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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 13, 2008

Venezuela's PDVSA said it suspended its commercial relations and cut the supply of crude and petroleum products to ExxonMobil in retaliation for Exxon's legal offensive, which froze \$12 billion in Venezuelan assets. It said it would respect existing contracts governing shared investments with Exxon but reserved the right to break contracts whose terms so allowed. In response, ExxonMobil said it would take steps to ensure supply. Meanwhile, a Bush administration official said other major oil producers have assured the US they would make up for any interruption to Venezuelan supplies. The US State

Market Watch

The US Interior Department issued its final terms for two upcoming lease sales. Lease Sale 206 would involve about 5,00 tracts spread over 25.8 million acres located offshore Louisiana, Mississippi and Alabama. The lease area is estimated to hold between 877 million and 1.5 billion barrels of oil and 3.7 trillion cubic feet of gas. Lease sale 224 contains about 118 whole or partial unleased blocks. Lease sale 224 could hold between 100 million and 140 million barrels of oil and between 160 billion and 340 billion cubic feet of gas.

Shell Nigeria has suspended a cost cutting restructuring to hold more talks with the Nigerian government which is worried about job losses. Shell employs about 6,000 people in Nigeria and a further 6,000 contractors. It has given no figure for expected job cuts. Shell is seeking to restructure and cut costs because its onshore oil production facilities in the Niger Delta have been repeatedly attacked by militants since February 2006 and has significantly cut its production. According to industry estimates Shell has been producing between 600,000 and 700,000 bpd compared with a peak production level of 1 million bpd.

The head of Total, Christophe de Margerie said he did not expect any sharp decline in oil prices. He said the company planned to remain in Iran despite US led international pressure on the country over its nuclear program. In regards to Iraq, he stated that Total was studying the situation in Iraq but considered the country too dangerous for now to begin operations there. Total's chief executive also stated that Venezuela remained part of the company's future strategy despite its dispute with the US. PDVSA this year agreed to pay \$834 million to Total to compensate for taking over part of its stake in an oil project as part of a nationalization drive.

Iran's Oil Minister Gholamhossein Nozari said Iran expects to earn a record \$63 billion from oil sales in the Iranian year that ends in March and about the same next year if prices remain high.

Feb Calendar Averages

CL – 90.45
HO – 251.35
RB – 231.99

Department said it supported ExxonMobil Corp in its efforts to get a fair and just compensation package from Venezuela but was not involved in

the case. The head of the IEA, Nobuo Tanaka also stated the group was willing to act if needed.

OPEC President Chakib Khelil said OPEC's meeting on March 5 would take into account high US crude oil stocks and the impact on demand of a probable US recession before making a decision in regards to its production policy. Separately, OPEC's President said any move by OPEC to abandon the dollar for oil pricing would require a meeting of the 13 member OPEC's finance ministers. The OPEC President, who is also Algeria's Energy and Mines Minister, said the country had no immediate plans to shift. Meanwhile, Kuwait's Prime Minister Sheikh Nasser al-Mohammad al-Sabah said Kuwait hoped that OPEC would leave its output unchanged at its next meeting.

<u>DOE Stocks</u>
Crude – up 1.1 million barrels
Distillate – down 100,000 barrels
Gasoline – up 1.7 million barrels
Refinery runs – up 0.8%, at 85.1%

The head of the IEA Nobuo Tanaka said OPEC should maintain its current crude oil production in order to build up global stocks in the second quarter.

The IEA reported that world oil demand would grow less quickly than previously expected due to slower economic growth in the US. It forecast in its monthly Oil Market Report that world oil demand growth would average 1.67 million bpd, down 310,000 bpd from its previous estimate. It reported that OECD stocks fell by 39.5 million barrels in December. World oil supply averaged 87.2 million bpd in January, up 745,000 bpd on the month. The IEA also reported that OPEC's production in January was steady at 32 million bpd. It stated that OPEC's tight spare capacity would ease this year with new facilities starting up. Gross new liquid capacity for OPEC would total 3.1 million bpd in 2008, up from 1.25 million bpd last year.

The API reported that total oil demand in January averaged 20.552 million bpd, down 7,000 bpd on the year. It reported that gasoline demand in January increased by 142,000 bpd or 1.6% to 9.033 million bpd while distillate demand increased by 204,000 bpd or 4.8% to 4.471 million bpd. On the supply side, crude imports in January fell by 0.1% to 10.186 million bpd. US crude oil production in January fell by 3.8% to 5.066 million bpd. It also reported that gasoline production increased by 2% to 9.038 million bpd while distillate production increased by 4.1% on the year to 4.198 million bpd.

Refinery News

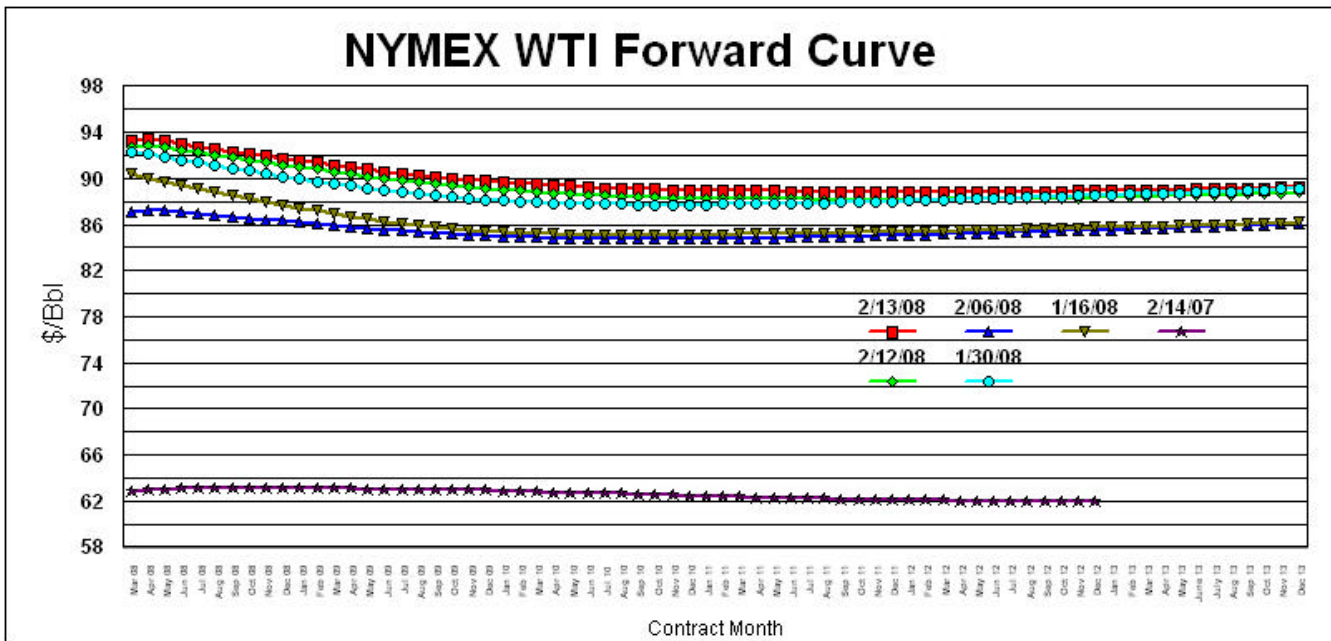
ExxonMobil's 193,000 bpd Chalmette refinery joint venture with PDVSA was operating as usual after Venezuela halted its oil exports to ExxonMobil.

Work continued on Wednesday to restart Citgo Petroleum Corp's 430,000 bpd refinery in Lake Charles, Louisiana refinery. Work to return all the units to operating status was expected to last through Sunday, a week after a connection between outside power provide Entergy and the refinery was lost.

Shell reported a brief problem with a crude unit at its 333,000 bpd refinery in Deer Park, Texas. The crude unit has been operating at reduced rates during a turnaround on several key units.

Valero Energy Corp said it expected its 182,000 bpd refinery in Delaware City, Delaware to resume full operations within several days after a power outage on Sunday shut all units.

Sunoco Inc is planning work on a crude unit at the Point Breeze section of its 335,000 bpd Philadelphia refinery starting on February 15. Work on the fluid catalytic cracking unit is also seen starting on February 25, with both units resuming operations on March 24.



Total is expected to build a 50,000 bpd deep conversion unit at its Port Arthur, Texas refinery, expanding its capacity to process heavy and sour oil. The project would include a coker, a desulphurization unit, a vacuum distillation unit and other related units. It would add 3 million tons per year of ultra low sulphur diesel to the refinery's current production, increasing total output of all products to about 12 million tons per year.

Mexico closed three oil ports of Tampico, Tuxpan and Altamira in the Gulf of Mexico, on Wednesday due to bad weather. Pemex however said there would be no noticeable effect on crude oil exports. The ports of Dos Bocas, Pajaritos and Cayo Arcas remained open on Wednesday.

German end user stocks of heating oil fell to 52% as of February 1 compared with 55% on January 1.

Iraq pumped Kirkuk crude through its northern pipeline to Turkey at the rate of about 480,000 bpd on Wednesday and has kept the flow steady for over a week. A shipper said that in the last five days, four tankers have loaded a total of 3.2 million barrels of oil. He added that oil in storage at the Turkish terminal of Ceyhan stood at 3.2 million barrels.

Kazakhstan's State Statistics Agency reported the country's crude oil and gas condensate production totaled 5.961 million tons in January 2008, up 7.1% on the year. It reported that Kazakhstan's oil production increased by 5.4% to 4.903 million tons. It also reported that Kazakhstan's crude oil exports increased by 11.4% to 60.8 million tons in 2007. It produced 67.5 billion tons of oil and gas condensate in 2007 compared with 65 billion tons in the previous year.

Kazakhstan's Aktau port is expected to increase its shipments of oil and products by 2.3% to 9.5 million tons this year.

Japan's Tokyo Electric Power Co said it continued to purchase much more crude oil and fuel oil in January due to the indefinite shutdown of its largest nuclear power plant and cold winter weather. It bought 493,000 kiloliters of 3.1 million barrels of crude oil in January, up from 161,000 kl in January 2007. Its crude oil consumption in January increased to 392,000 kl from 13,000 kl last year. It also bought 784,000 kl or 4.9 million barrels of fuel oil in January, up from 315,000 kl last year. Its fuel oil consumption in January increased to 762,000 kl from 316,000 kl a year earlier.

Production News

According to Reuters, the average daily loading rate of the nine main North Sea crude streams would increase in March to 2.46 million barrels, up 104,000 bpd on the month. Britain's North Sea Flotta stream is scheduled to load about 42,000 bpd in March, down from 90,000 bpd the previous month. Norway's North Sea Troll oil stream is set to load about 277,000 bpd in March, up 70,000 bpd on the month. As previously reported, the Brent crude stream is set to load 157,000 bpd in March, down 28,000 bpd on the month.

Norway's StatoilHydro said it has started production at its Volve oil and gas field in the North Sea, which is expected to reach plateau oil production of 50,000 bpd in the first quarter of 2009.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$89.78/barrel on Tuesday from \$89.18/barrel on Monday.

Market Commentary

Crude oil stocks built lower than expected, reflecting a draw of 1.1 million. Current stock levels are at 301.1 million barrels, putting them in the middle of the average range. Over a four week period, crude stock levels average 10.1 million barrels or 210,000 bpd above the same four week period last year. Total gasoline stocks built by 1.7 million barrels, putting them in the upper limit of the average range. Demand for gasoline averaged 9 million barrels a day, up 0.4% from last year. Total distillate stocks drew by 166,000 barrels. This stock level is in the middle of the average range, with demand set at 4.2 million barrels a day, down 2.8 % on the year. The initial reaction to these numbers had prices falling slightly, only to rebound on indications that OPEC may cut output in March. Citing a reduction in demand as a reason for a possible cut, Algerian oil minister, Chakib Khelil stated that OPEC would have to keep a close eye on demand. Giving further strength to prices was a 0.3% jump in US retail sales for January. Based on the daily bar chart of March a pennant formation has formed. The breakout on the upside of this formation is \$93.48, with \$97.46 being the upside target and \$88.43, the down side target. Open interest in crude oil is 1,393,035 up 16,753, March08 202,726, down 21,295 and April08 259,723 up 30,592. Similar to the crude market, the heating oil market posted an inside trading day once again as the market failed to find the momentum to break out either way. The market sold off to a low of 258.14 following the release of the DOE report. The heating oil market however bounced off its low and retraced its losses. It posted a high of 262.72 in afternoon trading before it settled in a sideways trading pattern ahead of the close. The market, which also formed a pennant formation, settled up 2.45 cents at 261.56. Meanwhile the RBOB market also sold off and breached its previous low as it traded to a low of 234.51 early in the session in light of the build in gasoline stocks. However the market bounced off its low and rallied back into positive territory as traders shrugged off the inventory

reports. It posted a high of 240.53 before it retraced some its gains ahead of the close. The RBOB market settled up 2.19 cents at

		Explanation	
		94.15, 94.72, 95.75, 97.53, 98.22, 99.77, 100.15	Previous highs
Resistance		93.48, 93.89	Basis pennant formation, Wednesday's high
Support		92.41, 91.91	Basis pennant formation, Wednesday's low
		90.92, 88.00, 86.55, 86.24, 85.90, 85.42, 82.60	Previous lows
		262.98, 264.62, 266.02, 268.20	Previous highs, basis trendline & Previous high
Resistance		261.77, 262.72	Basis pennant formation, Wednesday's high
Support		260.17, 258.14	Basis pennant formation, Wednesday's low
		256.98, 254.08, 246.14, 240.42, 239.75	Previous lows
		240.78, 243.46, 246.37, 247.50, 252.05, 253.28	Previous high, 62% (261.10&222.55), Previous highs
Resistance		240.53	Wednesday's high
Support		238.00, 236.85, 234.51	Wednesday's low
		233.87, 226.45, 222.55, 217.33	Previous lows

238.99. The markets on Thursday are seen retracing some of today's gains after failing to test their previous highs. While the market will watch for further developments on the escalating legal dispute between ExxonMobil and Venezuela, the market seems to believe Venezuela's move will have little impact on US supplies, as ExxonMobil obtains its oil from other sources. In the heating oil market, support is seen at 260.17, 258.14, 256.98, 254.08 followed by 246.14, 240.42 and 239.75. Resistance is seen at 261.77, 262.72, 262.98, 264.62, 266.02 and 268.20. In the RBOB, support is seen at 238.00, 236.85, 234.51 followed by 233.87, 226.45, 222.55 and 217.33. Resistance is seen at 240.53, 240.78, 243.46, 246.37, 247.50, 252.05 and 253.28.