



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 26, 2007

Iran's Oil Minister Gholamhossein Nozari said OPEC does not need to increase its oil output further despite the rise in oil prices to record highs. He also stated that Iran was not facing problems paying for oil and gas ventures despite US sanctions on Iran.

Market Watch

The US National Hurricane Center said despite a tropical depression spinning in the Gulf of Mexico, there was no threat to US oil and natural gas production in the northern Gulf of Mexico. The developing tropical system was expected to strike land within three days although computer models indicated that US and Mexican oil installations were not at risk. Meanwhile Pemex had yet to make any decision on any risk the depression could disrupt operations at Cantarell.

A shipping source stated that the flow of Kirkuk crude through the northern export pipeline to Turkey was on hold for the third day on Wednesday. Iraq exported about 700,000 barrels over the weekend through the pipeline. Meanwhile, Iraq's State Oil Marketing Organization said it sold 2.44 million barrels of Kirkuk crude to Turkey's Tupras and ExxonMobil Corp. It said it was only able to sell 2.44 million bpd from the 5 million barrel tender it announced on September 12 due to attacks on the pipeline that halted pumping. A vessel at Ceyhan was loading the last of about 4.6-4.7 million barrels of Kirkuk crude awarded in a previous sale earlier this month. Separately, the head of SOMO said Iraq started exporting about 5,000 bpd of Kirkuk crude to Jordan over the weekend for the first time since the US led invasion in 2003. An Iraqi oil industry source said SOMO aimed to sell Jordan 10,000 bpd of Kirkuk crude initially and to reach 30,000 bpd at a later stage.

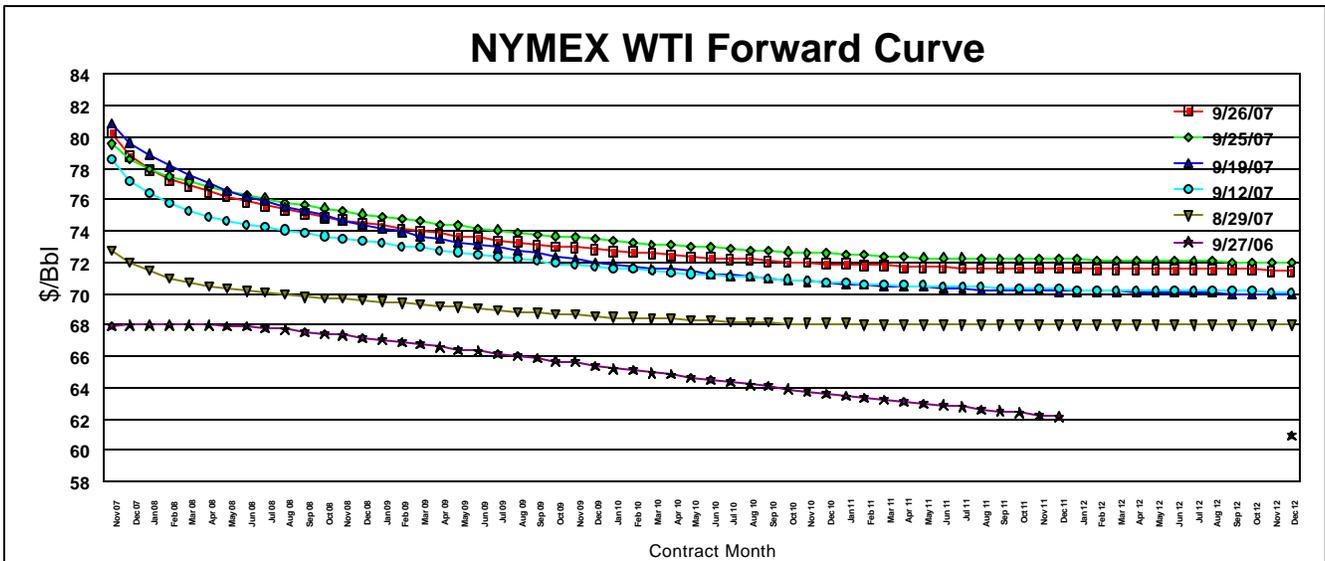
Refinery News

A maintenance turnaround at Lithuania's Mazeikiu Nafta is expected to last 45 days. The refiner is expected to return to its full capacity after its first complete turnaround since 2003 and after a fire destroyed its vacuum distillation unit last October. The company's spokesman said the turnaround has started and is proceeding as planned.

DOE Stocks

Crude – up 1.8 million barrels
Distillate - up 1.6 million barrels
Gasoline – up 600,000 barrels
Refinery runs – down 2.7%, at 86.9%

Pemex has delayed the planned maintenance work at the 275,000 bpd Cadereyta refinery that was scheduled to start in September. The refinery planned to shut a crude distillation unit and catalytic cracking unit for about a month of maintenance. The maintenance has been postponed in part to compensate for the fall in gasoline production at the Tula refinery.



Japan Energy Corp said it planned to raise its crude oil processing volumes for the fourth quarter by 7% on the year to 6.12 million kiloliters.

Kuwait approved a budget of 4 billion dinars or \$14.29 billion to build the 615,000 bpd al-Zour refinery, the Middle East's largest refinery. Kuwait is expected to increase refining capacity to 1.415 million bpd from 930,000 bpd with the new refinery and upgrades to two other refineries. The new refinery would start operations near the end of the first quarter of 2012.

Production News

Abu Dhabi National Oil Co notified at least one of its customers that it would cut its term November exports of its three offshore crudes by 50% due to field work. It said it was reducing supplies of its Umm Shaif, Lower Zakum and Upper Zakum crudes by about 50%. ADNOC previously stated that oilfield maintenance would reduce oil production by 600,000 bpd in November.

The Shetland Island Council said Brent crude oil exports from Sullom Voe increased to 300,464 tons in the week ending September 25 from 255,385 tons in the previous week.

Nigeria's November crude oil loading program scheduled the loading of six cargoes of Amenam grade crude and four Yoho. The program is also comprised of sic Erha and two Oso condensate grade cargoes in addition to 12 cargoes of Qua Iboe.

Mexico's Energy Ministry stated that August crude oil production at Mexico's Cantarell field fell to 1.319 million bpd from 1.526 million bpd after Hurricane Dean shutdown production wells for several days.

Kazakh lawmakers passed a bill that would allow the government to unilaterally break contracts with foreign companies if it was a threat to the country's national security, potentially threatening a consortium developing the Kashagan oilfield. Kazakhstan has already halted operations at the Kashagan oilfield run by Italy's Eni in a dispute over mounting costs and project delays however the legislation has raised the stakes further. The bill has given the state extra leverage over Eni and its partners, Royal Dutch Shell, ExxonMobil and ConocoPhillips.

Japan's Ministry of Finance reported that Japan's customs cleared crude imports fell by 3.6% on the year in August to 21.043 million kiloliters or 4.27 million bpd. In July, Japan's crude imports stood at 20.185 million kl or 4.1 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by 68 cents/barrel to \$75.80/barrel on Tuesday.

Market Commentary

In reaction to today's API/DOE numbers, crude oil sold off, on what was thought to be bearish figures. Total crude oil stocks rose by 1.8 million barrels according to the DOE release and are currently set at 320.6 million. This takes crude oil stocks above the upper end of the 5-year average. Imports also rose by 637,000 barrels, lending to the bearish sentiment. However, upon further examination of stock levels at Cushing, OK, which were down .2 on the week and down 2.4 on the year, the November crude oil contract lead the complex and what appeared to be a short covering rally ensued. The focus of attention will be on PADD II crude stocks as we roll into heating oil season. The November contract should prove to be an interesting one and when the Goldman rolls begin, the November/December spread could experience a wild ride. This spread penetrated a double at 1.38, with over 15,000 contracts trading above this level. Total open interest for crude oil is 1,409,902 up 1,154, November 355,685 down 3,581 and December 219,550 down 689. 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 RBOB market traded to a high of 206.70 ahead of the release of the weekly petroleum stock reports. However the market quickly erased its gains in light of the DOE report showing builds across the board. The RBOB market was pushed lower by the unexpected build in gasoline stocks and the sharp losses in the oil market. The market extended its losses to over 5 cents as it posted a low of 198.75 in afternoon trading. However the market bounced off that level and retraced more than 50% of its earlier move as it traded above the 203.00 level ahead of the close. The RBOB market settled down 1.05 cents at 202.74. Meanwhile, the heating oil market also posted a high of 221.21 early in the session but quickly sold off to a low of 214.65 amid the weakness in the crude market and the build in distillate stocks. Similar to the rest of the complex, the heating oil market bounced off its low and retraced some of its losses. It traded back over 218.00 on the close and settled up 13 points at 218.26. The product markets are likely to retrace some of its late gains as concerns over a tropical depression in the Gulf of Mexico are expected to dissipate. The tropical system is not expected to impact oil production. The RBOB market is seen finding support at 198.75 followed by 198.01, 196.64, 194.00 and 193.84.

Resistance is seen at 203.30, 203.99 followed by 206.70. More distant resistance is seen at 207.48, 211.30 and 215.64.

		Explanation	
CL	Resistance	81.60, 82.34, 82.73, 83.35, 83.85	Previous highs
	Support	80.82	Wednesday's high
HO	Resistance	80.00, 79.05, 78.92, 78.44	Wednesday's low
	Support	77.30, 76.79, 75.70	Previous lows
RB	Resistance	223.00, 225.49, 226.09, 226.35	Previous highs
	Support	218.85, 219.30, 221.21	Wednesday's high
RB	Resistance	214.65	Wednesday's low
	Support	214.40, 213.00, 212.00, 210.71	38% (195.07 and 226.35), Previous lows, 50%
RB	Resistance	207.48, 211.30, 215.64	Previous highs
	Support	203.30, 203.99, 206.70	Wednesday's high
RB	Resistance	198.75	Wednesday's low
	Support	198.01, 196.64, 194.00, 193.84	50% (180.37 and 215.64), Previous lows, 62%