



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 17, 2008

OPEC said the world oil market should refocus on healthy fundamentals. It reiterated its view that the rally in oil prices to record highs has been due to the steep decline of the dollar, market speculation by financial investors, persistent refinery bottlenecks and geopolitical worries, not a shortfall in crude oil supplies. It said fundamentals point to a stable or balanced market, with world inventories above five year averages at the start of the traditionally weak second quarter. Separately, OPEC said in its Annual Report that its share of the world oil market fell to 41.7% in 2007 from 42.1% in 2006. It said its oil production averaged 30.97 million bpd in 2007, down 460,000 bpd on the year.

Market Watch

Investor T. Boone Pickens said crude oil prices are still headed higher and could top \$125/barrel in the near term.

The Conference Board index of leading indicators increased by 0.1% to 102 in March. It was the first increase since September.

The Philadelphia Federal Reserve Bank said its business activity index fell to -24.9, from -17.4 in March. It was more than expected and the lowest since February 2001. Treasury debt prices increased on Thursday following the release of the business activity index, which added to other recent signals the US economy was deteriorating.

Dallas Federal Reserve Bank President Richard Fisher said trying to solve the financial industry's structural problems with more interest rate cuts would only worsen the situation by increasing inflation. He has dissented against the last two Federal Open Market Committee decisions to lower benchmark lending rates.

Financier George Soros said the euro could replace the US dollar as world's reserve currency. He said the US Federal Reserve's efforts to encourage bank lending by cutting interest rates has been impaired by the unwillingness of the rest of the world to accept dollars. He said that while the euro was an alternative it was not an attractive alternative and added that there was a general flight from currencies.

BP Plc has reduced the number of its employees in Kuwait amid slow moving negotiations on becoming involved in the country's heavy oil fields. BP has been holding talks with Kuwait Oil Co to develop some of its heavy crude reserves. Political opposition and resistance from nationalists and Islamists in Kuwait's parliament have slowed negotiations between Kuwait and the international oil companies over developing some of the country's northern fields for years. Separately, BP said biofuels have to play a role in the energy mix but should not compete with food crops or be environmentally destructive. It is expected to invest \$500 million over 10 years on biofuels research.

April Calendar Averages

CL – 109.22

HO – 312.26

RB – 280.01

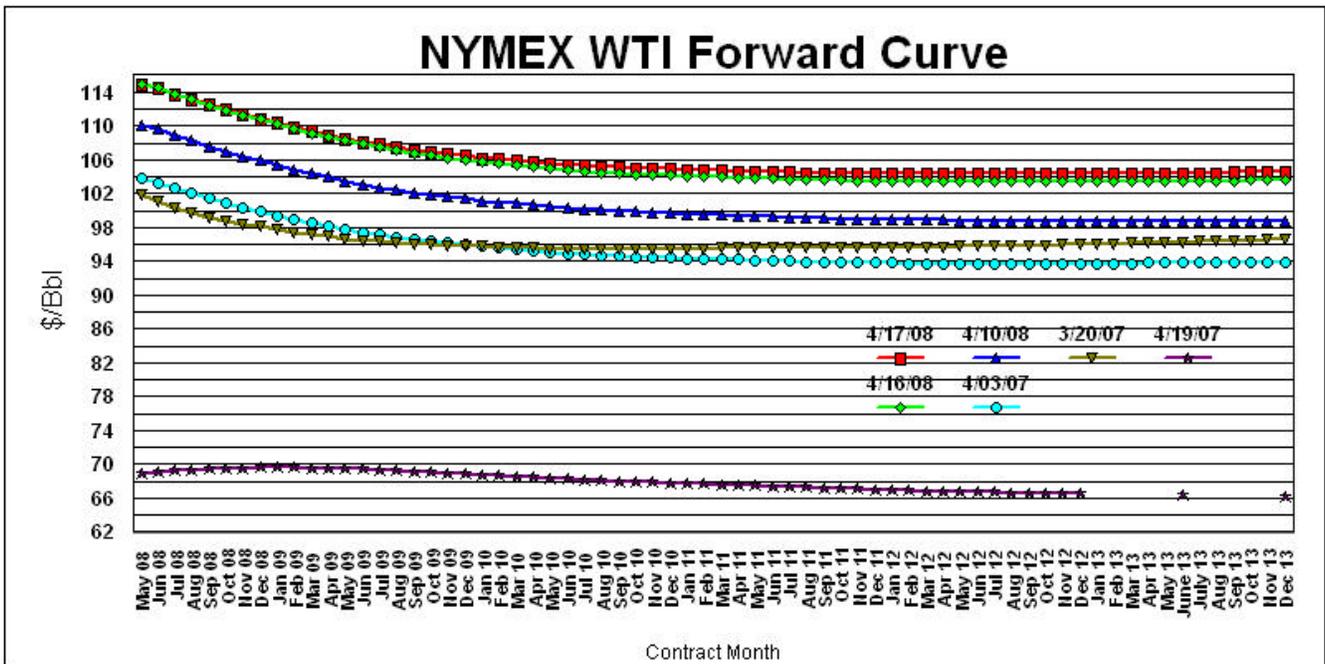
The director of the UN's IAEA, Mohamed ElBaradei said Iran's progress in developing uranium enrichment was slow and recent additions to its nuclear fuel production complex have only been older model centrifuges. He said Iran had between 3,300 and 3,400 centrifuges of the P-1 type operational in the Natanz enrichment hall, up from 3,000 at the end of last year. He urged Iran to resume negotiations over its nuclear program with the UN Security Council's permanent members and Germany. He also urged Iran to refrain from speeding up its enrichment campaign until a dispute about its nuclear intentions is settled.

A US Treasury official said US financial sanctions against Iran were having an impact on international efforts to thwart Iran's efforts to obtain nuclear weapons and aid terrorism.

US Secretary of State Condoleezza Rice said she had no plans to meet Iran's foreign minister at a conference of Iraq's neighbors next week amid increasing US complaints about Iranian support for Iraqi insurgents. She said Iran had to end its support for Shia militias.

Syria's president Bashar Assad said war with Israel is possible and added that the country was getting ready. DEBKAfile military sources reported earlier this week that Syria deployed the 10th armored corps following its civil defense exercise. The IDF's Northern Command officers reported that Syrian army's buildup opposite Israel has accelerated in April and warn that its units are arrayed for a quick transition to attack mode.

A 24 hour strike at the French port of Nantes Saint-Nazaire blocked 11 ships on Thursday while action at the oil port of Fos-Lavera was expected to disrupt traffic for several hours. The ships included one oil tanker, one chemical cargo as well as ships transporting grain and agricultural food products. Officials from the CGT union said Thursday that strike action would continue next week. They also stated that the port of Le Havre would be shut Thursday night until Saturday morning and then from Saturday afternoon until Sunday.



According to Oil Movements, OPEC's crude oil exports are expected to fall by 20,000 bpd to 24.69 million bpd in the four weeks ending May 3. Oil in transit remains near three year seasonal highs and

is expected to reach 492.29 million bpd in the period ending May 3. Deliveries from core OPEC production in the Middle East are expected to increase by 1.08 million bpd to 178.5 million bpd in the four week period.

Refinery News

ConocoPhillips said its fluid catalytic cracking unit at its 238,000 bpd Bayway refinery in Linden, New Jersey was in the process of restarting following an unplanned shutdown on Wednesday. The unit was shut due to an equipment malfunction.

China's Sinopec has shut a hydrocracking unit at its 270,000 bpd Maoming refinery after it was damaged by an explosion, likely caused by a leak in a pipeline to a heating furnace. Sinopec may bring forward a planned overhaul of the crude unit. As a result, crude runs in April could fall about 50,000 tons from its previous plan of 1.09 million tons. Separately, Sinopec Corp bought 300,000 tons of gas oil for May, up 50% on the month.

China's refineries increased their crude runs in March by 6.8% on the year to 28.89 million tons or 6.8 million bpd, supporting signs of firm demand and a possible increase in fuel stockpiles. China's National Bureau of Statistics said China's diesel imports totaled 490,000 tons in March following modest shipments over February's Lunar New Year. The unexpected increase in demand from China, which has not imported large amounts of diesel fuel since late 2004 has helped drive world fuel and crude prices to new highs.

Nippon Oil Corp said it would refine 3% more crude in May than in the same month last year. Nippon Oil said last month it had increased its April crude refining plan by 7% from a year earlier to 4.15 million kl or about 870,000 bpd to meet domestic demand.

Ukraine's Energy Ministry reported that the country's refineries processed 2.029 million tons of crude oil and gas condensate in January-March 2008, down 43.5% on the year. Refineries processed 13.79 million tons of crude oil and gas condensate in 2007.

Iraq has been pumping 430,000 bpd of Kirkuk crude to Turkey through its pipeline and has sustained the flow uninterrupted for a month. A shipping agent said Kirkuk oil in storage at the Turkish terminal of Ceyhan stood at about 5.4 million barrels.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 262,000 barrels to 19.223 million barrels in the week ending April 17. It reported that the country's light distillate stocks built by 288,000 barrels to 9.684 million barrels while middle distillate stocks fell by 522,000 barrels to 6.976 million barrels on the week.

Indonesia's Pertamina purchased 1.25 million barrels of sweet crude for June arrival, almost half the volume purchased for May.

Production News

BP said it was on course to start up the Thunderhorse project by the end of 2008. It said that between 2007 and 2009, BP expected to bring onstream more than 25 projects that would add 650,000 bpd of new production.

Angola's crude oil shipments are expected to fall 1.7% in June to 1.921 million bpd from 1.953 million bpd scheduled for May. Angola was given a daily production target of 1.9 million bpd at OPEC's meeting. Angola's June loadings would include seven cargoes each for BP and Total and six for ExxonMobil. StatoilHydro ASA, Eni SpA and Chevron are scheduled to lift five cargoes. Galp Energia

SGPS SA is expected to load one cargo of Nemba crude. Sonangol SA has 22 cargoes while Sonangol Sinopec International would load two Plutonio shipments.

Ecuador's central bank reported that the country's average oil production increased by 1.3% to 519,233 bpd in the first two months of the year from 512,406 bpd last year. Petroecuador's production averaged 266,267 bpd in the first two months of the year while private companies' production averaged 252,966 bpd.

According to a report by President Umaru Yar'Adua's energy advisers, Nigeria risks losing a third of its oil output by 2015 unless it finds ways to increase investment in joint ventures with foreign energy companies. The report highlighted the government's need to find ways to finance the oil industry in the country.

Kazakhstan's State Statistics Agency reported that the country's crude oil and gas condensate production increased by 7.5% on the year to 17.771 million tons in January-March. Its crude oil production in the three month period increased by 7.2% on the year to 14.473 million tons while oil production in March increased by 12.6% to 5.142 million tons.

Kazakhstan's Kazmunaigas said first quarter oil and gas condensate output increased by 9% on the year to 4.42 million tons.

Kazakhstan is expected to begin taxing crude exports on May 18 to ensure domestic supplies and raise cash amid a tightening of world credit market. The government is expected to introduce a duty of \$109.91/ton or about \$15/barrel on crude exports. Kazakhstan's President Nursultan Nazarbayev said the oil export tax would generate \$1.4 billion this year for social spending without tapping financial reserves. The tax would not apply to Western majors developing Kazakhs fields.

OPEC's news agency reported that OPEC's basket price increased further to \$106.65/barel on Wednesday, up from Tuesday's \$105.73/barrel.

Market Commentary

The U.S. economic situation continues to attract investors to commodities markets, with energies being one of the main attractions. After reaching an all-time low of \$1.5983 against the euro, the dollar strengthened to \$1.5890. This led to a sell-off across the energy complex. This is now the fourth straight day that crude oil has experience higher lows and higher highs, a bullish scenario. However inconceivable these prices may be, we cannot negate the truth. With world oil supplies predicted not to exceed 85 million barrels per day, due to dwindling supply, and demand growing across the globe, prices should continue higher.

The June crude oil contract continues to hover above the bottom of the ascending channel.

		Explanation
CL 114.86, down 7 cents	Resistance 116.29, 119.90, 124.62	Basis trendlines
	Support 115.07	Thursday's high
HO 326.74, down 1.56 cents	Resistance 113.96, 113.70	Basis trendline, Thursday's low
	Support 111.25, 109.14, 107.07, 103.20	
RB 295.78, up 1.88 cents	Resistance 331.00, 332.04, 341.66	Previous highs, Basis trendline
	Support 327.50, 328.60, 330.60	Thursday's high
RB 295.78, up 1.88 cents	Resistance 328.41, 324.40	Thursday's low
	Support 321.16, 317.13, 315.57, 314.03, 311.00, 308.47	Previous lows, 38%(284.89 and 332.04), 50%
RB 295.78, up 1.88 cents	Resistance 302.03	Basis trendline
	Support 296.00, 297.49	Thursday's high
RB 295.78, up 1.88 cents	Resistance 293.80	Thursday's low
	Support 286.61, 284.84, 282.82, 278.29, 273.75	Previous low, Basis trendline, 38%(259.08 and 297.49), 50%, 62%

The range for this channel tomorrow is \$119.18 - \$113.23. Once again we would look to buy and sell

at the listed support and resistance numbers. Gasoline is enjoying its seasonal strength as it gained against the crude oil and heating oil. The market rallied higher early in the session on news that ConocoPhillips' fluid catalytic cracking unit at its Bayway refinery was shutdown on Wednesday. If refinery runs continue at their current low rates, gasoline will remain the stronger market. It is not too late to buy the gasoline and sell the heating oil or crude oil, looking to profit off of the aforementioned seasonality of this product. The June gasoline to heating oil spread is currently running -.2891 and should test the recent high of -.1574. The June gasoline to crude oil crack spread is running at 8.858 and is heading to the recent high of 11.48. We would like to take advantage of both of these spreads, buying the gasoline, selling the heating oil and or crude oil against it. Total open interest for crude oil is 1,444,407 up 3,034, May08 136,636 down 13,990, June08 373,435 up 10,662 and Dec08 195,778 down 536.