



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 18, 2008

US Energy Secretary Samuel Bodman said the government would not hold off on adding oil to the SPR even though prices are at record highs. In regards to a call by US presidential candidate Sen. John McCain to suspend the 18.4 cent gas tax this summer to give consumers relief from high prices, he said he did not think it was a good idea. Separately, he stated that the increasing emphasis on corn based ethanol has contributed to higher food prices and said the country should begin moving away from ethanol made from foodstocks such as corn. He said the US should pursue diversity in biofuels.

Market Watch

Goldman Sachs increased its end of year target for the oil price to \$115/barrel and added that oil prices would average \$105/barrel this year. Its previous end of year target was \$105/barrel while its previous 2008 average crude price forecast was \$95/barrel. It said demand from emerging markets for diesel for power generation had been the primary driver of the oil market recently.

NYMEX Holdings, Inc announced that average daily volume increased by 48% on the year to a record 2.034 million contracts in March. NYMEX electronic volume on the CME Globex platform averaged a record 919,920 contracts/day in March, up 62% on the year. NYMEX floor traded energy futures and options volume averaged 233,856 contracts/day in March. The average daily volume on NYMEX Clearport was 481,897 contracts for March, up 49% on the year.

Venezuela's government passed a new special oil contribution earlier this week that would become effective once Brent crude's monthly average price exceeds \$70/barrel. The levy would charge a 50% rate on the difference between the Brent average and the final sale price of each barrel. According to analysts, Venezuela's new oil tax law is expected to impact PDVSA harder than it would impact private oil companies. The increased tax burden on PDVSA also appears to far outweigh the new levy's net contribution to government coffers. The tax would basically squeeze more money from an investment starved PDVSA to fund President Hugo Chavez's social programs. The tax would be an additional strain on PDVSA's cash flow and the capital investment budget, which has been undercut in recent years to fund social programs.

April Calendar Averages

CL – 109.76
HO – 313.47
RB – 281.36

The Movement for the Emancipation of the Niger Delta said it sabotaged a Royal Dutch Shell oil pipeline, which crosses from the Cawthorne Channel to the Bonny terminal late Thursday. A spokeswoman for Shell could not immediately confirm whether an attack had taken place. Separately, the Shell Nigeria Joint Venture

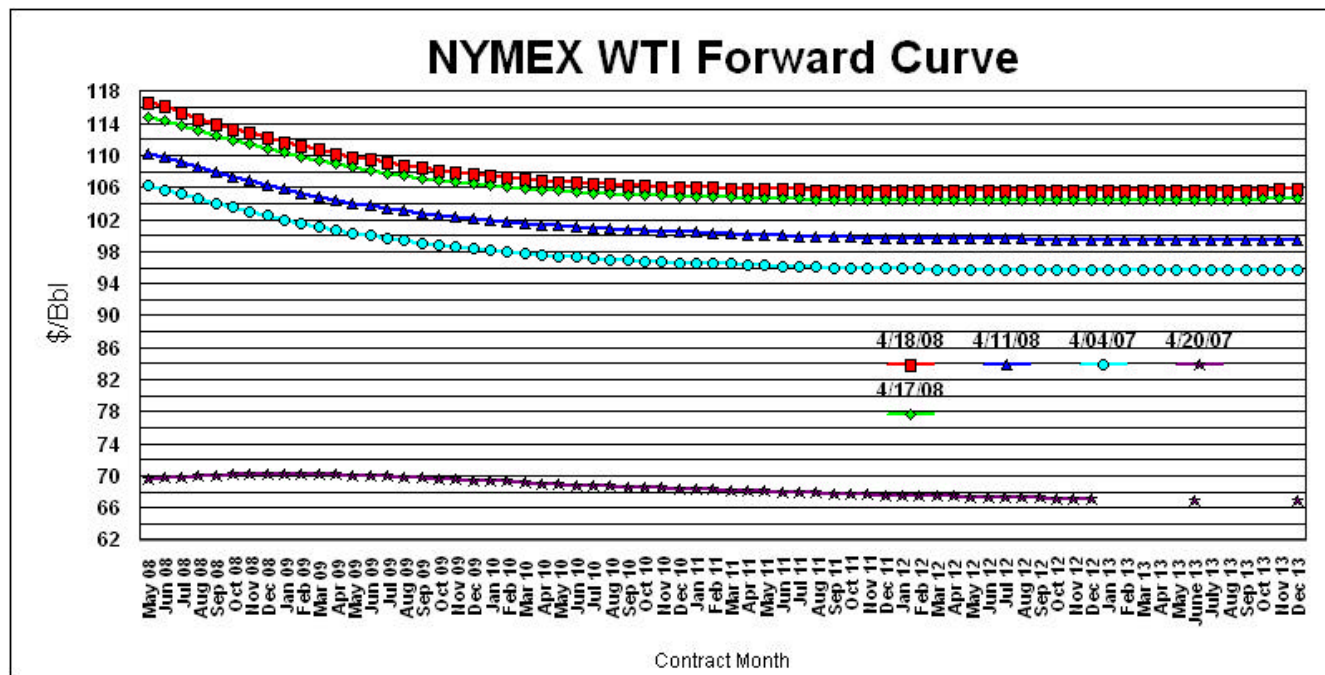
shut in a small amount of production after it found a leak on its Greater Port Harcourt Swamp Pipeline, which feeds into its Bonny Light crude export terminal.

Workers at the oil port of Fos-Lavera in southern France have decided to continue a strike that started on Thursday until Saturday. The strike at the Fos-Lavera terminal and Marseille has affected a total of 33 vessels, 25 of which are tankers of petroleum products. The strikes at French ports may have serious economic consequences unless the government changes its proposed legislation to privatize the ports. The union said sent a letter to French President Nicholas Sarkozy asking for a delay and changes to the law, which may be put before the cabinet as early as April 23.

The deputy head of the UN's IAEA, Olli Heinonen is scheduled to visit Iran on Monday and hold talks with Iran's deputy national security chief Javad Vaeedi, its ambassador to the IAEA, Ali Asghar Soltanieh and the deputy head of its atomic energy organization, Mohammad Saeedi, for talks on the country's nuclear program. The talks would focus on information alleging Iran has been carrying out studies on using its nuclear technology to make warheads. Iran has insisted that its nuclear program was entirely peaceful and aimed solely at generating energy.

Bush administration officials said US financial sanctions were increasing pressure on Iran by isolating it from the international business world. The sanctions have not yet inflicted enough economic pain to pressure Iran to abandon any ambitions to acquire nuclear weapons but it hoping it would. Meanwhile, an Iranian deputy foreign minister, Mehdi Safari said Germany's reduction in trade with Iran was not hurting the country as competitors from Asia step in to fill the gaps. He said Iran's trade with Asia and Pacific nations had more than doubled in the past three years and reached about \$90 billion in 2007 and is expected to increase to \$100 billion this year.

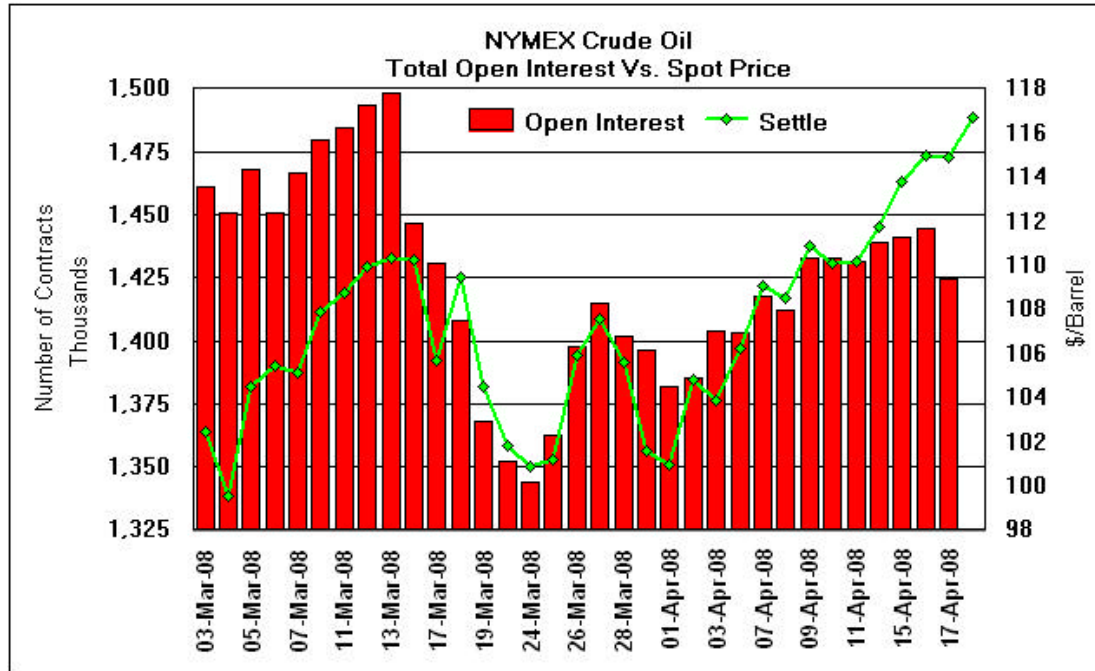
US Secretary of State Condoleezza Rice said she would urge Iraq's Arab neighbors next week to do more to support Baghdad's government and shield it from Iran's influences. She said her message



would be for Arab states to fulfill their promises to increase diplomatic, economic, social and cultural ties with Iraq's government. She said Iraq should be fully incorporated into the Arab world by its neighbors.

Refinery News

Flint Hills Resources is scheduled to shut a sulfur recovery unit No. 1 in the East Plant of its Corpus Christi, Texas refinery to facilitate three days of unplanned repairs on supply piping. A report filed with the Texas Commission on Environmental Quality did not state whether the unit shutdown would impact

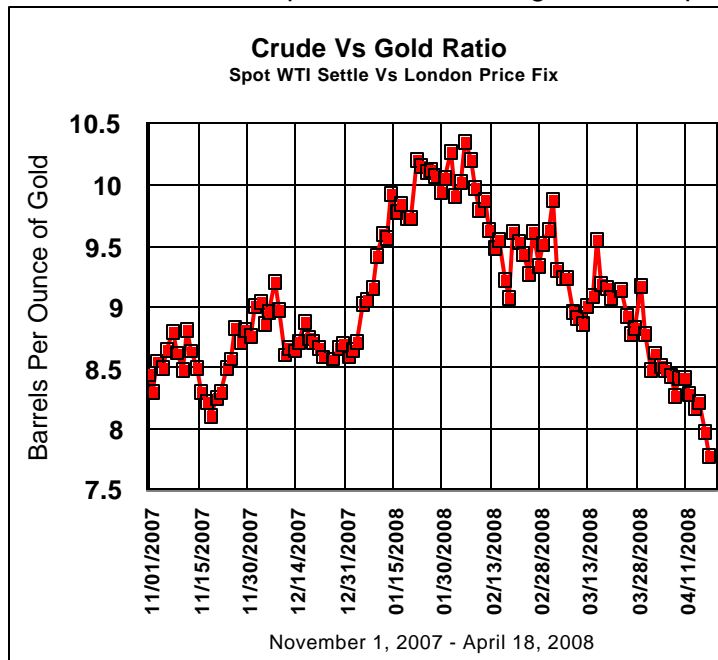


production at the 288,000 bpd refinery.

Illinois refiners reported no impact from the 5.4 magnitude quake, which occurred in the Illinois region early Friday.

Operations ConocoPhillips' 306,000 bpd Wood River refinery were not affected by an earthquake that struck the southern part of

Illinois early Friday. Workers at the refinery were inspecting units and infrastructure for damage. Meanwhile, refinery processing units at its 238,000 bpd Bayway refinery were not yet at full operations. The units were in the process of returning to normal production after they were shut on Thursday.



Marathon Oil Corp has restarted its crude oil pipelines going into Patoka, Illinois following a brief shutdown on Friday morning due to an earthquake in the region.

A British union said it would launch a two day strike at Ineos Grangemouth refinery, forcing it to shut down and impacting the North Sea Forties pipeline system. The strike is expected to begin on April 27.

Russia's Lukoil has completed a three year upgrade of its Odessa refinery in Ukraine, which would help the company to raise its output of high quality oil products. It upgraded one of the plant's crude distillation units, increasing its annual capacity to 2.8 million tons from 2.4 million tons.

Indonesia's Pertamina bought 1.25 million barrels of Asia-Pacific crude for June arrival, about half the volume it purchased for May.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area fell for the second consecutive week by 128,000 tons to 970,000 tons in the week ending April 18. However gasoline stocks were up 190,000 tons on the year. Gas oil stocks fell by 16,000 tons on the week and by 701,000 tons on the year to 1.235 million tons while fuel oil stocks fell by 94,000 tons on the week but increased by 124,000 tons on the year to 598,000 tons. Naphtha stocks built by 15,000 tons on the week and by 6,000 tons on the year to 92,000 tons while jet fuel stocks fell by 48,000 tons on the week and by 232,000 tons on the year to 186,000 tons.

Production News

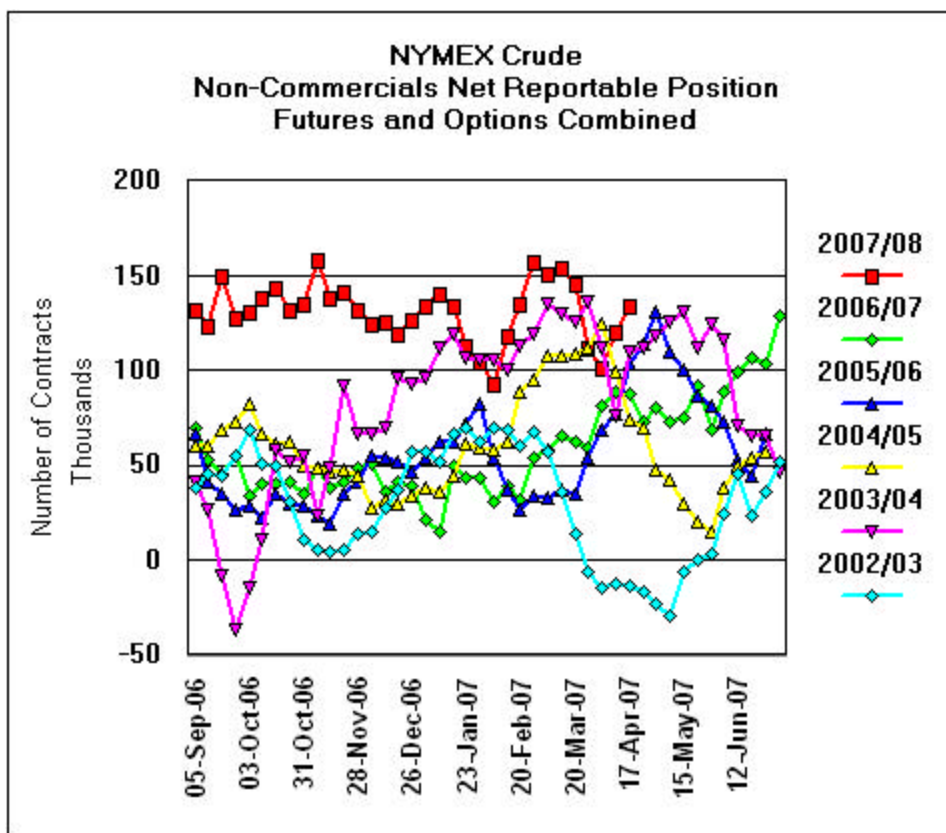
BP Plc said the company's plan to increase production in Angola would not be hindered by the quota OPEC set for the country. According to a Bloomberg News estimate, Angola's production increased by 3.8% on the month to 1.93 million bpd in March. OPEC set Angola's production quota at 1.9 million bpd. BP said it planned to increase its output in Angola to 200,000 bpd this year from 140,000 bpd last year.

While China has been blamed for fueling the oil market's rally, the flat or declining production from non-OPEC producers, such as Mexico and Britain, is a cause for concern.

China's oil production has increased by 2.2% in the first quarter as the country's oil companies have been channeling investments into high and low tech methods of extracting extra barrels. Its upstream has become the world's fifth largest at 3.76 million bpd, displacing Mexico and closing in on Iran, which pumps just under 4 million bpd. Some analysts believed the decline in China's oil output could have started as early as the middle of this decade however cash from higher oil prices and an intensive exploration and production drive has staved off that date for at least a few years. However they warn its 2% production growth rate may not be sustainable if China continues to tax the upstream, leaving less to pay for expensive technology needed to recover more oil.

Russia's Gazprom Neft said it planned to increase its oil production to 100 million tons/year or 2 million bpd by 2020. It said it planned to refine 76 million tons of oil per year by 2020, including 40 million tons in Russia and 36 million tons abroad.

Kazakhstan's State Statistics Committee said the country's crude oil exports increased by 6% on the year to 9.9 million tons in January-February. Its oil products exports increased by 20.5% on the year to 524,000 tons.



Colombia's crude oil production in the first three months of the year increased to an average of 561,000 bpd, up from 531,000 bpd in 2007.

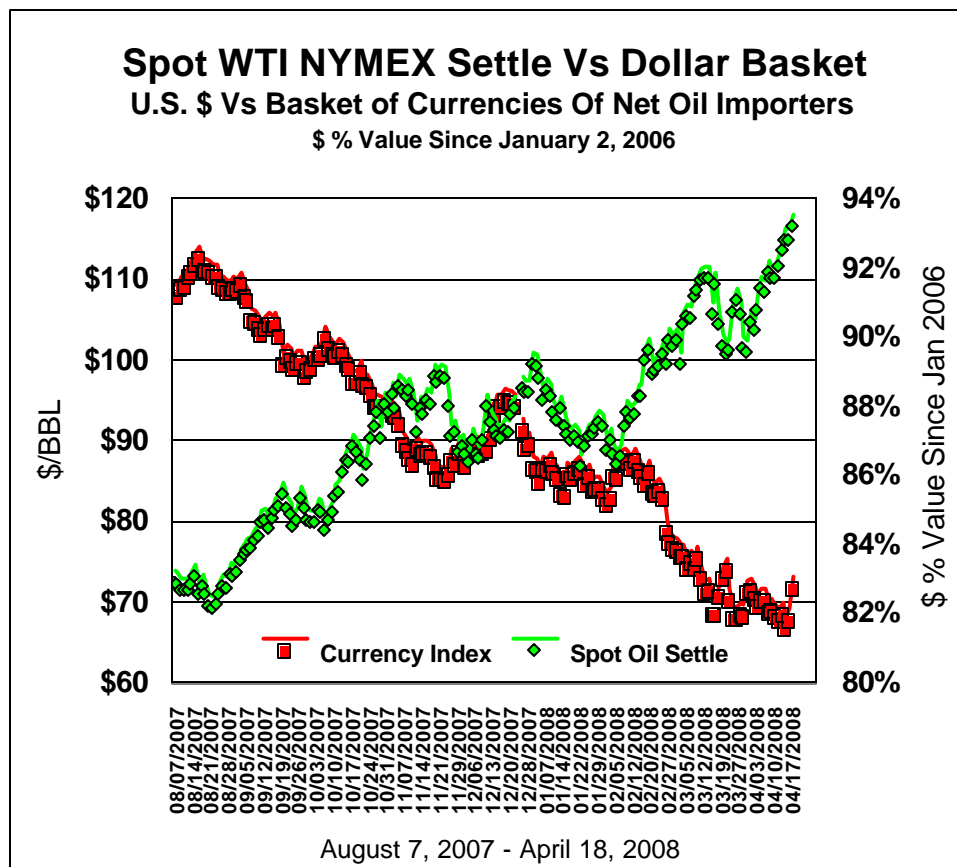
Market Commentary

With the May option expiration over and exercising having taken place in the \$115.00 strike price, the crude oil market came under pressure. This

		Explanation	
CL	Resistance	117.73, 118.78, 121.12, 124.62	Basis trendlines
	Support	116.45	Friday's high
HO	Resistance	113.74, 113.00, 112.33	Friday's low
	Support	111.74, 111.25, 109.14, 107.07, 103.20	Previous low
RB	Resistance	330.60, 331.00, 332.04, 342.93	Previous highs, Basis trendline
	Support	330.20	Friday's high
RB	Resistance	327.25, 325.40, 322.47	Friday's low
	Support	321.16, 317.13, 315.57, 314.03, 311.00, 308.47	Previous lows, 38%(284.89 and 332.04), 50%
RB	Resistance	304.00	Basis trendline
	Support	299.34	Friday's high
RB	Resistance	295.00, 291.50, 288.90	Friday's low
	Support	286.81, 286.61, 283.96, 279.21, 274.46	Basis trendline, Previous low, 38%(259.08 and 299.34), 50%, 62%

move lower was also aided by a rising dollar, which reduces investors' appeal of commodities. As day old news resurfaced about the sabotaging of Royal Dutch Shell, PLC's Nigerian pipeline, prices recovered.

The U.S. Energy Secretary, Samuel Bodman's statement that the U.S. will continue to buy oil for its Strategic Petroleum Reserves, even with crude oil at \$100.00 per barrel, also helped to bolster prices. Currently, reserves are set between 55-56 days supply while a 90-day supply is needed. Adding to the upside momentum was a healthy stock market, which gave hopes of a recovering economy, which would spark greater demand. All of the aforementioned overshadowed forecasts calling for a sell-off. Refinery runs are expected to continue on the low side with imports also running low. These low import numbers will raise inventories overseas



as well. Industry sources are calling for a slack in demand amidst growing inventories. While these sources feel that a sell-off is eminent, one must trade this market with caution. Positions taken should be done so with protection. By this, we mean that we would continue to trade the support and resistance numbers, but would use tight protective stops. The forward curve for crude oil is still in bullish formation, with the front end continuing to pull away from the tail. Heating oil, in the meantime,

NYMEX Petroleum Options Most Active Strikes for April 18, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	9	8	P	90	08/15/2008	1.2	2,000	38.09
LC	12	8	C	122	11/17/2008	6.59	1,500	24.42
LC	6	8	P	100	05/15/2008	0.52	500	42.70
LC	1	9	P	90	12/16/2008	2.65	500	35.47
LC	12	8	C	125	11/17/2008	5.82	500	25.22
LO	8	8	C	115	07/17/2008	7.35	6,779	33.74
LO	8	8	C	140	07/17/2008	1.5	6,740	36.23
LO	6	8	P	115	05/15/2008	4.22	3,761	38.32
LO	6	8	P	104	05/15/2008	0.96	3,702	40.02
LO	8	8	P	91	07/17/2008	0.89	3,630	36.74
LO	12	8	P	75	11/17/2008	0.53	3,500	33.29
LO	6	8	C	125	05/15/2008	1.87	3,082	39.29
LO	12	9	P	80	11/17/2009	3.7	3,000	29.82
LO	6	8	C	116	05/15/2008	4.88	2,949	38.35
LO	6	8	P	100	05/15/2008	0.5	2,879	41.10
LO	6	8	P	90	05/15/2008	0.08	2,740	44.69
LO	12	8	P	80	11/17/2008	0.91	2,150	32.76
LO	8	8	P	95	07/17/2008	1.38	2,130	36.04
LO	12	8	P	90	11/17/2008	2.3	1,915	31.89
LO	8	8	P	105	07/17/2008	3.49	1,800	34.12
LO	7	8	P	92	06/17/2008	0.51	1,750	38.38
LO	7	8	P	81	06/17/2008	0.09	1,675	40.73
LO	6	8	C	115	05/15/2008	5.38	1,627	38.37
LO	9	8	P	100	08/15/2008	2.93	1,626	33.59
LO	6	8	C	120	05/15/2008	3.23	1,599	38.53
LO	8	8	P	90	07/17/2008	0.8	1,525	37.01
LO	12	10	C	135	11/16/2010	8.13	1,400	28.08
LO	8	8	P	99	07/17/2008	2.04	1,336	35.21
LO	11	8	P	93	10/16/2008	2.46	1,300	32.34
LO	12	8	C	125	11/17/2008	5.84	1,250	31.52
LO	7	8	P	99.5	06/17/2008	1.34	1,200	36.92
LO	7	8	P	95	06/17/2008	0.77	1,172	37.84
LO	6	8	P	110	05/15/2008	2.24	1,159	38.38
LO	8	8	P	85	07/17/2008	0.44	1,125	38.06
LO	12	9	C	150	11/17/2009	4.22	1,050	29.58
LO	6	8	C	145	05/15/2008	0.17	1,008	43.08
LO	12	10	P	80	11/16/2010	5.47	1,000	28.29
OB	7	8	C	2.91	06/25/2008	0.1974	205	33.66
OB	7	8	C	2.85	06/25/2008	0.2305	197	33.76
OB	5	8	P	2.85	04/25/2008	0.0154	172	38.22
OB	6	8	C	2.9	05/27/2008	0.1776	166	35.53
OB	9	8	P	2.66	08/26/2008	0.1014	145	31.45
OB	8	8	C	2.88	07/28/2008	0.2306	143	32.76
OB	8	8	C	2.82	07/28/2008	0.2632	140	32.88
OH	7	8	P	3.03	06/25/2008	0.0839	150	32.43
OH	6	8	C	2.95	05/27/2008	0.3395	150	33.68
OH	10	8	C	3.26	09/25/2008	0.2624	110	30.36
OH	6	8	C	2.63	05/27/2008	0.63	100	38.91
OH	5	8	C	3.4	04/25/2008	0.0384	79	43.91

was the only market that did not make a new record high. With temperatures rising, any existing demand for this product will decrease. The only supporting factor will be the need for diesel, but we do not believe that it will lend the support that heating oil has experienced. We would continue to look for the gasoline and the crude oil to gain against the heating oil and would take advantage of trading these spreads. The June08 heating oil/crude oil crack continues to weaken and is approaching support at 17.92. We still feel that there is profitability in this spread and therefore would like to sell the heating oil and buy the crude oil, adding to the position with a break below 17.90. We would also consider selling the heating oil and buying the gasoline, using the same contract month. This spread settled at -0.2975, with indications that it will reach -0.1574. Total open interest for crude oil is 1,424,231 down 20,176, May08 99,364 down 37,272, June08 379,801 up 6,366 and Dec08 195,842 64.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 1,827 contracts to 66,526 contracts in the week ending April 15. The combined futures and options report showed that

non-commercials in the crude market increased their net long position for the second consecutive week, by 13,793 contracts to 134,034 contracts in the latest week. They increased their total long position by 11,900 contracts to 282,209 contracts amid the market's continued rally to new highs. The funds have continued to add to their long positions given the market's move in recent days. The non-commercials in the product markets also continued to increase their net long positions. Non-commercials in the heating oil market increased their net long position by 2,437 contracts to 28,945 contracts while non-commercials in the RBOB market increased their net long position by 8,082 contracts to 54,245 contracts on the week.