



## ***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 10, 2008**

---

US Vice President Dick Cheney is scheduled to meet with leaders in the Middle East next week, with the administration expected to refresh its call for the region to increase its crude oil production. He is scheduled to visit Oman, Saudi Arabia, Israel, the West Bank and Turkey starting March 16.

OPEC President Chakib Khelil said oil prices would remain at current high levels for the rest of the year due to speculation

and geopolitical tensions. He said however said that prices could retreat in 2009 with a recovery of the US dollar in foreign exchange markets following the election of a new US president. He said the factors driving the market at present included speculation and geopolitical tensions. He said OPEC decided to leave its production unchanged because it wanted to assist world economic growth.

Saudi Arabia notified its customers in Asia and Europe that it would supply full contracted volumes of crude in April, unchanged on the month. Saudi Arabia has been pumping steadily at about 9.2 million bpd for several months, about 300,000 bpd above its formal OPEC target.

#### **March Calendar Averages**

**CL** – 104.17

**HO** – 291.16

**RB** – 265.09

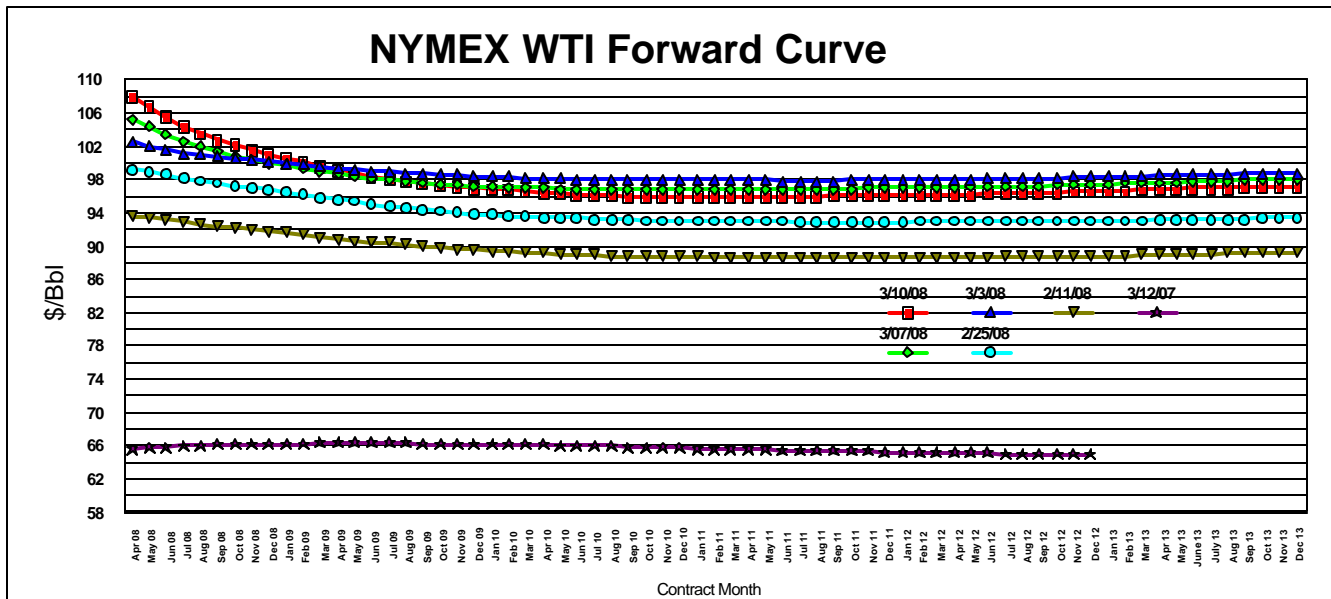
#### Market Watch

According to a Barclays Capital survey, investments in commodities reached \$178 billion in 2007. The level of commodity investments has already overtaken the \$120-\$150 billion that investors estimated would be poured into commodity assets in 2008.

Iran may extend a plan to sell extra, higher priced gasoline outside a rationing system beyond an experimental period starting this month if the initial phase is a success. Iran introduced gasoline rationing for motorists in June as part of a bid to cut consumption. Demand for fuel has increased in part because it is sold at 1,000 rials or 11 cents/liter. The government has previously been reluctant to implement a system that would offer higher priced gasoline, a move backed by parliament, because of fears it would drive up inflation, which is already running at 19%.

Oil prices have surged 77% over the past year as the S&P 500 and Dow averages fell. An analyst said momentum coupled with fundamental underpinnings has kept the market supported. He said the grab for hard assets is due to the lack of confidence in the rest of the markets.

The IEA's Executive Director Nobuo Tanaka said world oil demand was holding up despite the high crude oil prices. He said the March outlook would show steady oil demand growth compared with the previous month's forecast of 1.67 million bpd. World oil inventories



are expected to increase in the short term due to OPEC's decision last week to hold its output unchanged.

Venezuela said on Sunday it would immediately restore normal diplomatic relations with Colombia following the resolution of a regional dispute. The foreign ministry said Venezuela would send its diplomats back to Colombia immediately and was ready to receive Colombian diplomats as soon as possible.

Iran's Foreign Ministry said Iran does not support any of the US presidential candidates but said it hoped the election would bring a change in US' foreign policy.

The EIA reported that the US average retail price of diesel increased by 16.1 cents to \$3.819/gallon in the week ending March 10. It also reported that the US average retail price of gasoline increased 6.3 cents to \$3.225/gallon on the week.

According to the Lundberg survey, the average price of gasoline increased by 9 cents to \$3.19/gallon in the last two weeks ending March 10.

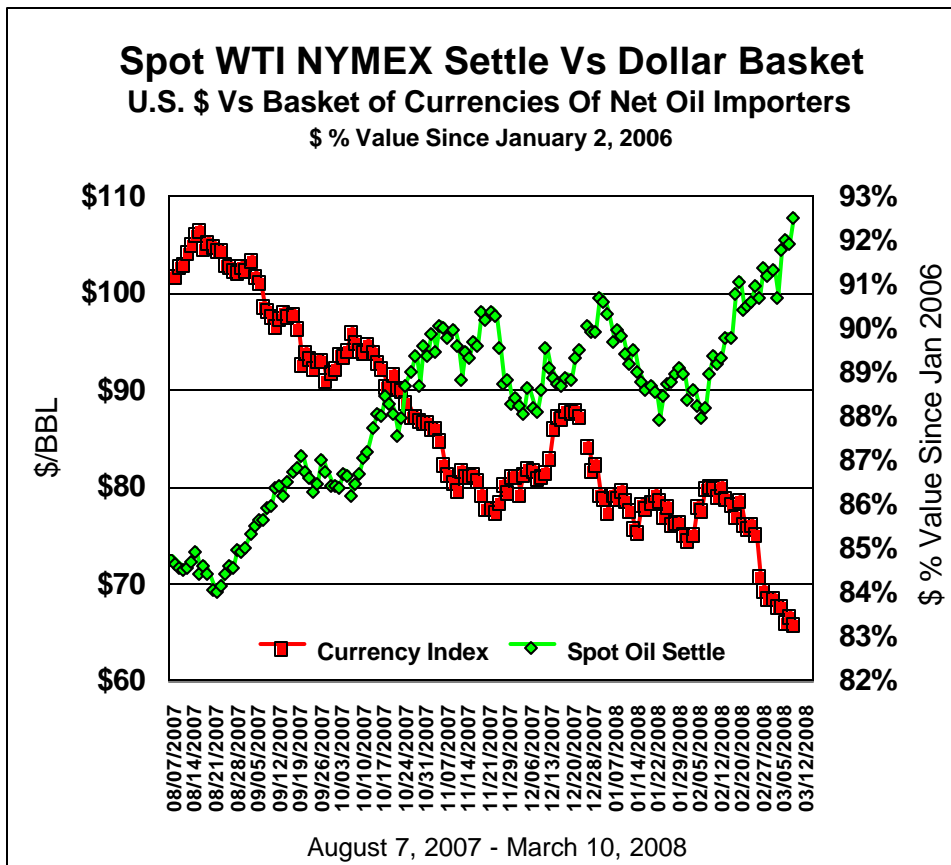
The AAA said US average gasoline prices are expected to reach an all time record on Tuesday and may breach the \$4/gallon level in some areas this summer. It said the rally in crude to near \$108/barrel should be enough to lift gasoline prices averaging \$3.222/gallon now above the current record of \$3.227/gallon.

The Movement for the Emancipation of the Niger Delta militants were celebrating news their leader, Henry Okah, was alive and apparently unharmed. The militants had died from an accidental gunshot discharge and criticized the government for not allowing him to see his lawyer.

### Refinery News

A Venezuelan official said despite recent conflicts between Venezuela's PDVSA and oil majors operating in the country, Venezuela is open to foreign investment in its oil fields. He said Venezuela would continue to honor long term crude agreements.

Work on a hydrogen desulfurization unit at Valero Energy Corp's 340,000 bpd Corpus Christi, Texas refining complex triggered flaring on Saturday. The unit was restarted on Sunday and is expected to reach normal operating rates soon.



Shell said all units at its 333,700 bpd joint venture refinery in Deer Park, Texas was restarted on Sunday and is expected to reach full rates within a day or two. The refinery began a turnaround on January 17 on several major units, including a crude distillation unit, a fluid catalytic cracking unit, an alkylation unit, a girbotol and several sulfur recovery units.

A 225,000 bpd sour crude unit at BP's 475,000 bpd refinery in Texas City, Texas is in the process of restarting. The unit is the last major unit to restart at the refinery, which was shut ahead of Hurricane Rita in September 2005.

ConocoPhillips said there was no estimate for the return to full rates at its 247,000 bpd refinery in Belle Chasse, Louisiana following unplanned work on a low sulphur gas unit. The unit was shut on February 28 due to a malfunction. Separately, ConocoPhillips' 76,000 bpd refinery in Rodeo, California reported flaring on Sunday due to a hydrogen unit restart.

Chevron Corp's 260,000 bpd refinery in El Segundo, California reported flaring on Saturday afternoon due to a compressor failure.

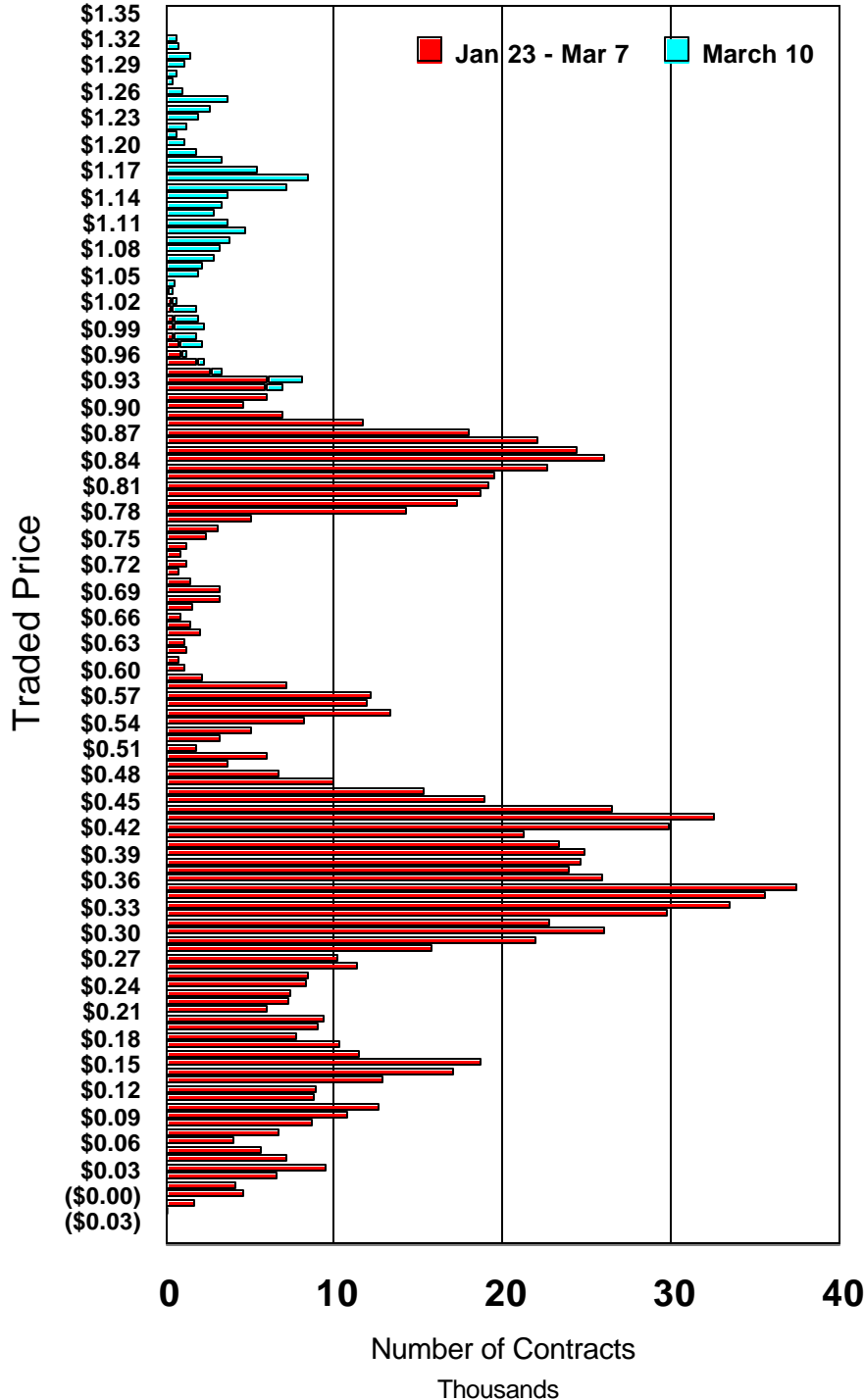
The National Petrochemical and Refiner's Association said US refiners may have to cut their production runs if legislation to reduce greenhouse gas emissions is too stringent. The chairman of the association said refiners would either have to buy some credit or allotment in order to emit or cut production. Meanwhile, the NPRA President said the Renewable Fuel Standard and other climate legislation may lead to lower gasoline imports, which could become a problem.

US safety inspectors have found 146 regulatory violations in the first 17 refineries probed as part of an unprecedented national audit. The violations led the US Occupational Safety and Health Administration enforcement chief to suggest expanding the program from the 81 targeted refineries to include US chemical plants.

## NYMEX WTI: April May Spread

### Price Vs Volume for January 23 - March 10, 2008

Trade Weighted Avg: 3/10 1.13, 3/7 .83, 3/6 .87, 3/5 .79, 3/4 .55



Indian Oil Corp said it would restart a 120,000 bpd crude distillation unit at its Panipat refinery on Monday after a brief planned maintenance outage. It said two gasoline units however remained offline.

PetroChina's Daqing refinery is scheduled to undergo maintenance this summer that would shut in about half of its capacity for more than a month. It however still aims to process about 5.8 million tons of crude this year.

Taiwan's CPC Corp said it would restart a 50,000 bpd residual fluid catalytic cracker in Taoyuan on Monday following a five day shutdown. It also said two other units at its Kaohsiung plant that have been shut for months could reopen in April.

The General Administration of Customs, China increased its crude imports in February by 14.3% on the year to 3.6 million bpd and halted overseas shipments to meet rising demand. China bought 28.23 million tons or 3.43 million bpd in the first two months, up 9.5% on the year. Imports of refined oil products were 2.71 million tons in February and increased by 17.7% to 5.95 million tons in the first two months of the year. Separately, Reuters reported that China's net imports of oil products in February fell by 25.7% on the month to 1.5 million tons.

A Nigerian newspaper reported that Nigeria has started discussions with refineries abroad about refining its crude oil and the

possible purchase of retail outlets in the UK. The Nigerian National Petroleum Corp said that it was focusing on offshore refineries in Eastern Europe. The NNPC was not considering outright purchase of such refineries but would enter into partnership with their operators. It said over \$3 billion on fuel subsidy would be saved yearly by refining Nigerian crude in Eastern Europe.

China Agri-Industries Holdings Ltd said it is expected to build an ethanol plant in the Guangxi region with an annual capacity of 300,000 metric tons. The plant would use cassava. Construction is expected to start in the second half of the year with the plant starting operations in late 2009 or early 2010.

Chemoil Energy Ltd said it planned to expand its GPSChemoil terminal in Fujairah by 2010 by at least 10 times the current 49,000 cubic meter oil storage capacity. It said it would add between 500,000-600,000 cubic meters to the facility, with the capacity to increase to 94,000 cubic meters by the end of the year, when a third expansion phase is completed.

A senior official said China planned a gradual fill of its strategic petroleum reserves. The government did not have a set monthly or annual target for adding oil to the reserve tanks. He said the government has not yet decided on either the location or scale of a planned second phase of storage facilities, even though the first tanks were nearly completed.

NYMEX Petroleum Futures Most Active Strikes for March 10, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	12	8	P	75	11/17/2008	1.23	2,300	34.22
LC	12	8	C	150	11/17/2008	1.31	1,250	30.83
LC	12	9	P	80	11/17/2009	4.92	1,000	34.44
LC	7	8	P	80	06/17/2008	0.48	1,000	36.41
LO	4	8	C	110	03/14/2008	1.19	3,801	45.59
LO	4	8	C	112	03/14/2008	0.69	2,808	46.74
LO	5	8	C	109	04/17/2008	4.02	2,451	36.78
LO	4	8	P	100	03/14/2008	0.12	2,081	45.84
LO	4	8	C	114	03/14/2008	0.38	1,880	47.75
LO	5	8	P	95	04/17/2008	1.11	1,820	37.89
LO	6	9	P	75	05/14/2009	2.56	1,800	28.73
LO	4	8	P	105	03/14/2008	0.87	1,725	44.87
LO	6	8	P	75	05/15/2008	0.1	1,700	38.70
LO	4	8	P	98	03/14/2008	0.05	1,599	47.28
LO	5	8	C	190	04/17/2008	0.03	1,550	65.79
LO	4	8	C	69	03/14/2008	38.9	1,500	172.88
LO	4	8	C	70	03/14/2008	37.9	1,500	167.27
LO	5	8	C	110	04/17/2008	3.66	1,446	37.00
LO	9	8	P	80	08/15/2008	1.1	1,301	32.34
LO	7	8	C	84	06/17/2008	21.14	1,300	37.27
LO	5	8	C	74	04/17/2008	32.74	1,300	63.80
LO	4	8	P	104	03/14/2008	0.61	1,268	44.72
LO	7	8	P	90	06/17/2008	1.76	1,250	33.12
LO	5	8	C	79	04/17/2008	27.76	1,200	53.20
LO	4	8	C	75	03/14/2008	32.9	1,200	140.54
LO	4	8	C	108	03/14/2008	1.97	1,171	44.84
LO	4	8	P	103	03/14/2008	0.42	1,163	44.85
LO	9	8	P	100	08/15/2008	6.66	1,100	30.75
LO	4	8	C	120	03/14/2008	0.06	1,098	52.05
LO	12	8	P	90	11/17/2008	4.44	1,090	29.07
LO	6	8	C	100	05/15/2008	9.05	1,074	34.64
LO	4	8	C	107	03/14/2008	2.49	1,057	44.80
LO	6	8	C	111	05/15/2008	4	1,055	35.07
LO	5	8	P	83	04/17/2008	0.15	1,001	41.71
LO	4	8	C	93.5	03/14/2008	14.4	1,000	55.29
OB	6	8	C	3.2	05/27/2008	0.06	501	40.05
OB	6	8	P	2.3	05/27/2008	0.0354	500	37.61
OB	5	8	P	2.5	04/25/2008	0.0533	400	38.14
OB	7	8	P	2.1	06/25/2008	0.0128	152	32.80
OB	4	8	C	2.85	03/26/2008	0.0383	123	38.91
OH	4	8	C	3.06	03/26/2008	0.0641	200	40.41
OH	6	8	C	3.25	05/27/2008	0.0514	150	32.65

An official at the National Development and Reform Commission said China would be cautious about raising administered prices of oil products and power once inflation starts to fall. He said market forces in theory should determine prices.

Mexico reopened its three Gulf Coast oil export terminals of Dos Bocas, Pajaritos and Cayo Arcas over the weekend after shutting them on Friday.

Petroecuador's crude exports fell by 18% in February to 7.25 million barrels from 8.85 million barrels reported in January.

### **Production News**

The North Sea loading plans for the four benchmark crude oil streams show daily loadings would increase to 1.375 million bpd in April, up from 1.37 million bpd in March. Britain's North Sea Brent crude oil system is scheduled to load about 145,500 bpd in April, down from about 157,350 bpd in March. The North Sea Forties crude system is set to load about 600,000 bpd in April, unchanged on the month. Meanwhile, the North Sea Ekofisk crude oil system is scheduled to load 410,000 bpd in April, down 10,000 bpd from 420,000 bpd loading in March.

The North Sea Statfjord crude system is scheduled to load 5.99 million barrels in April, down from 8.55 million barrels in March.

Canadian Oil Sands Trust said a 41% increase in resources extends the life of its Syncrude Project and should encourage stakeholders to reassess expansion plans. The reserves at its Syncrude Project stood at 4.9 billion barrels of fully upgraded synthetic crude. A review of remaining recoverable resources showed an estimated 12.7 billion barrels of fully upgraded synthetic crude, up from a December estimate of 9 billion barrels.

The Canadian Renewable Fuels Association said the development of the biofuel industry in Canada remains on track, with a number of operations already in place and others set to start production soon. Current ethanol capacity in Canada is estimated at about 835 million liters and is expected to increase by at least another 775 million liters by the end of 2008. Current biodiesel output in Canada is pegged at 322 million liters.

Chevron Corp said it planned to spend about \$4.5 billion this year in Asia, mainly for oil and natural gas projects. The planned investment is about 20% of total expenditures of \$23 billion slated for global operations this year. The investment would help the company maintain its average production growth worldwide of 3% per year.

Ceylon Petroleum Corp is seeking 610,000 barrels of gasoil and gasoline for April delivery.

OPEC's news agency reported that OPEC's basket of crudes increased by 70 cents to a record high of \$99.16/barrel on Friday from a previous record of \$98.46/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$2.54/barrel to \$97.42/barrel in the week ending March 7.

Coal companies in Shanxi, China's largest producer, are expected to resume exports soon to meet contractual obligations. China's government issued a temporary ban on China's coal exports in late January to combat severe power and coal shortages, partly due to heavy snow and ice storms that hit much of south and central China.

### **Market Commentary**

Hedge funds continue to take this market higher as the dollar continues to spiral downward. Although this appears to be the main reason behind today's run up in prices, imports of crude oil to China for the month of February increased by 18% and shipments for oil from that country were halted in order to meet demand. On Friday, Goldman Sachs has also raised its price forecast for 2009 from \$90.00 per barrel to \$105.00 per barrel. We must stay with this market and not buck the trend. Both the short term and the long-term slow stochastics, although in over bought territory, are still pointing higher. We would stick with the game plan of buying and selling against the listed support and resistance numbers. Based on the spot continuation chart for the front month spread, April/May has now breached the area where the front to nearby spread broke down. This breakdown level was \$1.24. Based upon an examination of this chart, it is quite possible for the April/May spread to test the high of \$1.74 set in October of 2007. Open interest in crude oil is 1,466,575 up 15,767, April08 280,976 down 16,128, May08 238,886 up 23,262 and Dec08 213,269 up 1,073. The heating oil market posted an inside trading day as it retraced some of Friday's losses. The market posted a low of 292.42 early in the session before it bounced off that level and rallied to a high of 298.52. The market, which failed to test its previous high of 298.63, settled in a sideways trading pattern ahead of the close. It settled up 2.64 cents at 297.34. Meanwhile, the RBOB market also continued to trend higher back towards its previous

highs amid the strength in the crude market. The RBOB market bounced off a low of 263.53 and never looked back. It extended its gains to over

		<b>Explanation</b>	
<b>CL</b>	<b>Resistance</b>	108.51, 110.46, 116.13	Basis trendline
	<b>Support</b>	108.21	Monday's high
<b>HO</b>	<b>Resistance</b>	106.00, 104.08	Monday's low
	<b>Support</b>	103.91, 102.85, 101.52, 99.52, 98.85	Previous lows
<b>RB</b>	<b>Resistance</b>	298.63, 305.27	Previous high, Basis trendline
	<b>Support</b>	298.52	Monday's high
<b>HO</b>	<b>Resistance</b>	296.00, 294.96, 292.42	Monday's low
	<b>Support</b>	291.73, 290.45, 287.21, 279.32, 277.82, 276.96	Previous lows, Basis trendline, low, 38% (244.16&298.63), low
<b>RB</b>	<b>Resistance</b>	273.25, 274.10, 275.56	Previous highs
	<b>Support</b>	272.27	Monday's high
<b>HO</b>	<b>Resistance</b>	269.75, 268.30, 263.53	Monday's low
	<b>Support</b>	262.76, 257.69, 252.98, 252.20, 250.38, 249.19	Previous lows

2.8 cents as it traded to a high of 272.27 in afternoon trading. The April RB/HO spread gave up some of Friday's gains as the heating oil market remained supported. The spread is seen finding resistance at -19.67 followed by -15.86. The product markets are seen remaining supported as the crude market continues to trend higher. In the heating oil, support is seen at 296.00, 294.96, 292.42 followed by 291.73, 290.45 and 287.21 while resistance is seen at 298.52, 298.63 and 305.27. In the RBOB, support is seen at 269.75, 268.30, 263.53 followed by 262.76, 257.69, 252.98 and 252.20. Resistance is seen at 272.27, 273.25, 274.10 and 275.56.