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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 26, 2008

The DOE said it had no plans to stop adding about 70,000 bpd of oil to the country's SPR, despite the record crude oil prices. The head of the DOE's Office of Policy and International Affairs, Katherine Fredriksen said the reserve should reach a record 700.7 million barrels of crude by the end of March. She said the DOE planned to carry out the White House plan to buy \$584 million of oil for the reserve by the end of September to help replace 11 million barrels reserve crude sold to refiners in the fall of 2005 after hurricanes disrupted petroleum supplies. She said the SPR's fill rate of 70,000 bpd does not put undue pressure on the world oil market. Many energy pundits and US lawmakers are

Market Watch

The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index increased by 2.4% in January 2008 after increasing by 1.5% in December 2007. The index fell by 1.5% in 2007 from the previous year. It reported that December's tonnage level increased by 1.5%, down from the previously reported 4.1% gain. The ATA also restated the not seasonally adjusted data for several months of 2007 as some carriers amended tonnage levels at year-end. The non-seasonally adjusted index increased by 11.4% from December to 113.6%. The tonnage index stood at 117.3 in January, a 26 month high. Tonnage was also up 5.3% on the year. ATA chief economist Bob Costello said the economy was in a mild recession or at the beginning of one. He also said January's strength was good but stopped short of saying truck tonnage was recovering. He said he anticipates the truck tonnage to recover before the general economy.

According to private forecaster WSI Corp, the US Northeast is expected to see a cooler than normal spring following a mild winter. The impacts of the ongoing strong La Nina event would likely result in a cool spring across much of the northern US and a warm spring across the south central and southeastern states. Meanwhile the report said early indications show that summer would bring above normal temperatures to the eastern half of the US while the summer in the western half of the US would be cooler than normal.

Former Federal Reserve chairman Alan Greenspan said oil prices would remain high unless global production capacity increases. He said there is an urgent need to increase crude oil output capacity.

The Conference Board reported that US consumer confidence fell sharply in February to 75 from a downwardly revised 87.3 in January. It was the lowest level in five years.

The Labor Department said US producer prices increased by 1% in January on rising energy costs. Core producer prices increased a greater than forecast 0.4%.

Barclays Capital launched a new commodity index that aims to give investors exposure to individual commodities based on analysis of fundamental and technical factors. The new index, commodities out-performance adjusted liquid strategy index, incorporates a range of fundamental and technical factors to forecast the expected performance of individual commodities for the forthcoming month. It has the capacity to invest in 12 commodities.

Feb Calendar Averages

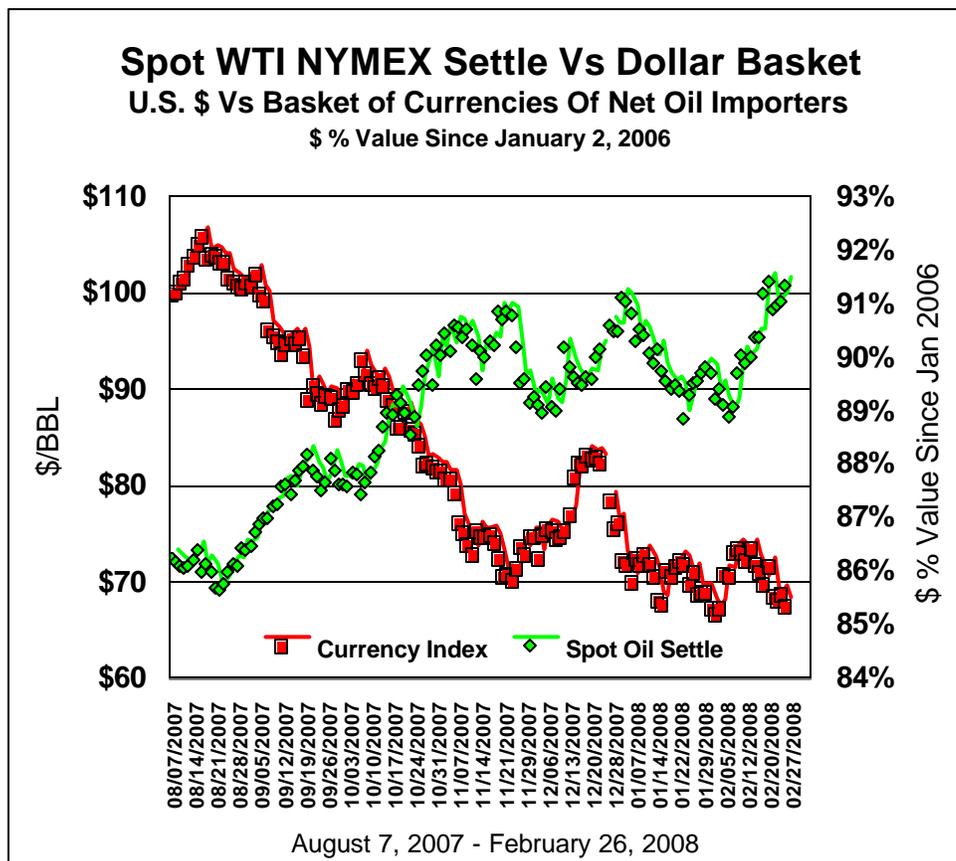
CL – 94.29
HO – 262.07
RB – 242.27

against increasing the SPR at this time. The chair of the Senate energy panel, Jeff Bingaman said the government should actually release oil from the reserve to put more supplies in the market.

OPEC’s President Chakib Khelil said the economic slowdown in the US and a seasonal fall in consumption would hit oil demand and added that OPEC would not increase its output when it meets next week. He said OPEC would not increase its production because there were sufficient stocks.

Libya’s top oil official Shokri Ghanem said he believed OPEC would keep its formal production target unchanged when it meets next week as long as crude prices remain well above \$90/barrel. He added that OPEC may decide to meet again in June to review its production policy.

The Iraqi government denounced the Turkish incursion and demanded an immediate withdrawal of Turkish troops from northern Iraq. It said the military action was a violation of Iraqi sovereignty and called on the Turkish government to engage the Iraqis in talks instead. A government spokesman said Iraq stood ready to work through trilateral talks with the US or any bilateral talks to prevent the PKK from using Iraqi territory to attack Turkey. Turkey sought on Tuesday to allay growing concern about its ground incursion against Kurdish rebels in Iraq amid reports Turkish commandos were operating as far south as Mount Qandil, the guerrilla headquarters near Iraq’s border with Iran. Meanwhile, the White House reiterated calls for Turkey’s cross border offensive against Kurdish rebels in Iraq to be short but declined to give a timeframe saying Turkey had acted responsibly so far. White House spokeswoman Dana Perino said the White House believed Turkey has the right to defend itself from attacks by fighters from the Kurdistan Workers Party. US Defense Secretary is scheduled to visit Turkey for talks.



A Nigerian tribunal upheld the 2007 election of President Umaru Yar’Adua on Tuesday, rejecting challenges from rivals who demanded a re-run. The two challengers immediately said they would appeal to the Supreme Court, which could take several more months to deliver a final ruling. The tribunal ruled that opposition candidate Muhammadu Buhari had failed to prove that violations of the electoral law were substantial enough to invalidate the president’s victory. It also rejected a challenge

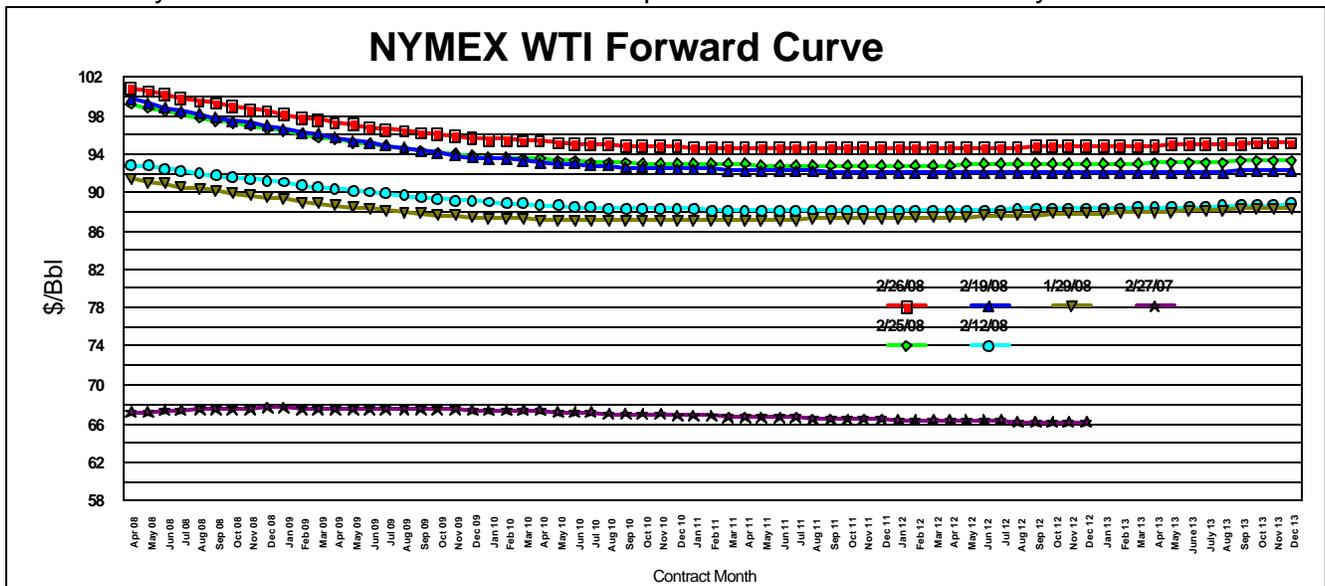
brought by former Vice President Atiku Abubakar. President Umaru Yar'Adua's office issued a statement welcoming the ruling.

Israeli Prime Minister Ehud Olmert warned that North Korea and Iran could pose a danger to both Asia and the Middle East amid allegations of their military cooperation.

Iran's Supreme leader Ayatollah Ali Khamenei congratulated Iran on the success of the country's nuclear program, which he described as a remarkable achievement. Meanwhile, Iran's ambassador to the IAEA, Ali Asghar Soltanieh said the IAEA's credibility was at stake if it allowed itself to be distracted by baseless allegations about Iran's nuclear program. Separately, President Mahmoud Ahmadinejad said that the research rocket Iran recently launched into space was built in just nine months without using foreign models. Iran has insisted that its space program is peaceful and is working toward the launch of the country's first domestically built satellite called Omid or Hope, in June.

Gunmen in Nigeria's Port Harcourt kidnapped three Nigerians, a Total employee and two toddlers, in two separate incidents on Monday night and Tuesday. No further details were available.

According to MasterCard Advisors LLC, US gasoline demand in the week ending February 22 increased by 0.2% on the week to 9.056 million bpd. It was down 3.8% on the year. In the latest four



weeks, gasoline demand averaged 63.238 million barrels per week. The average retail price of gasoline increased by 10 cents to \$3.07/gallon.

Refinery News

The US Coast Guard said ships were running normally along the Houston Ship Channel on Tuesday morning after ship traffic was halted on Monday.

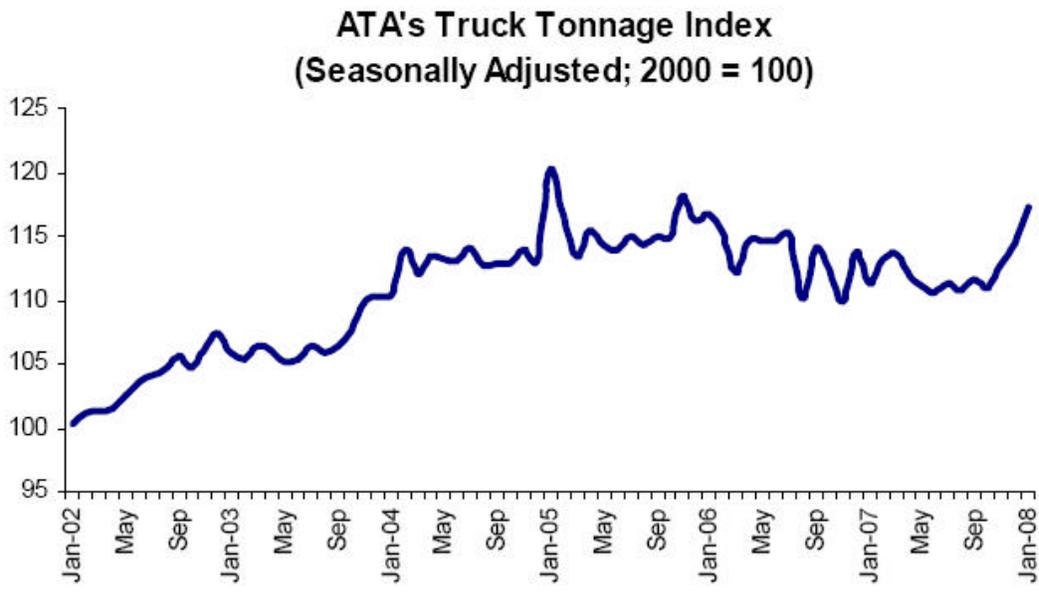
Venezuela's 640,000 bpd Amuay refinery has resolved a minor outage that lowered crude runs at one of its distillation units for about eight hours on Monday. It restored operations of its crude unit no. 3 by early Tuesday. Separately, PDVSA started a planned 45 day overhaul of its Petrocedeno heavy crude upgrader this week. PDVSA previously announced that it planned to halt operations at the 200,000 bpd refinery mostly to perform cleaning and inspection of key equipment.

ConocoPhillips began to restart a coker unit at its Sweeny refinery in Old Ocean, Texas. A report filed with the Texas Commission on Environmental Quality did not specify when the unit had been shut.

Frontier Oil said it was on track to begin the expansion of a crude distillation unit to 120,000 bpd from the current 110,000 bpd at its El Dorado refinery on March 1. It also said it expects the coker expansion at the El Dorado refinery to be completed in mid-June 2008 and add 3,000 bpd of coking capacity. It said projects to upgrade the gas oil hydrotreater and the fluid catalytic cracking unit would be completed in the autumn of 2009.

Cargill Inc has suspended development of a \$200 million ethanol plant near Topeka, Kansas with a capacity of 100 million gallons/year amid increasing corn prices. The Topeka site was one of four ethanol plants proposed for construction by Emerald Renewable Energy, a subsidiary of Cargill. No decision has been made regarding the other three plants.

 **Economics & Statistics Group**
MONTHLY TRUCK TONNAGE REPORT
(graph follows)



The Renewable Fuels Association said US ethanol producers would seek federal approval this year for greater levels of ethanol blended into gasoline than the currently allowed 10% or E10 blend. The RFA's CEO Bob Dinneen said it would be working with Minnesota, other states and other stakeholders to submit a waiver allowing higher ethanol blends this year.

Sinopec Corp said it would invest to modernize Bulgaria's bankrupt oil refinery Plama, which is expected to restart production in the next several months. Bulgarian-based Highway Logistic Centre bought the refinery last year and said it would restart the outdated plant in 2008 to initially process

about 600,000 tons or 12,000 bpd of crude a year. Highway Logistic Centre said it secured crude oil supplies from Russia.

Production News

StatoilHydro ASA resumed production from its Asgard field in the North Sea after it was halted on February 23. Output from the Kristin field, which was also cut on February 23, remained reduced. The Asgard field normally produces about 32 million cubic meters/day of gas and about 55,350 bpd of condensate while the Kristin field normally produces 11 million cubic meters/day of gas and about 63,000 bpd of condensate.

April's export volume of Nigerian Forcados crude is expected to more than double to about 285,000 bpd following a pipeline repair. Nine Forcados crude cargoes, each carrying about 950,000 barrels of crude, are expected to load for April.

Iraqi Kirkuk crude oil stocks in the Turkish terminal of Ceyhan reached about 1.5 million barrels on Tuesday. Iraq was pumping oil from its northern fields through a pipeline to Turkey at a rate of about 480,000 bpd. Three vessels are due to arrive in Ceyhan over the next two days to load 600,000 barrels of crude each for France's Total, ExxonMobil and Spain's Repsol.

Separately, StatoilHydro confirmed a newspaper report that it has encountered cost overruns with a \$3 billion revamp of its Statfjord oil and gas field in the North Sea. The project aims to improve recovery and keep the field on stream until 2019.

Russia's Tatneft said it hoped to set up a joint venture with Royal Dutch Shell to tap heavy oil deposits in mid-2008. The venture would be part of a broader deal, signed by the two companies last year and is expected to strengthen the oil major's position in Russia's energy sector and help Tatneft tap the heavy oil deposits. Tatneft has estimated the oil deposits' reserves at 50 million tons.

Indonesia's Trans Pacific Petrochemical Indotama has declared force majeure this week due to a problem with port facilities. Trading sources said deliveries of feedstocks condensate and naphtha, as well as loadings of petrochemical and oil products for sale were halted.

OPEC's news agency reported that OPEC's basket of crudes increased to \$93.63/barrel on Monday, up from Friday's \$92.62/barrel.

Russia's Gazprom threatened on Tuesday to reduce gas supplies to Ukraine from March 3 over payment arrears, two weeks after the two ex-Soviet states agreed on how to settle the problem. It said it believed that 1.9 billion cubic meters of gas had gone missing and were now considered Ukrainian debt. Ukrainian President Viktor Yushchenko's office said Russia's President Vladimir Putin warned Ukraine that Gazprom could start cutting supplies as early as Wednesday.

Market Commentary

Again today, prices edged higher, spurred by an influx of hedge fund buying and short covering by speculators. A weakened dollar has lead to hedge funds moving money into commodities in order to hedge against inflation. In turn, this move forced speculators to cover their shorts. There is also concern that OPEC may cut output at their next meeting, in anticipation of a slack in demand. Despite this move higher, the April/May spread remained stagnant throughout the session and was unable to trade above the .36 cents resistance area. There is an apparent reluctance to put length on in the front end of the market. Upon examination of the forward curve, it appears that length is somewhat being evenly distributed. Although the curve has moved higher, the shape is basically the same. For tomorrow's release of the API/DOE numbers, a build of 2.7 million barrels is expected for crude oil with

a build of 300,000 in gasoline and a draw in distillates of 2 million. Open interest in crude oil is 1,389,896 down 2,474, April08 372,508 down 4,881, May08 154,721 up 4,687 and Dec08 195,87 down 4,735. The heating oil market continued to lead the product markets higher amid the weather forecasts and the expected draw in distillate stocks. The heating oil market bounced off a low of 275.79 and never looked back. The market extended its gain to over 3.2 cents as it posted a high of 281.75 retraced some of its gains before it traded back towards its high ahead of the close. It settled up 2.97 cents at 281.50. The heating oil market continued to trend higher in overnight trading and rallied to a

high of 282.51 amid the continued strength in the crude market which posted a new high of 101.43. Similarly, the RBOB

		Explanation
CL	Resistance	102.10, 103.53
	Support	101.40
HO	Resistance	100.50, 99.96, 98.46
	Support	97.75, 97.16, 96.87, 95.31, 93.60, 91.89, 86.34
RB	Resistance	288.02
	Support	282.51
HO	Resistance	278.51, 275.79
	Support	274.34, 271.50, 269.30, 266.43, 261.47, 256.50
RB	Resistance	256.00, 257.55, 259.30, 261.00, 261.69
	Support	255.40
HO	Resistance	252.99, 250.82
	Support	246.90, 246.74, 246.50, 242.12, 239.13, 237.50

market bounced off its low of 250.82 and retraced some of Monday's losses as it rallied higher to a high of 255.36. The market, which settled up 86 points at 255.05, later traded to a high of 255.45 in overnight trading. The product markets will likely remain supported amid the expected draw in distillate stocks. In the heating oil, support is seen at 278.51, 275.79 followed by 274.34, 271.50, 269.30, 266.43, 261.47 and 256.50. Resistance is seen at its high of 282.51 followed by more distant resistance at 288.02. In the RBOB, support is seen at 252.99, 250.82, 246.90, 246.74, 242.12, 239.13 and 237.50 while resistance is seen at 255.40, 256.00, 257.55, 259.30, 261.00 and 261.69.