



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 19, 2007

US Energy Secretary Sam Bodman reiterated calls for increased oil production from both OPEC and non-OPEC producers. He said oil prices continued to be driven largely by supply concerns.

US and Turkish military officials were working Wednesday to streamline procedures for any future attacks against rebels in northern Iraq following the Turkish incursion on Sunday. A US State Department official said the Turkish military did not inform the US

Market Watch

Officials in Alaska were investigating the cause of a pipeline rupture on the North Slope earlier this week that they say could be a sign of more widespread corrosion problems at the state's fields. According to preliminary findings by ConocoPhillips and the Alaska Department of Environmental Conservation, the spill from a pipeline on the Kuparuk field was caused by rare rust on the outside of the pipe beneath a layer of insulation. The spill prompted ConocoPhillips to temporarily shut in production at the drill sites that normally feed the affected line. The drill sites usually produce 12,000 bpd out of Kuparuk's normal output of about 150,000 bpd.

Morgan Stanley said its returns from commodities trading in 2007 fell from the previous year on lower trading results in oil liquids, electricity and natural gas. The company's Chairman and Chief executive John Mack said it would reduce its risk taking for a short period until new risk management systems and leadership are established.

A DJ-AIG Commodity Index official said index related commodity investments, which grew by an estimated \$30 billion to \$35 billion in 2007, should grow more as new products are developed to ensure profits even in situations like contango in the oil markets. Cash invested in commodities indexes increased to \$140-\$145 billion in 2007 from \$110 billion at the end of 2006. Returns from rolls can fall or even turn negative when prices are in contango. New index products have been used to counter the drag on profits by looking further out into the futures curve for spots where there is backwardation.

DOE Stocks

Crude – down 7.6 million barrels
Distillate – down 2.1 million barrels
Gasoline – up 3 million barrels
Refinery runs – down 1%, at 87.8%

military as quickly as had been agreed. Under an agreement between the countries, Turkey would analyze US data, decide whether it would take military action then notify the US of its plan. Iraq's parliament on Monday condemned the bombing. Iraq's Foreign Minister Hoshyar Zebari said his government believed Turkey would coordinate with it before striking the rebels inside Iraq.

US President George W. Bush signed into law the Energy Independence and Security Act. The energy act sets a rising mandate for renewable energy up to 36 billion gallons/year by 2022 and establishes higher fuel economy standards for passenger cars and light trucks. Cars and light trucks would have to average 35 miles per gallon by 2020, up 40% from current levels.

Dec Calendar Averages	
CL	90.14
HO	255.23
RB	230.24

The EIA said US oil and gas companies have invested a large amount of their profits in exploring energy reserves, but have so far failed to find significant new supplies. Their oil and gas exploration expenditures totaled \$203 billion last year, up 60% from 2004. The EIA said reserve additions in 2006 exceeded those of only two of the previous 17 years. It said higher costs for raw materials and drilling rigs means that companies may have allocated a portion of the additional spending just to maintain what they were already doing.

Separately, the EIA said the average price of US retail heating oil increased by 3.5 cents on the week to a record \$3.29/gallon. The price is up 85 cents on the year.

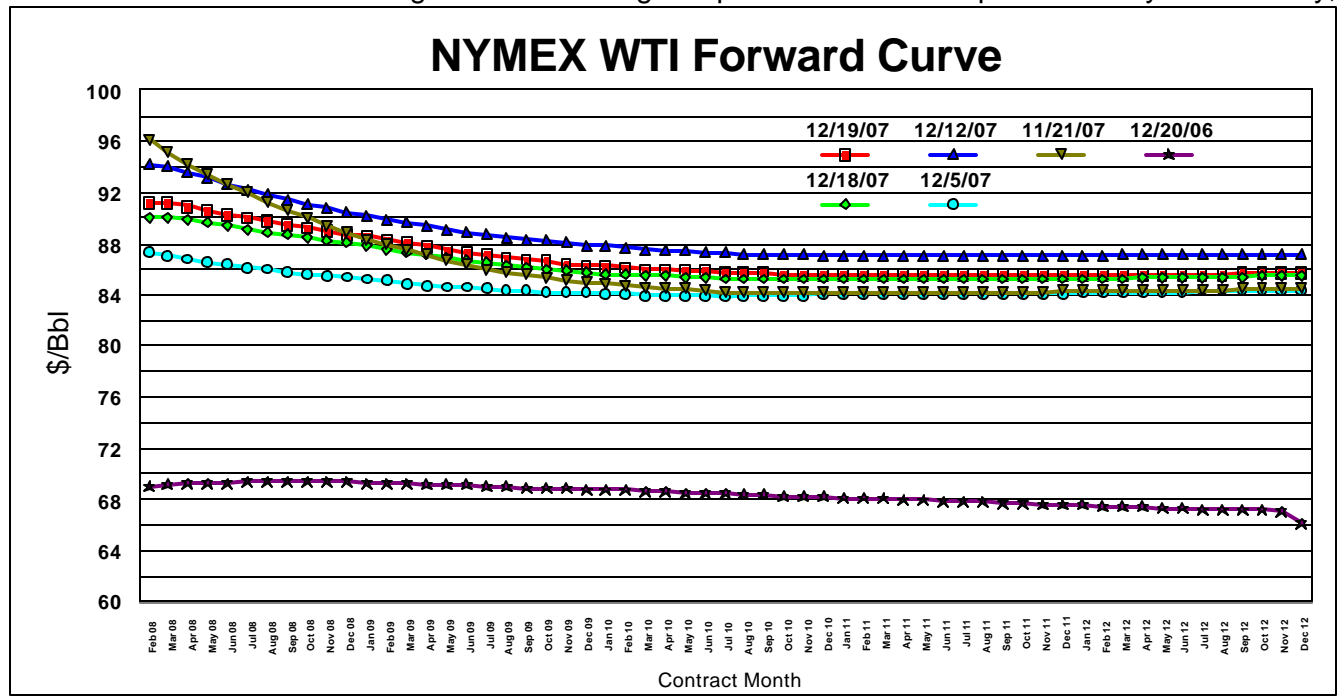
The API reported that US demand for crude and oil products in November increased by 1.1% or 233,000 bpd on the year to 20.902 million bpd. Gasoline demand fell by 0.1% or 9,000 bpd to 9.235 million bpd while distillate demand increased by 4.8% or 199,000 bpd to 4.379 million bpd. On the supply side, crude oil and petroleum products imports in November increased by 1.3% to 13.173 million bpd. The API reported that US crude oil production in November increased by 1% to 5.155 million bpd.

Refinery News

Colonial Pipeline has extended the allocation of its main gasoline line for cycle 1 north of Collins, Mississippi as demand for shipping space exceeded capacity.

The Magellan pipeline company said it was restricting product shipments as inventories of gasoline increase.

The US Coast Guard said fog that stalled large ships in Houston dissipated midday Wednesday,



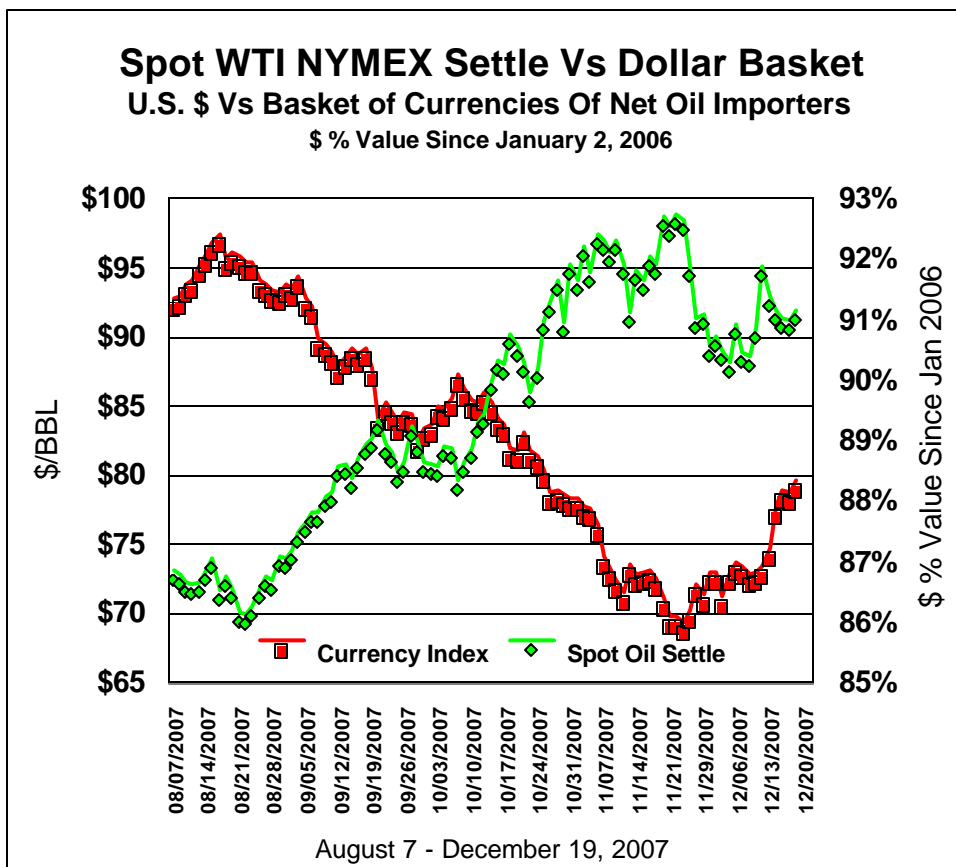
allowing ship traffic to resume. Ship traffic along the Houston Ship Channel was halted earlier on Wednesday.

Citgo was forced to shut a reformer unit at its 429,000 bpd refinery in Lake Charles, Louisiana for two weeks of unplanned work. The unit was shut on Tuesday for unspecified repairs.

ExxonMobil said it was repairing a leak on a crude unit at its 349,000 bpd refinery in Beaumont, Texas but added that it had not impact on production.

Frontier Oil Corp said it expected the 52,000 bpd crude unit at its refinery in Cheyenne, Wyoming to run at near half its capacity for the next three to four weeks during repairs to a fire damaged coker. It is expected to run at 25,000-30,000 bpd. A fire on Saturday night shut the delayed coking unit.

BP has delayed the restart of a crude unit at its 460,000 bpd Texas City, Texas refinery by about a month until mid-February. Separately BP said a 75,000 bpd crude unit at its Whiting, Indiana refinery has restarted. Meanwhile, a 95,000 bpd crude unit at the refinery would soon be shut for planned maintenance.



Syncrude Canada Ltd restarted its 100,000 bpd coker unit after it was shutdown to repair damages from a December 5 fire.

Enbridge Inc said it is would hold a binding open season for shippers on the \$3 billion Illinois-Texas Clydesdale oil pipeline. The pipeline, which would transport oil from Canada's oil sands to refineries on the US Gulf Coast, is expected to be completed in 2010 or 2011.

France's energy union CGT said worker voted to restart work at Total's four refineries after workers started a strike late Monday. Meanwhile, ExxonMobil said a strike at its 120,000 bpd Fos-sur-Mer refinery has

ended after workers voted to resume work. The workers decided to start a strike late on Tuesday over pay issues. The strike cut its operations by 20,000 bpd to 100,000 bpd.

Cosmo Oil Co said it restarted its 13,500 bpd continuous catalyst regeneration platforming unit at its Yokkaichi refinery on Tuesday.

Nippon Oil Corp said it would refine 4.8 million kiloliters or 974,000 bpd of crude oil in January, up 10% on the year.

The Petroleum Association of Japan reported that the country's crude oil stocks fell by 6.04 million barrels to 93.93 million barrels in the week ending December 15 as refineries increased their utilization rate by 2.7% to 92.5% to process more heating oil. Crude runs increased by 130,000 bpd to 4.53 million bpd on the week. It also reported that gasoline stocks built by 190,000 barrels to 13.11 million barrels while kerosene inventories built by 600,000 barrels to 26.73 million barrels and naphtha stocks built by 190,000 barrels to 12.22 million barrels on the week.

According to Japan's Institute of Energy Economics, the country's domestic total oil sales are expected to fall 2.5% in the 2008/09 fiscal year from the current year to 216.2 million kiloliters or 1.36 billion barrels or 3.7 million bpd. It said total oil sales in the current fiscal year ending next March is expected to fall 0.9% on year. It said fuel oil sales to the utilities for power generation are expected to increase by 36.6% in 2007/08 due to the closure of TEPCO's nuclear power plant following an earthquake in July.

China's National Development and Reform Commission said its 33 million barrel government oil reserve tanks in east China's Zhenhai were at capacity.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 362,000 barrels to 12.658 million barrels in the week ending December 18. It also reported that the country's light distillate stocks built by 462,000 barrels to 7.796 million barrels while middle distillate stocks also built by 977,000 barrels to 7.901 million barrels on the week.

Production News

Kazakhstan and an Eni-led consortium of oil majors continued talks over the fate of the Kashagan oilfield with two days left until the December 20 deadline. Kazakhstan has been seeking either a larger stake or cash compensation for cost overruns and delays in the start of production at the field.

Russia's Rosneft produced 100 million metric tons of oil so far this year. It is expected to produce 102.5 million tons of oil this year.

		Explanation	
CL	Resistance	93.00, 93.57, 94.71, 96.35, 98.06	Previous highs
	91.24, up \$1.16	92.34	Wednesday's high
	Support	91.00, 90.00, 89.70	Wednesday's low
		89.15, 89.08, 88.26	Previous lows
HO	Resistance	264.77, 266.46, 266.86, 268.61, 270.57, 273.85	Previous highs
	259.79, up 4.25 cents	262.55	Wednesday's high
	Support	258.50, 255.10, 253.91	Wednesday's low
		253.32, 253.04, 250.32, 247.50, 246.24, 244.50	Previous low, 62% (244.50 and 266.86), Previous lows
RB	Resistance	237.69, 239.90, 241.79, 241.98, 243.29, 248.40	Previous highs
	230.43, down 3.11 cents	236.78	Wednesday's high
	Support	232.75, 231.50, 228.90	Wednesday's low
		228.90, 227.62, 226.90, 224.50, 223.20	Previous low, 62% (218.75 and 241.98), Previous lows

Market Commentary

The oil market ended the session in positive territory following four consecutive days of losses in light of the supportive weekly petroleum inventory reports. The DOE reported a larger than expected draw in crude stocks of over 7 million barrels and a draw in total petroleum stocks of 8.3 million barrels on the week. The February crude contract, in its first session as the spot contract, however posted an inside trading as the draw in crude stocks was mostly due to the disruption of shipping traffic along the Houston Ship Channel. The market posted a low of 89.70 in overnight trading before it bounced off that level ahead of the release of the reports. The market extended its gains to \$2.26 as it rallied to a

high of 92.34 late in the session before it retraced some of its earlier gains. It settled up \$1.16 at 91.24. The Feb/Mar crude spread continued to widen as it settled at 6 cent after it posted a recent low of -10 cents. The crude market is seen retracing some of today's gains after the market failed to breach its previous highs. However its losses are seen limited with the crude market is seen finding support at 91.00, 90.00, 89.70, 89.15 followed by 89.08 and 88.26. Resistance is seen at 92.34, 93.00, 93.57, 94.71 followed by 96.35 and 98.06. Similar to the crude market, the product markets posted inside trading days. The heating oil market posted a low of 253.91 in overnight trading and rallied following the release of the DOE report, which showed a draw of 2.1 million barrels in distillate stock. The market extended its gains to just over 7 cents as it traded to a high of 262.55 late in the session. The heating oil market retraced some of its gains and settled up 4.25 cents at 259.79. The RBOB market also settled up 2.76 cents after it rallied to a high of 236.78 amid the strength in the rest of the complex. The product markets are also seen retracing some of today's gains. The heating oil market is seen finding support at 258.50, 255.10, 253.91 followed by 253.32, 253.04 and 250.32. Resistance is seen at 262.55, 264.77, 266.46, 266.86, 268.61, 270.57 and 273.85.