



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 11, 2008

Shell Oil Co said the 1.14 million bpd Capline crude pipeline, which transports oil from the Gulf of Mexico to Patoka, Illinois, resumed operations on Monday after it was shut on Friday to repair a leak discovered in Tennessee. Shell said it planned to increase volume on the pipeline to safely bring the system back to full operational status over the next few days. Refiners did not expect any major impact to operations because the outage was brief and the pipeline was 500,000 bpd below capacity ahead of the leak discovery. ConocoPhillips said its Wood River, Illinois refinery continued to operate normally while BP Plc's Whiting, Indiana refinery was seen at planned rates.

Market Watch

The National Weather Service forecast that US heating demand would be 5% below normal this week. Demand for heating oil is expected to be 12% below normal this week.

Goldman Sach's senior energy economist said rising oil prices were not defying economic laws but were firmly supported by structural supply issues. He also stated that subsidies to cap oil product prices in countries such as China were not driving demand growth.

The Commerce Department reported that US retail sales unexpectedly increased by 0.2% in March. Sales at gasoline stations increased by 1.1% even though pump prices reached a record in March.

A senior ruling conservative party lawmaker said protests in Mexico's Congress would likely delay approval of a government energy reform plan to increase private investment in the oil industry. Also, the opposition, Institutional Revolutionary Party, has stated that it is not in a hurry to approve the bill before the spring session of Congress ends on April 30. Party leaders in Congress scheduled a meeting for later on Monday that would try to clear protesters by seeking a compromise on how long an energy debate could last.

Brazil's Congress is expected to meet next week to discuss a possible change to the PIS/Cofins social contribution tax that could have ethanol companies paying more in taxes beginning as early as next month. If passed, a BRL0.12/liter tax on ethanol sales, currently divided between ethanol production companies and ethanol distributors like Petrobras, would increase to about BRL0.33/liter. An official with the national fuel distributors trade group, Sindicom said ethanol companies could pass on the extra tax to consumers. The main motive behind the tax change is alleged tax evasion by small fuel distributors.

Nigeria's Beniboye flowstation has been losing 5,000 bpd due to a fire that started on Saturday night. The fire started due to sabotage. Italy's Eni said the fire at Cluster 1 was still ongoing and work was being carried out to extinguish it while the fire in Cluster 3 was extinguished over the weekend.

April Calendar Averages
CL – 108.37
HO – 307.69
RB – 276.23

According to the head of OPEC's petroleum market analysis department, Mohammad Alipour-Jeddi said diverging trends within world oil markets may start to play out during coming months, which could undermine oil prices. He said the world oil market remained well supplied while demand could soften if the world economy slows.

Supply from non-OPEC countries OPEC natural gas liquids and non-conventional oil could reach 1.4 million bpd in 2008, which is above the expected demand growth of 1.2 million bpd this year.

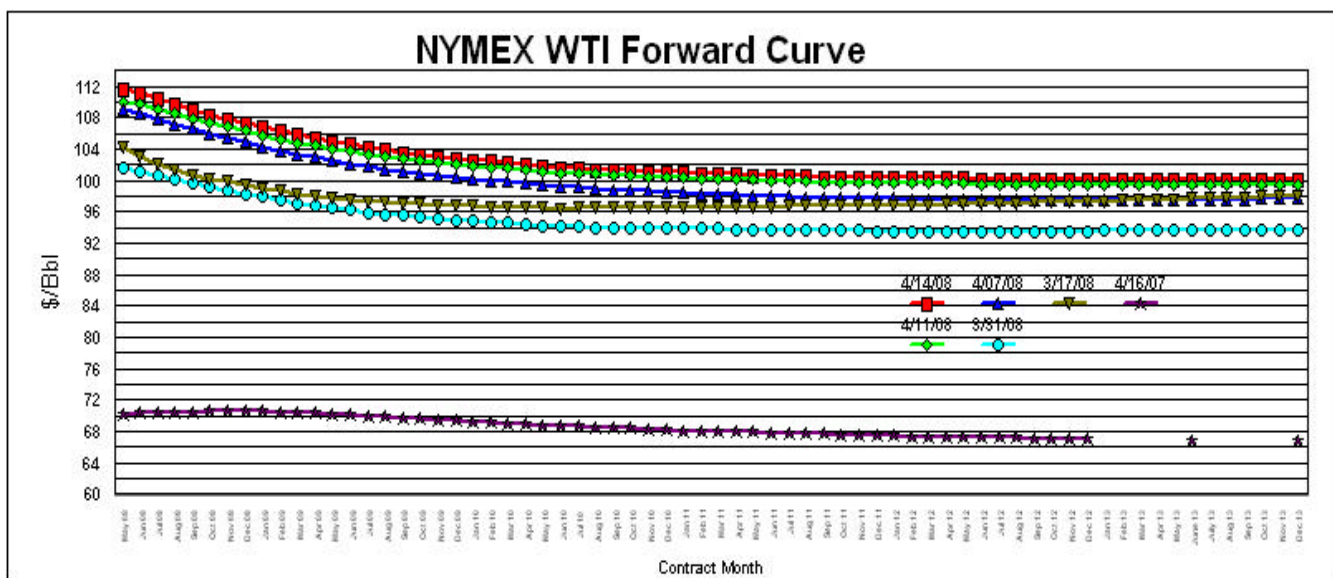
DEBKAFI's military sources reported that Syria has deployed the 10th armed corps at the Massaneh crossing of Mount Hermon. Syrian troops are stationed from the central Lebanese mountains through Mt Dov on the western slopes of Mt. Hermon and up to southeastern Lebanon. The IDF's Northern Command officers report that the Syrian army's buildup opposite Israel has accelerated in April and warn that its units are arrayed for a quick transition to attack mode.

Iran's Oil Minister Gholamhossein Nozari said Iran would extend a scheme under which motorists can purchase extra gasoline at a higher price to top their 120 liter/month subsidized ration. The plan allowing extra fuel purchases for 4,000 rials/liter or 44 cents/liter was initially introduced as a temporary measure.

The EIA reported that the US average retail price of diesel increased by 10.4 cents to \$4.059/gallon in the week ending April 14. The EIA also reported that the US average retail price of gasoline increased by 5.7 cents to \$3.39/gallon on the week.

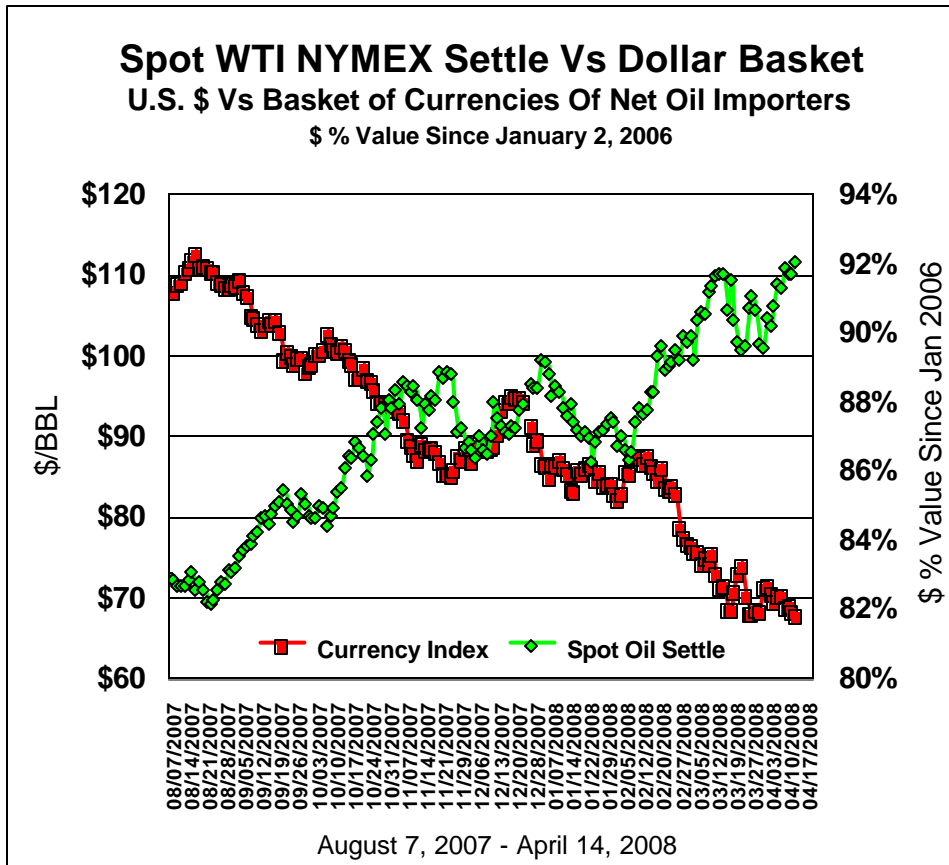
Refinery News

Kinder Morgan Energy Partners restarted a fuel pipeline in Fresno County, California following a brief shutdown for inspections after a train derailment.



US refinery margins in most regions fell last week as record high crude oil prices drove up refinery feedstock costs. Credit Suisse said margins in the Midwest fell by \$3.30 to \$12.54/barrel in the week

ending April 11 while margins in the US Gulf Coast fell by \$1.53 to \$12.62/barrel. Margins in the Rockies fell by \$2.67 to \$17.62/barrel while margins in the West Coast fell by 25 cents to \$23.38/barrel. Margins in the Northeast increased by 49 cents to \$10.79/barrel.



European refinery margins increased over the last week due to an increase in distillate prices while margins in Asia increased following an increase in fuel oil prices. A complex refinery in the Rotterdam area processing Brent crude saw its margins increase to \$10.98/barrel in the week ending April 14, up from \$10.17/barrel in the previous week. Meanwhile a complex refinery in Singapore cracking Dubai crude saw its margins increase by \$4 to \$12.16/barrel last week from \$8.07/barrel in the previous week.

ExxonMobil Corp began restarting a carbon monoxide boiler on the fluid catalytic cracking unit No. 3 at its 563,000 bpd Baytown, Texas refinery on Sunday. The start up may last through Tuesday.

BP Plc is expected to restart the No. 3 alkylation unit at its 400,000 bpd Texas City, Texas refinery later on Monday following over three months of work. However BP said in a filing to the Texas Commission on Environmental Quality the restart may be delayed until April 28. Separately, BP's hydrocracking unit at its 265,500 bpd refinery in Carson, California was restarted early on Monday. The 43,000 bpd unit was taken out of service on April 10 following a fire at an associated compressor. Meanwhile, BP began an overhaul of two reformers at its 225,000 bpd refinery in Cherry Point, Washington late last week. A seven day overhaul on a 50,000 bpd reformer was in progress over the weekend while a second 20,000 bpd reformer would be shut after the larger unit is restarted. The smaller unit would be shut for about a month's work.

Sunoco Inc's 335,000 bpd Point Breeze refinery complex in Philadelphia, Pennsylvania was in restart mode following about six weeks of scheduled maintenance. Several units, including a crude unit and 40,000 bpd fluid catalytic cracking unit, were shut for maintenance in late February.

Delek has shut two sulfur recovery units and an amine unit at its 55,000 bpd refinery in Tyler, Texas due to a problem over the weekend.

Valero Energy Corp said its 170,000 bpd Benecia, California refinery was moving towards planned rates after restarting a hydrocracking unit this past weekend. The 36,000 bpd unit was taken out of service April 2 to facilitate repairs to a heat exchanger.

Marathon Oil Corp said it would continue to grow its diesel production capacity over the next few years. It said distillate production growth as a percentage of crude oil throughput stood at 3.7% for Marathon compared with an industry average of 1.9% from 2003-2007. He also said Marathon was set to more than double its coking capacity to 138,000 bpd in 2011 from 66,000 bpd in 2008 through the addition of coking units.

Mexico's three oil export terminals in the Gulf of Mexico were shut amid strong winds and high seas. The port of Pajaritos

		Explanation	
CL	Resistance 111.76, up \$1.62	112.20, 112.58, 113.49, 116.13 111.99	Previous high, Basis trendlines Monday's high
	Support	110.50, 110.30 109.35, 108.92, 108.75, 107.95, 107.64, 105.86	Monday's low Previous lows
HO	Resistance 320.29, up 54 points	323.76, 332.04, 336.78 321.00, 321.71	Previous highs, Basis trendline Monday's high
	Support	320.00, 318.56, 317.18 315.57, 314.03, 308.47, 302.90, 300.00	Basis trendline, Monday's low Previous low, 38%(284.89 and 332.04), 50%, 62%
RB	Resistance 282.18, up 1.45 cents	285.23, 288.81, 292.62 284.17	Basis trendlines Monday's high
	Support	280.00, 279.73 278.93, 274.98, 273.60, 270.62	Monday's low Basis trendline, Previous lows

and Dos Bocas were shut on Sunday while the Cayo Arcas port was shut on Monday.

German end-user heating oil stocks stood near their lowest level in April as near record prices encouraged consumers to keep purchases to a minimum. Heating oil stocks stood at 46% of capacity as of April 1, down from 49% in March and from 54% last year.

The BP led Baku-Ceyhan oil pipeline is expected to pump about 806,000 bpd in May, up from April when problems at a pumping station delayed shipments. It is compared with 21 million barrels or about 700,000 bpd, scheduled to load during April.

Mexico's plan to increase domestic refining capacity through privately run plants could put US oil imports at risk. Mexico, which currently imports 41% of its gasoline would like to process more of its oil at home to avoid costly imports of refined products. However the export crunch would not happen for at least five years, the time Pemex has stated it would take to build an oil refinery. Regardless, the US would become increasingly dependent on Middle Eastern and African exports if Mexico increases its downstream oil industry over the next decade.

Production News

Britain's North Sea Flotta crude oil system is scheduled to load 63,000 bpd in May, down 2,000 bpd from the previous month. Meanwhile, the North Sea Gullfaks crude oil scheduled the loading of 8.965 million barrels, down from 9.405 million barrels scheduled for April. The North Sea Statfjord crude system is scheduled to load 8.55 million barrels, up from 5.99 million barrels in April.

The head of Brazil's National Petroleum Agency said an offshore find by Petrobras known as Carioca may contain 33 billion barrels of oil equivalent.

Ecuador's Oil and Mines Minister Galo Chiriboga said the government was seeking to increase state control of oil under its new constitution. He said the government would seek temporary, six month

contracts with foreign oil companies with which it is currently renegotiating agreements. The new constitution would give the state greater sovereignty over its resources.

Algeria's Oil Minister Chakib Khelil said he would not sign any further long term gas contacts with customers and would instead switch to shorter term ones that allow it to renegotiate gas prices every couple of years or so. He said gas was being sold far too cheaply under long term contracts and gas producers need to cooperate to obtain a better price warning that if the situation is not addressed producers may be forced to organize to defend their interests.

Market Commentary

As the G-7 meeting got under way; the dollar rose, putting pressure on crude oil. However the old saying, "actions speak louder than words," came into play as the members of G-7 stated that they would monitor markets closely and intervene when and where necessary. It is actions that economists were looking for, not words. Sparked by several supportive fundamentals, crude oil then moved higher. Royal Dutch Shell reported a crack in its Capline pipeline, which has a

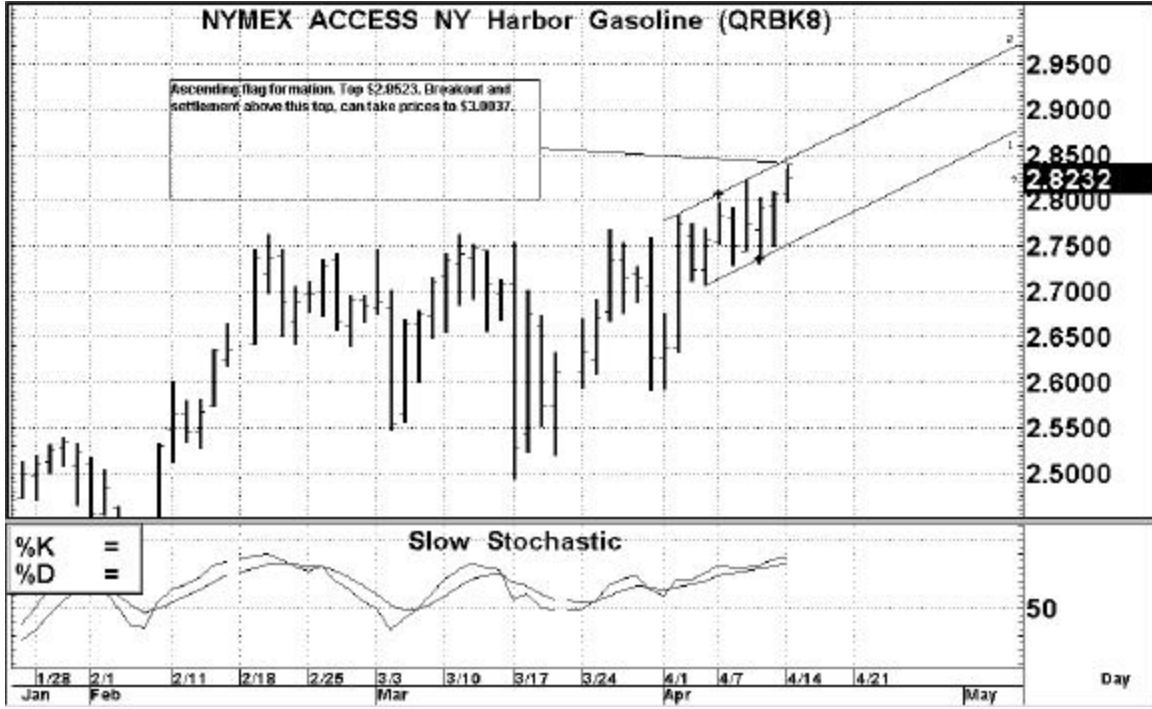
NYMEX Petroleum Options Most Active Strikes for April 14, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	7	8	P	90	06/17/2008	0.61	900	38.02
LC	5	8	C	110	04/17/2008	2.59	640	37.39
LC	5	8	C	115	04/17/2008	0.47	570	38.31
LC	12	8	P	80	11/17/2008	1.2	500	35.13
LC	10	8	P	90	09/17/2008	2.01	500	35.25
LO	6	8	P	100	05/15/2008	1.06	4,464	38.15
LO	7	8	P	92	06/17/2008	0.82	2,800	36.03
LO	5	8	C	115	04/17/2008	0.47	2,506	38.85
LO	6	8	C	125	05/15/2008	1.04	2,478	38.97
LO	12	8	P	80	11/17/2008	1.2	2,400	31.74
LO	6	8	P	111	05/15/2008	4.68	2,171	37.16
LO	12	8	P	85	11/17/2008	1.94	2,020	31.33
LO	5	8	P	110	04/17/2008	0.83	1,898	38.77
LO	6	8	P	105	05/15/2008	2.2	1,893	37.15
LO	5	8	P	105	04/17/2008	0.07	1,865	40.20
LO	5	8	C	111	04/17/2008	1.97	1,830	38.78
LO	5	8	P	100	04/17/2008	0.01	1,727	49.41
LO	5	8	P	109	04/17/2008	0.55	1,609	38.99
LO	5	8	C	112	04/17/2008	1.45	1,565	38.75
LO	6	8	P	90	05/15/2008	0.19	1,310	41.27
LO	6	8	C	130	05/15/2008	0.57	1,309	39.86
LO	6	8	C	112	05/15/2008	4.38	1,233	37.12
LO	6	8	C	119	05/15/2008	2.07	1,205	37.89
LO	6	8	C	74	05/15/2008	37.17	1,200	75.68
LO	7	8	C	77	06/17/2008	33.46	1,200	53.88
LO	5	8	C	120	04/17/2008	0.04	1,182	40.09
LO	5	8	C	102	04/17/2008	9.77	1,150	44.14
LO	12	8	C	200	11/17/2008	0.36	1,117	40.23
LO	6	8	P	102	05/15/2008	1.42	1,056	37.52
LO	7	8	P	95	06/17/2008	1.21	1,051	35.43
LO	5	8	C	105	04/17/2008	6.82	1,047	39.57
LO	5	8	C	116	04/17/2008	0.3	1,020	38.89
LO	5	8	C	110	04/17/2008	2.59	1,001	38.80
OB	6	8	P	2.55	05/27/2008	0.0452	500	38.14
OB	5	8	C	3	04/25/2008	0.0189	481	38.53
OB	9	8	P	2.8	08/26/2008	0.2267	250	32.15
OB	9	8	C	2.8	08/26/2008	0.1928	250	32.05
OB	7	8	C	2.42	06/25/2008	0.4123	250	33.03
OB	6	8	C	2.76	05/27/2008	0.1656	202	36.18
OB	7	8	C	3.4	06/25/2008	0.0292	200	36.68
OH	5	8	C	3.23	04/25/2008	0.0808	400	42.18
OH	6	8	P	3.01	05/27/2008	0.0835	200	35.07
OH	7	8	P	2.85	06/25/2008	0.0643	175	33.40
OH	7	8	C	2.92	06/25/2008	0.3179	175	33.99
OH	5	8	C	2.85	04/25/2008	0.3587	175	44.45

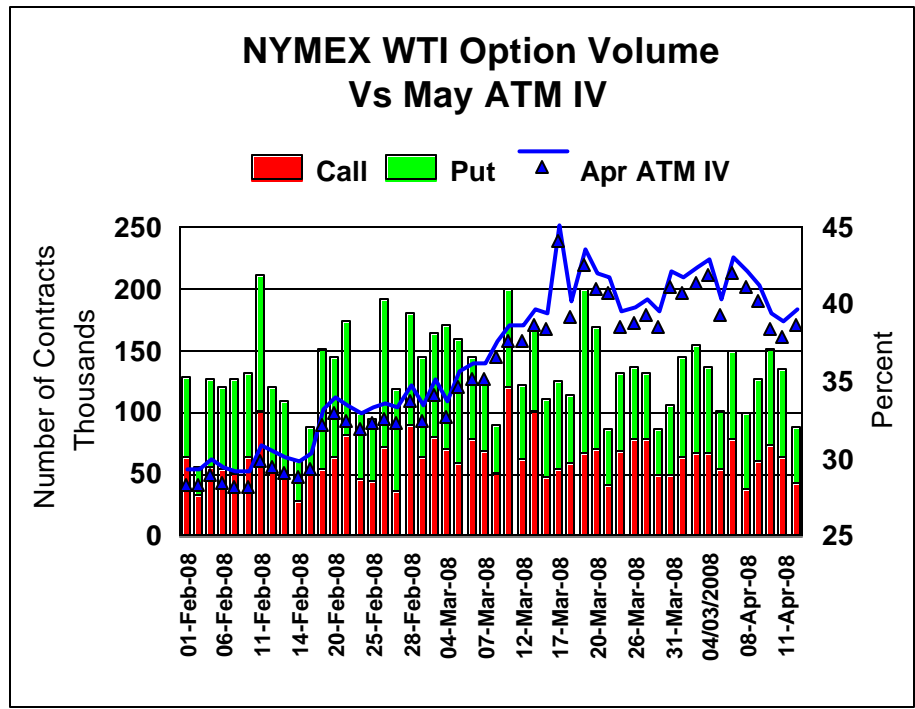
capacity of 1.1 million barrels per day. Also, persistent problems in Nigeria halted production in that region and the dollar weakened due to the inaction of the G-7 members. The forward curve is once again indicating a bullish market, as the front end is stretching ever higher, taking the backend with it.

For tomorrow and up until the release of the DOE/API figures are released we do not see this market giving up significantly. Our near term upside objective for crude oil would be the \$112.20 double top basis the

May contract and beyond that \$113.18. Above this level \$116.13 is projected resistance is \$116.13. First quarter demand growth averaged less than the expected 87.2



million barrels per day, less than half of the consensus taken. Year on year growth is at about 0.9 million barrels per day. With gasoline season quickly approaching, demand is certain to pick up, however analysts are predicting a slower than normal seasonal surge. Gasoline reflected this seasonal spike as prices traded higher today, with the May contract peaking at \$284.17. The May contract continues to trade within the upward ascending flag formation based on a daily chart, but has yet to breakout to the upside.



Tomorrow's top of the formation comes in at \$2.8523 and a penetration and settlement above this level could bring prices to \$3.0037. Heating oil followed the rest of the complex higher, however at a slower pace. Due to its seasonality, we would look to be sellers of this market basis the May contract should it break below and settle through \$3.1856. Heating oil cracks came under pressure for the third straight trading session. Slow stochastics are indicating further weakness, as they have now crossed to the downside in over bought territory. Total open interest for crude oil is 1,431,687 down

1,103, May08 176,885 down 29,399, June08 339,554 up 27,853 and Dec08 196,357 down 2,845.