



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 8, 2007

Refinery News

ConocoPhillips has suspended operations at its 275,000 bpd Wilhelmshaven refinery in Germany due to poor margins. The refinery is expected to use fuel inventories to supply its customers. The refinery reportedly has been down since August 1st and was undergoing an unplanned shutdown for two weeks. Meanwhile Swedish refiner Preem was increasing its run rates at its 113,000 bpd Gothenburg refinery after cutting operations in July.

Total's reportedly had cut rates by a third to its FCC unit at Port Arthur, Texas refinery.

Chevron's El Segundo 260,000 b/d refinery was hit by a partial power outage shortly before noon PDT. The power outage was due to a problem with a third party provider.

PEMEX reportedly is planning to shut down its 45,000 b/d cat cracker at its Salina Cruz refinery for 24 days beginning in October for maintenance.

ConocoPhillips said Wednesday that it reduced operating rates slightly at

Market Watch

U.S. Energy Secretary Bodman said today that he expects to speak with OPEC ministers ahead of their September 11th meeting and would relay the Administration's belief that the group needs to pump more oil. He also said today that the government purchases of crude oil for the SPR could resume this fall.

Iraqi's Prime Minister while promising Turkish officials that he would find "deterrent measures" to deal with Turkish Kurdish rebels operating in northern Iraq, he declined to provide a formal commitment to crack down on these separatists. He declined to sign a counter terrorism agreement requested by Turkish authorities. But the two nations did sign an energy cooperation agreement. While not detailed in the agreement Turkey is looking at the possibility of transiting Iraqi gas to Europe via the planned Nabucco pipeline.

The Iranian minister overseeing Intelligence operations said today that while the U.S. has been waging a "psychological warfare" against Iran to prepare for military action against, the U.S. has been forced to re-think its policies as it has become bogged down in Iraq. The Iranian official now believes the U.S. has dropped its plans for a direct military attack but rather is seeking a "soft revolution" in which to topple the Iranian leadership.

Iranian officials said today that gasoline is being smuggled into the country instead of out of the country since national gasoline rationing has come into force back in June.

DEBKAfile reported today that Basra has essentially slipped out of Iraqi government control and is veering towards autonomy. Three rival Shiite groups in the region reportedly are looking to form an alliance in the effort to establish an autonomous Shiite Basra emirate, which effectively would control some two thirds of Iraq's oil industry. Last week the Iraqi prime minister fired the Fadhlila party's governor of Basra. Fadhlila, which pulled out of the ruling Shiite bloc, has refused to comply with the order.

NYMEX Petroleum Options Most Active Strikes for August 8, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	11	7	P	69	10/17/2007	2.45	6,400	29.95
LO	1	8	P	59	12/13/2007	1.06	5,950	32.56
LO	11	7	P	75	10/17/2007	5.6	3,200	29.72
LO	9	7	P	71	08/16/2007	0.67	3,151	27.36
LO	9	7	P	72	08/16/2007	1.09	3,148	27.38
LO	9	7	C	74	08/16/2007	0.47	2,439	27.13
LO	9	7	C	78	08/16/2007	0.04	2,386	28.50
LO	12	7	P	70	11/13/2007	3.53	2,281	29.28
LO	12	7	C	75	11/13/2007	2.73	2,051	29.07
LO	12	7	P	60	11/13/2007	0.83	2,009	32.44
LO	9	7	P	73.5	08/16/2007	1.97	2,002	27.38
LO	9	7	C	75	08/16/2007	0.27	1,692	27.39
LO	9	7	P	70	08/16/2007	0.39	1,396	27.71
LO	9	7	C	76	08/16/2007	0.15	1,363	27.82
LO	9	7	P	69	08/16/2007	0.22	1,124	28.44
LO	12	7	C	71.5	11/13/2007	4.12	1,025	29.15
LO	12	7	P	71.5	11/13/2007	4.26	1,025	29.17
OB	9	7	P	1.8	08/28/2007	0.0223	105	40.68
OB	5	8	P	2.06	04/25/2008	0.1675	75	26.78
OB	5	8	C	2.06	04/25/2008	0.1858	75	26.88
OB	9	7	C	2.15	08/28/2007	0.0162	55	43.22
OB	10	7	C	2.07	09/25/2007	0.0463	55	40.61
OB	10	7	C	2.13	09/25/2007	0.0362	55	41.80
OH	11	7	P	1.95	10/26/2007	0.0816	225	30.84
OH	11	7	C	2.18	10/26/2007	0.0585	175	31.95
OH	12	7	P	2.14	11/27/2007	0.1941	150	30.88
OH	11	7	C	2.05	10/26/2007	0.1	147	31.13
OH	9	7	C	1.89	08/28/2007	0.1048	146	32.84
OH	11	7	P	1.79	10/26/2007	0.0302	146	30.80
OH	9	7	P	2.1	08/28/2007	0.1504	50	33.45
OH	9	7	C	2.1	08/28/2007	0.0175	50	33.22
OH	11	7	C	2.08	10/26/2007	0.0886	50	31.30
OH	11	7	P	2	10/26/2007	0.1049	50	30.92

two Northeastern refineries, Bayway and Trainer, because operational snags and that there was no timetable set for operations to return to normal.

Singapore's onshore oil stocks for the week ending August 7th, saw light distilled and residua fuel stocks drop by 482,000 and 518,000 barrels respectively why middle distillate stocks grew by 605,000 barrels. Light Distillate stocks stood at their lowest level in 10 weeks, but were some 949,000 above a year ago.

Japanese stocks for the week ending August 4th, saw crude stocks drop by 819,429 kl, gasoline of 64,448 kl, kerosene up 112,902 kl.

Production News

Petroecuador reported that its exports in July rose by 15% of the previous month, reaching 216,047 b/d.

Dow Jones reported today that both Total and Chevron have recently started

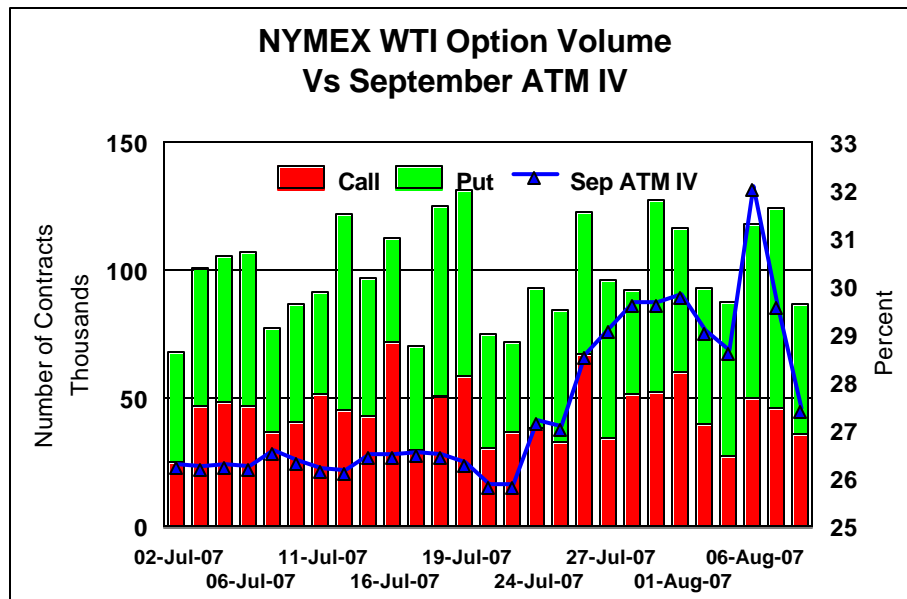
preparatory work on the development of the the giant Majnoon oil field. While no major work is expected until the country gets a new oil law in place and security on the ground improves, the companies seem to be doing assessment of above ground conditions for a possible 2009 launch of oil operations and exploration. The two companies signed an agreement last year to evaluate what development of work is needed. Meanwhile Iraq's oil minister was in Russia today to begin talks with Russian officials over swapping Iraqi debts to Russia in return for a bigger oil industry role for Russian oil companies.

PDVSA and Uruguay's energy company ANCAP will sign a deal to extract heavy oil from Venezuela's Orinoco region. Uruguay will also invest in doubling the refinery capacity of its La Teja refinery and will build a gasification plant in Uruguay.

Reuters quoted an OPEC delegate that said today that the cartel does not need to raise oil output at its upcoming OPEC ministerial meeting on September 11th. The group continues to see the market as well supplied. The delegate expected prices to ease further in coming days.

Eni was reportedly at risk of losing control of Kashagan, the largest oil discovery in the last 30 years.. The Kazahh government is “very disappointed” with the execution of the project and does not rule out

replacing Eni as its operator. Production from the field has been delayed until 2010. The project which has cost more than doubled than originally planned, was to have begun production in 2008.



ConocoPhillips reported that it had restarted operations at its Britannia oil and gas field in the North Sea on Tuesday after halting operations for maintenance on August 4th. The VikingEcho platform though remained closed “for the foreseeable future” after sustaining damage when it was hit by a ship on August

4th.

PEMEX announced it would widen its discount on exports of its Maya crude to the USG by 75 cents to \$3.05 under the monthly adjustment to its oil export price formulas. The discount of Maya exports to the U.S. West Coast was widened by 80 cents to \$9.65. Maya exports to Europe saw the discount cut by 20 cents and 70 cents to Asia.

		Explanation
CL	Resistance 72.15, down 27 cents	72.81, 73.65, 74.05-13, 74.55, 75.00 73.17
	Support	71.85 71.49, 71.14-, 71.01, 70.17, 69.87
HO	Resistance 196.68, up 0.27 cents	200.47, 202.81, 203.48, 207.98 199.00
	Support	195.45, 192.90 192.04, 189.16
RB	Resistance 197.77, down 0.65 cents	201.83, 204.38, 205.23, 206.08 197.67
	Support	192.50, 189.45 185.73

Market Commentary

An unexpected draw in gasoline stocks fueled the market today sending crude oil just above the 73.05 resistance level. Unable to sustain its’ gains, the September crude oil tumbled just above the lows of the day. Based on the spot continuation chart, this market is still in an upward phase and needs to settle below 71.00 in order to break this trend. It’s quite possible that the market is setting up for a

period of consolidation, before making a definitive move. With this in mind, we would like to buy and sell at the listed support and resistance numbers. 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, 75.18 and **76.50**.