



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 MAY 4, 2007

A standoff between Iran and the majority of the delegations at a nuclear conference deepened on Friday over the language calling for full compliance with the Nuclear Nonproliferation Treaty, with

Market Watch

The DOE said Qatar's Oil Minister Abdullah Bin Hamad al-Attiyah is scheduled to meet with US Energy Secretary Samuel Bodman to discuss mutual energy security cooperation.

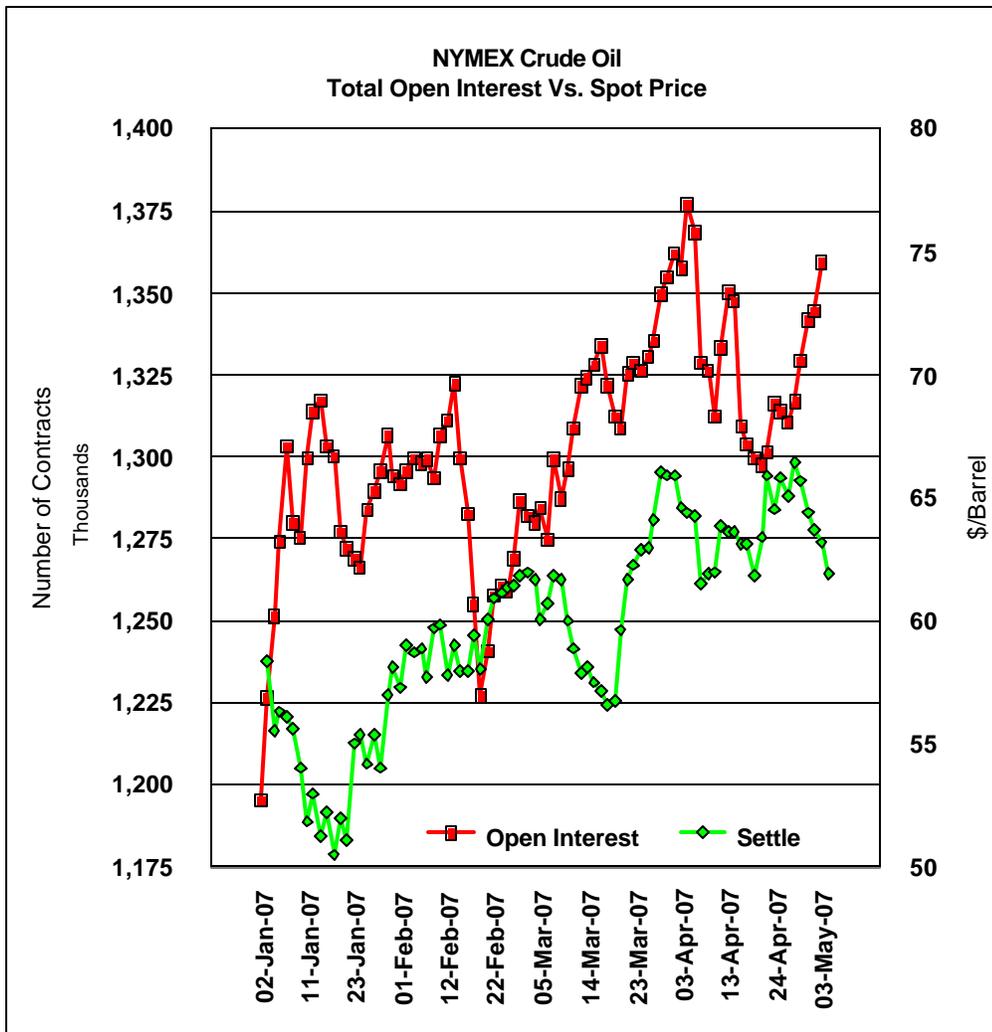
The EPA said it has not received any requests from states to be exempt from federal clean gasoline requirements. The EPA's announcement is the latest indication that no federal government action is imminent despite declining US gasoline stocks ahead of the peak summer driving season.

organizers adjourning the third consecutive session in as many days. Iran's position has delayed adoption of the agenda since the start of the conference on Monday. Separately, Iran's Energy Minister Parviz Fattah said Iran would inaugurate its first nuclear power plant with a capacity of 1,000 MW in Bushehr in the coming year and would also start building two others. Iran has stated that it wanted to build a network of nuclear power plants with a capacity of 20,000 MW by 2020 to enable it to export more of its oil and gas.

Meanwhile, Iran issued a strong attack against US policy in Iraq during an Iraq summit. Iran's Foreign Minister Manouchehr Mottaki blamed the US presence in Iraq for the sectarian violence. The summit had been expected to see the first high level talks between the US and Iran, however those hopes were dashed as the only meeting that took place was between ambassadors. During the summit, Iraq's Prime Minister Nouri called for neighboring countries to stop funding terrorists and to block their entry into the country. The summit ended with the signing of a five year International Compact for Iraq, which offers financial aid and calls for Iraq's political reforms and reconciliation.

The EIA reported that US oil demand set a record in February at 21.271 million bpd, up 4.7% on the year and down 2% from its previous estimates. Gasoline demand was revised down 1.3% from initial estimates to 9.025 million bpd while distillate demand was revised down by 1.4% to 4.601 million bpd.

Analysts and militants said that the rigging and violence that characterized Nigeria's elections have encouraged fighters to show off their strength and bargaining power to the new administration. They predict that violence would spread beyond the traditional oil targets to government officials as groups jockey for influence during the transfer of power. President elect Umaru Yar'Adua is scheduled to be sworn in May 29 along with new governors.



A Nigerian military spokesman said negotiators have reached gunmen holding 11 foreign workers seized in an attack on a power plant and are urging for the hostages' release. The 11 foreign workers were among 21 people taken hostage in three attacks on Thursday. Nine of them, including eight foreigners, were freed later in the day.

Refinery News

According to BP, crude oil storage capacity at Cushing should increase from 40 million barrels to 50 million barrels by 2009. It made the prediction in its open season documents for its proposed Viridian pipeline project, which would convert an

existing Cushing to Chicago line to carry Canadian crude from the Chicago area to Cushing. The DOE reported on Wednesday that there were 27.1 million barrels of crude in stock at Cushing last week, up 1.1 million barrels.

Flint Hills Resources LP is scheduled to start an overhaul of its 280,000 bpd Pine Bend refinery in Rosemount, Minnesota next week.

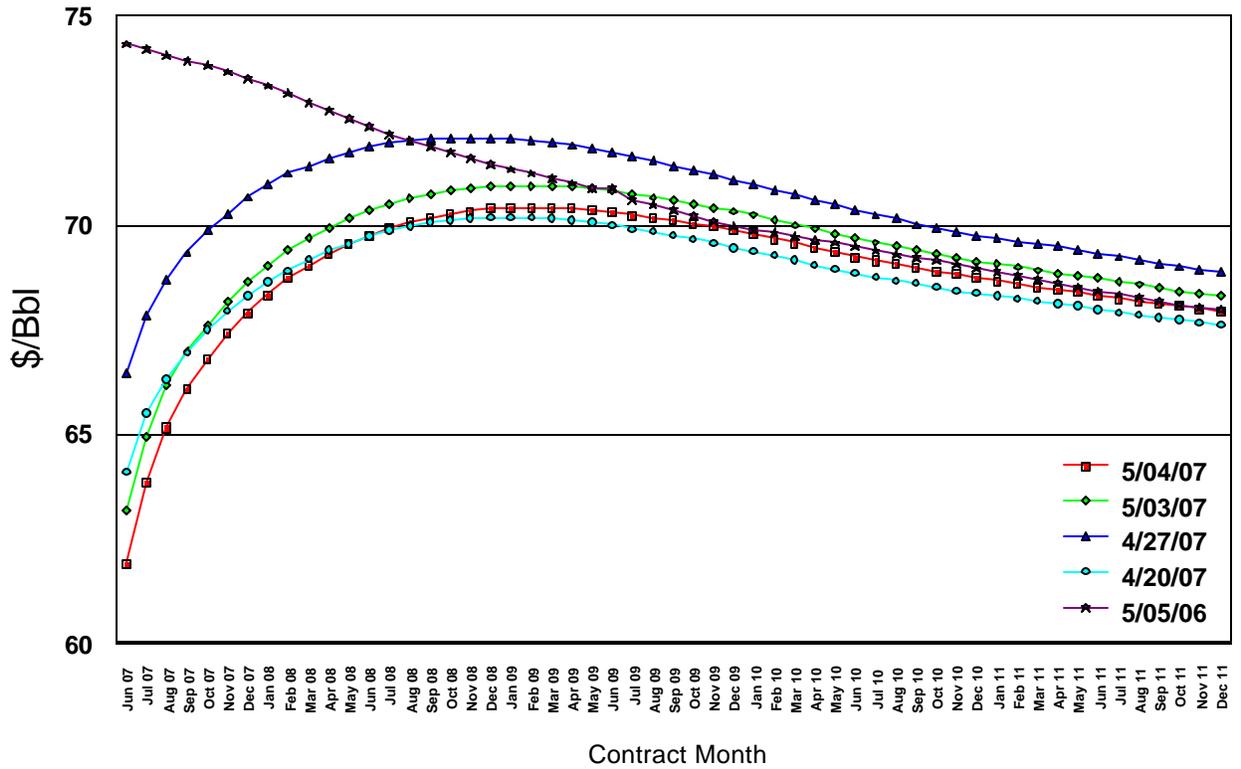
Gary Williams Energy Corp's 55,000 bpd Wynnewood, Oklahoma refinery remained shut following a fire in storage tanks last weekend. It said it hoped to restart the refinery early next week.

ExxonMobil Corp said its 150,000 bpd refinery in Torrance, California completed a planned overhaul and restarted its sulfur recovery unit on Thursday night.

Contrary to reports on Thursday, industry sources stated that ExxonMobil Corp's 115,000 bpd crude distillation unit at its Jurong refinery is expected to restart in two to three weeks after it was shut following a fire on Thursday. There were reports stating that the crude unit was restarted.

Belgian oil union leaders started presenting a preliminary salary agreement to workers who would vote later this month on whether to launch a strike in the country's oil refineries. Union and employer

NYMEX WTI Forward Curve



negotiators agreed late on Wednesday on a provisional deal to increase salaries by 3% above inflation this year and next, compared with 2.3% per year previously offered.

Petroecuador said it controlled a brief fire in the country's 110,000 bpd Esmeraldas refinery on Thursday and added that operations were normal. The refinery has been operating at half its capacity in recent years due to lack of investment.

According to Brazil's Agriculture Ministry, Brazil is expected to produce a record 20.2 billion liters of ethanol in the current May 2007-April 2008 sugarcane season, up 13.5% from the previous harvest.

Production News

Nigeria's 50,000 bpd Okono/Okpoho oilfield shut in production and declared force majeure after eight foreign workers were briefly abducted from the offshore facility on Thursday. The field operators declared force majeure, affecting one tanker that was due to berth on Friday. Italy's Eni said it was unclear when 65,000 bpd of oil production in Nigeria, including Chevron's 15,000 bpd, would restart following Thursday's militant attack on one of its offshore production ships.

Industry sources said Shell was sending workers back to abandoned control stations and pipeline connectors near the Forcados export terminal. However they stated that restoring lost output would take several months and may be set back by more violence. Meanwhile, a senior industry executive said despite theft and sabotage it could restore about 200,000 bpd of Forcados output as soon as July. The company has stated that preparations for a restart are underway without providing a timetable.

Nigeria's central bank reported that the country's savings from high oil prices stood at \$9.57 billion on April 25. Nigeria's budget this year was based on oil prices at \$40/barrel while Brent crude has been trading near \$66/barrel.

Saudi Arabia cut first quarter oil exports to its customers in China, Japan and South Korea by 11% on the year to 2.281 million bpd. Asia has borne the brunt of Saudi Arabia's output cuts in place since November. Japan saw the largest fall, with Saudi crude exports down 19% from a year ago.

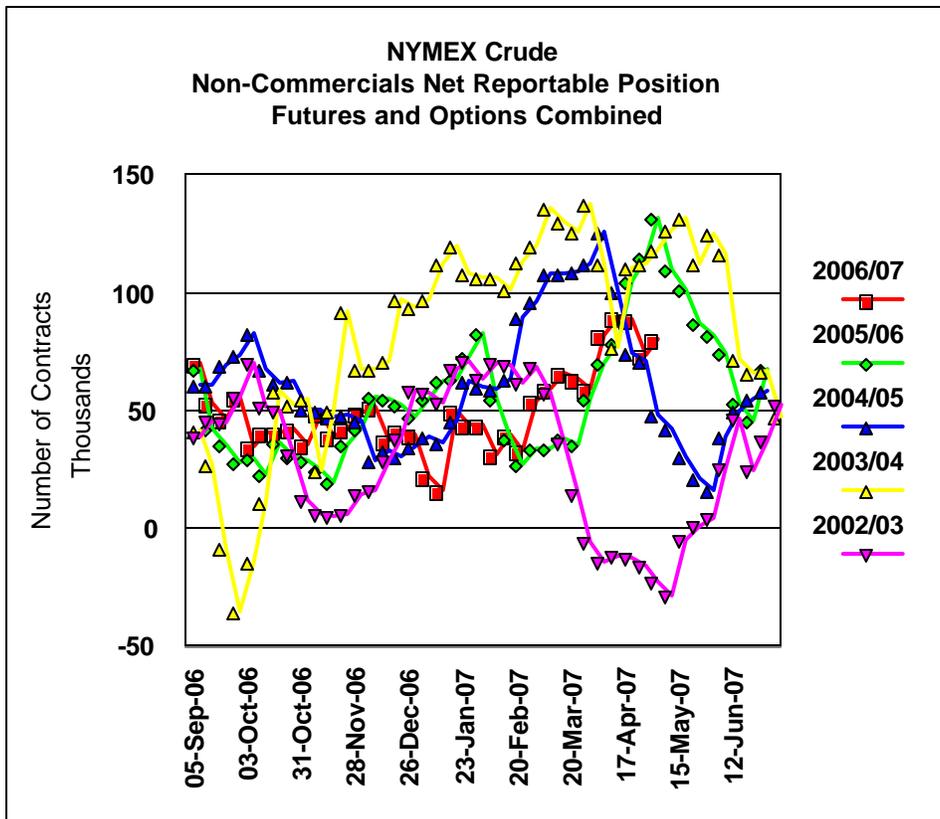
Venezuela threatened to eject ConocoPhillips from the country if it further resists President Hugo Chavez's plans to nationalize the Orinoco reserve. The government also ruled out paying cash compensation or buying the debt they took on to develop the Orinoco projects. ConocoPhillips was the only company that refused to sign an accord with Venezuela to transfer operations of the Orinoco projects to the government.

Russia is expected to cut its oil product exports via Estonia by 2 million tons in the next 1-2 months while it increases its exports via the Russian Baltic port of St. Petersburg. Meanwhile, the European Commission said it expected Russian companies to meet contractual obligations to deliver energy supplies to Estonia regardless of technical problems. Russian state railways has denied that oil supplies to Estonia were halted due to a political problem.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$63.11/barrel on Thursday from Wednesday's \$63.61/barrel.

Market Commentary

Given the fact that the June crude settled below 62.63, the most recent low (also the level where prices worked their way back into the upward daily channel), we would look for more downward activity. We would still like to take advantage of selling any rally in this market and like the 62.60 area as our selling point. Our initial downward target would be 60.22 and would continue to sell with a break below this number. The forward curve indicates that up to the first quarter of 2008, prices were the weakest they have been in over a month. Heading into next week, we will be at the height of the rolls. The June/July spread should continue to come under pressure during this period as longs roll their positions. The weakest the May/June spread got to during its roll period on a weighted average was -2.91. The dec7/Dec 08 spread is trading at its weakest level and at this point in time we do not expect it to recover any time soon. It is interesting to note that open interest continued to build by a total of 14,819 contracts as of Thursday. Open interest in the June contract fell by 3,392 contracts while open



interest in the July and August contracts built by 7,007 contracts and 3,829 contracts, respectively. Meanwhile the RBOB market spiked higher early in the day to a high of 229.05 despite the lack of any news. However it just as quickly erased its gains and started the day's downward trend. The weakness in the crude and profit taking helped keep the market pressured during the rest of the day. The market extended its losses to over 4.7 cents as it sold off to a low of 219.70 late in the session in an attempt to test its support at 219.69. It settled down 3.12 cents at 221.64. Barring any further refinery problems, the market is seen testing its support at its lows followed by 219.25 and 217.22 as stochastics continued to trend lower. More distant support is seen at 215.83 and 213.41. Resistance is seen at 222.00, 224.00 followed by its highs of 229.05, 229.40-229.55.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long positions by 2,294 contracts to 66,123 contracts in the week ending May 1. The combined futures and option report showed that non-commercials increased their net long positions by 6,852 contracts to 79,891 contracts on the week. However given the markets' move in recent days, non-commercials have cut their net longs. Meanwhile, non-commercials in the product markets also increased their net long positions. Non-commercials in the RBOB market increased their net longs by 6,912 to 33,998 contracts while non-commercials in the heating oil increased their net longs by 4,078 contracts to 9,725 contracts on the week.

Technical levels		
	Levels	Explanation
CL 61.93, down \$1.26	Resistance 63.44, 64.09, 64.67 62.15, 62.60	Friday's high, Previous highs
	Support 61.56 61.40, 60.72, 60.55, 60.22	Friday's low Previous lows
HO 183.09, down 1.44 cents	Resistance 187.21, 189.00, 191.67, 191.94 183.30, 186.65	Friday's high, Previous highs
	Support 181.62 180.00, 179.89, 177.15	Friday's low Previous lows
RB 221.64, down 3.12 cents	Resistance 229.05, 229.40, 229.55 222.00, 224.00, 226.75	Friday's high, Previous highs
	Support 219.70, 219.69 219.25, 219.05, 217.22, 215.83	Double bottom Previous lows, 38% retracement(197.26 and 229.55),Previous low