



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 27 2007

OPEC Secretary General Abdullah al-Badri said Angola would not be given a quota for oil production this year. He said that a possible quota allocation could take place in 2008. Angola could reach 3 million bpd by the end of 2010, up from an estimated 1.8 million bpd currently. In regards to the international oil market, he said the market was well supplied, suggesting OPEC would keep supplies at current levels. He said that the recent shake up in the US sub prime mortgage and credit markets has led to financial market volatility that clouds OPEC forecasts for the rest of the year. He said world economic growth in 2008 is expected to be similar to the 5% growth estimate for 2007.

Market Watch

The US DOE said it would fund \$33.8 million to support commercial projects pursuing the development of commercially viable enzymes, a key step in enabling bio-based production of biofuels such as cellulosic ethanol. Platts reported that with a minimum 50% industry cost share, funding would total nearly \$68 million to further enzyme commercialization efforts.

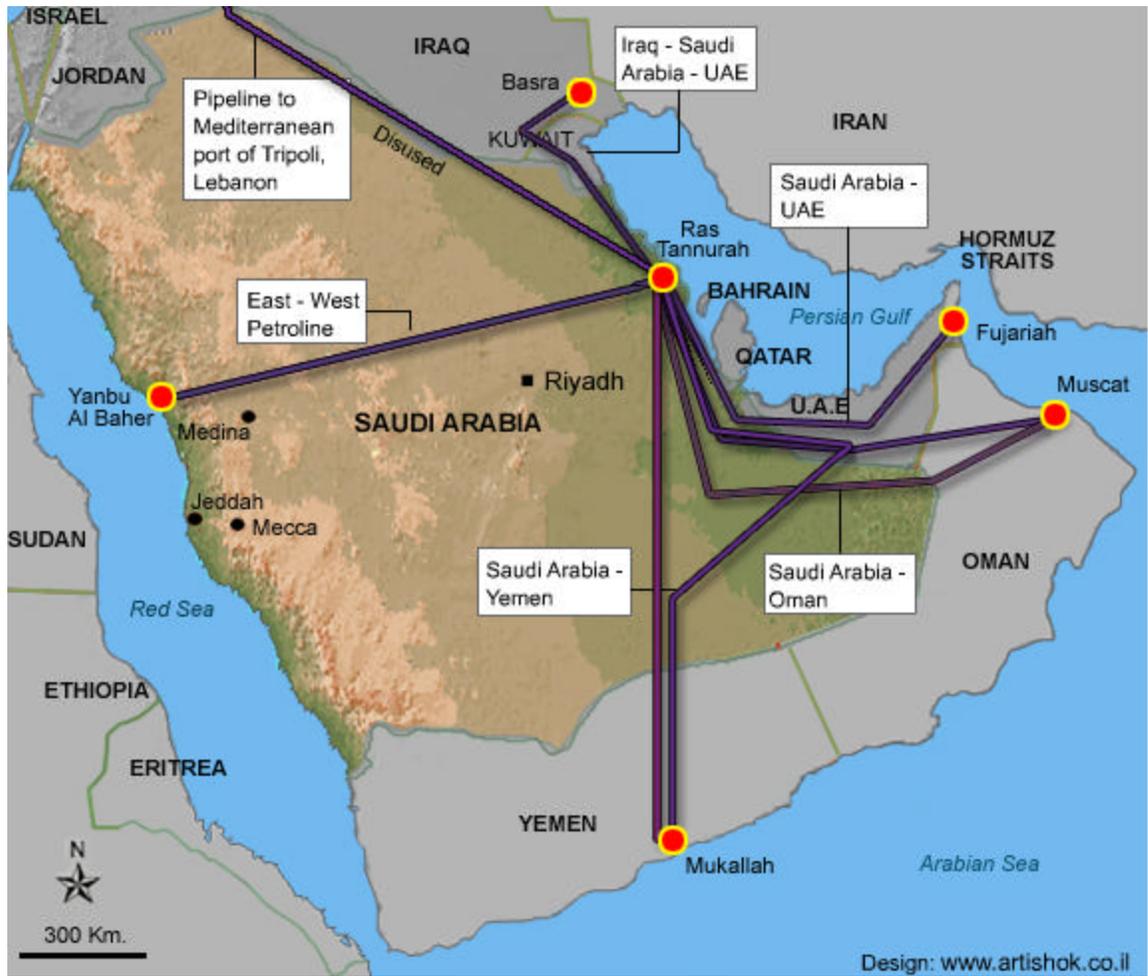
French President Nicolas Sarkozy said a diplomatic push to rein in Iran's nuclear program was the only alternative to Iran gaining the possibility of making a nuclear weapon or the bombing of Iran. He said a nuclear armed Iran would be unacceptable and that major powers should continue their policy of incrementally increasing sanctions against Iran while being open to talks if Iran suspended its nuclear activities.

An analyst at the EIA, Doug McIntyre said the US would see a slight decline in Mexico's crude flows during August and early September due to a production halt last week when Hurricane Dean passed through Mexico's offshore oil facilities. Mexico's oil exports to the US would however increase later in September as Mexico increases its shipments to compensate for deliveries that were delayed during the shut in. He also stated that a fire at Chevron Corp's Pascagoula, Mississippi refinery could ease pressure on Pemex to supply other clients. Chevron said it expected to cancel or reroute some shipments to the refinery due to reduced production volumes.

According to DEBKAfile, Saudi Arabia, Bahrain, the UAE, Oman and Yemen launched the Trans-Arabia Oil Pipeline project. The oil pipelines would bypass the Straits of Hormuz. They are expected to start laying the first section of the new pipeline system in November. The first Trans-Arabia pipeline would carry 5 million bpd. The crude would be pumped through pipes running from Saudi terminal of Ras Tanura, south to Yemen's port of Mukallah and west to the Red Sea port of Yanbu. The Trans-Arabia Oil Pipeline project's second stage to reroute South Iraqi oil would start in early 2009 without waiting for the first to be completed. A Saudi security force would protect the new project from attack

by al Qaeda or Iran. It also reported that even after the US pulls its army out of Iraq, it would retain troops for securing both the northern and southern oilfields and installations.

Iran's Acting Oil Minister Gholam Hussein Nozari said Iran was planning to construct a new north-south oil pipeline in a



bid to increase the volume of crude oil swap capacity with its northern neighbors from 150,000 bpd to about 1 million bpd. The plan envisaged the construction of a pipeline that would run across Iran from the city of Neka to the Gulf of Oman port of Jask.

Iran offered the IAEA information on a secret uranium processing project that US intelligence links to work on high explosives and warhead design. The pledge was contained in a memorandum from the Iranian mission to the IAEA. Iran also outlined its timetable for providing other sensitive information sought by the IAEA.

The DOE reported that the US retail average price of gasoline fell by 3.6 cents/gallon to \$2.749/gallon in the week ending August 27. It also reported that the US average retail price of diesel fell by 0.5 cents to \$2.863/gallon in the latest week.

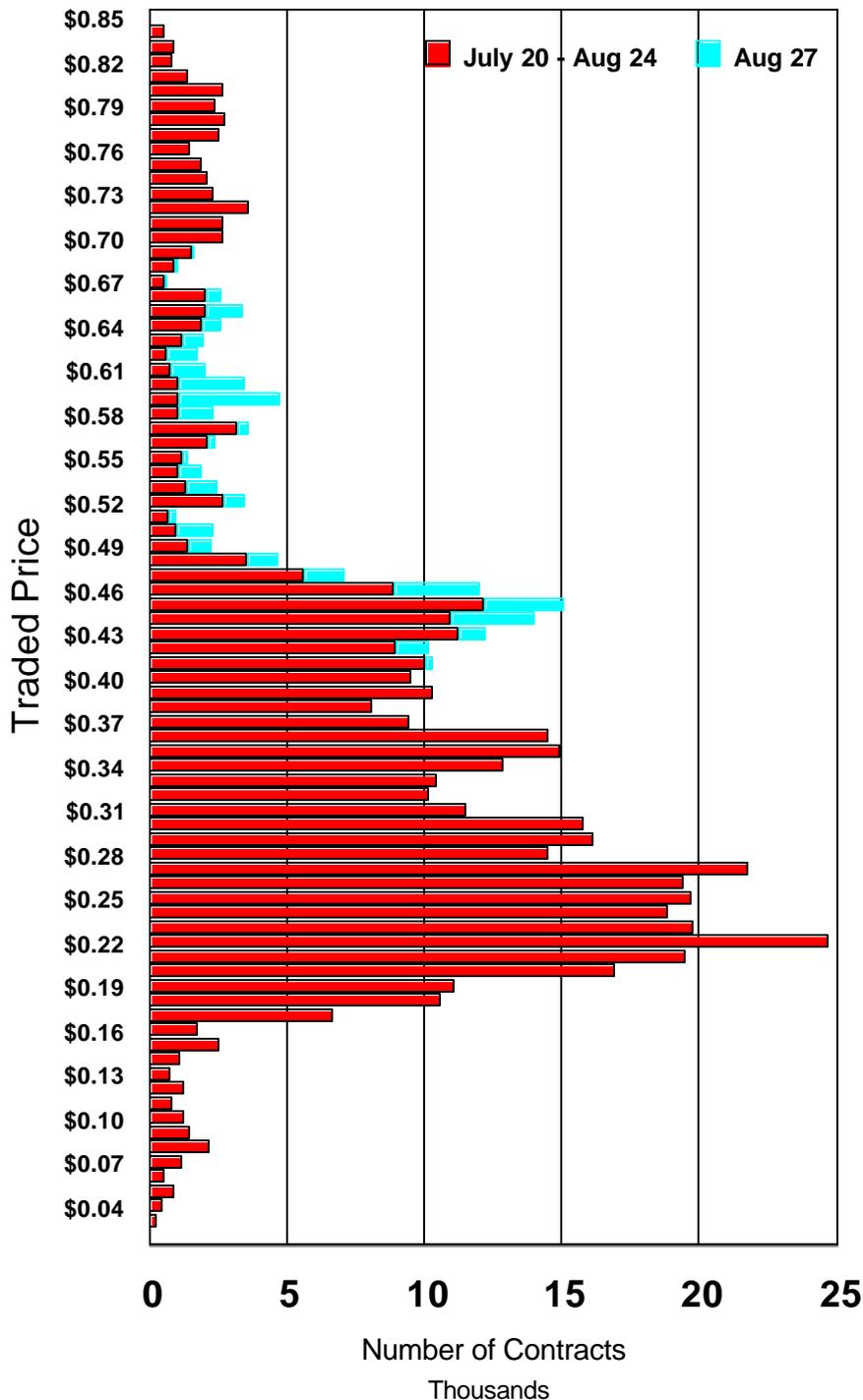
Refinery News

Credit Suisse reported that refining margins in the US Gulf Coast and the Northeast fell sharply last week while margins in other regions increased. Margins in the Gulf Coast fell \$1.71 to \$12.51/barrel while margins in the Northeast fell \$1.72/barrel to \$10.73/barrel in the week ending August 24. Midwest refiners saw margins increase by \$1.42 to \$22.05/barrel while margins in the Rockies increased by 88 cents to \$28.50/barrel and margins in the West Coast increased by 10 cents to \$14.39/barrel.

NYMEX WTI: October November Spread

Price Vs Volume for July 20 - August 27, 2007

Trade Weighted Avg: 8/27 .527 8/24 .376 8/23 .287 8/22 .21 8/21 .22



Citgo cut rates on an 81,800 bpd fluid catalytic cracking unit at its 156,000 bpd refinery in Corpus Christi, Texas following a problem with an alkylation unit. There was no indication of how much rates were cut or when the repairs to the alkylation unit would be completed.

Alon USA Energy said a 22,500 bpd fluid catalytic cracking unit at its Big Spring, Texas refinery was fully restarted following a brief outage on Friday. The unit was shut after an electrostatic precipitator malfunctioned.

Operations of a hydrotreater at ExxonMobil Corp's Baytown, Texas refinery fell below normal levels due to a shift in power supply to the unit on Thursday. The unit has since resumed normal operations. It said there was no impact to production and no impact on supply to customers.

Valero Energy Corp said that a 105,000 bpd coker unit at its 260,000 bpd refinery in Port Arthur, Texas remained at reduced rates of about 80,000 bpd after it was shut down last Tuesday due to a problem with the coke handling system. There was no estimate for when the unit would return to full capacity. Separately, Valero said the second of two crude distillation units at its Port Arthur, Texas refinery was restarted after it was shut for about a week. The unit was shut after coker unit

operations were reduced. Its coker unit is still operating at reduced rates.

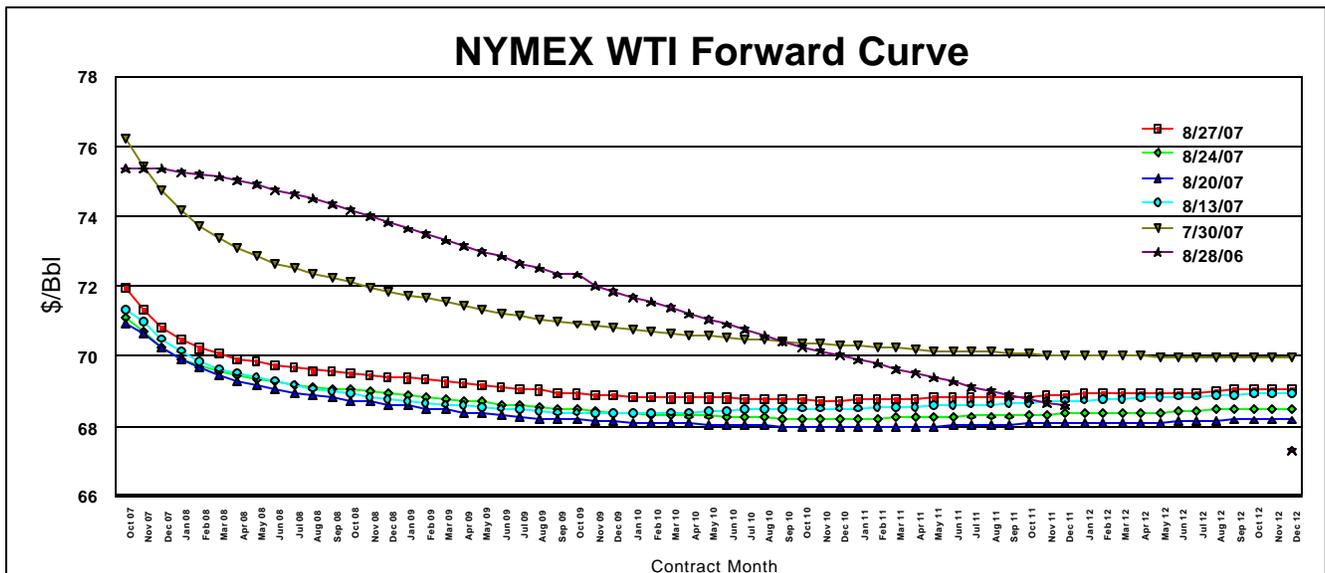
Murphy Oil is expected to shut a 35,000 bpd crude distillation unit at its refinery in Superior, Wisconsin for repairs starting September 15.

Russia's Lukoil is expected to resume full oil supply delivery to Germany by the end of August. Russia's Transneft said Lukoil had cut supplies to Germany by as much as a third.

Ukraine's oil refinery Lysychansk resumed full production following the completion of repairs to power lines. Damage to power lines shut the refinery on August 14.

Sinopec Corp said it plans with Saudi Arabia's Saudi Aramco for a 200,000 bpd refinery in east China were on track. Construction of the refinery in Qingdao would be completed by the end of the year and it would come on stream in the first half of 2008. Sinopec has also been in talks to build commercial oil reserves.

India has increased the size of the first phase of a planned strategic crude reserve by 33% to 1.33 million tons or 9.75 million barrels. India plans to build a 36.65 million barrel reserve and previously targeted the end of 2010 for completion. However the official said that may spill over into 2011as



geological studies at two other sites were yet to be completed.

Production News

Kazakhstan ordered Eni SpA to halt work at the Kashagan development as the country follows Russia's lead in seeking greater control over its natural resources. Kazakhstan's Environment Minister Nurlan Iskakov said the Kashagan development was suspended for at least three months due to environmental violations. The government has also halted construction of a refinery at Eni's Agip KCO unit is building to process Kashagan oil. Eni officials are scheduled to hold talks with Kazakh authorities on Monday. Separately, sources stated that western operators led by Eni were told to prepare a proposal on how to solve a crisis over the Kashagan oilfield by September 5, with adequate compensation for a delay.

The Azerbaijan State Investment Company said the company and KavkazTransService plan to build a terminal in Baku with an annual capacity of over 50 million tons of oil and oil products. It would help the country double its oil export capacity.

Russia's Finance Ministry said the country would increase its oil export duty by 12% in October-November to a new all time high following a rise in world oil prices. Export duty for oil would increase to about \$250/ton from the current \$223.90/ton. Export duties for light products would also increase to \$180-\$181/ton from the current level of \$163.20/ton while exports duties for heavy products would increase to \$96.80-\$97.70/ton from \$87.90/ton.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$67.52/barrel on Friday from \$67.00/barrel on Thursday.

Market Commentary

As concerns of shortages in products were quelled due to news that Alon USA Energy Inc's Big Spring, Texas refinery was back up, gasoline traded lower dragging the rest of the complex with it. This slide in prices was short lived however, as news of Chevron Corp's Pascagoula, Mississippi refinery was still running at reduced rates. This coupled with tightened gasoline supplies in the harbor as demand continues to grow, sent the October crude oil above \$72.00, reflecting the run-up in gasoline prices. Support in the October crude oil is once again the long-term trend line that dates back to January of this year. This trend line comes in at 71.66 tomorrow and should hold prior to the release of the API/DOE stock levels on Wednesday. Support comes in 71.36, 70.20, 69.96, 69.25, 68.06, 67.20, 66.85, 66.55 and **65.10**. Resistance is set at 72.40, 73.01, 74.00, 74.87, 75.95 and 76.97. Open interest in the crude market built by a total of 14,881 lots amid the market's rally on Friday. Open interest in the October contract increased by 3,222 lots while open interest in the May contract saw the

largest increase of 11,825 lots on the week. The RBOB market retraced some of Friday gains early in the session as it posted a low of 196.05. However the

			Explanation
CL	Resistance	72.40, 73.01, 74.00, 74.87, 75.95, 76.97	Previous highs
	71.09, up \$1.26	72.00, 72.14	Monday's high
Support		71.36, 70.20	Monday's low
		69.96, 69.25, 68.06, 67.20, 66.85, 66.55	Previous lows
HO	Resistance	201.93, 202.37, 204.65, 204.98	38% retracement (216.16 and 193.13), Previous high, 50%, Previous high
	199.72, up 3.62 cents	201.40	Monday's high
Support		199.15, 196.21	Monday's low
		195.15, 194.83, 193.13	Previous lows
RB	Resistance	206.08, 207.65, 210.66, 211.62, 213.10	Previous high, 50%(230.77 and 184.52), Previous highs, 62%
	198.14, up 5.82 cents	204.53	Monday's high
Support		201.10, 199.15, 197.00, 196.05	Monday's low
		191.57, 187.90, 185.60, 184.52	Previous lows

market bounced off its low amid the reports that Citgo cut rates to its fluid catalytic cracking unit at its Corpus Christi, Texas refinery. The market, which lent support to the rest of the complex, extended its gains to over 6.3 cents as it traded to a high of 204.53 late in the session. The RBOB market settled up 5.79 cents at 203.93. Meanwhile, the heating oil market retraced most of Friday's gains as it sold off to a low of 196.21 early in today's session. The market however bounced off its low and rallied to a high of 201.30 on the close amid the strength in the gasoline market. The heating oil market settled up 1.25 cents at 200.97. The RBOB market will likely retrace some of its sharp gains early in the session. It is seen finding support at 201.10, 199.15, 197.00, 196.05 followed by more distant support at its previous lows. Meanwhile resistance is seen at 204.53, 206.08, 207.65, 210.66 followed by 211.62 and 213.10.

