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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 22, 2007

OPEC's President Mohammed bin Dhaen al-Hamli said OPEC has not agreed on any specific oil price that would prompt it to convene an emergency meeting. He also reiterated OPEC's

Market Watch

China's government is scheduled to announce details on the progress of the country's first energy law in an international seminar to be held on April 27-28. China's National Energy Leading Group Office said it would release documents related to work on the drafting of the Energy Law and the framework of the Energy Law.

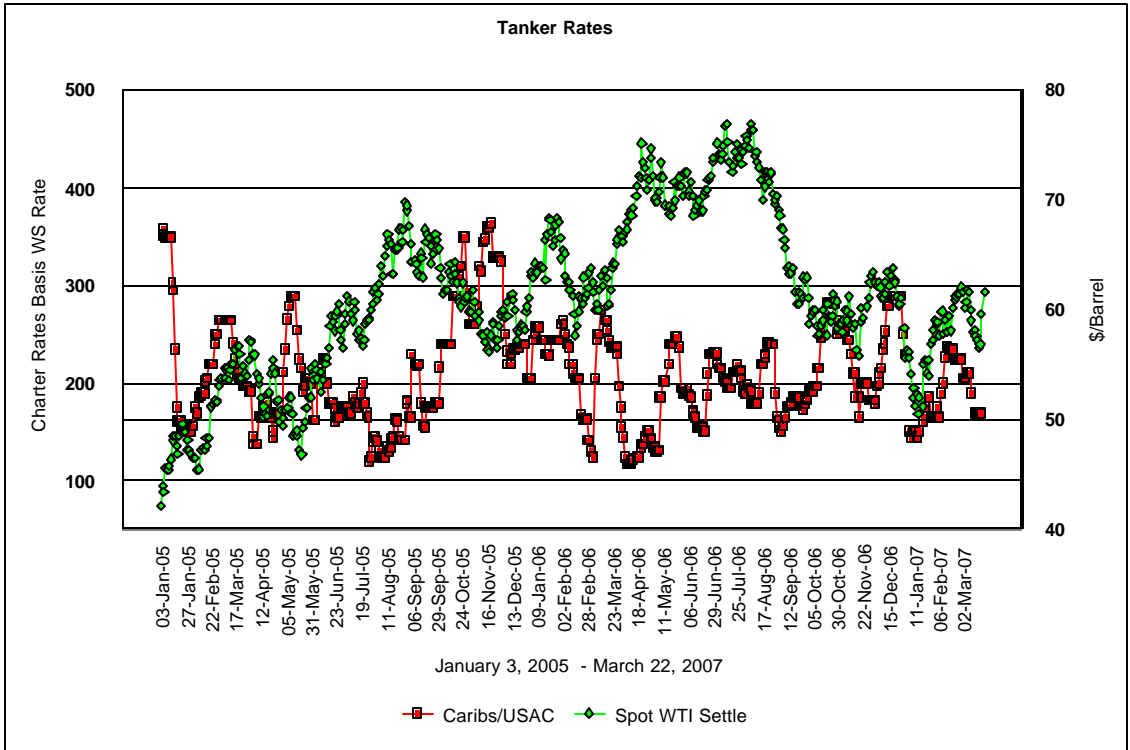
pledge to keep the market well supplied if oil inventories start to fall. Meanwhile, Algeria's Energy and Mines Minister Chakib Khelil said oil market fundamentals are reassuring and a sharp price fall is unlikely. He added that OPEC had significant spare capacity to control any eventual price spike.

OPEC's head of research, Hasan Qabazard said he expected oil prices to remain at a reasonable level of about \$50-\$60/barrel in the coming years. He said oil prices currently were not at a level that would affect economic growth and were reasonable when compared with other commodities markets. He added that if oil prices were over the level that affects growth, OPEC would supply more to reduce the price. In regards to OPEC's compliance he stated that OPEC was on track to achieve full compliance with its decision to cut production by a total of 1.7 million bpd. He said OPEC's compliance with the cuts stood at 70%.

An official at the National Iranian Oil Co said Iran was receiving about 60% of its oil income in euros or other currencies. He said almost all European and some Asian clients have agreed to pay in currencies other than US dollars. He said that about 57% of Iran's income from crude exports in December was in euros. However he said payments were still based on dollar pricing.

Iran's navy started more than a week of war games in the Gulf on Thursday. The exercises are the latest in a series of maneuvers staged by Iran's military in the Gulf region, where the US has deployed a second aircraft carrier. The maneuvers are scheduled to last until March 30. The latest war games were taking place in the middle and northern Gulf and involved small vessels with missile launchers and tactical submarines.

Gunmen clashed in Basra, just two days after British forces pulled out of their base in the city. The head of Basra's emergency security committee, blamed it on a misunderstanding between Fadhila and the Mehdi Army militia of radical Shi'ite cleric Moqtada al-Sadr.



According to Oil Movements, OPEC's oil exports are expected to increase by 190,000 bpd in the four weeks ending April 7 to 24.18 million bpd compared with 23.99 million bpd in the four weeks ending March 31. The head of Oil Movements said OPEC's

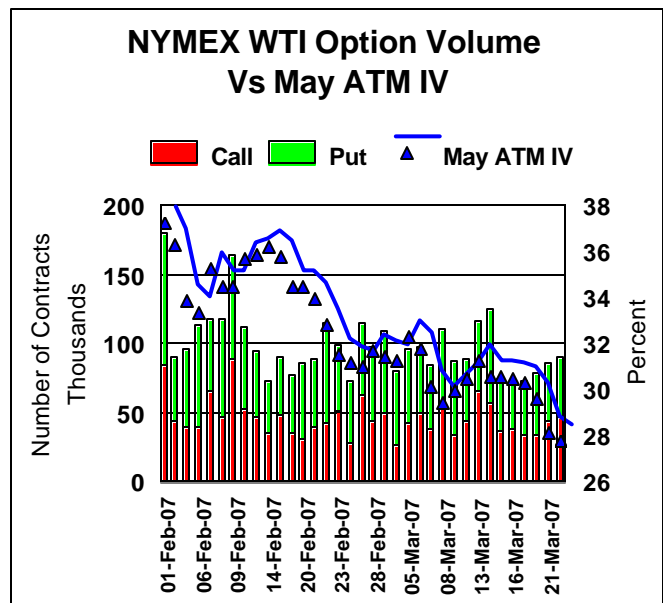
compliance with its recent output cuts was falling below 1 million bpd.

Refinery News

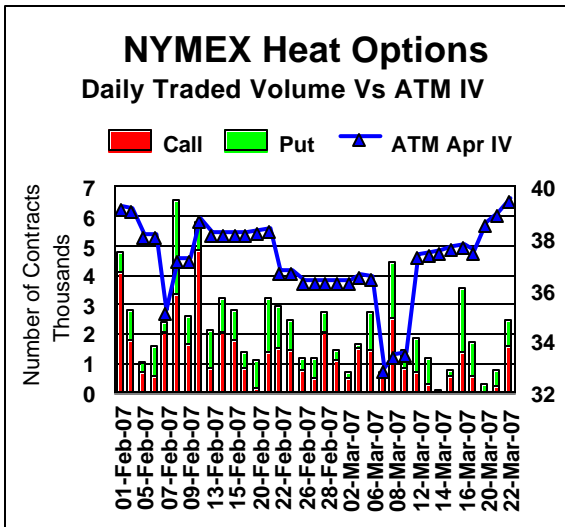
According to a filing with the Texas Commission for Environmental Quality, Shell reported an external power failure on Wednesday at its 334,00 bpd Deer Park, Texas refinery. It said it was restarting units as necessary following the power outage. Some of the units affected by the outage included a coker unit, a gasoil hydrotreater, a distillate hydrotreater and a cogen unit. The filing said the even was scheduled to end March 26.

Tesoro Corp said its 166,000 bpd San Francisco area refinery was near full production after its 70,000 bpd fluid catalytic c racking unit was restarted. The unit was restarted on February 26 following an overhaul.

PDVSA said it was performing planned maintenance on one of its two alkylation units at the Cardon refinery and is scheduled to shutdown a crude unit at its Amuay refinery for planned work this weekend. The alkylation unit at the Cardon refinery is expected to remain down until the end of April while work on the crude unit at the Amuay refinery is expected to last an estimated 42 days. An official said the refinery could increase operations at its other crude units during the planned work, allowing the refinery to continue producing at current rates.



Oman Refinery Co has begun the start up of its Mina al Fahal refinery following a two month shutdown for scheduled maintenance and upgrading which forced it to purchase gasoline from BP. The full turnaround and upgrade would increase the refinery's overall capacity to 106,000 bpd from 85,000 bpd.



Nippon Oil Corp is expected to process less crude for April due to planned maintenance at its Osaka and Marifu refineries. The April cut would follow production cuts in the previous three months due to lower demand for kerosene. It is expected to refine about 11% less crude in April than a year earlier when it refined 1.03 million bpd.

Trinidad and Tobago Prime Minister Patrick Manning said he invited Brazil and Venezuela to become partners in building a new 250,000 bpd oil refinery in Trinidad.

India's Ministry of Petroleum and Natural gas said the country's refineries processed 11.6 million tons of crude or 3.03 million bpd in February, up from 10.83 million

tons reported last year. Its refinery runs were 8.2% above the government's target of 10.72 million tons.

Gasoline stocks in the Amsterdam-Rotterdam-Antwerp storage area increased by 12,000 tons on the week to 815,000 tons in the week ending March 22, however stocks were down 125,000 tons from last year's level. Traders said about 1.5 million tons of gasoline is scheduled to be loaded in March for exports from Europe to the US. Gasoil stocks in the ARA area fell by 61,000 tons to 1.942 million tons while fuel oil stocks fell by 185,000 tons to 415,000 tons on the week. Naphtha stocks fell by 25,000 tons to 41,000 tons while jet fuel stocks increased by 8,000 tons to 383,000 tons on the week.

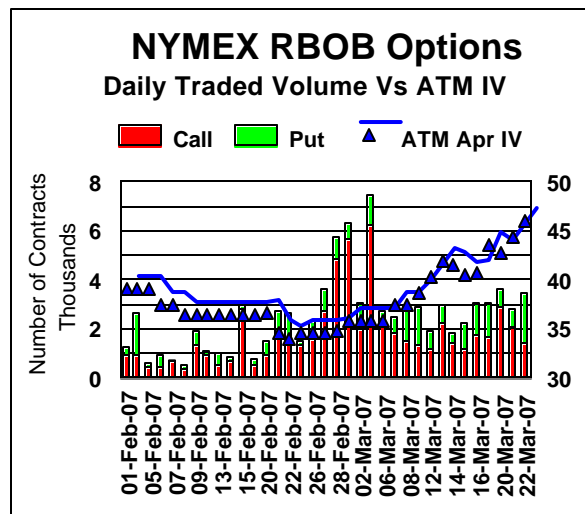
Production News

The Aleyska Pipeline Service Co successfully completed corrosion tests on the Trans Alaska Pipeline Pipeline System ahead of schedule. However it has yet to complete its analysis of the data collected by the runs of the smart pigs.

The strike at France's Fos Lavera oil and gas terminal in Marseille continued for the ninth day on Thursday. There were 40 ships, including 18 oil tankers and five gas tankers from entering the hub.

Algeria's Skikda oil port remained closed on Thursday due to bad weather. The port was closed since Monday afternoon. Three oil tankers have not been allowed to load or discharge.

Royal Dutch Shell completed repairs to a ruptured pipeline and was currently performing integrity tests on the pipeline. Shell was forced to cut production by 187,000 bpd after the pipeline was shut in.



Britain's BP has filed a plan for further development of the 70,000 bpd Valhall oilfield off Norway. BP said it planned to build a new platform to replace three old platforms. The installation of the new platform would extend the life of the field to 2049.

Azerbaijan's Socar has delayed the start up of its Black Sea oil terminal and expects to export up to 200,000 bpd of crude starting in the third quarter. Socar previously stated that it would finish building the terminal at Kulevi in Georgia late in the first quarter or early in the second quarter.

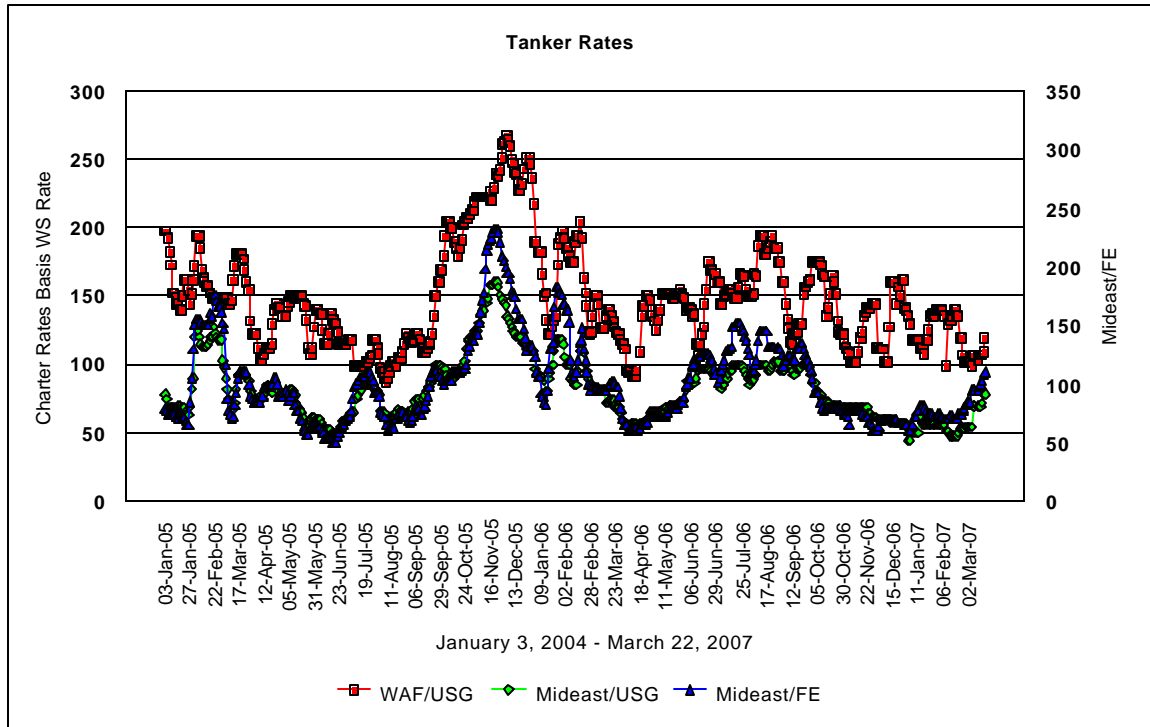
Singapore's International Enterprise reported that the country's residual fuel stocks built by 695,000 barrels to 12.345 million barrels in the week ending March 21. Singapore's light distillate stocks built by 83,000 barrels to 8.774 million barrels while its middle distillate stocks built by 225,000 barrels to 8.5 million barrels on the week.

According to Reuters, China's apparent oil demand in February increased by 3.5% on the year to 6.78 million bpd. Its apparent demand was down from January's 6.6% increase to 6.83 million bpd. Meanwhile official customs data showed that China's gasoline exports increased to 681,236 tons in February, up 62.2% on the year. It reported that crude imports in February increased by 8.2% on the

| NYMEX Petroleum Options Most Active Strikes for March 22, 2007 | | | | | | | | |
|--|-------|------|----------|--------|------------|--------|--------|-------|
| Symbol | Month | Year | Call/Put | Strike | Exp Date | Settle | Volume | IV |
| LO | 10 | 7 | C | 82 | 09/17/2007 | 0.9 | 5,800 | 28.24 |
| LO | 5 | 7 | C | 67 | 04/17/2007 | 0.31 | 4,140 | 27.60 |
| LO | 5 | 7 | P | 59 | 04/17/2007 | 0.74 | 3,817 | 27.62 |
| LO | 5 | 7 | P | 60 | 04/17/2007 | 1.07 | 3,350 | 27.73 |
| LO | 5 | 7 | P | 57 | 04/17/2007 | 0.36 | 3,300 | 28.87 |
| LO | 10 | 7 | C | 65 | 09/17/2007 | 5.35 | 3,225 | 28.91 |
| LO | 5 | 7 | C | 60.5 | 04/17/2007 | 2.45 | 3,012 | 27.79 |
| LO | 5 | 7 | P | 60.5 | 04/17/2007 | 1.26 | 3,012 | 27.68 |
| LO | 6 | 7 | P | 60 | 05/17/2007 | 1.55 | 2,851 | 29.43 |
| LO | 6 | 7 | C | 65 | 05/17/2007 | 1.99 | 2,836 | 28.99 |
| LO | 5 | 7 | C | 65 | 04/17/2007 | 0.66 | 2,658 | 27.76 |
| LO | 6 | 7 | C | 70 | 05/17/2007 | 0.69 | 1,653 | 28.63 |
| LO | 6 | 7 | P | 54 | 05/17/2007 | 0.41 | 1,364 | 32.74 |
| LO | 5 | 7 | C | 66 | 04/17/2007 | 0.46 | 1,341 | 27.71 |
| LO | 12 | 7 | C | 70 | 11/13/2007 | 4.11 | 1,302 | 27.64 |
| LO | 5 | 7 | C | 62 | 04/17/2007 | 1.67 | 1,294 | 27.80 |
| LO | 5 | 7 | P | 61.5 | 04/17/2007 | 1.72 | 1,180 | 27.81 |
| LO | 6 | 7 | P | 50 | 05/17/2007 | 0.14 | 1,150 | 34.86 |
| LO | 5 | 7 | C | 61.5 | 04/17/2007 | 1.91 | 1,080 | 27.82 |
| LO | 12 | 7 | C | 80 | 11/13/2007 | 1.57 | 1,007 | 26.89 |
| LO | 12 | 7 | C | 90 | 11/13/2007 | 0.62 | 1,000 | 27.62 |
| LO | 12 | 7 | C | 41 | 11/13/2007 | 25.23 | 1,000 | 51.97 |
| LO | 12 | 8 | C | 37.5 | 11/17/2008 | 30.21 | 1,000 | 57.28 |
| LO | 5 | 7 | P | 52 | 04/17/2007 | 0.04 | 987 | 31.91 |
| LO | 5 | 7 | P | 61 | 04/17/2007 | 1.48 | 936 | 27.76 |
| LO | 5 | 7 | C | 64 | 04/17/2007 | 0.92 | 927 | 27.75 |
| LO | 8 | 7 | C | 64.5 | 07/17/2007 | 4.17 | 925 | 29.00 |
| LO | 8 | 7 | P | 64.5 | 07/17/2007 | 4.06 | 925 | 28.98 |
| LO | 12 | 7 | P | 65 | 11/13/2007 | 5.12 | 900 | 28.51 |
| LO | 12 | 7 | P | 50 | 11/13/2007 | 0.86 | 850 | 30.78 |
| LO | 5 | 7 | C | 61 | 04/17/2007 | 2.17 | 829 | 27.82 |
| LO | 11 | 7 | P | 60 | 10/17/2007 | 2.96 | 750 | 29.40 |
| | | | | | | | | |
| OB | 5 | 7 | P | 1.91 | 04/25/2007 | 0.0798 | 470 | 36.68 |
| OB | 6 | 7 | P | 1.41 | 05/25/2007 | 0.0026 | 442 | 37.53 |
| OB | 10 | 7 | C | 2.25 | 09/25/2007 | 0.0404 | 200 | 34.34 |
| OB | 6 | 7 | P | 1.75 | 05/25/2007 | 0.047 | 175 | 35.68 |
| OB | 4 | 7 | C | 2 | 03/27/2007 | 0.0249 | 133 | 46.45 |
| OB | 4 | 7 | C | 2.1 | 03/27/2007 | 0.0056 | 133 | 47.68 |
| OB | 4 | 7 | C | 1.95 | 03/27/2007 | 0.0458 | 111 | 45.99 |
| OB | 6 | 7 | C | 1.9 | 05/25/2007 | 0.1138 | 102 | 35.03 |
| | | | | | | | | |
| OH | 5 | 7 | C | 1.71 | 04/25/2007 | 0.0698 | 590 | 31.11 |
| OH | 4 | 7 | C | 1.71 | 03/27/2007 | 0.0357 | 500 | 39.45 |
| OH | 5 | 7 | P | 1.6 | 04/25/2007 | 0.0207 | 240 | 31.61 |
| OH | 4 | 7 | P | 1.72 | 03/27/2007 | 0.0326 | 200 | 39.38 |
| OH | 4 | 7 | C | 1.72 | 03/27/2007 | 0.0306 | 104 | 39.38 |
| OH | 4 | 7 | C | 1.7 | 03/27/2007 | 0.0413 | 100 | 39.53 |
| OH | 5 | 7 | C | 1.75 | 04/25/2007 | 0.05 | 100 | 30.30 |

year to 12.1 million tons while fuel oil imports fell by 19.3% to 1.58 million tons.

India's Ministry of Petroleum and Natural Gas reported that the country produced 2.67 million tons of crude in February or 698,968 bpd, up 4.71% on the year. Its output was however 5.7% less than the government's target of 2.83 million tons.



In April-February, the first 11 months of the fiscal year, India's crude production increased by 5.79% on the year to 31.05 million tons from 29.35 million tons last year. It said India's domestic oil product sales in February increased by 4% to 9.77 million tons. India's oil product imports increased by 63% on the year to 1.2 million tons while its oil product exports increased by 4.4% to 2.167 million tons in February.

Japan's Ministry of Finance reported that the country's crude oil imports fell by 5.5% on the year to 20.269 million kiloliters or 4.55 million bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by 27 cents/barrel to \$56.76/barrel on Wednesday.

Market Commentary

With help today from news that Shell's 334,000 bpd Deer Park refinery suffered a power outage, crude oil broke above the 60.05 trend line sparking off a gain of \$2.16. Bulls were running to get in front of one another pushing the May contract towards the 62.00 area. The May contract has been able so far to maintain its strength now that it has become the spot month. We would look for continued strength in this contract, with 63.75 being our near term objective. As for the May/June spread, we would look for the -1.25 level to come into play. Should this area be taken out we wouldn't be surprised to see -.85 on this spread. For now we are comfortable buying dips as long as the 60.05 level holds on the downside. The product markets are also seen remaining supported as the markets continue to trend higher. Stochastics have also crossed to the upside. The markets were well supported during today's session, with the heating oil market settling up 5.34 cents at 171.80 and the RBOB market settling up 2.26 cents at 195.75. The heating oil market rallied toward the 172.00 amid the strength in the crude market. It later rallied above the 172.00 and settled in a sideways trading pattern ahead of the close. Meanwhile, the RBOB market surprisingly posted an inside trading day despite the strength in the rest of the complex. The market posted a low of 193.25 and rallied above the 196.00 ahead of the close as

the market remained supported by refinery problems and the continued draws in gasoline stocks. Volumes were better today with 255,084 lots booked in the crude market, 48,910 lots booked in the heating oil market and 46,033 lots booked in the RBOB market.

| Technical levels | | |
|----------------------------------|---|--|
| | Levels | Explanation |
| CL 59.61, up 36 cents | Resistance 63.38, 63.75 | Previous highs |
| | Support 62.05 | Thursday's high |
| HO 166.46, down 41 points | Resistance 61.50, 61.00, 59.95 | Thursday's low |
| | Support 59.21, 59.15, 58.85 | Previous low |
| RB 193.49, down 72 points | Resistance 173.68, 174.24, 176.78 | Previous high, 62% retracement(179.57 and 165.63), Previous high |
| | Support 172.70 | Thursday's high |
| RB 193.49, down 72 points | Resistance 170.46, 166.85 | Thursday's low |
| | Support 165.63, 162.24 | Previous lows |
| RB 193.49, down 72 points | Resistance 196.86, 198.33 | Previous highs |
| | Support 196.50 | Thursday's high |
| RB 193.49, down 72 points | Resistance 193.25 | Thursday's low |
| | Support 192.31, 190.30, 186.68 | Previous lows |