



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 18, 2008

The US Department of Energy stated that US Energy Secretary Samuel Bodman is scheduled to meet with Saudi Arabia's Oil Minister Ali al-Naimi on Saturday. He is expected to continue to urge Saudi Arabia to invest in long term petroleum production and would express concern about short term supply shortages. On Thursday, the Energy Secretary said there was a current supply shortage and high oil prices were contributing to a greater risk of recession.

Market Watch

US President George W. Bush called for tax incentives for businesses and direct and rapid tax relief for individuals. He said a stimulus package should be passed as soon as possible to shield the US economy from a steep downturn.

The Economic Cycle Research Institute said its Weekly Leading Index increased to 137.4 in the week ending January 11 from 136.2 in the prior week, revised downward from 136.6. The index rose on lower jobless claims and higher industrial commodity prices, which were partly offset by lower stock prices and higher interest rates.

Venezuela's President Hugo Chavez is putting additional financial pressure on PDVSA following the recent defeat of his proposed constitutional reform. He has ordered PDVSA to create PdVAL, a subsidiary charged with importing food, given local shortages of milk, some meats, eggs and other basic food products. He is hoping PDVSA can solve some of the problems plaguing his administration ahead of the governor and mayor elections later this year.

Rebel groups in Nigeria's Niger Delta are expected to resume talks with the government next week. However negotiators and militants said the resumption of talks may not end attacks on Nigeria's oil industry. One faction of the main rebel group, the Movement for the Emancipation of the Niger Delta has refused to participate in preliminary talks while its leader, Henry Okah remains in jail.

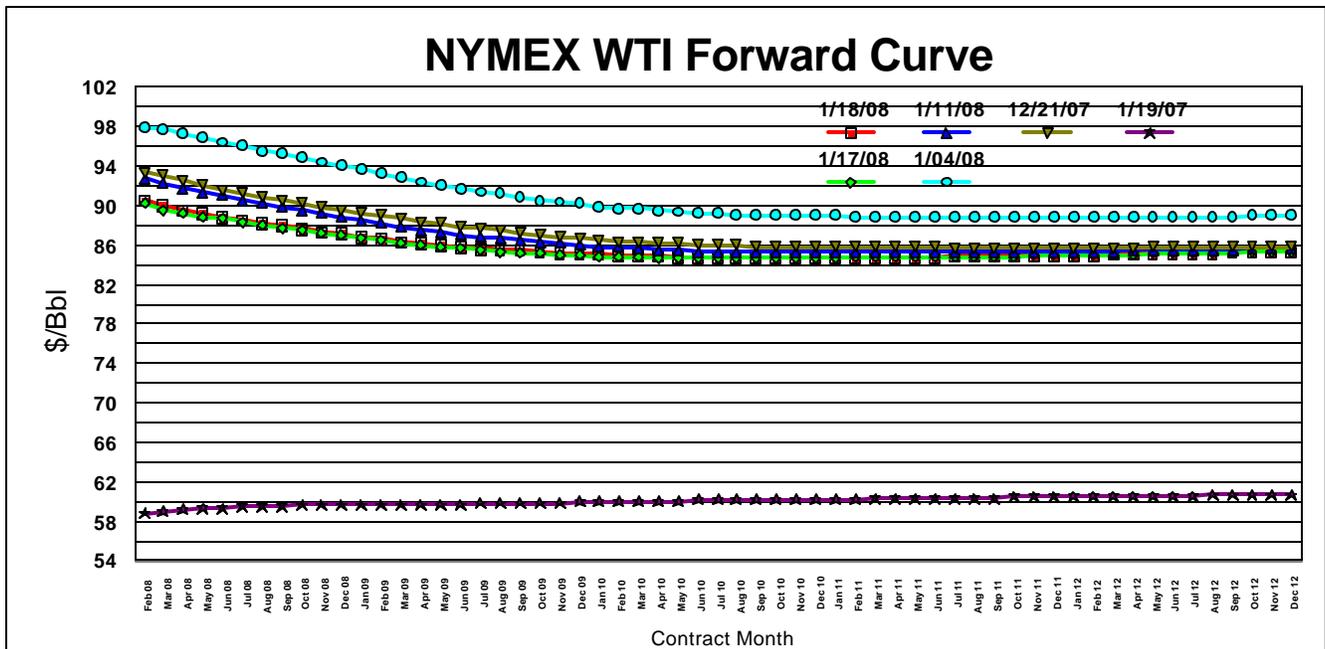
Iraq's Kirkuk oil flow to Turkey's Ceyhan terminal were still halted after the Kirkuk oilfields were shut due to power outages. An engineer said it was not clear when power would be restored and pumping resumed. The halt has reduced stocks at Ceyhan to between 400,000 and 500,000 barrels.

Jan Calendar Averages

CL – 94.45
HO – 259.58
RB – 239.78

Electricity Ministry has blamed the power cuts on Turkey, whose power producer Kartet stopped exporting electricity to northern Iraq on January 4 and on a lack of refined fuel for its electricity stations.

The head of the UN's IAEA, Mohamed El Baradei urged Iran to be more transparent about its nuclear program. He said he hoped Iran would



provide all necessary information about its nuclear activities as it promised by a mid-February deadline. He stressed negotiations were the best means of finding a solution to the standoff.

Turkey's military said its jets had bombed about 60 Kurdish rebel targets in an attack this week in northern Iraq. Turkish jets targeted rebel positions on Tuesday in the fourth cross border aerial attack since December 16. The military said earlier Friday that 10 Kurdish rebels surrendered after the airstrike.

Violent clashes have broken out in Iraq's southern cities of Basra and Nasiriyah between members of a Shia sect and Iraq's security forces. Clashes erupted on Friday when members of the Shia sect launched attacks on the security forces in the two cities. At least nine people were killed in Nasiriyah and 53 others were injured. It is not yet known how many members of the Shia sect have been killed but police said the head of the sect in Basra had been killed in the fighting.

Turkey's Energy Minister Hilmi Guler said Turkey was still in talks with Iran over a natural gas dispute. Iran halted the flow of gas to Turkey January 7, blaming a gas dispute with Turkmenistan and cold weather for the halt. Meanwhile, a senior Iranian political blamed foreign companies and suppliers for shortages in natural gas used for heating that have hit the country during an unusually cold winter. He criticized the government, saying there should be sufficient reserves of heating fuel to prevent such shocks.

Refinery News

A 24,000 bpd hydrocracker was shut due to blown transformer at Big West's 70,000 bpd refinery in Bakersfield, California. The shutdown follows an unplanned fluid catalytic cracking shutdown at Royal Dutch Shell's Martinez, California refinery earlier in the week.

A fluid catalytic cracking unit at Shell Oil Co's 156,000 bpd refinery in Martinez, California was shut on Friday due to unplanned maintenance work.

ConocoPhillips has delayed by a month the maintenance on a fluid catalytic cracking unit and an alkylation unit at its 306,000 bpd refinery in Wood River, Illinois. The maintenance work has been delayed until early March.

BP Plc was restarting a naphtha splitter unit at its Carson oil refinery in California. The startup of the unit triggered flaring from the coker flare.

ExxonMobil's 326,000 bpd Fawley refinery is due to shut for partial maintenance at the end of January through February.

The 200,000 bpd Grangemouth refinery in Scotland is to close its catalytic reformer for three weeks in February for maintenance.

Total SA has scheduled maintenance at its 99,000 bpd Grandpuits refinery from March 3 to May 3.

Russia's Energy Ministry reported that Russia's gasoline exports fell to 8,435 tons/day in the first 26 days of December, down 34% from 12,836 tons/day in the first 28 days of November. Gas oil exports fell by 1.8% to 101,004 tons/day while domestic sales increased by 14%. Shipments of fuel oil increased by 13% to 126,477 tons/day.

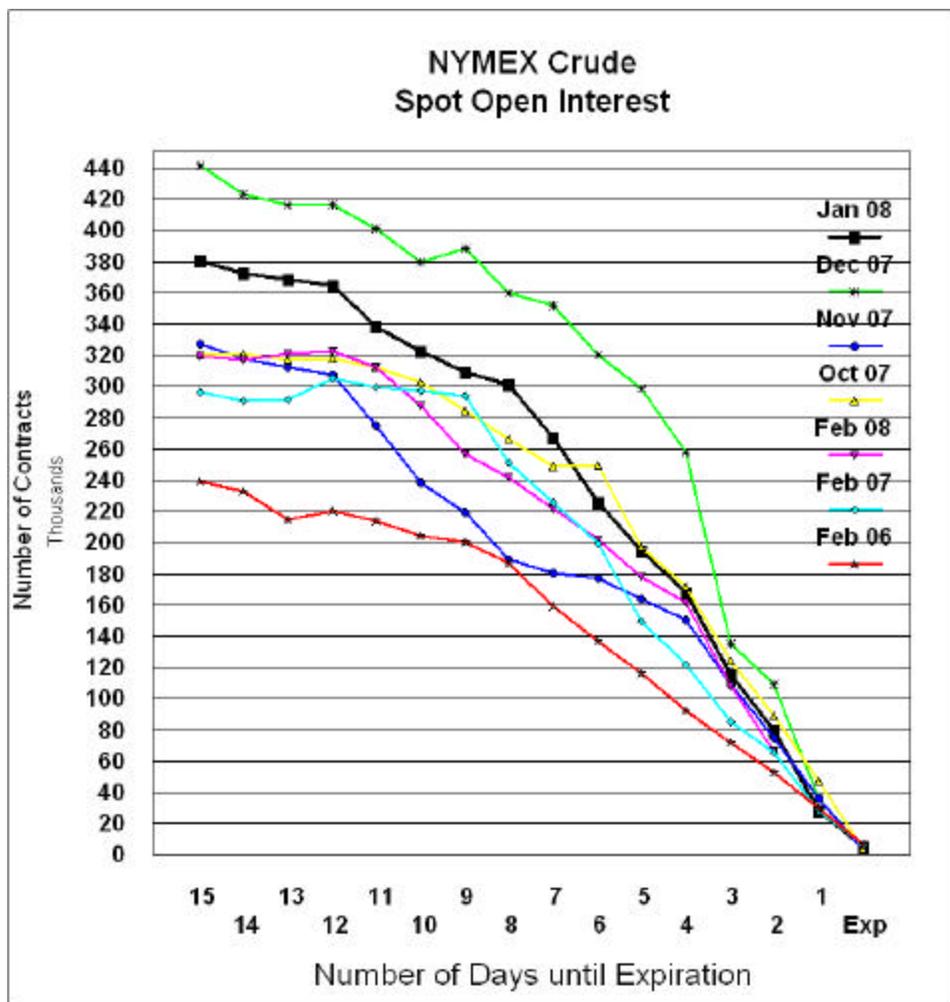
Indonesia's Pertamina said it would seek an additional 280,000 barrels of jet fuel for delivery in

January due to problems at its Dumai refinery. The 120,000 Dumai refinery is operating at 60% of its capacity following a brief shutdown due to technical problems. The refinery is however expected to resume full operations on Monday.

Indonesia's Pertamina purchased 1.55 million barrels of crude for March arrival, down from 2.4 million barrels purchased for February. Indonesia's Pertamina is also expected to import 10.98 million barrels of oil products for February, up 15.8% on the month.

Production News

Norwegian energy officials said forty-six companies have nominated acreage for Norway's 20th oil and gas licensing round, up from 19 companies in the



previous round. The companies nominated a total of 301 blocks or parts of blocks by the January 15 deadline.

Nigeria's provisional crude oil loading plan for March indicated 13 cargoes of Qua Iboe grade crude would be exported. The plan also indicated that four cargoes, each carrying 950,000 barrels of Yoho grade crude would be exported.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$86.30/barrel on Thursday from \$86.42/barrel on Wednesday.

Russia's President Vladimir Putin secured Bulgarian participation in a pipeline project that would bring Russian gas to Europe's south and increase the EU's dependence on its supplies. He achieved the breakthrough in overnight talks. The pipeline, which would transport 30 billion cubic meters of gas under the Black Sea, would re-emerge on the Bulgarian coast to continue through one of two routes. It could pass through Greece and reach Italy or pass through Romania, Hungary, the Czech Republic and Austria before arriving in Italy. The project by Russia's Gazprom and Italy's Eni is seen in the European Union as a rival to a Nabucco project to pipe Caspian and Central Asian gas to the EU and reduce its reliance on Russian energy.

Market Commentary

Crude reacted strongly to statements from within OPEC that production would be increased only if there is a genuine need among consumers. This refers to the demand factor. If the economic outlook is not calling for greater demand, then there is no need to increase output, according to Algeria's oil minister and OPEC President Chakib Khelil. U.S. President George W. Bush spoke today at a news conference, addressing the U.S. economic situation. President Bush stated that his administration would propose a \$150 billion package in efforts to stimulate the economy. This was supportive for prices as well in hopes that this would bolster the economy. Prices once again traded within the downward channel on the daily bar chart for March, but settled below support on the weekly chart. We would continue to look for further downside movement with our objective remaining at \$85.37. Open interest in crude oil is 1,378,366 down 33,405, Feb.08 66,176, down 42,356 and March 361,092, up 940. Similar to the past few trading sessions the heating oil market on Friday retraced some of its previous losses early in the session and sold off ahead of the close. The market, which posted an inside trading day, traded to a high of 253.40 early in the session. However as its gains were once again limited, it sold off to a low of 248.80 late in the session. The market later bounced off that level and settled up 39 points at 250.74. The RBOB market also posted an inside trading day after it failed to breach its previous trading range. It rallied to a high of 230.65 early in the session before it erased its gains and

posted a low of 226.23. However the market bounced off its low and traded back towards its highs ahead of the close.

		Explanation	
CL	Resistance	91.66, 92.57, 94.05, 94.30, 95.75, 99.77, 100.15	Double top, Previous high, Triple top(94.05), Previous highs
	Support	90.00, 90.80	Friday's high
		89.10	Friday's low
HO	Resistance	89.00, 88.94, 85.37, 82.60, 75.90	Previous lows
	Support	255.78, 260.50	Previous highs
		251.10, 252.00, 253.38, 253.40	Basis trendline, Friday's high
RB	Resistance	248.80	Friday's low
	Support	248.77, 247.60, 247.55, 246.27, 244.05, 239.60	Previous lows, Basis trendline
		231.55, 237.79	Previous highs
RB	Resistance	229.80, 230.65	Basis trendline, Friday's high
	Support	228.50, 226.23	Friday's low
		225.42, 224.24, 221.45, 216.59	Previous low, Basis trendline

It settled up 3.66 cents at 230.34. Unlike the heating oil crack, which contracted to 14.74, the RBOB crack widened out further to 6.17 amid the strength in the RBOB market. It is however seen finding resistance at 7.497. The markets will likely trade sideways early next week before continuing on their downward trend. In the heating oil, support is seen at 248.80, 248.77, 247.60, 247.55 followed by 246.27, 244.05 and 239.60 while resistance is seen at 251.10, 252.00, 253.38, 253.40, 255.78 and 260.50. In the RBOB, support is seen at 228.50, 226.23, 225.42, 224.24, 221.45 and 216.59 while resistance is seen at 229.80, 230.65, 231.55 and 237.79.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 10,932 contracts to 83,991 contracts in the week ending January 15. The funds cut their total long positions by 14,227 contracts to 227,907 contracts on the week. The combined futures and options report also showed that non-commercials cut their net long positions by 6,355 contracts to 134,089 contracts. Given the market's continuing decline, the non-commercials have continued to cut their net long positions. The non-commercials in the product markets also cut their net long positions. In the heating oil, non-commercials cut their net long positions by 6,304 contracts to 26,166 contracts while in the RBOB, non-commercials cut their net long positions by 22,547 contracts to 26,973 contracts on the week, the lowest level since late August.