



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 2, 2007

US Energy Secretary Sam Bodman said the Bush administration was not considering any emergency action to ease environmental regulations on gasoline imports in order to increase supplies. He however said he feared that US retail gasoline prices would reach new record highs this summer.

Saudi Arabia's Oil Minister Ali al-Naimi said Saudi Arabia was committed to help meet world oil demand and was building up its spare production capacity.

However during a meeting of Middle

East and Asian oil ministers, he signaled that OPEC would not increase its production to ease prices. He also denied describing oil prices as being in a bubble. Meanwhile, the head of the IEA, Claude

Market Watch

The DOE said it would suspend direct purchases of oil for the SPR until at least the end of the summer driving season. It rejected all bids for the purchase of up to 4 million barrels of crude oil that was scheduled to be shipped to the SPR in June, saying the bids were too high.

The EIA said that even though gasoline stocks were not expected to increase enough to reach the lower end of the five year average or 208.6 million barrels by Memorial Day, there was no cause for concern. Gasoline stocks fell for the 12th consecutive week and left inventories well below their average level for this time of the year. However an EIA analyst said that with imports running at 1.1 million bpd to 1.2 million bpd and refiners increasing production to 8.8-8.9 million bpd, stocks may begin to build and reach the bottom of the range in June.

According to preliminary data from the Foreign Trade Secretariat, Brazil's ethanol shipments for April increased by 97% on the year to 283.9 million liters. April ethanol revenue increased to \$130.3 million, about double the \$62.7 million reached in the same month in 2006 and higher than the \$108 million level reported for March.

A World Bank study showed that the value of the world carbon market increased to \$30 billion in 2006 from \$11 billion in 2005. It said the sale and resale of the EU emissions Allowances in the EU Emissions Trading Scheme was valued at \$24.4 billion. The World Bank reported that China held a 61% share in the market for Certified Emission Reductions from CDM projects in 2006 followed by India with 12% and Brazil with 4%.

KLD Research & Analytics said its Global Climate 100 Index allowed investors to bet on companies taking steps to combat global warming. Its index holds small to large cap companies whose activities reduce the social and economic consequences of climate change. Some of the companies invest in efficiency and purchase power from renewable sources. Last quarter the index achieved a return of 5.87%.

DOE Stocks

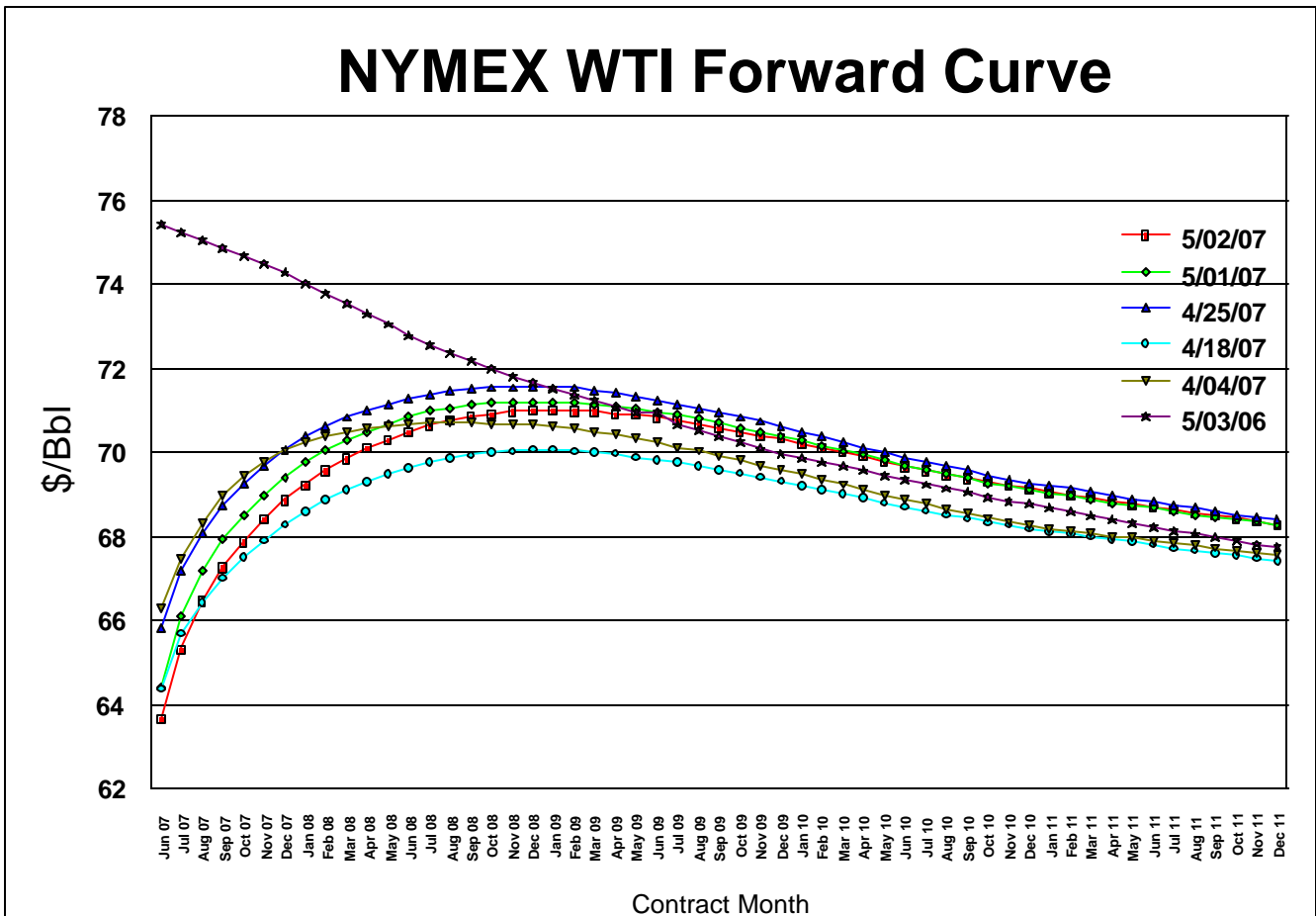
Crude – up 1.1million barrels
Distillate – down 200,000 barrels
Gasoline – down 1.1 million barrels
Refinery runs – up 0.57%, at 88.3%

Mandil, said prices were too high and world oil stocks were too low but stopped short of calling on OPEC to increase its output. He expressed his concern that world oil stocks were not growing ahead of the peak summer demand season.

OPEC President Mohammed al-Hamli said that crude oil market fundamentals were in good shape. He told South Korean energy officials that current oil prices were high and could be damaging for both producers and consumers. Separately, OPEC Secretary General Abdullah al-Badri said there was no need for OPEC to increase its production this year while Kuwait’s Oil Minister Sheikh Ali al-Jarrah al-Sabah also expressed similar sentiment. A senior OPEC delegate said world oil markets are balanced and added that the only problem was the US gasoline market.

Iraq’s Oil Minister Hussain al-Shahristani said the government sent a draft oil law to parliament. He said political groups including the Kurds have agreed to pass it by the end of May. The announcement came ahead of a conference in Egypt where foreign ministers from industrialized powers and the region would discuss how to stabilize Iraq and seek reforms in return for reconstruction. On Friday, foreign ministers are scheduled to meet with Iraq’s leaders to discuss ways to stabilize the country.

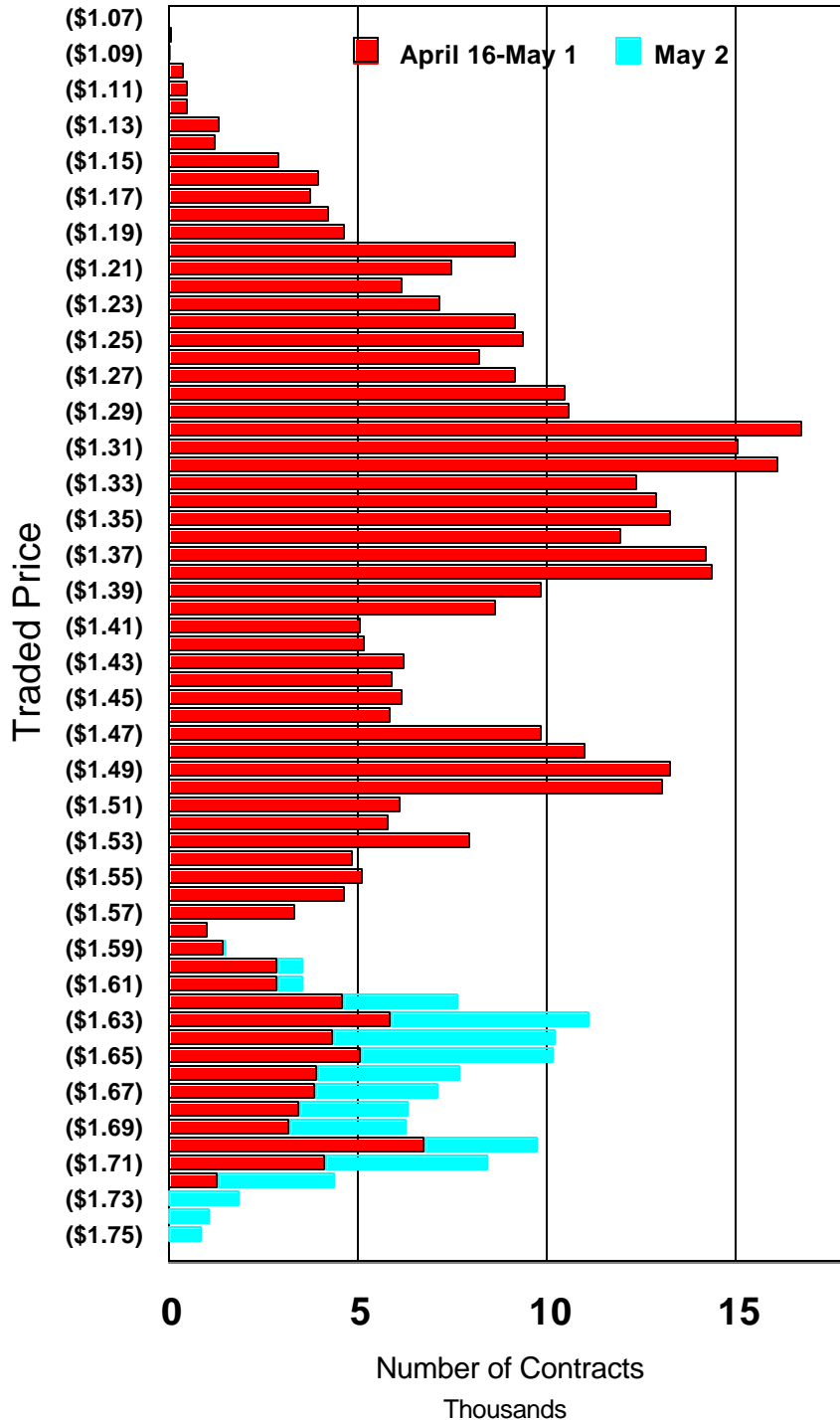
Iran said it was ready to compromise on language calling for full compliance with the Nuclear Nonproliferation Treaty. Iran said it could drop its objections if the statement on compliance was expanded to specify that it also applied to disarmament by countries that have nuclear weapons. Iran’s objections led to a postponement of the next session to give time to search for a compromise.



NYMEX WTI: June July Spread

Price Vs Volume for April 16 - May 2, 2007

Trade Weighted Avg: 5/2 -1.67 5/1 -1.64 4/30 -1.488 4/27 -1.338 4/26 -1.281



An Iranian delegate continued to reject a UN Security Council demand that Iran halt its uranium enrichment.

A former Iranian nuclear negotiator, Hossein Mousavian, was detained. It was not clear why he was arrested on Monday.

Refinery News

Valero Energy Corp said there was no material impact to production at its 170,000 bpd refinery in Benicia, California from an upset caused by a brief electrical power interruption on Tuesday.

Husky Energy Inc reached an agreement to acquire Valero's Lima, Ohio refinery. The acquisition is subject to regulatory approval and is expected to close by the end of the second quarter of 2007. The refinery has a throughput capacity of 165,000 bpd.

Enbridge Inc said volume restrictions on its 450,000 bpd Line 3, which carries Canadian oil to the US Midwest, may last through the summer as it investigates the cause of a rupture last month. The volumes on the line would be restricted to 80% of capacity possibly through the third quarter.

Russia's Economic Development and Trade Ministry reported that primary crude oil refining in Russia increased by 6.5% on the year to 56.2 million tons in January-March. Oil refining

accounted for 46.3% of oil output in January-March, up from 45.4% last year.

Production News

According to Reuters, the ten OPEC members produced 26.6 million bpd in April, down 60,000 bpd on the month. Total OPEC production stood at 30.03 million bpd, down from 30.14 million bpd in March. It reported that Saudi Arabia's production remained unchanged at 8.6 million bpd while Iran's production fell to 3.84 million bpd from 3.92 million bpd. It reported that Iraq's production fell by 100,000 bpd to 1.87 million bpd while Angola's production increased by 50,000 bpd to 1.56 million bpd in April.

A Dow Jones Newswire survey showed that the ten OPEC members increased their production by 133,000 bpd to 26.73 million bpd in April compared with an increase of just 35,000 bpd in March. It showed the OPEC members produced about 850,000 bpd above their output target of 25.88 million bpd. It reported that total OPEC production increased to 30.203 million bpd in April from 30.06 million bpd in March.

Saudi Arabia is unlikely to increase its production capacity beyond an existing target of 12.5 million bpd as consumers are expected to cut fuel use to combat global warming. Saudi Arabia has stated that energy conservation could discourage producers from investing in new capacity.

Iran's Oil Minister Kazem Vaziri Hamaneh said that a deal for Sinopec Group to invest in the Yadavaran oilfield in Iran was likely to be completed in the coming weeks. He said the only remaining issue in the way of the deal is the rate of return that Sinopec would get on its investment. Iran and China signed a memorandum of understanding in 2004 in which Iran would allow Sinopec Group to develop the oilfield in exchange for an agreement to buy 10 million metric tons of Iranian LNG a year for 25 years.

Iraq's Oil Minister Hussain al-Shahristani said Iraq expects a Chinese oil company to submit by the end of May revised technical proposals for developing the Ahdab oilfield.

The Shetland Island Council said Brent crude oil exports from the Sullom Voe terminal fell to 157,869 tons in the week ending May 1 from 240,277 tons in the previous week.

Russia's Energy Ministry reported that Russian oil production in April fell to 9.818 million bpd, down 0.6% on the month. It also reported that exports via Transneft increased by 6.5% on the month to 4.695 million bpd. Russia's seaborne oil exports supplied to ports by Transneft increased to 3.04 million bpd, up 9.4% on the month.

Former Soviet Union gas oil exports from the Baltic and Black Sea ports in April fell to 2.3 million tons, down from 2.56 million tons in March.

The Russian state railway monopoly said Russian refined oil products exports to Estonia could be disrupted because of planned maintenance. Traders said Russian firms were struggling to export oil products via Estonia as Russia's railways were not accepting volumes scheduled for May shipment.

An official from the Nigerian Petroleum Development Co said Nigeria's ability to increase future oil exports would be limited by rising domestic oil demand. He said that even though the country was working to increase output from deepwater production areas, domestic demand would pressure exports.

The French Energy Ministry reported that oil product demand in the country fell by 7% to 7.93 million tons in March due to mild temperatures during the winter. It reported that gasoline demand fell by 3%

to 821 million tons while diesel demand increased by 2.1% to 2.827 million tons. Heating oil demand fell by 24.2% to 1.21 million tons.

Brazil's Petrobras said it may pull out of a joint project with Venezuela's PDVSA in the Orinoco region if PDVSA did not offer Petrobras satisfying conditions. Due to Petrobras' concerns, PDVSA has threatened to hold a tender for the development of the block. The Carabobo I block holds 45.5 billion barrels of oil.

India said it would be interested in a deal for Saudi Arabia to store oil on its territory. India currently does not have any strategic storage available. However India's Minister of Petroleum and Natural Gas said there have been discussions to create a storage facility in crude oil. This followed Japan's and Saudi Arabia's agreement to start negotiations to allow Saudi Arabia to use existing reserve facilities in Japan. Japan's Economy Minister, Akira Amari, said oil ministers in Asia assured that strategic oil reserves would only be used in emergencies and not to lower prices.

OPEC's news agency reported that OPEC's basket of crudes increased to \$64.65/barrel on Tuesday from Monday's \$64.12/barrel.

Market Commentary

Draws in the gasoline stocks were not enough to hold up prices today. Opening unchanged, the June crude fell \$1.35 on NYMEX under lightly traded volume. However, lower than expected builds on the DOE number may have been behind the strength on the June/July spread which had a range today of -1.76 - -1.59. Both long and short term market indicators appear to be calling for lower numbers with %K set at 45.26 and %D set at 54.73 on a daily chart. We would like to see the week finish out with a settlement below 62.45 in order for prices to continue their downward move into next week. Currently support in June crude is set at 62.63, 62.10, 61.60, 61.09 and 60.22. Resistance comes in at 63.77 64.05, 64.15, 64.30, 64.65, 65.10, 65.66. The Dec07/Dec08 spread is playing out nicely and should continue to come under pressure. The forward curve continues to indicate front end selling and middle

to back end buying. The RBOB market, which shrugged off the draw in gasoline stocks, seemed to be pressured by the slight increase in refinery

Technical levels		
	Levels	Explanation
CL 63.68, down 72 cents	Resistance	65.10, 65.66
		63.77, 64.05, 64.15, 64.30, 64.67
	Support	63.05
HO 188.29, down 1.19 cents	Resistance	191.67, 191.94
		186.00, 187.25, 189.00
	Support	182.88
RB 224.47, down 1.47 cents	Resistance	229.40, 229.50
		224.00, 224.90
	Support	219.25
	219.05, 217.22, 215.83	62% (177.15 and 191.94), Previous lows Previous high, 38% retracement(197.26 and 229.55),Previous low

utilization. It traded off a high of 224.90 and extended its losses to over 5 cents as it sold off to a low of 219.25 following the release of the DOE report. The market however bounced off its low and retraced some of its losses as failed to test its support at 219.05. It settled down 1.21 cents at 223.26. The heating oil market also settled down 3.03 cents at 185.26 after the market retraced almost 62% of its move from a low of 177.15 to a high of 191.94 as it traded to a low of 182.88 amid the weakness in the rest of the complex. The markets are seen continuing to trend lower as stochastics have cross to the downside. The markets are also seen remaining pressured on Thursday amid the news that the DOE decided to halt its purchase of crude oil for the SPR until the end of the summer. The RBOB

market is seen testing its support at its low of 219.25 followed by 219.05. More distant support is seen at 217.22.