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ENERGY MARKET REPORT FOR APRIL 28, 2008

The White House said there was no short term fix to high oil prices. White House spokeswoman Dana Perino said the administration was aware of the high price of gasoline and the impact it was having on people across the country. She called for increased domestic production and better fuel efficiencies.

A senior official at Nigerian National Petroleum Corp said ExxonMobil has shut 770,000 bpd of its Nigerian oil production due to a strike. ExxonMobil confirmed the five day strike by Nigerian oil workers has affected some of its oil production. It declared a force majeure on its energy operations. The export terminal of Eket, which ships about 866,000 bpd,

Market Watch

New York Harbor and the Gulf Coast ultra-low sulfur diesel differentials were expected to strengthen this week due to continued strong export demand from Europe and South America. Refinery outages in Europe, including the strike at the Grangemouth refinery, would further tighten up the region's available distillate supply and increase the call for cargoes. A natural gas crisis in Chile at the start of the southern hemisphere winter was also continuing to pull shipments of middle distillates for use in power generators from the US East Coast and Gulf Coast.

Deutsche Bank said there was a risk that oil prices would continue to increase until demand collapses because additional supplies are limited and alternative fuels is decades away from replacing crude. Its price forecast for Brent and WTI oil next year is \$102.50/barrel. It said oil averaged about \$25/barrel from 2000-03, suggesting prices would have to increase to \$250/barrel in 2010-13 to have the same impact on consumers.

China's National Development and Reform Commission said China has shut 83 small coal fired power units with a combined installed capacity of 4,700 Mw between January 1 and April 15, 2008 in effort to cut emissions and to improve energy efficiency. China is expected to shut small coal fired plants with a combined installed capacity of 13,000Mw in 2008, which would likely result in the increase in oil demand.

Separately, analysts stated that increase in China's gasoline and diesel imports this year has supported world oil prices however the extra demand may decline this fall as China unwinds a series of pre-Olympic measures. China invoked national duty to spur its big oil companies to stock up fuel supplies, causing an increase in imports. They have also given refiners large rebates on imported crude and fuel supplies rather than increase domestic pump prices. China is likely to end those two measures and new refineries now under construction should again make China self sufficient in both fuels.

The Green Exchange announced that during the week of April 21-25, counterparties transacted 1,150 certified emissions reduction options contracts. One contract is the equivalent of 1,000 CERs or 1,000 tons of CO₂-equivalent reductions, making the first week volume total for the CER option contract 1.15 million tons.

The Chicago Federal Reserve Bank said its Midwest manufacturing index fell 0.7% to a seasonally adjusted 107.6 from an upwardly revised 108.4 in February. Output in the Midwest was up 0.6% on the year.

April Calendar Averages

CL – 112.25

HO – 318.49

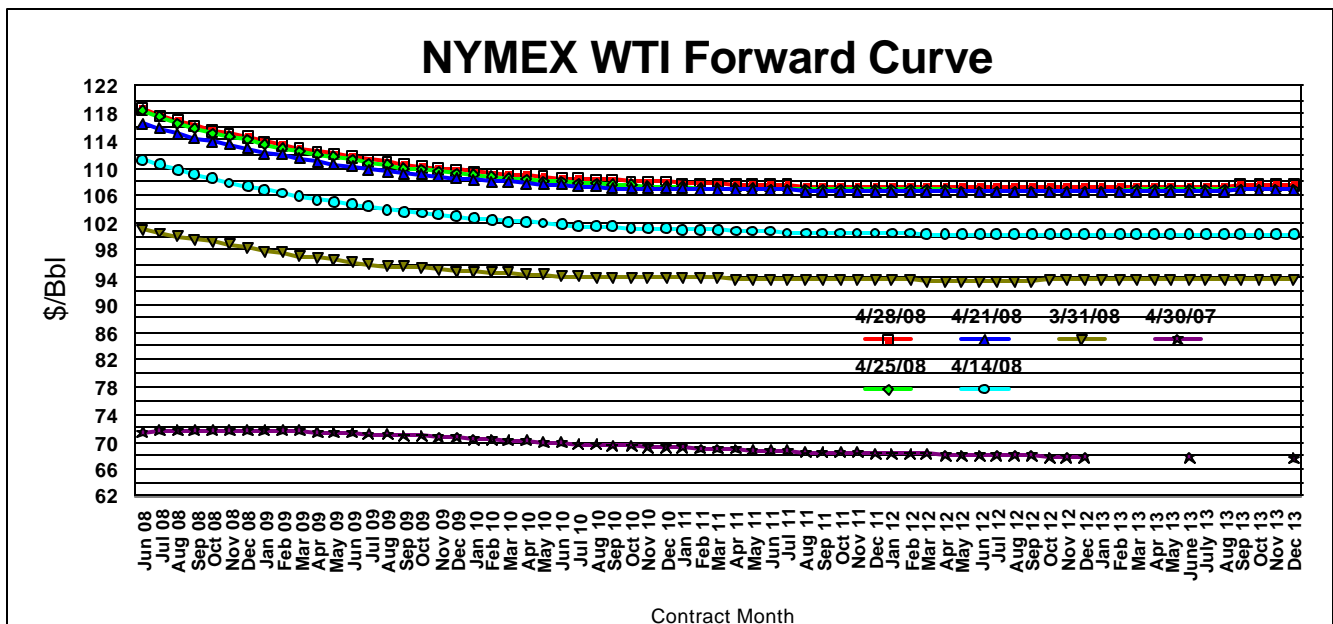
RB – 287.70

has also been shutdown. Meanwhile the National Union of Petroleum and Natural Gas Workers' Union or Nupeng said it would join the strike at ExxonMobil, if talks to end the strike fail. The Nigerian National Petroleum Corp, which is mediating in the strike, national leadership of Pengassan and ExxonMobil were expected to meet on Monday in a bid to resolve the dispute. Separately, the Movement for the Emancipation of the Niger Delta said an attack it made on a Royal Dutch Shell oil facility last Thursday shut 350,000 bpd of oil production. If confirmed, the supply loss would bring the amount offline to nearly 1.7 million bpd.

The Forties pipeline, carrying an average of 700,000 bpd, was closed on Sunday after a strike over pensions began at the Grangemouth refinery in Scotland. Unions rejected pleas to operate the steam plant at the level necessary to keep BP's Kinneil crude oil processing plant functioning during the two day strike. The company said that assuming it got power back as soon as the strike ended and Forties fields resumed production rapidly, the pipeline could resume operations within 24 hours but may take a few more days to resume full operations. A trade source said some cargoes of Forties crude oil originally scheduled for loading in early May are set to be deferred by about 3 days following the shutdown of the pipeline. Ineos said the Grangemouth refinery is expected to restart on Tuesday. The refinery is expected to take up to three weeks to resume normal production after the 1,200 workers return to work early on Tuesday but hope to restore power and steam supplies to Kinneil quickly so that the Forties pipeline system can reopen soon. Ineos said it would make a concession over pensions reform that striking workers at its Grangemouth refinery have demanded in order for talks to resolve the dispute to resume. It said it would not change the August 1 deadline for closing workers' final salary pension scheme to new entrants.

OPEC President Chakib Khelil said he did not rule out oil prices reaching \$200/barrel, even though supply was adequate. He said the market was driven by the dollar's fall. He said if the US economic situation improved from now to the end of the year that would help the market to stabilize.

The IEA's deputy executive director William Ramsay said the balance between world crude oil supply and demand was likely to remain tight in 2015 but added that investment could prevent shortfalls. The IEA forecast that oil producers would need 37.5 million bpd in capacity additions by 2015 to prevent supply bottlenecks of which 13.6 would be needed to meet increased supply. The remainder would be needed to offset declining output.



Saudi Arabia's Foreign Minister Saud al-Faisal said he discussed rising oil prices among other topics with Norwegian officials on Monday. He said Saudi Arabia was looking forward to continuing cooperation with Norway in the fields of oil and energy.

The EIA reported that the US average retail price of gasoline increased by 9.5 cents/gallon to \$3.603/gallon on the week. It is up 63.2 cents on the year. The EIA also reported that the US average retail price of diesel increased by 3.4 cents/gallon to a new record of \$4.177/gallon in the week ending April 28.

Iran's top nuclear negotiator Saeed Jalili discussed the general outlines of a package of proposals aimed at defusing concerns that Iran was using its nuclear program as a cover for weapons development with Russian Security Council Secretary Valentin Sobolev. He said Iran would soon unveil the proposals publicly and claimed they would help assure the international community that Iran's nuclear program is peaceful. Later the head of Iran's Atomic Energy Organization, Gholam Reza Aghazadeh, said the comprehensive plan was addressed to the five permanent members of the UN Security Council and Germany.

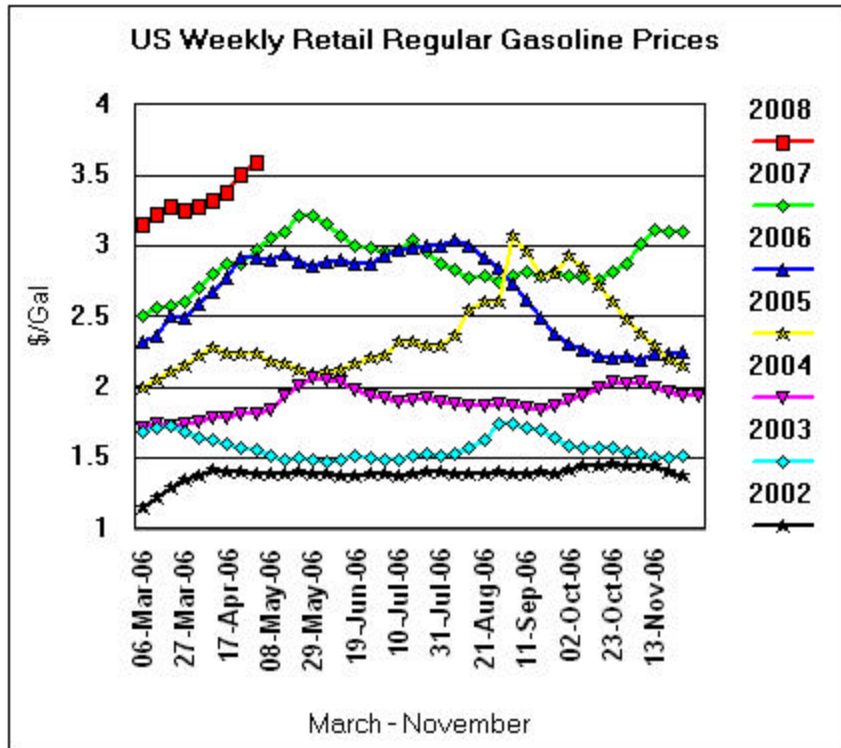
Refinery News

Chevron Corp's 260,000 bpd refinery in El Segundo, California reported flaring on Sunday. The flaring was not due to an equipment breakdown and lasted 22 minutes according to a report filed with the South Coast Air Quality Management District.

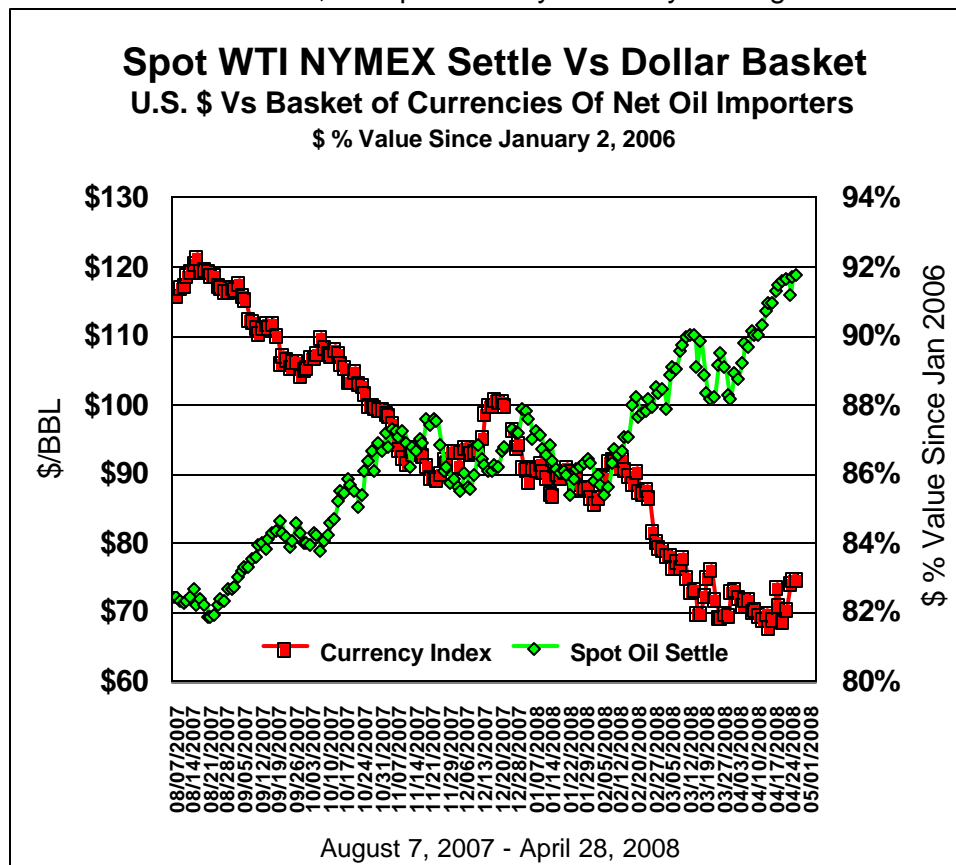
Repairs to a crude vacuum distillation unit at Valero Energy's 275,000 bpd Aruba refinery are expected to finish by mid-May. The sale of the refinery to Brazil's Petrobras is expected to take place soon after the repairs are completed.

PDVSA said over the weekend it has completed major maintenance work on the heavy oil upgrader of the Petrocedeno project. The upgrader is expected to resume normal operations this week after it was shut on February 25.

Rolling strike action blocked 25 ships from entering the French port of Marseille, including 21 oil tankers bound for the Fos/Lavera terminal. A source said 10 crude oil tankers, 11 refined oil tankers, one gas cargo and two chemical tankers were waiting to enter the port. Delays from last week's strike was reduced during the weekend after work resumed on Thursday however the strike action started again on Monday morning.



Pemex has announced a tender for 18 days of maintenance work and modifications at a vacuum distillation unit at its 270,000 bpd Cadereyta refinery starting on June 2.



South Korea's SK Energy, GS Caltex, S-Oil Corp and Hyundai Oilbank is expected to process up to 2.3 million bpd of crude next month, up from 2.07 million bpd in April as refining margins have improved from negative levels in the first two months of the year.

Japan's Nippon Oil Corp said it planned to refine 3.67 million kiloliters of crude oil in May to meet domestic demand, unchanged on the year. Its April crude refining volume for domestic demand was estimated at 4.08 million kl, up 6% on the year but lower than its original plan to refine 4.15 million kl in the month.

Separately, Nippon Oil said it planned to increase its oil product export by 63% over the next three years to 10.4 million kiloliters or 179,000 bpd. It is up from 6.4 million kl or 110,000 bpd in the year ending in March.

China's WEPEC said it would ship 60,000 tons of gasoline in May, the lowest outflow since January 2004, as strong domestic demand absorbed supplies from the export oriented company. Sinopec Corp purchased 100,000 tons of gasoline for May while PetroChina imported 60,000 tons.

The official Shanghai Securities News said China's oil majors have resumed sales of crude oil to the country's small, independent refiners. The move was aimed to spur greater production amid widespread shortages.

Separately, according to an Argus report China's small independent refineries or teapots account for a fifth of its refining capacity and consume about half its fuel oil imports. It said nearly 1000 plants have produced 1.8 million bpd, mostly from fuel oil based feedstock. The plants have upgraded and expanded in recent years to compete in a market where state-set pump prices can cut margins. Their role in a tight fuel market has however secured their short term future and some have obtained wholesale licenses, even though they were until recently threatened with closure on environment and economic grounds.

Japan's imports of Russian fuel oil nearly doubled in March versus February as some refiners turn to less expensive alternative feedstocks due to high oil prices. Japan imported a total of 275,803 tons of Russian fuel oil last month, up 135,803 tons from February's imports.

Platts reported that Nippon Oil was looking to raise fuel oil prices for local industrial customers by 9-10% in the April-June quarter. Nippon Oil is expected to price high sulfur fuel oil at Yen 72,100/kl or \$120.91/barrel for April-June sales, up 9.2% on the quarter while low sulfur fuel oil would be priced at Yen 79,650/kl, up 10.2% on the quarter.

Production News

Total SA and Royal Dutch Shell Plc shut production at North Sea oil and gas fields due to the closing of the Forties Pipeline system on Sunday. Total's Elgin-Franklin natural gas and condensate fields were shut while Shell closed its Shearwater oil and gas field.

A shipping agent said Iraq was pumping about 430,000 bpd of Kirkuk crude through its northern pipeline to Turkey. He said Kirkuk oil in storage at Ceyhan stood at about 4.5 million barrels.

Norway's Petroleum Directorate said that a lack of rigs was restricting exploration drilling activity on the Norwegian continental shelf. This year to date, 14 exploration wells have been drilled, resulting in six small and medium sized discoveries.

OPEC's news agency reported that OPEC's basket of crudes fell to

NYMEX Petroleum Options Most Active Strikes for April 28, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	3	9	C	130	02/17/2009	6.24	500	24.01
LC	10	8	P	100	09/17/2008	3.17	500	37.22
LC	6	8	P	100	05/15/2008	0.13	500	43.99
LC	8	8	P	111	07/17/2008	4.85	500	38.86
LC	3	9	P	90	02/17/2009	3.19	500	36.20
LO	6	8	P	100	05/15/2008	0.13	5,046	43.24
LO	7	8	C	135	06/17/2008	1.56	3,952	38.08
LO	12	8	C	125	11/17/2008	6.62	3,502	32.14
LO	12	8	P	105	11/17/2008	6.05	3,083	31.91
LO	7	8	C	106	06/17/2008	13.78	2,651	38.47
LO	6	8	C	105	05/15/2008	14.09	2,602	41.62
LO	12	9	P	80	11/17/2009	3.47	2,450	30.25
LO	12	8	C	140	11/17/2008	3.57	2,305	33.43
LO	6	8	C	120	05/15/2008	3.26	2,302	37.62
LO	8	8	P	100	07/17/2008	1.86	2,292	37.19
LO	6	8	P	105	05/15/2008	0.36	2,100	40.78
LO	7	8	P	100	06/17/2008	1.03	2,071	39.50
LO	12	8	C	150	11/17/2008	2.4	2,000	34.37
LO	6	8	C	101.5	05/15/2008	17.41	2,000	44.47
LO	7	8	C	101.5	06/17/2008	17.5	2,000	40.46
LO	7	8	C	102.5	06/17/2008	16.64	1,950	39.91
LO	6	8	C	102.5	05/15/2008	16.45	1,950	43.57
LO	12	10	P	78	11/16/2010	4.69	1,900	28.51
LO	7	8	P	105	06/17/2008	1.8	1,847	38.04
LO	6	8	P	110	05/15/2008	0.89	1,656	38.13
LO	9	8	P	90	08/15/2008	0.98	1,603	36.89
LO	7	8	C	210	06/17/2008	0.01	1,550	51.45
LO	6	8	C	71	05/15/2008	47.75	1,500	117.12
LO	6	8	C	70	05/15/2008	48.75	1,500	120.36
LO	6	8	C	72	05/15/2008	46.75	1,500	113.91
LO	6	8	C	74	05/15/2008	44.75	1,500	107.65
LO	12	12	P	100	11/14/2012	14.03	1,500	27.21
OB	6	8	C	3.25	05/27/2008	0.0493	1,003	38.03
OB	6	8	P	2.55	05/27/2008	0.0094	525	40.37
OB	7	8	P	2.55	06/25/2008	0.0184	525	33.38
OB	6	8	C	3.1	05/27/2008	0.0898	524	36.53
OB	9	8	C	3.13	08/26/2008	0.1668	475	35.90
OB	9	8	C	3.19	08/26/2008	0.1509	465	36.47
OB	6	8	C	3.2	05/27/2008	0.0604	325	37.49
OB	6	8	P	3	05/27/2008	0.1104	325	35.95
OB	7	8	P	2.45	06/25/2008	0.0093	250	33.38
OB	6	8	P	2.45	05/27/2008	0.0045	250	41.37
OH	7	8	P	2.75	06/25/2008	0.015	1,000	32.84
OH	7	8	C	3.4	06/25/2008	0.1292	530	33.66
OH	7	8	P	3	06/25/2008	0.057	500	32.92
OH	6	8	C	2.62	05/27/2008	0.668	300	43.68
OH	7	8	C	2.9	06/25/2008	0.4273	300	34.03
OH	7	8	P	3.15	06/25/2008	0.1053	300	32.97
OH	9	8	P	2.97	08/26/2008	0.09	265	30.92
OH	9	8	C	3.4	08/26/2008	0.1939	265	31.65

\$110.01/barrel on Friday from \$110.63/barrel on Thursday. It reported that OPEC's basket of crudes increased by \$3.77/barrel to \$110.13/barrel in the week ending April 28.

Libya has kept the May official selling price of Essider crude at Dated BFOE minus 55 cents/barrel.

Market Commentary:

In comparison to its recent ranges, June crude oil achieved yet another record high in a narrow range. Due to a two day strike at Scotland's Grangemouth refinery, BP PLC shut its Forties Pipeline, shutting in 700,000 barrels per day of crude oil. BP as already announced that shipments for May would be delayed by at least three days. It is not yet known how long it will take to get the pipeline fully back on line after the strike. Sources close to the industry are stating that prices could very easily reach \$125.00 per barrel as supplies fall short and demand increases. Without a fall in demand, prices can surely attempt this level. We would like to see a settlement above the upward trendline set tomorrow at \$120.23 on the spot continuation chart before we would consider going long, looking for the aforementioned level. Based upon the appearance of the forward curve this market is still in a bullish trend, with the front of the curve edging higher. The June/July spread, although settling lower on the day, should still have more steam left in it to head higher. We like buying the June and selling the July and would do so putting protective stops below the .70 cents level. We would like to see this spread widen out to \$1.94, however should it fail to take out the \$1.30 recent high, we would exit any length put on. The spot month in gasoline once again failed to settle above the upper trendline on the ascending channel, which was set at \$3.0805 today. Tomorrow this trendline comes in at \$3.0920 and we would look for another attempt to settle above it. We would expect that gasoline will hold its' strength up until the DOE/API numbers, which are calling for a draw of 500,000 barrels of gasoline. Should the May contract break and settle below \$2.9555, a test of \$2.8220 is possible. The June gasoline/June crude oil crack spread did not pan out as we had hoped and in fact appears to be heading lower. Having said that, in the past, this crack as dipped this time of year only to rebound at the beginning of May. We would look to add to our length on a scale down basis. This is now the second day

in a row that May heating oil failed to take out the previous days high and is now building good resistance up at the 3.3300 level. We would

		Explanation	
CL	Resistance	122.49, 128.43	Basis trendlines
	Support	119.93	Monday's high
HO	Resistance	118.45, 118.16	Monday's low
	Support	114.51, 114.25, 112.33, 111.97, 109.52, 107.06	Previous lows, 33%(99.10 and 119.93), 50%, 62%
RB	Resistance	332.97, 333.00, 335.00, 350.51	Previous highs, Basis trendline
	Support	332.67	Monday's high
RB	Resistance	329.65, 327.53	Monday's low
	Support	324.02, 321.85, 321.16, 320.90, 317.13, 315.57	Basis trendline, Previous lows
RB	Resistance	308.15, 315.84	Basis trendline
	Support	304.00, 307.20	Monday's high
RB	Resistance	302.55	Monday's low
	Support	298.65, 298.36, 297.17, 295.55, 288.90, 286.61	Previous low, Basis trendline, Previous lows.

look for further pressure on this market, looking for a test of the \$3.2090 support level, based on the spot continuation chart. Previously, we had mentioned selling the June heating oil and buying the June crude oil. It may be time to rethink this position as this crack in the past has bottomed out in April, only to make new highs in May. This spread appears to be turning and slow stochastics are low and appear to be turning to the upside. Total open interest for crude oil is 1,370,215 up 14,923, June08 385,663 up 1,460 July08 126,913 up 9,645 Dec08 203,139 up 2,573. Total open interest for heating oil 230,393 down 1,275, May 16,542 down 5,072 and June 86,589 up 1,389. Total open interest for gasoline, 270,452 down 10,834, May 19,642 down 11,686 and June 98,525 down 932.