



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 7, 2008

Libya's top oil official, Shokri Ghanem said OPEC was closely monitoring the oil market situation before taking the right decision when it meets on March 5. He said any OPEC decision at the March 5 meeting would depend on the market situation.

US Energy Secretary Sam Bodman came close to suggesting that speculators were not the cause of increasing oil prices.

The head of the National Iranian Oil Co, Hojjatollah Ghanimifard said Iran would always find a way of continuing its oil trade despite efforts to restrict the country's export revenue. He said Iran by last autumn had cut all ties with the US dollar and added that Iran had shifted away from using some European banks to one in other regions after some European banks refused to open letters of credit. Iran has also started to use different methods of payment.

Separately, diplomats and experts stated that Iran has developed its own version of an advanced centrifuge that makes fissile material much faster than other centrifuges and has started testing them.

Feb Calendar Averages

CL – 88.63
HO – 244.94
RB – 227.49

Market Watch

According to a Reuters survey, world oil demand growth is expected to fall in 2008 as high prices and a slowdown in the world's industrialized countries led by the US impacted consumption. Average world oil demand growth this year is estimated at 1.43 million bpd, down from 1.56 million bpd reported last August and well short of the IEA's forecast of 1.98 million bpd. Oil demand growth is estimated to fall further to 1.32 million bpd in 2009. The survey showed that demand for OPEC crude would increase on average by 490,000 bpd in 2008 to 31.49 million bpd, down from 31.66 million bpd in last year's survey.

Deutsche Bank has launched the first commodity index to take short positions as well as long positions. The Deutsche Bank Commodity Harvest Index would use a rule based market neutral strategy that would buy and short sell futures contracts along the maturity curve. The index would use all commodity futures.

An International Monetary Fund official said the European Central Bank was appropriately keeping interest rates on hold amid inflation concerns. He added that the central bank was well positioned to change policy if necessary. The ECB agreed to hold interest rates unchanged at 4%.

According to Oil Movements, OPEC's crude oil exports are expected to increase by 40,000 bpd to 24.57 million bpd in the four weeks ending February 23.

Refinery News

Alon has cut rates at its 85,000 bpd refinery in Long Beach, California due to poor refining margins. It said two of four crude units have been shut and two others, with a combined capacity of 54,000 bpd were running at reduced rates.

Sulfur recovery units at the ConocoPhillips refinery in Carson, California were taken out of service on Thursday.

Royal Dutch Shell Plc's 420,000 bpd Pernis refinery in the Netherlands is scheduled to undergo partial maintenance in March. A fluid catalytic cracking unit is scheduled to shutdown around March 15. Production at the refinery would be reduced by 20% during the maintenance period.

Mexico's Transportation Ministry reported that it opened the Pajaritos oil export port early Thursday after the facility was shut on Wednesday. Meanwhile, the port of Dos Bocas remained shut due to strong winds and rough seas. Mexico's oil port of Cayo Arcas was not affected by the heavy seas.

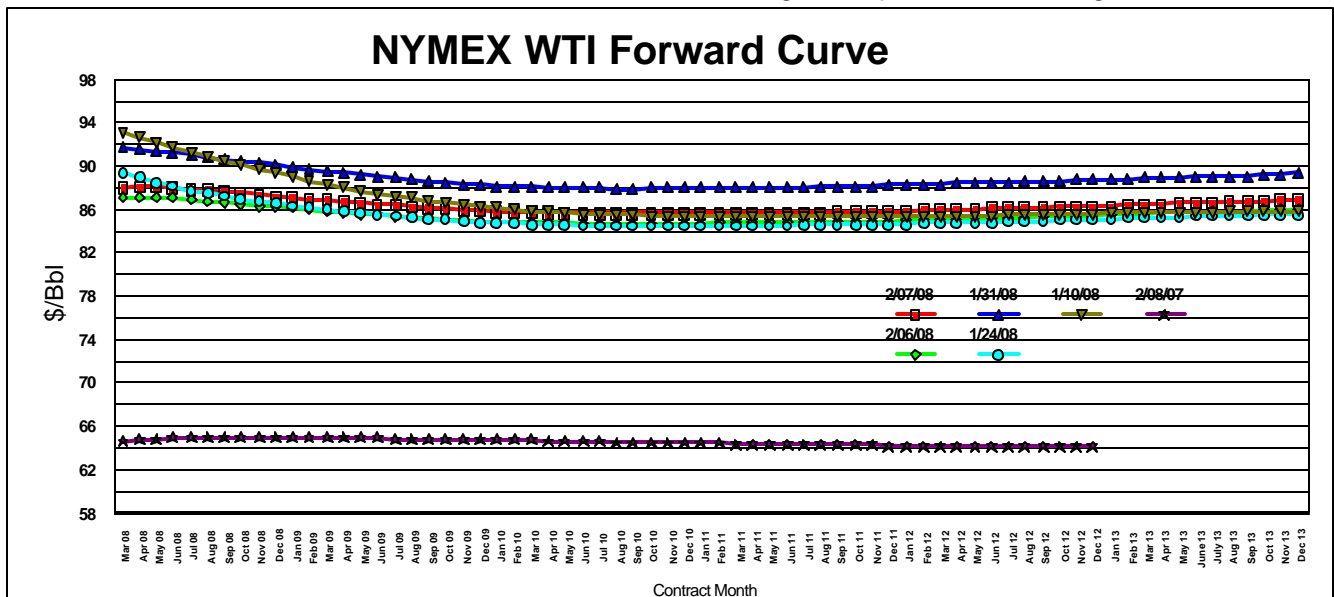
Production News

Royal Dutch Shell said 130,000 bpd of crude production was halted due to leaks on the Nembe Creek pipeline in the Niger Delta. On Wednesday, Shell declared a force majeure on exports from the Bonny terminal due to leaks. It said it was unable to repair the leaks because of security concerns. It said the force majeure would last through February and March. Separately, Shell resumed pumping Nigeria's Forcados crude a couple of days ago after exports were halted on January 11 due to an attack on oil export and water discharge pipelines. Production was halted after storage was full. Nigeria's shut in production is expected to reach 1 million bpd in coming weeks.

Production of Fortis crude oil in the UK North Sea has been cut by about 80,000 bpd. Traders said the production outage was possibly connected to maintenance at Total SA's Elgin-Frankline gas and condensate fields which started earlier this week.

Georgia's Black Sea port of Batumi shipped 666,200 tons of crude oil and refined products in January, down from 732,900 tons in the same month last year and 924,100 tons in December 2007. The port of Batumi shipped 9.5 million tons of crude and refined products in 2007, down from 11.7 million tons in 2006.

Kazakhstan's Prime Minister Karim Masimov warned foreign companies that the government would



repeat tactics used during a dispute over the Kashagan oilfield if they violated their contracts. Last month, Kazakhstan doubled its stake in the Kashagan oilfield and stripped Italy's Eni of its leading role in the project. He said foreign companies needed to show their willingness to abide by Kazakh laws if they wanted to press ahead with their work. Separately, he urged KazMunaiGas to hold off any talks with investors on new projects until a new tax code comes into effect later this year. Meanwhile, Kazakhstan's Energy Minister Sauat Mynbayev said the country would produce 69-70 million tons of oil this year, slightly above last year's 67.5 million tons.

BP's TNK-BP said it saw no threat from a possible delay to the launch of Russia's first oil pipeline to China for its Verkhnechonsk field in East Siberia as it may send the crude westward instead. TNK-BP said its Verkhnechonsk field would start production at the end of this year as planned regardless of whether the new pipeline is ready to ship the output to China. Transneft said it may delay the launch of the pipeline, initially planned for the end of the year, by at least nine months. The field has recoverable reserves of 1 billion barrels.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$84.87/barrel on Wednesday from \$86.21/barrel on Tuesday.

EU Energy Commissioners Andris Piebalgs said Russia's Gazprom has told the European Commission that supplies to the European Union would not be affected by a dispute between the company and Ukraine. This followed reported that Gazprom threatened to halt gas supplies to Ukraine over \$1.5 billion of debt for earlier deliveries.

The gas pipeline connecting the British and Belgian networks is to switch to UK export mode on Friday morning.

Market Commentary

The oil market continued to trend lower early in the morning and sold off to a low of 86.24 following Wednesday's DOE report showing a large build in crude stocks and reports showing a decline in retail sales and sales of existing homes. The market however bounced off that level and retraced some of Wednesday's sharp losses throughout the session despite the absence of any new fundamentals. The rally seemed to have been a technical bounce following its recent sell offs. The oil market also traded higher in spite of the strengthening dollar, which would have otherwise limited buying in the market. The market extended its gains to over \$1 as it posted a high of 88.16 on the close. The March crude contract settled up 97 cents at 88.11 before it continued to gain further strength in overnight trading and traded as high as 88.38. Even though the market traded higher, the market is still trading within its downward

trend as it continued to post a lower high and a lower low. The market is seen finding support at 85.34, basis its downward trendline with more

		Explanation	
CL	Resistance	89.00, 90.05, 92.60, 92.71, 94.05, 94.30	Trendline, high, 50%(99.77&85.42), high, 62%, Previous highs
	Support	88.16, 88.38	Thursday's high
HO	Resistance	87.35, 86.90, 86.24	Thursday's low
	Support	85.42, 85.34, 82.60	Previous low, Basis trendline, Previous low
RB	Resistance	248.53, 248.84, 250.25, 253.59, 254.22, 255.49	Previous high, Basis trendline, Previous highs
	Support	246.00, 246.79	Thursday's high
RB	Resistance	243.75, 242.00, 240.42	Thursday's low
	Support	239.75, 238.96, 236.78	Previous low, Basis trendline, Previous low
RB	Resistance	227.60, 230.98, 233.24, 236.00, 236.99, 239.36	Basis trendline, Previous highs
	Support	227.31	Thursday's high
RB	Resistance	224.50, 224.00, 223.00, 222.55	Thursday's low
	Support	218.67, 217.33	Basis trendline, Previous low

distant support at 82.60. Open interest in the crude market as of Wednesday built by 13,391 contracts indicating new shorts were added. Open interest in the March contract fell by 13,611 contracts while open interest in the April and May contracts built by 15,758 contracts and 4,995 contracts, respectively. The product market also retraced Wednesday's sharp losses and settled in positive territory. The heating oil market settled up 3.97 cents at 245.85 after it bounced off a low of 240.42 and rallied higher throughout the session. The market traded to 246.00 ahead of the close, which it later breached as it continued to trend higher later in the afternoon. It traded as high as 246.79. The RBOB market also posted a low of 222.55 early in the session before it retraced its losses and posted a high of 226.93 ahead of the close. It settled up 2.79 cents at 226.78. The market later posted a high of 227.31 as it continued to trend higher. Despite the markets' rally, they are still trading within their downward trends. In the heating oil, support is seen at 243.75, 242.00, 240.42, 239.75, 238.96 and 236.78. Resistance is seen at 246.79, 248.53, 248.84, 250.25, 253.59, 254.22 and 255.49. In the RBOB, support is 224.50, 224.00, 223.00, 222.55 followed by 218.67 and 217.33 while resistance is seen at 227.31, 227.60, 230.98, 233.24 and 236.00.