



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 14, 2008

Venezuela's Oil Minister Rafael Ramirez said the country stood ready to support an oil production cut by OPEC if crude inventories continued to build. He however declined to say how much of a cut Venezuela would support during OPEC's meeting on March 5. He also

stated that Venezuela agreed with comments by OPEC Secretary General Abdullah al-Badri that the group may abandon the dollar for pricing oil and adopt the euro in the future.

Market Watch

During testimony to the Senate Banking Committee Federal Reserve Chairman Ben Bernanke kept the door open to further interest rate cuts, saying downside risks remained as the possibilities that the housing market and labor market may deteriorate to an extent beyond that currently anticipated or that credit conditions may tighten further. He said the Federal Open Market Committee would act in a timely manner as needed to support growth and to provide adequate insurance against downside risks. However he appeared more upbeat on the economy's prospects for later this year and next when the combination of fiscal and monetary stimulus are expected to take effect.

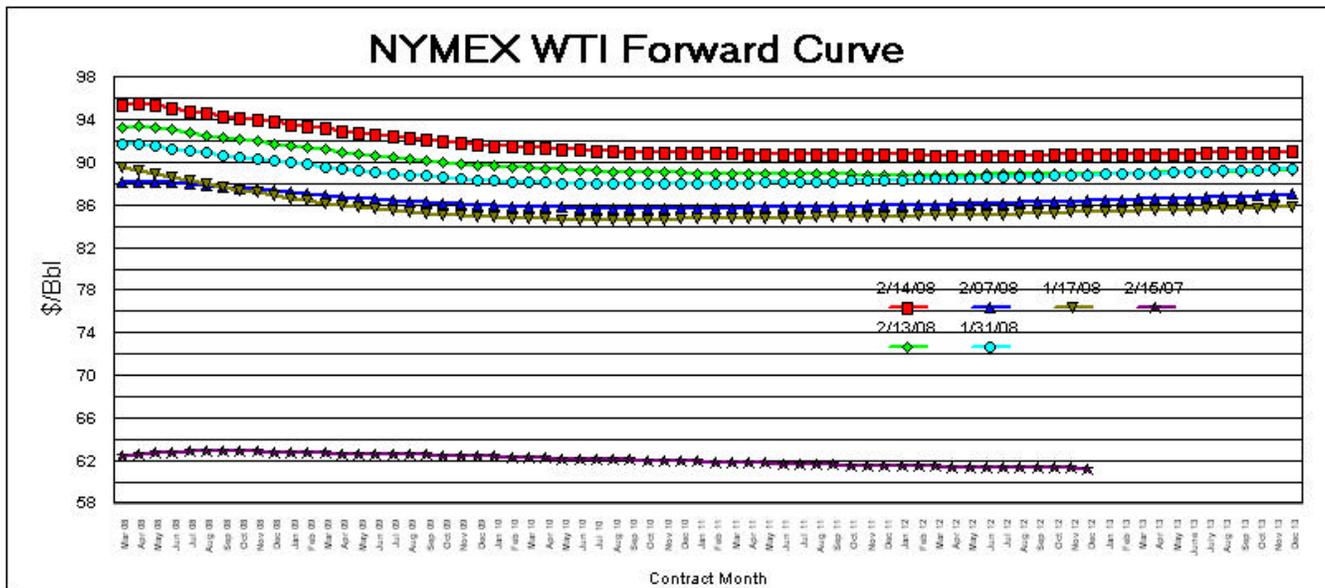
The EIA's and API's weekly petroleum stock reports will be delayed by one day until Thursday, February 21 due to the Presidents Day holiday on Monday.

Separately, Venezuela's Oil Minister Rafael Ramirez late Wednesday denounced a ruling by a US judge upholding a freeze on more than \$300 million of PDVSA's assets as "judicial terrorism." PDVSA said it would fight ExxonMobil's attempt to badger Venezuela. It said it would contest orders in UK and Dutch courts to freeze \$12 billion of its assets. Venezuela's Oil Minister said ExxonMobil has demanded \$5 billion for a nationalized oil project in Venezuela. He said fair compensation was not even 10% of what Exxon has demanded. He also said spot oil sales to Exxon were being suspended and Venezuela was considering what actions to take regarding oil supply to the refinery in Chalmette, Louisiana. He however stated that Venezuela's international arbitration procedure with ConocoPhillips remained amicable. Venezuela's congress urged President Hugo Chavez to pull out of the World Bank's arbitration unit that handles a dispute with ExxonMobil Corp. Meanwhile, the mayor's office of a Venezuelan municipality has demanded that ExxonMobil pay \$110 million in local taxes for production activities between 2000-2006. It said if Exxon did not comply with the ruling, the municipality would consider other legal mechanisms to force the company to pay, including presenting an international lawsuit.

Feb Calendar Averages

CL – 90.45
HO – 251.35
RB – 231.99

Royal Dutch Shell Plc's president John Hofmeister said Venezuela's decision to suspend its oil shipments to ExxonMobil Corp would not necessarily affect world supplies because the country could still ship its oil



elsewhere.

An official at the National Iranian Oil Co, Hojjatollah Ghanimifard said oil prices would start falling at the end of the summer and would continue to fall until the US presidential election in November. He added that prices would later increase after that.

Oil Movements stated that OPEC's seaborne crude oil exports are expected to fall by 140,000 bpd in the four week period ending March 1 to 24.42 million bpd, down from 24.56 million bpd in the previous four week period ending February 2.

According to Lloyd's Marine Intelligence Unit, OPEC's seaborne oil exports, excluding Angola and Ecuador, fell by 279,000 bpd on the month in January to 22.886 million bpd. It reported that 12 of OPEC's members bound by targets, excluding Iraq, pumped 30.2 million bpd, up 410,000 bpd from December.

Iraq's Foreign Minister Hoshiyar Zebari said Iran has postponed a fourth round of talks with the US in Baghdad on improving security in Iraq. The talks were scheduled for Friday. No reason was given for the postponement. A US embassy official said it increasingly appeared that Iran did not want to hold the talks. Separately, Iran's President Mahmoud Ahmadinejad has set March 2 for the start of his visit to Iraq. He will meet with Iraqi Prime Minister Nouri al-Maliki and President Jalal Talabani during his two day visit.

Kurdistan's Prime Minister Nechirvan Barzani said the government's signing of oil deals with foreign companies was not against Iraq's constitution. He also said the Kurdistan government was trying to resolve suspended oil exports to South Korea.

Refinery News

A crude oil pipeline to Marathon Oil's 220,000 bpd Catlettsburg, Kentucky oil refinery ruptured on Monday causing a spill of about 200 barrels. The pipeline resumed operations on Thursday. There is no estimate on when the refinery would return to normal rates.

A crude unit shut by a power outage early Tuesday at Sunoco Inc's Point Breeze section of its Philadelphia refinery was restarted Thursday following the restoration of power. However its fluid

catalytic cracking unit remained shut. Turnaround maintenance at the Point Breeze crude unit initially planned for late February has been moved up to mid-month.

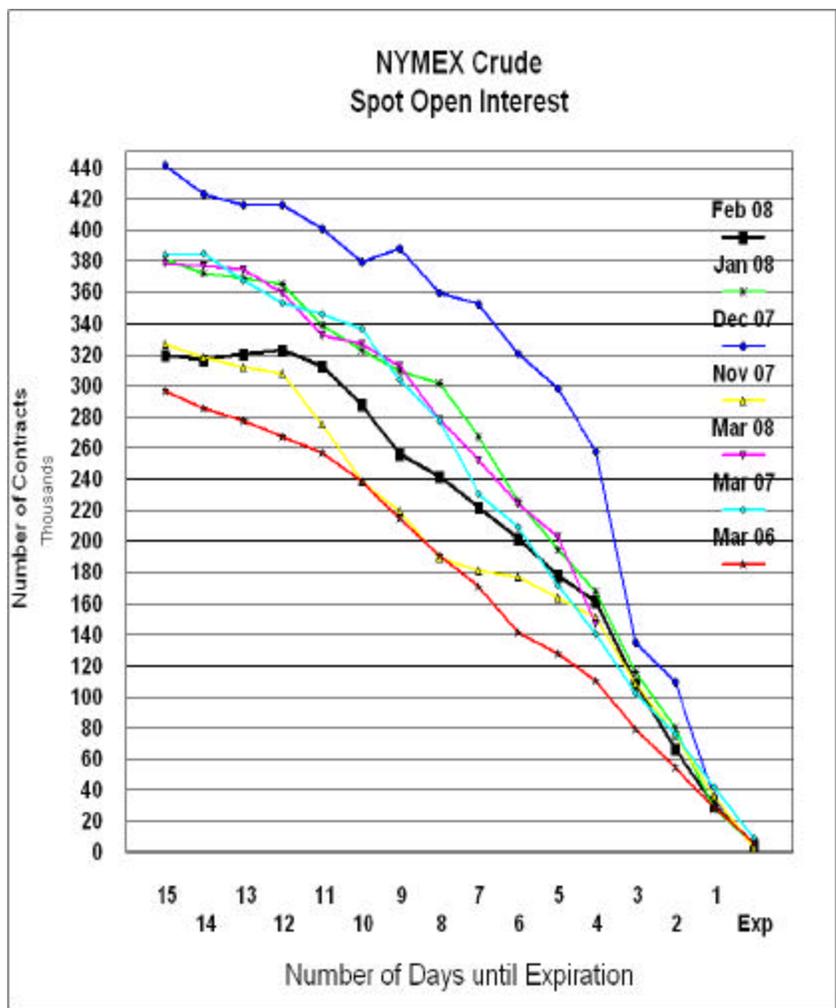
Valero Energy Corp said its 255,000 bpd Aruba refinery continued to operate at reduced rates following a fire on January 25. The vacuum unit at the refinery remains offline after the fire started in the unit. Valero also said the main units at its 210,000 bpd Delaware City, Delaware refinery were operational following a power outage Sunday that led to a shutdown of the entire refinery. Valero Energy Corp also said it restarted a fluid catalytic cracking unit at its 139,000 bpd refinery in Wilmington, California.

Chevron Corp restarted crude production at its Pascagoula, Mississippi refinery that was damaged by a fire on August 16.

Pemex has fully restored operations at the Salina Cruz refinery after the company shut operations on Tuesday to check for damages after an earthquake hit southern Mexico.

Ineos has closed one of two crude distillation units at its 207,000 bpd Lavera refinery in southern France. A trader said production at the plant has been reduced since last week due to unexpected problems.

Mexico opened its oil export port of Dos Bocas on Thursday following its closure on Wednesday. The



oil exports terminals of Pajaritos and Cayo Arcas remained closed due to bad weather conditions in the Gulf of Mexico. A Pemex spokesman said crude shipments would be delayed until the bad weather dissipated. The smaller Gulf ports of Tampico, Altamira, Tuxpan and Isla del Carmen were also closed on Wednesday amid strong winds and high seas.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 49,000 tons in the week ending February 14 to 1.059 million tons while gas oil stocks fell by 64,000 tons to 1.298 million tons on the week and fuel oil stocks fell by 146,000 tons to 669,000 tons. Naphtha stocks fell by 10,000 tons on the week to 49,000 tons while jet fuel stocks fell by 15,000 tons to 202,000 tons on the week.

Total said it would decide before the end of June whether to proceed with a planned refinery in Saudi Arabia as it weighs the impact of increasing

industry costs. Saudi Aramco has signed a joint venture with Total for a 400,000 bpd refinery to cope with the country's increasing crude output capacity.

The Petroleum Association of Japan reported that Japan's crude oil inventories fell by 5.86 million barrels to 91.55 million barrels in the week ending February 9. The lower stocks were due in part to Japanese refiners increasing their refinery utilization rates by 1.2% to an average 87.3% of total capacity of 4.9 million bpd. Crude runs increased by 60,000 bpd to 4.27 million bpd on the week. It also reported that gasoline stocks built by 300,000 barrels to 13.73 million barrels while kerosene stocks fell by 2.1 million barrels to 18.32 million barrels on the week.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 251,000 barrels to 14.98 million barrels in the week ending February 13. It also reported that light distillate stocks fell by 700,000 barrels to 7.6 million barrels while middle distillate stocks built by 1.795 million barrels to 8.627 million barrels on the week.

Egypt temporarily closed three of its Red Sea ports, the el-Adabia, Port Tawfik and el-Zeitia, due to bad visibility, high winds and high waves on Thursday.

Production News

Royal Dutch Shell Plc said it has restarted some production from its Forcados crude oil fields in Nigeria following repairs on a pipeline damaged in January. However the force majeure on exports remains in place. Shell also stated that a force majeure also remained on export contracts from Shell's southern Nigerian Bonny Light crude export terminal for February and March due to sabotage of pipelines.

Australia's Santos Ltd said its Legendre and Stag oil fields off Western Australia have been shut in since Monday due to a cyclone. Santos said its Mutineer-Exeter field, which was producing 6,000-5,000 bpd, had stopped production prior to the cyclone due to field repairs. Meanwhile Chevron and Woodside Petroleum Ltd, which operate the 73,000 bpd Cossack-Pioneer field, said its operations were unaffected.

The National Iranian Oil Co raised the price of its Iran Light crude bound to NW Europe by \$1.45 to BWAVE minus \$1.50. It also increased the price of its Iran Heavy crude by 95 cents to BWAVE minus \$4.00 and the price of its Forozan crude was increased by 95 cents to BWAVE minus \$3.90. The price of Iran Light crude bound for Asia was cut by 30 cents to the Oman/Dubai average plus \$1.60, while the price of Iran Heavy crude was set at the Oman/Dubai average minus \$1.84 and the price of Forozan crude was set at the Oman/Dubai average minus \$1.75.

India's Oil Minister Murli Deora said India raised its fuel prices on Thursday. He said the price of petrol was increased by 2 rupees or \$0.05 per liter or 4.6% while the price of diesel was increased by 1 rupee or 3.3%.

OPEC's news agency reported that OPEC's basket of crudes fell to \$89.65/barrel on Wednesday from \$89.81/barrel on Tuesday.

Ukraine's President Viktor Yushchenko said the country paid \$100 million to clear its debt for Russian natural gas supplies. Russia's Gazprom said on February 7 that NAK Naftogaz Ukrainy owed it \$1.5 billion for gas deliveries. Gazprom threatened to cut 25% of deliveries in the absence of an arrangement to repay the debt.

Market Commentary

In reaction to positive leading economic indicators for both the US and Japan, the energy markets gained strength today. Stock levels for natural gas fell 120 bcf, greater than the 117-bcf expectations. Federal Reserve chairman, Ben Bernanke spoke before Congress today, stating the Federal Reserve will do whatever it takes to support the economy, indicating that further rate cuts were possible. The March crude oil contract traded above the top of the pennant formation mentioned in yesterday's wire, working half way to the objective of \$97.46. With prices breaking out of this formation, and slow stochastics indicating further upside potential, we would look for prices to at least test the \$97.46 resistance level. Bare in mind, however that volume has been decreasing throughout the formation of this pennant, which is not typical. Although the front end of the forward curve has moved higher, the very front end is still dipping. This market may have further upside potential but it could be short lived. If one is to play this market from long side one should do it cautiously. This market has been very news sensitive lately and just as quickly as this market has moved higher; it could fall off just as fast. Open interest in crude oil is 1,374,969 down 18,066, March08 147,175, down 55,551 and April08 287,855 up 28,132. The heating oil market continued to trend higher in overnight trading after it posted a low of 261.86. The market bounced off that level and never looked back as it breached its resistance basis its pennant formation. The market traded to 266.05, where it held some resistance, before the market extended its gains further ahead of the close. Similar to the crude market, the heating oil market rallied to a high of 266.84 and settled up 5.1 cents at 266.66. The market was supported amid some private weather forecasts calling for below normal temperatures in the next 11-15 days, which also seemed to have supported the natural gas market. Meanwhile the RBOB market, which led the products higher, settled up 8.62 cents at 247.61 after the market posted a low of 239.13 in overnight trading and never looked back. The market bounced off its low and extended its gains to over 8.8 cents as it rallied to a high of 247.81 late in the session. The market retraced more than 62% of its move from a high of 261.10 to a low of 222.55. The markets will remain supported ahead of the long holiday weekend. In the heating oil market, support is seen at 266.00, 263.65, 262.85, 262.20 and 261.86. More distant support is seen at 258.14, 256.98, 254.08 and 246.14. Resistance is seen at 266.84, 268.20, 271.40 and 273.31. In the RBOB, support is seen at 246.00, 243.00, 241.40, 240.40 and 239.13 followed by 234.51, 233.87, 226.45, 222.55 and 217.33. Resistance is seen at 247.81,

252.05,
253.28,
255.14,
257.90
261.10.

and

		Explanation	
CL	Resistance	95.75, 97.53, 98.22, 99.77, 100.15	Previous highs
	95.46, up \$2.19	95.59	Thursday's high
	Support	95.00, 94.25, 93.95, 93.25	Thursday's low
		90.92, 88.00, 86.55, 86.24, 85.90, 85.42, 82.60	Previous lows
HO	Resistance	268.20, 271.40, 273.31	Previous highs
	266.66, up 5.10 cents	266.84	Thursday's high
	Support	266.00, 263.65, 262.85, 262.20, 261.86	Basis trendline, Thursday's low
		258.14, 256.98, 254.08, 246.14, 240.42, 239.75	Previous lows
RB	Resistance	252.05, 253.28, 255.14, 257.90, 261.10	Previous highs
	247.61, up 8.62 cents	247.81	Thursday's high
	Support	246.00, 243.00, 241.40, 240.40, 239.13	Thursday's low
		234.51, 233.87, 226.45, 222.55, 217.33	Previous lows