



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 20, 2007

Turkey's parliament speaker, Koksal Toptan said Turkey's military may stage more cross border operations into northern Iraq against Kurdish rebels. Meanwhile, Turkey's Prime Minister Recep Tayyip Erdogan thanked the Turkish armed forces for their successful operations and said Turkey was at an important stage of its fight against the Kurdish rebels.

The Russian contractor building the Bushehr nuclear power plant in Iran, Atomstroiexport, said it would take at least a year to start the power station. It said it would not be able to

start the nuclear plant earlier than the end of 2008. On Tuesday, the deputy head of Iran's atomic energy organization, Mohammad Saeedi said he hoped the 1,000 megawatt plant could come on line within three months at up to 200 megawatts before increasing to full capacity nine months later.

Dec Calendar Averages

CL – 90.20
HO – 255.49
RB – 230.42

Market Watch

The National Oceanic and Atmospheric Administration said that above normal temperatures are expected across much of the US in the first quarter of 2008. It said continuing La Nina weather conditions would make for a warm start to the year in the eastern two thirds of the US.

The EIA's and API's weekly petroleum stock report will be delayed until Thursday, December 27 at 10:30 am due to the Christmas Day holiday. The reports will also be delayed by one day until Thursday, January 3 due to the New Year's Day holiday.

Alaska Gov. Sarah Palin signed a bill that would increase taxes on the state's oil producers despite warnings from the industry that the measure would hurt future investment. The tax rewrite, which Alaska expects would increase revenues by \$1.5 billion this fiscal year, would raise the basic state oil production tax by 2.5% to 25% and eliminate deductions under the previous legislation.

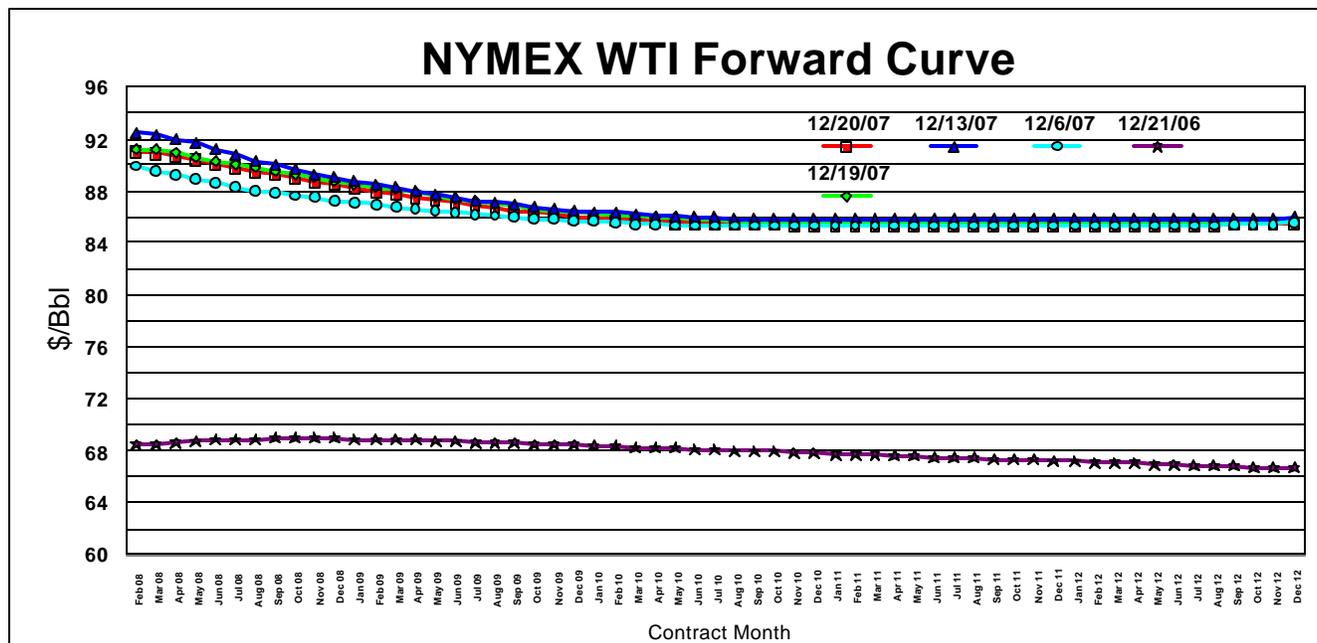
China's National Development and Reform Commission said the country would use 3% less energy to generate each dollar of national income this year than it did last year.

China raised its benchmark interest rates on Thursday for the sixth time this year, the latest in a series of tightening steps to contain inflation. The People's Bank of China increased the one year benchmark deposit rate by 27 basis points to 4.14% and the one year lending rate by 18 basis points to 4.14%.

Nigerian gunmen attacked an oil industry barge, a jetty and a government building on Wednesday, briefly capturing 18 Filipino crew and fighting with troops. Officials said the gunmen had been trying to

hijack an oil industry barge when troops opened fire, causing them to flee.

According to Oil Movements, OPEC's oil exports are expected to fall by 90,000 bpd in the four weeks ending January 5 to 24.24 million bpd. Sailings from OPEC's Middle East members are expected to fall by 220,000 bpd in the four weeks to 17.35 million bpd.



Refinery News

Valero Energy Corp restarted one of three crude units at its Texas City, Texas refinery following a power outage that shut the plant for more than two weeks. The unit was restarted on Tuesday and is expected to process lower than usual volumes until other units resume operations. The refinery's fluid catalytic cracking unit was restarted on December 13.

One of Alon's two refineries in Los Angeles was partially operational following a power outage on Wednesday. The 50,000 bpd refinery has restarted some of its units, while others remain down for inspection ahead of any restart attempts.

BP Plc is scheduled to shut its 95,000 bpd crude unit at its Whiting, Indiana refinery on Thursday for planned maintenance.

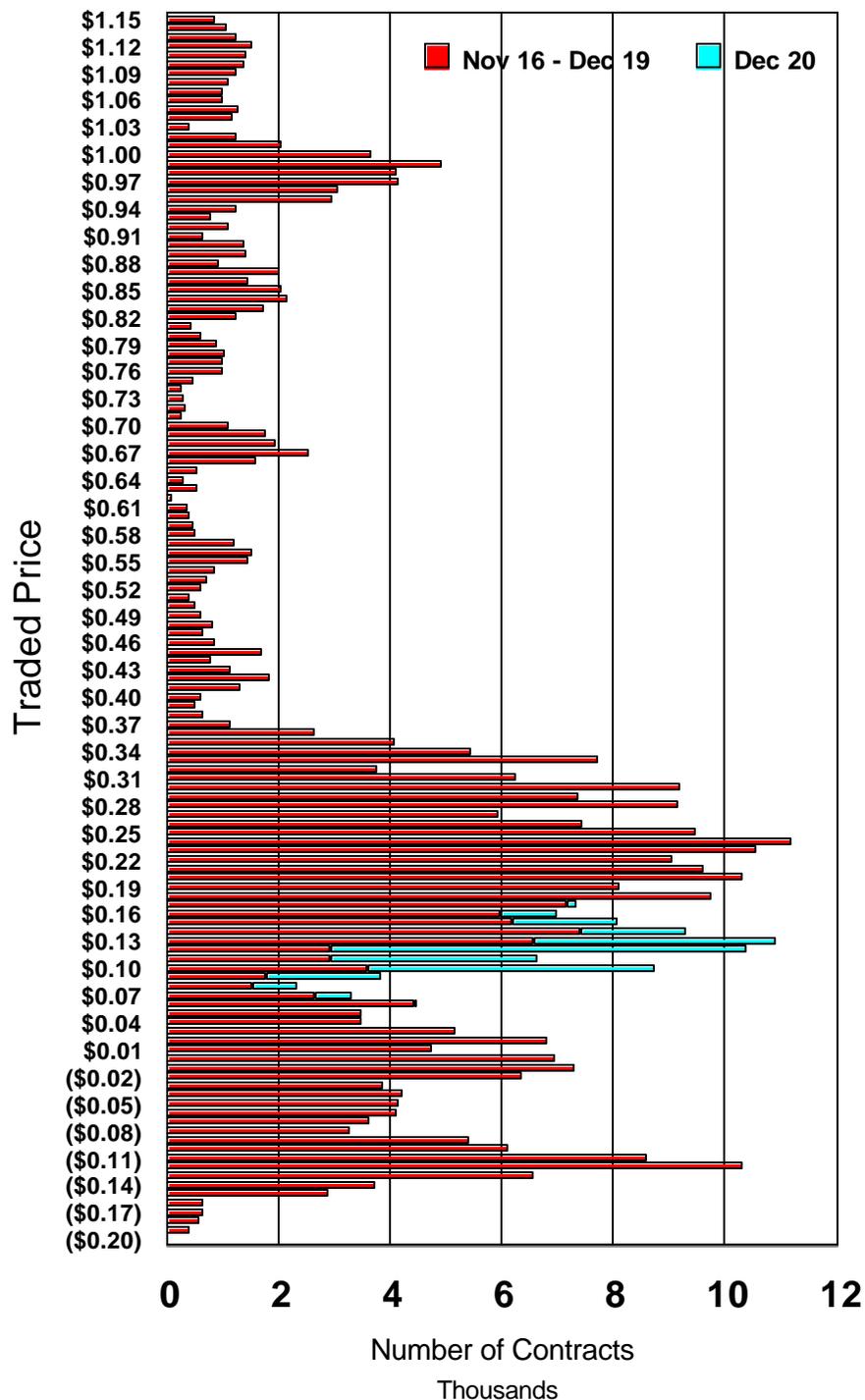
Russia's Energy Ministry reported that the country's refining runs in November increased by 10.48% on the month and by 3.31% on the year to 19.676 million bpd. It reported Russia's gasoline production in November increased by 18.43% on the month but fell by 1.38% on the year to 2.965 million bpd while its gasoil production increased by 13.96% in the month and by 1.46% on the year to 5.761 million bpd and its fuel oil production increased by 12.23% on the month and by 5.57% on the year to 5.632 million bpd.

Traffic resumed through Egypt's Suez Canal on Thursday after an incident involving two oil tankers that had caused a suspension of transit. A Suezmax oil tanker, the Isi Olive loaded with 88,000 tons of oil, encountered problems and ran aground, blocking the entrance to the waterway.

NYMEX WTI: February March Spread

Price Vs Volume for November 16 - December 20, 2007

Trade Weighted Avg: 12/20 .12 12/19 .039 12/18 -.04 12/17 -.11 12/14 -.09



An official at the National Iranian Oil Co said Iran was increasing its sales to Asia next month due to increased term deals with China and India. Iran is expected to sell 2.5 million bpd next month, of which 70% would head to Asia.

Vitol, Iran's largest supplier of gasoline, has decided to end its contract to provide the country with gasoline starting next year. Vitol said it made its decision due to the \$70 million loss in calendar year 2007 from its existing contract.

Russia has lifted its opposition to the expansion of the Caspian Pipeline Consortium oil export pipeline. Kazakhstan's President Vladimir Putin said Russia agreed to lift its opposition after Kazakhstan pledged to join the Burgas-Alexandroupolis pipeline.

Nigeria has issued a tender to import fuel for delivery from mid-February to March 2008.

Japan's Ministry of Finance reported that the country's crude oil imports increased by 15.6% on the year in November to 21.382 million kiloliters or 4.48 million bpd. It reported that Saudi Arabia accounted for 29% of Japan's crude imports in the year ended in March.

Germany's AGEB said the country's primary energy use in 207 fell by 5% on the year to 472 million tons of coal

equivalents.

Russia's OAO Transneft may cut its oil exports by 1.5% to 45 million metric tons or 329.85 million barrels in the first quarter of 2008 compared with the fourth quarter of 2007.

Ecuador's central bank reported that the country exported 10.61 million barrels in October, down 9% on the year. Ecuador's export revenue totaled \$756.72 million, up 75% on the year.

Production News

Pemex reported that Mexico's crude oil production fell for the second consecutive month in November to 2.901 million bpd from 2.995 million bpd in October. Despite the fall in production, exports increased to 1.87 million bpd in November from 1.5 million bpd in October. Shipments increased to its customers in the US and Europe. Pemex also reported that Mexico's gasoline imports reached a new record of 382,000 bpd in November, up 12.8% on the month. In October, Pemex was carrying out planned maintenance work at its 330,000 bpd Salina Cruz refinery. It shutdown a 40,000 bpd catalytic cracking unit during the maintenance.

Brazil's Petrobras said it expects domestic oil and gas production to increase more than 14% next year to 2.36 million bpd of oil equivalent. It reported that in the first 11 months of the year, oil production averaged 1.79 million bpd and gas output was about 271,3000 bpd in oil equivalent.

China Petroleum and Chemical Industry Association said China's oil production would increase by 2% next year to 186 million tons or 3.72 million bpd. The increase is slightly higher than the 1.5% increase estimated for this year.

OPEC's news agency reported that OPEC's basket of crudes increased to \$87.38/barrel on Wednesday from Tuesday's \$87.25/barrel.

Market Commentary

In a thinly traded market, the price of crude oil was trading lower early in the session, due to expectations of warmer weather and a natural gas supply number indicating smaller than expected declines. Prices then rose in response to lower loadings by OPEC, which is set to load 24.24 million barrels per day compared to 24.33 the previous month. Volume was light as individuals took off early for the Christmas holiday and as end of the year bonus thoughts circled everyone's minds. Basis the February contract, \$91.86 is an area that prices need to settle above in order to break out of the consolidated pattern. Should the aforementioned level become penetrated, the \$93.35 resistance level would be our upside target. With volume lessening, and the year-end just around the corner, we would

not look for any significant move either way. The February/March spread has formed support and resistance at negative

		Explanation
CL 91.06, down 18 cents	Resistance	93.38, 94.85, 96.32, 98.12, 99.29
	Support	91.86, 92.25
		90.57
HO 258.95, down 84 points	Resistance	90.38, 88.15, 87.50, 86.63, 85.55, 83.00, 76.19
	Support	264.77, 266.46, 266.86, 268.61, 270.57, 273.85
		260.00, 263.34
RB 232.76, down 43 points	Resistance	258.65, 258.42
	Support	253.91, 253.32, 253.04, 250.32, 247.50, 246.24
		Previous low, 62% (244.50 and 266.86), Previous lows
	Resistance	236.78, 237.69, 239.90, 241.79, 241.98
	Support	234.00, 236.40
		Previous highs
	Resistance	232.50, 231.05
	Support	229.93, 228.90, 227.62, 226.90, 224.50, 223.20
		Thursday's high
		Thursday's high
		Thursday's low
		Previous lows, 62% (218.75 and 241.98), Previous lows

0.12 and positive 0.25, respectively. Up until the New Year and barring any significant news, this spread should trade within this range, more or less within 5 cents either way of flat. Total open interest in crude oil is 1,329,577 down 673, FEB.08 338,523, up 2,136, March 151,138, up 729. The product markets ended the session lower, with the heating oil market settling down 84 points at 258.95 and the RBOB market settling down 43 points at 232.76. The heating oil market posted a low of 258.42 early in the session and rallied to a high of 263.34 amid the strength in the crude market. The heating oil market however erased its gains and sold off back towards its low in a late bout of selling ahead of the close. Meanwhile, the RBOB market remained rangebound and posted an inside trading day for the second consecutive day. The market posted a low of 231.05 and extended its gains to 5.97 cents as it rallied to a high of 236.40. However similar to the rest of the complex, the RBOB market erased its early gains ahead of the close. The product markets are seen retracing some of their losses and remaining supported ahead of the weekend and the upcoming Christmas holiday next week. The heating oil market is seen finding support at 258.65, 258.42 followed by 253.91, 253.32 and 253.04. Resistance is seen at 260.00, 263.34, 264.77, 266.46, 266.86, 268.61, 270.57 and 273.85. In the RBOB market, support is seen at 232.50, 231.05, 229.93, 228.90, 227.62 and 226.90 while resistance is seen at 234.00, 236.40, 236.78, 237.69, 239.90, 241.79 and 241.98.