



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 7, 2007

The EIA reported an unexpected decline in crude stocks amid a large fall in imports caused by persistent fog that halted shipping along the Houston Ship Channel. Last Thursday, when the fog lifted, there were 43 tanker waiting to enter the channel. The DOE reported that crude stocks fell by 4.8 million barrels as imports fell by 650,000 bpd on the week. The DOE also reported that total US oil inventories, excluding the SPR, stood at 984.6 million barrels, down 15.8 million barrels on the week. It said stocks were now just below the upper end of the average range for the last five years.

According to Wood Mackenzie, non-OPEC oil production

growth is expected to be strong in 2007 due to significant new production in central Asia. It estimated that non-OPEC oil and natural gas liquid production, including new OPEC member Angola, would

Market Watch

Traders and tanker brokers stated that about 1 million tons of European gasoline bound for the US has so far been booked for March loading as demand increases ahead of the peak summer driving season. Total exports in March were likely to reach 1.45 million tons.

According to a Reuters survey, OPEC output cuts and an expected increase in US and European gasoline demand this summer is expected to keep world oil prices around \$61/barrel this year. It reported that the analysts expect WTI prices to average \$61.29/barrel while Brent prices are expected to average \$59.94/barrel in 2007. In 2008, WTI prices are expected to average \$60.14/barrel while Brent prices are expected to average \$58.41/barrel.

An analyst stated that Goldman Sachs' Commodity Index was underweighed in gasoline compared to other indices. He said that while it was not much of a concern during the winter, it could become one in the summer as gasoline seasonally outperforms heating oil.

Analysts and industry sources stated that Kuwait's Oil Minister, Sheikh Ali al-Jarrah al-Sabah, is expected to keep his post when a new government is formed following the cabinet's resignation on Sunday. Kuwait's Oil Minister resigned along with his cabinet colleagues in an apparent attempt to thwart a no-confidence vote against the health minister.

The head of Venezuela's central bank said he expects the country's economic growth to be higher than 7% in the first quarter of the year.

Man Financial announced that it would direct its order flow for NYMEX products and COMEX products to the Globex electronic platform as the majority of the volume has moved the electronic trading platform. It said starting March 18 both its Mtrade and Man Express would direct all its orders to the Globex system.

DOE Stocks

Crude – down 4.8 million barrels

Distillate – down 1.3 million barrels

Gasoline – down 3.8 million barrels

Refinery runs – down 0.23%, at 85.8%

average 50.2 million bpd in 2007, up 1.5 million bpd on the year. It said the rate of increase was likely to accelerate in the fourth quarter, when production was expected to run 1.6 million bpd higher than the same period of 2006.

The Iranian ISNA news agency reported that Iran's parliament approved rationing subsidized gasoline starting

May 22 at a price of 1,000 rials/liter or \$0.113, up from its current price of 800 rials/liter or \$0.09. The government is expected to decide on the ration quantity and price for unrationed gasoline by April 20.

Refinery News

Restart efforts at Royal Dutch Shell's oil refinery in Wilmington, California continued for the third day on Wednesday following a power outage early Monday. Shell began to restart the 100,000 bpd refinery on Monday.

Tesoro Corp said the restart of a fluid catalytic cracking unit at its Golden Eagle refinery was delayed due to a mechanical circulation failure amid a restart attempt. The unit was shut on March 3 for maintenance and is now expected to remain down until March 16.

According to a filing with the US Securities and Exchange Commission, BP is expected to increase its crude runs at its Texas refinery to 400,000 bpd by the end of 2007. No decision has been reached on returning the refinery to its nameplate capacity of 460,000 bpd in 2008. The refinery had reached a capacity of 248,000 bpd by the end of 2006 while work continued to complete the refinery's restart. The refinery was damaged by the rapid shutdown required in September 2005, when Hurricane Rita hit the Gulf Coast region.

Royal Dutch Shell Plc said plans to increase the capacity of Motiva Enterprises LLP's Port Arthur, Texas refinery have been delayed by efforts to secure double the crude supply. It is expected to expand its capacity by 325,000 bpd.

Bengal Pipeline Co LLC said its mixed refined products pipeline that runs from Norco, Louisiana to Baton Rouge, Louisiana was restarted on Monday after it was shut in for five weeks. The pipeline, which services Valero Energy Corp's St. Charles refinery, Marathon's Garyville, La refinery and Motiva's Norco refinery was shut on January 31 following the discovery of a small leak.

Traders said Venezuela's PDVSA was seeking to purchase 120,000 barrels of MTBE and 100,000 barrels of alkylate for March 24-26 delivery to its El Palito refinery. The monthly purchase of gasoline blending components reflected the extended shutdown of its fluid catalytic cracking unit.

Imperial Oil Ltd said its fire damaged Nanticoke refinery in Ontario was operating at 75% of its 118,000 bpd capacity. It expects its repairs to be completed by the middle of March. It said that its gasoline and diesel supplies were improving but remain very tight.

Canadian Press reported that firefighters were battling a fire that started Tuesday night at a Petro-Canada refinery in Edmonton. It said the fire started after a leak in the heavy oils portion of the refinery. The company said the damage was limited and the plant continued to operate at 90% of capacity.

Japan Energy Corp has cut its crude oil processing volumes for the first quarter due to slow demand. Its January-March refining volumes would fall to an estimated 5.52 million kiloliters compared with an initial plan of 5.62 million kl.

Traders stated that China was not importing diesel in March after it purchased 60,000 tons for February, as import costs and supplies were sufficient to cover domestic demand.

NYMEX Petroleum Options Most Active Strikes for March 7, 2006

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	2	8	P	60	01/16/2008	3.53	2,300	28.88
LO	2	8	C	70	01/16/2008	5.12	2,300	26.82
LO	5	7	P	50	04/17/2007	0.06	2,248	35.56
LO	4	7	P	60	03/15/2007	0.44	2,174	31.25
LO	4	7	C	62	03/15/2007	1.01	1,691	30.07
LO	5	7	C	72	04/17/2007	0.31	1,655	29.83
LO	9	7	C	95	08/16/2007	0.24	1,650	31.00
LO	6	7	P	56	05/17/2007	0.79	1,602	32.85
LO	5	7	P	60	04/17/2007	1.22	1,541	30.86
LO	6	7	C	75	05/17/2007	0.54	1,505	30.10
LO	4	7	C	65	03/15/2007	0.19	1,492	30.41
LO	5	7	P	55	04/17/2007	0.32	1,470	33.15
LO	4	7	P	56	03/15/2007	0.03	1,433	34.47
LO	5	7	P	58	04/17/2007	0.74	1,395	31.71
LO	5	7	C	65	04/17/2007	1.78	1,320	29.92
LO	5	7	C	80	04/17/2007	0.02	1,313	29.38
LO	6	7	P	55	05/17/2007	0.64	1,287	33.23
LO	5	7	C	63	04/17/2007	2.67	1,205	30.24
LO	5	7	C	70	04/17/2007	0.54	1,142	29.85
LO	7	7	P	60	06/15/2007	2.02	1,120	31.15
LO	4	7	C	63	03/15/2007	0.62	1,103	30.20
LO	6	7	P	52	05/17/2007	0.32	1,100	34.33
LO	5	7	C	64	04/17/2007	2.19	1,070	30.02
LO	12	7	P	52	11/13/2007	1.21	1,050	30.65
LO	5	7	P	52	04/17/2007	0.12	1,035	34.46
LO	7	7	P	50	06/15/2007	0.28	1,000	33.15
OB	10	7	C	2.25	09/25/2007	0.047	305	34.38
OB	4	7	P	1.79	03/27/2007	0.0256	107	37.99
OB	5	7	C	1.95	04/25/2007	0.0703	104	33.95
OB	4	7	C	1.88	03/27/2007	0.0739	103	37.53
OB	8	7	C	2.06	07/26/2007	0.0904	101	32.51
OB	4	7	P	1.78	03/27/2007	0.023	100	38.07
OB	4	7	P	1.88	03/27/2007	0.0585	100	37.53
OB	6	7	P	1.89	05/25/2007	0.1089	100	32.99
OB	6	7	C	1.89	05/25/2007	0.1193	100	33.03
OH	4	7	C	1.8	03/27/2007	0.0401	212	33.07
OH	9	7	C	2	08/28/2007	0.0904	200	30.57
OH	4	7	C	1.76	03/27/2007	0.0577	100	32.92
OH	4	7	P	1.76	03/27/2007	0.0503	100	32.92

The Petroleum Association of Japan reported that the country's gasoline inventories fell by 570,000 barrels to 13.72 million barrels in the week ending March 3. It reported that Japan's crude stocks fell by 960,000 barrels to 106.01 million barrels while its kerosene stocks fell by 2.21 million barrels to 17.8 million barrels on the week. It reported that Japan's crude runs increased by 50,000 bpd to 4.29 million bpd. It reported that Japan's refinery utilization rate increased by 1.1% to 88.9%.

Production News

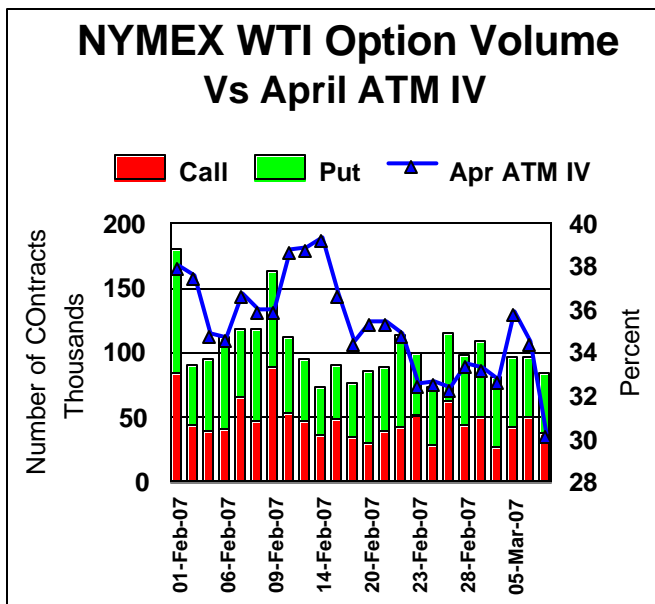
Norsk Hydro restarted about 100,000 bpd of oil production at its Oseberg field in the North Sea and would soon resume gas output after a platform fire late on Tuesday prompted the company to shutin production. The company declined to give any estimates for the losses caused by the fire in a turbine at the Oseberg D platform.

Workers at Rotterdam's main towage company, Smit Harbour Towage resumed their strike on Tuesday over a conflict with management on a new collective labor agreement, causing shipping

problems and leaving 19 large vessels stranded. The ships were carrying general cargo, bulk, chemicals and containers. The strike is expected to continue for another 24 hours.

Australia's Santos Ltd has shutdown production at its 55,000 bpd Mutineer-Exeter field due to a cyclone. Production has been halted since Tuesday night.

ExxonMobil Corp said it planned to launch more than 20 new world projects in the next three years that are expected to add 1 million barrels of oil equivalent/day to ExxonMobil's base volumes when they reach their peak.



PetroChina reported that a severe snowstorm cut power lines and has caused more than 1,000 oil wells to remain shut since Sunday at its Liaohe oilfield. Its crude production has been cut by 5,257 tons/day. Most of Liaohe's output is heavy oil and is used to feed several refineries.

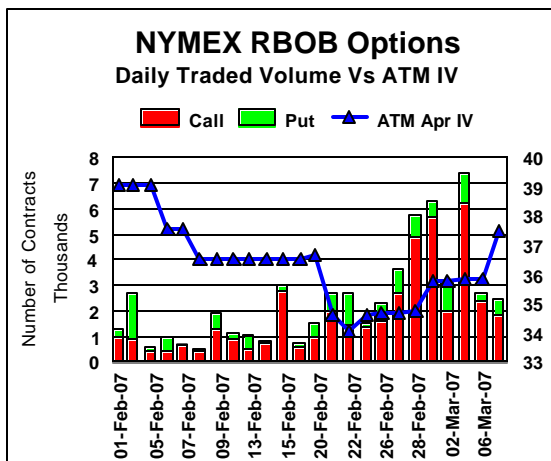
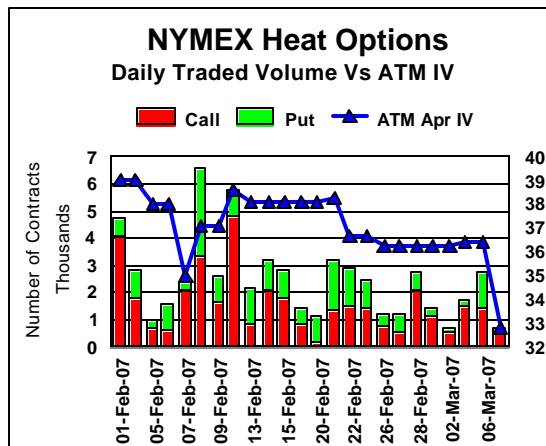
China's Guangdong province proposed two coastal sites to build part of the country's second phase strategic oil reserve that would have a capacity to hold a total of 10 million tons or 63 million barrels of oil. However the plan was yet to gain the government's approval. China has been building the first phase of emergency oil tanks to store a total of 100 million barrels of oil due for completion around 2008.

basket of crudes fell to \$57.12/barrel on Tuesday from \$57.23/barrel on Monday.

OPEC's news agency reported that OPEC's

Market Commentary

The oil market gapped higher from 60.80 to 60.90 as the market traded higher on expectations that the weekly petroleum stock reports would show draws in product stocks. The market quickly backfilled its gap as it posted a low of 60.75 early in the session. The crude market however bounced off its low and extended its gains to over \$1.30 as it rallied to a high of 62.00. The market was well supported following the release of the DOE report, which showed an unexpected draw in crude stocks of over 4 million barrels amid the fall in crude imports of 650,000 bpd



after fog caused the disruption in shipping in the Houston Ship Channel. The DOE also reported that total petroleum stocks fell by 15.8 million barrels on the week. The market retraced some of its gains and settled in a 50 cent trading range as it held support at 61.50. The crude market later breached the 62.00 level and rallied to a high of 62.10 on further buying ahead of the close. It settled up \$1.13 at 61.82. Volume was better today with 368,454 lots booked on Globex during the open outcry session. The heating oil market also gapped higher from 175.00 to 175.90 on the expectations of supportive inventory reports. It partially backfilled its gap as it traded to 175.30 and quickly rallied to a high of 177.50 amid the strength in the crude market. The market however retraced its gains and traded to a low of 175.10 in light of

the smaller than expected draws in distillate stocks. The heating oil market later bounced off its low and traded back towards 177.00 ahead of the close. It settled up 2.01 cents at 176.74. The RBOB market settled sharply higher, up 4.22 cents at 189.55 amid the larger than expected draw in gasoline stocks. The market gapped higher from 186.20 to 186.40 and traded to 188.30 in light of the supportive weekly petroleum stock reports. It later extended its gains to 4.5 cents as it traded to a high of 189.90 ahead of the close. Volumes in the product markets were good with 45,784 lots booked in the heating oil market and 56,489 lots booked in the RBOB market.

The crude market, which may retrace some of its sharp gains early in the session, is still seen holding its support. Its losses are seen limited in light of the supportive inventory reports showing large draws in stocks. The oil markets are also seen remaining supported by the refinery problems. The market is seen finding support at 61.50 followed by its low of 60.75. More distant support is seen at 59.95, 59.60 and 59.46. Meanwhile resistance is seen at 62.10 followed by 62.30 and 62.40.

Technical levels		
	Levels	Explanation
CL 61.82, up \$1.13	Resistance 62.30, 62.40	Previous highs
	Support 61.50, 60.75	Wednesday's high
	59.95, 59.60, 59.46, 58.55, 58.30	Wednesday's low Previous lows, 38% (54.70 and 62.40), 50%, Previous low
HO 176.74, up 2.01 cents	Resistance 178.80	Previous high
	Support 177.50	Wednesday's high
	175.10	Wednesday's low
	172.30, 171.35, 169.60, 167.90	Previous lows, 50% (160.40 and 178.80), Previous low
RB 189.55, up 4.22 cents	Resistance 194.00	Previous high
	Support 189.90	Wednesday's high
	187.50, 185.90	Wednesday's low
	181.50, 181.00, 179.63, 179.15	Previous low, Double bottom, 50% (165.25 and 194.00), Previous low