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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 16, 2007

South Africa's UN ambassador, Dumisani Kumalo, said he would present Iran's request for its president to address the Security Council to the 14 other council members on Friday. Iran's UN Mission sent a letter requesting that Iran's President Mahmoud Ahmadinejad be allowed to speak before the Security Council when it votes on new sanctions against Iran. Meanwhile, the US State Department said the US would approve Iranian President Mahmoud Ahmadinejad's request for a visa. A council diplomat said Iran has asked for visas for 38 people to accompany Iran's President, including Foreign Minister Manouchehr Mottaki and Iran's top nuclear negotiator, Ali Larijani. The full Security Council is not expected to discuss the draft resolution until Wednesday. However Iran's President reiterated that new sanctions on Iran would not prompt Iran to give up its nuclear program.

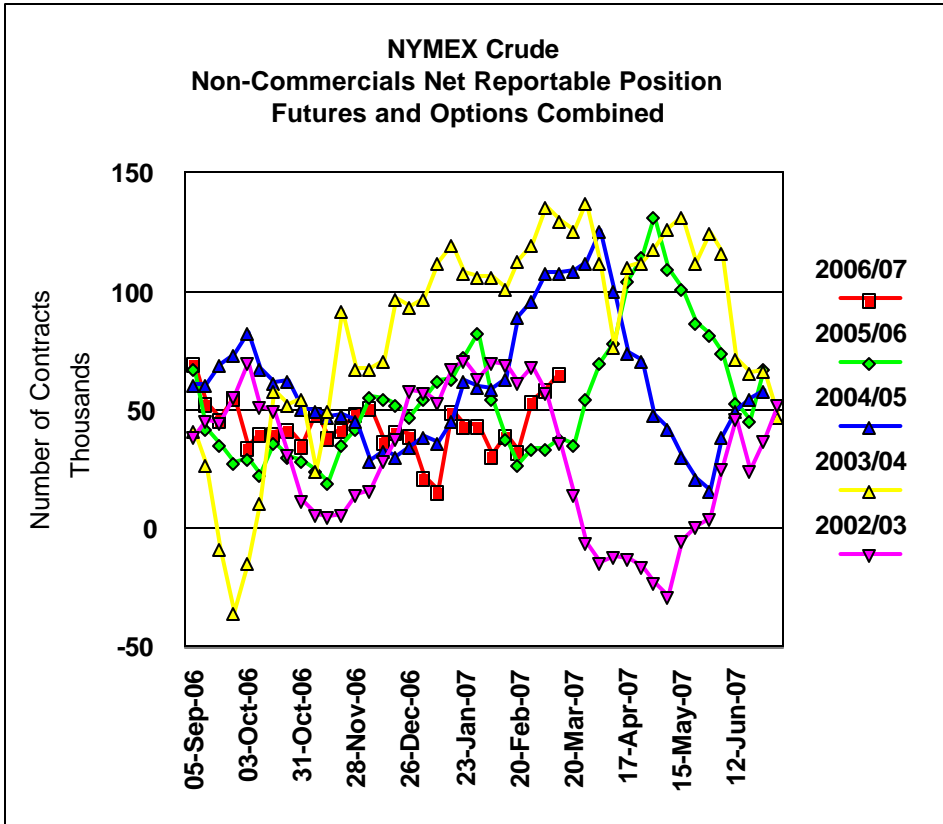
Market Watch

The National Oceanic and Atmospheric Administration said world combined land and ocean surface temperature from December through February was at its highest since records began in 1880. It said a record warm January was responsible for pushing up the combined winter temperature. It said the combined temperature for the December-February period was 1.3 degrees F above the 20th century mean.

Shipping brokers said crude oil tanker rates for aframax cargoes rallied again on Friday as a strike at France's Fos-Lavera terminal and congestion at Italy's Trieste port slowed trade. Aframax, 80,000 ton tankers for typical cross-Mediterranean trade have increased Worldscale 45 points or 30% to W150 in the last two days.

The office of Nigeria's President Olusegun Obasanjo accused the opposition on Friday of planning unrest after a leading candidate, Vice President Atiku Abubakar, was ruled out of next month's elections. The candidate was omitted from the official list because of an indictment for fraud which he has challenged in court. Nigerians are due to elect a new president on April 21. Nigeria's Vice President Atiku Abubakar filed a lawsuit Friday seeking to overturn an electoral commission decision that bars him from running in next month's presidential election. Hearings are expected to start on Monday.

China's premier, Wen Jiabao, said that plans to form a new agency to invest part of the country's foreign exchange reserves would not have an adverse impact on the US dollar. He did not give any time frame for the creation of the new investment vehicle. However he said it would be an independent entity unconnected to government ministries or commissions. Meanwhile China's central bank said it would not significantly adjust the composition of the reserves. A large portion of the reserves is denominated in US dollars.



Nigerian troops rescued a French oil worker taken hostage by suspected ransom seekers on Friday after five weeks in captivity.

The US Energy Secretary Samuel Bodman is expected to urge India to liberalize its energy market and reform its fiscal and regulatory laws so that the country can meet its energy demand. He is scheduled to travel to India next week to meet with private sector and government leaders and address concerns about India's natural gas deal with Iran and encourage the government to ratify a civil nuclear agreement with the US.

Refinery News

Big West's 68,000 bpd refinery in Bakersfield, California reported that an electrical malfunction had caused flaring early Friday morning. A report filed with California's Office of Emergency Services did not specify the location of the malfunction or its impact to fuel production.

According to Russia's Energy Ministry, Russian refinery runs increased by 4.2% on the month to 4.7 million bpd.

CPC Corp has cut runs on its 500,000 tons/year No. 5 naphtha cracker to 90% of capacity due to technical trouble. The unit is expected to return to normal operations at the end of the month.

Kuwait's Oil Minister Sheikh Ali Al Jarrah Al Sabah said the country was awaiting final approval from Sinopec for plans to build a joint venture refinery and petrochemicals complex in southern China. The refinery, which would have a capacity to process 300,000-350,000 bpd of crude and to produce more than 10 million tons a year of ethylene, would be jointly developed by Sinopec and Kuwait Petroleum Corp.

Production News

Royal Dutch Shell has started repairs to a ruptured trunk pipeline that feeds the Bonny export terminal in Nigeria that forced it to cut 187,000 bpd of production on March 4. Work on the pipeline was delayed by youths from a local community who seized Shell's equipment and denied workers access to the spill in the Nembe Creek area.

NYMEX Petroleum Options Most Active Strikes for March 16, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	10	7	C	82	09/17/2007	0.77	4,900	29.25
LO	6	7	P	50	05/17/2007	0.32	3,282	35.40
LO	6	7	P	62	05/17/2007	3.72	2,700	31.81
LO	10	7	C	65	09/17/2007	4.49	2,700	29.41
LO	6	7	C	75	05/17/2007	0.22	2,481	32.10
LO	6	7	P	60	05/17/2007	2.69	2,140	31.95
LO	5	7	P	55	04/17/2007	0.61	1,916	32.25
LO	6	7	P	56	05/17/2007	1.27	1,825	32.94
LO	5	7	C	62	04/17/2007	1.17	1,743	30.34
LO	5	7	C	63	04/17/2007	0.89	1,629	30.34
LO	6	7	P	48	05/17/2007	0.18	1,575	36.00
LO	5	7	P	56	04/17/2007	0.81	1,472	31.48
LO	5	7	P	50	04/17/2007	0.12	1,223	35.96
LO	5	7	C	64	04/17/2007	0.67	1,194	30.42
LO	9	7	P	63.5	08/16/2007	4.92	1,150	29.98
LO	5	7	C	61	04/17/2007	1.52	1,120	30.44
LO	6	7	P	55	05/17/2007	1.04	1,110	33.42
LO	7	7	P	62	06/15/2007	3.79	1,104	30.96
LO	12	7	P	62.5	11/13/2007	4.88	1,100	29.16
LO	5	7	C	60.5	04/17/2007	1.72	1,085	30.48
LO	9	7	C	72	08/16/2007	1.76	1,050	29.14
LO	5	7	P	57.5	04/17/2007	1.25	1,049	30.96
LO	12	7	C	90	11/13/2007	0.53	1,030	28.31
LO	9	7	P	60	08/16/2007	3.29	1,000	30.25
LO	6	7	C	66	05/17/2007	1.33	993	31.42
LO	5	7	P	60.5	04/17/2007	2.64	985	30.57
LO	12	7	C	100	11/13/2007	0.23	950	29.41
LO	5	7	P	52	04/17/2007	0.23	908	34.13
LO	5	7	C	63.5	04/17/2007	0.77	901	30.32
LO	5	7	C	67	04/17/2007	0.25	874	30.25
LO	5	7	C	65.5	04/17/2007	0.42	800	30.39
LO	5	7	P	60	04/17/2007	2.36	799	30.60
LO	5	7	C	65	04/17/2007	0.49	765	30.34
LO	8	7	C	62	07/17/2007	4.55	750	30.35
OB	5	7	P	1.75	04/25/2007	0.0368	589	35.15
OB	5	7	C	2	04/25/2007	0.0404	575	35.80
OB	5	7	C	2.05	04/25/2007	0.0298	270	36.30
OB	7	7	C	2.15	06/26/2007	0.0419	225	34.22
OB	5	7	P	1.7	04/25/2007	0.0242	203	35.34
OB	4	7	C	2	03/27/2007	0.0216	147	41.68
OB	4	7	C	1.92	03/27/2007	0.0478	110	40.84
OB	6	7	P	1.75	05/25/2007	0.0602	100	34.45
OH	4	7	P	1.55	03/27/2007	0.005	708	38.45
OH	4	7	C	1.85	03/27/2007	0.0048	700	38.76
OH	6	7	P	1.6	05/25/2007	0.0457	684	29.80
OH	8	7	P	1.6	07/26/2007	0.0556	679	28.53
OH	6	7	C	1.73	05/25/2007	0.0709	500	29.53

A trader said Nigeria appears to be sticking to its pledged crude oil output for May according to initial indications on May loading programs. The loading program showed 67 cargoes consisting of 950,000 barrels each.

Venezuela's PDVSA said it planned to book 50 billion barrels of new reserves from the Orinoco tar basin this year. In November, Venezuela increased its proven reserves to 87.6 billion after declaring 7.6 billion barrels of proven reserves at the Carabobo I field in the Orinoco region.

Under a five year reconstruction plan released at the UN, Iraq aims to increase its oil production to 3.5 million bpd by 2011. The increase would nearly triple Iraq's crude oil export revenue to almost 75 billion Iraqi dinar or \$58.8 million. UN Secretary General Ban Ki-moon and Iraq's Vice President Adil Abd al-Mahdi are scheduled to attend a conference on the Compact for Iraq, along with nearly 80 countries on Friday in a bid to build international support for the reconstruction plan.

According to China's National Bureau of Statistics, China produced 14.34 million tons or 3.75 million bpd in February, up 2.3% on the year.

Ecuador's central bank

reported that the country's average oil production fell 8% on the year to 514,226 bpd in January. Petroecuador's oil production averaged 258,677 bpd in January, while private companies' oil output was 255,549 bpd.

Petroecuador reported that its export revenues in February totaled \$263.78 million, up 18% from the \$223.46 million reported in January. It exported 5.66 million barrels of crude oil in February, down 1% on month.

India's Essar Group is in talks with Iran to develop the Azadegan oilfield to ensure fuel for a planned refinery and steel plant. The Azadegan field has total reserves of 26 billion barrels.

Indian Oil Corp has purchased up to 700,000 barrels of Ecuador heavy sour Oriente crude in a tender for May heavy crude.

An Indonesian government official said Indonesia may impose a nationwide use of 0.35% sulfur diesel instead of earlier plans for two different grades. This would eliminate the logistical problems faced by Pertamina in segregating tankage for two different grades. Two Indonesian refineries, the 125,000 bpd Balongan refinery and the 120,000 bpd Dumai refinery have started producing the new grade while other plants are expected to follow next month.

OPEC's news agency reported that OPEC's basket of crude increased to \$57.20/barrel on Thursday from \$57.14/barrel on Wednesday.

Poland's Finance Minister Zyta Gilowska said that a proposal by the European Commission to increase the minimum duty on commercial diesel appeared acceptable. The European Union's executive body wants to increase the minimum duty on fuel for trucks to 380 euros or \$499 per 1,000 liters in 2014, with an intermediate increase to 359 euros. It is up from 302 euros as of January 1, 2004.

Market Commentary

The oil market settled in negative territory after the market tumbled late in the session in a technically triggered sell off. The market, which traded mostly sideways early in the session, quickly bounced off its early lows and posted a high of 58.29. The crude market later erased some of its gains and settled in a sideways trading pattern. The market breached its support at its previous low of 57.20 and quickly tumbled more than \$1 in a late bout of selling to a low of 56.25, a low not seen since January 31. The market however retraced some of its losses ahead of the close and settled down 44 cents at 57.11. Volume in the crude market was good with 312,725 lots booked on Globex. Meanwhile, the RBOB market settled up 2.55 cents at 190.71 after the market pared its losses near the close. The market retraced Thursday's losses early in the session as it rallied to a high of 193.84. The RBOB market however breached its support at 192.00 and sold off to a low of 186.68 amid the sharp sell off in the crude market. The market later retraced some of its losses ahead of the close. Similar to the crude market, the heating oil market rallied to a high of 173.68 early in the session as it retraced Thursday's losses. However the market gave up its gains and extended its losses to over 1.7 cents as it sold off to a low of 167.13 amid the sell off in the crude market. The heating oil market later retraced some of its losses and settled up 3 points at 168.88. Volumes in the product markets were better with 61,800 lots booked in the RBOB market and 55,626 lots booked in the heating oil market.

The Commitment of Traders report showed that non-commercials increased their net long position by 791 contracts to 37,114 contracts in the week ending March 13. The combined futures and options report showed that non-commercials also increased their net long positions by 7,053 contracts to 65,557 contracts on the week, its largest net long position since September. However the non-

commercials have likely cut their net longs amid the sell off during the past few trading sessions. Meanwhile, non-commercials in the heating oil market switched from a net long position of 253 contracts to a net short position of 3,545 contracts. The non-commercials in the RBOB market increased their net long position slightly by 336 contracts to 27,496 contracts on the week.

The oil market on Monday will likely continue to retrace some of its late losses before it continues to trend lower. Even though stochastics are indicating that the market is oversold, they still have not crossed to the upside. The market is seen finding support at its low of 56.17 followed by more distant support at 55.81.

Meanwhile resistance is seen at 57.35, its highs of 58.29 and 58.64. More distant resistance is seen at 59.92-59.96 and 61.83.

Technical levels		
	Levels	Explanation
CL 57.11, down 44 cents	Resistance	58.64, 59.92-59.96, 61.83
		57.35, 58.29
	Support	56.17
		Friday's low
		62% (51.68 and 62.49), Previous low
HO 168.88, up 3 points	Resistance	176.78, 177.72
		170.00, 172.00, 173.68
	Support	167.13
		Friday's low
		Previous low, 50% (149.35 and 179.57), Previous low, Double bottom
RB 190.71, up 2.55 cents	Resistance	194.29, 195.48
		192.00, 193.84
	Support	186.68
		Friday's low
		Previous lows
		186.46, 185.39, 181.50