

W The Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 23, 2008

OPEC's President Chakib Khelil believes OPEC members will fully comply with its production cuts by March 15. He said that by February, OPEC members should see at least a compliance of 80%. OPEC could hold an extraordinary meeting before March if oil prices continue to decline. Some OPEC ministers will attend an Arab economic summit scheduled for January 19 in Kuwait which could be a forum for the group to review the oil market situation. In regards to Russia, OPEC's President said OPEC expects Russia to contribute to production cuts rather than simply benefit from OPEC's action. Separately, Venezuela's Energy Minister Rafael Ramirez said OPEC may hold an emergency meeting before its next scheduled meeting in March.

Russia's Prime Minister Vladimir Putin said the world financial crisis could impact the gas sector harder than the oil sector. Russia hosted energy ministers from 12 gas exporting countries to create a new gas group. The gas group is being founded on the basis of an existing informal group called the

December Calendar Averages

CL – \$42.84

HO – \$1.4614

RB – \$.9919

Market Watch

WSI Corp forecast that temperatures will be colder than normal across most of the US in the three month period from January-March. In the US Northeast, temperatures will be above normal in January and average below normal in February and March. It said that while February and March are expected to be colder than normal on average, the Northeast will experience greater temperature fluctuations than other regions. Much of the rest of the US will be unusually cold from January through March.

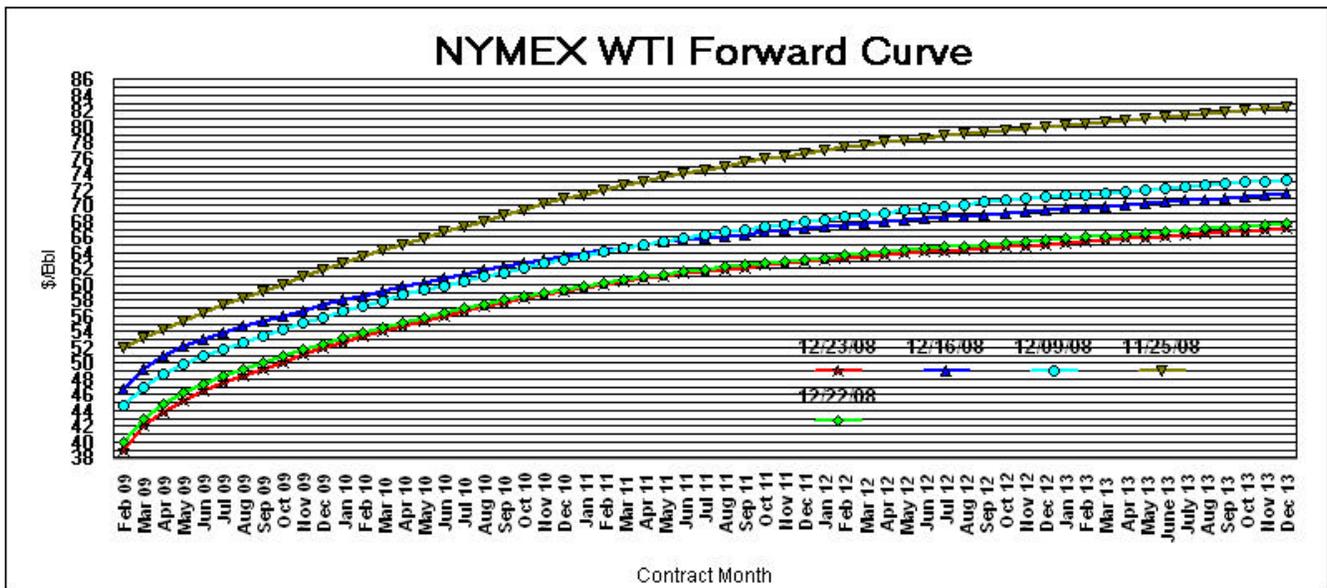
Separately, WSI Corp reported that the Atlantic hurricane season will be unusually active in 2009 amid warm ocean temperatures and wind conditions that are conducive to storm development. It is forecasting 13 named storms, seven hurricanes and three hurricanes of Category 3 or higher.

According to a Reuters survey, analysts estimate the price of WTI in 2008 will average \$100.43/barrel. Analysts have also cut their 2009 forecast by more than \$14/barrel to an average of \$58.48/barrel as the recession dampens demand for fuel worldwide. Analysts estimate the price of WTI in 2010 will average \$76.16/barrel. Meanwhile analysts believe Brent crude prices will average \$98.71/barrel, \$57.21/barrel and \$73.97/barrel in 2008, 2009 and 2010, respectively.

Iraq's government has delayed its launch of a new bidding round for oil and gas contracts until December 31. Oil officials had planned to announce Iraq's second round of bidding for major oil contracts at a conference in Baghdad on December 29.

South Korea will lift its tariff on imports of crude oil to 3% from the current 1% starting in March 2009.

According to the Commerce Department, sales of new US single family homes fell by 2.9% in November to 407,000, the lowest rate since January 1991. Inventories of new homes for sale fell by 7% to 374,000 in November. The Commerce Department also reported that the economy contracted in the quarter at a 0.5% annual rate, the worst since 2001.



Gas Exporting Countries Forum, which includes 16 countries. The forum members deny they are going to control prices.

According to a report by MasterCard Advisors LLC, US gasoline demand increased by 3.4% to 9.407 million bpd in the week ending December 19th. Demand in the last four weeks averaged 9.3 million bpd. Year to date gasoline demand is down 3.2% from the same period in 2007. US retail gasoline prices fell for the 12th consecutive week, falling by 1 cent or 0.6% on the week to \$1.66/gallon.

According to Al Jazeera, Pakistan's media reported that the country's military is on high alert over a possible attack by India. This came as India said it had handed over to Pakistan a letter from the only surviving attacker from last month's rampage in Mumbai. New Delhi said it will explore all options to push Pakistan to crack down on cross-border attacks. It also called for more pressure to be put on Pakistan to cooperate with the investigation into the attacks.

Refinery News

The EIA stated that planned and unplanned outages of crude oil distillation units at US refineries will be fairly typical through March 2009. Estimated total outage levels are forecast to total 651,931 bpd in January, 1.028 million bpd in February and 1.084 million bpd in March.

Colonial Pipeline said it was freezing nominations for shipping oil products on its Linden, NJ pipeline L2 during cycles 71 and 72. Colonial Pipeline said it will allocate gasoline shipments on Line 2 north of Collins, Mississippi for the second cycle of 2009.

The US Coast Guard said ships resumed moving along the Houston Ship Channel early Tuesday afternoon after a two hour halt due to dense fog. There was no significant backlog of ships due to the stoppage.

Western Refining Co's 107,000 bpd refinery in El Paso, Texas resumed normal operations after it cut its sour crude rates on Monday due to flaring at the refinery.

Valero Energy Corp's 182,000 bpd Delaware City, Delaware refinery was not impacted by problems at a CO boiler at its coker unit and a tail gas unit at its sulfur recovery unit.

China's Sinopec Corp and PetroChina have agreed to increase their Saudi crude oil imports by about 4% or 30,000 bpd next year. While imports directly by Sinopec Corp and PetroChina will increase only

modestly to about 750,000 bpd next year, total Saudi imports should increase above 800,000 bpd as a new joint venture refinery starts. China's total imports of Saudi crude are expected to reach 820,000 to 850,000 bpd in 2009, up from about 720,000 bpd this year.

Abu Dhabi National Oil Co has informed India's Bharat Petroleum Corp that supplies for January could be cut. BPCL buys about 40,000 bpd of crude from ADNOC.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending December 23 fell by 2.331 million barrels to 15.705 million barrels. It reported that Singapore's light distillate stocks built by 899,000 barrels to 9.354 million barrels while its middle distillate stocks built by 975,000 barrels to 11.988 million barrels on the week.

Production News

Asian buyers of OPEC crude received no notices overnight of any further supply cuts following the group's agreement last week to make its largest output cut. Saudi Arabia preempted OPEC's decision by informing some customers two weeks ago of modestly sharper cuts in January, however many refiners expected more cuts to come.

Apache Corp has shut two oil fields with combined production of 13,200 bpd off Australia's western coast as a cyclone in the region showed signs of intensifying. Apache suspended production from the 8,000 bpd Stag and 5,200 bpd Ocean Legendre oilfields.

Iraq's Oil Ministry reported that the country's oil exports increased slightly in November to an average of 1.76 million bpd, up from 1.7 million bpd in October. Iraq's Basra exports totaled 1.45 million bpd, up from 1.38 million bpd in October while its Kirkuk exports from the north fell to 310,000 bpd from 319,000 bpd in October. Monthly revenues for November were \$2.299 billion, down from \$3.11 billion in October. Separately, a shipping agent said Iraq's crude exports from the southern Basra terminal fell by 456,000 bpd to 984,000 bpd over the past two days.

A BP led consortium has partially resumed production at the last Azeri offshore platform that was still shut after a gas leak in September. BP had suspended oil production at two platforms, Western and Central Azeri, at the Azeri-Chirag-Gyuneshli field due to a gas leak.

China's NCPCC said its oil production will reach 189 million tons this year or 3.77 million bpd while its gas production will reach 76 billion cubic meters. It said China has 380 million tons of crude oil refining capacity, up from 327 million tons in 2007.

Indonesia's BPMIGAS expects the country's crude oil and condensate production in 2009 to fall by 1.8% on the year to 960,000 bpd. It said the fall in production is due to declining production in Chevron's oil blocks. Several oil blocks owned by BP Plc and Pertamina are expected to start production next year but will only partly compensate for the fall at Chevron's blocks.

Oil production at Mexico's Akal-Hohoch field, the main producer in the Cantarell complex, fell by 5.7% on the month in November to below 800,000 bpd. Output at Mexico's Cantarell field fell by 4.3% in November to 905,890 bpd. Pemex expects the Cantarell complex to pump 700,000 bpd at the end of 2009.

Total announced that its Total E&P Nigeria Ltd subsidiary discovered hydrocarbons in the area within the south-eastern corner of Oil Mining License 102, offshore south-eastern Nigeria.

Colombia's Ecopetrol said it has signed an agreement with Norway's StatoilHydro to drill three deep water oil wells in the Gulf of Mexico. The agreement also calls for the companies to carry out several projects in the Gulf of Mexico over the next seven years.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$36.92/barrel on Monday from \$37.72 on Friday.

Market Commentary

The oil market remained pressured amid continuing signs of a weakening economy. The Commerce Department reported that the US economy contracted at a 0.5% annual rate in the third quarter. The crude market, which continues to trade within its 5-month downward channel, breached its previous low and sold off to a low of \$37.79 by mid-day as concerns over weak demand continued to pressure the market. The market however bounced off its low and retraced some of its losses ahead of the close. It settled lower for the seventh time in eight days, down 93 cents at \$38.98. On Wednesday, the market will be driven by the weekly petroleum stock, which are expected to show a slight draw in crude stocks of about 200,000 barrels. The market is seen finding support at \$37.79 followed by major support at \$30.66, basis a support line. The product markets also settled in negative territory, with the heating oil market settling down 1.45 cents at \$1.327 and the RBOB market settling down 3.02 cents at \$.8560. The heating oil market sold off early in the session and posted a low of \$1.3012 amid the sell off in the crude market. The market, which tested its support and held, later bounced off its lows and retraced most of its losses ahead of the close. The February heat crack spread continued widen and trade towards our \$19.34 objective amid a revised weather forecast calling for colder temperatures in next 8-14 days. The RBOB market, which posted a high of \$.9075, sold off to a new low of \$.8210, a low not seen since December 2003. Similar to the rest of the complex, it bounced off its low and retraced its losses ahead of the close. The markets will remain in their downward trend as long as the economic news remains bearish. The heating oil market is seen finding support at \$1.3005, \$1.1895 and \$1.0122 while the RBOB market is seen finding support at .8210 followed by .7760 and .6840.

Open interest: Crude FEB.09 276,728 -75 MAR.09 123,648 +2,863 APR.09 54,938 +1,886 Totals: 1,135,541 +3,130 Heating oil (HO) JAN.09 21,122 -2,369 FEB.09 48,830 +3 MAR.09 29,766 -547 Totals: 228,371 -1,188 NEW YORK HARBOR RBOB GASOLINE (RB) JAN.09 27,204 -5,344 FEB.09 71,421 +2,263 MAR.09 25,862 -11 Totals: 201,659 -2,704

Please note the NYMEX floor will close early at 1:30 pm EST on Wednesday and will be closed Thursday for the Christmas holiday. Normal trading hours will be observed on Friday. Electronic trading on Globex will close at 5:15 pm EST on Wednesday and reopen at 6pm EST on Thursday for the Friday session.

Due to the Christmas Holiday our next report will be December 29th.

Crude Support	Crude Resistance
33.75, 32.25, 29.66, 28.63, 26.65, 25.50	43.44, 44.93, 47.50, 50.07, 52.75, 53.75, 57.20
Heat Support	Heat resistance
1.3005, 1.1895	1.488, 1.6067, 1.6715, 1.7185, 1.767
Gasoline support	Gasoline resistance
.7760, .6840	.9850, 1.00, 1.1575, 1.205, 1.219, 1.3614

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