



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 2, 2008

Turkey's air force launched new bombing raids against Kurdistan Workers Party guerillas in northern Iraq. Several Turkish jets began the raids late Thursday that destroyed 43 targets. Turkey's General Staff said all its planes returned safely to base after the attack. The Turkish military said many Kurdish rebels were killed in a bombing raid.

Market Watch

The IntercontinentalExchange Inc said its first quarter net income increased 66% to \$92.3 million from \$55.6 million a year ago. It said its futures exchanges achieved record volume in the first quarter, increasing 39% to 62.5 million contracts.

Members of the US Senate-House panel came to an agreement on several portions of a new five year farm bill. As part of the bill, the panel approved a five year extension of the Commodities Exchange Act, billions of dollars in new funding for nutrition programs as well as new grants aimed at increasing research into ethanol and other biofuels. The bill would include a provision that would put all significant energy trades on electronic platforms within the regulatory confines of the Commodity Futures Trading Commission and would impose limits on the size of traders' positions to prevent excessive speculation. The overall Farm Bill still needs to be finalized and would ultimately need to be sent to the House and Senate for a vote, possibly next week. However even if it is approved, Bush administration officials have threatened to veto the bill.

Britain's Foreign Secretary David Miliband said the five permanent members of the UN Security Council and Germany have agreed to make a new offer of incentives to Iran to halt its nuclear program. He however said the details of the offer would not be made public.

Qatar's Oil Minister Abdullah al-Attiyah said OPEC is able to increase its production should an increase in demand require more crude from the group.

Sources close to the Iraqi Oil Ministry said talks between the Iraqi Oil Ministry and senior executives from the world's largest oil companies were progressing and deals to develop the country's oil fields are expected to be signed in June. Senior executives from Royal Dutch Shell Plc, BP Plc, ExxonMobil Corp, Chevron Corp, Anadarko Petroleum Corp, Total SA and BHP Billiton Ltd have been holding talks with Iraqi officials since mid-April.

May Calendar Averages

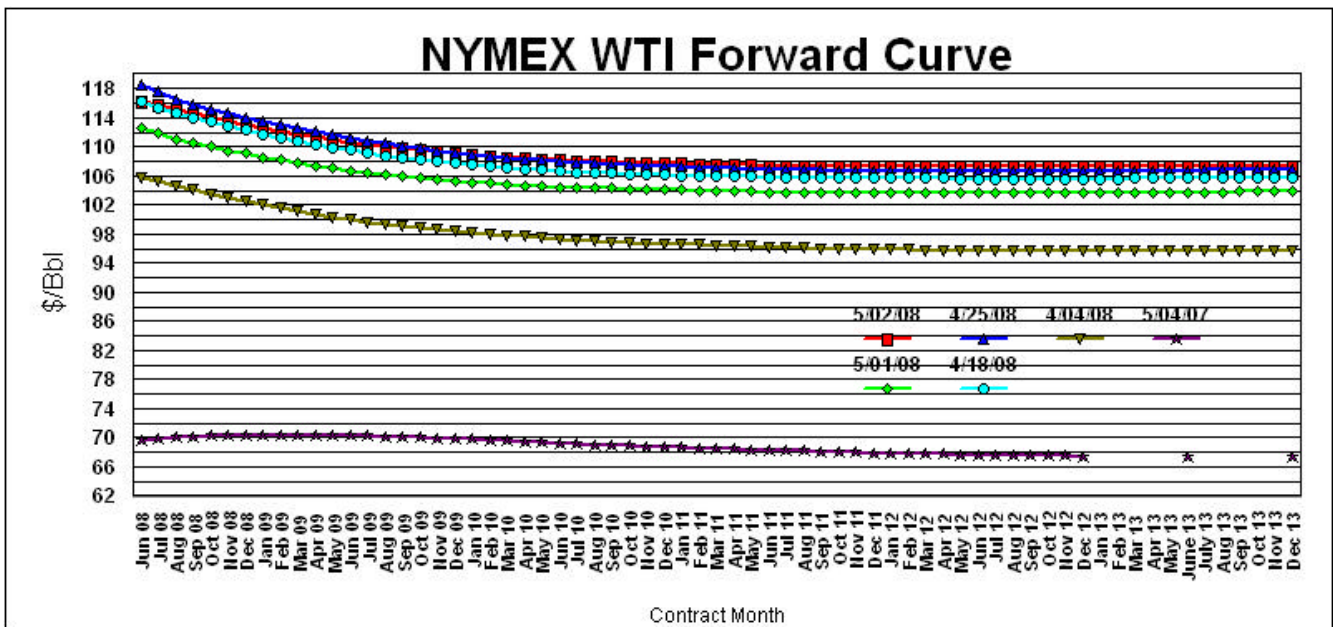
CL – 114.42

HO – 316.82

RB – 292.23

Refinery News

Chevron Corp's 220,000 bpd Pembroke refinery is expected to start production over the coming days. Its steam plant is expected to be



fully operational by the weekend after Chevron was forced to fully halt production at the refinery on Wednesday due to an electrical fault. Its processing units are expected to resume operations soon after the steam plant is restarted. Chevron has continued to meet contractual obligations to supply fuel to its customers using existing stocks and through sourcing additional supplies.

Ineos Plc and workers at the 210,000 bpd Grangemouth refinery plan to return to negotiations over a pension dispute that caused a two day strike earlier this week. No dates have been scheduled for the talks. The Grangemouth refinery and the Forties pipeline was in the process of restarting.

Valero Energy Corp said it shut a 40,000 bpd crude distillation unit at its 340,000 bpd Corpus Christi, Texas refinery for 14 days of planned turnaround. A vacuum unit, which is connected to the crude unit, was also shutdown for the duration of the turnaround.

ConocoPhillips said repair work to electrostatic precipitators of its fluid catalytic cracking unit at its 152,000 bpd Borger, Texas refinery would not have an impact on production. The work, which started on April 29, is expected to end on May 12.

Tesoro Corp said the work to connect a new coking unit at its 166,000 bpd Golden Eagle refinery in Martinez, California was completed and added that refinery units were restarting after being shut since mid-March. The new coker unit would increase the refinery's capacity to process cheaper heavy and sour crude grades.

Brazil's Foreign Trade Ministry reported that the country's ethanol exports in April increased to 288.5 million liters compared with 278.8 million liters in March. It is also up from 283.9 million liters exported last year. Average prices paid for Brazilian ethanol in April were \$476.30 per 1,000 liters compared with \$448.30 in March.

Marseille's port authority said nine crude oil tankers, nine refined oil tankers and two chemical product tankers were waiting to dock at France's Fos and Lavera petroleum terminals. The port has recently been disrupted by striking dockworkers, protesting a government plan to privatize parts of France's ports. Marseille's port authority however insisted the backlog was only a slowdown in pace.

NYMEX Petroleum Options Most Active Strikes for May 2, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	6	8	P	105	05/15/2008	0.39	1,750	42.43
LC	12	10	C	130	11/16/2010	9.3	1,100	12.39
LC	6	8	P	108	05/15/2008	0.75	750	41.45
LC	12	8	C	130	11/17/2008	4.9	700	27.24
LC	12	9	P	90	11/17/2009	5.95	500	36.41
LO	7	8	C	160	06/17/2008	0.14	6,759	43.67
LO	6	8	C	120	05/15/2008	1.92	4,675	38.89
LO	6	8	P	105	05/15/2008	0.39	4,385	41.59
LO	7	8	P	88	06/17/2008	0.24	2,676	43.75
LO	7	8	C	120	06/17/2008	4.35	2,046	37.62
LO	6	8	C	71	05/15/2008	45.32	2,000	123.46
LO	12	11	C	140	11/16/2011	8.64	2,000	26.71
LO	6	8	C	70	05/15/2008	46.32	2,000	127.03
LO	7	8	C	88	06/17/2008	27.97	1,850	49.82
LO	6	8	C	83	05/15/2008	33.32	1,850	84.31
LO	12	8	C	200	11/17/2008	0.49	1,727	40.85
LO	12	8	P	80	11/17/2008	0.9	1,502	34.28
LO	6	8	P	110	05/15/2008	1.11	1,379	39.60
LO	6	8	C	113	05/15/2008	5.27	1,360	39.03
LO	8	8	P	101	07/17/2008	2.29	1,250	37.38
LO	7	8	C	130	06/17/2008	1.87	1,250	38.81
OB	12	8	C	3.25	11/21/2008	0.1073	3,124	33.92
OB	6	8	C	2.75	05/27/2008	0.2558	1,563	39.91
OB	8	8	C	3.1	07/28/2008	0.1459	334	37.16
OB	6	8	C	2.95	05/27/2008	0.1237	201	37.57
OB	6	8	C	3.1	05/27/2008	0.0666	200	38.64
OH	7	8	C	3.25	06/25/2008	0.1533	604	33.18
OH	7	8	C	3.6	06/25/2008	0.0546	550	35.16
OH	7	8	C	3.48	06/25/2008	0.0787	360	34.47
OH	10	8	C	3.2	09/25/2008	0.2763	300	30.40
OH	10	8	P	3.2	09/25/2008	0.2052	300	30.18
OH	7	8	C	3.22	06/25/2008	0.1668	200	33.09

Japan's retail regular gasoline prices increased by 22.8 yen/liter following the revival of the gasoline tax and high world oil prices forced refiners to increase wholesale prices for petrol. The average pump price of regular gasoline in Japan was 153.4 yen or \$1.47/liter or \$5.56/gallon on Thursday, up 22.8 yen from Monday.

Japan's Idemitsu Kosan Co said it planned to increase its oil product exports by 30% to 1.3 million kiloliters or 8.2 million barrels in the year ending March 2009 to offset a decline in domestic demand. Meanwhile, Nippon Oil Corp said it planned to increase its oil product exports by 63% over the next three years. Japanese refiners have been building up oil export capacity to compensate for decreased domestic demand.

India's government data showed that the country imported 2.44 million bpd of crude in the year ending in March, up 9.1% on the year as refining capacity and local demand increased. In March, India's crude oil imports grew 1.7% to 2.47 million bpd. Oil product sales increased by

7% in 2007/08 to 129.24 million tons. India's government data also showed that its imports of oil products during the last fiscal year increased by 27.3% to 22.9 million tons. India's 19 refineries on average processed 3.13 million bpd of crude oil in the last fiscal year, up 6.5% over the previous year.

Indonesia's Pertamina cut its biodiesel blend to 1% from 2.5% due to rising biodiesel feedstock costs and a lack of government incentives. The move would cut the amount of 100% biodiesel supplied to Pertamina by local producers to 6,400 kiloliters this year from 16,000 kiloliters last year.

Production News

Ecopetrol said it is expected to resume pumping oil through its 220,000 bpd Cano Limon Covenas oil pipeline on Saturday after operations were suspended on Tuesday evening as a result of an attack from an unidentified group.

ExxonMobil Corp said its current levels of production in Nigeria have reached 300,000 bpd. It said it was restoring production following the resumption of services by the senior staff union, Pengassan, on Thursday.

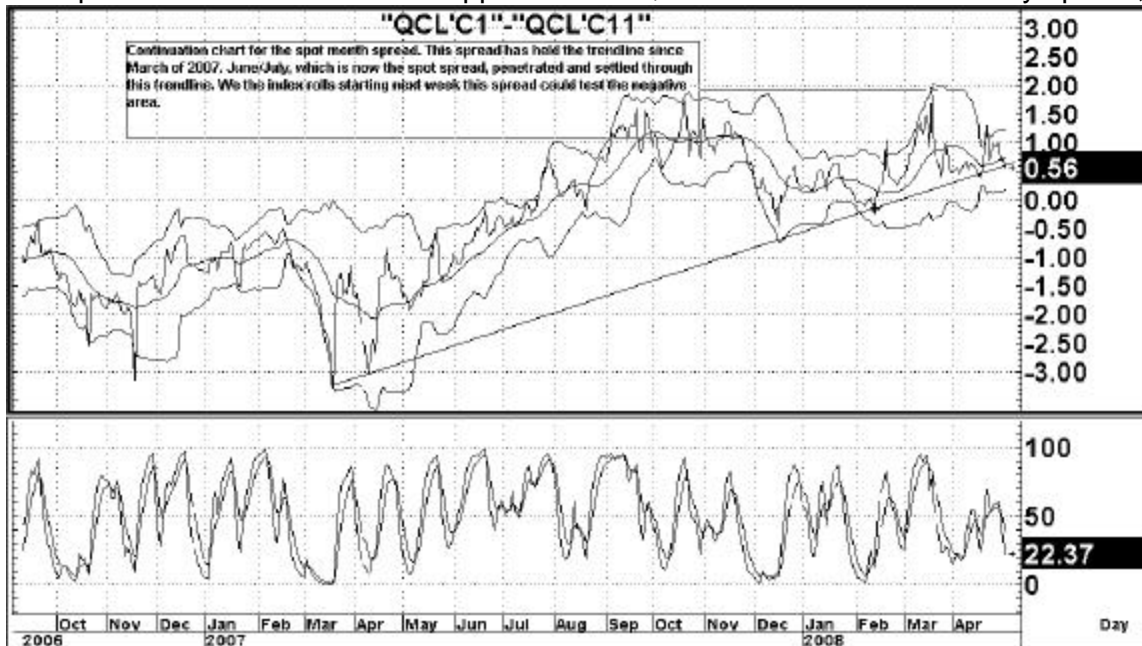
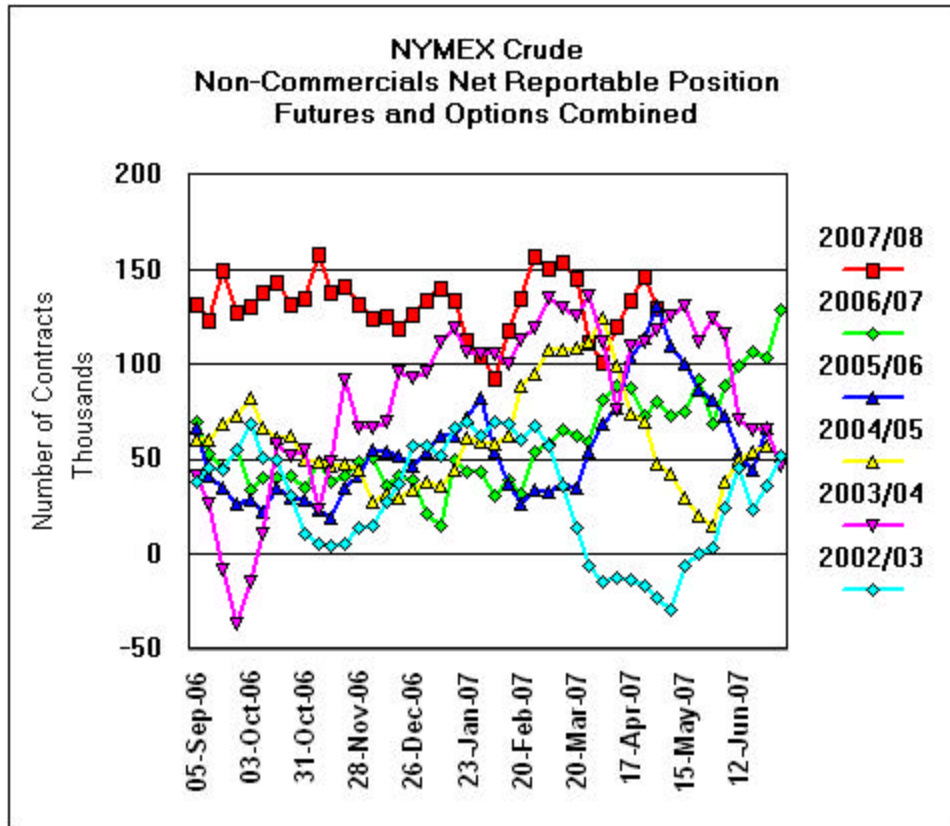
OPEC's news agency reported that OPEC's basket of crudes fell further to \$106.13/barrel on Thursday from \$107.33/barrel on Wednesday.

Market Commentary:

The energy markets made a come back today, reacting strongly to news of confrontations between the Kurds in Northern Iraq and Turkish troops along the border.

Perhaps adding to today's run-up in prices could be covering by weak shorts that entered the market on yesterday's down move. With open interest increasing yesterday, one would have to think that shorts entered the market due to the down move in prices. Based upon a weekly spot continuation chart, this is the first time in five weeks that the spot month has had a lower settlement and slow stochastic are in over-bought territory. Coming into next week, we would look for further down side potential with a test at the support level of \$109.63. As for the June/July spread, it

broke and settled below the trendline mentioned in yesterday's wire and is setting up to test the next support level at .40 cents. With the index rolls beginning soon, this spread



should continue to come under pressure. We would look for a possible test of the negative area. Gasoline continues to trade within the ascending channel on the spot continuation chart and now appears to be heading towards the top of this channel, which will begin the week set at \$3.1380. Imports of gasoline are expected, but have not shown up yet. Up until this happens one would continue to buy and sell this product at the listed support and resistance number. The June gasoline crack appears to be trending sideways and as mentioned previously, we would expect this spread to rebound as it has done in the past, based on seasonality. Heating oil has tested and held the trendline on the spot continuation chart that began back in February and continues to gain its strength off of high diesel demand. Global economic growth continues to support this market, with strong demand coming from China and India. The June heating oil crack is still trending within the downward channel bouncing off of the bottom of this channel. We would look for this pattern to continue and sell any moves higher on this crack. Interest for crude oil is 1,373,738 up 7,099, June08 345,815 down 6,814, July08 153,480 up 6,147, Dec08 204,702 up 278. Total open interest for heating oil 217,652 down 2,792, June 84,097 down 2,983 and July 33,488 down 306. Total open interest for gasoline, 253,981 down 2,455, June 91,603 down 4,426 and July 48,312 up 1,359.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 17,251 contracts to 53,311 contracts in the week ending April 29. They increased their total short position by 18,661 contracts to 188,091 contracts on the week. The futures and options report also showed that non-commercials in the crude market cut their net long position by 17,568 contracts to 129,508 contracts. Given the market's move in the past few trading sessions, the funds have likely continued to cut their net long positions. The non-commercials in the product market have also cut their net long positions, with funds in the RBOB market cutting their net long position by 2,351 contracts to 59,603 contracts and non-commercials in the heating oil market cutting their net long position by 5,122 contracts to 22,267 contracts.

		Explanation	
CL	Resistance	116.70, 118.84, 119.93	Basis trendline, Previous highs
	116.32, up \$3.80	116.49	Friday's high
	Support	114.75, 113.00, 111.78	Friday's low
		109.63, 107.20	50% (99.33 and 119.93), 62%
HO	Resistance	327.46, 329.44, 331.35, 332.24, 332.48	Previous highs
	321.87, up 10.10 cents	322.10	Friday's high
	Support	320.00, 315.00, 310.70	Friday's low
		306.81, 306.63, 300.53	Previous low, 50% (280.78 and 332.48), 62%
RB	Resistance	297.65, 301.92, 306.46, 307.35	Previous highs
	296.64, up 8.82 cents	297.56	Friday's high
	Support	294.50, 289.70, 286.47	Friday's low
		281.95, 277.30, 274.59, 272.91, 269.78	Previous low, 62% (258.73 and 307.35), Previous lows