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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

The director of oil markets and emergency preparedness at the IEA, Didier Houssin said any event is capable of triggering a

crisis in the tense oil market. He said that even though there is a trend of increasing strategic world stockpiles to offset rising sudden supply disruptions, there is no need for the agency to increase its call on members to hold 90 days' worth of net imports.

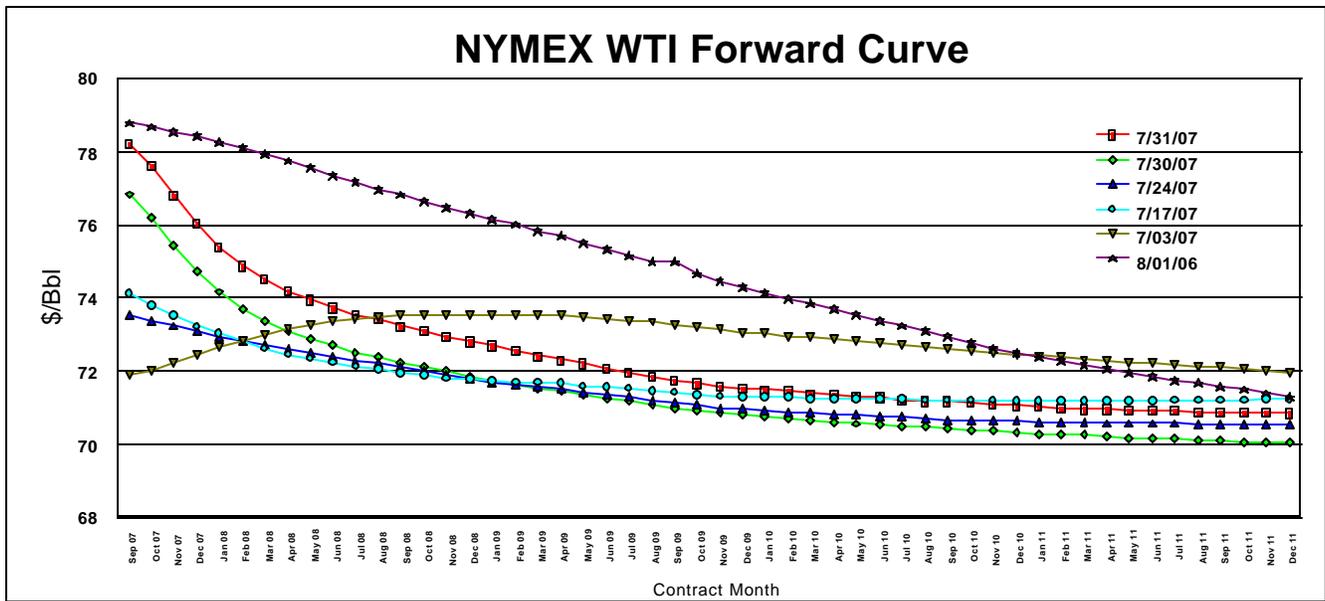
Market Watch

The head of the International Monetary Fund said the world economic outlook is generally healthy but faces risks from oil supply disruptions. It said problems in the US subprime mortgage market, which has prompted credit markets to weaken sharply, were unlikely to threaten the US or world economy.

The EIA reported that US oil demand in May was revised downward by 1.5% from its original estimate to 20.631 million bpd. However oil demand was up 0.8% on the year. The EIA reported that gasoline demand in May increased by 1.3% on the year while demand for distillate fuel was 2.5% below the previous estimate at 4.06 million bpd. Gasoline demand in the January-May period averaged 9.149 million bpd, up 1.3% on the year while distillate demand averaged 4.294 million bpd in the first five months of 2007, up 1.8% on the year. It also stated that at the end of May, crude oil stocks stood at 348.4 million barrels, up 1.9% over previous estimates.

OPEC reported nominal record revenue of nearly \$650 billion last year on high crude prices and increased oil production. According to an OPEC report, OPEC's base of economically recoverable oil reserves last year was flat if higher estimates from Venezuela are stripped out. OPEC's proven oil reserves in 2006 increased by 1% to 922.5 billion barrels. Saudi Arabia's oil revenue increased by 20% to \$193.7 billion, even though it produced and exported less oil last year compared with 2005. OPEC's daily production last year averaged 32.07 million barrels, up 3.2% on the year. OPEC also reported that Venezuela's PDVSA managed to keep stable the number of oil rigs operating last year. However it stated that the total new wells drilled fell and the company relied more on old one to maintain its production level. The number of newly drilled wells fell by 10.6% to 1,145. It said that even though the number of new wells fell last year, the total number of producing wells in 2006 reached 14,708, up 7.9%.

Nigeria's new government and militant groups in the Niger Delta were moving towards talks that could restore the country's shut in production. Nigeria's President Umaru Yar'Adua has moved swiftly to engage the militants since taking office two months ago. The government and the militant groups have



been working on preconditions for formal talks to address militant demands for more regional control over the Niger Delta's oil.

Separately, seven gunmen abducted a Pakistani construction manager in southern Nigeria on Tuesday and demanded a ransom. The gunmen arrived by boat at a road construction site run by Italian firm Gitto near Bodo community in the Ogoni area of Rivers state.

Refinery News

Total Petrochemicals USA shut its No. 1 diesel hydrotreater and cut production rates at its fluid catalytic cracking unit and its No. 2 hydrotreater at its Port Arthur, Texas refinery following a reboiler malfunction. The disruption came a week after a similar reduction in throughput.

Husky Energy said it expected operations at its 147,000 bpd oil refinery in Lima, Ohio to return to normal by early next week. The refinery had reduced its rates and then shut completely following a fire in an electrical substation July 19. Repairs to its electrical equipment were expected to have been completed Monday.

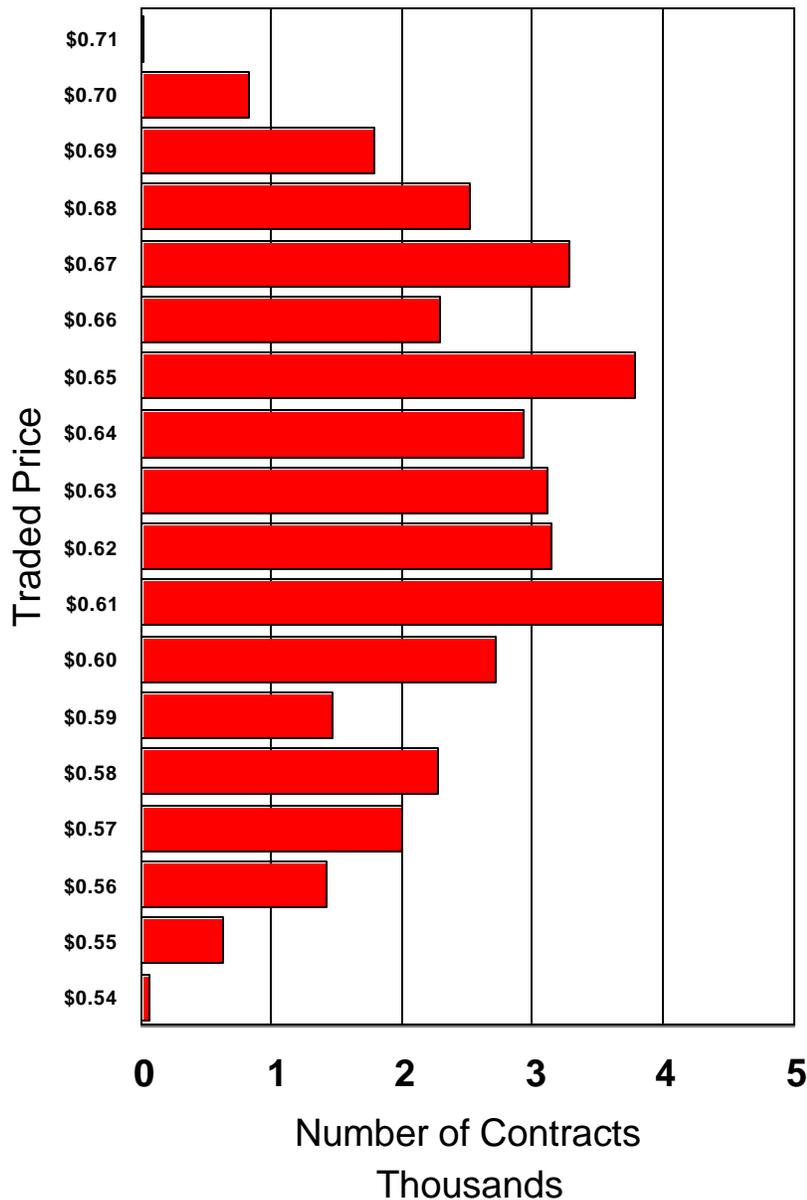
ConocoPhillips said a brief upset at its 156,000 bpd Borger, Texas refinery on Sunday did not impact its production.

Valero Energy Corp said it expected its fire damaged 170,000 bpd McKee refinery in Sunray, Texas to return to full capacity by the end of the fourth quarter. In the third quarter, Valero expects combined crude oil throughput at its Gulf Coast refineries to run between 1.55 million and 1.6 million bpd. Separately, Valero stated that it anticipated a significant increase in maintenance activity in 2009 and 2010. Planned turnarounds are expected to include at least two large refinery turnarounds.

The Environment Agency Wales said Chevron Corp had no closures for maintenance work planned for this year at its 210,000 bpd Pembroke refinery in Wales.

ConocoPhillips said the UK North Sea's Britannia gas field would be shut down for maintenance from August 4-6. It said the three day Britannia maintenance coincides with a shutdown of the Forties oil pipeline system for planned maintenance. Production of the Forties blend is scheduled to fall to 13.8 million barrels in August due to maintenance work, down from 19.2 million barrels in July.

NYMEX WTI Sept Oct Spread
Price Vs Volume traded- July 31, 2007
Trade Weighted Price: \$.629



up 4.5% on the month.

South Korea's SK Energy said it would cut its August crude refining rate to 710,000 bpd from 750,000 bpd in July for six weeks of maintenance. It said it planned to shut its No. 3 170,000 bpd crude distillation unit from August 13 to September 22 for regular maintenance.

Nippon Oil Corp said it expected a 2.1% decline in its domestic gasoline sales in the year to next March. It also expects its oil product exports for the year to total 7.3 million kl, down 100,000 kl from an estimate it made in April.

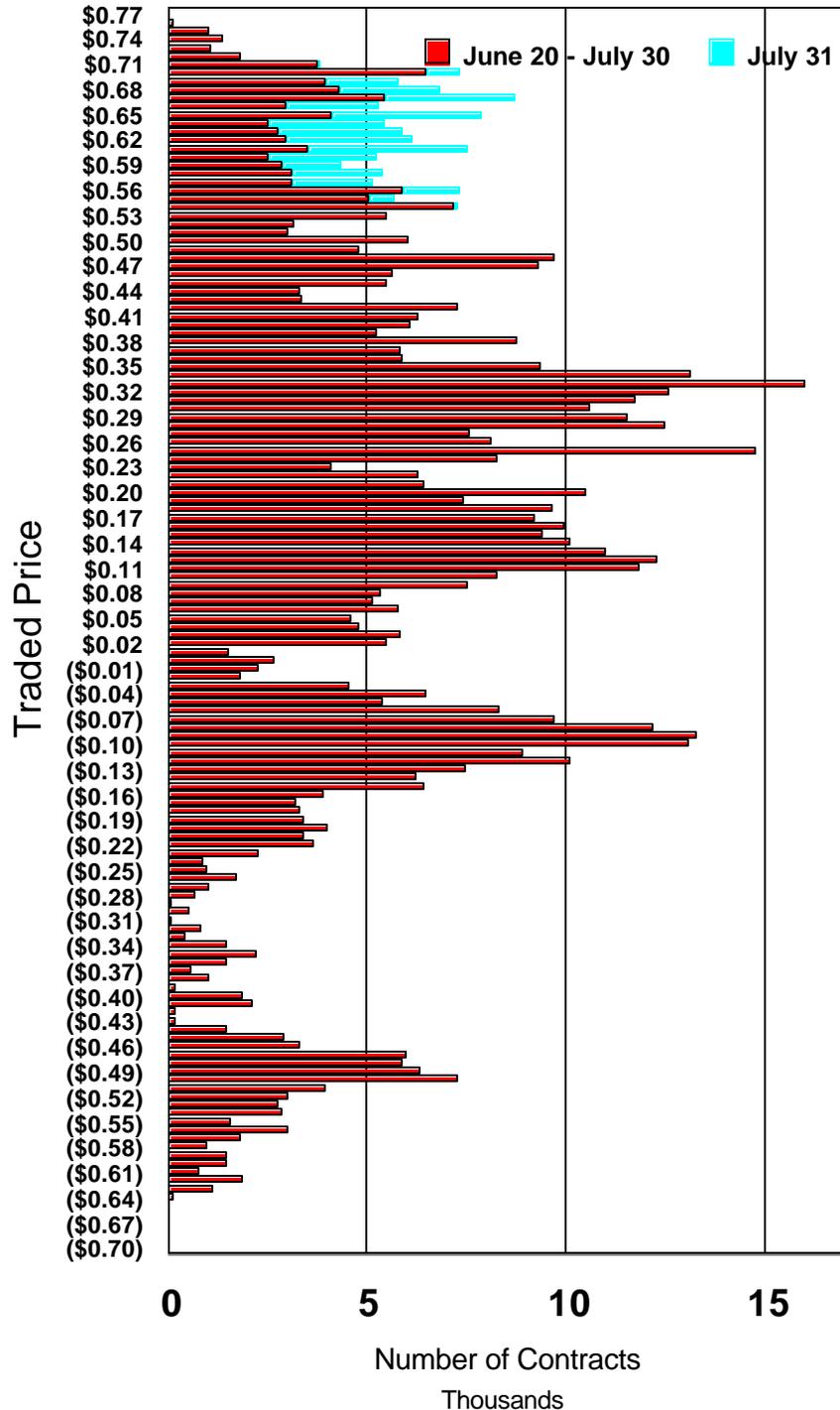
Japan's Ministry of Economy, Trade and Industry said the country's total oil product sales fell by 5.3% on the year in June to 16.19 million kiloliters or 3.39 million bpd. It reported that gasoline sales fell by 2.5% on the year to 4.81 million kl or 1.01 million bpd. It also reported that the country's kerosene sales fell by 13.5% on the year to 881,031 kl or 184,717 bpd. Japan's crude oil imports in June increased by 11.9% on the year to 18.57 million kl or 3.89 million bpd. Oil product imports in June fell by 17% on the year to 2.76 million kl or 591,134 bpd. Oil product exports in June increased by 6% on the year to 2 million kl or 419,280 bpd. Refining operations fell by 1.8% to 72.9% in June. Crude oil throughput at Japanese refineries in June was up 0.3% from a year earlier at 16.84 million kl. Japan's commercial crude oil stocks totaled 17.54 million kl at the end of June,

A South African union, the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union, said it started a strike over wages at Chevron's 100,000 bpd refinery in Cape Town and PetroSA's 36,000 bpd Mossel Bay gas to liquid plant. The secretary general of the union said the strike started overnight and would continue until the union's wage demands were met. He said union members at other

NYMEX WTI: September October Spread

Price Vs Volume for June 20 - July 31, 2007

Trade Weighted Avg: 7/31 .629 7/30 .659 7/27 .585 7/26 .468 7/25 .33



refineries would also join the strike if they too rejected a new wage offer presented by the petroleum industry on Friday.

Production News

Suncor Energy Inc said it planned to spend about \$4.15 billion to expand its oil sands operations near Fort McMurray, Alberta. It has filed a regulatory application for plans to expand its oil sands operations. The expansion of Voyageur South targets production of about 120,000 bpd of bitumen.

Marathon Oil Corp agreed to buy Canada's Western Oil Sands Inc for about \$5.56 billion, giving the company a foothold in Canada's oil sands. Marathon Oil said it was considering upgrading its St. Paul Park, Minnesota refinery as well as its Robinson, Illinois refinery to run the heavy crude oil.

Russia's gas oil exports out of Black Sea port of Novorossiisk in August are expected to total 606,000 tons, down from a planned 785,000 tons in July.

Indonesia's crude oil production fell to a new record low of 825,600 bpd in July, down 0.4% on the month mostly due to a natural decline from ageing fields.

Yemen Oil & Gas Corp said it would invite bidders for the estimated \$180 million contract to build a new oil export terminal at Ras Issa on

the Red Sea in August, at least two months later than planned. YOGC said it planned to build crude

storage tanks with capacity of 3.3 million barrels and an offshore loading facility that would help the country export oil from its Marib fields.

OPEC's news agency reported that OPEC's basket of crudes increased to \$72.24/barrel on Monday from \$72.22/barrel on Friday.

The launch of a natural gas pipeline, which would bring gas from Azerbaijan's Shakh Deniz gas field to Europe, has been postponed until September 15 from August 15. A senior energy official said a pipeline along the Turkish-Greek border had not been completed as planned. The pipeline, which would link up with Italy, has an annual capacity of about 12 billion cubic meters and would link up to a southern European network supply gas to countries in the region.

Market Commentary

Crude oil prices, which are up 28 percent on the year, rose to their highest level since July of 2006 when prices peaked at 78.40. The run up in prices is attributed to expected draws in crude oil stocks, which if they do draw will, be the fourth straight draw in a row. Tomorrow's activity should see more upside movement given the current API/DOE expectations, which are calling for a draw in crude oil of 1 million barrels. As mentioned in yesterday's wire we were looking for a test of the 78.40 price level and would continue with this view. Above this number, crude will begin to tread in uncharted territory, making it difficult to find a selling point. For now, resistance is set at 78.40 with support set at 76.60, 76.30, 74.70, 73.80, **72.80, 72.00 and 71.20**. The RBOB market, which posted inside trading days for two consecutive sessions, breached its sideways trading pattern on the expiration of the August contract. The August RBOB contract posted a low of 208.30 early in the session and never looked back as the market extended its gains to over 7 cents ahead of its expiration at the close. The market later gave up some of its gains and went off the board at 214.08, up 5.52 cents on the day. The September RBOB contract also settled up 4.67 cents at 210.59 after it bounced off a low of 205.50 and rallied to a high of 211.62. Meanwhile, the heating oil market also breached its previous trading ranges and rallied to a high of 210.94 ahead of expiration. It settled up 3.49 at 210.00. Similarly, the

September heating oil contract extended its gains to a high of 212.25 and settled in a sideways trading pattern ahead of the close.

		Levels	Explanation
CL	Resistance	78.40, 78.67	Previous high, Basis trendline
	78.21, up \$1.38	78.28	Tuesday's high
	Support	77.75, 76.60	Tuesday's high
		76.30, 76.05, 75.50, 74.70, 73.80, 72.80	Previous lows
HO	Resistance	214.00, 214.04, 216.16	Previous highs
	212.32, up 4.01 cents	212.72	Tuesday's high
	Support	211.60, 210.15, 208.91, 207.75	Tuesday's low
		205.95, 204.77, 203.72, 202.90	Previous lows
RB	Resistance	213.65, 217.00	Previous highs
	210.59, up 4.67 cents	211.62	Tuesday's high
	Support	209.45, 207.50, 205.50	Tuesday's low
		204.50, 204.20, 200.49	Previous lows

The product markets are likely to retrace some of their sharp gains if the weekly petroleum stock reports show the expected builds in gasoline and distillate stocks of about 1 million barrels. However the losses are seen limited, as the continued strength in the crude market will support the rest of the complex. The RBOB market is seen finding support at 209.45, 207.50, 205.50 followed by 204.50, 204.20 and 200.49. Meanwhile resistance is seen at 211.62 followed by 213.65 and 217.00.