



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 12, 2008

The IEA is scheduled to hold a closed meeting on Monday to discuss high oil prices. It said industry experts would convene the meeting to discuss the process of price formation.

Venezuela's Energy Minister Rafael Ramirez said oil prices have formed a base at \$80/barrel, adding that OPEC would defend that level should prices fall from current levels. He said the oil markets were being well supplied by OPEC and that current prices were

out of the hands of OPEC. Separately, he said that the ongoing arbitration talks with ConocoPhillips should be resolved soon. ConocoPhillips said it could reach a settlement with Venezuela some time this year.

Market Watch

The Green Exchange announced that Vitol SA and RNK Capital LLC agreed to work toward building The Green Exchange venture as founding members. The exchange initiative was introduced by NYMEX Holdings, Inc. with Evolution Markets, Morgan Stanley, Credit Suisse, JPMorgan, Merrill Lynch, Tudor Investment and Constellation Energy. The new exchange would offer a range of environmental futures, options and swap contracts for markets focused on solutions to climate change, renewable energy and other environmental challenges. The first slate of contracts would be introduced on the NYMEX on March 16.

The NYMEX announced margins for the new NYMEX carbon and nitrogen oxide based emissions allowance futures contracts that are scheduled to begin trading on March 17. Margins for the European Union Allowance futures contract would be 2,295 euros for customers. The margins for the Certified Emission Reduction futures contract would be 1,485 euros for customers. It stated that the margins for seasonal nitrogen oxide emission allowance would be \$810 for customers while the market for the annual nitrogen oxide emission allowance would be \$3,375 for customers.

The ICE announced that physical delivery against the expired March gas oil futures contract was 1,941 lots or 194,100 tons. It was 111,700 tons higher than the 82,400 tons delivered in February.

DOE Stocks

Crude – up 6.2 million barrels
Distillate – down 1.2 million barrels
Gasoline – up 1.7 million barrels
Refinery runs – down 0.9%, at 85%

A senior member of Nigeria's government peace committee, Kingsley Kuku said the risk of renewed violence in Nigeria's Niger Delta is increasing because militants are frustrated by a lack of concrete results from peace talks. He said the government still had an opportunity to avert violence but it had to start delivering on promises of development for the delta. A new round of talks is started on Wednesday in the

German household stocks of heating oil fell to 49% of capacity as of March 1. Heating oil stocks are down from 52% last month and 57% last year.

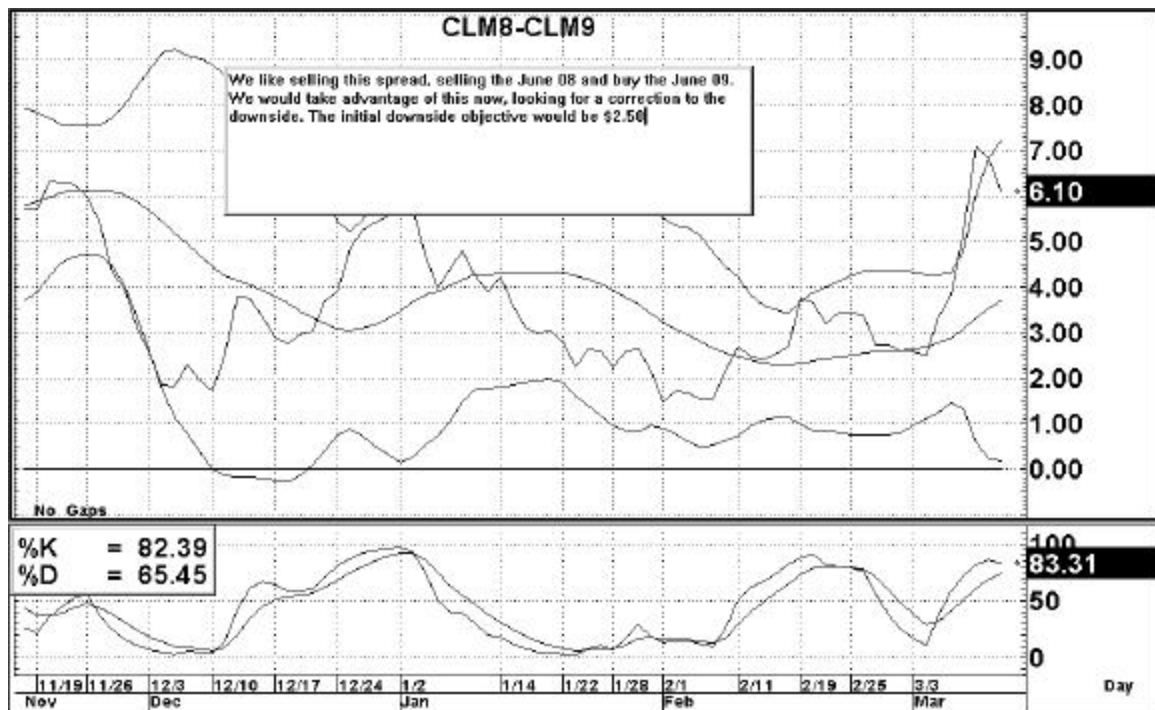
Indonesia's Pertamina bought 1.8 million bpd of crude for May arrival in a monthly tender, down from 3.2 million barrels it purchased for April.

According to the Petroleum Association of Japan, the country's crude oil inventories built by 190,000 barrels to 93.3 million barrels in the week ending March 8. It reported that refinery utilization increased to an average of 90% of total capacity of 4.9 million bpd, up 2.1% on the week. Crude runs increased by 100,000 bpd to 4.4 million bpd. It also reported that gasoline stocks built by 90,000 barrels to 13.36 million barrels while kerosene stocks fell by 2.12 million barrels to 10.86 million barrels and naphtha stocks fell by 860,000 barrels to 10.78 million barrels on the week.

Production News

Britain's North Sea Flotta crude oil system is scheduled to load about 65,000 bpd in April, up from 42,000 bpd in March.

ConocoPhillips also said it was cutting its long term production growth to 2% from 3%. Separately, ConocoPhillips offered its first cargo of physical fuel oil in the Asian cash market on Wednesday.



Iran's state oil firm and Vietnam's Petrovietnam signed a \$115 million deal for the exploration of Iran's Danan oilfield on Wednesday.

OPEC's news agency reported that OPEC's basket of crudes breached the \$100/barrel level for the first time and stood at \$100.57/barrel on Tuesday.

Iran cut its official selling prices for April crude supplies to Europe for both light and heavy grades. The price for its Iran Light crude bound for NW Europe was cut by \$2.10 to BWAVE minus \$3.60 while the price for its Iran Heavy crude was cut by \$1.80 to BWAVE minus \$5.80 and the price for its Forozan crude was cut by \$1.80 to BWAVE minus \$5.70.

Market Commentary

Watching the crude oil market trade is like watching the same movie over and over again. You begin to know what to expect from the cast of characters and the element of surprise disappears. This is now the fifth week in a row that the spot contract has extended to new highs and it is all based on the same reason, the weakening of the dollar forcing hedgers to turn to commodities as an investment. This time of year typically has a negative impact on demand due to turnarounds by refiners just before the summer driving season kicks in. With this in mind and the price of crude oil impacting demand, when this market turns to the downside it could be a rough one. Funds will have to liquidate. This combined with rising inventories and the current economic situation, should put pressure on the front end of the curve. One might want to take advantage of such a move by selling the nearby and buying the deferred. We like selling the June 08 contract and buying the June 09 contract in crude oil. This spread is currently trading at \$6.10 and has already turned to the downside. We would put this position on now and look for it to test the \$2.50 support area. Open interest in crude oil is 1,484,417 up 4,952, April08 237,048 down 29,957, May08 293,901 up 22,835 and Dec08 204,654 up 792. The heating oil, which was holding some support at 297.85, sold off further early in the session following the release of the DOE report. The heating oil market posted a low of 294.85 before it traded back into positive territory amid the renewed strength in the crude market as the dollar continued to fall. It was also supported by the draw reported in distillate stocks. The heating oil market rallied to a high of 303.14 ahead of the close and settled up 2.87 cents at 302.44. Meanwhile the RBOB market remained in negative territory for much of the day in light of the continued builds reported in gasoline stocks. The market, which posted an inside trading day, sold off to a low of 267.44 following the release of the inventory report. However the market bounced off that level and rallied to a high of 273.31 late in the session and settled up 25 points at 272.86. The markets will continue to track the weakening dollar and continue to trend higher. In the heating oil market, support is seen at 299.25, 298.00, 296.00, 294.85 followed by 291.99, 291.73, 291.31 and 290.45 while resistance is seen at 303.14 and 309.37. In the RBOB, support is seen at 270.60, 269.20, 267.44 followed by 266.66, 263.53 and 262.76. Resistance is however seen at 273.31, 274.35, 275.56 and 280.00.

| | | Explanation | |
|----------------|-----------------------|------------------------------------------------|---------------------------------------------------------------|
| CL | Resistance | 110.46, 116.13 | Basis trendline |
| | 109.92, up \$1.17 | 110.20 | Wednesday's high |
| Support | | 108.80, 108.25, 107.09 | Wednesday's low |
| | | 104.08, 103.90, 102.85, 102.58, 101.52, 99.55 | Previous lows |
| HO | Resistance | 309.37 | Basis trendline |
| | 302.44, up 2.87 cents | 303.14 | Wednesday's high |
| Support | | 299.25, 298.00, 296.00, 294.85 | Wednesday's low |
| | | 291.99, 291.73, 291.31, 290.45, 280.61, 279.32 | Previous lows, Basis trendline, low, 38% (244.16&303.14), low |
| RB | Resistance | 274.35, 275.56, 280.00 | Previous highs |
| | 272.86, up 25 points | 273.31 | Wednesday's high |
| Support | | 270.60, 269.20, 267.44 | Wednesday's low |
| | | 266.66, 263.53, 262.76, 257.69, 252.98, 252.20 | Previous lows |