



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 7, 2009

The head of Libya's National Oil Co, Shokri Ghanem said OPEC is not considering holding an extraordinary meeting next month, contradicting Iran's comments. Iranian OPEC delegate Mohammad Ali Khatibi said OPEC will hold an extraordinary meeting next month.

Venezuela's PDVSA said Venezuela will cut its output by 189,000 bpd in January. It said Venezuela's oil output cut will impact US refineries.

Market Watch

Frontline Ltd said oil traders want to charter as many as 10 vessels to stockpile crude to take advantage of higher prices later in the year. About 25 supertankers were already hired for storage, which could store as much as 20 million barrels. This is in addition to the 50 million barrels already stored at sea. A supertanker costs about 90 cents/barrel a month for storage depending on the length of the rental.

The ADP Employer Services said US private employers cut 693,000 jobs in December, up from the revised 476,000 jobs lost in November.

The European Union statistics office reported that the euro zone November producer prices fell by 1.9% on the month.

Lithuania's Prime Minister Andrius Kubilius said he sees no rush to sell oil terminal Klaipėdos Nafta to Poland's PKN Orlen. PKN has previously stated that it wanted either to acquire a majority stake or a minority stake with operational control of Klaipėdos. It wants to build a product pipeline to the state-owned oil terminal.

India's Oil Minister Murli Deora said India may cut fuel prices by up to 10% by the end of January, a month after the government lowered state-set rates for petrol and diesel. India cut its gasoline prices by 10% and diesel by 6% in the first week of December.

A member of Kuwait's Supreme Petroleum Council said the price of oil could rise as high as \$80/barrel in mid-2009 as OPEC supply curbs make their full impact on the market. He said full compliance among members of the group would increase prices significantly.

DOE Stocks

Crude – up 6.7 million barrels
Distillate – up 1.8 million barrels
Gasoline – up 3.3 million barrels
Refinery runs – up 2.1%, at 84.6%

A member of Hamas said the Palestinian Islamist movement would not fire any rockets towards Israel while it suspends its bombings of the Gaza Strip. The Israeli army announced it would suspend its bombing of the Palestinian territory for a few hours daily to allow the passage of humanitarian aid but would respond to rocket fire.

Refinery News

LyondellBasell's 270,000 bpd Houston, Texas refinery will likely be the largest refinery to go through bankruptcy proceedings after LyondellBasell filed for chapter 11 late Tuesday. LyondellBasell, primarily a chemical company has suffered losses due to softening demand for its core products and rising raw materials costs. While the refinery is not at the root of LyondellBasell's problems, its ability to operate normally may be impaired by the bankruptcy proceedings if suppliers become unwilling to finance its continuing operations. However the company has secured debtor-in-possession financing and says it plans to operate all of its facilities at planned rates.

January Calendar Averages

CL – \$46.59

HO – \$1.5565

RB – \$1.1396

Valero Energy Corp said a 100,000 bpd fluid catalytic cracking unit at its St. Charles, Louisiana refinery is increasing to planned rates. The unit was restarted early Tuesday following the completion of repairs. Meanwhile, Valero said a 20,000 bpd fluid catalytic cracking unit at the east plant of its Corpus Christi, Texas refinery will remain shut indefinitely for economic reasons.

Ongoing work on a fluid catalytic cracking unit at Royal Dutch Shell's 420,000 bpd refinery in Rotterdam will likely last until the end of January. The unit was shut due to its proximity to a pipeline fire on December 4. The unit was originally expected to restart in mid-December.

India's Oil Secretary R.S. Pandey said crude processing by Indian Oil Corp has fallen 30% due to the strike by officials at state run oil firms. The affected refineries are IOC's 260,000 bpd Koyali refinery, its 240,000 bpd Panipat refinery and its 120,000 bpd Haldia refinery. He said state firms had enough stocks to meet demand for 15-20 days.

According to the Petroleum Association of Japan, the country's crude oil stocks in the week ending January 3^d built by 550,000 barrels on the week and by 13.35 million barrels on the year to 109.24 million barrels. It reported that Japan's gasoline stocks fell by 430,000 barrels on the week and by 560,000 barrels on the year to 12.87 million barrels while kerosene stocks built by 420,000 barrels on the week but fell by 7.13 million barrels on the year to 19.17 million barrels and naphtha stocks built by 110,000 barrels on the week to 12.65 million barrels. Japan's deepening recession has also added to falling energy demand, leading several domestic refiners to cut crude runs. Japanese refiners ran their facilities at an average 80.1% of total capacity of 4.9 million bpd, down 2.3% on the week and down 9.2% on the year.

Separately, Japan's Oil Information Center reported that the country's retail regular gasoline prices have fallen to their lowest level since April 2004. The average regular gasoline price in Japan stood at 106.8 yen/liter or \$4.32/gallon as of Monday.

South Korea's four refiners, SK Energy, GS Caltex, S-Oil Corp and Hyundai Oilbank, will process 2.38 million bpd of crude in January, up from 2.34 million bpd in December amid an increase in domestic demand for oil products.

PetroChina will continue to cut its crude processing at its Jinzhou refinery in January by about 9% on the month to 94,200 bpd due to weak demand. The 140,000 bpd refinery cut its crude runs by 17% in December following the closure of a 60,000 bpd crude unit in December. PetroChina has also shutdown 40% of its crude processing capacity at its Jinxi refinery due to weak demand for refined oil products. The 150,000 bpd refinery will continue to cut crude runs by 14% to about 70,600 bpd in January from the actual level in December.

Indonesia's PT Pertamina expects gasoline imports in February to return to normal levels as problems at its 125,000 bpd Balongan refinery have been resolved. The refinery, which was shut on October 18 for regular maintenance, was restarted on January 5.

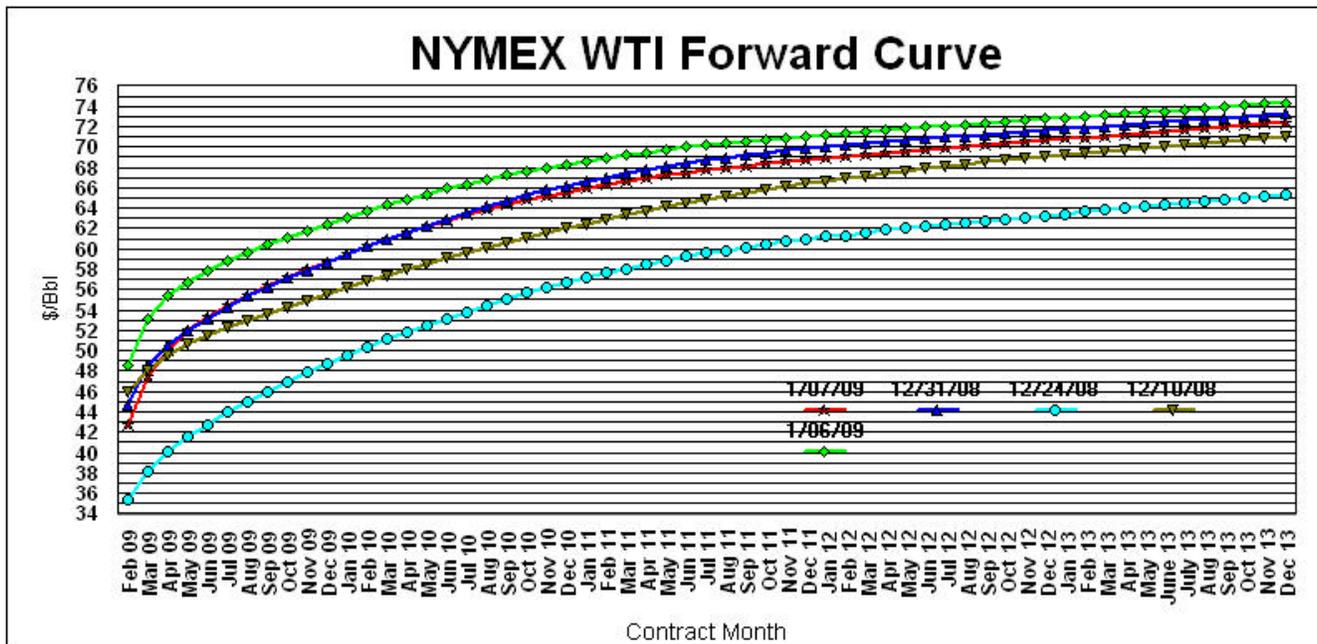
Iran has secured a deal to import 3 million barrels of gas oil from Singapore trader Hin Leong, as it moves to cover a loss of supply from Indian suppliers.

Production News

A senior Gulf source said Saudi Arabia is pumping about 8 million bpd in January, down about 200,000 bpd from mid-December and in line with Saudi Arabia's OPEC quota. The source also stated that there is no reason for OPEC to meet again to discuss output policy before its next scheduled gathering in March. Separately, Angola's Sonangol notified oil companies operating in the country to cut their production in January to meet the production cut Angola agreed to. Angola's Oil Minister Jose de Vasconcelos previously stated that the country's share of the OPEC cut since September is 244,000 bpd.

Nigeria is expected to export 1.66 million bpd of oil in February, relatively unchanged on the month and down 12% from December. February exports are mostly unchanged from the anticipated 1.65 million bpd in January and down from 1.88 million bpd in December due to a combination of shipment delays. Nigeria is expected to export nine cargoes of Qua Iboe crude in February, six cargoes of Brass River crude and three cargoes of Bonny Light crude.

Iraq's State Oil Marketing Organization said Iraq's crude oil exports averaged 1.85 million bpd in 2008, up 13.5% on the year. Iraq's revenues from crude oil sales in 2008 reached about \$60 billion or 33.6% more than in 2007. It said about 374,000 bpd was exported from northern Iraq last year while 1.476 million bpd was exported from southern Iraq.



Armed gunmen attacked an oil platform belonging to ExxonMobil off Nigeria early on Wednesday. They also attacked a nearby barge and an oil services vessel. They were initially thought to have taken three hostages but all the occupants of the three locations had since been accounted for. There was no impact to production as a result of the raid. Separately, French oil services firm Bourbon said nine crew members were released unharmed after a vessel was hijacked on Sunday. Bourbon did not

say how it obtained the release of the vessel and its crew. The vessel was on its way to a Royal Dutch Shell offshore oilfield at the time of the attack.

OPEC's news agency reported that OPEC's basket of crudes increased to \$46.27/barrel on Tuesday from \$43.86/barrel on Monday.

Market Commentary

Today's release of the DOE numbers reflected greater than expected builds. Crude oil stocks showed an increase of 6.7 million barrels, gasoline stocks increased by 3.3 million barrels and distillates increased by 1.8 million barrels. Stock levels at Cushing, OK are now at their highest level we have on record, 32.2 million barrels. Demand destruction continues to be at the forefront of this market, with demand for gasoline down 2.2% on the year, based on a four-week period while demand for distillates has increased by 0.3% for the same four-week period. This slight increase in distillate demand can be attributed to the cold weather across the northern section of the U.S. Given the deep contango, supplies should continue to build as long as storage and credit to purchase oil remains available. This should help to keep pressure on the front spread, as those stockpiling, hedge against their inventory. We would look to sell the February/March crude oil spread (sell Feb buy March) on any failed attempts to strengthen above \$4.55. Despite coming under significant pressure, gasoline held up well against the crude oil, with the February gasoline crack gaining \$1.22 on the day. Gasoline should continue to outperform the crude oil, taking this crack spread up to at least \$3.02 and possibly to \$3.55. Although coming under pressure, heating oil fared better than the gasoline and crude oil markets. This rash of strength can be attributed to the Russian/Ukrainian situation and the aforementioned cold weather the U.S. and Europe have been experiencing. Once one of these situations becomes alleviated, we would look for heating oil to come under pressure. Technically, we may see early pressure despite the two supportive factors stated earlier. Moving oscillators based on a spot continuation chart for heating oil appear to be turning to the downside. The near-term downside target for the February contract is \$1.3862.

Open interest FEB.09 249,345 -32,557 MAR.09 190,895 +35,531 APR.09 68,296 +4,320 MAY.09 44,428 +2,048 Totals: 1,215,189 +10,813 Heating oil (HO FEB.09 51,715 -714 MAR.09 33,983 -335 APR.09 22,612 +1,279 Totals: 225,1816 +685 NEW YORK HARBOR RBOB GASOLINE (FEB.09 76,463 -1,557 MAR.09 34,056 +1,775 APR.09 20,090 -166 Totals: 192,928 +897.



Crude Support	Crude Resistance
34.31, 33.75, 32.25, 29.66, 28.63, 26.65, 25.50	52.95, 53.75, 57.20
Heat Support	Heat resistance
1.3605, 1.2785, 1.1895	167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
.9669, .8978, .8755, 7760, .6840	1.2750, 136.14

