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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 20, 2007

Total SA lifted a force majeure declared on oil exports from its Dalia offshore oil field in Angola late Thursday. The force majeure was declared early Wednesday following a technical problem. The Dalia offshore platform is expected to reach normal output of 240,000 bpd in about 12 hours, after it was cut to 127,000 bpd.

Market Watch

Fund investment in crude futures is expected to increase following the market's change in pricing pattern, according to market analysts. Over the past two weeks, contracts for delivery in nearby months have risen above further out contracts, reflecting the tighter supplies in the short term. A trader stated that long only funds, such as those, which are based on the Goldman Sachs Commodity Index, have been increasing their investments as crude prices move into backwardation.

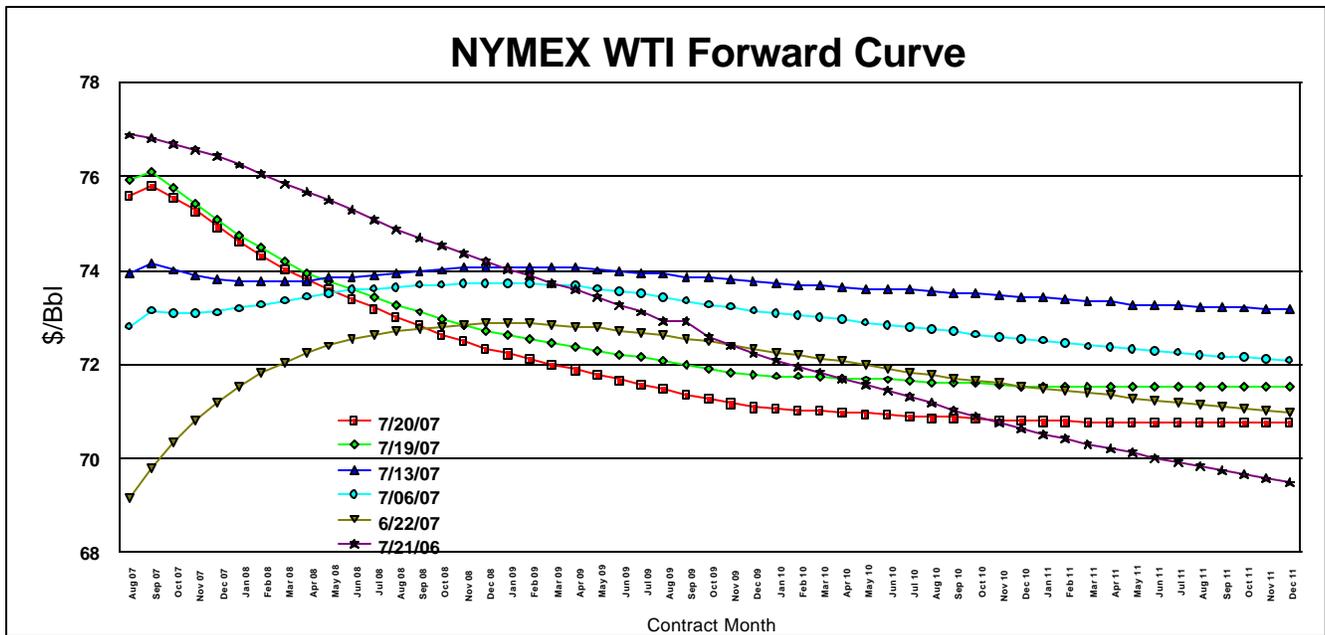
Japan Energy Corp told Tokyo Electric Power Co that it would supply tens of thousands of kiloliters of low sulfur fuel in addition to the usual volumes for August and September after an earthquake forced the utility to shut the Kashiwazaki-Kariwa nuclear plant. Separately, Cosmo Oil Co said it would cooperate with TEPCO's request to supply it with additional low sulfur residual fuel oil for August. An industry official has stated that TEPCO may need as much as 200,000 bpd of extra oil to generate power at backup thermal plants during the peak of summer.

A senior Iranian cleric said confessions of two detained American-Iranians proved there was a US backed plot to carry out a "velvet revolution" to topple Iran's clerical establishment. One of the two detainees said she had helped create a network to lead to fundamental changes in Iran's system. Haleh Esfandairi, an academic at the Woodrow Wilson International Center for Scholars and Kian Tajbakhsh, a consultant with George Soros' Open Society Institute, were detained separately for endangering Iran's security. A US State Department spokesman said the US had requested consular access to the two detainees through the Swiss and other embassies in Tehran, however the request was denied.

Refinery News

Shell Oil Co's 334,000 bpd refinery Deer Park, Texas cut feed to a coking unit on Thursday morning. Feed was cut after a transformer failure.

BP Plc's BP America said it planned to invest more than \$3 billion to increase its Midwest gasoline and diesel production by 15% or 620 million gallons per year. The investment would modernize BP's Whiting refinery in Indiana.



The US FERC approved a rate plan that would allow Kinder Morgan to expand its 248 mile petroleum products pipeline system to meet additional demand from Las Vegas, Nevada. The expansion involves a pipeline to move additional gasoline, diesel fuel and commercial and military jet fuel in the region, increasing capacity on its system from 143,200 bpd to 186,000 bpd. It granted Kinder Morgan's Calnev pipeline the same rate format it approved for Colonial Pipeline's plan to build a third petroleum pipeline in its Eastern US system from near Baton Rouge, Louisiana to Atlanta, Georgia.

China's National Bureau of Statistics reported that refineries processed a record 27.97 million tons or 6.81 million bpd of crude in June, up 9.8% on the year. Refinery runs have seen the strongest two month growth rates since early 2005, after they increased by 9.7% in May. Domestic crude production increased by 2.5% in June to 15.72 million tons.

Cosmo Oil Co said it was likely to take about three weeks to restart its 24,000 bpd fluid catalytic cracking unit. The unit has been shut since July 13 for an unplanned inspection.

Showa Shell Sekiyu KK said it was in final preparations for the restart of a 61,000 bpd residue fluid catalytic cracking unit. The unit has been shut since June 29 for unplanned inspection.

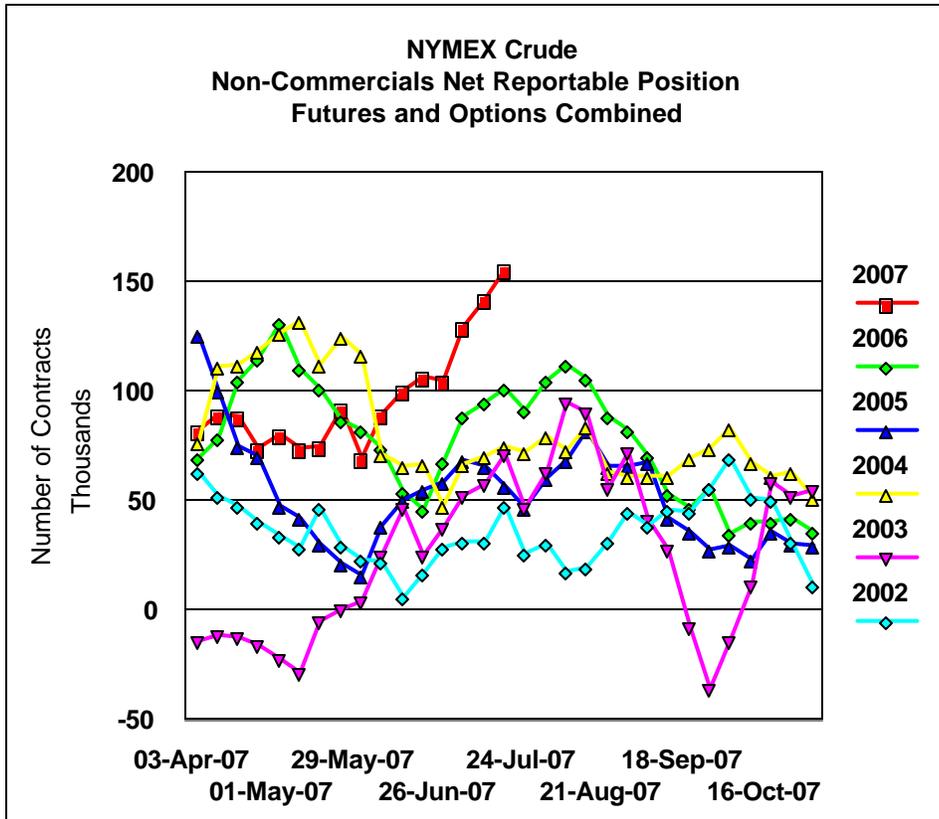
Indonesia's 125,000 bpd Balongan refinery was operating at 100% following a power outage earlier this month. The refinery was shut on July 7 and resumed operations on July 9 at 40% of capacity.

A 48,000 bpd diesel hydrodesulphurization unit at Hindustan Petroleum Corp's refinery due to come back on line on Thursday following the completion of maintenance, was still down. The unit was shut on July 8 for its yearly inspection.

Production News

Baker Hughes reported that the number of rigs searching for oil and gas in the US fell by 1 to 1,790 in the week ending July 20. The number of rigs searching for oil increased by 3 to 287 while the number of rigs searching for gas fell by 4 to 1,497.

A US federal appeals court has ordered Royal Dutch Shell Plc to suspend its oil exploration operations in the Beaufort Sea off the north coast of Alaska pending a legal challenge being brought by



environmental activists and Alaska native groups. Shell had planned to drill up to four exploration wells during the brief Arctic summer.

Euroilstock stated that oil products output in Europe fell in June from a year earlier as refiners reduced their intake of crude. Total European refinery production in June was down 404,000 bpd on the year to 12.841 million bpd. However it was up from May's level of 11.715 million bpd. It showed that gasoline production in June fell by 84,000 bpd on the year to 3.287 million bpd while distillate production fell by 31,000 bpd to 6.025 million bpd. Fuel oil production in June

fell by 5.2% on the year to 1.766 million bpd.

Venezuela's Energy Minister Rafael Ramirez said the country has lowered its 2007 rig count target by about 40% to 120. He said increased social spending obligations that Venezuela has imposed on contractors have made it hard for Venezuela to acquire rigs amid a nationalization campaign by President Hugo Chavez. He said Venezuela's requirement that contractors dedicate 10% of the total value of their contracts to social development projects has made companies less willing to do business in Venezuela.

Azerbaijan's Socar has tendered to sell 1.2 million barrels of Russian export blend Urals for loading at the Russian Black Sea port of Novorossisk in August in two cargoes. The shipments would load on August 16-18 and August 29-31.

South Korea's Korea National Oil Corp said oil stocks increased by 17.9% on the year to 20.51 billion barrels, while oil products stocks increased by 8% on the year to 54.17 million barrels.

Ecuador's central bank reported that the country's oil export revenues totaled \$496.09 million in May, down 15% from the \$583.4 million reported last year. It exported 9.22 million barrels, down 10% from 10.21 million barrels shipped last year.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$73.23/barrel on Thursday from \$71.97/barrel on Wednesday.

Market Commentary

The oil market settled in negative territory amid some profit taking following the market's move above the 76.00 level. The August crude contract opened relatively unchanged and traded mostly sideways in overnight trading on Globex. It rallied to a high of 76.13 early in the session. However its gains were limited amid the news that Total lifted its force majeure it declared on its exports from its Dalia field. It erased its gains as traders liquidated their positions and took profits following the market's sharp gains. It sold off to a low of 75.16 and settled down 35 cents at 75.57. The September crude contract also settled down 28 cents at 75.79 after the market retraced its gains and sold off to a low of 75.42. While the market gave up some of its recent gains, we still have the opinion that the market will continue trend higher. The market is seen finding support at 75.42, 74.89 followed by more distant support at 73.95 and 73.66. Meanwhile resistance is seen at 76.00, 76.15, its high of 73.39 followed by 76.52, 76.76, 77.09 and 77.76. The RBOB market also settled in negative territory as traders continued to take profits following its recent rally. The market, which posted a high of 220.10 early in the session, extended its losses to over 4.8 cents as it sold off to a low of 214.55. It settled down 2.68 cents at 216.46. The heating oil market also settled down 2.21 cents at 209.22. The product markets are seen retracing some of Friday's losses, with the RBOB market finding support at its low of 214.55.

It is seen finding more distant support at its previous lows of 209.81 and 207.88. However resistance is seen at 218.00, its high of 220.10 followed by 222.00 and 224.08.

		Levels	Explanation
CL	Resistance	76.52, 76.76, 77.09, 77.76	Previous highs, Basis trendline
		76.00, 76.15, 76.39	Friday's high
	Support	75.42	Friday's low
HO		74.89, 73.95, 73.66	Previous lows
	Resistance	212.00, 212.48, 212.84, 214.29	Previous highs
		210.40, 211.00, 211.90	Friday's high
HO		208.78	Friday's low
	Support	203.20, 202.40	Previous lows
		222.00, 223.12, 224.08, 226.72	Previous high, 50% retracement(238.36 and 207.88), Previous high, 62%
RB	Resistance	220.10	Friday's high
		214.55	Friday's low
	Support	209.81, 207.88	Wednesday's low, Previous low

The Commitment of Traders report showed that non-commercials in the crude market cut their record net long position by 2,864 lots to 109,423 lots in the week ending July 17. However the combined futures and options report showed that non-commercials continued to increase their net long position by 13,423 lots to a record 154,867 lots on the week. Given the market's continued move higher, funds have increased their net long position in the past few trading sessions. While open interest has declined due to the August contract's expiration on Friday, open interest in the outer months have continued to build as new longs are added. The non-commercials in the RBOB market cut their net long positions by 9,265 contracts to 35,764 contracts while non-commercials in the heating oil market also cut their net long positions by 8,292 contracts to 22,521 contracts on the week.