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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 24, 2007

Iran's President Mahmoud Ahmadinejad denied his country was heading for war with the US over its nuclear program. He added that Iran had no need for nuclear weapons. He said the country's plan and program was very transparent. He also stated that Iran would not launch an attack on Israel or any other country. Iran's President arrived in New York to deliver speeches at the UN and Columbia University. Protests against his visit to New York began even before the Iranian President arrived over the weekend.

US Secretary of State Condoleezza Rice downplayed hopes of political accommodations with Iranian President Mahmoud Ahmadinejad, saying she did not believe there was a way to reach the leader. She however reiterated hope that elements in Iran's government would respond to US efforts to change its policies.

Market Watch

The National Hurricane Center said two low pressure systems associated with tropical waves could strengthen into tropical depressions over the next day or so. One low pressure system is centered about 100 miles east of the southern Windward Islands, while the other system is located about 650 miles southwest of the Cape Verde Islands. Meanwhile in the southwestern Gulf of Mexico, the NHC noted a weak area of low pressure was producing limited and disorganized shower and thunderstorm activity. It said upper level winds were strong over the western Gulf but could weaken and become a little more favorable for development as it moves west northwest during the next couple of days.

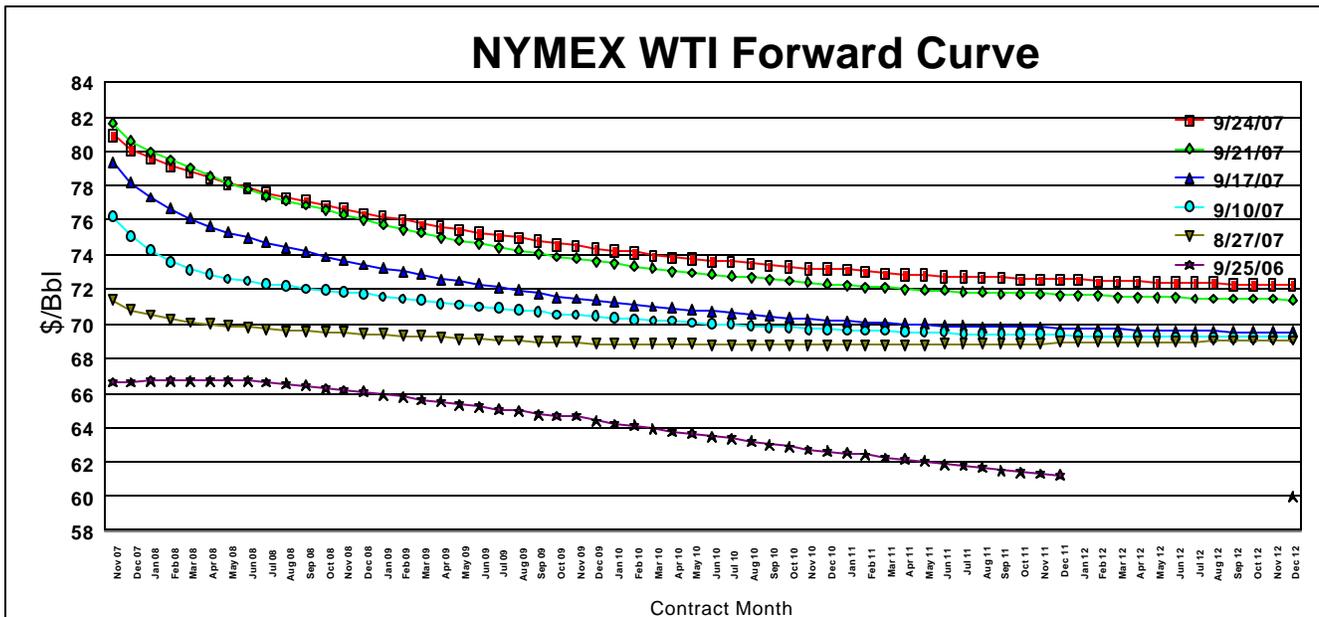
PFC Energy said a rise in tanker rates could be a signal that additional OPEC crude may reach markets sooner than the November 1 date agreed by the group to increase their production by 500,000 bpd. It said continued draws at Cushing, Oklahoma and the Gulf of Mexico weather conditions would limit any downside potential for WTI crude oil futures this week and the US market is likely to continue trading at a \$2 premium to Brent.

The Saudi newspaper al-Riyadh quoted informed OPEC sources as saying that there were no plans for consultations and that the rally in oil futures prices to record highs had served to mitigate the impact of the weaker dollar on the revenues of producing nations. The sources stated that the rally in the oil markets was not caused by a scarcity of crude oil but was due to a host of factors including speculation, Gulf of Mexico outages as well as a fall in the US stock levels.

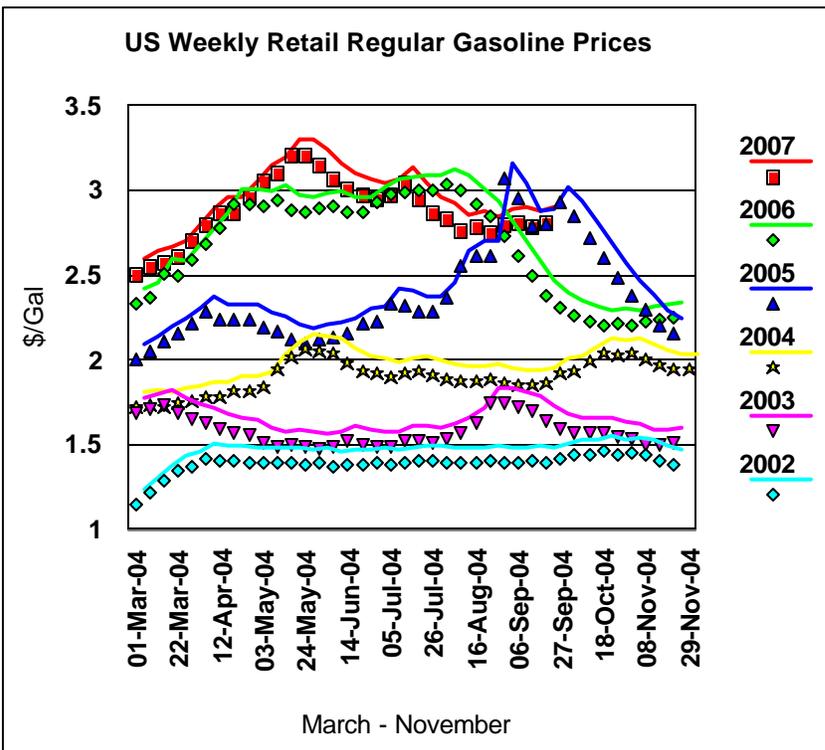
The IMF warned that uncertainty in world markets over the size of losses caused by the current financial turmoil would likely keep investors unsettled over the near term. It said the world credit crunch and re-pricing of credit is expected to slow the world economic expansion.

The NYMEX said its official crude oil futures all time high was \$83.90/barrel. It said the \$84.10/barrel level traded last Thursday was not included because it occurred in the post close session.

The UN's IAEA technical officials started talks with Iran on Monday to resolve remaining issues surrounding the country's nuclear program. Iran's Foreign Ministry spokesman Mohammad Ali Hosseini said the agenda included P-1 and P-2 centrifuge machines, which can enrich uranium for either nuclear fuel or weapons. He said he hoped the talks would have a good outcome and that they should take two or three days.



Iran's OPEC governor, Hossein Kazempour Ardebili said some OPEC members started pumping more crude well ahead of their decision earlier this month to increase output. He also reiterated that the surge in oil prices to above \$80/barrel was not sustainable. Separately, Nigeria's Oil Minister Odein Ajumogobia said there was no need for OPEC to increase its crude output right now. He said OPEC has not been consulting on changing its output levels since the group met earlier in the month.



The Movement for the Emancipation of the Niger Delta called off a voluntary ceasefire and said attacks would recommence. The militants announced a voluntary truce after the inauguration of President Umaru Yar'Adua but said talks with the government failed.

The EIA reported that the US average retail price of gasoline increased by 2.5 cents/gallon to

\$2.812/gallon in the week ending September 24.

According to the Lundberg survey, the average price of gasoline in the US fell by about 2 cents over the last two weeks to \$2.79/gallon.

Refinery News

Valero Energy Corp said its fluid catalytic cracking unit at its 170,000 bpd McKee refinery in Sunray, Texas is scheduled to shutdown for 14 days of work at the end of September. During the shutdown, the refinery's gasoline output would be cut by 40,000 bpd while its distillate output would be cut by 10,000 bpd.

Margins for US refiners running WTI crude worsened over the past week due to a sharp increase in price. Margins for US refineries processing WTI fell to \$5.20/barrel from \$6.53/barrel the previous week. In contrast, US Gulf refineries' margin for processing Brent recovered by 88 cents to \$7.37/barrel over the past week. Margins for complex Rotterdam refineries using Brent increased by \$1.10 to \$3.85/barrel over the past week. In the Mediterranean, complex refineries running Urals crude posted a profit of \$4.62/barrel compared with \$3.85/barrel in the previous week. In Asia, complex refineries cracking Dubai crude posted profits of \$5.75/barrel in the past week, up from \$5.31/barrel in the previous week.

A newly approved refinery expansion may provide the latest option for processing Canadian crude. Motiva Enterprises LLC's decision to double the size of its Port Arthur, Texas refinery would provide an outlet capable of handling an additional 325,000 bpd of heavy, sour grades of crude.

Canadian officials approved the first leg of a pipeline that would carry crude oil through South Dakota and other states to oil refineries in Illinois and Oklahoma. TransCanada said it hoped to start construction of the Keystone Pipeline next spring and complete it in 2009.

China's apparent oil demand increased by a modest 2.4% on the year in August to 6.8 million bpd. In contrast, China's oil demand expanded a more robust 4.3% to 6.92 million bpd over the first eight months of 2007. The General Administration of Customs reported that China's August crude oil imports increased by 18.7% on the year in August to 14.04 million tons or 3.31 million bpd.

Production News

The US Minerals Management Service reported that US Gulf of Mexico oil and natural gas producers continued restoring offshore production. It reported that about 19.3% or 251,285 bpd of oil production and 8.8% or 676 mmcf/d of natural gas production remained shut in. It is down from a total of 814,578 bpd of oil and 2.37 bcf/d of natural gas production was shut in on Friday.

The Norwegian Petroleum Directorate estimated that total recoverable resources stood at between 10.6 billion and 16.9 billion cubic meters of oil equivalent. Of that total, 4.6 billion cubic meters of oil equivalents have already been produced on the shelf.

The Abu Dhabi National Oil Co said scheduled maintenance at three of the UAE's largest oilfields would cut output by 600,000 bpd in November. ADNOC would also perform work at the 415,000 bpd Ruwais refinery from December 22 to February 25, cutting crude processing by a total of 5 million barrels during the maintenance period. The company said it has worked with its customers to ensure that there is minimum disruption to its activities.

Iraq's Oil Minister Hussain al-Shahristani said Iraq would issue a new tender in the coming days to sell 5 million barrels of Kirkuk crude from its northern oilfields. He said Kirkuk has been flowing to Turkey at

a steady rate of up to 350,000 bpd since the start of the month and that a sabotage attack last week had not disrupted shipments. Separately, he stated that the oil ministry hoped to sign contracts with international firms before the year end even if a new oil law governing the sector has not been passed by parliament. He said the new contracts would be in line with rules and guidelines contained in the draft oil law.

An Iraqi shipping source said Iraq pumped 1 million barrels of Kirkuk crude through its northern pipeline to Turkey over the weekend. The flow was halted on Monday but was expected to restart early on Tuesday. The source said tankers were in the process of loading nearly 5 million barrels of Kirkuk crude exports from storage in Turkey. The shipments would increase Iraq's total September exports.

The Russian Ministry for Industry said it expects pipeline exports of crude oil from the country to increase by 1.3% in the fourth quarter to an average of 4.11 million bpd.

According to official data, India's crude oil imports increased by 9.7% on the year in August to 10.05 million tons as strong margins overseas made oil product exports attractive while domestic demand increased at a modest rate. Domestic sales increased by 3.5% on the year to 9.43 million tons largely due to higher demand of transport fuels. Petrol sales during the month increased by 9.1% on the year while diesel sales increased by 5.7% on the year.

Ecuador's Central Bank stated that the country's average oil production fell by 6% to 509,581 bpd in July from 542,903 bpd reported last year. Petroecuador's oil output averaged 254,194 bpd in July while private companies produced an average of 255,387 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$76.72/barrel on Friday from \$75.78/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.66/barrel to an average \$75.42/barrel in the week ending September 21, up from \$73.76/barrel.

Market Commentary

The oil market retraced some of its previous gains amid reports that oil companies were restoring their offshore oil production the Gulf of Mexico after a storm system dissipated without causing damage to platforms or refineries. The market sold off early in the session to a low of 80.37 as traders continued to take profits after the market traded to a high of 82.34 on Friday. The market however bounced off its low and posted a high of 81.60 amid the supportive news that the Movement for the Emancipation of the Niger Delta called off their ceasefire and promised to resume their attacks. The November crude contract later erased its gains and traded towards its low ahead of the close. It settled down 67 cents at

80.95. The Nov/Dec spread continued to narrow and settled at .80. Also, the front end of the curve once again gave up its gains to the middle and

		Explanation	
CL	Resistance	82.34, 82.73, 83.35, 83.85 and 84.10	Previous high
	80.95, down 67 cents	81.10, 81.60	Monday's high
	Support	80.37	Monday's low
		80.26, 79.80, 78.92, 77.30, 76.79, 75.70	Previous lows
HO	Resistance	226.09, 226.35, 229.80, 230.75	Previous high, Basis trendline
	223.06, down 2.56 cents	223.50, 225.15, 225.49	Monday's high
	Support	221.50	Monday's low
		220.91, 219.89, 219.10, 216.67	Previous lows, Basis trendline
RB	Resistance	215.64, 217.59	Previous high, Basis trendline
	208.34, down 3.11 cents	210.00, 211.30	Monday's high
	Support	207.30, 205.55	Monday's low
		203.74, 202.26, 201.08	Basis trendline, Previous lows

back end of the curve. The market is seen retracing more its previous gains barring any major fundamental change, as its stochastics are trending down. The market is seen finding support at 80.37, 80.26, 79.80, 78.92, 77.30, 76.79 and 75.70. Resistance is seen at 81.10, 81.60, 82.34, 82.73, 83.35, 83.85 and 84.10. Similarly, the product markets also erased their previous gains and settled in negative territory. The RBOB market settled down 3.11 cents at 208.34 amid the profit taking. The market posted a high of 211.30 in overnight trading and sold off to a low of 205.55 as oil companies resumed some of their shut in production in the Gulf. The market however erased their losses and settled in a sideways trading pattern before it traded off once again. The heating oil market also posted a high of 225.49 in overnight trading and traded to 222.75. However as the market held good resistance just above the 225.00 level, it sold off once again and posted a low of 222.80. It settled down 2.56 cents at 223.06. Further selling after the close pushed the market to a low of 221.50. Following the markets' weakness today, the product markets are seen trending lower. The RBOB market is seen finding resistance at 210.00, 211.30 followed by 215.64 and 217.59. Meanwhile support is seen at 207.30, 205.55, 203.74, 202.26 and 201.08.