



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 8, 2007

Italy's Eni reported that Nigerian rebels sabotaged three oil pipelines in the Niger Delta on Tuesday, forcing it to halt 150,000 bpd of oil production feeding its Brass export terminal. Eni suspended production at its Akri and Oshi oilfields following the sabotage of the Ogeoda-Brass and Tebidaba-Brass pipelines. Eni has already started repairing the pipelines. Local ship agents said oil loadings at Nigeria's Brass River export terminal have been halted until further notice. The

Market Watch

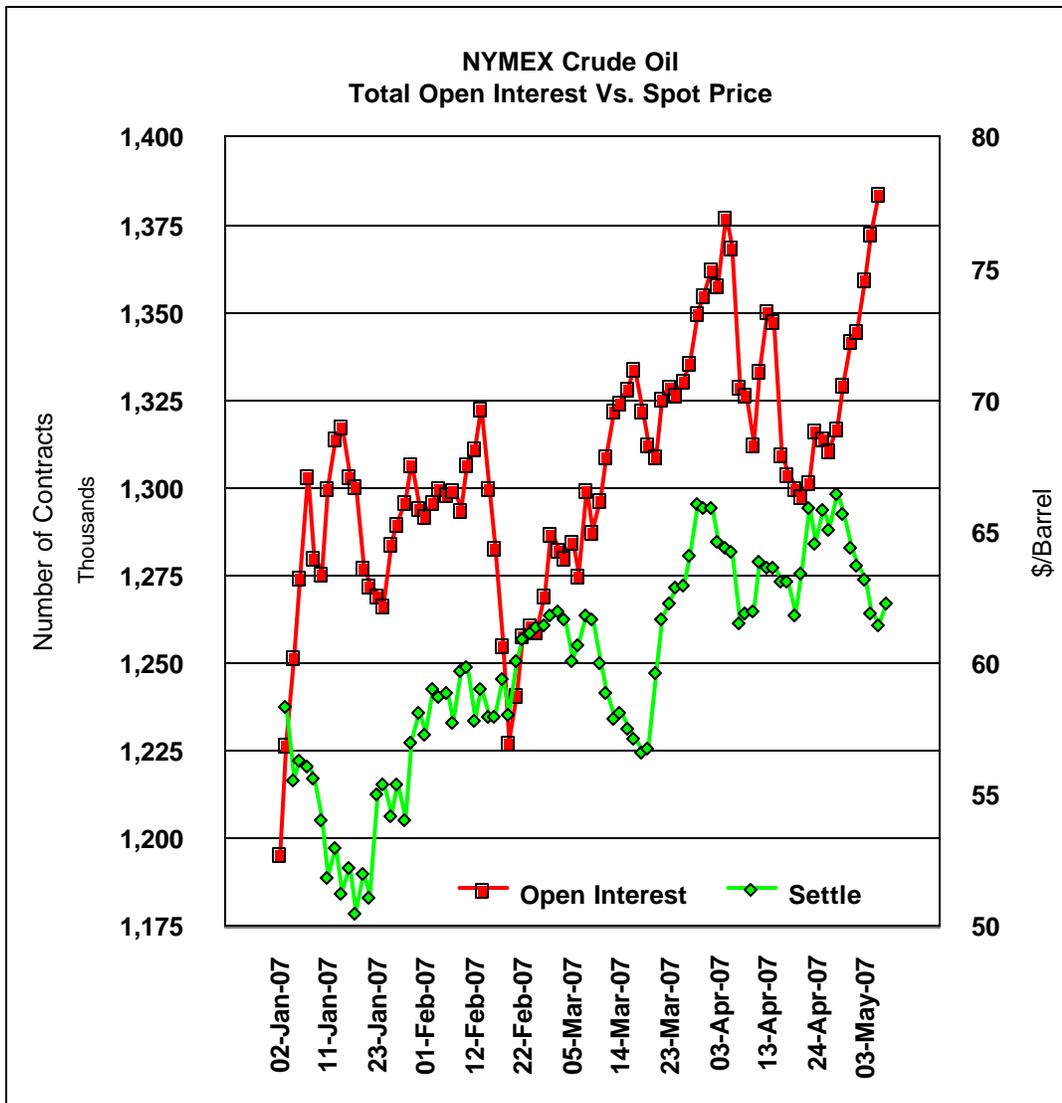
A forecaster at Colorado State University said there is a higher than average likelihood that a major hurricane would make landfall on the US Gulf Coast this year. He stated that there was a 49% chance that a hurricane packing winds of 111 miles per hour or higher would hit the Gulf Coast. Meanwhile Accuweather stated that the 2007 Atlantic hurricane season would bring 13 to 14 named storms, of which six or seven could strike the US. Accuweather forecaster Joe Bastardi said that the chances of storm crossing over oil producing parts of the Gulf of Mexico were two and a half to three times higher than normal this year.

According to a filing with state regulators, the Louisiana Offshore Oil Port was seeking approval to increase its annual throughput by about 100 million barrels per year to 230 million barrels. It is currently permitted to handle 131.4 million barrels a year. The LOOP would build eight new above ground storage tanks to store a combined 4.8 million barrels to support the expansion.

Chevron Corp said it could pull out of Venezuela if talks over the government's planned takeover of oil projects there did not produce a satisfactory agreement. Chevron owns a 30% stake of the Hamaca project in Venezuela's Orinoco region.

Cambridge Energy Research Associates said there were signs the increase in capital costs in the oil and gas industry was slowing. However it said the costs would remain high for at least two more years. The HIS/CERA Upstream Capital Costs Index increased 7% to 179 points during the six months ending March 31. The index increased by 13% during the previous six months.

Movement for the Emancipation of the Niger Delta said in an email that it bombed the pipelines to embarrass President Olusegun Obasanjo in his last days in office. It threatened to carry more attacks until May 29, when the president elect takes office. Meanwhile Chevron Corp said it had not yet restored the 42,000 bpd of production it shut in following protests by villagers. It said it was in talks with the community to resolve the matter. Separately, private security contractors said eight Filipino and three South Korean workers kidnapped by gunmen in Nigeria last week were released Tuesday afternoon.



Qatar's Energy Minister, Abdullah bin Hamad al-Attiyah said OPEC would ensure there is plenty of crude oil in the market to meet world demand. However he declined to say whether OPEC would be concerned if US oil prices fell below \$60/barrel. He said current prices reflected concerns among traders over geopolitical issues such as militant unrest in Nigeria and the West's dispute with Iran's nuclear program. Meanwhile, Algeria's Oil Minister Chakib Khelil said world oil supplies are very good and

OPEC is unlikely to need to increase its production to meet strong gasoline demand this summer.

In its latest Short Term Energy Outlook, the EIA revised its summer gasoline price estimate by 14 cents/gallon from its previous outlook to \$2.95/gallon, in light of the continuing refinery problems and strong gasoline demand. It stated that retail prices could ease slightly in coming weeks before returning to the May level in August amid still low commercial inventories and the possibility of refinery disruptions due to the 2007 Atlantic hurricane season. Gasoline inventories are expected to remain below the lower end of the normal range throughout the summer. It also revised its estimate for WTI crude this summer by \$1/barrel to \$66/barrel. It is expected to average \$64/barrel annually in both 2007 and 2008. World oil markets are expected to tighten this summer due to continued growth in oil demand and OPEC production cuts. World oil demand is expected to grow by 1.4 million bpd in 2007 and by 1.6 million bpd in 2008 to 86 million bpd and 87.6 million bpd, respectively. It reported that US demand is expected to increase by 300,000 bpd to 20.89 million bpd in 2007 and by 250,000 bpd to 21.14 million bpd. It is down 10,000 bpd and 40,000 bpd from its previous estimate. However it did revise up its second quarter and third quarter demand levels by 20,000 bpd from its previous report to 20.7 million bpd and 21.04 million bpd, respectively. It estimated gasoline demand in 2007 at 9.34 million bpd while gasoline demand in 2008 would increase to 9.46 million bpd. Distillate demand in

2007 and 2008 were estimated at 4.25 million bpd and 4.32 million bpd, respectively. In regards to OPEC, it stated that the ten OPEC members produced 26.55 million bpd in April, unchanged on the month. Total OPEC production increased to 30.21 million bpd in April from 30.158 million bpd in March.

Refinery News

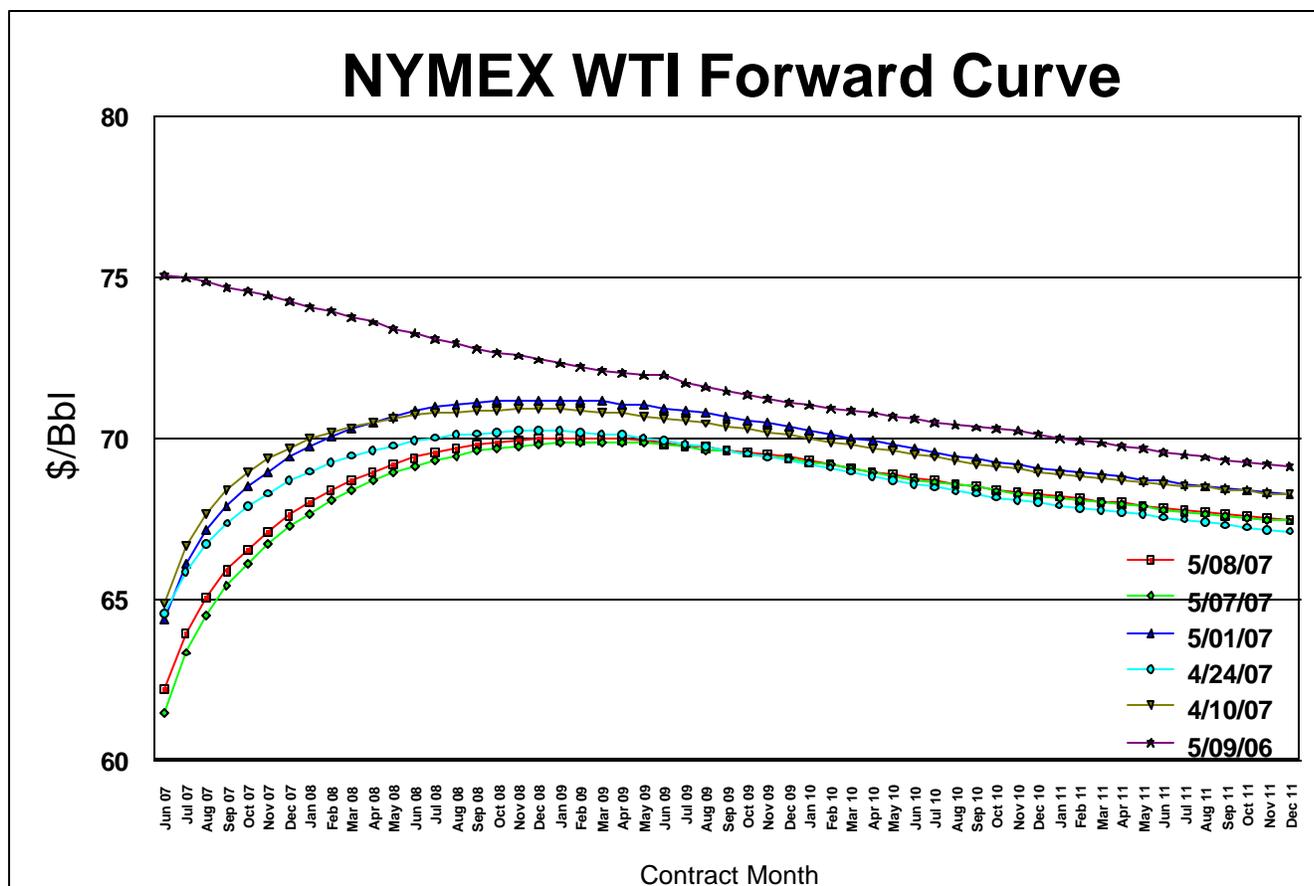
ExxonMobil Corp said it completed repairs on its 50,000 bpd pipeline that delivers refined oil products from Houston to Dallas late Tuesday. It was shut on Monday due to a rupture. The pipeline rupture occurred during excavation work associated with routine maintenance conducted by a work crew along the pipeline.

Venezuela’s PDVSA has tendered to sell 240,000 barrels of RBOB for May 23-25 loading at Amuay. Preferred destinations are US East Coast and US Gulf Coast. On Monday, PDVSA offered a 240,000 barrel conventional gasoline cargo for May 14-16 loading at Amuay, restarting its gasoline export program to the US.

Total Petrochemicals shut a sulfur recovery unit at its 240,000 bpd refinery in Port Arthur, Texas late Monday afternoon. The unit was expected to resume operations Tuesday afternoon.

Valero reported emissions from the cooling tower of its Corpus Christi, Texas refinery on Tuesday. The source of the emissions came from complex 7, which has a coker, crude vacuum unit, a gasoline finishing reformer, a sulfur recovery unit and three hydro desulfurization units.

Alon USA Energy Inc said its No. 2 SCOT or Shell Claus Off-Gas Treating unit, at its 70,000 bpd refinery in Big Spring, Texas shutdown due to a loss of coupling in the east blower.



Holly Oil said it would defer the work planned at its Navajo refinery in Artesia, New Mexico for the fourth quarter of 2007 until the fourth quarter of 2008. The refinery was upgraded last summer to operate at 75,000 bpd.

Traders stated that Sunoco was planning a 30 day overhaul of most units at its 85,000 bpd refinery in Tulsa, Oklahoma in June.

Sinclair Wyoming Refining Co said the 22,000 bpd fluid catalytic cracking unit at its 71,500 bpd refinery in Tulsa, Oklahoma would be down for 10 days for repair. On Sunday, the refinery experienced a power outage that caused a temporary shutdown of the refinery.

Neste Oil said it had delayed the start up of a new diesel producing unit at its Porvoo refinery for partial repairs. It previously stated that it expected a diesel line at the 200,000 bpd refinery to start up by early May.

Traders stated that the rally in low sulfur fuel oil barge prices in the Amsterdam-Rotterdam-Antwerp region were linked to potential production issues at Total's Antwerp refinery. Output of low sulfur fuel oil is expected to be restricted to about 50% of capacity throughout May and June.

The head of Kuwait National Petroleum Corp, Sami al-Rushaid said Kuwait was increasing its security at its oil installations. However he did not give any details. Meanwhile, Kuwait has doubled the budget for its new 615,000 bpd al-Zour refinery to \$12 billion amid escalating costs for oil and gas projects. Kuwait cancelled a previous tender for the refinery in February after bids came in far above the budget.

Sinopec Corp's Zhenhai Refining & Chemical Co is expected to increase its May crude oil throughput to a new record level after a start up of a new refining facility. Its crude throughput is expected to reach 1.64 million tons or 386,000 bpd, up 15% from April's 336,000 bpd level. Also, crude throughput its Maoming refinery in May is expected to fall 13% to 240,000 bpd compared with 277,000 bpd in April.

South Korea's SK Incheon Oil Ltd is expected to increase its May crude processing rates to 185,000 bpd from 160,000 bpd in April due to on a margin recovery. Its crude throughput is also expected to increase in June as its 75,000 bpd No. 1 crude distillation unit is scheduled to restart.

Petroecuador's Esmeraldas refinery is operating at 50% of capacity or 27,5000 bpd due to repairs that are scheduled to take 35 days.

Traders stated that rain has raised the low water levels in Germany's Rhine and Danube Rivers but shippers were still imposing cargo surcharges in some areas. Water levels at Duisburg and Cologne were still below the minimum that vessels needed to sail fully laden and cargo surcharges were still being imposed by vessel owners.

Production News

Saudi Aramco has awarded a major contract for the expansion of its Khurais oilfield as it proceeds with its plans to increase its production capacity to 12.5 million bpd by 2009. The contract calls for construction of 50 oil observation wells, 925 kilometers of pipeline 236 oil wellhead facilities and 135 water injection wellhead facilities. The expansion of the Khurais oilfield would increase its capacity by at least 1.5 million bpd.

Azerbaijan's crude oil production increased by 47.3% on the year in January-April to 13.74 million tons or 839,285 bpd mainly due to higher output from the BP-led group. The BP-led group said its production from the Chirag and Azeri oilfields increased to 10.83 million tons or 661,533 bpd in January-April from 6.37 million tons or 389,101 bpd last year. Meanwhile, Socar said its output fell to 2.91 million tons or 177,752 bpd in January-April from 2.96 million tons or 180,807 bpd last year. Azerbaijan exported 9.56 million tons or 583,957 bps in January-April compared with 5.72 million tons or 349,397 bpd last year.

Malaysia's Petronas has awarded a production sharing contract for an offshore petroleum block to Kuwait's Kufpec, a subsidiary of Kuwait Petroleum Corp.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$61.89/barrel on Monday from \$62.99/barrel on Friday.

Market Commentary

Market prices today reacted to the EIA's Short Term Energy Outlook regarding crude consumption and gasoline prices. The EIA revised up its previous estimate of total petroleum demand by 20,000 bpd for the second and third quarter to 20.7 million bpd and 21.04 million bpd, respectively. It also increased its estimated summer gasoline price by 14 cents to \$2.95/gallon. According to a survey of U.S. retail regular gasoline prices at the pump, prices were an average of \$3.054 per gallon. Roll activity was quiet from the index standpoint. Right out of the gate, commercials came in as buyers of the June/July spread, with speculators jumping in front. Once the paper dried up, the July contract gave up some of its strength. We would look for a test of the -1.60 level on June/July prior to the release of the stock numbers and would look for better activity from the index players on Wednesday. Total crude open interest continued to build, with a build of 11,528 lots as of Monday. Open interest in the June contract fell by 16,230 lots as positions were rolled to the July contract, which saw an increase of 19,088 lots. Meanwhile, open interest in the August contract built by 2,593 lots. The RBOB market posted an inside trading after traders squared their books ahead of the weekly petroleum stock reports due on Wednesday. The market posted a low of 215.66 early in the session and bounced off that level amid the strength in the crude market. The markets were supported by the release of Colorado State University's hurricane forecast stating that there was a higher than average likelihood of a major hurricane making landfall in the US Gulf Coast this year. The RBOB market was also well supported by the upwards revision to the EIA's summer gasoline price estimate. The market rallied to a high of 220.65 late in the session and settled up 1.34 cents at 220.30. The market is seen retracing its late gains as the market is expecting builds in gasoline stocks for the first time in 13 weeks. Also refinery runs have likely increased as some refineries have reported resumption of operations. The market is seen

testing its support at its previous low of 214.83, followed by 213.41, 212.61 and 209.59.

Technical levels		
	Levels	Explanation
CL 62.26, up 79 cents	Resistance 63.15, 63.44	Trendline, previous high
	Support 62.58	Tuesday's high
	61.60, 61.21	Tuesday's low
HO 182.99, up 2.7 cents	Resistance 187.21, 189.00	Previous highs
	Support 184.42	Tuesday's high
	181.50, 179.83 178.80, 176.11, 174.40	Tuesday's low Previous low, trendline, previous low
RB 220.30, up 1.34 cents	Resistance 222.15, 225.68	Previous highs
	Support 220.65	Tuesday's high
	219.00, 215.66 214.83, 213.41, 212.61, 209.59	Tuesday's low Previous low, 50% retracement(197.26 and 229.55), Previous low, 62%

