



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 25, 2007

The head of OPEC's research division, Hasan Qabazard said there was no need to increase crude production because rising prices were reflecting bottlenecks in gasoline supply.

Nigerian National Petroleum Co said production facilities at Nigeria's Forcados oilfield were attacked by a local community group. A NNPC

official said crude loadings were continuing but declined to specify how the attacks would impact production. Meanwhile, Royal Dutch Shell has declared a force majeure on oil exports from the Forcados terminal for the next two months.

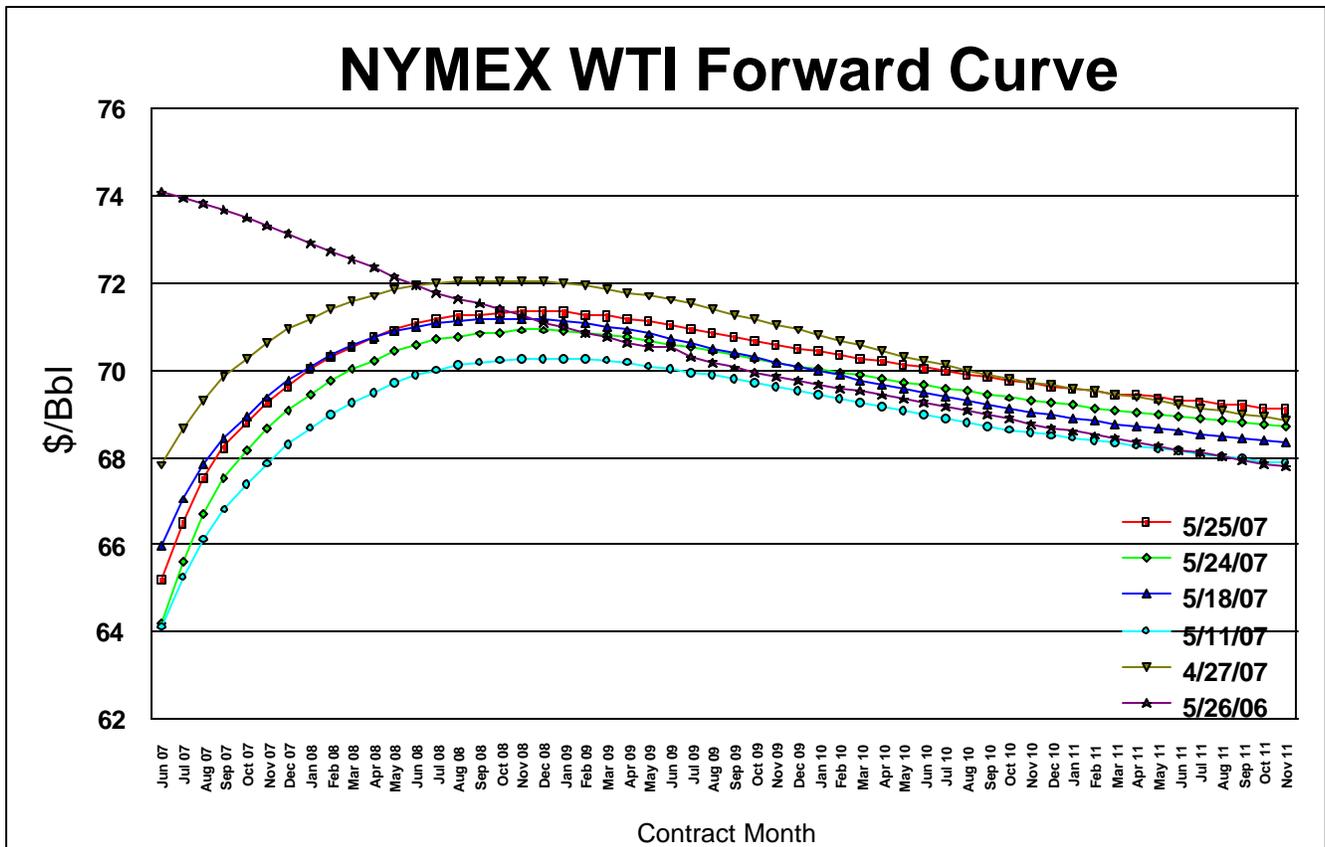
Nigeria's oil unions have pulled workers from crude export terminals on the second day of their strike however sources stated that shipments from Nigeria continued. Union members of the Nigerian National Petroleum Co and the Department of Petroleum Resources began their strike on Thursday to protest against privatization of the country's largest oil refinery.

Gunmen kidnapped six foreign oil workers, including three Americans from a ship off the coast of Nigeria on Friday, bringing to 22 the number of foreigners held hostage in the country. The raid came a day after gunmen kidnapped a Polish engineer near the oil city of Warri.

Market Watch

Iraq's Oil Minister, Hussein al-Shahristani, said he expected Iraq's parliament to approve a draft oil and gas law in the next two months that would lay the framework for foreign investment in the country's oil sector. He said the oil law does not include production sharing contracts and would guarantee that 80% of oil reserves are managed by the Iraqi National Oil Co. He also stated that the first licensing round of Iraqi oil and gas assets would be launched in the second half of the year. Iraq's Oil Minister also stated that Iraq planned to start pumping significant quantities of crude through its northern oil export pipeline in the next one or two months. Separately, he said he hoped to conclude talks with Iran in the next month on establishing a pipeline project to transport crude and oil products between the countries. The proposed pipeline would carry 200,000 bpd of Iraqi crude to Iran. The project would involve the construction of two separate pipelines, one to carry crude from Iraq's southern oilfields to Iran's Abadan refinery and another to bring oil products from Iran to Iraq.

Industry sources stated that Morgan Stanley would be the first investment bank to lease a fuel oil floating storage unit in Asia. A 240,000 ton floating storage unit is scheduled to begin operations within the next month and would help the bank become a major East-West arbitrager and compete against the likes of BP, Vitol and Glencore.



Meanwhile, shipping agents said between 40 and 45 clean tankers carrying oil products, mainly gasoline and diesel, were waiting to discharge at Lagos port amid longer than usual delays. Nigerian National Petroleum Corp said it had no plans to reduce its third quarter gasoline imports.

Iran's President Mahmoud Ahmadinejad said Iran would continue its uranium enrichment program and would also become a nuclear fuel exporter. He vowed never to halt the country's nuclear program.

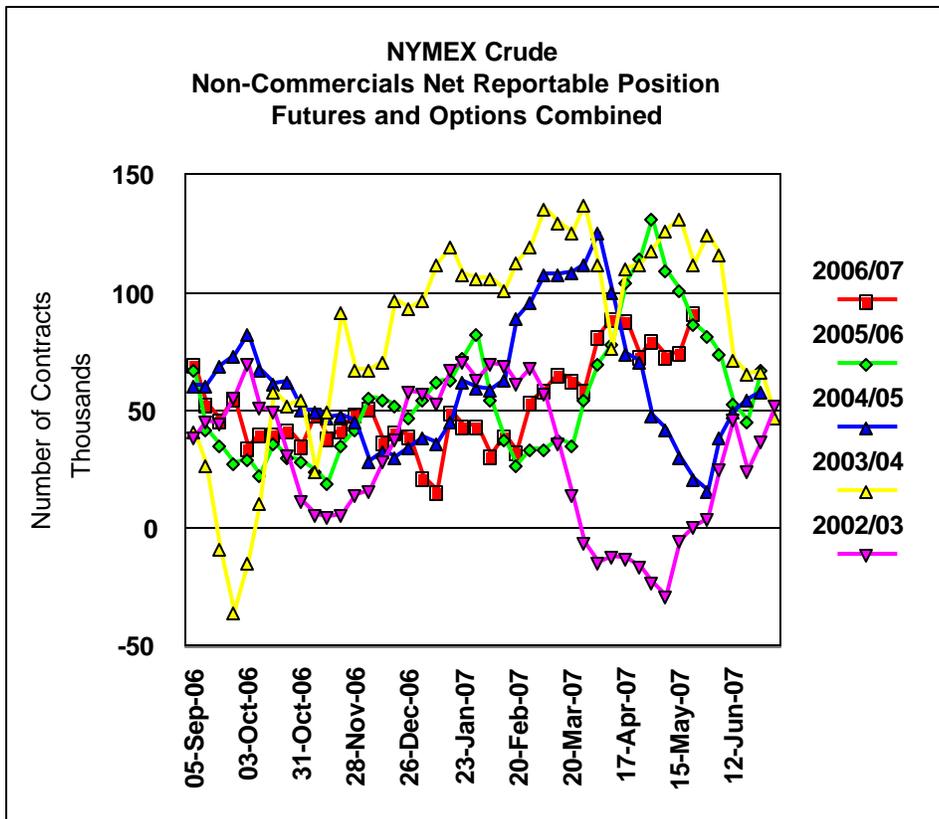
Refinery News

Valero Energy Corp began restarting offline processing units at its Houston refinery on Friday, a few days later than originally expected. Boiler and steam problems forced the shutdown of units last week. The refinery is expected to be completely restarted over the weekend. The outage resulted in a production loss of 64,000 bpd of gasoline and 44,000 bpd of distillates. Separately, Valero Energy Corp was restarting a fluid catalytic cracking unit at its 340,000 bpd refinery in Corpus Christi, Texas. The refinery was operating at reduced rates due to planned maintenance on associated soot blowers.

ConocoPhillips began restarting a 104,000 bpd fluid catalytic cracking unit at its 247,000 bpd Alliance refinery in Belle Chasse, Louisiana after multiple lightning strike on Wednesday.

Citgo said it was restarting a sulfur recovery unit at the East plant of its 165,000 bpd refinery in Corpus Christi, Texas. The restart began on May 22 and was expected to be completed by May 28.

BP is expected to complete the restart of its fluid catalytic cracking unit at its 155,000 bpd Toledo, Ohio refinery over the weekend. The 52,000 bpd unit was shut after a power outage on April 20.



Preem Petroleum AB has partially restarted its 125,000 bpd refinery following planned maintenance. The refinery is however expected to run at partial capacity during the next three weeks. One of two crude distillation units at the refinery was still undergoing repairs due to damage caused by a fire on May 13.

Oman Refinery Co is expected to restart its 116,000 bpd Sohar refinery in early June after it shut the refinery last week due to a technical problem.

Indonesia's Pertamina shut a 27,000 bpd hydrocracker unit at its Dumai refinery

on Thursday.

Indian Oil Corp has delayed a 30 day shutdown of its 160,000 bpd Mathura refinery in northern India for a month until late June. To make up the shortfall IOC would step up supplies from its Panipat, Gujarat and Barauni refineries.

India's Reliance Industries Ltd said it would export more than 75% of its refinery output in the financial year ending March 2008.

Russia's Industry and Energy Ministry reported that crude oil refining in Russia increased by 5.2% on the year to 73.876 million tons in January-April. In April, oil refining fell by 1% on the year to 17.957 million tons. Russia's Industry and Energy Ministry stated that Russia's gasoline exports in April increased by 10.6% on the year to 589,300 metric tons. Its exports accounted for 22.5% of Russia's gasoline production, which was 2.619 million tons in April, up 1.5% on the year.

Production News

BP Plc said it began restarting a 100,000 bpd gathering center at its Prudhoe Bay oilfield after completing repairs to a produced water pipe that leaked. Output at the 400,000 bpd Prudhoe Bay field was cut by 25% since May 21. The gathering center is expected to reach normal rates by Sunday evening.

According to Reuters, China's apparent oil demand in April increased by 3.9% on the year to 7 million bpd. China's crude imports increased by 23.2% on the year in April to 3.61 million bpd.

China has resumed oil exports to North Korea following a two month gap. According to Chinese customs authority, China exported almost 140,000 tons of crude oil to North Korea in April.

OPEC's news agency reported that OPEC's basket of crudes increased by 56 cents/barrel to \$66.74/barrel on Thursday.

Market Commentary

Ahead of the long weekend market activity was relatively quiet, with July crude trading in an inside range. As mentioned in yesterday's wire, we are still trading in a period of consolidation. The July contract opened the floor session trading above our first two-listed resistance numbers of 64.25 and 64.78, and retreated from our third level of 65.05. This provided a selling opportunity within the sideways pattern we previously spoke about. With previous resistance numbers becoming our new support, the market played out nicely giving the opportunity to exit any shorts put on and also giving the opportunity to be a buyer. We still think that within this consolidation area there is still the opportunity to trade between the listed support and resistance numbers. Resistance: 65.31, 65.77, 66.15, 66.85 and 67.10. Support is 64.77, 64.35, 63.82, 63.45 and 63.20. Meanwhile, the RBOB market continued to trend higher on short covering ahead of the long holiday weekend. The market remained concerned over the possibility of further refinery glitches, despite several reports of refineries resuming operations. The market opened at a low of 235.90 and never looked back as it extended its gains to over 4.7 cents and rallied to a high of 240.48 late in the session. It settled up 4.68 cents at 240.37 while the RBOB crack spread also settled higher at 31.67. The market early next week will likely retrace some of its gains. However its losses will be limited ahead of the release of the weekly petroleum stock reports and the June contract's expiration on Wednesday. The market is seen finding support at 240.00, 238.00 followed by its low of 235.90. More distant support is seen at 229.80 and 226.30. Resistance is however seen at 240.48 followed by 242.62 and 244.22.

The Commitment of Traders report showed that non-commercials increased their net long position by 8,889 contracts to 53,461 contracts in the week ending May 22. The combined futures and options report also showed that non-commercials increased their net long positions by 17,169 contracts to 91,696 contracts on the week. It is the largest net long position held since mid-August 2006. Given the market's move during the last few trading sessions and the builds in open interest, the non-commercials have continued to add to their net long positions. Meanwhile non-commercials in the RBOB market cut their net long position by 2,174 contracts to 27,415 contracts while non-commercials

in the heating oil market increased their net long position by 3,070 contracts to 13,305 contracts.

Technical levels		
	Levels	Explanation
CL	Resistance 65.20, up \$1.02	66.15, 67.00, 67.10 65.25, 65.31, 65.77
	Support	64.77, 64.35, 64.21 63.82, 63.45, 63.20
HO	Resistance 193.91, up 1 cent	196.00, 196.80 195.49, 195.69
	Support	192.50, 192.20 190.20, 189.31, 187.25, 187.08
RB	Resistance 240.37, up 4.68 cents	242.62, 244.22 240.48
	Support	240.00, 238.00, 235.90 229.80, 226.30, 224.45