

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 2, 2008

The US Energy Department said it has issued a solicitation to purchase about 12 million barrels of oil for the SPR to replace supplies sold following hurricanes Katrina and Rita in 2005. It also said it plans to fill the SPR to its current storage capacity of 727 million barrels in 2009.

Market Watch

Barclays Capital stood by its 2009 oil price forecast of \$76/barrel as it expects improving demand and a fall in supply to support oil prices.

Saudi Arabia is likely to increase the differentials of most of its grades for February due to improved refining margins and as OPEC supply cuts prompt renewed demand for Middle East crude. The increase would further last month's unexpected increase in the January Saudi official selling prices after the increase failed to dampen demand.

The official Oman News Agency reported that Oman approved a budget for 2009 with an estimated shortfall of 810 million rials or \$2.1 billion. The 6.424 billion rial budget was based on an average oil price of \$45/barrel. On Monday, Oman's Oil Minister Mohammad bin Hamad al-Rumhy said the country's oil production would increase to about 810,000 bpd in 2009 from 750,000-760,000 bpd in 2008.

Qatar's Energy Minister Abdullah al-Attiyah said Qatar has taken measures to cut its oil production in line with OPEC's recent decision to cut production. He said Qatar will fully implement its share of the cut effective immediately.

Iran's OPEC governor, Muhammad Ali Khatibi said that meeting before its scheduled March meeting could be a good option to assess the impact of the group's most recent output cut. He said Iran's average output for January would reflect a reduction of 545,000 bpd compared with September levels.

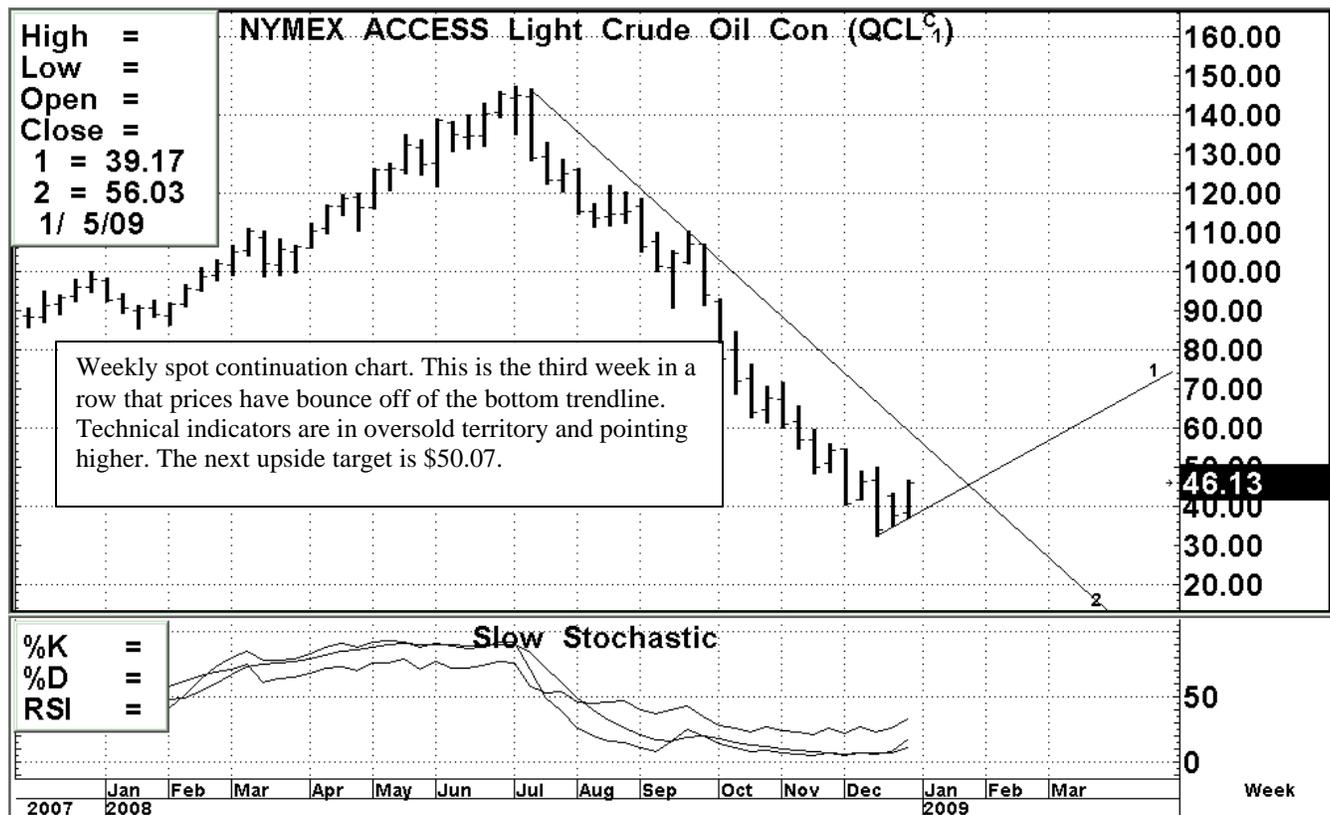
Israel's attacks on the Gaza Strip continued into its sixth day, with the country and Hamas rejecting calls for a ceasefire and the Israeli military recommending to the cabinet a brief but intense ground operation. Media reports stated that Israeli warplanes attacked government installations in the Gaza Strip on Thursday in retaliation after Hamas launching rockets into southern Israel. The leader of Hamas said Israel has to stop its attacks before any truce can be considered and that Israel must lift its economic blockade of Gaza and open border crossings. Meanwhile Palestinian Authority President Mahmoud Abbas has called for the fighting to stop immediately and without any conditions and added that Israel was fully responsible. US Secretary of State Condoleezza Rice said the US is working towards a ceasefire in Gaza that is durable and sustainable after the US rejected a draft UN Security Council resolution that would have condemned Israel and insisted that it halt its attacks. Meanwhile, Egypt has urged Israel against launching a ground offensive against the Gaza Strip and is in contact with Hamas to seek an end to the conflict.

Oil reserves discovered so far on the Ugandan side of the Lake Albert rift basin are estimated at 1 billion barrels. Uganda is set to start an early oil production plan in the fourth quarter of 2009 with an initial production of about 5,000 bpd. It expects to reach full scale oil production in the next five to six years.

OPEC's news agency reported that OPEC's basket of crudes increased to \$35.58/barrel on Wednesday from \$34.95/barrel on Tuesday.

Market Commentary

The energy markets experienced a second day of rallies under light volume conditions. Tensions in the Middle East between Israel and Hamas continue to heat up as bombings between the two stretched into the seventh day. Curbed supplies of natural gas supplies from Russia to the Ukraine also lent strength to the market. Fog in the Houston Ship Channel has curtailed the unloading of cargo, as tankers were not permitted to dock. This brings with it thoughts of shortages of near-term supply. Late news that the government had issued a solicitation to restock the SPR to current capacity level of 727 million barrels will also add to the bullish tinge. The solicitation will be for 12 million barrels of crude oil. The shape of the forward curve is still indicative of an oversupplied market occurring at a time when demand is still suffering. We would, however, look for the February/March crude oil spread to gain strength as the outright market moves higher. Our initial upside target for this spread is \$-3.05. Any successful attempts to trade above this number should be considered a buying opportunity, with any failed attempts selling opportunities. Technically, this market appears to be gaining momentum to the upside. We would look for the aforementioned fundamentals to continue to lend support to this market. Basis the February crude oil contract, we would look for an initial test at the \$50.07 resistance area. We do feel that there is still some old length left in this market and that any significant rallies will be met with length lightening. Thoughts of a brighter economy circulated the marketplace, helping to prop up both the gasoline and heating oil markets. With President-Elect, Barack Obama soon to take office, anticipation of a productive stimulus package gave hope of a recovering U.S. economy. With these



hopes, came thoughts of greater demand for fuel. Time will tell as to whether or not the new administration will be able to gain the trust of its people. For now we would remain cautious buyers working with tight stops.

Open interest: FEB.09 286,437 +7,136 MAR.09 145,750 +4,731 APR.09 61,052 -473 MAY.09 40,401 +3,372 Totals: 1,164,760-+18,729 Heating oil (HO FEB.09 56,094 -70 MAR.09 32,810 +1,029 APR.09 20,532 +569 Totals: 225,317 -1,205 NEW YORK HARBOR RBOB GASOLINE (RB FEB.09 79,168 +195 MAR.09 29,864 +457 APR.09 20,134 +52 Totals: 190,884 -3,580.

Crude Support	Crude Resistance
34.31, 33.75, 32.25, 29.66, 28.63, 26.65, 25.50	47.50, 50.07, 52.95, 53.75, 57.20
Heat Support	Heat resistance
1.3605, 1.2785, 1.1895	1.5400, 1.6715, 1.7185, 1.7670
Gasoline support	Gasoline resistance
.9669, .8978, .8755, .7760, .6840	115.75, 120.50, 121.90, 136.14