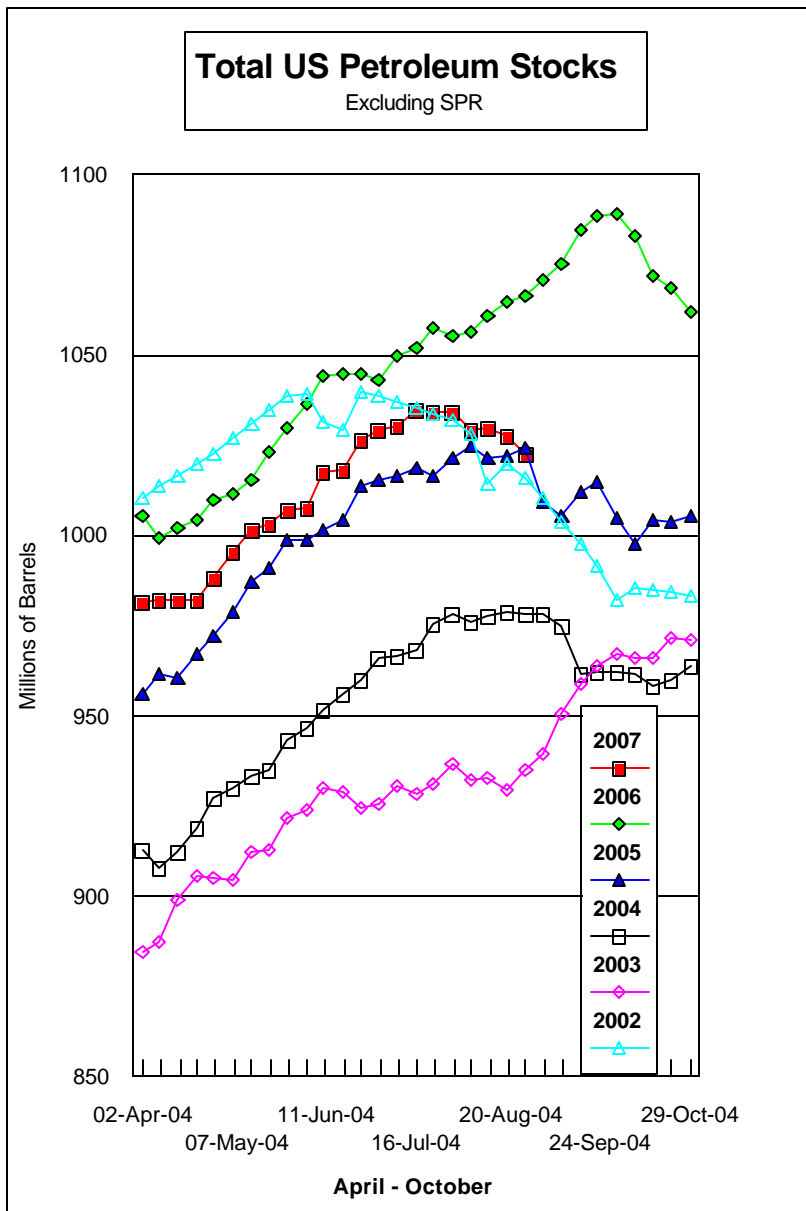
Singapore reported that onshore stocks of light distillates rose on the week ending September 5th by 1.347 million barrels to 8.512 million barrels, a five week high. Distillate stocks were off 1.7 million barrels to 6.499 million barrels, a five-week low, while fuel oil stocks rose just 402,000 barrels to 12.909 million barrels.

Dow Jones reported that the hydrocracker at ExxonMobil's 563,000 b/d refinery had begun to be restarted on Wednesday, following its shutdown on Monday due to an equipment failure.

ConocoPhillips reported that it was shutting a coker unit at its 247,000 b/d Sweeny, Texas refinery this morning for emergency repairs. The unit shutdown was made to make emergency repairs to reactor plug valve and was expected to last until late Friday night.

Sinclair Oil said today that it planned to expand production at its refinery in Tulsa, Oklahoma by 45,000 b/d by 2010. The \$1 billion project would significantly boost production of gasoline and diesel and raise overall production to 115,000 b/d. Work is slated to begin by 2008.

ARA gasoil stocks for the week ending September 6th rose by only 2,000 tonnes from the prior week, was just 2,000 tonnes over the same week a year ago. Gasoline stocks dropped 7,000 tonnes to 734,000 tonnes and was some 49 tonnes over a year ago.



Shell Argentina said it was declaring a force majeure, citing government orders to shut down its refinery there. The Doc Sud refinery in Buenos Aires began shutting down Wednesday night following an order by the government's Environmental Ministry. The shutdown will take 5 days. By Thursday production had dropped from the normal 95,000 b/d to 63,500 b/d. If company appeals fail to resolve the government's order, the company plans to seek a court injunction. Any restart of the refinery though will take a five days to complete.

Production News

Nippon Oil said it will start paying for Iranian term crude oil contracts in yen instead of U.S. dollars for cargoes loading starting this month, and settled in October.

Iraq's exports through its northern pipeline to the Ceyhan terminal in Turkey, have been suspended since Sunday. While flows along the pipeline had been restarted in August and had resulted in stocks at the terminal reaching 5.2 million barrels, the latest stoppage was due to "technical reasons" not the result of sabotage.

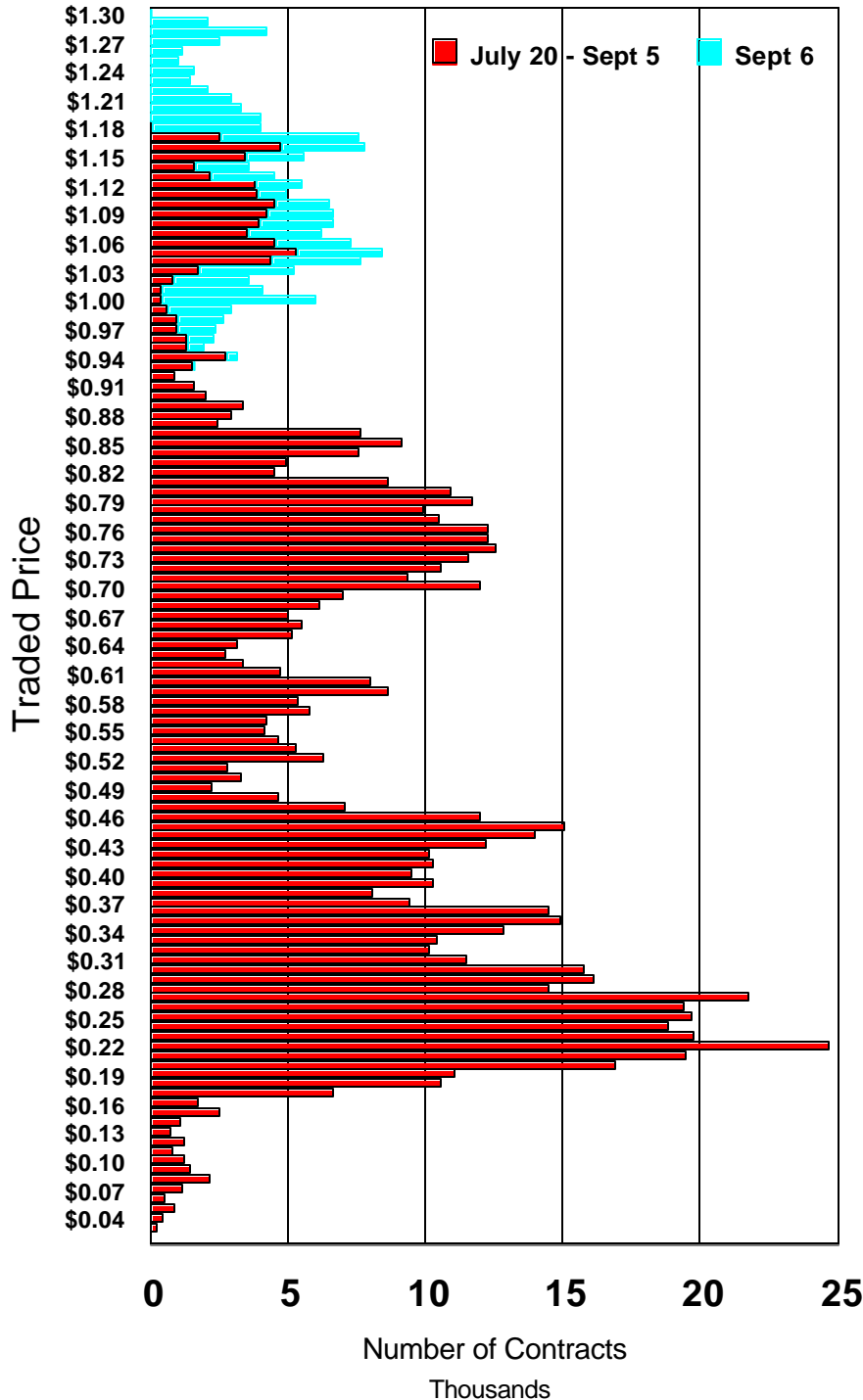
The Kazakhstan government said today that the state oil company, KazMunaiGas should be a co-

operator of the Kashagan oilfield; given that the western consortium of oil companies have failed to meet time and cost targets. Government officials declined to say anything on what that share should be but currently KazMunaiGas holds a 8.3% share of the Kashagan field.

NYMEX WTI: October November Spread

Price Vs Volume for July 20 - September 6, 2007

Trade Weighted Avg: 9/6 1.12 9/5 1.05 9/4 .796 8/31 .81 8/30 .76



The OPEC basket price stood at \$71.39 per barrel on Wednesday, up 61 cents from the previous day.

Oil Movements reported that for the four-week period ending September 22nd OPEC oil exports, excluding Angola, should rise by 200,000 b/d to 24.02 mbd versus the four-week period ending August 25th.

The restart of Chevron's 11,000 b/d Erskine oil and associated gas fields in the British North Sea has been set back until this weekend. The field had been expected to be restarted on September 5th, following the restart of the CATS gas pipeline last Friday.

Market Commentary

Fundamentals took over the market place today, with crude oil trading on both sides of unchanged. Prior to the release of the API/DOE numbers, were reports of confrontations regarding a violation of Syrian airspace by Israeli aircraft. This gave bulls the run of the ring only to be brought to a halt by bearish API/DOE numbers. Although crude oil stocks showed a draw of 3.9 million barrels, stocks are still hovering at the upper end of the average range for this time of year. Gasoline stocks painting a slightly bullish sentiment, with a draw of 1.5 million barrels, gave way to the fact that heating oil will be taking center stage. Heating

oil stocks built by 2.3 million barrels and are sitting in the upper half of the yearly average, with

average demand unchanged from last year at 4.2. Crude oil total open interest built again up by 14,902 with October drawing by 6,008 and November building by 13,906. We have been looking at the November heat to gas spread and at this time feel that the November gasoline can gain against the November heating oil. Over the past few years this spread as weakened in the middle to end of September only to strengthen at the beginning to middle of October. Currently it is at -.2055, which is low for this time of year. Given the aforementioned stock levels and demand for both products we would like to buy the November heat and sell the November gasoline. Crude oil support comes in 74.44, 72.75, 72.08, 71.53, 71.20, 7067 and **69.96** Resistance is set 77.39 and 78.15. Trading volumes today were outstanding with 727,431 lots traded in the crude oil with heat and gasoline trading 90,374 and 100,543 contracts respectively.

