



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 9, 2008

OPEC President Chakib Khelil said oil demand and oil prices would be impacted by any world economic slowdown. He added that OPEC was closely following the US economic crisis to see if it would spread.

The White House on Wednesday warned Iran over the weekend confrontation between Iranian speedboats and US warships in the Strait of Hormuz.

National Security Advisor Stephen Hadley said Iran has to be careful and added that if it happened again they would bear the consequences of that incident. US President George W. Bush warned Iran of serious consequences if it attacked US ships in the Gulf. Meanwhile, Iran's parliament speaker, Gholamali Haddadadel dismissed US accusations that Iranian boats aggressively approached three US naval ships in the Gulf this week as part of a propaganda campaign against Iran.

Market Watch

Goldman Sachs said it expected the US economy to weaken further into a recession this year. It said real GDP would fall by 1% on an annualized basis in both the second and third quarters. For all of 2008, GDP is expected to increase by 0.8%. The unemployment rate would increase to 6.5% in 2009 from the current 5%. The weakening economy would force the Fed to lower policy rates by an additional 1.75 percentage points from the current 4.25%. Earlier in the week, Merrill Lynch economist David Rosenberg said the increase in US unemployment in December confirmed that the economy was entering a recession.

Venezuela has cut the time foreign customers have to pay for its oil. PDVSA said its decision to demand payment within eight days instead of the industry norm of 30 days was prompted in part of weakness in the US dollar and would give it more liquidity for investment.

China's cabinet said the country was still facing inflationary pressures and would temporarily intervene in the market to stabilize prices for basic necessities. It however said it the government should not immediately increase prices of energy products, including oil, power and natural gas, which are capped by the government.

Jan Calendar Averages

CL – 97.30
HO – 266.44
RB – 249.34

Separately, Israeli Prime Minister Ehud Olmert said he was encouraged and strengthened by the US position on Iran. Israel considers Iran a major threat because of its nuclear potential, its long range missiles and repeated calls by its president, Mahmoud Ahmadinejah, that Israel should be wiped off the map.

Iran's Oil Minister Gholamhossein Nozari said he expects oil prices to go well beyond \$100/barrel. He said the market was well supplied and blamed fluctuating prices on the depreciation of the US dollar, speculators and climatic conditions.

DOE Stocks

Crude – down 6.8 million barrels
Distillate – up 1.5 million barrels
Gasoline – up 5.3 million barrels
Refinery runs – up 1.9%, at 91.3%

Rebels in Nigeria who planned a major and imminent attack on oil facilities appear to have stepped back, according to an email from a spokesman for the Movement for the Emancipation for the Niger Delta. On Tuesday, militant and security sources said armed groups were building up weapons and supplies for a major attack on an oil facility in Rivers State.

Refinery News

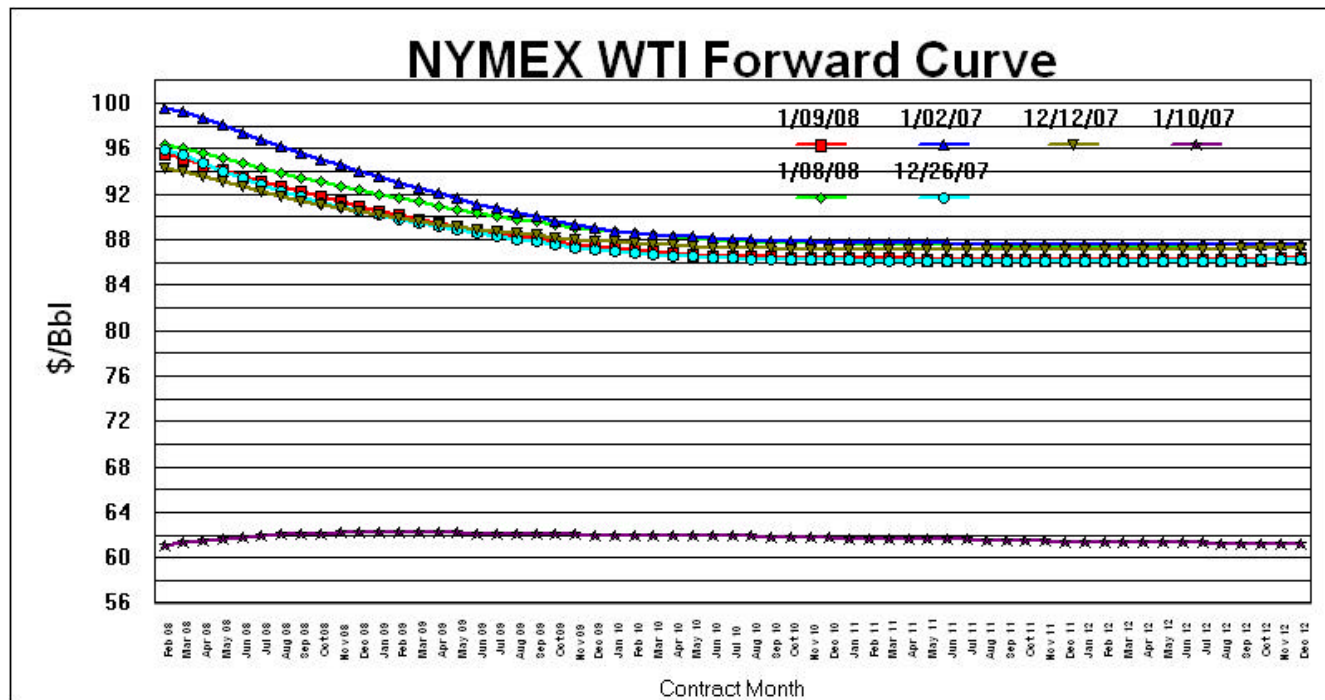
Ships were moving along the Houston Ship Channel on Wednesday after fog halted traffic on Tuesday.

Valero's 275,000 bpd refinery in Aruba was shut due to a power outage on Tuesday. The refinery is expected to remain down for at least a week.

Total Petrochemicals is planning to begin turnaround work Thursday on some units at its 232,000 bpd refinery in Port Arthur, Texas.

Sempra Energy said it has proposed building a marine petroleum terminal and storage facility in Port Arthur, Texas and was soliciting interest from potential customers. The initial phase of the terminal would provide storage and transportation assistance for crude oil, liquid petroleum gas and related products with a first phase throughput of 500,000 bpd.

A pipeline carrying crude to two Nigerian refineries has been fixed after it was sabotaged by militants two years ago. The refineries are expected to restart by the end of January. The resumption of the Warri and Kaduna refineries, with a combined capacity of 235,000 bpd, should reduce the country's \$4 billion annual fuel import bill and cut crude oil exports by about 200,000 bpd. The refineries are



expected to operate at 80% of capacity soon after their restarts.

Sources stated that Kuwait's 200,000 bpd Shuaiba refinery suffered an operational problem. A Kuwait National Petroleum Co spokesman however said he was unaware of any problems or maintenance at the refineries.

Oil shipments from Iraq's Kirkuk oil fields via Iraq's northern pipeline to the Turkish export terminal of Ceyhan were halted late Tuesday. A shipping source could not say when pumping would resume. Stocks of Kirkuk crude in storage tanks in Ceyhan stood at 2.4 million barrels.

Russia's main Black Sea port of Novorossiisk was closed on Wednesday due to bad weather conditions. Depending on the next forecast, the port may reopen Wednesday afternoon or Thursday.

According to a Reuters survey, China's major refiners are expected to increase their production by 400,000 bpd to this year, half of which would come from newly built units. While the growth is nearly equal to the forecast increase in demand, China may be forced to continue importing extra supplies up until the Olympics this summer as several facilities will be commissioned only in the second half of the year.

China is expected to import high volumes of diesel for a third consecutive month in January. Sinopec Corp and PetroChina imported a total of 700,000 tons of diesel for January, down from 823,000 tons in December but up from 69,000 tons in November.

US Bioenergy of America Inc, a biodiesel producer, filed for bankruptcy protection this week. The company listed debts of \$10 million to \$50 million and assets of between \$1 million and \$10 million. Biodiesel producers have suffered in recent months as prices for soy have rallied.

Production News

Saudi Arabia has been producing 9 million bpd of crude, steady from December. A Saudi source said Saudi Arabia could increase its output to 11.3 million bpd if necessary. Saudi Arabia is aiming to increase its oil production capacity to 12.5 million bpd in 2009.

The Norwegian Directorate said Norway's average oil production in November was 2.212 million bpd. Preliminary production figures for December 2007 showed an average daily production of about 2.209 million barrels.

The February loading program for North Sea Gullfaks crude oil scheduled the loading of 7.7 million barrels, down from 9.62 million barrels in January. The February loading program for North Sea Statfjord crude scheduled the loading of 7.7 million barrels, down from 8.55 million barrels in January. Meanwhile, the February loading program for North Sea Ekofisk crude oil scheduled the loading of 12.63 million barrels, down from 13.58 million barrels in January.

The Shetland Islands Council reported that Brent crude oil loadings from Sullom Voe fell to 160,257 tons in the week ending January 8 from 206,522 tons in the previous week.

Industry sources reported that a total of 465,000 bpd of crude oil remained shut in Nigeria due to militant attacks and sabotage. Separately, unknown gunmen attacked four ships on a channel leading to Nigeria's largest oil and gas export complex on Bonny Island.

Russia's Ministry of Industry and Energy reported that the country's average oil and condensate production stood at 9.869 million bpd in December, up 0.2% on the month and up 0.8% on the year.

Russia's overall oil output in 2007 totaled 491.48 million tons, averaging 9.87 million bpd, up 2.3% on the year.

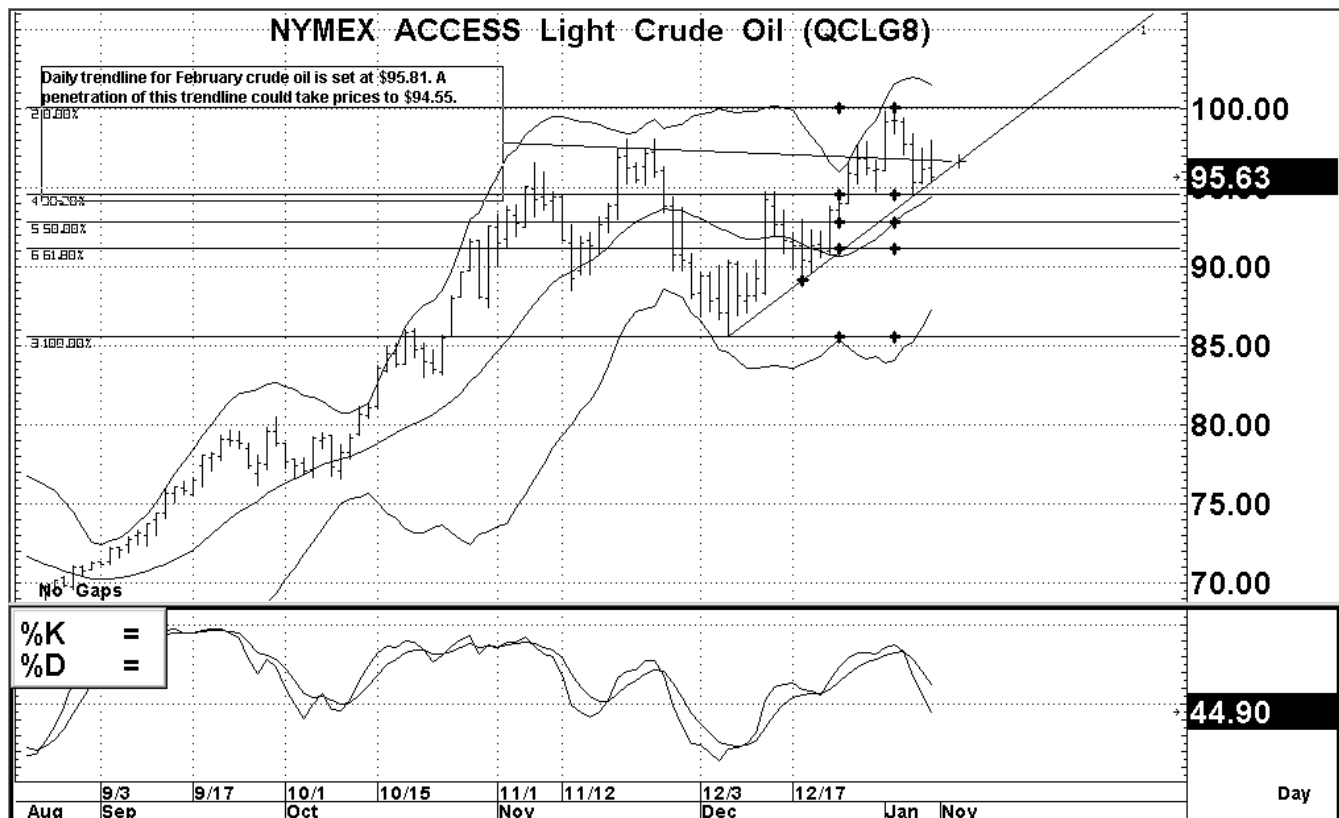
Petroecuador stated that its crude exports fell by 6.2% on the month to 162,819 bpd in December.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$91.94/barrel on Tuesday from Monday's \$92.01/barrel.

A senior Turkish Energy Ministry official said Turkey has halted the flow of Azeri gas to Greece due to a suspension of gas supplies from Iran to Turkey. Iran has blamed the disruption in supplies on cold weather and a cut in Turkmen gas supplies. The official said daily gas consumption in Turkey fell to 124 million cubic meters from 142 million cubic meters as a result of measures prompted by the halt in Iranian gas flows. Meanwhile, Iran's Oil Minister Gholamhossein Nozari said Iran would not discuss any increase in the price of gas supplied from Turkmenistan until flows to Iran resume.

Market Commentary

In reaction to the eighth straight weekly drop in crude oil stocks, prices worked higher early in the session only to close lower on the day. Total crude oil stocks fell by 6.8 million barrels and are set at 282.8 million barrels. Imports were 9.8 million barrels and are averaging 60,000 barrels per day more than the same four-week period last year. Gasoline stocks rose by 5.3 million barrels, the biggest jump since December 2006. Demand is set at 9.3 million barrels per day or 0.4% over the same period last year. Heating oil stocks rose by 1.5 million barrels and are in the lower half of the average range, with demand set at 4.5 million barrels per day, up 4.9 million barrels for the same four-week period last year. The build in products proved to be a greater influence on prices than the draw in crude oil, which settled .66 cents lower on the day. Tomorrow's daily trend line is set at \$95.81 and a penetration and settlement below this level should take the February contract to \$94.55. Although the outright market



came under pressure, the February/March spread finished the day up .23 cents. This can be attributed to perceived demand for future products. Total open interest in crude oil is 1,413,956 up 8,722, Feb.08 256,377, down 31,377, March 256,753, up 33,430. The product markets settled in negative territory after they retraced their earlier gains as they remained pressured by the builds reported in product stocks. The heating oil market which posted a low of 260.42 immediately following the release of the reports, bounced off that level amid the strength in the crude market and posted a high of 266.87. The market however gave up its gains and traded back towards its low ahead of the close. It settled down 2.29 cents at 261.34. Meanwhile, the RBOB market remained pressured for much of day in light of the larger than expected builds reported in gasoline stocks. The market also posted a low of 242.69 before it traded back to its overnight high of 248.50. However the market's gains were limited by the larger than expected gasoline stocks builds. It erased its gains and traded in negative territory during the remainder of the session. The RBOB market settled down 3.84 cents at 243.55. The markets, which have continued to trade within Monday's trading range, will likely see some more selling after the oil market failed to breach its resistance following the reports. In the heating oil, support is seen at 260.42, 259.61, 257.41, 256.20, 255.74, 253.77 and 253.21. Resistance is seen at 263.85, 266.20, 266.87 followed by 269.08, 272.70 and 274.75. In the RBOB, support is seen at 242.69, 241.55, 241.50, 239.64, 238.50, 236.15 and 235.35. Resistance is seen at 245.65, 247.35, 248.50

followed by
249.55,
251.57,
254.41 and
257.85.

		Explanation	
CL 95.67, down 66 cents	Resistance	98.40, 99.41, 100.09, 100.15	Previous highs
	Support	96.75, 97.75, 97.97	Wednesday's high
HO 261.34, down 2.29 cents	Resistance	95.81, 95.42	Basis trendline, Wednesday's low
	Support	94.48, 93.34, 92.85, 91.14, 86.63, 85.55, 83.00	Previous lows, 50%(85.60 and 100.09), 62%, Previous lows
RB 243.55, down 3.84 cents	Resistance	269.08, 272.70, 274.75	Previous highs
	Support	263.85, 266.20, 266.87	Wednesday's high
RB 243.55, down 3.84 cents	Resistance	260.42	Wednesday's low
	Support	259.61, 257.41, 256.20, 255.74, 253.77, 253.21	Previous lows, 62%(244.05 and 274.65), Previous lows
RB 243.55, down 3.84 cents	Resistance	249.55, 251.57, 254.41, 257.85	Previous highs
	Support	245.65, 247.35, 248.50	Wednesday's high
RB 243.55, down 3.84 cents	Resistance	242.69	Wednesday's low
	Support	241.55, 241.50, 239.64, 238.50, 236.15, 235.35	Previous lows, 50%(221.45 and 257.84), Previous lows, 62%