



⁵*ENERGY RISK MANAGEMENT*

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ENERGY MARKET REPORT FOR APRIL 17, 2007

The DOE had issued a notice saying it planned to seek bids for 4 million barrels or 133,333 bpd of crude oil to be delivered to the SPR during June. The solicitation would be issued around April 18 with awards to be made May 3 and deliveries to run from June 1 to June 30. Earlier this month, the DOE rejected as too high bids to purchase up to 4 million barrels, which would have been delivered into the SPR during May. The crude purchases are part of a plan to lift the reserve to its current capacity of 727 million barrels by the end of 2008. The SPR is also scheduled to receive about 10,000 bpd of paybacks of crude loaded to refiners after Hurricane Katrina. The remaining 1.7 million barrels to be repaid by refiners are scheduled to be returned in April, May and June.

Market Watch

According to shipping data, between 1.8 and 1.9 million tons of European gasoline has been booked for April loading bound for the US. Shipping brokers said about 45 medium range clean tankers have been chartered, with two thirds of them fully fixed and the remainder provisionally booked.

Shipbrokers said trans Atlantic freight rates for gasoline tankers would be supported by an expected increase in demand for European gasoline from the US.

According to Dow Jones, US WTI prices in the current quarter is expected to average \$62/barrel, up \$2.20 or 3.7% from its previous estimate.

A bipartisan group of US senators introduced legislation on Tuesday to cut the country's gasoline demand by 20% over the next decade and also provide government loan guarantees to automakers and suppliers that manufacture fuel efficient vehicles. Under the bill, the Energy Department would have to come up with a plan to cut gasoline demand by 20% by 2017, 35% by 2025 and 45% by 2030.

Iraqi parliamentarians and oil experts arrived in Dubai to hold a meeting on Iraq's long planned oil law. They are scheduled to meet on Wednesday to discuss the oil law Dubai, away from the politics of Iraq. The oil law would give the regions the right to negotiate with international firms on developing oilfields. The law would also restructure the Iraq National Oil Co as an independent holding firm and establish a Federal Council as a forum for national oil policy.

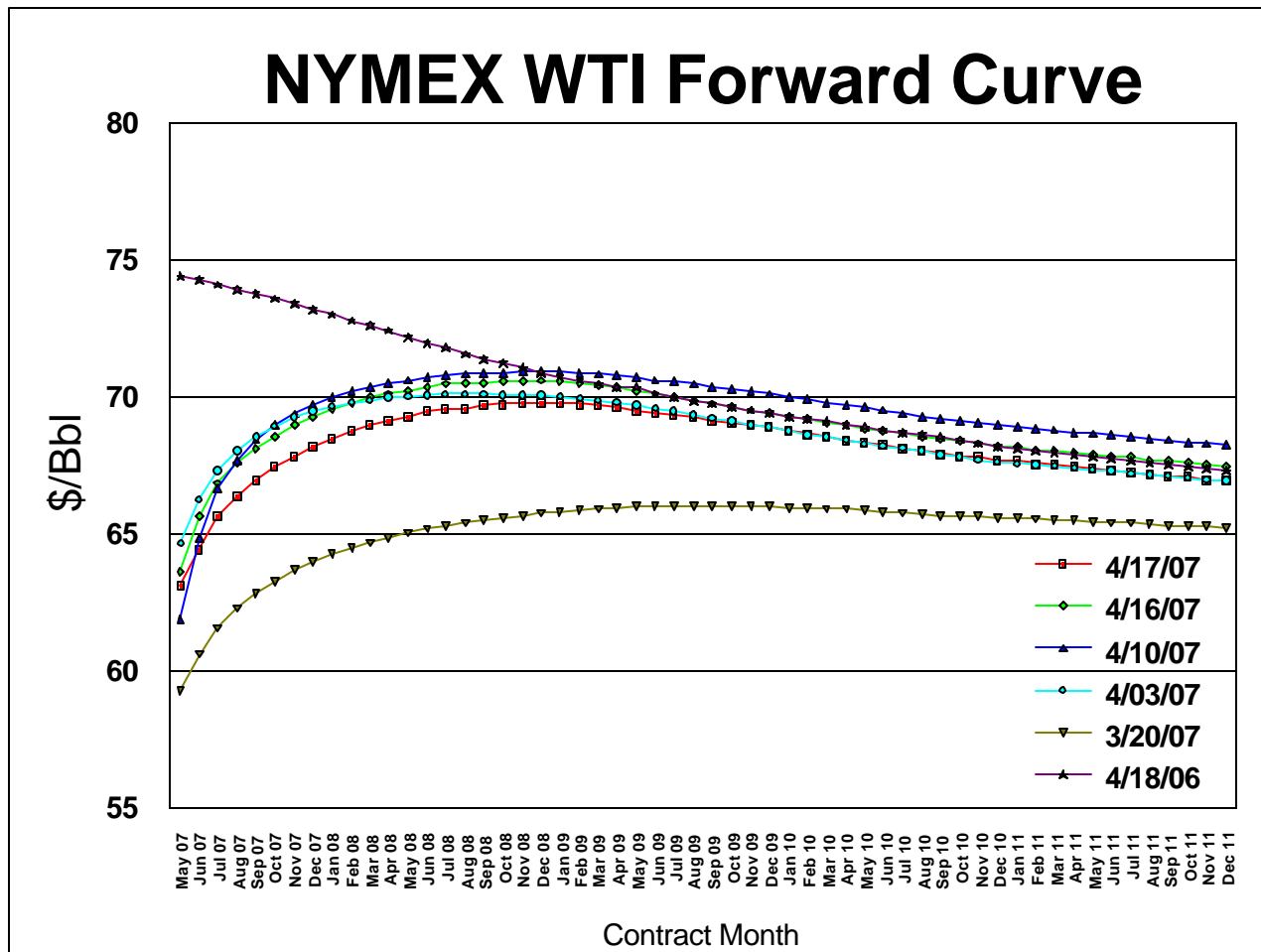
Low water cargo surcharges for shipping on the Rhine River in South Germany were removed on Tuesday as water levels increased. Water levels at the critical point of Maxau in south Germany increased above the minimum that vessels needed to sail fully loaded.

Nigeria's electoral commission said it would comply with a Supreme Court ruling that the vice president should be on the ballot for the presidential elections scheduled for the weekend. The change has added uncertainty to a race already marked by violence and fraud charges. Meanwhile local media reported scattered violence around Nigeria. Human Rights Watch reported vote rigging in many states during the April 14 elections for state governors and legislators and called for a rerun in several of the 36 states. Nigeria's police banned all open-air rallies ahead of Saturday's presidential elections. The move is intended to prevent breaches of security after at least 21 people died in clashes during the elections for state governor.

Separately, 13 people in an attack on a police station in the Nigerian city of Kano on Tuesday, four days after gunmen shot dead a hardline Muslim cleric. Police said a mob, suspected to belong to a radical Islamic sect, burned the police station in the Panshekara district and killed 13 people.

The US EIA said uncertainty about refinery capacity in Nigeria and Venezuela would put pressure on US gasoline prices this summer. It expects average gasoline prices of \$2.81/gallon this summer, down from \$2.84 last summer. The EIA administrator Guy Caruso said inventories were about 7 million barrels below normal ahead of the summer driving season.

Energy traders stated that cold, wet weather during the US Midwest's corn planting season had delayed planting and dampened the demand for diesel fuel. As of April 15, plantings of corn were only 4% complete compared with the five year average of 9%. Meanwhile, the Magellan Pipeline system said the supplies of diesel were about where they were last year.



Refinery News

Enbridge Inc said it was operating its partially shut pipeline at 40% capacity by injecting crude from a storage facility about 105 miles southeast of the leak. A company spokesman declined to say whether enough crude was in storage to supply refiners for the duration of the shutdown. The shutdown halted the flow of crude from Alberta to refineries in the Great Lakes region. Refiners along the line and in the Midwest have not had their operations affected by the partial shutdown. Enbridge later said it expects to restart a section of the pipeline within 24 hours.

Sunoco Inc's oil refinery in Philadelphia is expected to start full gasoline production by the end of the week. Output would be 17% higher at about 135,000 bpd following the expansion of the larger of two fluid catalytic cracking units.

Valero Energy Corp shut several units at its 190,000 bpd refinery in St. Charles, Louisiana for planned work. Traders said the work was expected to last five days and was on several units including the 36,000 bpd naphtha hydrotreater, a 48,000 bpd distillate hydrotreater and a 25,000 bpd reformer unit. Separately, Valero is expected to delay the restart of an 85,000 bpd crude distillation unit at its 225,000 bpd refinery in Texas City, Texas. The unit had been due to restart this week following maintenance that was scheduled to begin in early February. Valero said there was no material impact from the outage.

Chevron Corp reported a nitric oxide release from a furnace at its 260,000 bpd refinery in El Segundo, California.

ExxonMobil said it was in the process of restarting the larger hydrogen plant and a hydrotreater at its 155,000 bpd refinery in Torrance, California following nine weeks of maintenance and setbacks on hydrogen plants, hydrotreaters and sulfur recovery units. It could not say when all of the planned maintenance would be completed.

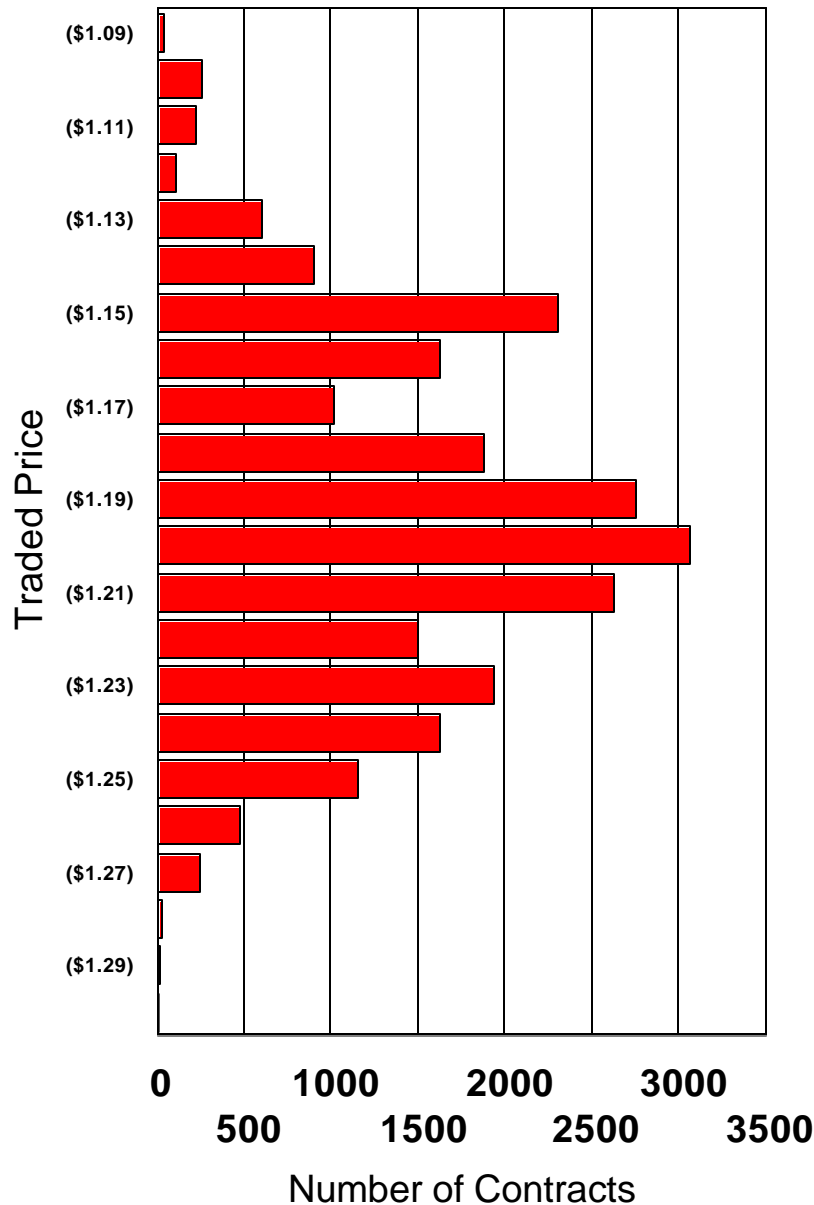
PDVSA said it was planning to shut its 77,000 bpd catalytic cracking unit at its 305,000 bpd Cardon refinery in August for an expansion project. The expansion project is expected to last about 15 weeks and would increase capacity at the unit to 88,000 bpd. The head of refining at PDVSA said it was scheduling a date to carry out work at a fluid catalytic cracking unit at the 200,000 bpd Puerto La Cruz refinery.

According to a report by Communities for a Better Environment, Chevron Corp's refinery was the only one in the San Francisco Bay area to report an increase in the use of flares to burn off excess gases since a 2005 pollution rule required a reduction in flaring. Its flaring increased 80% compared with the 18 months before the rule was approved. In contrast, the Royal Dutch Shell refinery in Martinez reduced flaring by 74% while ConocoPhillips cut flaring by 15% and Tesoro and Valero both cut flaring by 64%.

Riverstone Holdings, Carlyle Group and Dominion Energy LLC said North America's largest biofuel refinery would be build in central Alberta and could be producing fuels in the third quarter of 2008. The complex would be able to produce 378 million liters or 100 million gallons each of ethanol, canola oil and biodiesel. The developers expect to start work on the plant this summer. The plant would produce biofuel primarily for the Canadian market. Riverstone and Dominion are also expected to build a 15 million gallon ethanol plant in Collingwood, Ontario that would start producing fuel in June.

Russia's Deputy Energy Minister Andrei Dementyev said the country is expected to increase its oil refining capacity by 1.6 million bpd to over 6 million bpd by 2015 by upgrading old plants and building

**NYMEX WTI June July Spread
Price Vs Volume traded- April 17, 2007
Trade Weighted Price: \$-1.19**



new refineries. Russia increased its refining capacity to a high of 4.7 million bpd in February from an average of 4 million bpd a few years ago. Russian officials have stated that the country would build plants with capacity of about 200,000-400,000 bpd in the Baltic Sea port of Primorsk and on the Pacific Coast.

The US Coast Guard said barges carrying grain and oil should not face any closures on the Mississippi River south of St. Louis while a sunken barge is salvaged.

Production News

The 115,000 bpd EA oilfield in Nigeria is expected to remain closed despite the expected resumption of operations at the Forcados oilfield this month. The EA field and the Forcados field were shut in February 2006 due to militant attacks.

A senior official at the Nigerian National Petroleum Corp said the country would adjust its crude loading programs for June to meet its OPEC output target if the 380,000 bpd Forcados oilfield resumes operations. Nigeria's lifting programs for Bonny Light, Qua Iboe and other grades could be lowered for June to make room for the addition of Forcados. Meanwhile, Royal Dutch Shell has not yet stated when or whether the Forcados field could reopen.

The average daily loading rate of the nine North Sea crude streams is

up 46,000 bpd on the month in May at 2.587 million bpd. The loading program for North Sea Brent increased by 50,000 bpd to 223,000 bpd while the loading program for Forties crude increased by 40,000 bpd to 600,000 bpd. The loading program for North Sea Troll is expected to fall to 219,000 bpd in May from 224,000 bpd in April.

Venezuela has set a production target for 2007 of 3 million bpd. The country had originally set a goal of 3.3 million bpd but has lowered that due to OPEC's output cut agreements.

NYMEX Petroleum Options Most Active Strikes for April 17, 2007								
Symt	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	12	7	P	55	11/13/2007	1.16	6,220	29.41
LO	12	7	C	90	11/13/2007	0.67	5,750	27.57
LO	6	7	P	65	05/17/2007	2.42	4,526	29.12
LO	7	7	P	60	06/15/2007	0.91	4,199	29.06
LO	12	7	P	60	11/13/2007	2.25	3,800	28.50
LO	6	7	P	63.5	05/17/2007	1.67	3,201	29.07
LO	6	7	C	82.5	05/17/2007	0.02	3,100	35.82
LO	7	7	P	65	06/15/2007	2.61	2,751	28.37
LO	6	7	P	60	05/17/2007	0.61	2,739	30.17
LO	6	7	C	65	05/17/2007	1.88	2,657	29.07
LO	6	7	C	80	05/17/2007	0.04	2,617	35.00
LO	6	7	C	70	05/17/2007	0.49	2,509	29.44
LO	6	7	C	67	05/17/2007	1.13	2,477	28.95
LO	6	7	P	62	05/17/2007	1.1	2,403	29.24
LO	1	8	P	56	12/13/2007	1.54	2,400	29.34
LO	6	7	C	66	05/17/2007	1.47	2,364	29.00
LO	6	7	C	75	05/17/2007	0.13	2,216	31.98
LO	9	7	P	60	08/16/2007	1.55	1,965	28.82
LO	6	7	P	54	05/17/2007	0.08	1,861	34.14
LO	8	7	P	60	07/17/2007	1.23	1,850	28.54
LO	6	7	P	55	05/17/2007	0.11	1,756	33.12
LO	6	7	C	85	05/17/2007	0.01	1,602	36.57
LO	6	7	C	65.5	05/17/2007	1.67	1,482	29.09
LO	6	7	P	65.5	05/17/2007	2.7	1,382	29.05
LO	1	8	P	62	12/13/2007	3.06	1,200	28.11
LO	1	8	C	80	12/13/2007	1.93	1,000	25.69
LO	1	8	P	60	12/13/2007	2.47	1,000	28.52
OB	6	7	C	2.45	05/25/2007	0.0119	601	41.84
OB	7	7	C	2.4	06/26/2007	0.0254	505	36.30
OB	5	7	C	2.2	04/25/2007	0.0114	335	45.07
OB	9	7	C	2.16	08/28/2007	0.0896	298	33.20
OB	9	7	C	2.22	08/28/2007	0.0758	297	33.78
OB	8	7	C	2.24	07/26/2007	0.065	223	34.65
OB	8	7	C	2.18	07/26/2007	0.0789	208	34.07
OB	8	7	C	2.14	07/26/2007	0.087	205	33.01
OB	5	7	P	2.03	04/25/2007	0.041	160	43.99
OB	6	7	C	2.05	05/25/2007	0.0952	150	38.68
OB	8	7	C	2.26	07/26/2007	0.061	148	34.84
OB	6	7	C	2.15	05/25/2007	0.0592	122	39.49
OB	9	7	C	2.17	08/28/2007	0.0871	121	33.30
OB	5	7	C	2.1	04/25/2007	0.0346	120	43.91
OH	7	7	P	1.7	06/26/2007	0.0379	520	28.99
OH	6	7	C	2.3	05/25/2007	0.0011	446	34.15
OH	6	7	P	1.7	05/25/2007	0.0308	350	31.99
OH	6	7	P	1.6	05/25/2007	0.0108	240	32.53
OH	5	7	C	1.67	04/25/2007	0.1319	125	37.99
OH	7	7	C	1.82	06/26/2007	0.0952	125	28.45
OH	7	7	P	1.75	06/26/2007	0.054	125	28.72
OH	9	7	P	1.71	08/28/2007	0.0603	110	30.20

Traders said German stocks of heating oil fell to 54% amid seasonal heating demand and as rising prices deterred buying. Inventories were up from last year's level of 45% and 2005's level of 46%.

An official at China's Ministry of Commerce reported that China would license 15 private oil firms to import crude this year in addition to the current five state energy majors, in line with its oil market opening following its entry into the World Trade Organization. China is expected to import 17 million tons of crude through independent importers this year, 5 million tons more than the country's commitment under WTO. The government would also allow non-state firms to import about 9.3 million tons of refined products this year.

Former chief economist of China's CNOOC said China should consider adding refined oil products to its strategic oil reserves. He said China would not be able to respond sufficiently in an oil crisis if oil products are not included in the country's strategic oil reserves. He said the

country's oil majors should provide emergency reserves of oil products, particularly diesel and gasoline.

Brazil's Agricultural Ministry stated that Brazil could double its ethanol production in ten years to 35 billion liters of both anhydrous and hydrous ethanol. It is expected to produce 17.5 billion liters of ethanol from the 2007-08 sugarcane crop, up from 16 billion liters a year ago. Of the total, Brazil is expected to consume 14.9 billion liters of fuel ethanol compared to 13 billion liters last season.

The head of the European Biodiesel Board said the EU's biodiesel production capacity is expected to increase from 25% to 35% within a year from 6.5 million tons. It said the EU had to act quickly to encourage higher blending of biodiesel into fuel to tackle overcapacity in the sector. The EU has agreed to impose a mandatory blending of minimum 10% biofuels in vehicle fuels by 2020.

Petroecuador reported oil export revenues of \$250.05 million in March, down 5% on the month. It exported 5.14 million barrels of oil in March, down 9% from 5.66 million barrels exported in February.

OPEC's news agency reported that OPEC's basket of crudes fell to \$63.93/barrel on Monday, down from Friday's \$64.71/barrel.

Market Commentary

Crude oil opened slightly higher today, and unsuccessfully attempted to take out yesterday's high. Leading the complex was the gasoline market, which suffered a loss of 5.99 pts. Perhaps helping a little, was repeated news that Enbridge Inc, who #3 pipeline was reported yesterday to be experiencing leaks, would be pulling stocks from elsewhere. This helped the June crude to penetrate the first of two trend lines on the downside, which was set at 64.99. Although we were looking for a pull back in prices, we were not looking to go this low so soon. At this point in time, the objective would have to be a test of the 63.65 trend line stemming from the lows of January. Currently, there is support at 64.38, 63.65, 63.15, 62.70, 62.42, 61.85, 61.65, 61.45 and 60.80. Resistance is set at 64.85, 65.08, 65.35, 65.55, 65.95, 66.10, 66.30 and 66.50. The June/July spread acted just as we thought it would with June holding its ground against July. The -1.22 differential in this spread proves to be somewhat of a pivotal area, but we would still look for further strength from the June contract, and would expect a retracement to -.85 and -.60. The forward crude curve is now at levels of 3 weeks ago, with the front end showing the most pressure. We would look for further discount on these spreads, which could help bring the z7/z8 to widen out to the -1.85 - -2.00 levels.

Technical levels			
	Levels	Explanation	
CL	Resistance 63.10, down 51 cents	66.75, 67.05 65.25, 66.22, 66.50	Previous highs Basis trendlines, Tuesday's high June
	Support	64.38 64.10, 63.65, 63.55, 62.56	Tuesday's low Basis trendlines, Previous lows
HO	Resistance 179.78, down 6.15 cents	187.71, 191.26 181.00, 183.40, 185.00	Tuesday's high, Previous high
	Support	179.70 179.12, 176.05, 175.95	Tuesday's low 50%(165.67 and 192.57), Previous low, 62%
RB	Resistance 205.58, down 5.99 cents	214.67, 218.90 206.95, 208.20, 212.00	Tuesday's high, Previous high
	Support	205.10 201.89, 199.89, 198.57, 197.56	Tuesday's low 50%(182.45 and 221.34), Previous lows, Basis trendline

The RBOB market continued to retrace its previous gains amid the reports that Sunoco's Philadelphia refinery is expected to restart its gasoline

production by the end of the week following expansion work at the refinery. This followed the partial restart of Valero's McKee refinery in Texas following a fire on February 16. The market extended its

losses to 6.47 cents as it sold off to a low of 205.10 in afternoon trading. The market settled down 5.99 cents at 205.58. The May RBOB crack spread continued to come in and settled at 23.07. The crack spread is seen finding support at 22.00 followed by 20.00. The heating oil market also settled sharply lower after it extended its losses 6.23 cents to a low of 179.70. The product markets are seen retracing some of today's sharp losses on Wednesday ahead of the release of the weekly petroleum stock reports. The reports are likely to provide the complex some support in light of the expectations that the reports would show builds of 1 million barrels in crude stocks, draws of 2 million barrels in gasoline stock and draws of 1 million barrels in distillate stocks.