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ENERGY MARKET REPORT FOR JANUARY 17, 2008

A senior OPEC official said OPEC should resist calls to increase its production during its February 1 meeting. He said he believed OPEC would rollover its production quotas. The official however said that OPEC should consider cutting output in March.

Iran's Oil Minister Gholam Hossein Nozari said there was no need to increase the supply of oil on the world market.

US Energy Secretary Sam Bodman said the challenges caused by high oil prices were posing serious problems for

the US and developing economies. He said the probability of a recession was greater than it has been in the recent past. He said he would encourage energy ministers that he meets during his visit to the Middle East to keep markets well supplied.

Jan Calendar Averages

CL – 94.77

HO – 260.31

RB – 240.57

Market Watch

Federal Reserve Chairman Ben Bernanke said the increase in gasoline prices in the past year have cut a half-percentage point from US economic growth and would drag on consumer spending. He said the rise in gasoline prices long with housing, subprime issues, financial issues were contributing to the slowing of the economy.

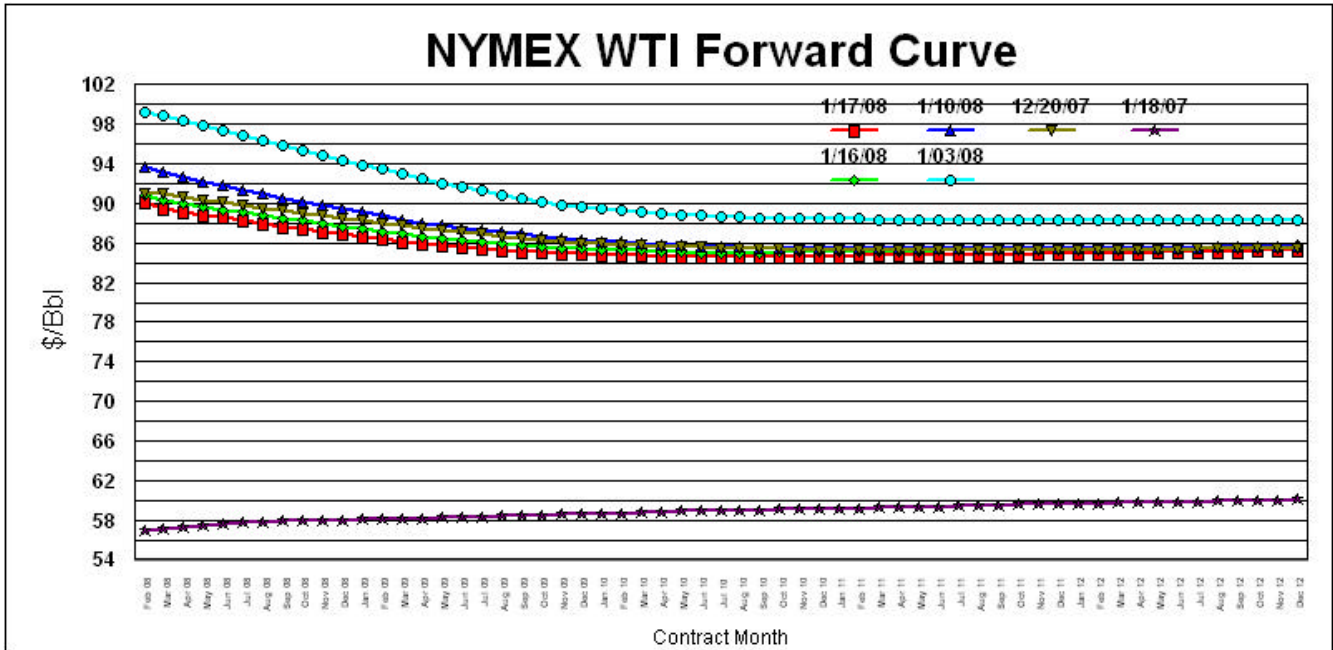
The National Oceanic and Atmospheric Administration forecast that temperatures in the US Mid-Atlantic region showed a warming trend from February through April. Temperatures in New England do not show a clear trend, with equal chances projected for normal, above normal or below normal temperatures in the period.

Oil companies operating refineries have been reducing their output in a bid to save their bottom lines as refining margins have been depressed when compared with highs recorded from 2003-2006. US gasoline prices are likely to increase as refiners cut their production.

The Institute of International Finance said oil-driven boom in Gulf Arab countries shows few signs of abating. However it said pressure was mounting on some to revalue their currencies and others to possibly abandon dollar pegs due to the dollar's weakness.

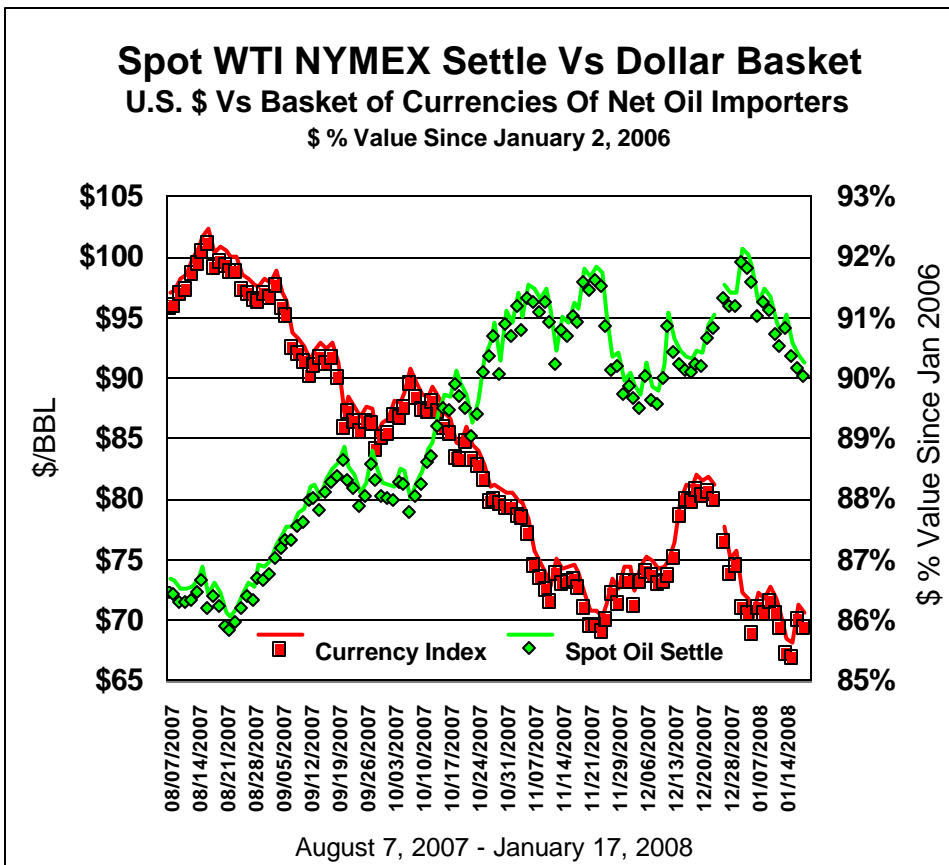
China Aviation Oil Corp is expected to resume derivatives trading in the near future after it halted trading in 2004 when it incurred losses of \$550 million. The company is likely to initially focus on jet fuel or fuel oil swaps trading.

Iraq's Oil Ministry said Iraq has stopped pumping crude along its northern pipeline to Turkey after Kirkuk's oilfields suffered a power outage. Oil shipments have been halted for five consecutive days. An Iraqi oil official said Iraq expects to resume its Kirkuk oil exports as soon



as possible and aimed to increase sales to at least 350,000 bpd in February. The official said Iraq's State Oil Marketing Organization plans to sell 3-4 million barrels of Kirkuk crude between January 20 and the end of the month. Total inventories of Kirkuk crude at Ceyhan stood at about 450,000 barrels. The halt in oil flow has raised doubts about Iraq's ability to meet its commitments to sell more than

300,000 bpd of oil. Meanwhile, Iraq's Electricity Ministry said the halt of Turkish exports of electricity to Iraq and a lack of fuel for power stations was to blame for the blackouts impacting Iraq's northern oil fields. The power cuts have forced Iraq to stop pumping crude along the northern pipeline to Turkey.

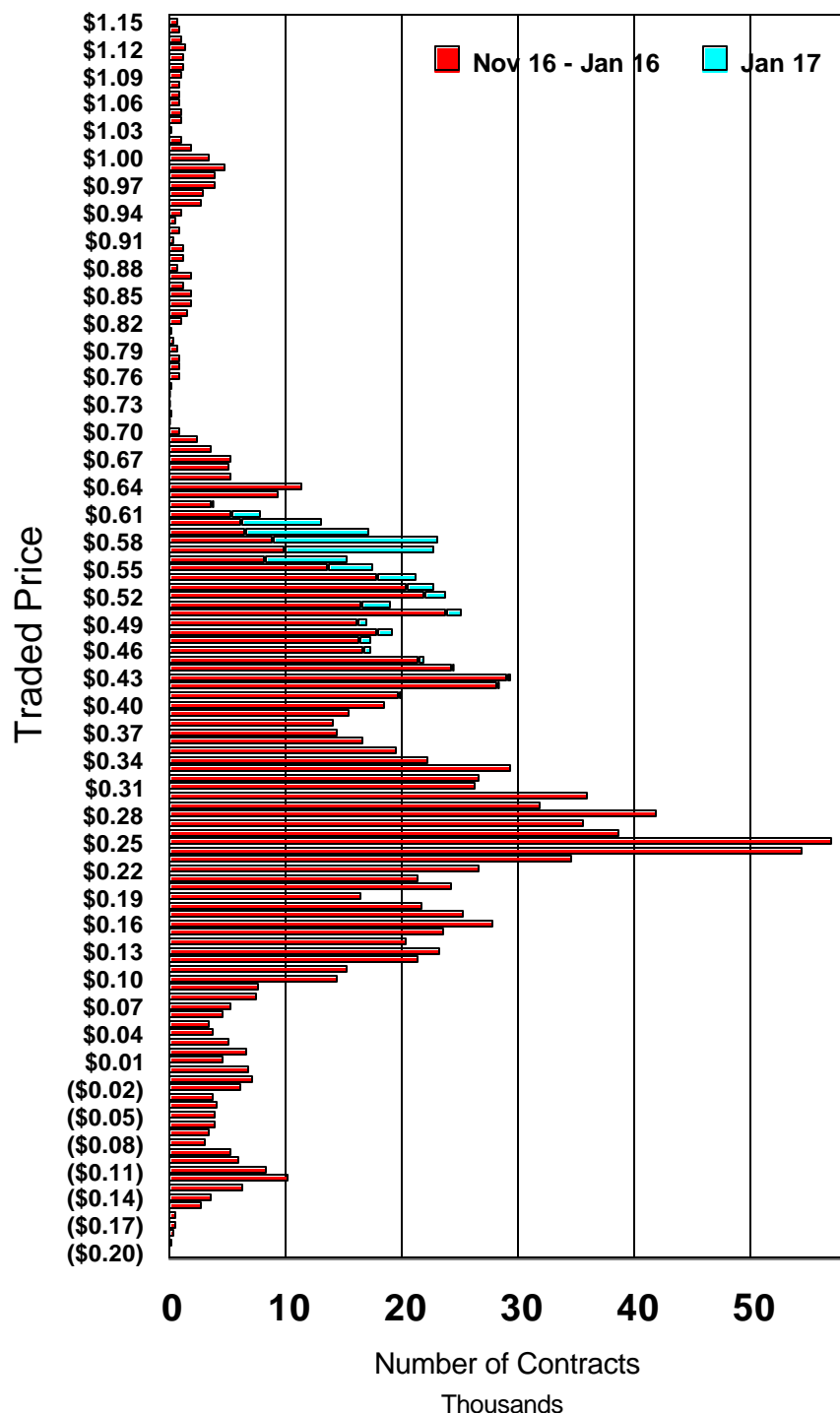


The Iraqi Oil Ministry has decided to stop cooperating with international oil companies participating in production sharing contracts with the Kurdish regional administration in northern Iraq. The decision is considered the first step toward implementing the ministry's threats to

NYMEX WTI: February March Spread

Price Vs Volume for November 16 - January 17, 2008

Trade Weighted Avg: 1/17 .56, 1/16 .37, 1/15 .15, 1/14 .39, 1/11 .59



blacklist and exclude those companies from any future deals with Iraq if they refuse to abandon their oil deals with the Kurdish government. It has also decided to halt the one year memorandum of understanding the ministry has signed with about 40 international oil companies since 2004.

The International Monetary Fund said Iraq's economy is expected to see a significant increase in growth despite political and security problems. It said economic reforms, such as strengthening the central bank, curbing inflation and restructuring two large public funds has contributed to the progress. Iraq's GDP is expected to see a 7% growth in 2009. It estimated that Iraq would produce an extra 200,000 bpd, increasing its output to 2.2 million bpd. Surging oil prices have recently increased Iraq's oil revenues to \$27 billion, \$6 billion higher than projected.

Germany's Foreign Minister Frank-Walter Steinmeier said Iran should not be allowed to develop technology for nuclear weapons and said the international community remains determined to prevent it.

Iran's OPEC governor, Hossein Kazempour Ardebili warned that any Western sanctions on investments in its energy sector could endanger security of supply and impact consumer

countries. He declined to say whether he believed Iran should use oil as a weapon in case more UN

sanctions are imposed against the country. He said he did not believe the UN Security Council would be able to agree on fresh sanctions, saying it was unlikely that Russia and China would support such measures.

Iran's President Mahmoud Ahmadinejad said Israel would not dare attack Iran. Israel tested a missile earlier on Thursday and urged the West to work harder to prevent the appearance of a nuclear Iran.

According to Oil Movements, OPEC oil shipments are forecast to increase by 140,000 bpd to 24.25 million bpd in the four weeks ending February 2. It said shipments are expected to start falling possibly in next week's report as tanker traffic has started to dwindle. Shipments from the Middle East increased by 110,000 bpd to 17.4 million bpd from 17.29 million bpd in the four weeks ending January 5.

The EIA reported that US crude oil imports increased by 1.8% or 172,000 bpd on the month in November to 9.948 million bpd. Canada was the top source of crude and refined petroleum products imports at 2.428 million bpd, up 0.7% on the month but down 7.9% on the year while Saudi Arabia was the second largest source of crude imports at 1.53 million bpd. The EIA reported that imports from Mexico increased by 1.7% to 1.484 million bpd.

The API reported that US demand for crude oil and petroleum products in December fell by 0.6% or 128,000 bpd on the year to 20.667 million bpd. For all of 2007, US oil demand increased by 9,000 bpd to 20.696 million bpd. Gasoline demand in December fell by 117,000 bpd or 1.3% to 9.221 million bpd while distillate demand increased by 54,000 bpd or 1.3% to 4.322 million bpd. It also reported that imports of crude oil and petroleum products in December increased by 1% to 12.843 million bpd. US crude oil production in December fell by 1.3% to 5.099 million bpd.

Refinery News

Colonial Pipeline extended shipping allocations on its main distillates line from Collins, Mississippi to Greensboro, North Carolina to the 5th 5 day cycle of the year as nominations on Line 2 exceeded its ability to meet its 5 day lifting cycle. It also stated that it extended its shipping allocations on its main gasoline and distillates line for cycle 6.

ConocoPhillips said a unit linked to a fluid catalytic cracking unit at its 146,000 bpd Borger, Texas refinery would undergo maintenance starting on Thursday. It said the fluid catalytic unit was shutdown. The maintenance is expected to end on February 1.

Royal Dutch Shell has shutdown several units at its 333,000 bpd joint venture refinery in Deer Park, Texas for scheduled maintenance. The fluid catalytic cracking unit, hydrotreater, alkylation unit, girbotol unit and sulfur recovery units 3,4 and 5 have been shutdown and were expected to resume operations on February 4.

Repairs on Iraq's Shuaiba refinery could take up to a week to complete. Engineers at the refinery said a fire destroyed the plant's liquefied petroleum gas and fuel production units and severely damaged the pipeline network. Meanwhile, the Baiji refinery was restarted on Thursday after it was shut on Wednesday due to a power outage.

Venezuela's 640,000 bpd Amuay refinery began its restart operation on Thursday and is expected to start processing crude by Monday after a power outage shut several units last weekend. Separately, an attempt to increase runs at a fluid catalytic cracking unit at PDVSA's 135,000 bpd El Palito refinery led to the unit's shutdown on Saturday.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending January 17 fell by 90,000 tons on the week but increased by 62,000 tons on the year to 875,000 tons. Gas oil stocks fell by 2,000 tons on the week and by 586,000 tons on the year to 1.344 million tons while fuel oil stocks fell by 31,000 tons to 653,000 tons but increased by 28,000 tons to 653,000 tons. Naphtha stocks increased by 7,000 tons on the week and by 42,000 tons on the year to 119,000 tons while jet fuel stocks increased by 5,000 tons on the week but fell by 147,000 tons on the year to 188,000 tons.

Singapore's International Enterprise reported that residual fuels stocks fell by 104,000 barrels to 13.83 million barrels in the week ending January 16. It also reported that light distillate stocks built by 216,000 barrels to 7.881 million barrels while middle distillate stocks fell by 37,000 barrels to 6.029 million barrels.

The Petroleum Association of Japan reported that Japan's crude oil inventories fell by 780,000 barrels to 95.11 million barrels in the week ending January 12. The stocks are near their lowest level since early 2006. It reported that gasoline stocks built by 920,000 barrels to 14.35 million barrels while kerosene stocks fell by 270,000 barrels to 26.03 million barrels and naphtha stocks built by 420,000 barrels to 11.13 million barrels on the week. It reported that crude runs increased by 60,000 bpd to 4.42 million bpd.

Indonesia's Pertamina said it planned to shut its 125,000 bpd Balongan refinery for maintenance in the final quarter of 2008. Separately, Pertamina said it aimed to lift its investment by 50% to 21 trillion rupiah or \$2.2 billion this year to increase its crude production and upgrade refineries. It said about \$300 million would be spent to upgrade its Balongan refinery. Pertamina said it planned to increase its overall oil production by 16.4% to 170,000 bpd in 2008.

Indonesia's Pertamina bought 1.55 million barrels of crude oil for March arrival, down from 2.4 million barrels purchased for February. It bought 950,000 barrels of Nigerian Escravos crude and 600,000 barrels of Malaysian Kikeh crude.

China National Petroleum Corp increased its sales of refined oil products by 10% in 2007. It said the company maintained stable marketing profits despite government capped prices.

China has decided that its fifth location for its emergency crude oil reserves would be located in Chongqing city. It is also expected to build tanks to store strategic supplies of refined oil products.

South Korea's SK Energy is expected to cut its refining runs to below 700,000 bpd in February from 760,000 bpd in January due to declining margins.

Production News

The Cambridge Energy Research Associates and IHS Inc said output from the world's oilfields was declining by 4.5% per year, lower than the estimated 8% decline.

Iran's Deputy Foreign Minister Alireza Sheikhattar said oil production was expected to remain steady in 2008 at 4.2 million bpd.

Nigeria's crude oil exports have remained largely unaffected by the activities of Niger Delta militants because of the large offshore fields, according to an official at Nigerian National Petroleum Corp.

PetroChina said it aimed to make its Changqing oilfield the second largest oil and gas producing site within two years, overtaking Sinopec's Shengli oilfield. Oil and gas output at the oilfield in the northern

Ordos basin reached 20 million tons of oil equivalent in 2007, up 3.9 million tons on the year. Changqing would lift its production to 30 million tons of oil equivalent in 2009. Daqing produced 41.7 million tons of oil in 2007.

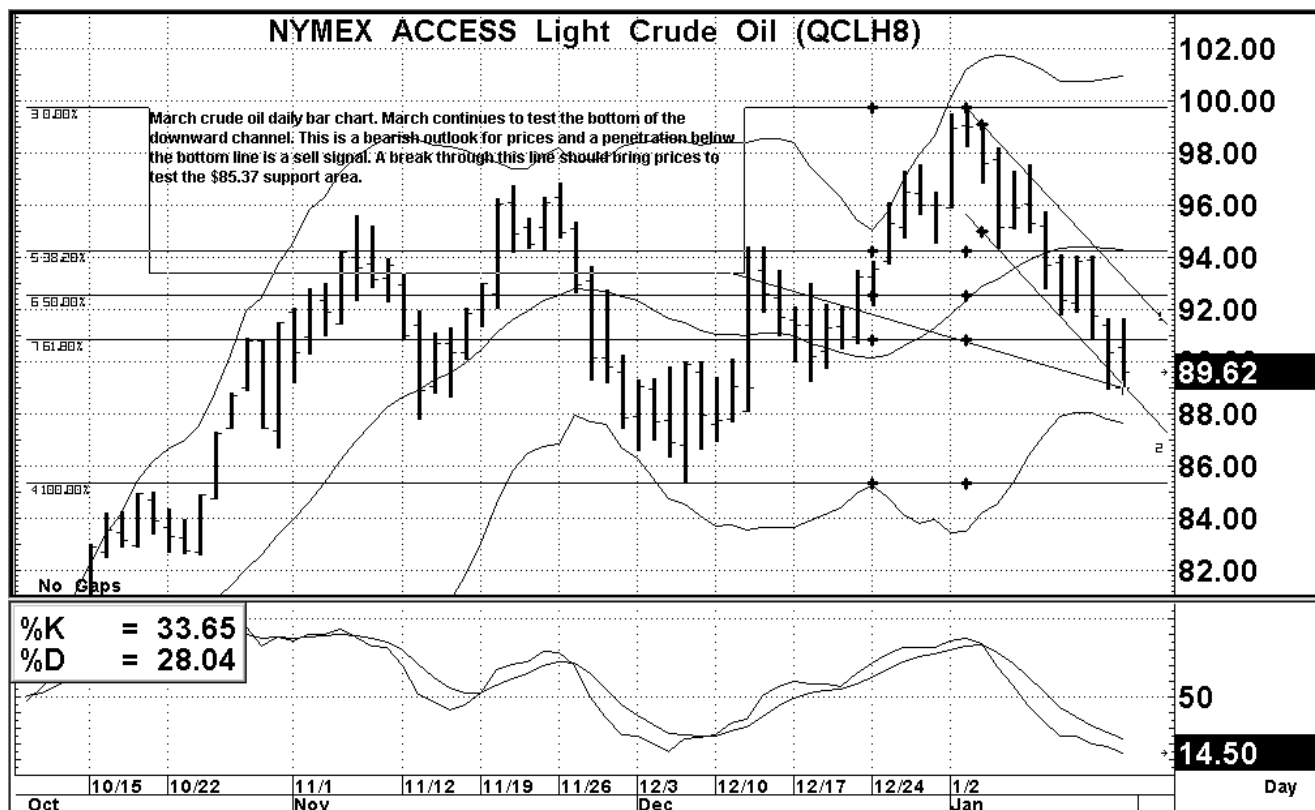
An Iraqi oil official said Iraq raised the official selling price of Kirkuk crude for February loading to customers in the US by \$2.40/barrel to WTI minus \$3.60. It however cut its official selling price for crude bound for Europe by 25 cents to Dated Brent minus \$4.00.

India's Oil Secretary M.S. Srinivasan said a meeting of ministers that many had expected to recommend India's first increase in retail prices of petrol and diesel in 18 months ended without a decision. The panel is expected to meet again on Friday or Saturday.

OPEC's news agency reported that OPEC's basket of crudes fell by \$2.07/barrel to \$86.42/barrel on Wednesday.

Market Commentary

Today's trading activity brought with it the fifth straight trading session that prices were unable to surpass the previous day's high. There is now a triple top in the March crude oil up at \$94.05 and a double top up at \$91.66. This contract continues to test the bottom of the downward channel depicted on the daily bar chart below. With the economic outlook looking forever grim, we would anticipate a penetration of this channel and look for prices to retreat to the \$85.37 support area. Tomorrow's channel range is \$92.62 to \$88.50. The forward curve continues to show a weakening of the front end in comparison to the middle and back end of the curve. This is evident by the flattening appearance of this curve. This is a bearish signal for prices and is supportive of our lower outlook. Open interest in crude oil is 1,411,771 down 46,301, Feb.08 108,532, down 53,007 and March 360,152, down 5,094. Meanwhile, the heating oil market retraced Wednesday's losses and rallied to its high of 255.78 early in the session. The market, which continued to trade within its downward trending channel, however erased its gains and sold off to a low of 247.77 by mid-day as the oil complex remained pressured by concerns of a weakening economy. The market later retraced some of losses and settled down 1.49



cents at 250.35. The RBOB market also settled down 1.15 cents at 226.68 after the market retraced its earlier gains. The market posted a high of 231.55 early in the session. However as the market's gains remained limited, the market gave up its gains and sold off to a low of 225.42. The RBOB market settled in a sideways trading pattern ahead of the close. We are still of the opinion that the markets' gains will be limited as they continue trading within their downward trend channels. In the heating oil, support is seen at 248.77, 247.60, 247.55, 246.27, 244.05 and 241.38. Resistance is seen at 251.10, 252.00, 255.16, 255.78 followed by 260.50 and 262.45. In the RBOB, support is seen at 225.42, 224.24, 221.45 and 218.92 while resistance is seen at 228.00, 231.55, 232.14 and 237.79.

		Explanation	
CL 90.13, down 71 cents	Resistance	92.57, 94.05, 94.30, 95.75, 99.77, 100.15 90.00, 91.05, 91.66	Triple top(94.05), Previous highs Double top(March)
	Support	89.00 88.94, 88.50, 85.37, 82.60, 75.90	Thursday's low(March) Previous low, Basis trendline, Previous lows
HO 250.35, down 1.49 cents	Resistance	260.50, 262.45, 266.87, 269.08, 272.70 251.10, 252.00, 255.16, 255.78	Previous highs Basis trendline, Thursday's high
	Support	248.77 247.60, 247.55, 246.27, 244.05, 241.38	Thursday's low Previous lows, Basis trendline
RB 226.68, down 1.15 cents	Resistance	232.14, 237.79, 244.40, 248.50, 249.55, 251.57 228.00, 231.55	Basis trendline, Previous highs Thursday's high
	Support	225.42 224.24, 221.45, 218.92	Thursday's low Previous low, Basis trendline