



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 13, 2007

In its Monthly Oil Market Report, the IEA said demand would increase by an average 2.2 million bpd in 2008, up from this year's demand growth of 1.53 million bpd. Oil demand next year is estimated at 88.2 million bpd. The IEA also stated that it cut expected demand growth this year by 140,000 bpd to 1.53 million bpd after receiving new data for 2006. It added that most of the growth in 2008

Market Watch

The NYMEX announced that its CME Globex electronic trading platform would offer RBOB gasoline and heating oil options contracts starting August 19 for trade date August 20.

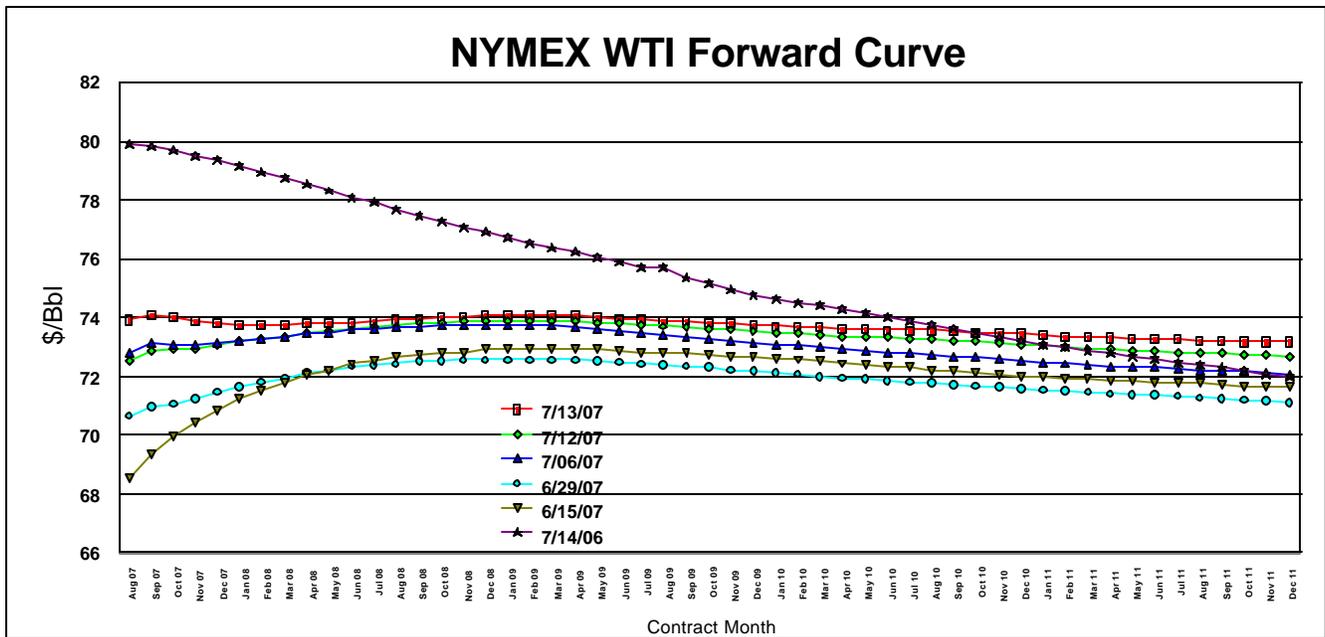
Turkey's army has increased the number of troops in the southeast of the country to more than 200,000, with most of them stationed along the border with Iraq. The large scale buildup is part of a security crackdown on Kurdish rebels hiding in southeast Turkey and northern Iraq. Armed forces chief General Yasar Buyukanit has repeatedly urged the government to allow an incursion into neighboring northern Iraq to crush PKK militants.

According to DEBKAFfile, A US aircraft carrier, USS Enterprise, will not rotate with any of the two carriers already in the Middle East. It would join the USS Stennis and USS Nimitz near the shores of Iran, not replace them. The carrier is heading for a six month Middle East tour of duty with its strike group of four warships as well as three more ships.

The National Conference on Weights and Measures failed to approve a proposal on temperature compensation in the sale of retail motor fuels. Consumer groups claim that in hot weather consumers get less fuel for their dollars. Last year, a consumer group in California called on state and federal regulators to require temperature sensitive gasoline pump technology to account for volume changes at higher temperatures.

would be outside the OECD group of industrialized nations such as China and the Middle East. Next year's demand growth would increase the need for OPEC oil by 600,000 bpd to a range of 31.7 million bpd to 32.3 million bpd. The IEA said the world's oil refining network is expected to expand by 1.5 million bpd next year, easing a strain on fuels production. It said nearly half the growth in crude distillation capacity would be in China. Capacity in North America is expected to increase by 116,000 bpd. In regards to inventories, it said commercial oil and product inventories held by OECD countries increased almost 21 million barrels in May to 2.646 billion barrels.

The UN's IAEA announced that it had agreed on a series of measures with Iranian authorities aimed at clearing up questions about its nuclear program. The IAEA said Iranian government would allow a visit by UN inspectors to the heavy water research reactor at Arak by the end of July. The reactor is



scheduled to be completed by 2009. The IAEA stated that it had agreed with Iran on the designation of new inspectors as well as how to deal with safeguards at the Natanz uranium enrichment plant. The IAEA agreed with Iran to finalize in early August a plan for monitoring the Natanz uranium enrichment plant.

A Nigerian militant, Mujahid Dokubo-Asari held talks with Nigeria's Vice President Goodluck Jonathan following a call for a ceasefire by another militant leader Tom Ateke. He said abductions were not part of their struggle. Six different militant groups who are believed to be behind the recent spate of kidnappings are expected at a two day meeting. Meanwhile, a three year old boy kidnapped in Nigeria's Niger Delta was released on Friday. The boy is the son of a traditional ruler in the community of Iriebe on the outskirts of Port Harcourt. It was not clear whether a ransom was paid for his release.

Refinery News

Coffeyville Resources said its refinery remained shut after it was flooded on June 30. It however stated that it initiated startup at its production facility.

PDVSA has extended work on a 25,000 bpd alkylation unit at its Cardon refinery until early August. It has been delaying the restart of the alkylation unit since late April. Meanwhile, the company was able to restart a crude unit at its Amuay refinery last week.

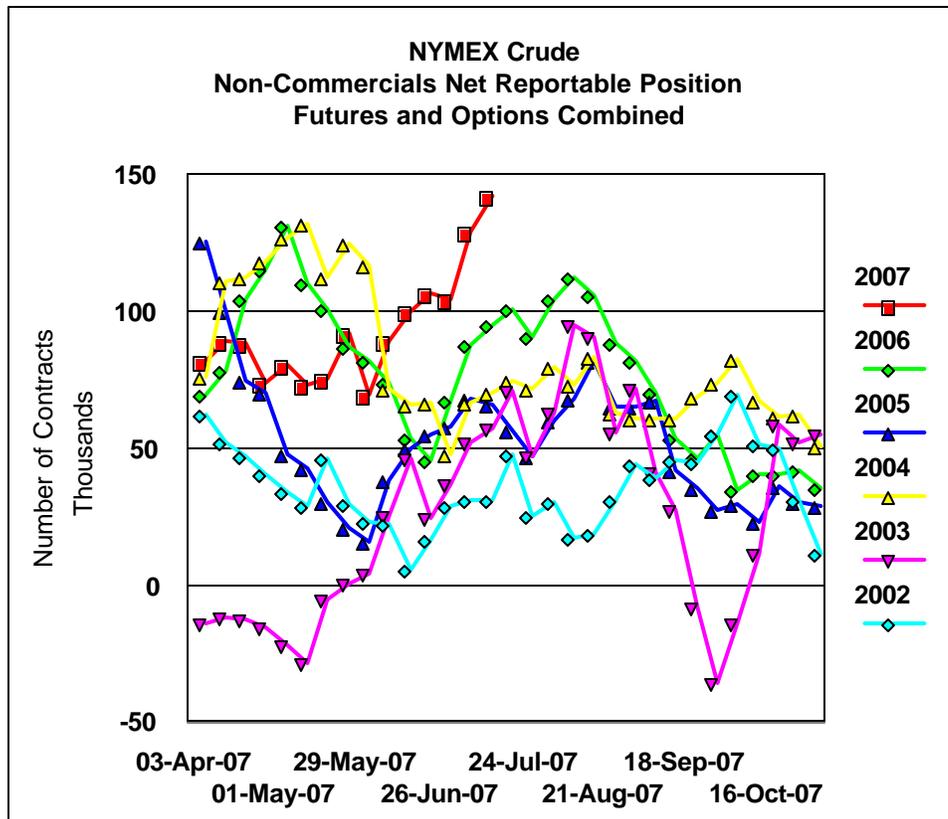
Japan's Showa Shell Sekiyu KK said the 61,000 bpd residue fluid catalytic cracking unit at its Yokkaichi plant may be restarted late next week. The company had previously aimed to restart the unit around mid-July after it was shut on June 29.

Japan's Cosmo Oil Co Ltd shut its 24,000 bpd fluid catalytic cracking unit at its Sakai refinery on Friday morning due to an undetermined problem. It said it had gasoline inventories to deal with shipments for now but it has asked other refiners for assistance in case it has trouble meeting commitments.

ExxonMobil Japan group refiner Nansei Sekiyu KK has delayed the restart of its 100,000 bpd crude distillation unit until Sunday due to a typhoon. The refinery had been previously scheduled to be restarted on July 12.

India's Essar Oil Ltd is expected to shut its refinery for three weeks starting July 18 to help increase its capacity to 210,000 bpd from its current capacity of 150,000 bpd.

Turkey's energy sector regulator EPDK said it has approved a consortium consisting of Azeri Socar and Turcas Petrol AS to build an oil refinery at Turkey's port of Ceyhan. The refinery is expected to have an oil processing capacity of 10 million metric tons/year and should be completed within six years.



Production News

Some field operators said their oil production in the North Sea has been affected by the closure of the Central Area Transmission System gas pipeline on July 1. UK North Sea oil and gas production may be impacted for weeks. BG Group's Armada field, which produced 10,770 bpd of oil in March and 42.3 bcf of gas last year, would not be able to produce either fuel when it comes back from a maintenance outage next week, unless CATS is repaired. ConocoPhillips' J-Block fields, which produced 44,800 bpd in March, have remained closed after completing maintenance in the beginning of July while Chevron's Erskine field, which produced about 10,700 bpd in March has also been affected.

German consumer stocks of heating oil increased for the first time since last November as end users began replenishing their inventories ahead of next winter. Stocks in storage tanks increased to 55% of capacity as of July 1, up from 53% in June and 51% last year.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate production totaled 33.359 million tons in January-June, up 6.8% on the year. Its crude oil production increased by 4.1% to 27.119 million tons in January-June, while production in June alone fell by 0.1% on the year to 4.261 million tons. It also reported that its crude oil and gas condensate exports increased by 17.4% to 25.84 million tons in January-June.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$71.96/barrel on Thursday from Wednesday's \$71.90/barrel.

Market Commentary

The oil market continued to trend higher and settled just below the 74.00 level after it traded to a high not seen since last August. The market posted a low of 72.26 ahead of the open outcry opening and never looked back as it remained well supported. The market traded higher on the IEA report, which stated that oil demand would grow more quickly in 2008 than this year, increasing the need for OPEC

oil. The market was also concerned over North Sea production following the closure of the North Sea's Central Area Transmission System gas pipeline that has caused the shut in of some small oilfields. The oil market however seemed to have shrugged off the news that Iran agreed on concessions aimed at clearing up questions about its nuclear program while a Nigerian militant called for a ceasefire. The crude market rallied to a high of 73.99 late in the session and settled up \$1.43 cents at 73.93. The market, which technically looks overbought, will continue to be driven by its upward momentum. It is seen finding initial resistance at 74.00 followed by 74.41, 74.81, 75.00 and 76.52. Support is however seen at 73.50, 72.70, its low of 72.26 and 71.92. Meanwhile, the RBOB market continued to trade lower and retrace its previous gains. The market traded to a high of 228.30 early in the session before it extended its losses to over 6.2 cents as it posted a low of 220.41 ahead of the weekend. The RBOB market is seen finding support at 220.41 followed by 219.06, 215.89, 215.10 and 213.00. Resistance is seen at 224.00, 226.20 and its high of 228.30. More distant resistance is seen at 234.30. The August RBOB crack spread, which settled at 19.522, has given up \$6.97 since Monday. It is seen finding support at 18.00 followed by 15.70.

The Commitment of Traders report showed that non-commercials in the crude market continued to increase their net long positions by 16,140 lots to 112,287 lots in the week ending July 10. The non-commercials increased their total long position by 21,627 lots on the week. The combined futures and options report also showed that non-commercials increased their net long position by 12,819 lots to 141,444 lots on the week. Given the market's continued uptrend and the increase in open interest, the funds have added to their net long positions in recent days. The non-commercials in the product markets also added to their net long positions, with funds in the RBOB and heating oil markets increasing their net long position by 6,407 lots and 8,318 lots, respectively.

		Levels	Explanation
CL	Resistance 73.93, up \$1.43	74.41, 74.65, 74.81, 75.00, 76.52 74.00	Previous high, Basis trendline, Previous highs Friday's high
	Support	73.50, 72.70, 72.26 71.92, 71.60	Friday's low Previous lows
HO	Resistance 211.06, up 1.49 cents	214.29, 215.00, 217.25 212.00, 212.84	Previous high, Basis trendline Friday's high
	Support	210.70, 210.00, 209.55 208.00, 207.25, 205.03	Friday's low Previous lows
RB	Resistance 222.48, down 4.15 cents	234.30 224.00, 226.20, 228.30	Previous high Friday's high
	Support	220.41 219.06, 215.89, 215.10, 213.00	Friday's low Previous lows