

W The
Windham Group



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 4, 2008

OPEC's Secretary General Abdullah al-Badri said all options were open concerning the group's supply policy at its next meeting in March. He said it was too early to predict what OPEC would decide at its March 5 meeting. He added that increased demand for oil in 2008 may not be quite as large as expected due to the US downturn however oil prices may increase due to the dollar's slide versus the euro. He said non-OPEC producers were expected to meet extra world demand. Meanwhile, Saudi Arabia's Oil Minister Ali al-Naimi said OPEC output policy in March would depend on how much crude oil stocks have been cut during the winter. He said world oil

Market Watch

US Energy Secretary Sam Bodman said the US Energy Department will not buy \$584 million worth of crude for the SPR by the end of September if prices are too high. He said the department would study potential market impact and put out bids to buy the oil.

The National Weather Service forecast that US heating demand would be 22% below normal in the week ending February 9 as warmer weather returns to the northern states. Demand for heating oil is expected to average about 26% below normal this week.

According to forecaster Meteorologix, temperatures in northeast US and temperatures in the northwest Europe are expected to be above average this week, cutting demand for heating.

The US Commerce Department reported that new orders at US factories increased by 2.3% in December, the largest increase since July. It reported that orders for durable goods increased by 5%.

Under a US spending plan unveiled by US President George W. Bush, a 16% increase in the budget for the Commodity Futures Trading Commission to \$130 million has been proposed. The increase in the budget was proposed as the administration recognized the need for increased funding in light of unprecedented growth in the futures market. The President has also proposed to subject trades on the futures markets to user fees to fund the agency's budget, which has been rejected by Congress in the past.

Nigeria's Finance Minister Shamsuddeen Usman said the country would disburse the first portion of \$4 billion of its oil windfall savings to the federal and state governments in February. The windfall savings would be disbursed in three installments with the second portion in March and the third in April to avoid triggering inflation. He said state government would get 80% of the funds while the federal government would get the remaining 20%.

prices were not under the exclusive control of OPEC, citing speculation and geopolitics as well as

Feb Calendar Averages

CL – 89.49
HO – 246.61
RB – 229.76

environmental conditions as important factors affecting prices. Separately, Kuwait's Oil Minister Mohammad al-Olaim said OPEC would discuss increasing its crude oil production levels when its ministers meet in March.

A spokesman for Movement for the Emancipation of the Niger Delta claimed responsibility for an attack on a military houseboat stationed at a crude pipeline hub in Nigeria. It said the attack at Royal Dutch Shell's hub in Bayelsa state was organized to commemorate MEND leader Henry Okah's fifth month of imprisonment. The militants attacked a pipeline manifold and attempted to seize the arms and ammunition of the naval personnel guarding the Shell site. According to Shell, oil production was not affected during the incident.

Turkish warplanes on Monday attacked about 70 Kurdish rebel targets in northern Iraq. It was the fifth aerial attack against Kurdish rebel bases in northern Iraq in two months.

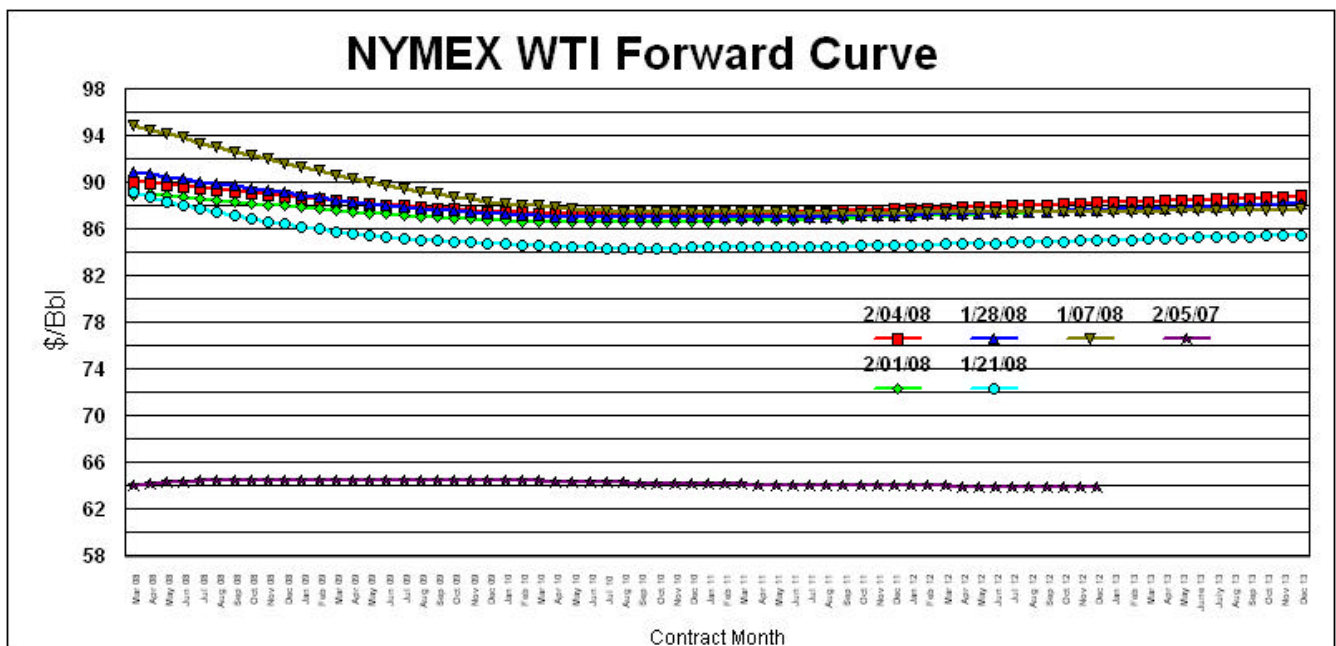
Iran launched a rocket designed to send a research satellite into orbit in the next year. The satellite, called Omid (hope) would be launched in the next Iranian year, which ends in March 2009. The ability to put satellites into orbit could indicate an advance in the country's missile technology.

The EIA reported that the US average retail price of diesel increased by 2.1 cents to \$3.28/gallon in the week ending February 4. The increase followed three weeks of declines that cut prices by 11.7 cents/gallon. The EIA also reported that the US average retail price of gasoline increased by 0.1 cents/gallon to \$2.978/gallon on the week.

Refinery News

The US Coast Guard said ship channels serving refineries in Houston, Beaumont and Port Arthur, Texas were not operating due to fog. The Houston Ship Channel had 34 ships queued to enter and 25 waiting to leave. The Sabine-Neches Waterway halted ship traffic on Sunday evening, with six ships waiting to enter the port and one waiting to leave. Ship pilots also stopped steering ships along the Calcasieu Ship Channel to Lake Charles, Louisiana. About three ships were waiting to sail out on Monday.

Chevron Corp was restarting a 90,000 bpd fluid catalytic cracking unit at its 260,000 bpd refinery in EI



Segundo, California over the weekend.

Shell Oil Co's 340,000 bpd Deer Park, Texas refinery began restarting a 70,000 bpd fluid catalytic cracking unit, a gasoline hydrotreater, an alkylation unit, three sulfur recovery units and girbotol unit following a planned overhaul.

BP Plc said it planned to start the process of resuming normal operations on a crude unit at its 460,000 bpd Texas City, Texas refinery sometime between Feb 5 and Feb 15. The refinery has been operating at reduced rates after damage from an explosion and hurricanes in 2005. The refinery is expected to reach 400,000 bpd by the end of the first quarter of 2008.

Total's 328,000 bpd Gonfreville refinery is scheduled to undergo maintenance work in March but it is not expected to impact production. Separately, Total has scheduled a maintenance shutdown at its 153,000 bpd Vlissingen refinery in the Netherlands for June.

Pumping of Iraqi Kirkuk crude to the Turkish port of Ceyhan was halted early Monday due to a technical fault. However flows should resume later on Monday after repairs have been carried out. Separately, thieves attempting to siphon off crude caused a fire on Monday in an internal pipeline carrying oil to Iraq's Baiji refinery. The pipeline was one of a network and it was still receiving supplies.

Turkey's Bosphorus and Dardanelles straits both resumed tanker traffic after weather conditions turned to normal. The straits were closed earlier on Monday due to heavy fog.

Iran's Deputy Oil Minister Mohammad Reza Nematzadeh said the country's daily gasoline imports fell about 57% since the country introduced fuel rationing last June. He said Iran imported 15 million liters of gasoline/day on average, out of total daily consumption of 58.5 million liters. The country's rationing plan has cut average daily consumption by 22% to 59 million liters compared with the same period last year.

Production News

According to the EIA, ethanol production in the US increased by 2.4% on the month in November to 14.356 million barrels. It reported that demand for the gasoline additive reached an all time high in November o 497,000 bpd, up 13,000 bpd on the month and 83,000 bpd on the year. US inventories stood at 11.194 million barrels in November, down 2% on the month and up 22% on the year. Imports of ethanol to the US in November fell by more than 57% to 380,000 barrels from 893,000 barrels in October. Brazil regained its spot as the leading exporter of ethanol to the US in November after falling behind Jamaica in October and El Salvador in September.

A fire halted production at StatoilHydro's Njord A platform on Monday. The Njord A platform produced an estimated 17,000 bpd in 2007. StatoilHydro said the cause of the fire was not yet known.

Iran's Azadegan oilfield is expected to come on stream next week. The managing director of the National Iranian South Oil Co, Seifollah Jashnsaz said Iran's Oil Minister Gholamhossein Nozari would attend a February 9 opening ceremony. The oilfield's reserves are estimated at 26 billion barrels.

An official at Kuwait Gulf Oil Co said Kuwait and Saudi Arabia were no track to increase their oil output capacity in the shared Neutral Zone between the two countries by 50,000 bpd by 2009. The capacity increase would come entirely from the offshore area, taking the total capacity for the zone to about 624,000 bpd.

Separately, an official at Kuwait Petroleum Corp said Kuwait was determined to meet its 2020 oil output capacity target of 4 million bpd but added that it faced challenges in finding contractors, technology and skilled labor. The chief executive of KPC, Saad al-Shuwaib said Kuwait would invest \$51 billion in the oil and gas sector over the next five years.

Algeria's Energy and Mines Minister Chakib Khelil dismissed forecasts that the country's output was set to fall. He said Algeria had enough oil and gas to earn \$55 billion/year for the next 32 years assuming high prices last. He said Algeria was under explored and its main oilfield, Hassi Messouad, would keep pumping at its current rate of about 400,000 bpd for at least the next 30 years. Critics have stated that delays in major production and pipeline projects could mean Algeria would struggle to meet expectations for growth in oil and gas production.

The head of Indonesia's BPMIGAS said Chevron's oil production in Indonesia is expected to fall by 4.5% this year as supply falls in ageing fields. It is expected to produce 440,000 bpd this year in Indonesia, down from 461,000 bpd in 2007. Indonesia's BPMIGAS said despite the expected fall in Chevron's output, the country's overall output is expected to increase by 10% to 1.05 million bpd, up from an average 954,300 bpd in 2007.

Russia's Energy Ministry reported that Russia's oil production fell to 41.348 million tons or 9.78 million bpd in January, down 0.9% on the month while exports via Transneft fell 0.4% to 18.111 million tons or 4.28 million bpd. Russia's seaborne crude exports supplied to ports by Transneft increased to 11.807 million tons or 2.79 million bpd in January, up 2.7%.

Latvia's ports shipped 21.1 million tons of crude oil and oil products from Russia in 2007, up from 19.7 million tons the year before. The Ventspils port shipped 16.3 million tons of products in 2007, up 11.7% on the year.

A senior oil ministry official in India said the country was set to raise its retail petrol and diesel prices this week for the first time in 20 months to ease losses at state oil refiners. The official said petrol prices were likely to increase by 4.6% while diesel prices were likely to increase by 3.3%. If the increases are approved, petrol prices would increase by 2 Indian rupees or 5 cents/liter and diesel by 1 rupee.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$87.72/barrel on Friday from \$88.10/barrel on Thursday.

Market Commentary

The March crude oil contract gave back \$1.06 of loses from Friday in response to several bullish fundamental als. Among these are:

		Explanation
CL	Resistance 92.60, 92.71, 94.05, 94.30, 95.75, 99.77, 100.15	50%(99.77&85.42), Previous high, 62%, Previous highs
	Support 90.02, up \$1.06	Monday's high
HO	Resistance 89.60, 88.65, 88.07	Monday's low
	Support 86.55, 86.17, 85.90, 85.37, 85.25	Previous lows
RB	Resistance 250.65, 252.57, 254.22, 255.49, 256.53, 259.00, 260.49	Basis trendline, 38% (273.31&239.75, highs, 50%, high, 62%
	Support 247.55, 246.00, 244.80, 242.76 242.05, 240.84, 240.02, 239.75	Monday's high
RB	Resistance 236.00, 236.99, 239.36, 241.25, 242.89, 247.18, 247.50	Monday's low
	Support 232.32, 233.24	Previous lows, Basis trendline, Previous lows
RB	Resistance 230.35, 229.15, 228.25, 226.74	Previous highs, triple top, 50%(261.10&224.67), 62%, high
	Support 226.20, 224.67, 217.09	Basis trendline, Monday's high
		Monday's low
		Previous lows, Basis trendline

a 2.2% jump in factory orders for the month of December, a new wave of violence between Turkish and Kurdish troops, the temporary closing of the Houston shipping channel due to fog and a request by President Bush to expand the Strategic Petroleum Reserves. Although initially, these fundamentals may cause the market to react strongly, the declining economic situation is ever present. After all fog will dissipate, the Turks and the Kurds have been warring on and off for years and stock levels at this point should be able to support requests for the SPR. The economic situation, however, could have a longer lasting effect on the market. Technically speaking, this higher move today appears to be a pause in the downward move that began in the beginning of January. Slow stochastics on the daily chart have now crossed to the down side and March crude oil failed to penetrate the 38.2% fibonacci retracement level of \$90.90. We would continue to look for a test of the recent lows down around the support area of \$85.37 and then would re-evaluate the market at that point. Open interest in crude oil is 1,394,780 down 498, March08 359,297, down 15,676 and April08 128,622 up 5,555. The heating oil market also retraced Friday's sharp losses amid the strength seen in the oil market. It bounced off a low of 242.76 in overnight trading and never looked back. The market extended its gains to over 5.3 cents as it posted a high of 250.25. The market gave up some of its gains ahead of the close and settled up 3.44 cents at 248.33. The RBOB market also settled up 2.83 cents at 231.17 after the market retraced some of its earlier gains. The market rallied off a low of 226.74 early in the session to a high of 233.24 by mid-day as it retraced some of Friday's sharp losses. While the markets retraced some of their previous losses, they still settled below their trendlines. The markets are still seen trending lower and testing their previous lows. In the heating oil, support is seen at 247.55, 246.00, 244.80 and 242.76. More distant support is seen at 242.05, 240.84, 240.02 and 239.75. Resistance is seen at 250.25, 250.65, 252.57, 254.222 and 255.49. In the RBOB, support is seen at 230.35, 229.15, 228.25, 226.74 and 226.20. More distant support is seen at 224.67 and 217.09. Resistance is seen at 232.32, 233.24 followed by 236.00, 236.99, 239.36, 241.25 and 242.89.