



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 10, 2007

The IEA warned that world oil demand would outpace supply this winter and that the gap would only widen if OPEC decided next month not to increase its oil production. Its warning implied that consumers would likely see higher energy prices if the US, Europe and Asia see normal winter as expected. It added that inadequate oil supplies amid steady oil demand posed unwanted risks to the world economy. It estimated that world oil demand in 2007 is seen increasing by 1.8% on the year to 86 million bpd while demand next year is estimated to increase by 2.5% on the year to 88.2 million bpd. It reduced its estimate of fourth quarter oil demand by 100,000 bpd to 88.05 million bpd due to lower consumption in North America. It said the outage at Japan's largest nuclear plant after an earthquake in mid-July had forced it to revise up its demand outlook for Organization for Economic Cooperation and Development countries. Demand for OECD countries is forecast to increase by 0.6% this year to 49.5 million bpd. It left its implied demand for OPEC crude in the

fourth quarter unchanged from last month's estimate at 32.6 million bpd. However the growth in demand is expected to increase the need for OPEC oil in 2008 by 700,000 bpd on the year to 32.1 million bpd. It said OPEC's production increased by 385,000 bpd in July to an average 30.48 million

Market Watch

Analysts have stated that oil futures could be impacted by the hedge fund subprime liquidations. The flight to cash could force hedge funds to dump commodities futures as they reduce risk. The likelihood of such measures increased when the Wall Street Journal reported that two Goldman Sachs hedge funds were forced to liquidate positions amid fears the US subprime crisis is spreading. While some funds have liquidated their position in the past week, news that Goldman Sachs and other hedge funds are liquidating various investments to cut risk may prompt further fund selling.

An influential Iranian cleric Akbar Hashemi Rafsanjani said the West had to pursue diplomacy not confrontation to resolve the crisis in the Middle East. He said Iran was ready to hold talks at any level over its atomic work and the regional issues that Iran could help resolve.

DEBKAFfile reported that there was a new Al Qaeda threat of attacks naming New York, Los Angeles and Miami as targets. The attacks would be carried out by means of trucks loaded with radioactive material.

The NYMEX announced that it set daily volume records on Thursday on the CME Globex electronic trading platform, with more than 1 million total contracts traded. Total contracts traded reached 1,039,413 surpassing the 993,324 contracts on July 26.

The ICE said physical delivery against the expired August gas oil futures contract was 402 lots or 40,200 tons. It was up 200 tons from the 40,000 tons delivered in July.

bpd. Saudi Arabia's oil production was unchanged at 8.35 million bpd. World refinery crude throughput was estimated at 73.3 million bpd in June, up 500,000 bpd on the month but down 600,000 bpd on the year. July crude runs were estimated to have averaged 74.6 million bpd, up 1.3 million bpd from June. In regards to Iran's gasoline rationing program, it said it had done little to cut demand because prices are still very low and drivers can dodge restrictions by purchasing six months; allocation. The IEA also stated that rapid changes in the price of NYMEX WTI have again cast doubt on its reliability as a global marker.

The UN's IAEA said it could take months or even longer for an earthquake damaged nuclear plant in northwest Japan to restart operations.

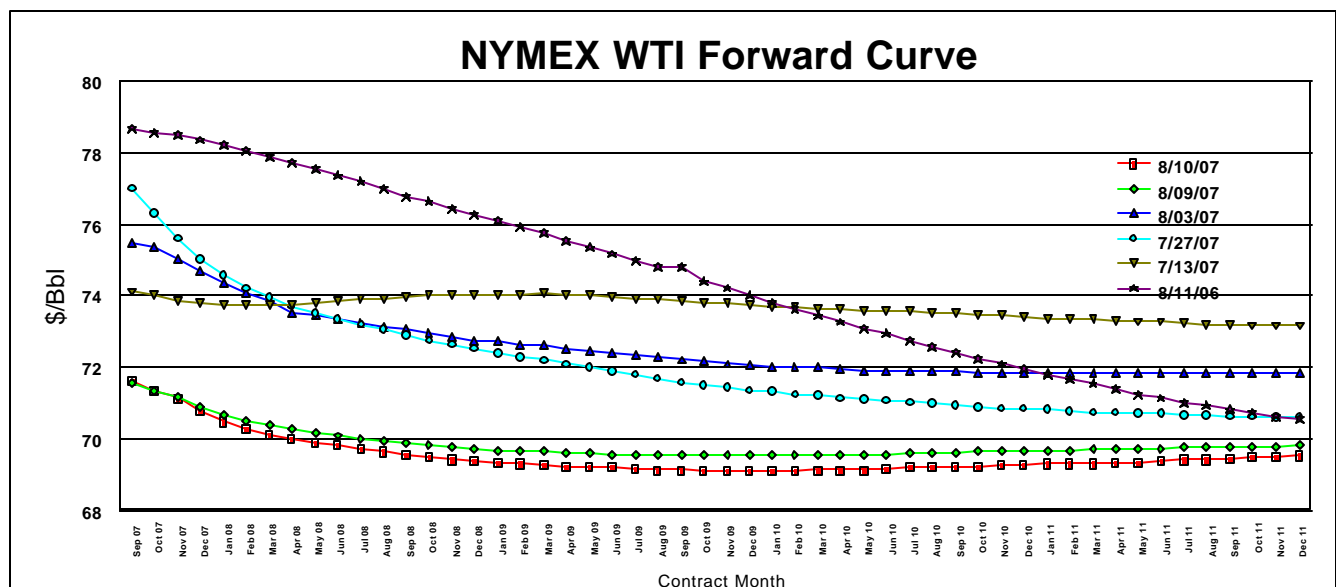
A local police chief in Nigeria said gunmen seized a British manager from oil services firm Hydrodrive in the city of Port Harcourt in the Niger Delta on Friday.

Refinery News

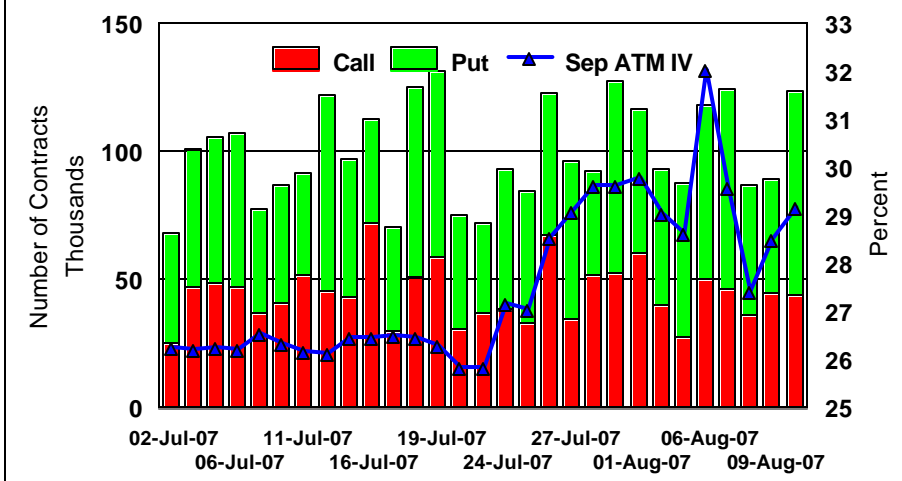
ConocoPhillips' 146,000 bpd Borger, Texas refinery reported an equipment malfunction in Area B of the refinery on Thursday. The malfunction may last through August 15. Separately, ConocoPhillips said it was in the process of increasing rates at the crude distillate unit at its 190,000 bpd refinery in Trainer, Pennsylvania. It did not state when the unit would resume normal operations. Also, ConocoPhillips said it has not yet set a restart date for the fluid catalytic cracking unit at its 230,000 bpd Bayway refinery in Linden, New Jersey. Work continued on the unit, as operational issues delayed the restart of the unit. The unit was shut earlier this week for the second time in two weeks. Meanwhile, maintenance to reduce catalyst buildup on waste heat boilers tubes at the unit 3 regenerator flue gas stack at ConocoPhillips' Sweeny refinery in Texas resulted in a brief emission event on Friday. The work is not expected to affect operations at the plant's unit 3 gasoline complex.

Chevron Corp said it was returning a hydrocracking unit at its 260,000 bpd El Segundo, California refinery to full production on Friday. The unit was shut due to a power outage on Wednesday.

Valero Energy Corp said a fire damaged naphtha pretreating unit at its 325,000 bpd refinery in Port Arthur, Texas was still shut following a fire on Sunday. However it stated that the outage had no impact on refinery production.



NYMEX WTI Option Volume Vs September ATM IV



Western Refining Inc said it was planning an overhaul of portions of its newly acquired Yorktown, Virginia refinery in September. Western has also planned an overhaul of units at its 122,000 bpd El Paso, Texas refinery in the first quarter of 2008.

Mexico's Pemex is expected to shutdown a fluid catalytic cracking unit and an alkylation unit at its Cadereyta refinery for 15 days of planned maintenance in September.

Sinopec Corp said it was in

talks with Royal Dutch Shell, Kuwait Petroleum Corp and Dow Chemical Co to build a refinery and petrochemical plant in south China. It said they were preparing to conduct feasibility studies for the refinery, which could have daily capacity of 350,000 bpd.

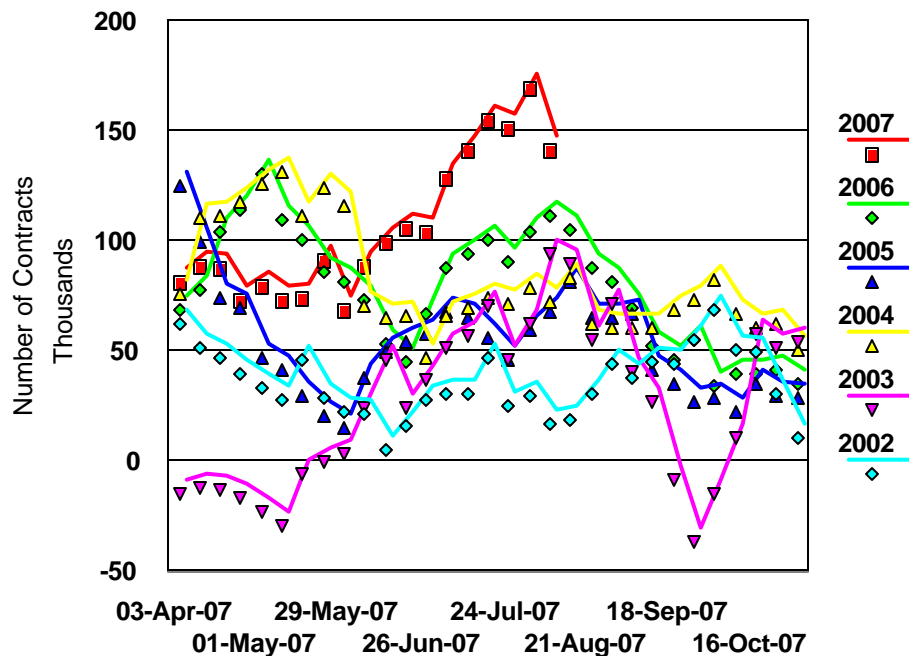
Production News

Saudi Arabia's crude oil allocations to refiners in Europe are expected to remain unchanged in September. Late Thursday, Saudi Arabia informed its customers in Asia that it would keep term supply cuts unchanged in September.

The North Sea loading plans for the Brent, Forties, Oseberg and Ekofisk crude oil systems showed daily loadings would increase to 1.47 million bpd in September, up from 1.34 million bpd the previous month. Britain's North Sea Brent crude oil system is scheduled to load about 240,000 bpd in September, up from about 210,000 bpd expected in August.

The North Sea Ekofisk crude oil system is expected to load about 393,000 bpd in September, down from 485,000 bpd in August. Meanwhile, the North Sea Statfjord crude system is set to load 257,000 bpd in September,

NYMEX Crude Non-Commercials Net Reportable Position Futures and Options Combined



up 92,000 bpd from the previous month. The North Sea Forties crude system is set to load about 620,000 bpd in September, up from 445,000 bpd in August.

Abu Dhabi National Oil Co is expected to conduct maintenance works on the offshore Umm Shaif and

NYMEX Petroleum Options Most Active Strikes for August 10, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	9	7	P	70	08/16/2007	0.49	7,943	29.54
LO	12	7	P	60	11/13/2007	0.95	5,385	33.24
LO	6	8	P	60	05/15/2008	3.07	5,075	31.63
LO	12	7	C	70	11/13/2007	4.55	4,230	29.81
LO	10	7	P	70	09/17/2007	2.06	3,866	29.22
LO	12	7	P	70	11/13/2007	3.82	3,530	29.77
LO	9	7	P	68	08/16/2007	0.15	3,151	31.65
LO	10	7	C	70	09/17/2007	3.31	2,999	29.34
LO	9	7	C	70	08/16/2007	1.96	2,910	29.60
LO	9	7	P	67.5	08/16/2007	0.11	2,775	32.30
LO	9	7	P	69	08/16/2007	0.27	2,655	30.26
LO	12	7	P	55	11/13/2007	0.41	2,607	35.42
LO	9	7	C	73	08/16/2007	0.48	2,347	29.16
LO	9	7	P	66	08/16/2007	0.04	2,228	34.01
LO	9	7	C	72	08/16/2007	0.83	2,144	29.31
LO	4	8	P	54	03/14/2008	1.34	2,000	34.40
LO	10	7	C	80	09/17/2007	0.39	1,960	29.59
LO	9	7	P	71	08/16/2007	0.85	1,876	29.36
LO	9	7	C	74	08/16/2007	0.26	1,807	29.25
LO	9	7	P	65	08/16/2007	0.02	1,801	35.26
LO	9	7	P	66.5	08/16/2007	0.06	1,600	33.85
LO	9	7	C	75	08/16/2007	0.13	1,473	29.33
LO	9	7	P	67	08/16/2007	0.08	1,461	32.94
LO	6	8	C	69	05/15/2008	6.99	1,440	29.02
LO	6	8	P	69	05/15/2008	6.19	1,440	28.94
LO	10	7	P	68	09/17/2007	1.33	1,396	29.65
LO	10	7	P	67	09/17/2007	1.06	1,320	30.07
LO	10	7	C	90	09/17/2007	0.06	1,172	34.73
LO	9	7	P	64	08/16/2007	0.01	1,149	36.64
LO	3	8	P	68	02/14/2008	4.8	1,100	30.44
LO	3	8	P	58	02/14/2008	1.81	1,100	33.63
LO	9	7	P	73	08/16/2007	2.01	1,065	29.22
LO	11	7	P	60	10/17/2007	0.59	1,019	34.12
LO	4	8	P	60	03/14/2008	2.52	1,000	32.42
LO	12	9	P	68.5	11/17/2009	7.64	1,000	22.98
LO	12	9	C	68.5	11/17/2009	8.2	1,000	23.14
OB	9	7	C	2.4	08/28/2007	0.0021	505	47.07
OB	9	7	C	2.25	08/28/2007	0.0073	400	44.60
OB	9	7	C	2.2	08/28/2007	0.011	250	43.84
OB	9	7	C	2.1	08/28/2007	0.0245	250	42.45
OB	9	7	C	2.34	08/28/2007	0.0035	156	46.14
OB	4	8	C	2.04	03/26/2008	0.1731	100	26.76
OH	1	8	C	2.18	12/26/2007	0.0959	181	30.17
OH	6	8	P	1.93	05/27/2008	0.1799	50	28.46
OH	6	8	C	1.93	05/27/2008	0.1873	50	28.49

Lower Zakum oilfields between the end of October and end of November. The maintenance could reduce supplies of Umm Shaif and Lower Zakum crude by up to 200,000 or 300,000 bpd.

Germany's MWV said total sales of oil products in Germany fell by 7% on the year in July to 6.34 million tons. It reported that the country's heating oil sales fell by 32.3% to 1.22 million tons a year. Its gasoline sales fell by 0.5% to 1.94 million tons while diesel sales increased by 3.9% to 2.65 million tons.

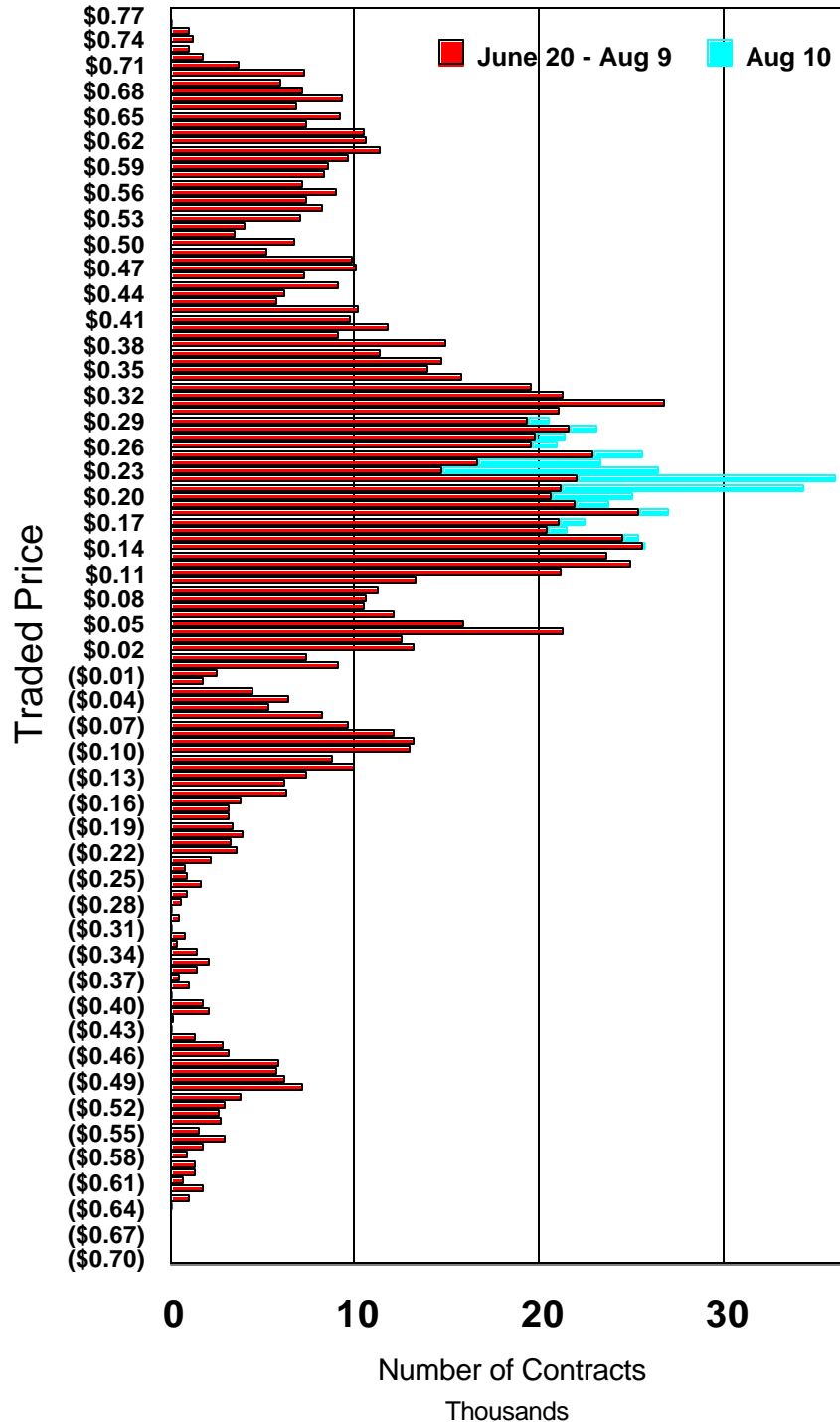
According to China's customs data, China's crude imports in July increased by 39% on the year to 14.83 million tons or 3.49 million bpd. China's customs data showed that imports in the first seven months increased by 14.8% on the year to 96.37 million tons or 3.32 million bpd. It also showed that crude exports in July fell by 83% on the year to 70,000 tons, while January-July exports fell by 44.7% to 1.89 million tons.

The Canadian province of Newfoundland and a group of oil companies led by Chevron Corp restarted formal negotiations to set financial terms for the stalled Hebron offshore oilfield. Chevron and its partners walked away from negotiations last year when Williams demanded the province get a 4.9% equity

NYMEX WTI: September October Spread

Price Vs Volume for June 20 - August 10, 2007

Trade Weighted Avg: 8/10 .22 8/9 .22 8/8 .214 8/7 .04 8/6 .13



stake in the 731 million barrel Hebron Ben Nevis field.

The Rhine River has reopened to traffic on its Swiss and southern German sections and further stretches of the river are expected to open later in the day as high water levels subside.

OPEC's news agency reported that OPEC's basket of crudes fell by 30 cents/barrel to \$68.26/barrel on Thursday.

Market Commentary

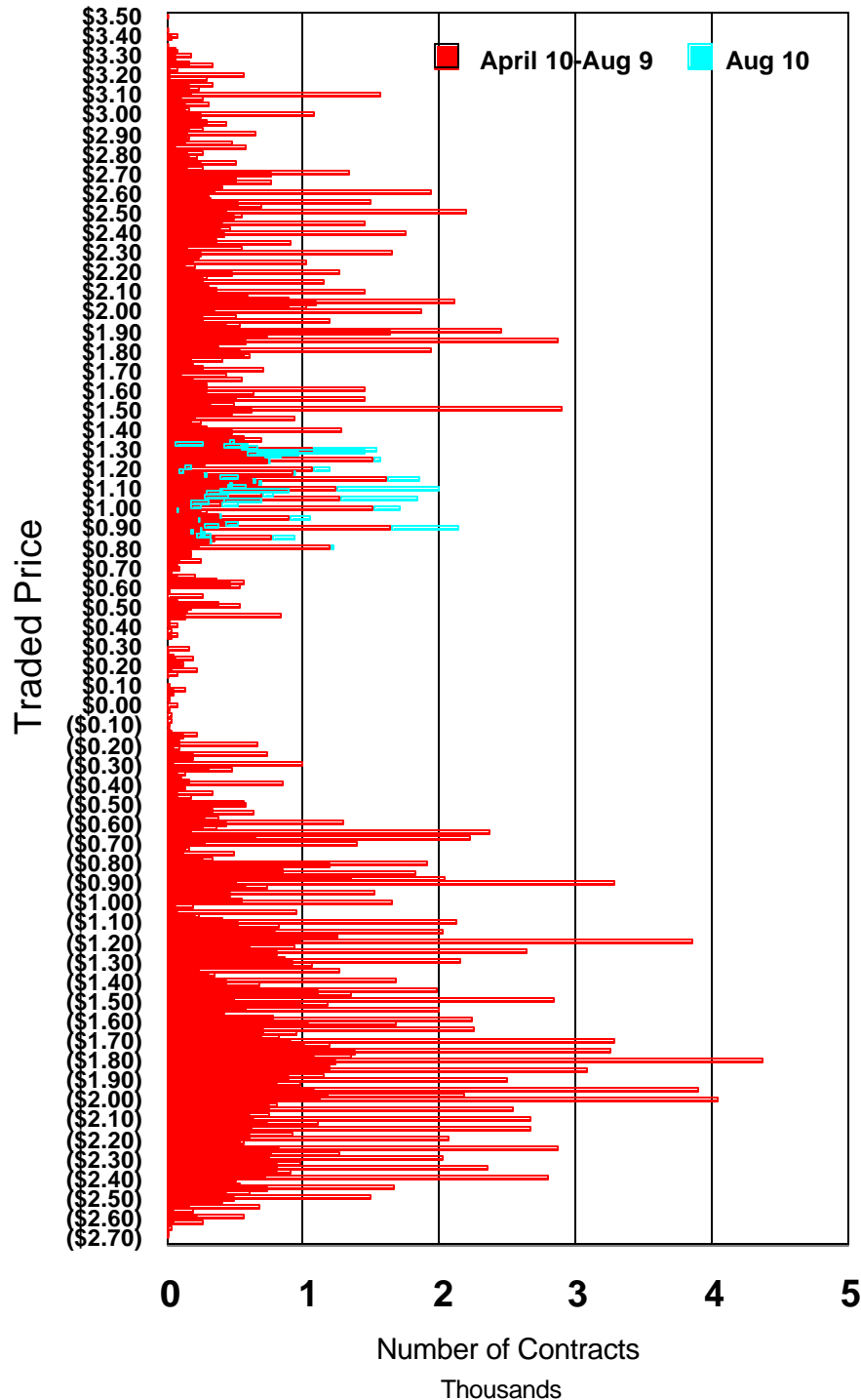
As mentioned in a previous wire, we expected this market to trade in a period of consolidation before finding its trend. We believe this will still hold with the market picking a \$3.00 range between 73.00 and 69.95. Based on the weekly spot continuation chart, there is a trendline that comes in at 69.57 and with our bias to the downside next week we would look for a test of this trendline. Should this trendline break, we could see dips to 64.35 and possibly 62.90. Support comes in at 71.10, 70.50, **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**. Meanwhile, the product markets remained pressured early in the session amid the losses seen in the oil market. The markets were driven lower by the concerns over the credit and equity markets. The RBOB market sold off to a low of 189.52 on the opening and quickly bounced

off that level. It found some resistance as it traded above the 192.00 level and retraced some of its

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - August 10, 2007

Trade Weighted Avg: 8/10 1.12; 8/9 1.02; 8/8 1.31; 8/7 .90; 8/6 1.23



gains once again. However the market bounced off its support and never looked back as traders covered their positions ahead of the close. It posted a high of 195.67 late in the session and settled up 2.08 cents at 195.48. The heating oil market, which posted a high of 199.58 early in the session, sold off to a low of 194.46. The market held support at its previous low and rallied back towards its high. It settled down 1.8 cents at 197.12. The RBOB market will likely retrace some of its late gains and test its support levels. It is seen finding support at 193.25, 192.00 and its low of 189.52. More distant support is seen at 189.45, 186.68, 186.46, 185.39 and 181.96. Meanwhile resistance is seen at 195.67, 197.67, 200.60, 201.83 and 205.23.

As expected, the latest Commitment of Traders report showed that non-commercials cut their net long positions by 21,233 contracts to 106,258 contracts in the week ending August 7. They cut their total long position by 33,491 contracts to 230,904 contracts. The combined futures and options report showed that non-commercials cut their net long positions by 28,281 contracts to 141,685 contracts on the week. Non-commercials are still holding record net long positions, which have continued to fall in the last few trading sessions. The non-commercials in the RBOB market cut their net long position by 4,970

contracts to 32,156 contracts while non-commercials in the heating oil market cut their net long position by 15,971 contracts to 3,755 contracts on the week.

		Explanation	
CL 71.47, down 12 cents	Resistance	72.70, 73.05, 73.65, 74.05, 75.18	Friday's high
	Support	71.10, 70.50, 70.10 69.96, 69.25, 68.64, 67.70	Friday's low
HO 197.12, down 1.8 cents	Resistance	200.47, 202.81, 203.48, 207.98	38%(212.72 and 192.90), Previous highs
	Support	198.75, 199.58	Friday's high
		196.75, 194.46	Friday's low
RB 195.48, up 2.08 cents		194.28, 192.90, 192.04, 189.16	Previous lows
	Resistance	197.67, 200.60, 201.83, 205.23	Previous high, basis trendline, previous high, 38% (230.77 and 189.45)
	Support	195.67	Friday's high
		193.25, 192.00, 189.52	Friday's low
		189.45, 186.68, 186.46, 185.39, 181.96	Previous lows, Basis trendline