



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 30, 2007

Iranian television broadcast an interview with a captured British marine, in which he admitted entering Iranian waters illegally and apologized to the Iranian people. The interview was broadcast as Iran's President Mahmoud Ahmadinejad demanded an apology from the British government over what Iran has stated was the illegal entry of 15 British navy personnel into its waters. Meanwhile, Iran's embassy in London said that Britain was in close contact with the Iranian government to resolve the crisis in a mutually acceptable manner. It however criticized the UN Security Council for getting involved in the crisis. The Iranian

Embassy also released a third letter purportedly written by UK sailor Faye Turney saying she was sacrificed to the policies of the UK and US governments. Britain's Prime Minister Tony Blair expressed disgust at the broadcasting of footage of three of the captives and said Iran risked further isolation unless it released them. He said Britain would consult with its key allies over the weekend. Britain's Foreign Secretary Margaret Beckett said a diplomatic note from Iran did not contain a way out of the standoff. The letter said Iran respected the rules and principles of international law concerning the

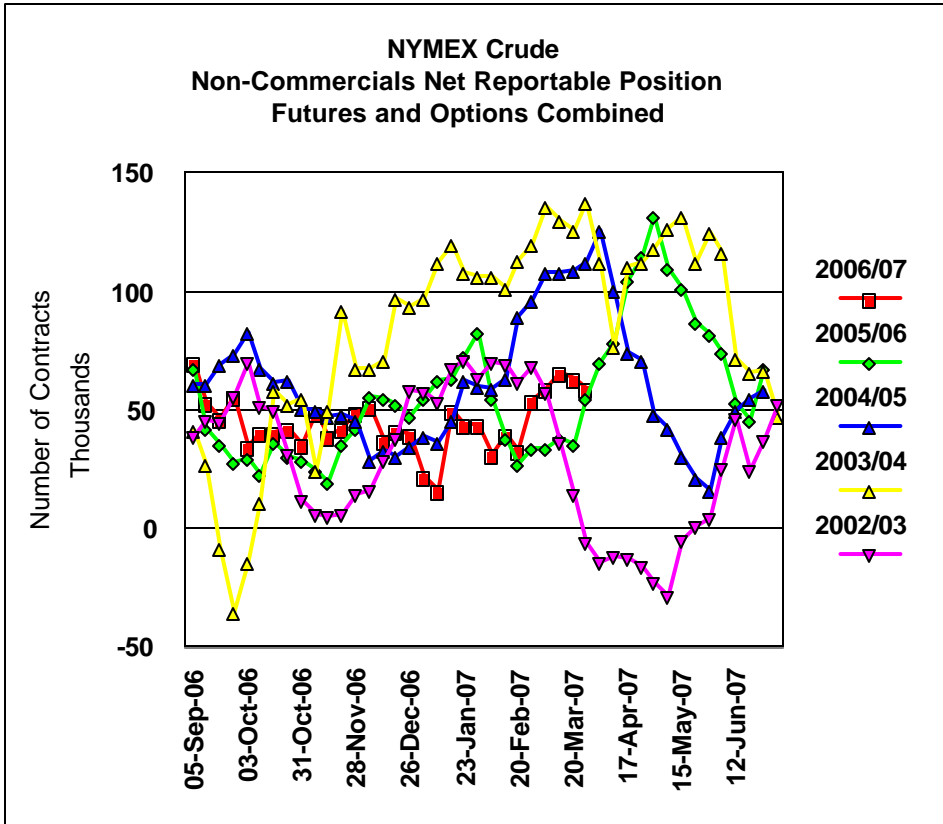
Market Watch

Industry pundits said expectations of rising agricultural demand, combined with truck and rail shipping, should keep cash diesel prices at high premium to heating oil futures. Diesel prices have increased ahead of planting season, which the US government said would see the largest amount of land allocated to corn as the US increases the use of ethanol. The US farmers are expected to plant 90.454 million acres, potentially enough to produce 12.5 billion bushel crop. Ethanol distillers are expected to use 3.2 billion bushels of this year's corn crop, up 1 billion bushels from their share of the 2006 crop.

Kuwait's oil income in the 2006/07 fiscal year ending March 31 is estimated at \$50.34 billion and \$52.08 billion. Kuwait export crude sold for the most part of 2006/07 at an average of \$58.40/barrel, which was \$22.40/barrel or 62.2% higher than the \$36/barrel figure used to calculate oil income that was expected to total Dinars 7.72 billion. Kuwait's average production for the year stood at 2.5 million bpd.

An investor said China should spend some of its \$1 trillion in international reserves to build strategic stocks of cotton, wheat and oil and halt purchases of US treasuries. China's economy expanded 10.7% in 2006, the fastest pace in 11 years.

The NYMEX announced margin changes for its crude oil and related futures contracts, starting at the close of business on Monday. Margins for crude oil, crude oil calendar swap and crude oil financial futures contracts are expected to increase to \$4,725 from \$4,050 for customers. Margins for the miNY crude futures contract would increase to \$2,363 from \$2,025 for customers.



territorial integrity of states and that Britain had to accept its responsibility for the consequences of any border violation. The letter did not appear to demand an apology from Britain as several Iranian officials had previously called for.

The EU called on Iran to immediately and unconditionally release the 15 sailors and marines and warned of appropriate measures if Iran did not comply. Meanwhile, Russia's Foreign Ministry said the US should conduct an independent investigation of circumstances surrounding the capture of 15 British sailors by Iran. Meanwhile, Iraq's Foreign

Minister Hoshyar Zebari reiterated that the 15 sailors were in Iraqi territorial waters.

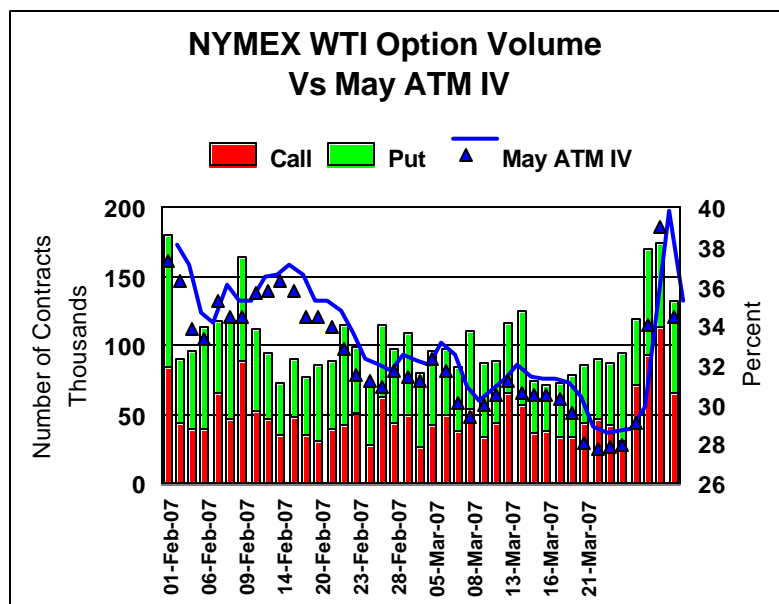
The White House said it has not heard anything about US citizens being advised to leave Bahrain. Rumors stemmed from a US embassy note to US residents posted on Thursday advising citizens to avoid being in areas where opposition activities plan to hold protests.

Iran's central bank governor, Ebrahim Sheibani said Iran has plans to completely end the sale of oil in dollars. Iranian officials have said that Iran has been earning more of its revenues in currencies other than the dollar.

Iran, in a letter to the UN's IAEA, said its fear of attack from the US and Israel prompted it to decide to withhold information from the agency. The IAEA in response told Iran that it was defying the IAEA's 35 nation board with its move and urged it to reverse its decision.

Refinery News

Valero Energy Corp reported an emissions event at its 295,000 bpd Port Arthur, Texas refinery on Thursday. It said the event was caused by air release at a cooling tower in the refinery's east plant. A spokeswoman said no impact to production was anticipated.

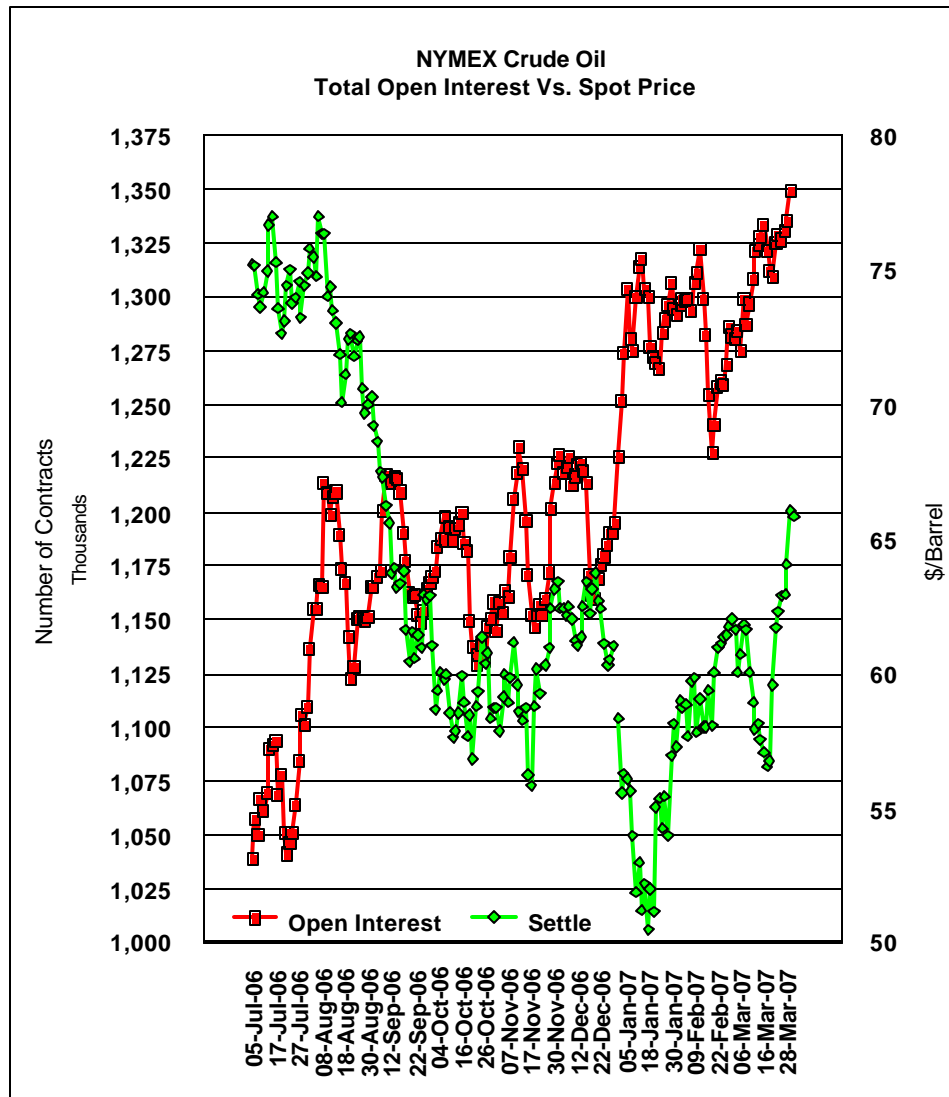
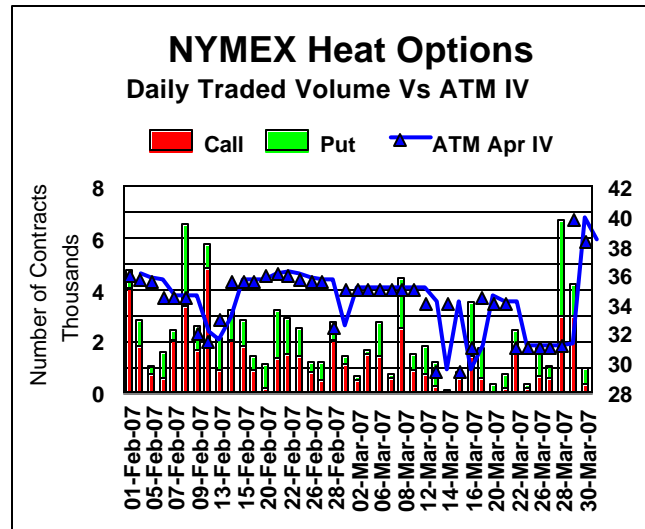


Chevron Corp's 240,000 bpd Richmond, California refinery experienced minor flaring during the restart of an unspecified unit. Planned turnaround, which has been underway since mid-January, was extended by about three weeks due to damage caused by a fire in the crude unit that erupted during the initial shutdown process.

Venezuela's PDVSA has retained a refined products tanker to ship gasoline on a regular basis to Iran. It has retained a 463,000 barrel tanker for one year.

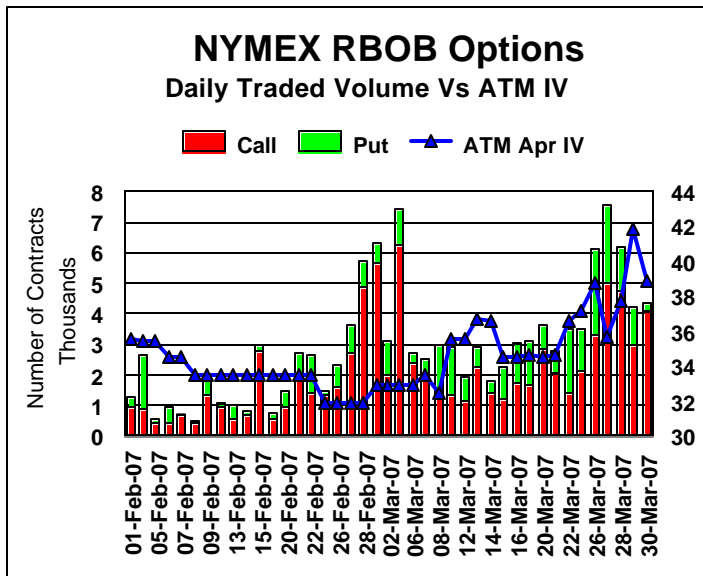
Production News

Union leaders at France's Fos-Lavera oil hub are scheduled to meet Gaz de France and port



officials on Friday in a bid to end a 17 day long strike. Talks were scheduled to restart on Friday after a nine hour meeting ended on Thursday unsuccessfully. Even if negotiators agree on a draft deal, it would still have to be submitted to a vote by workers, who have rejected two previous draft agreements. There were 63 ships, including 39 oil tankers blocked outside the port of Marseille due to the strike. Meanwhile, Ineos said it planned to shutdown its 207,000 bpd Lavera refinery on Sunday or Monday after it cut production by a third during the last few days.

The Rhine River remained closed to shipping near Cologne in Germany on Friday following an accident involving a container ship last Sunday in which 32 containers were spilled into the river. However a spokeswoman



for the German navigation authority said the river could be reopened to shipping later on Friday.

Australia's Woodside Petroleum Ltd said it is expected to restart production at its 100,000 bpd Cossack Pioneer field over the weekend. Woodside was forced to shut the field due to Tropical Cyclone Kara.

Australia's Santos Ltd said it is expected to resume production at its 55,000 bpd Mutineer Exeter field later on Friday.

Ecuador's Petroecuador said it declared a force majeure on oil exports that were scheduled for delivery from March 25 due to protests by local residents in the Amazon

region and low stocks in its refinery system. It said it was forced to reduce exports by at least 36,000 bpd due to a 3 week protest at the country's Block 18 oilfield.

Russia's oil and gas condensate production increased by 4.1% on the year to 79.17 million tons in January-February. Russia's oil production increased by 4.2% on the year to 79.301 million tons in January-February.

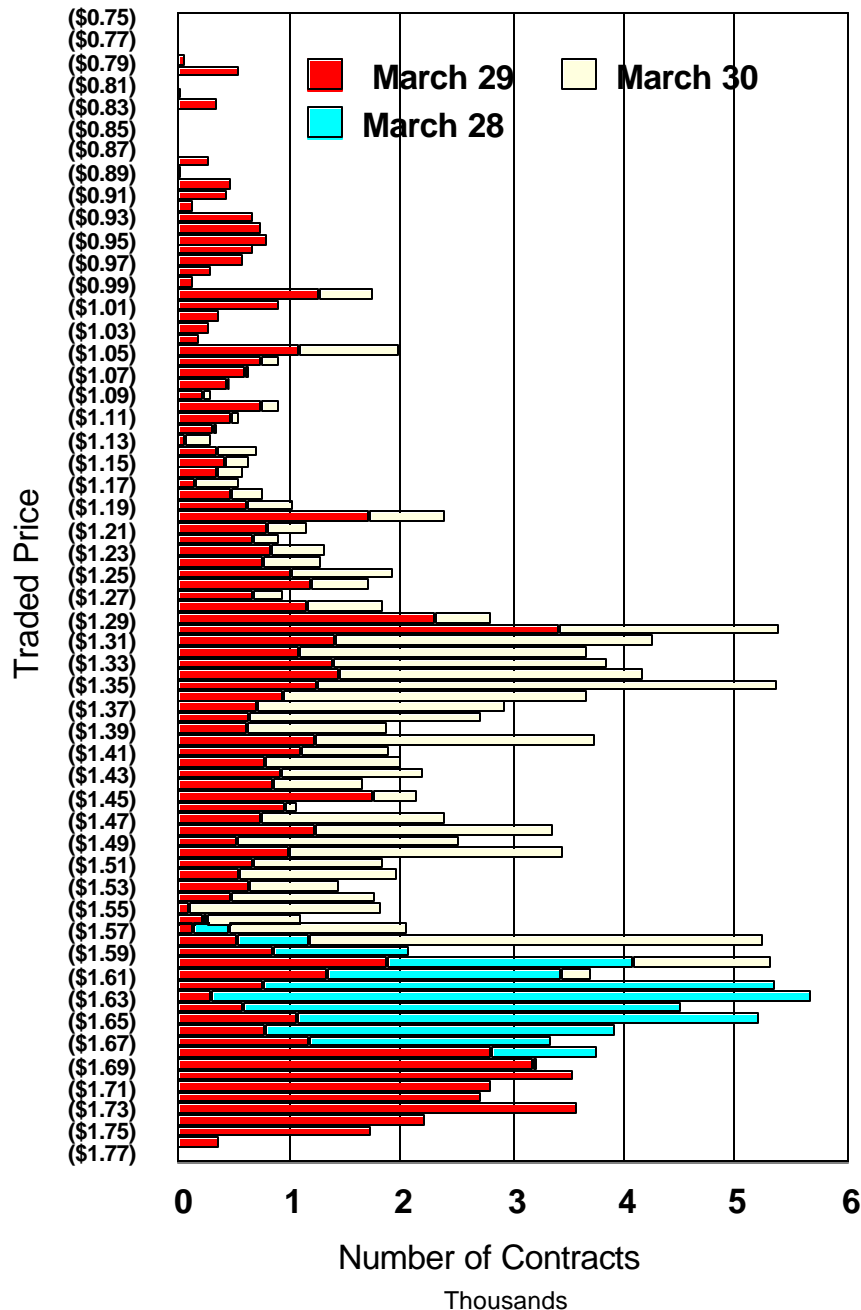
A senior official in China said the country would speed up building its strategic petroleum reserves and increase new exploration to guarantee supply. He also stated that China was working to diversify its energy supply sources. China has also already started pumping oil into tanks at one of the four bases that make up the first set of its reserves and another two would be ready for filling within months. The three bases are part of the first phase of storage that would eventually hold 100 million barrels of oil.

Separately, a government official said China's Sinopec was in talks with Middle Eastern oil companies to set up a commercial oil reserve base in southern island province of Hainana. The proposed reserve would have a capacity of 10 million tons or 73 million barrels of oil. Meanwhile, Sinopec confirmed that it has temporarily rented China's first strategic oil reserve tanks for commercial purposes. Industry sources have stated that nearly 30 million barrels of oil has been stored in the reserve.

Japan's energy committee reported that the country's oil product demand is expected to fall by 1.5% in the 2007/08 fiscal year starting in April compared with the current year ending March 31. It said naphtha demand is seen increasing by 0.1% in the 2007/08 fiscal year while fuel demand is expected to fall by 8.5%. Japan's energy committee also reported that the country's oil sales fell by 7.3% on the year in February. The fall was led by a decline in kerosene sales of 10% amid the mild weather. However it reported that gasoline sales increased by 2.5% in February. Separately, Japan's Ministry of Economy, Trade and Industry, the country's crude oil imports in February fell by 12.1% on the year. It reported that Japan's overall oil product production fell by 6.5% on the year to 17.31 million kl in February. It reported that Japan's oil product stocks increased by 7.8% to 12.99 million kl in February.

According to a Reuters survey, Japanese utilities are expected to increase oil demand for power generation by 18% in the 2007/08 fiscal year starting in April. Oil demand from Japan's 10 main utilities is expected to total 15.465 million kiloliters or 97.27 million barrels.

NYMEX WTI: May June Spread
Price Vs Volume for March 28-30, 2007
 Trade Avg: 3/30: -\$1.389 3/29: -\$1.43: 3/28: -\$1.63



ExxonMobil Corp said its 12 year wait to start a \$5 billion refining and chemicals venture in China would pay off as it taps a fuel market growing at 2.7 times the world pace. The company said it expected China to use 25% of the world's petrochemicals by 2015. It said that while China's control on retail fuel prices was a concern, he added that it would be in China's long term best interests to transition into a free market as the country increases its dependence on oil product imports. ExxonMobil, Saudi Aramco and China Petroleum & Chemical Corp signed a final agreement on Friday after it started talks on the venture in 1995. They are expected to expand a crude refinery in Fujian to about 240,000 bpd from 80,000 bpd and add four petrochemical units.

Norway's Statoil said its Troll gas field was still having compressor problems for the third consecutive day. It said operations at the field have been cut.

Market Commentary

These are the highest levels the May contract has experienced since December. With the market settling over the weekly trend line of 65.85 and the situation between Iran and Great Britain still unresolved, we would look for continued higher prices. May could easily work its way up to the 70.00 level and possibly beyond. Resistance is set at 66.80,

67.46, 67.60 and 68.20 with support sitting at 65.85, **65.50**, 65.20, **64.90**, 64.60, 64.45, 64.00 and **63.53**. Volume in the crude market was lighter today with 345,770 lots booked on Globex during the open outcry session.

NYMEX Petroleum options Most Active Strikes for March 30, 2007

| Symbol | Month | Year | Call/Put | Strike | Exp Date | Settle | Volume | IV |
|--------|-------|------|----------|--------|------------|--------|--------|-------|
| LO | 6 | 7 | C | 80 | 05/17/2007 | 0.44 | 7,657 | 36.29 |
| LO | 7 | 7 | P | 60 | 06/15/2007 | 1.05 | 4,854 | 33.04 |
| LO | 5 | 7 | C | 72 | 04/17/2007 | 0.45 | 4,233 | 38.45 |
| LO | 5 | 7 | C | 76 | 04/17/2007 | 0.19 | 4,046 | 42.60 |
| LO | 7 | 7 | P | 65 | 06/15/2007 | 2.48 | 3,660 | 32.27 |
| LO | 6 | 7 | C | 85 | 05/17/2007 | 0.25 | 3,648 | 39.77 |
| LO | 7 | 7 | C | 85 | 06/15/2007 | 0.69 | 3,536 | 38.65 |
| LO | 7 | 7 | P | 55 | 06/15/2007 | 0.36 | 3,050 | 34.05 |
| LO | 7 | 7 | C | 68 | 06/15/2007 | 4.05 | 2,868 | 32.01 |
| LO | 6 | 7 | C | 70 | 05/17/2007 | 2.19 | 2,853 | 33.47 |
| LO | 2 | 8 | P | 50 | 01/16/2008 | 0.82 | 2,850 | 30.75 |
| LO | 12 | 7 | C | 90 | 11/13/2007 | 1.12 | 2,710 | 28.79 |
| LO | 8 | 7 | P | 62 | 07/17/2007 | 1.81 | 2,700 | 31.15 |
| LO | 8 | 7 | P | 67 | 07/17/2007 | 3.61 | 2,700 | 30.52 |
| LO | 6 | 7 | P | 67 | 05/17/2007 | 3 | 2,525 | 33.55 |
| LO | 5 | 7 | C | 70 | 04/17/2007 | 0.71 | 2,378 | 36.31 |
| LO | 5 | 7 | P | 60 | 04/17/2007 | 0.28 | 2,369 | 35.28 |
| LO | 7 | 7 | P | 67 | 06/15/2007 | 3.32 | 2,300 | 32.07 |
| LO | 6 | 7 | P | 55 | 05/17/2007 | 0.21 | 2,250 | 36.46 |
| LO | 5 | 7 | C | 66 | 04/17/2007 | 1.94 | 2,236 | 34.45 |
| LO | 6 | 7 | C | 67.5 | 05/17/2007 | 3.22 | 2,141 | 33.50 |
| LO | 6 | 7 | P | 67.5 | 05/17/2007 | 3.25 | 2,120 | 33.51 |
| LO | 6 | 7 | C | 67 | 05/17/2007 | 3.47 | 2,029 | 33.60 |
| LO | 9 | 7 | P | 68 | 08/16/2007 | 4.37 | 2,000 | 29.83 |
| LO | 12 | 7 | P | 66.5 | 11/13/2007 | 4.42 | 2,000 | 28.56 |
| LO | 9 | 7 | P | 63.5 | 08/16/2007 | 2.52 | 1,900 | 30.02 |
| LO | 12 | 7 | P | 62.5 | 11/13/2007 | 2.99 | 1,900 | 29.27 |
| LO | 5 | 7 | C | 75 | 04/17/2007 | 0.23 | 1,888 | 41.41 |
| LO | 6 | 7 | P | 57 | 05/17/2007 | 0.37 | 1,581 | 35.98 |
| LO | 5 | 7 | P | 62 | 04/17/2007 | 0.61 | 1,400 | 34.84 |
| LO | 7 | 7 | P | 68 | 06/15/2007 | 3.8 | 1,355 | 31.98 |
| LO | 6 | 7 | C | 75 | 05/17/2007 | 0.9 | 1,344 | 33.44 |
| LO | 5 | 7 | P | 65 | 04/17/2007 | 1.59 | 1,341 | 34.53 |
| LO | 5 | 7 | C | 80 | 04/17/2007 | 0.09 | 1,106 | 46.83 |
| LO | 6 | 7 | P | 60 | 05/17/2007 | 0.77 | 1,081 | 35.06 |
| LO | 7 | 7 | C | 75 | 06/15/2007 | 1.79 | 1,078 | 33.55 |
| LO | 5 | 7 | P | 66 | 04/17/2007 | 2.07 | 1,053 | 34.46 |
| LO | 9 | 7 | C | 90 | 08/16/2007 | 0.66 | 1,050 | 32.39 |
| LO | 5 | 7 | C | 67 | 04/17/2007 | 1.51 | 1,026 | 34.52 |
| OB | 8 | 7 | C | 2.14 | 07/26/2007 | 0.1055 | 730 | 34.15 |
| OB | 8 | 7 | C | 2.2 | 07/26/2007 | 0.0891 | 730 | 34.70 |
| OB | 8 | 7 | C | 2.15 | 07/26/2007 | 0.1025 | 481 | 34.22 |
| OB | 8 | 7 | C | 2.21 | 07/26/2007 | 0.0866 | 481 | 34.80 |
| OB | 5 | 7 | P | 1.9 | 04/25/2007 | 0.025 | 110 | 38.34 |
| OB | 5 | 7 | C | 2.3 | 04/25/2007 | 0.0175 | 105 | 39.84 |
| OH | 5 | 7 | P | 1.62 | 04/25/2007 | 0.0068 | 300 | 39.53 |
| OH | 6 | 7 | C | 2.04 | 05/25/2007 | 0.0443 | 150 | 34.15 |
| OH | 5 | 7 | P | 1.92 | 04/25/2007 | 0.1009 | 100 | 38.61 |

The May/June spread had a range of -1.00 to -1.61 today, with a weighted average of -1.389. Once it broke the -1.36 downward trend line, this spread clearly lost momentum and continued to lose strength. With an influx of new money expected next week, the June contract should experience further gains against the May. This spread bottomed out at -1.77, but could easily surpass this level.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 4,187 contracts to 40,173 contracts in the week ending March 27. Non-commercials increased their total short position by 12,850 contracts on the week. The combined futures and options report showed that non-commercials cut their net long positions by 3,709 lots to 58,810 lots on the week. However given the market's rally in the last few trading sessions, non-commercials have likely added to their net long positions. Total open interest in the crude market increased by 14,616 lots as of Thursday alone, as new longs were added amid the concerns over the Iranian situation. Open interest in the May contract increased by

4,108 contracts. Meanwhile, the non-commercials in the heating oil market switched from net short

position of 3,318 contracts to a net long position of 1,880 contracts while non-commercials in the RBOB market increased their net long position by 4,902 contracts to 33,671 contracts on the week. The non-commercials in the product markets have also added to their long position amid the strength in the complex. The complex is seen remaining well supported next week as funds continue to add to their position at the start of the second quarter.

| Technical levels | | |
|-----------------------------------|---|---|
| | Levels | Explanation |
| CL 65.87, down 16 cents | Resistance 66.80, 67.46, 67.60, 68.20 | Friday's high |
| | Support 66.78 | |
| | 65.50 | |
| | 65.20, 64.90, 64.60, 64.45, 64.00 | Friday's low |
| HO 187.69, down 14 points | 191.27, 194.40 | Basis trendline, Previous high |
| | Resistance 190.55 | Friday's high |
| | Support 186.41 | Friday's low |
| | 181.05, 180.00, 178.11 | Previous low & 38% retracement (165.67 and 190.55), Previous low, 50% |
| RB 205.80, down 1.59 cents | 212.30, 214.00 | Previous highs |
| | Resistance 209.00 | Friday's high |
| | Support 204.59 | Friday's low |
| | 200.18, 199.69, 197.73 | Previous lows, 50% retracement (183.15 and 212.30) |