



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 9, 2007

Heavily armed gunmen kidnapped four US oil workers from a barge off the Nigerian coast on Wednesday. It was the tenth attack on Western oil facilities in nine days in the Niger Delta. No group has claimed responsibility for the latest attack. The barge was laying pipelines for Chevron. Oil supplies were not impacted.

Meanwhile, Italy's Eni declared force majeure on exports from its Brass River terminal. It reported earlier that production at Eni's Brass River terminal fell by 98,000 bpd due to the militant attacks on the pipelines on Tuesday. Nigeria's

total production that has been shut in is estimated at 791,000 bpd. The Movement for the Emancipation of the Niger Delta has told workers to leave the region and vowed to completely halt Nigeria's exports to press its case for more autonomy from the central government. Separately, Nigeria's Energy Minister said violence in the Niger Delta should subside once the new president takes office on May 29. He added that he was hopeful that Shell would resume Forcados oil exports in June.

Market Watch

An OPEC analyst said increased use of biofuels and other measures that steer consumers away from oil could prompt OPEC to rethink its investment plans. While biofuels is not considered a big competitor for crude oil, OPEC is concerned that biofuels could replace a significant portion of its projected output in coming years. In 2030, demand for OPEC oil is estimated at 49 million bpd while biofuels would be able to supply 5 million bpd, about 10% of the demand on OPEC oil.

Norway's Oil Minister Odd Roger Enoksen said Iran could be an attractive investment location for foreign companies during a meeting with Iran's Foreign Minister Manouchehr Mottaki. Iran's Foreign Minister said the country wanted to increase Iran's cooperation with Norway in the petroleum sector.

Iran's Deputy Foreign Minister Abbas Araghchi has offered the US Iran's cooperation in developing a US exit strategy from Iraq. He said the US and Iran had the same interests in a stable Iraq and that direct talks leading to a face saving withdrawal were possible.

The NYMEX is scheduled to launch options for crude oil, natural gas, gold and silver on the CME Globex electronic trading platform starting on June 24 for trade date June 25. The options would be available on CME Globex from 6pm Sundays through 5:15 pm Fridays, with a 45 minute break between 5:15 and 6 pm. For crude oil options, expiration months would include the balance of this year with additional June/December months through 2015. Natural gas options contracts would be available for 24 consecutive months.

The NYMEX also expected to offer contracts for trading emissions of carbon dioxide and other gases that are the main culprit behind global warming. The CME was the first US exchange to offer carbon credits trading.

DOE Stocks

Crude – up 5.6 million barrels

Distillate – up 1.7 million barrels

Gasoline – up 400,000 barrels

Refinery runs – up 0.7%, at 89%

Qatar's Energy Minister said the world oil market was saturated and that he saw no need for OPEC to increase its production in the face of higher prices.

Euroilstock said European gasoline stocks fell by 1.9% or 2.72 million barrels to 137.53 million barrels in April but were 3.6% higher than a year ago, leaving stocks at a

comfortable level ahead of the peak summer driving season. The Euroilstock data showed that crude stocks built by 9.78 million barrels to 479.9 million barrels while distillate stocks built by 3.75 million barrels to 402.38 million barrels on the week. Refinery utilization rates increased to 88.94% from 88.55% in March.

Refinery News

BP failed to restart a hydrocracker at its 260,000 bpd Los Angeles refinery in Carson, California on Monday.

Marathon said the Louisiana Offshore Oil Port was adding new storage tanks to meet increasing demand from clients for storage space. It filed for permission to add up to eight 600,000 barrel tanks at its secondary tank farm as well as increase maximum annual throughputs at the tank farm by 100 million barrels per year on Tuesday. The first two tanks would be completed by the fourth quarter of 2008 while the other two would be in operation a year later.

Storage capacity at the Cushing, Oklahoma delivery point for NYMEX crude is expected to increase by nearly 9 million barrels this year to 44 million barrels. Analysts said the storage increase should be quickly filled.

PDVSA has tendered to sell 210,000 barrels of RBOB for May 16-18 loading at Amuay. PDVSA has so far offered a total of four RBOB spot cargoes and two conventional gasoline cargoes for export in May. Meanwhile, traders and buyers stated that PDVSA was still fine-tuning its refinery operations even though it increased its gasoline and RBOB exports for May. They said Venezuela's refinery operations were still running at reduced rates. Separately, sources stated that PDVSA was seeking buyers for its 20 million barrel capacity BORCO oil storage terminal in the Caribbean.

Neste Oil said it expected the start up of its new diesel line at Porvoo to begin in the next few days. The diesel project had been subject to a number of delays. It also reported that a biodiesel plant at its Porvoo refinery would start operations this summer. A second plant should start up by early 2009. Both plants are expected to have annual capacity of 170,000 tons and would use vegetable oil and animal fats.

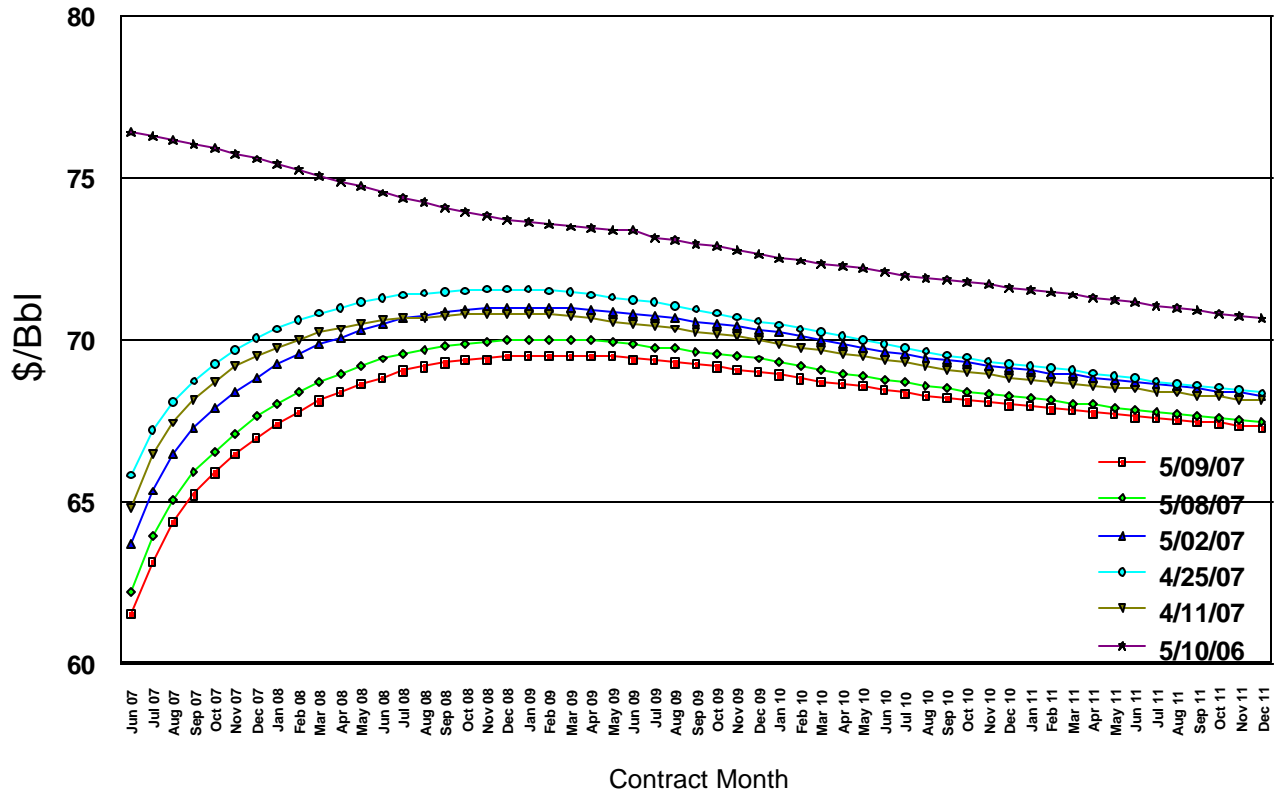
Kuwait Petroleum Corp said it would award contracts for the construction of a new refinery at Al Zour by year end after it decided to double the project's budget to \$12 billion. It is expected to reopen the bid process for the 615,000 bpd refinery in July and award all contracts by the end of 2007. The refinery would mainly produce low sulfur fuel oil for the country's power plants.

Production News

The Shetland Island Council reported that Brent crude oil liftings increased to 179,095 tons in the week ending May 8, up from 157,869 tons in the previous week.

Norway's North Sea Statfjord crude system is set to load 257,000 bpd in June, down 19,000 bpd on the previous month.

NYMEX WTI Forward Curve



Norway's Norsk Hydro is scheduled to carry out modification and maintenance work in early June at offshore installations in the Oseberg/Grane area of the North Sea which would halt production at several platforms. It did not give any estimate of how much production would fall due to the planned outages but said the stoppage would affect its stated oil and gas production target for 2007. The main work would be conducted from May 30 to June 6.

The Petroleum Association of Japan reported that the country's crude stocks increased by 3.22 million barrels in the week ending May 5 to 106.49 million barrels. Japan's gasoline stocks however fell by 350,000 barrels to 13.32 million barrels while its kerosene stocks built by 1.08 million barrels to 12.76 million barrels on the week. It reported that Japan's crude runs increased by 60,000 bpd to 3.73 million bpd and its refinery utilization rate increased by 1.2% to 77.2%.

Indonesia's Pertamina said it was seeking 400,000 barrels of additional gasoline for May delivery because its 260,000 bpd Balikpapan refinery was running at 50% capacity. An official confirmed Pertamina had already purchased 3.28 million barrels of gasoline for May delivery.

Taiwan's Bureau of Energy reported that the country produced 3.93 million kiloliters of oil products in March, down 5.1% on year. The fall in oil demand was mostly due to the decrease in fuel oil demand, which fell by 19.7% on year to 820,030 kiloliters as oil used in power generation continued to fall. It reported that diesel demand fell by 6.4% on year to 485,599 kl. Its crude oil imports in March fell by 21.2% on year to 26.46 million barrels while oil product imports increased by 41.3% on the year to 1.47 million kl in March. Taiwan exported 1.18 million kl of oil products in March, up 6.1% on the year.

Market Commentary

The spike in gasoline today was not enough to support crude oil prices. The June contract on NYMEX settled down .71 cents on the day after bottoming out at 60.75. Crude oil imports continue to be impressive over last year's levels and are currently averaging 457,000 bpd over last year's level in the four weeks ending May 4. The market still appears to be in a downward cycle and as long as prices can remain below 63.85, we would look for more downside momentum. As mentioned in our wire of 2 days ago, our initial support number is 60.22. Support is set at 60.22, 59.80, 59.55, 59.20, 59.02, and 58.80. Resistance is set at 62.18, 62.60, 63.19, 63.45, 63.85, 64.10 and 64.45. The June contract gained strength today against the July contract, but we believe that this was more of a function of the rolls going into the August and September contracts. It appears that length rolling feels more comfortable in the two month as opposed to the July. The June/July spread looks poised to test the -1.50 and -1.40 levels. The RBOB market posted a low of 217.50 early in the session before it bounced off that level and remained supported above 218.00 amid the slight build in gasoline stocks and the small increase in refinery runs. The market remained rangebound for most of the session before a late surge pushed the market over 3 cents higher on the day to a high of 223.39. The market continued to extend its gains as it traded to over 224.00 in Globex trading following the close of the open outcry session. The market seemed to be well supported by talk that BP was buying in the cash market. BP reported that it failed to restart a hydrocracker at its Carson refinery in California. Also, on Tuesday BP reported that it completed repairs to its 50,000 bpd pipeline that delivers oil products from Houston to Dallas after it was shut on Monday due to a rupture. The RBOB market, which continued to trade higher overnight, will likely retrace some of its sharp gains on Thursday barring any other refinery problem.

Technical levels		
	Levels	Explanation
CL 61.55, down 71 cents	Resistance 62.58, 62.65, 63.44 62.48	Previous high, Trendline, previous high Wednesday's high
	Support 61.50, 61.00, 60.68 60.55, 60.22, 59.50, 59.35	Wednesday's low Previous lows, Trendline
HO 181.58, down 1.41 cents	Resistance 187.21, 189.00 183.81, 184.50	Previous highs Wednesday's high
	Support 181.50, 179.90, 178.49 177.15, 175.22, 174.40	Wednesday's low Previous low, trendline, previous low
RB 223.09, up 2.64 cents	Resistance 229.05, 229.40, 229.55 225.00	Previous highs
	Support 224.00, 222.00, 218.00, 217.50 215.66, 214.83	Wednesday's low Previous lows