



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 5, 2007

Algeria's Energy and Mines Minister Chakib Khelil said all OPEC members have implemented their share of the 500,000 bpd cut starting February 1. He however stated that prices could ease slightly if demand declined by 2 million bpd in the second quarter. Meanwhile, Qatar's Energy Minister Abdullah bin Hamad al-Attiyah said the oil market was now stabilized. However he said OPEC would wait until March to gauge the impact of an output cut implemented on February 1 before deciding on any further action. Iran's Oil Minister Kazem Vaziri-Hamaneh said OPEC's 500,000 bpd output cut from February 1 was expected to push crude prices higher. Separately, Nigeria's Oil Minister Edmund Daukoru said he was pleased with the recent increase in oil prices and that OPEC would likely keep output unchanged at its March

Market Watch

Meteorologix said temperatures in the Northeast US are expected to remain well below normal for the next five days. Forecasters said the cold weather in the Midwest and the Northeast could remain for several more days. Accuweather said there may be another cold blast of colder air coming later this week or early next week. Meanwhile, Goldman Sachs reported that should the weather forecasts be realized, it would expect the colder weather to increase US distillate demand by 385,000 bpd compared with last year's level.

The Bush administration proposed to allow farmers to harvest biomass crops on 27 million acres enrolled in a federal reserve to idle fragile cropland. It proposed an additional \$20 million for research to develop new feedstocks for energy production on a region by region basis to help meet future energy demands. The White House said it would reduce crop subsidy spending by \$4.5 billion over 10 years. Meanwhile, the National Cattlemen's Beef Association said US cattle producers wanted the government to stop subsidizing the use of ethanol as the increasing demand for biofuel inflated the price of corn. Rapid growth in ethanol production was the main reason corn prices have increased to about \$4/bushel.

US Energy Secretary Sam Bodman said the US should consider creating a strategic stockpile for ethanol.

The Undersecretary of State for political affairs, Nicholas Burns, the Secretary of State's advisor for energy, Greg Manuel and the State Department's top diplomat for Latin America, Thomas Shannon are scheduled to travel to Brazil this week to try to increase bilateral biofuels cooperation between the two countries.

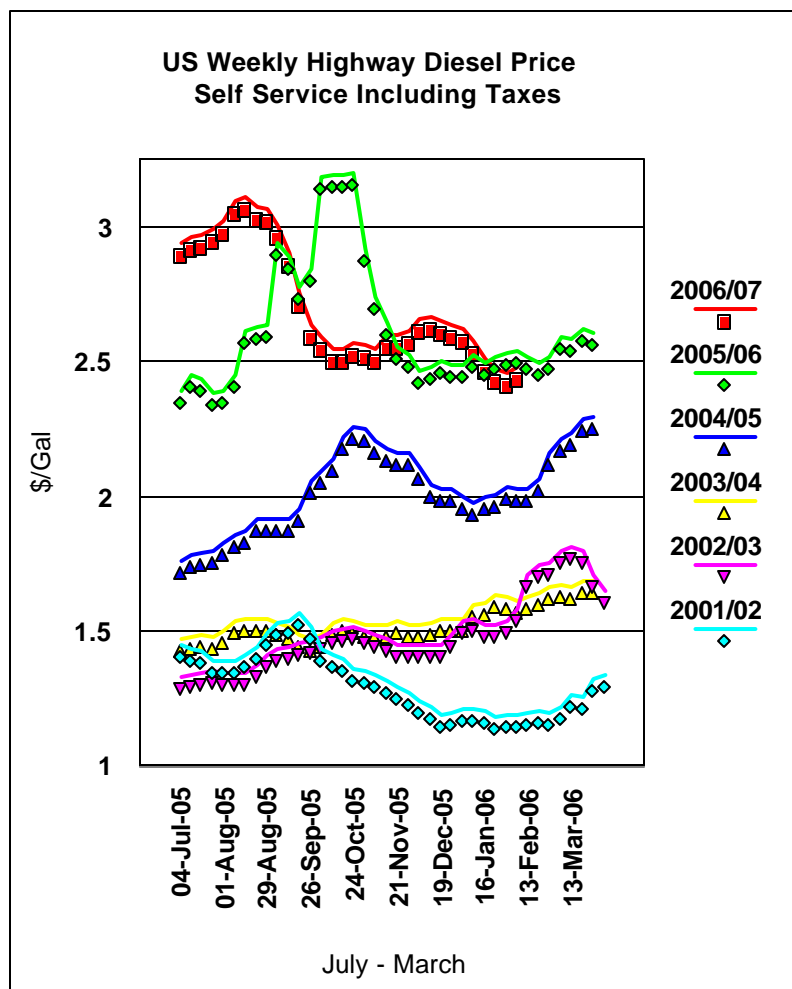
Saudi Arabia has increased the amount of its jet fuel earmarked for the US military. Middle East trading sources said Saudi Aramco may have put aside upwards of 1 million tons of aviation fuel for possible use by the US military this year compared with about 200,000 tons in 2006. Traders said the expected increase in jet fuel volumes would be in addition to military jet fuel volumes from regular suppliers to the US, such as Abu Dhabi's Adnoc, Bahrain's Bapco, Kuwait Petroleum Corp and Qatar Petroleum. Jet traders said the Saudi move was likely to cut supply surpluses in Asia.

In a report, the UN's Intergovernmental Panel on Climate Change concluded that it was 90% certain that human activity was driving global warming, up from a 66% likelihood in 2001.

meeting if current prices hold. He said Nigeria has cut 950,000 barrels from its February export program.

Nigeria's oil unions suspended plans to call an indefinite strike over lack of security in the Niger Delta. They are scheduled to meet with Nigeria's President Olusegun Obasanjo on Monday to discuss the crisis. Nigeria's Pengassan and Nupeng union said their members in the main oil producing companies wanted to stop work from Monday because the authorities could not guarantee their safety in the region.

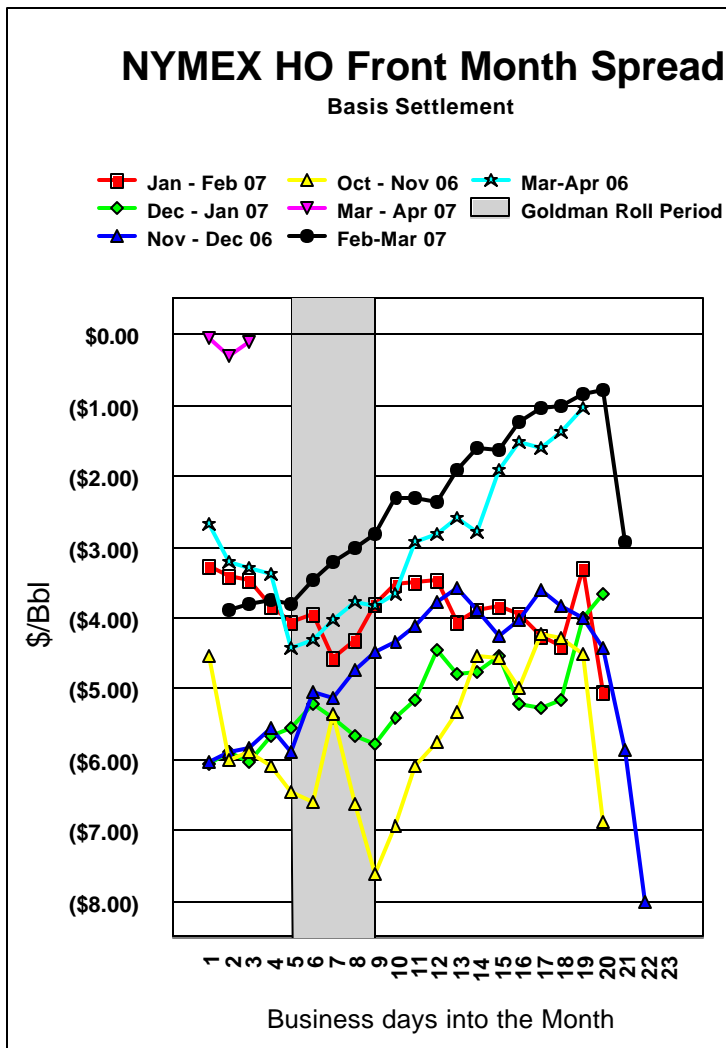
Separately, officials stated that nine Chinese oil workers abducted last month by militants were released on Sunday. The workers were abducted on January 25 in a raid on the offices of the China National Petroleum Corp, which was doing a seismic studying the Sagbama area of Bayelsa state for Royal Dutch Shell. The surge in kidnappings has been partly linked to the general elections in Nigeria in April. However the Movement for the Emancipation of the Niger Delta has stated that it is not interested in politics. They want to drive away the foreign workers who keep the oil flowing, halt exports and force the federal government to renegotiate the terms of Nigeria's union. Nigeria's President Olusegun Obasanjo has stopped short of using full force against the militants to avoid turning the Niger Delta into a battleground. However if there were a guerrilla war as foreseen by MEND, international pressure would force Nigeria to accept UN peacekeepers and make major concessions to the delta.



European diplomats said Iran has set up 328 centrifuges in its underground nuclear plant, laying a basis for full scale enrichment of uranium. They said the two cascades of centrifuges are expected to be vacuum tested shortly and added that fuel material would then be added if the trial run were successful. Iran recently finished installing piping and electrical cables and other equipment needed to begin industrial scale enrichment. Iran plans to set up 54,000 centrifuges at its Natanz facility over the longer term. Analysts stated that even if Iran had 3,000 centrifuges on line in Natanz by June, it may need another year to work on technical problems and a further year to generate usable quantities of nuclear fuel.

According to a joint report by 17 organizations, including the Foreign Policy Center, Oxfam and the Muslim Council of Britain, military action against Iran would strengthen Iran's nuclear ambitions, undermine hopes for stability in Iraq and damage world economic growth through higher oil prices. It said an attack on Iran would

support the position of hardliners in Iran and could inspire terrorist attacks in Western countries. The report's recommendations included removing or finding a compromise on preconditions to talks, such as the insistence Iran suspend its uranium enrichment, seeking direct talks between the US and Iran and developing a package of incentives made by major powers to Iran in return for its suspension of sensitive nuclear work.



The EIA reported that the US average retail price of diesel increased by 2.2 cents to \$2.435/gallon in the week ending February 5. It also reported that the average retail price of gasoline increased by 2.6 cents to \$2.191/gallon on the week.

Refinery News

ExxonMobil Corp's 150,000 bpd Torrance, California refinery was operating at normal rates on Monday despite market rumors of a malfunction in an alkylation unit. West Coast wholesale market traders said the refinery was purchasing unleaded, ethanol blend gasoline on Monday. Traders said the buying was in preparation for an overhaul of the alkylation unit set to start around February 15.

ConocoPhillips' 146,000 bpd Borger, Texas refinery suffered a problem in Area B of the facility on Friday. Friday's upset was the second in Area B last week.

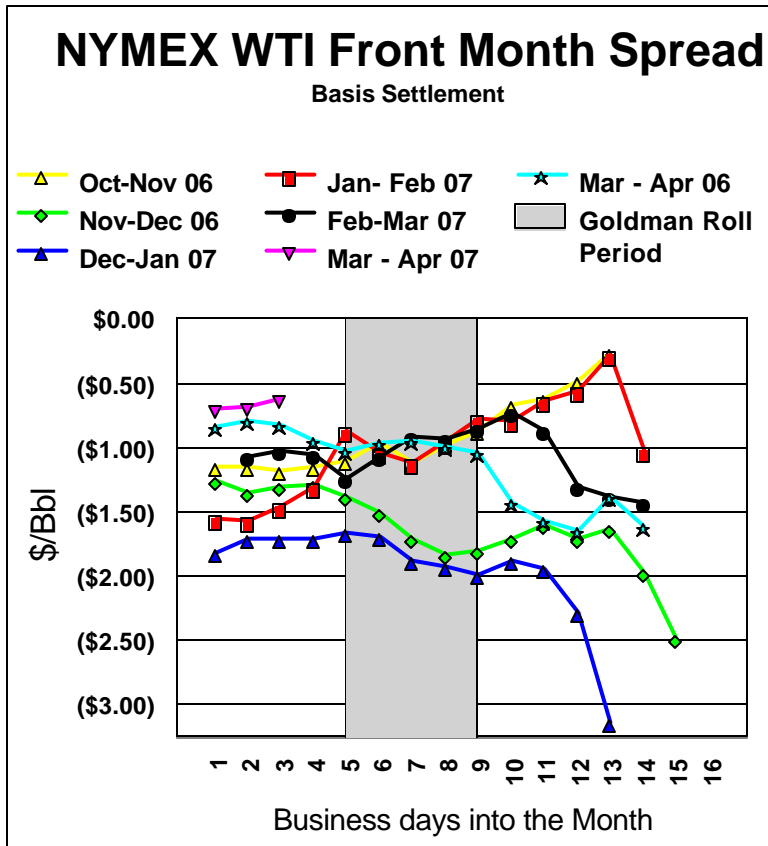
Valero Energy Corp said it was performing maintenance on units in complexes III and VI at its 142,000 bpd Corpus Christi, Texas refinery on Saturday and Sunday. Separately, Valero Energy Corp said a leak from a gasoline storage tank at its 195,000 bpd refinery in Memphis, Tennessee is

under control. The spill was contained and had no impact on refinery operations or to the surrounding area.

Motiva Enterprises LLC shut its fluid catalytic cracking unit no. 3 at its 285,000 bpd Port Arthur, Texas refinery after a steam line blowout late Thursday night.

Credit Suisse said US refinery margins were mixed last week. Margins in the Northeast increased the most from \$1.09 to \$5.92/barrel while Midwestern margins remained the highest, increasing by 66 cents to \$8.64/barrel. Gulf Coast margins fell by 36 cents to \$7.65/barrel. Margins in the Rockies fell by \$2.03/barrel to \$11.26/barrel while margins in the West Coast increased by \$1.80/barrel to \$26.52/barrel.

Venezuela's PDVSA has tendered to purchase 200,000 barrels of alkylates for delivery to Punta Cardon in mid-February. Last Friday, PDVSA purchased 135,000 barrels of MTBE and 155,000 barrels of alkylates from BP Plc for February 13-15 delivery to El Palito.



South Korea's GS Caltex Corp is scheduled to shutdown its 130,000 bpd No. 2 crude distillation unit between April 16 and May 1 and its 150,000 bpd No. 3 crude distillation unit between April 16 and May 11.

Russia's main Black Sea port of Novorossiisk resumed loadings after it was closed last Thursday due to strong winds and sea swells.

Turkish authorities suspended vessel traffic at Turkey's Bosphorus Strait on Monday due to winter weather conditions. Round trip delays stood at 15-21 days, with delays of 10-12 days at the Bosphorus and 5-9 at the Dardanelles Strait.

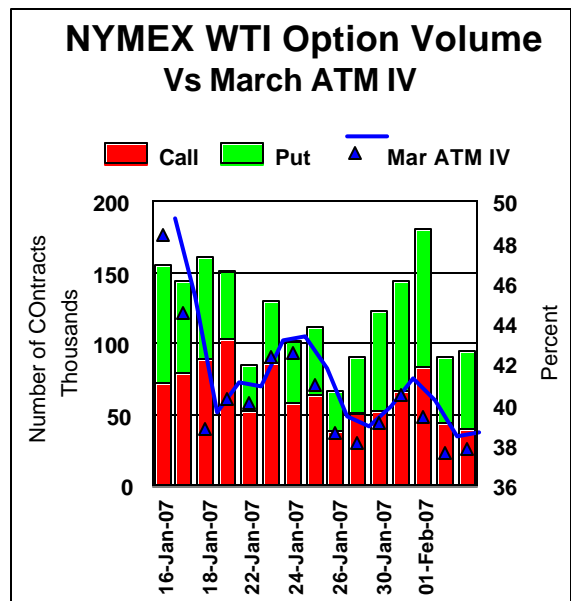
Russia's Energy Ministry reported that Russia's exports of fuel oil increased by 22.4% on the year to 3.096 million tons in January while its gasoline exports increased by 1.3%

increased by 14.8% to 628,900 tons. It also reported that Russia's gas oil exports increased by 1.3% on the year to 3.148 million tons.

Georgia's Black Sea port of Batumi cut crude and refined product shipments in January 2007 as some volumes were rerouted towards the Baku-Ceyhan oil pipeline. A source at the terminal said volumes fell to 732,900 tons in January 2007 from 866,500 tons last year and 828,400 tons in December 2006.

Shipments of refined products from Georgia's Black Sea port of Poti fell to 673,543 tons from 709,477 tons in 2005. A Georgian official said exports are expected to increase in 2007 due to increasing volumes of Turkmen low sulfur diesel.

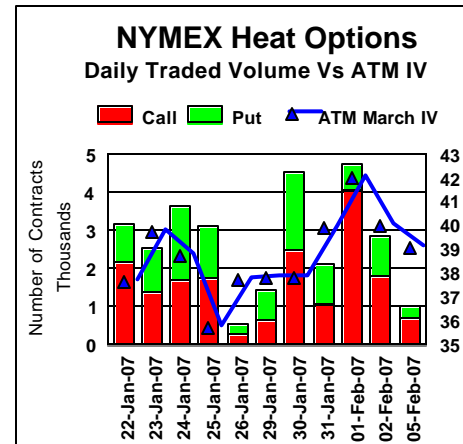
China's National Development and Reform Commission said China has approved construction of a new crude port expected to handle 15 million tons/year of oil at the site of its second set of strategic oil reserve tanks. The port would have 300,000 tons of capacity, enough for



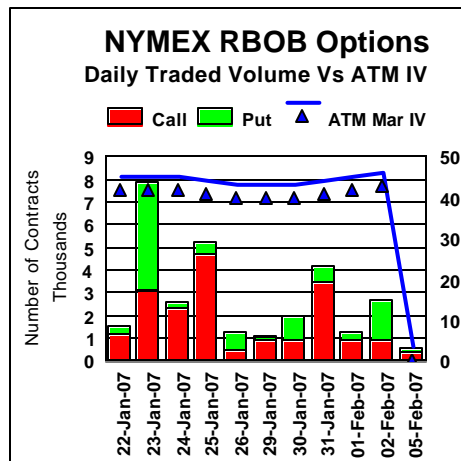
very large crude carriers to dock. The commission also stated that it approved the construction of a new 250,000 ton capacity port for crude and refined oil products at the site of the first storage tanks.

Production News

According to Reuters, Saudi Arabia cut its oil exports to its three largest Asian customers by about 4% on the quarter in the fourth quarter. Japan, South Korea and China imported about 2.362 million bpd of Saudi crude in the fourth quarter. It was down 5.4% or 135,000 bpd from a year ago, when the three countries imported about 2.5 million bpd of Saudi crude. Meanwhile Reuters reported that Asian imports of Iranian crude increased by 8.5% in the fourth quarter to 1.022 million bpd.



Trade sources stated that Saudi Arabia raised its crude prices for March as it cut supplies to comply with the OPEC output cuts. Prices at Ras Tanura for Saudi oil destined for Europe were increased by \$1.20/barrel to \$1.45/barrel on the month. Its Arab Extra Light was increased by \$1.45 to BWAVE minus \$1.25, its Arab Light was increased by \$1.40 to BWAVE minus \$4.65, its Arab Medium was increased by \$1.25 to BWAVE minus \$6.30 and its Arab Heavy was increased by \$1.20 to BWAVE minus \$7.85. The prices for Saudi term crude supplies to the US were increased from \$1.90/barrel to \$2.30/barrel on the month. Its Arab Extra Light crude was increased by \$1.90 to WTI minus \$2.40, its Arab Light was increased by \$2.00 to WTI minus \$5.50, its Arab Medium was increased by \$2.10 to WTI minus \$7.00 and its Arab Heavy was increased by \$2.30



to WTI minus \$8.90. Meanwhile its Arab Super Light crude was unchanged at the Oman/Dubai average plus \$6.20, its Arab Extra Light crude price was cut by 15 cents to the Oman/Dubai average plus \$3.00 and its Arab Light crude price was increased by 20 cents to the Oman/Dubai average plus \$0.25. Its Arab Medium price was increased by 50 cents to the Oman/Dubai average minus \$2.25 and its Arab Heavy price was increased by 90 cents to the Oman/Dubai average minus \$4.60.

Traders said Algeria's oil exports in February were likely to fall, suggesting that it was making further progress in implementing agreed output cuts to increase prices. They said that while companies with stakes in Algeria's oilfields have received no change in February crude supplies, there were signs that Algeria's Sonatrach was shipping less Saharan Blend crude.

Saudi Aramco said it signed a contract with Belgian dredging company, Jan De Nul Group, to help develop the 900,000 bpd Manifa offshore oilfield. The work is set for completion in 2009 and production of Arabian Heavy is expected to start by 2011.

Indonesia's crude oil production increased by 0.2% on the month to 859,000 bpd in January.

OPEC's news agency reported that OPEC's basket of crudes increased to \$53.55/barrel on Friday from \$53.39/barrel on Thursday. It also reported that OPEC's basket price increased by \$1.86/barrel to \$52.28/barrel in the week ending February 2.

China's Sinochem Corp said it completed a \$228 million acquisition of a stake in an offshore Chinese oilfield from a US firm. Production from the Zhao Dong block started in 2003 and peaked in 2005 at just under 30,000 bpd from fields C and D, with further output likely from the adjacent C-4 field, where development was underway.

Technical levels			
	Levels	Explanation	
CL 58.74, down 28 cents	Resistance	60.00, 60.39, 61.20	Previous high, 62% retracement (66.07 and 51.20), Previous high Monday's high
	Support	57.05, 55.75	
	Resistance	174.08, 175.05	62% retracement (190.20 and 148.00), Previous high Monday's high
	Support	164.00, 161.80	
HO 167.56, down 84 points	Resistance	159.24, 161.25, 163.25	Backfills gap, 62% retracement (175.75 and 137.80), Previous high Monday's high
	Support	152.00, 151.00	
	Resistance	170.25, 171.80	Monday's low Previous lows
	Support	167.20	
RB 155.99, down 1.3 cents	Resistance	174.08, 175.05	Monday's low Previous lows
	Support	164.00, 161.80	
	Resistance	159.00	Monday's low Previous lows
	Support	155.00	

Market Commentary

The oil markets, which retraced some of Friday's gains in overnight trading on news that Nigeria's oil unions suspended a strike, opened slightly higher as the weather forecasts helped limit its losses. The crude market was also supported amid the supportive comments made by some OPEC members that they had implemented their cuts starting February 1 while Saudi Arabia reported that it increased its crude prices for March. The market traded to a high of 59.95 early in the session. However it gave up its gains as it failed to test its resistance at the 60.00 level. It traded to 58.85 and settled in a sideways trading range before further selling ahead of the close pushed the market to a low of 58.50. It settled down 28 cents at 58.74. Volume in the crude market was better with 289,812 contracts traded on Globex during the open outcry session. The heating oil market also settled in negative territory after it gave up its early gains. The market quickly traded to a high of 171.80 in light of the supportive weather forecasts. Accuweather reported that there could be another blast of cold air moving late this week or early next week. The heating oil market however erased its gains and traded to 168.20, where it held some support. The market extended its losses to 1.2 cents as it sold off to a low of 167.20 ahead of the close. It settled down 84 points at 167.56. The RBOB market also settled down 1.3 cents at 155.99 after the market sold off to a low of 155.00 late in the session. Volumes in the product markets were light with 38,445 contracts traded in the heating oil and 23,919 lots traded in the RBOB market.

The oil market is seen testing its resistance at the 60.00 level once again as the weather forecasts continue to limit the market's losses. While the market looks technically overbought, its stochastics still have not crossed back down. The market is seen finding resistance at 59.60, its high of 59.95 and the 60.00 level. More distant resistance is seen at 60.39 followed by a previous high of 61.20. Meanwhile support is seen at 58.50 followed by 57.05 and 55.75.

NYMEX Petroleum Options Most Active Strikes for February 5, 2007									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LO	4	7	C	65	03/15/2007	0.83	4,758	34.88	02/05/2007
LO	7	7	P	50	06/15/2007	0.96	4,350	34.98	02/05/2007
LO	7	7	P	55	06/15/2007	2.11	4,000	34.00	02/05/2007
LO	3	7	C	60	02/14/2007	0.87	3,962	38.01	02/05/2007
LO	4	7	P	57	03/15/2007	1.61	1,905	35.38	02/05/2007
LO	5	7	P	54	04/17/2007	1.23	1,601	35.00	02/05/2007
LO	4	7	P	55	03/15/2007	1	1,561	35.94	02/05/2007
LO	3	7	P	50	02/14/2007	0.01	1,539	42.84	02/05/2007
LO	6	7	C	75	05/17/2007	0.75	1,420	34.63	02/05/2007
LO	6	7	P	50	05/17/2007	0.8	1,401	36.16	02/05/2007
LO	6	7	P	58	05/17/2007	2.89	1,364	33.98	02/05/2007
LO	5	7	P	55	04/17/2007	1.49	1,344	34.75	02/05/2007
LO	3	7	P	58	02/14/2007	1.05	1,343	38.04	02/05/2007
LO	6	7	C	85	05/17/2007	0.21	1,300	36.08	02/05/2007
LO	3	7	P	55	02/14/2007	0.25	1,296	38.96	02/05/2007
LO	4	7	P	50	03/15/2007	0.24	1,236	37.97	02/05/2007
LO	3	7	C	62	02/14/2007	0.36	1,211	38.10	02/05/2007
LO	6	7	P	56	05/17/2007	2.18	1,200	34.49	02/05/2007
LO	5	7	C	65	04/17/2007	1.77	1,188	33.81	02/05/2007
LO	4	7	C	68	03/15/2007	0.42	1,183	35.51	02/05/2007
LO	7	7	P	59	06/15/2007	3.55	1,150	33.30	02/05/2007
LO	8	7	P	63	07/17/2007	5.73	1,120	32.47	02/05/2007
LO	7	7	P	60	06/15/2007	3.99	1,115	33.14	02/05/2007
LO	8	7	C	63	07/17/2007	4.67	1,100	32.36	02/05/2007
LO	5	7	P	53	04/17/2007	1.01	1,096	35.33	02/05/2007
LO	5	7	P	47	04/17/2007	0.24	1,050	36.97	02/05/2007
LO	3	8	P	50	02/14/2008	1.65	1,000	28.79	02/05/2007
LO	4	7	C	66	03/15/2007	0.66	1,000	35.00	02/05/2007
OB	5	7	P	1.7	04/25/2007	0.0989	152	35.65	02/05/2007
OB	6	7	C	1.85	05/25/2007	0.0869	52	33.91	02/05/2007
OB	7	7	C	1.9	06/26/2007	0.0914	42	33.47	02/05/2007
OB	7	7	C	1.96	06/26/2007	0.0758	42	33.91	02/05/2007
OH	9	7	C	1.8	08/28/2007	0.1387	276	31.53	02/05/2007
OH	3	7	C	1.64	02/23/2007	0.077	101	39.38	02/05/2007
OH	3	7	P	1.59	02/23/2007	0.0242	100	39.61	02/05/2007
OH	3	7	P	1.69	02/23/2007	0.0644	100	38.38	02/05/2007
OH	3	7	C	1.71	02/23/2007	0.0433	100	39.41	02/05/2007