



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 9, 2008

US Energy Secretary Samuel Bodman rebuffed calls from Congress to release heating oil from the Northeast heating oil reserve. He said a release would be unnecessary market intervention and would leave the region vulnerable to a true supply shortage this winter.

A spokesman for the Movement for the Emancipation of the Niger Delta resumed its threats of an imminent attack on Nigeria's oil industry after having delayed the operation on Wednesday. The militant group said it sponsored freelance freedom fighters who shot at six oil industry ships in the Bonny River channel on Wednesday.

Iran released a video which it said showed

its boats did not threaten US navy vessels in the Gulf, countering the US' account of the event. Iran's

Market Watch

The National Oceanic and Atmospheric Administration said that temperatures are expected to return to normal in the Northeast on January 15-23.

US President George W. Bush predicted a Middle East peace treaty would be completed by the time he leaves office but acknowledged the deadline would be difficult to meet because of Hamas militants' control of part of the land that would form an eventual independent Palestine.

US Energy Secretary Samuel Bodman is scheduled to tour the Middle East next week to urge the countries to make investments to ensure energy security. He is expected to meet with senior US business leaders and government officials from Saudi Arabia, Qatar, UAE, Jordan and Egypt.

Federal Reserve chairman Ben Bernanke said the outlook for the US economy in 2008 has worsened. He however said the Federal Reserve was prepared to take additional action as needed to support growth and to provide adequate insurance against downside risks. He stated that high oil prices was a problem and one that could further dent consumer spending.

Goldman Sachs, which forecast that the US economy would weaken further into a recession, stated that Japan was also at risk of a recession. The chief economist at Goldman Sachs in Tokyo said the chance of Japan slipping into a recession has increased to about 50%.

Separately, OPEC's President Chakib Khelil said a recession would cause demand for oil to fall and impact prices. He added that the credit crisis could spread to Europe and lead to a global recession.

The ICE announced that physical delivery against the expired January gas oil futures contract was 349 lots or 34,900 tons. It was down from 35,300 tons delivered in December.

Jan Calendar Averages

CL – 96.79
HO – 264.91
RB – 247.44

Revolutionary Guards Brigadier General Ali Fadavi said the Iranian boats had only approached the US ships to examine their registration numbers.

Euroilstock reported that Europe's total crude and product stocks built by 4.78 million barrels on the month but fell by 49.78 million barrels to 1.115 billion barrels in December. It reported that crude stocks fell by 800,000 barrels on the month and by 2.05 million barrels to 479.25 million barrels in December. Gasoline stocks built by 1.87 million barrels on the month but fell by 14.41 million barrels to 124.36 million barrels while distillate stocks built by 3.15 million barrels on the week but fell by 29.33 million barrels on the year to 370.13 million barrels. It also reported that refinery utilization rates increased to 93.46%, up from 91.43% in November. Crude intake increased by 270,000 barrels to 12.243 million barrels.

According to Oil Movements, OPEC's crude oil shipments are expected to increase by 130,000 bpd to 24.55 million bpd in the four weeks ending January 26. The head of the Oil Movements, Roy Mason said that while long haul shipments from the Gulf countries to the US would normally be expected to peak through the remainder of the month, this may not happen this year unless some OPEC members decide to supply extra oil in violation of their production quotas.

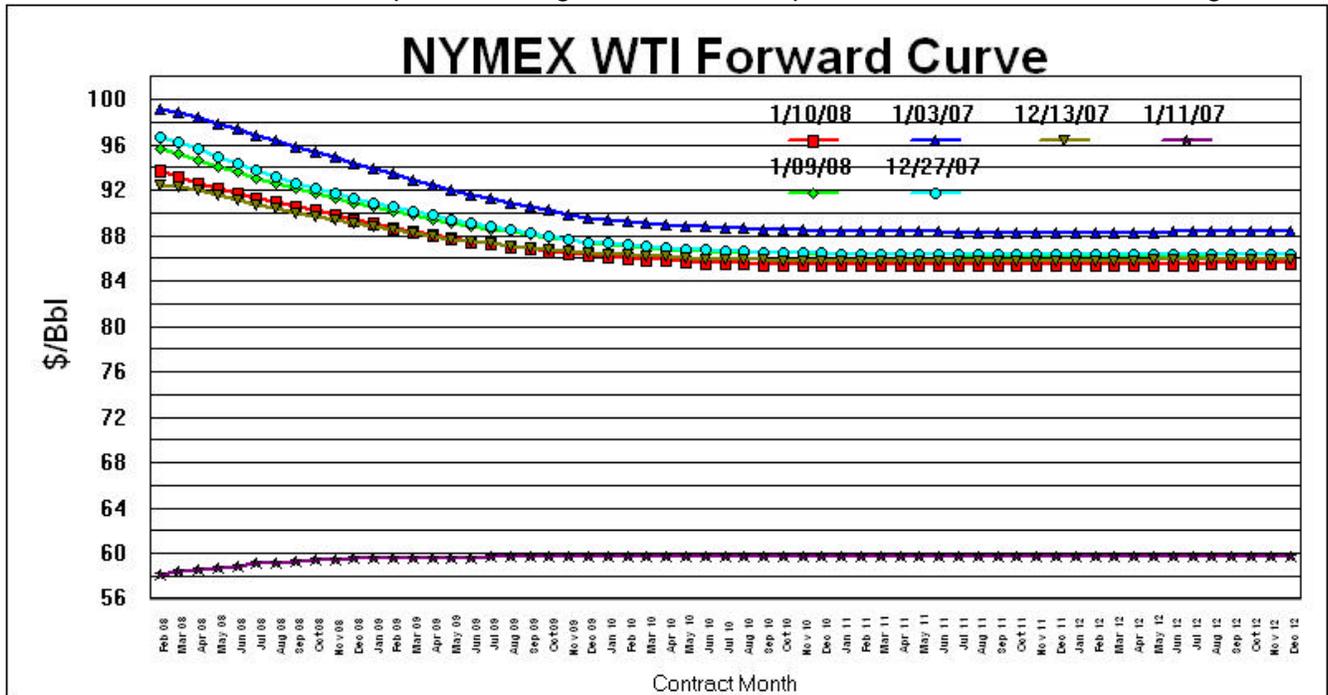
Lehman Brothers said OPEC should agree to increase its production when it meets early next month to allow inventories to rebuild. OPEC is scheduled to meet on February 1 to discuss production targets in Vienna.

The IAEA's director Mohamed ElBaradei is scheduled to visit Iran on Friday to push for full transparency over its past and present nuclear program. He is expected to meet with Iran's President Mahmoud Ahmadinejad and Foreign Minister Manouchehr Mottaki.

Refinery News

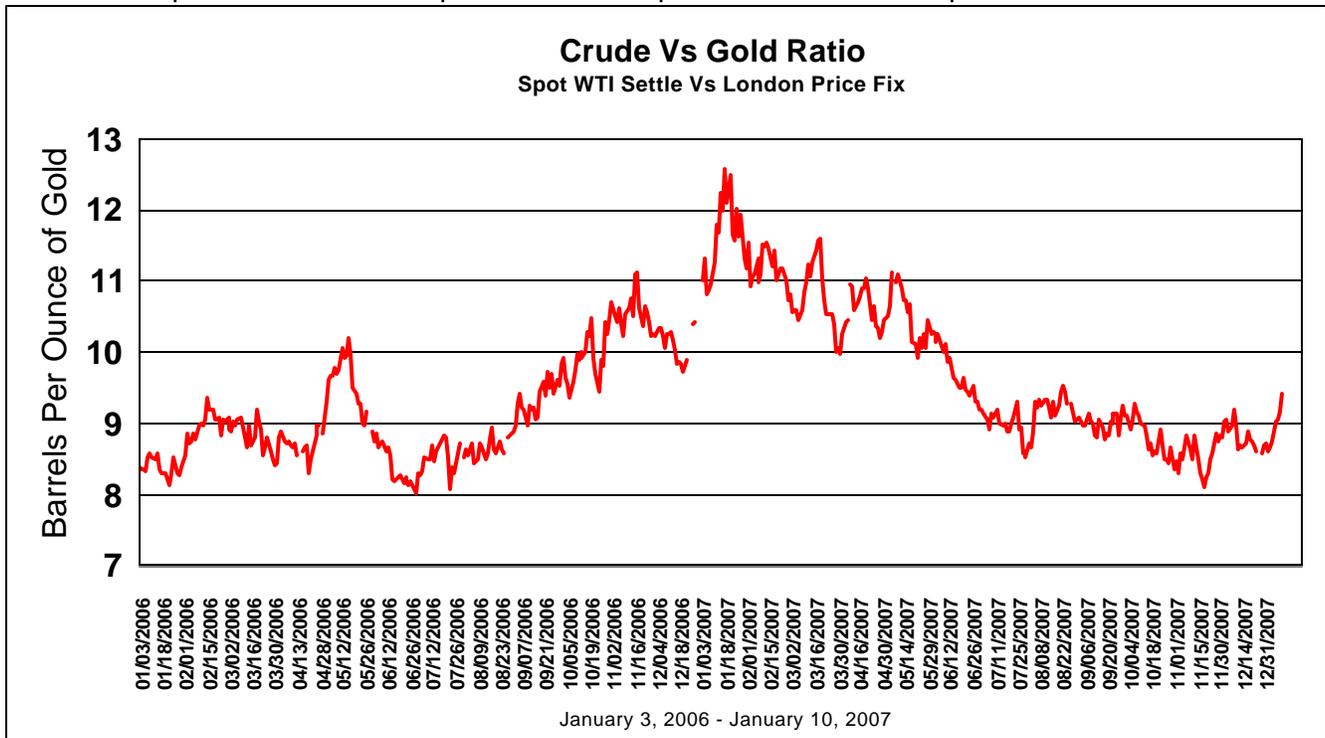
Colonial extended shipping allocations on its distillate line north of Collins, Mississippi to the fourth five day cycle of the year. Shippers would have until Thursday, January 10 to confirm or resubmit their nominations, which must be no less than 80% of their initial nomination.

The US Coast Guard said ship traffic along the Houston Ship Channel was halted due to fog. It said



twenty ships were waiting to enter the waterway and 15 ships were waiting to exit.

Pemex said it would stop shipping crude oil to the US West Coast from February due in part to a lack of infrastructure at Salina Cruz port. Pemex was shipping 20,000 bpd of oil to the US Pacific coast out of its total exports of 1.7 million bpd but is now expected to focus on shipments of the US Gulf Coast



and smaller shipments to Europe and Asia. Separately, Pemex suffered a brief pipeline leak when fuel thieves ruptured an oil pipeline in Veracruz. It said staff quickly halted the leak by closing a valve on the pipeline. It gave no estimate on the size of the spill.

Royal Dutch Shell has extended the shutdown of a 33,000 bpd fluid catalytic cracking unit at its Singapore refinery by about two weeks. The unit, which has been shut for unplanned maintenance since mid-September, is now expected to restart by mid-January.

Sinopec Corp said it was adding refining facilities worth \$550 million to increase the capacity of its Wuhan plant to 160,000 bpd by 2010. Under an expansion plan, Sinopec is expected to add a 1.2 million tons per year delayed coking unit, a 1.9 million tpy hydrotreating unit for diesel and kerosene and a 2 million tpy hydrocracker unit. By the end of January, the Wuhan plant would start operating a new 100,000 bpd crude distillation unit.

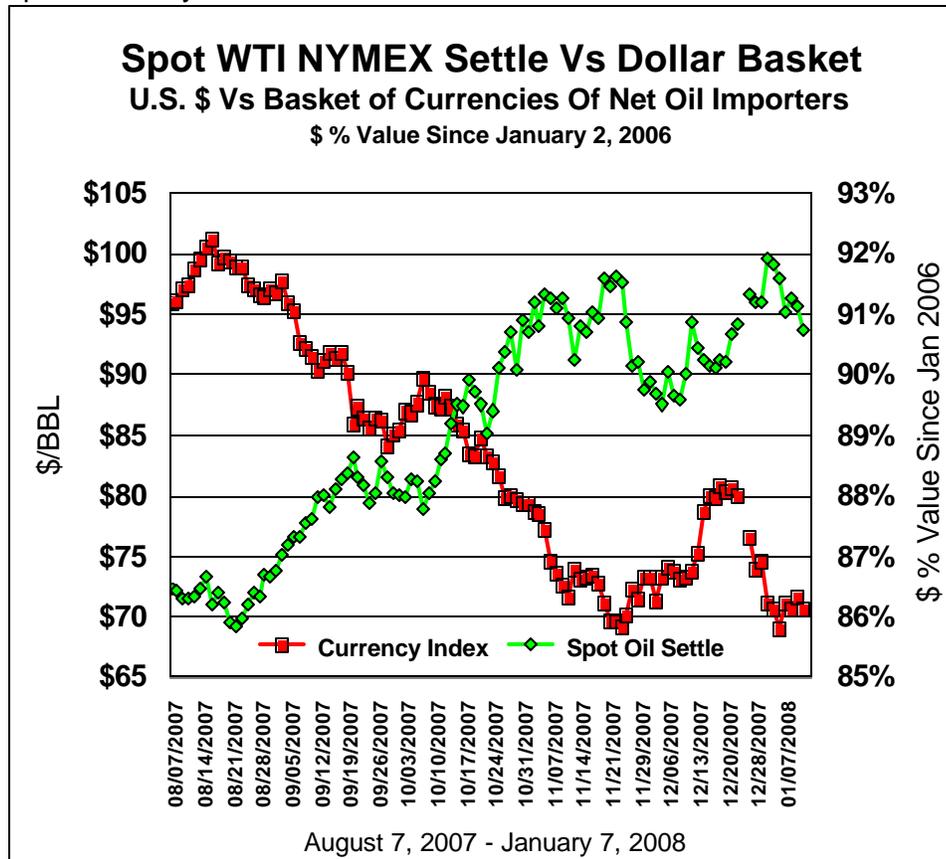
Russia's Black Sea port of Novorossiisk reopened on Thursday after a one day closure due to stormy weather.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 700,000 barrels to 13.934 million barrels in the week ending January 9. It also reported that Singapore's light distillate stocks fell by 485,000 barrels to 7.665 million barrels while middle distillate stocks fell by 1.322 million barrels to 6.066 million barrels.

Production News

Britain's North Sea Brent crude oil system is scheduled to load about 185,00 bpd in February, down from about 200,000 bpd in January.

Norway's Oseberg oil system is scheduled to load about 186,000 bpd in February, down from 194,000 bpd in January.



A small amount of oil spilled on Thursday at Royal Dutch Shell's Draugen field in the North Sea after a pipe broke when loading oil onto a tanker. It said production was unaffected.

Saudi Arabia is unlikely to offer extra crude for February to Asian buyers as most refiners have little need and ability to process additional heavy sour crude. Saudi Arabia raised term exports to Asia by 10% in November to full contracted volumes after OPEC members decided to increase daily output by 500,000 barrels from November 11.

A senior Iranian oil official said Iran's oil trade was unaffected by international banking pressure and added that the country was exporting just over 2.4 million barrels of crude.

Separately, India's Reliance halted its gasoline and diesel sales to Iran last year after BNP Paribas and Calyon stopped offering credit on the deals. Trade sources said Reliance had been shipping major supplies of gasoline to Iran and occasionally sold diesel, but stopped those shipments in October last year and had not resumed. BNP and Calyon likely stopped offering Letters of Credit due to political pressure from western nations.

Turkey's Prime Minister Tayyip Erdogan said Iran's supply of natural gas to Turkey would resume on Monday at the latest. Iran blamed the disruption in supply on cold weather and a cut in Turkmen gas supplies. He said necessary measures were taken to cope with the supply cut and there were no current problems related to it.

ExxonMobil Corp said oil production started at its Kizomba C, a deepwater development comprised of the Mondo, Saxi and Batuque fields, off the coast of Angola that is eventually expected to produce 200,000 bpd. The project would increase Angola's overall output to just shy of its 1.9 million bpd quota.

Petroecuador reported oil export revenues of \$4.012 billion last year, up 8% from \$3.73 billion reported in 2006. It exported 66.6 million barrels of crude in 2007, down 7% from 71.97 million barrels in 2006.

Iran's Central Bank governor Tahmasb Mazaheri said Iran has \$10 billion in its oil stabilization fund, up from \$9.56 billion in October.

OPEC's news agency reported that OPEC's basket of crudes rebounded to \$92.28/barrel on Wednesday from Tuesday's \$91.94/barrel level.

Market Commentary

The February crude oil contract opened below the daily trend line of \$95.81 mentioned in yesterday's wire, reaching its initial objective of \$94.55. Prices fell as low as \$93.26. Despite this sell off in outright prices, the February/March spread held, trading as wide as .60 cents. This is due in part to length put on in the March being unwound. Federal Reserve chairman, Ben Bernanke spoke today, stating that the reserve would do what ever it needs to in order to stave off a recession. There are also thoughts of Japan now facing a recession along with the U.S. Demand could be deeply impacted by this factor, as Japan, along with India, had been experiencing tremendous growth. From a technical perspective, this market should come under further pressure and is setting up to test the \$92.85 50% retracement between \$100.09 and \$85.60. Things to watch for are seasonal builds in stock levels, as refiners replenish stocks depleted at year end, in order to avoid taxes levied on storage, further rate cuts by the federal reserve, upcoming weather and its impact on demand for products. Total open interest in crude oil is 1,423,139 up 9,183, Feb.08 241,757, down 14,621, March 275,602, up 18,249. The product markets also ended in negative territory after they breached their support levels amid concerns over the economy. The heating oil market, which posted a high of 262.45 in overnight trading, continued to trade lower. It retraced more than 62% of its move from a low of 244.05 to a high of 274.75 as it sold off to a low of 254.55. The market later retraced some of its losses and settled in a sideways trading range ahead of the close.

The heating oil market settled down 5.61 cents at 255.73. The RBOB market also settled down 7.54 cents at 236.01, as the market remained pressured following

		Explanation
CL	Resistance	97.97, 98.40, 99.29, 99.41, 100.09, 100.15
	Support	94.48, 95.81, 96.24
HO	Resistance	93.34, 93.26
	Support	92.85, 91.14, 86.63, 85.55, 83.00, 76.19
RB	Resistance	262.93, 266.87, 269.08, 272.70, 274.75
	Support	258.60, 262.45
CL	Resistance	254.55
	Support	253.77, 253.21, 250.12, 249.53
HO	Resistance	248.50, 249.55, 251.57, 254.41, 257.85
	Support	238.20, 239.70, 242.00, 244.40
RB	Resistance	235.41
	Support	235.35, 232.20, 231.79, 230.00, 227.29, 225.93

Wednesday's release of the DOE report showing builds in product stocks. The market posted a high of 244.40 in overnight trading and retraced almost 62% of its move from a low of 221.45 to a high of 257.85 as it sold off to a low of 235.41. The market later retraced some of its losses and traded in a two cent trading range during the remainder of the session. The market on Friday will likely retrace some of their sharp losses before they continue on their downward trend. In the heating oil market support is seen at 254.55, 253.77, 253.21 followed by 250.12 and 249.53. Resistance is however seen at 258.60, 262.45, 262.93, 266.87, 269.08, 272.70 and 274.75. In the RBOB, support is seen at 235.41, 235.35, 232.20, 231.79 followed by 230.00, 227.29 and 225.93. Resistance is seen at 238.20, 239.70, 242.00, 244.40 followed by 248.50, 249.55, 251.57, 254.41 and 257.85.

