



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 19, 2007

A senior Iranian official told foreign envoys on Monday the country was prepared for either cooperation or confrontation, ahead of a UN vote on imposing further sanctions against Iran. Diplomats said Deputy Foreign Minister Abbas Araghchi showed no sign of Iran bowing to Western pressure to halt its nuclear work as he briefed ambassadors about Iran's nuclear program. The UN Security Council is due this week to discuss further sanctions against Iran for its refusal to suspend uranium enrichment.

Iran's Oil Minister

Kazem Vaziri-Hamaneh said OPEC would hold an emergency meeting if oil prices fell. He however did not give detail on what kind of oil price decline would prompt OPEC to hold an emergency meeting.

Nigeria's security forces raided houses in the village of Ogbakiri near Port Harcourt on Saturday looking for ransom seeking kidnappers and other criminals. A spokesman for the military Joint Task Force said the raids would continue until the gangs were flushed out completely. Separately, Nigerian

Market Watch

Global Partners LP said it signed a definitive agreement to purchase three oil product terminals in the US Northeast from ExxonMobil Corp. The purchase is subject to regulatory approval and other customary conditions. The terminals, with a capacity of 1.3 million barrels are located in Albany and Newburgh, New York and Burlington, Vermont. The new purchase would increase the company's oil storage capacity by 19% to 8.1 million barrels.

The director of the National Bioenergy Center at the DOE's National Renewable Energy Laboratory said investments of \$1.2 billion into six plants that would convert grasses, trees and agricultural byproducts into ethanol was the US' best hope in developing the technology necessary to increase alternative fuel output. He said the US Department of Energy's goal of having cellulosic ethanol production commercially viable in three years was aggressive but achievable. It estimated that cellulosic ethanol would add to the available pool of corn ethanol, production of which is estimated at a maximum of about 20 billion gallons a year.

The US Interior Department finalized the terms for its upcoming Alaskan lease sale that would give energy companies the chance to drill for oil and natural gas in federal waters in the Beaufort Sea. The proposed lease area extends from the Canadian border on the east to near Barrow to the west. The Interior Department said the Beaufort Sea could hold 7 billion barrels of crude and 32 trillion cubic feet of natural gas.

Canada's minority Conservative government announced it would phase out some oil sands tax incentives, introduce rebates for hybrid and other green vehicles, tax passenger vehicles that are not fuel efficient and subsidize renewable fuels.

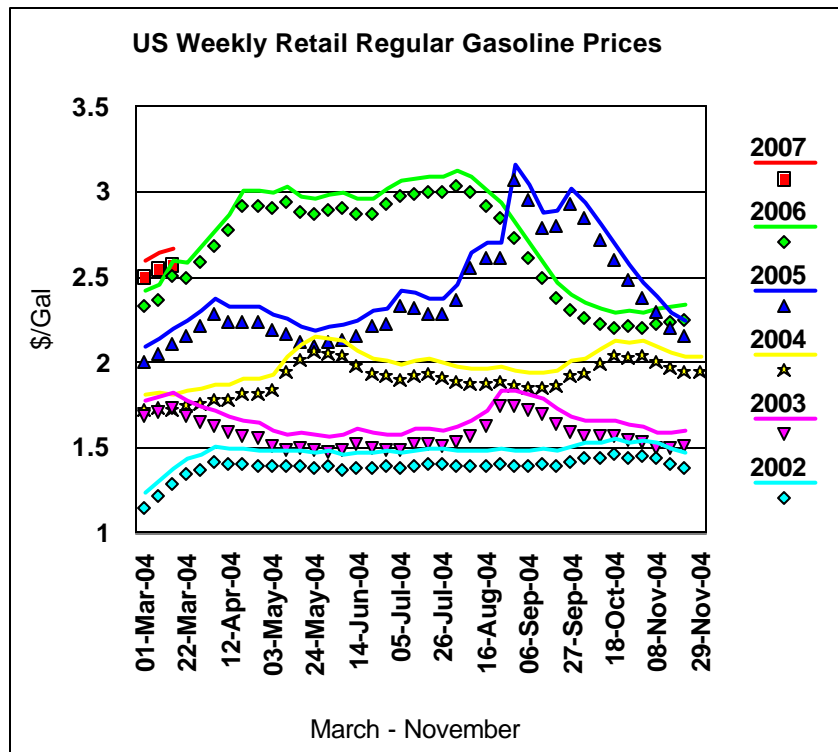
police reported that armed gunmen abducted two Chinese men and a Nigerian working for a local company in the state of Anambra on Saturday. Police said they were yet to establish the kidnappers and their demands.

An analyst at the EIA said increasing demand for distillates in the US and Europe is expected to keep distillate refining margins stronger than those of gasoline over the long term. Europe's move towards diesel has resulted in decreased local gasoline demand, making more available for export to the US. The analyst stated that diesel demand growth in the US is 2.1% compared with gasoline demand growth of 1.6%. Tight supplies in the trans-Atlantic region is expected for several more years amid the increased demand in the US and Europe. However after 2010, several large refinery construction and expansion projects in the Middle East and Asia would increase the available supply of distillate exports and increasing use of biodiesel in Europe should also free up diesel supplies there as well.

Separately, an analyst at the EIA said rising ethanol demand and higher construction costs were impacting plans by US refiners to expand plants. The analyst stated that rising demand for labor to build ethanol plants in the US and in Canada's tar sands projects in Alberta have been cutting the available worker pool. Increasing US dependency on corn based ethanol for fuel is weighing on expansion plans.

The European Biodiesel Board said in a letter to the European Union's Trade Commissioner complained that increasingly large quantities of biodiesel was being imported into the EU from the US in the form of a blend of 99.9% biodiesel and 0.1% fossil diesel called B99.9. It said US producers take the blending subsidy then export the B99.9 fuel to Europe to cash in again on EU biofuel subsidies. The European Biodiesel Board called on the EU to consider rapid countermeasure including import duties on B99.9 biodiesel, which has received subsidies.

The EIA reported that the US average retail price of gasoline increased by 1.8 cents/gallon to \$2.577/gallon in the week ending March 19. It also reported that the US average retail price of diesel fell by 0.4 cents/gallon to \$2.681/gallon on the week.



Refinery News

BP Plc shut a 45,000 distillate hydrocracker unit at its 260,000 bpd refinery in Carson, California on Friday, a day after a fire broke out at the unit. The unit had been scheduled to begin an overhaul this week.

Valero Energy Corp reported a brief problem on a catalytic reforming unit at its Port Arthur, Texas refinery on Sunday. It was not clear whether the upset had any impact on the unit's operations. Valero also reported an emissions event at the Complex 1 portion of its Corpus Christi, Texas refinery due to offsite hydrogen supplier problems. The event started on Saturday afternoon

and is expected to continue until Monday afternoon.

Separately, Valero Energy Corp said initial production from its fire damaged 170,000 bpd Sunray, Texas refinery should start flowing in the first week of April. It said all units except for a destroyed residual crude oil processing unit, which have been shut since a February 16 fire, should be back in operation by the first of May. Total production would be between 85,000-115,000 bpd.

ConocoPhillips started about 20 days of scheduled maintenance at Unit 93 flare gas recovery system at its Borger, Texas refinery on Sunday. The work is expected to conclude on April 7. The filing with the Texas Commission on Environmental Quality did not indicate whether the repairs would have any impact on the refinery's throughput or production.

Alon USA shut an alkylation unit at its 70,000 bpd Big Springs, Texas refinery for about four days of scheduled maintenance. Several associated systems would also be depressurized during the maintenance repair, which may be concluded on Wednesday night.

ConocoPhillips started testing electrical equipment associated with a regenerator at its Sweeny, Texas refinery on Monday. The work would be completed as quickly as possible and the equipment would be returned to normal operations.

Production News

US Gulf deepwater sour Mars crude traded at a premium to WTI in the cash market. This was amid the news that the Mad Dog field remained shut. There was also speculation that an unusually late refinery maintenance season could end soon, pushing up demand for near term domestics.

Royal Dutch Shell is expected to send a second team of investigators to determine the cause of ruptured pipeline in Nigeria that has cut 187,000 bpd of production. Shell workers on Friday gains access to the pipeline for the first time since a leak was reported on March 4. A Shell spokeswoman said it was too early to say when repairs would be completed.

Workers at Smit Harbour Towage resumed their strike on Saturday over a dispute with management over pay and a new collective labor agreement. About 12 large ships were stranded in Rotterdam due to the strike. The strike ended temporarily on March 10, when a court ordered workers to go back to work.

A six day strike blocking access to France's Fos-Lavera oil and gas terminal in Marseille is expected to continue on Tuesday after unions and the port's management failed to reach an agreement. The port authority said that 30 ships, including 22 oil tankers, three gas tankers, four cargoes transporting chemical products and a barge were waiting to dock in the Marseille terminal.

Vitol has provisionally booked a 420,000 deadweight ton crude oil tanker for up to three months' storage in the US Gulf Coast. It was not immediately clear why Vitol had booked the vessel or what it would be storing there.

The average daily loading rate of the nine main North Sea crude systems totaled 2.541 million bpd for April, down from 2.56 million bpd for March.

Norway's North Sea Troll crude system is scheduled to load 224,000 bpd in April, down 4,000 bpd on the month.

Danish Underground Consortium's oil production from the Danish part of the North Sea fell about 1.7% in February to 270,500 bpd from 275,100 bpd in January.

Angola is expected to export 1.57 million bpd of crude in May, down 10,000 bpd from the previous month.

Maersk Oil Qatar said a project to more than double the output of Qatar's Al Shaheen oilfield to 525,000 bpd is on schedule despite increasing costs. It said the project would be completed by late 2009, in line with previous projections.

The head of Pemex said Jesus Reyes Heróles said Mexico's proved oil and gas reserves fell to 15.5 billion barrels of crude equivalent at the end of 2006, down 5.8% on the year. It said its possible, probable and proved oil and gas reserves fell to 45.376 billion barrels in 2006 from 46.418 billion barrels last year. Pemex's replacement rate for proved oil and gas reserves, stood at 41% at the end of last year. It said the company would not reach a 100% replacement rate for its possible, probable and proved reserves until 2012.

Russia said it hoped a draft law regulating how Iraq's oil wealth is distributed would ensure Russian companies do not suffer discrimination. It is concerned that Iraqi government starts handing out new concessions, Russian companies would lose out to firms from countries that backed the military operation. Russian companies signed deals to develop Iraqi reserves with the former administration under Saddam Hussein. The deals have been on hold since the invasion.

Russia's Silver Wave Sputnik Petroleum signed a deal with Myanmar Oil and Gas Enterprise to explore and produce oil and gas in onshore B-2 block. B-2 block is one of six onshore blocks reopened to foreign investors last year.

Russia's Gazprom has been in talks with ExxonMobil Corp for possible tie ups between Sakhalin-1 and Sakhalin-2. Gazprom said Sakhalin-2 could expand business to building new facilities and procuring gas produced at neighboring gas fields. Sakhalin-1 should also supply gas to domestic customers in Russia.

The UAE's Economy Ministry reported that value of its crude exports increased by 11.3% in 2006 to \$48.5 billion. The average price of UAE crude increased by 21.5% to \$65/barrel compared with \$53.50/barrel in 2005.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.73/barrel on Friday from 57.20/barrel on Thursday.

Interconnector UK said the gas pipeline between Britain and Belgium is scheduled to switch back to UK export mode on Monday evening. The only bilateral pipeline linking the UK to mainland Europe flipped to UK import mode on Monday morning.

Market Commentary

The oil market posted an inside trading day as it failed to breach Friday's trading range. The market, which was holding support at 56.55, rallied to a high of 57.55 as it retraced its previous losses. The market was also supported by the gains in the gasoline market. The crude market however erased its gains and sold off to a low of 56.30 amid some liquidation ahead of Tuesday's expiration. The market bounced off its low and settled in a sideways trading pattern ahead of the close. It settled down 52 cents at 56.59. The May crude market settled up 12 cents at 59.70. Volume in the crude market was lighter with 283,058 lots booked on Globex during the open outcry session. Open interest in the crude

market built by a total of 5,727 contracts. Open interest in the April contract fell by 17,913 contracts while open interest in the May contract built by 17,378 contracts as traders rolled their positions ahead of its expiration on Tuesday. Open interest in the June and July contracts also built by 4,543 contracts. The RBOB market posted a low of 191.49 early in the session before it bounced off that level and extended its gains to over 6.6 cents as it rallied to a high of 197.40 in light of some further refinery problems. The market later settled in a sideways trading pattern and settled up 5.1 cents at 195.81. Meanwhile, the heating oil market settled down 4 points at 168.84 after it posted an inside trading day. The market posted a low of 168.40 early in the session and rallied to a high of 170.74 amid the gains in the RBOB market. It later erased its gains and traded sideways ahead of the close. Volumes were light with 58,150 lots booked in the RBOB market and 37,701 lots booked in the heating oil market.

The crude market on Tuesday will be driven by the expiration of the April crude contract at the close on Tuesday. It is seen trading lower as traders continue to liquidate their position ahead of its expiration. The market is seen finding resistance at its high of 57.59 followed by 58.29 and 58.64. More distant

resistance is seen at 59.92-59.96. Meanwhile support is seen at its low of 56.67 followed by 55.81 and 54.60.

Technical levels		
	Levels	Explanation
CL 56.59, down 52 cents	Resistance 57.59	Previous highs Monday's high
	Support 56.67	Monday's low
	55.81, 54.60	62% (51.68 and 62.49), Previous low
HO 168.84, down 4 points	Resistance 170.74	Previous highs Monday's high
	Support 167.98	Monday's low
	167.13, 166.95, 164.46	Previous lows, 50% (149.35 and 179.57)
RB 195.81, up 5.1 cents	Resistance 197.40	Basis trendline Monday's high
	Support 190.30	Monday's low
	186.68, 186.46, 185.39	Previous lows