



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 JULY 5, 2007

The Movement for the Emancipation of the Niger Delta called off its one month truce. It said it wanted to hold direct talks with the Nigerian

government on its demand for local communities in the impoverished delta to control oil revenues. Separately, Nigerian gunmen kidnapped the three year old daughter of a British man in Nigeria's oil city of Port Harcourt.

Market Watch

China's Xinhua News Agency reported that PetroChina planned to build commercial storage tanks with a capacity of 8.1 million cubic meters of crude or 50.9 million barrels in the northwest region of Xinjiang. Construction of the first tanks is expected to begin in August and they would be ready for use by the end of 2008.

According to Oil Movements, OPEC's oil exports increased by 250,000 bpd in the four weeks ending July 21 to 24.28 million bpd as refiners ramp up their runs. It said cuts made by OPEC had taken between 700,000 and 1.1 million bpd off the market.

Refinery News

Magellan Pipeline said its oil products pipeline from the Coffeyville Resources refinery in Kansas was still idle due to the refinery's outage but would be ready to go once the refinery restarted. It said supplies of 7-PSI RVP gasoline for the Kansas City area were sufficient for the immediate future.

Meanwhile, gasoline price differentials increased again in the US Midwest and Gulf Coast markets on Thursday, partly due to the ongoing outage at the Coffeyville refinery. Parts of the refinery remain under water even though water levels at the flooded plant have dropped significantly.

BP Plc's Los Angeles refinery is expected to run at reduced rates for up to 10 days. The 260,000 bpd Carson, California refinery is expected to cut its runs by up to 20% due to a problem involving seals in a compressor unit.

DOE Stocks

Crude – up 3.1 million barrels
Distillate – up 1.2 million barrels
Gasoline – up 1.8 million barrels
Refinery runs – up 0.6%, at 90%

Valero Corp said it would shut a 105,000 bpd crude unit at its Paulsboro, New Jersey refinery for 29 days in October and November as part of its scheduled maintenance for the second half of 2007. It is also expected to shut an 83,000 bpd fluid catalytic cracking unit at its Texas City, Texas refinery for 40 days in October and November. Valero also stated that a 54,000 bpd fluid catalytic cracking unit at its

Wilmington, California refinery would be down for 45 days in November and December and a 30,000 bpd coker unit at its Benicia, California refinery would be shut for 30 days in October.

Saras said it had completed scheduled maintenance at its Sarroch refinery, increasing diesel production by 150,000 tons a year.

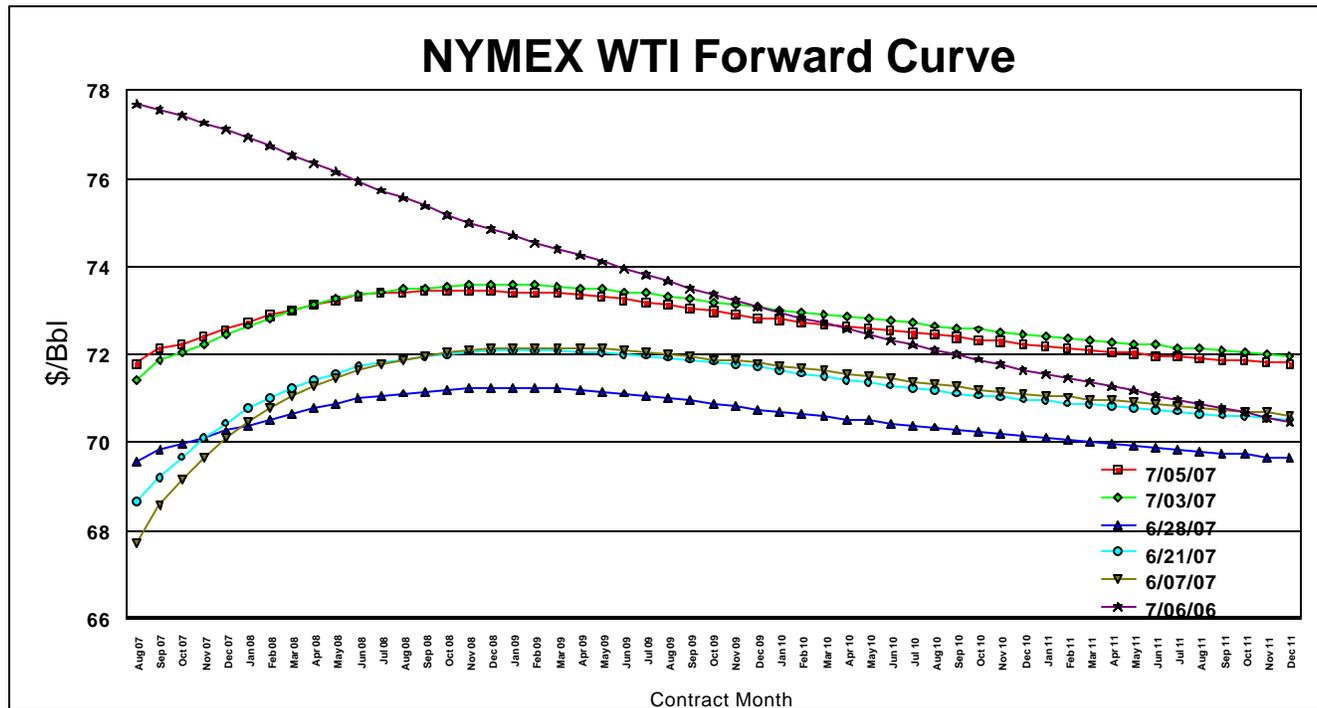
Showa Shell Sekiyu KK said it aimed to restart a 61,000 bpd residue fluid catalytic cracking unit around mid-July. The unit has been shut since June 29, reducing output of gasoline and other products.

Japan's Idemitsu Kosan Co Ltd was preparing to export oil products to the US. It said it planned to reopen its Los Angeles branch office by September as it seeks to export excess supplies of oil products such as gas oil to the US. Meanwhile, Cosmo Oil Co Ltd said it aimed to increase its exports to about 700,000 kl or 4.4 million barrels of low sulfur gas oil to the US in the current fiscal year ending in March 2008, more than the 400,000-600,000 kl it had planned to export to the US West Coast this year.

Brazil's Agricultural Ministry reported that the country's ethanol exports in the first half of 2007 increased by 71% to over 1.54 billion liters, up from 904.5 million liters a year ago. The US continued to be the main buyer of Brazil's ethanol as it imported 57% of Brazil's total exports or 886.6 million liters.

Production News

Woodside Petroleum Ltd said the field was not facing a major production problem, after one of its equity producers declared force majeure on a July cargo. BHP Billiton declared force majeure last week on its July loading parcel following several production problems. BHP Billiton said several problems, including a gas trip that forced the full shutdown of the facility at one point had caused the monthly production of Cossack to fall 700,000 barrels below the initial forecast.



Suncor Energy Inc said that production at its oil sands facility during June averaged about 121,000 bpd. Production in June was lower than annual average targets due to the scheduled shutdown of one of two upgraders to allow the tie-in of new facilities related to a planned expansion. The work is also expected to impact production rates in July.

Iraq's SOMO said Iraq was planning to buy up to 1,350 tons a day or 9,900 barrels of kerosene and cooking gas from neighboring Iran to meet increasing growing domestic shortages. The deal included buying 750 metric tons a day of liquefied petroleum gas and 600 tons a day of kerosene. Iraq's SOMO said it was intending to purchase some 2,000 tons/day of oil products, including, gasoline and gas oil from Kuwait.

Iraq has awarded 1 million barrels of crude each to three European refiners in its first Kirkuk oil sales tender since January. Austria's OMV, Turkey's Tupras and Italy's Saras would each receive 1 million barrels of Kirkuk from the Turkish terminal of Ceyhan by the third week of July.

Saudi Arabia has raised its August official selling prices for Arab Medium and Arab Heavy grades to Asia by more than market expectations, backed by stronger fuel oil prices. Its Arab Medium grade was increased by 30 cents to the Oman/Dubai average minus \$1.85 while its Arab Heavy was increased by 50 cents to the Oman/Dubai average minus \$4.30. Meanwhile, its Arab Super Light was cut by \$1.20 to the Oman/Dubai average plus \$6.95 while its Arab Extra Light was priced at the Oman/Dubai average minus 40 cents and its Arab Light was unchanged at the Oman/Dubai average plus 55 cents.

The Shetland Island Council reported that Brent crude liftings fell to 180,235 tons in the week ending July 3 from 378,144 tons in the previous week.

The Petroleum Association of Japan reported that Japan's crude stocks increased by 2.83 million barrels on the week to 111.05 million barrels in the week ending June 30. Its gasoline stocks fell by 0.9% or 110,000 barrels to 12.14 million barrels despite a recovery in refinery output. Japanese refiners ran their facilities at an average 75.8% of total capacity of 4.84 million bpd in the week ending June 30, up from 71.4% on the week.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 563,000 barrels on the week to 13.424 million barrels in the week ending July 4. It also reported that its light distillate stocks built by 415,000 barrels to 10.16 million barrels while its middle distillate stocks fell by 389,000 barrels to 7.562 million barrels.

China's Sinopec Group has signed an agreement with Russia's Rosneft to transport additional crude supplies via Mongolia. Under the agreement, Rosneft would begin exporting 2.5 million tons of oil each year starting from August. Along with Rosneft's current agreement with China National Petroleum Corp, under which Rosneft would supply 8.9 million tons of oil to China each year, total oil supplies from Russia would reach 11.5 million to 13 million tons in 2008.

Russia's Sokol crude supplies for September loading would be cut to six 700,000 barrel cargoes from the usual 9-10 cargoes due to planned maintenance. ExxonMobil is expected to get one cargo, while Russia's Rosneft and India's Oil and Natural Gas Corp were seen having two cargoes each and Japan's consortium Sodeco would receive one cargo.

Lithuania's government said that Klaipėdos Nafta oil terminal would invest in a project to build a pipeline to deliver Caspian Sea oil. Klaipėdos Nafta would invest in Polish company Sarmatia, which would participate in building a pipeline Odessa-Brody-Gdansk.

Brazil's Petrobras said a fire damaged part of its P-50 oil platform. A fire started in a room containing gas compression units. Oil production was temporarily interrupted but was partially restarted Wednesday evening.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$69.73/barrel on Wednesday from Tuesday's \$69.55/barrel level.

Market Commentary

Today's market experienced an outside day, opening lower, making a new high and low and closing higher on the day. Although, technically this market looks constructive, it is hard to feel confident in higher prices given the current fundamental outlook in regards to stock levels. Crude is piling up in the Gulf, with nowhere to go. Prices, however, are moving higher on fears of short supplies, given the current situation in Nigeria. It is getting harder to form a concrete opinion of this market, given the two conflicting technical and fundamental outlooks. With the gap between 71.44 and 72.38 coming within 4 cents of being closed, we would look for sideways activity tomorrow. We would still like to buy and sell against the listed support and resistance numbers, and would consider buying the August and selling the December contract, looking for August to post further gains. Support is set at 71.70, 71.10, 70.51, 69.48, 68.79 and **66.70**. Resistance is set at 72.38, 72.97, 73.38 and 74.00. The product markets ended the session in positive territory amid the refinery problems. The markets traded lower early in the session following the release of the weekly petroleum stock reports, which showed larger than expected builds in product stocks. The RBOB market sold off to a low of 222.12 in light of the inventory report. However it bounced off that level despite the mostly bearish report and rallied back towards its earlier high. It settled in about a 50 point trading range ahead of the close and settled up 1.99 cents at 228.43. The heating oil market also settled up 2.11 cents at 208.73 after the market bounced off its low of 205.03. The markets are likely to remain supported ahead of the weekend in light of the ongoing refinery problems. The RBOB market is seen finding support at 228.00, 226.30, 226.00

followed by 224.35, 222.12 and 219.06. Meanwhile resistance is seen at 228.90 and 234.25.

		Levels	Explanation
CL	Resistance	72.38, 72.97, 73.38, 74.00	Thursday's high
	71.81, up 40 cents	71.95, 72.34	
CL	Support	71.70, 71.10, 70.81	Thursday's low
		70.51, 69.48, 68.79, 66.70	
HO	Resistance	210.84	Basis trendline Thursday's high
	206.62, up 44 points	209.00, 209.50	
HO	Support	208.00, 207.35, 206.45, 205.03	Thursday's low Previous lows
		202.94, 202.25, 198.08, 196.60	
RB	Resistance	234.25	Thursday's high
	226.44, up 1.57 cents	228.90	
RB	Support	228.00, 226.30, 226.00, 224.35	Thursday's low, Previous low
		222.12, 219.06	