

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 18, 2008

The IEA executive director, Nobuo Tanaka, and OPEC's Secretary General, Abdalla Salem el-Badri, are scheduled to meet on March 25. An official familiar with the meeting said nothing concrete was likely to come out of the talks.

The head of the EIA, Guy Caruso said that releasing supplies from the US Northeast Heating Oil Reserve would have

a short term impact on lowering record retail heating oil prices. Separately, the EIA said it would begin surveying ethanol producers on the volume of denaturant used in the fuel. In its survey, it would also ask blenders the ethanol and gasoline inventories available at each terminal they operate. The EIA would also track biodiesel for the first time beginning next year. It would start collecting data on biodiesel production and inventory in February 2009 and start publishing the data on April or May 2009. The EIA however is not expected to include ethanol to its weekly petroleum stock report. It estimated that the end of year ethanol capacity would reach 12.9 billion gallons and production would reach 8.5 billion gallons.

MasterCard Advisors LLC reported that US gasoline demand in the week ending March 14 increased by 1.5% on the week to 9.189 million bpd. Demand was down 0.9% on the year. In the latest four weeks, demand was down 2.5% on the year. It reported that the average US retail price of gasoline increased by 2.5% or 8 cents to \$3.26/gallon.

March Calendar Averages

CL – 106.35
HO – 298.45
RB – 265.79

Market Watch

According to the Labor Department, US wholesale price growth slowed in February to 0.3% from 1% in January. Meanwhile the core Producer Price Index, which excludes food and energy, increased 0.5% last month, its highest monthly increase since November 2006.

A UK court ruled that a \$12 billion freeze on Venezuelan assets awarded to ExxonMobil should be lifted. The judge noted that PDVSA's case did not fall under England's jurisdiction. ExxonMobil said while it would not appeal the ruling, it would continue with two arbitration cases seeking compensation from Venezuela for its nationalized assets. The company said it remained willing to engage in meaningful substantial discussions with the Venezuelan government. Meanwhile, Venezuela's Oil Minister Rafael Ramirez said PDVSA was preparing to countersue ExxonMobil Corp for damages resulting in Exxon's bid to freeze \$12 billion in PDVSA assets.

According to AccuWeather, cooler than normal temperatures are expected for the US Midwest and Northeast following a moderate winter. Accuweather forecaster Joe Bastardi said major cities in the Northeast and Midwest would still see significant snowfall in the coming weeks. A cooler spring is due to the La Nina weather pattern.

According to a Dow Jones Newswire survey, analysts have revised up their 2008 oil price forecast by about \$2.80/barrel from February

to \$88.80/barrel. The average price forecast for 2009 was increased by \$6.80/barrel to \$78/barrel. The 2008 forecast for Brent crude was revised up by \$6 to \$88.2/barrel while the 2009 forecast was revised up by \$5.90/barrel to \$84.40/barrel.

Refinery News

Venezuela's Oil Minister Rafael Ramirez said Venezuela halted its oil shipments bound for the Chalmette, Louisiana refinery. He said the oil was being sold to China.

A coker unit at Shell's Deer Park, Texas refinery is expected to resume normal operations late Tuesday following a brief wet gas compressor problem on Monday afternoon.

Indiana's Countrymark is expected to make the transition to CBOB from conventional regular gasoline on June 1. It said it would source the CBOB supply from its 23,500 bpd Mount Vernon refinery. CBOB, with has the same 84 octane as RBOB, is less expensive than both conventional regular gasoline and RBOB.

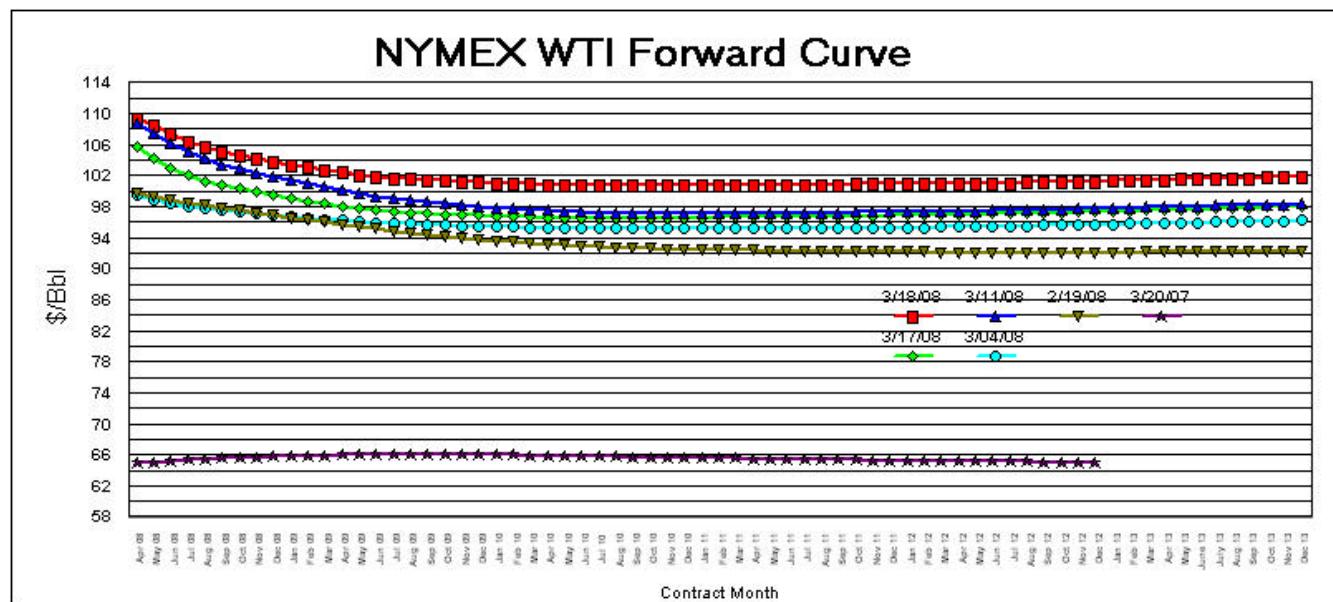
Iraq restarted pumping of Kirkuk crude through its northern pipeline to Turkey on Monday following a one day halt. A shipping source said it was pumping 450,000-500,000 bpd. Kirkuk oil in storage at the Turkish terminal of Ceyhan stood at about 3.1 million barrels.

Nigeria's Kaduna Refinery and Petrochemicals Co is operating at about 70% of its installed capacity. It said the 110,000 refinery would increase its operations based on adequate supply of crude oil.

Chevron Corp's 220,000 bpd Pembroke refinery is scheduled to undergo partial maintenance in the fall.

Royal Dutch Shell Plc has held talks with ethanol millers in Brazil and is researching ethanol projects together with the State University of Campinas. It is studying how to produce ethanol from sugarcane, wood scraps and tree bark but has not provided further information. Meanwhile, Brazil's Petrobras has also stated that it planned to move into the production of ethanol.

PetroChina said it was adding refining facilities to increase the Fushun refinery's annual capacity to 10 million tons or 200,000 bpd by 2010. It currently has an annual refining capacity of 9.7 million tons.



Latvia's oil terminal Ventspils Nafta increased its shipments to 1.25 million tons in February, increasing the total for the first two months of the year to 2.5 million tons.

Indonesia's Pertamina said its 384,000 bpd Cilacap refinery was operating at 50% of capacity following a brief shutdown on Monday night.

Indonesia's Pertamina is expected to import 12.17 million barrels of oil products in April due to refinery problems and higher utility demand. The import volume would be up 4.2% on the month from 11.68 million barrels imported in March. Pertamina is expected to import 4.3 million barrels of gasoline in April, up from 3.96 million barrels this month while its diesel imports are expected to total 6 million barrels. It is also expected to import 280,000 barrels of jet fuel and 480,000 barrels of kerosene.

India's Essar Oil Ltd resumed normal operations at its 210,000 bpd Vadinar refinery following a week long closure of some units.

A firm representing Russia's Tatneft in its international arbitration case against Ukraine said the company would have to wait at least a year for a final ruling over ownership rights of a Ukrainian refinery. Tatneft lost control of the Kremenchug refinery in October after its management was ousted by another team following a court order to reinstall the previous management. Tatneft has claimed that it lost about 600,000 tons of crude, worth about \$480 million at current prices that was delivered to the disputed Kremenchug plant.

South Korea said it aimed to acquire stakes in overseas oil and gas projects for combined estimated reserves of 3.2 billion barrels within this year to secure more stable sources of energy supply.

Production News

Canadian Oil Sands Trust cut its first quarter production forecast for the facility by 17% to 24 million barrels due to production problems. It reduced its full year outlook to 108 million barrels from 115 million barrels.

The UAE's state oil firm ADNOC said the country was producing about 2.5 million bpd of crude and was on track to meet its 2012 capacity expansion target. The UAE is expected to increase its oil production capacity to 3.5 million bpd by 2012.

Angola's Sonangol is expected to reach a production level of 2 million bpd later this year and maintain its production until 2014 before it begins to decline. It is currently producing 1.9 million bpd. Meanwhile, Angola's crude shipments are expected to increase by 3.4% in May to 1.953 million bpd.

Ukraine's State Statistics Committee said its crude oil production fell by 4.3% to 515,000 tons in January-February 2008 compared with the same period in 2007.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.47/barrel to \$101.41/barrel on Monday from a record high of \$102.88/barrel on Friday.

Russia's federal anti-monopoly service plans by May to draft amendments to its gas export law that would allow independent gas producers to participate in natural gas exports, which are currently exclusively controlled by Gazprom. The FAS is scheduled to submit the draft document to the government in May and to the Parliament for approval in June.

Market Commentary

In yet another attempt to stave off a recession, the Federal Reserve cut the overnight rate for the sixth time since August, this time by .75 percentage points. This move weakened the dollar, causing hedge

fund managers to reinvest in commodities. The May crude oil contract held unchanged today, giving back most of its losses from yesterday.

Although the May contract settled below the upward channel on Monday, today's settlement was back in the channel. This could be, that yesterday's sell off could have been the start of a period of consolidation prior to another move higher. Tomorrow's focus will be on the DOE/API numbers with most expecting an average build of 2.3 million barrels. The market will also be driven by the expiration off the April contract at the close on Wednesday. One must also focus on the demand number, in particular that of gasoline. A slight draw of 400,000 barrels is expected for gasoline tomorrow, but the demand number is the figure that will gain the most attention. Gasoline continues to trade in a sideways pattern that began back in the middle of February. Slow stochastics for gasoline are in neutral territory, but appear to be turning to the upside. Should the demand number for gasoline increase, the May crack spread, which is at unseasonable lows of 3.67 cents, should start to gain strength. We would also look for the May gasoline contract to gain against the May heating oil contract. Slow stochastics for this spread are in over sold territory and appear to be getting ready to cross to the upside. The spread settled at -38.81 cents, up from -44.93 cents on Monday. It is seen finding some resistance at -17.2 cents. Total open interest for crude oil is 1,430,453 down 15,996, April08 73,888 down 37,414, May08 371,029 up 12,155 and Dec08 204,001 down 4,021.

			Explanation
CL	Resistance 109.42, up \$3.74	110.35, 111.80, 112.58, 116.13 108.90	Previous high, Basis trendline Tuesday's high
	Support	105.93, 104.24 103.90, 102.85, 101.75, 101.52, 99.55, 98.85	Tuesday's low Previous lows
HO	Resistance 313.79, up 6.95 cents	319.00, 322.20, 328.35 315.41	Previous highs, Basis trendline Tuesday's high
	Support	307.15, 303.93 299.51, 298.67, 294.85, 292.39, 283.18, 273.97	Tuesday's low Basis trendline, lows, 38%(244.16 and 322.20), 50%, 62%
RB	Resistance 266.00, up 15.58 cents	273.55, 274.35, 275.56 268.25	Previous highs Tuesday's high
	Support	257.25, 253.00, 249.56 246.55, 242.37, 238.14, 238.07	Tuesday's low Previous lows

Trade Tracker

Trade	Date	Entry level	Current	Profit/Loss
Sell M08 Buy M09	3/13/18	585	540	+450.00 per contract