



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 8, 2007

An OPEC official said OPEC should not change its output at a meeting next week because existing supply cuts need more time to work. The OPEC panel on Wednesday started a meeting scheduled for three days ahead of the March 15 meeting. The OPEC official said world oil demand is expected to increase by 1.2 million bpd to 1.3 million bpd in 2007.

Oil Movements reported that OPEC's oil exports are expected to increase by 70,000 bpd to 24.05 million bpd in the four weeks ending March 24 from 23.98 million bpd in the four weeks ending February 24.

The head of the tanker tracker consultancy said he expected shipments to taper off as the end of the winter nears. However he said continued declines in US product inventories could lead to OPEC increasing its deliveries. He said OPEC's compliance with its two production cut decisions was about 1 million bpd compared with total targeted reductions of 1.7 million bpd.

According to a Reuters survey, analysts forecast average world oil demand growth this year at 1.39 million bpd, up from 800,000 bpd last year. Demand for OPEC crude is expected to increase by 270,000 bpd to 30.38 million bpd.

Refinery News

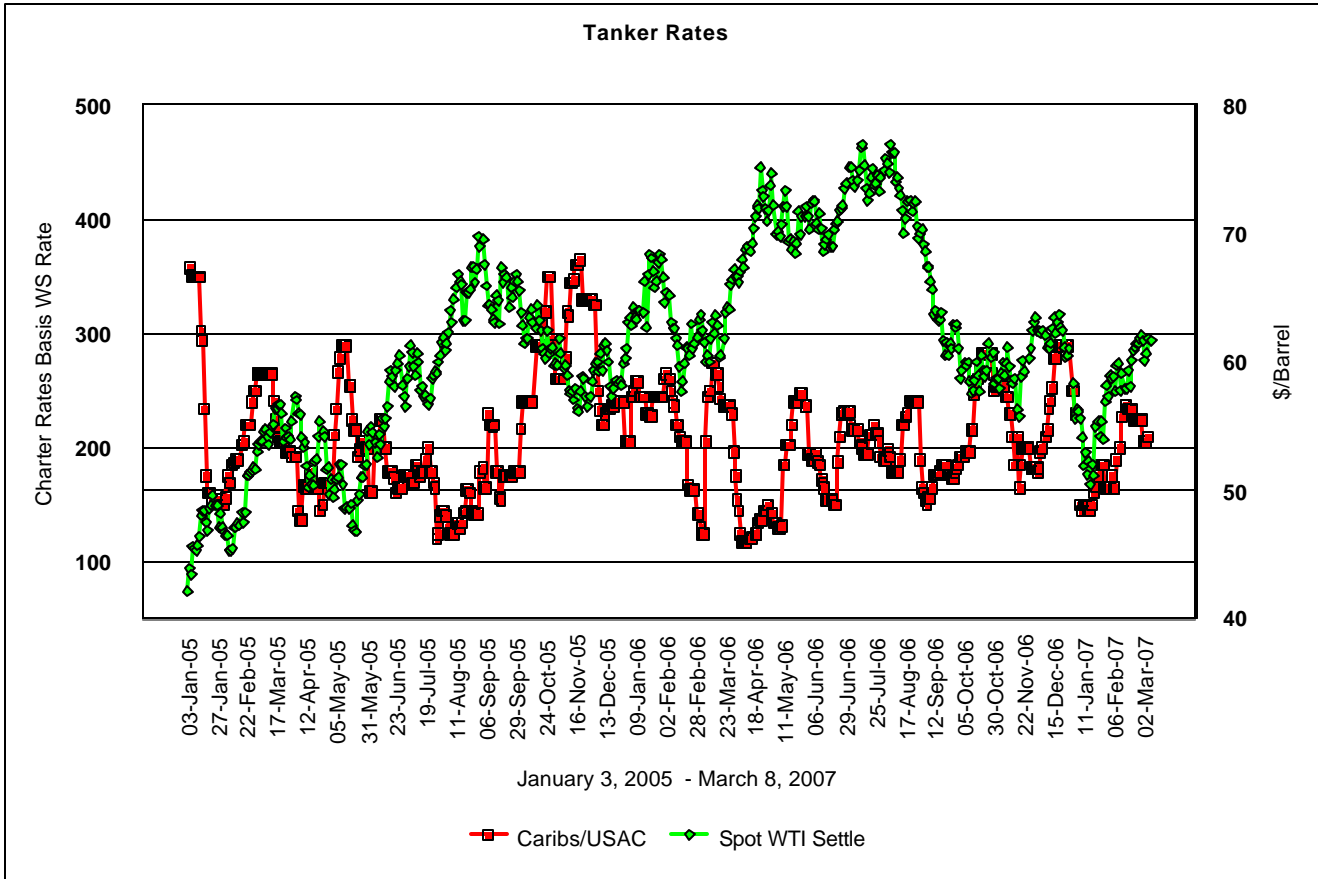
Market Watch

An analyst at Petromatrix said Standard & Poor's should increase the share of gasoline contracts in the Goldman Sachs Commodity Index. He said the GSCI was underweighted in gasoline compared to the other indices. The GSCI has 1.4% weighting in gasoline, down from 7.8% in 2005. Rival indices, such as the Reuters/Jefferies index has a 5% weighting in gasoline. However an S&P spokesman said there were no immediate plans to change the index calculation.

Brazil's Valor Economico newspaper reported that Brazil's President Luiz Inacio Lula da Silva is expected to push President George W. Bush to gradually reduce US ethanol import tariffs when they meet on Friday. The US currently imposes an import tariff of 54 cents/gallon on ethanol. However the US National Security Adviser Stephen Hadley said earlier in the week that the US had no intention to propose altering the tariff.

Germany's Economics Ministry reported that German industrial production increased 1.9% on the month in January due to buoyant construction activity and manufacturing. The Ministry also revised up production data for December to a monthly increase of 0.1% from the 0.5% fall previously reported.

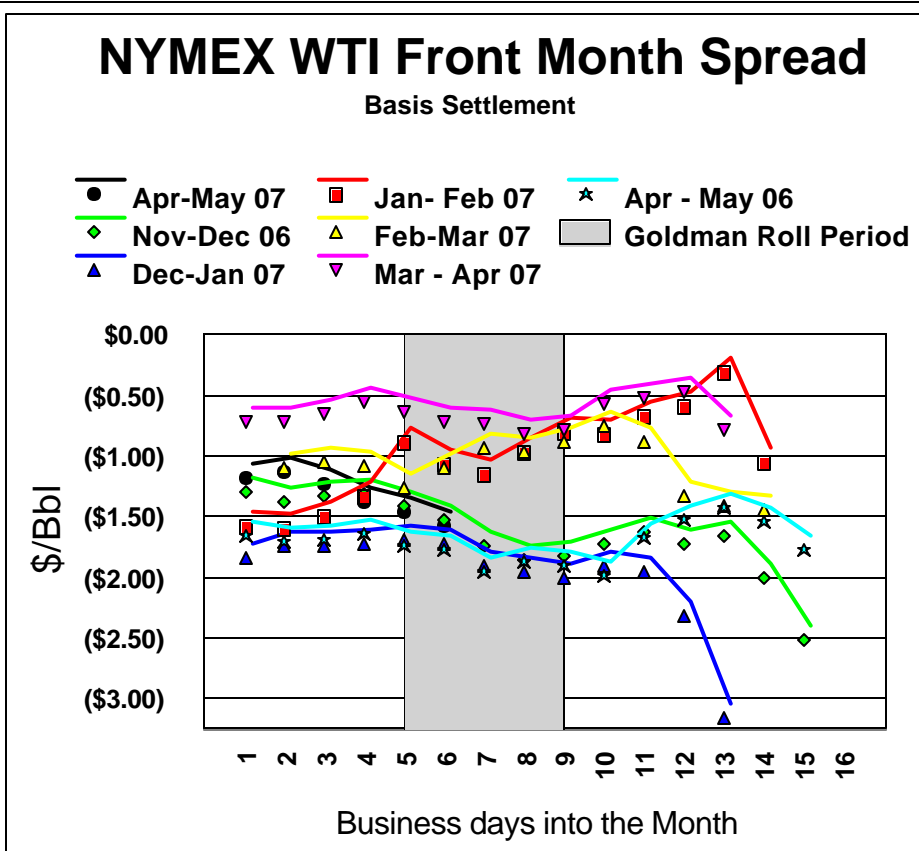
The US Agriculture Department reported that 4.1 million acres would leave the land idling Conservation Reserve Program from 2007-10, of which 1.4 million acres are in major corn states.



Citgo Petroleum Corp cut its operations on a fluid catalytic cracking unit at its Corpus Christi, Texas refinery on Wednesday following the loss of instrument air pressure. The processing rate was cut to stabilize operations.

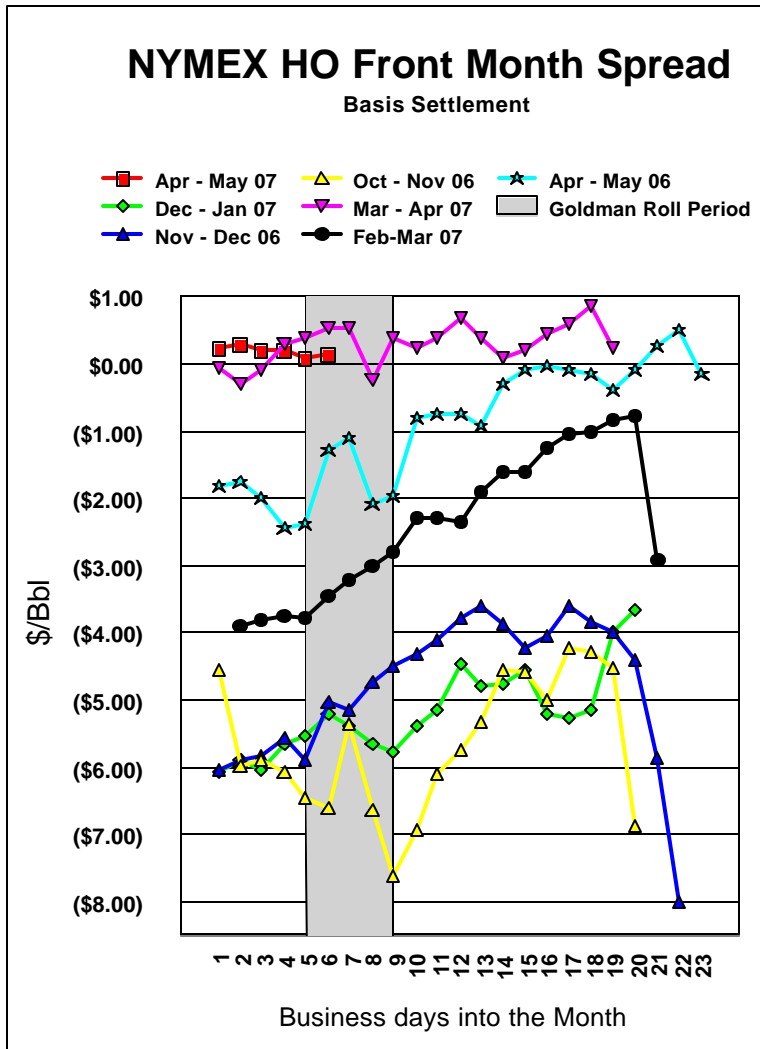
BP Plc continued to operate its fluid catalytic cracking unit at its 260,000 bpd refinery in Carson, California at about 70% of capacity for a second week as unplanned repair work continued.

Shell Oil Co said all of its units at its 100,000 bpd refinery in Wilmington, California are expected to reach planned production by Friday. Initial restart of



the units was completed by Thursday morning.

Federated Co-operatives Ltd said it was planning an \$850 million expansion of its Saskatchewan refinery that would allow it to process more synthetic crude from Canada's oil sands. It said it was seeking to increase output at the Regina refinery to 130,000 bpd by 2011.



Sinopec Corp's Maoming refinery is scheduled to shutdown a 60,000 bpd crude unit starting in mid-April for a month of maintenance and retooling. It is also expected to shutdown a 20,000 bpd hydrocracking unit for about 25 days.

China has started operating two of the tank farms that make up its strategic petroleum reserve and is expected to start pumping oil into the third by mid-2007. China's first site in Ningbo, commissioned about six months ago, was built to hold 33 million barrels of oil. The second facility is in Zhoushan, with 32 million barrels of capacity while the third site is in Qingdao. China has spent 6 billion yuan or \$775 million on 10 million tons of oil for its strategic petroleum reserves. Meanwhile, the deputy head of China's National Development and Reform Commission said world oil prices around \$60/barrel was reasonable, signaling that China may have resigned itself to more costly oil as it boks to fill its strategic crude reserves.

China is expected to cut its gasoline exports in March by 25% to 300,000 tons due to routine plant maintenance and increasing demand. PetroChina and

Sinopec Corp are each expected to export 120,000 tons while WEPEC is expected to export 60,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 534,000 barrels to 10.46 million barrels in the week ending March 7. Meanwhile, Singapore's light distillate stocks increased by 525,000 barrels to 9.713 million barrels while its middle distillate stocks increased by 227,000 barrels to 8.436 million barrels on the week.

South Korea's Energy Ministry reported that the country's energy consumption growth fell to 1.7% in 2006 from 3.8% in 2005 due to high oil prices and lower heating oil demand in the winter. It reported that its consumption is expected to increase 3.1% in 2007 as weather agencies predict a hotter summer and a colder winter than last year. It predicted that energy consumption in 2007 would be equivalent to 2.4 billion tons of oil.

Production News

BP's BP Exploration Inc said it resumed production at its offshore Northstar oilfield in Alaska. Production at the field was restarted early Wednesday after repairs were completed on gas compression units. Output at the field, normally 47,000 bpd, was at 70% of capacity and increasing. The field was shut on February 16 after a worker discovered a leak, caused by corrosion.

Norway's Norsk Hydro resumed its gas production at its Oseberg field in the North Sea late Wednesday after production was shut in due to a fire late on Tuesday. Its oil production resumed Wednesday morning.

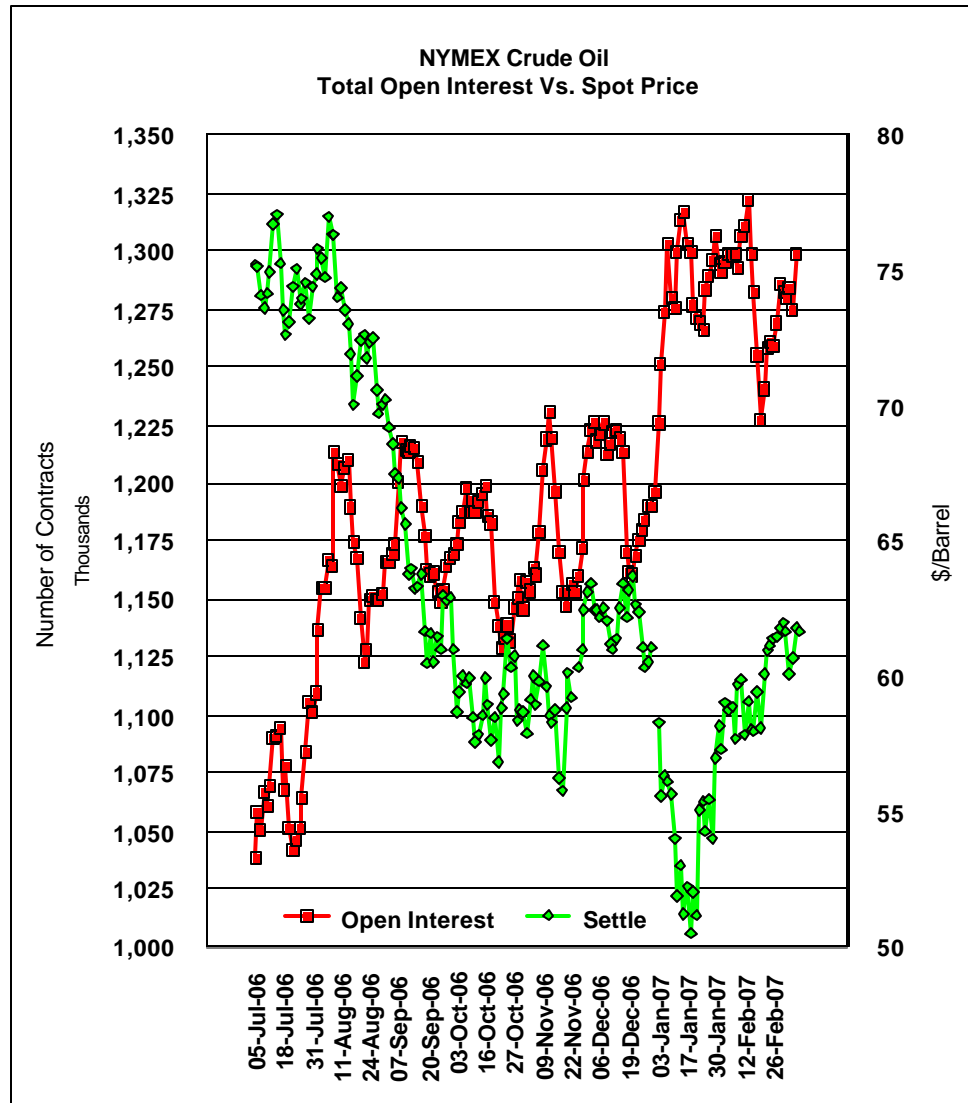
Woodside Petroleum Ltd said it temporarily shut its 100,000 bpd Cossack Pioneer oilfield off western Australia due to an approaching cyclone. Production at the Cossack Pioneer field was briefly disrupted in January due to a tropical cyclone.

Workers at Smit Harbour Towage extended their strike for a third day on Thursday, leaving about 27 large vessels stranded in Rotterdam. The workers decided on Thursday morning to prolong the strike for another 24 hours over a conflict with the company's management on a new collective labor agreement.

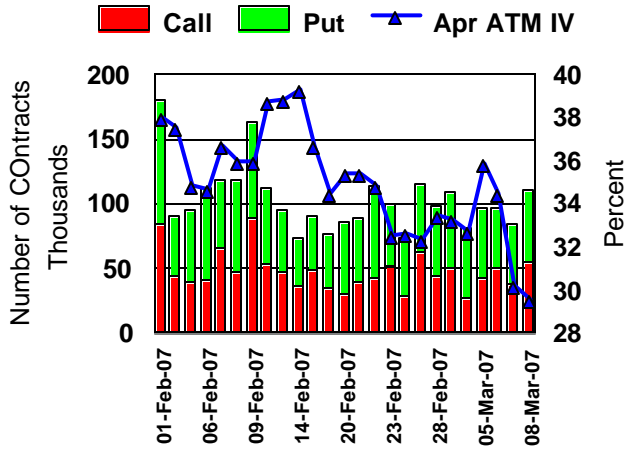
An official at the Maracaibo port authority, Venezuela refloated a tanker from the Maracaibo shipping channel early Thursday after removing a cargo of coal from the vessel. The tanker went aground on February 28. The official said all shipping restrictions were removed.

The Shetland Island Council stated that Brent crude oil liftings from Sullom Voe increased to 404,734 tons in the week ending March 6, up from 256,892 tons in the previous week.

ExxonMobil Corp's chief executive Rex Tillerson said it was not planning any new investment in Venezuela given the uncertainty over how its current holdings would be dealt with, as the government is expected to take at least a 60% stake in projects in the Orinoco region.



NYMEX WTI Option Volume Vs April ATM IV



Separately, PDVSA said ConocoPhillips and Chevron have agreed to comply with a decree to cede the operations of their projects in the Orinoco oil reserve by May 1.

The head of Angola's Sonangol, Manuel Vicente said the country is expected to see \$50 billion in investments in its oil industry in the next six years. He made the prediction despite the collapse of two major international energy deals and the possibility of renewed political tension. Sonangol ended talks on Sinopec's plan to invest in a \$3 billion oil refinery. Also ExxonMobil Corp transferred its minority stake in a planned multibillion dollar liquefied natural gas plant to Sonangol.

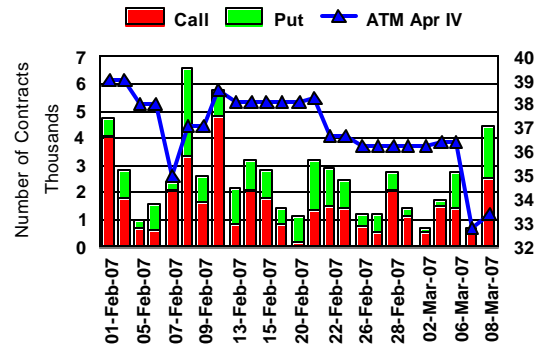
Indonesia's Pertamina is expected to import 1

million barrels a month of Libyan Sarir crude for March to December. Its new contract is in addition to its agreement to lift 2.4 million barrels a month of Asia-Pacific crude for 2007.

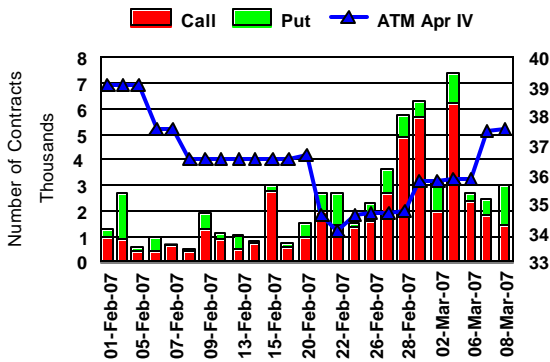
OPEC's news agency reported that OPEC's basket of crudes increased to \$58.08/barrel on Wednesday from \$57.12/barrel on Tuesday.

An analyst stated that LPG prices are expected to fall between 2007 and 2008 due to lower crude and surplus stocks. He said LPG prices in the Middle East would not return to the record highs of over \$600/ton seen in early 2006. LPG prices are expected to be in a range between \$550/ton and slightly under \$400/ton from 2007-2008.

NYMEX Heat Options Daily Traded Volume Vs ATM IV



NYMEX RBOB Options Daily Traded Volume Vs ATM IV



Market Commentary

The oil market extended Wednesday gains early in the session as the market continued to focus on the supportive weekly inventory reports and the continuing refinery problems. The market opened up 18 cents at 62.00 and quickly posted a double top at 62.30. However the market held resistance at its high and erased some of its gains. It sold off to a low of 61.20 amid some profit taking. The oil market later bounced off its low and settled in a sideways trading pattern during the remainder of the session. It settled down 18 cents at 61.64. Volume in the crude market was good with 320,143 lots booked on Globex during the open outcry session. Open interest in the crude market built

by a total of 24,147 lots. Open interest in the April contract fell by 15, 033 lots while open interest in

NYMEX Petroleum Options Most Active Strikes for March 8, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	4	7	P	60	03/15/2007	0.4	4,502	30.28
LO	7	7	P	48	06/15/2007	0.14	3,710	32.66
LO	6	7	C	66	05/17/2007	2.56	3,610	30.09
LO	5	7	C	80	04/17/2007	0.02	3,376	29.86
LO	4	7	C	65	03/15/2007	0.12	3,283	29.65
LO	7	7	C	65	06/15/2007	3.9	2,991	29.78
LO	7	7	P	63	06/15/2007	3.01	2,925	29.91
LO	7	7	P	60	06/15/2007	1.91	2,836	30.40
LO	6	7	P	55	05/17/2007	0.61	2,288	32.95
LO	7	7	C	70	06/15/2007	2.02	2,112	29.35
LO	4	7	C	62	03/15/2007	0.83	2,053	29.31
LO	6	7	P	57	05/17/2007	0.93	2,012	32.18
LO	6	8	C	75	05/15/2008	4	2,000	24.25
LO	7	7	P	52	06/15/2007	0.4	1,975	31.98
LO	6	7	P	52	05/17/2007	0.3	1,800	34.03
LO	8	7	C	62	07/17/2007	6.34	1,800	30.04
LO	12	7	C	100	11/13/2007	0.3	1,700	28.05
LO	6	7	C	73	05/17/2007	0.75	1,600	29.72
LO	4	7	P	62	03/15/2007	1.19	1,581	29.33
LO	6	7	C	65.5	05/17/2007	2.76	1,500	30.11
LO	6	7	C	74.5	05/17/2007	0.56	1,500	29.74
OB	6	7	P	1.64	05/25/2007	0.0242	400	34.15
OB	8	7	P	1.76	07/26/2007	0.0789	400	31.65
OB	6	7	P	1.85	05/25/2007	0.0855	285	33.22
OB	4	7	C	2	03/27/2007	0.0374	260	38.22
OB	5	7	C	2	04/25/2007	0.0568	214	33.34
OB	4	7	C	1.92	03/27/2007	0.0685	153	37.53
OB	4	7	P	1.92	03/27/2007	0.0625	127	37.61
OB	4	7	P	1.91	03/27/2007	0.0577	103	37.61
OB	6	7	C	2.1	05/25/2007	0.0545	102	34.76
OB	4	7	P	1.83	03/27/2007	0.0277	100	37.99
OH	4	7	C	1.74	03/27/2007	0.0644	575	33.45
OH	4	7	C	1.69	03/27/2007	0.0958	575	33.84
OH	4	7	P	1.55	03/27/2007	0.0028	460	34.45
OH	6	7	P	1.6	05/25/2007	0.0389	460	33.18
OH	4	7	C	1.65	03/27/2007	0.1257	370	34.15
OH	7	7	C	1.83	06/26/2007	0.1035	310	31.72
OH	7	7	P	1.73	06/26/2007	0.0926	310	31.72
OH	7	7	C	1.82	06/26/2007	0.1074	210	31.67
OH	7	7	P	1.72	06/26/2007	0.0884	210	31.80
OH	12	7	C	1.9	11/27/2007	0.179	200	27.07
OH	7	7	P	1.79	06/26/2007	0.1209	185	31.49
OH	7	7	C	1.79	06/26/2007	0.1198	185	31.49
OH	4	7	P	1.58	03/27/2007	0.0049	134	34.30
OH	4	7	P	1.77	03/27/2007	0.058	100	33.45
OH	4	7	C	1.7	03/27/2007	0.089	100	33.76

the May and June contracts built by 18,649 lots and 5,258 lots, respectively as traders rolled and added to their longs amid the rally in the market. Similar to the crude market, the heating oil market continued to trend higher on the opening and quickly posted a high of 177.80. However it erased its gains and sold off to a low of 174.75. The market bounced off its low and settled in a 1 cent trading range ahead of the close. It settled down 61 points at 176.13. Meanwhile, the RBOB market settled sharply higher, up 3.06 cents at 192.61 amid the refinery problems. The market extended Wednesday sharp gains and gapped higher from 189.90 to 191.00. The RBOB market however gave up some of its gains and partially backfilled its gap as it traded to a low of 190.50 on profit taking. It however bounced off its low and rallied to a high of 193.50 late in the session. Volumes were good with 43,371 lots booked in the heating oil market and 63,336 lots booked in the RBOB market.

The oil market on Friday will likely continue to trade within its recent trading range, as the gasoline market remains supported by the refinery problems. The market is seen holding its support as traders position themselves ahead of the weekend. Also, stochastics are still trending sideways. The market is seen finding support at its low

of 61.20 followed by 60.75. More distant support is seen at 59.95, 59.60 and 59.46. Meanwhile resistance is seen at 62.30 followed by 62.40 and 62.95.

Technical levels		
	Levels	Explanation
CL 61.64, down 18 cents	Resistance 62.40, 62.95	Previous highs
	Support 61.20 60.75, 59.95, 59.60, 59.46	Double top Thursday's low Previous lows, 38% (54.70 and 62.40)
HO 176.13, down 61 points	Resistance 178.80 177.80	Previous high Thursday's high
	Support 175.50, 174.75 172.30, 171.35	Thursday's low Previous lows
RB 192.61, up 3.06 cents	Resistance 194.00, 198.07 193.50	Previous high Thursday's high
	Support 190.50 to 189.90 185.90, 181.50, 181.00	Remaining gap (March 8th) Previous lows, Double bottom