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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 14, 2007

The Nigeria Labour Congress called for a two-day strike to protest against last month's elections. It did not give a date for the strike but said it would be before May 29, when outgoing President Olusegun Obasanjo is due to hand over power to president elect Umaru Yar'Adua.

Market Watch

PDVSA President Rafael Ramirez said it planned to nationalize 18 oil rigs to cut operating costs. He said these companies demand millions for the use of the rigs. He did not say which companies currently operate the rigs.

The chief executive of Optionable Inc resigned, an announcement that came after Bank of Montreal's recent move to cut ties with Optionable following large trading losses. Optionable said it accepted the resignation of Kevin Cassidy on Saturday. The Bank of Montreal previously issued a warning that its second quarter results would be cut by a pretax trading loss of between C\$350 million or \$315 million and C\$450 million due to changing conditions in energy markets. The NYMEX said it was concerned about the recent developments and was resigning its seat on the board of Optionable while it reviewed the situation.

The NLC said it would coordinate the planned strike with the Trade Union Congress, which includes the white collar oil union. Separately, the Movement for the Emancipation of the Niger Delta said it planned to attack pipelines this week in remote areas of the country's oil producing region. It has pledged to increase its attacks in the final days of the administration of President Olusegun Obasanjo.

US President George W. Bush directed his cabinet to complete work by the end of 2008 on his plan to cut US gasoline consumption by 20% by 2017. He previously proposed to raise US biofuels production five times current levels by 2017 and increase automobile fuel economy standards by 4% a year through 2017.

US Energy Secretary Samuel Bodman said the US would wait until the end of the driving season to buy oil for its strategic reserves. He said the US has about \$600 million to \$700 million to repurchase oil. Last week, the DOE announced that it agreed with Shell to exchange 8.7 million barrels of Gulf coast royalty oil for crude to be added to its SPR reserves in Texas and Louisiana.

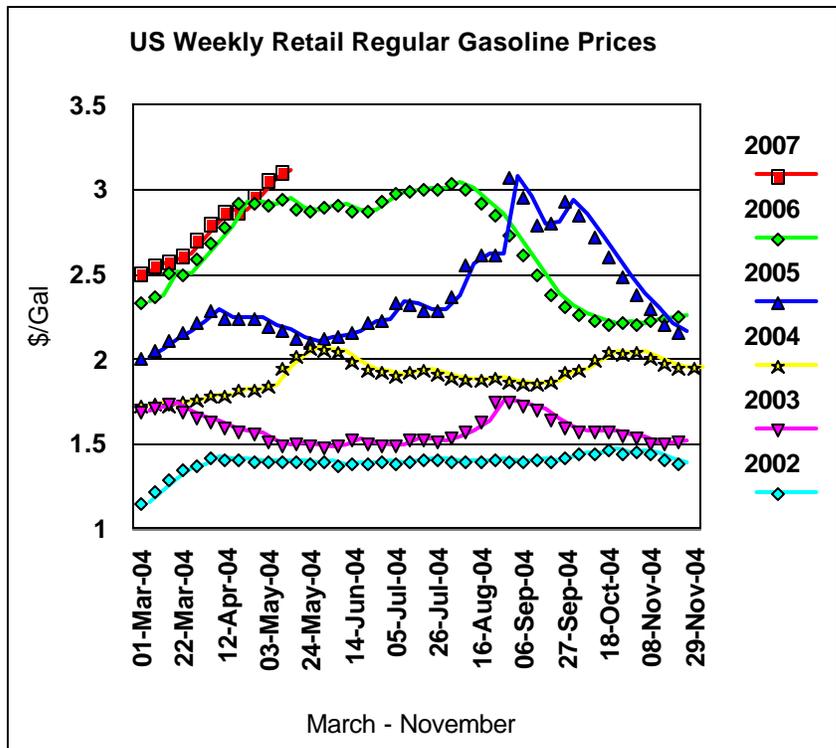
The EIA's chief Guy Caruso said OPEC should increase its oil production before its next meeting in September, especially following ongoing problems in Nigeria that have cut production by almost one-third. He said additional OPEC oil would help offset the reduction in oil output from Nigeria. He also predicted that national weekly average gasoline prices should reach record highs.

The EIA reported that the US average retail price of gasoline increased 4.9 cents/gallon to a record

\$3.103/gallon in the week ending May 14. The latest price of gasoline surpassed a previous record of \$3.07/gallon set in September 2005 after Hurricane Katrina disrupted refinery operations. The EIA also reported that the US average retail price of diesel fell by 1.9 cent/gallon to \$2.773/gallon on the week.

According to AAA, US gasoline prices increased a record high of \$3.073/gallon on Monday. Gasoline prices have increased about 50 cents since March due to operating problems and planned maintenance outages at refineries.

Algeria's Oil Minister Chakib Khelil said world oil supply was good despite ongoing production problems in Nigeria.



Iran's President Mahmoud Ahmadinejad said Iran would retaliate if the US launched a military strike against the country. His comments followed those by US Vice President Dick Cheney who said that the US and its allies would prevent Iran from acquiring nuclear weapons and dominating the region. Despite the tension, the US and Iran announced that they agreed to meet in Iraq to discuss security and stability in Iraq.

A source at the office of Iranian President Mahmoud Ahmadinejad rejected comments by a lawmaker on Sunday that Oil Minister Kazem Vaziri-Hamaneh may soon be replaced.

Refinery News

Valero Energy Corp said a safety valve release at its 245,000 bpd refinery in Texas City, Texas on Saturday had no material impact on production.

BP has restarted a 55,000 bpd fluid catalytic cracking unit at its 165,000 bpd refinery in Toledo, Ohio after a power outage shut the unit in late April.

President of Royal Dutch Shell's US operations, John Hofmeister said gasoline inventories in the US were at their lowest level in 16 years due to seasonal refinery turnarounds and maintenance as well as a couple of fires at refineries in Texas and California. He said low inventories and continuing demand were behind the high gasoline prices. He denied that oil companies were purposely holding back production to keep prices artificially high. He said part of the problem was a public policy that keeps companies from exploring 85% of the US continental shelf for oil and gas.

Preem's 113,000 bpd Gothenburg refinery remained shut after a fire broke out on Sunday while the plant was being brought back online after maintenance. The plant had been offline since mid-April.

Kuwait National Petroleum Co said its 200,000 bpd Shuaiba refinery was operating normally after talk of a workers' protest at the compound.

Global refinery margins held firm last week amid concerns that refiners would not have enough time to build gasoline supplies in the US ahead of the summer driving season. US Gulf refineries running US light crude saw profit margins increase to \$22.26/barrel last week, up \$2.24/barrel on the previous week and from \$9.03/barrel over the past year. Profit margins at refineries cracking Brent crude increased \$2.25/barrel to \$18.88/barrel. Profit margins at Rotterdam refineries held steady at \$11.06/barrel compared with \$11.27/barrel the previous week.

Low water cargo surcharges were again imposed for cargo shipping on parts of the Rhine River and throughout the Danube in Germany following a fall in water levels.

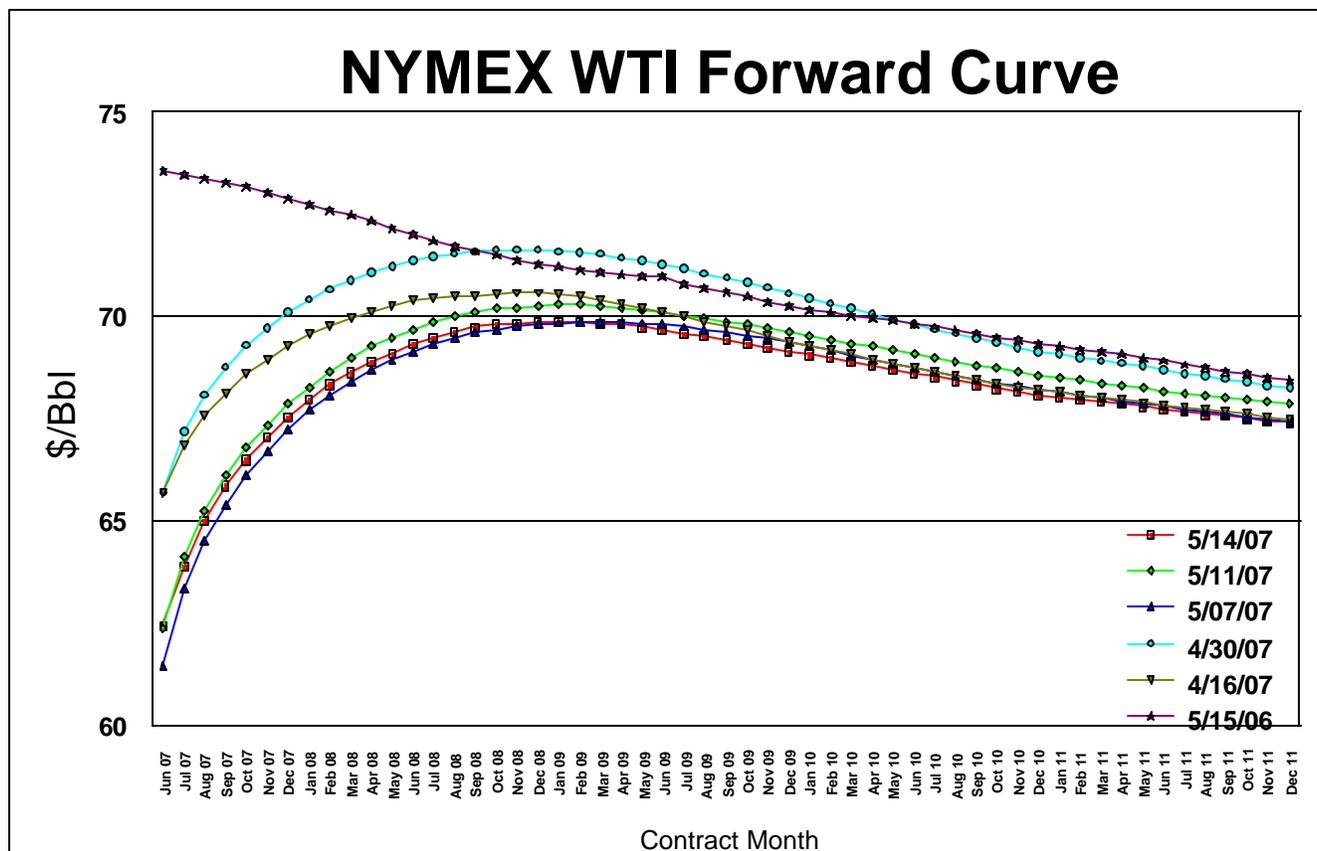
Consumer stocks of heating oil in Germany fell to 53% of capacity as of May 1, down from 54% the previous month. Stocks stood at 44% last year.

Production News

Saudi Arabia is expected to keep its crude oil supply cuts to Asia and Europe steady in June from May. Four European refiners said their supplies from Saudi Arabia would be unchanged. Also, Japanese and South Korean sources said Saudi Arabia would supply crude at 9.5% and 10% below contracted volumes in June.

Chevron Corp said it would be able to restore the 42,000 bpd of crude oil production lost at its Escravos export terminal in the next few days. It was forced to halt production last week after a protest by local youths at the Abiteye flow station. Chevron has started the process of restoring production.

Petro-Canada said its 100,000 bpd Terra Nova oilfield is scheduled to shutdown for 10 days starting May 30. The company said the closure would combine regulatory inspections and maintenance work



and would not result in any changes to its production forecast.

A.P. Moeller-Maersk said Danish Underground Consortium's oil production from the Danish part of the North Sea fell about 1.7% on the month in April to 275,700 bpd.

According to the Aberdeen Petroleum Report, UK oil production increased by 1.3% in February to 1.505 million bpd.

Norway's Norsk Hydro said it reduced its oil and gas production target for 2007 by 3.3% to 585,000 bpd of oil equivalent to reflect delays and shut in production at several Norwegian oil fields. This followed Statoil's announcement last week that it cut its 2007 production forecast from 1.3 million boe/d to 1.15 million boe/d to 1.2 million boe/d.

Kuwait's Oil Minister Sheikh Ali al-Jarrah al-Sabah said new discoveries could help Kuwait increase its oil output capacity to 4 million bpd by 2012 instead of 2020.

Oman's crude oil and condensate production fell by 6.2% to 64.39 million barrels in the first quarter of 2007. Its crude oil exports fell 10.9% to 56.85 million barrels in the quarter from 63.78 million barrels in the same period last year.

Kazakhstan's State Statistics Agency reported that the country increased its oil and gas condensate output by 9.7% on the year to 22.35 million tons in January-April 2007. It reported that Kazakhstan's oil production increased by 7.1% to 18.2 million tons.

Russia's Lukoil said its total hydrocarbon production increased 7.3% on year in the first quarter to 2.24 million barrels of oil equivalent. It said throughput at its refineries in Russia increased by 5.5% on the year in the first quarter, while it fell by 18.9% at its foreign refineries.

Belarus' Statistics and Analysis Ministry reported that oil transportation via Belarus' pipelines fell 14.5% on the year to 29.562 million metric tons in January-April.

Indonesia's Pertamina said production from its Cepu development may start at 10,000 bpd in late 2008 or early 2009. Indonesian authorities hope that the development of Cepu, which would be jointly operated by ExxonMobil and Pertamina, would help reverse the country's declining oil production. Cepu is estimated to have recoverable reserves of up to 600 million barrels.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$63.03/barrel on Friday from Thursday's \$62.23/barrel. It also reported that OPEC's basket of crudes fell by \$1.44/barrel to an average \$62.26/barrel in the week ending May 11.

Market Commentary

The oil market ended the session just slightly higher as the sell off in the RBOB market helped pare the early strength in the crude market. The crude market remained supported following Friday's strength and tested its resistance at 63.00 amid reports that the Nigeria Labour Congress called for a two day strike to protest against last month's elections and the militants continued to threaten further attacks on oil infrastructure ahead of the May 29 presidential inauguration. The oil market traded mostly sideways early in the session as it held support at 62.35. However the market erased its gains and sold off to a low of 62.14 amid the profit taking in the RBOB. The crude market settled up 9 cents at 62.46. The market is seen finding support at 62.40 followed by 62.14. More distant support is seen at 61.68, 61.38, 60.68 and 60.55. Resistance is however seen at 62.60, 63.07 followed by 63.34, 63.44 and 64.09. The June/July spread came in further and looks poised to test the -1.20 level. Open

interest in the crude market continued to build by a total of 25,540 lots. Open interest in the June contract fell by 15,960 lots while open interest in the July contract built by 33,422 lots. Meanwhile, the RBOB market posted a high of 237.44 early in the session before it erased its gains and never looked back. It extended its losses to over 6.3 cents and retraced almost 38% of its move, from a low of 214.83 and its high, as it traded to a low of 228.85 on profit taking. The market settled down 5.09 cents at 230.12. There was good crack spread selling as the spread came in to 33.83. The June RBOB crack is seen testing the 30.50 level followed by 28.75 amid the expectations that the weekly petroleum stock reports on Wednesday will show builds in stocks and further increase in refinery runs.

Technical levels		
	Levels	Explanation
CL 62.46, up 9 cents	Resistance 63.34, 63.44, 64.09 62.60, 63.07	Trendline, previous highs Monday's high
	Support 62.40, 62.14 61.68, 61.38, 60.68, 60.55, 60.22	Monday's low Previous lows
	Resistance 191.67, 191.94, 193.38 187.10, 188.50, 190.02	Previous highs Monday's high
HO 186.68, down 1.55 cents	Support 185.97 185.54, 181.61, 178.49	Monday's low Previous lows
	Resistance 239.19 230.50, 234.00, 237.44	Trendline Monday's high
	Support 228.85 228.80, 226.14, 224.45, 223.47	Monday's low 38% (214.83 and 237.44), 50%, previous low, 62%