



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 14, 2007

OPEC is likely to keep its oil production steady as most members favor maintaining their current production levels during their meeting on Thursday. OPEC officials have said that the emphasis is likely to be on ensuring that the cuts are fully in place. A senior OPEC official said OPEC was concerned about the fallout from a slowing US housing market on economic growth in the country. Iran's Oil Minister Kazem Vaziri said OPEC's Ministerial Monitoring Committee expressed concern over instability in world economic markets. Earlier, Qatar's Oil Minister Abdullah al-Attiyah said OPEC

Market Watch

The DOE said it was seeking up to 2 million barrels of new storage space for home heating oil in the New York Harbor and New England. The contract awards would not exceed 1 million barrels each for the New York Harbor and the New England region. It determined that 2 million barrels was sufficient to provide relief from a supply disruption for about 10 days, which was also the time needed for ships to deliver heating oil from the US Gulf Coast to the New York Harbor.

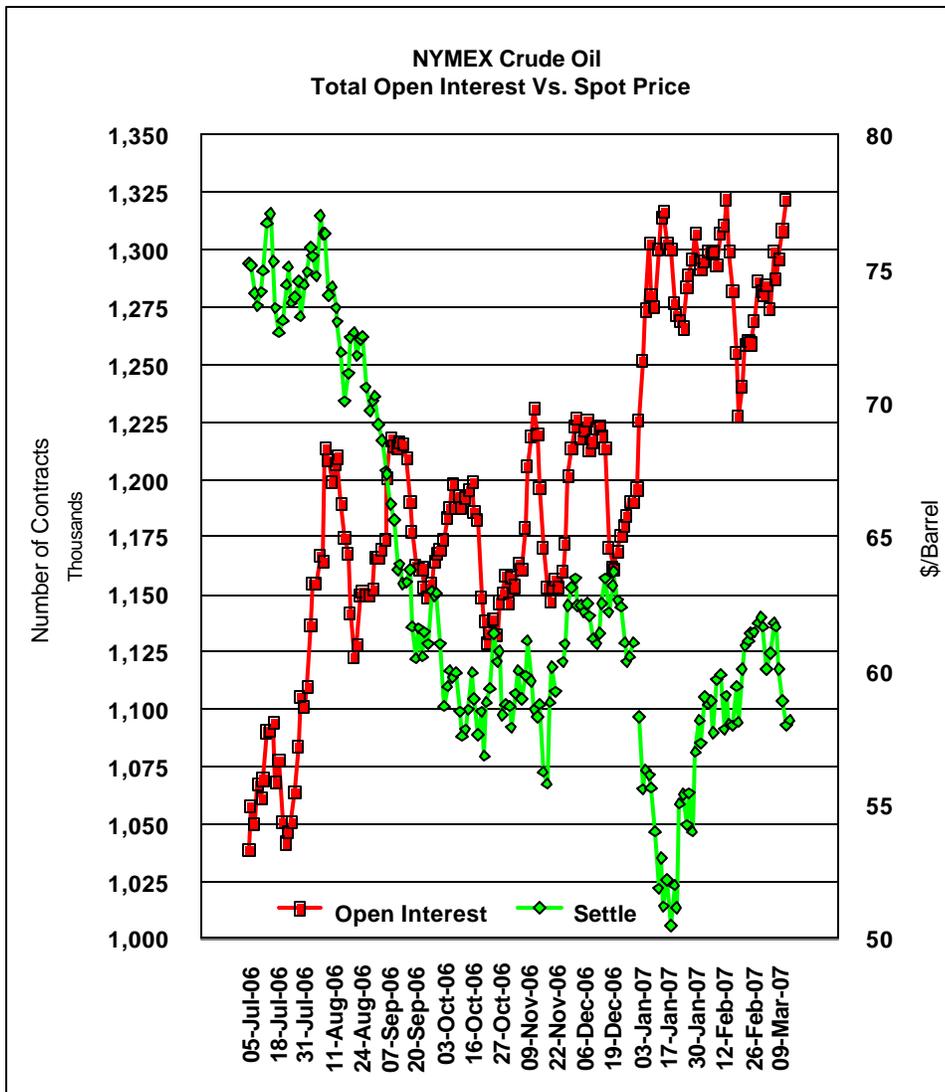
Iraq's Oil Minister Hussein al-Shahristani said Iraq's new oil law is expected to be approved by parliament in about two months. He said he expected model contracts and development plans to be ready by the same time the parliament would approve the new law, which is scheduled to happen before May 31.

Royal Dutch Shell Plc said it expected oil prices to stay high in 2007 amid ongoing geopolitical tensions.

Ecuador's President Rafael Correa said he intended to return his country to OPEC.

According to Dahlman Rose & Co LLC, crude oil supertanker rates may increase in the second quarter for the first time in seven years as US temperatures allow refiners to finish maintenance work early and increase imports. It said daily hire rates for the tankers in the next three months may be higher on average than the \$50,000/day estimated for the first quarter.

could meet at any time to review the market situation and needs to monitor developments. Meanwhile, the head of Libya's OPEC delegation, Shokri Ghanem said he saw no current need for more oil on the market but added that OPEC could increase its production later in the year if needed. He also stated that he was not concerned that any slowdown in the US economy may hit demand for OPEC oil. Nigeria's Oil Minister Edmund Daukoru said there was no need for OPEC to increase its oil production yet. He said OPEC would continue to monitor the market. He stated that oil markets were bearish and added that the world economy was slowing down. He said OPEC wanted to ensure that members fully comply with the 1.7 million bpd cut agreed at the previous two meetings. Indonesia's OPEC governor,



Maizar Rahman said Indonesia favored keeping OPEC oil output unchanged. The head of OPEC affairs at the Iranian Oil Ministry, Javad Yarjani, said it was unlikely OPEC would cut production further at its meeting on Thursday. Separately, Iran's OPEC governor, Hossein Kazempour Ardebili, voiced confidence over the country's future oil production, saying its capacity had reach 4.3 million bpd. He also stated that OPEC members would be asked to be committed to production cuts agreed earlier.

Saudi Arabia dismissed a report in the Financial Times that Saudi Arabia had warned Angola not to assume it could expand its oil production over 2 million bpd. A Saudi oil official said the Financial Times article was

unfounded and baseless. He said Saudi Arabia was not pressuring Angola to adopt a quota. Angola's production is expected to reach 2 million bpd at the start of next year and is expected to increase its production further to 2.5 million by 2012.

The IEA executive director Claude Mandil said OPEC should consider increasing its output soon as oil stocks have been declining. He also stated that he expected an increase in non-OPEC supplies, particularly from Russia. Separately, the IEA's chief economist, Fatih Birol, said OPEC should keep up with its investment plans in order to ease pressure on world oil markets. He also urged producers to increase their spare production capacity.

Iran's President Mahmoud Ahmadinejad warned the West that it would deepen the rift with Iran by imposing more UN sanctions against the country. However he failed to mention Russia's decision to postpone a shipment of fuel for Iran's nuclear reactor at Bushehr due to Iran's payment delays. Separately, Iran's OPEC governor, Hossein Kazempour Ardebili, stated that Iran's reaction to the further sanctions would be unpredictable. Meanwhile a senior US official welcomed Russia's decision, saying it reflected concerns about Iran's nuclear program.

Iran has held talks with at least one Japanese refiner about changing the currency used to pay for crude oil to the yen or euro from the US dollar as Iran faces increasing pressure from the US over its nuclear program. In December, Iran's state run paper reported that the US dollar component of Iran's foreign reserves had fallen to less than a third from 40%.

NYMEX Petroleum Options Most Active Strikes for March 14, 2007

| Symbol | Month | Year | Call/Put | Strike | Exp Date | Settle | Volume | IV |
|--------|-------|------|----------|--------|------------|--------|--------|-------|
| LO | 5 | 7 | C | 75 | 04/17/2007 | 0.02 | 7,675 | 30.15 |
| LO | 4 | 7 | P | 57 | 03/15/2007 | 0.08 | 6,457 | 36.13 |
| LO | 4 | 7 | P | 55 | 03/15/2007 | 0.01 | 5,517 | 50.99 |
| LO | 4 | 7 | C | 58 | 03/15/2007 | 0.51 | 3,964 | 35.07 |
| LO | 7 | 7 | P | 58 | 06/15/2007 | 1.89 | 3,841 | 31.50 |
| LO | 7 | 7 | P | 50 | 06/15/2007 | 0.37 | 3,750 | 33.06 |
| LO | 4 | 7 | C | 59.5 | 03/15/2007 | 0.06 | 3,638 | 35.82 |
| LO | 4 | 7 | P | 58 | 03/15/2007 | 0.35 | 3,413 | 35.07 |
| LO | 5 | 7 | P | 62 | 04/17/2007 | 3.1 | 3,400 | 30.55 |
| LO | 5 | 7 | P | 59 | 04/17/2007 | 1.57 | 3,200 | 30.82 |
| LO | 5 | 7 | C | 70 | 04/17/2007 | 0.15 | 2,956 | 30.54 |
| LO | 12 | 8 | C | 37.5 | 11/17/2008 | 29.05 | 2,500 | 55.50 |
| LO | 12 | 7 | C | 90 | 11/13/2007 | 0.59 | 2,200 | 28.19 |
| LO | 4 | 7 | P | 56 | 03/15/2007 | 0.01 | 2,090 | 36.64 |
| LO | 6 | 7 | C | 85 | 05/17/2007 | 0.06 | 2,007 | 35.54 |
| LO | 5 | 7 | C | 62 | 04/17/2007 | 1.57 | 1,795 | 30.39 |
| LO | 5 | 7 | P | 58 | 04/17/2007 | 1.2 | 1,794 | 30.93 |
| LO | 12 | 7 | C | 80 | 11/13/2007 | 1.45 | 1,709 | 27.40 |
| LO | 4 | 7 | P | 56.5 | 03/15/2007 | 0.03 | 1,638 | 36.24 |
| LO | 5 | 7 | P | 53 | 04/17/2007 | 0.25 | 1,595 | 32.92 |
| LO | 6 | 7 | P | 46 | 05/17/2007 | 0.09 | 1,585 | 37.01 |
| LO | 6 | 7 | P | 51 | 05/17/2007 | 0.37 | 1,575 | 35.12 |
| LO | 9 | 7 | P | 63.5 | 08/16/2007 | 4.63 | 1,550 | 30.06 |
| LO | 12 | 8 | C | 40 | 11/17/2008 | 26.59 | 1,500 | 49.28 |
| LO | 12 | 7 | C | 70 | 11/13/2007 | 3.74 | 1,500 | 27.97 |
| OB | 8 | 7 | C | 2.2 | 07/26/2007 | 0.0532 | 201 | 35.15 |
| OB | 4 | 7 | P | 1.84 | 03/27/2007 | 0.0255 | 135 | 41.99 |
| OB | 5 | 7 | C | 2 | 04/25/2007 | 0.0538 | 127 | 37.61 |
| OB | 5 | 7 | C | 1.95 | 04/25/2007 | 0.0697 | 125 | 37.14 |
| OB | 8 | 7 | C | 2.05 | 07/26/2007 | 0.0821 | 107 | 33.68 |
| OB | 5 | 7 | C | 1.9 | 04/25/2007 | 0.0894 | 104 | 36.68 |
| OB | 8 | 7 | C | 1.99 | 07/26/2007 | 0.098 | 103 | 33.13 |
| OB | 6 | 7 | C | 2 | 05/25/2007 | 0.0738 | 100 | 36.61 |
| OH | 7 | 7 | C | 1.73 | 06/26/2007 | 0.1115 | 25 | 29.51 |
| OH | 7 | 7 | P | 1.73 | 06/26/2007 | 0.1015 | 25 | 29.49 |

According to the EIA, US oil imports averaged 9.623 million bpd in January, up 39,000 bpd on the month but down 90,000 bpd on the year. It reported that Canada remained the top source of crude imports for the 11th consecutive month, with supplies of 1.851 million bpd while Saudi Arabia was the second largest source of crude imports, with 1.563 million bpd. The EIA reported that Mexico's imports increased by 15.3% on the month to 1.435 million bpd while crude imports from Nigeria averaged 1.106 million bpd, up 9.5% on the month. Supplies from Venezuela averaged 955,000 bpd, down 8.6% on the month.

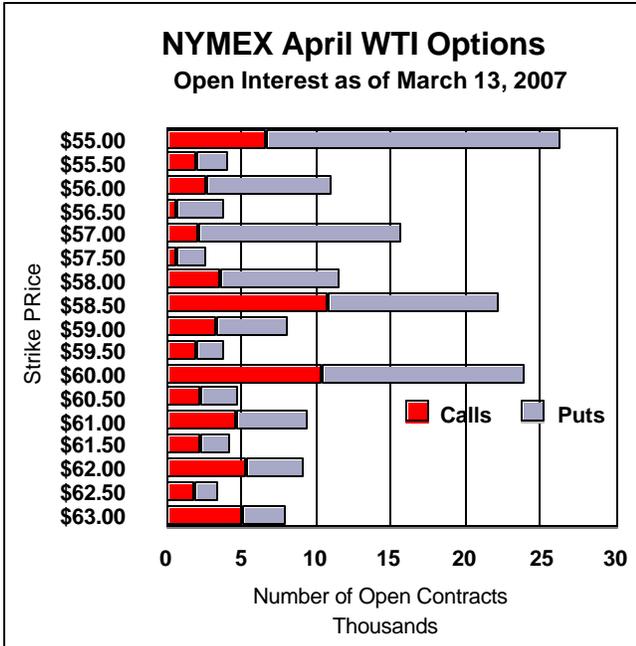
The API reported that US demand for crude oil and petroleum products in February increased by 3.5% on the year to 21.02 million bpd. Gasoline demand increased by 401,000 bpd or 4.5% to 9.237 million bpd while distillate demand increased by 137,000 bpd or 3.2% to 4.455 million bpd. It also

reported that imports of crude oil and petroleum products fell by 5.9% to 12.521 million bpd. The API said US crude production increased by 2% to 5.244 million bpd.

Refinery News

The US Coast Guard said the Sabine-Neches Waterway remains closed to tanker traffic north of Port Arthur, Texas, preventing ships from reaching ExxonMobil Corp's 349,000 bpd refinery in Beaumont, Texas. Fourteen ships were waiting on Wednesday to enter or exit the portion of the waterway. ExxonMobil Corp said operations at its 349,000 bpd Beaumont, Texas refinery was unaffected by Sabine-Neches waterway closure.

Valero Energy Corp cut runs at its St. Charles, Louisiana refinery by 100,000 bpd for 10 days to facilitate repairs to equipment associated with its fluid catalytic cracking unit. Repairs are expected to cut gasoline production by 85,000 bpd and distillate production by about 15,000 bpd during the maintenance period.



Shell Oil's oil refinery in Martinez, California reported a vapor release following a second shutdown of carbon monoxide boilers in less than a week's time. A report filed with California's Office of Emergency Management did not specify whether there was any interruption in operations at the 162,500 bpd refinery.

Motiva Enterprises' fluid catalytic cracking unit at its 240,000 bpd refinery in Norco, Louisiana is operating normally.

Imperial Oil Ltd's 118,000 bpd Nanticoke, Ontario refinery is expected to resume full operations later this week following a fire in February. The refinery has been operating between 75% and 100% of capacity amid the repairs.

Syncrude Canada Ltd said it would take a new processing unit down for repairs in the second quarter, which may reduce annual output at the oil sands development. Canadian Oil Sands said it has reduced the top end of its production target range for Syncrude to 115 million barrels from 120 million barrels.

ExxonMobil Corp's 180,000 bpd refinery in Rotterdam was operating at about 20% of its normal capacity due to a power outage last week.

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PDVSA has restarted a 60,000 bpd fluid catalytic cracking unit at its El Palito refinery. The unit was down for maintenance work since the beginning of the year. Meanwhile, PDVSA was still carrying out repair work at an alkylation unit at its 200,000 bpd Puerto La Cruz refinery.

BP said it was planning to close its Cartagena refinery in Spain for three weeks for routine maintenance in May. It has started building a new coker at the 110,000 bpd refinery, which should be completed in 2008.

Total said it would decide by the end of the year whether to proceed with a \$1.5 billion planned expansion of its Port Arthur, Texas refinery that would allow it to process heavier crude. If the project is approved, construction is expected to begin next year, with start up of the new units in 2010. Separately, Total said it planned to start building a desulphurization unit at its 223,000 bpd Lindsey refinery in the UK during the first half of next year. The unit is expected to start up in 2010.

The Marseille port was closed to shipping on Wednesday due to a 24 hour strike. Five ships, including three oil tankers, were blocked while two oil tankers and one gas transporter were at anchor waiting to dock.

Russia's Gazprom Neft said it was considering building a refinery in Russia or abroad. Media reports stated that Russia and Mongolia were discussing building a refinery with annual capacity of 5 million tons or 100,000 bpd in Mongolia and that Gazprom Neft may be involved in the project.

The Petroleum Association of Japan stated that Japan's gasoline stocks totaled 2.22 million kiloliters or 13.98 million barrels in the week ending March 10, up 1.9% on the week. It reported that crude stocks increased by 2.7% to 17.31 million kl or 108.88 million barrels over the same period while kerosene stocks fell by 7.9% to 2.61 million kl or 16.41 million barrels. Japanese refiners ran their facilities at an average 88.7% of total capacity, down 0.2% on the week.

Japan's Oil Information Center reported that Japan's average retail gasoline price was 129 yen or \$1.11/liter or \$4.20/gallon on the week, up from the previous week's 128.8 yen.

Production News

Woodside Petroleum Ltd said its 100,000 bpd Cossack Pioneer field is expected to resume operations on Thursday after it was shutdown due to cyclones. Production at its Legendre field resumed on Wednesday.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate production totaled 10.642 million tons in January-February, up 10.3% on the year. It reported that Kazakhstan's crude oil production in February increased by 10.1% on the year to 4.172 million tons. It also reported that its gasoline production increased by 21.9% to 203,000 tons, while its diesel production increased by 4.5% to 304,000 tons and its fuel oil production fell by 35.1% to 167,000 tons.

A senior Iraqi oil official said the Iraqi Oil Ministry has agreed with China National Petroleum Corp to review a contract signed during Saddam Hussein's rule to develop the al-Ahdab oil field in southern Iraq. The official said it would only tender for the development of the field if it could not reach an agreement with China National Petroleum Corp.

Nigeria's Oil Minister Edmund Daukoru said Nigeria would announce a new round of exploration licenses for about 30 oil and gas blocks over the next two weeks. Separately, Nigeria's Finance Minister Nenadi Usman said Nigeria disbursed \$1.2 billion from its savings to plug a revenue shortfall in January and February due to lower than projected oil production. He said oil production was 2.2-2.3 million bpd.

The official selling price of Iranian Light crude bound for Europe was held steady at a discount of \$5 against the Brent weighted average for April from Sidi Kerir. It however lowered the price for Iranian Heavy crude from Sidi Kerir by 20 cents to a discount of \$7 against BWAVE. Its Iranian Light crude price from Kharg Island was cut by 15 cents to BWAVE minus \$6.35 while Iranian Heavy crude was cut by 35 cents to BWAVE minus \$8.35. Iran cut its oil prices to Asia by 10-20 cents/barrel, with Iran Light set at a 20 cent premium to the Oman/Dubai average.

China pumped 5.8 million barrels of crude into its emergency storage reserve in January, about 50% of December's volume. It halted filling the tanks in February when oil prices increased. China is expected to build more than a third of its second phase strategic oil reserves in Lanzhou and fill the reserves with oil from Kazakhstan. The oil would be transported into the province of Gansu, of which Lanzhou is the capital, from the neighboring region of Xinjiang, which recently started receiving crude across the Kazakh border through a 10 million ton per year pipeline.

Indonesia's Pertamina is likely to purchase 5.25 million barrels of May arrival sweet crude in a tender. It is expected to purchase 3.6 million barrels of Asia-Pacific crude, together with one million barrels of Algerian Saharan Blend and 650,000 barrels of Azeri Light crude.

Qatar's Energy Minister Abdullah bin Hamad al-Attiyah said Qatar's domestic gas demand is expected to almost triple in the next three years to 4.7 billion cubic feet/day as industrial and consumer demand increases.

A Qatar Petroleum executive said the start up of the Qatargas II liquefied natural gas project is expected to be in the second quarter of 2008. The project covers two LNG trains, to supply 14 million tons to Britain.

OPEC's news agency reported that OPEC's basket of crudes fell by just 2 cents/barrel to \$57.25/barrel on Tuesday from \$57.27/barrel on Monday.

Market Commentary

The oil market ended in positive territory for the first time in five sessions as the market rebounded from its earlier losses. The market continued to follow the US equities markets, which recouped its earlier losses. The crude market posted a high of 58.44 ahead of the release of the weekly petroleum stock reports. Even though the reports were in line with expectations, the market erased its gains and sold off to a low of 57.30. It however bounced off that level and traded back towards its high and remained range bound ahead of the close. The market traded higher as the Dow Jones Industrial Average rose above 12,000 after falling more than 130 points earlier in the day. The oil market settled up 23 cents at 58.16. Volume in the crude market was good with over 384,790 lots booked on Globex. Open interest in the crude market built by a total of 13,440 lots. Open interest in the April contract fell by 20,518 lots while open interest in the May contract built by 31,740 lots as traders rolled their positions and added to their short position amid the sell off in the market. The heating oil market posted a low of 168.40 early in the session before it traded higher ahead of the release of the weekly petroleum stock reports. The market retraced its gains despite the DOE report showing a draw of 2.8 million barrels in distillate stocks. It held support at 169.00 and rallied to a high of 171.30 in afternoon trading. It settled up 1.88 cents at 170.90. Meanwhile, the RBOB market erased its previous gains and sold off to a low of 190.50 early in the session and bounced off that level ahead of the weekly petroleum stock reports. However the market retraced its

| Technical levels | | |
|-------------------------------------|-----------------------------|--|
| | Levels | Explanation |
| CL 58.16, up 23 cents | Resistance 58.44 | Previous highs Wednesday's high |
| | Support 57.30 | Wednesday's low |
| | | Previous low, 50% (52.00 and 62.40), Previous low, 62% |
| | | |
| HO 170.90, up 1.88 cents | Resistance 171.30 | Previous highs Wednesday's high |
| | Support 168.40 | Wednesday's low |
| | | Previous low, 50% (149.70 and 178.80), Previous low, 62% |
| | | |
| RB 192.83, down 35 points | Resistance 194.00 | Previous highs Wednesday's high |
| | Support 190.50 | Wednesday's low |
| | | Previous lows, Double bottom |
| | | |

gains once again despite the DOE report showing a draw of 2.5 million barrels in gasoline stocks. In choppy trading, it later rallied to a high of 194.00 amid the strength in the oil market. It settled down 35 points at 192.83. Volumes in the product markets were lighter today with 40,129 lots booked in the heating oil market and 59,273 lots booked in the RBOB market.

The oil market is again seen retracing more its earlier losses after the market continued to follow the equities market. The market is also seen remaining supported as OPEC members, which are likely to leave their production levels unchanged, call for better compliance with their current agreed cuts during their meeting on Thursday. The market is seen finding support at its lows of 57.30 and 57.20 followed by 56.70. More distant support is seen at 56.70 followed by 55.93. Meanwhile, resistance is seen at 58.44 followed by 59.95-60.00. More distant resistance is seen at 61.72 and 62.30.

April WTI options are set to expire tomorrow. While the \$58.50 strike appears what prices will be pinned to for tomorrow, there is still the risk of an assault on the \$57 strike, where some 13,474 lots remained open coming into this morning. The most active strike in the option market today was the May \$75 call which traded 7.675 times between 4-6 cents despite being settled artificially low at just 2 cents.