



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 9, 2009

Industry sources said Saudi Arabia will deepen its crude oil supply cuts in February from January levels to Asian consumers to their lowest in almost five years. Sources at seven Asian buyers confirmed that Saudi Aramco had notified them of deeper cuts for February, ranging from 7-8% to 15%, compared with cuts of 5-10% for January. An overall cut of 15% would be equivalent to about 525,000 bpd less of Saudi crude heading to Asia. Meanwhile, customers of Saudi Arabia in Europe have requested much less crude for February. Saudi Aramco has left its February crude oil allocations for several European

Market Watch

The US Labor Department reported that the nonfarm payrolls fell 524,000 in December, the 12th consecutive decline. There was a loss of 2.6 million jobs in 2008, the most since WWII ended in 1945. Nearly 2 million of those jobs were lost in the last four months alone, a sign that the recession accelerated as the financial crisis intensified and should continue this year. It said the national unemployment rate increased to 7.2% in December, the highest level since January 1993. It is up from 6.8% in November.

Demand for floating oil storage remains strong after at least four new charter deals were struck on Thursday. The charter deals for Very Large Crude Carriers for storage in the US Gulf of Mexico were fixed at about \$70,000/day, up from \$56,000-\$58,000/day in December. Demand for VLCCs for floating storage has been rising since late last year due to lower freight rates and a wider contango in oil futures.

The UK's Office for National Statistics reported the Britain's factory output in November fell at its fastest annual pace since 1981. It said manufacturing output was 7.4% lower than a year earlier. Production was down 2.9% in November alone. The broader industrial output measure, which includes North Sea oil production and power generation as well as factory output fell by 2.3% on the month for a 6.9% annual decline. Meanwhile Germany's preliminary Economy Ministry figures showed that output fell by 10% on the year as demand for cars and other capital goods fell. France, Spain and Sweden all reported declining industrial output. France's industrial output fell by 2.4% on the month while Spain's industrial output was down a record annual 15.1% in November.

US Rep. Collin Peterson announced that the US House of Representatives will draft a new bill by the end of next week that would require all OTC derivatives to be cleared by federally regulated clearinghouses.

French Prime Minister Francois Fillon said volatility in energy markets made the financial crisis worse and added that an agreement is needed between producers and consumers on medium term purchase prices and supply.

Several German rivers, including a 100 kilometer stretch of the Elbe River, were frozen on Friday, blocking ship traffic.

January Calendar Averages

CL – \$44.82

HO –\$1.5389

RB – \$1.1263

refineries in the Mediterranean region unchanged.

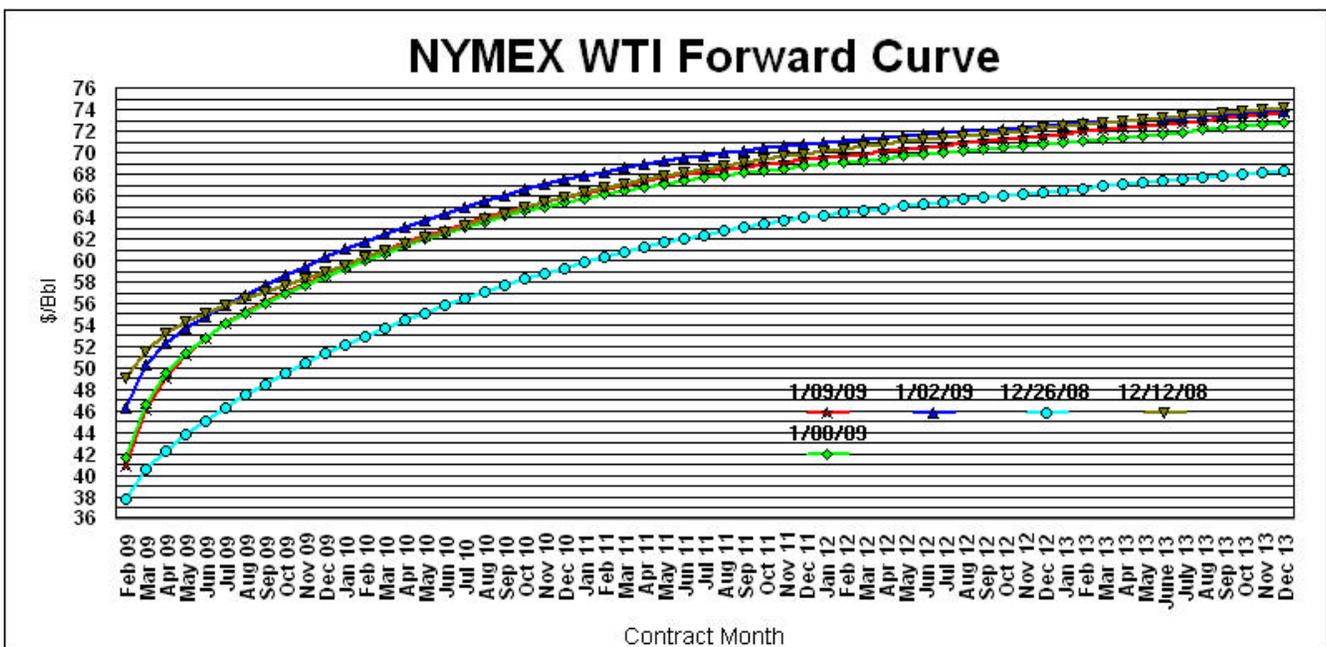
Angola's Oil Minister and OPEC President Jose Maria Botelho de Vasconcelos said the current oil price trend is not comfortable as oil prices fell for the fourth consecutive day on Friday. Separately he called on oil companies operating in the country to cut production to adhere to OPEC's quota. Angola has a 1.517 million bpd quota, down 19% from its November quota. He said Angola's oil production in 2008 totaled 695.71 million barrels or 1.904 million bpd.

Two senior OPEC officials said non-Arab OPEC members have not received any invitation to join an Arab economic summit on January 19th in Kuwait.

The Czech EU presidency urged Israel and Hamas to avoid a further escalation of the violence in the Gaza Strip. The EU presidency also voiced its concern at the attacks on UN humanitarian convoys and personnel in Gaza. Meanwhile, Israel continued to bomb Gaza on Friday, vowing to pursue its war on Hamas despite the UN Security Council resolution calling for an immediate ceasefire. Hamas rejected the UN Security Council resolution calling for an immediate ceasefire. It is said the resolution is not in the best interests of the Palestinian people. Meanwhile, a spokeswoman for the UN's World Food Program said Israel's attacks in the Gaza Strip left most of the 1.5 million people living there in need of food. She said a lack of security is hampering efforts to distribute aid supplies.

Citgo and Citizens Energy denied there was any miscommunications over whether Citgo's US heating oil assistance program would continue for a fourth year in 2009. Citizens Energy announced on Monday the effort had been suspended until further notice because Citgo was re-evaluating all its social programs. However on Wednesday, Citgo and Citizens announced that the program would continue this year and will start on January 19. The heating oil assistance will offer free or heavily discounted fuel to about 200,000 households in the US. Last year, the program delivered heating oil in 23 states.

A group of politicians and scientists said the IEA is obstructing a global switch to renewable power because of its ties to the oil, gas and nuclear sectors. Experts from the Energy Watch group said the IEA publishes misleading data on renewables and that it has consistently underestimated the amount of electricity generated by wind power in its advice to governments.



Somali pirates freed a Saudi tanker, Sirius Star that was hijacked in November off the coast of Kenya. The pirates had requested more money but agreed to a \$3 million ransom payment for the ship, which is carrying 2 million barrels of oil.

Nigeria's National Union of Petroleum and Natural Gas Workers, NUPENG, and the Petroleum and Natural Gas Senior Staff Association of Nigeria, PENGASSAN, have issued a 21-day ultimatum for the government to rescind its decision to appoint a foreign firm as crude oil pre-shipment inspector. The unions said the appointment of the pre-shipment inspector was unacceptable because it amounts to economic waste. It said the pre-shipment inspector function is already being performed by the Department of Petroleum Resources.

Refinery News

Pacific Ethanol Inc said it will temporarily suspend operations at its 40 million gallon/year ethanol plant in Madera, California starting January 12 due to unfavorable market conditions. It said it will continue to serve customers with product from its other California plant or plants in Idaho and Oregon.

ExxonMobil Corp shutdown key processing units, including a fluid catalytic cracking unit, a hydrotreater, an alkylation unit, a flare device and a sulfur recovery unit, at its 150,000 bpd refinery in Torrance, California for a few weeks of planned maintenance. The shutdowns started on December 30.

Flying J's 70,000 bpd refinery in Bakersfield, California could restart by January 19. However the refinery only has about 10 days worth of crude to keep it running once it restarts. It is having problems with its pipeline shipments of crude.

Suncor Energy Inc will delay a \$101 million expansion of its Sarnia, Ontario ethanol plant by at least a year. It said it was delaying work on the plant until 2010. The expansion is aimed at doubling ethanol output at the facility to 400 million liters or 106 million gallons/year.

Total SA said a power and steam generation unit at its 331,000 bpd Normandy refinery was operational again after it was shut due to cold temperatures on Wednesday. There was no impact on production or supply. It resumed normal operations following the brief power loss. Separately, Total will shut its 352,000 bpd Antwerp refinery for 30 days of planned maintenance in April.

Officials at India's state-run oil firms have called off their strike that started on Wednesday after the government said no further talks were possible and threatened to imprison striking workers. India's government called in troops to load fuel tankers after the strike left more than 50% of the country's petrol pumps empty. Meanwhile, Indian Oil Corp will resume operations at its 160,000 bpd Mathura refinery late Friday.

Pemex said fishermen protesting rising diesel prices resumed a blockade of Mexico's Salina Cruz oil terminal. Mexico's government froze gasoline prices on Wednesday as part of an economic stimulus package however diesel prices will continue to rise on a weekly basis. Pemex warned the blockade could lead to oil product shortages along Mexico's Pacific Coast.

China will keep Iranian crude imports via term deals unchanged this year after its imports increased by about 30% in 2008. China's Zhuhai Zhenrong Corp and Sinopec Corp have renewed their contracts to buy a total of about 400,000 bpd of crude this year from Iran. Iran shipped 435,000 bpd of crude oil to China in the first 11 months of 2008, including term and spot cargoes. Zhuhai Zhenrong has extended its agreement with National Iranian Oil Co to import 240,000 bpd of crude for 2009 while Sinopec has agreed to import 150,000-160,000 bpd of Iranian crude this year, unchanged on the year.

Germany's BAFA said the country's crude oil imports in the 12 months to November totaled 53 billion euros or \$72.48 billion, up 31.2% on the year. Crude oil imports in the 12 months were 1.2% lower on the year at 105.3 million tons.

Japan's Cosmo Oil Co will convert an existing facility at its Sakai refinery to produce ethanol-based gasoline additive ethyl tertiary butyl ether starting in 2011. It plans to begin remodeling the 1,700 bpd MTBE unit in April.

Saudi Aramco has sold 170,000 tons of heavy grade fuel oil to Petrosummit and Vitol for loading in late January.

Glencore will ship at least 30,000 tons of naphtha from Europe to Asia in early April. It is the beginning of the arrival of arbitrage cargoes expected for February arrival.

Production News

Britain's North Sea Brent crude oil stream is scheduled to load about 154,000 bpd or 4.31 million barrels of crude in February, up from 4.22 million barrels in January.

The North Sea Forties crude oil stream is scheduled to load 664,000 bpd or 18.6 million barrels in February, down from 19.8 million barrels in January. Meanwhile the North Sea Ekofisk crude stream is scheduled to load 11.15 million barrels of crude in February, down from 13.5 million barrels in January. The North Sea Oseberg crude oil stream is scheduled to load 6.515 million barrels in February. The North Sea Statfjord crude system scheduled the loading of 5.985 million barrels in February, down from 6.84 million barrels in January. The North Sea Gullfaks crude system is scheduled to load 6.84 million barrels in February, down from 10.26 million barrels in January.

The National Iranian Oil Co announced that it has raised its February official selling prices for its crude grades. It increased prices for crude bound for Asia by between 40 cents and \$1.20/barrel. It has also increased prices for its crude bound for Northwest Europe by up to \$1/barrel and to the Mediterranean by up to \$1.30/barrel.

BP Plc said it reached a final settlement with its joint venture partners in Russia's TNK-BP, giving the Russian side even more influence than the preliminary deal envisaged.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$42.13/barel on Thursday from \$45.75/barrel on Wednesday.

Market Commentary

The oil market retraced some of Thursday's losses and posted a high of \$42.70 in overnight trading. However the market erased its gains and sold off to a low of \$39.38, breaching a short term support line at \$40.07, in light of the Labor Department's non-farm payroll report for December. The Labor Department reported that non-farm payrolls fell for the 12th consecutive month in December by 524,000. The unemployment report further underscored the weak economic picture that has driven the oil complex lower. The oil market later bounced off its low and retraced more than 50% of its earlier move during the remainder of the session. It settled in negative territory for the fourth consecutive session, down 87 cents at \$40.83. The Feb/March crude spread widened further and settled at -\$5.30. We are still of the opinion that the spread could continue to widen. The crude market will continue to trade lower as long as the economic news remains bearish. It is seen finding support at \$39.38, \$37.95 and \$34.31 while resistance is still seen at \$42.70, \$43.63 followed by more distant resistance at \$49.09. The RBOB market continued to hold against the crude market and settled up 2.3 cents at \$1.1112. The market, which posted a low of \$1.0571 following the bearish

economic news bounced off that level and rallied to a high of \$1.1165 late in the session. The February RBOB crack continued to strengthen and settled at \$5.84. It is seen finding resistance at \$6.00 followed by \$6.75. The heating oil market settled in negative territory once again, down 3.19 cents at \$1.4877 after it retraced more than 50% of its move from a low of \$1.2136 to a high of \$1.6688 as it trade to a low of \$1.4388 early in the session. The market early next week will likely find some short term support amid the cold weather forecasts. The market is seen finding support at its low of \$1.4388, followed by \$1.3875 and \$1.3605 while resistance is seen at \$1.5467, \$1.5820 and \$1.6025.

Open interest FEB.09 207,749 -30,888 MAR.09 207,159 +13,475 APR.09 69,643 -2,735 MAY.09 45,945 -1,496 Totals: 1,187,901 -28,297 Heating oil (HO) FEB.09 46,197 -2,949 MAR.09 35,663 -506 APR.09 23,981 +853 Totals: 225,474 -1,072 NEW YORK HARBOR RBOB GASOLINE (RB) FEB.09 66,782 -5,933 MAR.09 41,169 +3,994 APR.09 20,592 -192 Totals: 192,857 -1,315.

The Commitment of Traders report for the week ending January 6th showed that non-commercials in the crude market increased their net long position by 12,110 contracts to 76,658 contracts. The combined futures and options report also showed that the funds increased their net long position by 11,326 contracts to 137,434 contracts as they cut their total short position by 8,672 contracts to 97,834 on the week. The funds increased their net long position as the market rallied back to the \$50 level. However the non-commercials have likely cut their net long position, given the market's retracement of its gains during the past few trading sessions. Meanwhile, the combined futures and options report also showed that non-commercials in the heating oil market increased their net long position by 1,227 contracts to 7,825 contracts while non-commercials in the RBOB market increased their net long position by 2,009 contracts to 53,486 contracts.

Crude Support	Crude Resistance
39.38, 37.95, 34.31, 33.75, 32.25, 29.66, 28.63, 26.65, 25.50	42.70, 43.63, 49.09, 50.47, 52.95, 53.75, 57.20
Heat Support	Heat resistance
1.4388, 1.3875, 1.3605, 1.2785, 1.1895	1.5467, 1.5820, 1.6025, 1.6478, 1.6688, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.055, 1.0333, .9843, .9669, .8978, .8755, 7760, .6840	1.1165, 1.20, 1.2405, 1.2750, 136.14