



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 31, 2008

Royal Dutch Shell Plc cut 40,000 bpd of Nigerian oil production after militants blew up parts of a key pipeline this week. Shell said militant attacks have shut 220,000 bpd of crude output. During the second quarter, Shell had 195,000 bpd of production shut in Nigeria. Its shut in production was reduced to 178,000 bpd in the first three weeks of July, before the Movement for the Emancipation of the Niger Delta carried out an attack on its Nembe Creek pipeline.

Brazilian oil workers suspended a nationwide strike planned for August 5 after Petrobras submitted a new proposal to raise profit sharing terms for workers from 12.9% to 15.2%. The

Market Watch

Royal Dutch Shell Plc's chief executive said he was less sure that speculation was to blame for oil price volatility.

Euro zone central bank officials said the European Central Bank will raise interest rates again despite faltering economic growth if inflation continues to increase or inflation expectations increase. However others said inflation should ease as world oil prices have fallen from record highs. Policymakers said the ECB is not committed to any course of action as it assesses the impact of continuing credit market tensions on growth. They stated that raising rates is dependent on evidence of growing second round inflation pressures to the extent that a slowdown in growth would not dampen inflation.

Deutsche Bank forecast oil prices will fall to \$100/barrel by the first quarter next year and towards \$85/barrel by early 2010.

Separately, Deutsche Bank announced \$3.6 billion of new writedowns on Thursday, taking its bill from the financial crisis beyond \$11 billion. Its bill from the credit crisis has no overtaken that of Credit Suisse, which has made about \$8 billion of writedowns. There are fears that Deutsche Bank could be forced to make further writedowns.

A trader has filed a class action suit seeking damages from the global fund Optiver Holding BV and its Chicago based subsidiary that were charged last week by US Commodity Futures Trading Commission with manipulating oil futures markets. The plaintiff claims he lost \$9,000 as a result of oil market manipulation by Optiver.

Oil producers said SemGroup LP collapsed while holding as much as \$500 million of their cash. An attorney representing Samson Resources Co said \$38 million worth of cash SemGroup collected for June and July oil sales belongs to it and should not be put within reach of SemGroup or its bank lenders. Samson is one of several Texas and Oklahoma oil operators that protested SemGroup's proposed \$250 million bankruptcy loan on the grounds that the financing would threaten their chances of getting paid. SemGroup filed for Chapter 11 to stay in operation until it can be sold.

July Calendar Averages

CL – 133.48
HO – 378.16
RB – 328.37

Oil Workers Federation recommended that the labor groups accept the company's latest profit sharing proposal. Meanwhile, workers at Campos Basin will end a partial work stoppage that began July 28 at midnight Thursday and still plan to strike on August 5 if they do not reach an agreement with Petrobras over the extra day of pay. Petrobras said it is still negotiating with those workers.

The head of Libya's national oil company, Shokri Ghanem, said he expected the price of crude to rebound from recent falls.

According to Oil Movements, OPEC's oil exports are expected to increase to 140,000 bpd in the four weeks ending August 16 to 24.81 million bpd. In the four weeks, Middle East sailings are expected to reach 17.86 million bpd, up by 30,000 bpd.

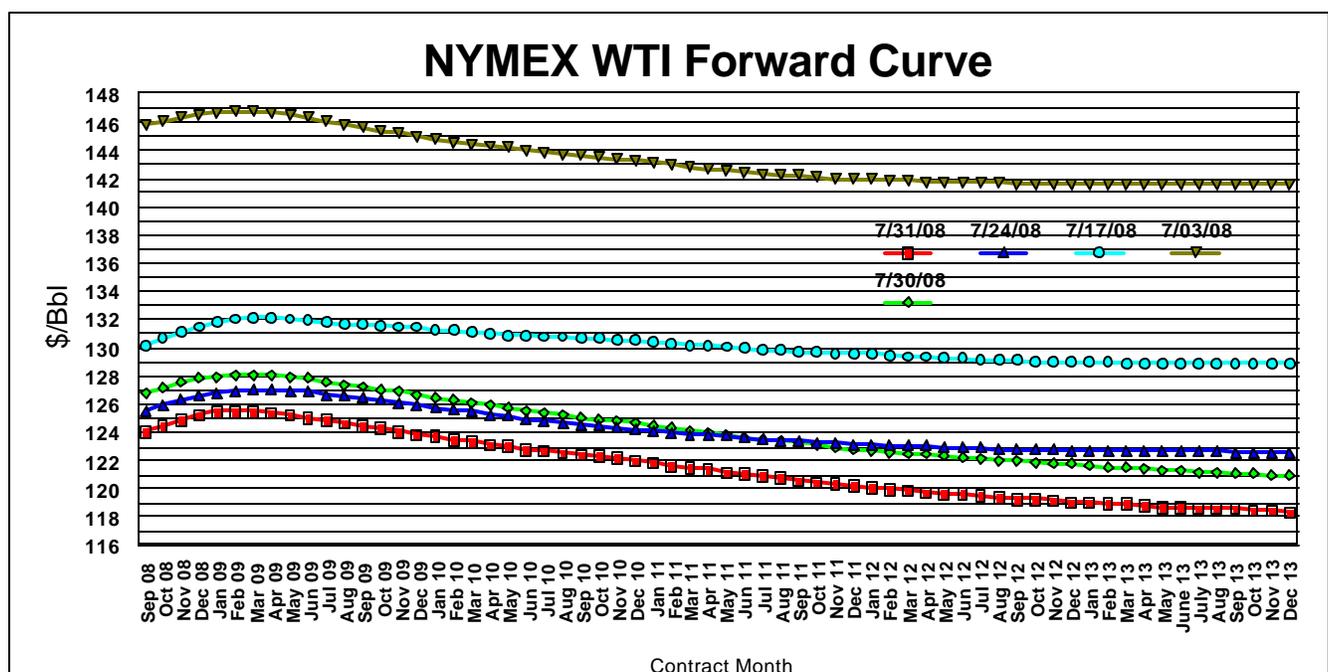
Refinery News

Colonial Pipeline allocated shipments of distillate on its main line north of Collins, Mississippi as demand for space outweighed capacity.

Tesoro Corp said its 100,000 bpd refinery in Wilmington, California is expected to return to full capacity by the end of the day on Friday following the completion of the restart of units hit by power disruption on Wednesday. Separately, Tesoro Corp said its seven refineries are expected to run between 605,000 to 645,000 bpd in the third quarter due to the long term prospect of weak profit margins for gasoline. Its refineries have a combined throughput of 660,000 bpd. Company officials said the refineries will maximize output of diesel, jet fuel and other distillates to cash in on higher profit margins for those products.

BP is planning a major overhaul of a low pressure hydrotreater at its 410,000 bpd Whiting, Indiana refinery during a scheduled turnaround later this year. It did not give details on the timing of the overhaul.

ExxonMobil Corp has completed refinery upgrading projects at its Fawley, UK and Baytown, Texas refineries. In Fawley, design changes increased production of jet and diesel fuel as well as the



feedstock for gasoline. At ExxonMobil's 562,000 bpd refinery in Baytown, it started up new facilities to increase the capacity of crude distillation and delayed coking units.

Valero Energy Corp's hydrocracker unit at its Port Arthur, Texas refinery that was shut for planned work will be restarted August 9.

Murphy Oil said it cut runs at two of its US refineries to maintain profitability. It said its 120,000 bpd Meraux, Louisiana refinery was operating at 112,000 bpd. It is scheduled to cut runs at the refinery in mid-September when a planned 38 day overhaul of a hydrocracker begins. Its throughput should average 93,000 bpd during the turnaround. Meanwhile, its 35,000 bpd Superior, Wisconsin refinery was running at 26,000 bpd.

Irving Oil said it expects its 300,000 bpd refinery in Saint John, New Brunswick to return to full rates by Thursday evening. Trade sources said the crude unit was still down.

Pemex had postponed maintenance work on a fluid catalytic cracking unit at its 160,000 bpd Madero refinery until August 11. The unit will be shut until late September. It originally planned to shut the unit this week.

Neste Oil's chief executive, Risto Rinne said diesel margins are not expected to fall in the foreseeable future. Separately, Neste stated that its operating profit in the second quarter fell to 181 million euros or \$282 million from 225 million euros last year. It said it expects the strong performance of its diesel business to continue as demand outstrips supply. It added that it would shut its new diesel line at its Porvoo refinery for about six weeks beginning in the second half of August.

Iran will halt its fuel oil exports starting in August as it seeks to build its domestic stocks ahead of the winter and due to a heavy fourth quarter maintenance season. Iran has been shipping out about 1.2 million tons/month of residual fuel since April. Iran's decision came on the heels of Saudi Arabia's decision not to resume spot fuel oil exports after its peak summer demand season due to strong demand from domestic power plants and new secondary refining units. Sources said it was starting to build stocks more than four months ahead of winter because it has more than 400,000 bpd of refining capacity offline due to scheduled maintenance. It is also seeking to increase gasoline and gas oil imports. It is expected to increase its gasoline imports by about 50% to 170,000 bpd, up from an average of 95,000-115,000 bpd.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp hub increased by 0.12% on the week and by 17.4% on the year to 811,000 tons in the week ending July 31. Gas oil stocks increased by 1.58% on the week but fell by 17.4% on the year to 1.67 million tons while fuel oil stocks fell by 12.7% but increased by 29.5% on the year to 654,000 tons. Naphtha stocks increased by 57.5% on the week and by 293.75% on the year to 126,000 tons while jet fuel stocks fell by 17.1% on the week and by 20.93% on the year to 340,000 tons.

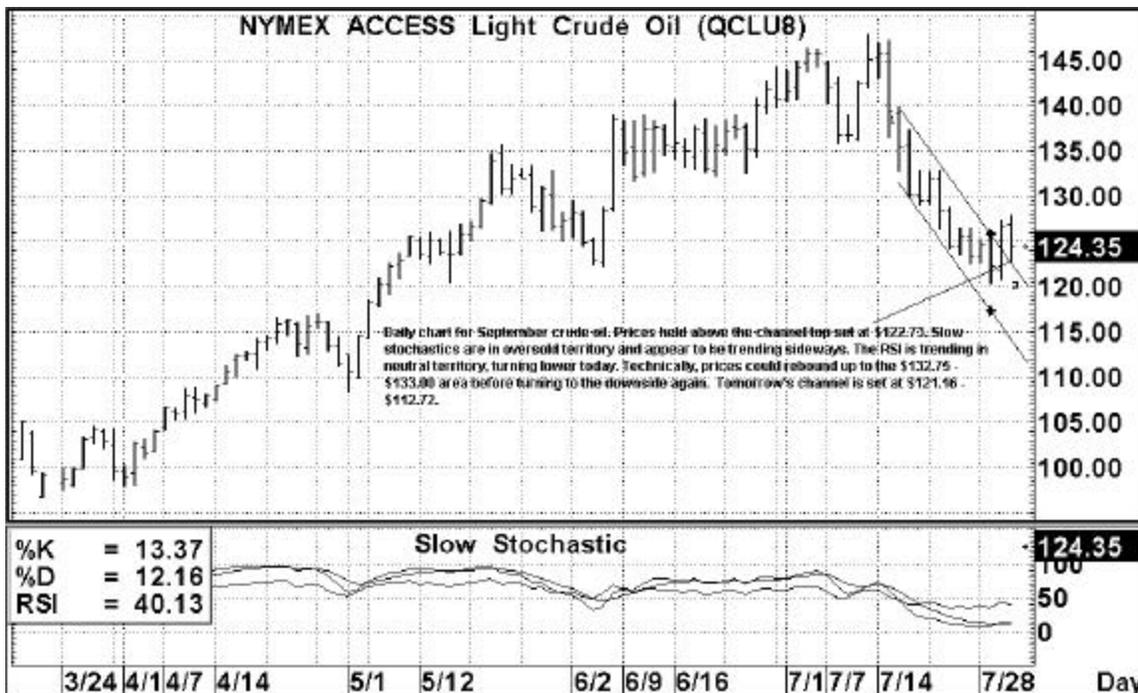
Singapore's International Enterprise reported that the country's residual fuel stocks fell by 961,000 barrels to 20.407 million barrels in the week ending July 30. It reported that its light distillate stocks fell by 1.083 million barrels to 9.49 million barrels while its middle distillate stocks fell by 966,000 barrels to 10.188 million barrels on the week.

Japan's Ministry of Economy, Trade and Industry reported that the country's crude oil imports in June fell by 9.4% on the year. It reported that its domestic sales of oil products fell by 5.5% on the year, which gasoline sales falling by 8.9%.

Production News

Chevron Corp announced that its Nigerian affiliate, Star Deep Water Petroleum Ltd has commenced crude oil production from the Agbami field. Initial production from the field is expected to

more than 100,000 bpd and is projected to increase to 250,000 bpd of crude and natural gas liquids/day by the end of 2009.



According to the UK Energy Statistics 2008 report, the UK's oil and natural gas liquids production totaled 76.8 million tons, relatively unchanged on the year. It reported that refined oil product output from UK refineries fell by 2% on the year to 81.2 million tons in 2007.

Petroecuador's board approved plans to set up a joint venture with PDVSA. Ecuador's Mining and Oil Minister Galo Chiriboga said the new company will be named "Rio Napo" and Petroecuador will hold a majority of the shares. The alliance will seek to increase production at the Sacha oilfield to 70,000 bpd from the current 45,000 bpd. The oilfield has reserves of about 480 million barrels.

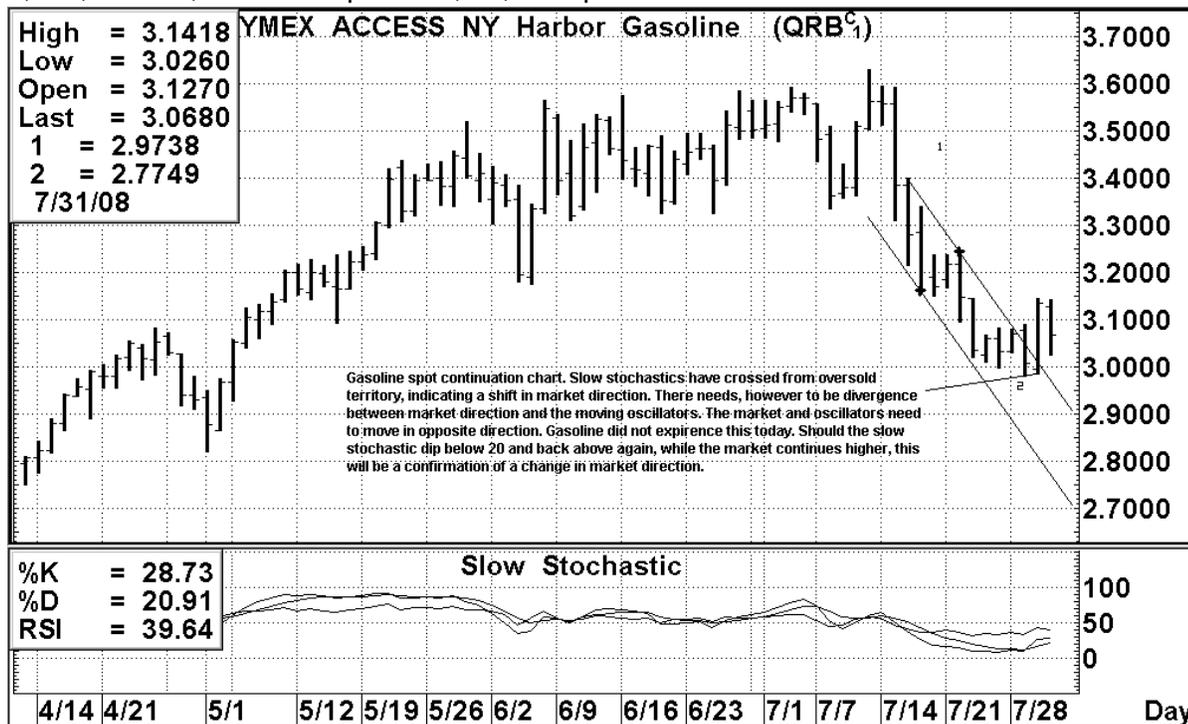
Indonesia's Pertamina will cut prices for most of its non-subsidized fuel products effective August 1 in light of the lower oil prices.

Domestic Trade Minister Shahrir Samad said Malaysia may cut retail fuel prices if world oil prices remain below \$125/barrel. He said a cut in prices would happen only when the government is convinced that there is sustained downward trend in world crude oil prices.

Market Commentary

Energy markets came under pressure today as market participants realized that fuel demand is at its lowest level in three years. With the U.S. economy expanding less than expected for the second quarter, the economic outlook appears grim. Not even a weak dollar could help the energy markets sustain their strength today. The September crude oil contract has bounced off of the low of \$120.49 made back in the middle of May, and held above the top of the descending channel set at \$122.73. Slow stochastics are in over sold territory and are trending sideways. The RSI is in neutral territory but has turned to the downside today. Prices could retrace back to the \$132.75-\$133.00 area prior to moving lower again. Gasoline experienced an inside trading session today, as the August contract went off the board. Both slow stochastics are now above the 20 parameter used to determine a change in market direction, however they need to cross below and above this parameter again to

confirm a change in direction. The RSI is trending in neutral territory and has turned to the downside. We would not be too optimistic for this market to maintain strength in light of the demand situation. A test up to the \$3.2450 resistance level is possible prior to another move lower. Heating oil was the weaker of the three markets today, giving back more of its unseasonable strength. The August contract, based on a spot continuation chart, was unable for the second straight day to break above the top of the descending channel. Technicals are still in bearish territory and are pointing to the downside. For tomorrow we would look for heating oil to continue to trade within this descending channel, which tomorrow is set between \$3.5147 and \$3.3259. Open interest for crude oil is 1,243,548 up 23,011, September08 299,099 up 3,420, October 119,819 up 5,120 and December 08 178,131 up 7,030. Total open interest for heating oil is 222,759 down 4,0938, August08, 6,381 down 6,809 and September 08, 69,836 up 544. Total open interest for gasoline is, 221,497 down 1,297, August08 7,521, down 4,223 and September, 83,138 up 898.



Crude Support	Crude Resistance
115.55, 108.40, 85.40	132.90, 134.85, 140.60, 144.00, 147.90,
Heat support	Heat resistance
3.3500 3.1680 3.0980	3.6135, 3.8215, 4.0210, 4.0765, 4.1200, 4.3614
Gasoline support	Gasoline resistance
2.9255	3.1680, 3.1760, 3.6021, 3.755, 3.4655