



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 19, 2007

Libya's Energy Minister Shokri Ghanem said crude oil supply continued to outstrip demand, despite OPEC data that indicated a worsening deficit by the end of the year. He also added that the IEA could release its members' strategic crude reserves if there was a shortage. He said OPEC would only increase production when there is more demand than supply.

Saudi Aramco said it had controlled a fire at its Ras Tanura oil terminal. It said the fire at the terminal did not affect oil and oil product output and loadings.

Market Watch

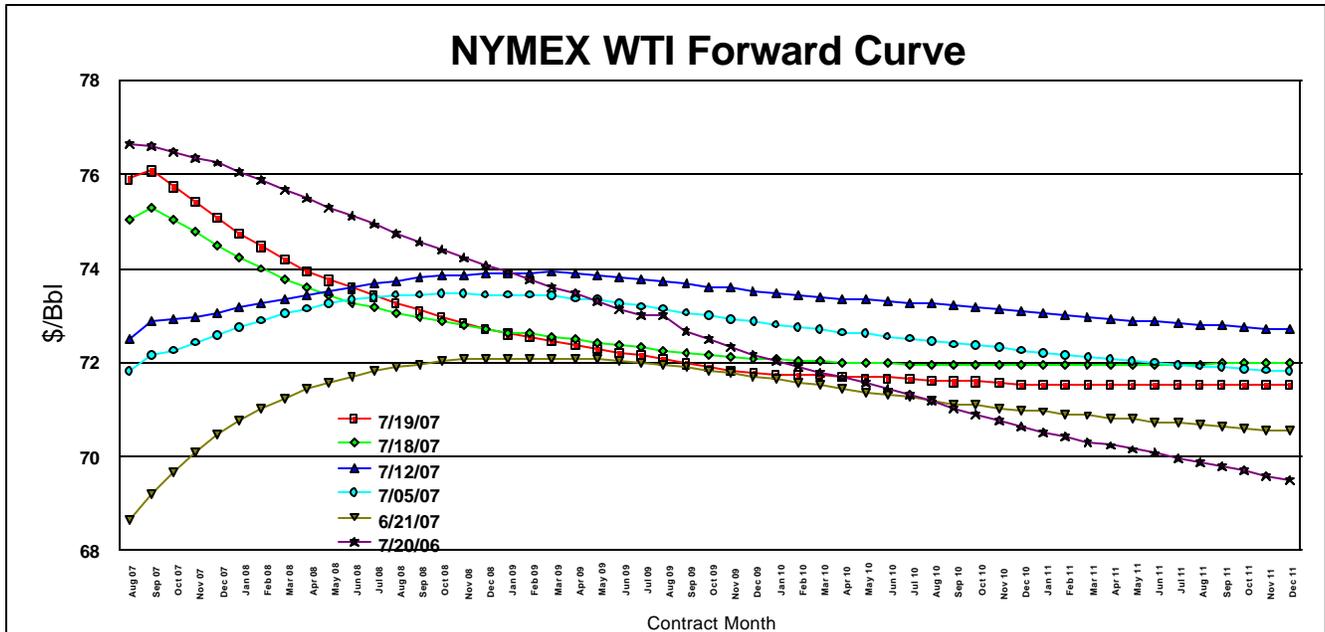
A study by the former chairman of ExxonMobil and head of the National Petroleum Council, Lee Raymond warned of accumulating risks to energy production, including rising geopolitical barriers, inflation in costs, declining number of petroleum engineers and increasing constraints on carbon dioxide emissions. While the report called for expanding and diversifying traditional energy supplies such as oil, gas, coal and nuclear power, it also supported the development of alternative fuels, including biofuels. The report's first recommendation is a call for the US government to moderate energy demand by increasing vehicle fuel economy standards and improve energy efficiency at buildings and homes.

Nigerian authorities said a Nigerian Sunni cleric shot in a mosque died on Thursday, raising fears of further violence. Police disclosed on Thursday that a mob lynched one unknown man at the mosque immediately following the shooting. On Thursday, soldiers and riot police were deployed across the city to prevent any further violence.

Iraq's Foreign Ministry sent a formal memorandum to the Turkish government protesting Turkish attacks of Iraqi territory. Iraq said Turkish artillery and aircraft bombarded areas of northern Iraq. The memorandum also called on Turkey to immediately stop the escalation and military reinforcements. It called a diplomatic solution to the border tension.

Tokyo Electric Power Co's Kashiwazaki-Kariwa nuclear power plant may be shut for more than a year for checks after an earthquake in Japan caused radiation leaks. The shutdown may be longer if the facility, built over what now appears to be an active fault line, needs to be reinforced.

A UN report on the impact of ethanol on food prices runs counter to Brazil's global ethanol policy. The UN report would be presented before the General Assembly in September. The document could lead to calls for further studies on ethanol before it gets recognized as a sustainable alternative fuel. Brazil's President Luiz Inacio Lula da Silva has been trying to convince other nations to produce biofuels from oilseeds and sugarcane under the belief that such initiatives would bring income to poor farmers.



According to Oil Movements, OPEC's oil exports are expected to fall by 240,000 bpd to 23.95 million bpd in the four weeks ending August 4 as fewer barrels head West. It estimated that OPEC has cut about 1 million bpd of its production.

Refinery News

Traders said a 60,000 bpd ultracracker at BP Plc's Texas City refinery was increasing its rates despite a minor problem on Wednesday during its restart process.

Husky Energy cut rates at its 147,000 bpd refinery in Lima, Ohio to 25% of capacity following a small fire early Thursday in an electric substation that caused a power outage.

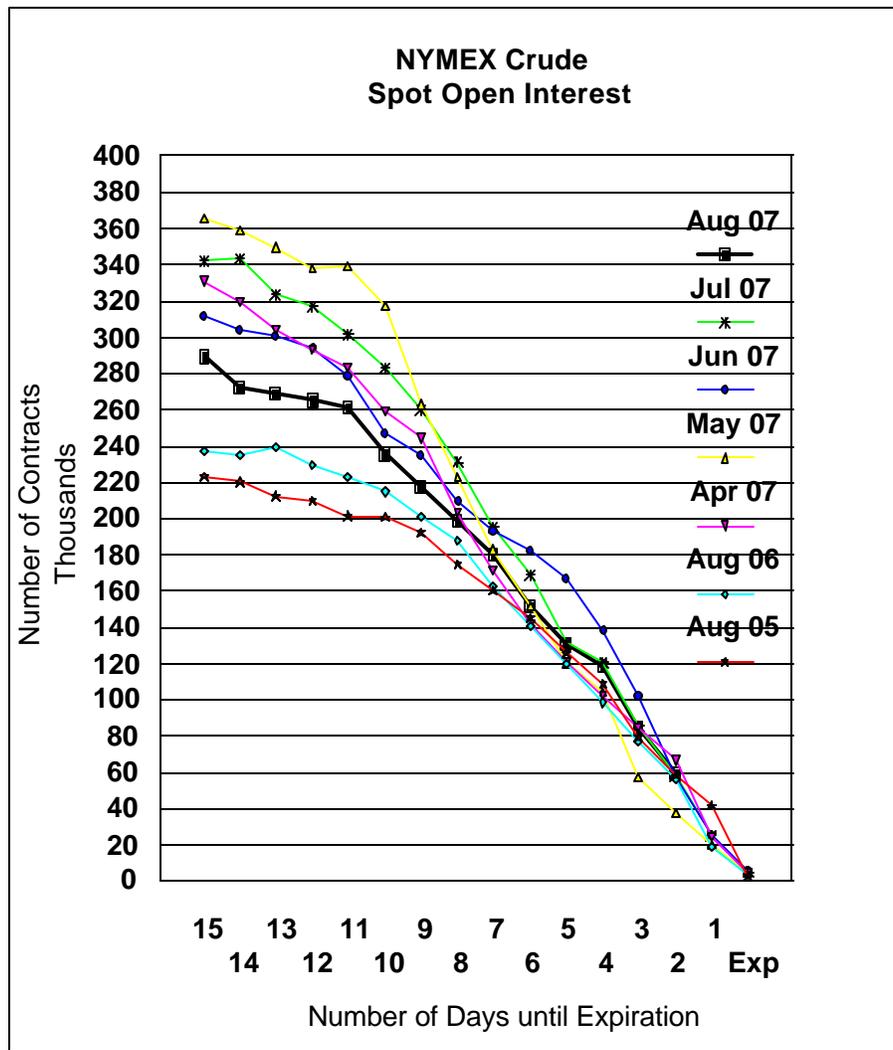
ConocoPhillips chief executive James Mulva said he was considering projects to upgrade the company's Gulf Coast refineries so that they could process heavy crude from Canada. It has already started upgrading its Wood River refinery in Illinois and its Borger refinery in Borger, Texas to handle oil from the Canadian oil sands. Separately, he also warned the US Congress against imposing new taxes on big oil companies and called for federal incentives to encourage new types of fuel production. He said Congress should extend federal price guarantees over 10 years up to a limit of 1 million bpd of production. He also warned against proceeding with a plan that would allow the federal government to sue OPEC for price manipulation. He also suggested that the government phase out a 54 cent/gallon tariff on imported ethanol, saying such a move would allow more ethanol supplies to reach the East Coast.

Placid Refining Co LLC said it was investing \$200 million to increase its gasoline production at its 55,000 bpd Port Allen, Louisiana refinery by 30%. It currently produces about 24,000 bpd of gasoline for the Baton Rouge area market. The gasoline unit expansions are expected to be completed by the second quarter of 2008. In the third quarter of 2008, Placid has also planned modifications to other refinery units to increase the plant's capacity to process heavier crude grades.

The US Federal Energy Regulatory Commission approved a rate plan that would allow Kinder Morgan Energy Partners' Calneve Pipe Line LLC to start work on an expansion of its petroleum products pipeline system.

FPL Energy Group said it is proceeding with plans with Citrus Energy LLC to build a plant that would produce 4 million gallons or 15.1 million liters of ethanol annually from citrus waste. It would be the first plant to produce ethanol from citrus processing waste on a large scale. Plans call for the plant to be built next to a citrus processing facility. It should be operational within two years. Federal agricultural officials estimate that Florida's citrus industry could produce up to 60 million gallons of ethanol annually.

Total SA said its 153,000 bpd Vlissingen refinery in the Netherlands was operating normally. Trades sources stated a small fire occurred at the refinery last weekend which caused a shutdown lasting several days.



Royal Dutch Shell is expected to shut a 66,000 bpd fuel oil unit at its Singapore refinery for about a week starting July 22. The complex is expected to be shut again at the end of the year for more than a month of regular maintenance.

Kuwait Petroleum Corp and the state of Louisiana continue to conduct a joint feasibility study on a proposed 400,000-600,000 bpd refinery. The proposed refinery could cost between \$5 billion and \$6 billion and be located along the Mississippi River between Baton Rouge and New Orleans.

Production News

Total SA declared a force majeure on exports from its 240,000 bpd Dalia field in Angola on Wednesday after a generator problem cut production by 50%. A Total spokeswoman said its output would be restored in one or two days and the force majeure

would be lifted. The Dalia platform came online in December and is estimated to contain nearly 1 billion barrels of recoverable oil reserves.

There were concerns a forest fire in Siberia could impact its oil production as the fire was burning next an oil field operated by Gazpromneft.

Suez Canal traffic was halted for over five hours overnight after an oil tanker ran aground inside the canal, delaying passage for several dozen other ships. Traffic resumed early on Wednesday after the tanker was refloated.

An official with Iraq's SOMO said Iraq is expected to sign a deal with Iran to purchase some 3,000 tons of oil products/day for the rest of the year and the first four months of 2008. Iran has agreed to supply Iraq with 1,500 tons/day of gasoil and 1,500 tons/day of kerosene.

Oil product inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area were mostly lower in the week ending July 19, with only gasoline stocks building. Gasoline stocks in the ARA area built by 69,000 tons to 707,000 tons on the week while gasoil stocks fell by 95,000 tons to 1.965 million tons. Naphtha stocks fell by 12,000 tons to 61,000 tons while fuel oil stocks fell by 41,000 tons to 453,000 tons. Meanwhile jet fuel stocks increased by 31,000 tons to 356,000 tons on the week.

China's National Bureau of Statistics stated that China increased its domestic crude oil output for the first half of 2007 while imports increased at a faster pace. The country's GDP grew 11.9% in the three months ending June 30, compared to last year's level and faster than the 11.1% gain in the first quarter.

Total SA said it has launched the second phase of the Ofon Field Development Project in Nigeria. It expects the additional reserves produced through the development phase to increase oil production by about 60,000 bpd to about 100,000 bpd by the end of 2010.

Latvia's Venstspils Nafta Terminals said in the first half of the year it more than doubled its throughput to 6.7 million tons of crude and petroleum products, up 3.6 million tons on the year. Of the total 6.7 million tons, 4.7 million tons was diesel delivered by railway and pipeline, 1.1 million tons was gasoline delivered by rail while 900,000 tons was crude and oil products delivered by sea.

Russia's Deputy Energy Minister Andrei Dementyev said Russia was on track to open the first 600,000 bpd phase of its Asian pipeline next year. However it is unlikely to expand to the full 1.6 million bpd capacity before 2015-2017. He said Russia needed to discover more oil in East Siberia to justify the expansion of the pipeline. Meanwhile, the head of Transneft, most of the crude for the Asian pipeline would come from East Siberia, while West Siberian oil would continue flowing towards Europe.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.369 million barrels to 10.474 million barrels in the week ending July 18. It also reported that Singapore's light distillate stocks fell by 333,000 barrels to 9.007 million barrels while middle distillate stocks fell by 341,000 barrels to 7.793 million barrels on the week.

The Petroleum Association of Japan reported that the country's gasoline stocks increased for the first time in five weeks after reaching a near three year low the previous week as output increased. It reported that Japan's gasoline stocks increased by 1.7% to 1.89 million kiloliters or 11.91 million barrels in the week ending July 14. It also showed that Japan's crude oil stocks fell by 3.12 million barrels on the week to 107.21 million barrels while kerosene stocks built by 1.24 million barrels to 18 million barrels. Japanese refiners operated their facilities at an average 81.4% of total capacity of 4.84 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$71.97/barrel on Wednesday from Tuesday's \$71.89/barrel level.

Market Commentary

The crude market, which settled above the 75.00 level on Wednesday, extended its gains in light of the reports that Total declared a force majeure on exports from its Dalia field in Angola. The market was also supported by the strength in the gasoline market. The market traded to 75.87 early in the session before it gave up some of its gains and posted a low of 74.63. The market however bounced off its low and never looked back as rallied to a high of 76.00 and settled up 87 cents at 75.92 ahead of its expiration on Friday. The September contract also settled up 77 cents at 76.07 after it posted a high of 76.18. The market on Friday will mostly be driven by the liquidation of the August contract. It is seen extending its gains as its upward momentum remains intact. The market is seen finding support at 76.00, 75.35, 74.89, 73.95 and 73.66. Meanwhile resistance is seen at 76.18, 76.52, 76.76, 77.09 and 77.34. Open interest in the crude market fell by a total of 9,498 lots. Open interest in the August contract fell by 25,014 lots to 59,724 lots as traders continued to liquidate and roll their position ahead of the August contract's expiration at the close of Friday. Open interest in the September contract built by 13,397 contracts. Meanwhile, the RBOB market posted a mostly neutral trading session as it settled near its opening price. The market remained well supported early in the session following Wednesday's supportive DOE report. The market retraced almost 50% of its move from a high of 238.36 to a low of 207.88 as it rallied to a high of 222.00. However the market erased some of its gains and posted a low of 216.02. It later bounced off its low and traded back above 219.00 on the close and

settled down 39 points at 219.14. The August RBOB crack spread settled down at 16.13. The heating oil market also rallied to a high of 212.00 early in the

		Levels	Explanation
CL	Resistance	76.52, 76.76, 77.09, 77.34	Previous highs, Basis trendline Thursday's high(September)
	75.92, up 87 cents	76.18	
	Support	76.00, 75.35, 74.89	Thursday's low(September)
		73.95, 73.66	Previous lows
HO	Resistance	212.48, 212.84, 214.29	Previous highs
	203.32, down 2.24 cents	212.00	Thursday's high
	Support	210.75, 209.65, 208.85	Thursday's low
		203.20, 202.40	Previous lows
RB	Resistance	223.12, 224.08, 226.72	50% retracement(238.36 and 207.88), Previous high, 62% Thursday's high
	210.07, down 2.55 cents	222.00	
	Support	218.75, 216.02	Thursday's low
		209.81, 207.88	Wednesday's low, Previous low

session and settled up 93 points at 211.43. The product markets will likely continue to retrace their previous gains, with the gasoline market seen finding some resistance at its high of 222.00 followed 223.12, 224.08 and 226.72. Meanwhile support is seen at 218.75, its low of 216.00, followed by its previous low of 209.81.