



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 23, 2007

The European Union's foreign policy chief, Javier Solana, is scheduled to meet with Iran's negotiator, Ali Larijani on Wednesday to attempt to persuade Iran to halt its uranium enrichment in exchange for negotiations on economic incentives. Meanwhile, Iran's President Mahmoud Ahmadinejad said Iran did not wish to use oil as a weapon in its standoff with the west. He also stated that Iran would prefer to remain within the nuclear non-proliferation treaty and resist UN sanctions peacefully. He also indicated that Iran would prefer peaceful resistance to US Security Council sanctions.

Market Watch

Gasoline prices may increase to \$4/gallon as prices have been increasing at a pace not seen since Hurricanes Katrina and Rita shut a third of the US oil refining industry in 2005. Gasoline consumption has increased twice as fast as last year and would likely accelerate when summer driving season begins late next month. According to the AAA, population gains and US economic growth has caused an increase in fuel purchases. Gasoline inventories, measured by the days of forward supply, are at the lowest level in two decades for this time of the year due to refinery fires, power failures and maintenance work. An analyst said pump prices in the US may increase to \$4/gallon, especially if hurricanes threaten Gulf of Mexico refineries.

The US' envoy to Germany criticized Russia for failing to meet its promises on energy security and called on Russia to demonstrate its resolve by liberalizing its energy markets.

According to a leaked intelligence report, Al Qaeda leaders in Iraq were planning the first large scale terrorist attacks on Britain and other western targets with the help of supporters in Iran. Spy chiefs warned that one operative said he was planning an attack on a par with Hiroshima and Nagasaki. Another plot could be timed to coincide with Tony Blair stepping down as prime minister.

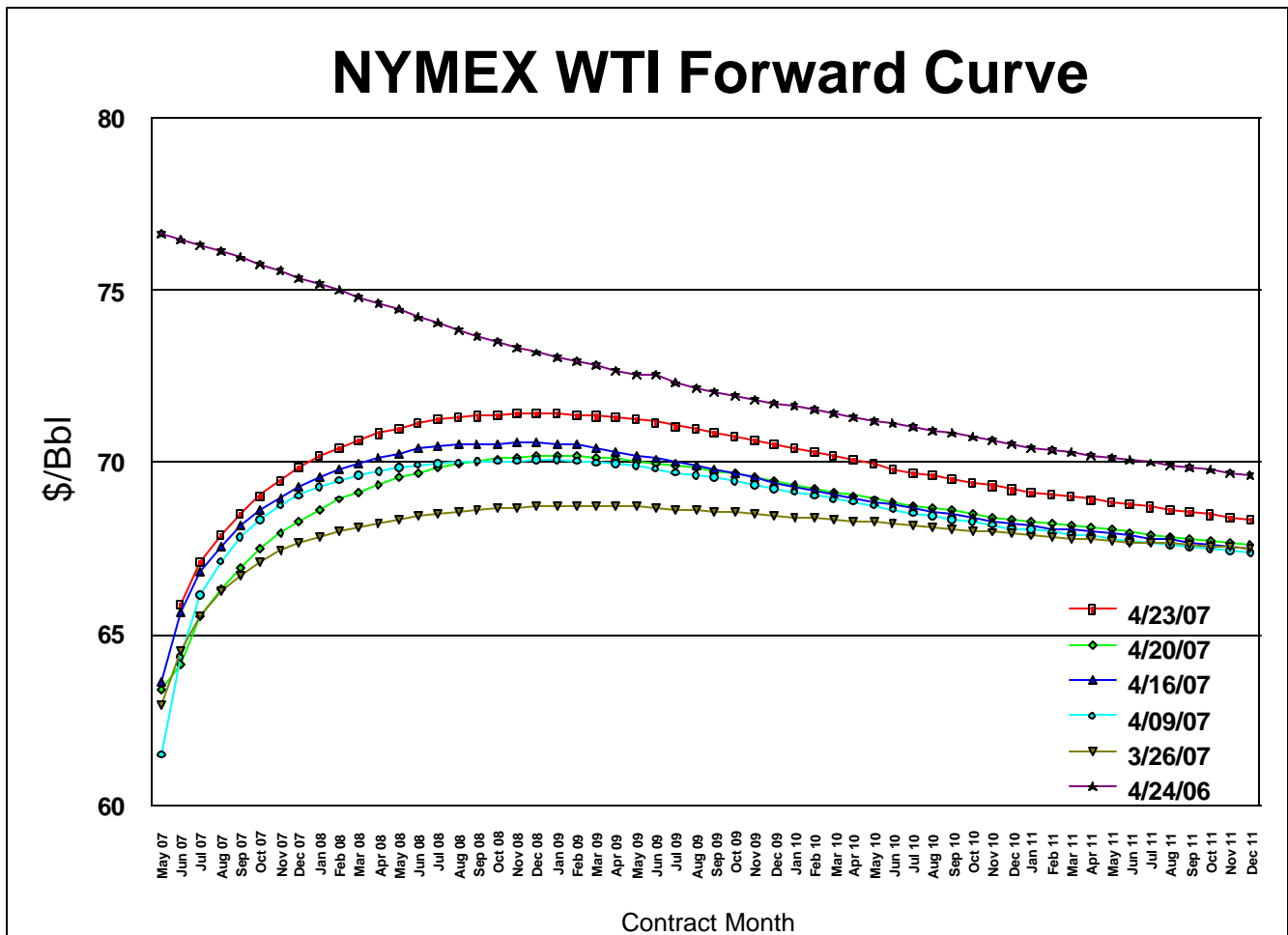
A member of Kuwait's parliament said the country has formed an emergency team to prepare for any military conflict between Iran and the US over Iran's nuclear program. Kuwait's cabinet has formed a team to make contingency plans. Kuwaiti newspapers said the team would draw up plans about necessary emergency supplies to keep the country running during a war.

NYMEX announced that it would launch a Gulf Coast gasoline, Gulf Coast ultra low sulfur diesel and NY Harbor ultra low diesel futures contracts May 13 for trade date May 14.

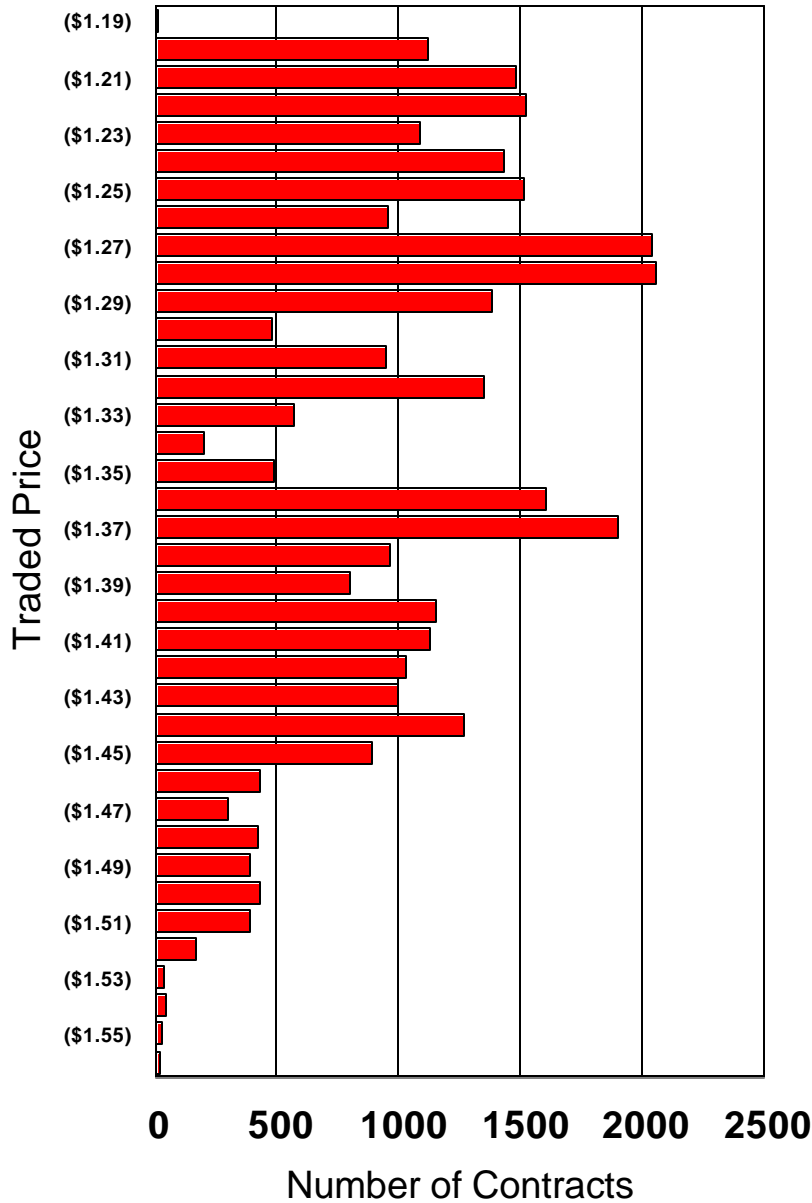
The Financial Times reported that US Secretary of State Condoleezza Rice was urging Iran to join her at a high level conference on the future of Iraq next week. She said it would be a missed opportunity if Iran's foreign minister, Manouchehr Mottaki did not attend the minister level meeting. Iran has stated that it would decide on its attendance at the May 3-4 conference after meeting Iraq's foreign minister, Hoshyar Zebari this week.

Nigeria's governing party candidate Umaru Yar'Adua was declared the winner after weekend elections. The candidate won about 24,600,000 votes, more than three times the number garnered by the runner up, Gen. Muhammadu Buhari in Saturday's election. President Olusegun Obasanjo said elections held over the past week in Nigeria could not be considered perfect but appealed to Nigerians to keep faith with the democratic process. Vice President Atiku Abubakar said presidential elections in Nigeria should be canceled and held again due to irregularities. Observers said turnout figures of 81% were fraudulent. EU observers said Nigeria's elections were not credible and fell short of basic international standards. However it stopped short of saying that the polls should be cancelled. Separately, the Transition Monitoring Group, the main umbrella organization of Nigerian observers called for new elections and urged the international community not to recognize the government that is due to emerge from the disputed polls.

Nigeria's police stated that gunmen clashed with security forces Monday in Nigeria's southern oil region, leaving at least seven people dead in Port Harcourt.



NYMEX WTI June July Spread
Price Vs Volume traded- April 23, 2007
Trade Weighted Price: \$-1.33



The EIA reported that the US average retail price of gasoline fell by 0.7 cents/gallon to \$2.869/gallon in the week ending April 23. It also reported that the US average retail price of diesel fell by 2.6 cents/gallon to \$2.851/gallon on the week.

According to the Lundberg Survey, gasoline prices increased more than 8 cents/gallon in the last two weeks to \$2.87/gallon.

Refinery News

Operations at Valero's McKee refinery in Sunray, Texas were interrupted over the weekend by a power outage brought on by a storm and tornadoes Saturday night and Sunday morning. It reported that sources of emissions included the fluid catalytic cracking and alkylation unit. A report filed with the Texas Commission on Environmental Quality, power was restored as quickly and safely as possible. It said there was no material impact to production. The units were restarted or were in the process of being restarted. On Friday, electrical problems interfered with the restart of the fluid catalytic cracker.

Separately, a US Chemical Safety Board investigator said an investigation into a February fire at Valero's McKee refinery was focusing on determining how refining equipment may have failed, causing a propane release that ignited.

Motiva Enterprises reduced the processing rates of a catalytic reformer unit by 35% at its 250,000 bpd Port Arthur, Texas refinery on Saturday after a compressor was shut due to excessive high temperature on a cylinder. The 48,000 bpd unit is expected to return to normal by the end of the week after repairs are completed.

A fluid catalytic cracking unit at BP's Texas City, Texas refinery flared late Saturday night after a blown fuse shut a pump. The incident at the 460,000 bpd refinery lasted into Sunday morning. Separately,

BP's Vice President John Mogford said it was on schedule to increase operations at the refinery to 400,000 bpd by the end of 2007. The refinery has been operating at about 248,000 bpd.

One of Belgium's major trade unions called for a strike at the country's oil refineries that could begin May 9, unless workers and employers can negotiate a solution before then. Meanwhile, another trade union federation, comprised of the FGDT and ABVV unions, were still consulting its members. ABVV delegates said it would vote on the strike late Wednesday. The strike could shut down four refineries in Antwerp, with a combined capacity of more than 700,000 bpd.

An oil industry source said BP was considering building a hydrocracker unit at its Rotterdam Nerefco refinery and would make an investment decision in 2009. Construction would start in 2010 or so and

NYMEX Petroleum Options Most Active Strikes for April 23, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	C	64.5	05/17/2007	2.49	4,900	25.79
LO	6	7	P	64.5	05/17/2007	1.11	3,869	25.83
LO	6	7	P	64	05/17/2007	0.97	2,645	26.52
LO	6	7	P	63	05/17/2007	0.71	2,578	27.34
LO	6	7	C	70	05/17/2007	0.46	2,558	26.31
LO	6	7	C	67	05/17/2007	1.26	2,216	25.99
LO	6	7	C	65.5	05/17/2007	1.95	1,950	26.17
LO	6	7	C	72	05/17/2007	0.23	1,714	27.17
LO	6	7	C	65	05/17/2007	2.23	1,672	26.31
LO	6	7	P	63.5	05/17/2007	0.83	1,661	26.90
LO	6	8	P	60	05/15/2008	2.73	1,600	26.89
LO	6	8	P	50	05/15/2008	0.97	1,600	29.16
LO	12	7	P	65	11/13/2007	3.24	1,600	27.30
LO	12	8	P	65	11/17/2008	4.82	1,600	24.40
LO	12	7	C	69	11/13/2007	5.73	1,575	26.85
LO	7	7	C	85	06/15/2007	0.09	1,570	31.94
LO	6	7	P	55	05/17/2007	0.04	1,518	34.49
LO	8	7	P	57	07/17/2007	0.39	1,517	28.21
LO	3	8	P	60	02/14/2008	2.37	1,501	27.85
LO	3	8	C	75	02/14/2008	4.28	1,500	24.91
LO	8	7	P	54	07/17/2007	0.17	1,500	28.77
LO	12	7	C	80	11/13/2007	1.89	1,403	25.40
LO	7	7	C	90	06/15/2007	0.04	1,350	33.97
LO	12	7	P	50	11/13/2007	0.38	1,251	30.05
LO	8	7	C	68	07/17/2007	3.36	1,111	26.57
LO	12	7	P	69	11/13/2007	4.88	1,075	26.71
LO	6	7	C	60	05/17/2007	6.13	1,050	30.34
OB	9	7	C	2.3	08/28/2007	0.0737	110	32.76
OB	7	7	C	2	06/26/2007	0.1955	109	34.57
OB	5	7	C	2.05	04/25/2007	0.1418	100	50.45
OB	6	7	P	2.15	05/25/2007	0.0898	100	37.76
OB	6	7	C	2.05	05/25/2007	0.162	100	39.14
OB	9	7	C	2.17	08/28/2007	0.1068	100	31.51
OB	9	7	C	2.23	08/28/2007	0.09	100	32.09
OB	12	7	C	1.9	11/27/2007	0.1444	100	30.18
OH	5	7	C	1.9	04/25/2007	0.02	100	40.61
OH	5	7	C	1.88	04/25/2007	0.03	100	39.68

the hydrocracker could become operational in 2011-2012.

Colombia's Ecopetrol and Swiss based Glencore International have raised their investment plans to upgrade Colombia's Cartagena refinery to \$2 billion from \$880 million to improve the quality of refined output. They have decided to increase the refinery's capacity to 150,000 bpd from a current 80,000 bpd and from a previous target of 140,000 bpd.

US BioEnergy Corp started construction on the company's eighth fuel ethanol plant that would be located in Dyersville, Iowa.

Valero reported that its FCC unit at its 250,000 b/d St. Charles refinery will be shut for 10-14 days. Gasoline output will be cut by 60,000 b/d and diesel by 15,000 b/d while repairs are made.

Production News

Euroilstock said Europe's total petroleum production fell by 435,000 bpd on the month and by 185,000 bpd to 12.655 million bpd in March. It reported that gasoline production increased by

15,000 bpd on the month to 3.181 million bpd while distillate production fell by 272,000 bpd to 5.913 million bpd. Fuel oil production fell by 68,000 bpd to 1.789 million bpd while naphtha production fell by 72,000 bpd to 965,000 bpd. It reported that refinery maintenance cut plant utilization by 3.93% to 88.73%.

Nigeria's crude shipments are expected to increase above 2 million bpd in June due to the anticipated restart of the Forcados oilfields. According to June loading programs, Nigeria is expected to export 2.17 million bpd, up 170,000 bpd from the previous month. Royal Dutch Shell reiterated that it expected production to resume within months.

Mexico's Pemex stated that the country's oil production increased in March to 3.182 million bpd from 3.148 million bpd in February. It said its crude exports averaged 1.782 million bpd in March compared with 1.774 million bpd in February.

China's apparent oil demand increased by just 3.4% on the year in March to 6.73 million bpd, possibly signaling some success in China's push to cut fuel use even as its economy soared.

According to China's General Administration of Customs, China's gasoline imports in the January to March period totaled 26,387 tons up 12.3% on the year. The country's kerosene imports increased by 13% on the year to 1.373 million tons in January-March.

OPEC's news agency reported that OPEC's basket of crudes increased by 25 cents/barrel to \$62.06/barrel on Friday from a revised \$61.81/barrel on Thursday. It also reported that OPEC's basket of crudes fell by \$1.06/barrel to \$62.53/barrel.

Market Commentary

Our expected weakness in the crude oil was just that, an expectation. Political turmoil in Nigeria gave prices a boost, pushing the June contract back above the long-term trend line of 64.64. Once above this number prices took off and never looked back. Short-term stochastics are calling for retracements back to the 64.65 breakout number, with longer - term stochastics pointing higher. Based on this, any dip back to 64.65 could provide for some comfortable buying. Nearby support is set at 65.56, 65.35, 65.10, 64.90, 64.65, 64.45, and 64.15. Resistance is set at 66.50, 67.05, 67.55 and 68.20. The June contract continues to regain its losses against July and could possibly narrow to -75. We would attribute gains made in June to the replenishing of the SPR that is to take place in May. It appears by observation of the forward curve that the back end gave back the strength it gained last Thursday and Friday with Dec07/Dec08 strengthening to as strong as -1.40. This spread appears to be approaching

the -1.26 level, with -1.257 being the weighted average on April, 11th. The product markets were also well supported amid the continuing

Technical levels			
		Levels	Explanation
CL	Resistance	66.50, 66.75, 67.05	Previous highs
	65.89, up \$1.78	65.96	Monday's high
	Support	65.56, 65.35, 65.10, 64.90	
		64.65, 64.45, 64.15, 63.70	Monday's low
HO	Resistance	191.26, 192.57	Previous highs
	189.43, up 6.18 cents	189.79	Monday's high
	Support	188.00, 186.50, 184.00	
		182.00, 179.55, 179.44	Monday's low, Previous low
RB	Resistance	221.34, 225.89	Previous high, Basis trendline
	219.07, up 5.33 cents	220.58	Monday's high
	Support	218.00, 216.00, 213.00	Monday's low
		208.15, 206.23	Previous lows

refinery problems over the weekend. Operations at Valero's McKee refinery were interrupted by a power outage caused by adverse weather conditions. The product markets were also supported amid European gasoline supply concerns, with Belgium trade unions calling for a strike at the country's oil refineries that could start in early May. The RBOB market settled up 5.33 cents at 219.07 after it held good support above 216.00 and rallied more than 6.8 cents to a high of 220.58 ahead of the close as it continued to retrace its previous losses. The heating oil market also settled up 6.18 cents at 189.43 after the market retraced more than 62% of its move from a high of 192.57 to a low of 176.38 as it rallied to a high of 189.79. The markets will likely remain supported as stochastics have crossed back to the upside and look ready to test their previous highs amid the supportive headlines.