



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Zachariah Yurch & Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 11, 2007

OPEC agreed late Tuesday to increase its crude oil production by 500,000 bpd to 27.2 million bpd starting November 1 following several hours of talks. Ahead of the meeting, Libya, Algeria and Venezuela were inclined to resist the proposal put forward by Saudi Arabia and its Gulf Arab neighbors. An OPEC spokesman said the increase would be based on the group's current production. He also stated that OPEC agreed to vigilantly monitor fluctuations in the volatile world crude market. Earlier, OPEC's Secretary General Abdullah al-Badri said OPEC ministers are equally concerned by the backwardation in US WTI crude futures and by the outlook for the US economy. Separately, an OPEC official said Algeria's Oil Minister Chakib Khelil is scheduled take over the presidency of OPEC from his UAE counterpart January 1.

Iran's Oil Minister Gholam Hussein Nozari said Iran would pump an additional 74,000 bpd of crude as part of OPEC's decision to increase production while Iraq would also offer additional fresh barrels to the market. He said Iraq's

Market Watch

MasterCard Advisors reported in its SpendingPulse report that US retail gasoline demand fell to 9.653 million bpd in the week ending September 7, down 0.85% on the week. US retail gasoline prices increased by 5 cents to \$2.81/gallon on average.

According to the EIA, a federal mandate that 25% of power and gasoline come from renewable sources would increase electricity prices by 6% and gasoline by 24 cents/gallon by 2030.

Platts reported that the Association of Oil Pipelines would announce that it is leading a new study to see if the low level ethanol gasoline blends, such as E10, can be moved via pipeline. Until now the focus has been on finding a way to move ethanol from the US Midwest corn belt to markets now served by less efficient trucks, rails and barges. The study would see if moving blends such as E10, E15 and E20 in batches on existing pipelines can help alleviate issues such as ethanol's corrosive effects.

Bids for Light Louisiana Sweet crude fell to 35 cents discount to WTI futures early Tuesday, pushing the price for LLS below WTI futures for the first time in a year.

China's National Bureau of Statistics announced that China's rate of consumer price inflation reached 6.5% in the year to August, up from 5.6% in July. China's central bank has increased its interest rates four times already this year to try to control inflation.

Britain and Saudi Arabia are close to a fighter jet deal that would use cash instead of oil in the controversial arms to oil pacts of the past. The deal is aimed at providing greater transparency after secretive past deals triggered investigations into suspected bribery. Saudi Arabia is expected to spend up to 20 billion pounds or \$41 billion on 72 Eurofighter Typhoon combat jet, including weapons, spares and maintenance.

commitment would help meet a shortfall in the market later this year when maintenance at the UAE's largest oil field would reduce production by an estimated 800,000 bpd for one month. He added that other countries would also help fill the gap.

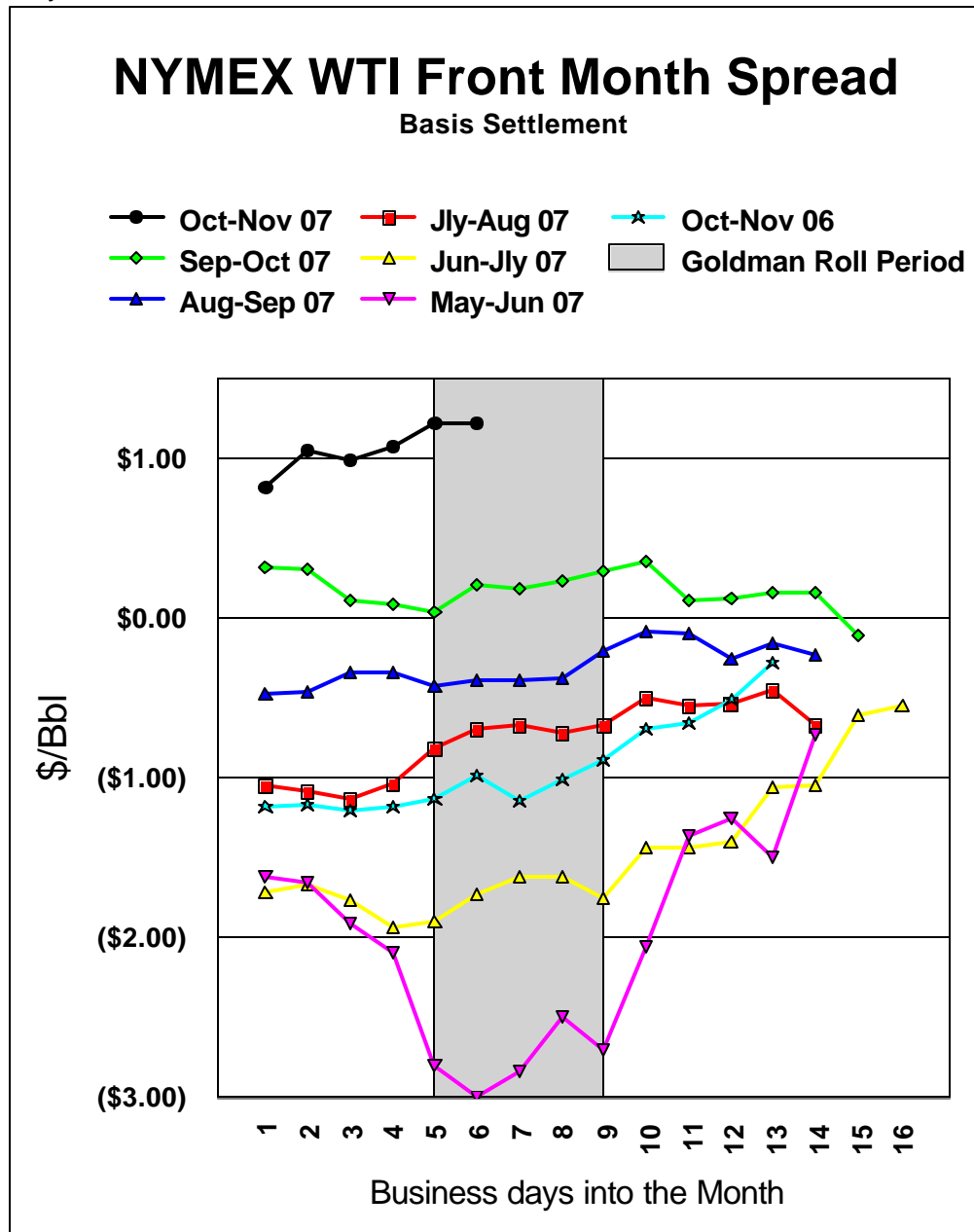
The IEA's head of oil markets Lawrence Eagles said OPEC's 500,000 bpd increase agreed to on Tuesday was less than what the IAE would have like to see.

The EIA reported that world oil consumption increased by 1.2 million bpd on the year in the second quarter of 2007. It reported the China, the Middle East, the US and India accounted for most of the increase in oil consumption. It estimated that world oil consumption would increase at a year over year rate of 1.8 million bpd during the second half of 2007. It stated that world oil demand is expected to increase by 1.3 million bpd in 2007 to 85.7 million bpd and by 1.4 million bpd in 2008 to 87.1 million bpd. Non-OPEC oil production is estimated to grow by about 600,000 bpd during 2007, down 100,000 bpd from last month's outlook. In regards to OPEC, the EIA stated that OPEC is expected to increase its production slowly, to an average of 31.4 million bpd in order to manage inventories and maintain prices. The EIA increased its US oil demand estimate by 30,000 bpd from its previous report to 20.89 million bpd for 2007 and by 40,000 bpd to 21.11 million bpd for 2008. It estimated that this summer's gasoline consumption is expected to average 9.5 million bpd, up 0.8% from last summer's average. Total domestic oil consumption is projected to average 20.9 million bpd in 2007, up 1.5% on the year. In 2008, consumption is estimated to increase by 1.1 % to 21.1 million bpd. Gasoline demand for 2007 is estimated at 9.33 million bpd and for 2008 at 9.43 million bpd, down 10,000 bpd from the previous estimate. Distillate demand in 2007 is estimated to average 4.26 million bpd, up 10,000 bpd from its previous estimate while demand in 2008 is estimated at 4.31 million bpd, up 10,000 bpd. In 2007, domestic oil production is projected to average 5.2 million bpd, up 0.3% on the year. Domestic production in 2008 is also expected to increase by 4.1% to 5.4 million bpd. The EIA stated that gasoline stocks ended August at levels sufficient to cover just 19.7 days of demand, the lowest level since EIA started tracking data in March 1991. US distillate inventories are expected to be near their five year average level through the upcoming winter. In regards to prices, the EIA kept its fourth quarter forecast for the average retail price of regular gasoline steady, revising July's estimate downward by only 1 cent to \$2.67/gallon. Full year projections were little changed on the month at \$2.73/gallon for 2007 and \$2.79/gallon for 2008. The price of heating fuel is forecast to average \$2.78/gallon between October and the end of March, up 30 cents compared to the same period in 2006-2007. The EIA revised its fourth quarter average price of US WTI downwards by \$1 to \$71.67/barrel compared to its previous estimate. The EIA's full year forecast for WTI in 2008 was \$71.17, \$4.20 above its 2007 projection.

Euroilstock reported that inventory levels of distillates, including gas oil for heating, held by German oil companies increased in August to 11.6 million tons or 87 million barrels from 10.8 million tons or 81.17 million barrels a year earlier.

Separately, Euroilstock reported that European oil product inventories were mostly steady from the previous month but fell from a year earlier due to lower crude oil intake. It showed that gasoline stocks increased by 8,000 barrels on the month in August to 124.27 million barrels. It however reported that gasoline stocks were down 3.43 million barrels on the year. Total oil and oil product inventories increased by 770,000 barrels on the month to 1.143 million barrels but fell by 9.82 million barrels on the year. Crude stocks increased by 650,000 barrels on the month but fell by 890,000 barrels to 482.68 million barrels. Euroilstock reported that middle distillate stocks fell by 380,000 barrels on the month and by 3.11 million barrels to 396 million barrels in August. It reported that crude intake increased by 80,000 bpd to 12.156 million bpd.

Leftist guerillas in Mexico who claimed responsibility for bombing oil and gas pipelines in Mexico said they would continue the attacks until their demands are met.



Refinery News

Valero said operations at its Port Arthur, Texas refinery were still lower due to a coker feed problem. There was no timetable for repairs yet.

Separately, Valero Energy reported a process malfunction at its 170,000 bpd McKee refinery in Sunray, Texas. The refinery has been operating at about 160,000 bpd as it repairs damage from a February fire.

Tesoro Corp said unexpected repairs of a crude unit forced it to cut production at its 166,000 bpd Golden Eagle refinery in Martinez, California. The refinery is expected to resume full production by midweek after the repair is finished. It said the cut would not impact customers.

BP said it would begin

performing a major eight week turnaround Wednesday at its 155,000 bpd refinery in Toledo, Ohio. Maintenance is expected to be completed and restart in mid-November.

Husky Energy Inc said it could start retooling its newly acquired Ohio refinery to process heavy oil and oil sands derived crude in 2009.

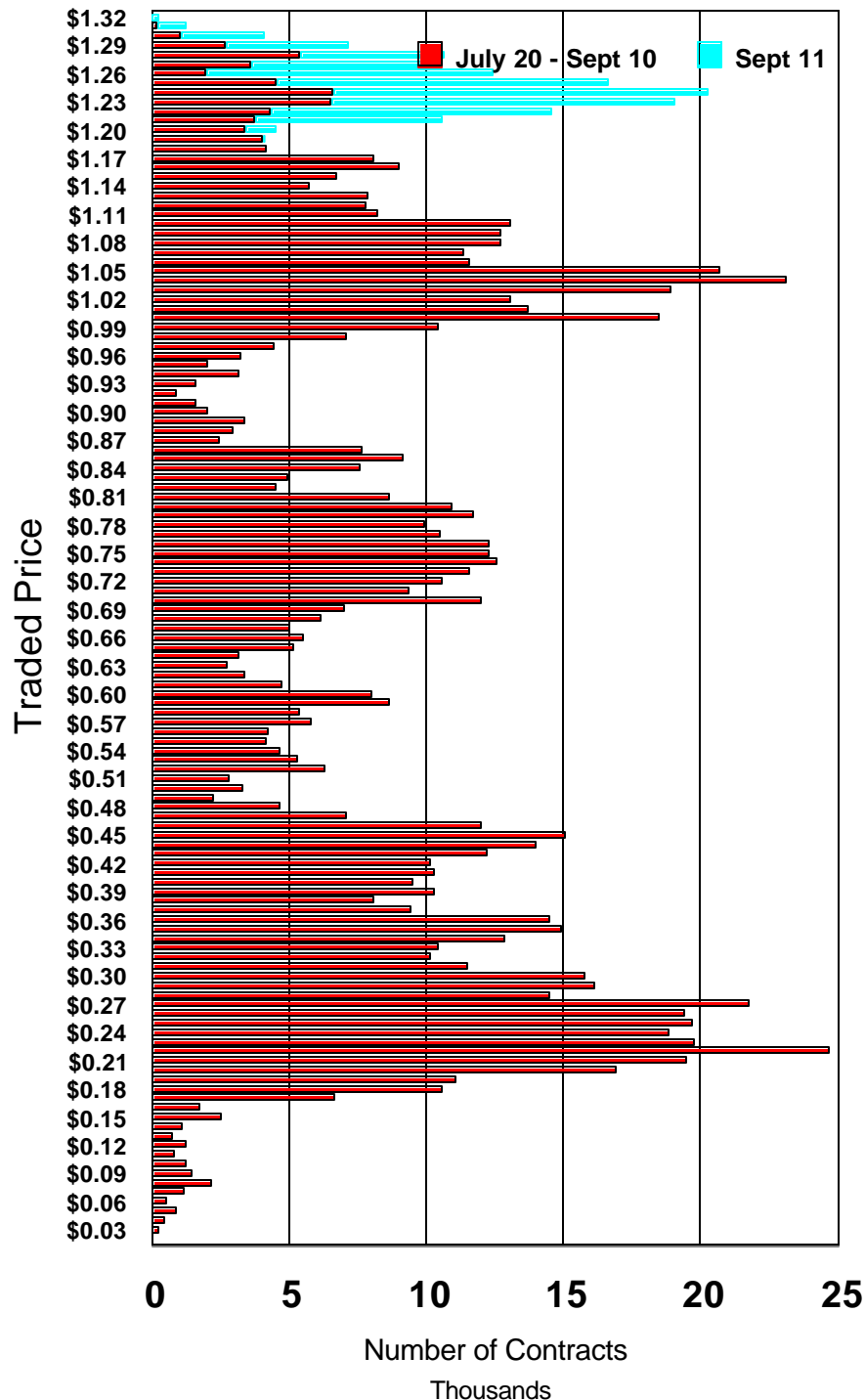
Japan Energy Corp said it shut down a 52,000 bpd fluid catalytic cracking unit on Sunday due to a problem. The unit is expected to resume operations on September 18.

South Korea's SK Incheon said it planned to cut its crude processing rate in October by 17% to 190,000 bpd due to weak refining margins.

NYMEX WTI: October November Spread

Price Vs Volume for July 20 - September 11, 2007

Trade Weighted Avg: 9/11 1.25 9/10 1.09 9/7 1.05 9/6 1.12 9/5 1.05



A government official said the government would allow Royal Dutch Shell's refinery in Argentina reopen on Tuesday after the company presented a clean up plan for the plant. Government officials closed the Dock Sud refinery last week on the grounds that it was an environmental hazard.

Turkey's Petrol Ofisi AS said it would make its final investment decision for building a refinery in Turkey with Austrian partner OMV AG within six to eight weeks.

New Citgo chief executive Alejandro Granado said he has no instructions from parent company PDVSA to sell any or all of Citgo's three US refineries. Citgo expects to sell two asphalt refineries in Georgia and New Jersey by the end of 2007.

Production News

Norway's Petroleum and Energy Minister Odd Roger Enoksen said world oil markets are balanced and added that present high oil prices are needed to develop new resources in harder to reach places and offset increasing production costs.

According to Reuters, the average daily loading rate for the nine main North Sea crude systems increased by 5.9% on the month in October to 2.58 million bpd.

Kazakhstan's Energy Minister Sauat Mynbayev expressed concern on Tuesday over the head of Italy's Eni. The

delays at the Kashagan oilfield during his talks with Paolo Scaroni,

country's energy ministry said the delays in developing the Kashagan oilfield would lead to a fall in planned economic growth over the next decade and threaten the implantation of long term economic development programs in the country.

Iran's Oil Minister Gholamhossein Nozari said the country's oil production capacity stood at 4.2 million bpd.

An official at Brazil's Petrobras said the company would sign wide ranging agreements with Norway's Statoil ASA on joint oil production and biofuels.

China's General Administration of Customs said the country's crude oil imports increased by 18.8% on the year in August to 14.04 million tons or 3.31 million bpd. Crude oil imports in the first eight months increased by 15.3% to 110.4 million tons. It also reported that China imported 2.53 million tons of oil products last month while imports of products in the January to August period fell by 5.7% to 24.28 million tons.

A senior Chinese energy official said China's strategic petroleum reserve currently holds 2 million-3 million tons of oil and would reach 12 million tons by 2010. The official said China's reserve would hold enough oil by 2020 to cover three months of crude imports.

Woodside Petroleum Ltd said it was in discussions with potential Asian buyers, including Taiwan's CPC Corp about significant volumes of liquefied natural gas.

Production at the Ormen Lange gas project in the North Sea may start as early as this week. The field, Norway's largest offshore oil and gas project, is scheduled to be inaugurated on October 6 but is scheduled to begin full commercial operations on October 1.

OPEC's news agency reported that OPEC's basket of crudes increased to \$72.34/barrel on Monday from \$72.01/barrel on Friday.

Market Commentary

In an effort to show support for the world's economy, OPEC decided to increase production by 500,000 barrels per day. This is in addition to the 900,000 barrels that OPEC is thought to be currently over producing. Upon the initial release of this news, the crude oil market sold off to the lows of the day set at 76.92. Perhaps in anticipation of tomorrow's expected 2 to 2.5 million draw in crude stocks or in response to the late rally in the stock market, crude oil rallied back up at the end of the trading session. Although the October contract went out on a strong note, the front month spread was trading at unchanged.

We think that if stock levels do not show significant draws, this market will trade lower, forcing any heavy length to cover. Expectations for tomorrow

		Explanation	
CL 78.23, up 74 cents	Resistance	78.40, 78.77, 79.15	Tuesday's high
	Support	78.00, 77.00, 76.92	Tuesday's low
		76.49, 75.60, 74.44, 72.75, 72.08	
HO 218.27, up 1.11 cents	Resistance	219.43, 221.87	Previous high, basis trendline
	Support	218.95	Tuesday's high
		215.57	Tuesday's low
RB 198.11, up 25 points		213.00, 212.00, 210.25	Previous lows
	Resistance	201.00, 202.79, 205.30	Previous highs
	Support	199.85	Tuesday's high
		198.00, 196.40, 194.00	Tuesday's low
		193.50, 193.40, 191.55	Previous lows

are calling for a draw in crude oil of 2 – 2.5 million, distillates a build of 1.8 million and gasoline a draw of 700,00 barrels. Crude oil support comes in at 77.00, 76.49, 75.60, 74.44 72.75, 72.08, 71.53, 71.20, 70.67 and **69.96** Resistance is set at 78.40, 78.77 and 79.15. Meanwhile, the RBOB market posted an inside trading day as it held resistance at the 200.00 level. The market posted a high of 199.85 in overnight trading on Globex and traded mostly sideways early in the session. However the market retraced its overnight gains and sold off to a low of 194.00. The market later bounced off that level and retraced most of its downward move amid the late day strength in the crude market. The RBOB market settled up 25 points at 198.11. Similarly, the heating oil market also posted an inside trading day. It traded to a high of 218.95 in overnight trading before it settled in a mostly sideways trading pattern. It traded to a low of 215.57 in afternoon trading and later bounced off that level and traded back towards its high on the close. It settled up 1.11 cents at 218.27. The markets on Wednesday will be driven by the weekly petroleum stock reports, which are expected to show draws in crude stocks and gasoline stocks and a build in distillate stocks. The draws in crude stocks and gasoline stocks will keep the markets supported. The RBOB market is seen finding support at 198.00, 196.40, and its low of 194.00. More distant support is seen at 193.50, 193.40 and 191.55. Meanwhile resistance is seen at its high of 199.85, 201.00, 202.79 and 205.30.