

W The
Windham Group



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 11, 2007

The IEA warned of tight oil and product markets unless OPEC introduced a substantial output increase soon. It raised a red flag over the ability of refiners and the willingness of OPEC to meet a 1.6 million bpd jump in oil product demand in June. The IEA reported its largest draw of first quarter OECD inventories in 11 years, with stocks at the end of March falling 17 million barrels on the month to 2.6 billion barrels. The IEA cut its forecast for daily world oil demand this year by 100,000 barrels

Market Watch

Chevron Corp said it would immediately start withdrawing hundreds of workers and contractors from Nigeria's offshore waters due to recent militant attacks against foreign companies in the country. A company official said the company's moves were not seen affecting Chevron's oil production. The official said it would temporarily suspend non-essential work. Analysts said the tenor of events in Nigeria point toward more violence and the prospect of more companies taking actions similar to Chevron's. Nigerian militants have pledged more attacks against foreign oil companies ahead of the country's presidential inauguration on May 29.

The outgoing Nigerian government launched a last minute auction of 41 oil exploration licenses on Friday, ignoring a court order not to sell two of them and criticism over timing and transparency. Some investors have expressed concern that the new administration may overturn some of the deals made in the ahead of the presidential inauguration.

Russia's Lukoil said it was in talks with the Iraqi government to revive a deal signed with the previous regime to develop the West Qurna oil field, which has an estimated reserve capacity of 4 billion barrels of oil.

The US Department of Agriculture said the US ethanol industry would use 3.4 billion bushels of corn produced this year for the 2007-08 marketing year. It is up from a previous forecast stating that it would use 3.4 billion bushels of corn. The USDA predicted corn production this year would reach 12.46 billion bushels.

to 85.72 million barrels against its previous estimate. It revised up its 2007 forecast for OPEC crude demand, by 100,000 bpd and said demand for OPEC's oil would increase sharply in the third quarter due to weaker non-OPEC supply, tightening OPEC's spare output capacity. The call is expected to average 30.5-31.7 million bpd this year. The IEA cut its outlook for China's oil demand in 2007. It estimated China's total oil product demand this year to increase by 6.4% to 7.6 million bpd, down from previous forecast of 6.8%. It reported that production from OPEC's 10 members with quotas, increased by 200,00 bpd in April to 26.75 million bpd. Total OPEC production increased by 270,000 bpd on the month to 30.35 million bpd. It cut its estimate of Venezuelan crude production by 40,000 bpd in April or 1.7% amid declining extra heavy oil production. Venezuela's total output fell to 2.35

million barrels in April, down 40,000 bpd on the month. The IEA forecast world refinery crude runs would reach a second quarter low of 72.4 million bpd in May as maintenance work and unplanned outages took capacity offline. It estimated May crude runs falling by nearly 1 million bpd on the month due to lower OECD throughput. OECD crude runs fell by 900,000 bpd to 37.9 million bpd in May with a second quarter average estimated at 38.3 million bpd. As the maintenance season ends first in Europe followed by the Asia-Pacific, the run should reach 40.1 million bpd by August, when world throughput is expected to peak at 74.8 million bpd.

Iran's top nuclear negotiator Ali Larijani warned Friday a compromise over its controversial nuclear program was impossible if the West continued to demand Iran halt its nuclear program. Meanwhile, Iran's nuclear activities were dominating the last day of a meeting aimed at tightening the Nuclear Nonproliferation Treaty.

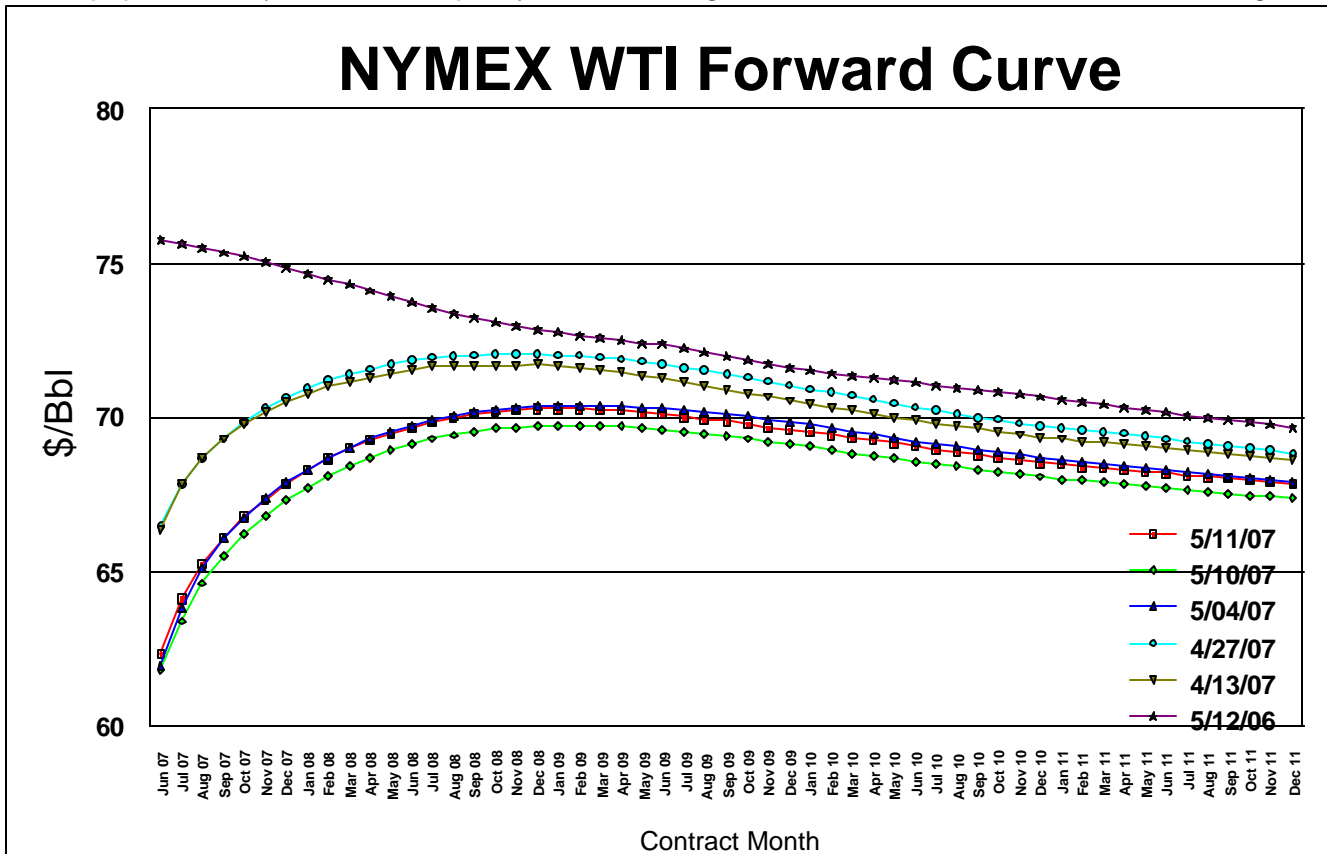
Refinery News

Explorer Pipeline Co restarted a section of the line that had been shut by flooding. The Houston to Tulsa section, which has a flow rate of about 65,000 bpd of refined products, was restarted Thursday evening. It was shut for 15 hours after heavy rains caused flooding.

Flint Hills said it shut the UDEX unit and a cumene unit at its 288,000 bpd refinery in Corpus Christi, Texas. The units are expected to be shut for planned maintenance starting on Friday until Thursday, May 17.

Venezuela's PDVSA offered a 240,000 barrel cargo of ultra low sulfur diesel loading at its Puerto La Cruz refinery on May 25-27.

Indonesia's Pertamina has increased its operations of its fluid catalytic cracking unit at its 260,000 bpd Balikpapan refinery to 85% of capacity after reducing the rate to 50% earlier. An official said gasoline



production would return to normal within a few days.

Idemitsu Kosan Co said it shut down a 60,000 bpd reduced crude desulphurization unit at its Aichi refinery after a fire.

China's central bank said the government may gradually give up subsidies to oil refiners but would allow them to sell oil products at prices for some reasonable profit margins. Sinopec received government subsidies totaling \$1.88 billion in 2005 and 2006 to compensate for low domestic oil product prices.

Production News

Total SA has called a force majeure on contracts related to oil supplies from the Republic of Congo following a fire that forced Total to halt production from the country's largest oil field. Two oil workers were killed in the fire Thursday at the Nkossa oil field, which stopped 60,000 bpd of production. Congo's Oil Ministry said production from the Nkossa field would be restored within three weeks.

Denmark's North Sea DUC crude oil system is scheduled to load 180,000 bpd in June, down 14,000 bpd from the previous month.

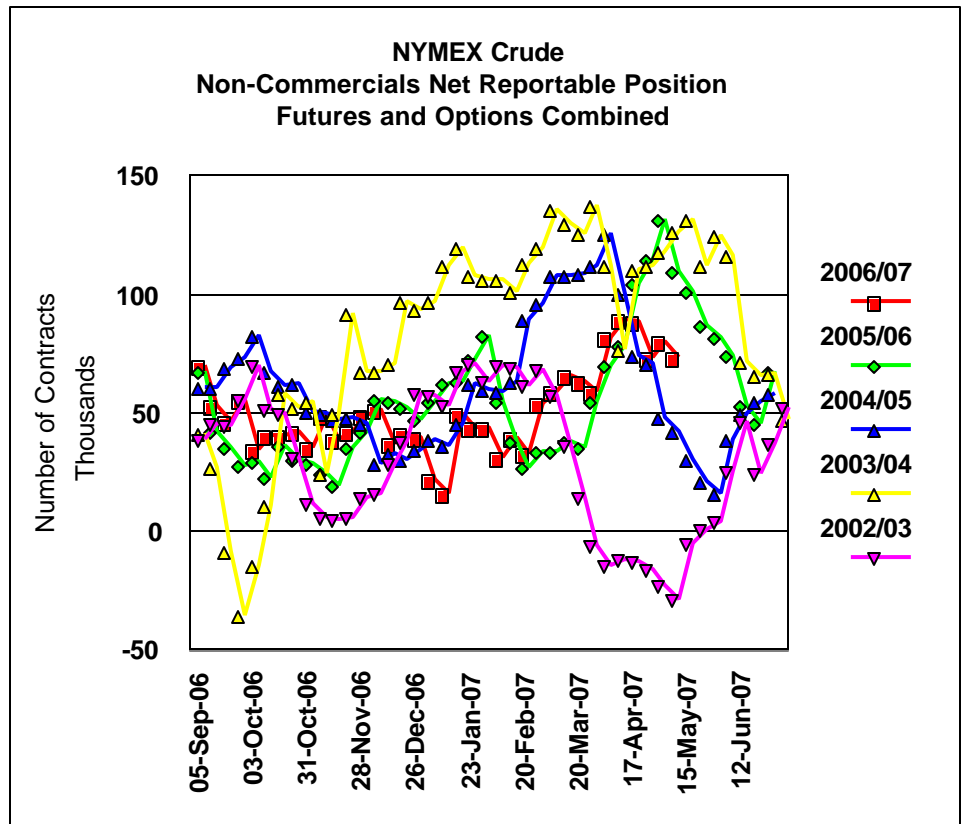
Britain's North Sea Flotta oil system is scheduled to load about 86,700 bpd in June, up 23,800 bpd from the previous month.

ConocoPhillips said it would shutdown its 325,000 bpd Ekofisk crude terminal for 19 days in June for planned maintenance. The maintenance is scheduled to take place between June 10 and June 28.

Planned maintenance at North Sea oilfields is expected to cut production by more than 16% in June to 64.89 million barrels or 2.165 million bpd. Production in May stood at 80.18 million bpd or 2.587 million bpd.

Gasoline inventories in the independent Amsterdam-Rotterdam-Antwerp storage area increased by 2,000 tons to 712,000 tons in the week ending May 10, with imports from Russia, UK Finland, Portugal, France and the Mediterranean outweighing exports to Nigeria. There were also exports to the US, UAE and Estonia. Gasoil stocks fell by 55,000 tons to 1.927 million tons while fuel oil stocks built by 34,000 tons to 515,000 tons. Naphtha stocks increased by 7,000 tons to 82,000 tons while jet fuel stocks fell by 25,000 tons to 363,000 tons.

Ecuador's Deputy Energy Minister Jorge Alban said the country's ministries of defense and energy as well as Petroecuador next week are scheduled to sign an agreement to reinforce security at oil



facilities in the Amazon region. Their objective is to stop certain Amazonian communities' practice of forcibly taking over wells and halting production to demand social projects, causing serious damage and losses for the country.

Separately, Petroecuador reported that it exported 172,307 bpd of crude oil in April, up 4% from March.

Traders said China would sharply cut its diesel shipments to a five month low of 30,000 tons in May from 150,000 tons exported in April.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$62.23/barrel on Thursday from Friday's \$62.12/barrel.

Market Commentary

The 62.60 level has proven to be a key resistance area, with prices failing to take out this number on four attempts. Prices are approaching the selling level 62.65 and 62.85 that we had mentioned in yesterday's wire. Daily stochastics are pointing higher with %K set at 23.63 and %D set at 23.99. Based on this, we would look for a rebound in prices and still would remain comfortably short as long as the June contract remains below 63.60 on settlement. The June contract continues to hold its strength against the July. We feel that this is due to the rolls rolling their length into the September and October contracts and that it is not just the June getting stronger over all. The Dec07/Dec08 spread traded most of this week in the -.220 to -2.55 range and we still would look for a rebound into the -1.85 area. The latest Commitment of Traders report showed that non-commercials cut their net long position by 10,125 contracts in the week ending May 8 amid its recent sell off. The combined futures and options report showed that non-commercials cut their net long positions by 7,083 contracts on the week.

The product markets once again settled sharply higher with the RBOB market settling up 2.60 cents at 235.21 and the heating oil market settling up 1.98 cents at 188.23. The RBOB market remained well supported amid the refinery problems reported Thursday, including Valero cutting its operations on a fluid catalytic cracking unit at its Delaware City refinery. The market was also supported amid the IEA's report stating that the world oil product market is expected to tighten in June and could require a 2.5 million bpd increase in refinery throughput in July. It added that OPEC's output may not be enough to deal with summer demand. The market traded mostly sideways early in the session before some afternoon buying ahead of the weekend pushed the market to its high of 236.70. After the market failed to retrace much of Thursday's sharp gains and continued to trend higher, the market is seen continuing its upward trend. It will remain headline driven amid the recent spate of refinery problems. We would look for the market to test its resistance at its high of 236.70 followed by further resistance at

238.31.

Technical levels		
	Levels	Explanation
CL 62.37, up 56 cents	Resistance 62.58, 62.65, 62.85, 63.44	Previous high
	Support 62.30, 61.68	Friday's high
	Resistance 61.38, 60.68, 60.55, 60.22	Friday's low
	Support 191.67, 191.94, 193.38	Previous lows
HO 188.23, up 1.98 cents	Resistance 189.81	Friday's high
	Support 187.50, 185.54	Friday's low
	Resistance 181.61, 178.49	Previous lows
	Support 238.31	Trendline
RB 235.21, up 2.6 cents	Resistance 236.70	Friday's high
	Support 234.05, 231.21	Friday's low
	Resistance 228.35, 225.77, 224.45, 223.18	38% (214.83 and 236.70), 50%, previous low, 62%
	Support	