



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 9, 2007

The permanent member of the UN Security Council and Germany have been considering proposals for sanctions on Iran's nuclear program. However Russia and China have raised objections to many of the measures being considered by the permanent members of the UN Security Council. No date has been set for a vote and a draft resolution is not expected until next week at the earliest. Ambassadors from the US, Britain, France, Russia, China and Germany met on Thursday for a third time this week and are expected to meet again on Friday. The new

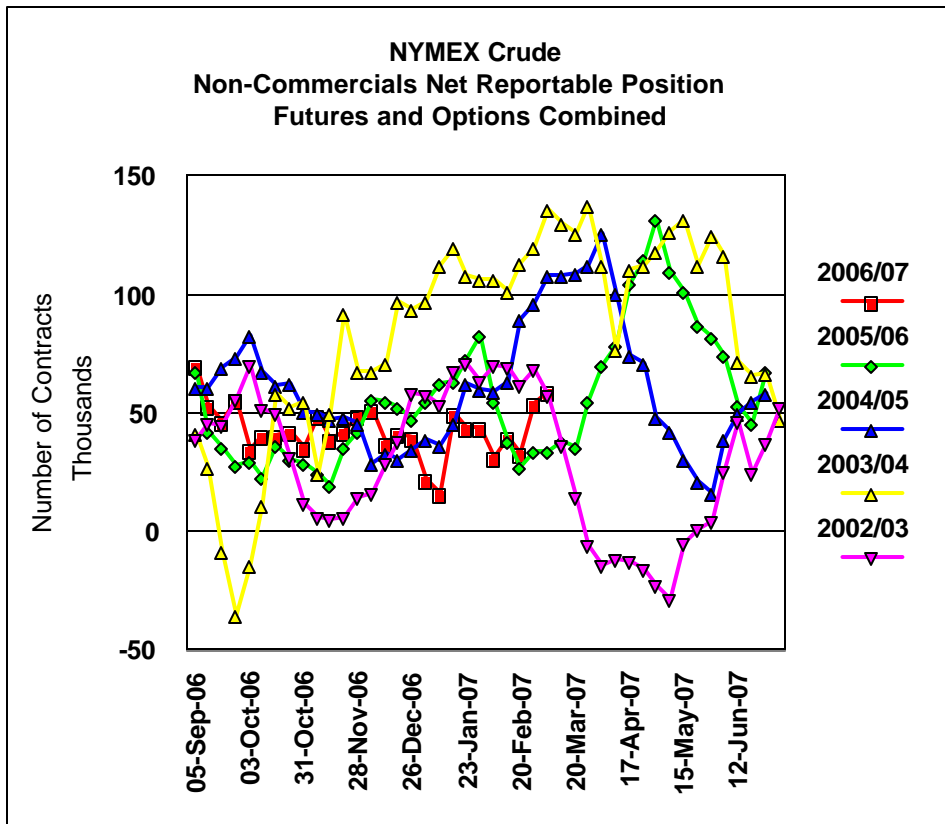
Market Watch

Iraq on Friday was preparing for a regional meeting that was called by Iraq's Prime Minister Nuri al-Maliki to enlist support in stopping a fall into full scale civil war that could drag other countries in the region. The US has signaled that it was open to bilateral talks with Iran and Syria by saying it would not rebuff them if they wished to discuss stabilizing Iraq. The meeting would bring together mid-level officials from Iraq's neighbors as well as the five permanent members of the UN Security Council and other Arab countries. A ministerial level meeting is planned for April. Meanwhile, a senior Iranian cleric criticized plans to hold a regional meeting in Iraq on Saturday. He accused foreign powers of trying to establish full US control of Iraq.

Venezuela's President Hugo Chavez accused President George W. Bush of hypocrisy as he embarked on a tour of Latin America. On Thursday, President George W. Bush and Brazil's President Luiz Inacio Lula da Silva agreed to share technology to develop alternative fuels and reduce reliance on oil imports from Venezuela and its President Hugo Chavez.

Deutsche Bank stated that the current strength in US refining is expected to weaken. It forecast lower gasoline crack spreads for the second half of 2007. It said the futures markets for oil and oil products suggest the current strength should be short lived. It said with the end of the recent refinery problems, cracks should begin to soften gradually as utilization begins to increase.

resolution would be a follow up on the resolution adopted by the Security Council in December that imposed trade sanctions on nuclear material and technology and froze assets of key Iranian individuals, groups and businesses. The new proposals under consideration include a mandatory travel ban, financial and trade restrictions and an expanded list of Iranian officials and firms whose assets would be frozen such as companies controlled by Iran's Revolutionary Guards as well as Iran's state owned Bank Sepah. The proposal would also ban Iranian weapons exports but leave intact Iran's ability to import. Another proposed provision would ban new commitments by countries for grants, loans and credits to Iran.



Venezuela's Energy Minister Rafael Ramirez said the priority at next week's OPEC meeting should be to verify compliance among members on previously agreed production cuts.

Euroilstock reported that total oil and oil product stocks in Europe fell by 11.19 million barrels on the month and 15.84 million barrels on the year to 1.144 billion barrels in February. It reported that crude stocks fell by 3.94 million barrels on the month and 17.94 million barrels on the year to 470.63 million barrels. European gasoline stocks in February fell by 2.12 million barrels on the

month and 12.83 million barrels on the year to 136.94 million barrels amid an increase in gasoline exports to the US. It also reported that middle distillate stocks built by 750,000 barrels on the month or 8.89 million barrels on the year to 394.5 million barrels in February. Its capacity utilization rate stood at 91.87% in February, down from 92.76% in January.

Refinery News

Shell Oil Co said its 100,000 bpd refinery in Wilmington, California is expected to resume operations by late Friday following its power outage on Sunday.

Venezuela's PDVSA said it began restarting a catalytic cracking unit at its 130,000 bpd El Palito refinery. In January, PDVSA reported an explosion, requiring the unit to be taken offline.

Nippon Oil Corp said it would increase its crude refining for Chinaoil by 25% to 50,000 bpd from April.

Production News

The Hibernia oil platform has resumed production a week earlier than expected following a three week maintenance shutdown. It is expected to return to full output of 180,000 bpd within 8-10 days.

Royal Dutch Shell still has no access to the oil spill in Nigeria, which forced it to close 187,000 bpd of production. The company has been negotiating with community groups in the Nembe Creek area of the Niger Delta to carry out an inspection and repairs to the trunk pipeline which feeds the Bonny export terminal. The reduction in Nembe Creek is in addition to a 600,000 bpd cut from oilfields in the western Niger Delta.

Chevron said 8,000 bpd of production on the islands of Barrow and Thevenard off the western coast of Australia is expected to resume later on Friday following the passing of cyclone earlier in the day.

However larger operations closer to the storm's path remained idle as a second cyclone loomed in the Indian Ocean. Meanwhile, Woodside Petroleum said production at its 100,000 bpd Cossack Pioneer oilfield remained shut in while its 7,000 bpd Legendre project also remained offline. Santos Ltd said the production vessel at its 55,000 bpd Mutineer-Exeter oilfield was expected to return to its location over the weekend after it was disconnected.

The North Sea Brent crude oil system is scheduled to load about 173,000 bpd in April, down from 197,000 bpd in March. The Brent oilfield is scheduled to undergo maintenance from April 9-14, cutting production by 24,000 bpd on the month.

Norway's North Sea Statfjord crude system is expected to load 285,000 bpd in April, up 9,000 bpd on the month. Its North Sea Gullfaks system is scheduled to pump 342,000 bpd in April, up from 331,000 bpd in March. Meanwhile, the North Sea Oseberg crude system is scheduled to load 200,000 bpd in April, up 7,000 bpd from the previous month. The North Sea Ekofisk crude system is scheduled to load about 492,000 bpd in April, down from 500,000 bpd in March.

Denmark's North Sea DUC crude oil stream is scheduled to load 200,00 bpd in April, down 13,000 bpd on the month.

Petroecuador predicted its output would average 175,000 bpd in 2007 and that its production in 2008 is expected to average 180,000 bpd.

Azerbaijan's Socar has called for a tender for 1 million barrels of Azeri Light crude for loading at the Turkey's port of Ceyhan on April 8-10.

SK Corp said it secured 440 million barrels of oil reserves from overseas explorations, about half of the country's entire crude imports last year. It is expected to start producing 10,800 bpd from an oilfield in Brazil in July.

OPEC's news agency reported that OPEC's basket of crudes increased to \$58.64/barrel on Thursday, up from Wednesday's \$58.08/barrel.

Kuwait Petroleum Corp set its crude oil official selling price at \$2.75/barrel below the average of the Oman/Dubai average for April term supply to Asia. It is down 20 cents on the month.

Market Commentary

The oil market opened slightly lower at 61.55 and posted a high of 61.72 before the market continued to retrace the market's recent gains. The market traded to 60.60, where it held some support, and settled in a sideways trading pattern for much of the day. The market however breached its support and sold off to a low of 60.00 in a late bout of selling ahead of the close as traders took profits following the recent gains. It settled down \$1.59 at 60.05. The market was also pressured amid reports of an oil platform in Canada resuming production earlier than expected following a maintenance shutdown. Volume in the crude market was good with 332,430 lots booked on Globex during the open outcry session. The heating oil market settled sharply lower, down 4.91 cents at 171.22 amid the late sell off. It posted a high of 176.35 early in the session before it erased its recent gains. The market traded to 173.00 and held some support at that level as it settled in a sideways trading pattern. It later extended its losses to over 5.13 cents as it sold off to a low of 171.00 ahead of the close. Meanwhile, the RBOB market gapped higher on the opening from 193.50 to 193.80 and rallied to a high of 194.50. However it erased its gains and backfilled its gap as it sold off to a low of 189.50 on profit taking. The market settled in a range as it held resistance at 192.00 during the remainder of the session. It settled down 2.4 cents at 190.21. The market was pressured as Shell's

refinery in Wilmington, California was resuming operations following the recent spate of refinery outages. Volumes in the product markets were good with 48,388 lots booked in the heating oil market and 52,718 lots booked in the RBOB market.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long positions by 10,284 contracts to 36,323 contracts in the week ending March 6th. It reported that non-commercials cut their total short positions by 16,245 contracts to 135,759 contracts on the week. The combined futures and options report also showed that non-commercials increased their net long position by 4,738 contracts to 58,504 contracts on the week. The non-commercials have continued to add to their net long position as it traded back towards its previous highs during the past few trading sessions. The non-commercials in the heating oil market reversed their position from a net short position of 180 contracts to net long position of 253 contracts. The non-commercials in the RBOB market also increased their net long positions by 5,295 contracts to 27,160 contracts on the week.

The oil market, which erased its recent gains and settled below the 20 day moving average for the first time since late January is seen testing its support at its low of 60.00 as stochastics are trending lower. It will however be headline driven over the weekend as Iraq is expected to hold its regional meeting, the first opportunity for officials from the US and Iran to sit down at the same negotiating table amid the tension between the countries due to Iran's nuclear program. The market is seen finding further support at

59.95 followed by 59.60. Resistance is seen at 61.05, 61.72 followed by 62.30, 62.40 and 62.95.

Technical levels		
	Levels	Explanation
CL 60.05, down \$1.59	Resistance 62.30, 62.40, 62.95	Previous highs
	Support 61.05, 61.72	Friday's high
	Support 60.00	Friday's low
HO 171.22, down 4.91 cents	Resistance 177.80, 178.80	Previous highs
	Support 174.50, 176.35	Friday's high
	Support 171.00	Friday's low
RB 190.21, down 2.4 cents	Resistance 198.07	Previous high
	Support 192.00, 194.50	Friday's high
	Support 189.50	Friday's low
	185.90, 181.50, 181.00	Previous lows, Double bottom