



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Zachariah Yurch & Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 2, 2007

Iranian state radio reported that the 15 British sailors and marines held by Iran accepted that they were in Iranian waters despite the UK's insistence they were in Iraqi territory when they were captured. It reported that footage of all the Royal Navy personnel giving details existed but would not be broadcast on TV because of changes in the UK's stance. Britain's Foreign Office said it stood by its view that the crew had been detained against their will in Iraqi territory. Foreign Secretary Margaret Beckett said a diplomatic note had been sent to the Iranians. Meanwhile, Defense Secretary Des Browne confirmed the government was in bilateral talks with Iran over the personnel seized by Iran. A British official later said Britain agreed to consider discussing with Iran how to avoid future disputes over contested waters in the

Market Watch

The US military purchased about \$2 billion worth of jet fuel and other petroleum products to supply North American bases. The Defense Energy Support Center said the fuel would be used domestically and not for Iraq or other Middle East activities as tenders for operations there were made in Middle East to cut transportation costs.

Iran's Islamic Revolutionary Guard Corps' unpredictable behavior in the Persian Gulf has increased the likelihood that another incident may inflame the already tense international standoff. The Revolutionary Guard may not follow standard procedures covering contact with the US and UK forces that could help defuse potential conflicts. Meanwhile, the British newspaper The Independent reported that Britain's rules of engagement are de-escalatory because they do not want wars starting. However US Naval commanders have been given more authority to protect themselves in the Gulf. The Independent reported that the second in command of a US vessel in the Gulf said that in contrast to the Royal Navy, his sailors would have fired on the Iranian Revolutionary Guard if they were seized as the 15 British marines were.

UBS increased its 2007 crude oil price estimate by 1% to \$60.80/barrel for WTI and \$60/barrel for Brent following the rebound in prices in the first quarter. It pegged second quarter WTI prices at \$59/barrel and third quarter prices at \$67/barrel and fourth quarter prices at \$59/barrel.

ConocoPhillips' chief executive Jim Mulva said it was engaging in discussions with the Venezuelan government over compensation for the reduction of ownership and new commercial terms in its oil projects. He met with Venezuela's Oil Minister Rafael Ramirez on Saturday to discuss the Venezuelan plan, which would affect ConocoPhillips' stake in its Hamaca, Petrozuata and Corocoro projects in Venezuela. He said the company would comply with the Venezuelan government's request to turn over operations at the oil projects to PDVSA by May 1.

According to the National Oceanic and Atmospheric Administration, the number of heating degree days in New England would total 168, up 4 or 2.4% from the long term average and 22 or 15% above the year ago level.

Persian Gulf. Iran's chief international negotiator, Ali Larijani said the country wants to resolve the crisis through diplomacy and added that there was no need to put the crew on trial. On Sunday, Iranian students threw stones and firecrackers at the British embassy in Tehran in protest against what they said was the illegal entry into their waters.

The Bush Administration said it was looking into reports that a US citizen has been missing in Iran for several weeks. Neither the White House nor the State Department has released any details of the American's identity. State Department spokesman said the US citizen was in Iran on private business and said the administration was sending the Iranian government an inquiry through a Swiss intermediary.

Nigerian gunmen seized two foreign workers on Monday in Nigeria's southern oil producing region. The gunmen seized the men from their work compound in the southern Bayelsa state.

The EIA reported that the US average retail price of diesel increased by 11.4 cents/gallon to \$2.79/gallon in the week ending April 2. It also reported that the US average retail price of gasoline increased by 9.7 cents/gallon to \$2.707/gallon on the week.

The EIA reported that US oil demand in January increased by 2.2% on the year to 20.559 million bpd. It reported that gasoline demand was revised down by 2.2% from its previous estimate to 8.891 million bpd while distillate demand increased by 2.5% on the year to 4.267 million bpd.

Marathon Oil said gasoline demand in the US could increase between 1% and 1.5% during 2007.

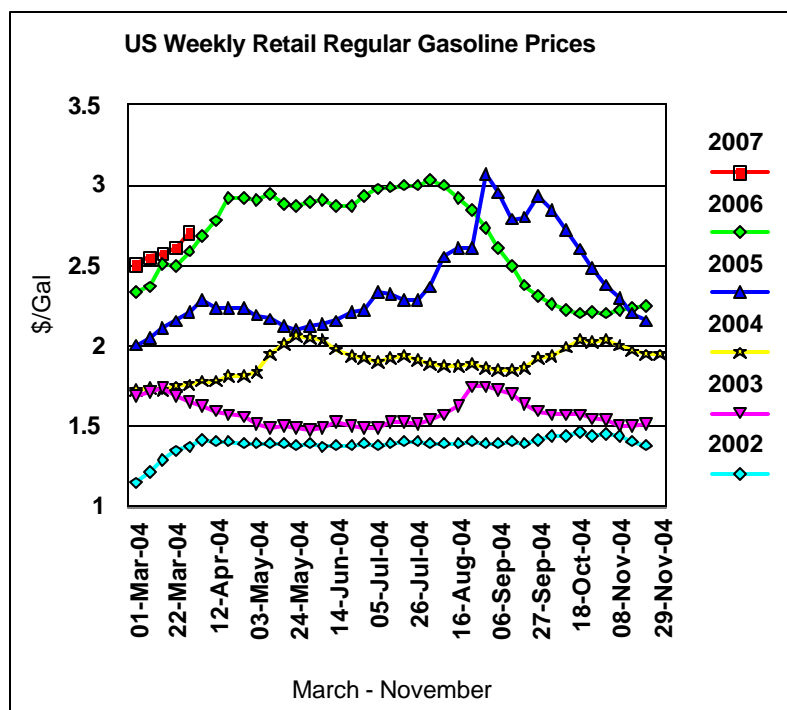
Refinery News

Shipping traffic resumed through the port of Corpus Christi, Texas on Monday afternoon after dense fog dissipated.

Chevron Corp reported a fire in a coker unit at its El Segundo, California refinery on Sunday. A report filed with the Governor's Office of Emergency Services did not specify whether production was impacted. The cause of the fire was still under investigation.

Total's 72,000 bpd fluid catalytic cracking unit at its 240,000 bpd refinery in Port Arthur, Texas returned to service on Sunday after it was shutdown on Saturday due to a snag with the unit's main air blower.

Venezuela's PDVSA restarted an alkylation unit at its 200,000 bpd Puerto La Cruz refinery on Sunday. The unit is expected to reach normal operating rates this week. The unit was shut on March 10 following a fire.

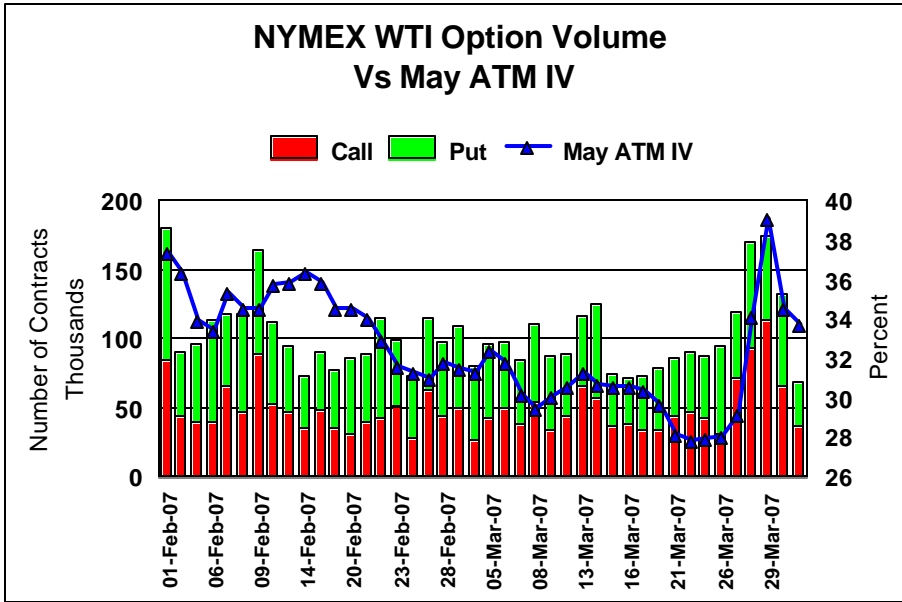


Colonial Pipeline said that starting with the 33rd shipping cycle, it would stop shipping 86 grade, a dual purpose 2000 ppm sulfur diesel fuel used for home heating oil, non-road motor applications, locomotive and marine applications. It has decided to stop shipping the high sulfur diesel to meet the US EPA's June 1 sulfur requirement for off road diesel.

The LOOP's three owners, Marathon, Royal Dutch Shell and Murphy Oil have been debating whether to expand the its capacity. The decision to expand would depend almost completely on whether enough refiners sign up for the added capacity to justify the construction expense. Even though imports are expected to continue rising, much of the foreign oil is not expected to come from supertankers from the Middle East but via pipeline from Canada. Oil from Alberta has been displacing Gulf Coast crude at Midwestern refineries. Also, Venezuelan and Mexico crude, some of which arrives in the US via the LOOP, has been declining.

Ineos PLC's 207,000 bpd Lavera refinery is expected to resume full operations by the end of the week following the end of an 18 day strike by workers at the Fos-Lavera oil and gas terminal on Saturday. Port workers voted Saturday to call off the strike after unions, management and Gas de France officials reached an agreement late Friday. Under the agreement, Gaz de France would employ five Marseille port staff to work full time at is new LNG terminal, which is due to start operating at he port early next year. Port Autonome de Marseille authorities expect operations to return to normal in two weeks due to the backlog. The port

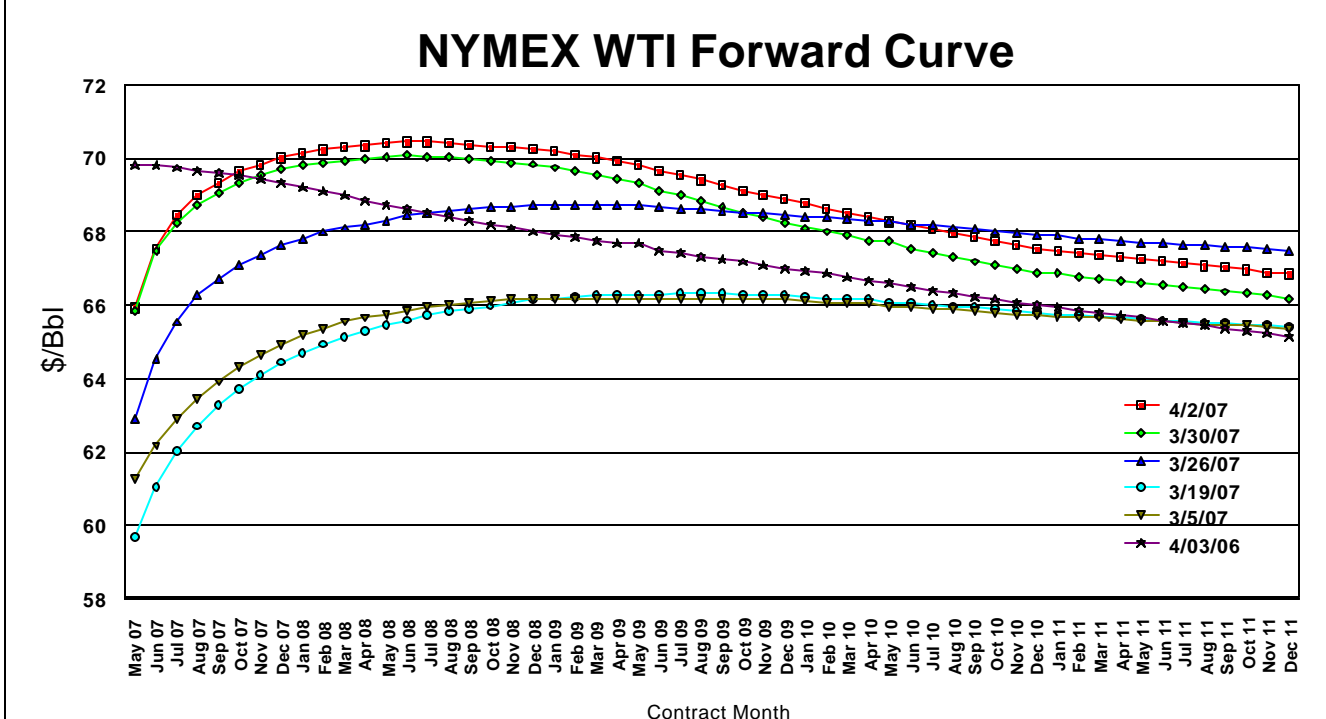
NYMEX Petroleum Options Most Active Strikes for April 2, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	7	7	C	75	06/15/2007	1.61	3,576	31.93
LO	12	7	C	90	11/13/2007	1.08	3,100	28.28
LO	6	7	P	62	05/17/2007	1.03	2,453	33.58
LO	5	7	C	70	04/17/2007	0.55	2,070	35.37
LO	5	7	P	62	04/17/2007	0.44	1,988	33.83
LO	7	7	P	60	06/15/2007	0.9	1,567	32.17
LO	5	7	P	65.5	04/17/2007	1.57	1,505	33.62
LO	6	7	C	80	05/17/2007	0.35	1,442	35.13
LO	5	7	C	67	04/17/2007	1.32	1,216	33.59
LO	6	7	C	78	05/17/2007	0.47	1,214	33.88
LO	5	7	P	64	04/17/2007	0.96	1,212	33.62
LO	7	7	P	62	06/15/2007	1.33	1,201	31.81
LO	6	7	C	72	05/17/2007	1.41	1,154	32.39
LO	5	7	P	60	04/17/2007	0.18	1,140	34.53
LO	6	7	P	64	05/17/2007	1.57	1,113	32.98
LO	12	8	C	100	11/17/2008	1.38	1,101	23.98
LO	7	7	C	70	06/15/2007	3.07	1,061	30.95
LO	6	7	P	52	05/17/2007	0.06	1,054	36.79
LO	5	7	P	63	04/17/2007	0.66	1,023	33.66
LO	9	7	P	62	08/16/2007	1.94	1,000	30.16
LO	9	7	P	52	08/16/2007	0.33	1,000	31.54
OB	5	7	P	1.91	04/25/2007	0.0273	720	38.45
OB	6	7	C	1.85	05/25/2007	0.224	355	38.76
OB	5	7	C	1.7	04/25/2007	0.3444	350	42.14
OB	7	7	P	1.9	06/26/2007	0.0738	350	34.03
OB	6	7	P	1.7	05/25/2007	0.0155	325	39.07
OB	5	7	C	2.2	04/25/2007	0.025	307	37.91
OB	5	7	P	1.75	04/25/2007	0.0046	250	39.22
OB	5	7	P	1.9	04/25/2007	0.0249	205	38.53
OB	5	7	C	2.06	04/25/2007	0.0695	200	38.07
OB	7	7	P	1.5	06/26/2007	0.005	200	35.99
OB	8	7	P	1.6	07/26/2007	0.0187	200	34.38
OB	5	7	C	2.4	04/25/2007	0.006	179	41.45
OB	5	7	C	2.25	04/25/2007	0.0191	108	39.99
OB	10	7	P	1.75	09/25/2007	0.0933	100	31.22
OH	5	7	C	2.05	04/25/2007	0.0173	500	39.68
OH	9	7	C	1.8	08/28/2007	0.2284	250	33.61
OH	5	7	C	1.78	04/25/2007	0.119	145	38.84
OH	7	7	C	1.9	06/26/2007	0.1107	145	32.45
OH	5	7	C	1.9	04/25/2007	0.0553	107	38.68
OH	5	7	C	1.88	04/25/2007	0.0634	100	38.53
OH	5	7	C	1.7	04/25/2007	0.1786	100	39.45
OH	8	7	P	1.84	07/26/2007	0.1065	100	33.76
OH	8	7	P	1.79	07/26/2007	0.0863	100	33.95
OH	8	7	C	2	07/26/2007	0.1058	100	34.15
OH	9	7	C	1.85	08/28/2007	0.1992	100	33.22



aid 26 ships, 15 oil tankers, one gas tanker and 10 chemical tankers, had unloaded over the weekend. As of Monday morning, 39 ships, including 27 oil tankers were still waiting to unload.

Brazi's Trade Ministry reported that the country exported 224.3 million liters of cane based ethanol in March, up 19% from 188.1 million liters exported last year. It exported a total of 207.8 million liters of ethanol in February.

Shell Canada Ltd said Canada's biodiesel industry must prove that its fuel additive could work in frigid winter weather before users can meet new government targets. A Shell official said a failure on quality basis would mean a loss of market share, reputation damage and costly class action suits. Diesel and biodiesel fuels could thicken in extreme cold, causing starting and operating problems in engines. Canada's government

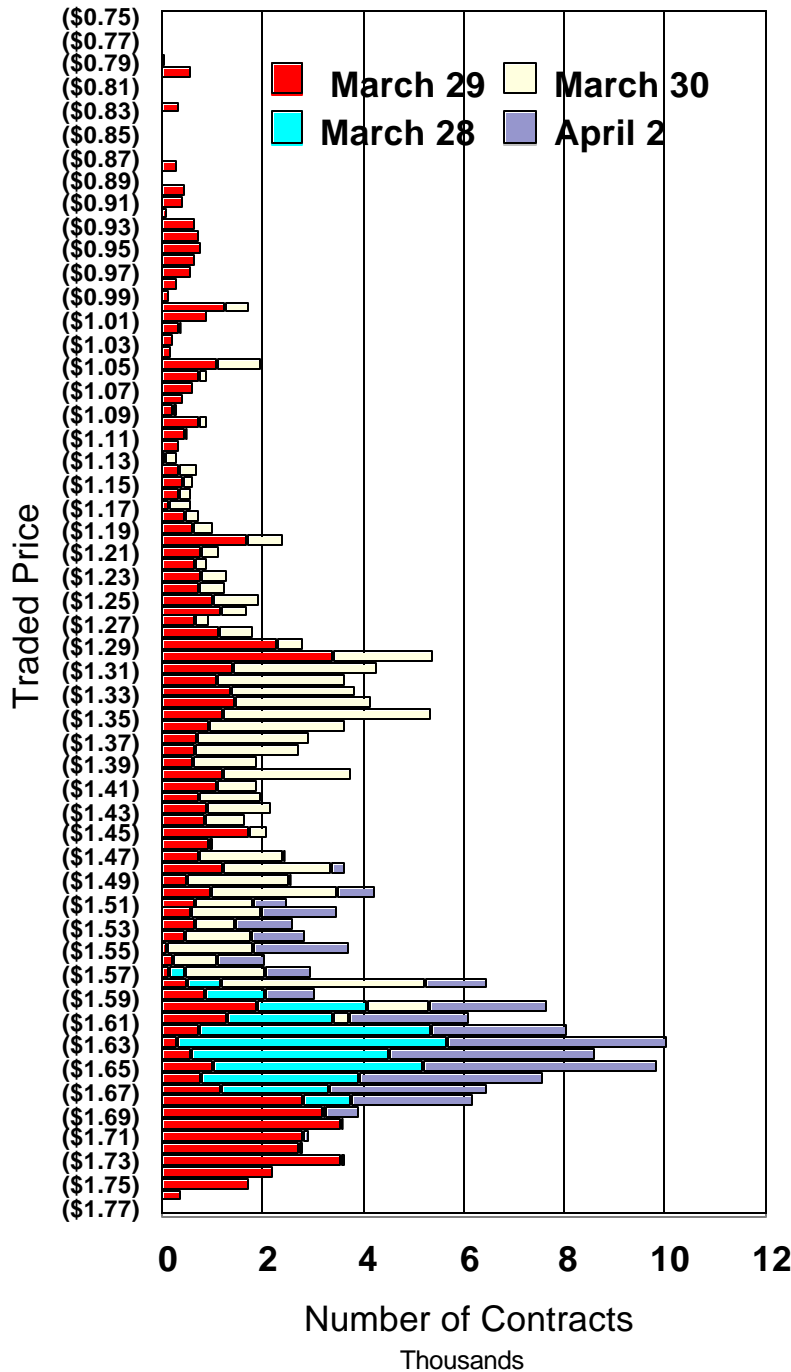


has mandated the use of 2% renewable fuels in diesel by 2012, pending cold weather performance research. According to industry statistics Canada, which currently produces about 150 million liters or 40 million gallons of biodiesel, would need 600 million liters or 160 million gallons to meet the mandate.

Production News

NYMEX WTI: May June Spread Price Vs Volume for Mar 28-Apr 2, 2007

Trade Avg: 4/2: -\$1.617 3/30: -\$1.389 3/29: -\$1.43: 3/28: -\$1.63



BP Plc said it restarted its 50,000 bpd Mad Dog oilfield in the Gulf of Mexico over the weekend. The field was shut on February 28 due to an equipment malfunction.

An Iraqi oil official said Iraq's oil exports in March stood at 1.56 million bpd, unchanged from February. He stated that about 1.547 million bpd were exported in March from Iraq's southern oil fields while 14,000 bpd were exported from the northern oil fields to Syria. Iraq's SOMO said it had to defer about 17 million barrels from March to April. The amount deferred is in addition to the 38.8 million barrels already scheduled to load in April. The official said Iraq's exports levels were still below SOMO's target of 1.7 million bpd due to power cuts and technical problems at the loading terminals and production facilities.

Norsk Hydro said Oseberg crude output is expected to increase with an additional injection of Grane crude in June. Oil from the Grane field would be increased to about 8% around June 1. Oil production from the Oseberg field and its satellites Oseberg south and Oseberg East was about 5.4 billion barrels in January while Grane output was 7.04 million barrels.

Statoil's Troll field returned to normal operating capacity after problems with compressors last week curtailed flows. The two affected compressors were restored over the weekend.

Russia's Ministry of Industry and Energy reported that Russia produced an average of 9.866 million bpd of crude and condensate in March, up 0.1% on the month and up 3.1% on the year. Its crude oil exports to the Commonwealth of Independent States fell by 15.7% from the year earlier to 8.241 million tons during the first quarter. Exports of Russian crude beyond the CIS during the first quarter

exports to the Commonwealth of Independent States fell by 15.7% from the year earlier to 8.241 million tons during the first quarter. Exports of Russian crude beyond the CIS during the first quarter

increased by 4.9% on the year to 53.078 million tons or 4.32 million bpd. Crude oil deliveries to Russian refineries increased by 6.8% on the year in March to 18.785 million tons.

OPEC's news agency reported that OPEC's basket of crudes increased by \$4.27/barrel to \$61.58/barrel in the week ending March 30.

Brazil's Petrobras resumed oil production in Ecuador after reaching a deal with Amazon villagers who disrupted oil production for more than three weeks.

Brazil's President Luis Inacio Lula da Silva said Petrobras would continue to invest in Iran despite US concerns during a visit with US President George W. Bush. President George W. Bush said while UN sanctions against Iran did not forbid Petrobras investments, countries such as Brazil should be careful in how to deal with Iran.

Market Commentary

Once the May contract got above its pivot of 66.01, it continued to dance around it throughout a good part of the session. Reacting to news of a missing American in Iran, longs forced their position, squeezing out weak shorts. The session settled slightly higher after longs took profits. It turns out that the missing American has been missing for over a week. We feel confident in prices moving higher as long as the May contract can settle above 65.85, coupled with the knowledge that there is still the replenishing of the SPR and buying by China expected in the near future. Resistance in May is set at 66.65, 66.80, 67.46, 67.60, 68.20 with support at 65.85, **65.50**, 65.20, **64.90**, 64.60, 64.45, 64.00 and **63.53**. Tomorrow's pivot number is 65.96. Volume in the crude market was lighter with 254,274 lots booked on Globex during the open outcry session. Open interest in the crude continued to build, with an increase of 5,001 contracts as of Friday. Open interest in the May contract fell by 6,279 contracts while open interest in the June contract built by 13,464 contracts as traders rolled and added to their longs. Meanwhile the product markets, which gave up some of their previous gains and ended in negative territory, are seen trading sideways as they hold their support levels ahead of Wednesday's weekly petroleum stock reports. The reports are expected to continue to show draws in product stocks. The RBOB market is seen finding support at its low of 203.42 followed by more distant support at 200.18 and 199.69 while resistance is seen at 207.10, 209.00 and 212.30. Meanwhile the heating oil is seen finding support at 185.33 followed by 181.05 and 180.00 while resistance is seen at 188.40 and 190.55.

May/June crude hovered around the -1.63 level we talked about last week, with the bulk of the volume taking place at -1.63 and -1.64. We

Technical levels		
	Levels	Explanation
CL 65.94, up 7 cents	Resistance 66.80, 67.46, 67.60, 68.20	Monday's high
	Support 66.65	
HO 186.25, down 1.44 cents	Resistance 65.50, 65.20, 65.08	Monday's low
	Support 64.90, 64.60, 64.45, 64.00	
HO 186.25, down 1.44 cents	Resistance 190.55, 191.72, 194.40	Previous high, Basis trendline, Previous high Monday's high
	Support 188.40	
RB 204.28, down 1.52 cents	Resistance 185.33	Monday's low
	Support 181.05, 180.00, 178.11	
RB 204.28, down 1.52 cents	Resistance 209.00, 212.30, 214.00	Previous low & 38% retracement (165.67 and 190.55), Previous low, 50% Monday's high
	Support 207.10	
RB 204.28, down 1.52 cents	Resistance 203.42	Monday's low
	Support 200.18, 199.69, 197.73	
		Previous lows, 50% retracement (183.15 and 212.30)

would still look for June to gain against the May and would expect to test the -1.77 level. Dec07/Dec08 was quite active today, trading a range of -.4 to -.30. This spread appears to be making a turn towards deepening contango, with buy (buying Dec08) opportunities between -30 and -15.