



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 16, 2008

Iran's Oil Minister Gholam Hossein Nozari rejected calls from oil consuming countries for OPEC to act to lower oil prices that have reached record highs. He said current prices were suitable and did not reflect market fundamentals. He said supply exceeded demand in the oil market but added that prices were still rising due to a decline in the dollar's value. Iran's Oil Minister also stated that he saw no reason for OPEC to hold an extraordinary meeting because OPEC had no power to affect oil prices. In regards to the sanctions imposed against Iran, he stated that sanction were not deterring investors or hampering the country's oil industry.

Market Watch

MDA EarthSat Energy Weather forecast this summer would be the coolest in the US since 2004 and 8% cooler than last year. It said it would be the hottest in the interior West and the coolest in the Midwest, Northeast and Mid-Atlantic states. EarthSat also predicted fewer strong hurricanes than did Colorado State University forecasters Bill Gray and Phil Klotzbach. EarthSat predicted three intense storms, six hurricanes and a total of 13 named tropical storms or hurricanes.

The European Union's statistics office said rising energy and food prices pushed euro zone inflation to a new high of 3.6% in March, up from an initial estimate of 3.5%. The euro rallied to a new record high against the dollar on fading chances of a rate cut in the near term by the European Central Bank. Core inflation increased 0.9% on the month and 2.7% on the year.

Senator Maria Cantwell said federal regulators should say how they plan to curb speculation in the oil market before the summer driving season to ward off higher prices caused by speculative activity. She said the threat of stronger enforcement alone could bring down prices. The Federal Trade Commission is required to issue a rule detailing how it would oversee oil markets under legislation sponsored by the senator.

A sit-in protest by leftist politicians over energy reform plans has forced Mexico's Congress to relocate into conference rooms to proceed with their session. Leftist MPs seized the podiums of both houses last week in protest over plans to ease limits on private involvement in Pemex. The reform bill would give Pemex more freedom to make decisions, contract out work and reinvest in production and exploration. Opponents of the bill say it would undermine national sovereignty. Members of President Felipe Calderon's National Action Party and the Institutional Revolutionary Party offered to debate the reforms for 50 days followed by a vote in an extraordinary session. However the protesters have called a 120 day debate.

Talks between the five permanent members of the UN Security plus German and European Union on incentives aimed at persuading Iran to stop its nuclear program ended on Wednesday with no clear

result.

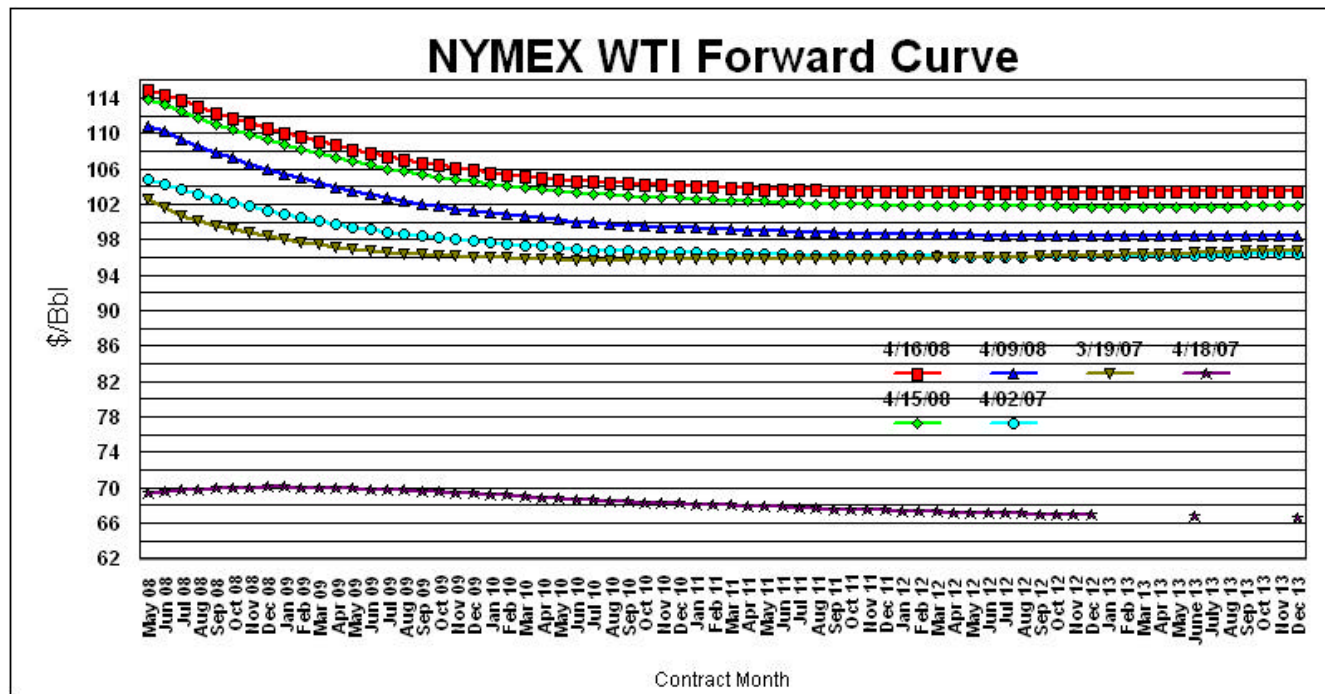
The European Commission President Jose Manuel Barroso said the EU was close to signing a preliminary agreement on energy cooperation with Iraq following talks with Iraqi Prime Minister Nuri al-Maliki. The European Union said Iraq has offered to increase its supply of natural gas to the European market over the next three years. Iraq made a political gesture of goodwill promising to export at least 5 billion cubic meters of gas to the European market by 2011. It also added that Iraq was also committed to increasing its oil production to reach 3 million bpd by the end of this year and that it aimed for 4.5 million bpd by 2012.

April Calendar Averages	
CL	108.76
HO	311.05
RB	278.69

DOE Stocks	
Crude	– down 2.3 million barrels
Distillate	– up 100,000 barrels
Gasoline	– down 5.5 million barrels
Refinery runs	– down 1.6%, at 81.4%

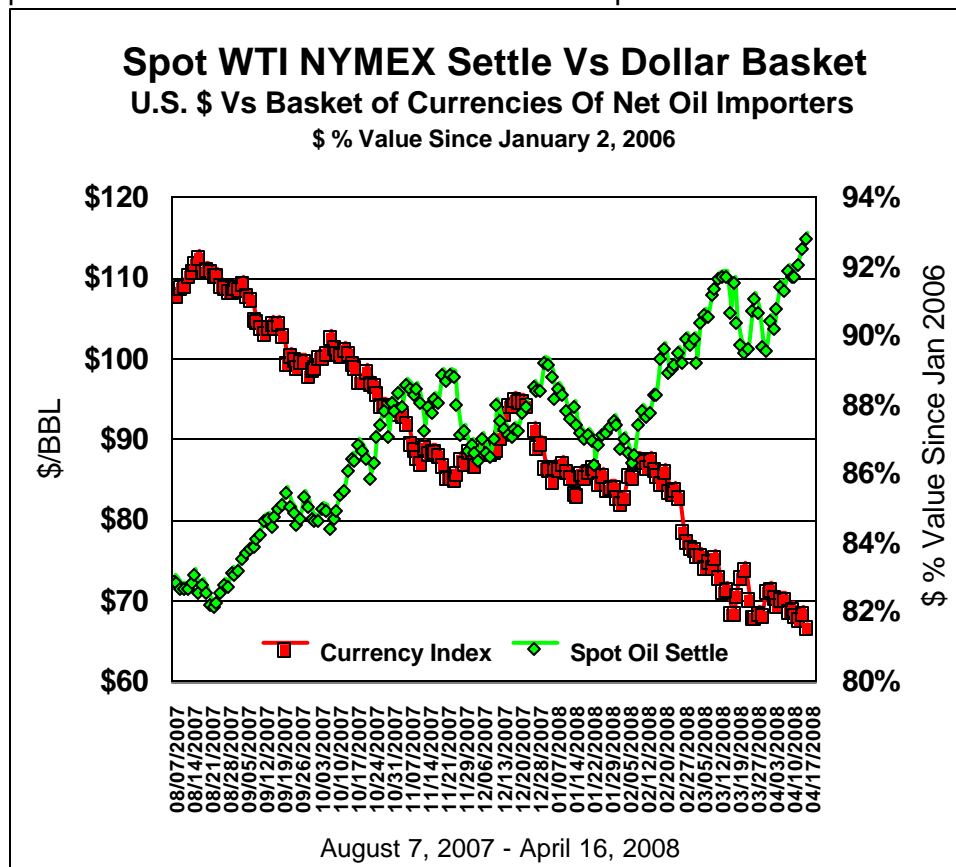
Workers at France's Fos-Lavera is scheduled to state a 24 hour strike on April 17 to protest against government plans to privatize loading activities of state run ports. The strike action is expected to cause disruptions rather than a complete blockage. Union members at Marseille also voted to strike three nights per week and to refuse overtime. The workers at the port of Nantes Saint-Nazaire are also expected to hold a 24 hour strike on Thursday while port workers in Rouen strike on Friday. The Fos-Lavera oil port supplies crude to eight refineries in southeast France with a total capacity of about 800,000 bpd. It also supplies the 310,000 bpd Miro refinery in Germany and the 68,000 bpd Cressier refinery in Switzerland.

Iraq's Prime Minister Nuri al-Maliki said Iraq was close to finalizing its oil and gas law. Meanwhile, a senior Iraqi Oil Ministry official said Iraq's central government has not reached a deal with Kurdish regional authorities to recognize contracts the Kurds signed with foreign oil companies. The Iraqi Oil Ministry considers the contracts signed by the Kurdish regional authorities as illegal and void.



The Turkish military reported that Turkish warplanes attacked a group of Kurdish guerrillas in northern Iraq on Tuesday as they tried to enter Turkish territory. It said the warplanes neutralized the Kurdistan Workers Party rebels in the Avasin-Basyan region of northern Iraq.

The American Petroleum Institute reported that US crude oil demand in March fell 0.8% on the year to 20.368 million bpd. Gasoline demand increased by 1.2% to 9.284 million bpd while distillate demand fell by 3.4% on the year to 4.18 million bpd. In regards to supply, March imports of crude averaged 9.574 million bpd, down 7.3% while petroleum imports fell by 21.4% to 2.786 million bpd. US crude oil production in March fell 2.2% to 5.106 million bpd.



Refinery News

Shell's Deer Park refinery in Texas is expected to operate at reduced rates for the next five to seven days to facilitate coker unit repairs.

Taiwan's CPC is expected to restart a 100,000 bpd crude unit at the 220,000 bpd Kaohsiung refinery on April 21-23 after receiving government approval. The unit was shut since late October following a fire.

According to a Nigerian newspaper, Nigerian Petroleum Corp said it was working with investors to build two refineries in Lagos and the southeastern city of Eket.

It said the company was given approval by the government to find partners and discuss the prospects of building the refineries.

The Petroleum Association of Japan reported that crude stocks fell by 2.2 million barrels to 91.95 million barrels in the week ending April 12. Japan's gasoline stocks fell for the second consecutive week by 190,000 barrels to 14.39 million barrels on the week as production declined. It also reported that kerosene stocks fell by 380,000 barrels to 11.42 million barrels while naphtha stocks built by 1.33 million barrels to 13.12 million barrels on the week. It reported that Japanese refiners cut their refinery utilization rate to an average 84.6% of total capacity of 4.9 million bpd from 87.5% the previous week.

Japan's Cosmo Oil Co and South Korea's Hyundai Oilbank agreed to work together to sell more gasoline and diesel overseas. Cosmo Oil said the two companies, which have combined capacity of 1 million bpd, would consider possible cooperation in refining and the supply and trading of oil and petrochemical products.

Israeli and Palestinian officials said Israel had resumed fuel shipments to Gaza after a week long cutoff. The Nahal Oz fuel terminal was shut last week after Palestinians attacked it and killed two Israeli workers.

Production News

Italy's Eni SpA said late Tuesday the fire in Cluster 1 in an oil field in Beniboye was extinguished. However 5,000 bpd of production was still shut in. It said work to restart production would begin soon.

Credit Suisse Group said Brazil's Carioca prospect may have 98% less crude than a figure cited by Brazil's National Oil Agency. The agency said the Carioca offshore field may hold 33 billion barrels of oil. A Credit Suisse analyst said the field has an estimated 600 million barrels. The estimated cited by the National Oil Agency was probably intended for the entire subsea geological formation known as Sugar Loaf, which encompasses multiple fields.

Petrobras reported that its overall domestic and international production of oil and gas fell slightly to 2.339 million bpd of oil equivalent in March. It was down 0.4% on the month. Petrobras' domestic Brazilian oil production fell to 1.8 million bpd in March, down from 1.822 million bpd in February.

Norway's StatoilHydro ASA said production drilling is expected to start imminently at the Tyrihans field in the North Sea, a step towards planned first oil output in 2009. StatoilHydro also stated that it has started an additional 13,000 barrels of oil production at its Oseberg field from a deposit called Gamma Main Statfjord. Recoverable reserves in Gamma Main are 21 million barrels of oil and 770 million cubic meters of gas.

Russia's SurgutNefteGas said its production this year is expected to remain steady at about 64-65 million tons or 1.3 million bpd due to an expected delay in the launch of Russia's first oil pipeline to China. Russia's Transneft, which is building a 600,000 bpd link to China, has stated that it was likely to delay the launch of the project due to problems with sub contractors.

Norway's Det norske oljeselskap made an oil and gas discovery at its Draupne prospect in the North Sea. The well has proven recoverable resources of 25-31 million barrels of oil equivalents.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$105.73/barrel on Tuesday from \$104.02/barrel on Monday.

Market Commentary

A weaker than ever dollar gave strength to the energy markets today, as it fell to an all time low of 1.5968 against the euro. Pushing

		Explanation	
CL	Resistance	116.29, 118.68, 124.62	Basis trendlines
	Support	114.58	Wednesday's high
HO	Resistance	112.74, 111.74	Basis trendline, Wednesday's low
	Support	111.25, 109.14, 107.07, 103.20	
RB	Resistance	332.04, 340.40	Previous high, Basis trendline
	Support	328.70, 331.00	Wednesday's high
RB	Resistance	325.00, 321.16	Wednesday's low
	Support	317.13, 315.57, 314.03, 311.00, 308.47, 302.90	Previous lows, 38%(284.89 and 332.04), 50%, 62%
RB	Resistance	300.06	Basis trendline
	Support	294.27	Wednesday's high
RB	Resistance	291.65, 288.75, 286.61	Wednesday's low
	Support	282.87, 281.75, 277.59, 274.98, 273.60	Basis trendline, Previous lows

prices higher still, was the release of the DOE/API numbers. This move higher was brought to a halt

with the release of housing starts in March, which reflected an 11.9% decline. Thoughts of a slowing economy leading to a recession entered minds once again. Crude oil stocks drew by 2.3 million barrels, bringing total stocks to 313.7 million, putting them in the lower half of the average range. Gasoline stocks decreased by 5.5 million barrels and are in the upper limit of the average range. Imports were running 950,000 barrels per day with demand up 0.8% or 9.3 million barrels per day in comparison to last year. Distillate stocks increased by 100,000 barrels and are in the lower half of the average range. Imports were set at 260,000 barrels per day with demand down 0.9%, set at 4.2 million barrels per day. The market is still in a bullish trend and with the May crude oil going off the board on April 22nd, we will focus our attention on the June. The forward curve is still indicative of higher prices, however the front end was not as strong as it has been. The June contract is trading within an upward channel that began in the beginning of April. It has recently tested the bottom of this channel three times and was unable to penetrate it. We would look to be buyers at the bottom of this channel which comes in tomorrow at \$112.74. The upside objective would be \$118.68. Gasoline rallied today in response to the API/DOE numbers and once again is gaining on the heating oil market. We would continue to look for this product to show signs of strength against both the crude oil and heating oil markets. We would like to buy the May gasoline and sell the May heating oil, which appears to be heading back towards the resistance level of -0.774. The June gas crack is also looking attractive and is heading towards resistance at 11.48. Heating oil may remain on the defensive and continue to work higher, however at a slower pace. With demand for diesel still going strong, heating oil will continue to experience unseasonable strength. Total open interest for crude oil is 1,441,373 up 7,628, May08 150,626 down 17,072, June08 362,773 up 9,239 and Dec08 196,314 up 854.