



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 29, 2008

US President George W. Bush said there was no magic wand to lower record high fuel prices and dismissed calls by Congress to stop oil purchases for the SPR. He said the administration would

consider a proposal to suspend the federal gasoline taxes this summer. Sen. John McCain, the Republican presidential candidate and Democratic rival, Sen. Hillary Clinton have endorsed suspending the 18.4 cent/gallon federal gasoline tax this summer while Democratic candidate Barack Obama has argued that it would make little difference. President George W. Bush also called on Congress to open the Alaska wildlife refuge to drilling and allow construction of more nuclear and coal plants.

Market Watch

The Conference Board's index of consumer sentiment fell to 62.3 in April, the lowest level since March 2003. It was down from an upwardly revised 65.9 in March.

T. Boone Pickens said his fund was long on natural gas and oil and covered short positions long ago. He said oil prices would continue to rise since the best place to explore for oil, like the Artic National Wildlife Refuge, are not available.

Workers and management at the Grangemouth refinery held talks on Tuesday after the end of a two day strike which disrupted fuel supplies and cut Britain's oil production. A union official said talks were held between senior officials from the UNITE union and the refinery's owner Ineos to resolve the dispute over pensions. The union and Ineos said they would both consider a proposal on settling the dispute. BP said oil flows through the Forties pipeline, halted during the strike, restarted on Tuesday and would return to normal in coming days. BP said power and steam supplies from the refinery to the Kinneil plant, which processes Forties crude were restored on Tuesday, allowing the plant to restart. Ineos has stated that it could take up to three weeks to resume full production at the 200,000 bpd Grangemouth refinery.

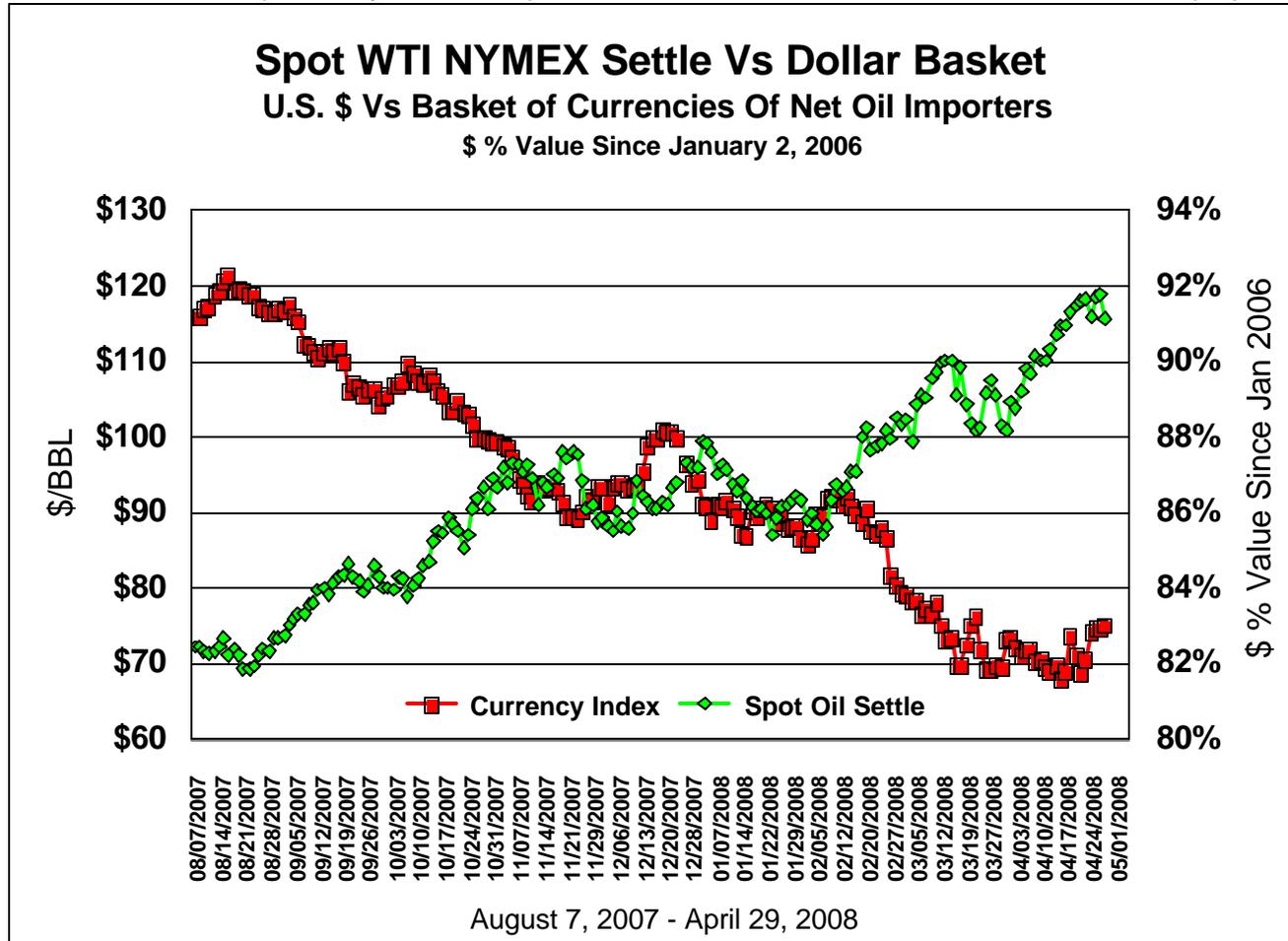
The Petroleum and Natural Gas Senior Staff Association of Nigeria restarted talks with ExxonMobil on Tuesday to end a six day strike, which has shut Exxon's 800,000 bpd of production. ExxonMobil confirmed that most of its production remained shut down because of the strike over workers' collective contract. Meanwhile, Royal Dutch Shell said that attacks had forced it to shut in 164,000 bpd of its production. This is contrary to statements made by the Movement for the Emancipation of the Niger Delta, who stated that a pipeline attack last week had shut in 350,000 bpd of Shell's production.

Rolling strike action continued to slow down ship traffic in the port of Marseille on Tuesday. Industry sources said 25 oil tankers were blocked in the Fos-Lavera harbor. The oil shipments consisted of 11 crude oil tankers and 14 refined oil tankers.

April Calendar Averages
CL – 112.42
HO – 318.79
RB – 287.99

The EIA reported that US oil demand in February fell by 7% or 1.5 million bpd from a year ago and was down 4.8% or 756,000 bpd on the year at 19.782 million bpd. It was the lowest level since May 2003. The on year decline followed a 2.2% year on year decline in January

and is further indication that record oil prices were having a significant impact on demand. The revision raises the possibility that first quarter 2008 oil demand would be lower than the projected

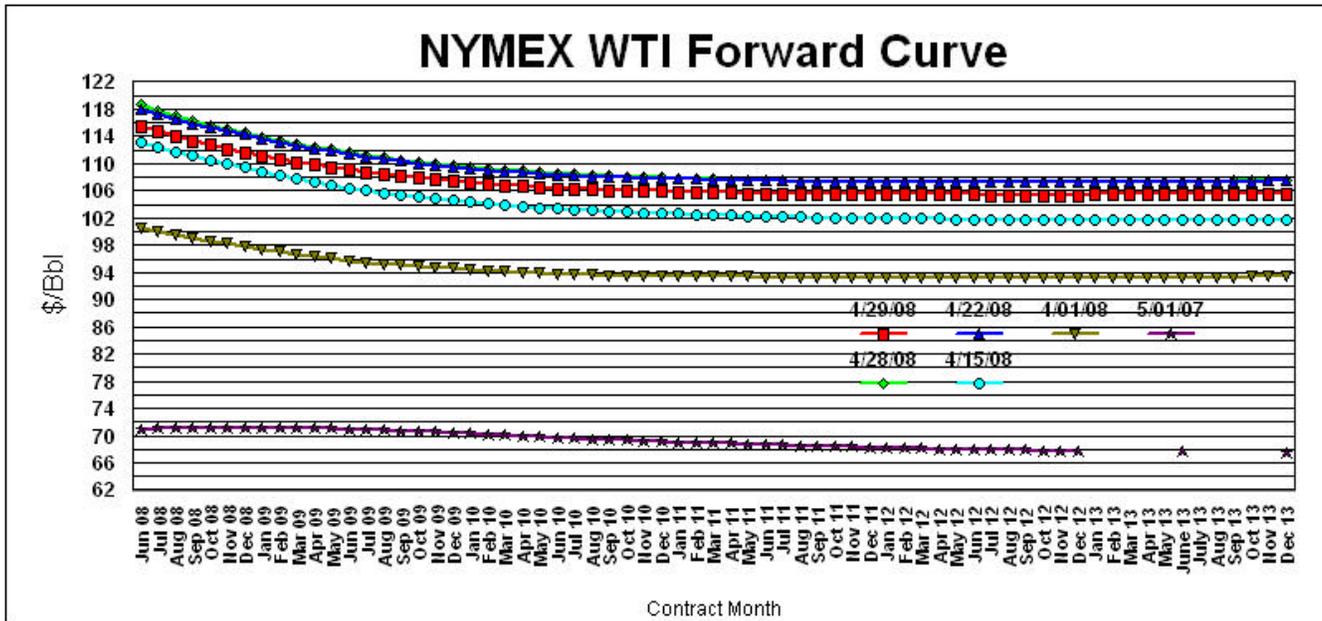


20.29 million bpd. The EIA reported that gasoline demand averaged 8.842 million bpd, down 183,000 bpd on the year. It was down 2.5% or 226,000 bpd from its previous estimate. Distillate demand fell by 7.6% or 350,000 bpd on year to 4.251 million bpd. It was revised down 3% or 134,000 bpd from its previous estimate. The EIA also reported that total commercial stocks were 963 million barrels at the end of February, down 1.4% or 14 million barrels below the earlier estimate. Crude oil stocks were revised down by 4.5 million barrels to 301.5 million barrels while gasoline inventories were revised down by 1.2 million barrels to 233.8 million barrels and distillate stocks stood at 117 million barrels. The EIA also reported that US crude oil imports in February averaged 9.606 million bpd, up 557,000 bpd or 6.2% on the year. It is down 3.9% below January's level. Imports from Canada were increased by 32,000 bpd to 1.92 million bpd. Saudi Arabia supplied the US with 1.614 million bpd while Mexico supplied the US with 1.231 million bpd.

According to MasterCard Advisors, US retail gasoline demand fell by 1.6% on the year to 9.388 million bpd in the week ending April 25. It was up 0.8% from the previous week. The four week moving average for gasoline demand was down for the eleventh consecutive week, falling by 1.5% from last year's level. It reported that the average retail price of gasoline increased by 13 cents to \$3.55/gallon.

Qatar's Energy Minister Abdullah bin Hamad al-Attiyah said he would not rule out an increase in oil prices to \$200/barrel before the end of the year. This followed a similar statement made by OPEC's President Chakib Khelil on Monday that warned oil prices could reach \$200/barrel.

Iran's President Mahmoud Ahmadinejad said the weak US dollar was behind the rally in oil prices.



Venezuela's President Hugo Chavez reiterated that oil prices remain at a fair level and attributed the increase in oil prices to a weaker US currency. He said the price for Venezuela's basket of crude reached \$106.25/barrel.

Iraq's Oil Ministry reported that Iraq has failed to attract foreign companies due to violence. It said about 70% of Iraq's oil pipeline network remained idle due to sabotage and lack of repairs. It also added that the country was facing a decline in output of refineries.

Refinery News

Royal Dutch Shell said refinery margins are expected to be under pressure for the next two to three years as new refining capacity comes onstream. Shell's chief financial officer Peter Voser said near record oil prices contain an element of speculation and added that there was an adequate supply of oil in the market.

Valero Energy Corp said its 16 North American refineries are expected to run between 400,000 and 500,000 bpd below total throughput capacity of 3.1 million bpd in the second quarter of the year due to repairs and maintenance. Valero's Gulf Coast refineries, which have a combined throughput of 1.72 million bpd, are planned to run between 1.45 million bpd and 1.5 million bpd. Its Mid-Continent refineries, which have a capacity of 455,000 bpd, are expected to run at 340,000 bpd while its West Coast refineries, which have a throughput capacity of 305,000 bpd, are expected to run between

275,000 bpd and 285,000 bpd. Valero's Northeast refineries, which have a capacity of 620,000 bpd, are expected to run between 530,000 and 540,000 bpd in the second quarter. Separately, Valero said it was cutting throughput at its St. Charles, Louisiana and Corpus Christi, Texas refineries in the second quarter due to margins. It reported that its first quarter revenues increased to \$27.9 billion from \$18.8 billion a year ago. Its first quarter refining income was \$568 million, down from \$1.78 billion a year ago. Total first quarter throughput volumes were 2.61 million bpd, down from 2.75 million bpd a year ago.

BP Plc reported that a hydrogen desulfurization unit at its 265,000 bpd refinery in Carson, California was shut on Monday night.

LyondellBasell restarted a fluid catalytic cracking unit at its 268,000 bpd Houston, Texas refinery after it was shut for unplanned maintenance in late March.

Chevron Corp said a problem with lube oil production equipment at its 243,000 bpd refinery in Richmond, California had no impact on production. It said refinery workers were performing maintenance on the equipment when the flaring occurred.

According to a technology provider to the renewable fuels industry, Novozymes said commercial production of cellulosic ethanol would be ready to start in 2010. It also predicted a three way battle among producers in the US, China and Brazil to build the first full scale refinery making ethanol from plant waste.

The BP led Baku-Tbilisi-Ceyhan pipeline has an average throughput of over 850,000 bpd. It reiterated its target throughput of 1 million bpd by late 2008. It also said its Azeri-Chirag-Gunashli oil venture currently produced 790,000 bpd of oil.

Meanwhile, BP said repair work on the Georgian section of the Baku-Supsa pipeline has been completed but it remained unclear when oil flows would restart.

South Korea's SK Energy said it would spend \$1.5 billion to build a 40,000 bpd diesel producing hydrocracking unit at its 275,000 bpd Incheon unit. The unit is due to begin commercial production in June 2011. The refiner's total upgrading capacity would increase to 202,000 bpd with the new unit.

Latvian ports shipped 6.2 million tons of oil products from Russia in the first three months of the year, an increase from the 5.1 million tons in the same period of 2007.

Indonesia is scheduled to import 11.32 million barrels of oil products in May, down from 12.17 million barrels bought for April. Indonesia's Pertamina bought 5.8 million barrels of gas oil, 4.5 million barrels of gasoline, 740,000 barrels of fuel oil and 280,000 barrels of jet fuel for May delivery.

Indonesia's Pertamina cut the biofuel blend in diesel fuel to 1% from 2.5% as rising palm oil prices and lack of incentives have cut margins. The government subsidizes biodiesel at the same level as fossil fuels, leaving Pertamina to cover the difference when biodiesel production costs exceed fossil fuel costs.

Production News

The US Minerals Management Service approved a development plan for the first floating production storage offloading facility in the Gulf of Mexico. The Cascade-Chinook project would be operated by Brazil's Petrobras.

The UK's Britannia gas field in the North Sea is expected to resume full production on Tuesday afternoon after restarting earlier in the day following a pipeline closure caused by a the strike at the Grangemouth refinery.

Petro-Canada said it was planning a 16 day maintenance shutdown beginning in mid-June as its Terra Nova oilfield off the coast of Newfoundland and a two week shutdown of its MacKay River oil sands operations next month. Oil production at Terra Nova averaged 126,457 bpd in March while production at the Mackay River oil sands project averaged 23,500 bpd in the first quarter.

Norway's StatoilHydro said that oil was flowing from new subsea equipment in the eastern part of its 60,000 bpd Vigdis field, adding 16 million barrels of recoverable oil. StatoilHydro said Vigdis recoverable reserves are estimated at 360 million barrels of oil.

Russia's Surgut said it may lose a third of production if the government does not alleviate its tax burden. It said it would produce 40 million tons/year, down from 60 million tons/year.

The new head of Indonesia's BPMIGAS promised to help reverse a decline in the country's oil production by making the agency more efficient.

Nigeria lowered its official selling price for May Bonny Light and Qua Iboe crude by 5 cents to Dated plus \$3.50/barrel. Its Escravos crude price was unchanged at Dated plus \$2.90/barrel while its Forcados crude price was increased by 10 cents to Dated plus \$3.55/barrel.

Market Commentary:

Crude oil experienced its biggest decline in three weeks as the market reacted to several market sensitive fundamentals. The dollar had a three-week high against the euro, as economist believed that there was an 82% chance that the Federal Reserve would lower its overnight lending rate between banks. BP PLC restarted its Forties pipeline after being down for two days due to a strike. Lastly, 50% of Nigerians output has been cut due to disruptions caused by an oil workers strike in its sixth day. Basis the June contract, resistance is building up at the \$118.90 area. This is the fourth day in a row that the June contract traded below the bottom trendline on the ascending channel, which can be seen on the daily chart. Slow stochastics are still in overbought territory and are pointing to the downside. Given the recent sensitivity of this market, we are not convinced that the rise in prices is over. Tomorrow's release of the API/DOE numbers should help provide a clearer picture of the supply/demand

situation. Crude oil stocks are expected to build tomorrow by 1.1 million barrels, but we would focus our

		Explanation
CL	Resistance	119.93, 123.71, 129.65 116.25, 117.19, 117.40, 118.84
	Support	114.97 114.51, 114.25, 112.33, 111.97, 109.52, 107.06
HO	Resistance	332.67, 332.97, 333.00, 335.00 326.25, 329.00, 329.70
	Support	323.93 321.85, 321.16, 320.90, 315.86, 309.95, 304.03
RB	Resistance	307.20, 308.15 295.75, 299.05, 300.00, 302.85
	Support	291.74 289.41, 288.90, 283.62, 277.82

attention more on the demand factor for products. Gasoline stocks are expected to draw by 500,000 barrels and are still in the upper half of the average range for this time of year. Gasoline had its biggest drop in price since March 31st of this year and has not been able to break out of the ascending channel

that formed back in the middle of March. If imports are as good as expected, gasoline could easily break out to the downside of this channel which comes in tomorrow set at \$3.1035 - \$2.8335. Bare in mind however, that prior to Memorial Day, gasoline prices typically peak and then taper off. As mentioned in yesterday's, wire the June gasoline crack typically comes under pressure this time of year but rebounds prior to expiration. This scenario is evident on the daily chart and there appears to be a little more to the downside. We remain confident being long the June gasoline crack, looking for a seasonal rebound. The June heating oil chart has developed a rounded top, with slow stochastics pointing to the downside. This would call for a further sell-off in prices, however, several factors are lending strength to this market including high demand and supply shortages overseas. Distillate stocks are expected to be unchanged and we would pay attention to the export number. Total open interest for crude oil is 1,364,277 down 5,938, June08 374,062 down 11,601 July08 129,748 up 2,835, Dec08 204,337 up 1,198. Total open interest for heating oil 230,840 up 447, May 11,928 down 4,614 and June 89,317 up 2,728. Total open interest for gasoline, 268,936 down 1,516, May 16,112 down 3,850 and June 99,185 up 660.