



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 7, 2007

Iranian oil official said that demand for gasoline and diesel fuel will drop with the summer coming to an end and having put the driving season behind us, there will come a proportionate drop in overall demand for crude oil. In addition he noted that the global energy market is supplied with sufficient crude oil, forcing it to move the extra amount into inventories. Thus there is no need for OPEC to increase oil supplies.

Exxon Mobil's CEO said today that oil market fundamentals do not justify a crude oil price as high as \$70.00 per barrel. He said that Saudi Arabia has the oil resources and technological ability to boost daily output capacity to 12.5 million barrels per day. However he did not provide a timeframe for such an increase. Meanwhile Saudi Aramco officials said that they plan to boost its crude oil production capacity to 12.5 mbd by 2009

A U.S. official said on Friday there was no overt threats on the purported new 30 minute long videotape from Al Qaeda leader Osama bin Laden. This would be the first videotape of the leader in nearly three years.

Refinery News

Reuters reported that China appears to be importing upwards of 120,000 tonnes of gasoline this month, the highest monthly volume since at least 2004, due to strong

Market Watch

The U.S. Labor Department surprised the marketplace as it announced 4,000 jobs were cut in August, the first time in four years that the monthly hiring levels contracted. The Labor Department also revised lower its job gain estimates in June and July by a total of 81,000. Job losses in August were concentrated in the goods-producing area. Some 46,000 manufacturing jobs were cut, the most since July 2003 and the construction business lost 22,000 jobs, up from the 14,000 jobs lost in July. Service industry gained 60,000 jobs.

The IntercontinentalExchange reported that it set a daily volume record and open interest record for its gasoil futures contract on September 6th. The record traded volume was set at 173,843 contracts some 11% above the previous record, with open interest reach a new record of 361,198 lots. Meanwhile the NYMEX reported today that it also set a daily volume record for crude oil on the Globex electronic platform yesterday with 616,688 contracts trading nearly 4.8% above its prior record set in January.

The head of the IAEA defended his deal with Iran in reviewing its nuclear program. He said his agency would scrutinize Iran's pledge to cooperate by the end of the year and demand documents and other proof of good faith. If reneged, it would jeopardize any grounds for future trust. He said that based on current evidence, there is not a reason to say Iran poses a clear and present danger requiring you to go beyond diplomacy. He rebuffed the American media and the government for rushing to judgment and military action and jeopardizing the recent rapprochement between the agency and Iran.

The director of the New England Fuel Institute said today that typically 40% of the Northeast's heating oil consumers use fixed price or price cap programs to hedge against winter price spikes, but this participation level this winter heating season is expected to fall to less than a 35% participation level.

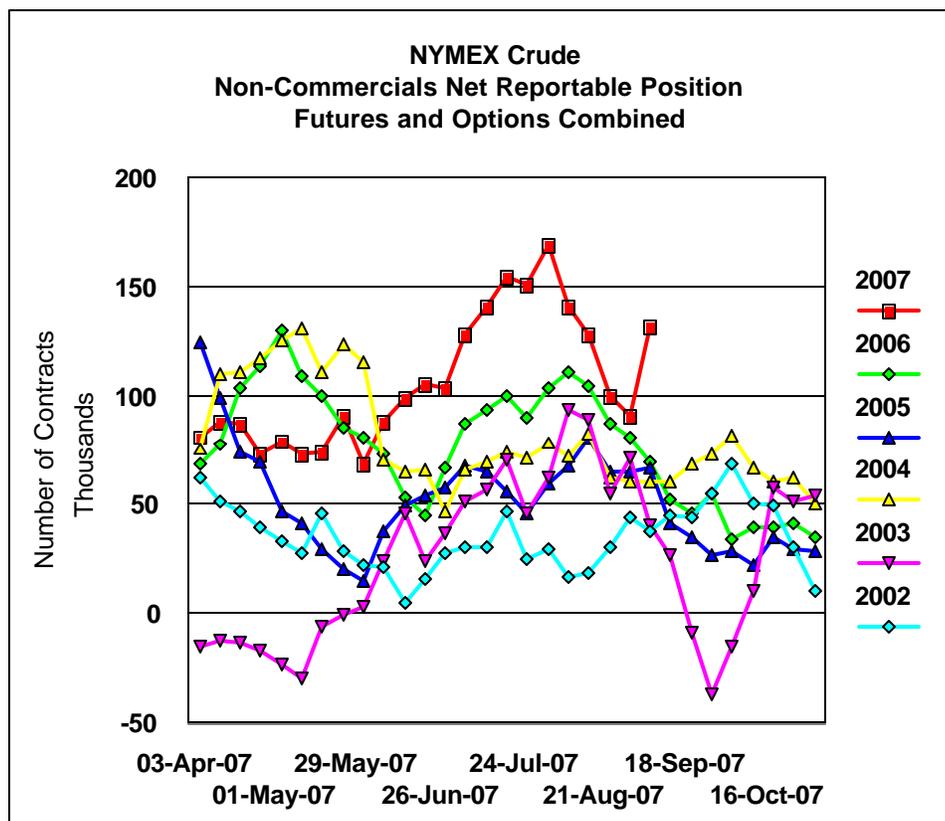
domestic consumption, that has led to spot shortages and refinery maintenance activities.

Texas regulators reported that Motiva's 90,000 b/d FCC unit at its Port Arthur refinery was shut today after a third failed restart attempt. Repairs were scheduled for today through Sunday on the unit. The unit was originally supposed to be down for one week, but has managed to operate for only about one day following restarts in the last several weeks.

Despite reports in OPIS on problems at the 100,000 b/d Coffeyville, Kansas's refinery, a spokesman for the company at midday said that there is no problem at all with the refinery. On Thursday though there was a brief air shutdown with a nitrogen fertilizer portion of the plant, which caused some flaring, and a brief evacuation of nonessential personnel.

Valero Energy said Friday that its McKee refinery is operating and moving toward full output, which it hopes to reach by the end of the year. The refinery, which has a capacity of 170,000 b/d, is currently running at 160,000 b/d. The refinery was damaged by a fire in February of this year.

Total reportedly took a unit off line at its 240,000 b/d at its Port Arthur refinery on Thursday. Overall output has been reduced at the refinery and is not expected back to full output until the end of this month.



ConocoPhillips reported that it planned to restart its FCC unit at the Sweeny, Texas refinery Friday night following completion of unscheduled maintenance. The unit was shut on Thursday to repair a plug valve in the unit's reactor.

Production News

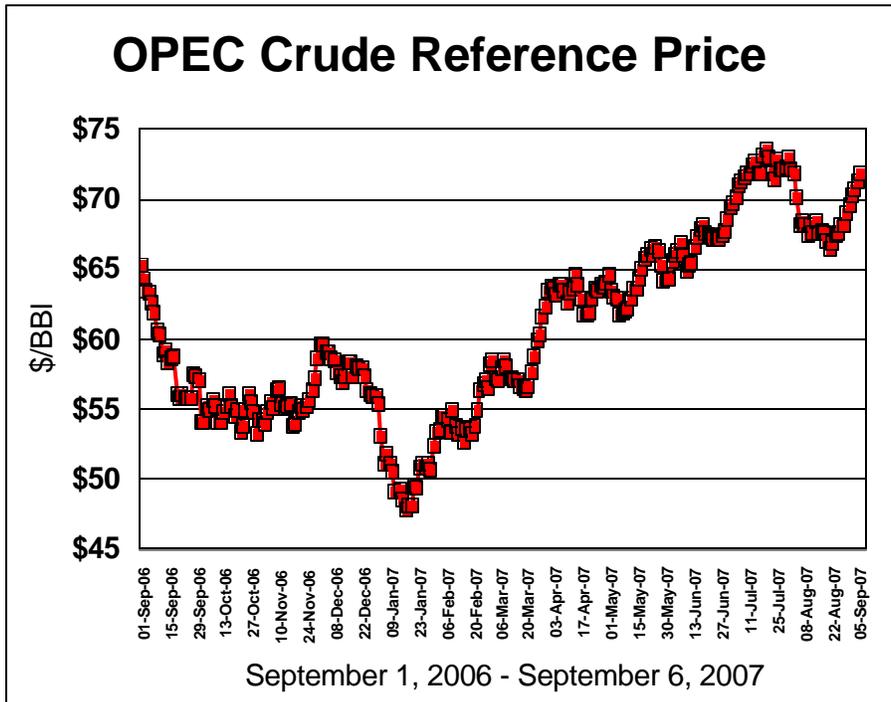
Kinder Morgan Canada reported that it shut its pipeline running between Casper, Wyoming and Wood River, Illinois, due to a leak that was discovered Thursday night in Middletown, Missouri. The pipeline normally carries 164,000 b/d of Canadian and Rocky Mountain based crude to markets in Kansas and Illinois. Just

3200 barrels of crude was reported to have been spilled. No restart date was given.

OPEC's reference basket price rose again on Thursday to \$71.99 up 60 cents per barrel.

Norway's Statfjord crude stream is set to load around 285,000 b/d in October, up 28,000 b/d from the previous month.

Iraq's oil minister said today that it plans to raise crude oil production to 3.5 million b/d by the end of 2009 and will build pipelines to supply oil and gas to Syria and Iran. The country is looking to supply Syria with 50 MMcf/d of gas and Iran 100,000 b/d of crude oil.



Market Commentary

With the release of U.S. jobless rates showing an increase for the first time in 4 years, crude oil sold off on resurfacing fears of an economic slow down. However there were several supportive fundamentals present in the market today, one being OPEC who is not showing any willingness to aid this cause, saying that output is sufficient and there is no need to increase it. The other two were news that Kinder Morgan shut its Platte, Wyoming – to - Illinois crude oil pipeline due to a leak and reports of a

problem with Motiva's gasoline making FCC unit at Port Arthur, TX. There is no estimate for a restart date. As written in yesterday's wire, we like buying the November gasoline and selling the November heating oil against it. It appears that this spread is starting to make a turn around with gasoline gaining on the heating oil. We still like this play, and feel that we could easily see the positive side of this spread. Crude oil posted a higher settlement making this the eighth straight day that prices have settled higher. In front of the upcoming OPEC meeting, we would look for continued strength in the market. Crude oil support comes in 76.49, 75.60, 74.44 72.75, 72.08, 71.53, 71.20, 70.67 and **69.96** Resistance is set 77.39 and 78.15.

This afternoon's Commitment of Traders Report showed that for the week ending September 4th the non-commercial sector increased their net futures position by 25,750 lots and in the combined futures and options market saw their net length increase by 41,161 contracts, the highest level in three weeks.

