



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 24, 2008

US President Dick Cheney said Saudi Arabia had kept its promise to increase its oil production capacity over the past three years by 2 million bpd. Meanwhile Saudi Arabia said it was working to increase its oil production and refinery capacity in order to maintain world economic growth. The Supreme Council of Petroleum and Mineral Affairs expressed its satisfaction of the country's work in expanding its oil production and refining capacity to help meet world demand.

Separately, Vice President Dick

Market Watch

The National Weather Service forecast that US heating demand would be 3.5% above normal this week. Demand for heating oil is expected to be nearly 10% above normal this week. Heating demand was nearly 1% below normal nationwide last week and has averaged about 5% below normal so far this heating season.

Ethanol maker Poet hopes to use its plant in Emmetsburg, Iowa to become one of the first refiners to produce cellulosic ethanol on a large scale. However the success of its Project Liberty cellulosic project depends on whether it can convince area farmers to devote an estimated 270,000 acres to corn growing. The plant currently consumes 17.5 million bushels of locally grown corn to produce 50 million gallons of ethanol a year. The plant is expected to increase its ethanol production capacity to 125 million gallons/year by 2011. As much as 30 million gallons would be made from cobs and kernel hulls.

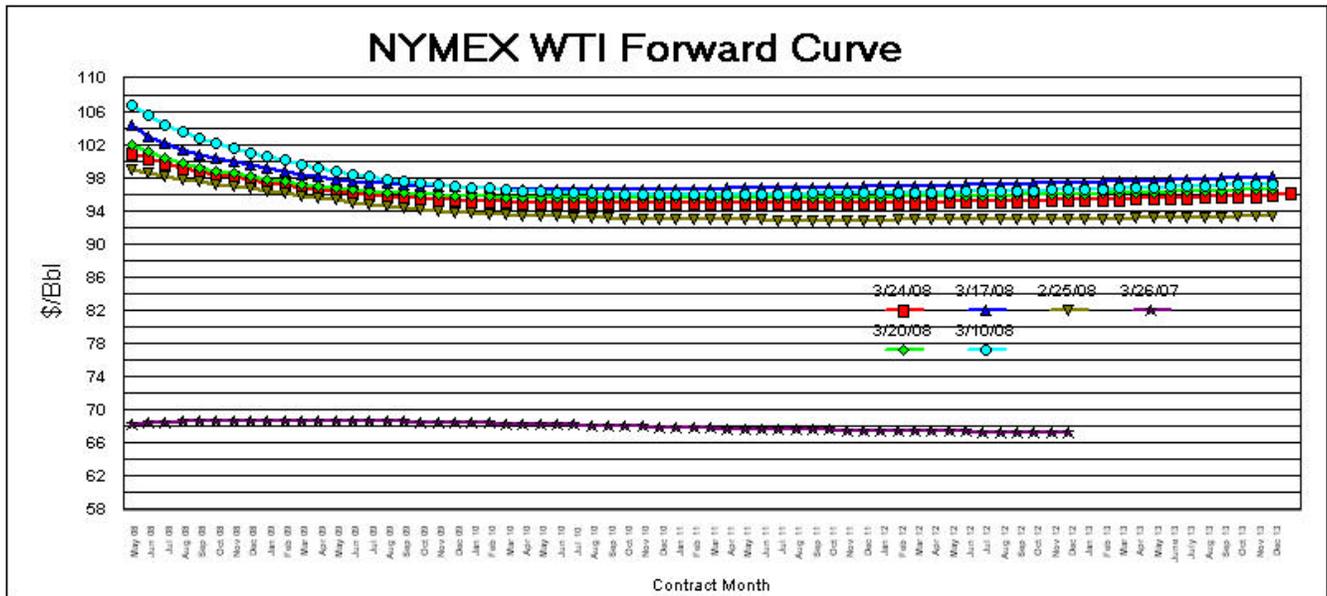
PetroSun, an alternative fuels developer, said its first algae-to-biofuels facility would start operations on April 1 in Rio Honda, Texas. It is expected to produce 4.4 million gallons of algal oil and 110 million pounds of biomass annually from an on-site algae farm.

Venezuela's President Hugo Chavez said that a proposal for a new tax on oil companies for sudden gains from world oil price fluctuations was ready. He announced that about 1.3 billion bolivars or \$604 million in financing for one of his government's social projects would come from the new tax in the following months. He did not provide further details on the new tax or the total amount the government was expecting to collect through the new levy.

March Calendar Averages
CL – 105.77
HO – 299.49
RB – 264.69

Cheney met with Turkey's President Abdullah Gul, Prime Minister Recep Tayyip Erdogan and Gen. Yasar Buyukanit, Turkey's chief of military. They discussed issues including Turkey's recent military operations against Kurdish rebels in Iraq. His visit to Turkey came at the end of a weeklong Mideast trip during which he met with top officials in Iraq and visited Israel to promote its peace talks between

the Palestinians.



OPEC President Chakib Khelil said oil prices are expected to average between \$80-\$110/barrel for the rest of 2008. He said the price of oil was linked to the US economic problems as well as to the value of the dollar.

Nigeria's senior oil workers' union, PENGASSAN said it was calling off the threat of an industry wide strike for now and added that it would resume talks on Wednesday with the local arm of ExxonMobil over a labor dispute. The labor dispute is over the firing of about 100 Nigerian workers by Exxon.

Nigeria's Navy stated that it shot and killed at least four men during a shootout in southern Nigeria. The armed forces fired on two speedboats full of armed men who were attempting to move a hijacked boat from one hiding place to another in the southern Rivers state. Separately, the Movement for the Emancipation of the Niger Delta said it was behind an explosion at a naval base which killed at least two sailors while military officials denied the claim. The militant group said it was retaliating for the death of civilians in an accident involving a navy vessel. Military officials denied MEND's involvement and repeated earlier statements that it had been triggered by an electrical fault.

The EIA reported that the US average retail price of diesel increased by 1.5 cents to a record \$3.989/gallon in the week ending March 24. The price of diesel is up \$1.31/gallon on the year. Some truckers have been calling for a strike on April 1 to protest high diesel pump prices that have breached the \$4/gallon level. The EIA also reported that the US average retail price of gasoline fell by 2.5 cents to \$3.259/gallon on the week.

Iraqi authorities have imposed a nighttime curfew on the movement of people and vehicles in the southern province of Basra until further notice due to clashes between police and members of Mehdi Army militia. Authorities said they would temporarily close access to Basra from neighboring provinces during the evening hours starting on Wednesday and lasting until Friday. Earlier Monday, Iraqi Shi'ite cleric Moqtada al-Sadr's Mehdi Army militia ordered shops to close in some Baghdad neighborhoods in what they said was the start of a civil disobedience campaign.

Refinery News

A planned turnaround of a crude unit and a delayed coker unit at ExxonMobil's Baytown, Texas refinery was concluded on schedule. The units were shut early in the first quarter and were expected to return to service by mid-March. The coker unit resumed normal operating rates while the 135,000 bpd crude unit was in the process of being restarted.

The restart of a 103,000 bpd fluid catalytic cracking unit at BP Plc's 265,000 bpd refinery in Carson, California has been moved to mid-week. The restart was expected over the weekend. The delay is not expected to prevent the FCC from being at full production by March 31.

A steam boiler at Pasadena Refining System Inc's 117,000 bpd refinery in Pasadena, Texas failed early Monday causing flaring from the refinery.

United Refining said operations at its 70,000 bpd Warren, Pennsylvania refinery returned to normal following a fire last week. The fire started in a pump in the vacuum tower and combination unit.

Valero Energy Corp said it was still operating its fluid catalytic cracking unit at its 210,000 bpd Delaware City, Delaware refinery at reduced rates. It is expected to resume planned rates within a couple of days. Operations were reduced early last week due to repairs to a boiler.

Indonesia's 348,000 bpd Cilacap refinery is operating near normal levels following a brief shutdown last week. Its 118,000 bpd crude unit was operating at 100% of capacity while the 230,000 bpd crude unit was operating at 74%.

Fuji Oil Co said the newly constructed No. 2 fluid catalytic cracking unit at its Sodegaura refinery would start operations on Thursday. The 18,000 bpd unit is expected to operate at full capacity by mid-April, increasing the refinery's fluid catalytic cracking capacity to 36,000 bpd.

South Korea's S-Oil Corp said production at its domestic refinery was halted following a power outage on Monday and added that it would take about 12 hours to resume operations.

South Korea's GS Caltex Corp said it would shutdown its No. 4 300,000 bpd crude distillation unit for an unplanned 10 day maintenance period starting April 16.

Production News

The ODS-Petrodata Group said worldwide offshore drilling rig utilization fell by 0.1% to 89% of capacity.

According to a shipper, Iraq pumped over 400,000 bpd of Kirkuk crude through its northern pipeline to Turkey on Monday and has sustained the flow uninterrupted for a week. Stocks at the Turkish terminal of Ceyhan stood at 2.7 million barrels.

Iraq's Oil Ministry reported that the country's oil exports from southern and northern oil fields in February increased by 0.5% on the month to 1.93 million bpd. It exported 1.54 million bpd from its southern oil fields while the remaining 393,000 bpd were exported from northern oil fields. Revenues from Iraq's oil sales increased by 4.6% to \$5.037 billion in February compared with \$4.813 billion in January.

Baker Hughes reported that the total number of rigs operating in North America fell by 190 to 2,112 in the week ending March 14. The number of rigs operating in the US fell by 8 to 1,784. It reported that the number of rigs searching for oil fell by 2 to 341 while the number of rigs searching for gas fell by 8 to 1,433.

Mexico's Pemex said it produced an average of 2.94 million bpd of oil in the first two months of the year, down 6.4% on the year. In February, its crude oil production fell to 2.929 million bpd from 2.957 million bpd in January. It said the main reason for the decline in oil production was the declining output levels at the offshore Cantarell oilfield. Its crude oil exports in the first two months of the year averaged 1.43 million bpd, down 14.6% on the year.

Petroecuador reported export revenues of \$1.27 billion in the first two months of 2008, up from \$487 million reported last year. Petroecuador exported 16.1 million barrels of crude oil between January and February, up 42% from 11.37 million barrels reported last year.

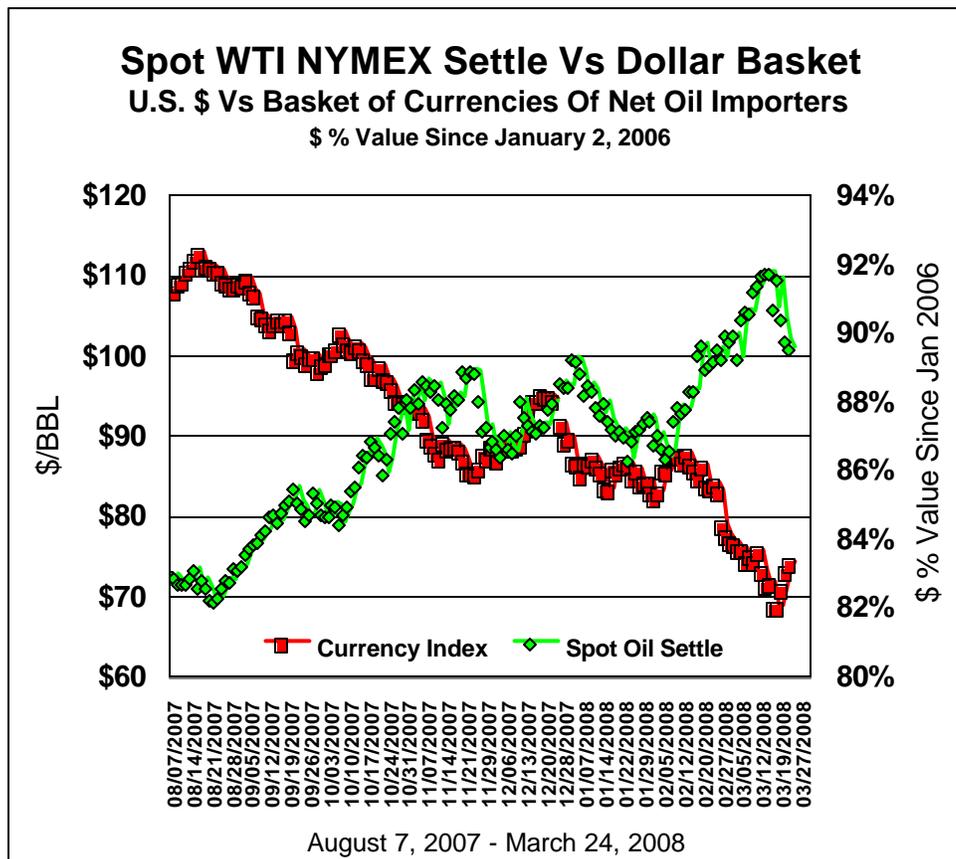
Spain's Cepsa said it acquired a 70% stake in a block in Colombia with an estimated 40 million barrels of reserves. It bought exploration and production rights to the 20,000 bpd Caracara block.

The head of Russia's Lukoil, Vagit Alekperov, is scheduled to meet with Iraq's Oil Minister, Hussain al-Shahristani to discuss reviving a multi billion dollar deal to develop Iraq's West Qurna oilfield. However Iraq is also in talks with Chevron and Total to develop the same fields.

According to Reuters, China's apparent oil demand increased by 6.2% on the year to 7.23 million bpd in February. In the first two months of the year, implied demand increased by 4.7% to 7.2 million bpd. It reported that China's crude imports increased by 18.1% to 3.6 million bpd in February.

China said there was no imminent increase in state set prices for refined oil products, citing high inflation and the social impact of price increases. PetroChina and Sinopec Corp said they would take active and effective measures to ensure the smooth production of oil products to ensure stability in the market.

Indonesia's Finance Minister Sri Mulyani said the country may have to nearly triple its planned 2008 fuel subsidy spending to about 130 trillion rupiah or \$14.11 billion due to increasing world oil prices. He said the subsidy spending may have to increase if the government revises its average oil price in its 2008 budget to \$95/barrel. The original budget allocated 45.8 trillion rupiah for oil subsidies with a world oil price assumption of \$65/barrel.



Market Commentary

The oil market settled in negative territory for the third consecutive session after the market posted an inside trading day. Trading volume was light as participants were sidelined for the Easter holiday. The market remained pressured amid the concerns over the US economy and the impact on oil demand. The oil market bounced off its overnight support at 100.50 and rallied over the 102.00 level amid the

strength in the product markets. It posted a high of 102.42 in afternoon trading before a late bout of selling pushed the market below its

			Explanation
CL 100.86, down 98 cents	Resistance	102.69, 103.60, 105.70, 106.60, 108.80, 110.35	Previous highs
	Support	99.95	Monday's high
		98.65, 98.35, 95.51, 86.33	Monday's low
HO 296.31, down 1.41 cents	Resistance	303.00, 303.35, 312.20, 315.41, 319.00, 322.20	Previous low, 62% retracement(86.33 and 110.35), Previous low
	Support	296.50, 298.00, 301.00	Basis trendline, Previous highs
		295.25	Monday's high
RB 264.12, up 3.61 cents	Resistance	292.95, 292.39, 283.18, 282.67, 273.97	Monday's low
	Support	268.25, 273.55, 274.35, 275.56	Previous low, 38%(244.16 and 322.20), 50%, Basis trendline, 62%
		266.00, 267.32	Previous highs
		262.46, 261.05, 259.05	Monday's high
		250.46, 249.56, 246.55, 242.37, 238.14, 238.07	Monday's low
			Previous lows

support level and settled down 98 cents at 100.86. The market continued to trade lower and posted a low of 99.95 on Globex. The market is seen trading mostly sideways ahead of Wednesday's release of the weekly petroleum stock reports. The crude market is seen finding support at its low of 99.95 followed by 98.65, 98.35 and 95.51. Resistance is seen at 101.75, 102.42, 102.69, 103.60, 105.70, 106.60, 108.80 and 110.35. Open interest in the crude market fell by a total of 15,827 lots to 1,352,157 lots on continued long liquidation, with open interest in the April, May and June contracts falling by 4,816 lots, 8,065 lots and 1,740 lots, respectively. Meanwhile, the heating oil market also settled in negative territory after it posted an inside trading day. The market rallied to a high of 301.00 early in the session and remained in positive territory for much of the session. However the market sold off late in the session and settled down 1.41 cents at 296.31. The market continued to trade lower on Globex and posted a low of 295.25. Even though the RBOB market led the markets higher today, it continued to trade within last Monday's trading range. The RBOB market bounced off an overnight low of 259.05 and rallied to a high of 267.32. It however retraced some of its gains ahead of the close and settled up 3.61 cents at 264.12. The RBOB crack spread settled at 9.709, up from 7.8766 amid the strength in the gasoline market. The May RB/HO spread also continued to come in, settling at -24.15. It is seen finding resistance at -17.2.