



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 19, 2007

France's Defense Minister Herve Morin said the country was not drawing up plans for a possible strike against Iran. Meanwhile, a member of Iran's Supreme National Security Council, said he would discuss a review of Franco-Iranian economic relations with the council and a decision would be made on the issue. He said the French government should expect consequences from its position against Iran. He called on the French officials to review their stance as soon as possible. Separately, Russia's ambassador to the UN, Vitaly Churkin said the country opposed new UN sanctions against Iran over its nuclear program. He warned new punitive measures could increase tension and would probably be counterproductive.

Market Watch

T. Boone Pickens said oil would continue to trend higher after reaching a high of over \$82/barrel but added that it is unlikely to breach the \$100/barrel level this year unless an unforeseen event upsets fundamentals.

According to a Goldman Sachs analyst, the marginal cost of about 5% of world oil supplies has increased to \$70/barrel. He said investors should distinguish between a structural bull market, where the overall oil price rises to meet the mounting cost of marginal production from a cyclical bull market, where oil prices rise on supply tightness.

Morgan Stanley said there was no hedge fund defaults among its prime brokerage clients.

An Iraqi shipping source stated that Iraq's northern oil export pipeline to Turkey was damaged in an attack on Tuesday. The export pipeline is expected to take up to six days to repair. The attack also blew up another pipeline that transports crude to Iraq's Baiji refinery. Iraq currently has 6.7-6.8 million barrels of Kirkuk crude in storage at Ceyhan after pumping intermittently over the past month.

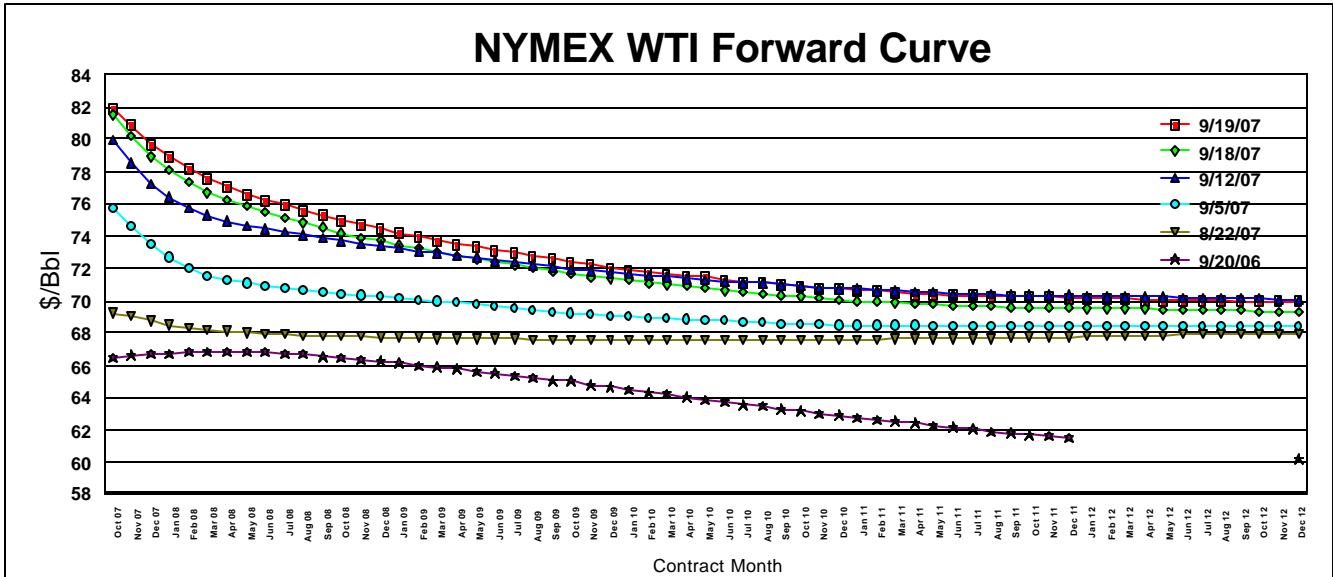
The White House stated that comments made by an Iranian air force commander suggesting Iran has a plan to bomb Israel were unhelpful and appeared to be almost provocative. Iran's deputy commander of the air force stated that a plan had been drawn up to bomb Israel if the Israel attacked Iran.

DOE Stocks

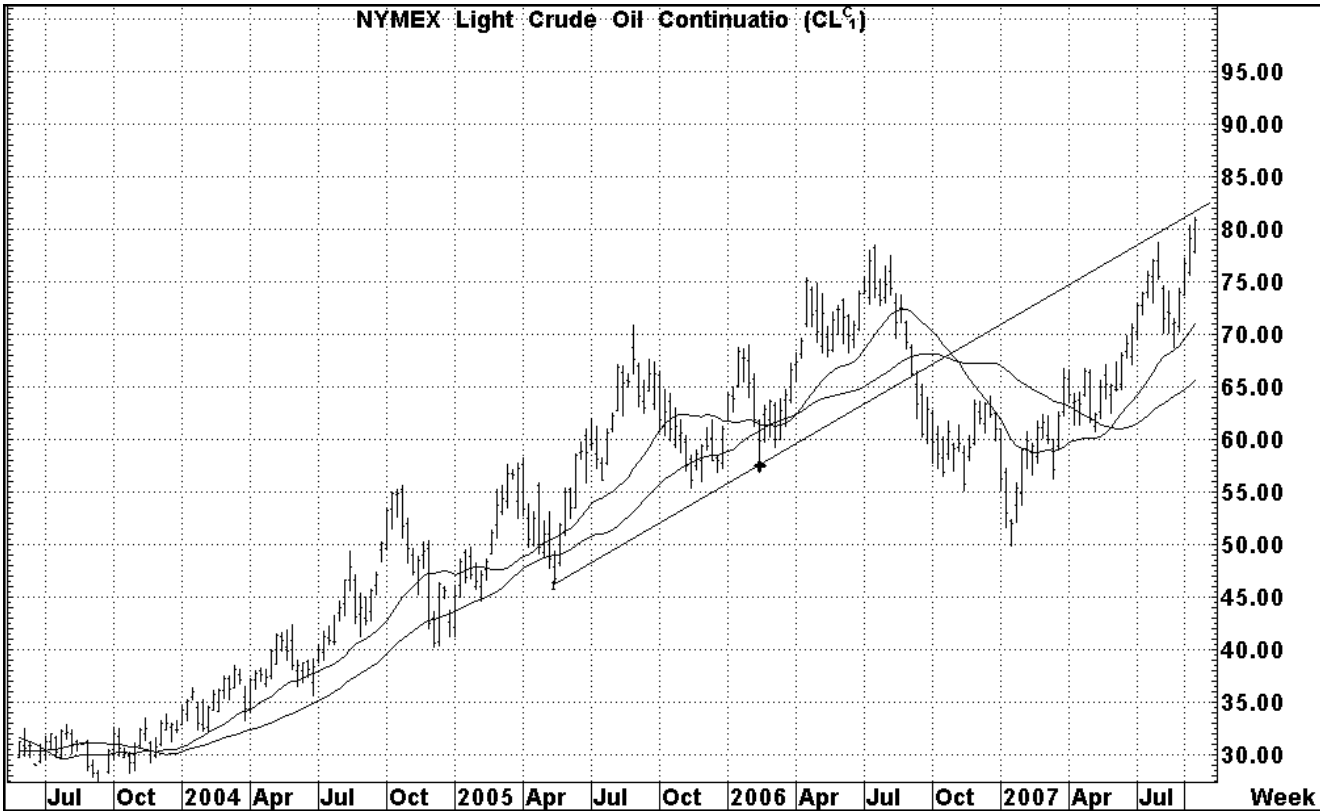
Crude – down 3.8 million barrels
Distillate – up 1.5 million barrels
Gasoline – up 400,000 barrels
Refinery runs – down 0.9%, at 89.6%

Refinery News

US energy companies on Wednesday were monitoring a developing storm that could strengthen and cross into the Gulf of Mexico in the next few days. Shell Oil Co said late Tuesday that it was evacuating 300 workers from



installations in the Gulf of Mexico as a precaution. It said about 400 more workers would be evacuated on Wednesday. However it stated that oil and gas production levels were not affected. Chevron Corp said it was evacuating non-essential personnel from its operations in the Gulf of Mexico. BP Plc has also started evacuating non-essential workers from the Gulf of Mexico. It said there was no impact on its production. ExxonMobil Corp said it started hurricane preparations for its Gulf of Mexico, South Texas and Mobile Bay operations. Marathon Oil Corp said it planned to evacuate between 25 and 30 non-essential crew members from two production platforms in the Gulf of Mexico. ConocoPhillips also started to evacuate non-essential personnel from its offshore operations in the Gulf of Mexico. The US National Hurricane Center reported said a tropical cyclone could form during the next day or two as a

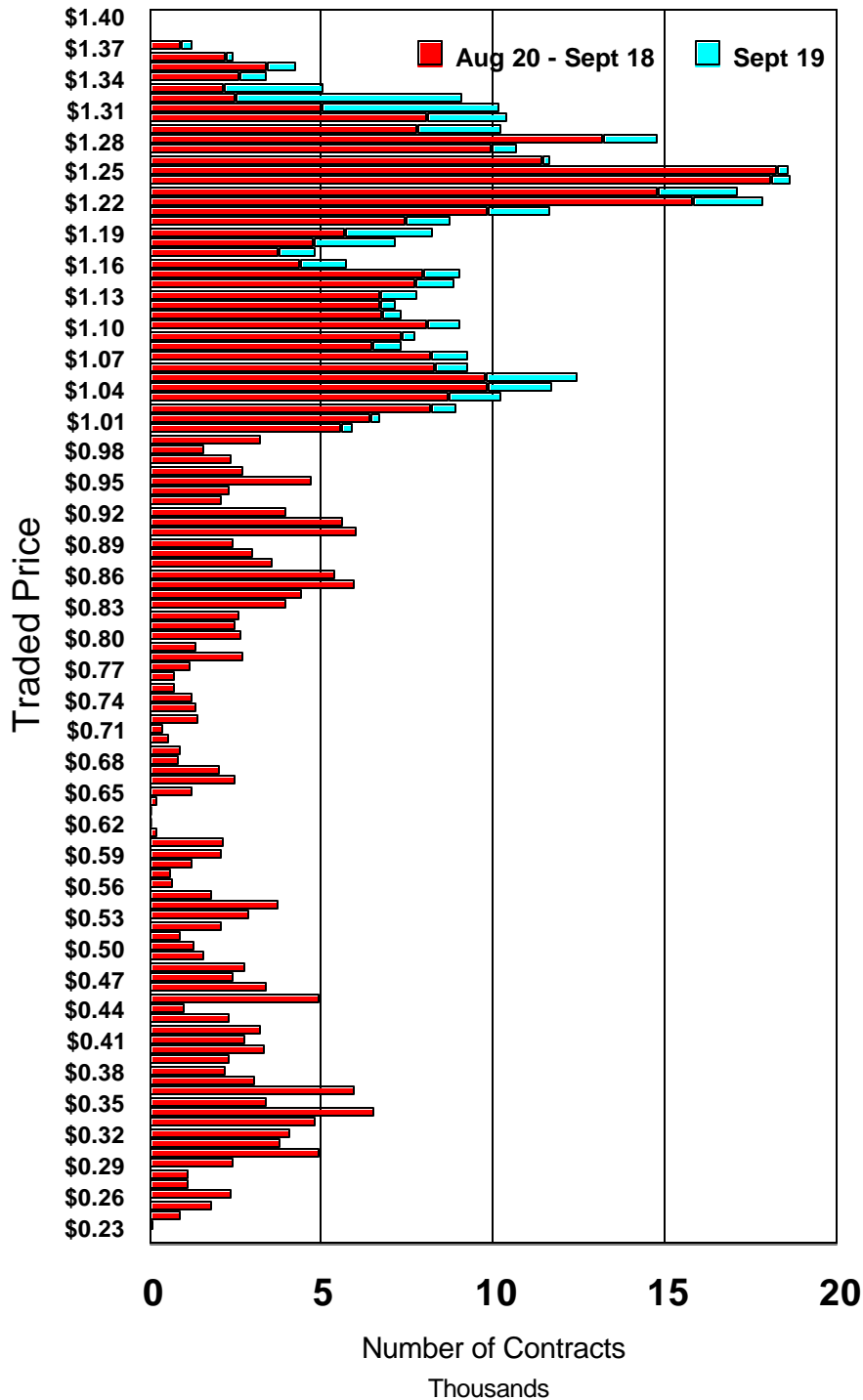


tropical disturbance moves westward across Florida and into the Gulf of Mexico. Four of five models show the storm crossing Florida, entering the Gulf of Mexico and striking land near Louisiana or Mississippi. The other model shows the storm turning north up the Floridian peninsula.

NYMEX WTI: November December Spread

Price Vs Volume for August 20 - September 19, 2007

Trade Weighted Avg: 9/19 1.21 9/18 1.30 9/17 1.09 9/14 1.01 9/13 1.22



The three refineries in Port Arthur, Texas that were shut last Thursday due to Hurricane Humberto were in the process of restarting on Wednesday. Valero Energy Corp said several units were restarted at its 325,000 bpd refinery and added that it expected to have production by the end of the week. Total said it restarted its 240,000 bpd refinery last week and processes were proceeding as planned. Motiva's 285,000 bpd refinery was also restarted.

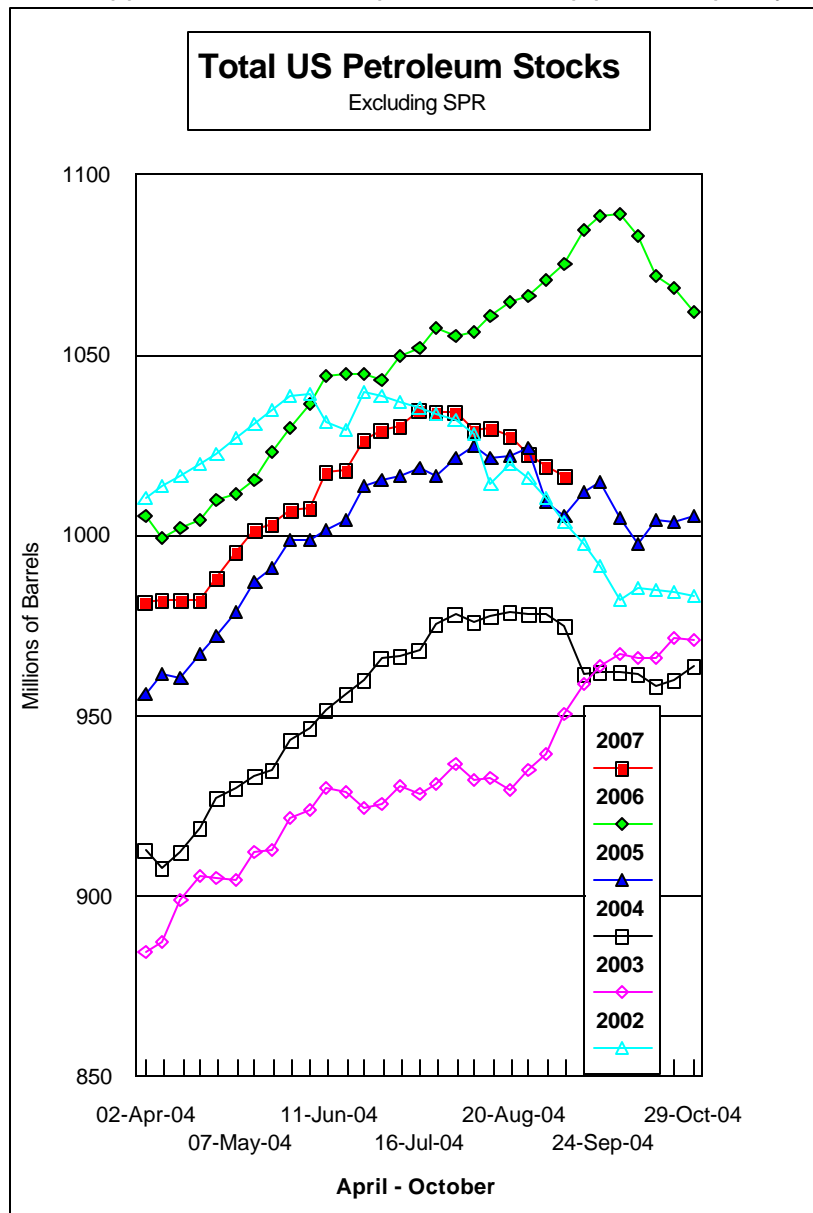
ExxonMobil shut a crude unit at its 348,000 bpd Beaumont, Texas refinery on Tuesday afternoon. According to a report filed with the Texas Commission on Environmental Quality, one of the refinery's crude oil processing units was shut to repair a broken pump. The report did not say whether the unit had been restarted or whether the incident impacted production at the refinery.

A compressor on an Isomax hydrocracker at Chevron Corp's 260,000 bpd refinery in El Segundo, California was shut on Wednesday morning. Chevron said it expected the hydrocracker to return to service within 24 hours. It does not expect any problems

supply customers during the brief shutdown.

Murphy Oil shut a crude distillation unit at its refinery in Meraux, Louisiana for 48-72 hours of unplanned maintenance.

Colonial Pipeline said it would allocate space for cycle 55 on its main distillate line north of Collins, Mississippi as demand for space exceeds pipeline capacity. It is the third consecutive cycle that the line has been allocated.



US ethanol production capacity has increased more than 27% this year to more than 6.84 billion gallons per year.

Nippon Oil Corp is expected to increase its crude refining by 6% on the year in October. Nippon Oil last year estimated its crude refining volume for October at 3.6 million kiloliters or 730,000 bpd.

South Korean refiners are expected to keep October crude processing unchanged from September at 2.27 million bpd.

China's southern region of Guangxi is expected to start blending 10% ethanol into gasoline in December, adding to the nine other provinces in the country using the ethanol in the past few years. China has stated that it planned to blend 2 million tons of ethanol into gasoline by 2010, up from 1.02 million tons currently.

Production News

According to government data, North Sea crude production fell to 3.95 million bpd in May as production eased in Norway and Britain. It is down from 4.18 million bpd in April.

Iraq is expected to supply Jordan in the next few days with 10,000 bpd of crude under preferential terms. The deal would cover almost 10% of Jordan's energy demand of 100,000 bpd.

The Shetland Island Council reported that Brent crude oil exports from Sullom Voe fell slightly to 255,385 tons in the week ending September 18 from 257,182 tons in the previous week.

Iraq's SOMO cut the official selling prices of its Basra light crude oil destined for the US and Europe while it raised the price for Asian customers. The price of Basra Light crude bound for the US was set at second month WTI minus \$7.20/barrel, down 40 cents/barrel from minus \$6.80/barrel in September. The October official selling price for European customers was set at Brent minus \$3.85/barrel, down 20 cents from minus \$3.65/barrel in September. Meanwhile the price for Basra Light crude bound for Asia was set at the Oman/Dubai average minus \$95 cents, up 25 cents from minus \$1.20 in September.

Australian Cossack crude supply for November is expected to be reduced from the usual four to five parcels of 650,000 barrels each due to oilfield maintenance. Planned maintenance in September has already cut Cossack crude supply for loading this month to two to three cargoes.

Russian Sakhalin-2's first year round exports of Vityaz crude would be pushed back to next year due to delays in pipeline commissioning. The delay would mean lower than expected winter supplies of light crude. A source stated that the pipeline commissioning would likely be delayed due to problems with Russia's technical and environmental watchdogs. Currently, Sakhalin-2 produces 60,000-70,000 bpd of Vityaz crude.

Russia's daily Kommersant reported that the country's TNK-BP would like to start hydrocarbon exploration and production in Venezuela. The news came a day after Russia's Lukoil reconfirmed its intention to set up a production deal with PDVSA.

Separately, Lukoil said it hoped to sign a contract with Turkmenistan by the end of the year, giving it and ConocoPhillips the right to explore three offshore blocks.

OPEC's news agency reported that OPEC's basket of crudes increased sharply to \$74.92/barel on Tuesday, up from Monday's \$74.06/barrel.

Market Commentary

Once again crude oil prices worked higher, setting yet another record high of 82.50. Initial reaction to today's release of the DOE/API numbers was bullish, with crude oil stocks posting a draw of 3.87 million barrels. This is the tenth draw in the past eleven weeks with prices up .32 %. However, this run

up was short lived upon further assessment of the numbers. Demand for crude oil is down 2.2%, with total stock levels still hovering

		Explanation	
CL	Resistance	81.45	Wednesday's high(November contract)
		80.96, 81.20	
	Support	79.78	
HO		78.92, 77.30, 76.79, 75.70	Wednesday's low
	Resistance	228.00, 230.13	Previous lows
		226.20	Basis trendline
RB		223.75, 222.30, 221.90, 220.91	Double top
	Resistance	212.33, 212.97	Wednesday's low
		210.24	Previous lows
RB		208.40, 207.15, 205.65	Previous highs
	Resistance	202.26, 201.08, 200.19	Wednesday's low
			Previous lows

at the upper end of the average range for this time of year. Gasoline stocks built by 400,000 barrels and are currently at the lower end of the average range for this time of year with demand up .5% from the same period last year. However it is coming on to heating oil season and stock levels for distillates built by 1.5 million barrels. Stock levels are at the upper half of the average range with demand down 1% from year ago. This scenario settled over the market place, sending prices to new lows of the day,

only to be bolstered by threats of storms hitting the Gulf of Mexico, forcing the closure of some refinery units. With the October crude oil contract expiring tomorrow we will have to wait and see if November

NYMEX Petroleum Options Most Active Strikes for September 19, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	11	7	P	75	10/17/2007	0.74	6,098	31.71
LO	11	7	P	70	10/17/2007	0.23	4,514	35.40
LO	12	7	C	50	11/13/2007	29.7	4,395	72.58
LO	11	7	C	82	10/17/2007	2.07	4,332	29.10
LO	11	7	C	79	10/17/2007	3.6	4,169	29.37
LO	11	7	P	65	10/17/2007	0.06	3,892	38.75
LO	1	8	P	70	12/13/2007	1.25	3,750	30.37
LO	11	7	P	71	10/17/2007	0.29	3,686	34.56
LO	11	7	C	80	10/17/2007	3.01	3,554	29.06
LO	11	7	C	92	10/17/2007	0.23	3,378	31.54
LO	12	7	P	65	11/13/2007	0.27	3,351	34.65
LO	12	7	P	72	11/13/2007	0.93	3,308	30.13
LO	3	8	P	72	02/14/2008	2.82	3,150	27.61
LO	11	7	C	95	10/17/2007	0.11	3,117	32.28
LO	3	8	C	90	02/14/2008	1.24	2,900	25.19
LO	3	8	P	64	02/14/2008	1.1	2,900	30.31
LO	11	7	P	80	10/17/2007	2.17	2,720	29.11
LO	12	7	P	75	11/13/2007	1.54	2,478	28.45
LO	12	8	C	100	11/17/2008	0.98	2,350	22.17
LO	12	7	C	41	11/13/2007	38.7	2,250	103.83
LO	12	7	P	70	11/13/2007	0.67	2,111	31.54
LO	3	8	P	74	02/14/2008	3.48	2,101	26.99
LO	12	7	C	55	11/13/2007	24.7	2,030	57.68
LO	11	7	P	76	10/17/2007	0.92	1,953	30.96
LO	12	7	C	100	11/13/2007	0.13	1,931	31.36
LO	6	8	C	90	05/15/2008	1.58	1,723	23.52
LO	12	12	C	69.5	11/14/2012	9.25	1,700	21.99
LO	12	7	P	79	11/13/2007	3.02	1,679	27.64
LO	11	7	C	81	10/17/2007	2.51	1,612	29.08
LO	1	8	P	63	12/13/2007	0.48	1,600	34.69
OB	10	7	C	2.1	09/25/2007	0.045	416	45.07
OB	5	8	C	2.2	04/25/2008	0.1882	371	28.73
OB	5	8	P	2.1	04/25/2008	0.1352	297	28.57
OB	5	8	C	2.06	04/25/2008	0.2595	265	29.11
OB	5	8	P	2.2	04/25/2008	0.1837	216	28.72
OB	10	7	P	2.03	09/25/2007	0.0224	202	45.07
OB	10	7	P	1.87	09/25/2007	0.0012	200	45.53
OH	10	7	P	2.05	09/25/2007	0.0009	1,050	35.68
OH	10	7	C	2.45	09/25/2007	0.0012	1,050	35.68
OH	10	7	P	2.15	09/25/2007	0.0088	761	35.07
OH	10	7	P	2.2	09/25/2007	0.021	570	34.84
OH	11	7	P	1.7	10/26/2007	0.0001	300	31.99
OH	10	7	P	2.19	09/25/2007	0.0179	225	34.91
OH	10	7	P	2.21	09/25/2007	0.0244	225	34.76
OH	1	8	P	2	12/26/2007	0.0288	200	27.22
OH	2	8	P	2	01/28/2008	0.0451	200	27.26
OH	11	7	P	1.65	10/26/2007	0.0001	200	34.45

can sustain these high prices. The calendar 08 through calendar 09 part of the curve is still gaining strength with the Dec07/Dec08 spread trading as wide as 5.58 and Dec08/Dec09 trading as wide as 2.54. Total open interest in crude is 157,048 down 4,861, October is 89,500 down 34,485, November 358150, up 6,472 and December 215,990 up 5,716. With October going off the board tomorrow, we will focus our attention on November. Support for November comes in at 79.80, 78.92, 77.30, 76.79 and 75.70. Resistance is set at 80.96, 81.20 and 81.45.

The RBOB market was supported early in the session amid reports that oil companies were monitoring a developing storm that could strengthen and cross into the Gulf of Mexico in the next day or so. The market gradually traded to 210.00 ahead of the release of the DOE report. However the market retraced some of its early gains and sold off to a low of 205.65 in light of the report showing an unexpected build in gasoline stocks of 400,000 barrels on the week. The market later bounced off that level and rallied to a high of 210.24 in afternoon trading amid reports of some refinery problems.

The RBOB market settled up 3.31 cents at 209.34. Meanwhile, the heating oil market posted an inside trading day after the market posted a double top in light of the 1.5 million barrel build reported in distillate stocks. The market erased its gains and sold off to a low of 220.91 by mid-day. The market however bounced off its low and rallied back towards the 225.00 level ahead of the close. It settled up 30 points at 224.53. The product markets will likely erase some of their gains as refineries are seen resuming normal operations in the next few days. The RBOB market is seen finding support at 208.40, 207.15, 205.65 followed by 202.26, 201.08 and 200.19. Meanwhile resistance is seen at 210.24, 212.33 and 212.97.