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ENERGY MARKET REPORT FOR MAY 12, 2008

UAE Oil Minister Mohammed bin Dhaen al-Hamli said there were no signs that OPEC would hold a meeting before September. He said high world oil inventories was proof that supplies were adequate. However he said the group remained ready to meet any real demand for its oil. Meanwhile, Qatar's Oil Minister Abdullah al-Attiyah said there was no need for OPEC to hold an emergency meeting before September. He said there is nothing OPEC could do to reduce record oil prices. Iran's OPEC governor Hossein Kazempour Ardebili said Iran did not expect OPEC to hold an emergency meeting before September despite the rising oil prices. Another senior Iranian energy official,

Market Watch

AccuWeather.com predicted that the 2008 Caribbean hurricane season would be near average in the number of storms following his previous prediction that the hurricane season would be slightly above average with 12-13 named storms. Joe Bastardi said he expected a total of 12 named storms in the 2008 Atlantic hurricane season. He said at least 40% of the named storms would be of tropical or hurricane strength on the US coastline. Two or three storms would bring at least tropical storm force winds to the coastline between Florida and New England, including one or two that bring hurricane force winds and one major hurricane. For the Gulf of Mexico, he forecast two or three storms would affect the energy infrastructure.

Lehman increased its 2008 Brent crude oil forecast to \$103/barrel from \$93/barrel. It however said that a fundamental weakness in oil should emerge by the first quarter of 2009 and maintained its 2009 Brent oil price forecast at \$83/barrel.

The former head of the International Monetary Fund, Rodrigo Rato said world economic growth could be in jeopardy as increasing commodity prices spark a wave of nationalization in resource rich countries rather than an increase of investment and production. He said increased government involvement in commodity production, particularly oil, has led to under investment and falling output while demand continues to increase.

China's National Bureau of Statistics reported that annual inflation in China increased to 8.5% in April from 8.3% in March. China's government has been trying to lower price increases for staples by increasing supplies while imposing controls on basic goods.

A hedge fund executive said long term growth prospects in China should continue to fuel the country's demand for raw materials like copper and keep a commodity boom in place for years to come. During the first quarter of 2008, China's economy expanded by 10.6%.

ICE said physical delivery against the expired May ICE gas oil futures contract was 379 lots or 37,900 tons, far below the 99,500 tons delivered in April. The May gas oil futures sold off on expiry as the May/June spread collapsed on profit taking and a fall in physical delivery showed reluctance to hold product despite the high prices.

May Calendar Averages

CL – 121.01

HO – 339.37

RB – 307.81

Mohammad Ali Khatibi said the weak US dollar was the main reason behind record oil prices, not demand or supply factors. Libya's top OPEC official, Shokri Ghanem said an increase in OPEC oil production is not on its agenda and added that OPEC could do little to change a market situation driven by factors outside its control.

Saudi Aramco's crude oil allocations to refiners in Europe are expected to remain unchanged in June. It also informed its Asian customers that it would maintain June crude allocation at contracted volumes as expected.

Iran and the UN's IAEA held a new round of talks on Monday on Iran's nuclear program. The talks are expected to last three days. The head of the IAEA, Mohamed ElBaradei is due to report in June on Iran's nuclear program to the board of governors and the UN Security Council.

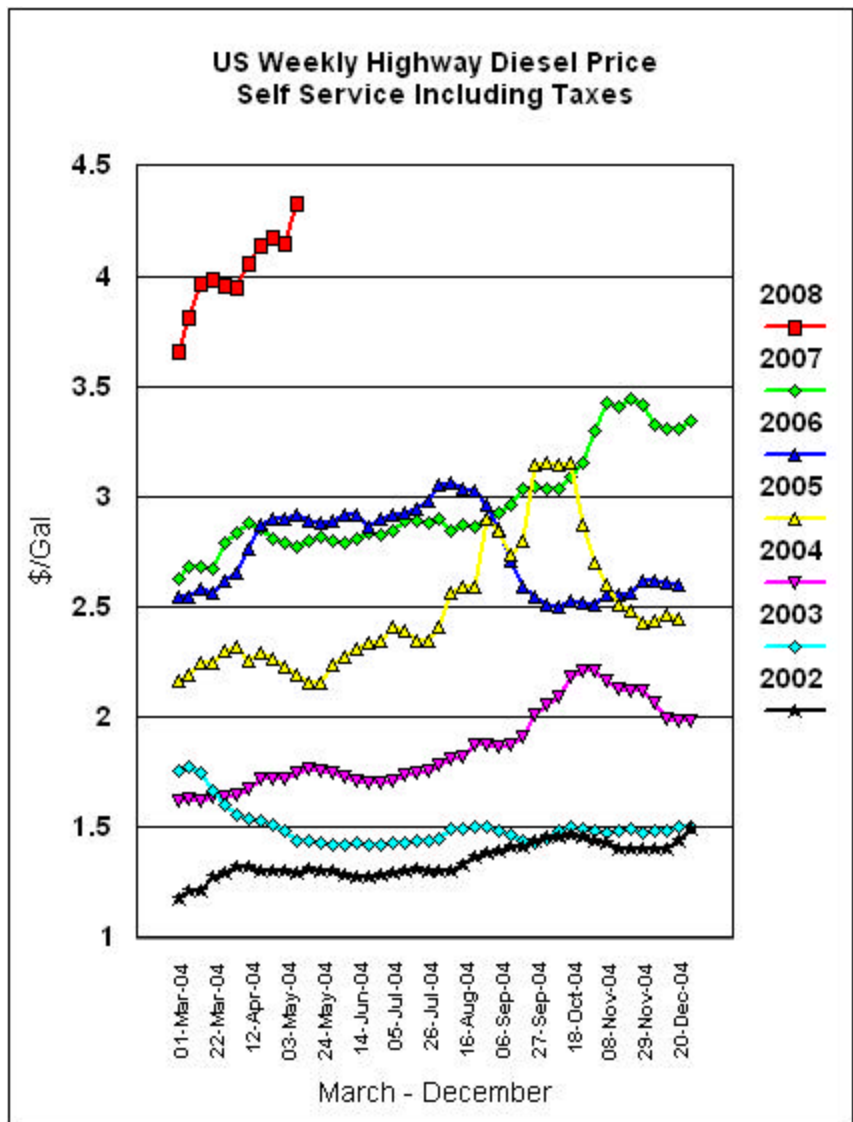
The White House said the Bush administration would resist called to sell crude from the US SPR to help increase available oil supplies in the market and lower prices. White House press secretary Dana Perino said attempts in the past to influence energy prices by using the oil stockpile have not been successful. She also rejected calls from Congress for the administration to stop adding oil to reserve and divert those deliveries to the market.

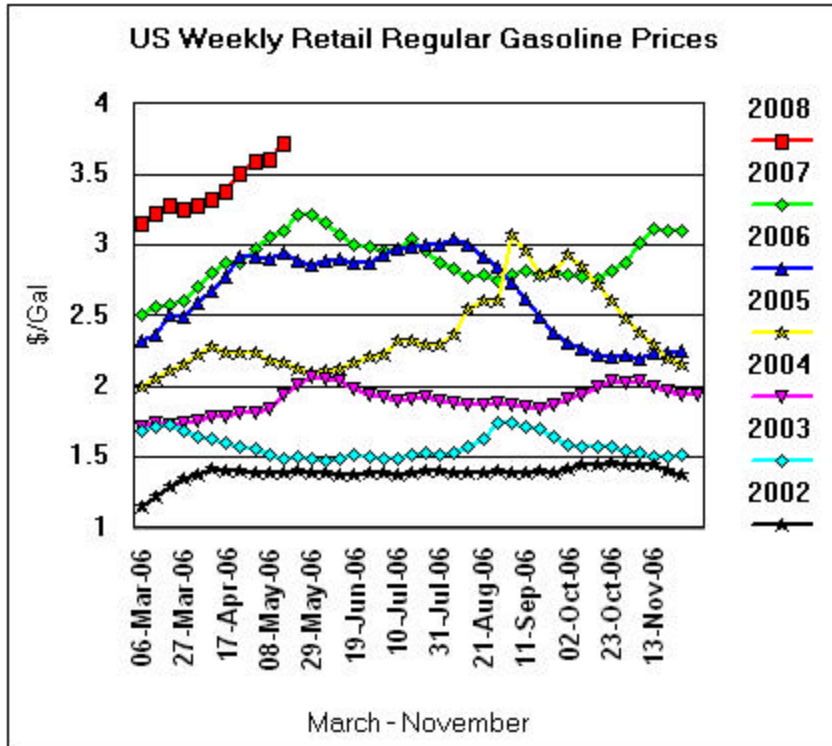
Separately, US Senate Democratic leaders urged President George W. Bush to use his upcoming trip to the Middle East to convince Saudi Arabia to increase its production. In response, the White House said President Bush would press the problems of high oil prices when he meets with the king of Saudi Arabia during his trip.

The EIA reported that the US average price of diesel increased 18.2 cents/gallon to \$4.331/gallon in the week ending May 12. The price is up \$1.558/gallon on the year. The gain was the most since October 3, 2005, when prices rallied 34.6 cents in a week in the aftermath of hurricanes Katrina and Rita. It also reported that the national average price of gasoline increased by 10.9 cents/gallon to \$3.722/gallon on the week.

Refinery News

Ineos Group Holdings Plc's said a fire at its Grangemouth refinery on Saturday would cause a slight delay to the plant's return to full





production, originally scheduled for May 18. The refinery's hydrocracker could be offline for a few weeks to repair fire damage. A port source said the Grangemouth terminal is expected to seek imports of diesel, gasoil and jet. It said the refinery was operating at about 80% of capacity when the fire broke out in a diesel line. The Forties pipeline was not affected by Saturday's fire.

Chevron said it was on track to reach near full rates at its 210,000 bpd Pembroke refinery by the end of the week. The refinery was shut on April 30 after a problem with a boiler forced a shutdown.

Murphy Oil Corp's 35,000 bpd refinery in Superior, Wisconsin is currently undergoing a full

turnaround. The refinery is expected to resume operations by the end of May.

Hovensa LLC shut a crude distillation unit at its 500,000 bpd St. Croix refinery last week for maintenance. The unit was shut last Thursday and maintenance is expected to last until the end of the week or early next week.

Delek US Holding Inc's 58,000 bpd Tyler, Texas refinery cut back the feedstock going to its 20,000 bpd fluid catalytic cracking unit on Sunday while repairs are made to a unit boiler.

Valero Energy Corp said it restarted units at its 135,000 bpd refinery in Wilmington, California on Sunday after a brief electrical power outage and added that they were at planned output levels or moving towards planned rates.

ExxonMobil Corp successfully restarted its 118,000 bpd fluid catalytic cracking unit at its 349,000 bpd Beaumont, Texas refinery over the weekend. A carbon monoxide boiler on the catcracker shutdown and was restarted on Saturday while work to restart the catcracker was underway.

Motiva Enterprises LLC increased its electricity production over the weekend from its in-house generation system at its 285,000 bpd Port Arthur, Texas refinery to prevent a shutdown after Entergy warned the refinery it had to make repairs to an electrical substation.

A fluid catalytic cracking unit and coker unit at BP's 417,000 bpd Texas City, Texas refinery remained shut following a problem in late April.

Credit Suisse said refinery margins in most US regions increased last week as higher product prices offset record high crude costs. US Gulf Coast refinery margins increased by \$1.39/barrel to \$12.36/barrel while Midwest margins increased \$1.32 to \$13.57/barrel. West Coast margins increased

35 cents to \$16.87/barrel while Northeast margins increased 1 cent to \$8.81/barrel. However margins in the Rocky Mountain region fell by \$3.49 to \$15.11/barrel.

Magellan Midstream Partners LP said it continued to expand its Texas infrastructure and plans to build a refined petroleum products pipeline from Port Arthur to Houston, Texas. The new pipeline would have a capacity of 150,000 bpd and is expected to be fully operational by 2011.

China's General Administration of Customs said the country's April crude oil imports fell by 3.9% on the year to 14.24 million tons from 14.816 million tons last year. It reported that for the first four months of the year, crude imports increased 9.8% to 59.77 million tons. It also reported that imports of refined oil products totaled 3.6 million tons in April, up 15% on the year and increased 9.2% on the year to 12.68 million tons in the first four months of the year. Its exports increased by 3.4% on the year to 1.23 million tons in April.

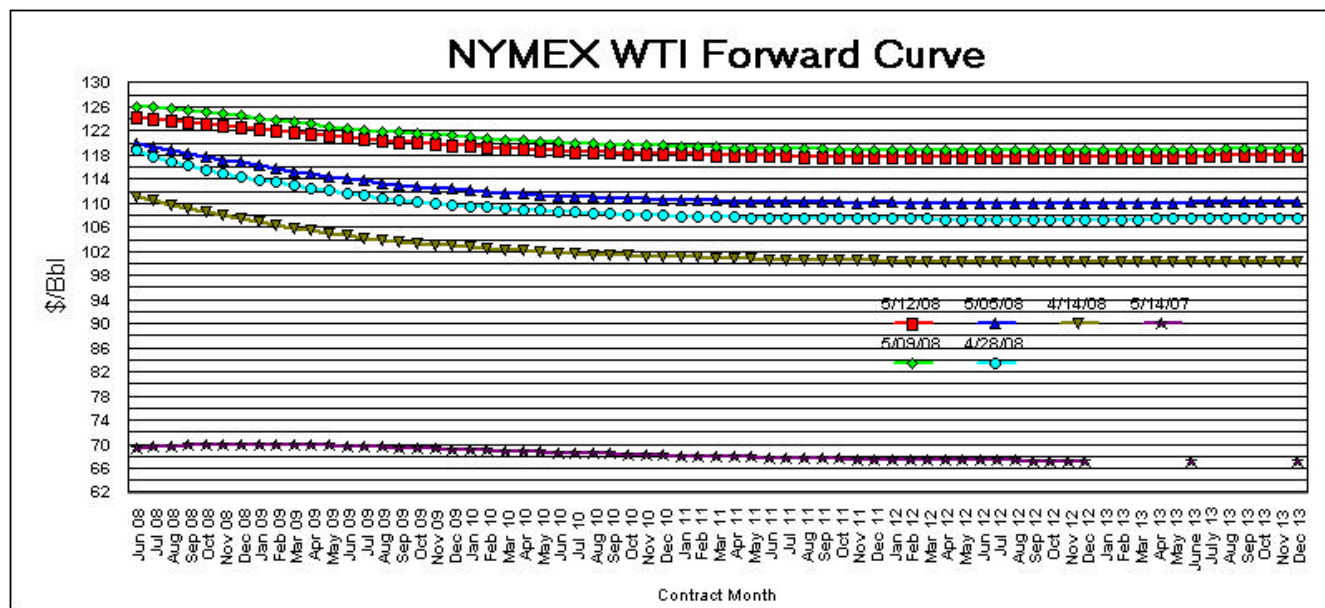
Japan's Fuji Oil co said it aimed to triple its oil product export capacity to 3 million kiloliters a year by the end of 2009. It said it was aiming to export 1 million kl each of gas oil, gasoline and jet fuel. It currently has a capacity of 1 million kl of gas oil a year.

South Korea's Yeochun Naphtha Cracking Center has shut its 857,000 ton/year No. 1 naphtha cracker after a technical problem on Monday, a week after it returned from an earlier outage.

The UAE said it was increasing its diesel imports to help fuel power plants amid a shortage of natural gas. Diesel and fuel oil have already been compensating for a domestic shortfall of 1.5 billion cubic feet of gas.

Production News

BP Plc said most of its crude oil output in Prudhoe Bay, Alaska returned to normal on Monday after a power outage late last week shut all six of its processing plants and the Northstar field, with a combined production level of 400,000 bpd.



Repsol-YPF SA, ExxonMobil Corp, Royal Dutch Shell and Petrobras are expected to cut their diesel fuel production in Argentina due to a labor dispute. Industrial action has been affecting the operations

of Repsol, Petrobras, Occidental Petroleum Corp and BP's Pan American Energy. Some companies have already warned refineries that they would not be able to fulfill contractual obligations. About 8,000 cubic meters of crude and 15 million cubic meters of natural gas production has been cut.

The North Sea Flotta crude system is scheduled to load 87,000 bpd in June, up from 63,000 bpd in May.

The BP-led Baku-Ceyhan crude oil pipeline would pump about 760,000 bpd in June, down from May. June shipments are expected to total 22.8 million barrels, down from 25 million barrels or 806,000 bpd scheduled for May. The slight decline is due to minor maintenance scheduled to the pipeline next month.

Kuwait Oil Co said Kuwait would be able to produce 3 million bpd of oil in a year from now. However it did not give any further details. Kuwait produced 2.59 million bpd in April.

Officials said Azerbaijan's crude oil production increased by 9.9% in January-April to 15.09 million tons. Azerbaijan produced an average of 940,500 bpd in April, up 0.9% on the month. The BP-led group said its output from the Chirag and Azeri oilfields increased by 12.8% in January-April to 12.21 million tons or 746,911 bpd compared to 10.83 million tons last year. Azerbaijan's Socar said its production fell to 2.88 million tons from 2.91 million tons. Azerbaijan exported 11.93 million tons in January-April compared with 9.56 million tons last year. Its exports of refined products increased to 800,000 tons from 700,000 tons.

NYMEX Petroleum Options Most Active Strikes for May 12, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	8	8	P	122	07/17/2008	6.71	3,600	40.59
LC	7	8	P	110	06/17/2008	1.14	1,200	39.72
LC	12	15	P	110	11/20/2015	13.36	1,000	39.04
LC	6	8	C	120	05/15/2008	4.64	968	37.88
LC	7	8	C	118	06/17/2008	9.08	886	31.56
LC	7	8	C	122	06/17/2008	6.69	886	32.66
LC	12	8	P	110	11/17/2008	5.99	800	39.30
LC	12	9	C	122	11/17/2009	15.55	750	15.10
LC	7	8	P	126	06/17/2008	6.67	750	39.78
LC	7	8	C	126	06/17/2008	4.78	750	33.48
LO	7	8	C	160	06/17/2008	0.13	11,971	39.54
LO	7	8	C	150	06/17/2008	0.42	6,260	38.70
LO	7	8	P	120	06/17/2008	3.73	3,630	36.46
LO	8	8	C	150	07/17/2008	1.44	3,110	39.61
LO	8	8	C	160	07/17/2008	0.74	3,101	40.75
LO	7	8	P	110	06/17/2008	1.14	2,954	38.14
LO	7	8	C	125	06/17/2008	5.21	2,631	36.48
LO	6	8	C	120	05/15/2008	4.64	2,585	40.42
LO	6	8	C	128	05/15/2008	0.54	2,296	40.43
LO	8	8	P	85	07/17/2008	0.1	2,204	41.22
LO	6	8	P	120	05/15/2008	0.41	2,178	40.32
LO	6	8	C	125	05/15/2008	1.43	2,048	39.71
LO	8	8	C	113	07/17/2008	14.04	2,000	37.97
LO	6	8	C	113	05/15/2008	11.25	2,000	48.14
LO	9	8	P	105	08/15/2008	2.38	1,854	37.82
LO	8	8	P	90	07/17/2008	0.22	1,850	40.43
LO	7	8	C	140	06/17/2008	1.25	1,813	37.76
LO	7	8	C	135	06/17/2008	2.08	1,736	37.30
LO	9	8	C	125	08/15/2008	8.36	1,734	36.47
OB	7	8	C	3.3	06/25/2008	0.1101	406	38.78
OB	7	8	C	3.11	06/25/2008	0.1843	405	37.20
OB	6	8	P	3.05	05/27/2008	0.052	280	39.38
OB	9	8	C	3.38	08/26/2008	0.1494	230	37.91
OB	9	8	C	3.32	08/26/2008	0.1651	230	37.39
OB	12	8	P	3	11/21/2008	0.274	225	30.29
OB	12	8	P	2.7	11/21/2008	0.1291	225	29.33
OB	12	8	P	2.6	11/21/2008	0.0955	225	29.24
OH	9	8	P	3.4	08/26/2008	0.1389	400	30.48
OH	6	8	C	3.7	05/27/2008	0.0676	235	42.84
OH	6	8	P	3.5	05/27/2008	0.0903	210	41.37
OH	9	8	C	3.48	08/26/2008	0.2933	200	30.82

Lukoil's President Vagit Alekperov said Russia's oil output decline is likely to continue as its tax policy prevents oil firms from investing enough in new Greenfield production. He said investment was also not sufficient for maintaining output at mature fields. Russian oil companies have urged the government to change the tax system and cut the mineral extraction tax as well as expand tax breaks to new oil producing regions.

Petroecuador's crude oil exports increased by 1.47% to 177,554 bpd in April compared with March.

Kazakhstan's Energy Minister Sauat Mynbayev said Kazakhstan would impose sanctions on a Western consortium developing the Kashagan oilfield if it decided to delay its start of production. Under the latest agreement, it is due to start pumping oil at the end of 2011.



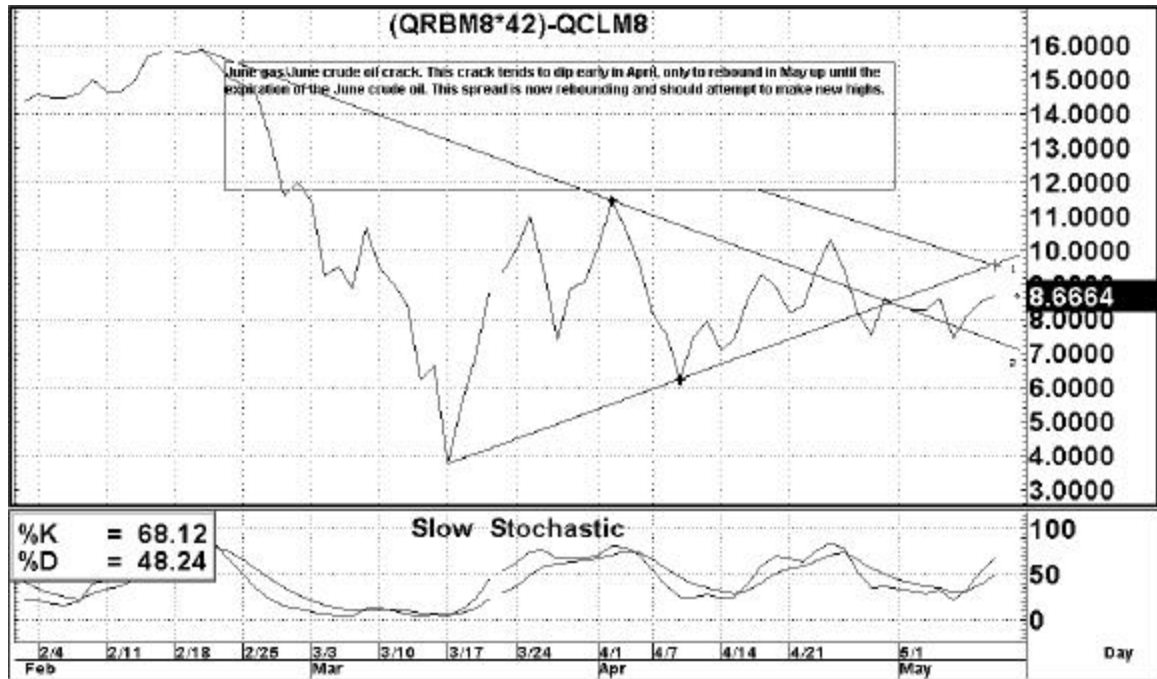
Indonesia's petrochemical firm Trans Pacific Petrochemical

Indotama lifted the force majeure on its port facilities that had been in place since the end of February to allow for existing product stocks to be shipped out.

Market Commentary:

With demand for imports from China declining in April and industrial production in India growing at its slowest rate since 2002, the energy markets came off today. Demand from both of these countries has been one of the main supportive factors behind the record highs. One temporary supportive factor today, was news over the weekend that a fire at the Grangemouth refinery in Scotland would delay the scheduled May 18th reopening of the 200,000 barrels per day refinery, which was shut due to a strike. The forward curve for crude oil is flattening in appearance, which is an indication that the market is due for a correction. Today was the first day out of six days that crude oil settled lower on the day after making a higher high. Slow stochastics are in overbought territory and could possibly be setting up for a cross to the downside. It looks like Friday may have been a false breakout of the top of the ascending channel on the spot continuation chart after today's penetration and settlement back into the channel. The initial downside objective is \$120.36; below that there is support at \$115.03 and \$109.71. Barring any major changes in the DOE/API numbers, we would look for the June contract to test the lower support area. With the deferred months coming under greater pressure, the June/July spread gained some strength today and should this downside continue, June may just continue to gain due to the fact that recent length was put on in the deferred rather than the nearby so, any length lightning will pressure the deferred more. We would also pay close attention to stock levels at Cushing for a better indication where this spread may go. It appears that once again gasoline failed to

gain momentum after breaking out of the ascending channel on the spot continuation chart and may very well test the bottom of this channel as it has done in the past. The June gasoline moved



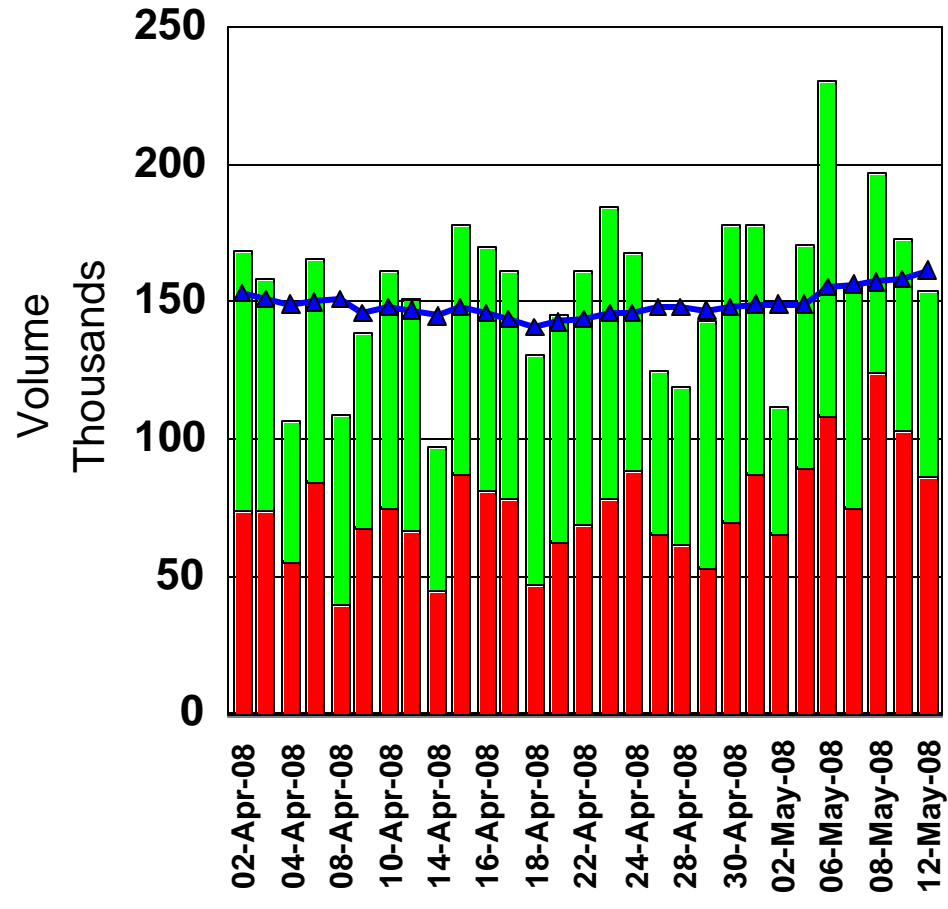
higher today as it has done in past years. As mentioned previously, this crack spread should continue to move out as the June crude oil contract nears expiration. The upside objective on this spread is \$11.50. Heating oil, the hardest hit market today, is the only market that did not work back into the channel it broke out of last Thursday. Before we can say this market is headed lower we would like to see two things happen. Diesel demand overseas slow down and for the June contract to settle back in the channel. The top of this channel will come in tomorrow set at \$352.20. In Friday's wire we indicated that we would like to sell the December 08 heating oil and buy the June09 heating oil. This spread is already showing signs of weakness, settling down 1.4 cents lower than Friday. We would still look for continued pressure on this spread. Total open interest for crude oil 1,455,205 up 10,484, June08 262,650 down 17,574, July08 267,913 up 23,863 and December 08 215,712 up 22. Total open interest for heating oil 236,251 up 1,972, June08 68,957 down 5,561 and July 47,820 up 2,503. Total open interest for gasoline, 257,163 up 326, June 73,368 down 3,673 and July 62,767 up 1,929.

On the option front, calls continued to dominate the interest of traders especially those relatively far out of the money. While on Friday, the soon to expire June \$150 calls, traded over 8,800 times. Today the June call options were not the focus of traders interest, but rather it was in the July calls, with the \$160 and \$150 calls which were the two most active option contracts, trading 11,971 and 6,260 lots respectively. It appears paper was relatively aggressive buyers of these strikes as both traded above settlement prices on the day.

June Crude Support	June Crude Resistance
120.36,116.05,110.30, 85.40	130.25
Heating oil support	Heating oil resistance
3.5100,3.3500,3.1680,3.1070	3.8535,3.7400
Gasoline support	Gasoline resistance
312.05, 30730, 3.0400, 30250, 2.9255	3.2855,3.3755,34655

NYMEX WTI Options Americas & European Options

■ Calls
 ■ Puts
 ▲ 20 Day Moving Avg



April 2- May 12, 2008