



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 10, 2007

OPEC's Secretary General Abdalla Salem El-Badri said world oil prices were fine and added that OPEC did not need to review its oil policy at its September 11 meeting. He declined to say what action OPEC should take at the meeting. He said OPEC's compliance with its 1.7 million bpd production cuts was 70%. Meanwhile, Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC may not need to increase its output in September if demand and supply are in balance.

Market Watch

The US DOE awarded Shell Trading a contract to fill the SPR with 8.7 million barrels of royalty oil. It said deliveries of 50,000 bpd are expected to start in August and last six months, filling the West Hackberry, Louisiana and Bryan Mound, Texas SPR sites.

ConocoPhillips' chief executive James Mulva said he was not looking to arbitration as a means of determining compensation for the nationalization of its projects in Venezuela's Orinoco basin. Venezuela has set a June 26 deadline for resolving compensation issues related to ConocoPhillips' interest in its Petrozuata, Corocoro and Hamaca projects. He stated that ConocoPhillips was not interested in additional investments in the country until the parties sort out current issues.

According to Archer Daniels Midland Co, US ethanol production capacity could more than double from current levels to about 14 billion gallons, with corn continuing as the primary feedstock. In 2006, plants produced 4.9 billion gallons and production could increase to 6.5 billion gallons this year as many new plants come online.

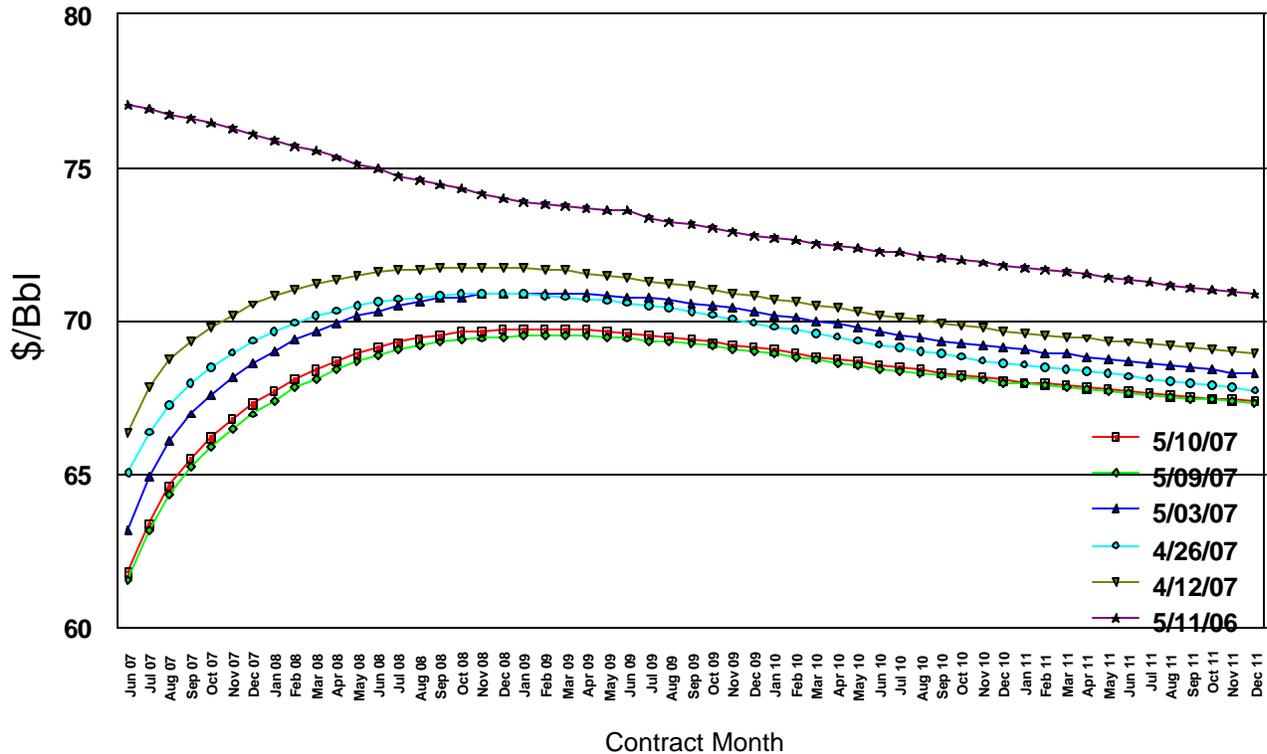
Traders said a total of 56,200 metric tons of gasoil would be physically delivered following the midday expiry of ICE May gasoil futures. The gasoil is expected to be sold within the Amsterdam-Rotterdam-Antwerp market.

Senior officials from the US, Britain, France, Russia, China and Germany met in Berlin on Thursday to discuss Iran's defiance of UN demands that it halt its uranium enrichment work. The officials from the six world powers assessed the situation on the sidelines of the Group of Eight meeting. It was not immediately clear what decisions, if any, were made at the meeting.

According to Oil Movements, OPEC's oil exports are expected to increase by 260,000 bpd to 24.4 million bpd in the four weeks ending May 24 on rising Asian demand. It said OPEC's compliance with its output cuts was getting worse.

Refinery News

NYMEX WTI Forward Curve



Explorer Pipeline Co shut its 70,000 bpd Houston-Tulsa fuel pipeline midnight Thursday due to flooding at Glen Pool, Oklahoma. The shutdown was limited to the 28 inch diameter pipeline section.

Valero cut rates to a catalytic cracking unit at its Delaware City, Delaware refinery to 55,000 bpd from a capacity of 82,000 bpd due to a problem with a boiler. The unit is expected to operate at reduced rates five to seven days. A company spokesman said there was no material impact to production.

ExxonMobil Corp started work on its 45,000 bpd coking unit at its 349,000 bpd refinery in Beaumont, Texas on Thursday. Work on the unit was originally scheduled to start on Friday but a crack in the coker drum discovered on Monday led to the work being accelerated. The company said it expected to meet its customers' demands.

Total Petrochemical reported that a small tube leak may exist in one of the exchangers in the crude complex at its 240,000 bpd refinery in Port Arthur, Texas. It did not state whether any units were shut as a result of the event. Traders said Total was seen selling gasoline in the US Gulf market.

Gary Williams Energy Corp's Wynnewood, Oklahoma refinery is operating at about near full rates of 50,000 bpd. The refinery was shut on April 26 after lightning caused a fire.

Transatlantic gasoline ship bookings to the US for the first 10 days of May fell by 47% from the same period in April. The fall was attributed to the unfavorable arbitrage economics between Europe and the US. A total of nine clean tankers were booked to load gasoline in Northwest Europe and the Mediterranean for delivery to the US Atlantic Coast in the first 10 days of May.

Shipping returned to normal on all stretches of the Rhine and Danube Rivers in Germany as rains this week raised water levels where cargo vessels could sail fully laden. Low water cargo surcharges imposed on both rivers in April were removed.

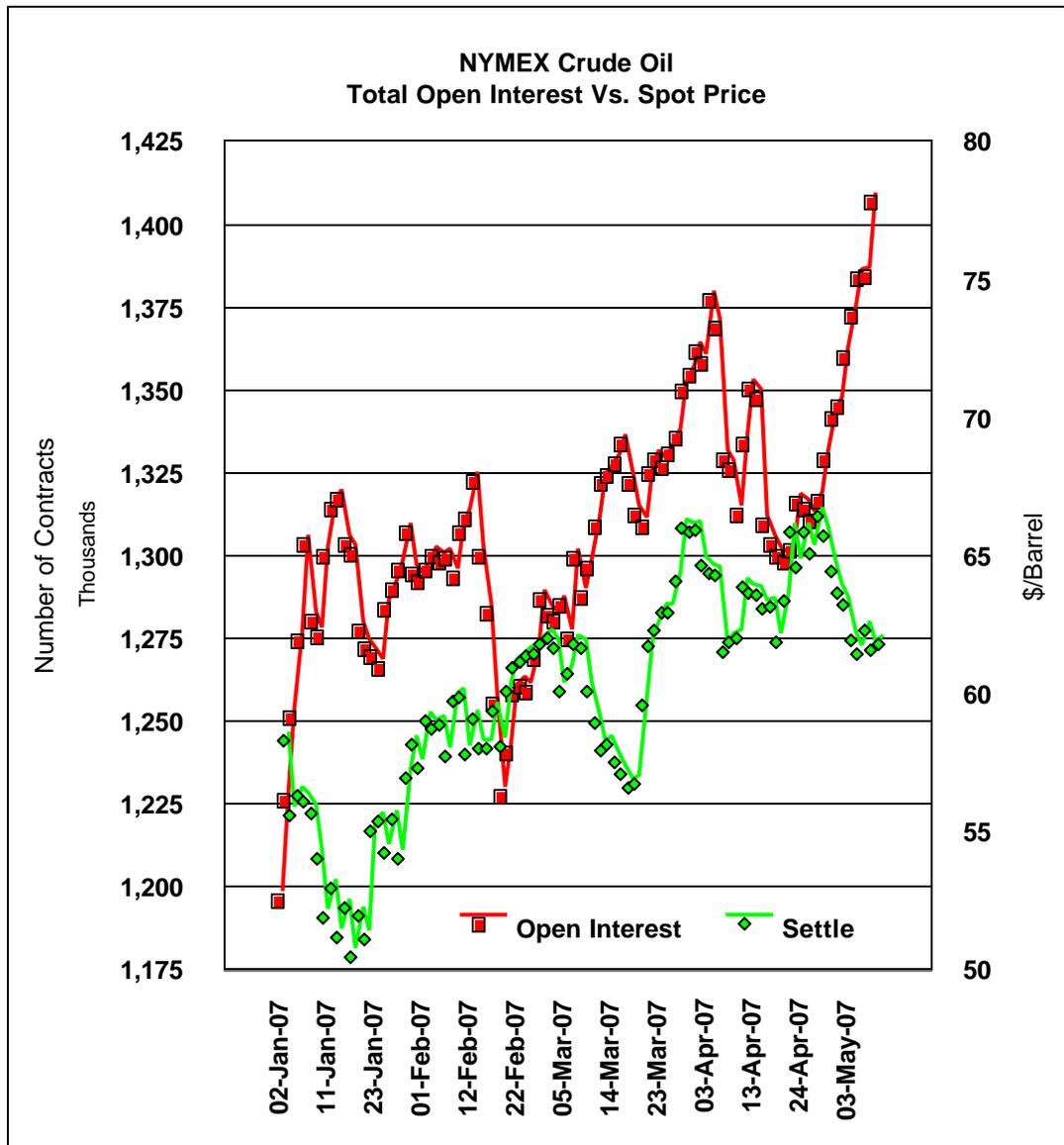
Production News

The Norwegian Petroleum Directorate said the country's oil production increased to 2.41 million bpd on average in April from 2.34 million bpd in March.

Norway's Statoil cut its 2007 oil and gas production forecast by up to 11.5% on Thursday due to slower ramp up of new fields and delayed projects. It reduced its target to 1.15-1.2 million barrels of oil equivalent/day from 1.3 million boe/d amid the shutdown of its Kviteboern field in the North Sea and delays at other production sites from offshore Norway to Azerbaijan. It shut the Kviteboern field on May 1 to allow for drilling of more production wells without losing reservoir pressure. Production at the 190,000 boe/d field is expected to resume during the fourth quarter.

The North Sea loading plans for Brent, Forties, Oseberg and Ekofisk crude show daily loadings falling

to about 1.14 million bpd in June from 1.5 million bpd in May. The North Sea Brent crude oil system is scheduled to load about 218,000 bpd in June, down 5,000 bpd from the previous month. Meanwhile, the North Sea Forties crude system is expected to load about 580,000 bpd of crude in June, down 20,000 bpd on the month. The North Sea Oseberg crude system is scheduled to load 159,000 bpd in June, down 14,000 bpd on the month. The North Sea Ekofisk crude system is expected to load 183,000 bpd in June, down from 508,000 bpd the



previous month.

The North Sea Troll crude system is expected to load 159,000 bpd in June, down from 219,000 bpd the previous month. The North Sea Gullfaks crude system is scheduled to load 342,000 bpd in June, up 11,000 bpd from the previous month.

BP is scheduled to shut in four of its North Sea oil and gas platforms for planned maintenance between June 17 and June 27. The four fields produce a combined total of more than 165,000 barrels of oil equivalent/day in 2006.

ConocoPhillips confirmed it would undergo planned maintenance at its Ekofisk fields between June 10 and June 28 while a gas pipeline is installed.

Iraq has increased Kirkuk volumes stored in Turkey to almost 2 million barrels after crude oil exports resumed along its northern pipeline to Turkey earlier this week. Iraq last exported Kirkuk in January, when SOMO sold a total of 3 million barrels.

Venezuela's PDVSA said its heavy crude projects in the Orinoco Belt were producing 482,000 bpd of upgraded crude. The projects have a capacity of about 600,000 bpd.

Iran cut its official selling prices for June crude bound for Europe following a similar move by Saudi Arabia. The National Iranian Oil Co set the price of its Iranian Light crude to Europe from Sidi Kerir at BWAVE minus \$4.15, down from minus \$3.40 in May. It also set the price of Iranian Heavy at BWAVE minus \$5.30, down from minus \$5.10 in May.

The BP led Baku-Ceyhan pipeline is expected to pump less Azeri crude exports in June partly due to a period of maintenance scheduled for early next month. The pipeline is scheduled to pump between 630,000 bpd and 650,000 bpd in June, down from 703,000 bpd first planned in May.

Kazakhstan's President Nursultan Nazarbayev said he was in favor of exporting almost all Kazakh oil via Russian territory during a meeting with his Russian counterpart Vladimir Putin. Kazakhstan and Russia agreed to increase the throughput capacity of an oil pipeline operated by the Caspian Pipeline Consortium from 23 million metric tons to 40 million tons a year.

Crude and refined products shipments from Georgia's Black Sea port of Batumi fell in April 2007 to 706,700 tons from 1.059 million tons in April 2006. In March, the port shipped 912,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 2.134 million barrels to 14.168 million barrels in the week ending May 9. It also reported that Singapore's light distillate stocks fell by 1.017 million barrels to 8.357 million barrels while its middle distillate stocks built by 272,000 barrels to 8.66 million barrels on the week.

OPEC's news agency reported that OPEC's basket of crudes increased to \$62.12/barrel on Wednesday from Tuesday's \$62.01/barrel.

Market Commentary

After opening unchanged today, the June crude experienced an inside trading session, unable to take out yesterday's high. Given the strength in gasoline, it is surprising that the crude oil did not follow. However the market is still experiencing shortages in refinery operations, thereby leading to a stockpiling of crude. At this point in time, crude oil still looks like a sale and should remain so until the June contract manages to settle above 63.68. We would look for a little bit of a rebound in price, where

we would like to sell this market. Our first selling target would be the minor resistance level of 62.65 and then the major resistance up at 62.85 and 63.68. On the down side profit taking could begin at 60.50 then 59.25 and 58.75. We must admit, that a break below 60.10 would be a tempting sale as well. Rolls still appear to be focused in August on out, given the current strength in the June contract as opposed to the July. This may be a hard call, but the Dec7/Dec8 looks like it could be getting stronger (Dec 07 gaining strength). We feel that this spread my narrow into -1.87. Open interest in the crude continued to build, with a total build of 22,226 lots. Open interest in the June contract fell by 11,340 lots while open interest in the July contract increased by 23,531 contracts.

The RBOB market skyrocketed, as it remained well supported following Wednesday's sharp rally. The market continued to trend higher after it opened up 1.35 cents at 224.45 in overnight trading on Globex and never looked back. The market traded above the 230.00 level and held resistance at that level as it settled in a two cent trading range from 228.00-230.00 early in the session. However the market broke out of its range and extended its gains to over 9.8 cents as it traded to a high of 232.98 and settled up 9.52 cents at 232.61. The RBOB market was supported by the strength in the cash market in light of reports that a cat cracker unit was operating at reduced rates at Valero's Delaware City refinery. It was also reported later in the afternoon that Explorer Pipeline shut a Houston-Tulsa fuel pipeline midnight Thursday. The market on Friday will likely retrace some of its sharp gains, especially if there is any news of the pipeline resuming operations after it was shut due to flooding. The market is seen finding support at 231.80, 230.00 followed by 228.00 and its low of 224.45. Upside is seen at its high of

232.98 followed by more distant resistance at 237.44.

Technical levels		
	Levels	Explanation
CL	Resistance	62.58, 62.65, 62.85, 63.68
	61.81, up 26 cents	62.49
	Support	61.38
		60.50, 59.25, 58.85
HO	Resistance	187.21, 189.00, 191.67
	186.25, up 4.67 cents	187.05
	Support	186.00, 185.00, 183.50
		181.61, 178.49
RB	Resistance	237.44
	232.61, up 9.52 cents	232.98
	Support	231.80, 230.00, 228.00
		224.45, 223.90, 221.76

Thursday's low, 50% and 62% retracement(214.83 and 232.98)