



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 2, 2007

US State Department officials reported progress in talks with Britain, France, China, Russia and Germany on imposing further sanctions against Iran over its refusal to halt uranium enrichment. They said ambassadors could start drafting a new UN resolution next week. The countries have agreed to hold a further conference call on Saturday. The new sanctions could include travel bans on Iranian officials and individuals associated with nuclear and missiles programs. Separately, Agence France-Presse reported that UN officials were discussing sanctions against Iran that did not include a military attack.

Refinery News

Valero Energy Corp said there was no impact on production following a problem with a compressor at its 210,000 bpd refinery in Texas City, Texas late Thursday afternoon.

Market Watch

St Louis Federal Reserve President William Poole said that oil supply shocks need not cause recessions and added that there was no excuse for a central bank to allow inflation to escape its control. He said US monetary policy was better positioned now to deal with any increase in oil prices. He said inflation was a function of the balance or imbalance between supply and demand in the economy and added that as long as the Fed kept the market balanced, it would succeed in containing overall prices.

Industry sources stated that ExxonMobil Corp planned to cede operations of the Cerro Negro project to the Venezuelan government ahead of a May 1 deadline imposed by President Hugo Chavez. Venezuela's President signed a decree this week for the government to take a majority stake in four heavy crude upgrading projects in the Orinoco basin by May 1.

US Midwest lawmakers said they would oppose any deals to bring more Brazilian ethanol supplies to the US. They warned that such alliances could harm US farmers. President George W. Bush is expected to discuss ethanol when he meets with Brazilian President Luiz Inacio Lula da Silva on March 9. The US and Brazil are considering a plan to build ethanol plants in Caribbean countries that would be eligible to circumvent a 54 cent/gallon US tariff on ethanol imports.

Meteorologists stated that the likelihood of an above average Atlantic hurricane season was increasing amid the possible formation of a La Nina system in the Pacific. They said above average hurricanes are usually seen during La Nina events.

The US EPA proposed new regulations on Friday that would cut particulate emissions from trains and ships by 90% over the next several years starting in 2008.

New York Harbor gasoline prices were strong early Friday amid talks of refinery problems. Traders said talk that Canada's Irving Oil was buying gasoline, RBOB and jet in the NY harbor helped prices higher amid rumors of a problem at its 250,000 bpd St. John refinery. There were also reports of a delay in restarting a 24,000 bpd reformer at Sunoco's 179,000 bpd refinery in Marcus Hook, Pennsylvania. The unit was shut on February 9 and was due back up at the end of February. There was no estimate of how long the delay would last.

Shell Oil is expected to complete the start up of 20 units by early next week at its 334,000 bpd refinery in Deer Park, Texas.

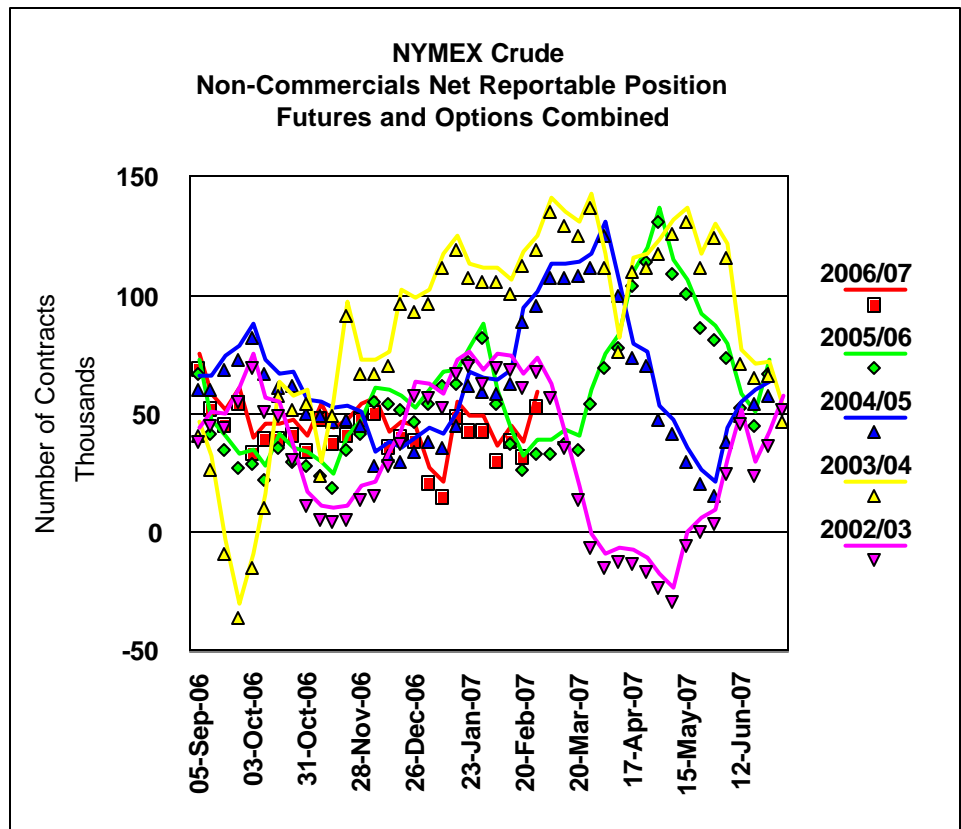
Venezuelan authorities restricted traffic through the Lake Maracaibo ship channel after a bulk carrier transporting coal was grounded near the channel. A port captain said only one ship at a time would be allowed to navigate the channel as a safety measure.

Production News

Venezuela's PDVSA said it cut its production by 40,000 bpd at the Boscan field to comply with its 58,000 bpd OPEC output cut.

Iraq's crude oil exports increased in February to 1.49 million bpd from 1.29 million bpd in January as shipments from Basra increased following the completion of repair work. Iraq also exported 670,889 barrels in February from its Khor al Amaya terminal. There were no crude exports from Ceyhan in February after the sale of 3 million barrels during the previous month in a tender.

Tugboat operators in Europe's port of Rotterdam returned to work on Friday following a two day strike. However they vowed to walk out again if their demands were not met. The strike left about 35 ships stranded in the port. Workers at the Smit Harbour Towage went on strike on Wednesday over a dispute with the management over a new collective labor agreement.



Marathon Oil said its production available for sale in 2007 would average between 390,000 and 425,000 barrels of oil equivalent/day.

Norway's Statoil said it signed a preliminary cooperation agreement with China National Petroleum Corp to jointly look for mutually beneficial business opportunities in and outside China.

Russia's Energy Ministry reported that Russia produced 9.86 million bpd in February, up 0.1% from January's daily volumes. It

reported that exports via Transneft increased by 2.5% to 4.59 million bpd from 4.48 million bpd in January. Russia's seaborne crude oil exports supplied to ports by Transneft increased to 4.588 million bpd or 17.525 million tons in February.

NYMEX Petroleum Options Most Active Strikes for March 2, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	P	60	05/17/2007	2.08	3,611	32.35
LO	6	7	P	62	05/17/2007	2.87	3,502	32.07
LO	5	7	P	60	04/17/2007	1.58	3,498	31.80
LO	5	7	P	50	04/17/2007	0.1	3,053	35.60
LO	5	7	P	62	04/17/2007	2.39	2,981	31.51
LO	12	7	P	60	11/13/2007	3.34	2,951	29.40
LO	12	7	C	70	11/13/2007	4.45	2,851	28.10
LO	4	7	P	58	03/15/2007	0.35	2,591	33.96
LO	4	7	P	59	03/15/2007	0.55	2,467	33.50
LO	5	7	P	55	04/17/2007	0.48	2,384	33.86
LO	5	7	C	80	04/17/2007	0.07	2,206	34.00
LO	4	7	P	60	03/15/2007	0.83	2,111	33.05
LO	6	7	C	64	05/17/2007	3.45	1,465	31.92
LO	6	7	P	64	05/17/2007	3.84	1,465	31.89
LO	4	7	P	61	03/15/2007	1.21	1,432	32.75
LO	4	7	C	62	03/15/2007	1.34	1,418	32.60
LO	6	7	P	57	05/17/2007	1.24	1,120	33.32
LO	6	7	P	55	05/17/2007	0.85	1,102	34.06
LO	6	7	P	56	05/17/2007	1.03	1,095	33.68
LO	7	7	P	64.5	06/15/2007	4.31	1,050	31.21
LO	7	7	C	65	06/15/2007	3.85	1,025	31.09
LO	6	7	C	67	05/17/2007	2.26	1,000	31.63
LO	6	7	C	73.5	05/17/2007	0.79	1,000	31.45
OB	6	7	C	1.87	05/25/2007	0.1225	403	32.57
OB	4	7	C	1.74	03/27/2007	0.1777	393	36.84
OB	6	7	P	1.75	05/25/2007	0.0585	393	33.03
OB	4	7	P	1.9	03/27/2007	0.0697	115	35.76
OB	4	7	P	1.77	03/27/2007	0.0226	107	36.38
OB	4	7	C	1.93	03/27/2007	0.0586	100	36.07
OB	4	7	P	1.74	03/27/2007	0.0164	100	36.53
OB	4	7	C	2.03	03/27/2007	0.0283	100	37.03
OB	12	7	P	1.72	11/27/2007	0.1833	100	30.76
OB	12	7	C	1.72	11/27/2007	0.1549	100	30.61
OH	6	7	C	1.75	05/25/2007	0.1157	200	32.11
OH	12	7	C	1.9	11/27/2007	0.1762	200	27.05
OH	12	7	C	1.93	11/27/2007	0.1619	100	26.84
OH	12	7	P	1.93	11/27/2007	0.1719	100	26.89

Former Soviet Union gas oil exports from the Black Sea fell for a second month in February by 5.9% to 1.09 million tons.

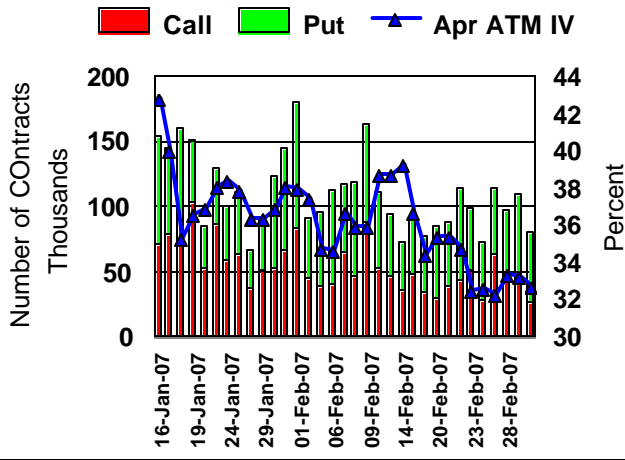
Georgia's Black Sea port of Batumi cut its oil and refined products shipments in February as volumes were rerouted towards the Baku-Ceyhan oil pipeline. Oil cargoes fell to 817,000 tons in February 2007 from 1.061 million tons in February 2006 but increased from 732,900 tons in January 2007. Overall shipments from Batumi increased to 11.7 million tons in 2006 from 9.7 million tons in 2005 due to new volumes of Azeri crude.

Azerbaijan's Socar said it cut oil product exports in January-February by 38% year on year as domestic demand for oil products increased. It exported 293,437 tons of oil products in January-February, down from 471,921 tons in the same period a year ago. It said it planned to increase fuel oil production to 1.8 million tons in 2007 from 1.2 million tons in 2006 and cut gasoline output to meet its local heating needs.

Indonesia's Pertamina said the country is expected to import 10 million barrels of oil products in April, down from 11.2 million barrels in March.

France's Total SA and Canada's Talisman Energy Inc are among several energy companies to wind exploration rights for nine oil and gas blocks in Indonesia. Indonesia's Energy Ministry stated that the other winners included Esso Indonesia, a joint venture between Pertamina and Norway's Statoil and

NYMEX WTI Option Volume Vs April ATM IV



UK's Premier Oil Plc. The exploration areas require an investment of up to \$441 million in the first three years, including for the drilling of 22 exploration wells.

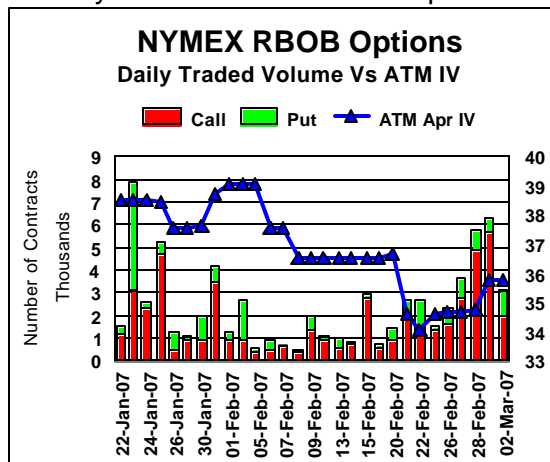
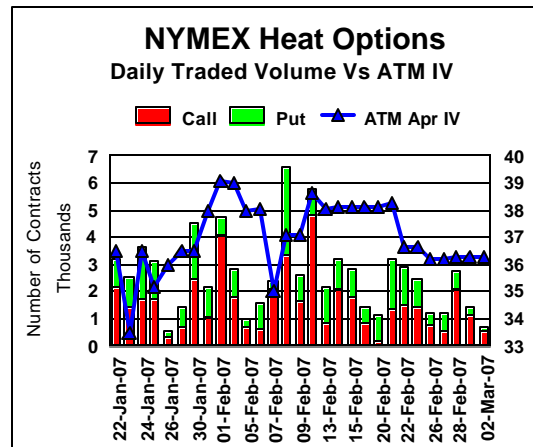
Mexico's Pemex said it expects to start producing oil from deepwater wells from 2012. It said it aimed to drill about 50-60 more exploratory wells in deep water between now and 2012. Pemex has estimated that there could be as much as 29 billion barrels of oil in deepwater.

India's Oil Minister, Murli Deora said there were no plans to cut prices of petrol and diesel.

OPEC's news agency reported that OPEC's basket of crudes increased to \$58.34/barrel on Thursday from \$56.57/barrel on Wednesday.

Market Commentary

The energy complex ended in negative territory on a late bout of profit taking ahead of the weekend. The crude market, which posted an inside trading day, ended lower for the first time in eight days. It opened slightly lower at 61.90 and posted its high of 62.30 early in the session. The market, which failed to test its previous high, erased some of its gains and settled in a sideways trading range for much of the day. The oil market sold off to a low of 61.35 ahead of the close as the gasoline market sold off after it had supported the complex in recent days. The crude market settled down 36 cents at 61.64. Volume in the crude market was lighter with 200,233 lots booked on the day. The RBOB market opened 50 points lower at



190.50 and traded to a high of 194.00 early in the session amid reports of further refinery problems. The market erased its gains and held some support at 190.00 as it traded back above the 192.00 level in choppy trading. However the market once again sold off and extended its losses to 2 cents as it posted a low of 189.00 as traders took profits ahead of the weekend. Similarly, the heating oil market retraced its earlier gains and sold off to a low of 176.45 ahead of the close. It breached its previous highs early in the session as it posted a high of 178.80 before it sold off and settled down 81 points at 176.82. Volumes in the product markets were light with 53,847 lots booked in the RBOB market and 33,356 lots booked in the heating oil market.

The Commitment of Traders report showed that non-commercials increased their net long positions by 18,177 contracts to 26,039 contracts in the week ending February 27. The combined futures and options report also showed that non-commercial increased their net long positions by 21,567 contracts to 53,766 contracts on the week as the market traded to its recent highs. The non-commercials in the heating oil market cut their net short positions by 4,332 contracts to a net short position of 180 contracts

while non-commercials in the RBOB market increased their net long position by 3,489 contracts to 21,865 contracts on the week.

Technical levels		
	Levels	Explanation
CL 61.64, down 36 cents	Resistance 62.95, 63.13, 64.40	Previous highs
	Support 62.30, 62.40	Friday's high, Thursday's high
	Resistance 61.35	Friday's low
	Support 60.80, 60.30, 60.10, 59.75	Previous lows
HO 176.82, down 81 points	Resistance 180.30, 182.30	Previous highs
	Support 178.80	Friday's high
	Resistance 176.45	Friday's low
	Support 174.30, 174.10, 172.80, 172.50	Previous lows
RB 190.18, down 83 points	Resistance 194.86	Basis trendline
	Support 194.00	Friday's high
	Resistance 189.00	Friday's low
	Support 186.25, 182.75, 181.00	Previous lows, Double bottom

The oil market, which retraced some of its recent gains, is seen trading sideways as the market awaits for further developments on the talks between the permanent members of the UN Security Council on imposing further sanctions on Iran. The crude market will likely test its recent resistance as its stochastics have yet to cross to the downside. The market is seen testing its highs of 62.30 and 62.40 followed by 62.95. More distant resistance is seen at 63.13 and 64.40. Meanwhile, support is seen at 61.35 followed by 60.80, 60.30 and 60.10. More distant support is seen at 59.75.