



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 1, 2007

The executive director of the IEA, Claude Mandil said he did not anticipate a further cut in production by OPEC. He added that another output cut by OPEC when it meets on March 15 would give an unfortunate signal. Saudi Arabia's Oil Minister said there may be no reason to change existing supply cuts when OPEC meets this month. Other OPEC ministers have also suggested the current regime could be kept in place.

Indonesia's Energy Minister, Purnomo Yusgiantoro said he anticipates world oil prices to remain around \$60/barrel in the near future and would like OPEC members to honor their production quotas.

Oil Movements reported that OPEC's oil exports are expected to increase by 210,000 bpd to 24.21 million bpd in the four weeks ending March 17.

Market Watch

ConocoPhillips chief executive James Mulva said the company has not yet held meaningful discussions with Venezuela's government about its plan to take a controlling stake in the Orinoco oil projects. President Hugo Chavez said he planned to take at least a 60% stake in the projects by May 1.

The chairman of the House Agriculture Committee, Collin Peterson said he asked the Budget Committee to allot an additional \$6 billion over 10 years to increase the use of ethanol and other renewable fuels. The additional money would partially offset a drop in funds for crop subsidies. However it was unclear if his Senate counterparts would agree with the funding increase. The Bush administration has suggested an additional \$1.6 billion for research and development of renewables and \$2 billion to help finance cellulosic ethanol plants over 10 years.

Separately, US Agriculture Secretary Mike Johanns said there were no plans to stockpile corn to assure adequate feedstocks for the ethanol industry. USDA has estimated that 20% or 2.15 billion bushels of the 2006 corn crop would be used in distilling ethanol. Ethanol distillers produced about 5 billion gallons of ethanol last year and are expected to increase production to 6 billion to 6.5 billion gallons this year.

Brazil's crop supply agency Conab said the country's corn exports are expected to increase to 6.5 million tons in the 2006/07 crop year, up 62% from the 4 million tons the previous crop. It said the US policy to increase renewable fuels was the main force behind the recovery in world prices and expansion in Brazil's planted area.

A senior official in Brazil said Brazil would ask the US to cut import tariffs on ethanol and to help create a world market for the biofuel during next week's visit by President George W. Bush. President Bush is expected to propose Brazilian-US cooperation in the regional production and trade of ethanol as part of a new policy initiative in Latin America during his six day visit to the region next week.

The head of China's National Development and Reform Commission, Ma Kai said China would use various measures to balance the economy. It would free up energy prices, raise certain export duties, import more natural resources and cut wasteful investment.

The ICE said it would temporarily change its trading hours and settlement times for some of its contracts to fit in with changes this year in the period covered by the US Daylight Saving Time. The changes would apply between March 12 and March 23 and October 29 and November 2.

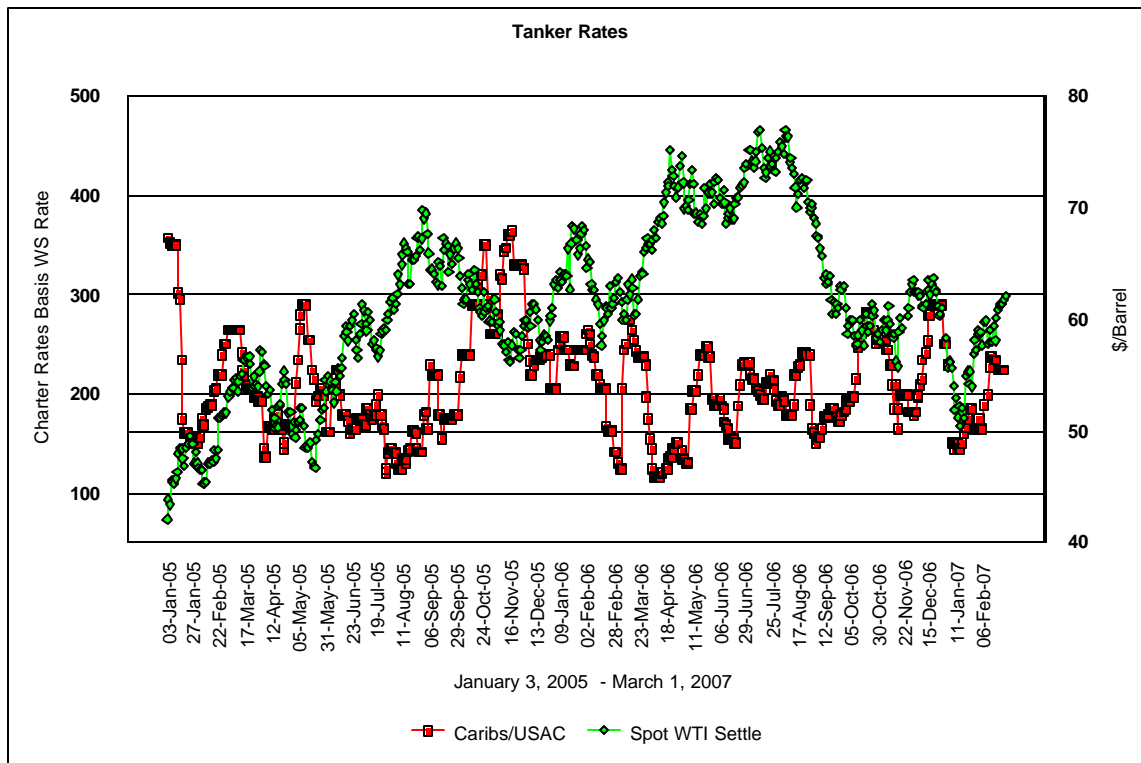
The head of the EIA, Guy Caruso said US production capacity of ethanol made from corn is expected to exceed short term demand. However he stated that ethanol production in a decade is expected to fall short of what President George W. Bush said is needed to help cut US oil imports. President Bush said the country should increase its production of ethanol and alternative fuels to 35 billion gallons by 2017. However the EIA has estimated that ethanol production would increase to 11.5 billion gallons in 2017. White House and Energy Department officials dispute EIA's long term forecast, saying US ingenuity would create the technological breakthroughs necessary to meet the 35 billion gallon goal in a decade.

Iran's government and parliament have been debating whether to ration gasoline in the country or increase prices and risk stoking already increasing inflation. Heavily subsidized gasoline has for years discouraged conservation as Iran's refineries make only 60% of the 73 million liters of gasoline consumed daily. Analysts have stated that Iran needs to cut its consumption if it wants to cut its reliance on expensive imports, reduce its exposure to possible UN sanctions and save its crude for export markets. They said the government's plan to ration fuel would create a black market with higher priced illicit fuel stoking inflation while the parliament's plan to increase prices to 16 cents/liter would not be a large enough increase to deter usage and would still spur inflation.

China's National Bureau of Statistics said growth in China's energy consumption eased slightly last year. Overall energy consumption increased by 9.3% to 2.46 billion tons of coal equivalent last year, lower than the 9.5% increase in 2005. It consumed 2.37 billion tons of coal last year, up 9.6% from a year earlier compared with a 10.6% increase in 2005. China's crude oil consumption increased by 7.1% on the year to 320 million tons or 6.4 million bpd.

Refinery News

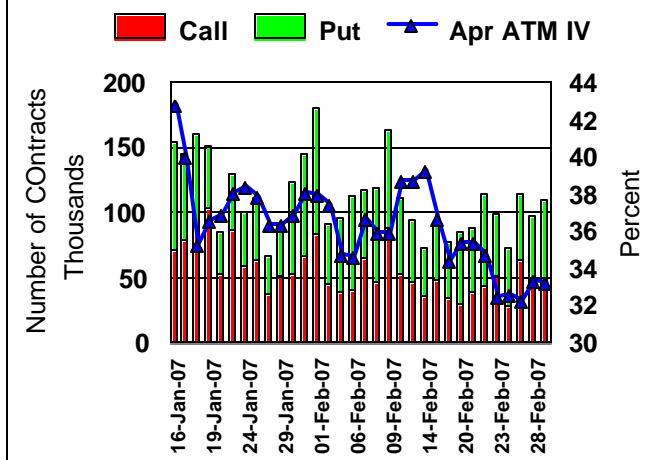
Valero has cut its crude runs at its 325,000 bpd Port Arthur, Texas refinery following a problem with a 105,000 bpd coking unit.



ExxonMobil Corp was restarting its hydrocracker No. 1 at its 563,000 bpd refinery in Baytown, Texas after completing maintenance on the unit. The controlled restart is expected to last through March 3.

Flint Hills Resources

NYMEX WTI Option Volume Vs April ATM IV



started planned work on its 60,000 bpd crude unit at its 300,000 bpd refinery in Corpus Christi, Texas. The company said it would perform maintenance on valves while the unit is down. Trade sources stated the work is expected to last for a month.

The US Coast Guard said it expected as many as 30 ships waiting in the Gulf of Mexico due to fog would be able to transit the Houston Ship Channel by Friday if good weather continued. Early Thursday, forty-three ships were waiting in the Gulf of Mexico as dense fog made it unsafe to sail along the Houston Ship Channel for the third consecutive day.

Chevron Corp said it has authorized the sale of its 31% stake in the Nerefco refinery in the

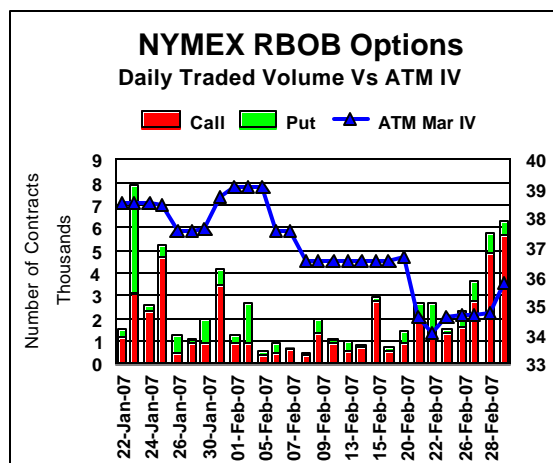
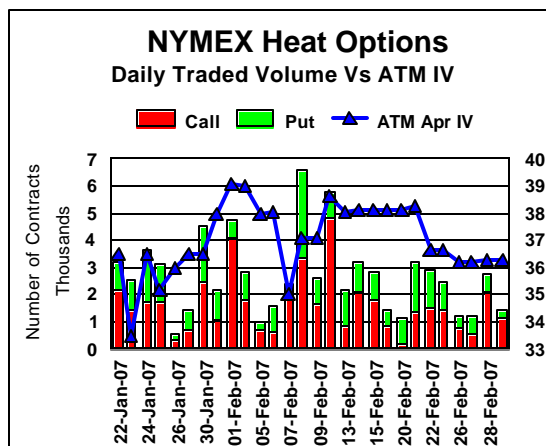
Netherlands. It said the sale was still subject to the signing of a sales agreement and obtaining necessary regulatory approvals.

Poland's PKN Orlen said it is scheduled to shut its 260,000 bpd hydrocracker unit in Plock for six weeks in the second quarter of 2007 for maintenance work.

South Korea's refiners are expected to increase its spot exports of diesel and jet fuel for March as demand by domestic utilities eases. Overall gas oil exports from the refiners are expected to increase to 1.03 million tons in March, up by 50,000 tons. Jet fuel exports are expected to increase by 220,000 tons to 750,000 tons in March.

Production News

According to a Reuters survey, the ten OPEC members, excluding Iraq and Angola, cut its production by 290,000 bpd on months in February to 26.63 million bpd. Their



production was 1.01 million bpd less than in October, indicating they have yet to meet the 1.7 million bpd cut pledge. It reported that Saudi Arabia cut its production from 8.73 million bpd to 8.6 million bpd in February while Iran cut its production from 3.86 million bpd to 3.83 million bpd on the month. Meanwhile, OPEC's total production fell to 30.03 million bpd from 30.08 million bpd the previous month. Iraq's production increased to 1.84 million bpd from 1.69 million bpd while Angola's production increased to 1.56 million bpd from 1.47 million bpd in January.

According to the Aberdeen Petroleum Report, UK oil production increased by 6.8% on the month in December to 1.496 million bpd.

Tanker loading schedules showed that crude oil exports from BP-led Caspian Sea pipeline to the Turkish port of Ceyhan are expected to increase this month. BP and its partners are expected to ship 18.8 million barrels or 607,000 bpd in March, up from 500,000 bpd shipped in February.

Russia's Rosneft said it planned to cut gas oil shipments via the Black Sea port of Tuapse in 2007 in favor of fuel oil exports. It is expected to load 2.7 million tons of gas oil in 2007, down from 5 million tons last year. The decline is due to the launch of new loading facilities.

Saudi Arabia's Al-Watan newspaper reported that Saudi Arabia increased its exports to the US in 2006 by 17% to 118.8 billion riyals or \$31.7 billion from 101.9 billion riyals the previous year. Saudi Arabia's trade surplus was 89.6 billion riyals last year compared with 76.4 billion riyals in 2005.

NYMEX Petroleum Options Most Active Strikes for March 1, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp date	Settle	Volume	IV
LO	6	7	C	70	05/17/2007	1.59	15,903	31.69
LO	6	7	P	56	05/17/2007	1	15,550	34.14
LO	6	7	P	45	05/17/2007	0.07	4,625	37.73
LO	4	7	C	65	03/15/2007	0.55	3,571	32.89
LO	4	7	P	59	03/15/2007	0.53	2,928	33.97
LO	4	7	P	61	03/15/2007	1.15	2,721	33.39
LO	4	7	C	68	03/15/2007	0.15	2,638	33.34
LO	4	7	P	55	03/15/2007	0.07	1,953	35.51
LO	5	7	P	60	04/17/2007	1.5	1,858	32.07
LO	5	7	C	70	04/17/2007	0.7	1,702	30.90
LO	4	7	P	60	03/15/2007	0.8	1,698	33.76
LO	5	7	P	55	04/17/2007	0.45	1,520	33.91
LO	12	8	P	58	11/17/2008	3.75	1,475	25.73
LO	4	7	P	50	03/15/2007	0.01	1,374	44.14
LO	5	7	C	72	04/17/2007	0.46	1,275	31.45
LO	4	7	P	57	03/15/2007	0.22	1,250	35.20
LO	5	7	P	48	04/17/2007	0.05	1,226	36.91
LO	12	7	P	50	11/13/2007	0.93	1,200	30.98
LO	6	7	C	64	05/17/2007	3.74	1,100	32.19
LO	4	7	C	62	03/15/2007	1.6	1,091	33.14
OB	7	7	C	2.25	06/26/2007	0.0471	2,000	35.84
OB	7	7	C	1.7	06/26/2007	0.2572	1,000	34.15
OB	5	7	C	1.9	04/25/2007	0.0997	356	33.03
OB	6	7	C	1.8	05/25/2007	0.1752	309	33.20
OB	4	7	C	1.67	03/27/2007	0.2464	300	37.84
OB	6	7	P	1.75	05/25/2007	0.0538	300	33.15
OB	7	7	C	2	06/26/2007	0.1015	231	33.43
OB	8	7	C	1.89	07/26/2007	0.1494	140	31.15
OB	6	7	C	2.1	05/25/2007	0.0557	100	34.22
OH	4	7	C	1.71	03/27/2007	0.1057	405	36.68
OH	6	7	C	1.78	05/25/2007	0.1073	405	31.95
OH	4	7	C	2.1	03/27/2007	0.0043	112	38.45
OH	5	7	C	1.75	04/25/2007	0.1068	101	35.11
OH	4	7	P	1.78	03/27/2007	0.0701	100	36.26
OH	4	7	P	1.53	03/27/2007	0.0049	100	37.53

Norway's statistics agency increased its oil and gas sector investment forecast for 2007 to 104.6 billion crowns or \$17.03 billion from a previous forecast of 100.2 billion crowns. It said the increase is due to higher investments in field development and fields on stream.

Singapore's International Enterprise said the country's residual fuel stocks fell by 3.39 million barrels to 10.994 million barrels in the week ending February 28. It said its light distillate stocks fell by 627,000 barrels to 9.188 million bpd while middle distillate stocks built by 738,000 barrels to 8.209 million barrels on the week.

Indonesia's Energy Minister Purnomo Yusgiantoro said production from its Cepu oil and gas development should start towards the end of 2008 or in 2009.

Libya increased the March official selling price for its Essider crude to dated BFO minus \$1.55/barrel, up 5 cents from its February price.

Oil officials stated that

Bangladesh would enter talks to purchase 1.4 million tons or 28,000 bpd of crude oil a year from Iran

on a deferred payment basis. Energy Ministry officials said negotiations to finalize the terms of the contract should start soon. Bangladesh has been importing 700,000 tons a year from Kuwait and Saudi Arabia each to supply crude oil to its refineries, which have a capacity of about 30,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.57/barrel on Wednesday from Tuesday's \$57.09/barrel.

Market Commentary

The oil market settled in positive territory of the seventh consecutive trading session after the market retraced its early losses. The market opened slightly lower at 61.75 and traded to a high of 62.10. The market however erased its gains and sold off to a low of 60.80 amid the losses seen in the stock market. The crude market, in choppy trading, bounced off its low and breached its previous highs as it rallied to a high of 62.40 amid the strength in the gasoline market. The market was once again supported by several refinery problems. It retraced some of its gains and settled in a sideways trading pattern during the remainder of the session before it settled up 21 cents at 62.00. Volume in the crude market was lighter today with 287,032 lots booked on Globex. The heating oil market, which traded to 178.15 early in the session, quickly gave up its gains as it sold off to a low of 174.30. Similar to the crude market, the heating oil market bounced off its low amid the strength in the gasoline market. The market traded to a high of 178.35 and traded sideways during the remainder of the session. It settled down 18 points at 177.63. Meanwhile, the gasoline market settled sharply higher, up 3.63 cents at 191.01

amid the refinery problems reported in recent days. Valero reported that it cut its crude runs at its Port Arthur, Texas

Technical levels		
	Levels	Explanation
CL 62.00, up 21 cents	Resistance 62.40	Previous highs Thursday's high
	Support 61.50, 60.80 60.30, 60.10, 59.75	Thursday's low Previous lows
	Resistance 178.35	Previous highs Thursday's high
HO 177.63, down 18 points	Support 176.60, 174.30 174.10, 172.80, 172.50	Thursday's low Previous lows
	Resistance 191.70	Basis trendline Thursday's high
	Support 188.00, 186.25 182.75, 181.00	Thursday's low Previous low, Double bottom

refinery following a problem with a coking unit. The market, which posted a low of 186.25 early in the session, extended its gains to 4.32 cents as it traded to a high of 191.70. Volume in the heating oil market was light with 36,765 lots booked on the day while volume in the RBOB market was better with 56,951 lots booked on the day.

The crude market is likely to retrace some of its gains early on Friday before it continues with its upward trend as traders cover their positions ahead of the weekend. While the market is starting to look overbought, the market still has some further upside and will remain supported amid the continuing refinery problems. The market is seen finding support at 61.50 followed by its low of 60.80. More distant support is seen at 60.30 followed by 60.10 and 59.75. Meanwhile resistance is seen at 62.40 followed by 62.95 and 63.13. More distant resistance is seen at 64.40.