



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 5, 2007

OPEC's Secretary General Abdullah al-Badri said OPEC should be very careful about any supply cuts as lower demand during the second quarter was not guaranteed due to China and India. He also urged oil consuming countries to disclose more information about their energy policies to help OPEC countries with investments they would have to make in the coming years. Meanwhile, Qatar's Energy Minister Abdullah bin Hamad al-Attiyah said OPEC would not change its output levels if oil prices remained at current levels when its ministers meet on March 15. Separately, Algeria's Oil Minister Chakil Khelil stated that OPEC would keep its crude oil output unchanged at the

Market Watch

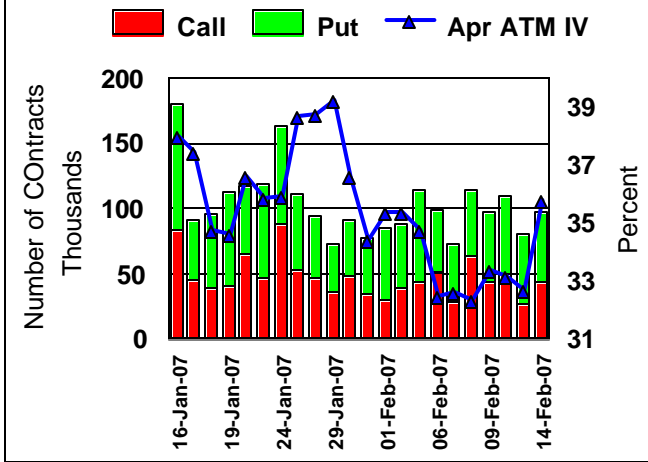
The National Weather Service predicted that US heating demand is expected to be just over 8% above normal in the week ending March 10 as cold weather returns. Demand for heating oil is expected to average about 26% above normal. In the Northeast, demand is expected to be almost 30% above normal.

President George W. Bush is expected to sign an agreement with Brazil's President Luiz Inacio Lula da Silva on Friday to develop standards that would help turn ethanol into an internationally traded commodity and promote sugar cane based ethanol production in Central America and the Caribbean. However analysts believe that any agreements reached between the US and Brazil would have short term effects. President George W. Bush has set a goal of 35 billion gallons/year of ethanol and other alternative fuels by 2017. However production of ethanol from US corn is expected to fall short and experts doubt that even Brazil would be able to fill the gap along with the help from Central America and the Caribbean.

Last week, the US Energy Department announced \$385 million in grants to help build six facilities to produce cellulosic ethanol. A Massachusetts firm broke ground on the country's first cellulosic ethanol demonstration plant in Louisiana while several oil companies and universities have announced initiatives to develop better ways of making the fuel. However production costs, which are about double those of corn based ethanol remains a challenge. Cellulosic ethanol costs about \$2.25/gallon to produce compared with \$1.07/gallon for corn based ethanol. The Energy Department has a goal to bring cellulosic ethanol costs in line with corn based ethanol by 2012. The fuel's backers said production facilities being built in coming years would be critical in determining if the fuel could be economically produced on a wide scale. Cellulosic ethanol proponents have urged the Energy Department to enact a loan guarantee program to spur additional investment. According to the Renewable Fuels Association, the US, which has 114 ethanol plants in operation and 78 under construction, produced about 4.9 billion gallons of ethanol last year compared with its consumption of 140 billion gallons of gasoline last year. Six new Energy Department backed refineries are expected to produce about 130 million gallons of cellulosic ethanol per year.

NYMEX Holdings, Inc said the average daily volume in February stood at 1.55 million contracts/day, up 34% from 1.15 million contracts in the same period of 2006. NYMEX electronic daily volume on the CME Globex electronic trading platform was 601,000 contracts, up 44% over the February 2006 electronic volume on NYMEX Access. The average daily volume on the NYMEX Clearport trading platform increased by 45% in February 2007 to 386,000 contracts from 267,000 contracts in 2006.

NYMEX WTI Option Volume Vs April ATM IV

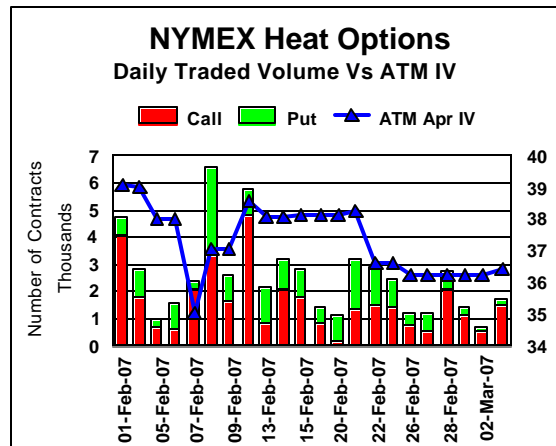


March 15 meeting as prices are expected to remain in a range of \$50 to \$60/barrel. He predicted that prices would remain in that range during the second quarter of this year. Iran's OPEC governor, Hossein Kazempour Ardebili said Iran did not expect OPEC to cut its production further provided that members comply with their existing reductions and prices do not fall.

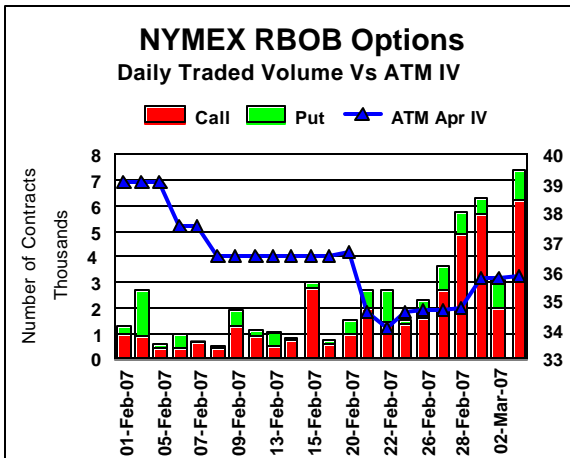
Venezuela's Finance Minister Rodrigo Cabezas said Venezuela expects oil prices to average about \$50/barrel in 2007. He was referring to the price of Venezuelan oil, which is usually priced \$10/barrel less than the US WTI price. Venezuela's Energy Minister said OPEC should remain vigilant to ensure members comply with their production cuts.

The administrator of the EIA, Guy Caruso said US gasoline inventories are in good shape heading into the summer driving season. He also stated that the availability of ethanol for blending into gasoline has improved.

The director of the IAEA, Mohamed ElBaradei said Iran's failure to clear up concerns over its nuclear activities sets it apart from the other countries. He said the IAEA's confidence over Iran's nuclear program would only be restored when Iran decides to explain and answer all of the agency's questions and concerns about its past nuclear activities in an open and transparent way. Iran's IAEA envoy, Ali Asghar Soltanieh said Iran would never cede its inalienable rights to enrich uranium but was prepared to resolve outstanding issues if its nuclear dossier is returned by the Security Council to the IAEA.



According to a report by the Oxford Research Group,



preemptive military strikes on Iran could prompt Iran to respond by developing a nuclear device within months. It said an attack would lead to a fast track program to develop small number of nuclear devices as quickly as possible, leading to a nuclear armed Iran within one or two years. It said the airstrikes would have to hit well protected targets across Iran, including the Kalaye Electric Co, which produces components for gas centrifuges used in uranium enrichment. Other targets would include the Bushehr nuclear reactor, the Arak heavy water reactor and heavy water production plant, uranium enrichment facilities at Natanz, uranium mines at Saghand and the research reactors at Isfahan. However the report stated that there was a real possibility Iran had built secret facilities elsewhere as

well as false targets in anticipation of air strikes.

Saudi Arabia said Iran's nuclear program was a burden on a region that has been facing challenges. Saudi Foreign Affairs Minister Prince Saud al-Faisal said the region had to deal with the new challenge with full responsibility and adopt diplomatic solutions in a way that would preserve the right of countries

NYMEX Petroleum Options Most Active Strikes for March 5, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	4	7	P	57	03/15/2007	0.38	9,047	36.68
LO	4	7	C	65	03/15/2007	0.16	5,330	35.96
LO	4	7	P	55	03/15/2007	0.13	5,024	37.88
LO	4	7	P	60	03/15/2007	1.38	4,705	35.77
LO	5	7	P	50	04/17/2007	0.14	2,982	36.00
LO	5	7	C	72	04/17/2007	0.25	2,811	32.66
LO	4	7	P	59	03/15/2007	0.94	2,598	35.95
LO	4	7	P	58	03/15/2007	0.61	2,459	36.22
LO	4	7	C	62	03/15/2007	0.67	2,060	35.60
LO	4	7	P	56	03/15/2007	0.22	1,669	36.90
LO	6	7	C	64	05/17/2007	2.8	1,611	32.76
LO	5	7	C	80	04/17/2007	0.04	1,526	35.15
LO	4	7	C	63	03/15/2007	0.43	1,470	35.65
LO	4	7	P	75	03/15/2007	14.93	1,450	60.89
LO	6	7	C	70	05/17/2007	1.1	1,345	32.47
LO	4	7	P	53	03/15/2007	0.03	1,265	37.84
LO	12	7	P	57	11/13/2007	2.76	1,250	30.13
LO	4	7	P	57.5	03/15/2007	0.48	1,219	36.30
LO	4	7	P	60.5	03/15/2007	1.64	1,189	35.63
LO	4	7	C	60.5	03/15/2007	1.21	1,160	35.61
LO	4	7	C	60	03/15/2007	1.45	1,116	35.77
LO	5	7	P	45	04/17/2007	0.02	1,101	37.95
LO	5	7	P	48	04/17/2007	0.07	1,006	36.96
LO	4	7	C	61	03/15/2007	1.01	1,005	35.76
LO	5	7	C	53	04/17/2007	8.64	1,000	36.22
OB	9	7	C	2.15	08/28/2007	0.063	1,037	33.68
OB	9	7	C	2.6	08/28/2007	0.023	1,037	38.11
OB	9	7	C	1.75	08/28/2007	0.1864	775	31.18
OB	9	7	C	2.25	08/28/2007	0.0493	775	34.66
OB	7	7	C	2	06/26/2007	0.0783	502	33.88
OB	7	7	P	1.75	06/26/2007	0.0865	500	32.92
OB	6	7	C	1.85	05/25/2007	0.1088	451	32.45
OB	6	7	P	1.74	05/25/2007	0.0645	283	32.90
OB	6	7	C	1.9	05/25/2007	0.0892	282	32.92
OB	4	7	C	1.7	03/27/2007	0.1599	175	36.84
OB	4	7	C	1.93	03/27/2007	0.0334	115	36.72
OB	4	7	C	2.03	03/27/2007	0.014	115	37.76
OB	6	7	C	1.84	05/25/2007	0.1136	103	32.51
OH	6	7	C	1.7	05/25/2007	0.1166	433	32.20
OH	7	7	C	1.75	06/26/2007	0.1168	419	31.49
OH	4	7	C	1.9	03/27/2007	0.0126	156	37.53
OH	4	7	P	1.6	03/27/2007	0.0171	136	36.91
OH	4	7	C	1.83	03/27/2007	0.025	100	37.07

in the region for their own nuclear energy for peaceful purposes. He also stated that the IAEA standards and measures should apply to all countries in the region without exceptions, including Israel.

The International Monetary Fund said Iran's near term prospects for economic growth look favorable. It said Iran's economy was likely to grow by 5.8% in 2006/07 from 5.5% last year, based on strong activity in the country's non-oil sector and high oil prices. However it warned that growth could be impacted if tensions over Iran's nuclear program worsened. It also stated that Iran's expansionary policies were fueling inflationary pressures.

Refinery News

Colonial Pipeline extended shipping allocations on its main distillates pipeline from Collins, Mississippi to Greensboro, North Carolina to the 15th five day cycle of the year.

Shell Oil Co said it was working to restore normal operations at its 100,000 bpd refinery in Wilmington, California following a plantwide electrical power outage early Monday.

Valero Energy Corp said

there was no impact to production at its 135,000 bpd refinery in Wilmington, California while ExxonMobil Corp said its 150,000 bpd refinery in Torrance resumed planned operations by midday following an electrical power outage.

Valero Energy Corp said there was no material impact to production at its 130,000 bpd refinery in Houston due to a sulfur recovery unit shutdown. The sulfur recovery unit was shut down on Thursday night following a communication failure with another system at the refinery. Meanwhile, Valero Energy carried out maintenance work in Complex 8 of the 110,000 bpd east plant of its Corpus Christi, Texas refining complex on Friday. Separately, Valero said the regenerative thermal oxidizer at its 250,000 bpd refinery in Port Arthur, Texas experienced an unexpected shutdown on Sunday. A company spokesman said there was no material impact from the outage.

Workers at ExxonMobil Corp's 563,000 bpd refinery in Baytown, Texas successfully stabilized a flexicoker unit at the refinery over the weekend following an equipment malfunction.

BP Plc carried out a planned shutdown on Saturday of a reformer unit at its 260,000 bpd refinery in Carson, California.

Alon USA Energy Inc restarted two sulfur recovery units at its 68,000 bpd Big Spring, Texas refinery on Sunday following a brief process control problem with its sulfur recovery unit No. 2.

According to Credit Suisse, US refining margins increased further as seasonal maintenance and unplanned outages kept inventories tight. Margins for refiners in the US Gulf Coast increased \$2.32 in the week ending March 2 to \$14.86/barrel while margins in the Midwest increased by \$1.71 to \$18.11/barrel. Margins in the northeast increased by \$2.03/barrel to \$13.32/barrel while margins in the West Coast fell by 58 cents to \$31.06/barrel.

Saudi Aramco Shell Refinery Co's 305,000 bpd refinery is scheduled to shut down starting Tuesday until the end of the month for scheduled maintenance. It would be the refinery's first maintenance in four years.

Algeria's Sonatrach is expected to build a refinery alone because offers made by foreign bidders were not satisfactory. The refinery is expected to cost \$3 billion and would be able to process 300,000 bpd.

Production News

Iraq's Oil Ministry reported that Iraq's crude oil exports increased to 1.567 million bpd in February from 1.297 million bpd in January. An Oil Ministry spokesman said Iraq was planning to increase exports to 1.7 million bpd in March.

Oil company officials from China are expected to arrive in Iraq on Tuesday for negotiations with Iraqi Oil Ministry officials over a Saddam-era contract to develop the Ahdab oilfield. Before the 2003 Iraqi war, China had agreed on a \$700 million deal with Saddam Hussein's government to develop the Ahdab oilfield. An Iraqi official said China's ambassador said that China was willing to reduce Iraqi debt as part of a deal on the Ahdab contract. The Ahdab field, which is expected to produce 90,000 bpd, could be the first foreign oil contract Iraq is likely to sign after the passage of its new oil law.

Venezuela's PDVSA said Total and BP struck a deal with PDVSA over the Jusepin oil field which the government seized from them in April 2006. PDVSA reached a \$250 million deal to compensate Total and BP. Meanwhile, Venezuela's Energy Minister Rafael Ramirez said the country planned to compensate oil majors in crude rather than cash in the nationalization of their holdings in projects in

the Orinoco reserve. Separately, ExxonMobil Corp said it agreed to transfer operatorship of its Cerro Negro heavy oil project in Venezuela's Orinoco region to PDVSA by May 1.

Saudi Arabia cut its April official selling price for Arab Light bound for Europe. It cut the price of Arab Light crude to Europe from Ras Tanura to BWAVE minus \$4.85/barrel, down 20 cents from March. It also lowered the price for Arab Light crude to Europe from Sidi Kerir to BWAVE minus \$4.80, down 30 cents on the month. Meanwhile, it increased the price of its Arab Extra Light crude to Asian customers for April by 20 cents to the Oman/Dubai average plus \$3.20/barrel.

Inter Pipeline Fund said it was buying an Alberta pipeline from Kinder Morgan Inc. Under the deal, Inter Pipeline would ship about half of Canada's oil sands output. It would take over the responsibility for a C\$1.8 billion expansion, in conjunction with an expansion of the overall oil sands project now underway. The project would increase capacity of the pipeline to 465,000 bpd by 2010 from the current 280,000 bpd.

Russia's Energy Ministry reported that the country's fuel oil exports fell in February to 2.809 million tons from 3.096 million tons in January but increased by 55.3% from 1.809 million tons in February 2006. Russia's gasoline exports fell to 443,400 tons from 628,900 tons in January. However volumes were still 58.4% up from 280,000 tons in February last year. Its gas oil exports fell to 2.632 million tons from 3.148 million tons in January.

Mexico's President Felipe Calderon said Brazil has agreed to help Mexico produce the alternative fuels biodiesel and ethanol by providing technical advice to the country.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$58.56/barrel on Friday from \$58.34/barrel on Thursday.

The Russian Foreign Ministry reported that three Algerians and a Russian were killed in a roadside attack on a bus carrying workers for a Russian gas pipeline construction company. It said the attack included two roadside blasts. It was the second bomb attack on foreign oil and gas workers since December.

BP said it would not use its slot to deliver any liquefied natural gas to the UK's Isle of Grain terminal on Friday. It is the first slot this winter that BP has not used at Grain, which it shares with Algeria's Sonatrach. Sonatrach also left its March 2 slot empty after a six month slide in British gas prices.

LNG Impel said a liquefied natural gas storage facility it was developing with Dubai would cost \$2 billion, twice the original estimate. The project is expected to be completed in three phases by 2013, with the first phase starting by the end of 2011. The facility would comprise nine tanks of 200,000 cubic meters each.

ConocoPhillips said its Qatargas 3 Qatar liquefied natural gas project was on budget and on schedule despite rising costs and tight supplies of raw materials. The Qatargas 3 LNG train is expected to start operations in November 2009, with a capacity of 7.8 million tons per year.

Market Commentary

The oil market gapped lower from 61.35 to 60.40 as the fall in Asian and European stock exchanges spilled over to the commodities markets. The market traded to 60.10 before it retraced some of its losses and partially backfilled its gap as it traded to a high of 60.75. However the crude market, which failed to backfill its gap, erased its gains and sold off to a low of 59.60 amid the see saw action in the stock market. The market later bounced off its low and settled in a sideways trading pattern as it

traded back towards the 60.50 level ahead of the close. It settled down 60.07, down \$1.57. Volume in the crude market was good with 244,724 lots booked on the day. The RBOB market settled sharply lower following last week's gains. It gapped lower from 189.00 to 186.50 and quickly traded to 185.50 before it partially backfilled its gap as it traded to a high of 187.25. However the market erased its gains and traded to a low of 184.00 and settled in a sideways trading pattern ahead of the close. It settled down 5.71 cents at 184.47. Meanwhile, the heating oil market also gapped lower from 176.45 to 173.80 amid the losses seen in the oil market. The market partially backfilled its gap as it posted a high of 174.20. The market settled in a sideways trading pattern before it extended its losses to 5.47 cents as it posted a low of 171.35 in afternoon trading. It retraced some of its losses and settled down 4.34 cents at 172.48. Volumes in the product markets were light with 46,685 lots booked in the RBOB market and 29,405 lots booked in the heating oil market.

The oil market is seen retracing more of its previous gains after the market settled sharply lower and its stochastics crossed to the downside. The market's losses however may be limited by the cold snap and the concerns over Iran's nuclear program. The market is seen finding resistance at 60.50 followed by its gap from 60.75 to 61.35. More distant resistance is seen at 62.30. Meanwhile, support is seen at 59.60

followed by 59.46. Meanwhile, more distant support is seen at 58.55, 58.30 and 57.64.

Technical levels		
	Levels	Explanation
CL 60.07, down \$1.57 cents	Resistance 60.50, 60.75 to 61.35	Previous high Remaining gap (March 5th)
	Support 59.46, 58.55, 58.30, 57.64	Monday's low 38% retracement (54.70 and 62.40), 50%, Previous low, 62%
HO 172.48, down 4.34 cents	Resistance 174.20 to 176.45	Previous high Remaining gap (March 5th)
	Support 171.35 169.60, 167.90, 167.43	Monday's low 50% retracement(160.40 and 178.80), Previous low, 62% retracement
RB 184.47, down 5.71 cents	Resistance 186.00, 187.25 to 189.00	Previous high Remaining gap (March 5th)
	Support 184.00 183.02, 182.75, 181.00	Monday's low 38% retracement (165.25 and 194.00), Previous low, Double bottom