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ENERGY MARKET REPORT FOR MARCH 13, 2008

Saudi Arabia's Foreign Minister Prince Saud al-Faisal said the world oil prices had reached record levels due to speculation and not underlying market conditions.

Separately, Qatar's Oil Minister Abdullah al-Attiyah said crude oil supplies were very comfortable despite record prices and added that there is enough oil on the market for stocks to build. He said the future direction of oil prices was impossible to predict adding that speculators who were investing in commodities were the main reason behind the surge in prices.

An IEA meeting scheduled for Monday to discuss

Market Watch

The National Oceanic and Atmospheric Administration said US and global temperatures in December-February were the coldest since 2001. In the US, temperatures averaged 33.2 degrees Fahrenheit. NOAA said due to the higher than average temperatures in the Northeast and South, the contiguous US winter temperature-related energy demand was about 1.7% lower than average.

Investments in commodity indexes are estimated to have grown by about \$30 billion this year, reaching about \$185 billion at the end of February. About \$10 billion of the growth is new money and the balance of \$20 billion is the result of higher prices. The commodity indexes are expected to reach \$195 billion by the end of the year, according to a commodity index managing director.

The European Commission is considering cutting its subsidies to farmers to produce ethanol. The EU's agricultural commissioner, Mariann Fischer Boel said she would send 27 nations in the bloc a proposal on removing the 45 euros per hectare subsidy.

Russia's Gazprom and Ukraine's Naftogaz reached a final gas agreement following two days of talks. They have agreed to remove all intermediaries in gas trade between the two countries. Russia's Gazprom said there was no need for intermediaries after they agreed to supply Ukraine's industrial consumers directly with some volumes. Gazprom said it would sell Ukraine gas it imports from Central Asia at a price of \$179.50 per 1,000 cubic meters until the end of the year.

A review of US capital markets led by the Treasury Department said investment houses improperly weighed risky investments and held too little capital to protect against losses. The report recommends higher capital requirements and better disclosure of risky investments. It also outlines new consumer protections for the mortgage lending industry.

March Calendar Averages

CL – 106.00

HO – 295.71

RB – 267.15

the factors behind the record oil prices is set to hear from officials from the Commodity Futures Trading Commission, OPEC and Cargill Inc as well as from oil companies such as Norway's StatoilHydro ASA. The meeting is not expected to generate policy ideas.

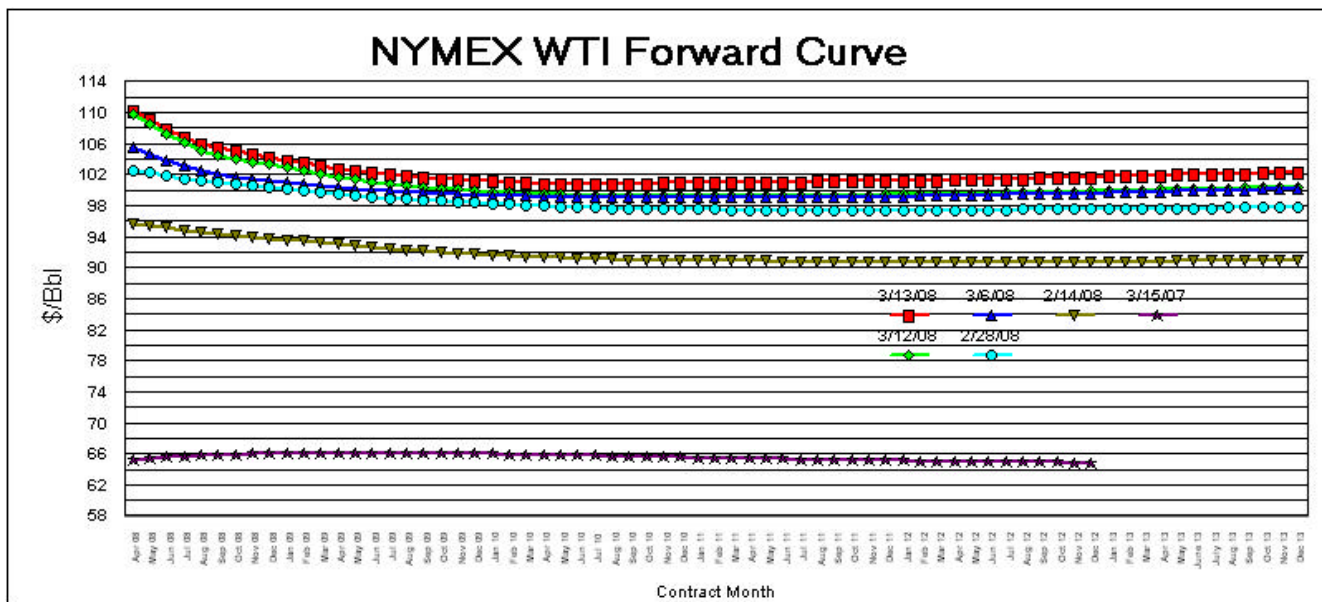
The White House reiterated its hopes that oil producers would increase their output. White House spokesman Tony Fratto said rallying oil prices could be largely attributed to rising world demand and added that there was no easy short term fix.

According to Oil Movements, OPEC's oil shipments are expected to fall by 100,000 bpd to 24.31 million bpd in the four weeks ending March 29 as the end of winter in the US and Europe and seasonal refining maintenance cut demand. OPEC shipments are down about 500,000 bpd since reaching a peak in February of 24.8 million bpd. It said deliveries from core OPEC producers in the Middle East are forecast to fall by 120,000 bpd to 17.48 million bpd in the four week period.

The Turkish army said Turkish troops killed 10 Kurdish rebels in a security operation in the country's southeast near the Iraqi border. This comes two weeks after Turkey ended a week long ground offensive into neighboring northern Iraq.

US Secretary of State Condoleezza Rice said the US was examining information alleged to show links between Venezuela and Colombia rebels and would act accordingly. However she would not say whether Venezuela could be added to the US list of states seen to be sponsoring terror. On Wednesday, President George W. Bush accused Venezuela's President Hugo Chavez of using his country's oil wealth to foment anti-US sentiment in Latin America.

Energy Intelligence reported that preliminary data showed that OECD commercial crude and product stocks fell in February by 1.26 million bpd. It basically erased the estimated 1.42 million bpd increase in January. Forward OECD demand cover in February is slightly higher than January's level at 53.5 days. February crude stocks fell by 350,000 bpd in the OECD while product stocks fell by 900,000 bpd to a total of 2.593 billion barrels. It reported that refiners say they see no shortage of available crude oil in the market. Crude demand is falling slightly as refinery maintenance is under way in the US and about to start in Europe and Asia.



According to a trader, Venezuela's PDVSA was requiring payment in euros in a recently opened fuel export contract. However crude oil traders said they have continued to pay PDVSA in dollars.

Refinery News

NYMEX Petroleum Options Most Active Strikes for March 13, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	4	8	C	110	03/14/2008	1.25	1,175	46.24
LC	12	8	P	55	11/17/2008	0.09	1,000	37.07
LO	6	8	P	95	05/15/2008	1.79	10,881	37.39
LO	4	8	C	100	03/14/2008	10.33	8,125	65.83
LO	5	8	C	101	04/17/2008	10.12	5,900	39.38
LO	4	8	C	110	03/14/2008	1.25	5,456	46.83
LO	6	8	C	130	05/15/2008	1.31	5,123	40.29
LO	6	8	P	100	05/15/2008	3.05	4,971	36.50
LO	6	8	C	70	05/15/2008	37.94	3,950	64.75
LO	8	8	P	80	07/17/2008	0.7	3,100	34.79
LO	5	8	C	120	04/17/2008	1.93	3,012	41.23
LO	4	8	P	100	03/14/2008	0.01	2,571	76.75
LO	5	8	C	100	04/17/2008	10.87	2,560	39.62
LO	6	8	C	50	05/15/2008	57.94	2,500	115.82
LO	5	8	P	95	04/17/2008	0.84	2,447	40.29
LO	6	8	C	69	05/15/2008	38.94	2,400	66.92
LO	12	8	P	90	11/17/2008	4.04	2,376	30.74
LO	7	8	P	90	06/17/2008	1.57	2,339	35.17
LO	5	8	C	115	04/17/2008	3.03	2,273	39.63
LO	6	8	C	68	05/15/2008	39.94	2,200	69.12
LO	6	8	C	120	05/15/2008	2.71	2,126	38.37
LO	12	8	C	52	11/17/2008	52.28	2,100	75.30
LO	4	8	P	105	03/14/2008	0.02	1,902	46.39
LO	6	8	C	125	05/15/2008	1.88	1,901	39.31
LO	6	8	C	76.5	05/15/2008	31.49	1,800	52.62
LO	5	8	C	140	04/17/2008	0.34	1,764	47.59
LO	4	8	P	108	03/14/2008	0.28	1,733	46.61
LO	6	8	C	68.5	05/15/2008	39.44	1,700	68.01
LO	6	8	P	105	05/15/2008	4.98	1,557	36.37
LO	8	8	P	90	07/17/2008	2.14	1,525	33.69
LO	4	8	P	98	03/14/2008	0.01	1,510	90.75
LO	12	10	P	85	11/16/2010	7.71	1,510	27.14
LO	5	8	C	70	04/17/2008	39.17	1,500	79.51
LO	5	8	C	71	04/17/2008	38.17	1,500	76.96
LO	7	8	C	106	06/17/2008	7.79	1,500	34.47
OB	4	8	P	2.55	03/26/2008	0.0253	310	37.30
OB	5	8	P	2.45	04/25/2008	0.04	200	37.07
OB	5	8	C	2.72	04/25/2008	0.1289	200	36.72
OB	5	8	C	2.56	04/25/2008	0.2196	200	37.61
OB	5	8	P	2.64	04/25/2008	0.1032	200	36.95
OH	5	8	C	2.7	04/25/2008	0.3753	525	40.07
OH	12	8	P	2.8	11/21/2008	0.1849	510	29.37
OH	7	8	P	2.84	06/25/2008	0.1233	440	29.47
OH	4	8	P	2.9	03/26/2008	0.0216	400	41.68
OH	5	8	C	3	04/25/2008	0.1734	340	37.89
OH	7	8	C	2.95	06/25/2008	0.1897	330	29.61
OH	12	8	P	3	11/21/2008	0.2826	315	29.77
OH	5	8	C	2.74	04/25/2008	0.3438	310	39.68

ExxonMobil started a two month long planned maintenance turnaround of a fluid catalytic cracking unit at its 349,000 bpd refinery in Beaumont, Texas. The maintenance is expected to end on May 15.

Royal Dutch Shell Plc delayed the restart of a 70,000 bpd fluid catalytic cracking unit at its 332,000 bpd Deer Park, Texas refinery after discovering a leak in the unit on Wednesday night. Shell placed the unit on hot standby and is expected to restart the unit on Saturday.

ConocoPhillips said it planned to build a pipeline to Port Arthur, Texas to carry Canadian crude brought to Cushing, Oklahoma, on the proposed Keystone Pipeline to supply US Gulf Coast refineries.

Nippon Oil Corp said it would start scheduled maintenance of its 127,000 bpd crude distillation unit at its Marifu refinery on Saturday. Maintenance on the unit is expected to last until April 24.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp reached a record high of 1.177 million tons in the week ending March 13, up 36,000 tons on the week and 374,000 tons on the year. Gas oil stocks built by 9,000 tons on the week but fell by 793,000 tons to 1.21 million tons while fuel oil

stocks built by 6,000 tons on the week and fell by 6,000 tons on the year to 594,000 tons. Naphtha stocks fell by 34,000 tons on the week and by 12,000 tons on the year to 54,000 tons while jet fuel stocks built by 19,000 tons on the week but fell by 202,000 tons on the year to 173,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 193,000 barrels to 17.839 million barrels in the week ending March 12. It reported that light distillate stocks built by 491,000 barrels to 10.037 million barrels while middle distillate stocks built by 977,000 barrels to 8.289 million barrels.

According to Reuters, China's implied oil demand growth slowed to 3.3% in January to 7.17 million bpd as winter caused a decline in fuel consumption. It is down from December's 6.4% increase. China's refineries processed 28.44 million tons or 6.7 million bpd of crude oil in January, up 5.7% on the year. Domestic crude production for the month was down 1.4% at 15.9 million tons while China's crude oil imports increased by 1.8% on the year to 3.28 million bpd. China's National Bureau of Statistics said the country's refineries processed 27.37 million tons or 6.89 million bpd of crude in February, up 9.2% on the year. It reported that crude throughput in the first two months of the year increased by 7.4% to 55.81 million tons. Domestic crude production was up 4.2% in February at 14.88 million tons.

A group of US economists said China was producing far more carbon dioxide than previous estimates. China is the second largest emitter of CO2 and some studies have suggested that it may already have overtaken the US last year. Researchers at the University of California, Berkeley and UC San Diego said China's CO2 emissions would grow at least 11% annually between 2004 and 2010. It said that by 2010, there would be an increase of 600 million metric tons of CO2 emissions in China over levels in 2000.

Some Nigerian Forcados crude oil cargoes are expected to be delayed from April into May due to underproduction.

Traders said three April loading Forcados cargoes had been delayed by more than two weeks. Preliminary

		Explanation	
CL	Resistance	116.13	Basis trendline
	110.33, up 41 cents	110.98	Thursday's high
	Support	109.40, 108.76	Thursday's low
		108.25, 107.09, 104.08, 103.90, 102.85, 101.52	Previous lows
HO	Resistance	314.80	Basis trendline
	312.48, up 10.04 cents	312.75	Thursday's high
	Support	307.75, 304.55, 301.75, 301.00	Thursday's low
		294.85, 293.36, 291.99, 291.73, 290.45	Previous lows, Basis trendline, low
RB	Resistance	273.31, 274.35, 275.56, 280.00	Previous highs
	268.28, down 4.58 cents	270.00, 273.00	Thursday's high
	Support	266.00, 263.75	Thursday's low
		263.53, 262.76, 257.69, 252.98, 252.20	Previous lows

loading schedules showed nine Forcados cargoes, each of 950,000 barrels, were expected to be exported in April. Traders also stated that four Nigerian Qua Iboe crude oil cargoes for March and April loadings are expected to be delayed due to technical problems.

Production News

Ecuador's Central Bank reported that the country's average oil production increased by 0.46% to 519,452 bpd in January from 517,097 bpd in January 2007. Petroecuador's oil production averaged 265,936 bpd in January while private companies' oil output was 253,516 bpd.

Iraq cut the official selling price of its Basra Light crude for April loading by \$2.20/barrel to BFOE minus \$6.25 to European buyers. The price of April Kirkuk crude to European customers was cut by \$1.45 to

BFOE minus \$4.70. Meanwhile, the official selling price of Basra Light crude for April loading was increased by 60 cents to second month WTI minus \$7.05 from minus \$7.65 in March for US customers. The price of Kirkuk crude bound for the US was cut by \$1.05 to WTI minus \$5.65 compared with minus \$4.60 in March. For Asian buyers, Iraq cut the price of Basra Light to a discount of \$2.40/barrel to the Oman/Dubai average, down 90 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$101.38/barrel on Wednesday, up from Tuesday's \$100.57/barrel.

Market Commentary

After reaching yet another record high, crude oil sold off on what appeared to be speculator liquidation. While the market was posting new lows, front-end spreads were holding. This is typically indicative of outright liquidation. We can confirm this tomorrow when open interest comes out, looking for a decrease in that figure. Once again outside factors impacted the market, with the dollar making another all time low against the euro. US retail sales came out today and posted a greater than expected slump, falling 0.6%. This added to already heightened economic woes. Not until the economic situation begins to correct itself, will this market become a confident sale. The trade recommendation to sell the June8 and buy the June9 spread is working in our favor so far, opening the session trading at \$5.90, achieving a low of \$5.50 and settling at \$5.70. Our objective for this spread is \$2.50. Heating oil, taking its cue from the gasoil market was clearly the stronger product today. Plagued by bw distillate stocks and a maintenance program said to be intense, gasoil rallied to a record high of \$983.50 per tonne. Heating oil remained strong through out the session, with the April/May spread gaining as much as .300 cents. Shorts scrambled to cover, forcing this spread out to a differential high of 9.50 cents. Those that trade the heating oil to gasoline spread based on a seasonal play, were forced to cover their short positions in heating oil and long positions in gasoline, adding further strength to the heating oil market and keeping a lid on the gasoline. The April gasoline contract has now settled below the upward trendline that began back on March 5th and should continue lower, with the near term objective of 2.5220. Open interest in crude oil is 1,493,454 up 9,037, April08 207,719 down 29,329, May08 323,584 up 29,683 and Dec08 203,869 down 785.

Trade Tracker

Trade	Date	Entry level	Current	Profit/Loss
Sell M08 Buy M09	3/13/18	585	570	+150.00 per contract