



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 2, 2008

White House spokeswoman Dana Perino said President George W. Bush would not tap the SPR after the oil market rallied to a high of \$100/barrel. She said the President would not use the SPR to manipulate prices unless there was a true emergency. Instead, she said the Bush administration would continue to urge Congress to open new areas for petroleum exploration.

Market Watch

The Institute for Supply Management reported that its manufacturing index fell to 47.7 in December, its weakest level since April 2003. A drop in new orders also hinted at softening demand, even as companies paid higher prices for their inputs.

California said it planned to sue the US EPA for denying its greenhouse gas limits on cars, trucks and SUVs. The lawsuit challenges the Bush administration's conclusion that states should not set emission standards. Other states are expected to join the lawsuit after the EPA denied California's request December 19.

The release of the EIA's and API's weekly petroleum stock reports have been delayed by one day until Thursday, January 3 at 10:30 am EST due to the New Year's Day holiday.

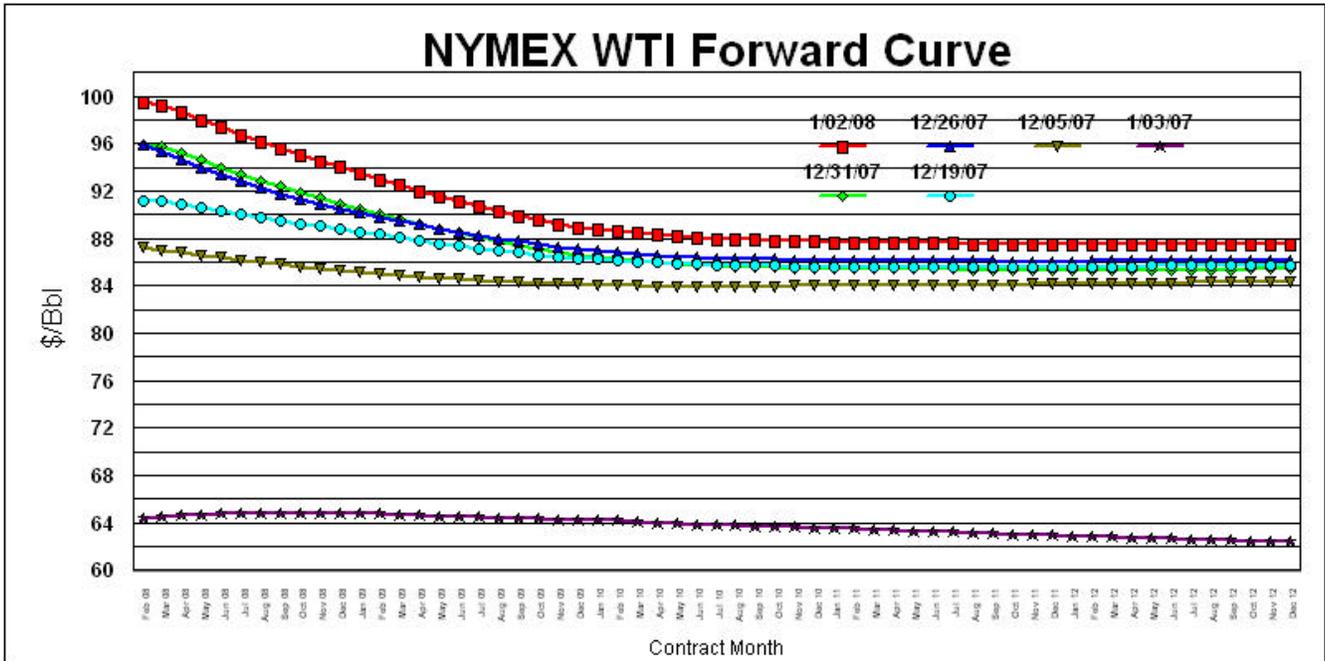
According to the Energy Department, crude oil shipments to the SPR would total 1.3 million barrels in January or 42,000 bpd, to make up for 1 million barrels of delayed December shipments. The DOE had originally scheduled 3 million barrels of crude oil to be sent to the SPR during December under the royalty in kind program. However the latest SPR delivery schedule showed that 2 million barrels of crude were delivered during December. As of January 2, the SPR has a total of 697.5 million barrels of crude stored in underground salt caverns. The reserve contains 277.5 million barrels of low sulfur or sweet crude and 420 million barrels of high sulfur or sour crude.

Nigerian police said suspected militants attacked two police stations, a luxury hotel and a nightclub in Port Harcourt on Tuesday. The assault came after troops bombed suspected rebel hideouts near the city last weekend and following the collapse of talks between militants and the Nigerian government.

Jan Calendar Averages

CL – 99.62
HO – 274.04
RB – 256.89

The head of Libya's National Oil Co, Shokri Ghanem said there was no need for OPEC to increase its oil production to ease market concerns over tight supplies after the oil market rallied to a high of \$100/barrel. He said the \$100/barrel level could become the new floor for crude prices if concerns about supply disruptions paired with speculative trading continue.



According to an OPEC report, the group may be harder pressed than previously thought to meet the world's increasing oil demand and could fail to supply its share of world oil markets by 2037. While non-OPEC producers such as Canada, Russia and others are increasing their production, it is assumed that they would be unable to produce enough to meet the world's increasing demand for oil. OPEC members are expected to meet the shortfall and provide most of the increased supply.

Iraq's Oil Ministry said Iraq set a January 31 deadline for international oil companies to register with the oil ministry to compete for licenses to develop its oilfields. It said tenders would be issued soon for oil extraction and service contracts in southern, central and northern Iraq.

According to the MasterCard Advisors LLC, US gasoline demand in the week ending December 28 fell by 2.1% on the year to 9.495 million bpd. Demand in the last four weeks averaged 9.529 million bpd, down 1% on the year. It reported that the US average retail price of gasoline was unchanged at \$2.98/gallon, the lowest level since the week ending November 2 but up 28.4% on the year.

According to California's Board of Equalization, the state's consumption of gasoline was down 2.6% on the year in September at 1.273 billion gallons.

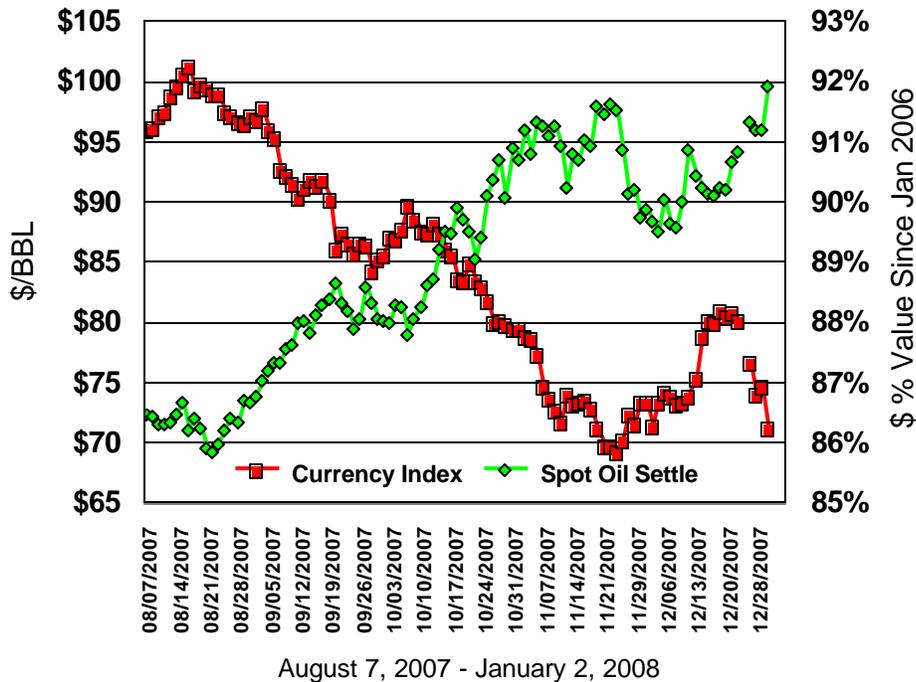
Refinery News

Colonial Pipeline extended shipping allocations on its main distillate and gasoline lines from Collins, Mississippi to Greensboro, North Carolina to the 3rd 5-day cycle of 2008.

Citgo Petroleum Corp bypassed a flue gas waste heat boiler at a fluid catalytic cracking unit at its Corpus Christi, Texas refinery on Tuesday due to a leak.

According to Reuters, world refining margins fell during the last week on the back of rising crude oil prices. Rotterdam refineries cracking Brent crude saw their profits fall to \$5.04/barrel in the week ending Wednesday, down from \$5.63/barrel in the week ending December 28. Margins for US Gulf refineries fell to a weekly average of \$3.44/barrel compared with \$3.61/barrel in the previous week. Mediterranean refiners saw their margins fall to \$3.40 from \$4.04/barrel.

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



Mexico's Gulf coast oil loading ports of Dos Bocas, Pajaritos and Cayo Arcas remained closed early Wednesday as a cold front brought rough seas to the region on Tuesday. The port of Salina Cruz on the Pacific Coast was also shut.

Shipping sources stated that Iraq's oil exports increased by 40,000 bpd on the month in December to 1.83 million bpd.

China's Sinopec Corp has purchased 60,000 tons of spot gasoline for January after skipping imports last month and would not export any cargoes for a second consecutive month. The latest import schedule underscores

China's struggle to meet domestic demand for gasoline following the country's worst supply crisis in four years.

South Korea's Energy Ministry reported that the country was likely to increase its crude oil imports by 2.7% in 2008 to 909 million barrels from 885.4 million barrels in 2007. The plan to increase its crude imports comes as South Korea's oil inventory level fell to its lowest level since April to 69.55 million barrels by the end of November, down 5.7% on the year. South Korea's oil product imports are expected to increase 19.4% to 213.1 million barrels from 2007.

Indonesia's Pertamina said its oil product imports are expected to increase slightly in February, as diesel oil demand is likely to increase following a seasonal slowdown. It is expected to import 10 million barrels of oil products next month, which includes 4.8 million barrels of diesel oil and 2.8 million barrels of gasoline.

Ecuador's central bank reported that the country's oil product export revenue in October totaled \$104.33 million, up 73% on the year. It exported 1.57 million barrels in October, down 0.6% from 1.58 million barrels exported in October 2006.

Production News

Woodside Petroleum Ltd said it resumed production at its 50,000 bpd Enfield oilfield in western Australia after a cyclone threat passed. It said production at the 70,000 bpd Cossack-Pioneer oilfield in northwest Australia was expected to resume later in the day.

The National Iranian Oil Co said Iran's oil production is expected to reach 4.5 million bpd much earlier than the planned target year of 2010. Its oil production would increase to 4.2 million bpd by the end of the Iranian year that runs to March 19.

Traders said Nigeria increased its official selling price for its Bonny Light and Qua Iboe crude by 55 cents to Dated Brent plus \$2.85 while its Escravos crude price was increased by 30 cents to Dated Brent plus \$2. Its Forcados crude price was increased by 50 cents to Dated Brent plus \$2.60 while its Brass Blend crude price was increased by 60 cents to Dated Brent plus \$2.95 and its Pennington crude price was increased by 40 cents to Dated Brent plus \$4.50/barrel.

OPEC's news agency reported that OPEC's basket of crudes averaged \$69.02/barrel in 2007, up from \$61.08/barrel in 2006. The daily price increased on Friday to \$90.02/barrel, up from Thursday's \$90.39/barrel.

Market Commentary

Reacting to unrest in Nigeria, a weakening dollar, expected draws in inventories and global consumption outpacing production, February crude oil traded at \$100.00 on the New York Mercantile trading floor. Once again the financial world looked to the energy markets as one of its resources to combat a continuing weakening of the dollar, in hopes of hedging against inflation. Crude oil, which is priced in dollars, would also rise to compensate for payments made in U.S. currency. This has now opened the gates for prices to trade above and beyond this long anticipated level. Despite this bold move, the February/March spread was little changed on the day, settling a mere 0.09 cents higher. Meanwhile, the December08/December09 spread gained 0.61 cents on the day, indicating that length continues to be put on in the deferred months rather than in the nearby. The last time prices were on contract highs, the December08/December 09 spread lost value, trading to as low as the \$1.30 area, indicating an unwillingness to keep length in the deferred contracts. This is not the case right now, with this spread gaining along with the outright market. We would continue to monitor this situation for an indication when the deferred length is starting to turn. Total open interest in crude oil is 1,361,258 up 12,896, FEB.08 316,927, down 2,616, March 173,142, up 6,725. The product markets also rallied sharply higher after the oil market rallied to a high of \$100. The February heating oil contract bounced off its overnight low of 265.37 amid the strength in the crude market. The market was also supported by the cold snap in the Northeast, which is expected to end before the weekend with temperatures returning to normal. The heating oil market extended its gains to over 9.7 cents as it rallied to a high of 274.65. The market later retraced some of its gains and settled in a sideways trading pattern before it settled up 9.10 cents at 274.04. Meanwhile, the RBOB market settled up 7.81 cents at 256.89, a record settlement. The market posted a low of 250.20 on the opening and continued to rally higher. It extended its gains to over 8.7 cents as it rallied to a high of 257.84 in afternoon trading. The RBOB market

later retraced some of its gains and traded mostly sideways ahead of the close. The markets are seen remaining

		Explanation
CL	Resistance	101.81
	99.62, up \$3.64	100.00
	Support	98.75, 97.75, 96.05
		93.99, 93.34, 91.86, 90.38, 86.63, 85.55, 83.00
HO	Resistance	279.52
	274.04, up 9.10 cents	274.65
	Support	272.50, 271.90, 269.75, 268.00, 265.37
		262.24, 258.40, 256.20
RB	Resistance	261.68
	256.89, up 7.81 cents	257.84
	Support	255.30, 253.65, 252.25, 250.20
		247.23, 246.20, 241.50

support following today's strength and the expected draws expected in crude and distillate stocks once again. The heating oil market is seen finding support at 272.50, 271.90, 269.75, 268.00 and 265.37. More distant support is seen at 262.24, 258.40 and 256.20. Resistance is seen at 274.65 and 279.52. In the RBOB, support is seen at 255.30, 253.65, 252.25, 250.20 followed by 247.23, 246.20 and 241.50. Resistance is seen at 257.84 and 261.68.