



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 7, 2007

US Energy Secretary Sam Bodman said the US oil markets were currently well supplied.

Iran's Oil Minister Kazem Vaziri Hamaneh said the two oil output cuts by OPEC would stabilize world oil prices. He said the implementation of the February production cut has reversed the drop in oil prices from the low of \$46-\$7/barrel for the OPEC basket price in the past two weeks. He added that despite doubts about compliance by OPEC members, the 1.2 million bpd November output cut has been implemented by as much as 70-75%.

Market Watch

Platts reported that Standard & Poor's purchased the Goldman Sachs Commodity Index. S&P spokesman, David Guarino said it had no immediate plans to alter the weighting of the GSCI over it takes over in May. S&P would also purchase the Goldman Sachs Indexes and the Goldman Sachs Technology Index. The ratings agency would take over the calculation and publishing of the GSCI as well as the licensing of its use. The new index would be called the S&P GSCI Commodity Index, however Goldman Sachs would not have any further say in setting the weightings. The GSCI has cut its energy sector weighting for 2007 to under 69% from nearly 76% in 2006.

Meteorologists said Western Europe would likely experience warmer than normal weather through the end of the winter to early spring. If the predictions for February to early April prove correct, demand for oil products, such as heating oil and fuel oil, would likely fall. The UK's Met Office said current indications are that temperatures would be above average in late winter with a possibility of cold spells in southern Europe and the Iberian Peninsula in the next few weeks.

Iran's Revolutionary Guards have successfully test fired Russian made air defense missile system during the first of two days of war games on Wednesday. Iranian state television showed several missiles from the TOR-M1 system being fired in the desert from mobile vehicle launchers and then successfully taking out their targets in the sky.

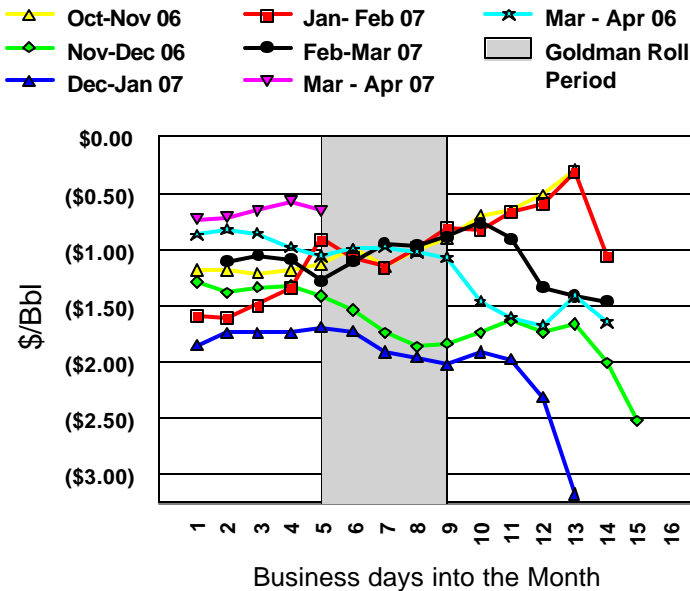
DOE Stocks

Crude – down 400,000 barrels
Distillate – down 3.7 million barrels
Gasoline – up 2.6 million barrels
Refinery runs – up 0.23%, at 87.3%

The EIA reported the US propane inventories fell by a near record 6.2 million barrels to 45.3 million barrels in the week ending February 2. Propane inventories fell by 500,000 barrels to 5.1 million barrels in Padd 1, by 3.2 million barrels to 16.4 million barrels in Padd 2 and by 2.3 million barrels to 22.4 million barrels in Padd 3.

NYMEX WTI Front Month Spread

Basis Settlement



The Petroleum Association of Japan reported that the country's kerosene stocks fell to 4 million kiloliters or 25.14 million barrels in the week ending February 3. It is down 1.64 million barrels on the week but up 1.2 million kl or 43% on the year. It reported that Japan's crude stocks increased by 1.67 million barrels to 106.91 million barrels while gasoline stocks increased by 150,000 barrels to 14.75 million barrels on the week. Refinery runs increased by 1.3% to 86.5% of total capacity.

Indonesia's Pertamina said the country was expected to import 10 million barrels of oil products in March, steady from February levels. It said gasoline imports would total 2.8-3 million barrels while diesel imports would total 5.5-5.6 million barrels.

Production News

Chevron has resumed production of 13,000 bpd at Nigeria's Makaraba flow station, nearly a year after being shutdown due to a pipeline leak. It added that 70,000 bpd has been restored at its Escravos terminal. It has restored about half the total production shut-in in 2003 due to ethnic fighting.

Refinery News

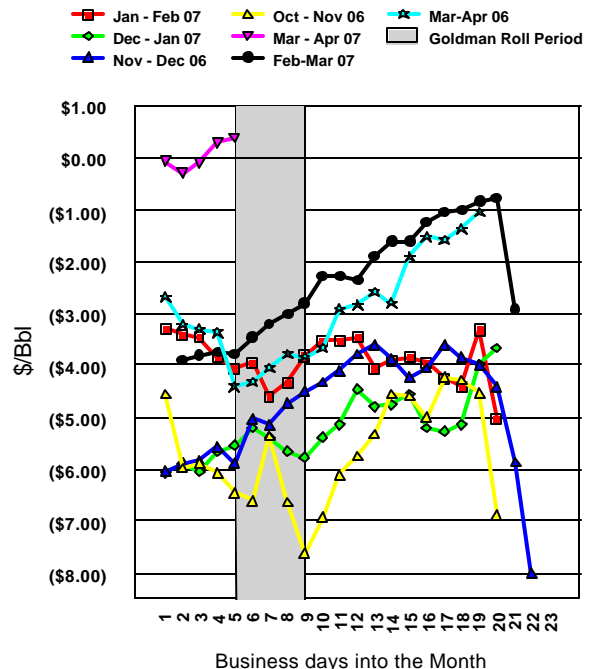
Citgo Petroleum Corp is scheduled to shutdown its fluid catalytic cracking unit No. 2 in the east plant of its 156,000 bpd refinery in Corpus Christi, Texas for repairs. According to a report filed with the Texas Commission for Environmental Quality, the unit is scheduled to be shut Wednesday afternoon and restart three days later in order to repair a leak in the exchanger.

Colonial Pipeline said it froze distillate line 2 for cycle 8 and 9 and has allocated cycle 10.

Mexico's Pemex reported late Tuesday that Mexico's oil exports were resuming after bad weather caused its oil ports of Dos Bocas, Cayo Arcas and Pajaritos to close on Sunday.

NYMEX HO Front Month Spread

Basis Settlement



NYMEX Petroleum Options Most Active Strikes for February 7, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	4	7	C	75	03/15/2007	0.07	5,134	39.98
LO	4	7	C	80	03/15/2007	0.02	5,113	40.91
LO	6	7	C	80	05/17/2007	0.34	4,500	36.64
LO	3	7	P	55	02/14/2007	0.35	4,194	40.86
LO	3	7	C	60	02/14/2007	0.47	3,533	40.28
LO	3	7	P	58	02/14/2007	1.43	3,269	40.11
LO	3	7	C	61	02/14/2007	0.27	3,034	39.86
LO	6	7	P	60	05/17/2007	4.39	2,750	34.44
LO	6	7	C	60	05/17/2007	3.97	2,632	34.37
LO	7	7	P	50	06/15/2007	1.17	2,350	35.44
LO	6	7	P	50	05/17/2007	0.99	2,300	36.69
LO	5	7	C	80	04/17/2007	0.17	2,184	39.15
LO	6	7	P	45.5	05/17/2007	0.4	2,100	38.00
LO	4	7	P	55	03/15/2007	1.3	2,093	37.44
LO	9	7	P	60	08/16/2007	4.87	2,000	31.92
LO	3	7	P	57	02/14/2007	0.95	1,997	40.24
LO	12	7	C	67.5	11/13/2007	3.93	1,885	29.24
LO	5	7	P	55	04/17/2007	1.84	1,850	35.67
LO	4	7	C	65	03/15/2007	0.67	1,795	36.89
LO	5	7	C	60	04/17/2007	3.09	1,716	34.92
LO	12	7	P	60	11/13/2007	5.09	1,700	29.91
LO	6	7	P	55	05/17/2007	2.25	1,600	35.34
LO	3	7	C	57	02/14/2007	1.66	1,532	40.28
LO	12	7	C	70	11/13/2007	3.22	1,506	29.18
LO	4	7	P	50	03/15/2007	0.33	1,408	39.19
LO	6	7	P	52	05/17/2007	1.41	1,400	36.20
LO	6	7	P	57	05/17/2007	2.98	1,400	34.82
LO	3	7	P	56	02/14/2007	0.6	1,283	40.70
LO	3	7	C	68	02/14/2007	0.01	1,246	48.49
LO	3	7	C	65	02/14/2007	0.02	1,193	40.24
LO	12	7	C	77	11/13/2007	1.78	1,185	29.00
LO	3	7	C	62	02/14/2007	0.15	1,080	39.84
LO	7	7	C	65	06/15/2007	2.78	1,051	33.44
OB	4	7	C	2.1	03/27/2007	0.0077	300	41.84
OH	4	7	C	1.9	03/27/2007	0.0192	450	36.64
OH	3	7	C	1.52	02/23/2007	0.1557	250	41.22
OH	4	7	C	1.69	03/27/2007	0.0713	250	35.18
OH	4	7	C	1.55	03/27/2007	0.1493	250	35.80
OH	3	7	C	1.76	02/23/2007	0.0234	150	41.22
OH	4	7	C	1.72	03/27/2007	0.06	110	35.38
OH	3	7	C	1.63	02/23/2007	0.0753	101	40.45
OH	3	7	C	1.65	02/23/2007	0.0641	100	40.37
OH	5	7	C	1.75	04/25/2007	0.0682	100	35.03

According to Dow Jones, OPEC cut its oil production by 1% or 260,000 bpd on the month in January to 26.82 million bpd from 27.08 million bpd in December. However the ten OPEC members still need to cut 440,000 bpd to fully comply with its output cut agreement. It reported that Saudi Arabia's production fell by 50,000 bpd on the month to 8.7 million bpd while Iran's production remained unchanged at 3.9 million bpd. Iraq's production fell from 2.15 million bpd in December to 1.8 million bpd in January.

The North Sea Brent crude oil system is scheduled to load 197,000 bpd in March, down from 238,000 bpd the previous month.

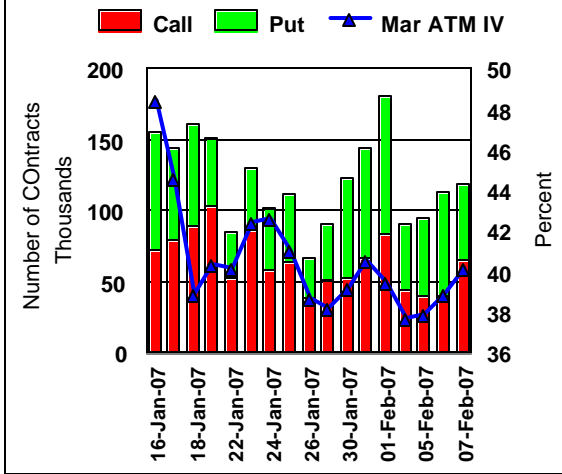
The Norwegian Petroleum Directorate said Norway's oil production fell to 2.42 million bpd on average in January from 2.45 million bpd in December 2006.

Mexico's Pemex said production from its Cantarell oilfield was declining faster than previously thought. Its production estimate for 2007 stood at 1.526 million bpd, down 15% from an average 1.788 million bpd last year. Pemex's chief executive said the company would have to invest \$15 billion in

exploration and production annually to keep total production between 3 million and 3.1 million bpd.

Russia's Lukoil reported that it discovered 100 million barrels of oil reserves on an exploration block in Colombia. The discovery was made in the Medina exploration block, which is part of the Condor deposit.

NYMEX WTI Option Volume Vs March ATM IV



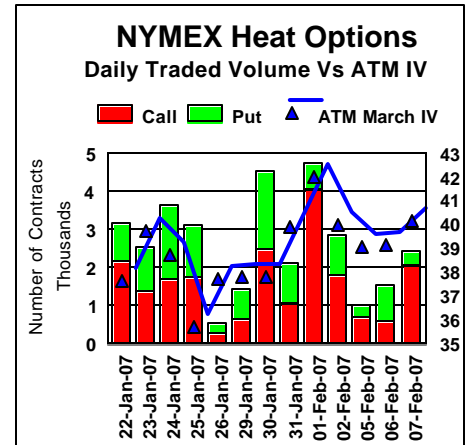
A senior Omani Energy Ministry official said Oman was planning to award two onshore oil blocks to foreign firms on a production sharing basis. Oman is due to announce production sharing agreements on three oil blocks in the next couple of weeks, with Russian, Ukrainian and Indian firms short-listed for those agreements.

A senior oil official said India planned to offer more than 70 oil and gas exploration blocks in the seventh round of its New Exploration Licensing Policy. The seventh round could be launched as early as next month.

OPEC's news agency reported that OPEC's basket of crudes increased by 4 cents/barrel to \$54.58/barrel on Tuesday.

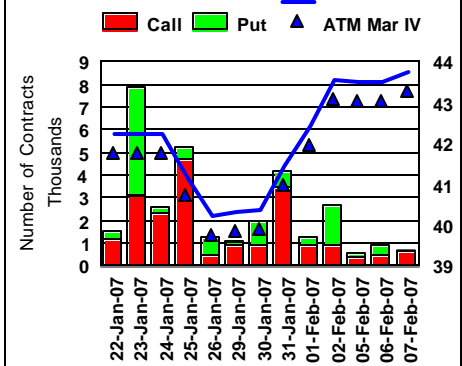
Market Commentary

The oil market opened 57 cents higher at 59.45 and settled in a sideways trading pattern ahead of the release of the weekly petroleum stock reports. The crude market quickly traded to a high of 59.84 as the DOE reported an unexpected draw in crude stocks of 400,000 barrels and a large draw of over 10 million barrels in total petroleum stocks. The market however once again failed to test its resistance at the 60.00 level and erased its gains. The crude market extended its losses to \$1.63 as it traded to a low of 57.25 late in the session. The market settled down \$1.17 at 57.71. Volume in the crude market was good with over 430,000 lots booked on Globex. The heating oil market posted an outside trading day as it quickly rallied to a high of 172.25 following the release of DOE report. The market however erased its gains as the market seems to have factored in the likelihood that distillate stocks would show a larger distillate stock draw. The market extended its losses to 3.49 cents as it posted a low of 165.60 ahead of the close. It retraced some of its losses and settled down 2.48 cents at 166.61. The RBOB market also posted an outside trading day as it posted a trading range of over 6 cents. The market traded to a high of 159.35 early in the session but quickly gave up its gains in light of the larger than expected build in gasoline stocks of 2.6 million barrels reported by the DOE. The market sold



off to a low of 152.75 before it retraced some of its losses and settled down 3.10 cents at 154.15. Volumes were better with 59,144 lots booked in the heating oil market and 47,468 lots booked in the RBOB market.

NYMEX RBOB Options Daily Traded Volume Vs ATM IV



The oil market, which once again failed to test its resistance at the 60.00 level and settled sharply lower, will likely continue to retrace its recent gains despite the weekly petroleum stock reports showing the draws in crude stocks and total petroleum stocks. The market is also seen retracing move its gains as its stochastics crossed to the downside amid the market's sell off. The market is seen finding initial support at 57.25 followed by 57.05, 56.63, 55.75 and 55.60. Meanwhile, resistance is seen at 58.25 followed by 59.00 and 59.84. More distant resistance is

seen at the psychological level of 60.00.

Technical levels		
	Levels	Explanation
CL 57.71, down \$1.17	Resistance 60.00 58.25, 59.00, 59.84	Wednesday's high
	Support 57.25 57.05, 56.63, 55.75, 55.60	Wednesday's low Previous low, 38% (51.20 and 59.99), Previous low, 50%
HO 166.61, down 2.48 cents	Resistance 175.05 168.00, 172.25	Previous high Wednesday's high
	Support 165.60 164.00, 162.99, 160.12, 161.80	Wednesday's low Previous low, 38%, 50% (148.00 and 172.25), Previous low
RB 154.15, down 3.1 cents	Resistance 163.25 155.50, 158.00, 159.35	Previous high Wednesday's high
	Support 152.75 152.00, 151.00, 148.57	Wednesday's low Previous lows, 50% retracement (137.80 and 159.35)