The Windham Group
Energy Futures Brokerage

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 DECEMBER 11, 2007

Crude oil shipments on the Seaway pipeline, which runs from the US Gulf Coast to Cushing, Oklahoma was running at reduced rates due to customers' inability to accept deliveries at Cushing following an ice storm in the area on Monday. It is storing oil that cannot be delivered to Cushing at its terminals in the Gulf Coast. The storm has also shut TEPPCO's 4.5 million barrel storage terminal at Cushing. In addition, the Enbridge terminal at Cushing was also shut as well as the 125,000 bpd Spearhead, 200,000 bpd Ozark and Osage pipelines. Magellan Midstream Partners LP said power was restored to the 115,000 bpd Osage crude oil pipeline, which originates in Cushing, Oklahoma, allowing it to receive oil deliveries after it was shut in on Monday. Its Tulsa, Oklahoma oil terminal was also shut after the storms. It also said power was restored to its Oklahoma City, Oklahoma fuel terminal late Monday. Meanwhile, refiners in the region continued to operate normally.

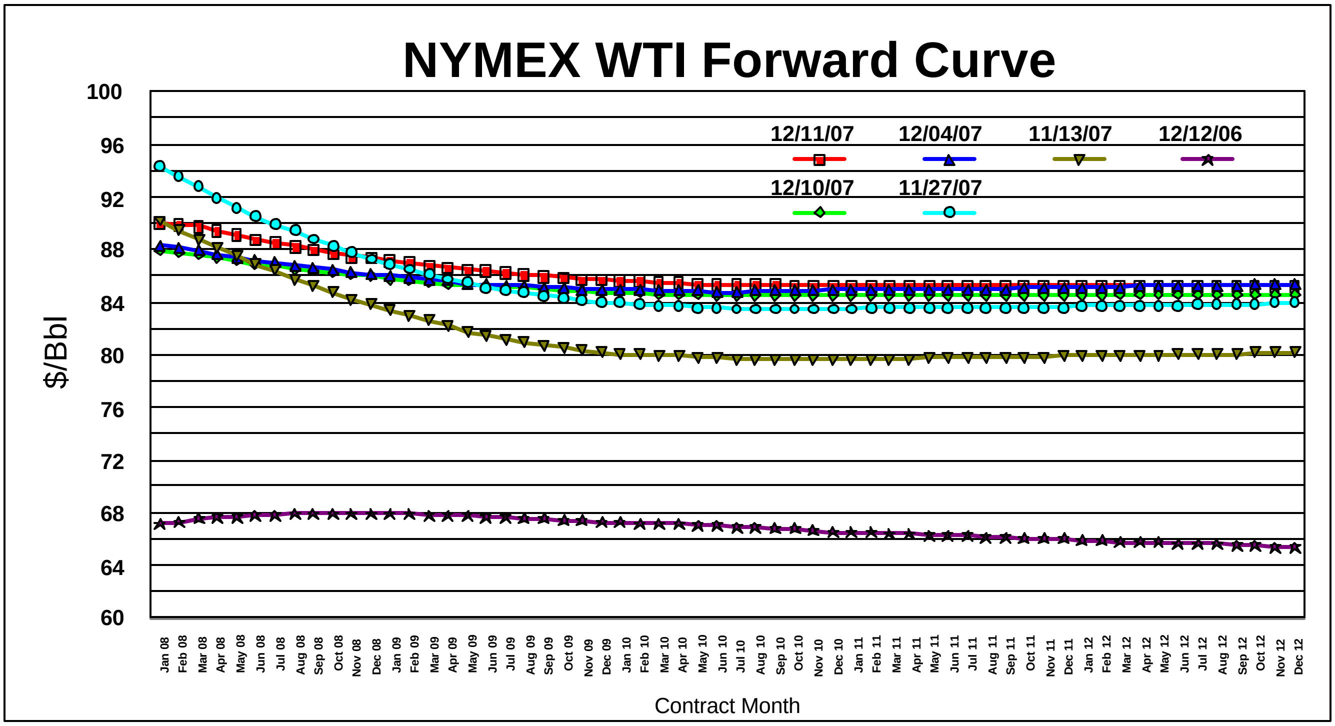
Market Watch

The IMF First Deputy Managing Director, John Lipksy said world growth may be cut by financial market turmoil and added that the risks to the US economy have increased.

The US State Department said it was disappointed that China's Sinopec signed an agreement to develop Iran's Yadavaran oilfield. Iran has estimated that the Yadavaran oilfield holds 3.2 billion barrels of recoverable crude oil and 2.7 trillion cubic feet of recoverable natural gas.

US President George W. Bush called on Iran to explain its weapons programs, adding that the country should not be allowed to enrich uranium. He said Iran would become more dangerous if it learned how to enrich uranium for nuclear weapons. The White House said Iran had to take more steps towards improving ties with the US after Iranian President Mahmoud Ahmadinejad called for more US moves to ease relations. On Tuesday, diplomats from the US, Russia, China, the UK, France and Germany are scheduled to discuss a draft plan for new UN sanctions against Iran. Meanwhile, Iran's President called the National Intelligence Estimate report concluding Iran stopped developing its atomic weapons program four years ago a step forward. He also stated that Iran needed to install 50,000 centrifuges within five years so it can make enough fuel for one nuclear power plant. Iran currently has 3,000 centrifuges. Separately, an exiled Iranian opposition group, the National Council of Resistance of Iran, contested the US intelligence report, insisting the nuclear weapons program resumed in 2004. It said Iranian authorities shifted their weapons program to other sites after the Lavizan-Shian site was demolished in 2003.

Dec Calendar Averages
CL – 88.79
HO – 250.89
RB – 226.14



Israel's Prime Minister Ehud Olmert warned that Iran's nuclear program was dangerous and called for international action to prevent Iran from acquiring nuclear weapons. He praised US President George W. Bush for declaring that the new intelligence report does not detract from the danger Iran poses.

Saudi Arabia is expected to maintain its January exports steady from December levels to its Asian customers. It would supply the refiner with 100% of the volume stipulated in its annual contract. European refiners said that they would receive steady volumes in January from December.

According to the MasterCard Advisors LLC, US gasoline demand fell by 0.9% on the week and by 2.7% on the year to 65.113 million barrels or 9.302 million bpd in the week ending December 7. The four week average demand level was 65.276 million barrels or 9.325 million bpd. Retail gasoline prices fell by 6 cents to an average $3.03/gallon over the week.

In its Short-Term Energy Outlook, the EIA said expectations that tight market conditions would persist into 2008 are keeping oil prices high. It said the oil balance outlook remains characterized by rising consumption, modest growth in non-OPEC supply, low surplus capacity and continuing risks of supply disruptions in a number of major producing nations. It cut its world oil demand estimate for 2007 by 20,000 bpd to 85.78 million bpd while its 2008 estimate was cut by 100,000 bpd to 87.16 million bpd. It said China, non-OECD Asia and the Middle East countries are expected to remain the main drivers of higher world oil consumption through 2008. In 2008, China is expected to account for over 400,000 bpd of world oil consumption growth. In regards to OECD inventories, it stated that OECD inventories fell by 16 million barrels in October, leaving inventories slightly below the 5 year average at an estimated 2.6 billion barrels. Total US demand is expected 20.76 million bpd in 2007 and increase to 21 million bpd in 2008. Gasoline demand was cut by 10,000 bpd for both 2007 and 2008 to 9.31 million bpd and 9.4 million bpd, respectively. Its distillate demand estimate for 2007 and 2008 was increased by 10,000 bpd to 4.24 million bpd and 4.3 million bpd, respectively. The EIA stated that OPEC would increase its crude production by 400,000 bpd in the first three months of 2008. The additional production would increase total output to 31.6 million bpd. It said Saudi Arabia and Angola would be behind most of the growth in 2008. It also stated that OECD member countries would have just 49.3 days of forward crude oil supply cover by February 2008, the lowest inventory buffer since

December 2004. In regards to prices, the EIA said it expected a moderation in crude oil prices in 2008. It said WTI is forecast to average more than $80/barrel every month in 2008. Spot WTI prices would average $87/barrel in the first quarter compared with $63.27/barrel in the same period a year ago. The EIA's full year 2008 average price estimate is $84.83/barrel. It raised its forecast for US residential heating oil prices to an average of $3.23/gallon during the October-March heating season, up 30% on the year. It also stated that the US average retail price of gasoline is expected to peak at a record of over $3.40/gallon at the start of next spring's driving season.

According to Euroilstock, Europe's oil inventories fell for the third consecutive month in November to 1.114 billion barrels, down 1.2% on the month and down 4% on the year. Total crude oil inventories fell by 0.5% on the month and by 2.2% on the year to 480.78 million barrels while gasoline stocks fell by 0.8% on the month and by 9.8% on the year to 122.49 million barrels. Middle distillate stocks fell by 3.1% on the month and by 4.1% on the year to 369.98 million barrels, residual fuel stocks fell by 0.3% on the month and by 2.7% on the year to 122.71 million barrels. It reported that refinery utilization rates increased to 91.53% in November from 88.34% in October. Crude intake increased by 420,000 bpd to 11.991 million bpd in November.

Refinery News

The Coast Guard Houston Vessel Traffic Center stated that Houston Ship Channel is expected to reopen partially on Tuesday to allow some of the 64 waiting ships to enter the waterway. The channel was closed on December 8 due to fog.

Colonial Pipeline extended its shipping allocations on its main distillate line from Collins, Mississippi to Greensboro, North Carolina to the 71st 5-day cycle of the year. Colonial has been allocating or freezing nominations on the distillates line since late November.

Latvia's oil terminal Ventspils Nafta said it shipped 12.2 million tons of crude oil and petroleum products in the first 11 months of the year, up 7 million tons on the year.

According to Reuters, China's net imports of oil products excluding liquefied petroleum gas fell by 23.4% on the month and by 28.7% on the year in November to 820,000 tons. Its net imports of oil products in January-November fell by 26.9% on the year to 16.85 million tons. Meanwhile, customs data showed that China imported 150 million tons of crude oil in the first 11 months of the year, up 12.5% on the year. China imported 13.61 million tons of oil in November, up 1% on the year and 11% on the month. Oil product imports in the January-November fell by 9% on the year to 31.15 million tons.

Japan's Idemitsu Kosan Co Ltd said it planned to shut its 120,000 bpd crude distillation unit at its Tokuyama refinery for planned maintenance in October-November 2008.

Production News

According to Alaska's budget, Alaska North Slope crude production is expected to fall to an average of 701,000 bpd during the 2009 fiscal year, which starts July 1, 2008, down from 731,000 bpd during the current fiscal year.

Norway's Finance Ministry played down comments by Finance Minister Kristen Halvorsen signaling that Norway's oil production may be cut for environmental reasons. A newspaper quoted Norway's Finance Minister as saying that if new environmental taxes were put on oil production it could reduce the value of Norway's oil deposits, possibly to zero. Norway's Finance Minister later stated that the government was not considering cutting oil production for environmental reasons.

Denmark's North Sea DUC crude oil system is scheduled to load about 94,000 bpd in January, up from 174,000 bpd in December.

Total announced the startup of commercial production in the first phase of the Surmont Project. Phase One of the project has a capacity of 25,000 bpd and it is expected to reach plateau production by 2012. Phase Two would reach plateau production of 75,000 bpd, bringing production for both phases of Surmont to about 100,000 bpd.

A source at National Iranian Oil Co said Iran raised the January official selling price of its Iran Light crude to Asia by 40 cents on the month to a premium of $2.10/barrel to the Oman/Dubai average. It however cut the January official selling prices of Iran Heavy crude and Forozan crude by 45 cents.

Kuwait cut its official selling price for crude oil bound for Asia in January by 50 cents/barrel to $2.15/barrel below the Oman/Dubai average.

Iraq's State Oil Marketing Organization cut the January official selling prices of its Basra light crude destined for Europe and Asian customers but raised the price for US buyers. Basra light crude bound for Europe was priced at dated Brent minus $5.10/barrel, down $1.25/barrel on the month. Basra light crude bound for Asia was priced at the Oman/Dubai average minus $1.50/barrel, down 45 cents on the month and Basra light crude bound for the US was set at second month WTI minus $9.05/barrel, up $4/barrel on the month.

India's Reliance Industries Ltd said it signed exploration contracts with Colombia's Agencia Nacional de Hydrocarbons for its Borojo North and Borojo South blocks. Each contract has a six year tenure spread over the four phases, with a right to exit at the end of each phase.

OPEC's news agency reported that OPEC's basket of crudes fell to $84.19/barrel on Monday from $85.26/barrel on Friday.

Market Commentary

Ice storms, interest rate cuts and predictions of colder than expected weather were the featured reasons behind the rally in the energy markets today. Ice storms in the Midwest lead to the closure of the Enbridge, Seaway and Magellan pipelines that carry shipments of crude oil to the NYMEX delivery point in Cushing, Oklahoma. The Federal Reserve once again lowered interests this time by .25%. The National Weather Service revised its forecast to being 7.2% colder than that of yesterday's and one private forecaster is calling for 5% colder than yesterday's forecast. All of these factors combined gave the bulls another chance to put their horns down and charge. However, ice melts, cold weather doesn't last forever and the Feds have cut interests in

			Explanation
		90.75, 91.52, 93.38, 94.32, 95.25, 97.28, 99.29	Previous highs
	Resistance	90.55	Tuesday's high
CL	90.02, up $2.16		
	Support	89.00, 88.55, 87.92	Tuesday's low
		87.30, 86.43, 84.65, 83.75, 78.30	
		255.25, 255.40, 257.29, 259.86, 266.65, 268.61	Previous highs
	Resistance	253.98	Tuesday's high
HO	252.30, up 4.56 cents		
	Support	250.70, 248.50, 247.50	Tuesday's low
		246.24, 244.50, 243.61, 239.49, 238.79, 232.90	Previous lows, 62% retracement, Previous low
		231.50, 236.09, 239.77	Previous highs
	Resistance	230.70	Tuesday's high
RB	229.14, up 4.13 cents		
	Support	227.30, 226.00, 224.50	Tuesday's low
		223.20, 218.75, 218.20, 217.52, 212.90, 212.82	Previous lows, 62%(198.39 and 248.48), Previous lows

the past. With expected builds across the board tomorrow in the DOE/API numbers, this run–up in prices could be short lived. Although the January contract settled at $90.02, the after hours session sold off, and at the time of this writing the market was trading at $89.17. Our opinion of this market still remains the same and that is to look for sideways trading, buying and selling against the minor support and resistance numbers. Should the $95.25 resistance level become penetrated, our thoughts would lean towards higher numbers and a possible test of the $99.29 record high. With a penetration of the $83.75 support level we would look for further downside movement with a test of the $78.20 major support number. The January/February spread traded in a narrow range of 0.17 – 0.07 cents and did not reflect the outright movement in prices. This spread could possibly test the 0.30-cent level, but our bias is towards the downside. Upon examination of the forward curve, the front end did move slightly higher, but did not detach itself from the rest of the market. Fibonacci retracement numbers based on the low of $68.22, and the recent high, $99.29, are as follows; 38.2% - $87.42, 50% - $83.76 and 61.8% - $80.09. Total open interest in crude oil is 1,317,866 down 13,498, JAN.08 225,654 down 41,179, FEB.08 215,182 up 23,926. The product markets settled in positive territory amid the strength in the crude market. The heating oil market settled up 4.56 cents at 252.30 after the market rallied to a high of 253.98 ahead of the close. The heating oil market posted a low of 247.50 early in the session but quickly bounced off that level and rallied to its high. The RBOB market also bounced off a low of 224.50 early in the session and rallied to a high of 230.70 as it breached its previous high of 230.41. It settled up 4.13 cents at 229.14. The markets are will likely retrace some of its gains on Wednesday as the weekly petroleum stock reports are expected to show builds across the board. In the heating oil, support is seen at 250.70, 248.50, 247.50 followed by 246.24, 244.50, 243.61 and 239.49. Resistance is seen at 253.98, 255.25, 255.40, 257.29, 259.86 followed by 266.65 and 268.61. In the RBOB, support is seen at 227.30, 226.00, 224.50, 223.20, 218.75, 218.20 and 217.52. Resistance is seen at 230.70, 231.50, 236.09 and 239.77.