



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 25, 2007

Saudi Arabia's Oil Minister Ali Naimi was quoted by Bloomberg News as saying that the crude oil markets are in turmoil.

Venezuela's Oil Minister Rafael Ramirez disputed OPEC's figures allotting the country a sharply lower ceiling for oil production, insisting Venezuela's oil production was above 3 million bpd. Venezuela's quota ceiling was lowered to 2.47 million bpd in November, down from the 3.22 million bpd allotted as of earlier this month.

Market Watch

An Iranian oil official said Iran was aiming to increase its oil export earnings in non-US dollar currencies to 80% by the end of next month. A switch in payment by Nippon Oil and other Japanese refiners to yen has already pushed Iran's non-US dollar income to more than 70%.

The US National Hurricane Center said a tropical depression may be forming in the southwestern Gulf of Mexico but is not expected threaten US oil and natural gas facilities. Meanwhile Tropical Storm Karen was moving west-northwest in the Atlantic Ocean and posed no immediate threat to land.

According to the Bank for International Settlements, trading volume of global over the counter derivatives increased by 71% to \$2.1 trillion a day in three years ending April, up mostly due to an increase in foreign exchange related transactions. Volume was up from \$1.2 trillion reported in April 2004.

According to the MasterCard Advisors LLC, US gasoline demand fell by 1% on the week to 66.102 million barrels or 9.443 million bpd in the week ending September 21. The fall was the fifth consecutive decline following the record high reached in mid-August. Its report also showed an average price of \$2.79/gallon, down 1 cent from the previous week.

According to a Reuters survey, tight oil supplies, high world demand and a weakening dollar would increase average oil prices to a record level next year. The price of WTI is expected to average \$65.82/barrel in 2007, up from a previous estimate of \$64.90/barrel. Meanwhile the average estimate for WTI crude in 2008 increased to \$66.56/barrel from a previous estimate of \$64.79/barrel.

Refinery News

Shell Oil Co said it was still returning its 285,000 bpd joint venture refinery in Port Arthur, Texas, back to full operations after it lost power on September 13 due to Hurricane Humberto.

Valero Energy Corp said it planned to begin scheduled maintenance at its Texas City, Texas refinery on Tuesday. The work in complexes 1,2 and 3 is expected to last until November 20. Among the units at Texas City, an 83,000 bpd fluid catalytic cracking unit is expected to be shut.

The restart of a 75,000 bpd crude units at BP Plc's 410,000 bpd Whiting, Indiana refinery has been delayed until some time in November. The unit's return to service was previously expected in August or September. The refinery has been operating at reduced crude throughput since March due to a fire in a hydrotreater and other operational problems.

Finland's Neste Oil is expected to restart its new diesel production unit at the 200,000 bpd Porvoo refinery within the next 10 days. The hydrocracker should reach full output in 7-10 days after production is resumed.

Mexico's 320,000 bpd Tula refinery was operating close to full capacity after a fluid catalytic cracking unit was restarted over the weekend. It shut in about 50% of its production for nearly two weeks following rebel attacks on September 10 that shut a crude oil pipeline that supplies the refinery.

India's Oil Ministry stated that India's oil refiners processed 3.096 million bpd, up 8.2% on the year as capacity increased and most units produced above target to gain from strong margins. India's crude oil production in August stood at 679,600 bpd, down 0.5% from July's 682,800 bpd.

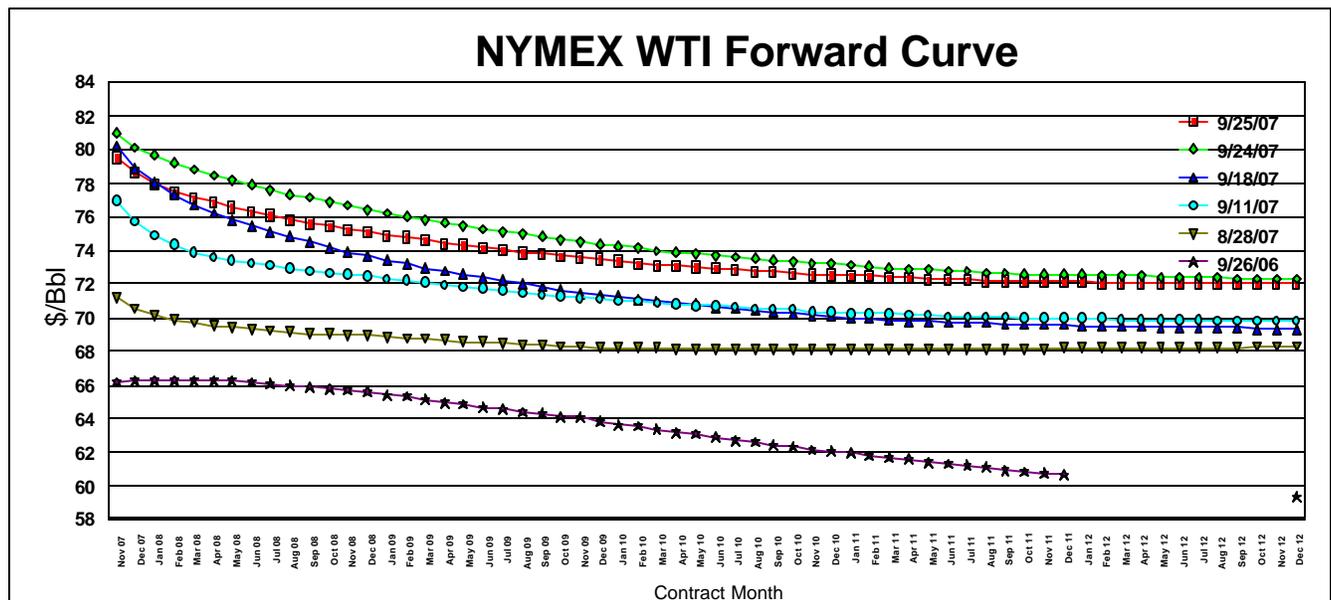
Kuwait's state news agency KUNA reported that Kuwait planned to carry out a \$5 billion refinery project in southern China with BP Plc instead of Royal Dutch Shell PLC. The project would involve integrating the refinery with a petrochemicals complex that would produce more than 10 million tons a year of ethylene.

Shell has purchased a record number of partial Dubai crude oil cargoes since the beginning of September during Platts trading window. It has purchased 308 partial cargoes, with 245 of Dubai crude and 63 of Oman crude.

Production News

The US Minerals Management Service reported that 51,738 bpd of oil and 194 mmcf/d of natural gas remained shut in, less than one tenth the amount taken offline late last week. The shut ins represent 4% of oil and 2.5% of natural gas production.

Iraq's State Oil Marketing Organization said Iraq was not intending to issue a new tender to sell Kirkuk



crude via the Turkish port of Ceyhan. The official said SOMO would award less than 3 million barrels of Kirkuk crude in a tender that it announced September 12 to sell 5 million barrels because of a shortage of crude at storage facilities at Ceyhan.

A senior Iraqi oil official said the Iraqi Oil Ministry was studying a proposal by Royal Dutch Shell to redevelop the Missan oilfield in southern Iraq. According to the proposal, the Oil Ministry and Shell would need to sign a contract under which Shell would help Iraq to increase production at the field. The Missan oilfield contributes about 120,000 bpd of to the country's estimated production of 2.1 million bpd.

Abu Dhabi National Oil Co said a minor gas leak triggered a shutdown that would cut average oil production in the UAE in September by 40,000 bpd. The UAE produced 2.56 million bpd of crude in August.

Russia's Sakhalin-2 energy group confirmed it would delay year round exports of crude to 2008 from the end of 2007. The delay would mean lower than expected winter supplies of light crude. Industry sources previously stated that exports of Vityaz crude would be pushed back to next year due to delays in pipeline commissioning.

Russia's oil exports from major ports are expected to fall by about 120,000 bpd to 2.92 million bpd in October mainly due to repairs at Russia's Baltic Sea port of Primorsk.

Nigeria's November crude oil loading program scheduled the loading 12 cargoes of Qua Iboe crude.

PetroChina is not expected to import any gasoline into China in October after two months of unexpected purchases due to domestic maintenance. PetroChina is also expected to skip its gasoline exports in October.

OPEC's news agency reported that OPEC's basket of crudes fell to \$76.48/barrel on Monday, down from Friday's \$76.72/barrel.

Market Commentary

Prices for crude oil breathed a sigh of relief today, trading as low as 78.96, basis the November contract. With no new significant storm development, refineries began to come back on line and with the upcoming turnaround season approaching, demand for crude oil should fall. It is also difficult to feel psychologically comfortable with prices above the 80.00 level. Despite the sell off in price the November/December spread held it's strength and traded back over 1.00 today. This could be due to

an easing of profit taking on the front month crude ahead of tomorrow's API/DOE numbers. As a whole there was an easing in prices across the board with the forward curve

		Explanation	
CL	Resistance	81.60, 82.34, 82.73, 83.35, 83.85	Previous highs
	Support	78.96	Tuesday's high
		77.30, 76.79, 75.70	Tuesday's low
			Previous lows
HO	Resistance	225.49, 226.09, 226.35	Previous highs
	Support	219.55, 221.80, 223.00	Tuesday's high
		217.57, 217.45, 217.20	Tuesday's low
		215.57, 214.31, 213.00, 212.00, 210.64	Previous low, 38% (207.67 and 226.20), Previous lows, 50%
RB	Resistance	211.30, 215.64	Previous highs
	Support	205.15, 206.66, 207.48	Tuesday's high
		203.27	Tuesday's low
		202.26, 202.17, 201.08, 200.19, 198.01	Previous low, 38% (180.37 and 215.64), Previous lows, 50%

showing signs of weakness for the first time in five weeks. We would look for further pressure on prices barring any significant change in stock levels and any major news. Total open interest in crude oil is 1,408,748 down 4,917, November 359,266 up 2,005 and December 220,234 down 5,747. Support for November comes in at 78.92, 77.30, 76.79 and 75.70. Resistance is set at 82.73, 83.35, 83.85 and 84.10. The product markets also continued to trade lower on further profit taking. The RBOB market posted a high of 207.48 in overnight trading and continued to sell off following Monday's sell off. It sold off to a low of 203.27 after it breached its support basis a trendline at 203.74. It later settled in a sideways trading pattern ahead of the close and closed down 4.55 cents at 203.79. The heating oil market also settled down 4.93 cents at 218.13 following an early sell off. The market posted a high of 223.00 in overnight trading and continued to find profit taking. It sold off to a low of 217.20 early in the session and traded in a 2 cent trading range during the remainder of the session. The losses in the rest of the complex and the expected build in distillate stocks kept the market pressured ahead of the close. The markets on Wednesday will be driven by the weekly petroleum stock reports which are expected to show draws in crude stocks of over 2 million barrels, small draws in gasoline stocks of 100,000 barrels and builds in distillate stocks of 1.3 million barrels. The markets will retrace some of their losses if the reports show draws in stocks, before the markets continue on their downtrend. The RBOB market is seen finding support at 203.27, 202.26, 202.17 followed by 201.08, 200.19 and 198.01. Meanwhile resistance is seen at 205.15, 206.66, 207.48 followed by more distant resistance at 211.30 and 215.64.