



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 10, 2008

Saudi Arabia's Oil Minister Ali al-Naimi, addressing delegates at the International Oil Summit said the oil markets were well supplied. He said high prices were unrelated to supply and added that Saudi Arabia would continue to produce at a steady rate of 9.2 million bpd. Saudi Arabia's Oil Minister said the country would not put extra oil onto the market to take advantage of high prices as OPEC warned its monthly oil market report would show weaker than expected demand. He said Saudi Arabia would increase its production capacity to 12.5 million bpd next year from about 11.3 million bpd and added that Saudi Arabia had 2 million bpd of spare capacity. He also stated that the

Khursaniyah oilfield would pump 500,000 bpd and brushed aside reports it would be delayed beyond the first half of the year. He attacked the role biofuels have to play in reducing fuel emissions, adding

Market Watch

Goldman Sachs Group Inc said oil prices are expected to decline less steeply than previously believed to \$98.90, not \$90/barrel in the spring. It however expects the new highs to exceed \$115/barrel in the second half of the year amid tighter market conditions. Its estimate is up from its previous forecast of \$105/barrel.

Heating oil prices could remain relatively high as diesel demand is expected to remain steady while gasoline demand is expected to fall by 35,000 bpd. In Europe, demand for distillate has increased as governments encourage drivers to shift to diesel as a fuel source while in Asia, economic growth has led to greater distillate demand in the transportation sector and in electricity generation. The IEA has reported that distillate stocks among its members stood at 535.1 million barrels in January, down 6.5% on the year. In Europe, heating oil deliveries were 8.7% higher than in January of 2007 and China's gasoil and diesel demand is expected to grow by 9.4% to 2.8 million bpd in 2008. Meanwhile, the EIA has warned that strong growth in world demand for distillate and constrained supplies could limit the availability of imports and leave inventories lower than desired at the beginning of next winter. Analysts have also noted that high gasoline stocks were discouraging refiners from increasing refinery runs and thus cutting distillate production.

US Treasury Secretary Henry Paulson said the US economy had turned down sharply and still faced risks from the housing and finance sectors. However he noted that the enacted economic stimulus bill would make a real difference in the economy.

The IMF lowered its global economic growth forecast for this year to 3.7% in its semiannual World Economic Outlook.

The IntercontinentalExchange said physical delivery against the expired April gas oil futures contract was 995 lots or 99,500 tons. It is down 94,600 tons from 194,100 tons delivered in March. The April contract expired up \$33.75 at \$1,058.50/ton.

April Calendar Averages

CL – 106.81

HO – 304.61

RB – 274.93

that Saudi Arabia was committed to increasing its own environmental credentials through solar power and carbon capture and storage.

Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC could do nothing about high oil prices, as high prices are not caused by a shortage of supply.

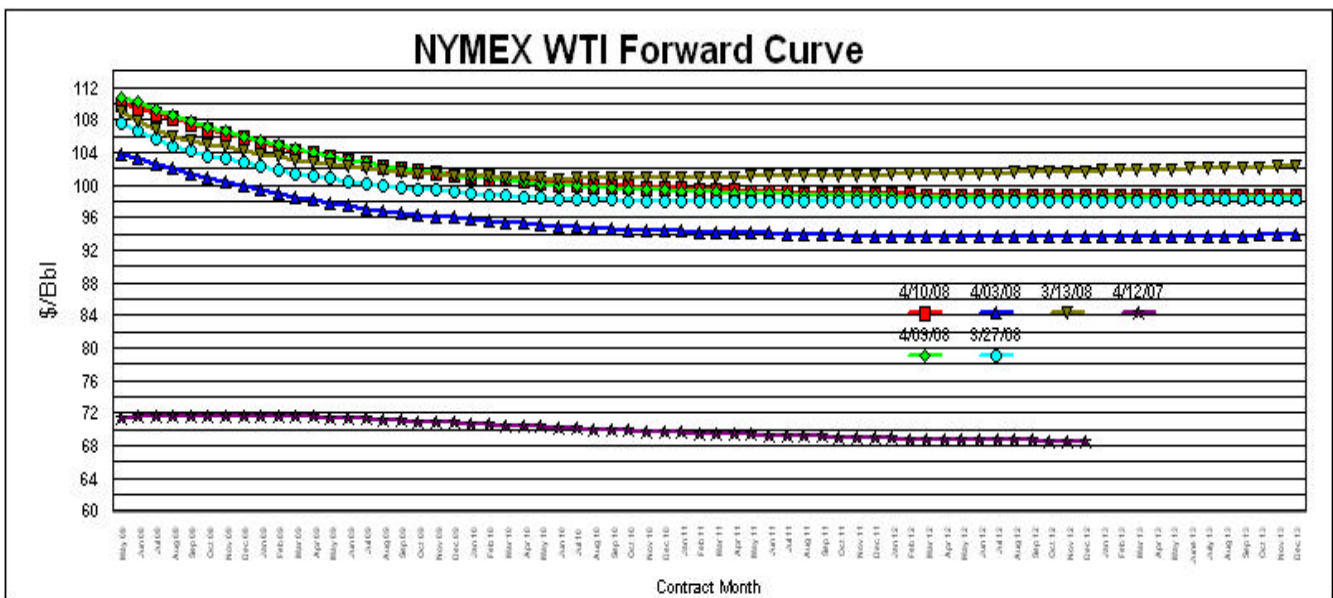
OPEC's head of research, Hassan Qabazard said world oil demand was weakening and added that OPEC's customers were not asking for more crude. He said inventory cover was adequate and remained above the five year average. OPEC's next monthly oil market report is due out on Tuesday.

The IEA's executive director Nobuo Tanaka said current oil prices were too high and a lack of data transparency aggravated volatility. He reiterated the IEA's view that too little spare capacity, insufficient inventories cover, subsidies and a mismatch in refining capacity were among the factors behind such high oil prices. He said the world oil market was becoming more balanced, demand was falling and oil prices should soften as a result. He said it was clear the world's largest economies were slowing down and reducing the demand for oil.

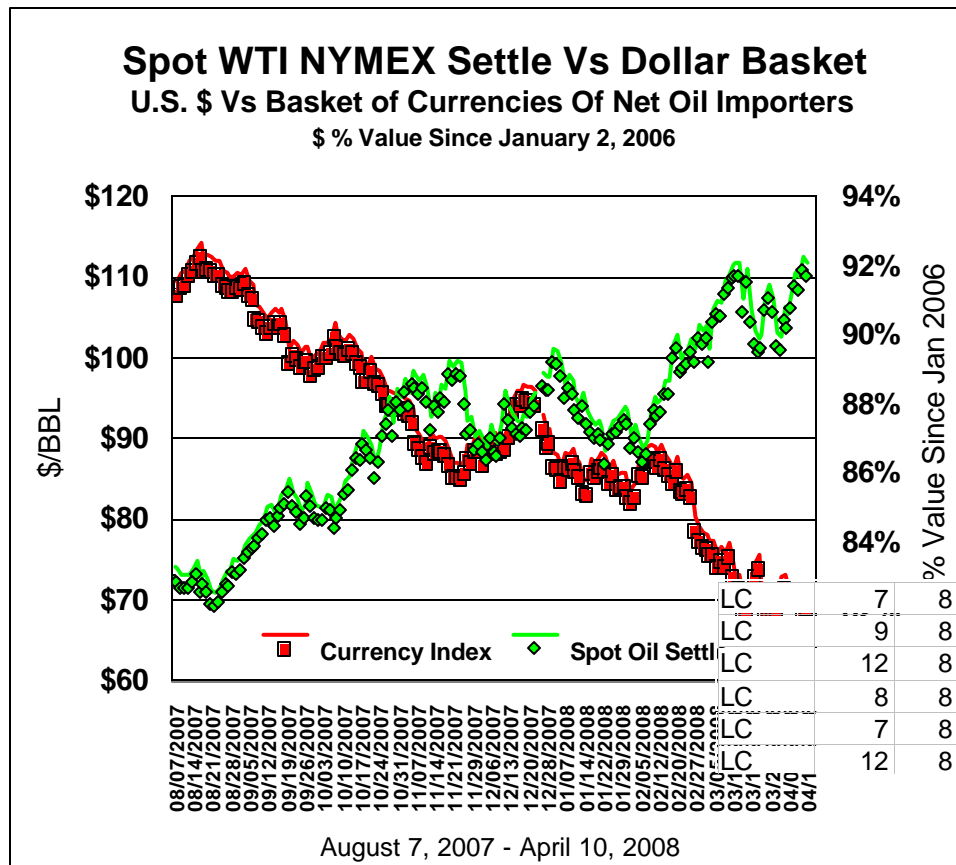
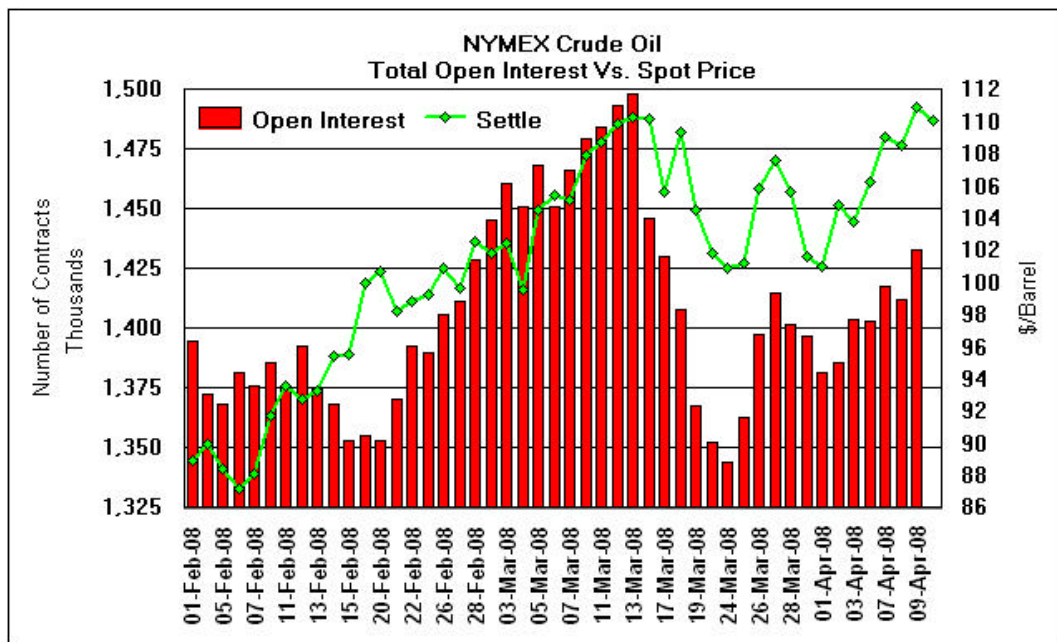
According to Oil Movements, OPEC's crude oil shipments are expected to increase by 180,000 bpd to 24.43 million bpd in the four weeks ending April 26. Overall oil in transit is expected to reach a three year high of 492.3 million bpd in the four week period, up 13 million bpd on the year. Deliveries from core OPEC producers in the Middle East are expected to fall by 120,000 bpd to 17.57 million bpd.

The White House said it was not significantly altering world oil supplies by continuing to fill the Strategic Petroleum Reserve. Presidential candidate Sen. John McCain called for the US to stop purchasing oil for the SPR. He said he believed oil prices were too high to continuing filling the SPR.

The US Ambassador to the IAEA, Gregory L. Schulte said Iran's statements that it has started the installation of 6,000 new centrifuges at its nuclear plant in Natanz should be treated with skepticism. He said statements by Iran regarding its progress in nuclear technology have been exaggerated in the past and have not been supported by technical evidence. He also stated that the US changed its policy toward Iran's plan to bring the Bushehr nuclear power plant online and now supports it.



France's port union called on Thursday for 24 hour strikes every week to protest against government plans to privatize the loading activities of seven state-run ports. Talks between the union and the government over reforms ended in disagreement this week, with the union accusing the government of turning its back on a strategic sector. It would be up to the ports concerned to set the dates of their one day strikes starting from April 14. The union said the strike action would not be confined to the seven ports. Workers from other ports would show their solidarity by refusing to work overtime starting April 14. They



would also implement safety rules by the book and cut three night shifts per week.

A Mexican opposition party, the Institutional Revolutionary Party, welcomed President Felipe Calderon's energy reform plan and offered to work on ironing out the wrinkles in the bill. The Mexican government would need the support of the opposition party to pass the reform.

LC	7	8 P	90	06/17/2008	0.83
LC	9	8 C	120	08/15/2008	3.89
LC	12	8 P	95	11/17/2008	4.89
LC	8	8 P	95	07/17/2008	2.36
LC	7	8 P	100	06/17/2008	2.75
LC	12	8 P	85	11/17/2008	2.31

Meanwhile, Royal Dutch Shell Plc and Total SA

said they were keenly watching proposed legal changes in Mexico that could pave the way for

NYMEX Petroleum Options Most Active Strikes for April 10, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	6	8	P	85	05/15/2008	0.13	1,500	43.61
LC	6	8	P	95	05/15/2008	0.75	1,500	41.05
LC	7	8	P	90	06/17/2008	0.83	700	38.32
LC	9	8	C	120	08/15/2008	3.89	500	28.79
LC	12	8	P	95	11/17/2008	4.89	500	35.94
LC	8	8	P	95	07/17/2008	2.36	450	37.18
LC	7	8	P	100	06/17/2008	2.75	400	37.64
LC	12	8	P	85	11/17/2008	2.31	400	35.90
LO	6	8	P	100	05/15/2008	1.56	7,193	38.33
LO	7	8	P	95	06/17/2008	1.58	6,993	35.68
LO	7	8	C	100	06/17/2008	11.64	5,700	35.52
LO	6	8	C	110	05/15/2008	4.88	5,399	37.84
LO	5	8	P	105	04/17/2008	0.6	4,876	38.90
LO	6	8	P	95	05/15/2008	0.75	4,601	39.61
LO	6	8	C	76.5	05/15/2008	33.07	4,000	64.22
LO	6	8	C	100	05/15/2008	11.11	3,503	38.88
LO	7	8	P	90	06/17/2008	0.83	3,097	36.38
LO	7	8	P	100	06/17/2008	2.75	3,064	34.91
LO	7	8	P	89	06/17/2008	0.73	2,950	36.63
LO	12	12	P	80	11/14/2012	8.18	2,850	26.32
LO	6	8	P	105	05/15/2008	3.02	2,765	37.75
LO	12	8	C	125	11/17/2008	4.09	2,760	31.93
LO	6	8	P	97.5	05/15/2008	1.1	2,325	39.02
LO	6	8	C	78	05/15/2008	31.57	2,250	60.74
LO	6	8	C	77	05/15/2008	32.57	2,050	63.05
LO	6	8	C	120	05/15/2008	1.76	2,006	38.70
LO	5	8	P	100	04/17/2008	0.11	2,000	41.02
LO	12	8	C	42	11/17/2008	63.89	1,900	103.48
LO	12	8	C	48.5	11/17/2008	57.39	1,750	86.70
LO	5	8	P	103	04/17/2008	0.31	1,700	39.39
LO	6	8	C	115	05/15/2008	2.98	1,698	38.09
LO	6	8	C	50	05/15/2008	59.57	1,600	141.11
LO	6	8	C	106	05/15/2008	6.98	1,594	37.95
LO	6	8	P	99	05/15/2008	1.36	1,580	38.60
LO	6	8	C	125	05/15/2008	1	1,544	39.27
LO	5	8	C	112	04/17/2008	1.53	1,542	38.43
LO	6	8	C	70	05/15/2008	39.57	1,500	80.17
LO	6	8	C	71	05/15/2008	38.57	1,500	77.62
OB	12	8	C	3.2	11/21/2008	0.0899	400	34.53
OB	5	8	P	2.5	04/25/2008	0.0106	360	42.30
OB	6	8	C	2.9	05/27/2008	0.1045	272	38.18
OB	5	8	C	2.8	04/25/2008	0.0838	259	38.91
OB	6	8	P	2.6	05/27/2008	0.0738	250	38.97
OH	6	8	C	3.5	05/27/2008	0.0606	1,200	39.53
OH	5	8	C	3.28	04/25/2008	0.0753	1,002	43.34
OH	6	8	P	2.5	05/27/2008	0.0054	900	35.99
OH	6	8	C	3.25	05/27/2008	0.121	605	37.09
OH	6	8	P	3.07	05/27/2008	0.1244	400	36.07

investment by foreign companies in Mexico's oil industry. Shell said the fact the legal changes may not go so far as to allow foreign companies to book reserves would not be a deterrent.

The EU agreed with Turkmenistan on Thursday to increase their energy cooperation following two days of closed door talks.

Refinery News

Citgo Petroleum Corp is scheduled to begin the process of restarting a crude unit located in the East Plant section of its Corpus Christi, Texas refinery following planned turnaround maintenance that started on March 1. It is expected to reach normal operating rates within one week.

ExxonMobil Corp said it continued to operate the Chalmette, Louisiana refinery it jointly owns with PDVSA. However it confirmed that PDVSA was trying to exercise its right to remove Exxon as the operator in the joint venture.

Total Petrochemicals USA began 15 days of scheduled maintenance to exchange catalysts at a diesel hydrotreater at its 232,000 bpd Port Arthur, Texas refinery.

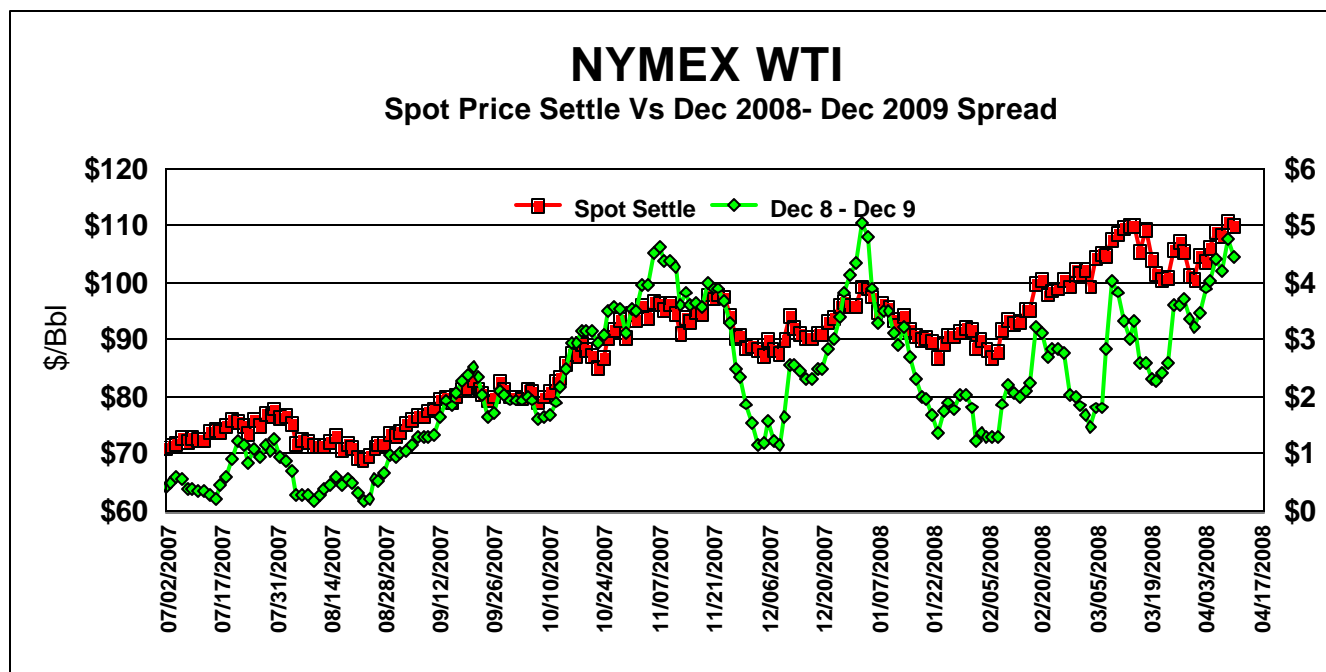
Colonial Pipeline announced that it would begin shipping ultra low sulfur diesel to all of its pipeline destinations. Shippers from the US Gulf Coast would be able to transport ULSD to the New York Harbor market. It would also increase its maximum ULSD sulfur limit this summer from 8

ppm to 10 ppm starting July 1. The ability to send barrels all the way to the NYH is expected to normalize the spreads between the US Gulf Coast and the New York Harbor ULSD markets.

Kuwait's new al-Zour refinery could cost as much as \$19 billion, up \$5 billion from its previous budget as it considers adding more units to the refinery. An official declined to say what units may be added to the plant. Kuwait and Saudi Arabia have settled their dispute over the location of the 615,000 bpd Greenfield refinery in Kuwait, near the Saudi border. Construction of the refinery is expected to begin later this year or in early 2009, with a start up date targeted for the first quarter of 2012.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.625 million barrels to 18.961 million barrels in the week ending April 10. It reported that its light distillate stocks fell by 1.63 million barrels to 9.396 million barrels while middle distillate stocks fell by 161,000 barrels to 7.528 million barrels on the week.

China turned into a net gasoline importer in April to relieve a supply squeeze due to plant shutdowns.



China has imported at least 130,000 tons of gasoline in April. For April alone, China's top 12 refiners cut runs by 20,000 bpd on the month to 2.48 million bpd. Chinese refiners are taking 302,000 bpd of crude units offline in the second quarter, up from 82,000 bpd last year. Meanwhile, both Sinopec Corp and PetroChina are expected to import 400,000 tons of diesel in April, down from 500,000 tons imported in March. Jet fuel imports are expected to increase by 13% to 440,000 tons in April as refineries maximize diesel production.

An analyst said Iran's gasoline imports should end in 2012 when refinery upgrades are completed. Iran has been forced to import large amounts of gasoline due to the lack of refining capacity. The increase in refining capacity would increase Iran's potential export volume of all other products.

Tokyo Electric Power Co said it consumed a record volume of liquefied natural gas in the year ending March 31. It consumed 19.87 million tons of LNG in 2007/08, up 18%. TEPCO burned 9.99 million kiloliters or 172,000 bpd of crude and fuel oil combined in 2007/08, more than double the 4.04 million kl a year ago.

Production News

The US Geological Survey estimated that up to 4.3 billion barrels of oil could be recovered from the Bakken shale formation in North Dakota and Montana. It said it was the largest continuous oil accumulation it has ever assessed.

Norway's Oseberg crude oil system is scheduled to load about 193,500 bpd in May, down from 220,000 bpd in April.

Nigerian Qua Iboe crude oil liftings are expected to be delayed for the second month in a row. Traders said all Qua Iboe cargoes, which were to be loaded in may are now expected to be delayed by up to 8-9 days. Three or four cargoes are likely to be pushed into June.

Total's chief executive Christophe de Margerie said Total was in the final stages of talks with Iraq for an oil service contract. BP, Royal Dutch Shell and ExxonMobil have also been negotiating for two year technical support contracts.

China National Offshore Oil Corp said it would open 17 offshore blocks for joint oil exploration with foreign companies this year.

The National Oil Iranian Co said it cut the official selling price of its Iran Light crude grade bound for NW Europe by \$3.60 to BWAVE minus \$4.50 while the price of its Iran Heavy crude was cut by \$5.80 to BWAVE minus \$6.90 and the price of its Forozan crude was cut by \$5.70 to BWAVE minus \$6.85. The price of its Iran Light crude bound for Asia was increased by \$1.45 to the Oman/Dubai average plus \$1.85, the price of its Iran Heavy was cut by \$2.85 to the Oman/Dubai average minus \$3.25 and the price of its Forozan crude was cut by \$2.76 to the Oman/Dubai average \$3.16.

Market Commentary

Focus today was primarily on the economic situation and its impact on summer demand for gasoline. Yesterday's draw in stock levels was quickly forgotten today as prices tumbled across the board. Several industry sources are already looking to next week's numbers, with strict attention being given to the import number for crude oil and the demand factor for gasoline. It is believed that the weak economic situation will have a definitive impact on demand. Keep in mind that demand is continuing to grow overseas and commodities are still a hot spot for investors. There is now a double top in the May crude oil contract up at \$112.20. From a technical standpoint, slow stochastics for the weekly and daily charts are in over bought territory, but have not crossed to the downside. Based upon the weekly chart, prices are holding a trendline to the down side at \$105.86. We would look for an attempt to test this level,

but realize one cannot stand in front of a charging bull. To play it from the safe side we would continue to buy and

		Explanation
CL 110.11, down 76 cents	Resistance	112.58, 113.49, 116.13
	Support	112.20, 112.21
		109.35, 108.75
		Thursday's low
		Basis trendline, Previous lows
HO 319.40, down 4.05 cents	Resistance	335.58
	Support	325.80, 332.04
		318.70
		Thursday's low
		Basis trendline, Previous lows
RB 279.21, up 1.79 cents	Resistance	287.08, 290.89, 291.36
	Support	280.41
		276.20, 273.60
		Thursday's low
		Previous lows, 38%(249.35 and 282.28), 50%, 62%

sell at the listed support and resistance number. The forward curve is still giving off a bullish tinge and has not given an indication that this is about to change. Basis the May gasoline contract, the major support level of 276.20 was penetrated but prices failed to settle below this level. The May contract is trading within an ascending channel whose downside is \$2.7625 and whose upside is \$284.28. For tomorrow, we would still consider the \$276.20 level, using it as a pivotal area. Should prices test and hold this number we would like to be buyers and if a breakthrough occurs, we would look to sell the May contract purely on a daily speculative play. Heating oil gave back some of its gains from yesterday, settling down 4.05 cents basis the May contract. As mentioned in yesterday's wire key support rests at \$2.9000, which is still a hefty .294 cents away from where the market settled. Not to sound redundant, we would also consider buying and selling this product at the listed support and resistance numbers. The May heating oil contract has support at \$3.1328, should this level come into play, we would use it as a pivotal area. The initial downside objective, should this level become penetrated, would be 3.0000. Total open interest for crude oil is 1,432,911 up 20,585, May08 230,098 down 15,653, June08 295,724 up 32,088 and Dec08 197,227 down 1,497.