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ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Zachariah Yurch & Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 30, 2007

OPEC's Secretary General Abdullah al-Badri said current oil prices were inflated by about \$7/barrel due to concerns about supply security. He also stated that OPEC did not plan to reintroduce an official price band for oil. He said OPEC would be uncomfortable if oil prices breached the \$80/barrel level or fell below \$50/barrel.

Meanwhile, Iran's Oil Minister Kazem Vaziri-Hamaneh said Iran did not expect OPEC to discuss changing output levels at its next regular meeting in

September. He also stated that oil stocks and production were high and therefore OPEC would not hold an emergency meeting before its Vienna meeting. In regards to Iran's gasoline demand, he stated that country's daily gasoline consumption fell by about 20 million liters since it started to ration

Market Watch

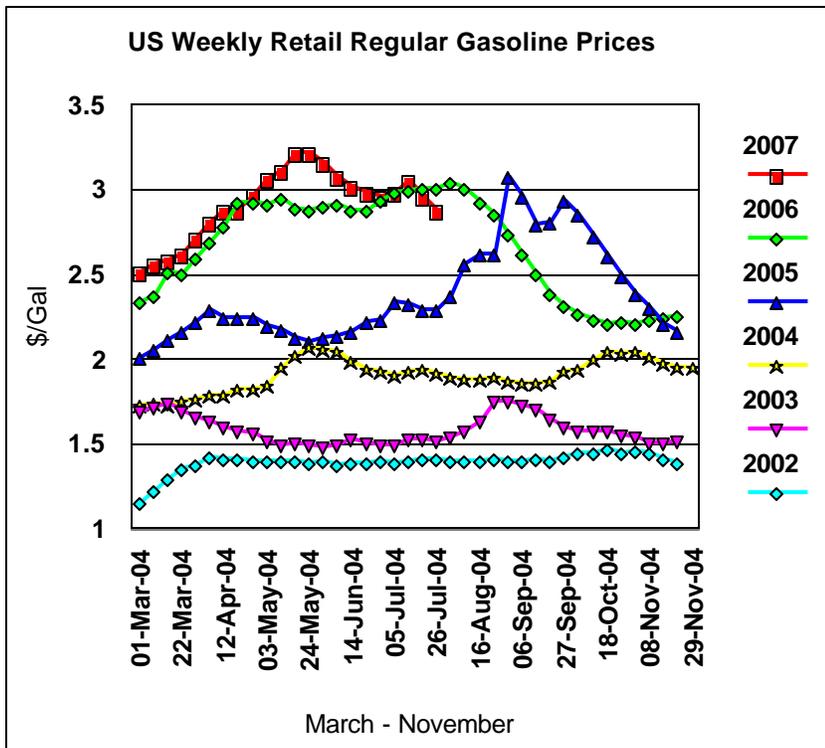
Wood Mackenzie said gasoline prices could decline by 2010 amid a potential oversupply of oil products. However it stated that US refining capacity would be expanded less than previously thought. It said that new biofuels, natural gas liquids and liquefied petroleum may replace some conventional fuels, resulting in a potential oversupply. It estimated 8.1 million bpd crude capacity would come online by the end of 2010. However it also noted that more than 550,000 bpd of previously announced crude capacity expected onstream in 2010 has been delayed or canceled during the first half of 2007.

ExxonMobil Corp, Royal Dutch Shell Plc and BP Plc are expected to increase their capital spending in 2007 by between 0.5% and 9.5% to fund future growth. ExxonMobil is estimated to increase its spending by 0.5% to \$20 billion, Royal Dutch Shell is estimated to increase its spending by 9.5% to \$22-\$23 billion and BP is expected to increase its spending by 6.5% to \$18 billion.

Venezuela's President Hugo Chavez announced that he planned to turn the Orinoco belt in a federal area. He also vowed to keep Oil Minister Rafael Ramirez in his post despite recent criticisms of PDVSA.

Tokyo Electric Power Co said it secured more capacity from other utilities to meet peak summer demand as it seeks to make up for lost output from a nuclear power plant damaged in an earthquake. It is expected to receive 1.66 million kilowatts of power capacity in August from six utilities, up 7% from a previous estimate of 1.55 million kw.

China's National Bureau of Statistics stated that the energy China uses to generate each dollar of national income fell by 2.78% in the first six months of the year from a year earlier.



gasoline in June. He said Iran's gasoline rationing helped save the country about \$10 million a day in fuel imports.

British Prime Minister Gordon Brown said that he and President George W. Bush agreed on the need to pursue tougher sanctions against Iran over its nuclear program. He said he would not rule out military action against Iran but believed a policy of sanctions would persuade Iran to halt its nuclear program.

Iran's Foreign Minister Manouchehr Mottaki said that the US had too many problems in Iraq to become involved in armed conflict with Iran. He dismissed the UN sanctions already imposed and added that stricter penalties would not change

Iran's position. Separately, UN IAEA inspectors on Monday visited a nuclear reactor being built in Iran that has been off-limits since April.

A US special inspector general said Iraq's government failed to take responsibility for reconstruction projects and has been struggling to administer its budget for oil, public works and education.

The EIA reported that the US average retail price of gasoline fell by 8.2 cents/gallon to \$2.876/gallon in the week ending July 30th. It also reported that the average retail price of diesel fell by 0.3 cents/gallon to \$2.886/gallon.

According to the Lundberg survey, the US average retail price of gasoline fell by 17 cents/gallon to \$2.8843/gallon in the two weeks ending July 27.

Refinery News

Chevron Corp reported flaring at its 243,000 bpd refinery in Richmond, California late on Friday. The flaring was due to an instrumentation problem on the sulfur recovery system.

In a report filed with the California Governor's Office of Emergency Services, Tesoro Corp reported a hole in a discharge pipe at a wet gas compressor at its Martinez, California refinery. The filing did not indicate whether the incident had any impact on refinery production.

A faulty release valve at BP's Carson, California refinery on Saturday caused a chemical leak at its sulfur recovery plant. A report filed with the Governor's Office of Emergency Services did not indicate whether the incident had any impact on sulfur recovery operations or production at other process units at the refinery.

Tesoro Corp said it expected its 166,000 bpd Golden Eagle refinery in Martinez, California to resume full operations by late on Monday following the completion of repairs to a leaking discharge pipe. The leak was found on Sunday afternoon.

ConocoPhillips reported a process problem at its 146,000 bpd Borger, Texas refinery on Saturday. The upset lasted for about six hours. The company also stated that it was in the process of restarting a 130,000 bpd fluid catalytic cracking unit at its Bayway refinery in Linden, New Jersey. The unit was shut late last week following a problem.

Total Petro Chemical said it planned to run some units at reduced throughput rates during maintenance work at its 232,000 bpd refinery in Port Arthur, Texas between Sunday and August 6.

Alon USA Energy Inc said it planned to replace a vent gas compressor on a crude unit at its 67,000 bpd refinery in Big Spring, Texas. The refinery is expected to resume full operations by midweek.

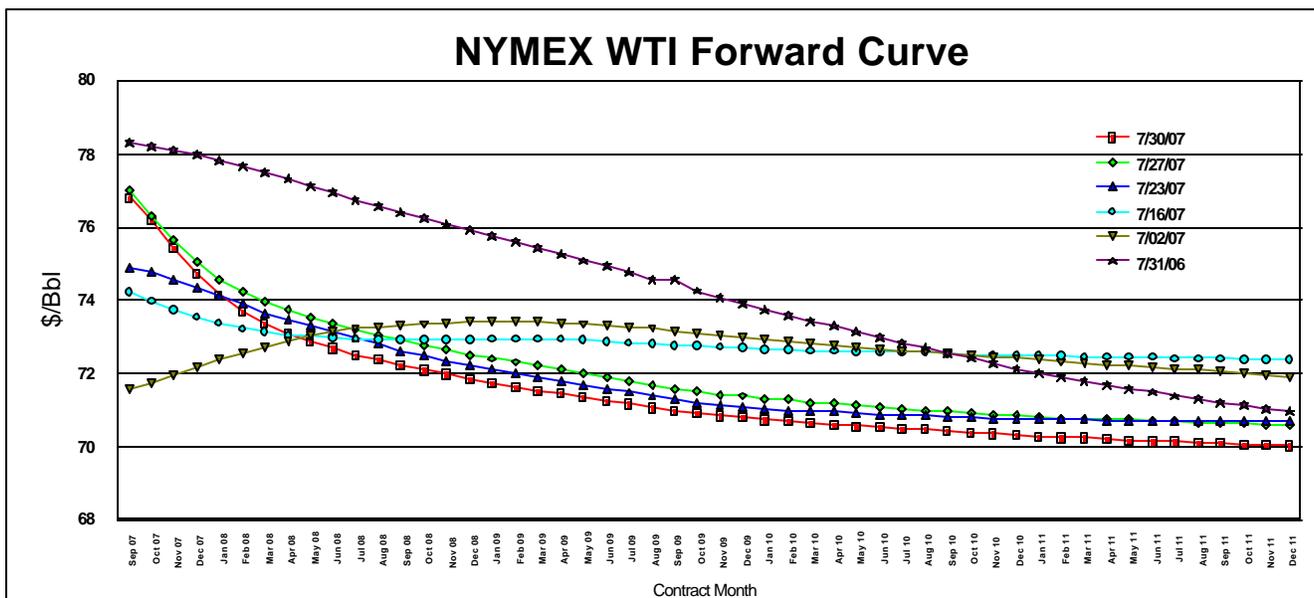
A fire last week at ExxonMobil's 180,000 bpd refinery in Rotterdam forced it to shut several units briefly. The fire started last Tuesday near a vacuum distillation column. The unit as well as a flexicoker connected to it were shutdown. Both units resumed normal operations later in the day. Separately, ExxonMobil said it was restarting its 300,000 bpd Fawley refinery in the UK after a fire started on Wednesday. It said would continue to supply oil products to its customers using stored volumes and through alternative supply arrangements.

Brazil's 240,000 bpd Reduc refinery on Monday began restarting its catalytic cracker after it was shut due to a fire last month.

Indian Oil Corp is estimated to import up to 250,00 tons of diesel in the 2007/08 fiscal year.

South Korea's SK Incheon Oil is expected to cut its August crude refining rate to 135,000 bpd from 190,000 bpd in July due to maintenance on its No. 2 200,000 bpd crude distillation unit. It is expected to shut the crude unit from August 6 to August 23.

Meanwhile SK Energy shut its No. 5 260,000 bpd crude distillation unit on July 29 for maintenance. The unit is expected to resume operation on August 2.



South Korea's S-Oil Corp is scheduled to shutdown its No. 2 200,000 bpd crude distillation unit from October 8 to October 29 for planned maintenance.

Production News

Royal Dutch Shell Plc said a force majeure on exports from the Forcados oil tanker loading terminal in Nigeria was still in effect despite the first cargo sent in more than year from the facility in recent weeks. The loadings came from oil in storage and not from new production.

BP stated that repairs to the Central Area Transmission System gas pipeline are expected to take over a month and it would not reopen until sometime in September.

Saudi Aramco said it has the capacity to produce 10.8 million bpd of crude on a sustainable basis.

The US Coast Guard said a vessel apparently struck a pipeline in the Gulf of Mexico, causing an oil spill. The leak was stopped and authorities were searching for the vessel that may have struck the pipeline.

Kazakhstan has halted traffic via the Uzen-Atyrau oil pipeline after a fire damaged it on Monday. The pipeline is part of the larger Atyrau-Samara pipeline which ships about 300,000 bpd to Russia.

Venezuela's PDVSA said an accident injured workers at the Sincor auxiliary plant that was nationalized in May. A Venezuelan newspaper reported three workers were injured when a valve exploded from excess pressure, forcing the plant's evacuation.

A senior oil ministry official said Sudan was exporting about 425,000 bpd of crude and 30,000 tons a month of petroleum products. The official said further US sanctions earlier this year had not hurt Sudanese exports.

Russian oil exports from major ports are expected to fall by about 3.5% in August to 2.93 million bpd due to the introduction of higher crude oil export duties.

China has issued its first group of permits for crude oil distribution and storage and granted more licenses for refined products as part of the country's plan to free up its domestic energy market.

Indonesia has been offering new exploration rights and financial incentives for oilfields in a bid to halt a steady decline in production as the country has failed to tap new oilfields fast enough to meet domestic demand. A senior mines and energy official said Indonesia may give a 50-50 oil production split to investors.

OPEC's news agency reported that OPEC's basket of crudes fell to \$72.22/barrel on Friday from \$72.88/barrel on Thursday. It reported that OPEC's basket of crudes fell by 40 cents/barrel to \$72.32/barrel in the week ending July 27.

Market Commentary

The crude oil market sold off on concerns of a slower economy, following lower movement in the stock market, only to recover late in the session. Technically speaking, this market appears to have more upside potential, but should be bought and sold at the listed support and resistance numbers. Floor traders are talking a range bound market between 75.50 and 78.40. These two numbers are indicated in our listed support and resistance numbers and we would not argue the floor sentiment. Support is listed at 76.30, 75.50, 74.70, 74.00, 73.70, 73.35, 72.97 and 71.10. Resistance is set at 77.45, 78.12 and 78.40. Unlike the crude market, which breached its previous highs, the product markets posted

inside trading days ahead of the August contracts' expiration at the close on Tuesday. The RBOB market posted a high of 210.66 early in the session before it erased its gains amid reports of some refineries resuming operations. The market extended its losses to over 2.8 cents as it traded to 207.30. The RBOB market however retraced some of its losses only to sell off once again to a low of 207.21 late in the session. It settled down 1.61 cents at 208.56. The heating oil market also settled down 80 points at 206.51. The market sold off to a low of 204.03 amid the selling in the RBOB market. However it bounced off its low and rallied to a high of 208.08. The market, which failed to test its previous high, once again retraced its gains and traded lower ahead of the close. The product markets will likely be driven higher ahead of the August contract's expiration. The RBOB market is seen finding support at 207.21, 206.81 followed by 205.96, 204.00, 202.15 and 200.71. Meanwhile resistance is seen at 209.75, 210.66 followed by 211.25, 213.40 and 216.23.

		Levels	Explanation
CL	Resistance	77.45, 78.12, 78.40, 78.50	Previous high, Basis trendline, Previous high
	76.83, down 19 cents	77.33	Monday's high
	Support	76.30, 76.05	Monday's low
		75.50, 74.70, 74.00, 73.70, 73.35	Previous lows
HO	Resistance	208.38, 209.84, 211.90, 212.00	Previous highs
	206.51, down 80 points	207.00, 208.08	Monday's high
	Support	205.35, 204.03	Monday's low
		202.80, 201.85, 200.90, 199.57	Previous lows, 62% (190.47 and 214.29)
RB	Resistance	211.25, 213.40, 216.23	Previous highs
	208.56, down 1.61 cents	209.75, 210.66	Monday's high
	Support	207.21	Monday's low
		206.81, 205.96, 204.00, 202.15, 200.71	Previous lows