



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 29, 2007

Venezuela's Oil Minister said that OPEC should agree to keep its production unchanged at the group's upcoming meeting on September 11. He suggested that world's oil supply was sufficient and there was no need for OPEC members to increase their supplies. He also stated that Venezuela was concerned about financial problems in the US but added that he did not believe that credit crisis would have a major effect on energy demand.

Separately, Venezuela's Oil Minister Rafael Ramirez said final contracts were signed with foreign oil partners for four multibillion

dollar projects located along the Orinoco river belt. He also stated that PDVSA continued to negotiate a compensation agreement with foreign oil companies for their investments in the Orinoco region. Total oil production in Venezuela's Orinoco oil belt was averaging 515,000 bpd.

Iran rejected accusations by US President George W. Bush that Iran was fomenting instability in Iraq and called on Washington to change its policies in the region.

The EIA reported that US gasoline stocks cover just 20 days of demand, the lowest level on record. It said the tight stock level may limit the size of the typical end-season drop in retail gasoline prices. The EIA also reported that total crude imports averaged 9.924 million bpd in June, down 368,000 bpd on

the month. It stated that Canada remained the top supplier of oil to the US in June, exporting an average of 1.852 million bpd of crude oil and 2.3 million bpd of both crude and refined products. Saudi Arabia remained in second place although volumes fell to 1.501 million bpd from 1.574 million bpd in May. Mexico was in third place with 1.392 million bpd of crude, down from 1.461 million bpd in May

DOE Stocks

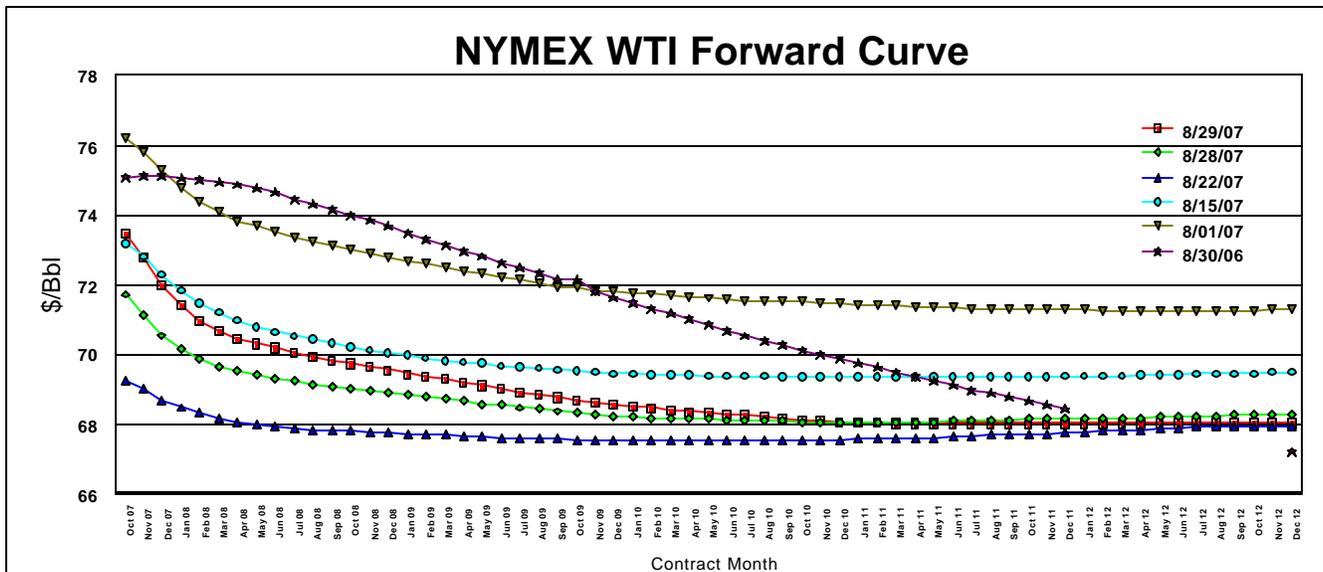
Crude – down 3.5 million barrels
Distillate – up 900,000 barrels
Gasoline – down 3.6 million barrels
Refinery runs – down 1.3%, at 90.3%

Market Watch

The US EPA has given North Dakota a 20 day waiver to import Canadian gasoline to reduce tight fuel supplies. The waiver would allow North Dakota to import the gasoline ahead of the September 15 expiration of federal requirements to use summer blend gasoline.

Saudi Arabia's Interior Ministry said Saudi Arabia would set up a special force to protect its oil facilities due to the increasing threats by al-Qaeda. It said the ultimate goal for the force was to reach 35,000. However it would take more than five years for the force to reach its full capacity.

Iraq's Vice President Adel Abdul-Mahdi said Iraq's draft oil law should pass by a majority when parliament meets to discuss it in September. The oil law was approved by the Iraqi government after months of talks but has yet to be debated by parliament.



and Venezuela was in fourth place, with 1.098 million bpd, down from 1.232 million bpd in May.

Separately, the EIA reported that US imports of ethanol in June increased to 820,000 barrels, up 24% on the month. Brazil increased its exports by about 87% in June to 488,000 barrels in seven shipments from a total of 261,000 barrels in three shipments in May. Jamaica was the second largest exporter in June, increasing its shipments by about 71.4% to 192,000 barrels in three cargoes compared to 112,000 barrels in three shipments in May.

Refinery News

Chevron Corp said most of the damage from the August 16 fire at its 330,000 bpd refinery in Pascagoula, Mississippi is confined to the No. 2 crude unit.

PDVSA's Sincor heavy crude upgrading project is scheduled to carry out major maintenance in 2008.

Nippon Oil Corp is expected to cut its crude processing by 1% on the year in September to 3.56 million kiloliters. Its August crude refining volume was estimated at 4.09 million kl, down 5% on the year. Nippon Oil said it planned to shut two refineries for scheduled maintenance for 30-40 days each between September and November. It is scheduled to carry out maintenance work on its Mizushima plant from September 6 to October 12 and its Negishi plant from October 2 to November 13.

Brazil's Petrobras said its refining output is expected to increase by 50% from 2008 to 2015. It is expected to refine an average of 1.997 million bpd in Brazil and abroad in 2008, 2.409 million bpd in 2012 and 3.007 million barrels in 2015. In Brazil alone, Petrobras is expected to refine 1.792 million bpd in 2008, 2.061 million bpd in 2008 and 2.659 million bpd in 2015.

Production News

Iraq is expected to sell at least 3 million barrels of Kirkuk crude that has been piped to tanks in Turkey from its northern oilfields. Stocks in the Turkish Mediterranean port of Ceyhan reached 3.3 million barrels on Wednesday. Oil was flowing through the line at the rate of about 260,000-290,000 bpd.

Abu Dhabi National Oil Co is expected to supply Asian lifters with full contracted volumes of crude for an eighth month in October, despite planned oilfield maintenance and ahead of a September OPEC meeting. The offshore Umm Shaif and Lower Zakum fields may be down by up to 90% or about

460,000 bpd while supplies of Upper Zakum would be cut by about 350,000 bpd for about two to three weeks.

The Shetland Island Council reported that Brent crude oil exports fell to 83,112 tons in the week ending August 28 from 221,060 tons in the previous week.

The Petroleum Association of Japan reported that the country's gasoline stocks increased by 2.1% in the week ending August 25 to 1.89 million kiloliters or 11.86 million barrels. It reported that crude stocks fell by 7.1% or 7.99 million barrels to 16.56 million kl or 104.13 million barrels on the week while kerosene stocks increased by 4.5% to 3.84 million kiloliters or 24.13 million barrels. Japanese refiners ran their facilities at an average 88.3% rate of total capacity of 4.84 million bpd, down 0.7% on the week.

Nippon Oil Corp said demand for fuel oil for thermal power generation by Japan's nine utilities is estimated to have increased by 70% in August due to a fall in nuclear power generation. Demand for C-type fuel oil for thermal power generation is forecast to reach 1.05 million kiloliters or 6.6 million barrels in August, up 70% on the year.

OPEC's news agency reported OPEC's basket of crudes increased further to \$68.19/barrel on Tuesday, up from Monday's \$67.73/barrel level.

Market Commentary

Larger than expected draws in both crude oil and gasoline sent shorts running for covering in front of bull buying. Crude oil stocks fell 3.5 million barrels on the week ending August 24, 2007, but remain well above the upper end of the average for the same period last year. Although this may be viewed as neutral to bearish, one must take into consideration the gasoline stock levels, which fell by 3.6 million barrels and are currently 5.2% below the 5 year, average, with demand for the same period last year up 0.5%. Distillate stocks showed a slight build of 0.9 million barrels, but similar to the gasoline, demand for distillates is 0.7% above last year. These two scenarios paint a bullish outlook, which in turn gives strength to crude oil. For now the immediate upside objective is 74.51, which is the 50% retracement of 68.63 and 78.15. Support comes in 73.39, 72.08, 71.53, 71.20 70.20 and 69.96 Resistance is set 74.00, 74.87, 75.95 and 76.97. The RBOB market was well supported following the release of the DOE report which showed a larger than expected draw in gasoline stocks of over 3 million barrels. The market continued to trend higher throughout the session, extending its gains to over 9 cents as it posted a high of 210.57 late in the session. The market was further supported by the EIA's statement that the days of forward supply of gasoline stood at its lowest level on record of just over 20 days. The September RBOB contract settled up 8.54 cents at 210.08. The heating oil market also traded higher amid the strength in the RBOB market. The market extended its gains to 4.8 cents and retraced almost 50% of its move from a high of 216.16 to

		Explanation	
CL	Resistance	74.00, 74.87, 75.95, 76.97	Previous highs
	73.51, up \$1.78	73.64	Wednesday's high
	Support	73.39, 72.08, 71.53, 71.41	Wednesday's low
HO	Resistance	204.43, 204.98, 207.27, 207.98, 208.89	50% (216.16 and 192.90), Previous high, 62%, Previous highs
	204.19, up 4.56 cents	204.43	Wednesday's high
	Support	203.45, 202.33, 200.00, 199.25	Wednesday's low
RB	Resistance	210.66, 211.62, 213.10, 213.65	Previous highs, 62% retracement (230.77 and 184.52), Previous high
	210.08, up 8.54 cents	210.57	Wednesday's high
	Support	208.00, 206.00, 203.10, 201.70	Wednesday's low
		200.78, 196.05, 194.53, 192.16, 191.57	Previous lows

a low of 192.90 as it traded to a high of 204.43 late in the session. It settled up 4.56 cents at 204.19. The product markets will likely continue to trend higher following today's strength. The RBOB market, which breached its resistance, will likely remain supported ahead of its expiration on Friday. The market is seen finding resistance at 210.57, followed by 210.66, 211.62, 213.10 and 213.65. Support is seen at 208.00, 206.00, 203.10 and 201.70. More distant support is seen at 196.05, 194.53, 192.16 and 191.57.