



⁵**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 12, 2007

In its latest monthly report, the IEA said oil stocks posted the largest first quarter drop in a decade and added that stocks may fall further in coming months. It said inventories in the OECD fell by 80.5 million barrels in February.

Preliminary data for the US, Japan and Europe suggest OECD stocks may fall by about 1 million bpd in the first quarter. It also cut its 2007 world oil demand forecast by 250,000 bpd to 85.8 million bpd due to a mild winter in Europe and Asia. Its demand growth estimate for 2007 was relatively unchanged at 1.8% or 1.5 million bpd. It said lower OPEC production contributed to a 265,000 bpd drop in world oil production in

March to an average of 85.3 million bpd. OPEC's 10 members, cut production in March by 195,000 bpd to 26.5 million bpd while its total OPEC production fell to 30.1 million bpd. It cut its estimate of the

Market Watch

Analysts said gasoline prices are likely to reach \$3/gallon amid the refinery outages, slow imports and strong demand. They stated that gasoline inventories, which are at the lower end of a five year average, are expected to continue falling while demand increases 1-2%, outpacing last year's 0.5% growth. US refineries have been operating below 90% of capacity since mid-January. Marathon Oil said any new refinery problems could raise prices further. It said US gasoline demand may increase by 1-1.5% in 2007. Meanwhile Tesoro Corp said it expected US gasoline demand growth of 1.7-2% this year from the current 9.2 million bpd consumed while domestic supply lags behind at 8.1 million bpd.

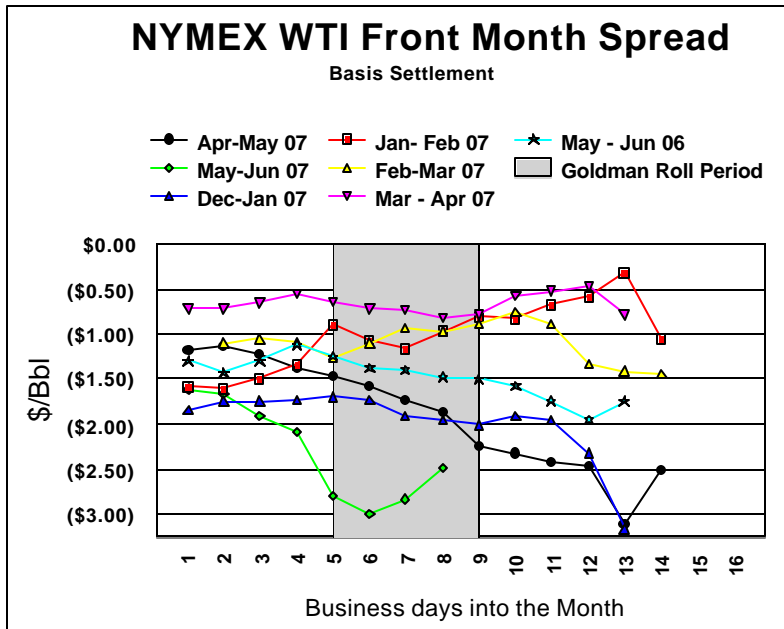
The US government said it would allow corn milling facilities that make ethanol for fuel to emit up to 250 tons of polluting emissions a year, more than double the current 100 ton limit, which could increase available ethanol supplies for blending into gasoline.

Security sources in Nigeria said Nigerian troops have killed two suspected militants and captured two more in the Niger Delta, prompting fears that militants could retaliate. Sources stated that militants vowed to launch a reprisal attack on a naval base at the Bonny Island oil and gas export hub. It was not clear which group the militants belonged to.

BNP Paribas and Diapason Commodities Management said they would jointly launch a commodities price index on Thursday. The DCI BNP Paribas Enhanced aims to reduce negative roll yield by choosing futures contracts dated at different points on the forward curve. The index is made up of 45 commodities chosen on the basis of their significance to world trade and their liquidity. Trading on the index would start in May.

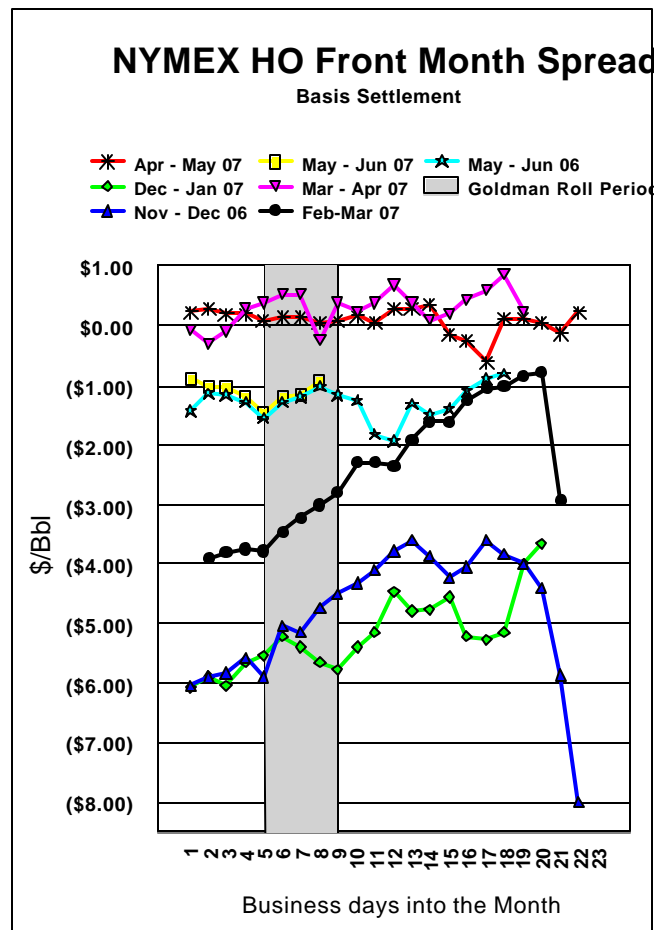
Physical delivery against the expired April gas oil futures contract increased to 1,700 lots or 171,000 metric tons from 57,800 tons in March.

need for OPEC oil to between 30.4 million bpd and 31.5 million bpd on average in 2007, down 200,000 bpd and 100,000 bpd on the month, respectively. It stated that OPEC's output capacity growth of about 2.6 million bpd this year and next to 34.8 million bpd in 2007 and 36.5 million bpd in 2008 is mostly due to Angola and Saudi Arabia. In regards to China, the IEA estimated China's total oil product demand this year would increase by 6.8% to 7.6 million bpd. It previously estimated 6.1% growth for 2007. The IEA forecast world offline refinery capacity falling to 3.5 million bpd by June from 4.6 million bpd in March. It said further turnarounds in the US and Europe would keep OECD offline capacity between 2.5 million bpd and 3 million bpd over the second quarter.



The DOE issued a solicitation for up to 9 million barrels of royalty oil from the Gulf of Mexico that could be stored in

the country's SPR. It is part of the DOE's previously announced plans to reactivate the department's royalty-in-kind program. The royalty-in-kind contracts would start July 1, 2007 and deliveries of crude would start in August. Meanwhile, the DOE is expected to continue to solicit bids to purchase and replace the 11 million barrels of oil sold in the aftermath of Hurricane Katrina.



The head of the EIA, Guy Caruso said that the potential for continuing low gasoline imports was a concern and an upside risk ahead of the US summer driving season. He said gasoline prices could reach \$3/gallon. He also stated that although world consumption of crude and products cyclically decline in the second quarter, refiners' demand is expected to remain strong as companies build up gasoline inventories for the summer driving season. The EIA said US gasoline imports are expected to average just over 1 million bpd over the summer.

The head of the UN's IAEA, Mohamed Elbaradei said Iran was still at the starting stage of creating a uranium enrichment plant and that concerns stem more from its motivations than the scale of production.

Turkey's top general asked for government approval to launch an incursion into northern Iraq to fight separatist Kurdish guerillas. He said the military was already moving against separatists in Turkey's Kurdish southeastern region bordering Iraq. He said the military had received intelligence that Kurdish guerillas would step up their activities in Turkey from May. On Monday, the Turkish government demanded that US and Iraqi officials crack down on guerillas from the Kurdistan Workers Party. The US has repeatedly cautioned Turkey against staging a cross border offensive, fearing that it could destabilize the region.

According to Oil Movements, OPEC's oil exports are expected to increase by 210,000 bpd in the four weeks ending April 28 to 24.21 million bpd. It stated that OPEC's compliance with their cuts was slightly below 800,000 bpd.

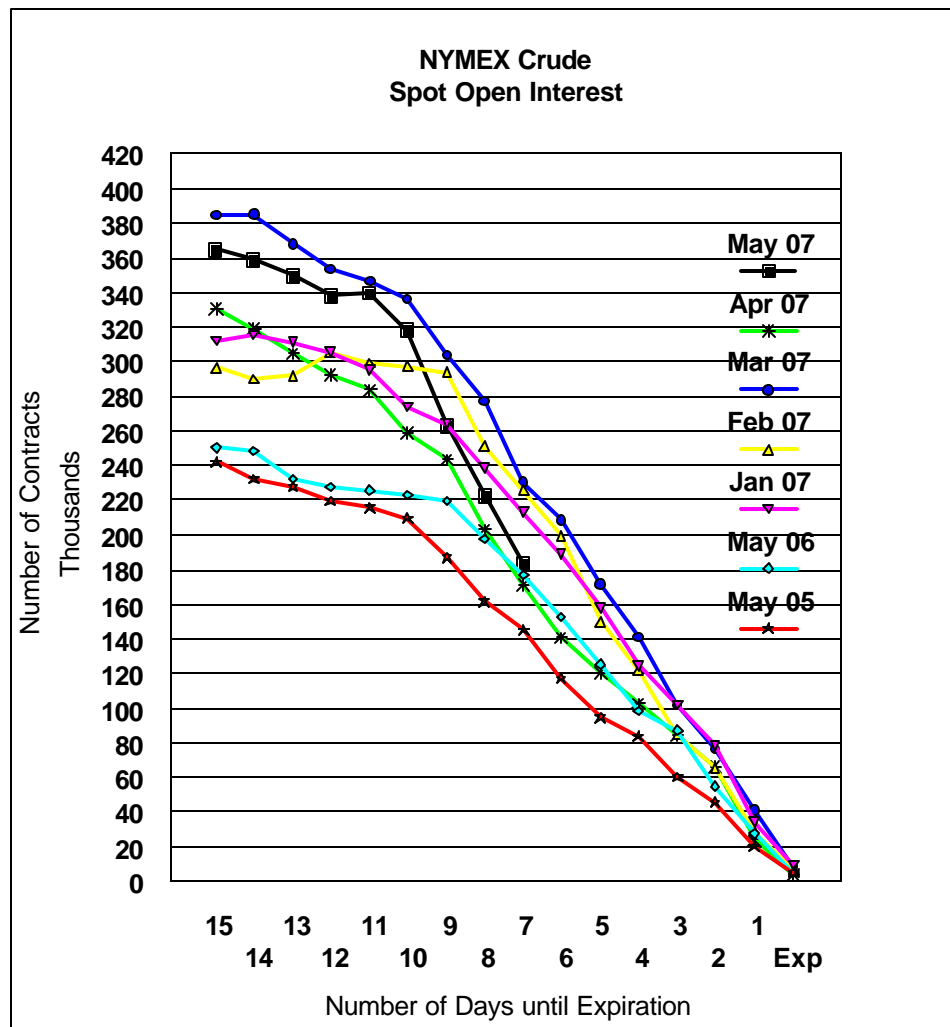
Refinery News

Valero Energy Corp said it would be able to resume normal operations at its fire damaged 170,000 bpd McKee refinery until next year. It is on track to restart at half capacity by mid-April. Separately, Valero reported an emission event at the east plant of its 340,000 bpd Corpus Christi, Texas refinery. It said there was no impact on fuel production from the event.

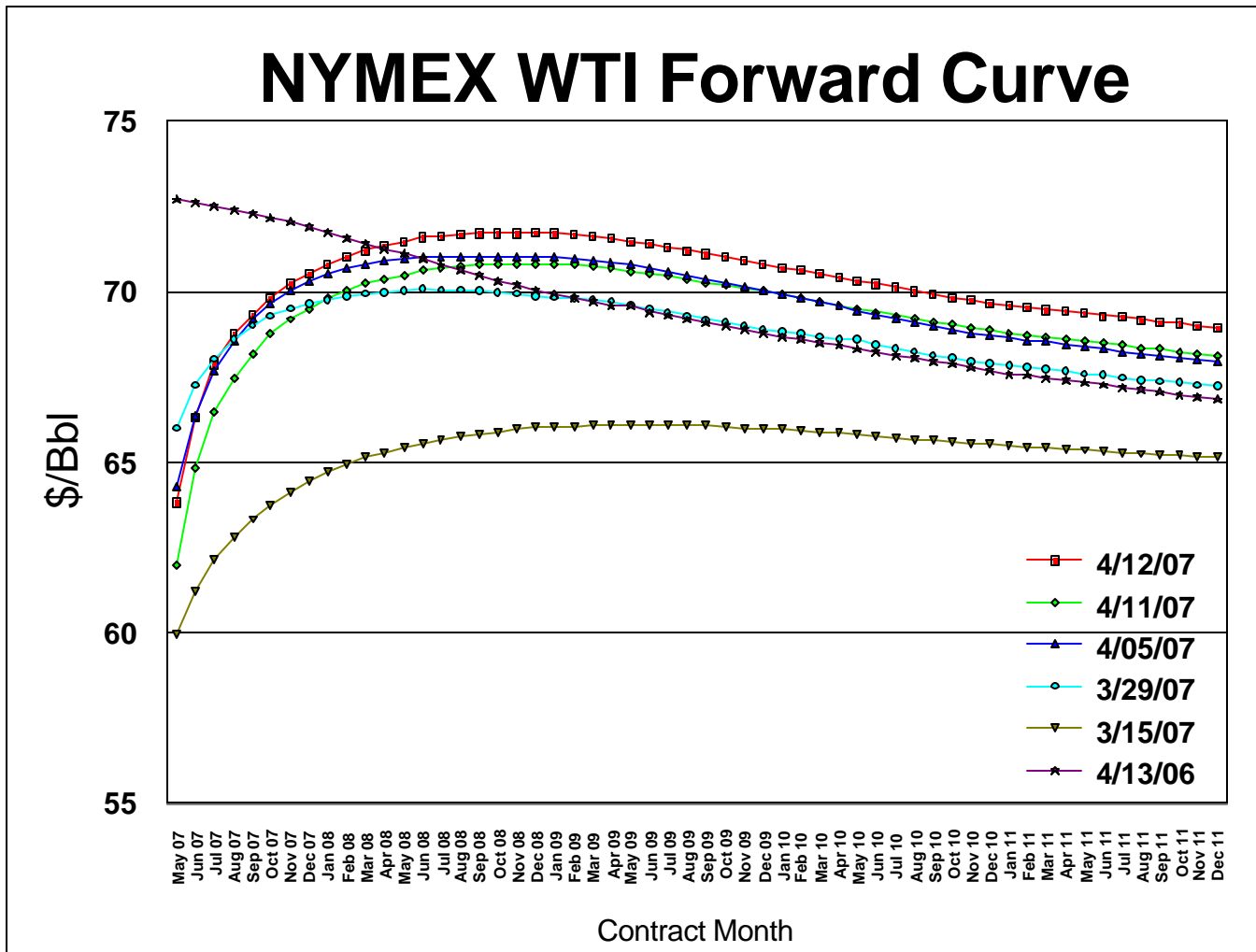
A planned turnaround at ConocoPhillips' 146,000 bpd Borger, Texas refinery in May would add to the amount of refinery capacity shutdown near the NYMEX delivery hub at Cushing, Oklahoma in May. It is scheduled to perform maintenance to tie in a new 25,000 bpd delayed coker unit. The shutdown of the Borger refinery could worsen the localized oversupply of crude in the Cushing area after Valero shut its McKee refinery following a February fire.

BP Plc's 129,000 bpd fluid catalytic cracking unit at its 460,000 bpd Texas City, Texas refinery was successfully restarted on Thursday after restart efforts on Tuesday and Wednesday failed. The unit was shut on Tuesday due to power outage.

A crude unit at ExxonMobil



Corp's 348,500 bpd Beaumont, Texas refinery developed a leak on Wednesday. According to a report filed with the Texas Commission on Environmental Quality, to repair the leak, a vacuum tower offgas line was rerouted. The report did not specify whether the incident impacted production at the refinery.



A fluid catalytic cracking unit at ConocoPhillips' 139,000 bpd Wilmington, California refinery was shut late Wednesday. Sources could not say how long the catcracker unit would remain shut. Separately, ConocoPhillips' 63,000 bpd refinery in Billings, Montana has been shut for maintenance.

According to a report filed with the Texas Commission on Environmental Quality, a boiler associated with a fluid catalytic cracking unit at Motiva's Port Arthur, Texas refinery was shut briefly on Wednesday. The report did not say whether gasoline production was impacted.

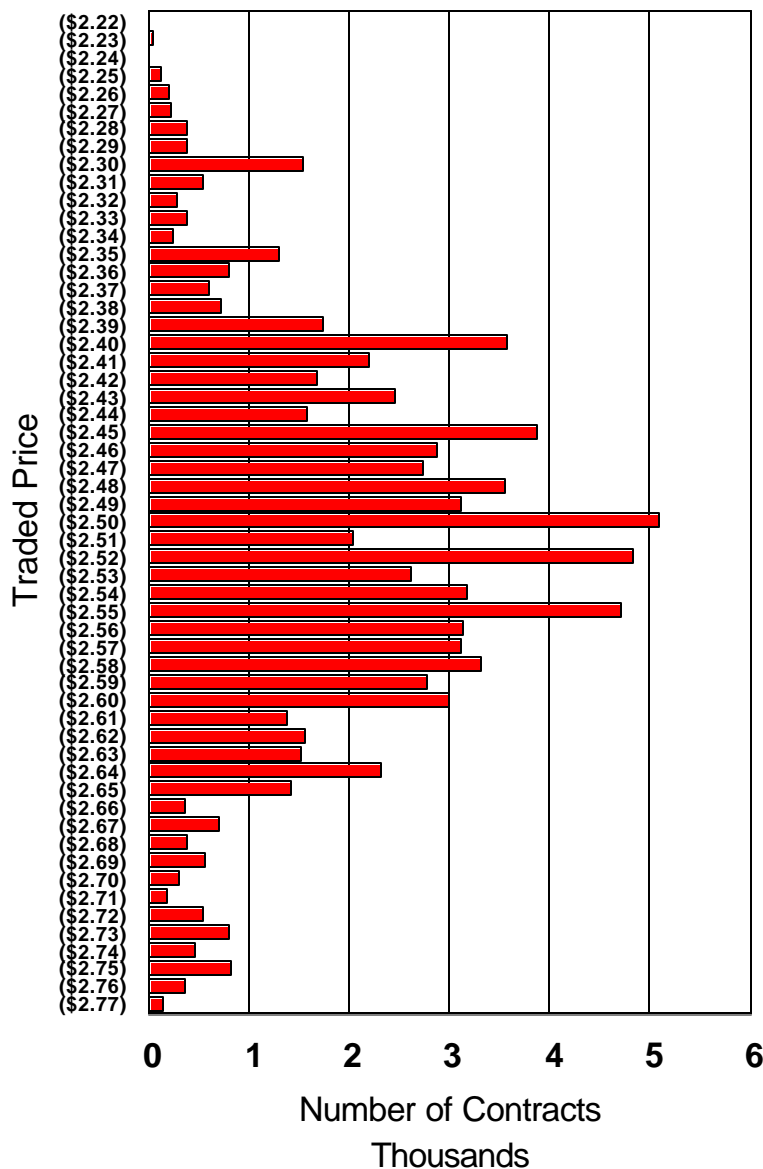
Lyondell Corp is expected to shut a fluid catalytic cracking unit at its Houston refinery for 10 days starting next week. The work would focus on repairing valves which were not properly positioned during maintenance performed in the first quarter.

A unit at Total SA's Port Arthur, Texas refinery was shut on Thursday, ahead of schedule. The unit is expected to remain offline for 15 days for a catalyst change out. A report filed with the Texas Commission on Environmental Quality did not say whether production would be impacted.

NYMEX WTI May June Spread

Price Vs Volume traded- April 12, 2007

Trade Weighted Price: \$-2.512



A crude unit at Citgo's Lake Charles, Louisiana refinery was shut early this week. The unit was shut due to furnace problems. The duration of the outage is unknown.

Refinery margins in the US and Europe are expected to remain strong in the second quarter as fuel consumption rises even as refining output starts to rebound. World offline refinery capacity was expected to have peaked in March and looks set to decline over the coming months. However the turnaround season has lasted longer than many had expected, working down fuel stocks and reducing refiners' production time ahead of the peak summer driving season. Gasoline prices would have to remain high to encourage plants to maximize production and to spur a wave of imports.

Production News

Iraq's Oil Minister Hussain al-Shahristani said the country hoped to increase its oil production by about 1 million bpd to 3 million bpd this year. Iraq produced 1.97 million bpd in March, up from 1.89 million bpd in February. Iraq's oil exports increased to 1.62 million bpd in March. Iraq's Oil Minister said the country was targeting production of more than 4 million bpd in 2011. He was in South Korea signing a cooperation deal with South Korea's Energy Minister Kim Young-joo on broadening opportunities for South Korea to secure oilfields in Iraq.

Saudi Aramco said development of its 900,000 bpd offshore Moneefa oilfield

was on schedule for completion in June 2011. The oilfield is part of its plans to expand oil production capacity beyond a 2009 target of 12.5 million bpd from current capacity of 11.3 million bpd. The field would increase Saudi Arabia's supply of Arab Heavy crude. Saudi Aramco is also expected to increase output of its Arab Extra Light crude from its Shaybah field by 250,000 bpd in 2008. It plans a further 250,000 bpd expansion by 2010.

Gasoline stocks in the Amsterdam-Rotterdam-Antwerp area fell by 23,000 tons to 815,000 tons in the week ending April 12. It was down 105,000 tons on the year. Gas oil stocks increased by 23,000 tons

to 1.946 million tons while naphtha stocks also increased by 44,000 tons to 56,000 tons on the week. Fuel oil stocks in the ARA area also increased by 187,000 tons to 611,000 tons while jet fuel stocks increased by 5,000 tons to 425,000 tons on the week.

Kazakhstan's State Statistics Agency said the country increased its oil and gas condensate output by 10.2% on the year to 16.521 million tons in January-March 2007. It reported that the country's oil production increased by 7.8% to 13.487 million tons in the first three months of the year. It also reported that Kazakhstan's crude oil exports increased to 9.3 million tons in January-March, up 25% on the year.

The BP-led Baku-Ceyhan pipeline is expected to pump more Azeri oil exports in May partly due to higher production. The pipeline to Ceyhan is scheduled to pump about 21.8 million bpd in May, up 2 million barrels on the month. Meanwhile, Azeri exports from Batumi in May are expected to reach 2.3 million barrels.

A source in Poland's energy sector said Russia has given signs it may soon restore oil flows to Lithuania, although Russian officials said there was no such plan. However a spokesman for Russia's Energy Ministry said work was proceeding on an alternative route, which would allow Russian oil to bypass Lithuania.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 222,000 barrels to 11.596 million barrels in the week ending April 12. It also reported that Singapore's light distillate stocks built by 610,000 barrels to 9.224 million barrels while middle distillate stocks fell by 1.162 million barrels to 7.525 million barrels on the week.

Traders said China was cutting April shipments of gasoline to 380,000 tons from 410,000 tons exported in March.

National Iranian Oil Co raised its Iranian Light crude price by \$1.60 on the month to a discount of \$3.40/barr

Technical levels		
	Levels	Explanation
CL Resistance 62.01, up 12 cents Support	63.98, 64.55, 65.00, 65.20, 65.40 63.96	Thursday's high
	63.75, 63.45, 63.20 62.85, 62.70, 62.55, 62.24, 61.86	Thursday's low
HO Resistance 187.47, up 1.86 cents Support	192.36, 194.02 191.50	Previous highs Thursday's high
	190.75, 189.00, 186.80 185.59, 181.71, 181.63	Thursday's low Previous lows, 50% (165.67 and 190.55)
RB Resistance 215.87, down 3.57 cents Support	220.30, 227.00, 227.75 219.65	Previous highs, basis trendline Thursday's high
	218.60, 215.00, 213.71 212.74, 211.60, 209.70	Thursday's low Previous low, 38% retracement (198.57 and 219.65), Previous low

el against BWAVE for April term supply to Europe from Sidi Kerir. It also increased the price for its Iranian Heavy crude from Sidi Kerir by \$1.90 to a discount of \$5.10 against BWAVE. It also raised its prices from Kharg Island. The official selling price for Iranian Light crude was increased by \$1.35 to BWAVE minus \$5 while Iranian Heavy was increased by \$1.65 to BWAVE minus \$6.70.

OPEC's news agency reported that OPEC's basket of crudes increased to \$63.36/barrel on Wednesday from \$62.66/barrel on Tuesday.

Market Commentary

Opening higher on the day, the floor-traded May contract initially struggled to maintain its strength above the daily trend line set at 63.19. Retreating slowly, prices failed to take out the 62.55 support area, having attempted several times. As long as the gasoline remained down on the day, it seemed

NYMEX Petroleum Options Most Active Strikes for April 12, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	12	7	P	55	11/13/2007	0.93	10,602	29.60
LO	12	7	P	60	11/13/2007	1.93	6,100	29.37
LO	5	7	C	63	04/17/2007	1.28	4,836	26.48
LO	12	7	C	80	11/13/2007	2.33	3,231	26.22
LO	6	7	P	60	05/17/2007	0.44	2,605	30.60
LO	5	7	C	64	04/17/2007	0.72	2,583	26.59
LO	6	7	C	70	05/17/2007	0.97	2,329	28.18
LO	5	7	P	63	04/17/2007	0.43	2,236	26.45
LO	8	7	P	55	07/17/2007	0.28	2,150	29.45
LO	6	8	C	80	05/15/2008	3.69	1,900	23.76
LO	6	8	P	60	05/15/2008	2.63	1,900	26.54
LO	5	7	P	58	04/17/2007	0.02	1,765	39.72
LO	6	7	C	74	05/17/2007	0.3	1,654	28.04
LO	6	7	P	65.5	05/17/2007	1.9	1,575	28.38
LO	6	7	C	65.5	05/17/2007	2.73	1,575	28.34
LO	6	7	C	67	05/17/2007	1.99	1,541	28.18
LO	6	7	C	75	05/17/2007	0.22	1,504	28.15
LO	6	7	C	50	05/17/2007	16.34	1,500	50.52
OB	6	7	P	2	05/25/2007	0.0531	1,418	39.18
OB	7	7	P	1.9	06/26/2007	0.0476	800	35.99
OB	7	7	C	2	06/26/2007	0.1978	725	35.11
OB	5	7	C	2.15	04/25/2007	0.093	551	43.07
OB	6	7	C	2.1	05/25/2007	0.1329	523	38.11
OB	6	7	P	1.9	05/25/2007	0.0293	450	40.41
OB	5	7	P	2.07	04/25/2007	0.0258	360	44.14
OB	9	7	C	2.1	08/28/2007	0.1424	271	31.82
OB	7	7	C	2.2	06/26/2007	0.0963	229	34.07
OB	7	7	P	1.8	06/26/2007	0.0281	225	37.18
OB	5	7	C	2.05	04/25/2007	0.1628	200	44.45
OB	5	7	P	1.65	04/25/2007	0.0001	200	54.14
OB	8	7	P	1.8	07/26/2007	0.035	200	32.92
OB	8	7	P	2	07/26/2007	0.0975	200	33.15
OH	5	7	P	1.83	04/25/2007	0.024	1,008	38.30
OH	5	7	C	2.05	04/25/2007	0.0123	1,000	38.91
OH	5	7	P	1.65	04/25/2007	0.0013	1,000	39.38
OH	5	7	C	1.9	04/25/2007	0.0573	485	37.91
OH	5	7	C	2	04/25/2007	0.0217	475	38.61
OH	5	7	C	1.98	04/25/2007	0.0268	280	38.45
OH	5	7	C	1.84	04/25/2007	0.0931	280	38.30
OH	5	7	P	1.84	04/25/2007	0.0271	250	38.22
OH	5	7	P	1.8	04/25/2007	0.0164	200	38.45
OH	7	7	P	1.81	06/26/2007	0.0523	150	30.95
OH	7	7	P	1.63	06/26/2007	0.0141	150	31.76
OH	5	7	C	1.92	04/25/2007	0.048	100	38.07

unlikely that prices would make new highs. Then came the news from Valero that its McKee refinery in northern Texas would not resume normal operations until next year. This refinery has capacity of 170,000 barrels per day and only half that capacity would be back on line in mid-April. This spurred the gasoline market, which lent strength to crude oil. The weekly high so far is 62.95; set on Monday, leaving today's a mere 5 cents short. With the driving season fast upon our heels, demand is sure to grow, however crude supply should mount due to shortages in refining capacity. The overall outlook should be bearish for crude and bullish for gasoline. Support in May is set at 63.75, 63.45, 63.20, 62.85, 62.70, 62.55 and 62.24. Resistance is set at 63.90, 64.52, 65.00, 65.20, 65.40, 65.65 and 65.85. The May/June spread traded a range today of -2.22 to -2.77, retracing back to the -2.38 breakout point from Tuesday and filling the gap left on Monday between -2.35 and -2.25. Overall the volume looks evenly distributed through out the range, and doesn't indicate any imbalance. Today's weighted average is -2.5120. Meanwhile the back months held their strength, prior to the aforementioned news from Valero, even while the front months were on the highs. This is evident by the forward curve chart enclosed with this wire. Open interest in the crude

market continued to fall by a total of 14,126 lots. Open interest in the May contract fell by 40,193 lots

as traders continue to roll their positions to the back months. The RBOB market, which was trading lower early in the session, was well supported by the refinery news once again. It settled up 3.31 cents at 219.18. The market is still seen trending higher amid the continuing refinery problems, ahead of the summer driving season. The RBOB market is seen finding some resistance at its previous high of 219.65 and 220.30 followed by more distant resistance at 227.00 and 227.75.