



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 26, 2007

Iran's President Mahmoud Ahmadinejad said Iran would never yield to international pressure to halt its nuclear program. He also added that any further UN resolutions would not prevent Iran from obtaining nuclear technology. Iran has warned the US to back off from broader sanctions, saying such measures would harm new diplomatic opportunities.

Meanwhile, Royal Dutch Shell PLC said it was still studying the possibility of investing in a natural gas project in Iran

despite pressure in the US for the oil company to scrap the plans. Shell and Spain's Repsol in January signed a preliminary \$10 billion agreement with the Iranian government to develop two phases of the South Pars gas field.

Market Watch

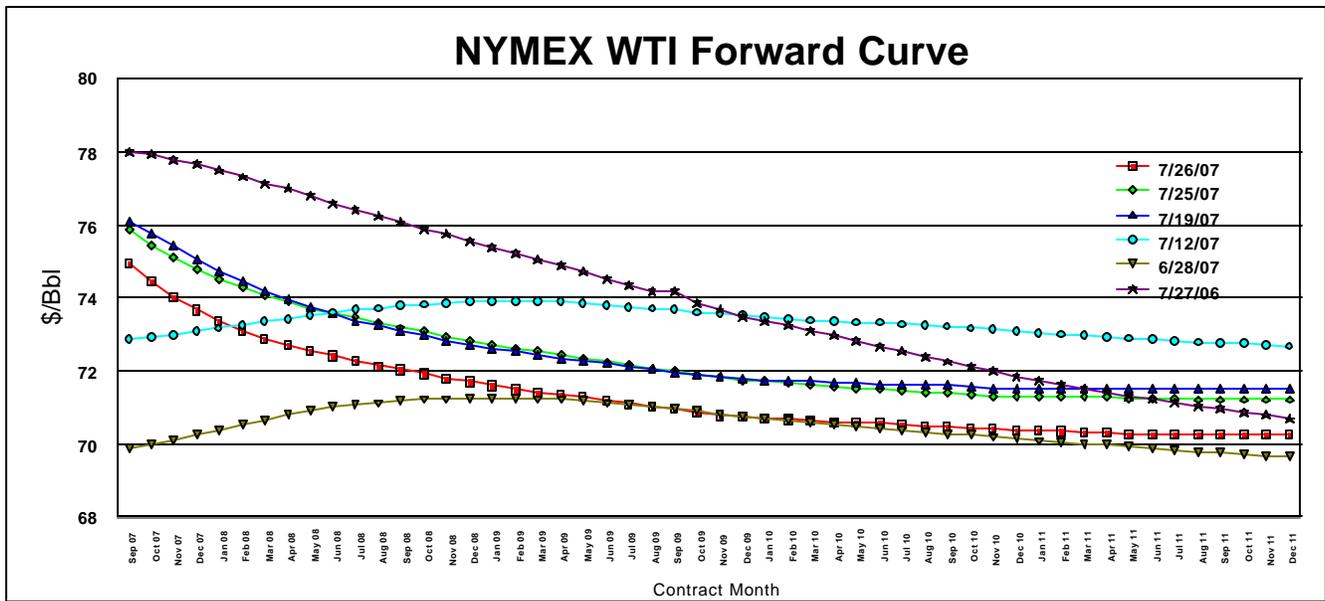
Traders said at least 100,000 tons of diesel was bound from the US to northwest Europe and the Mediterranean amid the widening premium of European diesel over US prices.

Nigeria's President, scheduled to inaugurate his new Cabinet on Thursday, was expected to keep the post of energy minister to himself. According to an official list, former deputy governor of the Central Bank Shamsudeen Usman would become finance minister and Ojo Maduekwe would become foreign minister. The list did not name an energy minister, leading to speculation that the new president would follow former President Olusegun Obasanjo's lead and name himself energy minister.

ETF Securities Ltd said it would launch six more exchanged traded commodities on the London Stock Exchange offering investors direct exposure to one, two and three year oil futures prices on benchmark Brent and WTI crude. The products are due to launch within six weeks. The company already offers ETC for front month futures on both benchmarks but said there was an increasing demand from clients to invest in different parts of the oil futures curve.

Wood Mackenzie stated that the US government's upcoming sale of drilling rights in the Gulf of Mexico has the potential to exceed \$1 billion for the first time in nearly a decade. The sales include many newly available blocked in the lower tertiary, an area 150 miles off the coast of Louisiana where no oil is currently produced. It however stated that with few spare rigs available, companies could end up being owners of promising territory but unable to take advantage of it.

The California Public Employees' Retirement System has pressed a number for foreign oil majors to minimize the risk of investment in Iran. In a letter, the coalition asked the oil companies to describe the policies and safeguards they have in place to mitigate the risks of doing business in Iran. The pension funds also expressed concern that energy production facilities may be attacked if growing US-Iran tension led to war.



Russia's Deputy Foreign Minister Sergei Kislyak said the nuclear power station in Bushehr would begin operations early in 2008.

According to Oil Movements, OPEC's oil shipments are expected to increase by 90,000 bpd to 24.03 million bpd in the four weeks ending August 11. It said the extra barrels were flowing to Asia.

Refinery News

Murphy Oil said it would shut a platformer unit at its 120,000 bpd refinery in Meraux, Louisiana for two weeks of planned maintenance work. It was not clear when the shutdown would begin.

ExxonMobil said it expected less downtime at US refineries during the second half of the year compared with the first half of the year, when US refineries operated at 82%. It performed turnarounds at the company's Beaumont and Baytown, Texas refineries.

ExxonMobil said its 326,000 bpd Fawley refinery was still closed following a fire on Wednesday morning. It said it planned to restart its 326,000 bpd Fawley refinery over the next several days.

Suncor Energy Inc said it planned to partially shutdown its 70,000 bpd Sarnia, Ontario refinery for 84 days starting September 1. The company is expected to tie in a new desulphurization and sour crude processing units during the turnaround. The new facilities would allow the refinery to process up to 40,000 bpd of crude from its oil sands mine.

Russia's Omsk refinery is expected to cut gas oil exports for about a month as it performs maintenance on a unit.

Showa Shell Sekiyu KK's 61,000 bpd residue fluid catalytic cracking unit resumed normal operations on Thursday. The unit was shut since June 29 for unplanned inspection and was restarted on July 22.

ExxonMobil's Nansei Sekiyu KK restarted its 100,000 bpd crude distillation unit at its Nishihara refinery on Wednesday.

Production News

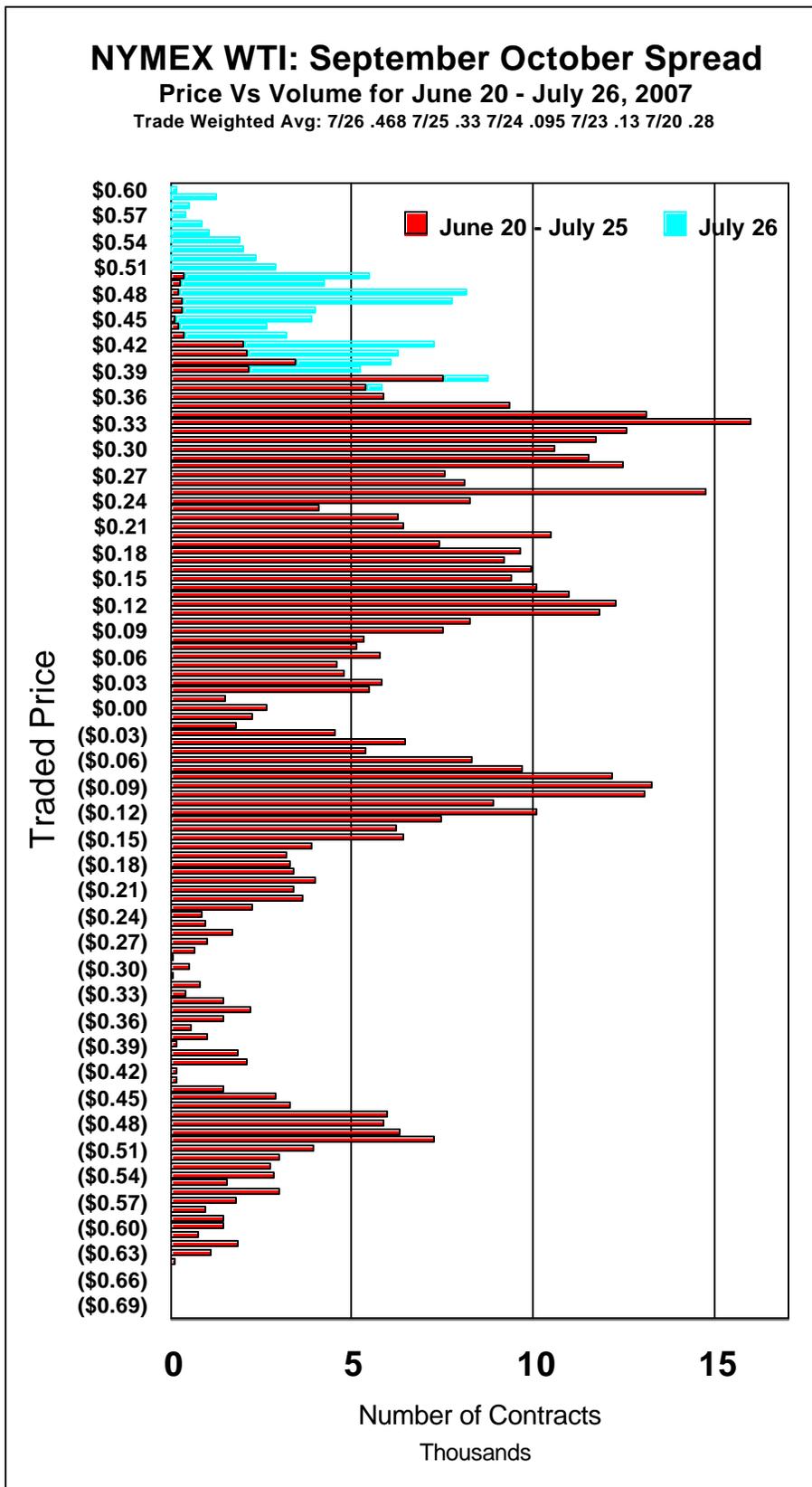
Nigeria's crude oil exports are expected to fall to about 2 million bpd in September, down 110,000 bpd from the previous month.

Most Nigerian grades, including Bonny Light and Qua Iboe, were expected to load one or two cargoes less in September. Traders stated that about three cargoes of Bonny Light crude were expected to be deferred from August for loading in September.

Royal Dutch Shell declined to say when it would resume normal production levels in Nigeria as militant attacks and sabotage caused further supply disruptions. Shell said 195,000 bpd of its production in Nigeria was shut in at the end of the second quarter due to security concerns, up from 177,000 bpd during the same period last year. It said it was in talks with the government and community members to regain access to oilfields and restart production.

Separately, Nigeria's Shell Petroleum Development Co said it made an oil discovery and a test well flowed at up to 5,000 bpd. The discovery was made onshore in the eastern Niger Delta in Shell's Oil Mining License 17. Initial production is expected to start later this year after the completion of the production test.

ExxonMobil, which cited the effect of OPEC quotas as a factor in lower second quarter volumes from Nigeria, said the OPEC member was allowing it to increase its current production.



A lawmaker for Venezuela's congressional Energy and Mines Commission, Mario Isea said PDVSA may have to continue increasing its heavy crude oil production in the Orinoco oil belt to make up for declining output in more mature oilfields. He however declined to state how much more PDVSA planned to increase its production. In June, Venezuela's production stood at 3.07 million bpd. However figures from OPEC showed that Venezuela's oil production for June was down 35,000 bpd at 2.4 million bpd.

Suncor Energy Inc's second quarter profit fell by 47% to \$615.4 million, partly due to lower oil sands production caused by an upgrader shutdown and higher operating expenses. A shutdown of one of Suncor's two oil sands upgraders cut production while increased maintenance costs were the main reason for the increase in operating expenses. The shutdown, which started May 31 and ended July 20, cut production rates to about 121,000 bpd.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area fell to 36,000 tons to 671,000 tons in the week ending July 26. Exports were bound for the US, Mexico, Costa Rica, Guatemala and the UAE. Meanwhile, gas oil stocks increased by 85,000 tons to 2.05 million tons while fuel oil stocks fell by 1,000 tons to 452,000 tons. Naphtha stocks increased by 2,000 tons to 63,000 tons and jet fuel stocks fell by 11,000 tons to 345,000 tons on the week.

Wood Mackenzie said oil companies in China have double spending on their domestic oil and gas exploration over the past two years. Its \$8.9 billion increase in domestic investment over the last two years was greater than China's total international expenditure in 2006, including acquisitions.

India's Ministry of Petroleum and Natural Gas reported that Indian refiners processed 12.9 million tons or 3.15 million bpd of crude in June, up 9.8% from 11.76 million tons or 2.87 million bpd processed last year. India's crude oil production in June fell by 1.8% to 2.77 million tons or 676,800 bpd from 2.83 million tons or 691,500 bpd last year.

Singapore's International Enterprise reported that the country's residual stocks built by 1.579 million barrels to 12.053 million barrels in the week ending July 25. It also reported that light distillate stocks built by 243,000 barrels to 9.25 million barrels while middle distillate stocks fell by 400,000 barrels to 7.393 million barrels.

Mexico's Energy Ministry reported that crude oil production at Mexico's Cantarell offshore field fell slightly to 1.57 million bpd in June from 1.579 million bpd in May. The field accounted for 50.5% of Mexico's overall crude production. Over the past year, production has fallen at the field that once produced about 60% of Pemex's oil production.

Italy's Eni SpA said it expected real production from its hydrocarbon assets in Russia starting in 2011. It said Russia's hydrocarbon output would be further increased with the Yaro-Yakhinskoye field production a couple of years later.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$71.57/barrel on Wednesday from a revised \$71.94/ barrel on Tuesday.

Market Commentary

Crude oil continued its strength overnight and into the early part of the NYMEX floor opening. Once prices broke through 76.30, it appears as if stops were elected and specs began to bail out of their length. The September contract traded at a premium to Brent for the first time since February, but was unable to maintain its strength. Sources within the industry are citing changes in the crude that makes up the Brent oil contract and cut backs in refineries, for this brief positive move in the arbitrage. Overall it is difficult to take a firm stance on this market, so for now we would look to buy and sell at the listed support and resistance numbers. Support is set at 74.00, 73.70, 73.35, 72.97, 71.10, 70.89 and 69.83. Resistance comes in at 76.30, 77.45 and 78.40. It will be interesting to see tomorrow's open interest numbers, which came into today down 1,224 overall. September posted a decrease of 4,410, October up 2,606, November + 1,318 and December + 4,340. This is an indication of short covering in the September and length buying in the deferred. The RBOB market remained well supported early in the session as it rallied to a high of 213.40 early in the session. However, similar to the crude market, the RBOB market erased its gains and sold off sharply. The oil complex seemed to mirror the volatility in the equities market, with the Dow falling over 300 points on the day. The RBOB market sold off to a low of 205.96 before it retraced some of its losses and settled down 1.2 cents at 207.59. The heating oil market also settled down 3.31 cents at 203.28 after it posted a high of 209.84 and erased its gains. It extended its losses to over 4.74 cents as it sold off to a low of 201.85 late in the session. The product markets is seen finding some support following today's sharp losses. The RBOB market is seen holding support at 205.96 followed by 204.00 and 202.15. More distant support is seen at 200.71 and 195.69. Resistance is seen at 208.50, 210.35, 211.97 and 212.30. More distant resistance is seen at

213.40
and
216.23.

		Levels	Explanation
CL	Resistance	77.45, 78.40	Previous highs
	74.95, down 93 cents	76.30, 77.00, 77.24	Thursday's high
Support		74.61	Thursday's low
		74.00, 73.70, 73.35, 72.97, 71.10	Previous lows
HO	Resistance	209.84, 211.90, 212.00	Thursday's high, Previous highs
	203.28, down 3.31 cents	204.10, 206.90, 209.20, 209.84	
Support		201.85	Thursday's low
		200.90, 199.57, 198.07, 196.60	Previous low, 62% (190.47 and 214.29), Previous lows
RB	Resistance	213.40, 216.23	Thursday's high, Previous highs
	207.59, down 1.2 cents	208.50, 210.35, 211.97, 212.30	Basis trendline(211.97)
Support		205.96	Thursday's low
		204.00, 202.15, 200.71, 195.69	Previous lows