



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 9, 2007

An OPEC spokesman said OPEC Oil Ministers were holding phone consultations following the recent decline in oil prices so far in 2007. OPEC sources said OPEC's President was holding intensive consultations with member states on whether further action to increase prices was warranted.

Nigeria's Oil Minister Edmund Daukoru said OPEC should fully implement the 1.7 million bpd output cut before implementing further cuts. Meanwhile, Qatar's Oil Minister Abdullah bin Hamad Al Attiyah said he was strongly committed to implementing all OPEC output cut agreements.

Russia's Economy Minister German Gref said Russia and Belarus failed to reach a compromise over oil supplies. Earlier, Russia's President Vladimir Putin said Russia may need to cut oil production due to difficulties with shipping crude via the territory of

Market Watch

The US Interior Department said it would increase the royalties energy companies pay the government for oil and natural gas they drill in federal deepwaters and allow energy exploration in new areas in the Gulf of Mexico and off Alaska's coast. It raised royalty rates for most new federal deepwater leases to 16.7% from 12.5% of the value of oil and gas found. The new royalty rates would take effect with the first 2007 tracts in the Gulf of Mexico the government is scheduled to offer in late August.

Venezuela's financial markets plunged on Tuesday following President Hugo Chavez's decision to nationalize major utilities. He said he would shape the country into a socialist republic. He vowed to nationalize the country's largest communications company CANTV and power firms. He also broadened his attack on foreign companies developing heavy crude in the Orinoco Belt, saying their projects had to become state property.

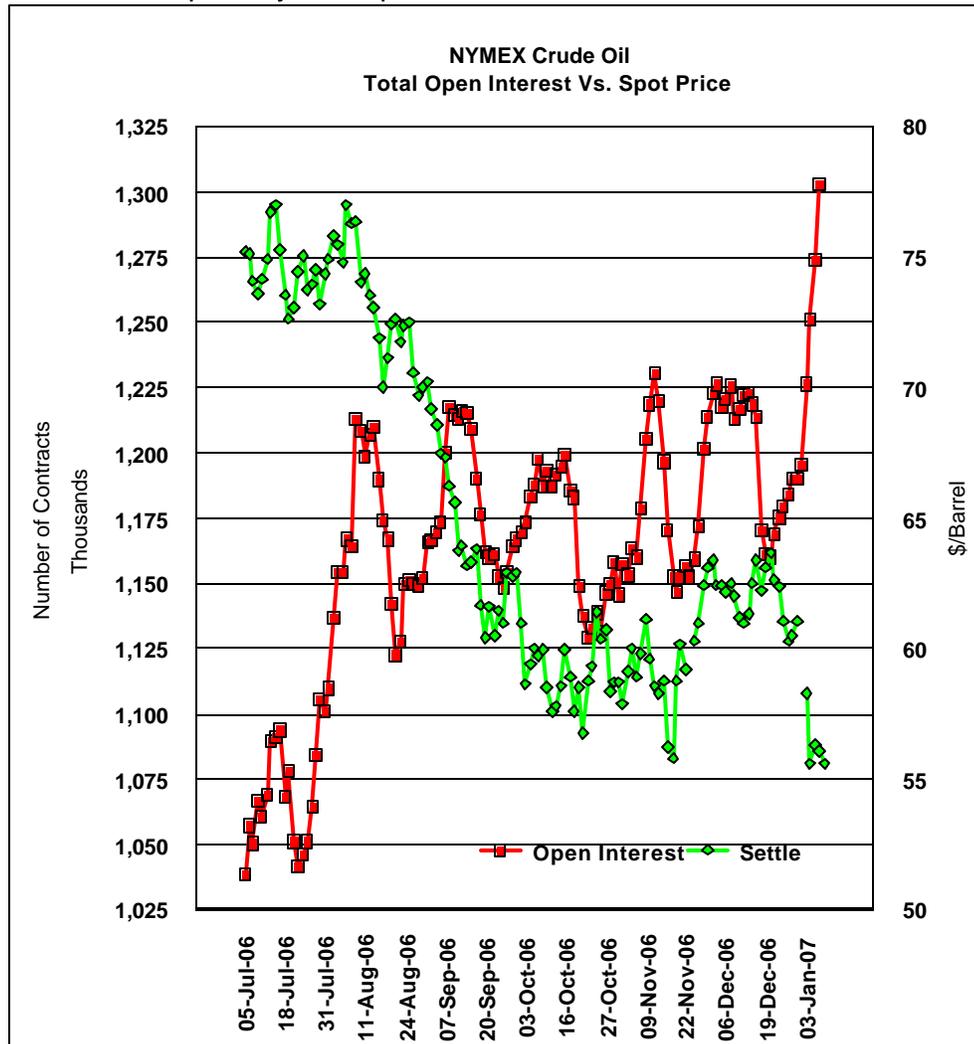
The president of the Brazil-China Chamber of Commerce said trade between the two countries should more than double to \$35 billion in the next three years as China starts buying ethanol for clean fuel. China started producing large quantity of corn ethanol in recent years. However China's government in recent weeks has limited new ethanol projects because of increasing corn prices and worries about food supplies.

The US Navy and Japanese government said a US nuclear powered submarine collided with a Japanese tanker in the Arabian Sea. A US Navy official said there was no damage to the USS Newport News submarine or the ship. The Japanese government has asked the US to investigate the cause of the collision.

China's National Development and Reform Commission said China would introduce more tightening measures this year to help cool its economy. It would likely increase required reserves and interest rates. It also stated that China would focus on trying to improve its international balance of payments position through management of the yuan.

Thailand's government has approved a plan that would give companies two years to cut their foreign held voting rights to less than 50%. The news prompted Thailand's main stock market index to close down by more than 2% on Tuesday. On Monday, Thailand's Joint Foreign Chambers of Commerce and Trade warned that the changes could cause foreign investors to leave the country.

Belarus to central Europe. Meanwhile, Germany's Chancellor Angela Merkel said it was unacceptable for Russia to cut oil supplies without consultation and vowed to deliver that message to Russia and Belarus. Separately, European Commission President Jose Manuel Barroso also said it was unacceptable for Russia to have cut oil supplies.



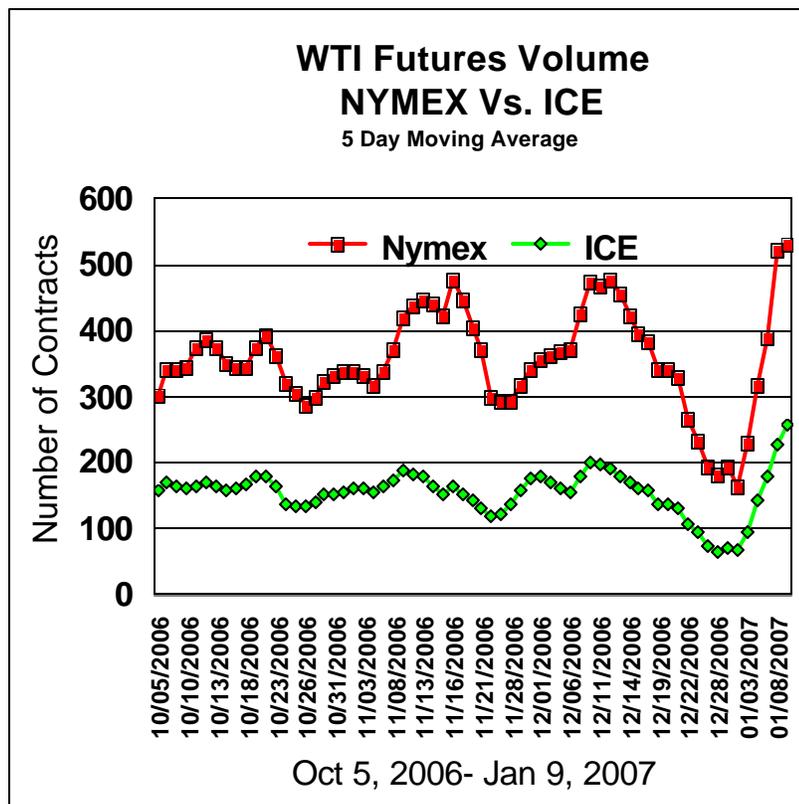
The IEA said the European oil markets would cope with the Russian oil disruption. There was no immediate impact to any of the refineries in the countries involved. It said the countries involved had working stocks of several days.

Hungary's Economy Minister Janos Koka approved the release of up to 15,000 tons/day of crude oil in the next seven days from the country's strategic reserves.

The EIA reported in its latest Short Term Energy Outlook that the average household heating fuel expenditures are projected to be \$873 this winter, down from

its previous estimate of \$938 and \$948 last winter. This would be the first winter since the winter of 2001-02 in which home heating fuel expenditures are expected to decline from the prior winter. The price of WTI, which average \$66.02/barrel in 2006, is estimated to average \$64.42/barrel in 2007 and \$64.58/barrel in 2008. It reported that OPEC members' crude oil production in the fourth quarter averaged 700,000 bpd below third quarter levels. OPEC produced 28.945 million bpd in December, unchanged on the month. The ten OPEC members, excluding Iraq, produced 26.945 million bpd in December, also unchanged on the month. It reported that world oil demand is expected to increase by 1.5 million bpd to 86.3 million bpd, down from its previous estimate of 86.5 million bpd. Total world demand is expected to increase by 1.6 million bpd in 2008 to 87.9 million bpd. Meanwhile, US demand in 2006 totaled 20.61 million bpd, down from its previous estimate of 20.68 million bpd. Demand in 2007 is expected to increase to 20.89 million bpd while demand in 2008 is expected to increase to 21.19 million bpd. Gasoline demand in 2006 is expected to total 9.24 million bpd, down 10,000 bpd from its previous estimate. The EIA also reported that gasoline demand in 2007 and 2008 is expected to increase to 9.35 million bpd and 9.46 million bpd, respectively. Distillate demand, which totaled 4.19 million bpd in 2006, is expected to increase to 4.25 million bpd in 2007 and to 4.33 million bpd in 2008. In regards to inventories, distillate stocks at the end of the winter are estimated at 114

million barrels, about 6 million barrels below the level of March 2006 but still within the normal range. Total gasoline stocks are also projected to remain at or slightly above the previous 5 year average during the winter season.



The Goldman Sachs Commodity Index fell by 15% year on year by the end of December. It was the index's first fall since 2001. The GSCI was particularly vulnerable to a persistent contango structure in oil, which has wiped out returns made from rolling positions in prompt contracts into those for later delivery. The Dow Jones AIG index increased by 2.1% on the year while the Deutsche Bank Liquid Commodity Index increased by 8.1% on the year. As a result of poor returns, analysts stated that the investors in energy and commodity indices, such as the GSCI, may be selling off positions. An analyst estimated that the amount of money GSCI, which has 75% of its exposure in energy, had under management would fall from about \$50 billion to about \$30 billion. The shift in investor sentiment towards commodity indices comes as GSCI performs its annual rebalancing, increasing its energy

exposure and cutting its metals exposure.

Deutsche Bank said a sell off in commodity indices was countering bullish fundamental news and helping to push oil prices down.

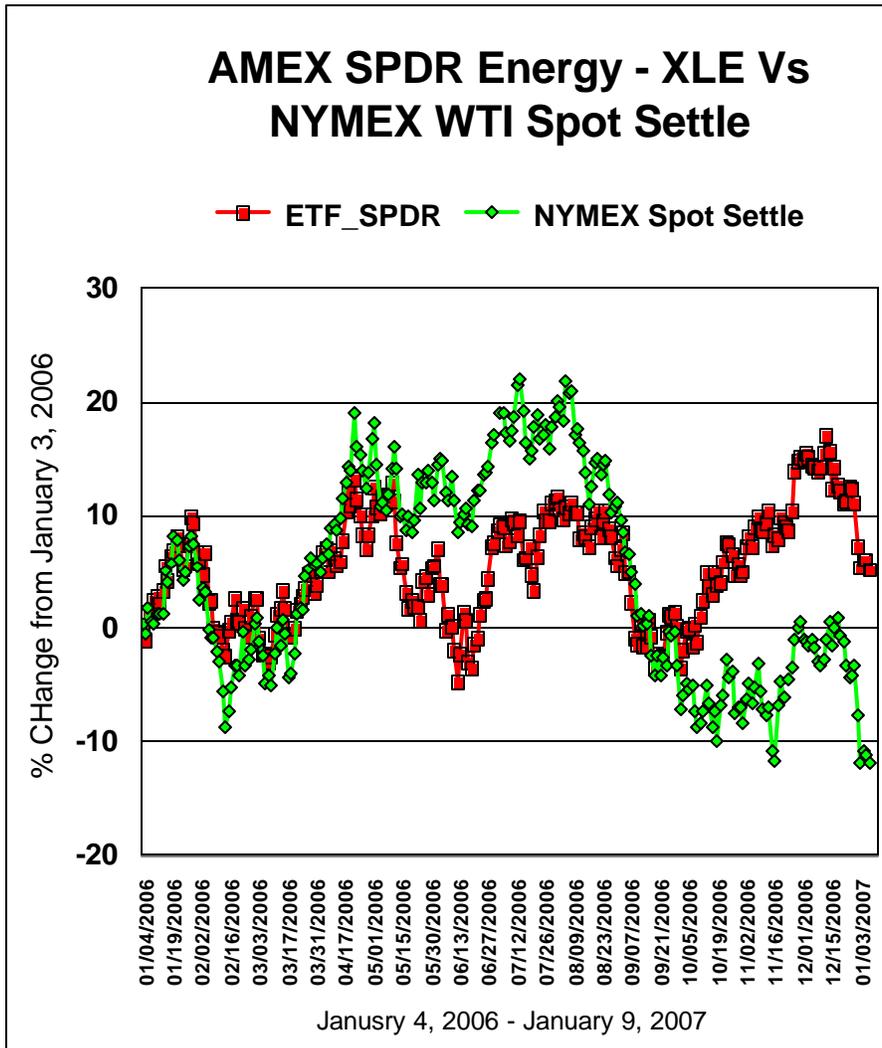
PIRA Energy Group cut its crude oil price outlook for 2007 by \$5/barrel to \$59/barrel. It noted that the relatively poor performance in 2006 of the Goldman Sachs Commodity Index and Dow Jones AIG Commodity Index. It said the WTI contract could reach \$50/barrel in the first half of the year despite what it terms relatively strong supporting factors in the medium term. It also noted that political factors were also fading as a catalyst for higher prices.

According to Dow Jones, analysts have left their outlook for crude oil prices relatively unchanged from last month. The average estimate for WTI crude in 2007 stood at \$61/barrel, down from the previous estimate of \$61.50/barrel. Meanwhile, the estimate for 2008 was unchanged at \$59/barrel. The average estimate for Brent in 2007 fell by 20 cents to \$60/barrel while the average for 2008 stood at \$58/barrel, unchanged on the month.

Refinery News

Saudi Aramco and Shell's 305,000 bpd refinery in Jubail is scheduled to shutdown for three to four weeks of scheduled maintenance. The refinery is scheduled to start the shutdown around mid-March. Saudi Aramco also plans to take offline 350,000 bpd of crude distillation capacity at its 550,000 bpd

Ras Tanura refinery from the end of April for scheduled maintenance. The turnaround would also include work on secondary units running through the second quarter of the year.



Total has purchased one shipment of crude oil via Gdansk after supplies of Russian crude oil through the Druzhba pipeline to its refineries in Leuna in Germany were halted. Total said the company's refineries continued to operate.

China's 200,000 bpd West Pacific Petrochemical Corp refinery is expected to shutdown for maintenance work from March 15 to April 30.

Japan's Cosmo Oil restarted the No. 1 crude distillation unit at its Chiba refinery a month earlier than expected on December 31.

Japanese oil companies are likely to skip imports of kerosene, jet fuel and gas oil in January for a third consecutive month due to lower demand amid the mild weather. Traders said refiners would cut fuel production and cut distillate exports by more than 90% on the year, as high temperatures

this winter so far limited opportunities to ship surplus supplies overseas. Exports of distillates are expected to total about 40,000 kl or 251,000 barrels in January compared with 576,000 kl last year.

Indonesia is expected to import 10.73 million barrels of oil products in February, up from 10.6 million barrels in January. Fuel oil imports are expected to increase to 1.11 million barrels, up from 600,000 barrels in January. However its gas oil imports are expected to fall by 3.3% to 5.8 million barrels while gasoline imports are expected to fall by 4.5% to 3.82 million barrels.

Production News

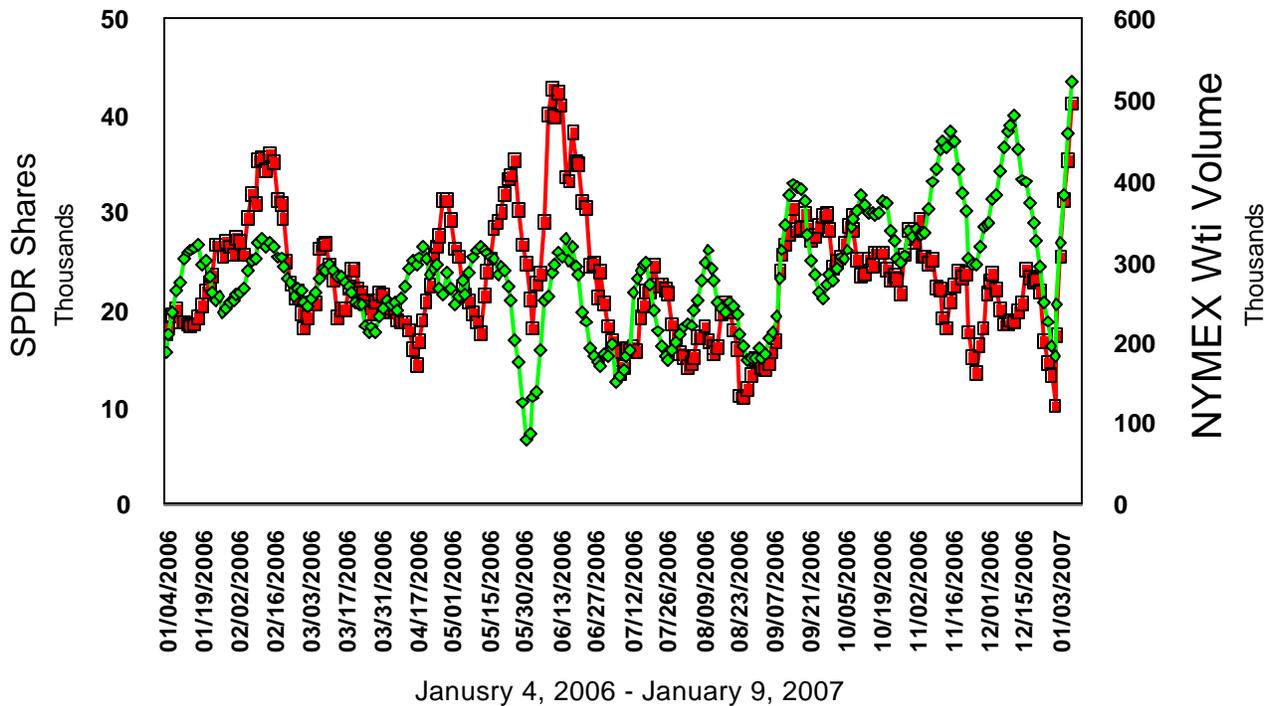
According to a Bloomberg News survey, Saudi Aramco may cut supply to Asia in February by 12%-14% below contracted volumes.

Kuwait Petroleum Corp said it would reduce its crude production by 42,000 bpd starting February 1, as part of OPEC's most recent agreement. This would follow a previous cut of 100,000, which was implemented after OPEC agreed to cut production by 1.2 million bpd from early November.

AMEX SPDR Energy - XLE Vs NYMEX WTI --Total Daily Volume

(5 Day Moving Average)

ETF_SPDR NYMEX WTI



Petrologistics reported that the ten OPEC members increased their production by 100,000 bpd in December to 27.3 million bpd. Total OPEC production, including Iraq, increased by 200,000 bpd on the month to 29.3 million bpd. The ten OPEC members agreed in October to cut their output by about 1.2 million bpd to about 26.3 million bpd.

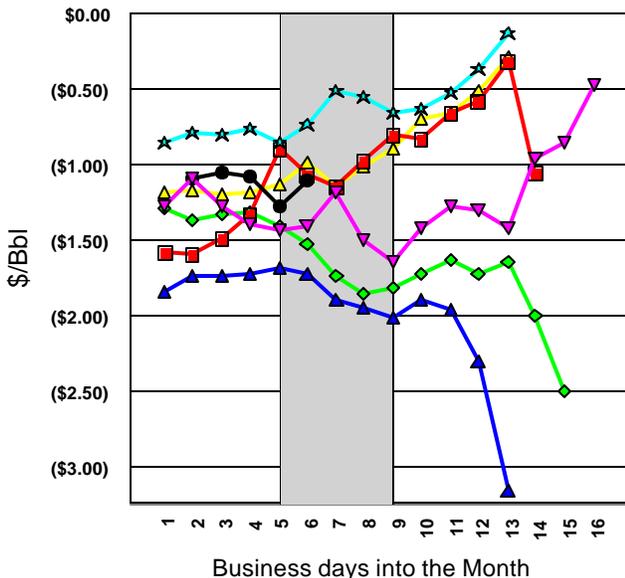
BP Plc said its production of oil and gas fell in the fourth quarter of 2006 to about 3.82 million barrels of oil equivalent/day as assets sales, natural field declines and a mild winter in the northern hemisphere outweighed the impact of new field startups.

Russia's Energy Ministry reported that the country's oil production increased to 480.481 million tons or 9.65 million bpd in January-December 2006, up 2.2% from 470.196 million tons or 9.44 million bpd last year. In December, Russia's oil production increased by 0.4% to a high of 9.79 million bpd from 9.75 million bpd in November. It also reported that oil exports via Transneft increased by 1.7% to 221.726 million tons or 4.45 million bpd in January-December 2006 from 218.095 million tons or 4.38 million bpd in 2005. In December, exports increased to 18.654 million tons or 4.41million bpd from 17.009 million tons or 4.16 million bpd in November.

China has agreed to increase purchases of Saudi crude oil in 2007 by about 44,000 bpd or 9%. It has agreed to increase medium and heavy grades to account for half of total Saudi imports this year

NYMEX WTI Front Month Spread

Basis Settlement



in light of some bearish reports. Petrologistics reported that the ten OPEC members actually increased their production in December by 100,000 bpd, reinforcing doubts over OPEC's ability to tighten supplies. The market was also pressured as some OPEC ministers stated that OPEC would wait to assess the impact of the February output cuts before making any further cuts. The market, which breached its support at 55.00, sold off as funds seemed to be adding to their net short positions. The market extended its losses to \$1.84 as it posted a low of 54.25 early in the session. The market however bounced off that level and retraced its early losses. The crude market rallied to a high of 56.20 in afternoon trading before it erased some of its gains ahead of the close. It settled down 45 cents at 55.64. Volume in the crude market remained light on the trading floor with 154,000 lots booked on the day. Open interest in the crude market continued to build by a total of 28,998 lots to 1,303,341 contracts as new shorts continued to come into the market. Open interest in the February contract fell by 3,842 lots while open interest in the March contract built by 33,960 contracts. The heating oil market ended the session relatively

compared with 40% in 2006. However it cut crude oil imports from Iran by about 6,000 bpd for 2007 or about 2% of China's 2006 contract volume.

Petroecuador said it produced 68 million barrels or 186,554 bpd of oil in 2006. It is 6.9% under the government's target. It said it expected its production to fall to 64.4 million barrels or 176,438 bpd in 2007.

OPEC's news agency reported that OPEC's basket of crudes rebounded to \$51.81/barrel on Monday from \$51.25/barrel on Friday.

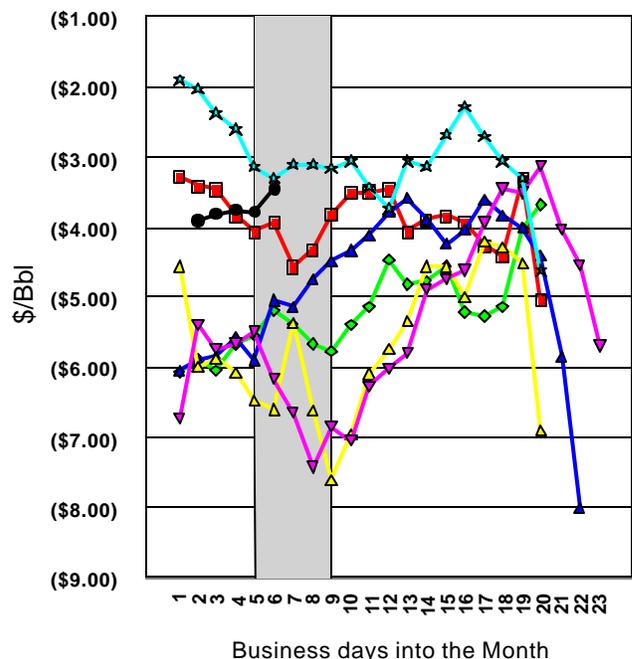
The Trans Alaska Pipeline System was restarted late Tuesday following a six-hour shutdown earlier in the day due to a minor oil leak discovered some 200 miles south of Prudhoe Bay. Some 500 gallons of crude was spilled before the line was shutdown.

Market Commentary

The oil market gapped lower from 55.10 to 54.55

NYMEX HO Front Month Spread

Basis Settlement



NYMEX Petroleum Options Most Active Strikes for January 9, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	P	55	05/17/2007	2.59	6,900	33.80
LO	4	7	P	55	03/15/2007	2.11	5,601	35.35
LO	5	7	P	50	04/17/2007	1.04	5,270	35.64
LO	3	7	P	55	02/14/2007	1.8	4,890	37.05
LO	6	7	C	60	05/17/2007	4.3	4,435	33.16
LO	12	7	P	61.5	11/13/2007	6.07	4,150	30.85
LO	12	7	C	61.5	11/13/2007	7.05	4,150	31.02
LO	6	7	P	58.5	05/17/2007	4.02	3,975	33.15
LO	6	7	C	58.5	05/17/2007	4.99	3,975	33.20
LO	5	7	C	62	04/17/2007	2.66	2,700	33.44
LO	5	7	C	58	04/17/2007	4.31	2,685	33.62
LO	6	7	P	60	05/17/2007	4.8	2,579	33.19
LO	3	7	P	49	02/14/2007	0.37	2,490	39.28
LO	4	7	P	60	03/15/2007	4.6	2,300	34.82
LO	5	7	C	65	04/17/2007	1.8	2,257	33.50
LO	4	7	C	58	03/15/2007	3.23	2,125	34.71
LO	4	7	C	64	03/15/2007	1.27	2,110	34.84
LO	4	7	P	50	03/15/2007	0.78	2,056	36.85
LO	3	7	P	60	02/14/2007	4.59	2,041	36.78
LO	2	7	P	51	01/17/2007	0.12	2,038	41.91
LO	2	7	C	56	01/17/2007	1.15	1,896	40.17
LO	2	7	P	60	01/17/2007	4.52	1,875	40.22
LO	5	7	C	70	04/17/2007	0.93	1,849	34.15
LO	3	7	C	60	02/14/2007	1.34	1,821	36.54
LO	3	7	C	65	02/14/2007	0.43	1,812	37.33
LO	3	7	P	50	02/14/2007	0.5	1,730	38.84
LO	3	7	P	53	02/14/2007	1.13	1,669	37.72
LO	12	7	P	55	11/13/2007	3.56	1,625	32.33
LO	8	7	C	60	07/17/2007	5.79	1,600	32.52
LO	8	7	P	60	07/17/2007	5	1,600	32.38
LO	2	7	C	60	01/17/2007	0.17	1,516	40.37
LO	12	11	P	62	11/16/2011	8.43	1,500	23.61
LO	12	11	C	62	11/16/2011	9.08	1,500	24.02
OB	5	7	C	1.96	04/25/2007	0.0464	180	35.95
OB	5	7	C	1.8	04/25/2007	0.0835	180	34.43
OB	8	7	P	1.72	07/26/2007	0.1335	115	29.82
OB	12	7	C	1.6	11/27/2007	0.1473	115	28.11
OH	2	7	P	1.45	01/26/2007	0.0142	100	39.22
OH	6	7	P	1.63	05/25/2007	0.1171	100	32.17
OH	6	7	C	1.63	05/25/2007	0.1319	100	32.22

recent highs of 57.25 and 57.50 to 58.15.

unchanged after it gapped lower from 154.75 to 153.00. The market quickly sold off to a low of 152.60 before it bounced off that level and retraced its early losses. The market backfilled its gap and rallied to a high of 156.80 ahead of the close as it held support above the 155.00 level. It settled down just 6 points at 155.65. Meanwhile, the RBOB market settled up 11 points at 146.96 after it bounced off its early low of 144.50 and posted a high of 149.00 in afternoon trading. Volumes in the product markets were light with 33,400 lots booked in the heating oil market and 21,400 lots booked in the RBOB market.

The oil market on Wednesday will seek further direction from the weekly petroleum stock reports. The reports are expected to show builds across the board, with builds of 1 million barrels in crude stocks and builds of 2 million barrels in each distillate and gasoline stocks. If the reports do show the builds in stocks, the market is seen testing its support at 55.00 followed by its low of 54.25. More distant support is seen at a low of 53.50. Meanwhile, resistance is seen at 56.20 followed by its

Technical levels		
	Levels	Explanation
CL Resistance 55.64, down 45 cents Support	57.25, 57.50 to 58.15, 60.05 56.20 55.35, 54.25 53.50	Previous high, Remaining gap (January 4th), Previous high Tuesday's high Tuesday's low Previous low
HO Resistance 155.65, down 6 points Support	159.50, 162.00 to 163.00 156.80 152.60 146.10, 141.60	Previous high, Remaining gap (January 3rd) Tuesday's high Tuesday's low Previous low, Basis support line
RB Resistance 146.96, up 11 points Support	149.95, 152.70 to 154.50 149.00 146.00, 144.50 141.00	Previous high, Remaining gap(January 4th) Tuesday's high Tuesday's low Previous low

