



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 24, 2007

The head of OPEC affairs at Iran's Oil Ministry, Javad Yarjani said OPEC would increase its oil supply if it was needed. In regards to a statement that a fair price for oil would be \$60-\$65/barrel, he said it did not mean that OPEC would change its production in order to reach that price range. He said crude oil inventories were on the top of the five year average, making immediate OPEC action to increase output unnecessary.

Iranian

negotiators met with the deputy chief of the UN's IAEA in an effort to dispel concerns about Iran's nuclear program. Iran agreed on Tuesday to allow inspectors from the UN's IAEA to revisit its heavy water reactor site early next week.

Market Watch

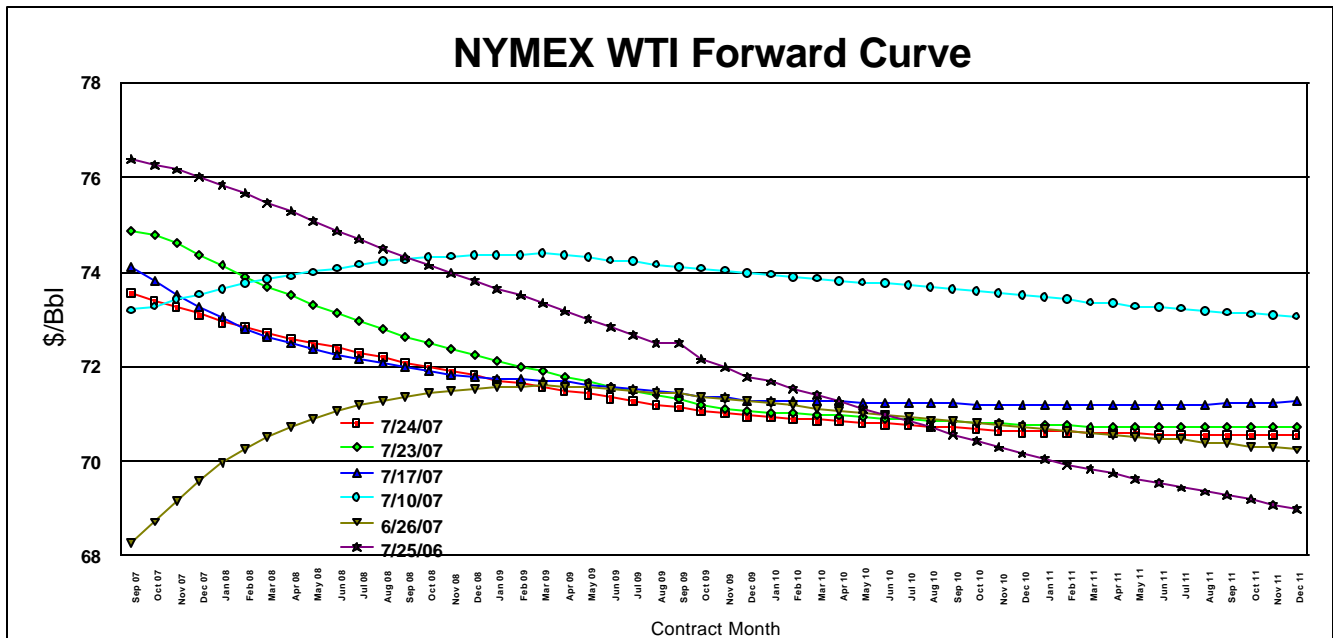
Barclays Capital said a shift in the oil price curve could help improve returns for investors in crude oil. Both Brent and WTI futures have shifted into backwardation this month. Tighter nearby spreads have noticeably reduced the effect of negative roll yields. Barclays said the S&P Goldman Sachs Commodity Index posted gains of 4.7% in June and 4.9% so far in July after falling by 2.1% in April and 3.1% in May.

BP Plc reported a 1% fall in quarterly post tax profit to \$6.087 billion due to a fall in production and refinery outages. It also stated that it expected the price of oil to remain high in the short to medium term.

ETF Securities Ltd has created six new products that would give investors the ability to gain exposure to oil prices one, two and three years into the future. The securities, called exchange traded commodities, would track WTI and Brent futures contracts. The contracts would be listed on the London Stock Exchange.

A commodity analyst at Goldman Sachs Group Inc said \$95/barrel would likely be seen this year unless OPEC unexpectedly increases its production and added that declining inventories were increasing the chances of seeing \$100/barrel oil. Goldman Sachs' global head of commodities research said oil prices could reach a record and remain at unprecedented levels for months or years. Meanwhile, an analyst at CIBC World Markets stated predicted that oil could reach \$100/barrel as soon as next year. Deutsche Bank chief energy economist, Adam Sieminski raised the forecast for the average price of oil in 2010 to \$60/barrel from \$45/barrel. According to T. Boone Pickens, a pullout from Iraq may be the event that pushes oil prices to \$100/barrel.

Belarus asked Russia for a delay in paying a \$500 million gas bill. Belarus missed a deadline on Monday to settle debts run up since Gazprom more than doubled prices at the start of the year. Economists however said Belarus could afford to pay the full price of \$100 per 1,000 cubic meters of Russian gas in force since the start of the year, up from a previous price of \$46.



Separately, the US and Iranian ambassadors to Iraq met Tuesday for a second round of talks on stabilizing Iraq, a session marred by a tense exchange over US allegations that Iran was fueling the violence. Iran's Foreign Ministry spokesman Mohammad Ali Hosseini rejected US allegations that Iran was arming and training Iraqi militants.

Nigerian police reported that gunmen stormed the house of a newly appointed energy official of Rivers state late Monday and killed two of his family members.

The US Energy Department said Iraq's oil shipments to the US in May fell to 341,000 bpd, the second lowest monthly level in almost four years. Its oil exports to the US were down 39% on the month.

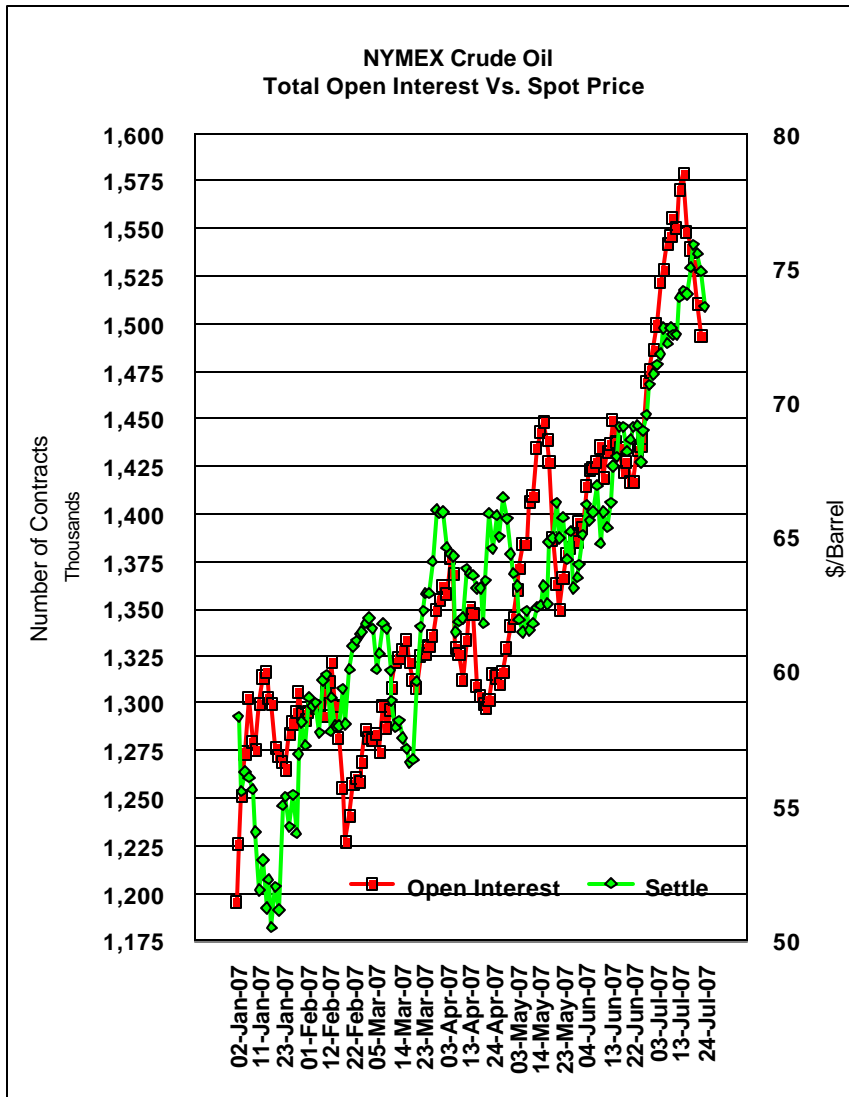
Refinery News

BP Plc said it expected to resume full operations at its Whiting, Illinois refinery in the first half of 2008. It is expected to resume sour crude processing in the fourth quarter. The 410,000 bpd refinery has been operating at reduced rates since March, after a fire damaged a hydrotreater unit. BP also stated that it expected the Texas City refinery to process 400,000 bpd by the end of 2007, up from 240,000 bpd. Full capacity would be restored only by the middle of 2008. Separately, a bipartisan group of US senators threatened to block approval of an air permit for BP that is required to expand the company's Whiting, Indiana refinery unless the company changed its plans to dump toxic chemicals into Lake Michigan. The permits are required for the company to expand the refinery's gasoline production by 15% by 2011 and increase its ability to process heavy Canadian crude.

According to a notice filed with the Texas Commission on Environmental Quality, a controller problem on a crude unit at Valero's 325,000 bpd refinery in Port Arthur, Texas refinery resulted in flaring on Monday.

ExxonMobil Corp reported emissions at its Beaumont, Texas refinery on Monday due to a problem at Crude unit B's vacuum tower condensate receiver. ExxonMobil said it had no impact on production.

Murphy Oil Corp said it wanted to significantly expand its Superior refinery. It said expanding its capacity to 235,000 bpd from 35,000 bpd would help the region.



Alon USA Energy started eight days of planned maintenance on its gas generation system at its 70,000 bpd refinery in Big Spring, Texas. A reformer and a diesel hydrotreater have been shut during the maintenance period. It cut its crude throughput rates to 40,000 bpd. It is expected to resume normal operations by July 31.

Suncor Energy Inc restarted an oil sands upgrading unit after a 50 day maintenance shutdown that cut production by as much as 139,000 bpd. It said it was increasing rates on its upgrader 2 at its oil sands project near Fort McMurray following a shutdown to tie in new equipment for a planned expansion. The closure cut production of synthetic crude to about 121,000 bpd, down from its usual production of 260,000 bpd.

Iraq's parliament approved a draft law that would allow regional government and provincial authorities to deal individually with foreign companies, sign contracts and award licenses for construction of refineries. The

Law on Investing and Refining Crude Oil is separate from a draft hydrocarbons law that would govern overall exploration and production and which is seen as crucial to bridging the deep sectarian divide in Iraq.

Production News

Venezuela's Energy Minister Rafael Ramirez said PDVSA's board has decided to declare an emergency to accelerate the tendering process for oil rigs to avoid a situation that could block achievement of production plans. He said PDVSA was seeking to produce 3.2 million bpd by the end of the year. Government officials have stated that Venezuela has a production rate of nearly 3 million bpd.

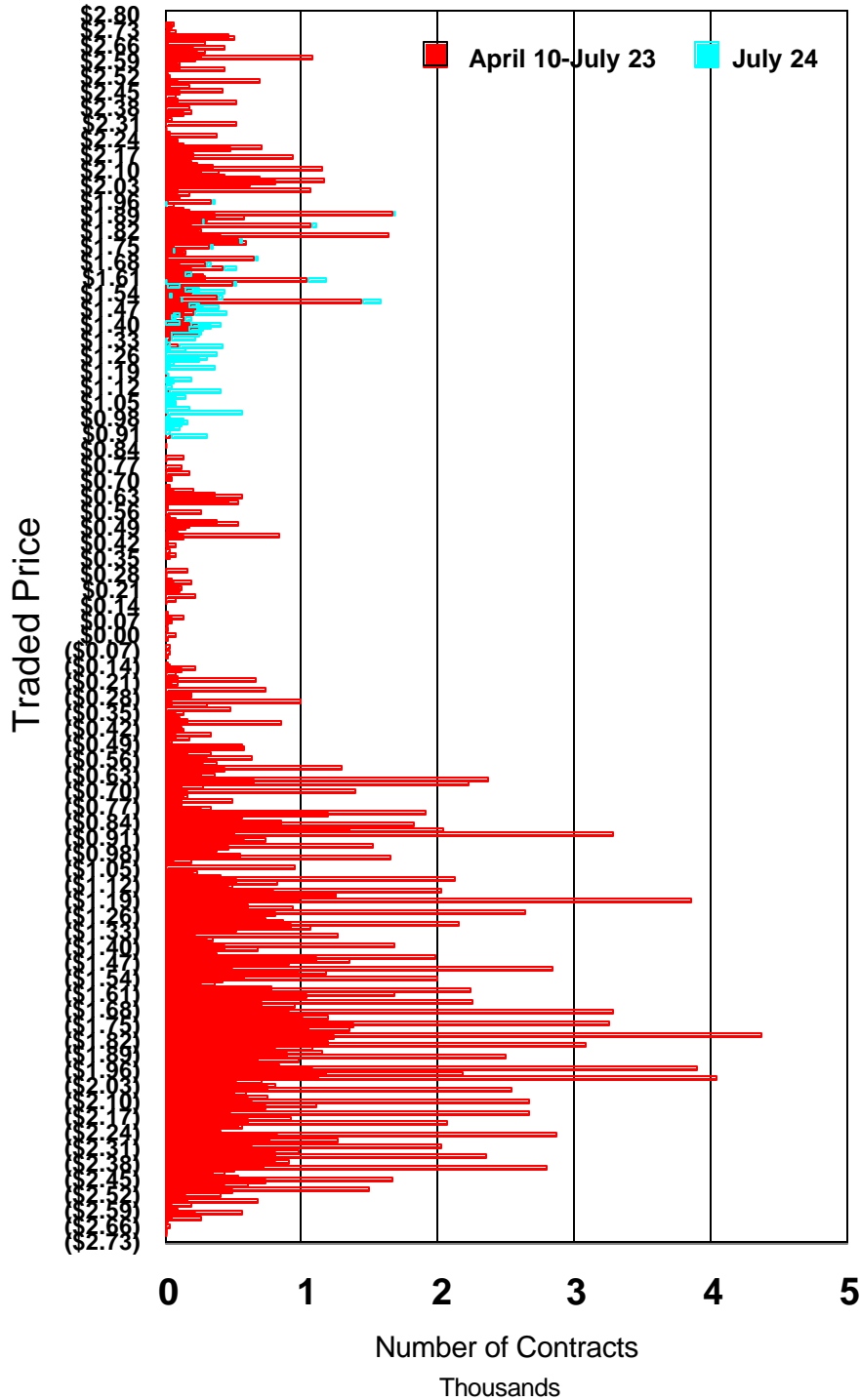
BP Plc said it expected its Thunder Horse oilfield in the Gulf of Mexico to start production by the end of 2008. Thunder Horse was due to start production in 2005 but has suffered repeated delays.

Statoil's 125,000 bpd Heidrun oilfield in the North Sea has been shut since last Friday due to a corrosion problem. However it said production could restart later this week.

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - July 24, 2007

Trade Weighted Avg: 7/24 1.25; 7/23 2.168; 7/20 2.595; 7/19 2.227; 7/18 1.813



An oil official said Japan may see an unexpected build in gasoline inventories by next month during its peak demand season, as oil demand from TEPCO is expected to prompt local refiners to increase production. Japanese refiners have been asked by TEPCO to supply extra fuel oil to meet high summer electricity demand. Higher production would lift output of other fuels such as gasoline and distillates. Separately, the UN's IAEA said it would send experts to Japan in the coming weeks to check the Kashiwazaki-Kariwa plant after an earthquake last week caused radiation leaks. The plant is expected to remain closed indefinitely for safety checks.

Russia's Economic Development and Trade Ministry stated that the country's oil production was estimated at 490 million and 500 million metric tons in 2008. In 2006, Russia's oil production increased by 2.1% on the year to 480 million tons while exports fell by 2% on the year to 248.4 million tons.

According to official data, India's domestic oil product sales in June increased by 4.6% on the year to 10.26 million tons. Diesel sales in June increased by 19.9% on the year to 3.93 million tons.

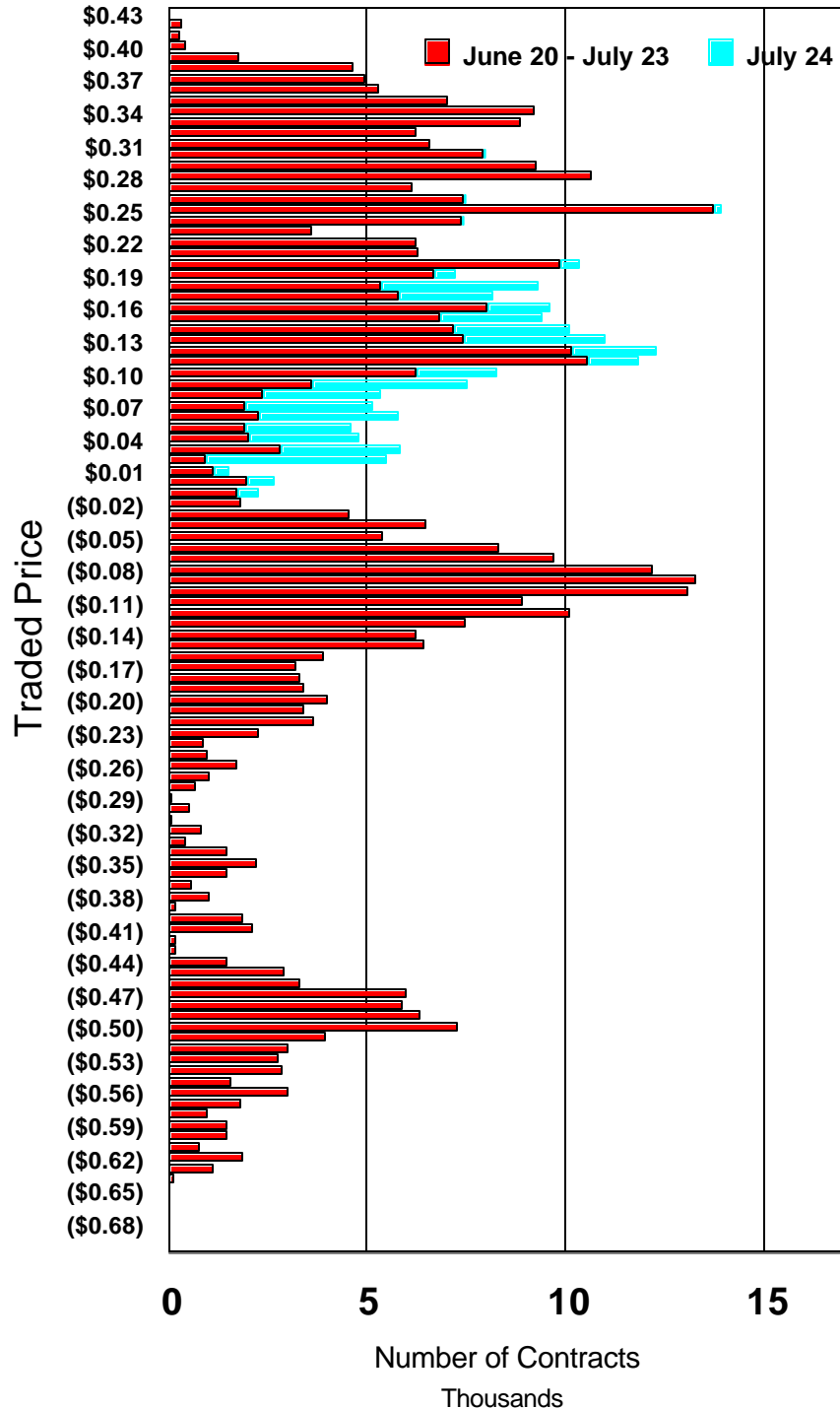
Brazil's National Petroleum Agency stated that the country would offer 313 oil

and gas areas in nine sedimentary basins during the ninth annual auction of exploration and

NYMEX WTI: September October Spread

Price Vs Volume for June 20 - July 24, 2007

Trade Weighted Avg: 7/24 .095 7/23 .13 7/20 .28 7/19 .23 7/18 .323



production licenses on November 27-28. About half of the blocks are in offshore areas with a high potential of finding hydrocarbons in the Campos, Espirito Santo and Santos basin.

OPEC's news agency reported that OPEC's basket of crudes fell to \$73.01/barrel on Monday from \$73.67/barrel on Friday.

ExxonMobil said it would keep its 150 cubic meters of oil storage in Singapore for its own use starting in August after the expiry of a rental lease, reducing available regional capacity by about 2.7%. The terminal had been leased to Malaysia's Petronas over the past three years to store fuel oil and was subleased to Cargill International in the past year.

Market Commentary

Once again prices came under pressure with the gasoline leading the complex. Currently, the fundamentals and technicals are running in tandem with one another, and we believe that they both indicate further declines in prices. With the September crude breaking through the support levels of 74.45 and 73.65, our next level to the downside is 70.00. Should this be penetrated and settled below, the objectives would be 64.37 and then 62.90. Support is set at 72.97, 71.10, 70.89, 70.00, 69.83, and 69.30. Resistance is set at 73.45, 73.65, 74.00, 74.45 and 75.35. As mentioned in

yesterday's wire we expected the front end of the curve to give up strength against the middle to back

end, this was evident in the Dec07/Dec08 spread, which at one point during the session lost as much as 1.25 points. We would continue to look for this spread to narrow, and for negative numbers to trade. Open interest in the crude market fell by a total of 16,436 lots as traders continued to take profits. The RBOB market, which continued to lead the complex lower, settled down 5.64 cents at 204.77. The market

posted a high of 210.60 in overnight trading on Globex and continued to trade lower. It extended its losses further as

		Levels	Explanation
CL	Resistance	74.93, 75.35	Tuesday's high
	73.56, down \$1.33	73.45, 73.65, 74.00, 74.45	
	Support	72.97	Tuesday's low
HO	Resistance	71.10, 70.89, 70.00, 69.83, 69.30	Previous lows
	203.09, down 2.52 cents	209.27, 211.90, 212.00	Previous highs
	Support	203.60, 204.65, 205.90	Tuesday's high
RB	Resistance	202.45, 201.81	Tuesday's low
	204.77, down 5.64 cents	199.57, 198.07, 196.60	62% (190.47 and 214.29), Previous lows
	Support	216.23, 220.10, 222.00	Previous highs
RB	Resistance	206.25, 210.60	Tuesday's high
	204.77, down 5.64 cents	203.80, 203.10	Tuesday's low
	Support	202.80, 200.71, 195.69	Previous lows

it fell to a low of 203.10 immediately following the opening of the open outcry session. The market was pressured amid expectations that the weekly petroleum stock reports would show small builds in gasoline stocks of less than 500,000 barrels and an increase in refinery utilization rates amid reports that refineries have resumed operations following unplanned and planned maintenance. The RBOB market however bounced off that level and rallied back above the 208.00 level before some late profit taking pushed the market back towards its low ahead of the close. Similarly, the heating oil market settled down 2.52 cents at 203.09 after the market sold off to a low of 201.81 early in the session. The market was also pressured amid the expectations of builds in distillate stocks of close to 1 million barrels. The RBOB, which breached its downward trending support line, will likely remain pressured ahead of the weekly petroleum stock reports and continue to trade lower barring any surprises in the weekly petroleum stock reports. The market is seen finding support at 203.80, 203.10 followed by 202.80, 200.71 and 195.96. Meanwhile resistance is seen at 206.25, 210.60, 216.23, 220.10 and 222.00. The Sep RBOB crack spread, which settled down at 11.59, is seen finding some support at 10.00 followed by 9.50.