



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 7, 2007

A European diplomat said Russia warned Iran it would not deliver fuel to the Bushehr nuclear reactor unless Iran lifts the veil of secrecy on suspicious past atomic activities. Separately, a US official said the Russia was not meeting other commitments that would allow the Iranians to activate the Bushehr nuclear reactor and suggested the delays were an attempt to pressure Iran into showing more compliance with UN Security Council demands.

Market Watch

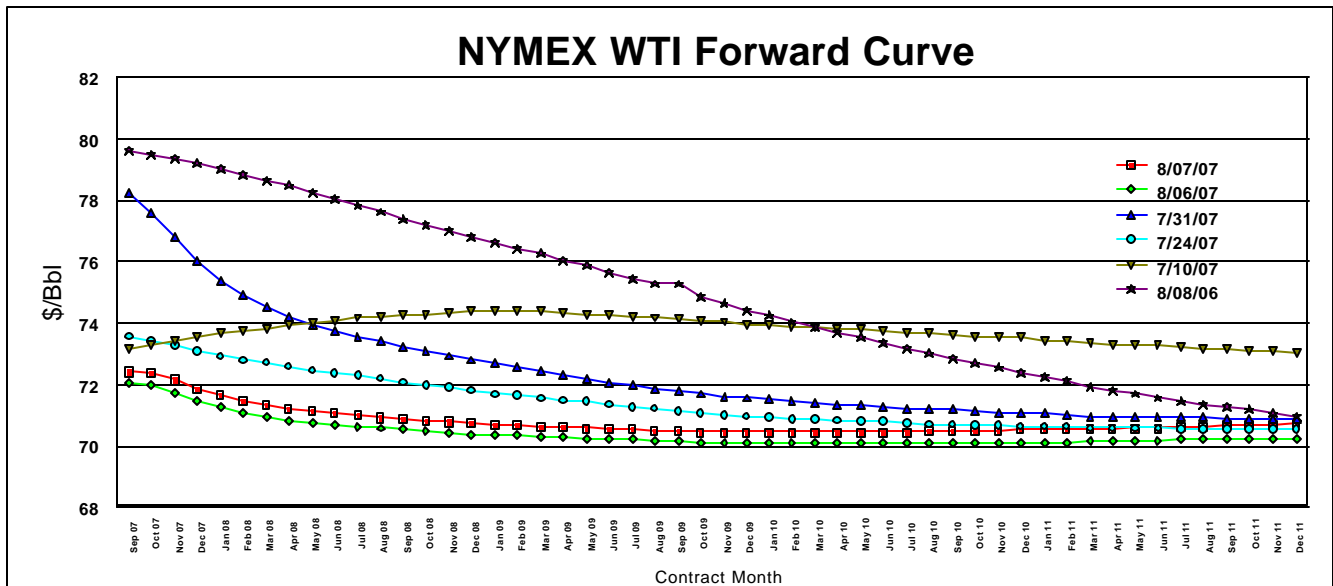
MasterCard Advisors said in its weekly SpendingPulse gasoline demand report that US demand for gasoline in the week ending August 3 fell by 29,143 bpd to 9.993 million bpd. It was the third highest level since September 2005. It reported that the average retail gasoline price fell by 7 cents to \$2.86/gallon.

Tropical Storm Risk cut its forecast for the number of tropical storms likely to hit the US this hurricane season. However it still expects more storms than average. TSR said it expects the number of tropical cyclones reaching the US to be about 20% above normal in 2007, down from its July forecast of 40% over the 1950-2006 average.

According to Reuters, China was close to becoming the world's second largest crude oil importer last quarter, as the refinery maintenance season cut Japan's imports but failed to limit increasing Chinese demand. Heavy refinery maintenance program in Japan during the second quarter led to a 15% fall in crude imports compared to the first quarter. China's crude imports increased by 5% between April and June to 3.361 million bpd, just below Japan's average of 3.731 million bpd.

Iraq's Prime Minister Nouri Maliki was in Turkey for talks on preventing raids in Turkish territory by Kurdish separatists based in northern Iraq. Turkey has warned the Iraqi government either to crack down on Kurdistan Workers' Party bases or face a possible incursion by Turkish troops. Turkey's Prime Minister Recep Tayyip Erdogan said Turkey and Iraq agreed to try to end the presence of a Kurdish rebel group in Iraq.

The EIA reported in its Short Term Energy Outlook that world oil demand in the first half of the year increased by 700,000 bpd. It was slowed in part by warmer than expected weather in Europe and Asia. However the EIA estimated that world oil consumption would grow at a rate of 1.8 million bpd during the second half of 2007 in response to continued economic growth with most of the oil demand growth expected to come from China, the US and the Middle East. It also reported that world oil demand in 2007 was cut by 200,000 bpd from its previous estimate to 85.7 million bpd while demand in 2008 is estimated at 87.1 million bpd, down 300,000 bpd from its previous estimate. It reported that non-OPEC supply is expected to grow by 690,000 bpd to 49.9 million bpd, unchanged from its



previous forecast. In 2008, the EIA estimated that non-OPEC production would increase by 1.1 million bpd to 51 million bpd. It reported that ten OPEC members produced 26.67 million bpd in July. It lowered its forecast for OPEC production in the third quarter by 300,000 bpd to 30.5 million bpd on the assumption that the group would delay increasing its output until the fourth quarter. Meanwhile, total OECD commercial inventories stood at 2.66 million barrels at the end of June. The EIA projected that total third quarter OECD inventories would experience a counter seasonal 200,000 bpd stock drawdown compared to an average of 290,000 bpd stock build experienced over the past 5 years. In regards to US petroleum demand, the EIA reported that demand would total 20.86 million bpd in 2007, down 10,000 bpd from its previous estimate. Demand for 2008 was cut by 50,000 bpd to 21.07 million bpd. It left its gasoline demand estimate unchanged at 9.33 million bpd for 2007 and 9.44 million bpd for 2008. Meanwhile, distillate demand is estimated at 4.25 million bpd in 2007 and at 4.3 million bpd in 2008, down 10,000 bpd and 20,000 bpd, respectively. Gasoline inventories at the end of July stood at 204 million barrels, 5 million barrels below the five year average. The low gasoline inventory situation is expected to continue, with inventories at the end of September estimated at 198 million barrels, 6 million barrels below the five year average. In regards to prices, WTI prices are expected to average \$67.61/barrel in 2007 and \$71.25/barrel in 2008. This summer's average retail gasoline price is estimated to be \$2.95/gallon, up 11 cents on the year.

Refinery News

ConocoPhillips shut a 145,000 bpd fluid catalytic cracking unit at its Bayway refinery in Linden, New Jersey, just over a week from its restart. The unit is expected to begin the restart process on Friday. Conoco also shut a crude unit at its 190,000 bpd refinery in Trainer, Pennsylvania on Friday and the unit was still not back.

ExxonMobil is expected to perform repairs on its 71,600 bpd fluid catalytic cracking unit at its 190,000 bpd refinery in Chalmette, Louisiana starting August 20. The unit is expected to be down for 10 days.

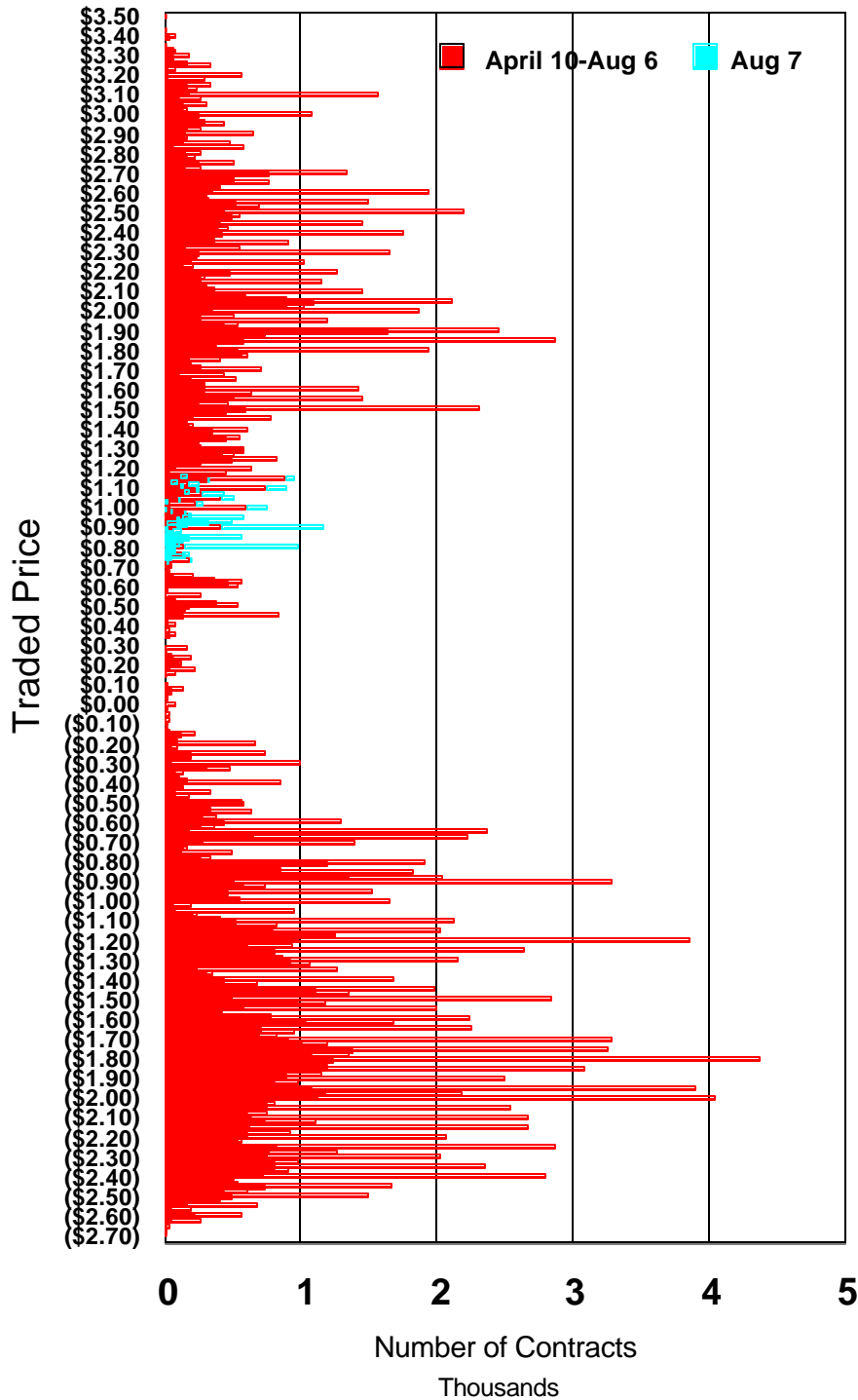
Murphy Oil Corp restarted a 32,000 bpd gasoline platformer at its 120,000 bpd refinery in Meraux, Louisiana following the completion of planned maintenance work. The unit was shut over the July 28-29 weekend for the work.

Husky Energy Inc successfully restarted its 160,000 bpd Lima, Ohio refinery over the weekend. The refinery is expected to resume full operations by the end of the week.

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - August 7, 2007

Trade Weighted Avg: 8/7 .90; 8/6 1.23; 8/3 2.02; 8/2 2.51; 8/1 2.83



South African oil refinery workers agreed to a new wage deal on Tuesday, ending a weeklong strike that shut down refineries and led to shortages at petrol stations around the country. Major refineries said they started the process of resuming operations but would need a few days before the fuel supply situation returned to normal.

Cosmo Oil Co said it restarted a 24,000 bpd fluid catalytic cracking unit at its Sakai refinery on Sunday, two days ahead of schedule. The unit was shut since July 13 for an unplanned inspection.

China's twelve major refineries are expected to keep their crude runs in August steady from July at 2.47 million bpd. This is despite China's call to increase supplies to avoid a domestic supply squeeze as refining margins fall into negative territory.

Traders said China would import 30,000 tons of gas oil in August after skipping purchases last month as the south faces a supply squeeze amid peak summer fuel demand.

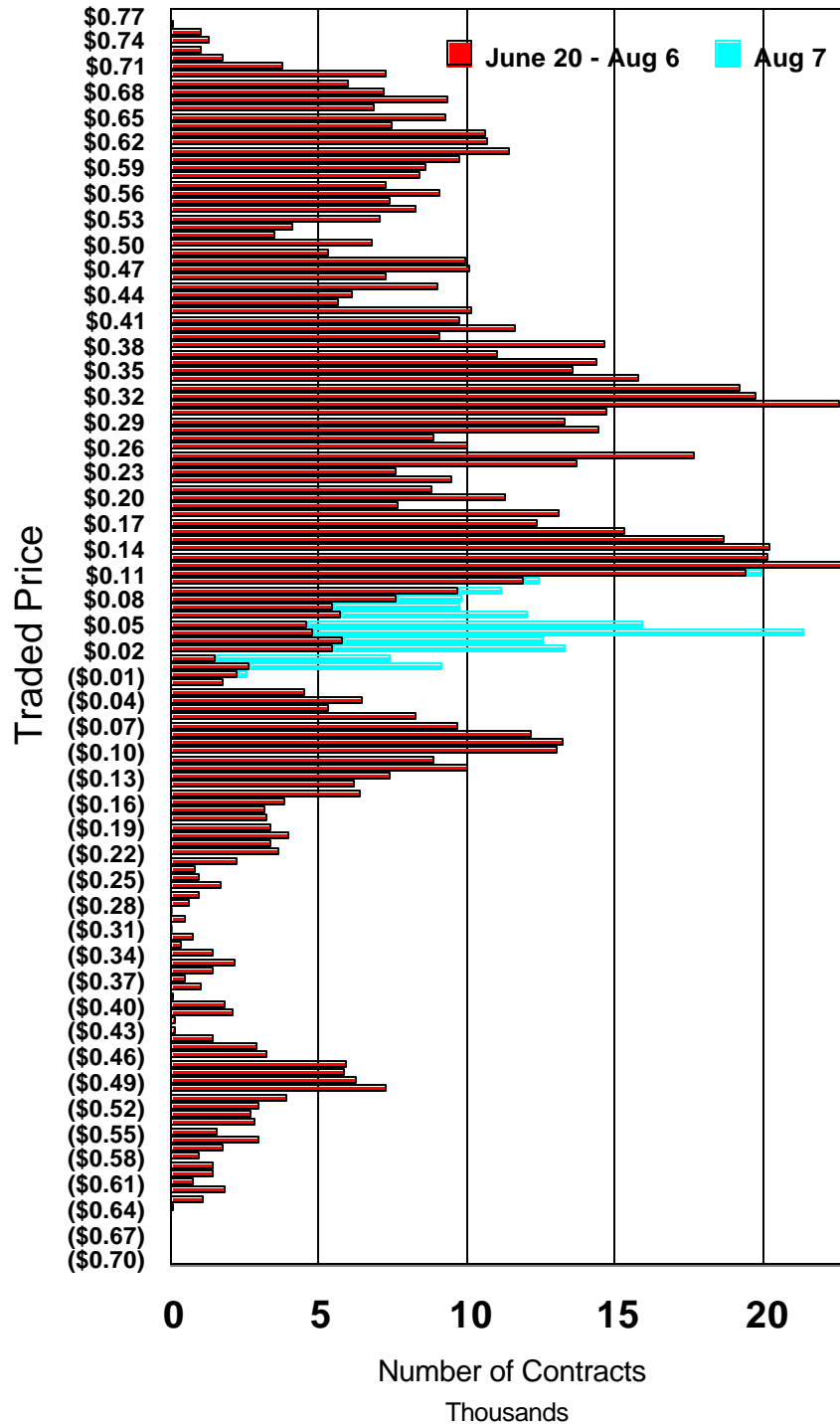
South Korea's S-Oil Corp said it would maintain its gasoline exports at 60,000 tons in September, despite expectations of a cut due to maintenance in October. It is scheduled to shutdown its No. 2 240,000 bpd crude

distillation unit from October 8 to October 29 for planned maintenance.

NYMEX WTI: September October Spread

Price Vs Volume for June 20 - August 7, 2007

Trade Weighted Avg: 8/7 .04 8/6 .13 8/3 .229 8/2 .366 8/1 .519



Production News

Royal Dutch Shell PLC evacuated workers from its North Sea Brent Bravo platform on Sunday after the facility suffered a power outage on Friday. However oil and gas production at the facility is believed to be unaffected, with the platform currently undergoing annual maintenance. Work at the platform is expected to continue and no extension to the platform's shutdown period is expected.

Russia's Tatneft increased its production by 2% on the year to 15.17 million metric tons in January-July.

Azerbaijan's Socar and BP Azerbaijan said the country's oil production in July increased by 1.4% on the month to 891,000 bpd. Socar produced 176,800 bpd while BP produced 714,300 bpd. Azerbaijan's oil exports in July increased by 4.7% on the month to 694,000 bpd. Shipments via the Baku-Tbilisi-Ceyhan pipeline to Turkey increased by 15% on the month to 674,500 bpd.

An Oil Ministry official said India may review retail fuel prices after the parliament ends its session in mid-September if world prices remain high.

NYMEX Petroleum Options Most Active Strikes for August 7, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	1	8	P	60	12/13/2007	1.26	10,418	33.29
LO	9	7	P	70	08/16/2007	0.47	5,969	30.26
LO	10	7	C	75	09/17/2007	1.81	5,880	29.99
LO	10	7	P	76	09/17/2007	5.1	5,005	30.21
LO	6	8	P	45	05/15/2008	0.6	4,400	36.70
LO	6	8	P	60	05/15/2008	2.89	4,113	32.03
LO	9	7	C	72	08/16/2007	1.55	3,965	29.46
LO	9	7	P	74	08/16/2007	2.28	3,938	29.44
LO	9	7	P	72	08/16/2007	1.13	2,855	29.44
LO	12	8	C	100	11/17/2008	1.22	2,802	25.48
LO	9	7	P	68	08/16/2007	0.18	2,547	32.16
LO	10	7	P	70	09/17/2007	1.85	2,237	30.51
LO	9	7	C	73	08/16/2007	1.07	2,206	29.47
LO	6	8	P	55	05/15/2008	1.83	2,200	33.57
LO	12	7	C	80	11/13/2007	1.72	2,183	30.39
LO	1	8	P	73	12/13/2007	5.75	2,000	30.51
LO	12	7	P	73	11/13/2007	5.02	1,850	30.33
LO	12	7	P	71.5	11/13/2007	4.21	1,800	30.26
LO	9	7	C	70	08/16/2007	2.89	1,797	30.40
LO	12	7	C	90	11/13/2007	0.5	1,704	31.63
LO	9	7	P	69	08/16/2007	0.29	1,701	31.02
LO	12	7	P	68.5	11/13/2007	2.91	1,700	30.73
LO	9	7	C	75	08/16/2007	0.44	1,596	29.43
LO	10	7	P	68	09/17/2007	1.22	1,447	31.05
LO	9	7	P	71	08/16/2007	0.74	1,296	29.67
LO	10	7	C	79	09/17/2007	0.8	1,261	30.03
LO	9	7	P	76	08/16/2007	3.85	1,230	29.99
LO	10	7	C	88	09/17/2007	0.12	1,204	32.27
LO	10	7	C	86	09/17/2007	0.19	1,135	31.96
LO	10	7	P	56	09/17/2007	0.05	1,100	36.48
LO	12	7	P	62	11/13/2007	1.19	1,100	32.92
LO	9	7	C	78	08/16/2007	0.1	1,020	30.93
LO	10	7	C	85	09/17/2007	0.23	1,018	31.55
LO	12	7	C	78	11/13/2007	2.19	1,012	30.27
LO	10	7	P	58	09/17/2007	0.1	1,001	35.94
LO	12	7	P	60	11/13/2007	0.88	1,000	33.76
OB	1	8	P	1.86	12/26/2007	0.1269	1,191	30.92
OB	10	7	P	1.86	09/25/2007	0.0869	1,191	37.18
OB	9	7	C	2.3	08/28/2007	0.0061	589	45.37
OB	12	7	C	1.9	11/27/2007	0.1258	550	34.22
OB	9	7	C	2.1	08/28/2007	0.0265	405	42.45
OB	9	7	C	2.2	08/28/2007	0.0129	363	43.99
OB	9	7	C	2	08/28/2007	0.0522	305	40.91
OB	9	7	P	1.87	08/28/2007	0.0421	250	40.34
OB	10	7	C	1.95	09/25/2007	0.0786	215	38.22
OH	9	7	P	1.9	08/28/2007	0.0334	620	32.61
OH	10	7	C	2.14	09/25/2007	0.0413	600	32.95
OH	12	7	P	2.14	11/27/2007	0.1936	450	30.84
OH	9	7	P	1.89	08/28/2007	0.0301	200	32.68

Indonesia's Pertamina has issued its monthly tender to buy sweet crude for October arrival. Pertamina purchased 4.6 million barrels of September arrival sweet crude in its previous tender.

Thailand's demand for oil products in June fell by 3.9% on the year to 613,770 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell sharply to \$70.24/barrel on Monday from \$72.01/barrel on Friday.

Market Commentary

Most of today's session was spent trying to take out the 71.10 support level set back in the beginning of July. This is the level that prices held prior to making the all time high of 78.77. It was not until news that there were problems at Conoco Philips' 145,000 bpd Bayway refinery, that this market made a significant move off of the lows, stretching to a new high. It will be interesting to see what effect tomorrow's release of the API/DOE numbers have on the market. Early indications are calling for a draw in crude oil of 2 million, gasoline a build of 1 million and distillates up 1.8. Runs are expected to rise by 0.1%. It appears as if there is ample supply of gasoline for the remainder of the U.S. driving season and crude stocks are still above those of last year. As long as prices hold the 71.10 support number, we would have to buy dips down around that level. Should this number be penetrated, our next downside objective would

be the 69.96 key support number. Surprisingly, overall open interest in crude oil fell by just 4,442 yesterday, with September down 11,055, October up

		Levels	Explanation
CL	Resistance	72.70, 73.05, 73.65, 74.05, 75.18	Tuesday's high
	72.42, up 36 cents	72.62	
	Support	71.14	Tuesday's low
		71.10, 69.96, 69.25, 68.64, 67.70	Previous lows
HO	Resistance	200.47, 202.81, 203.48, 207.98	38% (212.72 and 192.90), Previous highs
	196.41, up 2.48 cents	197.25	Tuesday's high
	Support	195.58, 194.35, 192.90	Tuesday's low
		192.04, 189.16	Previous lows
RB	Resistance	201.83, 204.38, 205.23, 206.08	Previous high, basis trendline, 38% (230.77 and 189.45), Previous high
	194.42, up 1.83 cents	195.39	Tuesday's high
	Support	192.75, 190.85, 189.45	Tuesday's low
		185.73	Basis trendline

1,719 and November up 3,260. Support comes in at 71.10, **69.96**, 69.25, 68.64, and **67.70**. Resistance is set at 72.70, 73.05, 73.65 and 74.05 and 75.18. The product markets remained pressured early in the session in follow through selling seen during Monday's session. The market quickly sold off to a low of 189.45 early in the open outcry session. The market however retraced some of its losses and settled in a sideways trading pattern. The RBOB market later bounced off its low and traded to a high of 195.39 in light of the supportive refinery news. The market settled up 1.83 cents at 194.42. The heating oil market also retraced some of its losses and settled up 2.48 cents at 196.41. Similar to the gasoline market, the heating oil market sold off to its low of 192.90. It bounced off its low and rallied to a high of 197.25 ahead of the close amid the supportive news. The product markets will be like retrace some of today's gains amid the expectations that the weekly petroleum stock reports will show builds in product stocks and a slight increase in refinery runs. The RBOB market is seen finding resistance at its high of 195.39 followed by 201.83, 204.38, 205.23 and 206.08. Meanwhile support is seen at 192.75, 190.85, its low of 189.45 and 185.73, basis its trendline.