



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 13, 2007

Iran's President Mahmoud Ahmadinejad said Iran was opposed to any proliferation of nuclear weapons and was always ready to talk about its nuclear program. He said Iran was always ready to talk with the framework of regulations and as long as the rights of the human nation are safeguarded. Iran's President was speaking after US officials said they had evidence that Iran was providing weapons to Shia militias in Iraq. However President George W. Bush dismissed any suggestions that an attack was imminent. Meanwhile, when asked about his attitude towards Israel, he called for a referendum among Palestinians on their future.

The IEA increased its forecast for 2007 world oil demand growth to 1.55 million bpd or 1.8% from its previous estimate of 1.39 million bpd or 1.6%. Total world demand is estimated to total 86 million

Market Watch

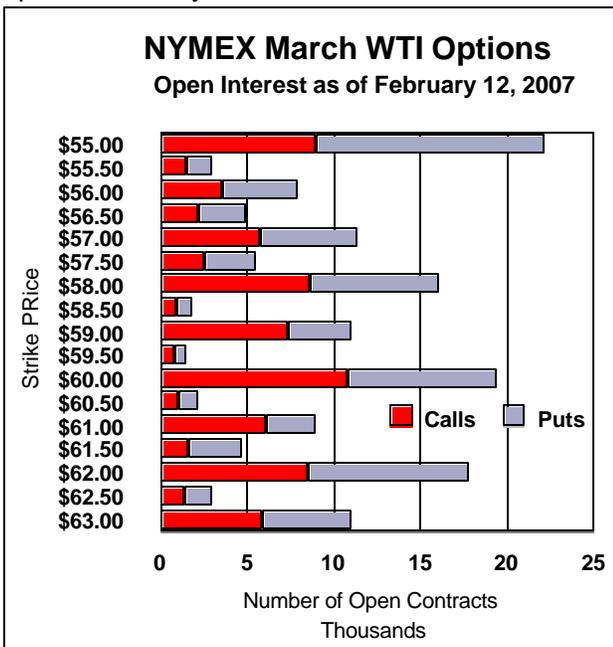
The US Interior Department is scheduled to start supplying royalty oil to fill the SPR to its current capacity of 727 million barrels in July. The move is in addition to planned purchases of 11 million barrels of oil for the SPR that are expected to start this spring.

Traders and shipping agents stated that about 250,000 tons of Russian gas oil was bound for the US from the Baltic region over the coming days, even though the transatlantic arbitrage was closed. Price premiums for physical gas oil cargoes in northwest Europe have mostly held below \$10/ton over front month ICE gas oil throughout the winter compared with premiums of about \$14/ton over ICE gas oil during the same period during the previous two years.

ExxonMobil Corp chief executive Rex Tillerson said it was prudent for governments to develop and implement policy to address climate change. He climate change was a global problem and policy should lend itself to world participation. He said policy makers should remain realistic about the limited role biofuels could play in the wider energy market. In regards to Exxon's operations in Venezuela, he stated that it may not have the time to end negotiations with Venezuela's government over its plan to seize majority control of the Orinoco oil project before the May 1 deadline. He also stated that US oil prices would be between \$40 and \$45/barrel if risks of supply disruptions were not in the market. He said there was a risk premium of \$10-\$15/barrel.

BBC News reported that an Iranian website close to the Revolutionary Guard said they had drones that could launch attacks on US warships in the Persian Gulf. The acting commander of the Revolutionary Guard's land forces said that Iran has unmanned aircraft that could fly long distances and launch attacks on American warships. He added that Iran had all US activity under constant surveillance.

bpd. It said strong demand from China lifted non-OECD oil demand growth to 3.2% in 2007 from 3% in the previous report. It reported that Chinese demand is expected to total 7.6 million bpd in 2007 from an estimated 7.1 million bpd in 2006. The call on OPEC was revised upwards by 400,000 bpd compared with its last report. Meanwhile, supply from non-OPEC producers was revised down by 70,000 bpd for 2007 to 50.5 million bpd, with growth expected to amount to 1.1 million bpd or 2.2%. The IEA reported that OECD oil stocks fell by 40.2 million barrels in December, leaving industrialized countries with 53 days of forward supply of oil. The IEA also stated that OPEC risked over-compensating in its attempts to balance the oil market and keep prices above \$50-\$55/barrel. The IEA raised its estimate for offline OECD refinery capacity in the first quarter by 300,000 bpd to an average 1.9 million bpd. However the IEA said it expected total outages for the first half of 2007 to be 400,000 bpd lower than a year ago. The start of seasonal refinery maintenance cut January OECD refinery runs to 39 million bpd from 39.6 million bpd in December. Runs are estimated to average 38.4 million bpd in February and March.



Iraq's government said it closed its borders with Syria and Iran and extended the hours of a night curfew in Baghdad under a US backed security plan. Prime Minister Nuri al-Maliki said the borders would be closed for 72 hours.

Nigerian kidnappers released all 24 foreign oil workers they had been holding captive since January 20. The kidnappers said they freed the men on humanitarian grounds without receiving any ransom, following the intervention of local elders and authorities. Another seven foreign hostages seized by different armed groups were still in captivity in the Niger Delta.

Refinery News

Valero stated that a fire started in its 175,000 bpd crude distillation unit at its 210,000 bpd Delaware City, Delaware refinery on Tuesday. It said the fire

was extinguished. Last Friday, a fire started at its 18,000 bpd hydrocracker unit.

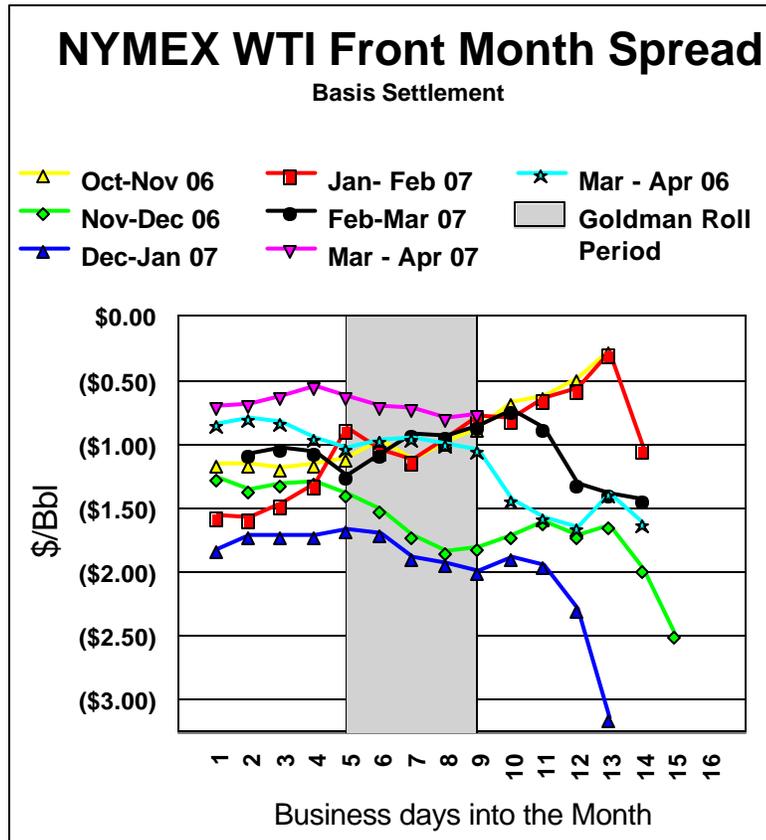
Sunoco was restarting its 179,000 bpd Marcus Hook refinery in Pennsylvania after shutting it on Monday due to a power outage. The refinery has been undergoing a turnaround at its 20,000 bpd reformer.

BP is scheduled to cut rates on its 120,000 bpd No. 3 fluid catalytic cracking unit at its Texas City, Texas refinery for 4 hours on Tuesday.

Citgo Petroleum Corp said it was proceeding with its plans to sell two US asphalt plants. Citgo President said the company would complete due diligence on the 28,000 bpd plant in Georgia and the 84,000 bpd plant in New Jersey. It said it planned to keep its three oil refineries in Illinois, Louisiana and Texas.

Sinopec Corp's Guangzhou refinery shut its 30,000 bpd hydrocracker on Monday due to a fire. It is expected to resume operations on Friday. The unexpected shutdown at the hydrocracker would cut the refinery's output of mainly diesel and kerosene.

Japan's Showa Shell Sekiyu KK said it planned to refine less crude oil in February and March from a year earlier due to a fall in demand amid warm winter weather. It is expected to cut its refining volume by a total of about 150,000 kiloliters of crude oil in the two months.



China is expected to export 400,000 tons of gasoline in February, down from 470,000 tons in January.

Azerbaijan may resume operations along a pipeline to Georgia's Black Sea port of Supsa in March following its closure for several months due to technical problems. Azerbaijan's Socar said the pipeline could resume pumping 140,000 bpd following an inspection of the pipeline in March.

Russia's Transneft may opt not to reopen its Lithuanian route if Russia's technical standards agency demands repairs that would make the pipeline unviable. Transneft suspended supplies to Lithuania's Mazeikiu refinery and Butinge export terminal in August, citing a leak, forcing the refinery to rely on crude supplied by sea. Lithuania's Prime Minister Gediminas Kirkilas has voiced hope that the pipeline would

resume operations in March, when the agency is scheduled to submit its report. Separately, Transneft said Russia may take less than 18 months to build an oil pipeline that would bypass Belarus and expand reliable shipments direct to Europe from Russia's Baltic coast. Meanwhile, Russia's Transneft said Russia should spend at least \$11 billion to build the first leg of its oil pipeline to Asia, up from initial estimates of \$6.6 billion. Phase 1 of the project is scheduled for completion in late 2008. Phase 1 of the scheme envisages shipments of 600,000 bpd to China. Phase Two would expand the link to 1.6 million bpd.

Production News

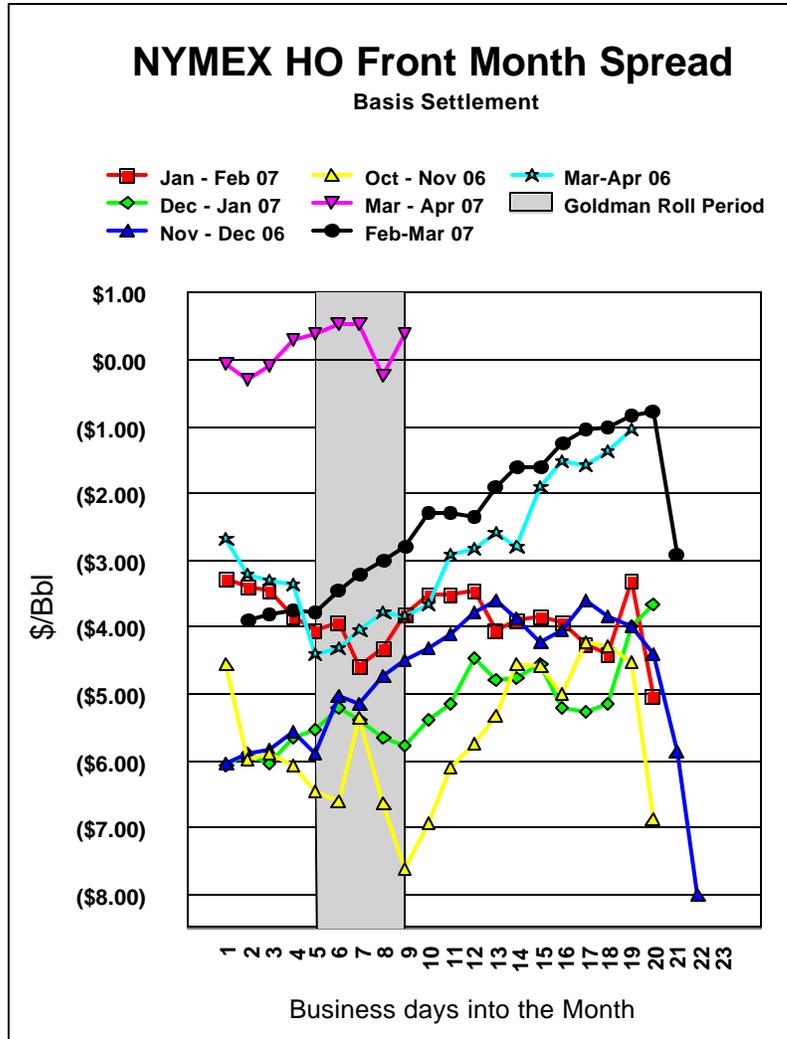
Occidental Petroleum Corp said production has resumed in some parts of its Elk Hills oil and natural gas field. The company had shut 95% of the field after a pipeline leak caused a fire on February 6. Last week, Occidental declared a force majeure, saying it would not be able to meet supply commitments.

An analyst at Cambridge Energy Research Associates said the oil sands in Alberta, which has been producing 1.3 million bpd could increase its production to 3 million bpd in ten years. However its challenges include finding ways to divide projects into affordable pieces and selling into new markets. He said new markets are needed to break the dependence on the Midwestern US and give oil sands producers more price leverage. Outlets to the West Coast and Asian markets and the East Coast and European markets could be possible, if the right alliances could be formed.

Kazakhstan's State Statistics Committee said its crude oil exports increased to 54.569 million tons in 2006, up 4.1% on the year. Its oil products exports fell by 0.1% on the year to 3.48 million tons in 2006. It stated that Kazakhstan cut its oil and gas condensate output in January 2007 to 5.447 million tons, down 9.5% on the month. Oil production alone fell by 7.9% to 4.53 million tons in January.

Russia's Rosneft said it wanted to refine at least half of its output and would need to purchase new refineries in Russia and abroad as its production is expected to increase through 2015. It is expected to increase its production to 2 million bpd by 2010 and 2.8 million bpd by 2015 from its current production level of 1.75 million bpd.

India's Oil Minister Murli Deora said he was seeking a one rupee cut in the excise duty imposed on diesel. If the proposed duty cut were agreed to, a liter of diesel would cost 30.11 rupees compared with the current 31.25 rupees.



Excelerate Energy said first gas should flow into the UK through its new Teesside Gasport towards the end of the week.

Technical levels		
	Levels	Explanation
CL 59.06, up \$1.25	Resistance	60.80 Previous high
	Support	59.60 Tuesday's high
		58.95, 58.25, 57.90 Tuesday's low
HO 169.32, up 4.78 cents	Resistance	174.20 Previous high
	Support	169.80 to 171.00 Remaining gap (February 12th)
		168.00, 165.80, 164.80 Tuesday's low
RB 160.91, up 5.64 cents	Resistance	163.25 Previous high
	Support	161.75 Tuesday's high
		160.0, 158.00, 156.50 Tuesday's low
		154.50, 153.80, 153.53 Previous lows, 38% retracement (137.80 and 163.25)

However it said it may take most of its liquefied natural gas cargo to another country where prices are higher.

Market Commentary

The oil market opened 14 cents higher at 57.95 as the market retraced Monday's sharp losses. The market was supported after the IEA revised up its 2007 demand growth forecast to 1.55 million bpd from its previous estimate of 1.39 million bpd. The market posted a low of 57.90 early in the session

NYMEX Petroleum Options Most Active Strikes for February 13, 2007									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LO	3	7	C	59	02/14/2007	0.65	3,961	50.28	
LO	4	7	P	48	03/15/2007	0.1	3,166	43.32	
LO	4	7	P	50	03/15/2007	0.2	2,598	42.27	
LO	3	7	P	58	02/14/2007	0.23	2,578	50.85	
LO	4	7	C	75	03/15/2007	0.09	2,437	41.64	
LO	4	7	P	47	03/15/2007	0.07	2,403	43.96	
LO	3	7	P	55	02/14/2007	0.01	2,318	62.75	
LO	3	7	C	60	02/14/2007	0.26	2,314	49.87	
LO	4	7	C	60	03/15/2007	2.56	2,227	38.70	
LO	3	7	P	59	02/14/2007	0.59	2,155	50.28	
LO	10	7	P	58	09/17/2007	3.54	2,150	31.73	
LO	5	7	C	72.5	04/17/2007	0.63	2,010	37.47	
LO	4	7	C	65	03/15/2007	0.92	1,834	38.88	
LO	3	7	C	61	02/14/2007	0.08	1,814	49.66	
LO	9	7	P	60	08/16/2007	4.25	1,775	32.54	
LO	12	7	P	60	11/13/2007	4.49	1,775	30.19	
LO	3	7	P	56	02/14/2007	0.01	1,629	48.83	
LO	3	7	P	57	02/14/2007	0.07	1,552	51.76	
LO	6	7	P	52	05/17/2007	1.1	1,300	37.20	
LO	9	7	C	80	08/16/2007	1.14	1,275	32.35	
LO	4	7	C	70	03/15/2007	0.29	1,273	39.97	
LO	12	8	C	70	11/17/2008	5.17	1,263	23.54	
LO	12	8	P	55	11/17/2008	3.48	1,250	25.16	
LO	12	8	C	64	11/17/2008	7.54	1,100	24.61	
LO	4	7	C	66	03/15/2007	0.73	1,038	38.93	
OB	3	7	P	1.63	02/23/2007	0.0584	200	44.22	
OB	3	7	P	1.43	02/23/2007	0.0027	200	44.91	
OB	5	7	P	1.65	04/25/2007	0.0566	100	33.88	
OB	5	7	C	1.8	04/25/2007	0.0835	100	33.91	
OH	3	7	P	1.79	02/23/2007	0.1138	250	45.14	
OH	5	7	P	1.7	04/25/2007	0.1091	250	35.53	
OH	5	7	P	1.68	04/25/2007	0.0988	225	35.57	
OH	3	7	P	1.77	02/23/2007	0.0985	200	45.07	
OH	4	7	C	1.7	03/27/2007	0.0814	150	38.14	
OH	5	7	C	1.73	04/25/2007	0.0871	150	35.66	
OH	6	7	P	1.67	05/25/2007	0.1028	150	33.63	
OH	6	7	C	1.67	05/25/2007	0.1307	150	33.72	
OH	5	7	C	1.76	04/25/2007	0.0761	125	35.84	
OH	4	7	P	1.51	03/27/2007	0.023	100	38.99	

also extended its gains to over 6.4 cents as it traded to a high of 161.75 amid the refinery news. The market, which posted a low of 156.50 early in the session, settled up 5.64 cents at 160.91. Volumes in the product markets were good with 61,491 lots booked in the heating oil market and 41,506 lots booked in the RBOB market.

The crude market will likely remain supported as the market awaits the release of the weekly petroleum stock reports. The reports are expected to show builds in crude stocks of 1.5 million barrels, draws in distillate stocks of 4.4 million barrels and builds in gasoline stocks of close to 2 million barrels. If the market does show large draws in distillate stocks, the complex will remain supported before it continues to find resistance and trends lower. The market is seen finding support at 58.95, 58.25 and its low of 57.90. Further support is seen at 57.40, 57.25, 57.13 and 57.05. Meanwhile resistance is seen at 59.60 followed by 60.80.