



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 13, 2007

The director of OPEC's research division, Hasan Qabazard said a record high oil price near \$80/barrel was caused by many factors aside from supply and demand. Meanwhile the head of OPEC's energy studies department said the problems in the credit market would have an impact on downstream energy investment, specifically in refinery expansion. He also stated that OPEC sees efforts by consumer nations to promote alternative fuels as posing risks of a fall in world oil demand in the long term. He also stated that the strain on the world's oil refineries would persist for at least the next three years.

According to Oil Movements, OPEC's oil exports are expected to increase by 80,000 bpd to 24.07 million bpd in the four weeks ending September 29. It said the extra supply was going to Eastern markets from the Gulf and there was an increasing flow of Atlantic Basin crude heading east. It estimated that OPEC was producing about 970,000 bpd less than at this time last year.

A senior EIA analyst said US wholesale and retail gasoline prices may increase despite falling demand. The analyst said lower than normal gasoline inventories, high crude prices and lower refinery utilization rates added to pressure above what would be expected.

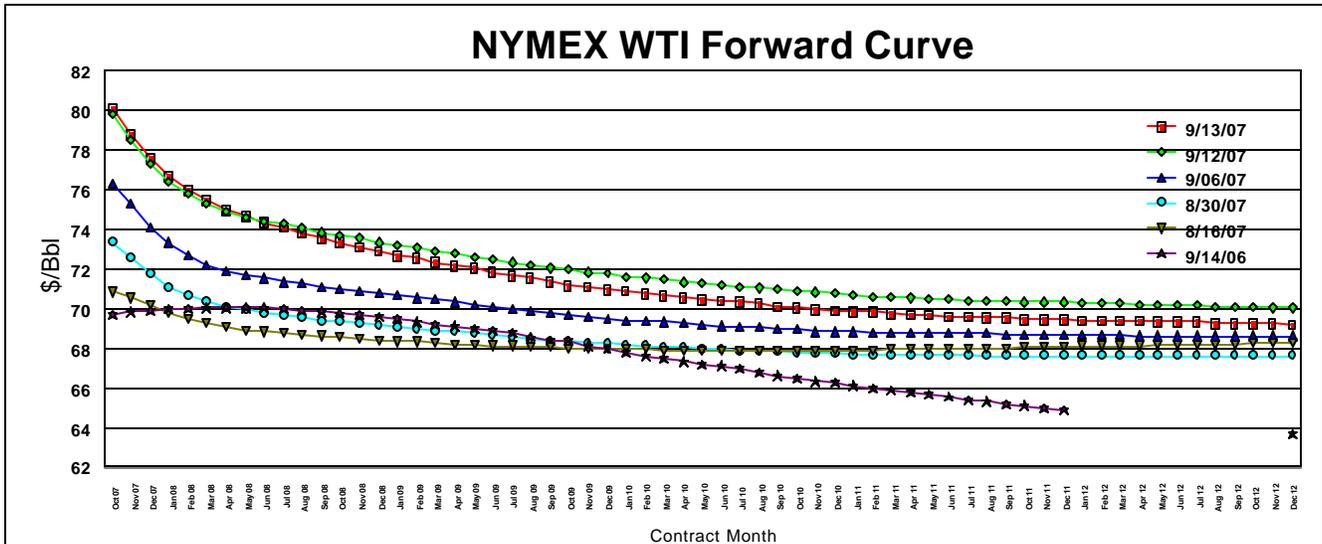
Market Watch

T. Boone Pickens said the oil market was likely to reach \$85-\$88/barrel in the fourth quarter.

OPEC staff members have met with officials from Venezuela in a bid to bridge the gap between the country's stated official oil production level and estimates a third lower by news agencies and institutions. Venezuela has claimed its oil output if higher than secondary sources suggest, with the official level reported at 3.2 million bpd against estimates by Dow Jones, Platts and the IEA of about 2.4 million bpd.

ExxonMobil Corp said it was seeking arbitration after talks with Venezuela over compensation for nationalized oil assets failed to produce any results. ExxonMobil said that parties had yet to reach an agreement on the amount of compensation to be paid to the company.

NYMEX Holdings Inc said August average daily volume increased by 11% on the year to 1.43 million contracts. NYMEX electronic volume on the CME Globex electronic trading platform was 665,623 contracts per day, triple the year earlier volume on NYMEX Access. NYMEX floor traded energy futures and options averaged 227,887 contracts/day in August.



A leader of an alliance of Iraqi Sunni Arab tribes that opposed al Qaeda was killed in a bomb attack on Thursday.

Separately, the head of the Islamic Army of Iraq has offered to open peace talks with US forces in the country. He said talks could take place if the US committed to a timetable for the withdrawal of its soldiers.

The State Department's Iraq coordinator, David Satterfield said that the US was studying how to push back against Iran over its atomic program and its actions in Iraq. However he dismissed speculation that the Bush administration was taking a more serious look at military action against Iran.

Refinery News

The US Coast Guard stated that ships resumed moving along the Houston Ship Channel on Thursday morning after it was shut on Wednesday afternoon due to rough seas caused by Hurricane Humberto. The Coast Guard said 18 ships were waiting to enter the waterway while 20 ships were waiting to exit the channel. It stated that ship traffic to Texas City, Texas resumed on Thursday after it was halted on Wednesday. Meanwhile, winds from Hurricane Humberto forced pilots to halt shipping into and out of Beaumont-Port Arthur, Texas. Also, ships were expected to resume transiting the Sabine-Neches Waterway between the Gulf of Mexico and refineries in Beaumont and Port Arthur, Texas by Thursday afternoon after it was shut on Wednesday. Separately, the Calcasieu Ship Channel was shut on Wednesday night as a precaution.

The Louisiana Offshore Oil Port LLC said operations were normal on Thursday as Hurricane Humberto came ashore too far west to affect operations at the terminal.

Colonial Pipeline Co said that while none of its facilities or pipelines were directly affected by Hurricane Humberto, there was a loss of power supply at several locations. As a result, the company was adjusting its use of booster stations and was adjusting refined products lifting schedules so that gasoline and distillate mainline operations remain at normal or near normal rates.

The premium for conventional gasoline for immediate delivery continued to widen early Thursday amid reports of refinery problems in the wake of Hurricane Humberto. Prompt regular conventional gasoline for the 53rd cycle traded at 13.5 cents over the NYMEX gasoline benchmark. This is up from a premium of 4.25 cents-4.5 cents over October RBOB on Wednesday.

Total Petrochemicals USA shut its 270,000 bpd Port Arthur, Texas refinery early Thursday due to a power outage. The facility lost power after Hurricane Humberto made landfall in the region. A company official said partial power was restored to the refinery. It is expected to resume operations upon restoration of full power. The restart may last through September 18.

Valero restored partial power at its 325,000 bpd Port Arthur, Texas refinery after it suffered a power outage due to the hurricane. It said it did not have a timetable yet for when production would resume. Valero's facilities in Corpus Christi, Houston and Texas City, Texas were unaffected by the hurricane.

ExxonMobil Corp said Hurricane Humberto had some minor impact on production at its Beaumont, Texas refinery on Wednesday night. It said it continued to meet its customers' supply commitments. It later stated that it restarted a wet gas compressor associated with a coker unit.

Shell Oil Co confirmed that its 285,000 bpd joint venture Motiva Enterprises refinery in Port Arthur, Texas was shut due to an electrical power outage caused by Hurricane Humberto. The refinery is expected to remain shut for at least five days.

ConocoPhillips' 239,000 bpd refinery in Lake Charles, Louisiana was operating normally Thursday morning after Hurricane Humberto made landfall.

ExxonMobil shut several units at its 326,000 bpd Fawley refinery in the UK after a power outage caused flaring on Wednesday.

Pemex reduced its production at its 320,000 bpd Tula refinery by 50% after explosions early Monday morning reduced crude supplies to the plant. It said it bought 300,000 barrels of US gasoline and diesel to cover a refining shortfall caused by attacks on its pipelines this week. Pemex said it started work to repair pipelines that were hit by explosions.

ConocoPhillips's Wilhelmshaven refinery in Germany was operating normally despite weak margins. The company restarted the refinery in the weekend of September 1 as margins were seen recovering after it was closed for about a month since early August, when margins weakened.

Indonesia's main refineries and industrial plants on Sumatra Island were not significantly damaged by Wednesday's earthquake and aftershocks. An official at Indonesia's oil and gas watchdog, BPMIGAS, said the operation of upstream activities in southern Sumatra were unaffected by the quake.

China's National Bureau of Statistics reported that China refined 27.51 million tons or 6.48 million bpd of crude in August, up 7.8% on the year. It reported that crude throughput during the first eight months of the year increased by 71% on the year to 215.75 million tons or 6.48 million bpd. It also reported that its gasoline production in August increased by 9.7% on the year to 5.003 million tons while its kerosene production increased by 30.7% to 1.0779 million tons and its diesel production increased by 6.9% to 10.395 million tons. It also reported that China's crude oil production increased by 2.3% on the year to 15.91 million tons.

Production News

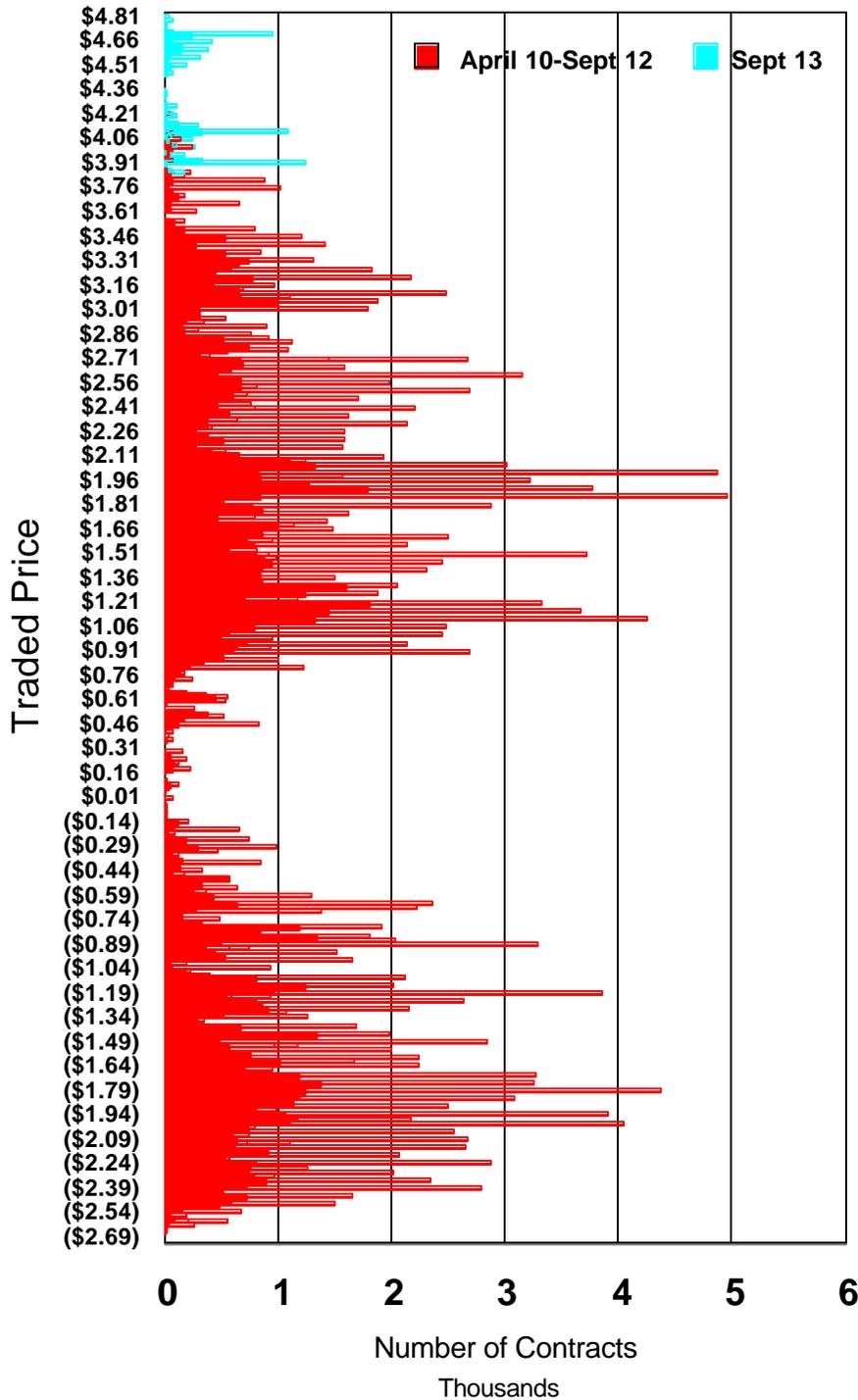
The North Sea Gullfaks crude system is scheduled to load 9.405 million barrels in October, unchanged on the month.

Iraq issued a new tender to sell 5 million barrels of Kirkuk crude from its northern fields, the second tender in two weeks.

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - September 13 , 2007

Trade Weighted Avg: 9/13 4.32; 9/12 3.73; 9/11 3.35; 9/10 3.14; 9/7 3.20



Traders stated that German consumers' heating oil stock levels were relatively unchanged in early September from last month. Stocks in household and businesses storage tanks stood at 58% of total capacity as of September 1, up from 56% at the start of August. Last year, stocks stood at 66% of capacity.

Ecuador's central bank reported that the country's oil export revenues total \$3.778 billion from January through July, down 8% from the \$4.117 billion reported last year. It exported 72.44 million barrels in the first seven months of 2007, down 8% from the 78.69 million barrels shipped last year.

Singapore's International Enterprise reported that residual fuel stocks increased by 65,000 barrels to 12.974 million barrels in the week ending September 12. It also reported that light distillate stocks increased by 477,000 barrels to 8.989 million barrels while middle distillate stocks increased by 1.25 million barrels to 7.749 million barrels on the week.

The National Iranian Oil Co set its official selling price of its Iranian Light crude bound for NW Europe at BWAVE minus \$2.05, down \$2.10 on the month. It also cut the price of its Iranian Heavy and Forozan crude by \$2.90 to BWAVE minus \$3 and by \$2.50 to BWAVE minus

\$2.60, respectively. Meanwhile, its Iranian Light crude bound for Asia was increased by 99 cents to

the Oman/Dubai average plus \$1.70. Its Iran Heavy bound for Asia was priced at the Oman/Dubai average minus \$1.19, down \$1.55 while its Forozan crude was priced at the Oman/Dubai average minus \$1.10, down \$1.35.

OPEC's news agency reported that OPEC's basket of crudes continued to increase to \$74.21/barrel on Wednesday from \$73.13/barrel on Tuesday.

		Explanation	
CL	Resistance	80.40, 81.08	Thursday's high
	80.09, up 18 cents	80.20	
	Support	79.50, 79.19	Thursday's low
		78.85, 78.04, 77.52, 76.92, 75.52	
HO	Resistance	225.85, 228.58	Basis trendline
	221.90, down 1 point	222.15, 223.47	Thursday's high
	Support	220.60, 219.26	Thursday's low
		217.71, 215.57, 213.00, 212.00, 210.25	Previous lows
RB	Resistance	206.97, 208.70, 212.33	Previous highs
	204.64, up 3.04 cents	204.95, 206.25	Thursday's high
	Support	201.70, 201.25, 200.19	Thursday's low
		196.64, 194.00, 193.50, 193.40	Previous lows

Market Commentary

With the upgrade of tropical storm, Humberto to a hurricane, October crude oil once again traded over \$80.00, peaking at \$80.20. This is the highest level since the inception of the crude oil contract back in 1983. The strength in prices was short lived however, with news that Humberto was weakening, with winds falling below the 65 mph threshold that makes a storm a hurricane. Open interest in crude oil built by 27,149, with November reflecting the largest gain, posting a build of 16,759. The October/November spread was little change and did not reflect the strength in prices. We would look for weakness in this spread and should the 1.05 level be penetrated we would look for a test of .75 prior to October expiry. With the shut-in of three major suppliers of gasoline, the RBOB market lead the complex today, adding further strength to the November gasoline/heating oil spread, which finished the session .0233 higher than yesterday's close. Our initial objective for this spread is -.1400 with the possibility of strengthening further. Crude oil support comes in at 78.85, 78.04, 77.52, 76.92 and 75.52. Resistance is set at 80.40 and 81.08. The RBOB market posted a low of 200.19 in overnight trading and was well supported by the reports of refinery shut-ins due to Hurricane Humberto. The market rallied to a high of 206.25 early in the session. However it gave up most of its gains and settled in a sideways trading pattern ahead of the close. The RBOB market settled up 3.04 cents at 204.64. The heating oil market also rallied to a high of 223.47 amid the strength in the gasoline market. It however erased its gains and sold off sharply to a low of 219.26. The market later bounced off its low and traded back towards the 222.00 level. The heating oil market settled down just 1 point at 221.90. The product markets are seen remaining supported amid the closure of the refineries in the Gulf coast. Even if the markets erase some of their gains, the markets' losses will be limited ahead of the weekend. The RBOB market is seen finding support at 201.70, 201.25 and 200.19. More distant support is seen at 196.64, 194.00, 193.50 and 193.40. Meanwhile resistance is seen at 204.95, 206.25, 206.97, 208.70 and 212.33.