



## ***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 FEBRUARY 1, 2008**

---

As expected, OPEC decided to maintain its oil production policy unchanged, ignoring calls by the US to increase its production. OPEC said its current oil

### Market Watch

The President of Iran's Chamber of Commerce for Industries and Mines said the absence of UK and European business with Iran would see the country's trade orientation shift toward the East, with western products being increasingly replaced by Chinese imports.

production should be sufficient to meet demand in the first quarter of the year. Saudi Arabia's Oil Minister Ali al Naimi said OPEC's agreement was an easy decision. He said he would have urged for an output increase if it were needed. He said world supply and demand were in balance. He however stated that Saudi Arabia was pumping 9.2 million bpd, well above its OPEC quota of 8.94 million bpd. Meanwhile, Iran's Oil Minister Gholamhossein and Venezuela's Oil Minister Rafael Ramirez said they may seek a cut in oil production when OPEC meets on March 5, if world oil inventories rise. Qatar's Oil Minister Abdullah al-Attiyah said OPEC's options remain open for the next meeting in March. He said any decision would rest on market conditions. In response to OPEC's decision, the White House said it would continue to urge OPEC to pump more oil.

The IEA warned that world crude supplies were still tight and a decision by OPEC not to add more oil to the market would put additional pressure on the world economy. It warned that even if OPEC maintained crude production at current levels through the first six months of the year, it may not be possible to rebuild consumer stocks to the levels seen in 2007 or the five year average.

According to Lloyd's Marine Intelligence Unit, OPEC's seaborne exports, excluding Angola and Ecuador, increased by 450,000 bpd in the first two weeks of January to 23.615 million bpd. Most of the incremental oil shipped was coming from big Gulf producers.

### Refinery News

A 130,000 bpd fluid catalytic cracking unit at BP Plc's 437,000 bpd Texas City, Texas refinery was preparing to restart but remains out of service. The unit was been shut this week due to an electrical glitch.

#### **Jan Calendar Averages**

**CL** – 92.75

**HO** – 255.62

**RB** - 235.84

A propane leak at Gary-Williams Corp's Wynnewood, Oklahoma refinery did not shut production at the 52,000 bpd facility. The rest of the refinery operated normally during the leak.

Valero Energy Corp restarted the last unit that remained shut following a fire in February 2007 at its 171,000 bpd McKee refinery. It said the propane de-asphalter unit was operating and moving toward full rates. The refinery is expected to resume full rates as a result of the unit's restart.

According to Mexico's Transportation Ministry, Mexico's Dos Bocas oil terminal was shut on Friday due to high winds and rough seas. The other two ports or Pajaritos and Cayo Arcas remained opened.

An Iraqi shipping source stated that Iraq continued to pump crude from its northern Kirkuk oilfields to the Turkish port of Ceyhan. He said stocks at Ceyhan have increased to 1.05 million barrels.

Brazil's Foreign Trade Ministry reported that the country exported 220.4 million liters of ethanol in January, down 242.8 million liters in December.

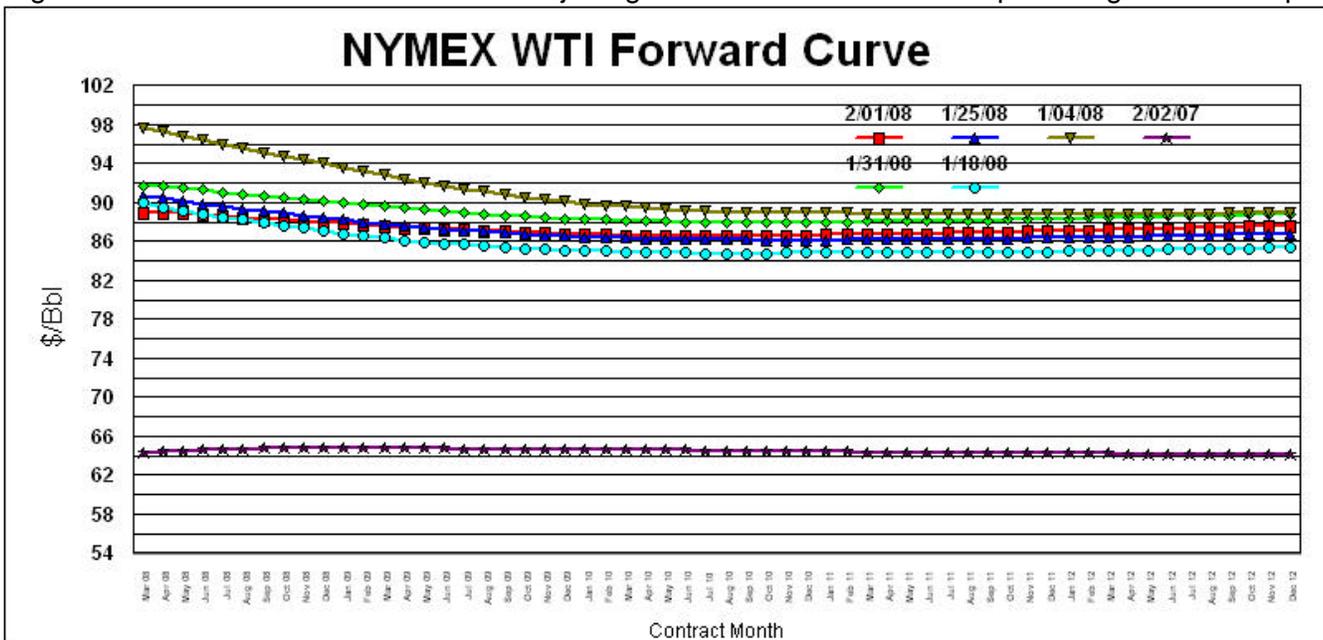
Nippon Oil Corp's 127,000 bpd No. 4 crude distillation unit at its Marifu refinery is scheduled to shutdown for maintenance from March 14 to April 26. Its 145,000 bpd No. 1 crude distillation unit at its Sendai refinery is scheduled to shutdown for maintenance starting in late May for 38 days. Its No. 2 crude distillation unit at its Negishi refinery is also scheduled to shutdown in early May for 34 days of maintenance while its No. 4 CDU is scheduled to shutdown starting in mid-September for 39 days of maintenance. Nippon Oil's 140,000 bpd CDU at its Mizushima refinery is scheduled to shutdown for maintenance starting in mid-September for 30 days. Meanwhile, Nihonkai Oil's 60,000 bpd No. 1 crude distillation unit at its Toyama refinery is scheduled to shutdown from May 14-June 21 for maintenance.

Japan's Cosmo Oil Co said its subsidiary would increase crude oil production in Qatar to 10,000 bpd by March from the current 5,000 bpd.

South Korea's SK Energy is expected to seek Iraqi or other crude on the spot market to make up for the loss of its term contract with Iraq, as the deadline for it to withdraw from the Kurdish oil development project ends.

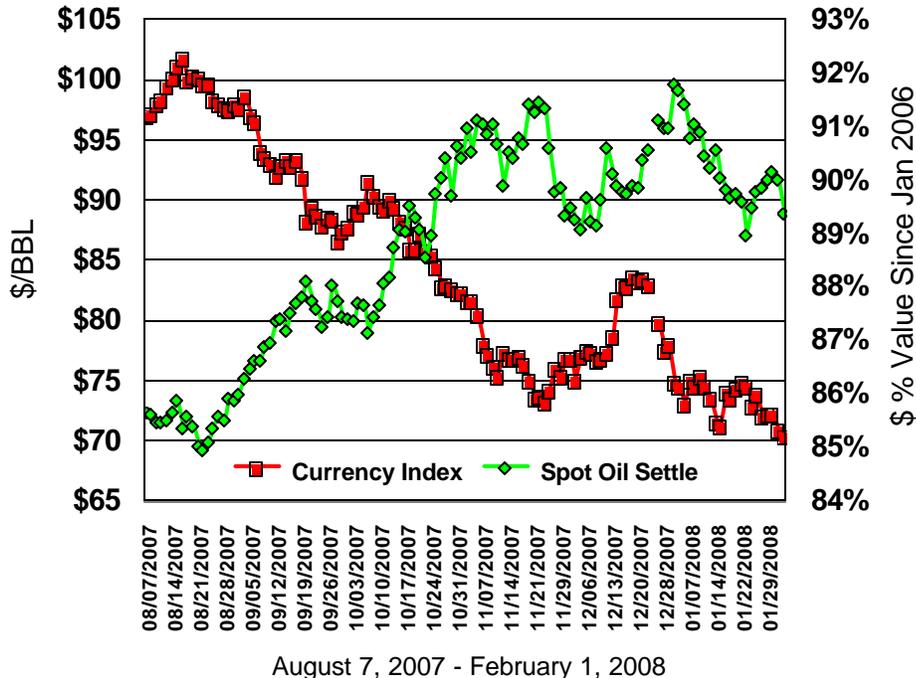
**Production News**

Nigeria's Minister of State for Oil Odein Ajumogobia said about 1 million bpd of Nigeria's oil output



## Spot WTI NYMEX Settle Vs Dollar Basket U.S. \$ Vs Basket of Currencies Of Net Oil Importers

\$ % Value Since January 2, 2006



capacity was currently shut in. He said about half of the shut in amount was due to militant attacks and sabotage with the remaining half caused by operational issues. He said Nigeria's current oil output was running at 2.23 million bpd. He stated that it was not unrealistic for Nigeria to reach a capacity of 4 million bpd by 2010. Nigeria has previously stated that it hoped to increase the country's 34 billion barrels of proven oil reserves to 40 billion barrels by 2010.

Norway's StatoilHydro said it would restart its Kristin and Huldra fields in the North Sea later on Friday following a brief shutdown. The Kristin gas

and condensate field was shut on Thursday due to a storm in the North Sea while the Huldra field, an oil and gas field, was shut due to testing at the Heimdal gas hub. Meanwhile ConocoPhillips shut production at its Eldfisk Alpha, Eldfisk Bravo and Embla fields and the Ekofisk Alpha and Ekofisk Bravo platforms due to high winds and swells. Total production from the Eldfisk fields is estimated at 46,000 bpd while production from the Embla field is estimated at 3,000 bpd and production from the Ekofisk fields is estimated at 236,000 bpd.

Italy's Eni chief executive Paolo Scaroni said he saw the company's oil production at nearly 2 million bpd this year.

Britain's BP and Marathon Petroleum West of Shetlands Ltd have found oil in block 204/23 in the UK North Sea. They were evaluating the discovery's potential for a two well development.

Chevron Corp cut its 2008 production forecast to 2.65 billion bpd of oil equivalent from 2.8 billion bpd of oil equivalent in 2007.

OPEC's news agency reported that OPEC's basket of crudes fell to \$88.10/barrel on Thursday from \$88.77/barrel on Wednesday.

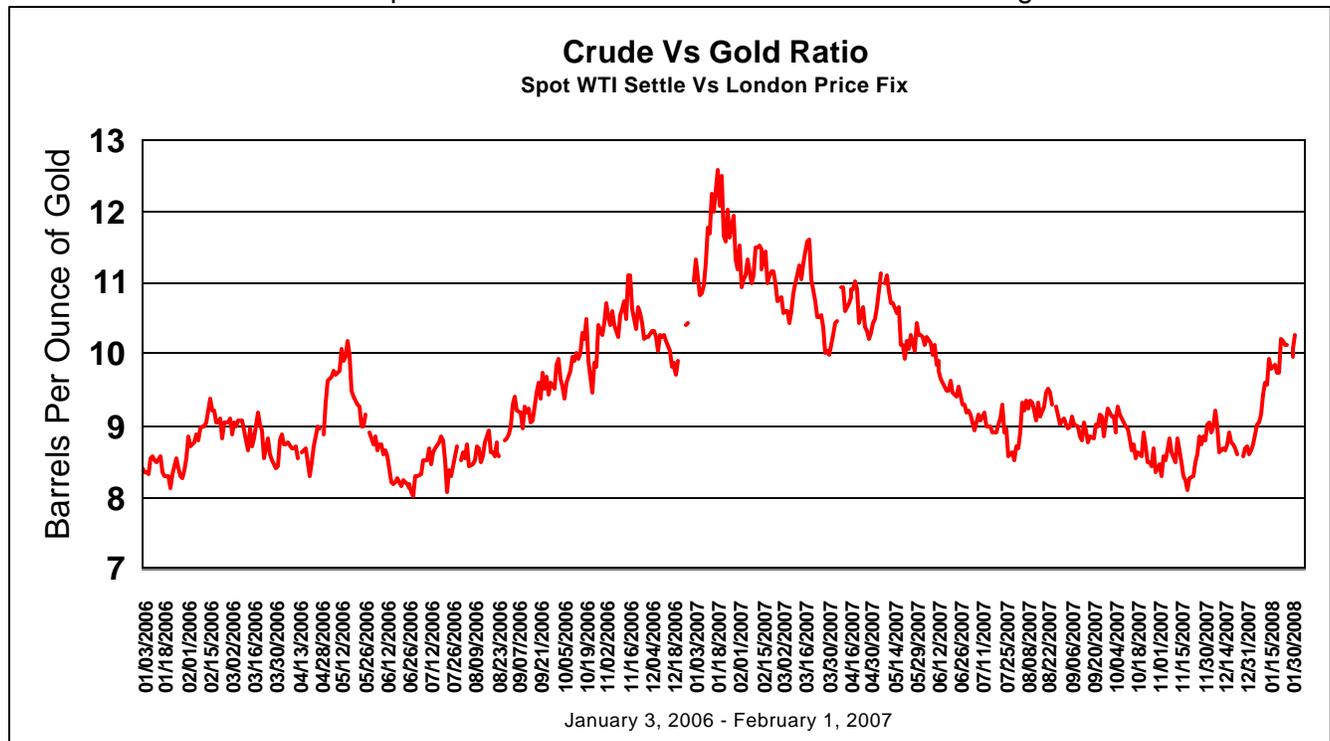
### Market Commentary

Continuing to be at the forefront of the energy market is the global economic situation. Decreasing U.S. employment, a slower housing market, gasoline demand at its lowest since January 27, 2006 and a falling stock market are among the bearish fundamentals plaguing the energy complex. At a time when gasoline cracks should be gaining strength and improving margins, these cracks have come under

pressure since the beginning of January, leading to the unwillingness of refiners to run more crude thereby adding to stock levels. An increase

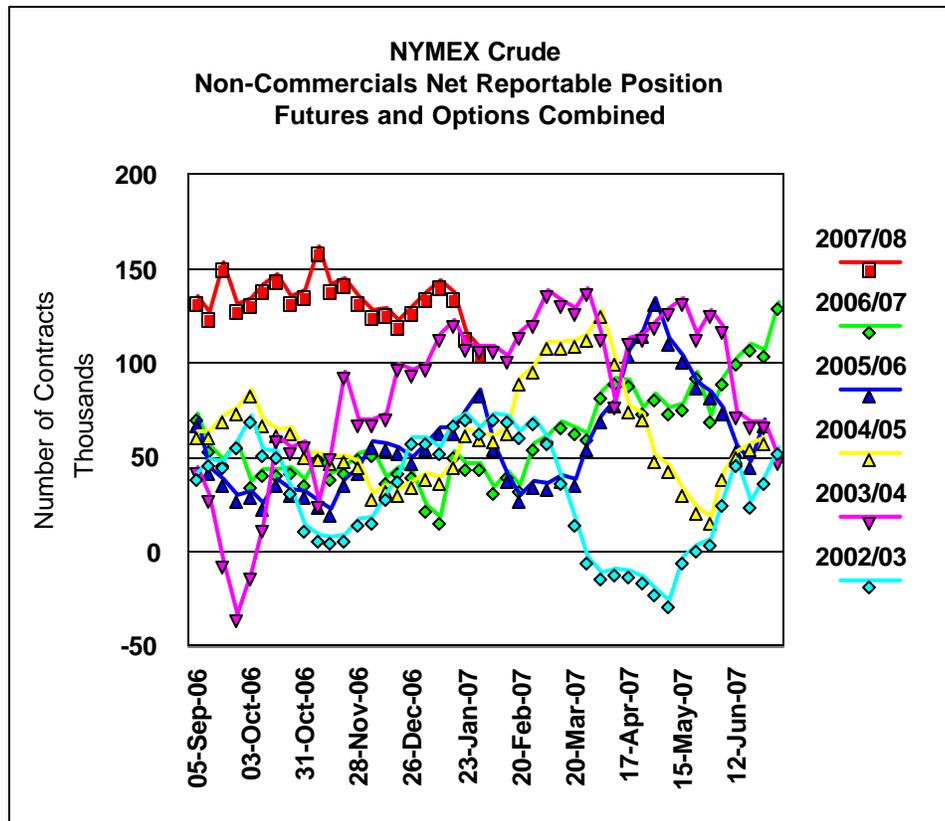
		Explanation
<b>CL</b> 88.96, down 2.79 cents	<b>Resistance</b> 92.60, 92.71, 94.05, 94.30, 95.75, 99.77, 100.15	50%(99.77&85.42), Previous high, 62%, Previous highs Friday's high
	<b>Support</b> 89.55, 90.25, 91.30, 92.12	
<b>HO</b> 244.89, down 8.02 cents	<b>Resistance</b> 254.22, 255.49, 256.53, 259.00, 260.49	Prev. highs, 50%(273.31&239.75), Prev. highs, 62% Friday's high
	<b>Support</b> 246.50, 248.80, 250.95, 252.00, 253.59	
<b>RB</b> 228.34, down 7.38 cents	<b>Resistance</b> 236.99, 239.36, 241.25, 242.89, 247.18, 247.50	Previous highs, triple top, 50%(261.10&224.67), 62%, high Friday's high
	<b>Support</b> 229.60, 231.55, 233.55, 236.00	
	227.36	Friday's low
	226.20, 224.67, 219.01	Previous lows, Basis trendline

in stock levels will make it difficult for OPEC to increase supplies. It all sounds like a vicious cycle, however the trend seems to point more towards the downside. After retracing 50% of its move from



\$99.77 to \$85.42, March crude oil appears to be setting up for another test at the bottom of this range. Barring any major bullish fundamentals, we would expect more downward pressure coming into next week. The March/April crude oil spread is now trading in negative territory. Our expectation for this spread is to continue to weaken and to test the minus 0.45 level. Although the whole curve came under pressure today, the front end once again is showing signs of being the weaker part of the forward curve, a bearish market indication. Open interest in crude oil is 1,395,278 up 7,402, March08 374,973, down 1,950 and April08 123,067 up 6,455. Similar to the crude market, the product markets breached their support line and settled below it amid the sharp sell off in the complex. The heating oil

market posted a high of 253.59 in overnight trading and quickly sold off early in the session. The market extended its losses to more than 8.7 cents as it posted a low of 244.19 in afternoon trading. It settled in a sideways trading pattern before ending the session down 8.02 cents at 244.89. The RBOB market also settled down 7.38 cents at 228.34 after it sold off more than 8.3 cents to a low of 227.36. The market later retraced some of its sharp losses ahead of the close. The markets, which failed to settle above their upward trendlines, will likely test their near term bottoms. In the heating oil market, support is seen at 244.19, 242.05, 240.84 followed by 239.75 and 235.57. Resistance is seen at 246.50, 248.80, 250.95, 252.00 and 253.59 followed by 254.22, 255.49, 256.53, 259.00 and 260.49. In the RBOB market, support is seen at 227.36 followed by 226.20, 224.67 and 219.01. Resistance is however seen at 229.60, 231.55, 233.55, 236.00 followed by 236.99, 239.36, 241.25, 242.89, 247.18 and 247.50.



The Commitment of Traders report showed that non-commercials in the crude market cut their net long positions by 7,297 contracts to 29,845 contracts in the week ending January 29. The funds increased their total short position by 18,382 contracts on the week. The combined futures and options report showed that non-commercials in the crude market cut their net long position by 8,741 contracts to 104,346 contracts on the week. The funds have likely continued to cut their net long positions amid the losses seen in the last two trading sessions. The non-commercials in the product

markets also cut their net long positions, with non-commercials in the heating oil market cutting their net long position by 1,065 contracts to 20,405 contracts and non-commercials in the RBOB market cutting their net long position by 1,897 contracts to 26,963 contracts on the week.