



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 15, 2008

Saudi Arabia's Oil Minister Ali al-Naimi promised to increase its production when the market needed more, responding to a call from US

President George W. Bush for OPEC to help lower oil prices. President George W. Bush said that more oil from OPEC would be helpful. He warned that soaring oil prices could cause an economic slowdown in the US. Saudi Arabia's Oil Minister however did not say whether OPEC would raise supply at its February 1 meeting. He noted his concern over low inventories but stated that he expected inventories to stabilize near the top of their average range in the second quarter. He said world oil demand is expected to grow by as much as 1.5 million bpd in 2008. He also stated that Saudi Arabia had 2 million bpd of spare capacity and was working hard to ensure the oil market was well supplied and balanced.

Market Watch

The US Labor Department reported that US producer prices fell unexpectedly by 0.1% in December following a sharp decline in fuel prices. However core inflation at the producers level increased by 0.2%.

Venezuela's President Hugo Chavez said there were no plans to cut its oil exports to the US. He however blamed high energy consumption in the US for the latest surge in oil prices.

US President George W. Bush said he would hold Iran responsible if it hit US ships and warned the country not to behave provocatively in Gulf waters. However he insisted that he told Gulf Arab leaders during his regional tour that he would like to solve this diplomatically.

The foreign ministers of the five permanent members of the UN Security Council and Germany plan to hold talks next week on options left in persuading Iran to freeze uranium enrichment and heed other council demands. The diplomats said the meeting was tentatively scheduled for Tuesday.

Royal Dutch Shell Plc said local people were hampering efforts to repair the sabotaged pipelines at the Forcados export terminal, where it declared a force majeure. Oil lifting is expected to resume at the 380,000 bpd export facility as soon as repairs are carried out.

Iraqi officials said Turkish warplanes have bombed camps used by Kurdistan Workers Party guerillas in northern Iraq. The reports could not immediately be confirmed.

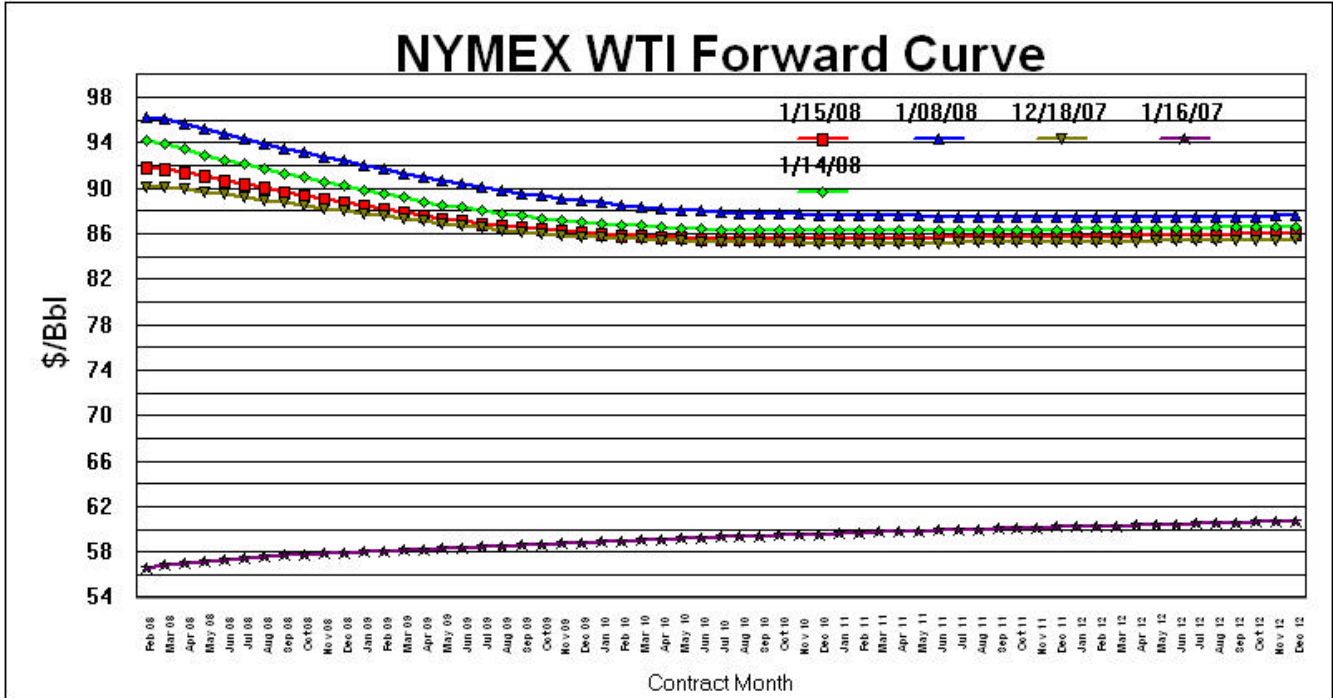
Jan Calendar Averages

CL – 95.63

HO – 262.16

RB – 243.23

Separately, Iraq said a helicopter from the US led coalition caused a fire that shut Iraq's Shuaiba refinery. A spokesman for the British military



denied any coalition helicopters had been involved in the incident. A source at Southern Oil Co said the refinery had been closed as a precautionary measure until further notice after the fire damaged the gas and fuel production units. An Oil Ministry spokesman said production of oil products were not affected by the fire.

According to MasterCard Advisors, US gasoline demand increased by 0.5% in the week ending January 11 to 9.342 million bpd. Demand was up 2.6% on the year. It also reported that the US average retail price of gasoline increased by 3 cents/gallon to \$3.09/gallon, the highest level since November 30.

Refinery News

PDVSA said a fluid catalytic cracking unit at its 135,000 bpd El Palito refinery has been offline since Saturday due to a mechanical failure. On Saturday, PDVSA said it partially shut its 640,000 bpd Amuay refinery after an electrical failure.

German consumer stocks of heating oil fell to 55% of capacity as of January 1, down from 59% a month earlier and 64% a year earlier. The 20 year average for January is 62%.

According to preliminary customs data, China's diesel imports increased to 820,000 tons in December as refiners rushed to make up for domestic shortfalls and ease lingering fuel shortages. Meanwhile, China's gasoline exports in December totaled 150,000 tons while fuel oil imports totaled 1.22 million tons.

Production News

The March loading program for Cossack crude would have one or two 650,000 barrel cargoes, down from its usual three or four cargoes, following Australia's first tropical cyclone of the season and possibly some field maintenance.

Brazil's Petrobras said its domestic reserves of oil and natural gas grew by 1.2% in 2007. Reserves in Brazil increased to 13.92 billion barrels of oil equivalent while reserves outside of the country stood at 1.09 billion barrels of oil equivalent, down 14.2% on the year.

The National Iranian Oil Co said Iran has raised the official selling prices of its heavy sour Soroush and Norouz grades for February. It raised the price of Soroush crude to Asia by 5 cents to a discount of \$10.45/barrel to the Iran Heavy OSP. The Norouz OSP was increased by 95 cents/barrel to a \$10/barrel discount to the Iran Heavy OSP. It raised the February Iran Heavy OSP to Asia by 10 cents to a \$1.84/barrel discount to the Oman/Dubai average.

OPEC's news agency reported that OPEC's basket of crudes increased to \$88.62/barrel on Monday, up from Friday's \$88.50/barrel.

Market Commentary

Economic growth and demand continue to remain at the forefront of this market. With retail sales declining by 0.4%, its first decline since June, concerns regarding demand once again pressured prices. Statements by the Saudi Arabian oil minister, that OPEC would raise supply if justified, helped to magnify this move lower. Although the weather forecast for the next 15 days is for below normal temperatures, builds are expected across the board tomorrow and that should help to put further pressure on prices. Basis the March crude oil, using the range \$99.77 to \$85.37, prices touched and bounced off of the 62% retracement number of \$90.87. This is most likely a minor correction within the downward move and we would expect prices to continue lower. Our downside objective for March is \$85.37, the low of the aforementioned range. As expected the March/April spread came under pressure as well, trading within and below the range of 0.57 and 0.38. As mentioned in yesterday's wire we wanted to sell this spread, selling March, buying April, with a break below 0.38. We would like to add to this short position and would consider doing so with a break below the 0.27-cent support level. The front to back end spreads continue to contract, with the Dec08/Dec09 spread losing 0.51 cents on the day. This is the lowest these spreads have been since mid December, and they should continue to show signs of weakness. Open interest in crude oil is 1,459,317 up 13,942, Feb.08 177,869, down 23,753 and March 352,157, up 33,683. The product markets once again followed in the crude market's footsteps and sold off sharply ahead of the expected builds in product stocks. The heating oil market posted an outside trading day after the market rallied to a high of 260.50 in overnight trading. However the market erased its gains and extended its losses to over 6.5 cents as it sold off to a low of 252.39. The market later retraced some of its losses ahead of the close and settled down 4.2 cents at 254.72. Similarly, the RBOB market also posted an outside trading day after the market rallied to a high of 237.79 overnight and breached its recent lows. The market sold off more than 8.7 cents as it traded to a low of 228.55. The RBOB market later retraced some of its losses and settled down

6.36 cents at 230.92. The markets will look to Wednesday's release of the weekly petroleum stock reports for further direction. Given the market's

		Explanation	
CL	Resistance	94.30, 95.75, 99.77, 100.15	Previous highs
	Support	92.57, 94.05	Triple top(March)
HO	Resistance	89.25, 85.37, 82.60, 75.90	Tuesday's low
	Support	262.45, 266.87, 269.08, 272.70, 274.75	Previous lows
RB	Resistance	255.95, 258.75, 260.50	Previous highs
	Support	254.00, 252.39	Tuesday's high
RB	Resistance	250.15, 247.55, 246.27, 244.05, 243.62	Tuesday's low
	Support	244.40, 248.50, 249.55, 251.57	Previous lows, Basis trendline
RB	Resistance	231.85, 236.81, 237.79	Previous highs
	Support	228.55	Basis trendline, Tuesday's high
RB	Resistance	227.29, 225.94, 223.60, 221.45	Tuesday's low
	Support		Previous lows, Basis trendline, Previous low

expectations for builds in stocks, the markets will continue on their downward trend. In the heating oil, support is seen at 254.00, 252.39, 250.15, 247.55, 246.27, 244.05 and 243.62. Resistance is seen at 255.95, 258.75, 260.50 followed by 262.45, 266.87, 269.08, 272.70 and 274.75. In the RBOB, support is seen at 228.55, 227.29, 225.94, 223.60 and 221.45 while resistance is seen at 231.85, 236.81, 237.79, 244.40, 248.50, 249.55 and 251.57.