



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Zachariah Yurch & Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 30, 2008

An OPEC source said OPEC has not scheduled a meeting of its advisory committee on output ahead of Friday's full ministerial meeting. The Ministerial Monitoring Committee usually meets to advise ministers on output policy. Meanwhile, an OPEC delegate said there has been no talk within OPEC of increasing its production at its meeting on Friday. He said it was too early to say whether OPEC may adjust its output at its March 5 meeting. OPEC President Chakib Khelil said OPEC would make the right decision based on a weakening global economy and second quarter demand.

Jan Calendar Averages

CL – 92.99
HO – 256.27
RB – 236.46

Market Watch

The Federal Reserve on Wednesday lowered its Fed funds rate by 50 basis points to 3%. The Federal Open Market Committee signaled it was willing to ease the rate further in the coming weeks. However they stated that the cumulative 225 basis points cut over the past four months may be enough to keep the economy on track. The Fed also lowered the discount rate by 50 basis points to 3.5%.

According to the US Office of the Special Inspector General for Iraq Reconstruction, the Iraq government could see windfall from higher oil prices this year. It said oil revenues represent more than 80% of Iraq's \$48 billion 2008 budget. The government of Prime Minister Nuri al-Maliki based its revenue estimates on an average oil price of \$57/barrel, well below the average price of \$85/barrel forecast by the DOE. Iraq's oil production averaged 2.38 million bpd in the last three months of 2007. An official said Iraq could have a windfall of \$15 billion in 2008.

UK Prime Minister Gordon Brown said increasing energy prices were causing world inflationary pressures.

Valero Energy Corp chief executive Bill Klesse said the US economy did not look likely to enter a recession. He also stated that while gasoline demand was weak, the gasoline and diesel markets are expected to gain strength in March.

According to a study by the University College London, a half degree Celsius temperature increase in the Atlantic Ocean is associated with a 40% increase in hurricane frequency. The team showed ocean warming was directly linked to the frequency, strength and duration of hurricanes.

Saudi Arabia's Oil Minister Ali al-Naimi said current world oil market fundamental forces were sound, offering little indication that OPEC would change its production policy. The head of OPEC affairs at Iran's Oil Ministry, Javad Yarjani also said he did not expect OPEC to decide to change its output levels at its meeting. Iran's Oil Minister Gholamhossein Nozari said the market was sufficiently

supplied and he saw no need for OPEC to increase its production. Meanwhile, the head of Libya's oil policy and chief executive of Libya's National Oil Co, Shokri Ghanem said he did not see a need for OPEC to change its current production policy. OPEC Secretary General Abdalla Salem el-Badri said a Federal Reserve rate cut would lead to weakening the dollar, which in turn would lead to higher oil prices. He also stated that there would be a surplus of oil in the second quarter demand period.

UAE Oil Minister Mohammed al-Hamli said he was concerned about the possible impact the US mortgage crisis would have on the world economy and oil markets. He said OPEC was monitoring the impact of a possible slowdown in the world economy on oil demand and added that it would discuss the matter at its meeting on Friday. He said a weak US dollar was a factor behind the high oil prices and was eroding the revenues of oil producers and impacting their spending power. However he said OPEC was committed to pumping more oil when the market needs it.

US Energy Secretary Sam Bodman said OPEC needs to increase its production at its meeting on Friday to rebuild world oil inventories and help the US economy.

The US EIA said US crude oil prices are expected to remain above \$85/barrel through June even if OPEC maintains its current output policy.

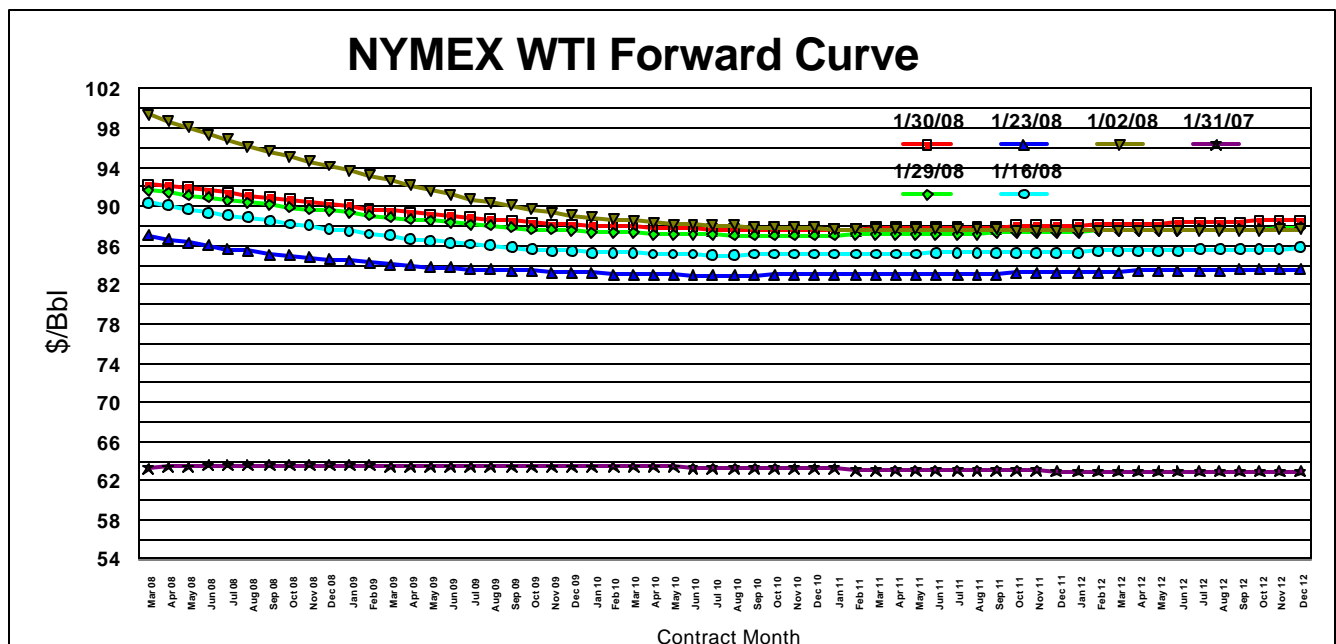
The DOE reported that US ethanol supplies fell by 2% or 229,000 barrels in November to 11.194 million barrels amid the lower prices for the alternative fuel.

Refinery News

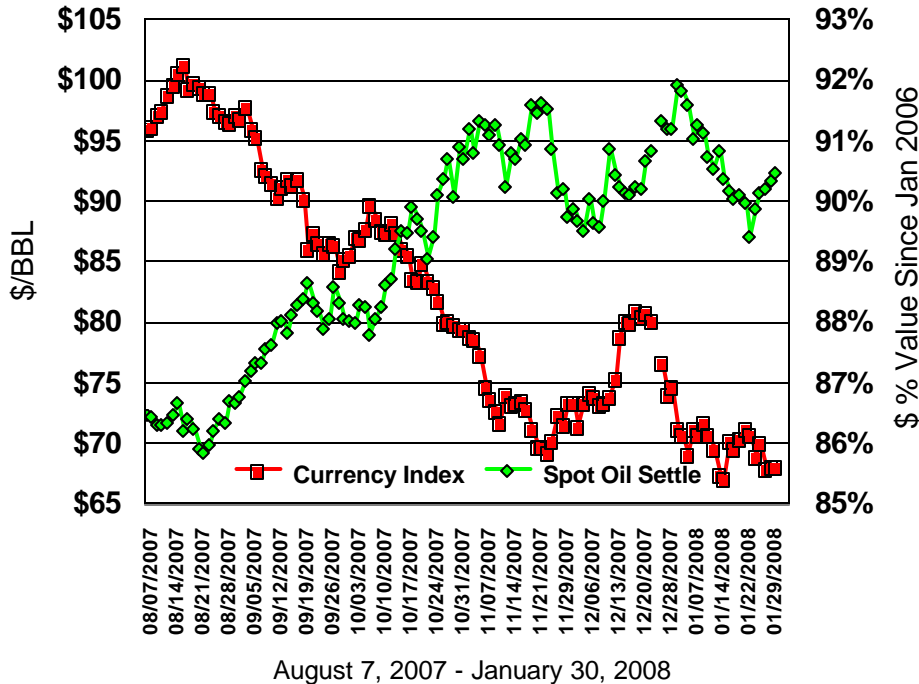
Alon USA said it briefly reduced the charge to the fluid catalytic cracking unit at its 70,000 bpd refinery in Big Spring, Texas after a boiler shutdown.

BP Plc shutdown the larger of two fluid catalytic cracking units at its Texas City, Texas refinery for maintenance following an electrical problem in an air blower while the rest of the refinery continued to operate normally.

According to a broker, crude oil once bound for the refinery in Aruba was being marketed on the Gulf Coast. Valero Energy shut its 255,000 bpd Aruba refinery due to a fire on January 25. Most of the



Spot WTI NYMEX Settle Vs Dollar Basket U.S. \$ Vs Basket of Currencies Of Net Oil Importers \$ % Value Since January 2, 2006



units are expected to restart in two weeks.

Norway's StatoilHydro said its 200,000 bpd Mongstad refinery was operating near its 186,000 bpd capacity after a fire forced a shutdown last week. It said it would be close to full capacity by the end of the week. The refinery was able to cover any shortages with fuel from storage.

Bayernoil's 120,000 bpd Neustadt refinery in Germany is scheduled to shutdown between April 14 and May 15 for maintenance.

An Iraqi pipeline carrying oil products between Iraq's Baiji refinery and

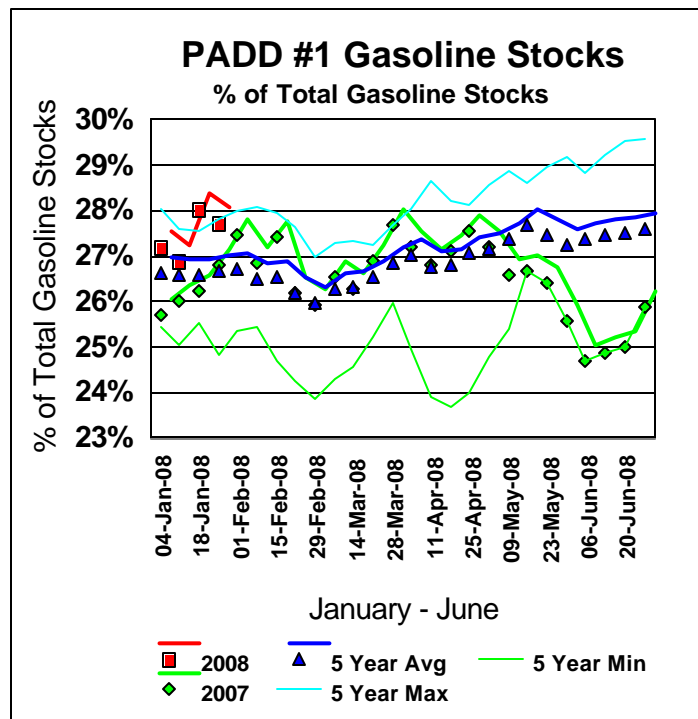
another facility was cut due to a fire on Wednesday. Officials stated that leakage from holes drilled in the pipeline by people attempting to steal oil caused the fire. Meanwhile, Iraq resumed exports of its Kirkuk crude via Turkey late on Tuesday. The pumping of Kirkuk crude was halted on Saturday. The northern pipeline had some corrosion, which required repairs and the stoppage of crude flows. Storage levels at the terminal stood at about 600,000 barrels.

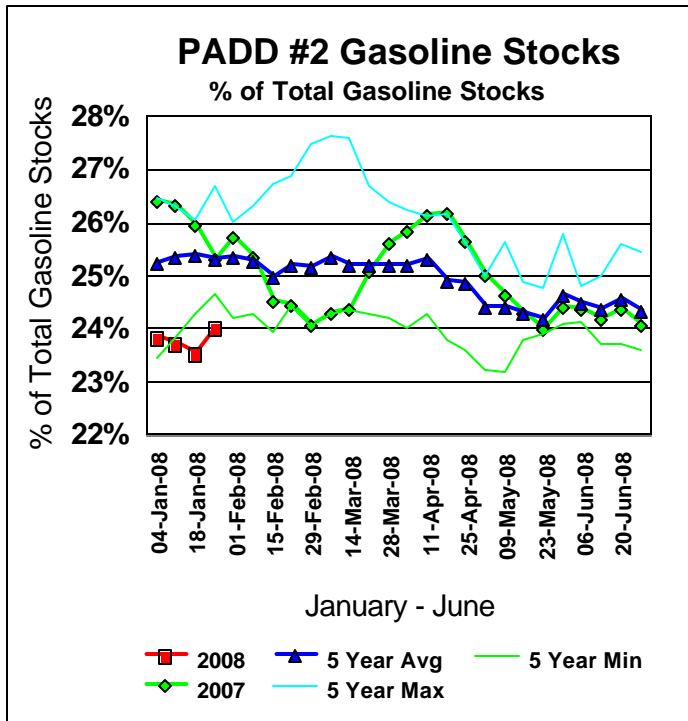
Turkey's Bosphorus Strait reopened to tankers longer than 200 meters on Wednesday after it was closed due to bad weather on Tuesday.

A Reuters survey showed that South Korean refiners are expected to cut February fuel oil exports by 42% on the month to 220,000 tons as they lower crude processing rates due to poor margins.

South Korea's SK Energy is expected to shut its 102,000 bpd No. 1 residue fluid catalytic cracking unit for about a month in June for maintenance.

The Petroleum Association of Japan reported that Japan's crude inventory built by 1.39





million barrels in the week ending January 26 to 100.92 million barrels as refiners cut runs. Japanese refiners operated their facilities at an average 88% of total capacity of 4.9 million bpd. It was down 0.9% on the week. It reported that crude runs fell by 40,000 bpd to 4.31 million bpd. The PAJ also reported that gasoline stocks built by 210,000 barrels to 13.99 million barrels while kerosene stocks fell by 2.13 million barrels to 23.17 million barrels on the week.

According to official government data, India's domestic oil product sales in December increased by 4% on the year to 10.95 million tons. It also reported that domestic diesel sales increased by 10.7% on the year to 4.36 million tons.

Production News

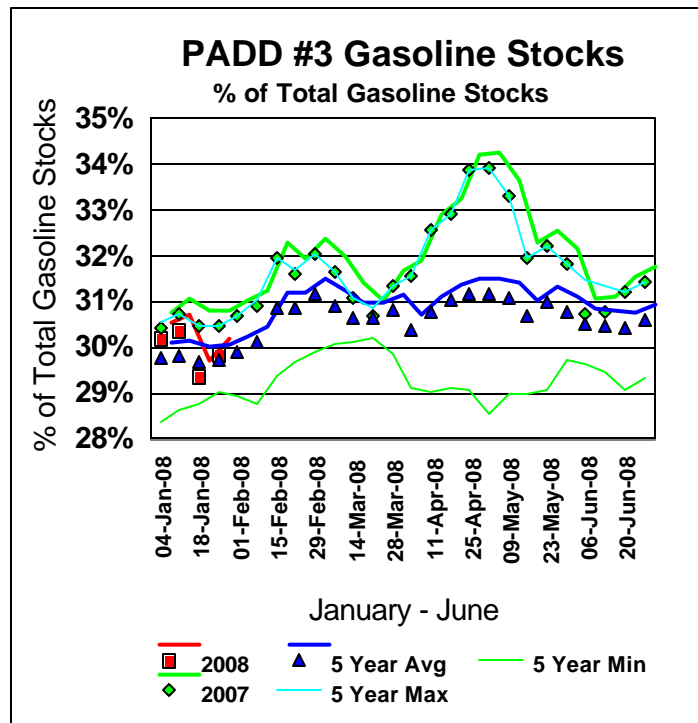
The oil sands projects operated by Suncor Energy Inc and Royal Dutch Shell are

operating normally despite the cold snap in northern Alberta that forced Syncrude to suspend production at its 350,000 bpd project. Suncor's output was at about 260,000 bpd while Shell's production totaled 155,000 bpd.

Separately, Suncor Energy Inc said its board approved a C\$20.6 billion investment aimed to increasing its crude production at its oil sands operation. The investment would increase its production by 200,000 bpd and help the company achieve its goal of increasing crude production capacity to 550,000 bpd in 2012. It said C\$11.6 billion would be spent on a coker unit.

According to data submitted by Saudi Arabia to the Joint Oil Data Initiative, Saudi Arabia increased its production in December by 2% on the month to 9.206 million bpd. However the country cut its exports by 2.2% or 161,000 bpd to 7.209 million bpd. The data also showed refinery intake of 2.079 million bpd of crude, up 821,000 bpd on the month from 1.258 million bpd in November.

Hess said its production in 2008 is expected to increase to between 380,000 and 390,000 bpd of oil equivalent from 377,000 bpd of oil equivalent in 2007. It also stated that its capital spending would increase to \$4.4 billion in 2008, up from \$3.9 billion last year. It said most 2008 spending would be focused on exploration and production.



Ecuador's Central Bank reported that the country's average oil production stood at 509,119 bpd between January and November 2007, down 5% from 537,949 bpd in 2006. Petroecuador's oil production averaged 257,069 bpd in January-November 2007. Ecuador's total January-November 2007 oil production was 170.05 million barrels, down from 179.68 million barrels in 2006.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$88.39/barrel on Tuesday from Monday's \$87.18/barrel level.

Market Commentary

For most of the session, volume was light to moderate on both the NYMEX trading floor and electronic trading in anticipation of the DOE/API stock level release and an announcement by the Federal Reserve in regards to another rate cut. In response to a 3.6 million barrel build in stocks, higher than expected, the crude oil market's initial reaction was to trade slightly lower to sideways and appeared to be

awaiting the announcement in regards to rate cuts. After the announcement of a 0.5% rate cut, prices worked higher, but remained

		Explanation	
CL	Resistance	94.05, 94.30, 95.75, 99.77, 100.15	Previous high, 62%(99.77&85.42), Previous highs
	Support	92.60, 92.71	Wednesday's high
HO	Resistance	91.66, 91.24	Wednesday's low
	Support	90.90, 90.55, 88.78, 86.55, 85.90, 85.37, 85.25	Previous lows
RB	Resistance	256.53, 257.30, 259.00, 260.49	50%(273.31&239.75), Basis trendline, Previous high, 62%
	Support	255.49	Wednesday's high(March contract)
RB	Resistance	253.40, 252.19	Wednesday's low (March contract)
	Support	250.45, 247.38, 245.65, 242.05, 240.84, 239.75	Previous low, Basis trendline, Previous lows
RB	Resistance	240.42, 241.25, 242.89, 247.18, 247.50	Basis trendline, triple top, 50%(261.10&224.67), 62%, high
	Support	237.90, 239.36	Wednesday's high(March contract)
RB	Resistance	236.65, 235.50, 234.95	Wednesday's low(March contract)
	Support	234.66, 231.79, 230.02, 226.20, 224.67	Previous lows, Basis trendline, Previous lows

below the high set through the night on Globex. Crude oil imports were 100,000 barrels lower than that of the previous four week average and are unchanged from the same four week average of a year ago. Currently, stock levels are set at 293.0 million barrels and are in the lower half of the average range for this time of year. Gasoline stocks built by 3.6 million barrels and are at the upper limit of the average range. Demand is said to be at 9.1 million barrels per day or 1.45% greater than a year ago. Distillate stocks fell by 1.5 million barrels and are sitting in the lower half of the average range. Demand for distillate is 4.2 million barrels per day, based on a four-week average and are 0.4% lower than that of last year. Our current outlook for prices continues to look for higher levels and should test the \$94.05 triple top in the March contract. We would like to buy dips in this market down to the \$90.90 support level, with stops set below \$90.55. The near-term upside objective at this point would be \$94.29, the 62% fibonacci retracement level using the range of \$85.42 and \$99.77. Upon examination of the forward curve it appears that length is being put in the back end, with selling taking place in the middle of the curve. Based on this, the June08/Dec08/Dec09 butterfly looks like a good strategy, whereby one would sell the June08 and the December 09 and buy the December 08. This butterfly settled at -.62 cents and could easily weaken to as much as -\$1.00 and beyond. Open interest in crude oil is 1,365,807 up 8,547, March08 378,806, up 1,097 and April08 106,010 up 1,696. The heating oil market, which posted a high of 256.38 in overnight trading, retraced some of its gains ahead of the release of the DOE report. However the market bounced back into positive territory before it sold off to a low of 253.08. The market later retraced its losses following the Fed announcement. It settled up 75 points at 254.93. Meanwhile, the RBOB market posted a high of 235.25 in overnight trading and retraced its gains as it sold off to a low of 230.65 in light of the larger than expected build in gasoline stocks. The market later bounced off its low and traded towards

233.50 on the close. It settled up 45 points at 233.40. The product markets are seen remaining supported ahead of the February product expiration at the close on Thursday. Technically, the markets have posted their near term bottoms and are seen continuing their upward trend. In the heating oil, support basis the March contract is seen at 253.40, 252.19 followed by 250.45, 247.38, 245.65, 242.05, 240.84 and 239.75. Resistance is seen at 255.49, 256.53, 257.30, 259.00 and 260.49. In the RBOB, support basis the March contract is seen at 236.65, 235.50 and 234.95. More distant support is seen at 234.66, 231.79, 230.02, 226.20 and 224.67. Resistance is seen at 237.90, 239.36, 240.42, 241.25, 242.89, 247.18 and 247.50.