



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 1, 2007

Venezuela's Energy Minister Rafael Ramirez said OPEC's output cuts have helped support oil prices. He insisted that Venezuela was complying with the agreed output cuts. In regards to Venezuela's Orinoco heavy crude projects, he said Venezuela would complete its takeover of the projects run by foreign companies within months. He said Venezuela would seize control of the Orinoco oil projects if the foreign oil companies fail to reach an agreement with the government over their nationalization by a May 1 deadline. Meanwhile, Venezuela's President Hugo Chavez said \$50/barrel was a fair price for oil. He also stated that Venezuela's nationalization would be limited to strategic areas and added that Venezuela is expected to have a 60% stake of the Orinoco heavy crude projects by May 1. In response, the US Energy Department said Venezuela's plan to takeover controlling stakes in the Orinoco projects was a disturbing trend that could harm the country's economy.

Market Watch

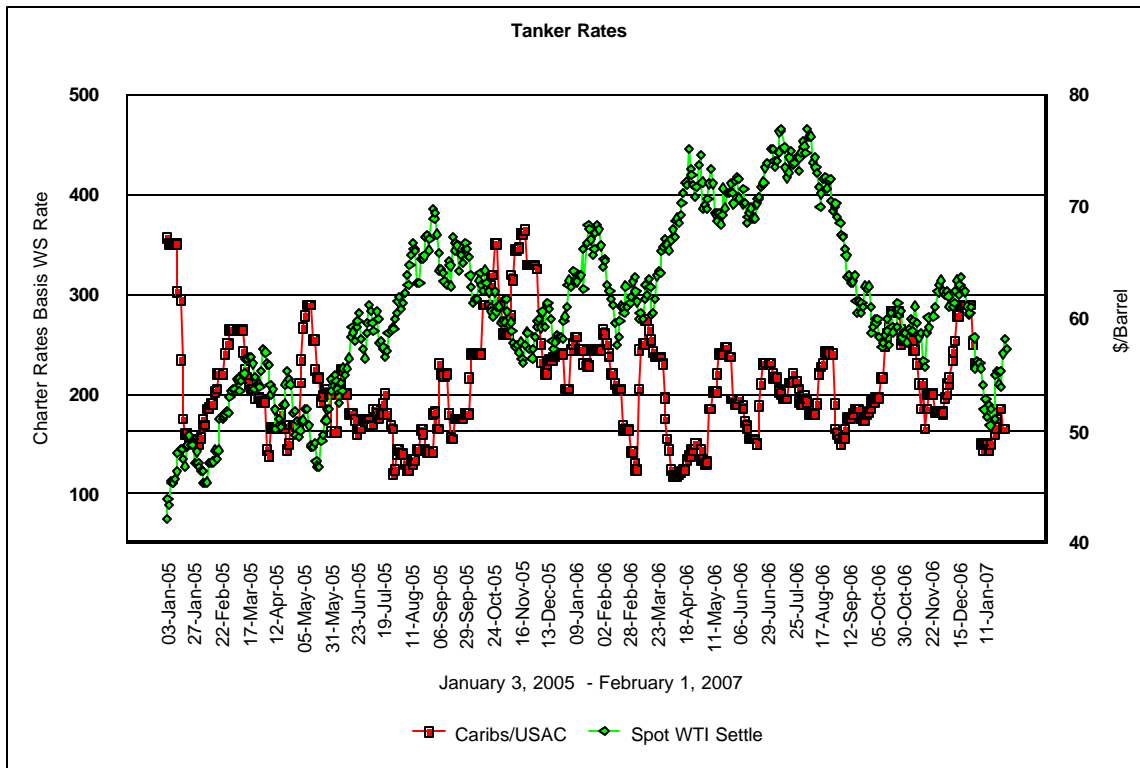
The head of Nigeria's white collar Pengassan oil union said a Nigerian oil worker who was kidnapped in the Niger Delta has died. He did not give any further details. He was addressing a meeting with labor ministry officials to discuss the violence in the delta, where 38 foreign workers were being held hostage by different armed groups. Union leaders said their members in the delta may stage a work stoppage over the lack of security starting Monday, although it remained unclear whether a strike would be called formally.

The NYMEX set daily volume records for natural gas, heating oil and RBOB gasoline futures on the CME Globex electronic trading platform on Wednesday. Natural gas futures reached a record 137,562 contracts, exceeding the 130,627 contracts traded on January 30 while heating oil futures volume totaled 72,676 contracts, surpassing the 63,577 contracts traded on January 12. RBOB gasoline futures traded 52,032 contracts, surpassing the 49,969 contracts traded on January 9.

US Undersecretary of State Nicholas Burns said Iranian agents were transferring explosive technology to Shi'ite militias, who use it to target US soldiers.

DEBKAFfile reported that the first commander of the Revolutionary Guards, Mohsein Rezai, said that the US would not start with a large scale attack against Iran but would start military raids against RG bases in Iran. The opposition Mujaheddin al Khalq are reportedly being trained to take part in these operations.

According to Oil Movements, OPEC's exports are expected to fall by 50,000 bpd in the four weeks ending February 17 to 24.49 million bpd compared with 24.54 million bpd in the four weeks ending



January 20. An analyst said OPEC has cut 600,000 bpd out of its 1.2 million bpd cut. He reiterated that there were few concrete signs OPEC members were implementing a second agreement reached in December to cut

production by an additional 500,000 bpd, effective February 1.

Russia's President Vladimir Putin denied claims that Russia was using its energy resources as a lever to put pressure on other countries. He said Russia's price increases for energy exports were driven by necessary market adjustments. Separately he warned Greece and Bulgaria that they need to speed up negotiations on a long delayed Balkan oil pipeline or Russia may find export routes elsewhere. The project was planned to bring cheaper Russian crude to the Mediterranean, bypassing Turkey's Bosphorus Straits. The pipeline is expected to pump up to 200,000 bpd of oil from Bulgaria's Black Sea port of Burgas to the Greek port of Alexandroupolis on the Aegean Sea.

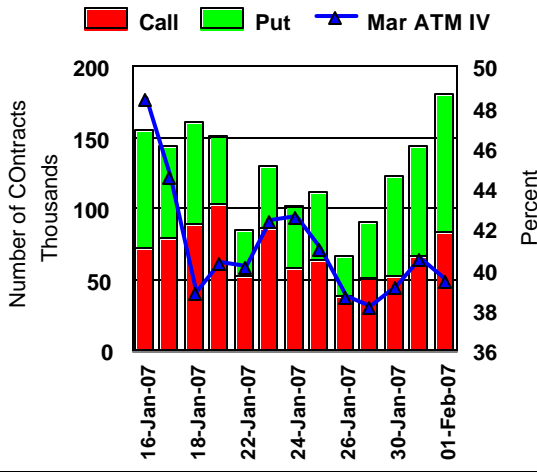
Refinery News

ExxonMobil Corp restored a delayed coking unit to normal operations on Wednesday at its 563,000 bpd refinery in Baytown, Texas after a compressor tripped offline. The compressor upset lasted for about 15 minutes.

Valero Energy Corp said it started planned work on the 45,000 bpd hydrocracker at its 325,000 bpd refinery in Port Arthur, Texas. The work on the unit is expected to take about 40 days. It also started work on a 55,000 bpd fluid catalytic cracking unit at its 170,000 bpd McKee refinery in Sunray, Texas. It is expected to shutdown the cat feed hydrotreater at its 90,000 bpd refinery in Ardmore, Oklahoma to change the catalyst. The unit would continue to run but at reduced rates. Work is expected to start in mid-February and last 30 days.

Valero Energy Corp said that crude oil throughput at its Gulf Coast refineries would total between 1.55 million and 1.6 million bpd in the first quarter of 2007. Separately, Valero said it was considering the possible sale of its 147,000 bpd refinery in Lima, Ohio. Valero's chief executive Bill Klesse said the company has not found it profitable to convert the refinery to process Canadian synthetic oil from bitumen. The company also said today that ethanol blending with gasoline in the U.S. is not ready to move beyond areas where it is mandated or its corn feedstock is locally grown, due to the lack of

NYMEX WTI Option Volume Vs March ATM IV



infrastructure. The company also noted that high corn prices combined with ethanol's low Btu value make it unattractive to blend and that most blenders do not want to move beyond 10% in their gasoline.

BP Plc said its 460,000 bpd Texas City, Texas refinery, which has been operating at 250,000-260,000 bpd following an explosion in March 2005, is expected to return to full operations by the end of 2007.

Marathon Oil Co said it would proceed with its planned expansion of its 245,000 bpd Garyville, Louisiana refinery. The company has been reviewing forecasts of world gasoline supply and demand in the 2017-2020 period when President George W. Bush has said the US market should be using 35 billion gallons of renewable fuels annually.

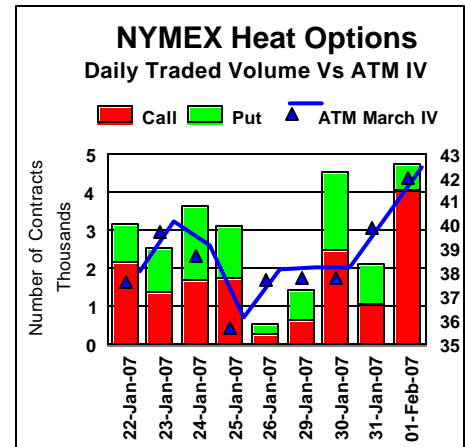
ExxonMobil said it was experiencing loading delays at its

246,000 bpd Antwerp refinery due to maintenance work and extra shipments at the end of January.

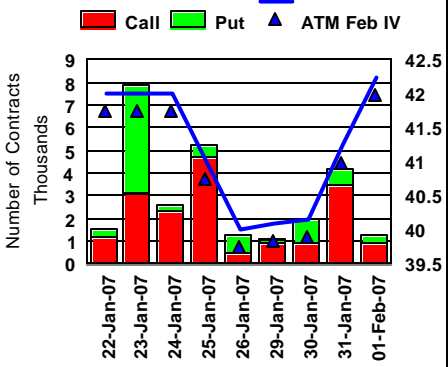
Tupras said there was a small explosion at its 252,000 bpd Izmit refinery on Thursday. It said an empty storage tank was damaged in the blast.

Essar Oil's refinery operations were not affected by a fire, which killed four workers and injured 19 others. The fire broke out in a pipeline that links the refinery to a jetty.

Iraq's oil exports fell in January to 1.29 million bpd, the lowest level in a year after maintenance and bad weather cut shipments from the country's main terminal. Its exports were down from 1.44 million bpd in December.



NYMEX RBOB Options Daily Traded Volume Vs ATM IV



China's crude imports into its Ningbo port increased by 15% on the month in January to 3.852 million tons or 28.12 million barrels. China accelerated its strategic oil stock building in December, importing about 12.4 million barrels for its emergency tanks as it took advantage of a fall in oil prices and may have continued in January as prices fell further.

China's gasoline exports for January lifting increased by about 55% on the month to 500,000 tons from 350,000 tons in December.

The Caspian Pipeline Consortium said its exports fell by 5.3% on the month in January to 629,885 bpd.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.276 million barrels to 10.366 million barrels in the week ending January 31. It also reported that light distillate

stocks built by 339,000 barrels to 8.949 million barrels while middle distillate stocks built by 184,000 barrels to 7.974 million barrels.

Singapore's Chemoil Energy Ltd is expected to double its oil storage capacity with the purchase of a Very Large Crude Carrier to be used as floating storage. The 275,000 ton VLCC is expected to be operational by the end of March off Malaysia's Tanjong Pelepas port, bringing Chemoil's total storage capacity to about 320,000 tons from 125,000 tons.

Production News

BP Plc said its 200,000 bpd Atlantis oilfield in the Gulf of Mexico would start producing in the middle of the year. It also stated that the Thunder Horse oilfield is on track and would start production in mid-2008.

Managing director of the National Iranian Oil Co, Ghoamhossein Nozari said Iran pumped 4.04 million bpd of crude in January, more than 300,000 bpd above its OPEC production target. He said Iran exported 2.35-2.4 million bpd in January. He dismissed the threat of US pressure on overseas oil companies seeking to invest in the country, saying interest in the country remained strong.

He was in Vienna to promote a tender for oil and gas exploration rights to 17 onshore and offshore blocks. He said Iran was seeking to increase its production to 5.3 million bpd by 2015 from 4.317

NYMEX Petroleum Options Most Active Strikes for February 1, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	C	80	05/17/2007	0.46	9,302	38.49
LO	12	7	P	60	11/13/2007	5.47	5,862	31.48
LO	10	7	C	62	09/17/2007	5.65	5,750	32.52
LO	6	7	C	70	05/17/2007	1.41	5,187	36.89
LO	10	7	C	63	09/17/2007	5.23	4,900	32.40
LO	10	7	P	50	09/17/2007	1.77	4,900	33.53
LO	5	7	P	50	04/17/2007	0.94	4,872	39.26
LO	6	7	P	55	05/17/2007	2.62	4,650	37.14
LO	12	7	P	50	11/13/2007	1.94	4,427	32.25
LO	5	7	P	56	04/17/2007	2.65	4,350	37.80
LO	12	8	P	50	11/17/2008	2.77	4,200	26.96
LO	9	7	P	55	08/16/2007	3.14	3,600	33.98
LO	3	7	P	52	02/14/2007	0.22	3,583	41.48
LO	6	7	C	68	05/17/2007	1.77	3,550	36.67
LO	3	7	C	60	02/14/2007	0.71	3,035	39.39
LO	9	7	P	60	08/16/2007	5.25	3,000	33.46
LO	6	8	P	40	05/15/2008	0.65	2,600	29.94
LO	4	7	C	65	03/15/2007	0.83	2,533	38.28
LO	4	7	P	58	03/15/2007	2.94	2,507	37.95
LO	3	7	P	58	02/14/2007	2.08	2,488	39.48
LO	3	7	P	50	02/14/2007	0.08	2,487	42.66
LO	3	7	C	62	02/14/2007	0.33	2,476	39.49
LO	6	7	C	60	05/17/2007	4.22	2,421	36.28
LO	3	7	P	77.5	02/14/2007	20.2	2,350	75.42
LO	6	7	P	60	05/17/2007	4.84	2,311	36.32
LO	3	7	C	59	02/14/2007	1.01	2,128	39.57
LO	9	7	C	70	08/16/2007	2.64	2,110	33.09
LO	5	7	P	55	04/17/2007	2.27	2,100	37.97
LO	5	7	C	65	04/17/2007	1.74	1,968	37.34
LO	7	7	C	61	06/15/2007	4.49	1,750	35.31
OB	6	7	P	1.68	05/25/2007	0.1017	150	33.16
OB	9	7	C	2	08/28/2007	0.0794	118	33.72
OB	9	7	P	1.6	08/28/2007	0.0999	100	32.18
OH	4	7	C	1.69	03/27/2007	0.0852	1,211	39.22
OH	3	7	C	1.69	02/23/2007	0.0546	710	42.30
OH	3	7	C	2.05	02/23/2007	0.0024	379	45.83
OH	6	7	P	1.5	05/25/2007	0.0565	250	35.22
OH	6	7	C	1.9	05/25/2007	0.0516	250	35.49
OH	3	7	C	1.7	02/23/2007	0.0508	216	42.37
OH	3	7	C	2	02/23/2007	0.0039	205	45.37
OH	3	7	C	1.75	02/23/2007	0.0349	200	42.91
OH	3	7	C	1.62	02/23/2007	0.0886	200	42.22
OH	5	7	C	1.79	04/25/2007	0.0648	180	36.80
OH	6	7	P	1.59	05/25/2007	0.0893	150	34.88
OH	3	7	P	1.58	02/23/2007	0.0348	100	42.37
OH	3	7	C	1.8	02/23/2007	0.0233	100	43.37
OH	3	7	P	1.68	02/23/2007	0.0797	100	42.22

million bpd in 2005. Separately, the head of the National Iranian Oil Co said oil production from Iran's Darkhovin field would increase by 100,000 bpd to 160,000 bpd by the end of 2007, a year later than planned. He said the NIOC was negotiating with Eni on a possible third phase of development at the field, which may add a further 140,000 bpd to the field's output. Another delayed project is due to come on line in September 2007.

Royal Dutch Shell said a recovery in its oil output in Nigeria following militant attacks would be slower than expected. It said production was 191,000 barrels of oil equivalent/day lower in the fourth quarter than a year earlier. Shell also stated that substantial volumes would remain shut in 2007. Its Forcados and EA oilfields have been shut following militant attacks, cutting 477,000 bpd of its production. Shell estimated its total oil and gas output in 2007 would total between 3.3 million boe/d and 3.5 million boe/d in the event that Nigeria's volumes remain deferred for the rest of the year.

Consulting firm, Wood MacKenzie estimated total reserves in the US Gulf of Mexico at 1.5 billion barrels of oil equivalent. Two major discoveries by BP Plc at Kaskida and a third by Amerada Hess at Pony account for half the reserves discovered during the year.

Russia's Energy Ministry said it cut its oil output growth forecast for 2007 to 2.1% from its previous estimate of 2.5%. Russia's crude oil production is expected to increase to 490 million tons or 9.84 million barrels from 480 million tons produced last year.

Mexico's Energy Minister, Georgina Kessel said the government was seeking alliances with foreign firms to help Pemex explore new oil deposits to increase declining reserves. Meanwhile, the head of exploration and production at Pemex, Carlos Morales said the company aimed to maintain total crude production above 3 million bpd until 2015, despite declining yields at its Cantarell oilfield.

OPEC's news agency reported that OPEC's basket of crudes increased to \$52.52/barrel on Wednesday from \$50.72/barrel on Tuesday.

Market Commentary

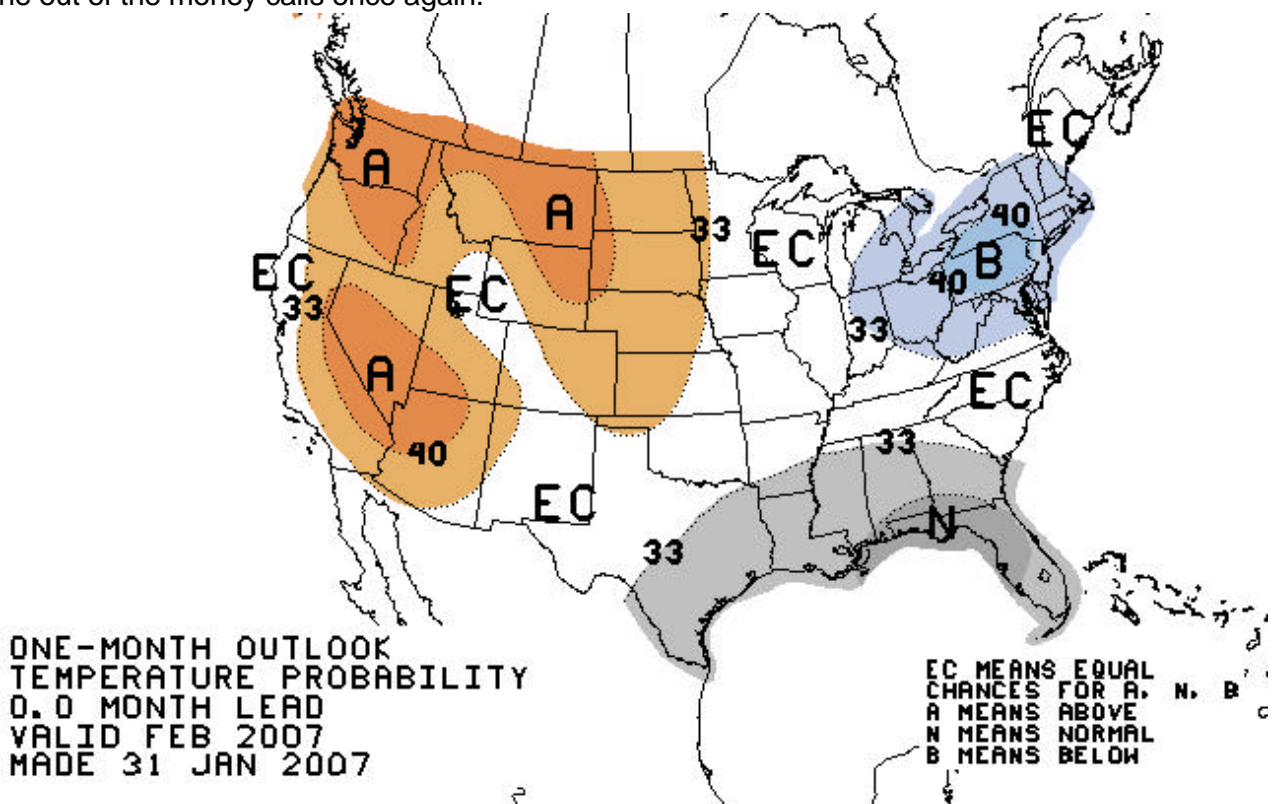
The oil market ended the session in negative territory after it failed to sustain its early gains. The crude market opened unchanged at 58.15 and traded to 58.40 as it continued to trend higher following Wednesday's late gains. The market was supported by the weather forecasts still calling for colder temperatures. Accuweather stated that temperatures in the Northeast and Midwest would remain below normal for the next 10 days while DTN Metrologix said heating demand in the Northeast would average

near or above normal during the next five days. The market however erased its gains and sold off to a low of 57.10 amid the sharp losses seen in the

Technical levels			
		Levels	Explanation
CL	Resistance	60.00, 61.20	Previous high
		58.85 to 59.30	Remaining gap (January 8)
	Support	57.10	Thursday's low
		55.75, 54.45	Previous lows
HO	Resistance	170.80, 175.05	Previous highs
		170.00	Thursday's high
	Support	165.50, 165.30	Thursday's low
		161.80, 157.10, 155.55	Previous lows
RB	Resistance	156.80, 159.24, 163.25	Previous high, Backfills gap, Previous high
		156.00	Thursday's high
	Support	151.00	Thursday's low
		148.25, 147.10	Previous lows

natural gas market following the release of the natural gas storage report, which showed a draw of 186 bcf. The oil market later bounced off its low and rallied to a high of 58.85 before it retraced its gains once again on profit taking. The market, which failed to sustain its gains and fully backfill a gap created in early January, traded back towards its low and settled down 84 cents at 57.30. Volume in the crude market was good with 287,767 lots booked during the open outcry session. The heating oil market, which also continued to trade higher early in the session, erased its gains and sold off to a low of 165.30 amid the sell off in the natural gas market. The heating oil market later bounced off its low and posted a high of 170.00 before a late bout of selling pushed the market back towards its low. It settled down 2.49 cents at 165.89. The RBOB market also settled down 2.71 cents at 152.53 after it traded off its high of 156.00. Volumes in the product markets were light with 45,881 lots booked in the heating oil market and 29,094 lots booked in the RBOB market.

For the second day in a row the most active strike in the crude oil options market was the June 2007 \$80 call. Today over 9,300 lots changed hands between 40 and 48 cents, as the bulls seemed to seek out the out of the money calls once again.



The oil market is seen retracing its gains further early on Friday. However its losses are seen limited ahead of the weekend. The market will remain headline driven as the market seeks further information on whether OPEC members were complying with their second output cuts that became effective today. The market is seen finding support at 57.10 followed by 55.75 and 54.45. Meanwhile resistance is seen at its remaining gap from 58.85 to 59.30 followed by the 60.00 level. More distant resistance is seen at a previous high of 61.20.