



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 15, 2007

Refinery News

The oil-refining hub of Corpus Christi, Texas could prove vulnerable to flooding as Tropical Storm Erin is forecast to make landfall late Thursday or early Friday. It could hit Texas as a tropical storm or even a category 2 hurricane in the worst-case scenario. Valero Energy Corp said it expected Tropical Storm Erin headed for the southern Texas coastline to affect marine traffic and added that it was considering ways to mitigate the impact to its Gulf Coast refineries. It said it has not made significant operational changes to its refineries. The Corpus Christi Pilots Association said it planned to decide at midnight Thursday whether it would suspend shipping operations. Citgo said it was taking normal precautionary measures and implementing contingency plans at its 157,000 bpd Corpus Christi, Texas refinery and did not anticipate any unit shutdown. ConocoPhillips said its 236,000 bpd Sweeny refinery in Texas would fall outside the path of Tropical Storm Erin. Meanwhile, Royal Dutch Shell said it finished evacuating personnel from offshore facilities threatened by Tropical Storm Erin. The company has shut a 5 million cubic feet/day

Market Watch

Private forecaster WxRisk stated that Tropical Storm Dean was likely to become a Category 3 hurricane in the next five days and had a better than 55% chance of reaching Category 5. It said the storm was headed through the Caribbean, then close to Jamaica and into the Gulf of Mexico. The National Hurricane Center said Tropical Storm Dean was intensifying over the central Atlantic Ocean and could become a hurricane late Wednesday or early Thursday. It was moving toward the west-northwest at a speed of about 22 miles per hour and is expected to continue moving toward the west or west-northwest in the next 24 hours.

Analysts said the different world oil demand forecasts released recently were adding to uncertainty that may steer OPEC towards doing nothing when it meets on September 11. The IEA estimated world oil demand growth of 2.2 million bpd or 2.5% in 2008, more than OPEC's forecast of 1.35 million bpd.

Iran's Acting Oil Minister Gholamhossein Nozari said Iran would not change its gasoline rationing scheme and added that the country had no plans to offer extra fuel outside quotas at a higher price. Private drivers receive 1000 liters of fuel a month at the subsidized price of 1,000 rials or 11 cents.

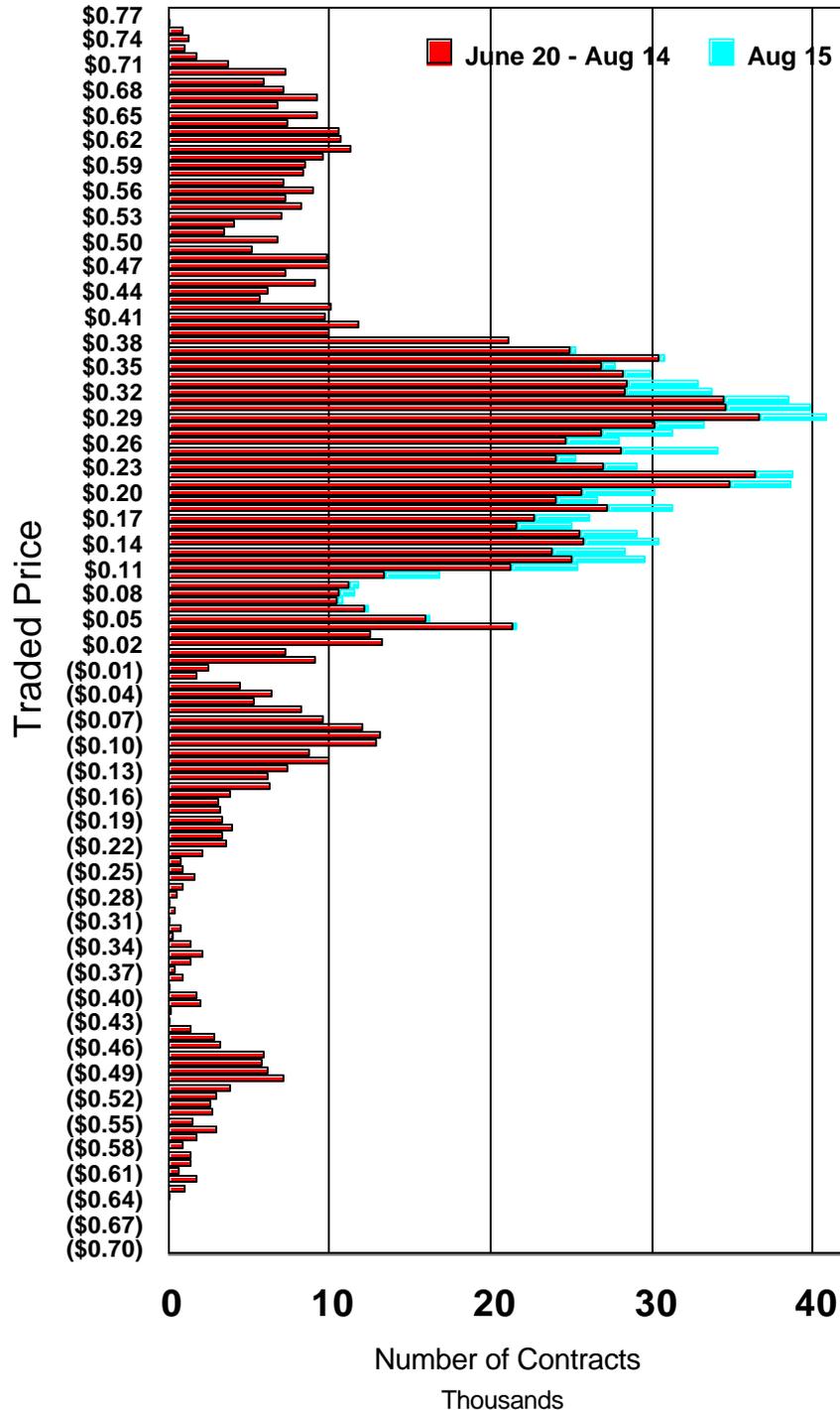
NYMEX Holdings Inc said Sentinel Management Group Inc was not a clearing member and did not have any funds on deposit with NYMEX.

Venezuela's President Hugo Chavez was presenting a plan for constitutional reform on Wednesday. He was proposing changes expected to allow him to be re-elected indefinitely. He predicted that "the immense majority of Venezuelans" would support his proposal to reform the constitution. However he also noted that there would likely be a political struggle with the opposition.

NYMEX WTI: September October Spread

Price Vs Volume for June 20 - August 15, 2007

Trade Weighted Avg: 8/15 .217 8/14 .34 8/13 .308 8/10 .22 8/9 .22



India's Essar Oil Ltd restarted its 150,000 bpd refinery in Vadinar, Gujarat after it was shutdown for integration work to increase its capacity by 40%. It is expected to resume full operations with in the next 3-4 days.

Production News

Mexico's Pemex said it was monitoring Tropical Storm Erin and added that a special committee would meet to see if any measures need to be taken.

Venezuela's Energy Minister Rafael Ramirez said Venezuela did not plan to sell the Borco oil storage facility, which has the capacity to store 20 million barrels. PDVSA had tendered the sale of the storage facility earlier this year.

Oilexco North Sea said a fire aboard the semi-submersible rig, Ocean Guardian, would have no impact on crude production from the region. It said the rig was engaged in appraisal drilling at Oilexco's Shelley oil accumulation in the North Sea, not producing crude oil.

Azerbaijan's oil production in January-July increased by 44.3% on the year to 24.84 million tons or 859,000 bpd compared with 17.21 million tons last year. The BP-led group said its output from the Chirag and Azeri oilfield increased by 64% to 19.7 million tons or 691,000 bpd in January-July compared with 12.01 million tons or 415,00

bpd last year. Meanwhile Azerbaijan's Socar said its production fell to 5.14 million tons from 5.2 million tons in the same period last year.

Azerbaijan International Operating Co is expected to transfer the Azeri part of the Baku-Novorossiisk oil pipeline to the State Oil Company of Azerbaijan. The AIOC does not need the Baku-Novorossiisk pipeline because it has switched to transporting its oil through the Baku-Tbilisi-Ceyhan pipeline. Separately, AIOC cut its 2007 oil production target from its Azeri fields on the Caspian Sea by 22,000 bpd to 686,000 bpd due to geological reasons. It cut production after discovering larger than expected water and gas yields at some wells.

BP Plc said it was on target for an average of 1 million bpd throughput in late 2008 at the Baku-Tbilisi-Ceyhan pipeline it leads. It said average daily throughput in July stood at 700,000 bpd.

Indonesia's Pertamina is likely to purchase 600,000 barrels of crude for October arrival in its regular tender, sharply down from 4.6 million barrels purchased in its previous tender for September.

The National Bureau of Statistics reported that China's crude throughput in July increased by 6.7% to 27.514 million tons while its throughput in January-July increased by 7% to 188.261 million tons. Its

crude oil production fell by 1.7% on the year to 15.469 million tons in July. Its gasoline production increased by 13% on the year to 5.112

		Explanation	
CL	Resistance	75.18, 76.50	Wednesday's high
		73.65, 74.05, 74.23	
	Support	73.00, 72.32	Wednesday's low
HO		71.36, 71.10, 70.50, 70.10	Previous lows
	Resistance	207.27, 207.98, 208.89	62% (212.72 and 192.90), Previous highs
		202.90, 204.15, 204.98	Wednesday's high
RB	Support	202.00, 200.33, 198.50	Wednesday's low
		195.35, 194.46, 194.28, 192.90	Previous lows
	Resistance	205.23, 206.08, 210.11, 210.66	38% (230.77 and 189.45), Previous high, 50%, Previous high
	201.20, 201.85, 203.80	Wednesday's high	
	Support	199.25, 197.56	Wednesday's low
		191.80, 189.52, 189.45	Previous lows

million tons while its kerosene production increased by 24.3% on the year to 1.03 million tons and its diesel production increased by 6.5% to 10.482 million tons. It reported that China's fuel oil production increased by 12.1% to 1.98 million tons.

According to preliminary data from the General Administration of Customs China exported 330,000 tons of gasoline in July. It reported that fuel oil imports stood at 3.1 million tons. It also showed that diesel imports totaled 20,000 tons while it exported 80,000 tons in July.

Ecuador's central bank reported that the country exported 11.84 million barrels in the first six months of the year, up 17% from the 10.11 million barrels shipped a year earlier.

OPEC's news agency reported that OPEC's basket of crudes fell to \$67.71/barrel on Tuesday from \$68.25/barrel on Monday.

Market Commentary

The focus of attention today was more on the two tropical storm systems that are developing, one appearing to be approaching Texas and the other possibly the Gulf of Mexico, than the DOE/API stock level reports. Posting the biggest surprise was the disparity in crude stock levels between what the

DOE reported, a draw of 5.17 mln and what the API reported, a draw of 2.515. The API figure was what the majority of people expected. This helped give prices their initial spur. We would continue to keep an eye on these two storms as they develop or don't develop further. The sideways pattern that we previously wrote about could be coming to an end and prices could be headed toward the 75.45 to 76.50-resistance area. Using the recent highs and lows of 78.77 and 70.10, the 50% retracement number is 74.44. Should prices breach this level we would look for higher prices. 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**. The RBOB market was also well supported early in the session by the concerns over the tropical storms. The market held its support above the 200.00 level following the release of the weekly petroleum stock reports, which showed draws in gasoline stocks. It was further supported amid the strength in the crude market and extended its gains to over 6.4 cents as it traded to a high of 203.80. The market however gave up its gains and sold off to a low of 197.56 as refineries in Texas stated that they did not anticipate any shutdowns ahead of the approaching Tropical Storm Erin. The market later bounced off its low and traded above 200.00 ahead of the close. It settled up 3.5 cents at 200.88. Similarly, the heating oil market rallied to a high of 204.98 amid the strength in the rest of the complex. The heating oil market however gave up some of its gains and traded towards the 200.00 level. The market bounced off its support and settled in a sideways trading pattern during the remainder of the session. It settled up 4.44 cents at 202.69.