



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 MARCH 5, 2008

OPEC ministers agreed on Wednesday to maintain its current production policy, ignoring calls from consuming nations to increase production. The combined production limit for 12 of OPEC's 13 members is 29.67 million bpd. OPEC ministers said record high prices had been driven by factors that were beyond their control. OPEC's decision to maintain its current production quotas could still allow for shifts in OPEC production. Saudi Arabia's Oil Minister Ali al-Naimi said the country was producing

9.2 million bpd, which is about 300,000 bpd above its formal OPEC output quota. OPEC is scheduled to hold its next meeting on September 9 and may call an emergency meeting before then if needed. An OPEC delegate said OPEC would meet informally on the sidelines of the International Energy Forum in April in Rome. Meanwhile, OPEC President Chakib Khelil said high oil prices was the result of US economic mismanagement, which also lead to lower demand for fuel. He said the US slowdown

has lowered the value of the dollar and encouraged speculative flows into oil and other commodities. Separately, OPEC's communiqué expressed support for Venezuela and PDVSA in exercising its sovereign rights as part of Venezuelan President Hugo Chavez's nationalization campaign. It called for an amicable solution. Venezuela's Oil Minister Rafael Ramirez said ExxonMobil's legal actions

Market Watch

A group of Representatives are expected to introduce a bill aimed at allowing California rules regulating greenhouse gas vehicle emissions to go into effect. Last year, the EPA denied the waiver, saying the state did not need its own greenhouse gas standards because global warming was not unique to California.

According to the chief executive of Abu Dhabi National Energy Co, crude oil may increase to \$120/barrel within six months due to the dollar weakness and world political tensions.

The dollar continued to fall to record lows against the euro on Wednesday. The euro rallied to a peak of \$1.5302 against the dollar. The dollar index fell to 73.371. The dollar against the yen increased to session highs of 104.18 as US stocks rebounded from Tuesday's losses.

The Institute for Supply Management's non-manufacturing index stood at 49.3 in February, above the record low of 44.6 in January. The ISM's business activity index showed an expansion coming in at 50.8, above January's 41.9.

The Commerce Department said new orders at US factories fell by 2.5% in January. Orders for durable goods fell by 5.1% in January after two consecutive monthly increases.

DOE Stocks

Crude – down 3.1 million barrels
Distillate – down 2.4 million barrels
Gasoline – up 1.7 million barrels
Refinery runs – up 1.2%, at 85.9%

against Venezuela were keeping oil prices high. He said Venezuela was presenting legal arguments in a UK court to ensure this type of action did not become a precedent that would help destabilize the global oil market.

Mar Calendar Averages	
CL	– 102.16
HO	– 285.86
RB	– 261.44

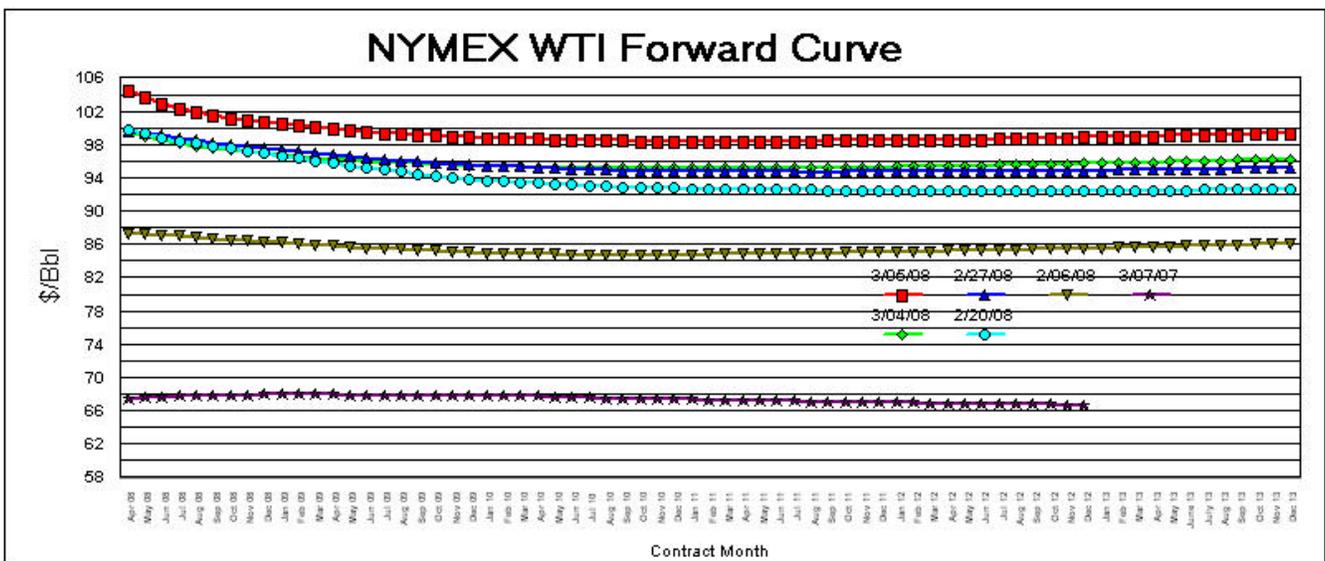
US Energy Secretary Sam Bodman said a tight world supply/demand balance was driving crude oil prices to record highs. He said high prices have caused a pause in US oil demand but noted that rising oil use elsewhere was supporting prices. He also stated that the Bush administration was concerned that a weak US dollar was increasing crude oil prices.

The IEA called on OPEC to increase its production after the group agreed to keep its production policy unchanged. It argued that higher oil inventory levels were needed because of uncertainty about supplies from key producers such as Iran, Nigeria and Venezuela. It said crude oil prices would have eased had OPEC decided to increase its production at its meeting.

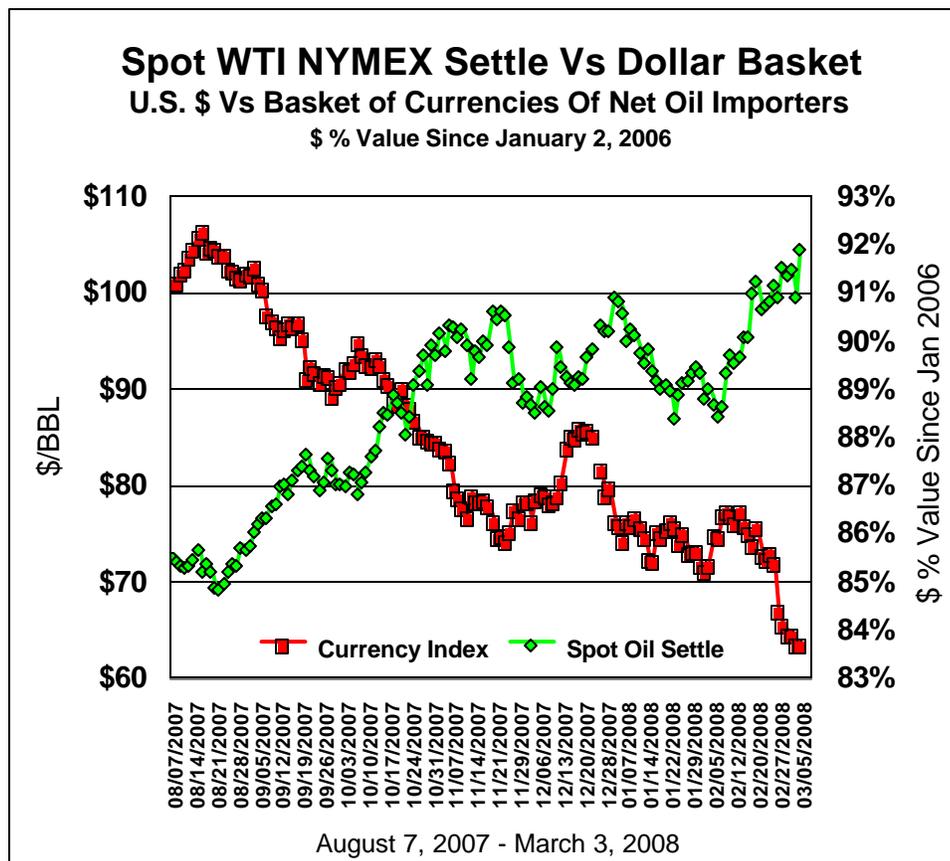
Divisions persisted within the board of governors of the IAEA over the Iran nuclear dossier on Wednesday following a push for an anti-Iran resolution. The US challenged Iran to end its denial over its nuclear program and explain why it had diagrams showing how to shape fissile uranium into the shape of warheads and other experiments linked to atomic arms research. European countries also expressed similar sentiment and urged Iran to comply with UN Security Council demands to halt its nuclear program and cooperate with IAEA efforts to probe its alleged atomic arms experiments. Meanwhile, Iran’s President Mahmoud Ahmadinejad accused the UN Security Council on Wednesday of being a political instrument in the hands of big powers. Iran has vowed to continue its uranium enrichment program despite the UN Security Council passing a resolution imposing new sanctions on Iran. Iran’s President said Iran would only talk to the UN’s IAEA over its nuclear program, not the Security Council. Iran’s Economy Minister Davoud Danesh-Jafari shrugged off the impact of new UN sanctions on Iran over its nuclear program, saying its firms had no problems in securing trade finance and investment in the country.

Separately, Iran’s Foreign Minister Manouchehr Mottaki said Iran hoped the next US President would be a leader who could bring change.

Venezuela’s Defense Minister, Gustavo Rangel said the country has started mobilizing its forces by air, land and sea amid the escalating diplomatic crisis following the killing of a Colombian rebel leader in Ecuador. He said Venezuela’s deployment of troops toward the Colombian border was aimed at countering US expansionist drive. Colombia’s Vice President Francisco Santos said that Colombia did



not intend to send forces to its border with Venezuela. Meanwhile the Organization of American States determined that Colombia violated Ecuador's sovereignty by launching a military raid in Ecuador's territory. However it did not formally condemn Colombia. Separately, US Defense Secretary Robert Gates said military conflict between Venezuela and Colombia was unlikely to occur.



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Iraqi Kurd officials aid Turkish helicopters bombed areas in northern Iraq. The Turkish military did not confirm or deny the report.

Iranian and US officials are scheduled to hold their fourth round of talks on security in Iraq on Thursday. The announcement comes after Iran's President Mahmoud Ahmadinejad held talks with Iraqi leaders earlier this week during in a trip to Iraq. Iraqi Prime Minister Nouri al-Maliki made the request for the talks. The talks

were scheduled to have been held lat month but were postponed for technical reasons, according to the Iranian foreign ministry.

Russia's Gazprom said Ukraine has started siphoning off gas meant for Europe after Russia cut its supplies to Ukraine by 50% due to a debt dispute. Gazprom said Ukraine had sent a letter saying it was taking 60 million cubic meters/day of Russian gas from transit pipelines, a move that would effectively reduce exports to Europe by 17%. Ukraine denied it was taking any Europe-bound supplies, saying it was maintaining all its commitments to the West. Ukraine's President Viktor Yushchenko insisted that Ukraine would not disrupt gas supplies to Europe because it would use stored gas to make up its commitments.

Refinery News

Valero Energy Corp announced that it planned to shut units at its Memphis, Tennessee and Delaware City, Delaware refineries in March. A 69,000 bpd gasoline producing unit at its Memphis refinery is scheduled to undergo 15 days of planned work in March while a 50,000 bpd coker unit at its Delaware City refinery is scheduled to undergo 37 days of maintenance. Valero also reiterated that its Port Arthur, Texas refinery was still undergoing maintenance. Work on the refinery's coker unit is expected to reduce the refinery's throughput by 100,000 bpd during the first quarter. A 50,000 bpd crude unit at the Quebec City refinery is undergoing maintenance which is expected to last 52 days.

Royal Dutch Shell Plc and Dutch unions representing energy workers have reached an agreement over a 5.5% pay increase in 2008 for workers at Shell's 420,000 bpd Pernis refinery.

NYMEX Petroleum Options Most Active Strikes for March 5, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	12	9	P	55	11/17/2009	0.74	3,000	34.93
LC	6	8	C	120	05/15/2008	1.49	2,538	33.19
LC	7	8	C	115	06/17/2008	2.81	2,308	29.27
LC	6	8	C	90	05/15/2008	14.28	2,000	9.84
LC	12	8	C	120	11/17/2008	3.79	2,000	24.36
LC	6	8	C	115	05/15/2008	2.21	1,538	31.70
LO	4	8	C	105	03/14/2008	2.23	10,112	37.60
LO	6	8	P	95	05/15/2008	2.64	10,106	33.31
LO	4	8	C	101	03/14/2008	4.57	8,155	37.65
LO	5	8	P	90	04/17/2008	0.78	6,735	36.59
LO	7	8	P	85	06/17/2008	1.18	6,439	32.76
LO	6	9	P	80	05/14/2009	3.54	4,662	28.40
LO	4	8	C	110	03/14/2008	0.81	4,356	40.44
LO	6	8	P	85	05/15/2008	0.75	4,293	35.18
LO	12	9	P	87.5	11/17/2009	6.93	3,750	26.64
LO	4	8	P	95	03/14/2008	0.17	3,459	39.76
LO	7	8	P	87	06/17/2008	1.5	3,201	32.47
LO	5	8	P	99	04/17/2008	2.78	3,152	34.55
LO	5	8	P	94	04/17/2008	1.41	3,064	35.42
LO	12	9	P	85.5	11/17/2009	6.27	2,700	26.82
LO	12	9	C	105	11/17/2009	9.46	2,700	25.87
LO	4	8	P	96	03/14/2008	0.23	2,632	38.99
LO	5	8	P	95	04/17/2008	1.62	2,572	35.14
LO	5	8	C	102	04/17/2008	5.71	2,222	34.62
LO	6	8	P	82	05/15/2008	0.48	2,012	35.78
LO	7	8	P	101	06/17/2008	6.01	1,900	31.37
LO	7	8	P	93	06/17/2008	2.88	1,900	31.70
LO	4	8	C	112	03/14/2008	0.52	1,859	41.46
LO	6	8	P	80	05/15/2008	0.35	1,807	36.21
LO	4	8	P	100	03/14/2008	0.79	1,642	37.57
LO	12	8	C	100	11/17/2008	9.48	1,625	28.82
LO	8	8	C	110	07/17/2008	4.37	1,606	30.96
LO	7	8	P	80	06/17/2008	0.6	1,500	33.36
OB	6	8	C	3.01	05/27/2008	0.0748	360	37.09
OB	12	8	P	2.4	11/21/2008	0.1771	75	27.61
OH	5	8	C	3	04/25/2008	0.1134	621	37.49
OH	4	8	C	2.92	03/26/2008	0.118	525	38.03
OH	5	8	C	2.9	04/25/2008	0.149	520	36.24
OH	5	8	P	2.55	04/25/2008	0.0344	300	35.95
OH	4	8	C	2.55	03/26/2008	0.3986	250	39.45
OH	5	8	P	2.62	04/25/2008	0.0499	250	35.95
OH	4	8	P	2.92	03/26/2008	0.0949	242	37.99
OH	4	8	P	2.7	03/26/2008	0.0234	225	37.91
OH	4	8	C	2.91	03/26/2008	0.1232	200	37.99
OH	6	8	C	2.91	05/27/2008	0.1357	200	30.36

China's strategic oil reserve in Northeast China is two thirds complete, with 14 oil storage tanks at the Dalian reserve. The building for a further 8 tanks is underway. The tanks would have a capacity of 3 million cubic meters or 19 million barrels.

China has ruled out increases to gas, power and oil product prices, despite reiterating a promise to gradually reform the system used to set the prices. China's government unveiled fiscal incentives to cut back on power and oil use, including tax breaks for energy saving products and business ventures.

According to ethanol producer, Czarnikow, Brazil should be consuming more than 30 billion liters of hydrous ethanol by 2009 compared with 22.4 billion liters of both anhydrous and hydrous from the 2007-08 sugarcane crop. Ethanol industry analyst, Datagro said ethanol consumption should increase by 3 billion liters each year.

Production News

According to Wood Mackenzie, oil and gas reserves found in the deep US Gulf last year totaled 553 million barrels of oil equivalent, less than half the reserves found in 2006 and the least in 10 years. It said 34 exploration wells were drilled in the deep US Gulf in 2007, down from the annual average of 43. Out of the deepwater reserves found in 2007, 229

million barrels of oil equivalent have been deemed commercial or 41% of the total, down from the long term average of 43%.

Iraq's Oil Minister, Hussein al-Shahristani said the Iraqi government approved a plan to enlist foreign companies to help increase oil production by 20% before the end of the decade. He also stated that Iraq and Iran have agreed to the joint development of two oil fields, Missan and Fukka, near the countries' shared border.

An Iranian official said Iran pumped 4.17 million bpd in February, above its 3.817 million bpd OPEC quota.

OPEC's news agency reported that OPEC's basket of crudes fell to \$96.29/barrel on Tuesday from \$97.26/barrel on Monday.

Canada's Federal Court ruled that the regulatory panel that cleared Imperial Oil Ltd's Kearl oil sands project had to explain why it approved measures the company proposed to manage greenhouse gas emissions. The court said the panel did not provide a clear reason for concluding the greenhouse gas emissions

would have insignificant environmental effects. Environmental groups who asked the court to block

		Explanation	
CL	Resistance	105.45, 106.68	Basis trendlines
	104.52, up \$5	104.95	Wednesday's high
	Support	103.50, 101.85, 100.28, 99.93, 99.55	Wednesday's low
HO	Resistance	298.98	Basis trendline
	294.31, up 15.13 cents	294.07	Wednesday's high
	Support	291.50, 286.50, 285.00, 279.32	Wednesday's low
RB	Resistance	276.96, 273.48, 266.85, 260.23	Previous low, 38% (238.80&294.91), 50%, 62%
	264.21, up 11.3 cents	267.70, 273.25, 274.10, 275.56	Previous highs
	Support	264.75	Wednesday's high
		260.00, 256.00, 252.98	Wednesday's low
		252.20, 250.38, 249.19, 242.37, 238.14	Previous lows

the approval argued that the panel was lax in overlooking concerns over mine tailings, water contamination, the project's effects on endangered species and carbon dioxide emissions.

Market Commentary

After seven straight weeks of builds, crude oil stocks drew by 3.1 million barrels. Currently, stock levels are set at 305.4 million barrels, putting them in the middle of the average range. Imports for crude oil were down 521,000 and based on a four-week average of 9.8, they are running 760,000 barrels per day higher than the same four-week period last year. Total gasoline stocks increased by 1.7 million barrels and are in the upper limit of the average range. Based on a four-week average, gasoline demand averaged 9.1 million barrels per day, or 0.4% above the same period last year. Total distillate stocks decreased by 2.4 million barrels, putting them in the lower half of the average range. Demand for distillate was set at 4.4 million barrels per day or 4.4% lower than the same period last year. Upon examination of the forward curve, today's rally in prices was front-end led. Length is being rolled over in the front end of the curve rather than the deferred. This is indicative of a bullish market. As high as they maybe, we cannot buck this trend in crude oil. As long as prices remain above the \$99.93 key support level we must ride with the bulls. Should prices penetrate and settle below this level, we would look for a retracement back to \$86.34. Open interest in crude oil is 1,450,956 down 9,893, April08 333,375 down 17,739, May08 192,394 up 1,523 and Dec08 207,095 down 215. Meanwhile, the product markets are also seen continuing their upward trend following today's sharp rally. The product markets ended the session sharply higher following the release of the weekly petroleum stock reports,

with the heating oil market leading the products higher. The heating oil market settled up 15.13 cents at 294.31 after it extended its gains to over 15.73 cents as it rallied to a high of 294.91. The market was well supported by the larger than expected draw in distillate stocks amid the longer term forecasts calling for below normal temperatures. The RBOB market, which posted an inside trading day, rallied to a high of 264.75 as it retraced Tuesday's sharp losses. The market was well supported by gains seen in the rest of the complex. It settled up 11.3 cents at 264.21. In the heating oil, support is seen at 291.50, 286.50, 285.00, 279.32 followed by 276.96, 273.48, 266.85 and 260.23. Resistance is seen at 294.07 and 298.98. In the RBOB, support is seen at 260.00, 256.00, 252.98, 252.20, 250.38, 249.19, 242.37 and 238.14. Resistance is seen at 264.75, 267.70, 273.25, 274.10 and 275.56.