



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 28, 2007

French Foreign Minister Bernard Kouchner said major powers have drafted a list of 14 possible sanctions that could be imposed against Iran over its nuclear program. However he stated that there was no agreement on any of the measures. He said the possible measures ranged from financial and investment freezes to travel and visa bans, an arms embargo and possible restrictions on oil trading. He said senior officials of the major powers are expected to meet again to refine the list for inclusion in a draft UN Security Council resolution to be discussed in November.

Market Watch

Venezuela denied on Friday that its OPEC supply target was cut, calling the posting on OPEC's web site an error.

PDVSA's president Rafael Ramirez said he expected talks over a collective contract with workers to end in two weeks. He said the government was working towards a good agreement for workers and the state. In recent days, workers have vowed to step up protests to demand higher pay as well as benefits.

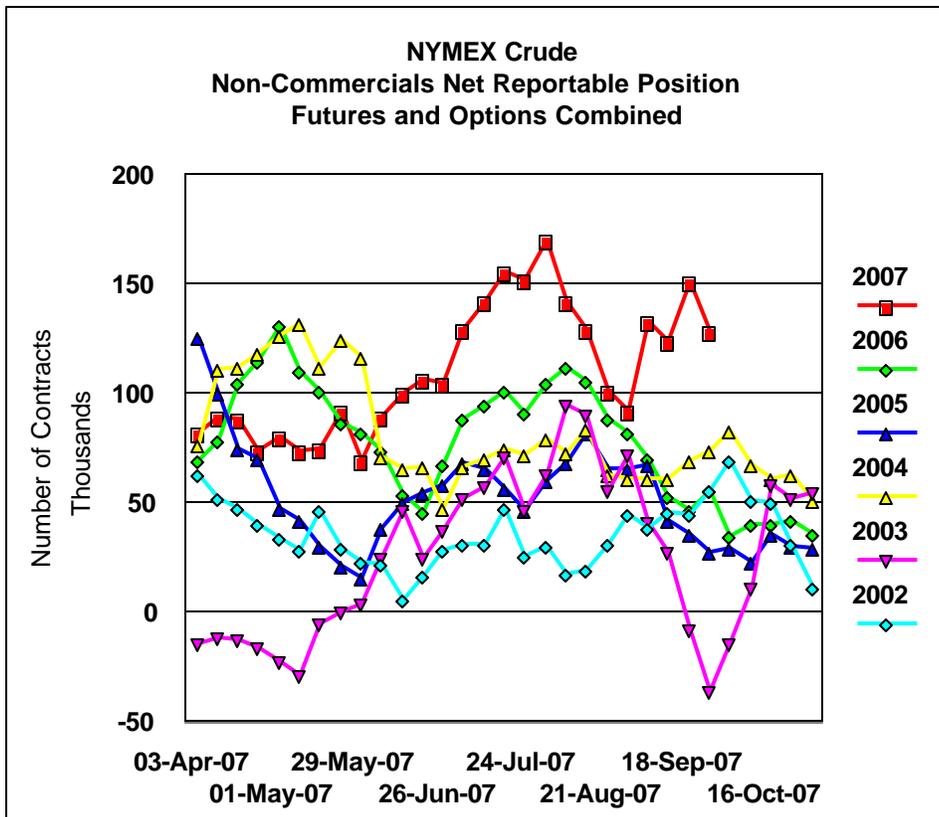
Separately, a senior PDVSA official said Venezuela's negotiations over possible compensation for the nationalization of ConocoPhillips' heavy crude upgrader assets are progressing well.

The IntercontinentalExchange Inc said ICE Futures Europe surpassed 100 million contracts traded in a year. It is up 61% from the year earlier period.

The IEA's chief economist Fatih Birol said that current record high oil prices were likely to weigh on demand for crude but warned that any impact on prices would likely be limited by resilient demand in emerging economies. He said oil prices were unlikely to fall back as far as \$70/barrel at the moment due to strong income growth in China and India continued to support consumption there. However he also predicted that demand erosion would cut crude prices by \$3-\$4/barrel. He stated that he expected the downside to be limited by the onset of Northern Hemisphere winter heating demand in the coming weeks.

The EIA reported that US oil demand in 2006 fell by 0.6% on the year to 20.687 million bpd. It was the lowest level since 2003. It also reported that gasoline demand increased by 1% to a record 9.253 million bpd, the 15th consecutive year of increases and successive records. Meanwhile demand for distillate fuel increased by 1.2% on the year to 4.169 million bpd.

Iraq's Kurdish regional government said that oil and gas deals it has signed since February were legal and constitutional, rejecting Baghdad's claim that the deals were illegal. Iraq's Kurdish regional



government approved its own oil law in August and announced earlier this month that it signed a production sharing contract with a unit of Hunt Oil Co and with Impulse Energy Corp. Iraq's Oil Minister Hussain al-Shahristani said the deals were illegal and warned that the firms involved would bear the consequences.

Nigerian gunmen killed a Colombian oil worker and kidnapped up to three other workers in an attack at the premises of oil and gas services firm Saipem in southern Nigeria. This followed the announcement by the Movement for the Emancipation of the Niger

Delta earlier in the week that it was ending a unilateral ceasefire it had announced to give the new government of President Umaru Yar'Adua time to negotiate with fighting factions. Meanwhile, Nigeria's President said that despite the continued kidnapping of oil workers, oil production has been increasing and a committee that includes the government and militant leaders was headed towards a peace plan.

Refinery News

ExxonMobil Corp said it planned to begin restarting a reformer unit at its 150,000 bpd refinery in Torrance, California over the weekend. The restart is expected to gin Saturday and last until Friday. It said an overhaul of a crude distillation unit and a coking unit continued.

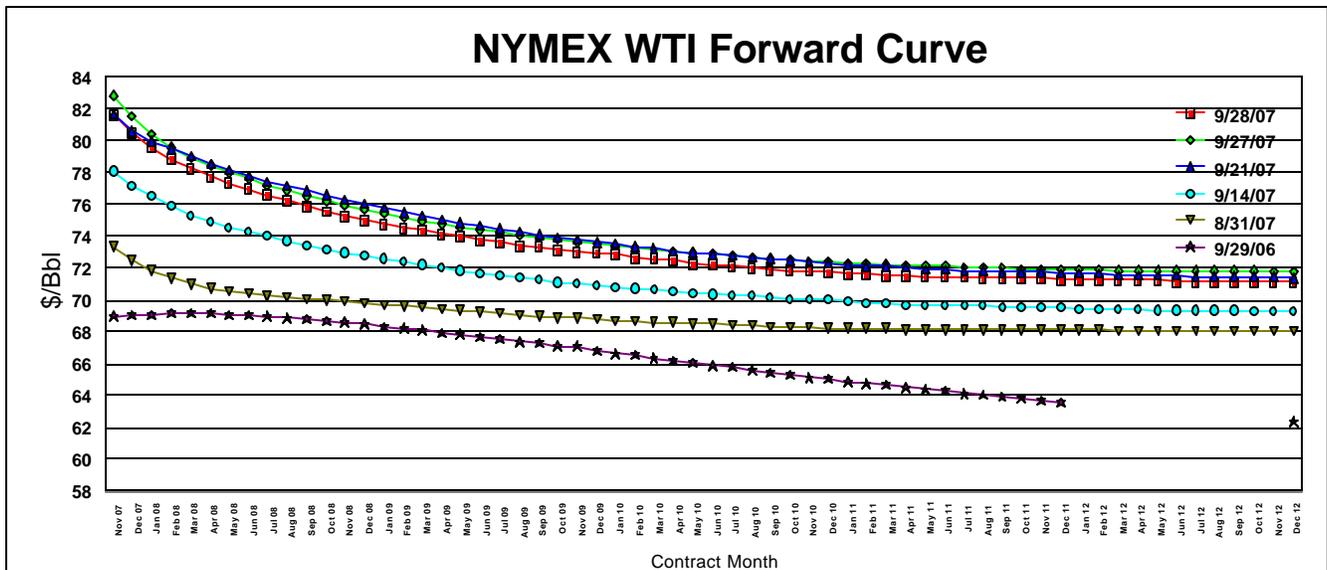
Pertamina reported that Indonesia's 120,000 bpd Dumai refinery was resuming operations after it was shut down a day ago due to a small problem at a crude unit.

Cosmo Oil co Ltd started maintenance on its 110,000 bpd crude distillation unit at its Chiba refinery on Friday. The work is scheduled to last until November 11.

India's Essar Oil said its Vadinar refinery would reach full capacity of 210,000 bpd by November 15. The refinery was previously expected to reach full capacity some time in October and was currently running at 150,000 bpd.

Production News

Iraq has issued a new tender to sell 5 million barrels of Kirkuk crude from its northern fields, the third sale in a month.



BP's Baku-Ceyhan pipeline has halted shipments of crude oil due to technical problems. Shipments from the Azeri-Chirag-Guneshli fields have been halted for several days. BP said output would fall to 160,000 bpd.

Shell has purchased a record number of partial Dubai crude oil cargoes since the beginning of September during Platts' trading window. It has purchased a total of 418 partial cargoes, with 310 partial cargoes of Dubai crude and 108 partial cargoes of Oman crude.

Japan's Ministry of Economy, Trade and Industry reported the country's overall oil product output increased by 2.1% on the year to 19.13 million kiloliters. It stated that oil product sales in Japan fell by 1.8% on the year to 17.16 million kiloliters or about 3.48 million bpd in August. It reported that the country's gasoline sales fell by 3.2% to 5.42 million kl or 1.1 million bpd. It reported that Japan's crude oil imports increased by 3% on the year to 20.62 million kl or 4.18 million bpd in August while its commercial crude oil stocks totaled 17.54 million kl at the end of August, down 4.3% on the month. Crude oil throughput at Japanese refineries in August increased by 1.3% on the year to 20.88 million kl or 4.24 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by \$76.03/barrel on Thursday from \$75.11/barrel on Wednesday.

Market Commentary

Crude oil reacted positively today on the release of better than expected consumer spending. The U.S. governments' release today indicated that consumers have not yet reacted to the slowing economy, with U.S. spending reflecting a 0.6% increase, the largest in four months. This is on the heels of a 0.4% rise in July. Crude oil prices are experiencing their largest gain in 2 years and are 18% higher this quarter. Products, however, were a different story with refining margins shrinking and currently 79% lower for the quarter. The mid and late session sell offs could be attributed to end of the quarter profit taking and may very well continue due to rising inventories and increases in OPEC output. The forward curve is indicative of the current financial situation and is being driven by such. In our report of 2 weeks ago we stated that we would like to buy the November Rbob and sell the November heating oil, looking for the Rbob to gain. This spread has made the turn around we were looking for and from our perspective should continue. Despite the sell off on the front end of the curve the November/December crude oil spread still remains quite strong. We would like to see this spread dip below the 1.00 price level and then would consider selling it. Total open interest in crude oil is

1,421,105
+10,228,
November
347,329 –
1,796 and
December
230,706
+8,022.
Support for
November,
comes in at
81.25, 8040,
7915, 78.40,
77.30, 76.79

				Explanation
CL	Resistance	83.85, 84.10		Friday's high
	Support	83.50, 83.76		Friday's low
HO	Resistance	81.25, 80.40, 79.15, 78.40, 77.30		Previous lows
	Support	81.39		Friday's low
RB	Resistance	223.00, 225.80, 227.25, 228.25		Basis trendline
	Support	221.55		Friday's high
RB	Resistance	208.55, 212.24		Previous highs
	Support	204.50, 206.00, 208.40		Friday's high
RB	Resistance	203.35		Friday's low
	Support	201.03, 197.26, 195.19		Previous lows

and 75.70. Resistance is set at 83.85 and 84.10. The product markets ended in negative territory as traders liquidated their positions ahead of the October contract's expiration at the close. The markets were also pressured by end of the quarter profit taking. The October RBOB contract posted an inside trading day as it opened at its high of 209.50 before it sold off ahead of its expiration. It extended its losses to over 5.3 cents as it posted a low of 204.06 on the close. It settled down 2.56 cents at 206.83. The November RBOB contract also settled down 3.52 cents at 204.11 after it sold off from a high of 208.40 to a low of 203.35 ahead of the close. Meanwhile the heating oil market breached its previous high early in the session as it posted a high of 226.38. However the market erased Thursday's gains and sold off to a low of 220.55 ahead of its expiration. It settled down 1.42 cents at 223.79. The November heating oil contract also settled sharply lower, down 4.38 cents at 222.56 amid the profit taking. The markets on Monday will likely see a retracement in prices following the market's sell off, as the markets still seem to be in an uptrend. The RBOB market is seen finding support at 203.35, 201.03, 197.26 and 195.19. Resistance is seen at 204.50, 206.00, 208.40, 208.55 and 212.24.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 10,608 contracts to 43,564 contracts in the week ending September 25. The combined futures and options report also showed that non-commercials in the crude market cut their net long position by 22,455 lots to 127,868 lots on the week. Non-commercials increased their total short positions by 17,221 contracts on the week. The non-commercials in the crude market have likely increased their net long position once again amid the market's rally. Meanwhile, non-commercials in the RBOB market increased their net long position by 2,172 contracts to 47,182 contracts while non-commercials in the heating oil market cut their net long position by 730 contracts to 36,574 contracts on the week.