



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 27, 2007

According to a Reuters survey, non-OPEC supply growth in 2007 is estimated at 450,000 bpd, down from 950,000 bpd estimated in the previous survey in May. Average non-OPEC production was estimated at 50.19 million bpd this year and 50.57 million bpd in 2008.

Refinery News

Chevron Corp said the restart of units at its

265,000 bpd refinery in El Segundo, California was almost complete. Chevron started a two month overhaul of its 143,000 bpd crude distillation unit on June 1 and began restarting the unit of July 22.

Flint Hills said it was scheduled to shut an isomerization unit on Friday at its Corpus Christi, Texas refinery for work starting on Friday.

Valero reported that it would perform maintenance on a tank at its Corpus Christi, Texas refinery starting July 27 until August 1.

Market Watch

The California Air Resources board adopted regulations curbing emissions from off road diesel vehicles late Thursday. The rules would be phased in beginning in 2010 for fleets of large vehicles to 2015 for small fleets and an estimated 180,000 vehicles would be replaced or retrofitted with diesel soot filters and other devices. By 2020, the regulations are expected to reduce diesel particulate matter emissions by 5.2 tons/day and smog-forming nitrogen oxides by 48 tons/day.

China's Sinopec Corp, PetroChina and China National Offshore Oil Corp submitted a proposal to the country's National Development and Reform Commission on increasing wholesale guidance prices for oil products in the domestic market. It was the second time in a month the oil companies called for an increase in prices. Earlier in July, Sinopec and PetroChina sought approval for a plan to increase wholesale guidance prices for gasoline and gasoil by Yuan 200/metric ton or \$26.40/metric ton and Yuan 150/metric ton, respectively.

The NYMEX announced that it was changing margins for its heating oil and RBOB contracts effective at the close of business Friday, July 27. Margins for the first month of its heating oil, New York Harbor heating oil calendar swap and heating oil financial futures would fall to \$5,400 from \$5,738 for customers. Margins for the second to eighth month would fall to \$5,063 from \$5,400 for customers. In the RBOB market, margins for the first month would fall to \$6,750 from \$8,100 for customers while margins for the second to fifth months would fall to \$6,075 from 47,088 for customers.

Murphy Oil said it would shut a platformer unit at its 120,000 bpd Meraux, Louisiana refinery this weekend for planned maintenance. The platformer is scheduled to be shut for two weeks. It also said it planned to perform maintenance on a crude distillation unit next year.

Suncor Energy Inc said its Sarnia refinery is expected to operate at 60% of its normal output of 70,000 bpd during a scheduled 84 day maintenance period, scheduled to start September 1. It is expected to produce about 42,000 bpd of gasoline and other refined products while it ties in a diesel desulfurization unit to the facility.

Traders said ExxonMobil was seeking spot oil product supplies in Europe amid the closure of the Fawley refinery. ExxonMobil shut its 326,000 bpd refinery and a chemical complex after a fire started in a steam generator on Wednesday. ExxonMobil has stated that it would restart the plant over the next several days.

Colombia's largest refinery in Barrancabermeja halted its operations on Thursday following a power outage. Ecopetrol said there would not be any disruption in fuel supply because it had enough inventory to secure supply for several days. The refinery produces 90,000 bpd of gasoline, diesel and liquid gas fuels.

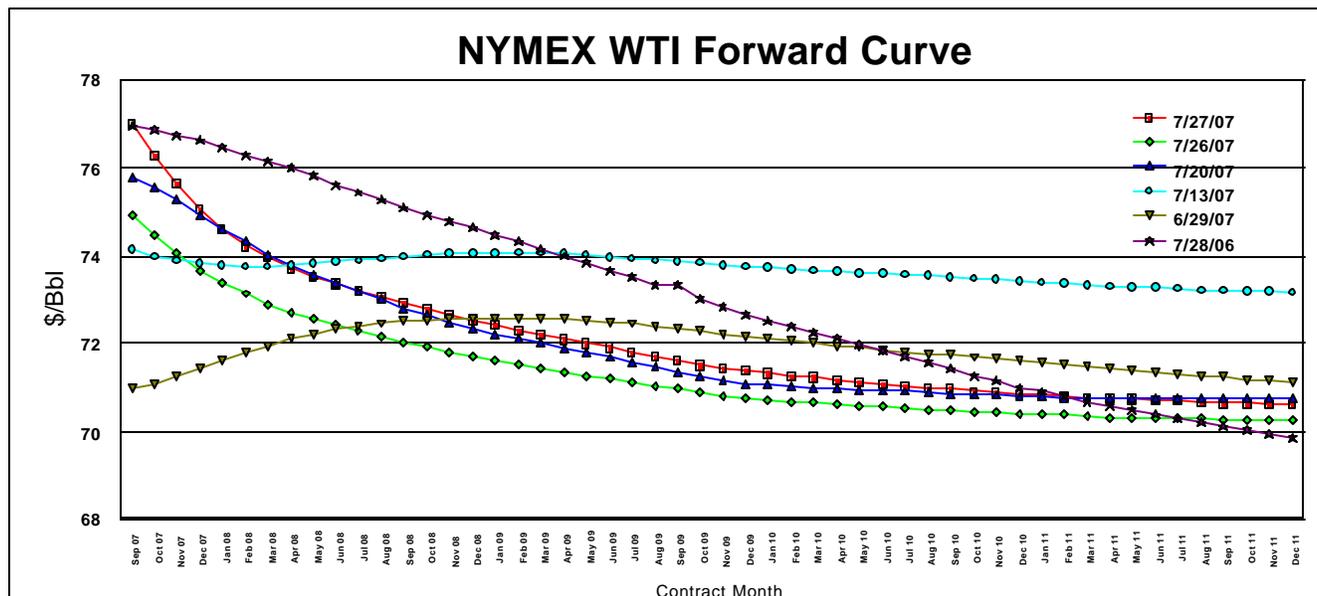
Japan's Idemitsu Kosan Co. Ltd restarted a 140,000 bpd crude distillation unit at its Hokkaido refinery on Saturday. The unit was expected to restart in the first half of August.

Nippon Oil Corp said it planned to refine 4.34 million kiloliters of crude to meet domestic demand in August, unchanged on the year. Its July crude refining volume was estimated at 4 million kl, up 1% on the year.

Lithuania's Mazeikiu Nafta is expected to receive a shipment of crude from Venezuela. Mazeikiu has been relying on supplies via its offshore Butinge terminal since last July, when Russia's Transneft shut its pipeline to the Lithuanian refiner.

Production News

BP Plc said it was making progress in upgrading a section of its pipeline on Prudhoe Bay after it was shut due to leaks last year. It said it had new accountability practices in place and its upgrade was on



schedule for completion next year. Bypass lines have served as temporary conduits to the field's gathering centers, where oil, natural gas and water are separated before being shipped on the Trans-Alaska Pipeline System to the Valdez Marine Terminal.

BP Group Plc said damage to the Central Area Transmission System pipeline would impact the company's third quarter UK production. The CATS gas pipeline was shut in on July 1 due to damage caused by the anchor of a third party vessel.

According to the Aberdeen Petroleum Report, UK oil production fell by 1.9% on the month in May to 1.56 million bpd.

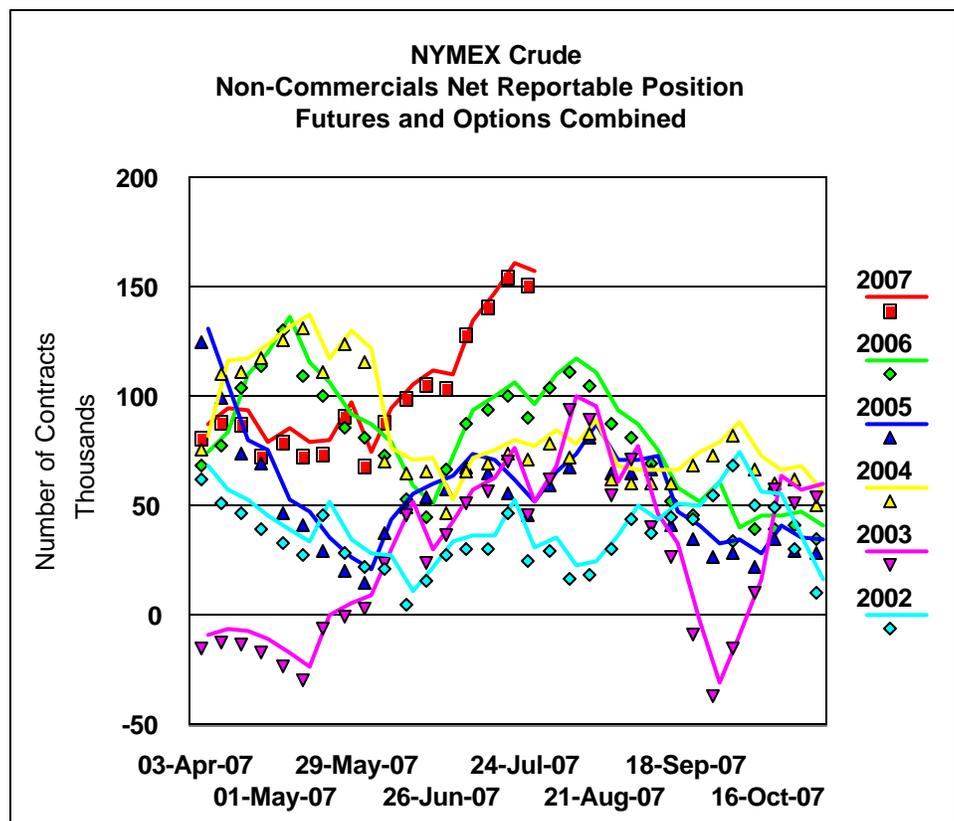
Chevron Corp reported that its sales of refined products in the third quarter fell to 3.462 million bpd from 3.494 million bpd last year. It also reported that refinery input fell to 1.823 million bpd, down from 1.998 million bpd last year. Separately, Chevron said it planned to drill another appraisal well at its Jack prospect in the Gulf of Mexico in early 2008.

The chief of Nigeria's navy staff said the navy has retired 10 officers due to evidence they were involved in smuggling stolen crude oil. Industry pundits have stated that much of the violence that plagues the Niger Delta is connected to bunkering. Proceeds from bunkering are a major source of funding for militants in the Niger Delta.

Abu Dhabi National Oil Co notified its Asian lifters that it would supply crude oil at full contracted volumes for September, unchanged on the month. It has supplied full term volumes to its lifters for seven consecutive months. Earlier this month, Saudi Aramco notified its Asian lifters that it would continue to supply them with about 9.5-10% less than their full contractual volume in August, as it has done since April.

Taiwan's Chinese Petroleum Corp bought two Very Large Crude Carriers of West African crude to September loading via its monthly tender.

Russia's Gazprom said it was seeking to bring more partners into its Shtokman gas project either as co-owners of the field operator or as contractors. France's Total recently agreed to take a 25% stake in a special purpose entity that would develop the first phase of Shtokman field in the Barents Sea.



Gulfsands Petroleum Plc estimated total recoverable oil reserves at its Syria assets at 100 million barrels. It said its first appraisal well at the block's Khurbet East discovery had shown production rates of 1,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$72.88/barrel on Thursday from \$71.57/barrel on Wednesday.

Market Commentary

The oil complex retraced most of Thursday's sharp losses as traders shrugged off the continuing fall in the equities market. The crude market seemed to be supported in light of the Commerce Department's report stating that US GDP grew by 3.4% in the second quarter, the most since the first quarter of 2006. This followed Thursday's losses on concern that a slide in equities could be a signal US energy demand growth would fall. The crude market settled up \$2.07 at 77.02, the second highest settlement on record since July 14, 2006 when it settled at 77.03. The market, which posted a low of 74.70 in overnight trading, retraced its previous losses and extended its gains to over \$2.17 as it rallied to high of 77.12 ahead of the weekend. The crude market is seen continuing its upward trend as stochastics are still trending higher. The market is seen finding support at 76.50, 75.50 and 74.70. More distant support is seen at 74.00, 73.70, 73.35, 72.97 and 71.70. Meanwhile resistance is seen at 77.12, 77.24, 77.45, 78.12 and 78.50. The product markets also settled in positive territory, with the RBOB market settling up 2.58 cents at 210.17 and the heating oil market settling up 4.03 cents at 207.31. The RBOB market posted an inside trading day as it posted a low of 206.82 and rallied to a high of 211.25 late in the session amid the renewed strength in the crude market. Similarly, the heating oil market also posted an inside trading day as it failed to breach Thursday's trading range. It posted a low of 202.80 and rallied to a high of 208.38 ahead of the close. The RBOB market is seen finding support at 209.94, 209.00 and 206.82. More distant support is seen at 205.96, 204.00, 202.15 and 200.71. Resistance is however seen at 211.25, 213.40 and 216.23.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by just 641 contracts to 108,782 contracts in the week ending July 24. The combined futures and options report also showed that non-commercials in the crude market cut their record net long position by 3,771 contracts to 151,096 contracts on the week. The funds lightened up their position after the market rallied above the 76.00 level late last week. It is surprising that the non-commercials did not cut their net long positions further amid the sell off in the market and the fall in open interest. Meanwhile, non-commercials in the RBOB market cut their net long position by 857 contracts to

		Levels	Explanation
CL	Resistance	77.24, 77.45, 78.12, 78.50	Previous highs, Basis trendline, Previous high
	77.02, up \$2.07	77.12	Friday's high
Support		76.50, 75.50, 74.70	Friday'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
	207.31, up 4.03 cents	208.38	Friday's high
Support		205.65, 204.00, 202.80	Friday's low
		201.85, 200.90, 199.57, 198.07, 196.60	Previous lows, 62% (190.47 and 214.29), Previous lows
RB	Resistance	213.40, 216.23	Thursday's high, Previous highs
	210.17, up 2.58 cents	211.25	Friday's high
Support		209.94, 209.00, 206.82	Friday's low
		205.96, 204.00, 202.15, 200.71	Thursday's low, Previous lows

34,907 contracts while non-commercial s in the heating oil market cut their net long position by 7,642 contracts on the week.