



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 19, 2007

OPEC lowered its forecast for world oil demand growth this year to 1.26 million bpd, down from last month's estimate of 1.33 million bpd. In its monthly oil report, OPEC stated that lower oil prices are expected to moderately help oil demand in North America however the warm weather in early January and slowing economic activities have curbed oil demand growth. It reported that demand for OPEC crude in 2007 would fall to 30.1 million bpd from 30.3 million bpd in 2006. The ten OPEC members produced 26.785 million bpd in December, down 111,000 bpd on the month but still above its 26.3 million bpd target. It reported that Saudi Arabia produced 61,000 bpd above its target of 8.649 million bpd. Total OPEC production stood at 30.164 million bpd in December, down from 30.296 million bpd in November. Angola, which is not yet included in output decisions, produced 1.474 million bpd in December while Iraq produced 1.905 million bpd.

Market Watch

Germany's Foreign Minister Frank-Walter Steinmeier said he had indications that Russia would consider making pledges on energy security in a broad cooperation deal. Russia and the European Union plan to start negotiating soon.

Richmond Federal Reserve Bank President Jeffrey Lacker cautioned that a large upward fluctuation in oil prices posed a risk to the US economy. He has dissented in the last four meetings against keeping interest rates steady, arguing for a 25 basis point increase in interest rates to keep inflation concerns contained.

Members of Venezuela's National Assembly have given initial approval to a measure that would allow President Hugo Chavez to enact laws by decree. His allies have stated that the proposed law is a key step in their socialist revolution while his opponents have described it as a "totalitarian" abuse of power. The measure was approved unanimously in its first reading on Thursday and is expected to win final approval next week in a second session of the legislature. If the law is approved, President Chavez is expected to introduce measures abolishing the independence of the central bank and the nationalization of Venezuela's telecommunications and electrical industries. He has previously announced that Venezuela would acquire 51% shares in foreign oil operations. The government has also been considering nationalizing the mining industry.

Representative Rosa DeLauro, chairwoman of the House Appropriations Subcommittee on Agriculture said Congress should make investments to develop ethanol and other renewable fuels. She suggested an acceleration in research of renewable energy.

The API stated that US demand for oil and oil products in December fell by 3.3% on the year to 20.778 million bpd. Gasoline consumption in December increased by 88,000 bpd or 1% to 9.384 million bpd.

while distillate consumption fell by 3.6% or 156,000 bpd to 4.183 million bpd as mild weather cut into heating demand. It also reported that December's combined imports of crude oil and petroleum products fell by 1.4% to 13.353 million bpd. Imports met 64.2% of US December oil and petroleum product demand, up from 63% a year earlier. US crude oil production in December was up 6.5% to 5.308 million bpd.

The EIA stated that the average US retail price for regular gasoline could fall close to \$2/gallon by late January or early February from the current price of \$2.23/gallon. The recent fall in oil prices has helped push gasoline prices lower. It said it takes about four to eight weeks for the fall in gasoline spot prices to be fully reflected at the pump. It also said the nearly 13 million barrel build in gasoline stocks over the last three weeks has also pressured prices.

Refinery News

In a notice filed with California's emergency management office, Big West Oil LLC reported that a fire started in a process furnace at its 66,000 bpd refinery in Bakersfield, California early Friday. The fire was extinguished within an hour.

Ukraine resumed deliveries of Russian crude via the Druzhba pipeline to central Europe on Friday after shipments were suspended due to storms on Thursday. Ukraine suspended Russian crude deliveries after high winds disrupted electricity supplies at the Karpaty pumping station. Oil supplies to Slovakia, Hungary and Czech republic were cut by 10,000 tons or 73,300 barrels following the crude delivery suspension. Ukrainian pipeline monopoly UkrTransNafta said the system was working a maximum capacity to compensate for what was lost. Russia's Transneft said Russian crude exports to Europe would not be affected by Ukraine's suspension of oil supplies via the Druzhba pipeline overnight.

Russia's main Black Sea port of Novorossiisk was closed for a second day on Friday due to high winds.

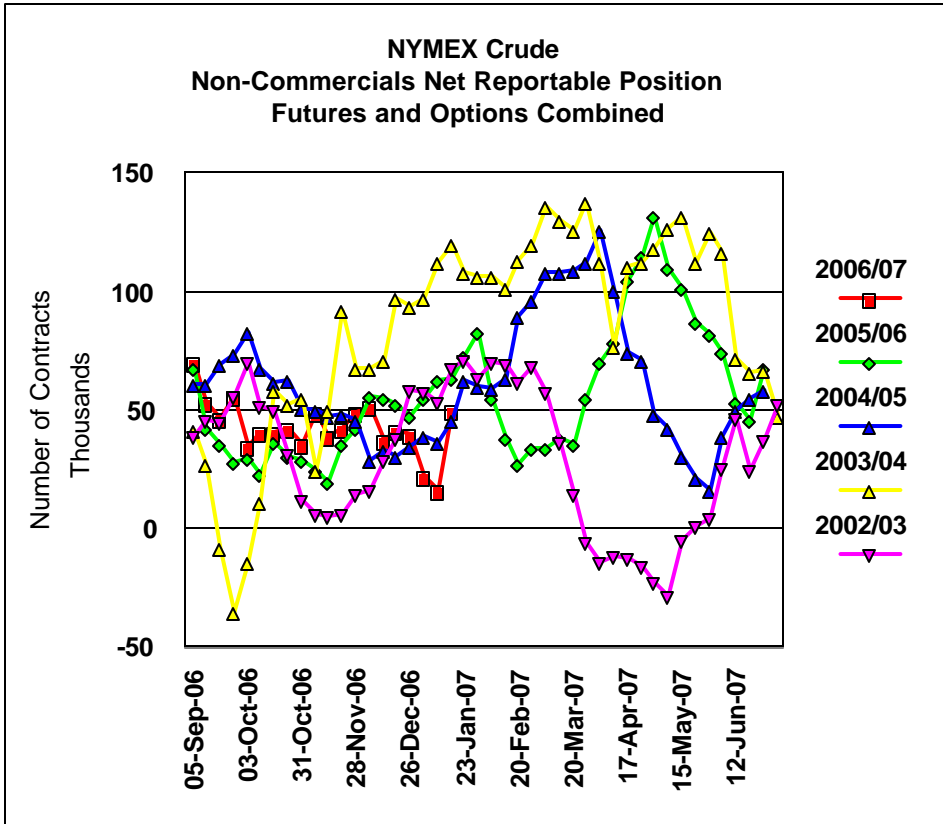
Platts reported that oil products barging activity remained disrupted in Europe due to high winds and severe swells on Thursday. The French river of Mosel, a tributary of the Rhine River, has been closed due to high water levels. ExxonMobil's barge terminal in the Amsterdam-Rotterdam-Antwerp region was reopened early Friday after it was closed for 24 hours due to the storms. Traders also reported that all oil terminals were once again open in Amsterdam and Rotterdam after they were closed at the height of the storms on Thursday. The port of Antwerp was also reopened late Thursday after strong winds forced its closure earlier in the day.

Shell's 245,000 bpd Stanlow refinery is scheduled to shutdown for scheduled maintenance between January 21 and early March.

South Korea's SK Incheon Oil Ltd said it would increase its crude processing rates to 180,000 bpd from 170,000 bpd in January. A company said it would restart its No. 1 crude unit with a capacity of 75,000 barrels in July, increasing the total capacity up to 275,000 bpd. The unit was shutdown for five years due to financial problems.

Indonesia's Pertamina said it had 23.2 days of oil products stocks. It said it would maintain oil products stock at between 21 and 23 days.

Azerbaijan's Socar has announced a tender for 600,000 barrels of Azeri Light crude for loading at the Mediterranean port of Ceyhan on February 19-21.



Production News

According to the Aberdeen Petroleum Report, UK oil production in October increased about 11% on the month to 1.457 million bpd.

Ecuador's Energy Minister Alberto Acosta said the country's oil production is expected to fall by 6% in 2007. He said ITT oilfield could have up to 1.5 billion barrels in reserves. He said Ecuador was open to private sector investment in its oil industry. He however stated that Ecuador was planning to review all oil contracts with private companies. He added that a constituent assembly, which new leftist President Rafael Correa

wants to create to reform the country's legislative framework would provide policy directions on the management of the energy sector. Ecuador's Energy Minister also stated that it has made contacts to rejoin OPEC after leaving the group more than a decade ago.

India's Oil Minister Murli Deora said India's cabinet is likely to consider next week awarding 55 new oil blocks. In September, India received 165 bids for 55 exploration blocks offered under the sixth round of its New Exploration Licensing Policy.

China's Vice Premier Zeng Peiyan said China would improve the statistics collection on energy production, circulation and consumption this year to gain a better understanding of how local

governments have been cutting energy consumption. China's Premier last March set a target of lowering China's energy

Technical levels			
		Levels	Explanation
CL	Resistance	52.35, 53.10	Double top, Previous high
		52.05	Friday's high
	Support	51.35, 50.75	Friday's low
		49.90, 49.65	Previous lows
HO	Resistance	155.20	Previous high
		151.70	Friday's high
	Support	149.00	Friday's low
		145.30, 141.50	Previous lows
RB	Resistance	141.50, 144.00	Previous highs
		140.10	Friday's high
	Support	138.50, 136.60	Friday's low
		133.60	Previous low

consumption per unit of GDP by 4% and cutting emission pollutants by 2% in 2006. While the National

NYMEX Petroleum Options Most Active Strikes for January 19, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	C	70	05/17/2007	0.65	15,962	33.56
LO	6	7	C	60	05/17/2007	2.4	8,927	32.69
LO	3	7	P	50	02/14/2007	0.96	5,410	41.31
LO	6	7	P	50	05/17/2007	1.83	5,330	34.37
LO	6	7	C	59	05/17/2007	2.71	4,300	32.62
LO	6	7	C	65	05/17/2007	1.27	3,674	33.08
LO	4	7	C	65	03/15/2007	0.44	3,523	37.39
LO	4	7	C	62	03/15/2007	0.78	3,522	36.81
LO	4	7	C	80	03/15/2007	0.02	3,408	39.89
LO	4	7	C	75	03/15/2007	0.06	3,156	39.38
LO	5	7	P	50	04/17/2007	1.62	2,712	35.34
LO	3	7	P	53	02/14/2007	2.09	2,643	40.56
LO	3	7	C	53	02/14/2007	2.48	2,568	40.42
LO	4	7	P	40	03/15/2007	0.08	2,327	41.30
LO	4	7	C	68	03/15/2007	0.24	2,208	37.84
LO	4	7	C	60	03/15/2007	1.13	2,015	36.48
LO	7	7	P	56	06/15/2007	4.28	1,991	31.97
LO	7	7	C	56	06/15/2007	4.51	1,976	32.02
LO	3	7	C	60	02/14/2007	0.45	1,825	40.93
LO	6	7	P	55	05/17/2007	3.7	1,806	32.93
LO	6	7	C	58	05/17/2007	3.06	1,401	32.62
LO	6	7	C	64	05/17/2007	1.45	1,401	33.03
LO	4	7	P	55	03/15/2007	3.41	1,400	36.53
LO	3	7	P	52.5	02/14/2007	1.86	1,322	40.68
LO	4	7	P	50	03/15/2007	1.34	1,202	37.62
LO	9	7	C	55.5	08/16/2007	5.84	1,200	30.86
LO	9	7	P	55.5	08/16/2007	4.21	1,200	30.65
LO	3	7	C	70	02/14/2007	0.03	1,158	44.89
LO	4	7	C	58	03/15/2007	1.63	1,106	36.40
LO	6	7	C	57	05/17/2007	3.46	1,100	32.74
LO	12	10	C	69	11/16/2010	5.1	1,100	21.58
LO	3	7	C	55	02/14/2007	1.6	1,040	40.26
LO	5	7	C	54	04/17/2007	4.15	1,026	34.57
LO	5	7	C	58	04/17/2007	2.42	1,005	34.04
LO	5	7	P	50.5	04/17/2007	1.77	1,000	35.20
LO	6	7	C	55	05/17/2007	4.37	1,000	32.99
LO	12	7	C	55	11/13/2007	7.45	1,000	30.35
LO	12	7	C	61	11/13/2007	4.56	1,000	28.61
OB	4	7	C	1.67	03/27/2007	0.0692	315	39.34
OB	4	7	P	1.7	03/27/2007	0.1789	300	39.95
OB	5	7	P	1.7	04/25/2007	0.1668	150	35.61
OB	5	7	C	1.7	04/25/2007	0.0783	150	35.30
OH	3	7	P	1.74	02/23/2007	0.2206	300	38.91
OH	3	7	C	1.83	02/23/2007	0.0075	200	40.61
OH	2	7	P	2.1	01/26/2007	0.5865	100	102.13
OH	2	7	P	1.77	01/26/2007	0.2567	100	51.68
OH	2	7	P	2.16	01/26/2007	0.6465	100	110.74
OH	4	7	C	1.83	03/27/2007	0.0219	100	38.30

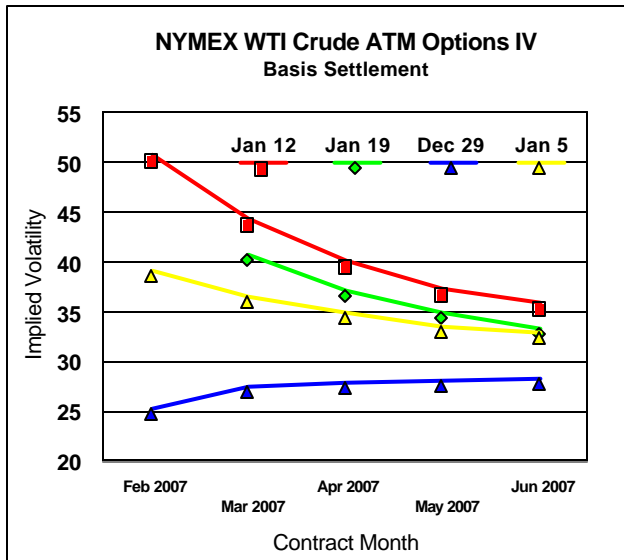
Development Reform Commission has not yet release any data on how far the country has performed in meeting the two goals, China Daily reported that the country's energy consumption per unit of GDP increased by 0.8%.

OPEC's news agency reported that OPEC's basket of crudes increased by 31 cents/barrel to \$48.23/barrel on Thursday.

Market Commentary

The crude market posted an inside trading day after it failed to breach Thursday's trading range. The market, which held its support just below the 50.00 level, opened up 27 cents at 50.75 and continued to retrace its previous losses. The market extended its gains to over \$1.57 amid some short covering ahead of the weekend. The market traded to a high of 52.05 ahead of the close and settled up \$1.51 at 51.99. Volume in the crude market was lighter with 276,802 contracts traded on the day. The heating oil market opened up 2.18 cents at 149.25 and posted a low of 149.00 early in the session. The market bounced off that level and rallied to a high of 151.70 amid the short covering. The market later settled in a sideways trading pattern. It traded back down to its low late in the session before a late bout of short covering

pushed the market back to its high on the close. The market was supported amid weather reports calling for continued below average temperatures through the remainder of the month. The RBOB market also retraced its previous losses as it opened up 1.07 cents at 136.60, its low. The market extended its gains to 4.57 cents as it traded to a high of 140.10 on short covering. The RBOB market settled in a sideways trading range and settled up 4.27 cents at 139.80. Volumes in the product markets were good with 45,231 contracts traded in the heating oil market and 25,148 contracts traded in the RBOB market.



The NYMEX crude oil options market remained active again today with over 150,000 lots traded. For the third day in a row calls outpaced puts in trader interest. While yesterday saw strong interest in the July \$70 calls, today it was in the June \$70 calls as nearly 16,000 lots traded between 60-72 cents.

The Commitment of Traders report showed that non-commercials in the crude market cut their net short position by 20,326 contracts to a net short position of 2,032 contracts in the week ending January 16. Meanwhile the combined futures and options report showed that non-commercials increased their net long position by 34,402 contracts. The non-commercials cut their net short positions as the market continued to hold support

above the 50.00 level. The non-commercials have likely continued to cut their shorts in recent days. The non-commercials in the heating oil market increased their net short position by 438 contracts to 10,837 contracts while non-commercials in the RBOB market cut their net long position by 468 contracts to 9,140 contracts.

The oil market will likely erase some of its gains posted during today's light trading session. It is seen testing its support at the 50.00 level once again ahead of the February contract's expiration on Monday. However the market's losses are seen limited as non-commercials have likely continued to cut their net short positions in recent days. The market is seen finding support at 51.35, 50.75 and its previous low of 49.90. However resistance is seen at its highs of 52.05, 52.35 and 53.10.