



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 29, 2007

Saudi Arabia's ambassador to the US, Turki al Faisal said current oil price levels are adequate to meet the requirements of producing and consuming countries. He said the fall in the price of oil was attributable to falling consumption and not as a result of a political decision by Saudi Arabia to keep oil prices low to constrain export revenues for Iran. He added that Saudi Arabia did not use its oil as a political tool.

Abu Dhabi is expected to restore full term crude supplies to Asian refiners for March, reversing a reduction in February of 3-5%. The UAE has notified at least seven refiners in Asia that it would not cut supplies for March.

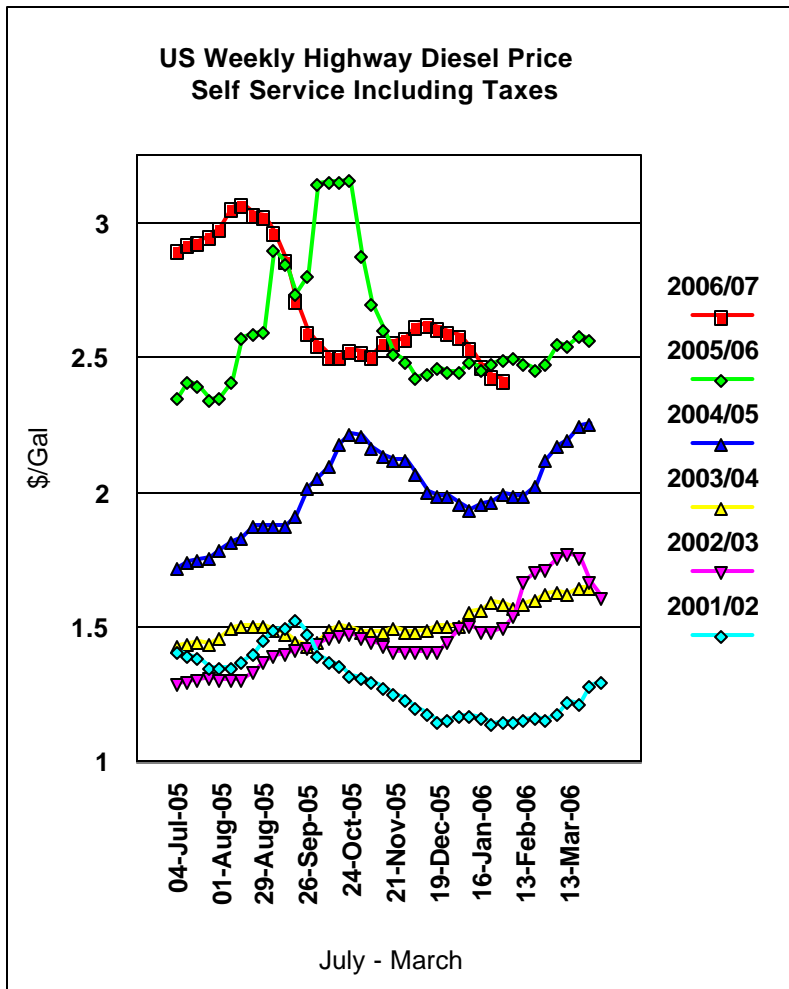
Nigeria's oil exports are expected to increase in March, raising doubts about its intention to cut production next month. Nigeria is scheduled to load 2.21 million bpd, up from 1.8 million bpd in February. Traders attributed the increase to a backlog in crude exports after militant attacks last month caused the temporary shutdown of Nigeria's Brass River and Okono oilfields. Traders said the closure of the country's three domestic refineries could also be contributing to the increase in crude exports.

The Movement for the Emancipation of the Niger Delta fought a gunbattle with Nigerian security forces in Port Harcourt to free one of its leaders. Fighters armed with machine guns, grenades and assault rifles attacked troops and police who fought back with helicopter gunships and an armored personnel carrier.

Market Watch

Nigerian oil unions are considering calling an indefinite strike starting next week to protest against insecurity in the Niger Delta. The blue collar NUPENG union is scheduled to meet on February 5 to fix a day for the proposed strike. Meanwhile, Nigeria's Energy Minister Edmund Daukoru is expected to hold talks with union leaders on Tuesday try to resolve outstanding industry problems.

ExxonMobil's senior vice president Stuart McGill said no viable, meaningful business proposition exists for Exxon in ethanol. He said Exxon believed that for ethanol to play a more significant role on a larger scale that technological advances are needed on cellulosic ethanol. Skeptics have stated that ethanol would never become a significant part of energy use in the US because the country cannot produce enough corn. Based on current use, reaching President George W. Bush's 2017 goal would require more than 12.5 billion bushels of corn, more than the country's harvest last year.



The EIA reported that the US average retail price of diesel fell by 1.7 cents/gallon to \$2.413/gallon in the week ending January 29. It also reported that the US average retail price of gasoline was unchanged at \$2.165/gallon on the week.

Refinery News

According to a notice filed with the Texas Commission on Environmental Quality, safety valves were releasing hydrocarbons in complex 2 of Valero's 214,000 bpd Texas City, Texas refinery ahead of a fire on Sunday. The fire led to the shutdown of its 83,000 bpd fluid catalytic cracking unit.

Royal Dutch Shell said it was selling its Los Angeles refinery and related assets to Tesoro Corp as the oil major further reduces its exposure to the refining industry. The deal also includes 250 service stations in Los Angeles and San Diego as well as supply agreements. Tesoro expects to complete the deal in the second quarter of 2007. Tesoro Corp said it planned to increase the crude throughput capacity of the Los Angeles

refinery by 21,000 bpd by 2011.

India's Essar Oil said its refinery in the western state of Gujarat resumed operations following the addition of new units during a planned 10 day shutdown. During the shutdown, it integrated a 1.36 million ton/year naphtha hydrotreater and 900,000 ton crude catalytic reformer with its existing units. The refinery has been operating at 150,000 bpd and is expected to operate at its full capacity of 210,000 bpd by the end of March.

ExxonMobil Corp restored runs at its Singapore refinery to normal as primary margins turned positive, after cutting production by 8-10% in August. It resumed operations at its 605,000 bpd refinery to typical levels of 93-94% of capacity around the second half of December.

South Korea's five refiners are expected to cut crude runs by a net 20,000 bpd in February to 2.41 million bpd from January, despite a recent recovery in refining margins.

The passage of vessels longer than 200 meters or 656 feet was suspended through Turkey's Bosphorus Strait on Monday due to poor weather conditions. Round trip delays on the Dardanelles and Bosphorus totaled an estimated 19-24 days. The Gulf Agency Company said 21 tankers were waiting to cross the Bosphorus and 42 were waiting to cross the Dardanelles.

China's National Development and Reform Commission said it started operating its first strategic oil reserve. It did not elaborate on the whether the filling of the reserve had been completed or the state of reserves operations. Separately, the National Development and Reform Commission said China would consider its domestic oil supplies and consumer purchasing power when setting refined oil prices under a new system designed to link them with world crude markets.

Production News

Orinoco crude upgrader Cerro Negro is in talks with PDVSA over Venezuela's push to take state control over the project. Venezuela's President Hugo Chavez has promised PDVSA would take at least a 60% stake in four Orinoco projects, which have a production capacity of about 600,000 bpd as part of a broad nationalization push. Separately, a group of Venezuelan unions said Venezuelan oil workers could take over Orinoco heavy crude installations amid a nationalization push.

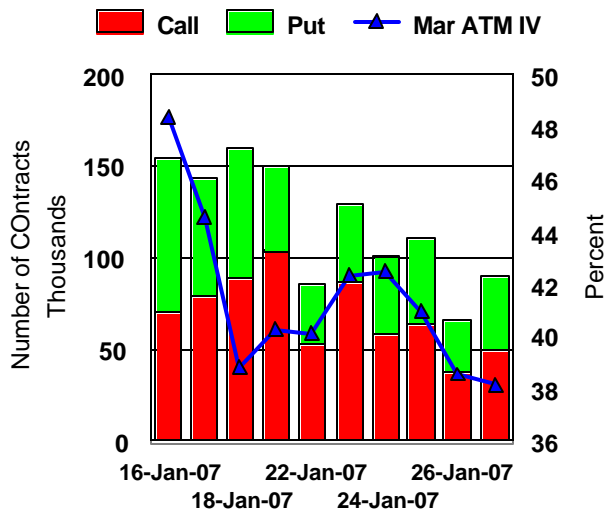
Azerbaijan's Socar announced a tender for 1 million barrels of Azeri Light crude for loading at the Mediterranean port of Ceyhan on February 28 to March 2.

OPEC's news agency reported that OPEC's basket of crudes fell to \$50.95/barrel on Friday from a revised level of

NYMEX Petroleum Options Most Active Strikes for January 29, 2007

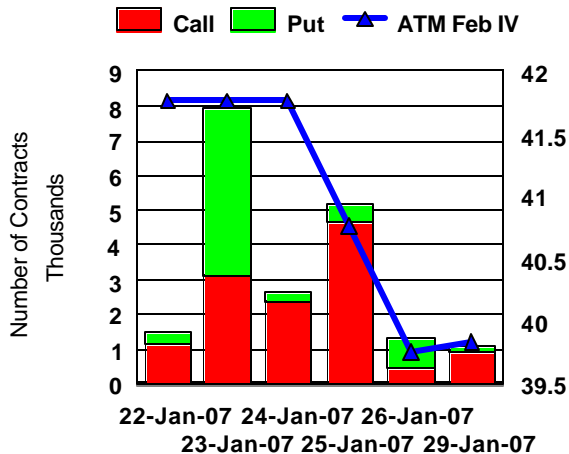
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO		3	7 C	55	02/14/2007	1.28	4,275	38.12
LO		9	7 P	50	08/16/2007	2.08	3,600	32.33
LO		9	7 C	65	08/16/2007	2.5	3,450	30.76
LO		12	7 C	100	11/13/2007	0.21	2,700	31.26
LO		6	7 P	45	05/17/2007	0.69	2,672	37.18
LO		7	7 P	56	06/15/2007	4.06	2,300	32.85
LO		5	7 C	65	04/17/2007	0.87	2,200	35.61
LO		5	7 C	75	04/17/2007	0.18	2,097	37.39
LO		4	7 P	45	03/15/2007	0.24	1,978	39.48
LO		4	7 C	61	03/15/2007	0.82	1,922	36.51
LO		5	7 P	50	04/17/2007	1.4	1,769	36.12
LO		4	7 C	60	03/15/2007	1.01	1,751	36.37
LO		4	7 C	80	03/15/2007	0.01	1,701	40.07
LO		4	7 C	75	03/15/2007	0.03	1,700	38.64
LO		7	7 C	59	06/15/2007	3.43	1,650	32.61
LO		3	7 C	53	02/14/2007	2.26	1,575	38.41
LO		3	7 C	60	02/14/2007	0.2	1,464	38.20
LO		12	7 P	50	11/13/2007	2.35	1,425	30.59
LO		4	7 P	55	03/15/2007	2.88	1,400	36.34
LO		12	7 P	55	11/13/2007	4.06	1,376	29.90
LO		3	7 P	54	02/14/2007	1.71	1,371	38.16
LO		3	7 P	77.5	02/14/2007	23.49	1,250	83.86
LO		3	7 P	80	02/14/2007	25.99	1,250	91.27
LO		4	7 P	61	03/15/2007	7.02	1,200	37.06
LO		5	7 C	62	04/17/2007	1.37	1,150	35.08
LO		3	7 P	51	02/14/2007	0.61	1,097	39.07
LO		4	7 C	66	03/15/2007	0.27	1,064	37.28
LO		7	7 C	60	06/15/2007	3.06	1,050	32.50
LO		6	7 C	63	05/17/2007	1.72	1,007	33.86
LO		4	7 C	67	03/15/2007	0.22	1,006	37.68
LO		4	7 C	70	03/15/2007	0.11	1,002	38.27
LO		4	7 P	40	03/15/2007	0.04	1,000	41.92
OB		5	7 C	1.9	04/25/2007	0.0356	303	37.07
OB		6	7 C	1.78	05/25/2007	0.0731	68	32.57
OB		6	7 C	1.74	05/25/2007	0.0851	54	32.22
OH		3	7 P	1.35	02/23/2007	0.0053	248	38.91
OH		3	7 P	1.42	02/23/2007	0.0145	200	38.53
OH		3	7 C	1.85	02/23/2007	0.004	175	40.61
OH		3	7 C	1.75	02/23/2007	0.0112	175	39.76
OH		3	7 P	1.4	02/23/2007	0.0111	103	38.45
OH		3	7 P	1.5	02/23/2007	0.0362	100	38.11
OH		3	7 C	1.72	02/23/2007	0.0149	100	39.38
OH		3	7 C	1.6	02/23/2007	0.0436	51	38.22
OH		6	7 C	1.7	05/25/2007	0.0758	50	34.95
OH		7	7 P	1.5	06/26/2007	0.0872	50	33.99
OH		7	7 P	1.6	06/26/2007	0.1329	50	33.65

NYMEX WTI Option Volume Vs March ATM IV



ed that oil prices were adequate to meet the requirements of producing and consuming countries. His comments likely deflated any hope that Saudi Arabia would cut production further. The market sold off to a low of 53.75 and retraced some of its losses before settling down \$1.41 at 54.01. Crude volume was better with 218,329 lots booked on Globex during the open outcry session. Meanwhile, the heating oil market continued to trade within Thursday's trading range. The market traded to 157.45 early in the session and quickly rallied to a high of 159.20. However the market gave up its gains and sold off sharply to a low of 154.70 as it extended its losses to

NYMEX RBOB Options Daily Traded Volume Vs ATM IV



\$51.18/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.97/barrel to an average of \$50.42/barrel in the week ending January 26.

Market Commentary

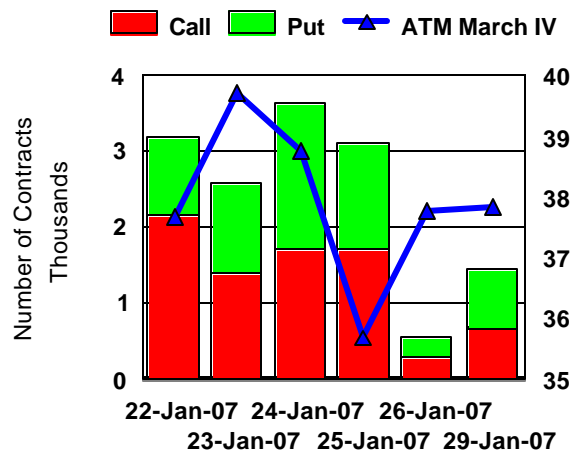
The oil market retraced some of Friday's gains as it opened down 57 cents at 54.85 on profit taking. The market was also pressured as reports of Nigeria's and the UAE's crude oil exports for March raised doubts that they would cut their production as expected. The market traded to 54.60, where it found some support as it rallied to a high of 55.40. However as the market failed to test its previous high, the market retraced its gains and sold off back below the 54.50 level. The oil market sold off even further ahead of the close in light of comments made by Saudi Arabia's ambassador to the US, who stat

4.44 cents ahead

of the close. It settled down 4.25 cents at 154.89. Meanwhile, the RBOB market also settled down 4.24 cents at 144.10 after the market sold off to a low of 144.00 ahead of the close as it continued to trade within Thursday's trading range. Volumes in the product markets were better with 41,312 contracts booked in the heating oil market and 22,384 contracts booked in the RBOB market.

The oil market is seen remaining headline driven as the market seeks further direction on whether OPEC would cut its production further. However given Saudi Arabia's comments, it is unlikely that OPEC would decide on a further output cut, limiting the market's gains. The market is seen finding resistance at 54.80

NYMEX Heat Options Daily Traded Volume Vs ATM IV



and its high of 55.40 followed by 55.52 and 55.90. The market is however seen finding support at its low of 53.75 followed by 53.70, 53.55 and 53.00.

Technical levels		
	Levels	Explanation
CL 54.01, down 1.41 cents	Resistance 55.52, 55.90, 55.95, 57.05 54.80, 55.40	Previous highs Monday's high
	Support 53.75 53.70, 53.55, 53.00	Monday's low Previous low, 50%, 62%(51.20 and 55.90)
HO 154.89, down 4.25 cents	Resistance 159.40, 160.00, 162.00 to 164.00 157.25, 159.20	Previous highs, Remaining gap (January 3) Monday's high
	Support 154.70 154.20, 153.00	Double bottom Previous lows
RB 144.10, down 4.24 cents	Resistance 148.50, 150.00 147.00	Previous highs Monday's high
	Support 144.00 143.10, 141.00, 140.10	Monday's low Previous lows