



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 19, 2008

OPEC sources stated that OPEC is unlikely to cut its oil production at a meeting in March due to rising prices and uncertainty over supply from Venezuela and Nigeria. An OPEC source said it was too early at this time to make a definitive statement, but added that the logic would be no change.

OPEC's President Chakib Khelil said OPEC may cut production or keep production levels unchanged at its meeting in March. He said production was not going to increase.

Norway's Oil Minister Aaslaug Haga said both Norway and Saudi Arabia saw demand for oil increasing despite concerns over the slowing US economy.

Nigerian authorities said the leader of the Movement for the Emancipation of the Niger Delta, Henry Okah was alive after the militant group threatened further attacks on the country's oil infrastructure if the government did not address rumors their leader had died in custody. Earlier, MEND called for the government to confirm or deny reports the group's leader Henry Okah had been shot.

Feb Calendar Averages

CL – 92.09
HO – 255.80
RB – 237.10

Market Watch
According to participants in the spot crude and tanker markets, Venezuela is so far having little success finding buyers for the oil it is withholding from ExxonMobil. PDVSA has been selling four cargoes of crude on the US Gulf Coast market that were once intended for ExxonMobil. While other refiners on the Gulf Coast are capable of processing sour crude, PDVSA has not found any buyers for its four cargoes so far. Separately, Venezuela's Oil Minister Rafael Ramirez said the government would sue ExxonMobil Corp over recent accusations that the company allegedly stole oil from Venezuela. He said ExxonMobil's former assets in Venezuela were worth less than \$1 billion, disputing the company's multi-billion dollar claim seeking compensation for a nationalized project. He also stated that Venezuela would support an oil output cut by OPEC.

PDVSA agreed to pay \$700 million in cash to Italy's ENI SpA as compensation for the Dacion oil field which the government seized in 2006. As part of the agreement, Eni agreed to end the arbitration proceedings against PDVSA.

According to Dow Jones, the average price of WTI was revised down by 4.7% or \$4 to \$82/barrel from \$86/barrel in last month's survey.

EIA administrator Guy Caruso reiterated calls for OPEC to increase its crude oil production to increase the world's capacity cushion.

According to the EIA, US crude oil imports in 2007 fell by 1.1% or 108,000 bpd on the year to 10.01 million bpd. Canada ranked as the top crude oil source to the US, supplying a record 1.864 million bpd, up 3.4% on the year. Crude oil imports from Saudi Arabia increased by 2.1% to 1.4543 million bpd. The volume of crude oil imports from OPEC was 5.393 million bpd in 2007 compared with 4.783 million bpd in 2006. Meanwhile, crude oil imports from Mexico fell by 343,000 bpd or 21.8% to 1.401 million bpd. In December, US imports from Canada fell by 7.2% on the month to 1.78 million bpd

The EIA reported that the US average retail price of diesel increased by 11.6 cents/gallon to \$3.396/gallon in the week ending February 19. It also reported that the US average retail price of gasoline increased by 8.2 cents/gallon to \$3.042/gallon on the week.

Refinery News

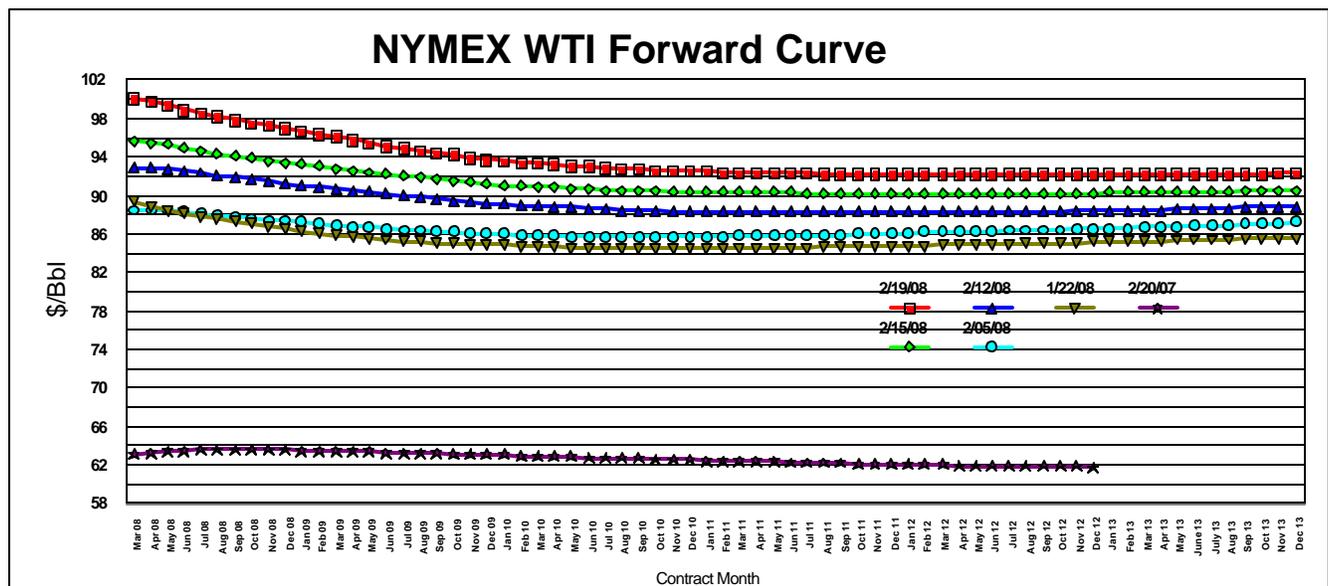
Alon USA Energy's 67,000 bpd Big Spring, Texas refinery is completely shut following an explosion and fire on Monday. All flow of oil into the refinery has also been halted. Alon however said it would be able to honor its supply contracts. Alon said the refinery could be shutdown for two months and added that it should have contingency supply plans in the coming days. Meanwhile, a person familiar with the refinery said a full restart could take over six months. The refinery's alkylation unit and propylene unit were damaged

Citgo Petroleum Corp's 430,000 bpd Lake Charles, Louisiana refinery has restarted all of its units by Monday and was ramping up to full production following a power outage on February 10.

Tesoro Corp said processing units at its 95,000 bpd Kapolei, Hawaii refinery were gradually resuming operations following a power outage and fire on Saturday night. Electrical power has been restored at the refinery. Tesoro said it would be able to meet its long term supply obligations.

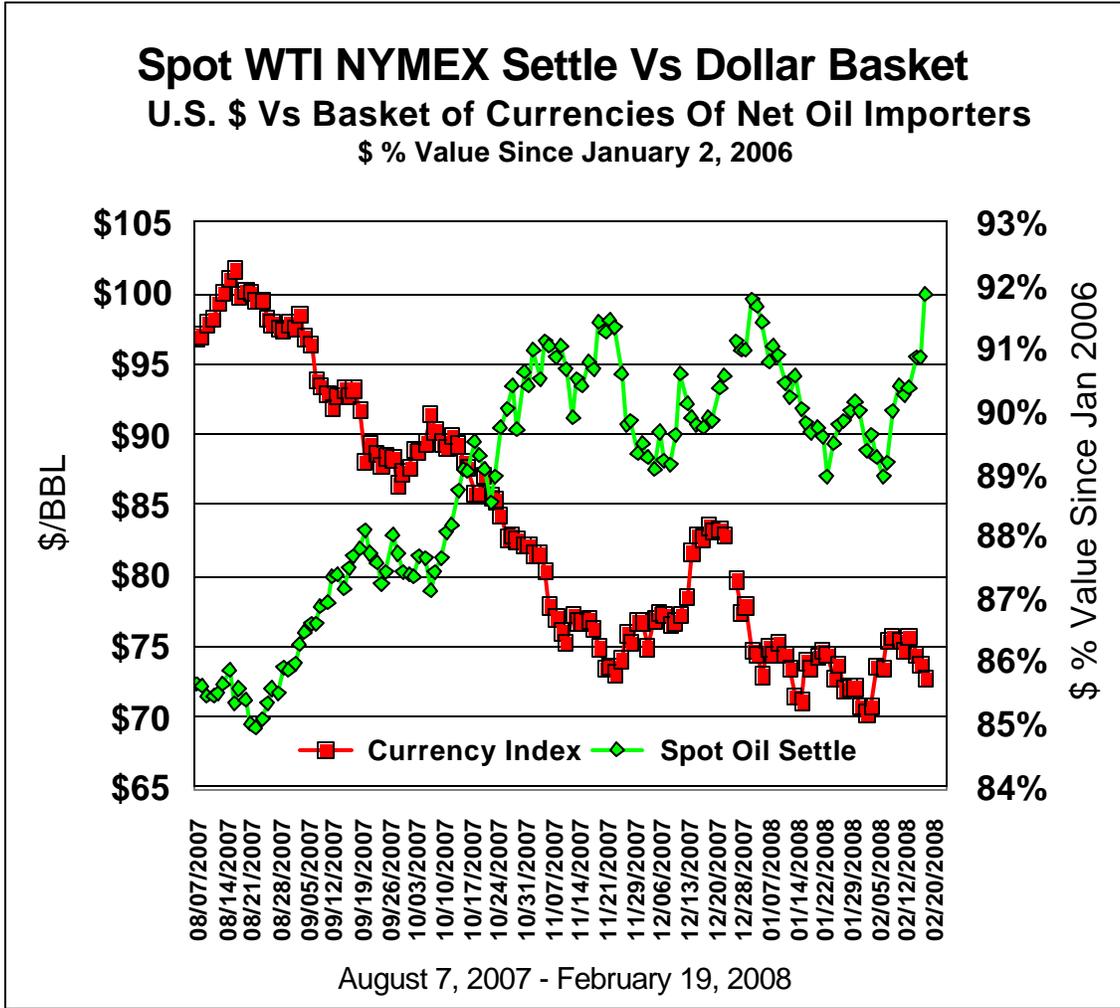
Magellan Midstream Partners LP and Buckeye Partners LP said they have started a joint assessment on whether to build an ethanol pipeline that would run from the Midwest to the Northeast US. Upon completion, the pipeline could have the capacity to supply more than 10 million gallons/day of ethanol.

Iraqi Kirkuk crude in storage in Ceyhan has reached 2.8 million barrels as pumping continues through the northern pipeline at 480,000 bpd. Iraq restarted the flow through the pipeline two weeks ago and has pumped steadily since then to the Turkish terminal of Ceyhan.



Russia's Lukoil halted its oil supplies to Germany in February due to a renewed pricing dispute. Lukoil was due to ship about 520,000 tons by pipeline this month.

An official at TNK-BP said up to 10-15 million tons of Russian crude per year or 200,000-300,000 bpd could be supplied to a few well placed Russian refineries over the next 3-5 years. A TNK-BP official said Russia's refining industry had now reached its natural limits, mostly due to logistical bottlenecks, despite a remaining cushion of old distillation capacity.



Japan Energy Corp said it restarted its 110,000 bpd No. 3 crude distillation unit at its Mizushima refinery on February 17, three days after an unplanned shutdown.

South Korea's S-Oil is expected to cut its March crude refining rates to 500,000 bpd from the current 520,000 bpd level due to poor refining margins. S-Oil cut its refining rates by 30,000 bpd in February due to poor margins. South Korea's GS Caltex cut its crude processing rates to 620,000-630,000 bpd from the planned 650,000 bpd in February. Also, South Korea's SK Incheon said it planned to further cut crude processing rates in March to 140,000 bpd from 150,000 bpd in February. It cut its runs by 20,000 bpd in February due to poor refining margins. SK Energy is expected to cut its crude processing rates in March to 680,000-690,000 bpd from 700,000 bpd and would cut gas oil and jet fuel exports.

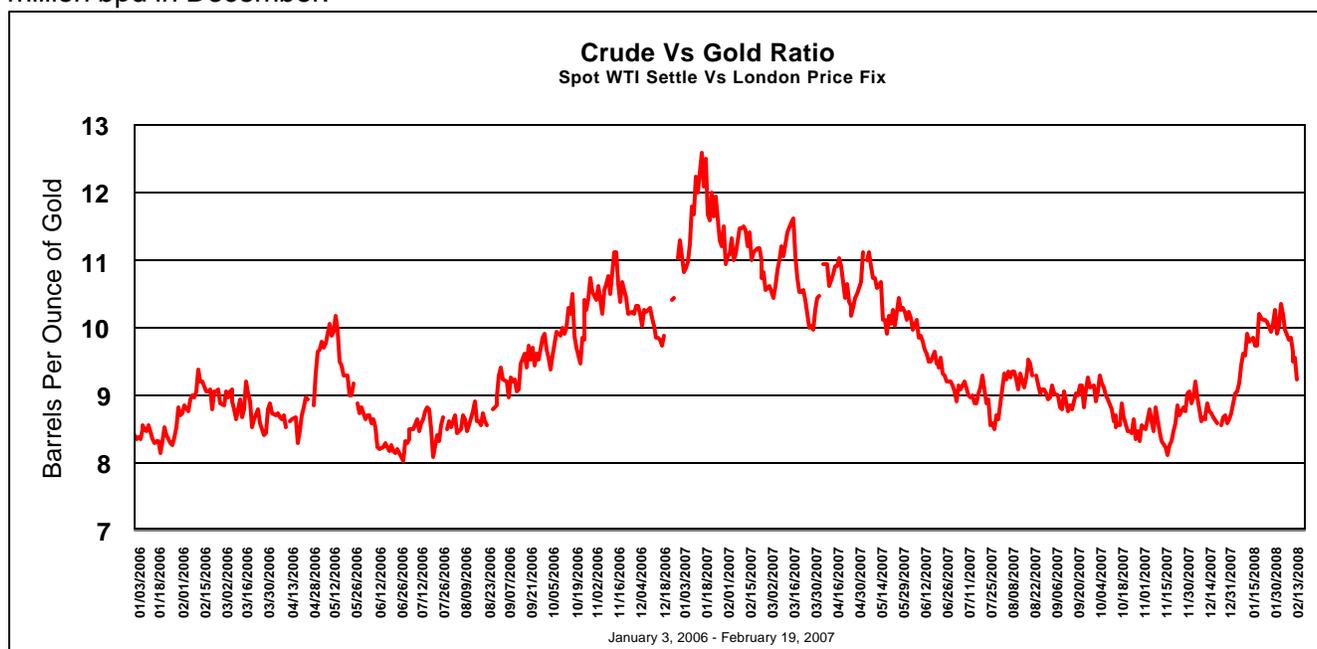
India's Reliance Industries Ltd said it has not registered with the Iraqi government to participate in oil and gas exploration tenders in Iraq. It said it was not in a position to commit resources required for undertaking exploration and production activities in Iraq.

Production News

Output of Nigerian Forcados crude has reached between 150,000 and 200,000 bpd after the pipeline was repaired. However Shell said Bonny Light exports were still subject to force majeure. On February 7, Shell declared force majeure on Bonny Light for the rest of February and March.

Chevron Corp said it was resuming production at its oil fields off northwest Australia after a cyclone threat passed. However about 220,000 bpd of output from other producers remained shut in.

Brazil's Petrobras said its overall domestic and international production of oil and gas fell to 2.345 million barrels of oil equivalent/day in January. It was down 0.9% from overall production of 2.367 million boe/d in December. Its oil production in Brazil fell to 1.826 million bpd in January from 1.855 million bpd in December.



Marathon Oil Corp said it added net proved liquid hydrocarbon and natural gas reserves of 88 million barrels of oil equivalent in 2007 and produced 125 million barrels of oil equivalent.

ConocoPhillips said its 2007 total proved reserves stood at 10.6 billion barrels of oil equivalent.

OPEC's news agency reported that OPEC's basket of crudes fell to \$91.38/barrel on Monday from Friday's \$91.73/barrel.

Market Commentary

Crude oil prices are now at a five-week high. Propelled higher by a refinery glitch, possible OPEC cuts and persistent troubles in Nigeria, the March crude oil contract traded above \$100.00 a barrel and settled at \$100.01, setting a new record. At a time when demand begins to slow due to turnarounds, it is hard to conceive prices at this level. With the economy weakening, commodities tend to draw investor money, this coupled with the possibility of OPEC cuts in a technically constructive market appear to be reason enough to push prices to this level. In dispute of the aforementioned, is the fact that cash prices at the time of this writing were little changed. Early indications for crude stock levels are increases of as much as 2 million barrels, with a slight build in gasoline stocks and a draw of 1.6 million barrels in heating oil stocks. Should these numbers come out at or close to expectations, we

cannot see the market holding at its current level and therefore would look for a sell off in prices. It appears that length is being put on in the fourth quarter on

		Explanation	
CL	Resistance	100.05	Previous high
	Support	99.85	Tuesday's high
HO	Resistance	April settle	
	Support	99.00, 97.55, 97.05, 95.12 94.64, 93.41, 92.07	Tuesday's low Previous lows
HO	Resistance	280.29, 286.00	Basis trendline
	Support	276.32	Tuesday's high
RB	Resistance	274.00, 271.50, 270.30, 267.05, 264.50	Tuesday's low
	Support	262.88, 262.61, 261.86, 258.37	Previous low, 38%(240.42 and 276.32), low, 50%
RB	Resistance	264.39	Basis trendline
	Support	261.69	Tuesday's high
RB	Resistance	257.80, 255.50, 253.00, 249.30	Tuesday's low
	Support	246.74, 246.50, 242.12, 239.13, 237.50	38%(222.55 and 261.69), Previous low, 50%, low, 62%

back. This is evident in the Jun08/Dec08/Dec09 butterfly we wrote about in our wire of 1/30/08. When we first talked about this butterfly, it was valued at \$0.63 cents discount and is currently trading at a \$1.25 discount. Had anyone put on this position, it may not be a bad idea to take your profits and run. Open interest in crude oil is 1,353,408 down 14,674, March08 71,086, down 34,989 and April08 317,878 up 8,303. The product markets continued to trend higher amid the strength in the crude market and settled sharply higher with the heating oil market settling up 11.45 cents at a record 276.14. The heating oil market extended its gains to over 11.63 cents on the day as it rallied to a high of 276.32 ahead of the close. The RBOB market also rallied to a new high of 261.69 as it extended its gains over 12.3 cents late in the session and settled up 10.93 cents at 260.31. The market was supported amid the refinery news. The markets on Wednesday are likely to retrace some of their sharp gains and settle in a sideways trading pattern ahead of Thursday's release of the weekly petroleum stock reports. In the heating oil market, support is seen at 274.00, 271.50, 270.30, 267.05 and 264.50. More distant support is seen at 262.88, 262.61, 261.86 and 258.37. Resistance is seen at 276.32 followed by 280.29 and 286.00. In the RBOB market, support is seen at 257.80, 255.50, 253.00 and 249.30 while resistance is seen at 261.69 and 264.39.

Trade Tracker

Trade	Date	Entry level	Current	Profit/Loss
-Jun/+Dec/-Dec9 fly	1/30/08	-.63	-1.25	+. 62