



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 14, 2007

In OPEC's Monthly Oil Market Report, the group warned that a slowing US economy and fallout from the subprime mortgage crisis could cut oil consumption in the rest of 2007. It reiterated its view that major consumers have enough crude stocks. It stated that the demand for OPEC oil would average 31.32 million bpd in the fourth quarter, up 190,000 bpd from its previous forecast. Demand for OPEC oil this year is estimated at 31 million bpd, up 220,000 bpd from its previous estimate. World demand is expected to increase by 1.3 million bpd or 1.5% in 2007 to 85.72 million bpd, slightly higher from its previous estimate due to demand from Japanese power plants. It also reported that the ten OPEC members produced 26.569 million bpd in July, up from 26.524 million bpd in June.

Venezuela's Energy Minister Rafael Ramirez said the country expects oil prices to remain at current levels. He noted that the average price for Venezuela's basket of crude and products was about \$57/barrel. He also stated that Venezuela was producing about 3.1 million bpd of oil.

Market Watch

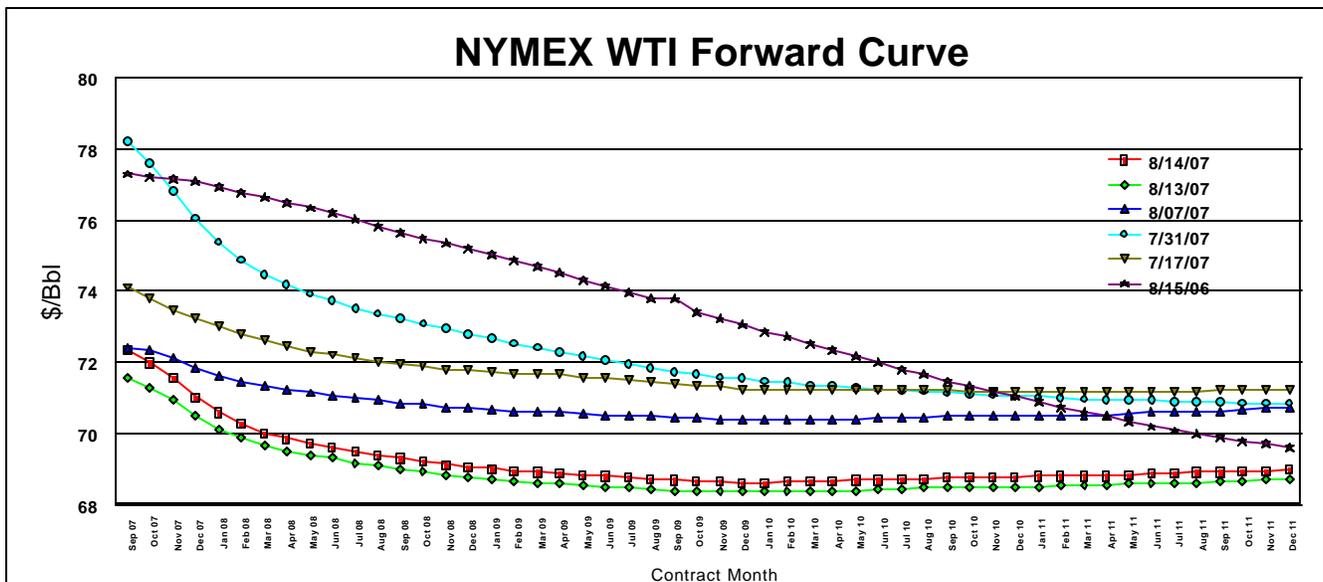
According to MasterCard Advisors' weekly SpendingPulse report, US gasoline demand fell by 1.6% or 1.106 million barrels to 68.842 million barrels or 9.835 million bpd in the week ending August 10. It is the lowest level since the week ending July 6 but was 1.6% higher on the year. The report also showed that US retail gasoline prices fell by 5 cents on the week to \$2.81/gallon.

The US Commodity Futures Trading Commission said it had no authority to grant Sentinel Management Group's request to halt client redemptions. Sentinel, which oversees \$1.6 billion in assets was seeking to halt investor redemptions until it could conduct them in an orderly fashion. Meanwhile CME Group, the operator of the CME, said Sentinel would not satisfy redemption requests from clients and has stopped accepting new money.

The National Hurricane Center upgraded Tropical Depression four to Tropical Storm Dean. The storm had maximum sustained winds of 40 mph. Some strengthening is expected within the next day. It was moving over increasingly warmer waters, where atmospheric conditions could create a favorable environment for intensification into a hurricane by Friday. A second tropical storm system, which is heading towards southeast coastal locations of Texas as well as the northeast Mexican coastline, is expected to become classified as a Tropical Depression and may be upgraded to a tropical storm by Wednesday. It is however not expected to affect the energy production regions of the Gulf.

The official IRNA news agency said demand for air travel in Iran has increased 40% since it launched rationing of gasoline for motorists in June. The head of Iran's Civil Aviation Organization said domestic airlines were still losing money because ticket prices remained below market levels. Iranian officials said consumption and imports of gasoline have declined sharply but statistics published on Monday showed gasoline demand rebounded 3.6% in the second week of August but was still substantially down from level seen before rationing was launched.

The Labor Department reported that US producer prices increased by 0.6% in July. It said the gain was driven by energy costs and core inflation at the producer level increased only slightly. Core producer prices, excluding food and energy costs, increased 0.1%.



OPEC's Secretary General Abdulla al-Badri said he is expected to meet with Angola's Energy Minister Desiderio Costa this month to discuss setting a production quota for the group's newest member. They are expected to meet over two days during the last week of August.

Iran's Oil Ministry's head of the OPEC affairs department, Javad Yarjani said OPEC is unlikely to increase output levels when it next meets in September.

Refinery News

A sulfur recovery unit at Chevron's 266,000 bpd refinery in El Segundo, California was shutdown. The refinery, which suffered a power outage last Wednesday, shutdown a hydrotreater, hydrocracker and reformer unit in the Isomax complex. Units were put into restart mode on Thursday but a weekend problem at Air Liquide, which provides hydrogen to Chevron, has kept runs at a reduced rate.

ConocoPhillips said its fluid catalytic cracking unit at its 230,000 bpd Bayway refinery in Linden, NJ is still expected to resume operations this week.

Hyperion Resources said an oil refinery project under consideration for the Elk Point area in South Dakota could include an ethanol plant or fertilizer plant.

ConocoPhillips' 275,000 bpd Wilhelmshaven refinery in Germany remains closed despite a recovery in margins across Europe. It shut the refinery last Wednesday due to weak margins.

Traders stated that German consumer stocks of heating oil increased to 56% of capacity as of August 1, up from 55% the previous month. Stocks stood at 55% of capacity last year.

Ukraine's Lysychansk refinery was shutdown due to a power outage. TNK-BP said the power lines were damaged.

India's Essar Oil Ltd's refinery resumed operations on Tuesday after bad weather delayed its restart after a maintenance shutdown.

Production News

The UK Defense Ministry said rescue helicopters and coast guards were evacuating an oil platform 125 miles off Scotland's coast late Tuesday following a fire. About 87 people were onboard the Ocean Guardian platform in the North Sea.

The National Iranian Oil Co increased the price of its Iranian Light crude bound for Asia by 79 cents to the Oman/Dubai average plus 99 cents, while its Iranian Heavy price was cut by \$2.05 to the Oman/Dubai average minus \$1.55 and its Forozan crude price was cut by \$1.85 to the Oman/Dubai average minus \$1.35. The price of its Iranian Light crude bound for NW Europe was cut by \$2.60 to BWAVE minus \$2.10, its Iranian Heavy crude price was cut by \$3.40 to BWAVE minus \$2.90 and its Forozan crude price was cut by \$2.80 to BWAVE minus \$2.50.

A BP spokesman said repairs to the CATS North Sea gas system are on track and the pipeline that supplies up to a fifth of Britain's gas should reopen in September. The pipeline was shut on July 1 for repairs after its protective concrete casing was damaged by a ship's anchor.

Latvia's Ventspils Nafta said in the first seven months of the year it more than doubled its throughput compared to the same period last year. In the first seven months, the company reloaded 7.96 million tons of crude oil and petroleum products delivered to the Baltic Sea terminal. It was up 4.4 million tons year on year. Of the total, 5.7 million tons was diesel delivered by railway and pipeline, 1.2 million tons was gasoline delivered by rail while 1 million tons was crude and oil products delivered by sea.

Brazil's Petrobras announced that it planned to invest \$112.4 billion from 2008 to 2012, up 29% from the \$87.1 billion it earmarked for the 2007 to 2011 period. It said of the total, \$65.1 billion was earmarked for exploration and production activities, up 32% from its previous five year business plan. It said it expects its oil and gas output in Brazil to increase to 3.058 million barrels of oil equivalent/day in 2012 and to 3.455 million boe/d in 2015. It expects its overall oil and gas production to increase to 3.494 million boe/d in 2012 and to 4.153 million boe/d in 2015 from 2.298 million boe/d last year. In refining, Petrobras said it expected to process 2.061 million bpd in 2012.

OPEC's news agency reported that the OPEC basket of crudes increased to \$68.27/barrel on Monday, up from Friday's \$67.52/barrel.

Market Commentary

The September contract continues to trade within the middle of the 73.00 and 70.00-consolidation range. With uncertainty where Tropical Storm Dean will or will not hit, September crude oil remained on the defensive, holding steady against the October contract. For most of the session, this spread traded

between a 36 and 37 differential. Not unless this storm dissipates, can we see this spread weakening prior to the September contract going off the board.

		Explanation	
CL	Resistance	73.05, 73.65, 74.05	Tuesday's high
	Support	72.70, 72.77	
HO	Resistance	71.10, 70.50, 69.96, 69.25, 68.64, 67.70	Tuesday's low Previous low
	Support	71.36	
HO	Resistance	202.50, 203.48, 204.53, 207.27, 207.98	Previous highs, 50% (212.72 and 192.90), 62%, Previous high Tuesday's high
	Support	199.05	
RB	Resistance	198.00, 196.60, 195.35	Tuesday's low Previous lows
	Support	194.46, 194.28, 192.90, 192.04, 189.16	
RB	Resistance	201.83, 205.23, 206.08, 210.11	Previous high, 38% (230.77 and 189.45), Previous high, 50% Basis trendline, Tuesday's high
	Support	198.09, 198.85	
RB	Resistance	194.80, 193.40, 191.80	Tuesday's low Previous lows
	Support	189.52, 189.45, 186.68, 186.46	

Tomorrow's API/DOE estimates are as follows: crude oil -2 mln, Dist. +1 mln, Gas -1 mln and refinery runs +0.5 to 91.8%. Support comes in at 71.10, 70.50, **9.96**, 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**. Open interest in the crude market built by a total of 13,567 lots. Open interest in the September contract fell by 18,673 lots while open interest in the October and November contracts built by 20,505 lots and 7,150 lots, respectively. Meanwhile, the RBOB market sold off early in the session and posted a low of 191.80 in follow through selling seen on Monday. The market however bounced off its low and held its support amid the strength in the crude market. The markets were mostly supported by the tropical weather forecasts. The RBOB market was also supported by the expectations that the weekly petroleum stock reports would show a draw in gasoline stocks of 1 million barrels. The RBOB market extended its gains to 4.25 cents and posted a high of 198.00 late in the session. It settled up 3.63 cents at 197.38. The heating oil market also remained pressured early in the session and sold off to a low of 195.55. However it bounced off its low amid the strength seen in the rest of the complex and rallied back above the 198.00 level. It settled up 1.6 cents at 198.25. The product markets will be driven by the weekly petroleum stock reports, which are expected to show draws in crude stocks and gasoline stocks and builds in distillate stocks. The markets are also likely to be supported by the concerns over Tropical Storm Dean and the tropical disturbance in the Gulf of Mexico. The RBOB market is seen finding support at 194.80, 193.40 and its low of 191.80. More distant support is seen at 189.52, 189.45, 186.68 and 186.46. Resistance is however seen at 198.09, 198.85, 201.83 followed by 205.23, 206.08 and 210.11.