



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 1, 2008

Israeli Deputy Prime Minister Shaul Mofaz said that Iran is on a path toward a major breakthrough in its nuclear program. Separately, Israel's Deputy Prime Minister, a candidate running to succeed Prime Minister Ehud Olmert, also stated that the country's peace efforts with Syria should continue, without preconditions. In May, Israel's Prime Minister and Syrian President Bashar Al-Assad announced they were holding Turkish-mediated negotiations. The countries remain divided on core issues like Israel's occupation of the Golan Heights and Syria's ties to Iran, Lebanese Hezbollah and Palestinian Hamas.

Market Watch

Barclays Capital said crude oil will rebound if prices fall below \$120/barrel, as a respite in fuel costs allows consumer demand to recover. It said a fall below \$120/barrel would be temporary, as consumption would strengthen as supply falls.

An economist at Moody's Economy.com said crude oil prices are expected to continue drifting lower, averaging about \$110/barrel in the fourth quarter.

The Reuters-Jefferies CRB Index saw its biggest decline in 28 years in July. The index lost 10% during the month, its steepest decline since it fell by 10.5% in March 1980.

The Institute for Supply Management said US factory activity was unchanged in July from June while inflation pressures moderated. Its index of national factory activity fell to 50 in July from 50.2 in June.

The Labor Department reported that payrolls in July fell by 51,000 and the jobless rate increased to 5.7%, the highest level since March 2004 from 5.5% reported in June.

The China Federation of Logistics and Purchasing said China's Purchasing Managers' Index fell to a seasonally adjusted 48.4 in July from 52 in June.

Some analysts fear that an anticipated increase of Nigerian oil supply amid a sharp weakening in demand could create significant downward pressure on prices. Some traders have stated that the market is awash with cargoes of some Nigerian grades in the second half of the year. European traders are already struggling to offload cargoes, a development that could intensify as the inauguration of new Nigerian fields brings additional light sweet oil to the market by the end of the year. Chevron's Agbami field announced first production this week and is set to increase to 250,000 bpd by the end of next year and Total's Akpo field will bring another 225,000 bpd to the market next year.

The US State Department said it expects Iran to respond this weekend to an international incentives package on halting its nuclear program.

August Calendar Averages

CL – 125.10

HO – 343.68

RB – 308.43

Qatar's Oil Minister Abdullah al-Attiyah said a recent fall in oil prices is due to speculation and added that OPEC would intervene if supply surpasses demand.

Refinery News

A worker was injured while conducting maintenance work at Venezuela's 300,000 bpd Cardon refinery. An electrician received a large electrical shock as a result of an error while carrying out maintenance at its distillation unit No. 2. The crude unit will be offline for planned maintenance until the middle of August.

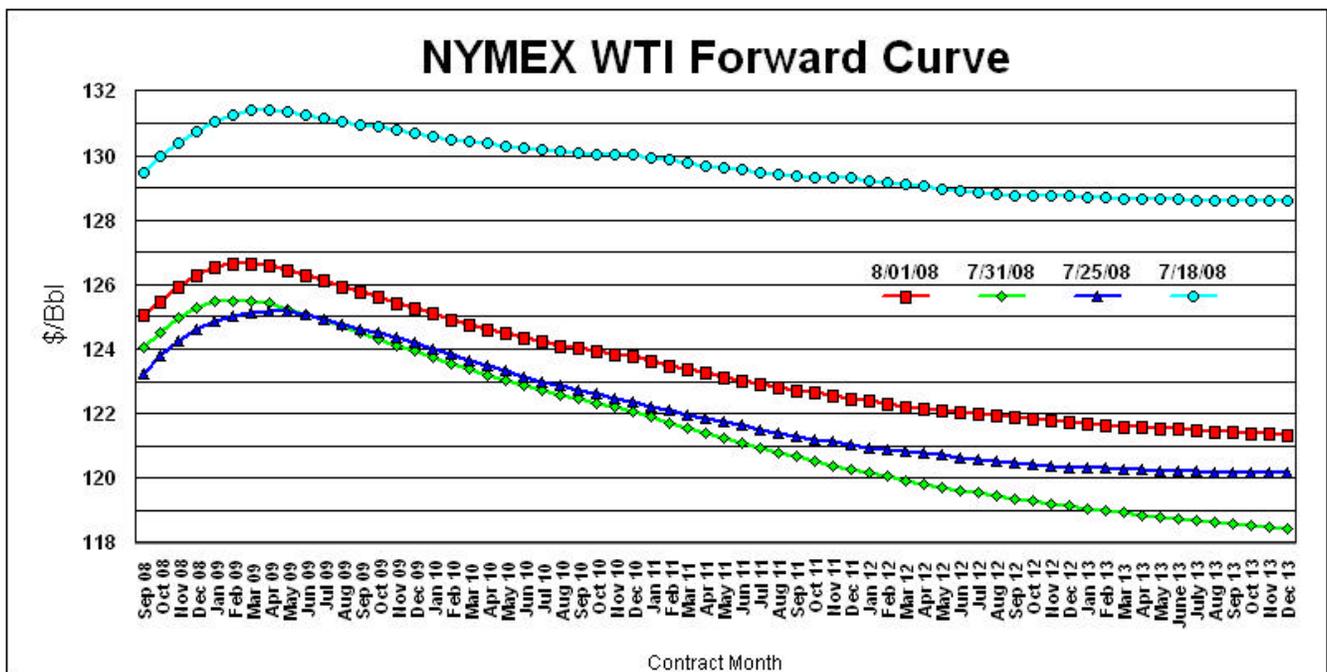
Brazil's Foreign Trade Ministry reported that Brazil's ethanol exports increased to 602.6 million liters in July, up from 424.1 million liters in June and 410 million liters last year.

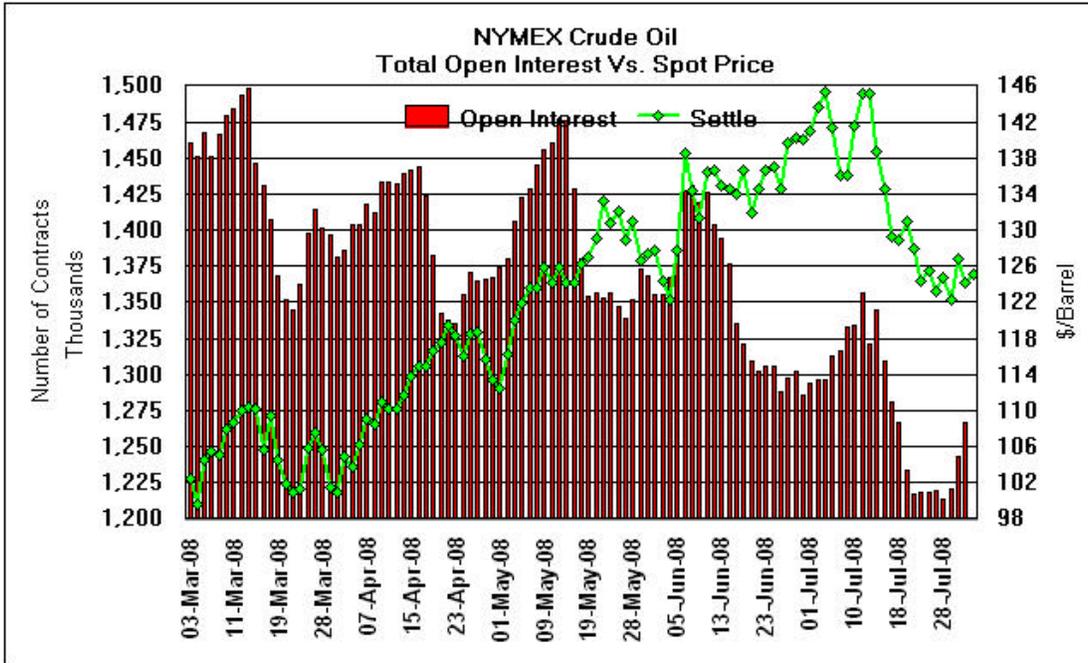
China's top refineries are expected to increase their August throughput to near record level to keep the local market well supplied ahead of the Summer Olympics. China's twelve major refineries will process 2.53 million bpd of crude in August, the highest since February and near the record of 2.56 million bpd in June last year.

Production of refined products was not affected after a fire was extinguished early on Friday at Gazprom Neft's main refinery, Omsk. The fire occurred in the aromatics units of the refinery.

China's WEPEC will ship 90,000 tons of gasoline in August, down from 100,000 tons exported in July. It is expected to restart a 40,000 bpd desulphurization unit at its 200,000 bpd refinery in mid-August, following a month of planned maintenance.

Taiwan's CPC Corp plans to shut down a 100,000 bpd crude distillation unit in its 220,000 bpd Kaohsiung refinery for 40-50 days of maintenance starting in September. It will also shutdown a 30,000 bpd residue desulphurising unit for 30-50 days of maintenance. Also a 30,000 bpd residue





desulphurization unit at its 300,000 bpd Talin refinery will be shut starting at the end of September for 30-50 days of maintenance work.

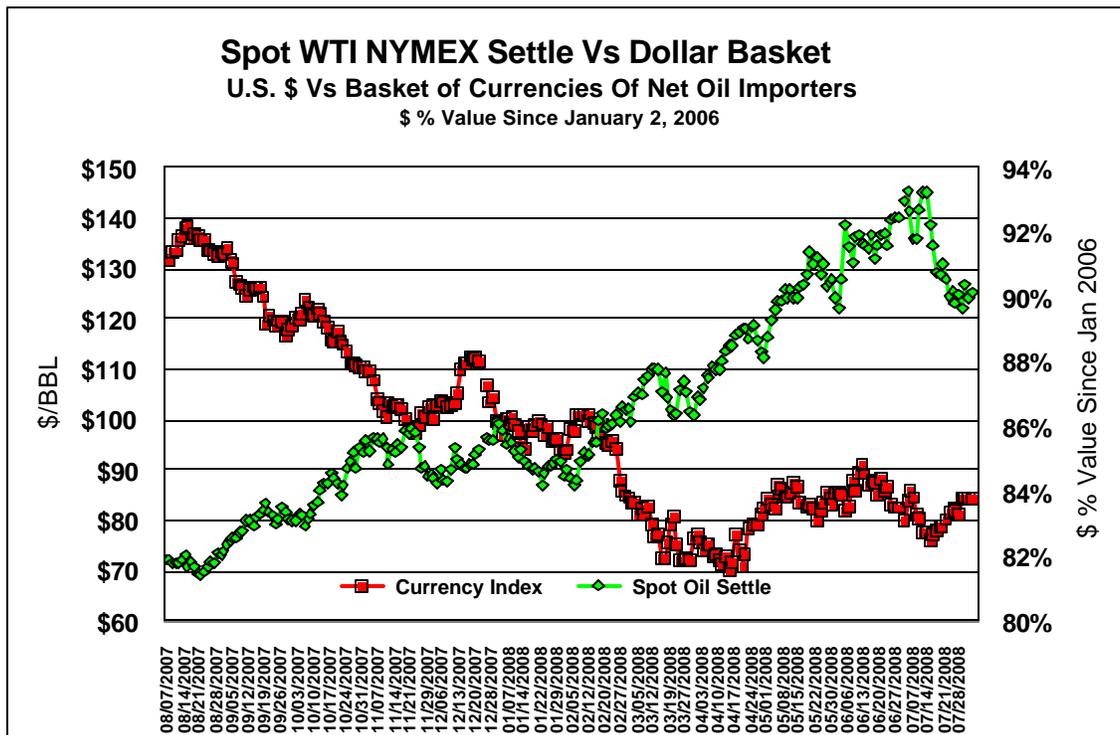
India's Essar Oil is in talks with Iran to sell the country gasoline. It has concluded its first ever term contract to buy 1.6 million

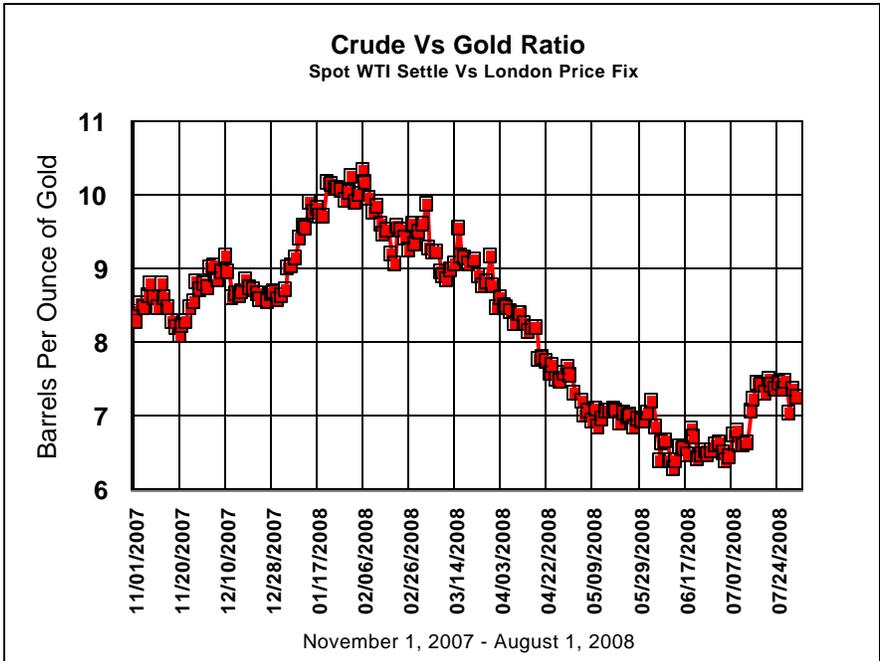
barrels of crude from Iran.

StatoilHydro said it expects to shut its Snoehvit liquefied natural gas plant in the Barents Sea for 30 days of maintenance in the fourth quarter.

Oil supplies from Russia to Unipetrol have returned to normal after being cut by about half in July.

Thailand's Energy Policy Committee will stop subsidizing diesel starting Saturday. The move is aimed at increasing revenues of the state oil Fund which provided the subsidy of THB0.40 on every liter of diesel sold. It will also stop another subsidy of





THB0.50/liter.

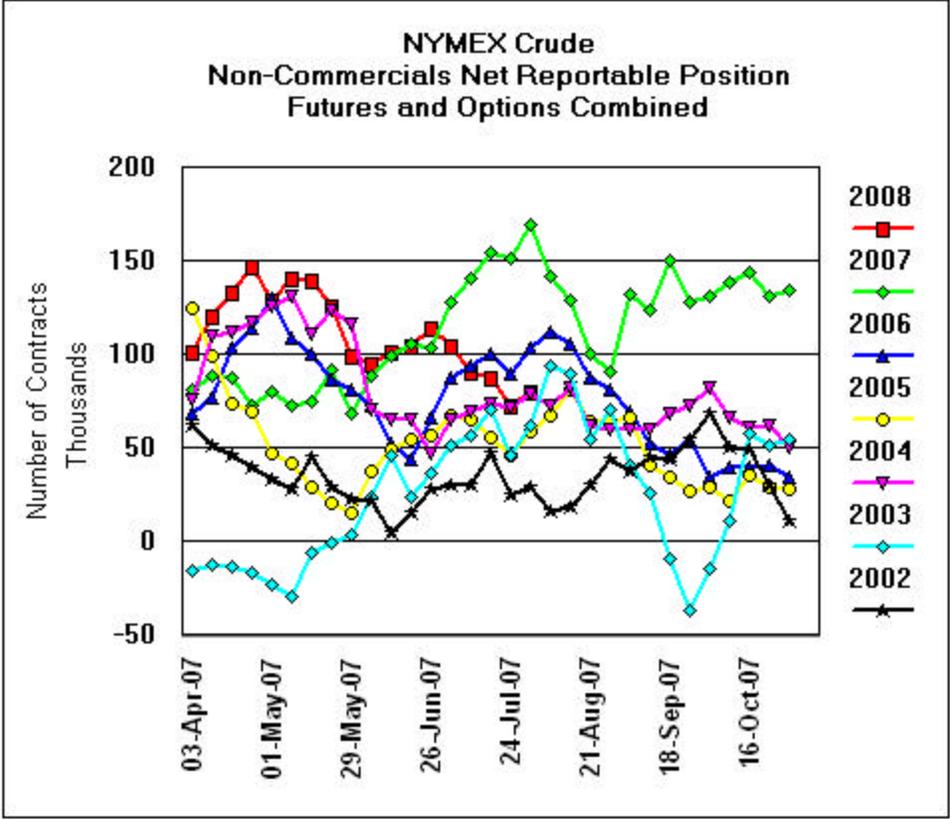
Production News

Chevron Corp reported net income of \$6 billion in the second quarter of 2008, up from \$5.4 billion last year. For the first half of the year, its net income totaled \$11.1 billion, up 10% from \$10.1 billion in the first six months last year. Its worldwide oil-equivalent production was 2.54 million bpd in the second quarter, down from 2.63 million bpd last year. Its US net oil-equivalent production was 702,000 bpd in the second quarter, down 7% on the year. Its refinery crude input totaled 816,000 bpd, down

65,000 bpd on the year mainly due to the planned shutdown of a crude unit at its Pascagoula, Mississippi refinery and suspension of crude processing for asphalt production at the refinery in Perth Amboy, New Jersey. Its refined product sales volume fell 8% to 1.38 million bpd, due to lower gasoline and gas oil sales.

Nigeria's Trans-Niger crude oil pipeline in the Niger Delta was the second pipeline damaged in an attack by militants earlier this week. It was ruptured at Rumuekpe. An official with state run oil company NNPC said 150,000 bpd of crude was halted by Monday's militant attack.

Norway's StatoilHydro said first oil flowed from the Vilje field in the northern part of the North Sea to the Alvheim floating production, storage and offloading vessel. The recoverable reserves are estimated at 52 million barrels of oil and production is expected to reach a plateau of 35,000 bpd by the end of August.



Vaalco said it has completed the installation of the production platform at its Ebouri fields offshore Gabon with first oil production expected in December 2008 with an initial production rate of 4,000-6,000 bpd. The company also announced that a drilling rig is expected to be on location by late September/early October to drill three exploratory wells on the Etame concession. The wells will have combined gross reserve potential additions in excess of 60 million barrels.

Indonesia's BPMIGAS warned that the country's dwindling oil reserves could be depleted in 10 years' time if new reserves are not found. An official said the declining rate of production is between 8-10% per year. Indonesia's oil production has declined from about 1.5 million bpd in the 1990s to about 860,000 bpd, partly due to the failure to tap new fields fast enough to offset depleting reservoirs.

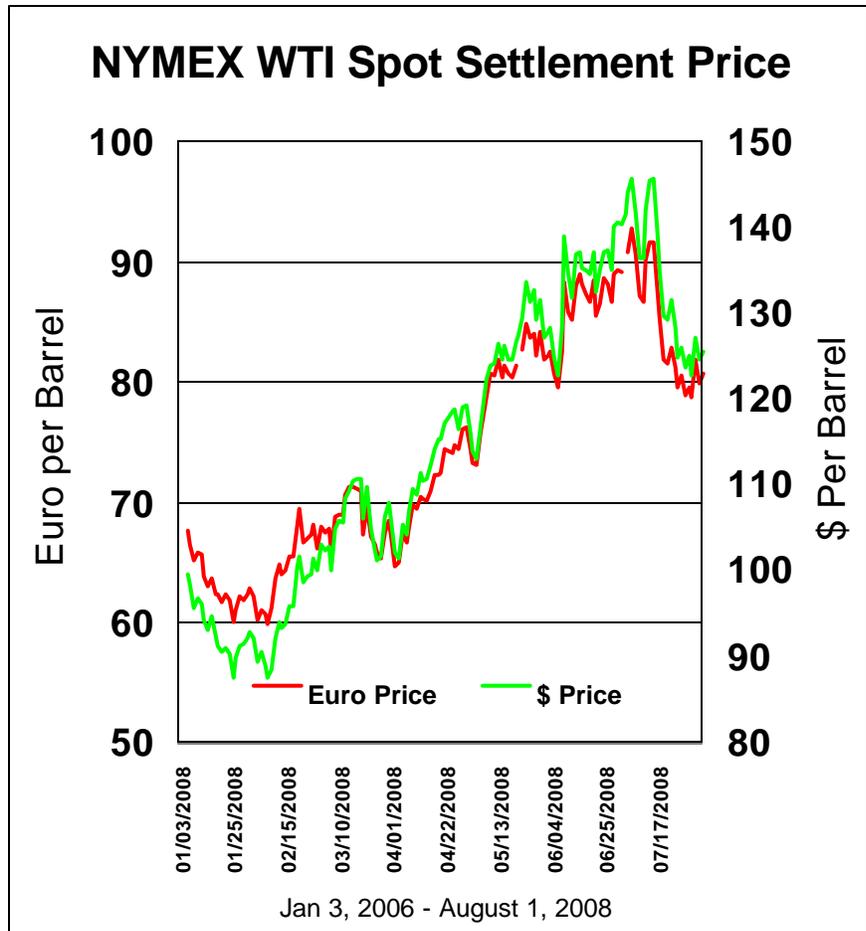
Petrobras said oil prices will continue to increase in the next five years as a rise in oil production will not meet Asian industrialization. The company's chief executive said even though prices have fallen in the short term, there are factors that could make them rise again in the coming five years. Regarding

Brazil, he said first production from Jubarte, a field in the Espirito Santo basin, will start in September with 10,000 bpd.

Petroecuador plans to invest \$40-\$50 million to increase production by about 67% in oil block 27. The block produces 3,000 barrels of oil and has proven reserves of about 14.3 million barrels.

Market Commentary

The oil market ended the session in positive territory and posted an outside trading session after the market retraced its previous losses on concerns over Iran's nuclear program ahead of the weekend deadline Iran was given to respond to the incentive package. The market, which posted a low of 122.10 early in the session, rallied over \$4.50 as it posted a high of \$128.60 following the news that Israel's Deputy Prime Minister Shaul Mofaz said that Iran was on the path towards making a breakthrough in its nuclear program. The market's rally was sparked by the news, despite its earlier release. The market however retraced more than 62% of its earlier move higher and found support at \$124 ahead of the close. The September crude contract settled up \$1.02 at \$125.10. The market on Monday will remain headline driven, as Iran is expected to respond to an incentive package this weekend. Technically, the market is seen finding support at 124.05, 122.10, 120.80, 120.42, 119.18 and 117.71. Resistance is seen at 125.50, 126.10, 128.60, 130.92 and 132.75-132.90. Open interest



in the crude built by a total of 23,652 contracts to 1,267,200, with builds of 11,637 lots to 310,736 in the September contracts, 7,503 to 127,322 in the October contract and 3,430 to 75,790 in the November contract on what are likely new shorts following the market's sell off on Thursday. The product markets ended the session mixed, with the RBOB market settling up 1.34 cents at 308.43 and the heating oil market settling down 2.25 cents at 343.68. The RBOB market, which also posted an outside trading day, bounced off a low of 302.00 and rallied over 14 cents as it traded to a high of 319.70 early in the session. The market was well supported by strong refiner buying in Midwest and Gulf Coast cash markets. The RBOB market however retraced most of its earlier gains and found support at just below the 308.00 level ahead of the close. The market is seen finding support at 307.90, 305.00, 302.00, 298.86 and 298.33. Similar to the rest of the complex, the heating oil market posted an outside trading day after it bounced off a low of 341.30 and rallied to a high of 354.44 in follow through strength seen in the RBOB market. It later retraced most of its earlier gains and settled in sideways trading pattern ahead of the close. The market is seen finding support at 343.25, 341.30 and 332.32.

The Commitment of Traders report showed that non-commercials in the crude market cut their net short position by 2,980 contracts to 660 contracts in the week ending July 29th. The fund increased their total long position by 3,603 contracts to 201,622 contracts on the week. The combined futures and options report showed that non-commercials increased their net long position by 7,152 contracts to 80,275 contracts on the week. The funds have likely covered their some of their short positions following today's rally. The non-commercials in the product markets also increased their net long positions after they previously cut their net longs. The funds in the RBOB market increased their net long position by 1,115 contracts to 41,793 contracts while non-commercials in the heating oil market increased

their net long position by 2,247 contracts to 13,107 contracts on the week.

		Explanation	
CL	Resistance 125.10, up \$1.02	130.92, 132.75-132.90, 134.16, 137.40 125.50, 126.10, 128.60	38% retracement(147.90 and 120.42)Triple top, 50%, 62% Friday's high
	Support	124.05, 122.10 120.80, 120.42, 119.18, 117.71	Friday's low Previous lows
HO	Resistance 343.68, down 2.25 cents	358.22, 358.64, 359.78, 360.04, 368.34 347.05, 350.50, 354.44	Previous highs Friday's high
	Support	343.25, 341.30 332.32, 328.01, 322.56	Friday's low 62% retracement(280.69 and 415.86), Previous lows
RB	Resistance 308.43, up 1.34 cents	314.60, 324.47 304.21, 306.60, 308.95	Previous highs Tuesday's high
	Support	307.90, 305.00, 302.00 298.86, 298.33	Friday's low Previous lows