



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 14, 2007

OPEC's Secretary General Abdullah al-Badri said the rally in oil prices to over \$80/barrel was temporary and unsupported by fundamentals. He also stated that Angola would have a quota commencing January 1, with a decision on what it would likely be when OPEC meets in December.

OPEC maintained its outlook for healthy world economic growth and oil demand for this year and 2008 but cautioned that it was too early to gauge the wider economic impact from US credit problems. Its world oil demand estimate for 2007 was unchanged from its previous report, with demand this year expected to increase by 1.28 million bpd or 1.5% from 2006. World oil demand in 2008 is estimated at 1.35 million bpd, up 1.6% on the year, which was also unchanged from its previous estimate. Meanwhile, OPEC revised down its 2007 forecast for non-OPEC oil production from its August report by 20,000 bpd to 50.31 million bpd. It also revised down its 2008 non-OPEC supply forecast by 42,000 bpd to 51.36 million bpd. It said the call on OPEC crude is expected to increase by an average of 100,000 bpd from 2006 to 31.02 million bpd. In 2008, the call on OPEC crude is seen averaging 30.81 million bpd, down 216,000 bpd from 2007.

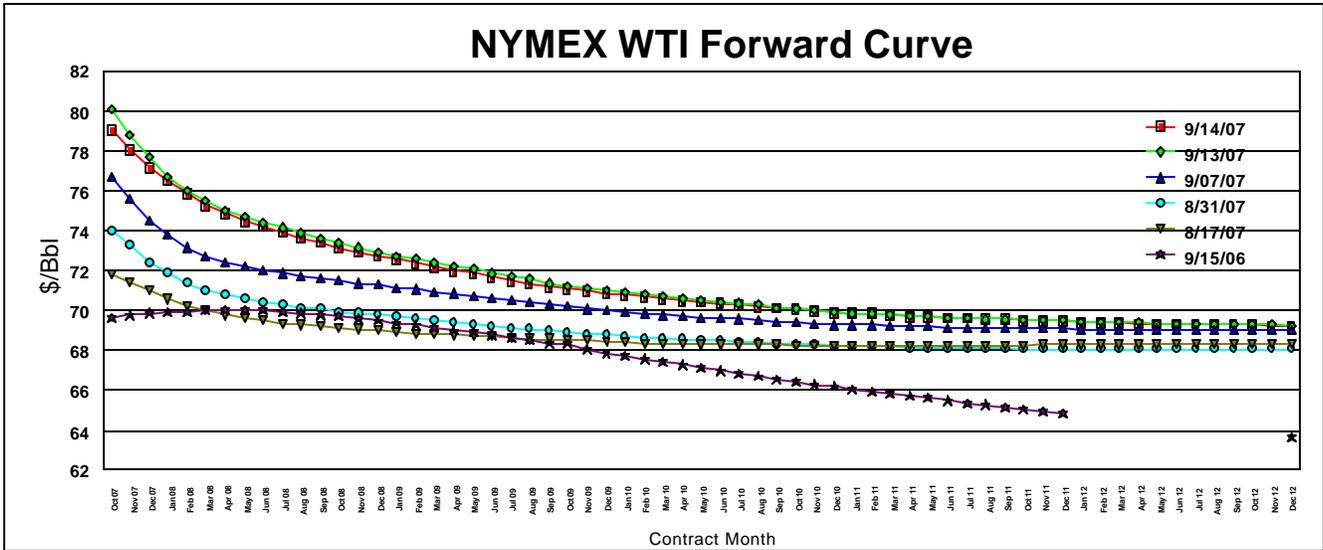
Market Watch

Venezuela's Oil Minister Rafael Ramirez said the country is ready to go to arbitration with ExxonMobil over compensation for its nationalized oil assets. He has previously made clear that the country planned to pay companies the book value of their investments, a major point of contention since market value is now much higher.

The Global Markets Fund run by Mulvaney Capital Management lost 19.4% in August and is down 34.4% on the year so far. The fund has assets of \$125 million and invests in currency, interest rate, equities, metals, energy, crops and livestock futures. The fund lost 5% on currencies, about 4% on stocks and more than 3% in interest rates. However its energy and crops investments were up on the month.

EU Energy Commissioner Andris Piebalgs said high oil prices were not hampering European growth as the economy has been able to adjust. He said only increased volatility would cause serious damage. He added that there was no sign of a supply shortage in the oil market but he trusted that OPEC would act properly if a supply shortage developed.

A split has emerged in the coalition of western powers pressuring Iran to freeze its nuclear enrichment program, as France supports US calls for a new round of sanctions while Germany urges restraint. Germany has stated that discussion of fresh sanctions would not be necessary if Iran cooperated with the UN. Meanwhile Russia and China have been opposed to new sanctions.



Refinery News

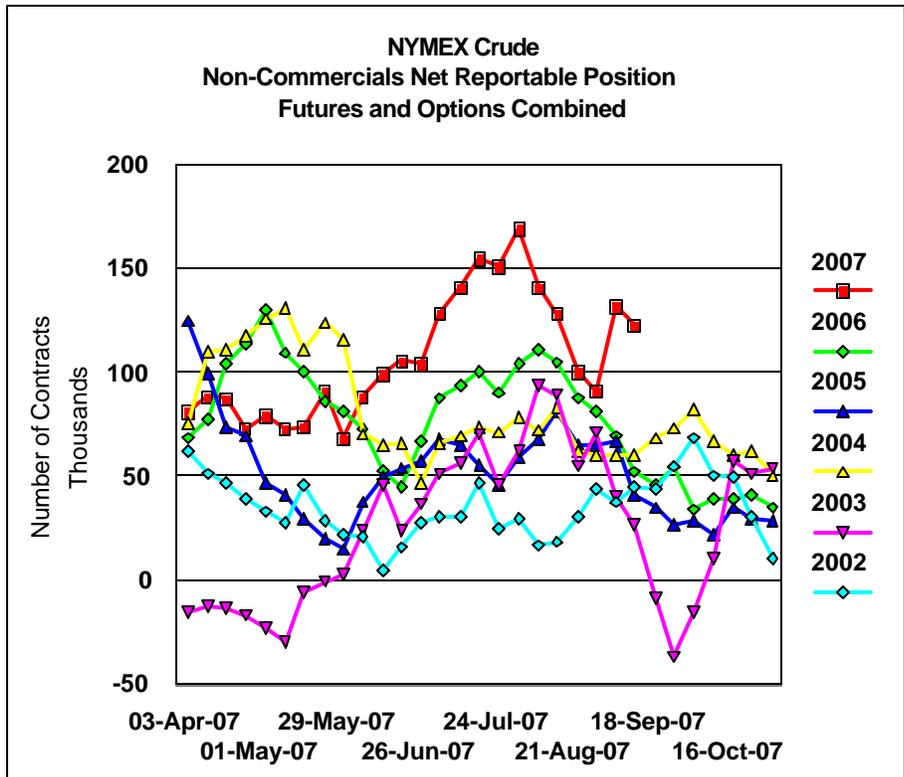
Valero Energy Corp said power was restored to its 325,000 bpd refinery in Port Arthur, Texas after it suffered a power outage due to Hurricane Humberto. It began restart activities at the refinery overnight. It was working to restore production by the end of next week.

Total Petrochemicals USA's Port Arthur, Texas refinery has resumed operations after power was restored to the 232,000 bpd refinery on Thursday. The arrival of Hurricane Humberto as a category 1 hurricane caused the power outage Thursday. The Total refinery retained some power supplied by its co-generation unit, which allowed the plant to keep process units in circulation, preventing product from hardening in the pipes and causing blockages.

Motiva Enterprises LLC's Port Arthur, Texas refinery remained shut Friday after it was shutdown due to Hurricane Humberto. It said some electrical power was restored. The duration of the shutdown remained unclear. It previously stated that the refinery was likely to remain shut for at least five days.

Hovensa LLC said it did not expect to shutdown its 500,000 bpd refinery in St. Croix due to Tropical Storm Ingrid. Tropical Storm Ingrid is likely to weaken back into a tropical depression over the next four days, according to the US National Hurricane Center.

TEPPCO pipelines carrying



refined products from the US Gulf Coast to the Midwest were operating below full capacity as of Friday morning due to storm caused power outages. A pipeline carrying gasoline and liquefied petroleum gases was operating at 80% of capacity while a pipeline carrying distillates would be down until full power is restored.

ExxonMobil said it was restarting units at its 326,000 bpd Fawley refinery in the UK that were shut earlier this week following a power disruption.

Murphy Oil was meeting with Wisconsin environmental regulators and federal officials as it considered a \$6 billion refinery expansion. The possible expansion would increase refinery capacity from 35,000 bpd to 235,000 bpd.

Production News

Norway's Petroleum Directorate reported that the country's oil production fell to 2.11 million bpd on average in August, down from 2.28 million bpd in July.

Russian oil exports are expected to increase by 50,000 bpd in the fourth quarter with larger shipments via the Druzhba pipeline to Central Europe and re-exports from the Polish port of Gdansk. The quarterly export schedule by Transneft showed overall seaborne and pipeline exports to countries outside the former Soviet Union would amount to 51.55 million tons or 4.11 million bpd compared with 4.06 million bpd in the third quarter.

Gas oil inventory levels in independent storage in the Amsterdam-Rotterdam-Antwerp area fell by 244,000 tons to 1.714 million tons in the week ending September 12. It was also down 161,000 tons from 1.875 million tons reported last year. Over the past week, gas oil was exported in large cargoes to Nigeria and Britain, contributing to the reduction in the inventory levels in the ARA area. Gasoline stocks increased by 11,000 tons to 745,000 tons while naphtha stocks increased by 47,000 tons to 108,000 tons on the week. Fuel oil stocks built by 71,000 tons to 509,000 tons while jet fuel stocks built by 9,000 tons to 479,000 tons on the week.

Ecuador's Central Bank stated that the country's average oil production fell by 7% on the year to 506,303 bpd in the first seven months of the year. Petroecuador averaged 254,453 bpd in the first seven months while private companies' oil production averaged 251,850 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$74.64/barrel on Thursday from \$74.21/barrel on Wednesday.

Market Commentary

After posting yet another record high, crude oil prices fell \$1.35 from the previous day's settlement. The announcement by Valero Energy Corp, Total S.A. and Motiva, that their refinery units were in preliminary start-up after yesterday's closures, sent prices falling below the \$80.00 mark. The October contract settled down .99 cents on the day. The market place is anxiously awaiting next Tuesday when an announcement by the Federal Reserve is expected as to whether or not rates will be cut, which will have an impact on demand. It is highly expected that a cut will be made. Although it is difficult for one to feel confident with this higher move in prices, trying to short it at this point would be like jumping in front of a speeding train. It appears that investors are more confident in putting their money into commodities, and until there is a clear sign that the stock market is secure, we do not see this trend changing. We would keep a close eye on the stock market and any news from the Federal Reserve, and hope that the U.S. dollar gains strength. Total open interest in crude oil decreased by 28,378 with October reflecting a decrease of 52,349 and November increasing by 24,266. Crude oil support comes in at 78.85, 78.04, 77.52, 76.92 and 75.52. Resistance is set at 80.40, 80.63 and 81.08.

Meanwhile the product markets ended in negative territory amid some late profit taking ahead of the weekend. The RBOB market, which was

		Explanation	
CL	Resistance	80.40, 80.63, 81.08	Friday's high
	79.10, down 99 cents	79.25, 80.36	
HO	Support	78.85, 78.75	Friday's low
	220.78, down 1.12 cents	78.04, 77.52, 76.92, 75.52	
RB	Resistance	223.47, 228.01, 228.89	Previous high, Basis trendline
	203.64, down 1 cent	221.50, 223.10	
RB	Support	220.25	Friday's low
	203.64, down 1 cent	219.26, 217.71, 215.57, 213.00, 212.00	
RB	Resistance	206.97, 208.70, 212.33	Previous highs
	203.64, down 1 cent	204.00, 206.86	
RB	Support	202.73	Friday's low
	203.64, down 1 cent	200.19, 196.64, 194.00, 193.50, 193.40	

holding support at 202.95 early in the session, remained supported in light of the refinery closures. The market extended its gains to 2.22 cents as it rallied to a high of 206.86. It however retraced its gains and sold off to a low of 202.73 in late profit taking. The market settled down 1 cent at 203.64. The heating oil market also settled down 1.12 cents at 220.78 after it posted an inside trading day. The market traded to a high of 223.10 before it sold off to a low of 220.25 late in the session. The product markets will likely remain supported amid the continued refinery outages as their restart is expected to take several days. The RBOB market is seen finding support at 202.73, 200.19, 196.64, 194.00, 193.50 and 193.50. Meanwhile resistance is seen at 204.00 and its high of 206.86 followed by 206.97, 208.70 and 212.33.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 6,698 contracts to 44,240 contracts in the week ending September 11. It reported that non-commercials increased their total short positions by 16,405 contracts on the week. The combined futures and options report also showed that non-commercials in the crude market cut their net long position by 8,923 contracts to 123,523 contracts on the week. However non-commercials have likely added to their net long position once again during the past few trading sessions as the market rallied above the 80.00 level. Meanwhile, non-commercials in the RBOB market increased their net long position by 5,394 contracts to 35,419 contracts while non-commercials in the heating oil market also increased their net long position by 5,597 contracts to 31,580 contracts.