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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 3, 2007

The US Energy Department said its plan to add up to 9 million barrels of royalty-in-kind oil to its SPR was proceeding, after it suspended direct purchases until the end of September. Under the royalty program, contracts would start on July 1 and deliveries of crude would start in August. It expects a fill rate of about 50,000 bpd over six months.

Nigerian militant group, Movement for the

Emancipation of the Niger Delta, said all the hostages taken from a Saipem and SBM Offshore oil production vessel earlier on Thursday were released. The leader of the militant group said his group had not intended to take more hostages after it seized six foreign workers on Tuesday. Separately, diplomats said unidentified gunmen kidnapped a Dutch man from a bar on the outskirts of Warri on Wednesday night. Also twelve workers, 11 of them foreign, have been kidnapped from a power plant construction site in the Niger Delta. The militant group, MEND, said that kidnappings is intended to embarrass the outgoing regime and warn the incoming government. It has stated that it would step up attack in anger at recent elections.

The head of the IEA, Claude Mandil said oil prices were still too high and the market still needed more spare capacity. Separately, he stated that Iran is entitled to get civil nuclear power capacity from an energy point of view.

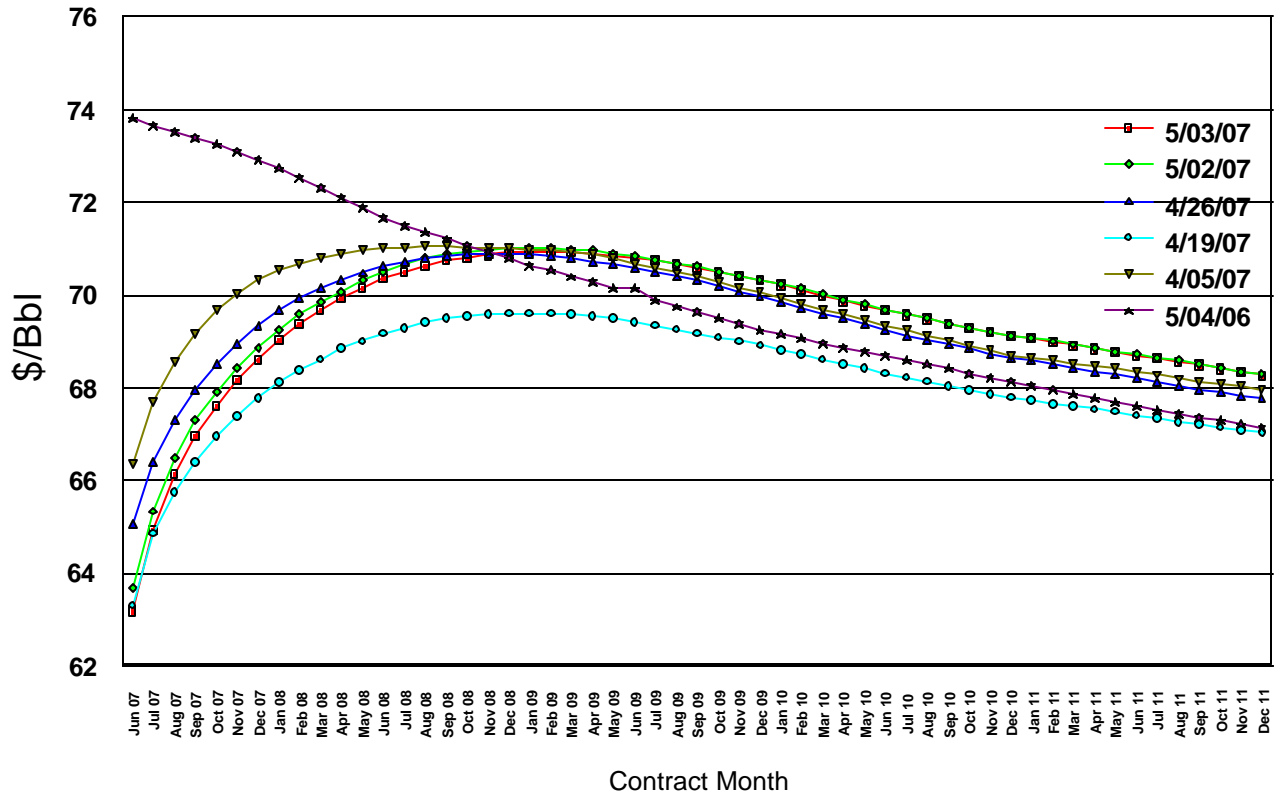
Market Watch

The Port of Houston is expected to delay the roll out of the next phase of the federal port security program due to civil rights issues. It is scheduled in July to tighten security that would extend full background checks to all workers entering US maritime facilities and vessels. In the next phase of the Transportation Worker Identification Credential program, the Department of Homeland Security would require security screening of all workers with unescorted access to ports. Civil rights groups have argued that the port authorities do not have the right to collect personal background information and use them.

Shipbrokers stated that Chevron Corp booked a super tanker from the Middle East to Asia at W95 points, more than 26% above settlement levels. Chevron Corp confirmed the booking of the 270,000 tons vessel to load on May 28.

The New York Board of Trade has decided to add a surcharge of 25 cents to electronic transactions while some open outcry traders charge up to \$2 to provide the same service. The electronic fee on NYBOT would take effect next month. ICE said the 25 cent surcharge is to bring NYBOT fees more in line with the broader US exchange pricing now that NYBOT is run as a for-profit company. A committee of NYBOT floor traders was seeking to meet with ICE leaders to request it added a \$1 surcharge to electronic trades, rather than 25 cents.

NYMEX WTI Forward Curve



Iran's President Mahmoud Ahmadinejad said Iran would not halt its nuclear program after world powers told Iran to freeze uranium enrichment or face further UN sanctions. Senior officials from the US, Britain, France, Germany, Russian and China warned Iran on Wednesday of fresh UN sanctions if it refused to halt uranium enrichment work. Meanwhile, Iran on Thursday refused to accept a compromised meant to overcome its objections to language calling for total compliance with the Nuclear Nonproliferation Treaty.

Diplomats familiar with Iran's nuclear program said Iran was continuing to increase the number of centrifuges in operation at its underground uranium enrichment plant at Natanz. The diplomats said the number of machines ready to spin uranium gas into an enriched form totaled 1,600, up 300 in the past two weeks.

According to Oil Movements, OPEC's oil exports are expected to fall by 30,000 bpd to 24.35 million bpd in the four weeks ending May 19.

AAA stated that retail gasoline prices in California set a record high of \$3.435/gallon on Thursday, up 0.9 cents. In San Francisco, prices set a record of \$3.586/gallon. The AAA reported that nationwide, retail gasoline prices reached \$2.991/gallon.

Refinery News

Alon USA Energy Inc said it would perform repairs on a sulfur recovery unit and an emissions reduction unit at its 70,000 bpd Big Spring, Texas refinery on Thursday. The brief planned maintenance would not impact production of refined oil products at the refinery.

Two 90,000 bpd crude units at BP's Whiting, Indiana refinery are expected to be partially restarted in June following maintenance that was moved forward following a March fire. One of the units is expected to resume operation in early June but would operate at reduced rates. The second crude unit may resume operations at the end of June but may be delayed until mid-July due to the nature of the work left to be done.

Western Refining Inc said the instrument air system in the North Plant of its El Paso, Texas refinery shutdown on Tuesday, resulting in an emissions event.

Gary Williams Energy Corp said that no date has been set to resume full operations at its 50,000 bpd Wynnewood, Oklahoma refinery.

Frontier Oil Corp said it would begin planned work at its 47,000 bpd refinery in Cheyenne, Wyoming on May 13 and would last 30 days for most units. The work had been planned earlier in the year but was postponed due to construction delays and higher costs for the delayed coker projects. The coker unit would be down for 50 days.

Tesoro Corp said a fluid catalytic cracking unit at the 100,000 bpd Los Angeles area refinery it is purchasing from Shell would resume operations by May 11, when it takes control of the refinery. It also stated that it was planning to perform maintenance on a coker, hydrotreater and hydrocracker at the refinery in May. The refinery's throughput in May is expected to be between 60,000 bpd and 65,000 bpd in May and between 85,000 and 90,000 bpd in June.

The Olympic Pipeline, which carries about 295,000 bpd of gasoline, diesel and jet fuel from Puget Sound refineries to Portland, Oregon, is scheduled to be shut starting Friday for six days of planned maintenance. Following the maintenance, it would take another three days to fill the line.

The Belgium Petroleum Federation and two unions agreed on a new proposal to resolve a labor dispute and avert strikes at refineries in Antwerp.

ExxonMobil Corp restarted a 140,000 bpd crude distillation unit that it briefly shut at its 300,000 bpd Jurong refinery in Singapore following a fire in an associated unit on Thursday. The company said a larger 185,000 bpd crude distillation unit at the refinery continued to operate normally. A brief fire started in a cooling unit that was undergoing maintenance.

Singapore Refining Co is scheduled to shut a 90,000 bpd crude distillation unit at its 285,000 bpd refinery from May 16 to June 13.

Royal Dutch Shell has shutdown its 125,000 bpd Geelong refinery in Australia for scheduled maintenance work starting Thursday for up to 10 weeks.

Production News

Royal Dutch Shell said it was preparing to restart oil operations shut by militant attacks in the Niger Delta following an improvement in the security situation. Separately, Shell said loading of crude from the Niger Delta's Forcados terminal could restart sometime in June, more than a year after it was shut by militant attacks, if the security situation allows. It could not give a firm date for the return to full production nor the rate of ramp up to full production.

Venezuela's Oil Minister Rafael Ramirez said the country was unlikely to pay cash to compensate foreign oil companies whose projects in the Orinoco reserve are

being nationalized. He said

NYMEX Petroleum Options Most Active Strikes for May 3, 2007

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	8	7	P	57	07/17/2007	0.5	6,900	28.82
LO	6	7	C	65	05/17/2007	0.6	3,723	26.23
LO	8	7	P	66	07/17/2007	3.01	3,700	26.25
LO	7	7	P	54	06/15/2007	0.1	3,450	30.74
LO	6	7	C	63	05/17/2007	1.39	2,785	26.31
LO	12	7	C	68.5	11/13/2007	5.07	2,550	26.27
LO	12	7	P	68.5	11/13/2007	4.95	2,550	26.24
LO	6	7	P	63	05/17/2007	1.2	2,291	26.30
LO	3	8	P	55	02/14/2008	1.39	2,200	28.64
LO	9	7	C	85	08/16/2007	0.27	2,010	28.11
LO	12	10	C	69	11/16/2010	8.84	1,850	22.68
LO	12	7	C	75	11/13/2007	2.7	1,850	26.01
LO	12	10	P	69	11/16/2010	8.72	1,850	22.62
LO	11	7	C	75	10/17/2007	2.23	1,750	25.98
LO	12	7	C	85	11/13/2007	0.95	1,665	26.48
LO	7	7	C	70	06/15/2007	0.74	1,401	27.10
LO	6	7	C	66	05/17/2007	0.36	1,387	26.07
LO	6	7	P	60	05/17/2007	0.31	1,379	27.96
LO	6	7	C	67	05/17/2007	0.22	1,342	26.56
LO	7	7	P	60	06/15/2007	0.69	1,316	28.11
LO	7	7	C	75	06/15/2007	0.25	1,312	29.65
LO	6	7	P	67	05/17/2007	4.02	1,300	26.62
LO	6	7	P	65	05/17/2007	2.41	1,247	26.35
LO	7	7	C	74	06/15/2007	0.31	1,238	29.15
OB	10	7	C	1.95	09/25/2007	0.156	500	34.11
OB	6	7	C	2.22	05/25/2007	0.111	500	44.41
OB	8	7	C	2.3	07/26/2007	0.0876	414	35.90
OB	8	7	C	2.75	07/26/2007	0.0223	400	40.37
OB	9	7	C	2.3	08/28/2007	0.0851	314	34.47
OB	9	7	P	2.01	08/28/2007	0.1105	300	32.84
OB	8	7	C	2.14	07/26/2007	0.1442	275	34.57
OB	9	7	P	2.04	08/28/2007	0.1236	275	32.72
OB	9	7	C	2.22	08/28/2007	0.1061	189	33.72
OB	9	7	C	2.28	08/28/2007	0.0899	189	34.28
OB	8	7	C	2.2	07/26/2007	0.1195	174	34.95
OB	7	7	C	1.95	06/26/2007	0.2814	134	40.22
OB	6	7	C	2.24	05/25/2007	0.1004	104	44.18
OB	10	7	C	1.94	09/25/2007	0.1581	100	33.63
OB	6	7	P	2.24	05/25/2007	0.0928	100	44.18
OB	10	7	P	1.94	09/25/2007	0.159	100	33.63
OB	6	7	P	2	05/25/2007	0.0199	100	47.07
OH	6	7	C	1.82	05/25/2007	0.0633	290	27.84
OH	7	7	C	2	06/26/2007	0.0356	150	29.84
OH	8	7	C	1.95	07/26/2007	0.0716	145	27.76
OH	8	7	P	1.82	07/26/2007	0.0679	145	27.84
OH	6	7	C	1.84	05/25/2007	0.0524	100	27.69
OH	6	7	P	1.84	05/25/2007	0.0472	100	27.76

Venezuela has ruled out buying the debt that oil companies have in the projects as part of its negotiations to nationalize their assets. Venezuela's Oil Minister said there was a conflict with ConocoPhillips over the nationalization of its project in the Orinoco region. Venezuela has set a June 26 negotiating deadline to reach the terms over the formation of new joint ventures for the ownership of the projects.

Brazil's Petrobras denied reports saying that it may pull out of the Carabobo joint project with PDVSA in the Orinoco tar belt. The Carabobo I block is estimated to hold 45.5 billion barrels of oil.

Iraq's Oil Ministry reported that the country exported 1.605 million bpd of oil in April compared to 1.62 million bpd in March. It blamed the slight fall in exports on sabotage attacks on northern oilfields.

Iraq's Oil Ministry could renegotiate Lukoil's production sharing contract for the West Qurna oilfield if the federal government decides it is in its best interest to salvage the deal, which was revoked by the previous regime. Iraqi oil officials said the current Iraqi government is not under any obligation to renegotiate Lukoil's deal but could do so as a political favor to Russia.

Saudi Arabia is expected to

increase the price of its heavier grades to Asian buyers for the third consecutive month in June as refinery maintenance in Asia drives margins above \$10/barrel. Arab Extra Light as well as Super Light crude should also gain on the back of stronger gas oil prices and high refinery margins.

Suncor Energy Inc's average production at its oil sands facility in April was about 218,000 bpd. It said production was lower than expected due to unplanned maintenance.

An analyst stated that gasoline stocks in independent Amsterdam-Rotterdam-Antwerp storage increased by 131,000 tons to 710,000 tons in the week ending March 5th. It is down 25,000 tons from last year's level. He said the usual imports from the UK, France and Russia were supplemented by imports over the past week from the eastern Mediterranean and Sweden. Gas oil stocks in the ARA area increased by 70,000 tons to 1.984 million tons while fuel oil stocks fell by 55,000 tons to 481,000 tons on the week. Naphtha stocks fell by 35,000 tons to 75,000 tons while jet fuel stocks fell by 2,000 tons to 388,000 tons on the week.

Russia's Energy Ministry reported that Russian gasoline exports fell by 6.4% to 451,000 tons in the first 25 days of April compared with 539,800 tons in the first 28 days of March. It also showed that gas oil shipments were down 4.6% to 2.161 million tons compared with 2.536 million tons in the previous month. Meanwhile fuel oil exports increased by 5.5% to 3.002 million tons from 3.189 million tons in March.

Russian state railways denied oil supplies to Estonia had been halted due to a political dispute. However some traders said oil trains were still blocked on Thursday.

Indonesia is expected to import 10 million barrels of oil products in June. Pertamina is expected to import 3.5 million barrels of gasoline and 5 million barrels of gasoil in June. It is also expected to import 900,000 barrels of fuel oil and 600,000 barrels of kerosene in June.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 299,000 barrels to 12.034 million barrels in the week ending May 2. It reported that light distillate stocks built by 841,000 barrels to 9.374 million barrels while middle distillate stocks fell by 541,000 barrels to 8.388 million barrels.

Ecuador's Petroecuador stopped producing an accumulated 21,700 barrels of crude oil so far this year due to sabotage at its oil facilities. Its daily output fell to 164,000 barrels from the average 170,000 barrels

registered this year.

OPEC's news agency reported that OPEC's basket of crudes fell to \$63.61/barrel on

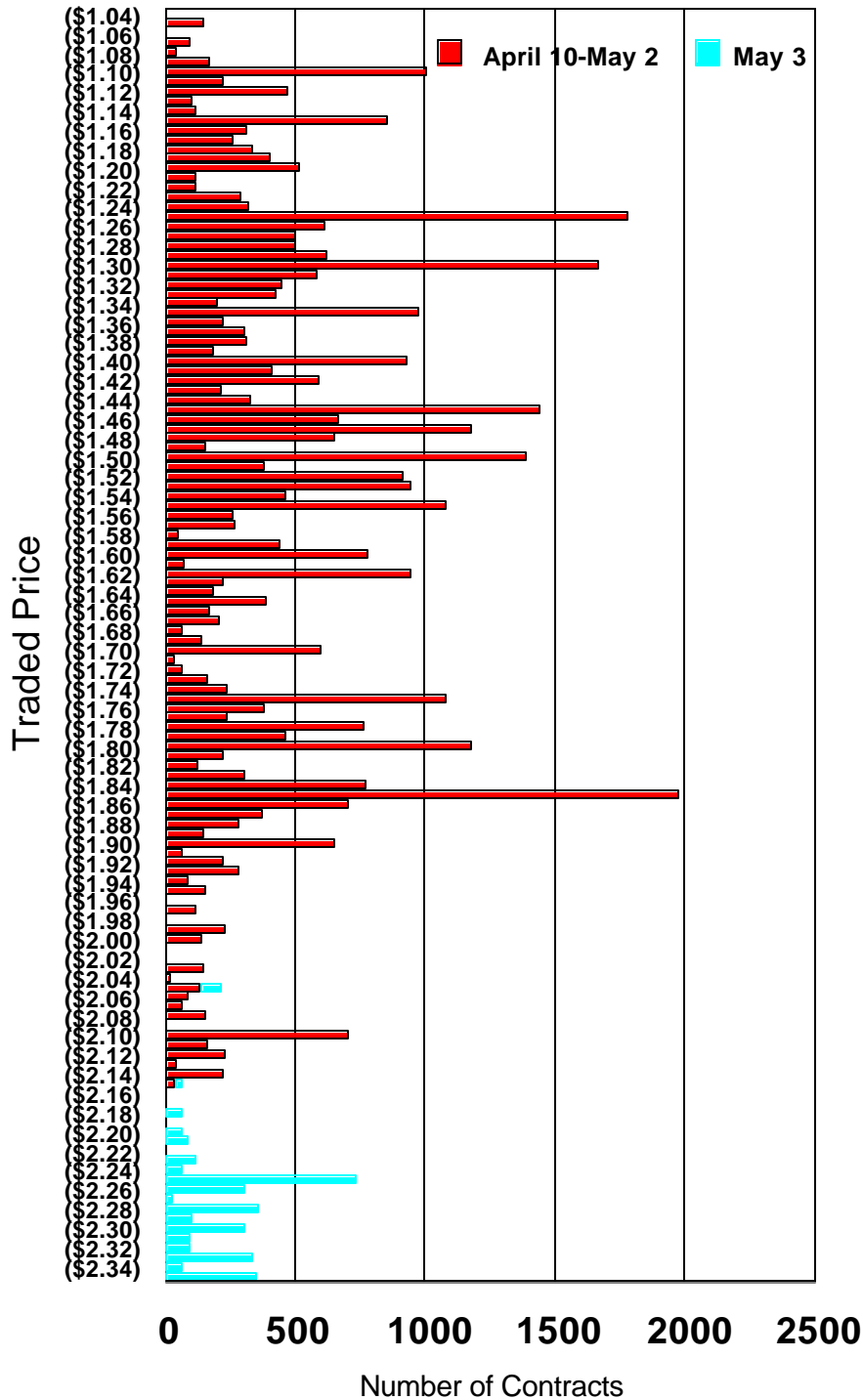
Technical levels		
	Levels	Explanation
CL 63.19, down 49 cents	Resistance 64.45, 64.67, 65.70, 66.15, 66.65	Previous highs
	Support 64.09	Thursday's high
HO 188.29, down 1.19 cents	Resistance 63.00, 62.74	Thursday's low
	Support 62.63, 62.30, 61.60, 61.09, 60.22	
RB 224.47, down 1.47 cents	Resistance 189.00, 191.67, 191.94	Previous highs
	Support 186.31	Thursday's high
	Resistance 183.05	Thursday's low
	Support 182.88, 182.80, 182.23, 180.00	Previous low, 62% (177.15 and 191.94), Previous lows
	Resistance 229.40, 229.55	Previous highs
	Support 225.68	Thursday's high
	Resistance 223.33, 221.65, 219.69	Thursday's low
	Support 219.25, 219.05, 217.22, 215.83	Previous lows, 38% retracement(197.26 and 229.55), Previous low

Wednesday, down from Tuesday's \$64.65/barrel.

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - May 3, 2007

Trade Weighted Avg: 5/3 -2.274; 5/2 -2.01; 5/1 -1.716; 4/30 -1.463; 4/27 -\$-1.61

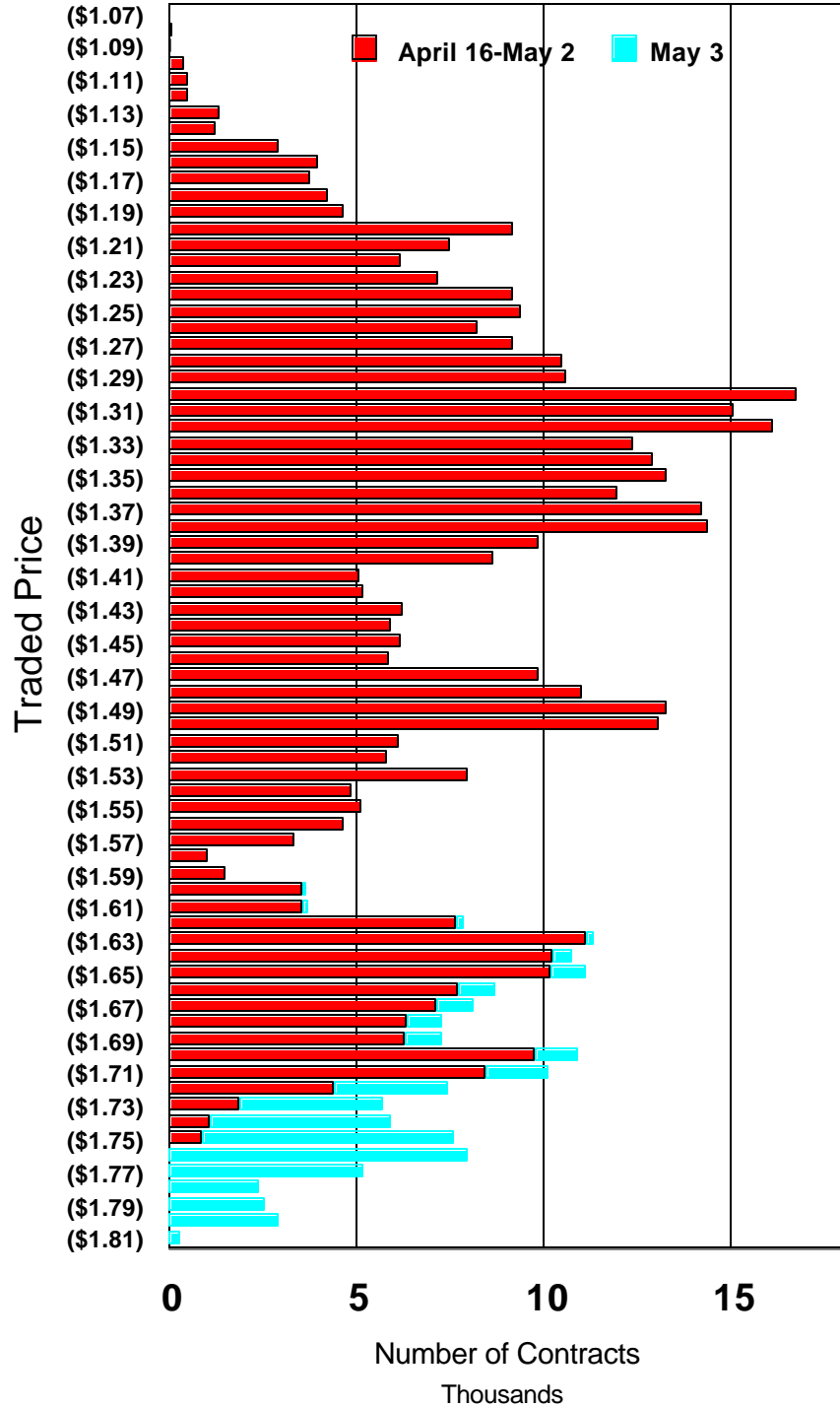


Market Commentary

With the announced release of hostages taken in Nigeria, coupled with talks between Belgian unions and the Belgium Petroleum Federation coming to an agreement, crude oil prices fell for the fourth day in a row. The market was also pressured in light of the DOE's announcement that its suspended its purchase of oil for the SPR until the end of the summer. Front month crude is now at its lowest level in four weeks, with the June crude currently poised to test 62.29, which is the 62% retracement between 52.73 and 68.20. Technically and fundamentally this market should continue lower tomorrow and ideally we would like to see prices close below 63.16 on the week. We would like to take advantage of any run-up in prices. The first level of resistance is 6410 then 6445, 6470, **6570, 6665**. Support is set at 6300, 6280, 6230. 6105 **6022**. The Dec07/Dec08 spread fell 5 cents shy of our -2.40 target, and tomorrow has a good shot at surpassing this number. Unlike the crude market, the RBOB market bounced off its low of 219.69 early in the session and retraced Wednesday's losses. The market rallied to a high of 225.00 on news that two crude units at BP's Whiting refinery would restart in June, later than previously expected. The market later settled in a sideways trading pattern and closed up 1.5 cents at 224.76. The market

NYMEX WTI: June July Spread Price Vs Volume for April 16 - May 3, 2007

Trade Weighted Avg: 5/3 -1.743 5/2 -1.67 5/1 -1.64 4/30 -1.488 4/27 -1.338



on Friday is seen retracing its gains amid the losses seen in the oil market. Technically, the market is also seen trading lower as stochastics are still trending lower.