



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 5, 2008

OPEC's Secretary General, Abdalla Salem el-Badri said OPEC would leave its output quotas unchanged when it meets on March 5 if the current fundamentals of the oil market remain unchanged.

Iraq's Oil Minister Hussain al-Shahristani said it was too early to say if OPEC would need to adjust its oil output at OPEC's next meeting on March 5. He said the decision would be

based on the market figures and demand. Separately, Iraq's Oil Minister said Iraq would halt its oil supply agreements and cooperation with Austria's OMV AG and any other companies operating in the Kurdish region until they cancel their contracts with the regional government. An oil supply agreement with OMV for about 11,000 bpd has been halted. A spokesman for OMV said the company believes its contract with the Kurdish regional government is in line with the Iraqi constitution and is in talks with the federal government to convince them of their position. Iraq's government has also stopped any further cooperation with SK Energy Co Ltd and India's Reliance Industries Ltd. In response, the Kurdistan Regional Government Natural Resources Minister Ashti Hawrami said the escalating dispute between Baghdad and the Kurdish region over the involvement of foreign oil companies exploiting the oil rich north would not stop the Kurdish Regional Government from entering new deals.

Feb Calendar Averages

CL – 89.13
HO – 245.96
RB – 228.66

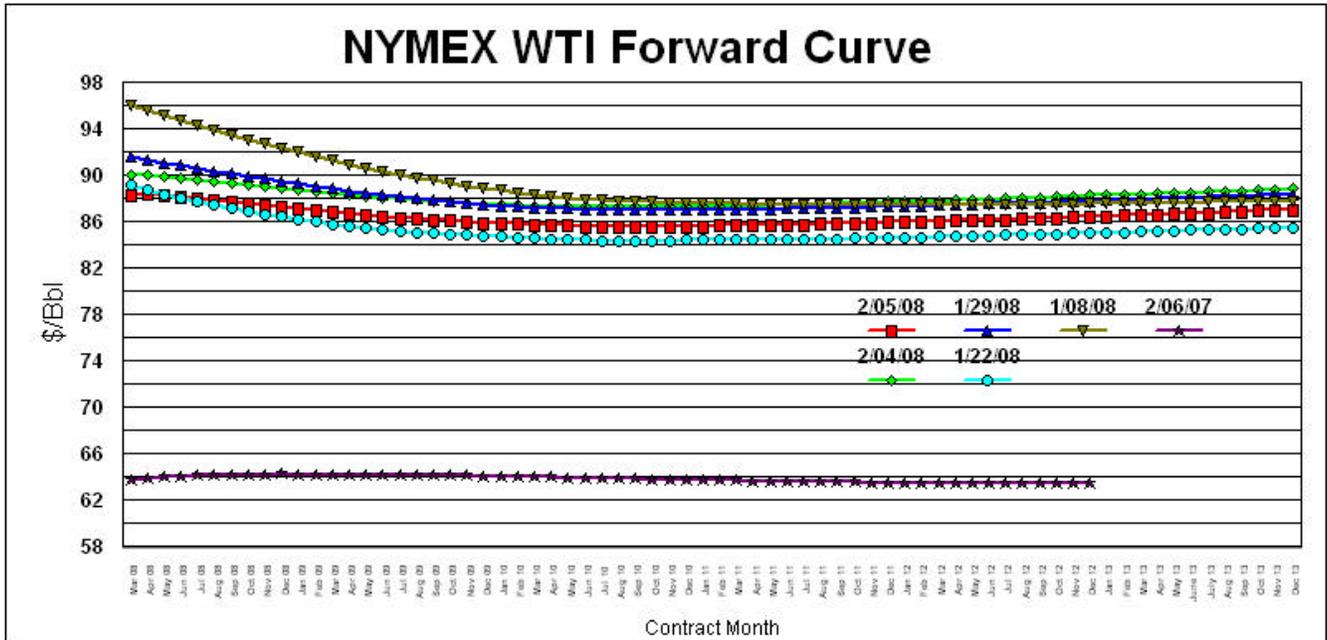
Market Watch

BP said it expected the price of oil to remain within a \$60-\$90/barrel range for the next few years and that a number of troubled projects were coming back on stream. It said its refinery in Whiting, Indiana would be at full capacity in the first half of the year and its Texas City refinery would have available capacity of 400,000 bpd by the end of March. It also stated that its Thunder Horse oilfield in the Gulf of Mexico would start production by the end of the year.

The New York Times reported that several factors would continue pushing the world toward increased use of alternative energy sources like sun and wind power regardless of what happens to oil prices. The study released by Cambridge Energy Research Associates said that what was different now from the 1970s was growing apprehension about global warming as threat to political security and the environment. The New York Times said this was pushing government to demand and subsidize, greater use of alternative energy.

The Institute for Supply Management's non-manufacturing index fell to 41.9, the lowest level since October 2001, from 54.4 the previous month.

The Iraqi Oil Ministry accused Iran of stealing oil from a shared field, the al-Fakkah field, under their common border and of illegally seizing and capping off wells in the Abu Gharb field, which Iraq claims in its entirety. An Iraqi official also accused Iran of pumping oil from their portion of the



field at such high rates that nine of 22 wells in Iraq's territory have been left inoperable. He also added that Iranians were blocking Iraqi repair crews from reaching the wells. Iraq's Foreign Affairs Ministry has sent a protest note to Iran through its embassy in Baghdad.

Israel's Mossad spy agency estimated that Iran would develop a nuclear weapon within three years and continue to provide rockets to regional armed groups. It said Israel would face increased threats on all fronts.

The MasterCard Advisors LLC reported that US gasoline demand in the week ending February 1 increased by 0.8% on the week to 9.182 million bpd. In the last four weeks, gasoline demand was up 1.5% on the year. It reported that the US average retail price of gasoline fell by 1 cent/gallon to \$2.98/gallon.

Refinery News

According to the US Coast Guard, the Houston and Sabine-Neches Ship Channels have remained closed due to fog. There were 38 ships waiting to enter the Houston Ship Channel while 31 ships were scheduled to leave. The Houston Ship Channel was also shut due to a fire in a furnace at the Rhodia Inc chemical plant along the waterway.

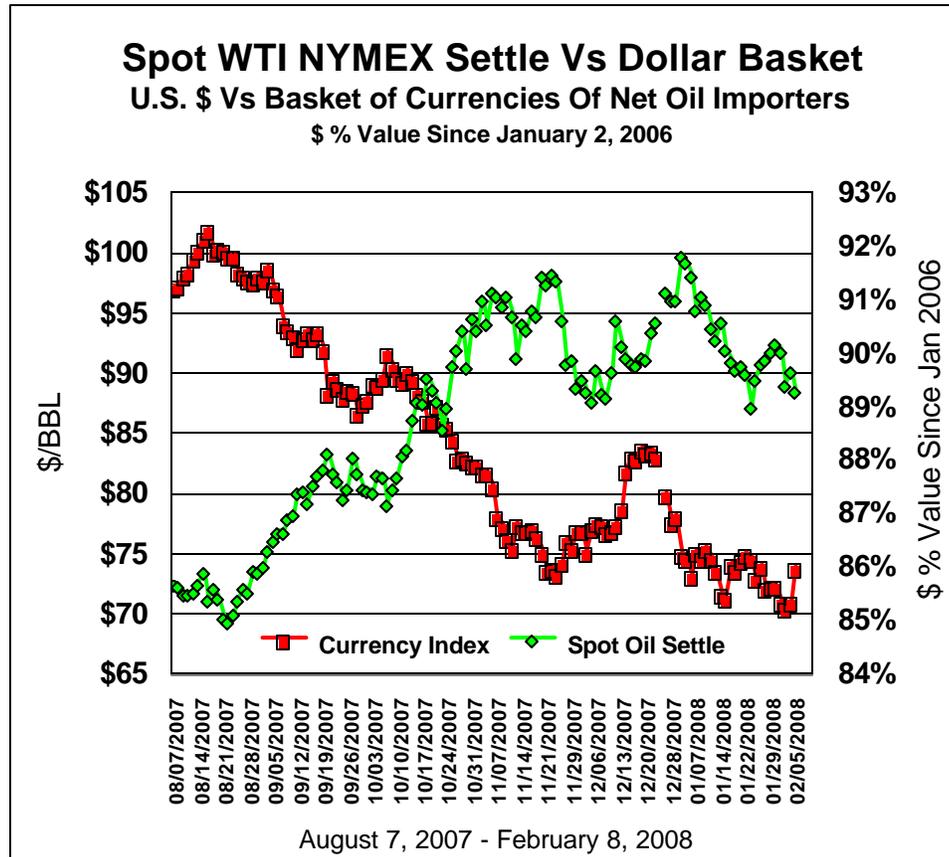
BP restarted a fluid catalytic cracking unit at its 460,000 bpd Texas City, Texas refinery over the weekend. The unit was restarted sometime between Saturday and Sunday.

Valero shut a fluid catalytic cracking unit at its Wilmington, California refinery for unplanned maintenance for five days.

Iraq's Oil Minister Hussain al-Shahristani said the country's crude exports averaged just under 2 million bpd in January. Separately, pumping of Iraqi Kirkuk crude from oilfields to the Turkish port of Ceyhan remained halted on Tuesday. Pumping was halted on Monday due to a technical fault.

An official at the National Iranian Oil Co, Hojjatollah Ghanimifard said Iran exported 2.45 million bpd of crude oil in January, unchanged on the month. He said Iran's crude oil production in January stood at

more than 4.1 million bpd. It was unchanged on the month. He also reported that Iran was importing 15 million liters/day or 94,000 bpd of gasoline and did not expect import volumes to change in the next 12 months. He said Iran was having no problems buying fuel even though some banks have stopped offering letters of credit on the deals.



Turkey shut the Bosphorus and Dardanelles Straits due to fog. The two waterways have been closed to tanker traffic since Monday.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 997,000 barrels to 15.231 million barrels in the week ending February 4. It also reported that light distillate stocks fell by 153,000 barrels to 8.3 million barrels while middle distillate stocks fell by 520,000 barrels to 6.832 million barrels on the week.

Production News

StatoilHydro ASA resumed oil and gas production at its Njord A field in the North Sea on Tuesday after a fire in a gas turbine halted production on Monday.

According to Dow Jones, OPEC's total oil production in January increased by 1.3% or 403,000 bpd on the month to 32.6 million barrels. Production by the group's 12 members with output quotas increased by 1.4% or 407,000 bpd to 30.3 million bpd. The OPEC-12 produced 627,000 bpd above the group's production target of 29.67 million bpd. It reported that Saudi Arabia increased its production by 150,000 bpd to 9.2 million bpd while Iran and the UAE increased production by 130,000 and 30,000 bpd, respectively.

Saudi Aramco cut its March official selling price of its oil bound for customers in the US while it increased its prices for oil bound for customers in Europe. Its Arab Extra Light crude price was cut by \$1.50 to WTI minus \$2.60, its Arab Light price was cut by \$1.25 to WTI minus \$5.40, its Arab Medium price was cut by 90 cents to WTI minus \$8.35 and its Arab Heavy price was cut by 60 cents to WTI minus \$11.35. Meanwhile, its Arab Extra Light crude bound for Europe increased by 80 cents to BWAVE plus \$2, its Arab Light crude price was increased by \$1.40 to BWAVE minus \$1.75, its Arab Medium price was increased by \$1.50 to BWAVE minus \$4.20 and its Arab Heavy price was increased by \$1.55 to BWAVE minus \$6.35. Its Arab Super Light crude bound for Asia was unchanged at the Oman/Dubai average plus \$6.05, its Arab Extra Light was cut by 60 cents to the Oman/Dubai average plus \$4.35, its Arab Light was cut by 30 cents to the Oman/Dubai average plus \$1.25, its Arab Medium

price was unchanged at the Oman/Dubai average minus \$1.75 and its Arab Heavy crude price was increased by 20 cents to the Oman/Dubai average minus \$4.60.

Market Commentary

In an overly sensitive market, crude oil reacted bearishly today, to the release of the US service industries non-manufacturing index that declined to 41.9. This figure accounts for almost 90% of the economy. This decline is viewed as negative for the economy, which in turn will have a negative impact on demand. This is the fourth straight day in a row that the March crude oil contract posted lower highs and lower lows, a bearish indication for prices. Adding further to the pressure on prices are expected builds of 2.2 million barrels per day in crude stocks. With demand waning as stock levels build and imports increase, this market should continue to tumble, meeting our initial objective of \$85.37. The \$84.82 is the next support level and a penetration of this number will bring price back into the downward channel that began in December. Should this level be broken, the \$80.70 channel bottom would be the next objective. The Goldman rolls typically begin on the fifth business day of the month, which is this Thursday. This move should put further pressure on the March/April spread, which traded on the negative side through out the session. Our objective, based on the spot spread continuation chart, is minus 0.45 cents, the lowest this spread has been since December 17th. Open interest in crude oil is 1,372,421 down 22,359, March08 332,364, down 26,933 and April08 137,012 up 8,390. Similar to the crude market, the product markets also continued on their downward trend and posted lower highs and lower lows on the day. The heating oil market erased its overnight gains to a high of 248.53 and sold off to 242.90 early in the session. The market later retraced some of its losses only to find some further selling pressure as it failed to test the 246.00 level, which pushed it to a low of 242.55. The heating oil market bounced off its low and traded sideways ahead of close. It settled down 3.68 cents at 244.65. The RBOB market settled down 4.7 cents at 226.47 after the market sold off to a low of 223.71. The markets are remaining in its downward trend channels. The markets are seen trading lower amid the expectations that the weekly petroleum stocks reports will show builds in crude and gasoline stocks once again. In the heating oil market, support is seen at 244.00, 242.55 followed by 242.05, 240.84, 239.75 and 237.93. Resistance is seen at 245.15, 246.00, 247.33, 248.53 followed by 250.25, 253.59, 254.22 and 255.12. In the RBOB, support is seen at 223.71 followed by 222.03, 221.96 and 217.33 while resistance is seen at 226.95, 228.90, 230.98 followed by 233.24, 236.00, 236.99 and 239.36.

		Explanation	
CL	Resistance	90.83, 92.60, 92.71, 94.05, 94.30, 95.75, 99.77, 100.15	Previous high, 50% (99.77 & 85.42), high, 62%, Previous highs
	Support	88.75, 90.00	Tuesday's high
HO	Resistance	87.53	Tuesday's low
	Support	250.25, 253.59, 254.22, 255.12 245.15, 246.00, 247.33, 248.53	Basis trendline, Previous lows
HO	Resistance	244.00, 242.55	Previous highs
	Support	242.05, 240.84, 239.75, 237.93	Basis trendline, Tuesday's high
RB	Resistance	233.24, 236.00, 236.99, 239.36	Tuesday's low
	Support	226.95, 228.90, 230.98	Previous lows, Basis trendline
RB	Resistance	223.71	Previous highs
	Support	222.03, 221.96, 217.33	Tuesday's high
			Tuesday's low
			Basis trendline, Previous lows