



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 2, 2007

The US Energy Secretary, Samuel Bodman said high crude prices were putting the US economy in a danger zone and oil producing countries should increase supply to decrease pressure on securities and bond markets. He said the US refining industry has made a recovery and added that if more supply was not made available by OPEC and non-OPEC countries, high prices could put too much pressure on the US economy. He stated that sustained oil prices near \$80/barrel could affect US economic growth.

Market Watch

Traders stated that crude oil stocks at the NYMEX WTI delivery point at Cushing, Oklahoma should rebound in September on arbitrage deliveries and seasonal refinery maintenance. Crude oil stocks at Cushing have fallen 25% from their highs this year to 20.75 million barrels in the week ending July 27.

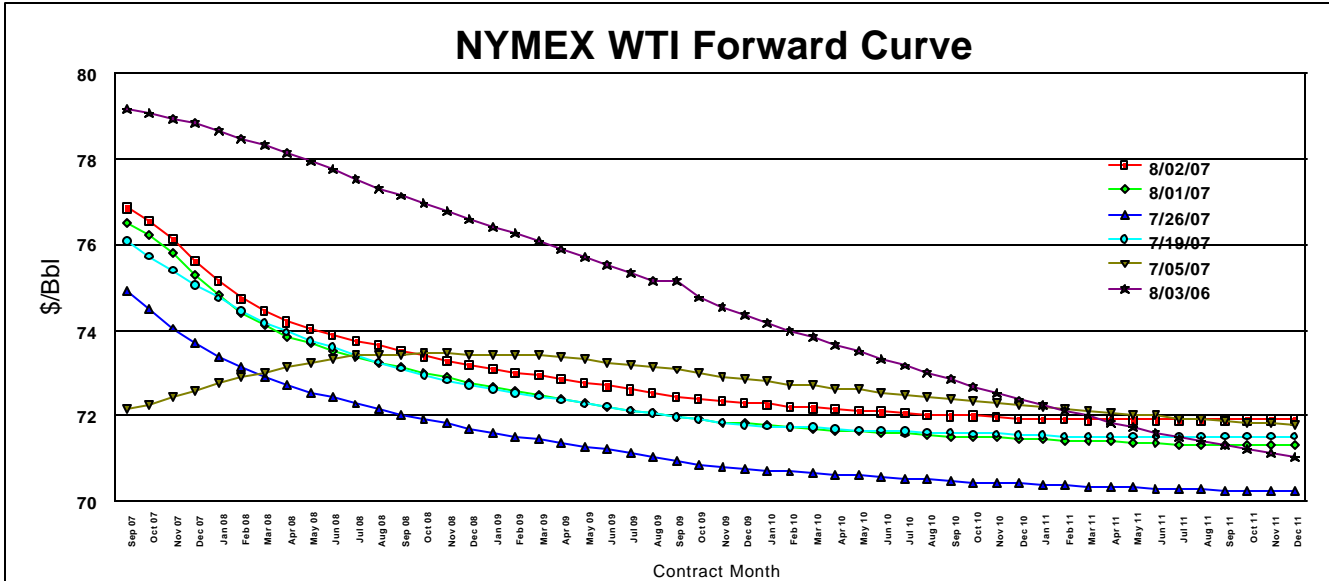
MasterCard Inc's MasterCard Advisors LLC said it would begin publishing the SpendingPulse Gasoline Demand Report next week that would show how much gasoline US consumers purchase at the pump. It would pull data from credit card use at US service stations and other sources. The report would be issued on Tuesdays at 2 pm starting August 7. The report would also include average US gasoline pump prices.

Total said oil prices are not expected to fall lower than \$50-\$60/barrel in the coming years due to a sharper increase in demand than in production capacity.

The US Commodities Futures Trading Commission said it would hold a hearing on September 18 to examine current oversight of regulated and exempt markets. The hearing would provide a basis for recommendations to federal lawmakers in charge of CFTC reauthorization. It would review the impact regulatory or legislative changes may have on the US futures industry and the world competitiveness of the US financial industry in general. The CFTC is considering a rule that would seek to increase oversight and transparency by requiring records and regulator access to all significant trading positions.

The International Monetary Fund said it completed a fifth review of a \$727 million standby arrangement for Iraq but warned the economy would not advance while violence continued. It said the expansion of oil production was lagging.

Brazil's Agriculture Minister Reinhold Stephanes said Brazil planned to double its annual ethanol production to 40 billion liters by 2015. Brazil's current 2007-08 ethanol production is still on target to reach about 20 billion liters, up from about 18 billion in the 2006-07 year.



Qatar's Minister of Energy and Industry, Hamad al Attiyah said the oil markets were well supplied. He said there was more than enough oil in the market despite prices reaching an all time high Wednesday. He added that OPEC could not do anything about the high prices because there was no shortage of crude in the market.

According to Oil Movements, OPEC's oil exports are expected to fall by 90,000 bpd in the four weeks ending August 18 to 23.99 million bpd. Sailings from Middle East countries are forecast to fall by 100,000 bpd in the four weeks ending August 18. It revised down last week's data, with OPEC shipments now seen down 180,000 bpd to 23.78 million bpd in the four weeks ending August 11.

Refinery News

ExxonMobil Corp reduced rates on a lubes extraction unit at its Baytown, Texas refinery on Wednesday after it discovered a leak on piping in an exchanger in the unit. It said production was not affected by the cut in operations.

BP PLC could lose a major tax credit for its Whiting, Indiana refinery expansion project under a proposed House measure if the amendment is allowed to be added to the House energy package when it votes on Friday. The amendment is aimed at forcing BP to change its pollution strategy for expansions.

		Levels	Explanation
CL	Resistance	78.00, 78.40, 78.77, 79.23	Previous high, Basis trendline
	76.86, up 33 points	77.44	Thursday's high
	Support	75.52	Thursday's low
		74.50, 73.80, 72.80, 72.00, 71.20	Previous lows
HO	Resistance	212.10, 212.72, 214.00, 214.04, 216.16	Previous highs
	207.46, up 52 points	208.00, 208.89	Thursday's high
	Support	205.80, 204.42	Thursday's low
		203.72, 202.90	Previous lows
RB	Resistance	207.00, 210.45, 210.66, 211.62	Previous highs
	203.62, up 66 points	204.00, 204.80	Thursday's high
	Support	201.35, 200.05	Thursday's low
		200.00, 198.20, 194.78, 192.31	Previous lows

Total's 328,000 bpd Gonfreville refinery is expected to start a six week turnaround starting August 20.

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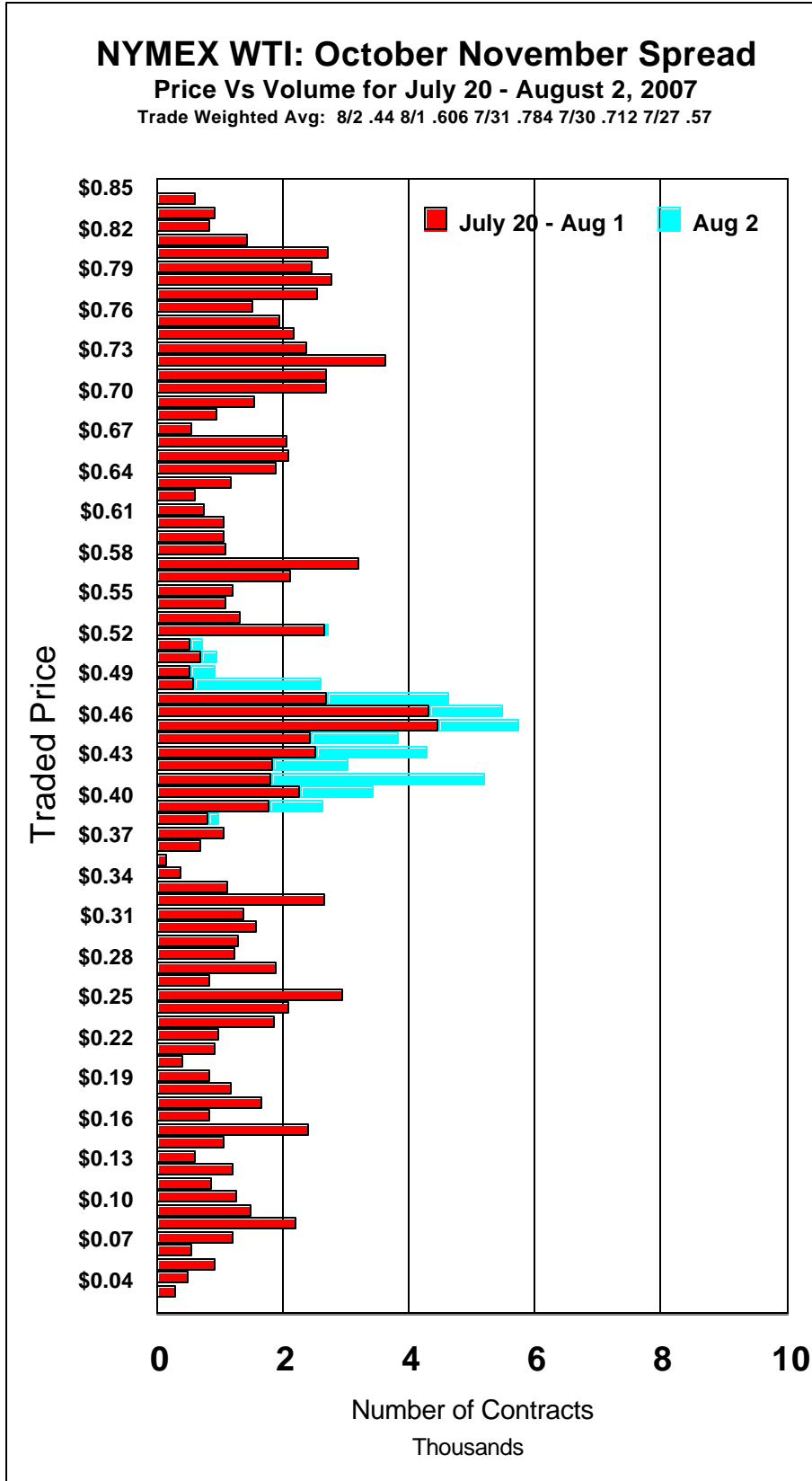
Nigerian National Petroleum Corp said Nigeria would restart the Warri and Kaduna refineries that have been idle since February 2006 after their feeder pipeline is fixed in September. The refineries should resume operations within two weeks of the pipeline returning to service.

China's Sinopec Group is expected to delay the startup of a \$1.2 billion refinery in east China by at least nine months. Sinopec aimed to start the 200,000 bpd refinery in the coastal city of Qingdao around September 2008 or later compared to its previous target of the end of the year.

Production News
Chevron Corp said its oil production in the country may fall by 6% in 2008 from an average of 415,000 bpd in 2007.

Production News
Singapore's International Enterprise reported that the country's residual fuel stocks built by 615,000 barrels to 12.668 million barrels in the week ending August 1. It reported that light distillate stocks fell by 341,000 barrels to 8.909 million barrels while middle distillate stocks fell by 1.048 million barrels to 6.345 million barrels on the week.

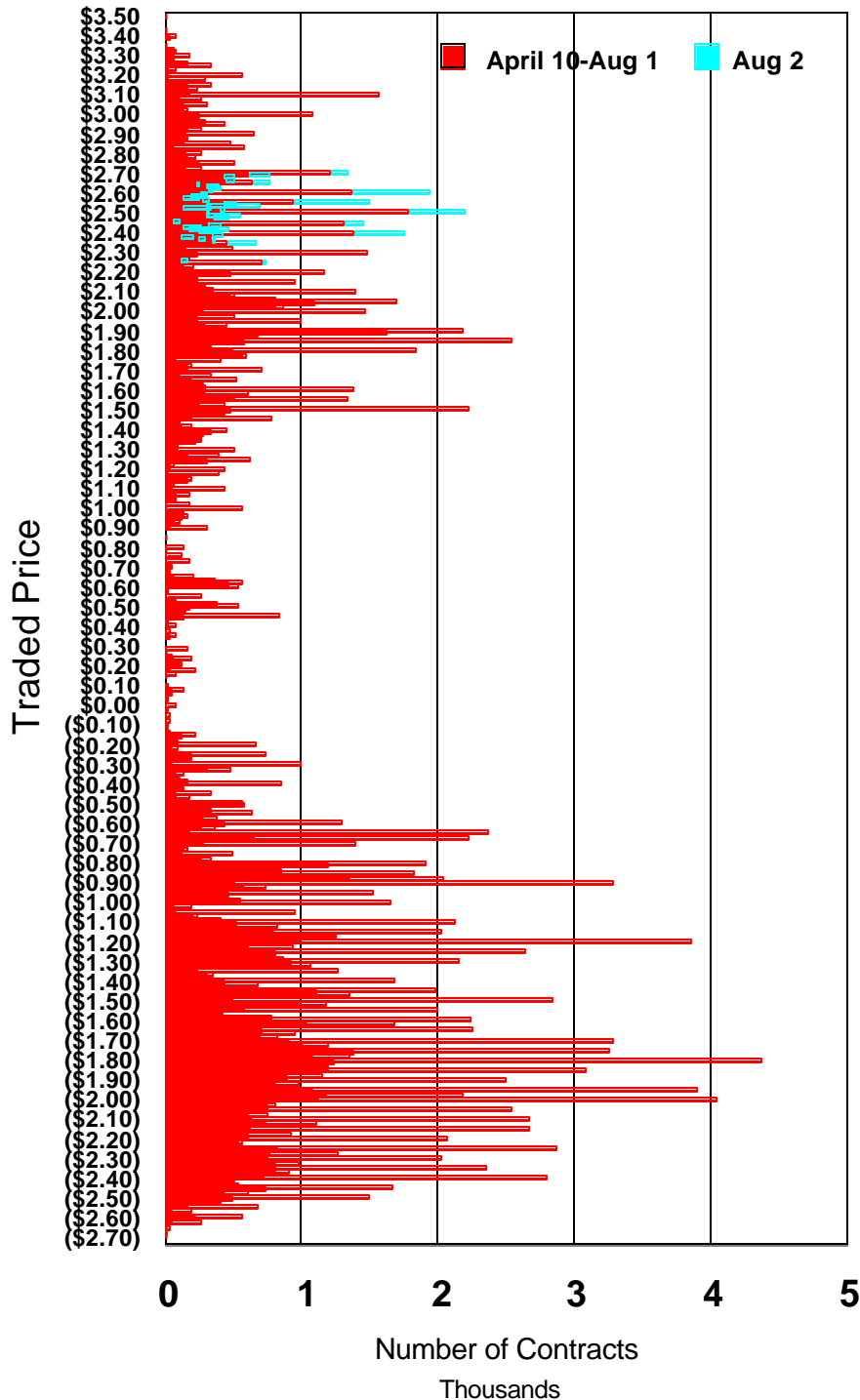
Russia's Energy Ministry reported that oil production increased to 9.89 million bpd in July, up 0.4% on the month. It is up from the previous post-Soviet record of 9.87 million bpd, reached in March 2007. Year to date production stood at 9.86 million bpd, up 3% from 9.57 million bpd in January-July 2006. Oil exports via Transneft in July increased by 1.2% to 4.3 million bpd. It



NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - August 2, 2007

Trade Weighted Avg: 8/2 2.51; 8/1 2.83; 7/31 3.08; 7/30 2.83; 7/27 2.27



also reported that gas production by Russia's Gazprom fell by 3% in July to 1.313 billion cubic meters/day.

ExxonMobil Corp said its Sakhalin-1 oil and gas production facility was not damaged by a series of three earthquakes at the island off Russia's eastern coast.

Market Commentary

Today's market activity for crude oil resembled that of yesterday's activity. Prices opened unchanged, attempted to go higher only to come off towards the end of the trading session. Based on the spot continuation weekly chart, prices remain in the upward channel between 76.52 and 90.29. As mentioned in yesterday's wire, even with the significant draw in crude stock levels, there appears to be ample supply. Level indications reflect that we have 345 million barrels on hand. With refineries coming back slowly, we should continue to see draws on crude stock levels, however the aforementioned barrels on hand should be able to withstand expected draws. For tomorrow, based on the weekly chart, we would like to see a settlement below the 76.52 support number. With a break below this level, prices could easily see the first support number of 74.50. Support is set at 74.50, 73.80, **72.80, 72.00 and 71.20**, with resistance set at 78.00, 78.40, and 78.77. The Sept/Oct spread traded slightly below

the support level of .32. Below this number we see support at .9, minus .9 and minus .50. The Oct/

NYMEX Petroleum Options Most Active Strikes for August 2, 2007

Symbol	Month	Year	Call/Put	Strike	Exp date	Settle	Volume	IV
LO	12	7	P	60	11/13/2007	0.59	4,500	34.44
LO	10	7	P	60	09/17/2007	0.09	4,075	35.79
LO	7	8	P	59	06/17/2008	2.3	3,600	31.29
LO	10	7	P	65	09/17/2007	0.31	2,801	33.21
LO	10	7	P	70	09/17/2007	0.91	2,681	30.64
LO	9	7	C	85	08/16/2007	0.12	2,671	32.25
LO	12	7	P	70	11/13/2007	2.37	2,505	30.56
LO	9	7	C	60	08/16/2007	16.86	2,500	60.24
LO	9	7	C	80	08/16/2007	0.63	2,347	29.02
LO	9	7	P	70	08/16/2007	0.15	2,119	32.69
LO	10	7	C	90	09/17/2007	0.26	2,082	30.41
LO	12	7	C	41	11/13/2007	34.61	1,925	80.22
LO	9	7	P	72	08/16/2007	0.31	1,710	30.57
LO	9	7	C	78	08/16/2007	1.24	1,592	29.02
LO	9	7	C	61	08/16/2007	15.86	1,500	56.20
LO	9	7	C	77	08/16/2007	1.67	1,384	29.02
LO	9	7	P	74.5	08/16/2007	0.81	1,350	29.51
LO	9	7	P	75	08/16/2007	0.96	1,316	29.28
LO	12	7	P	75	11/13/2007	4.31	1,155	29.53
LO	9	7	P	76	08/16/2007	1.34	1,149	29.15
LO	9	7	P	68	08/16/2007	0.07	1,128	34.75
LO	11	7	C	76	10/17/2007	4.14	1,127	29.91
LO	11	7	P	76	10/17/2007	4	1,125	29.90
LO	10	7	P	72	09/17/2007	1.35	1,050	29.74
LO	12	7	C	75	11/13/2007	4.91	1,017	29.55
LO	9	7	C	58.5	08/16/2007	18.36	1,000	66.39
OB	10	7	P	1.5	09/25/2007	0.002	700	35.68
OB	9	7	C	2.2	08/28/2007	0.0246	540	36.34
OB	9	7	C	2.25	08/28/2007	0.0169	536	36.84
OB	9	7	C	2.02	08/28/2007	0.0831	525	34.84
OB	12	7	C	1.94	11/27/2007	0.1382	525	30.51
OB	9	7	P	2	08/28/2007	0.0579	146	34.91
OH	1	8	C	2.14	12/26/2007	0.161	400	29.82
OH	1	8	P	2.14	12/26/2007	0.1511	400	29.80
OH	10	7	P	2.09	09/25/2007	0.0903	375	29.47
OH	10	7	C	2.09	09/25/2007	0.0968	375	29.47
OH	4	8	C	2.25	03/26/2008	0.1262	200	29.04
OH	9	7	C	2.16	08/28/2007	0.0336	200	30.22
OH	11	7	P	2	10/26/2007	0.065	200	29.34
OH	1	8	C	2.13	12/26/2007	0.1657	151	29.84
OH	1	8	P	2.13	12/26/2007	0.146	150	29.80

Nov/Dec butterfly weakened by one cent today, although not aggressive enough for some, we would look for continued weakness and would still like to sell the Oct/Nov spread and buy the Nov/Dec spread. Similarly, the RBOB market posted a low of 200.05 early this morning ahead of the open outcry opening and rallied to a high of 204.80 as it attempted to retrace some of Wednesday's sharp losses. However the market, which found some resistance at that level erased some of its gains and settled up just 66 points at 203.62. The Sep RBOB crack spread continued to trade lower and settled at 8.679. It is seen holding support at 7.637. The heating oil market also breached its support early in the morning as it traded to a low of 204.42. The market later bounced off that level and rallied to a high of 208.89 only to give up most of its gains. It settled up 52 points at 207.46. The markets on Friday will likely trade higher after the markets were able to settle in positive territory. The RBOB market is seen finding support at 201.35, 200.05 followed by 200.00

and 198.20. More distant support is seen at 194.78 and 192.31. Meanwhile support is seen at 204.00, 204.80 followed by 207.00. Further resistance is seen at 210.45, 210.66 and 211.62.