



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 23, 2007

According to an IAEA report, Iran was ignoring UN Security Council demands and was expanding its uranium enrichment program. It said Iran continued with operation of its pilot fuel enrichment plant and with construction of its enrichment plant. The head of the UN's IAEA, Mohammed El Baradei said Iran possessed the knowledge about how to enrich uranium and the focus should now be on preventing industrial scale production. US Undersecretary of State Nicholas Burns said the major world powers

Market Watch

The Federal Trade Commission said it was investigating gasoline and diesel supply activities in the US Pacific Northwest. The FTC has also been conducting a separate comprehensive probe into whether there was any market manipulation involved in recent gasoline price rises across the country. It said that it has seen no evidence of anti-competitive behavior or illegal activity so far. At a congressional Joint Economic Committee hearing on oil industry mergers and gasoline costs, Sen. Charles Schumer suggested that the US government consider breaking up some of the mega oil companies blamed by many for the rise in gasoline prices. Meanwhile, the US House of Representatives is expected to pass a bill Wednesday that could penalize oil companies up to \$150 million if they are found to be price gouging their petroleum products. The bill would also give the FTC more authority to investigate price gouging.

The two main opposition candidates in Nigeria's presidential elections last month have filed petitions seeking the cancellation of the result just before the Wednesday deadline for legal challenges. The candidates said in separate petitions that the ballot was invalid because the electoral body did not comply with the relevant laws. However analysts said the opposition had little chance of overturning the election because evidence of vote rigging was hard to obtain and the declared margin of victory was wide.

WSI Corp said the 2007 hurricane season would be above normal, with a total of 15 named storms, eight of which are expected to strengthen into hurricanes. It said four of the hurricanes would be intense. Forecasters have urged the oil industry this summer to stockpile supplies away from the US Gulf Coast, which they predict would be hit by hurricane force winds during this year's hurricane season.

DOE Stocks

Crude – up 2 million barrels
Distillate – up 500,000 barrels
Gasoline – up 1.5 million barrels
Refinery runs – up 1.6%, at 91.1%

would insist Iran halt its nuclear enrichment and reject a compromise put forward by the head of the IAEA. White House spokesman Gordon Johndroe said the US would consult with its fellow permanent members of the UN Security Council and Germany. Earlier, French Foreign Ministry spokesman Jean-Baptiste Mattei said it supported

a US complaint against the director of the IAEA for suggesting that Iran could retain some parts of its uranium enrichment program. In response, an Iranian official dismissed the IAEA report and argued that it had provided the agency's inspectors with adequate access to the country's nuclear facilities.

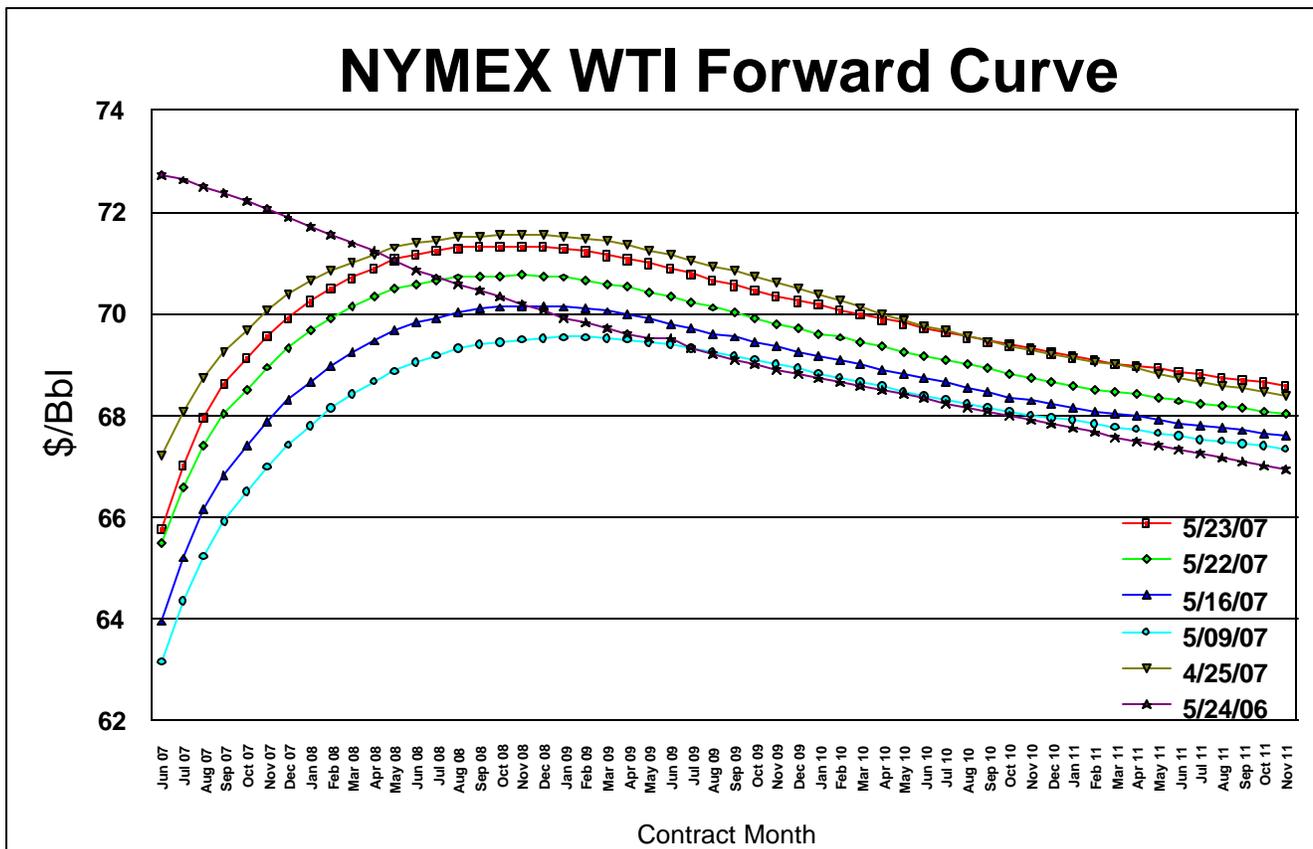
The US Navy staged its latest show of military force off the Iranian coast. It sent two aircraft carriers and landing ships with 17,000 US Marines and sailors to carry out unannounced exercises in the Persian Gulf. The Navy said nine US warships passed through the Strait of Hormuz on Wednesday. A military official said the ships would conduct exercises as part of a long planned effort to assure regional allies of US commitment to Gulf security. The exercises are expected to take place over the next few weeks.

Algeria's Oil Minister Chakib Khelil said there was no need at present for OPEC to increase its oil production because prices increased due to a momentary shortage of refined petroleum products. He said OPEC may intervene when it is sure the market really needed an increase in production. Meanwhile, Libya's National Oil Corp's chairman Shokri Ghanem said Libya saw no need for OPEC to increase its production.

Refinery News

Valero Energy Corp shut its 245,000 bpd refinery in Texas City, Texas completely due to steam boiler problems. Some traders said the shutdown was expected to last 24 hours.

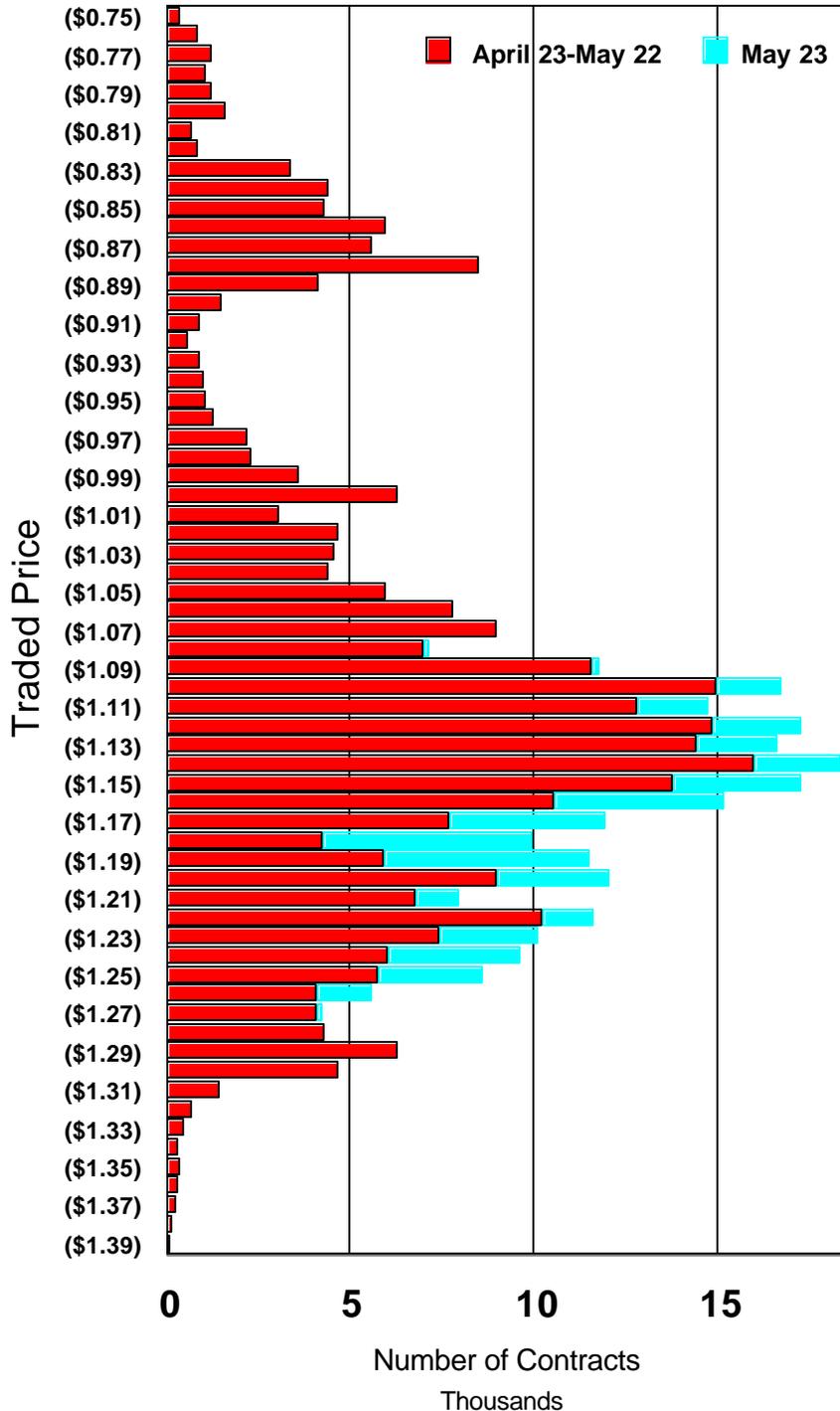
Delek US Holdings shut briefly a sulfur recovery unit at its 60,000 bpd refinery in Tyler, Texas on Sunday due to an operational problem. The unit was shut for about 10 minutes due to a problem with the amine regenerator system.



NYMEX WTI: July August Spread

Price Vs Volume for April 23 - May 23, 2007

Trade Weighted Avg: 5/23 -1.18 5/22 -1.07 5/21 -1.11 5/18 -1.023 5/17 -1.202



According to the Texas Natural Resource Conservation Commission, Flint Hills Resources is expected to start up a cumene unit at its 288,000 bpd refinery in Corpus Christi, Texas on Wednesday following its scheduled shutdown to replace the catalyst. The startup process is expected last through May 29.

Nigerian National Petroleum Co workers said they would stage a strike at midnight unless an agreement was reached to save jobs following last week's sale of the Port Harcourt refinery. About 6,000 members belonging to Pengassan and Nupeng plan to halt work at refineries, depots and other facilities operated by NNPC. Union members said the sale of the refinery failed to follow due process and may lead to job cuts. Deputy general secretary of Pengassan, Lumumba Okugbawa said the strike may have an indirect impact on Nigeria's oil production. Bluestar won a 51% stake in the Port Harcourt refinery with a \$561 million bid on May 17.

PDVSA has restarted a 9,500 bpd catalytic reformer unit at its 130,000 bpd El Palito refinery following eight months of maintenance work.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending May 19

increased by 700,000 barrels to 102.84 million barrels. Japan's gasoline stocks fell marginally by

80,000 barrels or 0.6% to 13.63 million barrels on the week despite a sharp drop in refinery runs, which fell by 6.8% to 66.3%. It also reported that kerosene stocks built by 520,000 barrels to 14.15 million barrels while naphtha stocks built by 620,000 barrels to 12.85 million bpd.

Production News

Chevron Corp said it restored normal production levels at its Pennington oilfields in Nigeria after a militant attack forced it to cut production earlier this month. Chevron was forced to shut 15,000 bpd from its offshore Funiwa oilfield, which is connected to the Pennington export terminal.

Nigeria’s crude oil shipments are expected to fall 20,000 bpd to 2.15 million bpd in July after militant attacks this month cut output at several oilfields. The July loading program could be revised significantly due to force majeure on some exports, oilfield output cuts and regional instability.

Abu Dhabi National Oil Co is expected to maintain term crude oil supply at full contracted volumes in Asia for July, unchanged on the month. The UAE has notified lifters in Japan and South Korea that it would supply crude oil at full contracted volumes.

According to the Shetland Island Council, Brent crude oil liftings fell by 136,673 tons in the week ending May 22 from 392,206 tons in the previous week.

An Iraqi official said Iraq planned to auction 15 crude oil and natural gas blocks to international oil companies once the country’s long delayed hydrocarbons law becomes final. The hydrocarbons law has been delayed for several months and nay analysts believe lawmakers would miss the end of May deadline as Baghdad and the autonomous Kurdish government in northern Iraq continue to fail to come to agreement on a number of issues, including method for distributing oil revenues.

OPEC’s news agency reported that OPEC’s basket of crudes increased by 40 cents/barrel to \$66.50/barrel on Tuesday.

Market Commentary

The oil market continued to retrace some of its previous gains early in the session following the release of the weekly petroleum stock reports. The market traded to a low of 65.05 in light of the DOE showing a crude stock build of 2 million barrels. However it quickly bounced off that level and traded to a high of 66.15 as a closer look at the report showed that crude stocks saw the majority of the build in Padd 5. The market was also well supported by the release of an IAEA report stating that Iran expanded its uranium enrichment program and continued to defy UN Security Council demands. This came amid the reports that the US had sent two aircraft carriers and landing ships with 17,000 US Marines and sailors to carry out unannounced exercises in the Persian Gulf. The market traded to a high of 66.15 and settled in a sideways trading pattern, as sellers remained cautious. The market settled up 26 cents at 65.77. The oil market may retrace some of its gains, however its losses are seen limited by geopolitical concerns. The crude market is seen finding support at 65.50, its low of 65.05 followed by 64.73, 64.23, 64.17 and 63.93. Meanwhile resistance is seen at 66.15 followed by 67.00, 67.10, 67.78, 68.09 and 68.58. The RBOB market traded lower following the release of the DOE report, which showed a build in gasoline stocks of 1.5 million barrels and an increase in refinery runs of 1.6% to 193.23 after the strength in stocks.

Technical levels		
	Levels	Explanation
CL 65.77, up 26 cents	Resistance	67.00, 67.10, 67.78, 68.09, 68.58
		66.15
	Support	65.50, 65.05
HO 193.23, up 2.51 cents		64.73, 64.23, 64.17, 63.93
	Resistance	195.10, 196.00, 196.80
	Support	193.84
RB 231.04, up 41 points		191.75, 191.25, 190.20
		189.31, 187.25, 187.08, 185.18
	Resistance	240.25, 242.62, 244.22
	231.22, 232.72	50% retracement (62.36 and 67.10), basis trendline, 62%, Previous low
		Previous highs
		Wednesday's high
		Wednesday's low
		38% retracement (178.49 and 196.00), 50% Previous low, 62%
		Tuesday's high, Previous highs
		Wednesday's high