



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 15, 2007

OPEC reported this morning that production from its 10 members in January stood at 26.759 million b/d down some 112,000 b/d, but still some 459,000 b/d above its October quota target of 26.3 million. Meanwhile the group revised up its call on OPEC crude in 2007 from its previous report by 150,000 b/d to 30.25 million b/d. This upward revision for the demand for OPEC crude was the result of the cartel's reduction in production estimates for non-OPEC countries, principally, Mexico, Canada, the U.S. and Kazakhstan. The group's overall estimate for growth in global demand for oil at 1.2 million b/d, or up 1.5%, little changed from its estimate a month earlier. Separately, new member Angola remains outside the group's production quota system until its production reaches probably 2 million b/d. It currently produces 1.5 mbd.

The oil consultancy group Oil Movements, estimated OPEC seaborne oil exports will fall slightly during the four weeks ending March 3rd to 24.03 million barrels per day, versus the 24.19 mbd it estimated for the period ending February 3rd. The group noted that there is a clear decline in OPEC shipments in the first two months of 2007.

Chinese government statistics show that Chinese imports of diesel in January rose by 50% from year earlier levels to 120,000 tonnes. Imports of jet-kero increased by 70% to 500,000 tonnes. Part of this increase was supported by domestic fuel prices remaining

Market Watch

U.S. Energy Secretary Bodman Wednesday called for all nations to embrace a "new paradigm of energy security" that must include open markets for energy trading and investment.

Shell Oil's CEO late Wednesday called for a global "cap and trade" system to cut carbon emissions and promote renewable energy resources and energy security. He noted that such a system would reward companies that invested large sums to capture and store carbon dioxide.

Mitsui, Japan's second biggest trading house, announced today that it was shutting its Singapore oil unit in the wake of settling outstanding physical oil contracts and completing the investigation into \$81 million in trading losses, which it said had been "deceptively concealed". The company hoped to complete the liquidation by March 2008. A naphtha trader had been reportedly arrested but released on bail pending completion of the investigation.

Private weather forecaster, DTN Meteorlogix said today that they were looking for temperatures to moderate at the beginning part of next week. The group sees the last seven days of February as having normal temperatures in the Northeast. Other forecasters are looking for warmer weather that could last through March. A forecaster at Planalytics noted that we have seen the worst of winter and that the warmth seen next week should hold through the start of spring. Accuweather forecasters though while noting a moderation next week are still watching the dome of arctic air over the Canadian Northwest Territories that they feel could still move back south again after next week.

Chinese electric demand is expected to grow by 12.5% in 2007, with thermal power plants accounting for the majority of new capacity coming online.

unchanged providing for a favorable margin for imports. Gasoline exports were estimated at 350,000 tonnes, off 3% from year ago levels.

Colonial Pipelines announced it was extending its shipping allocations on its main distillate line north of Collins, MS, to the 12th five-day cycle of the year because demand for space exceeds the pipeline's

NYMEX Petroleum Options Most Active Strikes for February 15, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	P	50	05/17/2007	0.92	5,946	37.55
LO	6	7	C	70	05/17/2007	1.1	4,002	35.07
LO	4	7	C	58.5	03/15/2007	2.35	3,582	36.51
LO	4	7	P	58.5	03/15/2007	2.35	3,478	36.67
LO	6	7	P	48	05/17/2007	0.62	3,350	38.12
LO	4	7	P	48	03/15/2007	0.09	3,314	40.34
LO	6	7	C	68	05/17/2007	1.44	2,480	34.91
LO	12	7	C	70	11/13/2007	3.22	2,425	29.63
LO	4	7	C	68	03/15/2007	0.22	2,421	37.71
LO	12	7	P	70	11/13/2007	11.08	2,400	30.98
LO	6	7	C	60	05/17/2007	3.98	2,175	35.21
LO	5	7	C	85	04/17/2007	0.07	2,111	41.57
LO	5	7	C	72.5	04/17/2007	0.44	2,051	37.83
LO	4	7	P	58	03/15/2007	2.1	2,015	36.67
LO	6	7	P	45	05/17/2007	0.32	1,802	38.98
LO	4	7	C	64	03/15/2007	0.65	1,615	36.90
LO	4	7	P	55	03/15/2007	1	1,537	37.61
LO	5	7	C	60	04/17/2007	3.02	1,358	35.69
LO	4	7	P	52	03/15/2007	0.4	1,298	38.63
LO	4	7	C	63	03/15/2007	0.84	1,242	36.78
LO	4	7	C	61	03/15/2007	1.36	1,123	36.55
LO	4	7	C	59	03/15/2007	2.13	1,111	36.68
LO	4	7	P	40	03/15/2007	0.01	1,050	52.68
LO	6	7	C	58	05/17/2007	4.99	1,050	35.60
LO	8	7	C	75	07/17/2007	1.17	1,000	33.10
OB	9	7	C	1.76	08/28/2007	0.1423	1,137	31.59
OB	9	7	C	2.15	08/28/2007	0.0535	1,012	35.18
OB	9	7	C	1.7	08/28/2007	0.168	135	31.43
OB	4	7	P	1.6	03/27/2007	0.0439	100	36.99
OH	4	7	C	1.88	03/27/2007	0.0152	425	39.84
OH	4	7	C	1.62	03/27/2007	0.0824	335	38.11
OH	5	7	C	1.64	04/25/2007	0.0942	335	35.57
OH	3	7	P	1.62	02/23/2007	0.0393	305	44.68
OH	4	7	P	1.62	03/27/2007	0.0793	305	38.11
OH	3	7	C	1.7	02/23/2007	0.0172	134	45.30
OH	4	7	C	1.8	03/27/2007	0.0267	101	39.30
OH	3	7	C	1.8	02/23/2007	0.0037	100	46.45
OH	4	7	P	1.4	03/27/2007	0.0122	100	39.14
OH	4	7	C	1.9	03/27/2007	0.0132	100	39.99
OH	6	7	P	1.55	05/25/2007	0.0714	100	33.84
OH	6	7	C	1.8	05/25/2007	0.0566	100	34.15

capacity. Previously the company froze nominations on the 8th and 9th cycles, and allocating nominations on the 10th and 11th cycles.

The Indian government in an effort to control inflation, which has been at its highest rate in two years, announced reductions in government controlled retail fuel prices for the second time in three months. The move will reduce retail prices of petrol by 4.5% (4 cents) and diesel by 3.2% (2 cents). The Indian economy has been growing at an estimated 9.2% annual rate.

Singapore oil product stocks for the week ending February 14th, showed a decline of 485,000 barrels in light end stocks, a 442,000 barrel drop in distillate stocks, but a 452,000 barrel increase in fuel oil stocks.

The Petroleum Association of Japan reported that for the week ending February 10th, Japanese product stocks overall declined by 2.92%, despite refinery runs increasing by 0.3%. Kerosene stocks showed the largest decline of 8.3%

Dow Jones reported today

that its recent survey of some 35-bank analysts shows that expectations for oil prices in 2Q07 has been lowered from last month's survey by \$1.00 to \$59.80. An expectation for the average 2007 prices was also lowered to \$60.10.

Refinery News

A union official at Total's 328,000 b/d Gonfreville refinery said the refinery is due to start a major two month turnaround for the second half of August. This would be the first major turnaround in five years at the facility.

Japanese retail regular gasoline prices this week fell to a one year low to an equivalent price of \$4.09 per gallon, according to the Tokyo based Oil information Center. The price has now fallen for 22 weeks running.

PDVSA said today that it expects to restart the cat cracker at its 130,000 b/d El Palito refinery on Saturday. The unit was taken offline last month due an explosion at the facility. The unit had been expected originally back in service during the second week of February.

Imperial Oil's refinery at Nanticoke, Ontario suffered a fire at a crude processing unit, which has resulted in reduction of the refinery's operating rates.

Production News

The U.S. government agency, the Overseas Private Investment Corporation, reported that the agency's internal review warned that the agency must monitor more closely the safety of BP's Baku-Tbilisi-Ceyhan pipeline, that moves oil from Azerbaijan to Turkey. Auditors warned that the agency needs to renew its focus on environmental monitoring of the project in medium to longer term, with specific attention for the need of additional monitoring for field joint coating cracks or leakage.

Belarus Thursday raised transportation fees on deliveries of crude via its territory to European markets by over 30%. Deliveries along the Drushba pipeline stand will now stand at 48 cents per barrel. The Belarus tariff was seen as the lowest on crude moving to Europe and thus the increase was seen as insignificant.

Venezuela's defense minister Thursday said the nation would reinforce security measures following a call by an affiliated al Qaeda group for attacks on suppliers of oil to the United States. The official said that security and intelligence agencies would "take actions and implement previously established security plans, but reinforce them with the goal of guaranteeing security."

Market Commentary

The oil markets basically moved in a sideways pattern overnight but came under a bit of pressure at the start of the morning session as the Nation Weather Service's revised its 8 day temperature outlook and was calling for warmer temperatures next week than were originally expected. Prices received an additional shove to the downside as technical selling kicked in once support at the 57.24-57.11 which had been built up over the past two weeks was finally breached. Prices tumbled quickly falling all the way down to 56.62-56.65 helped also by declining natural gas values. But over the next several hours values retraced the morning sell off and climbed their way back toward nearly unchanged levels in the crude market, helped by a 50 jump in values in the last 10 minutes of trading before the close. Final volume on the day was good with 103,000 futures traded on the floor, with Globex volume during the same time much stronger with over 320,000 lots booked. RBOB market saw especially good volume again today with over 60,000 lots traded for the seventh straight trading session as it appears traders focus appears to be shifting toward the upcoming summer driving season and away from the current winter heating season. Heating oil volume today was at just under 50,000 lots.

Technical levels		
	Levels	Explanation
CL Resistance 57.99, down \$0.01 Support	\$60.16 & \$60.80 \$58.30, \$59.20 and \$59.60 \$57.04 & \$56.62 \$55.90, \$54.75 & 53.85-\$53.82	Weekly trendline resistance and Last week's high Highs of the past three trading sessions Intraday support and today's low 50 and 62% retracement levels and lows from late January
HO Resistance 162.71, down 1.12 cents Support	167.41, 169.00 & 170.00 165.2&165.81 160.88-160.66 157.75 & 155.54-155.66	50% and ^0% retracement and Wednesday's High Today's high and 38% retracement of the past week sell off Thursday's low 62% retracement of mid Jan- Feb rally and lows of late January
RB Resistance 159.72, down 1.90 cents Support	165.00, 168.75 163.04 156.18, 155.14-154.42 15399, 150.82 & 147.65	Previous highs Thursday's high Thursday's low and lows from Wednesday / Tuesday 38%, 50% and 62% retracements

Despite the rebound in prices we continue to feel that this market remains in a choppy but stubborn downward trend as evidence by the falling stochastic trend indicators. We feel that this market is still ultimately targeting 55.90-54.75 area.