



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 6, 2007

UN ambassadors from the permanent members of the UN Security Council and Germany started negotiations on Monday on a resolution that would increase sanctions against Iran for its nuclear program. Britain is expected to release a draft text soon. On Saturday, the UN ambassadors were unable to settle all of their differences. Diplomats said Russia and China still had

problems with proposals from the US, Britain, France and Germany. The new sanctions proposals are expected to include a mandatory travel ban on Iranian officials involved in the nuclear program and an expansion of the list of banned nuclear material and technology Iran may import and export.

Royal Dutch Shell reduced its oil production in Nigeria by 187,000 bpd following a spill from a major pipeline in the Niger Delta. The spill occurred in the Nembe creek area of the Delta on Sunday. It predicted that it would take several days to repair. The crude from Nembe creek is normally pumped into the Bonny export terminal. A company spokesman said the company had no plans to declare a force majeure. Shell has now halted output of 664,000 bpd, including the 447,000 bpd halted in February 2006 due to militant attacks.

The EIA stated in its Short Term Energy Outlook that world oil market has tightened in recent weeks due to the OPEC output cuts and the return of cold weather in North America. OPEC-ten cut oil production by 600,000 bpd below third quarter levels, with Saudi Arabia accounting for half of the cut. It estimated OPEC's spare capacity to average over 2 million bpd in 2007 and 2008 compared with an average spare capacity of 1.3 million bpd in 2006. Meanwhile, non-OPEC production is expected to grow by 700,000 bpd in 2007 and 800,000 bpd in 2008. Output growth from non-OPEC countries reflects increases from new projects in the Caspian Sea, Russia, Africa, Brazil and the US. The EIA

Market Watch

The University of Missouri's Food and Agricultural Policy Research Institute said US farmers would grow a record 12.148 billion bushels of corn in 2007 and sell 3.16 billion bushels of it for ethanol production. It estimated ethanol production at 7.075 billion gallons this year. Output is not expected to exceed 10 billion gallons before the end of the decade. According to the Renewable Fuels Association, ethanol production is forecast to increase to 6 billion-6.5 billion gallons in 2007, up from 4.86 billion gallons in 2006.

The official Kuwait News Agency reported that Kuwait's emir re-appointed Sheikh Nasser al-Mohammad al-Sabah as prime minister on Tuesday after the country's cabinet resigned on Sunday. The cabinet resigned in an apparent bid to thwart a no-confidence motion against the country's health minister presented by 10 lawmakers in February.

also stated that inventories in the Organization for Economic Cooperation and Development could fall by 900,000 bpd in the first quarter compared with an average draw of 300,000 bpd over the past 5 years and not increase at all during the second quarter compared with an average increase of 800,000 bpd over the past 5 years. It also reported that world demand is expected to increase by 1.6 million bpd in 2007 compared with a growth rate of 800,000 bpd in 2006. World demand in 2007 is estimated at 86.6 million bpd, up from its previous estimate of 86.4 million bpd. Demand in 2008 is estimated at 88.1 million bpd, also 200,000 bpd above its previous estimate. World oil demand in the second quarter of 2007 was cut by 300,000 bpd to 84.8 million bpd while demand in the fourth quarter was cut by 100,000 bpd to 86.3 million bpd. Total US petroleum demand in 2007 is estimated at 20.93 million bpd, up 20,000 bpd from its previous estimate while its demand estimate for 2008 fell by 20,000 bpd to 21.21 million bpd. It estimated gasoline demand in 2007 at 9.35 million bpd, up 10,000 bpd from its previous estimate while demand in 2008 is estimated at 9.46 million bpd, down 20,000 bpd. Meanwhile distillate demand is estimated at 4.27 million bpd in 2007 and 4.34 million bpd in 2008, up 20,000 bpd and up 10,000 bpd from its previous estimate. In regards to prices, the EIA stated that WTI crude is expected to average \$62/barrel in 2007, up from its previous estimate of \$59.50/barrel. For 2008, WTI crude is expected to average \$63.75/barrel, up from its previous estimate of \$62.50/barrel. The EIA's projections of US heating fuel expenditures for the 2006-07 winter season increased to \$898 compared with \$862 in its previous report. Gasoline prices are expected to average \$2.60/gallon in April-September.

At least 10 people have been killed in the past few days in gang fighting in Port Harcourt as tensions increase ahead of the country's elections next month. Nigerians are due to elect a new president, state governors and lawmakers in elections on April 14 and 21.

Iran's police chief Ismail Ahmadi-Moghaddam said western intelligence services may have kidnapped a former Iranian deputy defense minister, who vanished after arriving in Turkey. He said it is possible that the former deputy defense minister was kidnapped because of his Defense Ministry background. Meanwhile, Israeli security experts gave some credence to the Iranian statement but also suggested that the former minister had defected.

Refinery News

Valero Energy Corp said its asphalt plant at its 135,000 bpd refinery in Wilmington, California was briefly impacted by a power disruption on Sunday. It said its gasoline production at the refinery was not affected by the brief power disruption. On Monday, a Valero spokeswoman stated that the entire refinery was affected by the power outage.

Operations at Shell Oil's 100,000 bpd refinery in Wilmington, California returned to normal on Tuesday following an electrical power disruption on Sunday. Shell lost power for 10 seconds before a back up supply kicked in. Separately, Shell Oil reported that operations at its 156,000 bpd refinery in Martinez, California returned to normal following a mechanical problem in a compressor on Monday night.

ExxonMobil Corp also restored operations at its Torrance, California refinery following the power outage on Sunday.

According to a notice filed with the California Office of Emergency Services, BP set off a safety flare on Monday night at its 260,000 bpd refinery in Carson, California during an overhaul of its No. 1 and No. 3 reformers.

Lyondell Chemical Co had a problem with a depropanizer tower while it restarted a fluid catalytic cracking unit at its 280,000 bpd Houston refinery. According to a notice filed with the Texas

Commission on Environmental Quality, a pressure relief valve opened and the depropanizer tower had to be depressurized early Monday morning.

NYMEX Petroleum Options Most Active Strikes for March 6, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	9	7	P	54	08/16/2007	1.29	4,250	31.51
LO	5	7	C	70	04/17/2007	0.46	3,358	31.64
LO	5	7	C	62	04/17/2007	2.67	3,000	31.76
LO	4	7	C	65	03/15/2007	0.17	2,675	34.73
LO	5	7	P	50	04/17/2007	0.11	2,363	36.39
LO	6	7	C	70	05/17/2007	1.12	2,135	30.70
LO	7	7	P	60	06/15/2007	2.52	2,033	32.18
LO	6	7	C	68	05/17/2007	1.72	1,900	32.18
LO	4	7	P	55	03/15/2007	0.08	1,624	38.94
LO	5	7	C	80	04/17/2007	0.02	1,604	31.18
LO	8	7	C	63	07/17/2007	5.3	1,600	31.30
LO	12	7	C	73	11/13/2007	3.25	1,600	28.00
LO	4	7	C	64	03/15/2007	0.29	1,551	34.44
LO	5	7	C	72	04/17/2007	0.27	1,523	31.65
LO	4	7	C	60	03/15/2007	1.68	1,489	34.65
LO	7	7	P	50	06/15/2007	0.4	1,475	34.03
LO	6	7	P	62	05/17/2007	3.09	1,450	32.65
LO	4	7	C	63	03/15/2007	0.48	1,435	34.30
LO	4	7	P	60	03/15/2007	0.99	1,419	34.61
LO	6	7	P	60	05/17/2007	2.25	1,404	32.93
LO	12	7	C	100	11/13/2007	0.32	1,401	29.27
LO	5	7	P	61.5	04/17/2007	2.37	1,370	31.86
LO	5	7	C	61.5	04/17/2007	2.93	1,370	31.92
LO	6	7	P	55	05/17/2007	0.94	1,305	34.87
LO	6	7	P	63	05/17/2007	3.58	1,250	32.57
LO	12	7	P	65.5	11/13/2007	5.84	1,175	29.01
LO	12	7	C	65.5	11/13/2007	6.08	1,175	29.03
LO	4	7	C	63.5	03/15/2007	0.38	1,128	34.54
LO	9	7	C	80	08/16/2007	1.01	1,100	29.73
LO	4	7	P	58	03/15/2007	0.4	1,087	35.97
LO	6	7	C	72	05/17/2007	0.88	1,051	32.05
LO	4	7	C	61	03/15/2007	1.16	1,037	34.41
LO	4	7	C	67	03/15/2007	0.06	1,010	36.20
OB	7	7	C	1.95	06/26/2007	0.1004	608	33.22
OB	6	7	C	1.85	05/25/2007	0.1171	604	32.53
OB	4	7	C	2	03/27/2007	0.0189	210	37.38
OB	4	7	C	1.9	03/27/2007	0.0444	201	36.38
OB	4	7	P	1.74	03/27/2007	0.0215	100	36.45
OB	4	7	P	1.83	03/27/2007	0.0522	100	35.99
OH	4	7	C	1.74	03/27/2007	0.0642	950	36.45
OH	4	7	P	1.74	03/27/2007	0.057	950	36.49
OH	5	7	C	1.7	04/25/2007	0.113	250	35.34
OH	7	7	C	1.8	06/26/2007	0.1069	150	31.76
OH	7	7	P	1.71	06/26/2007	0.0925	150	31.67
OH	4	7	P	1.5	03/27/2007	0.0027	121	37.68

Indian Oil Corp said a fire at a 20,000 bpd refinery in the northeastern state of Assam has shutdown its crude distillation unit. The rest of the refinery's units were operating.

Total on Tuesday started a 5 week turnaround at its 229,000 bpd Donges refinery. A company spokesman said maintenance would be carried out on half of the refinery.

ExxonMobil Corp is scheduled to shut the larger of its two refineries in Singapore for 45 days of planned maintenance starting in mid-June. Its 309,000 bpd refinery is expected to be shut until the second half of July, with its crude distillation units and other secondary units taken down in stages.

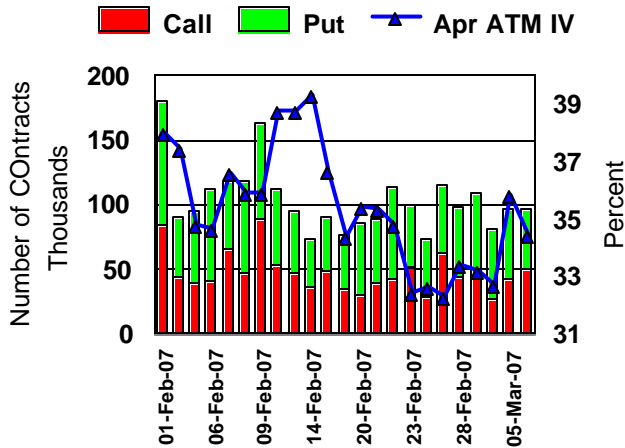
Indonesia's Pertamina said its 120,000 bpd refinery in Dumai was not damaged by the strong earthquakes that hit West Sumatra on Tuesday.

Production News

Workers at Rotterdam's main towage company, Smit Harbour Towage, are expected to resume their strike on Tuesday. The workers went on a two day strike last Wednesday, leaving 35 large ships

stranded in the port. The workers decided late Monday to resume their strike after management failed to meet their demands in a new collective labor agreement.

NYMEX WTI Option Volume Vs April ATM IV



A port official said refined products exports from Russia's Baltic Sea port of St. Petersburg fell in February by about 22% from the previous month to 724,000 tons. It exported 474,000 tons of fuel oil and 250,000 tons of diesel.

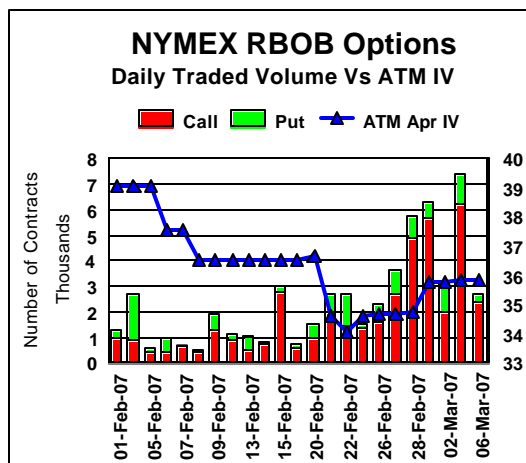
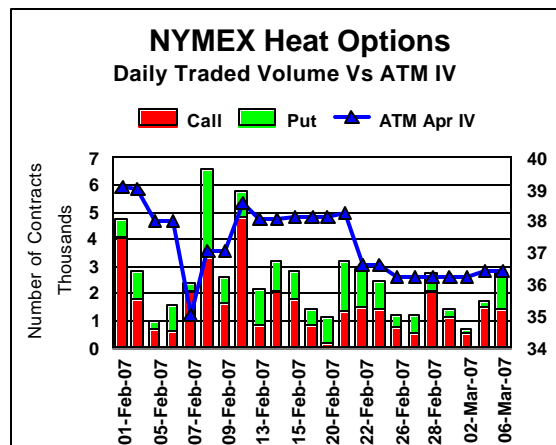
The Caspian Pipeline Consortium said its exports of Kazakh oil to the Black Sea increased to 22.5 million barrels or 804,000 bpd in February, up 28% on the month and 35% on the year.

OPEC's news agency reported that OPEC's basket of crudes fell to \$57.20/barrel on Monday, down from Friday's \$58.56/barrel.

Petroecuador exported 202,031 bpd of crude oil in February, up 9.6% on the month.

Market Commentary

The oil market opened up 58 cents at 60.65 drawing strength from a recovery in Asia's and Europe's stock markets. This followed Monday's sell off on concern over the implications of falling stocks on economic growth and fuel demand. The crude market continued to partially backfill its gap as it quickly traded to a high of 60.80 on the opening. The market retraced some of its gains and posted a low of 59.95 before it once again bounced off its low and retraced its losses. The market traded in a mostly sideways trading range and settled up 62 cents at 60.69. Volume in the crude market was good with 247,686 lots booked on Globex during the open outcry session. Meanwhile, the heating oil market gapped higher on the opening from 174.20 to 174.90 amid the cold snap in the Northeast. The market traded to a high of 175.00 on the opening and quickly started to erase its gains. It traded to a low of 172.30 early in the session before it retraced its losses and rallied back towards its high ahead of the close.



The market was supported amid the expectation that the weekly petroleum stock reports would show draws in distillate stocks of over 2 million barrels. It settled up 2.25 cents at 174.73. The RBOB market also settled up 86 points at 185.33 after the market opened up 1.03 cents at 185.50 amid the continuing refinery snags. The market gave up its gains and sold off to a low of 181.50 as the crude market traded to its low. The RBOB market however bounced off its low and traded back towards its high ahead of the close in light of expectations that the weekly petroleum stock reports would show draws in gasoline stocks. Volumes in the heating oil market was light with 32,761 lots booked on the day while volume in the RBOB market was better with 59,803 lots booked on the day.

The oil market is seen trading within its recent trading range as it is seen holding its support. Its losses will remain limited as the weekly petroleum stock reports are expected to show draws in product stocks once again. The reports are expected to show builds in crude stocks of about 2 million barrels, draws in distillate stocks of over 2 million barrels and draws in gasoline stocks of about 2 million barrels. The crude market is seen finding support at its low of 59.95 followed by 59.60 and 59.46. More distant support is seen at 58.55 and 58.30. Meanwhile resistance is seen at its gap from 60.80 to 61.35 followed by 62.30.

Technical levels		
	Levels	Explanation
CL 60.69, up 62 cents	Resistance 60.80 to 61.35	Previous high Remaining gap (March 5th)
	Support 59.95 59.60, 59.46, 58.55, 58.30	Tuesday's low Previous low, 38% (54.70 and 62.40), 50%, Previous low
HO 174.73, up 2.25 cents	Resistance 175.00 to 176.45	Previous high Remaining gap (March 5th)
	Support 173.50, 172.30 171.35, 169.60, 167.90, 167.43	Tuesday's low Previous low, 50% (160.40 and 178.80), Previous low, 62% retracement
RB 185.33, up 86 points	Resistance 187.25 to 189.00, 194.00 186.20	Remaining gap (March 5th), Previous high Tuesday's high
	Support 184.00, 181.50 181.00, 179.63, 179.15, 177.00	Tuesday's low Double bottom, 50% (165.25 and 194.00), Previous lows