



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 17, 2007

OPEC's Secretary General Abdullah al-Badri said OPEC would cut oil production if prices fall and remain below \$50/barrel for more than a month. He said OPEC would be pleased to see oil prices remain at about \$60-\$65/barrel. He said there was no reason for the IAEA to be concerned about supply as there is enough oil in the market and added that OPEC had the ability to meet future growth in Asia's oil demand. He said oil prices may fall when US oil refiners increase their operating rates to about 95%. In the week ending May 11, US throughput rates averaged a seasonably low 89.5% of capacity. OPEC's Secretary General also

Market Watch

Traders said European gasoline exports to the US are expected to fall in the coming weeks due to unsteady arbitrage economics. They said it has become difficult to profit from shipping cargoes to the US since mid-April, when weakness in gasoline futures closed the arbitrage window. Some companies have kept cargoes in Europe and sold the material in the barge market. Exports have also declined due to rising freight rates. However exports to the US could recover if renewed strength in RBOB prices continued to support crack spreads.

Separately, European gasoline export bookings to the US have fallen by about 25% on the month in May as several cargoes head for alternative destinations like West Africa and the Middle East Gulf. Traders said a steep US gasoline price backwardation had discouraged oil companies and trading houses from fixing gasoline tankers on transatlantic routes. Shipping data showed between 1.3 and 1.5 million tons of gasoline were booked for loading dates from May 1 to May 27.

Iran's Foreign Minister Manouchehr Mottaki said Iranian and US officials are scheduled to meet in Iraq on May 28 to discuss security in the country. He said the talks would focus on the situation in Iraq. He dismissed the possibility of discussing other issues, such as Iran's nuclear program. Separately, a senior Iranian official said Iran has installed 1,600 centrifuges used for enriching uranium and is installing more as part of its nuclear program. Iran has stated that it was setting up 3,000 centrifuges in the Natanz facility.

According to a Dow Jones Newswires survey, US light sweet crude futures in late summer are expected to average \$62.80/barrel, up \$1.50 from a month ago. For 2007, the average price is expected to be \$61.70/barrel, up upward revision of 70 cents from last month's estimate.

The IEA said there was a need for clearer data to better estimate and forecast oil demand growth in Asia, particularly China and India.

ICE Futures is scheduled to launch its Dubai sour crude futures contract on Monday. The Dubai Mercantile Exchange plans to launch trade of its Oman sour crude contract, 11 days later.

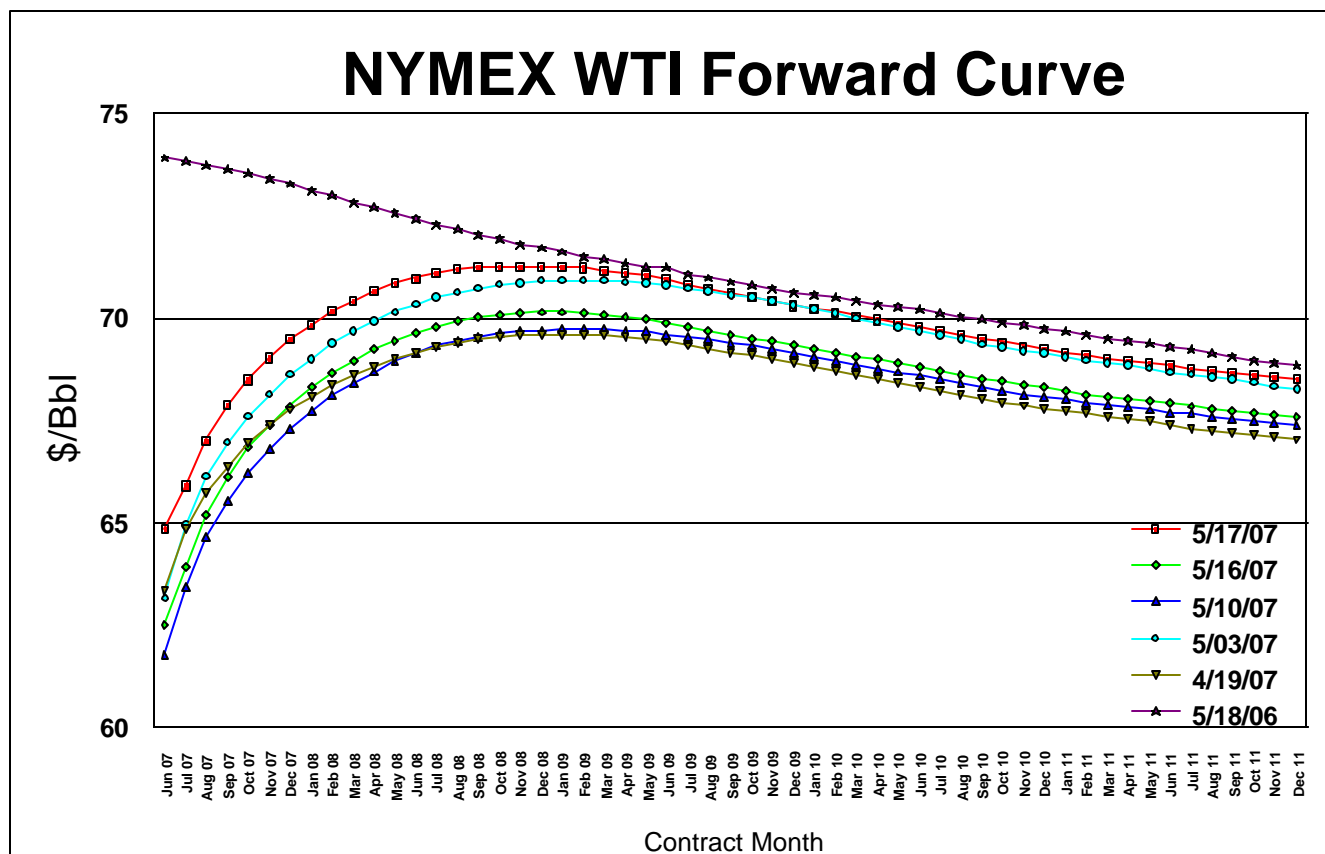
The Bank of Montreal said the trading loss was 50% more than originally forecast. It is expected to record pretax losses of C\$680 million or \$618 million from trading natural gas compared with an April 27 forecast of between C\$350 million and C\$450 million.

reported that US gasoline stock levels were acceptable despite the industry's concern that inventories have fallen too low to meet an expected increase in summer demand.

According to Oil Movements, OPEC's oil exports are expected to fall by 50,000 bpd to 24.15 million bpd in the four weeks ending June 2 compared with 24.2 million bpd in the four weeks ending May 26. Exports would however be up 190,000 bpd from 23.96 million bpd in the four weeks ending May 5. The head of Oil Movements said although sailings from West Africa are expected to be lower on anticipated supply disruptions in Nigeria, it would have minimal impact amid increased shipments from Gulf countries.

Nigerian unions have called for a two day strike on May 28-29 to protest against the recent elections. Members of the white collar Pengassan are expected to participate actively in the strike. They said the strike, which would coincide with the inauguration of president elect Umaru Yar'Adua on May 29 would not affect oil production.

The EIA reported that US crude oil imports increased by 14.4% from February to a record 10.348 million bpd in March. Canada remained the largest supplier of oil, with 1.776 million bpd of oil imported to the US, down 64,000 bpd. Mexico remained in second place, with oil exports increasing by 263,000 bpd to 1.621 million bpd. Nigeria's imports increased by 229,000 bpd to 1.29 million bpd while Saudi Arabia shipped 1.231 million bpd, up 46,000 bpd. Venezuela shipped 1.036 million bpd to the US, down 79,000 bpd. In regards to gasoline imports, the EIA reported that imports of the product in March totaled 1.097 million bpd, up 23% on the month. The top supplier in March was the Virgin Islands with an average 150,258 bpd followed by Canada with 143,419 bpd, the UK with 122,419 bpd, France with 100,129 bpd and the Netherlands with 86,903 bpd. Venezuelan exports of gasoline

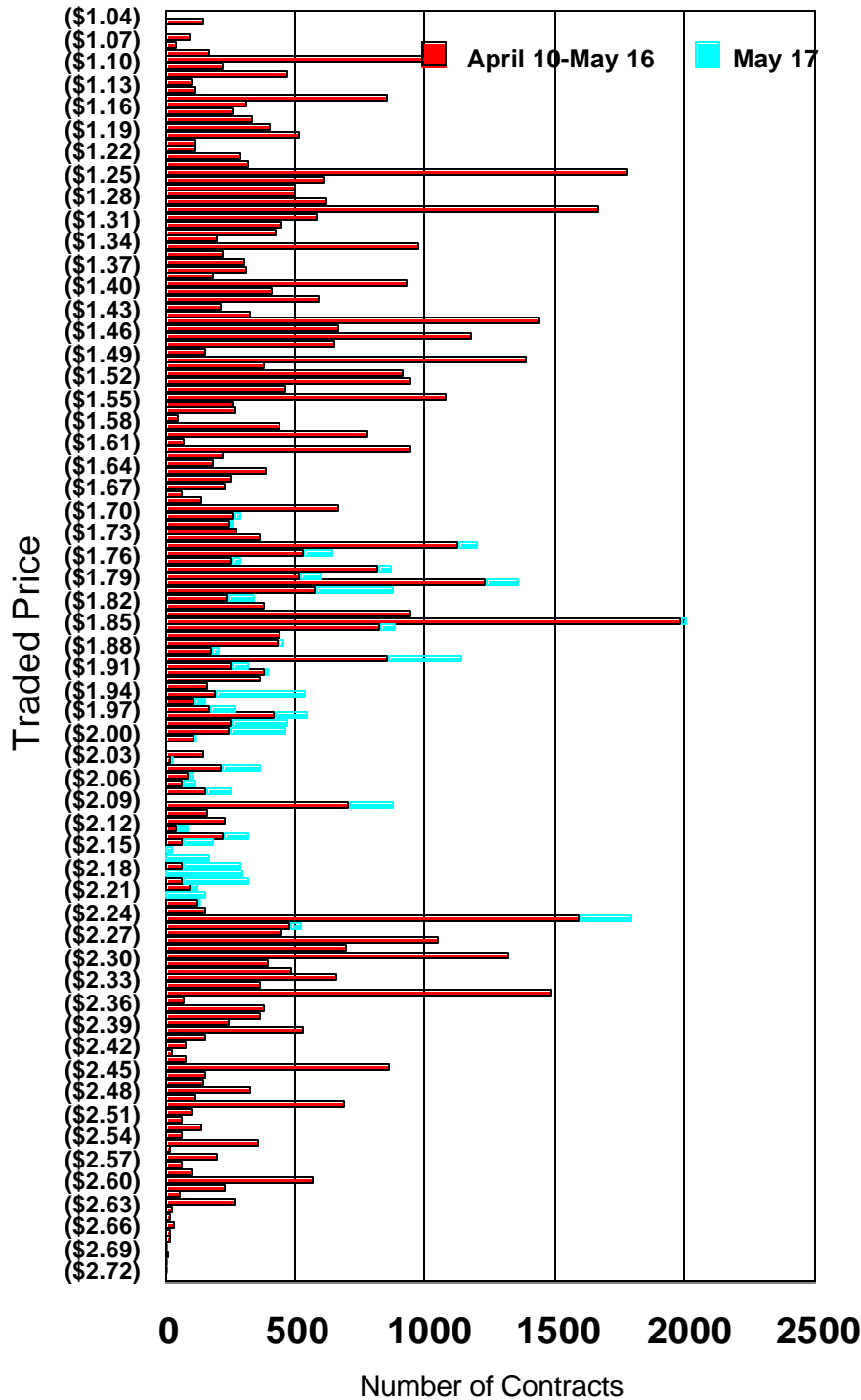


blending components to the US in March stood at 39,903 bpd.

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - May 17, 2007

Trade Weighted Avg: 5/17 -2.019; 5/16 -2.28; 5/15 -2.289; 5/14 -2.30; 5/11 -2.37



According to AAA, record high gasoline prices are not expected to deter travel during the Memorial Day holiday weekend. It said about 38.3 million Americans are expected to travel 50 miles or more during the holiday at the end of May, up 1.7% from a year ago. Among the Memorial holiday travelers, motorists are expected to account for 32.1 million, up 1.8% on the year.

Refinery News

Colonial Pipeline has frozen nominations for its Line 22 between Greensboro and Selma for the 27th cycle.

A gasoline pipeline from Reading, Pennsylvania to Buffalo, New York was shut after heavy machinery struck the line. It was not clear how long it would take to repair the line.

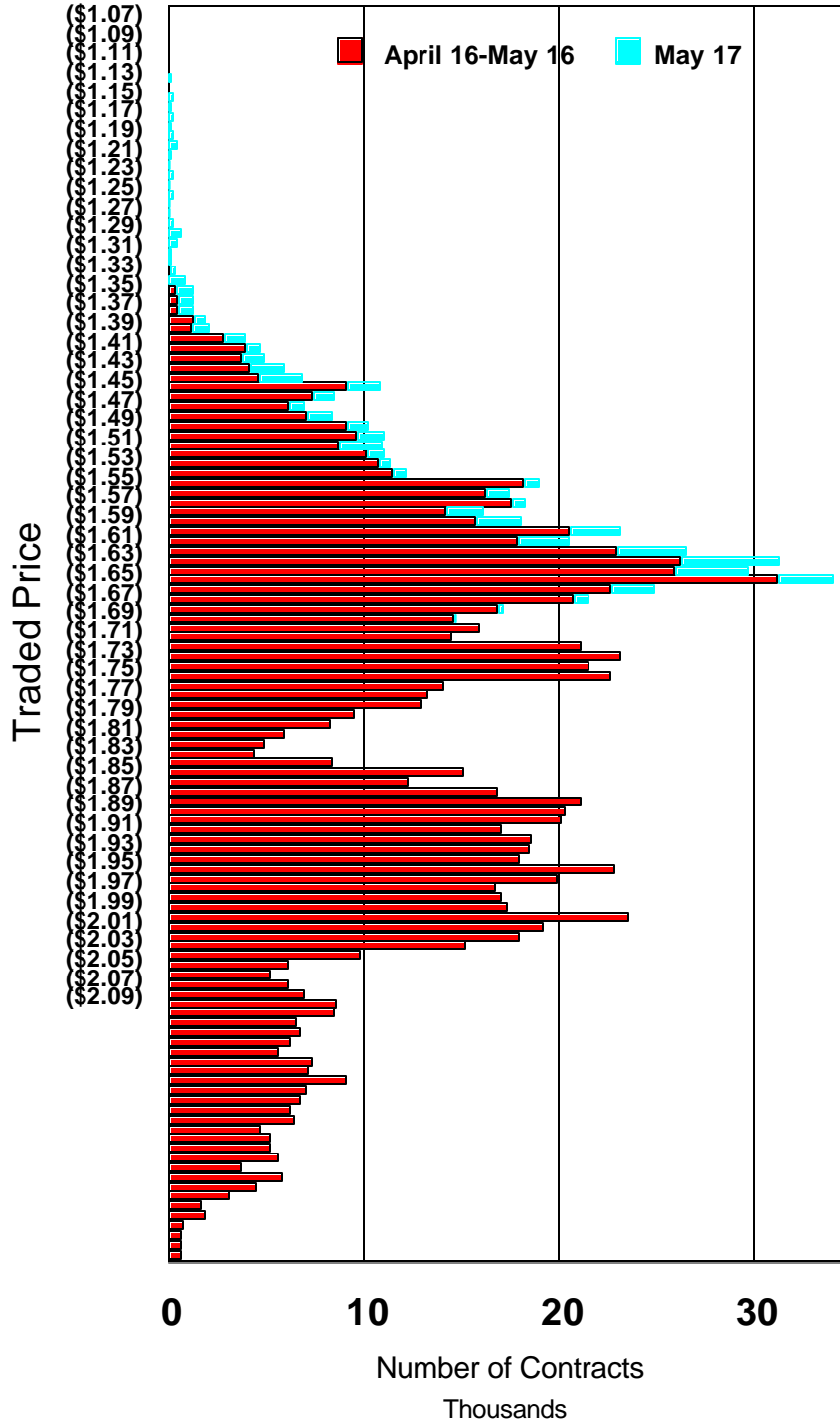
A fluid catalytic cracking unit at Valero Energy Corp's refinery in Delaware City, Delaware continued to operate at reduced rates due to the shutdown of associated equipment. A boiler was shut on May 9 following a tube rupture and forced Valero to reduce feed to the catcracker. The unit, which has a capacity of 82,000 bpd, has been producing about 55,000 bpd of gasoline.

A fluid catalytic cracking unit at BP's Toledo, Ohio refinery is not expected to restart by the end of the week as previously planned. The

NYMEX WTI: June July Spread

Price Vs Volume for April 16 - May 17, 2007

Trade Weighted Avg: 5/17 -1.26 5/16 -1.43 5/15 -1.409 5/14 -1.45 5/11 -1.73



restart of the catcracker was halted Wednesday after an incident involving catalyst. It seemed that damage resulted, requiring equipment replacement and further repairs. The duration of the additional downtime was not clear but could last weeks. Meanwhile repairs at its 410,000 bpd Whiting, Indiana refinery are still seen continuing through May with partial restarts expected in June.

Murphy Oil has shut a crude distillation unit at its 120,000 bpd refinery in Meraux, Louisiana for maintenance. The shutdown was expected to one day.

BP is expected to shut its 125,000 bpd fluid catalytic cracking unit at its Texas City, Texas refinery to tie in a new scrubber unit under planned maintenance this weekend. The scheduled repairs are seen completed by the end of May.

As previously reported, ConocoPhillips is scheduled to shut a 67,000 bpd fluid catalytic cracking unit at its 146,000 bpd refinery in Borger, Texas for a month long overhaul starting Friday. Plans call for the catcracker to be shut through June 23. On Wednesday, traders said the refinery would shutdown through the end of June for comprehensive work that would include three crude distillation units and a reformer unit as well as the catcracker. Separately,

ConocoPhillips shut one of three crude units at its 194,000 bpd refinery in Ponca City, Oklahoma on Wednesday ahead of a scheduled turnaround for late May.

NYMEX Petroleum Options Most Active Strikes for May 17, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	7	7	P	60	06/15/2007	0.27	4,390	27.68
LO	7	7	C	65	06/15/2007	2.34	4,101	25.26
LO	7	7	C	70	06/15/2007	0.52	2,935	24.98
LO	7	7	P	65	06/15/2007	1.42	2,632	25.18
LO	7	7	P	63	06/15/2007	0.75	2,307	25.69
LO	7	7	C	77	06/15/2007	0.12	2,008	32.52
LO	8	7	P	57	07/17/2007	0.31	1,960	29.68
LO	7	7	P	64	06/15/2007	1.04	1,797	25.34
LO	7	7	C	79	06/15/2007	0.11	1,625	36.12
LO	12	7	C	41	11/13/2007	28.48	1,600	60.44
LO	7	7	C	64	06/15/2007	2.95	1,442	25.37
LO	7	7	C	67	06/15/2007	1.37	1,342	25.02
LO	9	7	C	75	08/16/2007	1.22	1,094	26.63
LO	7	7	C	66	06/15/2007	1.8	1,082	24.96
LO	7	7	P	65.5	06/15/2007	1.64	1,075	25.08
LO	12	7	C	36.5	11/13/2007	32.98	1,025	74.04
LO	12	7	C	80	11/13/2007	1.72	1,000	26.49
LO	8	7	C	68	07/17/2007	2.4	932	26.19
LO	8	7	C	66	07/17/2007	3.37	927	26.37
LO	8	7	P	64	07/17/2007	1.57	925	26.79
LO	7	7	C	65.5	06/15/2007	2.06	875	25.12
LO	7	7	P	55	06/15/2007	0.03	845	30.13
LO	8	7	P	66	07/17/2007	2.32	825	26.24
OB	7	7	C	2.45	06/26/2007	0.0816	1,456	41.72
OB	6	7	C	2.6	05/25/2007	0.0162	693	46.68
OB	8	7	C	2.2	07/26/2007	0.1802	467	37.09
OB	8	7	C	2.14	07/26/2007	0.2163	444	37.61
OB	8	7	C	2.15	07/26/2007	0.21	444	37.53
OB	8	7	C	2.18	07/26/2007	0.1918	442	37.26
OB	8	7	C	2.21	07/26/2007	0.1746	427	37.01
OB	8	7	C	2.24	07/26/2007	0.1583	411	36.76
OB	7	7	P	2	06/26/2007	0.0202	351	42.30
OB	6	7	C	2.5	05/25/2007	0.036	338	43.07
OB	6	7	P	2.15	05/25/2007	0.0031	314	49.83
OB	8	7	C	2.13	07/26/2007	0.2226	305	37.68
OB	8	7	C	2.19	07/26/2007	0.1859	299	37.14
OB	9	7	P	2.04	08/28/2007	0.0817	275	33.68
OB	7	7	C	2.8	06/26/2007	0.0207	266	45.18
OB	9	7	P	2.15	08/28/2007	0.1252	250	33.18
OB	9	7	P	2.16	08/28/2007	0.1298	250	33.15
OB	9	7	P	2.05	08/28/2007	0.0851	250	33.63
OH	7	7	C	2	06/26/2007	0.0513	396	29.84
OH	8	7	C	2.1	07/26/2007	0.047	382	29.30
OH	8	7	C	1.91	07/26/2007	0.1211	316	28.80
OH	8	7	P	1.91	07/26/2007	0.0738	316	28.72

CHS Inc's 55,000 bpd refinery in Laurel, Montana shutdown some processing units on Wednesday due to a power problem and was hit by a small fire on its main crude unit. Low voltage caused some units to shutdown. The units are expected to reopen within a day or two.

Citgo Petroleum began restarting a 65,000 bpd unibon unit at its 156,000 bpd refinery in Corpus Christi, Texas on Thursday. The restart is expected to last through May 23.

California's Energy Commission reported that refinery runs in the state increased by 1% in the week ending May 11 to 1.875 million bpd, the highest level since January 5. It however stated that despite higher crude processing, output of California's CARB RFG fell by 1.3% on the week. It stated that stocks of CARB RFG fell by 2.3% on the week but was 12.4% above last year's level. AAA reported that California's retail price of regular gasoline on Thursday was \$3.467/gallon, down 2.3 cents from a record high of \$3.49/gallon reached on May 9. Nationwide, retail gasoline prices set a record on Thursday at \$3.114/gallon, up 6.4% on the year.

South Korea's SK Corp said it would delay the maintenance schedule of its No. 5 middle distillate unit from June this year to the first half of 2008. It also

stated that it would shut its 250,000 bpd No. 3 crude refining unit for less than 20 days from late June.

Partial restart of Idemitsu Kosan Co's fire hit reduced crude desulphurization unit at its Aichi refinery has been approved. Idemitsu shut the 60,000 bpd unit last Friday due to a fire. Runs on a 160,000 bpd crude distillation unit and a 50,000 bpd catalytic reforming unit were cut following the fire. Separately it reported that it would shut its 140,000 bpd crude distillation unit for maintenance from Friday, earlier than its original plan from June. The unit is scheduled to be shut until the first half of August.

Production News

Royal Dutch Shell has started work to restore 170,000 bpd of crude oil production in Nigeria after a protest at a major pipeline hub. The six day protest had raised the total amount of oil production shut in to about 900,000 bpd. Meanwhile, Chevron said only about 7,000 bpd of its Escravos oil production was still closed on Thursday following an invasion of its Abitey facility on May 7.

The Nigerian National Petroleum Co said production at the Forcados oilfield is expected to reach 100,000 bpd by June.

Total said it would partially restart production from its Nkossa offshore oilfield in Congo Republic in July after a fire last week halted production. It is expected to resume producing 20,000 bpd starting July 1.

An Iraqi oil official said the country's oil exports from southern oilfields fell to 1.08 million barrels from 1.45 million barrels over the last three days due to a power cut. Iraq's oil production has declined to 1.8 million bpd during the last three days.

Russian railways have resumed all shipments of refined products towards ports in Estonia following two weeks of disruptions amid a political dispute between the two countries. Trading sources said up to 50,000 tons of light products and over 300,000 tons of fuel oil had been re-routed away from Estonia in May.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.063 million barrels to 15.231 million barrels in the week ending May 16. Its light distillate stocks built by 127,000 barrels to 8.484 million bpd while middle distillate stocks built by 318,000 barrels to 8.978 million bpd.

Indonesia's Energy Minister Purnomo Yusgiantoro said the country has been a net oil importer in some months over the past two years but added that its crude oil exports overall remained higher than its imports. Indonesia has been struggling to maintain its output. Its major oilfields have been declining rapidly and it has been a major importer of gas oil and gasoline as its refineries cannot cope with increasing domestic demand. Indonesia's crude oil production fell by 1.5% on the month to 838,900 bpd in April.

Thailand's Energy Ministry reported that the country's crude oil imports increased by 0.5% on the year in January-April to 825,000 bpd. It stated that diesel demand in the same period increased by 0.8% to 54 million liters/day while demand for gasoline increased by 2.1% to 20.3 million liters.

Ecuador's central bank stated that the country's average oil production fell by 9% to 482,065 bpd in March from 528,355 barrels in March 2006. Petroecuador's oil output averaged 253,161 bpd in March while private companies' oil output was 228,904 barrels.

Market Commentary

Thanks to more refinery problems the market met our objective of 65.56, basis the July contract. We still think that this market has an opportunity to work higher and would look for dips to enter the market. At this point, we would like to buy the July contract on a scale down basis to 64.80 with stops set just below the 64.65 level. The initial upside objective would be 66.36 and then 66.55, with hopes of reaching 67.25. The Sept/Dec spread is nearing our buying level of -1.60, (buying Sept) and we would be looking for a test of the -1.00 level. The RBOB market, which drove the complex higher, skyrocketed after it posted a low of 235.12 early in the session. The market bounced off that level and never looked back as the market remained headline driven. Among the latest refinery glitches, Valero reported that a fluid catalytic cracking unit at its Delaware City refinery continued to operate at reduced rates while BP later stated that its catcracker unit was not expected to restart by the end of the week as previously expected. Also Murphy Oil shut a crude distillation unit at its Meraux, Louisiana refinery for maintenance. The RBOB market extended its gains to 10.25 cents as it posted a high of 243.95 ahead of the close. It settled up 9.96 cents at 243.66. The June RBOB crack spread continued to widen to 37.43 amid the strength in the gasoline market. Some resistance is seen at 39.55 basis a trendline. The complex will continue to trend higher amid the refinery glitches reported recently, with the gasoline continuing to drive the market higher. The complex will also remain supported amid the possible strikes in Nigeria that have been called for the end of the month. The RBOB market is seen testing its high with further resistance seen at a previous high of 245.04. The market however is seen finding some support at 237.29 followed by 235.24 and its low of 235.12. More distant support is seen at 233.18.

Technical levels		
	Levels	Explanation
CL 63.17, up 71 points	Resistance 66.38, 66.55, 67.25, 67.78 66.00	Previous highs Thursday's high(July)
	Support 65.21, 64.97, 64.72, 64.65 63.93, 63.21	38% retracement(63.93 and 66.00), 50%, 62% Thursday's low, Previous low
HO 193.67, up 6.97 cents	Resistance 194.30, 196.80 193.98	Previous highs Thursday's high
	Support 191.00, 189.85, 187.08 183.50	Thursday's low Previous low
RB 243.66, up 9.96 cents	Resistance 245.04 243.95	Previous high Thursday's high
	Support 237.29, 235.24, 235.12 233.18, 226.52	38% retracement (226.52 and 243.95), 50%, Thursday's low 62% retracement, Previous low