



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 20, 2007

Iran's OPEC governor, Hossein Kazempour Ardebili said this week's rally in oil prices to record levels was not sustainable and would not last. He said oil prices surged on the back of factors, such as geopolitical issues and turmoil in the financial markets.

France toughened its position against Iran, said European companies should be told not to seek new markets and to reduce their investment in the country. President Nicolas Sarkozy's spokesman said such measures were being considered because it could take time for the UN Security Council to agree on tougher sanctions against Iran.

According to Oil Movements, OPEC's oil shipments are expected to increase by 140,000 bpd to 24.19 million bpd in the four weeks ending October 6, mainly on the back of continuing strong demand from Asia. Sailings from OPEC Middle East countries are forecast to increase by 50,000 bpd to 17.25 million bpd in the four weeks ending October 6. It said OPEC was currently producing about 820,000 bpd less than at this time last year.

Market Watch

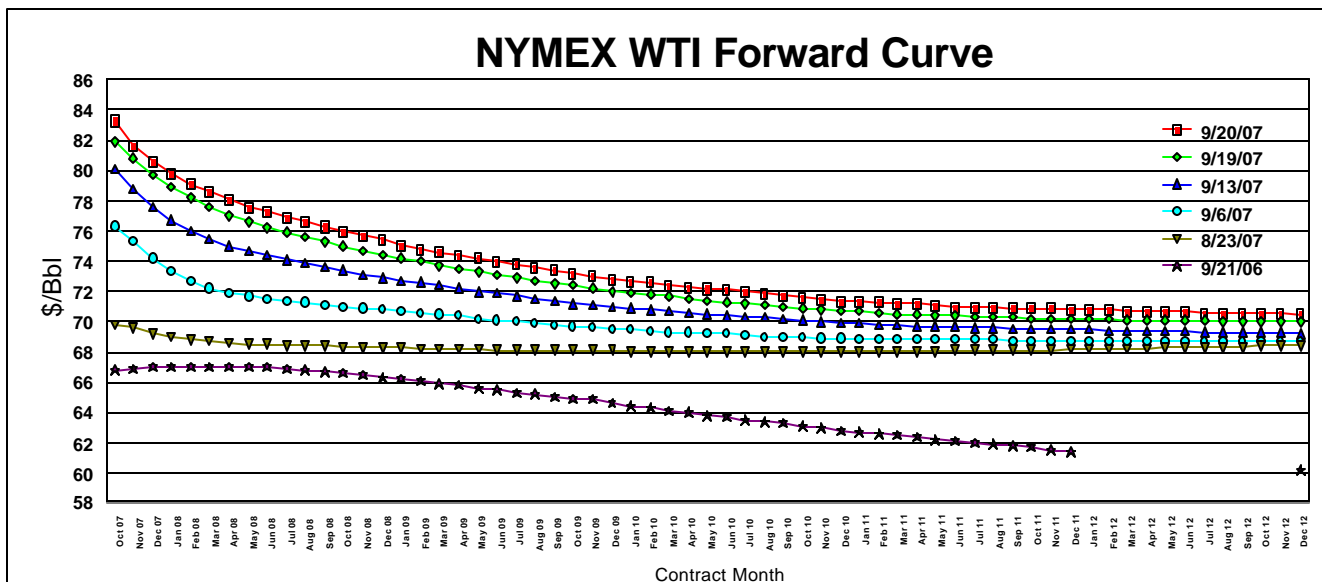
BP Statistical Review of World Energy June 2007 showed that the year to date average price of oil, adjusted for inflation stood at \$65.69/barrels. It was still well below the \$90.46/barrel inflation adjusted level seen in 1980 at the start of the Iran-Iraq war.

The National Oceanic and Atmospheric Administration said most of the US would likely see above normal temperatures in October through December.

The NYMEX set a record for the number of crude oil futures traded on the CME Globex platform on Wednesday. Crude oil futures reached a record 626,447 contracts on Wednesday, surpassing the 616,688 contracts traded on September 6.

Saudi Arabia's dollar pegged riyal increased to a near seven month high against the US currency on Thursday after it said it would hold back from matching a US interest rate cut. Bids on the riyal were as low as 3.7478 per dollar. Saudi Arabia has pegged its currency to the dollar at the same value since 1986 and has rarely moved out of step with US interest rate movements.

Goldman Sachs' chief financial officer, David Viniar said the several of its hedge funds suffered major quarterly losses. He said the Goldman Global Alpha fund was down about 30% for the second quarter while its Global Equity Opportunities fund was down about 20% in the quarter. He said the Alpha fund had over \$1.6 billion in redemption requests. The fund currently has a net asset value of about \$6 billion.



The EIA reported that US ethanol imports increased to 1.523 million barrels in July, up 86% on the month. There were 17 shipments in July, up three on the month. Brazil was the largest exporter, increasing its volume by 115% to 1.051 million barrels in eight shipments. Most of Brazil's exports were shipped to ports along the East Coast, with only one shipment bound for Houston. Definitely

Refinery News

Motiva Enterprises LLC began repairing a waste heat boiler at its refinery in Port Arthur, Texas on Wednesday as it continued to restart a fluid catalytic cracking unit that was shut by Hurricane Humberto last week.

Italy's Saras SpA said its 300,000 bpd Sarroch refinery was operating at 100% of capacity as demand for fuel increased.

SK Energy said would cut its crude processing rates for November and December due to weak refining margins. The amount of the cut has not been decided yet. SK Energy previously stated that it was planning to lift crude runs to normal levels of 750,000 bpd in October, up 7% on the month.

Production News

According to the US Minerals Management Service, an estimated 360,169 bpd of oil or 27.7% of the Gulf's total oil production has been shut in due to tropical disturbance #50.

BP Plc said it was shutting in all its US Gulf of Mexico production on Thursday due to the threat a tropical cyclone would form from a low pressure system in the eastern Gulf of Mexico. Royal Dutch Shell said it was shutting in 370,000 bpd of oil and gas production in the Gulf of Mexico. Shell evacuated its platforms at the North Padre Island block 969 and West Cameron block 565 and shut in their production. It said all other Shell operated platforms would shut in production on Thursday. Meanwhile, ExxonMobil said it shut in a small amount of oil and natural gas production from the US Gulf of Mexico. It shut 1,000 bpd of crude oil production and 55 mcf/d of natural gas production. ConocoPhillips said production from Magnolia/Garden Banks was shut in and all non-essential personnel had been evacuated. The National Hurricane Center has not categorized the weather system as a tropical disturbance but was monitoring the activity. It said the storm was moving into an area that was gradually becoming favorable for a tropical or subtropical cyclone to form. The National Hurricane Center also said a weak low pressure area has formed in the eastern Gulf of Mexico. He

said the system had the potential to acquire subtropical characteristics later today or tomorrow as it moves west-northwestward over the warm waters of the Gulf of Mexico.

NYMEX Petroleum Options Most Active Strikes for September 20, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	12	7	P	70	11/13/2007	0.58	8,675	32.22
LO	12	7	C	70	11/13/2007	11.16	5,400	33.29
LO	11	7	C	81	10/17/2007	3	5,258	29.55
LO	2	8	P	67	01/16/2008	1	4,900	29.51
LO	12	7	C	80	11/13/2007	3.71	4,785	27.80
LO	11	7	P	76	10/17/2007	0.78	4,072	32.33
LO	11	7	C	85	10/17/2007	1.37	3,853	29.71
LO	12	7	C	55	11/13/2007	25.64	3,700	59.83
LO	12	7	C	50	11/13/2007	30.64	3,570	74.83
LO	12	7	C	57.5	11/13/2007	23.14	3,475	52.86
LO	11	7	P	68	10/17/2007	0.11	3,250	37.79
LO	12	10	P	50	11/16/2010	2.29	3,100	24.39
LO	12	7	C	58	11/13/2007	22.64	2,800	51.50
LO	12	7	P	65	11/13/2007	0.24	2,679	35.56
LO	2	8	P	77.5	01/16/2008	3.74	2,450	26.05
LO	11	7	P	81	10/17/2007	2.23	2,138	29.62
LO	11	7	P	80	10/17/2007	1.81	2,125	29.80
LO	2	8	P	58	01/16/2008	0.26	2,100	33.27
LO	12	7	C	51.5	11/13/2007	29.14	2,070	70.17
LO	4	8	P	73	03/14/2008	3.36	2,050	27.20
LO	11	7	P	73	10/17/2007	0.39	2,028	34.36
LO	2	8	P	65	01/16/2008	0.76	2,020	30.37
LO	6	8	P	60	05/15/2008	1.19	2,000	30.00
OB	11	7	C	2.7	10/26/2007	0.0039	681	42.76
OB	11	7	P	1.95	10/26/2007	0.035	395	36.61
OB	10	7	C	1.95	09/25/2007	0.1872	375	46.76
OB	11	7	C	2.02	10/26/2007	0.1419	375	36.72
OB	10	7	C	2.02	09/25/2007	0.1239	355	46.14
OB	10	7	C	2.2	09/25/2007	0.0217	344	46.68
OB	12	7	C	2.07	11/27/2007	0.1209	340	31.95
OB	10	7	C	2.12	09/25/2007	0.0532	216	45.60
OB	10	7	C	2.11	09/25/2007	0.0588	211	45.60
OB	10	7	P	1.9	09/25/2007	0.0007	203	46.76
OH	11	7	P	2.25	10/26/2007	0.0698	270	29.49
OH	3	8	P	1.84	02/26/2008	0.0238	210	27.22
OH	4	8	P	1.84	03/26/2008	0.0365	200	27.28
OH	12	7	P	1.8	11/27/2007	0.0023	200	28.30
OH	12	7	C	1.8	11/27/2007	0.4883	200	35.38

BP complained to Alaska state officials about the description of at least two oil production disruptions posted on an official state website. It said a claim that 170,000 bpd of oil production was disrupted at the company's Prudhoe Bay oilfield on August 26 was incorrect. BP said there was no shutdown on August 26. There was a planned reduction in output on the 25th due to planned maintenance on the Trans-Alaska Pipeline. The website also said there had been a fire at the Lisburne oil field on September 10, resulting in a loss of 10,000 bpd of oil production for one day. BP said the incident was not a fire but flaring during pipeline cleaning operations. Oil production was temporarily reduced by about 6,000 bpd.

An oil tanker that caught fire on Thursday in the main port of Curacao had no cargo at the time of the accident because it was undergoing repairs.

An Iraqi oil official said it was still proceeding with its tender to sell 5 million

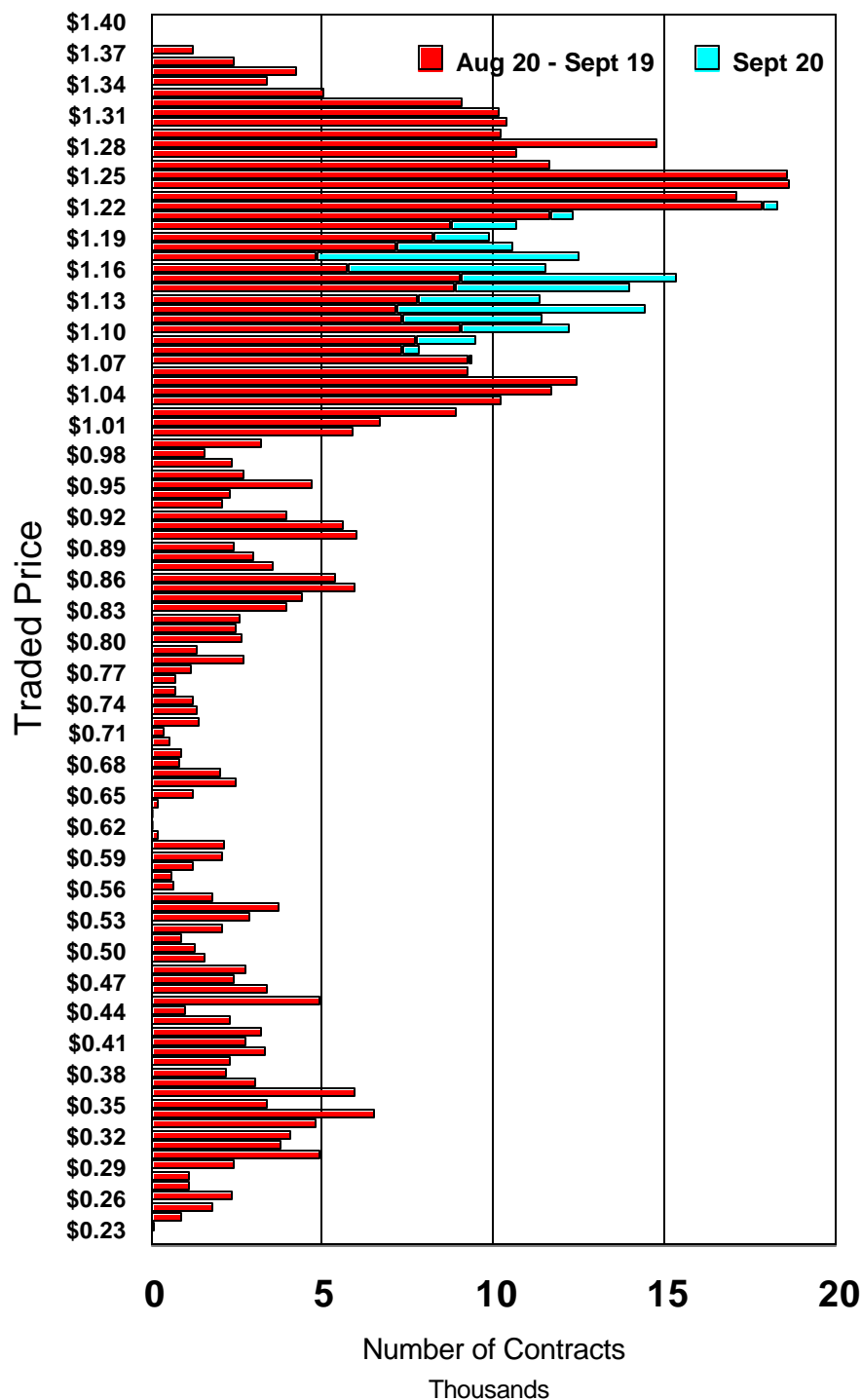
barrels of Kirkuk crude after the country's northern pipeline to Turkey was damaged in a sabotage attack.

Gas oil stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area increased to 1.815 million tons in the week ending September 20 from 1.714 million tons a week earlier. Gas oil stocks were down 75,000 tons on the year. Gasoline stocks fell by 38,000 tons to 707,000 tons on the week while fuel oil stocks increased by 11,000 tons to 520,000 tons. Naphtha stocks increased by 1,000 tons to 109,000 tons while jet fuel stocks fell by 3,000 tons to 476,000 tons on the week.

NYMEX WTI: November December Spread

Price Vs Volume for August 20 - September 20, 2007

Trade Weighted Avg: 9/20 1.15 9/19 1.21 9/18 1.30 9/17 1.09 9/14 1.01



Azerbaijan's SOCAR said the country planned to pump considerably less oil through Russia next year as it uses cheaper alternative export routes. It said it planned to pump about 1 million tons of oil through Russia, down from almost 4 million tons in 2006. In January-August, Azerbaijan sent 1.5 million tons of oil through Russia.

Mexico's Pemex said that the passage of Hurricane Dean last month through its main oil producing region shut in 10.8 million barrels of oil, lowering average output in August to 2.84 million bpd from 3.17 million bpd in July. Pemex said it exported an average of 1.63 million bpd of crude oil in August, down from 1.76 million bpd in July. Excluding the effects of the storm, Pemex estimated that its crude production would have been 3.19 million bpd in August and its natural gas production would have been 6.272 bcf/d.

The Petroleum Association of Japan reported that the country's crude stocks increased by 379,000 kiloliters or 2.38 million barrels to 16.45 million kl or 103.44 million barrels in the week ending September 15. It reported that kerosene stocks fell by 380,000 barrels to 26.29 million barrels while gasoline stocks fell by 160,000 barrels to 11.63 million barrels and naphtha stocks increased by 810,000 barrels to 12.08 million

barrels. The PAJ reported that Japanese refiners ran their facilities at an average 79.6% of total capacity of 4.84 million bpd, down from 80% the previous week.

According to Singapore's International Enterprise, the country's residual fuel stocks built by 468,000 barrels to 13.442 million barrels in the week ending September 19. It also reported that Singapore's light distillate stocks fell by 747,000 barrels to 8.242 million barrels while middle distillate stocks fell by 1.235 million barrels to 6.514 million barrels on the week.

South Korea's Korea National Oil Corp stated that the country's crude imports in August fell by 11.9% on the year to 69.59 million barrels or 2.24 million bpd as more than half of its refiners shutdown crude units for maintenance. South Korea's crude processing rates for August fell by 4% on the year to 71.21 million barrels or 2.29 million bpd. Domestic oil products demand in August increased by 1.6% on the year to 64 million barrels or 2.06 million bpd while end of August stocks stood at 77.2 million barrels compared with 76.03 million barrels last year.

A Kazakh parliamentarian urged the government to suspend the US Chevron led joint venture operating the Tengiz oilfield in the Central Asian state due to ecological violations. A member of the upper house of parliament accused the Tengizchevroil venture of violating environmental laws by not dealing with its vast stocks of sulfur. Chevron Corp rejected criticism of its environmental record in the former Soviet state, saying it operated its sulfur stocks in an environmentally safe manner consistent with Kazakhstan's laws.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$75.61/barrel on Wednesday from \$74.92/barrel on Tuesday.

Market Commentary

October crude oil expired today going off the board printing at an all time high of 84.10. With news of production shut-ins circulating the market place, coupled with a weakening dollar, the price of crude oil sent bulls on a stampede, widening the front month spread to as much as 2.00. However, we must point out that the November/December spread did not follow suit and settled one point lower on the day. This brings to light that demand for crude oil based on a four-week average is unchanged from a year ago. One can argue this point when it comes to the draw down in stock levels, however given current prices, one would almost expect draws. The November contract will be interesting to watch as to whether or not it can sustain the strength seen in the October contract. Total open interest for crude oil is 1,458,953 -29,428, November 362,857 +4,707 and December 221,058 +5,060. Support for November comes in at 79.80, 78.92, 77.30, 76.79 and 75.70. Resistance is set at 82.73, 83.35, 83.85 and 84.10. The RBOB market was well supported by the strength in the crude market after oil companies reported that they shut in production. The market bounced off a low of 208.83 and extended its gains to over 4.5 cents as it rallied to a high of 213.85 on the close. It settled up 4.17 cents at 213.51. The heating oil market posted a low of 222.96 in overnight trading and settled in a mostly sideways trading pattern. However the market later breached its double top at 226.20 and posted a high of 226.35 ahead of the close. It settled up 1.56 cents at 226.09. The markets will remain supported as long as production in the Gulf of Mexico is shut in, despite reports that there was no

indications that the tropical disturbance has begun to acquire

		Explanation	
CL	Resistance	82.73, 83.35, 83.85 and 84.10	Thursday's high
	81.93, up 42 cents	81.92	
	Support	80.50, 80.26	
HO	Resistance	228.90, 230.13	Basis trendline Thursday's high
	226.09, up 1.56 cents	226.35	
	Support	225.10, 223.35, 22.96	
RB	Resistance	214.82	Basis trendline Thursday's high
	213.51, up 4.17 cents	213.85	
		79.80, 78.92, 77.30, 76.79, 75.70	

tropical characteristics. The RBOB market is seen finding support at 212.75, 211.00 and 208.83. More distant support is seen at 205.65, 202.26, 201.08 and 200.19. Meanwhile resistance is seen at 213.85 and 214.82.